

2021 Mid-term Management Plan

Progress and Prospects

May 29th, 2020

Toshiaki Higashihara
President & CEO
Hitachi, Ltd.

<Recognition of current situation>

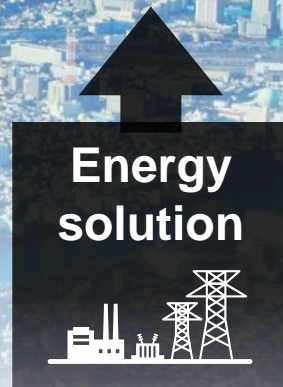
- Real GDP growth rate of each country in Q2 2020 will decrease by more than 15%
- FY2020 revenues of Hitachi are forecasted to decline by approximately 1 trillion yen (vs. FY2019)

Today's Key Messages

1. **Growing through the “Social Innovation Business,” coexisting with COVID-19**
2. **Accelerating the Social Innovation Business and strengthening “cash management,” “global operational renovations,” and “securing and development of human capital”**
3. **Committing to “FY2030 Carbon Neutrality,” in support of our goal to become a leader in creating environmental values**

Growth through Social Innovation Business

Improving the Quality of Life and
adding values for customers



Product

Product

Product

Product

Product



Achievements in FY2019

Strengthening digital business (Lumada)

- Strengthened digital solutions platforms (Transformation into the new Hitachi Vantara: Jan. 2020)

Transformation of the business portfolio

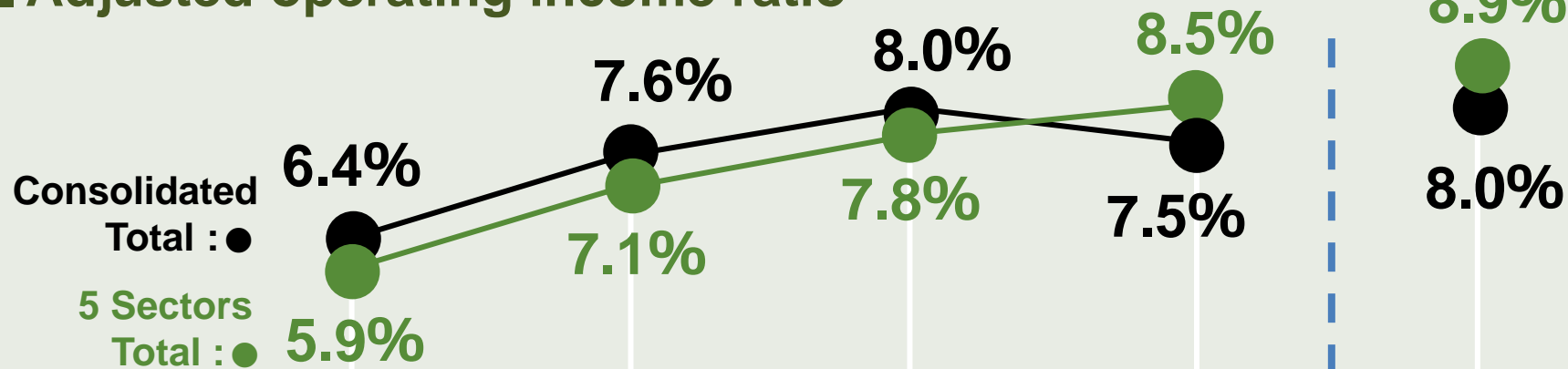
- Strengthened North American industrial business: Entry into the robotics system integration business
- Working toward goal of securing a larger market share (No. 1-3) in the auto parts space
 - Acquired Chassis Brakes International (Oct. 2019)
 - Business integration with Keihin, Showa and Nissin Kogyo (announced Oct. 2019)
- Reorganized listed subsidiaries, etc.
 - Transferred Hitachi Chemical to Showa Denko (Apr. 2020)
 - Made Hitachi High-Tech a wholly-owned subsidiary (May 2020)
- Transfer of diagnostic imaging-related business to Fujifilm (announced Dec. 2019)

Response to management issue

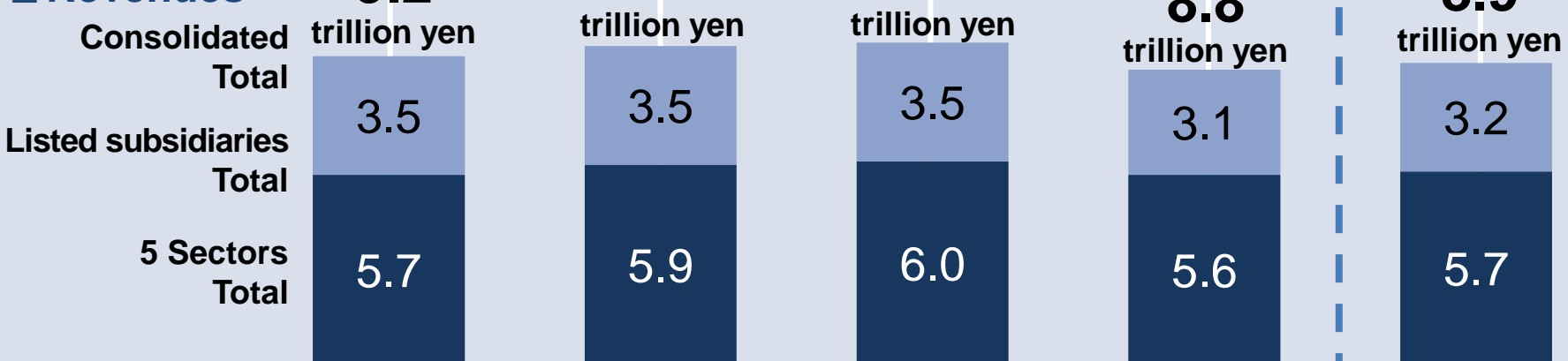
- South Africa project: Reached a settlement with Mitsubishi Heavy Industries (Dec. 2019)

1.2 Results for FY2019

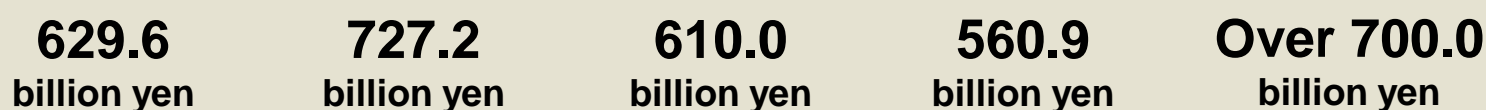
Adjusted operating income ratio



Revenues



Operating Cash Flow



FY2016
(Result)

FY2017
(Result)

FY2018
(Result)

FY2019
(Result)

FY2019
(Excl. COVID-19
impacts, etc.*1)

*1 Excluding the impacts of COVID-19 and the settlement of the South Africa project, etc.

Accelerating the Social Innovation Business



Solving issues caused by COVID-19 through Social Innovation Business

“Human-centric”: Human needs accelerate innovations

“Societal changes” brought about by COVID-19

Remote

Contactless

Automation

Social Innovation Business

Co-creation and digital technologies

OT

×

IT

×

Products



Strengthening the business in areas where changes are occurring

Focused Business Fields

IT

- Focusing on digital transformation and cloud in the data economy (Data-driven value creation in government, railways, energy, medical care, etc.)

Energy

- Digitization of the grid
- Promotion of efficient power consumption (Data center, EV)

Industry

- Optimization of the distribution and manufacturing supply chain
- Automation and electrification of production

Mobility

- Digital railway operation and maintenance business

Smart Life

- Life science fields (Vaccine(RNA), biomedicine, regenerative medicine, etc.)
- Expanding market share in focused auto parts (EV)

Understanding the “required values” in each region

Europe

Eco-friendly grids/
Digital urban
transportation

Railway

Automotive

IT

Energy

Japan

National resilience/
Society 5.0

Railway/Building

Smart Life

Industry

IT

Energy

North America

Smart Industry/
Digital urban
transportation/
Data economy

Railway

Smart Life

Industry

IT

Energy

China

Aging population and
nursing care/
E-commerce

Railway/Building

Smart life

IT

Asia

Urban
modernization/
Digital social
infrastructure

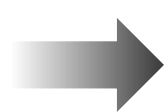
Railway/Building

Smart Life

IT

2.4 Business opportunities (digital field)

- Solving issues through customer co-creation
- Scaling solutions to each region with Lumada
- Expanding values through ecosystems globally



Aim for 1.6 trillion yen sales of the Lumada business overall in FY2021

Co-creation/Digital technologies

Connecting systems

Customers



Partners

Hitachi

Value creation platform in cloud
(Lumada Solution Hub)

Solutions

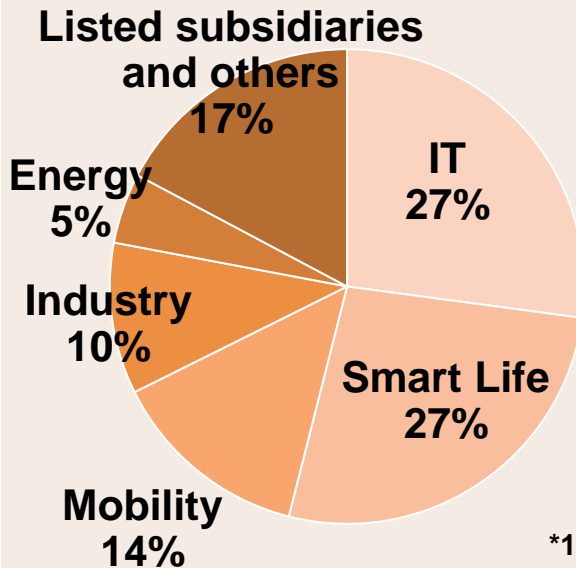
Over 1,000 customer cases accumulated



2.5 Current status of the Social Innovation Business HITACHI Inspire the Next

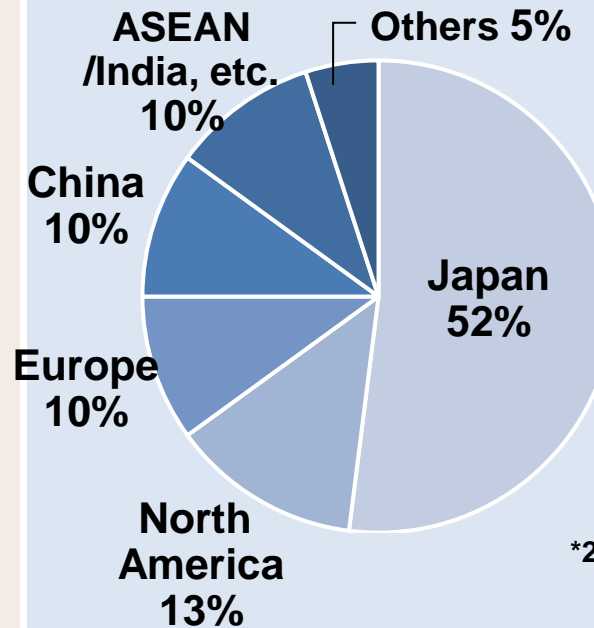
Business fields

Development in diverse business fields, based on IT, OT and products



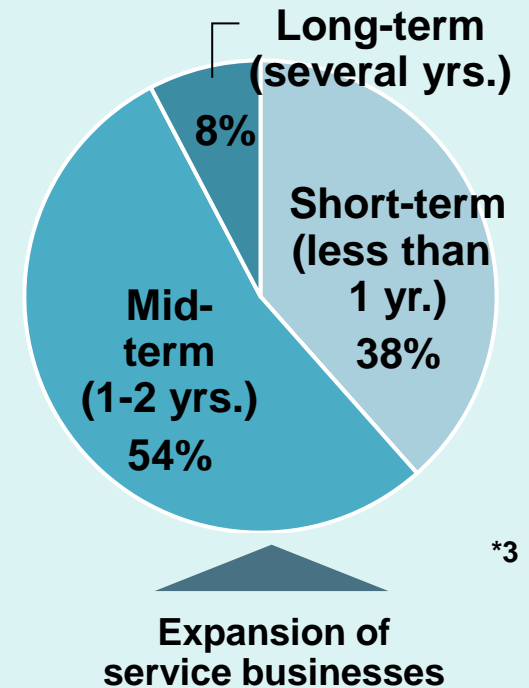
Regions

Global footprint



Business cycles

Businesses with different periods from order receipt to payment



*1: Component ratio of consolidated revenues forecast for FY2020

*2: Component ratio of consolidated revenues result for FY2019

*3: Component ratio of revenues of 5 sectors for FY2019

A scenic sunset over a beach. The sky is a mix of deep blue, purple, and orange, with wispy clouds. The sun is low on the horizon, creating a bright glow. The water is calm, reflecting the colors of the sky. A seagull is visible in the foreground on the left, and another one is further out in the water on the right. The overall mood is peaceful and serene.

FY2020 Management Policy

Growing in a society with COVID-19

Strengthening items

Strengthening the cash management

Implementing further global operational renovations

Securing and developing human capital

Continuing items

Completing the PMI

Transforming the business portfolio

Investments for future growth

Rapid response to societal and economic changes caused by COVID-19

1. Securing liquidity (1.3 trillion yen)

- Cash and cash equivalents as of the end of FY 2019: 812.3 billion yen
- Maintaining commitment line of 500 billion yen

2. Strengthening operating cash flow generation

- Securing the business opportunities
- Reducing working capital including inventories and executing global operational renovations

3. Managing investment cash flow carefully

- Reviewing the priorities of capital investments and other investments
- Execution of asset sales (real estate, stocks, etc.)

Introducing a new work style (working from home as a standard) and accelerating global operational renovations

➔ Gross margin 30%, SG&A 20%

Work style reform/ Remote work

- Redefining the work styles and creating the required environments
- Review and digitization of business processes
- Global shared services

Cost reduction through global operational renovations (on going)

- Reforming sales and indirect operations
- Manufacturing transformation
- Reduction in the number of companies and consolidation of offices

Digital Transformation



- **Engagement of 300,000 employees**
 - Encouragement and empowerment
 - Awareness of social engagement and social values
- **Promoting work styles for diverse human capital**
 - Introducing a new work style (working from home as a standard)
 - Transition to job-oriented human capital management
- **Securing and developing human capital who can lead social innovations globally**

(The number of digital talents: 30,000 in FY2019 → Over 37,000 in FY2021)





Creating social values and environmental values

4.1 Creating social values and environmental values: activities and achievements



IT



Contributing to economic development in India

Payment services

Over 0.4 bill. people



Energy



Supplying stable energy

Managing transformer sub-stations

1.8 bill. people
(cumulative total)



Industry



Facilitating an environment for clean water

City water and sewage systems

70 mill. users/day
(cumulative total)



Mobility



Providing safe and comfortable transportation services

Railway services

18.5 bill. riders/yr.
(cumulative total)



Smart Life



Contributing to QoL of people

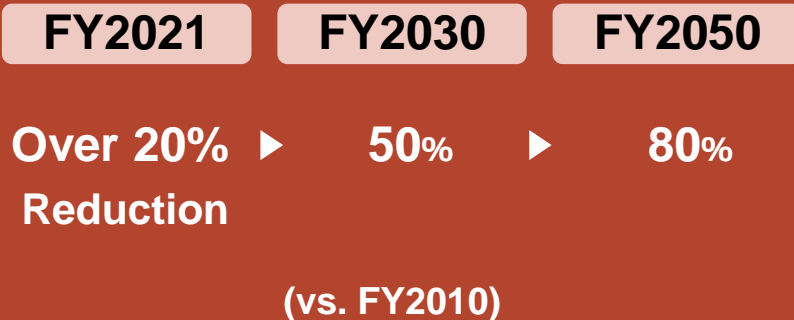
External diagnostics (e.g., blood testing)

20 bill. tests/yr.

Solving environmental issues through Social Innovation Business and achieving both a better quality of life and a sustainable society

Decarbonized society

Reducing the CO₂ emissions throughout the value chain



Resource efficient society

Building a water and resource recycling society



Main activities

- Reducing CO₂ emissions from usage of products, services, factories and offices

- Reducing freshwater use and promoting the use of recycled water
- Using recycled materials and reducing waste

“Realizing carbon neutrality in our own production by FY2030” to accelerate the creation of environmental value throughout our business

FY2030 Carbon Neutrality Commitment

**Raw material /
parts procurement**

Production

**Logistics / use /
disposal, recycling**

Main activities

- **Re-examine product design/processes**
- **Energy saving in manufacturing facilities**
- **Utilizing renewable energy facilities and renewable energy**

FY2020 forecasts and 2021 Mid-term Management Plan targets



5. FY2020 forecasts and 2021 Mid-term Management Plan targets

FY2020 Forecasts

Revenues

7.08 trillion yen

**Adjusted operating
income ratio**

5.3%

Net income attributable
to Hitachi, Ltd. stockholders

335 billion yen

**Operating
cash flow**

500 billion yen

**Return on
invested capital
(ROIC)**

5.7%

FY2020 forecasts are estimated based on the demand forecast of each business.

2021 Mid-term Management Plan Targets

**The annual growth
rate for revenues**

Over 3%

**Adjusted operating
income ratio**

Over 10%

**Operating
cash flow**
(cumulative for 3 yrs.)

**Over
2.5 trillion yen**

**Return on
invested capital
(ROIC)**

Over 10%

To be updated in the future based on the following circumstances

- Changes in the COVID-19 situation
- Acquisition of ABB's power grids business
- Business integration with Keihin, Showa and Nissin Kogyo

Hitachi Social Innovation is

POWERING GOOD

Cautionary Statement

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

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