

# 2021 Mid-term Management Plan

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- **Will become a global leader in Social Innovation Business**
- **Operate business to create three value propositions: improving customer's social values, environmental values, and economic values**
- **Plan on more aggressive investment in select focused areas for further growth**
  - 2.0~2.5 trillion yen investment for the next 3 years to come as opposed to 0.5 trillion yen for the 2018 Mid-term Management Plan
- **Strengthen corporate management system**
  - Introducing ROIC and improving capital efficiencies

The background features a complex financial data visualization. It includes a grid of numbers, some in blue and some in white, representing various financial metrics. Overlaid on this are several charts: a candlestick chart with white and blue bars, a line graph with a white line, and a bar chart with blue bars. The overall aesthetic is professional and data-driven.

# 2018 Mid-term Management Plan Financial Results



# 2018 Mid-term Management Plan: Financial Results

	FY2015	FY2018	
	(Results)	(Initial Targets)	(Results)
<b>Revenues</b>	10,034.3 billion yen	10,000.0 billion yen	9,480.6 billion yen
(ratios) <b>Adjusted operating income</b>	(6.3%) 634.8 billion yen	Over 8%	(8.0%) 754.9 billion yen
(exc. impact from the suspension of the Horizon Project) <b>Net income</b> attributable to Hitachi, Ltd. stockholders	172.1 billion yen	Over 400.0 billion yen	(512.2) 222.5 billion yen
(exc. impact from the suspension of the Horizon Project) <b>ROA</b>	2.6%	Over 5%	(6.2%) 3.3%
<b>Overseas revenue ratios</b>	48%	Over 55%	51%

([Adjusted operating income] = [Revenues] – [Cost of sales] – [Selling, general and administrative expenses])

A person wearing a patterned knit hat and a dark jacket stands on a rocky mountain peak, looking out over a vast landscape of mountains and a sea of clouds under a bright sun. The sun is positioned in the upper left quadrant, creating a lens flare effect. The sky is a clear, bright blue, and the clouds below are a soft, hazy white. The overall scene conveys a sense of vastness and achievement.

# Hitachi's Vision



# Urbanization

72% increase in urban populations worldwide (2050)

# Changing demography

Changes in workforce  
The ratio of population aged 60 and over to double in 2050 from 2000

# Climate change and resource shortages

Global demand for energy to be increased by 50% and water usage as well by 40% in 2030

## Society 5.0



## SDGs



# Achieving a sustainable society through the 'Social Innovation Business'

Hitachi will create:







## **What capabilities does Social Innovation Business need?**

**Capability to connect the cyber and physical spaces  
and make them interact mutually,  
where professional knowledge and experiences  
matter most**



# Cyber Physical Systems



Cyber Space

Data



OT for Real

“Real”  
Physical Space

# **Beyond Digital Beyond Real**

**To accelerate innovation together with  
partners throughout the world**

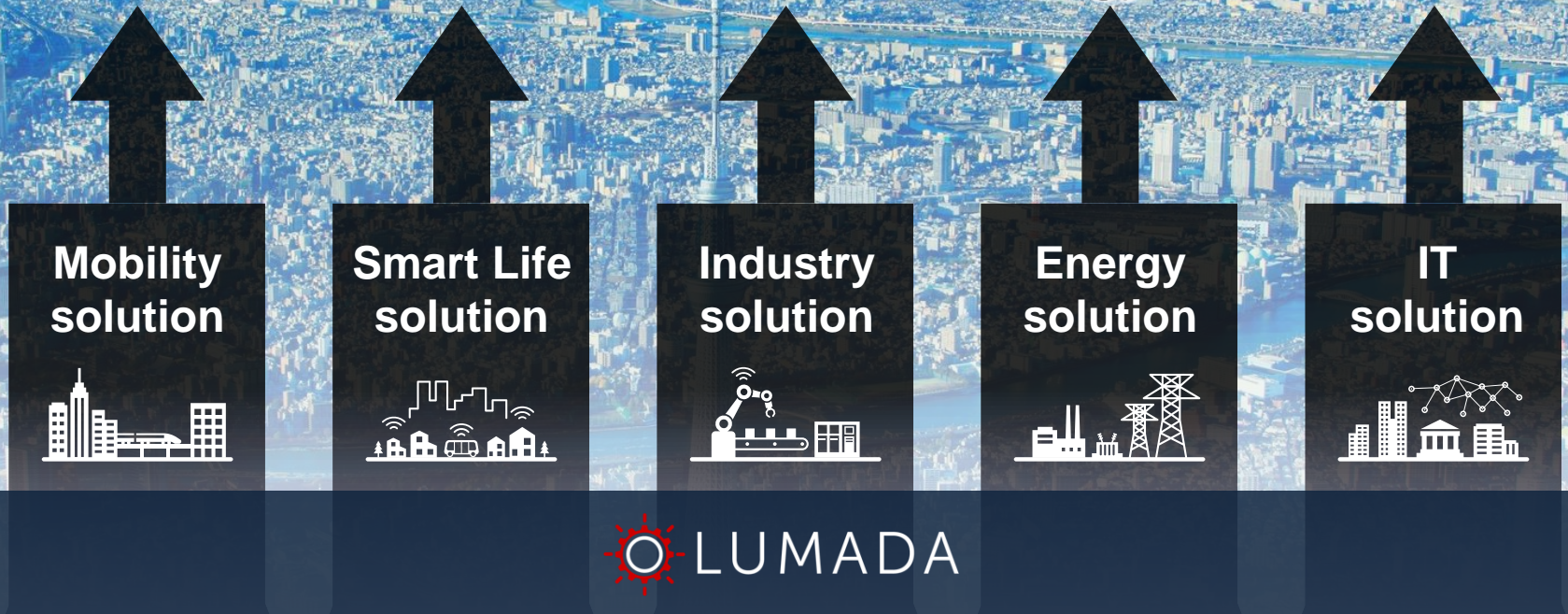




# To improve the Quality of Life and add values for customers



To increase the three values of social, environmental and economic by five-sector business and technology solutions



Product

Product

Product

Product

Product

**2-2.5 trillion yen**

To increase investments:

- Operational cash flow plus leverages
- Attention to the cost of capital (e.g., to use ROIC as a KPI)

**0.5 trillion yen**



**2015 Mid-term  
Management Plan**

**0.5 trillion yen**



**2018 Mid-term  
Management Plan**

**ABB  
Power Grids  
Business**

**2021 Mid-term  
Management Plan**



# Investments to focus on 'Industry' and 'IT', including Lumada

	Major investments to date	Strategies for the 2021 Mid-term Management Plan
<b>Mobility</b>	<ul style="list-style-type: none"> <li>● Acquired 100% of Ansaldo STS</li> <li>● PTO*1 of Yungtay Engineering (Taiwan)</li> </ul>	<p><b>To explore growth</b></p> <ul style="list-style-type: none"> <li>● Global rollouts by using acquired assets</li> </ul>
<b>Smart Life</b>	<ul style="list-style-type: none"> <li>● Consolidations of Hitachi Medical and Hitachi Aloka Medical</li> <li>● Reorganization of automotive businesses</li> <li>● Merger of home appliance businesses (Established GLS*2)</li> </ul>	<p><b>To improve profitability</b></p> <ul style="list-style-type: none"> <li>● Plan and execute strategic actions for future growth</li> </ul>
<b>Industry</b>	<ul style="list-style-type: none"> <li>● Acquisition of Sullair</li> </ul>	<p><b>More strategic investments</b></p> <ul style="list-style-type: none"> <li>● Industrial SI, including robot SI such as the acquisition of JR Automation Technologies</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>● Reached a basic agreement with ABB on the acquisition of its power grids business</li> </ul>	<p><b>To prepare for growth</b></p> <ul style="list-style-type: none"> <li>● Focus on PMI*3 of ABB power grids business</li> </ul>
<b>IT (Lumada)</b>	<ul style="list-style-type: none"> <li>● Acquisition of Pentaho</li> <li>● Launched and expanded Lumada</li> </ul>	<p><b>More strategic investments</b></p> <ul style="list-style-type: none"> <li>● To make Lumada open and create eco-system</li> </ul>

# Even more strengthened Lumada accelerates Social Innovation Business



To establish a new corporate venturing fund company  
Investment amount : US\$150M~



The central Lumada box features the Lumada logo (a red sun-like icon) and the word 'LUMADA' in white. Below this, the text 'Solution cores' is displayed. Underneath, there is a grid of six boxes, each containing the text 'Solution Core', arranged in two columns and three rows.





**Operational reforms**

**Sales/indirect functions reform**

**Safety**

**Quality Assurance/ Compliance**



## Digital Transformation

- To upgrade work processes by using AI, RPA, etc.
- To improve production systems
- To reduce the number of affiliated companies

- To eliminate unsafe actions
- To increase cyber security capability
- To manage quality assurance records automatically

**To improve profitability  
(Gross margin/SG&A)**

**To enhance social credibility**

A woman with long dark hair, wearing a white dress, is shown from the side, pointing her right index finger towards the upper right. The background is a clear, bright blue sky. The text is overlaid on the right side of the image.

**To make it possible for the  
Social Innovation Business  
to be real and substantial**



## Providing with safe, comfortable transportation systems and services



### Mobility Solutions × Lumada

- **Dynamic headway**  
(e.g., flexible and automatic operations to be met with changes in demands)
- **Remote monitoring services for buildings**

**Examples : Providing safe, comfortable and environmentally-friendly railway services for 18.5 billion people worldwide per year**

**Business Units: Railway Systems BU / Building Systems BU**

## Designing smart cities to be more convenient and environmentally-friendly



### Smart life solutions × Lumada

- Smart cities
- Smart therapies
- Connected cars (CASE)
- Connected home electric appliances

**Examples : Providing with particle therapy systems, contributing to cancer treatment for 80,000 people worldwide**

**Business Units/companies: Healthcare BU / Hitachi Automotive Systems / Hitachi Global Life Solutions**



**Increasing the efficiency of customer's production and processing systems, and providing the supply of safe, secure city water, and sewage water systems**



## **Industry solutions × Lumada**

- **Smart logistics**
- **Smart maintenance**
- **Factory automation**
- **Water leakage detection systems**

**Examples : Supplying with city water, sewage water, and seawater desalination technologies to provide safe, secure water environments for 70 million people/day worldwide**

**Business Units / companies: Industry & Distribution BU / Water & Environment BU / Hitachi Industrial Products / Hitachi Industrial Equipment Systems**

## Providing stable, high-efficiency energy such as electricity and its management systems



### Energy solutions × Lumada

- Power grid solutions
- Energy management systems solutions

**Examples :** Managing 25% of the world's transformer sub-stations, and supplying 1.8 billion people with stable energy such as electricity.

**Business Units: Energy BU / Nuclear Energy BU**



# Accelerating customer's innovation with advanced IT solutions



## IT solutions × Lumada

- State-of-the-art financial and social IT services
- Enhancing the Lumada platform

**Examples : Working with The Vietnam Post to expand digital payment services to be more convenient for six million public fund recipients from 2020.**

**Business Units: Financial Institutions BU / Social Infrastructure Systems BU / Services & Platforms BU / Defense Systems BU**

# 2021 Mid-term Management Plan Targets





## Society

To provide safe, comfortable transportation services

Railway services

**18.5** bill. Riders\*/yr.

To provide clean water and sewage systems

City and sewage water systems

**70** mill. Users\*/day

To accelerate innovation

Data scientists (in the Hitachi Group)

Over **3,000**

## Environment

To reduce CO<sub>2</sub> emissions throughout the value chain

More than **20%** reduction (vs. FY2010)

To use water in an efficient manner (in the Hitachi Group)

Over **26%** improvement (vs. FY2010)

To use resources efficiently (in the Hitachi Group)

Over **12%** improvement (vs. FY2010)

## Growth

(The annual growth rate for revenues)

Over **3%**

## Profitability

(Adjusted operating income ratios)

Over **10%**

## Ability to generate cash

(operating cash flow:  
cumulative for 3 yrs.)

Over **2.5** trill. yen

## Return on invested capital (ROIC)

Over **10%**

## Globalization

(overseas revenue ratios)

Over **60%**



*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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**Inspire the Next**