

Hitachi Investor Day 2021

IT Sector

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1

Evolving into business organization which steadily generates double-digit adjusted operating income ratio

Evolving into business organization which steadily generates double-digit adjusted operating income ratio despite changes in business environment, supported by expansion of Lumada business which leads company-wide Social Innovation Business, and the results of structural reforms

2

Acquisition of GlobalLogic progressing as planned toward closing

Acquisition of GlobalLogic (Enterprise value: US\$ 9.5 Billion, EV/EBITDA multiple: 37.4x) progressing as planned toward closing by the end of July

3

Transforming to global player by combining GlobalLogic

Transforming to global player by combining IT Sector's SI capabilities in mission-critical area with GlobalLogic's digital engineering capabilities

4

Achieve both growth and profitability of Lumada business which exceed the market growth

Achieve both growth and profitability in the high-growth DX market by expanding Lumada business with the acquisition effect of GlobalLogic and maintaining high profitability in Japan

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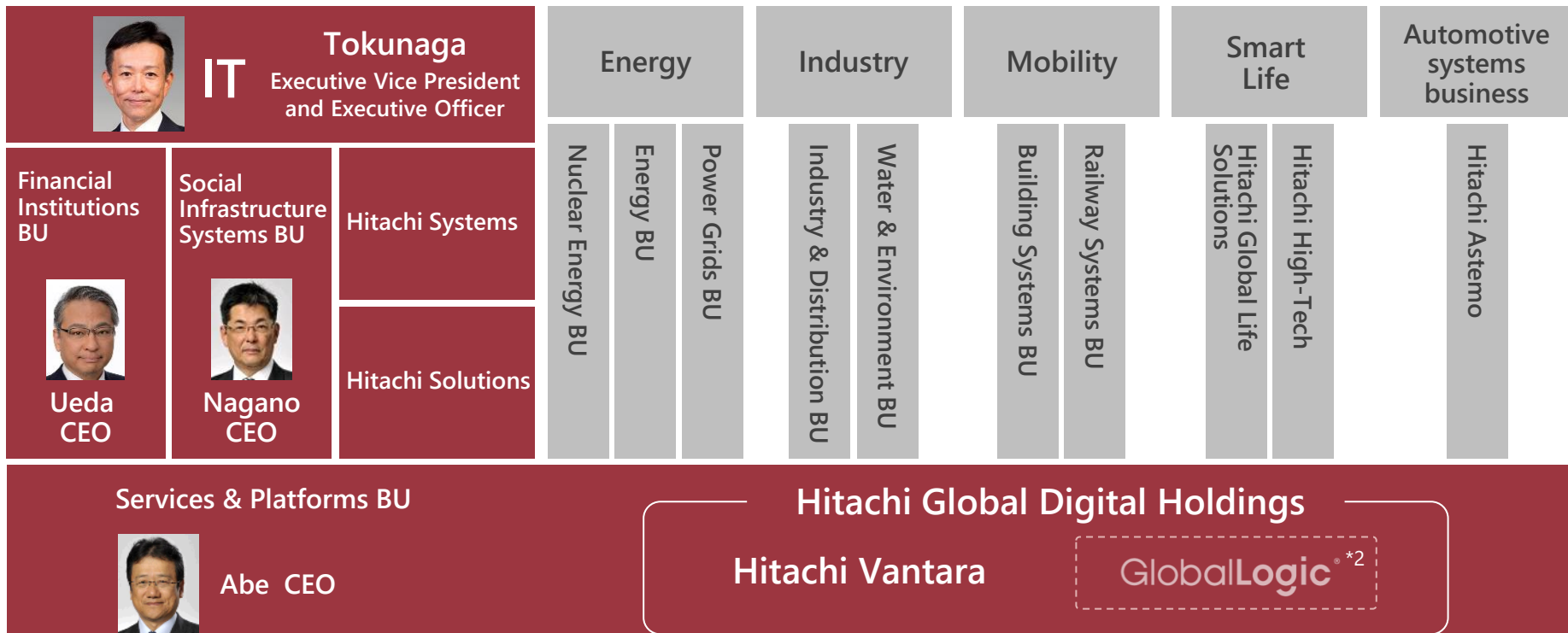
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1-1. Position of IT Sector

IT Sector Overview

Revenues (FY2020 results) 2,048.7 billion yen
 Number of domestic and foreign employees: approximately 72,000
 Business locations in 47 countries / regions*1



*1 : Number of countries / regions of consolidated subsidiaries classified in IT Sector (including Japan)

*2 : Acquisition is scheduled to be completed by the end of July 2021

1-2. History of IT Business

We have developed IT by building mission-critical systems that support people's lives and since the 2010s we have expanded our digital business to big data, AI and IoT



2000s

Omika Works recognized as a "Lighthouse advanced factory" by the World Economic Forum 2020

Lumada Solution Hub 2019

Establishes Hitachi Vantara 2017

Launches Lumada 2016

Hitachi AI Technology/H 2015

Starts providing big data-related services 2012

Systematizes Hitachi's cloud solutions 2009

Starts providing infrastructural solutions for shared use by e-municipalities 2007

Launches Security PC, a virtual desk-top computer (thin client) 2005

Launches an integrated channel solution for financial institutions 2004

1997 Launches TWX-21, Hitachi's business media service

1994 JP1, software for operation and management of an integrated system

1982 Builds the HITAC S810 super computer



1969 Online banking system

1969 Establishes Omika Works

1960 Starts the operation of a train seat reservation system

1959 Completes HITAC301, an office computer



1900s

1910 Foundation of Hitachi, Ltd.

Front Business

Financial Institutions BU

Builds and operates mission-critical systems, and develops and provides new financial solutions for megabanks, insurance companies, securities companies, local financial institutions and other clients

- Financial systems : IT for banks, insurance companies and securities companies
- Electronic payment services
- IT for local financial institutions
- ATM and managed services

Social Infrastructure Systems BU

Combines the latest technologies and our expertise accumulated through the development and operation of public, electric power, transportation and other social infrastructure systems to ensure the safety and security of services

- Public systems : The IT of national and local government offices
- Social infrastructure systems : IT for electric power, transportation and communication carriers
- Defense systems : IT and equipment for defense, aerospace and security

Hitachi Systems

Provides one-stop services covering the entire IT lifecycle, with strengths in business system development and system operation, monitoring, and maintenance based on approximately 300 locations nationwide

Hitachi Solutions

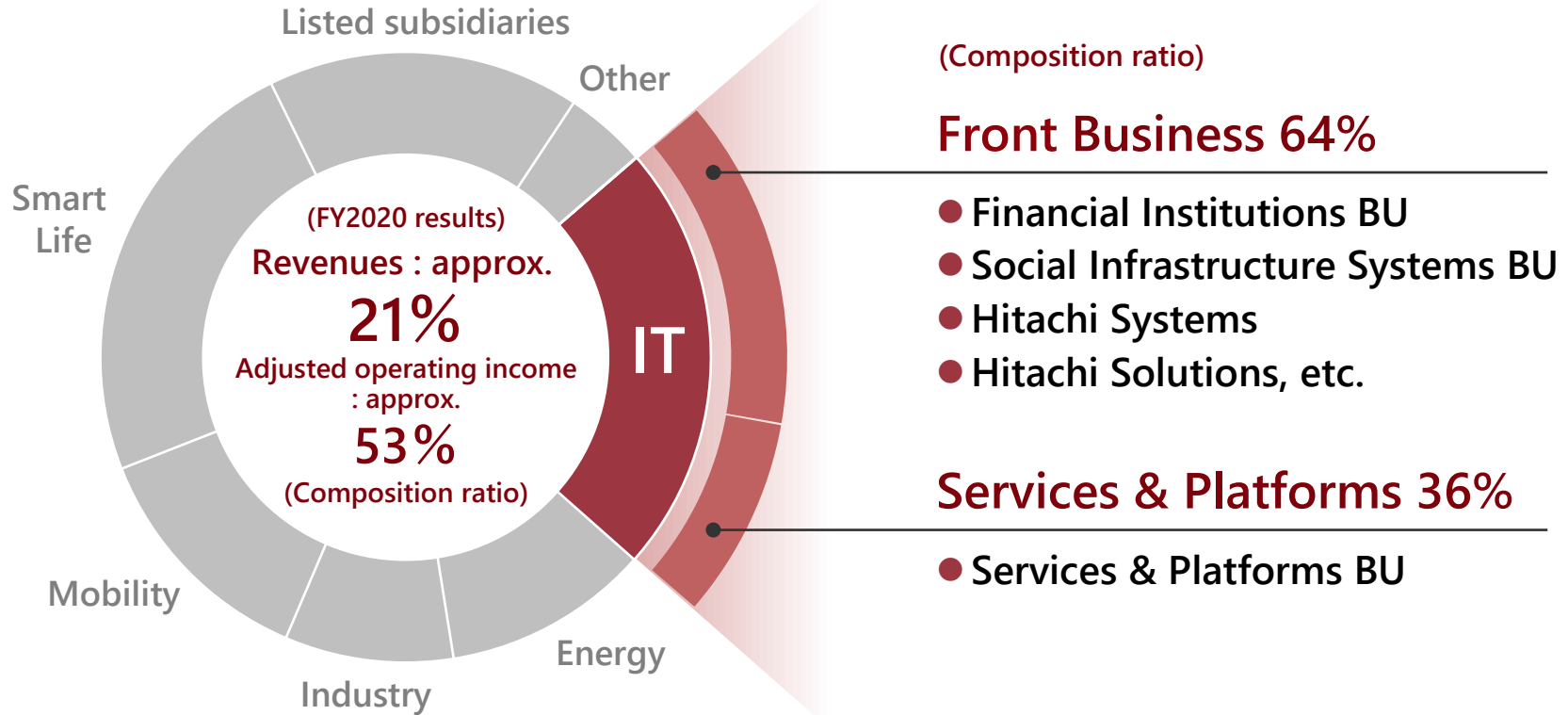
Provides digital solutions that combine the latest technologies, mainly for the manufacturing, distribution, and telecommunications industries, and provides one-stop support from implementation to operation

Services & Platforms

Services & Platforms BU

Centralizes technologies in Lumada and globally provides common infrastructure as a digital solution to deliver sophisticated services

- IoT platform
- AI
- Software
- IT products (Storage / Servers)
- Data analytics
- Cloud service
- Security
- Control system



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Ensure sustainable growth and profitability through
the Social Innovation Business

Improve Quality of Life
Add value for customers

Social value

Environmental
value

Economic
value

Resolve social and management issues by focusing on three key areas

Environment

Resilience

Security &
Safety

Provide OT × IT × Products as a Package



Lead Social Innovation Business by digital technologies and achieve Hitachi's growth through co-creation with customers around the world and alliances with partners



Global market and customers

Social Innovation Business



Co-creation, Alliances

Knowledge and data

OT × IT × Products

Accelerate revenue growth of company-wide Lumada business globally offering the best solutions/services for DX of customers and the society



**Reinforcing DX supports
for customers**

- Reliability + Innovativeness
- Expansion of co-creation
- Mission-critical IoT



Expanding global business

- Strengthen front / delivery function
- Expansion of software assets driven business



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3-1. Progress of 2021 Mid-term Management Plan

Established business operations capable of generating double-digit adjusted operating income ratio even in a changing environment

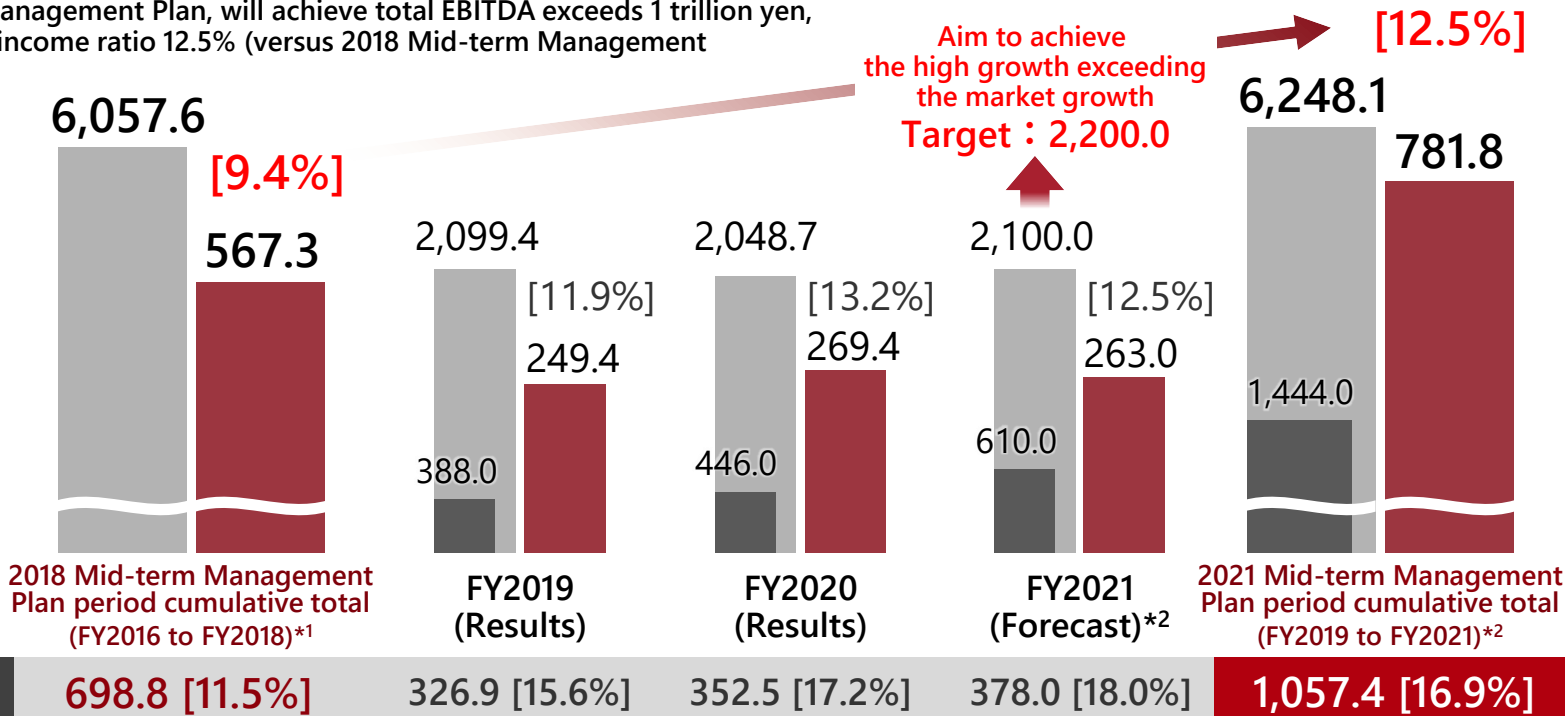
- Achieved record-high adjusted operating income and adjusted operating income ratio in FY2020 (269.4 billion yen, 13.2%)
- In 2021 Mid-term Management Plan, will achieve total EBITDA exceeds 1 trillion yen, adjusted operating income ratio 12.5% (versus 2018 Mid-term Management Plan+3.1 points)

Unit: billion yen

[] : Adjusted operating income ratio



Revenues from Lumada core business of IT Sector



*1 : Former Information & Telecommunication System Segment

*2 : Assuming the acquisition of GlobalLogic to be closed on July 1, 2021, and nine months earnings to be consolidated. Acquisition-related amortization for GlobalLogic is included.

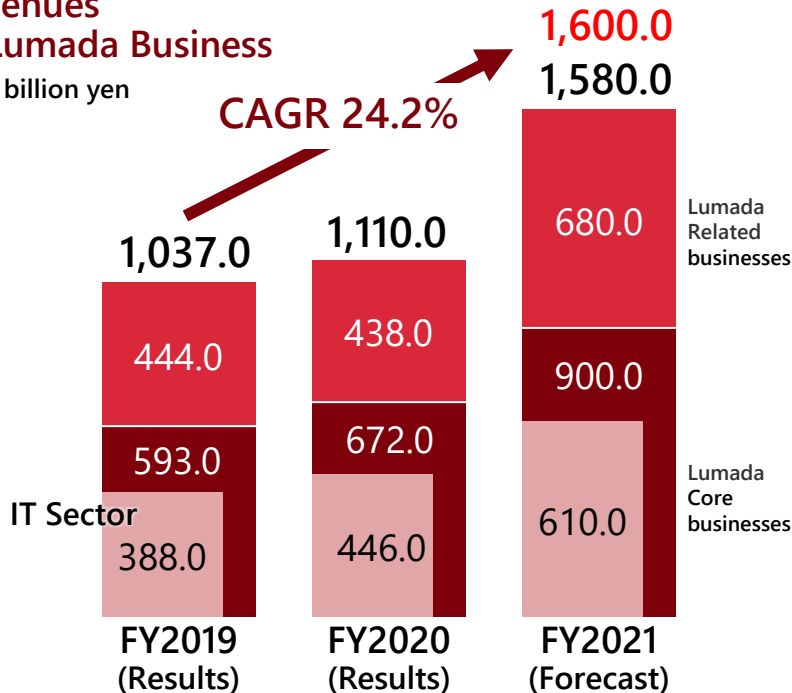
3-2-1. Status of Lumada Business (1)

Lumada core business has expanded by steady promotion of Lumada business expansion measures, and the company-wide Lumada business has grown. Enter a phase of revenue growth exceeding the market growth

Revenues of Lumada Business

Unit: billion yen

(2021 Mid-term Management Plan target)



Business expansion measures

- Acquisition of companies with expertise in SaaS business and digital engineering**
 - FusioTech (Malaysia)
 - GlobalLogic (US)
- Expansion of co-creation with customers and partners**
 - Lumada Alliance Program(FY2021 target: 100 companies)
 - Established Lumada Innovation Hub Tokyo, etc.
- Development of an environment for reusing solutions (Lumada Solution Hub)**
 - 30 solutions → More than 100 solutions (FY2019 → FY2020)

Rate of market growth (2018 → 2023)

Market	Global	Domestic
DX market*1	16.0%/year	14.8%/year
IT market*2	5.2%/year	3.3%/year



*1 : Source: IDC Worldwide Digital Transformation (DX) Investment, Trends and Highlights in a COVID-19 World (August 2020)

*2 : Source: IDC Worldwide Black Book: Live Edition 2021 V2 (May 2021)

Lumada solutions are starting to scale smoothly into various areas



Environment

Management of environmental information / Decarbonized management

Support the calculation of power consumption and GHG emissions. Use the cloud to efficiently centralize, manage and report data that complies with reporting standards

(Improve ESG investment indices)

Manufacturing / Logistics and retailing / Real estate / Local municipalities / Electric power

- KOSÉ
- SEVEN-ELEVEN JAPAN
- Daiwa House Asset Management



Resilience

IoT payment / Regional revitalization

Digitally issue tickets for transportation and deliver tourism-oriented MaaS that connects map data and multiple services, such as transportation and tourism, and facilitates payments

Local municipalities / Transportation / Tourism / Logistics and retailing

- Trentino Trasporti S.p.A (Italy)
- ZENRIN



Security & Safety

Social infrastructure maintenance / Building national resilience

Support efficient inspections using water leakage detection sensors, drones, underground radar and other technologies. Utilize AI to contribute to the reduction of accidents and maintenance costs and to post-disaster recovery

Local municipalities / Gas and electric power companies / Communications infrastructure / Roads and bridges, etc.



3-3-1. Outline of GlobalLogic Acquisition (1)

GlobalLogic®

With superior digital product engineering and experience design capabilities, deploy services which innovate customer's operations and create new digital value



Collaborative Creation Hubs (Designing Studios)

8
sites

- Experience design with expertise in a wide range of industries and track records of Collaborative Creation



Delivery Bases (Engineering Centers)

30
sites

- Digital engineering that can handle from Chip-to-Cloud
- Agile development that quickly implements the value



Existing Customers companies or more

400

- Solid client base in a wide range of industries, including communications, finance, automotive, healthcare, media, manufacturer, etc.

Revenues (FY2020 Results)

928 (million USD)
(YoY +20.1%)

Adjusted EBITDA ratio (FY2020 Results)

23.9%
(FY2019 23.2%)

Name	GlobalLogic Inc.
Head Office	San Jose, California, USA
Title and name of representative	President and CEO: Shashank Samant
Description of Business	Full-lifecycle product development services, user experience design, product design, content engineering, product research & ideation, sustaining engineering, product engineering, product testing & quality assurance, and product re-platforming
Establishment Date	September 22, 2000

3-3-2. Outline of GlobalLogic Acquisition (2)

Closing: Planned to be a wholly owned subsidiary by the end of July 2021

Acquired Business	GlobalLogic Inc.* ¹ (Head office: San Jose, California, USA)		
Structure	Reverse triangular merger method by cash consideration To be a wholly owned subsidiary of Hitachi Global Digital Holdings		
Enterprise value	US\$ 9.5 Billion (approx. 1,026.0 billion yen)* ² → EV/EBITDA multiple: 37.4x (CY2021), 29.4x (CY2022)		
Financing	Cash on hand and bank borrowings		
Financial Soundness	● Impact on Consolidated B/S	Total Assets	1,150.0 billion yen
		Goodwill	710.0 billion yen
		Intangible assets	390.0 billion yen (Amortization: 32.0 billion yen/year)
		Interest-bearing debt	1,030.0 billion yen
	● Financial discipline	Plan to reduce D/E ratio to less than 0.5x and Debt/EBITDA multiple to less than 2.0x within a few years by building up free cash flow and selling off assets	

*1 : In the scheme, acquire stocks of GlobalLogic Worldwide Holdings Inc., a holding company of GlobalLogic Inc.

*2 : Agreed on an equity value of 8.5 billion U.S. dollars (approx. 918.0 billion yen), and the total acquisition cost, including repayment of GlobalLogic's interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approx. 1,036.8 billion yen).
Exchange assumption : JPY108 / US\$

Build dedicated teams and driving necessary activities as planned for closing



- Regulatory approval for closing is progressing as scheduled



- Retention of employees, including key talent, is going steadily



- The work for integration, such as examining the organizational structure and designing governance, is progressing as planned
- Hitachi's organizational structure has been established to review the creation of synergies immediately after closing

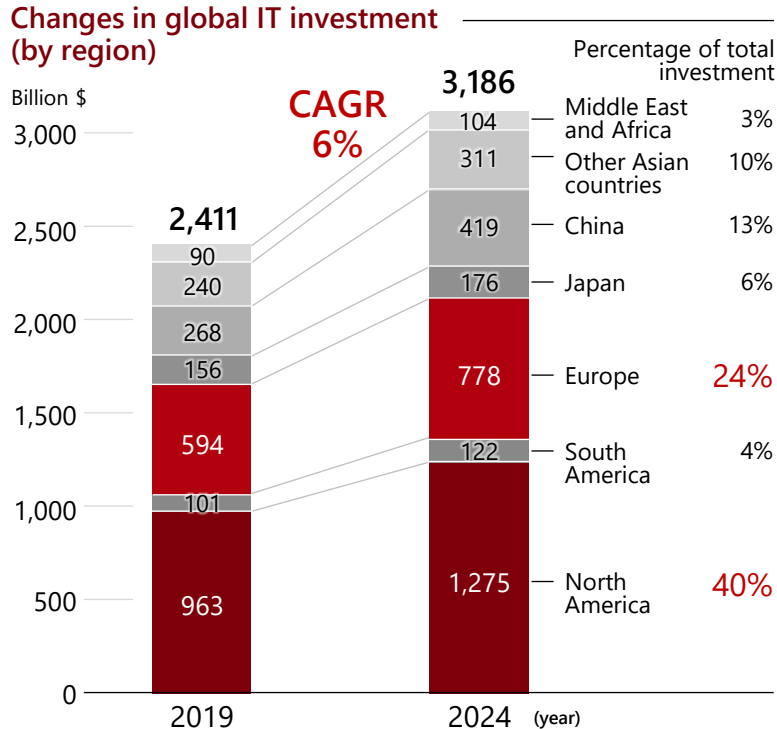
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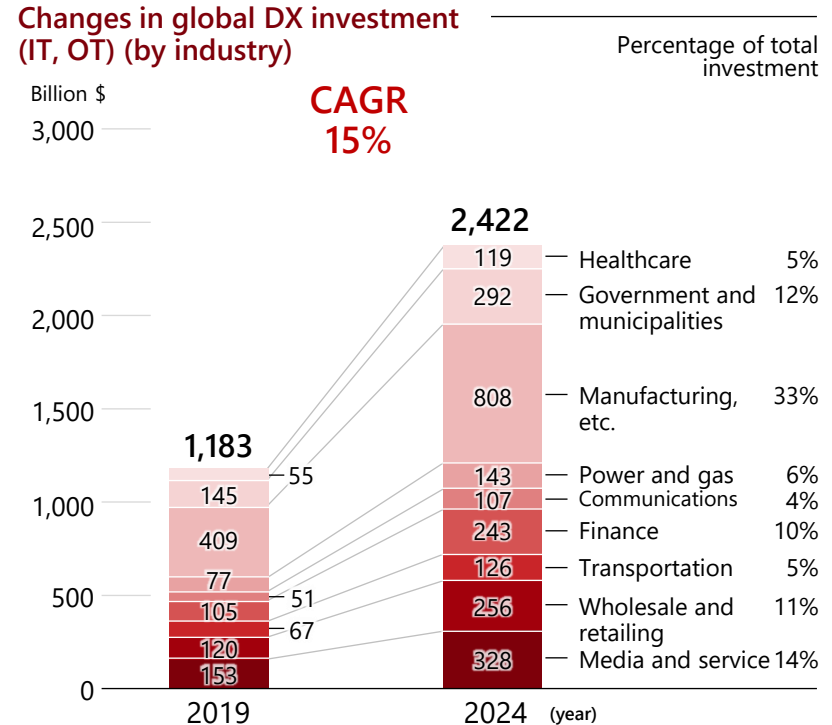
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4-1. Market Analysis

North America and Europe account for two-thirds of the global IT market. Despite the uncertain economic conditions, customers' DX investment remained steady in all industries



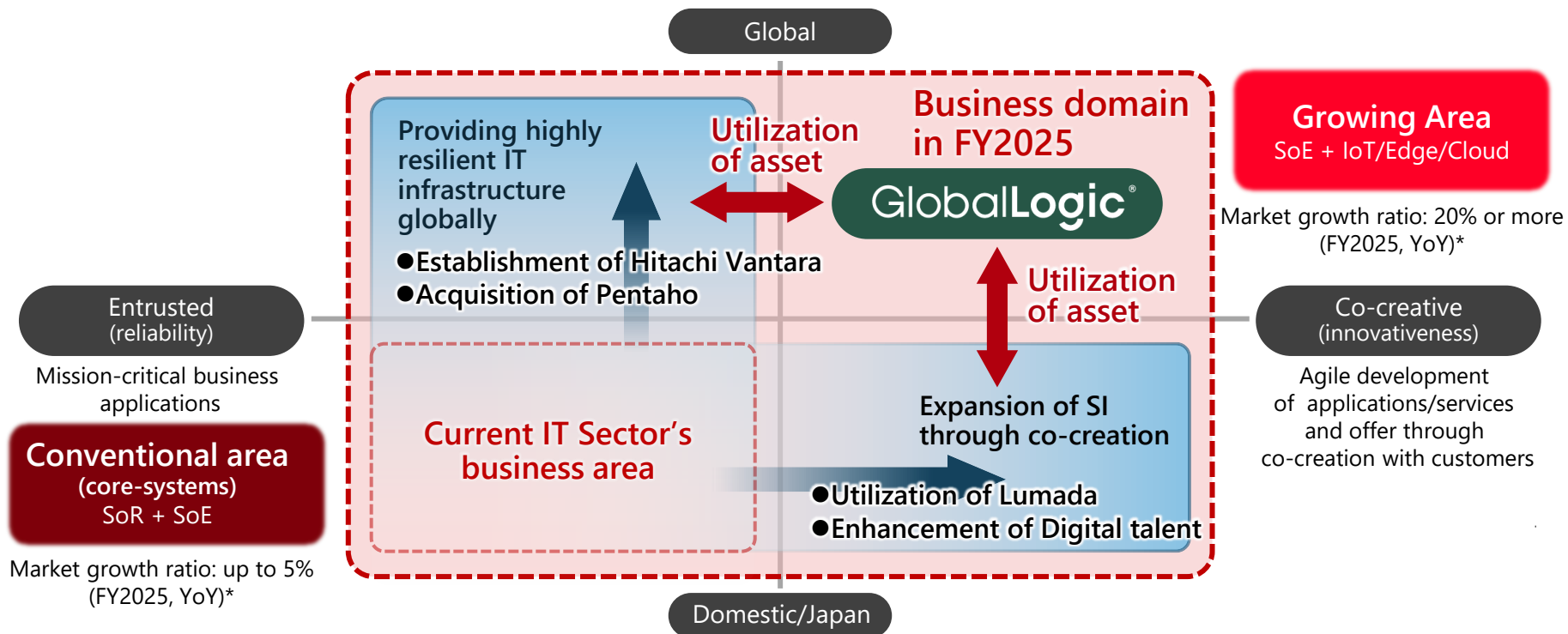
Source: IDC Worldwide Black Book: Live Edition 2021 V2 (May 2021)



Source: IDC Worldwide Digital Transformation Spending Guide (April 2021)

4-2. Transformation for Growth

Accelerated gradual transformation of IT Sector for growth. Aim to become a business organization that supports DX of customers and society globally with GlobalLogic



Achieve higher growth rate by GlobalLogic to develop Lumada business globally leveraging Hitachi company-wide assets

Type 1

Cross-Selling

Deploy GlobalLogic's innovative applications/services to Hitachi customers
Offer Hitachi's business applications with strengths in mission-critical domain to GlobalLogic customers

Type 2

Leverage of existing software assets

GlobalLogic to expand software assets driven business globally to scale-up accumulated Lumada customer cases over 1,000 on Lumada Solution Hub

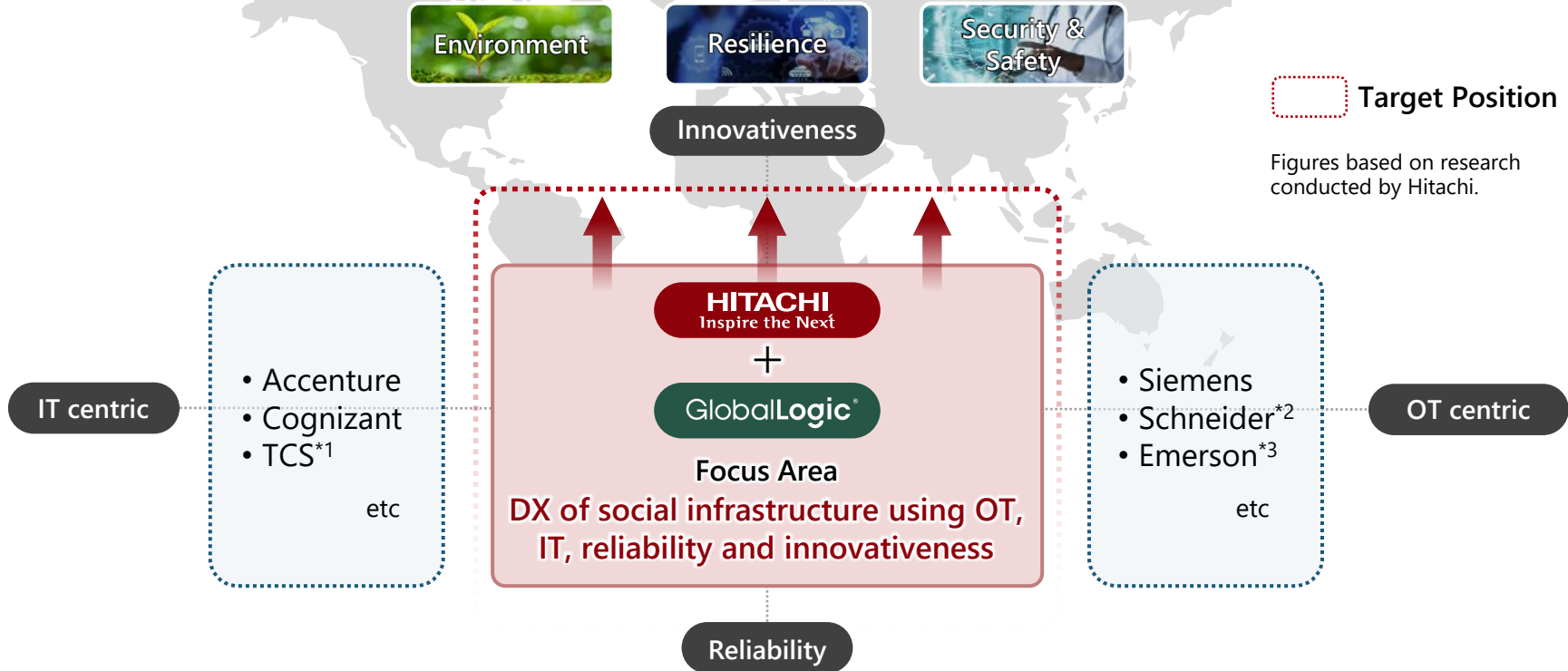
Type 3

Development of new solutions

Add high value to Hitachi products by leveraging GlobalLogic's digital engineering capabilities.
Develop new Lumada solutions for DX of social infrastructure by strengthening co-creation with customers.
Expand Hitachi company-wide Lumada business in large-scale and high growth markets, North America and Europe, strengthening collaboration with Hitachi ABB Power Grids, Hitachi Rail and JR Automation

4-4. Business Position in the DX market

Achieve a competitive business position in the DX market of social infrastructure which requires knowledge of OT and IT and development capabilities with reliability and innovativeness



*1 : Tata Consultancy Services, *2 : Schneider Electric, *3 : Emerson Electric

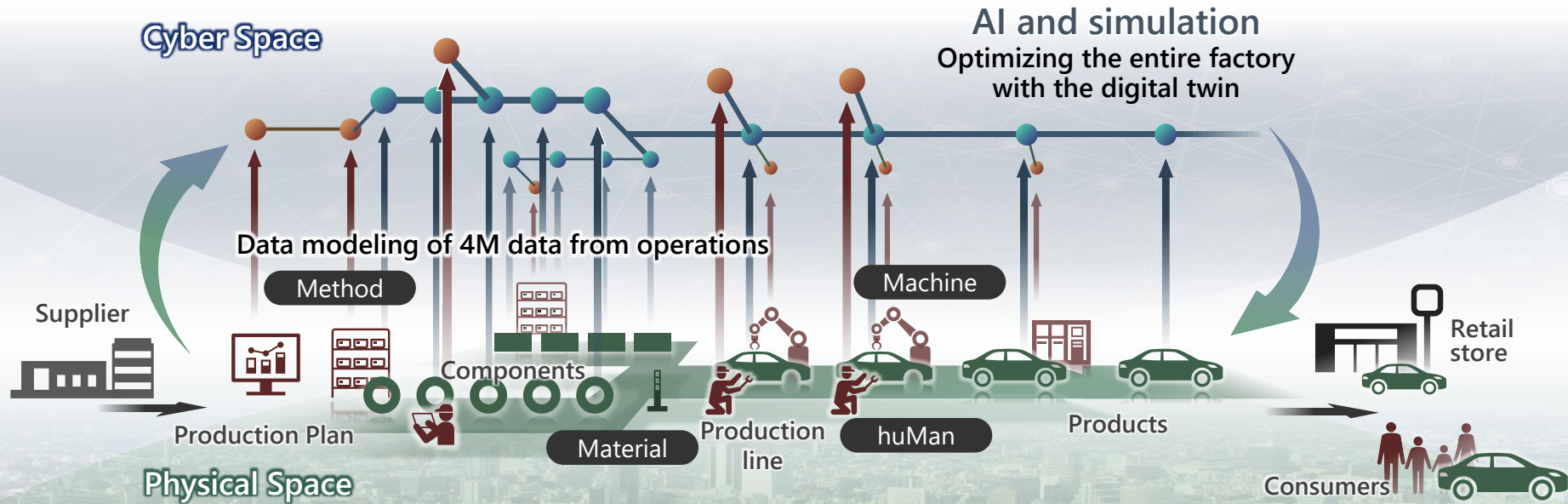
4-5. "Mission-critical IoT" demonstrating strengths in DX of social infrastructure

Expanding company-wide Lumada business by providing total solutions ranging from products to DX applications which digitally optimize social infrastructure



4-6. Problem-solving application for Manufacturing

Digital twin solution enables to recreate 4M data of Physical Space in Cyber Space to optimize the entire production process



Realization of real-time control enables resilient response to unexpected changes in the manufacturing environment

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Strengthening energy-saving and reducing CO₂ emissions through internal activities and business operations to achieve Hitachi Carbon Neutrality 2030

Visualizing power demand and utilizing renewable energy

Initiatives for carbon neutrality at the Omika Works

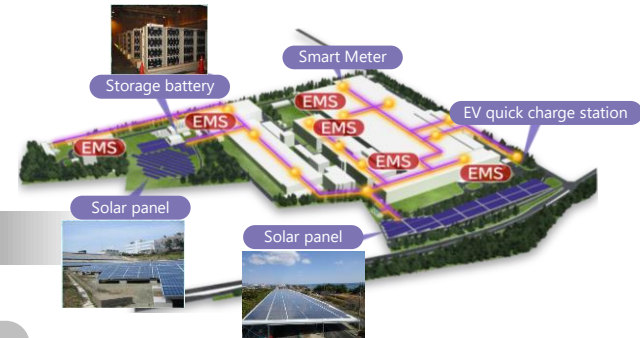
- EcoAssist to centralize and visualize smart meter data and predict power demand
Promote the use of renewable energy with solar power generation and storage batteries to reduce CO₂ emissions
- Peak load shifting through the linking of the EMS with the production plan

Reductions (versus FY2010)

Contracted power: Reduced 29%

8,000KW

5,700KW



Equipment of Omika Works relating to the optimization of power use

Utilize technologies and expertise developed in domestic and overseas smart grid demonstration

Optimize the supply-demand balance of electricity to accelerate the introduction of renewable energy

- Manage the multiple distributed power supplies as the single virtual power plant(VPP) for resolution of the fluctuation of power demand due to weather change which is an issue that impacts the efforts to increase the use of renewable energy
- Achieve a demand/supply balance and support efforts to keep stable systems

➔ Selected as a system vendor for the Smart Grid Development Master Plan demonstration project led by the Thai government



Resolve social and management issues through digital technologies

IT Sector will become a global digital company that leads the DX market by meeting the expectations of customers and society

FY2022 : Hitachi targets 10% adjusted operating income ratio

IT Sector keeps double-digit adjusted operating income ratio even including GlobalLogic acquisition-related amortization, contribute to Hitachi group results

Aim to achieve Hitachi group's revenue expansion that exceeds the growth rate of the high-growth DX market

With the IT Sector leading the way, Hitachi Group to achieve Lumada business revenue of 3 trillion yen and adjusted operating income of 500.0 billion yen in FY2025 (Lumada Business FY2020-2025 CAGR : 22.0%)

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IT sector leads Hitachi's growth as Hitachi seeks to transform into a digital company globally advancing the DX of social infrastructure

Growth (value) drivers

Risk factors

Macro factors

Global

- Increase in DX investment, mainly in North America and Europe
- Global trend toward decarbonization and the expansion of businesses relating to renewable energy

Japan

- Digitalization of social infrastructure accelerates in finance and the public sector, as shown by the establishment of the Digital Agency and the amendment of the Banking Act

- Fluctuation of exchange rates

- Prolongation of investment control due to COVID-19
- Disruption of supply chain due to climate change and the increasing number of natural disasters
- Increasingly sophisticated cyberattacks

Micro factors

- Increase in demand for cloud native software and X-as-a-Service
- Acquisition of GlobalLogic
- N-fold magnification through the expansion and horizontal development of investment in business application development (Scale by Digital)

- Cooperation with GlobalLogic to advance PMI
- Business portfolio reform
- Retaining Digital talent

- Shrinkage of the mainframe market
- Intensification of price competition in the data platform market
- Shrinkage of the market due to the acceleration of the reorganization of local banks

Appendix: Business Performance Trend

Unit: billion yen

	FY2019 (Result)	YoY	FY2020 (Result)	YoY	FY2021 (Forecast)	YoY
Revenues	2,099.4	99%	2,048.7	98%	2,100.0	103%
Overseas revenue ratio	26%	(3) points	25%	(1) point	30%	+5 points
Adjusted operating income	249.4	19.3	269.4	20.0	263.0	(6.4)
Adjusted operating income ratio	11.9%	+1.1 points	13.2%	+1.3 points	12.5%	(0.7) points
EBIT	214.4	1.8	244.8	30.4	246.0	1.2
EBIT ratio	10.2%	+0.2 points	12.0%	+1.8 points	11.7%	(0.3) points
EBITDA	326.9	25.3	352.5	25.6	378.0	25.5
EBITDA ratio	15.6%	+1.4 points	17.2%	+1.6 points	18.0%	+0.8 points
ROIC	18.4%	(1.2) points	17.8%	(0.6) points	13.0%	(4.8) points

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 report.

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:

- exacerbation of social and economic impacts of the spread of COVID-19;
- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, 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;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- 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;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- credit conditions of Hitachi’s customers and suppliers;
- 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;
- 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;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- 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 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;
- 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;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property; 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 elsewhere in this report and in other materials published by Hitachi.

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