

Hitachi Investor Day 2021

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# Overview of Strategic Direction

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General Manager of Smart Life Business Management Division

[Planned to be appointed as President & COO on June 23, 2021]

Hitachi, Ltd.

# 1. Hitachi's Vision

Create social, environmental and economic value through the Social Innovation Business and ensure sustainable growth and profitability to return the benefits to stakeholders

Resolve the issues faced by customers and society through the integrated provision of OT × IT × Products



**OT**

Digitalize tacit knowledge on-site and use AI to ensure an advantage



**IT**

Lead the digitalization of customer business processes through co-creation



**Products**

Expand globally by leveraging OT and IT through strategic collaboration

Strengthen the OT/Products business portfolio to expand the Lumada business globally, with the goal of becoming a global leader in the Social Innovation Business

Strengthen the IT business system in stages, working towards the global development of Lumada

Expand the Lumada business (IT)



Acquire OT/Products and customer channels through M&A activities and the establishment of JV

Strengthen the business portfolio (OT/Products)



# 3. Towards Continued Growth

## Growth

### Growing with digital technology

Stable adjusted operating income over 1 trillion yen  
A half of overall profit to be earned  
by Lumada business

## ESG

### Deepening ESG management

Become one of the world's leading companies in  
D&I, environmental management and  
corporate governance

## Returns

### Returning of benefits

Become a more attractive company  
for stakeholders  
(employees and shareholders)

## Hitachi's Vision for 2025

### Environment

Support the decarbonization of  
social infrastructure through  
environmental product x digital technologies

Business fields

Electrification/digital grid/railway

### Resilience

Support swift recoveries from natural  
disasters, pandemics and cyberattacks  
through digital technologies

Business fields

Financial/public/industry/logistics/cyber security

### Security & Safety

Support healthcare in an aging society  
through measurement and analysis x digital  
technologies

Business fields

In-vitro diagnostics/particle-beam radiation  
therapy/pharmaceutical solutions

**Expand R&D investment to accelerate innovation**

**Future R&D investment: 1.5 trillion yen (over three years)**

## Increase enterprise value with assets acquired through large-scale M&A

### Simplify

#### Simplified management

Improve human resources/asset value

- Visualize the results of IT x OT x Products through the Lumada business
- Management combining similar type of business and operations
- Clarify competitive benchmark companies

### Digitalize

#### Digitalized management

Increase speed of transformation

- Strengthen DX of headquarters functions such CRM, shared services, etc., and enhancement of risk management
- Accelerate growth in each sector by leveraging GlobalLogic's customer co-creation capabilities
- Expand cloud-based service business

### Globalize

#### Globalized management

Create value in regions, and grow

- Construct digitalized global headquarters
- Incorporate the shared services of Hitachi ABB Power Grids into the common global platform
- Increase the ratio of female and non-Japanese in executive officers and corporate officers to 30% each (2030)

# 5. Strengthen Innovation Capability

Invest in open innovation based on backcasting from 2050 in addition to current R&D efforts

## Industry forecast for 2050 (Example)

### 1. Progress toward decarbonization and a circular economy

- Hydrogen-powered mobility
- Energy storage
- Zero pollution
- Circulation of water/ carbon resources

### 2. Expansion of the economic activity space through the advancement of electrification technology

- Flying cars
- Frictionless high-speed motion
- Air warehouse and drone delivery
- Power transmission from space

### 3. Rise of the cellular industry through the advancement of biotechnology

- Regenerative medicine
- Artificial foods
- Bio-based fuels
- Self-reproducing/ self-repairing materials

### 4. Acceleration of the technological development cycle using quantum computing

- Parallel searches for optimized solutions
- Development of new materials/medicines
- Cyberization of physical experiments and bio-clinical tests

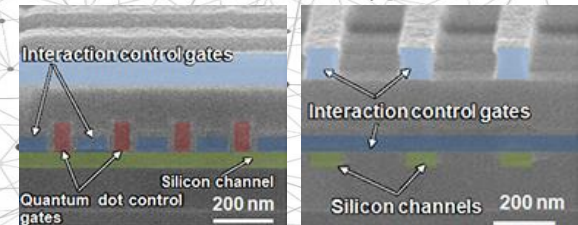
### 5. Expansion of the fair data distribution industry through the development of trust

- Biometrics platform
- Global DFFT
- Technology governance

## Example of Hitachi's R&D



Automated cell mass culture for iPS cells\*  
Applied to a clinical trial for Parkinson's disease  
(Manufacturer: SDP, Clinical: Kyoto University)  
(Announced in January 2021)



Cross-section SEM images of prototype silicon quantum dot array  
(Announced on April 27, 2020)

# Accelerate Social Innovation Business by leveraging data and technology to support people's happiness

A new Hitachi will be unveiled in the next  
Mid-term Management Plan to be announced next spring

1. Focus on growth and capital efficiency
2. Growth with digital
3. Focus investment on growth regions
4. Further strengthen business portfolio
5. Innovation in global human resources management
6. Deepening ESG management

# 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.



*Hitachi Social Innovation is*

**POWERING GOOD**

**HITACHI**  
Inspire the Next 