

Value Creation Process

Comprehension of Issues and Trends

Social issues

- Climate change
- Issues concerning energy, water and other natural resources
- Population growth and urbanization
- Aging infrastructure
- Cybersecurity

Global trends

- Accelerating digitalization
- Appearance of geopolitical risks due to the globalization of politics and the economy
- Paradigm shifts (shifting from possession to sharing, from objects to things and from closed to open strategies)

Customer issues

- Safety and security
- Reduction of energy consumption
- Response to diversifying consumer needs
- Improvement of productivity

Input ▶ P.24



Human capital

- Strengthen front-line and digital talents
- Promote diversity
- Establish a globally unified evaluation standard and training system for the development of human resources
- Consolidated number of employees (number of overseas employees): **295,000 (133,000)**



Intellectual capital

- An IoT platform (Lumada) with more than 100 years' worth of operational technology (OT) and more than 50 years' worth of information technology (IT), and accumulated know-how
- Open innovation industry-academia-government cooperation
- R&D investment: **¥323.1 billion**



Manufacturing capital

- Lead time reduction by enhancement of supply chain management



Social capital

- Establishment of NEXPERIENCE, a collaborative creation process
- Enhance disclosure of information to investors
- CSR audits of suppliers
- Improve dialogue between management and employees



Natural capital

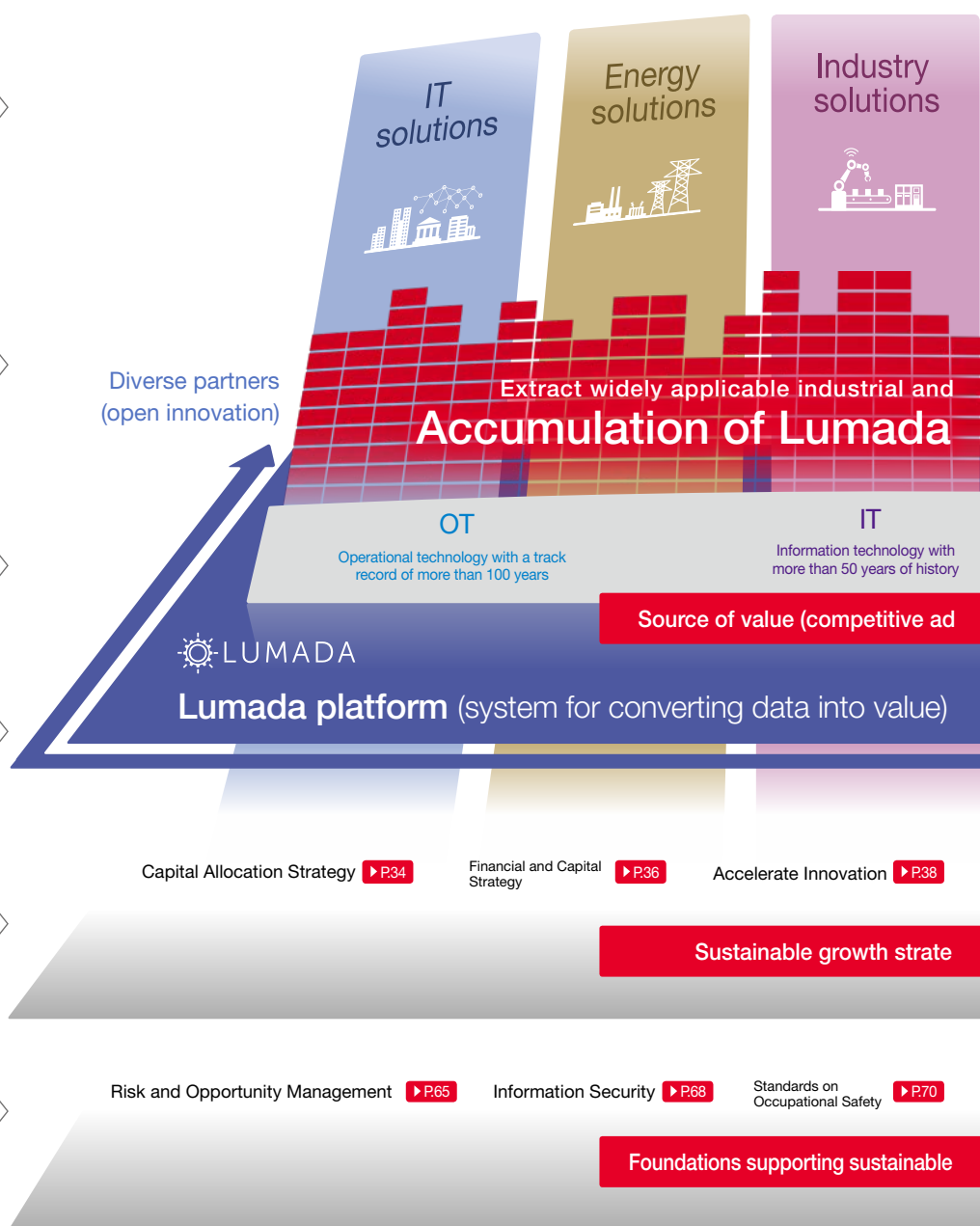
- Total energy input (crude oil equivalent): **2.27 GL**
- Raw material input: **4,403 kt**
- Total water input: **37.02 million m³**



Financial capital

- At the start of the 2018 Mid-term Management Plan (April 1, 2016)
- Total Hitachi, Ltd., stockholders' equity: **¥2,735.0 billion**
- Total Hitachi, Ltd. stockholders' equity ratio: **21.8%**
- Free cash flows: **¥81.4 billion**

Comprehend social issues and global trends while identifying customer issues through collaboration with those same customers



Vision: Improving the Quality of People's Lives, Raising Customers' Corporate Value and Achieving a Sustainable Society

Social value



Healthy lives and a safe, secure, comfortable and efficient society

Environmental value



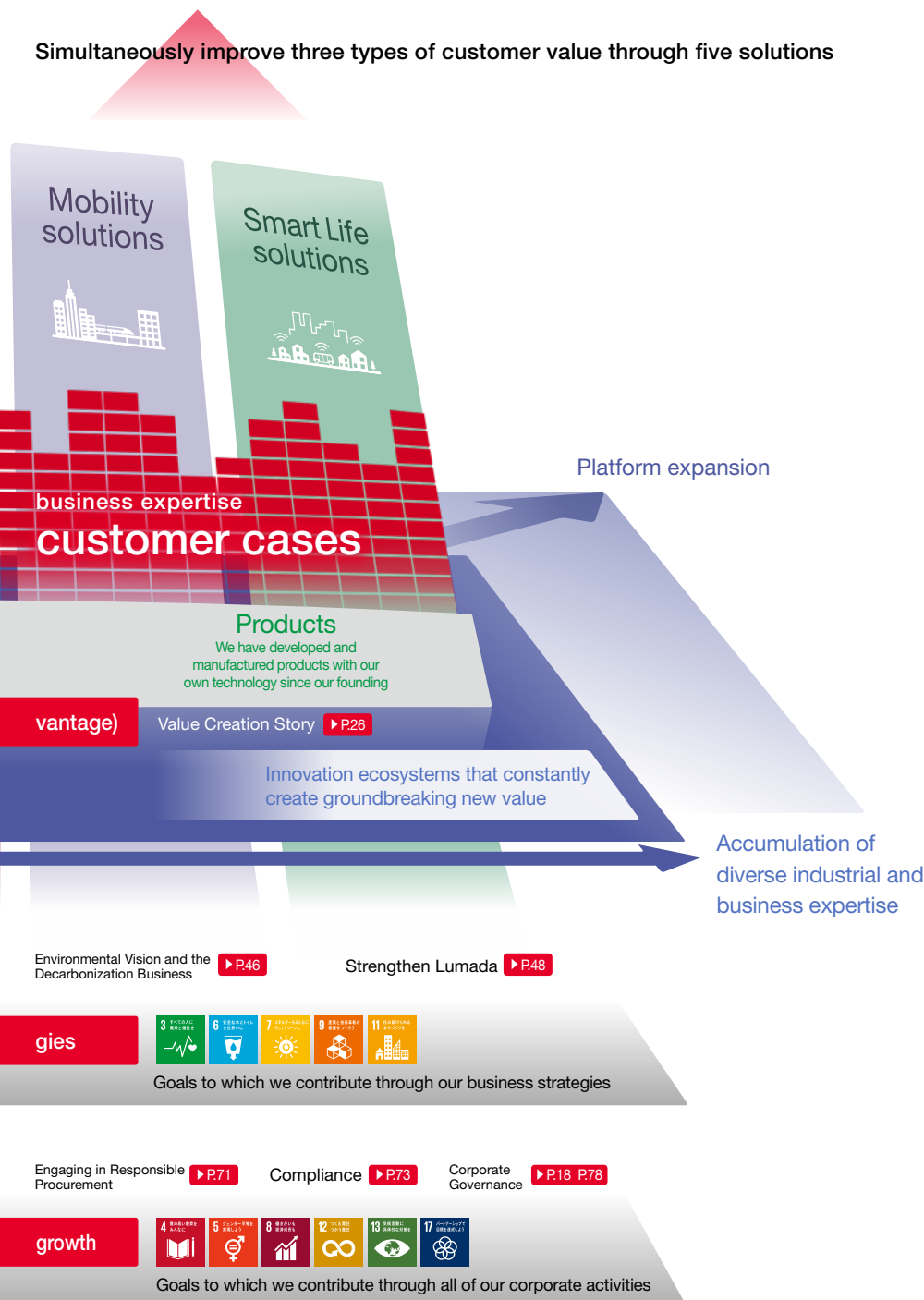
High-quality and environmentally conscious manufacturing
Reduction of environmental burden through the value chain

Economic value



Redistribution of added economic value to stakeholders

Simultaneously improve three types of customer value through five solutions



Output/ Outcomes ▶ P.24

(as of end-FY2018)



Human capital

- Ratio of female executive and corporate officers: **5%**
- Ratio of non-Japanese executive and corporate officers: **8.8%**
- Number of female managers: **635** (Hitachi, Ltd.)



Intellectual capital

- Number of Lumada customer cases: over **650**



Manufacturing capital

- Lead time reduction 20% from order receiving to shipment for large industrial products. (Compared with FY2016)



Social capital

- Number of meetings with institutional investors and analysts: **550**
- Number of town hall meetings: **20**
- Number of suppliers who received CSR audits: **24**



Natural capital

- Reduction in CO₂ emissions through improved environmental performance of products and services: **34%** compared with FY2010
- Reduction in energy use per unit: **14%** compared with FY2005
- Reduction in water use per unit: **34%** compared with FY2005
- Reduction in waste and valuables generation per unit: **16%** compared with FY2005



Financial capital

- Total Hitachi, Ltd. stockholders' equity: **¥3,262.6 billion**
- Total Hitachi, Ltd. stockholders' equity ratio: **33.9%**
- Free cash flows: **¥447.1 billion**
- TSR* over past 10 years: **209.6%**

* Total Shareholder Return: Return obtained from stock investments over a certain period of time; calculated as dividends+capital gains+share price