

# 2021 Mid-term Management Plan

## Progress and Prospects

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# Today's Key Messages

1. 2021 Mid-term Management Plan: Progress and achievements
2. Achieving growth through digital technologies
3. Contributing to the environment through business
4. Future capital allocation

# 1. Hitachi's Business Vision

## 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

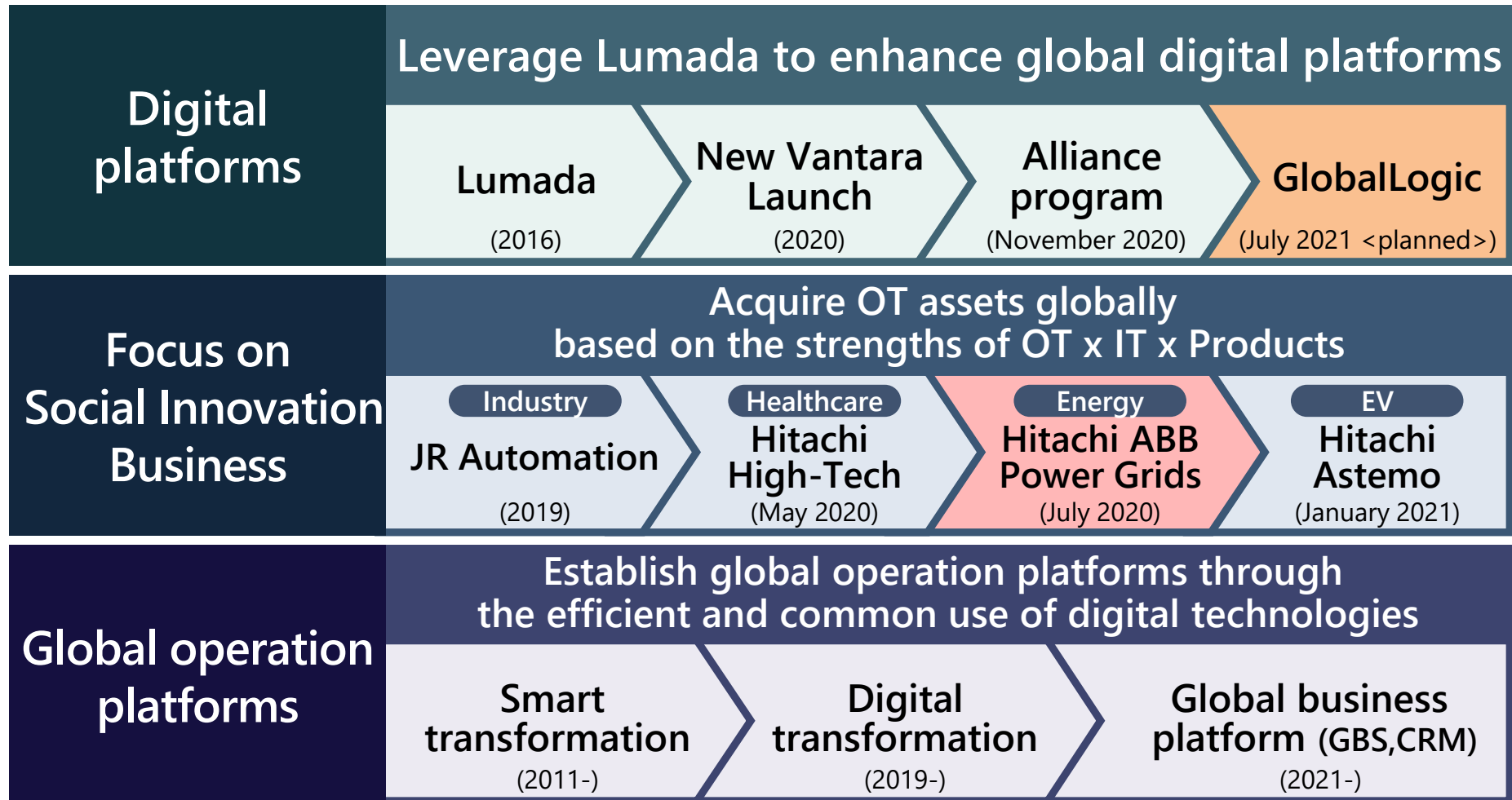


An aerial photograph of a sprawling city, likely Tokyo, with a dense concentration of skyscrapers and residential buildings. In the background, a range of mountains is visible, with Mount Fuji prominently featured on the right side, its peak covered in snow. The sky is a clear, bright blue.

# Progress of 2021 Mid-term Management Plan and directions for the next stage of growth

# 2.1 Global Leader in Social Innovation

Promote digital transformations and business transformation to expand the Social Innovation Business globally



## 2.2 Progress and Achievements in FY2020

### Response to COVID-19

- Put health of employees, their families, and customers first: Promoted working from home
- Maintained social infrastructure and customer support
- Maintain financial soundness: Operating cash flow: +232.2 billion yen YoY

### Growth through digital technologies

- Lumada business revenues: 1.1 trillion yen → FY2021: 1.6 trillion yen
- Strengthen growth strategies throughout the Hitachi Group; acquisition of GlobalLogic (scheduled for July 2021)
- Contributions to social and enterprise digital transformation (remote / contactless / automation)

### Transformation of business portfolio

- Growth of global business: FY2021 overseas revenue ratio: 57%
  - Integrated Hitachi ABB Power Grids (July 2020)
  - Established Hitachi Astemo (January 2021)
- Reorganized capital policies at listed subsidiaries
  - Divestiture of Hitachi Chemical (April 2020)
  - Divestiture of Hitachi Metals (by March 2022)

### Global operational renovation

- Evolution of global operations utilizing Hitachi ABB Power Grids

## 2.3 FY2019, FY2020 Results and FY2021 Forecasts

(Billions of yen)	FY2019 Results (consolidated)	FY2020 Results (consolidated)	FY2021 Forecasts (consolidated)
<b>Revenues</b>	8,767.2	8,729.1	9,500.0
<b>Adjusted operating income (ratio)</b>	661.8 (7.5 %)	495.1 (5.7 %)	740.0 (7.8 %)
Net income attributable to Hitachi, Ltd. stockholders	87.5	501.6	550.0
<b>Operating cash flow</b>	560.9	793.1	750.0
Return on invested capital (ROIC)	9.4 %	6.4 %	8.3 %

**FY2022 Targets**

**Adjusted operating income ratio and ROIC: 10%**

# 3.1 Global Deployment of Social Innovation Business (Integration effect of Hitachi ABB Power Grids)

## Strengthen Hitachi Group Business

- Acquire top global products, technologies, and customer base
- Deploy digital assets (EAM, APM, FSM) to Lumada
- Strengthen environmental business (Digital grids, HVDC)

Hitachi ABB Power Grids	FY2021
Revenue billion (\$ billion)	9.2
EBITDA	11.8%
Adjusted EBITA	7.8%

FY2024 target: Adjusted EBITA over 10%

EAM: Enterprise Asset Management    APM: Asset Performance Management  
FSM: Field Services Management    HVDC: High Voltage Direct Current

## Strengthen Global Operations

Utilize Hitachi ABB Power Grids' global operations throughout the Hitachi Group

Build common ERP

Benefit: 70 billion yen  
(Cumulative to FY2025)

Use global shared services

Benefit: 100 billion yen  
(Cumulative to FY2025)

Establish group-wide CRM

Strengthen regional  
businesses

Digital Transformation





# 3.2 Strengthening Social Innovation Business with Digital Technologies (Acquisition of GlobalLogic)

## Expand digital transformations with global customers



### 3.3 Evolution of Lumada and Social Innovation Business

Use business domain knowledge, co-creation, and digital technologies to resolve social and management issues



## Growth Strategy



Support the electrification of social infrastructure through OT×IT×Products



Digital grids, HVDC



Green mobility



Package supporting EV



Support sustainable public service and corporate activities through digital technologies



Public/financial services



Industrial digital solutions



Logistics and supply chain



Support optimal personal care through diagnosis and therapy using digital technologies



Bio/in-vitro diagnostics



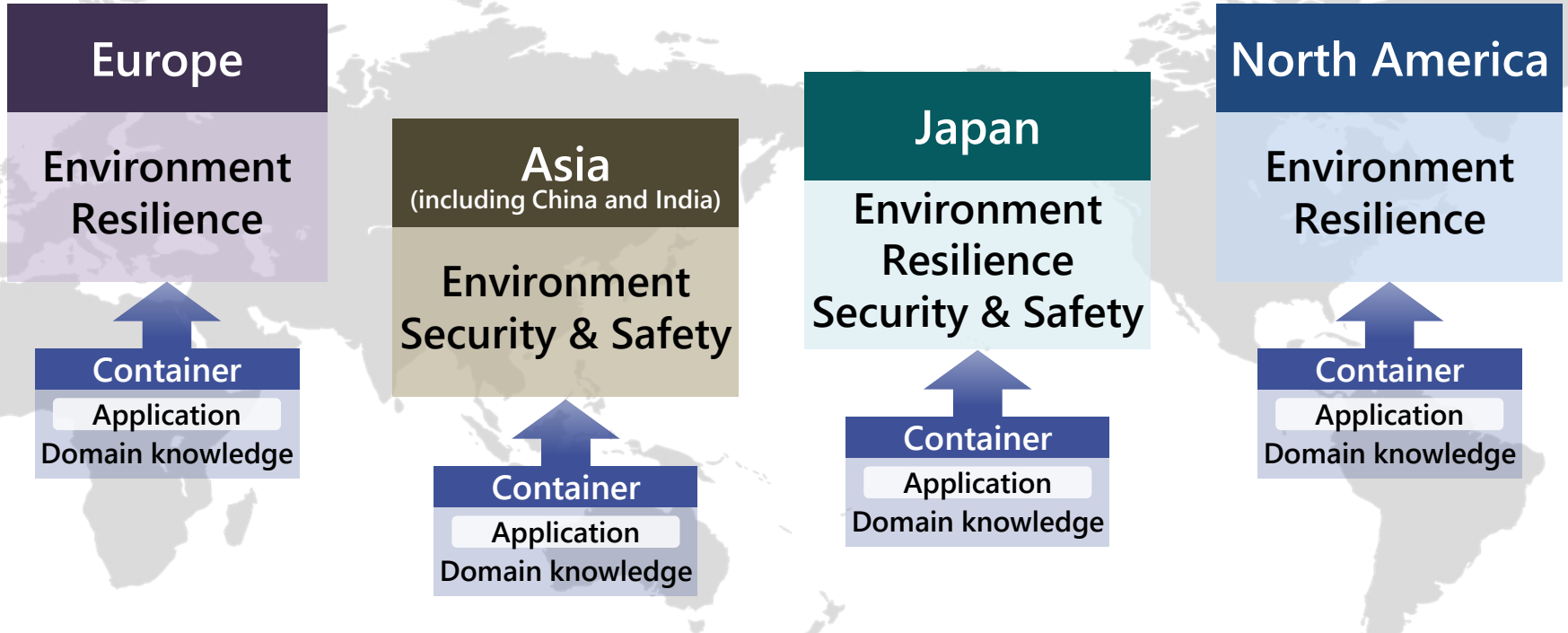
Particle therapy



Pharmaceutical solution

# 3.5 Achieving Growth in Each Region near Customers

Achieving growth in three key areas through a deep understanding of customers' needs in each region



Utilize front-line of acquired assets to achieve global growth through digital technologies

# 4. Providing Environmental Value with Partners

Contribute to the realization of a decarbonized society and a circular economy through business and in-house activities

## Environmental contributions through business

- Achieving a decarbonized society  
Business contribution to vehicle electrification

### Energy transition

- HVDC  
(Transmission and distribution of renewable energy)

Energy

### Carbon-free mobility

- Automotive/EV systems
- Hybrid trains (storage batteries / hydrogen)

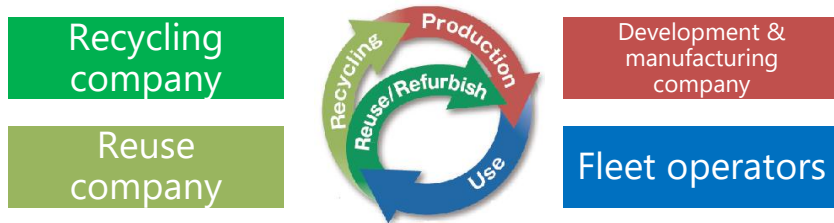
Astemo

Rail

Increased visibility of renewable energy (using digital technologies)

- Circular economy

Life-cycle management of EV batteries



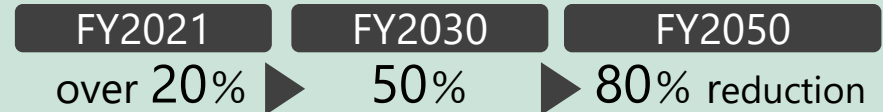
## Hitachi's in-house activities targeting a decarbonized society

### Carbon neutrality in 2030

- Acquired Certification (SBT) in Dec. 2020

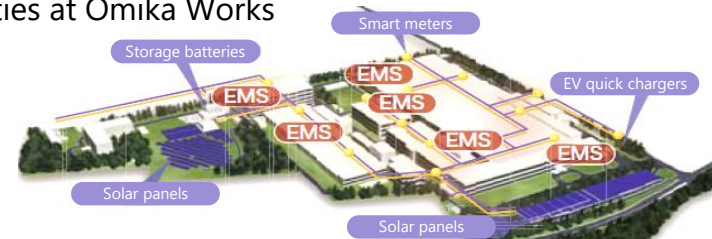


Reducing CO2 emissions throughout the value chain (Compared to FY2010)



- Rollout of Hitachi's Green Factory as a business

Activities at Omika Works



SBT: Science Based Target

# 5. ESG Management

Create growth drivers by resolving issues through Social Innovation Business, fulfilling social responsibilities, and achieving sustainable growth to benefit society

## Environment

- Hitachi Environmental Innovation 2050
  - Decarbonized Society
    - Carbon neutrality in factories and offices by FY2030
  - Resource Efficient Society
    - Improve efficiency in use of water/resources by 50% in FY2050 (vs. FY2010)
  - Harmonized Society with Nature
    - Minimize impact on natural capital
- Sponsorship of COP26 (Principal partner)

## Social

- Leverage human resources globally, Improve employee engagement
- Diversity & Inclusion
- Respect for human rights throughout the value chain
- Occupational health and safety

## Governance

- Independence and diversity in Director structure
- Risk management
  - Compliance
  - Crisis
  - Business risk
- Reflect ESG goals in executive compensation

# 6. Future Capital Allocation

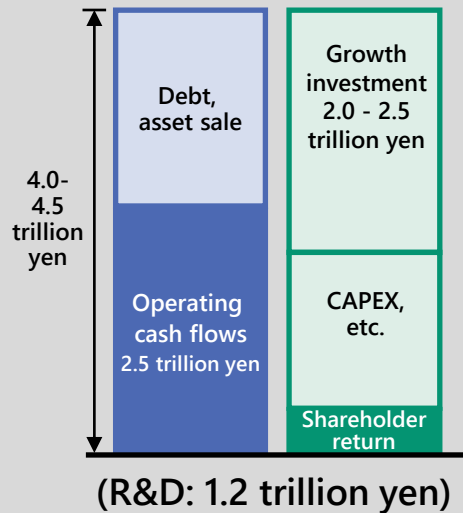
Achieve profit growth (net income / EPS),  
focus on operating CF / ROIC, and strengthen R&D

<b>Growth investment</b>	<ul style="list-style-type: none"> <li>Completed large-scale M&amp;As in energy and digital fields</li> <li>Continue growth investments in the environment, resilience, and security &amp; safety</li> </ul>
<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>Stable dividend increase based on sustainable growth</li> <li>Consider and execute buybacks, based on business growth, sales of assets, and stock prices</li> </ul>

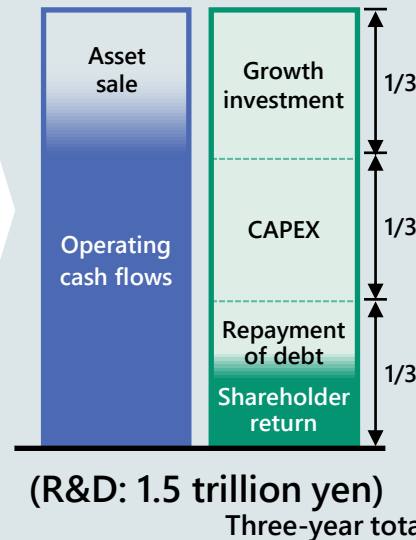
## ● 2021 Mid-term Management Plan <Planned amount>

**Policy**

- Growth investment in focused areas (IT, Energy and Industry)
- Increase operating cash flows



## ● Image of future capital allocation



## Changes from 2021 Mid-term Management Plan

- Increase operating CF through business growth
- Continue sales of assets
- No additional large borrowing in principle

**Strengthen shareholder return**

**Hitachi achieves sustainable growth through the Social Innovation Business, resolving social issues and management issues through digital technologies**





*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 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**  
Inspire the Next 