

Hitachi Investor Day 2021

Smart Life Sector

June 8, 2021

Keiji Kojima

Executive Vice President and Executive Officer
General Manager of Smart Life Business Management Division

1

Promoting the Smart Life Business, which improves people's QoL, by applying digital technologies

- Improving QoL with equipment data x digital technologies and AI
- Ensuring safety and security with environmentally friendly solutions

2

FY2021 forecast: Revenues at 1.0 trillion yen; adjusted operating income ratio at 9.7%; EBIT ratio at 10.9%*

- In FY2020, revenues from the automotive systems business increased due to the integration with three Honda-affiliated companies. However, profit decreased due to the impact of COVID-19
- The operating income ratio and EBIT ratio of Hitachi GLS and Hitachi High-Tech met the Mid-term Management Plan due to the promotion of cost structural reforms by each entity

3

Accomplishing business portfolio reform

- Hitachi Astemo was established as a result of integration with three Honda-affiliated companies. It began to be disclosed as an independent segment in FY2021
- Transfer of diagnostic imaging-related business, conversion of Hitachi High-Tech into a wholly owned subsidiary, and establishment of a JV in overseas home appliances business

4

Investments for new growth

- Expanding the Lumada business with a focus on EV, semiconductors, and connected home appliances
- Developing next-generation healthcare business by investing strategically in four fields with high market growth rates

Smart Life Sector

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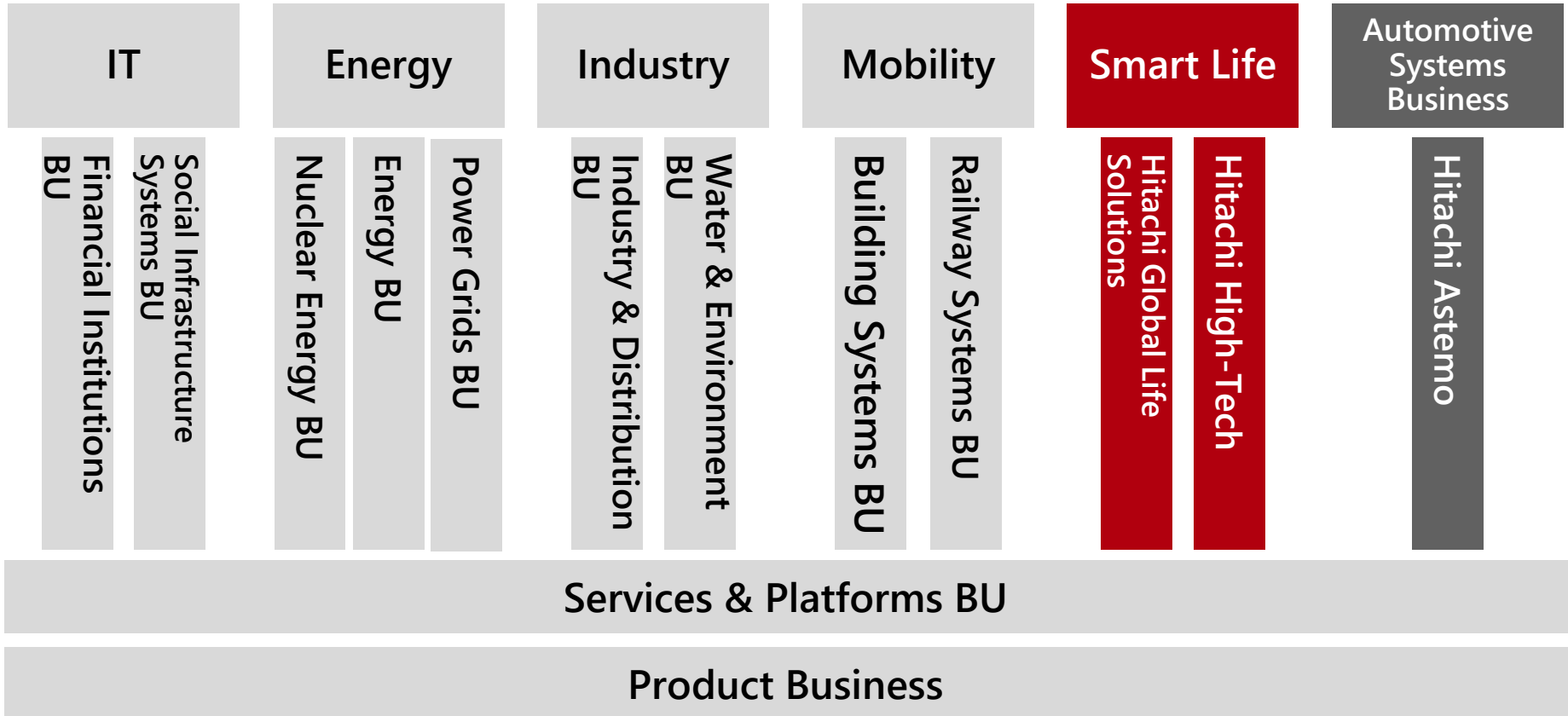
1. Progress of the 2021 Mid-term Management Plan
2. Growth Strategy
3. Summary

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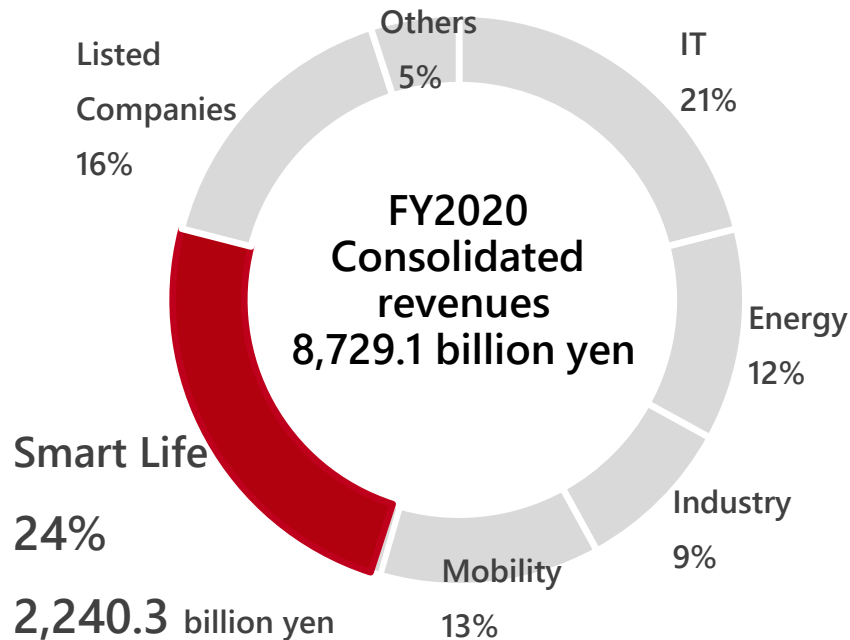
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1-1. Position of the Smart Life Sector

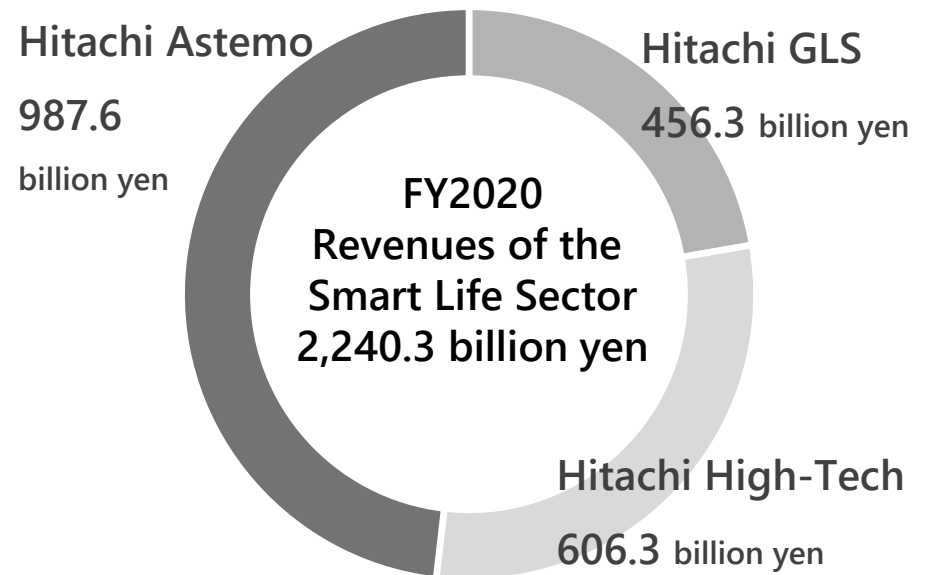


Hitachi Astemo began to be disclosed as an independent sector in FY2021

Revenues of the Smart Life Sector as compared to those of the overall Hitachi



Revenues by business in the Smart Life Sector



Note: Revenues of the Smart Life Sector include revenues from diagnostic imaging-related business and other sources.

Promoting the Smart Life Business with semiconductors, healthcare,
and home appliances at the core

Semiconductor Manufacturing & Inspection Equipment

218.6 billion yen*1



- Advanced CD measurement SEM
- Etch System

Healthcare

144.3 billion yen*2



- Clinical chemistry and immunochemistry analyzer
- Particle therapy system

Smart Life & Eco-friendly Systems

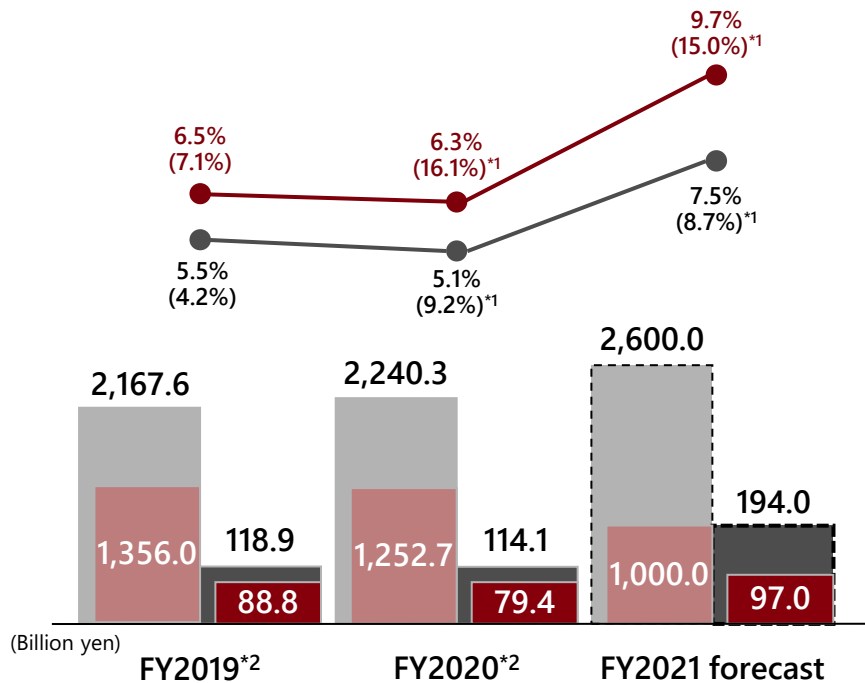
456.3 billion yen



- Home appliances
- Air-conditioning systems

1-4. Progress of the 2021 Mid-term Management Plan 1

Steadily pursuing business structural reform and operational improvements, anticipating the achievement of an EBIT ratio of 10% or more



Including Hitachi Astemo	Revenues	Adjusted operating income	Adjusted operating income ratio (EBIT ratio)
Excluding Hitachi Astemo	1,356.0	88.8	6.5% (7.1%)
1,252.7	79.4	6.3% (16.1%)*1	
1,000.0	97.0	9.7% (15.0%)*1	

Smart Life Sector

	Targets*3 under 2021 Mid-term Management Plan	FY2020 results	FY2021 forecast
Revenues	2,100.0 billion yen	2,240.3 billion yen 1,252.7 billion yen	2,600.0 billion yen 1,000.0 billion yen
Adjusted operating income ratio	10%	5.1% 6.3%	7.5% 9.7%
EBIT ratio	10%	9.2% [3.9%] 16.1% [6.7%]	8.7% [7.1%] 15.0% [10.9%]
EBITDA ratio	-	13.6% 19.1%	13.9% 18.7%
ROIC (Return on Invested Capital)	15%	5.9% 8.7%	8.2% 11.1%

Values in [] exclude the impact of business transfer.

Top: Including Hitachi Astemo
Bottom: Excluding Hitachi Astemo

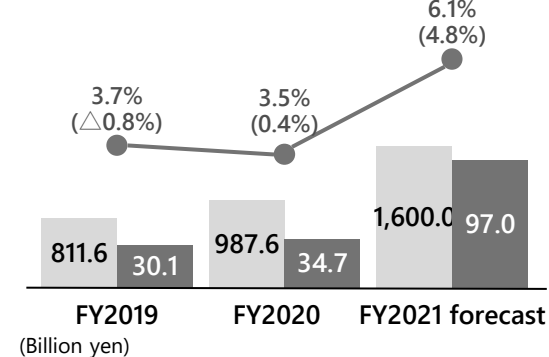
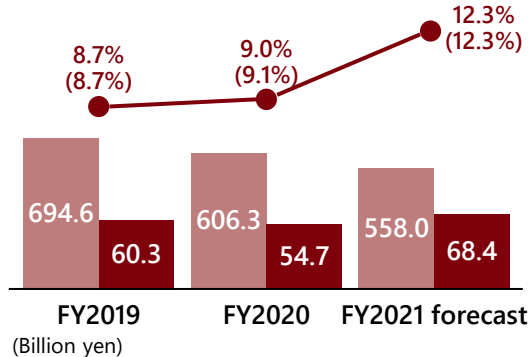
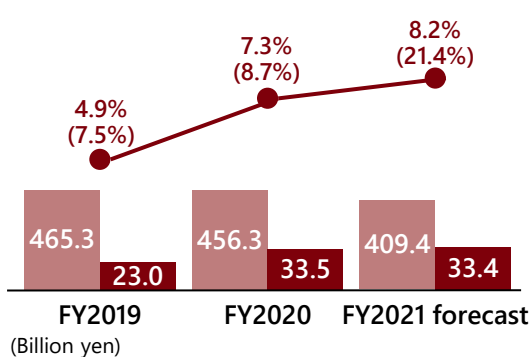
*1 Including the impact of business transfer. *2 Value including Hitachi High-Tech.

*3 Targets of the 2021 Mid-term Management Plan are values that were announced at Hitachi IR Day on June 4, 2019.

1-5. Progress of the 2021 Mid-term Management Plan 2

A target under the 2021 Mid-term Management Plan is to achieve an operating income ratio of 10% by accomplishing business portfolio changes and operational reforms
Regarding the Automotive Systems Business, the target operating income ratio is difficult to achieve because the impact of COVID-19 is great while the others are expected to be achieved

■ Revenues
■ Adjusted operating income
● Adjusted operating income ratio (EBIT ratio)



Smart Life & Eco-friendly Systems Business

	2021 Mid-term Management Plan target ¹	FY2021 forecast
Revenues	500.0 billion yen	409.4 billion yen
Adjusted operating income ratio	8%	8.2%
EBIT ratio ^{*2}	10%	21.4%[11.3%]
EBITDA ratio ^{*2}	-	23.8%[13.7%]
ROIC (Return on Invested Capital)	-	16.2%

Status of structural reform

March 2021: Transfer of the compressor business to the Midea Group
2Q of FY2021: Establishment of a JV in overseas home appliances business with Arçelik

Measurement & Analysis Systems Business

	2021 Mid-term Management Plan target ¹	FY2021 forecast
Revenues	-	558.0 billion yen
Adjusted operating income ratio	-	12.3%
EBIT ratio	10%	12.3%
EBITDA ratio	-	16.8%
ROIC (Return on Invested Capital)	-	12.1%

Status of structural reform

May 2020: Hitachi High-Tech was made a wholly owned subsidiary.
March 2021: Transfer of diagnostic imaging-related business to Fujifilm

Automotive Systems Business

	2021 Mid-term Management Plan target ¹	FY2021 forecast
Revenues	1,200.0 billion yen	1,600.0 billion yen
Adjusted operating income ratio	10%	6.1%
EBIT ratio	10%	4.8%
EBITDA ratio	-	10.9%
ROIC (Return on Invested Capital)	-	6.2%

Status of structural reform

March 2020: Completion of PMI of CBI, which was acquired in 2019
January 2021: Integration of three Honda-affiliated companies, which resulted in the establishment of Hitachi Astemo

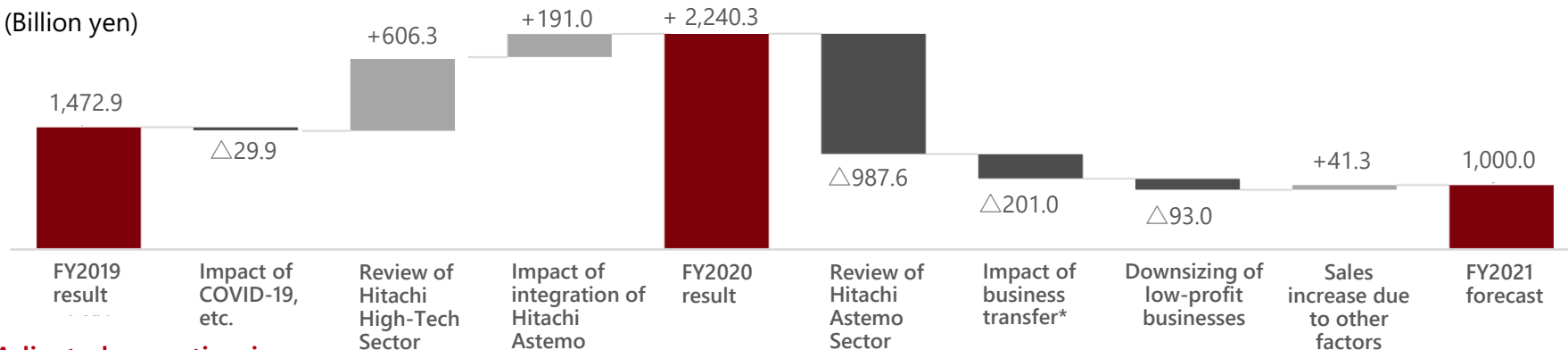
^{*1} Targets of the 2021 Mid-term Management Plan are values that were announced at Hitachi IR Day on June 4, 2019.

^{*2} Values in [] exclude gain from the transfer of overseas home appliances business in FY2021.

1-6. Breakdown of Changes in Revenues and Adjusted Operating Income (FY2020 - FY2021)

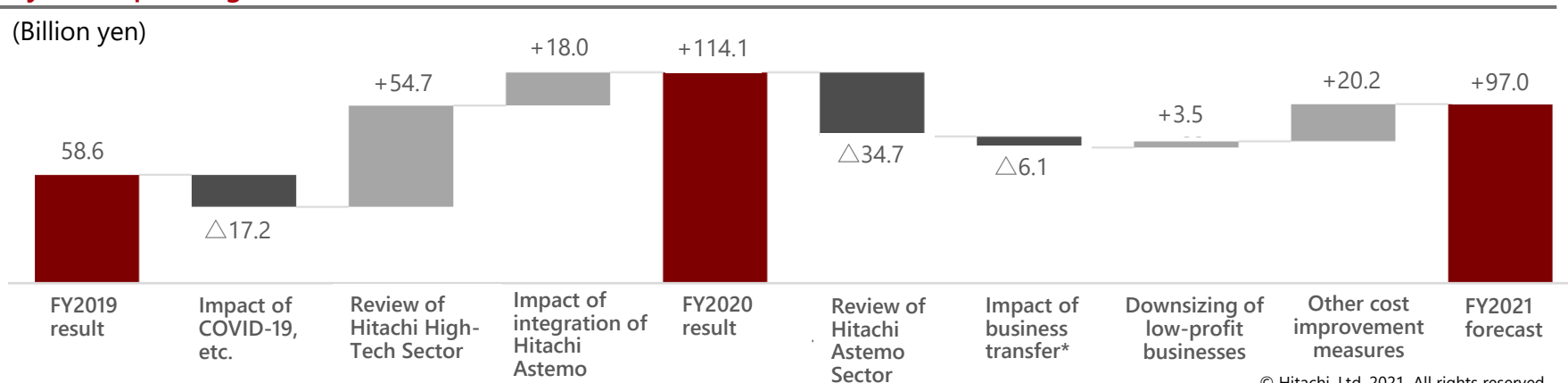
Revenues

(Billion yen)



Adjusted operating income

(Billion yen)

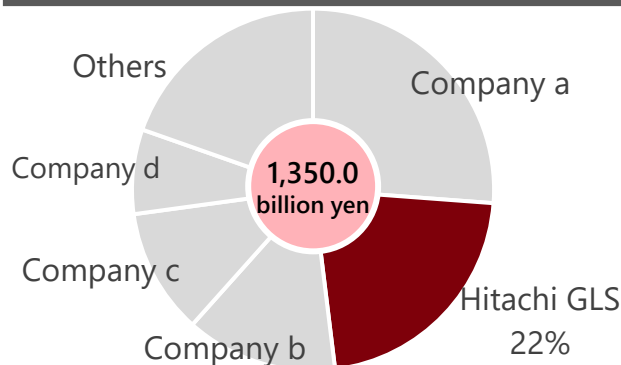


*Impact of transfers of the diagnostic imaging-related business and overseas home appliances business

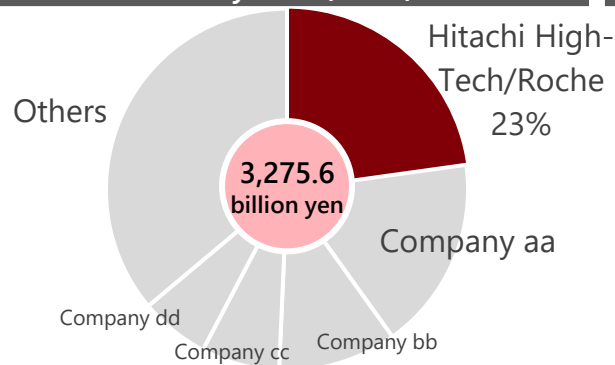
1-7. Competitive Environment: Business Positions of Mainstay Products

Further increasing the earnings capacity of current products and solutions

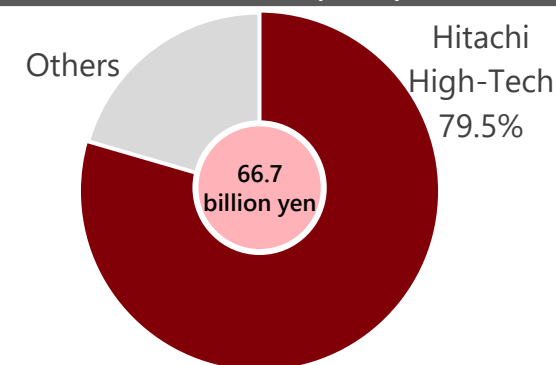
Domestic home appliances*1 (2020)



Biochemistry and immunology analyzer*2 (2020)



Semiconductor measurement and evaluation*3 (2020)



Panasonic (Appliances)

	FY2019	FY2020
Revenues (Billion yen)	2,590.3	2,494.4
Adjusted operating income ratio (%)	2.7	4.5

Abbott (Overall company)

	FY2019*4	FY2020*4
Revenues (Billion yen)	3,345.6	3,737.7
Operating earnings*5 ratio (%)	14.2	15.5

AMAT (Overall company)

	FY2019*4	FY2020*4
Revenues (Billion yen)	1,577.7	1,857.8
Adjusted operating income*6 ratio (%)	23.5	26.3

Hitachi GLS

	FY2019	FY2020
Revenues (Billion yen)	465.3	456.3
Adjusted operating income ratio (%)	4.9	7.3

Hitachi High-Tech (Analysis)

	FY2019	FY2020
Revenues (Billion yen)	166.4	144.3
Adjusted operating income ratio (%)	16.2	12.3

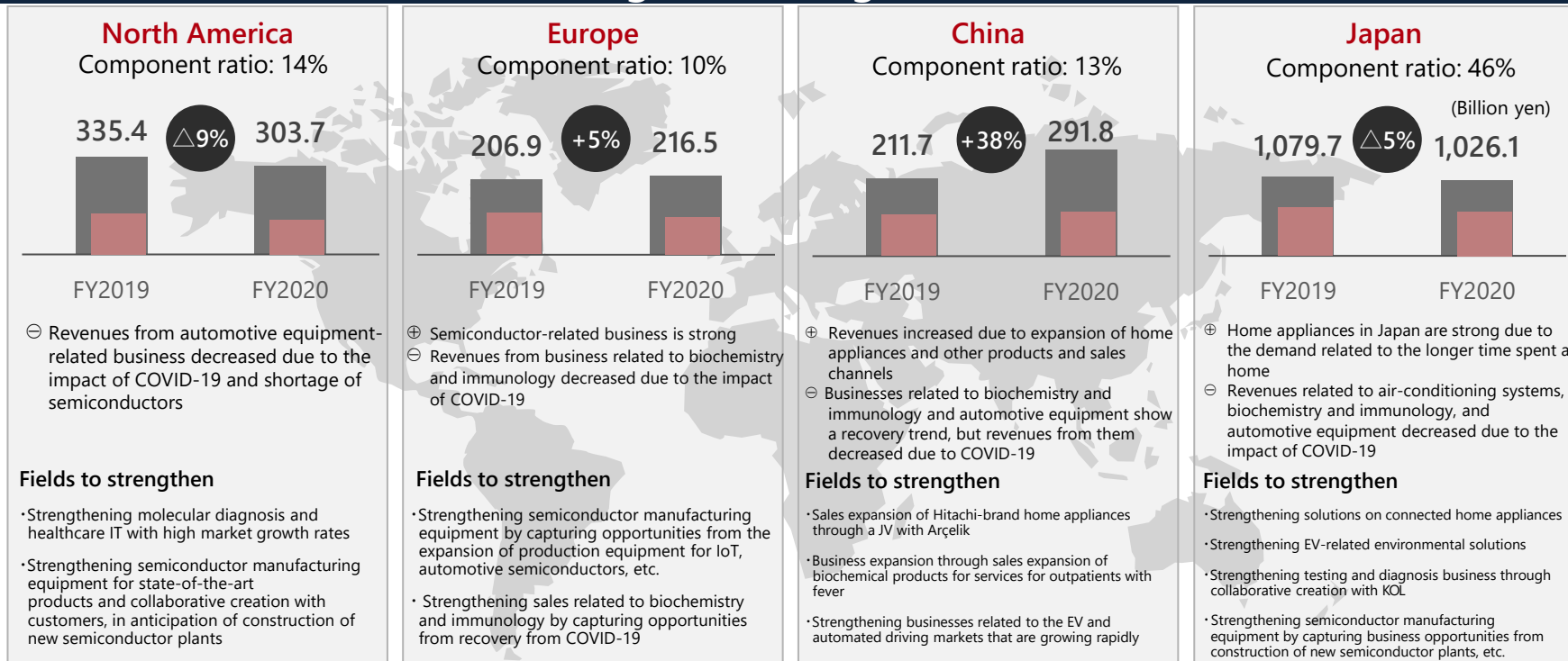
Hitachi High-Tech (Measurement)

	FY2019	FY2020
Revenues (Billion yen)	209.5	218.6
Adjusted operating income ratio (%)	19.0	17.5

*1 Source: Shares in monetary terms for the five major products (refrigerators, washing machines, vacuum cleaners, microwave ovens, and rice cookers). Estimated by Hitachi GLS based on various data. *2 Source: Estimated by Hitachi High-Tech based on data from Kalorama. *3 Source: CD-SEM parts on VLSIresearch(April 2021) *4 FY2019 and FY2020: Calculated based on an exchange rate of ¥108 per \$1.00. *5 Operating earnings (Determined by cost of sold, SG&A expense, and others from net sales and amortizing intangible assets). *6 Non-GAAP adjusted operating margin

1-8. Revenues and Fields to Strengthen by Region

Expanding businesses by capturing business opportunities in regions with high market growth rates



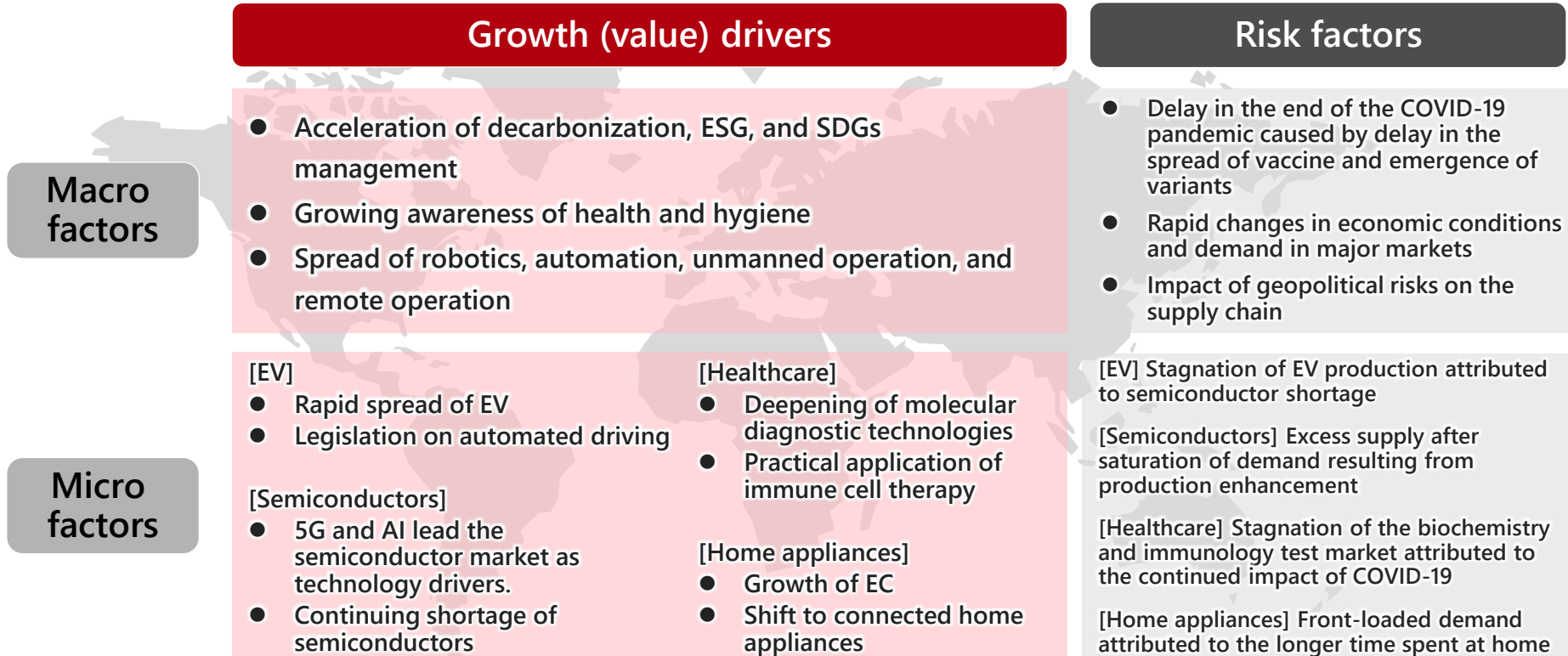
Overseas revenues
1,214.1 billion yen
567.4 billion yen

Component ratio
54%
45%

Including Hitachi Astemo
Excluding Hitachi Astemo

1-9. Market Environment – External Factors Influencing Business Performance

The time when COVID-19 will end will be the most influential factor



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Contributing to realizing smart life in the four growth fields of EV, semiconductors, healthcare, and home

Reduction of CO₂ resulting from the spread of EV
Lower accident rate attributed to automated driving

Sensing technologies × Automated driving with digital technologies and AI

Semiconductor inspections supporting digital technologies and 5G

Semiconductor inspection equipment × High precision enabled by digital technologies and AI

Extending healthy life expectancy and improving QoL

In-vitro diagnosis (Early/prognosis) × Selection of optimal treatment with digital technologies and AI

Reducing the burden of routine household tasks and helping enrich life

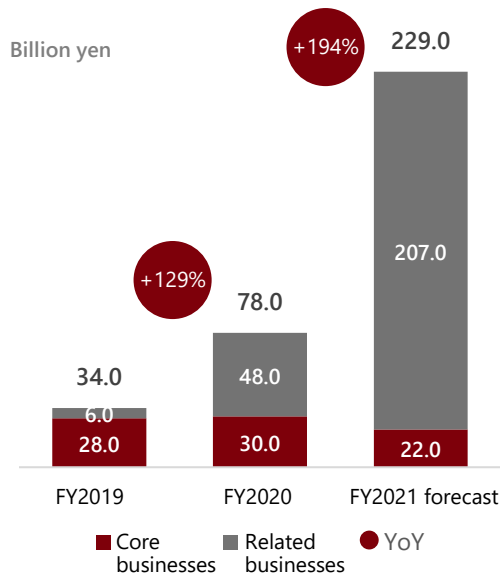
Connected home appliances and robots × Improving wellness with digital technologies and AI

2-2. Accelerating Expansion of the Lumada Business

Expanding the solution business for growth markets of EV, semiconductors, healthcare, and home

Revenues from the Lumada business

- Creating value by collaborative creation with customers



Automated driving and EV-related environmental solutions

- Data management platform for deterioration analysis and visualization of Lithium-ion batteries for EV
- Realtime analysis and display of Lithium-ion batteries charging and discharging information on the cloud

FY2021 Business expansion target

+1.0 billion yen

Integrated solutions for semiconductor manufacturing quality and IoT solutions for analytical equipment

- Implementing integrated data analysis for semiconductor inspection equipment on the Lumada framework
- Establishing a new engineering base in Oregon, the United States, for collaborative creation with semiconductor-related customers

+133.0 billion yen

Expansion of the healthcare field

- Promoting collaborative creation with Cyfuse Biomedical, etc. at the Regenerative Medicine Innovation Center of Hitachi GLS
- Launching a solutions business for supporting inspection and diagnosis through collaborative creation with Fujita Academy and other initiatives

+5.0 billion yen

Evolving the connected home appliance business

- Advanced smart life solutions enabled by strengthening the networking of home appliances
- Solutions with LOVOT, a family robot, through collaboration with GROOVE X, Inc.

+11.0 billion yen

2-3. GlobalLogic Inc. x Lumada

Accelerating the Lumada business using the digital engineering capability of GlobalLogic Inc.

EV business



- SaaS for managing commercial EV
- AD/ADAS, Vehicle Security
- Management for lifecycle optimization of EV batteries

Semiconductors



- Integrated solutions for semiconductor manufacturing quality
- IoT solutions for analytical equipment

Healthcare



- SaaS for diagnostic support
- Clinical laboratory solutions
- SaaS for radiotherapy of cancer, etc.

Home



- Connected home appliances
- Air-conditioning IoT solutions

GlobalLogic[®] ×  **LUMADA**

Applying the wide range of business capabilities of GlobalLogic Inc.
(Communication and media, engineering, consumers, automotive, healthcare)

2-4. Portfolio Reform Aimed for Growth

Reforming the portfolio into one with a high growth rate, by reforming businesses facing issues and making strategic investments in growth markets

Market growth rate

Investing 300.0 billion yen during FY2021 to FY2023 to develop them into core businesses within the period of the next Mid-term Management Plan

Reform of businesses facing issues

- Integration of automotive equipment business with three Honda-affiliated companies
- Establishment of a joint venture in overseas home appliance business with Arçelik
- Transfer of diagnostic imaging-related business to Fujifilm

Strategic investments in growth markets of healthcare

	Market size ^{*1}	CAGR ^{*2}	FY2021 Revenues forecast ^{*3}	FY2024 Revenues targets ^{*3}
Medical data integration	5B\$ ^{*4}	25% ^{*4}	5.0	40.0
In-vitro diagnosis	3.4B\$ ^{*5}	27% ^{*5}	140.0	194.0
Cancer radiotherapy	6.6B\$	6%	17.0	35.0
Pharmaceutical solutions	4B\$ ^{*6}	35% ^{*6}	47.0	90.0

Billion yen

Increasing earning capacity with Lumada

- EV environmental solutions
- Integrated solutions for semiconductor manufacturing quality
- IoT solutions for analytical equipment
- Connected home appliance solutions
- Air-conditioning IoT solutions

Low ←

Hitachi Group's revenues

→ High

2-5. Challenges to Enter Growth Markets

Realizing precision medicine for high QoL with molecular diagnosis, immune cell therapy, and radiotherapy x digital technologies and AI

Collaboration with academia

THE UNIVERSITY OF TEXAS
MD Anderson
Cancer Center

THE UNIVERSITY OF UTAH

藤田医科大学
FUJITA HEALTH UNIVERSITY

Medical integration analytics

Medical knowledge processing

Federated learning

Prognostic prediction

Prediction of therapy effects

Patient feature extraction

Disease progression prediction



Collaboration with start-ups

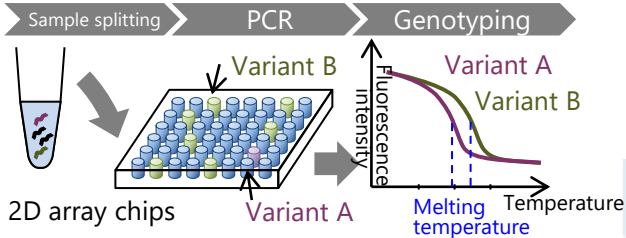
SOPHiA™

PROSCIA®

HUMA

Molecular diagnosis (liquid biopsy)

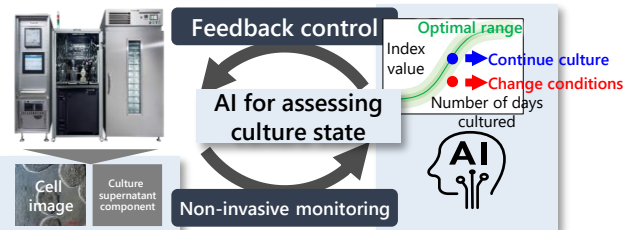
Enabling early diagnosis of disease, treatment selection, and prognosis management with high-sensitivity PCR and AI



PCR: Polymerase Chain Reaction

Regenerative medicine

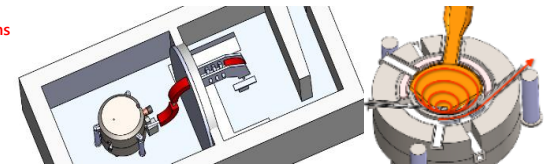
Expanding it to immune cell therapy for cancer, etc. by applying knowledge of differentiated culture of iPS cells



VEMIC, high-precision particle therapy system

Providing minimally invasive cancer therapy with high response rate

World's first accelerator that changes particle trajectory and makes energy variable



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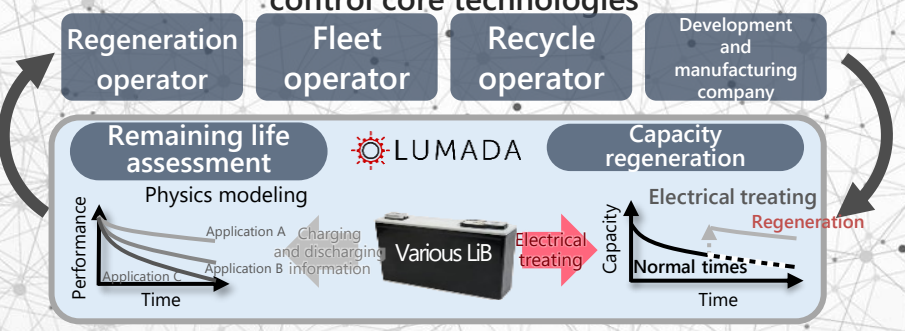
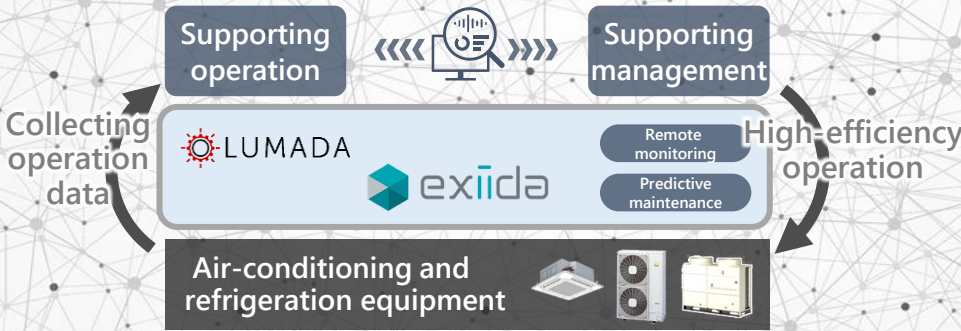
2-6. Environmental Strategy

Helping reduce environmental impact by providing Lumada environmental solutions

Technologies for equipment diagnosis and operation and for supporting maintenance staff x Digital technologies and AI

Technologies for battery degradation diagnosis and regeneration x Digital technologies and AI

Optimizing the life cycle of EV batteries based on battery control core technologies



Decarbonization initiatives

	FY2021 forecast	FY2030 target
Emissions from production*1	30% reduction	To be reduced to 0%
Products' environmental impact*2	35% reduction	50% reduction

Examples of initiatives to reduce emissions from production: Carbon neutralization of site (Hitachi High-Tech's Marine Site)

- Renewable energy
- Use of solar panels
- Environmentally friendly design
- Environmental life cycle assessment

Zero CO₂ emissions Reduction of CO₂ emissions via value chain

*1 CO₂ equivalent emissions compared to the FY2010 level, *2 Each product's CO₂ equivalent emissions intensity compared to the FY2010 level
LiB: Lithium-ion Battery

2-7. Initiatives to Accelerate Growth

Accelerating changes by assigning women and external human resources as members of the management team and introducing management approach including OKR

Business managers



Jun Taniguchi
President, Hitachi GLS

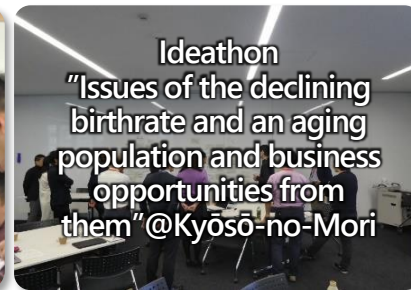


Takashi Iizumi
President, Hitachi High-Tech



Hideki Osumi
General Manager, Smart Digital Solution Business Development Division (Responsible for collaborative creation with GlobalLogic)

Accelerating commercialization through hackathon, ideathon, etc.



Women and external human resources assigned as members of the management team



Asako Koike
Deputy General Manager, Healthcare Business Growth Strategy Division



Yoshiko Ito
Managing Director, Hitachi GLS Global COO, Ex-Konica Minolta Marketing Services, etc.



Shuichi Kikuchi
General Manager, Healthcare Business Division Ex-Vice President, Carl Zeiss (Japan), etc.

Introducing management approach aimed for growth

OKR (Objectives and Key Results)

Setting one annual objective, which is exciting and challenging, for each job class, and a few numerical indexes (key results) for achieving the objective, on a quarterly basis

- Adopted by many digital companies that have achieved high growth
- Introducing it for creating new businesses: EV, digital healthcare, etc.

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Promoting the Smart Life Business, which improves people's QoL, by applying digital technologies

- Achieve an adjusted operating income ratio 10% over in FY2022 by promoting cost structural reform by each entity
- Developing next-generation healthcare core business, by investing 300 billion yen strategically in four fields with high market growth rates

	FY2020*		FY2021 forecast*
Revenues	1,252.7 billion yen	➤	1,000.0 billion yen
Adjusted operating income ratio	6.3%	➤	9.7%
EBITDA ratio	19.1%	➤	18.7%
ROIC (Return on Invested Capital)	8.7%	➤	11.1%

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

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Inspire the Next 