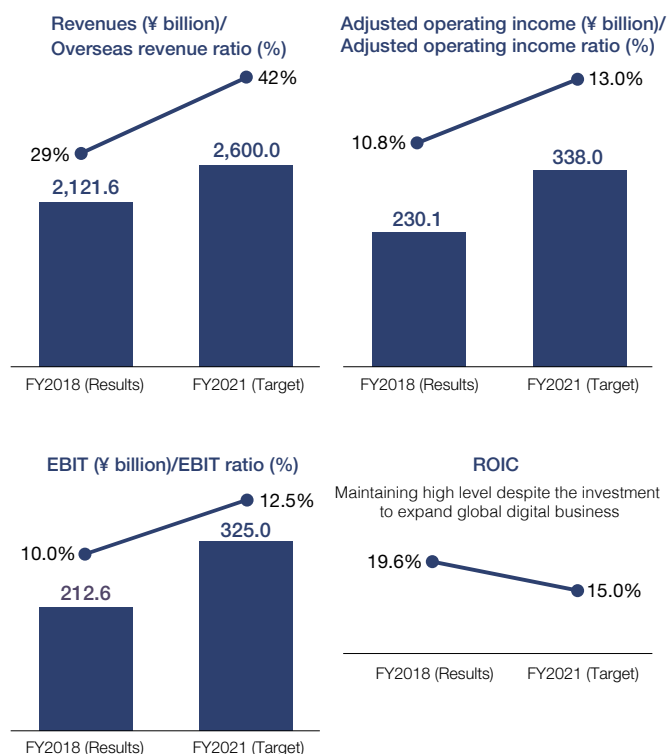


Story of Value Creation in the IT Sector

The use of digital technologies such as 5G, AI, IoT and robots is essential for companies aiming to continuously raise their corporate value amid dramatic environmental changes and a focus on digital transformation, or the revolutionization of corporate management through digital technology, is rising even further. In Japan, where the birthrate is rapidly declining and the population is aging at an alarming rate, IT-related market is expected to be necessary for improvement in productivity and work-style reforms.

Results and Targets



Note: Figures for each subsegment include intersegment transactions.

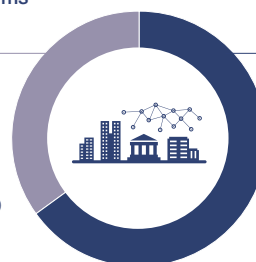
Principal Products and Services

FY2018 Revenues **¥2,121.6 billion**

Services & Platforms
35%

Front Business
65%

- IoT platform
- Data analytics
- AI
- Cloud service
- Security
- IT products (storage server)
- Control systems



- Financial systems
IT for banking, insurance and securities
- Public systems
IT for public offices, municipalities and educational institutions
- Systems for social infrastructure
IT for power generation/energy, transport and communication carriers
- Defense systems
- IT functions commonly used for all companies
Application development, engineering, operation and maintenance, project management and quality assurance
- * Defense systems are included in "others" for accounting



Vision and Targets under the 2021 Mid-term Management Plan

Accelerate customer innovation with advanced IT

In the IT Sector, we will meet the expectations of customers in Japan and overseas with the power of digital technology, achieve a sustainable society and aim to become a top-class global solution provider. Moving forward, we will aim to improve social value through advanced digital solutions operations in the financial and social infrastructure fields. At the same time, we will strive to create environmental value by raising environmental efficiency throughout the lifecycle of our products and services.

Growth Strategies under the 2021 Mid-term Management Plan

Digital transformation, which involves attempting to produce reforms in corporate management and business models, is receiving an increasing amount of attention. Under these conditions, mobile payment systems utilized in mobile phone networks, which have a global penetration rate of more than 100%, are becoming commonplace in people's lives and are becoming gigantic infrastructures that generate large amounts of data every day. In addition, new discoveries and expansion are expected in a wide range of domains within the X-Tech (crosstech) market, where FinTech, HR Tech and other digital technologies are used to develop new services in various fields and industries and transform industry structure itself. Furthermore, we anticipate growth in the information and communication technology-related market moving

forward. Under these circumstances, we have steadily improved profitability and created the cash necessary for growth investment in the IT Sector by reinforcing front functions and manufacturing capabilities through reorganization of SI businesses; withdrawing from or concluding low-profit businesses such as the communication network equipment business; and reducing loss cost through thorough and enhanced project management. Moving forward, we will continue to expand the Lumada business, which acts as the core of growth, and invest one trillion yen over the three years covered by the 2021 Mid-term Management Plan to accelerate global expansion.

■ Expansion of the Lumada Business

The Lumada business will serve as a growth engine for all of Hitachi through the utilization of data and co-creation with customers and partners. The digital tools and wide-ranging industry and business expertise used to make this possible are being condensed into customer cases adjusted so they can be reused by many customers.

Lumada's customer cases have been accumulated as "workplace knowledge" of "OT × IT × Products," which Hitachi has refined through its customer-centered policies. By using Lumada as a starting point, we can minimize customization and develop and implement speedy solutions. Furthermore, the ability to expand Lumada into a wide range of areas, such as mobility, smart life, energy and industry, is a major factor that distinguishes Hitachi from its competitors.

We worked to expand digital solutions using Lumada during the three years covered by the 2018 Mid-term Management Plan, launching the business globally in 2016 and investing about ¥100 billion into the launch of related businesses. Currently, we have amassed more than 650 customer cases (as of the end of fiscal 2018), which are examples of co-creation with users. On the other hand, we must refine Lumada's customer cases and the solutions that embody them on an ongoing basis as the management and business issues facing our customers continue to change constantly. As we move forward, we will strive to expand the Lumada business by accumulating new customer cases and solutions through co-creation with customers and partners.

Over the three years covered by the 2021 Mid-term Management Plan, we will continue to invest ¥150 billion in the Lumada business and related projects, aiming to expand the use of Lumada in other sectors and to develop and expand the digital specialists/human capital essential to the acceleration of the Lumada business. In fiscal 2021, we will increase our number of digital specialists to 30,000.

■ Acceleration of Global Expansion

Previously, in the IT Sector, we established Hitachi Vantara in 2017, followed by Hitachi Global Digital Holdings in 2018. Also, in 2018, we acquired REAN Cloud, a cloud-related service provider in the United States, and, in 2019, we started collaboration in the digital business with Virtusa, a global IT service company in the United States. We have also established a joint venture with State Bank of India, the largest state-owned commercial bank in India, and are working to develop platforms for cutting-edge next-generation digital payment services. Over the three years covered by the 2021 Mid-term Management Plan, we will invest approximately ¥830 billion into efforts aimed at further strengthening our overseas business and will target further business expansion through M&A and other initiatives.

Collaborative Creation of Value within the IT Sector

Lumada plays a core role in our efforts to provide social, environmental and economic value and to achieve social innovation. On the other hand, Hitachi cannot achieve objectives related to the SDGs and Society 5.0 on its own. We believe that these objectives can only be achieved through co-creation with a wide range of customers and partners.

For example, since 2017, we have been supporting the digitization of subsidy payment operations and other financial services offered by the state-owned Vietnam Post. In fiscal 2018, we expanded the scope of this digitization to include social security subsidy and pension payment operations and are currently promoting further expansion on a nationwide scale. Through this co-creation, Hitachi will combine its technologies with Vietnam Post's services to improve the quality of people's lives. We aim to help improve convenience for 6 million subsidy recipients starting in 2020.

Together with our customers and partners, we will form a Lumada-centered ecosystem that enables expertise, resources and skills to be shared while further accelerating social innovation.