

Hitachi Investor Day 2021

Industry Sector

June 8, 2021

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Executive Vice President and Executive Officer
General Manager of Industry Business Division

- 1 | **Digital Transformation (DX) Accelerating in the New Normal Era**
- Responses to Market Changes in Manufacturing and Distribution Industries Due to COVID-19 -
- 2 | **Expansion of Total Seamless Solutions Utilizing Lumada**
- 3 | **Development for Global Growth**

Industry Sector

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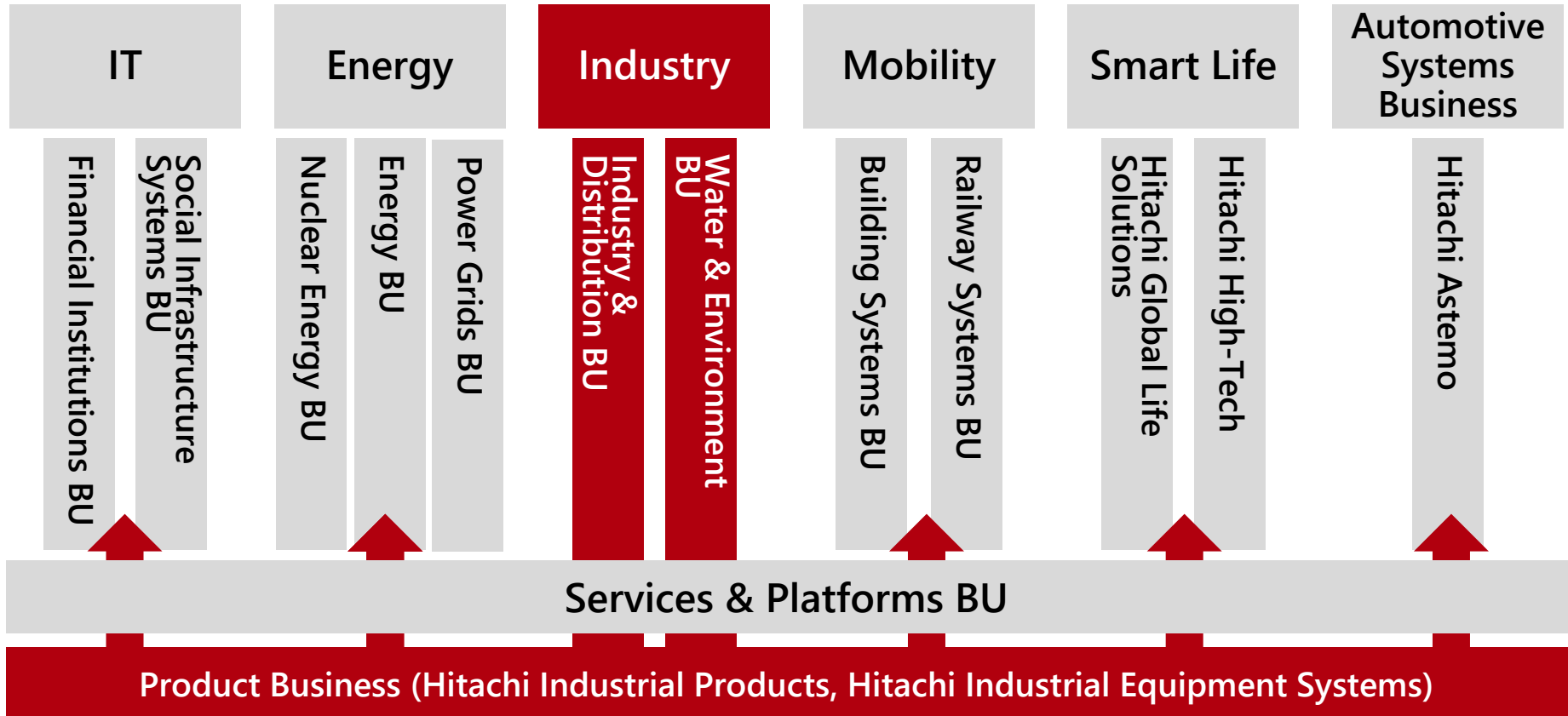
1. Overview of the Industry Sector
2. Progress of 2021 Mid-term Management Plan
3. Expansion of Total Seamless Solutions
4. Development for Global Growth
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Industry Sector

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1-1. Position of the Industry Sector



Industrial Products Business

Mass-production business [28%]

- Air compressors
- Drive systems
- Marking systems
- Power Substation equipment



Built-to-order business [16%]

- Centrifugal compressors
- Pumps
- Drive systems
- Transport systems



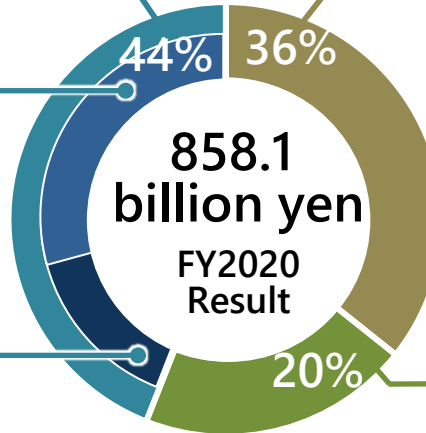
Industry & Distribution BU

Digital solution business



Water & Environment BU

Utility solution business



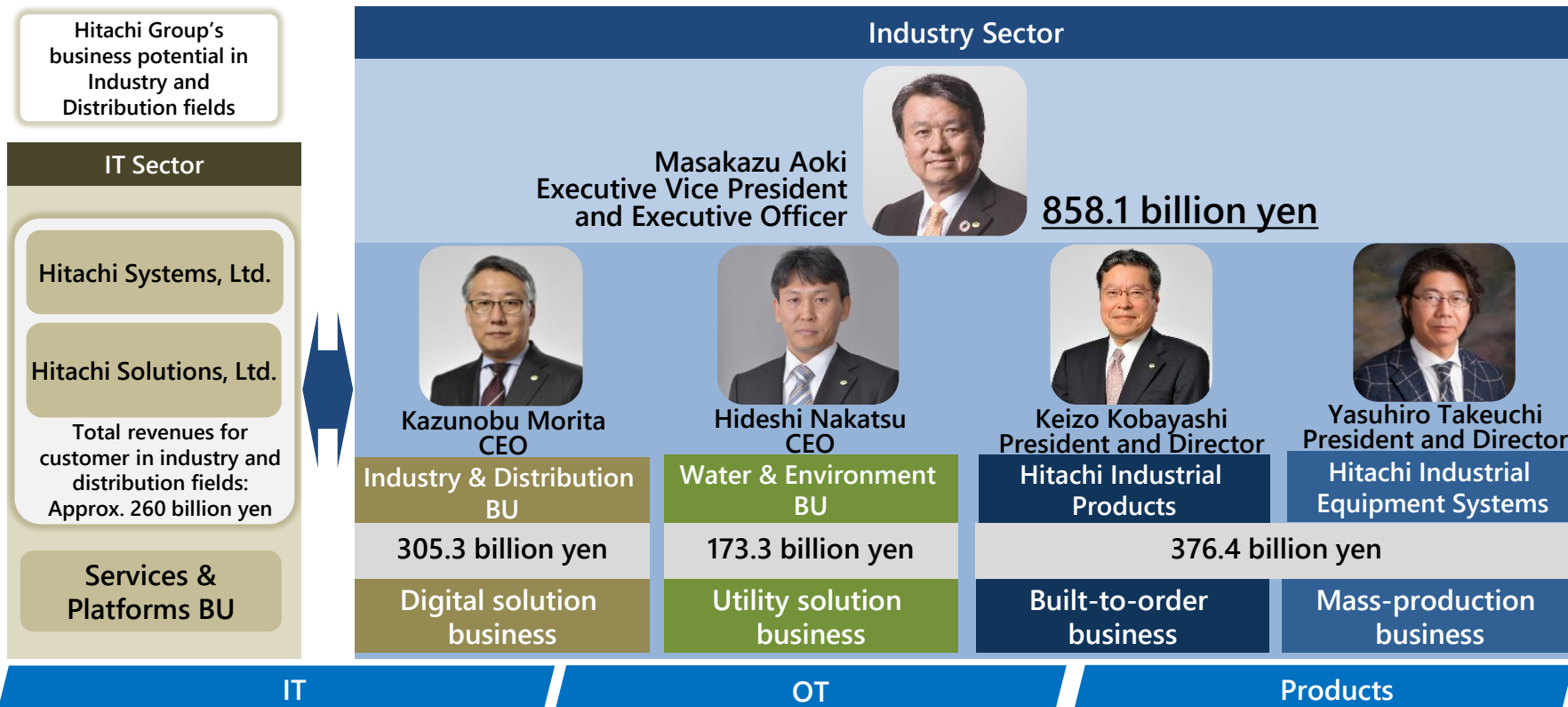
Social and Environmental Value

- Increasing the efficiency of customers' production and service delivery
- Providing safe and secure water environments
- Helping reduce CO₂ emissions with energy-saving products

Related SDGs



The Sector and Hitachi Group Promote Business for Customers in Industry and Distribution Fields

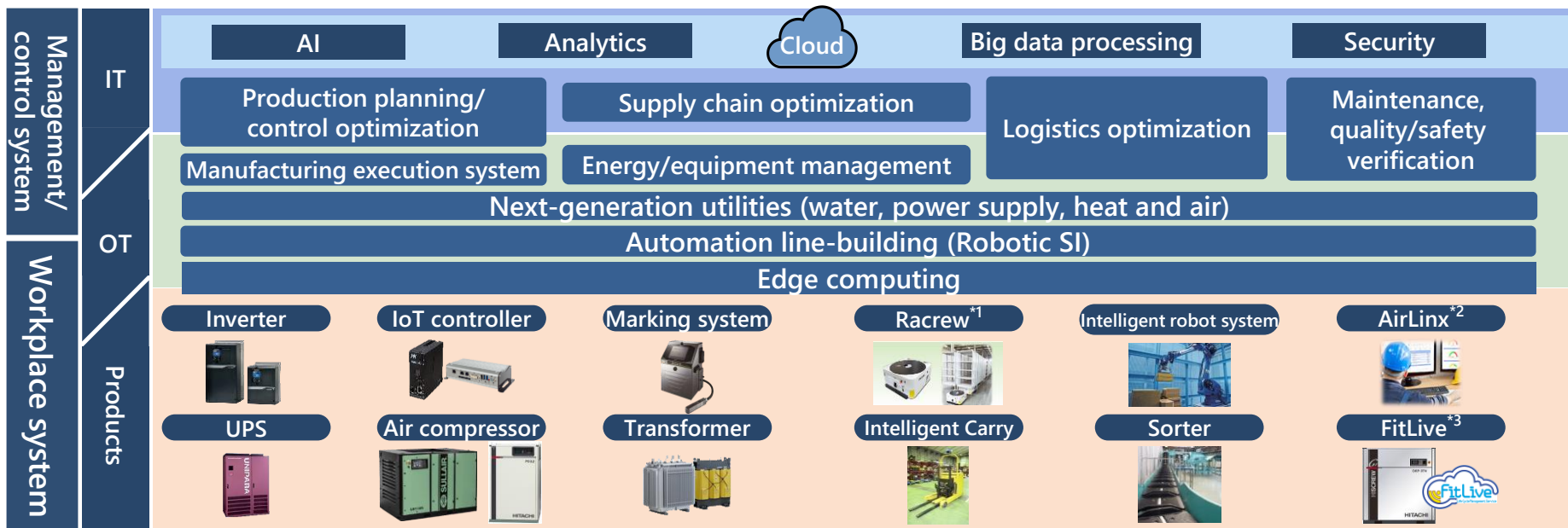


The figures above indicate revenues (FY2020 results).

Figures for each BU and overall Industry Sector include control systems business, which is allocated in IT Sector.

Providing digital solutions by utilizing strengths with Products x OT x IT

Creating customer value in value chains



*1 The compact, low-floor, automated guided robot, Racrew, is a registered trademark of Hitachi Industrial Products, Ltd. in Japan.

*2 The air compressor remote monitoring service, AirLinX, is a registered trademark of Sullair, L.L.C. in the US.

*3 The air compressor cloud-based monitoring service, FitLive, is a registered trademark of Hitachi Industrial Equipment Systems Co., Ltd. in Japan.

OT: Operational Technology AI: Artificial Intelligence SI: System Integration UPS: Uninterruptible Power System

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

Steady progress is being made through the strengthening of integrated operations in the Industry Sector, although COVID-19 has somewhat impacted the plan

Basic policy and progress

Expand and strengthen total seamless solutions

- ✓ Scaling of digital solutions utilizing Lumada (Lumada Core Business: up 6% YoY for FY2020)
- ✓ Acquisition of Kyoto Robotics, a developer of intelligent robotic systems
- ✓ Continued strengthening of Products x OT x IT for business growth

Accelerate global expansion

- ✓ Acquisition of JR Automation, a U.S.-based robotic system integrator
- ✓ Hitachi Industrial Holdings Americas established to supervise operations in North America
- ✓ More orders received after strengthening business base in North America

Response to market change

Increase business resilience

- ✓ Resources shifted to the digital business to accelerate DX
- ✓ Increased the number of solutions matched with the needs of the new normal created by the COVID-19 pandemic

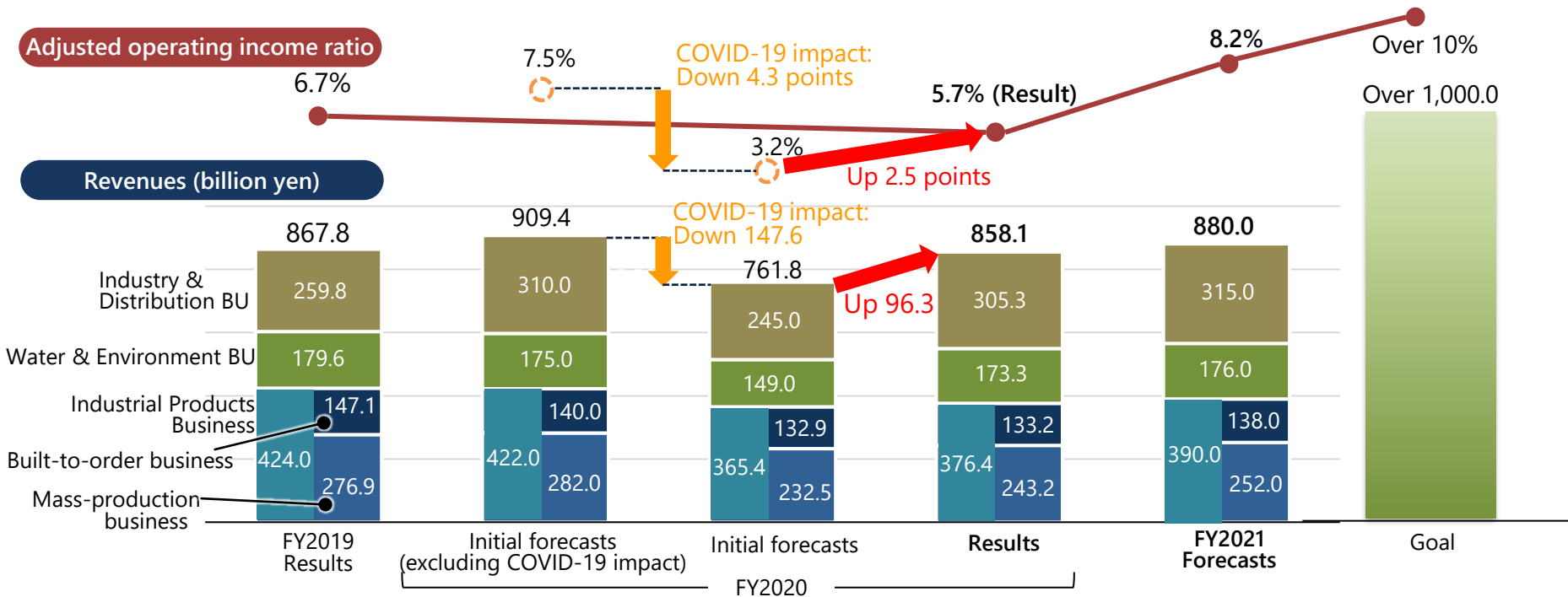
COVID-19 impact

- ✓ Investments reduced and selected carefully
- ✓ Profit secured by reducing fixed costs and more strictly managing projects

2-2. Results and Forecasts

FY2020 A huge decline in revenues was expected due to the COVID-19 pandemic. However, revenues were higher than the initial forecast as a result of shift to the digital business and global business expansion
Adjusted operating income ratio stood at 5.7% after cost reductions and strict project management

FY2021 Revenues and income are forecast to grow as a result of capturing new DX needs despite the continued impact of COVID-19



Figures for each BU and overall Industry Sector include control systems business, which is allocated in IT Sector.

2-3. Trends of the Results of JR Automation



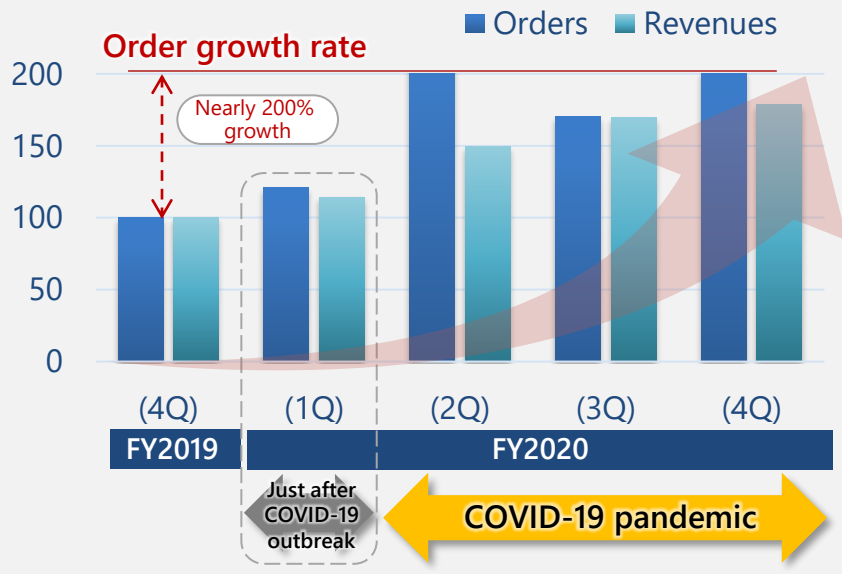
JR AUTOMATION™
A Hitachi Group Company

HITACHI
Inspire the Next

- After acquisition in the 4th quarter of FY2019, with the impact of COVID-19 pandemic, steady post-merger integration (PMI) efforts led to a considerable increase in orders and revenues
- Increase business domains in the growing e-commerce and medical markets to accelerate the shift from an automotive-centered business portfolio

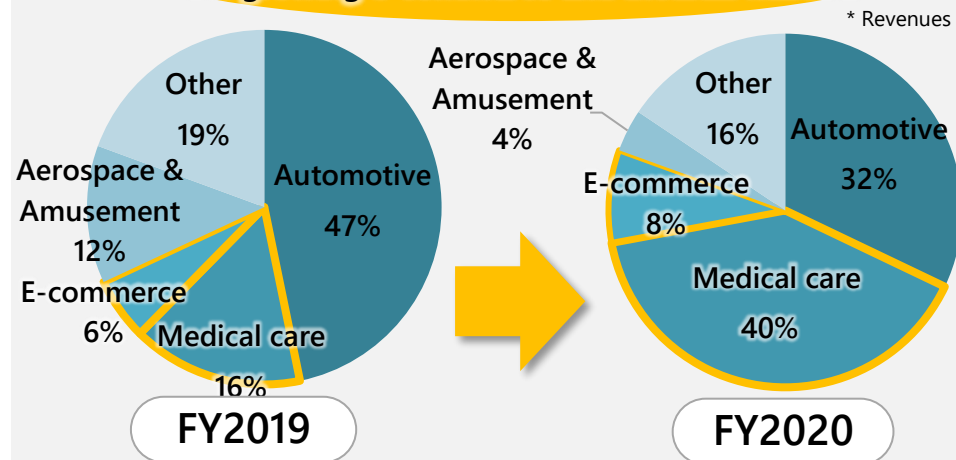
Quarterly trends

High growth rate achieved



Business portfolio

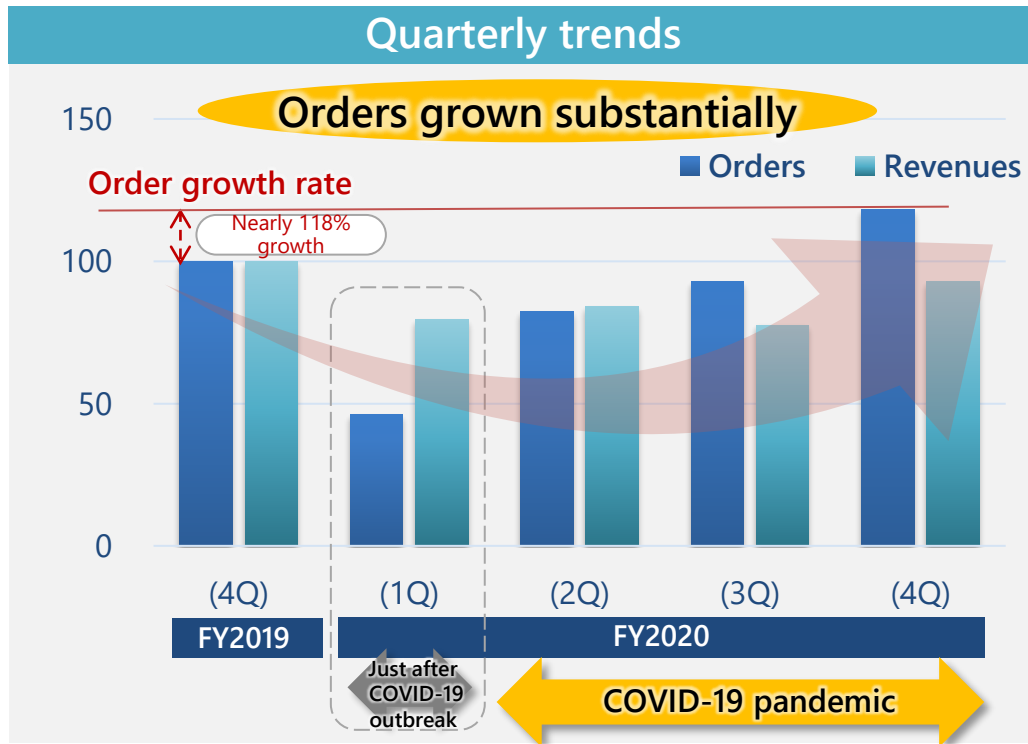
Accelerate the shift of the business portfolio to the growing e-commerce and medical markets



Expansion of the robotic SI business featuring digital fusion from FY2021

2-4. Trends of the Results of Sullair

- Both orders and revenues for the 1st quarter of FY2020 fell due to the COVID-19 pandemic
- Improvement measures for the building of resilient structures were carried out to achieve a higher orders growth rate in the 4th quarter of FY2020 than in the same period of the previous year



Implementation of improvement measures

- Steady expansion of new customer base
- Flexible production system and increase in the cost competitiveness of products
- Strengthen production systems that respond to the fluctuation of demand (integrate production bases in China)
- Introduce common key components and internal production to reduce costs
- Introduce Hitachi's global IoT platform to strengthen the aftermarket

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3-1. Changes in Market Conditions and Aims of the Industry Sector

- Changes in market environment brought about massive changes in customers' management perspectives (values of companies)
- Solving issues of "boundaries" between companies and organizations is more important now

Changes in market environment

- Drastic changes due to COVID-19
- Increase in geopolitical risks
- Increasing environmental awareness
- Shift to a recycling society

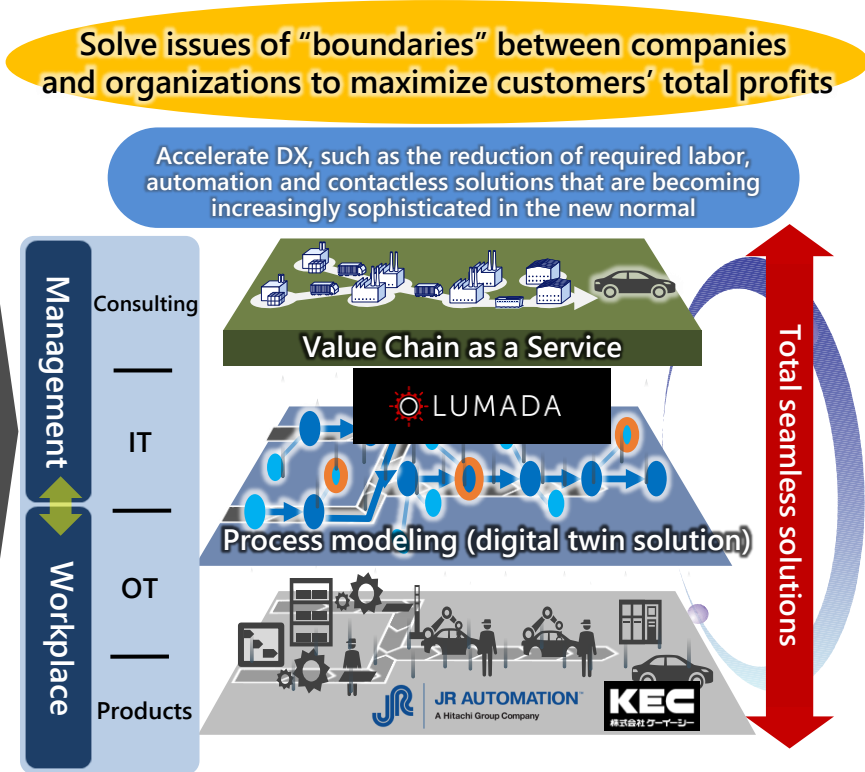
Change in customers' management perspectives

Environment
Achieve net zero emissions

Resilience
Ensuring business continuity

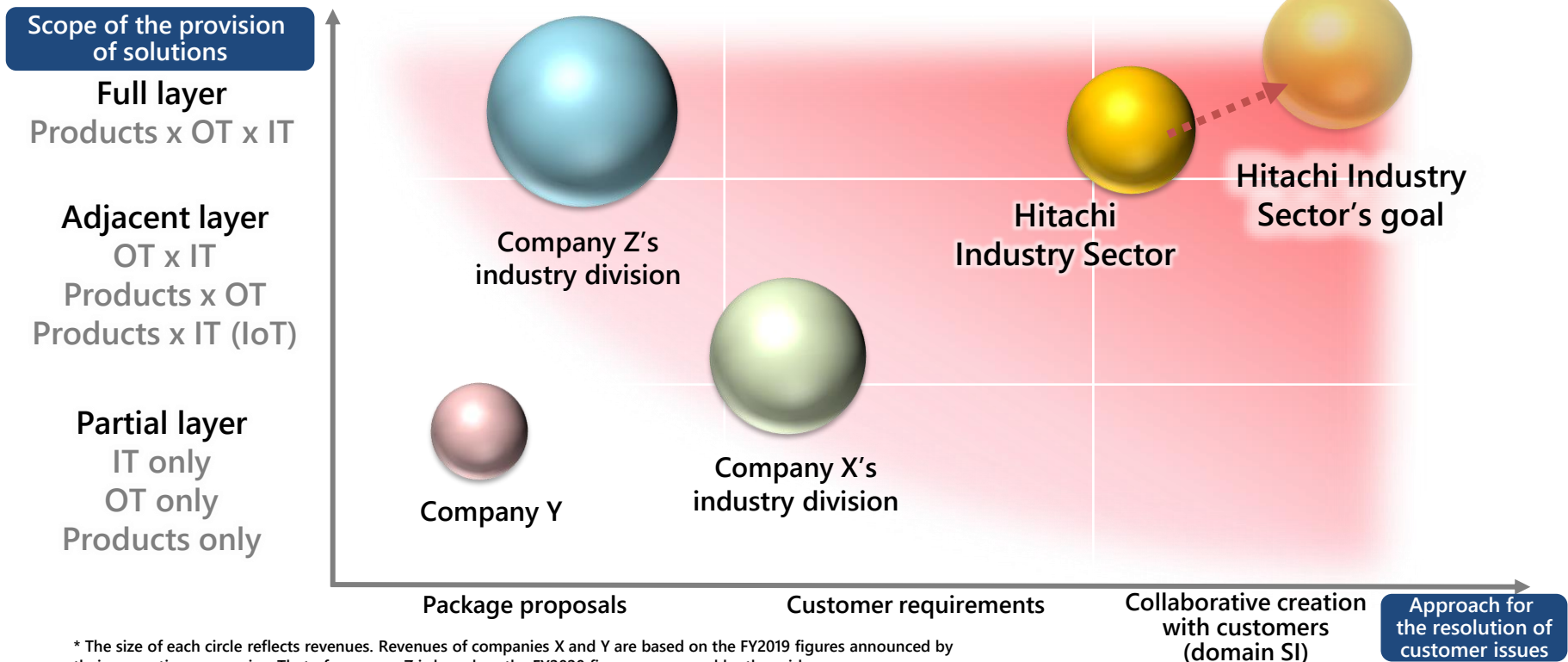
Security & Safety
Providing people with fulfilling and healthy lives

Value provided only when connections are established



3-2. Comparison to Competitors

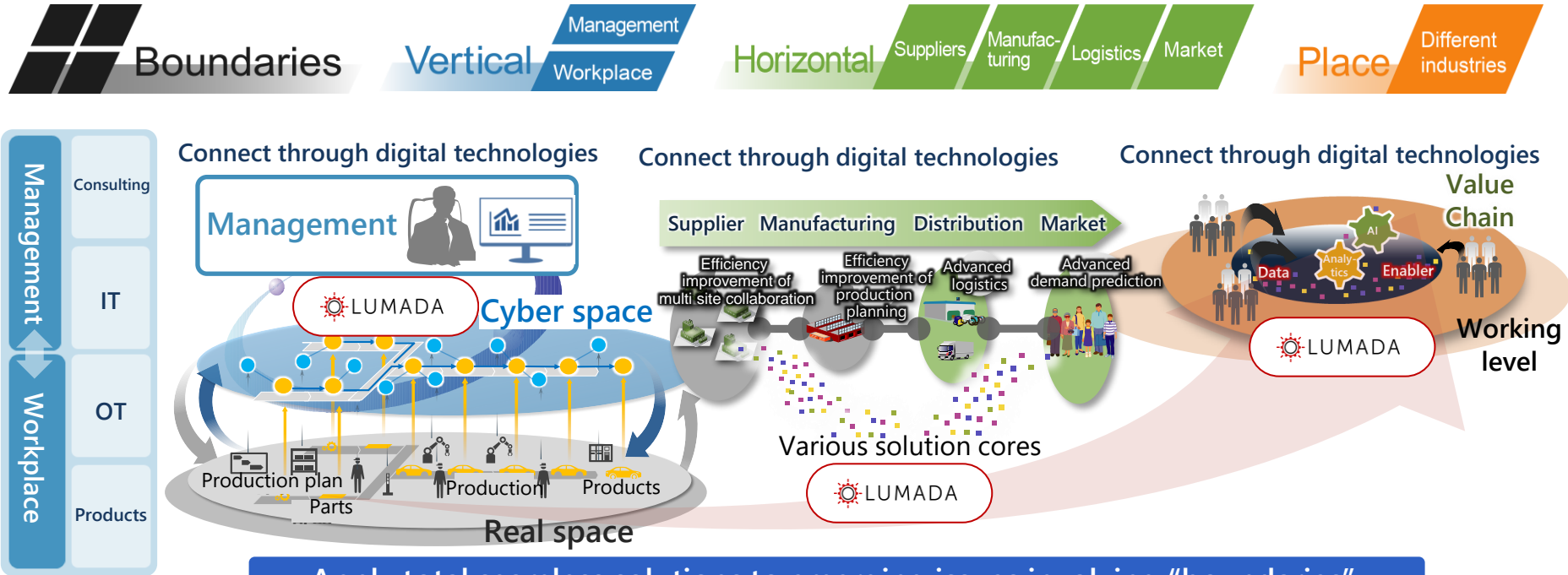
- After the change of market environment, the importance of solving customer issues through comprehensive Products x OT x IT solutions based on collaborative creation with customers has increased
- Hitachi differentiates itself from the competition by advancing total seamless solutions based on domain SI knowledge



* The size of each circle reflects revenues. Revenues of companies X and Y are based on the FY2019 figures announced by their respective companies. That of company Z is based on the FY2020 figure announced by the said company.

3-3. Total Seamless Solutions Applied to "Boundary" Issues

Capitalize on the strengths of Products x OT x IT to solve issues of "boundaries" through collaborative creation with customers and create new value for society



Apply total seamless solutions to emerging issues involving "boundaries" arising in the era of the new normal

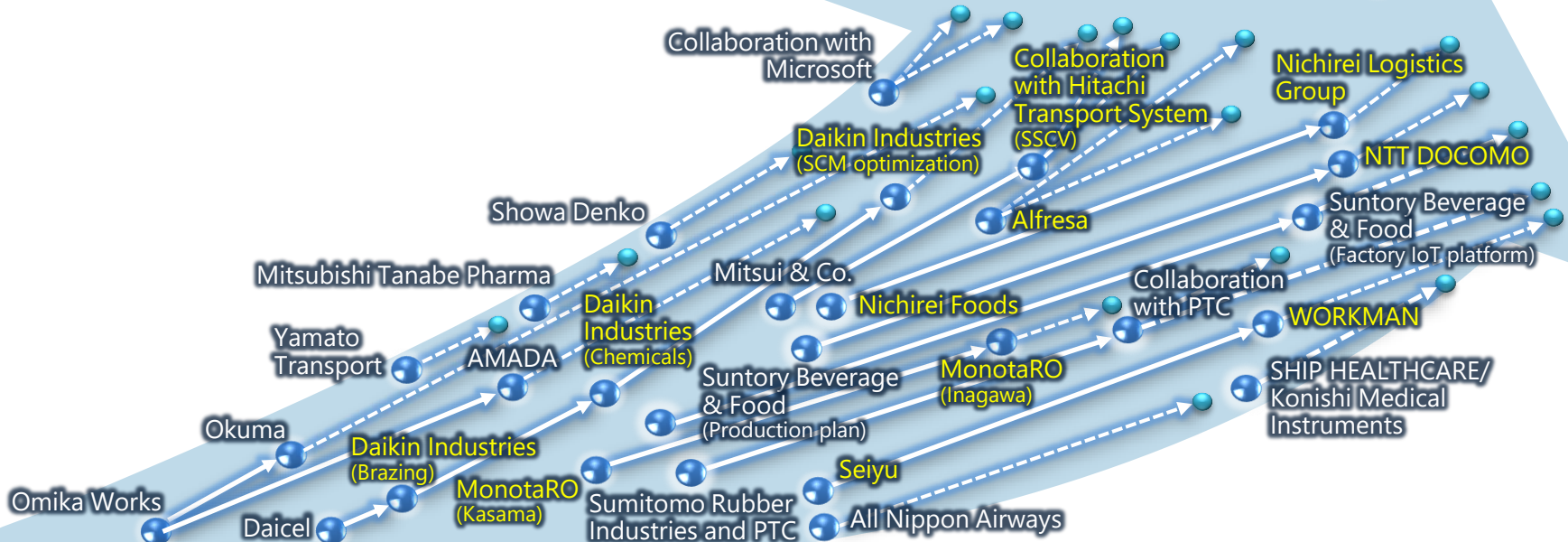
3-4. Expansion of Total Seamless Solutions utilizing Lumada

Expand total seamless solutions with the strengths of technologies, domain knowledge and customer relations

Until FY2019

FY2020

From FY2021 onwards



Collaborative creation with customers

Technologies

(e.g., AI, mathematical optimization technology)

Domain knowledge

(Advanced manufacturing capabilities and experience at workplace)

Customer relations

(Wide customer base)

3-5. Examples of Introduction of Lumada Digital Solutions

1

Connect Supply Chains Globally
Daikin Industries, Ltd.



2

Connect Sales Workplace and Markets
Seiyu GK & WORKMAN Co., Ltd.



3

Connect Workplace and Management in Logistics Field
MonotaRO Co., Ltd.



4

Connect Workplace and Management in Logistics Field
Hitachi Transport System, Ltd.



5

Provide a Place for Connecting Different Companies
Alfresa Corporation and others



6

Connect Workplace, Management, and Supply Chain in Food Field
Nichirei Foods Inc. & Nichirei Logistics Group Inc.



Collaborative Creation Customer Case 1.

Connect Supply Chains Globally



For Daikin's chemical business, five manufacturing bases and nine sales bases are connected globally to provide production/sales planning and execution support solutions that quickly respond to changes in demand



Boundaries

Vertical



Horizontal

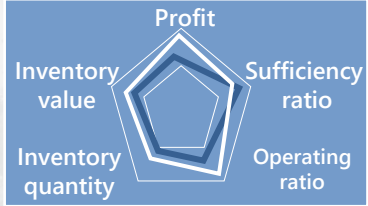


Optimization of supply chains aiming to maximize business KPIs

SCM Optimization Simulation

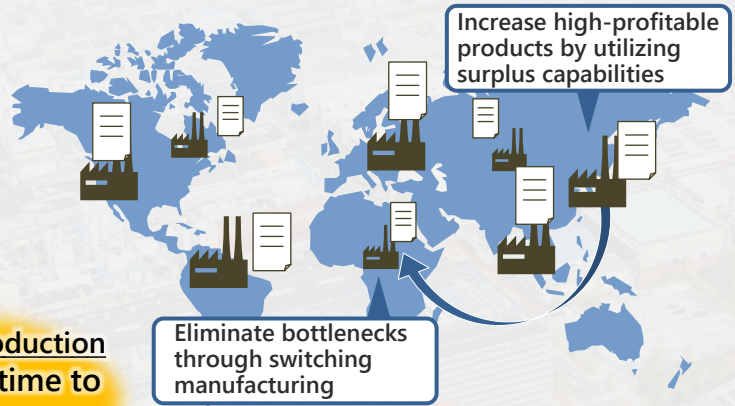
Production/Sales Plan

Results of estimation



Present **approx. 60 times** more manufacturing/sales measure patterns than before in a short time.

Effects of Introduction
Shortens the time to determine by approx. 95%



Respond to the value chain that changes variedly

Contribute to employee's workstyle reform through automation of planning

Collaborative Creation Customer Case 2.

Connect Sales Workplace and Markets



Contribute to productivity improvement of sales workplace by automating order placement operations based on the demand forecasting by AI
Provide value that corresponds to the characteristics and needs of each of Seiyu and WORKMAM



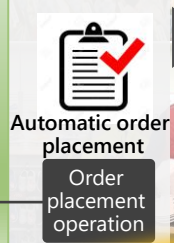
Hitachi Digital Solution for Retail/ AI demand forecasting based automatic order placement service



Cumbersome order placement operation was reduced drastically, which allows focusing on kitchen operations and customer services
In future, they will aim to reduce stockouts and food loss



Contributed to stockout reduction and inventory optimization of 100 thousand items that have different sales turnover ratios

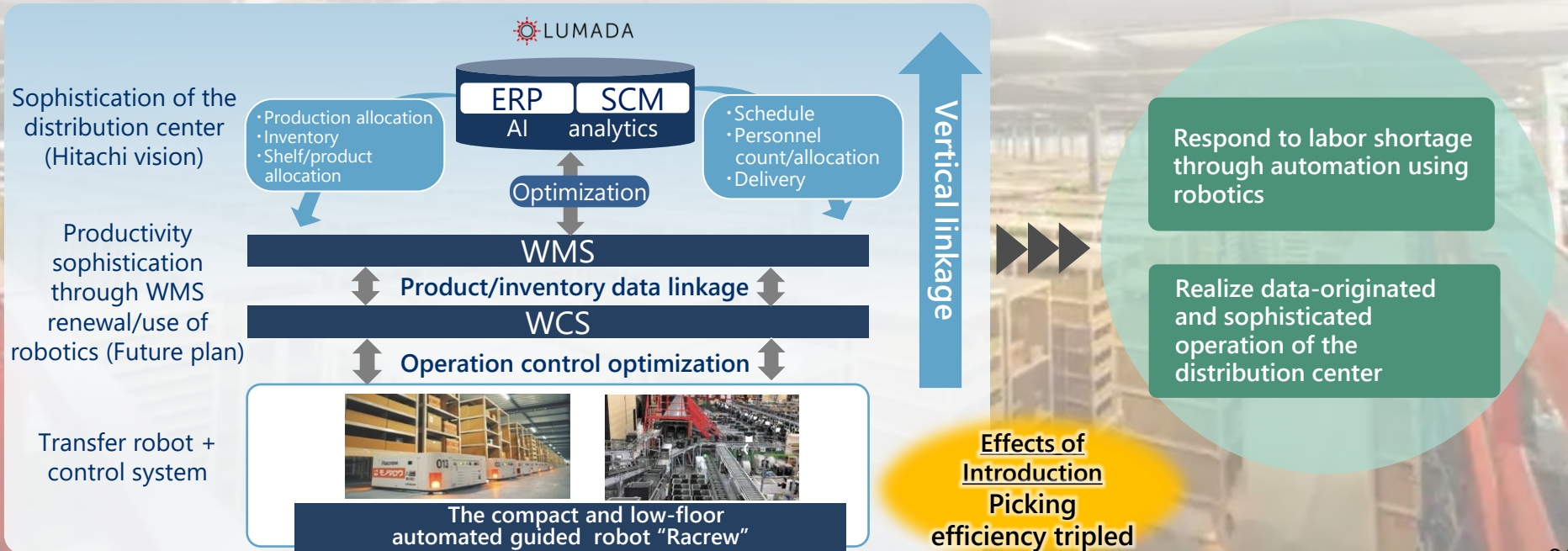


Effects of Introduction (WORKMAM)
Shortening order placement operation from approx. 30 minutes to approx. 2 minutes

Collaborative Creation Customer Case 3. Connect Workplace and Management in Logistics Field



Realize improved productivity by automated transfer at MonotaRO
Aim to optimize the whole distribution center from workplace to planning



Collaborative Creation Customer Case 4. Connect Workplace and Management in Logistics Field

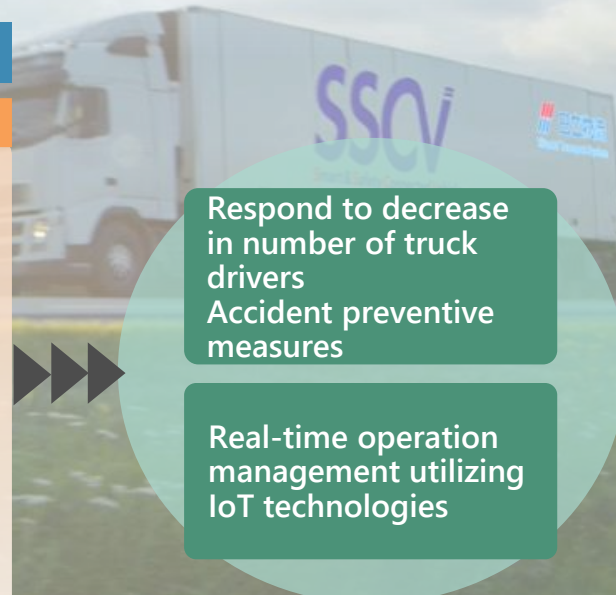
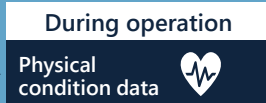
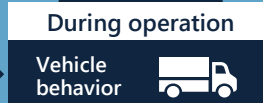
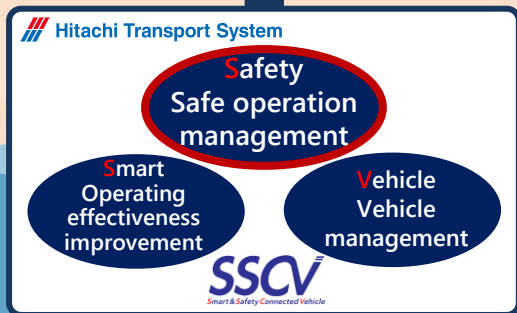


Realize both safety and efficiency improvements by combining Hitachi Transport System's unique safe operation management solution utilizing AI with the delivery optimization service



Digital platform for logistics x biological data/operation data x delivery optimization service

SSCV-Safety on Hitachi Digital Solution for Logistics



Respond to decrease in number of truck drivers
Accident preventive measures

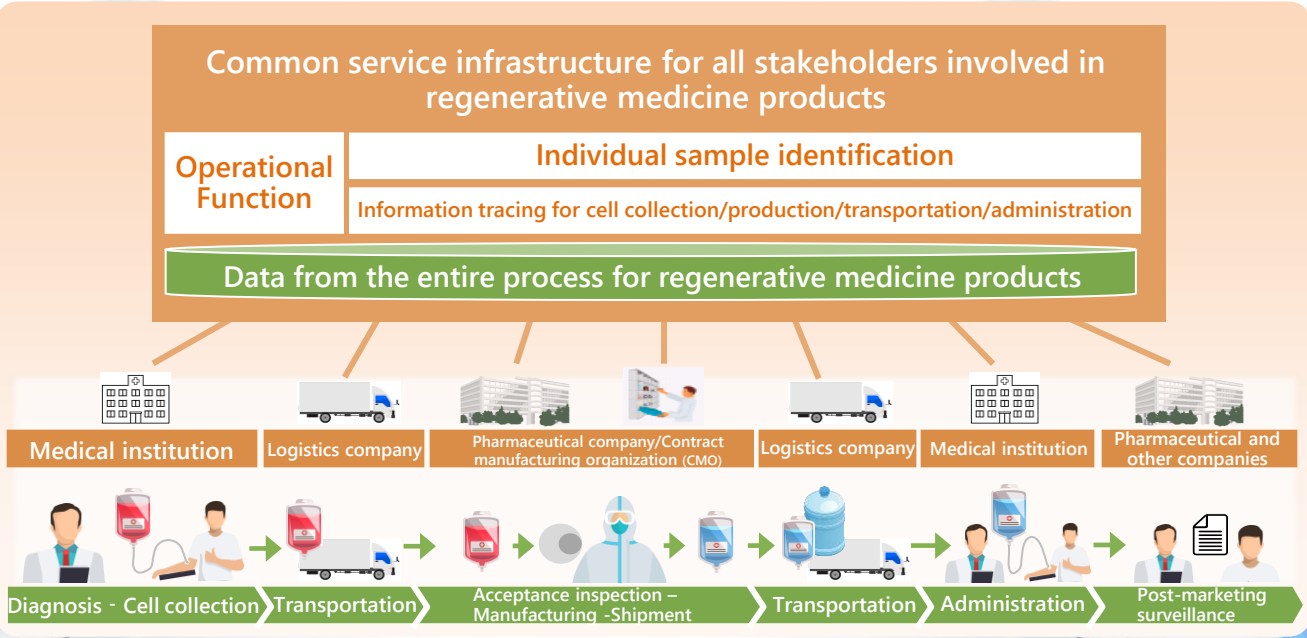
Real-time operation management utilizing IoT technologies

* "SSCV" is a registered trademark of Hitachi Transport System, Ltd. in Japan.

Collaborative Creation Customer Case 5. Provide a Place for Connecting Different Companies



Through collaborative creation with a pharmaceutical wholesaler (Alfresa) etc., provide Japan's first* platform for integrated management of cell and tracing information throughout the value chain for regenerative medicine products



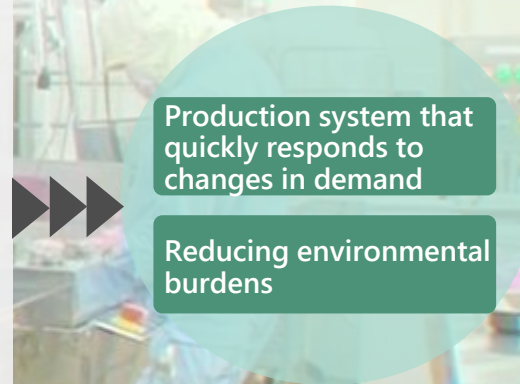
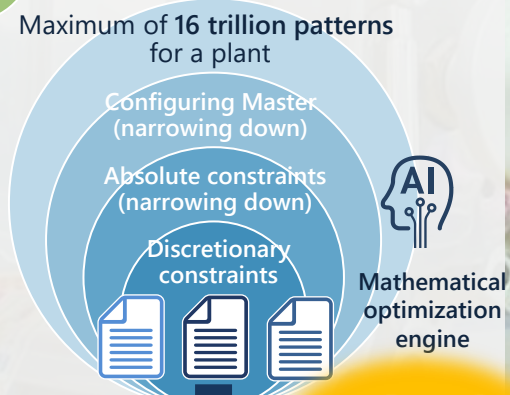
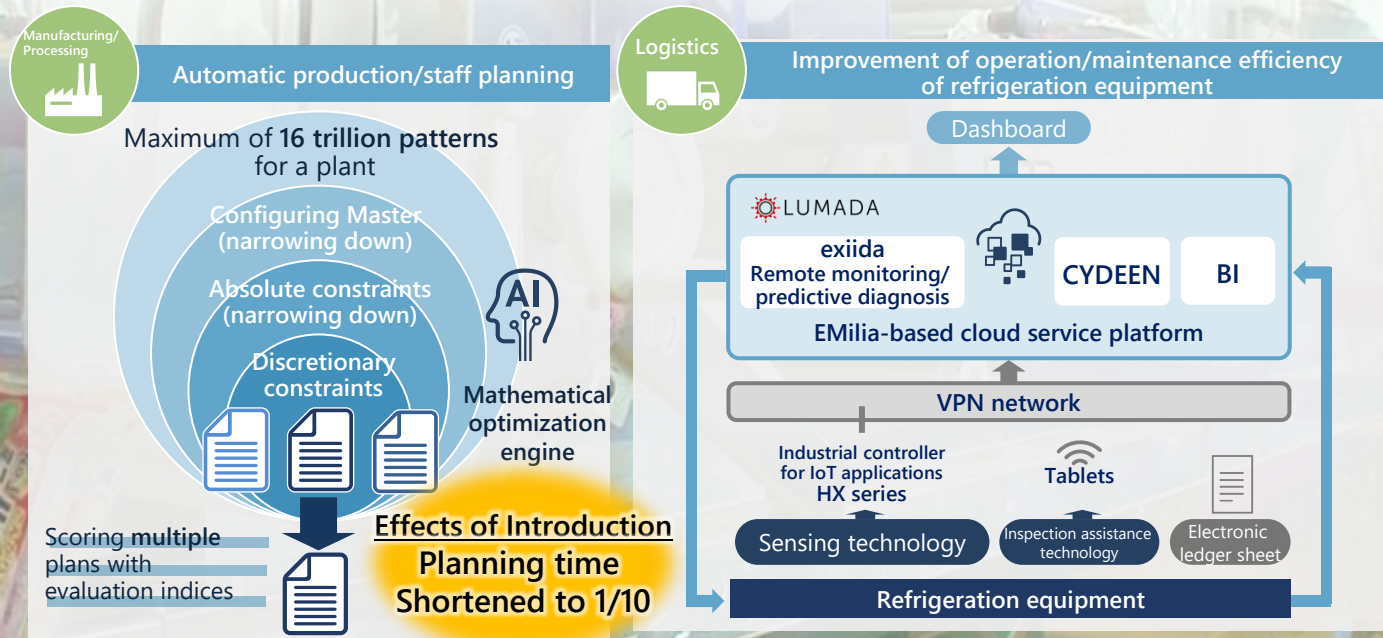
* Investigated by Hitachi in May 2021

Collaborative Creation Customer Case 6.

Connect Workplace, Management, and Supply Chain in Food Field



Through collaborative creation with Nichirei Group,
provide a planning/operating efficiency improvement solution
at manufacturing/processing factories and distribution centers (food value chain)



* "CYDEEN" is a registered trademark of Hitachi Systems, Ltd. in Japan. * "exiida" is a registered trademark of Hitachi Global Life Solutions, Inc. in Japan.

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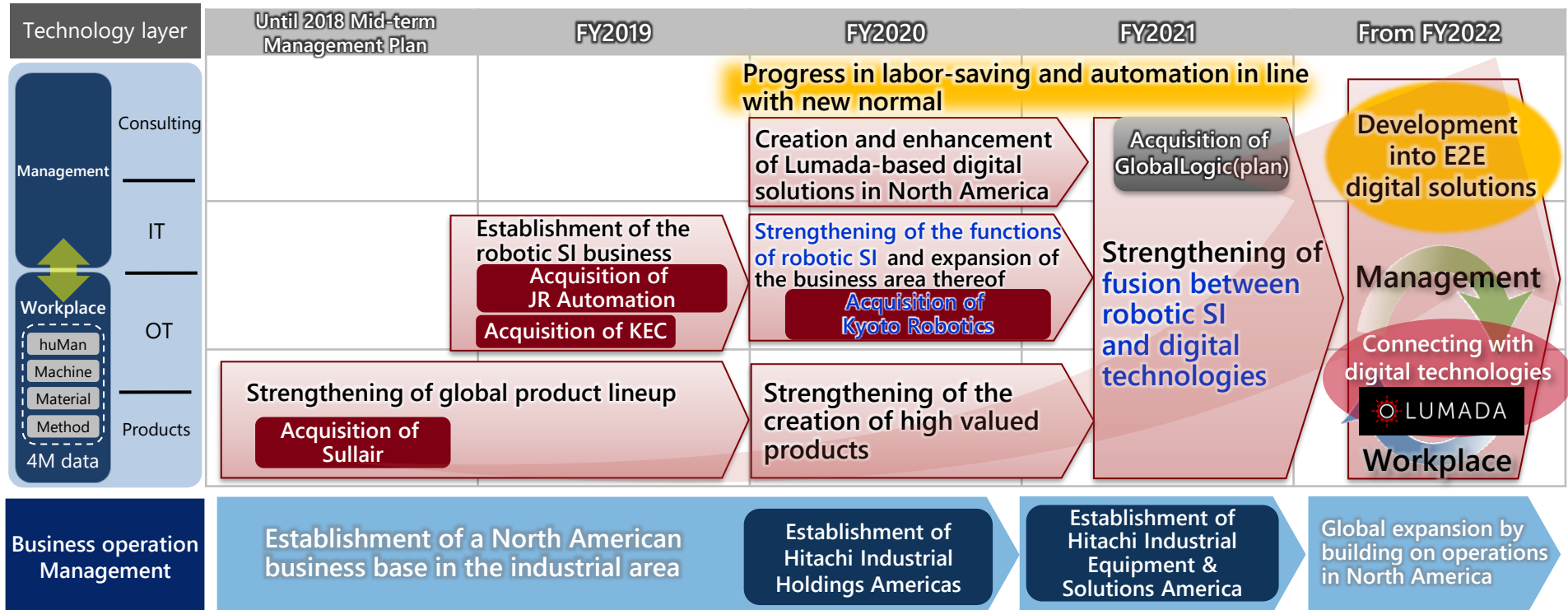
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4-1. Growth of the Global Business

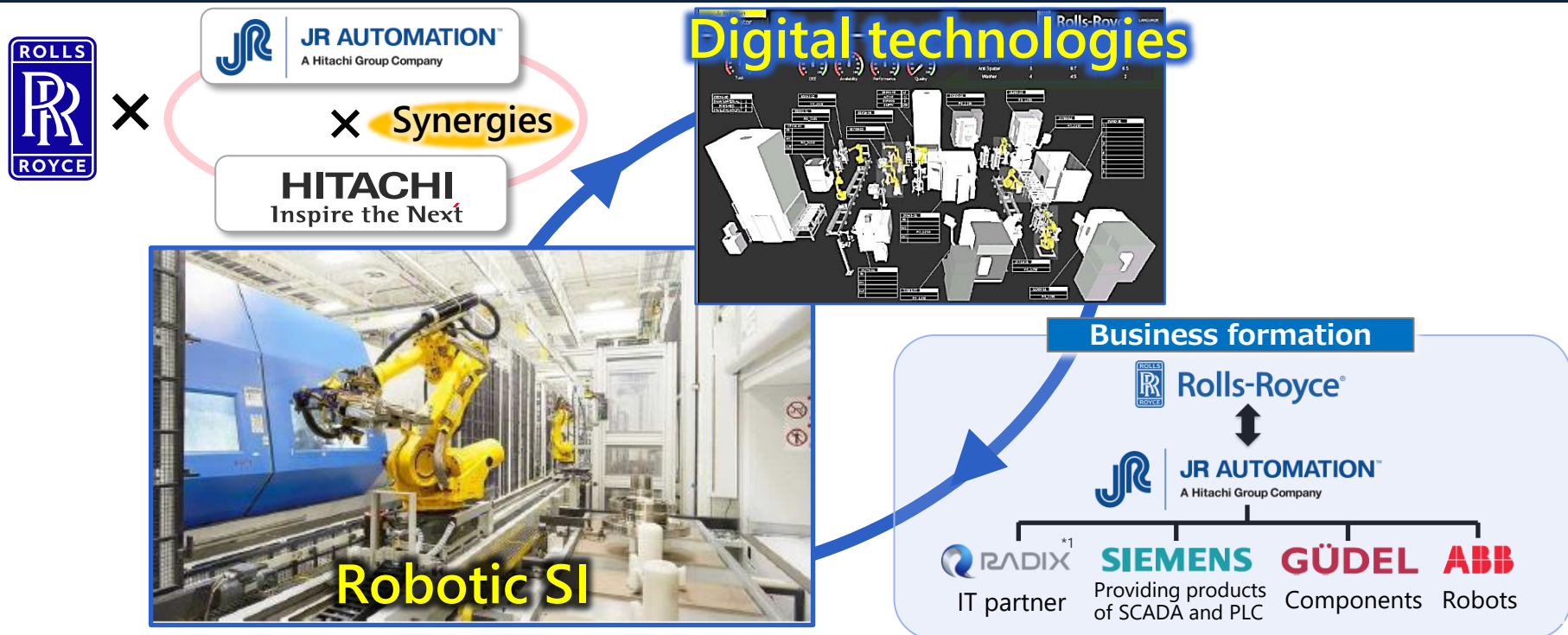
Centering on Operations in North America

- Establishing a North American business base through M&A and strengthening differentiating technologies
- Accelerating global expansion by strengthening robotic SI while simultaneously reinforcing the fusion of Lumada-based digital technologies



4-2. Fusion of Robotic SI and Digital Technologies: Rolls Royce Case

- Automation of large-scale robots, processing equipment and conveyers collaboration between ERP and MES for the processing of aircraft components
- Acceleration of the fusion of robotic SI and digital technologies through synergies between JR Automation and Hitachi in North America



4-3. Strengthening the Functions of Robotic SI: Acquisition of Kyoto Robotics

- Acquisition of a start-up that supplies an intelligent robotic system equipped with a world-class 3D vision sensor
- Deepening the seamless operation between the workplace and management by strengthening the company's 3D vision technology-based robotic SI

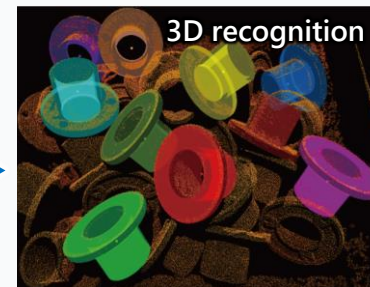
High-level technological
and product development
capabilities

- ✓ **99.99% 3D object recognition rate** featuring high-level speed and accuracy (in case of single depalletizing)
- ✓ **Masterless object recognition**
- ✓ **Industry-leading depalletizing capability**
(600 cases from a consolidated depalletizing per hour and 850 cases from a single depalletizing per hour)

3D recognition technology for depalletization



3D recognition technology for picking items out of a bulk cargo



Abundant delivery record

- ✓ **More than 400 units delivered**

- ✓ Ability to operate flexibly on various types of lines

Strengthening the robotic SI business in the logistics and FA areas

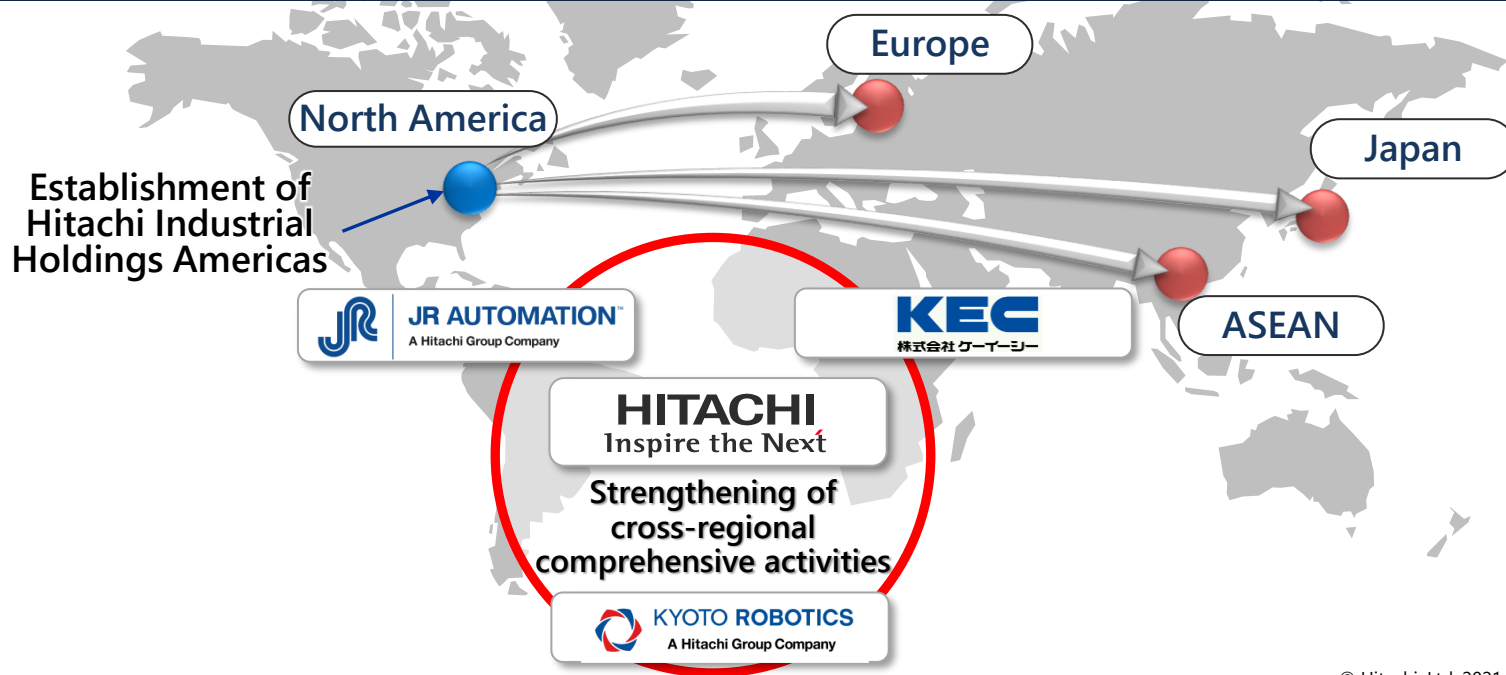
4-4. Strengthening of the Functions of Robotic SI: Use Case of Intelligent Robotic Systems

- Upgrading logistics center operations through the OT x IT solution and facilitate NTT DOCOMO's logistics operation reform
- Applying the piece picking method for practical use through Kyoto Robotics' intelligent robotic system with an eye toward the full automation



4-5. Strengthening the Global Development of the Robotic SI Business

- Strengthening robotic SI featuring digital fusion through the execution of cross-regional comprehensive activities
- Strengthening and expanding the robotic SI business based on North American strategies developed by Hitachi Industrial Holding Americas and accelerating global expansion by building on its business base



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5-1. Initiatives for Creating Environmental Value



Creating sustainable environmental value as well as economic value through collaborative creation with customers

Digital Solution Business

Reducing CO₂ by optimizing production, supply chains and distribution

Utility Solution Business

Reducing CO₂ by making advanced technology-driven improvements to the efficiency of water resources cycling systems

Industrial Products Business

Reducing CO₂ by applying energy-saving and/or IoT schemes to products

Creating sustainable environmental value by offering total seamless solutions



Optimizing production and supply chains through digital technologies

- Production planning optimization service
- SCM optimization simulation service
- Delivery optimization service



Contributing to the cycle of water resources and improvement of the efficiency of utility facilities

- Advanced water treatment system
- Seawater desalination technology
- Initiatives for the hydrogen business



Reducing the environmental load through high value-added products

- Motors featuring high-level efficiency and reliability (Motors for railway vehicles and mining dump trucks)
- Highly efficient air compressors



Reducing the environmental load of internal facilities

- Creation of carbon neutrality for production lines by FY2030

To achieve business growth and business value enhancement in the Industry Sector

Intensive actions

Facilitating the evolution of total seamless solutions

- Creating new social value by solving issues of "boundaries"
- Enhancing digital solutions through robotic SI and Lumada

Accelerating growth globally

- Strengthening North American business resources and differentiating technologies
- Expanding businesses into Europe, ASEAN and Japan centered on the North American business base

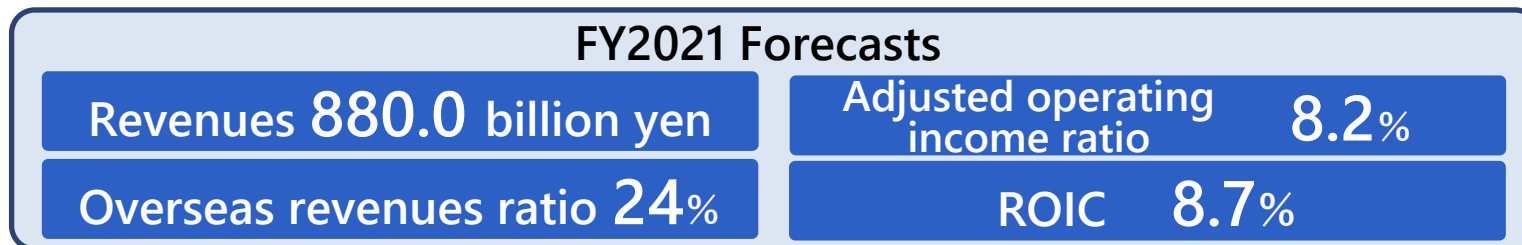
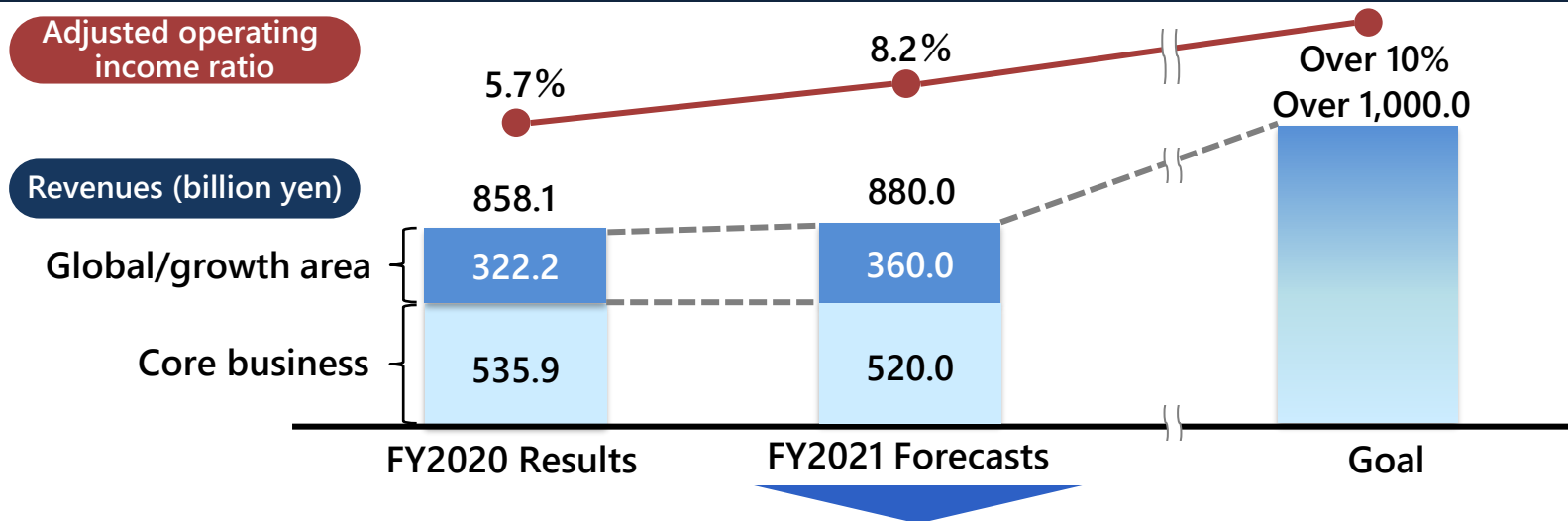
Strengthening the management base

- Creating synergies through comprehensive operation of acquired businesses
- Continuing the reform of operations (project management, etc.)

Business growth and business value enhancement in the Industry Sector

5-3. Conclusion

Aiming to achieve revenues upwards of 1 trillion yen and an adjusted operating income ratio exceeding 10% as the best solution partner for industrial customers



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Appendix

Appendix 1: Progress in 2021 Mid-term Management Plan

Unit: billion yen	FY2019		FY2020		FY2021		Targets (announced on IR Day in June 2019)	Change from previous targets
		YoY		YoY	Forecasts (as of June 2021)	YoY		
Revenues	867.8	94%	858.1	99%	880.0	103%	1,000.0	88%
Overseas revenues ratio	21%	Down 8.2 points	24%	Up 3.1 points	24%	Up 0.4 points	30%	Down 6.0 points
Adjusted op. income	57.9	Up 33.8	48.6	Down 9.2	72.0	Up 23.4	91.0	Down 19.0
Adjusted op. income ratio	6.7%	Up 4.1 points	5.7%	Down 1.0 points	8.2%	Up 2.5 points	9.1%	Down 0.9 points
EBIT ^{*1}	60.9	Up 38.5	45.4	Down 15.5	62.0	Up 16.6	86.0	Down 24.0
EBIT ratio	7.0%	Up 4.6 points	5.3%	Down 1.7 points	7.0%	Up 1.7 points	8.6%	Down 1.6 points
EBITDA ^{*2} ratio	9.6%	Up 5.3 points	8.2%	Down 1.4 points	9.4%	Up 1.2 points	-	-
ROIC (Return on Invested Capital)	8.6%	Down 0.7 points	6.1%	Down 2.5 points	8.7%	Up 2.6 points	10.8%	Down 2.1 points

FY2020

● Financial results

- Revenues: Took new normal-conscious measures to offset a decline in revenues attributable to the COVID-19 pandemic
- Adjusted operating income: Took new normal-conscious fixed cost reduction measures
- ROIC: Deteriorated due to a decrease in adjusted operating income and an increase in invested capital

● Achievements

- A shift to the digital solution business, the reallocation of resources to growing and solid business areas, and establishment of a structure in which revenues are secured mainly through the improvement of SI productivity even amid the COVID-19 pandemic
- Decisive implementation of structural reforms and preparation for the next growth stage (creating the Next-Generation Platform Development Center)

Outlook for FY2021

● Financial results

- Revenues: Expected to increase by 3%, partly reflecting the continuing impact of the COVID-19 pandemic
- Adjusted operating income: Expected to increase due to the optimization of fixed costs and improvement of productivity, and other measures
- ROIC: Expected to improve with an increase in adjusted operating income

● Issues

- Expansion of the robotic SI business
- Acceleration of scaling and further improvement of productivity
- Strengthening of systems with an eye to accelerating global expansion and becoming the global leader

Growth drivers: Increase in digital investment for the acceleration of DX taking place amid the COVID-19 pandemic and measures taken to satisfy demand in the growth market

Risk factors: Delay in recovery of the Japanese economy due to the COVID-19 pandemic, and geopolitical risks

Growth (Value) drivers

- Increase in digital investments for the acceleration of DX
- Recovery of the Japanese economy due to the containment of the COVID-19 pandemic
- Expansion of the e-commerce and medical markets with the COVID-19 pandemic
- Increase in environment-related investments such as energy saving
- Automotive investments, reflecting efforts to popularize EV
- Creation of synergies with acquired companies

Risk factors

- Delay in recovery of the Japanese economy due to the COVID-19 pandemic
- Geopolitical risks
- Natural disaster risk
- Exchange rate fluctuations

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.

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