

2021 Mid-term Management Plan

May 10th, 2019

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President & CEO
Hitachi, Ltd.

- **Will become a global leader in Social Innovation Business**
- **Operate business to create three value propositions: improving customer's social values, environmental values, and economic values**
- **Plan on more aggressive investment in select focused areas for further growth**
 - 2.0~2.5 trillion yen investment for the next 3 years to come as opposed to 0.5 trillion yen for the 2018 Mid-term Management Plan
- **Strengthen corporate management system**
 - Introducing ROIC and improving capital efficiencies

Today, I would like to talk about the following 4 major points:

- (1) Will become a global leader in Social Innovation Business
- (2) Operate business to create three value propositions:
improving customer's social values, environmental values,
and economic values.
- (3) Plan on more aggressive investment in select focused areas
for further growth
 - 2.0~2.5 trillion yen investment for the next 3 years to come
as opposed to 0.5 trillion yen for the 2018 Mid-term
Management Plan
- (4) Strengthen corporate management system
 - Introducing ROIC and improving capital efficiencies

I am going to elaborate on more specific number targets for the 2021 Mid-term Management Plan.



First, I would like to talk about financial results of the 2018 Mid-term Management Plan.

	FY2015	FY2018	
	(Results)	(Initial Targets)	(Results)
Revenues	10,034.3 billion yen	10,000.0 billion yen	9,480.6 billion yen
(ratios) Adjusted operating income	(6.3%) 634.8 billion yen	Over 8%	(8.0%) 754.9 billion yen
(exc. impact from the suspension of the Horizon Project) Net income attributable to Hitachi, Ltd. stockholders	172.1 billion yen	Over 400.0 billion yen	(512.2) 222.5 billion yen
(exc. impact from the suspension of the Horizon Project) ROA	2.6%	Over 5%	(6.2%) 3.3%
Overseas revenue ratios	48%	Over 55%	51%

((Adjusted operating income) = [Revenues] – [Cost of sales] – [Selling, general and administrative expenses])

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Looking at performance in FY2018, adjusted operating income was the highest ever, at 754.9 billion yen, and we achieved our target of 8% for the adjusted operating income ratio.

Net income attributable to Hitachi, Ltd. stockholders and ROA exceeded our initial targets, if we exclude the impact from the suspension of the Horizon Project.

I believe that Hitachi has gone through recovery process from the deficit of 787.3 billion yen in FY2008.

I will lead our business to growth stage.



Next, I will talk about Hitachi's vision.

Urbanization
72% increase in urban populations worldwide (2050)

Changing demography
Changes in workforce
The ratio of population aged 60 and over to double in 2050 from 2000

Climate change and resource shortages
Global demand for energy to be increased by 50% and water usage as well by 40% in 2030

Society 5.0 **SDGs**

*Source: PwC Japan homepage, "Megatrends: Five megatrends and potential effects"
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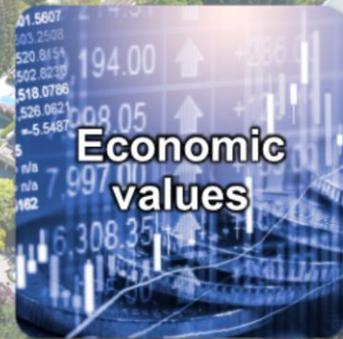
First, I will talk about global megatrends surrounding us.

In the world today, various changes affect human life; for example, the problem of urbanization, aging, the accompanying issues of climate change and resource shortages.

Innovation is happening around the world to resolve these various social issues, as represented by the concept of Society 5.0 and Sustainable Development Goals, "SDGs."

Achieving a sustainable society through the 'Social Innovation Business'

Hitachi will create:



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Hitachi has contributed to society by developing infrastructure related technologies since its foundation. That has become our corporate mission: "Contribute to society through the development of superior, original technology and products."

Hitachi has continuously intended to serve for sustainable society by focusing on Social Innovation Business with our mission.

By promoting Social Innovation Business, in the 2021 Mid-term Management Plan, we will operate business to create three value propositions: improving customer's social values, environmental values, and economic values.



**What capabilities does
Social Innovation Business need?**

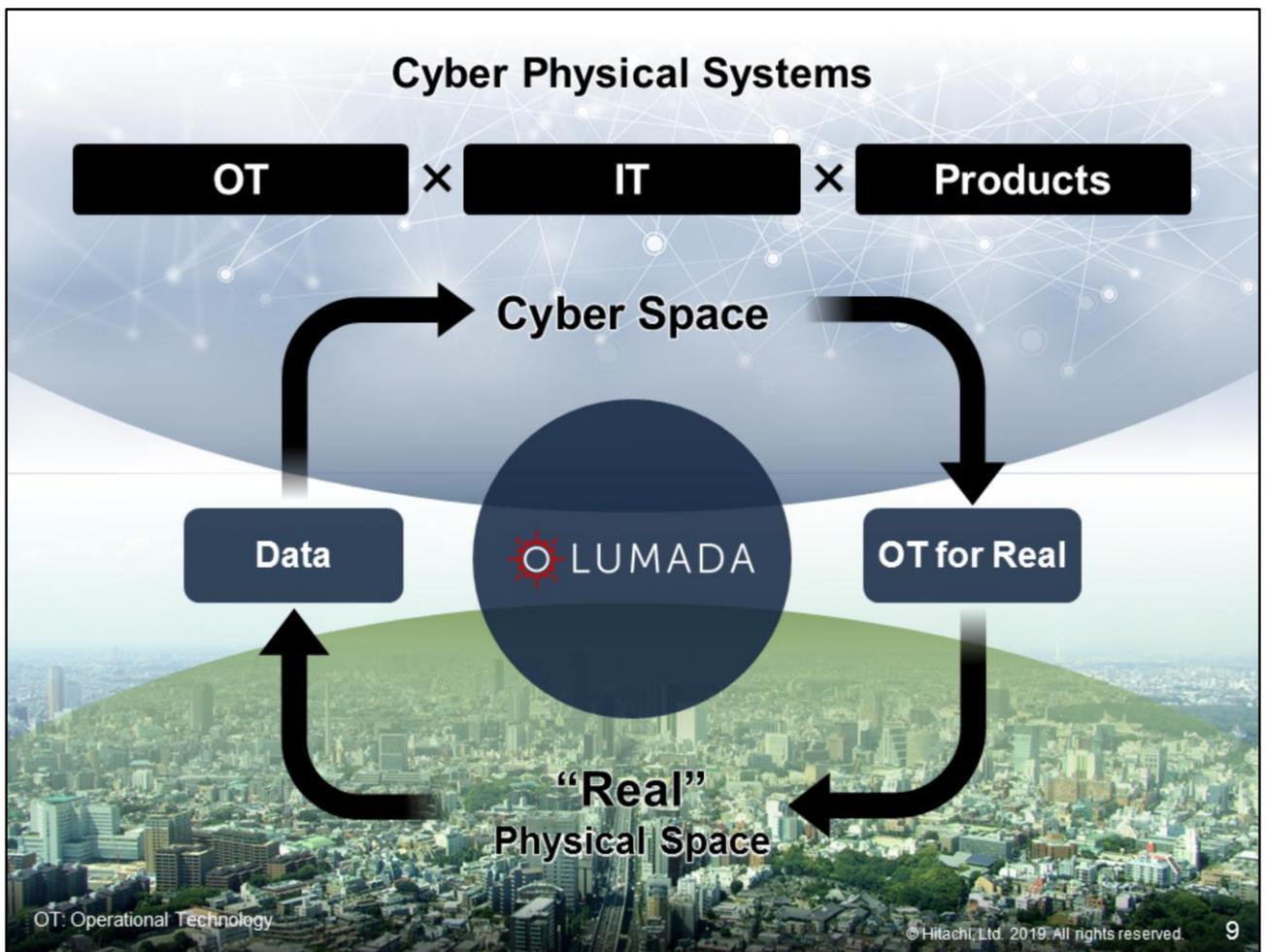
**Capability to connect the cyber and physical spaces
and make them interact mutually,
where professional knowledge and experiences
matter most**

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What capabilities does Social Innovation Business need?

I believe the answer is the capability to connect the cyber and physical spaces and make them interact mutually, where professional knowledge and experiences matter most.



We have Lumada. Lumada can provide us with capability to make cyber-physical systems available. It can make the cyber and physical spaces interact mutually, as required to achieve Social Innovation Business.

Lumada has strengths to connect Operational Technologies, IT and products, and to accelerate innovation for customers. Hitachi has more than 100 years of experiences in Operational Technologies, more than 50 years of experiences in IT, and products that support them.

The name of “Lumada” comes from the words “illuminate” and “data”. This name reflects our mission to shed light on our customers’ data to provide insights valuable to their businesses. We have increased and accumulated many Lumada customer cases to date, and Lumada related revenue has exceeded over 1.0 trillion yen.

Lumada is one of our core businesses, with which we feel it very positive to be able to expand Social Innovation Business together⁹ with customers.

Beyond Digital Beyond Real

**To accelerate innovation together with
partners throughout the world**



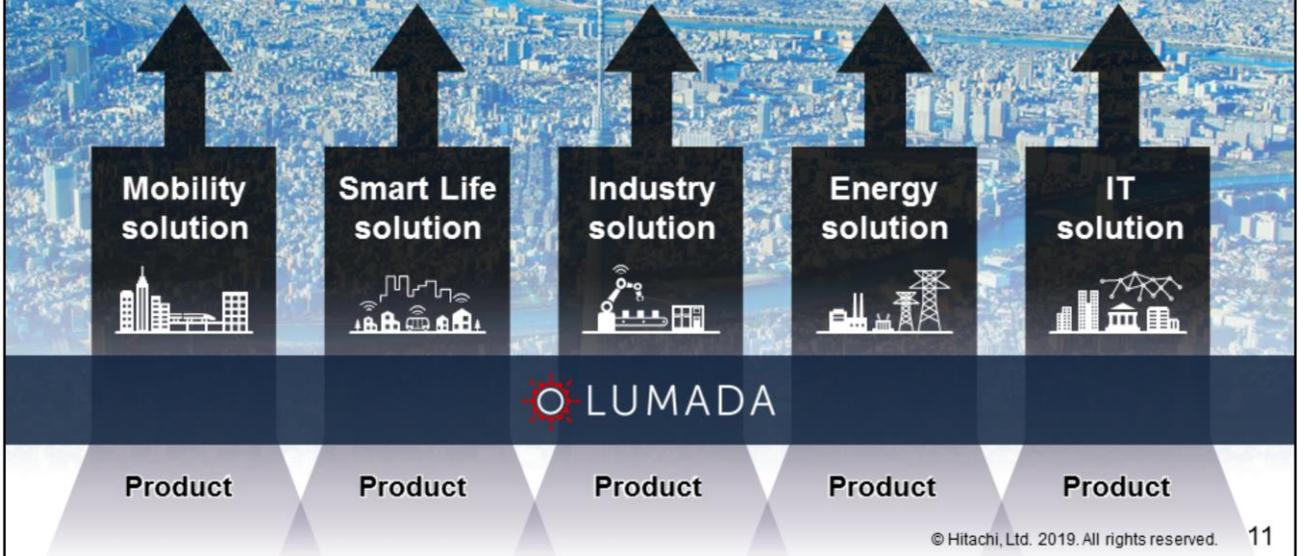
“Beyond Digital, Beyond Real”

Hitachi can expand Social Innovation Business together with partners throughout the world by connecting cyber and physical spaces to achieve valuable innovation for society.

To improve the Quality of Life and add values for customers



To increase the three values of social, environmental and economic by five-sector business and technology solutions



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Hitachi has defined five fields where it can increase customer's social, environmental and economic values simultaneously: Mobility, Smart Life, Industry, Energy, and IT.

Increasing customer's social, environmental and economic values through Hitachi's solutions will improve the quality of life for people, and add values for customers.

2-2.5 trillion yen

To increase investments:

- Operational cash flow plus leverages
- Attention to the cost of capital (e.g., to use ROIC as a KPI)

0.5 trillion yen



**2015 Mid-term
Management Plan**

0.5 trillion yen



**2018 Mid-term
Management Plan**

**ABB
Power Grids
Business**

**2021 Mid-term
Management Plan**

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In 2021 Mid-term Management Plan, we will make even more aggressive investments including M&As than ever before to achieve further growth, both organically and inorganically.

More specifically, we are planning to invest a total of 2.0 to 2.5 trillion yen, including the recently announced acquisition of ABB's power grids business.

In order to enable this large scale investment, we will more proactively utilize financial leverage to reduce the weighted average cost of capital (WACC) and to enhance Return on Equity (ROE) .

By introducing Return on Invested Capital (ROIC) as one of our key performance indicators, we will undertake upgraded financial disciplines with an awareness of capital efficiency.

We will also further invest in, and strengthen, areas such as R&D and human resource training.

Investments to focus on 'Industry' and 'IT', including Lumada

	Major investments to date	Strategies for the 2021 Mid-term Management Plan
Mobility	<ul style="list-style-type: none"> ● Acquired 100% of Ansaldo STS ● PTO*1 of Yungtay Engineering (Taiwan) 	<p>To explore growth</p> <ul style="list-style-type: none"> ● Global rollouts by using acquired assets
Smart Life	<ul style="list-style-type: none"> ● Consolidations of Hitachi Medical and Hitachi Aloka Medical ● Reorganization of automotive businesses ● Merger of home appliance businesses (Established GLS*2) 	<p>To improve profitability</p> <ul style="list-style-type: none"> ● Plan and execute strategic actions for future growth
Industry	<ul style="list-style-type: none"> ● Acquisition of Sullair 	<p>More strategic investments</p> <ul style="list-style-type: none"> ● Industrial SI, including robot SI such as the acquisition of JR Automation Technologies
Energy	<ul style="list-style-type: none"> ● Reached a basic agreement with ABB on the acquisition of its power grids business 	<p>To prepare for growth</p> <ul style="list-style-type: none"> ● Focus on PMI*3 of ABB power grids business
IT (Lumada)	<ul style="list-style-type: none"> ● Acquisition of Pentaho ● Launched and expanded Lumada 	<p>More strategic investments</p> <ul style="list-style-type: none"> ● To make Lumada open and create eco-system

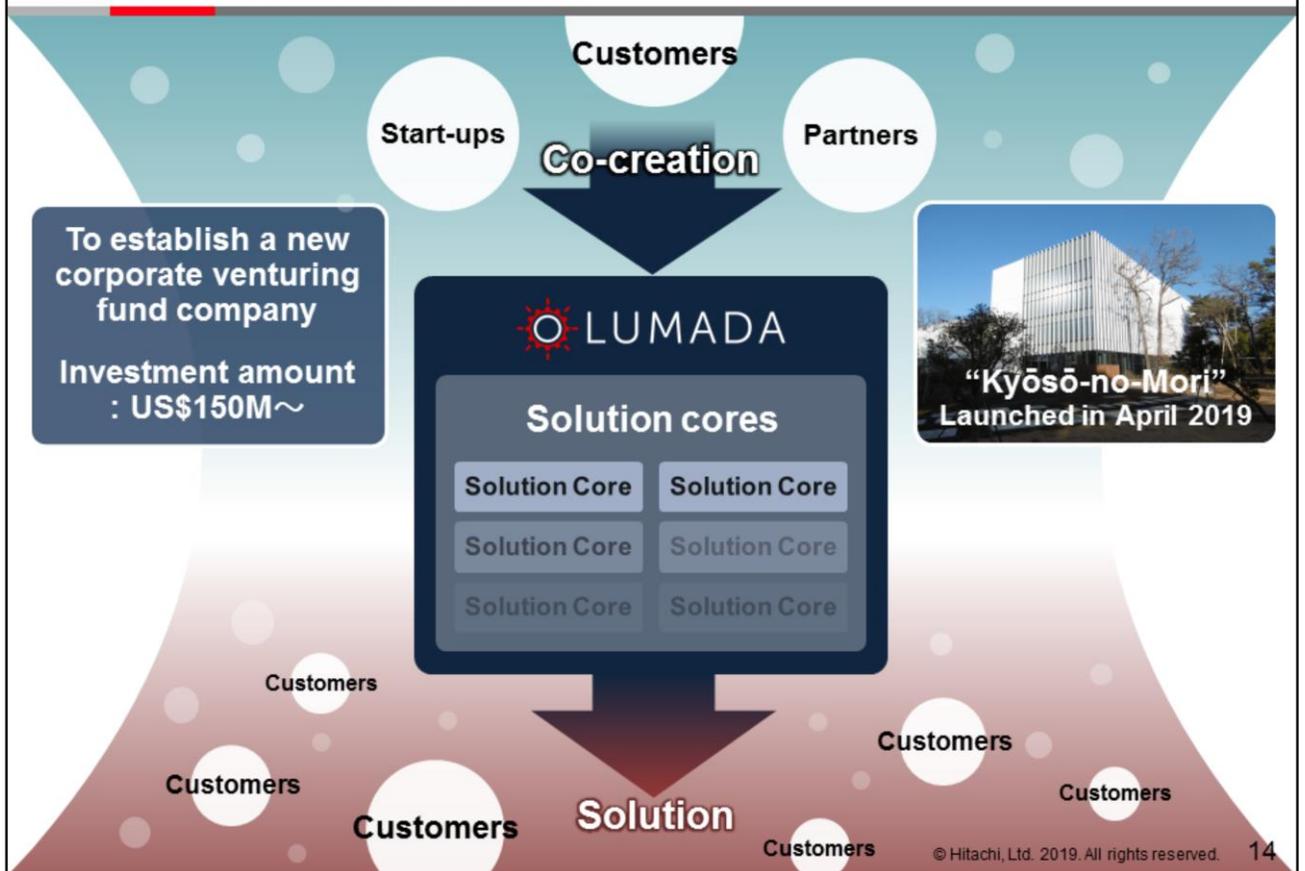
* 1 Public Tender Offer * 2:Hitachi Global Life Solutions, Inc. *3 :Post Merger Integration

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Growth investments will mainly relate to the two sectors in addition to Energy sector while we continue to invest in Lumada.

Even more strengthened Lumada accelerates Social Innovation Business

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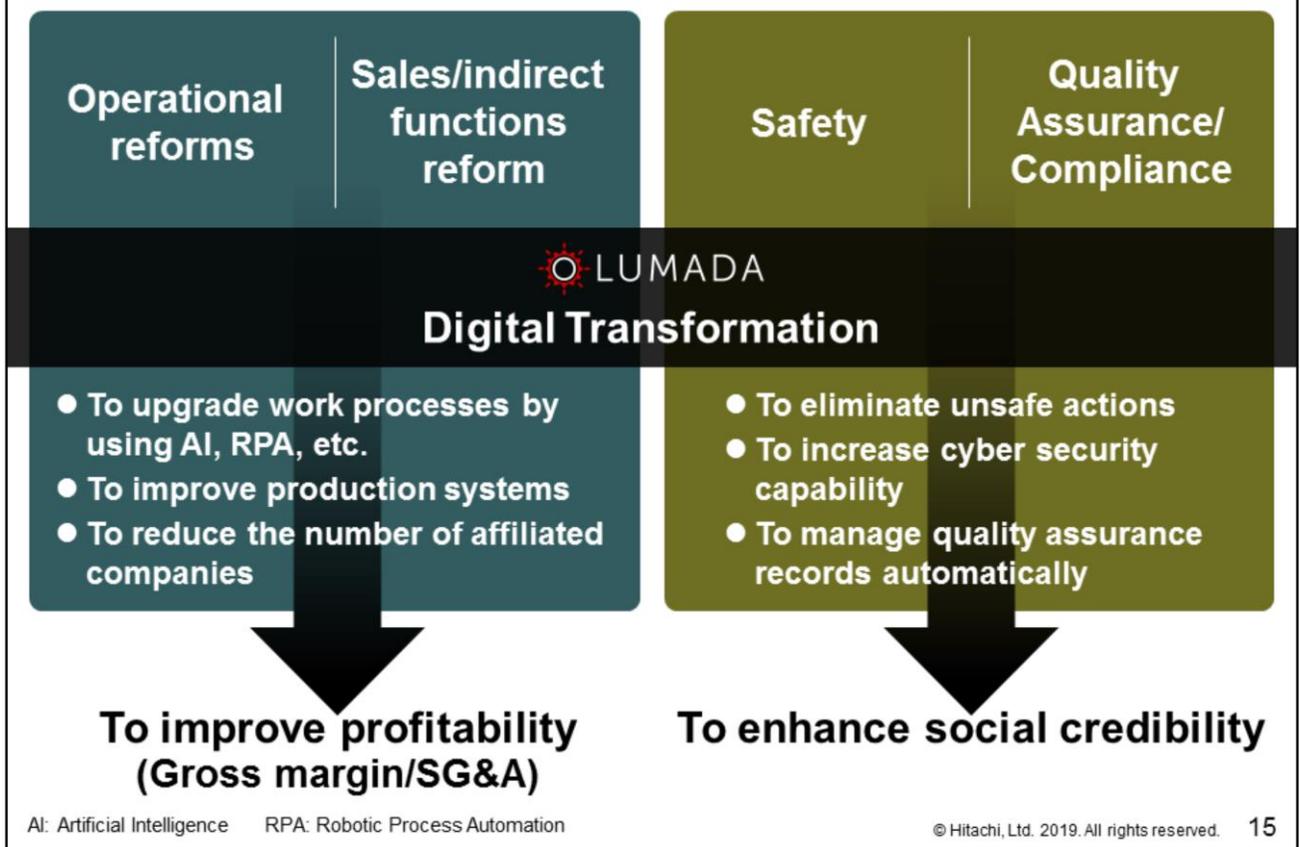
Next, I would like to talk about enhancing the Lumada platform.

In the 2021 Mid-term Management Plan, we will evolve open innovations and further deepen co-creation with customers.

In terms of evolving open innovations, we launched the “Kyōsō-no-Mori” in April. Here, Hitachi will make the world talented researchers and designers available for the customers to evolve and implement collaborative creation activities.

Also, as we announced in April, we will establish a corporate venturing fund, to support the acceleration of innovation around the globe.

Through these activities, we will enhance Lumada as a driver that accelerates Social Innovation Business, and increase social values, environmental values, and economic values for the customers.



Next, I will explain our approach to strengthening the management base to accelerate Social Innovation Business.

In the 2021 Mid-term Management Plan, we will promote digital transformations that will expand the scope of Lumada activities within the company.

Specifically, we will bring about data-driven operational reforms by improving work processes and production systems, increase the efficiency of sales and indirect functions, and build structures that steadily generate profits.

Also, in order to accelerate Social Innovation Business through co-creation, we will need to further enhance social credibility.

To do this, we will leverage Lumada in safety and quality assurance as well, expand frameworks that require minimal human intervention, and use digital technologies to promote maximum safety, quality assurance, and compliance.



**To make it possible for the
Social Innovation Business
to be real and substantial**

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Now I would like to talk about Social Innovation Business, which will be achieved through the activities that I just described.

Providing with safe, comfortable transportation systems and services



Mobility Solutions × Lumada

- **Dynamic headway**
(e.g., flexible and automatic operations to be met with changes in demands)
- **Remote monitoring services for buildings**

Examples : Providing safe, comfortable and environmentally-friendly railway services for 18.5 billion people worldwide per year

Business Units: Railway Systems BU / Building Systems BU

First, I will talk about mobility solutions.

Hitachi will provide with dynamic headway for flexible and automatic operations to be met with changes in demands and remote monitoring building solutions that enable safe and comfortable transport services for people through Lumada.

For example, we will provide safe, comfortable and environmentally-friendly railway services for 18.5 billion people worldwide per year.

Designing smart cities to be more convenient and environmentally-friendly



Smart life solutions × Lumada

- Smart cities
- Smart therapies
- Connected cars (CASE)
- Connected home electric appliances

Examples : Providing with particle therapy systems, contributing to cancer treatment for 80,000 people worldwide

Business Units/companies: Healthcare BU / Hitachi Automotive Systems / Hitachi Global Life Solutions

CASE : Connected, Autonomous, Shared, Electrification

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Next, I will look at smart life solutions.

To enable the creation of cities that are more convenient and environmentally-friendly for anyone to live in, we will provide a variety of services, including smart cities, smart therapies, connected cars, and connected home electric appliances.

For example, by Providing with particle therapy systems, expanding the achievement of cancer treatment from 60,000 people to 80,000 people worldwide by 2021.

Increasing the efficiency of customer's production and processing systems, and providing the supply of safe, secure city water, and sewage water systems



Industry solutions × Lumada

- Smart logistics
- Smart maintenance
- Factory automation
- Water leakage detection systems

Examples : Supplying with city water, sewage water, and seawater desalination technologies to provide safe, secure water environments for 70 million people/day worldwide

Business Units / companies: Industry & Distribution BU / Water & Environment BU / Hitachi Industrial Products / Hitachi Industrial Equipment Systems

Next, let's look at industry solutions.

We will provide a wide range of solutions, including smart logistics, smart maintenance, factory automation, and water leakage detection systems through Lumada that provides to collect data from products, analyze and control them optimally.

These solutions are used to improve the efficiency of the customer's production and processing systems, and to provide safe, secure city water and sewage water systems.

For example, supplying with city water, sewage water, and seawater desalination technologies, we will provide safe, secure water environments for 70 million people worldwide per day.

Providing stable, high-efficiency energy such as electricity and its management systems



Energy solutions × Lumada

- Power grid solutions
- Energy management systems solutions

Examples: Managing 25% of the world's transformer sub-stations, and supplying 1.8 billion people with stable energy such as electricity.

Business Units: Energy BU / Nuclear Energy BU

Next, I will talk about energy solutions.

Hitachi will provide power grid solutions, energy management, and other solutions for the provision and management of stable, high-efficiency energy.

For example, we will manage 25% of the world's transformer sub-stations worldwide, and supply stable energy such as electricity to 1.8 billion people.

Accelerating customer's innovation with advanced IT solutions

IT solutions × Lumada

- State-of-the-art financial and social IT services
- Enhancing the Lumada platform

Examples : Working with The Vietnam Post to expand digital payment services to be more convenient for six million public fund recipients from 2020.

Business Units: Financial Institutions BU / Social Infrastructure Systems BU / Services & Platforms BU / Defense Systems BU

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Finally, I will talk about IT solutions.

Our goal is to accelerate the customer's innovation using advanced information technologies.

For example, in Vietnam, we are working with The Vietnam Post to expand digital services involving the payment of public funds. From 2020, we will contribute to improving convenience for six million public fund recipients.

Also, by enhancing Lumada as the platform for these services, we will support and accelerate to provide digital solutions that are used to all five fields.



2021 Mid-term Management Plan Targets

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Now, I would like to talk about the targets laid out in the 2021 Mid-term Management Plan.

Society

To provide safe, comfortable transportation services

Railway services

18.5 bill. Riders*/yr.

To provide clean water and sewage systems

City and sewage water systems

70 mill. Users*/day

To accelerate innovation

Data scientists (in the Hitachi Group)

Over **3,000**

Environment

To reduce CO₂ emissions throughout the value chain

More than **20%** reduction (vs. FY2010)

To use water in an efficient manner (in the Hitachi Group)

Over **26%** improvement (vs. FY2010)

To use resources efficiently (in the Hitachi Group)

Over **12%** improvement (vs. FY2010)

*Cumulative total number

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First, I will look at contributions to society and the environment.

As I explained earlier, we will provide safe, comfortable transportation services to a total of 18.5 billion people per year.

Also, using city water, sewage water, and seawater desalination technologies, we will provide clean water and sewage systems for 70 million people per day.

We will increase the number of data scientists within the Hitachi Group from 1,000 to over 3,000 to accelerate innovation.

In terms of the environment, as this slide represents, we will contribute through our business to protect the Earth's limited resources.



Now, I will look at Hitachi's financial targets.

We will aim for the annual organic growth rate of more than 3% in revenues, and adjusted operating income ratios of more than 10%.

Our target for cumulative operating cash flow over three years is more than 2.5 trillion yen.

As I already mentioned, because management will place a greater emphasis on capital costs, we have added Return on Invested Capital as a new key performance indicator, with a goal of more than 10% for this KPI.

We will strive to increase the overseas sales ratios from the current 51% to more than 60%.

Hitachi Social Innovation is

POWERING GOOD

“Powering Good”

This phrase expresses Hitachi’s determination to realize a sustainable society and will be our key message for the next three years.

Through Social Innovation Business, we will devote all of energy to achieving the good things that people around the world desire, like solving social issues and improving people’s Quality of Life.

Hitachi will promote “Powering Good” through Social Innovation Business, to brighten the world together with our partners.

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 document.

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:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, 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;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi's customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- 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;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- 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;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- 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;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;
- 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;
- 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 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; 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 in other materials published by Hitachi.

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