

Outline of the 2021 Mid-term Management Plan

In May 2019, Hitachi announced its new Mid-term Management Plan, covering the three years from April 2019.

Key Points in Hitachi's New Mid-term Management Plan

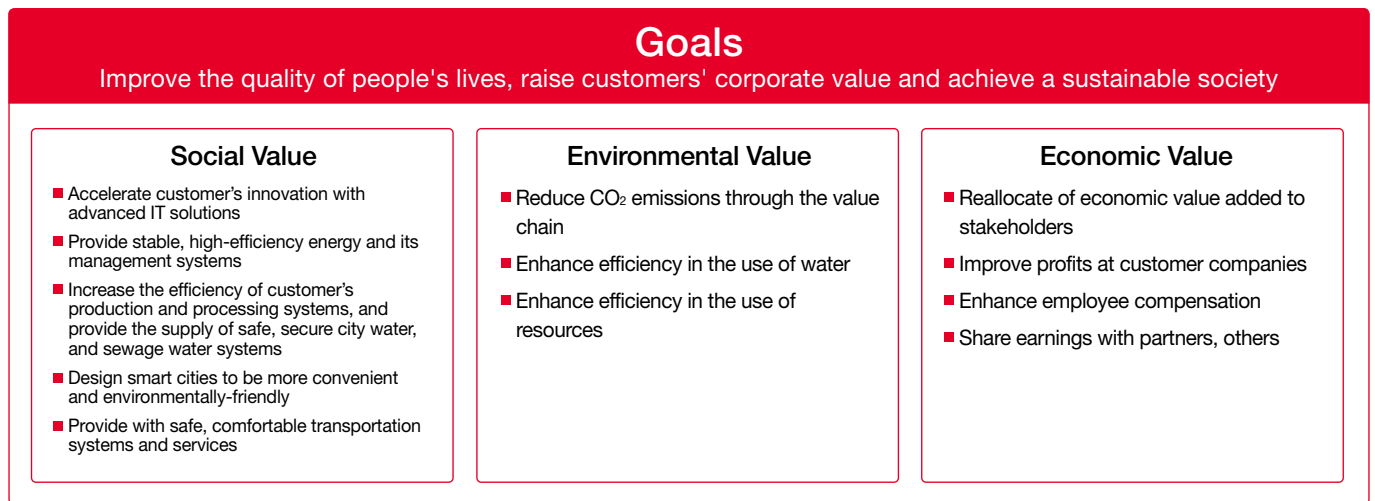
Aiming to be a global leader in the Social Innovation Business, Hitachi is focused on moving into a "growth mode" during the period covered by the 2021 Mid-term Management Plan.

Hitachi since its founding has contributed to improvements in people's quality of life by focusing on the social innovation business to resolve issues confronting society.

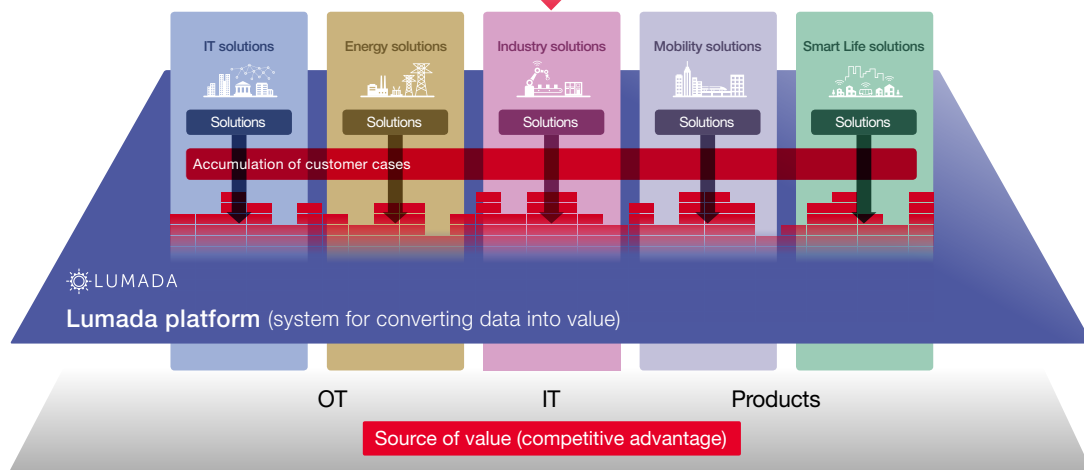
During the period covered by the 2021 Mid-term Management Plan, Hitachi will continue to advance the Social Innovation Business, placing an emphasis on improving social, environmental, and economic value for its customers.

We believe there are three factors that could accelerate growth.

The first of these is aggressive investment, including in M&A. We are increasing investment 4x–5x from the previous Mid-term Management Plan to ¥2.0–¥2.5 trillion. Second, to ensure implementation of this kind of large-scale investment, we will, while maintaining financial discipline, utilize financial leverage, and improve management awareness of capital costs by introducing ROIC as a management indicator. Finally, we will expand our digital solutions offerings on a global scale, centered on Lumada, and accelerate innovation through enhanced collaboration with our customers.



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



Lumada-Based Model for Providing Solutions

Focused on Five Business Domains

We have established five business sectors where we can simultaneously improve the three types of value: IT, Energy, Industry, Smart Life, and Mobility.

Providing and Enhancing Solution Cores

Lumada provides solutions as a cyber-physical system connecting the digital to the real by leveraging Hitachi's years of experience in OT, IT, and products. The accumulation of customer cases allows us to develop and build up solution cores that can be used throughout the Company.

Global Development of Solution Cores

Hitachi is improving social, environmental, and economic value for customers by creating and providing rapid solutions through the combination of solution cores based on customer needs and issues as clarified through collaborative creation efforts.

Aggressively Invest in Key Areas of Focus Targeting investment	Introduce ROIC to Boost Capital Efficiency	Accelerate Innovation	Expand Our Decarbonization Business	Strengthen Lumada
<ul style="list-style-type: none"> ■ Including for M&A, of ¥2.0–¥2.5 trillion over the next three years. (vs. ¥0.5 trillion over the three years in the 2018 mid-term Plan) ■ In addition to acquiring the ABB power grid business, we intend to invest in the IT and Industry sectors. ■ Hitachi will further strengthen to an unprecedented degree R&D and human resources development. <p>Capital Allocation Strategy ▶ P.34</p>	<ul style="list-style-type: none"> ■ The 2021 Mid-term Management Plan introduces ROIC as a KPI as part of our effort to improve management awareness of capital efficiency. ■ In order to enable largescale investment, Hitachi will utilize financial leverage to reduce the weighted average cost of capital (WACC). <p>Financial and Capital Strategy ▶ P.36</p>	<ul style="list-style-type: none"> ■ Hitachi is supporting and accelerating open innovation through collaboration with start-up firms, universities, and activities at “Kyōsō-no-Mori.” ■ Based on our 2021 human resources strategy, we are promoting the hiring, training of diverse human resources and the creation of diverse organizations. <p>Accelerate Innovation ▶ P.38</p>	<ul style="list-style-type: none"> ■ We are promoting the expansion of our decarbonization business in line with our long-term environmental targets <p>Environmental Vision and the Decarbonization Business ▶ P.46</p>	<ul style="list-style-type: none"> ■ We will use collaborative creation with our customers to expand the provision of digital solutions, centered on Lumada. <p>Strengthen Lumada ▶ P.48</p>



Performance targets (consolidated)

	FY2018 results	FY2019 forecast	FY2021 targets
Revenues	¥9,480.6 billion	¥9 trillion	CAGR more than 3%
Adjusted operating income ^{*1} (Adjusted operating income ratio)	¥754.9 billion (8.0%)	¥765.0 billion (8.5%)	More than 10%
EBIT (EBIT margin)	¥513.9 billion (5.4%)	¥750.0 billion (8.3%)	—
Operating cash flows (3-year cumulative)	¥1,966.7 billion	—	More than ¥2.5 trillion
ROIC	8.5%	10.3%	More than 10%
ROA	3.3%	—	—
Overseas revenue ratio	51%	—	More than 60%

Performance targets by sector

Sector	Item	FY2018 results	FY2019 forecast	FY2021 targets
IT	Revenues	¥2,121.6 billion	¥2,060.0 billion	¥2,600.0 billion
	Adjusted operating income (Adjusted operating income ratio)	¥230.1 billion (10.8%)	¥220.0 billion (10.7%)	¥338.0 billion (13.0%)
	ROIC	19.6%	15.9%	15.0%
Energy ^{*1 *3}	Revenues	¥456.6 billion	¥384.9 billion	More than ¥1,700.0 billion
	Adjusted operating income (Adjusted operating income ratio)	¥35.9 billion (7.9%)	¥24.9 billion (6.5%)	More than ¥170.0 billion (More than 10%)
	ROIC	5.8%	6.0%	7.5%
Industry ^{*1 *3}	Revenues	¥843.6 billion	¥839.6 billion	¥1,000.0 billion
	Adjusted operating income (Adjusted operating income ratio)	¥58.2 billion (6.9%)	¥58.4 billion (7.0%)	¥91.0 billion (9.1%)
	ROIC	9.0%	10.1%	10.8%
Mobility ^{*1}	Revenues	¥1,238.1 billion	¥1,155.0 billion	¥1,270.0 billion
	Adjusted operating income (Adjusted operating income ratio)	¥100.2 billion (8.1%)	¥96.2 billion (8.3%)	¥124.8 billion (9.8%)
	ROIC	13.6%	11.6%	13.1%
Smart-life ^{*2}	Revenues	¥1,816.0 billion	¥1,723.2 billion	More than ¥2,100.0 billion
	Adjusted operating income (Adjusted operating income ratio)	¥93.4 billion (5%)	¥119.0 billion (7%)	More than ¥210.0 billion (More than 10%)
	ROIC	10.0%	10.0%	More than 15%

^{*1} It includes the control system business reported on IT sector. ^{*2} It includes the healthcare business of Hitachi High Technologies. ^{*3} Figures for FY2018 except one-time expenses.