Mobility Sector

Hitachi IR Day 2019

June 4, 2019

Alistair Dormer
Executive Vice President and Executive Officer
Hitachi, Ltd.
Mobility sector revenues have grown by 11.9% CAGR over the last 5 years with 69.3% of revenues earned overseas.

Very strong backlog at the end of FY2018 for both Bus with BSBU and RSBU backlog at 675.7Bn yen and 2,827.1Bn yen respectively.

Further global expansion is targeted in Asia for BSBU and North American markets for RSBU.

Investment in digital technologies over the FY2021 mid-term will improve operational efficiency and strengthen our product and service offering for our customers.

Towards FY2021 both BSBU and RSBU will increase service and solution revenue mix.

Continuous tracking of M&A opportunities.
Mobility Sector

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2. Building Systems BU
3. Railway Systems BU
4. Conclusion
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   Appendix B – Railway Systems BU
1. Introduction to Mobility Sector

1-1. We create social, environmental and economic values

Social values | Environmental values | Economic values

- Mobility solution
- Smart Life solution
- Industry solution
- Energy solution
- IT solution

Product | Product | Product | Product | Product
1-2. The sector demonstrated strong growth over the last 5 years (11.9% CAGR) and is the third largest within Hitachi.
Global trends and challenges….

Population Growth

Global population is forecast to grow to approximately **9.7 billion by 2050** from 7.6 billion in 2018*1

Urbanization

The proportion of people living in urban areas will reach **68% by 2050**, up from 55% today*2

Climate Change

The negative impact from climate change causes **environmental, economic and social damage**

...driving different Mobility solutions

Faster, cleaner intercity transport

Reduced reliance on cars within city centres

Smart solutions needed to manage people flow as population density increases within cities

Progressing towards Mobility as a Service

*1 World Bank data  *2 United Nations: World Urbanization Prospects 2018
1-4. Our products, solutions and operations support the United Nations Sustainable Development Goals

Mobility sector is committed on Social Innovation Business with a positive impact on society

**Mobility SDGs**

- **4. Quality Education**
- **7. Affordable and clean energy**
- **8. Decent work and economic growth**
- **9. Industry, innovation and infrastructure**
- **11. Sustainable cities and communities**
- **12. Responsible consumption and production**

**Hitachi Rail** was a founding member of UTC South Durham, a technical school for up to 600 pupils aged 14 – 19 years old.

UTC South Durham

- **Aiming to replace half of the 30,000 existing Hitachi legacy elevators in Japan by 2021, reducing CO2 emissions by 45%**
  - **New double-deck EMU “Caravaggio”**
  - **New rolling stock platform built from 95% recyclable material**
  - **Standard Elevator “Urban Ace”**

**Hitachi sensor technology** enables speed variation in escalators based on the approaching person, increasing accessibility for all users.

**Sensor enabled Hitachi escalator**

**Our products have a positive economic, environmental and social impact** on millions of people across the world every day.

“Lovely leg room on the new LNER Azuma trains. And complimentary WiFi. Recommended!”

* University Technical College

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2. Building Systems BU

2-1. BSBU provides building products and services globally

Hideaki Seki—BSBU CEO
- Over 28 years of experience in BSBU; 40 years total experience in Hitachi group
- Previous engagement in revitalization of motor technology (4 years), and in automotive systems business (8 years)

FY2018 Revenues
621.6Bn yen

Sale / Manufacture of E&E

Elevators
Escalators
Moving walkways

E&E Modernization
E&E maintenance services
Building equipment management services
Building equipment from other BUs and other companies

42.3%
57.7%
4.4%

SDGs

APAC
Others

Japan – 43.1%
China – 52.5%

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2. Building Systems BU

2-2. BSBU continues to innovate, expand into new geographies and grow in its core markets

Key Achievements

1. Delivery of the world fastest 1,260m/min elevator

2. Elevators and Escalators new installation order received unit share no. 1 in China (FY2018)

3. Expanded sales and service bases in South East Asia from 11 countries as of March 2014 to 16 as of March 2019

4. Start of Social Innovation Business proposed approx. 50 projects
   - Data utilized services
   - Service robot EMIEW3, EMIEW-TT
2. Building Systems BU

2-3. BSBU is delivering in our core markets and winning orders in new geographies to expand our footprint in Asia

Major Deliveries

[China] InterContinental Shanghai Wonderland
<Shimao Group>

[Thailand] Krungsri Ploenchit Tower
<Bank of Ayudhya Public Co., Ltd.>

[Japan] TOKYO MIDTOWN HIBIYA
<Mitsui Fudosan Co., Ltd.>

[Japan] Yokohama Landmark Tower (EMIEW3, EMIEW-TT)
<MITSUBISHI ESTATE CO., LTD.>

Main Orders Received

[Japan] Ohtemachi 1-4-2 Plan (tentative name)
<Marubeni Corporation>

[China] Haitian Center
<QingDao Conson Hai Tian Center Co. LTD>

[Thailand] Suvarnabhumi International Airport (Expansion)
<PCS Joint Venture>

[India] Phoenix Spaces 285
<Phoenix Spaces Private Limited>
## 2-4. BSBU exceeded key revenues, profit and free cash flow targets in FY2018

<table>
<thead>
<tr>
<th>FY2018 Results</th>
<th>Forecast as of 8th June 2018</th>
<th>Deviation</th>
<th>Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues (Billion Yen)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| FY2018 Result | 621.6 | 580.0 | +41.6 | - Increased as projects of FY2019 were brought forward  
| | | | | - Increase in business scale in China |
| **Adjusted Operating Income (Billion Yen)** | | | |
| FY2018 Result | 54.0 | 52.0 | +2.0 | - Increased as projects of FY2019 were brought forward  
| | | | | - Increase in revenue scale affected |
| **Adjusted Operating Income Ratio** | 8.7% | 9.0% | (0.3%) | - Slight fall in the ratio due to average unit price drop in China |
| **EBIT (Billion Yen)** | | | |
| FY2018 Result | 54.3 | 51.8 | +2.5 | - Increased as projects of FY2019 were brought forward  
| | | | | - Increase in revenue scale affected |
| **EBIT Ratio** | 8.7% | 8.9% | (0.2%) | - Slight fall in the ratio due to average unit price drop in China |
| **FCF (Billion Yen)** | | | |
| FY2018 Result | 42.0 | 27.0 | +15.0 | - Advance received increased due to the higher order received in China |
## 2. Building Systems BU

### 2-5. BSBU is forecasting double-digital profit margins by FY2021 and growing order backlog

<table>
<thead>
<tr>
<th>Order Received (Billion Yen)</th>
<th>615.5</th>
<th>599.3</th>
<th>650.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book to Bill (Ratio)</td>
<td>0.99x</td>
<td>1.02x</td>
<td>1.05x</td>
</tr>
<tr>
<td>Order Backlog (Billion Yen)</td>
<td>675.7</td>
<td>690.0</td>
<td>740.0</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>57%</td>
<td>54%</td>
<td>55%</td>
</tr>
</tbody>
</table>

### Graphs

- **Revenues**
  - FY2018 Result: 621.6 Billion Yen
  - FY2019 Forecast: 585.0 Billion Yen
  - FY2021 Target: 620.0 Billion Yen

- **Adjusted Operating Income / Ratio %**
  - FY2018 Result: 8.7% 54.0
  - FY2019 Forecast: 9.4% 55.0
  - FY2021 Target: 10.2% 63.0

- **EBIT / Ratio %**
  - FY2018 Result: 640.0
  - FY2019 Forecast: 64.1
  - FY2021 Target: 64.1

---

FX rates RMB to JPY at FY2018 = 1:16.5, FY2019 = 1:16.0, FY2021 = 1:15.5

* Figures restated with original exchange rate (JPY16.5/RMB)
## 2. Building Systems BU

### 2-6. Profitability forecasts to increase to FY2021 due to cost reduction program and growing maintenance revenues

#### Revenue Bridge

<table>
<thead>
<tr>
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<th>FY2018 (Result)</th>
<th>FY2019 (Forecast)</th>
<th>FY2021 (Target)</th>
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<tr>
<td>Japan</td>
<td>621.6</td>
<td>585.0</td>
<td>620.0</td>
</tr>
<tr>
<td>China</td>
<td>(0.9)</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Asia,others</td>
<td>(37.1)</td>
<td></td>
<td></td>
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</table>

#### Adjusted Operating Income | Ratio %

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<th>FY2021 (Target)</th>
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<td>9.4%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td></td>
<td>10.2%</td>
</tr>
<tr>
<td>Asia,others</td>
<td>(0.5)</td>
<td>0.4</td>
<td></td>
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</tbody>
</table>

- **Decrease in NI and negative FX effects**
- **Modernization and solutions increase**
- **Maintenance and solutions increase**
- **Expansion in new geographies**
- **Cost reduction**
- **Increase in NI and maintenance**
- **Investment for advanced technologies**
- **Increase in maintenance and solution - Cost reduction**
2-7. NI and services business lines are inherently linked so improving our offering across the whole business is key to growth

Expand BSBU’s business by both elevator/escalator and service businesses

Retention of Hitachi equipment

Differentiation strategy

BSBU’s core competence

New installation Modernization

Elevators

Escalators

Repairs/ Component sales

Component centre

Global control centre
Service/maintenance network 1,500 bases

Building service business
BIVALE
Total building services

Equipment monitoring / control

New business creation (SIB)
Building IoT solutions
Worker solutions

Business expansion through existing sales channel

Customers (Office, residential, commercial, public, hotel etc.)

Expand existing businesses

2. Building Systems BU

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2-8. BSBU is investing in its technology and capabilities to enhance competitiveness

1. Investment in Global Control Centre
- Platform to enhance our core offering and expand advanced building services offering

Elevator / Escalator Business
Services Business

Expanding our business by strengthening our products

2. New value proposition through Digitalization

3. Expand remote monitoring service
- Targeting expansion ahead of NI growth
- Expansion outside of Japan
- Utilising the investment in Global Control Centre
- Development of next generation remote monitoring terminal

New Installations and Remote Monitoring Units (Index)

<table>
<thead>
<tr>
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<th>FY2018 (Base)</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>NI Order Units</td>
<td>100</td>
<td>110</td>
<td>125</td>
<td>141</td>
</tr>
<tr>
<td>Remote Monitoring Units</td>
<td>103</td>
<td>104</td>
<td>110</td>
<td></td>
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2. Building Systems BU

2-9. BSBU will target expansion in Asia and the Middle East, utilising our manufacturing base in China and technology in Japan

**Asia and Middle East**

New and growing markets (e.g. India, Saudi Arabia, Cambodia, Vietnam)
- Increase new installation orders received by deploying Chinese and Thai product models (India is 2nd largest market globally)
- Expand E&E NI and modernization businesses to increase units, revenue and profit
- Production of Chinese models in India in the future

Matured markets (e.g. Singapore, Thailand, Malaysia)
- Increase chargeable maintenance units utilising remote monitoring solution through Lumada (Trials in Singapore and Thailand started)
- Start provision service of operational data of building equipment for customers (FY2020)

**China**

- Become No.1 manufacturer in China by revenue and profit
- Maximize the use of production capacity to achieve volume efficiency
- Increase exports of completed products and components to rest of Asia and the Middle East
- Expand services business using remote monitoring technology by utilising Lumada
- Increase orders received using new modernization product
- Collaboration with partner companies to expand solutions business by utilising Lumada

**Japan**

- Japan will continue to be No.1 technology development base by utilising Lumada
  - Fastest elevator in the world
  - New Global Control Centre
  - Service Robot
- Hitachi group IT capabilities will drive new value proposition by digitalization
- Expansion of services business including new advance building service solutions by utilising Lumada

* Established between FY2015 and FY2018 (Sales/Service). New base in United Kingdom is not shown on map
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3-1. RSBU is a global, full line-up rail solutions provider. Our products helped over 18 billion people travel last year*1

Andrew Barr – RSBU CEO
- 15 years of Hitachi Group experience, with 26 years in the rail industry overall
- CEO of Ansaldo STS since May 2016, successfully leading over 4,000 people worldwide

**FY2018 Revenues 616.5Bn yen**

- **51.1%** Japan APAC
- **9.9%** Americas
- **62.3%** EMEA
- **11.0%** Others

**Rolling Stock**
- Very High Speed
- Shinkansen
- Commuter
- Intercity
- LRV
- Metro
- Monorail
- Components

**Signalling & Turnkey**
- Interlocking
- Satellite Train Control
- Components
- CBTC
- ETCS
- TMS
- Driverless
- Facility Control

**Service & Maintenance**
- RS Maintenance
- RS Refurbishment

**SDGs**
- Quality Education
- Industry, Innovation, and Infrastructure
- Sustainable Cities and Communities
- Responsible Consumption and Production

*1 Hitachi internal estimate  *2 © 2019 East Japan Railway Company
3. Railway Systems BU

3-2. FY2018 was an incredibly successful year for RSBU, ensuring a solid platform for further growth

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<th>Key Achievements</th>
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<td>1. 9.6% organic revenue growth and 7.5% adjusted operating income ratio</td>
</tr>
<tr>
<td>2. Highest revenue and adjusted operating income ratio in RSBU history</td>
</tr>
<tr>
<td>3. Record year for train deliveries and orders. Order intake 12% higher than forecast at 714.6Bn yen with book-to-bill ratio of 1.16x</td>
</tr>
<tr>
<td>4. FY2021 mid-term period will see significant investment with a focus on digital and IoT solutions to enhance competitiveness</td>
</tr>
<tr>
<td>5. We successfully acquired 100% of Ansaldo STS and delisted it. Enables next stage of organisation optimisation and business expansion to take place</td>
</tr>
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Rock Double-Deck EMU for Trenitalia

Copenhagen Driverless Metro
3. Railway Systems BU

3-3. RSBU’s major project delivery last year demonstrates the breadth of products and geographies the business covers

- **UK RS**
  - Full fleet delivery for IEP GWR fleet and start of Azuma delivery for LNER

- **UK RS**
  - 61 new Class 385 EMUs for Scotland accepted as at end of May 2019

- **Denmark RS**
  - Completed Metro Copenhagen vehicle delivery. Revenue service due 2019

- **Japan RS**
  - Delivery of New Luxury Limited express train for SEIBU Railway Co., LTD.

- **Japan RS**
  - New monorail car delivered to OSAKA MONORAIL CO., LTD. in July 2018

- **Japan RS**
  - LOI signed with Central Japan Railway Company for N700S

- **USA Signalling**
  - Delivered Positive Train Control project for MBTA Boston commuter rail network

- **Morocco SIG**
  - Tangier – Kenitra High Speed Line (HSL) entered operations

- **Italy SIG**
  - Completed work on Florence Tram line T1 and T2

- **Italy RS**
  - The first Rock double-deck EMU trains were unveiled at Pistoia

- **India SIG**
  - 29.7 km Aqua Line metro opened January 2019

- **Australia SIG**
  - AutoHaul solution achieved 1 million Km autonomous operation

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3. Railway Systems BU

3-4. Order intake in FY2018 was ahead of forecast, with a book to bill ratio of 1.16x

Book to Bill ratio – 1.16x

+12% vs. June 2018 Forecast

714.6Bn yen

25.8% 184.7

30.5% 218.3

43.6% 311.6

FY2018 Result

- Rolling Stock
- Signalling & Turnkey
- Service & Maintenance

Riyadh Metro O&M
- 12 year O&M contract for track, stations, depots and control centres of Riyadh Metro worth c.$1Bn USD

Taiwan Intercity
- 600 new EMU train cars for Taiwan intercity services worth 152Bn yen

Shinkansen Signalling / TMS
- JR-E Hokuriku Shinkansen Tsuruga extension signalling and TMS system

Milan Metro
- Further 12 Leonardo trains ordered for Milan Metro

Johor Bahru (Malaysia)
- Mainline signalling system for 198km of track in Malaysia

Caravaggio
- Signed Framework Agreement with Ferrovie Nord Milano for up to 120 Caravaggio trains

Milan - Verona HS
- Signalling contract for new Milan to Verona high speed line in Italy

Trenitalia - DMU
- Framework for up to 135 diesel passenger trains
- 15 year maintenance contract

* © 2019 East Japan Railway Company

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### 3-5. Financial results were ahead of forecast for almost all major metrics

<table>
<thead>
<tr>
<th>FY2018 Results</th>
<th>Forecast as of 8th June 2018</th>
<th>Deviation</th>
<th>Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues (Billion Yen)</strong></td>
<td>616.5</td>
<td>630.0</td>
<td>(13.5)</td>
</tr>
<tr>
<td><strong>Adjusted Operating Income (Billion Yen)</strong></td>
<td>46.3</td>
<td>43.8</td>
<td>+2.5</td>
</tr>
<tr>
<td><strong>Adjusted Operating Income Ratio</strong></td>
<td>7.5%</td>
<td>7.0%</td>
<td>+0.5%</td>
</tr>
<tr>
<td><strong>EBIT (Billion Yen)</strong></td>
<td>80.8</td>
<td>37.8</td>
<td>+43.0</td>
</tr>
<tr>
<td><strong>EBIT Ratio</strong></td>
<td>13.1%</td>
<td>6.0%</td>
<td>+7.1%</td>
</tr>
<tr>
<td><strong>FCF (Billion Yen)</strong></td>
<td>91.7</td>
<td>32.8</td>
<td>+58.9</td>
</tr>
<tr>
<td><strong>Order Intake (Billion Yen)</strong></td>
<td>714.6</td>
<td>640.0</td>
<td>+74.6</td>
</tr>
</tbody>
</table>
### 3. Railway Systems BU

#### 3-6. RSBU is targeting continued margin improvement over the Mid-Term Plan to FY2021

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Result</th>
<th>FY2019 Forecast</th>
<th>FY2021 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (Billion Yen)</td>
<td>616.5</td>
<td>570.0</td>
<td>650.0</td>
</tr>
<tr>
<td>Adjusted Operating Income / Ratio %</td>
<td>46.3 7.5% 13.1%</td>
<td>41.2 7.2% 10.2%</td>
<td>61.8 9.5% 12.1%</td>
</tr>
<tr>
<td>EBIT / Ratio %</td>
<td>80.8 7.5%</td>
<td>57.9 7.2%</td>
<td>78.5 9.5%</td>
</tr>
</tbody>
</table>

**Orders Received (Billion Yen)**
- FY2018: 714.6
- FY2019: 765.2
- FY2021: 699.3

**Book to Bill (Ratio)**
- FY2018: 1.16x
- FY2019: 1.34x
- FY2021: 1.08x

**Orders Backlog* (Billion Yen)**
- FY2018: 2,827.1
- FY2019: 2,967.5
- FY2021: 3,063.6

**Overseas revenue ratio**
- FY2018: 82%
- FY2019: 78%
- FY2021: 80%

FX rates at June FY2019 forecast - Yen to Pound = 140:1; Yen to Euro = 125:1

* Include maintenance backlog

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### Revenue Bridge

<table>
<thead>
<tr>
<th>FY2018 Result</th>
<th>FY2019 Forecast</th>
<th>FY2021 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling Stock</td>
<td>Rolling Stock</td>
<td>Rolling Stock</td>
</tr>
<tr>
<td>Signalling &amp; Turnkey</td>
<td>Signalling &amp; Turnkey</td>
<td>Signalling &amp; Turnkey</td>
</tr>
<tr>
<td>Service &amp; Maintenance</td>
<td>Service &amp; Maintenance</td>
<td>Service &amp; Maintenance</td>
</tr>
</tbody>
</table>

**Billion Yen**

- FY2018 Result: 616.5
- FY2019 Forecast: 570.0
- FY2021 Target: 650.0

### Adjusted Operating Income | Ratio %

<table>
<thead>
<tr>
<th>FY2018 Result</th>
<th>FY2019 Forecast</th>
<th>FY2021 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling Stock</td>
<td>Rolling Stock</td>
<td>Rolling Stock</td>
</tr>
<tr>
<td>Signalling &amp; Turnkey</td>
<td>Signalling &amp; Turnkey</td>
<td>Signalling &amp; Turnkey</td>
</tr>
<tr>
<td>SG&amp;A - R&amp;D</td>
<td>Other</td>
<td>SG&amp;A - R&amp;D</td>
</tr>
</tbody>
</table>

**Billion Yen**

- FY2018 Result: 46.3
- FY2019 Forecast: 41.2
- FY2021 Target: 61.8

### 3. Railway Systems BU

3-7. Revenues and margins will recover and grow again post FY2020, following completion of IEP manufacturing this financial year.

- Revenues and margins will recover and grow again post FY2020, following completion of IEP manufacturing this financial year.
- Favourable projects mix and reduced PPA charge
- Volume increase
- Increased volume and reduced PPA charge
- Volume increase

3-8. Volume increase
- Favourable projects mix and reduced PPA charge
- Volume increase
- Increased volume and reduced PPA charge
- Volume increase
3. Railway Systems BU

3-8. Investment in core products and technology will enhance RSBU’s offering for customers, and increase competitiveness

- Development of new Rolling Stock platforms
- Balance factory workload globally
- Innovate to anticipate customers’ needs
- Improve efficiency using Digital / IoT solutions

Rolling Stock

- Further optimize digital IoT for predictive maintenance
- Reduce life-cycle cost of vehicles
- Increase control over supply chain; “Make vs Buy”
- Continually improve service and reliability of fleet

Full systems provider

Service & Maintenance

- Organisation optimization following ASTS de-listing
- Strengthen global project management capability
- Strengthen ERTMS and identify CBTC market position
- Develop ATO ERTMS; Satellite Automation; and Digital

Signalling & Turnkey

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3. Railway Systems BU

3-9. Targeting continued growth through strong customer relationships in core markets, and expansion in new geographies

**Americas**

**Key Facts**
- FTEs – 933
- 3 manufacturing sites
- 10% of revenue

**Strategic Priorities**
- Increase engineering capacity to facilitate growth
- Enhance S&M presence and establish local bases
- Target wins in Turnkey PPP and CBTC markets
- Actively seek the right M&A opportunities

**EMEA**

**Key Facts**
- FTEs – 8,322
- 6 manufacturing sites
- 62% of revenue

**Strategic Priorities**
- Entry into UK Signalling and IoT market
- Expand Services revenue in UK & Italy
- Target ‘jumbo’ turnkey projects in Middle East
- Balance factory loading

**Japan & APAC**

**Key Facts**
- FTEs – 4,377
- 2 manufacturing sites
- 28% of revenue

**Strategic Priorities**
- Maintain and strengthen order intake in Japan (e.g. TMS/CBTC, Shinkansen)
- Group-wide collaboration on Signalling, TMS, IoT and Digital
- Continue to be develop and deliver cutting-edge technologies (e.g. automation, traction, battery)
- Develop and expand into new APAC markets
3. Railway Systems BU

3-10. Utilising Hitachi technology for digital solutions to improve processes and create new revenue streams

**Strengthen Core Product**
- Flexible operation
- Maximize ridership and reduce congestion
- Value proposition with TMS

**Create New Revenue Streams**
- Back end system and Operation service business
- Acquire passenger behaviour for new value creation
- Image recognition technology for automatic detection and search
- Prevention of anti-social behaviour

**Operational Efficiency**
- Unify development of Rolling Stock data globally to maximize reuse
- Aggregate data through interface with legacy systems
- Digital twin
- Control tower to supervise supply chain
- Real-time information sharing with suppliers

**FY2019 Pilots to Improve Operational Efficiency**

<table>
<thead>
<tr>
<th>Product</th>
<th>Manufacturing</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Train of the future</td>
<td>Supply Chain Control Tower</td>
<td>Operations activities</td>
</tr>
<tr>
<td>Dynamic Headway</td>
<td>Digital factory &amp; operations</td>
<td>- Health check monitoring</td>
</tr>
<tr>
<td>Driverless</td>
<td>Advanced robotics</td>
<td>- Prognostics</td>
</tr>
</tbody>
</table>

**Support functions**
- Seamless supply chain
- Optimized warehouse management
- Health check monitoring
- Prognostics

**Production Asset Connectivity**
- Sensor-enabled
- Autonomous driving
- Value proposition linked to TMS

**Supply Chain Control Tower**
- Improve supply chain control to maximise throughput

**Predictive Quality & Factory Maintenance**
- Optimise factory maintenance and component right-sizing

**Digital Factory**
- Image recognition technology for automatic detection and search

**PLM**
- Unify development of Rolling Stock data globally to maximize reuse

**Digital twin**
- Control tower to supervise supply chain
- Real-time information sharing with suppliers

**Ticketing**
- Back end system and Operation service business
- Acquire passenger behaviour for new value creation

**Security**
- Image recognition technology for automatic detection and search
- Prevention of anti-social behaviour

**Propulsion Health Check Suite**
- Predictive maintenance system for motor and traction converter

**Strengthen Core Product**
- Flexible operation
- Maximize ridership and reduce congestion
- Value proposition with TMS

**Create New Revenue Streams**
- Back end system and Operation service business
- Acquire passenger behaviour for new value creation

**Operational Efficiency**
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**Digital Factory**
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- Prevention of anti-social behaviour

**PLM**
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- Acquire passenger behaviour for new value creation

**Security**
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- Prevention of anti-social behaviour

**Digital twin**
- Control tower to supervise supply chain
- Real-time information sharing with suppliers

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Mobility Sector

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1. Introduction to Mobility Sector
2. Building Systems BU
3. Railway Systems BU
4. Conclusion
   - Glossary
   - Appendix A – Building Systems BU
   - Appendix B – Railway Systems BU
4. Conclusion

4-1. Both Building and Railway Systems businesses are successfully pursuing growth and operational transformation

<table>
<thead>
<tr>
<th>Building Systems BU</th>
<th>Railway Systems BU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong and stable business targeting top line growth and double digit profitability in FY2021</td>
<td>IEP manufacturing revenues reducing offset by strong order intake of 714.6Bn Yen in FY2018 and record backlog of 2,827.1Bn Yen</td>
</tr>
<tr>
<td>Slow down of new installations forecast in China offset by targeting new installation growth in Asia and Middle East using Chinese resource and growing maintenance business</td>
<td>Significant investment planned in smart factory and digital capability to deliver higher volumes from existing assets</td>
</tr>
<tr>
<td>Continuous cost down in NI business utilising Chinese supply chain and factory efficiency improvements</td>
<td>Service and maintenance business will grow strongly from delivery of rolling stock backlog and new signalling contracts in Middle East</td>
</tr>
<tr>
<td>Investment planned in digital to grow solutions and Buildings IoT technology</td>
<td>Full integration of Ansaldo STS, transformation programme to re-energize and deliver further operational efficiency</td>
</tr>
<tr>
<td>Investment planned in digital connectivity to further improve customer service and further optimise maintenance business</td>
<td>Target business expansion in North America</td>
</tr>
<tr>
<td>Continuous tracking of M&amp;A opportunities</td>
<td>Continuous tracking of M&amp;A opportunities</td>
</tr>
</tbody>
</table>

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HF-1

Suvanabhumi International Airport in Thailand (expansion)

Launch of new Azuma train for London North Eastern Railway

Unveiling of new JR-East ALFA-X train
4. Conclusion

4-2. The Mobility sector is in a strong position to achieve its growth ambition and improve profitability

- Recovery in revenues by FY2021
- Forecasting continued improvement in profitability
- Potential to increase revenues through M&A (e.g. Yungtay Engineering*)

* Yungtay Engineering Co., Ltd. (Taiwan)

---

**Revenues (Bn yen) and Adjusted Operating Income Ratio (%)**

- FY2018 Result: 1,238.1
- FY2019 Forecast: 1,155.0
- FY2021 Target: 1,270.0
- FY2021 Stretch: 1,351.0

- FY2018 Result: 621.6
- FY2019 Forecast: 585.0
- FY2021 Target: 620.0
- FY2021 Stretch: 650.0

- Stretch target through M&A

**EBIT (Bn yen) and EBIT Ratio (%)**

- FY2018 Result: 135.1
- FY2019 Forecast: 112.9
- FY2021 Target: 142.6

- FY2018 Result: 54.3
- FY2019 Forecast: 55.0
- FY2021 Target: 64.1

- Disposable of non-core assets in RSBU lead EBIT to be higher than adjusted operating income

**Investment (CAPEX + R&D) (Bn yen) and ROIC (%)**

- FY2018 Result: 52.0
- FY2019 Forecast: 63.7
- FY2021 Target: 56.5

- Careful investment in CAPEX and R&D to improve efficiency and competitiveness
- Efficient ROIC management through improving operating margins and disposal of non-core assets
Mobility Sector

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1. Introduction to Mobility Sector
2. Building Systems BU
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Glossary

Appendix A – Building Systems BU
Appendix B – Railway Systems BU
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASTS</td>
<td>Ansaldo STS</td>
</tr>
<tr>
<td>ATO</td>
<td>Automatic Train Operation</td>
</tr>
<tr>
<td>BIVALE</td>
<td>Solution service to solve problems for building management by total control with “Energy”, “Security” and “Building Maintenance”</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CBTC</td>
<td>Communications-Based Train Control</td>
</tr>
<tr>
<td>DMU</td>
<td>Diesel Multiple Unit</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Taxes</td>
</tr>
<tr>
<td>E&amp;E</td>
<td>Elevators &amp; Escalators</td>
</tr>
<tr>
<td>EMEA</td>
<td>Europe, Middle East and Africa</td>
</tr>
<tr>
<td>EMU</td>
<td>Electric Multiple Unit</td>
</tr>
<tr>
<td>ERTMS</td>
<td>European Railway Traffic Management System</td>
</tr>
<tr>
<td>ETCS</td>
<td>European Train Control System</td>
</tr>
<tr>
<td>FCF</td>
<td>Free Cash Flow</td>
</tr>
<tr>
<td>GWR</td>
<td>Great Western Railway</td>
</tr>
<tr>
<td>IEP</td>
<td>Intercity Express Programme</td>
</tr>
<tr>
<td>IoT</td>
<td>Internet of Things</td>
</tr>
<tr>
<td>JAPAC</td>
<td>Japan and Asia Pacific</td>
</tr>
<tr>
<td>LOI</td>
<td>Letter of Intent</td>
</tr>
<tr>
<td>LRV</td>
<td>Light Rail Vehicle</td>
</tr>
<tr>
<td>LNER</td>
<td>London North Eastern Railway</td>
</tr>
<tr>
<td>MBTA</td>
<td>Massachusetts Bay Transportation Authority</td>
</tr>
<tr>
<td>NI</td>
<td>New Installation</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>Operations &amp; Maintenance</td>
</tr>
<tr>
<td>PLM</td>
<td>Product Lifecycle Management</td>
</tr>
<tr>
<td>PPA</td>
<td>Purchase Price Allocation</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>PTC</td>
<td>Positive Train Control</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>ROIC</td>
<td>Return on Invested Capital</td>
</tr>
<tr>
<td>RS</td>
<td>Rolling Stock</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SIB</td>
<td>Social Innovation Business</td>
</tr>
<tr>
<td>SIG</td>
<td>Signalling</td>
</tr>
<tr>
<td>TMS</td>
<td>Traffic Management System</td>
</tr>
</tbody>
</table>
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Appendix A – Building Systems BU
Appendix B – Railway Systems BU
A-1. Market Trend

Low growth in Japan & China markets, but strong growth in global markets

- E&E NI Market Trends*
  (Thousand units)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018 (Result)</th>
<th>FY2019 (Forecast)</th>
<th>FY2020 (Forecast)</th>
<th>FY2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>925</td>
<td>967</td>
<td>952</td>
<td>964</td>
</tr>
<tr>
<td>Europe</td>
<td>55</td>
<td>57</td>
<td>58</td>
<td>60</td>
</tr>
<tr>
<td>Asia / Middle East</td>
<td>118</td>
<td>121</td>
<td>124</td>
<td>126</td>
</tr>
<tr>
<td>Japan</td>
<td>194</td>
<td>202</td>
<td>212</td>
<td>221</td>
</tr>
<tr>
<td>China</td>
<td>527</td>
<td>556</td>
<td>527</td>
<td>527</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

- Hitachi Analysis on E&E Markets by Target Regions
  
  ◆ Asia / Middle East: NI demand growth in multiple countries (CAGR: 4.4%)
  
  ◆ China: Still over 50% of world’s NI market, but slow down in growth. Expect growth driver shift to maintenance
  
  ◆ Japan: NI demand to decrease gradually (modernization demand to increase)

* Researched by Hitachi
A-2. Towards FY2021: Target Position

Direction for Future Growth

Key Strategies by Target Region

- **Asia / Middle East**: Growth responding to strong E&E NI demand, improve profitability (shift in phase from investing to reaping returns)

- **China**: Improve profitability by expanding building service business, mainly with E&E maintenance

- **Japan**: As “global mother function”, promote development of building service utilising data
A-3. Business performance trends (Except FX effects)

Revenue Bridge

- FY19 projects brought forward to FY18
- Revenue scale increased

FY2018 (2018/6 IR)  580.0
FY2018 (Result)  621.6
FY2019 (Forecast)  595.0
China  19.7
Japan  14.3
Asia Others  11.0
FY2021 (Target)  640.0

CAGR: 3.3%

Adjusted Operating Income | Ratio %

FY19 projects brought forward to FY18

FY2018 (2018/6 IR)  52.0
FY2018 (Result)  54.0
FY2019 (Forecast)  56.0
China  6.7
Japan  0.7
Asia Others  1.6
FY2021 (Target)  65.0

- Increase in maintenance & solution
- Cost reduction
- Increase in NI & maintenance

FX rates Yen to RMB at FY2018 = 16.5 :1, FY2019 = 16.0 :1, FY2021 = 15.5 :1
Mobility Sector

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Situation Overview

- Agility Trains West and East ("ATW" and "ATE") are SPVs which finance and own the two IEP fleets
- RSBU held 70% of the equity in both ATW and ATE as part of the contract to build and maintain the fleets
- Owning rolling stock is not the core capability of RSBU, although the maintenance contracts remain essential to our business

Partial Disposal of ATW

- In FY2018 we sold a 30% stake in ATW to a consortium of Equitix, Dalmore Capital, JII and Rock Rail. Further 15% sold to the consortium in Q1 FY2019
- Deals demonstrated RSBU’s ability to recover the capital previously invested for growth
- RSBU still holds 25% of ATW and 70% of ATE

SPV: Special Purpose Vehicle
B-2. We are well positioned to compete in a growing market

**Industry Growth**

### Market Growth by Product

<table>
<thead>
<tr>
<th>Product</th>
<th>2015-17</th>
<th>2018-20</th>
<th>2021-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling Stock</td>
<td>2.8</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Rail Control</td>
<td>2.1</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Service &amp; Maintenance</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Market Growth by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2015-17</th>
<th>2018-20</th>
<th>2021-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAC</td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>EMEA</td>
<td>3.2</td>
<td>3.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Americas</td>
<td>5.4</td>
<td>0.7</td>
<td>0.9</td>
</tr>
</tbody>
</table>

**Annual Average, Trillion Yen**

- **CAGR**
  - **3.1%**
  - **2.3%**
  - **2.3%**

**Revenue vs. Competitors**

- **3,568**
  - Full Line Up: 617
  - Rolling Stock: 280
  - Systems: 260
  - **Hitachi:** 1,010
  - **Competitors:** 1,120

*1 Source: UNIFE World Rail Market Study 2018 and Hitachi internal estimates. FX rate Euro :Yen = 1:130

**Competitive Landscape**

Hitachi Rail has become a major global supplier and will aim to increase market share through:

- Creating cost advantage and utilising wider Hitachi Group technology to increase competitiveness
- Providing customers with whole life cost of ownership benefits through our integrated offering

---

*2 Financials calendarised to March 2019. Source: Annual reports, broker estimates and Capital IQ consensus estimates. Average FX rate over last 12 months to 31 March 2019 used.

*3 Overseas revenue ratio is less than 10% in each case.
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 incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property;
- 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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