Industry Sector

June 8, 2021

Masakazu Aoki

Executive Vice President and Executive Officer
General Manager of Industry Business Division
Key Messages Today

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

Contents

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
5. Conclusion
Industry Sector

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1. Overview of the Industry Sector
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1-1. Position of the Industry Sector

IT
- Social Infrastructure Systems BU
- Financial Institutions BU

Energy
- Nuclear Energy BU
- Energy BU
- Power Grids BU

Industry
- Industry & Distribution BU
- Water & Environment BU

Mobility
- Building Systems BU
- Railway Systems BU

Smart Life
- Hitachi Global Life Solutions
- Hitachi High-Tech

Automotive Systems Business
- Hitachi Astemo

Services & Platforms BU

Product Business (Hitachi Industrial Products, Hitachi Industrial Equipment Systems)
1-2. Business Overview

**Industrial Products Business**

**Mass-production business [28%]**
- Air compressors
- Marking systems
- Power Substation equipment

**Built-to-order business [16%]**
- Centrifugal compressors
- Pumps
- Drive systems
- Transport systems

**Industry & Distribution BU**

**Digital solution business**

858.1 billion yen
FY2020 Result

**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

Figures for each BU and overall Industry Sector include control systems business, which is allocated in IT Sector.
## 1-3. Sector Structure

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

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Industry &amp; Distribution BU</th>
<th>Water &amp; Environment BU</th>
<th>Hitachi Industrial Products</th>
<th>Hitachi Industrial Equipment Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masakazu Aoki</td>
<td>Kazunobu Morita CEO</td>
<td>Hideshi Nakatsu CEO</td>
<td>Keizo Kobayashi President and Director</td>
<td>Yasuhiro Takeuchi President and Director</td>
</tr>
<tr>
<td></td>
<td>305.3 billion yen</td>
<td>173.3 billion yen</td>
<td>376.4 billion yen</td>
<td>858.1 billion yen</td>
</tr>
</tbody>
</table>

Hitachi Group’s business potential in Industry and Distribution fields: Approx. 260 billion yen

- **IT Sector**
  - Hitachi Systems, Ltd.
  - Hitachi Solutions, Ltd.
  - Services & Platforms BU

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.
### 1-4. Business Domains

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

Creating customer value in value chains

<table>
<thead>
<tr>
<th>Management/ control system</th>
<th>IT</th>
<th>OT</th>
<th>Workplace system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT</strong></td>
<td>AI</td>
<td>Analytics</td>
<td>Cloud</td>
</tr>
<tr>
<td>Production planning/ control optimization</td>
<td>Supply chain optimization</td>
<td>Logistics optimization</td>
<td>Maintenance, quality/safety verification</td>
</tr>
<tr>
<td>Manufacturing execution system</td>
<td>Energy/equipment management</td>
<td>Next-generation utilities (water, power supply, heat and air)</td>
<td>Automation line-building (Robotic SI)</td>
</tr>
<tr>
<td><strong>OT</strong></td>
<td>Edge computing</td>
<td><strong>Products</strong></td>
<td><strong>制品</strong></td>
</tr>
<tr>
<td>Inverter</td>
<td>IoT controller</td>
<td>Marking system</td>
<td>Racrew(^1)</td>
</tr>
<tr>
<td>UPS</td>
<td>Air compressor</td>
<td>Transformer</td>
<td>Intelligent Carry</td>
</tr>
</tbody>
</table>

*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, LLC, 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
Industry Sector

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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.

<table>
<thead>
<tr>
<th>Basic policy and progress</th>
<th>Expand and strengthen total seamless solutions</th>
<th>Accelerate global expansion</th>
<th>Increase business resilience</th>
<th>COVID-19 impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Scaling of digital solutions utilizing Lumada (Lumada Core Business: up 6% YoY for FY2020)</td>
<td>✓ Acquisition of Kyoto Robotics, a developer of intelligent robotic systems</td>
<td>✓ Acquisition of JR Automation, a U.S.-based robotic system integrator</td>
<td>✓ Resources shifted to the digital business to accelerate DX</td>
<td>✓ Investments reduced and selected carefully</td>
</tr>
<tr>
<td>✓ Acquisition of Kyoto Robotics, a developer of intelligent robotic systems</td>
<td>✓ Continued strengthening of Products x OT x IT for business growth</td>
<td>✓ Hitachi Industrial Holdings Americas established to supervise operations in North America</td>
<td>✓ Increased the number of solutions matched with the needs of the new normal created by the COVID-19 pandemic</td>
<td>✓ Profit secured by reducing fixed costs and more strictly managing projects</td>
</tr>
<tr>
<td>✓ More orders received after strengthening business base in North America</td>
<td></td>
<td>✓ More orders received after strengthening business base in North America</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 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.

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**Adjusted operating income ratio**

6.7%  
7.5%  
COVID-19 impact: Down 4.3 points  
5.7% (Result)  
8.2%  
Over 10%

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**Revenues (billion yen)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY2019 Results</th>
<th>Initial forecasts (excluding COVID-19 impact)</th>
<th>Initial forecasts</th>
<th>Results</th>
<th>FY2021 Forecasts</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry &amp; Distribution BU</td>
<td>867.8</td>
<td>909.4</td>
<td>858.1</td>
<td>880.0</td>
<td>858.1</td>
<td>Over 1,000.0</td>
</tr>
<tr>
<td>Water &amp; Environment BU</td>
<td>259.8</td>
<td>310.0</td>
<td>245.0</td>
<td>305.3</td>
<td>315.0</td>
<td>Over 10%</td>
</tr>
<tr>
<td>Industrial Products BU</td>
<td>179.6</td>
<td>175.0</td>
<td>149.0</td>
<td>173.3</td>
<td>176.0</td>
<td>173.3</td>
</tr>
<tr>
<td>Built-to-order business</td>
<td>424.0</td>
<td>422.0</td>
<td>365.4</td>
<td>376.4</td>
<td>390.0</td>
<td>390.0</td>
</tr>
<tr>
<td>Mass-production business</td>
<td>276.9</td>
<td>282.0</td>
<td>232.5</td>
<td>243.2</td>
<td>252.0</td>
<td>252.0</td>
</tr>
</tbody>
</table>

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

- 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

<table>
<thead>
<tr>
<th></th>
<th>Orders</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4Q)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1Q)</td>
<td></td>
<td></td>
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<tr>
<td>(2Q)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3Q)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4Q)</td>
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</tr>
</tbody>
</table>

High growth rate achieved

Order growth rate

Nearly 200% growth

Figures for orders and revenues represent indices in which a value of 100 refers to their respective levels in the 4th quarter of FY2019.

Business portfolio

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

- Automotive: 47%
- Medical care: 40%
- E-commerce: 8%
- Other: 16%
- Aerospace & Amusement: 12%
- Other: 19%

Expansion of the robotic SI business featuring digital fusion from FY2021.

* Revenues

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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.

**Quarterly trends**

Orders grown substantially

**Order growth rate**

- Nearly 118% growth

**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

Figures for orders and revenues represent indices in which a value of 100 refers to their respective levels in the 4th quarter of FY2019.
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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

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

Changes in market environment

- Change in customers’ management perspectives

Changes in market environment

- 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

Solve issues of “boundaries” between companies and organizations to maximize customers’ total profits

Accelerate DX, such as the reduction of required labor, automation and contactless solutions that are becoming increasingly sophisticated in the new normal

Value Chain as a Service

Total seamless solutions

- Consulting
- IT
- OT
- Products

Process modeling (digital twin solution)
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.

### Scope of the provision of solutions

- **Full layer**
  - Products x OT x IT

- **Adjacent layer**
  - OT x IT
  - Products x OT
  - Products x IT (IoT)

- **Partial layer**
  - IT only
  - OT only
  - Products only

#### Package proposals

- Company X’s industry division
- Company Y
- Company Z’s industry division

#### Customer requirements

- Hitachi Industry Sector
- Hitachi Industry Sector’s goal

#### Collaborative creation with customers (domain SI)

* 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

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.

Optimization of supply chains aiming to maximize business KPIs

<table>
<thead>
<tr>
<th>SCM Optimization Simulation</th>
<th>Production/Sales Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results of estimation</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>Inventory value</td>
<td>Increase high-profitable products by utilizing surplus capabilities</td>
</tr>
<tr>
<td>Sufficiency ratio</td>
<td></td>
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<tr>
<td>Inventory quantity</td>
<td></td>
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<tr>
<td>Operating ratio</td>
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</tbody>
</table>

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

Increase high-profitable products by utilizing surplus capabilities
Eliminate bottlenecks through switching manufacturing
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

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 (WORKMAN)

Shortening order placement operation from approx. 30 minutes to approx. 2 minutes
Realize improved productivity by automated transfer at MonotaRO
Aim to optimize the whole distribution center from workplace to planning

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

Sophistication of the distribution center (Hitachi vision)

Productivity sophistication through WMS renewal/use of robotics (Future plan)

Transfer robot + control system

ERP: Enterprise Resource Planning
WMS: Warehouse Management System
WCS: Warehouse Control System

Effects of Introduction
Picking efficiency tripled

Respons to labor shortage through automation using robotics

Realize data-originated and sophisticated operation of the distribution center

The compact and low-floor automated guided robot "Racrew"
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

Before/after operation
During operation
During operation

Biological data of driver
Vehicle behavior
Physical condition data

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)

**Boundaries**
- Management
- Workplace

**Vertical**
- Manufacturing/Processing

**Horizontal**
- Suppliers
- Manufacturing
- Logistics
- Market

**Automatic production/staff planning**
- Maximum of 16 trillion patterns for a plant
- Configuring Master (narrowing down)
- Absolute constraints (narrowing down)
- Discretionary constraints
- Mathematical optimization engine

**Logistics**
- VPN network
- Tablets
- Electronic ledger sheet

**Improvement of operation/maintenance efficiency of refrigeration equipment**
- Dashboard
- LUMADA
- exiida: Remote monitoring/predictive diagnosis
- CYDEEN
- BI
- EMilia-based cloud service platform
- Industrial controller for IoT applications
- HX series

**Effects of Introduction**
- Planning time shortened to 1/10

**Sensing technology**
- Remote monitoring/predictive diagnosis
- Inspection assistance technology
- Electronic ledger sheet

**Production system that quickly responds to changes in demand**

**Reducing environmental burdens**

**Scoring multiple plans with evaluation indices**

* "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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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

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Business operation Management</td>
<td>Establishment of a North American business base in the industrial area</td>
<td></td>
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</tr>
<tr>
<td>IT</td>
<td>Strengthening of global product lineup</td>
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<tr>
<td>Management</td>
<td>Acquisition of Sullair</td>
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<tr>
<td>Workplace</td>
<td>Acquisition of JR Automation</td>
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<td>huMan</td>
<td>Acquisition of KEC</td>
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<td>Machine</td>
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<td>Material</td>
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<tr>
<td>Method</td>
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<tr>
<td>4M data</td>
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<tr>
<td>Consulting</td>
<td></td>
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</tbody>
</table>

- 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 conveyors 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

*1 The current company name is AIS Technologies Group.
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

<table>
<thead>
<tr>
<th>High-level technological and product development capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ 99.99% 3D object recognition rate featuring high-level speed and accuracy</td>
</tr>
<tr>
<td>✓ Masterless object recognition</td>
</tr>
<tr>
<td>✓ Industry-leading depalletizing capability</td>
</tr>
<tr>
<td>(600 cases from a consolidated depalletizing per hour and 850 cases from a single depalletizing per hour)</td>
</tr>
</tbody>
</table>

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

### Initiatives for logistics optimization

<table>
<thead>
<tr>
<th>Logistics operations Reform project</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Improve the level of sales stores’ services</td>
<td></td>
</tr>
<tr>
<td>(2) Facilitate labor-saving and efficiency improvement to ensure stable operation even if the company faces labor shortages</td>
<td></td>
</tr>
</tbody>
</table>

Centralize distribution channels to sales stores through the consolidation of operation bases

### Sophistication of distribution centers

- Improvement of efficiency through the installation of material handling facilities and WMS
  - **WMS** Planning
  - **WCS** Automation
  - Optimal control of operation
  - Linkage of product/inventory information

### Practical use of advanced technologies (intelligent robots)

- Further automation at workplaces through the installation of intelligent robots
- Piece-picking robot utilizing 3D vision

### Implementation of full automation

- **Step 1** Consulting on operational reforms
  - From 2015

- **Step 2** Installation and establishment of the OT x IT solution
  - From 2017

- **Step 3** Installation of robots equipped with advanced technologies
  - From 2021
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

Establishment of Hitachi Industrial Holdings Americas

Strengthening of cross-regional comprehensive activities
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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

- Creation of carbon neutrality for production lines by FY2030
5-2. Intensive Actions for the Growth of the Industry Sector

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

<table>
<thead>
<tr>
<th>Intensive actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Facilitating the evolution of total seamless solutions</strong></td>
</tr>
<tr>
<td>Creating new social value by solving issues of “boundaries”</td>
</tr>
<tr>
<td>Enhancing digital solutions through robotic SI and Lumada</td>
</tr>
<tr>
<td><strong>Accelerating growth globally</strong></td>
</tr>
<tr>
<td>Strengthening North American business resources and differentiating technologies</td>
</tr>
<tr>
<td>Expanding businesses into Europe, ASEAN and Japan centered on the North American business base</td>
</tr>
<tr>
<td><strong>Strengthening the management base</strong></td>
</tr>
<tr>
<td>Creating synergies through comprehensive operation of acquired businesses</td>
</tr>
<tr>
<td>Continuing the reform of operations (project management, etc.)</td>
</tr>
</tbody>
</table>

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.

Adjusted operating income ratio

Revenues (billion yen)

Goal

Over 1,000.0

Over 10%

FY2021 Forecasts

FY2020 Results

Global/growth area

Core business

ROIC 8.7%

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

Contents

Appendix
Appendix 1: Progress in 2021 Mid-term Management Plan

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)

FY2020

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

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

*1 Earnings before interests and taxes, *2 Earnings before interests, taxes, depreciation and amortization
### Appendix 2: Growth (Value) Drivers and Risk Factors

<table>
<thead>
<tr>
<th>Growth (Value) drivers</th>
<th>Risk factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in digital investments for the acceleration of DX</td>
<td>Delay in recovery of the Japanese economy due to the COVID-19 pandemic</td>
</tr>
<tr>
<td>Recovery of the Japanese economy due to the containment of the COVID-19 pandemic</td>
<td>Geopolitical risks</td>
</tr>
<tr>
<td>Expansion of the e-commerce and medical markets with the COVID-19 pandemic</td>
<td>Natural disaster risk</td>
</tr>
<tr>
<td>Increase in environment-related investments such as energy saving</td>
<td>Exchange rate fluctuations</td>
</tr>
<tr>
<td>Automotive investments, reflecting efforts to popularize EV</td>
<td></td>
</tr>
<tr>
<td>Creation of synergies with acquired companies</td>
<td></td>
</tr>
</tbody>
</table>

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
- Measures to accelerate digital transformation 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
- 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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