

Hitachi Outline 2019–2020



Hitachi Social Innovation is POWERING GOOD

Toshiaki Higashihara
President & CEO

T. Higashihara



In accordance with its mission, “Contribute to society through the development of superior, original technology and products,” Hitachi, which will celebrate the 110th year since its founding in 2020, has responded to the expectations of society and its customers through innovation. Established as a manufacturer of five-horsepower induction motors, Hitachi has not only developed its ability to create products, but has honed its abilities in control and operational technologies (OT) in the more than 100 years it has operated as a manufacturer, as well as its knowledge in information technologies (IT) over the past 50 years. Hitachi’s Social Innovation Business combines Hitachi’s OT, IT and products to create new value and resolve social issues.

Currently, the world is facing a variety of changes, including issues related to resource shortages and climate change, demographic changes brought on by the aging of society, and the issues accompanying urbanization. In response to these changes, efforts to achieve the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 have begun throughout the world. Under these circumstances, Hitachi will return to its founding principles of advancing societal development with the goal of contributing to the achievement of a sustainable society by evolving its Social Innovation Business on a global scale.

Under its three-year 2021 Mid-term Management Plan, which began in fiscal 2019, Hitachi aims to become a global leader through its Social Innovation Business with the goal of stimulating further growth. We have identified five growth sectors (Mobility, Smart Life, Industry, Energy and IT) and will help increase social, environmental and economic values for our customers in each sector.

With our new slogan, “Hitachi Social Innovation is POWERING GOOD,” which expresses the vision of our Mid-term Management Plan, we will devote all our energy to realize the “good” desired by people throughout the world, raise the quality of people’s lives and build a sustainable society.

Hitachi by the Numbers

Hitachi Group: An experienced global performer



Founded in

1910



Consolidated revenues*¹

9,480.6 billion yen



Consolidated adjusted operating income*^{1,2}

754.9 billion yen



Consolidated R&D expenditure*¹

323.1 billion yen



Consolidated number of employees*³

295,941

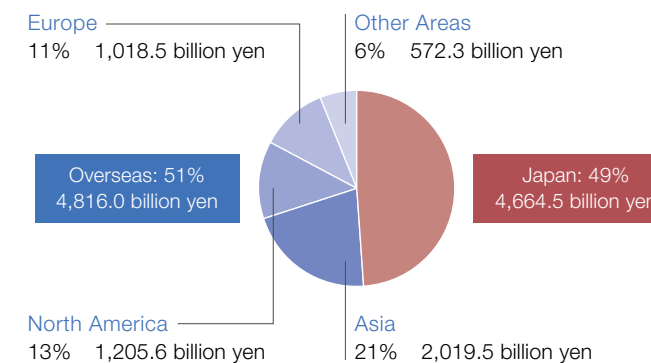


Number of consolidated subsidiaries*³

(Japan: 181, outside of Japan: 622)

803 companies

Revenues and Share by Region*¹



Corporate Outline

Corporate name	Hitachi, Ltd.
Headquarters	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan
Tel.	+81-3-3258-1111
Representative	Toshiaki Higashihara Representative Executive Officer, President & CEO
Capital* ³	458.7 billion yen

*¹ Fiscal 2018

*² “Adjusted operating income” is defined as total revenues less cost of sales and selling, general and administrative (SG&A) expenses.

*³ As of March 31, 2019

Note: Hitachi’s consolidated financial statement is prepared based on the International Financial Reporting Standards (IFRS).

Hitachi's Business Segments

Through our business segments, we increase social, environmental and economic value.

IT

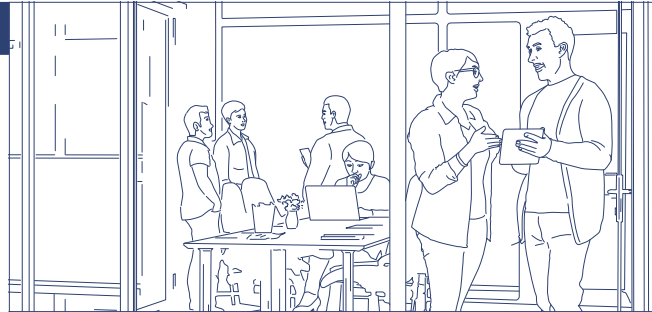
Accelerating customer innovation with advanced IT solutions

Main products and services

- Consulting
- Systems integration
- Cloud services
- Software
- IT products (storage, servers)
- Control systems
- ATMs

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi Information & Telecommunication Engineering, Ltd. / Hitachi-Omron Terminal Solutions, Corp. / Hitachi Computer Products (America), Inc. / Hitachi Solutions, Ltd. / Hitachi Systems, Ltd. / Hitachi Consulting Corporation / Hitachi Global Digital Holdings Corporation / Hitachi Payment Services Private Limited / Hitachi Vantara Corporation



Data Analytics Solutions



Flash storage

Energy

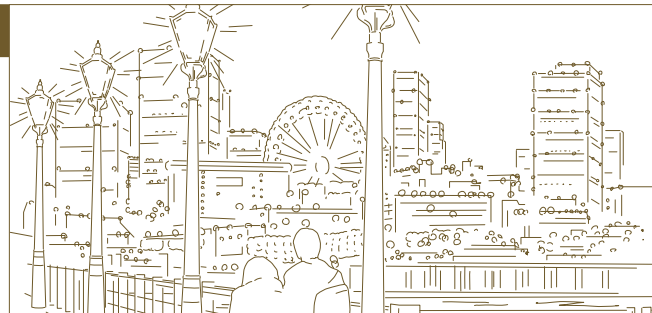
Contribute to a stable energy supply for customers and the realization of low carbon and decarbonized society

Main products and services

- Energy solutions
- Power grid systems

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi-GE Nuclear Energy, Ltd. / Hitachi Plant Construction, Ltd. / Hitachi Power Solutions Co., Ltd.



Mega-solar



Ultra High Voltage Gas Insulated Switchgear (UHV GIS)

Industry

Increasing the efficiency of customers' production and processing systems and providing safe and secure urban water and sewage systems

Main products and services

- Industry & distribution systems
- Water & environment systems
- Industrial products

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi Industrial Equipment Systems Co., Ltd. / Hitachi Industrial Products, Ltd.* / Hitachi Industry & Control Solutions, Ltd. / Hitachi Plant Services Co., Ltd. / Sullair US Purchaser, Inc.

* Hitachi Industrial Products, Ltd. is the company which succeeded the electrical systems business and machinery systems business through absorption-type company split from the Company on April 1, 2019.



Image analysis solution at the manufacturing workplace



Seawater Reverse Osmosis (RO) desalination system

Mobility

Providing people with safe, secure and comfortable transportation

Main products and services

- Building systems (elevators, escalators, building services)
- Railway systems

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi Elevator (China) Co., Ltd. / Hitachi Building Systems Co., Ltd. / Hitachi Rail Ltd.*

* Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.



TX escalator



Standard elevator



Class 800 train for the Intercity Express Programme (IEP)

Smart Life

Designing smart cities to be more convenient and environmentally friendly

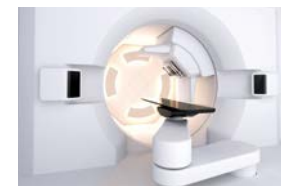
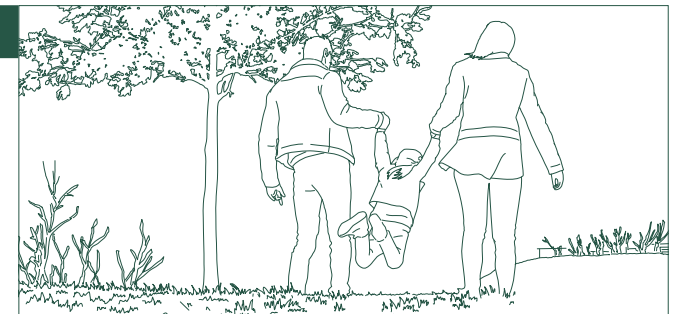
Main products and services

- Medical electronics
- Smart life & ecofriendly systems (refrigerators, washing machines, room air conditioners, air-conditioning equipment)
- Automotive systems (powertrain systems, chassis systems, advanced driver assistance systems)

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi Automotive Systems, Ltd. / Hitachi Global Life Solutions, Inc.* / Hitachi Automotive Systems Americas, Inc. / Hitachi Consumer Products (Thailand), Ltd.

* Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its company name to Hitachi Global Life Solutions, Inc. on April 1, 2019.



Particle therapy system



Dashboard-mounted stereo cameras in the new ELF from Isuzu Motors



Large-capacity refrigerator

Hitachi High-Technologies

Main products and services

- Medical and life science products
- Analytical equipment
- Semiconductor processing equipment
- Manufacturing and inspection equipment
- Advanced industrial products

Hitachi Construction Machinery

Main products and services

- Hydraulic excavators
- Wheel loaders
- Mining machinery
- Maintenance and services
- Construction solutions
- Mine management systems

Hitachi Metals

Main products and services

- Specialty steel products
- Functional component and equipment
- Magnetic materials and applications
- Power electronics materials
- Wires, cables, and related products

Hitachi Chemical

Main products and services

- Functional materials (electronics materials, printed wiring board materials, electronics components)
- Advanced components and systems (mobility components, energy storage devices, life science related-products)

Others

Main products and services

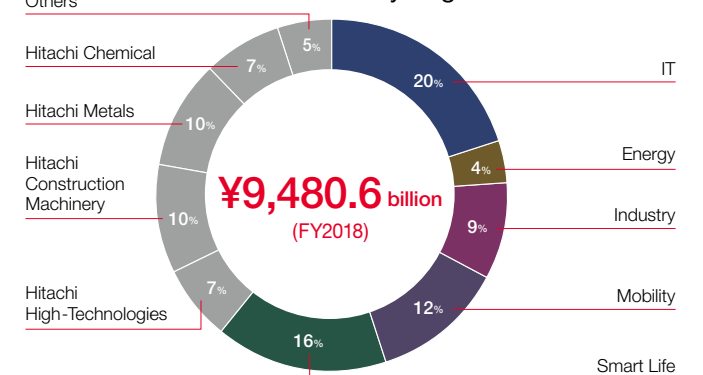
- Optical disk drives
- Property management

Principal consolidated subsidiaries (as of June 30, 2019)

Hitachi-LG Data Storage, Inc. / Hitachi Life, Ltd. / Hitachi Urban Investment, Ltd. / Hitachi America, Ltd. / Hitachi Asia Ltd. / Hitachi (China), Ltd. / Hitachi Europe Ltd. / Hitachi India Pvt. Ltd.

* Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.

Share of Revenues by Segment



Note: Figures for each subsegment include intersegment transactions.

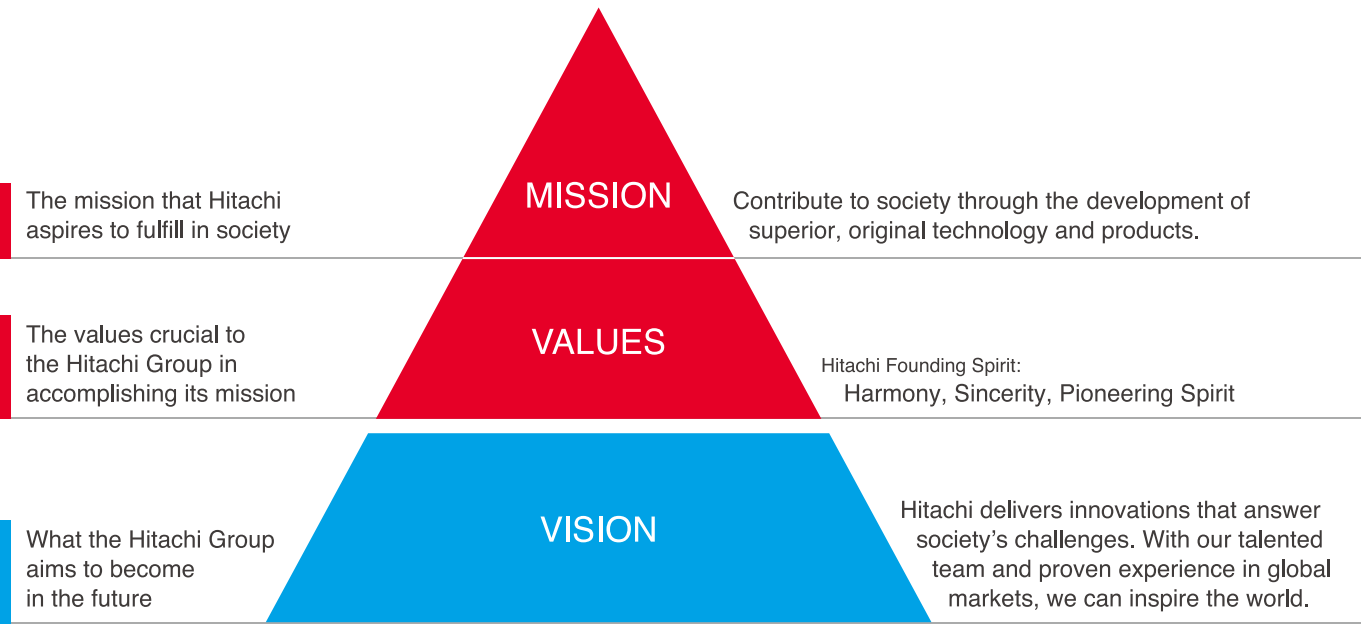
The Hitachi Group Identity and Social Innovation Business

Grounded in the Hitachi Group Identity, we will raise the social, environmental and economic value we provide to customers and aim to achieve a sustainable society by focusing on our Social Innovation Business.

The present world is said to be an era of volatility, uncertainty, complexity and ambiguity (VUCA), in which the future is difficult to predict. Looking around the world, we can see a wide variety of steadily approaching change that will have an impact on people's lives, including climate change, resource shortages, demographic changes due to aging and problems related to urbanization.

Since its establishment, Hitachi has operated under the Mission expressed by its founder: “Contribute to society through the development of superior, original technology and products.” In accordance with this Mission, we have solved challenges facing society during each era through the development of social infrastructure technologies while raising people's quality of life (QoL) and, in recent years, contributing to the achievement of a sustainable society.

Originally set by Hitachi founder Namihei Odaira, the Mission has been carefully passed on to generations of employees and stakeholders throughout the company's 100-year history. The Values reflect the Hitachi Founding Spirit, which was shaped by the achievements of our Company predecessors as they worked hard to fulfill Hitachi's Mission. The Vision has been created based on Hitachi's Mission and Values. It is an expression of what the Hitachi Group aims to become in the future as it advances in its next stage of growth. The Mission, Values and Vision are made to be shared in a simple concept: Hitachi Group Identity.



Our Social Innovation Business accelerates collaborative creation with customers using the latest digital technologies in a wide range of fields, including social infrastructure. It also solves various issues faced by society and customers by taking advantage of the Hitachi Group's business bases; its total solutions, which combine the operational technology (OT), IT, products and systems it has cultivated over many years; digital solutions such as Lumada; and open innovation achieved through partnerships with operators worldwide.

MISSION

In 1910, Hitachi was founded as a mining machinery repair shop in Ibaraki Prefecture, Japan.

At a time when Japan was relying on imported products and technology, Hitachi founder Namihei Odaira formed a team that chose to rely on a different resource—themselves. With perseverance and enduring passion, the team created, developed, and delivered original products and technologies.

The driving force behind the team was Odaira's noble belief: “Contribute to society through the development of superior, original technology and products.” This belief was the starting point for the Hitachi Group. Today, it forms Hitachi's Mission, which is the overarching concept of the Hitachi Group Identity.

VALUES



The willingness to respect the opinions of others and discuss matters in a manner that is thorough and frank, but fair and impartial, and once a conclusion has been reached, to cooperate and work together to achieve a common goal.

To act with a sense of ownership and honesty at all times and never pass the buck. The spirit to meet society's expectations and generate credibility for Hitachi.

To work creatively, using novel approaches to enter new areas. To always act as a pioneer within our areas of expertise and to have the passion to pursue higher goals beyond our capabilities.

The power station at the Hitachi mine (1916)



Six years after its establishment, Hitachi employees proudly sit in front of a generator and a water turbine installed at the power station of the Hitachi mine. From this photo, we can distinctly feel their senses of accomplishment and fulfillment, as well as their hopes for the future.

However, shortly after the station started operating, the generator broke down due to defective parts, which had a serious impact on the operation of the mine, leading our founder, Namihei Odaira, to prepare an unofficial resignation. The employees worked tirelessly to restore the generator and investigate the cause of the breakdown. In addition to problems involving the generator, our employees faced difficult issues every time they set about making products. They raised quality, cultivated technology and gained trust through their devoted and resolute work on solving each and every one of these issues.

These efforts crystallized into Hitachi's Founding Spirit, which remains alive and well to this very day.

History of Hitachi

In every era, Hitachi has brought innovation to the issues society faces, in step with the economic, social and environmental changes of the times.

Beginning with product development and manufacturing driven by independently developed technology, Hitachi has honed Operational Technology (OT) that moves production site equipment and systems throughout the manufacturing process. During periods of high growth, Hitachi engaged in the development of large-scale systems to support infrastructure, and was vigorously involved in the development of Information Technology (IT). What has emerged since is Hitachi's transformation into one of the world's most unique companies, defined by sophisticated OT and manufacturing technology, cutting-edge IT, and products known for high quality and reliability. The driving force for this change is Hitachi Innovation, a tireless commitment to overcoming challenges in a wide range of fields to deliver an array of technological innovations and products for meeting the expectations of society at large and our customers.

2010s— IoT* promotion



2016
Launched Lumada as solutions for accelerating digital innovation

* Internet of Things: Internet connectivity via an array of physical devices

1960s— IT promotion



1965
HITAC 5020 system
(produced in Japan)



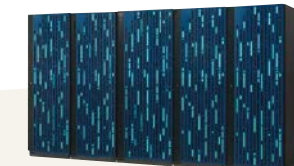
1974
HITAC M-series
Large-scale computer



1984
Started mass production of 256-kbit
DRAMs



1999
Super Technical Server
(world's fastest at the time)



2004
Storage system



2015
Wearable sensor for measuring
organizational activity



1979
First mass-produced bank ATM



1995
Super TFT LCD module featuring
ultra-wide viewing angles



2000
Practical use of finger-vein
authentication technology



2007
EMIEW2, a small and lightweight
interactive robot

1910s— OT and product promotion



1924
Large-scale electric locomotive
(first produced in Japan)



1932
Hitachi's first electric refrigerator



1942
Electron microscope (first for
commercial use produced in Japan)



1968
All-transistor color television
(first produced in Japan)



1972
Train operation management system



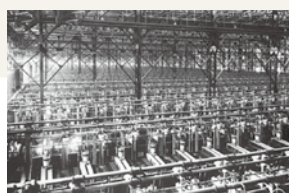
1982
Holographic electron microscope



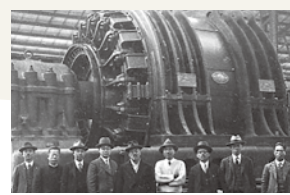
2011
Large-scale centrifugal pump with
the world's highest efficiency level,
supplied to Edmonston pumping
station, USA.



1910
Five-horsepower induction motor,
Hitachi's first product



1931
Hydraulic electrolytic cell, which
helped boost fertilizer production in a
time of food scarcity



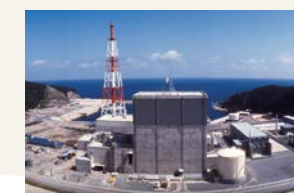
1933
DC mill motor (world's largest at the
time)



1964
Cars for the Shinkansen (Bullet train),
first at the time to reach speeds of
200 km/h



1968
Elevators for Kasumigaseki Building
(fastest in Japan at the time)



1974
Shimane Nuclear Power Station,
Japan's first commercial-use nuclear
power station



2001
Proton therapy system installed in
University of Tsukuba Hospital

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.

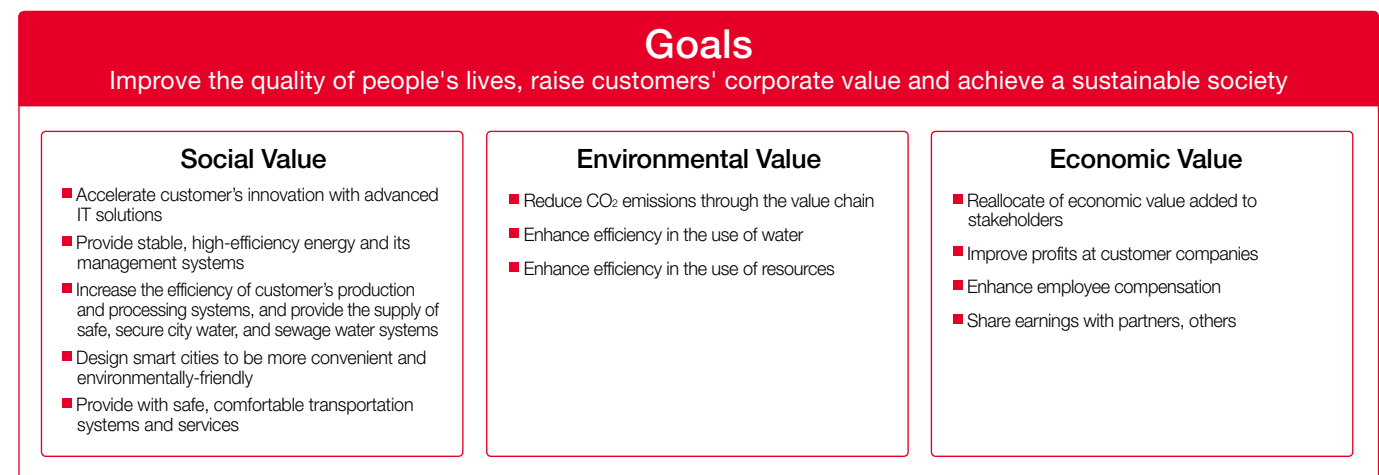
During the period covered by the 2021 Mid-term Management Plan, Hitachi will continue to advance the Social Innovation Business, placing an emphasis on improving social, environmental, and economic value for its customers.

We believe there are three factors that could accelerate growth.

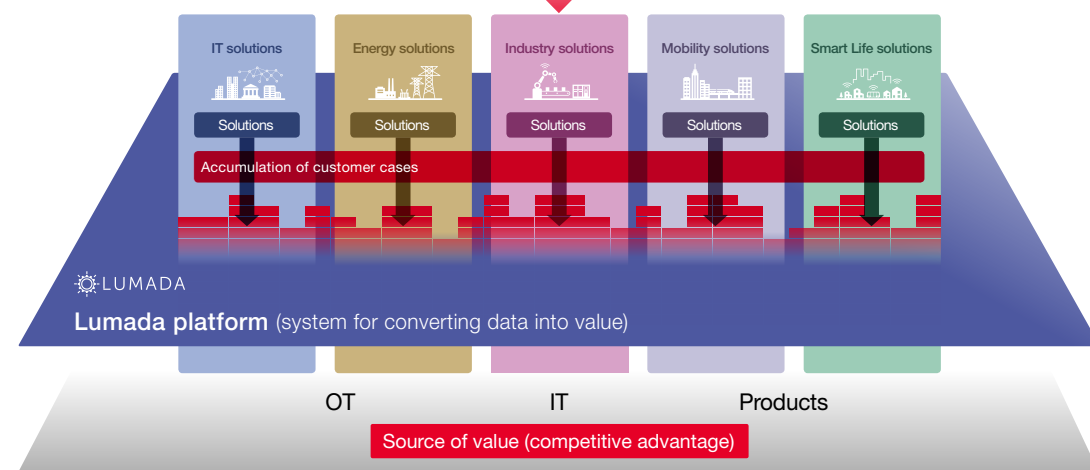
The first of these is aggressive investment, including in M&A. We are increasing investment 4x–5x from the previous Mid-term Management Plan to ¥2.0–¥2.5 trillion.

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



Fiscal 2021 performance targets (consolidated)

- The annual growth rate for revenues more than **3%**
- Return on invested capital (ROIC) more than **10%**
- Adjusted operating income ratio more than **10%**
- Overseas revenue ratio more than **60%**
- Operating cash flows (3-year cumulative) more than **2.5 trillion yen**

Strengthen Lumada

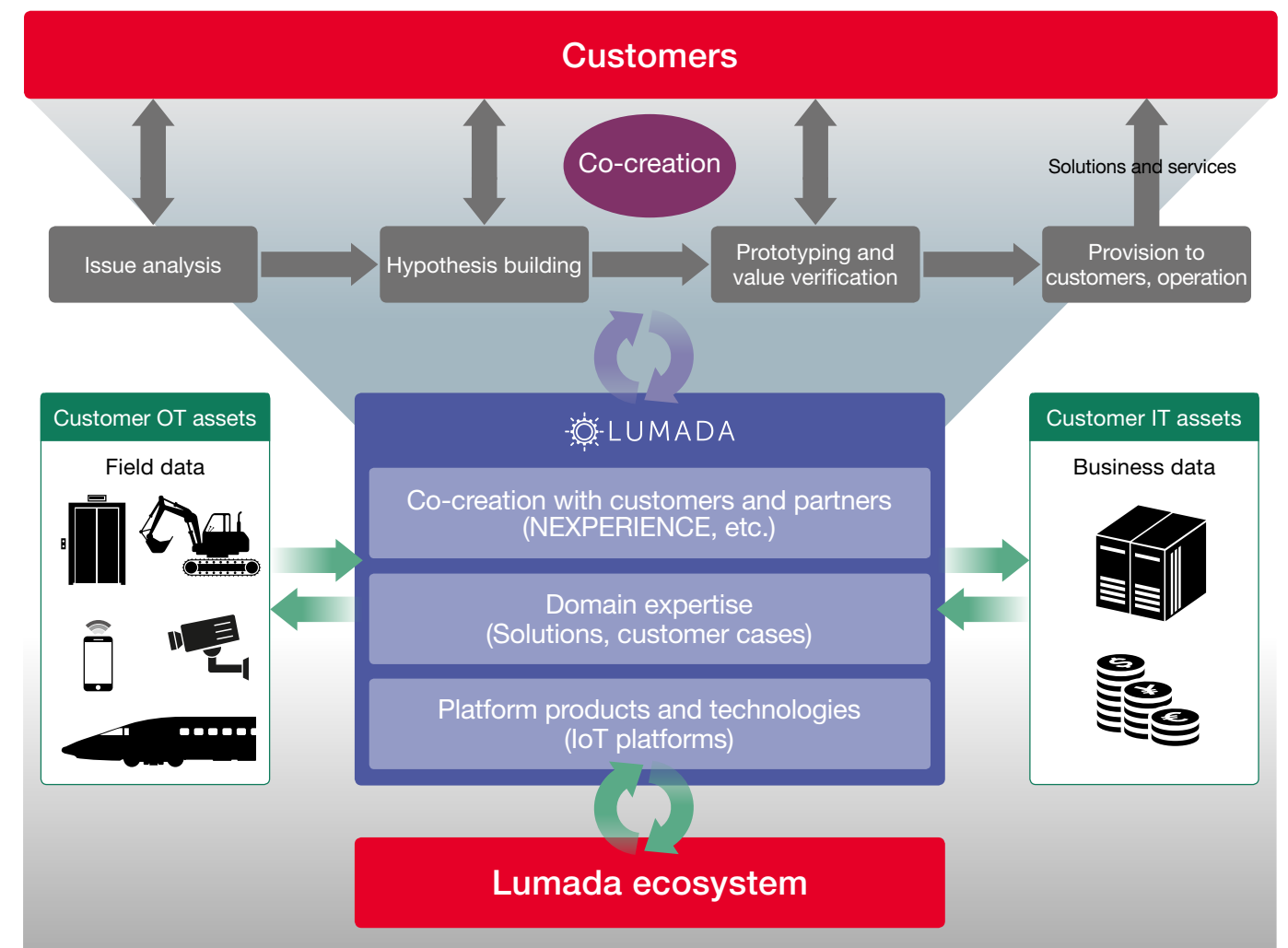
In pursuit of targets in its 2021 Mid-term Management Plan and future growth, Hitachi is promoting collaborative initiatives using Lumada to accelerate its Social Innovation Business that will contribute to resolve social issues.

Lumada refers to the solutions, services and technologies that utilize Hitachi's advanced digital technologies to create value from customers' data and drive digital innovation. Along with the development of information technology (IT) and the Internet of things (IoT), social and business activities continue to generate data at an increasing rate of speed. Hitachi has focused on these

data as a new source of value in future society and launched the Lumada business in 2016 with the goal of using large volumes of data to create innovation for the world.

Hitachi will utilize its strengths in OT x IT x Products to commoditize its expertise in various industries and operations. At the same time, we will make the shift to digital solutions that can be provided to a number of customers, thereby expanding the Lumada business. Furthermore, we will intensify our collaborative efforts to build ecosystems with our customers and partners.

Concept of Lumada



Hitachi's Sustainability Creates a Sustainable Society

Through its Social Innovation Business, Hitachi responds to social challenges, contributes to the achievement of the SDGs, helps improve people's quality of life and supports the realization of a sustainable society.

2021 Mid-term Management Plan and Sustainability

We have implemented sustainable management, placing sustainability at the center of our business strategy and—in our 2021 Mid-term Management Plan announced in May 2019 and ending in fiscal 2021—setting ourselves the goal of contributing to the realization of a sustainable world as a global leader of the Social Innovation Business. We strive to simultaneously increase social, environmental, and economic value, as well as enhance our customers' corporate value and the peoples' quality of life. Based on these ideas, we continue to pursue the 2021 Mid-term Management Plan, further merging sustainability and business to contribute to the resolution of social issues through initiatives like Sustainability Development Goals (SDGs).

Hitachi's Contributions to the SDGs

We consider the SDGs an important initiative for realizing a sustainable society and improving people's quality of life through solving global social and environmental issues. We have significantly contributed to achieving the SDGs through our Social Innovation Business, which also serves as a source of sustainable growth for us. Accordingly, we considered the 17 SDGs, and the opportunities and risks they represented, and identified 11 Goals to the achievement of which Hitachi can make a particularly significant contribution. Because we are active in a broad range of business fields, we believe we can contribute extensively to the achievement of the SDGs other than the 11 Goals identified. Understanding that all SDGs are mutually related, we will endeavor to contribute to the achievement of all 17 SDGs both directly and indirectly.



Innovation Management

Hitachi aims to contribute to improving social, environmental and economic value for its customers. In pursuit of these goals, we will work to build ecosystems that support innovation and strengthen core technologies in an effort to expand the Lumada business.

Building Ecosystems that Support the Creation of Innovation

Under the 2021 Mid-term Management Plan, we will accelerate open innovation where we will grow together with partners by using Hitachi's technology platforms and knowhow, and bringing in external knowledge. To accomplish this, we are developing NEXPERIENCE, Hitachi's original customer collaborative creation methodology to promote delivery of Lumada solutions. We expect to realize this through Kyōsō-no-Mori, the new research initiative launched from the Central Research Laboratory, and through stronger collaboration with industry-academia-government initiative and startups.

In April 2019, we established a new Corporate Venturing Office to promote collaboration with external startups, and in June established a corporate venture capital fund. By promoting investment in and collaborative creation with startups, especially in Europe and the United States, we are bringing in disruptive technologies and business models.



Complete rendering of the "Kyōsō-tō," a new research building established inside the "Kyōsō-no-Mori".

Enhancing Core Technologies to Expand the Lumada Business

In addition to promoting innovation through collaborative creation, we are focusing investment on the "5 sectors × Lumada," Lumada core technologies and strengthening products, to expand Lumada business. Our efforts to expand Lumada into each growth sector include work related to focusing on data utilization solutions for financial, social and public systems; system stabilization solutions suitable for introducing renewable energy; practical predictive maintenance technologies to improve the operating efficiency of industrial and medical equipment; solutions that encourage "Dynamic Headway" and optimize facility planning that covers both train and building facilities; smart therapy; connected cars and smart cities. Additionally, to strengthen Lumada core technologies, our efforts are directed towards realizing Lumada CPS (Cyber Physical System) which connects cyberspace with the real world, focusing on AI and audiovisual analytics, sensing, electrification, 5G, robotics and security.

In terms of products, we are aiming to deliver world No.1 technology. For example, with inverter technology, which is central to electrification, we have created and commercialized the world's most efficient full SiC (silicon carbide) inverter for railway cars.

In addition, we have realized wear-and corrosion-resistant materials which was unachievable with existing alloys, and have started applying it in the 3D printing of industrial machinery parts. Furthermore, in fiscal 2019, we received high praise both as the high-speed train we developed for use in the United Kingdom won the Imperial Invention Prize at the National Commendations for Invention, and Kazuo Hiramoto, a technology adviser for our Research & Development Group who developed our particle beam therapy system, received the Medal with Purple Ribbon.



Class 800 train for the Intercity Express Programme (IEP)

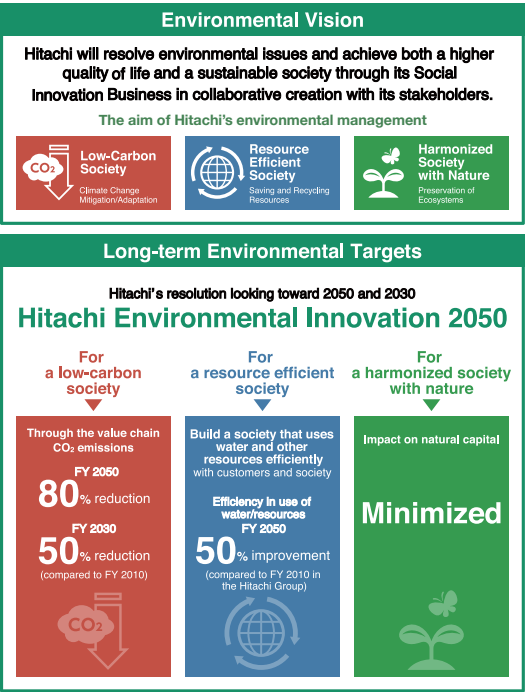
Our Environmental Vision and Decarbonization Business

Guided by its Environmental Vision, Hitachi aims to realize a low-carbon society, a resource efficient society, and a harmonized society with nature, with contributions to the solution of climate-related issues through the expansion of its decarbonization business.

The Environmental Vision and Hitachi Environmental Innovation 2050

Hitachi created a management strategy called the Environmental Vision in response to global demands for a reduced environmental burden. In September 2016, we announced Hitachi Environmental Innovation 2050, a set of long-term environmental targets that aim to achieve a low-carbon society, a resource efficient society, and a harmonized society with nature. In order to achieve our long-term environmental targets, we are aiming to reduce CO₂ emissions of 50% by fiscal 2030 and 80% by fiscal 2050 (compared to fiscal 2010 levels) throughout our value chain.

About 90% of the value-chain emissions result from the use of our products and services after they were sold. To reduce CO₂ emissions during the use, we will not only further enhance the energy efficiency but also expand our decarbonization business that utilizes IT and other innovative technologies.

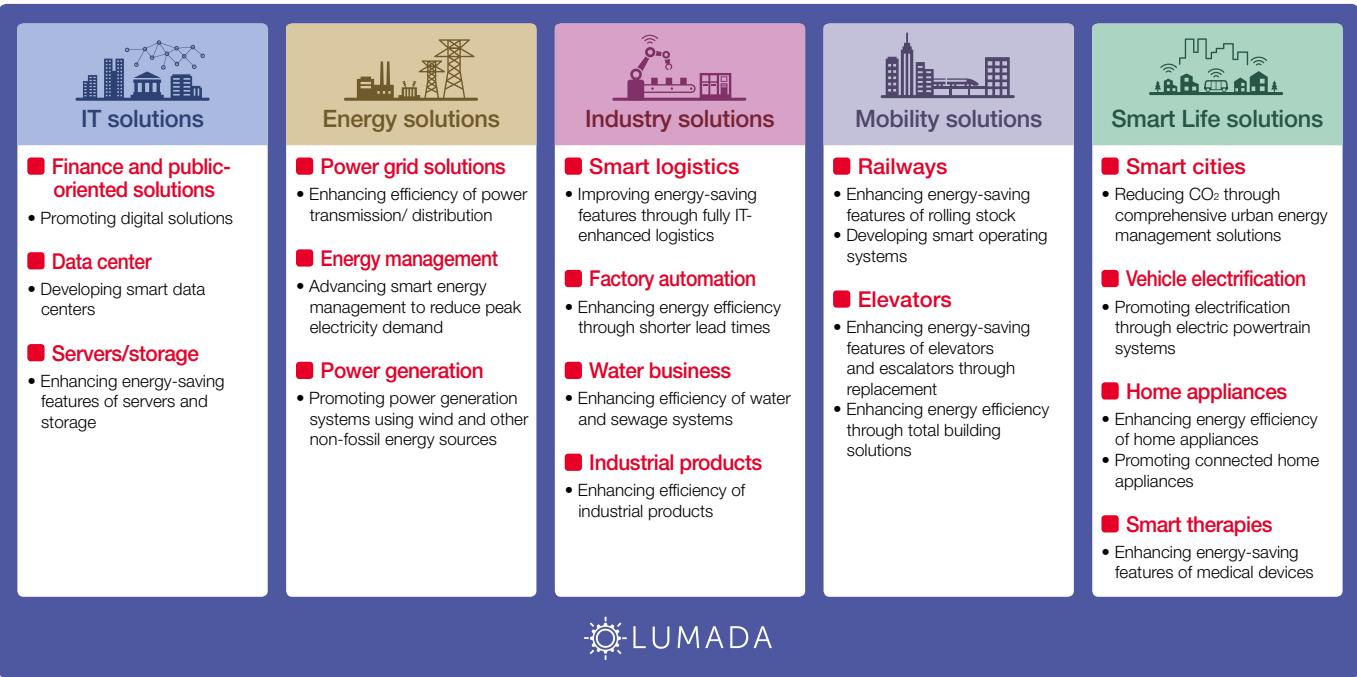


Expanding the Decarbonization Business to Address Climate Change

The 2021 Mid-term Management Plan cites the goal of simultaneously increasing social, environmental and economic value for our customers by supplying solutions in the five sectors of IT, energy, industry, mobility and smart life.

We are utilizing Lumada to expand our decarbonization business. Through collaborative creation, we will help the world mitigate and adapt to climate change.

Decarbonization Business: A Hitachi Focus



Contributing to Society Through Our Human Resources

To create innovation and produce new value in a global and digital era, we are developing a diverse workforce that will drive sustainable growth as we move forward.

Strengthening Our Digital Talent and the Activities of Our Diverse Human Resources

Diversity is the wellspring of our innovation and our growth engine. Hitachi regards personal differences such as—gender, nationality, race, religion, background, age, and sexual orientation—as well as other differences, as facets of people's individuality. By respecting our employees' individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual's and the company's sustainable growth. With a diverse workforce, strong teamwork and broad experience in the global market, we will meet our customers' needs.

Our business environment is undergoing changes, such as the utilization of big data, AI and IoT, as technology evolves. Due to these conditions, digital transformation is in demand at a variety of companies. Hitachi will strengthen efforts to develop Digital Talent, including data scientists, and contribute to the resolution of issues facing both customers and society by globally expanding the Social Innovation Business using Lumada. Through these efforts, we will aim to create social, environmental and economic value.



Participating pupils celebrate the completion of the STEM education program.

Promoting STEM Education as One Hitachi

Given the rapid development of information technology, the development of IT personnel has become an urgent priority. Amid these circumstances, science, technology, engineering, and mathematics (STEM) education that aims to foster human resources capable of utilizing cutting-edge technologies, such as IT, to enhance their creativity, expressivity, and problem-solving skills is being regarded as important worldwide. Hitachi implements various STEM-related social contribution activities to foster a new generation of human capital to lead the future.

In response to a serious shortage of engineers in the United Kingdom, Hitachi Rail, an operating company in the Hitachi Group

that handles railways systems, launched a brand new educational program, partnering with Primary Engineer, a non-profit organization targeted at 5- to 10-year-old primary school pupils.

The program delivers training to teachers with the company's engineers at about 50 primary schools in United Kingdom, where Hitachi's railway business sites are located. Approximately 3,000 pupils will benefit from this STEM educational programs in the 2018–2019 academic year. Using rail train models, the children learn rail engineering directly from the engineers of Hitachi Rail.

Hitachi Social Innovation is
POWERING GOOD

Social Innovation addresses the world's social and environmental needs. It's bigger than an individual or company.

Social Innovation requires businesses and the entire society to work together toward a common goal.

At Hitachi, we collaborate with our partners to make what is "GOOD" for the world that it needs, a reality.

We believe our vision can be expressed as: Hitachi Social Innovation is POWERING GOOD.

Hitachi Websites

Hitachi Global Website

www.hitachi.com

The range of information available on our website includes IR- and sustainability-related corporate information, as well as information about Hitachi Group products and services.

Social Innovation Website

social-innovation.hitachi/en

This website presents information on the Social Innovation Business activities the Hitachi Group engages in around the world. Find information in 11 languages on our projects, events and more.

Hitachi Brand Channel

www.youtube.com/user/HitachiBrandChannel

Hitachi has its own official YouTube channel. The videos carried here profile Hitachi's Social Innovation Business and other activities, including CSR, corporate history and culture, and PR work.

