
Smart Life Sector

Hitachi IR Day 2019

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Keiji Kojima

**Executive Vice President and Executive Officer
General Manager of Smart Life Business Management Division
Hitachi, Ltd.**

1 Contributing to improving people's QoL by creating livable cities

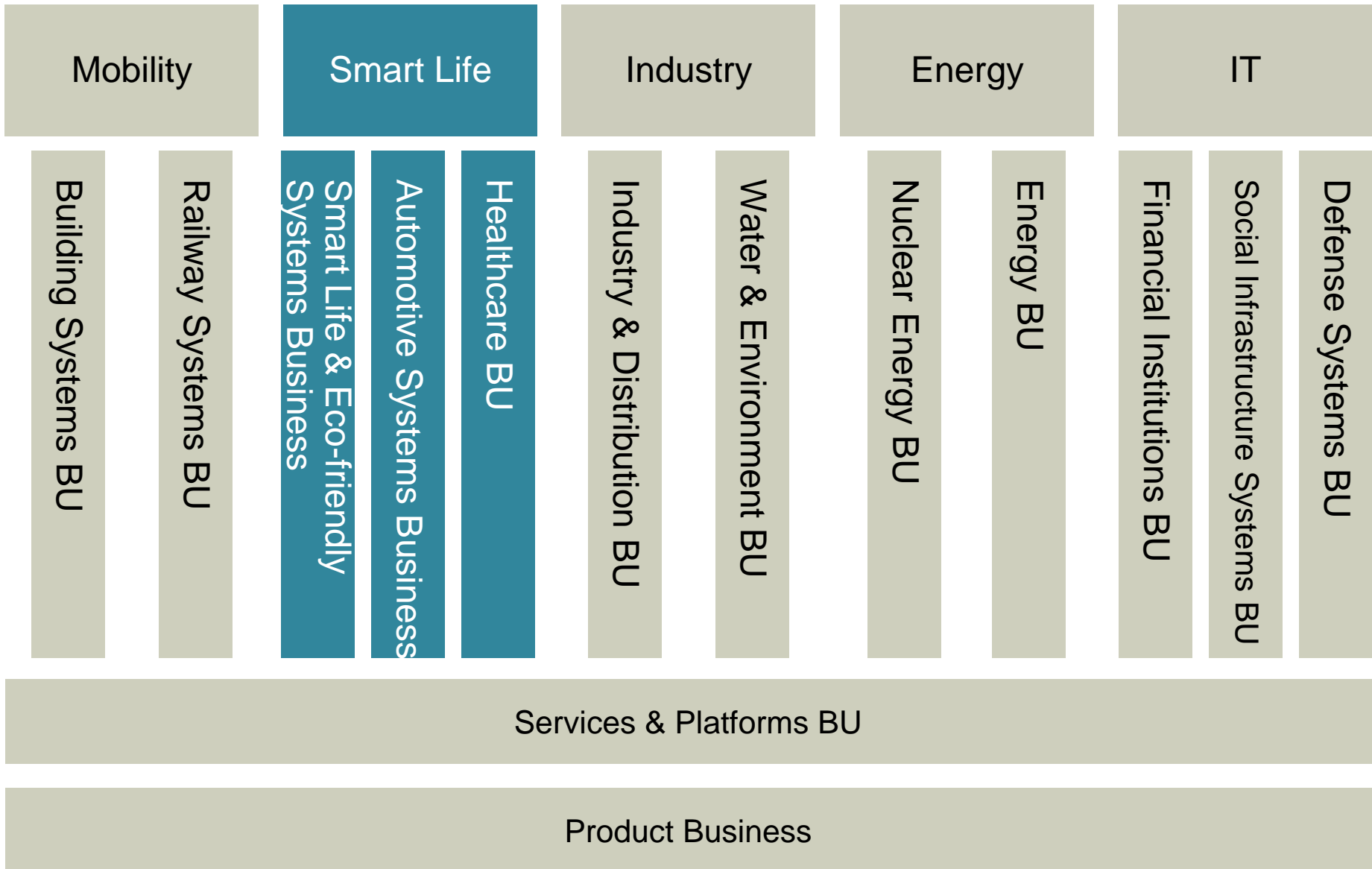
2 Accomplishing structural reform, positioning the 2021 Mid-term Management Plan as preparation for future growth

3 Significantly improving profitability through business portfolio changes and operational reforms

4 Establishing Lumada business model for Smart Life Sector

5 Completing business portfolio changes during FY2019 to FY2020 and focusing efforts on integration in FY2021

1. Scope of Businesses



2. Business Portfolio

Aimed at solving social issues with the keywords of health, safety and comfort

Healthcare 20%*

- Diagnostic systems
- Treatment systems



Smart Life & Eco-friendly Systems 27%

- Home appliances
- Air-conditioning systems



Automotive Systems 53%

- Powertrain
- Chassis parts
- Safety systems



Social and environmental values of the businesses

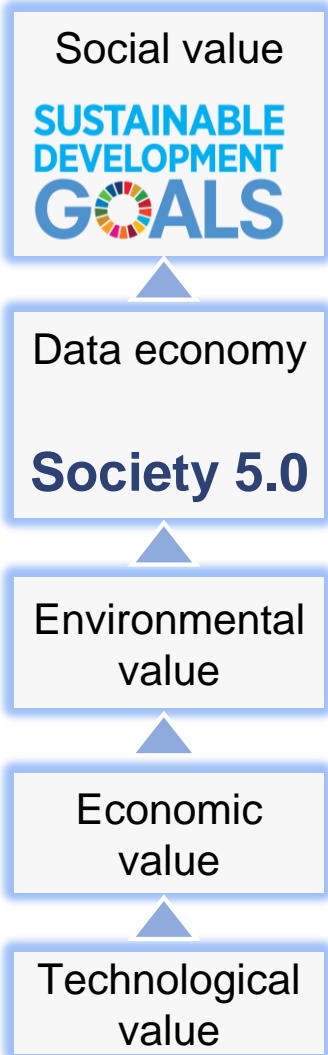
Improving QoL of consumers and saving energy by using IoT

Corresponding SDGs



* Including revenues of healthcare-related businesses of Hitachi High-Technologies Corporation ("Hitachi High-Tech")

Contributing to improving people's QoL by creating livable cities



Supporting healthy, safe and comfortable lives with competitive products and Lumada



Automating operations by connecting products 

Healthcare




Treatment systems




Diagnostic systems

Automotive Systems




Systems for AD/ADAS




EV components

Smart Life & Eco-friendly Systems



Connected home appliances



Air-conditioning systems + IoT maintenance service

Exiida

Measurement analysis + Mechatronics + Digital

Creating social and environmental values by continuing technological innovations

Cancer treatment maintain QoL with technologies for particle therapy system

- Contributing to treating a cumulative total of 80,000 cancer patients by 2021

Eliminating fatal traffic accidents with autonomous driving technologies

- Contributing to achieving the Japanese government's 2020 target of reducing annual traffic fatalities to 2,500 or fewer (fewest per population in the world)

Preventing global warming with electrification and IoT technologies

- 2021 target: Cutting CO₂ emissions by 99,000 tons per year from the 2010 level

5. Goal of the 2021 Mid-term Management Plan

Accomplishing structural reform by positioning the period of the 2021 Mid-term Management Plan as a time of preparation for future growth

FY2022 -

Achieving growth by fully operating the digital service business

FY2019 to
FY2021

Accomplishing business structural reform toward the next growth stage

- Significantly improving profitability through business portfolio changes and operational reforms
- Establishing Lumada business model in Smart Life Sector

- FY2018

Starting business structural reform

- Deconsolidation of the air-conditioning systems business, sale of Clarion and the automotive battery business

6. Financial Targets of the 2021 Mid-term Management Plan

Accomplishing business structural reform to achieve an operating income ratio exceeding 10% in FY2021

FY2018 results*

Accomplishing business structural reform

FY2021 targets*

	FY2018 results*	Accomplishing business structural reform	FY2021 targets*
Revenues	1.8 trillion yen	<p>Cumulative total investment amount Approx. 0.3 trillion yen</p> <p>1) Automotive Systems → Business portfolio changes and operational reforms</p> <p>2) Smart Life & Eco-friendly Systems → Reform of home appliances business</p> <p>3) Healthcare → Mobilizing the capacities of the Hitachi Group</p>	Over 2.1 trillion yen
Overseas revenue ratio	42%		Over 60%
Adjusted operating income ratio	5%		Over 10%
EBIT ratio	8%		Over 10%
ROIC (Return on Invested Capital)	10%		Over 15%

*Including the healthcare-related businesses of Hitachi High-Tech.

7. Structural Reform

in the Automotive Systems Field

Significantly improving profitability through business portfolio changes and operational reforms

President Koch,
Hitachi Automotive Systems



Status of structural reform (2018 Mid-term Management Plan)

- Reform began under President Koch's leadership. Divested non-core businesses such as car navigation and battery units.
- The operating income ratio for Q4 was 8% (up 2% YoY) as a result of the operational reform program.

Issues to solve

- Strengthening core businesses, such as power train, chassis and safety systems.
- Strengthening the structure even in adverse market conditions, with initiatives including reduction of unnecessary cost at overseas factories.

Basic policy of the 2021 Mid-term Management Plan

- Increasing the global market share of core products to the third largest or above through strategic alliance, M&A and other measures.
- Cutting losses by streamlining overall operations from the upstream design, in addition to improving manufacturing sites.

Targets of the 2021 Mid-term Management Plan

	FY2018	FY2021*
Revenues	971 billion yen	1.2 to 1.7 trillion yen
Adjusted operating income ratio	3.9%	Over 10%
EBIT ratio	8.8%	Over 10%

* Including strategic alliances and M&A.

8. Structural Reform in the Smart Life & Eco-friendly Systems Field

Reforming the structure of the home appliances business following the air-conditioning systems, with a focus on the bottom line

President Taniguchi, Hitachi Global Life Solutions



Status of structural reform (2018 Mid-term Management Plan)

- Steady progress in the integration of the air-conditioning systems business with JCI. Hitachi's FY2018 sales: Approx. 140 billion yen with EBIT ratio at 14%.
- Hitachi Global Life Solutions was established, integrating manufacturing, sales and services.

Issues to solve

- Structural reform of the low-profit home appliances business with an operating income ratio at a 5% level.
- Increasing profits generated by overseas business.

Basic policy of the 2021 Mid-term Management Plan

- Achieving high profitability by innovating customer channels through reforms in design, manufacturing and distribution of large home appliances
- Expanding the scale of the home appliances business in growth areas of Asia through collaborations with strategic partners

Targets of the 2021 Mid-term Management Plan

	FY2018	FY2021
Revenues	485 billion yen	Over 500 billion yen
Adjusted operating income ratio	4.6%	Over 8%
EBIT ratio	6.1%	Over 10%

9. Structural Reform in the Healthcare Field

Improving global competitiveness by mobilizing the capabilities of the Hitachi Group

CEO Yamamoto,
Healthcare BU



Status of structural reform (2018 Mid-term Management Plan)

- Expedited strategy implementations with the integrations of Hitachi Medical and Hitachi Aloka with Hitachi, Ltd.
- Acquired and integrated Mitsubishi Electric's business of particle therapy systems and strengthened the business.

Issues to solve

- Integrative investment in healthcare-related businesses in the Hitachi Group.
- Taking countermeasures against the commoditization of diagnostic imaging systems.

Basic policy of the 2021 Mid-term Management Plan

- Utilizing Hitachi Hi-Tech's measurement analysis technology as the common base.
- Formulating and implementing a global alliance strategy in the diagnostic imaging systems business.

Targets of the 2021 Mid-term Management Plan

	FY2018	FY2021
Revenues	360 billion yen	Over 400 billion yen
Adjusted operating income ratio	9.2%	Over 11%
EBIT ratio	8.5%	Over 11%

■ Including the results of healthcare-related businesses of Hitachi High-Tech

10. Establishing the Smart Life Sector's Lumada Business Model

Service business model: Smart Life Infrastructure as a Service

- Providing comprehensive systems including financing and reducing TCO with Lumada
- Expanding the digital economy by providing the operation data openly
- Investing approx. 30 billion yen mainly in APAC during the period of the 2021 Mid-term Management Plan, aiming for orders received exceeding 100 billion yen in cumulative total

Smart Therapy



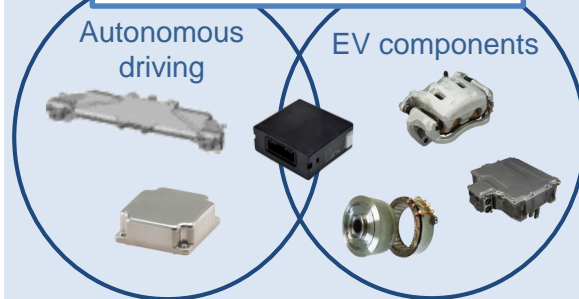
AI digital medical infrastructure



Connected Cars



Software management infrastructure (OTA)



Smart City



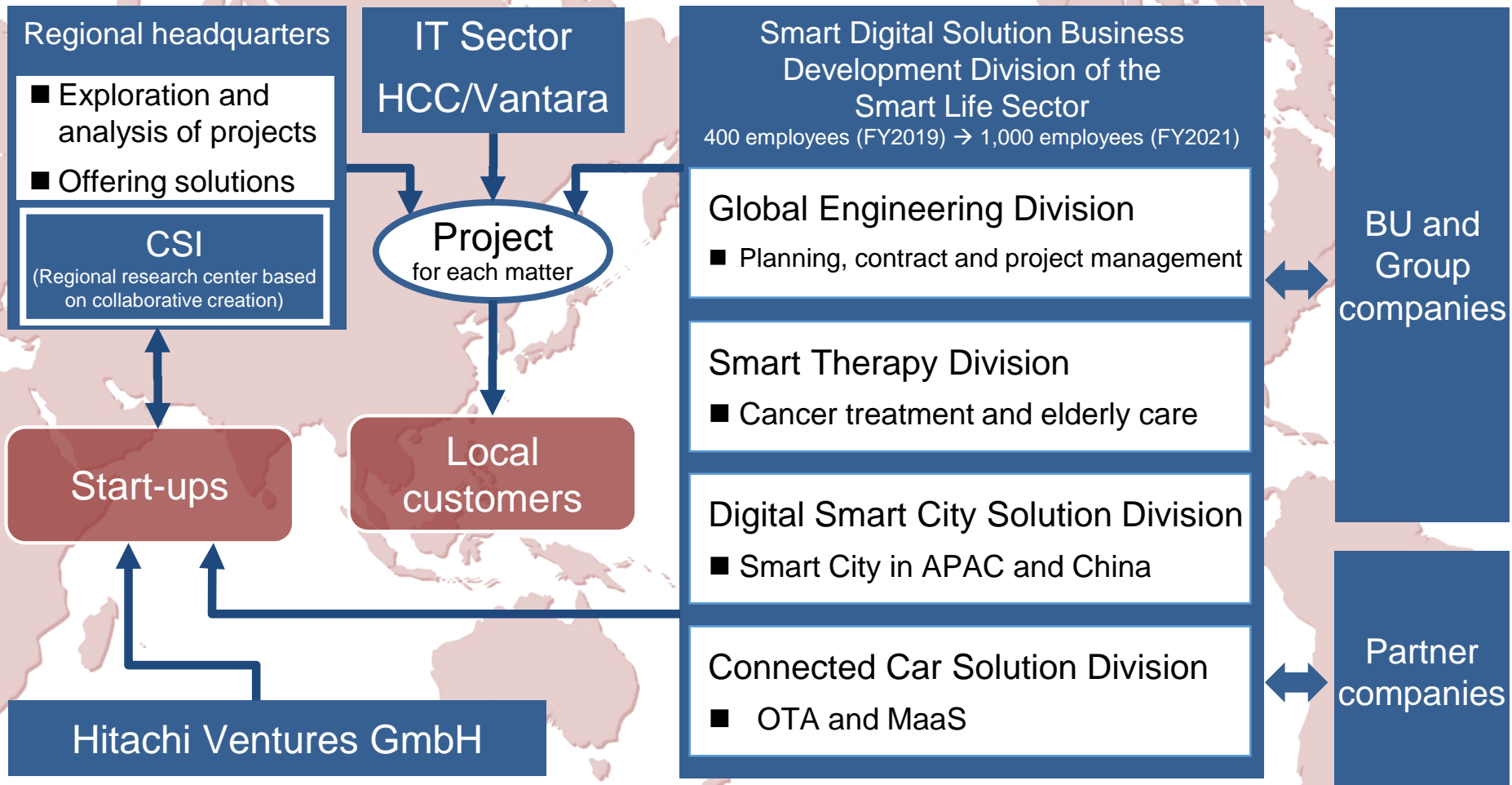
Digital infrastructure for asset management



11. Developing Smart Digital Solutions in the Smart Life Sector

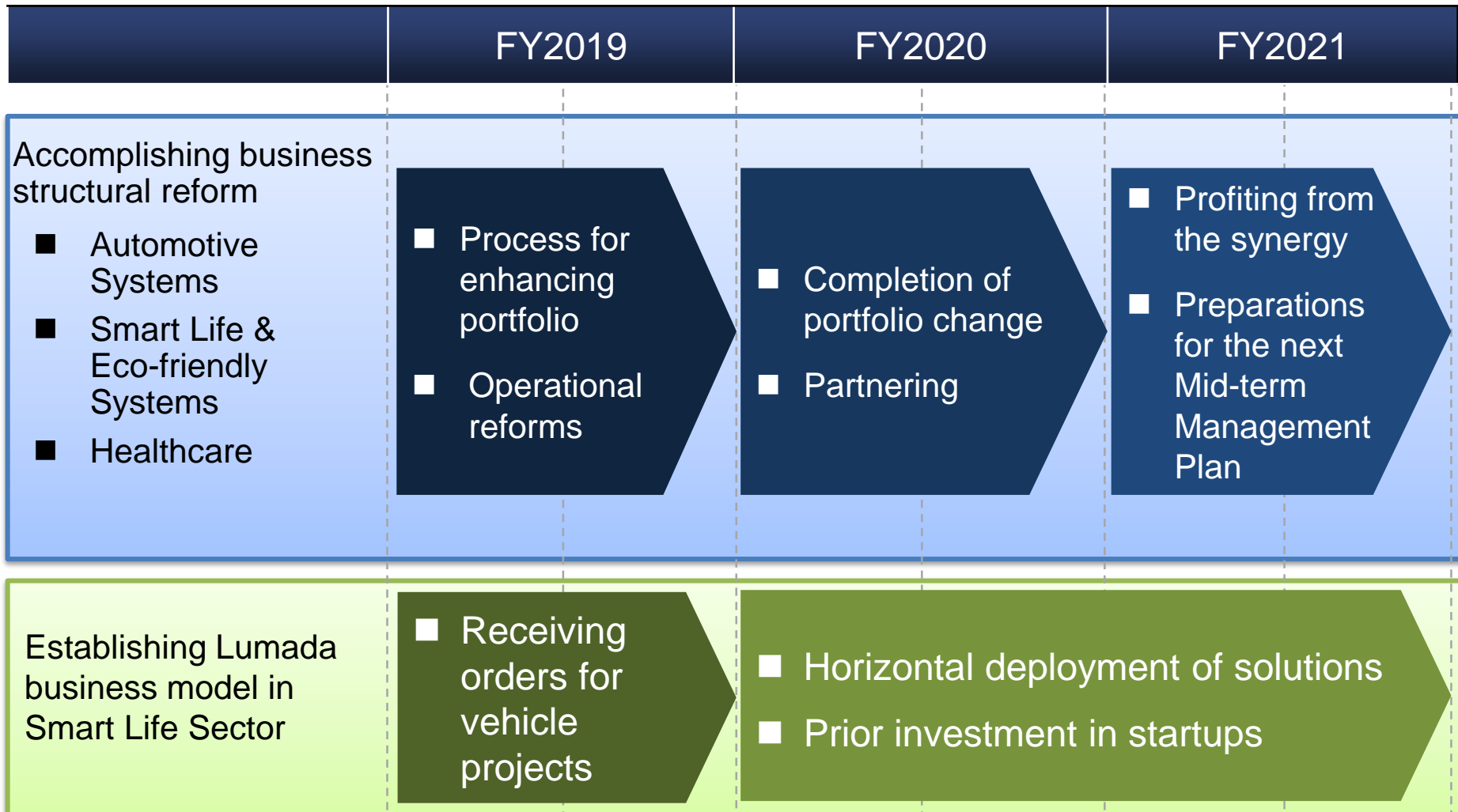
Building a structure for expanding the Lumada business through joint efforts with regional headquarters and the IT Sector

General Manager Osumi, Smart Digital Solution Business Development Division



12. Roadmap

Completing business portfolio change during FY2019 to FY2020 and focusing efforts on integration in FY2021



Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

Hitachi Social Innovation is

POWERING GOOD

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