
Business Strategies

Measures toward Growth of Life Solution Business

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Agenda

1. Structural Reform of Home Appliances and Air-conditioning Business
2. Transformation toward Growth
 - 2-1. Change in the Business Environment and Growth Strategy
 - 2-2. Priority Measure (1) - Open Collaboration
 - 2-3. Priority Measure (2) - Global Alliance
3. Summary

1. Structural Reform of Home Appliances and Air-conditioning Business

1. Structural Reform of Home Appliances and Air-conditioning Business

Improve the bottom line by global alliances of the global home appliances business following the air-conditioning business

Up to FY2018

- October 2015
Alliance with Jonson Controls
(Reinforcement of the delivery capabilities of the air-conditioning business)

FY2019

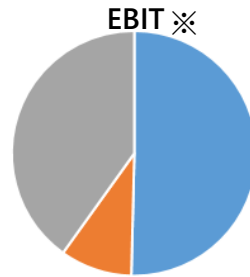
- April 2019
Merger of Hitachi CM* and Hitachi AP*
(Improve management efficiency of the home appliance business)

FY2020

- December 2020
Alliance with Arcelik
(Strengthen delivery of global home appliance business)

Transition of the management indicators	FY2018 (full-year)	FY2019 (full-year)	FY2020 (first half)
Revenues	485.0 billion yen	465.3 billion yen	226.2 billion yen
Adjusted operating income ratio	4.6%	4.9%	7.8%
EBIT ratio	6.1%	7.5%	8.4%

FY2020(first half)
Summary
breakdown



- Domestic home appliance
 - Overseas home appliance
 - Air-conditioning
- ※EBIT excludes impairment loss of fixed assets

Profitability target of FY2021
Adjusted operating income ratio **Over 8.0%**
EBIT ratio **Over 10.0%**

*Hitachi CM: Hitachi Consumer Marketing, Inc.

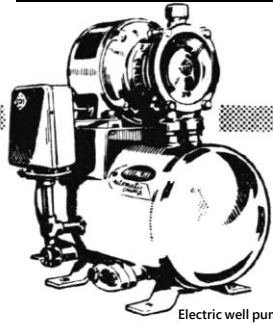
*Hitachi AP: Hitachi Appliances, Inc.

2. Transformation toward Growth

2-1. Change in the Business Environment and Growth Strategy

Contribute to improvements in family life

Hitachi Home Appliances



Electric well pump (8AP-Atype)

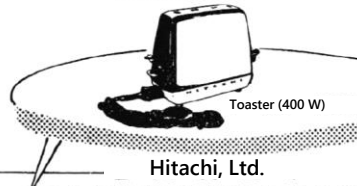


100W fluorescent lamp stand with a security bulb

Home appliances will realize happy family life



Super mixer



Toaster (400 W)

Hitachi, Ltd.



The First Refrigerator
[1932]



The First Washing machine
[1952]



The First Vacuum cleaner
[1954]



The First Room air conditioner
[1952]

2-1-1. Business Base Established through Home Appliances and Air-conditioning Business

Utilize our established business base for the next top-line growth

History of home appliances for 88 years
and air-conditioning for 68 years

Provide connected home appliances and
"exiida" (air-conditioning IoT solution) using the core
technologies



Home appliances



Air-conditioning

Establish the base as
a life partner to
support lives of consumers

Large domestic sales share
Deployed to 100 or more countries and regions

Domestic sales share (*1)

Home appliances	Air-conditioning
About 30%	About 15%

Appraisal by customers

Reliable Hitachi brand

Tradition

Durability

Easy to use for anyone

Trust

Technology

Earnest

High basic performance and functions

(*2)

Community-based after-sales service network



Customer satisfaction

About **90%** (*3)

*1 Our estimate. Home appliances of 3 major products; refrigerator, washing machine and vacuum cleaner.

Air-conditioning; Air conditioner for commercial use *2 Our advertisement campaign follow-up survey, December 2019

*3 Questionnaire result from customers to whom we provided after-sales services

Expand business opportunities from the changing lifestyles

Focused Changes in the social environment

E-commerce expansion

Online shopping user households with two or more members

Increase year on year **About 8.2%**
Become more than 50% (*1)

Increase in small households of elderly people

Increase rate of the proportion of people living alone in the population aged 65 or older from 2010 to 2020

About 46% (*2)

Increase in the home-meal demand

Proportion of home meals in consumer spending of households with two or more members

Increase year on year **About 16.6%** (*3)

Spread of anxiety about pandemic

Advancement of medical treatment
(Biotechnology, regenerative medicine, etc.)

Derived future lifestyle

Food

Free from routine housework to enhance the joy of the home time.

Housing

Spend self-reliant life delightfully with energy indefinitely.

Health

Everyone can easily receive advanced medical care.

*1 Survey of household economy by the Ministry of Internal Affairs and Communications of Japan (May 2020)

*2 Annual Report on the Aging Society (2020 version)

*3 Family income and expenditure survey by the Ministry of Internal Affairs and Communications of Japan (May 2020)

Creation of business by "open collaboration" and expansion of business by "reinforcement of global alliance" to provide life solutions for improvements in QoL of consumers

Priority measure (1)

Open collaboration  LUMADA

Food

Connected home appliances
to support the necessary stock of foods

Housing

Family robots
to support housework, energetic life, and mind

Health

Clean environment solution
to make easy the introduction of regenerative medicine

Priority measure (2)

Reinforcement of global alliance

Establishment of a joint venture with the global player, Arcelik

- Expansion of sales of Hitachi brand products
- Accelerate overseas deployment of the solution business

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Arcelik

2-2. Priority Measure (1) - Open Collaboration

Provide food stock management solution using connected home appliances

Partner company



Core of Hitachi GLS*



Points of collaboration

Collaboration with food suppliers is in progress

[Case: Frozen foods]

Considering a function to detect the remaining amount and coordination with orders by smartphone with NICHIREI FOODS INC.



NICHIREI FOODS INC.

Internal volume: About 110L
To be released in February 2021



New 1-door refrigerator

- The temperature can be switched

Selectable Zone Refrigerator

Connected application

- Order proposal function

- Propose food orders to the user based on the food stock condition to keep desired foods stocked
- Food suppliers can secure stable sales
- Establish a recurring model by online order

Provided value

Free from "invisible housework" of paying attention to the stocks in the house

Started capital and business alliance with GROOVE X, which developed the family robot "LOVOT"

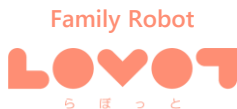
Partner company



Core of Hitachi GLS



Points of collaboration



GROOVE X, Inc (GX)

- Start-up company to develop and sell "LOVOT"
- Deploy the subscription-type service business
- "LOVOT" constructs a trust relationship with people like pets and fill our lives with satisfaction and sense of security



- Utilization of IoT cultivated by connected home appliances and digital technologies
- Sufficient sales and after-sales service network

- Improve QoL of consumers based on functional values of home appliances and emotional values of "LOVOT"
- GX reinforces the business making use of the service network of Hitachi GLS

Provided value

Support enjoyable home life and sound mind

The CPC (cell processing center) solution easy to introduce will contribute to regenerative medicine

Partner company



Core of Hitachi GLS



Points of collaboration

Cyfuse Biomedical K.K.

Pioneer to open products such as regenerative medicine by bio 3D printer

RORZE Lifescience, Inc.

Global company of automatic devices to contribute drug discovery research, iPS cell research, and development of regenerative medicine

Regenerative
Medicine
Innovation
Center
(Nihonbashi,
Japan)



- Advanced air quality management
- Integrated engineering technology

- Verify the operation combining devices of the partner in the "Regenerative Medicine Innovation Center"
- The partner incorporates the element technology in the CPC module of Hitachi GLS to expand its business

Provided value

Medical institutions and pharmaceutical manufacturers can easily construct a safe and advanced medical environment

2-3. Priority Measure (2) - Global Alliance

Combine the advanced technologies of Hitachi GLS with the global network of Johnson Controls to reinforce the business

Hitachi GLS
Provision of technologies



40%
investment

Johnson Controls
Provision of a global sales network



60%
investment

October 2015 Establish Johnson Controls-Hitachi Air Conditioning

Hitachi's Air-conditioning business achieved approximately 13% of EBIT ratio in FY2019 (FY2014: approximately 7%), due to the strengthening of delivery of Hitachi brand air-conditioning equipment

Success factors

- Sharing Vision (Energy saving, eco-friendliness)
- Complementary effect among the regions and products
- Making use of Hitachi brand

Establish a joint venture in the global home appliances business

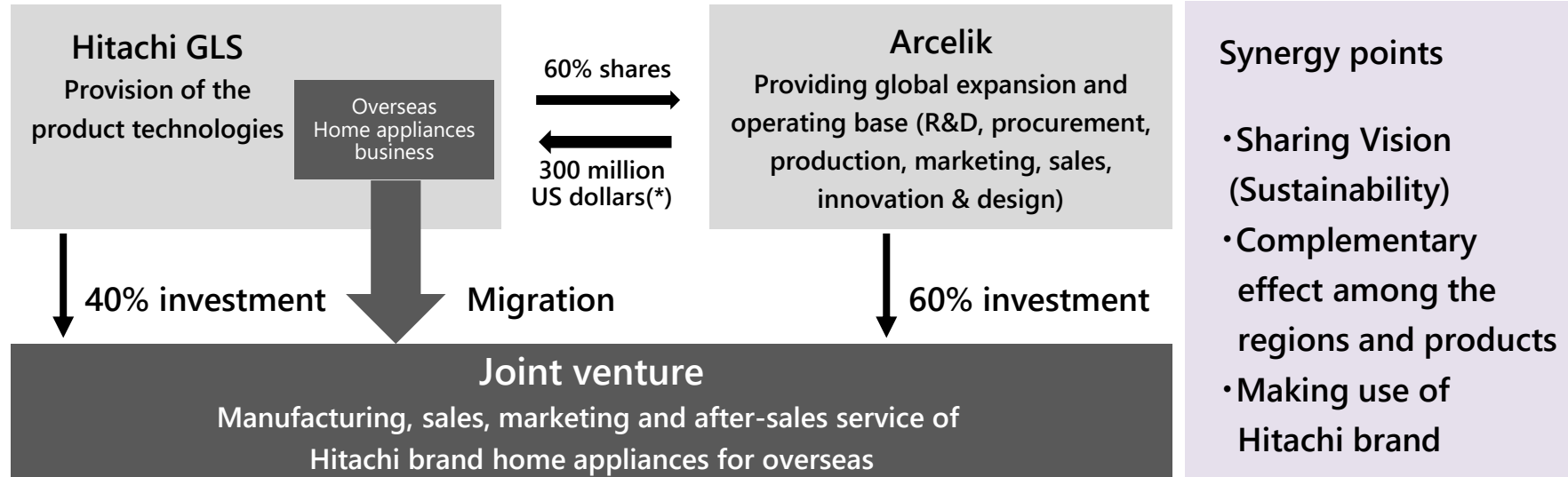
Arcelik

Location of the head office	Istanbul, Turkey
Establishment	1955
Net Sales (FY2019 consolidated)	TRY 31,942 million (about JPY 614 billion)
Number of employees (FY2019 consolidated)	32,000employees

Overview of the alliance with Arcelik

- With 12 brands, sales and marketing offices in 34 countries, and 22 production facilities in 8 countries, Arcelik is a global home appliances company offering products and services in more than 145 countries.
- Establish a joint venture in the global home appliances business; Arcelik and Hitachi GLS own 60% and 40% of the shares, respectively
- The purposes are to expand the sales of home appliances of the Hitachi brand and deploy the Hitachi GLS solution business overseas

Globally construct a competitive supply chain of home appliances



Expand the sales of products of the Hitachi brand in Asia and Middle East, in which Hitachi GLS is strong, as well as in Europe, South Asia, and Africa, in which Arcelik is strong

* The transaction value is calculated as USD 300 million on a cash-free and debt-free basis for 60% of the business, which is subject to customary adjustments based on the balance of net debt, net working capital of the Company, and minority shares adjustment for the outstanding minority shares as of the closing date.

3. Summary

3. Summary --To Achieve the 2021 Mid-term Management Plan--

Reinforce the bottom line by global alliance

Strengthen life solutions by investment in growth through the open collaboration

Goal

Improve the QoL of consumers around the world



Transformation into a life solution company

Growth strategy

Open collaboration

Global alliance

Profitability target of FY2019(actual) → FY2021Plan

Adjusted operating income ratio
4.9% → Over 8.0%

EBIT ratio
7.5% → Over 10.0%

Hitachi Social Innovation is

POWERING GOOD

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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