
Systems & Services Business Strategy

Expanding Digital Solutions Globally

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Power /
Energy

Urban

Industry &
Distribution
/ Water

Social
Infrastructure
Systems
BU

Financial
Institutions
BU

Healthcare
BU

Defense
Systems
BU

Services & Platforms BU

Control System Platform Division (Omika Works)

Systems & Services Business includes Information & Telecommunication Systems Segment and Control System Platform related business.

Systems & Services Business includes IT Systems related business targeting the Industry & Distribution fields as posted for the Industry & Distribution BU.

 Systems & Services Business

Systems & Services Business Strategy

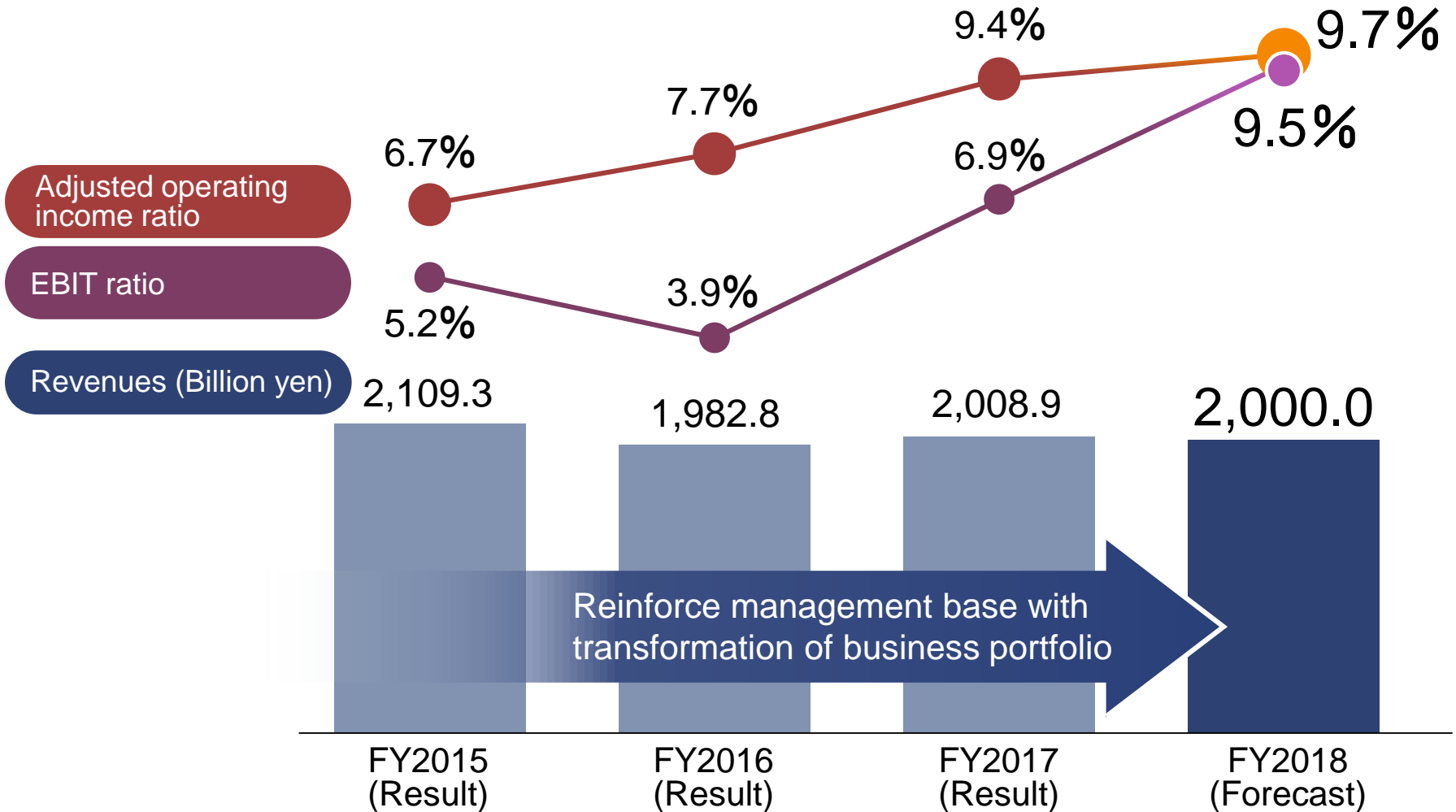
Contents

- 1. Progress of the 2018 Mid-term Management Plan**
2. Toward the Next Mid-term Management Plan
3. Conclusion

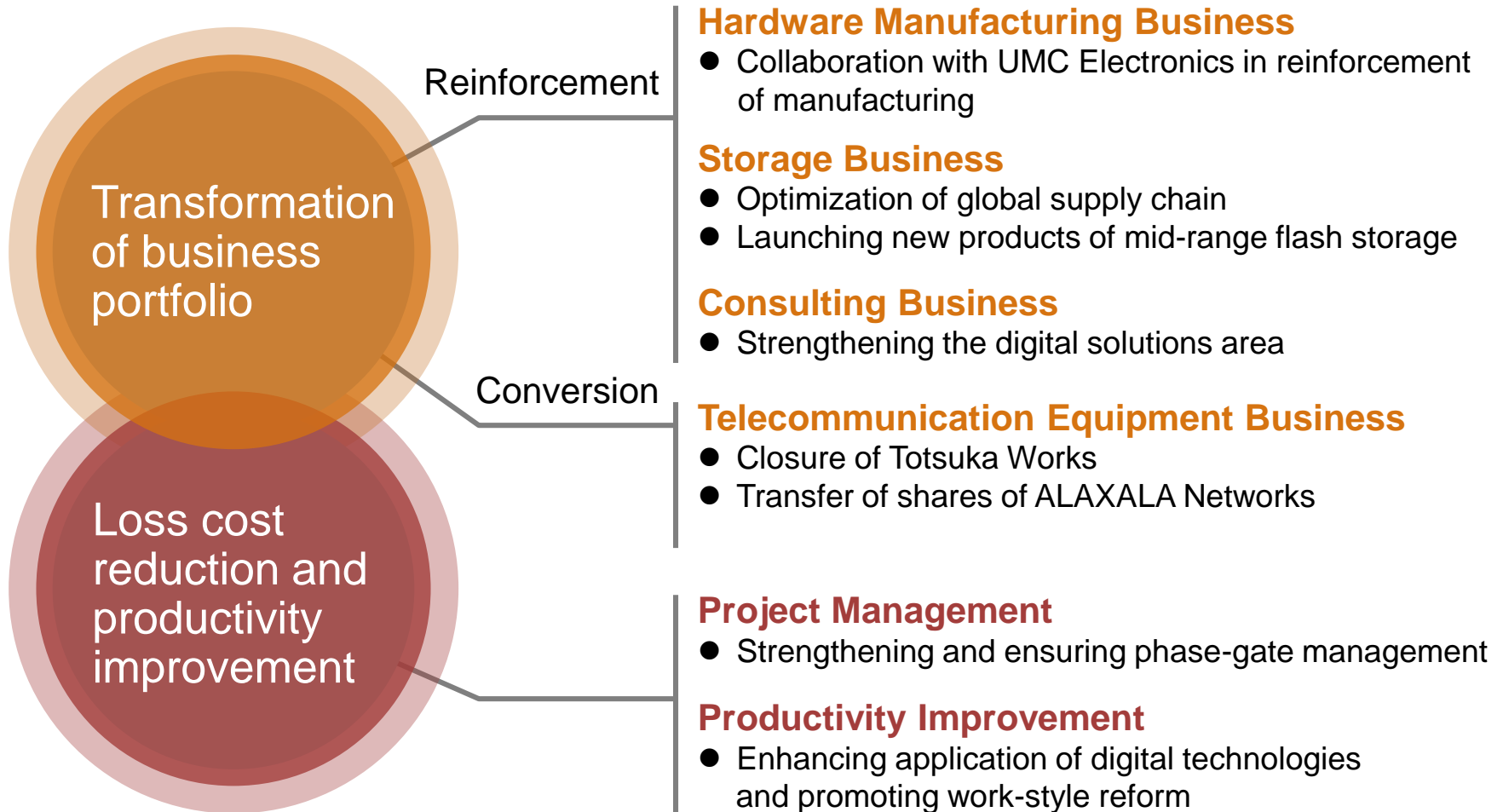
1-1. Business Performance

[Information & Telecommunication Systems Segment]

Strengthen cash generation needed for growth investment, thereby significantly improving profitability



Implement business structural reforms boldly by scrutinizing the profitability and future potential of existing businesses



1-3. Transformation of Business Portfolio

Transform the business portfolio into one focused on the solution and service businesses

Reinforcement measures

● Acquisition of oXya (IT services)

● Acquisition of Pentaho (big data analytics)

● Business integration of Hitachi, Ltd. and Hitachi Solutions (reorganization of SI businesses in social infrastructure, financial and government & public sectors)

● Collaboration with Cisco Systems in the area of IoT platform

● Agreement with SAP to be a supplier for the SAP HANA® Enterprise Cloud

● Merger of Hitachi Government & Public Sector Systems and Hitachi INS Software

● Establishment of Hitachi Vantara

● Establishment of Hitachi Global Digital Holdings

● Collaboration with UMC Electronics in the reinforcement of manufacturing

FY2015

FY2016

FY2017

FY2018

● Integration of Odawara Works into Kanagawa Works

● Closure of Toyokawa Works

● Closure of Totsuka Works

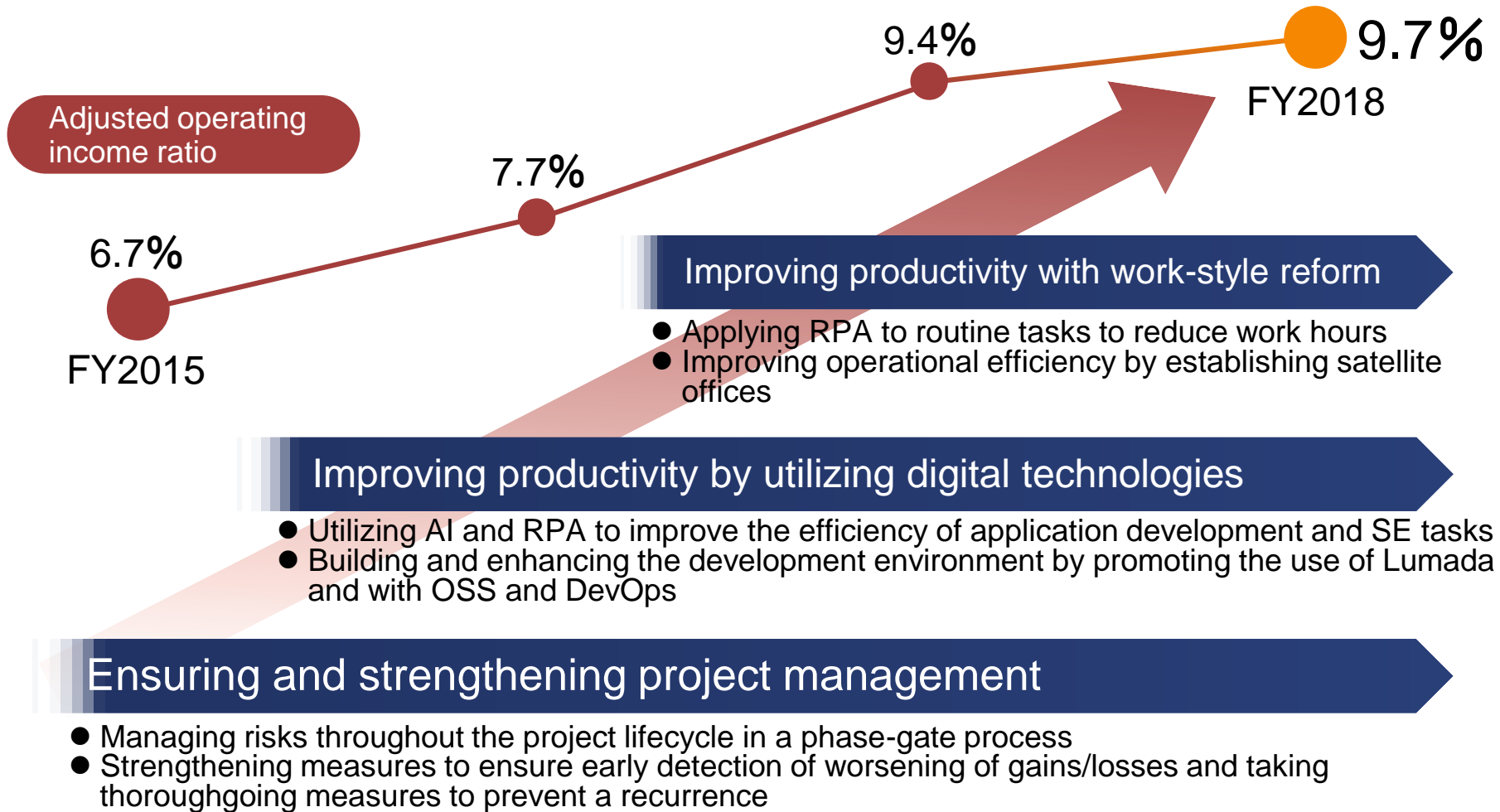
● Collaboration with IBM in main frame hardware manufacturing

● Transfer of shares of ALAXALA Networks

Conversion measures

1-4. Loss Cost Reduction and Productivity Improvement

Improve profitability by enhancing productivity through the use of digital technologies and work-style reform, in addition to reducing loss cost by ensuring and strengthening project management



Launch Lumada globally and promote digital transformation through collaborative creation with customers and partners

Establishing a structure for the global delivery of digital solutions

- Establishment of Hitachi Vantara (September 2017) and Hitachi Global Digital Holdings (April 2018)
- Strengthening partnership for promoting an open ecosystem

Developing global cross-sectoral functions for the overall company, which supports the growth of front-line

- Accumulating over 500 customer cases of Lumada (year over year increase of more than 300 cases)
- Creating solution cores, which are digitalized knowledge of Hitachi

Number of solution cores: approx. 40 in FY2017 → Over 100 in FY2018 (plan)

- Strengthening the development of IoT platforms, including R&D of software products that serve as the core of Lumada

Accumulated amount of development investment (FY2016 (result) - FY2018 (forecast)): 100.0 billion yen

Strengthening digital specialist/human capital

- Recruiting executives and senior leaders with practical accomplishments in the area of digital solutions, mainly in Silicon Valley
- Enhancing training (Strengthening development of specialists, such as ones in security, AI and data analytics)

Expanded digital solutions through collaborative creation with customers/
partners in each area

Financial

Digitizing financial services provided by Vietnam Post (Sumitomo Mitsui Banking Corporation) (March 2017)



Transportation

Analyzing data on bus running records and loading history to optimize operation plans (Nishi-Nippon Railroad Co., Ltd.) (April 2018)



Distribution

Sophisticating the prediction of demand and market price in the power retailing business by utilizing AI (Marubeni Corporation) (May 2018)



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Accomplish 2018 Mid-term Management Plan and make necessary preparations toward new growth

FY2018

Moving toward the next stage

Accomplishing 2018 Mid-term Management Plan

Preparations for the next 2021 Mid-term Management Plan

Digital solutions for realizing Society 5.0 and the achievement of growth in the global market through acquisitions and partnerships

FY2017

Changing direction to the growth path

- Global launch of Lumada
- Establishing a structure for global delivering of digital solutions

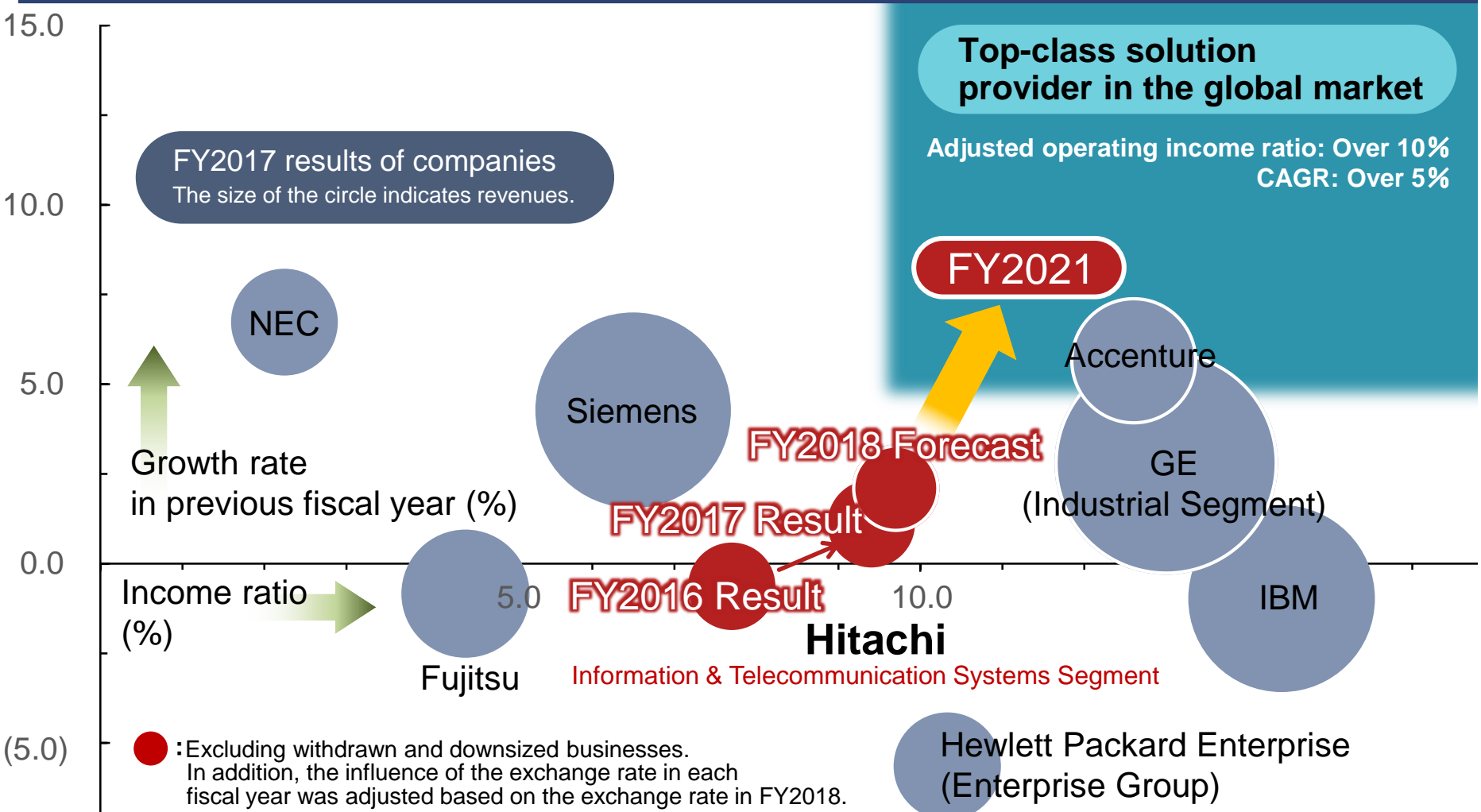
FY2016

Reinforcing management base

- Promotion and accomplishment of business structural reform
- Taking thoroughgoing measures to reduce loss cost and improve productivity

2-2. Goals to Achieve by FY2021

Becoming a top-class solution provider in the global market, fulfilling expectations of customers worldwide



2-3. Measures to Increase Revenues

Systems & Services Business serves as the leading force for the expansion of Social Innovation Business that applies digital technologies.



Social Innovation Business

Digital solutions based on Lumada

OT

IT

Products

Urban

Power / Energy

Industry & Distribution / Water

Healthcare BU

Financial Institutions BU

Social Infrastructure Systems BU

Defense Systems BU

Services & Platforms BU

2-4. Expansion of Global Business (1)

Launch Hitachi Global Digital Holdings in FY2018 and make it into the growth driver of the global business



Social Innovation Business

Digital solutions based on Lumada

OT

IT

Products

Leading force of Social Innovation Business
that Hitachi operates globally

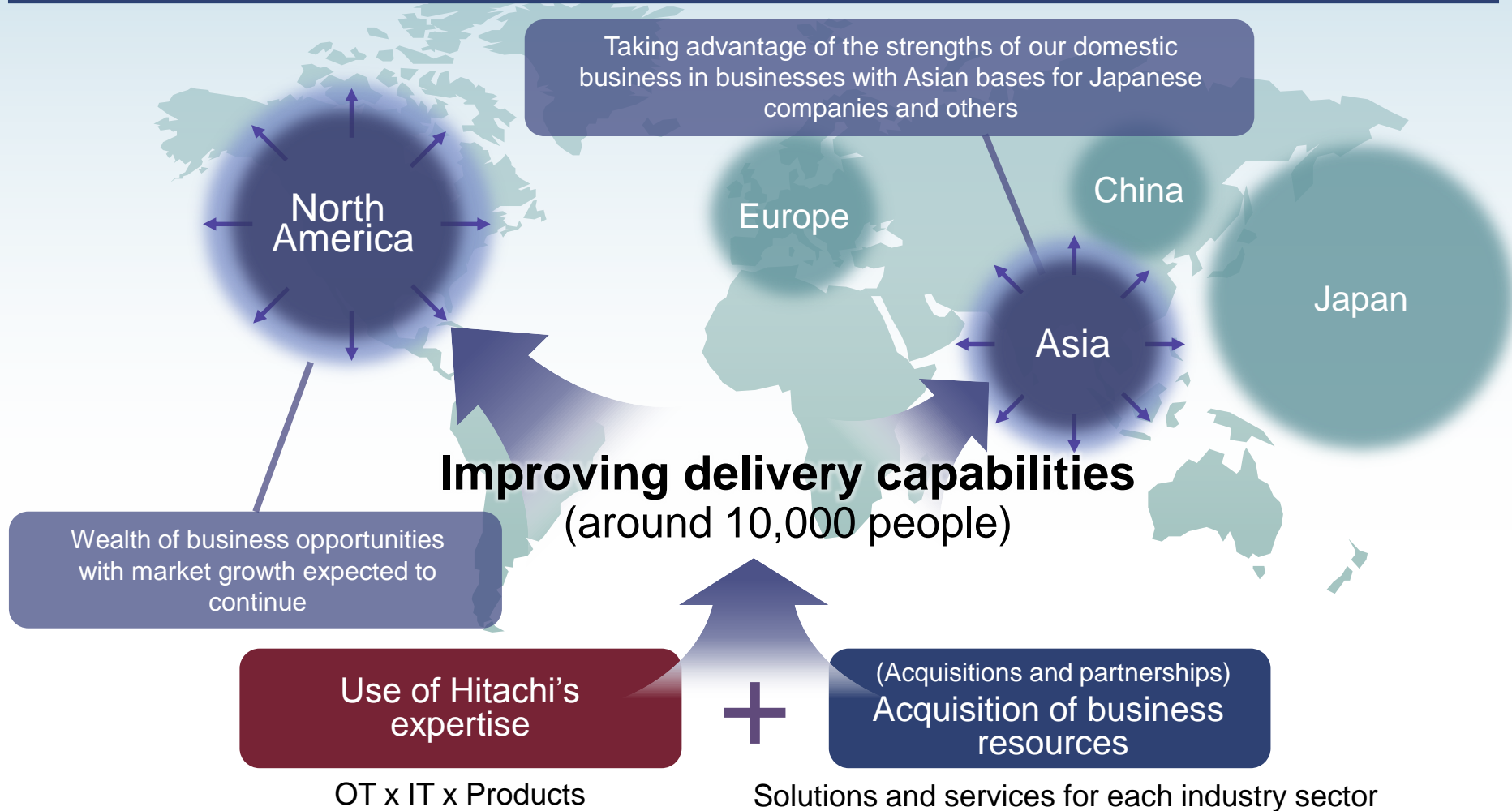
Hitachi Global Digital Holdings

Hitachi Vantara

Hitachi Consulting

2-4. Expansion of Global Business (2)

Aim for significant growth in North American and Asian markets



Accelerate global expansion of solution business that applies digital technologies

Smart Manufacturing

Dynamically optimizing the overall value chain, including placement of orders for raw materials and the production/transportation plan based on the sales forecast of individual products, operating status of equipment and other data.



Maintenance & Repair

Optimal repair work for a variety of industrial machines is suggested automatically based on a high level of analysis made by applying AI and other advanced digital technologies.



Accelerate global expansion of solution business that applies digital technologies

Smart Mobility

Optimizing the operation plan based on the demand forecast created by analyzing human flows and analysis of statistical data and travel record data that were actually made by vehicles, thereby providing secure and comfortable mobility services.



Smart Society

Improving the efficiency and safety of living spaces through comprehensive analyses of camera images and information from various sensors, thereby improving quality of life.



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Contents

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Sustainable Development Goals(SDGs)



A super smart society where everyone can live a life with vitality and in comfort

Society 5.0

Digital-centric business entity

Serve as the leading force of the Social Innovation Business of Hitachi and achieve its growth in the global market by maximizing the power of digital technologies

Healthcare BU

Social Infrastructure Systems BU

Financial Institutions BU

Defense Systems BU

OT

IT

Products

Services & Platforms BU

Cautionary Statement

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

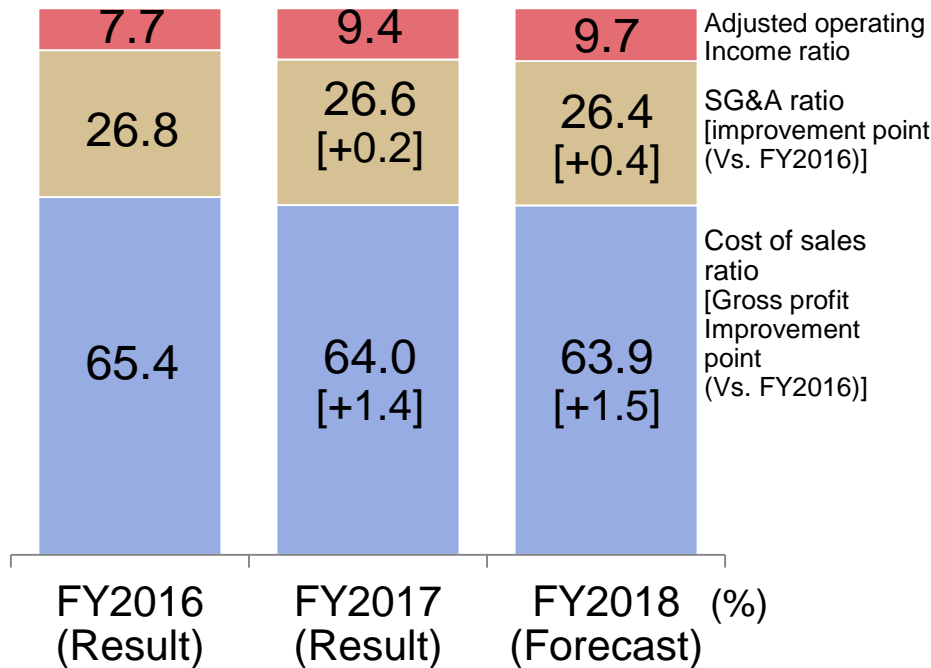
Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of 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;
- 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 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
Inspire the Next 

Switch to a cost and profit structure that corresponds to the shift to service businesses



SG&A

- Review of organizations/systems and rules/operations/IT
 - Increase the efficiency of indirect operations
 - Reduce the number of subsidiaries
 - Visualize management data

Gross profit

- Ensure and strengthen project management
- Improve productivity by using digital technologies
- Improve productivity with work-style reform

Cash generation

- Expand digital business based on Lumada
- Reduce inventory assets
 - Optimize global inventory using Lumada

CCC Improvement

FY2016 (Result)	FY2017 (Result)	FY2018 (Forecast)
64.7 days	58.1 days	46.3 days