




Capital Utilization and Value Creation

Contribution to Value Creation	 Human capital	 Intellectual capital	 Manufacturing capital
Targets (For fiscal 2021, in principle)	<p>Working as a team, a diverse and global workforce contributes to global growth of the Social Innovation Business.</p> <p>Creating a Workplace That Supports the Active Participation of a Diverse Workforce</p> <p>(1) Attract, retain, and develop diverse talent to lead business growth</p> <ul style="list-style-type: none"> Strengthening the front-line and digital talents Developing mindset and skills to become global leaders Promoting diversity: Targeting 10% for both female and non-Japanese in executive and corporate officer positions, and 800 female managers by fiscal 2020 (Hitachi, Ltd.) <p>(2) Transforming organizational culture and employee mindset to encourage proactivity and individual growth</p> <ul style="list-style-type: none"> Building Hitachi culture globally Fostering a culture of career ownership <p>(3) Reform organization and transform employment policies to adapt to environmental changes; take action on organizational reshuffling</p> <ul style="list-style-type: none"> Ensuring safety, health, and compliance Shifting to job and role-based human resources management 	<p>Creating new innovations by fusing ecosystems that stimulate open innovation with cutting-edge technologies.</p> <p>Building New Technologies and Business Models through Collaborative Creation</p> <p>(1) Accelerating innovation</p> <ul style="list-style-type: none"> Strengthening collaborative creation on a global basis Creating new values through open initiatives such as "Kyōsō-no-Mori" and corporate venturing Creating innovations by strengthening solution inventions <p>(2) Creating the world's No. 1 technologies</p> <ul style="list-style-type: none"> Focusing investment in the five key sectors and Lumada Creating intellectual properties that support the world's No. 1 technologies <p>(3) Promoting R&D and intellectual property activities to resolve social issues</p> <ul style="list-style-type: none"> Explore new business opportunities and disruptive technologies through open innovation Drive activities to achieve "IP for Society," an IP strategy for the new era <p>P.38 Accelerate Innovation</p>	<p>In addition to the manufacturing capabilities gained so far, manufacturing capital contributes to improved customer productivity and operational efficiency by making full use of advanced technologies such as IoT, big data, and AI.</p> <p>A Global Leader in Production Efficiency and Quality</p> <p><Manufacturing></p> <p>Improving the efficiency of global manufacturing operations 30% through enhancement of the ECM¹ and SCM² systems.</p> <p>¹ Engineering chain management ² Supply chain management</p> <p><Quality Assurance></p> <ul style="list-style-type: none"> Further strengthening the framework for quality assurance Strengthening global quality assurance operations Promoting digitization of product certificates Strengthening quality assurance in services, software, and security Training quality assurance personnel
Major Initiatives in Fiscal 2018	<ul style="list-style-type: none"> Improved visibility of human resources-related information by introducing "HR Management Integrated Platform" https://www.hitachi.com/New/cnews/month/2017/11/171128.html Started Hitachi Academy in April 2019 to foster human resources that drives digital transformation Promoted diversity among executives (diversifying the decision-making level) Held events such as the Global Women's Summit to motivate female workers http://www.hitachi.com/New/cnews/month/2018/10/181003.html Globalizing our management training programs Established Safety Management Division in April 2019 	<ul style="list-style-type: none"> Investment in R&D: ¥323.1 billion Promoted collaborative creation activities with customers and open co-evolution activities (open forums, Ideathons, Hackathons, etc.) Expanded the field for open innovation globally Build our global patent portfolio Implement appropriate IP strategies according to business domains - competitive strategy (product business) and collaborative strategy (digital solution businesses) Promoted industry and academia collaboration (Hitachi Cambridge Lab., Hitachi Kobe Lab., Hitachi The University of Tokyo Lab., Hitachi Kyoto University Lab., Hitachi Hokkaido University Lab.) Participating in the setting on international standards and rules. 	<p><Manufacturing></p> <p>Lead time reduction for Large Industrial products by enhancing SCM</p> <ul style="list-style-type: none"> Trained IE³ engineers Trained Skilled workers <p>Placed three participants in the 45th WorldSkills Competition, with one silver medal, one bronze medal, and one medalion for excellence.</p> <p>³ Industrial Engineering</p> <p><Quality Assurance></p> <ul style="list-style-type: none"> Revised the framework for quality assurance Strengthened quality assurance in embedded software Strengthened global quality assurance Training quality assurance personnel
Fiscal 2018 Results	<ul style="list-style-type: none"> Number of female managers (Hitachi, Ltd.): 635 Ratio for female executive and corporate officers (Hitachi, Ltd.): 5.0% Ratio for non-Japanese executive and corporate officers (Hitachi, Ltd.): 8.8% Number of participants in global management training programs: 3,844 Average educational investment per employee: ¥127,800 <p>Number of fatal accidents: 0¹</p> <p>Global occurrence rate: 4.20%^{1, 2}</p> <p>¹ Calendar year 2018 ² Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees resulting in fatality or work-time loss of one day or more.</p>	<ul style="list-style-type: none"> Lumada customer cases: more than 650 Patent application ratio outside Japan: 58% Recognized as the Clarivate Analytics Top 100 Global Innovators Award for eight consecutive years Awarded the National Commendation for Invention "Japan Patent Attorneys Association President's Prize" by the Japan Institute of Invention and Innovation for the Hitachi X-ray fluoroscopy system. <p>[*] Hitachi in fiscal 2019 was awarded the National Commendation for Invention "Imperial Invention Prize" for the design of the Class 800 high-speed train for the UK.</p>	<p><Manufacturing></p> <ul style="list-style-type: none"> Lead Time Reduction 20% for Large Industrial products at Japan sites (vs. FY2016) Lead Time Reduction 20% for Large Industrial products at China sites (vs. FY2016) Started the qualification program of IE engineers <p><Quality Assurance></p> <ul style="list-style-type: none"> Strengthened governance by revising framework for quality assurance Enhanced system development methods within the Hitachi Group by strengthening the software quality assurance system Developed Quality Assurance Standards within the Hitachi Group Implemented quality and reliability training



Social capital

Building strong relationships with stakeholders, including tie-ups between industry, academia and government, as well as collaborative creation with customers, maximizes business opportunities on a global scale and reduces risk.

Earning the Trust of Stakeholders

- (1) Enhance feedback to management based on dialog with stakeholders (government, investors, shareholders, customers, employees, local communities)
- (2) Strengthen human rights due diligence (HRDD) and CSR, green procurement
 - Promote HRDD
 - Strengthen supplier compliance
- (3) Promote social contribution activities
 - Training, including STEM (see p. 9) training for those in the younger global generation likely to be the future leaders
- (4) Proactive engagement and disclosure of information

<Customer Competition Events>

- Held the Hitachi Social Innovation Forum, an event creating opportunities for collaborative creation with customers that includes lectures and exhibitions on the results of social innovation businesses around the world as well as future prospects
- Held the Hitachi IR Day, which included business briefings for shareholders, investors, and analysts
- Held town hall meetings for executives and employees to interact and exchange views
- Promoted HRDD
- Conducted audits during visits to suppliers
- Hosted 6 participants in the Hitachi-DST Scholarship Program for South African Engineers

- Hitachi Social Innovation Forum 2018 TOKYO, etc.
<https://hsiftokyo.hitachi/en/>
- Institutional investor and analyst meetings: 550
- Executive town hall meetings: 20
- Human rights for employees at each BU and group company division were assessed and prioritized, with consideration given to the formulation of medium-term action plans
- Conducted CSR audits at 24 suppliers (130 suppliers in the fiscal 2012–2018 period)
- Spending on social contribution activities: ¥1,888 million



Natural capital

Guided by our Environmental Vision, we strive to create value while also contributing to the resolution of environmental issues to realize a low-carbon society, a resource efficient society and a harmonized society with nature.

Achieve the targets set forth in the Environmental Action Plan for 2021 looking toward the Hitachi Environmental Innovation 2050 long-term environmental targets.

- (1) Reduce CO₂ emissions from the use of our products and services, expand Hitachi's decarbonization business
 - Reduction rate of CO₂ emissions compared to FY 2010: more than 20%
- (2) Reduce CO₂ emissions of factories and offices by introducing renewable energy and high-efficiency equipment
 - Reduction rate of CO₂ emissions per unit compared to FY2010: 9%
- (3) Enhance efficiency in the use of water
 - Reduction rate in water use per unit compared to FY 2010: 9%
- (4) Enhance efficiency in the use of resources, reduce and recycle waste materials
 - Reduction rate in waste and valuables generation per unit compared to FY 2010: 12%

Implemented environmental activities aimed at achieving a low-carbon society, a resource efficient society, and a harmonized society with nature outlined in our Environmental Vision and the Hitachi Environmental Innovation 2050

- Reduced CO₂ emissions from the use of our products and services, expanded Hitachi's decarbonization business
- Reduced CO₂ emissions of factories and offices by introducing renewable energy and high-efficiency equipment
- Clarified climate-related risks and opportunities based on the TCFD recommendations
- Enhanced efficiency in the use of water in factories and offices
- Enhanced efficiency in the use of resources, reduced and recycled waste materials in factories and offices

- Improve environmental performance of products and services
Reduction rate in CO₂ emissions compared to FY 2010: 34%
- Reduce energy use of factories and offices
Reduction rate in energy use per unit compared to FY 2005: 14%
- Reduced waste generation
Reduction rate in waste and valuables generation per unit compared to FY 2005: 16%
- Enhance efficiency of water usage
Reduction rate in water use per unit compared to FY 2005: 34 %



Financial capital

Hitachi can realize growth, centered on the Social Innovation Business, through flexibility in its operations thanks to a solid financial base and appropriate financial strategies.

Building the Financial Base Necessary to Achieve Value Creation

- (1) Enhanced profitability and generation of cash
 - Promotion of business restructuring
- (2) Improving capital efficiency
 - Restructuring or selling off unprofitable assets
 - Acquiring highly profitable assets
 - Promoting financial strategies with an eye toward capital costs

Fiscal 2018 Targets

- ROA: above 5%
- D/E ratio: under 0.5 times
- Operating cash flow margin: above 9%
- CCC (Cash Conversion Cycle): 70.0 days

Total Hitachi, Ltd. stockholders' equity: ¥3,262.6 billion
Total Hitachi, Ltd. stockholders' equity ratio: 33.9% (35.9%)

- ROA: 3.3% (6.2%)
- D/E ratio: 0.23x (0.21x)
Free cash flow: ¥447.1 billion
- Operating cash flow margin: 6.4%
- CCC: 69.3 days
- ROIC: 8.5% (10.1%)

* Figures in parentheses exclude the effects from the Horizon Project consolidation