

Hitachi Investor Day 2021

Mobility Sector

June 8, 2021

Alistair Dormer

Executive Vice President and Executive Officer
Chief Environmental Officer
Hitachi, Ltd.



The Mobility Sector has strong fundamentals and pursues the strategy to pioneer sustainable & digital connectivity

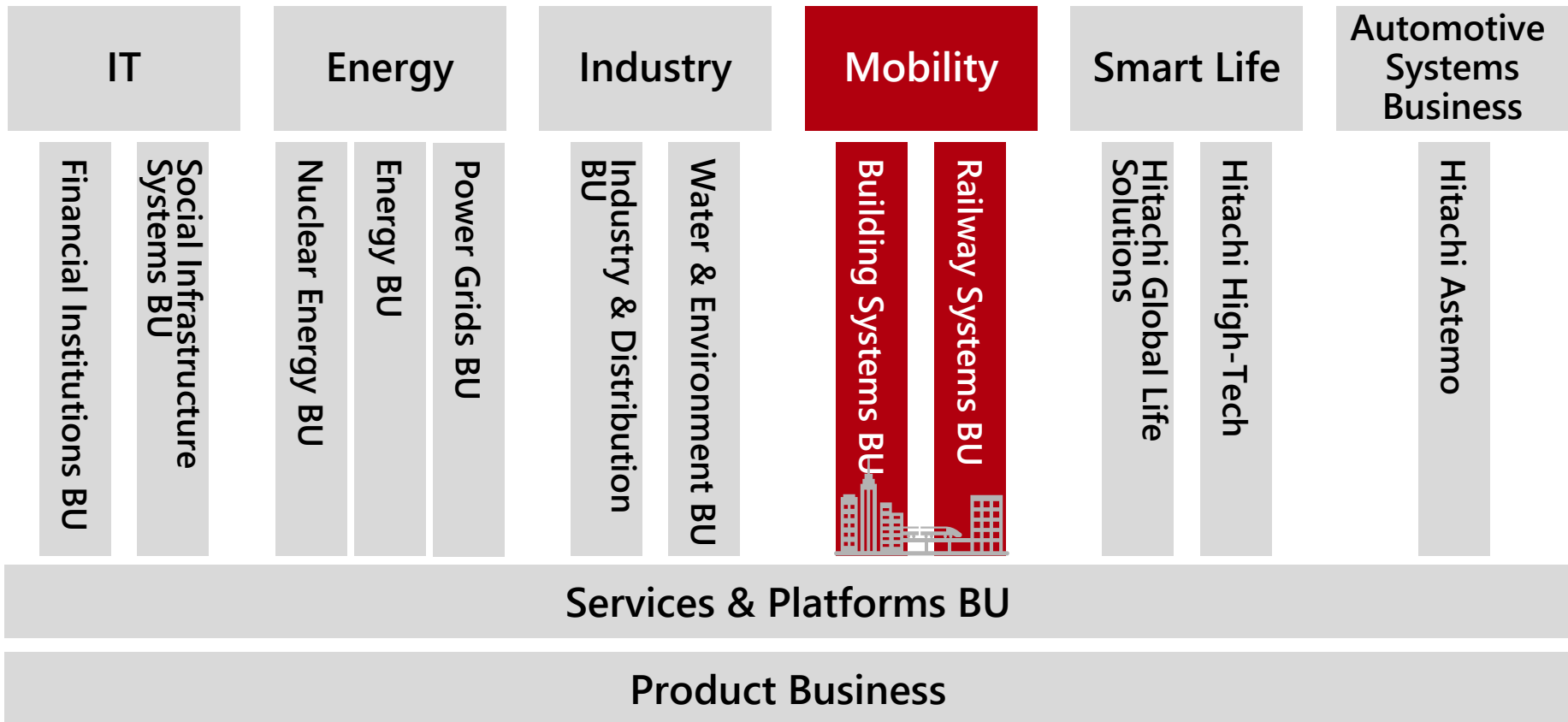
- 01** Mobility Sector Targeting 1.85 trillion yen Revenues and >11% Adjusted operating income ratio and >13% ROIC by FY2025
- 02** Well positioned to benefit from post pandemic recovery
 - BSBU Strong recovery in China as No.1 position in Elevator & Escalator (E&E)
Next target achieving the market leader as a building solution provider
 - RSBU Order book No.2 position in North America
- 03** Focus on profitability growth
 - BSBU launched new strategic plan targeting 1 trillion yen in revenues with double digit Adjusted operating income ratio
 - RSBU Targeting new market expansion and digitization of the whole value chain
- 04** New technology and contribution to environment, and post COVID-19 society
 - BSBU Launched touchless solution globally
 - RSBU Enabling "Carbon Free Mobility"
- 05** Mobility portfolio revised for growth and disposed of non-core assets
 - BSBU Acquired majority stake in Yungtay*¹, the leading E&E company in Taiwan
 - RSBU Acquired Perpetuum. Sold 30% stake in Agility Trains East

Mobility Sector

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2. Railway Systems BU (Market Trends & Growth Strategy)
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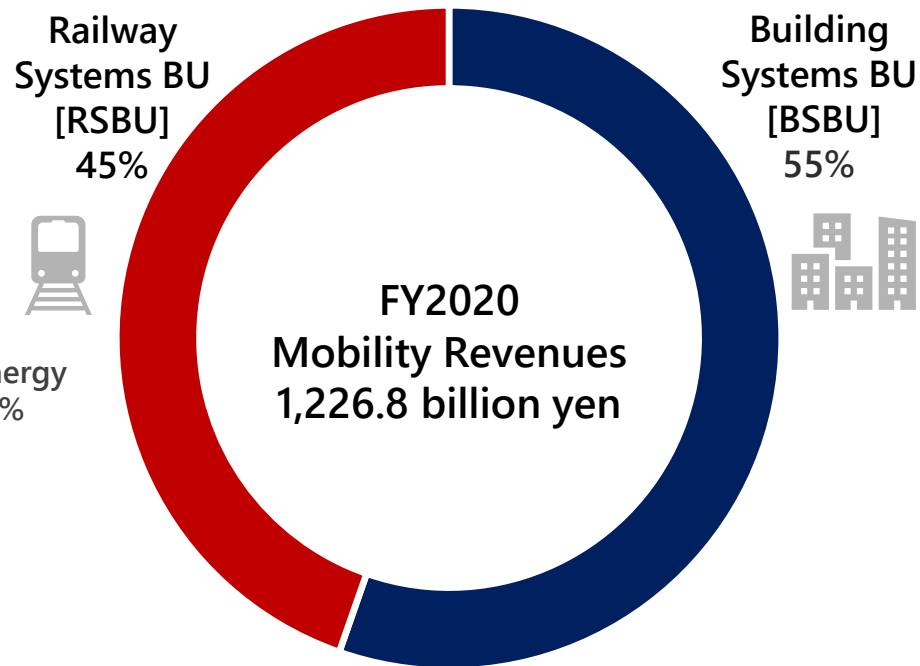
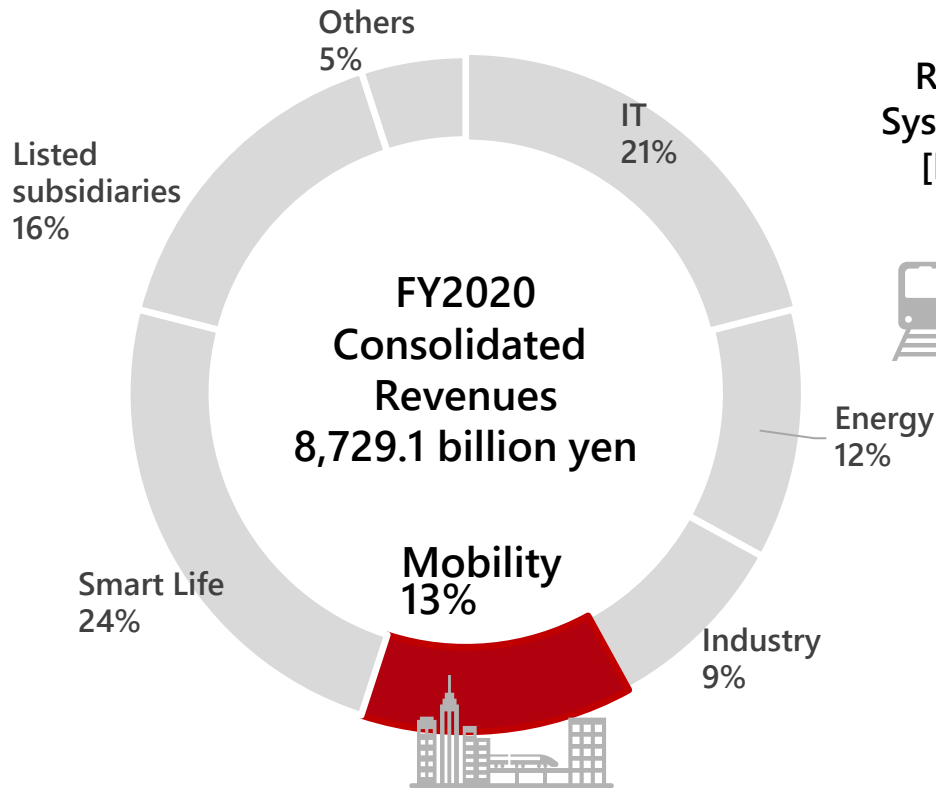
1-1. Position of the Mobility Sector



1-2-1. Business Structure 1

Mobility drives 13% of Hitachi revenues...

...and is split ~45/~55 into RSBU and BSBU



Mobility offers a range of services for Railways and Buildings

RSBU drives ~45% of revenues



- Rolling Stock manufacturing (~43%)
- Railway Signaling manufacturing and turnkey projects (~40%)
- Rolling Stock operations, service and maintenance (~17%)



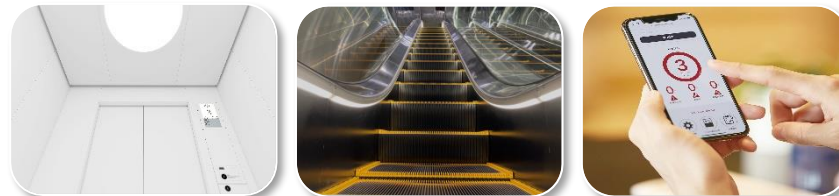
Andrew Barr –RSBU CEO



-Global, full-service provider of rail services and products, with a presence in 38 countries and over 12,000 colleagues.

-17 years of Hitachi Group experience, with 28 years in the rail industry. CEO of Ansaldo STS (2016-2019)

BSBU drives ~55% of revenues



- E&E (elevator & escalator) manufacturing and installation (~58%)
- E&E service and building solution (~42%)



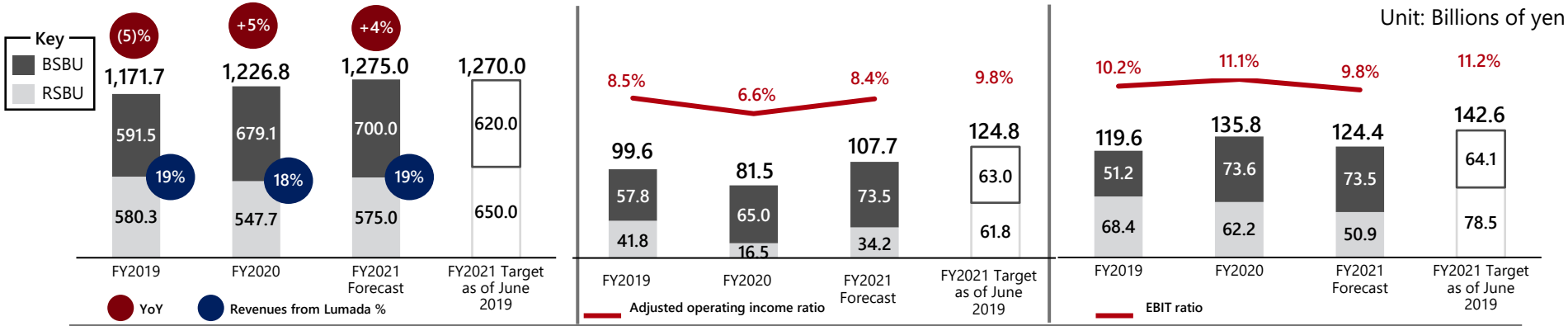
Shinya Mitsudomi –BSBU CEO



-Strongly transforming BSBU with his global experience in Hitachi Group

-38 years engagement in Railway Systems business with his global strategy establishment as CSO and lead global sales as a Group Head of Sales and MD (APAC and Japan)

1-3. The Progress of 2021 Mid-term Management Plan



Revenues

Adjusted Operating Income

EBIT

FY2020

BSBU: Rapid recovery from COVID-19 in China and Yungtay acquisition contributed to the BSBU growth, 115%

RSBU: Negative impact of COVID-19

BSBU: Revenues increase and SG&A cost reduction through transformation PJ

RSBU: Volume decrease due to COVID-19 and COVID-19 related cost increase to deliver partially offset by 11% reduction in SG&A costs

BSBU: Gain from the business restructuring

RSBU: Gains from selling a part of Agility Trains East stocks

FY2021 Forecast

Mobility: Revenues expected to increase by 5% due to post pandemic recovery

BSBU: Revenues increase and SG&A cost reduction through transformation PJ

RSBU: Consistent profitability rebound thanks to efficiency recovery on key projects and manufacturing

RSBU: Lower contribution from selling a part of Agility Trains East stocks

Mobility Sector

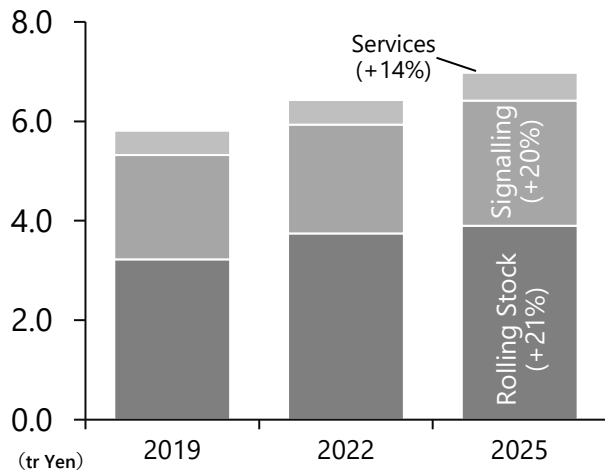
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2-1. Market trends favour digital players

Railway market is expected to grow

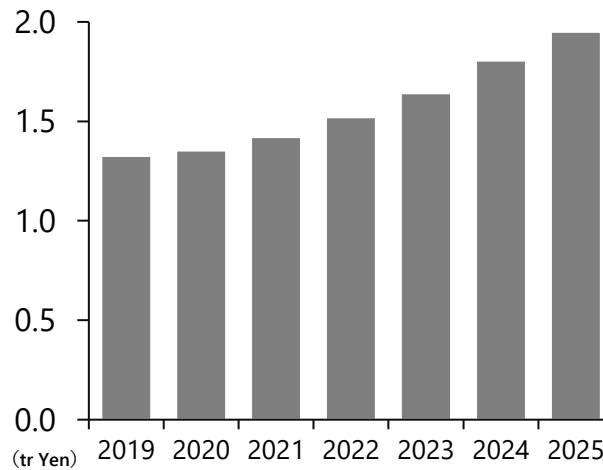
5.8tr Yen -> 7.0tr Yen, 3% CAGR



Rolling Stock and Signaling will continue to be twin market engines

Digitalisation of rail grows twice as fast

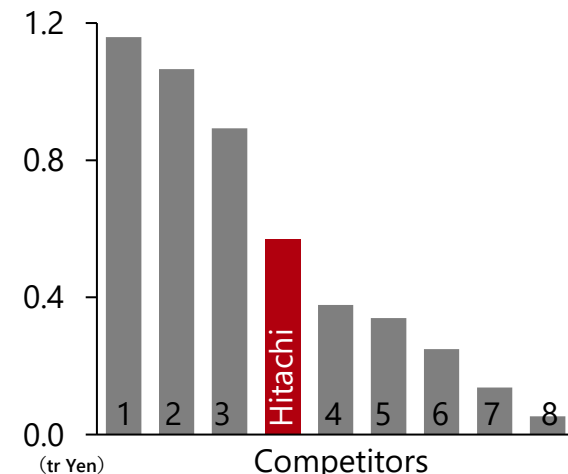
1.3tr Yen -> 1.9tr Yen, 7% CAGR



Growth driven by automation and predictive maintenance

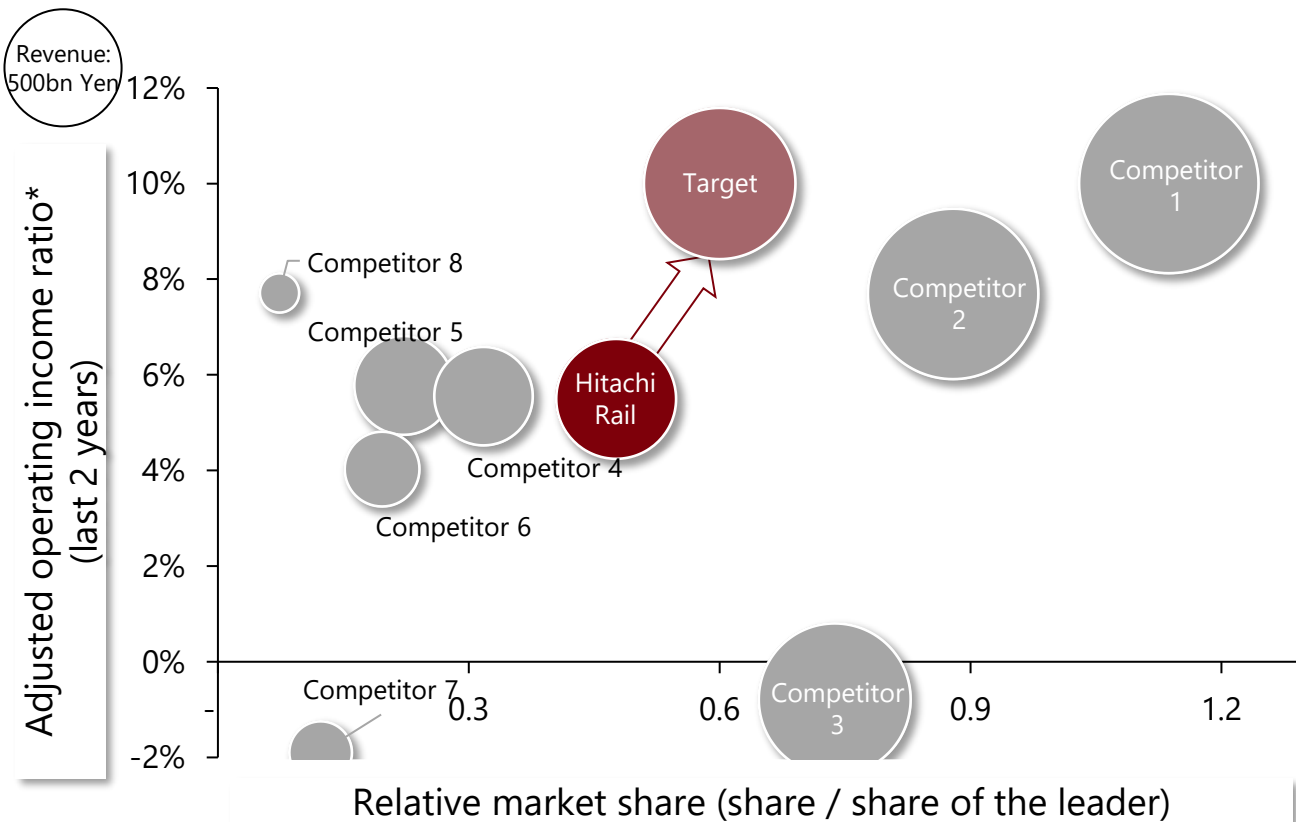
The competitive environment is challenging

Hitachi is #4 globally in revenue (tr Yen)



0.5 Relative Market Share

Rail prioritises strengthening profitability



Key drivers

Strengths

- Full product offering
- Leadership and challenger position in key markets
- Synergies with Hitachi Group especially in digital and energy


Weaknesses

- Sub-scale globally
- Limited presence in adjacencies

Response

- Digitalise core offering
- Consolidate the USA
- Reduce cost
- Drive synergies within Hitachi
- Longer term: M&A in the core and/or adjacencies

2-3-1. Rail strategy is focused on digitizing the core offering and leveraging recent Hitachi acquisitions

 **LUMADA** 20% of Rail revenues is derived from Lumada




Sustainability



Operational technology

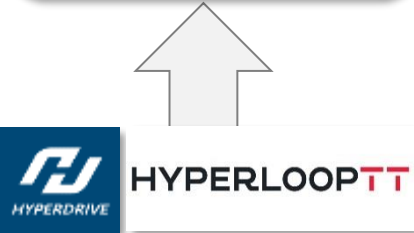


Information technology

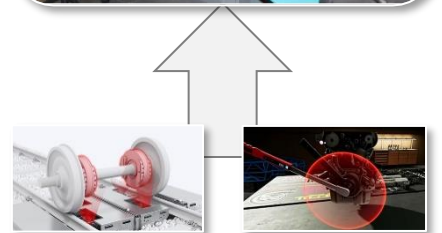



HITACHI **ABB**

GlobalLogic



HYPERLOOP TT




perpetuum



2-3-2. Our strategy enables carbon free mobility



Battery hybrid train in the UK

- Partnership with Hyperdrive
- London-Penzance intercity route



Battery tram in Florence

- Trial in Florence
- Reduced cost and disruption in city centres



Battery hybrid train in Italy

- Masaccio commuter service
- 43 trains ordered



Hydrogen prototype in Tokyo

- East Japan Railway and Toyota partnership
- HYBARI* prototype to be launched in 2022





Environmental Value

- A train passenger reduces CO2 by 1.5 tons (70 trees) vs. car
- RSBU is reducing global emissions by 20m tons p.a.
- Battery innovation will reduce CO2 by a 4.5m "tree equivalent"



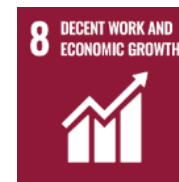
Social Value

- Safe travel: thousands of deaths & injuries avoided
- Protecting global heritage
- Solving traffic challenges in large cities post COVID-19



Economic Value

- Driving economic recovery with public funds in the EU and USA
- Employment for 12k people
- ROIC above 10% in FY2022



2-3-4. Rail has strong fundamentals in the medium and long term driven by green recovery and digitalisation

Growth factors



Risk Factors

Uncertainty over global recovery

Increased competitive intensity from market consolidation

Structural reduction in travel

Mitigation

Focus on the most profitable products and geographies and access to USA and EU recovery funds

Strengthen competitiveness via cost reduction, product digital differentiation and potential M&As

Expansion in adjacencies beyond Rail

2-3-5. Rail strategy is focused on capitalizing on our core, digitalization and strengthening competitiveness

FY2020

FY2021

FY2022

Strengthen
market position

Consolidate expansion in the USA

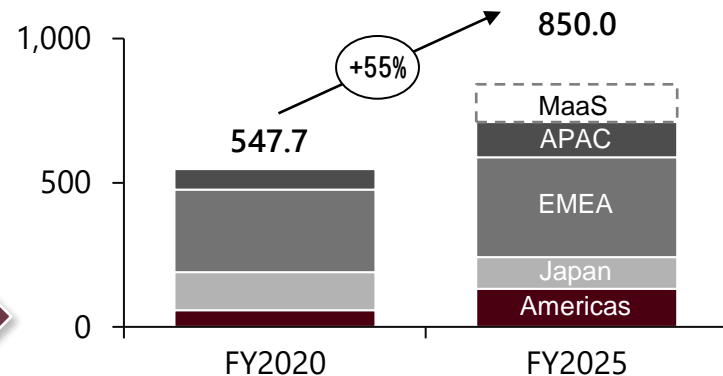


Expand Operations, Service & Maintenance



Expand beyond the core through digital solutions

Rail revenues (billion yen)

Boost
profitability

Transform operating costs

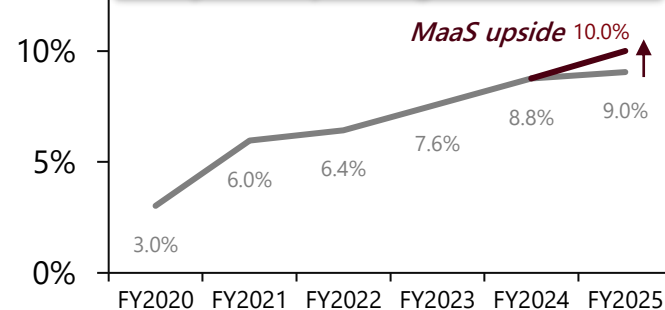


Simplify product design and reduce fleet costs



Capability in low cost locations

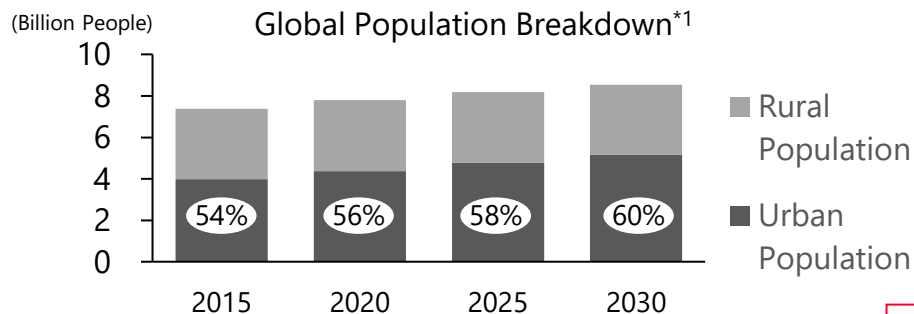
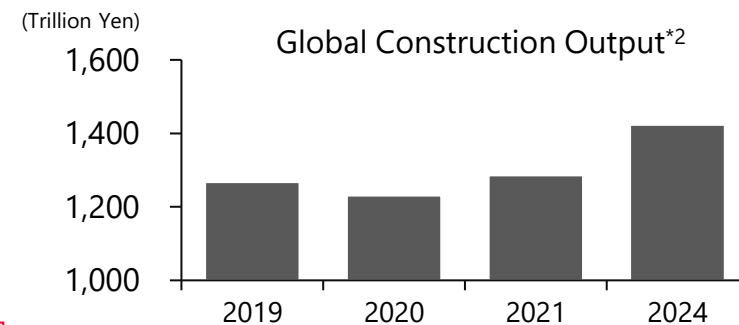
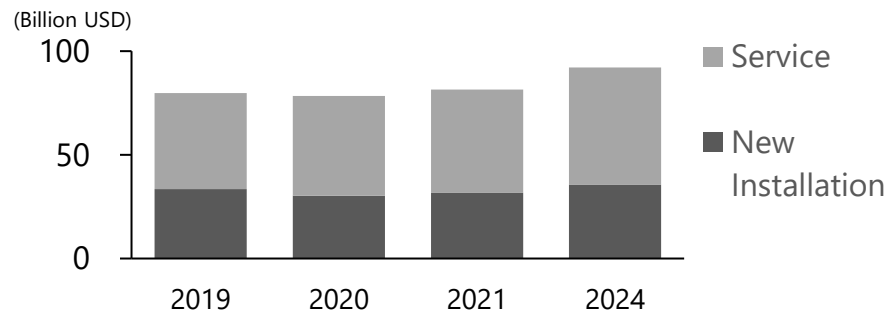
Adjusted operating income ratio



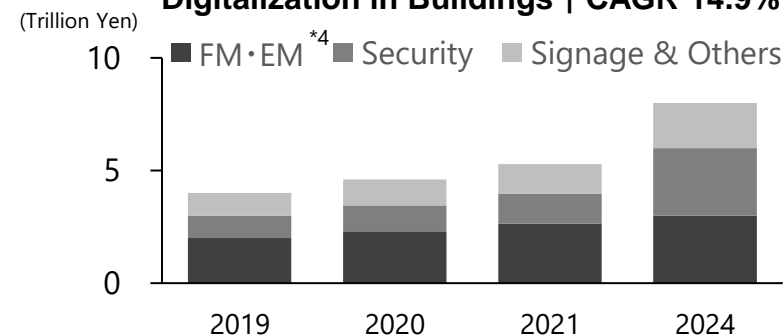
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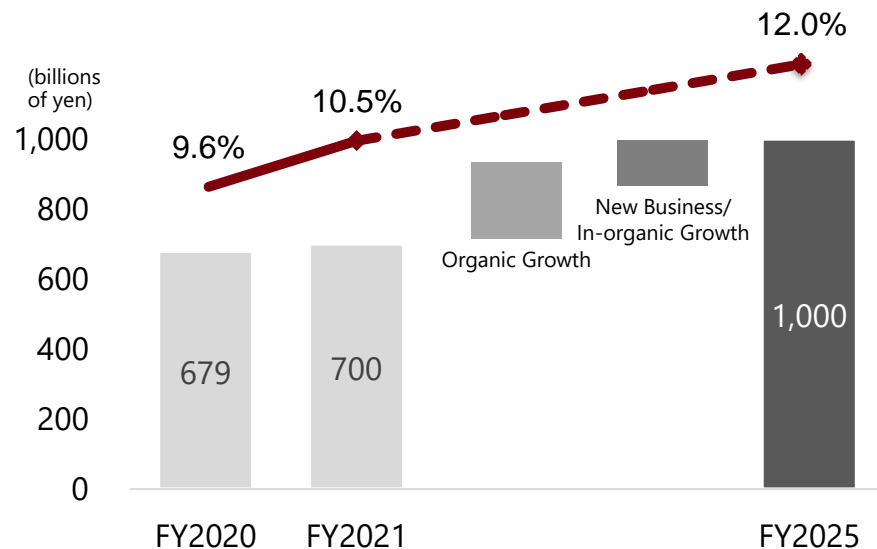
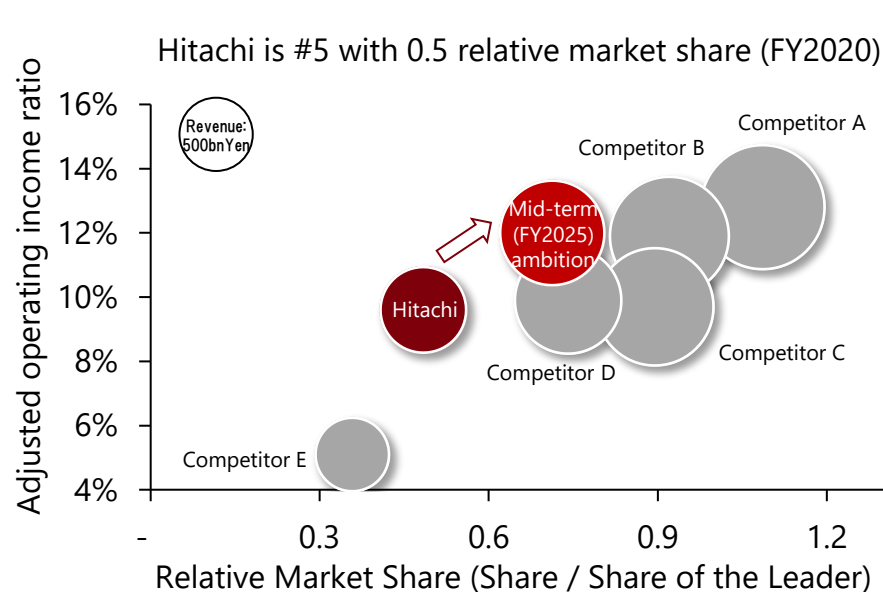
Mega Trend | Population Growth/Urbanization

Mega Trend | Investment in the Construction Industry

E&E Market | CAGR 4.1%*3


Global market continues to grow after COVID-19 impacts in FY2020

Digitalization in Buildings | CAGR 14.9%*2


Opportunities to enhance service offering through digitalization

Aim to become market leader in both revenues and profitability



Key Growth Drivers

Digitalization & Standardization

Strengthening of Service Offerings

Growth in China

Expand Smart Building business

M&A Partnering

Leverage Hitachi Building IoT Platform to expand business in a changing market with COVID-19

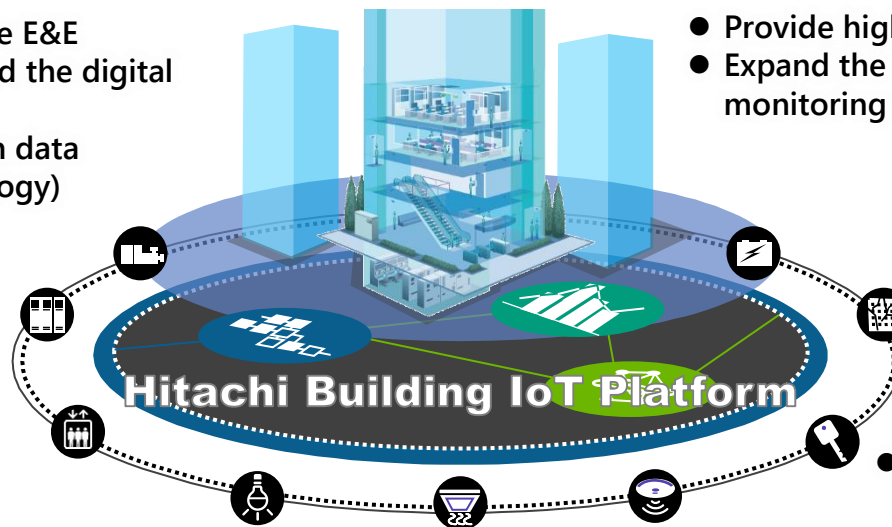
「Product」

- Develop and provide reliable E&E
- Leverage E&E core to expand the digital business
(Utilize analysis of operation data accumulated by IoT technology)

GlobalLogic
LUMADA

「Service」

- Provide high-quality services using AI
- Expand the application of remote monitoring and maintenance



「Smart Building」

- Create digital services to add value to buildings

LUMADA 20% of Building Systems BU revenues is derived from Lumada

Accelerate business digitalization – strengthen service offering, streamline cost structure

Growth Scenario

Challenge to become market leaders as a building solution provider

- Leverage benefits of scale and increase profitability in E&E
- Expand the smart building business by leveraging digital capabilities

Initiatives

Accelerate the growth by transformation PJ

- Refresh strategy from scratch to digitalize and optimize global value chain

M&A Strategy

- Create the synergy by the integration of Yungtay

Improve ROIC

Increase the asset efficiency

- Increase operation efficiency by the promotion of DX

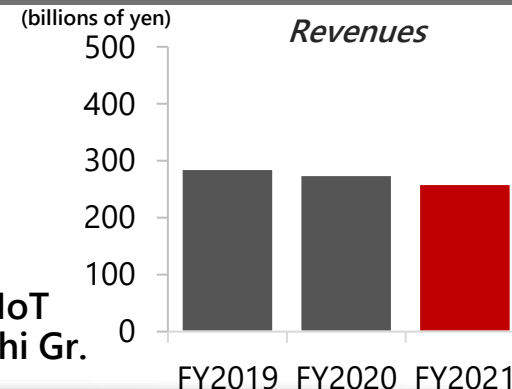
Improve profitability

- Simplify product design and business process

Japan

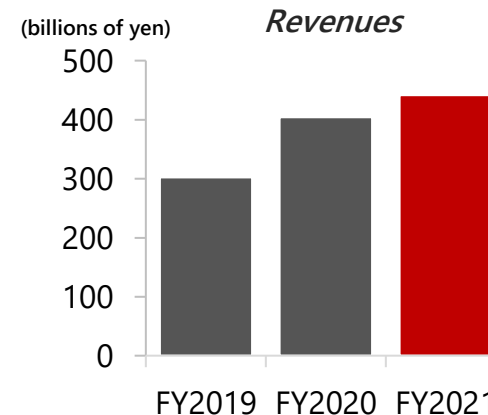
Challenge to become the market leader

- Expand E&E order intake share with new product and strengthen cost competitiveness of the entire value chain
- Promote new solutions responding to COVID-19
- Expand smart building business through Building IoT Platform by leveraging digital capabilities in Hitachi Gr.



Maintain the market leader position

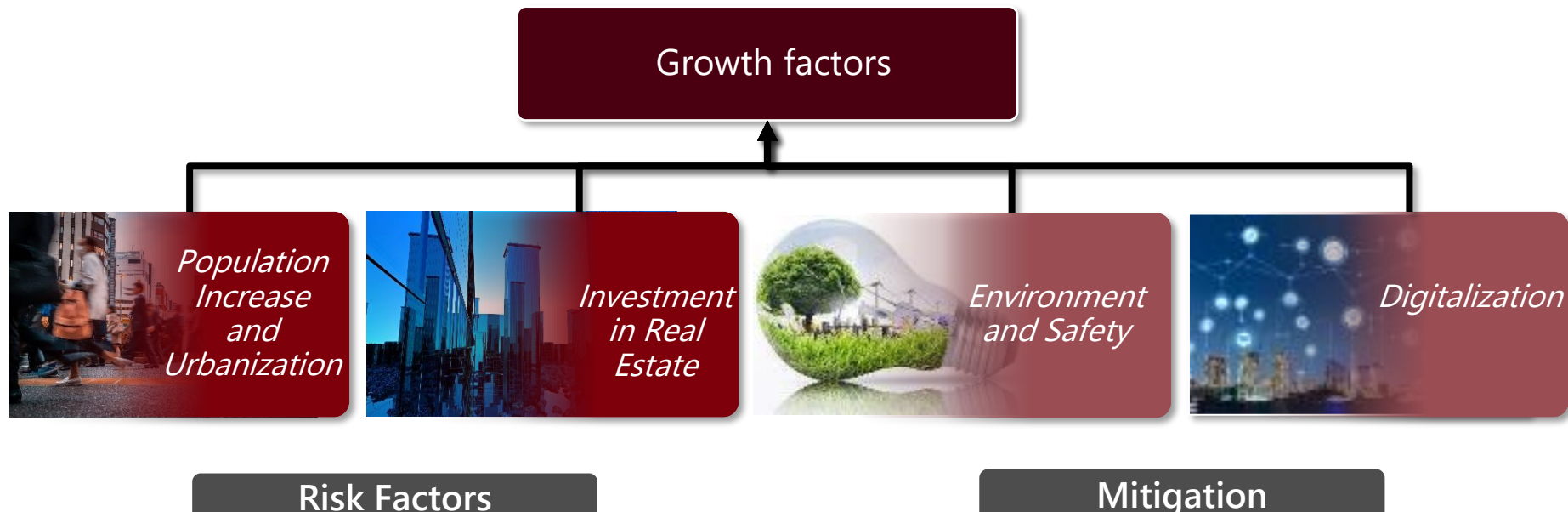
- Expand business in 3rd/4th tier cities with Yungtay
- Strengthen cost competitiveness and expand service business
- Expand business in India and other promising markets
- Optimize supply chain (Utilize the advantage of scale developed in China)
- Differentiate the service offerings by remote monitoring and improve operation efficiency



Overseas

China

Others



Transformation of Real Estate Market as New normal standard

▶ Launched the new standard elevator in FY2021 and continue to introduce new products/solutions

Market Reorganization/Border of business areas become unclear

▶ Strengthen core business area and diversify business portfolio

Intensified Price Competitions in New Installation/Service Business

▶ Strengthen business fundamentals

Provide comfortable, safe, and efficient travel in cities

- Contribute to realize sustainable society – Reduce CO₂ emissions
- Contribute to solve social issues – Solutions for the “New normal”



Reduce CO₂ emissions

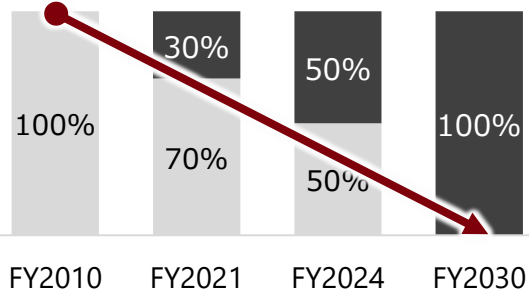
Manufacturing

Minimize energy use in production

Focus on using green-energy

- Install solar panels on factories
- Shift company vehicles to EV*

Reduce emissions



* Electric Vehicles

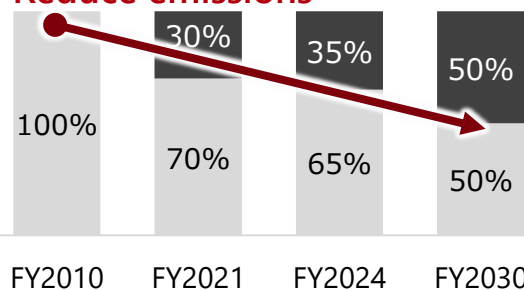
Product & Service

Promote R&D for energy savings

Realize the “Green buildings”

- Accelerate E&E modernization
- Modernize building facilities

Reduce emissions



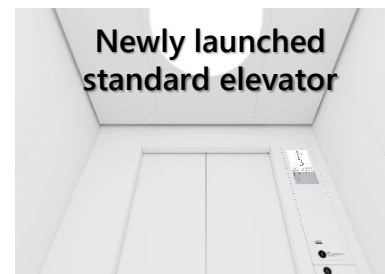
Solutions for the “New normal”

Infection prevention for COVID-19

- Touchless solution for elevator control
- Air purifier system inside elevator

Enhance disaster resilience

- Remote control responding to flood
- Automatic diagnosis and restoration system for earthquake



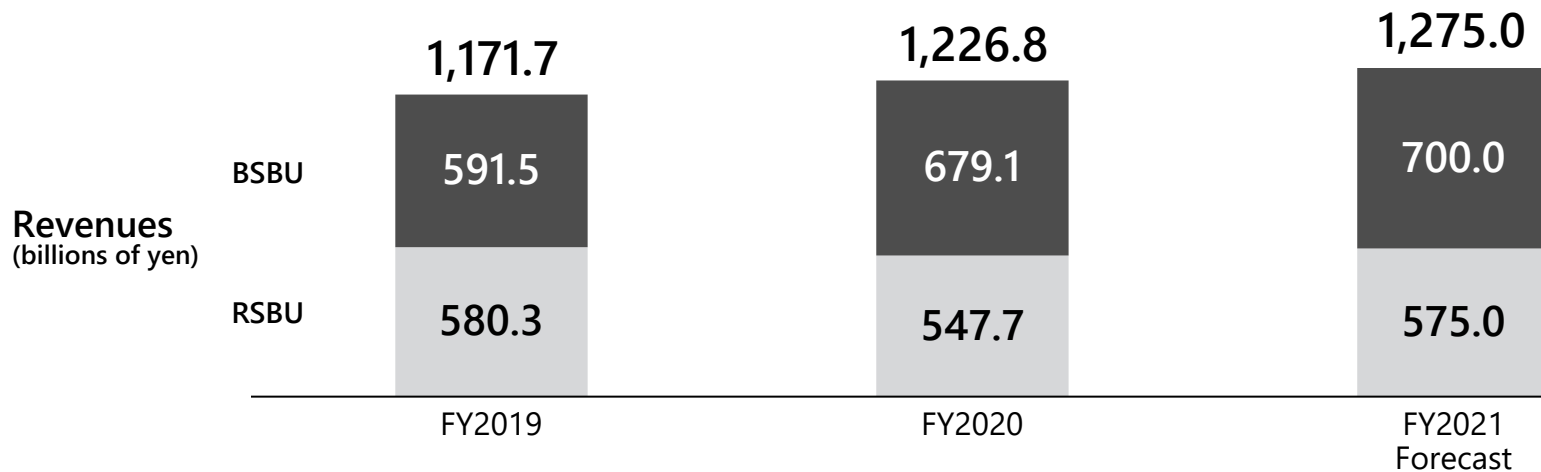
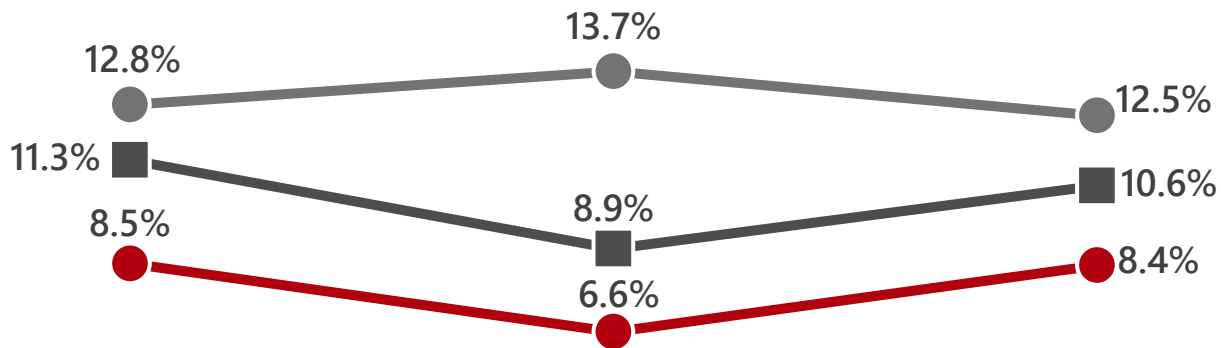
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Mobility KPIs

- ROIC
(Return on Invested Capital)
- Adjusted operating income ratio
- EBITDA ratio



4-2. Mobility in a post-pandemic world

- **Mobility Sector is targeting 1.85 trillion yen Revenues, >11% Adjusted operating income ratio and >13% ROIC by FY2025**
- **FY2020 Action plan continues to deliver Business Transformation**
 - BSBU transformation on track to target global performance levels by FY2025 (12% Adjusted operating income ratio)
 - RSBU is establishing revised digital strategy to cope with uncertain post pandemic world
- **Business expansion drive to expand into new markets**
 - BSBU expand into India and other growing markets using China Standard platforms
 - RSBU expand Maintenance and North America market
- **Both BUs continue to optimize the portfolio with addition of Yungtay and Perpetuum and the divestment of a number of non-core assets**



Become one of the top global solution providers

- Consolidate geographic expansion in USA (RSBU) and in China (BSBU)
- Focus on the core profitable projects
- Drive growth via pioneering solutions in digital and sustainable mobility adjacencies

	FY2020		FY2025 Target
Revenues	1,226.8 billion yen	>	Over 1,850.0 billion yen
Adjusted operating income ratio	6.6%	>	Over 11.0%
ROIC (Return on invested capital)	8.9%	>	Over 13.0%

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Appendix 1. Business Performance Trend

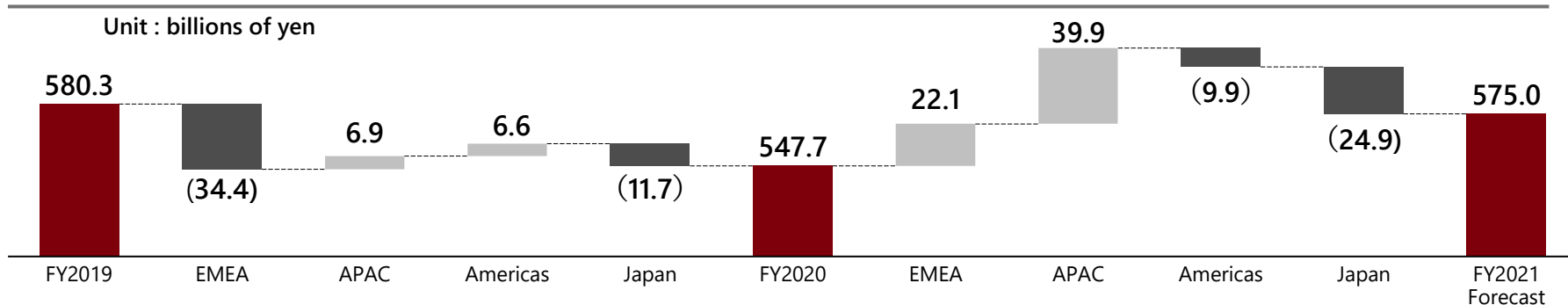
	FY2019	FY2020	FY2021 Forecast	FY2021 Target as of June 2019
Orders	1,518.0 billion yen	1,336.5 billion yen	1,432.1 billion yen	1,349.3 billion yen
Revenues	1,171.7 billion yen	1,226.8 billion yen	1,275.0 billion yen	1,270.0 billion yen
Overseas revenue ratio	65%	68%	72%	67%
Adjusted operating income	99.6 billion yen	81.5 billion yen	107.7 billion yen	124.8 billion yen
Adjusted operating income ratio	8.5%	6.6%	8.4%	9.8%
EBIT	119.6 billion yen	135.8 billion yen	124.4 billion yen	142.6 billion yen
EBIT ratio	10.2%	11.1%	9.8%	11.2%
EBITDA ratio	12.8%	13.7%	12.5%	13.6%
ROIC	11.3%	8.9%	10.6%	13.1%

Appendix 2. Factors Affecting Changes in Railway Systems BU Revenues and Adjusted Operating Income



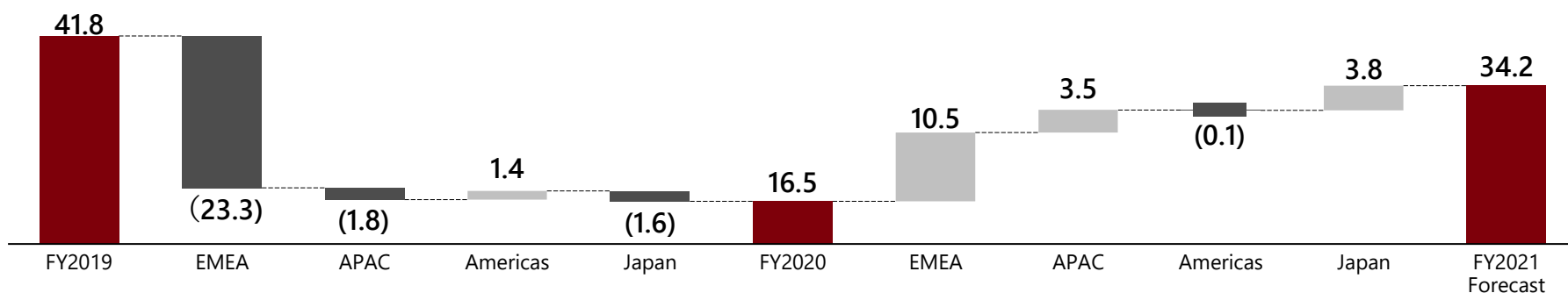
Revenues

Unit : billions of yen



Adjusted operating income

Unit : billions of yen

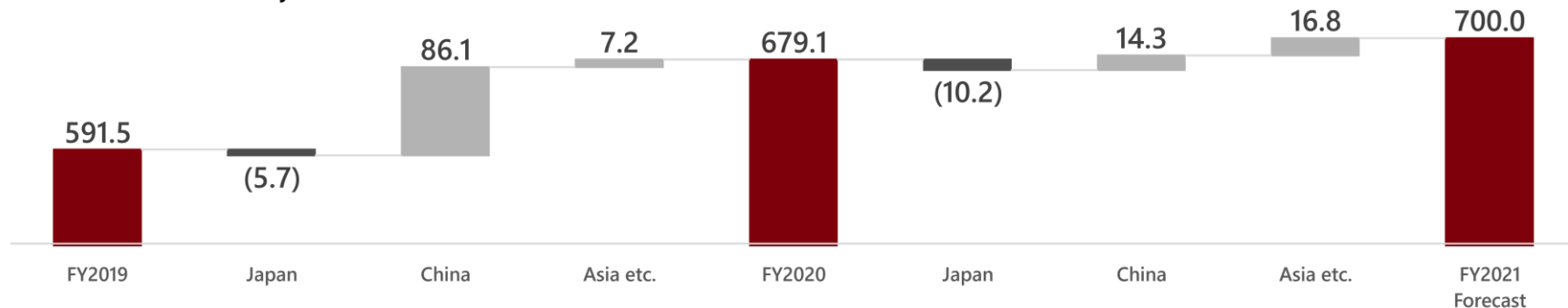


Appendix 3. Factors Affecting Changes in Building Systems BU Revenues and Adjusted Operating Income



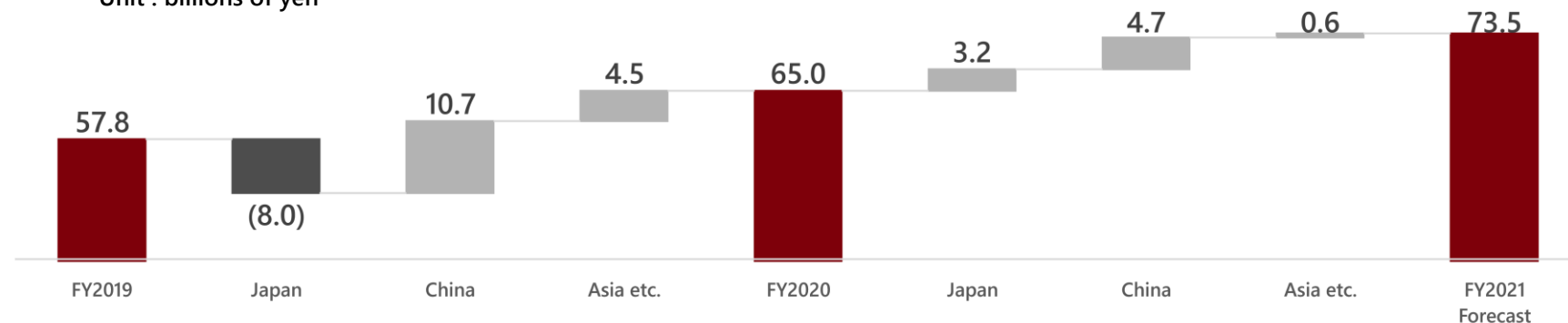
Revenues

Unit : billions of yen



Adjusted operating income

Unit : billions of yen





Environment

- Green plants and offices using Solar PV and EVs
- Developing our solutions in sustainable and efficient plants



GHG Emissions

- Scope 1/2: CO2 reduction of 50% (FY2024), 60% (FY2025), 100% (FY2030) in 6 plans. **1.9bn Yen investments**
- Scope 3 under investigation



Transparency

- Hitachi Rail Corporate Social Responsibility and Sustainability Report

ecovadis

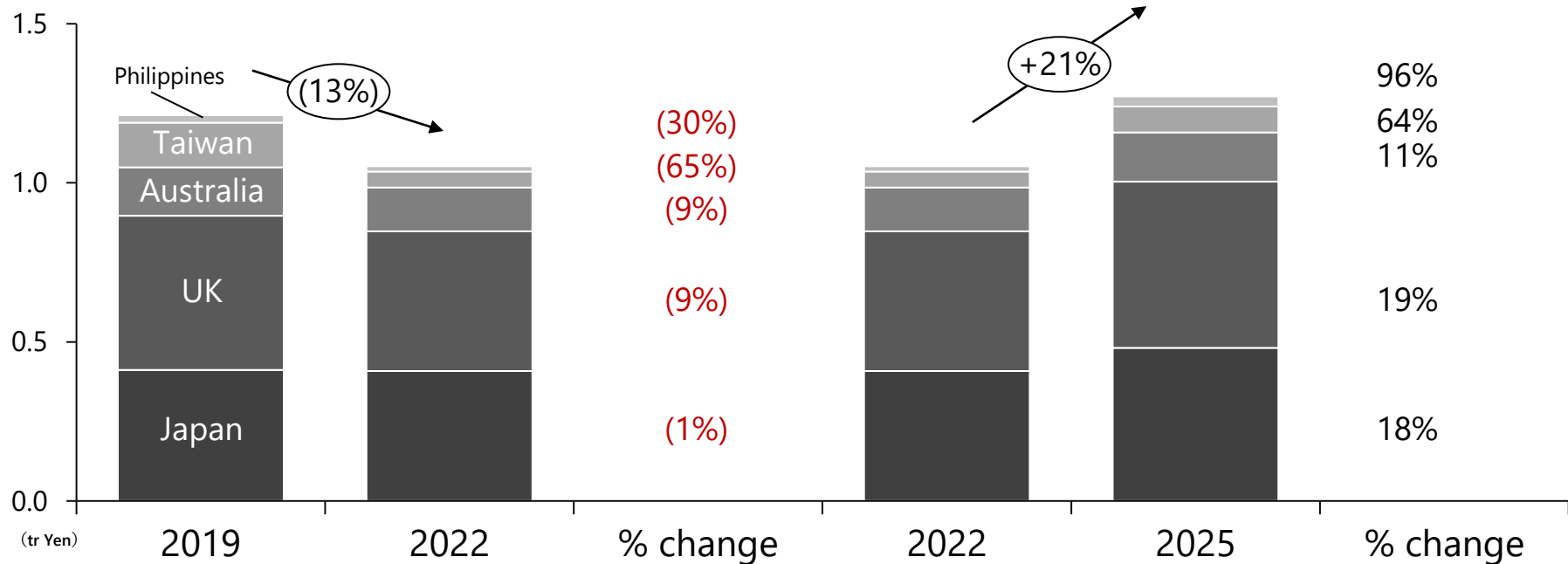
Gold and Silver Medals in Italy

Appendix 5. RSBU's key markets have been disproportionately impacted by COVID-19 but are set to recover

RSBU key markets declined by 13%

But are expected to recover

RSBU key accessible markets, except for Italy and USA (Tr Yen)



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.

Hitachi Social Innovation is

POWERING GOOD

HITACHI
Inspire the Next 