

MESSAGE

Hitachi's Pursuit of a Sustainable Society Leveraging Digital Technology to Lead Customer and Societal DX

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Boosting Agility to Become a Global Digital Company

The environment surrounding societies and companies is changing rapidly due to extreme weather conditions, natural disasters, pandemics, and geopolitical risks that are occurring in various parts of the world. Confronted by a diverse range of increasingly complex challenges, not the least of which are climate change, aging social infrastructure, and the rising incidence of cyberattacks, digital transformation (DX) is accelerating globally to reform companies and societies.

Hitachi aims to realize a sustainable society through the use of data while incorporating cutting-edge technologies

such as Web 3.0 and the metaverse. By pushing ahead with its Social Innovation Business based around the pillars of “Green, Digital, and Innovation,” Hitachi is playing its part in realizing a society that combines human wellbeing with a healthy global environment. Lumada is the driving force behind this social innovation business.

To accelerate the global growth of Lumada, Hitachi launched Hitachi Digital LLC in April 2022. The company is based in North America where the DX business is growing rapidly. Hitachi is also pursuing a group-wide global digital strategy, including the strengthening of collaboration between the new group company, GlobalLogic Inc. (acquired in July 2021) and other Hitachi companies, including Hitachi Vantara LLC, Hitachi Energy Ltd., and Hitachi Rail Ltd. For the Japanese market, where DX business is expected to grow, GlobalLogic Japan, Ltd. has been established to accelerate customers' DX initiatives based on Hitachi's strong customer base and GlobalLogic's design-driven digital engineering capabilities. Through these initiatives, Hitachi will enhance its “agility” and strengthen its digital business globally, driving Lumada business expansion and growth through DX, and achieving its transformation into a global digital company.

Expansion of Lumada Business to Accelerate DX in Customer Business Systems and Social Infrastructure

The Social Innovation Business starts with an understanding of social issues and customer issues, then designs and



Lumada's Growth Cycle

By leveraging the collaborative creation and digital engineering capabilities of GlobalLogic together with Hitachi products and services and its skills in mission-critical system development, Lumada provides support for each step in the cycle of overcoming customer challenges.

implements solutions, and then cycles through operation and maintenance to solve social issues and increase customer value. The first step in this Lumada's growth cycle involves the use of design thinking to identify the issues of concern. The next step is to use the cloud or other platforms to build the systems that will resolve these issues. The third is to expand and enhance functionality, such as by linking the new systems with other products to track operating conditions. In the fourth step, the system operation is advanced so that customers can focus on their own business, and at the same time, the collected operational data is analyzed to discover new issues and lead to solutions.

In acquiring GlobalLogic's design and digital engineering capabilities, Hitachi is now able to understand customers and social issues in the global DX market and develop solutions more quickly by combining its strengths in operational technology (OT), IT, and products. Hitachi Vantara can then implement these solutions developed by GlobalLogic in the cloud and make them available as services to global customers. Another benefit of this approach is that it leads to recurring business.

To further accelerate DX both at customers and within Hitachi Group, Hitachi has consolidated domestic and international consulting, design, and digital engineering functions, including GlobalLogic, and established a new Digital Engineering Business Unit in April 2023. By working with other business units to accelerate the Lumada's growth cycle, this will further expand the Social Innovation Business of developing solutions and generating new value for customers and society. In the hybrid cloud and other

areas of the rapidly growing cloud business, Hitachi is seeking to enhance the competitiveness of its global cloud service and data management business, both through the further development of Hitachi Vantara's strengths in data management and storage solutions and by leveraging its expertise in mission-critical systems and IT platforms.

Strengthening and expanding digital human resources is essential for expanding the Lumada business. Along with continuing to advance the excellent talent recruitment and development schemes at GlobalLogic, Hitachi also intends to deploy them in Japan to upgrade its own staff development programs. By expanding the exchange of personnel with GlobalLogic, Hitachi plans to strengthen its development of digital talent and expand its international workforce of people with skills in this area to around 30,000 by FY2024.

This issue of *Hitachi Review* focuses on digital engineering, presenting examples of where collaborative creation has been used to generate new value as well as articles describing collaborative creation processes and the digital technologies that underpin them. Hitachi will contribute to the realization of a sustainable society by leading DX for customers' business systems and social infrastructure.