

## CEO Remarks

June 11, 2024

**Keiji Kojima**

President & CEO  
Hitachi, Ltd.

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Thank you very much for joining us today at Hitachi Investor Day.

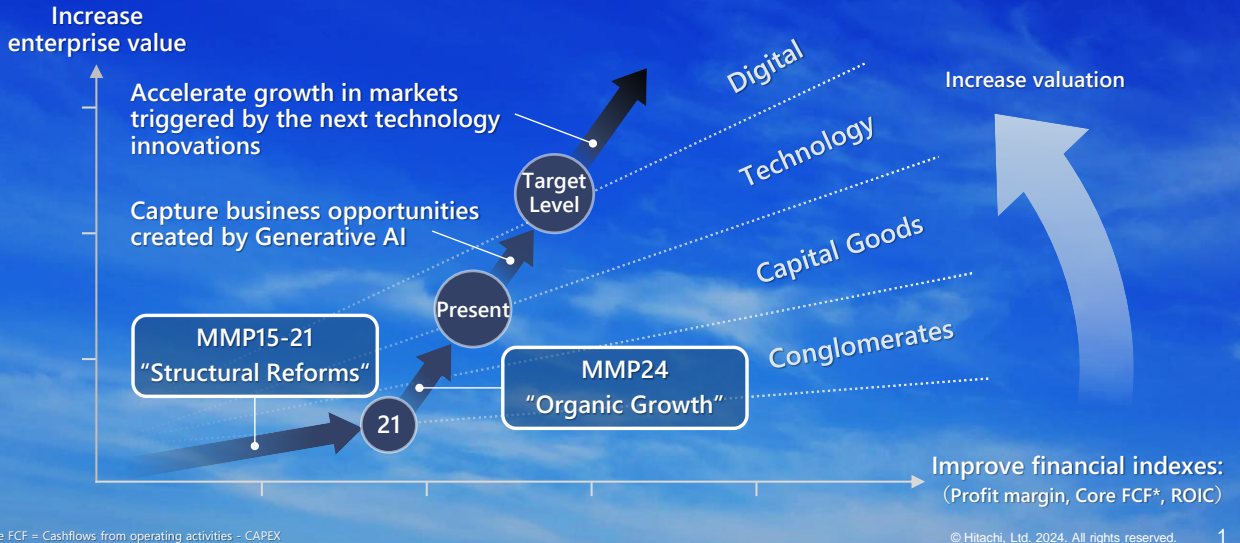
Today, I would like to start with an overview, and then introduce our new CSO & CRMO, Brice Koch.

Then, each leader managing the businesses will explain the growth strategies for Digital, Green, and Connective. After that, CFO, Kato, will present the financial strategies to support the growth in his session, followed by Q&A with all the speakers.

We hope you will stay with us until the end.

# 1. Transformation Journey for Increasing Enterprise Value

## Roadmap of Hitachi's Transformation into a Global Leader in the Social Innovation Business



Hitachi has been on a transformation journey for more than 10 years to become a global leader in the social innovation business.

After structural reforms up to MMP21, we made a major shift toward organic growth in the current MMP 2024.

With Lumada as our core, we are accelerating our growth to become a digital-centric company, moving away from a conglomerate.

Last year, as you know, a technology with an extremely large impact was introduced, it is the generative AI.

In the MMP24 and the following MMPs, it is critical to maximize capturing of the business opportunities that this generative AI brings.

Furthermore, there will be more innovations in the future that will have as much impact as generative AI.

We do not want to settle for the status quo. We should not be complacent, but rather want to be a company that continues to create value aggressively, always envisioning the next inflection point.

### Establish the Vision

- Become a company that resolves social issues through co-creation with customers
- Launched Lumada to accelerate the digitalization of business

### Business portfolio transformation

- Asset replacement over ten years
  - Achieved zero listed subsidiaries in FY22
  - Large-scale M&As; e.g., Hitachi Energy, GlobalLogic

### Build governance structures

- Build governance structures suitable for a global company
- Strengthen communication with stakeholders

Let me provide a brief review of the structural reform phase from MMP15 to MMP21.

We began by establishing a business vision of social innovation.

We launched Lumada based on the belief that digital technology was essential to realizing this business vision.

We have decisively transformed our business portfolio in line with that vision.

This structural reform was supported by a strong and global top-tier governance structure that we've had.

### 3. MMP24: Organic Growth

		FY21	FY24 forecast
<b>Topline growth</b> (Global growth through DX/GX)	● Revenues (3 sectors)	6.7 tr. yen	9 tr. yen
<b>Increase profit margin</b> (Drive increase by expanding Lumada business)	● Adj. EBITA	9.9%	11.5%
	● Lumada revenue ratio	21%	29%
		MMP21	MMP24 forecast
<b>Strengthen cash generation</b>	● Core FCF (3-yr. cumulative)	0.9 tr. yen	1.5 tr. yen
<b>Strengthen shareholder returns</b>	● Shareholder returns (3-yr. cumulative)	0.3 tr. yen	1.0 tr. yen
<b>Cultivate a "growth mindset"</b>	● Growth-oriented compensation incentives (e.g., Growth achievement, vs. competitors)		

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Based on the results of these structural reforms, we made a major mode shift of management toward organic growth in MMP24.

Using the tailwind of DX and GX, we are growing the top line and driving profit margin improvement with Lumada's business expansion.

Our top priority is to strengthen cash generation.

Core free cash flow has grown steadily, allowing us to balance capital allocation between investment for growth and shareholders returns.

We have also changed our compensation incentives in order to become a company that always pursues the keyword "growth" even in a difficult environment.

	Issues expected to be resolved	Issues brought to light
Short-term impact	<ul style="list-style-type: none"><li>● Improve software productivity</li><li>● Improve productivity of office workers</li></ul>	<ul style="list-style-type: none"><li>● Rapid growth in data center demand</li><li>● Shortage of semiconductors for AI</li></ul>
Medium/long-term impact	<ul style="list-style-type: none"><li>● Improve productivity of front-line workers</li><li>● Improve efficiency of multi-language communications</li></ul>	<ul style="list-style-type: none"><li>● Increasingly serious power shortages</li><li>● Diverse risks arising with AI</li></ul>

Then, the generative AI emerged.

The impact of generative AI on the market will be extremely significant in the short and also medium/long term .

As you can see on this slide, generative AI is expected to become a key technology that solves a variety of social issues.

In particular, benefiting from the productivity improvement that the generative AI brings is vital and critical to all companies.

On the other hand, generative AI has brought new issues, such as semiconductor supply shortages, rapidly growing demand for data centers, and power shortages that are becoming serious.

Solving the new challenges that the generative AI also brings is a great business opportunity for us.



### Responding to short-term impact from generative AI presents major business opportunities

Leverage effects of improved software productivity

Respond to rapid growth in data center demand

Respond to shortage of semiconductors for AI



Resolve the shortage of engineers in software development

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Mission-critical SI  
Front BU

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Accumulate technologies applying AI  
GlobalLogic



As demand for generative AI grows, demand for data centers also increases

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Substation facilities  
Hitachi Energy

Cooling facilities  
Hitachi Global Life Solutions

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Hybrid cloud  
Hitachi Vantara



Growing demand for semiconductors in AI increases the need for manufacturing/testing equipment

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Critical Dimension SEM\*  
Hitachi High-Tech

Building clean environments  
Hitachi Plant Services,  
Hitachi Global Life Solutions

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Demand forecast / Data integration platforms  
GlobalLogic

\* Scanning Electron Microscope

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In the short term, as you can see on this slide, resolving the shortage of engineers in the software development, an increasing demand for data center-related systems, and growing demand for semiconductor manufacturing and testing equipment, these are all major business opportunities for Hitachi.

Moreover, these are significant opportunities for One Hitachi because they span across all of Hitachi's business sectors.

After this, the Executive Vice Presidents who leads each sector will explain the situation.

### Medium/long-term impact from generative AI creates even greater business opportunities

Respond to increasingly serious power shortages

Offer stable power supply in response to demand from increasing IT infrastructures

High Voltage Direct Current  
Hitachi Energy

Small modular reactors  
Nuclear Energy BU

Supply/demand planning/control  
Social Infrastructure Systems BU

Improve productivity of front-line workers

Use AI in front-line operations that account for 80%\* of the global working population

Maintenance services  
Railway Systems BU, Nuclear Energy BU

Robotics Industry

Worksite-Augmenting Metaverse  
R&D

Respond to diverse risks arising with AI

Respond to risks from promoting use of AI; e.g., safety/reliability

AI consulting services  
Generative AI Center

Security services  
IT services

\* Emergence Capital, The state of technology for the deskless workforce

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On the other hand, in the medium to long term, there are going to be challenges, such as stable supply of power that will be needed as the number of data centers increases, productivity improvement of workers in field operations, which account for 80% of the world's workforce and faces serious labor shortage, and addressing risks associated with the widespread use of AI, such as safety and reliability.

These challenges and the solutions provide further business opportunities for us.

We believe that Hitachi's IT, OT, and products listed here, are key to capturing these business opportunities.

Refine ability to respond quickly to social issues  
created by major turning points

Adjust business portfolios with a view  
toward the next turning points



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As such, the emergence of generative AI brings great opportunities to our business.

Major inflection points such as generative AI will continue to emerge, along with becoming a solution for various social issues. They will bring new social challenges as well.

Therefore, we will actively invest in activities, such as corporate venturing, to identify the technologies that will create the next inflection point, and prepare a portfolio of technologies and businesses through R&D, M&A, etc., with anticipation of the next inflection point. When an inflection point emerges, we will leverage the impact of the inflection point as a business opportunity to accelerate growth through rapid investment.

By repeating such a cycle, we aim to become a company that leverages such inflection points for growth and enhance corporate value.



## 8. Identify Technologies that Create the Next Turning Points

Improve research productivity through generative AI



Accelerate development of technologies as the next turning point

Quantum computing

Anti-aging

Nuclear fusion

Continually strengthen activities aimed at identifying technologies and their impact

Open innovations

Resolve the next social issues through global ecosystems with academia

Corporate venturing

Invest in and collaborate with startups aiming to be the next "unicorns"

Back-casting R&D

Create breakthrough technologies by back-casting from the future

One thing to note here is that generative AI has the potential to greatly improve research productivity as well.

This may allow the next inflection points, which were thought to be far away from commercialization to come sooner than expected, such as quantum computation, anti-aging, nuclear fusion, and so forth.

To identify that, these activities listed here are going to be important.

We will work on open innovation by building a global ecosystem with the academia. We will also invest in and collaborate with start-up companies through corporate venturing and create breakthrough technologies through back-cast type R&D.

We will continue to invest in these activities over the medium to long term.

### Continue actions based on strong governance

#### Disciplined growth investments

##### Focus on investment returns

- M&A
  - Bolt-on acquisitions that support organic growth
  - Quickly generate Group synergy through strong PMI
  - Ensure appropriate risk management in investments
- Capex
  - Make necessary investments quickly and aggressively
  - Avoid overcapacity and streamline assets (asset-light) through frameworks that share growth investments with customers

#### Simplified portfolios

##### Enhance capital efficiency

- Assets sales
  - Consistent with Lumada strategies
  - Minimize strategic shareholdings
- Joint ventures and other business tie-ups
  - When increased scale is required to grow profits
  - Secure IP in technologies required for the next stage of growth

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Along with the discussion for the future, the current housekeeping is also important when considering corporate value enhancement.

First, growth investments must be disciplined and focused on investment returns.

Continuous improvement in our PMI capabilities; and the management of investment risk is essential to our growth model.

As for Capex, the key there is to balance aggressiveness with avoidance of overcapacity.

In addition, Complexity of business is a major risk to our management. The portfolio needs to be constantly reviewed and implemented with simplification.

For business decisions on strategic alliance, such as asset sales and JV, we will focus on enhancing capital efficiency.

### Hitachi Investor Day 2024

Introducing the aspiration of Hitachi that captures new growth opportunities and accelerates evolution

- |                          |   |                   |                                      |
|--------------------------|---|-------------------|--------------------------------------|
| 1. CEO Remarks           | : | Keiji Kojima      | President & CEO                      |
| 2. CSO Introduction      | : | Brice Koch        | Executive Vice President, CSO & CRMO |
| 3. Digital strategies    | : | Toshiaki Tokunaga | Executive Vice President             |
| 4. Green strategies      | : | Alistair Dormer   | Executive Vice President             |
| 5. Connective strategies | : | Jun Abe           | Executive Vice President             |
| 6. CFO Session           | : | Tomomi Kato       | Senior Vice President, CFO           |
| 7. Q&A Session           |   |                   |                                      |

At today's Investor Day, we would like to share with you the aspiration of Hitachi capturing new growth opportunities and accelerating its evolution.

We have prepared this event from the viewpoint of providing you with content that reaffirms Hitachi's growth potential, and I hope you will stay with us until the end.

Now, following my presentation, Executive Vice President, Brice Koch, who also serves as CSO & CRMO, will share his enthusiasm for his new mission to manage the opportunities and risks of global growth at One Hitachi, which is a major challenge for us.



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.

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- 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;
- credit conditions of Hitachi's customers and suppliers;
- 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 Hitachi's ability to respond to tightening of regulations to prevent climate change
- 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 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;
- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- uncertainty as to the success of cost structure overhaul;
- 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;
- 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 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.

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