

Hitachi Investor Day 2024

HITACHI
Inspire the Next

CFO Session

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Executive Officer,
CFO

Tomomi Kato

- As a HITACHI Finance, experienced in wide variety of business areas (IT/Energy), location (US/China/Japan) & functions (Plants/Sales/Corporate)
- Initiated group-wide activities to achieve MMP2024 key financial KPIs since appointed as a Deputy CFO in 2022

Taking advantage of upcoming interactive dialogs with investors, introducing our corporate value-up directions and focus activities when each business sector shifted into “organic growth” phase:

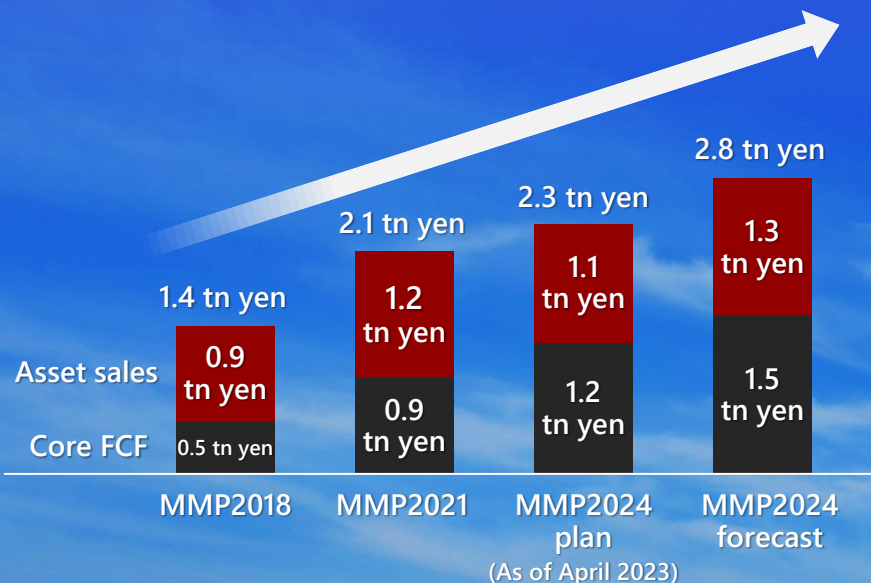
- ① Enhance cash generation capability
- ② Support growth strategies with disciplined investment
- ③ Balance capital allocation (Growth and Shareholder return)
- ④ Continuously improve capital efficiency

1. Enhance cash generation capability

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- Revenues and profit margins growth driven by MMP2024 growth strategies
- Improved cash efficiency and significant increase of core FCF (CFPS*1 growth; CAGR*2: 22%) under the CF valued management directions

Development of Cash Generation



Core FCF related KPIs

Revenue CAGR
(Three Sectors)

CAGR 10%

MMP2024

Profit Margin
(Adj.EBITA)

9.9% → 11.5%

FY2021 FY2024

Cash Efficiency

(Core FCF / Net Income)

50% → 80%

FY2021 FY2024

CFPS Growth

CAGR 22%

MMP2024

*1 CFPS : Core free cash flow per share

*2 Growth rate from 291 yen for MMP2021 period (3-year average) to 524 yen for MMP2024 period (3-year average)

2. Support growth strategies with disciplined investment

2.1 Growth Strategies of Business Sector

- Three sectors will continue to drive growth strategies aiming further revenue and profit margin growth

Target levels in three sectors

	Digital Systems & Services	Green Energy & Mobility	Connective Industries
Revenue CAGR (FY2021-24)	8%	19%	5%
Adj. EBITA(%) (FY2024 forecast)	13.5%	8.6%	11.5%
Target levels Adj. EBITA(%)	15-17%	10-12%	13-15%

Key investments in FY2024

New growth opportunities in addition to reinforcement of individual businesses

1.0
tn yen

- Generative AI 0.3
- Expanding manufacturing fields leveraged by DX, GX 0.2
- Servitization of social infrastructure business 0.2
- Flexible M&As whenever promising 0.3

tn yen

2.2 Enhance cash generation capabilities to support growth strategies

- Enhance further core FCF generation capabilities with additional initiatives

Development of CF Generation



Key Drivers of core FCF-Up

MMP2024

Realize revenues harnessing DX/GX demand

Improve profit margin by profitable business (e.g. Lumada) & portfolio restructuring

Improve core FCF / net income conversion through cash improvements in long-term project and optimizing capital expenditures

Additional Initiatives

Expand "One Hitachi" Scope (Data Centers, Semiconductors, Batteries, Bio-tech)

Productivity improvement with Digital Service Business and Generative AI

Expand Digital Service Business

2.3 Disciplined investment with leverage

- Execute growth investments complying with investment/return policies & standards
- Leverage with financial discipline utilizing our funding capacity

Discipline in Investments

- Reinforce organic growth with bolt-on deals
- Investment return standards (Adj. EBITA: >12%; ROIC: >10%)
- Risk management in M&A processes

Discipline in Leverage

As of March 2024
(Actual)

Total Assets 12 tn yen (Cash 0.7 tn yen)	Liabilities 6 tn yen (interest-bearing debt 1.2tn yen)
	Total equity 6 tn yen

As of March 2025
(Forecast)

Total Assets 13 tn yen	Liabilities
	Total equity

Expected to stay within the scope of financial discipline even after 1 tn yen additional

As of March 2024
(Actual)

- D/E ratio
- Net Debt/EBITDA

0.20x

0.38x

Financial Discipline

0.5x

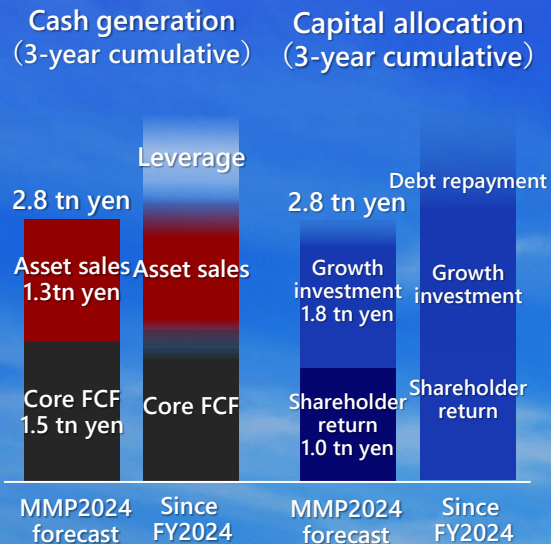
within 1-2x

3. Balance capital allocation (Growth and Shareholder return)

3. Well-balanced capital allocation (Growth and Shareholder return)

- Well-allocate Core FCF to growth investments and shareholder returns
- Assess between growth investments and share buybacks when asset sales, with optimal allocation
- Maintain stable dividends in line with business growth

Allocation Policy

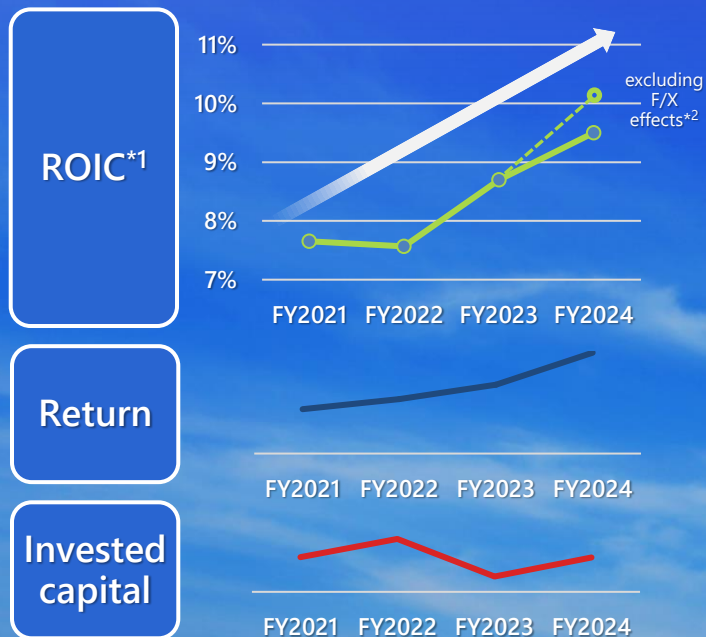


4. Continuously improve capital efficiency

4. Continuous efficiency improvement in invested capital

- Sure ROIC improvement within MMP2024 (achieve MMP target of 10% excluding F/X effects)
- Further efficiency improvement through ROIC-Up initiatives

Development of ROIC



*1 FY2024 ROIC excludes effects of 1 tn yen in additional growth investments

ROIC-Up Initiatives

- **Maximize Return**
 - Activate new growth opportunities (One Hitachi)
 - Expand profitable businesses (Lumada, digital service business)
 - Improve productivity (utilizing generative AI)
- **Asset Light**
 - Generate cash from portfolio restructuring and asset sales for cash optimization
 - Scope : Low profit, low growth businesses; non-core assets
 - Criteria : ROIC and rationality of possession
- **Optimize Invested Capital**
 - Optimize Equity Ratio
 - Balance among capital efficiency, asset risks and Debt

*2 Calculated using assumed exchange rate when MMP2024 was created

5. Conclusion

Contribute to deliver our corporate value-up through MMP2024 target realization + future MMP end-to-end processes (design ~ execution) by a) partnering with each business sector shifted into “organic growth” phase, b) bridging our business and the prospectives of capital market from the upcoming interactive dialogs with investors

Appendix FY2024 forecast

Performance by Sectors

Billions of yen		FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Forecast*1)
Three sectors	Revenues	6,699.2	7,638.2	8,564.3	9,000.0 (CAGR 10%)
	Adj. EBITA(%)	9.9%	9.5%	10.1%	11.5%
Digital Systems & Services	Revenues	2,153.6	2,389.0	2,598.6	2,700.0 (CAGR 8%)
	Adj. EBITA(%)	13.1%	12.3%	12.8%	13.5%
Green Energy & Mobility	Revenues	2,051.0	2,469.9*2	3,052.3	3,430.0 (CAGR 19%)
	Adj. EBITA(%)	4.5%	6.6%*2	6.5%	8.6%
Connective Industries	Revenues	2,752.8	2,975.2	3,057.9	3,150.0 (CAGR 5%)
	Adj. EBITA(%)	9.4%	10.5%	10.5%	11.5%

* 1 CAGR of revenue from FY2021 to FY2024.

* 2 Figures for Business Management Reinforcement Division, which were included in Energy BU until FY2022, are included in Others segment from FY2023. The figures for FY2022 reflect this change.



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.

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, 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.

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.

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.