

HITACHI

Hitachi Investor Day 2025

Digital Systems & Services Business Strategy

June 11, 2025

Jun Abe

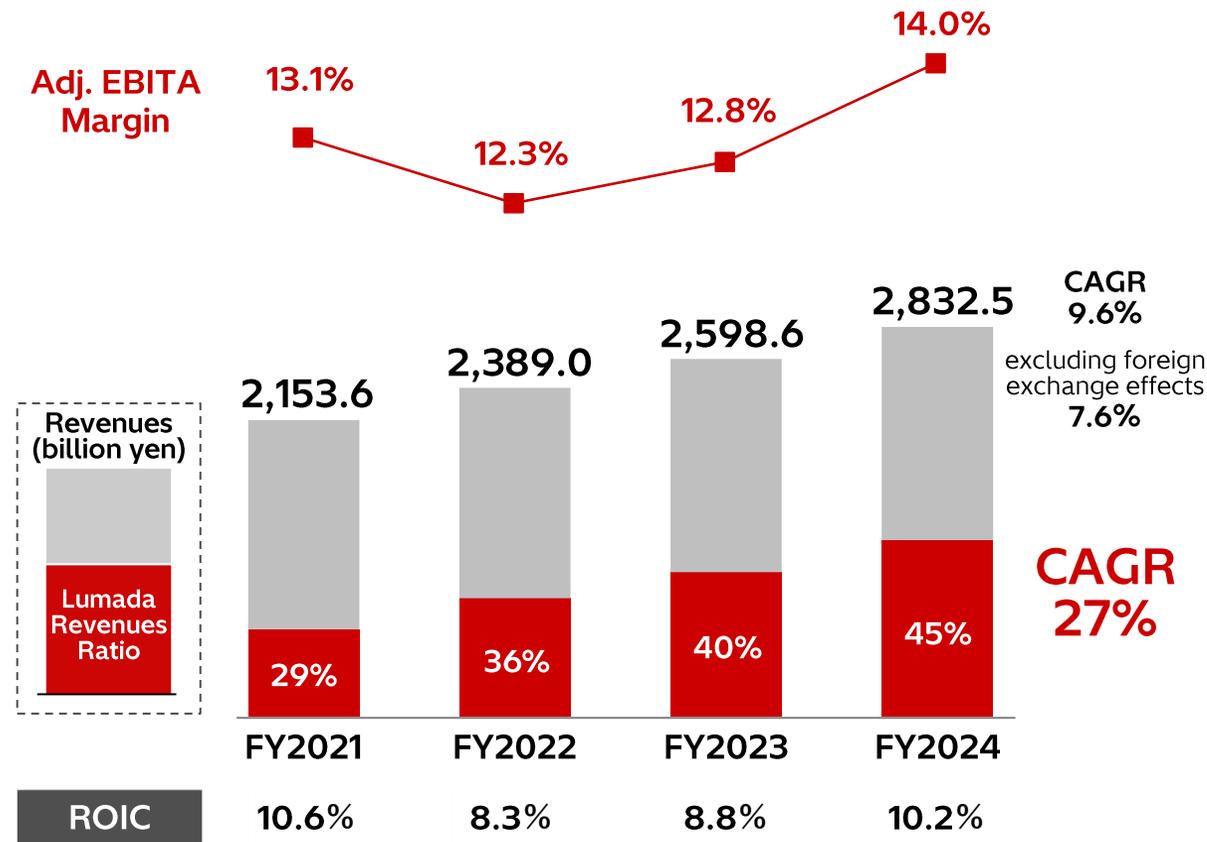
**Representative Executive Officer, Executive Vice President and Executive Officer,
Assistant to the President,
Head of Digital Systems & Services Business
Hitachi, Ltd.**

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- 1. Highlights of the Mid-term Management Plan 2024**
 - 2. Vision**
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1. Highlights of the Mid-term Management Plan 2024 (1)

Lumada business led growth, increasing revenues and Adj. EBITA



Achievements

Increase orders for modernization and large-scale mission-critical project

Japan region backlog: **1.3 trillion yen** (FY2024)

Expand services business leveraging GlobalLogic

North America region revenues CAGR: **18%** (FY2021-24)

Improve profitability through pricing reviews and other efforts

Adj. EBITA margin improvement: **+1.7%** (FY2022-24)

Priorities for further growth/transformation

- Sustainable increase in revenues and profitability improvement of Japan business
- Accelerate global growth
- Strengthen management foundation

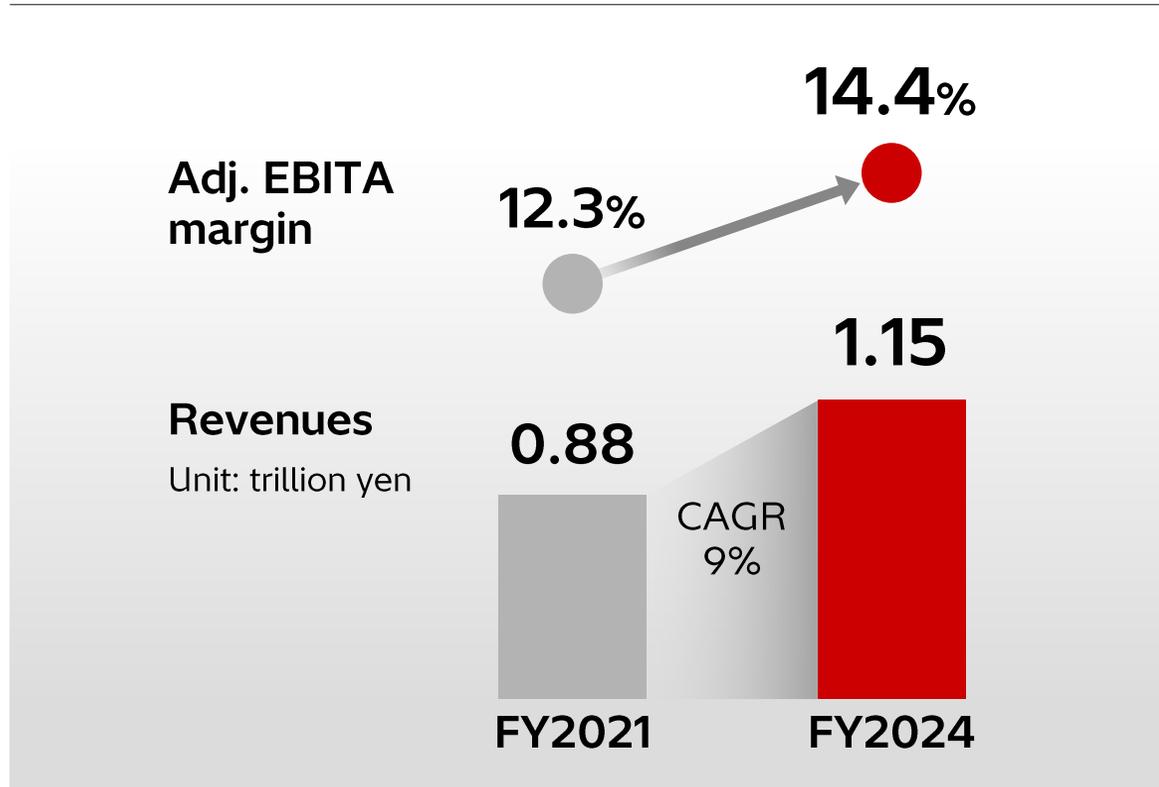
* Adj. EBITA old definition : Adj. operating income plus acquisition-related amortization and equity in earnings (losses) of affiliates

1. Highlights of the Mid-term Management Plan 2024 (2)

Systems integration business grew to over 1 trillion yen, and services business sustained high growth at a CAGR of 13%

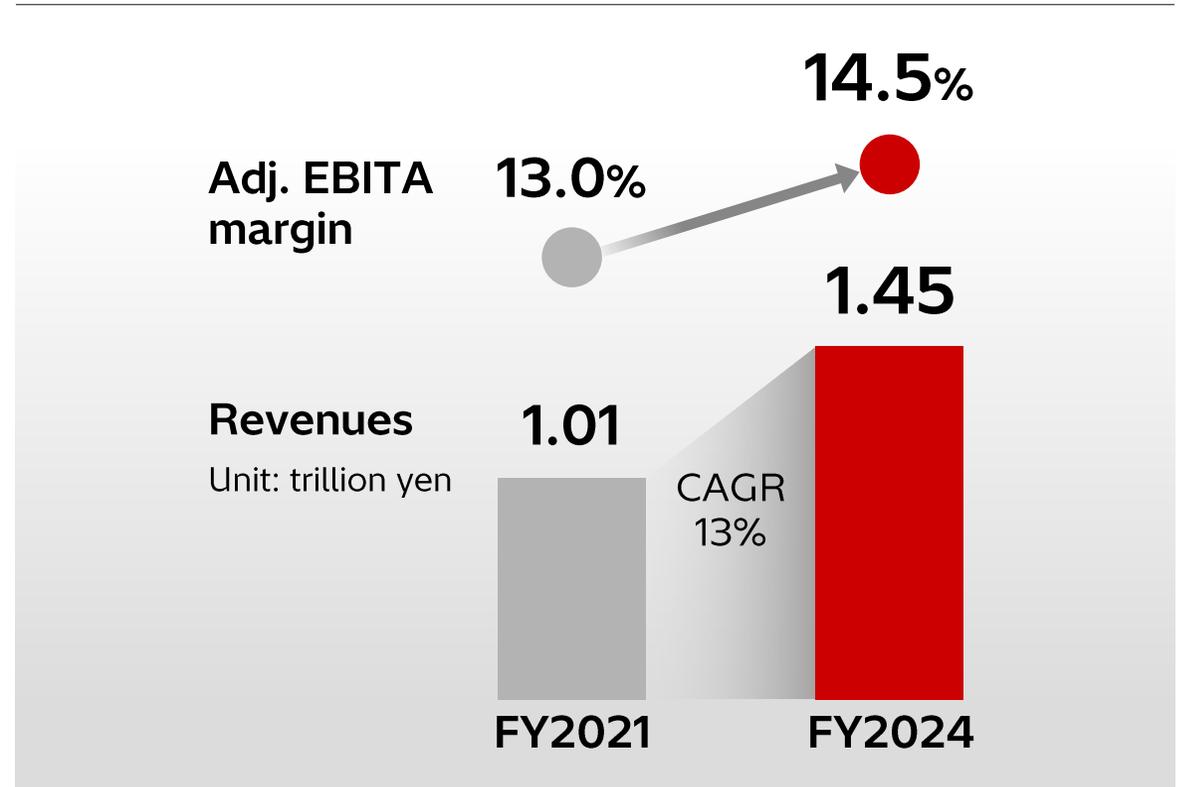
Systems integration(SI) business

SI related revenues from Financial Institution and Social Infrastructure Systems BU (including revenues recognized at Hitachi Solutions and Hitachi Systems)



Services business

Services related revenues from GlobalLogic, Hitachi Digital Services, AI & Software Services BU, Hitachi Solutions and Hitachi Systems



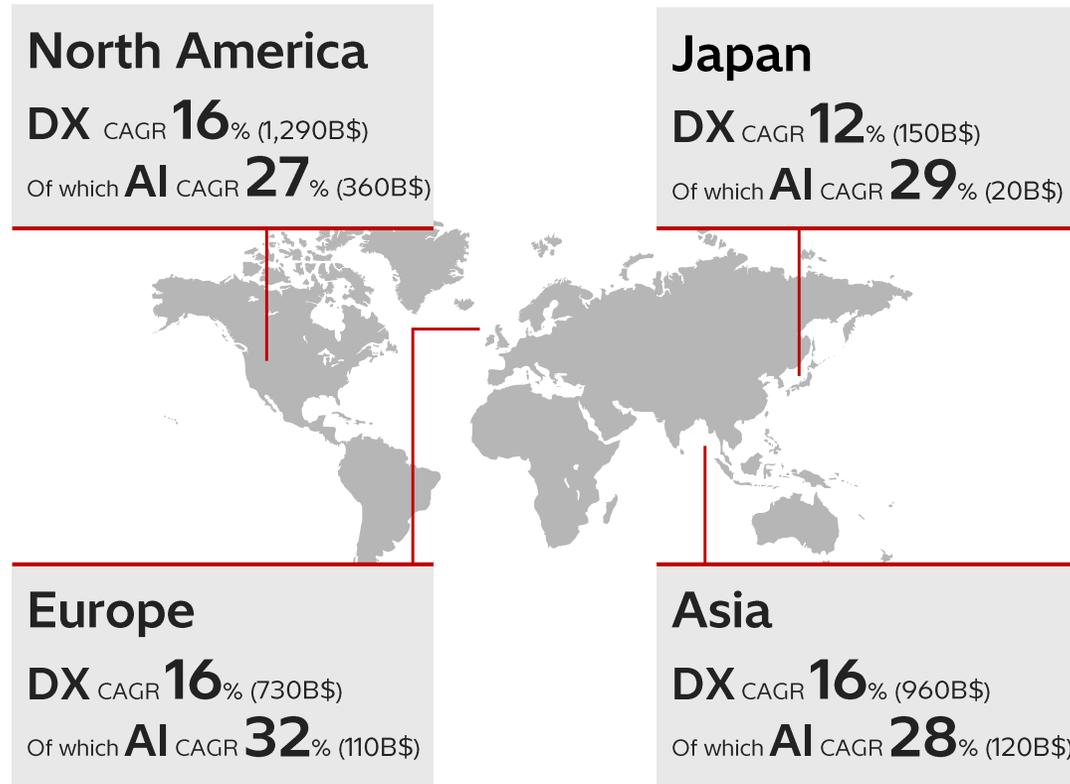
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Strong DX market growth, surging social infrastructure investment and AI demand

DX market outlook by region

CAGR 2024-2027, (Market size in 2027)



Market CAGR and size source: Hitachi

Market trends

Japan

- Acceleration of IT modernization among large enterprises
- Increase in DX demand in small and medium-sized enterprises

Global

- Increase in investment towards maintaining and evolving mission-critical social infrastructure
- Increase in large and exclusive projects

AI

- Rapid increase in companies establishing AI CoEs to accelerate the use of AI

Customer concerns in use of AI



Lack of human resources and skills



Risk of confidential data leakage



Increase in operation costs

Transform social infrastructure with AI to realize a harmonized society

Wellbeing



Harmonized society

Planetary Boundaries



Economic Growth

...



Autonomous driving



Next-gen power transmission



Next-gen batteries



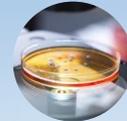
Cooperative control



Automation



Security



Biopharmaceuticals

...

Hitachi's strengths

Mission-critical IT and OT* integration

×

Game-changing technology

AI

Products and systems that configures social infrastructure



Mission-critical system



Business operation system



Retail related system



HVDC



Power plant



Rail



Signaling system



Elevator



Industrial equipment

...

*Operational Technology

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3-1. Growth Strategy

Leveraging AI as a “growth driver” to further scale business in Japan and accelerate global expansion

Digital strategy >>>



01 Further growth of Japan business

02 Acceleration of global business

Systems integration

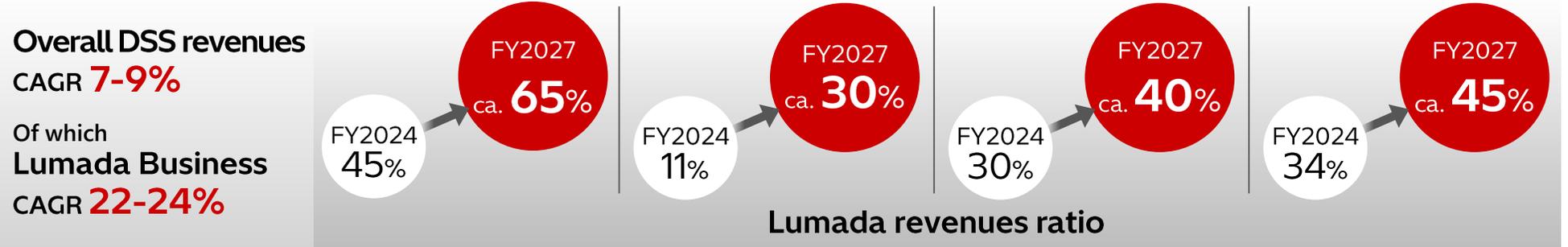
Services and recurring

GlobalLogic

One Hitachi Lumada business



Inspire 2027 targets >>>



3-2. Japan Business | Strengthening SI Business Execution Capabilities

Create and deliver new value to customers with greater speed utilizing generative AI and global engineering resources

Systems integration (SI) business in Japan*1

FY2025 Forecast

Revenues over 1.2 trillion yen Adj. EBITA margin 15-16%



Inspire 2027 Target

Revenues CAGR 7-8% Adj. EBITA margin 16-17%



Create new value with generative AI
 Improve productivity and provide new value to customers by leveraging domain knowledge



Utilize global development resources
 Utilize talent from GlobalLogic and Hitachi Digital Services for projects in Japan to strengthen execution

| | FY2024 | FY2027 |
|---|--|--------------------|
| Productivity improvement | Manufacturing and unit testing process | Overall SI process |
| | +30%*2 | +30% |
| Result of application | 5 billion yen | 100 billion yen |
| Improve clients' operational efficiency & enhance social infrastructure by leveraging extensive domain knowledge | | |

| | FY2024 | FY2027 |
|---|--|--------------------|
| Engineer utilization | 650 people-month | 3,500 people-month |
| | India, Vietnam, Eastern Europe | |
| Bilingual engineers | | 500 trained |
| | with understanding of unique specifications for Japanese customers | |
| Deploy global cutting-edge technology with agility for projects in Japan | | |

AI development platform readiness
 Maximize performance through the synergy of people and AI

- **Efficient software development** by leveraging GlobalLogic's VelocityAI and other solutions
- **Drive business scalability and recurring revenues** through accumulation of domain knowledge and intellectual property (IP)

*1 SI business in the Financial Institutions BU and Social Infrastructure Systems BU (including revenues recognized at Hitachi Solutions and Hitachi Systems) *2 Proven results from selected client cases

Expand co-creation with clients using generative AI in large-scale SI projects



Large-scale core system modernization

Use of generative AI for mass information search
Reduce workload and improve accuracy



Maintenance of legacy source code

Improve system understanding by generating specifications from source code
Testing in progress on actual systems for legacy code maintenance



Examples of clients engaged in co-creation*



* Listed in alphabetical order / Photo is for illustrative purposes only

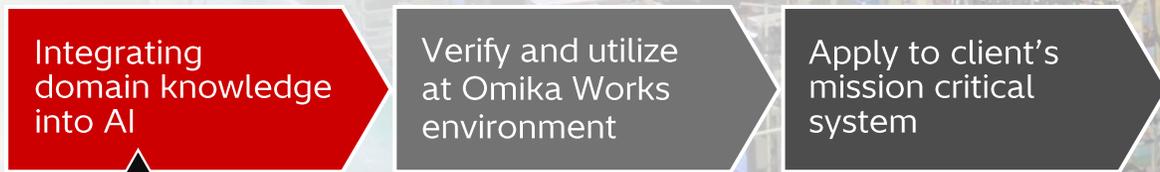
Realize sustainability in field operations through domain knowledge x AI

Omika Works

"Application of generative AI to quality assurance work"

Convert tacit knowledge to codified knowledge

Enable novice workers perform as experienced worker using knowledge empowered AI



Domain knowledge



Deep understanding of client's business

cultivated through system development and operation



Mechanical & physical phenomena knowledge

gained through experience in manufacturing

Applying generative AI to mission-critical social infrastructure systems



Improve efficiency of railway operations management and maintenance

Applying **generative AI** to **ATOS**^{*1}

that supports metropolitan transportation by handling a massive volume of train traffic



Addressing labor shortages and operational transformation through DX

Japan's first^{*2} joint validation (from September 2025) to analyze time and effort reduction in failure response

- **Developing a railway operation management-specific LLM** that incorporates control system documentation (codified knowledge) operational know-how (tacit knowledge)
- **AI agent development** based on failure response scenarios that replicate the thought processes of skilled professionals
- Aiming to **enhance the overall reliability of railway operation systems** by applying generative AI to requirements definition, design, and development processes

Toward enhanced transportation stability

^{*1} ATOS: Autonomous decentralized Transport Operation control System ^{*2} As an initiative involving generative AI in mission-critical railway operation systems

3-6. Japan Business | Expanding Services and Recurring Business

Provide end-to-end services from consulting, business transformation to AI platforms and offerings

Services business
In Japan*1

FY2025 Forecast

Revenues over 1.1 trillion yen Adj. EBITA margin 15-16%



Inspire 2027 Target

Revenues CAGR 6-7% Adj. EBITA ratio 16-17%

AI agent and other high-value solutions

Business Operation Automation
Automatic document generation and security analysis

Digital Marketing
Personalization and concierge services

Managed services that improve operational efficiency with generative AI

Cloud & Data Center
Accelerate incident response and preventive maintenance

Contact Center
Optimal suggestions from AI operator

Applying AI to variety of business operation solutions and alliance offerings

Strengthen Infrastructure and Services
that deliver secure, efficient, and responsive AI & data adoption

Hitachi iQ with NVIDIA
Provide AI infrastructure that leverages domain knowledge

HARC for AI
Management services that improves continuously

Industry-specific LLM services
Build and improve LLM suited for clients' business

*1 Services business in Japan from AI & Software Services BU, Hitachi Solutions, and Hitachi Systems

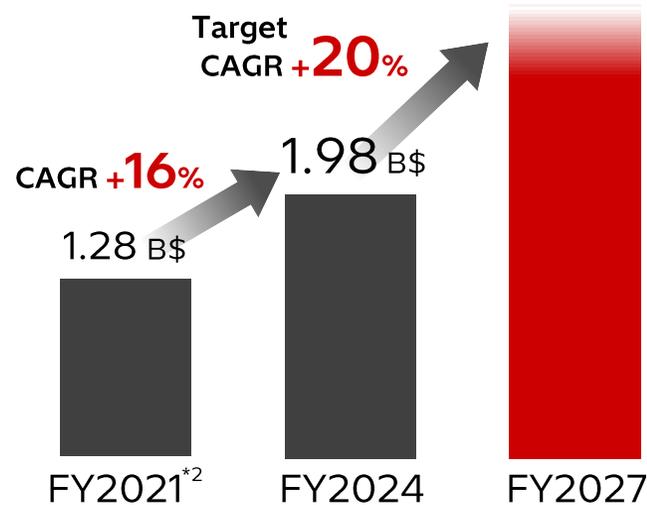
Drive global expansion as a growth engine that outperforms the market

Market growth rate

Digital engineering (incl. AI)

CAGR **15%** (2025-2027)*1

GlobalLogic Revenues (results and target)



Sustained growth of the digital engineering business

● Expand core growth via sales

- Win new business with 550+ existing clients including Healthcare, Industrial, Private Equity, Financial Services, etc.

● Continue to strengthen delivery capabilities globally

- Strengthen industry capabilities and regional expansion through M&A
- Strengthen digital & AI talents with continuous hiring, upskilling, and training

Accelerating synergies

● Promoting digitalization of the OT sector business assets and services

- +67% YoY growth in synergy revenues (FY2024)



*1 Source: Hitachi *2 GlobalLogic's FY2021 result includes revenues prior to completion of acquisition

Build AI technology solutions combining design and engineering capabilities to further strengthen market competitiveness

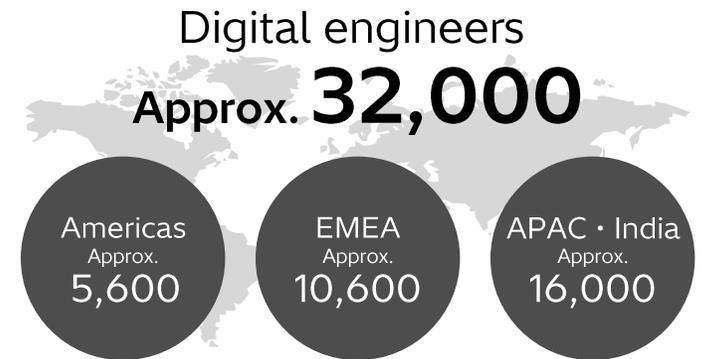
Cutting-edge AI offering

GlobalLogic's **VelocityAI** **AI-powered service offerings** that power intelligent enterprises, accelerate product development, improve operations, and enhance customer experiences

| Flagship offerings | AI-Powered SDLC*1 | Enterprise AI |
|--------------------|--|--|
| | Securely integrates AI across the software lifecycle boosting productivity and maintaining IP protection | Enables responsible, reliable, reusable deployment of enterprise scale (Gen)AI to monetize data across products, services, and operations |
| Proven cases | <p>Energy client</p> <p>development efficiency ~20% improvement</p> | <p>Software client</p> <p>modernization productivity ~40% improvement</p> <p>Global medical entity</p> <p>critical case response time ~25% improvement</p> |

Extensive AI talents

Generative AI trained talents*2
Approx. **16,000** 



High reputation in the market

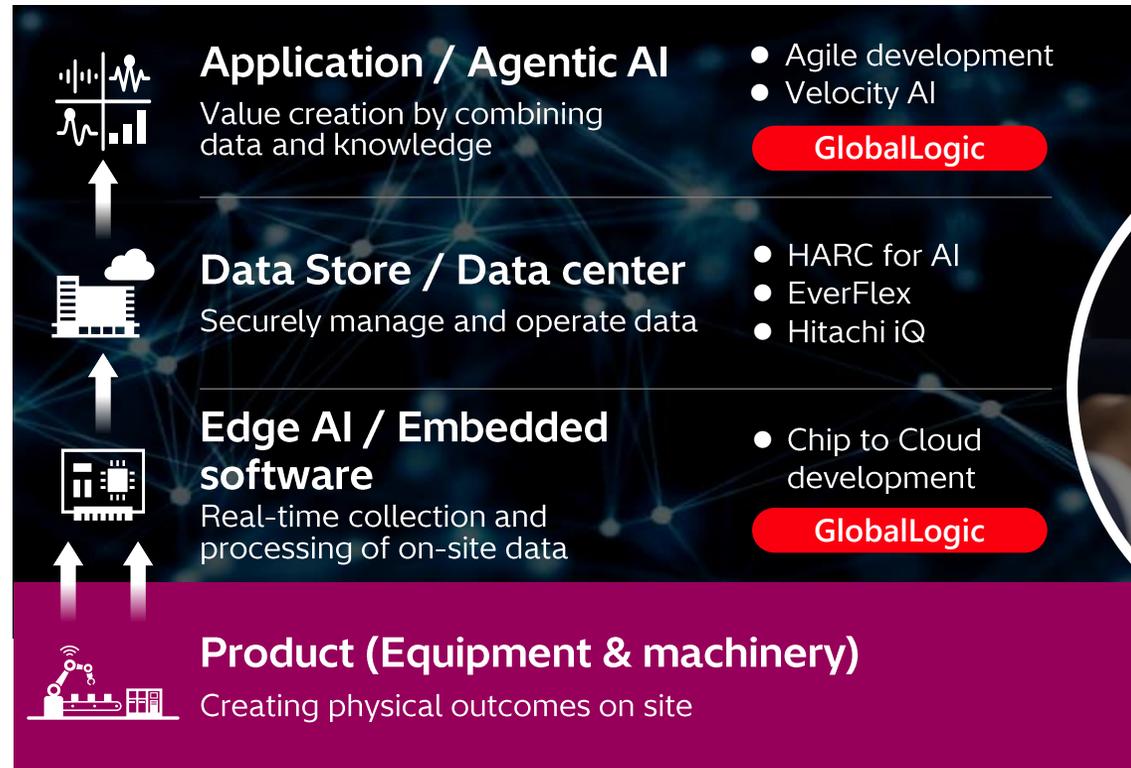
| | | |
|---|---|---|
|  | Leader Generative AI Services Report 2024 | Highlights GlobalLogic's ability to harness generative AI to design and develop intelligent products, platforms, and services that transform diverse industries and improve lives |
|---|---|---|

*1 Software Development Lifecycle *2 Number of talents that completed GlobalLogic's GenAI training program

Expand Lumada business by HMAX which integrates installed base and AI service offerings



HMAX reference model



Expansion into growing markets



AI market CAGR source: Hitachi

Globally deliver value which transforms social infrastructure through One Hitachi

Regional Transmission Organization (RTO) serving 14 states in Central U.S.

Southwest Power Pool

Advancing power grid operations with AI

Method, GlobalLogic, Hitachi Energy, Hitachi R&D, Hitachi Vantara

- **Developed integrated solution, an industrial AI system that integrates One Hitachi capabilities**, including power grid operation expertise, AI algorithms, and high-speed data processing powered by Hitachi iQ
- Shorten the duration of interconnection impact studies by **80%*** through process automation, predictive analysis, and system integration across stakeholders while also enabling faster, more informed decision making
- Aiming to **address the growing energy demand-supply gap in the U.S.** Considering application to power grid operations worldwide

Photo is for illustrative purposes only

* An interconnection impact study assesses grid stability risks such as voltage, current, and outages, and currently takes two years or more due to complex simulations and rigorous oversight.

3-11. Partnering

Accelerate AI utilization through collaboration,
with DSS as a hub to deploy results across the Hitachi Group



Initiatives

- Development and delivery of OT domain solutions such as HMAX
- Acceleration of talent development
- Creation of advanced customer support use cases in the OT domain
- Promote discussions on next-generation data centers



First Japan Headquartered Global System Integrator (GSI)

Accelerate creation of digital solutions to meet customers' AI transformation needs

3-12. Strengthen Management Foundation

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Ensure ROIC-focused management, execute planned investment for business expansion and enhance talent strategy



Enhance capital efficiency



ROIC
(DSS Sector)

vs. FY2024
**1-3pt
improvement**

- **Recurring business expansion**
From labor-intensive to service-oriented
- **Business Portfolio Transformation**
Ongoing review of low-growth, low-profit businesses
- **Pricing Optimization, reduction of working capital**
Transition to value-based pricing, CCC improvement



Investment for business expansion



R&D investment
(Hitachi group wide)

3-year total
**1.3
trillion yen**

- **AI service / offerings**
Industry-specific LLM, SaaS platform, Agentic AI
- **Domain knowledge / regions**
Bolt-on M&A
- **Next generation technologies & innovation**
R&D investment, startup collaboration



Talent strategy enhancement



Number of generative
AI professionals
(Hitachi group wide)

FY2027
**50,000
people**

- **Secure leaders & highly skilled experts**
Strengthen consulting talent recruitment
- **Secure talents for One Hitachi expansion**
Promote cross-sector talent exchange
- **Expand training for generative AI and reskilling**
Provide training programs for IT engineers group wide

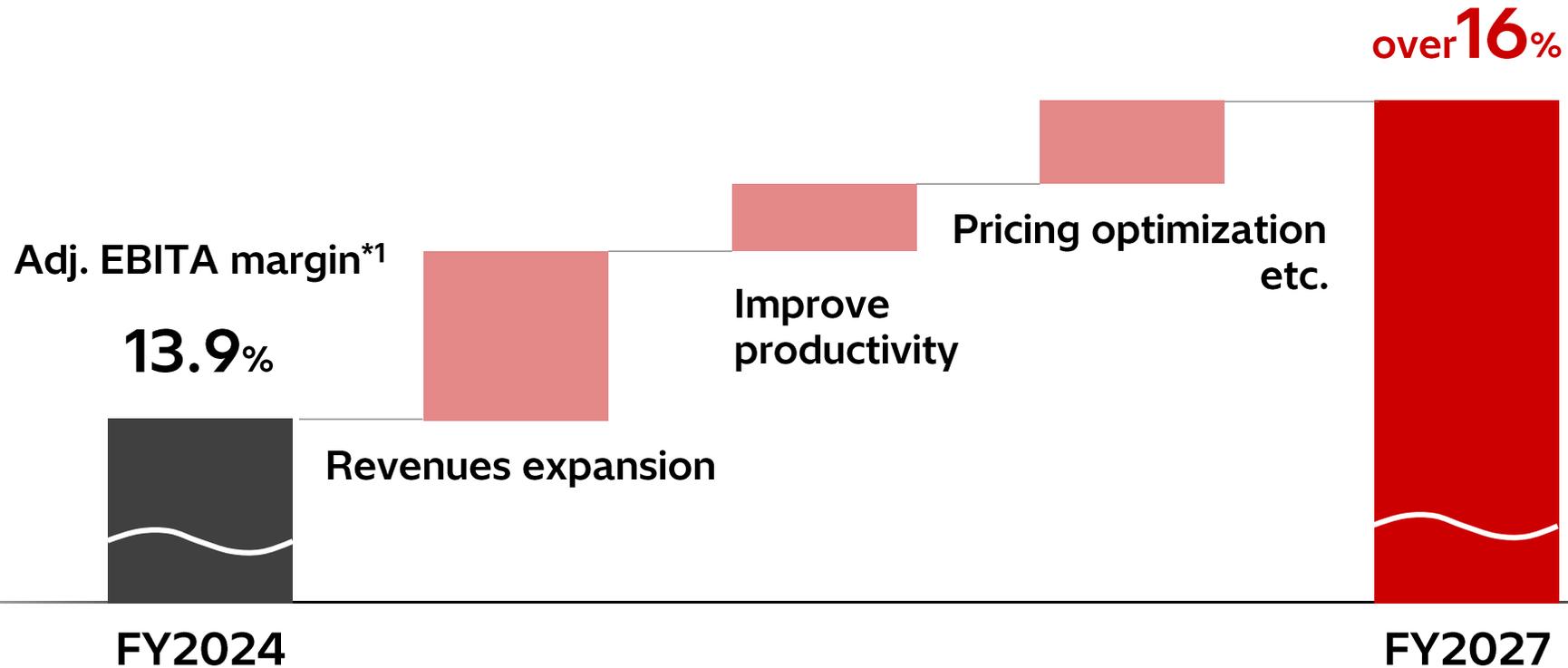
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4-1. Profitability Target

Focus on profitable systems integration and services, promote further productivity improvements and pricing optimization



*1 Adj. EBITA new definition: Adjusted operating income + amortization of intangible assets related to acquisitions (add-back)

4-2. The Future Ambition in Figures

Execute growth strategy, aim for sustainable revenues expansion and profit improvement

| | FY2024 | FY2025 | FY2027 |
|-------------------------------|---------|---|-----------------------------|
| Revenues growth rate | YoY +9% | YoY +7%  | +7-9% FY2024-FY2027 CAGR |
| Adj. EBITA margin | 13.9% | 14.5% | 16%+ |
| ROIC | 10.2% | 10.3% | 11-13% |
| Lumada business revenue ratio | 45% | ca. 55%  | ca.65% |



: the number with upside potential

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Appendix 1. Digital Systems & Services Sector Organizational Structure



Head of Digital Systems & Services Business
General Manager of Digital Systems & Services Div.

Abe



Head of business
in Japan

Nagano



**CMO
Mashima**

Digital Engineering & AI Solutions BU



**CEO
Abe**

GlobalLogic



**CEO
Srinu Shankar**

Hitachi
Vantara



**CEO
Sheila Rohra**

Hitachi Digital
Services



**CEO
Roger Lvin**

AI & Software Services BU



**CEO
Hosoya**

Social Infrastructure Systems BU



**CEO
Nagano**

Financial Institutions BU



**CEO
Imai**

Hitachi Systems, Ltd.



**President
Watanabe**

Hitachi Solutions, Ltd.



**President
Morita**

Services & Platforms

Provide the methods and latest digital technologies required for DX

- Digital Engineering & AI Solutions BU
- AI & Software Services BU

IT Services

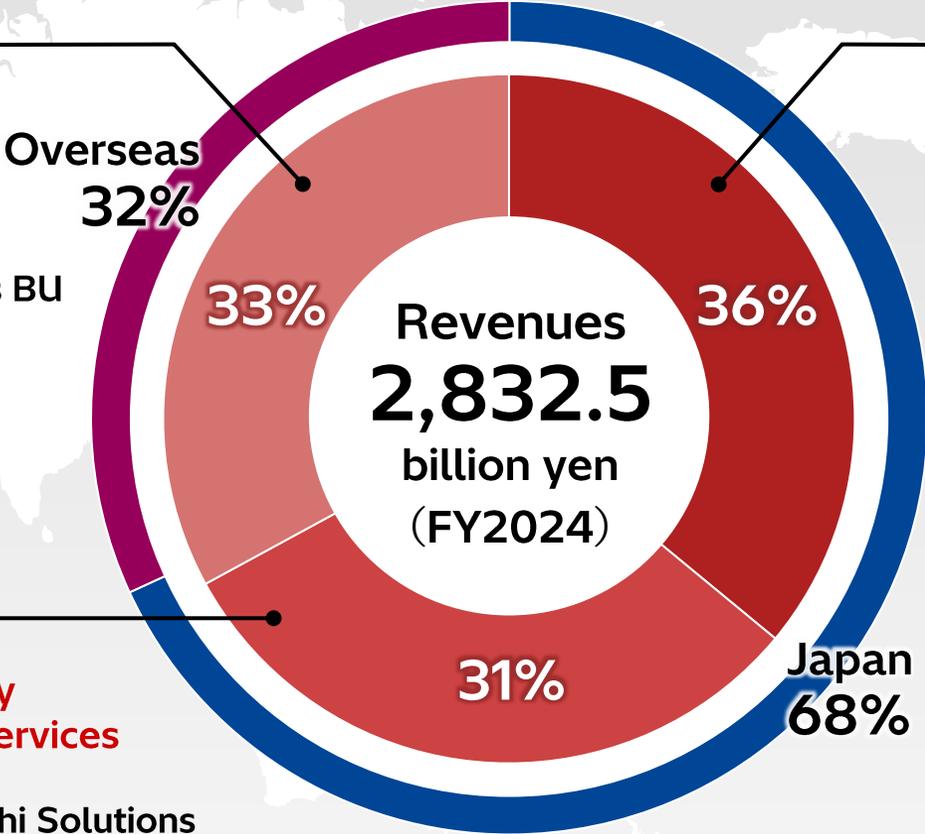
Support customers' DX by providing solutions and services

- Hitachi Systems
- Hitachi Solutions

Front Business

Develop mission-critical social infrastructure with advanced IT and digital systems

- Financial Institutions BU
- Social Infrastructure Systems BU



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.

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