

HITACHI

Hitachi Investor Day 2025 CFO Session

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Tomomi Kato
Senior Vice President and Executive Officer, CFO
Hitachi, Ltd.

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- 1. Enhance Cash Generation Capabilities**
 - 2. Balanced Capital Allocation (Growth and Shareholder Return)**
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1. Enhance Cash Generation Capabilities

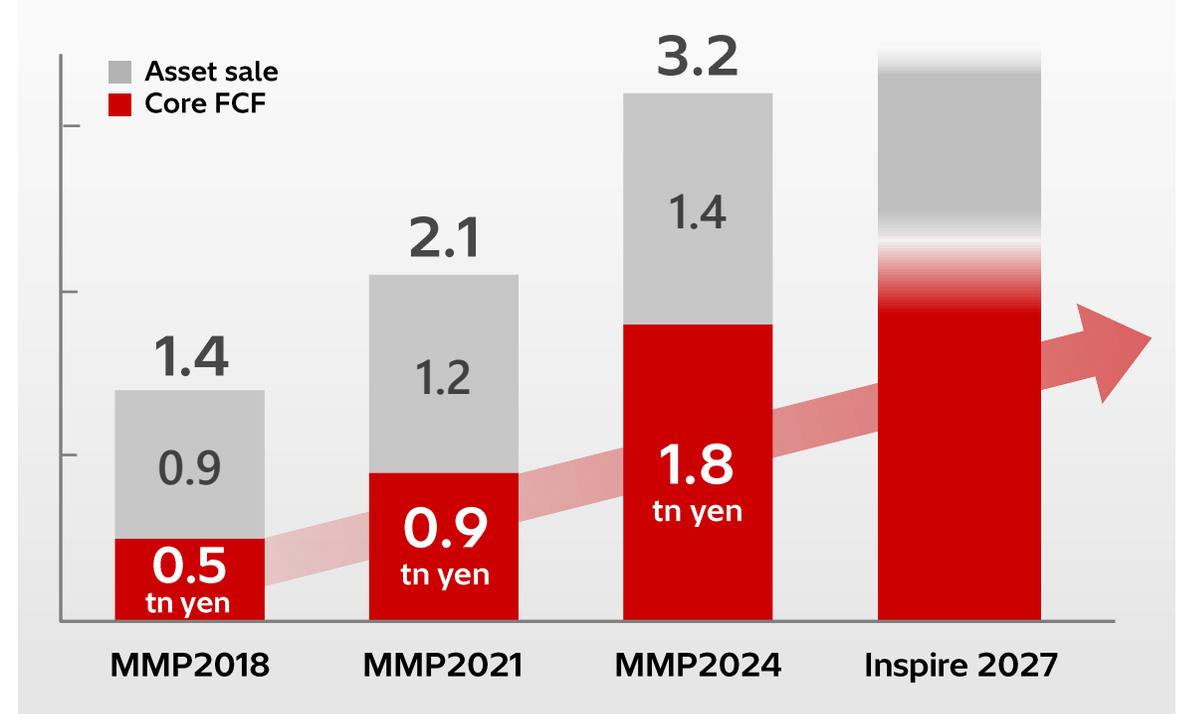
Continuously expand core FCF by increasing revenues and improving margins through the expansion of Lumada business, and further improving CF conversion

Improve margin due to growth in each sector

	Revenues CAGR (FY2024-27)	Lumada revenues ratio (FY2027)	Adj. EBITA margin (FY2027)
Consolidated total	7-9%	50%	13-15%
DSS	7-9%	ca. 65%	Over 16%
Energy	11-13%	ca. 30%	Over 12%
Mobility	7-9%	ca. 40%	Over 11%
CI	6-8%	ca. 45%	Over 13%

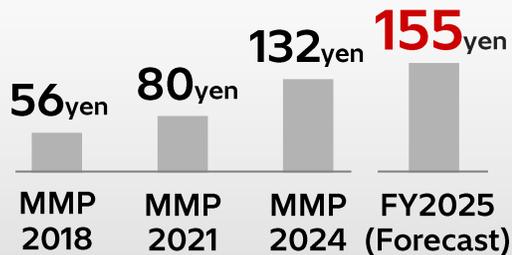
Cash generation trends

Core FCF CAGR : **23%**
(MMP2018-MMP2024)



EPS trends (Average over three years)

CAGR : **15%**
(MMP2018-MMP2024)



CF conversion*1 trends



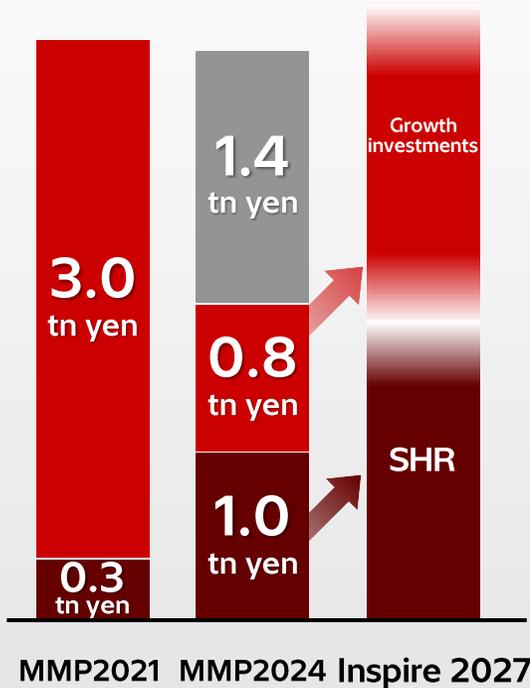
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2-1. Achieve Well-balanced Capital Allocation (Growth and Shareholder Return)

Return-focused, flexible and balanced capital allocation between growth investments and shareholder returns

- Debt repayment
- Growth investments
- Shareholder returns



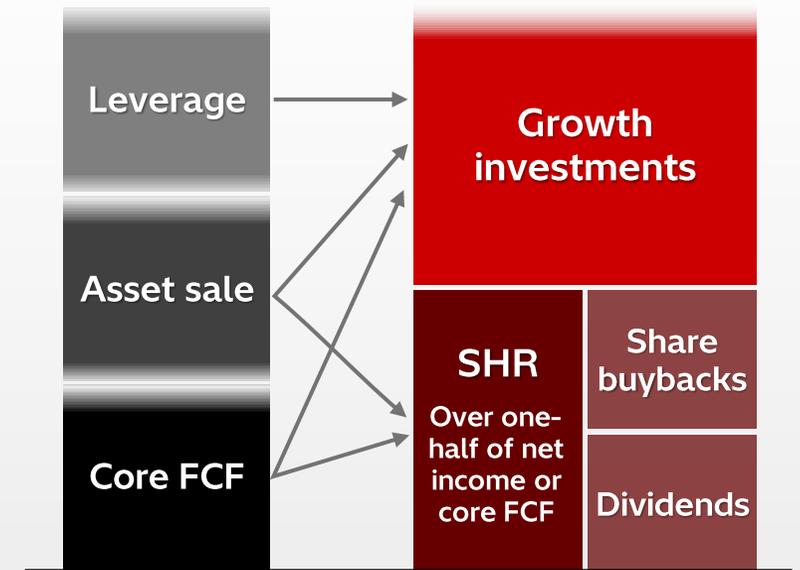
Investment in inorganic growth

- **Focused investment in digital enhancement and service expansion**
 - Strengthen Strategic SIBs (Data centers, Healthcare, etc.)
 - Strengthen Integrated Industry Automation
 - Strengthen Digital engineering and service
- **Execution on strategic alignment, risk, return, etc.**
 - Hurdle rate: Financial KPIs under Inspire 2027 (Adj. EBITA: 13-15% and ROIC: 12-13%)
- **Leverage is utilized under financial discipline**
 - D/E ratio: 0.5 times
 - Net Debt/EBITDA multiple: 1-2 times

Shareholder returns

- Continuously increase return to shareholders over mid-to-long term
- Over one-half of core FCF or net income
- Stable dividend growth in line with business growth
- Flexible share buybacks

Capital allocation policy



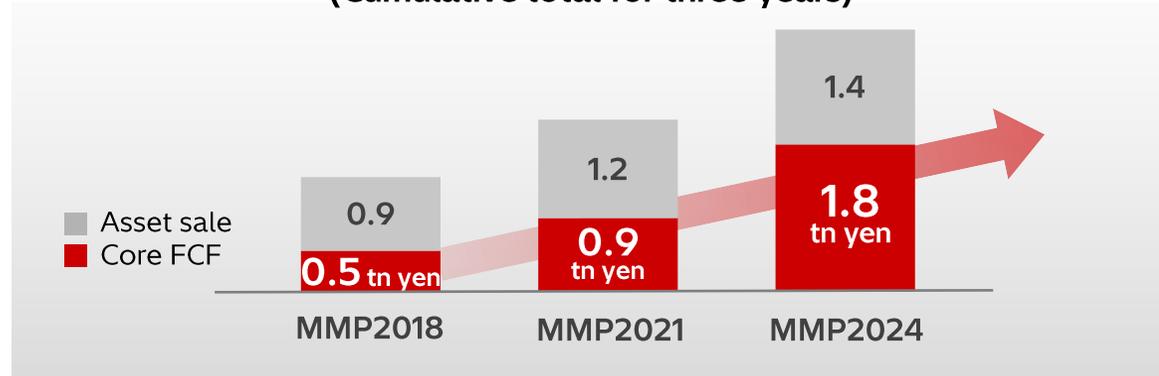
- Priority :
1. Dividends
 2. Growth investments
Share buybacks
 3. Debt repayment

In the absence of growth investment opportunities, excess cash will be returned to shareholders

2-2. Shareholder Return Trend

- **Dividends** : Stable dividend growth (Continued dividend growth over the past 14 years)
- **Share buybacks** : Flexible share buybacks based on cash generation capabilities, the financial condition, and the asset sale

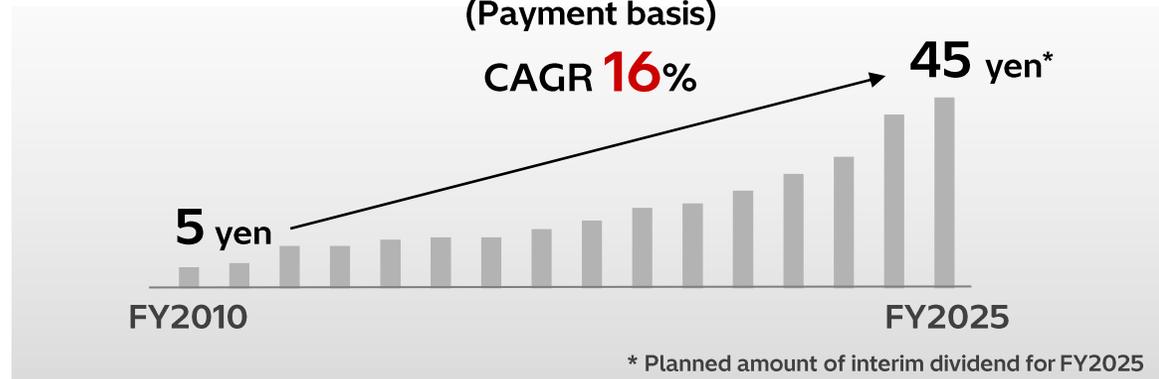
Cash generation (Cumulative total for three years)



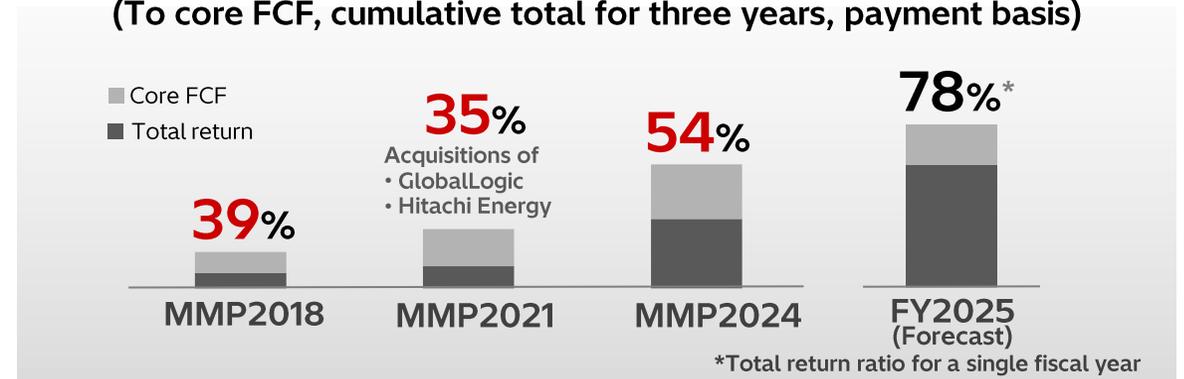
Share buybacks



Annual dividend per share (Payment basis)



Total shareholder return ratio (To core FCF, cumulative total for three years, payment basis)



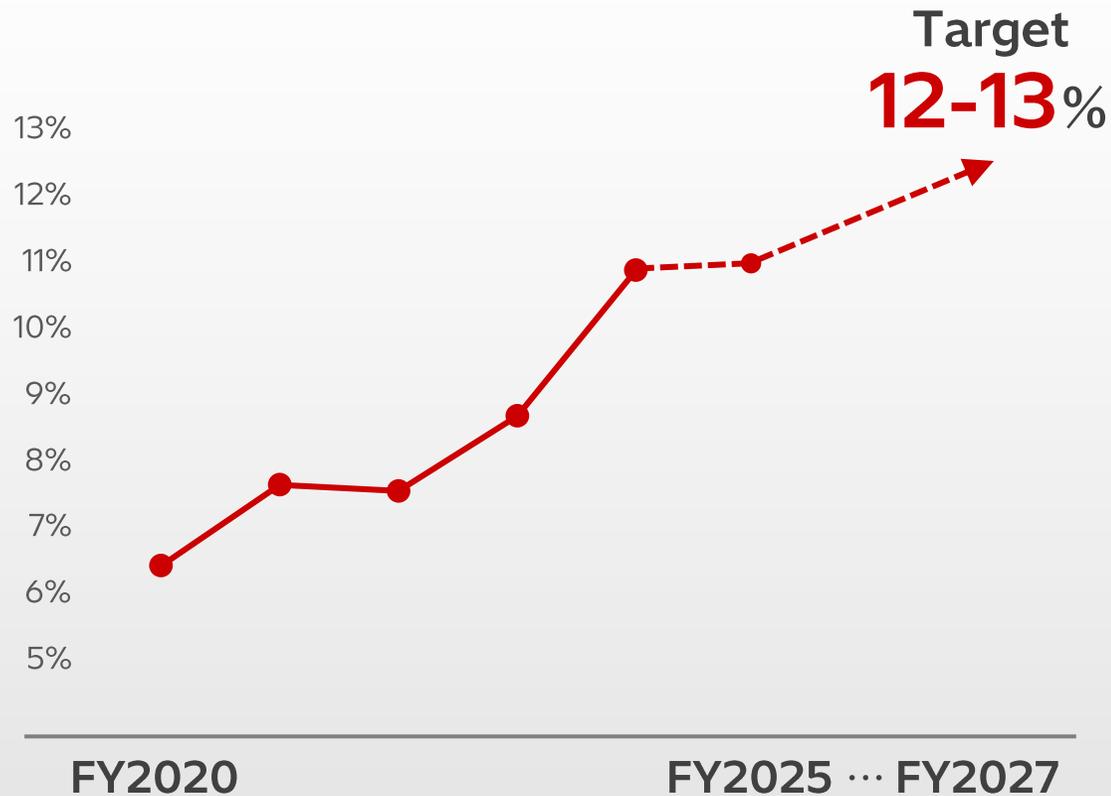
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3. Improve Capital Efficiency

- Improve ROIC by expanding returns through Lumada expansion at its core and optimizing invested capital
- Facilitate the early recovery of ROIC (spread) after inorganic investments, through promoting both ROIC improvement and WACC reduction

ROIC trend



ROIC-up initiatives

Maximize return

- Strengthen four sectors with Lumada at its core (Expand profitable digital service business)
- Improve productivity (Utilizing generative AI)

Optimize Invested capital

- Asset Light
 - Continue asset sale from the perspective of asset efficiency, and promote cash generation and ROIC improvement through portfolio restructuring
- Scope : Low profit/low growth business, and non-core assets (Exit policy of Lumada strategy)
- Criteria : Growth potential as Lumada business, rationality of possession, and ROIC
- Optimize equity ratio
 - Balance among capital efficiency, asset risks and debt

Reduce WACC

- Utilize leverage
- Optimize β by stabilizing profitability through the expansion of digital services

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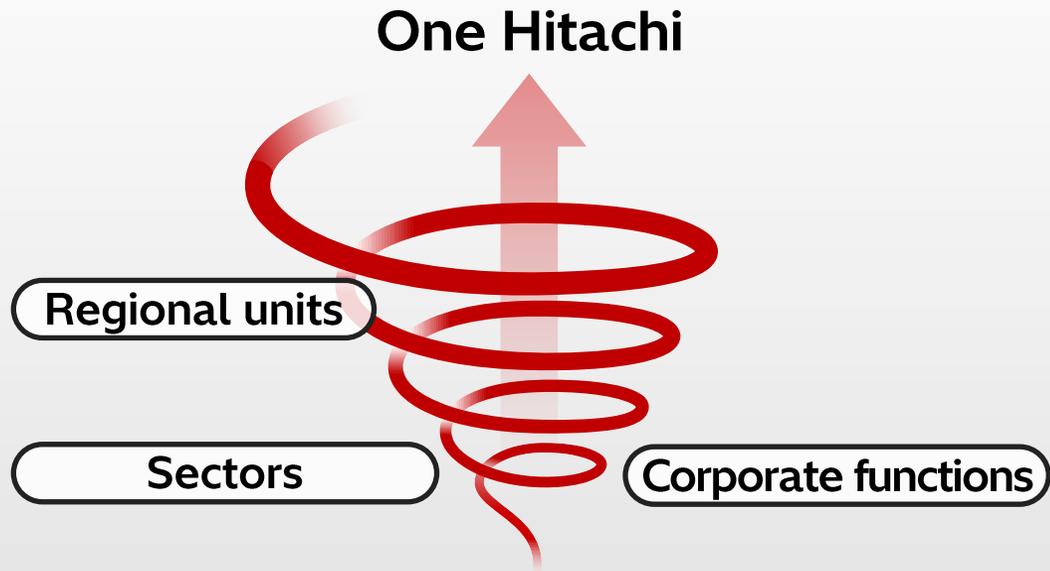
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4-1. Reinforce Risk Management

- In response to increasing uncertainty in the business environment, promote Enterprise Risk Management (ERM), which enables the sectors, regional units, and corporate functions to centrally identify and address major risks across the entire Hitachi group
- Closely monitoring the situation regarding the impact of the U.S. reciprocal tariff (The anticipated risks remain largely unchanged)

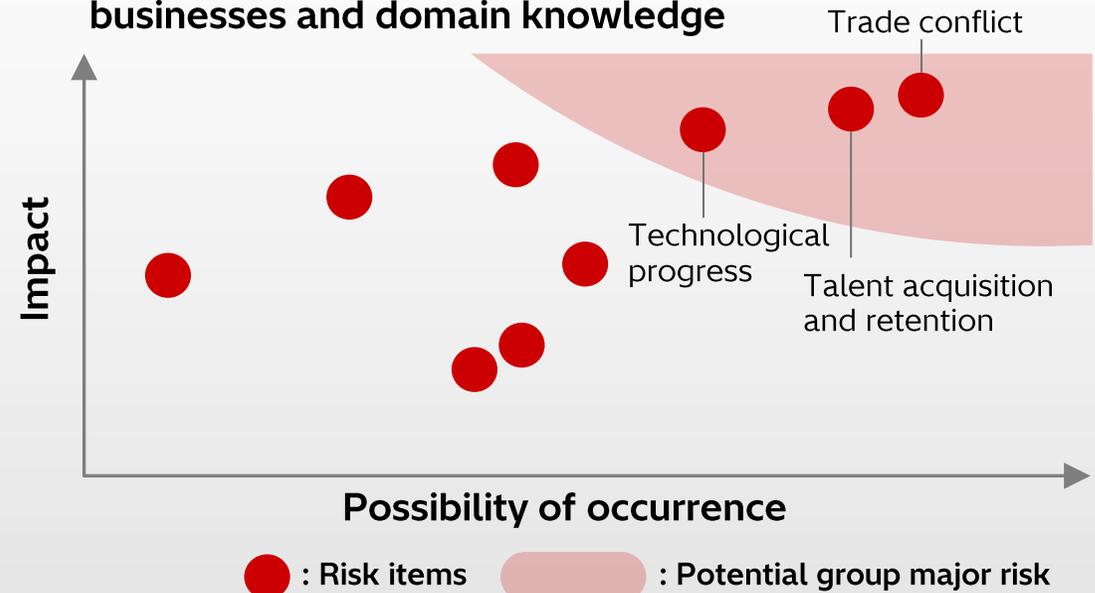
Risk management system

- Assign Risk Management Officers (RMOs) across sectors, regional units, and corporate functions, and operate ERM under One Hitachi



Risk heat map (Illustrative)

- Ensure timely updates and organize major risks across the entire Hitachi group
- Minimize risks by leveraging Hitachi's diverse businesses and domain knowledge



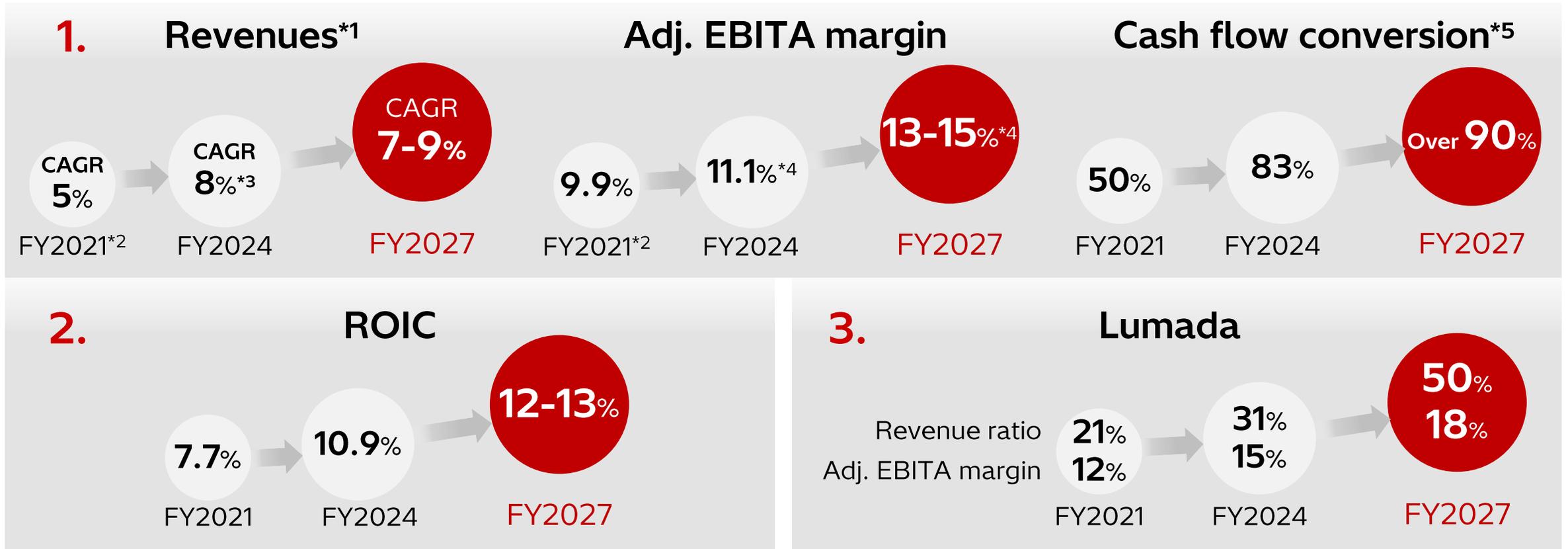
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5. Summary

1. Enhance cash flow generation capabilities by improving revenues, Adj. EBITA margin, and cash flow conversion. Allocate the generated cash to growth investments and shareholder returns in a balanced and flexible way
2. Promote higher returns and optimization of invested capital to improve capital efficiency over mid-to-long term, even while pursuing inorganic investments
3. Transform Hitachi into a digital-centric company with Lumada at its core, and enhance enterprise value



11 *1 Three-year CAGR *2 Three Sectors *3 Excluding foreign exchange

*4 Updated definition of Adj. EBITA: Adj. operating income + Acquisition-related amortization (added back) *5 Core FCF/Net income (excluding special factors)

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Major investments in Inspire 2027

	Organic	Inorganic
Policy	<ul style="list-style-type: none"> • Create 'Next' to drive the next stage of growth • CAPEX to strengthen existing businesses 	<ul style="list-style-type: none"> • M&A for both digital enhancements and service business expansion
Items	<ul style="list-style-type: none"> • Research and development investments <ul style="list-style-type: none"> - Lumada development - Next generation technology development (1.3 tn yen) • CAPEX by each sector (1.5 tn yen) 	<ul style="list-style-type: none"> • Business development investments by Strategic SIB (0.5 tn yen) • M&A by each sector (As opportunities arise)

Topics (U.S. Reciprocal Tariff Impacts)

- Assuming all tariff rates announced on April 2nd (U.S. time) are applied, we bake the estimated direct risk impact of the U.S. reciprocal tariffs policy into Adj. EBITA at 30.0 bn yen and into net income at 35.0 bn yen
- In the Power Grids business, the main business in the U.S., the momentum of renewal demand for power grid facilities is expected to remain unchanged in the mid to long term

Estimated Direct Risks Breakdown of the 35.0 bn yen in net income

		Indirect Impact (Loss of sales opportunities, etc.)	Direct Impact (Increase in tariff costs)
Importing Countries	U.S.		
	Others		

	Main businesses with risks	Risk	Countermeasures
US business	Power Grids	• Import of some components used for HVDC system and other components from Europe, Canada, etc.	• Most major products for the U.S. market are manufactured in the U.S. • Flexible production by utilizing global footprint • Negotiations on tariff cost sharing and contract terms change
	Measurement & Analysis Systems	• Import of semiconductor production equipment (SPE) from Japan	• Capturing business opportunities through leveraging U.S. collaboration centers
	Industrial Products & Services	• Import of a part of finished products and components for air compressors from China	• Review the selling price and supply chain (expand local procurement and local production)
	Equity method affiliates (Astemo, etc.)	• Import of certain parts from Mexico and other regions	–

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.