

# Mid-term Management Plan 2024

April 28, 2022

**Keiji Kojima**  
President & CEO  
Hitachi, Ltd.

# Mid-term Management Plan 2024 - Targets and Policies

## Support people's quality of life with data and technology that fosters a sustainable society



Revenues growth

**5%-7%**

FY2021-FY2024 CAGR

Adjusted EBITA Margin

**12%**

ROIC 10%

EPS<sup>\*1</sup> growth

**10%-14%**

FY2021-FY2024 CAGR

Core FCF<sup>\*2</sup> (3-year cumulative)

**1.4 trillion yen**

Approx. 50% of this returned to shareholders

\*1 Share buybacks included \*2 Core FCF = Cash flows from operating activities – CAPEX

## Provide value to customers and society through the enhancement of human capital

### Planetary Boundaries



### Wellbeing



### Value to customers and society

|  |  |   |   |
|--|--|---|---|
| <h4>Environment</h4> <p>Decarbonization, Resource circulation<br/>CO2 reduction of approx. 100 million tons/year</p> | <h4>Resilience</h4> <p>Maintain social infrastructure<br/>Stable energy supply to approx. 1.9 billion people</p> | <h4>Safety &amp; Security</h4> <p>Safe and comfortable mobility<br/>Railway service to approx. 15 billion people/year</p> | <h4>Healthcare</h4> <p>Extend healthy life expectancy<br/>In vitro diagnostics on human blood samples 20 billion tests/year</p> |
|--|--|---|---|

### Enhancement of human capital

|   |   |   |  |
|---|---|---|--|
| <h4>Harmonious Coexistence of People and Nature</h4> <p>Decarbonization, Circular Economy<br/>FY2050 carbon neutral</p> | <h4>DE &amp; I</h4> <p>Power of diversity<br/>Diversity in key management positions</p> | <h4>Integrity in Management</h4> <p>Ethics and human rights<br/>Improve health and safety, quality and compliance</p> | <h4>Enhancing Quality of Life</h4> <p>Employee engagement<br/>Improve engagement through more flexible ways of working</p> |
|---|---|---|--|

## Planetary Boundaries



## Co-Creation for Society Growth

Green  
Digital  
Innovation  
LUMADA

## Wellbeing



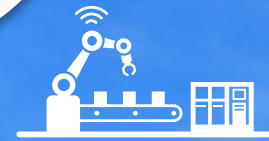
Customer (Power, Transport)



Customer (Financial, Public Services)



Customer (Industry, Urban)



Customer (Vehicle)

### Green Energy & Mobility

Support the energy shift for decarbonization and provide safe, comfortable, and clean mobility

Energy

Rail

Number of employees 58,000

### Digital Systems & Services

With cutting-edge CPS, improve the efficiency of systems which underpin society

Front business IT services

Services & platforms

Number of employees 97,000

### Connective Industries

Create a resilient supply chain and innovate industries and cities

Urban

Industries

Advanced technologies

Number of employees 82,000

### Hitachi Astemo

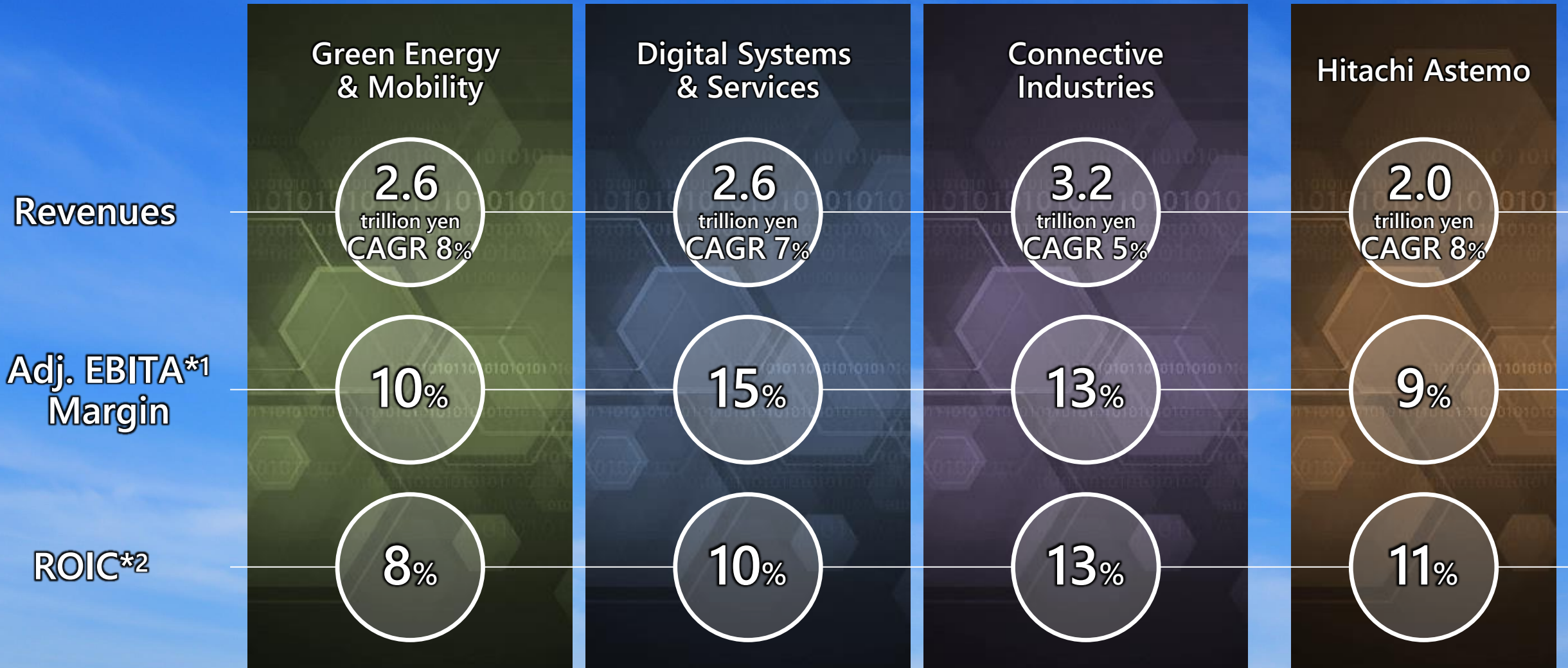
Contribute to electrification and autonomous driving of vehicles

Automotive components (EV)

Number of employees 64,000

# Target Financial Indicators (FY2024)

Revenue 10 trillion yen CAGR 5-7%    Adjusted EBITA Margin 12%    ROIC 10%



\*1 Use Adj. EBITA as an indicator for management focusing on cash flow. Adj. EBITA: Adjusted EBITA

\*2 Invested capital in ROIC of each sector is based on business assets.



# Hitachi's Growth Strategy

## Continue to strengthen our digital and green portfolio, centered on Lumada



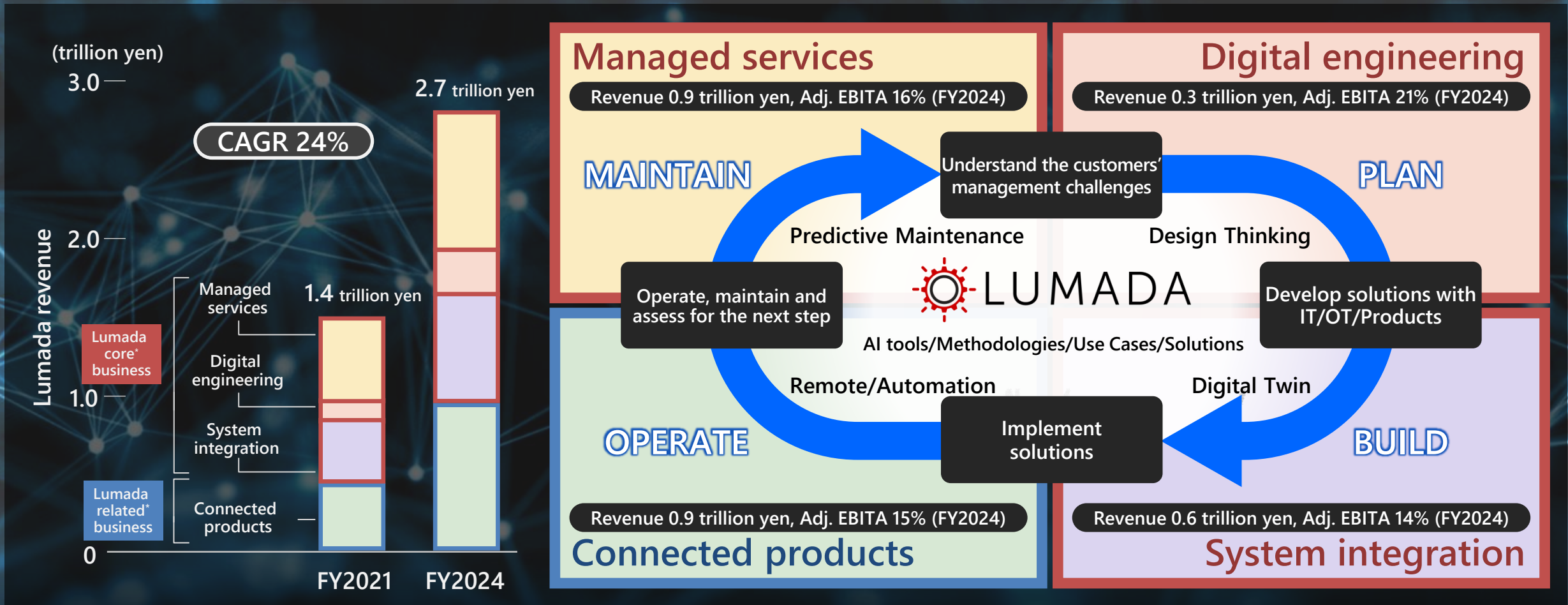
\*1 FY2021 Listed subsidiaries excluded. \*2 Lumada business revenues in FY2021 1.6 trillion yen, including listed subsidiaries



# Increase Profitability of Social Innovation Business with Lumada

Lumada accelerates the growth model, which is the data-driven cycle of value co-creation with customers, and increases revenue across the entire cycle

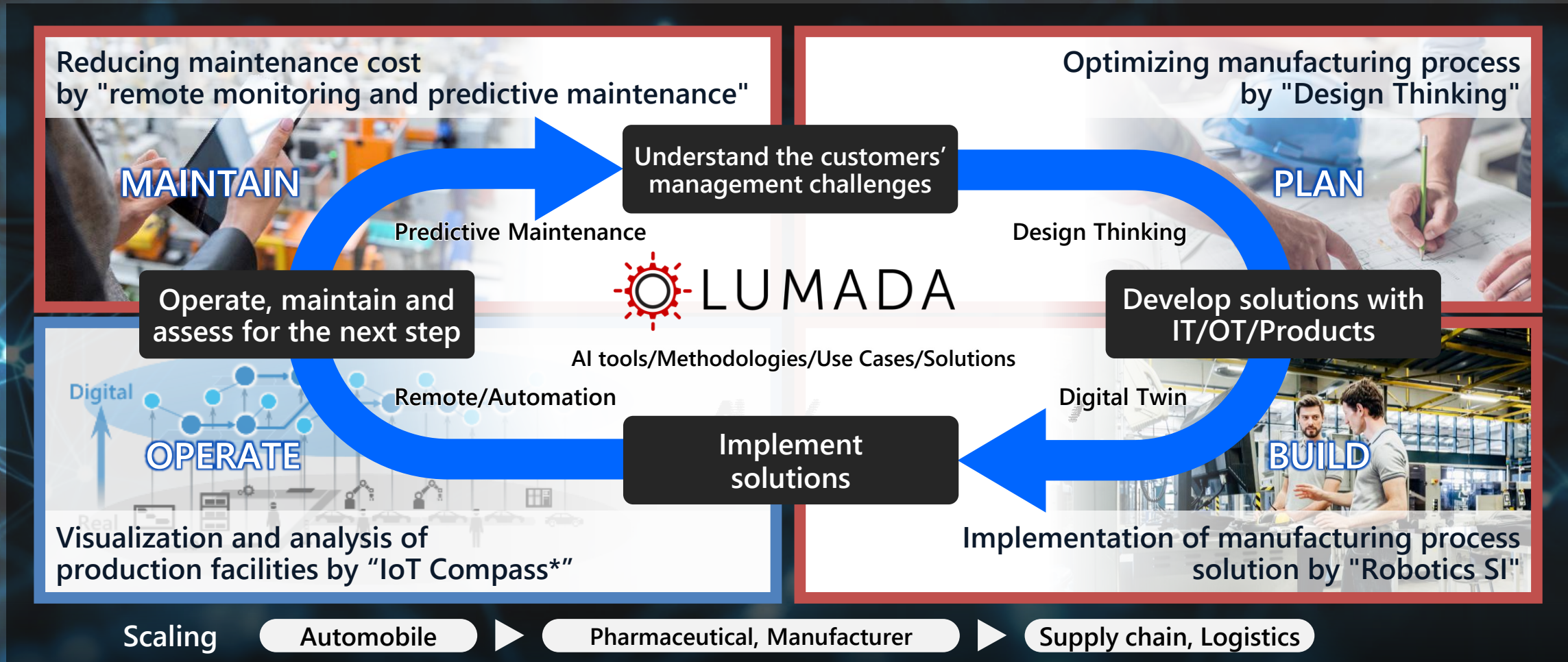
Lumada revenue 1.4 trillion yen → 2.7 trillion yen (FY2021 → 2024) CAGR 24%, Adjusted EBITA 16% (FY2024)



\* Illustrative image of the relationship between previous and new categories

# Example of Lumada Business (manufacturing process innovation)

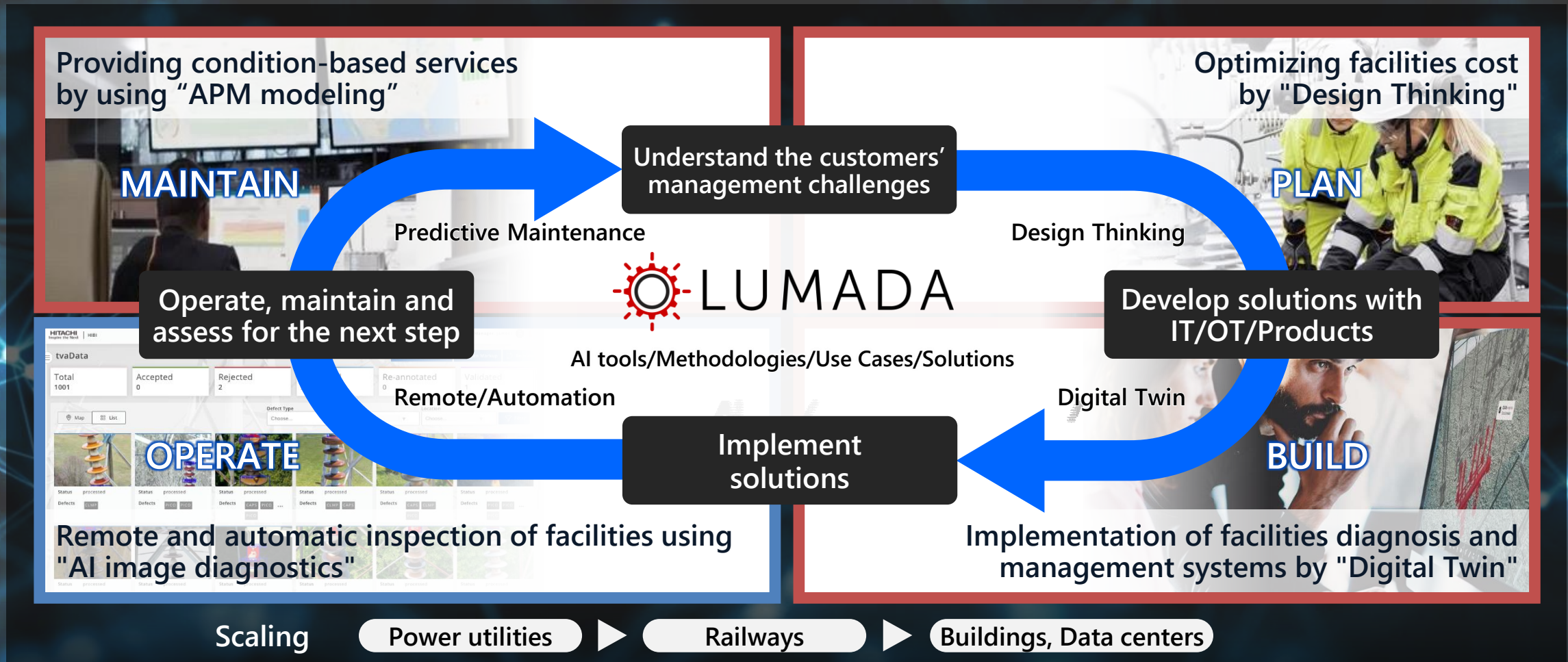
Transform the customer's business process with connected products and solutions that visualize and analyze data from the production line to the entire value chain



\* Hitachi's Digital Twin for production site

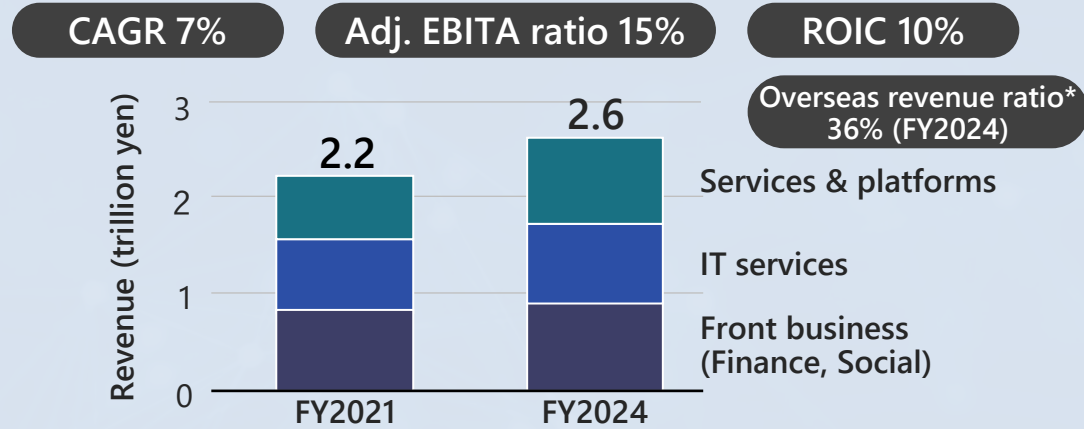
# Example of Lumada Business (asset management innovation)

Accelerate transformation into an End to End business starting from the management challenges of customers  
Grow the business by expanding the target from power utilities to large-scale facilities in other industries

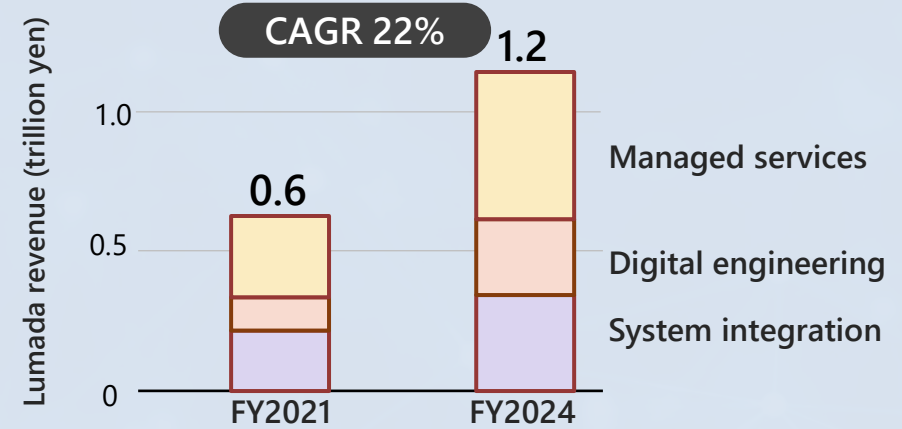


Lead the growth of the entire Hitachi Group as a source of advanced digital technologies

## Business plan



## Lumada business plan



## Focus business domains

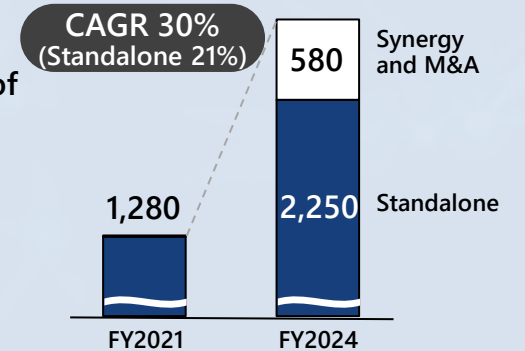
- Digital engineering
    - NA
    - Europe
    - Japan
  - Cloud managed services
    - NA
    - Japan
  - Financial digital services
    - Japan
    - Asia
    - NA
  - DX market: Global \$2,500 billion (2024), CAGR 17%
  - Cloud/storage market: Global \$200 billion (2024), CAGR 17%
  - Embedded finance market: Global \$200 billion (2025), CAGR 55%
- R&D investment (3-year cumulative): 160 (MMP2021)->210 (MMP2024) billion yen

## Priority measures

### Growth of GlobalLogic

- Grow by digital engineering capabilities of GlobalLogic and Hitachi's customer base
- Digitalize core products and SI business and transform them to Lumada business
- Strengthen domestic business by establishing GlobalLogic Japan

### GlobalLogic revenue (Unit: M\$)



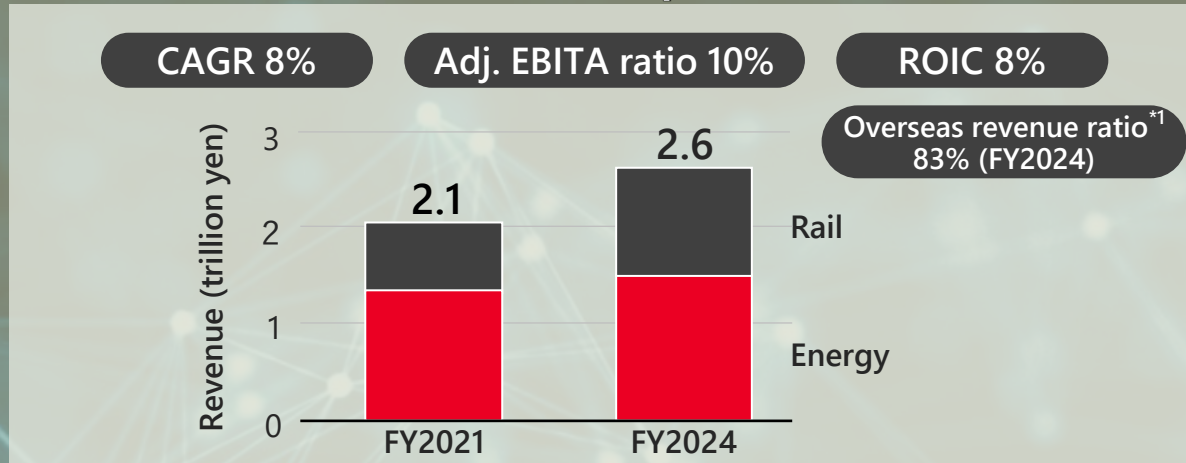
\* Elimination of intracompany transactions excluded MMP: Mid-term Management Plan

Source: Hitachi analysis based on industry reports

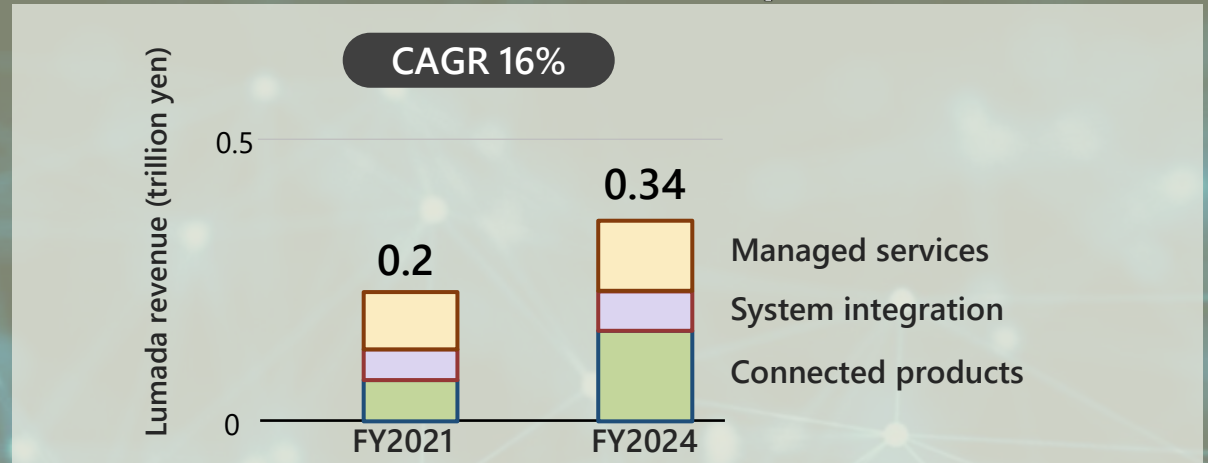
NA: North America

Leverage the world's top products and the trend toward electrification to grow as the core of green transformation business

## Business plan



## Lumada business plan



## Focus business domains

- Stabilize renewable energy supply, EFaaS, CNaaS
  - NA
  - Europe
  - Japan
- Rail managed services
  - Europe
  - Japan
- MaaS
  - Europe
  - NA
- Grid automation market\*2: Global \$30 billion (FY2024), CAGR 9%
- Rail market (Vehicle, Signaling, Services): Global 7 trillion yen (FY2025), CAGR 3%
- MaaS market: Global 26 trillion yen (FY2024), CAGR 21%

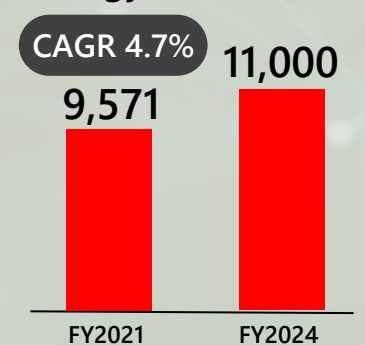
**R&D investment (3-year cumulative):**  
110 (MMP2021)->210 (MMP2024) billion yen

## Priority measures

### Growth of Hitachi Energy

- Improve asset efficiency and cash generation capabilities in transformers and high voltage products businesses
- In collaboration with GlobalLogic and Hitachi Vantara, expand power asset managed services and EV charging solutions

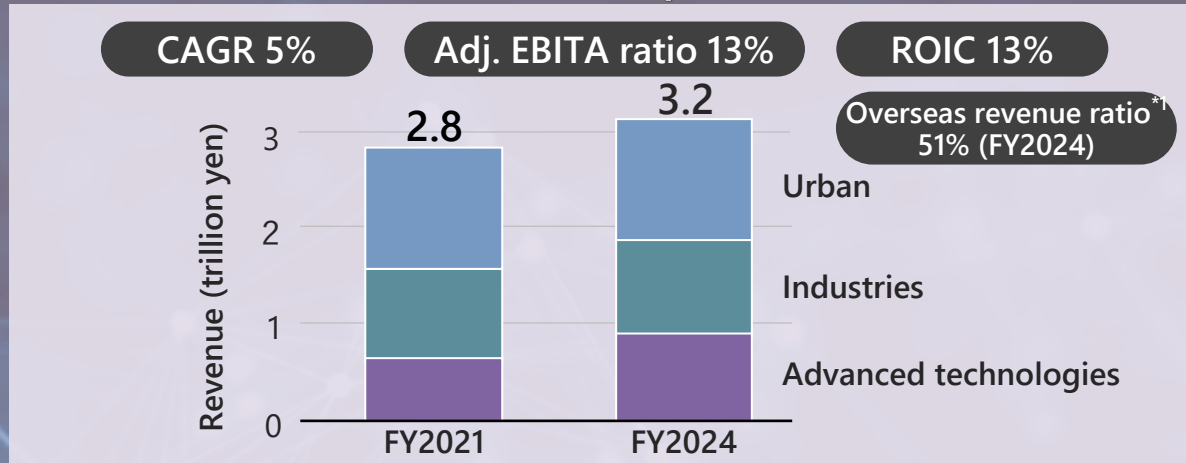
### Hitachi Energy revenue (Unit: M\$)



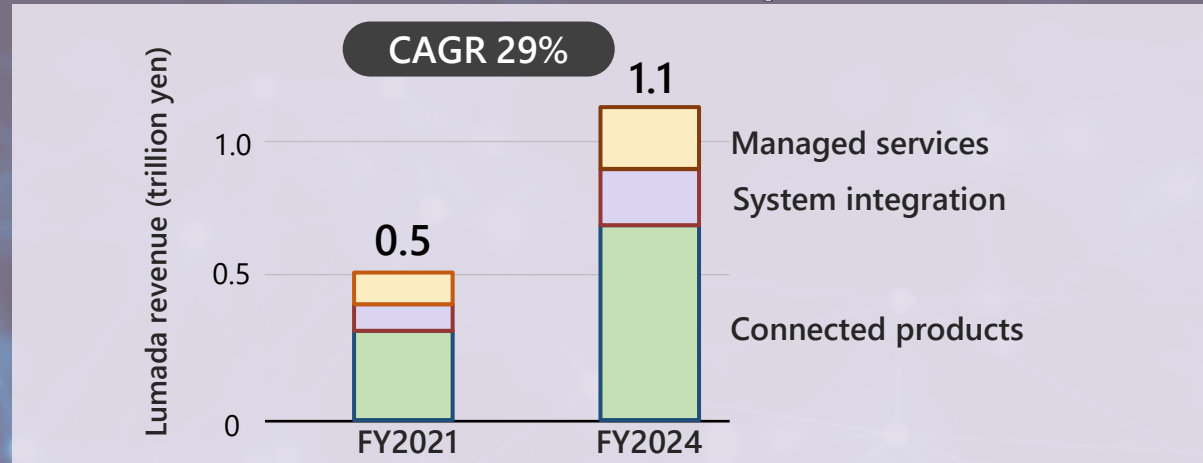
\*1 Elimination of intracompany transactions excluded \*2 Grid automation market: Automation & Communication, Network control, Asset management, Microgrid, Battery Energy Storage System  
EFaaS: Energy & Facility Management as a Service CNaaS: Carbon Neutral as a Service MaaS: Mobility as a Service Source: Hitachi analysis based on industry reports

Grow by a recurring revenue model with our strong, connected medium-to-mass volume products

## Business plan



## Lumada business plan



## Focus business domains

- Robotics SI**
  - NA
  - Europe
- Discrete industries (FA, automobile) market:**  
 Global 160 trillion yen (CAGR15%)
- Green, Smart factory market:**  
 NA \$10 billion (CAGR7%)  
 Japan \$13 billion (CAGR9%)
- Energy/Facility management**
  - NA
  - Japan

**R&D investment (3-year cumulative):**  
250 (MMP2021)->300 (MMP2024) billion yen

## Priority measures

**Growth in North America business**

- Expand robotics SI business by JR Automation
- Expand connected products business

**Strengthen recurring business**

- Expand digital solutions by using domain knowledge for products and OT













**Revenue in North America (Unit: billions of yen)**

**CAGR 22%**

| Year   | IDBU*2 | Sullair and others | Hitachi High-Tech | Other | Total Revenue |
|--------|--------|--------------------|-------------------|-------|---------------|
| FY2021 | 73.7   | 41.2               | 88.8              | 7.3   | 211           |
| FY2024 | 171.2  | 55.2               | 120.2             | 35.2  | 381.8         |

## Lead decarbonization globally with Hitachi Energy to foster a sustainable society

FY2024 Target Contribution to CO2 reduction: Approx. 100 million tons/year (Equivalent monetary value\*2: Approx. 1.1 trillion yen)

| <p><b>Customers</b></p> <p>lifecycle CO2 avoided emission in annual products shipped *1 (equivalent monetary value breakdown)*2</p> | <p>T&amp;D Non-fossil energy</p>    |  | <p>Oil</p>    | <p>Gas</p>  | <p>Transport</p>    | <p>Automobile (car/motorcycle)</p>  <p>Approx. 6.5 million tons (Approx. 72 billion yen)</p>          | <p>Building Industry</p>  <p>Approx. 7.2 million tons (Approx. 80 billion yen)</p> | <p>Logistics</p>  |
|---|--|--|---|--|--|--|---|--|
| <p><b>Value provided</b></p>  | <p><b>Energy Transition</b></p>  |  | <p><b>Electrification</b></p>   |  | <p><b>Energy Savings</b></p>   |  |   |  |
| <p><b>Sector focus business</b></p>   | <p><b>Green Energy &amp; Mobility</b></p>  <p>Carbon-free solution (HVDC systems)</p>  <p>Carbon-free mobility (Battery-powered tram)</p> <p>R&amp;D investment 200 billion yen</p> |  | <p><b>Hitachi Astemo</b></p>  <p>xEV components (EV motor)(EV inverter)<br/>R&amp;D investment 300 billion yen</p> |  | <p><b>Connective Industries</b></p>  <p>Logistics (Ecosystem services connected by CPS)</p> | <p><b>Digital Systems &amp; Services</b></p>  <p>Visualization of energy management (EcoAssist)</p> |   |  |

\*1 Base year FY2013 value

\*2 Estimate carbon price as 11,000 yen per ton-CO2 and convert CO2 avoided emission by decarbonization solution into monetary value

## Strengthen investments to create disruptive innovation by back-casting from 2050

Cumulative investment  
(for 3 years)

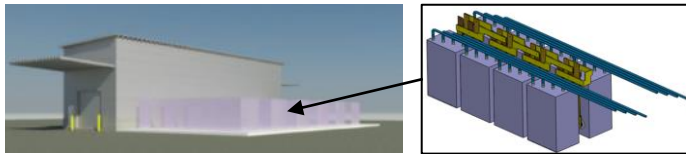
Investment in advanced research: 100 billion yen, CV investment: 50 billion yen

Decarbonized society  
Carbon negative

Market size (2030)  
7 trillion yen

### Energy storage & supply

Target: Commercialization of  
100MW class water electrolysis (2030)  
Ecosystem: HORIZON Europe Research PJ



High voltage water electrolysis stack

### Direct air capture

Target: Verification of solar chemical systems (2024)  
(achieve solar-energy conversion efficiency exceeding that of plants)  
Ecosystem: Imperial College London



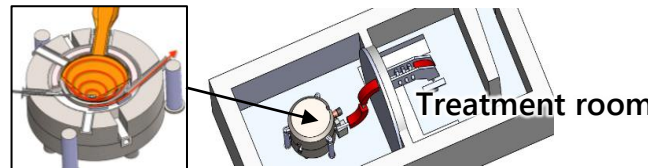
Artificial photosynthetic cell

Overcoming intractable  
diseases, infectious  
diseases and cancer

\*1: Market size (2030) 2 trillion yen  
\*2: Market size (2040) 5 trillion yen

### Minimally invasive cancer treatments\*1

Target: Irradiation dose ratio 5 times (2024)  
Ecosystem: Osaka University, Gunma University



High-precision particle therapy system

### Design cell\*2

Target: Design cell development platform (2024)  
Ecosystem: KBIC, Overseas Universities



High-throughput gene design & evaluation system of cell function

Data economy  
Computing innovation

Market size (2035)  
70 trillion yen

### Ultra big data management

Target: 100+ times higher performance  
of data extraction than before (2024)  
Ecosystem: University of Tokyo

Tracking global  
carbon emissions  
GB/sec real time  
processing

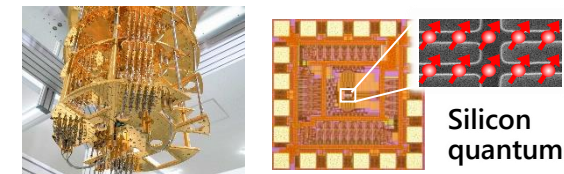


Personalized  
medical care  
Analysis of  
exabyte data

Big data value co-creation platform (University of Tokyo)

### Silicon quantum computer

Target: Megabit-class quantum computer (2030)  
Ecosystem: Moonshot, QII, Q-STAR



Silicon quantum chip

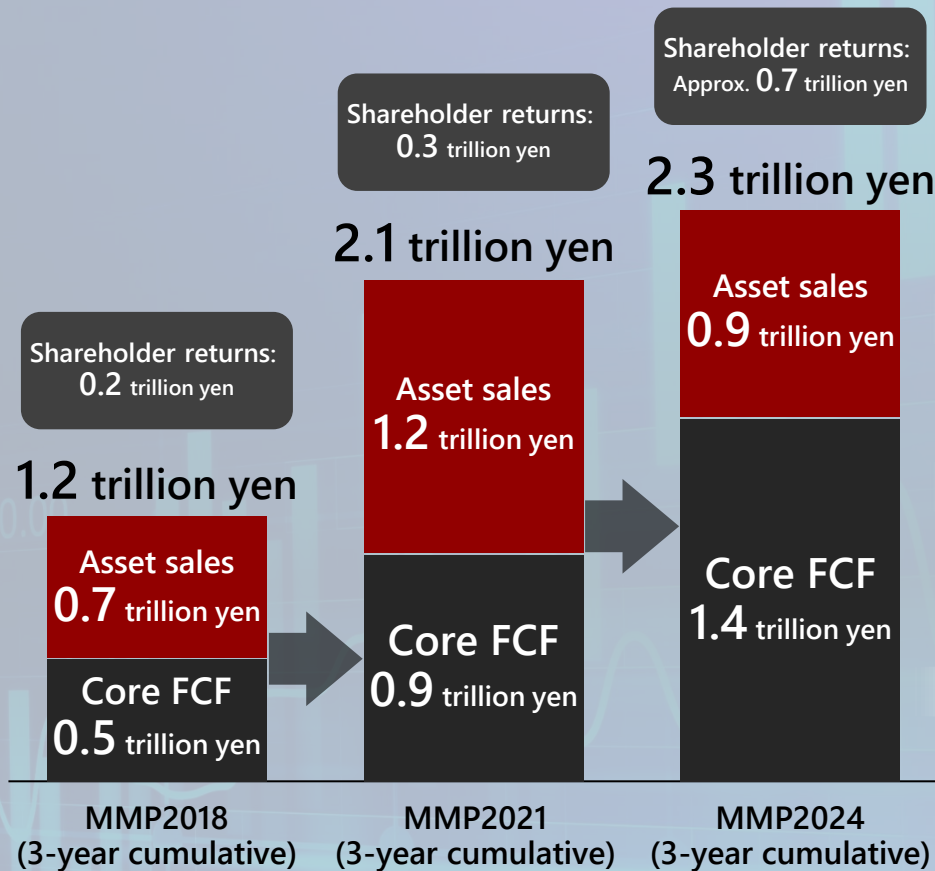




# Generating Cash for Growth and Returns

Organically expand core FCF and combine with sell-off of assets to balance allocation into growth and shareholder returns

## Cash generation



## Capital allocation

While keeping D/E ratio of around 0.5x in mind, use debt flexibly as required

Strengthen strategic growth areas by asset replacement

- Focus on Digital, Green, and Innovation

Investment criteria

- Profitability: Adj. EBITA 10+ %
- Asset efficiency: ROIC 10+ %

Return to shareholders

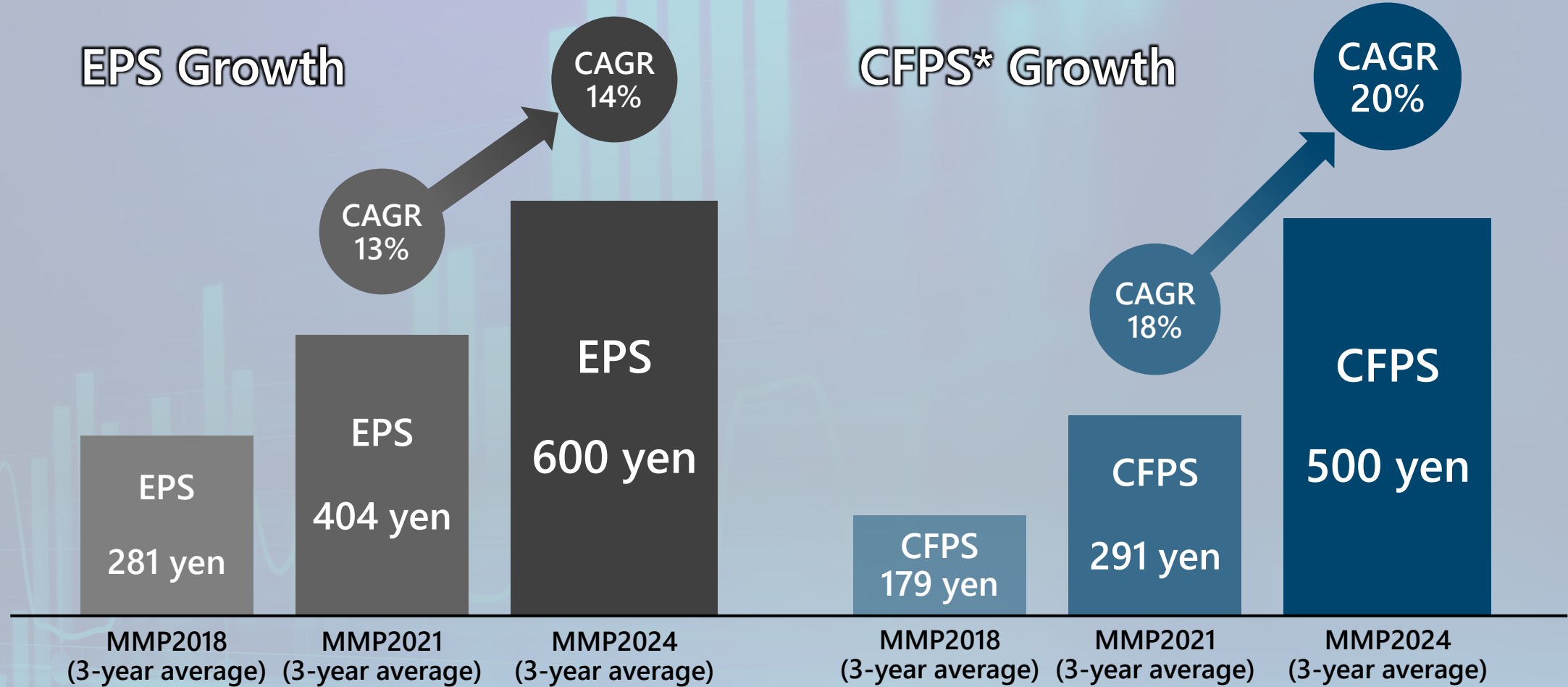
Return approximately 50% of core FCF to shareholders

- Dividends: Stable dividends based on business growth
- Share buyback: Implement based on funding demands and business environment, etc.

Introduce CFPS as a financial indicator and realize cash growth exceeding growth in revenues and profits

## EPS Growth

## CFPS\* Growth



\*CFPS: Core FCF per share

An aerial photograph of a river winding through a dense forest. The trees are in various stages of autumn, with many showing bright yellow and orange foliage, while others remain green. The river is a deep blue color, and the water appears to be flowing over rocks, creating small rapids. The overall scene is vibrant and natural.

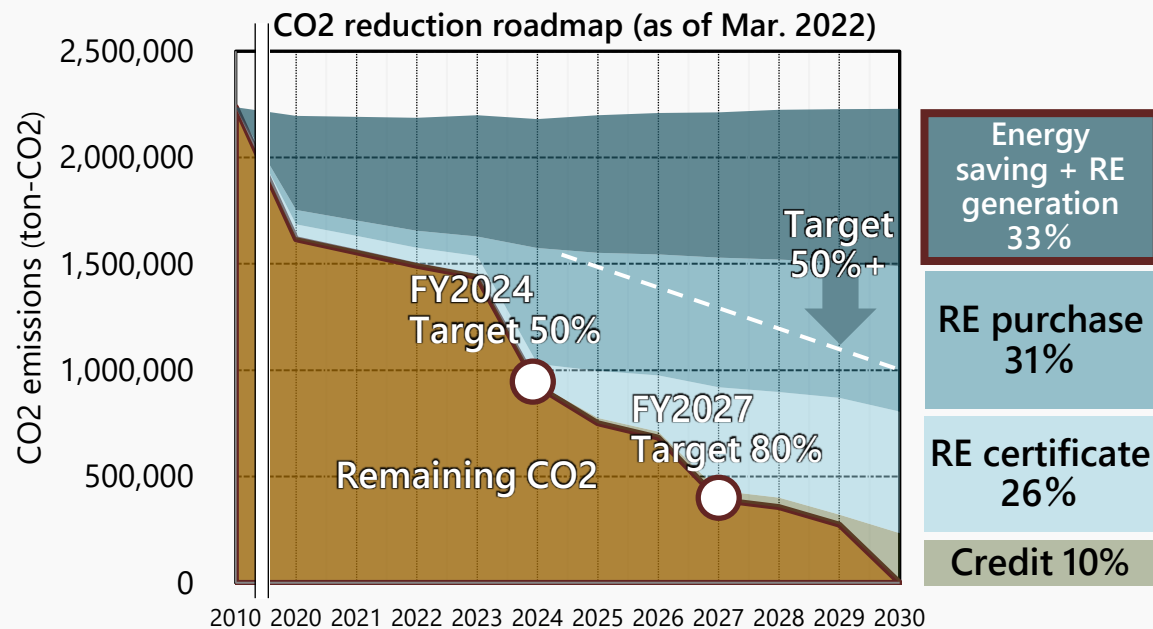
# Advancing Sustainable Management

## Execute the plan toward CN targets in FY2030<sup>\*1</sup>, and FY2050<sup>\*2</sup>

FY2024 Target CO2 emissions: 50%<sup>\*3</sup> reduction, Investment in energy savings and RE facilities (3-year cumulative): 37 billion yen

### Realize decarbonization portfolio

- Minimize clean energy procurement risk through energy savings and expansion of on-site RE generation



### Optimize decarbonization schemes

- In-house demonstration of solutions for different types of energy consumption

#### Mass-consumption type

- Energy savings in IT/improve HVAC
- RE self consumption



Yokohama Office



Okayama Data Center

#### Multiple site type Factory (Astemo)

- Renew inefficient equipment
- Facility management BPO
- RE self consumption



Atsugi Site



Sawa Site

#### Area intensive type 3areas in Ibaraki

- Use as energy center
- Asset share
- Facility management BPO



\*1 2030: target for scope 1 and 2, \*2 2050: target for scope 3, \*3 50% reduction: base year FY2010, RE: Renewable Energy, CN: Carbon Neutral, BPO: Business Process Outsourcing

Using digital technologies, innovate management platforms, and improve speed, flexibility, and transparency

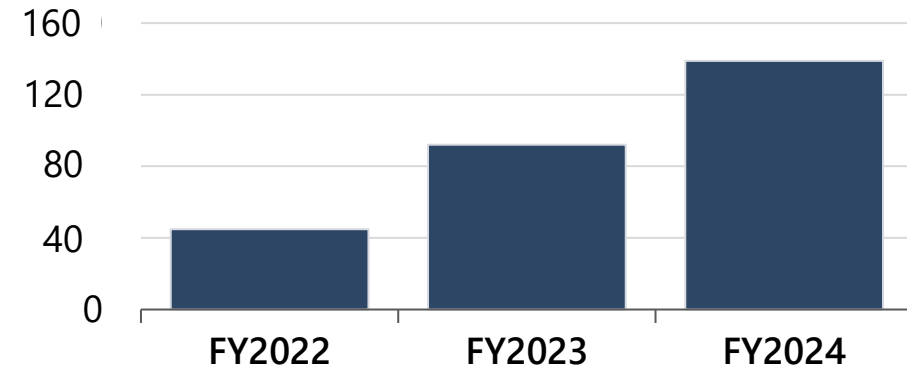
- Using digital technologies, transform into a management platform that demonstrates global growth  
(3-year cumulative investments: 80 billion yen)
- Cost optimization through standardization and aggregation of operations

## Key initiatives

|                 |  |
|-----------------|--|
| ERP PRJ         | Share management data in real time                       |
| DX              | Automate operations and achieve predictive management    |
| One Hitachi CRM | Strategic salesforce based on global account information |
| GBS             | Optimized SG&A by aggregating operations                 |

## Impact of key initiatives

(billions of yen)



Benefits from DX and GBS from FY2022, Common ERP from FY2024

Globally share ERP and GBS using Hitachi Energy as a starting point

Support the execution and acceleration of growth strategies by sharing management information and by automating and aggregating operations

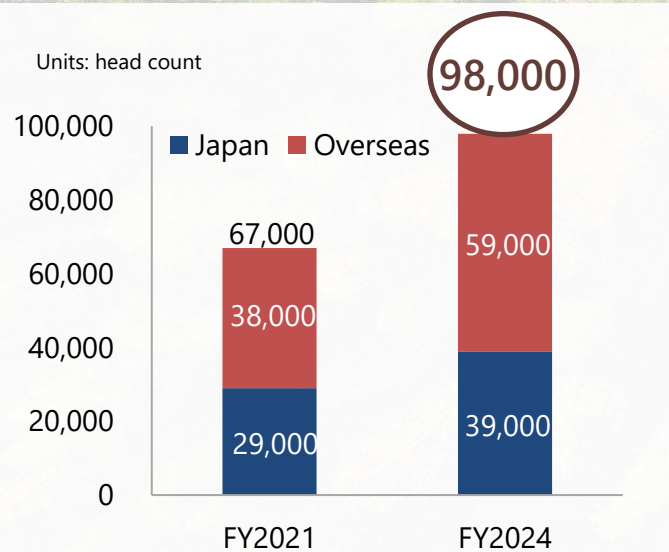
## Major risks and responses assumed during MMP 2024 period Aggregate risk information at the head office to strengthen corporate governance

| Risk                                  | Content  | Response  |
|---------------------------------------|--|---|
| <b>Economy</b>                        | <ul style="list-style-type: none"> <li>● Global economic slowdown</li> <li>● Japan's economic downturn due to the impact of the weak yen</li> <li>● Inflation and rising interest rates</li> </ul> | <ul style="list-style-type: none"> <li>● Strengthen risk-return monitoring of investment projects</li> <li>● Reduce working capital</li> </ul>                            |
| <b>Supply chain</b>                   | <ul style="list-style-type: none"> <li>● Increase in material prices, procurement challenges</li> <li>● Shortage and limitations in energy supplies</li> </ul>                                     | <ul style="list-style-type: none"> <li>● Strategic reserve of materials, transfer to selling price</li> <li>● Diversify suppliers</li> </ul>                              |
| <b>Geopolitics</b>                    | <ul style="list-style-type: none"> <li>● Prolongation of conflict between Ukraine and Russia</li> <li>● Spread and increased frequency of international conflicts</li> </ul>                       | <ul style="list-style-type: none"> <li>● Assess risk to staff and operations in Ukraine and in Russia</li> <li>● Transfer risk assets in the country concerned</li> </ul> |
| <b>Environment</b>                    | <ul style="list-style-type: none"> <li>● Intensification of regulations beyond assumptions</li> </ul>  | <ul style="list-style-type: none"> <li>● Internal carbon pricing</li> </ul>   |
| <b>Technology</b>                     | <ul style="list-style-type: none"> <li>● Difficulty in acquiring digital talent</li> <li>● Cyber attack</li> </ul>   | <ul style="list-style-type: none"> <li>● Accelerate skills shift through training</li> <li>● Zero Trust and other security enhancements</li> </ul>                        |
| <b>Pandemic<br/>Natural disasters</b> | <ul style="list-style-type: none"> <li>● Prolonged COVID-19</li> <li>● Large-scale earthquake</li> </ul>   | <ul style="list-style-type: none"> <li>● Continuous work style reform</li> <li>● BCP development</li> </ul>   |

Strengthen acquisition and development of digital talent which is key for growth  
Contribute to a sustainable society and business growth through DE & I improvement

## Acquire and develop digital talent

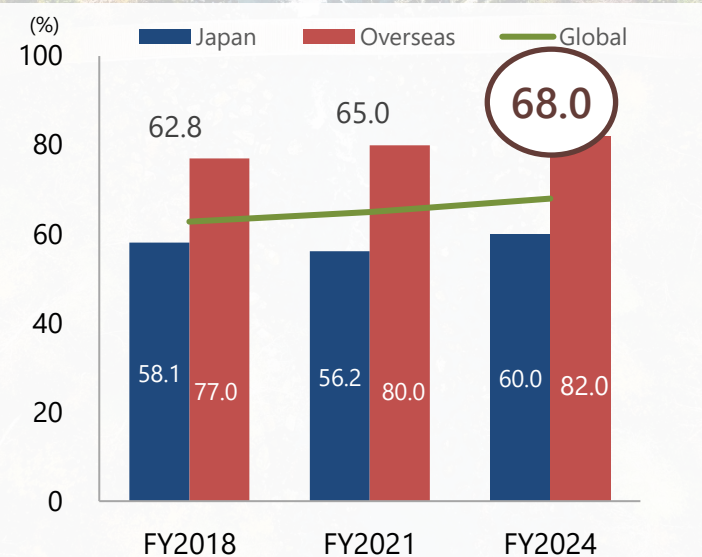
- Increase digital talent, mainly overseas, to 98,000



Digital talent

## Strengthen employee engagement

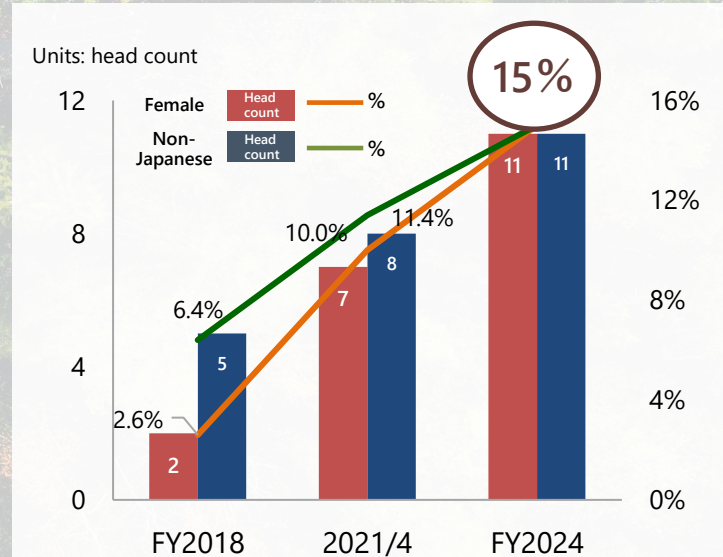
- Create a culture where each employee engages with solving societal challenges as his/her own problems



Engagement score

## Strengthen Diversity, Equity & Inclusion

- Enhance co-creation and productivity through inclusion of diverse talent



Diversity in gender and nationality among executive and corporate officers





# Conclusion

An aerial view of a city at sunset, with a globe at the bottom. The city is densely packed with buildings, and the sky is a mix of orange, yellow, and blue. The globe at the bottom shows the Earth's curvature and clouds.

# Grow globally by Digital, Green, and Innovation

Advancing  
sustainable  
management

Increase profitability  
by Lumada

Cash generation  
and  
returns

Global risk  
management



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:

- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- 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;
- credit conditions of Hitachi’s customers and suppliers;
- 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;
- 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;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- 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;
- 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 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 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.