HITACHI
Inspire the Next

# Hitachi Integrated Report 2023

Year ended March 31, 2023

Founder
Namihei Odaira

First Factory

## Origin of Hitachi

## 1910

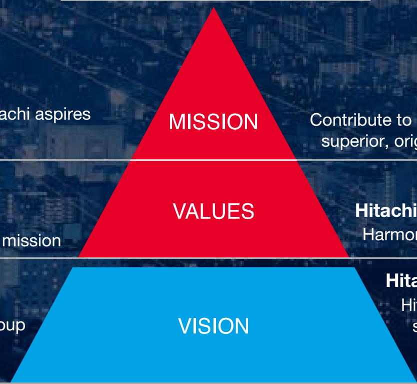
### Corporate philosophy

## Contribute to society through the development of superior, original technology and products

### Hitachi Founding Spirit

## Harmony, Sincerity, Pioneering Spirit

### Hitachi Group Identity




The mission that Hitachi aspires to fulfill in society — **MISSION**: Contribute to society through the development of superior, original technology and products.

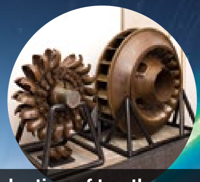
The values crucial to the Hitachi Group in accomplishing its mission — **VALUES**: **Hitachi Founding Spirit** Harmony, Sincerity, Pioneering Spirit

What the Hitachi Group aims to become in the future — **VISION**: **Hitachi Group Vision** Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

# Transformation Journey of the Hitachi Group

**Founded in 1910**

Development of a five-horsepower induction motor



**1915** Production of ten thousand-horsepower water wheel

**1949** Development of urban infrastructure

**1975** Development and supply of large-scale computers

**2004** Development of virtual storage technology

**2017** Delivery of high-speed trains to the United Kingdom

**2019** Acquisition of JR Automation

**2020** Acquisition of Hitachi Energy

**2021** Acquisition of GlobalLogic

## Sustainability Management

**Environment**

- **2018** / Announced endorsement of the TCFD recommendations
- **2024** (Target) / Contribution to $CO_2$ avoided emissions: 100 million metric tons / year
- **2030** (Target) / Carbon neutrality for business sites (factories and offices)
- **2050** (Target) / Carbon neutrality throughout the entire value chain

**Social**

- **2011** / Introduced global HR management
- **2013** / Launched Hitachi Group Human Rights Policy
- **2024** (Target) / Ratio of female executives*: 15%; Ratio of non-Japanese executives*: 20%+
- **2030** (Target) / Ratio of female and non-Japanese executives*: 30% each

**Governance**

- **2003** / Shifted to a company with a nominating committee, etc.
- **2012** / Increased number of independent directors, including non-Japanese directors
- **2023** / Amended the executive compensation system

*executive and corporate officers

## The Value Creation Process of Hitachi

Hitachi achieves sustainable growth via its value creation cycle with four key elements.


**Creating Economic Value, Environmental Value, and Social Value through the Social Innovation Business Increases Corporate Value**

**Evolving Governance for the Growth of the Social Innovation Business**

**Leveraging Unique Strengths in the Social Innovation Business through Technology and Business Model Innovations**

**Continuously Strengthening the Business Portfolio to Be a Global Leader in the Social Innovation Business**

## Contents

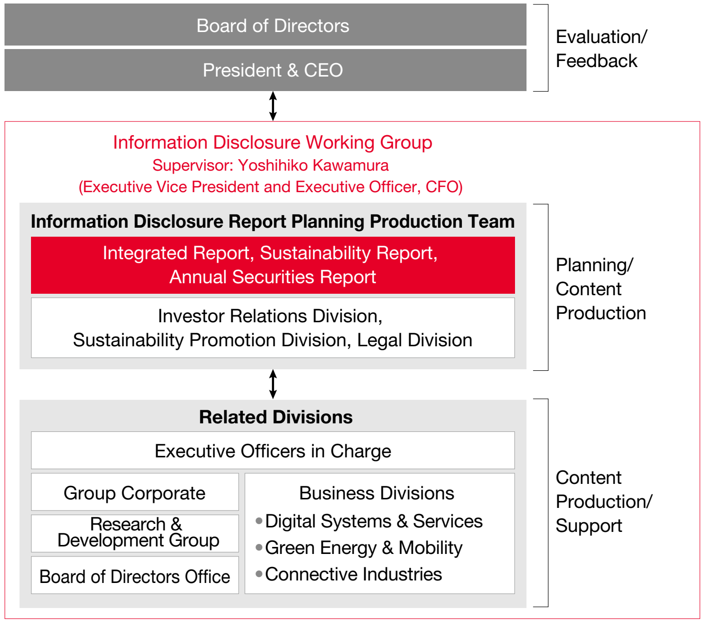
# Editorial Policy / Our Reporting Universe

## Editorial Policy

The Hitachi Integrated Report is compiled for the purposes of facilitating a deeper understanding among stakeholders of Hitachi's business model, as well as a dialogue through which we can further enhance corporate value and realize a virtuous cycle of value co-creation. In the 2023 edition, we focus on management strategies and measures to renew Hitachi's value creation process and create sustainable growth.

In editing this report, we referred to the IFRS Foundation's International Integrated Reporting Framework and the Japanese Ministry of Economy, Trade, and Industry's Guidance for Collaborative Value Creation.

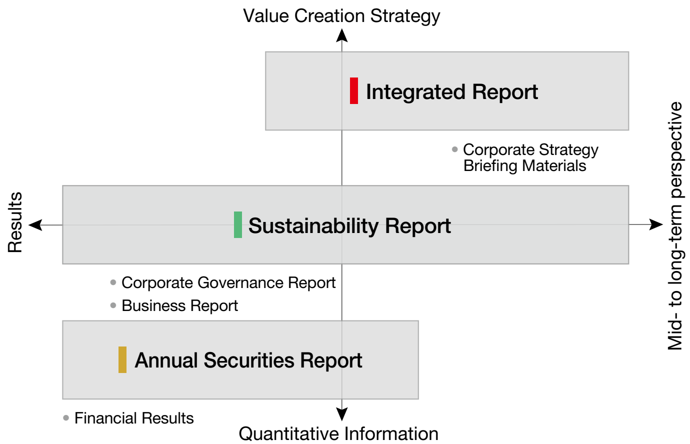
## Production Structure




## Our Reporting Universe

Hitachi publishes three corporate reports: the Integrated Report, the Sustainability Report, and the Annual Securities Report. We define each report's roles by content (from quantitative information to Value Creation Strategy) and time horizon (from results to the mid- to long-term perspective).

In particular, the Integrated Report and the Sustainability Report, which are released on the same day, can be read together to confirm ESG initiative progress and data in addition to management strategies. We also invite you to visit our websites for additional information.




### Integrated Report

Readership
Institutional investors and other stakeholders

### Sustainability Report

Readership
ESG investors and other stakeholders

### Annual Securities Report

Readership
Shareholders and investors

### Website

- Corporate Strategy (Mid-term Management Plan)
- Financial Information
- Hitachi Investor Day
- Business Report
- Corporate Governance Report
- Information Security Report
- IT Performance Report
- ESG Policies and Guidelines
- Dialogue with Stakeholders
- About the Hitachi Group

### Reporting Scope

Period: Fiscal 2022 (April 1, 2022–March 31, 2023)
Note: Includes activities and other information occurring after April 1, 2023.
Companies: Hitachi, Ltd., and its consolidated subsidiaries
Accounting Standard: Unless otherwise noted, this report is prepared in accordance with U.S. GAAP through fiscal 2013 and with the International Financial Reporting Standards (IFRS) from fiscal 2014.

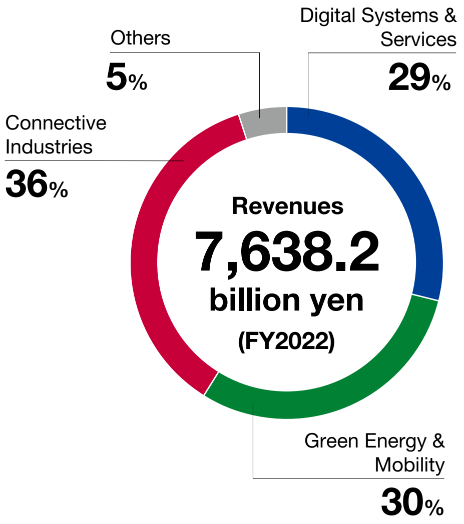
**Disclaimer Regarding Forward-looking Statements**

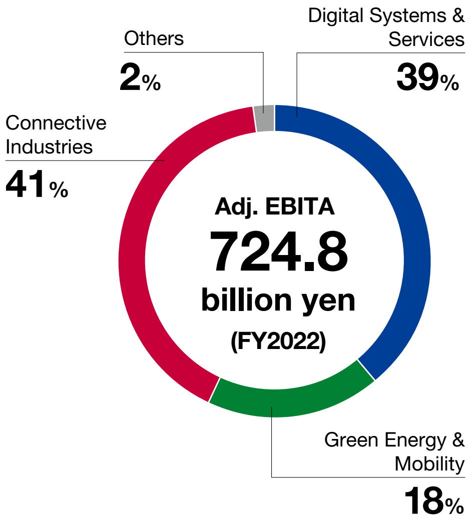
Certain statements regarding the future of the company set forth in this Report might constitute "forward-looking statements," such as "plan," "forecast," "target," and "strategy." Although forward-looking statements contained in this report are based upon what the company has determined to be reasonable assumptions at the time of disclosure, actual performance and other results could differ materially from those anticipated in such statements.

# Business of the Hitachi Group

To become a global leader in the Social Innovation Business, Hitachi has strengthened its business portfolio. The three global trends of "Digital," "Green," "Connective" present remarkable opportunities for expansion. The core concept of Hitachi's business sectors—Digital Systems & Services, Green Energy & Mobility and Connective Industries is to align assets with each trend's high affinity.
The three business sectors work as One Hitachi to solve social issues and achieve sustainable growth with Lumada's Customer Co-creation Framework.

## Business Composition*1




**Digital Systems & Services (DSS)**

- Cloud Services Platforms BU
- Digital Engineering BU
- Financial Institutions BU
- Social Infrastructure Systems BU
- Hitachi Systems
- Hitachi Solutions

**Green Energy & Mobility (GEM)**

- Nuclear Energy BU
- Power Grids BU
- Hitachi Power Solutions
- Railway Systems BU

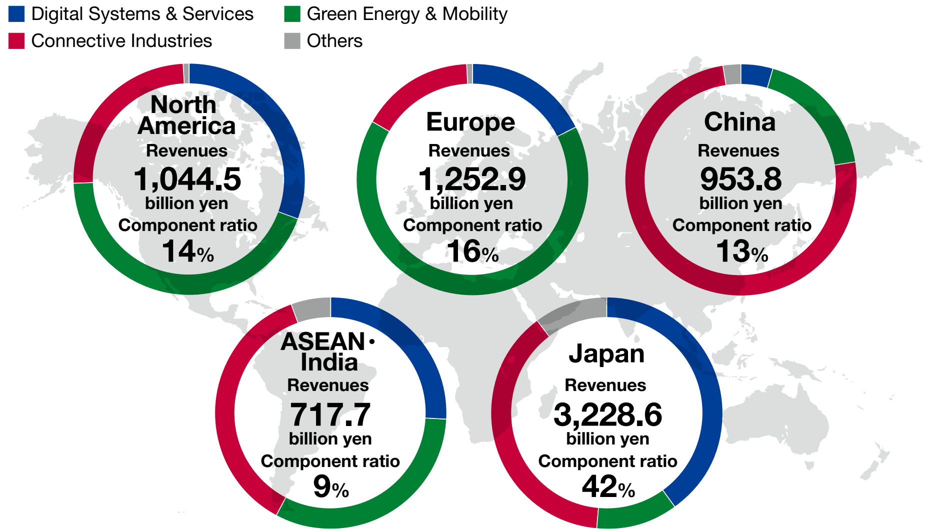
**Connective Industries (CI)**

- Building Systems BU
- Hitachi Global Life Solutions
- Hitachi High-Tech
- Industrial Digital BU
- Water & Environment BU
- Hitachi Industrial Products
- Hitachi Industrial Equipment Systems

## Financial Results*1

| Revenues | Adj. EBITA / Margin | Net income (attributable to Hitachi, Ltd. stockholders) |
|---|---|---|
| 7,638.2 billion yen | 724.8 billion yen/ 9.5% | 641.7 billion yen |
| Lumada Business Revenues | Lumada Business Adj. EBITA Margin*2 | EPS*3 |
| 1,960.0 billion yen | Approx. 14% | 676 yen |

## Revenues by Region*1




**Other areas: revenues 440.7 billion yen, component ratio 6%**

*1 Figures are for the continuing consolidated business (three sectors), excluding Hitachi Metals and Hitachi Construction Machinery, which were deconsolidated in FY2022, and Hitachi Astemo, which is scheduled to be deconsolidated in FY2023. The figures on this page are FY2022 results.
BU: Business Unit
*2 Adj. EBITA for the Lumada business includes equity method profits of Hitachi Construction Machinery.
*3 The weighted average number of shares for calculating the (basic) earnings per share is 948,247,986 shares.

# CEO Message

## Mode Change to Sustainable Growth
## Hitachi Is Constantly Growing
## Thanks to Our Employees and Technology


President & CEO **Keiji Kojima**

Progress of the Mid-term Management Plan 2024 Investor Day (CEO Remarks)

## Positioning of and Achievements in Fiscal 2022: Finishing Up Over a Decade-Long Structural Reforms

Fiscal 2022 marked a significant milestone for Hitachi. This pivotal year served as a crucial turning point, setting the foundation for growth in the next decade by leveraging the global groundwork established through a decade of reforms.

To achieve a sustainable society through data and technology, Hitachi remains committed to reforming its business portfolio, with a focus on its Social Innovation Business. In fiscal 2022, we streamlined our subsidiaries from over 20 to zero, aligning with our strategic objective of prioritizing core businesses while fostering growth. In 2023, we are proceeding with planned deconsolidation of Hitachi Astemo, our automotive components business.

In response to the three global trends of “Green,” “Digital” and “Connective” – which we believe are reshaping society – we have expanded and aligned our global assets. This includes acquiring ABB’s power grid business and GlobalLogic while converting Hitachi High-Tech into a wholly owned subsidiary. As a result, overseas assets now constitute 70% of Hitachi’s total assets.

With essential assets in place, we can now drive the Social Innovation Business forward, unified under a One Hitachi umbrella. Our main objective is to ensure that all our businesses can collaborate seamlessly, ushering in a new Hitachi culture. This transformation journey is an ongoing process, leading us towards a significant phase of substantial and sustainable growth.

As the CEO of Hitachi, I firmly believe that it is my responsibility to encourage this transformative mindset across the entire Hitachi Group.

## The Next Decade: Achieving and Creating Sustainable Growth

To drive our expansion and achieve even higher growth rates, we have established a dynamic cycle with four key elements: evolving governance, continuously strengthening the portfolio, innovating technologies and business models, and making tireless efforts to increase corporate value.

Evolving governance is at the heart of our Social Innovation Business and the shift towards sustainable growth. We prioritize maintaining a global top-tier board and fostering Diversity, Equity & Inclusion (DEI) as crucial elements of our global human capital strategy, further strengthened by our strategic mergers and acquisitions. Transparent and effective governance, backed by the expertise of top executives from our board, has been instrumental in driving Hitachi’s structural reforms and growth. Additionally, DEI plays a vital role in capitalizing on the wealth of global human capital gained through the acquisition of ABB’s power grid business and GlobalLogic. We are committed to nurturing and acquiring digital talents, while enhancing employee engagement. To foster a sustainable growth mindset, we have implemented a progressive compensation system, revising the executive officer compensation scheme in fiscal 2023 to align with our growth-oriented goals.

As we set our sights on growth for the next decade, I am once again reminded of the critical role governance plays in our journey.

To elevate the One Hitachi mindset, we strive for even higher levels of governance with our primary focus on strengthening the portfolio to accelerate growth. The three global trends of “Green,” “Digital,” and “Connective,” which are attracting substantial capital, present remarkable opportunities for expansion.

The core concept of Hitachi's business segments is to align assets with each trend's high affinity. This approach ensures abundant growth in the Green Energy & Mobility, Digital Systems & Services, and Connective Industries sectors. We strengthen these sectors through continuous bolt-on investments enhancing each asset and maximizing synergies globally through mergers and acquisitions. Additionally, we optimize growth investments by routinely restructuring low-profit assets.

The next element is innovating technologies and business models. My focus is on creating a distinctive advantage in our Social Innovation Business, setting us apart from other companies. At the core of Hitachi's Social Innovation Business is the concept of co-creation with our customers. To deliver competitive solutions, we leverage the synergy of Hitachi's diverse "IT x OT x Products" portfolio and implement a co-creation framework through Lumada. By combining the Lumada framework with our robust global businesses, Hitachi creates unique value that only we can provide, all centered around our diverse human capital.

Furthermore, drawing on our back-cast corporate R&D function and start-up investments, we proactively anticipate customer challenges ahead of other companies, enabling us to develop the next-generation Lumada solutions based on these insights.

## Hitachi Is Powered by Our Employees and Technology

Hitachi possesses the unique ability to drive innovation through the synergy of our rich talents and innovation, making it a strength that sets us apart from other companies. Once again, I want to emphasize the significance of Hitachi's technological excellence and innovation like never before.

My prior experience in research leads me to believe that we are witnessing a new era, particularly with the remarkable evolution of AI. Powered by the Lumada framework, Hitachi has been at the forefront, providing control AI for robots; analytical AI handling of statistical data, including diagnosing failure signs; and AI that recognizes and evaluates images. Additionally, the emergence of generative AI is a significant breakthrough. This type of AI holds the potential to replace some human intellectual activities to a certain extent, and I strongly believe that the most promising fields for us lie in applications related to system integration and digital engineering.

Records of actions and experiences that companies have accumulated through AI serve as tangible assets with learning attached. Since its founding, Hitachi has maintained a culture of "Ochibo-Hiroi," which means "gleaning" in English. This involves learning from failure to further development and improvement. If an accident or malfunction occurs, we thoroughly investigate the cause, discuss measures to prevent a recurrence, and record it so that a similar accident never happens again. In this way, we have over 100 years of documented data, including planned improvements, which can be translated to AI language.

If we form a partnership with the Large Language Models (LLMs) created by the world's leading IT companies and merge our unique content with them, we will be able to refer to similar historical records to predict accidents and failures and alert us.

Labor productivity can be dramatically improved by utilizing accumulated tangible assets and creating and deploying more distinctive LLMs. However, I believe that no matter how much AI evolves, human capital remains core. Humans, who have evolved through actions and experiences, can now use generative AI to supplement their linguistic knowledge. People remain free to focus on new, more complex initiatives and tackle new challenges.

## Making Tireless Efforts to Increase Corporate Value

For Hitachi, which has entered a sustainable growth, “Powering Good” is a guideline statement, along with Hitachi’s slogan “Inspire the Next.” We will continue to make tireless efforts to increase our corporate value by always questioning whether we are making good decisions to inspire society no matter the challenge (Inspire the Next).

Expanding the Lumada business ratio is important for enhancing Hitachi’s corporate value. In this way, we will sustainably achieve top-line growth and increased profitability. Lumada should continue to grow revenue by 15-20%, accounting for more than half of all Hitachi’s future revenue. We will also work on bottom-line stability and cash generation, with the aim of increasing EPS (earnings per share) to 600 yen or more and CFPS (core free cash flow per share) to 500 yen or more in fiscal 2024.

As a response to climate change, we have set a goal of contributing to the reduction of $CO_2$ emissions by 100 million tons per year. The average reduction contribution during the Mid-term Management Plan 2024 is expected to reach 126.1 million tons per year (over three years). To achieve carbon neutrality in fiscal 2030, we expect to make gains at a pace far exceeding the target of reducing $CO_2$ emissions by 50% in the Mid-term Management Plan 2024 and to achieve a 64% reduction in fiscal 2024.

## Living Up to Stakeholders’ Expectations with Results

As we promote our Social Innovation Business, Hitachi values the dialogue and co-creation with our diverse stakeholders, including customers, governments, municipalities, academic organizations, and research organizations.

We will live up to the expectations of our stakeholders with results, changing our business focus to sustainable growth. In fiscal 2022, we declared a shift to growth. That year required delicate navigation of a difficult management environment. In addition to the global uncertainty brought on by challenging exchange rates and geopolitical risk, responding to the shortage of semiconductors and soaring component prices were also major challenges. Even in this environment, Hitachi steadily expanded its business performance, especially in the areas of “Digital” and “Green,” and achieved an adjusted EBITA ratio of 9.5% in its three core business sectors and a record level of net income. We will continue to generate stable cash through organic growth and allocate it as investment in sustainable growth and shareholder returns in the form of stable dividends and share buybacks.

Hitachi is now growing for the next decade. Many of our customers are taking on the challenge of solving social issues, and we are encouraged by the accelerating pace of environmental change where our Social Innovation Business and co-creation models will thrive. We will continue to enhance our corporate value by reviewing the content of these activities, reflecting them in our management, and engaging in dialogue with our shareholders and other stakeholders. As One Hitachi, we will work to build a sustainable society and are excited to share the rewards of our success with you.

Fiscal 2023 will be a very important year for our growth. I believe this is the year that will test whether we can achieve the Mid-term Management Plan 2024, whether we can utilize the technological innovation of generative AI for our growth, and whether we can firmly implement all measures. Through the first step – fully executing the Mid-term Management Plan 2024 – I hope to gain the solid trust of our shareholders, who always lend valued input and management guidance.

# Executive Vice President Messages

Investor Day (Digital Strategy)

Toshiaki Tokunaga
Executive Vice President and Executive Officer, General Manager of Digital Systems & Services Division

## Contribute to the Realization of a Sustainable Society with Digital Capabilities

### Our Vision

The DSS sector, which drives Hitachi's digital strategy, solves various issues facing customers' businesses and society with digital capabilities to contribute to the realization of a sustainable society. The DSS sector provides digital value on its own, and at the same time, works together with The GEM and CI sectors to create Green x Digital and Connective x Digital synergies, aiming for the sustainable development of society and the economy while improving people's quality of life (QoL).

### Business Strategy (Lumada Expansion)

We will promote the Lumada business, which forms the core of the digital strategy, through both "Digital Centric," in which the DSS sector directly solves customer issues, and "One Hitachi," in which DSS together with the OT sector solve customer issues. We will continue to support customers in their transformation to achieve their business growth, by focusing on market domains where Hitachi can maximize its IT x OT x Products advantages (energy, transport and logistics, finance, national and local governments, telecommunications and media, and manufacturing).
To continue the growth of the Lumada business, we will enhance our digital capabilities, including digital engineering and system integration and operation on the cloud. For GlobalLogic as a growth engine, we will continue to increase digital talent and expand delivery bases through a robust recruitment and training scheme and bolt-on acquisitions, in an attempt to maintain high business growth and expand regions and industries of their business. In addition, we will expand our digital engineering capabilities and the customer co-creation schemes, in which GlobalLogic has a proven track record, to the GEM and CI sectors. We will accelerate business operations under "One Hitachi" including the use of digital technologies in the OT sector and the development of talent with knowledge of both OT and digital technologies.
We are also strengthening our service delivery infrastructure, which enables highly reliable and efficient data management and flexible data utilization, aiming for global business expansion.
We are also strengthening and enhancing cloud solutions that support global service provision, such as deploying the Hitachi Application Reliability Centers (HARC) Service, which enables highly reliable and efficient cloud-native system operation, and expanding alliances with hyperscalers.
We will also be proactive in making investments to strengthen digital technologies supporting growth. In May 2023, we set up the "Generative AI Center", which promotes the safe, effective use of generative AI as a groundbreaking innovation. We are working to maximize the value we provide to customers through the Lumada business and improve the productivity of all Hitachi Group companies by pioneering uses of generative AI, which is evolving at an accelerated rate.

### The Story of Value Co-creation

We have already provided solutions, which support the sophistication of materials development by accelerating Materials Informatics, for more than 50 companies and more than 100 projects. In co-creation with SEKISUI CHEMICAL, we are working on "laboratory automation," which automates the experiment environment to speed up materials development, by combining Hitachi High-Tech's expertise, which is unique to a measurement and analysis equipment manufacturer, with the digital engineering of GlobalLogic. We automate the process from data collection to analysis by seamlessly connecting experiment/measuring equipment and analysis environments, aiming to shorten the R&D period.

Materials research and development

# Executive Vice President Messages

## Ensure the Happiness of People around the Globe through Advancing a Sustainable “Greener” Future for All

Investor Day (Green Strategy)

**Alistair Dormer**
Executive Vice President and Executive Officer, General Manager of Green Energy & Mobility Strategy Planning Division

### Our Vision

The transition to “Green” is perhaps the greatest global shift since the industrial revolution. Hitachi is embracing this unparalleled challenge as an opportunity. I believe that Hitachi’s portfolio is well positioned to contribute to the realization of a carbon-neutral society. This is evident by the transformation of Hitachi’s portfolio and how it has accelerated in recent years like never before.

We have made major investments in Green, starting with the acquisition of the Ansaldo* companies. This was followed by large investments in the Power Grids business from ABB, whilst divesting non-core businesses and businesses with a less promising market outlook. The acquisition of GlobalLogic further accelerates our Green strategy, materialising our DX x GX approach through embedded digital technologies. For example, in the next few years we see unparalleled opportunity in the electrification of mobility. Electric vehicles are not only a greener means of transport, in the future, they will rapidly become a catalyst for carrying and storing energy. This could contribute to the stabilisation of the grid with increased renewables further supported by second-life battery energy storage and energy management systems, expanding the EV ecosystem to energy and industry. This is a great example of how the worlds of Mobility, Energy and Digital combine. In this regard, Hitachi has unique insight, and through our far-reaching contributions, we will work to ensure the happiness of people worldwide by advancing a sustainable and greener future for all.

*The Ansaldo companies are two rail systems companies that Hitachi acquired (100%) in 2015 and 2019.

### Business Strategy (Lumada Expansion)

The Green transition remains a critical global challenge driving the transition to clean energy and the decarbonization of mobility and industry. This is being fuelled by enormous investments in both the public and private sectors worldwide, such as the Inflation Reduction Act in the United States or the REPowerEU funds in Europe. To support the transition, we are ready to deliver unique offerings.

Our shot-term strategy is very simple but robust. We will support customers’ demands by delivering products and systems (e.g., HVDC for interconnections, Green rail systems). The growth of the Order Backlog has been at record highs over the last few years, and one of our key focuses is to deliver it as planned. Through this execution, we will improve profitability of our key product businesses.

In addition, we are closely collaborating with Hitachi Digital to leverage our huge installed base worldwide. Hitachi’s uniqueness and strengths include (1) Enormous domain knowledge and experience in many industrie such as “OT and Products;” (2) Cutting-edge IT capability and expertise to resolve customers’ challenges, and (3) Offerings combining “IT x OT x Products” solutions to many different customers. Our business growth strategy in Green is to deliver sustainable, digitally enabled solutions throughout the product/system life cycle – from design to decommissioning.

### The Story of Value Co-creation

Digital is the great enabler for the Green Transition. One good example is the smart mobility in Genoa, Italy. Here, Lumada Intelligent Mobility Management has digitally connected all transportation networks in the city, while the “360Pass” mobile app offers hands-free payment for both public transportation and car sharing. These solutions are founded in creating a digital twin of Genoa’s entire transport network, enabling real-time understanding of people flow and operation data.

In further opportunities, we are building enhanced capability in multiple domains with Hitachi Digital and GlobalLogic. By delivering Green solutions, we will contribute to invaluable social and industrial transformation. The resulting positive cycle of change will give our portfolio a new level of depth and aptitude for the future. The market is ready – the green light is on – and we’re prepared to drive continued success.

“360Pass” in Genoa, Italy

# Executive Vice President Messages

Investor Day (Connective Strategy)

Masakazu Aoki
Executive Vice President and Executive Officer, General Manager of Connective Industries Division

## Bringing Together Unrivaled Products and Providing Solutions That Seamlessly Connect Boundaries

### Our Vision

"We shall not be complacent in our traditional product business. We shall not fear change, we need to embrace it." The CI sector was created based on this strong belief. We aim to create new value that is "connective." Our purpose is "Connecting data, value, industry, and society." Bringing together Hitachi's unrivaled products and solutions that seamlessly connect boundaries — between management and workplace, one company and another, people and industry — will transform industries and society and generate sustainable value.

Social issues in recent years have become increasingly complex, and the number of issues that cannot be solved within a single field have been increasing. It is thus important to solve interdisciplinary boundary issues. In this environment, the CI sector is striving to expand the Total Seamless Solution, which leverages the strength that comes from having products, OT and IT, and "domain SI" gained through collaborative creation with customers and takes advantage of Hitachi's proprietary technologies and extensive empirical knowledge to solve boundary issues, from industry to urban and healthcare fields. The sector is also working to strengthen recurring business. In doing so, it aims to achieve further global growth. To this end, we have been developing business primarily in the digital field with the DSS sector. We will further expand our business into the "Green" field with the GEM sector.

### Business Strategy (Lumada Expansion)

We have three growth strategies. The first is the evolution and expansion of the Total Seamless Solution using the Lumada framework for collaborative creation with customers. We have already produced several results using AI, which is attracting attention. At sales workplaces, we have optimized order placement using an AI demand prediction solution and thereby significantly reduced the time for placing orders and preventing stockouts, which were customers' challenges. We have built a track record in the food and apparel industries and then will expand business into many different fields. We will also optimize solutions according to issues and make contributions in the "Green" field. Looking at solutions for carbon neutrality, primarily solutions related to electric vehicles, we are developing solutions across the entire EV value chain, including EV chargers that have high-voltage power receiving, ultra-rapid, multi-point switching functions; a V2X*1 system that enhances the resilience of buildings; and an EV battery LCM*2 solution.

The second strategy is strengthening the recurring business. We continue to provide sustainable value to customers with the Total Seamless Solution and strengthen the business foundations in the CI sector.

The third is accelerating global growth. We are strengthening businesses primarily in North America through an M&A strategy.

*1 V2X: Vehicle to X (a general term for technologies related to connections and links between automobiles and other items)   *2 LCM: Life Cycle Management

### The Story of Value Co-creation

As a recent topic, let's look at an example of collaborative creation with Lion Electric, an EV manufacturer in North America. It manufactures EV school buses. An urgent challenge for Lion Electric is to quickly establish a system for increasing EV battery production to meet the rapidly growing EV demand to achieve zero emissions and reduce our environmental impact. For this reason, it selected JR Automation, an American subsidiary of Hitachi that possesses advanced robotic SI technology, to be its main contractor. By supervising the overall project and developing the prototyping and full production lines for EV batteries in parallel, the two companies have succeeded in quickly establishing safe, highly efficient, high-performance production lines through collaborative creation, despite time constraints.

EV battery production lines

# The Value Creation Process

## Our Advantages and Resources*1

### Global and diverse organization and human capital

- DEI promotion for diverse human resources
- Compensation structure supporting growth mindset
- Global top-tier board

| | |
|---|---|
| Overseas employee ratio | 59% |
| Ratio of female executive and corporate officers | 11% |
| Ratio of non-Japanese executive and corporate officers | 20% |
| Digital talent | 83,000 |
| Engagement score | 69.5 |

### Global assets capturing technology trends

- Three business segments matching trends
- Four strategic cross-sector functions
- Overseas regional headquarters capturing global markets

| | |
|---|---|
| Global asset ratio*2 | 70% |

### Innovating technologies

- Back-cast corporate R&D that develops the next Lumada solutions
- start-up investments

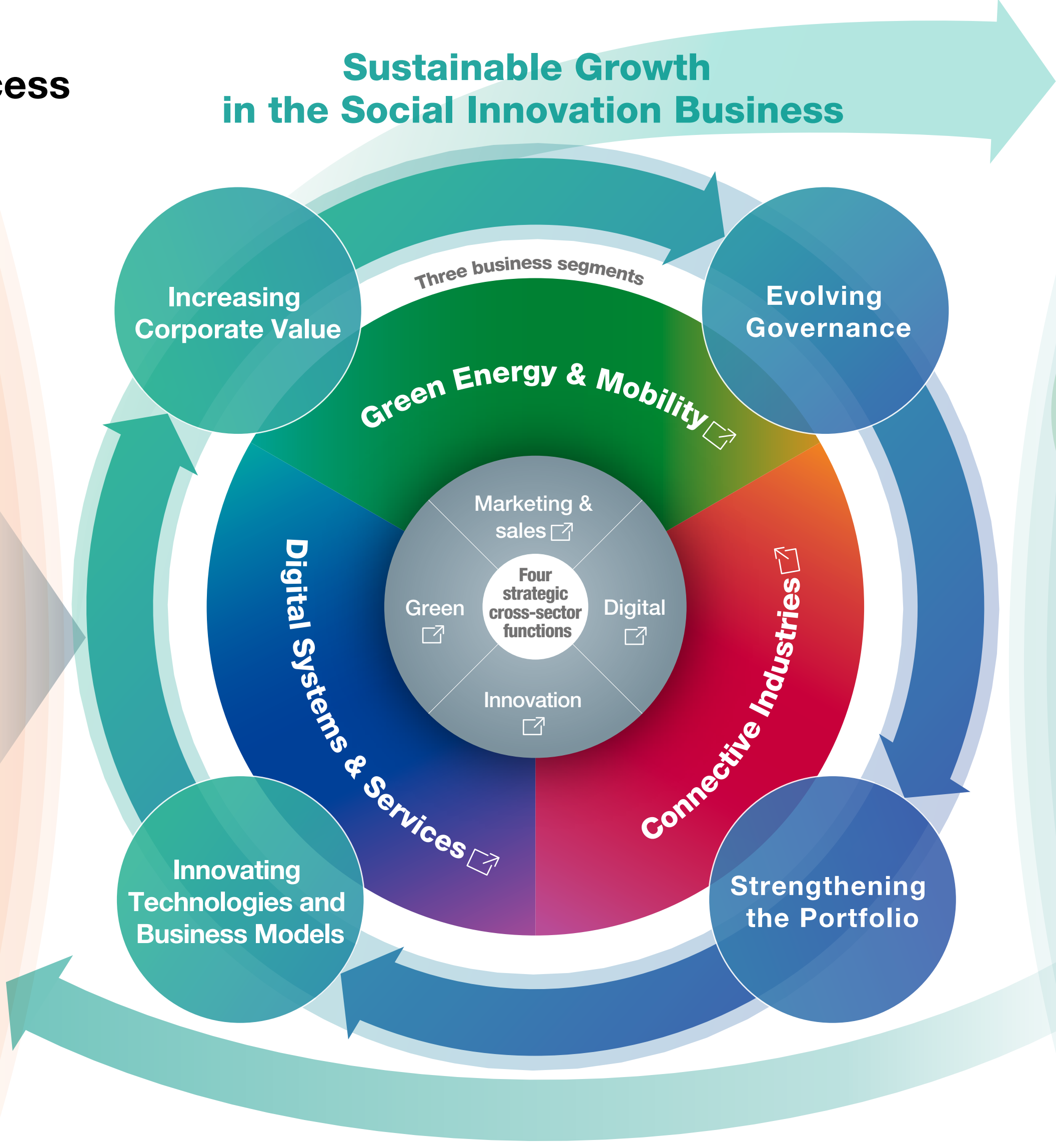
| | |
|---|---|
| R&D investments | 316.2 billion yen |
| Investments in start-ups | 300M$ in total |

### Unique business model

- Lumada's customer co-creation framework
- One Hitachi framework that enables approach to global customers

| | |
|---|---|
| Lumada use cases | 1,330 |
| Solutions | 202 |
| Lumada Innovation Hub Tokyo | |
| Number of visitors | 15,000 |
| Collaborative creation cases with customers | 75 |
| Alliance program partners | 62 |

## Sustainable Growth in the Social Innovation Business




### Materiality

| Environment | Resilience | Safety & Security | Quality of Life | Business with Integrity | DEI |
|---|---|---|---|---|---|

Resilient organization | ■ Corporate governance | ■ Risk management

**Mission** Contribute to society through the development of superior, original technology and products.

## Creative Value

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


### Contribute to customers' decarbonization

126.1 million metric tons/year*3

### Lumada drives growth by contributing to DX/GX

| | |
|---|---|
| Revenue growth (YoY)*4 | +14% |
| Adj. EBITA margin*4 | 9.5% |
| Lumada revenue ratio | 26% |
| Adj. EBITA margin | Approx.14% |
| EPS*4 | 676 yen |
| CFPS | 439 yen |
| Total shareholder return | 142.7% (past three years) |

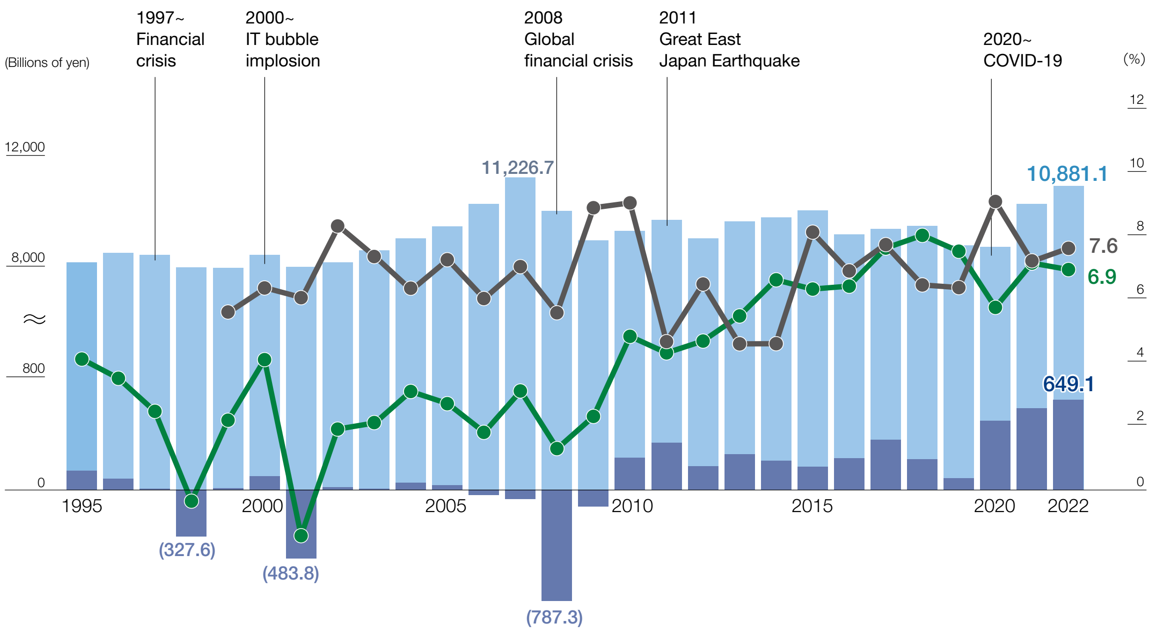
*1 The figures described on this page are FY2022 performance
*2 FY2021
*3 Three-year average during the period of the Mid-term Management Plan 2024 (forecast)
*4 Continuing consolidated business (three sectors) excluding listed subsidiaries and Hitachi Astemo

# Business Transformation and Future Growth

Past Mid-term Management Plans

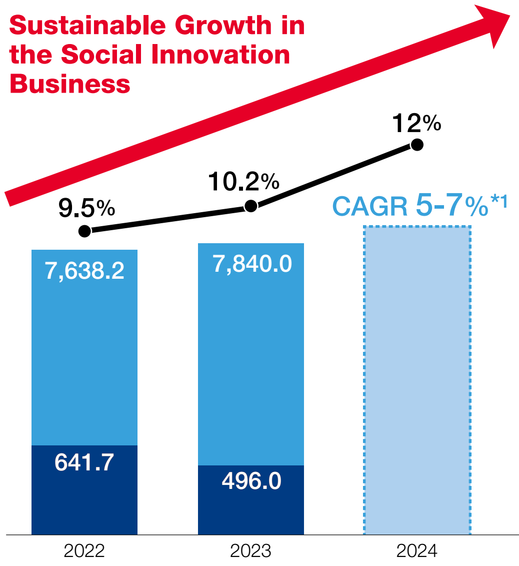
## Performance

Revenues / Net income attributable to Hitachi, Ltd. stockholders / Cash flows margin from operating activities / Adj. operating income ratio




## Continuing Consolidated Business (Three Sectors)

Revenues / Net income attributable to Hitachi, Ltd. stockholders / Adj. EBITA ratio




**Revenue growth rate**
**5-9%**

**Adj. EBITA margin**
**≥12%**

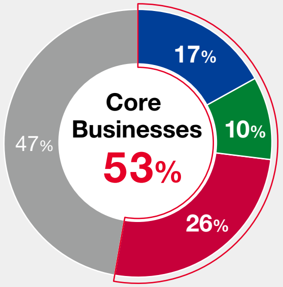
**Bottom-line stability**
**Net income*2 / Adj. EBITA**
**≥60%**

**Cash generation**
**Core FCF / Net income**
**≥80%**

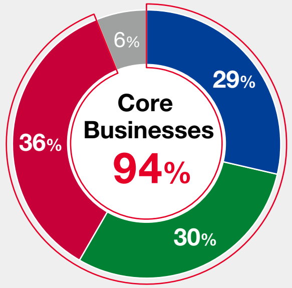
From FY2024

## Business Structural Reforms (FY2009–FY2022)

**FY2009 Revenues**




**FY2022 Revenues*4**




- Digital Systems & Services
- Green Energy & Mobility
- Connective Industries
- Others

Number of listed subsidiaries: 22*3

Number of listed subsidiaries: 0

## EPS Growth

MMP 2021*5 (3-year average) **404 yen** → FY2024 **≥600 yen**

## CFPS Growth

MMP 2021*5 (3-year average) **291 yen** → FY2024 **≥500 yen**

*1 FY2021-FY2024 CAGR *2 Excluded impact of one-time factors *3 Number of listed subsidiaries as of March 2009
*4 Figures are for the continuing consolidated business (three sectors), excluding Hitachi Metals and Hitachi Construction Machinery, which were deconsolidated in FY2022, and Hitachi Astemo, which is scheduled to be deconsolidated in FY2023.
*5 FY2019-FY2021

# Evolving Governance (Independent Directors Messages)

## Board and Nominating Committee

**Maintain and improve the effectiveness of the global top-tier Board, and commit to future CEO succession planning**

Katsumi Ihara
Chairman of the Board and Nominating Committee

### Roles of the Board and Nominating Committee / Ensure diverse boards and develop CEO succession

Hitachi is a company with a nominating committee, etc., and independent directors assume heavy responsibilities, such as serving as the chairperson of the Board and chairing the three committees. The current board is well balanced in terms of diversity such as skills, geography (Japan, the United States, Europe, India), and gender, and is composed of world-class members.
The board is responsible for corporate governance and separates its functions from the executive officers responsible for managing Hitachi. Each board meeting begins with a report by the CEO on the current status of the company, priority issues, and action to be taken, followed by an active discussion. In particular, the quality of management strategies is enhanced through in-depth discussions of the Mid-term Management Plan, the one-year business plan, and large-scale M&A projects. For example, some M&A projects proposed by executives are rejected after discussion, and it is fair to say that the board functions effectively through an open exchange of opinions.
The Nominating Committee, on the other hand, has three roles. The first is the selection of director candidates, the second is the formulation and proposal of CEO succession plans, and the third is the development of future CEO candidates. Hitachi's Nominating Committee is unique in that it devotes a great deal of energy not only to selection but also to development. In addition to candidates for the next and subsequent CEO terms, Nominating Committee members are involved in the training of even younger candidates through interviews and lectures.

### Initiatives and evaluations for fiscal 2022 / Select the optimal members for a more effective board

In fiscal 2022, COVID-19 subsided and directors became more active in their roles. Active communication was achieved through visits to business sites and exchanges of opinions with executive officers outside of meetings. Each year, through questionnaires and interviews with directors, we evaluate and verify whether the board is functioning properly and producing results, and how it is contributing to Hitachi's growth. We have confirmed that a high level of effectiveness has been ensured, and this has continued from fiscal 2021.
To maintain and improve the effectiveness of the board, it is essential to recruit the right people to serve as directors. This is not an easy task. Hitachi regularly maintains and updates a list of potential board members worldwide. Given the diverse nature of Hitachi's business and its focus on the digital field, we are now prioritizing candidates with global corporate management experience and expertise in the IT field.
In fiscal 2022, the members of the Nominating Committee continued to devote much time to developing the next generation of leaders. We conduct one-on-one interviews with the next and subsequent CEO candidates to confirm their growth as leaders and discuss challenges that will foster further growth. By conducting these activities on an ongoing basis, we are able to chart each candidate's growth. We are also involved in the development of the Future50, younger future leaders, honing their leadership skills, global perspective, and strategy through interviews and lectures. We believe that it is very important for Hitachi to develop a pipeline of future CEOs and to improve the quality of this pipeline.

### Challenges and prospects for fiscal 2023 / A board that inherits Hitachi's culture and contributes to growth

The first priority this fiscal year is to continue to review the board and CEO succession plan. We will select people with a robust process. The second is to ensure that the Mid-term Management Plan 2024 delivers results to meet stakeholder expectations. In fiscal 2022, we were able to achieve good financial results, and in fiscal 2023, we will continue to respond firmly to various risk factors to achieve the Mid-term Management Plan 2024 and deliver shareholder returns. Third, now that the major portfolio reforms have been completed, it is time to shift to organic growth. To make this shift, we need to transform Hitachi's business into a globally competitive business. We have a mix of businesses that can compete in the global market and businesses that are yet to come, but we recognize that this transformation is a key issue for fiscal 2023 and 2024.
As Hitachi moves toward sustainable growth, the evolution of transparent and effective governance will continue to be required. Hitachi's directors and executive officers have maintained a relationship that combines a healthy tension and mutual support, and they have been able to function well, which has contributed greatly to Hitachi's transformation and growth to date. As Chairman of the Board and the Nominating Committee, I am committed to building a board that will continue this culture, even as the members change in the future, and to achieving continuous improvement in Hitachi's corporate value.

# Evolving Governance (Independent Directors Messages)

## Compensation Committee

**Compensation is an engine for corporate growth, and a new compensation structure will enhance corporate value and global competitiveness**

Takatoshi Yamamoto
Chairperson of the Compensation Committee

### Roles of the Compensation Committee / Ensuring objectivity, transparency, and fairness is the key

The roles of the Compensation Committee are to consider, create, and implement a compensation system for directors and executive officers that is desirable for Hitachi's medium- to long-term vision. Specifically, the Compensation Committee decides the policy for determining the details of compensation for directors and executive officers and the details of individual compensation based on the policy. Of particular importance is ensuring objectivity, transparency, and fairness in the compensation determination process. This enhances accountability and disclosure.
I was appointed chairperson in June 2022. I believe that one of the important roles of the Compensation Committee is to review the compensation system for Hitachi's further growth as a global company and to make the necessary revisions. I am working hard every day with the committee members and the secretariat to ensure that we can properly fulfill this role.

### Initiatives and evaluations for fiscal 2022 / Thorough discussion and revision of new compensation framework

Compensation is an important driver of a company's growth. To achieve global growth as One Hitachi, it is essential to secure and retain talented human resources, and to this end, we must increase the competitiveness of Hitachi's compensation in the global market. Specifically, to realize the "Mode Change to Growth" stated in the Mid-term Management Plan 2024 and to continue to grow over the next 10 years, we investigated and thoroughly discussed the following three perspectives as issues regarding the future form of the executive compensation system: whether the current compensation level is appropriate, whether compensation is linked to the growth in corporate value, and whether compensation is competitive compared to global companies in Europe and the United States.
Looking back, Hitachi's CEO compensation has increased at a CAGR of 15% from 2016 when Chairman Higashihara became CEO to the present. We believe that it is necessary to always be aware of whether this compensation is commensurate with the company's growth and the market. In fact, Hitachi's stock price continued to grow at a 16% CAGR with market capitalization at a CAGR of 17% during this period, while the TOPIX growth was a 6% CAGR. Comparison with the market and global competitors is very important.
Based on these findings, in fiscal 2022, we devoted more time to discussing the ideal compensation system. In April 2023, we revised the compensation system to reflect that content.
In making the revision, we also placed emphasis on ensuring pay-for-performance that rewards contributions to growth and innovation and measures that contribute to enhancing corporate value by strengthening sustainable management. One of the goals of the revision was to design a system that provides room for alignment with shareholders and other stakeholders, and to create a flexible budget system.
As a company committed to sustainable management, we have introduced sustainability targets as evaluation items. I believe that a company that cannot endorse or practice sustainable management will not be able to survive in the global market and enhance corporate value. To have Hitachi's growth evaluated by aligning with the capital market, we need to project corporate value over three to five years, that is, over the medium to long term, based on sustainable management. I would like to have the perspectives of linkage with corporate value growth and global competitiveness, which were formed through those discussions, take root as a basic concept and culture so that present and future Compensation Committee members can share the same mindset in approaching issues.
In Japan, I believe that there are still few companies that have a globally accepted compensation system. I hope that the content of these revisions will be perceived as Hitachi leading the way in compensation structures as a global company.

### Challenges and prospects for fiscal 2023 / Deepening the design and operation of the compensation system as a global company

In fiscal 2023, we will promote internal understanding of the revised compensation system and work to permeate and implement it. When applying it to individual evaluations, such as company-wide performance and divisional performance, we will organize and operate specific simulated issues on how to implement the evaluations also taking into account changes in the external environment. We will communicate thoroughly, including with non-Japanese executive officers.
Hitachi's 12 directors also include nine independent directors. We believe it is necessary to also discuss a review of the compensation system for independent directors, who play a role in corporate management as a supervisory function. To accelerate the growth of Hitachi as a global company and respond to the changing times, I, as chairperson of the Compensation Committee, will strive to design and operate the compensation system while maintaining a high level of objectivity, transparency, and fairness at all times. We believe that the compensation system, which is a growth engine, should be an ideal form that supports further growth and serves as the basis of Hitachi's corporate value creation scenario not only for the Mid-term Management Plan 2024 but also beyond into the future.

# Evolving Governance (Independent Directors Messages)

## Audit Committee

**Enhance corporate value through audits that contribute to achieving growth and overcoming management challenges**

Hiroaki Yoshihara
Chairperson of the Audit Committee

### Roles of the Audit Committee / Constructive tension with management to meet stakeholder expectations

The role of the Audit Committee is to fulfill the trust of stakeholders by auditing the legality and appropriateness of the execution of duties by directors and executive officers and conducting accounting audits. Since Hitachi faced a major deficit in fiscal 2008, successive management teams have worked to strengthen its governance. One of the hallmarks of this is Tone at the Top, which means that management is keenly aware of the importance of governance for sound growth. It facilitates frank and honest discussions. As a member of the Audit Committee, I constantly consider how I can contribute to Hitachi's goal of growth and overcoming management challenges.
The "growth" that Hitachi is aiming for not only means short-term growth in sales and profits but also very high-quality, healthy growth that can be sustained over the medium to long term, including non-financial factors such as human resources, organizational culture, and environmental value. I believe that it is necessary for the Audit Committee to engage closely with management while maintaining a constructive sense of tension and mutual understanding and respect for each other's roles in order to improve corporate value in a balanced manner. By utilizing Hitachi's "Tripartite Audit"*1 and triangular pyramidal monitoring system*2, we strive to improve transparency and the effectiveness of internal controls, and continue to evaluate each other's performance and make efforts to improve while ensuring appropriate tension.

### Initiatives and evaluations for fiscal 2022 / Perform global and effective audits with high priority

In fiscal 2022, we visited Hitachi Energy in Switzerland and Hitachi Rail in Italy, which were recent major acquisitions, and exchanged views directly with local management on the environmental business growth strategy and other issues to confirm the current concerns and future direction. We also conducted on-site assessment of global business risks by visiting three recently acquired CI sector companies and their holding company in North America to check the progress of post-merger integration (PMI) and the One Hitachi initiatives.
In the past few years, major structural reforms at Hitachi have progressed successfully, but structural reforms, including business portfolio transformation, are a process of achieving an ideal that has no end in sight, one that evolves every moment with the operating environment, and can be said to be an enduring proposition for the company. This is why our strong attention on measures against low-profit businesses and strategies to achieve higher levels of cash flow and ROIC, as well as our expected DX and GX investment returns, will continue to be important.

In particular, one of our important roles is to monitor the soundness of long-term large-scale projects for Hitachi Energy and the railway systems business.
While we have these priorities, we will also pay constant attention to health and safety, quality assurance, compliance, and fostering a culture of thoroughness in these areas. Hitachi is committed to earnestly addressing these issues, analyzing the causes, and making efforts in the right direction, including reviewing and disseminating guidelines. The Audit Committee will continue to evaluate and assist with these issues.

### Challenges and prospects for fiscal 2023 / Prioritize AI risk assessment and operational efficiency

In addition to further improving the audit items that we conduct every year, the Audit Committee will contribute to maximizing synergies in Hitachi's business portfolio as One Hitachi. As Hitachi is a major company that is engaged in a variety of businesses, there are a wide range of opportunities to improve through greater efficiency, and improving the efficiency of global operations in particular is an urgent issue that we are addressing.
Regarding AI, which is an important theme today, Hitachi is utilizing generative AI to provide newer solutions in addition to the current control and analytic AI systems. Risk management related to AI systems provided by Hitachi within the company and for clients is becoming increasingly important. The Audit Committee will also closely monitor the progress while assessing the trends in AI-related global legislation.
For Hitachi to continue to grow soundly and become a global leader in the Social Innovation Business, the Audit Committee will make earnest efforts to support and monitor the execution of duties by management.

*1 Audit system based on cooperation and close communication among the Audit Committee, the Internal Audit Office, and the accounting auditor
*2 To strengthen the auditing system and functions, in addition to the current Tripartite Audit system, there is an oversight system, headed by the Audit Committee, that recognizes, assesses, and supervises and supports the resolution of material risks and issues in collaboration with the head office and business unit administration.

# Business Strategies


We have introduced our Social Innovation and the latest technologies and business trends on our "Social Innovation web site." And "The People of Hitachi" is a documentary series with inspiring stories about how Hitachi Group employees are powering good around the world to solve problems faced by today's society.

# Materiality

## Towards a Sustainable Society: Hitachi's Materiality

Hitachi practices sustainable management, which positions sustainability as the core of its business strategy, and is working toward realizing a sustainable society through the Social Innovation Business.
In the Mid-term Management Plan 2024, we declared our aspiration of "supporting people's quality of life with data and technology that fosters a sustainable society." While some of the nine planetary boundaries have already been exceeded, Hitachi is aware of each one and works to protect the planet and maintain society. Hitachi aims to solve social challenges to realize a future that balances protection of the planet and people's individual wellbeing.

### The Materiality Analysis Process

With a comprehensive understanding of social issues, Hitachi has identified six material topics and 15 sub-material topics based on an analysis of risks and opportunities from sustainability perspectives as well as feedback from stakeholders.
Based on these material topics, Hitachi is monitoring measures as well as discussing the progress, and new initiatives for each materiality at the Senior Executive Committee and the Board of Directors.

**STEP 1 Comprehensive understanding of social issues**
- Identifying social issues from the SDGs, GRI standards, SASB standards, ESG external evaluation items, etc.

**STEP 2 Ranking issues by priority from Hitachi's point of view**
- Identifying innovation areas where Hitachi should contribute based on backcasting from 2050
- Analyzing risks and opportunities

**STEP 3 Ranking issues by priority from stakeholders' point of view**
- Evaluating material topics based on assessments and comments from investors, NGOs, and ESG evaluation organizations
- Evaluating through dialogue with investors, NGOs, and sustainability experts

**STEP 4 Identifying Materiality**

### Sustainability Strategy Promotion Structure

Under the leadership of Lorena Dellagiovanna, the Chief Sustainability Officer, Hitachi is promoting its sustainability initiatives on a group-wide basis. For details, please refer to page 15 of the Sustainability Report.

| Materiality | Our aspirations |
|---|---|
| **Environment**<br>Contributing to decarbonization and resource circulation | As a climate change innovator, Hitachi will contribute to the realization of a carbon neutral society with Hitachi's superior green technologies, by providing value to customers in all business segments. We will also promote resource efficiency toward the transition to a circular economy. |
| **Resilience**<br>Contributing to the maintenance and rapid recovery of social infrastructure | Hitachi helps people live safely by contributing to the rapid recovery of supply chains and the maintenance of social infrastructure by providing system solutions that can respond immediately to risks, such as natural disasters, pandemics, and cyberattacks. |
| **Safety & Security**<br>Contributing to safe and secure society-building | Hitachi contributes to the realization of comfortable and active lifestyles for people by providing solutions in the building, mobility, and security fields that support urban development for safe and secure living. |
| **Quality of Life**<br>Contributing to physical and mental wellness and a prosperous life | Hitachi is harnessing our healthcare and digital technologies to help more people develop bonds and enjoy healthier, more prosperous lives. We will also continue to pursue the happiness and wellbeing of our employees, as we believe that their happiness and wellbeing is the ground on which Hitachi's future will flourish even more fully. |
| **Business with Integrity**<br>Adhering to ethical standards as well as respect human rights | As a Group responsible for social infrastructure around the world, Hitachi will manage its business with honesty and integrity, trusted by society, respect human rights, and provide a safe workplace. We will reflect a system of ethical and responsible business conduct, including respect for human rights, in our business activities and decision-making standards, working together with our employees, collaborative partners and communities throughout the supply chain. |
| **Diversity, Equity and Inclusion (DEI)**<br>Contributing to a society where everyone can shine | Hitachi has a place for everyone, welcoming differences in colleagues' background, age, gender, sexuality, family status, disability, race, nationality, ethnicity, and religion.<br>At Hitachi, we treat everyone fairly, recognizing differences to allow everyone to perform at their full potential.<br>We respect and value these and other differences because only through them we can understand our markets, create better ideas and drive innovation. |

## 15 Sub-Material Topics and Targets

| Material topics | Sub-material topics | Targets/KPIs | | FY2022 Progress | Relevant SDGs |
|---|---|---|---|---|---|
| **Environment**<br>Contributing to decarbonization and resource circulation | Decarbonization | **Carbon neutrality through the value chain** | • FY2030: Achieve carbon neutrality in business sites (factories and offices)<br>• FY2050: Achieve carbon neutrality through the value chain | 40% of total $CO_2$ reduction rate at factories and offices (compared to FY2010) | 6, 7, 9, 11, 12, 13, 17 |
| | | **Contributing to $CO_2$ reduction through business** | • FY2024: 100 million metric tons of $CO_2$ avoided emissions per year | 126.1 million metric tons per year*1 of $CO_2$ avoided emissions | |
| | Resource circulation | **Transition to a circular economy** | • FY2024: Full application Eco-Design for all newly developed products<br>• FY2030: Zero*2 waste to landfill*3 from manufacturing sites | 357 products identified as subject of Eco-Design<br>199 sites (58%) achieved zero waste to landfill | |
| | | **Effective use of water** | • Reduction rate in water use per unit (compared to FY2010) FY2024: 24%, FY2050: 50% | 27% reduction in water use per unit | |
| | Harmonize with nature | **Minimize impact on natural capital** | | Sustainability Report 2023 P.55-57 | |
| **Resilience**<br>Contributing to the maintenance and rapid recovery of social infrastructure | Strengthening supply chains | **Build flexible supply chains capable of responding to disasters and risks** | | Sustainability Report 2023 P.22-24 | 9, 11, 17 |
| | Maintaining social infrastructure | **Resilience and sophistication of maintenance through DX of social infrastructure** Business Case | • Contribute to stable energy supply through substation management to approx. 1.9 billion people*4 | | |
| **Safety & Security**<br>Contributing to safe and secure society-building | Safe and secure urban environments | **Safe and comfortable transportation** Business Case | • Contributed a total of 15 billion people annually through railway services*4 | | 3, 6, 9, 11, 17 |
| | Ensuring cyber security | **Secure cybersecurity for social infrastructure and business systems** | | | |
| **Quality of Life**<br>Contributing to physical and mental wellness and a prosperous life | Connected and prosperous society | **Increase healthy life expectancy and wellbeing** Business Case | • Blood tests and other physical exams: 20 billion tests/year*4 | | 3, 4, 5, 8, 10, 17 |
| | | **Build a trustful relationship with others** | • Users of happiness service: 90 thousand in FY2024 | 10.0 thousand users of happiness service | |
| | Employee happiness | **More flexible working styles to increase engagement** | • Employee engagement (positive response rate): FY2024 71.0%*5 | 69.5% employee engagement (positive response rate) | |
| **Business with Integrity**<br>Adhering to ethical standards as well as respect human rights | Business ethics and compliance | **Encourage employees to apply ethical standards in day-to-day work** | • Achieve a score of at least 60 (out of 100) in FY2023*6, the first year of results from Ethical Culture & Perceptions Assessment, improving it every year | Achieved a score of **76.5** (Conducted assessment in June 2023) | 3, 4, 5, 8, 10, 16, 17 |
| | Respect for human rights | **Promote human rights due diligence and strengthen monitoring of procurement partners for responsible procurement, including human rights** | • FY2023: Conduct human rights risk assessments for all BUs (10 BUs) and major Group companies<br>• FY2024: Respond to human rights risks | Conducted human rights risk assessments for certain Group companies | |
| | Occupational safety | **Creating a safe working environment without accidents** | • Zero fatal accidents | 5 fatal accidents | |
| | Safe and secure products and services | **Ensure products and services safety while putting customers first** | | Sustainability Report 2023 P.115-117 | |
| **Diversity, Equity and Inclusion (DEI)**<br>Contributing to a society where everyone can shine | Diverse organization that fosters innovation | **Strengthen diversity in management** | • Ratio of female and non-Japanese executive and corporate officers: FY2030 30% respectively | 11% of female and 20% of non-Japanese executive and corporate officers*7 | 4, 5, 8, 10, 17 |
| | | **Acquiring and developing digital talent** | • FY2024: 97,000 persons*8 | 83,000 persons | |
| | Contribution to a diverse and equitable society | **Empower DEI of society through community relationship programs** | • Nurture and empower next-generation talent | Participants in Hitachi Young Leaders Initiative 30 people 405 people cumulative*9<br>Participants in Hitachi High-Tech science education support activities<br>62,487 people 367,362 people cumulative*10 | |

*1 Mid-term Management Plan 2024 three-year average *2 Less than 0.5% *3 Wherever this is compatible with local conditions and regulations *4 FY2022 results *5 Target has been raised since we achieved the initial target/KPI
*6 Base year has been changed from FY2022 to FY2023 *7 Included assignment as of April 1, 2023 *8 Hitachi Astemo is excluded *9 Cumulative total since 1996 *10 Cumulative total since 1990

# Mid-term Management Plan 2024

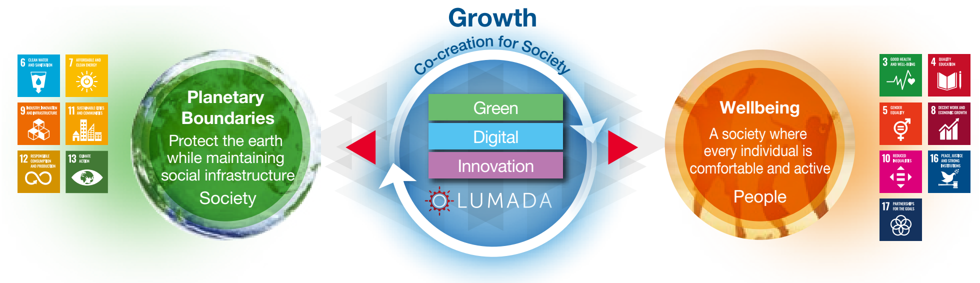
Progress of the Mid-term Management Plan 2024

The company stage is changing from the phase of business structural reforms to the phase of organic growth. The Mid-term Management Plan 2024 is a crucial turning point to increase corporate value as One Hitachi.

## Ideal Positioning in the Mid-term Management Plan 2024

With the three growth drivers of Digital, Green and Innovation, the Mid-term Management Plan 2024 aims to achieve global growth. Under this management plan, Hitachi will protect the global environment so as not to exceed planetary boundaries and contribute to the realization of a sustainable society where wellbeing (human happiness) is maintained so that all members of society can be comfortable and active.

Supporting people's quality of life with data
and technology that foster a sustainable society




## Financial Targets (FY2024)*1

Under the Mid-term Management Plan 2024, Hitachi is focusing on growth in both the top line and the bottom line and on generating cash for growth and shareholder returns. Hitachi will thereby achieve growth in EPS and CFPS.

| Revenue growth rate<br>FY2021-FY2024 CAGR | Adj. EBITA margin*2 | EPS*3 growth<br>FY2021-FY2024 CAGR |
|---|---|---|
| 5%–7% | 12% | 10%–14% |

| Core FCF*4*5<br>(3-year cumulative) | ROIC | EPS | CFPS |
|---|---|---|---|
| 1.2 trillion yen<br>Shareholder returns:<br>0.8 - 0.9 trillion yen | 10% | ≥600yen | ≥500yen |

*1 Revenues, profit and cash flow of listed subsidiaries and Hitachi Astemo are subtracted, and equity in earnings of affiliates are added to results and plans of FY2021-FY2024.
*2 Adjusted operating income plus Acquisition-related amortization and equity in earnings/losses of affiliates.
*3 The impact of one-time factors is excluded from net income in FY2021.
*4 Core FCF = Cash flows from operating activities – CAPEX.
*5 The target was updated in April 2023 as a result of deconsolidation of listed subsidiaries and Hitachi Astemo.

## Financial Figures by Sector

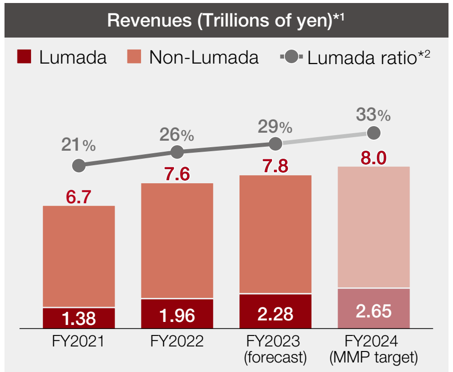
| Billions of yen | | FY2021 Results | FY2022 Results | FY2023 Forecast*6 | FY2024 Target*7 |
|---|---|---|---|---|---|
| Continuing consolidated business (three sectors) | Revenues | 6,699.2 | 7,638.2 | 7,840.0 | CAGR 5%-7% (7,800.0-8,200.0) |
| | Adj. EBITA margin*8 | 9.9% | 9.5% | 10.2% | 12% |
| Digital Systems & Services | Revenues | 2,153.6 | 2,389.0 | 2,450.0 | CAGR 7% (2,600.0) |
| | Adj. EBITA margin | 13.1% | 12.3% | 12.6% | 14% |
| Green Energy & Mobility | Revenues | 2,051.0 | 2,469.9 | 2,580.0 | CAGR 13% (2,900.0) |
| | Adj. EBITA margin | 4.5% | 6.6% | 6.7% | 9% |
| Connective Industries | Revenues | 2,752.8 | 2,975.2 | 3,000.0 | CAGR 4% (3,100.0) |
| | Adj. EBITA margin | 9.4% | 10.5% | 11.0% | 12% |

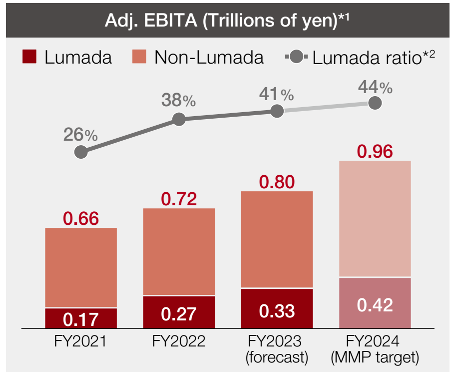
*6 Assumed FX rate: 130 yen / US$, 140 yen / €. Impact of FX rate fluctuation by one-yen depreciation from assumed rate is as follows— US$: Revenues +13.5 billion yen / Adj. EBITA +1.5 billion yen, €: +7.0 billion yen / Adj. EBITA +0.5 billion yen (as of April 2023)
*7 In parentheses, revenues are calculated from CAGR.
*8 For an analysis of changes in adjusted EBITA (FY2022-FY2024), refer to page 4 of Investor Day CFO Session.

## Revenues and Profits Growth Driven by Lumada

The expansion of the Lumada business leads our revenues and profits growth. We aim to increase the Lumada business to one-third of revenues and more than 40% of profits of Hitachi overall in fiscal 2024 (fiscal 2022 Lumada business: Revenues 1,960.0 billion yen, Adj. EBITA margin 14%. fiscal 2024 Lumada business: Revenues 2,650.0 billion yen, Adj. EBITA margin 16%). Lumada's customer co-creation framework has generated many customer cases and solutions. We use the customer cases and solutions repeatedly to increase profitability. We are also striving to increase the service business and recurring ratio with large-scale assets acquired through M&A.

For details of the digital strategy, please refer to page 23.




*1 Revenues and profit of listed subsidiaries and Hitachi Astemo are subtracted, and equity in earnings of affiliates are added to results and plans of FY2021-FY2024.

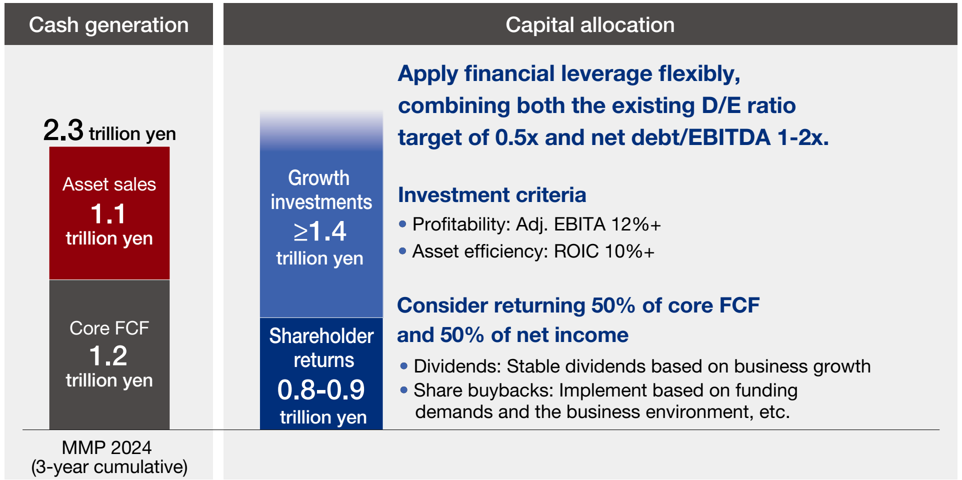
*2 Equity in earnings of Hitachi Construction Machinery is classified into Lumada; that of Hitachi Astemo is classified into Non-Lumada.

## Capital Allocation Policies

Hitachi will achieve sustainable growth by well-balanced allocation of generated cash to growth investments and shareholder returns. We will focus on Digital, Green and Innovation as areas for growth investments, and we strictly apply our criteria for financial decisions. When we find good growth investment opportunities, we apply financial leverage flexibly, combining both the existing D/E ratio target of 0.5x and net debt/EBITDA 1-2x.

We consider both 50% of core FCF and 50% of net income for total shareholder returns. For Hitachi, the executing of shareholder returns based on medium- and long-term business plans and achieving growth in total shareholder return (TSR) through achieving appropriate stock prices are important management issues. Under this policy, we examine the continuing payment of dividends and share buybacks and returning earnings generated from business growth to shareholders.

For details about our financial strategies, please refer to page 29.

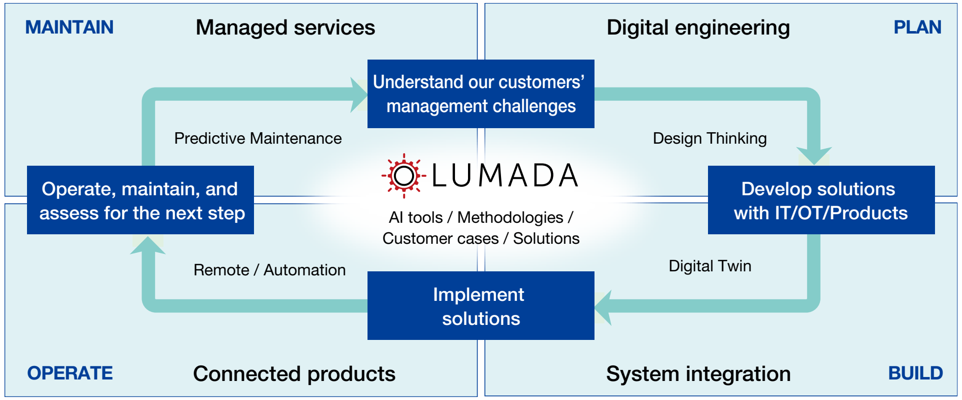


# Corporate Initiatives for Sustainability Growth / Digital Strategy

Hitachi is pushing forward with its Social Innovation Business, which solves social issues together with customers by leveraging IT x OT x Products. Lumada is the name of methodologies, solutions and use cases that promotes the Social Innovation Business by leveraging digital technology. Hitachi will create new value by quickly achieving DX for customers through Lumada. Aiming to expand the Lumada business revenues to 2,650 billion yen during the Mid-term Management Plan 2024, Hitachi will work to expand the Lumada business while training and strengthening digital talent and acquiring assets in North America, a growth area.

## Lumada's Customer Co-creation Framework

To further accelerate the Lumada business, multiple sectors and business units in each global region will work together as One Hitachi based on customers co-creation framework to enhance our competitive advantages. Lumada's customer co-creation framework is a method for the realization of circular businesses that increase the value provided to customers while continuously executing a cycle that starts with understanding our customer management challenges (PLAN: upper right quadrant), developing and implementing solutions with IT x OT x Products (BUILD: lower right quadrant), operation (OPERATE: lower left quadrant), and maintenance (MAINTAIN: upper left quadrant) by using data and technology. With the acquisition of GlobalLogic, which possesses design thinking and digital engineering capabilities able to capture customer and social issues and incorporate them into agile solutions, we will continuously and rapidly execute the four-quadrant cycle within Hitachi's business footprint to accelerate growth (click here for cases of Lumada co-creation).




## Hitachi Digital—Driving the Lumada Business Globally

In April 2022, we established Hitachi Digital in Silicon Valley in the United States as a control tower for the acceleration of the global development of Lumada. Hitachi Digital leads the formulation and execution of digital strategies to expand the Lumada business globally. In fiscal 2022, the first year of its establishment, Hitachi Digital crossed the boundaries between business units and carried out various activities to accelerate the integration of IT x OT x Products. One representative initiative was the establishment of the Decision & Advisory Board in June 2022. The Board consists of the CEOs of Hitachi Energy, Hitachi Rail, GlobalLogic, and Hitachi Vantara and the heads of the business units of the DSS sector, etc. It leads regular discussion of digital strategies to promote the development and execution of digital strategies across the Hitachi Group, and approximately 20 projects had been launched as of February 2023. Another initiative was "Hitachi Digital Summit 2022," which was held for the first time in October 2022. To accelerate customer co-creation as One Hitachi, 127 executives and leaders of the Hitachi Group from across the world gathered in the United States to energetically discuss issues and exchange opinions. In addition, Hitachi Digital CEO Jun Taniguchi led the team of Chief Lumada Business Officers (CLBOs) who have been assigned in each business field and they took responsibility for the expanding Lumada business in each field and cooperated with each other. As a result, we achieved Lumada business revenues of approximately 2 trillion yen in fiscal 2022, exceeding the initial plan.

Thanks to its leadership creating synergies throughout the group, Hitachi Digital launched 13 new businesses in fiscal 2022 alone, and the expansion of the Lumada business as One Hitachi is progressing steadily.


From left: Gajen Kandiah, CEO of Hitachi Vantara, Nitesh Banga, CEO of GlobalLogic, Jun Taniguchi, CEO of Hitachi Digital

# Corporate Initiatives for Sustainability Growth / Green Strategy

Green Strategy (Sustainability Report)

## A Green Strategy for Sustainable Growth

Hitachi has developed a green strategy that comprises the two pillars of “GX for CORE” and “GX for GROWTH” as it aims to become a Climate Change Innovator. Promoting GX for CORE and GX for GROWTH in tandem will accelerate the deepening of technology and know-how, allowing Hitachi to continuously improve the environmental value that it offers. Steadily executing this green strategy will accelerate the Hitachi Group’s green transformation (GX) and help contribute to the GX of customers across a range of sectors and to the GX of society as a whole.

## GX for CORE

### Accelerating the Hitachi Group’s green transformation

**Major KPIs for Green Strategy Implementation**

| | |
|---|---|
| Carbon neutrality | Business Sites (Factories and Offices) (by FY2030)<br>Whole value chains (by FY2050) |
| Eco-design | Full application for all newly developed products (by FY2024) |
| Resource circulation | Zero*1 waste to landfill*2 from manufacturing sites (by FY2030) |

*1 Less than 0.5% *2 Wherever this is compatible with local conditions and regulations

### Decarbonization

- We will introduce energy-saving equipment in production lines as well as introduce and procure renewable energy and other initiatives. We estimate that this will allow us to exceed the $CO_2$ emission reduction target (50%) for the Mid-term Management Plan 2024 with a 64% reduction by fiscal 2024 (fiscal 2010 baseline).
- Since fiscal 2022, we have introduced the third-party evaluation platform EcoVadis* to procurement partners, strengthening our engagement with those partners.

* A comprehensive corporate social responsibility assessment service platform. We implement evaluations that cover environment, labor & human rights, ethics, and sustainable procurement.

### Resource–efficient society and harmonizing society with nature

We are conducting activities to minimize our impact on the environment.

- 357 products were identified as subject of Eco-Design (fiscal 2022).
- We achieved zero waste to landfill at 199 business sites (fiscal 2022).

#### We use solar power generation at a Hitachi Rail factory (Tito Scalo site, Italy)

An annual 700 MWh or more of power, which makes up 50-60% of the plant’s total energy use, comes from on-site solar panels. This has allowed us to cut 325 metric tons of $CO_2$ emissions per year.

## GX for GROWTH

### Contributing to the green transformation of customers and society

**Major KPIs for Green Strategy Implementation**

| | |
|---|---|
| Amount of contribution to $CO_2$ emission reductions | 100 million metric tons/year (FY2024) |

### Decarbonization

- We contribute to the reduction of $CO_2$ emissions of customers and society through energy transition, electrification and automation, as well as through the use of digital solutions. As of now, we expect to reach 126.1 million metric tons/year as a three-year average in FY2022-2024 (Mid-term Management Plan period).

### Resource–efficient society

- Along with well-known examples like the remanufacturing of air compressors and vacuum cleaners using recyclable plastic, we have recently joined the trial of SEVEN-ELEVEN JAPAN and validate the utilization of used EV batteries.

#### Trial to reduce the environmental impact of a store with SEVEN-ELEVEN JAPAN (2-chome Hikonari, Misato store)

We developed a mobile storage battery (Battery Cube) with a used EV battery to make effective use of power generation from solar panels installed at the store. We expect energy management combined with in-store energy-saving equipment and air conditioning to reduce purchased power by about 60% and $CO_2$ emissions by about 70% compared with fiscal 2013.

# Corporate Initiatives for Sustainability Growth / Innovation Strategy

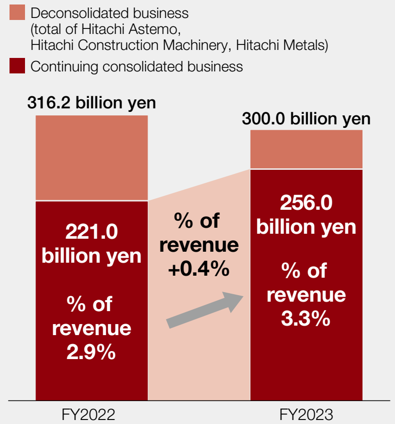
R&D and IP Strategies Briefing

## Achieving Sustainable Growth through the Development of Enabling Technology

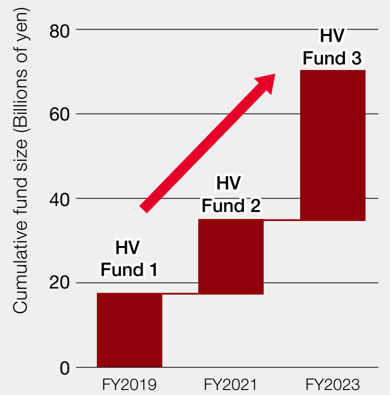
Our goal is to achieve the sustainable growth of business by firmly supporting co-creation capabilities as One Hitachi for each sector by developing enabling technologies that realize "innovation that addresses the real issues facing society" and drives "innovation that transforms the customer experience."
Concretely, we are developing future Lumada solutions by taking a backcasting approach in R&D focusing on technology trends. Furthermore, we are supporting co-creation with customers in each sector through NEXPERIENCE, Hitachi's original co-creation methodology. In addition, we are looking to solve society's and our customers' challenges by incorporating leading-edge technologies such as generative AI and future technologies for Hitachi's growth through start-up investments by Hitachi Ventures.
We protect our enabling technology looking at technology trends and analyses of the competitive IP landscape to strategically build "value-driven" intellectual property portfolios based on customer benefit that our customers seek. We also provide global support to expand Lumada solutions in each sector by acquiring the patents needed to develop Lumada solutions for customers and the relevant market.

Open innovation hub "Kyōsō-no-Mori"

Increasing investment to develop enabling technologies (R&D expenditure)




Strengthening investment in corporate venturing




## Innovation Addressing the Real Issues in Society

We are capturing the issues and changes in society to backcast and drive innovation in the markets and businesses that can benefit from Lumada solutions.
In relation to an "environmentally neutral society," a "society with a 100-year active life span," and the "co-evolution of digital technologies, people and society" – challenges that need to be resolved by 2050—we will work toward solution for our customers' future challenges through start-up investment and joint research with leading research institutes and universities. For example, for "co-evolution of digital technologies, people and society," we are supporting human intellectual activities with generative AI and driving innovation to increase the efficiency of such activities, having also created the third "HV Fund."

## Innovation That Transforms Customer Experience

We are supporting business growth as we facilitate innovative co-creation with customers in all sectors with the aim of solving customers' management challenges. By using NEXPERIENCE, which systematizes know-how cultivated by Hitachi designers and researchers to solve societal issues, we envision our customers' future growth together by catching "signs" of changes in society and in our customers. Cooperating with each sector, we will develop digital services that transform customer experience. Moreover, we are leveraging open innovation hubs such as the Lumada Innovation Hub Tokyo and Kyōsō-no-Mori to achieve co-creation with customers globally and support the expansion of Lumada businesses.

## Intellectual Property Strategy Supporting Innovation

Our business growth strategies are supported by developing and implementing global value-driven intellectual property strategies and portfolios. Under the leadership of our Chief Intellectual Property Officer, we are enhancing our global IP activities to include acquired and overseas group companies, to support and accelerate group innovation through, for example, globally sharing insights from intellectual property activities around the world. The expansion of Lumada businesses is supported by facilitating the use of group IP portfolios among the group businesses.
We are also strategically building intellectual property portfolios in cooperation with business divisions under group strategies. For example, for future Lumada solutions created through backcasting R&D, we develop the appropriate intellectual property portfolio to strategically protect relevant IP including applying for world wide patents and other measures to protect confidential and proprietary technologies.

# Corporate Initiatives for Sustainability Growth / Global Marketing & Sales Strategy

Global Marketing & Sales leads growth-driving activities to deliver Hitachi's Social Innovation Business development in global markets by bringing together the combined capabilities of the Hitachi Group for global customers. Collaborating closely with Hitachi regional headquarters and business units so this approach is realized within the Mid-term Management Plan 2024, the function focuses on seven key areas of marketing and sales development, six prioritized growth market segments and partnership development with strategic group customers. It prioritizes a customer-centric approach to growth – responding to and anticipating future customer demand.

**Co-creation Account Management**

### Global Marketing & Sales

Masahiko Hasegawa, SVP, CMO

John Fyfe, CMO in charge of Global M&S Transformation

**Regions**

### JAPAN

Masahiko Hasegawa, SVP, CMO

### Americas

Hicham Abdessamad, Chairman and CEO of Hitachi America

### EMEA

Brice Koch, Chairman of the Board of Hitachi Europe

Andrew Barr, VP, President of Hitachi Europe

### CHINA

Atsuhiko Aketa, VP, Chairman of Hitachi China

### APAC

Kojin Nakakita, VP, Chairman of Hitachi Asia and Chairman of Hitachi India

## Hitachi's Two Growth Models Led by Global Marketing & Sales

**Model 1**

- Selecting key global accounts presenting immediate opportunity across the Hitachi Group and a strategic fit to our social innovation goals.
- Planning and execution of group account management for strategic partnership development and co-creation (Lumada) opportunities.

**Model 2**

- Identifying and pursuing new business opportunities through group level market segment prioritization and development of segment-specific market solutions from Hitachi's portfolio.

**Six Prioritized Growth Market Segments**

| | |
|---|---|
| Tech | Financial and Insurance |
| Facility Management and Smart Spaces | Mobility |
| (New) Energy | Mining |

## Marketing and Sales Transformation – 7 Priorities and Ambition

1. Segment strategy & domain expertise
2. Solution / Product offering
3. Customer experience
4. Account management
5. M&S people / Talent management
6. Performance management
7. CRM and tools

## Case study — Helping Build a Sustainable Smart City

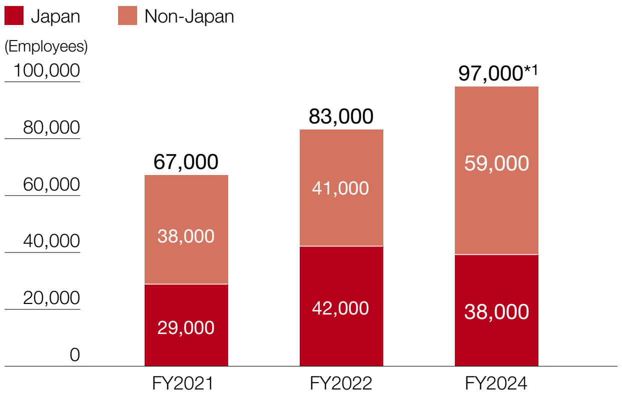
Hitachi is working in collaboration with NEOM, a giga-project in Saudi Arabia and a key contributor to the Kingdom's Vision 2030 plan, with the goal of delivering a world-first sustainable smart city, fully powered by renewable energy. Hitachi recently signed an agreement with NEOM's energy and water company, ENOWA and Saudi Electricity Company to provide three HVDC projects for a total power capacity of nine gigawatts in support of clean energy provision. Ongoing engagements are under way to expand the collaboration to meet NEOM's vast sustainable development needs across mobility, manufacturing and energy and deploy Hitachi's digital capabilities to create seamless links between applications and services.

# Human Resources Strategy

Human Resources Strategy (Sustainability Report)

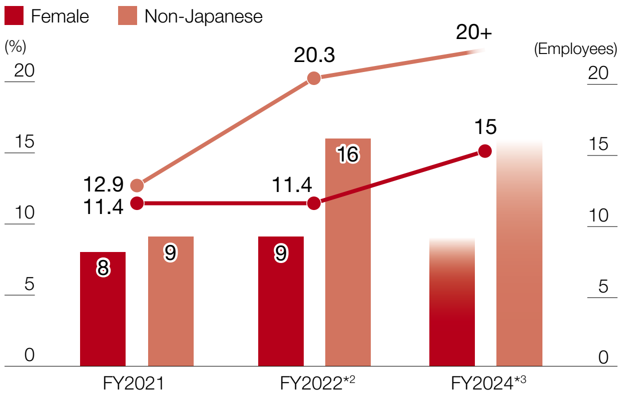
Hitachi believes that human capital is the source of value and aims to provide customers and society with value and contribute to the realization of a sustainable society by harnessing the power of employees. In the Mid-term Management Plan 2024, we have set KPIs linked to management strategy and have implemented each initiative. Specifically, we have set three goals, namely, digital talent acquisition and development, the increased ratio of female and non-Japanese executives and corporate officers, and improvement of employee engagement, as the main human capital KPIs.

### Digital talent



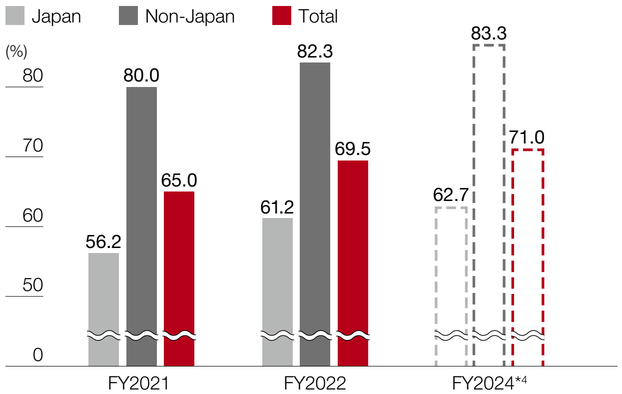

*1 Excluding Hitachi Astemo

### Ratio of female and non-Japanese executives and corporate officers (Hitachi, Ltd.)




*2 Includes personnel changes effective April 1, 2023 *3 Includes personnel changes effective April 1, 2025

### Employee engagement (Positive response rate)




*4 We raised our fiscal 2024 target as we achieved the previous target ahead of schedule in fiscal 2022.

## Digital Talent Acquisition and Development

The enhancement of digital talent is progressing well.
Outside Japan, we are increasing the ranks of digital talent, primarily at GlobalLogic and Hitachi Vantara. And at GlobalLogic in particular, we are working to enhance the acquisition of human capital through M&As and recruitment in India where there are many digital talents, in addition to fostering young talents through short-term intensive training.
At the same time, in Japan, we are enhancing digital talent mainly by developing internal human capital. For example, the Hitachi Academy is offering approximately 130 courses by skill and level, including digital literacy e-learning to acquire basic knowledge and digital transformation (DX) training to develop the basic human capital able to play an active role as project members of digital businesses. In addition to the reciprocal dispatch of engineers with GlobalLogic, we have begun offering programs that incorporate the company's educational methods.

## Improvement of Employee Engagement

As of fiscal 2022, we were able to achieve our target for the positive response rate to questions about employee engagement in employee surveys ahead of schedule. By visualizing the survey results as numerical values, we are working to make improvements at each workplace so that the opinions of employees can be reflected. We will aim for an even higher engagement level by accelerating a growth mindset with One Hitachi, including promoting PMI with Hitachi Energy and GlobalLogic.

### Initiatives of the Power Grids Business Unit

To accelerate synergy generation between Hitachi Energy, which was acquired from ABB, and the existing domestic power grids business, we are promoting exchanges of key personnel from both sides and holding roundtables among potential leaders in each country and region and the CEO of each business unit in the energy sector for talent exchanges across businesses.
In Japan, we have established project teams to promote business reforms and create opportunities for proactive proposals and activities.

### Initiatives of the Railway Systems Business Unit

In the Railway Systems Business Unit, which has a diverse workforce of 15,000 employees of about 80 nationalities in about 40 countries around the world, we encourage employees, including those whose native language is English, to use simple English. In addition, we offer programs such as a common global onboarding program and e-learning to foster an inclusive culture.

## Global Infiltration of Hitachi Culture

As a result of promoting diversity, equity and inclusion (DEI), talent acquired through global M&As is progressively becoming more active. Due to the inclusion of diverse human capital, we understand the issues faced by our global customers and this leads to stronger innovation.

By sharing Hitachi's Mission and Values (founding spirit) with approximately 100,000 employees who have been newly added through multiple cases of M&A in recent years, we are working to foster a culture of One Hitachi. To do this, in fiscal 2022, CEOs and other executives and corporate officers in Japan and overseas held 277 town hall meetings to talk with employees.

### In-house idea contest "Make a Difference!"

To strengthen the "I will!" mindset, we have been holding an employee-suggested idea contest since fiscal 2015. Expanding applicants from all group companies worldwide include many participants from Hitachi Energy and GlobalLogic.

In fiscal 2022, members of Hitachi Energy received the Gold Ticket, the highest award, for a new business proposal with a "green" theme.

Award presentation ceremony

## Collaboration with GlobalLogic

### Co-creation with Nojima

Co-creation project with Nojima

To accelerate the development of digital talent and introduce GlobalLogic's design-led digital engineering expertise, we are fostering talent exchanges between GlobalLogic employees and Hitachi. In Japan, GlobalLogic Japan has established an office within Hitachi's co-creation base, Lumada Innovation Hub Tokyo, to facilitate the integration of GlobalLogic and Lumada's capabilities. One such collaboration is with Nojima Corporation, aiming to further enhance Nojima's Consulting Sales by offering personalized product recommendations tailored to individual customer preferences.

Teams were formed using a "two-in-a-box" model, pairing specialists from GlobalLogic and Lumada Innovation Hub Tokyo with the same role, such as a designer and a strategist. The collaboration began with a storytelling session in which Japanese team members shared anecdotes about Nojima's customer service, using their own purchasing experiences at Nojima as examples, to provide insights into the customer-centric approach cherished by Nojima.

Through store visits and interviews with Nojima employees, Japanese team members facilitated the understanding of Japanese customs and characteristics of the stores and surrounding areas for their GlobalLogic counterparts, who in return provided essential insight and support. The involvement of project architects, responsible for creating digital business models and processes, has enabled swift value creation. The project is currently undergoing validation in physical stores.

#### GlobalLogic employee interviews

Collaborating with Hitachi was a remarkable learning journey for our team. We faced initial challenges in understanding each other's company culture and bridging the language gap, while the COVID-19 pandemic further complicated communication.

Frequent discussions and exchanges with our Japanese colleagues were key to overcoming these challenges. It allowed us to immerse ourselves in their culture and understand their working style.

We learned the importance of detailed planning, even in Agile projects, to meet Japanese business practices. Through extensive discussions, we developed a "hybrid Agile model" that blended fixed schedules with the necessary flexibility to meet the customer's needs. We believe that the success of these projects stemmed from the strong foundation of trust built through our ongoing dialogues with Hitachi.

We look forward to working with Hitachi around the world to provide new added value to our customers and society.

Kathirvel Palaniswamy, Senior Manager at GlobalLogic

### Employee reward system

As an evaluation system to ensure a link between the organizational and individual goals of the company and divisions, we introduced Global Performance Management (GPM) in fiscal 2014. Performance is reflected in compensation by setting bonus evaluation indicators for organizations and individuals based on the management goals set forth in the Mid-term Management Plan 2024.

# Financial Strategy

In the Mid-term Management Plan 2024, we aim to achieve further advances in revenues and profitability and take additional steps to enhance our cash generation capability through organic business growth, shifting into a sustainable growth mode. To achieve Hitachi's growth through our financial capital strategy, we continue to work on three priority issues: (1) further strengthening cash generation capability and deepening ROIC management, (2) reducing WACC by utilizing appropriate levels of leverage within the bounds of appropriate financial discipline, and (3) increasing total shareholder return (TSR) by implementing shareholder return measures such as dividends and share buybacks.

## Strengthening Cash Management

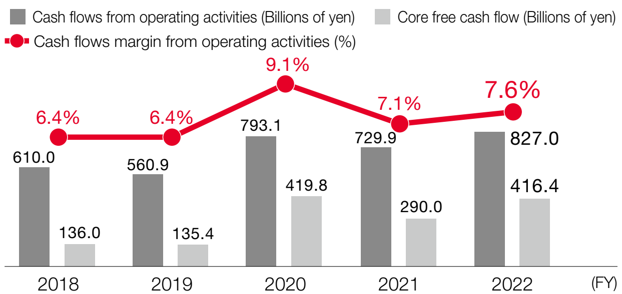
In the Mid-term Management Plan 2024, we promote initiatives to further strengthen cash generation capability. By reviewing business processes, we aim to achieve further business growth, improve profitability through cost reduction, and reduce loss costs through risk management. We also implement thorough cash management by strengthening the monitoring of working capital including early collection of accounts receivable and grasping the appropriate levels of inventories.

For cash generation, in addition to maximizing cash flows from operating activities, it is important to strictly focus on capital investment and cost reduction. With regard to capital investment, we will carefully monitor each item. We also promote the digitalization of cash management, including the visualization of the entire supply chain through the use of IT systems, etc.

By these measures, we aim to achieve a conversion rate (core free cash flow*1 ÷ net income) of 70-80% and a core free cash flow per share (CFPS) of 500 yen or more.

*1 Core free cash flow = Cash flows from operating activities - CAPEX

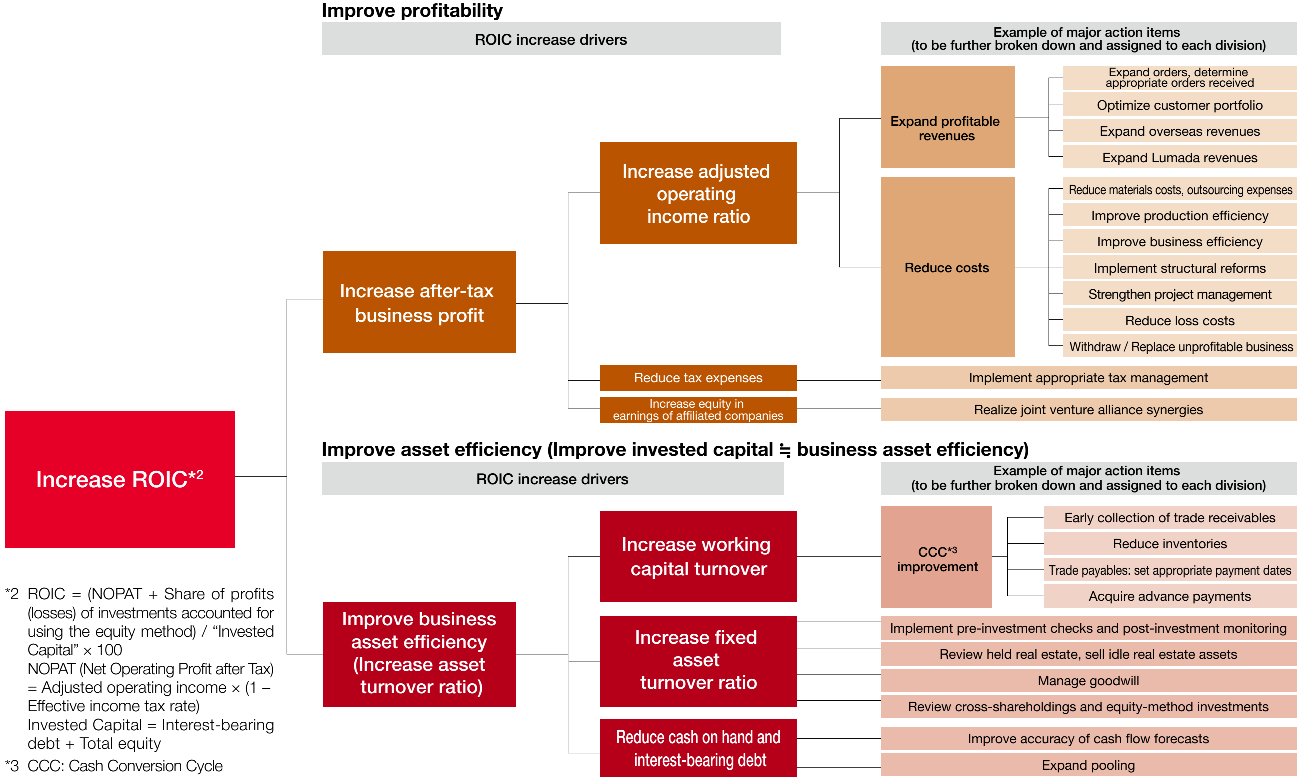
### Cash flows trends




## Progress on ROIC Management

Hitachi introduced return on invested capital (ROIC) as a KPI for business management from fiscal 2019 to accelerate management that emphasizes capital efficiency, with the aim of sustainably generating returns that exceed the weighted average cost of capital (WACC), which is the cost of raising invested capital. ROIC was 7.6% in fiscal 2022.

To achieve the 10% ROIC targeted in the Mid-term Management Plan 2024, we will further deepen ROIC management by utilizing the ROIC tree and taking concrete actions at the field level, such as the development of internal KPIs for each business and the formulating and reviewing of business strategies. Hitachi aims to increase its enterprise value by promoting management with an awareness of the cost of capital throughout the group.




*2 ROIC = (NOPAT + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" × 100
NOPAT (Net Operating Profit after Tax) = Adjusted operating income × (1 – Effective income tax rate)
Invested Capital = Interest-bearing debt + Total equity

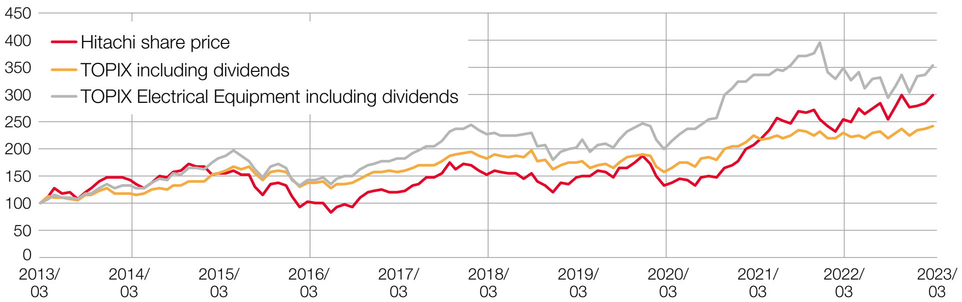
*3 CCC: Cash Conversion Cycle

## Financing and Capital Costs

Financing is carried out through the means deemed most appropriate (e.g., cash on hand, borrowings, and proceeds from the sale of assets), based on a variety of conditions, including the timing and amounts required by the business. When financing through borrowing and other forms of debt, we consider a D/E ratio of 0.5 times and a net debt/EBITDA ratio of 1.0 – 2.0 times as financial discipline. Regarding the cost of capital (hurdle rate) used for individual investment decisions, calculations and judgments are made on a case-by-case basis considering interest rates, country risks, and expected returns in the country where the investment will be made.

## Total Shareholder Return (TSR)

The following illustrates Hitachi's TSR, reflecting dividend and stock price fluctuations.
We will continue to improve profitability and pay stable dividends, consider management and financial strategies to achieve TSR that exceeds the cost of shareholders' equity, and strive to increase shareholder value by conducting management that is conscious of stock prices.




| | Past 1 Year | Past 3 Years | | Past 5 Years | | Past 10 Years | |
|---|---|---|---|---|---|---|---|
| | TSR | TSR | Annual TSR | TSR | Annual TSR | TSR | Annual TSR |
| Hitachi | 20.0% | 142.7% | 34.4% | 102.7% | 15.2% | 199.2% | 11.6% |
| TOPIX (including dividends) | 5.8% | 53.4% | 15.3% | 31.8% | 5.7% | 142.1% | 9.2% |
| TOPIX (electrical equipment) | 1.6% | 77.6% | 21.1% | 56.4% | 9.4% | 254.5% | 13.5% |

Note: The graph and table above show return on investment for investments made on March 31, 2013, taking into account dividends and stock prices as of March 31, 2023. Hitachi, Ltd. investment performance, including stock prices and dividends, is indexed using 100 as the investment amount as of March 31, 2013. The TSE Stock Price Index (TOPIX), which is a comparative indicator, is similarly indexed using data including dividends for electrical equipment.

## Ensuring Financial Stability

To ensure the stability of our financial base, we aim to maintain an A rating on issued instruments through appropriate financial discipline. Our cash generation capability is enhancing steadily, and our ratings are as shown in the table to the right.

| Rating company | Long-term | Short-term |
|---|---|---|
| S&P Global Ratings Japan Inc. | A | A–1 |
| Moody's Japan K.K. (Moody's) | A3 | P–2 |
| Rating and Investment Information, Inc. (R&I) | AA– | a–1+ |

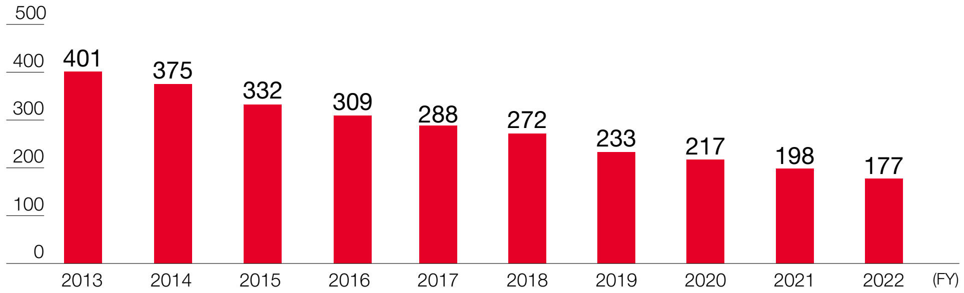
As of August 2023

## Policy regarding Strategic Shareholdings

Hitachi's basic policy is not to acquire or hold shares of other companies except in cases where acquiring or holding such shares is necessary in terms of transactions or business relationships. We will promote reducing shares already held unless the significance or economic rationality of holding is confirmed.
The Board of Directors verifies the appropriateness of all stock holdings every year. In the verification, each individual stock is reexamined as to the purpose of holding the shares and whether benefits from holding shares are in line with capital efficiency targets. As the result of verification, we promote the sales of shares for which the significance or economic rationality of holding is not confirmed. In fiscal 2022, we reduced the number of shares held for nine listed stocks (total amount sold: 84,017 million yen). The ratio of policy regarding strategic shareholdings (total amount recorded on balance sheet) to net assets (consolidated basis) is 4.4% as of the end of fiscal 2022.

### Strategic shareholding status

(Number of stocks held)*




Total amount recorded on balance sheet* (Millions of yen)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|
| 353,957 | 334,617 | 239,993 | 324,323 | 270,336 | 179,668 | 141,859 | 201,055 | 274,470 | 234,785 |

* Total of listed and unlisted shares

# CFO Message

## The Solid Financial Foundation and Risk Management That Support Sustainable Growth Realize Increasing Shareholder Returns by Optimal Cash Allocation

In fiscal 2022, I took the initiative as the Chief Financial Officer (CFO) and the Chief Risk Management Officer (CRMO). This enabled comprehensive monitoring of financial and non-financial risk, and timely decision-making during the year. We showed the progress in solid financial results.
To achieve growth during and beyond the Mid-term Management Plan 2024, I will continue to accelerate management with a focus on cash flows and increase the ratio of Lumada as a driver of Hitachi's sustainable growth.

Yoshihiko Kawamura

Executive Vice President and Executive Officer, CFO, CRMO

Joined Hitachi in 2015 after serving as an executive officer at Mitsubishi Corporation and as an economist at the World Bank. Leveraging the experience he gained at Harvard Business School, he has driven structural reforms as CSO (Chief Strategy Officer) since 2018 and as CFO (Chief Financial Officer) since April 2020. Current position from April 2022.

### Progress and challenges after finishing the first fiscal year of the Mid-term Management Plan 2024

In fiscal 2022, the first fiscal year of the Mid-term Management Plan 2024, we recorded revenues of 10,881.1 billion yen, adjusted EBITA of 884.6 billion yen, and net income attributable to Hitachi, Ltd. shareholders of 649.1 billion yen, which is a record-high figure. With supply chain issues and abrupt changes in interest rates and foreign exchange rates, the business environment remained difficult. Despite this, we managed to achieve results as planned throughout the year. I think that risk management and other efforts supported these results.
Operating cash flows marked record highs and core free cash flows (FCF) reached 416.4 billion yen. Steady progress was made toward the 1.2 trillion yen target for the three-year total set in the Mid-term Management Plan 2024. On the basis of the cash generated, we conducted share buybacks totaling 200 billion yen in fiscal 2022 and steadily increased shareholder returns, paying an annual dividend of 145 yen per share.

For fiscal 2023, major changes in the business environment are anticipated, such as continuing fluctuation of foreign exchange rates, the increase of interest rates, increasing medium- and long-term geopolitical risks and the destabilization of international circumstances. In these adverse business conditions, achieving growth in four businesses with large-scale assets, specifically Hitachi Energy, the railway systems business, Hitachi High-Tech and GlobalLogic, is a big challenge. Among them, Hitachi Energy and the railway systems business have huge order backlogs. In fiscal 2023, we will pave the way for the achievement of the targets in the Mid-term Management Plan 2024 by recognizing revenues at the appropriate timing, addressing temporary investment costs, and implementing profitability improvement measures such as price and cost control. Return on invested capital (ROIC) was 7.6% for fiscal 2022. We are aiming to increase ROIC by optimizing invested capital in consideration of risk factors, such as future interest rate increases, and improving profitability to increase asset efficiency.

## Endeavoring to meet the targets in the Mid-term Management Plan 2024

The Mid-term Management Plan 2024 set targets of 5-7% for the revenues growth rate and 12% or more for adjusted EBITA. The expansion of the Lumada business, which is a revenue growth driver, and the enlargement of green-related businesses including Hitachi Energy and the railway systems business by capturing GX demand will lead to the improvement of the top line.

From fiscal 2023, the focus of our management strategy has shifted to a phase of stable growth from a phase of business portfolio reform. Specifically, we aim for stable growth of the bottom line. We continue to take steps to increase profitability, such as the continuous review of low-profitability businesses, aiming to achieve earnings per share (EPS) of 600 yen or more and core free cash flow per share (CFPS) of 500 yen or more in fiscal 2024. Another major challenge is to keep the conversion rate, calculated by dividing net income by adjusted EBITA, at 60% or above by making stricter investment decisions and by minimizing loss costs to control the bottom line.

The strengthening of cash management is another priority issue. To increase our cash generation capabilities, we ensure basic actions including profitability improvement through cost reduction, reduction of loss costs by risk management, reduction of working capital, and the careful selection of capital investments. To increase CFPS, we will work to boost the conversion rate, calculated by dividing core FCF by net income, to the over 80% level in and after fiscal 2024.

## Capital allocation

The Mid-term Management Plan 2024 sets a target of generating a three-year total core FCF of 1.2 trillion yen. Based on total funds of 2.3 trillion yen, including 1.1 trillion yen from gain on sale of assets, including the partial sale of shares of Hitachi Astemo, we plan to allocate these funds in a well-balanced manner, specifically, 0.8-0.9 trillion yen to shareholder returns and at least 1.4 trillion yen to investments for growth. Regarding shareholder returns, we aim to increase dividends in fiscal 2023 as we did in fiscal 2022. We are also working on share buybacks up to 100 billion yen. As for total shareholder returns, consisting of dividends and share buybacks, we plan to offer substantial returns to shareholders on the basis of our income gained from the growth of businesses, considering 50% of core FCF and 50% of net income for total shareholder return in accordance with our medium- and long-term business plan.

Regarding investments for growth, we will consider the possibility of flexibly using financial leverage if there are any M&A opportunities that are matched to Hitachi's strategy. In the future, however, we will consider strategic bolt-on acquisitions rather than large-scale acquisitions for which the scale would be around 1 trillion yen. (The term "bolt-on" was originally used in a factory meaning to use something that can be attached without cutting or welding.) We make decisions from the viewpoint that the net present value (NPV) of an investment is positive as well as the period for recovering the invested capital and the contribution to ROIC.

## Actions for non-financial capital and environmental targets

It is challenging to quantitatively evaluate human, intellectual and other non-financial capital, and activities for meeting environmental targets in terms of enterprise value. Hitachi investigated the financial impact of measures related to human capital and the environment in collaboration with Kyoto University. This study found that social value and environmental value are correlated to the increase of ROIC (Kyoto University-Hitachi joint project).

Possible approaches for enriching our disclosures in the future include the presentation of how helpful Hitachi's products and technologies can contribute to the resolution of specific social issues such as the reduction of $CO_2$ emissions and to the realization of a sustainable society. I believe that we need to actively show how Hitachi is taking advantage of human capital in consideration of DEI (diversity, equity and inclusion).

## Endeavors after the Mid-term Management Plan 2024 and message for stakeholders

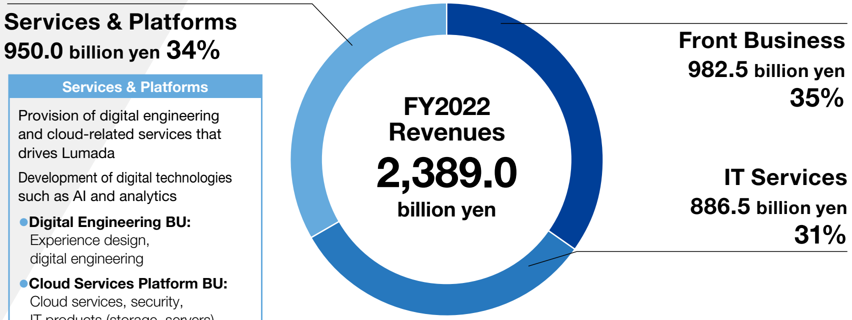
After the Mid-term Management Plan 2024, Lumada will play a greater role in leading the increase in the revenue and income of the Hitachi Group as a whole. To increase enterprise value after the Mid-term Management Plan 2024, in addition to expanding the Lumada business, we will take six actions in parallel, which are realizing top-line growth, increasing profitability, ensuring bottom-line stability, strengthening cash generation capability, returning profits to shareholders and creating non-financial value.

I recognize that steady progress and disclosure on the Mid-term Management Plan 2024 and shareholder returns are important for strengthening the trust that we enjoy from our stakeholders. I always prioritize meeting shareholders and investors in person to frankly exchange opinions with them. We will continue to seriously listen to the stakeholders in the market and discuss Hitachi's future and management strategy together with you.

Sector Strategies

# Digital Systems & Services

## Business Structure




**Services & Platforms**

Provision of digital engineering and cloud-related services that drives Lumada

Development of digital technologies such as AI and analytics

- **Digital Engineering BU:** Experience design, digital engineering
- **Cloud Services Platform BU:** Cloud services, security, IT products (storage, servers)

**IT Services**

Development and operation of IT and digital solutions

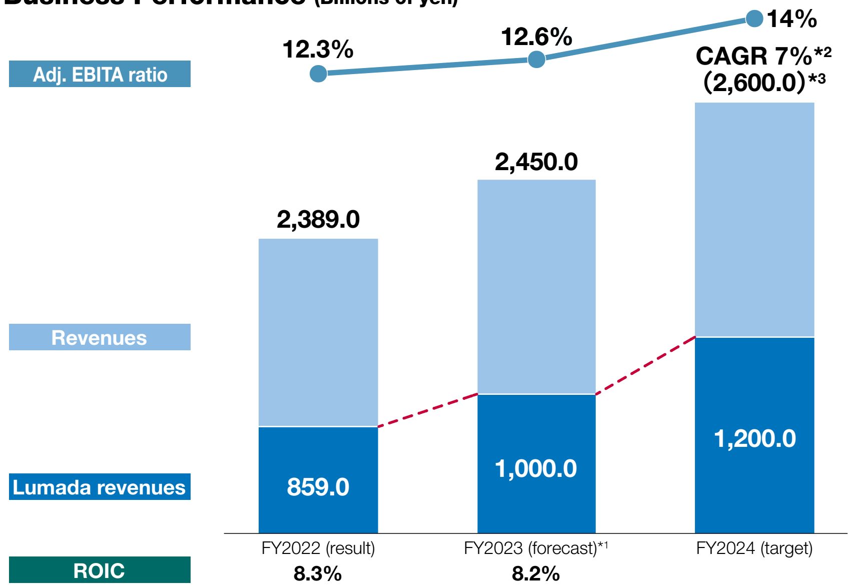
- **Hitachi Systems, Ltd:** System operation, monitoring, and maintenance and one-stop services covering the entire IT life cycle
- **Hitachi Solutions, Ltd:** Solutions for productivity improvement and new business creation through combination of packages and services

**Front Business**

Building and operation of mission-critical IT and digital systems

- **Financial Institutions BU:** Development and operation of mission-critical systems and financial solutions for banks, insurance companies, and securities companies
- **Social Infrastructure Systems BU:** Government agencies, defense, local governments, electric power, transportation sector, etc. Systems for social infrastructure, building and operation of control systems, digital solutions

## Business Performance (Billions of yen)




*1 Announced on July 28, 2023 *2 FY2021-FY2024 CAGR *3 In parentheses, revenues are calculated from CAGR.

## Market Environment

Aiming to solve increasingly complex management issues and create new business, demand for DX is expected to continue to increase in the future. The global DX market from 2022 to 2024 is projected to expand at an average annual growth rate of 17%.

Moreover, DX initiatives aimed at business growth in Japan will also expand across various fields, with the utilization and spread of cloud and digital technologies expected to accelerate further.

## Strengths

Over many years, the DSS sector has cultivated development and operating capabilities for highly reliable mission-critical systems in the areas of finance, government, electric power and transportation. The solutions, services and technologies that make DX possible, along with the numerous IT and digital talent in Japan and overseas, also serve as strengths of DSS.

To accelerate the expansion of the Lumada business, we have developed a global service delivery system that provides innovative digital solutions created with the design and digital engineering capabilities of GlobalLogic in a highly reliable and efficient cloud environment. We will further strengthen the digital resources and capabilities supporting the growth of the Lumada business while striving to further enhance the profitability of our traditional core businesses, including our business foundations in the development and operation of mission-critical systems, as well as the products business.

## Growth Strategies

Based on Lumada's customer co-creation framework, we will position digital engineering as our starting point in an effort to provide end-to-end services from system integration to managed services, and solve the issues faced by customers and society. In addition to business streamlining and cost savings, we will deliver new value that achieves business growth for customers, including enhancement of the customer experience (CX) and transformations of business models.

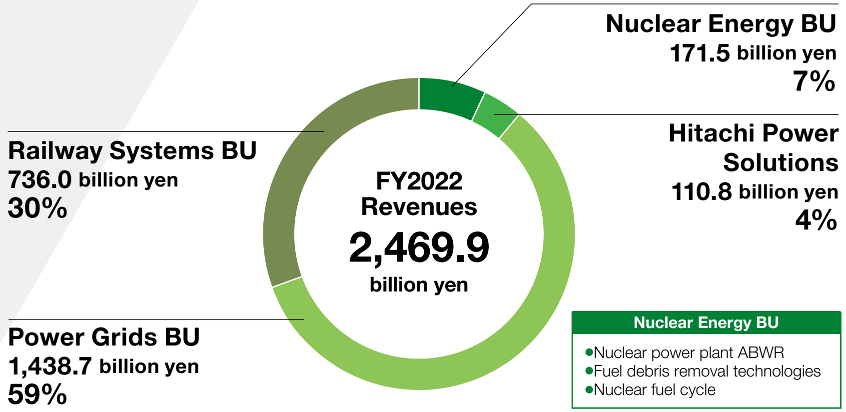
Aiming for further growth, we will continually reinforce our business foundations including enhanced talent through GlobalLogic's excellent hiring and training schemes globally and bolt-on M&A, expansion of the alliances with hyperscalers, virtualization and automated operation of storage in which Hitachi excels and the provision of highly reliable and efficient hybrid cloud solutions made possible by advanced data governance.

In our core business, we will address the needs to innovate and modernize mission-critical systems by leveraging our solid customer base and technological capabilities that enable us to handle large-scale and highly complex projects. We will also strongly promote the shift to a service-oriented (recurring) business model and achieve improved development efficiency through the use of low-code/no-code technologies and generative AI, in an effort to further increase profitability.

Sector Strategies

# Green Energy & Mobility

## Business Structure



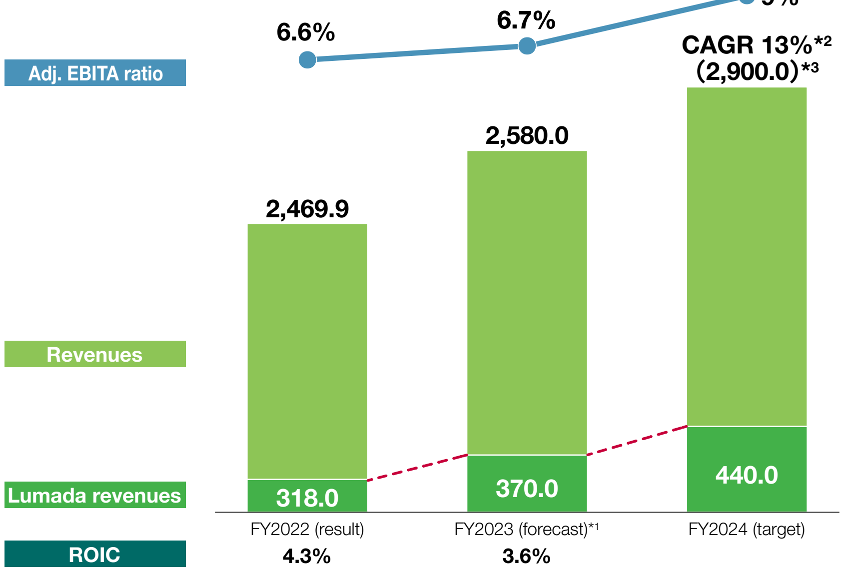

**Nuclear Energy BU**
- Nuclear power plant ABWR
- Fuel debris removal technologies
- Nuclear fuel cycle

**Railway Systems BU**
- Rolling stock
- Signalling & Control
- Services and maintenance
- Turnkey solutions

**Power Grids BU**
- Automation systems
- HVDC (High-voltage direct current)
- GIS (Gas insulated switchgears)
- Transformers

**Hitachi Power Solutions**
- Wind power solution
- Distributed energy resources
- Energy & Facility management as a Service
- Engineering and services

## Business Performance (Billions of yen)




*1 Announced on July 28, 2023 *2 FY2021-FY2024 CAGR *3 In parentheses, revenues are calculated from CAGR.

## Market Environment

Net zero remains a critical global challenge with the drive for clean energy and mobility. Over the last two years, demand was strong with several key drivers, for example, recovery from COVID-19 and energy independence from geopolitical issues. In addition, the business model is now shifting toward long-term engagement. For instance, Hitachi Energy was awarded a long-term framework contract with its partner to enable the customer's long-term capacity expansion to accelerate the energy transition. It will also allow Hitachi to make a timely decision on capital allocation. In the green mobility market, rethinking how conventional transportation systems transform, the rise of DX and GX is generating and expanding new markets that is driven by data. In particular, cutting-edge and demand-side markets including smart mobility, energy management services and energy storage solutions are expected to grow rapidly.

In terms of economic forecast, the conversion to green energy is expected to expand by up to 1.5 trillion U.S.$, while the conversion to green mobility will increase by up to 2.7 trillion U.S.$ by 2030.

By continuing to invest in the "Green Energy and Mobility", Hitachi is making major strides in a fluid and dynamic market environment.

## Strengths

Through divestment and investment, Hitachi has been transforming its portfolio that is competitive in a targeted market and has a global footprint. Especially, rail systems and power grids are in a global leading position in terms of technology and footprint. By leveraging shch a huge global footprint, Hitachi aims to be a lifetime partner with our customers to address their issues and pain points throughout the product/system life cycle. We believe that digitalization by using Lumada is a key for the success, and we have the greatest partner within Hitachi, that is, the DSS sector. Combining domain knowledge, experiences and expertise with IT capability, driven by data, we believe that we can create business cases for our customers that resolve customers' challenges.

## Growth Strategies

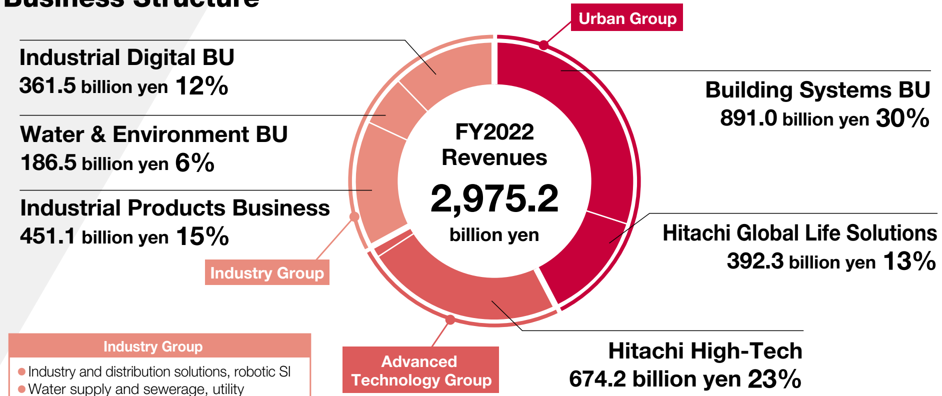
The basis of our strategy is transformation and sustainability. With strong demand, we developed record high order backlog. Although our main focus in the next couple of years will be delivering such orders, we will start transformation of our business model to achieve sustainable growth. Key areas for transformation are our services as well as digitally enabled solutions together with Hitachi Digital.

Internally, we will pursue green transformation in the Hitachi Group supported by the DSS sector. That will enable the best use of energy, assets and resources. The internal effort will be our offerings for our customers. Our "sell together" approach with GlobalLogic differentiates us from peers and that is our value proposition. We can collaborate and create synergy within Hitachi and minimize interfaces for co-creation. None of our peers can provide such a seamless approach and our strategic structure can deliver solutions for customers.

Sector Strategies

# Connective Industries

## Business Structure

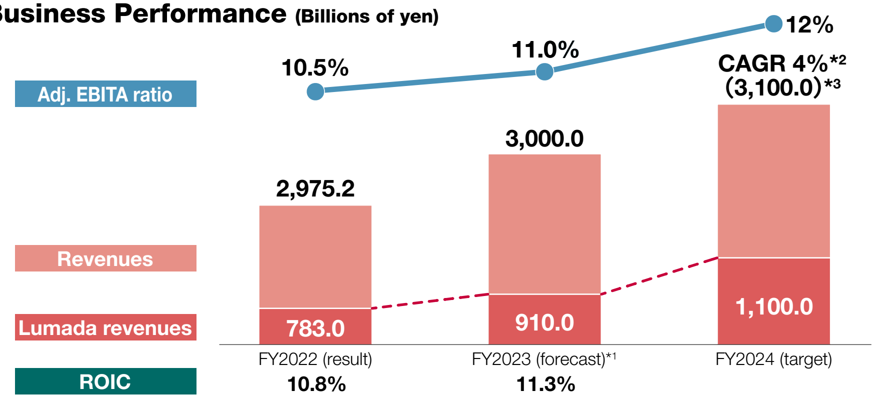



**Industry Group**
- Industry and distribution solutions, robotic SI
- Water supply and sewerage, utility solutions
- Custom-made industrial equipment (process compressors, automated guided robots, drive systems, etc.)
- Mass-produced industrial equipment (air compressors, marking systems, power distribution equipment, etc.)

**Advanced Technology Group**
- Healthcare (clinical chemistry and immunochemistry analyzers, automated cell culture equipment, particle therapy system, etc.)
- Measurement and analysis (semiconductor metrology/inspection equipment, electron microscopes, etc.)

**Urban Group**
- Elevators, escalators and building services
- Home appliances and air-conditioning systems

## Business Performance (Billions of yen)




*1 Announced on July 28, 2023 *2 FY2021-FY2024 CAGR *3 In parentheses, revenues are calculated from CAGR.

## Market Environment

We develop businesses globally based on industry-leading competitive products and expand them by capturing each growing market. As social issues become more and more complex and complicated and are being shared by different fields, investment in industrial digital transformation and automation is accelerating in the area of industry. Meanwhile, the semiconductor market is expected to grow in the medium to long term. In the healthcare field, markets for diagnosis and therapy equipment in cutting-edge fields are growing steadily. In the urban field, the elevator and escalator market remains steady, while the smart building market is expected to expand significantly in the medium to long term.

## Strengths

Hitachi brings together its unrivaled, industry-leading products, including elevators, escalators, home appliances, air-conditioning equipment, measurement and analysis equipment, medical equipment and industrial equipment, and provides the Total Seamless Solution in which it digitally connects its products and solves boundary issues that arise between workplaces and management, the supply chain and different fields. In a society that is rapidly becoming more complex, it is more important than ever to solve issues with "domain SI" gained through collaborative creation with customers, which connects workplaces to management and takes advantage of Hitachi's proprietary technologies and extensive empirical knowledge, in all layers. Hitachi connects things and makes a difference, thereby providing differentiated value.

## Growth Strategies

### (1) Evolution and expansion of the Total Seamless Solution using the Lumada framework for collaborative creation with customers

We aim to evolve and expand the Total Seamless Solution using the Lumada framework for collaborative creation with customers, taking advantage of the strength that comes from having products, OT and IT. Expanding the scope of applications of the Total Seamless Solution from industry to the urban and healthcare fields and to the green field, the sector plans to expand Lumada revenues at a CAGR of 28%*2 in fiscal 2024.

* Examples of the Total Seamless Solution: Reform and evolution of distribution and delivery operations  Initiatives in the healthcare field  Making the retailing supply chain carbon-neutral  Initiatives to build a hydrogen and ammonia supply chain

### (2) Strengthening recurring business

We aim to strengthen recurring business through horizontal deployment and sharing recurring business expertise between businesses. We will evolve our its recurring business model from providing product services based on 0.9 million units of connected products to deepening solutions, where we will continue to develop and deepen solutions according to customers' new needs, to achieve recurring business revenues of 880 billion yen and a CAGR of 8%*2 in fiscal 2024.

* Examples of recurring business: Smart building solutions  Medical solution service platform

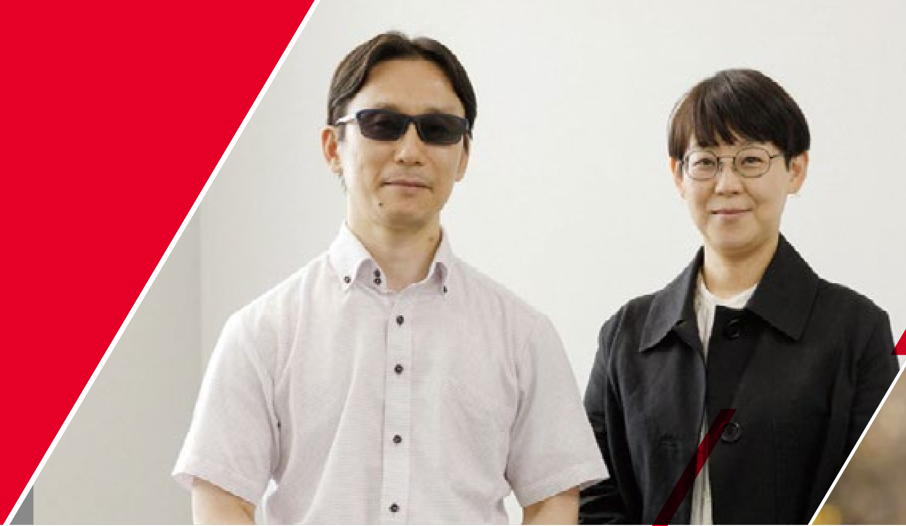
### (3) Accelerating global growth

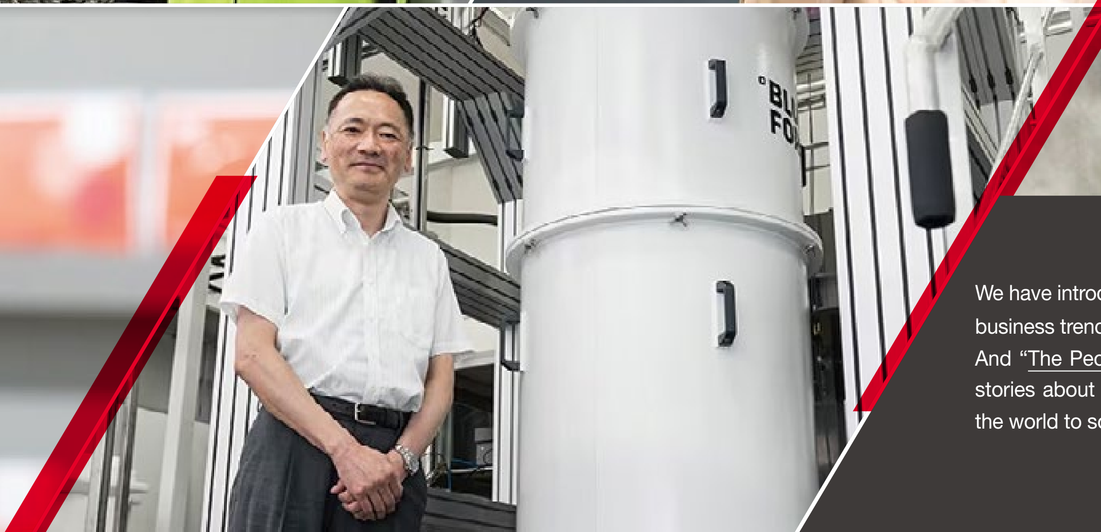
We plan to increase our overseas revenue ratio from 47% in fiscal 2021 to 52% in fiscal 2024. We aim to achieve a CAGR of 15%*2 in North America by strengthening key businesses, including investment.

To expand the global business, in the North American industry field, we have accelerated the development of the Total Seamless Solution by using the air compressors of Hitachi Global Air Power (formerly Sullair), advancing the fusion of robotic SI and digital solutions at JR Automation, which have built the foundations of their business through M&A, and leveraging the marking systems of Telesis Technologies and MES/SCADA*4, where Flexware Innovation, which was acquired in 2022, is strong. In the semiconductor field, we will deepen collaborative creation with customers by utilizing bases near global customers and will strengthen the fusion of semiconductor manufacturing equipment and measurement equipment with digital. In the healthcare field, we will strengthen the molecular diagnosis business and particle therapy systems, particularly in North America.

*4 MES: Manufacturing Execution System; SCADA: Supervisory Control And Data Acquisition

# Governance





We have introduced our Social Innovation and the latest technologies and business trends on our "Social Innovation web site."

And "The People of Hitachi" is a documentary series with inspiring stories about how Hitachi Group employees are powering good around the world to solve problems faced by today's society.

# Addressing Risks and Opportunities

With the rapid advance of digitalization and complex developments in the political and economic landscape globally, the business environment is changing with each day. In the Risk Management Meeting, which is chaired by the President with the Chief Risk Management Officer (CRMO) acting as vice-chairperson, Hitachi monitors and analyzes this business environment quantitatively and qualitatively and manages risks in terms of the response to risks that Hitachi should prepare as well as opportunities for further growth in light of, for example, social issues, competitive advantages and management resources. We will create revenue opportunities while controlling risks. We will identify severe risks that could potentially have a significant impact on Hitachi's operations in terms of the nature of risk events, the expected time period, the likelihood of their occurrence and their seriousness when they do occur, and we discuss and implement measures against the risks. By identifying the various risks Hitachi faces while operating around the world, we are working to achieve a solid management foundation that is linked to our growth strategy.

## CRMO (Kawamura holds both CRMO and CFO positions since fiscal 2022) Reflects on Activities in Fiscal 2022

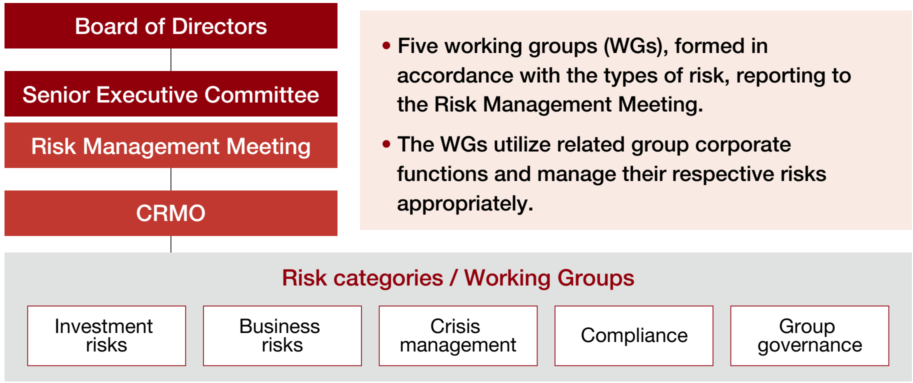
In an ever-changing business environment, Hitachi has built a risk management structure in order to understand risks and opportunities that could affect its business management, quickly identify potential upcoming risks and make decisions. Hitachi has strengthened this structure to create a risk management system that identifies and manages financial and non-financial matters in an integrated manner with the aim of comprehensively dealing with the various risks that Hitachi faces in operating its business on a global scale.

In fiscal 2022, not only risk assets on the balance sheet but also risks related to the order backlog in large-scale, long-term projects, etc. , were quantified using Value-at-Risk models and other statistical approaches. In the event that significant losses are incurred simultaneously, the top priority will be placed on absorbing them on the balance sheet in our risk management. We have also held discussions on several issues, including exchange rates, interest rates, and other changes in the macroeconomic environment, safety and BCP measures for times of disaster such as a major earthquake in Tokyo, and cyber security and compliance. Moreover, to further accelerate the Social Innovation Business on a global scale, across the entire Hitachi Group, including acquired companies, Hitachi has examined and developed a group governance policy. It commenced application of the policy in April 2023.

In fiscal 2023, Hitachi will further strengthen its risk management to respond robustly to foreign exchange and interest rate trends and rapid changes in the macroeconomic environment, aiming to achieve growth, particularly of large global assets, including Hitachi Energy, the railway systems business, Hitachi High-Tech and GlobalLogic.

Yoshihiko Kawamura
Executive Vice President and Executive Officer, CFO, CRMO

## Hitachi's Risk Management Structure




- Five working groups (WGs), formed in accordance with the types of risk, reporting to the Risk Management Meeting.
- The WGs utilize related group corporate functions and manage their respective risks appropriately.

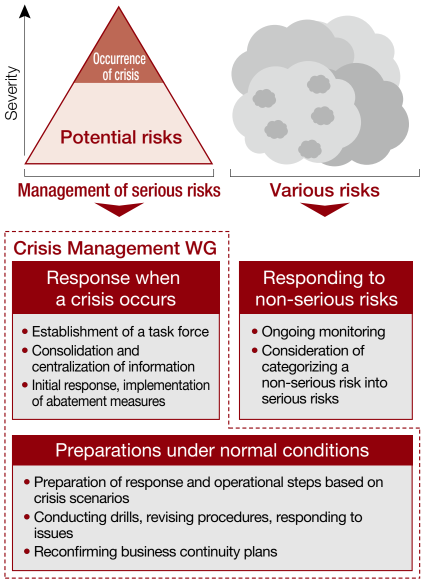
## Group Governance Efforts

Our new Group Governance Policy was established in April 2023. The policy aims to clarify how the Hitachi Group's governance should function and to explicitly state responsibilities and roles of different organizations given Hitachi's presence as a global enterprise.

Achieving sustainable growth through the global expansion of the Social Innovation Business requires group-wide optimal management, based on the group's common aim, to reflect global perspectives and diverse values in our business management and efficiently allocate management resources. Based on this policy, the Hitachi Group integrates its management to formulate and execute the group's strategies in pursuit of synergies within the group, strengthen its management foundation through common discipline and rules, and streamline business management through the standardization of our global operations. In this way, we will accelerate our global growth by ensuring the transparency and fairness of our business management, protecting the Hitachi brand's value and promoting our Social Innovation Business.

## Crisis Management Initiatives

For crisis management, Hitachi strives to achieve more sophisticated resilience. An example is quick action taken in the event that a crisis occurs. Even in ordinary times, we are ready to take action against each of the serious risk categories to enhance our preparedness for contingencies and ensure appropriate action. In fiscal 2022, our corporate measures in the areas of large-scale natural disasters in Japan, as well as cybersecurity and other related issues, were strengthened and reviewed. Our aim was, for example, to facilitate the migration of major systems to the cloud and duplicate our information infrastructure. In fiscal 2023, the expansion of our measures for business units and the Hitachi Group companies as well as Diagrammatic drill, among other initiatives, will be strengthened to enhance the Group's resilience globally.




## Compliance Initiatives

As a cross-sectoral compliance initiative, four related departments worked together and shared information with one another in fiscal 2022 regarding the measures implemented by each department under regular conditions (e.g., development of regulations, training, monitoring, audits) and how to handle contingencies in the event that they arise (e.g., communication with internal and external stakeholders including senior management when a major risk manifests) to handle major compliance-related risks that concern corporate ethics and laws, the environment, quality, and health and safety. These departments work to strengthen their cooperation in terms of management methods in different categories of risks. In this way, we have sought to raise the level of our risk management in the different categories and reduce risks. In fiscal 2023, we will seek to establish an organizational climate for encouraging employees to speak up and preventing violation of laws and internal rules with the aim to reduce the Hitachi Group's compliance-related risks.

## Efforts Against Investment Risks

Hitachi has a proper framework of decision making in different phases of investment (e.g., M&A, sale of assets, orders for projects) to facilitate our response to risks and secure growth opportunities. Hitachi has a framework for delegation of authority within a three-layer deliberation structure—the Board of Directors, the Senior Executive Committee and the business units—in accordance with the size and details of the project to ensure appropriate and flexible decision making when carrying out an investment or other activity. For important projects, the Investment Strategy Committee, an advisory body consisting of members of our corporate divisions, examines risks in a multifaceted manner to submit a report (including recommendations of approval or disapproval) the Senior Executive Committee whose members include the President. After an investment is executed, we periodically monitor the status of the project. If the project fails to proceed as planned, we have a framework in place to decide whether to continue with the investment, which might lead to a decision to withdraw. The aim is to enhance our capital efficiency. In response to changes in the economy finance, geopolitics, customers and other components of the management environment (risks and opportunities), the criteria for providing investment and post-implementation monitoring (including PMI) are continuously strengthened in an effort to achieve the Mid-term Management Plan and capital allocation plans.

## Quantitative Understanding of Risks

Hitachi calculates expected maximum risks (Value at Risk) by statistical methods according to the type of assets held on the group's consolidated balance sheet. Similarly, the risks of increasing the backlog of long-lead projects have been quantified since fiscal 2022.
We avoid missing out on growth opportunities by visualizing the capacity for growth investment, etc., considering consolidated net assets and other factors. We also engage in monitoring and hold discussions through the Risk Management Meeting to ensure that risks are not excessively unbalanced compared to Hitachi's consolidated financial strength.
We also quantitatively analyze and understand the state of risks and profitability on a regional and per-sector basis.

## Responding to Climate Change Risks and Opportunities

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD). See page 43 of the Sustainability Report for details on climate change-related, TCFD-based financial disclosures.

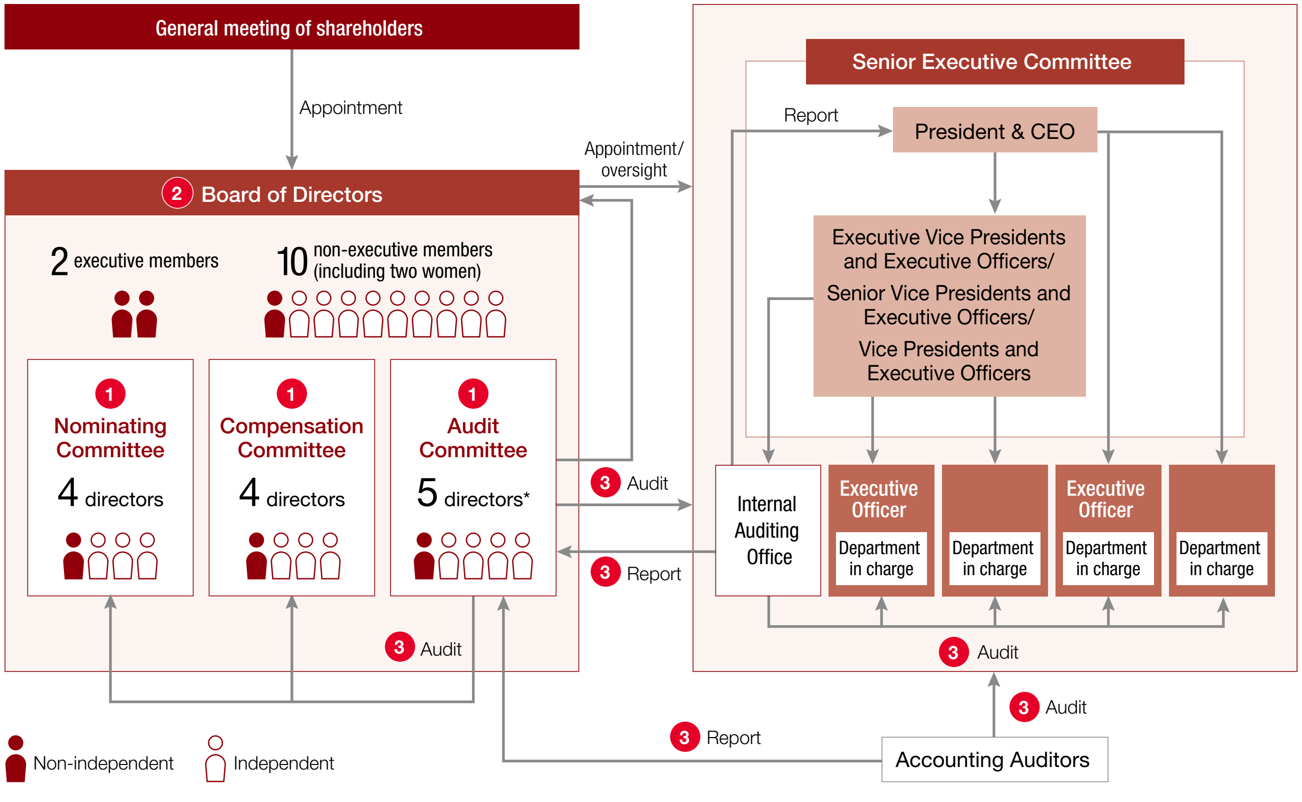
For details of the risk factors, please refer to page 34 of the Annual Securities Report (the 154th business term).

# Corporate Governance

Hitachi views the expansion of long-term and overall returns to shareholders and investors as an important management objective. Hitachi, Ltd. and Hitachi Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important portion of our overall corporate value. Accordingly, we are striving to establish a system that will improve our corporate value primarily through the implementation of measures focused on promoting constructive dialogue. To advance these efforts effectively, we are working to improve our corporate governance by ensuring thorough separation between the oversight and execution of management, establishing a swift business execution system, and striving to achieve highly transparent management.

History of Hitachi's Corporate Governance Reform

## Hitachi's Corporate Governance Framework and Features (As of June 2023)




*One standing Audit Committee member

### POINT 1 Transparency in Management

**Transitioned to a company with committees (currently a company with a nominating committee, etc.) in 2003.**

Hitachi established the Nominating Committee, the Compensation Committee and the Audit Committee, with independent directors comprising the majority of members and serving as chairpersons. This system ensures transparency in management, separates the oversight and execution of management, facilitates the full exercise of oversight functions, and enables discussions and reports to be conducted appropriately within these three committees.

### POINT 2 Independence of the Board of Directors

**Increased the number of independent directors, including non-Japanese directors, in 2012.**

The Board of Directors, which is chaired by an independent director, has 12 members, including nine independent directors, two directors who are also serving as executive officers, and one director who is not serving as an executive officer. In addition, we have established a system that facilitates the full exercise of oversight functions by maintaining a separation between management oversight and execution.

### POINT 3 Enhanced Collaboration through Tripartite Auditing

Hitachi's Audit Committee and internal audit sections collaborate with third-party accounting auditors to strengthen Tripartite Auditing aimed at increasing the effectiveness of internal controls.

Highly Experienced Directors (Sustainability Report)

## Experience, Knowledge and Capabilities Required for Directors

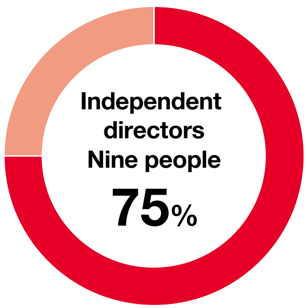
Hitachi Directors need to have a wide range of experience and knowledge in global and diverse fields to be worthy of leading Hitachi's management to expand the Social Innovation Business globally, and have the qualities of broad experience and expertise in management.
The experience, knowledge, capabilities and other qualities required for Hitachi directors are as follows.

| **Core Skills**<br>Core qualities that ensure management oversight efficiency and decision-making functions | | Number of applicable directors |
|---|---|---|
| Corporate management | Corporate management experience and knowledge | 12 people |
| Global business | Business experience outside Japan or management experience at a company that develops business globally | 12 people |
| Risk management | Knowledge of risk assessment and management necessary to maintain operations | 12 people |
| Finance and accounting | Knowledge and management experience pertaining to financial accounting necessary for medium- to long-term corporate value creation from a financial perspective | 12 people |

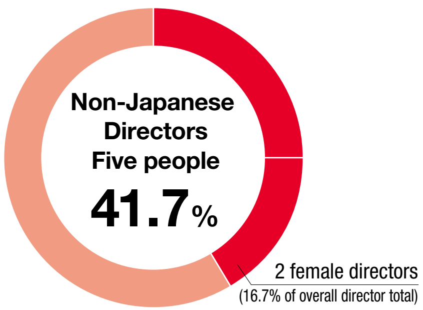
| **Professional Skills**<br>Expertise and experience that enhance discussions pertaining to the promotion of the Social Innovation Business | | Number of applicable directors |
|---|---|---|
| Governments and international organizations | Leadership experience in government, governmental agencies, international organizations or economic associations that facilitates an understanding of and response to regulations and social issues, as well as practical experience at educational institutions | 4 people |
| Legal affairs | Expertise and practical experience in legal affairs indispensable for global business and the development of new business | 1 person |
| R&D and intellectual property | Expertise and practical experience in R&D or intellectual property facilitating the utilization of technology and the incorporation of new technologies | 2 people |
| Digital | Practical experience in industrial fields vital for promoting digital transformation (DX) in the Social Innovation Business | 4 people |

## Board of Directors Composition (As of June 2023)

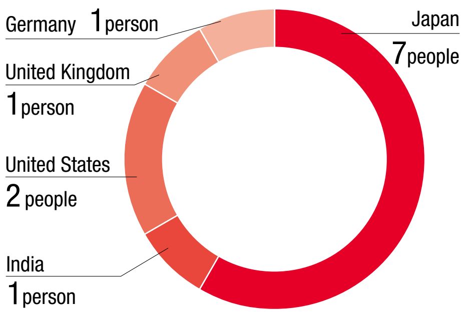
### Independence (ratio of independent directors)



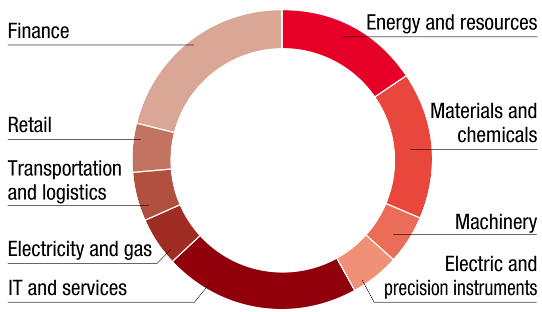

### Diversity (ratio of non-Japanese and female directors)




### Diversity (by country of origin)




### Industrial field



Activities of the Three Committees (Sustainability Report) Internal controls (audit system, etc.)

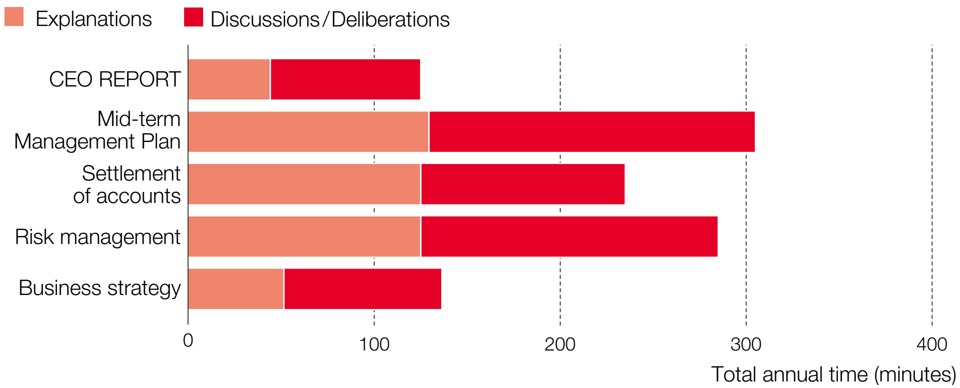
## Administrative Performance of the Board of Directors

The Board of Directors approves the basic management policy for the Hitachi Group and oversees the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the Mid-term Management Plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy, as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations.
In fiscal 2022, CEO Keiji Kojima reported on the progress of the Mid-term Management Plan 2024, including overall priority items and progress in each sector, and confirmed consistency with the plan. In promoting the execution of management strategies, more time is spent discussing and deliberating than is used to explain quarterly financial reports and business strategies. In addition, at the Board meeting CEO Kojima reports and discusses important topics for the executive side that were discussed at the Senior Executive Committee, facilitating a shared understanding with the executive side.

### Board of Directors Meetings in FY2022

| FY2022 Board of Directors Meeting Results | |
|---|---|
| Meetings held | Nine days |
| Average number of agenda items | 7.6 per meeting |
| Average meeting length | 3.1 hours (longest meeting 5.3 hours) |

### Discussion of Major Themes




## Providing Information to Independent Directors

The Board of Directors holds individual meetings and site visits to improve the effectiveness of the Board of Directors and increase opportunities for information sharing. In fiscal 2022, with the relaxation of border measures for COVID-19, we held a Board of Directors meeting overseas for the first time in three years (in the United States), as well as lectures by local experts and visits to local subsidiaries. Online participation in the Hitachi Social Innovation Forum, and attendance at the Internal Business Conference and the Research Presentation Meeting held at research institutes, including online, as well as visits to Hitachi Origin Park, provided opportunities to deepen understanding of the business and engage in dialogue with senior management and front line employees.

December 13, 2022: Board of Directors meeting in the United States

January 18, 2023: Visit to Hitachi Energy (Switzerland) by Audit Committee members

October 27, 2022: Visit to Hitachi Origin Park

## Analysis and Evaluation of the Effectiveness of the Board of Directors

Hitachi evaluates the effectiveness of its Board of Directors each year in a continuous effort to maintain and improve its functions.

### Fiscal 2022 Evaluation Process

| | Points of evaluation |
|---|---|
| 1. Questionnaire-based self-assessment by each director (February to March 2023) | • Composition: diversity on the Board, the number and proportion of Inside and Outside directors, etc.<br>• Visibility of responsibilities and roles of the Board<br>• Meeting operation: meeting frequency, deliberation time, agenda setting, quality of deliberation, Chairman's role, etc.<br>• Contribution: contribution to strategy building and change of company culture, contribution to constructive discussions, utilization of Director's knowledge and experience, discussions contribution to CEO succession plan, etc.<br>• Understanding of the company: Hitachi Group Identity, risk factors, potential challenges and opportunities.<br>• Three committees: composition, responsibilities and roles, coordination with the Board, etc.<br>• Supporting system for the Board: provision of necessary information such as the Board materials, etc. |
| 2. Discussions among independent directors (March 2023) | • Independent directors had a meeting and discussed the Board effectiveness there referring to the Board's activities in each evaluation items set out in the above 1. |
| 3. Discussions at the Board meeting (May 2023) | • The Board analyzed and evaluated its effectiveness as a whole and confirmed the policy on approaches to further enhance the Board's effectiveness based on the results of the preceding process, considering comparison to the evaluation results for previous year and measures taken for improving its effectiveness. |

### Evaluation Results and Future Initiatives

| Evaluation results | |
|---|---|
| Overall evaluation in FY2022 | • The Board assessed that Board members are diverse and make use of their knowledge and expertise to speak out, having vigorous discussions especially on matters related to business strategies such as the Mid-term Management Plan targeting the mid/long-term growth of corporate value. The Board, therefore, concluded that the effectiveness of the Board as a whole is maintained. |
| **Future initiatives** | |
| Further enhancement of corporate governance | • Based on discussions at the Board meetings, set up meetings to provide feedback and confirm future action items with executives to further promote shared recognition between the Board members and the executives.<br>• The Board will respond to requests for dialogue from investors to the extent possible. |
| Enhancement of the Board support system and improvement of practical issues in operations | • Increase opportunities to have meetings with BU CEOs, etc. and expand to provide Independent Directors with information on opportunities of visiting sites and events of Hitachi Group.<br>• Further improve structure and content of materials for the Board meeting and operation of provision of materials well in advance of the Board meeting. |

## CEO Appointment, Dismissal, and Succession Plan

After a preliminary report to the Nominating Committee, Hitachi's Board of Directors decides upon the appointment and dismissal of executive officers with the goal of constructing an optimal business execution system for management. As stipulated in our Corporate Governance Guidelines, our basic policy concerning the CEO requires that individuals serving in the position of CEO have extensive experience and achievements in the field of company management. They must also be considered optimally suited for conducting management aimed at achieving Hitachi's goals of continuously raising its corporate value and further serving the common interests of its shareholders. Decisions regarding the appointment or dismissal of the CEO shall be made based on prior deliberations and proposals by the Nominating Committee.

Regarding our CEO Succession Plan, as the speed of change in the management environment accelerates, we are striving to build a system that enables us to appropriately and promptly secure and develop (both internally and globally) necessary management personnel who will provide leadership that will allow us to realize our growth strategies. Accordingly, we are also concentrating on providing training for selected employees while targeting the early development of candidates for future management positions. Through this, participants discuss what is necessary for Hitachi's future growth, and by providing a forum for making recommendations to management, we foster next-generation leaders capable of acting authoritatively and resolutely.

Reflecting Sustainability Targets in Executive Compensation Evaluation (Sustainability Report)

## Director and Executive Officer Compensation

### Fiscal 2023 Revision of Executive Compensation System

At a meeting of the Compensation Committee, Hitachi discussed the executive compensation system to enable continued growth over the next ten years, through a modal change toward growth in MMP 2024. A decision was made to amend the executive compensation system to establish a system that can secure competitive superiority over global companies, ensure effective Pay-for-Performance that rewards contributions to growth and innovation, and increase corporate value by strengthening sustainable management. For specific details, please see the following page.

With regard to employee compensation as well, Hitachi has introduced a framework in which individual targets are linked to the company's targets, and compensation is determined according to the achievement of those targets. The management targets put forward in MMP 2024 are applied as evaluation indexes when deciding compensation for individual employees. Hitachi will cultivate a growth mindset among both executives and employees and strive to achieve global growth as One Hitachi.

### Compensation structure

**(1) Directors**

Compensation for Directors is Basic compensation as fixed pay. The amount of Basic compensation is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

**(2) Executive Officers**

Compensation for Executive Officers consists of Basic compensation as fixed pay and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. The basic amount of Basic compensation, short-term incentive compensation and medium- and long-term incentive compensation is set based on the ratio of compensation for the President & CEO, which in the past was 1:1:1, but has been changed to 1:1.2:2, increasing the ratio of variable pay with a focus on LTI, which takes the form of stock compensation, and the compensation ratios for other executives have also been set based on this ratio. This takes into account the composition of executive compensation for major global companies including European and the United States companies, in order to increase corporate value through the growth of global businesses.

If it is found that an executive officer has engaged in misconduct during their term of office, any compensation already paid shall be returned to the company (clawback provision).

For details of Compensation to Directors and Executive Officers, please refer to page 108 of the Annual Securities Report (the 154th business term).

### Basic Policy of the New Executive Compensation System

**Key Principles: New Incentive Plan**

- Aiming for growth, profitability, and cash generation
- Accelerate sustainable management
- Emphasize alignment with shareholder value
- Ensure global competitiveness in business and compensation

**• Aligned with mid or long-term growth of corporate value and business performance**
**• Corp. value growth through Pay-for-Performance**

Linkage with the Mid-term Management Plan 2024 + Mid- or long-term growth beyond the mid-term plan

1 **Alignment with the Mid-term Management Plan 2024**
- In the Short-term incentive compensation and Medium- and long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Key Performance Indicator ('KPI') to encourage executives to achieve them.

2 **Establishment of compensation program and corporate performance program that foster a growth mindset**
- Pursue an optimal balance between short and medium- to long-term performance about "growth," "improving profitability" and "cash generation", aiming for improvement of short-term performance and medium- to long-term growth in corporate value.
- Establish a compensation program that significantly rewards performance by setting stretched goals and commensurate compensation levels.

3 **Setting indicators to promote sustainable management**
- Develop specific indicators and goals related to "Environments," "Business with Integrity" and "Quality of life" under its sustainability strategy, and encourage their implementation.

4 **Expansion of stock compensation that rewards growth in corporate value over the medium to long term**
- Expand stock compensation to better align with medium-to long-term corporate value.

**Attract and retain key talent**

5 **Competitive compensation levels with a global perspective**
- Ensure competitive compensation levels to attract and retain key executives in the global market, regardless of their residence or origin, who lead global management of a global organization.

6 **Compensation benchmarking with objectivity and transparency**
- Reference the benchmarks in the US and European markets in addition to the benchmarks in the Japanese market for analysis and level-setting from multiple perspectives.

**Transparency, objectivity and fairness**

7 **Transparency and objectivity through enhanced compensation disclosure and shareholder engagement**
- Endeavor to gain investors' understanding and support through sufficient disclosure of the compensation program with a global perspective and ongoing shareholder engagement, and continuously improve the program based on the insights gained through the engagement.

## Compensation to Executive Officers (Fiscal 2023)

### Before amendment

**Basic compensation: short-term incentive: medium- and long-term incentive = 1:1:1 ratio**

| Fixed pay | Variable pay | |
|---|---|---|
| Basic compensation | Short-term incentive compensation | Medium- and long-term incentive compensation |

### After amendment

**Basic compensation: short-term incentive: medium- and long-term incentive = 1:1.2:2* ratio**

| Fixed pay | Variable pay | |
|---|---|---|
| 1 Basic compensation | 2 Short-term incentive compensation | 3 Medium- and long-term incentive compensation |

*For President & CEO

### 1 Basic compensation

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

### 2 Short-term incentive compensation

**Short-term incentives (STI)**

| | | | | |
|---|---|---|---|---|
| President | Company-wide performance: 70% | | Individual evaluation: 10% | Sustainability: 20% ③ |
| Executive officers in charge of corporate affairs | Company-wide performance: 40% | | Individual evaluation: 40% | Sustainability: 20% ③ |
| Executive officers in charge of business | Company-wide performance: 30% | Divisional performance: 30% | Individual evaluation: 20% | Sustainability: 20% ③ |

① Company-wide performance:
- Revenues
- Adj. EBITA Margin
- Core FCF
- Lumada business revenues
- EPS

① Divisional performance:
- Revenues
- Adj. EBITA Margin
- Core FCF
- Lumada business revenues

③ Sustainability:
- Materiality— "Environment," "Business with Integrity" and "Quality of Life" —based on the sustainability strategy

### 3 Medium- and long-term incentive compensation

**Medium- and long-term incentives (LTI)**

| Compensation with incumbency condition: 30% | Compensation with stock price condition: 70% ② | | When the Mid-term Management Plan targets are achieved Max. +20% ① | |
|---|---|---|---|---|
| | TSR growth rate: TOPIX comparison | TSR growth rate: Global competitive comparison ② | ROIC +10% | Sustainability: +10% |

### Points of amendment

**① Strengthening the link with the Mid-term Management Plan 2024**
- Adopt the key indicators set forth in the Mid-term Management Plan 2024 adopted as KPIs (STI)
- Introduce incentives for achieving the Mid-term Management Plan (LTI)

**② Strengthening the link with Corporate Value Enhancement**
- Increase the stock price condition compensation ratio (LTI)
- Establish a global competitive comparison (LTI)

**③ Further evolving of Sustainable Management**
- Separate sustainability evaluations and set at 20% (STI)
- Create new evaluations regarding our Materiality— "Environment," "Business with Integrity" and "Quality of Life" —based on the sustainability strategy (STI)

## Leadership (As of June 21, 2023)

### Independent Directors*

**Katsumi Ihara** (72) ● ⬢ ▲

Share ownership: 1,300 shares
Term of office as Independent Director: 5 years

2005 Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation
2009 Executive Deputy President, Corporate Executive, Sony Corporation
Executive Vice President, Representative Director, Sony Financial Holdings Inc.
2010 President, Representative Director, Sony Financial Holdings Inc.
2011 President, Representative Director, Sony Life Insurance Co., Ltd.
2015 Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017)
2016 Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017)
2018 Director, Hitachi, Ltd.

**Ravi Venkatesan** (60)

Share ownership: 500 shares
Term of office as Independent Director: 3 years

1999 Chairman of the Board of Directors, Cummins India Ltd. (Retired in March 2004)
2004 Chairman, Microsoft India Pvt. Ltd. (Retired in September 2011)
2011 Independent Director, Infosys Ltd. (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017)
2013 Venture Partner, Unitus Ventures LLC. (Currently in office)
2015 Chairman (Non-Executive), Bank of Baroda (Retired in August 2018)
2018 Special Representative for Young People & Innovation, UNICEF (Retired in September 2022)
2020 Director, Hitachi, Ltd.

**Cynthia Carroll** (66) ●

Share ownership: 1,600 shares
Term of office as Independent Director: 10 years

1991 General Manager, Foil Products, Alcan Inc.
1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.
1998 President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc.
2002 President & CEO, Primary Metal Group, Alcan Inc.
2007 CEO, Anglo American plc. (Retired in April 2013)
2013 Director, Hitachi, Ltd.

**Ikuro Sugawara** (66) ⬢

Share ownership: 400 shares
Term of office as Independent Director: 1 year

2010 Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry of Japan ("METI")
2012 Director-General of the Manufacturing Industries Bureau, METI
2013 Director-General of the Economic and Industrial Policy Bureau, METI
2015 Vice-Minister of Economy, Trade and Industry of Japan
2017 Special Advisor to the Cabinet of Japan (Retired in June 2018)
2022 Director, Hitachi, Ltd.

**Joe Harlan** (64) ▲

Share ownership: 1,300 shares
Term of office as Independent Director: 5 years

1999 Vice President and Chief Financial Officer, Lighting Business, General Electric Company
2001 Vice President, Corporate Financial, Planning and Analysis, 3M Company
2002 President and Chief Executive Officer, Sumitomo 3M Ltd.
2004 Executive Vice President, Electro and Communications Business, 3M Company
2009 Executive Vice President, Consumer and Office Business, 3M Company
2011 Executive Vice President, Performance Materials, The Dow Chemical Company
2012 Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company
2014 Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company
2015 Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (Retired in August 2017)
2018 Director, Hitachi, Ltd.

**Louise Pentland** (51)

Share ownership: 1,200 shares
Term of office as Independent Director: 8 years

1997 Admitted as a Solicitor (UK)
2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation
2007 Vice President Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation
2008 Senior Vice President and Chief Legal Officer, Nokia Corporation
2009 Admitted to New York State Bar Association
2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014)
2015 General Counsel, PayPal, eBay Inc.
Director, Hitachi, Ltd.
Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc.
2016 Executive Vice President, Chief Business Affairs & Legal Officer, PayPal Holdings, Inc.
2022 Executive Vice President and Senior Advisor, PayPal Holdings, Inc. (Retired in July 2022)

● Nominating Committee ⬢ Audit Committee ▲ Compensation Committee

**Each Committee is composed of the following members (chair names underlined)**

Nominating Committee : <u>Katsumi Ihara</u>, Cynthia Carroll, Hiroaki Yoshihara, Toshiaki Higashihara
Audit Committee : <u>Hiroaki Yoshihara</u>, Katsumi Ihara, Ikuro Sugawara, Helmuth Ludwig, Mitsuaki Nishiyama
Compensation Committee : <u>Takatoshi Yamamoto</u>, Katsumi Ihara, Joe Harlan, Keiji Kojima

* Independent directors are directors who fulfill the qualification requirements to be outside directors as stipulated in the Companies Act and also meet independence criteria defined by Hitachi and stipulated by Japanese stock exchanges where Hitachi is listed.

### Takatoshi Yamamoto (70) ▲

Share ownership: 14,100 shares
Term of office as Independent Director: 7 years

1995 Managing Director, Morgan Stanley Japan Limited
1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited
2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.
2009 Managing Director, CASIO COMPUTER CO., LTD.
2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)
2016 Director, Hitachi, Ltd.

### Hiroaki Yoshihara (66) ● ⬢

Share ownership: 3,400 shares
Term of office as Independent Director: 9 years

1978 Joined Peat Marwick Mitchell & Co.
1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP
1997 The Board Member, KPMG LLP
2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)
2014 Director, Hitachi, Ltd.

### Helmuth Ludwig (60) ⬢

Share ownership: 4,400 shares
Term of office as Independent Director: 3 years

2001 President, Software and System House Division, Siemens AG
2002 President, Systems Engineering Division, Automation and Drives Group, Siemens AG
2007 President, Siemens PLM Software, Inc.
2010 Global Head of Communications, Industry Automation, Siemens Corp.
2011 President and CEO, Industry Sector, North America, Siemens Industry, Inc.
2014 Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp.
2016 Chief Information Officer, Siemens AG (Retired in December 2019)
2020 Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (Currently in office)
Director, Hitachi, Ltd.

## Directors

### Keiji Kojima (66) ▲

Share ownership: 113,600 shares

1982 Joined Hitachi, Ltd.
2011 General Manager, Hitachi Research Laboratory
2012 Vice President and Executive Officer
2016 Senior Vice President and Executive Officer
2018 Representative Executive Officer, Executive Vice President
2021 Representative Executive Officer, President & COO and Director, Hitachi, Ltd.
2022 Representative Executive Officer, President & CEO and Director, Hitachi, Ltd.

### Mitsuaki Nishiyama (66) ⬢

Share ownership: 26,660 shares

1979 Joined Hitachi, Ltd.
2008 General Manager, Finance Department I
2011 Executive Officer, Hitachi Cable, Ltd.
2012 Executive Officer, Board Director, Hitachi Cable, Ltd.
2013 Vice President and Executive Officer, Board Director, Hitachi Cable, Ltd.
Vice President and Managing Officer, Hitachi Metals, Ltd. (Currently Proterial, Ltd.)
2014 Vice President and Executive Officer, Hitachi Metals, Ltd. (Retired in March 2015)
2015 Vice President and Executive Officer, Hitachi, Ltd.
2016 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.
2020 Representative Executive Officer, Chairperson and CEO, Hitachi Metals, Ltd.
Representative Executive Officer, Chairperson, President and CEO, Hitachi Metals, Ltd.
Representative Executive Officer, Chairperson, President and CEO, and Director, Hitachi Metals, Ltd.
2023 Representative Director, Executive Chairman, Proterial, Ltd. (Retired in March 2023)
Associate, Hitachi, Ltd.
Director, Hitachi, Ltd.

### Toshiaki Higashihara (68) ●

Share ownership: 207,900 shares

1977 Joined Hitachi, Ltd.
2007 Vice President and Executive Officer (Retired in March 2008)
2008 President, Hitachi Power Europe GmbH
2010 Representative Executive Officer, President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
President and Representative Director, Hitachi Plant Technologies, Ltd.
2011 Vice President and Executive Officer, Hitachi, Ltd.
2013 Senior Vice President and Executive Officer, Hitachi, Ltd.
2014 Representative Executive Officer and President & COO, Hitachi, Ltd.
Representative Executive Officer, President & COO and Director, Hitachi, Ltd.
2016 Representative Executive Officer, President & CEO and Director, Hitachi, Ltd.
2021 Representative Executive Officer, Executive Chairman, President & CEO and Director, Hitachi, Ltd.
Representative Executive Officer, Executive Chairman & CEO and Director, Hitachi, Ltd.
2022 Executive Chairman, Representative Executive Officer and Director, Hitachi, Ltd.

## Executive Officers

### President & CEO

**Keiji Kojima***

Overall management

### Executive Vice Presidents and Executive Officers

**Masakazu Aoki***

Assistant to the President (business for industrial digital, water & environment business, industrial products business, industrial equipment systems business, building systems business, smart life & ecofriendly systems business, measurement and analytical systems business, and healthcare business)

**Yoshihiko Kawamura***

Assistant to the President (finance strategies, corporate pension system, investment strategies, investor relations strategies, cost structure reform, risk management, corporate auditing and corporate export regulation)

**Alistair Dormer***

Assistant to the President (railway systems business, nuclear energy business, energy business, power grids business)

**Toshiaki Tokunaga***

Assistant to the President (cloud services platforms business, digital engineering business, business for financial institutions, business for government, public corporation and social infrastructure systems, defense systems business, social innovation business promotion and digital strategies)

### Senior Vice Presidents and Executive Officers

**Jun Abe**

Cloud services platforms business

**Lorena Dellagiovanna**

Sustainability strategies, environmental strategies and diversity, equity & inclusion strategies

**Katsuya Nagano**

Business for government, public corporation and social infrastructure systems and defense systems business

**Hidenobu Nakahata***

Human capital strategies, diversity, equity & inclusion strategies, corporate communications strategies and safety and health management

**Masahiko Hasegawa***

Marketing & sales and regional strategies

**Claudio Facchin**

Power grids business

**Giuseppe Marino**

Railway systems business

**Mamoru Morita**

Management strategies

### Executive Officer

**Toshiaki Higashihara***

General

### Vice Presidents and Executive Officers

**Atsuhiro Aketa**
Regional strategies (China)

**Noriharu Amiya**
Railway systems business

**Takashi Iizumi**
Healthcare business and measurement and analytical systems business

**Hitoshi Ito**
Government & external relations

**Yasunori Inada**
Nuclear energy business

**Tatsuro Ueda**
Business for financial institutions

**Kenji Urase**
Energy business

**Tomomi Kato**
Finance strategies and corporate pension system

**Tadashi Kume**
Supply chain management (manufacturing strategies and quality assurance), environmental strategies and safety and health management

**Kohei Kodama**
Legal matters, risk management and corporate auditing

**Takashi Saito**
Marketing & sales strategies (business for connective industries)

**Kenichi Tanaka**
Human capital strategies

**Jun Taniguchi**
Digital strategies and digital engineering business

**Kojin Nakakita**
Regional strategies (APAC)

**Hideshi Nakatsu**
Water & environment business

**Itaru Nishizawa**
Research & development

**Seiichiro Nukui**
Information technology strategies

**Andrew Barr**
Regional strategies (EMEA)

**Yoshinori Hosoya**
Cloud services platform business

**Chie Mashima**
Marketing & sales strategies (business for digital systems & services) and social innovation business promotion

**Shinya Mitsudomi**
Urban business strategies and building systems business

**Masashi Murayama**
Cost structure reform and information security management

**Kazunobu Morita**
Business for industrial digital

**Takashi Yoda**
Marketing & sales strategies (business for energy)

Note: Executive officers are listed by position and in Japanese alphabetical order within each grouping.
The asterisk (*) denotes executive officers who are representative executive officers.

# Past Mid-term Management Plans

Corporate Strategy

## Mid-term Management Plan 2012 (FY2010–2012)

**Rebuilding Management Recovery**

### Achievements

1. **Created a product-based company system clarifying responsibilities and authority**
   - Clarified responsibility and authority through introduction of an in-house company system
   - Consolidated business into six groups, focused on growth fields under an integrated system of operations, and accelerated management
2. **Rebuilt/Withdrew from low-profit businesses**
   - Automotive systems business: Rebuilt through structural reform
   - Flat-panel TV business: Withdrew from in-house production
   - HDD business: Divestiture
3. **Strengthened cost competitiveness**
   - Started "Hitachi Smart Transformation Project" for cost structure reform
   - Expanded centralized purchasing and global procurement
   - Optimized and consolidated manufacturing sites

## Mid-term Management Plan 2015 (FY2013–2015)

**Building a Foundation for Growth**
**The Swapping Out of Businesses**

### Challenges

- Realizing further improvements to business profitability
- Enhancing business with social innovation as a core
- Developing business globally

### Achievements

1. **Promoted the Social Innovation Business on a global basis by strengthening frontline functions**
   - Expanded service businesses through the use of digitalization
   - Strengthened digital capabilities through the acquisition of Pentaho
2. **Reviewed non-core businesses**
   - Thermal power business: Established joint-venture firm with Mitsubishi Heavy Industries
   - Air-conditioning business: Established joint-venture firm with Johnson Controls
   - Batteries business: Relisted Hitachi Maxell, drew down HItachi's stake in the company
3. **Promoted globalization**
   - Relocated the railway systems business headquarters to the United Kingdom
   - Introduced Global Performance Management aimed at enhancing the use of global human capital

## Mid-term Management Plan 2018 (FY2016–2018)

**Strengthened the Social Innovation Business Leveraging Digital Technologies**

### Challenges

- Speeding up management to rapidly respond to changes in market environments
- Launching a platform for digital growth
- Addressing low-profit businesses to improve profitability

### Achievements

1. **Transitioned away from a product-based company system to a three-level structure comprising frontline, platform, and product tiers**
   - Accelerated decision-making with the introduction of a business unit system
2. **Strengthened the global front line**
   - Bolstered global frontline operations through acquisitions (Ansaldo STS, Sullair)
3. **Expanded the digital solutions business with Lumada**
   - Launched Lumada
   - Established Hitachi Vantara to deliver digital solutions
   - Lumada business revenue grew to 1 trillion yen
4. **Executed ongoing business reviews**
   - Divestiture and deconsolidation of listed subsidiaries

     Divestiture of Hitachi Koki and Clarion

     Sold a part of shares in Hitachi Transport System, Hitachi Capital, and Hitachi Kokusai Electric
   - Reduced/Withdrew from low-profit businesses such as the information and telecommunications equipment business and the overseas EPC business

## Mid-term Management Plan 2021 (FY2019–2021)

**Realized Social Innovation with Digitalization, Built a Platform for Global Growth**

### Challenges

- Business growth through expansion of co-creation with Lumada as a core
- Completing business portfolio revisions
- Improving capital efficiency

### Performance targets and results

Although targets at the start of fiscal 2019 were revised due to the COVID-19 pandemic in 2020, revenue expanded, profitability was maintained, operating cash flows were generated, and net income attributable to Hitachi, Ltd. stockholders reached an all-time high.

(Billions of yen)

| | Mid-term Management Plan 2021 targets (as announced in April 2021) | FY2021 results |
|---|---|---|
| Revenue | 9,500.0 | **10,264.6** |
| Adjusted operating income/ratio | 740.0 / 7.8% | **738.2 / 7.2%** |
| Net income attributable to Hitachi, Ltd. stockholders | 550.0 | **583.4** |
| Operating cash flows (FY2019–2021 cumulative total) | Over 2,100 | **Approx. 2,100** |
| ROIC | 8.3% | **7.7%** |

### Achievements

1. **Launched the digital business platform and achieved growth**
   - Launched the Lumada Solution Hub and Lumada Alliance Program
   - Expanded Lumada business revenue from 1.1 trillion yen to 1.6 trillion yen
2. **Enhanced efforts toward digital and environmental growth**
   - 2019: Acquired JR Automation
   - 2020: Made Hitachi High-Tech a wholly owned subsidiary

     Established Hitachi ABB Power Grids (now Hitachi Energy)
   - 2021: Established Hitachi Astemo

     Acquired GlobalLogic

     Transferred the diagnostic imaging–related business

     Participated in COP26 as a principal partner
3. **Reinforced and improved the business foundation by resolving management issues**
   - Made progress in reviewing the capital policies of listed subsidiaries
     - Divestiture of Hitachi Chemical and Hitachi Metals*
     - Sale of a part of shares in Hitachi Construction Machinery and Hitachi Transport System*
   - Responded to management issues
     - Settled with Mitsubishi Heavy Industries on South Africa projects
     - Withdrew business operations on the U.K. nuclear power stations construction project
   - Promoted diversity, increased digital talent, and enhanced risk management

* Completed in FY2022

# 10-year Financial Data

Annual Securities Report | Information for Shareholders and Investors (Financial Information)

Millions of yen

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the year:** | U.S. GAAP (through FY2013) | IFRS (from FY2014) | | | | | | | | |
| Revenues | 9,563,791 | 9,774,930 | 10,034,305 | 9,162,264 | 9,368,614 | 9,480,619 | 8,767,263 | 8,729,196 | 10,264,602 | **10,881,150** |
| Adjusted operating income | 538,288 | 641,325 | 634,869 | 587,309 | 714,630 | 754,976 | 661,883 | 495,180 | 738,236 | **748,144** |
| Adjusted EBITA | — | — | — | — | — | — | — | 609,107 | 855,380 | **884,606** |
| EBIT | 585,662 | 534,059 | 531,003 | 475,182 | 644,257 | 513,906 | 183,614 | 850,287 | 850,951 | **845,632** |
| EBITDA | — | — | — | — | — | 885,318 | 619,001 | 1,343,067 | 1,392,840 | **1,373,468** |
| Net income attributable to Hitachi, Ltd. stockholders | 264,975 | 217,482 | 172,155 | 231,261 | 362,988 | 222,546 | 87,596 | 501,613 | 583,470 | **649,124** |
| Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen) | 54.86 | 45.04 | 35.65 | 47.90 | 375.93 | 230.47 | 90.71 | 519.29 | 603.75 | **684.55** |
| Net cash provided by operating activities | 439,406 | 451,825 | 812,226 | 629,582 | 727,168 | 610,025 | 560,920 | 793,128 | 729,943 | **827,045** |
| Net cash used in investing activities | (491,363) | (612,545) | (730,799) | (337,955) | (474,328) | (162,872) | (525,826) | (458,840) | (1,048,866) | **151,063** |
| Net cash provided by (used in) financing activities | 32,968 | 233,206 | (26,467) | (209,536) | (321,454) | (320,426) | 2,837 | (184,838) | 202,739 | **(1,142,966)** |
| Core free cash flows | (186,042) | (176,448) | 113,371 | 100,215 | 283,593 | 136,079 | 135,441 | 419,848 | 290,082 | **416,460** |
| Core free cash flows per share, basic (yen) | (38.52) | (36.54) | 23.48 | 20.76 | 293.70 | 140.92 | 140.25 | 434.64 | 300.16 | **439.19** |
| Capital investment (Tangible fixed assets and investment property) | 849,877 | 431,201 | 528,551 | 377,545 | 374,901 | 414,798 | 399,643 | 359,897 | 388,747 | **349,756** |
| Depreciation (Tangible fixed assets and investment property) | 329,833 | 350,783 | 366,547 | 302,757 | 265,413 | 271,682 | 342,450 | 345,201 | 382,922 | **358,412** |
| R&D expenditures | 351,426 | 334,814 | 333,730 | 323,963 | 332,920 | 323,145 | 293,799 | 293,571 | 317,383 | **316,280** |
| Total assets | 11,016,899 | 12,433,727 | 12,551,005 | 9,663,917 | 10,106,603 | 9,626,592 | 9,930,081 | 11,852,853 | 13,887,502 | **12,501,414** |
| Property, plant and equipment | 2,342,091 | 2,472,497 | 2,500,226 | 1,998,411 | 2,124,827 | 1,956,685 | 2,165,311 | 2,408,887 | 2,478,901 | **1,700,471** |
| Total Hitachi, Ltd. stockholders' equity | 2,651,241 | 2,942,281 | 2,735,078 | 2,967,085 | 3,278,024 | 3,262,603 | 3,159,986 | 3,525,502 | 4,341,836 | **4,942,854** |
| Interest-bearing debt | 2,823,049 | 3,557,356 | 3,604,455 | 1,176,603 | 1,050,294 | 1,004,771 | 1,485,042 | 2,397,356 | 3,126,712 | **2,213,348** |

%

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted EBITA ratio | — | — | — | — | — | — | — | 7.0 | 8.3 | **8.1** |
| Return on invested capital (ROIC) | — | — | — | — | — | 8.5 | 9.4 | 6.4 | 7.7 | **7.6** |
| Return on equity (ROE) | 11.2 | 7.8 | 6.1 | 8.1 | 11.6 | 6.8 | 2.7 | 15.0 | 14.8 | **14.0** |
| Return on assets (ROA) | 3.5 | 2.9 | 2.4 | 3.0 | 5.0 | 3.3 | 1.3 | 4.8 | 5.2 | **5.3** |
| D/E ratio (Including non-controlling interests) (times) | 0.73 | 0.83 | 0.87 | 0.29 | 0.23 | 0.23 | 0.35 | 0.54 | 0.58 | **0.41** |
| Total Hitachi, Ltd. stockholders' equity ratio | 24.1 | 23.7 | 21.8 | 30.7 | 32.4 | 33.9 | 31.8 | 29.7 | 31.3 | **39.5** |
| Total shareholder return (millions of yen) | 50,710 | 57,944 | 57,939 | 62,764 | 72,416 | 86,905 | 91,792 | 101,517 | 120,905 | **336,593** |
| including Share buybacks (millions of yen) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **199,999** |
| Dividend per share (yen) | 10.5 | 12.0 | 12.0 | 13.0 | 75.0 | 90.0 | 95.0 | 105 | 125 | **145** |
| Dividend payout ratio | 19.1 | 26.6 | 33.7 | 27.1 | 20.0 | 39.1 | 104.8 | 20.2 | 20.7 | **21.0** |

Notes 1 Terminology differs under U.S. GAAP and IFRS for the following line items (U.S. GAAP/IFRS)
- Sales/Revenues
- Operating income/Adjusted operating income
- Net income attributable to shareholders/Net income attributable to Hitachi, Ltd. stockholders
- Net income per share attributable to Hitachi, Ltd. stockholders, basic/Earnings per share attributable to Hitachi, Ltd. stockholders, basic
- Stockholders' equity/Total Hitachi, Ltd. stockholders' equity

2 Adjusted operating income is presented as revenues less selling, general and administrative expenses, as well as cost of sales.

3 Adjusted EBITA = Adjusted operating income + Acquisition–related amortization + Share of profits (losses) of investments accounted for using the equity method

4 "Core free cash flows" are net cash provided by operating activities minus capital expenditures.

5 On October 1, 2018, the company completed the share consolidation of every five shares into one share for its common stock. Basic earnings per share attributable to Hitachi, Ltd. stockholders, basic core free cash flows per share and dividend per share are calculated on the assumption that the company conducted this consolidation at the beginning of the previous fiscal year.

6 ROA (Return on assets) = Net income / Total Assets (Average between the end of current fiscal year and the end of previous fiscal year) X 100

# 5-year Non-financial Data

Sustainability Report

| Human Capital | | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|---|
| Number of employees | Hitachi Group | 295,941 | 301,056 | 350,864 | 368,247 | **322,525** |
| | Hitachi, Ltd. | 33,490 | 31,442 | 29,850 | 29,485 | **28,672** |
| Average service (years)*1 | Hitachi Group | 15.1 | 15.0 | 13.6 | 13.5 | **12.6** |
| Turnover ratio (%)*1*2*3 | Hitachi Group | 6.3 | 5.2 | 4.3 | 7.5 | **8.5** |
| **Percentage of Positive Responses to Employee Engagement Questions*4 (Hitachi Group)** | | | | | | |
| Global average (%) | | 60 | 60 | 62 | 65 | **69.5** |
| By region (%) | Japan | — | — | — | 56 | **61.2** |
| | Overseas | — | — | — | 80 | **82.3** |
| **Digital Talent*5 (Hitachi Group)** | | | | | | |
| Global (persons) | | — | 30,000 | 35,000 | 67,000 | **83,000** |
| By region | Japan | — | 19,000 | 23,000 | 29,000 | **42,000** |
| | Overseas | — | 11,000 | 12,000 | 38,000 | **41,000** |
| **Diversity, Equity and Inclusion** | | | | | | |
| Ratio of female employees (%)*1*2 | Hitachi Group | 18.8 | 19.4 | 19.1 | 20.2 | **22.3** |
| Ratio of female managers (%/persons)*1*2*6*7 | Hitachi Group | 8.3 (3,975) | 8.9 (4,302) | 9.5 (4,641) | 9.8 (4,762) | **13.0 (8,461)** |
| Ratio of female managers (%/persons)*6*8 | Hitachi, Ltd. | 4.8 (635) | 5.5 (700) | 6.5 (768) | 6.8 (785) | **7.4 (826)** |

| Ratios of Female and Non-Japanese Executives* (Hitachi, Ltd.) | June 2019 | July 2020 | June 2021 | June 2022 | June 2023 |
|---|---|---|---|---|---|
| Number of female executives | 4 | 5 | 7 | 9 | **9** |
| Ratio of female executives (%) | 5.0 | 7.1 | 10.1 | 12.2 | **11.4** |
| Number of non-Japanese executives | 7 | 6 | 8 | 13 | **16** |
| Ratio of non-Japanese executives (%) | 8.8 | 8.6 | 11.6 | 17.6 | **20.3** |

* Executive Officers and Corporate Officers

[Scope of Data]
*1 Approximately 20,000 manufacturing workers not registered in the employee database and approximately 8,000 employees of some newly consolidated companies are not included.
*2 The figures are based on enrolled employees with employment contracts including those seconded from the Hitachi Group to other companies and those taking leave, and excluding those seconded from other companies to the Hitachi Group (as of March 31).
*3 Figures include only voluntary resignations.
*4 Questions change slightly each year. Above figures are not adjusted for changes in questions. In fiscal 2022, the composition of questions measuring employee engagement was revised. The percentage was calculated from the average of the percentage of positive responses to the following four questions: pride in working for Hitachi; whether it is a great place to work that one would recommend to others; job satisfaction and sense of accomplishment; and desire to continue working for Hitachi for the foreseeable future.
*5 Disclosure initiated in fiscal 2019. We define digital talent as those who possess any of the 12 capabilities required for digital business, including design thinking, data science, and security. The number of digital talent is the total number of persons under each capability (total number of people, in thousands).
*6 The increase in the number and percentage of female managers over time reflects improved coverage of our human capital databases and changes in the number of consolidated companies.
*7 Figure does not include subsidiaries with unregistered employees at certain grades (positions).
*8 The figures are based on the number of employees including those seconded from Hitachi Group to other companies, those taking leave, and those seconded from other companies to Hitachi Group (as of March 31). Figures for fiscal 2021 exclude those seconded from other companies to Hitachi Group.

| Occurrence Rate (TRIFR*9*10) (Hitachi Group) | CY2018 | CY2019 | CY2020 | CY2021 | FY2021 | FY2022 |
|---|---|---|---|---|---|---|
| **Global total** | — | 0.37 | 0.29 | 0.28 | 0.27 | **0.26** |
| Japan | — | 0.17 | 0.14 | 0.12 | 0.12 | **0.14** |
| Asia (excluding Japan) | — | 0.30 | 0.17 | 0.12 | 0.11 | **0.09** |
| The Americas | — | 1.66 | 1.54 | 1.36 | 1.20 | **1.10** |
| Europe | — | 0.53 | 0.45 | 0.38 | 0.45 | **0.39** |
| **Occupational Health and Safety (Hitachi Group*11)** | | | | | | |
| Number of fatal accidents*10 | 0 | 5 | 3 | 2 | 2 | **5** |

[Scope of Data]
*9 TRIFR: Total Recordable Injury Frequency Rate (number of deaths and injuries per 200,000 working hours)
*10 The number for each year is the number from January to December up to fiscal 2020. The counting period for the total recordable injury frequency rate (TRIFR) and the number of fatal accidents changed to numbers from April to March from fiscal 2021, after safety targets in the Mid-term Management Plan 2024 were set.
*11 Includes contractors

| Sustainable Procurement Activities (Hitachi Group) | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| Sustainability monitoring (companies) | 345 | 291 | 271 | [Human rights] 2,524*12 [Environment] 708*12 | **1,374***13 |
| Sustainability audits (companies) | 24 | 19 | 27 | 25 | **128***14 |
| Sustainability procurement seminars (companies) | 126 | 59 | 450 | 359 | **520** |

*12 Sustainability monitoring in fiscal 2021 was focused on human rights and environmental risk assessment.
*13 Sustainability monitoring in fiscal 2022 was focused on environment, labor and human rights, sustainable procurement, and ethics.
*14 Including the number of companies audited by Hitachi Energy beginning fiscal 2022.

| Environment (Hitachi Group) | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| $CO_2$ emissions at business sites (factories and offices) (kt-$CO_2$) | 4,973 | 4,374 | 3,296 | 3,384 | **1,538** |
| Waste and valuables generation (kt) | 1,384 | 1,302 | 1,061 | 1,111 | **356** |
| Water Usage (million $m^3$) | 37.02 | 36.41 | 26.35 | 26.03 | **14.56** |
| Atmospheric emissions of chemical substances (kt) | 4.35 | 3.88 | 2.37 | 2.50 | **1.09** |

**$CO_2$ Avoided Emissions through Products and Services:** Target 100 million metric tons / year (FY2024)
Forecast 126.1 million metric tons / year*
* 3-year average during the Mid-term Management Plan 2024

[Scope of Data]
Data on the "Environment (Hitachi Group)" applies to business sites with a large environmental load that are classified as category A.*
* All Group business sites are classified into one of three categories: A, B, or C, based on the Criteria for Classification of Environmental Management established by Hitachi, and the most suitable management is then conducted for each in accordance with the respective level of environmental risk. (See page 2 of Hitachi Sustainability Report 2023.)

# Corporate Data and Stock Information (As of March 31, 2023)

## Corporate Name
Hitachi, Ltd.
(Kabushiki Kaisha Hitachi Seisakusho)

## URL
https://www.hitachi.com/

## Head Office
6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8280, Japan

## Founded
1910 (Incorporated in 1920)

## Capital Stock
462,817 million yen

## Number of Employees (consolidated)
322,525

## Number of Shares Issued
(common stock, including treasury stock)

938,083,077

## Number of Shareholders
276,429

## Administrator of Shareholders' Register
Tokyo Securities Transfer Agent Co., Ltd.
3-11, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

## Stock Exchange Listings
Tokyo, Nagoya

## Accounting Auditor
Ernst & Young ShinNihon LLC

## Contact
Hitachi, Ltd.
TEL: +81-3-3258-1111

## 10 Largest Shareholders

| Name | Share ownership (shares) | Shareholding ratio (%)*2 |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 170,613,800 | 18.20 |
| Custody Bank of Japan, Ltd. (Trust Account) | 62,533,350 | 6.67 |
| State Street Bank and Trust Company 505223 | 24,766,482 | 2.64 |
| GOVERNMENT OF NORWAY | 24,582,891 | 2.62 |
| Nippon Life Insurance Company | 20,000,099 | 2.13 |
| Hitachi Employees' Shareholding Association | 19,674,086 | 2.10 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 19,566,283 | 2.09 |
| NATS CUMCO*1 | 17,331,942 | 1.85 |
| State Street Bank West Client - Treaty 505234 | 17,147,487 | 1.83 |
| JP Morgan Chase Bank 385632 | 14,748,517 | 1.57 |

*1 NATS CUMCO is the nominee name of the depositary bank, Citibank, N.A., for the aggregate of the company's American Depositary Receipts (ADRs) holders.
*2 Treasury stock (510,830 shares) is not included in the shareholding ratio calculation.

## Ratings
(As of August 2023)

| Rating Company | Long-term | Short-term |
|---|---|---|
| Standard & Poor's (S&P) | A | A–1 |
| Moody's Japan K.K. (Moody's) | A3 | P–2 |
| Rating and Investment Information, Inc. (R&I) | AA– | a–1+ |

## Assurance
To enhance the reliability of the information it discloses, Hitachi uses a combined assurance model that includes assurance obtained from executives and from external assurance providers. The supervisor is Yoshihiko Kawamura, Executive Vice President and Executive Officer, CFO. Please refer to production structure. Some of the environmental, social, and governance data in the Hitachi Sustainability Report 2023 has undergone third-party verification by KPMG AZSA Sustainability Co., Ltd.

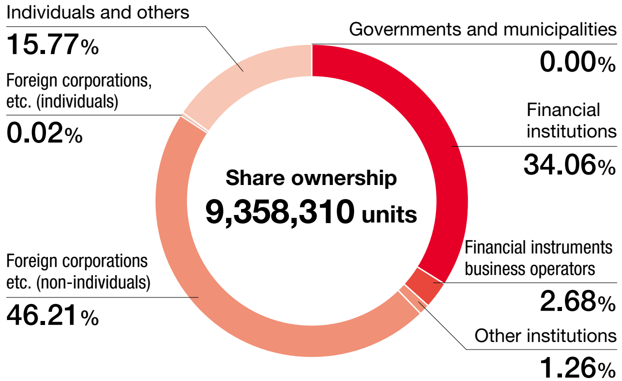
Indicators Subject to Independent Assurance

| | |
|---|---|
| Hitachi Group | Ratio and number of female managers and $CO_2$ emissions at business sites |
| Hitachi, Ltd. | Ratio of non-Japanese executives, female executives, and ratio and number of female managers |

## Shareholder Composition

| Class of shareholders | | Number of shareholders | Share ownership (units) |
|---|---|---|---|
| Governments and municipalities | | 3 | 110 |
| Financial institutions | | 179 | 3,186,976 |
| Financial instruments business operators | | 66 | 250,814 |
| Other institutions | | 2,234 | 117,951 |
| Foreign corporations, etc. | Non-individuals | 1,139 | 4,324,784 |
| | Individuals | 151 | 1,570 |
| Individuals and others | | 213,906 | 1,476,105 |
| Total | | 217,678 | 9,358,310 |
| Number of shares less than one unit (shares) | | — | 2,252,077 |

* Of 510,830 shares of treasury stock, 5,108 units are included in the "Individuals and others" row, while 30 shares are included in the "Number of shares less than one unit" row.

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Please watch the movie on the Hitachi Brand Channel featuring Hitachi colleagues!