

FOR IMMEDIATE RELEASE

Hitachi and Microsoft Enter Milestone Agreement to Accelerate Business and Social Innovation with Generative AI

- **Three-year, projected multi-billion-dollar strategic partnership** will focus on creating **innovative industry solutions that deliver transformative outcomes** for businesses and society.
- Hitachi Group will embed the Microsoft cloud, Azure Open AI Service, Dynamics 365, Copilot for Microsoft 365 and GitHub Copilot into their Lumada Solutions **to accelerate growth of the Lumada business, and improve productivity for their 270 thousand employees.**
- Hitachi will train more than **50 thousand “GenAI Professionals”** on advanced AI skills. As part of the partnership, Hitachi will incorporate training provided by Microsoft into Hitachi’s training.

Redmond, June 3 / Tokyo, June 4, 2024 – Hitachi, Ltd. (TSE:6501) and Microsoft Corporation announced a projected multi-billion dollar collaboration over the next three years, that will accelerate social innovation with generative AI. Through this strategic alliance, Hitachi will propel growth of the Lumada business, with a planned revenue of 2.65 trillion yen (18.9 billion USD)^{*1} in FY2024, and will promote operational efficiency and productivity improvements for Hitachi Group’s 270 thousand employees.

Specifically, Hitachi will embed the Microsoft cloud, Azure Open AI Service, Dynamics 365, Copilot for Microsoft 365, and GitHub Copilot into Lumada solutions to provide innovative solutions for the energy, mobility and other industries to deliver better outcomes for businesses and society. In addition, the two companies will promote joint projects to address pressing business needs such as bolstering cloud services, enhancing security, and mitigating the environmental footprint of data centers, which have become an increasing area of focus with the growing use of generative AI.

“Hitachi has been driving transformation by applying AI across the Hitachi Group to improve productivity and will invest 300 billion yen (2.1 billion USD) ^{*1} in GenAI to capture new growth opportunities in FY2024. Hitachi and Microsoft have already been working on a variety of co-creation projects including the development of next-generation digital solutions for the manufacturing and logistics fields^{*2}, and the development of a field-extended metaverse that runs on Microsoft Teams,” **said Keiji Kojima, President and CEO of Hitachi.** “Under this new agreement, we are excited to further accelerate social innovation by expanding our efforts to social infrastructure areas such as energy and mobility, and by applying generative AI, to improve the productivity of frontline workers, which will become even more important in the future. By combining our capabilities, we can help solve the issues faced by our customers and society, and contribute to a more sustainable future.”

“We are entering a new era of AI with the promise to deliver transformative business outcomes across every role and industry,” **said Satya Nadella, Chairman and CEO, Microsoft.** “Our expanded partnership with Hitachi will bring together the power of the Microsoft Cloud – including Microsoft Copilot – with Hitachi’s industry expertise to improve the productivity of 270,000 Hitachi employees and help address customers’ biggest challenges, including sustainability.”

Hitachi's Business Transformation

Hitachi's Generative AI Center^{*3} and Microsoft will collaborate to improve operational efficiency and application development within the Hitachi Group by using Copilot for Microsoft 365 and GitHub Copilot. Hitachi will also use Azure OpenAI Service to enhance its customer service. As part of Hitachi's group-wide transformation, Hitachi will combine Azure OpenAI Service and GitHub Copilot with its systems development expertise to maintain high quality and improve productivity for mission-critical system development. Hitachi's internal validation confirmed that when its detailed system design knowledge was incorporated with Microsoft Azure OpenAI Service and GitHub Copilot, the application source code could be properly generated 70-90% of the time, resulting in high quality output.^{*4}

Hitachi Rail is leveraging GenAI for predictive maintenance, enhancing equipment monitoring and refining forecast accuracy. This proactive approach prevents breakdowns, increases service quality, reduces operating expenses, and augments safety. For example, a cloud-based platform on Microsoft Azure was utilized to streamline data visualization and analysis, empowered by AI to furnish data-driven insights to digitally monitor rail infrastructure. These insights were translated into actionable steps for **Network Rail**, enhancing decision-making for predictive maintenance of overhead lines.

Develop innovative digital solutions

Hitachi is enhancing its Lumada solutions by incorporating the capability of generative AI. As part of the initiative, Hitachi has already started to use Microsoft's Generative AI for JP1 Cloud Services, a SaaS version of JP1, its integrated operations management software with approximately 20 thousand customers. This will accelerate response times to address failures, and enable improved operational efficiencies for IT departments, financial and public institutions. In an internal verification test conducted earlier, Hitachi confirmed that the time required for the operator to make an initial response to an alert was reduced to approximately two-thirds by using generated AI to respond to the alert and displaying the source of the citation, such as a manual, that provided the basis for the response.

In addition to this, Hitachi and Microsoft will also support the energy transition with improved access to and strengthening of digital solutions for asset performance management, energy trading, and risk management to reduce downtime and increase profitability. Increased computing power and cloud infrastructure are both critical to scaling these applications. Hitachi Energy's Enterprise Software Solutions technology and its partnership with Microsoft is key to optimizing the energy network, from generation, through transmission and distribution, and ultimately in delivering reliable and sustainable energy to customers.

Joint projects to promote sustainable growth

Multiple Hitachi Group Companies including GlobalLogic, Hitachi Digital Services, and Hitachi Solutions, deliver a wide range of digital engineering, IT & managed services, and application services for the cloud. Additional development efforts through this partnership will focus on enhancing this broad range of services with the aim of sustainable innovation with Microsoft.

As the impact of CO2 emissions from AI on the global environment increases, Hitachi and Microsoft will work toward zero carbon, starting with a data center project in Europe, to reduce environmental impact.

Strengthen digital skilling and talent development

Hitachi will train more than 50 thousand GenAI Professionals. As part of the partnership, Hitachi will incorporate training to acquire advanced software development skills using GitHub Copilot and Azure OpenAI Service into the program to develop GenAI Professional, talents who support customers' transformation using AI.

*1 Forecast as of April 26, 2024, calculated at 140 yen to the U.S. dollar.

*2 Hitachi News Release (June 26, 2020) “Hitachi and Microsoft form a strategic alliance to advance next-generation digital solutions for manufacturing and logistics across Southeast Asia, North America and Japan”

<https://www.hitachi.com/New/cnews/month/2020/06/200626.html>

*3 Hitachi News Release (May 15, 2023) “Hitachi Establishes New ‘Generative AI Center’ to Accelerate Value Creation and Improve Productivity in the Lumada business by promoting the use of Generative AI”

<https://www.hitachi.com/New/cnews/month/2023/05/230515.html>

*4 Hitachi News Release (May 21, 2024) “Hitachi to Accelerate System Development Transformation with Generative AI”

<https://www.hitachi.com/New/cnews/month/2024/05/240521.html>

About Hitachi, Ltd.

Hitachi drives Social Innovation Business, creating a sustainable society through the use of data and technology. We solve customers’ and society’s challenges with Lumada solutions leveraging IT, OT (Operational Technology) and products. Hitachi operates under the 3 business sectors of “Digital Systems & Services” – supporting our customers’ digital transformation; “Green Energy & Mobility” – contributing to a decarbonized society through energy and railway systems, and “Connective Industries” – connecting products through digital technology to provide solutions in various industries. Driven by Digital, Green, and Innovation, we aim for growth through co-creation with our customers. The company’s revenues as 3 sectors for fiscal year 2023 (ended March 31, 2024) totaled 8,564.3 billion yen, with 573 consolidated subsidiaries and approximately 270,000 employees worldwide. For more information on Hitachi, please visit the company’s website at <https://www.hitachi.com>.

About Microsoft Corporation

Microsoft (Nasdaq “MSFT” @microsoft) creates platforms and tools powered by AI to deliver innovative solutions that meet the evolving needs of our customers. The technology company is committed to making AI available broadly and doing so responsibly, with a mission to empower every person and every organization on the planet to achieve more.

Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
