

Opening Remarks from the Speakers at the Conference regarding the Change of President & CEO

1. Katsumi Ihara, Chairman of the Board and Nominating Committee

Good evening, everyone. I am Ihara, as introduced just now. As I serve as the Chairman of the Board of Directors and the Nominating Committee. First of all, I would like to explain the background that led to the change of CEO.

The Nominating Committee at Hitachi has thoroughly discussed the succession of the CEO and the selection and development of top leadership candidates.

At the meeting of the Board of Directors, we have created opportunities for independent directors to actively exchange views with each other, and I myself have held one-on-one meetings with each director, and we have dedicated considerable time and effort to the CEO succession process.

This change has been decided as a result of this series of initiatives, and I am confident that I am the most qualified person to provide you with the background.

Once again, at today's meeting of the Board of Directors, we have decided that Keiji Kojima will be succeeded by Toshiaki Tokunaga as President & CEO of Hitachi, effective April 1st next year.

Dr. Kojima will assume the role of Director Vice Chairman from April 1st next year, supporting the smooth transition of leadership and further transformation of Hitachi.

I became a director of Hitachi in 2018, during the tenure of Chairman Nakanishi and President Higashihara, when Hitachi's transformation was being vigorously promoted.

At that time, the Hitachi Group consisted of numerous subsidiaries, but we divided them into companies to be incorporated internally and companies to pursue growth outside the Group in the capital market, from the perspective of promoting Social Innovation Business.

At the same time, we acquired the Power Grid business from ABB in 2018 and GlobalLogic in 2021 as businesses that will contribute to the future growth of the group, and we have almost completed today's Hitachi portfolio.

In addition, driven by these businesses, Hitachi has made significant progress in global expansion.

Unfortunately, in 2021, Chairman Nakanishi fell ill, and Hitachi's leadership structure was placed under Chairman Higashihara and President Kojima.

In the three years since then, in addition to the two companies we acquired, our railway business has experienced significant growth and we have been able to achieve substantial organic growth.

Under Mr. Kojima's strong leadership, I believe that we will be able to achieve the goals of our current Mid-term Management Plan, which ends in fiscal year 2024.

It is worth noting that these efforts have been recognized by the capital market, and Hitachi's market capitalization has made a significant leap.

Mr. Kojima possesses profound insights into cutting-edge technology, honed through his career as a researcher, and a deep understanding of corporate finance, enabling him to engage constructively with capital markets. We consider him a rare and exceptional individual as a CEO. The Board of Directors wishes to express our utmost respect and gratitude for his significant contributions to Hitachi's growth over the past few years.

Looking ahead to Hitachi's further growth, it is important to provide services based on Hitachi's digital technology, to the expanded installation base that has grown significantly in recent years.

In the upcoming next Mid-term Management Plan, we believe that transforming Hitachi into a digital-centric company and accelerating organic growth will be a major pillar.

With this future vision in mind, we have decided at a meeting of the Board of Directors that in order to continue Hitachi's trajectory and compete on the world stage as a global company, it is time to pass the torch of President & CEO from Dr. Kojima to Mr. Tokunaga.

I have been serving as the Chairman of the Nominating Committee since 2022, but even before that, Mr. Tokunaga has always been nominated as the most promising candidate for future CEO, and we have been discussing his career in the Nominating Committee.

For the last five years, he has been leading Hitachi's overall digital strategy in the United States, and this year, he has been working on the next Mid-term Management Plan, always tackling tough missions.

The environment where candidates are constantly tested for their potential to become future leaders of Hitachi is extremely challenging.

However, Mr. Tokunaga has demonstrated strong leadership based on conviction and determination, such as persuading the Board of Directors and realizing the acquisition of GlobalLogic through a long and tough process – yielding positive results.

In that sense, the Nominating Committee and the Board of Directors, including myself, are confident that Mr. Tokunaga is the best person in terms of both experience and ability to lead Hitachi's global growth with digital capabilities as the President & CEO.

Towards the transition on April 1st next year, the Board of Directors will work in collaboration with Mr. Kojima, Mr. Tokunaga, and the management team to achieve a smooth transition of leadership.

We ask for your continued support. Thank you.

2. Keiji Kojima, President & CEO

This is Kojima. Thank you very much for attending today, despite the short notice.

As Mr. Ihara explained earlier, I will pass the torch of President & CEO of Hitachi to Mr. Tokunaga on April 1st next year.

First of all, I would like to express my gratitude to all stakeholders.

Mr. Nakanishi, who established the concept of "Social Innovation Business," unfortunately fell ill in 2021, and I took office as President.

Since then, I have always had constructive and serious discussions with investors, which have provided crucial insights into our management strategy and have supported our management reform efforts.

I have also worked together with our customers and partner companies to solve management and social issues, and the directors of Hitachi have always provided support for management based on their diverse knowledge.

I would also like to express my deep gratitude to the members of the management team who have supported me and all the Hitachi Group employees around the world.

In the Mid-term Management Plan 2024, I have been doing my best to improve the company's value by demonstrating organic growth based on the achievements of Hitachi's structural reform.

In these three years, we have achieved annual revenue growth exceeding the target of 10% and are expected to exceed 1 trillion yen in Adjusted EBITA this fiscal year.

In addition, as a top priority, we have focused on cash-oriented management, and the core free cash flows is expected to grow by more than 50% from the Mid-term Management Plan 2021, expanding to about 1.5 trillion yen. As a result, we have been able to strengthen shareholder returns, and the cumulative amount of dividends and share buybacks over the past three years is expected to exceed 1 trillion yen, more than three times that of the Mid-term Management Plan 2021.

We have also focused on sustainable management to support business growth, and we have made progress beyond the Mid-term targets in contributing to our customers' decarbonization, reducing CO₂ emissions in Hitachi's business activities, and employee engagement scores.

These efforts and their results have been recognized by the capital market, and our market capitalization has tripled in the past three years.

I feel confident that I have walked the talk with the goal of “demonstrating organic growth and increasing corporate value” that I set when I became CEO.

As I mentioned at the Investor Day in June, Hitachi's transformation journey is never-ending.

From now on, it is important to continue the transformation to become a more digital-centric company.

As Mr. Ihara mentioned earlier, with the prospect of achieving the Mid-term Management Plan 2024 now in sight, Mr. Tokunaga was appointed at the meeting of the Board of Directors as a leader who will take Hitachi to the next stage.

The CEO of Hitachi is responsible for the entire process, from planning to formulation and implementation of the Mid-term Management Plan and is evaluated based on whether or not the plan is achieved.

Mr. Tokunaga, who will be the new CEO, has been a core member in formulating and executing the Mid-term Management Plan 2024, and I have full confidence in him.

He has made significant contributions to Hitachi's growth by overseeing the digital business and leading global expansion, as well as seizing growth opportunities through generative AI and achieving collaborations with global leaders such as NVIDIA and Microsoft.

Mr. Tokunaga will take full responsibility for formulating and executing the next Mid-term Management Plan and lead Hitachi to the next stage of growth as the President & CEO. I have high expectations for him.

I will continue to accelerate Hitachi's growth as President & CEO until the transition on April 1st next year. In addition, I will work together with Mr. Tokunaga, the Board of Directors and the management team to ensure a smooth transition as Vice Chairman until the next Annual General Meeting of Shareholders.

I have not yet decided what I will do next, but I would like to contribute to increasing the corporate value of Japanese companies by making use of the strengths I have gained at Hitachi, such as my understanding of cutting-edge technology through my time as a researcher, and my understanding of the capital markets as a CEO.

Lastly, I believe that the Social Innovation Business concept is undoubtedly what is driving Hitachi's growth today. I would like to once again express my deepest respect to the late Mr. Nakanishi, who introduced this concept. I shall conclude my speech with these words.

3. Toshiaki Tokunaga, the next President & CEO (currently Executive Vice President)

I am Tokunaga, and I have been appointed as President & CEO, effective April 1st next year. Thank you for attending today.

I am truly grateful for the trust of the Board of Directors who appointed me as the new President & CEO, and at the same time, I am acutely aware of the gravity of this responsibility and feel its weight keenly upon my shoulders.

Together with the 280,000 Hitachi Group employees who are working hard around the world, we aim to deliver new value to society and achieve sustainable growth as a company.

I have been fortunate to work under two great leaders.

Chairman Higashihara established a solid management foundation for Hitachi's management through bold portfolio reform. President Kojima led the mode change to organic growth and achieved a significant improvement in corporate value.

Since the management crisis of 2009, the torch of management has been passed from Mr. Kawamura to Mr. Nakanishi and then to the two of them. I would like to firmly accept the torch and achieve sustainable growth for the Hitachi Group.

As Mr. Kojima mentioned earlier, I was born in Hitachi City, Ibaraki Prefecture, the birthplace of the Hitachi Group, and joined the company in 1990.

I started my career as a system engineer for domestic financial institutions and have continued to build my career around IT and digital.

Since 2014, I have been working on the creation of Social Innovation Businesses that combine IT, OT and products in the energy and railway sectors, and have had the opportunity to understand Hitachi's wide range of business portfolios.

In addition, since 2017, as the head of the home appliances and air conditioning business, I have been promoting transformation through the utilization of digital technology and the renewal of the business structure.

Furthermore, from 2019, I focused on expanding Hitachi's global Lumada business in Silicon Valley in the United States. The acquisition of GlobalLogic was particularly memorable. Taking on an M&A of a scale that I had never experienced before, approximately 1 trillion yen, instilled in me my determination as a businessperson.

And since 2021, as the head of Hitachi's digital business, I have been working on solving customer and social issues through the combination of the power of digital and Hitachi Group's capabilities under the concept of "One Hitachi."

Hitachi's Lumada business has been accelerating its growth globally since the acquisition of GlobalLogic in 2021.

The Lumada business is expected to account for 30% of the company's total sales revenue by the end of fiscal year 2024, and in the medium to long term, we aim for it to account for more than half of Hitachi's total sales revenue.

In addition, we have launched the company-wide AI transformation project to leverage the rapidly evolving generative AI for Hitachi's growth.

Starting with the establishment of the Generative AI Center, we have taken various measures, such as collaborations with tech giants including NVIDIA, Microsoft, Google, and Amazon Web Services.

In the upcoming next Mid-term Management Plan of which I am currently leading the formulation, we will accelerate our progress towards becoming a "True One Hitachi" with digital at its core and aim to be the global leader in Social Innovation Business.

Specifically, we will achieve sustainable growth for the Hitachi Group by further evolving Lumada, strengthening our exploration efforts to identify growth opportunities in each global region, and accelerating our efforts to create new businesses under the One Hitachi initiative.

I will continue to strive to enhance corporate value by firmly inheriting the tireless portfolio reform implemented by Mr. Higashihara and the cash flow and capital efficiency-focused management promoted by Mr. Kojima.

In addition, I am keenly aware that the capital markets' evaluation of the Hitachi Group has changed significantly in recent years, and while emphasizing financial discipline and pursuing transparent management, I would like to engage in in-depth dialogue with the capital markets and various other stakeholders.

Furthermore, to achieve sustainable growth and enhance corporate value for the Hitachi Group, we believe it is essential to continuously transform our mindset and work practices by swiftly identifying and adapting to changes in the economy and society.

In other words, I believe it is imperative that we stay ahead of global changes and continuously update the 'operating systems' of each individual shaping the Hitachi Group. I am ready to take the helm in driving change.

On the other hand, in a rapidly changing world, we believe that Hitachi's unwavering commitment to "Contributing to Society through Technology," passed down from company founder Namihei Odaira for over 110 years, is becoming even more important.

In order to continue to embody this sense of purpose into the future, Hitachi Group will confront the increasingly complex social and management issues head-on and will focus on innovation and technology to drive growth.

Together with the Board of Directors, the management team, and Hitachi Group employees around the world, we will work to become a global leader in the Social Innovation Business through "True One Hitachi," with digital at its core. Thank you very much.

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