

## Mid-term Management Plan 2024 | Mode Change for Growth

With a corporate philosophy focused on “contributing to society through the development of superior, original technology and products,” Hitachi aims to evolve even further through the provision of competitive products and services that provide customers with even higher value. Our basic management policy is to enhance shareholder value through strengthened competitiveness, achieve growth in global markets and meet the expectations of our stakeholders, including customers, shareholders and employees, by maximizing the use of various management resources within the Hitachi Group, as well as reviewing and reorganizing businesses.

### 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 Plan aims to realize global growth. Under this 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.

#### Digital

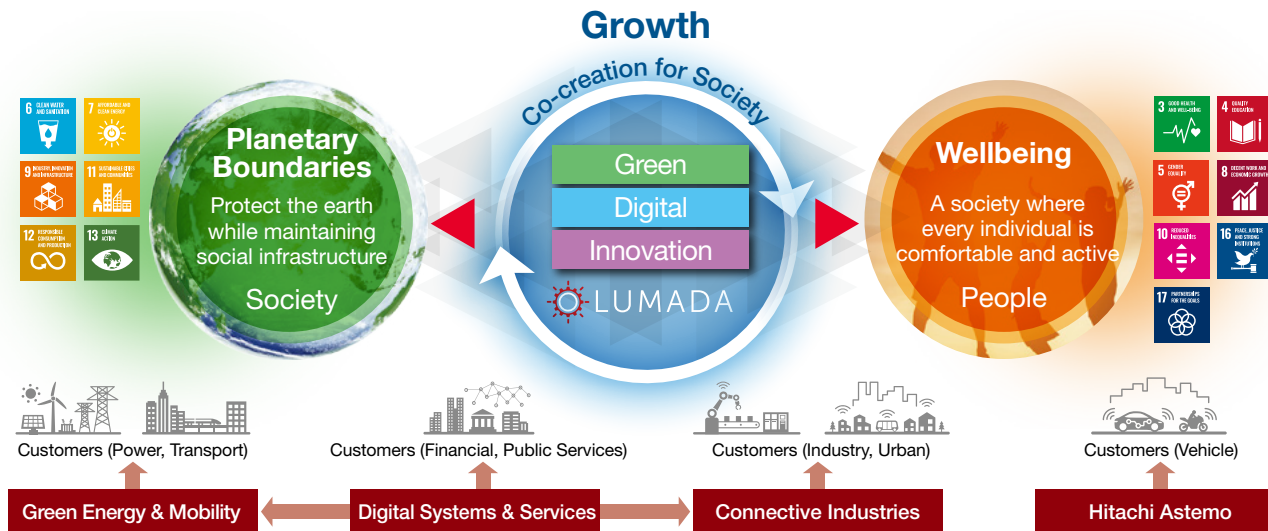
With an understanding of management issues faced by customers, Hitachi will contribute to the enhancement of customer business value through a cycle of co-creation with customers, which involves designing, implementing, managing and maintaining solutions, while working to resolve subsequent issues.

We will expand earnings and achieve global growth by leveraging digital technologies to drive the value co-creation cycle.

#### Green

Hitachi will lead global GX (Green Transformation) by switching to renewable energy, electrification, energy conservation and automation, and contribute to the realization of a sustainable society. We will proactively invest in the green field to contribute to an annual reduction in CO<sub>2</sub> emissions of approximately 100 million metric tons by fiscal 2024. Additionally, we will promote decarbonization in order to realize Hitachi Environmental Innovation 2050, which aims to achieve carbon neutrality throughout the value chain by fiscal 2050. Leveraging knowledge gained through this process and providing environmental value tailored to each business domain and region, we aim to realize both a sustainable society and growth of the Hitachi Group.

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



#### Innovation

Focusing on its vision for the world in 2050, Hitachi will identify areas where R&D is required while striving to create innovative technologies and products contributing to the resolution of social issues. At the same time, we will increase the speed of innovation by further accelerating collaborations with promising startups, government and academia.

In April 2022, Hitachi simplified its structure, grouping together businesses with similar characteristics organized into three sectors: Digital Systems & Services (DSS), Green Energy & Mobility (GEM) and Connective Industries (CI) to streamline and speed up its management function. With the addition of the Automotive Systems Business (Hitachi Astemo), we will execute these three growth strategies and provide value to customers.

## Performance Targets

Revenue growth	Adjusted EBITA Margin*1	EPS*2 growth	Core FCF*3 (3-year cumulative)	ROIC
<b>5%–7%</b> FY2021–FY2024 CAGR	<b>12%</b>	<b>10%–14%</b> FY2021–FY2024 CAGR	<b>1.4 trillion yen</b> Of which about half is returned to shareholders	<b>10%</b>

\*1 Adjusted EBITA = Adjusted operating income – acquisition-related amortization + equity in earnings (losses) of affiliates  
\*2 Includes share buybacks. \*3 Core FCF: Cash flows from operating activities – CAPEX

Under the Mid-term Management Plan 2024, in addition to top-line and bottom-line growth, we will focus on generating cash to be used for growth and shareholder returns. In terms of management indicators, we have introduced new indicators comprising adjusted EBITA, which indicates primary business profitability; EPS, which indicates growth potential; and core FCF, which indicates the ability to organically generate cash. We will increase shareholder value by allocating approximately half of the core free cash flows generated to shareholder returns.

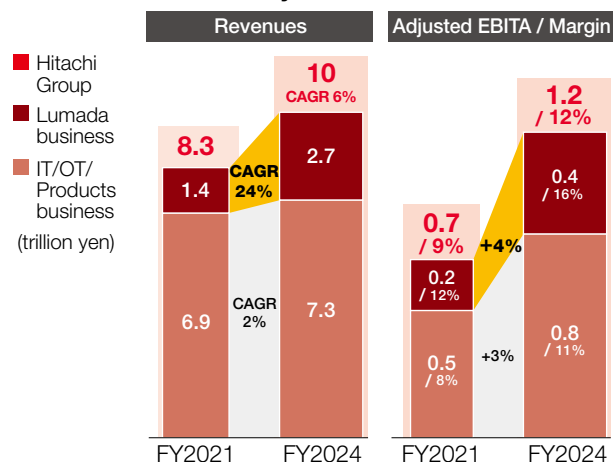
## Business Portfolio Enhancements

Groupwide growth will be driven by increased revenue and profit from the Lumada business. During the Mid-term Management Plan 2024, we will double Lumada business revenue and increase adjusted EBITA to one-third of the whole. At the same time, with regard to business other than Lumada, we will maintain stable growth in the IT, OT and product businesses while working to further enhance profitability. To achieve growth through Lumada business expansion, we will accelerate digital transformations, expanding Lumada digital technologies to existing businesses. We will also utilize large-scale assets acquired through M&A in an effort to increase the service recurring ratio.

For example, Hitachi Energy can achieve maintenance advances and develop energy digital solutions in various fields such as control by leveraging GlobalLogic and Lumada. Similarly, in the Railway Systems Business Unit, we will further accelerate digital transformations through M&A and transform our business model by incorporating Thales' railway signal-related business, scheduled for acquisition during fiscal 2022, and expanding the MaaS business. In addition to the transition to a highly profitable business model, we will continue to implement structural reforms aimed at achieving adjusted EBITA margins above 10% and ROIC of 10% or higher across all businesses.

For details on the growth strategies of other business divisions, refer to the section starting on page 51.

### Hitachi Growth driven by the Lumada Business



### Mid-term Management Plan 2024 Performance Targets by Sector

