Hitachi Energy Investor Days 2023

CFO Perspective – a high value creating business driven by market leading growth and strong performance

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Hitachi Energy
Historically flat T&D market now seeing rapid acceleration driven by energy transition

Hitachi Energy market\(^1\) outlook

**Key drivers**

- Electrification and demand growth
- Renewables transition
- Macro & regulatory environment
- Aging infrastructure

**Outlook**

- 6-9% p.a.
- FY21-30

**Market actuals**

- C-19 dip

1 Market in BUSD
Actions in place to address the market dynamics and capture opportunities

**Tailwinds**
- Government and societal commitment
- Growth in renewables & electrification
- Power Grids investments
- Affordable & secure energy

**Macro conditions**
- Volatile economies
- Inflation and high interest rates
- Geopolitical conflicts and trade impact
- Government policy and regulation

**Headwinds**
- Volatility and longer lead time in commodities
- Logistics and supply chain challenges

Capturing strong growth in addressable market
- Adapted Go-To-Market model
- Efforts on digital-driven services
- Capacity expansion plan

Ensuring sustained healthy margins
- Value-based pricing
- Price corridors
- Adjusted tender validity
- Future-based costing
- Transformed and de-risked business model
Positive development driven by market and proactive actions

**Orders, BUSD**
- ~30% p.a.
- 15-20%
- 12 to 17

**Order backlog, BUSD**
- ~40% p.a.
- 35-40%
- 14 to 20

**Revenue, BUSD**
- ~15% p.a.
- 15-18%
- 10 to 10

**Adj. EBITA %, Standalone**
- ~40% p.a.
- 6.1% to 7.1%

**ROIC² %, Standalone**
- +5.0 p.p.
- 10% to 12%

**Significant revenue growth**, driven by market tailwinds and growing order backlog

**Improved margins & ROIC²** driven by volume growth, operational excellence, leverage and capital efficiency

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1. Excluding related cost and Hitachi internal fees
2. Return on Invested Capital
3. Adjusted EBITA CAGR
4. On a comparable basis, equivalent to 8.2%, as reported in Hitachi’s Web Conference on Q2 FY 2023 Earnings
Growing backlog with higher margin securing continued revenue and profitability growth

De-risking of business model
Enhanced Terms & Conditions (T&C)
Improved order backlog gross margin

Order backlog (OBL) conversion to revenue, BUSD

Improved OBL GM\(^1\)

FA & CRA\(^2\)
- Short/Medium-term
- Long-term

FA & CRA\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>OBL visibility</th>
<th>Products</th>
<th>Systems</th>
<th>Software &amp; Automation</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY21</td>
<td>1x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY23</td>
<td>2x</td>
<td></td>
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Illustrative, as of Sep 2023

Increased OBL volume 2x

Improved visibility from 3 years to 5+ years

1 Gross margin
2 Framework Agreement (Long-Term) and Capacity Reservation Agreement
We continue to drive profitable and sustainable growth

**Hitachi Energy 2030**

Purpose-driven strategic growth plan

<table>
<thead>
<tr>
<th>Transition</th>
<th>Strengthen &amp; Expand</th>
<th>Accelerate</th>
<th>Sustainable growth</th>
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<tbody>
<tr>
<td>2021</td>
<td>2024</td>
<td>2027</td>
<td>2030</td>
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**Digital transformation**
- Operational efficiency: new global ERP, global HR platform, Salesforce enhancement
- Further advance the digital transformation, e.g., real-time visibility in demand/supply

**Capacity expansion**
- 3 BUSD investment since 2020
- Increased workforce by 8,000 people
- Further invest in manufacturing capacity and supply chain; scale workforce and build capabilities

**Business & operating model**
- Strategic partnerships, new collaboration models, e.g., FA & CRA
- Further capitalize on clean energy-cycle dynamics in key geographies, expand role as full life cycle service partner

**Synergies**
- ERP harmonization, joint purchasing, global account management
- Leverage digital and technological capabilities of Hitachi and Hitachi Energy

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1 Framework Agreements (Long-Term) and Capacity Reservation Agreements
We have streamlined the business and we are well positioned for growth.

**Improved performance and resilience**
- Increasing size and quality of backlog
- Sustained demand across business and regions
- Proactively leverage tailwinds and mitigate headwinds

**Enablers**
- Operational excellence across the value chain
- Productivity and working capital enhancement
- Digital and IT transformation

**Investing for growth**
- Expand capacity and workforce to meet growing demand
- Digital & Service opportunities
- Innovation and R&D investment

**Business model, collaboration & innovation**
- Partnerships ecosystem
- Innovating with collaborative business models
- Selectivity in line with Strategic Plan

**Building synergies**
- Energy + Digital value creation synergies
- Global footprint, e.g., account management
- IT, ERP harmonization
Driving improved performance and resilience

01 Improved performance and resilience

**Example: Transformers**
Action taken across various levers, e.g., global footprint, vertical integration, operational excellence, value-based pricing

02 Enablers

**Example: across the portfolio**
Operational excellence, supply-chain savings, productivity, digital core
Investing for growth – Global footprint, manufacturing and engineering

03 Investing for growth

**Manufacturing**

- **New factory:** Chongqing, China
- **Expansion:** Dosquebradas, Colombia
- **New factory:** Bac Ninh, Vietnam
- **Expansion:** Bland and Jefferson City in the US
- **New factory:** Bangalore, India
- **New valve and C&P factory:** Chennai, India

**Engineering**

- 2,500+ technologists across business and functions in one campus
- Extensive capabilities from hardware to software, from HVDC to microgrids
- Over 1,000 engineering projects across 40+ countries executed every year
We are introducing new collaboration models and building synergies

04 Business model, collaboration & innovation
Example: TenneT Framework Agreement
First multi-project framework agreement and capacity reservation, enabling joint planning and modularization

05 Building synergies
Example: Digital & IT synergies
ERP harmonization, Workday
Digital and IT transformation as enablers for growth and synergies

**Enablers**

- **S4/HANA**
  - Deploying a new global ERP
- **Workday**
  - Adopting a common HR platform
- **Other initiatives**
  - IT build-up, application rationalization

**Investing for growth**

**Building synergies**

**Digitalization initiatives overview**

**Related cost**

1 Represents the majority of related cost, reported in Hitachi’s Web Conference on Earnings, since July 2020

2 Percentage of Completion

PoC

<table>
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<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
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<td>~90%</td>
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Significant topline growth with improved margins

*Adj. EBITA %, Standalone¹, illustrative*

- Drivers of profitable growth
  - Volume growth, supported by backlog execution
  - Gross margin accretion, supported by backlog margin and improved risk profile
  - Operational excellence
  - Sales investments (volume leverage)
  - G&A productivity enabled by digital transformation
  - R&D growth initiatives (innovation)

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¹ Excluding related cost and Hitachi internal fees
Sustaining industry leadership in performance
Continue to grow above market and sustain margins, at upper end of range 2024+

1 Excluding related cost and Hitachi internal fees
2 Return on Invested Capital
High value creating business driven by growth and capital returns

Key takeaways

01. Energy transition driving accelerated investments, enabling long-term profitable and sustainable growth opportunities

02. Active investments and portfolio management, continue shaping business model to capture market opportunities in line with Hitachi Energy 2030 plan

03. Upgraded growth ambition to 12-15% (FY21-24 revenue CAGR) and sustained growth beyond 2024

04. Accelerated Service & Digital growth to support margin accretion, leveraging Hitachi Digital capabilities and synergies

05. Profitability at upper end of margin corridor 8-12%

06. ROIC 15%+ from improved profitability & capital efficiency