Hitachi Investor Day 2021

Energy Sector

June 8, 2021

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Hitachi, Ltd.

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CEO of Power Grids Business Unit
Hitachi, Ltd.
Key Messages Today

1. Changes in the Energy Markets and Business Opportunities


Energy Sector

Contents
1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary
2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary
3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
1-1. Energy Sector Overview

1. Position of Energy Sector

<table>
<thead>
<tr>
<th>Energy</th>
<th>Nuclear Energy BU</th>
<th>Power Grids BU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear Plant Construction</td>
<td>Hitachi GE Nuclear Energy</td>
<td>Hitachi Power Grids Transmission &amp; Distribution Systems Division</td>
</tr>
<tr>
<td>Power Semiconductor Device</td>
<td>Renewable Energy Solutions</td>
<td>Power Generation Systems Division</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Energy BU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi ABB Power Grids</td>
<td></td>
</tr>
<tr>
<td>Transmission &amp; Distribution Systems Division</td>
<td></td>
</tr>
<tr>
<td>Power Generation Systems Division</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Building Systems BU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway Systems BU</td>
<td></td>
</tr>
</tbody>
</table>

| Smart Life |
| Hitachi High-Tech |
| Hitachi Global Life Solutions |

| Automotive Systems Business |
| Hitachi Astemo |

| Services & Platforms BU |
| Product Business |

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1-1. Energy Sector Overview

2. Business Structure

Revenues of the Energy Sector as a Percentage of Hitachi as a whole

- Listed subsidiaries
- Smart Life (Incl. Automotive Systems Business)
- Mobility
- Industry
- IT
- Others

FY2020 Consolidated Revenues
8,729.1 billion yen

Energy 12%

Revenues by Business within Energy Sector*1

- Power Grids BU 68%
  759.5 billion yen
- Nuclear Energy BU 15%
  169.3 billion yen
- Energy BU 17%
  187.6 billion yen

*1 Figures for each business unit have been retroactively adjusted to reflect the impact of the reorganization in FY2021.
*2 Figures include control systems included in the IT sector

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### 1-1. Energy Sector Overview

#### 3. Business Overview and Major Orders Received and Delivered in FY2020

<table>
<thead>
<tr>
<th>Power Grids Business</th>
<th>Energy Business</th>
<th>Nuclear Energy Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Grid Automation</td>
<td>● Energy Solution Services</td>
<td>● New Plant</td>
</tr>
<tr>
<td>Automation products, SCADA systems, Services, Enterprise software</td>
<td>HVDC, FACTS &amp; Power quality systems, Power semiconductor</td>
<td>Restart, Preventive Maintenance, Decommissioning</td>
</tr>
<tr>
<td>● High Voltage</td>
<td>● Grid Integration</td>
<td>Restart (Response to the New Regulatory Requirements), preventive maintenance, revitalization of Fukushima, decommissioning and radioactive waste processing</td>
</tr>
<tr>
<td>High voltage switchgear components (GIS, AIS), GCB, maintenance services</td>
<td>High Voltage switchgear components</td>
<td>● Power Semiconductor</td>
</tr>
<tr>
<td>● Transformer</td>
<td>● Transformer</td>
<td>Power converters, power distribution converters, maintenance service</td>
</tr>
<tr>
<td>Power converters, power distribution converters, maintenance service</td>
<td>● Green (Renewable Energy)</td>
<td>● Fuel Cycle</td>
</tr>
<tr>
<td></td>
<td>Renewable energy solutions, power generation systems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Power Semiconductor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

#### Chubu Electric Power Grid Co., Inc.
- Hida Converter Station starts operation (Support for regional interconnection in Japan and stable electricity supply)
- Grid-eMotion™ Fleet Deployment (Support for clean urbanization)

#### Grid Automation
- Start of demonstration of the world’s first hybrid phase control system for the UK (Utilization of renewable energy and support for grid stabilization)

#### Grid Integration
- VSC-HVDC order received for Dogger Bank Offshore Wind Farm (Promoting the introduction of renewable energy in UK)

#### Transformer
- Order received for Nomai-no-sato Wind Power Plant (Contributing to the expansion of renewable energy in Japan)

#### Energy Solution Services
- Commercialization of SiC devices such as TED-MOS (Contribution to decarbonization through higher efficiency and energy saving)

#### Nuclear Energy Business
- Completion of dry-up work at Fukushima Daiichi Units 1 to 4 (Support for Fukushima Decommissioning and Revitalization)
- Dry cask order received for Onagawa and Fukushima Daiichi Unit 5 (Radioactive waste processing)
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
1-2. Vision and Growth Strategy

1. Expanding Energy-Related Markets and Business Opportunities

Energy-Related Market

[Global] Recovery from COVID-19
- Changes in industrial structure (digitalization) due to economic stagnation and declining capital investment
- Promotion of economic recovery policies in conjunction with green policies
- New normal and change to SDGs management

[Global] Climate Change and Decarbonization
- Return of the United States to the Paris Agreement and strengthening efforts in each country toward COP 26
- Strengthening resilience and risk management
- Promotion of Net Zero Innovation

[Japan] Climate Change and Decarbonization
- 2050 Carbon Neutral Declaration and review of 2030 greenhouse gas emission reduction target
- Review of energy and environmental policies (Revision of Act on Promotion of Global Warming Countermeasures and Basic Energy Plan)
- Large-scale Introduction of renewable energy and creation of a next-generation electric power network

Energy Sector’s Business Opportunities

- Creation of a next-generation electric power network to support renewable energy
- Advanced operation of energy networks utilizing digital technology
- Asset management solutions realizing the enhancement of resilience
- Next-generation energy management solutions
- Promotion of green business (Expansion of renewable energy and power semiconductors and creation of hydrogen business)
- Energy system utilizing digital technology
- Support for restarting domestic nuclear power plants as a CO₂-free and stable power source (Safe plants)
- Development of innovative small modular reactors
Enhancing Our value as a global leader in the field of energy in a sustainable society

Improve Quality of Life
Add value for customers

Social value
Environmental value
Economic value

Solving customer energy-related issues by providing three types of value

Environment
Contribute to the realization of a decarbonized society

Resilience
Supporting the stable supply of energy

Security & Safety
Providing light to areas without electricity and areas with frequent power outages

Provide OT x IT x Products as a Package

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1-2. Vision and Growth Strategy
3. Growth Strategy (Business Strategy)

Achieve further revenues growth by exceeding the market growth rate in the Power Grid and Digital Services Business

Global No.1 T&D business

T&D business share*

1st place  Hitachi  12%
2nd place  Overseas Company A  8%
3rd place  Overseas Company B  5%
4th place  Overseas Company C  3%

Product share*

- Grid Automation  1st place
- Grid Integration (HVDC, etc.)  1st place
- High Voltage (GIS, etc.)  1st place
- Transformer  1st place

Integration of power grid technology and digital technology

- Fusion with Lumada
  - Digital assets of Hitachi ABB Power Grids implemented in Lumada
  - Smart digital substation using Lumada
- Collaboration with GlobalLogic Inc.

Shift to service and solution-oriented businesses

- Service business expansion through digital utilization
  - Working together in the digital enterprise
  - Strategic sharing and consideration of common front structure
- Expansion of service solution business
  - Strengthen energy management service business

Business portfolio transformation

Strengthen digital services in the power grid business

Expansion of energy business services

5% growth outpacing the target market growth rate (+ 2 ~ 3% (CAGR ~ 2025))

* Based on 2020 orders (Investigated by Hitachi ABB Power Grids)
Accelerate growth in target markets and focused regions by creating digital synergy

- **Europe**: Eco-friendly grid
  - EV + EV Stations
  - Hybrid train

- **China**: Energy portfolio transformation
  - From coal to renewable energy
  - Eco-friendly grid (Expansion of EV and Zero waste energy)

- **North America**: Progress of Digitalization
  - High value-added digital solutions
  - Energy blockchain
  - Resilience • Cybersecurity

- **Middle East**: De-oiling & Gas
  - Uptake of renewable energy
  - Smart urban infrastructure

- **Japan**: Decarbonization, grid transformation and resilience enhancement
  - Grid stabilization and regional interconnection, utilization of digital solutions
  - Expansion of green business (Support decarbonization, energy management)
  - Expansion of renewable energy

- **India**: High economic growth
  - National grid development + Digitalization
  - Energy management for industrial conglomerates

**Target Market Growth** (CAGR 2017 - 2025)*

- **Microgrid**: ~ 15%
- **EV charging system**: 8% or more
- **Data center**: 6% or more
- **HVDC**: ~ 6%
- **Railway**: ~ 5%

* Investigated by Hitachi ABB Power Grids
1-2. Vision and Growth Strategy

5. Operational synergies benefitting Hitachi and Hitachi ABB Power Grids

Common ERP

- Harmonized business processes
- Simplified enterprise IT backbone with digital at the core
- Globally aligned with business needs

Global Shared Services

- Consolidated country service teams in 5 hubs
- Standardized HR, IT, SCM, Finance processes
- Global engineering and service centers (eg. India >2,000 employees)

Group wide CRM

- >10K users connecting Sales to Sales Ops.
- Enable cross-selling, collaboration & strengthened customer relationships
- Improved sales planning & forecast accuracy

Leveraging Hitachi ABB Power Grids capabilities to enable agility, scale, reach and customer intimacy across Hitachi
Achievement of carbon neutrality in FY2030 through reform of the in-house energy portfolio

1. CO₂ emission reduction plan for in-house production activities

<table>
<thead>
<tr>
<th></th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2024</th>
<th>FY2027</th>
<th>FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition in CO₂ emissions from the Energy Sector (t-CO₂)</td>
<td>300,000</td>
<td>250,000</td>
<td>200,000</td>
<td>150,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

2. Reforming the Energy Portfolio at Business Sites

**Energy saving**
- (1) Advancement of energy saving activities through introduction of EMS
- (2) Replacement of electrical and mechanical equipment with high-efficiency equipment
- (3) Construction of a microgrid system (with perspective of using hydrogen fuel) with neighboring sites (Omika and Katsuta)

**Energy creation**
- (1) Introduction of solar power generation facilities (Unused area in the sites)
- (2) Transportation from off-site renewable energy power generation facilities (PPA, VPP)

**Non-fossil power generation**
- (1) Switching to non-fossil power sources
- (2) Electrification and hydrogenation of heat sources

**Offset**
- (1) Differences due to heat source fuel, peak power, etc. are offset by certificate credit

3. Contributing to decarbonization through collaboration with green businesses

- Establishing a Next-Generation Microgrid in the Hitachi Works that interconnects power, heat, environmental value, and information
- Total optimization through the transition from a one-way power supply model to two-way interchange of energy
- Create an in-house model platform and expand its sales (Leading the world with advanced technology)
- Demonstration of EFaaS business and consideration of showcasing (Develop highly effective solutions for decarbonization)
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
1-3. Summary
1. Financial Performance & Progress of 2021 Mid-term Management Plan

Adjusted operating income ratio

Revenues

Overseas revenue ratio

EBIT ratio

EBITDA ratio

ROIC(Return on Invested Capital)

Figures include control systems included in the IT sector. Figures of FY2020 have been retroactively adjusted to reflect the impact of the reorganization in FY2021. The upper rows of EBIT ratio, EBITDA ratio, and ROIC exclude related expenses (Restructuring, PPA amortization, etc.); the lower rows include them.

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2. FY 2021 Forecast and FY 2022 Targets

**FY2021 (Forecast)**
- Revenues: 1.33 trillion yen
- Adjusted Operating Income Ratio: 2.8%

- Increase in revenues due to the establishment of Hitachi ABB Power Grids
- Hitachi ABB Power Grids revenues increase, Increase in profit due to completion of measures for some Energy BU projects

**FY2022 (Target)**
- Revenues: 1.33 trillion yen
- Adjusted Operating Income Ratio: 4.0%

- Although Power Grids BU expands, revenues are flat due to portfolio restructuring of Energy BU business
- Increase in revenues in the power grid business due to a decrease in the impact of COVID-19, Increase in profit due to expansion of service business and improvement of operations

Figures include control systems included in the IT sector.
Powering Good for Sustainable Energy

Achieving a Decarbonized Society, Supporting Stable Energy Supply, and Contributing to Improving Quality of Life
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
1. Hitachi ABB Power Grids: Powering Good for Sustainable Energy

Global Technology and Market Leader with a combined pioneering innovation heritage of 2.5 centuries

Bringing together the world’s leading energy and digital platforms

Powering good for a sustainable energy future, with pioneering and digital technologies, as the partner of choice for enabling a stronger, smarter and greener grid.
2-1. Overview of Operations

2. Hitachi ABB Power Grids: Overview

**Well positioned ...**

- US$10 Bn Business Volume
- ~36,000 employees
- ~90 countries, 115 factories: 200 offices
- World’s largest installed base

**in attractive markets ...**

<table>
<thead>
<tr>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>~100 BUSD</td>
<td>CAGR ~3%*</td>
</tr>
</tbody>
</table>

**Transformation underway...**

- **Becoming a growth engine**
  - World-class front-end performance

- **Sharpening our winning portfolio & business models**
  - Service penetration & digitalization

- **Driving world-class execution**
  - Industry leading performance, cost efficiency & quality

**3 pillars**

- **2 Foundations**
  - Innovation
  - People

**2017**

<table>
<thead>
<tr>
<th>Service</th>
<th>Digital</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Consultancy, Service, Software)</td>
<td>(Digitalized products &amp; systems)</td>
<td>(Conventional products &amp; systems)</td>
</tr>
</tbody>
</table>

**Evolution to 2025**

- CAGR ~3%*
- ~100 B

**Innovation**

- EV Charging >8%
- Rail ~5%
- Data Centers >6%
- Software & Automation ~5%
- HVDC ~6%
- Power Quality ~5%
- Microgrids ~15%
- CAGR 2017-2025*  

**People**

- Strengthen #1 position & grow faster than the market

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* Investigated by Hitachi ABB Power Grids
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
Avoiding new emissions is not enough. If nothing is done about emissions from existing infrastructure, climate goals are surely out of reach. If today’s energy infrastructure continues to operate as it has in the past, it would lock in by itself a temperature rise of 1.65 °C.

IEA World Energy Outlook 2020

Global investments

$2.2 trillion expected investment in the power sector until 2030\(^1\)

1/3 of this to expand, modernize and digitalize electricity networks\(^1\)

Global grid investments in 2030 increasing from $255 billion to $800bn\(^1\)

Number of grid-connected devices reach 30-40bn by 2025\(^2\) (2X)

Increasing number of geographies committed to net zero by 2050

$100bn power infrastructure investment proposed\(^3\)

Emission peak by 2030 - carbon neutrality by 2060

€58bn a year investment in power grids (2021-30)\(^4\)

450 GW of renewables by 2030

40GW offshore wind ambition by 2030

Up to 45GW offshore wind ambition by 2040

Source: Country announcements

\(^1\) Source: IEA World Energy Outlook 2020
\(^2\) Source: IEA Power Systems in Transition
\(^3\) Source: THE WHITE HOUSE FACT SHEET announced March 31, 2021
\(^4\) Investment needed to achieve 2030 climate ambitions (compared to 24bn 2011-20). After 2030 annual investments need go up to >€80bn: by a factor of 4.
Growth opportunities with the combination of Hitachi ABB Power Grids energy platform & Lumada

- **Renewable integration**
- **Energy efficiency**
- **Eco-efficient portfolio**

Enabling carbon-neutral energy systems through large scale renewable integration, highly efficient end-to-end electrification and eco-efficient products.

- **Real-time network management**
  - for flexible protection & control

Ensuring safe & secure mission-critical infrastructure with a combination of flexible cyber and physical technology concepts.

- **Cybersecurity Services**
- **Physical security**
- **Flexible network control centers**

Enabling Power Systems to actively minimize consequences of unexpected failures whose likelihood cannot be estimated from historical data.

- **Combination of Digital** (Lumada based solutions) + Power Electronics (HVDC, FACTS etc.)
# Energy Sector

## Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
Environmental benefits from HVDC Light® connectors

Constantly innovating to reduce power losses, the carbon footprint has been reduced by two thirds in the latest generation HVDC Light® saving millions of tons of CO₂ emissions over lifetime.

Offshore wind HVDC connection Dogger Bank (UK)

- 3 x 1200 MW, 320 kV DC connection
- 190 km from shore

- Capable of meeting ~5% of the UK electricity demand with clean fossil-free electricity*¹
- Can reduce 200t of CO₂ emission per GWh*²
- Most compact and low losses
- Innovative partnership business model focusing on core competencies and creating competitive advantage for customer

*¹ Source: SSE, Equinor, Dogger Bank websites
*² Source: Hitachi ABB Power Grids Lifecycle assessment

2-3. Growth Opportunities
1. Shaping a Sustainable Energy Future: HVDC for Offshore Wind

Technology and collaborative business models supporting SDG 7
Towards a carbon-neutral future creating value for our customers

• EconiQ™ portfolio: superior environmental performance compared to conventional solution

The alternative gas mixture for high-voltage switchgear is the first big step in the EconiQ™ portfolio

• EconiQ™ SF₆ free solutions create significant customer value

Cost of the Ownership: SF₆ 420 kV GIS*

Equipment 51%

Emissions due to leakage 49%

*based on 45 years of utilization, 0.5% leakage p.a., commissioning and EoL losses, $100 / tCC

Eco-efficient portfolio for sustainability designed to reduce environmental impact

Towards a carbon-neutral energy future

BENEFITS

- Collaborating with our customers & partners to reduce carbon footprint
- Work towards a standard solution for the industry
- Future-proof investments
- Enable more efficient use of energy and resources

Technology and collaborative business models supporting SDG 7

2-3. Growth Opportunities
2. Shaping a Sustainable Energy Future: Introducing EconiQ™
2-3. Growth Opportunities
3. Uniquely positioned: combining energy and digital platforms

Hitachi ABB Power Grids’ Digital Enterprise joins Lumada ecosystem

ASSET PERFORMANCE MANAGEMENT
ENTERPRISE ASSET MANAGEMENT
WORKFORCE MANAGEMENT

LUMADA APM  LUMADA EAM  LUMADA FSM

Smart Digital Substation

Proven substation hardware + data-driven asset management + connected domain expertise and support

Exploring synergies to accelerate value creation with GlobalLogic

Joining forces to deliver advanced digital solutions and services for turning data into actionable insights

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4. Grid resilience is increasingly in focus

Examples of some recent large-scale power outages

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Impact Description</th>
<th>Restoration Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 4, 2019</td>
<td>Java-Bali, Indonesia</td>
<td>Loss of demand 100% (blackout)</td>
<td>~12 hours</td>
</tr>
<tr>
<td>Aug 9, 2019</td>
<td>United Kingdom</td>
<td>Loss of demand ~3%</td>
<td>45 min</td>
</tr>
<tr>
<td>Jan 10, 2021</td>
<td>Pakistan</td>
<td>Loss of demand 100% (blackout)</td>
<td>~20 hours</td>
</tr>
<tr>
<td>Feb 15, 2021</td>
<td>Texas, USA</td>
<td>Loss of demand ~30%</td>
<td>Several days</td>
</tr>
</tbody>
</table>

Power system resilience*: a key focus area for Hitachi ABB Power Grids

**System Advisory services** e.g. grid reinforcement planning with enhanced resilience focus

**Technologies** for enabling a stronger, smarter, greener, interconnected transmission grid and flexible integrated distributed energy systems e.g. microgrids and storage

**Grid Automation and controls** to manage increasing complexities while optimizing power flows with Secure and intelligent digital grid management

**Predictive maintenance & security services** (physical & cyber) to increase stress capability of critical elements in the system

*The ability to limit the extent, severity & duration of system degradation following an unexpected, rare & extreme event whose likelihood cannot be estimated from historical data
### 5. Japan opportunity: access to the world’s 3\textsuperscript{rd} largest economy

#### Japan – Grid opportunities

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Record installations</td>
<td>Onshore wind and solar*2</td>
</tr>
<tr>
<td>2050</td>
<td>Commitment</td>
<td>Net-zero</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>Reduction in CO\textsubscript{2} emissions by 2030*3</td>
</tr>
<tr>
<td></td>
<td>Up to 45GW</td>
<td>Offshore wind ambition by 2040</td>
</tr>
</tbody>
</table>

#### Hitachi ABB Power Grids solutions

- **HVDC** (Renewable integration, interconnections)
- **Back-to Back connections** based on HVDC / FACTS synchronizing 50/60Hz systems
- **Grid Automation** (control & flexibility) - incl. Digital substations & Lumada based solutions
- **Grid-edge solutions & microgrids** (Distributed power)

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*1 Source: BNEF (2019) Electricity consumption *2 Source: IRENA *3 Base 2013
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
1. Business operating model and key characteristics

**Products & Systems**
- Broad mix – from components to large systems, short and long cycle. Average ~ 18 months conversion time between Orders & Revenues
- Shorter cycle Base orders provide steady business while large system orders (timing difficult to predict) support growth
- We focus on our core by driving innovation in de-risked models

**Services & Software**
- Largest installed base – opportunity to leverage, extend and upgrade by supporting customers to optimize Capex and Opex through lifecycle
- Product/System-centric services – installation, maintenance, upgrades and digitalization/software for optimizing performance
- High growth segments early adopters of Eco-system - as a Service

Business mix of products, systems, service, software across the power value chain - long and short cycle
Becoming a growth engine

Steady orders with 6% growth in service business\(^*1\)

Sharpening our winning portfolio

Total approximate $700M Orders\(^*1\) for integration of renewables with new HVDC business model

Driving world-class execution

Total approximate $50M incremental savings\(^*1\) from supply chain and operational efficiency while maintaining competitiveness

---

\(^*1\) 9 months Jul. 2020-Mar. 2021
\(^*2\) Op. EBITA: Indicator calculated by eliminating FX/commodity timing differences (gains/losses), structural reform expenses, and adding back income from equity accounted companies, etc. to Adjusted EBITA

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Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
• We are well positioned in attractive markets. A Solid foundation to secure the leading position in a transforming energy market.

• We continue to drive profitable & sustainable growth, portfolio competitiveness & world class execution via our Transformation program.

• COVID-19 has a short-term impact, but recovery plans and accelerated energy transition offer mid/long-term growth opportunities.

• Jointly with Hitachi we will contribute through growth synergy program to deliver additional value to all key stakeholders.

• We target above market order growth ~4 to 5% (CAGR) & aim to reach the upper end of our 8-12% operational EBITA target margin corridor by FY2024-2025.
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
3-1. Performance Data

1. Business Forecast and Target

Unit: Billions of yen

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>423.5</td>
<td>408.6</td>
<td>358.7</td>
<td>337.3</td>
</tr>
<tr>
<td>Nuclear Energy BU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+Energy BU</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted operating income ratio</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT ratio</td>
<td>61.1%</td>
<td>91.5%</td>
<td>(53.3)%</td>
<td>(4.8)%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>7.5%</td>
<td>3.8%</td>
<td>2.8%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income ratio</td>
<td>3.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figures include control systems included in the IT sector and related costs. The figures for FY2020 are retroactively adjusted to reflect the impact of the reorganization in FY2021.
3-1. Performance Data
2. Business Forecast and Target

Unit: Billions of yen

Adjusted EBITA ratio

FY2018: 7.5%
FY2019: 3.8%
FY2020: 0.6%
FY2021 Forecast: 6.1%

ROIC

FY2018: 7.4%
FY2019: 6.4%
FY2020: (2.7)%
FY2021 Forecast: 2.2%

Cash flows from operating activities

FY2018: 0.2
FY2019: (151.5)
FY2020: 62.2
FY2021 Forecast: 18.0

Lumada business revenues*

FY2018: 11.0
FY2019: 41.0
FY2020: 40.0
FY2021 Forecast: 109.0

Figures include control systems included in the IT sector and related costs. The figures for FY2020 are retroactively adjusted to reflect the impact of the reorganization in FY2021. * Figures from FY2019 onwards are based on the new definition announced in the FY2020 financial results.
3-1. Performance Data

3. FY2020 Results and FY2021 Forecast

<table>
<thead>
<tr>
<th>Unit : Billions of yen</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YoY</td>
<td>YoY</td>
<td>Forecast</td>
</tr>
<tr>
<td></td>
<td>(As of April 2021)</td>
<td>(As of June 2019)</td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>356.3</td>
<td>83%</td>
<td>1,149.7</td>
</tr>
<tr>
<td>Order backlog</td>
<td>635.3</td>
<td>93%</td>
<td>1,897.8</td>
</tr>
<tr>
<td>Revenues</td>
<td>408.6</td>
<td>96%</td>
<td>1,118.1</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>12%</td>
<td>+4.4 points</td>
<td>68.8%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>15.3</td>
<td>(16.5)</td>
<td>(45.4)</td>
</tr>
<tr>
<td>Adjusted operating income ratio</td>
<td>3.8%</td>
<td>(3.8) points</td>
<td>(4.1)%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(374.0)</td>
<td>(115.4)</td>
<td>(53.3)</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>(91.5)%</td>
<td>(30.5) points</td>
<td>(4.8)%</td>
</tr>
<tr>
<td>Adjusted EBITA ratio</td>
<td>3.8%</td>
<td>(3.8) points</td>
<td>0.6%</td>
</tr>
<tr>
<td>EBITDA ratio</td>
<td>(90.3)%</td>
<td>(30.4) points</td>
<td>3.0%</td>
</tr>
<tr>
<td>ROIC (Return on Invested Capital)</td>
<td>6.4%</td>
<td>(1.0) points</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>CCC</td>
<td>63.9 days</td>
<td>-</td>
<td>84.2 days</td>
</tr>
</tbody>
</table>

FY2020 Results

- **Performance**
  - Revenues: Increased due to establishment of Hitachi ABB Power Grids
  - Adjusted operating income: Profit decreased due to acquisition-related amortization
  - ROIC: Deteriorated due to a decrease in adjusted operating income

FY2021 Forecast

- **Performance**
  - Revenues: Increased due to Hitachi ABB Power Grids recording revenues for the first quarter
  - Adjusted operating income: Profit increased due to revenues and profitability improvement in Hitachi ABB Power Grids
  - ROIC: Improved due to higher revenue and higher adjusted operating income

- **Main reasons for the forecast revision**
  - Review of forecasts after the establishment of Hitachi ABB Power Grids
  - Impact of COVID-19
  - Various structural reforms

Figures include control systems included in the IT sector and related costs. The figures for FY2020 are retroactively adjusted to reflect the impact of the reorganization in FY2021.
### 3-1. Performance Data

#### 4. FY2020 Results and FY2021 Forecast (Detail(1))

<table>
<thead>
<tr>
<th>Unit : Billions of yen</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>Sector Total</td>
<td>356.3</td>
<td>1,149.7</td>
</tr>
<tr>
<td></td>
<td>Nuclear Energy BU + Energy BU</td>
<td>356.3</td>
<td>337.7</td>
</tr>
<tr>
<td></td>
<td>Power Grids BU</td>
<td>-</td>
<td>811.9</td>
</tr>
<tr>
<td></td>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>783.6</td>
</tr>
<tr>
<td>Order backlog</td>
<td>Sector Total</td>
<td>635.3</td>
<td>1,897.8</td>
</tr>
<tr>
<td></td>
<td>Nuclear Energy BU + Energy BU</td>
<td>635.3</td>
<td>519.5</td>
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<tr>
<td></td>
<td>Power Grids BU</td>
<td>-</td>
<td>1,378.3</td>
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<tr>
<td></td>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>1,299.7</td>
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<tr>
<td>Revenues</td>
<td>Sector Total</td>
<td>408.6</td>
<td>1,118.1</td>
</tr>
<tr>
<td></td>
<td>Nuclear Energy BU</td>
<td>155.7</td>
<td>169.3</td>
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<tr>
<td></td>
<td>Energy BU</td>
<td>254.7</td>
<td>187.6</td>
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<tr>
<td></td>
<td>Power Grids BU</td>
<td>-</td>
<td>759.5</td>
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<tr>
<td></td>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>722.4</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>Sector Total</td>
<td>12%</td>
<td>68.8%</td>
</tr>
<tr>
<td></td>
<td>Nuclear Energy BU + Energy BU</td>
<td>12%</td>
<td>10.3%</td>
</tr>
<tr>
<td></td>
<td>Power Grids BU</td>
<td>-</td>
<td>96.5%</td>
</tr>
<tr>
<td></td>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>99.3%</td>
</tr>
<tr>
<td>Adjusted operating income [ratio]</td>
<td>Sector Total</td>
<td>15.3[3.8%]</td>
<td>(45.4)[(4.1)%]</td>
</tr>
<tr>
<td></td>
<td>Nuclear Energy BU + Energy BU</td>
<td>15.3[3.8%]</td>
<td>(4.1)[(1.2)%]</td>
</tr>
<tr>
<td></td>
<td>Power Grids BU</td>
<td>-</td>
<td>(41.3)[(5.4)%]</td>
</tr>
<tr>
<td></td>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>32.2[4.5%]</td>
</tr>
</tbody>
</table>

* Figures include control systems included in the IT sector and related costs.
The figures for FY2020 are retroactively adjusted to reflect the impact of the reorganization in FY2021.
* Figures of Hitachi ABB Power Grids is a standalone figure that does not include related costs.
### 3-1. Performance Data
#### 5. FY2020 Results and FY2021 Forecast (Detail(2))

<table>
<thead>
<tr>
<th>Unit : Billions of yen</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT [ratio]</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector Total</td>
<td>(374.0)[(91.5)%]</td>
<td>(53.3)[(4.8)%]</td>
<td>41.0[3.1%]</td>
</tr>
<tr>
<td>Nuclear Energy BU + Energy BU</td>
<td>(374.0)[(91.5)%]</td>
<td>(5.6)[(1.6)%]</td>
<td>32.5[9.6%]</td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>-</td>
<td>(47.7)[(6.3)%]</td>
<td>(2.6)[(0.3)%]</td>
</tr>
<tr>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>36.5[5.1%]</td>
<td>77.6[8.0%]</td>
</tr>
<tr>
<td><strong>Adjusted EBITA ratio</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector Total</td>
<td>3.8%</td>
<td>0.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Nuclear Energy BU + Energy BU</td>
<td>3.8%</td>
<td>(1.2)%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>-</td>
<td>1.5%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>4.5%</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>EBITDA ratio</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector Total</td>
<td>(90.3)%</td>
<td>3.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Nuclear Energy BU + Energy BU</td>
<td>(90.3)%</td>
<td>(0.1)%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>-</td>
<td>4.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Hitachi ABB Power Grids</td>
<td>-</td>
<td>9.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td><strong>ROIC</strong> (Return on Invested Capital)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector Total</td>
<td>6.4%</td>
<td>(2.7)%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Nuclear Energy BU + Energy BU</td>
<td>6.4%</td>
<td>(3.0)%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>-</td>
<td>(2.8)%</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>CCC</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector Total</td>
<td>63.9 days</td>
<td>84.2 days</td>
<td>70.4 days</td>
</tr>
<tr>
<td>Nuclear Energy BU + Energy BU</td>
<td>63.9 days</td>
<td>51.7 days</td>
<td>58.9 days</td>
</tr>
<tr>
<td>Power Grids BU</td>
<td>-</td>
<td>99.1 days</td>
<td>74.4 days</td>
</tr>
</tbody>
</table>

* Figures include control systems included in the IT sector and related costs. The figures for FY2020 are retroactively adjusted to reflect the impact of the reorganization in FY2021.
* Figures of Hitachi ABB Power Grids is a standalone figure that does not include related costs.
3-1. Performance Data
6. Growth (Value) Drivers and Risk Factors

Supporting Decarbonization as a Leader in the Energy Market and Achieving Sustainable Growth

<table>
<thead>
<tr>
<th>Growth (Value) Drivers</th>
<th>Risk Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro Factors</strong></td>
<td></td>
</tr>
<tr>
<td>● Green policies in countries around the world linked to sustainability</td>
<td>● Prolonged economic slowdown and curbing of investment due to the impact of COVID-19</td>
</tr>
<tr>
<td>● Acceleration of investment in renewable energy on both the supply and demand side by accelerating movements toward climate change countermeasures and decarbonization</td>
<td>● Realization of geopolitical risks in major markets</td>
</tr>
<tr>
<td>● Acceleration of grid development in each country and region</td>
<td>● Worsening trade friction between the United States and China</td>
</tr>
<tr>
<td><strong>Micro Factors</strong></td>
<td></td>
</tr>
<tr>
<td>● Increase in high value-added grid projects such as HVDC</td>
<td>● Delay in the start-up of offshore wind markets</td>
</tr>
<tr>
<td>● Increase in environment-related investments such as data centers and EVs</td>
<td>● Intensifying competition in the product business</td>
</tr>
<tr>
<td>● Creating synergies between Hitachi and Hitachi ABB Power Grids</td>
<td>● Delay in restarting nuclear power plant</td>
</tr>
<tr>
<td>● Effects of structural reforms such as business restructuring</td>
<td>● Significant exchange rate fluctuations and rising material costs</td>
</tr>
</tbody>
</table>
Energy Sector

Contents

1. Energy Sector
   1-1. Energy Sector Overview
   1-2. Vision and Growth Strategy
   1-3. Summary

2. Power Grids Business
   2-1. Overview of Operations
   2-2. Market Environment
   2-3. Growth Opportunities
   2-4. Execution Focus
   2-5. Summary

3. Appendix
   3-1. Performance Data
   3-2. Glossary of Terms
### 1. Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITA</td>
<td>Adjusted Earnings Before Interests, Taxes and Amortization</td>
</tr>
<tr>
<td>AIS</td>
<td>Air Insulated Switchgear</td>
</tr>
<tr>
<td>APM</td>
<td>Asset Performance Management</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Average Growth Rate</td>
</tr>
<tr>
<td>Capex</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CCC</td>
<td>Cash Conversion Cycle</td>
</tr>
<tr>
<td>CO₂e</td>
<td>CO₂ equivalent</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer Relationship Management</td>
</tr>
<tr>
<td>E2E</td>
<td>End-to-End</td>
</tr>
<tr>
<td>EAM</td>
<td>Enterprise Asset Management</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interests and Taxes</td>
</tr>
<tr>
<td>EBITA</td>
<td>Earnings Before Interests, Taxes and Amortization</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interests, Taxes, Depreciation and Amortization</td>
</tr>
<tr>
<td>EFaaS</td>
<td>Energy &amp; Facility Management as a Service</td>
</tr>
<tr>
<td>EMS</td>
<td>Energy Management Service</td>
</tr>
<tr>
<td>EoL</td>
<td>End of Life</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resources Planning</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>EV</td>
<td>Electric Vehicle</td>
</tr>
<tr>
<td>FACTS</td>
<td>Flexible Alternating Current Transmission Systems</td>
</tr>
<tr>
<td>FSM</td>
<td>Field Service Management</td>
</tr>
<tr>
<td>GCB</td>
<td>Gas Circuit Breaker</td>
</tr>
<tr>
<td>GIS</td>
<td>Gas Insulated Switchgear</td>
</tr>
<tr>
<td>HVDC</td>
<td>High Voltage Direct Current</td>
</tr>
<tr>
<td>Opex</td>
<td>Operational Expenditure</td>
</tr>
<tr>
<td>OT</td>
<td>Operational Technology</td>
</tr>
<tr>
<td>PPA</td>
<td>Power Purchase Agreement</td>
</tr>
<tr>
<td>PPA(Page 12)</td>
<td>Power Purchase Agreement</td>
</tr>
<tr>
<td>PPA(Page 14)</td>
<td>Purchase Price Allocation</td>
</tr>
<tr>
<td>QoL</td>
<td>Quality of Life</td>
</tr>
<tr>
<td>SCADA</td>
<td>Supervisory Control And Data Acquisition</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
</tr>
<tr>
<td>SDG(s)</td>
<td>Sustainable Development Goal(s)</td>
</tr>
<tr>
<td>SF6</td>
<td>Sulfur hexafluoride</td>
</tr>
<tr>
<td>T&amp;D</td>
<td>Transmission &amp; Distribution</td>
</tr>
<tr>
<td>tCC</td>
<td>ton of carbon credit</td>
</tr>
<tr>
<td>VPP</td>
<td>Virtual Power Plant</td>
</tr>
</tbody>
</table>
Cautionary Statement

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- exacerbation of social and economic impacts of the spread of COVID-19;
- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- fluctuations in demand of products, etc., and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- credit conditions of Hitachi’s customers and suppliers;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained elsewhere in this report and in other materials published by Hitachi.
Hitachi Social Innovation is POWERING GOOD