

# Value Creation

## CEO Message

**Accelerating Transformation into  
a Digital-Centric Company  
to Further Enhance Corporate Value**

**We Aspire to Become a Global Leader  
in Social Innovation Business through  
“True One Hitachi”**

**Upholding its Founding Philosophy,  
Hitachi Continues to Evolve**

Since the founding, Hitachi Group has grown by addressing the society’s evolving challenges, upholding the philosophy of our founder, Namihei Odaira: “Contribute to society through the development of superior, original technology and products.” Now, 115 years later, we envision a “Harmonized Society”—a world where environment, well-being and economic growth coexist in harmony, not in trade-off. My vision for Hitachi is to achieve sustainable growth by pursuing both environmental preservation and human well-being, rather than allowing economic growth to hinder them.

Born in Hitachi City, Ibaraki Prefecture—the birthplace of Hitachi—I grew up with a deep sense of connection to the Hitachi Group. I joined the company 35 years ago, driven by a strong belief that this company would keep allowing me to make a meaningful contribution to the society. That belief has remained unchanged ever since. Now, as CEO, I firmly believe that a company’s true purpose lies in its ability to continuously create value and grow by addressing

**Toshiaki Tokunaga**  
President & CEO

# CEO MESSAGE



social challenges—in this sense, a company is a “public trust of society.” By leveraging our unique strength of housing IT, OT and products under one roof, I am confident that Hitachi will continue to deliver new value to society and turn our vision for the future into reality.

However, there is a pivotal moment in our corporate history that must never be forgotten: the management crisis of fiscal 2008, marked by a significant financial loss. The deterioration of the external environment due to the global financial crisis was merely a trigger. The root cause of this crisis was our inability to deliver new value to customers and society in response to evolving needs of the times. This enduring lesson—that no company can serve as a public trust when it stops evolving and creating value—is deeply embedded in my conviction. My commitment as CEO is to continuously create new value and enhance Hitachi’s corporate value even in an era of uncertainty.

“Inspire 2027”:  
Drive Further Corporate Value Enhancement

In the aftermath of the crisis, Hitachi pivoted toward global growth through its Social Innovation Business and undertook continuous structural reforms. [P.43](#) Along the way, we have welcomed new colleagues who resonated with our philosophy, including Hitachi Energy, GlobalLogic and Hitachi Rail GTS. Today, over 60% of both our revenue and employees are based overseas. Under the Mid-term Management Plan 2024, we established a management approach focused on cash

Inspire 2027 Targets		
Revenues*1		CAGR 7-9%
Adj. EBITA margin*2		13-15%
CF conversion*3		Over 90%
ROIC		12-13%
Lumada	Revenue ratio	50%
	Adj. EBITA margin	18%

\*1 Three-year CAGR   \*2 Updated definition of Adj. EBITA: Adj. operating income plus acquisition-related amortization  
\*3 Core FCF/Net income (excluding special factors)

flow and ROIC, having achieved organic growth. The capital markets have recognized these results and expressed strong expectations for further growth, resulting in a substantial increase in Hitachi’s corporate value.

Yet I believe Hitachi can continue to evolve and enhance corporate value even further. While individual businesses have strengthened their earning power, we are only beginning to unlock new value by integrating our strengths in IT, OT and products. With a firm commitment to transforming Hitachi into a digital-centric company and achieving sustainable growth, I launched our new management plan, Inspire 2027 [P.12](#), in April 2025.

This plan aims to contribute to realizing a Harmonized Society by deepening collaboration across our diverse businesses through digital technologies—what we call a “True One Hitachi.” It is not limited to a three-year horizon; rather, it represents an ongoing evolution toward sustainable growth. That is why we no longer call it “Mid-term” Management Plan.

In addition to financial KPIs targeted for fiscal 2027, we have set a long-term goal: “Lumada 80-20,” aiming for 80% Lumada [P.14](#) revenue ratio and 20% Lumada adjusted EBITA margin. To reach this goal, we will accelerate transformation through enhancement of business model and portfolio, optimized capital allocation and cultural change—propelling Hitachi to its next growth stage.

Enhance Lumada with Generative AI  
as a Catalyst for Exponential Growth

As social challenges become increasingly complex on a global scale, Lumada continues to evolve to deliver unique value. The value is created by combining the vast amount of tacit knowledge and data from customer operations with Hitachi’s domain knowledge. Since its launch in 2016, Lumada has solved many customers’ challenges and support their transformation.

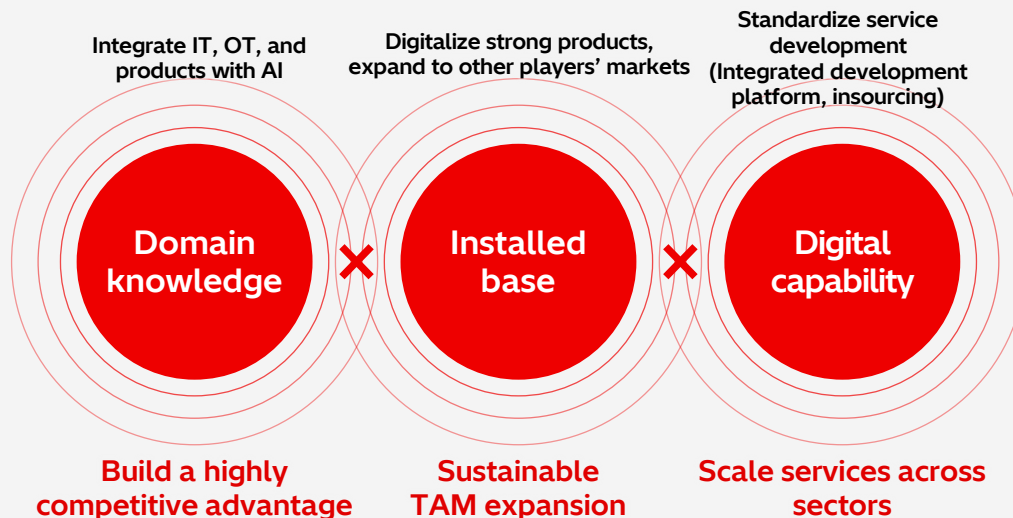
The key to further expanding Lumada and converting our strengths in IT, OT and products into new value is “integration.” Having spent many years in the IT business, I have integrated diverse internal and external resources—software,

hardware and more—into cohesive systems. When we acquired GlobalLogic in 2021, it was my mission to integrate culturally distinct businesses to pursue new opportunities. Now, as CEO, I am committed to driving integration across the entire Hitachi Group.

Generative AI, which has evolved rapidly in recent years, is a critical enabler of this integration and Lumada's enhancement. Leveraging generative AI, we are able to integrate our extensive domain knowledge, vast installed base and advanced digital capabilities.

The extensive domain knowledge that Hitachi has accumulated over more than a century, when learned by generative AI, becomes high-value digital services that improve and optimize customers' asset efficiency and operations. Our global installed base—including non-Hitachi products and systems—becomes digitalized assets, forming a massive TAM (Total Addressable Market) for these services. With our advanced digital capabilities, such as those of GlobalLogic, we can unify and scale service development across sectors. By integrating these strengths, we accelerate value delivery and drive Lumada's exponential growth.

### ■ Innovating technologies and business model transform Hitachi's strength into drivers for accelerated growth



A prime example is HMAX [\(P.22\)](#), launched in 2024 for the railway sector. With AI enhanced by the Hitachi Group's domain knowledge, HMAX realizes advanced analysis of vehicle data and significantly improves efficiency of operation and maintenance. It has been deployed across both Hitachi and non-Hitachi vehicles and highly appreciated by customers. Starting in fiscal 2025, we will expand its application to energy and industry fields as a core Lumada initiative under Inspire 2027. Lumada, enhanced by generative AI and domain knowledge, is beginning to create new value from our growing installed base.

We will also evolve our business portfolio centered on Lumada 80-20. Investment decisions will hinge on whether they are accretive to ROIC through enhancing Lumada. We will seek capabilities that differentiate value proposition, access to installed bases in high-growth areas and emerging technologies that could revolutionize Lumada. Conversely, we will restructure businesses that lack strategic alignment with Lumada and have limited growth potential or competitiveness.



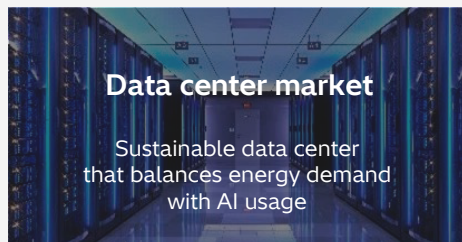
## Lead the Creation of Our Next Growth Pillars

Hitachi's continued growth since its founding can be attributed to its ability to identify inflection points in technology and society, drive innovation, and continuously create new growth pillars.

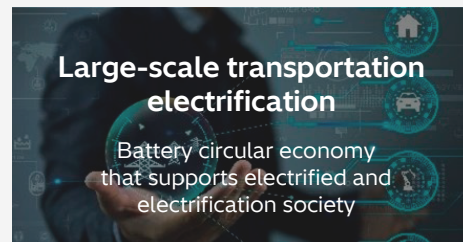
To cultivate future growth globally, we established the Strategic SIB (Social Innovation Business) Business Unit in fiscal 2025 which directly reports to the CEO. The CEO decides target domains, and the entire Hitachi Group accelerates value creation together. At launch, we identified four strategic themes—data centers, eMobility, smart cities and healthcare—based on societal demands such as generative AI adoption, decarbonization and electrification. The business unit will strengthen collaboration with the Global Marketing & Sales Division to incorporate market-driven perspectives into its strategy.

### ■ Strategic business areas targeted by the Strategic SIB BU

#### Data Center



#### eMobility



#### Smart City



#### Healthcare



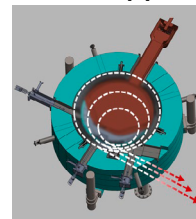
Among these areas, data centers are a strategic focus, as the rapid market expansion fueled by generative AI presents new social challenges, such as balancing energy efficiency with maximizing computing power. Hitachi is uniquely positioned as an integrator capable of designing, building and operating all elements—from power grid and cooling to IT and applications. Under the Strategic SIB Business Unit, we will fully leverage broader Hitachi's capabilities to swiftly solve customer challenges and make data centers a new growth pillar.

We will also reinforce R&D [\(P.16\)](#), investing not only in current core businesses but also in future opportunities such as healthcare, mobility, quantum and space. Through backcasting-driven R&D that anticipates future social challenges, we will enhance our ability to respond quickly and convert change into opportunity.

### ■ Create the “Next” that will drive the next growth through sustained innovation by strengthening R&D

#### Next Curing

High QoL particle beam therapy



World's first energy-variable technology capable of delivering high-dose radiation to cancer

#### Next Transporting

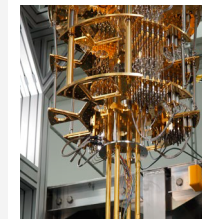
Electrification of aircraft



Transform fuel efficiency and mobility style with the world's highest motor power density

#### Next Computing

Silicon quantum computing



Dramatically improve computing performance

#### Next Sensing

Utilization of big data in space



Infrastructure monitoring from space for predictive diagnostics

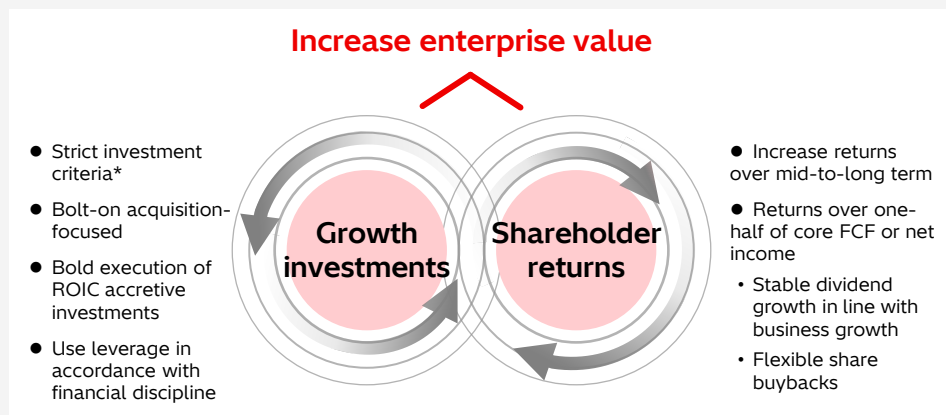
## Maximize Value and Returns Through Growth Investment and Shareholder Returns

Capital allocation [\(P.26\)](#) is a top management agenda that I must commit as CEO to maximize corporate value and returns. Our basic policy remains focused on returns, with balanced and agile allocation of growth investment and shareholder returns.

Growth investments will be executed by strict criteria, choosing ROIC-accretive opportunities, and using leverage within financial discipline. We will enhance shareholder returns over the medium to long term. We aim to return over 50% of core FCF or net income, growing dividends steadily and executing share buybacks flexibly. In fiscal 2025, we plan 300 billion yen in share buybacks and approximately 200 billion yen in dividends, marking our largest total shareholder return to date. We will continue to pursue optimal capital allocation tailored to the business environment, accelerating corporate value enhancement.

Enhancing corporate value over the long term requires transparency through stakeholder communication and strong governance. We will deepen constructive

### Flexible and balanced capital allocation to growth investments and shareholder returns with a focus on returns



\*Hurdle rate: Inspire 2027 financial KPIs (Adjusted EBITA margin, ROIC)

dialogue with shareholders and investors, incorporating feedback to management. We also aim to further elevate the quality of discussions within the Board of Directors and among the board and executives.

## Accelerate Cultural Transformation Toward Growth

The key to sustainable growth for the Hitachi Group lies in 280,000 employees working in harmony toward Lumada 80-20. When diverse talent across the globe brings together their insights and strengths beyond roles, true integration can generate unimaginable new value.

This belief stems from my career-long experience in value creation by integration. There is a saying, “If you want to go fast, go alone. If you want to go far, go together.” My commitment as CEO is to integrate the entire Hitachi Group as a True One Hitachi and lead the company far toward the next growth stage. To achieve this, we must establish a growth-oriented culture and deepen risk management.

Recognizing these challenges, the new management structure [\(P.13\)](#) launched in April 2025 has appointed the most suitable leaders with global experience and expertise—three of our four core businesses are now led by non-Japanese executives. We also established a new forum for intensive strategic discussions with regional leaders from across the globe. By encouraging dialogue from diverse perspectives, we aim to deepen mutual understanding and formulate effective initiatives toward True One Hitachi.

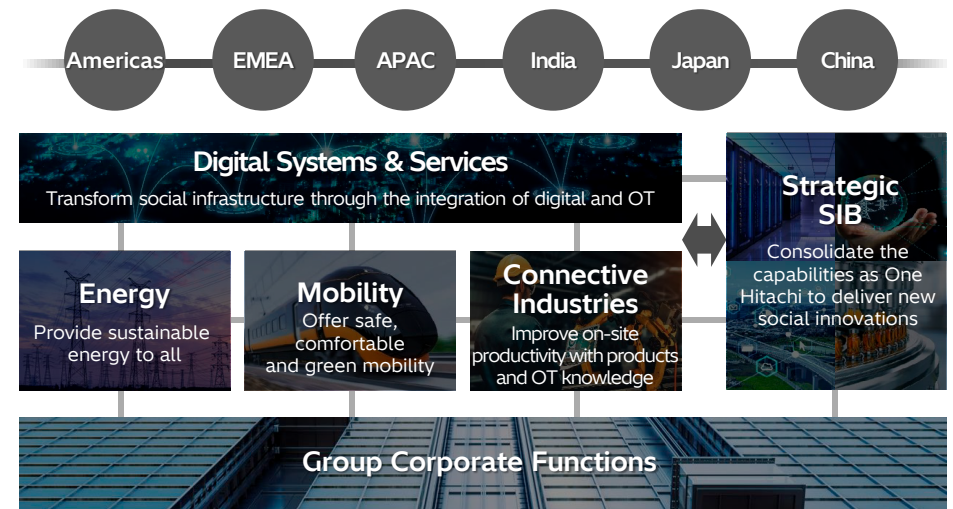
In addition, we have introduced a new compensation system [\(P.33\)](#) to boost individual motivation, encouraging bold growth beyond market and competitor benchmarks. By extending our stock-based compensation—previously limited to executives—to include leadership-level employees, we directly link corporate value enhancement to individual rewards, strengthening employees’ commitment to corporate value enhancement. I am already seeing tangible changes in mindset and behavior as leaders now actively engage in open discussions beyond their roles and responsibilities.

One of the key enablers supporting these transformative efforts is our global-wide risk management framework. [\(P.28\)](#) With an autonomous decentralized business structure tailored to regional challenges, we have built resilient supply chains and promoted multi-sourcing. By enhancing coordination across dimensions of business and region, we effectively balance threat alleviation and opportunity creation even under uncertain circumstances. By further increasing our management agility, we aim to “go far and fast, together.”

In an increasingly uncertain environment, I believe what matters is not to “do things right,” but “do the right thing.” For Hitachi, “the right thing” is transforming itself into a digital-centric company through Lumada 80-20, continuously enhancing corporate value and contributing to a Harmonized Society. By integrating the full strength of the Hitachi Group and steadily delivering results, we will strive to earn the unwavering trust of stakeholders and continue our journey toward sustainable growth and further enhancement of corporate value.



### Striving for sustainable growth through True One Hitachi



At the Hitachi Global Leaders Kickoff 2025, held in Tokyo in May 2025

