Hitachi's Corporate Value Enhancement Formula (P. 04)

Investor Day (CFO session)

CFO and CRMO Message

Balancing an unwavering commitment to growth with disciplined management

Becoming the global leader in continuously transforming social infrastructure through digital

Tomomi Kato | Senior Vice President and Executive Officer, CFO and CRMO

Progress on Inspire 2027

Achieving record-high profit in the first year while continuously enhancing our cash generation capabilities

Business performance in fiscal 2025, the first year of Inspire 2027, the Hitachi Group's Management Plan, exceeded our initial forecasts. Growth was driven by the Power Grids business in the Energy sector, robust domestic IT business in the DSS sector, and the railway systems business in the Mobility sector, resulting in year-on-year increases in both consolidated revenues and profit.

In terms of profitability, adjusted EBITA, net income, and core free cash flow (core FCF) all reached record highs. The adjusted EBITA margin improved by 1.3 percentage points, reflecting higher profitability in the Energy and DSS sectors, as well as the steady expansion of the Lumada business. Core FCF increased, driven by higher earnings along with the advances received from large projects. In addition, our cash flow conversion remained above our 90% target. We believe that Hitachi's ability to steadily convert profit into cash is a key strength of our earnings structure. We will aim to continuously increase core FCF going forward by achieving revenue growth and higher profit margins through the expansion of the Lumada business, in addition to further improving the conversion of profit to cash.

For fiscal 2026, we forecast increases in both revenues and profit across all four sectors, led by the Power Grids business in the Energy sector and the domestic IT business in the DSS sector. While continuing to closely monitor the Middle East situation, we expect to achieve further growth building on the strong performance achieved in fiscal 2025, even as we strengthen strategic investments to support steady growth. Over the two-year period from fiscal 2024, EPS is expected to grow at a CAGR of 23%. Core FCF is also projected to achieve a CAGR of 32% over the same two-year period, even excluding the impact of advances received from large projects. Going forward, we will continue to enhance our cash generation capabilities based on the underlying strength of our businesses, without relying on one-off factors.

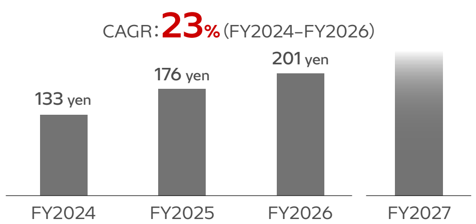
Regarding organic growth investments, we expanded our investments primarily in growth areas, including R&D and capital expenditures (CAPEX). In fiscal 2025, capital expenditures (CAPEX) totaled 497.8 billion yen, representing an increase of 106.1 billion yen year over year. On the other hand, regarding inorganic growth investments, we were unable to execute sufficient investments because we could not find opportunities that aligned with Hitachi's business strategy while also promising suitable returns, which remains a key challenge. Furthermore, compared to our global peers, we recognize the need to increase our profitability even further, and to continue strengthening our business portfolio and risk management.

Overview of performance in fiscal 2025 and outlook for fiscal 2026 (Key Inspire 2027 indicators)

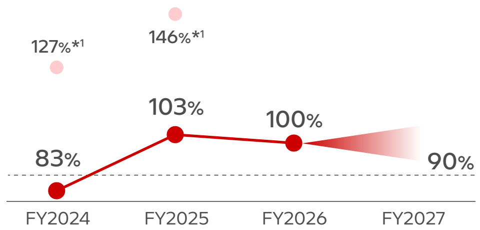
		FY2024 (result)	FY2025 (result)	FY2026 (forecast)*4	FY2027 (target)
Revenues CAGR*1		YoY 14%	YoY 8%	YoY 11%	CAGR 7-9%
Adj. EBITA margin		11.7%	12.4%	13.0%	13-15%
Cash flow conversion*2 (Excluding advances received from large projects)		83%	103%	100%	Over 90%
ROIC		10.9%	12.4%	13%	12-13%
Lumada	Revenue ratio	29%	40%	44%	50%
	Adj. EBITA margin	15%	16%	17%	18%

*1 Fiscal 2027 targets are based on a three-year CAGR.
*2 Core FCF*3 (excluding advances received from large projects) / Net Income
*3 Core FCF is presented as free cash flows excluding cash flows from M&A and asset sales, etc.
*4 Announced on July 29, 2026

EPS trends

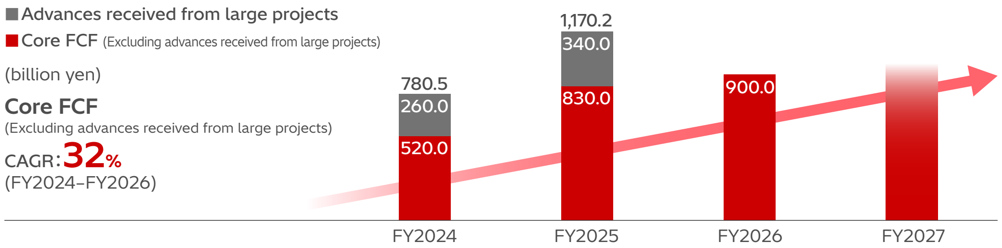


CF conversion trends (Excluding advances received from large projects)



*1 Including advances received from large projects

Cash generation trends



CFO and CRMO Message

Capital allocation (growth and shareholder returns)

Focus on returns and allocate cash between growth investments and shareholder returns in a balanced and flexible manner

Our capital allocation policy remains consistent with the previous year. We will continue to focus on returns and allocate cash between growth investments and shareholder returns in a flexible and balanced manner.

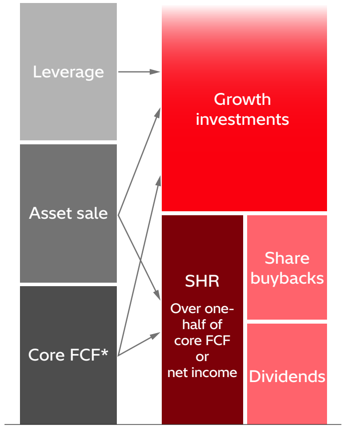
Specifically, we will first allocate core FCF to growth investments and shareholder returns. Our ongoing efforts to enhance cash generation capabilities have increased the amount of cash available for allocation. Next, cash from asset sales will be invested in growth if attractive opportunities exist; otherwise, it will be allocated to share buybacks. We will also utilize borrowing leverage for growth investments in accordance with our financial discipline. Regarding inorganic growth investments to support sustainable growth, we will focus our acquisitions on digital enhancement and service expansion. The majority of these transactions are expected to take the form of bolt-on M&As that complement existing businesses. In making M&A investment decisions, we will apply rigorous discipline by considering risk, return, ROIC-WACC spread, and strategic fit of Lumada growth. In fiscal 2025, the number of internal deliberations related to portfolio reform tripled year on year, reflecting significantly more active discussions. Through both the divestiture of non-core businesses and investments in growth areas, we have steadily executed investments that contribute to the expansion of Lumada, particularly digital services, thereby shifting our portfolio toward higher-growth areas.

In addition to inorganic growth investments, we are actively allocating capital to organic growth investments, with a particular focus on expanding capital expenditures (CAPEX). By executing investments to increase production capacity in growth areas, we will steadily capture opportunities that promise high investment returns. We will also increase strategic investments including talent development and acquisition, to accelerate AI-driven business creation and strengthen business resilience.

Regarding shareholder returns, our policy is to continuously increase the amount of returns over the medium to long term, with a commitment to return one-half or more of either core FCF or net income. With regard to dividends, we aim to achieve stable growth in line with business growth. Supported by the steady growth of core FCF, we have increased dividends for 10 consecutive years. On a cash payment basis, the annual dividend per share is projected to increase from 41 yen in fiscal 2024 to 55 yen in fiscal 2026. Regarding share buybacks, we will flexibly implement them, taking into comprehensive account cash generation, our financial condition, the progress of asset sales, and other relevant factors. We expect share buybacks to increase significantly from 200.0 billion yen in fiscal 2024 to 550.0 billion yen in fiscal 2026.

As a result, the total shareholder return ratio for fiscal 2026 is expected to increase to 89%, while total shareholder returns are projected to expand from approximately 390.0 billion yen in fiscal 2024 to 800.0 billion yen.

Capital allocation policy



*Cash flows presented as free cash flows excluding cash flows from M&A and asset sales, etc.

Priority : 1. Dividends
2. Growth investments
Share buybacks
3. Debt repayment

In the absence of growth investment opportunities, excess cash will be returned to shareholders

Investment in inorganic growth

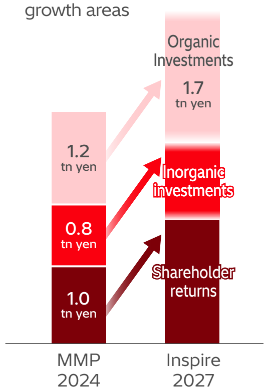
- Focused investment in digital enhancement and service expansion
  - ・Technology-related (digital, software, sensing, etc.)
  - ・Service-related (footprint, etc.)
  - ・Human resources-related (specialists, etc.)
- Execution on strategic alignment, risk, return, ROIC–WACC spread, etc.
  - ・Hurdle rate: Financial KPIs under Inspire 2027 (Adj. EBITA: 13–15%, ROIC: 12–13%)
- Leverage is utilized under financial discipline
  - ・D/E ratio: 0.5 times
  - ・Net Debt/EBITDA multiple: 1-2 times

Shareholder returns

- Continuously increase shareholder returns over mid-to-long term
- Over one-half of core FCF or net income
- Stable dividend growth in line with business growth
- Flexible share buybacks

Investment in organic growth

- Accelerating CAPEX Investments
  - ・Expand production capacity to meet robust demand in growth areas



Execution of portfolio reform

Inorganic growth investments (acquisitions)

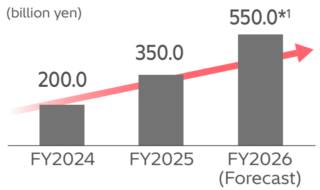
Projects	Purpose	Lumada expansion: Digital services	Lumada expansion: Digitalized assets
Clever Devices	Marking its growth as a global digital mobility player	✓	
Omnicom	Supporting the growth of Hitachi Rail's HMAX digital asset management platform, which optimizes railway operations and maintenance	✓	✓
Shermco	Expanding its service footprint, launching new digital service solutions with HMAX Energy	✓	
synvert	Strengthening GlobalLogic's data and consulting capabilities	✓	✓

Asset sales (business restructuring)

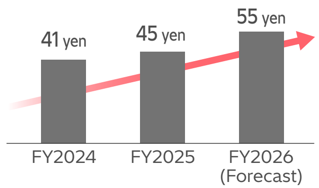
- Astemo
- Hitachi Global Life Solutions
- Hitachi Construction Machinery
- Hitachi Channel Solutions
- Johnson Controls-Hitachi Air Conditioning

Shareholder returns trends

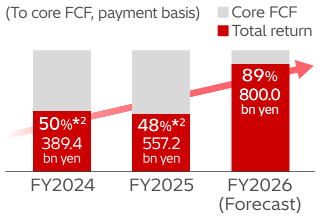
Share buybacks
(Payment basis in each fiscal year)



Annual dividend per share
(Payment basis in each fiscal year)



Total shareholder return ratio
(To core FCF, payment basis)



*1 Portion acquired in April (50.0 bn yen) out of the amount resolved on January 29, 2026, and the amount resolved on April 27 (500.0 bn yen)
*2 Core FCF includes advances received from large projects

CFO and CRMO Message

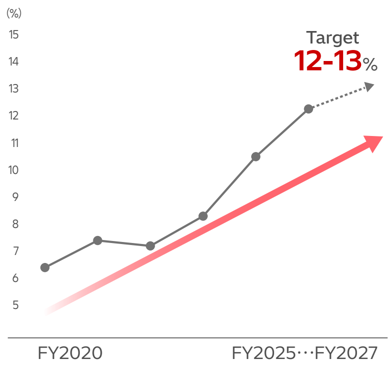
Improving capital efficiency

Sustainably expanding the ROIC–WACC spread through improving returns and reducing WACC

In fiscal 2025, we continued to maximize returns and optimize invested capital through the expansion of the Lumada business, thereby successfully improving ROIC. ROIC rose from 10.9% in fiscal 2024 to 12.4%, maintaining an upward trend.

To improve ROIC, we will continuously enhance capital efficiency by addressing both the numerator (returns) and the denominator (invested capital).On the numerator side, we will improve the returns for ROIC by boosting the growth potential and profitability of our four core businesses with Lumada at their core. At the same time, we will expand the use of AI to improve productivity. On the denominator side, we will optimize invested capital by driving asset-light business models through portfolio reform and optimizing our equity ratio.

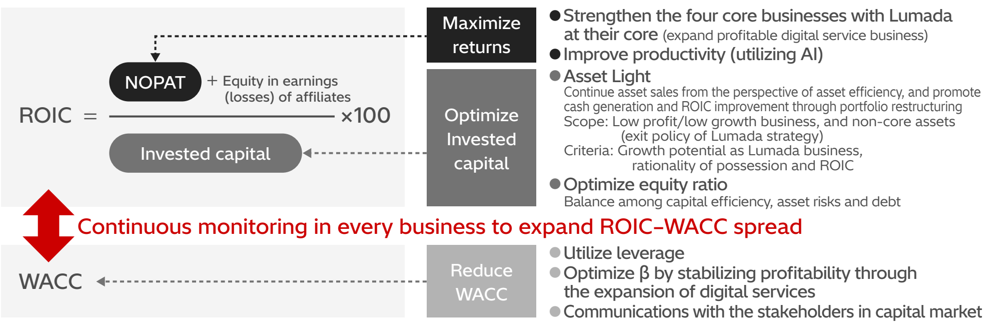
ROIC trend



To further expand the ROIC–WACC spread, we will strive to reduce WACC by using leverage, optimizing β by stabilizing profitability through the expansion of digital services, and communicating with stakeholders in the capital markets.

Inorganic growth investments are essential to sustaining the growth of our businesses. While ROIC may drop momentarily following such investments, we are committed to its prompt recovery. Looking ahead to fiscal 2027, we target maintaining ROIC at the current level of 12–13%, even as we actively pursue inorganic growth opportunities. We will continue to drive higher capital efficiency by steadily building on the results of our transformation initiatives.

Measures for improving ROIC and expanding ROIC–WACC spread

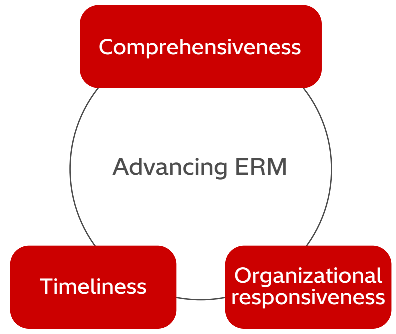


Strengthening risk management

Advancing ERM to mitigate threats while capturing growth opportunities

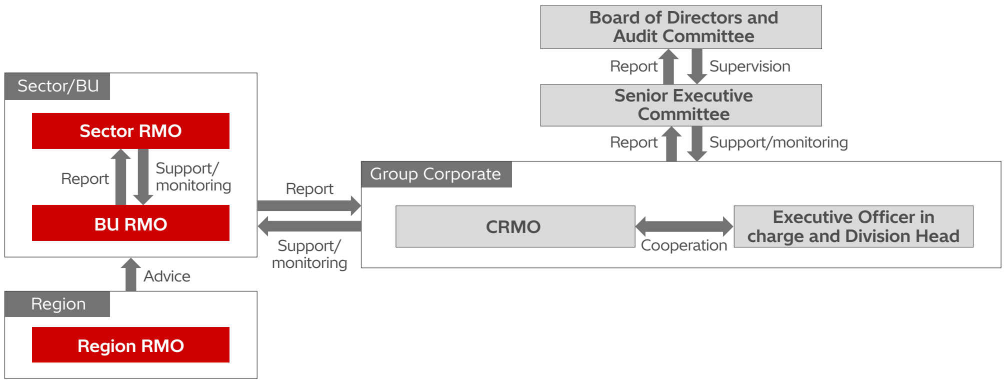
For Hitachi to enhance its corporate value over the medium to long term, it needs not only to grasp risks as threats but also to see their positive aspects as business opportunities to create profit-earning opportunities.

As the Chief Risk Management Officer (CRMO), I identify major risks across the Group and am promoting the advancement of ERM through collaboration across our sectors, regional units, and corporate functions amidst a rapidly changing business environment. By continuously identifying Key Risks, monitoring the status of our responses, and discussing additional countermeasures, we aim to mitigate losses caused by threats while capturing opportunities for growth. Furthermore, combining the CFO's perspective on financial discipline and capital efficiency with my responsibilities as CRMO enables me to evaluate risk and return from multiple perspectives, thereby supporting disciplined growth investments.



To advance ERM, we are focusing on strengthening three priorities: comprehensiveness, timeliness, and organizational responsiveness. In terms of comprehensiveness, we have established Group-wide risk items, selection processes, and evaluation methods to identify Key Risks to be addressed across Hitachi. In terms of timeliness, we report the status of these Key Risks at monthly executive committee meetings and discuss additional countermeasures, allowing us to respond rapidly to changes in the business environment.

Group risk management system



CFO and CRMO Message

In terms of organizational responsiveness, we assign Risk Management Officers (RMOs) across our sectors, regional units, and corporate functions, incorporating their diverse perspectives to promote Group-wide risk management.

To ensure comprehensive and efficient risk management throughout the Group, we have established Group-wide risk items and evaluation methods in our internal regulations for Group-wide risk management. Risks are assessed by evaluating the impact and likelihood of occurrence for each risk item and creating a Group risk heat map. First, each sector and BU identifies risks associated with its business activities and evaluates their impact and likelihood of occurrence using a bottom-up approach. The results of the bottom-up approach are reviewed by members of the Senior Executive Committee and others from the perspective of the Hitachi Group as a whole and the overall risk portfolio, and the key risks for the Hitachi Group are selected (top-down approach). Through this robust process, we determine our countermeasures against Key risks from the perspectives of avoidance, mitigation, transfer, and acceptance. We regularly monitor the effectiveness of these risk responses and implement additional countermeasures as necessary to drive continuous improvement.

Among the areas we are currently monitoring most closely are procurement, which is affected by the Middle East situation; talent acquisition and retention, which is critical to our growth strategy and productivity improvements; and technological progress, including opportunities arising from AI. While these areas represent risks to our business activities, we believe that, if managed appropriately, they can also create new opportunities for growth. In response to the Middle East situation, our sectors, regional units, and corporate functions are working together to quickly visualize predicted business impacts and accelerate countermeasures. With respect to AI, we believe the opportunities for Hitachi outweigh the associated risks. While appropriately managing AI-related risks, we will capture growth opportunities by applying physical AI to mission-critical social infrastructure and driving AI transformation for customer operations. For growth investments, it is essential not simply to avoid risk, but to take disciplined risks based on a multifaceted assessment of risk and return. By determining our risk appetite from a Group-wide perspective and supporting decisions on growth investments and portfolio reform, we will effectively balance capturing growth opportunities with appropriate risk management, thereby contributing to the sustainable enhancement of corporate value.

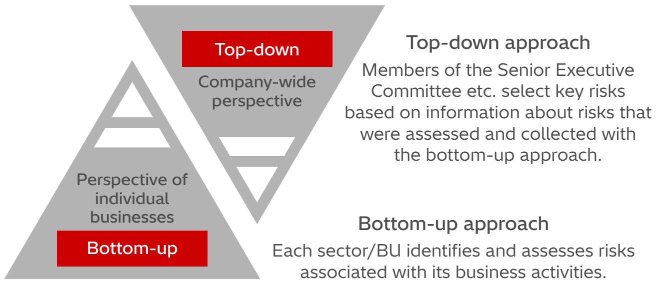
Message for shareholders and investors

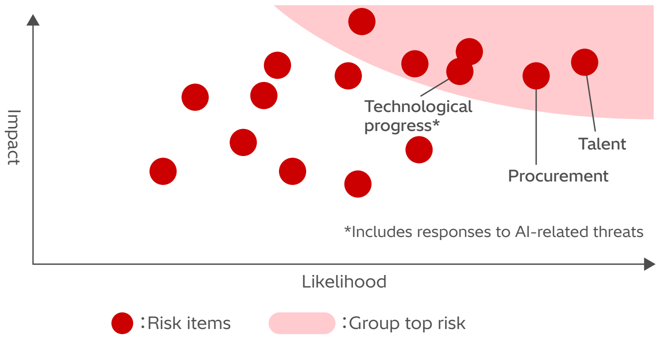
Accelerating our transformation into the world-leading Digital Infrastructure Company while balancing relentless growth with disciplined management

Even in a rapidly evolving business environment, Hitachi remains committed to balancing relentless growth with disciplined management as we strive to become the global leader in continuously transforming social infrastructure through digital technologies. Over the past few years, geopolitical risks have intensified, with global trade tensions and regional disputes becoming more apparent. Moreover, amid the rapid evolution of AI, the global political, economic and social landscapes are changing at unprecedented speed.

Even in this uncertain business environment, I am committed to fulfilling my responsibilities as CFO while concurrently serving as CRMO. By enhancing our ERM framework and accelerating Hitachi's transformation into the world-leading Digital Infrastructure Company with the Lumada business at its core, we aim to achieve high profitability and sustainable growth. Futhermore, I will continue to enhance Hitachi's corporate value by engaging in active, constructive dialogue with our shareholders and investors.

Risk evaluation process and heat map





Details of the following initiatives are available in the Sustainability Report:

- Climate-related Financial Information Disclosure
- Efforts against Investment risks
- AI governance-related initiatives
- Business ethics and compliance
- Quantitative understanding of risks
- Information security

Moreover, details on risks for our business and others are available on page 40 of the Annual Securities Report