

## Mid-term Management Plan 2024

[Progress of the Mid-term Management Plan 2024](#)

The company stage is changing from the phase of business structural reforms to the phase of organic growth. The Mid-term Management Plan 2024 is a crucial turning point to increase corporate value as One Hitachi.

### 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 aims to achieve global growth. Under this management 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.

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



### Financial Targets (FY2024)\*1

Under the Mid-term Management Plan 2024, Hitachi is focusing on growth in both the top line and the bottom line and on generating cash for growth and shareholder returns. Hitachi will thereby achieve growth in EPS and CFPS.

Revenue growth rate FY2021-FY2024 CAGR	Adj. EBITA margin*2	EPS*3 growth FY2021-FY2024 CAGR	
<b>5% – 7%</b>	<b>12%</b>	<b>10%–14%</b>	
Core FCF*4*5 (3-year cumulative)	ROIC	EPS	CFPS
<b>1.2 trillion yen</b> Shareholder returns: 0.8 - 0.9 trillion yen	<b>10%</b>	<b>≥ 600yen</b>	<b>≥ 500yen</b>

\*1 Revenues, profit and cash flow of listed subsidiaries and Hitachi Astemo are subtracted, and equity in earnings of affiliates are added to results and plans of FY2021-FY2024.

\*2 Adjusted operating income plus Acquisition-related amortization and equity in earnings/losses of affiliates.

\*3 The impact of one-time factors is excluded from net income in FY2021.

\*4 Core FCF = Cash flows from operating activities – CAPEX.

\*5 The target was updated in April 2023 as a result of deconsolidation of listed subsidiaries and Hitachi Astemo.

### Financial Figures by Sector

Billions of yen		FY2021 Results	FY2022 Results	FY2023 Forecast*6	FY2024 Target*7
Continuing consolidated business (three sectors)	Revenues	6,699.2	7,638.2	7,840.0	CAGR 5%-7% (7,800.0-8,200.0)
	Adj. EBITA margin*8	9.9%	9.5%	10.2%	12%
Digital Systems & Services	Revenues	2,153.6	2,389.0	2,450.0	CAGR 7% (2,600.0)
	Adj. EBITA margin	13.1%	12.3%	12.6%	14%
Green Energy & Mobility	Revenues	2,051.0	2,469.9	2,580.0	CAGR 13% (2,900.0)
	Adj. EBITA margin	4.5%	6.6%	6.7%	9%
Connective Industries	Revenues	2,752.8	2,975.2	3,000.0	CAGR 4% (3,100.0)
	Adj. EBITA margin	9.4%	10.5%	11.0%	12%

\*6 Assumed FX rate: 130 yen / US\$, 140 yen / €. Impact of FX rate fluctuation by one-yen depreciation from assumed rate is as follows— US\$: Revenues +13.5 billion yen / Adj. EBITA +1.5 billion yen, €: +7.0 billion yen / Adj. EBITA +0.5 billion yen (as of April 2023)

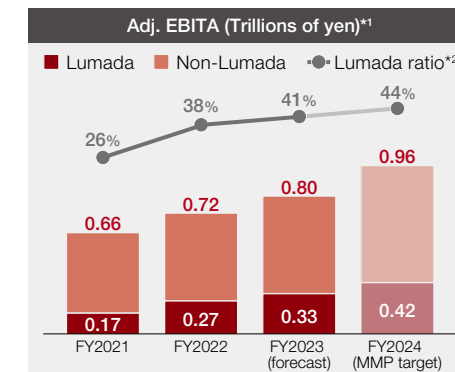
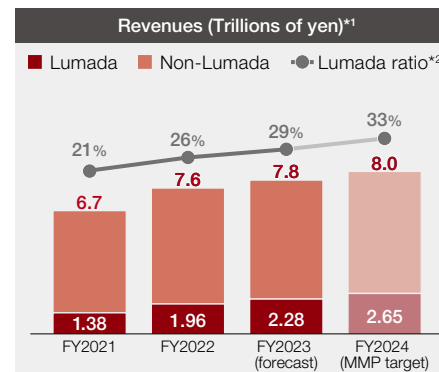
\*7 In parentheses, revenues are calculated from CAGR.

\*8 For an analysis of changes in adjusted EBITA (FY2022-FY2024), refer to [page 4 of Investor Day CFO Session](#).

## ► Revenues and Profits Growth Driven by Lumada

The expansion of the Lumada business leads our revenues and profits growth. We aim to increase the Lumada business to one-third of revenues and more than 40% of profits of Hitachi overall in fiscal 2024 (fiscal 2022 Lumada business: Revenues 1,960.0 billion yen, Adj. EBITA margin 14%. fiscal 2024 Lumada business: Revenues 2,650.0 billion yen, Adj. EBITA margin 16%). Lumada's customer co-creation framework has generated many customer cases and solutions. We use the customer cases and solutions repeatedly to increase profitability. We are also striving to increase the service business and recurring ratio with large-scale assets acquired through M&A.

For details of the digital strategy, please refer to [page 23](#). [🔗](#)



\*1 Revenues and profit of listed subsidiaries and Hitachi Astemo are subtracted, and equity in earnings of affiliates are added to results and plans of FY2021-FY2024.

\*2 Equity in earnings of Hitachi Construction Machinery is classified into Lumada; that of Hitachi Astemo is classified into Non-Lumada.

## ► Capital Allocation Policies

Hitachi will achieve sustainable growth by well-balanced allocation of generated cash to growth investments and shareholder returns. We will focus on Digital, Green and Innovation as areas for growth investments, and we strictly apply our criteria for financial decisions. When we find good growth investment opportunities, we apply financial leverage flexibly, combining both the existing D/E ratio target of 0.5x and net debt/EBITDA 1-2x.

We consider both 50% of core FCF and 50% of net income for total shareholder returns. For Hitachi, the executing of shareholder returns based on medium- and long-term business plans and achieving growth in total shareholder return (TSR) through achieving appropriate stock prices are important management issues. Under this policy, we examine the continuing payment of dividends and share buybacks and returning earnings generated from business growth to shareholders.

For details about our financial strategies, please refer to [page 29](#). [🔗](#)

