

Hitachi Energy Investor Days 2023

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



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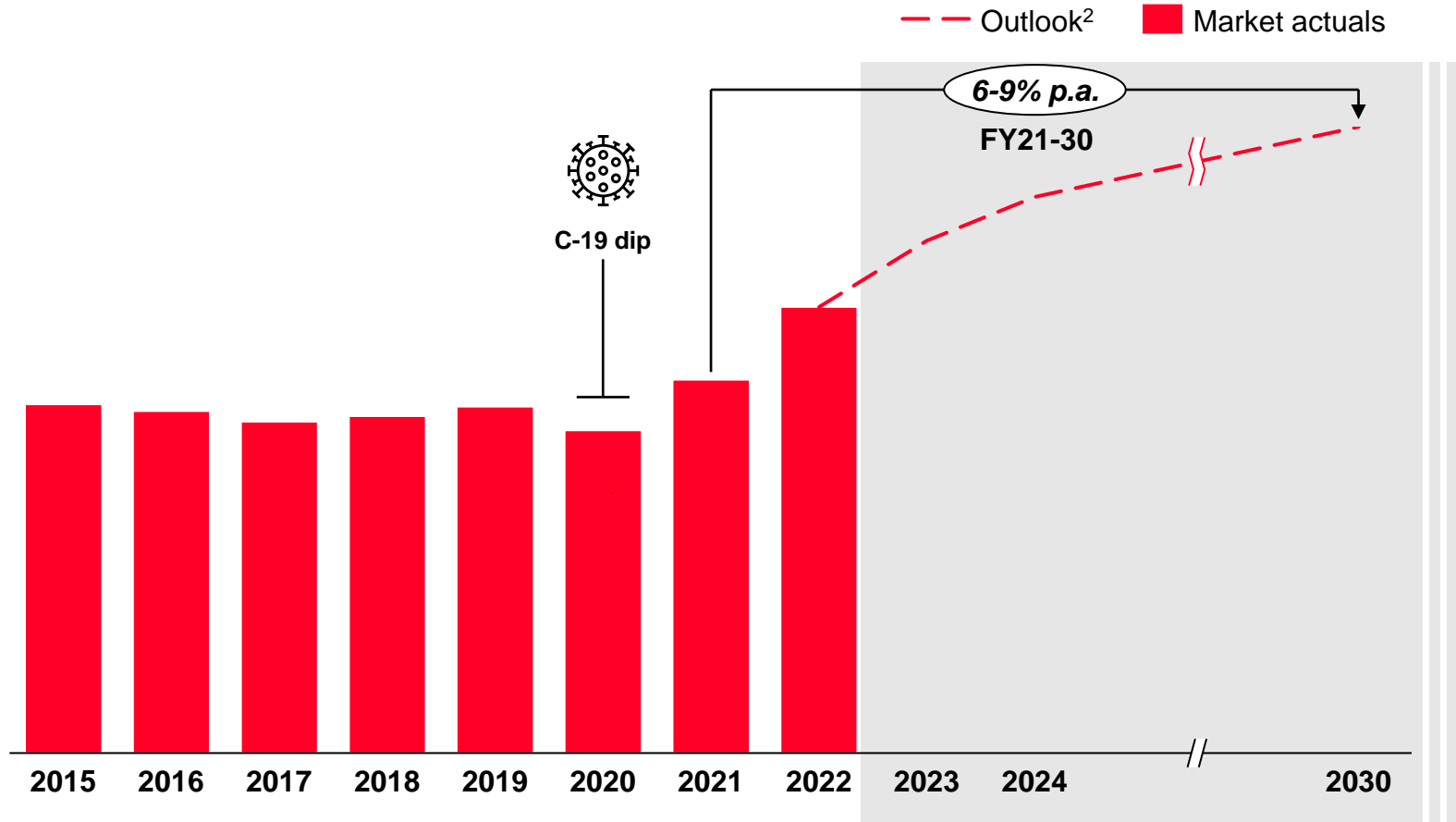


Hitachi Energy –
Advancing a sustainable
energy future for all

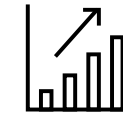


Historically flat T&D market now seeing rapid acceleration driven by energy transition

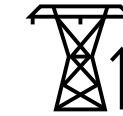
Hitachi Energy market¹ outlook



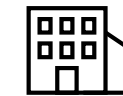
Key drivers



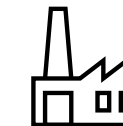
Electrification and demand growth



Renewables transition



Macro & regulatory environment



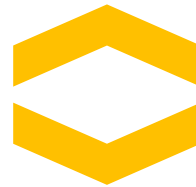
Aging infrastructure

Actions in place to address the market dynamics and capture opportunities



Tailwinds demand drivers

- 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 supply conditions

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

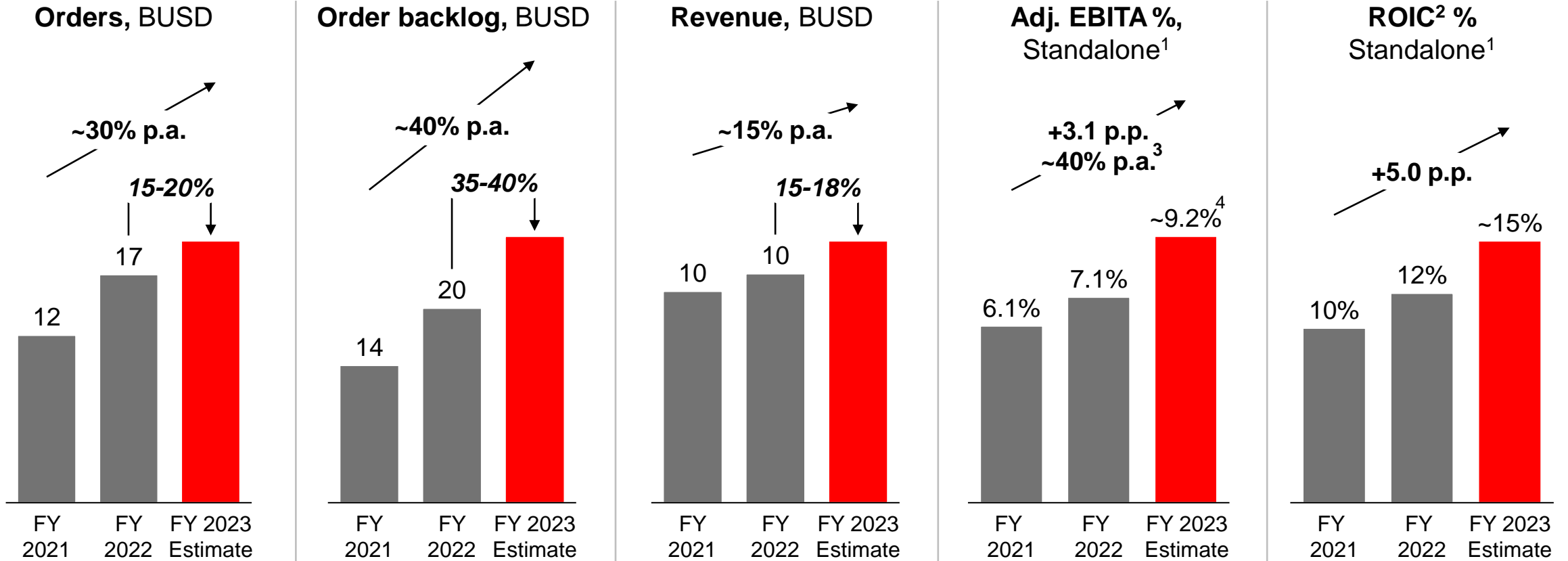
Capturing strong growth in addressable market

- 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




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

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


Growing backlog with higher margin securing continued revenue and profitability growth



De-risking of business model

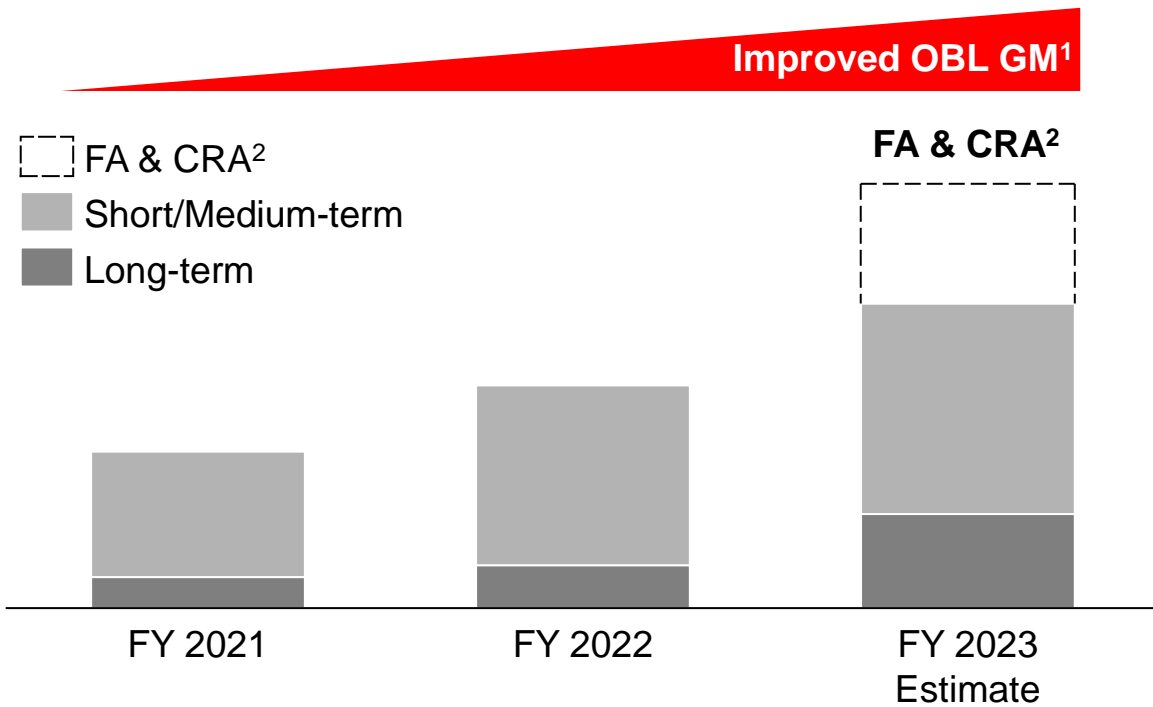


Enhanced Terms & Conditions (T&C)



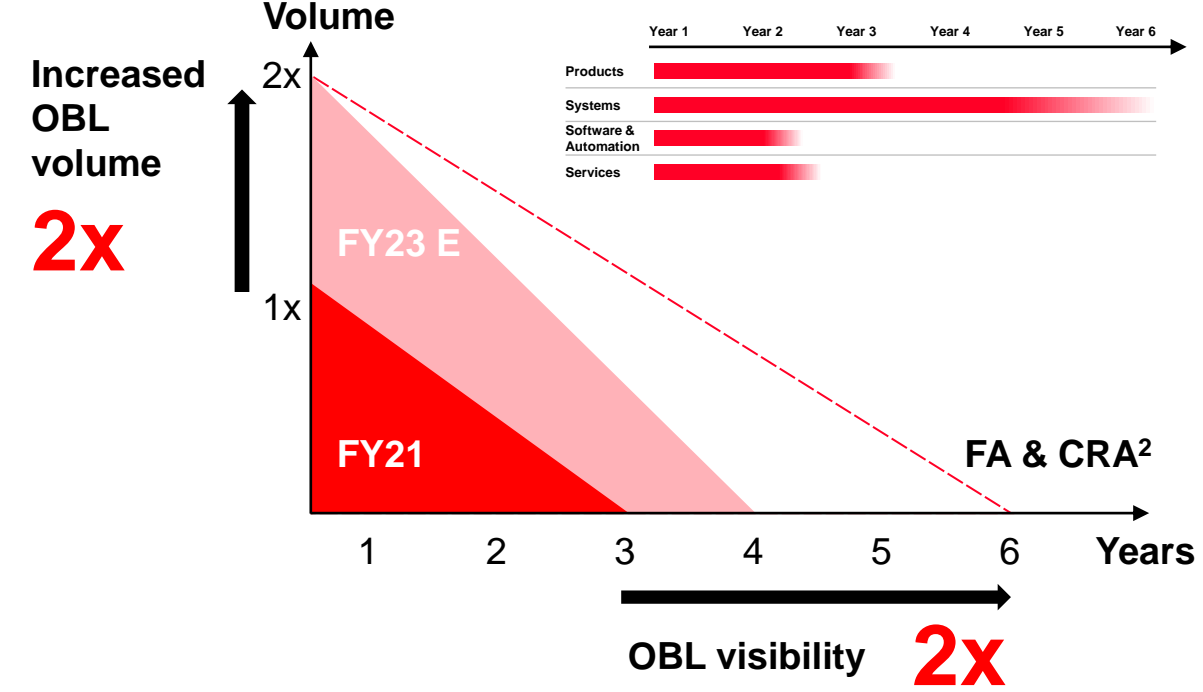
Improved order backlog gross margin

Order backlog (OBL) conversion to revenue, BUSD



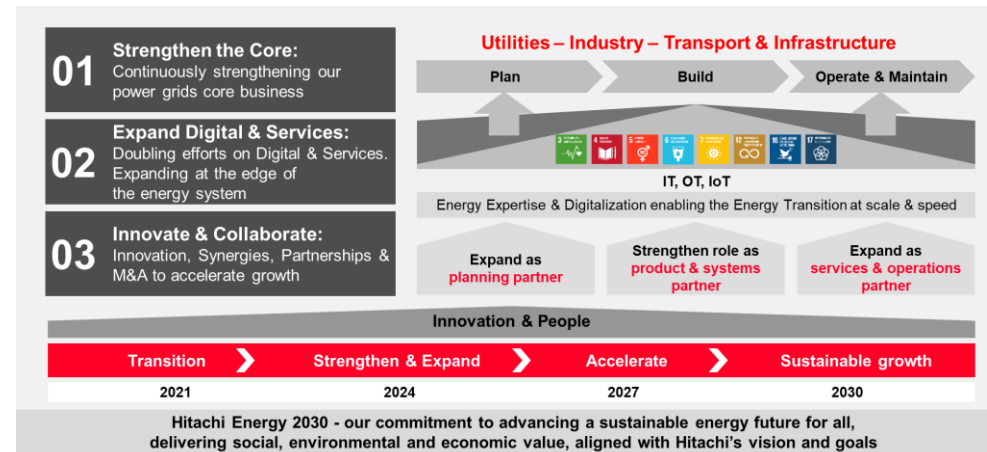
Improved visibility from 3 years to 5+ years

Illustrative, as of Sep 2023



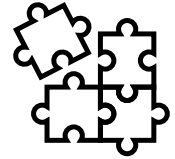
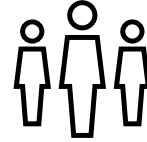
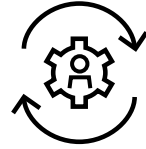
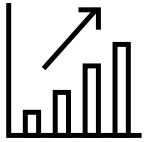
Hitachi Energy 2030

Purpose-driven strategic growth plan



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 ¹	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

We have streamlined the business and we are well positioned for growth



Improved performance and resilience

Enablers

Investing for growth

Business model, collaboration & innovation

Building synergies

Increasing size and quality of backlog

Operational excellence across the value chain

Expand capacity and workforce to meet growing demand

Partnerships ecosystem

Energy + Digital value creation synergies

Sustained demand across business and regions

Productivity and working capital enhancement

Digital & Service opportunities

Innovating with collaborative business models

Global footprint, e.g., account management

Proactively leverage tailwinds and mitigate headwinds

Digital and IT transformation

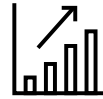
Innovation and R&D investment

Selectivity in line with Strategic Plan

IT, ERP harmonization



01 Improved performance and resilience

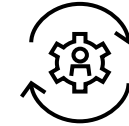


Example: Transformers

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



03 Investing for growth



Manufacturing



New factory: Bac Ninh, Vietnam



Expansion: Dosquebradas, Colombia



New factory: Bangalore, India



New factory: Chongqing, China

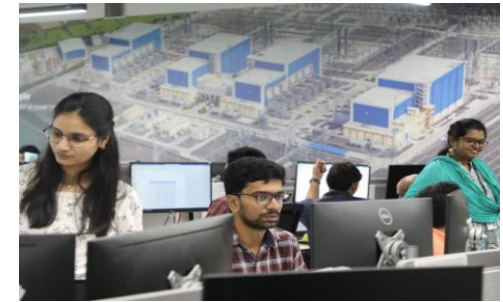


Expansion: Bland and Jefferson City in the US



New valve and C&P¹ 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



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





02 Enablers 

03 Investing for growth 

05 Building synergies 

Digitalization initiatives overview

S4/HANA



Deploying a new global ERP

Workday



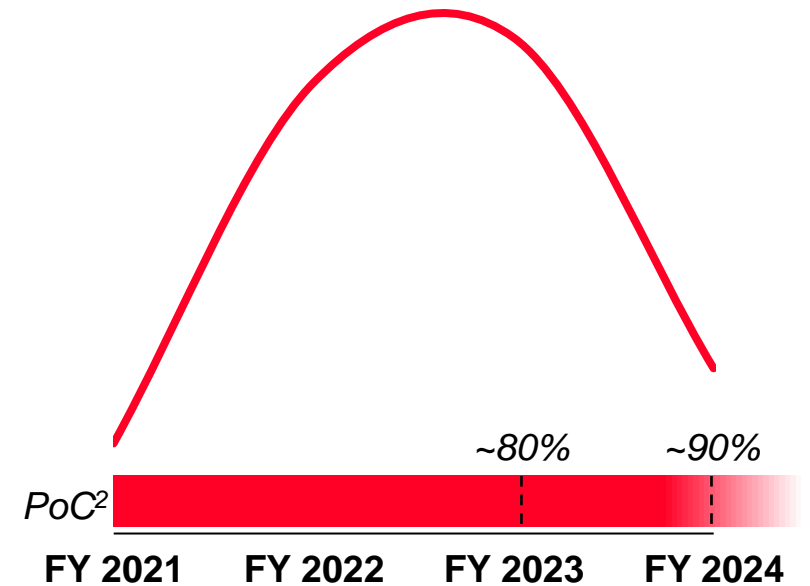
Adopting a common HR platform

Other initiatives



IT build-up, application rationalization

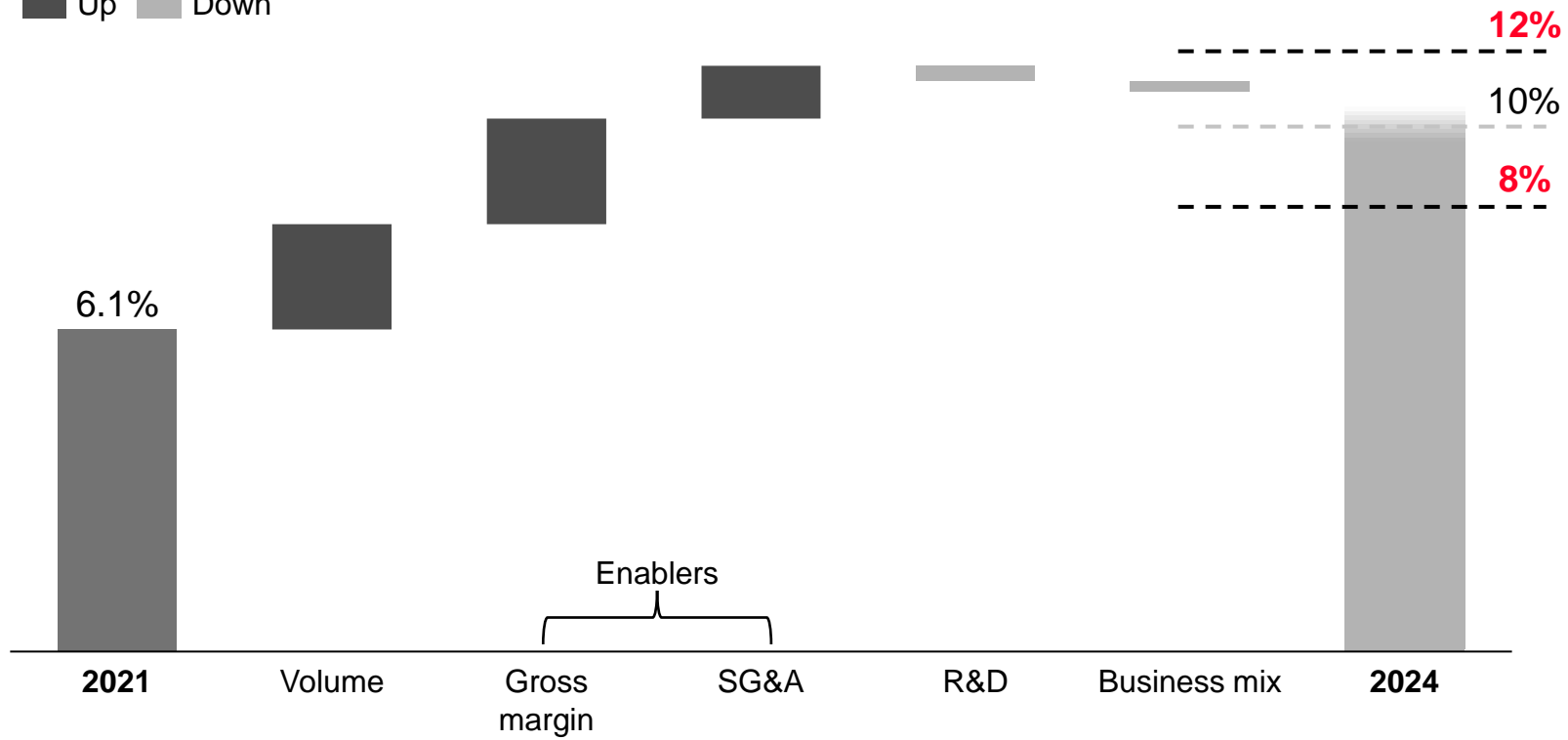
Related cost¹ – illustrative



Significant topline growth with improved margins

Adj. EBITA %, Standalone¹, illustrative

■ Up ■ Down



Drivers of profitable growth

Volume growth, supported by backlog execution

Gross margin accretion, supported by backlog margin and improved risk profile

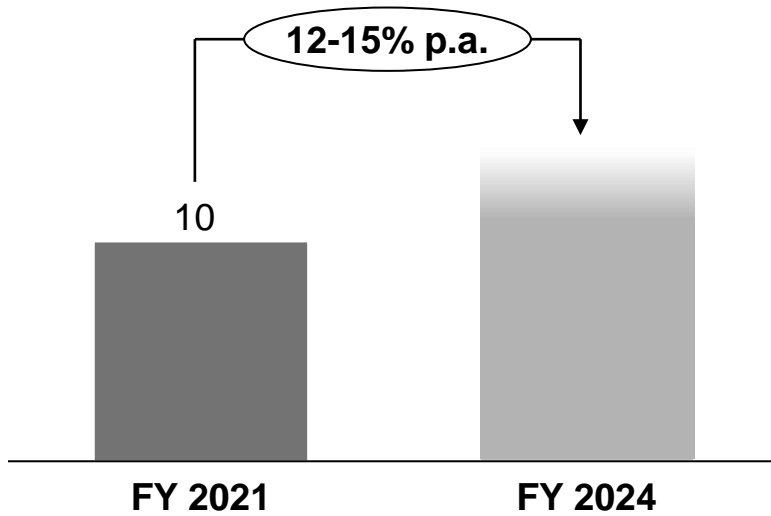
Operational excellence

Sales investments (volume leverage)

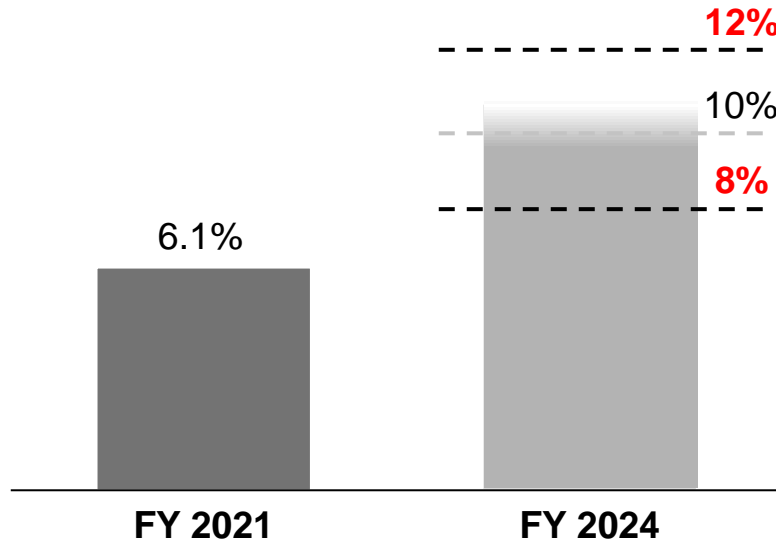
G&A productivity enabled by digital transformation

R&D growth initiatives (innovation)

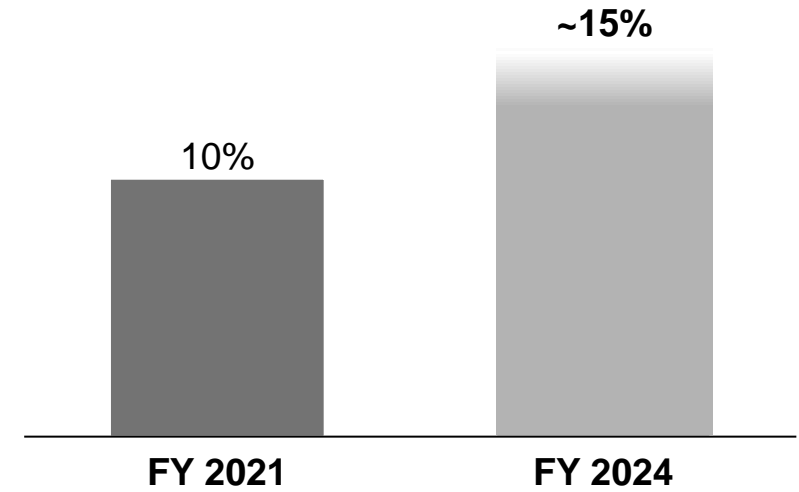
Revenues, BUSD



Adj. EBITA %, Standalone¹



ROIC² %, Standalone¹



Sustaining industry leadership in performance

Continue to grow above market and sustain margins, at upper end of range 2024+

**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



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