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Progress of the Mid-term Management Plan 2024

April 26, 2024

Keiji Kojima
President & CEO
Hitachi, Ltd.

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Target of MMP2024

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Leverage the results of structural transformations in past MMPs, increase corporate value by demonstrating organic growth

Growth

Planetary Boundaries

Protect the earth while maintaining social infrastructure

Society

Wellbeing

A society where every individual is comfortable and active

People

	Revenues growth (FY2021-FY2024 CAGR)	Adj. EBITA*1	ROIC	EPS growth*2 (FY2021-FY2024 CAGR)	Core FCF*3 (3-year cumulative)
MMP target 3 sectors	5%-7%	12%	10%	10%-14%	1.2 trillion yen Shareholder returns 0.8-0.9 trillion yen

*1 Adjusted operating income plus acquisition-related amortization and equity in earnings/losses of affiliates
*2 Calculated based on the number of shares before the stock split (effective July 1, 2024) *3 Core FCF = Cashflows from operating activities - CAPEX

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Sustainable Growth

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Sustainable management supports business growth

Strengthen governance

- Strengthen links between shareholder value and executive compensation
  - Adopt core KPIs from MMP as compensation indexes
  - Offer globally competitive compensation to secure outstanding talent
- Increase transparency for shareholders
  - Received Grand Prize G (Governance) in NIKKEI Integrated Report Award 2023

Environmental activities

- Contribute to customers' decarbonization

CO2 avoided emissions*1

100million tons	153million tons
MMP target	Forecast (3-year average)

- Carbon neutrality in FY2030

CO2 emission reductions*2

50%	67%
MMP target	FY2024 forecast

Strengthen human capital

- Diversify talent

Ratio of non-Japanese executive and corporate officers*3

15%	20%+
MMP target	FY2024 forecast

- Strengthen digital talent

Digital talent

97,000	97,000+
MMP target	FY2024 forecast

*1 Based on GHG Scope 3 downstream reporting according to the GHG Protocol: Base year is FY2013 (FY2020 for Hitachi Energy)
*2 Reduction rate in Scope 1 & 2 (emissions from Hitachi's workplaces and offices); Base year is FY2010 *3 Including assignment on April 1st

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2 Structure to support sustainable management

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Accelerate growth through globalization and digital technologies under the new structure

Strengthen global competitiveness

Executive Vice President and Executive Officer
(CSO*1, Head of Regional Strategies, and CRMO*2)

Brice Koch

Management strategies based on regional strategies and global risks

Senior Vice President and Executive Officer
(Chief Sustainability Officer, CHRO*3, and CDEIO*4)

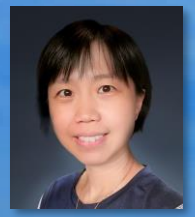
Lorena Dellagiovanna

Sustainability strategies and Human Resource strategies to accelerate innovations worldwide

Senior Vice President and Executive Officer
(In charge of Regional Strategies [Americas])

Shashank Samant

Expand digital applications business in North America



Corporate Officer
(CPO*5)

Alice Po

Manage procurement function globally, lead global supply chain reform

Accelerate digital growth

Executive Vice President and Executive Officer
(General Manager of Digital Systems & Services Division)

Toshiaki Tokunaga

Growth strategies with Lumada at the core

Executive Vice President and Executive Officer
(General Manager of Connective Industries Division)

Jun Abe

Promoting and expanding digitalization in Connective Industries

Vice President and Executive Officer
(President and CEO of GlobalLogic)

Nitesh Banga

Promoting and expanding digitalization with digital engineering as a starting point

Senior Vice President and Executive Officer
(CEO of Hitachi Energy) *6

Andreas Schierenbeck

Strengthening Hitachi Energy's service business and accelerating growth strategies

*1 CSO: Chief Strategy Officer *2 CRMO: Chief Risk Management Officer *3 CHRO: Chief Human Resources Officer
*4 CDEIO: Chief Diversity, Equity & Inclusion Officer *5 CPO: Chief Procurement Officer *6 Scheduled for appointment on July 1st, 2024

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3 Status of MMP2024 KPIs

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Expected to achieve the target financial structure

Revenues(3 sectors)

FY2022	FY2023	FY2024 forecast	Target
7.6 trillion yen	8.6 trillion yen	9.0 trillion yen CAGR 10%	8.0 trillion yen 5-7%

Profits (Adj. EBITA)

FY2022	FY2023	FY2024 forecast	Target
0.72 trillion yen 9.5%	0.87 trillion yen 10.1%	1.04 trillion yen Adj. EBITA% 11.5%	0.96 trillion yen 12%

Investment efficiency (ROIC)

FY2022	FY2023	FY24 forecast	Target
7.6%	8.7%	9.5%	10%

EPS growth*1

MMP2021	MMP2024 forecast	Target
404 yen	655 yen CAGR 17%	600 yen 10-14%

3-year average

Cash flow (Core FCF)

MMP2021	MMP2024 forecast	Target
0.9 trillion yen	1.5 trillion yen	1.2 trillion yen

3-year cumulative

*1 Calculated based on the number of shares before the stock split (effective July 1, 2024)

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Revenues growing substantially in Europe and the U.S. driven by GX, and growing globally amid DX

Market growth

GX 6-9%
Electricity transmission and distribution systems CAGR (2021-2030)*1

Electric power demand is growing due to a shift towards electrification and growth in renewable energy for decarbonization in the West

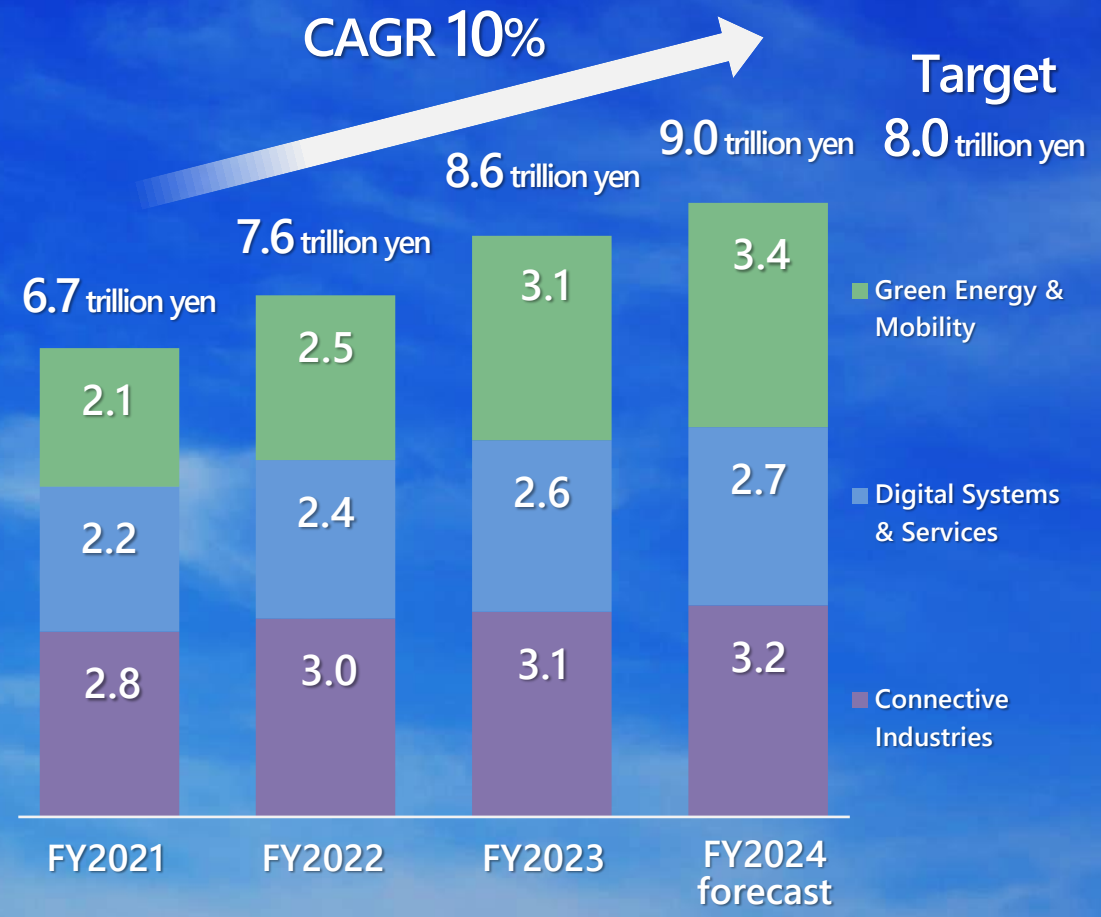
DX 16%
DX investments CAGR (2022-2027)*2

Business processes are changing with the development of the cloud and AI

New orders are increasing with the growth of DX and GX

	Green Energy & Mobility	Digital Systems & Services	Connective Industries
FY2023 Orders	4.8 trillion yen	2.8 trillion yen	3.0 trillion yen
Backlog	10.2 trillion yen	1.4 trillion yen	2.1 trillion yen

Revenues growth



*1 Hitachi Energy estimate based on industry report *2 Source: IDC Worldwide Digital Transformation Spending Guide

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5 Profit improvement

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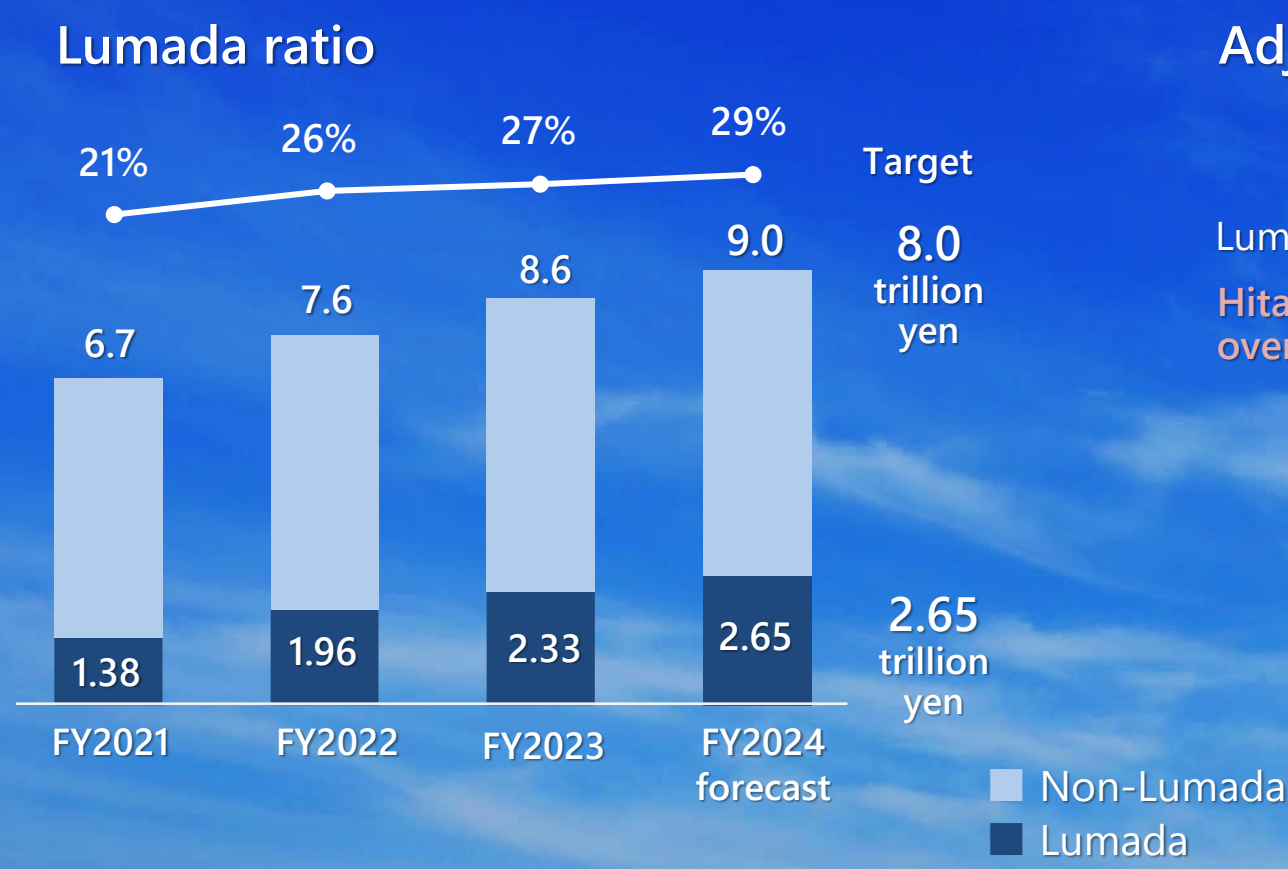
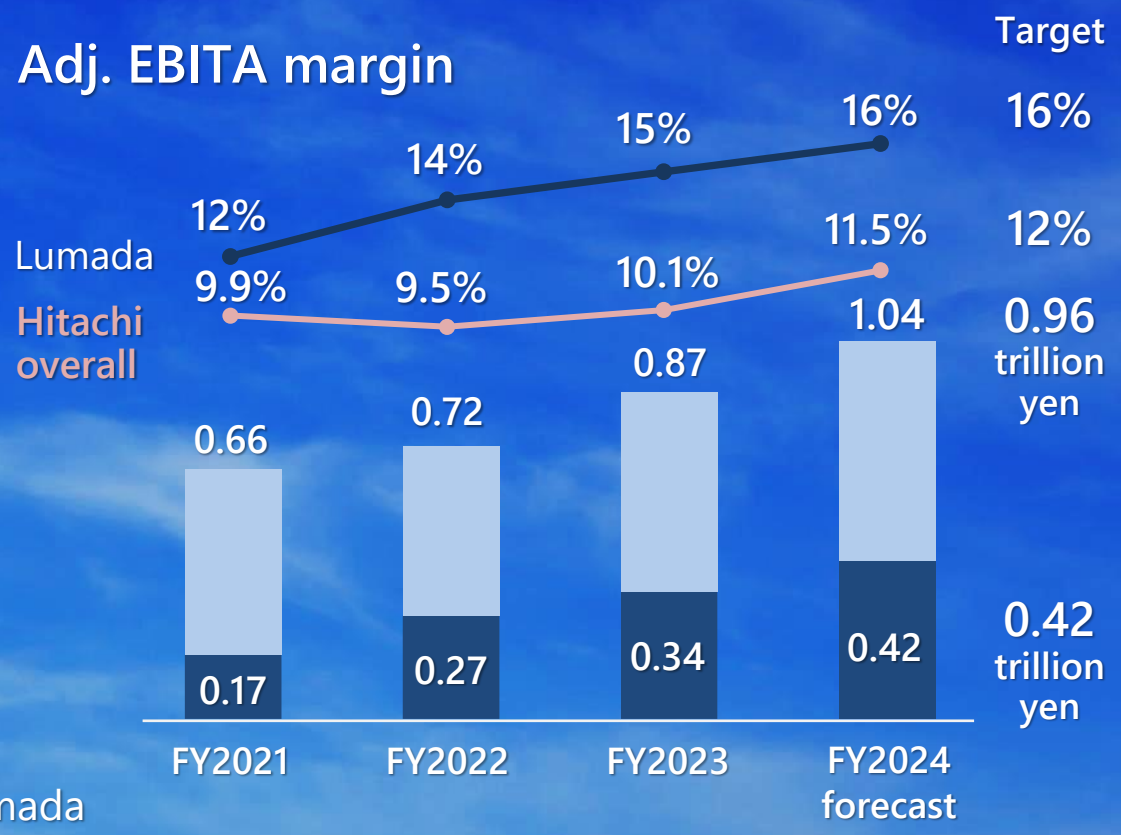
Highly profitable Lumada business leads profits growth of Hitachi overall

Revenues



Adj. EBITA



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Social Innovation Business is increasing globally

Next-generation nationwide load-dispatching system

Japan

- Large scale system to standardize a load dispatching system representing each area
- Contribute to stable power supply and decarbonization

OT *1
Core system/ Mission-critical SI
Social Infrastructure Systems BU

×

Power network management/ SCADA*2 platform
Hitachi Energy

IT
Software development support
GlobalLogic

Railway smart maintenance

Europe

- Expanding solutions integrating predictive maintenance and asset management
- Reduce maintenance costs and increases reliability through management of vehicle and facility condition

OT
Condition monitoring, expertise in prediction
Hitachi Rail

×

IT
Data gathering, analysis and migration to cloud
Hitachi Digital Services

Smart city NEOM

Saudi Arabia

- "Smart city giga project" promoted by government
- Contribute to construction of the smart city operated with 100% clean energy

Product order
HVDC, electrical facilities for green hydrogen production
Hitachi Energy

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Digitalization proposal
UPS, air compressors
Hitachi Industrial Products
Hitachi Industrial Equipment Systems

Digital twinning
GlobalLogic

*1 Operational Technology *2 Supervisory Control And Data Acquisition

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7 Net income stabilization

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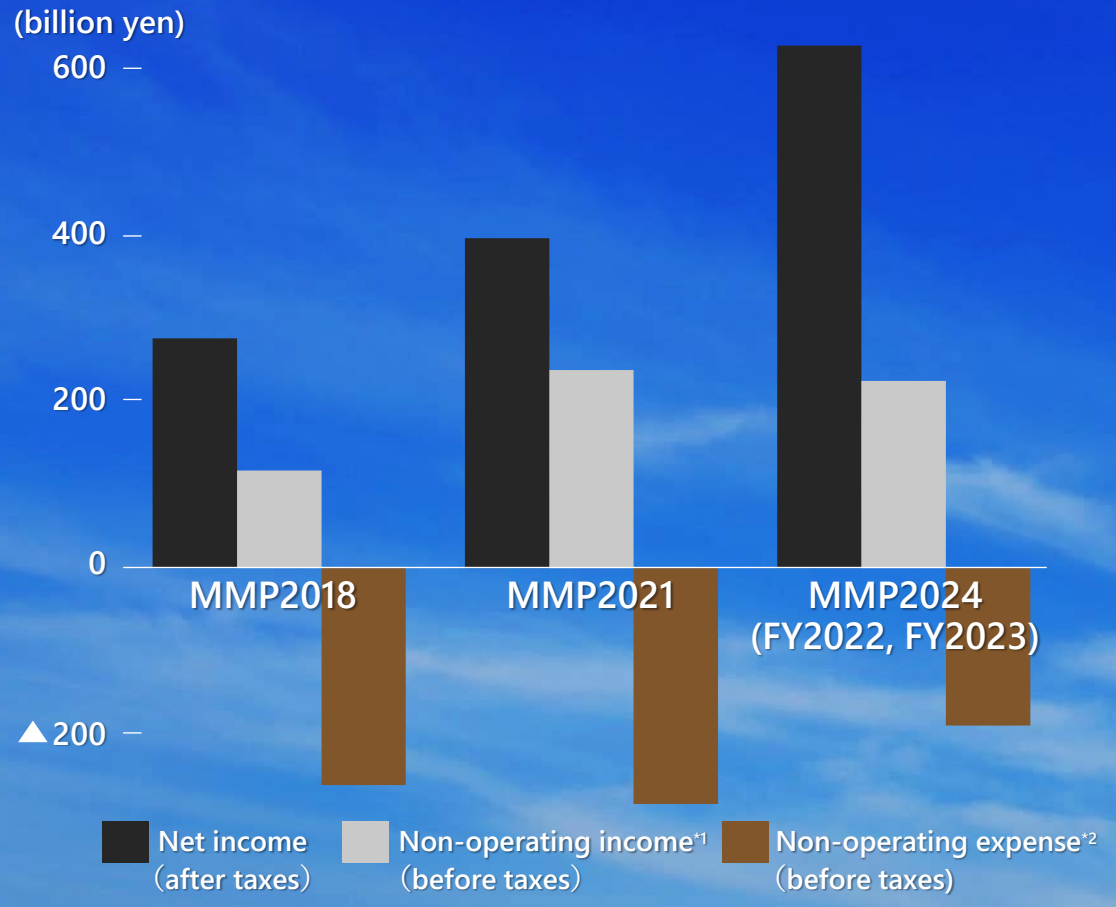
Reducing losses by strengthening the risk management system, net income becomes stabilized

Change in net income and non-operating income and expense (annual average)



Risk	Contents	Actions
● Economic environment (inflation, interest rates, exchange rates)	Global economy slowdown Labor costs, price surge	Price pass-through escalation Compressing working capital
● Pandemic	Lockdown in China Supply chain disruption	Diversification of suppliers
● Geopolitics	Prolonged conflict in Ukraine	Secured employee safety Business continuity
● EPC	Cost overrun	Risk management by dedicated team, minimizing losses
● Cyber attack	Ransomware attack, information stolen, threat	Clarification of management policy for incidents, development of process
● China economy	Stagnation in real estate market	Shift order intake from new construction to maintenance

*1 Including business reorganization profits, profits from sell-off of fixed assets, and equity method profits and losses

*2 Impairment losses, transformation expenses, etc.

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8 Cash generation

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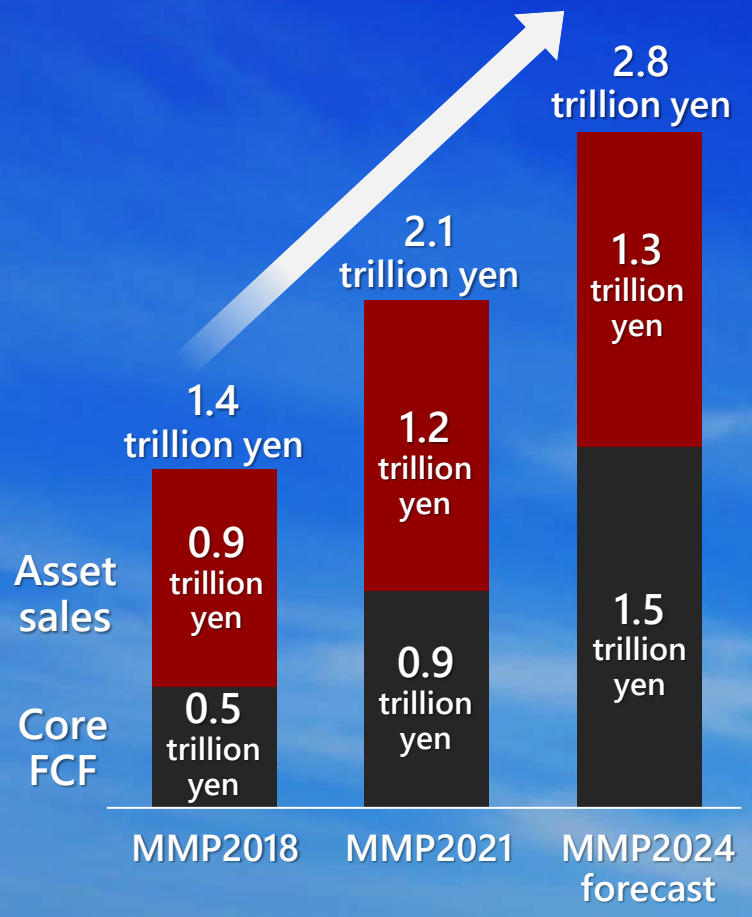
Efficiently increase core FCF through cash-oriented management

Cash generation
(3-year cumulative)



Initiatives	Actions
●Asset replacement	Improve asset efficiency through sell-off of lower profitability businesses
●Improve margins	Expand Lumada business
●Operational efficiency	Working capital FY2021 78 days→FY2024 57days Cash conversion*1 FY2021 50%→FY2024 80%
●Review contract conditions (Long-term projects)	Secure price increase terms linked to inflation Secure advance received based on progress
●Respond to inflation and increased prices	Review pricing

*1 Core FCF / Net income

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9 EPS and CFPS growth

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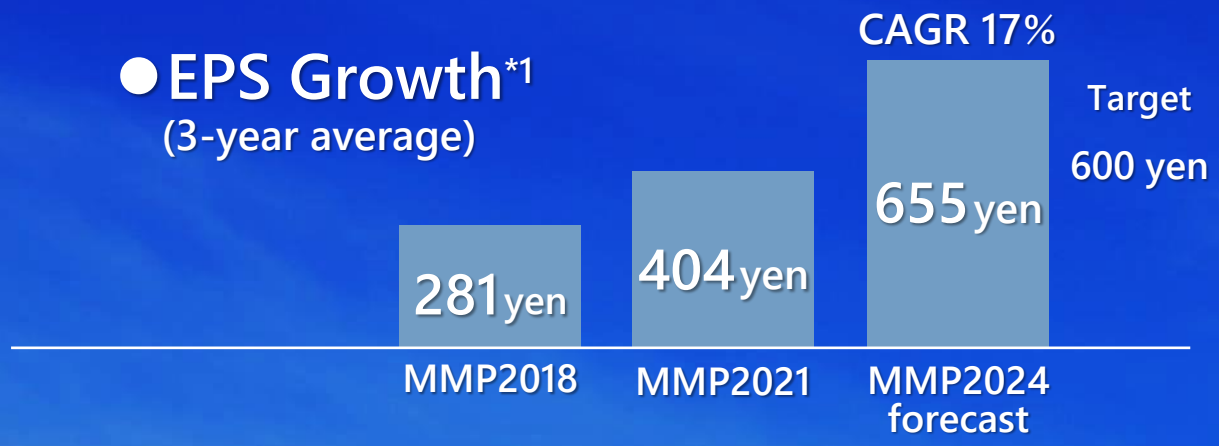
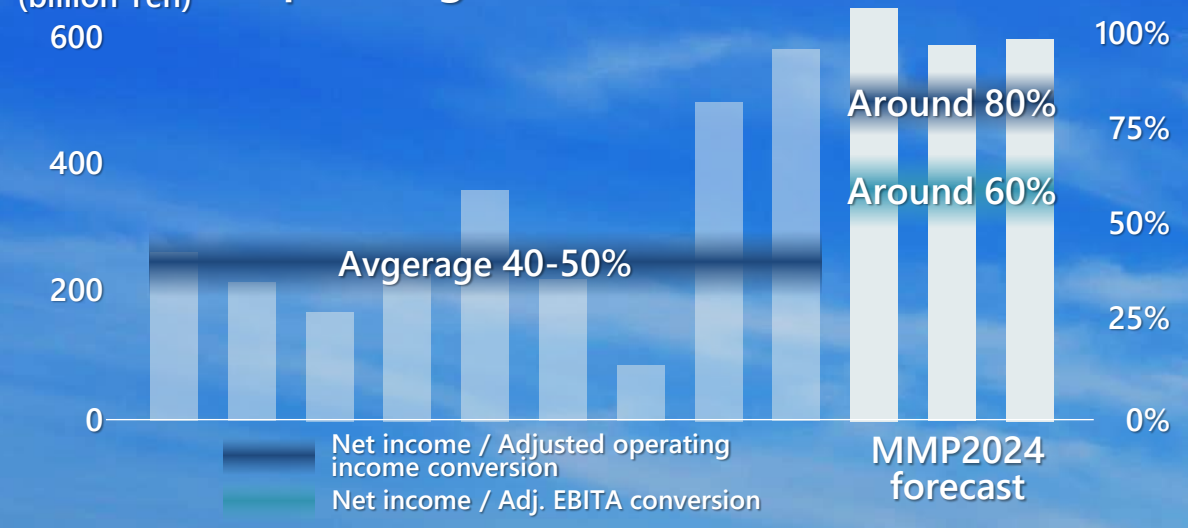
Stable growth in net income and core FCF, EPS and CFPS growth exceeding targets

●EPS Growth*1
(3-year average)

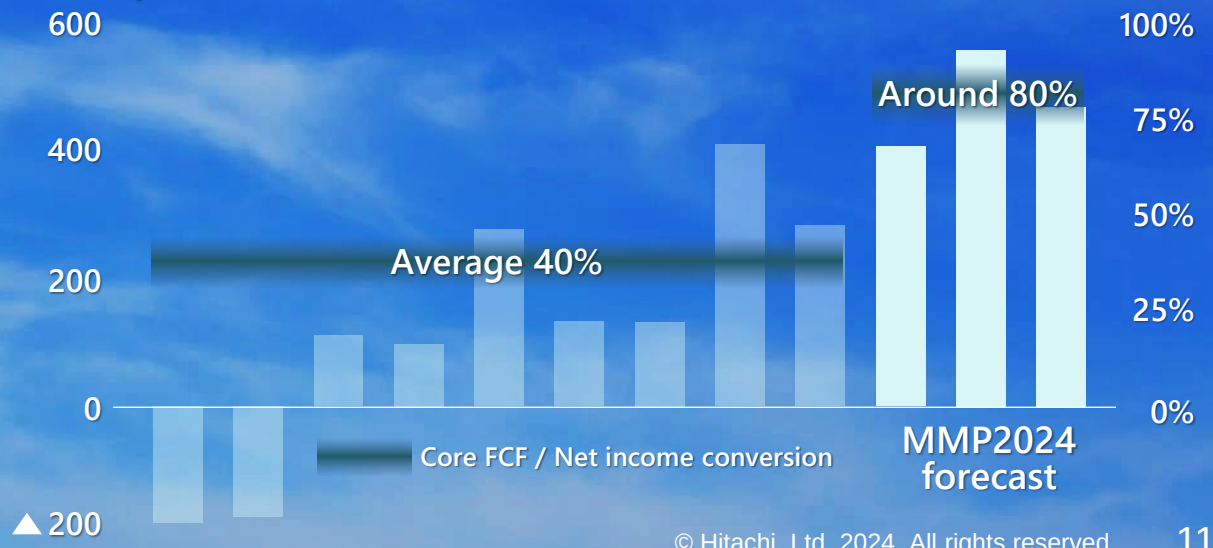


●CFPS Growth*1
(3-year average)

Change in net income and operating income conversion*2



Change in core FCF and net income conversion*2



*1 Calculated based on the number of shares before the stock split (effective July 1, 2024)
*2 FY2013 calculated based on US Generally Accepted Accounting Principles

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10 Capital allocation

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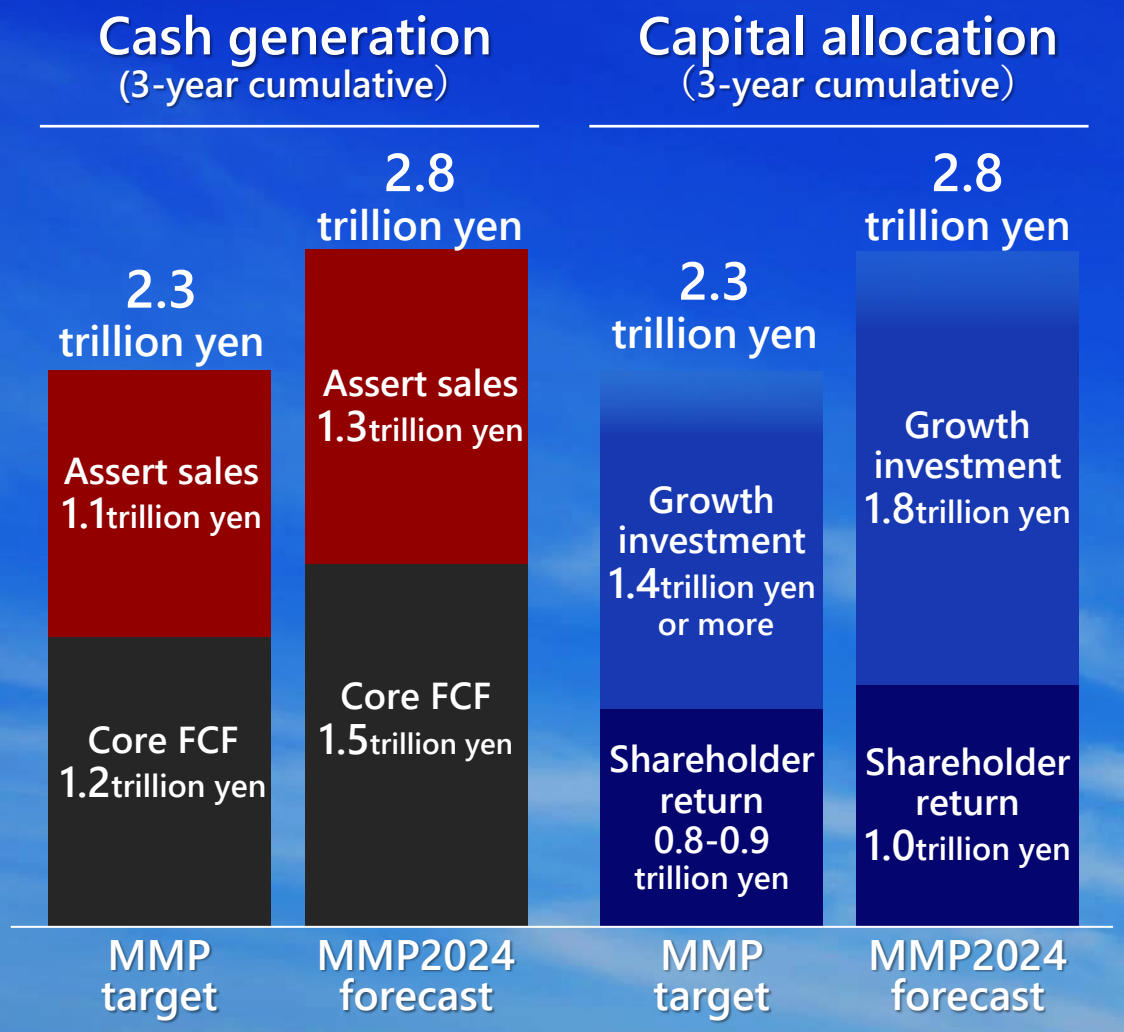
Balance allocation of increased cash to strengthen shareholder returns and increase growth investments



- **Capital structure**
  D/E ratio: Aim for 0.5x
  Financial leverage: Apply at Net Debt/EBITDA of 1-2x
- **Growth investment**
  Criteria: Adj. EBITA over 12%; ROIC over 10%
  In addition to digital, green, and innovations, invest in new growth opportunities
  Apply cash effectively, including non-M&A investments
- **Share buyback**
  Implement flexibility based mainly on asset sales and progress of growth investments
- **Dividends**
  Pay out steadily based on business growth, also taking into account financial status and payout ratio

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11 Strengthen returns to shareholders

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Continue flexible share buybacks, with dividend level matching growth in profits and cash

Up to now 0.6 trillion yen + **Today's announcement** 0.4 trillion yen

	FY2022-2023	FY2024
Share buybacks	300 billion yen	200 billion yen following additional asset sales
Dividends	5 yen dividend increase every 6 months *1 65→80 yen Dividend growth rate: 15%	Increase dividends by 20 yen through strengthened core FCF generation 100 yen (FY2023 year-end dividends) Dividend growth rate: 24%*2

Consider both 50% of core FCF and 50% of net income for total shareholder returns

Annual dividends per share*3
(Based on resolution)

Dividend increase trend maintained for 13 consecutive years since FY2010

*1 Continued 5 yen dividend increase every 6 months from FY2020 onward *2 Calculated from 65 yen dividend at end of FY2021
*3 Calculate assuming that FY2018 share consolidation was implemented at start of FY2010

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12 Increase growth investments

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Increase growth investments and generate further cash

Past investments

0.8 trillion yen

+

Main investments moving forward

1.0 trillion yen

Medium-scale M&As to strengthen individual businesses

	Investment
● Made Hitachi Energy a wholly owned subsidiary	0.2 trillion yen
● GlobalLogic bolt-on M&A	0.1 trillion yen
● Thales GTS*1	0.3 trillion yen
● Others (Flexware, Telesis, etc)	0.2 trillion yen

In addition to strengthening individual businesses, capture new growth opportunities

	Expected amount
● Generative AI	0.3 trillion yen
● Manufacturing fields expanding through DX, GX	0.2 trillion yen
● Servitization of social infrastructure business	0.2 trillion yen
● Flexible M&As when promising cases arise	0.3 trillion yen

*1 Grand Transportation Systems

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Capturing new growth opportunities

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13 New growth opportunities

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New growth opportunities have arisen with the emergence of generative AI and changes in the market

Generative AI

With the emergence of generative AI, productivity has increased in various industries

As demand for generative AI increase, demand for data centers increase

- Increased software productivity
- Increased front-line worker productivity
- Data centers

Manufacturing fields expanding through DX, GX

Technology innovations have driven demand for DX, further increasing needs for information infrastructures

Increasing demand for clean energy, acceleration of the circular economy

- Semiconductor manufacturing
- Battery manufacturing

Servitization of social infrastructure business

Hitachi focuses on the social infrastructure business, capturing the tailwinds of DX and GX

Expanding servitization by combining strong products and knowledge of OT with digital technologies

- Energy business
- Railway business
- Industrial products business

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14 New growth opportunities
-Generative AI-

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Invest in productivity improvement through generative AI, and in data centers that grow with generative AI

Improve software productivity

Opportunities to improve productivity*1
(Software engineering)

580-1,200 billion USD/year

- Resolving the shortage of engineers in software development
  - Improve work efficiency in requirement definition, design, and test processes of software development
  - Reduce human error and improve quality

Key growth investments

Use of generative AI at GlobalLogic

Improve front-line worker productivity

Opportunities to improve productivity*1
(Advanced manufacturing)

170-290 billion USD/year

- Use in front-line operations that account for 80% of the global working population*2
  - Generative AI x Robotics
  - Use in the Worksite-Augmenting Metaverse; e.g., railways, nuclear power plants

Key growth investments

Development of industrial metaverse

Data centers

Data center investments*3

32 billion USD 2022 → 49 billion USD 2030

- Provide green, resilient services in a one-stop format
  - Hybrid cloud — Hitachi Vantara
  - Power receiving and transforming facilities — Hitachi Energy
  - Cooling facilities — Hitachi Global Life Solutions

Key growth investments

Development of Hitachi iQ*4
(Collaboration with NVIDIA)

*1 McKinsey, The economic potential of generative AI *2 Emergence Capital, The state of technology for the deskless workforce
*3 McKinsey, Investing in the rising data center economy *4 Integrated AI solutions built on Hitachi's highly reliable storage

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15 New growth opportunities
-Manufacturing fields expanding through DX, GX-

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Investing in the growing semiconductor and battery manufacturing

Semiconductor manufacturing

Market scale*1 600 billion USD (2021) → 1,000 billion USD (2030)

- Strengthen the line building business along with top global products for manufacturing and testing

Products × Digital

CD-SEM*2
Hitachi High-Tech

Building clean environments
Hitachi Plant Services,
Hitachi Global Life Solutions

Demand forecast, Data integration platforms
GlobalLogic

Key growth investments
- Development of CD-SEM
- Downstream process solutions

Battery manufacturing

Market scale*3 85 billion USD (2022) → 400 billion USD (2030)

- Creating 5R cyclic services*4 that connect manufacturing, reuse, and recycling for next-generation batteries

Products × Digital

Inspection equipment
Hitachi High-Tech

Line building
IDBU*5, Water & Environment BU
Hitachi Power Solutions

Life cycle management
Hitachi High-Tech

Key growth investments
- Strengthen battery solutions

*1 McKinsey, Exploring new regions: The greenfield opportunity in semiconductors *2 Critical Dimension-Scanning Electron Microscope
*3 McKinsey, Battery 2030: Resilient, sustainable, and circular *4 Remanufacturing, Rebuild, Repair, Reuse, Recycle *5 Industrial Digital BU

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16 New growth opportunities
-Servitization of social infrastructure business-

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Investing in servitization within the growing social infrastructure business

Energy

HVDC links installed 150GW*1
(No.1 worldwide)

Hitachi Energy — HVDC, OT knowledge, Asset management
×
GlobalLogic — IT knowledge, generative AI, digital twins

- Increase availability through real-time monitoring using digital technologies
- Advance maintenance through AI-based predictive diagnosis

Railways

Hitachi railway service users
18billion passengers/year

Railways — Signaling/Vehicles systems, Smart mobility platforms
×
Thales GTS — Fare collection systems
×
GlobalLogic — Digital engineering

- Expand Lumada digital services leveraging the global customer base of Thales GTS
- Roll out asset management to optimize customers' operation and maintenance

Industrial Products

Screw compressors
200,000 units*2
(No.1 in Japan, No.3 worldwide)

CI*3 Sector — Industrial equipment and facilities, power facilities, and industrial robots, etc.
×
Digital — Analytics, integrated AI, preventative maintenance, proposal improvement

- Support operational optimization and propose improvements with Asset management as a Service
- Accelerate recurring business related to industrial equipment in North America

*1 Equivalent to a capacity that meets the peak power demand for Japan
*2 No. of operating units in the market (Hitachi Industrial Equipment Systems estimates including market share)
*3 Connective Industries

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Summary

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- Expected to achieve MMP2024 KPIs, with organic growth driven by DX, GX
- Balance allocation of increased cash to strengthen shareholder returns and increase growth investments
- Target investments in new growth opportunities such as emergence of generative AI and fast-growing manufacturing fields
- Realize further organic growth in the next MMP with investments in new growth opportunities

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IR schedule

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FY2024

May: Dialogs with investors

- June 11: Investor Day

Summer to year end:
Dialogs with investors

FY2025

- Announce next MMP

Hitachi Investor Day 2024

Explain the form of One Hitachi, which realizes sustainable growth while capturing new growth opportunities

- Date: Thursday, June 11, 2024, 3:00 P.M.- 5:40 P.M.
- Agenda:

1. CEO Remarks	Keiji Kojima	President & CEO
2. CSO Introduction	Brice Koch	Executive Vice President, CSO
3. Digital strategies	Toshiaki Tokunaga	Executive Vice President
4. Green strategies	Alistair Dormer	Executive Vice President
5. Connective strategies	Jun Abe	Executive Vice President
6. CFO Session	Tomomi Kato	Senior Vice President, CFO
7. Q&A Session		

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Hitachi Social Innovation is POWERING GOOD

Cautionary Statement

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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:

- 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;
- credit conditions of Hitachi's customers and suppliers;
- 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;
- uncertainty as to Hitachi's ability to response to tightening of regulations to prevent climate change
- 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 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;
- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- uncertainty as to the success of cost structure overhaul;
- 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;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- 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 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.

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