

## **Q&A Summary: Web Conference on Q3 FY2025 Earnings**

<b>Date</b>	<b>:</b>	<b>Thursday January 29, 2026, 16:30-17:30 JST</b>
<b>Speaker</b>	<b>:</b>	<b>Tomomi Kato</b> <b>Senior Vice President and Executive Officer, CFO</b>
		<b>Hiroaki Ono</b> <b>Deputy General Manager, Finance Division</b>
		<b>Shinichiro Tamai</b> <b>Executive General Manager, Investor Relations Division</b>

Unless otherwise specified, all respondents are Mr. Kato

### **Questioner 1**

**Q. Regarding the storage business, its Q3 Adjusted EBITA margin improved by 2.4 points YoY as a result of structural reforms. On the other hand, the full-year Adjusted EBITA margin outlook for “IT Products total” disclosed this time is 4.4%, which is low compared with Hitachi’s overall level. As you continue to implement further structural reforms, are there any guiding principles or conditions under which the storage business could remain within Hitachi? In addition, could you share your current view on the impact from rising prices of memory and hard disk on performance in the current and next fiscal years?**

A. In this fiscal year, the competitive environment remains severe due to factors such as restrained investment by certain customers, and revenue is expected to decline from the previous year. Under these circumstances, we are prioritizing profitability improvement through structural reforms, including optimization of fixed costs. In terms of order intake, we are also thoroughly enforcing deal management with a strong focus on profitability. At present, the profit margin of the storage business is below the average level of the DSS sector, and we believe it should at least aim to reach the DSS average. In addition to structural reforms, we are strengthening our sales capabilities through collaboration with external partners, and we believe that these initiatives will enable us to improve profitability. Furthermore, the expansion of data center demand is a positive tailwind, and we aim to capture this demand steadily to drive improvement. Rising component costs are an industry-wide issue; however, in areas with strong demand such as data centers, we have been able to obtain customer understanding regarding price pass-through. As a result, we do not currently anticipate a significant deterioration in profitability. However, the competitive environment remains challenging, and we will continue to closely monitor the situation.

**Q. You mentioned that customer is understanding the price pass-through in the data center area. How should we think about the risk of profitability deterioration in other areas?**

A. Rising costs are not an issue specific to our company, rather an industry-wide challenge, and we believe that customers will understand the price pass-through, basically. At the same time, there are certain areas where competition is particularly intense, and we recognize that the risk of profitability deterioration remains in those areas.

**Q. Regarding the “Hitachi to strengthen business structure to drive Lumada 3.0 growth through physical AI” announced today, please explain the key initiatives and objectives. In addition, the organizational chart in the release shows that CI includes the Industrial Products BU, the Industrial Solutions BU, and the Urban Solutions & Services BU. How should we understand the positioning of other businesses?**

A. This CI organizational structure enhancement is intended to reorganize the business into an optimal setup to accelerate the growth of the Lumada business, particularly digital services, and to promote the introduction and expansion of HMAX solutions. In line with the growth strategy for the Lumada business, we have reorganized CI into three BUs. The first is Industrial Products BU. With the aim of strengthening digitalized assets under Lumada 3.0, we have consolidated industrial equipment businesses, such as UPS. The second is Industrial Solutions BU. To capture the evolution of Physical AI and drive the growth of HMAX in industrial domains, this BU includes Hitachi High-Tech, which has advanced technologies, the Water Environment business with strong engineering capabilities,

and the Industrial Automation business. The third is Urban Solutions & Services BU. In anticipation of expanding demand from data centers and semiconductor manufacturing equipment, this BU integrates the Building Systems business, Hitachi Global Life Solutions, which has air conditioning, and Hitachi Power Solutions, which provides field services. In addition, Mr. Amaya, currently Executive Vice President and COO of the CI sector, will assume the role of CI Sector CEO. He has led the development and market launch of “BuilMirai”, a building facility management solution and the very first HMAX solution in CI. We believe this organizational structure and management appointment are well suited to driving the CI sector’s Lumada business strategy toward Inspire 2027.

## Questioner 2

**Q. I would like to ask about the semiconductor-related and data center-related businesses. There have been reports that imports of NVIDIA’s H200 have been approved in China. Do such market developments have any impact on your business or supply chain? In addition, is there anything you are considering, such as a review of the supply chain?**

A. We have entered into an MOU with NVIDIA and are jointly developing the data center solution “Hitachi iQ.” In addition, we are working on the utilization of AI Factory promoted by NVIDIA. We are building AI Factories at three locations globally, which we believe will serve as a foundation for accelerating the deployment of agent AI and Physical AI. At this point, it is difficult to foresee how the reported approval will directly affect our business. However, as NVIDIA’s GPUs are globally used and the research and development advances further, it will strengthen the growth environment for Lumada 3.0, particularly Physical AI and agent AI, which we are promoting. Overall, we see this trend as a positive development.

## Questioner 3

**Q. I would like to ask about the order environment at Hitachi Energy. How has it changed from three months ago?**

A. At Hitachi Energy, orders in Q3 increased by 15% YoY, showing solid momentum. Base orders, excluding so-called large-scale projects, remained steady, led by North America, Europe, and other regions including the Middle East. While data center-related orders still account for less than 10% of total sales, they also contributed in Q3. Looking ahead, if data center-related orders expand further in addition to the continued strength of base orders, we believe the certainty of growth will increase further.

**Q. Investment restraint by customers in Europe and the United States in the storage business has continued throughout the current fiscal year. If you have any current view on the timing of a market recovery, please share it.**

A. Regarding the storage business, demand from data centers continues to grow, and we expect this trend to continue. In other markets, while the overall market conditions have not deteriorated significantly, competition remains extremely intense. Accordingly, in addition to launching new products and implementing structural reforms, we are strengthening our competitiveness, including sales capabilities, through collaboration with external partners. Profitability has improved step by step in Q2 and Q3, and going forward we aim to further enhance profitability alongside top-line growth. While we are not in a position to indicate a clear timing for a market recovery at this stage, we intend to steadily improve performance from this year into next year and beyond.

#### Questioner 4

**Q. Regarding China's rare-earth element(REE) export controls, how do you view the direct and indirect impact on your business? If there is any impact, could you explain the specific nature of that impact, the countermeasures currently being taken, and how this has been reflected in the current earnings outlook?**

A. Please allow me to refrain from commenting on the numerical impact, but I would like to explain the situation. We procure magnets and motors containing REE mainly for the CI and Mobility sectors. At this point, there is indeed some delay in some areas, but we are managing by strategic inventories in cooperation with our procurement partners and by considering alternative sourcing options. As a result, the impact at present is limited. From a medium- to long-term perspective, we are also working to reduce risks by promoting initiatives such as the adoption of heavy REE-free magnets and the recycling of magnets from end-of-life products.

**Q. There have been reports that a power transmission and distribution equipment project involving Hitachi is being considered as the first investment project under the Japan-U.S. tariff agreement framework. To the extent possible, could you share the current status of consideration and the approximate scale of the project?**

A. Various discussions are currently taking place between the governments of Japan and the United States, and we would like to refrain from commenting on the details of individual projects. We are examining opportunities in areas where we can contribute to the United States, while appropriately controlling risks. We are actively considering initiatives that will connect to our core businesses, including the provision of HMAX announced at CES in early January. The United States is one of our most important markets, and we have consistently demonstrated our commitment through ongoing investments and job creation. Going forward, regardless of this specific framework, we will continue to position the expansion of our U.S. business as a key pillar of our mid- to long-term global growth strategy, and will work to create business opportunities and contribute to the market.

#### Questioner 5

**Q. The DSS front business appears to be performing very well recently. Orders in Q3 increased by 10% YoY. Could you elaborate on whether the Financial Services or Social business unit is driving this performance?**

A. From an order intake perspective, Front Business orders in Q3 increased by 11% YoY, and in Q3 alone, Financial Institutions BU led the growth. Orders in Financial Institutions BU in Q3 increased by 13% YoY, supported by the winning of large-scale projects as well as orders for electronic payment and mobile banking projects overseas. On the other hand, Social Infrastructure Systems BU also showed solid performance, with Q3 orders increasing by 7% YoY, exceeding the previous year due to the securing of large-scale projects. On a nine-month cumulative basis, Front Business orders overall increased by 9% YoY, with Social Infrastructure Systems BU leading the growth at 12% YoY. As order intake fluctuates depending on project timing, either Financial Institutions BU or Social Infrastructure Systems BU may lead growth in different phases. Overall, however, both areas are benefiting from strong tailwinds.

**Q. I would like to ask about wage increases. The Japanese Electrical, Electronic and Information Union has announced that it will request a base pay increase of at least 18,000 yen in the spring labor negotiations. To the extent possible, could you comment on your policy regarding future wage increases?**

A. We fully recognize that expectations regarding wage increases are rising. However, this is a matter to be discussed in the upcoming spring labor negotiations, and at this point we are not in a position to comment on specific levels. From a mid- to long-term perspective, we believe it is important to continue the trend of wage increases and to create a virtuous cycle of growth and distribution. As a prerequisite, it is essential for the company to achieve sustainable growth and generate stable profits. In addition to wage improvements, including base pay increases, we will consider a comprehensive approach to compensation that also incorporates measures to enhance employee engagement.

## Questioner 6

**Q. I would like to ask about the Trump tariffs. Compared with Q2, it appears that there has been a slight change in the figures. Could you briefly explain what the differences are?**

A. **Mr. Ohno:** At the previous earnings announcement, we indicated an impact of (20.0) billion yen on full-year Adjusted EBITA. This time as well, the level is broadly unchanged, and we have factored in an impact of (23.5) billion yen.

**Mr. Kato:** Regarding the impact of tariffs, customers are understanding the price pass-through, and the direct impact has been improving and becoming smaller. On the other hand, as mentioned earlier in the discussion on storage, there has been a somewhat greater increase in indirect impacts, such as restrained investment by customers. However, on an overall basis, we recognize that the scale of the impact has not changed significantly from the previous outlook.

**Q. Regarding the DSS, particularly in the United States, we see that customers may be increasingly internalizing systems development using AI. To what extent is this trend currently affecting the performance of the Hitachi Group's system integration business and GlobalLogic?**

A. We have already been advancing the use of AI in our system integration business, and for projects where agreement can be reached with customers, we are utilizing AI across all projects to improve productivity. While there are some moves by customers to consider internal development, our view is that this trend is still at an early stage in Japan compared with overseas markets. From our perspective, supporting customers in their use of AI is itself an important role. Even if internalization progresses, humans will continue to be required to effectively utilize AI. In this regard, we have a large pool of AI talent both in Japan and overseas. By leveraging these strengths, we believe demand for our services will continue to expand. At this point, we recognize that there has been little impact on performance.

**Q. I would like to ask about the new management structure for next fiscal year. You explained this from the perspective of promoting Lumada 3.0, but looking at the sector level, Dr. Koch will step down and Mr. Amaya will assume the role of CI Sector CEO. Given that the current management structure only began this fiscal year, could you provide more background on this personnel change?**

A. Regarding the departure of Vice Chairman Koch, this was based on his own request, and we are unable to comment further on the details. On the other hand, Mr. Amaya, who will assume the role of CI Sector CEO from next fiscal year, has overseen the CI sector as COO over the past year and has also led the development and market launch of "BuilMirai," the first HMAX solution within CI. As CI moves forward with expanding its business under Lumada 3.0 by using Physical AI, we recognize this appointment as the most appropriate choice, based on his track record and experience.

## Questioner 7

**Q. I would like to ask about Q3 order intake by segment. Services & Platforms declined YoY, and we understand that the main factor was the storage business. Excluding storage, how did orders change, and in particular, could you comment on the order situation at GlobalLogic?**

A. Orders in Services & Platforms in Q3 decreased by 5% YoY, mainly due to the storage business. In addition to restrained customer investment, we have been selecting deals with a strong focus on profitability, which resulted in orders declining compared with the previous year. In Q3 specifically, the impact of the decline in storage orders was the most significant factor.

**Q. Regarding GlobalLogic, has customers' investment restraint in Europe and the United States worsened compared with three or six months ago, or is there a gradual improvement trend? If improvement has not progressed, will you also consider counter measures such as workforce optimization? In addition, regarding the storage business, as a result of deal management, has profitability turned positive?**

A. At GlobalLogic, revenue has continued to increase year on year, and we are not in a situation where resources are in excess. While the growth rate is in the low single digits, the business continues to expand. In addition, there is strong demand for synergies within the Hitachi Group, including Mobility and Energy, particularly in AI-related areas such as the development of HMAX solutions. Including these areas, GlobalLogic is showing growth of approximately 20%. Based on these factors, we believe that growth will continue going forward. As for the storage business, we are managing deals with a focus on profitability and selectively accepting orders with higher margins. As a result, this is contributing positively to profitability.

**Q. I would like to ask about the additional 100 billion yen share repurchase announced this time. We understand this as part of shareholder returns following asset sales, but the balance sheet remains solid. Including the possibility of future M&A, could you explain your thought and time horizon toward target capital structure levels, such as the D/E ratio?**

A. This share repurchase was decided in line with our existing capital allocation policy, following a comprehensive assessment of the use of proceeds from asset sales for both growth investments and shareholder returns. In Q3, we generated proceeds from the partial sale of our stake in Hitachi Construction Machinery. In addition, considering that there are no plans for large-scale growth investments toward Q4 and taking into account our financial position, we decided to conduct the share repurchase in a timely manner. Regarding our capital structure going forward, while we view a D/E ratio of around 0.5x as one long-term reference level, we will take time to determine the optimal level by considering capital allocation conditions, the funding environment, and the business environment.

#### **Questioner 8**

**Q. You mentioned that Q3 performance exceeded internal plans across all metrics. To what extent did Adjusted EBITA exceed the plan at the company-wide level? In addition, could you explain the breakdown by segment?**

A. Adjusted EBITA in Q3 exceeded the internal plan by approximately 40.0 billion yen on a company-wide basis. Roughly, the half was attributable to foreign exchange effects, while the remaining half came from organic profit growth. In terms of organic contributions, Energy was the largest contributor, followed by CI. Together, these two businesses accounted for approximately half of the total upside. Within CI, better-than-expected profit improvement in businesses such as Measurement & Analysis Systems and Building Systems contributed to the results.

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