CEO Message

Toshiaki Tokunaga | President & CEO

Digital Infrastructure Company transforming social infrastructure through digital

“What kind of company is Hitachi?” This was a question raised by one of our shareholders.

Hitachi has continued to transform to grow sustainably. We are a very different company today than we once were. This question captures what many stakeholders want to understand: where we stand today and where we are going.

With this in mind, I would like to reaffirm what kind of company Hitachi is, the value we bring to society, and how we will enhance our corporate value.

Since our founding in 1910, Hitachi has consistently built and supported social infrastructure, guided by our mission: “to contribute to society through the development of superior, original technology and products.” For 116 years, we have delivered highly reliable, high-quality products, cultivating infrastructure control and operational technology (OT) on the ground in 190 countries and regions. And for 80 years in IT, we have built advanced digital technologies and the expertise to apply them. Very few companies possess strengths in IT, OT and products on a global scale.

Today, demand for sustainable social infrastructure is rising around the world. AI is expected to play a critical role in making operations more advanced and efficient. 2026 marks the dawn of physical AI. Physical AI directly controls real-world equipment and systems, where a single malfunction can cause not only equipment shutdowns and quality issues, but also disruption to economic activity and risks to human life. Deploying this technology in society is inherently complex and carries significant risks.

These characteristics of physical AI create a significant growth opportunity for Hitachi. In the AI era, competitive advantage comes not from the AI alone, but from the front-line operational data and domain expertise. As a Digital Infrastructure Company, we integrate the IT, OT and product technologies and expertise accumulated across our Energy, Mobility, Industry and Digital domains as One Company, fully leveraging on-site data. This is how we create distinct value as a “practitioner of physical AI” and expand our contribution to solving social challenges.

Our vision is to realize a Harmonized Society—a world where the environment, well-being and economic growth coexist in harmony. Hitachi will lead this new challenge for humanity: safely deploying physical AI across social infrastructure to build a sustainable society.

We have long worked to solve social challenges and enhance corporate value in pursuit of our goal of becoming a “global leader in the Social Innovation Business.” Now, in the AI era, Hitachi has the opportunity to evolve even further.

My answer to the question at the beginning is this: Hitachi will pursue sustainable growth toward our goal of becoming the world-leading Digital Infrastructure Company and contributing to the realization of a Harmonized Society.

Value creation model evolving with AI

Hitachi's approach to value creation is to deliver services that help ensure stable operations at customer sites while driving innovation by leveraging the data generated by its extensive installed base world-wide.

Hitachi's energy business, for example, has a global installed base worth 240 billion dollars. In Japan, 15,000 IT systems developed by Hitachi are in operation across financial institutions and public-sector organizations. These systems, so-called "digitalized assets," generate vast amounts of data every day. We combine that data with our operational expertise and AI technologies, delivering the resulting insights as "digital services" that create new value.

A key feature of this approach is that the data and domain knowledge we accumulate and refine through these operations continually improve our AI, which in turn increases the value of our services. Through this virtuous cycle, the value we create compounds over time.

Lumada embodies this value creation approach. Since its launch in 2016, it has helped numerous customers solve challenges and drive digital transformation. We have placed Lumada at the core of our management strategy. Toward 2030, we have set out "Lumada 80-20:" a Lumada revenue ratio of 80% and an adjusted EBITA margin of 20%.

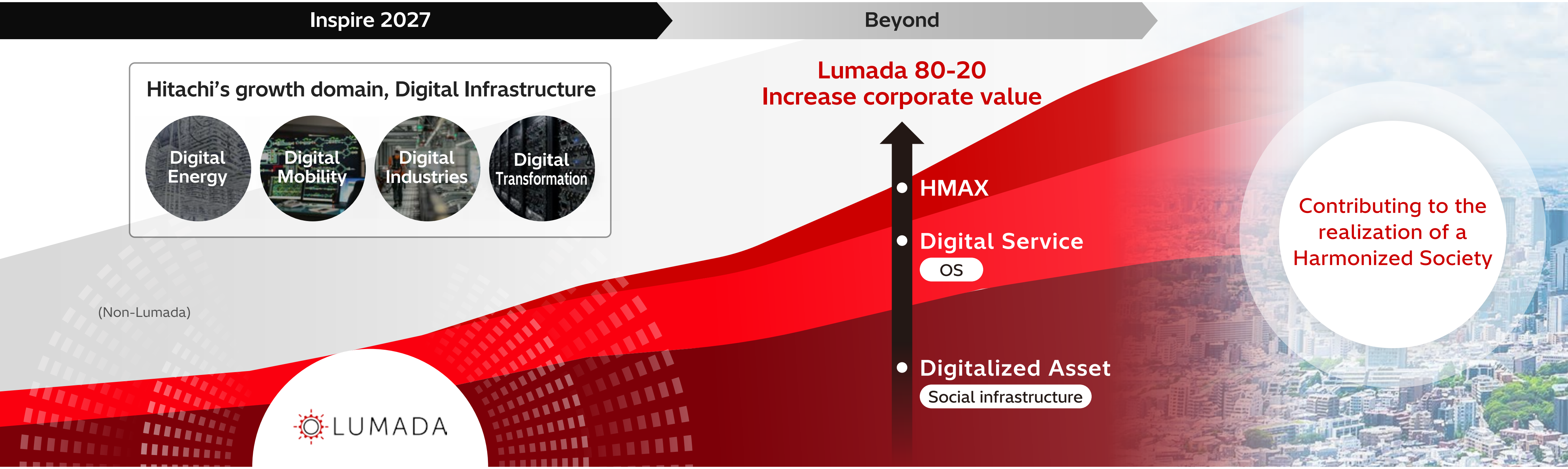
Our growth strategy toward this vision is delivering results. Fiscal 2025 was the first year of our Inspire 2027 management plan. Despite a volatile macroeconomic and geopolitical environment, we delivered strong performance. Adjusted EBITA, net income, core free cash flow and ROIC all reached record highs. Our order backlog also reached 21 trillion yen, the largest in our history.

Lumada helped drive this growth, reaching 40% of revenue and a 16% adjusted EBITA margin.

HMAX, our AI-powered, recurring Digital Service, is now gaining real momentum. HMAX started in the Mobility sector in 2024. There, we used Hitachi's domain knowledge and AI to analyze on-site data from trains and signaling systems. This helped reduce energy consumption and improve operations and services across railway infrastructure. In fiscal 2025, we launched two more services. HMAX Industry helps sustain building value and improve production efficiency. HMAX Energy supports safety, reliability, and sustainability across the energy value chain. Together, these have driven Hitachi Group's HMAX revenue to 300 billion yen, with a 22% adjusted EBITA margin. HMAX creates value across the entire life cycle of social infrastructure—a clear example of our "compounding value creation model."

Alongside HMAX's expansion, we're relentlessly reshaping our business portfolio. We continuously review each business through the lens of our value creation model and capital efficiency, taking decisive action. These efforts will accelerate our progress toward Lumada 80-20.

Evolution toward Hitachi's vision



Creating further growth opportunities with customers and partners

Through dialogue with customers and partners world-wide, Hitachi’s value creation approach keeps expanding into a broader range of industries and social issues.

For example, we started working with a global manufacturer to improve productivity using Hitachi’s proprietary sensing technology and AI to visualize and optimize their entire production process, including equipment from other vendors. That dialogue has since grown to cover a wider range of topics, from optimizing power usage on the factory floor to edge AI applications. We’re now exploring new collaborations that draw on Hitachi's broad expertise and strengths to create new value.

In May 2026, we held Hitachi Physical AI Day, attended by more than 1,600 customers, partners, media and investors. Our four sectors, as well as our corporate and R&D functions, united as One Hitachi. Through exhibits and sessions, we showcased concrete scenarios for solving societal issues with physical AI. Our discussions with customers across a wide range of industries have since accelerated.

We’re building an AI ecosystem with partners to capture the growth opportunities brought by AI. In conversations with CEOs of frontier AI companies, I have seen strong interest in the on-site data from Hitachi’s installed base, and in the domain knowledge we’ve built up over generations. Combined with our partners’ AI technologies, these strengths are driving new AI solutions and a growing use of agentic AI. These developments are expanding our digital services.

This is just the beginning of how AI will expand Hitachi’s growth story. We’ll keep accelerating value creation together with a wide range of customers and partners.

Constructive dialogue with capital markets

Since taking on the role of CEO, I have spoken with many investors about Hitachi’s value creation model and growth strategy. These conversations have covered our distinctive approach to medium- and long-term growth as a social infrastructure business. We have also discussed Hitachi’s competitive advantage in the AI era. As CEO, I feel every day that dialogue with capital markets is one of the most critical parts of my job.

Nearly every investor I met in 2026 asked me the same question: “Could advances in AI pose a threat to Hitachi?” My answer is clear: advances in AI are not threats to Hitachi. Rather, they represent the greatest growth opportunity we have ever had.

AI can replace some traditional IT services. At the same time, new demand is growing for the modernization of customers’ vast IT assets to make them AI-ready, as well as for AI transformation. We expect AI-related revenue in the Digital Systems & Services sector to reach a compound annual growth rate (CAGR) of 20–25% from fiscal 2025 to fiscal 2027. We’re also deploying AI across social infrastructure, especially physical AI: we anticipate HMAX revenue will grow at a CAGR of 50–60% over the same period. Our continuously expanding backlog will steadily convert into digitalized assets over time, underpinning HMAX’s medium- to long-term expansion.

New value creation in our social infrastructure business often takes longer to monetize. Therefore, we have a responsibility to show our growth process—even before it shows up as financial value—so that investors can track our progress.

With this discipline, we will continue to increase the transparency of our disclosures. We will expand our disclosure of quantitative data beyond leading indicators of demand, such as orders and backlog, to give greater visibility into the growth of recurring services led by HMAX. Our business leaders will also engage directly with the capital markets, sharing their firsthand perspectives on where we currently stand in our growth journey.

We will continue to strengthen our dialogue with capital markets and demonstrate the progress and results of our value creation with greater transparency. Through this, we will remain committed to sustainably enhancing our corporate value.

Evolving our management for sustainable growth—pursuing speed and quality

Our management itself must continuously evolve to sustainably enhance corporate value.

Hitachi today faces two simultaneous waves of change: short-term shifts and medium- to long-term trends. One wave is immediate: AI technology continues to evolve at a rapid pace, and the geopolitical landscape remains highly unpredictable. The other runs deeper: megatrends such as aging infrastructure, a declining workforce and the energy transition will continue to unfold over time.

We view these changes as both risks and opportunities, turning them into a driver of growth. That said, competition for these growth opportunities will also intensify. We draw our strongest competitive advantage from the on-site data our installed base generates and the domain knowledge we have built up over generations. What matters most is speed: how fast we turn that advantage into value.

In solution development, we use our Customer Zero approach—leveraging Hitachi's own diverse business sites as a testbed to deliver value to customers faster. We are placing particular focus on strengthening our Physical AI FDE team* to further accelerate solution deployment. This FDE team combines deep expertise in both social infrastructure operations and cutting-edge AI. The team will deploy scalable digital services including HMAX.

*Forward Deployed Engineer (FDE) team: A specialist team equipped with FDE capabilities that works directly at customer sites and uses AI and other technologies to provide end-to-end support, from problem definition through implementation, operation and continuous improvement.

We are also evolving how we manage the Company. I set up the Global Strategy Committee shortly after becoming CEO. It brings together all executive officers to discuss critical growth strategies with a strong sense of ownership, accelerating decision-making and execution as One Company. We are also transforming our corporate culture. Rather than being satisfied with year-over-year improvements or the achievement of budget targets, we keep pushing for higher targets, always benchmarked against market consensus and global peers.

At the same time, disciplined management, or "quality," matters just as much. We will adhere to the capital allocation policy presented at Hitachi Investor Day 2026, allocating the cash we generate in a balanced way between growth investments and shareholder returns. For growth investments, our hurdle rates are the adjusted EBITA margin and the ROIC targeted under Inspire 2027. We will prioritize opportunities that offer a clear path to sustained ROIC improvement and spread expansion, pursuing them boldly and decisively. We will also grow shareholder returns through stable dividend increases aligned with business expansion and flexible share buybacks.

Strong performance is exactly when we must guard most against complacency. That is why it is even more important that we return to our core management principles. Hitachi captures this ethos in two phrases: "Basics and Ethics" and "Putting Right and Wrong Before Profit and Loss." These phrases capture a core principle of Hitachi's management—doing what is right without being tempted by short-term gain. We will tolerate no laxity in compliance or risk management, and will maintain rigorous management discipline to achieve sustainable growth that combines both speed and quality.

Deepening governance to support sustainable growth

Deepening corporate governance is fundamental to Hitachi's sustainable growth. Management and the Board hold constructive, substantive discussions regularly to enhance corporate value. For example, as we track progress under Inspire 2027, we continue to discuss whether HMAX can become a "true driver" of growth across Hitachi as a whole, not merely one solution among many, based on the business's actual performance and future potential.

As risk management becomes increasingly important, we are working to share the top risks identified by our executive team with the Board of Directors on a timely basis, drawing on its diverse global perspectives and expertise. We are also incorporating the Board's advice into our management decisions.

We're continuously working to strengthen oversight by enhancing the diversity, expertise, and independence of the Board of Directors. The Board welcomed two new Independent Directors in fiscal 2025, and a further two in fiscal 2026, expanding its global management expertise.

To translate deeper governance into real behavioral change across the organization, we are building mechanisms that align shareholder value more closely with employee mindsets and actions.

Specifically, we have significantly expanded our stock-based compensation plan beyond directors and executive officers to include 1,800 leaders driving our businesses and organizations. We believe that when leaders world-wide share our shareholders' perspective and act to enhance corporate value, this will provide powerful impetus for the execution of Hitachi's strategy.

Becoming the world-leading Digital Infrastructure Company, serving as the "OS" of social infrastructure

Beyond the value creation we have discussed so far lies a Harmonized Society.

The infrastructure supporting this society takes the form of a System of Systems—diverse systems and operations, tightly interconnected. We must integrate them safely and efficiently, a task that will become increasingly critical to realizing a Harmonized Society.

The value Hitachi provides in such a society can be likened to an "operating system (OS) for social infrastructure." An OS is an essential platform for any system. A familiar example is your smartphone's operating system—it connects the hardware to a wide range of applications, and regular updates let you enjoy new features while the hardware itself stays the same.

The same holds true for social infrastructure. Technological advances and a shrinking labor force are reshaping how it operates. But social infrastructure cannot easily be replaced. That is why Hitachi draws on its existing assets to deliver innovative digital services. These services make infrastructure operations more efficient and more advanced, while strengthening its long-term sustainability.

We are also looking beyond the deployment of AI in social infrastructure. The widespread adoption of AI is giving rise to new challenges, including a sharp increase in the scale and complexity of computing, along with surging power consumption from processing vast amounts of data. To solve these future challenges, Hitachi is using a backcasting approach to develop and deploy advanced technologies—including quantum computing, edge AI semiconductors, an 800V DC power architecture for data centers and space big data. Staying ahead of societal challenges and solving them through superior technology and innovation to benefit society—this has been Hitachi's unchanged purpose since our founding, and the true origin of our value creation.

Toward our goal of becoming the world-leading Digital Infrastructure Company, Hitachi will continue to digitally transform social infrastructure and contribute to the realization of a Harmonized Society. We will continue solving social challenges and enhancing corporate value, working with all our stakeholders, beginning with our shareholders and investors, to shape the next chapter of value creation.