Digital Systems & Services

Leading the Hitachi Group's digital transformation and accelerating AI deployment across social infrastructure worldwide

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Business environment

AI is fundamentally transforming the IT services industry, driving a structural shift in the market. The most important change is not simply greater operational efficiency through automation and, even more importantly, the creation of entirely new markets. New value creation and rapid market expansion are emerging in areas such as modernization and AI services, as companies implement AI in complex enterprise systems to drive business transformation, and physical AI, where AI is deployed in mission-critical systems, including social infrastructure, while ensuring reliability and safety. We believe these new markets will reach approximately 100 trillion yen by 2030, and this expansion is already underway.

With its proven track record in developing and operating mission-critical systems, domain knowledge spanning IT, OT and products, and a global customer base, Hitachi has a competitive advantage that enables it to create value and generate sustainable earnings in these markets. The rise of AI represents a clear growth opportunity for the company.

Progress of Inspire 2027

In fiscal 2025, the DSS sector achieved record earnings, driven by strong performance in Japan. The adjusted EBITA margin improved 1.3 percentage points year over year to 15.5%. In addition to double-digit growth in the proportion of high-margin Lumada revenue, profitability improved as the business continued to shift toward a higher-value-added business model. Despite a 14% year-over-year increase in capital expenditures, ROIC improved 1.2 percentage points year over year to 11.5%, demonstrating strong capital efficiency. In particular, the domestic IT services business achieved an adjusted EBITA margin of 18.4%, placing it among the most profitable IT service providers in Japan. Furthermore, total orders for large-scale projects (defined as contracts valued at 3 billion yen or more) increased 87% year over year. The 1.8 trillion yen backlog provides a solid foundation for future revenue growth, while the customer base in mission-critical domains, particularly across financial systems and social infrastructure systems, is a key source of competitive advantage. Globally, GlobalLogic is shifting its business portfolio toward AI and has increased synergy revenue with OT sectors by 73% year over year, contributing to the expansion of Lumada business under One Hitachi.

Going forward, we will simultaneously target two markets: Modernization and AI services, and Social infrastructure × AI (physical AI). By capturing steady growth through our established customer base in the former and harnessing the high-growth opportunities in the latter, we aim to build a sustainable competitive advantage.

Business environment shifts driven by AI and key initiatives

New business opportunities driven by AI **100 trillion yen***1 (2030)

Modernization | AI services*2

FY2025-2030 (Global)*1 CAGR	FY2025-2030 (Global)*1 CAGR
15–20%	30–35%

Needs: Reliable AI deployment in complex enterprise systems

Growth in the modernization and AI services market

- Further deepen customer co-creation through the FDE*3 Team
- Transform into a continuous value delivery model*4

Physical AI — Social infrastructure × AI

FY2025-2030 (Global)*1 CAGR 15–20%

Electric power & utilities, rail & transportation, manufacturing, government & public sector

Needs: AI deployment in mission-critical systems with ensured reliability and safety

Growth in the social infrastructure x AI market

- Deployment of physical AI in social infrastructure
- Create value to innovate social infrastructure

*1 Internal analysis based on industry reports
*2 A general term for services related to AI, including AI deployment and operation
*3 Forward Deployed Engineer
*4 Value-based and recurring business model

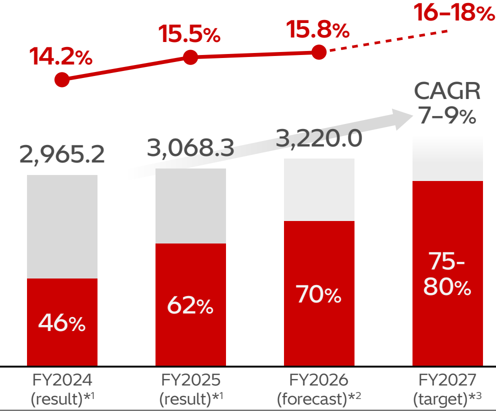
Investor Day (Digital Systems and Services Business Strategy)

Business structure

SI & Services	Building and operation of mission-critical IT and digital systems •Financial Systems •Social Infrastructure Systems (Public sector, Energy, Transportation, Telecommunications, etc.) •Industrial Systems
Engineering & Services	Developing and operating IT, digital solutions and services •Hitachi Systems •Hitachi Solutions •AI & Software Services BU •GlobalLogic •Hitachi Digital Services
IT Products	•Hitachi Vantara (Storage business) •Hitachi Channel Solutions (ATM business)

Business performance/Inspire 2027 targets

(billion yen)



	FY2024 (result)*1	FY2025 (result)*1	FY2026 (forecast)*2	FY2027 (target)*3
Adj. EBITA margin	14.2%	15.5%	15.8%	16–18%
Revenues	2,965.2	3,068.3	3,220.0	CAGR 7–9%
Lumada business revenue ratio	46%	62%	70%	75–80%
ROIC	10.3%	11.5%	10.5%	11–13%

*1 Based on the FY2026 reportable segment structure
*2 Announced on July 29, 2026 *3 Announced on June 10, 2026

Growth in the modernization and AI services market

Addressing strong customer demand for transformation in the AI era, we drive AI readiness and implementation across IT systems, converting growth market opportunities into tangible value. To support this transformation, we have developed the AI-driven Agentic AI Integration Platform, combining Hitachi's knowledge with frontier AI. By storing tacit knowledge—such as customer-specific operational expertise and decision-making criteria—as enterprise context, it creates an autonomous sophistication cycle via AI agent feedback. Through this approach, we aim to achieve a 30% productivity improvement across the entire development processes by fiscal 2027.

In addition, the FDE Team, leveraging AI to rapidly solve complex challenges, provides end-to-end support at customer sites, from problem definition through implementation and operation. Its speed in delivering prototype proposals forms a core competitive advantage, and we aim to expand the team to 5,000 professionals in Japan. Leveraging an installed base of approximately 15,000 customer systems, we target expansion of domestic revenue from 2.2 trillion yen in fiscal 2025 to 3 trillion to 5 trillion yen by fiscal 2030. Through the continuous evolution of systems, Hitachi will enhance customer competitiveness and support sustainable business growth.

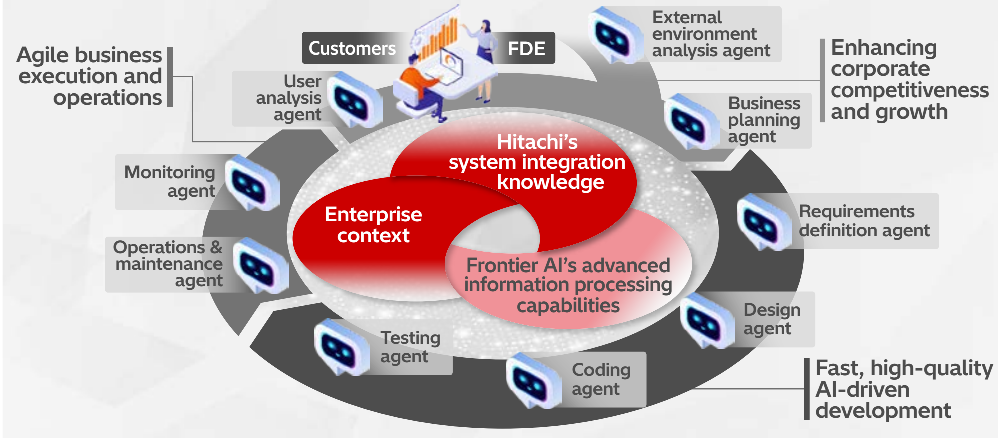
*Man-hour and lead time reduction across all SI phases compared to cases without the application of AI

Growth in the social infrastructure × AI market

AI deployment across social infrastructure—including power grids, railways and large-scale industrial facilities—is creating a market expected to grow to several trillion to more than 10 trillion yen over time. Despite its potential, the market remains largely unconsolidated, with no clear leader yet to emerge. Hitachi aims to lead this market by delivering HMAX as an integrated offering that brings together four distinctive strengths: Physical AI built on domain knowledge, the Physical AI FDE Team, Mission Critical Security, and Data Fabric.

Successfully deploying AI in social infrastructure requires the integration of IT and OT. Our Physical AI FDE Team combines the AI and data expertise of GlobalLogic and Hitachi Digital Services with decades of OT domain knowledge, enabling customers to turn AI capabilities into measurable business value. The foundation that enables this approach is Data Fabric, our data integration platform. By connecting and structuring distributed IT and OT data, Data Fabric enables optimization across individual systems and entire industries. For example, it can connect renewable energy generation data with factory production planning data to optimize operations across domains. This capability creates recurring value for customers and supports long-term revenue growth.

Hitachi's AI-driven system integration process



Strengthening the foundation for growth

To support future growth, we will increase organic investment by 30 billion yen in fiscal 2026, accelerating investment in talent and technology, including FDE Team development and proprietary AI capabilities. We have also secured up to 1 trillion yen for inorganic investments during the Inspire 2027 period and will actively use M&A to expand in high-growth markets. At the same time, we will accelerate value creation by strengthening our partner ecosystem through partnering with Anthropic, Google Cloud, NVIDIA, OpenAI and others.

We will continue improving profitability and capital efficiency through portfolio transformation. This includes focusing on the block storage business, where we have a competitive advantage and integrating the ATM business with OKI. Through these initiatives, we are building a more focused portfolio positioned for sustainable growth.

The competitive advantages of the DSS sector

Development and operation of mission-critical systems

- Approximately 15,000 installed customer systems in Japan and a backlog of 1.8 trillion yen (DSS sector total, as of March 31, 2026)
- Execution capabilities in SI and AX (AI Transformation) for delivering complex, large-scale projects

Extensive talent resources with expertise in IT, OT and AI

- FDE Team that creates value by starting from customers' business challenges

Core Talent Base

- 35,000 systems engineers in Japan
- Approx. 30,000 global professionals with advanced AI expertise

AI implementation capabilities for social infrastructure

- More than 110 years of domain knowledge in social infrastructure and over 60 years of AI research
- Highly reliable AI implementation that delivers business outcomes, validated through internal deployment (Customer Zero)
- Mission-critical security

Expanding capabilities through partnering

- Continuously enhancing customer problem-solving capabilities by incorporating advanced technologies through co-creation with a broad range of partners

One Hitachi — Scaling HMAX

Creating new value across industries with Hitachi's Data Fabric at the core

Hitachi's strength lies in its diverse business domains that support society, which serve as real-world environments for creating value. Data Fabric is the common platform that integrates and structures the vast volumes of IT and OT data distributed across these environments, transforming them into value that AI can interpret and act upon. With this platform at its core, the DSS sector will turn insights generated by the FDE Team in the field, together with knowledge gained through internal deployment (Customer Zero), into reusable assets to drive new value creation across industries.

Through these initiatives, we will lead the scaling of HMAX across the OT sectors and achieve sustainable digital value creation and earnings growth across the Hitachi Group as a whole.