Q&A Summary: Investor Day 2026

Date	:	**Wednesday June 10, 2026, 15:00-18:00 JST**	
Speaker	:	**Toshiaki Tokunaga**	**Representative Executive Officer, President & CEO**
		Andreas Schierenbeck	**Senior Vice President and Executive Officer, CEO of Energy Sector**
		Giuseppe Marino	**Senior Vice President and Executive Officer, CEO of Mobility Sector**
		Noriharu Amiya	**Senior Vice President and Executive Officer, CEO of Connective Industries Sector**
		Jun Abe	**Representative Executive Officer, Executive Vice President and Executive Officer, CEO of Digital Systems & Services Sector**
		Tomomi Kato	**Representative Executive Officer, Senior Vice President and Executive Officer, CFO, Chief Risk Management Officer**

Questioner 1

Q. I would like to ask about FDE (Forward Deployed Engineer). I believe that FDE will play a very crucial role in horizontally deploying and scaling HMAX. On the other hand, looking at the case of Palantir, where the term FDE originated, while there is an expectation that they can increase customer retention, there is also the challenge that it is difficult to scale because personnel must be stationed on-site. Today, it was explained that FDEs are the key to horizontal deployment and scaling. Compared to Palantir's FDEs, what is different about Hitachi's FDEs, and why can they scale? Please also tell us the difference between traditional field engineers and FDEs.

A. Tokunaga

I would like to divide the discussion into "Digital FDE" and "Physical AI FDE." First, regarding the digital domain, we consider Palantir to be an excellent role model. As mentioned in Abe's presentation, we currently have approximately 35,000 SEs in Japan. Traditionally, we have trained each individual as a specialist, defining levels such as "Bronze," "Silver," and "Gold" for each specific technology. We define levels similarly in the project management domain as well. We have a foundation where individuals with such high technical skills have gone to customer sites to provide value. On this foundation, we have newly integrated "AI" as a technological element to continuously deliver value to customer sites. Therefore, please understand that for this digital domain, the foundation for scaling is already substantially in place. On the other hand, the approach for the physical AI domain is slightly different. Since we are about to scale this area, we are currently at a stage where we are accumulating achievements through "Customer Zero" initiatives, using our own company as the first customer. To give an important example, an AI team was established in the Mobility sector two years ago. We formed a single team by merging talent dispatched from the Digital Systems & Services (DSS) sector with talent originally from the Mobility sector who understands OT processes. This team, acting as the physical AI FDE, is driving the implementation of physical AI for Customer Zero. The fact that this initiative is yielding results has led to the rapid launch of HMAX. Going forward, we will utilize this knowledge to expand deployment to other customers. We have already entered the phase of rolling this out to subsequent customers, starting with the implementation at Tobu Railway, which has already been officially announced. HMAX has become a solution where our own knowledge is accumulated, and we are now entering the phase where the FDE teams will deploy it horizontally.

Q. What impressed me most in today's presentation was that Hitachi will implement the "OS for social infrastructure." In the DSS sector presentation, the intention to circulate and connect the three circles of "HMAX Energy," "HMAX Mobility," and "HMAX Industry" was shown, which raised extremely high expectations. On the other hand, among these three, regarding HMAX Industry, although the complete synchronization of production and logistics and the maximization of just-in-time are mentioned, it seems that some parts are still missing if we look only at fields like semiconductor manufacturing, facilities, and healthcare explained today. To realize the grand ambition of "implementing the OS for social infrastructure", how do you plan to develop HMAX Industry in the future? Please also tell us about the long-term outlook looking toward 2030.

A. Tokunaga

It is true that there are areas that still need to be expanded for HMAX Industry to connect with other domains and function as an OS for social infrastructure. Currently, HMAX Industry is starting from the facility domain, such as escalators and elevators, and the semiconductor domain, where demand is surging. For example, we deliver value unique to Hitachi by collecting data from buildings and semiconductor manufacturing plants and connecting it with the energy domain to achieve optimal energy consumption. There is no doubt that as the physical AI implementation field that Hitachi can cover expands in the future, we will be able to provide greater customer value. Moving forward, we will proceed with expanding these domains under Amiya's leadership.

A. Amiya

I believe the steps of where to start, how to expand, and how to accelerate growth are extremely important. Specifically, we will start with products, which are Hitachi's strength, and generate data from them to build physical AI. The image is that we will construct physical AI "vertically" for each process. For the sake of explanation today, we presented tools like etchers and film deposition equipment side-by-side, but by reliably building these physical AIs one by one, they will connect to becoming autonomous agentic AIs, creating overall value. We believe it is vital to steadily take these steps in the four focus areas shown today, which will lead to Hitachi's major differentiation and value. On the other hand, regarding how to bring these to "social implementation," one approach is through Hitachi's facility domain. Another approach is to incorporate the "Edge AI semiconductor" explained in today's presentation. This will enable collaboration with areas like automated transport via Hitachi's AGVs (Autonomous Guided Vehicles), products of partner manufacturers, and robotics. Together with our partners, we will run the same vertical cycle for each process and connect them to advance social implementation. In other words, we want to proceed with a process where we create more HMAX solutions and connect them all at once by combining the domains where we currently have strengths with the domains we deploy together with partners.

Questioner 2

Q. I would like to ask about the Energy sector. This time, the order scale driven by AI-related demand was disclosed for the first time. Orders have grown very significantly from FY2024 to FY2025, but could you please tell us about the specific products driving this expansion in demand? While transformers are a large part of it, since Mr. Tokunaga met with Sam Altman of OpenAI last year and announced a partnership, there are various digital possibilities to address the challenge of power shortages. You also recently announced a business model to build data center infrastructure. In the future, how much opportunity is there for the data center infrastructure in these data center and energy-related businesses, including areas that go beyond transformers? Also, please share your outlook, including factors that differentiate you from competitors to the extent possible.

A. Tokunaga

As you pointed out, data center demand is expanding rapidly worldwide. When I spoke with North American investors last month, I received many questions such as "How much will the data center domain grow?" and "What kinds of services and products can Hitachi provide to data centers?" Page 16 of the Energy sector presentation was also something I individually requested Schierenbeck to create by extracting only the data center domain.

A. Schierenbeck
Regarding data centers, it is not only transformers; it is the grid connection we are providing. That means transformers, substations, and partly even the distribution—the solid-state transformers at the medium-voltage level. Why we think that we can be successful there is because we started with containerized solutions. Our data center customers are, in contrast to utilities, completely different. They normally do not know exactly what they need, so they go more for a kind of specification where the function is specified. They say, "We have that, show me a technical solution," so they are much more flexible. Therefore, we can provide standardized solutions which are fulfilling their needs in a fast way if we can supply them, for instance, with containers. That is why we believe we can grow in that area with our portfolio quite significantly.

Q. Looking toward 2030, are you considering rolling out solutions like "Energy as a Service"?

A. Schierenbeck
"Energy as a Service" is different things that we are exploring. For our data center customers, of course, the ratio between CAPEX and OPEX is essential as well. If customers build a data center, they are spending CAPEX. So, what we are offering as well in the discussions with customers is that we can lease or rent our equipment. This means that customers pay by the hour—like the "power-by-the-hour" business for jet engines. Power by the hour, customers can lease and rent the equipment from us as well, and they pay as they go. That is a possibility too, but that's financial optimization which gives us just more edge with our customers.

Q. I believe Energy as a Service would be a new business model for Hitachi. Do you plan to disclose any indicators to the market regarding its future business scale?

A. Schierenbeck
"Energy as a Service" could be a new business line. We will see how big the demand is, how big the volume is, and how much we want to afford because it is a kind of financial service coupled with a technical service. Of course, we will balance our portfolio, but if the demand is big enough.

Q. How does Hitachi view the trend of customers moving toward "in-house system development"? We anticipate that as AI adoption advances, customers will be able to build systems themselves, and because software evolves extremely fast, some customers will shift heavily toward in-house development. Recently, during a small meeting with the CEO of Fujitsu, he also spoke with a strong nuance that "in-house development will undoubtedly progress." I completely agree with Hitachi's emphasis that "systems are mission-critical, security is extremely vital, and data fabric is indispensable." Around 60% to 70% of customer systems are areas that require such robust vendor management. However, especially among manufacturing companies and customers expanding globally, in-house development is expected to progress in the remaining 30% or so of areas where speed is the highest priority. How does Hitachi view this downside risk?

A. Tokunaga
As you pointed out, we naturally expect that there will be areas where in-house development progresses. Even with in-house development, it does not mean customers will write all the code and build everything from scratch by themselves. However, it is an inevitable and natural trend that AI and agentic AI will develop systems on behalf of customers or substitute a part of our role as a vendor. On top of that, rather than an either-or relationship of "whether the customer does it or the vendor does it," Hitachi envisions a future where both parties' knowledge is fused, or agentic AIs that have learned both parties' knowledge work together to build systems. "Agentic Integration," which was introduced in Abe's presentation today, is exactly the embodiment of this vision. Hitachi provides AI and knowledge that firmly incorporates the project management and testing methodologies we have accumulated over the years, while the customer operates the AI into which their business knowledge has been injected based on their complete understanding of their own operations. We assume a format where these two AIs overlap, and the customer and Hitachi advance system development as one. Therefore, based on the premise of shifting from a discussion

of who takes on which role to a format where work proceeds in a more unified manner, we presented the concept of "Agentic Integration" this time. In doing so, rather than a conventional client-vendor relationship, development might proceed under a framework like a joint venture in some cases, or it might take another new form. In any case, we believe that the trend will change from the traditional framework of "whether to do it in-house or outsource it" toward how to achieve efficiency by multiplying each other's knowledge. Looking at it differently, we believe this can also be described as a shift toward IT systems as a service or an outcome-based model.

A. Abe

We perceive the situation to be slightly different between the Japanese market and overseas markets. First, regarding the domestic market, a clear division of roles has been established between customers and SIers, especially in mission-critical domains. Furthermore, Hitachi has a solid record of reliably delivering large-scale systems on time and with high quality, so at this point, the movement toward in-house development is not having a major negative impact on Hitachi's business. As Tokunaga mentioned earlier, we are taking initiatives to further increase our own development efficiency by utilizing agentic AI. On the other hand, in overseas markets, it is true that we see movements toward in-house development on the customer side and are facing pricing pressures, including on the cost front. Therefore, as a countermeasure, we are actively shifting GlobalLogic's resources to the transformation of the OT sectors and the DSS sector itself within the Hitachi Group. As explained today, these efforts have achieved remarkable results in the rapid launch of HMAX in the OT sectors and the improvement of profit margins in the DSS sector. We plan to expand this initiative even further in FY2026 and beyond. At the same time, for stand-alone businesses, we need to transition from the conventional style of earning by dispatching people under Time & Material models to a more value-based business. Overseas, we have a company called Hitachi Digital Services, which is already strongly driving a value-based business, like domestic system integrators and front-line departments. We are adapting to the current market environment by accelerating the shift to a model where we receive compensation based on value in cooperation with them, or by converting resources into FDEs as mentioned earlier.

Questioner 3

Q. I would like to ask about the point Mr. Tokunaga mentioned in the CEO Remarks: "Is AI an opportunity or a threat?" Hitachi has championed Lumada and promoted digital utilization for many years. However, discussions surrounding AI have changed dramatically within the past year. Please tell us in more detail how this rapid change is altering the Lumada business that Hitachi has aimed for. For example, does it mean that "the sense of speed is accelerating," such that goals originally intended for 10 years from now can now be achieved in 5 years due to the emergence of AI? Or does it mean that the future image itself that was envisioned for 10 years from now is "expanding to be much larger"? I would like to know Hitachi's perspective.

A. Tokunaga

As you said, AI represents an exceptionally large opportunity for Hitachi. When looking at what kind of changes are occurring from the perspective of Lumada, a good example is HMAX, which is currently launching rapidly. The world we vaguely envisioned a few years ago is now rapidly becoming a reality due to the explosive development of AI. While it is difficult to quantify how much the speed has accelerated, considering the trajectory since around 2022 when ChatGPT appeared, my sense is that implementation is progressing in various fields about 3 to 5 years faster than originally assumed. In addition, what is decisively different from traditional Lumada is the method of value creation. Lumada was originally created by accumulating Hitachi's expertise and know-how into a suite of solutions. However, by having AI accumulate vast amounts of use cases and knowledge, we have entered a phase where the AI itself spontaneously proposes new value and use cases that humans had not noticed before, allowing us to provide them to customers. That is precisely why Hitachi is pushing this powerful trend further, attempting to horizontally deploy the successful model of HMAX, which led the way in the Mobility sector, to other domains all at once. Our grand vision now is to connect the HMAX solutions deployed

across multiple industries horizontally to turn the "entire social infrastructure into an OS."

Q. I would like to ask about the "solid-state transformer" on page 16 of the Energy sector presentation. Discussions in this area are starting to become very active overseas as well. Hitachi has traditionally treated such transformers as a strength, but where exactly does Hitachi's advantage lie? For example, do you have a strength where products that already have a certain track record in the industrial domain can be adapted for data centers with slight modifications? Also, please share the timing of when full-scale contributions to business performance will begin, including the progress of specific dialogues with customers.

A. Schierenbeck

The solid-state transformer is a new solution that reduces the installation space for data center customers. However, it is not a completely new concept or technology. It is still converting from one end of the voltage to a DC voltage used in data centers via a medium-voltage transformer. Normally, a standard medium-voltage distribution transformer is used, with an inverter added to generate the DC power. Today's data centers, operating at scales of 1 gigawatt, 2 gigawatts, or 3 gigawatts, are huge and enormous. Therefore, space is becoming a constraint. In a solid-state transformer, the inverter is combined together with the transformer in one piece, which saves space. While the cost is slightly higher, proper design can ultimately lead to a slight improvement in efficiency as well. However, the main point of economics is that it addresses the issue of how space-consuming the traditional setup is. We have been in the transformer business long enough to know how to do that, so we can deal with this challenge. For instance, we are developing these special types of dry transformers for rail as well, because they are very sought after in that sector. Therefore, we are quite confident that we can make a difference and create a strong advantage here.

Questioner 4

Q. Please tell us in detail how you plan to expand sales of HMAX against digitized assets made by other companies. In the Mobility sector, over 35% of the vehicles equipped with HMAX were for non-Hitachi vehicles, giving the impression that progress is going very smoothly. Why is the expansion to other companies' assets going so well? Also, in the other three sectors, what kinds of scenarios do you plan to use to expand the customer base? Please tell us if there are specific approaches utilizing digital services. In particular, regarding the policy of acquiring digital service companies or companies with abundant customer assets through M&A, I would like to ask about the differences in ease of execution and barriers for each sector.

A. Tokunaga

One major success model at Hitachi is HMAX in the Mobility sector. Our abundant track record within our own company serves as a very vital base. Another key point, as mentioned in Amiya's presentation, is "whether we can capture the key components that serve as the anchor for horizontal deployment." Hitachi is currently independently developing an "Edge AI semiconductor" and taking an approach to deploy it by embedding it into other companies' products. This creates a major advantage where data can be collected reliably and precisely, and operations can be optimized, even for machines made by other companies. We are drawing up a strategy to scale HMAX using this strength as a hook.

A. Marino

We started utilizing our technology in the UK almost seven years ago, and we possess a unique technology in the sensor field. In fact, six years ago, we acquired a company specializing in vibration sensors, and last year, we acquired Omnicom. This has allowed us to bring in our own sensor technology, which serves as a big differentiator, alongside our platform. When this is combined with our domain competence, it provides us with a significant advantage. Furthermore, through the acquisition of Clever Devices, we are expanding into other areas, such as buses and other modes of transportation. In this way, we are moving both horizontally and vertically, creating a large dataset and expanding the possibilities to improve reliability, enhance energy efficiency, and even integrate traffic data. Compared to other models, our strength lies in the fact that we own the data, and we

also own synthetic data. As Abe explained, we receive a wealth of expertise from DSS, which enables us to conduct highly advanced simulations.

A. Amiya

I will explain from the perspective of the Connective Industries (CI) sector. As Tokunaga explained earlier, the essential driver is the "evolution of edge AI." Currently, many product manufacturers and manufacturing companies around the world face a common, serious challenge: "how to make their own products intelligent and ride the massive wave of physical AI." That is exactly why the edge AI semiconductor developed by Hitachi this time can serve as a powerful hook for collaboration with various manufacturers who share this awareness. Since Hitachi originally possesses rich OT know-how, we can assemble systems together with partner companies in a way that is close to real on-site operations. Furthermore, because there are many highly compatible in-house products within the Hitachi Group, our major strength is that we can immediately present specific success stories to customers, showing that "if you adopt Hitachi's method, you can achieve this much effect from edge AI." We want to expand the market, including other companies' assets, by leveraging this overwhelming advantage. In the context of the importance of key components in the CI sector, the collaboration in the air conditioning business with Bosch announced yesterday is a perfect example. Precisely because Hitachi holds the key components, we have built a robust relationship that allows "HMAX for Buildings," a solution for buildings positioned in the upper layer, to be used directly through our partner company's network. We consider this an extremely effective strategic approach for significantly expanding the application scope of HMAX in the CI sector.

A. Abe

Hitachi has numerous in-house factories and manufacturing sites within the group. Naturally, within those factories, many manufacturing facilities and systems made by other companies are operating alongside Hitachi products. In other words, Hitachi itself can stand in the "position of a user" and present empirical data showing that "if you utilize AI across the entire factory, including other companies' equipment, you can reduce energy and improve production efficiency by this much." When we take this approach from a user's perspective, we receive very positive reactions from customers saying, "We definitely want to do this together." Furthermore, bidirectional collaborations are also emerging, where partner companies that provide equipment to Hitachi use Hitachi's IT systems and digital solutions in their own factories. In this way, we are advancing an approach to contribute by injecting Hitachi's IT and digital technologies into an "ecosystem rooted in industrial and manufacturing sites" that differs from the conventional framework of the IT industry.

Q. I would like to ask about the effects of utilizing AI internally. Previously, it was explained that you expect an impact on profits on the scale of ¥100 billion through the optimization of internal operations utilizing generative AI. Please give us an update on internal productivity improvements, such as the current specific progress, the outlook toward FY2027, or whether further upside effects can be expected beyond that.

A. Tokunaga

Increasing efficiency through AI utilization within the company is an extremely important, top priority for Hitachi. In fact, to reliably accumulate effects beyond the initial plan, we have placed two Vice President and Executive Officer—Hatakeyama, who became Deputy CFO this spring, and Fujimori, who oversees overall IT infrastructure—at the top to significantly accelerate effect creation across the entire company. While firmly maintaining the goal of ¥100 billion in FY2027, we are spurring internal activities to create even greater efficiency effects for the phase beyond that.

A. Kato

Originally, within the Hitachi Group, we had been leading the development and application of operational AI for customers from about two years ago. In that process, GlobalLogic established platforms and various toolsets within the company that serve as the foundation when utilizing AI. Because these have been established as robust assets, we are now in a phase to comprehensively deploy and utilize them across the internal operations of the entire Hitachi Group. As Tokunaga

mentioned earlier, we significantly strengthened the promotion structure for internal AI utilization this spring. Naturally, advanced technology is required here as well, so we are fully leveraging our recently announced strategic alliance with Anthropic. By thoroughly embedding these cutting-edge technologies not only for customers but also into internal systems and business processes, we plan to generate dramatic efficiency effects. At this point, we have not upwardly revised the disclosed public figure of ¥100 billion, but my personal expectation is that as the scope of utilization expands, there is potential to generate even greater effects, and we are currently pushing activities forward strongly.

Questioner 5

Q. I would like to ask about the profit margin targets for the DSS sector. While the revenue growth rate target up to FY2027 remains unchanged from before, the profit margin target for FY2027 has been revised upward. Amid potential concerns such as intensifying competition in overseas markets and a global slowdown in IT investment, I would like to hear your view on the certainty of achieving this new profit margin target.

A. Abe

As explained in the presentation, regarding the business environment in Japan, extremely strong IT demand is continuing. In particular, many large-scale legacy systems built in the past remain in Japan, and there is a very strong need on the customer side to "instantly enhance corporate competitiveness by embedding the latest AI into legacy systems" and to "improve business agility." Therefore, demands that multiply system modernization and AI adoption are very robust. Consequently, regarding "how much confidence we have," we possess sufficient conviction. We believe we can firmly achieve the set targets by reliably capturing strong domestic demand. Furthermore, as discussed today, cross-sector collaboration with the OT sectors, which is Hitachi's strength, is also advancing significantly. We will effectively utilize GlobalLogic's resources for such transformations within the Hitachi Group, while thoroughly strengthening the FDE structure at the same time. Through these efforts, we will reliably generate profits and build a solid foundation for growth toward 2030 during the Inspire 2027 period.

A. Tokunaga

As Abe explained, along with the evolution of AI, demand for modernization is very strong, centered on the domestic market, and this serves as a major driver of current profit growth. In addition, Hitachi will continue its business portfolio reform without loosening its grip. This is our most fundamental policy. In other words, we will concentrate group management resources on high-value-added digital businesses where higher profitability and growth rates can be expected. Because this thorough focus strategy is at the base, our plan is structured to reliably achieve the increased profit margins.

Q. On page 7 of the DSS sector presentation, the HMAX revenue CAGR for the entire Hitachi Group is shown as 50–60% (FY2025-FY2027). Please tell us about your thinking on how this will contribute to the profits of the entire Hitachi Group. If the HMAX domain is highly profitable, it is expected that domestic and overseas competitors will enter one after another, intensifying competition. What are your current thoughts on the business strategy from a medium- to long-term perspective, such as 5 or 10 years ahead?

A. Tokunaga

Regarding HMAX, we expect to maintain high growth of 50% to 60% annually. Furthermore, regarding the profit margin, we calculate that we can stably maintain a level exceeding 20% in the future. As for why such high profitability is possible, Hitachi's greatest strength lies in our ability to possess all the knowledge of "IT," "OT," and "products" within our own company and completely fuse them. This serves as an overwhelming differentiation factor that other companies cannot mimic in the on-site implementation of physical AI. It is true that many IT vendors and hardware manufacturers around the world are loudly proclaiming the phrase "physical AI" these days. However, we analyze that there are extremely few players globally who can complete the entire

cycle of "first applying it to their own real manufacturing sites or social infrastructure assets, thoroughly refining it there, and then scaling it to customers based on those achievements" within a single company. Therefore, when proposing HMAX to customers currently, we rarely encounter situations where we compete fiercely with other companies. Of course, in the future, as Hitachi opens up this market, we expect to see more situations where competitors appear. That is precisely why Hitachi will continue to refine this solution further ahead of others, raising the entry barriers of competitiveness even higher. As a result, we are confident this will lead to maintaining or even expanding high growth rates and profit margins exceeding 20%.

Questioner 6

Q. I would like to ask about HMAX in the industrial domain. Currently, various hardware manufacturers and IT vendors are beginning to loudly proclaim the importance of physical AI, but we understand that the ultimate form Hitachi wants to realize in the future is to "autonomously optimize the entire factory using AI." Looking at this future picture, as each company promotes physical AI tied to their respective hardware, is the image that Hitachi will eventually replace the AI systems inside the factory entirely with AI provided and managed by Hitachi? Or will you form a loose alliance-like structure with AIs embedded in other companies' hardware, so that instead of Hitachi replacing everything exclusively, you will skillfully incorporate the heterogeneous environment inside the factory and provide the optimal overall solution from the highest layer? Please tell us Hitachi's philosophy regarding the future "way of building factories and the nature of control."

A. Tokunaga

There is no simple answer to this question like "this is the one and only absolute correct answer," but we have a clear philosophy. In the future ahead, we believe a world where "only a single company exclusively controls all hardware and systems in a factory" will not realistically arrive. This is because the environment of a customer's manufacturing site is inherently heterogeneous, and it is natural for customers to freely select the best-of-breed hardware and products that are considered the best at that point in each manufacturing process. However, what is most vital here and serves as the key to seizing business leadership is the layer at which we capture "data" and "AI models embedded with expert knowledge." We believe this will determine the future growth potential of the business, and I expressed this using the term "OS for social infrastructure" in today's presentation. In other words, as Hitachi's approach, instead of replacing all individual hardware with our own products, we take a strategy to firmly grasp the foundation of on-site data and AI models. On top of that, regarding upper-layer applications and individual hardware, we will construct systems that achieve the best partial and overall optimization for customers while flexibly linking and harmonizing them, including those made by other companies. We believe this is the correct form for future factories, and we anticipate that exactly the same structure will appear not only in the industrial domain but also in other social infrastructure domains such as energy and mobility.

A. Amiya

In the history of the traditional manufacturing industry, it was extremely rare and psychologically difficult for customers to disclose core data of their production lines to vendors like us. However, as explained today, especially in highly growing fields such as semiconductors, the evolution speed of the cutting-edge technology handled by customers has become fiercely fast. For customers, how quickly they can recover investments from lines built by investing huge amounts of capital is a matter of life and death. Amid such pressured situations, this AI revolution has arrived. Therefore, customers themselves have entered a rapid investment-recovery loop where they feel, "Rather than developing and trial-and-erroring everything on our own, we will partner with a trusted partner from the beginning, utilize AI to launch production lines at maximum speed, and recover investments. Then, when the next technological trend arrives, we will catch up again immediately." That is the real reality today. Therefore, when looking across the entire factory, we take a strategy to identify "which manufacturing process or which combination of data Hitachi should focus on to bring about the most dramatic effect," and thoroughly dig deep there. Naturally, in achieving the optimization

of the entire factory, areas will emerge that cannot be covered by Hitachi's products alone. Therefore, we will create the core process value that customers desire most by multiplying the products in which Hitachi has an overwhelming strength and the real data generated from them with the excellent products and systems of other companies. We believe this is the key to producing true results with physical AI. In other words, rather than the overconfidence of "let's have Hitachi monopolize everything" or "we can do it on our own," we will create customer value through an open ecosystem by highly collaborating with strong players in the industry. Within that ecosystem, Hitachi wants to be an existence that continues to generate technology that deeply penetrates the most core parts of customers' manufacturing processes and high-quality data.

Q. I would like to ask about the Mobility sector. Looking at the revenue targets for the sector for FY2027, it was impressive that contributions from M&A are factored in. Please tell us what specific technologies or business elements you are trying to acquire through M&A in the future.

A. Marino

Regarding M&A, we are currently looking at three different possibilities. The first one is H-Max related on competencies, as we have seen with the acquisitions of Clever Devices and Omnicom. The second one is more related to the specific growth in multimodality, where we are aiming to secure a larger database. We are currently conducting a detailed valuation on the market and the profitability of this area. And the third part is expansion into new markets. As the demand for digital transportation infrastructure is growing rapidly in various regions worldwide, we are looking to expand our footprint into new markets where we do not yet have a sufficient share, especially in the southern part of the world. Hitachi Rail has a proven track record of successfully completing quite a number of large acquisitions, and we have the organizational know-how to proceed quickly and precisely with the processes and subsequent integration. Now that the Thales GTS acquisition is completed and we can see the path forward, we have established a framework to quickly concentrate our energies on the next big strategic M&A.

A. Tokunaga

Marino just explained the three domains, but these are by no means talking about uncertain pipe dreams. As Hitachi, we concretely have clear target companies and are steadily advancing negotiations and evaluations behind the scenes. In this public venue today, I will refrain from mentioning specific company names or details, but please understand that we set the target figures for FY2027 with firm targets in mind.

Questioner 7

Q. Over the past year, while deploying HMAX globally, you have announced a succession of strategic partnerships with major global enablers leading the global AI market, including US hyperscalers. I believe you have had many deep dialogues during meetings with the heads of such companies. You mentioned that in those venues, the fact that Hitachi possesses all of "IT," "OT," and "products" is highly evaluated as a strength. On the other hand, through repeated dialogues with these global top companies, were there any points that surfaced conversely as "Hitachi's current challenges"? Also, I would like to ask what kinds of moves you are considering to overcome them and make your position even more robust in the future.

A. Tokunaga

To expand HMAX and Lumada on a global scale over the past year, I have directly met and discussed with CEOs of global technology companies with the clear purpose of constructing and expanding the AI ecosystem. Before going into the contents of individual dialogues, I would like to share our fundamental underlying thinking. Currently, "AI monetization" is actively discussed around the world, but when pursuing the essence from a technical perspective, we predict that the LLM domain of AI will increasingly commoditize and become something of a public good. Therefore, as Hitachi, we do not take a strategy of exclusively partnering with the model of only one specific company. Because each model definitely has strengths and weaknesses, we have proceeded with alliances believing it is extremely important to build an open ecosystem by partnering widely and deeply with

all influential partners. On top of that, through conversations with them, I felt that Hitachi's capability of "IT x OT x Products" appears tremendously attractive to them. Most recently, I spoke with Sam Altman of OpenAI and the management team of Anthropic. When mapped to the international standard 5-layer architecture model, Hitachi can provide both the lowest energy layer and the highest IT application layer at a world-top level scale. From the perspective of pure AI model development companies like them, it is a given that they can talk with Hitachi about business regarding "how to implement AI apps into operations," and at the same time, they can deeply discuss in an end-to-end manner about infrastructure in the energy domain regarding "how to optimize data center power and how to construct the grid to run those massive AI models." Sam Altman also directly expressed extremely high expectations, saying, "A partner possessing such dual-wheel capabilities is unparalleled in the world, making this highly rewarding." Conversely, what is "Hitachi's greatest challenge" in further expanding businesses globally? It is exactly the thorough enforcement of "One Hitachi," which I have stubbornly continued to tell the company ever since I assumed the presidency. If it were the old traditional Hitachi, when talking about IT applications, it would close within just the IT discussion, and when talking about energy, it would close within just the energy organization. Each business division moved in silos, and the real reality is that we previously spent vast amounts of labor connecting the overwhelming comprehensive power of the entire company into a single seamless customer value. However, over the past year, the entire company's organization, including the middle management layer, has finally begun to realize in a true sense that "massive business opportunities are born only when all of Hitachi's assets assemble into one," and that is starting to bear fruit as specific results. Recently, when I spoke with the CEO of Intel, previously discussions ended with just a business talk on a single product, the CD-SEM of Hitachi High-Tech. Now, it expands to a "digital solution utilizing data obtained from that manufacturing equipment," and furthermore, the discussion instantly scales up to proposals for "energy optimization infrastructure to run the entire factory." Therefore, what is a challenge and at the same time the greatest growth opportunity boils down to the point of "how we can eliminate silos and fuse all capabilities possessed by Hitachi to help solve customers' challenges as a single value." I strongly recognize that refining this integration power from here on out is our most critical challenge.

Q. I would like to ask about page 15 of the CI sector presentation. "Expansion of the measurement portfolio" is clearly proclaimed as a prioritized investment into focus domains. When viewed from an external perspective, Hitachi has extremely powerful measurement products that hold overwhelming shares and competitiveness globally, such as the CD-SEM for semiconductors. However, looking back at past history, one cannot shake the impression that despite having that powerful product group, the expansion of business into surrounding areas and scaling up did not progress so dynamically. As Hitachi performs prioritized investments into this domain and transforms it significantly from here on, please tell us "what will change decisively" compared to the past. I would like to hear your view on whether it simply means expanding the investment scale of M&A and widening the range of targets to acquire, or if there is another strategic paradigm shift.

A. Amiya

We analyze that the reasons why it did not expand or could not be fully expanded to the surroundings in the past despite having such strong products inherently involved two factors. The first is that past business models were biased toward the idea of "manufacturing products and delivering them to customer sites for sale." Once a product was delivered and inspection was completed, it marked a milestone, and after that, we were satisfied with providing conventional maintenance and preservation services—in other words, within the framework of a stand-alone hardware business. However, currently, manufacturing at all manufacturing sites, including semiconductors, has become extremely complex and micro-fabricated technologically. The customer side is exposed to intense pressure wanting to shorten Time to Market by even a single day. Under such borderline environments, delivering a single measurement device does not solve customer challenges. We have entered an era where the quality and yield of an entire manufacturing

process can be guaranteed only by extracting raw data generated from production lines in real time and furthermore highly combining multiple different measurement devices and inspection equipment. In other words, the main axis of business has completely shifted from simple "product delivery" to "advanced solutions and services" centered on data. The change in trends where the market demands this is the greatest decisive difference between the past and the present. This is the first major point that will explosively generate business expansion going forward. The second point is that, looking ahead to the next-generation evolution of customers, a philosophy of strategic portfolio operation has been established to "change the combination of assets possessed by Hitachi ourselves and agilely reinforce missing pieces." The CD-SEM that Hitachi prides itself on is the world's best wonderful technology, and data obtained from it is extremely precious. However, when trying to optimize a customer's entire process, a combination of X-ray technology to analyze material characteristics becomes necessary in addition to the CD-SEM that measures shapes, or if we try to expand into the healthcare and life sciences domains, reinforcement of optical technology using light becomes necessary. We have completely switched to a mindset of what should be multiplied—whether hardware or software—against the core assets currently possessed by Hitachi to deliver ultimate outcomes such as customer yield improvement and development period shortening. This is the true intention of the strategy explained earlier: "combining multiple measurement devices to generate high-quality data and turning it into a data business that optimizes the entire process." Under this clear philosophy, we have defined a specific roadmap and will steadily execute the moves we should make, including acquisitions, in order. Instead of enclosing everything in-house, we will boldly advance where we should openly collaborate with other companies. I have repeatedly and thoroughly discussed and refined this strategy together with Tokunaga. I want to execute this transition to a data business with strong determination.

A. Tokunaga

In constructing this new future business model for the CI sector, the greatest role models within the Hitachi Group are the Mobility sector and Energy sector, which have already achieved success. The common prospect of victory for these sectors lies in starting from "No. 1 products that are overwhelmingly strong in the market," thoroughly evolving them into digitized assets, and constructing high-value-added service businesses above them. It has become a completely common understanding within the company that this is exactly the winning formula that allows Hitachi to overwhelm competitors and win in today's severe global market. When applying this formula to the CI sector, we looked around asking, "Does Hitachi's CI not have No. 1 products that can fight in the world?" and found that, starting with CD-SEM, powerful products that can lead the world top actually existed in abundance. However, there is a deep reflection that until now, they were sold as simple "goods" and were not leveraged toward digital service conversion. That is precisely why from here on, we will firmly flesh out around these world No. 1 products with surrounding products and software that further reinforce and extend their functions, incorporating M&A as well, and elevate them into an end-to-end service business. We are confident that this will become a reliable winning path for the CI sector to strike explosive growth and high profitability in the future.

Questioner 8

Q. I would like to ask questions about the Energy sector by dividing them into short-term and long-term perspectives. First, short-term, you upwardly revised performance last fiscal year as well, and this time too you are raising target values, substantially upwardly revising the outlook every half-year. What lies behind the improvement of the profit margin outlook in the short term like this? Since the order backlog is fixed to a certain extent, the profitability of each project should be mostly visible, but why is the profit margin rising even further? Is it because achievements from operational efficiencies explained today are contributing? Or are you conservatively estimating the original plan? Please tell us the reason. Along with that, from a long-term perspective, this time an extremely large figure of approximately 100 billion dollars was shown as the order backlog target for 2030. I would like to ask about the visibility of this target and the image of the

investment amount toward achieving it. An investment plan of 6 billion dollars from FY2024 to FY2027 has been shown, but can we consider that this investment scale will expand further looking toward 2030?

A. Schierenbeck

First, regarding the reasons for the short-term upgrading, we are constantly looking at our project figures, progress performance, and adjusting our forecasts. It is true that some project frameworks are fixed when we book them, but highly complex projects like HVDC normally cover three to four years in execution. Therefore, we include certain risk buffers in the planning stage, and they involve things we cannot control. Additionally, depending on the contract, there are some additional bonuses if we energize the lines ahead of schedule or on time, and conversely, if delayed, we have a malus. We only know these when we approach the end of that project. That is why we take the approach of upgrading our forecast when our performance exceeds expectations. However, this is a dynamic process during the project execution, and it is not completely true that everything is determined the moment we book it. Furthermore, there are uncertainties like supply chains. For instance, if we are doing HVDC projects in Saudi Arabia, supply chains can naturally be impacted. Therefore, we have a rather conservative approach in looking forward on projects. On efficiency levels, as I have shown in my presentation, if we notice that efficiencies are kicking in, we apply that to our forecast and update our results as we see these efficiencies materialize. For the long term, we are forecasting for 2030 a backlog of around 100 billion, including framework agreements and capacity reservations. As I have told you before, we are only investing if we have a bankable business case. If the backlog is developing in that direction and we have the actual orders on our hands, we do not exclude investing more CAPEX. Therefore, I would expect that we could see more CAPEX investments in our sector going forward. However, because we take a very conservative approach, we are not building over-capacity, and we are not changing our risk profile there.

Questioner 9

Q. During last year's Investor Day as well, in the Energy sector, there was a talk that as a reason why the service revenue ratio is difficult to rise, "a certain number of customers exist who do not want to connect data to an external cloud." Today, countermeasures were explained centered on the industrial domain, but is there any risk that such concerns regarding sovereignty will become a risk that blocks the expansion of service revenue in sectors that are more mission-critical, like energy and mobility? Also, against such customers, it is predicted that needs for "edge AI models" that process data on-site will increase in the future instead of cloud-based AI. Please tell us what kinds of countermeasures and solutions Hitachi is considering.

A. Tokunaga

Regarding data sovereignty, we recognize that various customers around the world hold extremely high interest and vigilance. When viewed from a medium- to long-term perspective, we believe it is a natural flow that AI models themselves will turn into something of a public good. On the other hand, a customer's true area of competition in the coming era will be the "data" itself that is used to train the AI. It is entirely natural that customers are very sensitive regarding to what extent they should disclose and share this core data with external partners. Since data is the source of a corporation's core competitiveness, a world where all data is disclosed to the cloud and completely shared will undoubtedly not arrive. That is precisely why we believe various flexibilities of business models become necessary for Hitachi to step deeply into the core of customers' operations. For example, an approach to establish a joint venture with a specific customer and securely share data within that closed framework. Alternatively, a service format can be raised where Hitachi does not touch the contents of the customer's data itself at all and feeds back only the outcomes of analysis results to the customer. As Hitachi, based firmly on the major premise that "data is an important competitive factor for customers," we plan to flexibly adjust business models going forward. On the other hand, looking at the immediate market environment, needs to utilize "domestic AI" in highly confidential domains are also rising very much. Although I mentioned earlier that AI models will become a public good, it is also true that "domains that absolutely cannot be conceded to the

outside" exist in national security and critical infrastructure. Regarding such domains, while collaborating closely with other companies, Hitachi also wants to actively participate in development and construct platforms that can be used safely alongside them.

Questioner 10

Q. I would like to ask a question regarding page 9 of the DSS sector presentation. As the domestic IT business revenue target for 2030, an extremely wide-ranging figure of "¥3 trillion to ¥5 trillion " is championed. Against the FY2025 outlook of ¥2.21 trillion, what kind of growth scenario must be realized to aim for the upper limit of ¥5 trillion? Also, conversely, what kinds of risks are you assuming to see the lower limit as ¥3 trillion? Please tell us the breakdown. In addition, there was a talk that the Adj. EBITA margin for the domestic IT service domain in FY2025 has reached a very high level of 18.4%. If AI services including HMAX expand in earnest going forward, can you elevate this to an even higher, different dimension of a business model? Please tell us the future outlook in detail.

A. Abe

As a premise, predicting the future 5 or 10 years ahead in this rapidly changing digital domain is an extremely difficult approach when considering the evolution speed of technology and the liquidity of the market. On top of that, assuming an environment where the average growth rate of the overall market is 6% to 7% annually, we possess confidence in achieving the lower limit figure of ¥3 trillion. Of course, macro-environmental risks exist, such as procurement risks of IT components including SSDs, securing high-end engineers with advanced skills, and whether customers' IT investment minds will continue. However, if we firmly mitigate these through on-site handling, we believe we can reliably defend and achieve the ¥3 trillion line. However, as a management will of a corporation, if you ask whether we should be satisfied with just growth matching the simple market average, that is absolutely not the case. What we are aiming for is non-linear, high growth, and that is the essence of the target of ¥4 trillion or ¥5 trillion. For example, from this April, the industrial-oriented digital department, which was previously managed by the CI sector, was completely integrated into the DSS sector. Due to this structure change, it has become possible to unite the powerful IT integration capabilities of Hitachi Solutions and Hitachi Systems possessed by DSS with the on-site knowledge of the old industry department, and furthermore the distributor network of products that the CI sector has stretched across the world. We will scale business significantly by multiplying these. As mentioned in the previous discussion of FDEs, Hitachi's DNA lies in the point of sticking deeply to customers' sites and accumulating real domain knowledge. Leveraging this strength, we will have AI agents and data platforms learn and accumulate the deep on-site knowledge possessed by the OT sectors, and deploy it horizontally globally. Through this, we believe we can construct an asset-intensive, non-linear high growth model that exceeds the framework of conventional labor-intensive system construction. By boldly challenging this scenario and combining inorganic M&As as necessary, we will aim for the upper limit of ¥5 trillion. This is the background of the management will that gave a range of "¥3 trillion to ¥5 trillion" this time. Regarding the profit margin, because we shift to a model that scales business based on assets such as data and agentic AI possessed by Hitachi, profitability will naturally improve along with the expansion of revenue. Therefore, we want to challenge the points of how efficiently we can accumulate domain knowledge and to where we can increase the rotation rate of solutions, aiming for a business structure that reliably secures a profit margin of 20% or more in the future.

Q. I would like to ask about your current real response regarding changes in customers' tolerance toward AI implementation. Currently, the HMAX revenue of the entire Hitachi Group is approximately ¥300 billion, and very high growth of 50% to 60% annually is expected going forward. However, to powerfully lead this massive entire Hitachi Group, I believe it is necessary to expand this scalability to a level several times or tens of times larger. On the other hand, in fields of social infrastructure that possess conservative properties, there is also a concern that advancing AI implementation and digitalization rapidly might inevitably take time. Will this full-scale scaling

up become a long-term talk after FY2027 or, worst-case, after 2030? Or, because the mechanism of physical AI has already been established through Customer Zero promoted by Hitachi, do you have a real response that the speed of customers' digitalization and AI adoption will accelerate much ahead of our expectations? Please tell us Hitachi's view.

A. Tokunaga

If I had received the same question two years ago or even one year ago, I might have answered, "Due to the characteristics of the infrastructure domain, social implementation seems to take a little more time. Customers' tolerance and acceptance toward AI have not matured that much yet." However, as a realization at this exact moment, I am confident that "the scenery of the market has completely changed." There are two clear factors for this. The first is that customer corporations themselves have directly touched cutting-edge AI, starting with generative AI, within their daily operations, coming to realize and recognize its overwhelming power and practicality on their own. Due to this, psychological hurdles toward technology dropped dramatically. The second is that Hitachi has become able to present specific achievements of Customer Zero accumulated at manufacturing sites and critical infrastructure within the group, and actual performance data of HMAX, to customers. By witnessing the fact that this much cost reduction and efficiency improvement are achieved at real sites, customers wishing to enjoy that benefit as early as possible are increasing explosively. Therefore, even in the infrastructure domain, which is originally considered to have very high hurdles, the speed of introduction is accelerating remarkably. As mentioned in Schierenbeck's explanation, massive achievements are already starting to appear in "HMAX Energy," and in "HMAX Mobility" explained by Marino, many customers, including domestic railway operators who are said to be conservative as well as the global market, are steering one after another toward the full-scale adoption of HMAX. We recognize that customers' tolerance toward embedding digital and AI into the core of infrastructure is rising rapidly at a speed far exceeding our original assumptions. Therefore, we believe the expansion of this scalability can be realized at a very early timing without waiting for 2030.

End