

HITACHI, LTD.

TSE: 6501 | Grid equipment (Hitachi Energy), IT services, rail and industrial products | Tokyo

Tommy Lau | 22 October 2026 | Initiation of coverage | Independent research

INITIATE AT NO CALL	Target price: None (no call)	Last price: ¥5,840 (TSE close, 21 October 2026)	Upside: Base value ¥6,432 (+10%)
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Hitachi Energy's queue will outlast its new factories. At ¥5,840, Hitachi already prices in most of what that is worth.

Hitachi Energy, Hitachi's grid business, makes power transformers, HVDC links and high voltage switchgear. My piece of 22 October argued that it builds factories only as fast as signed orders justify, so its queue of about three years of sales will not clear through fiscal 2030. Hitachi Energy is not listed on its own, so this note is on its parent.

The claim holds. At the end of June the backlog was US\$63.6bn, 3.06 times revenue over the previous four quarters, and Hitachi plans to keep the ratio at 2.5 to 3 times. But the queue that makes the revenue visible also caps it, and Hitachi Energy is 46% of my value of Hitachi. At ¥5,840 the market values it at about 16 times my fiscal 2027 estimate of its adjusted EBITA, with the rest at my base multiples, and Hitachi as a whole at 29 times its own earnings forecast.

My call: NO CALL, medium conviction. My base sum of the parts is worth ¥6,432, up 10%, inside a range of ¥4,929 (down 16%) to ¥7,966 (up 36%). I would revisit below about ¥5,600, or if Hitachi lifts its fiscal 2027 target for Hitachi Energy above US\$28bn at a 16% margin.

Stock data

LAST PRICE

¥5,840, TSE close 21 October 2026, a record close; intraday high ¥6,039 (10 Feb 2026); lowest close of 2026 ¥4,464 (31 Mar)

MARKET VALUE

About ¥26.1 trillion on 4,471m shares outstanding, net of treasury stock (30 Jun 2026)

BALANCE SHEET, 30 JUN 2026

Cash ¥1,504bn, interest-bearing debt ¥1,057bn; investments ¥1,129bn at book

FY2026 FORECAST (29 JUL 2026)

Revenue ¥11,700bn; adjusted EBITA ¥1,520bn (13.0%); EPS ¥201.14

HITACHI ENERGY, FY2026 FORECAST

Revenue US\$23.65bn, adjusted EBITA US\$3.50bn (14.8%); backlog US\$63.6bn at 30 Jun 2026

HITACHI ENERGY IN HITACHI

32% of FY2026 revenue, 37% of adjusted EBITA, 46% of my sum of the parts

CONSENSUS (STOCKANALYSIS.COM)

FY2026 EPS ¥216.65; average target ¥6,600 (14 analysts)

NEXT EVENT

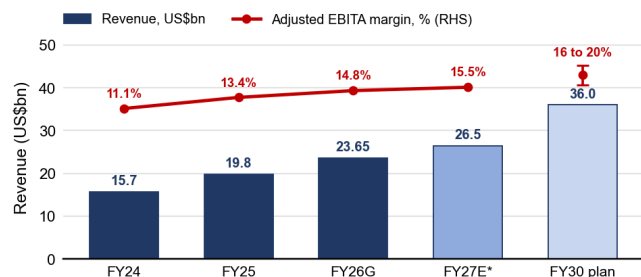
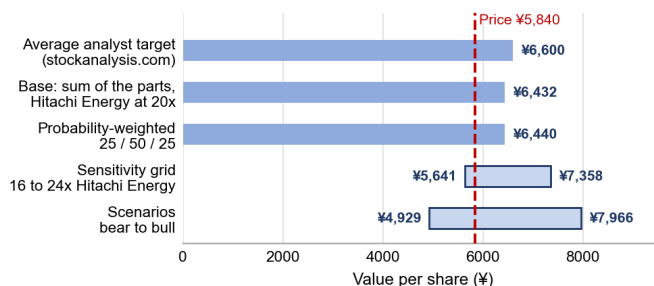
Q2 FY2026 results, 28 October 2026 (confirmed by Hitachi)

Key financials (fiscal years to March; adjusted EBITA is Hitachi's measure)

	FY2024A	FY2025A	FY2026 forecast	FY2027E*	FY2027 target	FY2030 plan
Hitachi Energy revenue, US\$bn	15.7	19.8	23.65	26.5	about 26	36
Growth (%)		26	19	12		
Adjusted EBITA margin (%)	11.1	13.4	14.8	15.5	15+	16 to 20
Adjusted EBITA, US\$bn	1.74	2.64	3.50	4.11		
Adjusted EBITA, ¥bn at ¥160			560	657		
Group revenue, ¥bn		10,587	11,700			
Group adjusted EBITA, ¥bn		1,311	1,520	1,680		
EV / group adjusted EBITA at ¥5,840 (x)			16.4	14.9		

**FY2027E is my own estimate, not Hitachi's. Hitachi Energy figures in US dollars as Hitachi reports them: FY2024 from the results of 28 April 2025, FY2025 from 27 April 2026, the FY2026 forecast as raised on 29 July 2026; targets from the Investor Day of 10 June 2026. Group FY2025 is restated for the April 2026 segment changes. EV is market value less net cash and investments at book, plus minority interests and pensions.*

Two charts: Hitachi Energy's earnings path, and a valuation that sits a little above the price

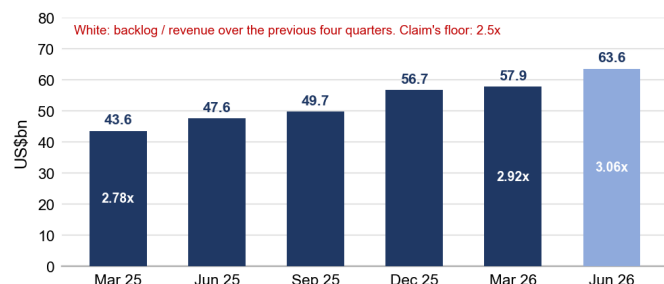
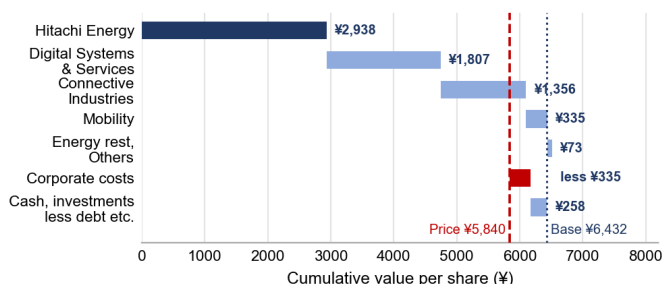


Left: Hitachi Energy revenue and adjusted EBITA margin. FY26G is Hitachi's forecast; FY27E is mine; FY30 is Hitachi's plan, with its 16 to 20% margin range, at Hitachi's 2026 budget rate. Right: value per share from the base case, the weighted cases, the sensitivity grid and the bear to bull range, against the ¥5,840 price (red) and the average analyst target.

The thesis: a joiner booked three years ahead, inside a much larger firm

Think of the joiner from the piece. Her diary is full for three years, so she takes on apprentices and rents a bigger workshop, but only once new bookings are written down. Each year she builds more wardrobes than the last, and each year the diary still runs three years ahead. The diary tells a buyer two things. Her revenue next year is close to certain, and it is also capped. What a buyer gains over time is the price on each new booking, and the efficiency of a bigger, busier workshop.

Hitachi Energy is that joiner at the scale of national grids. At the end of June 2026 it had US\$63.6bn of orders signed but not yet delivered, against US\$20.8bn of revenue over the previous four quarters: 3.06 times. The ratio was 2.78 in March 2025 and 2.92 in March 2026. Orders were 1.66 times revenue in fiscal 2025, the year to March 2026. In the June quarter, orders in Power Grids, the business unit that holds Hitachi Energy, were 2.16 times its revenue, lifted by several large HVDC awards in Europe.



Left: Hitachi Energy order backlog at quarter end, US\$bn; white figures are backlog over revenue for the previous four quarters, shown where Hitachi's disclosures allow (derived). Sources: results presentations, 28 April 2025 to 29 July 2026. Right: my sum of the parts per share, built up part by part, against the price (red) and the base value (dotted).

The plan matches the claim. At its investor day on 10 June, Hitachi showed Hitachi Energy's backlog rising from about US\$60bn in fiscal 2025 to about US\$100bn in fiscal 2030, while revenue rises from US\$20bn to US\$36bn. The slide says the ratio of backlog to revenue is expected to remain stable at 2.5 to 3 times. The investment programme, more than US\$9bn across more than 40 factories, goes only to "bankable business cases". Asked whether investment would grow on the way to 2030, Andreas Schierenbeck, who runs the business, said Hitachi invests only with a bankable business case and is "not building over-capacity", according to Hitachi's translated summary of the Q&A. Hitachi states the plan figures at its 2026 budget exchange rate.

The claim holds on both of its tests. The ratio is 3.06, above the 2.5 floor, and orders have run well ahead of revenue every year. Nothing in Hitachi's disclosures shows the piece was wrong.

The claim has a consequence. If factories follow orders, revenue grows at the pace new capacity allows: Hitachi's own plan implies about 12% a year from fiscal 2025 to 2030 (at Hitachi's 2026 budget rate). The rest of the value comes from margin, and here the record is good. The adjusted EBITA margin rose from 11.1% in fiscal 2024 to 13.4% in fiscal 2025; Hitachi forecasts 14.8% for fiscal 2026, more than 15% for fiscal 2027 and 16 to 20% by fiscal 2030. It has also raised its forecasts as each year goes on: in April 2025 it expected fiscal 2025 revenue of US\$18.0bn at 11.9%, and delivered US\$19.8bn at 13.4%. In July 2026 it raised fiscal 2026 from US\$23.2bn at 14.3% to US\$23.65bn at 14.8%.

Variant perception: what the market prices in, and where I differ

At ¥5,840 Hitachi is worth about ¥26.1 trillion on 4,471m shares. Net cash, equity-method and other long-term investments at book, less minority interests and the pension liability, add about ¥1,154bn, so the enterprise value is about ¥24,957bn: 16.4 times the raised fiscal 2026 forecast of ¥1,520bn of adjusted EBITA and 14.9 times my fiscal 2027 estimate. The shares trade at 29.0 times Hitachi's EPS forecast of ¥201.14 and 27.0 times the ¥216.65 consensus. Stockanalysis.com puts the forward P/E at 25.0 times, against 23.0 for Siemens Energy, 23.9 for ABB, 20.6 for Schneider Electric and 18.3 for Mitsubishi Electric.

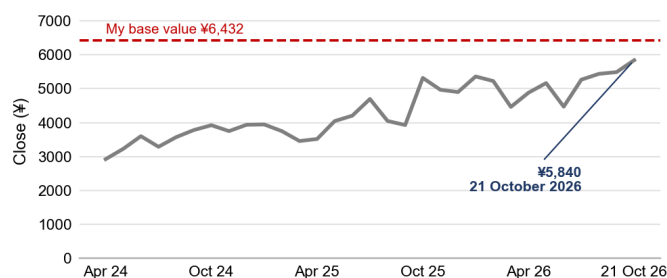
How much of Hitachi is Hitachi Energy. At Hitachi's assumed ¥160 to the dollar, Hitachi Energy's fiscal 2026 forecast is ¥3,784bn of revenue, 32% of the group, and ¥560bn of adjusted EBITA, 37% of the group's ¥1,520bn. In my sum of the parts it is 46% of the equity value; the IT business is next at 28%.

What the price implies. With the rest of Hitachi at my base multiples, which sit below its peers, the price leaves about ¥10.5 trillion for Hitachi Energy: 16.0 times my fiscal 2027 estimate, or about US\$66bn. Grid peers trade at a median 24.5 times trailing EV to EBIT, so the market applies a discount inside the group, but not a large one. The average target of 14 analysts is ¥6,600, 13% above the price. I differ on three points.

The queue caps the volume, so the upside is margin. Hitachi Energy cannot surprise much on revenue if it builds only against signed orders. My base case takes 12% growth in fiscal 2027 at a 15.5% margin, close to Hitachi's own target of about US\$26bn at more than 15%. The pattern of rising forecasts says the margin may come in higher; that is the bull case.

Hitachi Energy alone cannot move the whole enough. Even 20 times its fiscal 2027 adjusted EBITA, a forward multiple below the 24.5 times trailing peer median, lifts my value of Hitachi to only ¥6,432, up 10%. For 15% upside Hitachi Energy needs about 22 times with everything else unchanged. The rest of Hitachi grows at 5 to 10%, and its IT business told investors in June that overseas customers are moving development in house and pressing on price.

The yen sits between the queue and the shares. Hitachi Energy earns in dollars and euros and Hitachi reports in yen. Group revenue rose 20% in the June quarter, but 12% without currency. I hold the yen at Hitachi's ¥160 to the dollar; a stronger yen would cut the yen value of every dollar in the queue without changing the queue at all.



Date	What happened	Move
27 Apr 2026	FY2025 results; FY2026 forecast of ¥1,420bn adjusted EBITA	down 5.8%
10 Jun 2026	Investor Day; Hitachi Energy plan to FY2030	down 2.7%
29 Jul 2026	Q1 results; FY2026 forecast raised to ¥1,520bn	up 6.0%
21 Oct 2026	Record close of ¥5,840, up 19% in 2026	

Left: Hitachi month-end close, April 2024 to the 21 October 2026 close, split-adjusted, against my base value (red). Yahoo Finance, retrieved 22 October 2026. Right: moves from the close on the day of each release to the next day's close, as Hitachi releases results after the market closes.

Valuation, with the working

I value Hitachi as a sum of its parts: each business at a multiple of my fiscal 2027 adjusted EBITA, the year to March 2028, which the market will price as current by October 2027. I add cash and investments at book, deduct debt, minority interests and the pension liability, and divide by 4,471m shares, with no further buybacks. Hitachi Energy grows 12% in dollars at a 15.5% margin, converted at ¥160. Digital Systems and Services grows 6%, Connective Industries 5% and Mobility 10% from Hitachi's fiscal 2026 forecasts; corporate costs rise to ¥100bn. All are my estimates.

Sum of the parts, base case

Part	FY2027E EBITA, ¥bn*	Multiple	Value, ¥bn	Share	Per share
Hitachi Energy	657	20x	13,138	46%	¥2,938
Energy, rest (mainly nuclear)	20	12x	240	1%	¥54
Digital Systems & Services	538	15x	8,077	28%	¥1,807
Connective Industries	404	15x	6,064	21%	¥1,356
Mobility	150	10x	1,496	5%	¥335
Others	11	8x	88	0%	¥20
Corporate costs	(100)	15x	(1,500)	(5%)	(¥335)
Cash, investments, less debt, minorities, pensions			1,154	4%	¥258
Equity value			28,757	100%	¥6,432

*My estimates; brackets are negative. Multiples are EV to FY2027E adjusted EBITA, set against peers' trailing EV/EBIT (table below): grid median 24.5x, less a year of growth, for Hitachi Energy; Fujitsu 17.4x and NEC 19.1x for IT; Mitsubishi Electric 19.1x for Connective Industries, which carries a weak China elevator business; Alstom 10.3x for Mobility. Corporate costs are capitalised at 15x.

Scenarios: three cases, twelve months out

Case	What happens	HE FY2027 EBITA	HE multiple	Others	Value	Change	Weight
Bear	Orders slow; growth 8%, margin flat at 14.8%; grid names de-rate	¥605bn	14x	2 turns lower	¥4,929	down 16%	25%
Base	Growth 12%, margin 15.5%	¥657bn	20x	as above	¥6,432	up 10%	50%
Bull	Growth 15%, margin 16.5%; the plan keeps rising	¥718bn	25x	2 turns higher	¥7,966	up 36%	25%
Weighted	25 / 50 / 25				about ¥6,440	up 10%	

Hitachi Energy (HE) starts from Hitachi's FY2026 forecast of US\$23.65bn at ¥160. The rest of Hitachi keeps my FY2027E EBITA; only its multiples move. The bear multiple for Hitachi Energy is below where the market already values it; the bull multiple is still below Siemens Energy (27.9x) and Eaton (31.8x) on trailing EBIT.

Sensitivity: Hitachi Energy FY2027 adjusted EBITA against its multiple

HE EBITA	16x	20x	24x
¥600bn	¥5,641	¥6,177	¥6,714
¥657bn	¥5,844	¥6,432	¥7,020
¥720bn	¥6,070	¥6,714	¥7,358

With the rest of Hitachi at my base, 8 of the nine cells sit above the price, but only 2 sit 15% or more above it, and both need 24 times. Under my rule, a long needs the base value 15% or more above the price and a short needs it 25% or more below. At 10% above, my call is no call.

Peer landscape

Company	Ticker	Forward P/E	EV/EBIT	What they make
Hitachi	TSE: 6501	25.0x	19.3x	Grid equipment (Hitachi Energy), IT services, rail, industrial products
Siemens Energy	ETR: ENR	23.0x	27.9x	Grid technology, gas turbines, wind turbines
ABB	SWX: ABBN	23.9x	24.5x	Electrification and automation equipment
Schneider Electric	EPA: SU	20.6x	20.8x	Electrical distribution, automation, data centre power
Eaton	NYSE: ETN	26.0x	31.8x	Switchgear and power distribution, data centre electrical
Prysmian	BIT: PRY	19.8x	21.1x	High voltage and power cable
Fujitsu	TSE: 6702	23.7x	17.4x	IT services and systems in Japan and abroad
NEC	TSE: 6701	23.5x	19.1x	IT services, network and public systems
Mitsubishi Electric	TSE: 6503	18.3x	19.1x	Factory automation, building systems, power equipment
Alstom	EPA: ALO	9.5x	10.3x	Rolling stock and rail signalling

Forward P/E and trailing EV/EBIT from stockanalysis.com, retrieved 22 October 2026. Grid equipment median (Siemens Energy, ABB, Schneider Electric, Eaton, Prysmian): 23.0x forward P/E, 24.5x EV/EBIT. GE Vernova is left out: its trailing EV/EBIT of 87x reflects earnings still recovering. Multiples are used only to set the ranges; no view on the peers' shares is expressed.

Catalysts

When	Event	What I watch
28 October 2026 (confirmed)	Q2 FY2026 results; webcast 17:00 to 18:00 JST	Hitachi Energy backlog against 2.5 to 3 times revenue; margin against 14.8%; any change to the FY2026 forecast
Early 2027 (date not announced)	Q3 FY2026 results	Orders against revenue as the large HVDC awards are booked
Late April 2027 (date not announced)	FY2026 results and the FY2027 forecast	Whether the FY2027 Hitachi Energy figure moves above the US\$26bn target
Through FY2026	¥550bn of buybacks (¥147.9bn done in Q1); home appliance deconsolidation	Share count; Connective Industries mix
2028 and 2029	South Boston and Mississippi transformer plants	On time, and only against signed orders

Risks: what would hurt the view

Orders slow as factories open. The claim breaks if the backlog falls below 2.5 times revenue at two quarter ends in a row, or a year's orders fall below revenue. HVDC awards are lumpy, and the June quarter's 2.16 will not repeat every quarter. A falling ratio would cut the multiple and the margin path. That is most of the bear case.

Execution on large projects. Schierenbeck said HVDC links normally take three to four years to execute, and they are priced years ahead. A cost overrun on one large European link would show up quickly in a 15% margin.

The yen. Hitachi says each yen of weakness against the dollar adds ¥11.0bn of revenue and ¥1.2bn of adjusted EBITA over the last three quarters of fiscal 2026. On my fiscal 2027 Hitachi Energy estimate alone the effect is about ¥4.1bn of adjusted EBITA per yen.

The rest of the group. Digital Systems and Services faces price pressure overseas. Connective Industries depends partly on semiconductor equipment and Chinese building demand, and the home appliance business is due to be deconsolidated within fiscal 2026.

The Middle East. Hitachi says the situation cost it about ¥16.0bn of revenue and ¥7.0bn of adjusted EBITA in the June quarter, and its forecast allows for ¥10.0bn more of each for the rest of the year.

Capacity timing. Hitachi expects South Boston, Virginia to operate by 2028 and Mississippi to start production in 2029. A slip delays revenue the plan needs, though it would also keep the queue long.

What would change my mind

Into a long: a price below about ¥5,600, where my base value would sit 15% above it on unchanged estimates, or Hitachi raising its fiscal 2027 target for Hitachi Energy above US\$28bn of revenue at a 16% margin. **Towards a short:** a price above about ¥8,580, where my base value would sit 25% below it.

The view is wrong if the shares close above ¥7,300 or below ¥4,400 in October 2027, or Hitachi Energy's fiscal 2026 adjusted EBITA margin lands below 14 per cent against the 14.8 per cent forecast, or its backlog falls below 2.5 times its revenue over the previous four quarters at two quarter ends in a row before October 2027.

Conclusion

The October piece argued that Hitachi Energy is building just fast enough to keep its queue, not to clear it. Hitachi's figures say so: US\$63.6bn of backlog, 3.06 times a year of revenue, a plan to hold the ratio at 2.5 to 3 times through 2030, and orders well ahead of revenue. Nothing I found says the piece was wrong. One simplification: the piece said Hitachi Energy "is spending more than \$9 billion", but about US\$3bn of it was spent from 2020 to 2023; this does not affect the claim. But the queue that makes Hitachi Energy's revenue so visible also caps it, and Hitachi Energy is under half of Hitachi. My call: NO CALL, medium conviction; base value ¥6,432, range ¥4,929 to ¥7,966.

Appendix: forecast assumptions

Assumption	FY2026	FY2027E	Basis
Hitachi Energy revenue growth (US\$)	19% (forecast)	12%	Plan pace to FY2030; FY2027 target about US\$26bn
Hitachi Energy adjusted EBITA margin	14.8% (forecast)	15.5%	Target 15%+; FY2030 range 16 to 20%
Yen per US\$	160 (Hitachi)	160	Held at Hitachi's own assumption
Other parts, adjusted EBITA growth	Hitachi forecast	DSS 6%, CI 5%, Mobility 10%	Below Hitachi Energy; DSS revenue grows 6% in FY2026 on Hitachi's basis excluding FX and one-offs
Bridge, ¥bn	1,154		30 June 2026, at book, held flat
Shares, m	4,471.0		Issued less treasury, 30 June 2026; no further buybacks

Full workings, with live formulas, in the accompanying model, 2026-10-22_Hitachi_Model.xlsx.

Sources

Hitachi, Outline of Consolidated Financial Results for the First Quarter Ended June 30, 2026, Consolidated Financial Results and Supplemental Material, 29 July 2026, for segment results, the raised fiscal 2026 forecast, Hitachi Energy in US dollars, orders, backlog, the balance sheet, shares, FX assumptions and buybacks. Hitachi, Outline of Consolidated Financial Results for Fiscal 2025, 27 April 2026, for fiscal 2025 results, the April forecast and Hitachi Energy orders and backlog. Hitachi results presentations of 28 April 2025, 31 July 2025 (page 11, June 2025 backlog), 30 October 2025 and 29 January 2026 for earlier backlog and forecasts. Hitachi Investor Day 2026, Energy Business Strategy and Q&A summary, 10 June 2026, for the backlog ratio, the investment programme, the fiscal 2027 and 2030 targets and the remarks quoted from Hitachi's translated Q&A summary. Hitachi investor relations library for the 28 October 2026 results date. Share prices from Yahoo Finance (6501.T); consensus EPS and average target (S&P Global data, targets updated 17 September 2026) and peer multiples from stockanalysis.com; all retrieved 22 October 2026. Estimates for fiscal 2027 are the author's own.

About this note

I wrote this note and built the accompanying model independently. It is not a product of any bank or broker. It tests a claim from my journal piece of 22 October 2026, thephysicallayer.fyi/journal/hitachi-energy-plans-the-queue; all notes and their track record are at thephysicallayer.fyi/research. Figures from company filings are labelled as such; derived figures are marked; the forecasts and view are my own estimates and my own view. I hold no position in Hitachi. Personal research, not investment advice.

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