

FOR IMMEDIATE RELEASE

## Hitachi Announces the Conclusion of Absorption-type Company Split Agreement Relating to Reorganization of Industrial Equipment Business

**Tokyo, February 6, 2019** --- Hitachi, Ltd. (TSE:6501, “Hitachi”) announced on October 25, 2018 that Hitachi Industrial Products, Ltd. (“Hitachi Industrial Products”), a newly established company, will succeed to the Industrial Products Business Unit that operates the business of large-sized industrial equipment through an absorption-type split (the “Company Split”) to strengthen the product business.

Having concluded the absorption-type company split agreement (the “Company Split Agreement”) today, Hitachi has announced matters as follows, some of which had not yet been decided in the news release on October 25, 2018. The matters which have been decided in the Company Split Agreement and changes since the previous news release are underlined.

Hitachi Industrial Products, which will succeed to Hitachi’s businesses of large-sized industrial equipment, will conduct businesses from development and manufacture to sales and maintenance services of high pressure motors, inverters, pumps, compressors, etc. The capital of Hitachi Industrial Products will be 10 billion yen and the consolidated revenue scale will be approximately 150 billion yen. Keizo Kobayashi, who is currently CEO of Industrial Products Business Unit of Hitachi, Ltd., will lead Hitachi Industrial Products as President. Hitachi Industrial Products will seek to achieve a flexible business operation as independent operating companies and dramatically strengthen manufacturing with 9 consolidated affiliates and approximately 4,600 employees (consolidated). In doing so, it will provide highly competitive products on a global basis.

### 1. Outline of Company Split

#### (1) Schedule of Company Split

Execution of the Company Split Agreement	<u>February 6, 2019</u>
Scheduled Company Split Date (Effective Date)	April 1, 2019 (planned)

(Note) Hitachi will perform the Company Split without holding general meetings of shareholders to obtain approval for the absorption-type split agreement since the Company Split falls under an abbreviated split as set forth in Paragraph 2, Article 784 of the Companies Act with respect to Hitachi.

#### (2) Company Split Method

The split is an absorption-type split under which Hitachi will be the splitting company and Hitachi Industrial Products is the succeeding company.

**(3) Details of Allotments Related to Company Split**

Hitachi Industrial Products will issue 199,200 common stocks accompanying the Company Split. All of the stocks will be allocated to Hitachi.

**(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying Company Split**

There will be no changes in the handling of stock acquisition rights issued by Hitachi due to the Company Split.

Hitachi has no bonds with stock acquisition rights.

**(5) Capitalization Changes Accompanying Company Split**

There will be no changes in Hitachi's capitalization as a result of the Company Split.

**(6) Succession of Rights and Obligations**

Hitachi Industrial Products will succeed to all rights and obligations of Hitachi including assets, intellectual property rights, claims and debts, the statuses under contracts and labor contracts, as specified in the Company Split Agreement.

**(7) Prospect on Fulfilment of Obligations**

It is judged that there should be no concern about fulfilling all of Hitachi Industrial Products' obligations whose due date comes on or after the effective date of the Company Split.

**2. Profile of the Parties of Company Split**

	Splitting Company	Succeeding Company
(1) Name	Hitachi, Ltd.	Hitachi Industrial Products, Ltd.
(2) Head Office	6-6 Marunouchi 1-chome, Chiyoda-ku, Tokyo	3, Kanda Neribeicho, Chiyoda-ku, Tokyo
(3) Representative	President & CEO Toshiaki Higashihara	<u>Representative director</u> Shin Nakamura
(4) Outline of Business	Development, manufacture and sales of products and provision of service across eight segments: Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Smart Life & Ecofriendly Systems, Other	Development, manufacture and sales of products and provision of services in the electrical system business and the machinery system business
(5) Capital	458,790 million yen (As of March 31, 2018)	40 million yen
(6) Established	February 1, 1920	<u>November 1, 2018</u>
(7) Number of Issued Shares	4,833,463,387 shares (As of March 31, 2018)	<u>800 shares</u>

(8) Fiscal Year-end	March 31	March 31	
(9) Main Shareholders and Shareholding	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.53%	Hitachi, Ltd. 100%
	Japan Trustee Services Bank, Ltd. (Trust Account)	5.99%	
	Hitachi Employees' Shareholding Association	2.07%	
	Nippon Life Insurance Company	1.93%	
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.92%	
(As of March 31, 2018)			
(10) Financial Conditions and Business Results for the Most Recent Fiscal Year (ended March 2018) (Consolidated/IFRS) (Millions of yen unless otherwise specified)			
Total Hitachi, Ltd. stockholders' equity	3,278,024	—	
Total assets	10,106,603	—	
Total Hitachi, Ltd. stockholders' equity per share (yen)	679.00	—	
Revenues	9,368,614	—	
Income from continuing operations, before income taxes	638,646	—	
Net income attributable to Hitachi, Ltd. stockholders	362,988	—	
Earnings per share attributable to Hitachi, Ltd. stockholders (Basic) (yen)	75.19	—	

### 3. Overview of the Business to Be Split

#### (1) Business to Be Split

Development, manufacture and sales of products and provision of services in the electrical system business (high pressure motors, inverters, UPS <sup>(1)</sup>, PCS <sup>(2)</sup>, industrial computers, etc.) and machinery system business (pumps, blowers, centrifugal compressors, Dynamic simulating systems, compact and low-floor automated guided vehicles, etc.)

(1) UPS: Uninterruptible Power Supply

(2) PCS: Power Conditioning System

#### (2) Business Results of Divisions to Be Split (Unconsolidated)

Revenues: 94,095 million yen (year ended March 31, 2018)

**(3) Assets and Liabilities to Be Split (Forecast for April 1, 2019)**

Category	Details	Amount (millions of yen)
Assets to be split	Real estate, movable assets, intellectual properties, accounts receivable, etc.	68,527
Liabilities to be split	Accounts payable-trade, accounts payable-other, etc.	37,068
Net amount	—	31,459

**4. Profile of the Succeeding Company after the Company Split**

(1) Name	Hitachi Industrial Products, Ltd.
(2) Head Office	3, Kanda Neribeicho, Chiyoda-ku, Tokyo
(3) Representative	<u>President Keizo Kobayashi</u>
(4) Outline of Business	Development, manufacture and sales of products and provision of services in the electrical system business (high pressure motors, inverters, UPS, PCS, industrial computers, etc.) and machinery system business (pumps, blowers, centrifugal compressors, Dynamic simulating systems, compact and low-floor automated guided vehicles, etc.)
(5) Capital	<u>10 billion yen</u>
(6) Fiscal Year-end	March 31
(7) <u>Principal affiliated companies</u>	Hitachi IE Systems Co., Ltd. Hitachi Technologies and Services, Ltd. Hitachi Nico Transmission Co., Ltd. Hitachi Plant Mechanics Co., Ltd. Hitachi Pump Manufacture(Wuxi) Co., Ltd. Hitachi Hi-Rel Power Electronics Pvt. Ltd.

## 5. Outlook

The Company Split is expected to have no impact on Hitachi's consolidated operating results.

(Reference) Consolidated Business Forecasts for the Year Ending March 31, 2019 (announced on February 1, 2019) and Consolidated Operating Results for the Previous Fiscal Year

(Millions of yen)

	Revenues	Adjusted operating income*	Income from continuing operations, before income taxes	Net income	Net income attributable to Hitachi, Ltd. stockholders
Consolidated Business Forecasts for Fiscal 2018 (Year Ending March 31, 2019)	9,400,000	750,000	490,000	290,000	180,000
Consolidated Operating Results for Fiscal 2017 (Year Ended March 31, 2018)	9,368,614	714,630	638,646	490,918	362,988

\* "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

### **Cautionary Statement**

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;

- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

### **About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges, combining its operational technology, information technology, and products/systems. The company's consolidated revenues for fiscal 2017 (ended March 31, 2018) totaled 9,368.6 billion yen (\$88.4 billion). The Hitachi Group is an innovation partner for the IoT era, and it has approximately 307,000 employees worldwide. Through collaborative creation with customers, Hitachi is deploying Social Innovation Business using digital technologies in a broad range of sectors, including Power/Energy, Industry/Distribution/Water, Urban Development, and Finance/Social Infrastructure/Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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