

FOR IMMEDIATE RELEASE

**Hitachi Completes Acquisition of ABB's Power Grids Business;
Hitachi ABB Power Grids Begins Operation**

Delivering innovative energy solutions globally by combining world-class power grids business with Hitachi's advanced digital technology and contributing to a sustainable society

Tokyo, Japan and Zurich, Switzerland, July 1, 2020 --- Hitachi, Ltd. (TSE:6501, "Hitachi") today announced that it has completed the procedures for its 80.1% investment in the company operating power grids business that had been carved out from ABB Ltd (NYSE:ABB, "ABB"), pursuant to the acquisition agreement signed on December 17, 2018⁽¹⁾. The new company, Hitachi ABB Power Grids Ltd ("Hitachi ABB Power Grids") was launched and began operation today. Under the leadership of Claudio Facchin as CEO and Toshikazu Nishino, Executive Vice President of Hitachi, as Chairman, Hitachi ABB Power Grids will expand Hitachi's energy solutions business globally as a core part of the company's Social Innovation Business.

By combining world-class power grids business with Hitachi's advanced digital technologies such as Lumada⁽²⁾, Hitachi and Hitachi ABB Power Grids will provide innovative energy solutions spanning the Energy (utilities), Mobility, Smart Life (cities), Industry, and IT sectors. With roots in Hitachi and ABB, the new business will build on more than one century of expertise in pioneering engineering technologies, enabling customers to increase efficiency and maintaining resilience. It will unlock new business models and contribute social, environmental and economic values for a sustainable society.

The world's energy markets are going through an unprecedented transformation needed to realize the energy transition. The need for innovative energy solutions is being driven by short- and long-term global trends. The share of renewables in the energy mix is increasing significantly and will play a key role in achieving the ambitious decarbonization targets set by countries around the world. Intermittent by nature, renewable energy sources have resulted in increased complexity; while many countries have made great strides in the adoption of renewables, they now need to manage a more dynamic system, requiring increased flexibility and resilience to achieve a sustainable outcome. Many more interconnections will be required to maximize the penetration of renewables in the energy market.

The rapid rise in distributed power generation and changes in consumption patterns (for example, the emergence of prosumers) are parts of this changing energy landscape. Furthermore, the growth of electric vehicles and expansion of the world's data centers has ramped up electricity demand. At the same time, advances in digitization require the adoption of new business models.

The power grid market is worth around US\$100 billion in 2020. Markets related to digital utilities, such as predictive maintenance, distributed power supply and asset optimization are expected to grow strongly⁽³⁾.

The demand for electricity continues to outpace the rising need for energy; the challenge is to meet this growing demand while minimizing environmental impact for a sustainable energy future. Hitachi ABB Power Grids is uniquely positioned as a market and technology leader, with a proven track record of pioneering innovation and a vast global customer base served through a manufacturing, service, sales and R&D network in around 90 countries. By combining its world-class power grid solutions with Hitachi's leading digital technologies, Hitachi ABB Power Grids will co-create innovative energy solutions with customers and partners, with the ambition of "Powering Good for Sustainable Energy."

The new joint venture and its 36,000 employees remain committed to be the partner of choice for stronger, smarter and greener power grids. Underpinned by a customer-focused mindset and a world-class R&D organization of around 2,000 experts, the company will continue to differentiate itself through customer service, domain expertise, technology and innovation, an unparalleled global footprint and an installed base.

Hitachi ABB Power Grids will also leverage Hitachi's digital solutions portfolio, enabling it to expand its presence in sectors like Energy (utilities), Mobility, Smart Life (e.g. smart cities and energy storage), Industry and IT (e.g. data centers) – all contributing to our Social Innovation Business. Through Hitachi ABB Power Grids, Hitachi further strengthens Lumada's presence in the market by incorporating energy solutions into the platform, allowing the company to provide even more advanced digital solutions to Hitachi's customers to realize sustainable society.

Toshiaki Higashihara, President & CEO of Hitachi, said, "While COVID-19 has stalled various activities, we are pleased to be able to launch the new company as planned. Through this merger and acquisition, we have been able to acquire excellent assets that will help make Hitachi a truly global company."

"The first asset is the basis for promoting our Social Innovation Business worldwide. By combining the new company's world-class power grid business with Hitachi's Lumada solutions to create a new energy platform, and furthermore, by leveraging the new company's global business model, we will be able to provide the best possible service in various industries and expand our Social Innovation Business globally."

"The second asset is the basis for enhancing Hitachi's global business management platform. The new company will feature a diverse group of talent and be a progressive

global operation. As we move forward with the integration of the new company with the rest of Hitachi Group, we will accelerate our transformation into a global company.”

“Moreover, we must address the most challenging SDG indicator of building a zero-carbon society with various measures including the use of renewable energies. Hitachi and Hitachi ABB Power Grids will work together to take on this challenge and contribute to the realization of a sustainable society,” he added.

Claudio Facchin, CEO, Hitachi ABB Power Grids, said, “Both Hitachi and ABB Power Grids have a rich legacy in technology and innovation that goes back over a century. Combining world-class power solutions with Hitachi’s leading open digital platforms presents us with new market opportunities and enables us to deliver greater customer value across the world.”

“We remain committed to a sustainable future and will continue to facilitate secure, reliable and efficient electricity supply, as the partner of choice for a stronger, smarter and greener grid,” he added.

The purchase price of Hitachi ABB Power Grids’ 80.1% stake is approx. US\$6.85 billion (approx. JPY740.0 billion)⁽⁴⁾. Hitachi will consider to acquire the remaining 19.9% stake of Hitachi ABB Power Grids – making it a wholly owned subsidiary – after 2023.

In addition, items that were undetermined in the news release dated December 17, 2018 or have been changed are underlined below.

(1) December 17, 2018 “Hitachi to Strengthen Energy Solutions Business with the Acquisition of ABB’s Power Grids Business”
<https://www.hitachi.com/New/cnews/month/2018/12/181217.html>

(2) Lumada: Hitachi’s advanced digital solutions, services, and technologies for turning data into insights to drive digital innovation

(3) Based on Hitachi’s analysis

(4) Amount after deduction of debt and other items from the enterprise value, US\$11 billion.
Calculations based on US\$1 = JPY108

Overview of Hitachi ABB Power Grids

(the acquired company operating power grids business (As of July 1, 2020))

| | | |
|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Name | <u>Hitachi ABB Power Grids AG</u> <u>("Hitachi ABB Power Grids Ltd" in English)</u> <u>(Name changed from "ABB Management Holding AG"</u> <u>on July 1, 2020)</u> | |
| Location | Swiss Confederation, Zurich | |
| Title and name of representative | <u>CEO Claudio Facchin</u> | |
| Description of business | Design, manufacturing and sale of power grid products and systems, software and service solutions | |
| Number of manufacturing sites | <u>(Consolidated) Approx. 100⁽⁵⁾</u> | |
| Number of sales sites | <u>(Consolidated) Approx. 200⁽⁵⁾</u> | |
| Number of employees | <u>(Consolidated) Approx. 36,000⁽⁵⁾</u> | |
| Capital | <u>US\$1.32 mn</u> | |
| Establishment date | <u>September 20, 2018 (Established as "ABB Management Holding AG")</u> <u>(Name changed to "Hitachi ABB Power Grids Ltd" and started operation on July 1, 2020)</u> | |
| Major shareholders and ratio of shareholding | <u>Hitachi: 80.1%, ABB: 19.9%</u> <u>(Before the completion of investment procedure,</u> <u>Hitachi: 0.0%, ABB: 100.0%)</u> | |
| Relationship between Hitachi and the company (before the completion of investment procedure) | Capital relationship | <u>None</u> |
| | Personnel relationship | <u>None</u> |
| | Transaction relationship | <u>None</u> |

(5) Including companies that are planning to be carved out from ABB and transferred to Hitachi ABB Power Grids by the first half of 2021.

Directors

| | |
|----------------------------|-------------------|
| Chairman and Director | Toshikazu Nishino |
| Director | Atsushi Oda |
| Director | Ryuichi Otsuki |
| Director | Duncan Hawthorne |
| Director | Manuel Valverde |
| Director | Timo Ihamuotila |
| Vice chairman and Director | Frank Duggan |

Financial conditions and business results for recent years of Hitachi ABB Power Grids (ABB's Power Grids business) ⁽⁶⁾ (US\$m)

| Fiscal year-end | Dec. 2017 | <u>Dec. 2018⁽⁷⁾</u> | <u>Dec. 2019⁽⁷⁾</u> |
|------------------------|-----------|--------------------------------|--------------------------------|
| Total assets | 8,387 | - | - |
| Total revenues | 10,028 | - | - |
| Income from operations | 875 | - | - |
| Operational EBITA | 1,027 | - | - |

(6) These numbers are provided by ABB and might be different depending on actual carve-out business areas.

(7) ABB's Power Grids business has been classified as part of discontinued operations since the year ended December 31, 2018, and results of this business alone are not disclosed.

ABB has disclosed its results of discontinued operations including Power Grids business as below. (US\$m)

Fiscal year-end Dec. 2018 Total revenues: 9,698, Income from operations: 994

Fiscal year-end Dec. 2019 Total revenues: 9,037, Income from operations: 660

Overview of ABB Ltd (As of December 31, 2019)

| | | |
|----------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Name | ABB Ltd | |
| Head Office | Swiss Confederation, Zurich | |
| Title and name of representative | <u>CEO Björn Rosengren (as of March 1, 2020)</u> | |
| Description of business areas | <u>Electrification, Industrial Automation, Motion, Robotics & Discrete Automation</u> | |
| Establishment date | January 5, 1988 (founded: 1883) | |
| Capital | US\$188 mn | |
| Total equity | <u>US\$14.0 bn</u> | |
| Total assets | <u>US\$46.1 bn</u> | |
| Major shareholders and ratio of shareholding | <u>Investor AB: 11.8%, Cevian Capital: 5.3%, BlackRock: 3.4% Artisan Partners 3.0%</u> | |
| Relationship between Hitachi and ABB Ltd | Capital relationship | None |
| | Personnel relationship | None |
| | Transaction relationship | Hitachi has a software purchasing agreement with ABB. |
| | Status as related party | None |

Schedule

| | |
|--------------------------------|---------------------|
| Signing of the agreement | December 17, 2018 |
| Closing date of stock purchase | <u>July 1, 2020</u> |

Shares acquired, shares owned before and after acquisition and acquisition price

| | | | | | | | |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------|--------------------|--------------------------|--------|---------------------------|
| Shares owned before the acquisition | 0 share | | | | | | |
| Shares acquired | <u>1,001,250 share (80.1%)</u> | | | | | | |
| Acquisition price ⁽⁸⁾ | <table border="0"> <tr> <td>Share purchase price:</td> <td>Approx. JPY 740.0 billion</td> </tr> <tr> <td>Advisory fee etc.:</td> <td>Approx. JPY 10.0 billion</td> </tr> <tr> <td>Total:</td> <td>Approx. JPY 750.0 billion</td> </tr> </table> | Share purchase price: | Approx. JPY 740.0 billion | Advisory fee etc.: | Approx. JPY 10.0 billion | Total: | Approx. JPY 750.0 billion |
| Share purchase price: | Approx. JPY 740.0 billion | | | | | | |
| Advisory fee etc.: | Approx. JPY 10.0 billion | | | | | | |
| Total: | Approx. JPY 750.0 billion | | | | | | |
| Shares owned after the acquisition | <u>1,001,250 share (80.1%)</u> | | | | | | |

(8) The purchase price will be finalized through price adjustments with ABB after the closing. Advisory fee etc. price is currently estimated.

Outlook

The impact of this acquisition on the consolidated results for the fiscal year ending March 31, 2021 will be announced as soon as it is determined.

(Reference) Consolidated financial forecasts for the year ending March 31, 2021 (announced on May. 29, 2020) and consolidated financial results for the previous fiscal year (JPYmn)

| | Revenues | Adjusted operating income ⁽⁹⁾ | Income from continuing operations, before income taxes | Net income | Net income attributable to Hitachi, Ltd. stockholders |
|----------------------------------------------------------------------------|-----------|------------------------------------------|--------------------------------------------------------|------------|-------------------------------------------------------|
| Forecasts for Fiscal 2020 (Year ending March 31, 2021) | 7,080,000 | 372,000 | 600,000 | 351,000 | 335,000 |
| Consolidated Operating Results for Fiscal 2019 (Year ended March 31, 2020) | 8,767,263 | 661,883 | 180,268 | 127,246 | 87,596 |

(9) 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, is focused on its Social Innovation Business that combines information technology (IT), operational technology (OT) and products. The company's consolidated revenues for fiscal year 2019 (ended March 31, 2020) totaled 8,767.2 billion yen (\$80.4 billion), and it employed approximately 301,000 people worldwide. Hitachi drives digital innovation across five sectors – Mobility, Smart Life, Industry, Energy and IT – through Lumada, Hitachi's advanced digital solutions, services, and technologies for turning data into insights to drive digital innovation. Its purpose is to deliver solutions that increase social, environmental and economic value for its customers. For more information on Hitachi, please visit the company's website at <https://www.hitachi.com>.

About Hitachi ABB Power Grids Ltd

Hitachi ABB Power Grids is global technology leader with a combined heritage of almost 250 years, employing around 36,000 people in 90 countries. Headquartered in Switzerland, the business serves utility, industry and infrastructure customers across the value chain, and emerging areas like sustainable mobility, smart cities, energy storage and data centers. With a proven track record, global footprint and unparalleled installed base, Hitachi ABB Power Grids balances social, environmental and economic values, and is committed to powering good for a sustainable energy future, with pioneering and digital technologies, as the partner of choice for enabling a stronger, smarter and greener grid. <https://www.hitachiabb-powergrids.com>.

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