

**FOR IMMEDIATE RELEASE**

**Hitachi to Strengthen Energy Solutions Business  
with the Acquisition of ABB's Power Grids Business**

Offering innovative energy solutions globally by combining ABB's world-class power grids products, systems, software and service solutions and products with Hitachi's advanced digital technology

**Tokyo, Japan, December 17, 2018** --- Hitachi, Ltd. (TSE:6501, "Hitachi") today announced that it has decided to acquire the world-leading power grids business from ABB Ltd (NYSE:ABB, "ABB") and has signed an agreement with ABB. Hitachi plans to initially acquire an 80.1% stake in the Power Grids business and expects to close the acquisition in the first half of 2020, making Power Grids a consolidated subsidiary. Hitachi has entered into a purchase option to acquire the remaining 19.9% stake in Power Grids, making Power Grids a wholly-owned subsidiary.

As a result of this agreement, Hitachi will offer innovative energy solutions globally by combining ABB's world-class grids offering including advanced digital grid solutions with Hitachi's digital technology. In addition, Hitachi aims to build an energy platform that connects various fields such as mobility, life and industry. Hitachi will expand provision of the platform to, and collaborative creation using it with ABB's broad range of customers to promote more efficient use of electricity throughout society and empower and grow the Social Innovation Business.

The power grids market is rapidly expanding driven by increasing adoption of renewable energy, rising energy demand and supply in emerging countries, the expansion of distributed power sources such as electric vehicles and storage batteries, deregulation of the electric power sector in countries and regions, and advances in electric power system reform. The market is forecasted to reach more than US\$100 billion (approx. JPY11 trillion)<sup>\*1</sup> by 2020, at a steady annual growth rate of 4% or above for the period from 2017 to 2020<sup>\*1</sup>. In particular, advanced energy management systems to optimize supply of, storage and control energy using digital technologies are growing rapidly as well as innovations in grid systems for next generation transmission network, which contributes to the formation of more flexible energy infrastructure addressing promotion of renewable energy and regional characteristics.

\*1 based on Hitachi's analysis

ABB's power grids business operates four segments, all of which are global market leaders: "Grid Automation" provides protection control system and remote monitoring control systems to realize grid network stabilization, and management systems for supply and demand electricity market for trading electricity; "Grid Integration" includes

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digital substation, system integration and service solutions, High Voltage Direct Current (HVDC) systems, and power semiconductors; "High Voltage Products" includes Gas Insulated Switchgear (GIS); and "Transformers" includes power, distribution and transaction transformers for railways.

For example, in the HVDC market expanding with the increased application of renewable energy, ABB has undertaken around 120 HVDC projects representing a total installed capacity of more than 130,000 megawatts, which accounts for about half of the global installed base and possesses the most advanced technologies being able to design and manufacture most key products in-house. Moreover, ABB's power grids business is known for its well-established global customer base in various utilities and industries which include companies operating in railways, natural resources such as oil, and IT as well as major electric power companies. ABB power grids' revenues totaled US\$10.0 billion (approx. JPY1.1 trillion)<sup>\*2</sup> for 2017, and operational EBITA<sup>\*3</sup> was approx. US\$ 1 billion (approx. JPY110.7 billion) for 2017. The division has approx. 100 manufacturing bases, approx. 200 sales locations, and around 36,000 employees globally.

<sup>\*2</sup> Calculations based on US\$1 = JPY110.

<sup>\*3</sup> Operational EBITA: a key performance indicator used by ABB. See ABB's Form 20-F for details.

In order to accelerate the collaborative creation with customers in the Social Innovation Business, Hitachi, as "an innovation partner for the IoT era" is strengthening solutions utilizing "Lumada"<sup>\*4</sup> which has accumulated Hitachi's experience in OT x IT x Products, as well as empowering the formation of global organization and front-line functions. In particular, Hitachi has identified the Power and Energy business as one of the core pillars of the Social Innovation Business which supports building social infrastructures attributing to the realization of the Sustainable Development Goals (SDGs) and a promising society advocated in Society 5.0.

In December 2014<sup>\*5</sup>, Hitachi entered into a strategic partnership agreement with ABB and formed a joint venture for HVDC operations in the Japanese market in November 2015<sup>\*6</sup> and jointly offers solutions to reform the power systems for domestic electric power companies.

<sup>\*4</sup> Hitachi's solution to accelerate digital innovation

<sup>\*5</sup> News release "ABB and Hitachi to form strategic power grid partnership for HVDC in Japan" announced on December 16, 2014. (<http://www.hitachi.com/New/cnews/month/2014/12/141216.html>)

<sup>\*6</sup> News release "Hitachi ABB HVDC Technologies, Ltd. commences business operations for HVDC in Japan" on October 15, 2015. (<http://www.hitachi.com/New/cnews/month/2015/10/151015a.html>)

With the acquisition of the ABB power grids business, Hitachi will offer innovative energy solutions business globally by combining ABB's world-leading grids solutions and products with Hitachi's digital technology. Furthermore, by building an energy platform to realize more efficient use of electricity throughout society, Hitachi aims at

expanding its Social Innovation Business not only in the Power and Energy area, but also in areas such as mobility (railways and electric vehicles etc.), life (smart-city and buildings etc.) and industry (manufacturing facilities and plants etc.), and at providing a wide range of customers with innovative energy solutions.

Toshiaki Higashihara, President & CEO of Hitachi, Ltd., said: "Today's agreement between ABB and Hitachi is a significant turning point in the global power and energy markets at a time when digital technology is fundamentally changing our society and the pattern of energy demand and supply is diversifying. Hitachi will combine ABB's strengths in the power grids business with our digital technology to build an energy platform that contributes to innovating the energy business. This creates further innovation for business fields such as life and industry and helps us address society's issues and improve quality of life"

Ulrich Spiesshofer, CEO of ABB, said: "The combination of ABB's power grids business with Hitachi positions power grids business for a successful long-term future as a globally leading infrastructure business. We crystallize the value we have built through the transformation of the last years and focus new ABB on digital industries. ABB's power grids business will strengthen Hitachi as global leader in energy infrastructure and Hitachi will strengthen the position of ABB's power grids business as a global leader. Our shareholders will directly benefit through the return of the proceeds of the divestment. Building on our existing partnership announced in 2014, the initial joint venture will provide continuity for customers and our global team"

Hitachi and ABB agreed to the enterprise value of the company operating power grids business separated from ABB as US\$11 billion. The purchase price of 80.1% stake is expected to be approx. US\$6.4 billion (approx. JPY704.0 billion) after deducting debt like item from the enterprise value. The final price will be determined after customary adjustments for net working capital and net debt based on the actual amounts at the closing date.

For the transaction, Hitachi has been assisted by UBS as sole lead financial advisor, and Goldman Sachs Japan Co., Ltd. as financial advisor.

**Overview of ABB Ltd**

Name	ABB Ltd	
Head Office	Swiss Confederation, Zurich	
Title and name of representative	CEO Ulrich Spiesshofer	
Description of business	Electrification Products, Robotics and Motion, Industrial Automation, Power Grids	
Establishment date	January 5 1988 (founded: 1883)	
Capital	US\$188 mn	
Total equity	US\$15.4 bn	
Total assets	US\$43.3 bn	
Major shareholders and ratio of shareholding	Investor AB: 10.7% Cevian Capital: 5.3% BlackRock: 3.4%	
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

**Overview of the company operating power grids business to be acquired**

Name	Not yet determined	
Location	Swiss Confederation, Zurich	
Title and name of representative	Not yet determined	
Description of business	Design, manufacturing and sale of power grid products and systems, software and service solutions	
Number of manufacturing sites	Not yet determined Current manufacturing sites number of ABB's power grids business is approx. 100	
Number of sales sites	Not yet determined Current sales sites number of ABB's power grids business is approx. 200	
Capital	Not yet determined	
Establishment date	Not yet determined	
Major shareholders and ratio of shareholding	ABB 100%	
Relationship between Hitachi and the company	Capital relationship	None
	Personnel relationship	Not yet determined
	Transaction relationship	Not yet determined
Number of employees	Not yet determined Current employee number of ABB's power grids business is approx. 36,000	

**Financial conditions and business results for recent years of ABB's Power Grids Division<sup>\*7</sup>**

(US\$m)

Fiscal year-end	Dec 2016	Dec 2017
Total assets	-	8,387
Total revenues	9,984	10,028
Income from operations	845	875
Operational EBITA	1,011	1,027

\*7 These numbers are provided by ABB, and might be different depending on actual curve out business areas.

## Schedule

Signing of the agreement	December 17, 2018
Closing date of stock purchase	In the first half, 2020 (Tentative)

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

Shares owned before the acquisition	0 share
Shares acquired	Not yet determined (planned to acquire 80.1% stake)
Acquisition price	Share purchase price: Approx. JPY 704.0 billion* <sup>8</sup> Advisory fee etc.(estimated amount): Approx. JPY10.0 billion* <sup>9</sup> Total: Approx. JPY 714.0 billion
Shares owned after the acquisition	Not yet determined

\*8 Share purchase price here indicates the expected purchase price of 80.1% stake of the company operating power grids business separated from ABB. The final price will be determined after customary adjustments for net working capital and net debt based on the actual amounts at the closing date.

\*9 Current estimated amount.

## Outlook

No impact is expected on the consolidated business results for the fiscal year ending March 31, 2019.

(Reference) Consolidated financial forecasts for the year ending March 31, 2019 (announced on October. 26, 2018) and consolidated financial results for the previous fiscal year

(JPYmn)

	Revenues	Adjusted operating income* <sup>10</sup>	Income from continuing operations, before income taxes	Net income	Net income attributable to Hitachi, Ltd. stockholders
Forecasts for Fiscal 2018 (Year ending March 31, 2019)	9,400,000	750,000	735,000	530,000	400,000
Consolidated Operating Results for Fiscal 2017 (Year ended March 31, 2018)	9,368,614	714,630	638,646	490,918	362,988

\*10 Adjusted operating income is presented as revenues less cost of sales as well as selling, general and administrative expenses.

### **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 JPY9.3 trillion (US\$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>.

### **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.

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