

**FOR IMMEDIATE RELEASE**

## **Hitachi Announces Conclusion of Absorption-type Split Agreement to Strengthen the Business of Power Receiving and Transforming Facilities for Industrial Area by Company Split**

**Tokyo, Japan, February 6, 2019** --- Hitachi, Ltd. (TSE:6501, “Hitachi”) and Hitachi Industrial Equipment Systems Co., Ltd. (“Hitachi Industrial Equipment Systems”) announced on November 12, 2018 that, with a view to strengthening engineering and sales capabilities in the power receiving and transforming facilities business for the industrial area and promoting digital technology-based high value-added businesses, the sales and engineering sectors for power receiving and transforming facilities for the industrial area that handle special high voltages exceeding 33kV, products for which Hitachi has been responsible, will be taken over on April 1, 2019 by Hitachi Industrial Equipment Systems, a wholly owned subsidiary of Hitachi, through a company spin-off (the “Company Split”).

Hitachi and Hitachi Industrial Equipment Systems today concluded an absorption-type split agreement (the “Absorption-Type Split Agreement”) for the Company Split and, therefore, announce details of the matters that were undecided in the news release dated November 12, 2018 as follows. Underlined sections indicate matters that were undecided and/or changed.

Hitachi Industrial Equipment Systems will be responsible for the entire operation from manufacturing\* to sales of every power receiving and transforming facilities business for the industrial area. By responding customer needs more quickly and improving relations through further strengthening engineering and sales capabilities, it will provide high value-added services utilizing digital technologies to respond to dynamic changes and diversifying needs in the market for industrial equipment.

\* Hitachi will continue to engage in design, manufacture and quality assurance for certain power receiving and transforming facilities that handle the voltages exceeding 33kV.

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## 1. Outline of Company Split

### (1) Schedule of Company Split

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

(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 Equipment Systems will be the succeeding company.

### (3) Details of Allotment in Company Split

Hitachi Industrial Equipment Systems will make an allotment of 110,000 shares of its common stock to Hitachi on April 1, 2019.

### (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) Rights and Obligations Succeeded by the Succeeding Company

Hitachi Industrial Equipment Systems will succeed to all rights and obligations of Hitachi which are stipulated in the Absorption-type Split Agreement, including assets, intellectual property, payables and receivables, statuses under contracts and labor agreements.

### (7) Prospect on Fulfillment of Obligations

It is judged that there should be no concern about fulfilling all of Hitachi Industrial Equipment Systems’ 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 Equipment Systems Co., Ltd.										
(2) Head Office	6-6 Marunouchi 1-chome, Chiyoda-ku, Tokyo	3, Kanda Neribei-cho, Chiyoda-ku, Tokyo										
(3) Representative	President & CEO Toshiaki Higashihara	President Yutaka Araya										
(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	Manufacture, sales and servicing of industrial components and equipment										
(5) Capital	458,790 million yen (As of March 31, 2018)	10 billion yen										
(6) Established	February 1, 1920	April 1, 2002										
(7) Number of Issued Shares	4,833,463,387 shares (As of March 31, 2018)	5,120,000 shares										
(8) Fiscal Year-end	March 31	March 31										
(9) Main Shareholders and Shareholding	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>6.53%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>5.99%</td> </tr> <tr> <td>Hitachi Employees' Shareholding Association</td> <td>2.07%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>1.93%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td> <td>1.92%</td> </tr> </table> (As of March 31, 2018)	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.53%	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%	Hitachi, Ltd. 100%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.53%											
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Hitachi Employees' Shareholding Association	2.07%											
Nippon Life Insurance Company	1.93%											
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.92%											
(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	64,229										
Total assets	10,106,603	118,133										
Total Hitachi, Ltd. stockholders' equity per share (yen)	679.00	12,550.49										
Revenues	9,368,614	170,110										
Income from continuing operations, before income taxes	638,646	16,716										

Net income attributable to Hitachi, Ltd. stockholders	362,988	12,234
Earnings per share attributable to Hitachi, Ltd. stockholders (Basic) (yen)	75.19	2,389.60

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

#### (1) Business to be Split

Engineering for power receiving and transforming facilities for the industrial area

#### (2) Operating Results of the Business to be Split (Unconsolidated)

Revenues: JPY 12.1 billion (Year ended March 31, 2018)

#### (3) Assets and Liabilities to be Split (Forecast for April 1, 2019)

(Millions of yen)

Category	Details	Amount
Assets to be split	Accounts receivable, inventory assets, etc.	7,200
Liabilities to be split	Accounts payable, advances received, etc.	5,400
Net amount	—	1,800

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

(1) Name	Hitachi Industrial Equipment Systems Co., Ltd.
(2) Head Office	3, Kanda Neribei-cho, Chiyoda-ku, Tokyo
(3) Representative	President, Yutaka Araya
(4) Outline of Business	Manufacture, sales and servicing of industrial components and equipment
(5) Capital	10 billion yen (Owned 100% by Hitachi, Ltd.)
(6) Fiscal Year-end	March 31

## 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>.

#### **About Hitachi Industrial Equipment Systems Co., Ltd.**

Hitachi Industrial Equipment Systems Co., Ltd. headquartered in Tokyo, Japan, is a subsidiary of [Hitachi, Ltd.](http://www.hitachi.com), and is engaged in the manufacturing, sales and services of industrial components and equipment. The company offers various industrial products including motors, factory automation/control systems, wind/water systems, pneumatic systems, power distribution, environmental systems and labor-saving systems. For more information, visit <https://www.hitachi-ies.co.jp/english>.

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