
Acquisition of Thales' Ground Transportation Systems Business

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Alistair Dormer

**Executive Vice President and Executive Officer
Chief Environmental Officer**

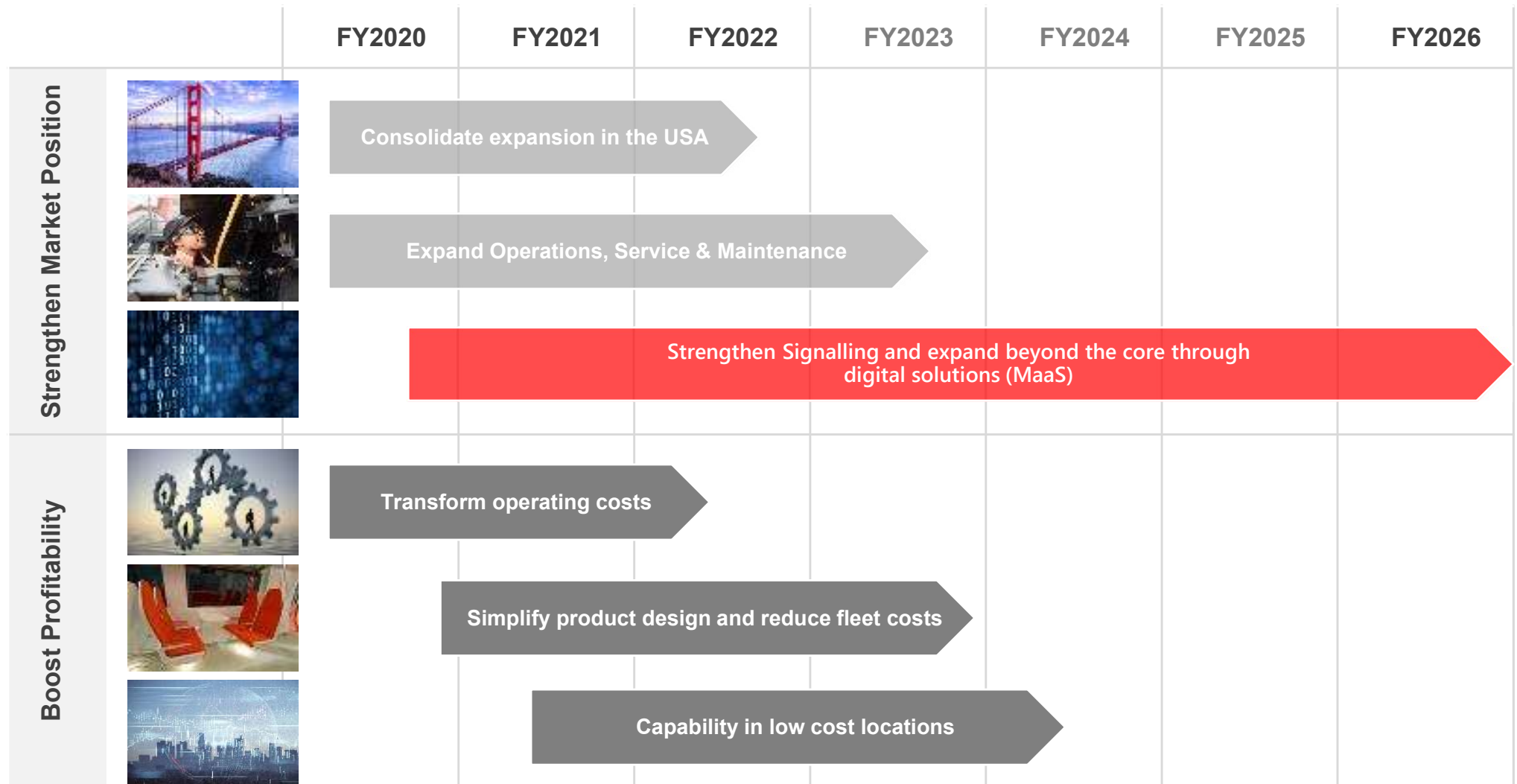
Right Opportunity at the Right time: GTS is fully aligned to our Mobility Growth strategy

<p>Driver for Growth</p>	<ul style="list-style-type: none"> ▶ Potential to reach ¥1trn revenue and double digit adjusted operating income ratio by FY26 ▶ Run-rate synergies estimated to be in excess of €100m per annum by FY26 ▶ Closing expected to take c.18 months therefore closing / cash out will be in late FY22
<p>Complementary Scale – Regions and Technologies</p>	<ul style="list-style-type: none"> ▶ Enhances Hitachi Rail’s global leadership position in the rail signalling market ▶ Regions: Regional footprint complements Hitachi Rail’s existing presence in Japan, Italy, UK and the United States with GTS’s core locations including Germany, France and Canada. ▶ Technologies: Expansion of core signalling business in new markets creates full turnkey opportunities for GTS customers and a broader signalling portfolio for the combined business.
<p>Digital</p>	<ul style="list-style-type: none"> ▶ Around 50% of GTS sales is dedicated to digital offerings, and the company employs a wealth of digital talent in the mobility sector. ▶ The combined strength of Hitachi and GTS’s Digital expertise will also help Hitachi Rail to accelerate its ‘Mobility as a Service’ (“MaaS”) offering for a global customer base.
<p>Sustainable</p>	<ul style="list-style-type: none"> ▶ Supports Hitachi’s long-term environmental targets, including achieving carbon neutrality at all its business sites by 2030 and an 80% reduction in CO₂ emissions across the company’s value chain by 2050. As well as decarbonisation of rail, MaaS will be a driver for carbon reduction by encouraging modal shift.
<p>Valuation</p>	<ul style="list-style-type: none"> ▶ Hitachi Rail expects GTS to show continued revenue and EBIT growth and by closing, the implied standalone forward EV/EBIT valuation multiple will be around 10x

Overview	<ul style="list-style-type: none">▶ Thales' Ground Transportation Systems business (the "Business" or "GTS"). GTS today employs around 9,000 employees across 42 countries and is headquartered in Germany, France and Canada.▶ The Business consists of four segments: mainline signalling systems, urban rail signalling, integrated communication systems and revenue collection systems.
Deal value	<ul style="list-style-type: none">▶ Enterprise Value of €1,660m (~¥215bn). The purchase price will be adjusted at deal closing as is customary in M&A processes.
Types of consideration	<ul style="list-style-type: none">▶ Cash, to be confirmed at closing
Scheme	<ul style="list-style-type: none">▶ 100% acquisition of Thales Ground Transportation Systems business following carve-out from Thales group
Schedule	<ul style="list-style-type: none">▶ The acquisition is subject to the usual conditions including regulatory and antitrust clearances.▶ The deal is expected to close with cash out in late FY2022

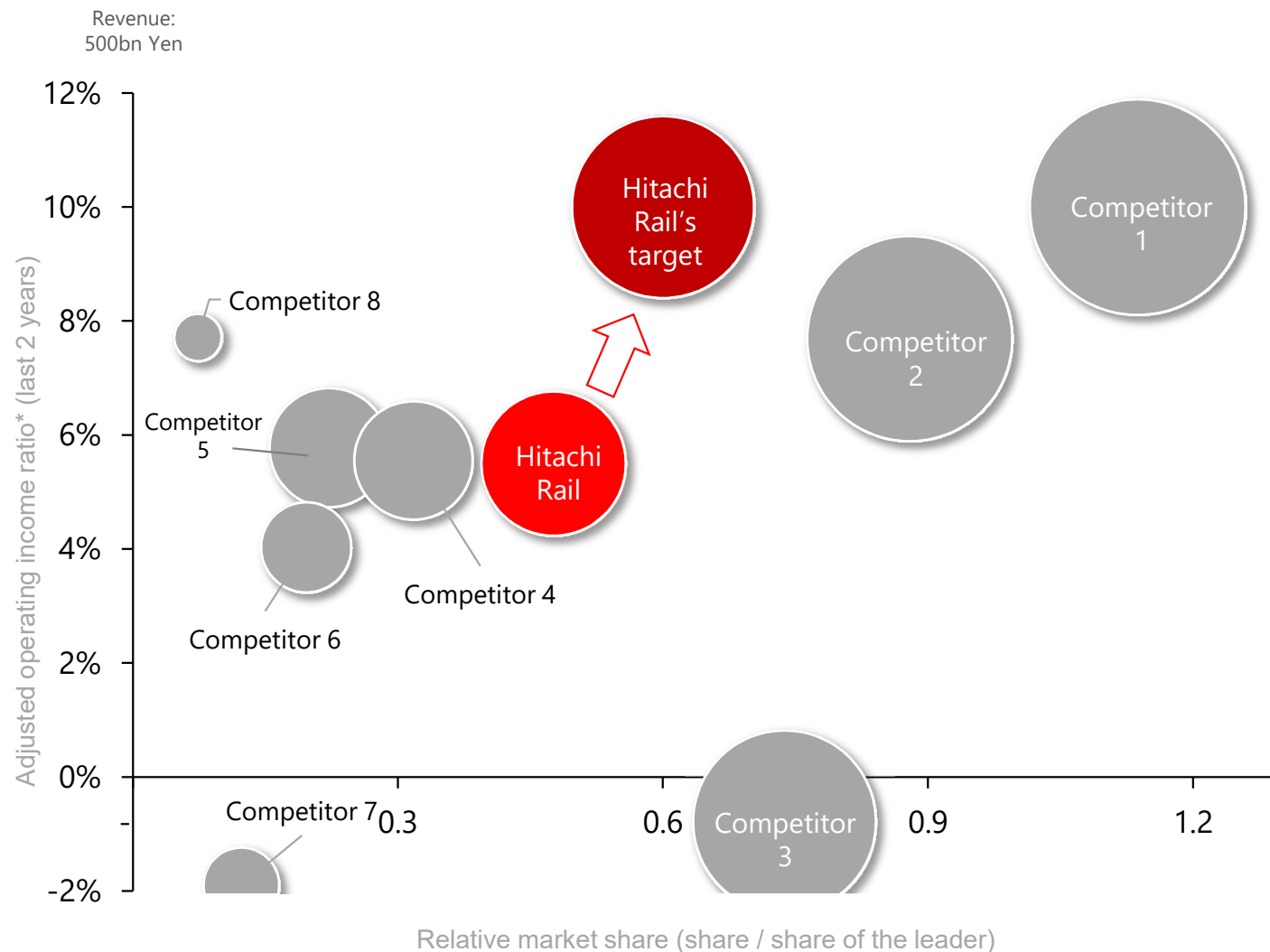
Rail strategy is focused on capitalizing on our core, digitalization and strengthening competitiveness

Potential to reach ¥1trn revenue and double digit AOP by FY26



Rail prioritises strengthening profitability

Key drivers



Strengths

- ▶ Full product offering
- ▶ Leadership and challenger position in key markets
- ▶ Synergies with Hitachi Group especially in digital and energy


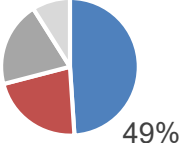

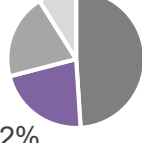

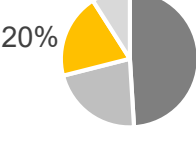

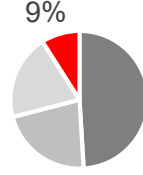
Benefits of Agreement

- ▶ Addresses Hitachi Rail's global scale
- ▶ Expands into adjacencies – e.g. MaaS

Further Response

- ▶ Digitalise core offering
- ▶ Expand in North America
- ▶ Reduce cost
- ▶ Drive synergies within Hitachi
- ▶ Longer term: M&A in the core and/or adjacencies

Highly Complementary Business is 50% Digital and Gives Access to New Markets

Enhanced Signalling Offer	Enhanced Digital Business	Enhanced Digital Business	New Digital 'MaaS' Business
<p data-bbox="174 331 452 400">Main Line Signalling (MLS)</p> <p data-bbox="71 491 293 520">Main Products</p> <ul data-bbox="71 544 568 898" style="list-style-type: none"> ▶ Train Control Systems (ETCS L1, L2, L3) ▶ Traffic Management Systems (Intelligent Traffic Orchestration) ▶ Digitalization (Cybersecurity, Services, Autonomy) ▶ Route Control Systems (Digital interlocking) 	<p data-bbox="712 331 1003 400">Urban Rail Signalling (URS)</p> <p data-bbox="611 491 833 520">Main Products</p> <ul data-bbox="611 544 1086 898" style="list-style-type: none"> ▶ CBTC (SelTrac – integrated ATS/ATO/ATP) ▶ Interlocking (LockTrac – CENELEC and AREMA compliant) ▶ Field equipment (Lite4ce) ▶ Traffic management and driver advisory systems 	<p data-bbox="1211 331 1576 400">Integrated Communication Systems (ICS)</p> <p data-bbox="1160 491 1382 520">Main Products</p> <ul data-bbox="1160 544 1626 951" style="list-style-type: none"> ▶ Operation control centres, SCADA ▶ Telecom solutions (broadband track-to-train communications, backbone) ▶ Passenger mobility, video and security ▶ Predictive maintenance ▶ Tram and LRT signalling 	<p data-bbox="1742 331 2136 400">Revenue Collection Systems (RCS)</p> <p data-bbox="1691 491 1912 520">Main Products</p> <ul data-bbox="1691 544 2157 858" style="list-style-type: none"> ▶ Revenue collection (hardware, software and services) ▶ Automated fare collection systems (multi-modal / operated, gated or non-gated) ▶ Road tolling ▶ Car park payments
  <p data-bbox="383 1273 546 1302">FY20 Sales</p>	  <p data-bbox="927 1273 1090 1302">FY20 Sales</p>	  <p data-bbox="1458 1273 1621 1302">FY20 Sales</p>	  <p data-bbox="2004 1273 2168 1302">FY20 Sales</p>

The combined company would provide a valuable footprint in complementary countries:

GTS has a strong presence in **France, Germany, the UK and Canada** complementing Hitachi Rail's strong presence in **Japan, Italy, the UK and the USA.**

Thales Ground Transportation Systems is a step change serving our core and adjacent strategies

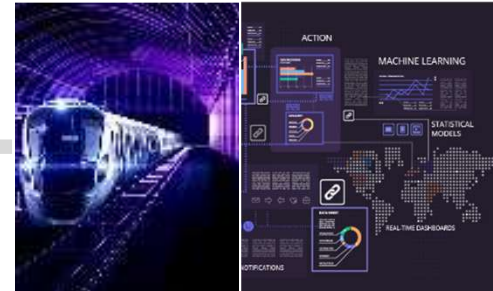
LUMADA 20% of Rail revenues is derived from Lumada



Sustainability

Operational technology

Information technology



HITACHI **ABB**



Adjacencies

GlobalLogic



HYPERLOOP TT



perpetuum

GTS

GTS

GTS

THALES

THALES

THALES

Timing	<ul style="list-style-type: none">▶ The deal is expected to close in late FY22, subject to usual conditions (antitrust, employee representatives). This period will include a carve-out process before close.
Day 1	<ul style="list-style-type: none">▶ Following close, we are looking forward to working closely with GTS leadership and commercial teams who have strong customer relationships in new markets for Hitachi
Short Term	<ul style="list-style-type: none">▶ Our intent is to fully integrate GTS into Hitachi Rail to benefit from access to wider business and group capabilities
Medium Term to Long Term	<ul style="list-style-type: none">▶ Hitachi Rail's fully integrated turnkey rail business will create new opportunities to help GTS customers beyond signalling▶ Opportunity to create new digital offering to power our Mobility as a Service strategy – powered by the wider Hitachi eco-system – such as GlobalLogic, Lumada

HITACHI
Inspire the Next

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 report.

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:

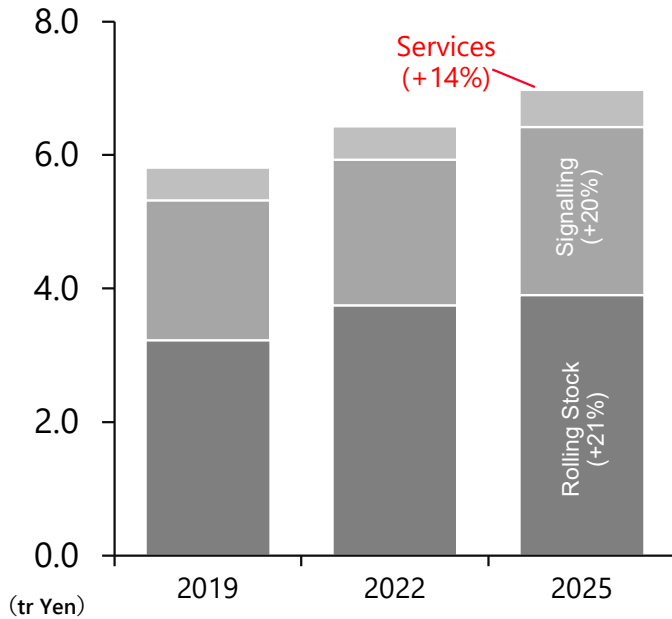
- ▶ exacerbation of social and economic impacts of the spread of COVID-19;
- ▶ economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- ▶ exchange rate fluctuations of 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;
- ▶ estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- ▶ increased commoditization of and intensifying price competition for products;
- ▶ uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- ▶ 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;
- ▶ fluctuations in demand of products, etc. and industry capacity;
- ▶ uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- ▶ credit conditions of Hitachi’s customers and suppliers;
- ▶ 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;
- ▶ 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;
- ▶ the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- ▶ uncertainty as to the success of cost structure overhaul;
- ▶ 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 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;
- ▶ 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;
- ▶ uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property; 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 elsewhere in this report and in other materials published by Hitachi.

Market Trends Favour Digital Players

Railway market is expected to grow

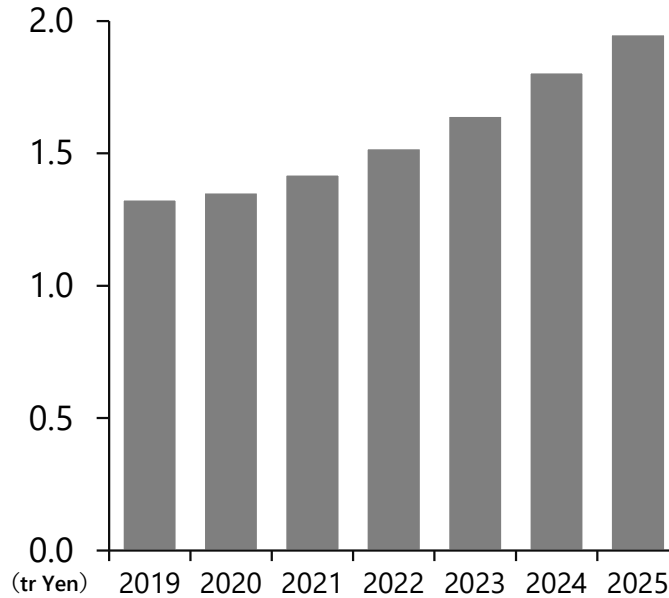
5.8tr Yen -> 7.0tr Yen, 3% CAGR



Rolling Stock and Signaling will continue to be twin market engines

Digitalisation of rail grows twice as fast

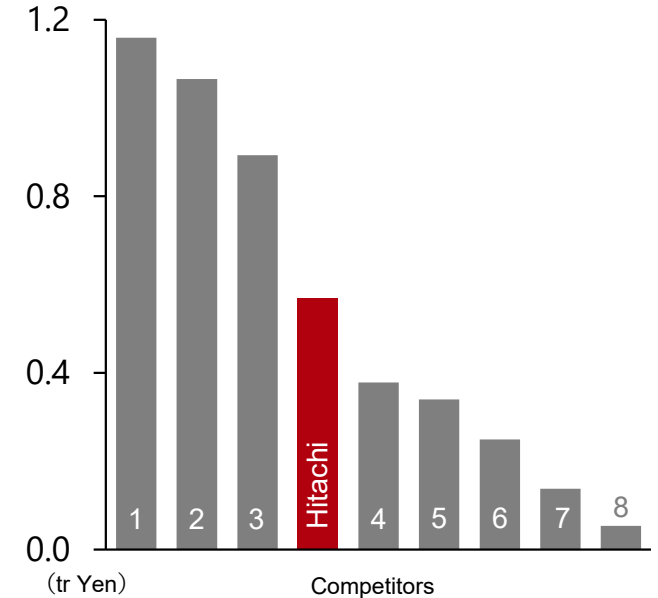
1.3tr Yen -> 1.9tr Yen, 7% CAGR



Growth driven by automation and predictive maintenance

The competitive environment is challenging

Hitachi is #4 globally in revenue (tr Yen)



0.5 Relative Market Share

*The competitor list excludes CRRC and reflects the state before the merger of Bombardier and Alstom; Source: Industry reports