

**FOR IMMEDIATE RELEASE**

**Hitachi Announces Reorganization of  
Industrial Equipment Business through Company Split**

*Product businesses in the “Industry/Distribution/Water” domain will be strengthened with an eye on the preparation of “2021 Mid-term Management Plan”*

**Tokyo, October 25, 2018** --- Hitachi, Ltd. (TSE:6501, “Hitachi”) has today decided to spin off the Industrial Products Business Unit that operates the business of large-sized industrial equipment as Hitachi Industrial Products, Ltd. (“Hitachi Industrial Products”), a company which will be newly established, to strengthen the product business in the “Industry/Distribution/Water” domain, one of Hitachi’s four focus business domains; “Power/Energy”, “Industry/Distribution/Water”, “Urban” and “Finance/Social/Healthcare.” The spin-off will take place on April 1, 2019.

Through the spin-off, Hitachi will build an organizational structure in which its industrial equipment business is integrated into two companies, namely, Hitachi Industrial Products, a new company that undertakes large-sized industrial equipment with a focus on build-to-order items and Hitachi Industrial Equipment Systems Co., Ltd. (“Hitachi Industrial Equipment Systems”), a company that handles industrial equipment consisting mainly of mass-produced items. It will seek to achieve a flexible business operation as independent operating companies and dramatically strengthen manufacturing. In doing so, it will provide highly competitive products on a global basis.

To proceed with the reorganization, Hitachi’s Industrial Products Business Unit will be taken over by a company that will be established in the near future through an absorption-type split (the “Company Split”).

The disclosure items and details on the Company Split have been partially omitted since this is an absorption-type split in which a wholly owned subsidiary takes over a business from Hitachi.

**1. Purpose of Company Split**

Hitachi established the current Industrial Products Business Unit as an integrated organization for large-sized industrial equipment businesses in 2015, and through such efforts, has been working to strengthen its business base and enhance product competitiveness and profitability. Now, with an eye on the preparation of its “2021 Mid-term Management Plan,” which begins in fiscal 2019, it has decided to conduct a reorganization to spin off the Industrial Products Business Unit as Hitachi Industrial Products, a company which will be newly established.

As an independent operating company, the new company will expedite its decision-making processes, operate in a way flexible enough to compete with specialized companies, and establish an organizational structure in which products that can aim for the top positions on a global basis can be developed and supplied promptly. In addition, it will continue to strengthen its competitiveness globally by optimizing each operational process from manufacturing, sales to services, in addition to leveraging its competitive

manufacturing capability utilizing digital technologies.

Through the reorganization, Hitachi Industrial Products that operates with a focus on build-to-order items and Hitachi Industrial Equipment Systems which mainly handles mass-produced items will lead Hitachi's product business under common business strategies, globally, while at the same time playing an important role in the Social Innovation Business of Hitachi, whose strength is the capability of offering Products, Operational Technology(OT) and Information Technology(IT) comprehensively.

In addition, Hitachi will also bolster the business administration function of developing strategies on a cross-functional basis across business units and group companies in the "Industry/Distribution/Water" domain, so that business strategies can be executed in a manner that unifies the front-line promoting Lumada-based digital solution businesses and its competitive product business. It will seek to establish an optimal business structure in the industrial area by promoting the digital solution business and connected products business.

## 2. Outline of Company Split

### (1) Schedule of Company Split

Execution of the Agreement	January 2019 (tentative)
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 a preparatory company that will be established going forward will be the succeeding company.

### (3) 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.

### (4) Capitalization Changes Accompanying Company Split

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

### (5) Other

Notification of other details of the Company Split will be provided as they are decided.

### 3. Profile of the Parties of Company Split

	Splitting Company	Succeeding Company (at the time of establishment (tentative))										
(1) Name	Hitachi, Ltd.	Hitachi Industrial Products, 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 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	November 1, 2018										
(7) Number of Issued Shares	4,833,463,387 shares (As of March 31, 2018)	Not yet determined										
(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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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	—
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	—

#### 4. 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) Other

Other details concerning the Business to Be Split will be announced as they are decided.

## 5. Status of the Parties After the Company Split

There will be no change in Hitachi's company name, head office location, representative's position or name, business activities, capital, or fiscal year due to the Company Split.

## 6. 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	Not yet determined
(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	Not yet determined
(6) Fiscal Year-end	March 31

## 7. 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 July. 27, 2018) 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	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

\* "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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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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