



## Hitachi to Make Hitachi High-Technologies a Wholly Owned Subsidiary

January 31, 2020

**Keiji Kojima**

Executive Vice President and Executive Officer  
Hitachi, Ltd.

- Aiming to improve the Quality of Life and add values for customers through increase in the social, environmental, and economic values by five-sector business and technology solutions
- Strengthening Lumada by firmly establishing a measuring and analysis platform as a part of 2.0~2.5 trillion yen investments for the growth set out in 2021 Mid-term Management Plan
- Achieving the entire Hitachi Group's growth through transformation by digital & services



# Achieving a sustainable society through the 'Social Innovation Business'

Hitachi will create:





The background of the slide is an aerial photograph of a dense city, likely Tokyo, with a complex network of white lines and circular nodes overlaid on top, resembling a digital or social network. The text is centered in the upper half of the image.

## **What capabilities does Social Innovation Business need?**

**Capability to connect the cyber and physical spaces  
and make them interact mutually,  
where professional knowledge and experiences  
matter most**



The ability to “observe, measure, and analyze” a vast amount of data is becoming more important amid the accelerating digitalization of all industries

AIU	1,822	HJI	20,369
	(-35)		(+560)
MBC	3,605	LII	9,542
	(+210)		(+128)
YBV	3,204	QMN	5,211
	(-33)		(+154)
MBB	3,320	WFF	712
	(+80)		(+12)

1,822	12,349,000
3,680	238,681,000
1,062	85,678,000
485	8,369,000
8,569	189,301,000
6,602	102,698,000
890	24,697,000
6,280	76,002,000
2,436	57,610,000



## Accelerating the Social Innovation Business growth by utilizing measurement and analysis technologies of Hitachi High-Tech\*

- Strengthening Lumada through establishing a measuring and analysis platform
- Transforming the business portfolio and expanding solutions in healthcare and industrial areas

Improving the QoL • Adding values for customers



Mobility solution



Smart Life solution



Industry solution



Energy solution



IT solution



Firmly establishing a measuring and analysis platform by integrating digital technologies with measurement and analysis technologies

\* Hitachi High-Technologies is abbreviated to "Hitachi High-Tech" throughout the presentation

QoL: Quality of Life

## □ Expanding into the healthcare analytics field

- Providing analysis platform and services to insurers and medical institutions, by leveraging Hitachi High-Tech's strength of testing laboratory in the U.S.



Improvement of  
Social,  
Environmental, and  
Economic values

Global Market Size\*  
~US\$30B



## □ Strengthening collaboration with Mobility and Industry field

- Enhancing social infrastructure (transportation and smart city etc.)
- Improving development and production capabilities in various industries

1

## Strengthening Lumada

- Integrating Hitachi High-Tech's measurement and analysis systems and Hitachi's digital technologies such as AI and data analytics etc.

2

## Strengthening Healthcare Business

- Cultivating in-vitro diagnostics business of Hitachi High-Tech as a core business (No.1, globally)
- Expanding into the healthcare analytics field

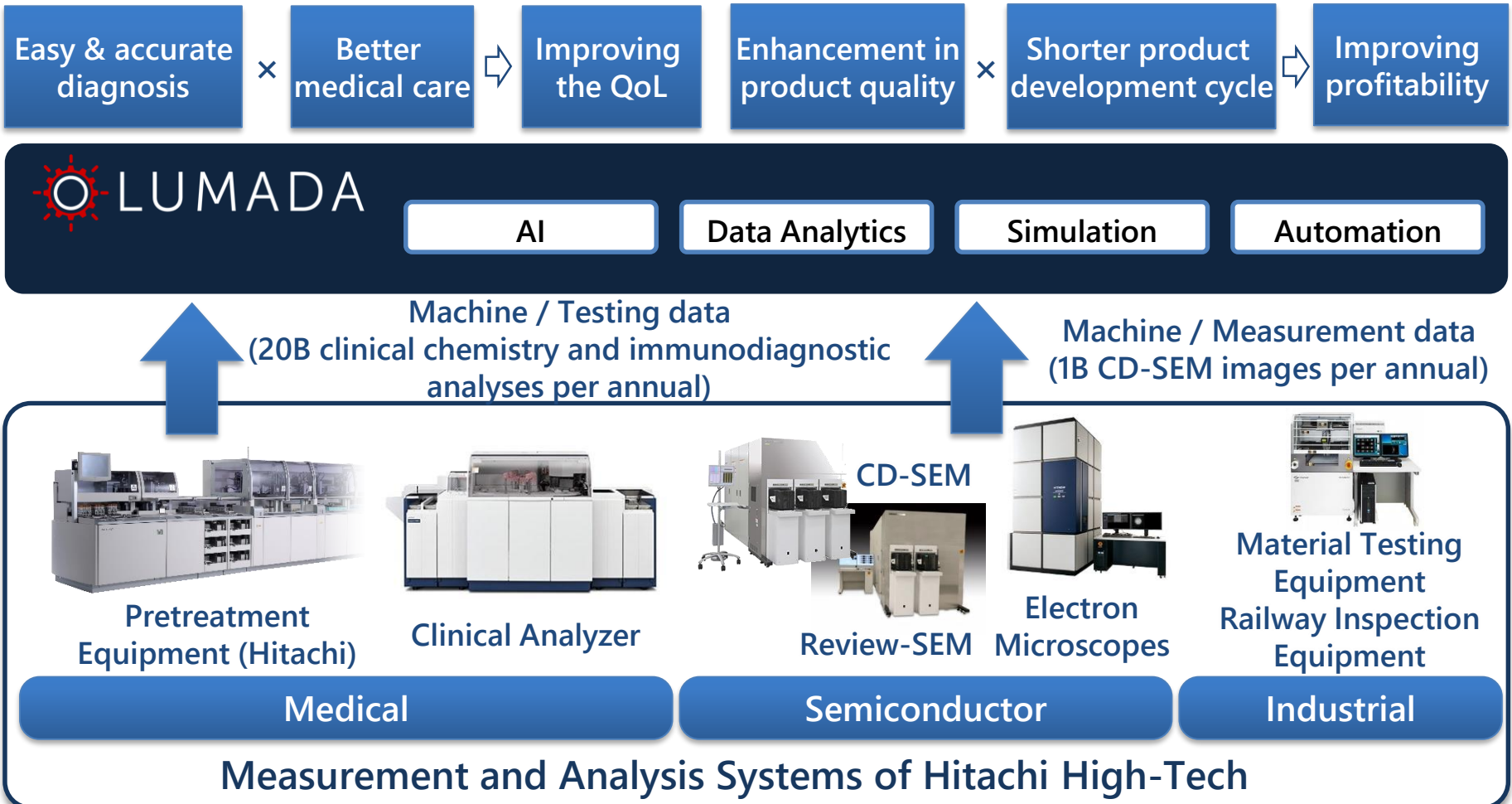
3

## Utilizing Hitachi High-Tech's human resources and strengthening global procurement functions



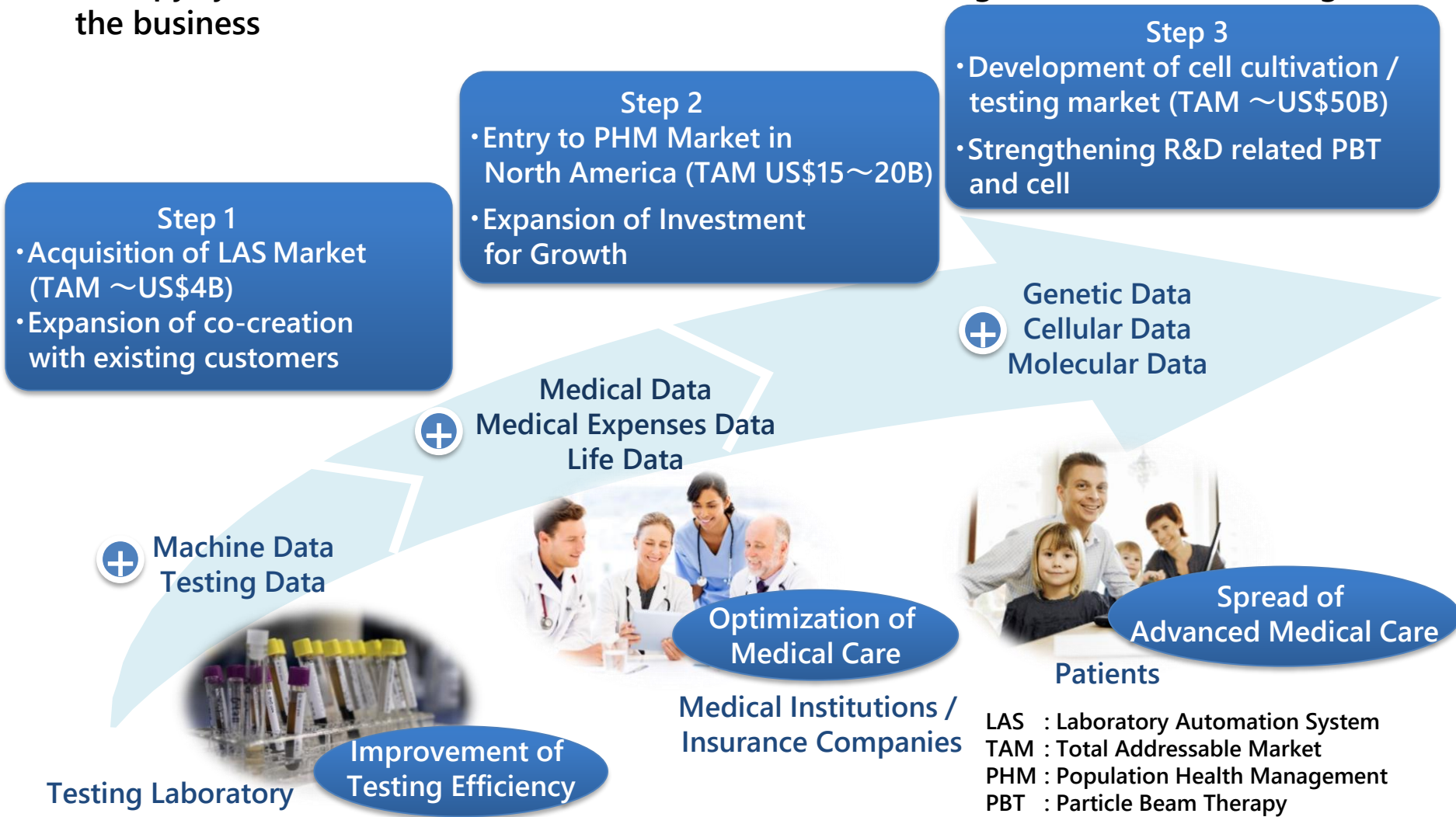
# Strengthening Lumada

- Further strengthen Lumada in healthcare and industry fields by integrating measurement and analysis technologies and digital technologies such as AI and data analytics technologies



# Strengthening Healthcare Business

- Deeply committing to the improvement of QoL through advanced medical care based on data utilization setting in-vitro diagnostics devices businesses (No.1, globally) and particle therapy systems as the core of the businesses and continuing to invest in and strengthen the business



LAS : Laboratory Automation System  
 TAM : Total Addressable Market  
 PHM : Population Health Management  
 PBT : Particle Beam Therapy



- ❑ Fully utilizing human resources of Hitachi High-Tech in Social Innovation Business
  - Expansion of global market development
- ❑ Expanding sales and marketing activities through collaboration between Hitachi and Hitachi High-Tech
- ❑ Strengthening global procurement functions
  - Streamlining and optimizing Hitachi group's procurement functions by utilizing Hitachi High-Tech's procurement functions

## Hitachi's procurement function

### S2C (Source to Contract) Function

Planning and execution of global procurement strategy

- Enhancing procurement process from upper streamline

Improvement of strategy and front capabilities



### P2P (Procure to Pay) Function

Optimization of indirect / direct material procurement

- Sharing the common tasks and expanding outsourcing
- Process improvement

Enhancement of streamlining

## Hitachi High-Tech's procurement function

# Overview of the Transaction

<b>Target</b>	<ul style="list-style-type: none"> <li>• Hitachi High-Tech (TSE 1st Section : TSE 8036)</li> </ul>
<b>Transaction Overview</b>	<ul style="list-style-type: none"> <li>• Hitachi's Full Acquisition of Hitachi High-Tech through a Tender Offer etc.</li> <li>– Tender Offer price : 8,000 yen per share</li> </ul>
<b>Number of Shares to be Purchased</b>	<ul style="list-style-type: none"> <li>• Number of Shares to be Purchased : 66,390,170 shares (Minimum : 20,548,181 shares*<sup>1</sup>, Maximum : –)</li> <li>– Hitachi will acquire all of the Target Common Shares through the Tender Offer*<sup>2</sup></li> </ul>
<b>Transaction Value</b>	<ul style="list-style-type: none"> <li>• Approx. 531.1B yen*<sup>3</sup></li> </ul>

<b>Premium to Tender Offer price</b>	<b>Announcement (2020/1/31)</b>	<b>Speculation News (2019/6/7)</b>
Premium to the prior day's closing price :	+3.4%	+68.4%
Premium to 1-month average closing price :	+2.0%	+69.6%
Premium to 3-month average closing price :	+8.4%	+71.9%
Premium to 6-month average closing price :	+19.4%	+87.3%

\*1 Number of shares equivalent to Hitachi ownership of 66.7% in voting rights. Minimum number of shares and number of shares to be purchased are both based on the number of shares based on Hitachi High-Tech's second quarter report dated November 8, 2019, but will both be re-calculated based on third quarter report in case report is released before the commencement of the tender offer

\*2 Excluding the common shares owned by Hitachi and Hitachi High-Tech's own shares

\*3 Number of shares to be purchased 66,390,170 × 8,000 yen



## Rationale

- A part of 2.0~2.5 trillion yen investments for the growth set out in 2021 Mid-term Management Plan

## Source of Investment

- Plan to use cash on hand and borrowings for 2.0~2.5 trillion yen investments for the growth including this transaction
  - Lowering cost of capital by utilizing financial leverage

## Financial Stability

- D/E ratio will temporarily exceed 0.5x at the end of FY2020 due to the consecutive investments, but will maintain our policy to keep D/E ratio less than 0.5x and secure financial stability

January 31

- Announcement of Tender Offer

February 17

- Commencement of Tender Offer Period

April 6

- End of Tender Offer Period

April 13

- Commencement Date of Settlement

~July

- Scheduled Date of Making Hitachi High-Tech a Wholly Owned Subsidiary



# 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.

[Soliciting Regulations] This document is intended to announce the tender offer referred to in this document (the “Tender Offer”) to the general public and is not intended to solicit an offer to sell any securities. If a shareholder wishes to tender his or her shares, each shareholder is requested to exercise his/her own judgment after carefully reading the explanatory statement concerning the Tender Offer. This document is not, and does not constitute any part of, an offer or solicitation of sales, or a solicitation of purchase offer, of securities. Publication of this document (or any part of it) or the fact of its distribution does not provide a basis for any agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

[Regulations of the United States] The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act in Japan. Such procedures and information disclosure standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended, the “U.S. Securities Exchange Act of 1934”), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards.

The financial statements contained in this document have not been prepared in accordance with U.S. accounting standards; accordingly, such financial statements may not necessarily be equivalent to those prepared in accordance with U.S. accounting standards. Moreover, as Hitachi is a company incorporated outside of the U.S. and some of its directors are non-U.S. residents, it may be difficult to enforce any rights or claims arising under the U.S. federal securities laws. In addition, it may not be possible to commence legal actions against a non-U.S. company or its directors in a non-U.S. court on the ground of a violation of the U.S. securities laws. Furthermore, a company incorporated outside the U.S. and its subsidiaries and affiliates may not necessarily be compelled to submit to the jurisdiction of U.S. courts.

Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. Some or all portion of the documents relating to the Tender Offer are or will be prepared in the English language. However, should there be any inconsistency between the document in English and that in Japanese, the Japanese document shall prevail.

This document contains “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc. as expressly or implicitly indicated in any “forward-looking statements.” Neither Hitachi nor any of its affiliates gives any assurance that such projections, etc. expressly or implicitly indicated in any “forward-looking statements” will result in being correct. The “forward-looking statements” in this document have been prepared based on the information held by Hitachi as of the date of this document, and unless otherwise required by applicable laws and regulations or rules of financial instruments exchange, neither Hitachi nor any of its affiliates is obliged to update or modify such statements in order to reflect any events or circumstances in the future.

Hitachi, the financial advisor to Hitachi High-Tech and the tender offer agent, and their respective affiliates, may, within their ordinary course of business and to the extent permitted under the related Japanese financial instruments and exchange laws and regulations, purchase or take actions to purchase common stock of Hitachi High-Tech for their own account or for their customers’ accounts outside the Tender Offer prior to the commencement of, or during, the period for purchase, etc. in the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934. If any information concerning such purchase, etc. is disclosed in Japan, disclosure of such information will be made also in the U.S. through similar means of disclosure.

[Other Countries] In certain countries or regions, the announcement, issue or distribution of this document may be restricted by laws or regulations. In such cases, please note and comply with such restrictions. Regardless of whether this document is received in any such countries or regions where the implementation of the Tender Offer is unlawful, this document does not constitute any solicitation of an offer to sell or offer to purchase securities including share certificates concerning the Tender Offer, and is being distributed merely for informational materials.

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