

FOR IMMEDIATE RELEASE

Hitachi Announces Conclusion of Absorption-type Split Agreement to Strengthen the Energy and Facility Management Service Business by Company Split

Tokyo, January 26, 2024 --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that it has concluded an absorption-type split agreement (the "Absorption-Type Split Agreement") with Hitachi Power Solutions Co., Ltd. ("Hitachi Power Solutions"), a wholly owned subsidiary of Hitachi, for the company split announced on December 13, 2023^{*1} (the "Company Split"). Details of the matters that were undecided in the news release dated December 13, 2023 as follows. The matters which have been changed since the previous news release are underlined. Through the Company Split, Hitachi will take over its Carbon Neutral Development Division under the Energy Business Division, which is responsible for energy and facility management service business and distributed energy resources solutions business to Hitachi Power Solutions for the purpose of strengthening and expanding its energy and facility management service business for the Japanese market in order to further support customers' decarbonization.

^{*1} Hitachi, Ltd. News Release "[Notification of Company Split to Strengthen the Energy and Facility Management Service Business](#)" (December 13, 2023)

With the Absorption-Type Split Agreement, Hitachi will promote the consolidation of its energy-related technologies, knowledge, and consulting capabilities that the Carbon Neutral Development Division has cultivated over many years to Hitachi Power Solutions and combine them with digital services and field services that are the strengths of Hitachi Power Solutions. As a result, Hitachi will contribute to customers' decarbonization and the enhancement of their corporate value by growing its energy and facility management service business through strengthening the cycle of Lumada's Co-creation Framework, which is to understand customers' management challenges, develop and implement solutions with IT/OT/products, and operate and maintain and assess for the next step while co-creating with various customers such as electricity suppliers, local communities, consumers, and financial institutions. Furthermore, through the complementary relationship between the Carbon Neutral Development Division and Hitachi Power Solutions, we will expand domains where solutions and services can be proposed. This allows us to provide optimal one-stop solutions and services to customers in different business sectors with businesses of various sizes. Consequently, Hitachi aims to expand revenues from Hitachi Power Solutions' carbon neutrality-related business.

As a result of the Company Split, Hitachi Power Solutions' carbon neutrality-related business (solar power generation systems, cogeneration systems, etc.^{*2}) is projected to increase its revenues by approximately 7 billion yen to more than 20 billion yen in fiscal 2024. In addition, Hitachi aims to expand revenues from Hitachi Power Solutions' carbon neutrality-related business to over 30 billion yen in fiscal 2027 by strengthening its energy and facility management service business and expanding domains where solutions and services can be proposed. In the medium to long term,

we will aim for further growth with a view to expanding its energy and facility management service business into overseas markets.

*2 Does not include wind power generation system-related businesses.

1. Outline of the Company Split

(1) Schedule of the Company Split*3

Execution of the Agreement	<u>January 26, 2024</u>
Scheduled Company Split Date (Effective Date)	April 1, 2024 (scheduled)

*3 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 Power Solutions will be the succeeding company.

(3) Detail of Allotments related to the Company Split

When the Company Split is executed, Hitachi Power Solutions will issue 1 share of common stock, and that share shall be transferred to Hitachi.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights

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 the Company Split

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

(6) Succession of Rights and Obligations

Hitachi Power Solutions will assume all rights and obligations as stipulated in the Absorption-Type Split Agreement, including Hitachi’s assets, intellectual property rights, debts and credits, positions in contracts, and labor contracts.

(7) Prospect on Fulfillment of Obligations

It has been determined that it will be possible to fulfill all of Hitachi Power Solutions’ obligations for which the due date arrives on or after the effective date of the Company Split.

2. Profiles of the Parties to the Company Split

	Splitting Company	Successor Company										
(1) Name	Hitachi, Ltd.	Hitachi Power Solutions Co., Ltd.										
(2) Head Office	6-6 Marunouchi 1-chome, Chiyoda-ku, Tokyo	3-2-2, Saiwai-cho, Hitachi-shi, Ibaraki										
(3) Representative	President & CEO Keiji Kojima	President Tsugio Ando										
(4) Outline of business	Development, production, sales, and provision of products related to Digital Systems & Services, Green Energy & Mobility, Connective Industries and others	Design, purchase, manufacturing, inspection, sale, installation, maintenance and other activities involving electrical machinery, appliances and others										
(5) Capital	463,417 million yen (as of September 30, 2023)	4,000 million yen (as of September 30, 2023)										
(6) Established	February 1, 1920	April 20, 1960										
(7) Number of issued shares	938,241,277 shares (as of September 30, 2023)	5,645,447 shares (as of September 30, 2023)										
(8) Fiscal year-end	March 31	March 31										
(9) Main shareholders and shareholding ratios (As of September 30, 2023)	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>17.84%</td> </tr> <tr> <td>Custody Bank of Japan, Ltd. (Trust Account)</td> <td>6.35%</td> </tr> <tr> <td>GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.)</td> <td>2.69%</td> </tr> <tr> <td>STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)</td> <td>2.56%</td> </tr> <tr> <td>NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)</td> <td>2.18%</td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust Account)	17.84%	Custody Bank of Japan, Ltd. (Trust Account)	6.35%	GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.)	2.69%	STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	2.56%	NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	2.18%	Hitachi, Ltd. 100.0%
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(10) Financial conditions and business results for the most recent fiscal year (ended March 2023) (Consolidated/IFRS) (Millions of yen unless otherwise specified)												
Total Hitachi, Ltd. stockholders' equity	4,942,854	39,369										
Total assets	12,501,414	79,914										
Total Hitachi, Ltd. stockholders' equity per share (JPY)	5,271.97	6,973.57										
Revenues	10,881,150	110,807										
Income from continuing operations, before income taxes	819,971	11,921										
Net income attributable to Hitachi, Ltd. stockholders	649,124	8,055										
Earnings per share attributable to Hitachi, Ltd. stockholders (Basic) (JPY)	684.55	1,426.80										

3. Overview of the Business to Be Split

(1) Description of Business to be Split

Consulting, design, product and system introduction, provision of services and quality assurance in association with carbon neutrality-related business including energy and facility management service, distributed energy resources solutions and others.

(2) Business Performance of the Business

Revenues: 5.5 billion yen (fiscal year ended March 2023)

(3) Asset and Liability Items to be Transferred, and amounts (Forecast for April 1, 2024)

Category	Details	Amount (millions of yen)
Assets to be split	Accounts receivable, inventory assets, etc.	4,300
Liabilities to be split	Accrued expense, etc.	100
Deductions	—	4,200

4. Status after the Company Split

There will be no change in Hitachi and Hitachi Power Solutions' company name, head office location, representative's position or name, business activities, capital, or fiscal year due to the Company Split. The status of Hitachi Power Solutions after the Company Split will be announced as it is decided.

5. Outlook

This company split will have no impact on Hitachi's consolidated financial results.

(Reference)

Consolidated financial forecasts for the fiscal year ending March 31, 2024 (announced on October 27, 2023) and consolidated financial results for the previous fiscal year.

(millions of yen)

	Revenues	Adjusted operating income ^{*4}	Adj. EBITA ^{*5}	Income from continuing operations, before income taxes	Net income	Net income attributable to Hitachi, Ltd. stockholders
Consolidated Business Forecasts for Fiscal 2023 (Year Ending March 31, 2024)	9,150,000	720,000	865,000	735,000	557,000	520,000
Consolidated Operating Results for Fiscal 2022 (Year Ending March 31, 2023)	10,881,150	748,144	884,606	819,971	703,870	649,124

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

*5 "Adjusted EBITA" is defined as Adjusted Earnings before Interest, Taxes and Amortization. Adjusted EBITA represents profit (loss) calculated by deducting selling, general and administrative expenses from gross profit, adding back amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

- End -

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 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:

- 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;
- credit conditions of Hitachi’s customers and suppliers;
- 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 Hitachi’s ability to respond to tightening of regulations to prevent climate change;
- 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 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;
- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- uncertainty as to the success of cost structure overhaul;
- 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;
- 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 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.

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.
