

Notification of the Agreement Including Share Transfer with Change in Subsidiary (Hitachi Astemo, Ltd.)

<Key Messages>

- Hitachi has executed the agreements including the transfer of a part of Hitachi Astemo's common stocks owned by Hitachi with Hitachi Astemo and Honda. After a series of the transactions, Hitachi Astemo will be accounted as Hitachi's equity-method associate in September 2023 (Scheduled).
- Hitachi and Honda support Hitachi Astemo's growth on an equal position and invite JIC Capital as a new joint partner to achieve further growth and enhancement of corporate value of Hitachi Astemo. Hitachi aims for further expansion of its green and digital business through collaboration with Hitachi Astemo, particularly in the areas of electrification and autonomous driving.
- Hitachi plans to post an extraordinary gain of approximately 108 billion yen in gains on sale of affiliated companies' common shares in its unconsolidated statements of operations and a gain on business reorganization and others in the amount of approximately 94 billion yen in its consolidated accounts as other income for the fiscal year ending March 31, 2024, respectively.

Please refer to the text below for details.

Tokyo, March 30, 2023 --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that it has executed following (1) and (2) agreements for the purpose of changing capital structure of Hitachi Astemo, Ltd. ("Hitachi Astemo"), a consolidated subsidiary of Hitachi. (A series of transactions based on the (1) and (2) agreements as the "Transaction")

- (1) Share Subscription Agreement with JICC-01 Limited Partnership ("JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JIC Capital, Ltd. ("JICC") including that (i) Hitachi Astemo issues Class shares*¹ to JICC-01, and (ii) Hitachi Astemo purchases a part of shares of its common stocks held by Hitachi, using a portion of the funds raised through the issuance of Class shares
- (2) Agreement for investment in kind and share transfer with Honda Motor Co., Ltd. (TSE: 7267, "Honda") including that (i) Hitachi Astemo issues common stocks to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. ("Hitachi Astemo EMS") in kind and (ii) Hitachi transfers a part of shares of Hitachi Astemo's common stocks to Honda

After the Transaction, each party's ownership ratio of voting rights for Hitachi Astemo will change from Hitachi : Honda = 66.6% : 33.4% to Hitachi : Honda : JICC-01 = 40.0% : 40.0% : 20.0%, and Hitachi Astemo will be accounted as Hitachi's equity-method associate.

*1 At both the General Meeting of Shareholders and at the General Meeting of Class Shareholders the member of which are only Shareholders of Class shares, Class shares have one voting right per share.

1. Reasons for Transaction

After the management integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd., Hitachi Astemo has established its position as a global mega supplier which provides competitive mobility solutions in the CASE field by combining the strengths of each supplier and leveraging the relationships with existing shareholders Hitachi and Honda.

As the automobile and motorcycle industries are currently facing a revolution, Hitachi Astemo aims to realize sustainable growth and consolidate its position as a global mega supplier by leveraging its competitive software development technology with accelerating investment in advanced technologies such as electric powertrains for automobiles, autonomous driving/advanced driver assistance systems, advanced chassis and next-generation motorcycles.

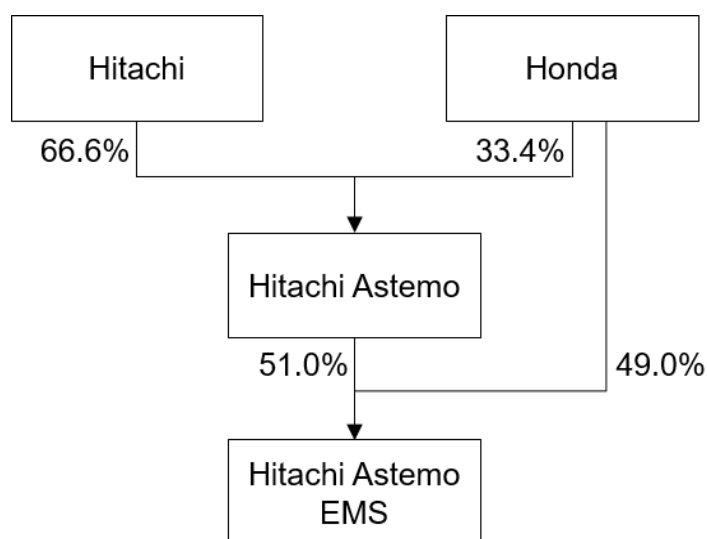
Hitachi Astemo and its shareholders, Hitachi and Honda, have considered measures to achieve further growth and enhancement of corporate value of Hitachi Astemo. As a part of the consideration, the companies came to the conclusion that, taking IPO into consideration, it would be desirable that Hitachi and Honda, as existing shareholders, support Hitachi Astemo's growth on an equal position and invite JICC as a new joint partner to utilize its extensive track record of investment and support, including in the automotive industry, as well as its knowledge and information network based on that experience in order to realize Hitachi Astemo's sustained growth.

After the Transaction, Hitachi Astemo will become an equity-method associate of Hitachi and will not be consolidated by Hitachi. However, as a shareholder, Hitachi will continue to support Hitachi Astemo's sustained growth and enhancement of corporate value through human and technical assistance. Also, Hitachi aims for further expansion of its green and digital business through collaboration with Hitachi Astemo, particularly in the areas of electrification and autonomous driving.

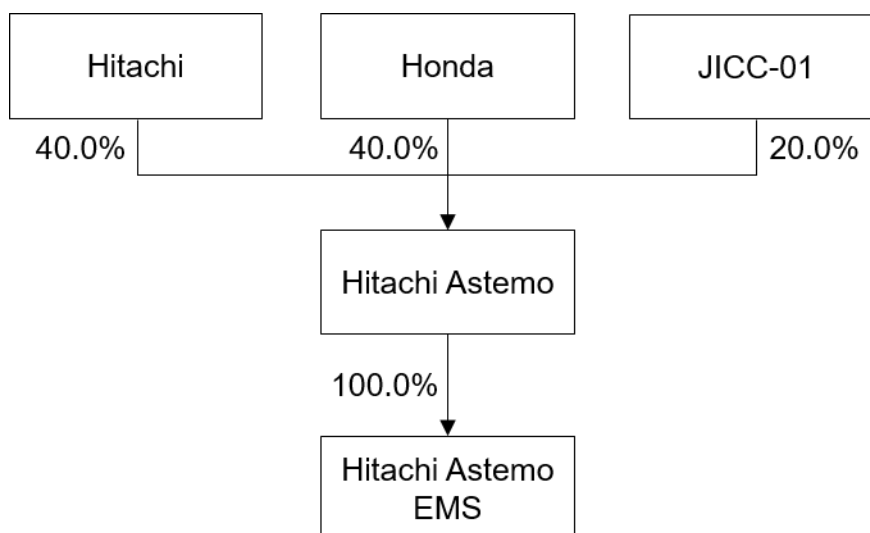
Hitachi will use the proceeds obtained from the Transaction to enhance its corporate value by promoting social innovation business that support people's quality of life through fostering a sustainable society with data and technology.

2. Outline of the Transaction

<Before the Transaction>



<After the Transaction>



3. Outline of the Parties of the Transaction

I. Outline of Subsidiary Subject to Change

(1) Name	Hitachi Astemo, Ltd.
(2) Address	2520 Takaba, Hitachinaka-shi, Ibaraki
(3) Job Title / Name of Representative	Brice Koch, President & CEO
(4) Description of Business	Development, manufacture, sale, and service of automobile parts, transportation and industrial machinery and appliances, and systems
(5) Capital (as of March 30, 2023)	51.5 billion Japanese yen

(6)	Date of Incorporation	January 6, 2021		
(7)	Major Shareholders and Shareholding Ratios (as of March 30, 2023)	Hitachi, Ltd.		66.6%
		Honda Motor Co., Ltd.		33.4%
(8)	Relationship between Hitachi and Hitachi Astemo	Capital relationship	Hitachi owns 66.6% of the aggregate number of issued shares (excluding treasury stock) in Hitachi Astemo.	
		Personnel relationship	Executive officer of Hitachi has been appointed as director of Hitachi Astemo.	
		Transaction relationship	Hitachi Astemo has a business relationship with Hitachi and Hitachi group companies for products and services. Hitachi Astemo receives R&D services from Hitachi.	
		Status as related party	Hitachi Astemo is a consolidated subsidiary of Hitachi and falls under a related party.	
(9)	Consolidated financial conditions and business results for past three fiscal years (IFRS)			
	Fiscal year-end	March 2020	March 2021	March 2022
	Revenues (million yen)	811,567	987,583	1,597,718
	Operating income (million yen)	30,148	34,704	58,751

II. Outline of Underwriter of Class Share

(1)	Name	JICC-01 Limited Partnership		
(2)	Address	1-3-1 Toranomon, Minato-ku, Tokyo		
(3)	Job Title / Name of Representative	JICC-01 G.K. Representative Partner Osamu Itabashi, Executive Member, JIC Capital, Ltd.		
(4)	Description of Business	1. Owning Class shares of Hitachi Astemo 2. Execution of all incidental tasks		
(5)	Date of Incorporation	March 29, 2023		
(6)	Major Shareholders and Shareholding Ratios (as of March 30, 2023)	JIC PEFJ1 Limited Partnership		56.0%
		JIC PEF1 Limited Partnership		44.0%
(7)	Relationship between Hitachi and the company	Capital relationship	Not applicable.	
		Personnel relationship	Not applicable.	
		Transaction relationship	Not applicable.	
		Status as related party	Not applicable.	

III. Outline of the Party Investing Shares of Hitachi Astemo EMS in Kind and Purchasing Common Shares

(1)	Name	Honda Motor Co., Ltd.
(2)	Address	2-1-1, Minami-Aoyama, Minato-ku, Tokyo
(3)	Job Title / Name of Representative	Director, President and Representative Executive Officer / Toshihiro Mibe
(4)	Description of Business	Development, manufacture, sales and services of

		automobiles, motorcycles and power products	
(5)	Capital (as of December 31, 2022)	86,067 million yen	
(6)	Date of Incorporation	September 24, 1948	
(7)	Total Equity (as of December 31, 2022)	11,403,064 million yen	
(8)	Total Asset (as of December 31, 2022)	24,142,591 million yen	
(9)	Major Shareholders and Shareholding Ratios (as of September 30, 2022)	The Master Trust Bank of Japan, Ltd. (Trust Account)	15.7%
		Moxley & Co. LLC	6.9%
		Custody Bank of Japan, Ltd. (Trust Account)	6.8%
		Meiji Yasuda Life Insurance Company	3.0%
		SSBTC CLIENT OMNIBUS ACCOUNT	2.6%
		Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.1%
		STATE STREET BANK WEST CLIENT – TREATY 505234	1.7%
		Nippon Life Insurance Company	1.7%
		JPMorgan Chase Bank 385781	1.4%
MUFG Bank, Ltd.	1.2%		
(10)	Relationship between Hitachi and the company	Capital relationship	Not applicable.
		Personnel relationship	Not applicable.
		Transaction relationship	Not applicable.
		Status as related party	Not applicable.

4. Number of Hitachi Astemo's Common Shares Transferred by Hitachi, Total Amount of the Transfer Price, and Status of Hitachi's Ownership Ratios of Voting Rights on Hitachi Astemo Before and After the Transaction

(1)	Number of common shares owned before the Transaction	666,000 shares (Number of voting rights: 666,000) (Ratio of voting rights owned: 66.6%)
(2)	Number of transferred shares	1. Number of transferred shares to Hitachi Astemo 170,532 shares (Number of voting rights: 170,532) 2. Number of transferred shares to Honda 69,552 shares (Number of voting rights: 69,552)
(3)	Total amount of the transfer price	Approximately 158.0 billion yen (657,300 yen per share)
(4)	Number of common shares owned after the Transaction ^{*2}	425,916 shares (Number of voting rights: 425,916) (Ratio of voting rights owned: 40.0%)

*2 Number of Voting Rights and Ratios of voting rights owned are the figures after issuance of Class shares by Hitachi Astemo and investment of shares of Hitachi Astemo EMS in kind by Honda to Hitachi Astemo.

5. Schedule of Change (Transaction)

September 2023 (Scheduled)

6. Outlook and Impact on Business Performance

Since Hitachi Astemo will become an equity-method associate of Hitachi and will not be consolidated by Hitachi, Hitachi plans to discuss with Hitachi Astemo and enter into transition services agreements with respect to various rights and obligations among Hitachi Astemo and Hitachi and its group companies, including the continued use of the Hitachi brand, by the closing date of the Transaction.

As a result of the Transaction, Hitachi plans to post an extraordinary gain of approximately 108 billion yen in gains on sale of affiliated companies' common shares in its unconsolidated statements of operations and a gain on business reorganization and others in the amount of approximately 94 billion yen in its consolidated accounts as other income for the fiscal year ending March 31, 2024, respectively.

- 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.
