

The Acquisition of ABB's Power Grids Business

December 17, 2018

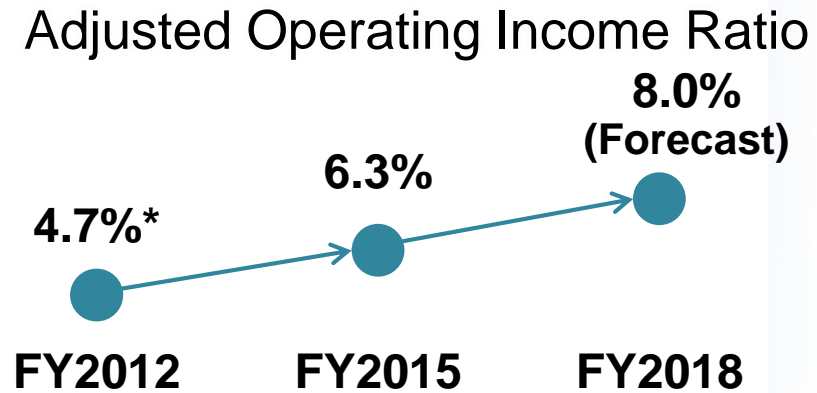
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Hitachi, Ltd.

1. Growth through Social Innovation Business

- **Become a global leader through Social Innovation Business (OT × IT × Product)**



Growth through Social Innovation Business * US GAAP

Resolving social issues and improving quality of life in the fields of ESG, SDGs and Society 5.0

Resolving Social Issues

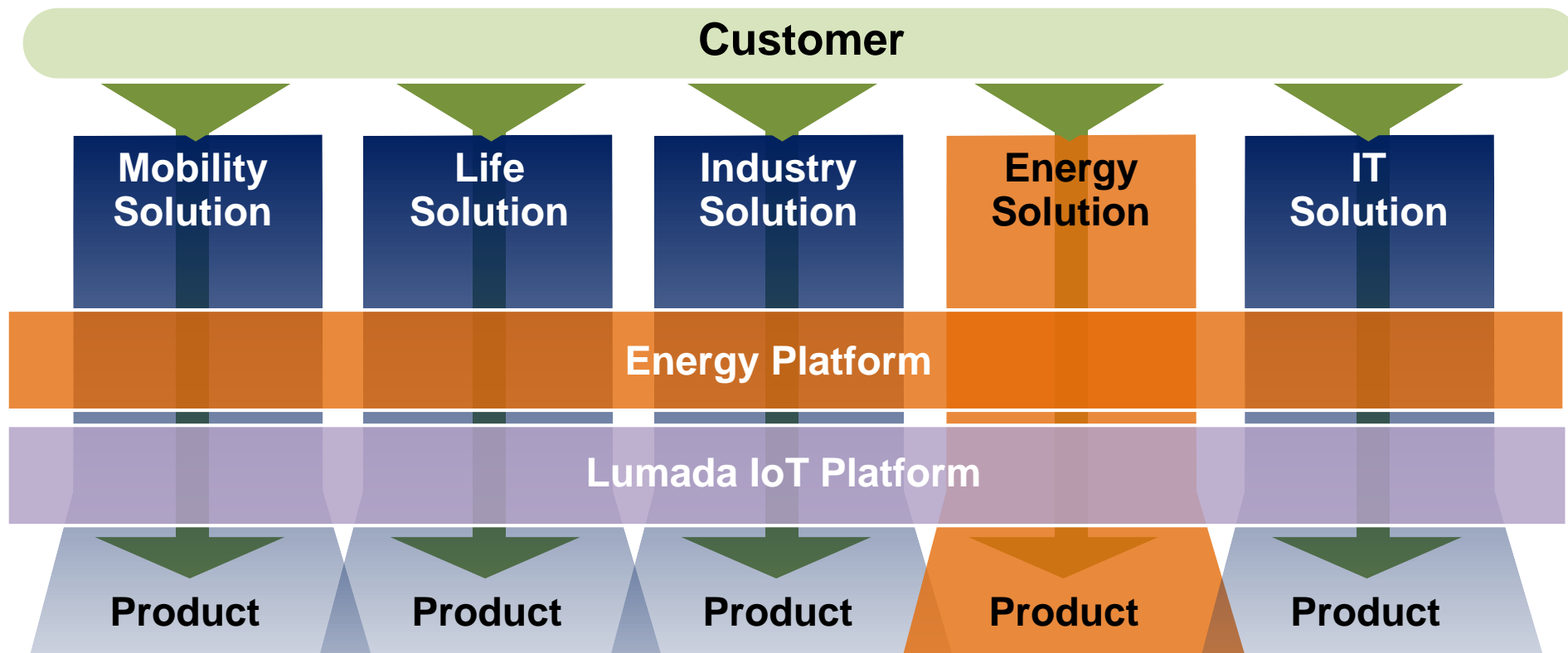
Urbanization, global warming, depletion of resources, low birth rate and aging population, aging social infrastructure, etc.

Improving Quality of Life

Safe, secure, and comfortable life, health and longevity, working vigorously

2. Areas to Focus




- Acquire ABB's power grids business to expand the energy solutions business globally as a core pillar of Social Innovation Business
- Secure a global customer base and build an energy platform to realize the energy solutions business which Hitachi aims to expand



3-1. What Hitachi Acquires

- Great opportunity to get the excellent assets of ABB's power grids business

Global Top Business*

Revenues	10.0 B\$	 Manufacturing Sites (approx.)	100
Operational EBITA (approx.)	1.0 B\$	 Sales sites (approx.)	200
		 Employees (approx.)	36,000

Partnership

Nov. 2015
Hitachi ABB HVDC Technologies, Ltd. commenced operation



- What Hitachi achieves with the excellent assets

Expand and strengthen energy solutions business globally as a core pillar of Social Innovation Business

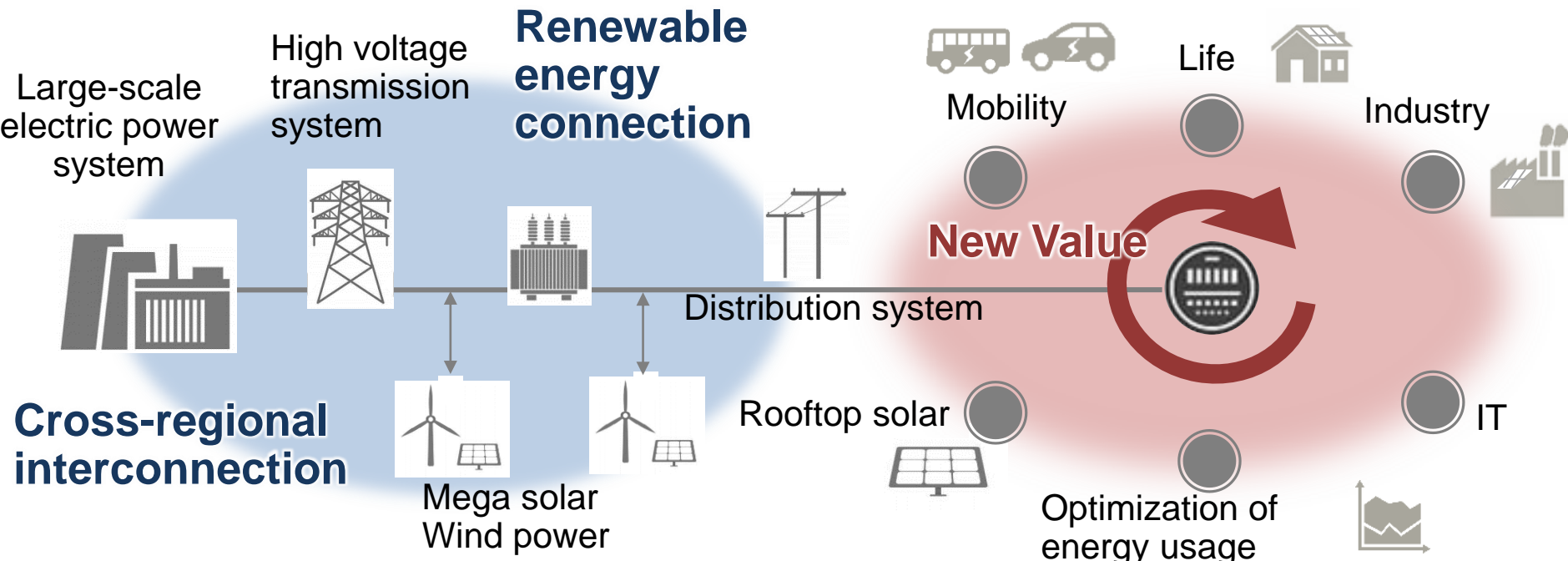
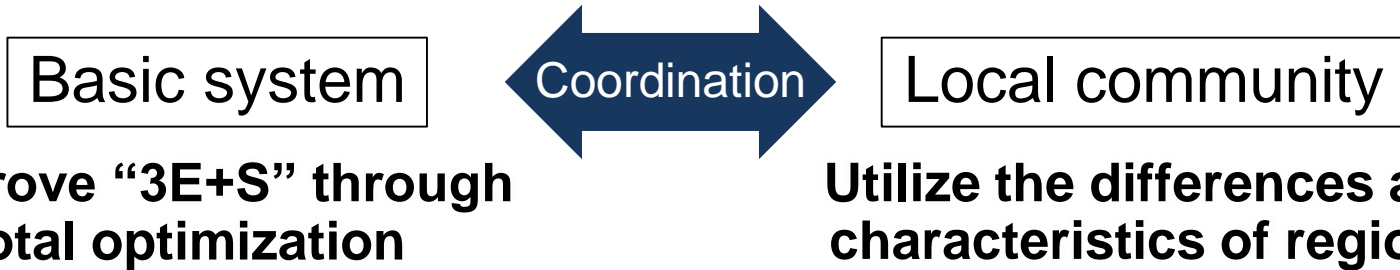


- Leverage global customer base of ABB's power grids business across Hitachi's all business areas beyond the energy solutions business
- Build an energy platform by combining global No.1 power grids business with Hitachi's digital technology

*The revenues and EBITA are results for 2017. Other numbers are as of June 2018. Source: ABB EBITA: Earnings Before Interest, Taxes, and Amortization, HVDC: High-Voltage Direct Current Operational EBITA: a defined ABB term. See Note 23 in ABB's FORM 20-F for full definition.

3-2. Vision of Next-generation Energy Solutions

- Respond to the energy system decentralization and the change of business models with increased usage of renewable energy and electric vehicles



4. Secure a Global Customer Base and Build an Energy Platform

Global Customer Base



Power company (UK, Germany, France)
T&D company (Germany, China)
Gas company (UK, France, North America)



Natural resources company
(Netherlands, UK, France)
Mining company (Australia)
Machine manufacturer (North America)



Rail operator (Germany, UK)
Train manufacturer
(Germany, France, China)
IT company (North America)

Energy Platform



Strong Products and Software

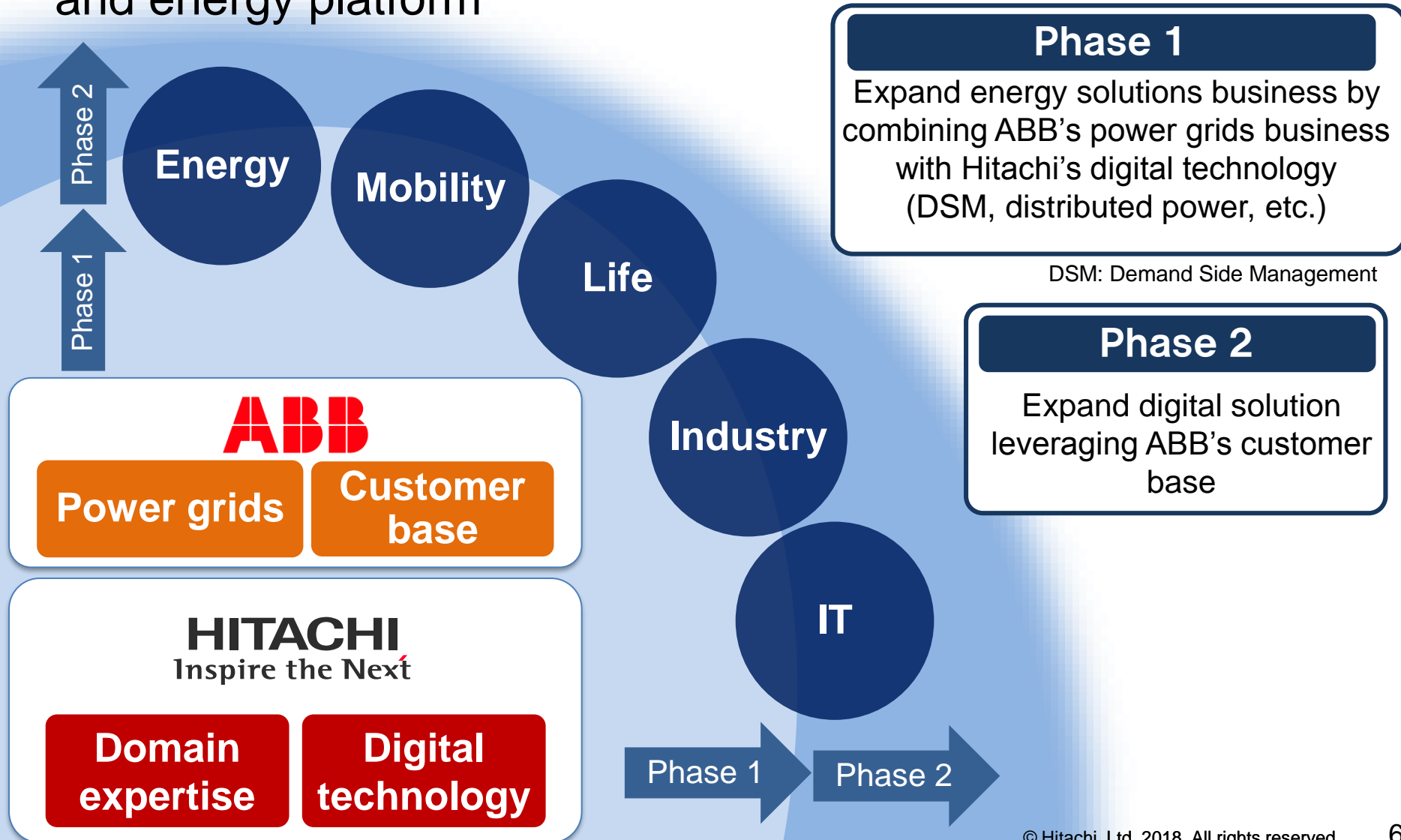
Business	Market Share*
Grid Automation (Software, SCADA system, etc.)	No.1
Grid Integration (Substation system, HVDC system, etc.)	No.2 (HVDC: No.1)
High Voltage Products (GIS, etc.)	No.1
Transformers (Transformers, etc.)	No.1



- Methodology for Collaborative Creation (NEXPERIENCE, etc.)
- Domain expertise
 - Solutions
 - Customer cases (over 500)
- Platform products and technologies

5. Provide Next-generation Energy Solutions Leveraging Digital Technology

- Provide solutions leveraging acquired global customer base and energy platform



6-1. Outline of the Acquisition (1)

Acquired Business

- ABB's power grids business
(Revenues: 10.0B\$, Operational EBITA: 1.0B\$)

Structure

- Hitachi and ABB will set up a JV after ABB spins off its power grids business
- Ownership ratio: Hitachi 80.1%, ABB 19.9%
(Hitachi is planning to make the JV a wholly-owned subsidiary 3 years after closing)

Valuation of Acquired Business

- 11.0B\$
(The amount of investment to the JV is estimated to be 6.4B\$, which is the 80.1% of 8.0B\$, the equity value of the acquired business)

Finance

- Acquisition funds will be prepared using cash on hand and borrowings

Solvency

- Impact on the Consolidated Balance Sheet (estimate):

Total Assets	+ JPY 1,900B
Goodwill	+ JPY 590B
Intangible Assets	+ JPY 510B

(Amortization expense: approx. JPY 30B per year)
- Maintain debt-to-equity ratio less than 0.5 times and secure financial stability
- Increase profits quickly by generating cost synergy and top-line synergy through utilization of digital technology

December 17, 2018

- Signing definitive agreements

From January, 2019
to the first half of
2020 (tentative)

- Spin off the power grids business from ABB
- Obtain clearance relating to competition laws

The first half of 2020
(tentative)

- Set up the JV (closing)

THE FUTURE IS OPEN TO SUGGESTIONS

Hitachi Social Innovation

**Delivering new value to society through
collaborative creation with our customers and partners**

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.

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