

FOR IMMEDIATE RELEASE

Notification of Company Split to Strengthen the Energy and Facility Management Service Business

Tokyo, December 13 2023 --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that it has decided to transfer its Carbon Neutral Development Division under the Energy Business Division ("Carbon Neutral Development Division"), which is responsible for energy and facility management service business and distributed energy resources solutions business, by way of a company split (the "Company Split"), to Hitachi Power Solutions Co., Ltd. ("Hitachi Power Solutions"), a wholly owned subsidiary equivalent to a business unit*¹ within Hitachi, for the purpose of strengthening and expanding its energy and facility management service*² business for the Japanese market in order to further support customers' decarbonization. Specifically, Hitachi Power Solutions will take over the functions of the Carbon Neutral Development Division, including consulting, design, product and system introduction, provision of services and quality assurance in association with carbon neutrality-related business such as energy and facility management service, distributed energy resources solutions.

*¹ Hitachi Power Solutions became an organization equivalent to a business unit within Hitachi in April 2023 to serve as the business entity leading the Hitachi Group's carbon neutrality-related business.

*² By combining energy management and facility management and managing the whole process digitally, this service makes it possible to optimize long-term operations and improve the efficiency of related operations, as well as to consider the environment by reducing CO₂ emissions through energy-efficient operation and high-efficiency operation of facilities.

As a result of the Company Split, Hitachi Power Solutions' carbon neutrality-related business (solar power generation systems, cogeneration systems, etc.*³) is projected to increase its revenues by approximately 7 billion yen to more than 20 billion yen in fiscal 2024. In addition, Hitachi will strengthen its energy and facility management service business by combining energy-related technologies, knowledge and consulting capabilities, which are the strengths of the Carbon Neutral Development Division, with digital services and field services that are the strengths of Hitachi Power Solutions. 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 to over 30 billion yen in fiscal 2027. 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.

*³ Does not include wind power generation system-related businesses.

Certain disclosures and details have been omitted as this transaction is a company split transferring businesses from Hitachi to its wholly owned subsidiary.

1. Purpose of the Company Split

In order to realize a carbon neutral society by 2050, which is the common global long-term goal, the Japanese government is working to realize a green society that generates a transformation in the industrial structure and robust growth by transforming the social economy, stimulating investment, and improving productivity. In the same way, corporations must help realization of a sustainable society by effectively using energy and actively utilizing renewable resources of energy to reduce CO₂ emissions. In response to that trend, the carbon neutrality-related solutions and services market is rapidly expanding, with a projected compound annual growth rate of 12%*⁴ from 2021 to 2030.

*⁴ As of December 13, 2023, based on research by Hitachi, Ltd.

In these market conditions, Hitachi and Hitachi Power Solutions, a wholly owned subsidiary in Hitachi's energy sector, have been supporting customers' decarbonization. In particular, the energy and facility management service has been gaining the interest of customers who aim to achieve both decarbonization and operational optimization as a service that simultaneously realizes effective energy usage and improvement of the efficiency of customer operations, and has steadily increased its performance.

In order to strengthen our energy and facility management service business, which is our core business for carbon neutrality, and to further support customers' decarbonization, Hitachi will consolidate 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 through the Company Split. 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.

2. Outline of the Company Split

(1) Schedule of the Company Split^{*5}

Decision on the Company Split by the Executives	December 13, 2023
Execution of the Agreement	January 2024 (scheduled)
Scheduled Company Split Date (Effective Date)	April 1, 2024 (scheduled)

^{*5} 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) 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.

(7) Other

Other details related to the Company Split will be disclosed once determined.

3. 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										

4. 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) Other

Other details concerning the business to be split will be announced as they are decided.

5. Status 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. The status of Hitachi Power Solutions after the Company Split will be announced as it is decided.

6. 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 ^{*6}	Adj. EBITA ^{*7}	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

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

*7 "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.
