

FOR IMMEDIATE RELEASE

## Notification of the Change in Subsidiary, and the Recognition of Extraordinary Gain on Unconsolidated Basis

### <Key Messages>

- Hitachi has executed an agreement regarding the transfer of a part of shares of Hitachi Construction Machinery common stocks owned by Hitachi with HCJI Holdings G.K., a special purpose company which is expected to be indirectly jointly invested by Japan Industrial Partners and ITOCHU.
- With the support of Japan Industrial Partners and ITOCHU, Hitachi Construction Machinery will contribute to enhancing the value of the Hitachi brand and expanding the Lumada business by accelerating its global growth strategy. Hitachi will continue to aim for further expansion of the Lumada business by collaborating with Hitachi Construction Machinery in R&D such as IoT, and parts and services business that utilizes digital technologies.
- Hitachi plans to post an extraordinary gain of approximately 150.0 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 77.0 billion yen in its consolidated accounts as other income for the fiscal year ending March 31, 2023, respectively. Hitachi aims to further enhance its corporate value by using the proceeds of approximately 182.4 billion yen obtained from this transfer of shares as a source of funds for strengthening its financial base, returning to its shareholders and investing in growth opportunities.

Please refer to the text below for details.

**Tokyo, January 14, 2022** --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that it has executed an agreement regarding the transfer of a part of shares of common stocks of Hitachi Construction Machinery Co. Ltd. ("HCM"), a consolidated subsidiary of Hitachi (the "Share Transfer") with HCJI Holdings G.K. ("JIP Consortium SPC"). Based on this agreement, a part of shares of HCM common stocks owned by Hitachi will be transferred to JIP Consortium SPC. JIP Consortium SPC is a special purpose company which is expected to be jointly invested by HCJ Holdings2 G.K., a special purpose company in which a fund that Japan Industrial Partners, Inc. ("JIP") manages, operates, and provides information holds all of its stake, and Citrus Investment LLC, a special purpose company in which ITOCHU Corporation ("ITOCHU") holds all of its stake. As a result of the Share Transfer, Hitachi's ownership ratio of voting rights for HCM will be 25.4%, and HCM will be accounted as Hitachi's equity-method associate.

### 1. Reasons for Share Transfer

As a parent company, Hitachi has worked closely with HCM to support the company's growth. Currently, HCM's basic policy on growth strategy is to contribute to solving issues that its

customers and the society face by developing a value chain business (parts and services, rentals, used equipment, etc.) in addition to its new machinery business, with a focus on major construction machinery, such as excavators, wheel loaders, and dump trucks. Under the “Realizing Tomorrow's Opportunities 2022,” the management plan ending in fiscal year 2022, HCM is working to achieve sustainable growth and the enhancement of corporate value through the three pillars of its management strategy: (i) strengthening its value chain businesses, (ii) providing enhanced solutions at every point of contact with customers, and (iii) building a highly flexible corporate structure that is resilient to change.

Hitachi and HCM have considered measures to achieve further growth and enhancement of corporate value of HCM. As part of the consideration, Hitachi engaged in discussions with JIP and ITOCHU as new partners who can support the growth of HCM from a medium- to long-term perspective. JIP has an extensive track record of investments and partnerships in Japan, and ITOCHU has the know-how related to construction machinery and related equipment businesses within the group. Hitachi believes that HCM's aiming for further growth through collaboration with the two companies with such strengths will lead to an enhanced corporate value of HCM, and has come to the conclusion that Hitachi will transfer a part of shares of HCM common stocks owned by Hitachi to JIP Consortium SPC.

After the Share Transfer, HCM will become an equity-method associate of Hitachi and will not be consolidated by Hitachi. However, Hitachi aims for further expansion of the Lumada business and continues to collaborate with HCM in R&D such as IoT and parts and services business that utilizes digital technologies. In addition, Hitachi believes that, with the support of JIP and ITOCHU, HCM will accelerate global business expansion, contributing to enhance the value of the Hitachi brand, mainly overseas, and the expansion of the Lumada business.

Hitachi will use the proceeds obtained from the Share Transfer as a source of funds for strengthening its financial base, returning to its shareholders, and investing in growth opportunities, and will strive to enhance its corporate value via sustainable growth through social innovation business, and enhancement of “Social value,” “Environmental value,” and “Economic value.”

## 2. Outline of the Subsidiary Subject to Change

(1) Name	Hitachi Construction Machinery Co., Ltd.
(2) Address	16-1, Higashiueno 2-chome, Taito-ku, Tokyo
(3) Job Title / Name of Representative	Executive Officer, President & CEO / Kotaro Hirano
(4) Description of Business	Manufacturing, sales, rental and after service of construction machinery, transportation machinery, and other environment related machines and devices
(5) Capital (as of September 30,	81,577 million yen

2021)				
(6)	Date of Incorporation	October 1, 1970		
(7)	Major Shareholders and Shareholding Ratios* <sup>1</sup> (as of September 30, 2021)	Hitachi, Ltd.	51.42%	
		The Master Trust Bank of Japan, Ltd. (Trust account)	14.69%	
		Custody Bank of Japan, Ltd. (Trust Account)	5.33%	
		Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1.14 %	
		Custody Bank of Japan, Ltd. (Trust Account 9)	0.97%	
		Custody Bank of Japan, Ltd. (Trust Account 7)	0.96%	
		STATE STREET BANK WEST CLIENT – TREATY 505234	0.90%	
		The Bank of New York Mellon (International) Limited 131800	0.75%	
		HSBC Hong Kong Treasury Services Account Asian Equities Derivatives	0.71%	
		JP MORGAN CHASE BANK 385781	0.62%	
(8)	Relationship between Hitachi and HCM	Capital relationship	Hitachi owns 51.4% of the aggregate number of issued shares (excluding treasury stock) in HCM.	
		Personnel relationship	A corporate officer and an associate of Hitachi have been appointed as directors of HCM.	
		Transaction relationship	HCM has a business relationship with Hitachi and Hitachi group companies for products and services. HCM receives R&D services from Hitachi.	
		Status as related party	HCM 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 2019	March 2020	March 2021
	Total equity attributable to equity holders of the parent (million yen)	486,407	473,537	514,291
	Total assets (million yen)	1,185,256	1,167,567	1,220,571
	Total equity per share attributable to equity holders of the parent (yen)	2,287.31	2,226.80	2,418.46
	Revenues (million yen)	1,033,703	931,347	813,331
	Operating income (million yen)	102,296	72,849	28,235
	Income before income taxes (million yen)	102,702	67,103	25,578
	Net income attributable to equity holders of the parent (million yen)	68,542	41,171	10,340
	Basic earnings per share attributable to equity holders of the parent per share (yen)	322.31	193.61	48.62
	Dividends per share (yen)	100.00	60.00	20.00

\*1 Major Shareholders and Shareholding Ratios (as of September 30, 2021) are based on the "Major shareholders" stated in the "Second Quarterly Report for the 58<sup>th</sup> business term" submitted by HCM on November 12, 2021.

### 3. Outline of the Company Purchasing the Shares<sup>\*2</sup>

(1) Name	HCJI Holdings G.K.	
(2) Address	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	
(3) Job Title / Name of Representative	Representative member / Japan Industrial Partners, Inc. Executor / Hidemi Moue	
(4) Description of Business	1. Owing shares of HCM 2. Execution of all incidental tasks	
(5) Capital (as of January 14, 2022)	10,000 yen	
(6) Date of Incorporation	December 23, 2021	
Major Shareholders and Shareholding Ratios <sup>*1</sup> (as of January 14, 2022)	Japan Industrial Partners, Inc.	100%
(8) Relationship between Hitachi and the company	Capital relationship	Not applicable.
	Personnel relationship	Not applicable.
	Transaction relationship	Not applicable.
	Status as related party	Not applicable.

<sup>\*2</sup> JIP Consortium SPC, a wholly owned subsidiary of JIP, is established with a main purpose of owing shares of HCM and execution of all incidental tasks on December 23, 2021. The company description above is as of January 14, 2022 and JIP Consortium SPC plans to implement an entity conversion from limited liability company to stock company after the completion of the Share Transfer. JIP expects to transfer all of its stake to HCJ Holdings2 G.K., a special purpose company in which a fund that JIP manages, operates, and provides information holds all of its stake before the completion of the Share Transfer. JIP Consortium SPC expects to receive investments of 50% stake respectively from HCJ Holdings2 G.K. and from Citrus Investment LLC, a special purpose company in which ITOCHU holds all of its stake before the Share Transfer.

### 4. Number of Transferred Shares, Total Amount of the Transfer Price, and Status of Shareholding Before and After Change

(1) Number of shares owned before change	109,352,310 shares (Number of voting rights: 1,093,523) (Ratio of voting rights owned: 51.5%) <sup>*3</sup>
(2) Number of transferred shares	55,290,000 shares (Number of voting rights: 552,900)
(3) Total amount of the transfer price	182.457 billion yen (3,300 yen per share)
(4) Number of shares owned after change	54,062,310 shares (Number of voting rights: 540,623) (Ratio of voting rights owned: 25.4%) <sup>*3</sup>

<sup>\*3</sup> The calculation for ratio of voting rights owned is based on the number of total voting rights in HCM (2,125, 317) as of September 30, 2021 as stated in "Information on voting rights" of the "Second Quarterly Report for the 58<sup>th</sup> business term" submitted by HCM on November 12, 2021.

### 5. Schedule of Change (Transfer of Shares)

June 2022 (Scheduled)

### 6. Outlook and Impact on Business Performance

Since HCM will become an equity-method associate of Hitachi and will not be consolidated by Hitachi, Hitachi plans to discuss with HCM and enter into transition services agreements with

respect to various rights and obligations among HCM and Hitachi and its group companies, including the continued use of the Hitachi brand, by the closing date of the Share Transfer.

As a result of the Share Transfer, Hitachi plans to post an extraordinary gain of approximately 150.0 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 77.0 billion yen in its consolidated accounts as other income for the fiscal year ending March 31, 2023, respectively.

## 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:

- exacerbation of social and economic impacts of the spread of COVID-19;
- 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;
- 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;
- 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;
- 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;
- credit conditions of Hitachi’s customers and suppliers;
- 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;
- 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;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- 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 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 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 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.

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