



Merging the Automotive/Motorcycle Business

A new global mega supplier
providing globally competitive solutions in CASE areas

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Hitachi Automotive Systems, KEIHIN, SHOWA, and NISSIN



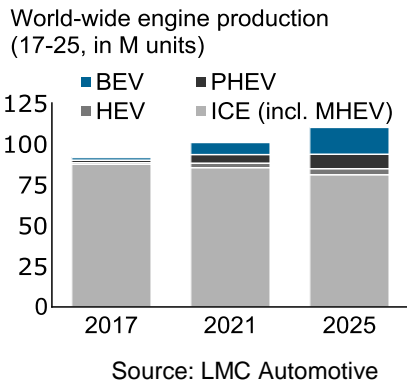
Merger Company Overview

Name	<ul style="list-style-type: none"> Hitachi Automotive Systems, Ltd. (tentative)
Headquarters	<ul style="list-style-type: none"> 2520 Takaba, Hitachinaka-shi, Ibaraki, 312-8503 Japan (tentative)
Representative	<ul style="list-style-type: none"> Dr. Brice Koch*
Business	<ul style="list-style-type: none"> Development, manufacture, sales and services of automotive and motorcycle components, transportation related components, industrial machines and systems, etc. (tentative)
Capital	<ul style="list-style-type: none"> TBD
Stockholders	<ul style="list-style-type: none"> Hitachi, Ltd. : 66.6%, Honda Motor Co., Ltd. : 33.4%
Key steps	<ul style="list-style-type: none"> Conclusion of basic agreement of merger: Oct. 30, 2019 Take over bid of KEIHIN, SHOWA, and NISSIN by Honda Honda to wholly acquire KEIHIN, SHOWA and NISSIN Establish merger company (absorption type merger)

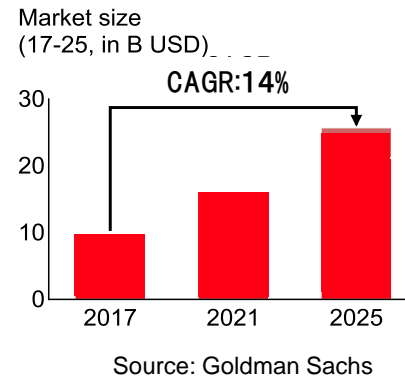
* To be formalized by the Board of Directors of the new merger company

- Automotive/motorcycle industry facing fundamental changes
- Intensifying competition in electrification, autonomous driving, and connected cars

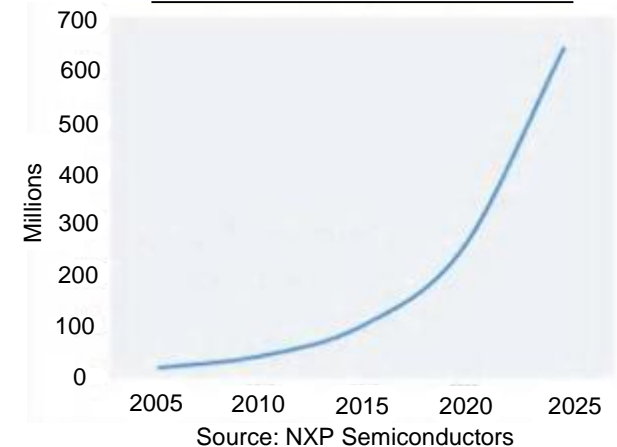
Shift in engine types from ICE to xEV



Growing AD/ADAS market



Lines of software coding per vehicle



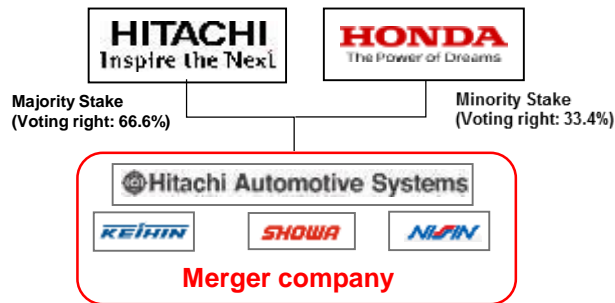
Extensive software required for vehicle electronics/electrification and connectivity

Development of new technology and solutions in line with the advancement of CASE are improving safety and comfort, and decreasing the burden on the environment

Comprehensive leading technology solutions in Powertrain, Vehicle motion control and AD/ADAS are required.

Background and Purpose: Significance for Each Company

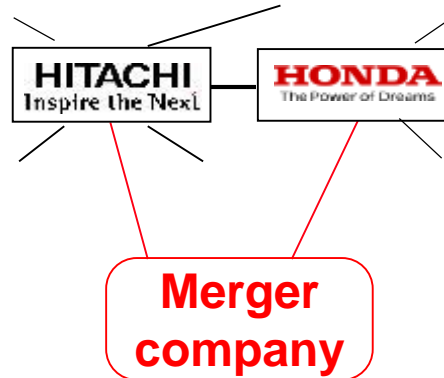
To Hitachi Automotive, KEIHIN, SHOWA and NISSIN



Benefits to all merger companies:

- Integrate the strengths of each company to create an independent global mega supplier that provides globally competitive solutions
- Resources to realize superior technologies in powertrain, advanced chassis, AD/ADAS areas
- Potential to create resources to develop future technologies

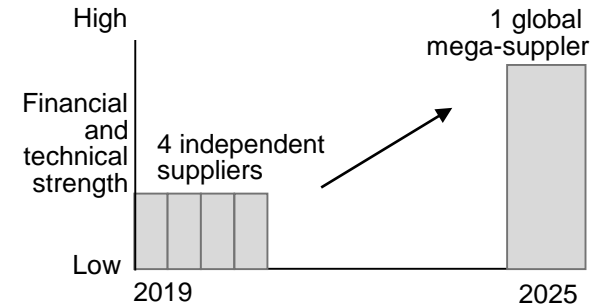
Benefits to Honda and Hitachi Ltd.



Merits to both companies:

- Honda to secure a strong development partner. Hitachi, Ltd. to enhance it's automotive business
- Explore ways to create new value and contribute to society

Secure a global leadership position



Market position (2025)

- Consolidate key products to secure a global leadership position
- Leverage leadership position of KEIHIN, SHOWA and NISSIN 's motorcycle business
- Strengthen global supply capabilities through further site expansion

Integrate the strengths of each company to create an independent global mega supplier that provides globally competitive solutions in CASE areas

HITACHI
Inspire the Next

 Hitachi Automotive Systems

HONDA
The Power of Dreams

KEIHIN

SHOWA

NISIN

- Reshape the automotive industry as a global mega supplier from Japan
- Maximize synergies to leverage strengths of each company to develop leading technologies in powertrain (electric and ICE), advanced chassis and AD/ADAS areas
- Secure business scale to strengthen competitiveness and handle expansion of mass production
- Leverage development resources in each company to create new value and improve efficiency
- Secure development partners

Further contribute to a sustainable society
and an improved quality of life

Ambition

- **Global leadership positions** in selected businesses
- **True value creator for our stakeholders** – customers, employees, owners
- **Attractive returns**

What this demands

- **Be an industry leader in all that we do, Engage and deliver on commitments**
 - **Achieve simplicity and speed**

Global Leadership Positions
in Selected Businesses



Select, Focus, and Win
Gain Benefits of Scale
(No. 1 or No. 2 Market Share)
Aim for No. 1!

A True Value Creator for
Our Stakeholders



Support Our People
Value for Owners
Create societal and environmental value

Attractive Profitability
by 2021 for Sustainable
Growth



**Minimum required for
reinvestment in
innovative technologies
and solutions**

Strengths: Examples of Expected Synergies

Enable significant synergies in technology innovation in electric powertrain, advanced chassis, and AD/ADAS, driving the advancement in the industry



xEV

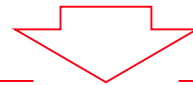
- ✓ Vehicle Efficient energy management
- ✓ Advanced Motor/Inverter design
- ✓ Material development technology
- ✓ Process development
- ✓ Production technology



New mobility package with super-small, high-efficient drive unit

Advanced Chassis

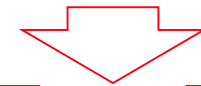
- ✓ Robotics technology
- ✓ Vehicle motion control technology
- ✓ Ergonomics
- ✓ Vehicle requirement know-how
- ✓ Wide line up of advanced chassis devices
- ✓ High efficient production
- ✓ Global footprint



Reliable system for AD with advanced integrated chassis device

AD/ADAS

- ✓ Vehicle control system
- ✓ AI based algorithm
- ✓ Complex environmental recognition technology
- ✓ Integrative vehicle motion control technology



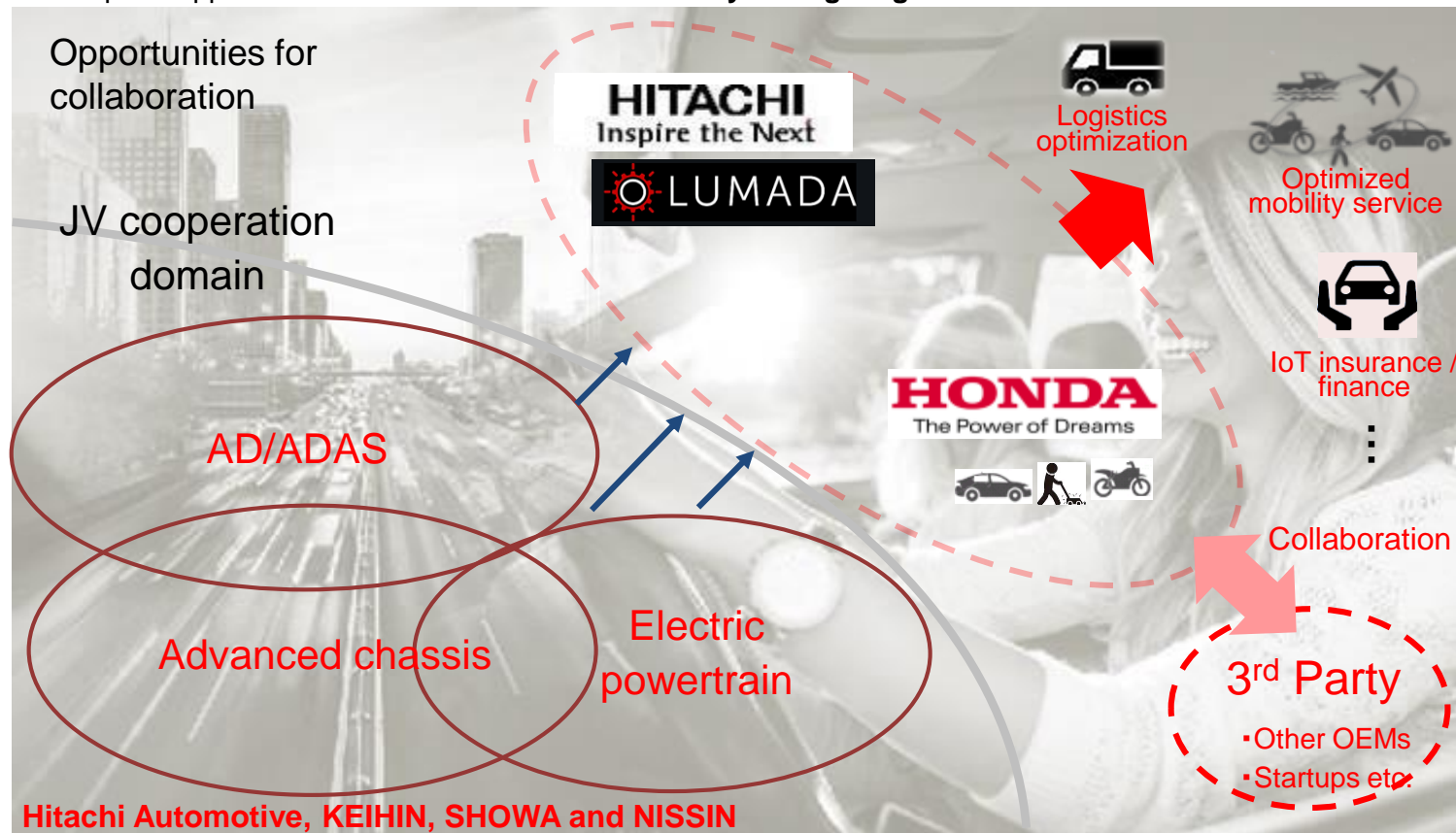
Vehicle integrated control using AD recognition technology

Strengths: Management Resources of Hitachi and Honda

Future Opportunities

Explore possibilities to leverage ecosystem, mainly in connected domain by integrating Hitachi's digital technology/solutions and Honda's deep expertise in the automotive/motorcycles

- **Optimal partner** for future growth
 - Honda to have stronger development partner for strengthening competitiveness
 - Hitachi, Ltd. to strengthen its automotive arm
- Capture opportunities to create **new value to society through digitalization**



Long-term Management Vision

To further contribute to a sustainable society and a better quality of life

Social value



Further improve safety with advanced technologies such as AD/ADAS and advanced chassis control

Environmental value



Leverage joint development of xEV and ICE controls to further contribute to environmental protection by reducing emissions and enhancing energy savings

Economic value



Increase economic values of both customers and new JV by integration



Provide new motility solutions and further contribute to sustainability and better quality of life

Hitachi Automotive Systems, KEIHIN, SHOWA, and NISSIN will pursue further growth as a merged company

1

A new independent global mega supplier equipped with the strengths of each company

2

Leverage a leadership position in an evolving automotive/motorcycle industry

3

Better positioned to contribute to society by improving safety and comfort of mobility and to advance the automotive/motorcycle industry towards the next generation

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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