

FOR IMMEDIATE RELEASE

Notification of Settlement on the Projects Conducted by Mitsubishi Hitachi Power Systems, Ltd. in the Republic of South Africa and Recognition of Extraordinary Loss on Unconsolidated Basis and Other Expenses on Consolidated Basis

Tokyo, December 18, 2019 --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that Hitachi and Mitsubishi Heavy Industries, Ltd. ("MHI") have reached a settlement relating to a transfer of the boiler construction projects (the "Projects") in the Republic of South Africa conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), the joint venture company that integrated the respective thermal power generation system businesses of MHI and Hitachi, in conclusion of their discussion.

1. Circumstances of Settlement

On March 31, 2016, Hitachi received from MHI a request for payments including part of amount to adjust business transfer price, etc. in connection with the project (collectively, the "Transfer Price Adjustment")⁽¹⁾, and on January 31, 2017, MHI subsequently increased its claim amount for the Transfer Price Adjustment⁽²⁾. On August 21, 2017, Hitachi received from the Japan Commercial Arbitration Association (the "JCAA") the notice stating that MHI filed the request for arbitration with the JCAA on July 31, 2017 in order to claim for payment of 90,779 million ZAR (approximately 774.3 billion yen when converted at a rate of 8.53 yen to 1 ZAR) as the Transfer Price Adjustment⁽³⁾.

Hitachi and MHI have reached a settlement today as a result of discussion with sincerity and integrity in parallel with the arbitration.

(1) "Ongoing Discussion on the projects of Mitsubishi Hitachi Power Systems, Ltd. in the Republic of South Africa" (announced on May 9, 2016) <https://www.hitachi.com/New/cnews/month/2016/05/160509a.html>

(2) "Ongoing Discussion on the projects of Mitsubishi Hitachi Power Systems, Ltd. in the Republic of South Africa" (announced on February 8, 2017) <https://www.hitachi.com/New/cnews/month/2017/02/170208.html>

(3) "Comment on Announcement of Arbitration" (announced on July 31, 2017) <https://www.hitachi.com/New/cnews/month/2017/07/170731a.html>
"Hitachi Received Notice of Request for Arbitration" (announced on August 22, 2017) <https://www.hitachi.com/New/cnews/month/2017/08/170822a.html>

2. Overview of Opposite Party for Settlement

- (1) Company Name: Mitsubishi Heavy Industries, Ltd.
- (2) Head Office: 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo, 100-8332, Japan
- (3) Representative: President & CEO, Seiji Izumisawa

3. Overview of Settlement

Hitachi will transfer all of its shares of MHPS (share-holding ratio of 35%) to MHI. In addition, Hitachi will recognize settlement money of 200.0 billion yen as a debt for MHI, offset the amount by transferring its credit for a subsidiary of MHPS to MHI at 70.0 billion yen and make a payment of 130.0 billion yen to MHI in March, 2020

Hitachi and MHI will promptly request JCAA to stop the progress of the arbitration. MHI will withdraw the request for arbitration in JCAA after the completion of the payment and the transfer of shares mentioned above.

4. Outlook

(1) Financial Impact through Settlement

Hitachi plans to post extraordinary loss of 384.0 billion yen in its unconsolidated statements of operations for the fiscal year ending March 31, 2019, and other expenses of 378.0 billion yen in its consolidated statements of operations for the fiscal year ending March 31, 2019 due to this settlement. The breakdown of consolidated financial impact is indicated below.

Consolidated Financial Impact

(Billions of yen)

		Impact
	Settlement	(200.0)
	Transfer of loan receivable	70.0
	Cash to be paid	(130.0)
	MHPS shares and transfer of assets, etc.	(248.0)
	Other expenses	(378.0)
	Income taxes	0
	Net income attributable to Hitachi, Ltd. stockholders	(378.0)
	Free cash flow	(130.0)

(2) Business Outlook

MHPS will become a 100% subsidiary of MHI and Hitachi will withdraw from management of MHPS. Hitachi will continue to work with MHI on maintenance services of existing thermal power generation plants. Hitachi will acquire ABB's world-class power grid business in the first half of 2020, and by combining it with Hitachi's digital technology, Hitachi will provide high-value-added energy solutions globally. In addition, Hitachi will contribute to stabilization of energy supply and realization of decarbonized society by accelerating expansion of energy solutions such as renewable energy, nuclear energy, and distributed power supply.

About Hitachi, Ltd.

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, is focusing on Social Innovation Business combining its operational technology, information technology and products. The company's consolidated revenues for fiscal 2018 (ended March 31, 2019) totaled 9,480.6 billion yen (\$85.4 billion), and the company has approximately 296,000 employees worldwide. Hitachi delivers digital solutions utilizing Lumada in five sectors including Mobility, Smart Life, Industry, Energy and IT, to increase our customer's social, environmental and economic value. For more information on Hitachi, please visit the company's website at <https://www.hitachi.com>.

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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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.
