

Hitachi to Announce Capital Reorganization of Air Conditioning Joint Venture

Hitachi to transfer its shares to Bosch together with joint venture partner Johnson Controls to establish a global partnership in the air conditioning business.

Tokyo, July 23, 2024 –Hitachi Global Life Solutions, Inc. (“Hitachi GLS”), a subsidiary of Hitachi, Ltd. (TSE:6501, “Hitachi”) have reached an agreement with Johnson Controls International plc (“JCI”), and Germany-based Robert Bosch GmbH (“Bosch”), regarding the transfer of shares in Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd (“JCH”), and entered into share purchase agreements. JCH is an air conditioning joint venture established with JCI.

To enhance its competitiveness in the global air conditioning industry, which is undergoing consolidation, Hitachi, and Hitachi GLS, together with JCI, identified Bosch as the best partner to enable further growth of the global air conditioning business due to its footprint in Europe and its track record in heating business, and have decided to sell all shares in JCH to Bosch.

Based on this agreement, Hitachi GLS will transfer all its 40% stake in JCH to Bosch (Purchase price of USD 1.4billion / JPY 195 billion*). The new company, with its new shareholder Bosch, will also concurrently enter into a brand license agreement with Hitachi GLS to continue providing Hitachi-branded air conditioning equipment globally. In addition, Hitachi GLS will acquire JCH’s Shimizu Factory, a development and manufacturing base for commercial air conditioning equipment. This will enable Hitachi GLS to operate the entire process in Japan, from development and manufacturing to sales and maintenance services, while developing highly competitive products that meet the needs of the market.

The transaction is expected to be close before the end of the first quarter of fiscal year ending March 31, 2026 subject to regulatory approvals and other customary closing conditions. If this transaction is closed during the fiscal year ending March 31, 2026, Hitachi expects to post a gain on business reorganization of approximately 125.0 billion yen as other income in its consolidated financial statements for the fiscal year ending March 31, 2026.

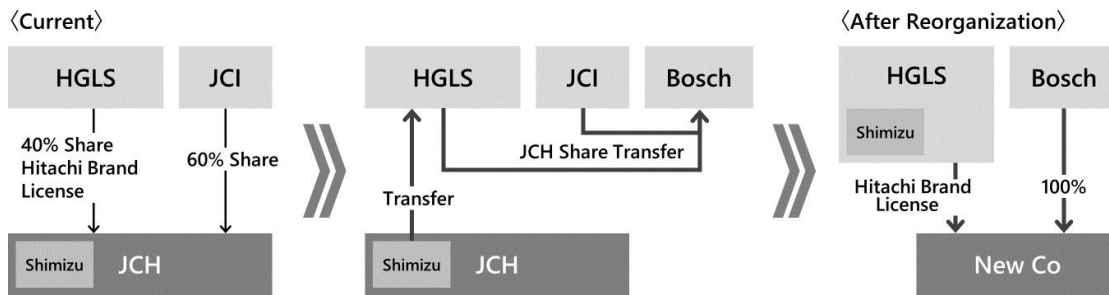
Hitachi will strive to further enhance its corporate value by improving capital efficiency through leveraging the funds obtained from this share transfer for investment in growth opportunities and shareholder returns.

* 140 yen to the U.S. dollar

■ Main Points in the Contracts

- All of Hitachi GLS’s 40% stake in JCH will be transferred to Bosch*. Concurrently, JCH’s Shimizu Factory, a development and manufacturing base for commercial air conditioning equipment, will be transferred to Hitachi GLS. Hitachi GLS will operate the commercial air conditioning business in Japan from development and manufacturing to sales and maintenance services in an integrated manner.
- The new company, with its new shareholder Bosch, and Hitachi GLS will enter into a brand license agreement for the new company to continue providing Hitachi-branded air conditioning equipment globally. For room air conditioners for Japan, JCH will continue to provide Hitachi brand products and sell them in cooperation with Hitachi GLS.

* All of JCI’s 60% stake in JCH will be transferred to Bosch, and Bosch will own 100% of JCH shares.



Summary of Reorganization

■ Aim of Hitachi Group

1. Building a new partnership with Bosch and the new company

Hitachi GLS will provide the new company, in which Bosch will be a new shareholder, with the Hitachi brand and will also continue to provide support for the new company's R&D and manufacturing bases globally through the Shimizu Factory. In addition to the above, Hitachi GLS will leverage Bosch's footprint in Europe to strengthen the global rollout of highly competitive Hitachi-branded air conditioning equipment through Bosch and the new company.

2. Accelerating the development of green products and solutions for growth areas

By transferring the Shimizu Factory, which has high technological capabilities, to Hitachi GLS and integrating the development, manufacturing, sales and maintenance services of the commercial air conditioning business in Japan, Hitachi GLS will be able to develop highly competitive products that meet market needs.

In addition, it will enable Hitachi to provide cooling and heating solutions consistently by combining Hitachi GLS's commercial air conditioning equipment with the Hitachi Group's IT, OT (Operational Technology) and products. This will enable Hitachi and Hitachi GLS, through global collaboration and co-creation with Bosch, to accelerate the delivery of green solutions in growth areas such as data centers, where demand is expanding in line with the rapid spread of generative AI, and green buildings, where demand is growing due to shortages of power supplies.

■ Comment from Jun Abe, Representative Executive Officer, Executive Vice President and Executive Officer, General Manager of Connective Industries Division, Hitachi

I am very pleased to conclude the agreement with JCI and Bosch for further growth of our air conditioning business. Hitachi Group aims to contribute to the realization of a sustainable society through the "Social Innovation Business", which leverages Hitachi's strengths in IT, OT, and products to solve issues for customers and society. With global boiling, power shortages and the rapid spread of generative AI, the demand for heating & cooling products is increasing in all sectors, including data centers, green buildings, and cold chains, and the air conditioning business is in a strategically important position for the Hitachi Group. In the future, Hitachi will leverage Bosch's extensive footprint to globally deliver Lumada solutions that combine high-efficiency, low-environmental impact air conditioning equipment and digital solutions under the Hitachi brand to contribute to the conservation of the global environment.

■ Comment from Hideki Osumi, President, Hitachi GLS

Hitachi GLS strives to provide products and solutions that contribute to solving social issues, such as reducing environmental impact. Bosch and Hitachi GLS will strengthen the global expansion of Hitachi-branded air conditioning equipment through the new company with the strong partnership. In the commercial air conditioning business in Japan, we will further promote the creation of added value by integrating the development, manufacturing, sales, and maintenance services. In addition, Hitachi will accelerate the development of green solutions by combining digital solutions with products such as the air conditioning IoT solution "exiida*" and Hitachi group products and services.

* "exiida" is a registered trademark of Hitachi Global Life Solutions, Inc. in Japan.

■ Comment from Dr. Christian Fischer, the deputy chairman of the board of management, Bosch

With this transaction, Bosch will accelerate its growth – not only in Japan and Asia, but also beyond. JCH and Bosch complement each other perfectly, both regionally and in terms of products. We are honored to be allowed to license the prestigious and highly esteemed Hitachi brand and will ensure that the exceptional quality and renowned standards are maintained. In addition, we will strive to consistently develop the business further – for the benefit of our customers, employees and other stakeholders.

■ Comment from David W. Budzinski, President, Residential & Light Commercial, JCI and CEO of JCH(He will continue to lead the business through the transition)

Together with the Bosch team, we are creating a global scale leader in residential & light commercial air and water technologies. Our combined portfolio of industry leading brands, channels to market, and new technologies create a unique value proposition that delivers on the needs of our customers. This combination allows us to streamline operations and positions us to lead the transition to electrification that will create a more sustainable world.

■ About JCH

Name	Johnson Controls-Hitachi Air Conditioning
Established	October 1, 2015
Address	1-16-1 Kaigan, Minato-ku, Tokyo * Main office of Johnson Controls-Hitachi Air Conditioning
Representative	CEO: David W. Budzinski
Business Overview	Designing, manufacturing, and distribution of air conditioning and refrigeration products, VRF, residential air conditioning, large- and small-tonnage chillers, and compressors
Number of Employees (Consolidated)	Approximatel.11,000 (as of September 2023)
URL	http://www.jci-hitachi.com

■ About Bosch

Name	Robert Bosch GmbH
Established	1886
Headquarters	Gerlingen, Germany
Representative	Dr. Stefan Hartung (Chairman of the board of management)
Revenue	€91.59 billion (2023)
Business Overview	Designing, selling and providing services of automotive parts, power tools, security systems, home appliances, engineering, electronics, cloud computing, IoT
Number of Employees (Consolidated)	429,000 (as of December 31 2023)
URL	https://www.bosch.com/

■ About JCI

Name	Johnson Controls International plc
Established	1885
Headquarters	Cork, Ireland
Representative	George Oliver (Chairman, CEO)
Revenue	US\$26.8 billion (2023)
Business Overview	Designing, selling, installing, and providing services of heating, ventilating, air conditioning, controls, building management, refrigeration, integrated electronic security, integrated fire detection and suppression systems, security products, energy efficiency solutions, and smart building solutions
Number of Employees (Consolidated)	Approximately 100,000 (2023)
URL	https://www.johnsoncontrols.com/

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About Hitachi, Ltd.

Hitachi drives Social Innovation Business, creating a sustainable society through the use of data and technology. We solve customers' and society's challenges with Lumada solutions leveraging IT, OT (Operational Technology) and products. Hitachi operates under the 3 business sectors of "Digital Systems & Services" – supporting our customers' digital transformation; "Green Energy & Mobility" – contributing to a decarbonized society through energy and railway systems, and "Connective Industries" – connecting products through digital technology to provide solutions in various industries. Driven by Digital, Green, and Innovation, we aim for growth through co-creation with our customers. The company's revenues as 3 sectors for fiscal year 2023 (ended March 31, 2024) totaled 8,564.3 billion yen, with 573 consolidated subsidiaries and approximately 270,000 employees worldwide. For more information on Hitachi, please visit the company's website at <https://www.hitachi.com>.

About Hitachi GLS

With home appliances and air conditioning businesses as its core products, Hitachi GLS engages in the sales of home appliances, air conditioning equipment, and facility equipment, as well as the provision of engineering and maintenance services, and focuses on offering product solutions that utilize digital technology.

Toward the realization of a better society, Hitachi GLS creates life solutions that contribute to improving the quality of life (QoL) of consumers, focusing on the four areas of "enrichment of daily life," "advancement and enhancement of medical care," "recycle-based society," and "low environmental impact," with the business slogan, "Happiness 360° - Joyous life for each and all," through innovation leveraging the business foundation the company has developed to date, the combined strengths of the Hitachi Group, and digital technology. Hitachi GLS will also accelerate the overseas sales of Hitachi brand products and the overseas expansion of the life solution

business by strengthening global alliances. For more information, please visit the company's website at <https://corp.hitachi-gls.co.jp/>.

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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;
- 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.

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.