

Hitachi to Acquire GlobalLogic, a Leading U.S.-based Digital Engineering Services Company

Acquisition will Accelerate the Digital Transformation of Social Infrastructure on a Global Scale by Aligning GlobalLogic's Advanced Digital Engineering Services with Hitachi's Lumada Portfolio

SYDNEY – 1 April 2021 --- Hitachi, Ltd. (TSE: 6501, "Hitachi") today announced that it will acquire GlobalLogic Inc. (President and CEO: Shashank Samant, "GlobalLogic"), a leading U.S.-headquartered digital engineering services company. The acquisition is based on the definitive agreement among Hitachi Global Digital Holdings Corporation ("HGDH"), a U.S. subsidiary, an SPC established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc., the parent company of GlobalLogic. The transaction is subject to customary conditions and regulatory approvals and expected to be completed by the end of July 2021.

Through the acquisition, Hitachi expects the addition of GlobalLogic's advanced digital engineering capabilities, and its solid client base including major technology companies, to strengthen the digital portfolio of "Lumada."^{*1} Hitachi Vantara LLC, a U.S.-based subsidiary of Hitachi and its digital infrastructure, data management, and digital solutions business, plays a key role in driving Lumada business growth in the global market.

The acquisition will create synergies across Hitachi's five sectors – IT, Energy, Industry, Mobility and Smart Life – and automotive systems business (Hitachi Astemo) by accelerating the advanced digital transformation of social infrastructure such as rail, energy, and healthcare at a global scale. Through its Social Innovation Business delivered by collaborative creation with customers, Hitachi aims to increase social, environmental, and economic value for its customers and realise a sustainable society.

^{*1} Lumada is the name of Hitachi's advanced digital solutions and services for turning data into insights that drive digital transformation of social infrastructure.

Headquartered in Silicon Valley, GlobalLogic is a leading company in the fast-growing digital engineering services market. With over 20,000 professionals in 14 countries, GlobalLogic operates design studios and software product engineering centers around the world.

GlobalLogic has deep "chip-to-cloud" advanced software product engineering technology as well as experience design skills and vertical industry expertise. By combining these capabilities, GlobalLogic helps clients drive new revenue streams and incremental value for their customers by designing and developing innovative software that powers products, platforms, and digital experiences.

The company has a solid client base with over 400 clients comprised of market leaders and marquee brands spanning key industries such as communications, financial services, automotive, healthcare & life sciences, technology, media and entertainment, and manufacturing.

Digital transformation (DX) investment is growing at an accelerated pace globally. IDC predicts that 65% of global GDP will be digitalised by 2022 driven by products and services from digitally transformed enterprises. ^{*2}

In addition, according to Zinnov (a research & advisory company specialising in Product Engineering and Digital Transformation) the total addressable market for digital engineering will grow to 1.1 trillion U.S. dollars by 2025, growing at a compound annual growth rate (CAGR) of 19%.^{*3}

^{*2} Source: IDC Press Release, October 29, 2020: IDC Reveals 2021 Worldwide Digital Transformation Predictions; 65% of Global GDP Digitalized by 2022, Driving Over \$6.8 Trillion of Direct DX Investments from 2020 to 2023

<https://www.idc.com/getdoc.jsp?containerId=prUS46967420>

^{*3} Source: Zinnov Zones for Engineering & R&D Services Research (slide 3)

<https://zinnov.com/zinnov-zones-engineering-rd-services-2019/>

These figures do not include the COVID-19 effect.

Digital transformation continues to be a priority for organisations everywhere, and the COVID-19 pandemic has only expanded demand for new data-driven business models, customer experiences, and connected ecosystems. However, many organisations lack the knowledge and experience to

design and deploy new digital platforms. They are also challenged by the shortage of the skills required to build digital-native products, and to design new interaction models and digital experiences, such as new digital ways of shopping or new models for delivering and receiving healthcare. Against this backdrop, the demand for GlobalLogic's services is growing rapidly, and the combined company has greater access to this massive market opportunity.

Hitachi has been promoting initiatives to transform and provide more advanced and intelligent social infrastructure, such as rail and energy, using its digital technology, in order to achieve a transformation into a global leader in the Social Innovation Business. As part of its 2021 Mid-term Management Plan, Hitachi previously committed to the strategy to make growth investments of 1 trillion yen in the IT sector*4, primarily through Hitachi Vantara, to strengthen digital capabilities including digital products, solutions, partnerships, front and delivery capabilities. GlobalLogic will be an integral part and a growth engine of Hitachi's portfolio of Lumada digital solutions and services.

*4 Hitachi, Ltd., IT Sector's presentation material at Hitachi IR Day 2019.

https://www.hitachi.com/New/cnews/month/2019/06/190604/20190604_01_it_presentation_en.pdf

Toshiaki Higashihara, President & CEO of Hitachi, said "The acquisition of GlobalLogic creates an exciting new opportunity for Hitachi to expand our offerings of Lumada solutions and services, provide value to customers in their digital transformation journey, and grow our Lumada business globally. The synergy of GlobalLogic's leading experience design and innovation with Hitachi's expertise in IT, operational technology, and products, will help us realise our goal to be the leading digital transformation innovator in social infrastructure worldwide. Together, we will create new social, environmental and economic value for our globally expanding client companies and elevate QoL (quality of life) for people through contributions to realise sustainable society."

"Companies in every industry are transforming with digital technology – to better engage customers, create new revenue streams and drive a higher quality of life." said Shashank Samant, President and CEO, GlobalLogic. "We have a tremendous opportunity ahead and we are excited to embark on this journey with Hitachi, combining our collective skills, technologies, and market presence to deliver greater value to our clients as they transform their businesses."

GlobalLogic's revenues are expected to reach approx. 1.2 billion U.S. dollars (approx. 129.6 billion yen*5) with adjusted EBITDA*6 margins to be over 20% in fiscal 2021. With a high profitability profile and strong revenue CAGR, GlobalLogic will aim to achieve adjusted EBITDA of over 1 billion U.S. dollars (approx. 108.0 billion yen) by fiscal 2028.

HGDH and GlobalLogic Worldwide Holdings have agreed on an equity value of 8.5 billion U.S. dollars (approx. 918.0 billion yen) with an enterprise value of 9.5 billion U.S. dollars (approx. 1,026.0 billion yen). This represents about 37.4x in CY2021 and 29.4x in CY2022 of expected adjusted EBITDA respectively and are within the calculation range of Hitachi's comparable company analysis and the discounted cash flow method. The total acquisition cost, including repayment of GlobalLogic's interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approx. 1,036.8 billion yen).

*5 Converted at the rate of 108 yen to the U.S. dollar.

*6 EBITDA on a standalone basis, adjusted for stock-based compensation and non-recurring one-time costs.

Hitachi will acquire GlobalLogic Worldwide Holdings through a merger involving MergeCo H Global Inc. ("SPC"), a subsidiary established by HGDH for the purpose of the transaction. In this acquisition, the "reverse triangular merger method" will be adopted. Specifically, SPC will be merged with and into GlobalLogic Worldwide Holdings, which will be the surviving company. When the companies are merged, HGDH or SPC will provide cash to the shareholders of GlobalLogic Worldwide Holdings after which all the outstanding shares of GlobalLogic Worldwide Holdings will be cancelled. All the shares of SPC held by HGDH will be converted to common shares of GlobalLogic Worldwide Holdings, the surviving company. In this way, HGDH will acquire 100% of the outstanding shares of GlobalLogic Worldwide Holdings, the surviving company, and GlobalLogic Worldwide Holdings and GlobalLogic will become wholly owned subsidiaries of HGDH.

Closing of the transaction is anticipated by the end of July 2021 and is subject to customary conditions and regulatory approvals.

Credit Suisse Securities (USA) LLC acted as financial advisor to Hitachi in connection with the transaction and Shearman & Sterling LLP served as legal advisor. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC served as financial advisors and Kirkland & Ellis LLP served as legal advisor to GlobalLogic.

For further details about GlobalLogic Worldwide Holdings, financial results, shares and other financial information see the full release here:
https://www.hitachi.com/New/cnews/month/2021/03/f_210331.pdf

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, aluminium, 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 recognise revenue from sales;
- increased commoditisation 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 labour 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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