

## Issuance of New Shares as Restricted Stock Compensation

**Tokyo, April 23, 2019** --- Hitachi, Ltd. (TSE: 6501, “Hitachi” or the “Company”) announced that, pursuant to the decision made by the President in accordance with the authority delegated by the resolution of the Board of Directors, Hitachi decided to issue new shares as restricted stock compensation to Executive Officers and Corporate Officers (the “Eligible Persons”), as described below (the “Issuance of New Shares”). On March 28, 2019, Hitachi already announced its policy to adopt restricted stock compensation plan in place of the stock options as stock-based compensation Hitachi has granted so far.

### 1. Outline of issuance

(1) Payment date	May 31, 2019
(2) Class and number of shares to be issued	587,800 shares of Hitachi’s common stock
(3) Issue price	3,647 yen per share
(4) Total amount of issuance	2,143,706,600 yen
(5) Allottees, number of Allottees and number of shares to be allotted	37 Executive Officers: 472,600 shares 34 Corporate Officers: 115,200 shares
(6) Others	Issuance of New Shares is conditioned on the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

### 2. Purpose and reasons for issuance

Hitachi issues two type of restricted stock shares in order to propel management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management’s shared values with shareholders through the holding of shares during their term of office (The shares of restricted stock with an incumbency condition is referred to the “Type A”, the shares of restricted stock with a “stock price condition” (the “Stock Price Condition”) explained later in addition to incumbency condition is referred to the “Type B”, and Type A and Type B are referred to collectively as the “Shares of Restricted Stock”. )

The Eligible Persons will make an in-kind contribution of monetary compensation receivables granted under the restricted stock compensation plan in order to purchase of shares of common stock of the Company to be issued.

In addition, with respect to the issuance of shares of common stock of the Company under the Plan, Hitachi and each Eligible Person will execute an agreement on allotment of restricted stock.

### **3. Outline of the Allotment Agreement**

The details of the agreement on allotment of restricted stock to be executed between Hitachi and each Eligible Person (the "Allotment Agreement") are as follows.

#### **(1) Transfer restriction period**

From May 31, 2019 (the "Payment Date") to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company.

#### **(2) Conditions for lifting transfer restriction**

##### **(i) Type A**

If an Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company due to death, expiration of term of office or other legitimate ground that is approved by the Board of Directors, at the time of ceasing to hold all such positions, the transfer restriction shall be lifted with respect to the number of shares set forth below: In such case, the number of such shares shall be calculated by multiplying (x) the number of shares of common stock allotted under the Allotment Agreement (the "Shares"; hereinafter the number of shares of the Shares is the "Number of the Shares") by (y) the ratio obtained by dividing the number of months from the first month of the fiscal year in which the Payment Date falls to the month contains the day on which the Eligible Person ceases to hold all such positions by 36 months (or by 1 if the result of the following calculation exceeds 1; the "Incumbency Ratio") Any fractions of less than one trading unit resulting from the calculation will be rounded down.

##### **(ii) Type B**

If an Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company due to death, expiration of term of office or other legitimate ground that is approved by the Board of Directors, at the time of ceasing to hold all such positions, the transfer restriction shall be lifted with respect to the number of shares calculated by multiplying the number of shares determined in accordance with the Stock Price Condition ("Number of Shares Determined After Evaluation) by the Incumbency Ratio. Any fractions of less than one trading unit resulting from the calculation will be rounded down.

**(3) Acquisition by the Company without consideration**

If certain events set out in the Allotment Agreement occur, the Company will acquire the Shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the Shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

**(4) Management of shares**

In order to prevent the Shares from being transferred, having any security interest created thereon or otherwise being disposed of during the transfer restriction period, the Shares will be managed in dedicated accounts established by Eligible Persons at a securities company designated by the Company. In order to ensure the effectiveness of transfer restrictions and other agreements on the Shares, the Company and Eligible Persons will execute an agreement with said securities company concerning the management of accounts for the Shares held by each Eligible Person.

**(5) Treatment in case of Organizational restructuring, etc.**

Notwithstanding the provision of (1) above, if, during the transfer restriction period, a merger agreement under which the Company will become a dissolving company, a share exchange agreement or a share transfer plan under which the Company will become a wholly-owned subsidiary of another company or any other organizational restructuring is approved at a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company, if the approval of the General Meeting of Shareholders is not required), then the transfer restriction on the Shares shall be lifted immediately before the business day preceding the effective date of such organizational restructuring. The number of Shares for which restrictions are lifted shall be as follows:

For Type A: the number of shares shall be calculated by multiplying the Number of Shares by the ratio obtained by dividing the number of months from the first month of the fiscal year in which the Payment Date falls to the month contains the date of such approval by 36 months (or by 1 if the result of the following calculation exceeds 1; the "Incumbency Ratio for Organizational Restructuring"). Any fractions of less than one trading unit resulting from the calculation will be rounded down.

For Type B: the number of shares shall be calculated by multiplying the Number of Shares Determined After Evaluation by the Incumbency Ratio for Organizational Restructuring. Any fractions of less than one trading unit resulting from the calculation will be rounded down.

In the cases described above, immediately after the transfer restriction is lifted, the Company will as a matter of course acquire the Shares for which the restriction has not been lifted without any consideration.

#### **4. Basis of calculation of the issue price and details thereof**

The issue price is 3,647 yen, the closing price per share for the Company's common stock on April 22, 2019 (preceding business day of the date upon the decision by the President regarding the Issuance of New Shares) in the first section of the Tokyo Stock Exchange, Inc. The Company believes that the issue price is reasonable and is not deemed to be significantly advantageous because the issue price is the same as the market stock price on the preceding business day of the date upon the decision by the President.

#### **About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges, combining its operational technology, information technology, and products/systems. The company's consolidated revenues for fiscal 2017 (ended March 31, 2018) totaled 9,368.6 billion yen (\$88.4 billion). The Hitachi Group is an innovation partner for the IoT era, and it has approximately 307,000 employees worldwide. Through collaborative creation with customers, Hitachi is deploying Social Innovation Business using digital technologies in a broad range of sectors, including Power/Energy, Industry/Distribution/Water, Urban Development, and Finance/Social Infrastructure/Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

[Appendix]

Stock Price Condition

- (i) If, when the Total Shareholder Return (“TSR”) (Note 1) of Hitachi stock is compared to the TOPIX Growth Rate (Note 2), the TSR/TOPIX Growth Rate Ratio (Note 3) is 120% or more, the total Number of the Shares shall be the Number of Shares Determined After Evaluation.
- (ii) If the TSR/TOPIX Growth Rate Ratio is between 80% or more but less than 120%, a portion of the Number of the Shares (Note 4) shall be the Number of Shares Determined After Evaluation.
- (iii) If the TSR/TOPIX Growth Rate Ratio is less than 80%, the Number of Shares Determined After Evaluation shall be zero.

$$\text{(Note 1) TSR} = \frac{B + C}{A}$$

where:

- A: The closing price of shares of Hitachi’s common stock on the Tokyo Stock Exchange on the first day (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day) of the fiscal year in which the date of allotment falls
- B: The closing price of shares of Hitachi’s common stock on the Tokyo Stock Exchange on the last day (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day ) of the fiscal year commencing two years after the fiscal year in which the date of allotment falls (or if an Eligible Person ceased to be an Executive Officer, Director or Corporate Officer of the Company or if organizational restructuring was approved at a General Meeting of Shareholders before such last day, the date of ceasing to hold all such positions or the date of such approval (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day))
- C: Total amount of dividend per share of Hitachi’s common stock in the period from the first day of the fiscal year in which the date of allotment falls to the last day of the fiscal year commencing two years after such fiscal year (or if an Eligible Person ceased to be an Executive Officer, Director or Corporate Officer of the Company or if organizational restructuring was approved at a General Meeting of Shareholders before such last day, the date of ceasing to hold all such positions or the date of such approval)

(Note 2) TOPIX Growth Rate = D / E

where:

D: The closing price of TOPIX on the Tokyo Stock Exchange on the last day (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day) of the fiscal year commencing two years after the fiscal year in which the date of allotment falls (or if an Eligible Person ceased to be an Executive Officer, Director or Corporate Officer of the Company or if organizational restructuring was approved at a General Meeting of Shareholders before such last day, the date of ceasing to hold all such positions or the date of such approval (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day))

E: The closing price of TOPIX on the Tokyo Stock Exchange on the first day (or if such day is a non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day) of the fiscal year in which the date of allotment falls

(Note 3) TSR/TOPIX Growth Rate Ratio = TSR / TOPIX Growth Rate

(Note 4) Number of Shares Determined After Evaluation = Number of the Shares ×  $\{(TSR/TOPIX \text{ Growth Rate Ratio} \times 1.25) - 0.5\}$

Any fractions of less than one trading unit resulting from the calculation will be rounded down.

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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.

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