

**FOR IMMEDIATE RELEASE**

## **Notice Regarding the Grant of Restricted Stock Compensation**

**Tokyo, March 30, 2020** --- Hitachi, Ltd. (TSE: 6501, “Hitachi” or the “Company”) resolved at a meeting of the Compensation Committee held today to continue the restricted stock compensation plan and to grant shares of restricted stock to Japanese Executive Officers and Corporate Officers (the executive positions next to Executive Officers).

The issuance of shares of restricted stock based on this decision is subject to decisions by the President as to the subscription requirement and allotment of shares of restricted stock to each Executive Officer and Corporate Officer pursuant to authority delegated by a resolution of the Board of Directors. It is expected that, even at the maximum level, the number of shares of restricted stock to be allocated as compensation for FY2020 will be approximately 0.1% of total number of issued shares for Hitachi’s common stock as of today.

### **1. Purpose of restricted stock compensation**

Hitachi has introduced restricted stock compensation as compensation for Japanese Executive Officers and Corporate Officers (the “Eligible Persons”) 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.

### **2. Outline of the restricted stock compensation plan**

The restricted stock compensation plan (the “Plan”) introduced by Hitachi consists of two types of restricted stock: shares of restricted stock with an incumbency condition (the “Type A”) and shares of restricted stock with a “stock price condition” (the “Stock Price Condition”) explained later in addition to incumbency condition (the “Type B”; hereinafter Type A and Type B are referred to collectively as the “Shares of Restricted Stock”).

In accordance with the Plan, the Eligible Persons will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the Shares of Restricted Stock to the Eligible Persons.

In addition, with respect to the issuance or disposition 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 (the “Allotment Agreement”), which includes the details shown below.

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

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

From the payment date relating to the issuance or disposition of the Shares of Restricted Stock 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 the Eligible Persons. The Company will also acquire the Shares for which the transfer restrictions are 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 the 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 each Eligible Person 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.

**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>.

[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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