

**FOR IMMEDIATE RELEASE**

**Notice Regarding the Issuance of Stock Options  
as Stock-Based Compensation**

Tokyo, June 29, 2016 --- Hitachi, Ltd. (TSE: 6501, “Hitachi”) today announced that, pursuant to the decision made by President in accordance with the authority delegated by the resolution of the Board of Directors, Hitachi decided to issue stock acquisition rights to Executive Officers and Corporate Officers as stock options as stock-based compensation. On May 13, 2016, Hitachi already announced its policy to grant stock options as stock-based compensation with share price conditions to Executive Officers and Corporate Officers. With the stock options, Hitachi intend to propel management from the medium- and long-term perspective and motivate them to make more contributions to the sustainable increase in enterprise value by having them share the benefits and risks of stock price fluctuation with shareholders.

The following is a description of the stock acquisition rights to be issued.

**1. Name of stock acquisition rights**

The First Stock Acquisition Rights of Hitachi, Ltd.

**2. Total number of stock acquisition rights: 24,219**

The above total number is the scheduled number of stock acquisition rights to be allotted. If the total number is reduced due to reasons such as unfulfilled applications for acceptance of stock acquisition rights, the total number of stock acquisition rights allotted shall be the total number of stock acquisition rights that are actually issued. The persons eligible for stock acquisition rights to be allotted, the number of such eligible persons, and the number of stock acquisition rights to be allotted are as follows.

31 Executive Officers	17,205 of stock acquisition rights
42 Corporate Officers	7,014 of stock acquisition rights

**3. Class and number of shares to be issued upon exercise of stock acquisition rights**

The class of shares to be issued upon the exercise of stock acquisition rights shall be common stock of the Company and the number of shares to be issued upon exercise of each stock acquisition right (hereinafter, the “Number of Shares to be Issued”) shall be 100 shares.

However, if the Company implements a stock split (including gratis allotment of shares of common stock; the same shall apply hereinafter) or a reverse stock split with respect to common stock of the Company after the date of allotment of the stock acquisition rights (the "Date of Allotment"), the Number of Shares to be Issued with respect to the stock acquisition rights not exercised at that time will be adjusted based on following formula:

$$\begin{array}{l} \text{Number of Shares} \\ \text{to be Issued} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Shares} \\ \text{to be Issued} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of} \\ \text{stock split or} \\ \text{reverse stock split} \end{array}$$

In addition, if there is an unavoidable ground requiring an adjustment of the Number of Shares to be Issued, the Number of Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.

Any fractions of less than one share resulting from the adjustment will be rounded down.

#### **4. Amount to be paid upon allotment of stock acquisition rights**

The amount to be paid upon allotment of one stock acquisition right will be equal to the fair value of the stock acquisition right as calculated at the Date of Allotment using the Monte Carlo simulation. The remuneration, the amount of which shall be equal to the total amount to be paid upon allotment, shall be granted by Hitachi to the person to whom stock acquisition rights are allotted ("Stock Acquisition Right Holders") and the person shall set off such remuneration claims against his/her obligation to pay the total paid-in amount of the stock acquisition rights upon allotment. As this amount is the fair value of the stock acquisition rights, the allotment of stock acquisition rights shall not fall under an allotment at specially favorable conditions.

#### **5. Amount of assets to be contributed upon exercise of stock acquisition rights**

The amount of assets to be contributed upon exercise of a stock acquisition right shall be the amount obtained by multiplying (i) the amount to be paid in per share to be delivered upon exercise of stock acquisition right (the "Exercise Price") by (ii) Number of Shares to be Issued. The Exercise Price is one yen.

## **6. Exercise period of stock acquisition rights**

The exercise period of stock acquisition rights shall be from July 15, 2016, to July 14, 2046.

## **7. Conditions for the exercise of stock acquisition rights**

- (1) During the exercise period specified in section 6, a Stock Acquisition Right Holder may exercise all the stock acquisition rights determined in accordance with the provisions of paragraph (2) or (3) below only at a time within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, Director, or Corporate Officer of the Company.
  
- (2) The number of stock acquisition rights a Stock Acquisition Right Holder may exercise shall be determined based on the ratio of (i) the total shareholder return (the "TSR") for shares of Hitachi for the period between April 1, 2016, and March 31, 2019 (the "Waiting Period") to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the Waiting Period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the share price conditions on page 8 to 9. Any fraction less than one resulting from this calculation shall be rounded down.
  - a. In case the TSR/TOPIX Growth Rate Ratio is 120% or more  
All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
  - b. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%  
Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio.
  - c. In case the TSR/TOPIX Growth Rate Ratio is less than 80%  
No Allotted Rights may be exercised.
  
- (3) The number of stock acquisition rights that a Stock Acquisition Right Holder, who has left his/her position in Hitachi (the "Resignee") before the end of the Waiting Period, may exercise shall be determined by reducing the number of stock acquisition rights allotted to him/her in proportion to the term of office (any fraction of one month is rounded down) of the Resignee in the Waiting Period and based on the TSR/TOPIX Growth Rate Ratio for the period between April 1, 2016, and the date of his/her retirement pursuant to share price conditions described in paragraph (2). Any fractions less than one resulting from this calculation shall be

rounded down.

- (4) If a Stock Acquisition Right Holder has passed away, the heir may only exercise all of the stock acquisition rights determined in accordance with paragraph (2) above (in case that the heir is to inherit before the end of the Waiting Period, the number of exercisable stock acquisition rights shall be then determined in accordance with paragraph (3) above) at one time.

#### **8. Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of the stock acquisition rights**

- (1) The amount of common stock to be increased upon issuing shares through the exercise of stock acquisition rights shall be one half of the maximum amount of common stock, etc. to be increased calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. Any fractions of less than one yen resulting from the calculation shall be rounded up to the nearest yen.
- (2) The amount of capital reserve to be increased upon issuing shares through the exercise of stock acquisition rights shall be the amount remaining after subtracting the amount of increase in common stock specified in paragraph (1) of this section from the maximum amount of common stock, etc. to be increased stated in the same paragraph.

#### **9. Matters concerning the acquisition of stock acquisition rights**

If any of the following proposals is approved at the General Meeting of Shareholders of the Company (or resolved by the Board of Directors of the Company if the resolution of the General Meeting of Shareholders is not required), the Company may acquire stock acquisition rights free of charge on the date determined by the Board of Directors of the Company:

- (1) Proposal for the approval of a merger agreement under which the Company would be a dissolving company;
- (2) Proposal for approval of a company split agreement or incorporation-type company split plan under which the Company would be a split company;
- (3) Proposal for approval of a share exchange agreement or share transfer plan under which the Company would be a wholly-owned subsidiary;

- (4) Proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of all shares issued by the Company, the approval of the Company is required for the acquisition of such shares through transfer;
- (5) Proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of the class of shares to be issued upon the exercise of stock acquisition rights, the approval of the Company is required for the acquisition of such shares through transfer or the Company shall acquire all of such shares by the resolution of the General Meeting of Shareholders;
- (6) Proposal for approval of a reverse stock split with respect to the class of shares to be issued upon the exercise of the stock acquisition rights (limited to those having fractions less than one in the number derived by multiplying the number of shares per one unit of the relevant shares by the ratio of reverse stock split); or
- (7) Proposal for approval of request for the sale of shares by a special controlling shareholder.

**10. Restrictions on acquisition of stock acquisition rights through transfer**

Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors of the Company.

**11. Treatment of stock acquisition rights in the event of corporate reorganization**

In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned subsidiary) (hereafter all of which are collectively referred to as "Corporate Reorganization"), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company") shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation

of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type company split in case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in case of an incorporation-type company split, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

- (1) The number of stock acquisition rights of the Reorganized Company to be issued

The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.

- (2) The class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

Common shares of the reorganized company shall be issued.

- (3) The number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

The number shall be determined by section 3 above, taking into account the conditions and other factors concerning Corporate Reorganization.

- (4) Amount of assets to be contributed upon the exercise of stock acquisition rights

The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be amount derived by multiplying the amount to be paid in per share to be delivered upon exercise of stock acquisition rights of the Reorganized Company (the "Post-reorganization Exercise Price) prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.

(5) Exercise period of stock acquisition rights

The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights specified in section 6 or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights specified in the same section.

(6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights

The matters shall be determined in accordance with section 8.

(7) Restrictions on acquisition of stock acquisition rights through transfer

The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.

(8) Conditions for the exercise of stock acquisition rights

The matters shall be determined in accordance with section 7.

(9) Matters concerning the acquisition of stock acquisition rights

The matters shall be determined in accordance with section 9.

**12. Treatment of fractions less than one share resulting from the exercise of stock acquisition rights**

Any fractions less than one share of stock issued to the Stock Acquisition Right Holder who has exercised his/her stock acquisition rights shall be rounded down.

**13. Date of allotment of stock acquisition rights**

July 14, 2016

**14. Certificates of stock acquisition right**

No certificates of stock acquisition right shall be issued.

## Details of Share Price Conditions

1. In case the ratio of Hitachi's TSR<sup>\*1</sup> to the TOPIX growth rate<sup>\*2</sup> (the "TSR/TOPIX Growth Rate Ratio")<sup>\*3</sup> is 120% or more:  
All the Allotted Rights may be exercised.
2. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%:  
Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio<sup>\*4</sup>.
3. In case the TSR/TOPIX Growth Rate Ratio is less than 80%:  
No Allotted Rights may be exercised.

$$*1 \quad \text{TSR} = \frac{\text{B} + \text{C}}{\text{A}}$$

where:

- A: The closing price for Hitachi's common stock on the Tokyo Stock Exchange on April 1, 2016
- B: The closing price for Hitachi's common stocks on the Tokyo Stock Exchange on March 29, 2019 (provided if the Stock Acquisition Rights Holder retires from his/her position before the expiration of the Waiting Period, this shall be the date of such retirement (or if such retirement date is non-business day of the Tokyo Stock Exchange, the business day immediately preceding such day))
- C: The total amount of dividend per share of Hitachi's common stock from the period from April 1, 2016 to March 29, 2019 (or in case of retirement before the expiration of the Waiting Period, the date of such retirement)

\*2 TOPIX growth rate =  $D \div E$

where:

D: The closing price of TOPIX on the Tokyo Stock Exchange on March 29, 2019 (if the Stock Acquisition Rights Holder retires from his/her position before the expiration of the Waiting Period, the date of such retirement (if such retirement date is 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 April 1, 2016

\*3 TSR/TOPIX Growth Rate Ratio =  $TSR \div TOPIX \text{ growth rate}$

\*4 Number of stock acquisition rights exercisable  
= Number of Allotted Rights  $\times \{(TSR/TOPIX \text{ Growth Rate Ratio} \times 1.25) - 0.5\}$   
Any fraction less than one stock acquisition right 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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