

News Release

FOR IMMEDIATE RELEASE

Contacts:

Japan: Hiroki Hayamizu
Hitachi, Ltd.
+81-3-5208-9325
hiroki.hayamizu.sd@hitachi.com

Hitachi Announces the Decision of Incorporation-type Company Split Plan Related to the LCD Panel, etc. Manufacturing Equipment Business

Tokyo, Japan, May 18, 2016 --- Hitachi, Ltd. (TSE:6501, “Hitachi”) announced that it would spin off its LCD panel, etc. manufacturing equipment business (the “Business to Be Split-Off”) to a newly established company through an incorporation-type company split (the “Company Split”) on July 1, 2016. On the same date, Hitachi will transfer most of the shares in the newly established company to a company recently established by Polaris Capital Group Co., Ltd.* (President: Yuji Kimura, “POLARIS”)(the “Transfer of Shares”).

Having decided the incorporation-type company split plan today, Hitachi announced the matters as follows, some of which had not yet been decided in the news release on March 11, 2016. Changes since the previous news release are underlined.

* Polaris Capital Group Co., Ltd.: A private equity fund management company that supports corporate reorganizations and restructuring.

1. Purpose of Company Split and Transfer of Shares

Hitachi is involved in the design, development, manufacturing, sales, and after sales service of LCD panel and organic Electro-Luminescence (EL) panel manufacturing equipment, and manufacturing equipment related to micro-ball mounters, which are used to mount solder balls on semiconductor wafers. The two core technologies in this field are fine coating and high precision lamination. Hitachi has secured a substantial share of markets for these products both in Japan and overseas.

The market environment surrounding this business is changing at an increasingly rapid pace, as panels feature higher resolutions than ever before, and digital devices become more compact, with more advanced functions. In the midst of these developments, it is essential to respond to customer needs while at the same time further expanding share and securing stable profits. Hitachi reached the conclusion that in order to achieve these goals, and to create new business through partnering and the effective use of core technologies, it would be necessary to build a business structure that was capable of even faster operations, and to increase management efficiency. It has thus decided to transfer this business to AI MECHATEC, Ltd.(“AI MECHATEC”), and to transfer almost all the shares to Houston Holdings Inc. (“Houston”), established by POLARIS, which has an extensive track record in investments and original know-how and resources, as well as experience in increasing the corporate value of

- more-

companies targeted for investments. POLARIS will strive for further growth in the above business fields.

The Hitachi Group is promoting the Social Innovation Business, which combines advanced information technologies and infrastructure technologies that it has cultivated over many years. Using the capital secured through the Transfer of Shares, it will further accelerate global rollout of the Social Innovation Business.

2. Outline of Company Split and Transfer of Shares

(1) Schedule of Company Split and Transfer of Shares

Execution of the Share Purchase Agreement	March 11, 2016
Decision on the Incorporation-type Company Split Plan	<u>May 18, 2016</u>
Scheduled Company Split Date and Effective Date of Transfer of Shares	July 1, 2016 (tentative)

(Note) The incorporation-type company split is deemed to be a simple incorporation-type company split, pursuant to Article 805 of the Companies Act of Japan. Therefore, Hitachi does not plan to convene a shareholders' meeting to obtain approval for the company split plan.

(2) Company Split Method

This is an incorporation-type company split in which Hitachi is the splitting company and AI MECHATEC is the company incorporated in the incorporation-type split.

(3) Content of Allocation Accompanying Company Split

AI MECHATEC issues 1,000 common stocks accompanying this incorporation-type company split. All of the stocks are allocated to Hitachi.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights Accompanying Company Split

Hitachi has no outstanding stock acquisition rights or bonds with stock acquisition rights.

(5) Capitalization Changes Accompanying Company Split

There will be no changes in Hitachi's capitalization as a result of the Company Split.

(6) Rights and Obligations Succeeded by AI MECHATEC

AI MECHATEC will succeed to all rights and obligations of Hitachi, which are stipulated in the incorporation-type company split plan, including assets, debts, employment contract, and other rights and obligations.

(7) Prospect on Fulfillment of Obligations

It is judged that there should be no concern about fulfilling of all Hitachi's obligations whose due date comes on or after the effective date of the Company Split.

3. Profile of the Parties of Company Split

	Splitting Company	Newly established company (at the time of establishment (tentative))
(1) Name	Hitachi, Ltd.	<u>AI MECHATEC, Ltd.</u>
(2) Head Office	6-6 Marunouchi 1-chome Chiyoda-ku, Tokyo	5-2 Koyodai, Ryugasaki City, Ibaraki Prefecture
(3) Representative	President & CEO Toshiaki Higashihara	<u>President</u> <u>Isao Abe</u>
(4) Outline of Business	Development, manufacture and sales of products and provision of service across nine segments: Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Smart Life & Ecofriendly Systems, Other, and Financial Services	Design, development, manufacturing, sells, and after sales service of LCD panel and organic EL panel manufacturing equipment, and manufacturing equipment related to micro-ball mounters (used to mount solder balls on semiconductor wafers)
(5) Capital	458,790 million yen (As of March 31, 2016)	<u>450 million yen</u> (As of March 31, 2016)
(6) Established	February 1, 1920	July 1, 2016
(7) Number of Issued Shares	4,833,463,387 shares (As of March 31, 2016)	<u>1,000 shares</u> (As of March 31, 2016)
(8) Fiscal Year-end	March 31	<u>June 30</u>
(9) Main Shareholders and Shareholding	<u>The Master Trust Bank of Japan, Ltd.</u> (Trust Account) 6.09% <u>Japan Trustee Services Bank, Ltd.</u> (Trust Account) 5.85% <u>Hitachi Employees' Shareholding Association</u> 2.06% <u>Nippon Life Insurance Company</u> 1.93% <u>Japan Trustee Services Bank, Ltd.</u> (Trust Account 9) 1.59% (As of March 31, 2016)	Hitachi, Ltd. 100%*

(10) Financial Conditions and Business Results for the Most Recent Fiscal Year (ended March 2015) (Consolidated/IFRS) (Millions of yen unless otherwise specified)		
Total Hitachi, Ltd. stockholders' equity	<u>2,735,078</u>	—
Total assets	<u>12,551,005</u>	—
Total Hitachi, Ltd. stockholders' equity per share (yen)	<u>566.48</u>	—
Revenues	<u>10,034,305</u>	—
Income from continuing operations, before income taxes	<u>517,040</u>	—
Net income attributable to Hitachi, Ltd. stockholders	<u>172,155</u>	—
Earnings per share attributable to Hitachi, Ltd. stockholders (Basic) (yen)	<u>35.65</u>	—

* On the date that the company split goes into effect, most of the shares in the AI MECHATEC will be transferred from Hitachi to Houston. As such, its main shareholders and shareholder ratio will be: Houston: 95.1%; Hitachi, Ltd.: 4.9%.

4. Overview of the Business to Be Split-Off

(1) Business to Be Split-Off

Design, development, manufacturing, and after sales service of LCD panel and organic EL panel manufacturing equipment, sales, and manufacturing equipment related to micro-ball mounters (used to mount solder balls on semiconductor wafers)

(2) Operating Result of the Business to Be Split-off(Unconsolidated)

Revenues: JPY 11,489 million (Year ended March 31, 2016)

(3) Assets and Liabilities to Be Split-off (Forecast of amounts as of July 1, 2016)

		(millions of yen)
<u>Classification</u>	<u>Details</u>	<u>Amount</u>
<u>Assets to be transferred</u>	<u>Accounts receivable, Inventory assets, etc.</u>	<u>11,500</u>
<u>Liabilities to be transferred</u>	<u>Accounts payable, advances received, etc.</u>	<u>6,500</u>
<u>Net amount</u>	=	<u>5,000</u>

(Reference) Consolidated Business Forecasts for the Year Ending March 31, 2017
(announced on May 13, 2016) and Consolidated Operating Results for the Previous
Fiscal Year

(Millions of yen)

	Revenues	Adjusted operating income*	Income from continuing operations, before income taxes	Net income	Net income attributable to Hitachi, Ltd. stockholders
Consolidated Business Forecasts for Fiscal 2015 (Year Ending March 31, 2016)	9,000,000	540,000	430,000	295,000	200,000
Consolidated Operating Results for Fiscal 2014 (Year Ended March 31, 2015)	10,034,305	634,869	517,040	294,753	172,155

*"Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

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 document.

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, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- 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, particularly against the U.S. dollar and the euro;
- 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;
- 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 cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- 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;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of and intensifying price competition for products;
- 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;
- uncertainty as to the success of cost reduction measures;
- 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 the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- 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;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- 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 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 the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

About Hitachi, Ltd.

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges. The company's consolidated revenues for fiscal 2015 (ended March 31, 2016) totaled 10,034.3 billion yen (\$88.7 billion). The Hitachi Group is a global leader in the Social Innovation Business, and it has approximately 335,000 employees worldwide. Through collaborative creation, Hitachi is providing solutions to customers in a broad range of sectors, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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