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Basic Concept

Hitachi views the expansion of long-term and comprehensive benefits for shareholders and investors as an important management goal. We also recognize that positive relationships with the diverse stakeholders of Hitachi and the Hitachi Group form an important part of our corporate value. In this context, we strive to develop systems to maintain good relationships with stakeholders and enhance our corporate value, including measures to encourage constructive dialogue.

Topic	Overview
 <p data-bbox="851 651 984 707">Corporate Governance</p>	<p data-bbox="1040 596 2661 655">We endeavor to ensure the distinct separation of management oversight and business execution, to establish a system for the agile execution of business, to determine appropriate compensation and to achieve highly transparent management.</p> <p data-bbox="1040 667 2669 759">Specifically, we select directors who possess the qualities that make them suitable to lead Hitachi management, including global experience and knowledge across a variety of fields, excellent character, and broad experience and knowledge of business management. We strive to establish a highly transparent and independent corporate governance structure and to introduce an executive compensation system that is linked to the enhancement of corporate value.</p>

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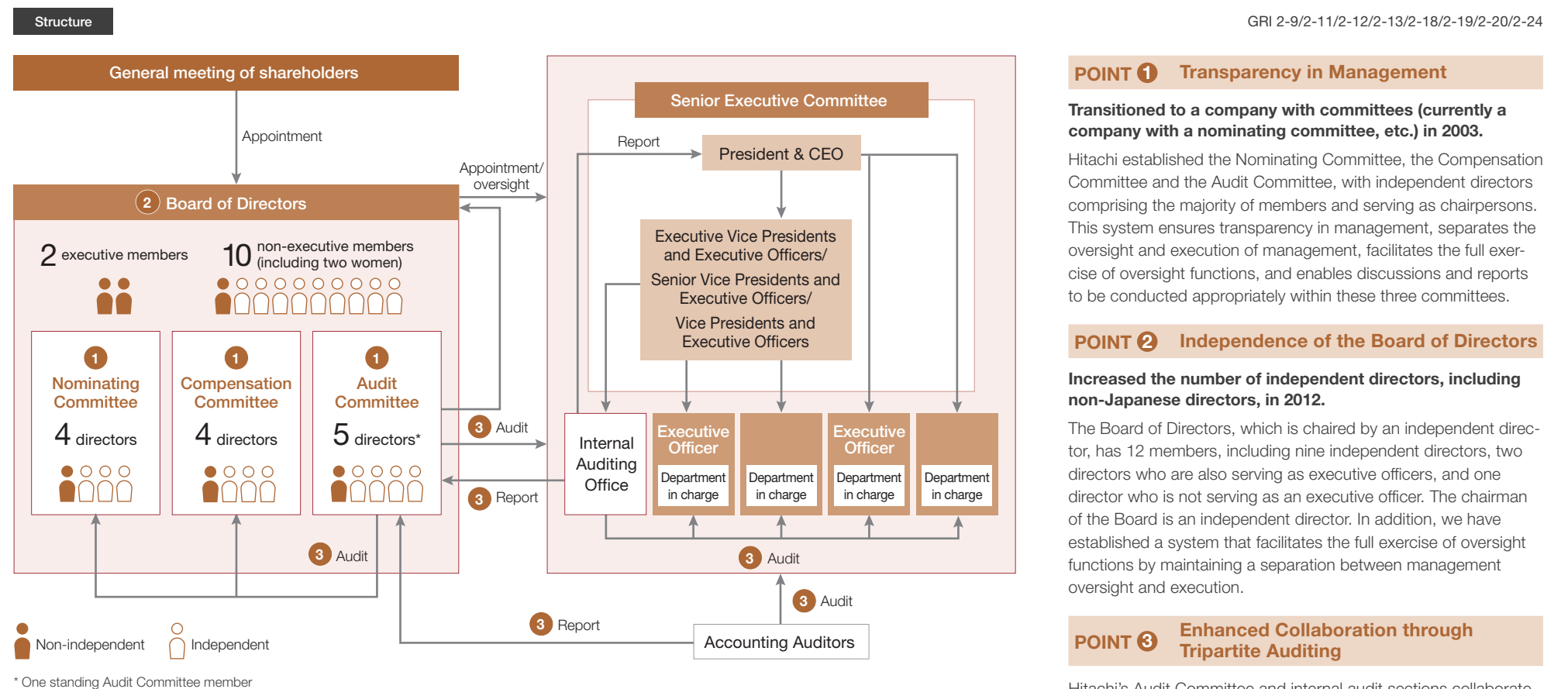
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Hitachi views the expansion of long-term and overall returns to shareholders and investors as an important management objective. Hitachi, Ltd. and Hitachi Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important portion of our overall corporate value. Accordingly, we are striving to establish a system that will improve our corporate value primarily through the implementation of measures focused on promoting constructive dialogue. To advance these efforts effectively, we are working to improve our corporate governance by ensuring thorough separation between the oversight and execution of management, establishing a swift business execution system, and striving to achieve highly transparent management.

Hitachi's Corporate Governance Framework and Features (as of June 2023)



POINT 1 Transparency in Management

Transitioned to a company with committees (currently a company with a nominating committee, etc.) in 2003.

Hitachi established the Nominating Committee, the Compensation Committee and the Audit Committee, with independent directors comprising the majority of members and serving as chairpersons. This system ensures transparency in management, separates the oversight and execution of management, facilitates the full exercise of oversight functions, and enables discussions and reports to be conducted appropriately within these three committees.

POINT 2 Independence of the Board of Directors

Increased the number of independent directors, including non-Japanese directors, in 2012.

The Board of Directors, which is chaired by an independent director, has 12 members, including nine independent directors, two directors who are also serving as executive officers, and one director who is not serving as an executive officer. The chairman of the Board is an independent director. In addition, we have established a system that facilitates the full exercise of oversight functions by maintaining a separation between management oversight and execution.

POINT 3 Enhanced Collaboration through Tripartite Auditing

Hitachi's Audit Committee and internal audit sections collaborate with third-party accounting auditors to strengthen Tripartite Auditing aimed at increasing the effectiveness of internal controls.

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Experience, Knowledge and Capabilities Required for Directors

Approach

GRI 2-10

Hitachi Directors need to have a wide range of experience and knowledge in global and diverse fields to be worthy of leading Hitachi's management to expand the Social Innovation Business globally, and have the qualities of broad experience and expertise in management.

The experience, knowledge, capabilities and other qualities required for Hitachi directors are as follows.

Core Skills		Number of applicable directors	Professional Skills		Number of applicable directors		
Core qualities that ensure management oversight efficiency and decision-making functions			Expertise and experience that enhance discussions pertaining to the promotion of the Social Innovation Business				
	Corporate management	Corporate management experience and knowledge	12 people		Government and international organizations	Leadership experience in government, governmental agencies, international organizations or economic associations that facilitates an understanding of and response to regulations and social issues, as well as practical experience at educational institutions	4 people
	Global business	Business experience outside Japan or management experience at a company that develops business globally	12 people		Legal affairs	Expertise and practical experience in legal affairs indispensable for global business and the development of new business	1 person
	Risk management	Knowledge of risk assessment and management necessary to maintain operations	12 people		R&D and intellectual property	Expertise and practical experience in R&D or intellectual property facilitating the utilization of technology and the incorporation of new technologies	2 people
	Finance and accounting	Knowledge and management experience pertaining to financial accounting necessary for medium- to long-term corporate value creation from a financial perspective	12 people		Digital	Practical experience in industrial fields vital for promoting digital transformation (DX) in the Social Innovation Business	4 people

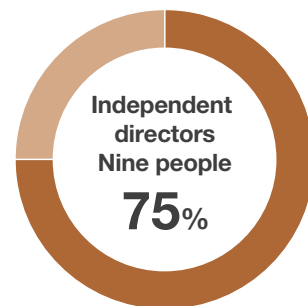
Board of Directors Composition (as of June 2023)

Structure

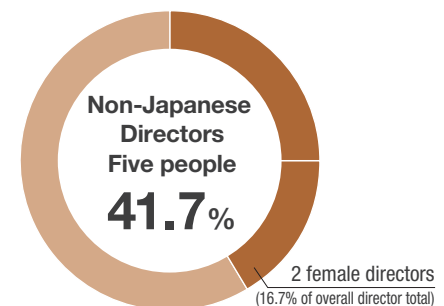
Activities

GRI 405-1

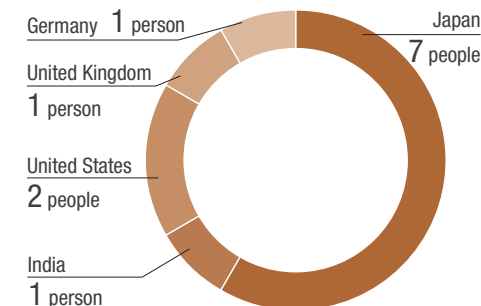
Independence
(ratio of independent directors)



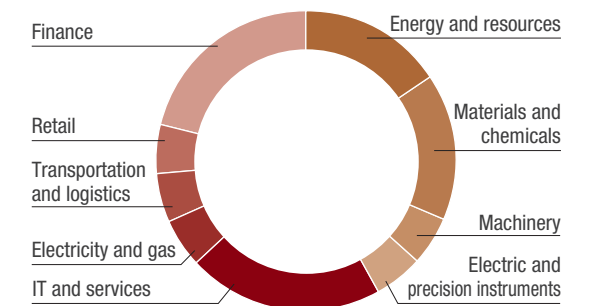
Diversity
(ratio of non-Japanese and female directors)



Diversity
(by country of origin)



Industrial field



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Highly Experienced Directors

Structure

Activities

Name	Notes	Main industrial fields	Positions at Hitachi and responsibilities
Katsumi Ihara	Engaged in Sony Group management, possessing a wealth of experience and insight in the field of international corporate management.	Electric and precision instruments, finance	Independent director ● Nominating Committee chairman ◆ Audit Committee member ▲ Compensation Committee member
Ravi Venkatesan	Possesses a wealth of experience and insight in international corporate management at Microsoft India and other companies, and in particular, the digital field and business in emerging markets.	IT and services	Independent director
Cynthia Carroll	Possesses a wealth of experience and insight as a manager of large international corporations including Anglo American.	Materials and chemicals, energy and resources	Independent director ● Nominating Committee member
Ikuro Sugawara	Held a leading position in the Ministry of Economy, Trade and Industry, and possesses a wealth of experience and insight in the administrative field.	General industry	Independent director ◆ Audit Committee member
Joe Harlan	Possesses a wealth of experience and insight in international corporate management, including at the Dow Chemical Company.	Electricity and gas, energy and resources, materials and chemicals	Independent director ▲ Compensation Committee member
Louise Pentland	Attorney licensed in New York and the UK possessing a wealth of insight into corporate legal affairs and corporate governance cultivated through experience as a Legal Officer at PayPal Holdings and other large global corporations.	IT and services, finance and retail	Independent director
Takatoshi Yamamoto	Possesses extensive insight into business and management in the fields of corporate analysis and international corporate management.	Finance	Independent director ▲ Compensation Committee chairman
Hiroaki Yoshihara	Possesses a high degree of professional knowledge and a wealth of experience in the fields of international corporate management, finance and accounting.	Finance, general industry	Independent director ● Nominating Committee member ◆ Audit Committee chairman
Helmuth Ludwig	Mainly engaged in Siemens Group management, possessing a wealth of experience and insight in international corporate management and the digital field in particular.	Machinery, manufacturing	Independent director ◆ Audit Committee member
Keiji Kojima	Engaged in R&D at Hitachi and its group companies, most recently in the Smart Life sector, possessing a wealth of experience and achievements, particularly in digital businesses related to Lumada global deployment.	IT and services	Director, Representative Executive Officer, President & CEO ▲ Compensation Committee member
Mitsuaki Nishiyama	Engaged in operations in accounting and financial affairs and management at Hitachi and Group company etc., possessing a wealth of experience and achievements.	Materials and chemicals	Director ◆ Audit Committee member
Toshiaki Higashihara	Engaged in managing a wide range of fields at Hitachi and its group companies, including the social infrastructure and electric power system businesses, possessing a wealth of experience and achievements that include promoting the global expansion of Hitachi Group business.	Transportation and logistics, IT and services, energy and resources	Director, Executive Chairman, Representative Executive Officer ● Nominating Committee member

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Administrative Performance of the Board of Directors

Structure

Activities

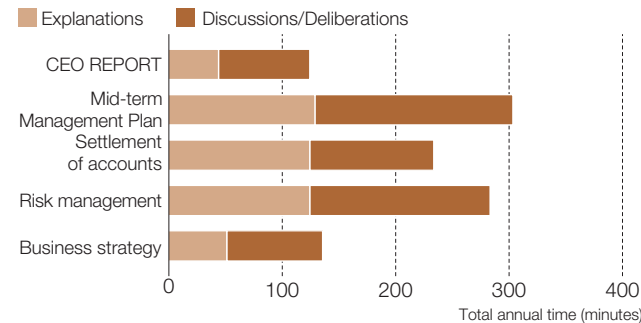
The Board of Directors approves the basic management policy for the Hitachi Group and oversees the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the Mid-term Management Plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy, as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations.

In fiscal 2022, CEO Keiji Kojima reported on the progress of the Mid-term Management Plan 2024, including overall priority items and progress in each sector, and confirmed consistency with the plan. In promoting the execution of management strategies, more time is spent discussing and deliberating than is used to explain quarterly financial reports and business strategies. In addition, at the Board meeting, CEO Kojima reports and discusses important topics for the executive side that were discussed at the Senior Executive Committee, facilitating a shared understanding with the executive side.

Board of Directors Meetings in FY2022

FY2022 Board of Directors Meeting Results	
Meetings held	Nine days
Average number of agenda items	7.6 per meeting
Average meeting length	3.1 hours (longest meeting 5.3 hours)

Discussion of Major Themes



Activities of the Three Committees

Activities

Nominating Committee

The Nominating Committee has the authority to determine proposals submitted to the general meeting of shareholders for the election and dismissal of directors. The Nominating Committee consists of four directors, three of whom are independent directors.

This committee determines director candidates, holds preliminary discussions concerning the appointment and dismissal of the CEO and receives advance reports on the selection and dismissal of executive officers.

In fiscal 2022, the Nominating Committee held meetings on 10 days.

Primary Activities

In addition to deciding upon the contents of proposals made concerning director appointments at the Annual General Meeting of Shareholders, the Nominating Committee confirmed receipt of a preliminary report on the executive officer system implemented in fiscal 2023. In addition, it promoted committee-related activities, including discussions and individual interviews aimed at developing candidates for future management and leadership positions.

Audit Committee

The Audit Committee has the authority to audit the execution of duties of directors and executive officers and to decide on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee currently consists of five directors, including four independent directors and one standing Audit Committee member.

Hiroaki Yoshihara, the chairman of the Audit Committee, has been involved in accounting and other business practices at the KPMG Group for many years and possesses a considerable wealth of knowledge concerning finance and accounting.

In fiscal 2022, the Audit Committee held meetings on 15 days.

Primary Activities

The Audit Committee conducted activities that were focused on its priority matters for consideration, which included the strengthening of collaboration and the facilitation of information

sharing under a "Tripartite Audit" (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on them. Currently composed of four directors, including three independent directors, the committee strives to ensure objectivity, transparency, and fairness in the remuneration determination process.

In addition, the Compensation Committee verifies and reviews details of the process used for determining remuneration for individuals, including assessments concerning basic remuneration amounts, evaluations of progress made toward individual targets, and performance appraisals that are tied to short-term incentive compensation.

In fiscal 2022, the Compensation Committee held meetings on 8 days.

Primary Activities

The Compensation Committee determined remuneration amounts for individual directors and executive officers in accordance with established policies while verifying and reviewing the processes and results of appraisals for performance and individual targets tied to short-term incentive compensation for executive officers. In addition, the committee reviewed the executive compensation system while giving due consideration to compensation granted to managers at global companies and the goal of sharing value with shareholders, and decided upon policies covering remuneration for directors and executive officers in fiscal 2023.

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Director and Executive Officer Compensation

System

Fiscal 2023 Revision of Executive Compensation System

At a meeting of the Compensation Committee, Hitachi discussed the executive compensation system to enable continued growth over the next ten years, through a modal change toward growth in MMP 2024. A decision was made to amend the executive compensation system to establish a system that can secure competitive superiority over global companies, ensure effective Pay-for-Performance that rewards contributions to growth and innovation, and increase corporate value by strengthening sustainable management. For specific details, please see the following page.

With regard to employee compensation as well, Hitachi has introduced a framework in which individual targets are linked to the company's targets, and compensation is determined according to the achievement of those targets. The management targets put forward in MMP 2024 are applied as evaluation indexes when deciding compensation for individual employees. Hitachi will cultivate a growth mindset among both executives and employees and strive to achieve global growth as One Hitachi.

Compensation structure

(1) Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

(2) Executive Officers

Compensation for Executive Officers consists of Basic compensation as fixed pay and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. The basic amount of Basic compensation, short-term incentive compensation and medium- and long-term incentive compensation is set based on the ratio of compensation for the President & CEO, which in the past was 1:1:1, but has been changed to 1:1.2:2, increasing the ratio of variable pay with a focus on LTI, which takes the form of stock compensation, and the compensation ratios for other executives have also been set based on this ratio. This takes into account the composition of executive compensation for major global companies including European and the United States companies, in order to increase corporate value through the growth of global businesses.

If it is found that an executive officer has engaged in misconduct during their term of office, any compensation already paid shall be returned to the company (clawback provision).

Please refer to Compensation to Directors and Executive Officers in the Annual Securities Report (The 154th Business Term)

[Annual Securities Report \(The 154th Business Term\) P108 Compensation to Directors and Executive Officers](https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2022_4_en.pdf)
https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2022_4_en.pdf

Basic Policy of the New Executive Compensation System

Key Principles: New Incentive Plan	Aiming for growth, profitability, and cash generation	Accelerate sustainable management	Emphasize alignment with shareholder value	Ensure global competitiveness in business and compensation
<ul style="list-style-type: none"> Aligned with mid or long-term growth of corporate value and business performance Corp. value growth through Pay-for-Performance <div style="display: flex; justify-content: space-around; border: 1px solid black; padding: 5px;"> <div style="text-align: center;">Linkage with the Mid-term Management Plan 2024</div> <div style="text-align: center;">+ Mid- or long-term growth beyond the mid-term plan</div> </div>	<ol style="list-style-type: none"> Alignment with the Mid-term Management Plan 2024 <ul style="list-style-type: none"> In the Short-term incentive compensation and Medium- and long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Key Performance Indicator ("KPI") to encourage executives to achieve them. Establishment of compensation program and corporate performance program that foster a growth mindset <ul style="list-style-type: none"> Pursue an optimal balance between short and medium- to long-term performance about "growth," "improving profitability" and "cash generation," aiming for improvement of short-term performance and medium- to long-term growth in corporate value. Establish a compensation program that significantly rewards performance by setting stretched goals and commensurate compensation levels. Setting indicators to promote sustainable management <ul style="list-style-type: none"> Develop specific indicators and goals related to "Environments," "Business with Integrity" and "Quality of life" under its sustainability strategy, and encourage their implementation. Expansion of stock compensation that rewards growth in corporate value over the medium to long term <ul style="list-style-type: none"> Expand stock compensation to better align with medium- to long-term corporate value. Competitive compensation levels with a global perspective <ul style="list-style-type: none"> Ensure competitive compensation levels to attract and retain key executives in the global market, regardless of their residence or origin, who lead global management of a global organization. Compensation benchmarking with objectivity and transparency <ul style="list-style-type: none"> Reference the benchmarks in the US and European markets in addition to the benchmarks in the Japanese market for analysis and level-setting from multiple perspectives. Transparency and objectivity through enhanced compensation disclosure and shareholder engagement <ul style="list-style-type: none"> Endeavor to gain investors' understanding and support through sufficient disclosure of the compensation program with a global perspective and ongoing shareholder engagement, and continuously improve the program based on the insights gained through the engagement. 			
<p style="text-align: center;">Attract and retain key talent</p>				
<p style="text-align: center;">Transparency, objectivity and fairness</p>				

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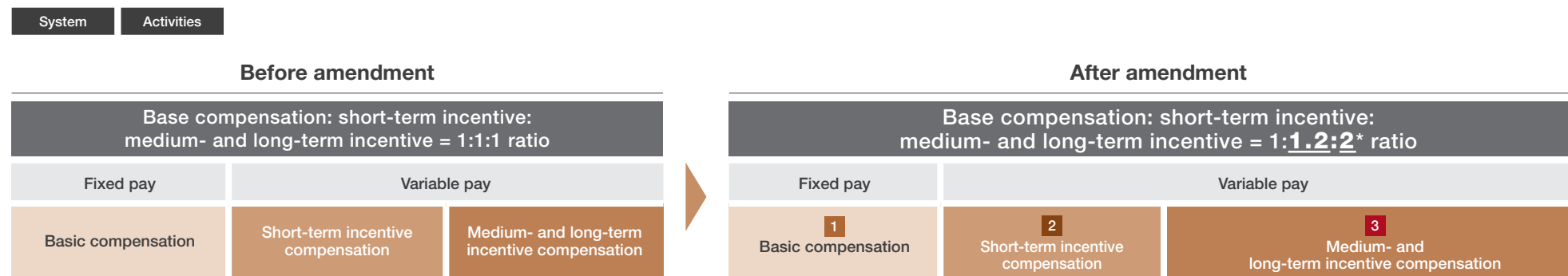
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Compensation to Executive Officers (Fiscal 2023)

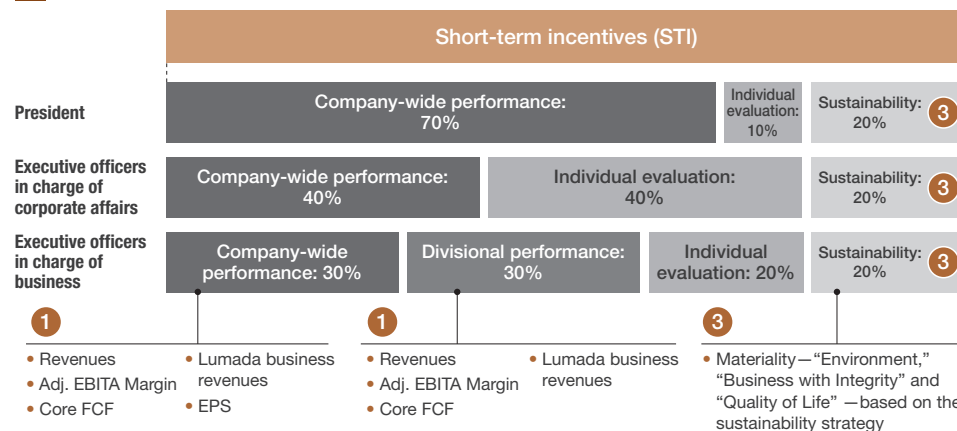


* For President & CEO

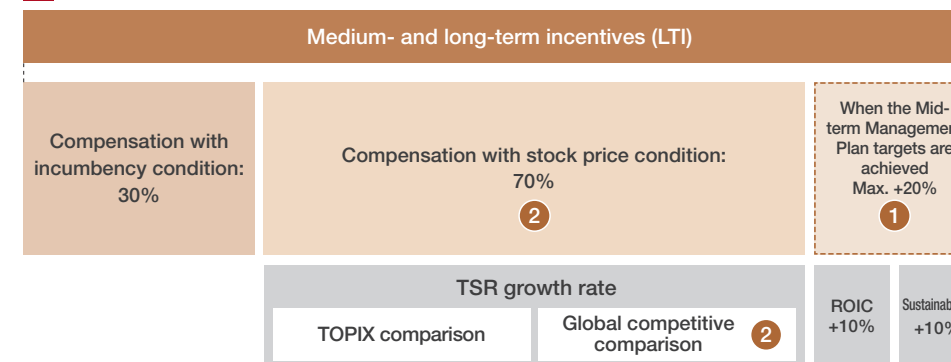
1 Basic compensation

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

2 Short-term incentive compensation



3 Medium- and long-term incentive compensation



Points of amendment

1 Strengthening the link with the Mid-term Management Plan 2024

- Adopt the key indicators set forth in the Mid-term Management Plan 2024 adopted as KPIs (STI)
- Introduce incentives for achieving the Mid-term Management Plan (LTI)

2 Strengthening the link with Corporate Value Enhancement

- Increase the stock price condition compensation ratio (LTI)
- Establish a global competitive comparison (LTI)

3 Further evolving of Sustainable Management

- Separate sustainability evaluations and set at 20% (STI)
- Create new evaluations regarding our Materiality—"Environment," "Business with Integrity" and "Quality of Life"—based on the sustainability strategy (STI)