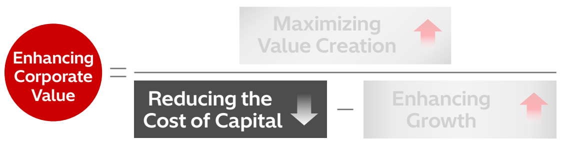
Governance

Hitachi views the expansion of long-term, overall returns to shareholders and investors as an important management objective. To enhance corporate value, we maintain good relationships with diverse stakeholders and are establishing a framework to foster sustainable value creation through ongoing dialogue. In terms of corporate governance, we separate oversight from execution, supporting swift business execution and underpinning highly transparent management.



Hitachi's Corporate Value Enhancement Formula (P. 04)

Chairman of the Board's Message

Toward a Board of Directors that oversees continuous corporate transformation and encourages appropriate risk-taking

Ikuro Sugawara
Chairman of the Board and Nominating Committee

Biography

- Apr 1981 Joined Ministry of International Trade and Industry of Japan
- Jul 2010 Director-General of the Industrial Science and Technology Policy and Environment Bureau, METI
- Sep 2012 Director-General of the Manufacturing Industries Bureau, METI
- Jun 2013 Director-General of the Economic and Industrial Policy Bureau, METI
- Jul 2015 Vice-Minister of Economy, Trade and Industry of Japan
- Aug 2017 Special Advisor to the Cabinet of Japan (retired in June 2018)
- Jun 2022 Director, Hitachi, Ltd. (currently in office)

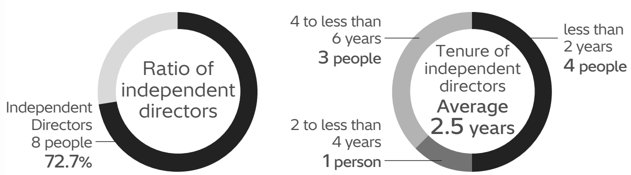
Commitment to the continuous evolution of governance and my vision as the new Chairman

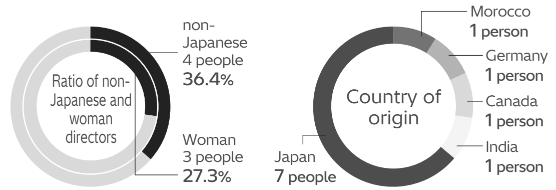
In June 2026, I was appointed Chairman of the Board of Directors. Hitachi is currently advancing its transformation to achieve sustainable growth. However, our business environment is changing rapidly, driven by accelerating technological innovations—particularly in AI—as well as rising geopolitical risks. The path toward Hitachi's goal of becoming a global leader is by no means straightforward. Amidst such uncertainty, I am acutely aware of the weight of my responsibility as Chairman to guide Hitachi's growth and enhance its corporate value.

In my previous career at Japan's Ministry of Economy, Trade and Industry (METI), I played a role in shaping growth strategies for the Japanese economy and helped introduce Japan's Corporate Governance Code in 2015. The core challenge we sought to address was how to unlock the inherent earning power of Japanese companies. We recognized that sustainable corporate growth requires a structure that enables resolute decision-making, and that making effective use of independent directors is essential for bringing external perspectives into corporate management.

Following my tenure at METI, I had the privilege of joining Hitachi as an independent director four years ago. Since then, from a governance perspective, I have closely overseen and supported Hitachi's transformation from a Japanese company into a globally competitive growth company and its pursuit of sustainable growth. Engaging deeply with important management challenges through candid and rigorous dialogue with the executive team has been an exceptionally stimulating and rewarding experience.

Board of Directors composition (as of June 2026)





In a business environment that continues to evolve, there is no final, perfected form of governance. Taking the baton from my predecessor, I am committed to further deepening our board's effectiveness and encouraging the executive team to take bold initiatives as we drive Hitachi toward its next stage of growth.

Governance effectiveness driven by diverse perspectives and constructive tension

The effectiveness of Hitachi's current governance structure is underpinned by two major characteristics.

First, our Board's deliberations deeply reflect a wide range of diverse perspectives. Currently, eight of our 11 Board members are independent directors, four of whom are non-Japanese nationals. Capitalizing on these diverse backgrounds, each director brings invaluable global insights, extensive management experience and specialized expertise. Leveraging these collective strengths, they rigorously assess proposals from the executive team through robust discussions.

Second, Hitachi fully leverages its structure as a Company with Nominating Committee, etc., utilizing it as a forum to discuss our broad strategic direction with the goal of enhancing corporate value over the medium to long term.

As the executive team focuses on achieving annual targets, medium- to long-term decision-making risks being overlooked. Rather than simply endorsing executive proposals or imposing our past experiences, we consistently pose critical questions from a medium- to long-term perspective. This dialogue functions as a reliable check on the executive team, fostering constructive tension. Ensuring the quality and effectiveness of these discussions are the activities of our three statutory committees: the Nominating Committee, the Compensation Committee and the Audit Committee.

The Nominating Committee engages in in-depth, strategic discussions with the executive team, extending beyond selecting the next CEO to cultivating future leaders for generations to come. Independent directors share their expertise and mentor promising leaders, directly supporting their growth and playing a pivotal role in shaping the Company's future management structure.

Regular meeting of the Board of Directors (India)

The Compensation Committee consistently prompts the executive team to review and refine compensation systems to stay competitive globally. This includes establishing frameworks aligned with roles and responsibilities as job-based employment progresses, as well as expanding stock-based compensation.

The Audit Committee serves as a vital foundation supporting the Board of Directors. Four of its five members—excluding the standing Audit Committee member—are independent directors, ensuring independent and objective oversight. This structure is rendered truly effective by an environment where the executive team openly shares internal information without reservation, enabling candid dialogue. By scrutinizing vast amounts of information shared in a timely manner via digital tools, as well as actively conducting site visits and interviews globally, members build a deep understanding that forms the basis for substantive, high-level discussions.

In addition, under a culture that places the highest priority on safety, quality and compliance, the executive team views findings identified through the tripartite audit—a close collaboration among the Audit Committee, the internal audit function, and the independent auditors—as opportunities for operational improvement and proactively addresses them. As directors, we also remain vigilant regarding significant concerns in executive decision-making. When deemed necessary, even if it entails a temporary impact on business operations, we strongly request plan revisions or cancellations, ensuring that our preventive governance functions effectively.

Together, transparent information sharing by the executive team, the Audit Committee's deep operational understanding and the checks and balances provided by the tripartite audit underpin the effectiveness of the Audit Committee, ultimately elevating the quality of deliberations across the entire Board.

Supporting the executive team's bold challenges toward sustainable value creation

Hitachi is currently in the second year of its Inspire 2027 Management Plan. First-year performance exceeded initial targets, making an exceptionally strong start. However, the business environment is changing far faster than assumed when the plan was formulated. In such an uncertain era, simply executing the original plan is merely a baseline requirement. We share a strong sense of urgency with the executive team that if we misjudge the essence of this changing landscape and fail to seed future growth today, it will be too late by the time the impacts manifest in two or three years.

In particular, AI is advancing at a remarkable pace, and simply keeping pace with its evolution will not be enough to gain and sustain a competitive advantage. However, the current wave of AI expanding from the digital domain into the physical world presents a distinct strength for Hitachi. By combining AI with expertise cultivated over many years in IT, OT and products, Hitachi is uniquely positioned as an integrator—one that connects third-party assets—to lead the way in enhancing the value of social infrastructure.

Furthermore, to mitigate the risk of asset obsolescence, it is essential to continuously optimize the business portfolio and further concentrate management resources on core businesses. Through disciplined risk-taking, Hitachi must relentlessly pursue domains where only we can deliver value, thereby achieving sustainable growth.

Effective risk management requires us to recognize the risk of inaction—standing by silently—as a major threat, while facing change head-on and proactively embracing future challenges. The Board looks beyond short-term business performance, rigorously evaluating from an independent, long-term perspective whether strategic measures are fully deployed to enable swift, proactive executive decisions. This, we believe, is the fundamental purpose of governance: ensuring Hitachi's sustainable development and underpinning robust management.

This risk management perspective is equally crucial in executing disciplined capital allocation and striking the optimal balance between growth investment and shareholder returns. As directors representing the interests of shareholders who seek long-term corporate value enhancement, we approach deliberations on investments and shareholder returns with a strong sense of responsibility. From the standpoint of investment discipline, we oversee execution to ensure that long-term growth is not sacrificed for short-term gains, while maintaining prudent risk management to preserve financial soundness.

As society and technology evolve, Hitachi must incorporate the expectations of diverse stakeholders into its management and embrace continuous transformation to achieve sustainable value creation. Through discussions based on diverse perspectives, the Board of Directors will discern essential risks while supporting the executive team's bold challenges toward both corporate growth and enhancing social value.