

The corporate governance of Hitachi, Ltd. (the “Company”) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic View

The Company considers the growth of profits for shareholders and investors from a long-term perspective as an important managerial objective. As the Company and the Hitachi Group have a wide range of stakeholders, from shareholders and investors to customers and clients, the Company realizes that building good relationships with them forms an important part of its corporate value.

The Company is a Company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for the execution of business operations. The Company attempts to maintain an appropriate composition of the Board of Directors aiming to ensure the effectiveness of its management oversight function in addition to reflect diverse global perspectives in management. As of the filing date of this report, the Board of Directors was made up of 12 Directors elected at the general meeting of shareholders held in June, and nine of whom are Independent Directors (the directors who fulfill the qualification requirements to be outside directors as provided by the Companies Act and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated). In May 2012, the Company established the Corporate Governance Guidelines, which outlines the basic framework of corporate governance, including the roles that the Board of Directors should fulfill, and posted them on the Company's website.

<https://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

In addition, the Company has positioned the Hitachi Group Code of Ethics and Business Conduct as behavior disciplines to be shared among the Group to generate common values for the Group and promote understanding of the social responsibilities to be fulfilled by the Group.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company is implementing all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Update

<Principle 1.4 Cross-Shareholdings>

(1) Policy regarding cross-shareholdings

Under the basic policy, the Company will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationships. The Company will seek to sell reducing shares that it already owns unless the significance and economic rationale of holding the shares are confirmed. The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns every year. In making this verification, each individual stock is re-examined as to the purpose of holding the shares and whether the benefits from holding the shares are in line with the target level of capital efficiency. As the result of the verification, the Company seeks to sell shares for which significance of holding shares and economic rationale of holding the shares are not confirmed. In the fiscal year ended March 31, 2024 (fiscal 2023), the Company reduced the number of shares held in seven listed stocks (total amount sold: 222,876 million yen).

(2) Criteria for exercising voting rights of cross-shareholdings

The Company exercises voting rights from the perspective of increasing the corporate value of the Company and investee companies over the medium- to long-term. In exercising voting rights, the following agenda items, etc., that may have a significant impact on the corporate value of investee companies, shall be paid careful attention to collect the necessary information in order to determine approval or disapproval after scrutiny.

- Proposals for the appointment of Directors and Audit & Supervisory Board Members (in the event of a serious scandal or prolonged sluggish performance)
- Proposals related to reorganization
- Proposals related to the introduction of hostile takeover defense measures

<Principle 1.7 Related Party Transactions>

Approval of the Board of Directors shall be required for transactions involving conflict of interest and competitive transactions by Directors and Executive Officers. Said policies and procedures are stipulated in Article 15 of the Company's Corporate Governance Guidelines as follows.

Article 15. (Conflicts of Interest)

All directors and executive officers shall not pursue interests of themselves or third parties that would constitute a real or perceived conflict of interest with the Company.

Even without intentions to pursue interests described above, all directors and executive officers shall obtain approval by the Board resolution to conduct any transactions that would constitute a conflict of interest or competition with the Company stipulated by the Companies Act of Japan.

Directors and executive officers who have their personal or professional interests in the above-mentioned transactions may not participate in the vote in the Board resolution.

<Supplementary Principle 2.4.1>

The Company believes that diversity, equity, and inclusion (DEI) are sources of innovation and growth. By respecting and valuing individual differences in background, age, gender, sexuality, family status, disability, neurodiversity, nationality, race, ethnicity, religion, and values, the Company aims to be a company in which every person makes a positive contribution. With a diverse workforce, broad experience, and an inclusive culture, the Company will meet its customer's needs and drives its sustainable growth.

Specifically, in addition to promoting all dimensions of diversity, the Company sets three common global DEI topics: Gender, Culture, and Generation, and drives initiatives aligned to local needs and business strategies. The Company sets greater management diversity as a global DEI target, and by fiscal 2030, its target is for 30% of its executives to be women and 30% to be non-Japanese persons as Key Performance Indicators (KPIs). As of June 2024, 11.8% of executives were woman and 25.0% of executives were non-Japanese persons. In addition, the Company is working to ensure a diverse range of human resources and transforming to job-based human resources management to maximize organizational and individual performance and improve engagement, by assigning the

right people to the right jobs according to their personal abilities and motivations, regardless of their attributes such as nationality, gender, or age.

Information on the Company's DEI strategies for the active participation of all human resources, including women, foreign nationals and people with experience at other companies, and specific initiatives are disclosed in the Annual Securities Report, on the Company's website and in the Sustainability Report, etc.

Annual Securities Report

<https://www.hitachi.com/IR-e/library/stock/>

Company website

<https://www.hitachi.com/sustainability/index.html>

Sustainability Report

<https://www.hitachi.com/sustainability/download/index.html>

<Principle 2.6 Roles of Corporate Pension Funds as Asset Owners>

Hitachi Pension Fund (HPF) manages and administers the Company's corporate pension reserves. In order to realize the safe and efficient operation of reserves, HPF has issued management basic policies and operation guidelines decided by its Board of Representatives to trustees, receives reports on the status of the management from those trustees on a regular basis, and appropriately supervises them while incorporating the specialized knowledge of external specialized organizations as necessary. HPF also conducts regular monitoring of stewardship activities of the trustees. In order to appropriately manage conflicts of interest that may arise between the beneficiaries of the corporate pension and the Company, HPF entrusts to the trustees the selection of investees and the decision to exercise voting rights relative to investees.

The Company dispatches and assigns personnel with appropriate experience and abilities from the finance division and human capital division so that HPF can enhance its management expertise and perform functions such as monitoring of the trustees.

In addition, in order to properly operate the retirement benefit system of the Group, the Company has established a committee chaired by the Executive Officer in charge of pensions and members from executives of the finance division and human capital division to periodically check important matters on the operation of the system and the status of pension finances. In addition, the Company established subsidiaries within the Group that provide investment advice, agency services, and investment management, and are working to efficiently manage pension assets for the entire Group by utilizing the human resources of those subsidiaries who have specialized knowledge and abilities.

<Principle 3.1 Full Disclosure>

(1) Management Philosophy, Management Strategy and Management Plan

In addition to the corporate philosophy and founding spirit that the Group has inherited since its founding, the Hitachi Group Vision, which shows the ideal form of the Group in the future, is systematized as the Hitachi Group Identity and disclosed on the Company's website.

<https://www.hitachi.com/corporate/about/identity/>

The Company has formulated and disclosed a three-year Mid-term Management Plan from fiscal 2022.

<https://www.hitachi.com/IR-e/library/strategy/index.html#Presentation2024>

(2) Basic views and guidelines on corporate governance

See "1. Basic Views" above and the Company's website.

<https://www.hitachi.com/IR-e/corporate/governance/>

(3) Policies and procedures for determining remuneration for senior management and Directors

In accordance with the provisions of the Companies Act, the Compensation Committee, which is made up of a majority of Independent Directors, determines the policy for determining the details of remuneration for Directors and Executive Officers, and the details of individual remuneration (such as the amount of remuneration, etc.) based on it. For the policy on determining the amount of remuneration, etc., see "Disclosure details of the policy for determining the amount of remuneration related to Directors and Executive officers and the calculation method" described below.

(4) Policies and procedures for the appointment and dismissal of Executive Officers and the nomination of candidates for Directors, as well as explanation of the appointment and dismissal of Executive Officers and the nomination of candidates for Directors

■ Policies and procedures for the appointment and dismissal of Executive Officers

At the Company, in accordance with the provisions of the Companies Act, the Board of Directors decides the appointment and dismissal of Executive Officers, including the Chief Executive Officer, in order to establish an optimal business execution system for the Company's management. The Nominating Committee deliberates in advance on the appointment and dismissal of the Chief Executive Officer, and the Board of Directors makes a decision taking into consideration the Nominating Committee's proposal.

Personnel appointments of other Executive Officers shall also be reported to the Nominating Committee prior to the decision of the Board of Directors. Since the term of office of Executive Officers of the Company is one year (until the last day of the fiscal year ending within one year after selection), the structure of Executive Officers follows a process every year of being reported to and deliberated by the Nominating Committee and decided by the Board of Directors.

The succession planning for the Chief Executive Officer and the policy for appointment and dismissal, etc. is disclosed on the Company's website.

<https://www.hitachi.com/IR-e/corporate/governance/system/>

■ Policies and procedures for the nomination of candidates for Directors

At the Company, in accordance with the provisions of the Companies Act, the Nominating Committee determines candidates for Directors. Matters need to be considered in determining candidates for Directors such as the size of the Board of Directors, the composition and aptitude of Directors, and the independence of Independent Directors are disclosed on the Company's website.

<https://www.hitachi.com/IR-e/corporate/governance/initiatives/>

Regarding the appointment of individual executives and the nomination of candidates for Directors, the reasons for appointment/nomination and individual backgrounds are disclosed in the Notice of Annual General Meeting of Shareholders and the Annual Securities Report. When a new Chief Executive Officer or President is appointed, the Company makes efforts to enhance external explanation.

Notice of Annual General Meeting of Shareholders

<https://www.hitachi.com/smeet-e/>

Annual Securities Report

<https://www.hitachi.com/IR-e/library/stock/>

<Supplementary Principle 3.1.3>

(1) Sustainability initiatives

The Group practices sustainable management and places sustainability at the center of its business strategy and setting itself the goal of contributing to the realization of a sustainable world as a global leader of the Social Innovation Business.

In April 2022, the Company formulated the Mid-term Management Plan 2024 in order to conduct management from a long-term perspective, maximize the use of diverse management resources, promote the Social Innovation Business, and address increasingly complex global issues. In the Mid-term Management Plan 2024, the Company declared its new goal of “supporting people’s quality of life with data and technology that fosters a sustainable society.” The Company further evolve its Social Innovation Business driven by three growth drivers: Digital, Green, and Innovation, and contribute to solve social issues, in order to respect for planetary boundaries to protect the environment and realize wellbeing for all individuals (being in a good physical, mental, and social condition). The Company will also grow Lumada globally as a customer co-creation framework and accelerate business expansion.

In addition, the Company addresses the priority items: Environment, Resilience, Safety & Security, Healthcare, Harmonious Coexistence of People and Nature, DEL, Integrity in Management, and Enhancing Quality of Life, in order to provide value to customers and society through the enhancement of human capital in the Mid-term Management Plan 2024.

Specific details of its sustainability initiatives are disclosed in the Annual Securities Report, on the Company’s website and in the Sustainability Report, etc.

Annual Securities Report

<https://www.hitachi.com/IR-e/library/stock/>

Company website

<https://www.hitachi.com/sustainability/>

Sustainability Report

<https://www.hitachi.com/sustainability/download/index.html>

(2) Investment in human capital

The Company believes that human capital – in other words, people – are the source of our value. Therefore, the Company leverages the combined power of our global network of employee and aims to contribute to the realization of a sustainable society by providing value to customers and society. The Company formulated the 2024 Human Resources Strategy based on the Mid-term Management Plan 2024, which defines its vision of becoming an employer of choice in the global marketplace, by developing an organization in which human resources oriented toward social contribution gather and thrive. To realize that vision, the Company defined a Foundation based upon three strategic pillars: People, Mindset, and Organization.

As a concrete initiative, in order to select and develop global management leaders, the Company is implementing intensive training for both On-the-job training and Off-the-job training, including tough assignments and the provision of opportunities to discuss matters with managers and outside directors, for the GT +, a talent pool of candidates for management leadership, and the Future 50, which is a selection of young and promising employees among them. Aiming to achieve expansion of the Lumada business, a growth driver for the Company, the Company is securing and cultivating the Digital talents who will drive digital transformation (DX) by acquiring global human resources such as personnel at GlobalLogic Inc. and expanding the company’s own DX training system and development programs based on practical experience. The Company monitors employee engagement annually through Hitachi Insights, a global employee survey, and work to plan and promote human capital measures in order to improve employee engagement. In addition to these, the Company has been working to improve individual capabilities and specialties through Title-Specific Management Training for managers and career development support for employees, to introduce job descriptions and “Learning Experience Platform (LXP): a platform that AI interface recommends internal and external learning content according to the career aspirations” for a transformation to job-based human resources management, and to introduce support systems to promote “work-life management”, which encourages employees to proactively take change of improving the quality of both their work and private lives.

Details of investment in human capital are disclosed in the Annual Securities Report, on the Company’s website and in the Sustainability Report, etc.

Annual Securities Report

<https://www.hitachi.com/IR-e/library/stock/>

Sustainability Report

<https://www.hitachi.com/sustainability/download/index.html>

(3) Investment in intellectual property

The Group sets the intellectual property as key element of its business strategy. Through intellectual property activities, it promotes the creation of solutions that enhance value for customers, the global deployment of the created intellectual property, and the contribution to solving social issues related to the SDGs and Society 5.0. As a concrete example of intellectual property activities, the total number of published patent applications in the fiscal year ended March 31, 2024 was roughly 3,100 in Japan and roughly 7,300 outside Japan. Details of intellectual property activities are disclosed in the Integrated Report and resources of R&D and IP Strategies Briefing on the Company’s website.

Integrated Report

<https://www.hitachi.com/IR-e/library/integrated/>

R&D and IP Strategies Briefing

<https://www.hitachi.com/IR-e/library/presentation/webcast/221205.html>

The Group’s R&D expenditure in fiscal 2023 was 290.1 billion yen, which was 3.0% of revenue.

(4) Impact of Climate Change Risks and Earnings Opportunities on the Company’s Business Activities and Earnings etc.

Responses to climate-related risks and opportunities, in June 2018, the Company announced its endorsement of the recommendations by the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and disclosed the key climate-related financial information in line with the TCFD’s recommendations in the Sustainability Report.

Sustainability Report

<https://www.hitachi.com/sustainability/download/index.html>

<Supplementary Principle 4.1.1>

The Company is a company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations.

The Board of Directors approves the basic management policy for the Group and supervises the execution of the duties of executive officers and directors, and, in principle, delegates all decision on business execution to executive officers, expect for matters stipulated by laws, regulations and the Articles of Incorporation. The basic management policy includes mid-term management plan and annual budget compilation. The Board of Directors also focuses on strategic issues related to the basic management policy.

<Principle 4.9 Independence Standards and Qualification for Independent Directors>

<Supplementary Principle 4.11.1>

The Company discloses the policies and procedures for the appointment of Directors of the Company, the experience, knowledge, and abilities that Directors should have, and the composition of the Board of Directors based on these, on the Company’s website.

<https://www.hitachi.com/IR-e/corporate/governance/initiatives/>

<Supplementary Principle 4.11.2>

The status of important concurrent positions of Directors is disclosed in the Notice of Annual General Meeting of Shareholders.

<https://www.hitachi.com/smeet-e/>

Article 6 of the Company's Corporate Governance Guidelines stipulates that the Directors are encouraged not to serve as more than four listed companies' directors, corporate auditors, or executive officers in addition to the Company's director because they are expected to invest the time necessary to understand the Company's business, participate in and prepare for the Board of Directors meetings.

Article 6. (Service in Other Companies)

Directors are encouraged not to serve as more than 4 listed companies' directors, corporate auditors, or executive officers in addition to the Company's director because they are expected to invest the time necessary to understand the Company's business, participate in and prepare for the Board's meetings. Directors shall advise the director as set forth in the Article 8 when receiving an invitation to serve as an officer from other companies.

<Supplementary Principle 4.11.3>

The Company evaluates the effectiveness of its Board of Directors each year in a continuous effort to maintain and improve its functions. The details of evaluation process, evaluation results and future initiatives are disclosed at the Company's website.

<https://www.hitachi.com/IR-e/corporate/governance/initiatives/>

<Supplementary Principle 4.14.2>

The policy for training Directors is stipulated in Article 11 of the Company's Corporate Governance Guidelines as follows to be implemented as appropriate in addition to orientation upon assuming office.

Article 11. (Education of Directors)

The Company shall provide directors with an orientation upon assuming office as well as other opportunities, when necessary, in order for them to acquire knowledge, such as of the Hitachi Group's business, necessary for discharging their duties as directors.

<Principle 5.1 Policy for Constructive Dialogue with Shareholders>

In order to contribute to the improvement of corporate value over the medium- to long-term, the Company is working to implement measures and develop a system to promote constructive dialogue with shareholders and investors. In addition, the Company strives to disclose information fairly and with high transparency so that shareholders and investors can fully understand the Company's management policies and financial situation and appropriately evaluate corporate value.

With regard to general dialogue with shareholders and investors, the investor relations and public relations division, the legal division, the strategy planning division, and the finance division, etc. have established a system to appropriately disseminate information and conduct dialogue in cooperation and provide feedback on the opinions of shareholders and investors to the Directors and Executive Officers. Directors and Executive Officers use these opinions to promote management reforms aiming for sustainable growth of the Company.

In addition, executives, such as top management and the CFO, etc., actively engage in information dissemination and dialogue, such as meeting with institutional investors, holding quarterly financial results briefings, and holding briefings on management policies. In addition, the Company has been holding "Hitachi Investor Day (Hitachi IR Day)" since fiscal 2010 as an opportunity for persons in charge of major businesses to directly explain respective business strategies to shareholders and investors. Details of briefing materials and videos at these briefings are posted on the Company's website.

<https://www.hitachi.com/IR-e/library/irday/index.html>

In dialogue with shareholders and investors, the Company strives to ensure fair information disclosure and pays full attention to preventing insider information from being communicated.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

Under the Mid-term Management Plan 2024, the Company sets fiscal 2024 performance targets, which are 5-7% Annual growth rate for revenue (FY 2021-FY 2024 CAGR), 12% Adjusted EBITA margin, 600 yen EPS*, 1.2 trillion yen Core free cash flows (cumulative for 3 years), and 10% return on invested capital (ROIC), and the Company is working to generate cash and enhance shareholder returns.

* Calculated using the number of shares before the share split(effective on July 1, 2024)

(1) Further strengthening cash generation capability and deepening ROIC management

The Company aims to grow EPS and core free cash flows per share (CFPS) by maximizing cash flows from operating activities through expansion of the Lumada business, which is a revenue growth driver, sales growth and improvement of profitability by reviewing business processes, reduction of loss costs through risk management and strengthening of working capital monitoring including early collection of accounts receivable, and by strengthening cash generation capability through careful monitoring of each capital investment item.

In addition, the Company introduced ROIC as a KPI for business management from fiscal 2019 to accelerate management that emphasizes capital efficiency, with the aim of sustainably generating returns that exceed the weighted average cost of capita (WACC), which is the cost of raising invested capital. To achieve the 10% ROIC targeted, the Company will further deepen ROIC management by utilizing the ROIC tree and developing internal KPIs for each business and formulating and reviewing of business strategies.

(2) Increasing shareholder returns

The Company views the return of profits to shareholders through enhancing corporate value from mid-to long-term perspective and paying dividends and repurchase of its shares as an important managerial issue. The policy of the Company regarding dividends is to aim for the stable payment of dividends while also securing the funds necessary for investment dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio. The Company flexibly repurchases its shares depending on factors such as capital needs and the business environment. In accordance with its mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and grow the business as a global enterprise.

Based on the above policy, the Company increased dividends in fiscal 2023 and resolved, at the Board of Directors meeting held on April 26, 2024, to acquire treasury stock up to 200 billion yen in fiscal 2024.

Details of the measures taken to realize management in the Company that is conscious of capital costs and stock prices are disclosed in the Company's Mid-term Management Plan, Annual Securities Report, and Integrated Report, etc.

Mid-term Management Plan

<https://www.hitachi.com/IR-e/library/strategy/index.html#Presentation2024>

Annual Securities Report

<https://www.hitachi.com/IR-e/library/stock/>

Integrated Report

<https://www.hitachi.com/IR-e/library/integrated/>

[Implementation of Dialogue with Shareholders]

For information on implementation of dialogue with shareholders and investors, see <Principle 5.1 Policy for Constructive Dialogue with Shareholders> above,

“III. Implementation of Measures for Shareholders and Other Stakeholders – 2. IR Activities” below, the Company’s Integrated Report and website, etc.

Integrated Report

<https://www.hitachi.com/IR-e/library/integrated/>

Company’s website

<https://www.hitachi.com/IR-e/library/index.html>

2. Capital Structure

Percentage of Foreign Shareholders	More than 30%
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[Status of Major Shareholders] Update

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	155,658,700	16.80
Custody Bank of Japan, Ltd. (Trust Account)	57,317,377	6.19
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	22,663,806	2.45
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.)	21,161,670	2.28
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	20,721,566	2.24
Nippon Life Insurance Company	20,000,099	2.16
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	19,936,868	2.15
State Street Bank West Client -Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	18,317,987	1.98
Hitachi Employees’ Shareholding Association	17,568,674	1.90
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	15,303,016	1.65

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

Supplementary Explanation Update

Status of Major Shareholders is as of March 31, 2024.

Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2024. The major contents of the reports are as follows.

- Holders: BlackRock Japan Co. Ltd and nine other entities
- Date on which the duty to file report: September 15, 2023
- Number of shares: 68,635,088 shares
- Ownership percentage to the total number of issued shares: 7.32%

- Holders: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other entity
- Date on which the duty to file report: March 15, 2022
- Number of shares: 58,850,673 shares
- Ownership percentage to the total number of issued shares: 6.08%

The Company implemented a stock split as of July 1, 2024. “Number of Shares Owned” in “Status of Major Shareholders” and “Number of shares” in the reports mentioned above are the numbers of shares before the stock split.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market / Nagoya Stock Exchange, Premier Market
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance Update

The Company currently has Hitachi Construction Machinery Co., Ltd. (“HCM”) as a listed affiliate. The Company maintains a capital relationship with HCM, based on the belief that collaboration with an optimal capital structure will lead to mutual growth. The Company will continuously review its capital structure to ensure that it is the most appropriate structure depending on the situation at the time.

Although the Company has entered into an agreement with HCM, regarding the licensing of the trademarks, etc. owned by the Company, it does not stipulate the Company's involvement in the decision-making of HCM. While the Company dispatches one director to HCM, this does not constitute a majority of the Board of Directors of HCM, and five outside directors of HCM have been registered as independent directors with the Tokyo Stock Exchange. Therefore, the Company has judged that special measures to ensure independence of HCM are unnecessary, because there is little concern about the risk of conflict of interest between the Company and the minority shareholders of HCM.

Additionally, The Company currently does not have any listed subsidiaries.

II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Nominating Committee, etc.
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Independent Director
Number of Directors	12

[Independent Directors]

Number of Outside Directors	9
Number of Independent Directors	9

Independent Directors' Relationship with the Company (1) Update

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Katsumi Ihara	From another company												
Ravi Venkatesan	From another company												
Ikuro Sugawara	From another company												
Isabelle Deschamps	From another company												
Joe Harlan	From another company												
Louise Pentland	From another company												
Takatoshi Yamamoto	From another company												
Hiroaki Yoshihara	Other												
Helmuth Ludwig	From another company												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Compensation	Audit			
Katsumi Ihara	○	○	○	○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in "Independent Directors – Matters relating to Independent Directors," and there are no other special interests.	Mr. Ihara has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.
Ravi Venkatesan				○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in "Independent Directors – Matters relating to Independent Directors," and there are no other special interests.	Mr. Venkatesan has rich experience and insight in the area of global corporate management, digital business and emerging markets. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.
Ikuro Sugawara			○	○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in "Independent Directors – Matters relating to Independent Directors," and there are no other special interests.	Mr. Sugawara has rich experience and insight in the area of public administration, etc. gained through leading positions at government agencies. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.
Isabelle Deschamps				○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in "Independent Directors – Matters relating to Independent Directors," and there are no other special interests.	Ms. Deschamps has rich experience and insight in the area of corporate legal matters and corporate governance, having served as the chief legal officer of major global companies, etc. She is expected to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since she does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, she is designated as an independent officer.

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Compensation	Audit			
Joe Harlan		○		○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in “Independent Directors – Matters relating to Independent Directors,” and there are no other special interests.	Mr. Harlan has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.
Louise Pentland				○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in “Independent Directors – Matters relating to Independent Directors,” and there are no other special interests.	Ms. Pentland has deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies. She is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since she does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, she is designated as an independent officer.
Takatoshi Yamamoto		○		○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in “Independent Directors – Matters relating to Independent Directors,” and there are no other special interests.	Mr. Yamamoto has broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.
Hiroaki Yoshihara	○		○	○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in “Independent Directors – Matters relating to Independent Directors,” and there are no other special interests.	Mr. Yoshihara has rich experience and insight in the area of global corporate management and accounting. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Compensation	Audit			
Helmuth Ludwig			○	○	There are no personal or business relationships, etc. that fall under the matters described as criteria for judging independence in “Independent Directors – Matters relating to Independent Directors,” and there are no other special interests.	Mr. Ludwig has rich experience and insight in the area of global corporate management and digital business. He is appointed to expect to leverage such experience and insight to reinforce the supervisory and decision-making functional aspects of the Company’s Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective. As shown on the left, there are no special interests with the Company, and the Company believes that independence has been ensured, and since he does not fall under any of Article 211, Paragraph 4, Item 6 a to j of the Enforcement Rules for Securities Listing Regulations, he is designated as an independent officer.

[Committees]

Committee’s Composition and Attributes of Chairperson [Update](#)

	All Committee Members	Full-time Members	Inside Directors	Independent Directors	Chairperson
Nomination Committee	3	0	1	2	Independent Director
Compensation Committee	4	0	1	3	Independent Director
Audit Committee	5	1	1	4	Independent Director

[Executive Officers (*Shikkoyaku*)]

Number of Executive Officers [Update](#) 35

Status of Additional Duties [Update](#)

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Toshiaki Higashihara	Yes	Yes	○	×	No
Keiji Kojima	Yes	Yes	×	○	No
Jun Abe	Yes	No	×	×	No
Brice Koch	Yes	No	×	×	No
Alistair Dormer	Yes	No	×	×	No
Toshiaki Tokunaga	Yes	No	×	×	No
Tatsuro Ueda	No	No	×	×	No
Tomomi Kato	Yes	No	×	×	No
Shashank Samant	No	No	×	×	No
Lorena Dellagiovanna	No	No	×	×	No
Katsuya Nagano	No	No	×	×	No
Hide Nobu Nakahata	No	No	×	×	No
Masahiko Hasegawa	Yes	No	×	×	No
Andreas Schierenbeck	No	No	×	×	No
Giuseppe Marino	No	No	×	×	No
Atsuhiko Aketa	No	No	×	×	No
Noriharu Amiya	No	No	×	×	No
Takashi Iizumi	No	No	×	×	No
Yasunori Inada	No	No	×	×	No
Yoshiaki Kagata	No	No	×	×	No
Tadashi Kume	No	No	×	×	No

Takashi Saito	No	No	×	×	No
Jun Taniguchi	No	No	×	×	No
Kojin Nakakita	No	No	×	×	No
Hideshi Nakatsu	No	No	×	×	No
Itaru Nishizawa	No	No	×	×	No
Seiichiro Nukui	No	No	×	×	No
Andrew Barr	No	No	×	×	No
Nitesh Banga	No	No	×	×	No
Hirohide Hirai	No	No	×	×	No
Yoshinori Hosoya	No	No	×	×	No
Chie Mashima	No	No	×	×	No
Yuto Matsumura	No	No	×	×	No
Kazunobu Morita	No	No	×	×	No
Takashi Yoda	No	No	×	×	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee

Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Officers

When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors' Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors and be composed of employees who are not subject to the direction of Executive Officers. In order to ensure the independence of the Office personnel from Executive Officers, the Audit Committee shall be informed in advance of planned transfers of the Office personnel.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments Update

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the members of the Audit Committee, who are in charge of internal inspection, examine business units of the Company and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, such members of the Audit Committee attend the important meetings including the budget meeting, the Senior Executive Committee and the Disclosure Committee, inspect audit reports from internal audit division, and provide internal audit division with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor.

The accounting auditor of the Company is Ernst & Young ShinNihon LLC. In fiscal 2023, the accounting audit of the Company was performed by three certified public accountants of Ernst & Young ShinNihon LLC: Koji Fujima, Teruyasu Omote and Shinya Yoshida. At the direction of them, the accounting audit works were assisted by 42 certified public accountants and 95 staffs belonging to Ernst & Young ShinNihon LLC.

In fiscal 2023, the amount of the fees paid by the Company and its consolidated subsidiaries to Ernst & Young ShinNihon LLC was 1,019 million yen based on audit certification services, and 50 million yen based on non-audit services. The amount of the fees (excluding the amount mentioned above) paid by the Company and its consolidated subsidiaries to Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC) was 4,505 million yen based on audit certification services, and 565 million yen based on non-audit services. The Audit Committee approves the amount of the fees in advance of the Company's decision.

The Audit Committee evaluated the appropriateness and relevance of auditing conducted by the accounting auditor from the perspectives of the effectiveness of initiatives to facilitate communication with the Audit Committee and the top management in particular, the details and implementation of audit systems and auditing manuals and remuneration for auditing in accordance with evaluation criteria the Audit Committee formulated in advance. For evaluating the accounting auditor, the Audit Committee gathered information on matters such as the independence of the accounting auditor, audit systems, the implementation of audits and audit quality thereof from the Accounting Control Department and the Internal Auditing Office. The Audit Committee also received reports from the accounting auditor regarding compliance with laws and regulations, including the accounting auditor's independence, methods for evaluating risks with respect to the acceptance and continuation of audit services, audit and inspection systems and quality control systems, and detailed audit plans based on the accounting auditor's evaluations for risks pertaining to the Company, as well as results of audits and details of and progress on plans for improving business operations and auditing efficiency at the time of the completion of quarterly reviews and annual audits. Based on such reports, the Audit Committee concluded that the accounting auditor conducted highly transparent audits and its activities were appropriate and relevant.

The Internal Auditing Office is in charge of internal audit within the Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions, development, production and quality control, environment, disaster prevention, export regulations, information system, financing activities, and property management of the Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports the results of audits to the President and the Audit Committee. Although the internal audit plan and the results of internal audits are not directly reported to the Board of Directors, the member of the Audit Committee regularly reports to the Board of Directors the fact that the Internal Audit Office reports these contents to the Audit Committee and the details of discussions at the Audit Committee. Furthermore, relating to internal control over financial reporting, the internal control division in the Internal Audit Office establishes and maintains the internal control systems pursuant to the Company's guidelines, assesses their effectiveness, and reports the results to the President and the Audit Committee.

[Independent Directors]

Number of Independent Directors	9
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Matters relating to Independent Directors

For appointment an Independent Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the Independent Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an Independent Director, the Company considers the Independent Director to be independent unless

- his or her immediate family member* is, or has been within the last three years, a director or an executive officer, of the Company or any of its subsidiaries;
- * An “immediate family member” includes a person’s spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-parents-in-law, grand-children-in-law, and brothers and sisters-in-law.
- he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;
- he or she has received during any of the last three fiscal years more than 10 million yen in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- he or she serves as an executive officer or director of a not-for-profit organization, and the Company’s discretionary charitable contributions to the organization in any of the last three fiscal years are more than 10 million yen and 2% of that organization’s annual gross revenues.

Each of Independent Directors has no personal or business relationship with the Company. In addition, there is no particular conflict of interest between each of Independent Directors and the Company.

The Company considers that all Independent Directors are independent, and therefore has notified them as independent directors to each of the Company’s listing stock exchanges in Japan.

[Incentives]

Incentive Policies for Directors and/or Executive Officers	Performance-linked Remuneration / Stock Options / Other
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Supplementary Explanation

Remuneration of Directors and Executive Officers is described in “Remuneration for Directors and Executive Officers Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods.”

Recipients of Stock Options	Executive Officers / Other
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Supplementary Explanation

Until fiscal 2018, the stock options as stock-based compensation (stock acquisition rights) with stock price conditions at an exercise price of 1 yen per share were granted to Executive Officers of the Company and Corporate Officers of the Company (the number of shares subject to stock acquisition rights is 100 shares per unit). In fiscal 2016, there were 17,205 stock acquisition rights issued to Executive Officers and 7,014 to Corporate Officers. In fiscal 2017, there were 17,430 stock acquisition rights issued to Executive Officers and 5,476 to Corporate Officers. In fiscal 2018, there were 13,351 stock acquisition rights issued to Executive Officers and 4,048 to Corporate Officers. The concept of level of a grant by the individual, etc., is described in “Remuneration for Directors and Executive Officers Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods.” From fiscal 2019, the Company has granted restricted shares in lieu of conventional stock options as stock-based compensation.

[Compensation for Directors and Executive Officers]

Disclosure of Individual Directors’ Compensation	No Individual Disclosure
Disclosure of Individual Executive Officers’ Compensation	Selected Executive Officers

The Company discloses individual compensation for some Executive Officers in its Annual Securities Report in accordance with the provisions of the Cabinet Office Order on Disclosure of Corporate Affairs.

Policy on Determining Compensation Amounts and Calculation Method **Update**

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act.

[Basic Policy]

- Compensation shall be commensurate with the roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise the functions of supervision of management effectively.
- Compensation for Executive Officers shall be reflected by considering the following factors;

(Alignment with the Mid-term Management Plan 2024)

In the Short-term incentive compensation and Long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Indicators ("KPIs") to encourage executives to achieve them.

(Establishment of a compensation program and corporate performance program that foster a growth mindset)

Pursue an optimal balance between short and medium- to long-term performance with respect to "growth," "improving profitability" and "cash generation," aiming for improved short-term performance and medium to long-term growth in corporate value..

Establish a compensation program that significantly rewards performance by setting stretch goals and commensurate compensation levels.

(Setting indicators to promote sustainable management)

Develop specific indicators and goals related to "Environment," "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)

Expand stock compensation to better align with medium to long-term corporate value.

- Competitive compensation levels with a global perspective
Ensure competitive compensation levels to attract and retain key executives in global market, regardless of their residence or origin, who can lead the management of a global organization.
- Compensation benchmarking with objectivity and transparency
Reference to 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
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.

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors consists of basic remuneration and stock compensation as fixed pay. The basic amount of basic remuneration and stock compensation is set based on the ratio of 3:1 as the standard. A Director concurrently serving as an Executive Officer is not paid compensation as a Director. The method of determination of each type of compensation is as follows.

Basic remuneration

- 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 attendance of meetings, etc.

Stock compensation

- A restricted stock compensation unit will be granted as an incentive to offer management supervision and advice with an awareness of medium- and long-term improvements in corporate value. The units will become vested at the end of three fiscal years after granting, and common stocks or cash for the vested units will be delivered.

(ii) Matters relating to Executive Officers

Compensation for Executive Officers consists of basic remuneration as fixed pay, and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. For President & CEO, the basic amount of basic remuneration, short-term incentive compensation, and medium- and long-term incentive compensation is set based on the ratio of 1:1.2:2.0 as the standard, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher the position an Executive Officer hold, the higher the proportion of variable pay is set to total annual compensation.

The method of determination of each type of compensation is as follows.

Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

Short-term incentive compensation

- The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance. Evaluation items and proportion of evaluation item are as follows.

<President (CEO)>

Financial Performance	70%
Individual goals	10%
Sustainability measurement	20%

<Executive Officers in charges of business>

Financial Performance (Corporate)	30%
Financial Performance (Division)	30%
Individual goals	20%
Sustainability measurement	20%

<Executive Officers in charge of corporate affairs>

Financial Performance	40%
Individual goals	40%
Sustainability measurement	20%

- The amount of the financial performance linked component varies according to the evaluation of corporate performance and division performance.
Corporate performance is evaluated using consolidated revenues, profit index and cash flow in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
Division performance is evaluated using consolidated revenues, profit index and cash flow in order to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
- The amount of the individual goals linked component varies according to the evaluation of the level of achievement of individual targets for each Executive Officer determined based on his/her responsibility.
- The amount of the sustainability measurement linked component varies according to the degree of achievement of the numerical goals for materiality which are established under the sustainability strategy.

Medium- and Long-term incentive compensation

- The target amount (Medium- and Long-term incentive compensation target (“LTI target”)) is decided based on the positions of Executive Officers, and the shares of Restricted Stock (“RS”) compensation with an incumbency condition and Performance-linked Restricted Stock (“Performance-linked RS”) compensation are granted in order to propel management from a 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. The conditions, the grant ratio to LTI target and grant date of RS and Performance-Linked RS compensation are as follows;

<Restricted Stock Compensation>

Condition	Incumbency condition
The grant ratio to LTI target	30%
Grant date of Restricted Stock	Every Fiscal Year

<Performance-linked Restricted Stock >

1) Stock Compensation with Stock Price Condition

The grant ratio to LTI target	70%
Grant date of Restricted Stock	After the end of the three fiscal years beginning with the base fiscal year

2) Stock Compensation with Conditions for Achievement of Mid-term Management Plan Targets (ROIC)

The grant ratio to LTI target	10%
Grant date of Restricted Stock	After the end of the final fiscal year of the Med-term Management Plan period

3) Stock Compensation with Conditions for Achievement of Mid-term Management Plan Targets (Sustainability targets)

The grant ratio to LTI target	10%
Grant date of Restricted Stock	After the end of the final fiscal year of the Med-term Management Plan period

- In RS compensation, the shares of RS equivalent to 30% of the LTI target are granted and the restriction on the shares is lifted depending on the tenure of each executive over the three fiscal years from the beginning of the fiscal year when the RS is granted.
- In Performance-linked RS compensation, the shares of Performance-linked RS compensation will be granted depending on the degree of achievement of the evaluation KPI during a certain evaluation period, and the restriction on transfer will be lifted upon retirement. Performance-linked RS compensation consists of compensation with a stock price condition and compensation with conditions for achievement of Mid-term Management Plan targets.
In stock compensation with a stock price condition, Performance Share Units (“PSUs”) equivalent to 70% of the LTI target are granted. The shares of restricted stock equivalent to 0 ~ 200% of the PSUs are granted in accordance with the results of comparing the Total Shareholder Return growth rate of the Company stock with the TOPIX growth rate (“TSR/TOPIX Growth Rate Ratio”) and with the %ile rank of the Total Shareholder Return growth rate of the Company among the global comparable companies determined by the Compensation Committee (“Global Competitive Comparison”). The evaluation period is the three fiscal years beginning at the fiscal year to which the PSUs are granted. For Executive Officers who retire before the end of the evaluation period, ex-post evaluation is conducted by subtracting the number of shares obtained by multiplying the ratio of their tenure to the evaluation period.
In stock compensation with conditions for achievement of Mid-term Management Plan targets, PSUs equivalent to 20% of the LTI target are granted. The shares of restricted stock equivalent to the PSUs are granted when the target of ROIC and sustainability indicators during the period of Mid-term Management Plan covering the fiscal year when the PSUs are granted are achieved.
- If it is deemed inappropriate to grant shares of restricted stock due to laws and regulations in the country of residence, etc., a cash award based on the value of the Company’s share price shall be substituted for restricted stock.
- From fiscal 2019, shares of restricted stock have been granted in place of the stock options as stock-based compensation the Company has granted until then. From fiscal 2023, the medium- and long-term compensation described above is granted.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for Executive Officers that has been already paid shall be returned to the Company.

With regard to persons who are hired externally such as foreign persons, a compensation package could be individually determined based on the level of compensation in a job market which is considered for compensation benchmarking while referring the above policy. The Company grants restricted stock units to non-Japanese Executive Officers as medium- and long-term incentive compensation. One third of vested restricted stock units is delivered in the form of shares of common stock of the Company and cash each fiscal year over three years from the beginning of the fiscal year containing the day on which restricted stock units are granted.

[Supporting System for Independent Directors]

The employees as described in “Auditing Structure – Appointment of Directors and/or Staff to Support the Audit Committee” shall assist Independent Directors in their duties.

The policy for remuneration for Independent Directors is described in “Remuneration for Directors and Executive Officers Policy on Determining Remuneration Amounts and Calculation Methods.”

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions					
Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—
Number of retired presidents/CEOs holding advisory positions					0
Others					

Although the Articles of Incorporation stipulate that Advisers can be appointed by resolution of the Board of Directors, there is currently no one with that position.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Update

The Board of Directors

The Board of Directors approves basic management policy for the Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders’ common interests. The basic management policy includes medium-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 Board of Directors Regulations. As of the filing date of this report, the Board of Directors was made up of 12 Directors, and nine of whom are Independent Directors and two concurrently serve as Executive Officers.

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee. The Board of Directors meetings were held nine days during fiscal 2023, and the attendance rate of Directors at those meetings was 100%. Attendance record of Directors at the Board of Directors meetings during his/her term of office is as follows.

Katsumi Ihara: 9/9 days (100%)
Ravi Venkatesan: 9/9 days (100%)
Cynthia Carroll: 9/9 days (100%)
Ikuro Sugawara: 9/9 days (100%)
Joe Harlan: 9/9 days (100%)
Louise Pentland: 9/9 days (100%)
Takatoshi Yamamoto: 9/9 days (100%)
Hiroaki Yoshihara: 9/9 days (100%)
Helmuth Ludwig: 9/9 days (100%)
Keiji Kojima: 9/9 days (100%)
Mitsuaki Nishiyama: 7/7 days (100%)
Toshiaki Higashihara: 9/9 days (100%)
Hideaki Seki: 2/2 days (100%)

In fiscal 2023, the Board of Directors received a report on the progress of the Mid-term Management Plan 2024, including overall priority items and the progress in each sector, and confirmed that it is consistent with the plan. The Board of Directors extensively discussed and deliberated how to respond to risks, including cyber security and generative AI as well as management plans and business strategies. In addition to strategic discussions of basic management policies and discussions of risks, the Board of Directors received reports on and discussed topics important to the executives which were discussed at the Senior Executive Committee, an advisory council to the President, facilitating a shared understanding with the executives. In order to promote more lively discussion, the Board of Directors spends more time exchanging views on agenda items than explaining them.

As part of the above, the Company holds meetings of the Board of Directors, basically once a year, in countries closely related to the Hitachi Group’s business. In September 2023, the Company held the Board of Directors meeting in Stockholm, Sweden. At the meeting, Directors discussed issues relevant to business strategy in Europe and environmental strategy. The Directors also attended lectures by local experts and visited local subsidiaries. In addition, the Company held a Board of Directors meeting at the Kyōsō-no-Mori R&D center, the R&D Group’s Kokubunji Site, which is one of the Company’s research and development sites. Directors discussed research and development strategy and innovation strategy at the meeting and attended lectures regarding research and development initiatives presented by employees.

Furthermore, the Company is working to improve the effectiveness of the Board of Directors by enhancing its opportunities to share information with Independent Directors through individual meetings, site visits, and other activities. Online participation in the Hitachi Social Innovation Forum, and attendance at the internal business conference and the research presentation meeting held at research institutes, including online, and visits to Hitachi Origin Park provided opportunities for the Independent Directors to increase their understanding of the business and engage in dialogue with senior management and front line employees.

The 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 three Directors, two of whom are Independent Directors. It determines Director candidates and holds

preliminary hearings concerning the appointment and dismissal of executive officers, including the CEO stipulated in “Policies and procedures for the appointment and dismissal of Executive Officers and the nomination of candidates for Directors, as well as explanation of the appointment and dismissal of Executive Officers and the nomination of candidates for Directors” in “I.1. Disclosure Based on the Principles of the Corporate Governance Code.” During fiscal 2023, the Nominating Committee held meetings on 10 days. Attendance record of members at the Nominating Committee meetings during his/her term of office is as follows.

Katsumi Ihara: 10/10 days (100%)
Cynthia Carroll: 10/10 days (100%)
Hiroaki Yoshihara: 10/10 days (100%)
Toshiaki Higashihara: 10/10 days (100%)

In fiscal 2023, the Nominating Committee decided on the details of the proposal for the election of Directors to be submitted to the general meeting of shareholders, discussed candidates to succeed the CEO, and received and confirmed a preliminary report on Executive Officer structure for fiscal 2024. In addition, in order to develop management-level leadership candidates, the members of the Nominating Committee made discussion and one-on-one interviews with leadership candidates.

The Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine 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 Chair of the Audit Committee, has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mitsuaki Nishiyama, the standing Audit Committee member, has considerable knowledge of finance and accounting based on his long experience as a chief of finance and accounting department and an Executive Officer in charge of finance and accounting department.

During fiscal 2023, the Audit Committee held meetings on 15 days. Attendance record of members at the Audit Committee meetings during his/her term of office is as follows

Katsumi Ihara: 15/15 days (100%)
Ikuro Sugawara: 15/15 days (100%)
Hiroaki Yoshihara: 15/15 days (100%)
Helmuth Ludwig: 15/15 days (100%)
Mitsuaki Nishiyama: 9/9 days (100%)
Hideaki Seki: 6/6 days (100%)

In fiscal 2023, the Audit Committee engaged in a variety of activities to study priority matters such as strengthening a “tripartite audit”, facilitating information sharing as well as the auditing of the establishment and operation of internal control systems from the perspective of risk management and the validity of the 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.

The Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on those policies. The Compensation Committee consists of four Directors, three of whom are Independent Directors.

During fiscal 2023, the Compensation Committee held meetings on seven days. Attendance record of members at the Compensation Committee meetings during his/her term of office is as follows.

Katsumi Ihara: 7/7 days (100%)
Joe Harlan: 7/7 days (100%)
Takatoshi Yamamoto: 7/7 days (100%)
Keiji Kojima: 7/7 days (100%)

In fiscal 2023, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee determined the amounts of remuneration for Directors and Executive Officers individually including confirmation and review of the process and details of performance and individual target evaluations regarding the assessment of fixed pay amounts and the short-term incentive compensation paid to Executive Officers.

In addition, the Compensation Committee discussed whether the compensation system for the Company’s Executive Officers which was amended in the previous fiscal year, functioned soundly as an incentive to increase corporate value over the mid- to long-term, based on an analysis by a third-party organization outside of the Company. In particular, the Compensation Committee confirmed the appropriateness of the compensation levels based on a compensation benchmark analysis considering each market in Japan, Europe and the U.S. and examined whether the new compensation system functioned effectively from various angles, including the verification of the appropriateness of target setting and evaluation.

Regarding the compensation paid to the Company’s Directors, based on a remuneration benchmark analysis, the Compensation Committee discussed the compensation paid to the Directors of the Company who are from various regions. As a result, the Compensation Committee decided to introduce a new compensation system in fiscal 2024 to further promote awareness of increasing corporate value in the context of management supervision and advice. Specifically, the Compensation Committee revised compensation levels to be sufficiently competitive in the global market, and introduced stock compensation in order to further promote awareness of increasing corporate value in the medium-to-long term and enhance the sharing of value with shareholders.

In its deliberations, the Compensation Committee considers changes in the business environment and the opinions of shareholder and investors and obtains necessary information and advice from third-party organizations with global insight and experience.

The Company maintains a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each director (excluding Executive Director, etc.) The general intent of the agreement is to limit the liability of Directors to the aggregate amount stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company’s business affairs within the scope of assignments determined by the Board of Directors. As of the filing date of this report, the Company has 35 Executive Officers.

The Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Group business, through discussing from diverse viewpoints. It consists of ten members as of the filing date of this report; President (Keiji Kojima), four Executive Vice President and Executive Officers (Jun Abe, Brice Koch, Alistair Dormer, Toshiaki Tokunaga), four Senior Vice President and Executive Officers (Tomomi Kato, Lorena Dellagiovanna, Hidenobu Nakahata and Masahiko Hasegawa) and one Vice President and Executive Officer (Yuto Matsumura), and other attendees designated by the President.

In April 2022, the Company established the Growth Strategy Meeting, the Risk Management Meeting and Human Resource Strategy Meeting within the Senior Executive Committee. The Growth Strategy Meeting discusses and decides on matters related to the Group’s management strategy and accelerates the formulation of strategies necessary for its growth. The Risk Management Meeting discusses and decides on important matters related to group-wide risks, and aims to realize

a solid management foundation in coordination with growth strategies through a centralized and cross-sectional understanding of risks. The Human Resource Strategy Meeting discusses and decides on matters necessary to foster the Group's organization and culture as well as to secure and develop human resources, thereby supporting its further growth through the enhancement of human capital.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations. In addition, based on the experience and insight possessed by independent directors, the Company improves the functions of the Board of Directors by supervising the execution of duties by Executive Officers from an independent standpoint.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights Update

	Supplementary Explanations
Early Notification of General Shareholder Meeting	On June 3, 2024, the Notice of Annual General Meeting of Shareholders was sent out for the Annual General Meeting of Shareholders held on June 21, 2024. It was posted on the Company's website before the mailing date (on May 27, 2024).
Scheduling AGMs Avoiding the Peak Day	The Company held its Annual General Meeting of Shareholders on June 21, 2024.
Allowing Electronic Exercise of Voting Rights	On the dedicated website established by Tokyo Securities Transfer Agent Co., Ltd., the Company's shareholder registry administrator, it is possible to exercise voting rights by electromagnetic means after the Notice of Annual General Meeting of Shareholders is sent until the day before the Annual General Meeting of Shareholders.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	It uses an electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	English translations of the Notice of Annual General Meeting of Shareholders, business reports, etc. have been prepared and are posted on the Company's website. https://www.hitachi.com/smeet-e/
Other	In addition to the Notice of Annual General Meeting of Shareholders, business reports, etc., supplementary explanations of agenda proposals of the General Meeting of Shareholders are posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	In addition to disclosing information fairly and with high transparency, the Company has posted a disclosure policy on its website that is based on the basic policy of responsibly responding to shareholders, investors, and other diverse stakeholders through various communication activities. (https://www.hitachi.com/IR-e/corporate/disclosure/)	
Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held on the Company's financial results and business strategies, etc.	Yes
Regular Investor Briefings for Overseas Investors	In order to explain the Group's business performance and management strategy to institutional investors in North America, Europe and Asia, the Company's Executive Officers, etc. provide explanation through individual meetings.	Yes
Posting of IR Materials on Website	https://www.hitachi.com/IR-e/	
Establishment of Department and/or Manager in Charge of IR	Department: Investor Relations Division	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Company Regulations stipulate that companies are recognized as members of society, devote themselves to fair and transparent corporate behavior, and strive to realize a truly prosperous society as sensible citizens through harmony with the environment and active social contribution activities, and to secure the trust of society broadly, including shareholders, customers, business partners, and local residents in Japan and overseas.
Implementation of Environmental Activities, CSR Activities etc.	The Group as a whole has established a specialized department to promote CSR activities globally while sharing policy direction through regular meetings and other means at the Company and group companies in Japan and overseas. The Group's CSR and environmental conservation activities, including social contribution activities and the promotion of diversity, are posted on the Company's website. In addition, the Hitachi Sustainability Report, an annual report summarizing activities information, is also posted on the Company's website. (https://www.hitachi.com/sustainability/download/index.html)
Development of Policies on Information Provision to Stakeholders	In addition to disclosing information fairly and with high transparency, the Company has posted a disclosure policy on its website that is based on the basic policy of responsibly responding to shareholders, investors, and other diverse stakeholders through various communication activities. (https://www.hitachi.com/IR-e/corporate/disclosure/index.html)
Other	As of the filing date of this report, 2 of 12 directors are women.

IV Matters Related to the Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

- (1) The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.
 - (a) When necessary, the Board of Directors may appoint one or more directors, who are not concurrently serving as executive officers, to be director(s) responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors Office (the "Office") shall be established specifically to assist the Board of Directors and each committee with their duties.
 - (b) To ensure the Office personnel are independent from the Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to the orders or instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of Office personnel.
 - (c) Executive Officers and employees shall report significant matters affecting the Company and its subsidiaries, the results of internal audits and the implementation status of reporting under the internal reporting system without delay to the members of the Audit Committee. It shall be provided for in the company regulation that reporters using the common internal reporting system of the Group shall not be treated disadvantageously due to their submission of a report, and the system's administrative organization shall ensure this provision is thoroughly implemented.
 - (d) The Office shall be responsible for paying for the expenses incurred in connection with the Audit Committee members' execution of their duties and other administrative duties, and shall promptly process payments for these expenses or debts except in cases where the expense or debt claimed is clearly found to be unnecessary for the execution of the Audit Committee members' duties.
 - (e) Standing Committee member(s) shall be appointed to the Audit Committee, and the activity plans of the Audit Committee shall be prepared in coordination with the audit plans of the Internal Auditing Office.
- (2) The following measures shall be effective to ensure the adequacy of business operations within the Company and the Group.
 - (a) Fundamental policies that emphasize the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.
 - (b) Each subsidiary of the Company shall develop systems to ensure the appropriateness of its operations appropriate for its size and other characteristics, the basic framework of which will be similar to the ones employed by the Company. To ensure each subsidiary's development of such systems, directors and auditors shall be sent by the Company to the subsidiaries, and regular audits of the subsidiaries shall be conducted.
 - (c) A system for reporting matters to Directors shall be established to ensure that the Executive Officers of the Company execute their duties in compliance with laws, regulations and the Articles of Incorporation.
 - (d) Information pertaining to the Company's Executive Officers' execution of their duties shall be prepared and maintained in accordance with internal rules.
 - (e) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals and carry out other such measures regarding various risks. Efforts shall be made to identify possible new risks through measures such as progress reports on business operations and, should it become necessary, an Executive Officer will be appointed promptly to be responsible for responding to a new risk.
 - (f) The efficiency of the Company's Executive Officers, and the subsidiaries' Directors and Executive Officers' performance of their duties shall be ensured through the following business management systems.
 - The Senior Executive Committee shall be established to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Group.
 - Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared to operate business in a planned and efficient manner.
 - Internal audits of the Company and its subsidiaries shall be conducted to identify and monitor the status of their business operations and to facilitate improvements.
 - The Audit Committee shall receive the accounting auditors' audit plans in advance, and the prior approval of the Audit Committee shall be required regarding the fees to be paid to the accounting auditors.
 - Documented business processes for matters to be reflected in financial reports shall be executed by the Company and its subsidiaries, and internal and external auditors shall examine these processes to ensure the reliability of financial reports.
 - A structure for the adequate and efficient conduct of the common business operations of the Group companies shall be established.
 - (g) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.
 - Internal audits shall be conducted and various committees shall be established for legal and regulatory compliance activities. Furthermore, a Hitachi Group common internal reporting system shall be established and education regarding legal and regulatory compliance shall be provided.
 - Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.
 - (h) A system shall be established in which the subsidiaries submit reports on important issues and the progress of measures regarding operations to the Company through the Company's Senior Executive Committee, medium-term business plans and the budget system.
 - (i) The policy on transactions within the Group is to trade fairly based on market prices.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts Update

As part of the basic policy on internal control systems based on the Companies Act, the Company establishes various policies and rules based on compliance with laws and regulations related to the Group's business activities, including the prevention of anti-social transactions. "Hitachi Group Anti-Money Laundering and Prevention of Anti-Social Transactions Policy", which is established based on those policies, stipulates that the Company rejects all unreasonable demands and illegal transactions, and never engages in anti-social transactions. This policy applies to Directors and employees of the Group. Directors and employees of the Group will take necessary measures to ensure that all persons who work with or on behalf of the Group comply with this policy.

The main concrete measures to eliminate anti-social forces are as follows.

- The Company has established a dedicated department to provide business guidance and audits on information gathering, training, management systems and procedures.
- The Company is working to prevent transactions with anti-social forces through the screening of business partners and the establishment of anti-social force exclusion clauses in contracts.
- In cooperation with external specialized organizations (National Center for Removal of Criminal Organizations or the police, etc.), the Company is working to eliminate access by anti-social forces.
- In addition to establishing steps and procedures for responding to unreasonable demands, the Company is promoting the installation of a person responsible for preventing unreasonable demands at each business site, and have established a system for contacting and consulting with authorities and external specialized organizations.
- If necessary, the Company will establish an advisory committee, including experts from outside the company, to hear opinions.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation

The Group invests a great deal of business resources in fundamental research and in the development of market-leading products and businesses that will bear fruit in the future, and realizing the benefits from these management policies requires that they be continued for a set period of time. For this purpose, the Company keeps its shareholders and investors well informed of not just the business results for each period but also of the Company's business policies for creating value in the future.

While the Company recognizes the importance of its revitalization of business activities and performance that can be brought about through a change in management control, it also recognizes the necessity of determining the impact on company value and the interests of all shareholders of the buying activities and buyout proposals of parties attempting to acquire a large share of stock of the Company or a Group company by duly examining the business description, future business plans, past investment activities, and other necessary aspects of such a party.

There is no party that is currently attempting to acquire a large share of the Company's stocks nor is there a specific threat, neither does the Company intend to implement specified so-called anti-takeover measures in advance of the appearance of such a party, but the Company does understand that it is one of the natural duties bestowed upon it by the shareholders and investors to continuously monitor the state of trading of the Company's stock and then to immediately take what the Company deems to be the best action in the event of the appearance of a party attempting to purchase a large share of the Company's stock. In particular, together with outside experts, the Company will evaluate the buyout proposal of the party and hold negotiations with the buyer, and if the Company deems that said buyout will not maintain the Company's value and is not in the best interest of the shareholders, then the Company will quickly determine the necessity, content, etc., of specific countermeasures and prepare to implement them. The same response will also be taken in the event a party attempts to acquire a large percentage of the shares of a Group company.

2. Other Matters Concerning to Corporate Governance System

The status of the Company's internal system for timely disclosure of company information is as follows.

The Company is a company with a Nominating Committee, etc. under the Companies Act, and the Board of Directors determines basic management policies, etc., supervises the execution of business by Executive Officers, while greatly delegating authority to make business decisions to Executive Officers.

The Company's authority on timely disclosure of company information is delegated to Executive Officers, and the Board of Directors and the Audit Committee supervise the execution of business by Executive Officers appropriately.

Disclosure Policy stipulates that the Company appropriately discloses information fairly and with high transparency in accordance with laws and regulations and the rules established by financial instruments exchanges on which the Company is listed. With regard to important information concerning the Company and Group companies, etc., based on laws and regulations, financial instruments exchange rules, internal rules on the management and disclosure of information, etc., the Company will comprehensively grasp and manage important information to be disclosed, and promptly disclose it while ensuring the accuracy of the disclosure details.

Based on this policy, in order to disclose important information in a timely and appropriate manner, the Company has established the following system in the internal rules, etc. for the management and disclosure of information.

Important facts and information related to each business division and head office division of the Company shall be reported to the Global Corporate Brand & Communications Division and the Investor Relations Division by the person in charge of the management of the relevant division based on the above internal rules. In addition, important information at Group companies is similarly transmitted through each department of the Company that manages said Group company.

With regard to important information obtained through such reports, the person in charge of managing the information shall strictly manage it, and the Legal Division will consider the necessity of timely disclosure based on the Financial Instruments and Exchange Act and rules on timely disclosure of financial instruments exchanges. If timely disclosure is deemed necessary, after confirming the appropriateness and accuracy of the disclosure details, disclosure materials shall be prepared, and after the approval of the Executive Officer in charge of legal affairs and the relevant Executive Officer, the Company shall report it to the President before timely disclosure at the Legal Division.

Financial results information for each fiscal year are prepared by the Finance Group in charge of financial results, and the status of the settlement of accounts is disclosed at the Legal Division after deliberations by the Management Committee and approval by the Board of Directors. Financial results information for each quarter is prepared by the Finance Group and disclosed after deliberations by the Senior Executive Committee and reporting to the Board of Directors on the status of financial results.

In addition, the Company has established the Disclosure Committee consisting of the Executive Officer in charge of legal affairs and the Executive Officer in charge of finance, and in addition to confirming laws and regulations concerning disclosure of important information and financial instruments exchange rules, determining disclosure policies, etc., and confirming the appropriateness of the contents of the Annual Securities Report, etc. A Director who is a standing Audit Committee member attends as an observer.

