

Notice Regarding Amendment to the Restricted Stock Compensation Plan and the Grant of Restricted Stock Compensation and Restricted Stock Units

Tokyo, March 30, 2023 - Hitachi, Ltd. (TSE: 6501, “Hitachi” or the “Company”) resolved at a meeting of the Compensation Committee held today to amend the restricted stock compensation plan introduced in fiscal 2019 (the “Plan”), and to grant shares of restricted stock to Hitachi’s Japanese Executive Officers and Corporate Officers (the executive positions next to Executive Officers) and to a part of Japanese executives of group companies, aiming to further strengthen the linkage between corporate value enhancement and compensation. It also resolved to continue the restricted stock unit (“RSU”) plan introduced in fiscal 2020 and to grant RSUs to Hitachi’s non-Japanese Executive Officers and Corporate Officers.

The issuance of shares of restricted stock and RSU plan based on this resolution is subject to decisions made by the President as to the subscription requirement and allotment of shares of restricted stock or RSU plan to each Executive Officer, Corporate Officer, and a part of executives of group companies based on delegation from the Board of Directors. It is expected that the number of shares of restricted stock and RSU plan to be allocated as compensation for fiscal 2023 will be approximately 0.1% at most of total number of issued shares for Hitachi’s common stock as of today.

1. Purpose of the Amendment to the Plan

Hitachi introduced the Plan for Japanese Executive Officers, Corporate Officers and a part of Japanese executives at Group companies, in order to promote management based on medium- to long-term perspective and to provide incentives for sustainable corporate value enhancement by further encouraging the management team to share values with shareholders through the holding of shares during their term of office. This amendment to the Plan aims to further promote medium- to long-term management and to further strengthen “Pay-for-Performance”, the linkage between compensation and corporate value enhancement and compensation, in the backdrop of increasingly intense global competition.

2. Outline of the Plan

Up to this date, the Plan consisted of two types of restricted stock – shares of restricted stock with an incumbency condition and the ones with a stock price condition in addition to the incumbency condition – and each has granted shares equivalent to 50% of the eligible persons' medium- to long-term incentive compensation basic amount (the "basic amount").

Firstly, the amendment sets the percentage of shares to be granted for each type of restricted stock: the amount equivalent to 30% of the basic amount for restricted stock with an incumbency condition and 70% of the basic amount for restricted stock with a stock price condition in addition to the incumbency condition respectively. For the stock price condition, the evaluation method for TOPIX comparison of the Total Shareholder Return (TSR) for the company's shares, the current stock price condition, will be changed and a new global competitive comparison of the TSR growth rate will be added.

Furthermore, upon achieving the targets of the company’s Mid-term Management Plan 2024 (“MMP 2024”), additional shares equivalent to a maximum of 20% of the basic amount will be granted to further encourage executives’ commitment to achieving the MMP 2024 targets and to increase the corporate value. Specifically, when the ROIC (Return on invested capital) and sustainability targets are met at the end of the year MMP 2024 ends, an additional grant of shares equivalent to 10% of the basic amount respectively will be made.

	Types of restricted stock		Ratio	Timing of grant
Incumbency condition	Shares of restricted stock with an incumbency condition		30%	Each fiscal year
Stock price condition	Shares of restricted stock with a TSR growth condition (compared to TOPIX / compared to global competitors)		70%	Three fiscal years after the base fiscal year
Mid-term Management Plan target achievement condition	Shares of restricted stock with achievement of Mid-term Management Plan targets as a condition	ROIC	10%	After the end of the final fiscal year of the MMP 2024 period
		Sustainability targets	10%	

(1) Shares of Restricted Stock with an Incumbency Condition

Shares of restricted stock will be granted to the eligible persons under the condition of three fiscal years of incumbency, and the number of shares for which transfer restrictions are lifted shall be determined depending on the tenure of the eligible person for the period. The transfer restrictions are to be lifted on the day the eligible person retires from the position as Executive Officer, Director, or Corporate Officer of the Company (or, if the eligible person is an executive of a group company, on the day the person retires from the position as an executive of such group company).

The company will acquire the shares for which the transfer restrictions are not lifted due to failure to fulfill an incumbency condition or other reasons without consideration.

(2) Shares of Restricted Stock with a Stock Price Condition or Mid-term Management Plan Target Achievement Condition

Depending on the degree of KPI achievement over a certain evaluation period, stock compensation shall be paid to the eligible person and is comprised of the following three types:

- I. Shares of restricted stock with a TSR growth condition
 - KPI:
 - 1. TSR growth rate (compared to TOPIX):
If the company’s TSR growth rate compared to the TOPIX growth rate for the evaluation period is 50% or more, shares shall be granted in an amount equivalent to 50%-200% of the basic amount depending on the company’s TSR growth rate compared to the TOPIX growth rate ratio. (No grant for less than 50%)
 - 2. TSR growth rate (compared to global competitors):
Shares shall be granted in an amount equivalent to 50%-200% of the basic amount depending on the company’s TSR growth rate for the evaluation period as compared to a percentile rank in TSR growth rate of global competitor comparison companies stipulated by the Compensation Committee. (No grant for a percentile rank of less than 25%)
 - Evaluation period: Three consecutive fiscal years starting from the base fiscal year
- II. Shares of restricted stock with the MMP 2024 target achievement condition (ROIC)
 - KPI: ROIC (Return on invested capital): 10% or more
Shares equivalent to 10% of the basic amount shall be granted upon achieving the above target in the MMP 2024
 - Evaluation period: The period up to the final fiscal year of the MMP 2024 period, including the base fiscal year
- III. Shares of restricted stock with the MMP 2024 target achievement condition (sustainability)
 - KPI: Following sustainability indexes:
 - Positive response rate regarding employee engagement: 68% more as a whole group

- Diversity, Equity and Inclusion (DEI) achievement rate:
 - (1) Ratio of female executives: 15% or more
 - (2) Ratio of non-Japanese executives: 15% or more
- Acquisition and development of digital talents: 98,000 or more employees as a whole group

Shares equivalent to 10% of the basic amount shall be granted upon achieving the above targets in the MMP 2024

Evaluation period: Until the final fiscal year of the Mid-term Management Plan period, including the base fiscal year

3. Outline of the RSU Plan

Under Hitachi's RSU Plan, the eligible persons will receive RSUs corresponding to the number of shares of Hitachi's common stock (the "Shares to be Delivered") set in advance for each eligible person and, over the course of three fiscal years after granting, one-third of the RSUs will become vested after the end of each fiscal year, and the Shares to be Delivered or cash for those vested RSUs will be delivered.

If the eligible persons retire due to expiration of their term of office, death or other legitimate reasons approved by the Company's Compensation Committee, they will receive the Shares to be Delivered or cash corresponding to the portion of RSUs granted reflecting the period from the grant date to the time of such retirement.

- End -

About Hitachi, Ltd.

Hitachi drives Social Innovation Business, creating a sustainable society with data and technology. We will solve customers' and society's challenges with Lumada solutions leveraging IT, OT (Operational Technology) and products, under the business structure of Digital Systems & Services, Green Energy & Mobility, Connective Industries and Automotive Systems. Driven by green, digital, and innovation, we aim for growth through collaboration with our customers. The company's consolidated revenues for fiscal year 2021 (ended March 31, 2022) totaled 10,264.6 billion yen (\$84,136 million USD), with 853 consolidated subsidiaries and approximately 370,000 employees worldwide. For more information on Hitachi, please visit the company's website at <https://www.hitachi.com>.

Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
