Corporate Governance

Hitachi and its listed subsidiaries are "Companies with Nominating Committee, etc." defined under the Companies Act of Japan. By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for nimble operations, while making management highly transparent.

In addition, Hitachi is executing business strategies formulated to enable the Group to demonstrate its collective strengths. Moreover, some of Hitachi's directors and executive officers serve concurrently as directors or executive officers at Group companies, thereby strengthening integrated management of the Group and improving management oversight of Group companies. In these ways, Hitachi is working to increase corporate value.

Starting in June 2015, Japan's Corporate Governance Code applies to companies listed on stock exchanges in Japan. Hitachi agrees with the basic approach of the Code, which is that the Code's appropriate implementation will contribute to the development and success of companies, investors, and the Japanese economy as a whole through individual companies' self-motivated actions so as to achieve sustainable growth and increase corporate value over the medium to long term. Moving forward, Hitachi will work to further strengthen corporate governance.

Initiatives to Strengthen Corporate Governance

1 Realizing quick, highly transparent management

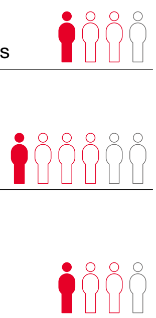
Hitachi transitioned to a Company with Committee System (now called a Company with Nominating Committee, etc.) in June 2003.

Major Aims

Make management highly transparent by demarcating responsibilities for management oversight and those for the execution of business operations

Composition of Each Committee (June 2018)

Nominating Committee: Determines director candidates	
Audit Committee: Audits execution of directors and executive officers	
Compensation Committee: Determines remuneration for directors and executive officers	



Chairman (Independent outside director) Independent outside director Director

2 Accelerating global management and strengthening oversight function

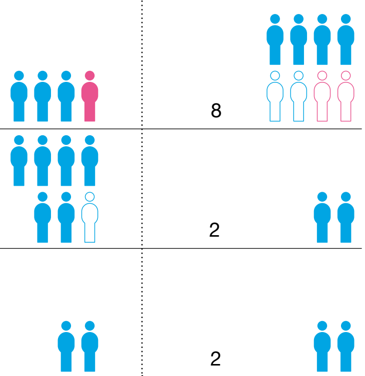
Increased number of independent outside directors including non-Japanese directors; independent outside directors became majority in June 2012.

Major Aims

Reflect global, diverse viewpoints in management, further strengthen oversight function

Composition of Board of Directors

	June 2011 (13 elected)	June 2018 (12 elected)
Independent outside directors	4	8
Directors (non-executive)	7	2
Directors (serving concurrently as executive officers)	2	2



Non-Japanese directors Female directors

3 Appropriate implementation of the Corporate Governance Code

Implementing all of the principles of the Corporate Governance Code (based on form prior to June 2018 revision)

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company implements an evaluation of the effectiveness of the Board as a whole each year, in a continuous effort to maintain and improve the Board's function.

Evaluation process

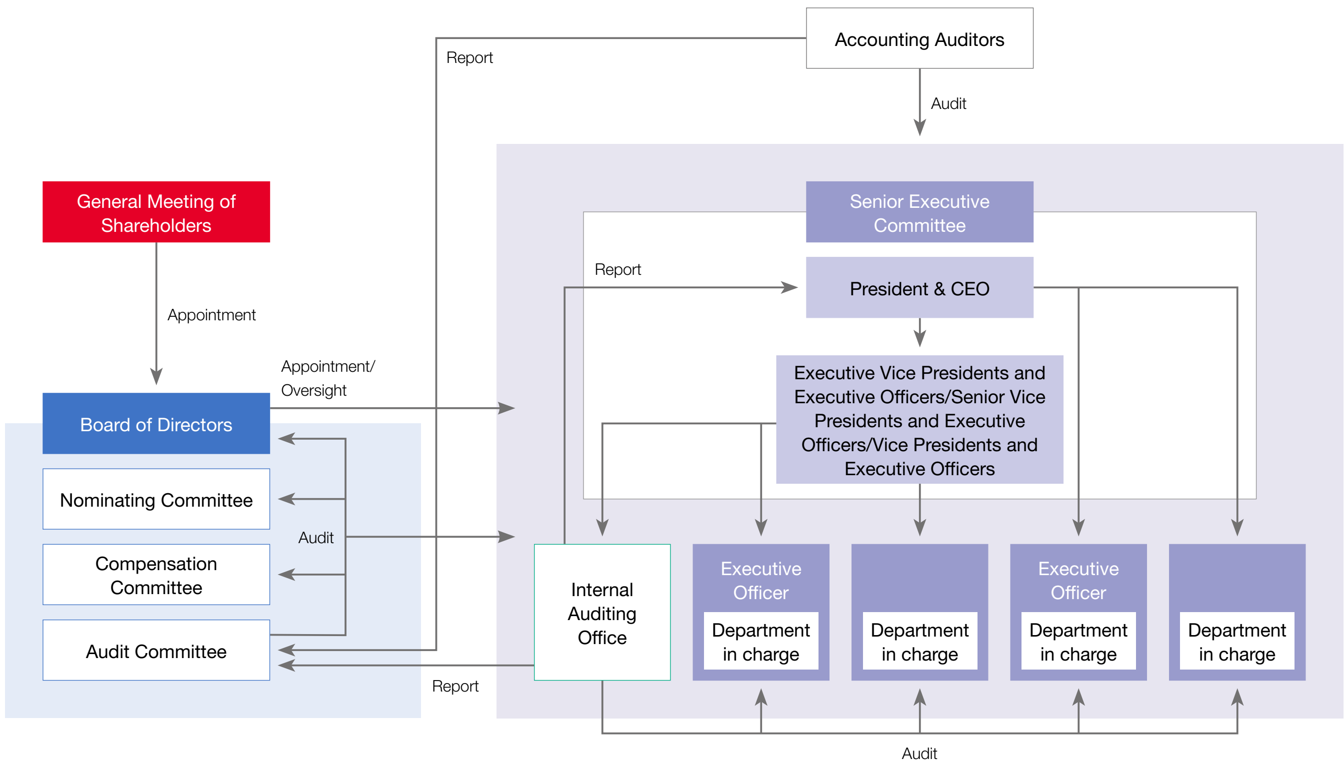
In evaluating the effectiveness of the Board of Directors in the fiscal year ended March 31, 2018, questionnaires were distributed to all Board members. Each member carried out a self-assessment of the Board regarding its composition, operation, contribution to the Company, activities of the three committees, support systems for the Board, etc. In addition, the Board's effectiveness was discussed at a meeting by independent outside directors. Based on the results of these evaluations and discussions, the Board analyzed and evaluated its effectiveness as a whole while considering a comparison with results for the fiscal year ended March 31, 2017 and measures taken for improvement and confirmed the policy on approaches to further improvement of the Board's effectiveness.

Results of evaluation and future initiatives

The Board assessed that its members are diverse and make use of their knowledge and expertise to speak out, having vigorous discussions especially on matters related to business strategies such as the mid-term management plan toward mid/long-term corporate value growth. The Board, therefore, concluded that the effectiveness of the Board as a whole was being maintained.

With the aim to maintain and improve its functions, the Board confirmed that it will make efforts to further contribute to the determination of Hitachi's mid/long-term strategic direction and succession planning for the CEO, etc. It was also confirmed that the Company will make efforts to strengthen support for the Board's operations including the enhancement of information provision to make Board discussions more effective.

Corporate Governance Framework



Board of Directors

Summary

- Independent outside directors comprise 8 of the 12 Board members.
- Each of the Nominating, Audit, and Compensation Committees has been established with independent outside directors in the majority.
- The extensive experience and insight of the independent outside directors in international business management and administration serve to strengthen the Board's supervisory function.

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the Mid-term Management Plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations. As of June 29, 2018, the

Board of Directors was made up of 12 directors, two of whom concurrently serve as executive officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which eight independent outside directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints. The term of office for directors is one year.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with independent outside directors accounting for the majority of members of each committee. The Board of Directors meetings were held on 9 days during the fiscal year ended March 31, 2018, and the attendance rate of directors at these meetings was 97%. The attendance rates for each independent outside director were as shown in the table below. To assist with the duties of the Board of Directors and each committee, staff who are not subject to orders and instructions from executive officers are assigned.

The Board of Directors continuously supervises succession planning for the CEO. The CEO is appointed or dismissed in line with the proposal of the Nominating Committee in consideration of the matters: (1) that the candidate has the highest personal and professional ethics, integrity, insight, and leadership, and (2) that the candidate is believed to be the one most qualified to realize sustainable enhancement of the Company's corporate value and shareholders' common interests, with rich experience and a distinguished record in the area of corporate management.

Attendance at meetings of the Board of Directors by independent outside directors in the fiscal year ended March 31, 2018

Name	Attendance*	Attendance rate
Baba Kalyani	7 out of 9 days	78%
Cynthia Carroll	9 out of 9 days	100%
Sadayuki Sakakibara	8 out of 9 days	89%
George Buckley	9 out of 9 days	100%
Louise Pentland	9 out of 9 days	100%
Harufumi Mochizuki	9 out of 9 days	100%
Takatoshi Yamamoto	9 out of 9 days	100%
Philip Yeo	9 out of 9 days	100%
Hiroaki Yoshihara	9 out of 9 days	100%

* Based on the number of days Board meetings were held during each independent outside director's term of office.

Furthermore, Hitachi formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for directors, criteria for assessing the independence of independent outside directors, and rules on those serving concurrently as officers at other companies.

Corporate Governance Guidelines of Hitachi, Ltd.
http://www.hitachi.com/IR-e/corporate/governance/guidelines.html

Qualification for Independent Outside Directors and Criteria for Independence

In regard to the election of an independent outside director, Hitachi's Nominating Committee considers the following criteria for independence. In addition, the Committee also considers whether the independent outside director has outstanding character and insight and whether he or she has worked in a leadership position in such fields as business, law, administration, accounting, or education, or has experience at policy-making levels.

In regard to the independence of an independent outside director, the Company considers an independent outside 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;
- 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 that, 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 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 compensation; 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 and 2% of that organization's annual gross revenues.

Concurrent Officer Positions at Other Companies

In order for directors to secure the time necessary to understand the Company's business and prepare for and attend Board of Directors meetings, the Company considers it desirable for its directors not to hold concurrent officer positions (director, corporate auditor, or executive officer) in more than four other listed companies.

(1) Nominating Committee

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

The Nominating Committee meetings were held on 8 days during the fiscal year ended March 31, 2018.

(2) Audit Committee

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

The Audit Committee meetings were held on 14 days during the fiscal year ended March 31, 2018.

(3) Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on them. The Compensation Committee consists of four directors, three of whom are independent outside directors.

The Compensation Committee meetings were held on 4 days during the fiscal year ended March 31, 2018.

Composition of the Board of Directors and each committee

(as of June 29, 2018)

	Number of persons	Independent outside directors*	Directors	Chair
Board of Directors	12	8*	4	Independent outside director
Nominating Committee	4	3	1	Independent outside director
Audit Committee	6	4	2	Independent outside director
Compensation Committee	4	3	1	Independent outside director

* Hitachi has issued notifications identifying all outside directors as independent outside directors to each of the stock exchanges in Japan where the Company is listed.

	Committee members
Nominating Committee	Harufumi Mochizuki (Chair), Cynthia Carroll, Hiroaki Yoshihara, Hiroaki Nakanishi
Audit Committee	Hiroaki Yoshihara (Chair), Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto, Kazuyuki Tanaka, Toyoaki Nakamura
Compensation Committee	Harufumi Mochizuki (Chair), Katsumi Ihara, Takatoshi Yamamoto, Toshiaki Higashihara

Executive Officers

Executive officers decide on matters delegated to them by the Board of Directors and execute Hitachi's business affairs within the scope of assignments determined by the Board of Directors. As of June 29, 2018, Hitachi has 35 executive officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that the President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussion from diverse viewpoints. This committee consists of 12 members as of June 29, 2018: the President & CEO, five executive officers serving as executive vice presidents, five executive officers serving as senior vice presidents, and one executive officer serving as a vice president.

Director and Executive Officer Compensation

Basic Policy

- Compensation shall be sufficiently attractive to retain the personnel required to realize improvements in enterprise value through global business growth.
- Compensation shall be commensurate with the roles and responsibilities of directors and executive officers.
- Compensation for directors shall contribute to effective supervision of management.
- Compensation for executive officers shall provide incentives to contribute to sustained improvement in enterprise value through business execution, while striking an appropriate balance between short-term results and performance over the longer term.
- Compensation levels shall take into account remuneration at other companies, along with economic conditions and market trends.
- In considering the terms and amounts of compensation, the Compensation Committee shall seek objective advice as necessary from outside experts.

The Compensation Committee, of whose members more than half are independent outside directors, sets forth the policy on the determination of compensation details for directors and executive officers and, based on this policy, the amount of compensation, etc., of each director and executive officer, pursuant to applicable provisions of the Companies Act.

Since fiscal 2008, the compensation structures for directors and executive officers have been revised to eliminate severance payments.

Compensation Structure

(1) Directors

Compensation for directors consists of basic remuneration and a year-end allowance.

① Basic remuneration

Basic remuneration is decided by adjusting a basic amount to reflect full- or part-time status, committee membership and position, travel from place of residence, etc.

② Year-end allowance

Year-end allowance is a predetermined amount equivalent to about 20% of the director's annual basic remuneration, but may be reduced depending on financial results.

A director concurrently serving as an executive officer does not receive any compensation as a director.

(2) Executive officers

Compensation for executive officers consists of basic remuneration, performance-linked compensation, and medium- and long-term incentive compensation. The higher the position the executive officer holds, the higher the proportion of variable pay is as a portion of total annual compensation.

Fixed remuneration: ① Basic remuneration + Variable pay (basic amount): ② Performance-linked compensation + ③ Medium/long-term incentives = Total remuneration

② 25–35% of total remuneration; ③ 10–40% of total remuneration

① Basic remuneration

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

② Performance-linked compensation

The performance-linked compensation is decided within the range of 0%–200% of the basic amount based on financial results and individual performance. The basic amount is set within the range of about 25%–35% of the total annual compensation of each executive officer in accordance with the relevant position.

Position-related (basic amount) × Assessment 0〜200% [Performance assessment, Individual performance] = Performance-linked compensation (payments)

③ Medium- and long-term incentive compensation

Medium- and long-term incentive compensation is stock options as stock-based compensation, with share price conditions (stock acquisition rights with the strike price of ¥1). The number of stock acquisition rights to be granted is determined within the range of about 10%–40% of the total annual compensation of each executive officer in accordance with the relevant position. The number of stock acquisition rights that may be exercised will be determined within the range of 0%–100% of the stock acquisition rights granted in accordance with the conditions. The proportion of the assessment (0–100%) is determined by comparing the total shareholder return*1 for Hitachi stock against the rate of growth in the TOPIX benchmark. This is set to 0% if the TSR is less than 80% of the TOPIX growth rate, and reaches 100% once the TSR rises to at least 120% of the TOPIX growth rate, with intermediate results for figures in the 80%–120% range.

Position-related stock options granted (basic amount) × Assessment 0〜100% [TSR relative to TOPIX growth rate] = Exercisable stock options (fully vested)*2

*1 Total Shareholder Return (TSR) includes capital gains (due to share price movements) and income (dividends).

*2 Stock options can no longer be exercised if fraud or other serious misconduct occurs during the term of office. Under a clawback provision, the Company can demand repayment of economic gains made from any options that have already been exercised if fraud or other serious misconduct is discovered during the term of office.

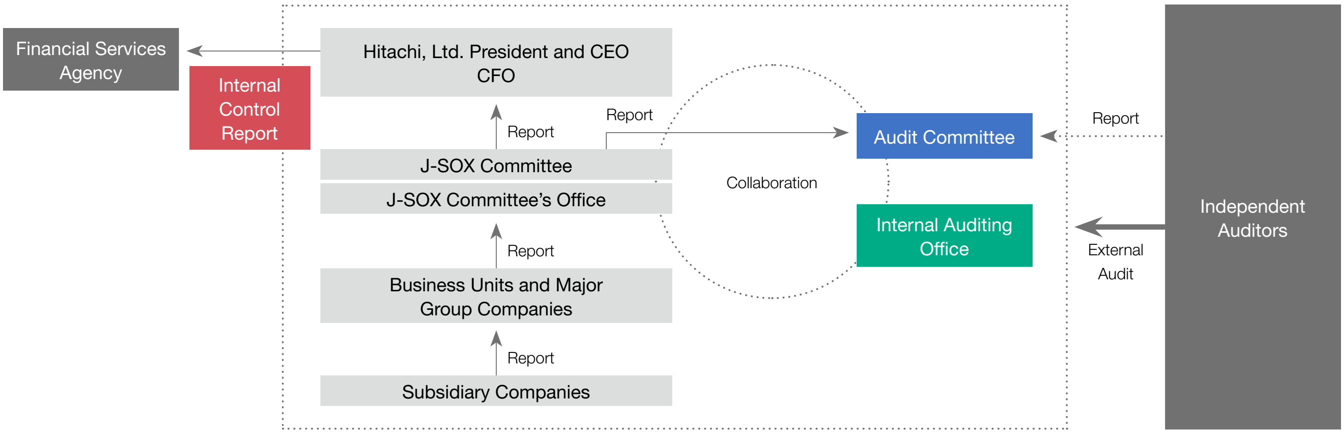
Internal Control over Financial Reporting

Summary

- Under guidelines determined by the J-SOX Committee, internal controls ranging from those at the company level to business processes are all documented.
- Systems to enable objective assessments are also in place at Hitachi business units and major Group companies.

To ensure the reliability of consolidated financial reporting, the Group develops and uses control documents ranging from company-level to business process controls based on the guidelines determined by our J-SOX Committee. Business units within Hitachi, Ltd. and major Group companies have developed mechanisms to objectively perform assessments. The J-SOX Committee office collects the results of the assessments performed by each business unit and company, and assesses the effectiveness of internal control throughout the entire Group.

Hitachi Group Internal Control Assessment Framework



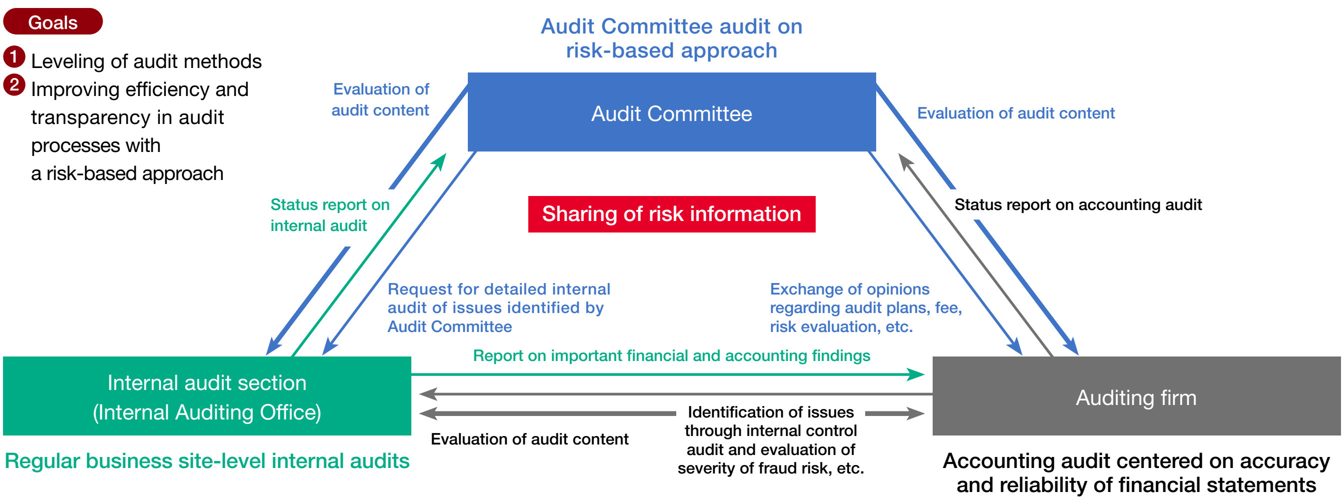
Toward a More Integrated "Tripartite Audit" Function

Summary

- We are working to strengthen the "tripartite audit" function, which comprises the Audit Committee, the internal audit section, and the external auditing firm.

We are working to further enhance the effectiveness of the internal control exerted through the integrated work of a "tripartite audit" function comprising the Audit Committee; our internal audit sections, principally, the Internal Auditing Office; and external auditing firm. Through close communication, the three functions share information about risks and evaluation of risk responses; ensure the audit process is transparent with appropriate checks and balances; and improve the effectiveness of internal control systems.

Improving Internal Control through a "Tripartite Audit" Function



Accountability

Summary

- The "Hitachi IR Day" event has been held for eight years in a row.
- A total of around 600 meetings have been held with institutional investors and analysts in Japan and overseas.

In accordance with its disclosure policy, Hitachi is implementing the fair and appropriate disclosure of such information as management strategies and financial information. In addition, Hitachi is aggressively conducting dialogues through such means as meetings with shareholders and investors, investor relations (IR) events, and the general meeting of shareholders.

In fiscal 2017, in addition to quarterly financial results briefings and presentations on the progress made with the 2018 Mid-term Management Plan, we hosted the eighth consecutive "Hitachi IR Day" event, in which senior managers from each business presented business strategies and management policies under the plan.

Other IR events included a briefing on the original value being created in R&D divisions and a tour of the Omika Works as part of promoting better understanding of the Lumada business. Members of senior management also continued to visit institutional investors and analysts in North America, Europe, and Asia to explain their business strategies for realizing medium- to long-term growth. During the year, a total of around 600 such meetings with institutional investors and analysts were held in Japan and overseas. Hitachi also organized briefings to help individual investors gain a better understanding of the company. The feedback gained from these IR events is reflected in management and business operations as part of efforts to build enterprise value.

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. Aiming to continuously enhance our information disclosure, we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets.

Information for shareholders and investors
http://www.hitachi.com/IR-e/

Disclosure Policy
http://www.hitachi.com/IR-e/corporate/disclosure/index.html

Major information disclosure publications

Financial results/Quarterly financial results
Annual securities reports/Quarterly reports
Business reports/Interim business reports
Hitachi Group Integrated Report
Hitachi Group sustainability reports