

Corporate Governance

Hitachi and its listed subsidiaries are companies with Nominating Committee, etc., 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 quick business operation, 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 and 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, the Japan's Corporate Governance Code applies to companies listed on domestic 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

Transition to a Company with Committee System (currently a Company with Nominating Committee, etc.) (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 2016)

Nominating Committee: Determines director candidates



Audit Committee: Audits execution of Directors and Executive Officers



Compensation Committee: Determines remuneration for Directors and Executive Officers



† Chairman (Outside Director) ‡ Outside Director § Inside Director

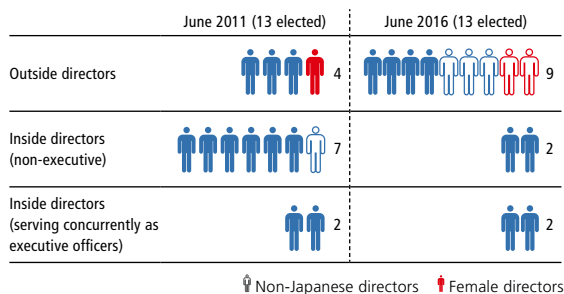
2. Accelerating global management, strengthening oversight function

Increased number of outside directors including non-Japanese directors; outside directors became majority (June 2012~)

Major Aims

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

Composition of Board of Directors



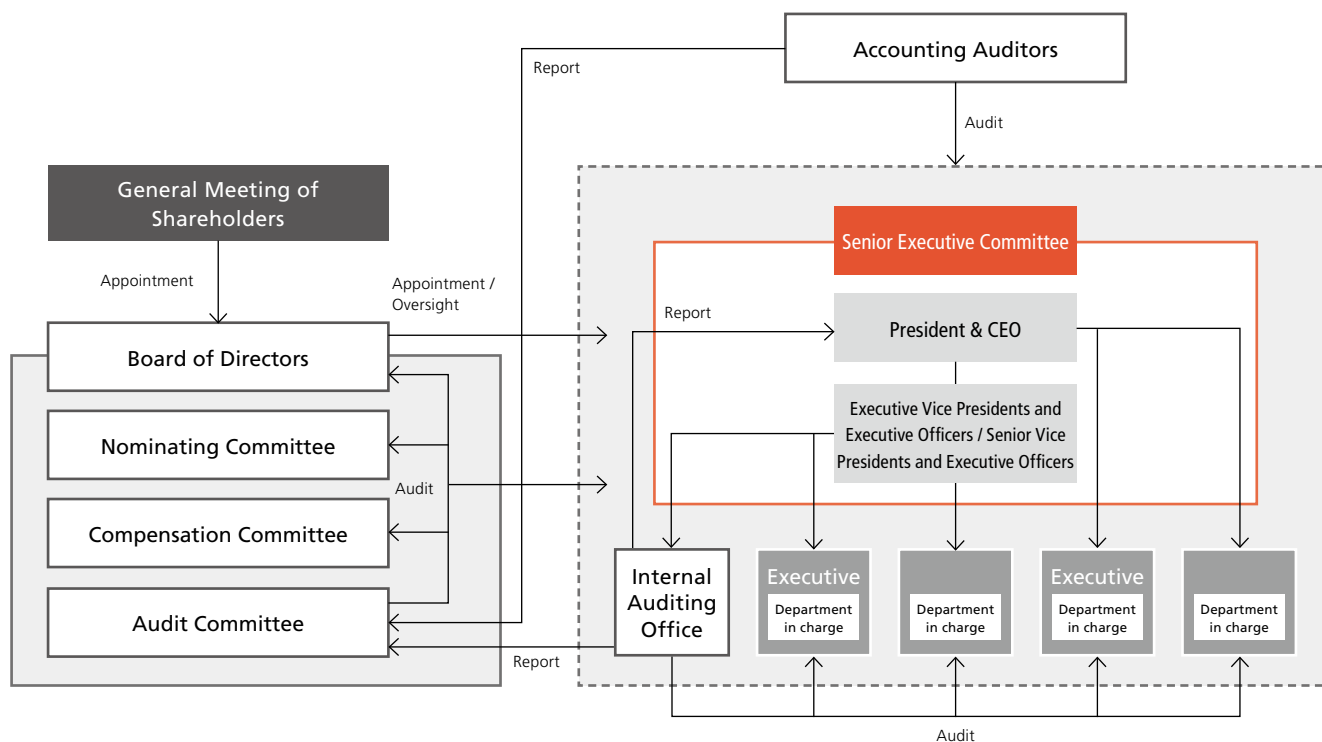
3. Appropriate implementation of the Corporate Governance Code

Implementing all of the principles of the Corporate Governance Code

Analysis and Evaluation of the Effectiveness of the Board of Directors

- The Board of Directors analyzed and evaluated its effectiveness in fiscal year ended March 31, 2016, based on each director's evaluations in regard to such matters as the composition of the Board of Directors, the decision-making process, contributions, and operational and support systems.
- The results of the evaluation were that the Board of Directors has diversity in its composition and, targeting growth in corporate value over the medium-to-long term, conducts active discussions, centered on matters related to management strategies, such as mid-term management plans. The evaluation concluded that the Board of Directors is functioning effectively overall.

Corporate Government Framework



Board of Directors

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 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 June 22, 2016, the Board of Directors was made up of 13 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which nine outside Directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 8 days during the fiscal year ended

March 31, 2016, and the attendance rate of Directors at these meetings was 100%. To assist with the duties of the Board of Directors and each committee, staffs who are not subject to orders and instructions of Executive Officers are assigned.

Attendance at meetings of the Board of Directors by each outside director in the fiscal year ended March 31, 2016

Name	Attendance
Nobuo Katsumata	8 out of 8 days
Cynthia Carroll	8 out of 8 days
Sadayuki Sakakibara	8 out of 8 days
George Buckley	8 out of 8 days
Louise Pentland	7 out of 7 days
Harufumi Mochizuki	8 out of 8 days
Philip Yeo	8 out of 8 days
Hiroaki Yoshihara	8 out of 8 days

Corporate Governance

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, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.

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

Qualification for the outside Directors and criteria for the independency

In regard to the election of an outside Director, the Company's Nominating Committee considers the following criteria for independence. In addition, the Committee also considers whether the outside Director has outstanding character and insight and whether the Outside Director 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 outside Director, the Company considers an outside director to be independent if none of the following items are applicable.

- His or her immediate family member is, or has been within the last three years, an executive 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 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 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 and 2% of that organization's annual gross revenues.

Name	Reasons for appointment
Baba Kalyani	Mr. Kalyani was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of a major global company.
Cynthia Carroll	Ms. Carroll was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on her rich experience and insight as the top executive of major global companies.
Sadayuki Sakakibara	Mr. Sakakibara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight as the top executive of a major global company.
George Buckley	Mr. Buckley was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of major global companies.
Louise Pentland	Ms. Pentland was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies.
Harufumi Mochizuki	Mr. Mochizuki was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of public administration, etc.
Takatoshi Yamamoto	Mr. Yamamoto was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management.
Philip Yeo	Mr. Yeo was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his broad experience and insight in such areas as public administration.
Hiroaki Yoshihara	Mr. Yoshihara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management and accounting.

(1) Nominating Committee

The Nominating Committee has the authority to determine particular 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 outside Directors.

The Nominating Committee meetings were held 6 days during the fiscal year ended March 31, 2016.

(2) 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 consists of five Directors, including three outside Directors and one standing Audit Committee members.

The Audit Committee meetings were held 16 days during the fiscal year ended March 31, 2016.

(3) Compensation Committee

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

The Compensation Committee meetings were held 9 days during the fiscal year ended March 31, 2016.

Composition of the Board of Directors and Each Committee

	Number of persons	Outside Directors	Directors	Chairman
Board of Directors	13	9*	4	Inside Director
Nominating Committee	4	3	1	Outside Director
Audit Committee	5	3	2	Outside Director
Compensation Committee	4	3	1	Outside Director

* In regard to the outside directors, Hitachi has notified all outside Directors as independent directors to each of the stock exchanges in Japan where the Company is listed.

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 August 1, 2016, Hitachi had 34 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussing from diverse viewpoints. This committee consists of eight members as of June 22, 2016: President & CEO, four Executive Vice President and Executive Officers and three Senior Vice President and Executive Officers.

Director and Executive Officer Compensation

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. Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

Compensation for Directors will consist of a monthly remuneration and a year-end allowance. Monthly remuneration will be decided by adjusting basic remuneration that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc. Year-end allowance will be a pre-determined amount equivalent to about 20% of the Director's annual income based on monthly remuneration, although this amount may be reduced depending on financial results. A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

Compensation for Executive Officers will consist of a monthly remuneration, a performance-linked component and a medium and long-term incentive compensation. The higher position Executive Officers hold, the higher proportion of variable pay (the sum of performance-linked component and medium and long-term incentive compensation, except monthly remuneration as fixed pay) will be set to the total annual compensation. Monthly remuneration will be decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position. Performance-linked component will be decided by adjusting a basic amount to reflect financial results and individual performance. The basic amount is set within the range of about 25 to 35% of the total annual compensation of each Executive Officer in accordance with the relevant position. Medium and long-term incentive compensation* will be stock options as stock-based compensation with share price conditions (stock acquisition rights with the strike price of ¥1), the number of which to be granted will be determined within the range of about 10 to 40% of the total annual compensation of each Executive Officer in accordance with the relevant position. As for expatriates, cash award based on the value of the Company's share price with the similar conditions will be substituted for the stock options.

* It was decided at the Compensation Committee meeting held on May 13, 2016 that medium and long-term incentive compensation will be introduced as a component of the compensation from the fiscal year commencing on April 1, 2016.

The compensation structure for Directors and Executive Officers was re-examined starting with compensation for the fiscal year ended March 31, 2009, and the retirement allowance was abolished.

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Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2016, is as follows:

Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly remuneration	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	117* ¹	105* ¹	12	3* ²
Outside Directors	280	265	14	8
Executive Officers	1,763	1,275	487	28
Total	2,161	1,647	514	39

*1 The amount of compensation to Directors (excluding outside Directors) includes the monthly remuneration for one Director, who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.

*2 The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.

In addition, Directors or Executive Officers whose compensation from Hitachi and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)					
				Monthly remuneration	Performance-linked component	Basic remuneration	Incentive		Others* ⁶
							Short-term	Long-term	
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer* ³	161	115	46	—	—	—	—
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive Officer* ³	136	97	39	—	—	—	—
Alistair Dormer* ⁴	Hitachi Rail Europe Ltd. (Consolidated subsidiary)* ⁵	Executive Chairman and CEO	161	—	—	70	61	28	—
John Domme* ⁴	Hitachi Information & Telecommunication Systems Global Holding Corporation (Consolidated subsidiary)* ⁵	Chairman of the Board and CEO	900	—	—	144	185	558	12

*3 Although concurrently serving as Director, Messrs. Hiroaki Nakanishi and Toshiaki Higashihara do not receive compensation as Director.

*4 Although concurrently served as Executive Officer of the Company for the fiscal year ended March 31, 2016, Messrs. Alistair Dormer and John Domme did not receive compensation as Executive Officer of the Company.

*5 The basic remuneration paid in Sterling pounds and US dollars is converted into yen using average exchange rate for each quarter of the fiscal year ended March 31, 2016. The other compensations paid in Sterling pounds and US dollars are converted into yen using average exchange rate for the fiscal year ended March 31, 2016.

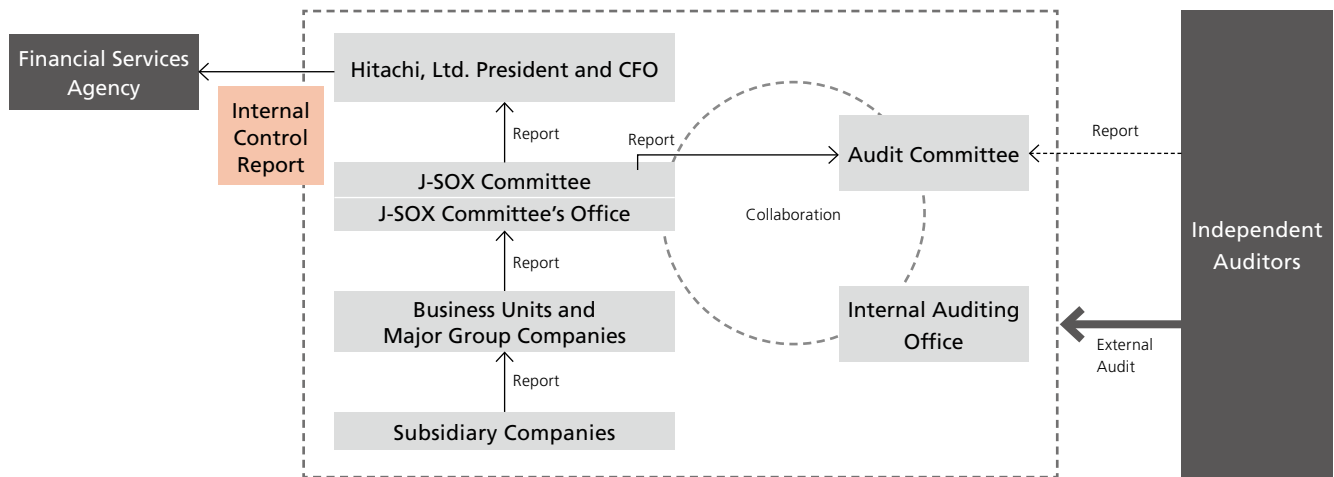
*6 The "Others" column represents the amount of fringe benefits.

Internal Control over Financial Reporting

To ensure the reliability of the financial reporting for the Group as a whole, the Hitachi Group has documented control procedures, from company-level controls to process-level controls, in accordance with policies determined by the J-SOX Committee. In regard to assessment of the internal control over financial

reporting, Hitachi is advancing the establishment of systems for objective assessment at each business unit and major Group company. The J-SOX Committee's office summarizes the assessment results of each company to confirm the effectiveness of internal control on a Group-wide, consolidated basis.

Hitachi Group Internal Control Assessment Framework (As of April 1, 2016)



Accountability

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 the fiscal year ended March 31, 2016, we held quarterly financial results briefings and corporate strategy meetings on our progress with the 2015 Mid-term Management Plan. Following on from the fiscal year ended March 31, 2015, we hosted Hitachi IR Day 2015, where senior management explained their business strategies and management policies under the Plan. Feedback from institutional investors and analysts was positive. Their comments included, "I was struck by the Company-wide efforts to generate cash flows," and "This was a valuable once-a-year opportunity to update our understanding of the Company's various businesses—one that I very much hope will continue."

We also conducted tours of the Nakajo Division of Hitachi Industrial Equipment Systems and Hitachi Consumer Products (Thailand), a consumer electronics production site, to deepen understanding of our product businesses, in addition to conducting about 740 one-on-one meetings with institutional investors and analysts worldwide. Members of senior management visit institutional investors in North America, Europe, and Asia twice a year to explain corporate management policies and business directions. We are doing our best to share IR feedback in-house and reflect this in management and operations.

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. We aim to continuously enhance our information disclosure. In the fiscal year ended March 31, 2016, 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/>

Major information disclosure publications

Financial results / Quarterly financial results

Annual securities reports / Quarterly reports

Business reports / Interim business reports

Annual report

Hitachi Group sustainability reports
