

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

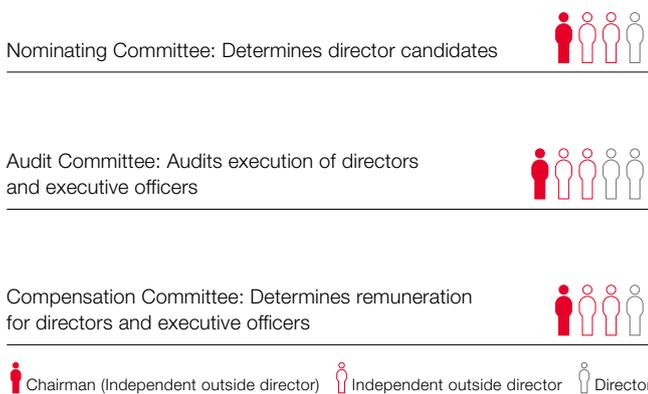
① Realizing quick, highly transparent management

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 2017)



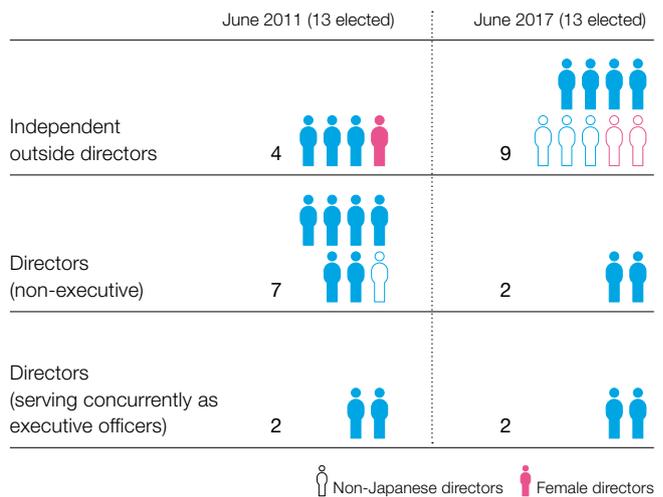
② Accelerating global management and strengthening oversight function

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



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

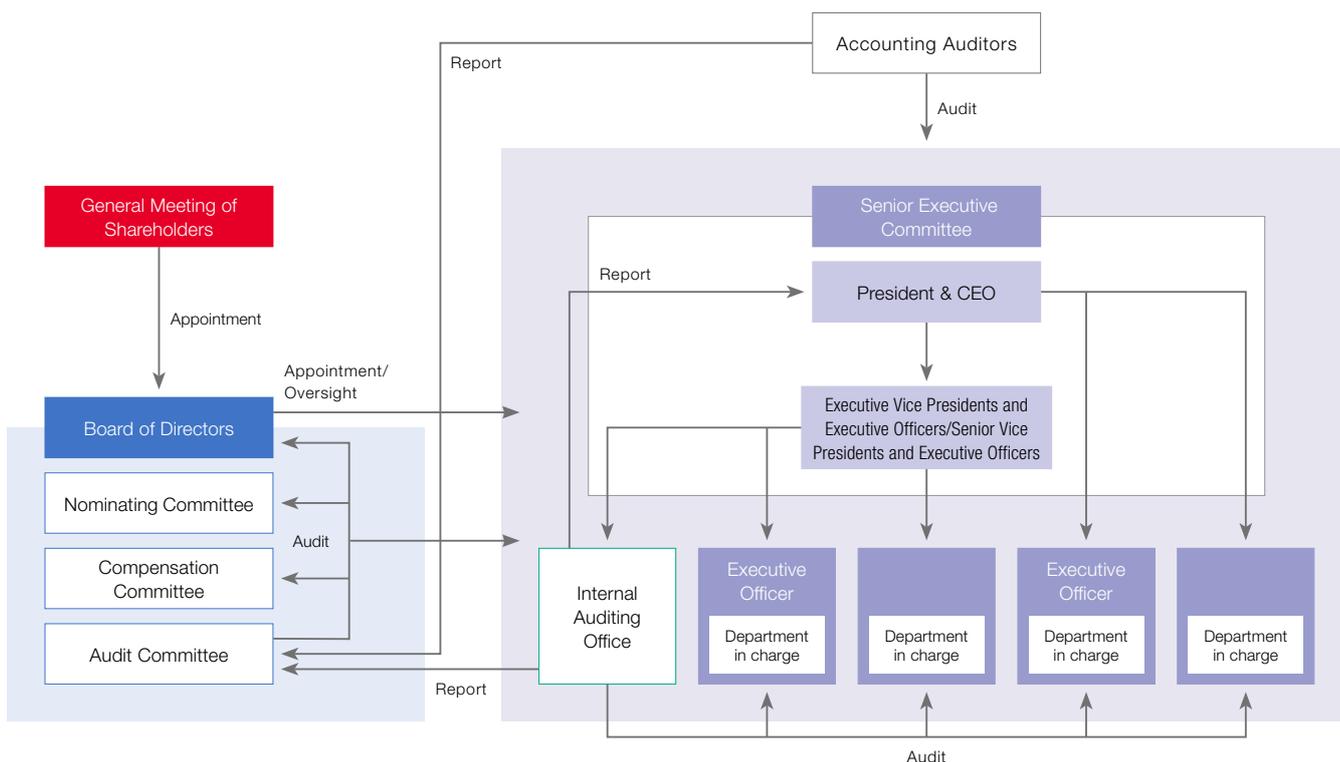
In evaluating the Board's effectiveness for the fiscal year ended March 31, 2017, questionnaires were distributed to all directors, and each of them carried out a self-assessment of the Board regarding its composition, decision-making process, contribution to the company, operational and support systems for the Board, and other aspects. Based on the results of these evaluations, the Board analyzed and evaluated its effectiveness as a whole, considering comparison to the results for the fiscal year ended March 31, 2016.

The Board assessed that the Board 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 medium/long-term growth of corporate value. The Board, therefore, concluded that the effectiveness of the Board as a whole is being maintained.

Based on the suggestions made by each director with an aim to maintain and improve the functions of the Board, the Company will make Board discussions related to business strategies more effective and improve the method of information provision to help directors further expand their contribution.

Corporate Governance 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 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 21, 2017, the Board of Directors was made up of 13 directors, two of whom concurrently serve as executive officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which nine 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 8 days during the fiscal year ended March 31, 2017, and the attendance rate of directors at these meetings was 99%. 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.

Attendance at meetings of the Board of Directors by each independent outside director in the fiscal year ended March 31, 2017

Name	Attendance*	Attendance rate
Baba Kalyani	6 out of 7 days	86%
Cynthia Carroll	8 out of 8 days	100%
Sadayuki Sakakibara	8 out of 8 days	100%
George Buckley	8 out of 8 days	100%
Louise Pentland	8 out of 8 days	100%
Harufumi Mochizuki	8 out of 8 days	100%
Takatoshi Yamamoto	7 out of 7 days	100%
Philip Yeo	8 out of 8 days	100%
Hiroaki Yoshihara	8 out of 8 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 the independent 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 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 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.

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.

Independent outside directors and reasons for appointment

Baba Kalyani	Mr. Kalyani is 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 is 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 is 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 is 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 is 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 is 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 is 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 is 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 is 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 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 10 days during the fiscal year ended March 31, 2017.

(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 independent outside directors and one standing Audit Committee member.

The Audit Committee meetings were held on 16 days during the fiscal year ended March 31, 2017.

(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, 2017.

Composition of the Board of Directors and each committee (as of June 21, 2017)

	Number of persons	Independent outside directors*	Directors	Chair
Board of Directors	13	9	4	Director
Nominating Committee	4	3	1	Independent outside director
Audit Committee	5	3	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, Sadayuki Sakakibara, Hiroaki Nakanishi
Audit Committee	Hiroaki Yoshihara (Chair), Harufumi Mochizuki, Takatoshi Yamamoto, Kazuyuki Tanaka, Toyooki Nakamura
Compensation Committee	Harufumi Mochizuki (Chair), Sadayuki Sakakibara, 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 21, 2017, Hitachi has 36 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 10 members as of June 21, 2017: the President & CEO, six executive officers serving as executive vice presidents, and three executive officers serving as senior vice presidents.

Director and Executive Officer Compensation

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.

Basic Policy

Compensation for directors and executive officers shall be determined in accordance with the following basic policy.

- Compensation shall be such that it enables the company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with the roles and responsibilities of directors and executive officers.
- Compensation for directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for executive officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business, and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies, as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

Compensation Structure

(i) Directors

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

- 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.
- 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.

(ii) Executive officers

Compensation for executive officers consists of basic remuneration, performance-linked compensation, and medium- and long-term incentive compensation. The higher position the executive officer holds, the higher the proportion of variable pay (the sum of the performance-linked compensation and the medium- and long-term incentive compensation, not including basic remuneration as fixed pay) is as a portion of total annual compensation.

- 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.
- 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.
- 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. As for expatriates, cash awards based on the value of Hitachi's share price with similar conditions are substituted for the stock options.

(iii) Miscellaneous

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.

The amount of compensation for directors and executive officers for the fiscal year ended March 31, 2017, 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 compensation	Medium- and long-term incentive compensation	
Directors (excluding independent outside directors)	75* ¹	69* ¹	6	—	4* ³
Independent outside directors	308* ²	290* ²	17	—	10
Executive officers	2,569	1,386	982	200	33
Total	2,953	1,747	1,005	200	47

*1 The amount of compensation to directors (excluding independent outside directors) includes the basic remuneration for two directors who retired due to expiration of their term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.

*2 The amount of compensation to independent outside directors includes the basic remuneration for one independent outside director who retired due to expiration of his term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.

*3 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	(Millions of yen)				
			Total amount of compensation, etc.	Total amount of each type			Year-end allowance
				Basic remuneration	Incentive		
				Short-term* ⁴	Medium- and long-term* ⁵		
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive officer* ⁶	209	102	70	37	—
	Hitachi, Ltd. (The Company)	Executive officer		57	40	10	—
Ryuichi Kitayama	Hitachi High-Technologies Corporation (consolidated subsidiary)	Director	110	1	—	—	—
	Hitachi Capital Corporation (consolidated subsidiary)* ⁷	Director		1	—	—	—
	Hitachi, Ltd. (The Company)	Executive officer		49	39	10	—
Yutaka Saito	Hitachi Kokusai Electric Inc. (consolidated subsidiary)	Director	113	7	—	—	1
	Hitachi Construction Machinery Co., Ltd. (consolidated subsidiary)	Director		5	—	—	1
	Hitachi, Ltd. (The Company)	Executive officer		57	40	10	—
Koji Tanaka	Hitachi Chemical Company, Ltd. (consolidated subsidiary)	Director	112	3	—	—	0
Toshikazu Nishino	Hitachi, Ltd. (The Company)	Executive officer	113	61	41	10	—
Alistair Dormer* ⁸	Hitachi Rail Europe Ltd. (consolidated subsidiary)* ⁹	Executive chairman and CEO	146	67	40	38	—
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive officer* ⁶	189	97	67	24	—

*4 Collective term for compensation from the Company and consolidated subsidiaries paid depending on financial results and individual performance in the short term.

*5 Medium- and long-term incentive compensation for executive officers of the Company is stock options as stock-based compensation.

*6 Although they concurrently served as director for the fiscal year ended March 31, 2017, Toshiaki Higashihara and Hiroaki Nakanishi did not receive compensation as director.

*7 The amount of compensation from Hitachi Capital Corporation is only for the period when it was a consolidated subsidiary of Hitachi, Ltd. during the fiscal year ended March 31, 2017.

*8 Although he concurrently served as an executive officer of the Company for the fiscal year ended March 31, 2017, Alistair Dormer did not receive compensation as an executive officer of the Company.

*9 The basic remuneration paid in pounds is converted into yen using the average exchange rate for each quarter of the fiscal year ended March 31, 2017. Incentive compensation paid in pounds is converted into yen using the average exchange rate for the fiscal year ended March 31, 2017.

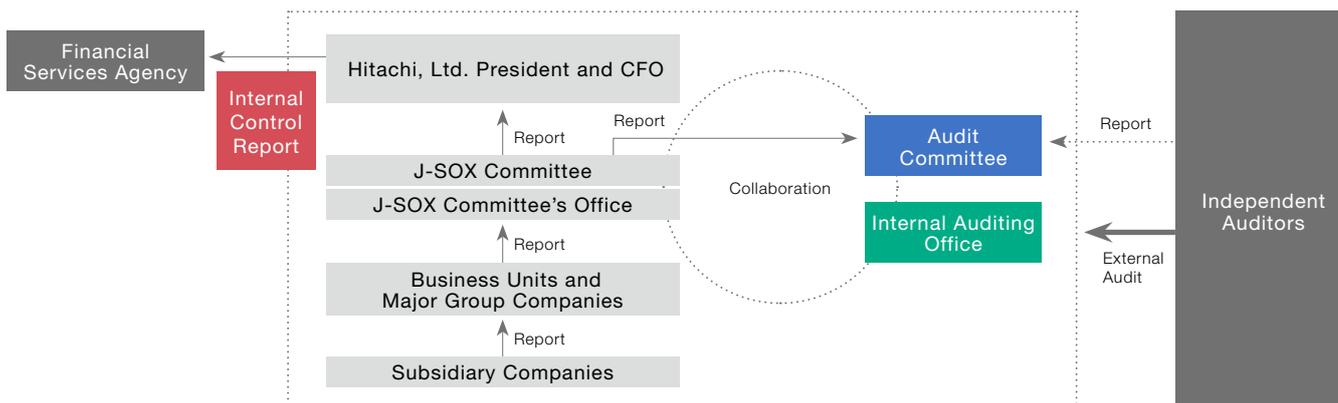
Internal Control over Financial Reporting

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 across the entire Group.

Hitachi Group Internal Control Assessment Framework (As of April 1, 2017)



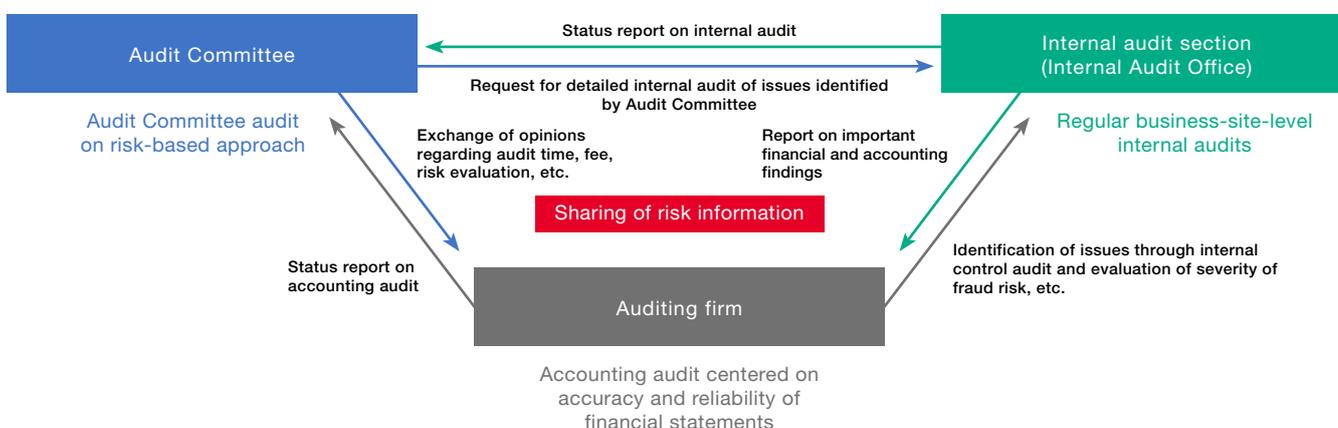
Toward a More Integrated “Tripartite Audit” Function

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 Audit Office; and external auditing firm. Through close

communication, the three share information about risks and evaluation of risk responses, secure transparency in the audit process, and improve the effectiveness of internal control systems.

Improving Internal Control through a “Tripartite Audit” Function

- Goals
- 1 Leveling of audit methods
- 2 Improving efficiency and transparency in audit processes with a risk-based approach



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 fiscal 2016, we held quarterly financial results briefings as well as corporate strategy meetings presenting our new 2018 Mid-term Management Plan. We also hosted the seventh annual **Hitachi IR Day**, where divisional managers from each business unit explained their business strategies and management policies under the plan. Feedback from institutional investors and analysts was positive, with comments including “**Hitachi IR Day** has become a well-established IR event,” and “Direct briefings from CEOs of business units about their business strategies are important opportunities for those of us in the capital market to deepen our understanding of Hitachi’s various businesses, and we very much hope they will continue.”

We also held briefings to explain our newly constructed IoT platform “Lumada,” and members of senior management continued their practice of visiting institutional investors and analysts in North America, Europe, and Asia twice a year to explain corporate management policies and business direction, for a combined total of around 700 meetings. In addition, we hosted numerous company information sessions tailored to individual investors to deepen their understanding of Hitachi. We are doing our best to report to members of senior management and to 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. 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/>

Major information disclosure publications

Financial results/Quarterly financial results

Annual securities reports/Quarterly reports

Business reports/Interim business reports

Hitachi Group sustainability reports
