
Governance at Hitachi

ESG Briefing

September 24, 2019

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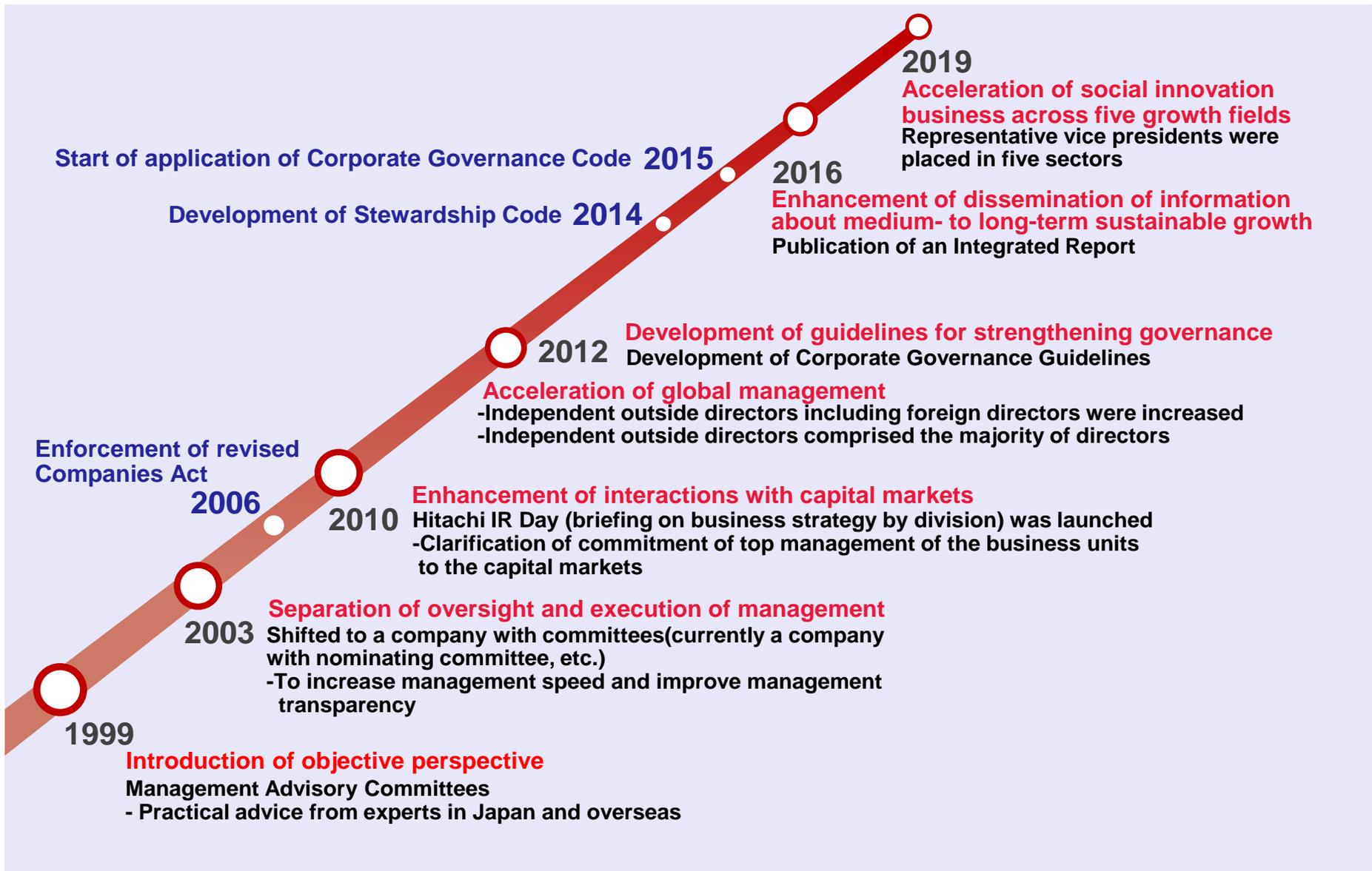
Director
Hitachi, Ltd.

Hiroaki Yoshihara

Biography

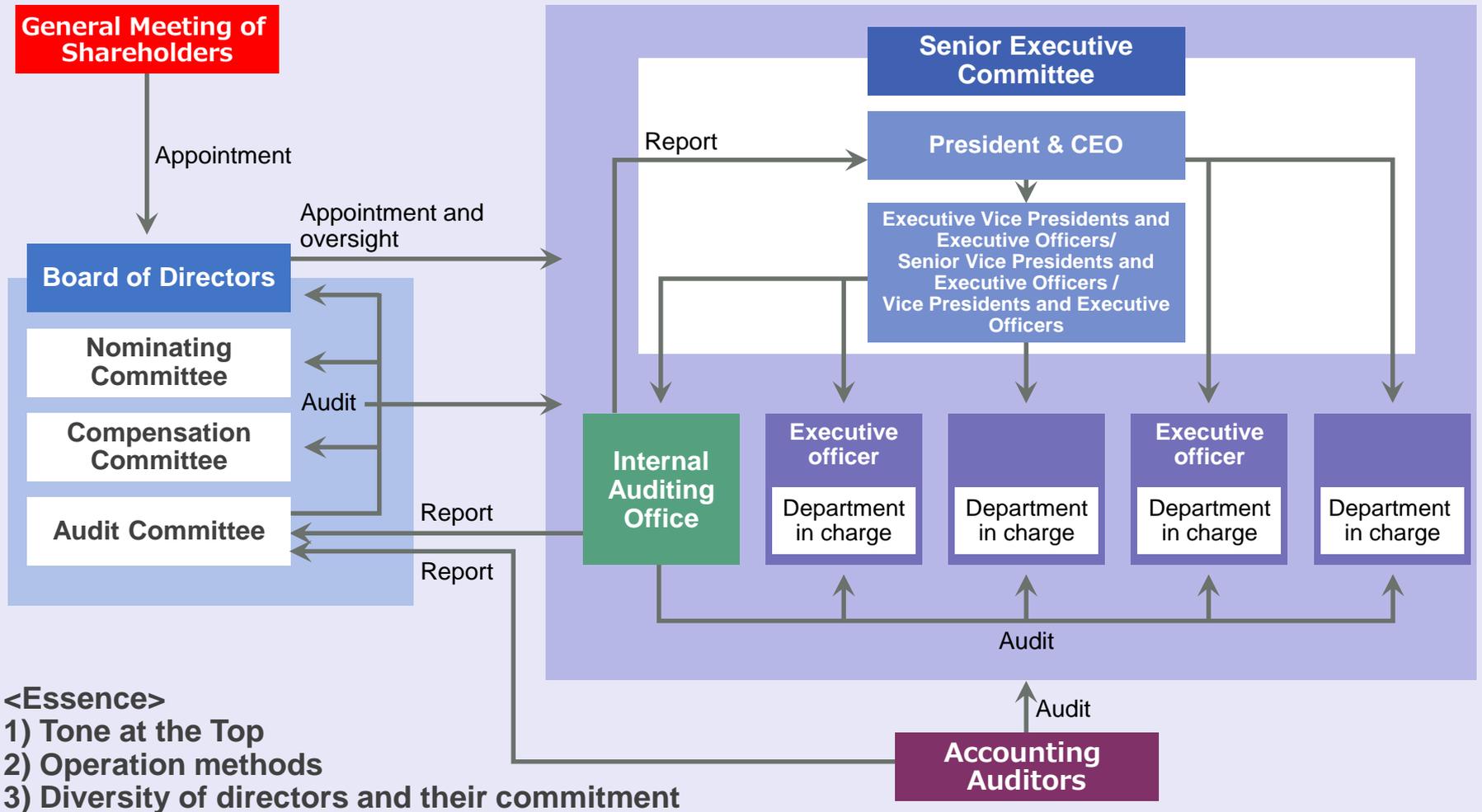
- 1978 **Joined Peat Marwick Mitchell & Co.**
- 1987 **Partner, KPMG LLP**
- 1996 **National Managing Partner, the Pacific Rim Practice, KPMG LLP**
- 1997 **Board Member, KPMG LLP**
- 2003 **Vice Chairman and Global Managing Partner, KPMG International (retired 2007)**
- 2008 **Outside Director of Murata Manufacturing Co., Ltd. (current post)**
- 2014 **Independent Outside Director of Hitachi, Ltd. (current post)**
- 2018 **Outside Director of HOYA Corporation (current post)**

2. Development of Hitachi's Corporate Governance Reforms



3. Corporate Governance Framework

With the thoroughly separated oversight and execution of management, realizing extremely rapid and transparent management



<Essence>

- 1) Tone at the Top
- 2) Operation methods
- 3) Diversity of directors and their commitment

4. Constitution of Board of Directors (Appointed June 2019)

Independent outside directors comprise the majority of directors
(since June 2012)

- Their global perspectives, extensive experience and insights in the respective fields are applied to our management
- Further clarification of separation of management oversight and execution

Constitution of Board of Directors	June 2011 (13 new directors were appointed)	June 2019 (11 new directors were appointed)
Independent Outside directors	 4 directors	 8 directors
Inside directors (non-executive)	 7 directors	 1 director
Inside directors (& executive)	 2 directors	 2 directors
Remark	 Japanese male	 Japanese female
	 Foreign male	 Foreign female

5. Outline of Activities of Board of Directors and Three Committees (April 2018 to March 2019)

	Number of times held	Key agenda items	Examples of activities
Board of Directors	12 times	Development of Mid-term Management Plan and reporting on its progress, budget, closing account, business strategy by sector, important individual matters, self-assessment	-Holding of the Board of Directors at an overseas venue (once a year) -Holding of an independent outside directors' meeting (once a year)
Nominating Committee	9 times	-Review of constitution of Board of Directors -Succession plan	Group discussions with the personnel for the management of the next period and individual interviews (on an as-needed basis)
Compensation Committee	6 times	-Review of executives' remuneration -Introduction of restricted stock (RS)	—
Audit Committee	17 times	Reporting on quarterly reviews, etc. by auditors, reporting on internal audits, prior submission of important individual matters to board of directors and follow-up of progress, self-assessment	-Conducting "Tripartite Audit" in liaison with one another -Sharing of information for strengthening audits -Periodic monitoring by various reporting meetings

6. Audit Committee: Improving Internal Control through a “Tripartite Audit” Function

**[Purpose] (1) Leveling of audit methods
(2) Improving efficiency and transparency in audit processes with a risk-based approach**



- ◆ **Examples of initiatives for improving effectiveness of “Tripartite Audit”**
- Mutual assessment between Company executives and accounting auditors
 - Assessment of performance of auditors of subsidiaries
 - Introduction of Segment Coordinating Partner (SCP) system
 - Continuous search for personnel for auditing and development of auditors

Cautionary Statement

Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi’s customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

Hitachi Social Innovation is

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