

## Corporate Governance

Hitachi and eight of 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 mid- to long-term. Moving forward, Hitachi will work to further strengthen corporate governance.

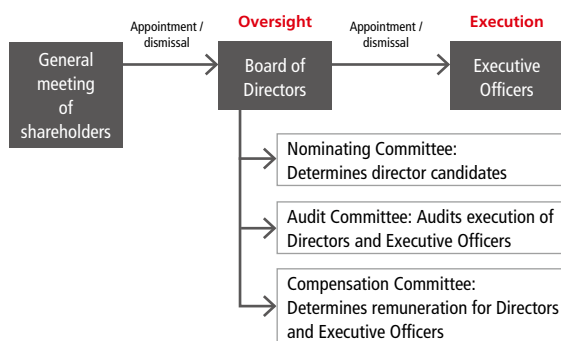
### Initiatives to Strengthen Corporate Governance

#### 1. Realizing quick, highly transparent management

**Transition to a company with Committee System (currently a company with Nominating Committee, etc.) (June 2003~)**

##### Major Points of Change

- Establishment of three committees in the Board of Directors (Nominating, Audit, and Compensation Committees), and appointment of Executive Officers (separation of oversight and execution).
- The Board of Directors approves basic management policy for the Group and implements oversight of the execution of the duties of Executive Officers and Directors.
- Appointment of outside directors is required (with outside directors as a majority of each committee).



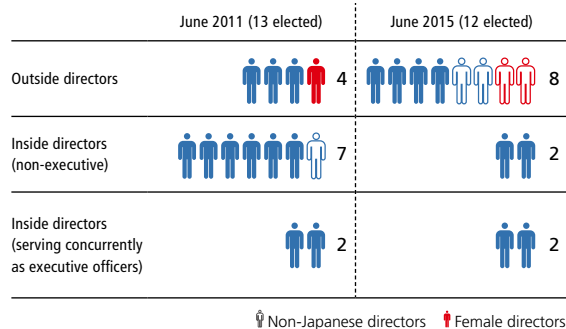
#### 2. Accelerating global management, strengthening oversight function

**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



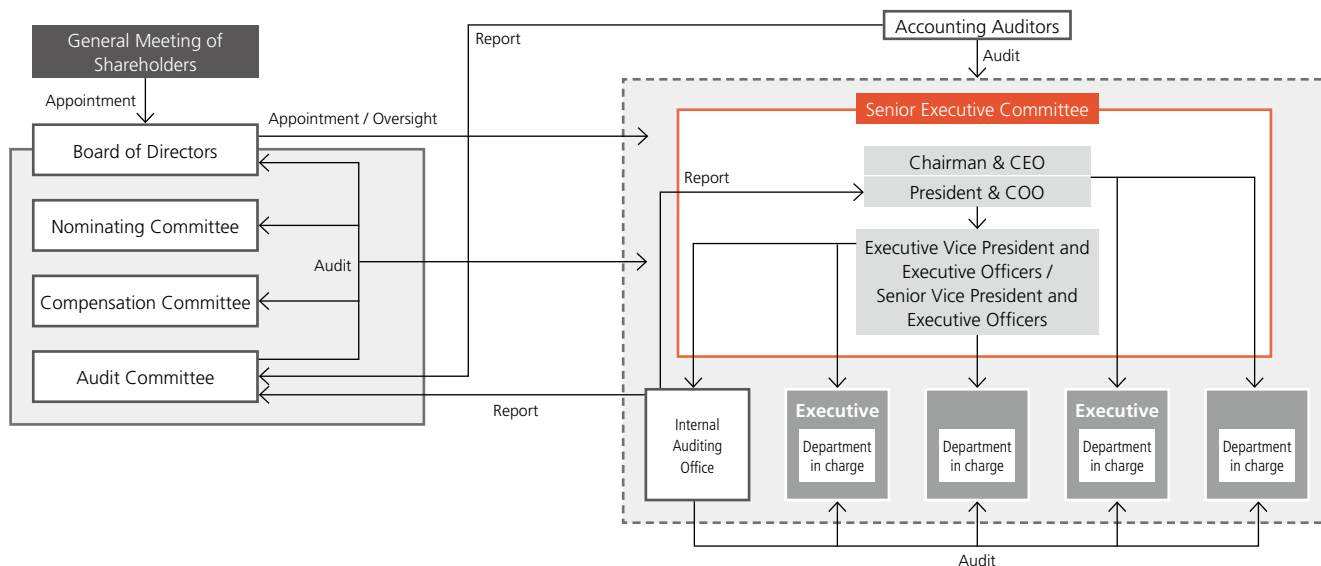
#### 3. Clarification of responsibility / authority

**Introduced in-house company system (October 2009~) and in-house rating system (April 2010~)**

##### Major Aims

- Clarify responsibility and authority for total of 40 in-house companies and Group companies, take thorough approach to rapid management through independent profitability
- Determine scope of delegation of investment authority to each in-house company in accordance with in-house rating, increase management speed
- Hold Hitachi IR Day, an IR event at which the leaders of each in-house company explain principal business strategies and management initiatives that support the achievement of the goals of the Mid-term Management Plan

## 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 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 30, 2015, the Board of Directors was made up of 12 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the supervisory function of the Board of Directors, of which eight 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 9 days during the fiscal year ended March 31, 2015, and the attendance rate of Directors at these meetings was 99%. 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, 2015

Name	Attendance
Nobuo Katsumata	9 out of 9 days
Cynthia Carroll	9 out of 9 days
Sadayuki Sakakibara	8 out of 9 days
George Buckley	9 out of 9 days
Harufumi Mochizuki	9 out of 9 days
Philip Yeo	9 out of 9 days
Hiroaki Yoshihara	8 out of 8 days

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, 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.

### (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 seven days during the fiscal year ended March 31, 2015.

### (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 two standing Audit Committee members.

The Audit Committee meetings were held 14 days during the fiscal year ended March 31, 2015.

### (3) Compensation Committee

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

The Compensation Committee meetings were held seven days during the fiscal year ended March 31, 2015.

### Composition of the Board of Directors and Each Committee

	Number of persons	Outside Directors	Directors	Chairman
Board of Directors	12	8*1	4	Director
Nominating Committee	4	3	1	Outside Director
Audit Committee	5	3	2	Director
Compensation Committee	4	3	1	Outside Director

\*1. 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 June 30, 2015, Hitachi had 31 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 discussing these matters from diverse viewpoints. This committee consists of nine members as of June 30, 2015: Chairman & CEO, President & COO, six Executive Vice President and Executive Officers, and one Senior Vice President and Executive Officer.

## Director and Executive Officer Compensation

Compensation for Directors and Executive Officers is commensurate with the ability required of them as well as their responsibilities, while compensation packages at other companies are also taken into consideration.

The compensation for Directors consists of a monthly salary and a year-end allowance. The monthly salary is decided by making adjustments to the basic salary that reflects full-time or part-time status, committee membership and position, and travel from place of residence, among other factors. The year-end allowance is a pre-determined amount equivalent to about 20% of the Director's annual income based on the monthly salary, although this amount may be reduced depending on Hitachi's performance. Directors concurrently serving as Executive Officers are not paid compensation as Directors.

The compensation for Executive Officers consists of a monthly salary and a performance-linked component. The monthly salary is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment. The performance-linked component is set within a range equivalent to about 40% of the Executive Officer's annual income, adjusted based on Hitachi and individual performance.

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.

Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2015, is as follows:

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	127* <sup>3</sup>	114* <sup>3</sup>	13	6* <sup>2</sup>
Outside Directors	247* <sup>3</sup>	234* <sup>3</sup>	13	9
Executive Officers	1,946	1,329	616	29
Total	2,322	1,678	644	44

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

\*3 The amount of compensation to Directors and outside Directors respectively includes the monthly salary for three Directors and two outside Directors who retired due to expiration of their term of office at the close of the 145th Annual General Meeting of Shareholders held on June 20, 2014.

In addition, Directors or Executive Officers for whom 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 salary	Performance-linked component
Hiroaki Nakanishi	Hitachi, Ltd.	Executive Officer* <sup>4</sup>	192	132	60
Toshiaki Higashihara	Hitachi, Ltd.	Executive Officer* <sup>4</sup>	143	99	44
Junzo Nakajima* <sup>5</sup>	Hitachi East Asia Ltd. (Consolidated subsidiary)* <sup>6</sup>	Director	103	75	28

\*4 Although concurrently serving as Director, Messrs. Hiroaki Nakanishi and Toshiaki Higashihara do not receive compensation as Director.

\*5 Although concurrently served as Executive Officer of Hitachi for the fiscal year ended March 31, 2015, Mr. Junzo Nakajima did not receive compensation as Executive Officer of Hitachi.

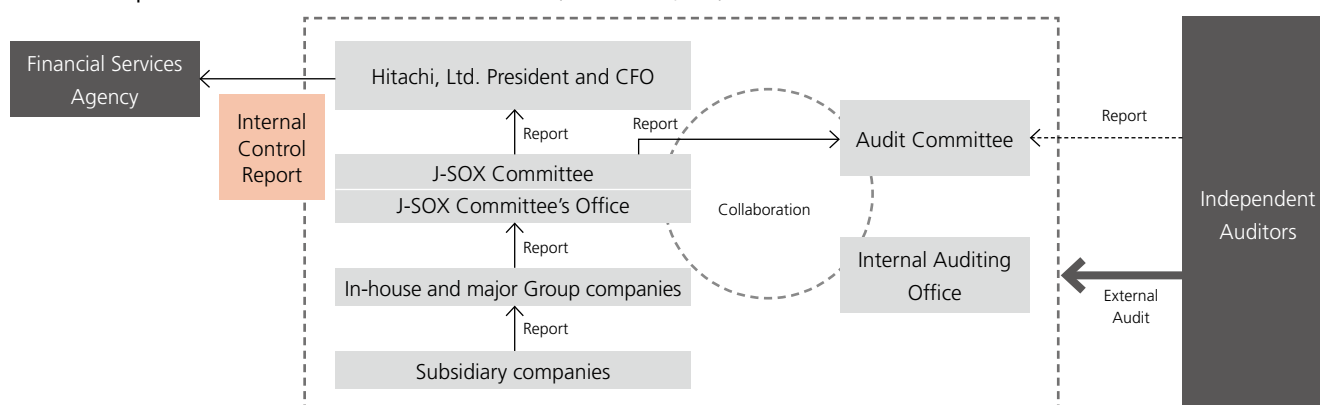
\*6 The compensation paid in Hongkong dollar is converted into yen by average exchange rate for each quarter of the fiscal year ended March 31, 2015.

## 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 in-house company 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 March 31, 2015)



## 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, IR events, and the general meeting of shareholders.

In the fiscal year ended March 31, 2015, the Company held quarterly results presentations, as well as a presentation on the progress of the 2015 Mid-term Management Plan. In addition, continuing on from the fiscal year ended March 31, 2014, the Company held Hitachi IR Day 2014, an IR event at which leaders explained principal business strategies and management initiatives in accordance with the Mid-term Management Plan. Furthermore, to deepen understanding of the rail systems business, Hitachi offered tours of the Kasado Works, and in addition the Company held approximately 740 individual meetings with institutional investors and analysts in Japan and overseas. Moreover, twice per year management leaders visit institutional investors in North America, Europe, and Asia to explain management policies, business trends, and other matters.

Hitachi is working to utilize the opinions obtained through these IR activities as feedback within the Company and to reflect them in management and business administration.

Hitachi is taking steps to implement aggressive information disclosure, such as providing presentation materials, videos, and performance and stock price graphs on our website for shareholders and investors.

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

### Major information disclosure publications

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Financial results / Quarterly financial results

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Annual securities reports / Quarterly reports

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Business reports / Interim business reports

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Annual reports

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Hitachi Group sustainability reports

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