



MANAGEMENT &

Independent Outside Directors* As of June 30, 2017

01 Baba Kalyani

1972 Joined Bharat Forge Limited
1983 Joint Managing Director, Bharat Forge Limited
1994 Managing Director, Bharat Forge Limited
1997 Chairman & Managing Director, Bharat Forge Limited (Currently in office)
2016 Director, Hitachi, Ltd.

02 Cynthia Carroll

1991 General Manager, Foil Products, Alcan Inc.
1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.
1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc.
2002 President & CEO, Primary Metal Group, Alcan Inc.
2007 CEO, Anglo American plc. (Retired in April 2013)
2013 Director, Hitachi, Ltd.

03 Sadayuki Sakakibara

2002 President and Representative Member of the Board, Toray Industries, Inc.
2010 Chairman of the Board and Representative Member of the Board, Toray Industries, Inc.
2013 Director, Hitachi, Ltd.
2014 Chairman of the Board, Toray Industries, Inc.
2015 Chief Senior Advisor and Chief Senior Counselor, Toray Industries, Inc.
2017 Senior Advisor, Toray Industries, Inc. (Currently in office)

04 George Buckley

1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company
1994 President, US Electrical Motors, Emerson Electric Company
1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation
2000 President and Chief Operating Officer, Brunswick Corporation, Chairman and Chief Executive Officer, Brunswick Corporation
2005 Chairman of the Board, President and Chief Executive Officer, 3M Company
2012 Executive Chairman of the Board, 3M Company (Retired in May 2012)
Chairman, Arle Capital Partners Limited (Retired in December 2015)
Director, Hitachi, Ltd.

05 Louise Pentland

1997 Admitted as a Solicitor (UK)
2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation
2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation
2008 Senior Vice President and Chief Legal Officer, Nokia Corporation
2009 Admitted to New York State Bar Association
2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014)
2015 General Counsel, PayPal, eBay Inc. Director, Hitachi, Ltd.
Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc.
2016 Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (currently in office)

06 Harufumi Mochizuki

Chair of the Nominating Committee
Chair of the Compensation Committee
2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")
2003 Director-General, Small and Medium Enterprise Agency, METI
2006 Director-General, Agency for Natural Resources and Energy, METI
2008 Vice-Minister of Economy, Trade and Industry of Japan
2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)
Senior Advisor to the Board, Nippon Life Insurance Company (Retired in April 2013)
2012 Director, Hitachi, Ltd.
2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)

07 Takatoshi Yamamoto

1995 Managing Director, Morgan Stanley Japan Limited
1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited
2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.
2009 Managing Director, CASIO COMPUTER CO., LTD.
2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)
2016 Director, Hitachi, Ltd.

08 Philip Yeo

1970 Joined Ministry of Defense of Singapore
1979 Permanent Secretary, Ministry of Defense of Singapore
1986 Chairman, Economic Development Board of Singapore
2001 Chairman, Agency for Science, Technology and Research of Singapore
2007 Senior Advisor for Science and Technology to the Ministry of Trade & Industry, Singapore (Retired in September 2008)
Special Advisor in Economic Development, Prime Minister's Office, Government of Singapore (Retired in August 2011)
Chairman, SPRING Singapore (Currently in office)
2012 Director, Hitachi, Ltd.

09 Hiroaki Yoshihara

Chair of the Audit Committee
1978 Joined Peat Marwick Mitchell & Co.
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 in April 2007)
2014 Director, Hitachi, Ltd.

* As all of outside directors meet the independence criteria defined by the Company and those provided by Japanese stock exchanges where the Company is listed, they are referred to as independent outside directors in this report.



Directors As of June 30, 2017

10 Kazuyuki Tanaka

1977 Joined Hitachi Chemical Company, Ltd.
 2005 Executive Officer, Hitachi Chemical Company, Ltd.
 2006 Senior Executive Director, Hitachi Media Electronics Co., Ltd.
 Representative Director and President,
 Hitachi Media Electronics Co., Ltd.
 2008 Vice President and Executive Officer,
 Hitachi Chemical Company, Ltd.
 2009 Representative Executive Officer, President & Chief Executive Officer,
 Hitachi Chemical Company, Ltd.
 Director, Representative Executive Officer, President & Chief
 Executive Officer, Hitachi Chemical Company, Ltd.
 2016 Chairman of the Board, Hitachi Chemical Company, Ltd.
 (Currently in office)
 Director, Hitachi, Ltd.

11 Hiroaki Nakanishi

1970 Joined Hitachi, Ltd.
 2003 Vice President and Executive Officer
 2004 Senior Vice President and Executive Officer
 2005 Chairman and Chief Executive Officer,
 Hitachi Global Storage Technologies, Inc.
 2006 Executive Vice President and Executive Officer, Hitachi, Ltd.
 (Retired in December 2006)
 2009 Executive Vice President and Executive Officer, Hitachi, Ltd.
 2010 President, Hitachi, Ltd., President and Director, Hitachi, Ltd.
 2014 Chairman & CEO and Director, Hitachi, Ltd.
 2016 Chairman of the Board and Representative Executive Officer,
 Hitachi, Ltd.

12 Toyoaki Nakamura

1975 Joined Hitachi, Ltd.
 2006 General Manager, Finance Department
 2007 Senior Vice President and Executive Officer
 Senior Vice President, Executive Officer and Director
 2009 Senior Vice President and Executive Officer
 2012 Executive Vice President and Executive Officer
 (Retired in March 2016)
 2016 Director

13 Toshiaki Higashihara

1977 Joined Hitachi, Ltd.
 2007 Vice President and Executive Officer (Retired in March 2008)
 2008 President, Hitachi Power Europe GmbH
 2010 President and Chief Executive Officer,
 Hitachi Plant Technologies, Ltd.
 President and Representative Director,
 Hitachi Plant Technologies, Ltd.
 2011 Vice President and Executive Officer, Hitachi, Ltd.
 2013 Senior Vice President and Executive Officer, Hitachi, Ltd.
 2014 President & COO, Hitachi, Ltd.
 President & COO and Director, Hitachi, Ltd.
 2016 President & CEO and Director, Hitachi, Ltd.

- Nominating Committee
- Audit Committee
- ▲ Compensation Committee
- ✦ Representative Executive Officer

Each Committee is composed of the following members (chair names underlined)

Nominating Committee:

Harufumi Mochizuki, Cynthia Carroll, Sadayuki Sakakibara, Hiroaki Nakanishi

Audit Committee:

Hiroaki Yoshihara, Harufumi Mochizuki, Takatoshi Yamamoto, Kazuyuki Tanaka, Toyoaki Nakamura

Compensation Committee:

Harufumi Mochizuki, Sadayuki Sakakibara, Takatoshi Yamamoto, Toshiaki Higashihara

Executive Officers

As of June 30, 2017

President & CEO



Toshiaki Higashihara*
Overall management

Executive Vice Presidents and Executive Officers



Masakazu Aoki*
Assistant to the President and industrial products business



Ryuichi Kitayama*
Assistant to the President, marketing & sales, and social innovation business promotion



Yutaka Saito*
Assistant to the President and IoT business



Keiichi Shiotsuka*
Assistant to the President and systems & services business

Senior Vice Presidents and Executive Officers



Koji Tanaka*
Assistant to the President and nuclear energy business



Toshikazu Nishino*
Assistant to the President and management strategies



Shinichiro Omori
Cost structure reform, information technology strategies and supply chain management (MONOZUKURI and quality assurance)



Toshiaki Kuzuoka*
Corporate communications and CSR, legal matters, risk management and corporate auditing



Keiji Kojima
Services & platforms business



Hiroshi Sato
Building systems business



Yasuo Tanabe
Governments & external relations



Yoshitaka Tsuda
Marketing & sales and social innovation business promotion



Alistair Dormer
Railway systems business



Mitsuaki Nishiyama*
Finance and corporate pension system

Vice Presidents and Executive Officers

Hiroyuki Ugawa
Business for industry & distribution sectors

Kenji Urase
Water business

Ryuichi Otsuki
Services & platforms business

Atsushi Oda
Power business

Yoshihiko Kawamura
Investment strategies and strategies for next generation business

Kenichi Kokubo
Regional strategies (China)

Keizo Kobayashi
Urban solutions business

Setsuo Shibahara
Systems & services business

Akira Shimizu
Governments & external relations

Norihiro Suzuki
Research & development

Katsuya Nagano
Business for government, public corporation and social infrastructure systems

Hidenobu Nakahata
Human capital

Tadashi Namura
Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems, healthcare business and defense systems business)

Isao Narukawa
Marketing & sales (nuclear energy business, power business and energy solutions business)

Masaaki Nomoto
Energy solutions business

Kentaro Masai
Railway systems business

Yasushi Manabe
Marketing & sales (business for industry & distribution sectors, water business, building systems business, railway systems business and urban solutions business)

Mamoru Morita
Management strategies

Tsugio Yamamoto
Business for financial institutions

Masaya Watanabe
Healthcare business

Representative Executive Officer

Hiroaki Nakanishi*
General

Note: Executive officers are listed by position and in Japanese alphabetical order within each grouping.

* Denotes executive officers who are representative executive officers.

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

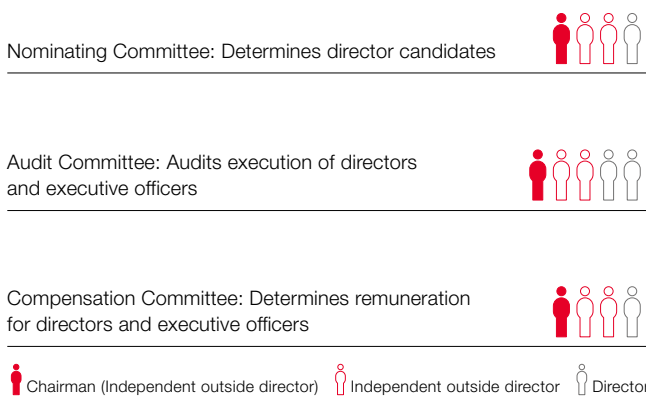
① Realizing quick, highly transparent management

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)



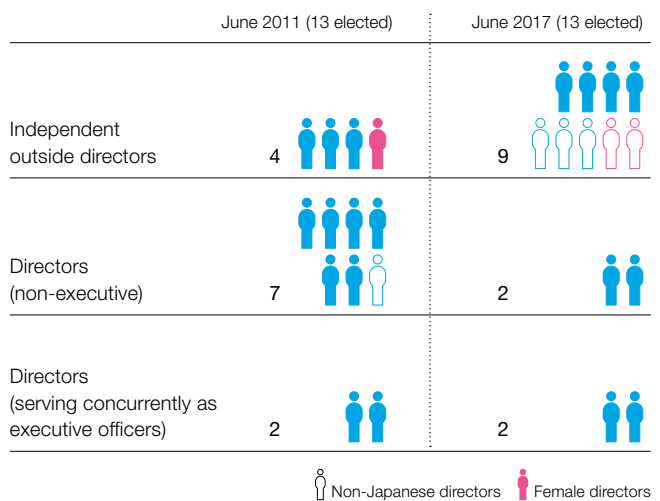
② Accelerating global management and strengthening oversight function

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

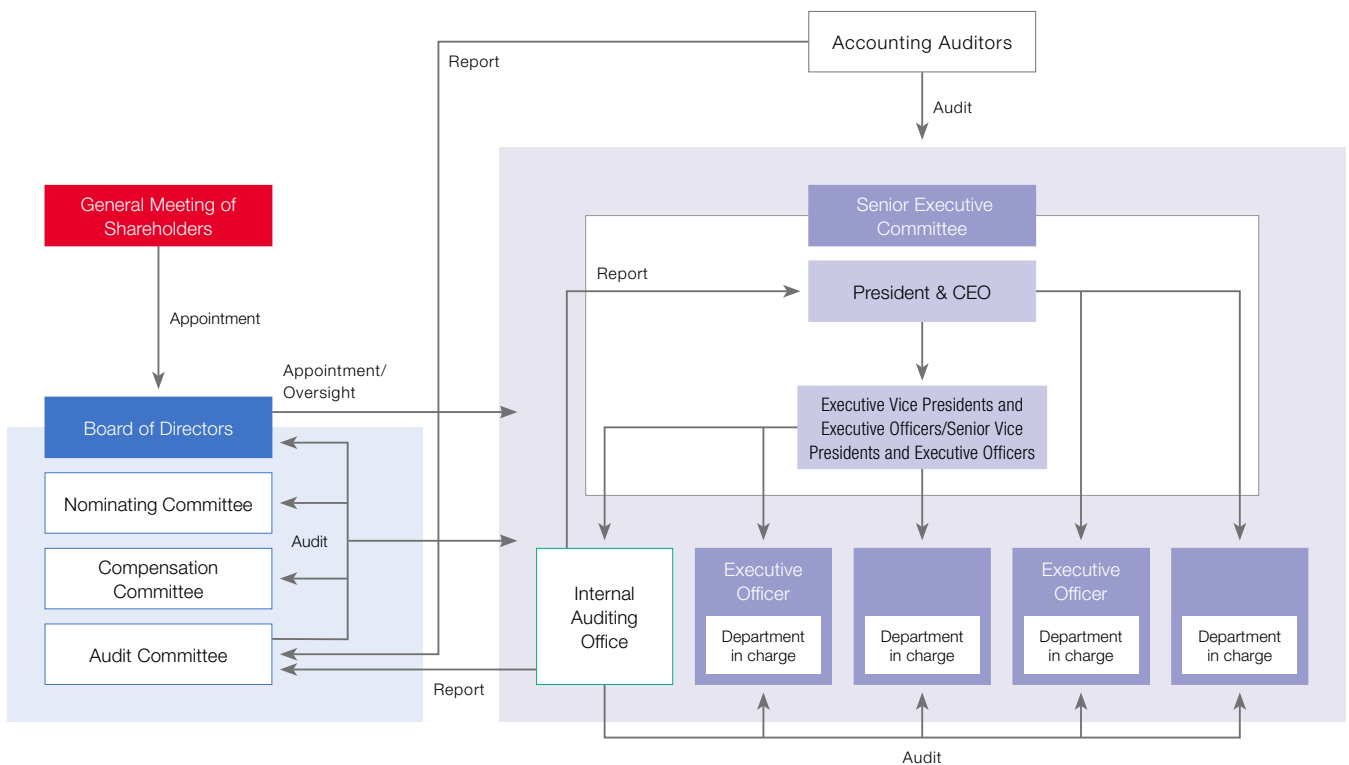
In evaluating the Board's effectiveness for the fiscal year ended March 31, 2017, questionnaires were distributed to all directors, and each of them carried out a self-assessment of the Board regarding its composition, decision-making process, contribution to the company, operational and support systems 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, Toyoaki 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.

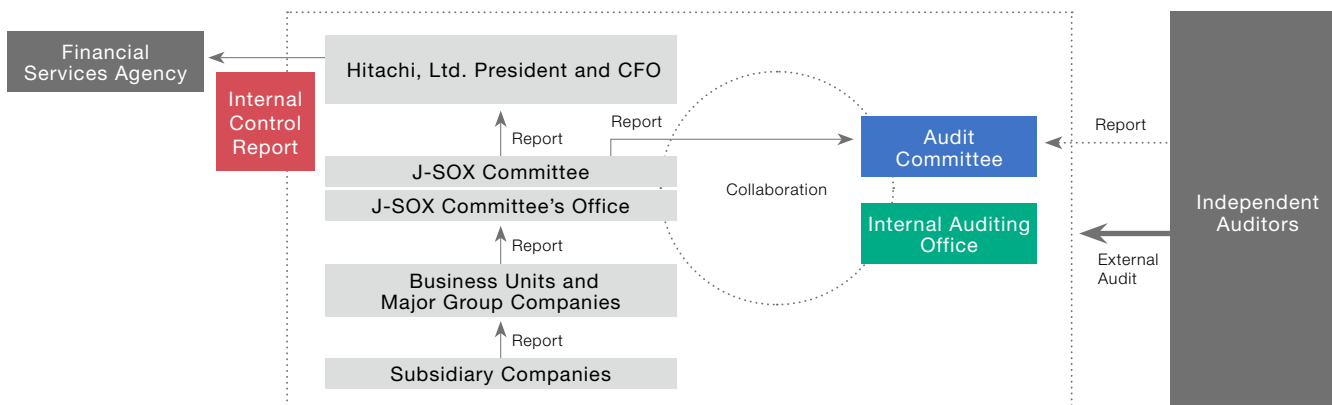
Internal Control over Financial Reporting

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)



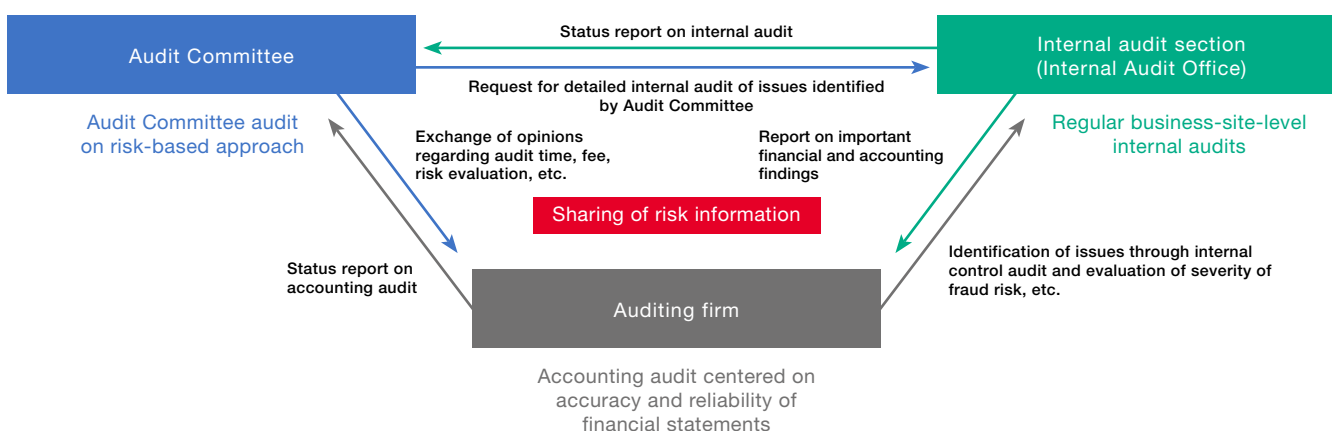
Toward a More Integrated “Tripartite Audit” Function

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

Risk Management

Reinforcement of Risk Management System

The entire Hitachi Group is reinforcing its risk management system to address increasingly globalized and complex risks.

Under Hitachi, Ltd.'s head of risk management, each business operation assigns an executive as its risk management officer to manage risks mainly concerned with compliance, export control, disasters, and crime, and to respond adequately in coordination among the entire Group. Furthermore, Hitachi is building a comprehensive risk management system that contains standards and procedures to objectively evaluate different risks that may affect business.

Stable Provision of Products and Services Creating BCPs in Key Operations Worldwide

Given the close relation of our business to social infrastructure, we are enhancing our business continuity plans (BCPs) to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. In December 2006, we issued the *Hitachi Group Guidelines for Developing Business Continuity Plans (Overview)* in Japanese. In fiscal 2010 this was translated into English and Chinese for distribution to all Hitachi Group companies worldwide to ensure our response readiness for large disasters and other risks.

When the Great East Japan Earthquake struck in March 2011, our BCPs enabled quick responses and swift decision making. However, issues emerged, including identification of secondary and other suppliers, cloud storage and multiplexing of production information, and the need to secure alternate transportation and fuel sources. Based on the lessons learned from this disaster, in October 2011 we released and distributed new versions of the *Hitachi Group Guidelines for Developing Business Continuity Plans* for individual departments to further improve our BCPs.

By the end of fiscal 2011, Hitachi Group operations in Japan had completed their preparation and review of BCPs for both large earthquakes and novel strains of influenza as appropriate to their operations.

On top of these efforts, Hitachi, Ltd. has held annual earthquake drills simulating a major seismic event at key operations in Japan since fiscal 1998. In March 2017, Hitachi Chemical held drills under the direction of its head office general manager, with managers at the head office and the Nabari Works striving to improve their risk management skills and identify possible areas for improvement in their BCPs.

Hitachi appointed personnel with responsibility for risk response policies at its main overseas bases in fiscal 2013. By the end of that year, around 300 companies had prepared BCPs with the goal of completing them for key operations. These BCPs are aimed at strengthening our ability to respond to business risks, including large disasters, novel strains of influenza, political instability, and social disruption, as well as acts of terrorism. Moving forward, we intend to further expand the scope of our BCPs.

Creation of Procurement BCPs

We have a deep involvement in social infrastructures in places where the suppliers who are our business partners can be affected by major earthquakes and other natural disasters.

These disasters can heavily impact not only our business operations and those of our suppliers but also society as a whole. To minimize this impact, the procurement divisions in business units and key Group companies in Japan have created procurement BCPs that (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory strategically; and (5) consider substitute products. To see whether or not procurement BCPs would be effective, we held desktop exercises to discuss in a group what should be done during and after a disaster, making further improvements as a result.

In fiscal 2016, all major Group business sites with production lines (approximately 200 sites in total) took steps to maintain and strengthen the procurement BCPs they had created by the previous fiscal year, thereby contributing to the continuation of Hitachi's global operations.

Improving Safety for Employees Sent to Dangerous Regions

Responding to the hostage incident in Algeria in January 2013, then President Hiroaki Nakanishi reinforced his policy in February 2013 of ensuring the safety of employees sent to countries and areas at higher risk. Survey missions of in-house and outside experts are now sent beforehand to areas at high risk of war, terrorism, and other threats. Even after employees are dispatched to such areas, we conduct additional local surveys every six months as a means of confirming the effectiveness of our safety policies. In fiscal 2016, with the threat of terrorism expanding around the world, we introduced a range of safety measures, including providing timely alerts to employees. This underscores our commitment to ensuring the safety of our employees working around the globe. Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, Hitachi executives participated in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs. Since 2014 Hitachi has taken part in public-private kidnap incident preparatory training exercises.

Promoting Information Security

Implementing Rigorous Information Security

Hitachi's chief information officer (CIO) is appointed by the company's president and has the authority and responsibility to implement and operate an Information Security Management System (ISMS). In fiscal 2016, the role of the CIO was performed by Hitachi's senior vice president and executive officer. The Information Security Committee, chaired by the CIO, determines policies and procedures for information security and personal information protection. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

The Hitachi Group emphasizes two points in information security and personal information protection:

(1) Precautionary measures and prompt security responses

We classify assets to be secured and take safeguarding measures based on vulnerability and risk analyses. We also have an emergency manual for security breaches, based on the assumption that these are inevitable, and not just possible.

(2) Promoting stronger ethical and security awareness among data users

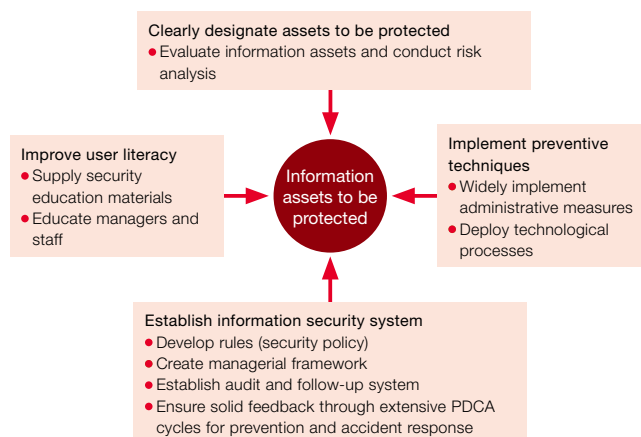
We have prepared a program tailored to Hitachi's various personnel levels and are working to raise the prevailing sense of ethics and security awareness through Group-wide e-learning. We are also conducting audits to identify and address problems early on.

Details, including a message from the CIO and a list of third-party assessments and certifications, are contained in *Information Security Report 2016*.

Information Security Report 2016

http://www.hitachi.com/csr/download/pdf/securityreport_e.pdf

Basic Approach to Information Security Governance



Education on Information Security

Consistently maintaining information security requires all parties to continually develop their knowledge of information handling and to remain strongly aware of the issues. For this reason, we hold annual e-learning programs on information security and personal information protection for all directors, employees, and temporary employees.

Nearly all of the roughly 40,000 employees at Hitachi, Ltd. participate in these programs. We offer a variety of courses that have different goals and are tailored to different target audiences, including new employees, new managers, and information system administrators. In 2012, we also began simulation training to educate employees about the increasing trend toward malicious targeted e-mail attacks and other cyberattacks. Employees are sent examples of targeted e-mail to heighten their awareness of security through direct experience.

Our educational programs, available to Hitachi Group companies in Japan and other global regions, provide Group-wide education on information security and personal information protection.

Preventing Information Leaks

Hitachi, Ltd. has formulated the Three Principles for Preventing Leakage of Confidential Information to ensure the highest level of care for such information and to prevent leaks and other related incidents. Our policies ensure that if an incident does occur, damage is promptly minimized by contacting customers, reporting to government agencies, investigating causes, and acting to prevent any recurrence.

Hitachi Group companies take the following IT steps to prevent information leaks: using encryption software and secure PCs; employing electronic document access control and expiration processing software; maintaining ID management and access control by building an authentication infrastructure; and filtering e-mail and visited websites. In response to the recent spate of targeted e-mail attacks and other cyberattacks, we are participating in an initiative to share information between the private sector and the government. We are also enhancing our IT organization by adding more layers to our leak prevention procedures, including both entry and exit countermeasures.

To ensure the secure exchange of information with our suppliers, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We have provided tools to suppliers (procurement partners) for security education and for checking business information on computers. In addition, we require suppliers to check and remove business information from personal computers to prevent leaks. In the May 2017 global cyberattack, ransomware that functions like a network worm affected parts of Hitachi's in-house system, temporarily disabling the sending and receipt of e-mails. No information leaks were detected, however, and there was no damage to customers or other outside parties through e-mail sent from the Hitachi Group.

Three Principles for Preventing Leakage of Confidential Information

- Principle 1 As a general principle nobody can take Confidential Information out of the Company's premises.
- Principle 2 Any person taking Confidential Information out of the Company's premises due to business necessity shall obtain prior approval from the Information Assets Manager.
- Principle 3 Any person taking Confidential Information out of the Company's premises due to business necessity shall put in place relevant and appropriate measures against information leakage.

Damage Caused by Ransomware, and Status of Recovery

<http://www.hitachi.com/New/cnews/month/2017/05/170517a.pdf>

Global Information Security Management

Hitachi Group companies worldwide reinforce their information security in line with our Global Information Security Administration Rules, which conform to the international ISO/IEC 27001 standard. These rules are distributed from the parent company in Japan to Group companies around the world. Other security measures include secure shared services and support from our regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

Thorough Information Security Audits and Inspections

The Hitachi Group has developed its approach to security based on the "plan-do-check-act" (PDCA) cycle for its information security management system. We conduct annual information security and personal information protection audits at all Group companies and business units.

The president appoints officers to conduct independent audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing. There are 222 Hitachi Group companies in Japan that conduct audits in the same way as Hitachi, Ltd., and all results are subject to confirmation. For Hitachi Group companies outside Japan, we use a "common global self-check" approach to ensure Group-wide auditing and inspections. We implement Confirmation of Personal Information Protection and Information Security Management annually for the voluntary inspection of business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 654 operations (as of March 2017) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.

Compliance

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior in accordance with conditions in the countries and regions where we have operations. As a global company, we are implementing a consistent compliance structure across the entire Hitachi Group.

Enhancing Our Compliance Framework

Based on the Hitachi Group Codes of Conduct, we have expanded the Hitachi Global Compliance Program. To comprehensively implement our compliance framework through this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group. Every business unit and key Group company also has an executive handling risk management, assisted by a compliance manager. We are also supporting regional Group companies and have appointed compliance heads in 11 regions globally.

Under this system, policies and measures are shared through the Compliance Management Conference, composed of risk management executives from business units and key Group companies. In addition, all compliance managers meet regularly at the Hitachi Group Compliance Conference to provide information on compliance and to confirm implementation of required actions.

The Advisory Committee, consisting of outside experts, convenes regularly to exchange views on the state of compliance initiatives. The insights provided by committee members are utilized to improve policies and actions.

The internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where the reviews identify necessary improvements, corrective measures are swiftly implemented.

Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate.

In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group, who are able to report issues through in-house channels, but also by temporary staff and suppliers. In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors.

The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to appropriately deal with situations, including taking remedial action where necessary.

Thorough Export Controls

For basic export control policies, we have adopted the Hitachi Standards of Corporate Conduct, which state: "We shall help maintain international peace and security through compliance with trade-related laws and regulations." We established the Corporate Regulations Concerning Security Export Control based on this policy in 1987. We carry out strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support on the formulation of regulations as well as on the establishment of frameworks to Hitachi Group companies in Japan and around the world to ensure that all Group companies follow the same export control policies.

At present, as part of our educational program for all the Group companies, we host workshops on export control in addition to the annual implementation of an e-learning program in Japanese, English, and Chinese. Moving forward, we will continue to make an effort so that export control is thoroughly enforced throughout the Group.

Measures to Prevent Bribery and Corrupt Practices

Hitachi makes thoroughgoing efforts to prevent bribery and corrupt practices in accordance with the Hitachi Global Compliance Program.

To deal with global bribery and corruption risks, since fiscal 2013 we have referred to the Resource Guide to the US Foreign Corrupt Practices Act* and other documents to develop various corruption risk scenarios. These were used as the basis for a survey conducted at almost all Hitachi Group companies outside Japan (roughly 600 companies in total). By analyzing the survey results, we identified companies at risk from corruption due to factors such as high levels of involvement with governmental and related businesses. These risks were identified at approximately 10% of the companies surveyed, and through close monitoring of those companies, along with educational and other initiatives, we are working to reduce corruption worldwide. We will continue to carry out this sort of risk evaluation regularly.

In 2016, we revised our rules regarding the prevention of bribery and corrupt practices, with changes including an explicit ban on facilitation payments and clarification of due diligence procedures for transaction partners.

To ensure awareness of these policies and regulations, we developed a global e-learning program on preventing bribery and corrupt practices, making it available in nine languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

In fiscal 2016, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices.

* The US Foreign Corrupt Practices Act consists of antibribery provisions regarding foreign government officials and transparent accounting provisions within the Securities Exchange Act. Enforced by the Department of Justice, it prohibits bribes to foreign government officials. Transparent accounting, enforced by the Securities and Exchange Commission, requires companies to show transactions fairly and accurately in their accounting records and to maintain effective internal control over accounting.

Measures to Prevent Unfair Competition

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and disciplined competition. The Hitachi Global Compliance Program was developed based on these principles to ensure strict compliance with competition laws.

Fiscal 2016 saw two incidents in the United States of plea agreements related to cartel activities, and one in Japan of a cease and desist order related to collusion.

Hitachi takes these incidents very seriously and will continue strengthening its educational and institutional efforts to eliminate violations of competition laws.

Implementing Thorough Tax Compliance

The global expansion of Hitachi's business activities has made it necessary for the Group as a whole to build a system of tax governance in order to comply with indications made by the tax authorities in each country and respond to risks concerning taxation, such as tax-related legal proceedings. In January 2016, we established a set of tax-related regulations with which the entire Group must comply. Additionally, in connection with the globalization of our business, we are implementing risk management for taxation that focuses in particular on the points listed below:

- (1) Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body's Action Plan on Base Erosion and Profit Shifting (BEPS).
- (2) Group companies effectively, continually, and proactively manage tax-related issues as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.
- (3) Group companies build sincere and positive relations of trust with the tax authorities in the regions where the companies do business, and strive to maintain and develop those relations.

Furthermore, following the establishment in April 2017 of rules for Group transfer pricing management, Hitachi manages transfer pricing in accordance with the OECD Transfer Pricing Guidelines as well as laws and regulations on transfer pricing in each country or region where Group companies are located.

Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations. Hitachi did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations in fiscal 2016.

Messages from Independent Outside Directors

Contributing to Hitachi

Hitachi is a global company with operations all around the world. My tasks as a member of the Board of Directors are to learn and to give whatever input I can on the issues that we face. Each country, and each company, has a unique DNA. As a businessman and entrepreneur, I am always excited to learn these things. I have long had respect for Japanese companies and how they have grown into international businesses. Hitachi is one example of such a business, making it interesting for me to see firsthand how the company works while providing input from my own perspective on the areas that I know well—India, Europe, and North America.

Facing Challenges with Multiple Strengths

Every company faces challenges today, and Hitachi is no exception. There is a high level of disruption in technology and the digital space that touches every business. Major sociopolitical change is taking place across the spectrum in every country; these winds of change are affecting business like never before. There are also crises and flashpoints all over what has become a very multipolar world. All of this places tremendous strain on companies as they determine what talent they need to create for the future and how to direct it.

Hitachi faces a particularly broad range of challenges. The company is involved in some fields, such as automotive systems and construction machinery, that could be described as low-risk but feature high volatility related to technology change. In other areas, like the nuclear power and railway businesses, projects can run for decades, involving governments and making it harder to see where costs will be 15 years down the road. All of these different challenges require very different management

approaches. The task, therefore, is to put the right people, the right governance, and the right level of risk analysis and mitigation in place.

I believe that Hitachi has multiple strengths to help it face these varied challenges. First is the bandwidth of its technologies and capabilities in terms of products and processes. For instance, many companies are involved in IoT development now, but what Hitachi is doing with Lumada is ahead of the game.

Second is its strong management team. Hitachi handles corporate governance very well. There is plenty of openness, with board members and executive officers able to express their opinions freely. The company also has outside board members from different countries, as well as female directors, making it a trendsetter of sorts as well as a good corporate governance example.

Third, Hitachi has the ability to recognize how the world is changing and to take actions to stay ahead of those changes, rather than simply reacting to them after the fact. We've had plenty of forward-looking discussion about Brexit and the US presidential election, for example, as something that could impact Hitachi's businesses.

Finding the Right Way Forward

This tremendous volume of discussion is one of Hitachi's key tools to prepare it to meet the challenges of the times. The Hitachi Board carries out a lot of discussion, taking a systematic approach to risk management and ensuring that there is analysis available on all areas where risk is involved. This analysis generates options for the company, allowing it to get a feel for the business environment, the risks, and the growth opportunities. Of course, Hitachi is involved in hundreds of different businesses, and it would be very difficult for any one person to understand it all, but frequent and detailed discussions let us get a more comprehensive feel of the business environment.

On the level of its local operations around the world, Japanese managers used to run global operations, but Hitachi is now changing to place more operations in local managers' hands. All it takes is some cultural adjustments and an open mindset. Hitachi is certainly headed in the right direction.



Baba Kalyani



Takatoshi Yamamoto

Hitachi's Challenge, My Mission

Including my time as a financial analyst, I have been an observer of Hitachi's management for more than 30 years. Hitachi's performance has wavered at times, but the company is now entering a new stage, aiming to become a truly major global player and an "Innovation Partner for the IoT Era." Although it is one of Japan's leading enterprises, in terms of profitability Hitachi is not yet excelling. To rank among the competition as a truly global player, Hitachi must realize sustainable growth of enterprise value by strengthening its earnings ability. All executive officers from the CEO down must understand the concept of enterprise value, including from an ESG perspective; management decisions must be based on a clear, ongoing estimation and evaluation of current and future value. As an independent outside director, my mission is to use my long professional experience in corporate analysis in the capital markets to help Hitachi's management develop sustainable enterprise value and improve its corporate governance.

Further Strengthening Corporate Governance

I regard Hitachi's corporate governance highly. In 2016, Hitachi increased management transparency further by explicitly including dismissal of the CEO and selection of a successor among the responsibilities of the board of directors in its corporate governance guidelines. Nevertheless, in the course of supervising and auditing Hitachi over the past year as an outside director and a member of the Audit Committee, I noted opportunities for further improvement.

The first is audit structure. Hitachi encompasses almost 900 Group companies, including those newly consolidated through mergers and acquisitions, and it makes roughly half of its revenue outside Japan. For the efficient and appropriate auditing of such a large and diverse enterprise, further structural improvements are necessary. Hitachi's "tripartite audit" function, made up of the Audit Committee, the Internal Auditing Office, and an auditing firm, is top-class within Japan, but in 2017 Hitachi began working to establish tripartite audits for each Group company as part of constructing a

unified audit structure for the entire Group, including overseas entities. Hitachi will need to mitigate various risks as it continues to strengthen its audit structure.

The second area is verifying that executive officers reflect board-level discussions in both their actions and the results achieved. By monitoring and verifying how board discussions influence Hitachi's operations, the company's directors will be able to ensure the effectiveness of the board on which they serve. We independent outside directors must construct better means of assurance in this area.

A Roadmap to Become a Truly Global Player

To make Hitachi a truly global player that satisfies diverse stakeholders, and to develop ways to further increase its enterprise value, the following five points are vital: (1) bold and swift management decision-making and execution, including an ongoing review of the Group's business portfolio; (2) improved capital and asset efficiency; (3) higher profitability to meet global standards; (4) improved coordination and administration for mergers and acquisitions and major projects; and (5) more effective use of Hitachi's diverse and global human capital by management, including development of the next generation of executive officers.

Achieving the goals of the 2018 Mid-term Management Plan will be an important milestone, but when considering the company's long-term development, Hitachi must look beyond this plan. Hitachi is at a significant juncture, and whether it can become a truly major global player depends on which path it now follows. As a director, I will continue to monitor and supervise Hitachi closely, contributing all that I can to the realization of that goal and to the improvement of the company's enterprise value.