

Corporate Governance Guidelines of Hitachi Kokusai Electric Inc.

Formulated on December 10, 2015

Article 1 (Objective)

The objective of these guidelines is to specify the basic views on and framework of the corporate governance of Hitachi Kokusai Electric Inc. (the “Company”), so as to realize sustainable growth and increase the corporate value of the Company and Hitachi Kokusai Electric Group (the “Group”) over the medium- to long-term.

Article 2 (Basic Views on Corporate Governance)

In order to realize sustainable growth and increase the corporate value of the Company and the Group over the medium- to long-term, based on the basic views stated below, the Company strives for an optimal form of corporate governance.

- (1) Respect the rights and secure effective equal treatment of shareholders.
- (2) Endeavor to appropriately cooperate with stakeholders.
- (3) Ensure appropriate information disclosure and transparency.
- (4) Develop a system and an environment to secure the effectiveness of the Board of Directors, and endeavor to enhance its functions.
- (5) Engage in constructive dialogue with shareholders.

Article 3 (Securing the Rights and Equal Treatment of Shareholders)

The Company respects the rights of all shareholders and gives them equal treatment, in a manner commensurate with their interests.

2. In order to effectively ensure the exercise of shareholder rights, the Company makes efforts to secure ample time for shareholders' consideration, disclose information appropriately, and develop other necessary environments.

Article 4 (Cross-Shareholdings)

The Company's basic policy is to neither purchase nor hold any shares of other listed companies as cross-shareholdings, unless holding of such shares is recognized to be necessary for its transactional relations or business operations. For shares that the Company currently holds as cross-shareholdings, regular reviews are conducted to evaluate the necessity of their continuous holding.

2. The Company determines if it should exercise its voting rights of shares of another company that it holds, from the perspective of whether or not the exercise is effective for sustainable growth and increase of the corporate value of the Company and the said listed company over the medium- to long-term.

Article 5 (Preventing Conflicts of Interest)

Directors and Executive Officers shall not take any action that will benefit themselves or a third party but is against the interests of the Company.

2. When the Company carries out a transaction with its parent company and other related parties, the basic policy is to adopt fair terms and conditions of transactions based on the market value.
3. For Directors and Executive Officers to carry out a conflict-of-interest transaction or competitive transaction as defined under the Companies Act, the Board of Directors' approval is required.
4. Regarding the resolution of the Board of Directors in 3. above, a Director with an interest (includes professional interests outside of his/her position in the Company, in addition to personal interests) in the issue shall not participate in the decision-making process.

Article 6 (Relationships with Stakeholders)

The Company will give consideration to the rights and interests of all stakeholders, including shareholders, customers, employees, as well as business partners, and endeavor to maintain harmonious and favorable relationships with them.

Article 7 (Roles and Responsibilities of the Board of Directors)

The Board of Directors' responsibilities are to secure the effectiveness of corporate governance, as well as to realize sustainable growth and increase the corporate value of the Company and the Group over the medium- to long-term.

2. For the Board of Directors to fulfill its aforementioned responsibilities, besides establishing the Group's basic management policies, it shall determine matters related to the development of a system to secure the appropriateness of operations of the Company and the Group. In addition, it shall monitor the execution of operations by the Executive Officers and Directors.
3. The basic management policies stated in 2. above include medium-term management plans, annual budgets, etc. In addition to matters to be resolved as defined by laws and regulations, Articles of Incorporation and Rules of the Board of Directors, the Board of Directors shall focus on strategic discussion related to the basic management policies.
4. For the Board of Directors to fulfill its aforementioned roles, each Director on the Board of Directors bears the duty of loyalty and confidentiality obligation to the Company both within and outside the Board of Directors.

Article 8 (Size of the Board of Directors)

The maximum number of Directors shall be ten, so as to realize efficient operations and secure diversity with regard to opinions raised at the Board of Directors' meeting.

Article 9 (Composition of the Board of Directors)

Based on Article 8, the Nominating Committee deliberates the optimum number of Director candidates. In addition, to secure the effectiveness of the Board of Directors' supervisory function over management and decision-making function, the Nominating Committee determines details of the proposals to be resolved at

shareholder meetings regarding the appointment or dismissal of Directors by considering the following matters. This is to ensure the Board of Directors' sustainability, while enabling continuous injection of new perspectives and views into the Board of Directors' discussions.

- (1) Diversity in the experience and specialized knowledge possessed by the Director candidates
- (2) Composition ratio of Outside Directors to other Directors
- (3) Composition ratio of newly appointed candidates to re-appointed candidates
- (4) Years of service as the Company's Director
- (5) Concurrent appointment as a Director or Executive Officer in other companies

Article 10 (Selection of Director Candidates)

The Nominating Committee selects Director candidates by considering the following matters.

- (1) A person of superior personality, deep insight, and high ethics
- (2) A person with abundant experience in the fields of corporate management, law, public administration, accounting, education, or other fields

Article 11 (Independence Standards for Outside Directors)

The Nominating Committee deems a person who does not fall under any of the following items as meeting the independence standards for Outside Directors.

- (1) The person has in the past three years been a Director or an Executive Officer at the Company's parent company
- (2) The person has in the past three years been an Executive Director or an Executive Officer at a subsidiary of the Company's parent company
- (3) The person is or has in the past three years been an Executive Director, an Executive Officer or employee of a company whose value of annual transactions with the Company exceeds 2% of the Company's or the other party's net sales in any of the past three fiscal years
- (4) The person has received compensation as a legal, accounting, tax, or any other type of professional or as a consultant from the Company besides compensation as Directors or Executive Officers in the current or past three years, and said compensation amount exceeds 10 million yen in any of the past three fiscal years
- (5) The person is or has in the past three years been an Executive Director or Executive Officer of an organization that has received donations from the Company, and said donation amount exceeds 10 million yen as well as exceeds 2% of the other party's gross revenue or ordinary income in any of the past three fiscal years
- (6) A second-degree or closer relative of the person is or has in the past three years been a Director or an Executive Officer of the Company or its subsidiary
- (7) A second-degree or closer relative of the person is or has in the past three years been a Director or an Executive Officer of the Company's parent company or an Executive Director or an Executive Officer of the parent company's subsidiary
- (8) A second-degree or closer relative of the person falls under any of (3), (4) or (5) above

Article 12 (Chairpersons of the Board of Directors and of each Committee)

The chairpersons of the Board of Directors and of each Committee will make efforts to ensure that discussions are carried out smoothly, by securing ample time for deliberations and such, so as to facilitate constructive dialogue and exchanges of opinions at the meetings.

Article 13 (Consulting with Specialists)

The Board of Directors and each Committee may, whenever deemed necessary, consult with independent external specialists to obtain their opinions and advice.

Article 14 (Knowledge Advancement and Training of Directors)

The Company will provide knowledge advancement and training opportunities for Directors as necessary when they assume office and during their time in office, for them to acquire the necessary knowledge and skills required to perform their roles as Directors of the Company, such as information regarding the Group's businesses.

Article 15 (Evaluation of the Board of Directors)

Each year, the Board of Directors will perform an evaluation of its effectiveness.

Article 16 (Compensation for Directors and Executive Officers)

The Compensation Committee formulates the policy for determining the amount of compensation, etc. to be paid to each Director and Executive Officer of the Company.

Article 17 (Policy for Selection of President and Chief Executive Officer)

In the selection of the President and Chief Executive Officer, the Board of Directors takes the following criteria into consideration when deliberating the proposal for a successor.

- (1) The person has superior personality and deep insight, displays outstanding leadership, and possesses high ethics
- (2) The person has abundant experience and a distinguished track record in the field of corporate management
- (3) The person is deemed most suitable in realizing sustainable growth and increase of the corporate value of the Company and the Group over the medium- to long-term

Article 18 (Information Disclosure)

The Company makes disclosure of corporate information in compliance with relevant laws and regulations in a timely and appropriate manner. In addition, the Company proactively discloses information that it deems useful in deepening the stakeholders' understanding of the Company's management policies and businesses activities.

2. The Company secures fairness, equality and accuracy in making disclosure of corporate information. The Company also controls access to insider information rigorously, in accordance with internal rules and regulations.

Article 19 (Dialogue with Shareholders)

To promote constructive dialogue with shareholders, the Company designates an Executive Officer and a department to be in charge of Investor Relations (IR), which will cooperate with the relevant departments in a coordinated manner through information sharing, etc. In addition, the Company endeavors to continue conducting briefings, individual meetings and other measures.

2. Opinions, etc. obtained through such dialogue with shareholders will be shared among the Directors and Executive Officers. Useful opinions and suggestions will be considered at the Board of Directors' and other meetings.

Article 20 (Amendments)

These guidelines may be amended via the resolution of the Board of Directors or other relevant committees.