

Hitachi High-Tech

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Inspire the Next

Corporate Governance Guidelines

 **Hitachi High-Technologies Corporation**

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Table of contents

Preamble

Chapter 1 Fundamental View and Basic Policy Concerning Corporate Governance

- Article 1 (Fundamental View Concerning Corporate Governance)
- Article 2 (Corporate Vision)
- Article 3 (Permeation of Corporate Code of Conduct, etc.)

Chapter 2 Relationship with Shareholders

- Article 4 (General Meeting of Shareholders)
- Article 5 (Basic Strategy of Capital Policy)
- Article 6 (Policy Concerning Cross-Shareholdings and Standard Concerning Execution of Voting Rights)
- Article 7 (Transactions between Related Parties)

Chapter 3 Dialogue with Shareholders and Information Disclosure

- Article 8 (Fundamental Point of View Concerning Dialogue with Shareholders)
- Article 9 (IR Organization, etc.)
- Article 10 (Appropriate Information Disclosure)

Chapter 4 Cooperation with Stakeholders Other Than Shareholders

- Article 11 (Cooperation with Various Stakeholders)
- Article 12 (Appropriate Measures toward Realization of Sustainable Society)
- Article 13 (Respect of Diversity)
- Article 14 (Performance of Roles of Corporate Pension Funds as Asset Owners)

Chapter 5 Corporate Governance Structure

- Article 15 (Role of the Board of Directors)
- Article 16 (Size and Structure of the Board of Directors)
- Article 17 (Nomination of Director Candidates and Appointment or Dismissal of Executive Officers)
- Article 18 (Director Nominee Selection Policy)
- Article 19 (Independent Outside Directors)
- Article 20 (Concurrent Posts of Directors in Other Companies)
- Article 21 (Compensation of Directors and Executive Officers)
- Article 22 (Audit of Execution of Duties of Directors and Executive Officers)
- Article 23 (Information Provision to, and System of Supporting, Directors)
- Article 24 (Selection of Subjects and Materials of Board of Directors Meeting)
- Article 25 (Access to External Advisors by Directors)
- Article 26 (Training of Directors)
- Article 27 (Effectiveness Evaluation of the Board of Directors)

"Corporate Governance Guidelines" of Hitachi High-Technologies Corporation

Preamble

1. These guidelines are established for the purpose of contributing to the sustainable growth and improvement of the mid- to long-term corporate value of the Hitachi High-Technologies Corporation (hereinafter, the Company), and indicating the framework of the corporate governance in the Company.
2. The Board of Directors and each of the Nominating Committee, the Audit Committee and the Compensation Committee shall continuously verify the appropriateness and effectiveness of these guidelines, and the Board of Directors shall revise the guidelines as required.

Chapter 1 Fundamental View and Basic Policy Concerning Corporate Governance

Article 1 (Fundamental View Concerning Corporate Governance)

1. The Company accomplishes its mission "To help our customers be fast-moving, successful, cutting-edge businesses", and enhances the corporate governance by improving the supervisory functions for execution of each business operation, based on the Corporate Vision "Simplify our customers' high-tech processes".
2. The Company acquires the trust of society overall, including the shareholders with management which is emphatically conscious of the corporate social responsibility to contribute to the progress and development of society through business activities.
3. The Company, in order to realize the preceding two paragraphs, adopts Company with Nominating committee, etc. as defined in Article 2, paragraph 12 of the Companies Act as the organizational design of the Company.

Article 2 (Corporate Vision)

The Company defines the corporate vision as follows. The Directors and Executive Officers shall demonstrate leadership towards the development of a culture and climate which respects the rights and position of stakeholders, and a sound corporate ethics based on this corporate vision.

[Corporate Vision]

Hitachi High-Technologies Corporation aims to be a successful enterprise trusted by all our stakeholders and contributing to social progress through business activities that emphasize value creation through high-tech solutions. We are committed to open, transparent, and reliable business practices. As we continue to grow, we will value environmental responsibility and strive to build a prosperous community, contributing as a corporate citizen with passion and pride in our work.

Article 3 (Permeation of Corporate Code of Conduct, etc.)

The Company shall, concerning ideal collaboration with stakeholders, respect of the interests and sound corporate ethics, etc., define the "Hitachi High-Tech Group Code of Conduct" as a code of conduct that shows a sense of value as a company and that is followed by the constituents, in order to widely permeate it in the Company through the Hitachi High-Tech WAY (activities to permeate the corporate vision, etc. of the Company Group to employees), and employee training, including training by hierarchical levels, etc.

Chapter 2 Relationship with Shareholders

Article 4 (General Meeting of Shareholders)

1. The Company shall position the General Meeting of Shareholders as the highest organ of decision-making, and develop an environment where the shareholders including minority shareholders and foreign shareholders are able to equally and properly exercise their rights according to the class and number of shares they hold.
2. The Company shall, in order to make substantial dialogue with the shareholders and provision of accurate information in the General Meeting of Shareholders possible, establish an appropriate schedule related to the General Meeting of Shareholders.

3. The Company shall, when convening a General Meeting of Shareholders, endeavor to mail convening notices as quickly as possible so that the shareholders are able to secure a sufficient time to consider the proposed agenda, and also disclose the convening notices on the website, etc. of the Company immediately after the resolution of the Board of Directors concerning the convening of the General Meeting of Shareholders.
4. When a considerable number of votes have been cast against a proposal by the Company at the General Meeting of Shareholders, the Company shall analyze the reasons behind opposing votes and why many shareholders opposed, and shall consider the need for certain measures.
5. The Company shall pay adequate consideration to the exercise of the voting rights at the General Meeting of Shareholders by substantial shareholders who hold shares in the name of a trust bank, etc.

Article 5 (Basic Strategy of Capital Policy)

1. The Company shall, in order to accelerate the global business expansion and properly respond to the accompanying risks, endeavor to enhance the financial standing and management base, aiming for sustainable improvement in the shareholder value. Internal reserves shall be used for investment, etc. in order to promote the development promotion of new business and new technology, security and expansion of commercial rights, establishment of a highly profitable structure and improvement in the management efficiency, as well as take measures to enhance the business competitiveness further, pay stable dividends in consideration of the balance with the internal reserves in order to return appropriate profits to the shareholders.
2. The Company shall, regarding the capital policy which causes fluctuation and large-scale dilution of the supremacy, sufficiently examine the necessity and rationality to secure proper procedures so that no unjust damage occurs to the current shareholders, and also provide sufficient explanations to the shareholders.

Article 6 (Policy Concerning Cross-Shareholdings and Standard Concerning Execution of Voting Rights)

1. The Company shall hold shares of other listed companies only in the case where it contributes to improvement in the corporate value of the Company.
2. The Company shall, dispose of or reduce the shares of other listed companies where there is no significance of the holdings or, the medium- to long-term benefits and risks accompanying the holdings do not meet the cost of capital, etc.
3. The Company shall, in the Board of Directors and Management Committee, annually verify the propriety of holding all the shares of other listed companies through the verification of the policy in the preceding paragraph.
4. The Company shall, in order to exercise the voting rights concerning the shares of other listed companies, carefully examine the proposed resolution according to the "Guidelines for Execution of Voting Rights" defined separately, and after determining whether it contributes to improvement in the corporate value of the Company, execute the voting rights appropriately.
5. The Company shall, when a company that holds shares of the Company as cross-shareholdings indicates intentions to sell, etc. the shares of the Company, not obstruct the sale, etc. with respect of their intentions.
6. The Company shall perform verification of a company that holds shares of the Company as cross-shareholdings and economical rationality before performing business transactions, and not conduct business transactions if there is potential of a company impairing the profit of common shareholders.

Article 7 (Transactions between Related Parties)

1. The Company shall, regarding transactions with major shareholders including the parent company, the same as other common transactions, endeavor to protect the minority shareholders by examining the fairness through checks of multiple departments, not only by the applicable sales department. The status, etc. of said transactions shall also be reported to the Board of Directors and Executive Committee.
2. The Company shall, when performing a conflict-of-interest transaction with a Director or an Executive Officer, bring the matter up with the Board of Directors, and obtain approval.

Chapter 3 Dialogue with Shareholders and Information Disclosure

Article 8 (Fundamental Point of View Concerning Dialogue with Shareholders)

The Company holds dialogue with shareholders within a rational range that contributes to sustainable growth of the Company and improvement in the mid- to long-term corporate value.

Article 9 (IR Organization, etc.)

1. In order to promote dialogue with shareholders, the Company assigns an Executive Officer in charge of IR. The department in charge of IR disseminates the appropriate information and realize dialogue with shareholders in cooperation with the internal related departments.
2. The Company holds a financial results briefing, plant tours and business strategy explanatory meetings, etc. as a means of the dialogue.
3. The Company shall periodically report the opinions, etc. of the shareholders mentioned in the dialogue in the Board of Directors and Executive Committee.
4. The Company shall, in order to hold dialogue with shareholders, strictly manage the information based on the bylaws concerning the prevention of insider trading to prevent the occurrence of inappropriate disclosure and loss caused by said disclosure.

Article 10 (Appropriate Information Disclosure)

1. The Company shall provide fair and highly transparent information disclosure in a timely and appropriate manner, in compliance with laws and/or the timely disclosure rules of the Tokyo Stock Exchange.
2. In addition to the information disclosure pursuant to the preceding paragraph, the Company shall also actively and fairly disclose information it regards as useful in deepening stakeholders' understanding of its management policy and business activities. This information includes financial information such as the Company's financial position and opening results, as well as non-financial information related to its management strategies and challenges, risk management, corporate governance, and issues toward the realization of the sustainable society.
3. The Company shall establish business strategies and business plans including earnings plans and basic policies and goals concerning capital efficiency, etc., after accurately identifying the Company's cost of capital, etc. Also, the Company shall provide explanations to its shareholders and stakeholders other than shareholders.

Chapter 4 Cooperation with Stakeholders Other Than Shareholders

Article 11 (Cooperation with Various Stakeholders)

The Company shall recognize that its sustainable growth and creation of mid- to long-term corporate value are supported by various stakeholders and shall endeavor to appropriately cooperate with these stakeholders.

Article 12 (Appropriate Measures toward Realization of Sustainable Society)

1. The Company shall contribute to resolving social issues by promoting innovative solutions, accelerating collaborative creation with stakeholders and further integrating social and environmental responsibility into its business activities.
2. The Company shall strive to develop technologies that contribute to social development and use them with due consideration of their impact on society.
3. The Company shall endeavor to minimize impacts on natural capital toward a low-carbon society, a resource efficient society and harmonized society with nature.
4. The Company shall make efforts to build rapport with communities as a corporate citizen and contribute to their development by working together to resolve social issues.

Article 13 (Respect of Diversity)

The Company shall respect diversity including gender, age and nationality, and shall utilize such diversity as the source of its competitiveness in the society where the customers' needs are diversified and advanced.

Article 14 (Performance of Roles of Corporate Pension Funds as Asset Owners)

1. The Company shall appropriately provide personnel and operational support as a parent company such that the corporate pension funds can perform their roles as asset owners.
2. The Company shall appropriately manage conflicts of interest which could arise between pension fund beneficiaries and the Company.

Chapter 5 Corporate Governance Structure

Article 15 (Role of the Board of Directors)

1. The Board of Directors shall, in order to continuously improve the corporate value and common interests of the shareholders, determine the Basic Management Policy of the company, and oversee the execution of the duties of the Directors and Executive Officers.
2. The "Basic Management Policy" in the preceding paragraph includes the mid-to long-term management plan and annual budget, etc., and strategic discussions concerning the Basic Management Policy shall be held in the Board of Directors Meeting, in addition to the resolutions as defined in the laws and ordinances, the Articles of Incorporation, or the regulations concerning the Board of Directors.
3. The Board of Directors shall, except for the resolutions as defined in the laws and ordinances, the Articles of Incorporation, or the regulations concerning the Board of Directors, establish constant criteria in the regulations concerning the Board of Directors, and delegate the rights of execution of the business operations to Executive Officers within the range.
4. The Directors shall, in order for the Board of Directors to achieve the defined in the Articles roles, assume the duty of loyalty and confidentiality to the Company.

Article 16 (Size and Structure of the Board of Directors)

1. In order to hold sufficient discussions and make prompt and flexible decisions, the number of Directors of the Board shall be no more than 9.
2. The Nominating Committee shall, in order to make decisions on the contents of proposed agenda concerning the appointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, examine the ideal structure of the Board of Directors consisting of both diversity and an optimum size with a good balance of knowledge, experience and ability overall required to effectively achieve the roles and responsibilities of the Board of Directors

Article 17 (Nomination of Director Candidates and Appointment or Dismissal of Executive Officers)

1. The Nominating Committee shall, in order to nominate the Director candidates, determine the candidates based on the "Director Nominee Selection Policy" defined by said committee.
2. The Board of Directors shall, based on the "Executive Officer Appointment Policy" defined separately, appoint or dismiss Executive Officers based on the opinions of the nominating committee as well.
3. The President and Chief Executive Officer shall periodically report the succession plan of the President and Chief Executive Officer to the nominating committee, and promote said succession plan based on the advice of the nominating committee. The Board of Directors shall appropriately oversee said succession plan.

Article 18 (Director Nominee Selection Policy)

The Nominating Committee shall, in order to determine director candidates, appoint candidates based on the following policy.

- (1) Select an individual who has excellent personality and perception;
- (2) Select an individual who is considered to have high ability to make proper management decisions and to supervise;
- (3) Select an individual who has extensive experience in corporate management, administration, legal affairs, accounting and other relevant areas and has made outstanding achievement; and
- (4) For an independent outside director, select an individual who is expected to be capable of providing proper advice and supervision in consideration of enhancement of shareholder value as well as protection of interest of minority shareholders.

Article 19 (Independent Outside Directors)

1. The Company shall, in order to strictly comply with the corporate governance, assign 2 or more independent outside directors.
2. The Nominating Committee considers that an outside director is independent when the outside director satisfies the criteria for independent director of the Tokyo Stock Exchange, Inc. and does not fall under any of the following categories.
 - (1) Any close relative, within the second degree of kinship, of the Company's Outside Director who is currently serving or has served in the last three years as an executive director, executive officer or an employee of the Company or its subsidiaries;
 - (2) A company for which the Company's Outside Director is currently serving as an executive director, executive officer or employee receives payments from the Company or makes payments to the Company in consideration of provision of products or services, and the average amount of such transaction in the last 3 business years exceeds 2% of the consolidated gross sales of either company;
 - (3) Compensation received by the Company's Outside Director directly from the Company as a legal, accounting or tax professional or consultant (excluding compensation as a Director of the Company) for any single business year in the last 3 business years exceed 10 million yen; or
 - (4) Contribution made by the Company to a non-profit organization for which the Company's Outside Director serves as an officer who executes business exceeds 10 million yen and 2% of gross revenue or ordinary income of such organization for any business year in the last 3 business years.

Article 20 (Concurrent Posts of Directors in Other Companies)

The Director of the Company shall, when approached by other listed company to serve as a Director (Director, Auditor or Executive Officer), report to the Chairman of the Board of Directors and hold discussions on the response.

Article 21 (Compensation of Directors and Executive Officers)

1. The Compensation Committee shall, based on the "Policy on Determining the Nature of the Compensation Received by each Individual Director and Executive Officer," determine the compensation of the Directors and Executive Officers in consideration of the responsibilities according to their title, performance including the Group companies of the Company, business environment and public average, etc.
2. The monetary compensation of Executive Officers consists of monthly remuneration and performance-based compensation, and the performance-based compensation of individuals is determined through combined evaluation of the corporate performance, divisional performance, and individual performance, and fluctuates according to the achievement level of the individual performance.

Article 22 (Audit of Execution of Duties of Directors and Executive Officers)

1. The Audit Committee shall perform an audit of the legitimacy and adequacy on the execution of duties of the Directors and Executive officers.
2. The Audit Committee shall consist of Independent Outside Directors of the majority in order to enable appropriate judgment from an independent objective position. The Audit Committee members shall maintain a fair and unbiased attitude in the execution of their duties.
3. The Audit Committee shall, based on the risk recognition and environment recognition on its own, establish a policy and plan of the audit, and the important audit items in order to implement an audit in close cooperation with the Internal Auditing Division, and report the results to the Board of Directors. The Audit Committee members shall also attend crucial internal meetings as observers as required to collect the information required for investigation and physical inspection, and also provide advice from the view point of management efficiency as required.
4. The Audit Committee shall ensure the suitability of the matters concerning the accounting of the company in close cooperation with the accounting auditor.

Article 23 (Information Provision to, and System of Supporting, Directors)

1. The Company shall timely and appropriately provide information necessary for the Directors to effectively fulfill their roles and responsibilities.
2. The Company shall develop a system for supporting the performance of duties by the Directors.

Article 24 (Selection of Subjects and Materials of Board of Directors Meeting)

1. The Company shall, in order to realize substantial discussion in the Board of Directors Meeting, as well as properly selecting the subjects for the Board of Directors Meeting, distribute the material for the Board of Directors Meeting in advance. However, matters with high urgency may be discussed by the Board of Directors without distributing the materials in advance.
2. The Directors shall pay attention to the handling of information in order to maintain the confidentiality of the discussions held in the Board of Directors Meeting, and the materials used.

Article 25 (Access to External Advisors by Directors)

The Board of Directors and each of the Nominating Committee, the Audit Committee and the Compensation Committee shall be able to obtain advice from external advisors when necessary at the cost of the Company.

Article 26 (Training of Directors)

1. The Company shall continue to provide training opportunities for Directors that are required to achieve each of the roles and responsibilities with cost support.
2. The Company shall, in order for External Directors to further understand the business of the Company, take actions including the exchange of opinions with the Executive side, and provide opportunities to inspect the business bases, etc. of the Company and Group companies.

Article 27 (Effectiveness Evaluation of the Board of Directors)

The Board of Directors shall annually implement an evaluation on the effectiveness of the functions of the Board of Directors, and disclose the summarized results.

End

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