

Corporate Governance

Hitachi, Ltd. and its 8 listed subsidiaries have adopted the Committee System under the Companies Act of Japan (the "Companies Act"). By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for quick business operation, while making management highly transparent by having outside Directors on the Board of Directors.

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 the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations. As of June 21, 2013, the Board of Directors was made up of 14 Directors and one concurrently serves as an Executive Officer. The Chairman of the Board does not concurrently serve as an Executive Officer. Hitachi aims to reinforce the supervisory function of the Board of Directors with 8 outside Directors, consisting of a majority of outside Directors including non-Japanese Directors, reflecting their global and diverse viewpoints. 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 outside Directors, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.

WEB <http://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with outside Directors accounting for the majority of members of each

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing them from diverse viewpoints.

Director and Executive Officer Compensation

The compensation is commensurate with the ability required of, and the responsibilities to be borne by Directors and Executive Officers, taking into consideration compensation packages at other companies. The compensation for Directors consists of

Some of Hitachi's Directors and Executive Officers serve concurrently as Directors and committee members at group companies. In addition, Hitachi is strengthening integrated management of the Group, improving management oversight of group companies and executing business strategies formulated to enable the Hitachi Group to demonstrate its collective strengths. The goal is higher corporate value.

committee. The Board of Directors meetings were held 10 days during the fiscal year ended March 31, 2013, and the attendance rate of Directors at those meetings was 98%. In order to assist with the duties of the Board of Directors and each Committee, full-time staff who are not subject to orders and instructions of Executive Officers are assigned.

(1) Nominating Committee

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors, and consists of four Directors, three of whom are outside Directors. The Nominating Committee was held 5 days during the fiscal year ended March 31, 2013.

(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, and consists of five Directors, including three outside Directors and one standing Audit Committee member. The Audit Committee met on 12 days during the fiscal year ended March 31, 2013.

(3) Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are outside Directors. The Compensation Committee met on 4 days during the fiscal year ended March 31, 2013.

Board of Directors. As of June 21, 2013, Hitachi has 31 Executive Officers.

It consists of 12 members as of June 21, 2013: the President, 5 Executive Vice Presidents and Executive Officers, and 6 Senior Vice Presidents and Executive Officers.

a monthly salary and a year-end allowance. The monthly salary is decided by making adjustments to basic salary that reflect full-time or part-time status, committee membership and position, travel from residence, etc. The year-end allowance is

a pre-determined amount equivalent to about 20% of the Director's annual income based on the monthly salary, although this amount may be reduced depending on the Company's performance. Directors concurrently serving as Executive Officers are not paid compensation as Directors.

The compensation for Executive Officers consists of a monthly salary and a performance-linked bonus. The monthly salary is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment. The

performance-linked bonus is set within a range equivalent to about 30% of the Executive Officer's annual income, adjusted based on Company and individual performance.

The compensation structure for Directors and Executive Officers was re-examined starting with the compensation for the fiscal year ended March 31, 2009 and the retirement allowance was abolished.

Compensation for Directors and Executive Officers for the year ended March 31, 2013 is as follows:

Compensation for Directors and Executive Officers

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	181	161	19	8
Outside Directors	154	142	11	7
Executive Officers	1,689	1,130	559	27
Total	2,025	1,434	590	42

Notes: 1. The number of Directors indicated excludes the one Director who concurrently serves as an Executive Officer.

2. The amount of compensation to Directors includes the monthly salary of the three Directors, who retired due to expiration of their term of office at the close of the 143rd Ordinary General Meeting of Shareholders held on June 22, 2012.

In addition, Executive Officers whose compensation from the Company and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)	
				Monthly salary	Year-end allowance and performance-linked component
Hiroaki Nakanishi	Hitachi, Ltd.	Executive Officer ¹	173	122	51
Kazuhiro Mori ²	Hitachi (China), Ltd. (Consolidated subsidiary) ³	Director	116	90	26

¹1. Although concurrently serving as Director, Mr. Hiroaki Nakanishi does not receive compensation as Director.

²2. Although he concurrently served as Executive Officer of the Company for the fiscal year ended March 31, 2013, Mr. Kazuhiro Mori did not receive compensation as Executive Officer of the Company.

³3. The compensation paid in Chinese yuan is converted into yen by average exchange rate for each quarter of the fiscal year ended March 31, 2013.

Risk Management and Internal Audits

Regarding risk management, each responsible division implements countermeasures, such as the formulation of rules and guidelines. Furthermore, internal audits are conducted to monitor and assess the status of business

operations for improvements, including efficiency in the execution of day-to-day operations and legal compliance. Moreover, to ensure strict legal compliance, Hitachi has various committees and whistle-blower systems.

Internal Control over Financial Reporting

Hitachi, Ltd. and listed Group companies establish, maintain and evaluate internal control over financial reporting, and then report the results on a consolidated basis.

The Group is committed to complying with all laws and regulations. Further, Hitachi recognizes that it is an important

social responsibility to establish and maintain the systems that ensure appropriate financial reporting. Accordingly, Hitachi will continue to enhance the transparency and credibility of its business operations.

Hitachi Group Internal Control Assessment Framework

