Corporate Governance

Hitachi, Ltd. (the “Company”) and its 9 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. 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.

Board of Directors

The Board of Directors determines basic management policies and supervises executive officers in the performance of their duties while entrusting to executive officers considerable authority to make decisions with respect to Hitachi’s business affairs. As of June 24, 2011, the Board of Directors was made up of 13 directors, four of whom are from outside Hitachi Group. Two directors concurrently serve as executive officers. The Chairman of the Board does not concurrently serve as an executive officer. Four outside directors are expected to reinforce the functional aspects of the Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on their rich experience and insight.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, Audit Committee and Compensation Committee—with outside directors accounting for the majority of members of each committee. The Board of Directors met on 11 separate occasions during the fiscal year ended March 31, 2011, and the attendance rate of directors at those meetings was 95%. Full-time staff, who do not take orders from executive officers, have been assigned to assist the activities of the Board of Directors and these committees.

(1) Nominating Committee
The Nominating Committee has the authority to decide on the particulars of proposals submitted to the General Meeting of Shareholders for the election and dismissal of directors. The Nominating Committee consists of four directors, three of whom are outside directors.

The Nominating Committee met five times during the fiscal year ended March 31, 2011.

(2) Audit Committee
The Audit Committee audits the performance of directors and executive officers and has the authority to decide on proposals submitted to the General Meeting of Shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of three directors: two outside directors and another director who are full-time Audit Committee members. A full-time director, who does not serve as an executive officer, is assigned to assist the activities of the Audit Committee.

The Audit Committee met 12 times during the fiscal year ended March 31, 2011.

(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 five times during the fiscal year ended March 31, 2011.

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 24, 2011, Hitachi has 30 executive officers.

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 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. 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.

Please refer to page 41 for compensation for directors and executive officers for the year ended March 31, 2011.
Compensation for Directors and Executive Officers

<table>
<thead>
<tr>
<th>Position</th>
<th>Total Compensation (¥ million)</th>
<th>Total Amount by Compensation Type (¥ million)</th>
<th>Number of Eligible Directors and Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Salary</td>
<td>Year-end Allowance and Performance-Linked Component</td>
<td></td>
</tr>
<tr>
<td>Directors (Excluding outside directors)</td>
<td>131</td>
<td>116</td>
<td>15</td>
</tr>
<tr>
<td>Outside directors</td>
<td>99</td>
<td>91</td>
<td>8</td>
</tr>
<tr>
<td>Executive officers</td>
<td>1,586</td>
<td>1,163</td>
<td>422</td>
</tr>
<tr>
<td>Total</td>
<td>1,817</td>
<td>1,371</td>
<td>445</td>
</tr>
</tbody>
</table>

Notes: The number of directors indicated excludes the three directors who serve concurrently as executive officers. The compensation for directors includes the monthly salary of three directors, who retired due to expiration of their term of office at the close of the 141st Ordinary General Meeting of Shareholders held on June 29, 2010 for their term of office for the year ended March 31, 2011.

Directors or executive officers who received total compensation of at least ¥100 million and amounts are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Position</th>
<th>Total Compensation (¥ million)</th>
<th>Total Amount by Compensation Type (¥ million)</th>
<th>Number of Eligible Directors and Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Kawamura</td>
<td>Hitachi, Ltd.</td>
<td>Executive Officer (Note)</td>
<td>170</td>
<td>161</td>
<td>9</td>
</tr>
<tr>
<td>Hiroaki Nakanishi</td>
<td>Hitachi, Ltd.</td>
<td>Executive Officer (Note)</td>
<td>170</td>
<td>121</td>
<td>49</td>
</tr>
</tbody>
</table>

Note: Mr. Kawamura and Mr. Nakanishi currently serve as directors, but do not receive compensation in this capacity.

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.

Internal Control Over Financial Reporting

Hitachi's ADSs are listed on the New York Stock Exchange (the "NYSE") in the form of American Depositary Shares ("ADSs") and are registered with the U.S. Securities and Exchange Commission. Therefore, Hitachi is subject to the U.S. Sarbanes-Oxley Act, which requires a company's management to establish, maintain, assess and report on internal control over financial reporting.

Effective from fiscal 2008, pursuant to the Financial Instruments and Exchange Act of Japan, the reporting and assessment of internal control over financial reporting has also been required. The Hitachi Group will endeavor to improve the transparency and reliability of its business affairs and strengthen its management base by enhancing internal control over financial reporting not only for meeting legal and regulatory requirements, but also as an important social responsibility of a corporation. This will be done by establishing frameworks for clarifying, examining and visualizing management and operations.

Please refer to page 131 for a management report concerning the Company's internal control over financial reporting.

Hitachi Group Internal Control Assessment Framework

The New York Stock Exchange Corporate Governance Listing Standards

Hitachi's ADSs are listed on the NYSE. Hitachi is therefore required to comply with certain of the NYSE's corporate governance listing standards (the "NYSE Standards"). As a foreign private issuer, Hitachi may follow its home country's corporate governance practices in lieu of most of the NYSE Standards. Hitachi's corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain NYSE listing and, in accordance with Section 303A.11 of NYSE's Listed Company Manual, a brief, general summary of those differences is provided as follows.

(a) Director independence
The NYSE Standards require a majority of the membership of NYSE-listed company boards to be composed of independent directors. Hitachi's Board of Directors consists of 13 members, 4 of whom are "outside directors," as defined under the Companies Act. The Companies Act defines an outside director as a director who is not and has not been an executive director (a representative director or a director who executes such company's business), executive officer, manager or any other employee of such company or its subsidiaries.

(b) Non-management directors' executive sessions
The NYSE Standards require non-management directors of NYSE-listed companies to meet at regularly scheduled executive sessions without management. Neither the Companies Act nor Hitachi's Articles of Incorporation require Hitachi's non-management directors to hold such meetings.

(c) Committee member composition
The NYSE Standards require NYSE-listed companies to have a nominating/corporate governance committee, audit committee and compensation committee that are composed entirely of independent directors. Hitachi's nominating committee, audit committee and compensation committee are composed of a majority of outside directors in accordance with the Companies Act, while Hitachi's Audit Committee complies with the NYSE standards.

(d) Miscellaneous
In addition to the above differences, Hitachi is not required to: make its nominating, audit and compensation committees prepare a written charter that addresses either purposes and responsibilities or performance evaluations in a manner that would satisfy the NYSE's requirements; acquire shareholder approval of equity compensation plans in certain cases, such as issuing stock acquisition rights as stock options without "special favoring" conditions; make publicly available one or more documents which purport to summarize all aspects of its corporate governance guidelines; or adopt a code of business conduct and ethics for its directors, officers and employees that would comply fully with the NYSE's requirements.