

Corporate Governance

Basic Policy on Corporate Governance

Aiming to establish a framework for rapid and accurate management decision-making and for operational performance, as well as to enhance the management oversight function, Hitachi Koki is working to strengthen the important management area of corporate governance and upgrade its internal controls. In addition, the Company has established the Compliance Division for thoroughgoing observance of laws and regulations.

Under the deep recognition that a company is a member of society, the Company has set the Hitachi Koki Standards for Corporate Conduct as a basis for all operations and has made clear the basic philosophy and operating guidelines of the Hitachi Koki Group. The Company has also established the Hitachi Koki Group Code of Conduct as a specific code of conduct applicable throughout the Group, and top management has been leading efforts for thorough adherence. In addition, the Company has set forth its Policy Regarding Improper

Business Dealings and Practices, which elucidates its policy with regard to improper business dealings and practices and compliance violations, and has established and operates an effective compliance reporting system. Through these measures, the Company and the Hitachi Koki Group conduct business activities that are firmly rooted in corporate ethics and legal compliance.

Based on a comprehensive consideration of factors including the scale of the Company's operations and its officer system, Hitachi Koki has adopted the format of a company with a board of corporate auditors as the system for governing the Company and has established a general shareholders' meeting, directors and Board of Directors' meetings, corporate auditors and Board of Auditors' meetings, and accounting auditors in order to fully deploy its corporate governance functions and to maintain superior operating efficiency.

Initiatives to Strengthen Corporate Governance

Board of Directors

The Board of Directors meets once a month in principle. It makes decisions regarding key Company and Group operational performance issues and supervises the performance of representative directors and directors.

Board of Auditors

The Board of Auditors meets once a month in principle to report on the status of audits. Auditors also attend Board of Directors' meetings and other key meetings to listen to directors about the status of their performance, in compliance with the corporate auditing standards set by the Board of Auditors and in line with auditing guidelines and schedules. Further, members exchange ideas in close cooperation with the accounting auditors and receive from them accounting schedules and reports on corporate and auditing results.

Management Committee

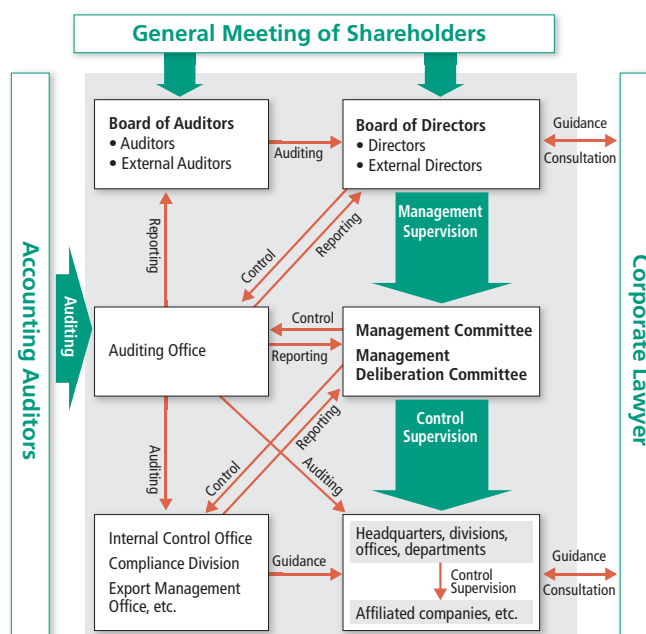
The Management Committee is under the Board of Directors. It comprises directors and executive officers and meets twice a month in principle. The Committee makes substantive decisions on key management issues for the Company and the Group based on the basic guidelines decided on by the Board. Standing corporate auditors also attend for auditing purposes.

Budget

Budget items are deliberated by the Management Committee, the Budget Deliberation Committee and the Main Budget Committee. In addition, a Management Deliberation Committee composed of Management Committee members also meets when necessary. The Management Deliberation Committee listens to reports on key management issues in all business areas, deliberates on them and provides advice.

Regulatory Compliance

Hitachi Koki has determined guidelines for conduct and other measures based on regulatory compliance in operational performance and a policy of specific penalties for violations of laws and regulations, established a department in charge of regulatory compliance, established operational performance rules and guidelines, conducted education and training, and created and distributed manuals. At the same time, the Company provides a framework for auditing operational performance with the Internal Auditing Division. The Company has also put in place and utilizes an effective compliance reporting system.



Management Team (As of June 28, 2011)

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|----------------------------------|-------------------------|-------------------|--------------------------|
| Chairman of the Board & Director | Yasuyuki Konishi | Board Director | Yoichiro Tanaka |
| President & Director | Kiyoshi Kato | Board Director | Akihiko Nozaki |
| Senior Vice-President & Director | Takaharu Miyata | Board Director | Shoichi Sakuma |
| Vice-President & Director | Toru Inoue | Board Director | Kazuyoshi Kimura |
| Vice-President & Director | Fumio Tashimo | Corporate Auditor | Naoki Ogawa |
| Board Director | Osami Maehara | Corporate Auditor | Takahito Ishizuka |
| Board Director | Chikai Yoshimizu | Corporate Auditor | Takashi Miyoshi |
| Board Director | Katsuhiko Ogi | Corporate Auditor | Hiroaki Nishioka |

Environmental Protection and Social Contribution

Environmental Protection Approach

The Hitachi Koki Group has long recognized the importance of the environment and has been proactively promoting environmental protection activities. In recent years, we have stepped up efforts to provide eco-friendly products.

To that end, we have introduced the Design for Environment (DfE) assessment system to quantitatively evaluate the environmental impact of a product's lifecycle from the development stage. We give particular consideration to factors such as Reduce (less weight, less use of energy, and longer life), Reuse, Recycle (recycled resources), and Environmental conservation (anti-toxicity, etc.) to develop products with minimal environmental impact.

Products that meet DfE criteria are designated as Eco-products by the Hitachi Group.

In fiscal 2010, Eco-products accounted for 61% of Hitachi Koki's consolidated net sales, and 85% of all new products.



Chain saw with Hitachi Koki's original New Pure Fire low-emission engine

Social Contribution

Hitachi Koki's social contribution activities include collaborative efforts with local communities linked to its environmental activities, such as promotion of greening at company premises and support for environmental education for schoolchildren. We

accept elementary and middle-school pupils from Hitachinaka City, Ibaraki Prefecture, for company tours and hands-on learning programs in a corporate setting to introduce them to how products are made, and provide support for practical training in manufacturing.

In addition, Hitachi Koki contributed ¥10 million through the Central Community Chest of Japan to provide support for those affected by the Great East Japan Earthquake and regional recovery efforts. We also donated ¥5 million to Minamisoma City in Fukushima Prefecture, which is home to consolidated subsidiary Hitachi Koki Haramachi Co., Ltd.

The entire Hitachi Koki Group will continue to promote environmental protection and social contribution activities.



Elementary school students from Hitachinaka City on a company study tour view the final stage of product manufacturing.