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Recognition of Social Responsibility Realizing Sustainable, Innovative Management

## Recognition of Social Responsibility

### Hitachi's Aims

We are actively advancing our CSR activities to meet society's expectations based on an accurate perception of the impact of our operations on society and our social responsibilities. We are contributing to the resolution of social issues through our Social Innovation Business, which combines advanced IT with infrastructure technologies developed over many years, and are conducting dialogue with all our stakeholders to identify and contribute to the identification of social issues. In addition, we are promoting collaborative creation with stakeholders to resolve those issues and achieve the sustainable growth of society by fulfilling our social responsibilities. We are creating both economic and social value by aligning our CSR activities with our Mid-term Management Plan to realize the Hitachi Group Vision.

### Realizing Sustainable, Innovative Management

#### Hitachi's Approach

##### Trends in Society and Hitachi Group Identity

Society is today undergoing great changes and faces a range of challenges, from environmental issues and natural resource and energy constraints to poverty, inequality in education, diseases, and population concentration in cities. Hitachi's Corporate Credo is to contribute to society through the development of superior, original technology and products. We created our Group Vision in May 2013, at the start of the 2015 Mid-term Management Plan, with the aims of delivering innovations that help to answer society's challenges and of building a safe, secure, comfortable, and fair society.

The Group Vision indicates the path to the next stage of growth. We draw on the ethics and values that Hitachi has developed over the past 100 years—encapsulated in

our Corporate Credo and Founding Spirit—while continuously considering the next generation. We look ahead to the longer term, while promoting corporate activities informed by sensitivity to the needs of a changing society. Our Mid-term Management Plan is the action plan we define to realize this vision; by integrating our management and CSR strategies, we seek to enhance the effectiveness of this approach.

The implementation of our plan is a way for us to fulfill our responsibilities as a good corporate citizen through robust, diverse governance; the pioneering spirit and strong ethical stance of our employees; and operations that help address environmental and other issues. We comply with the laws of all countries in which we operate and pursue our activities in line with the Hitachi Group Codes of Conduct.



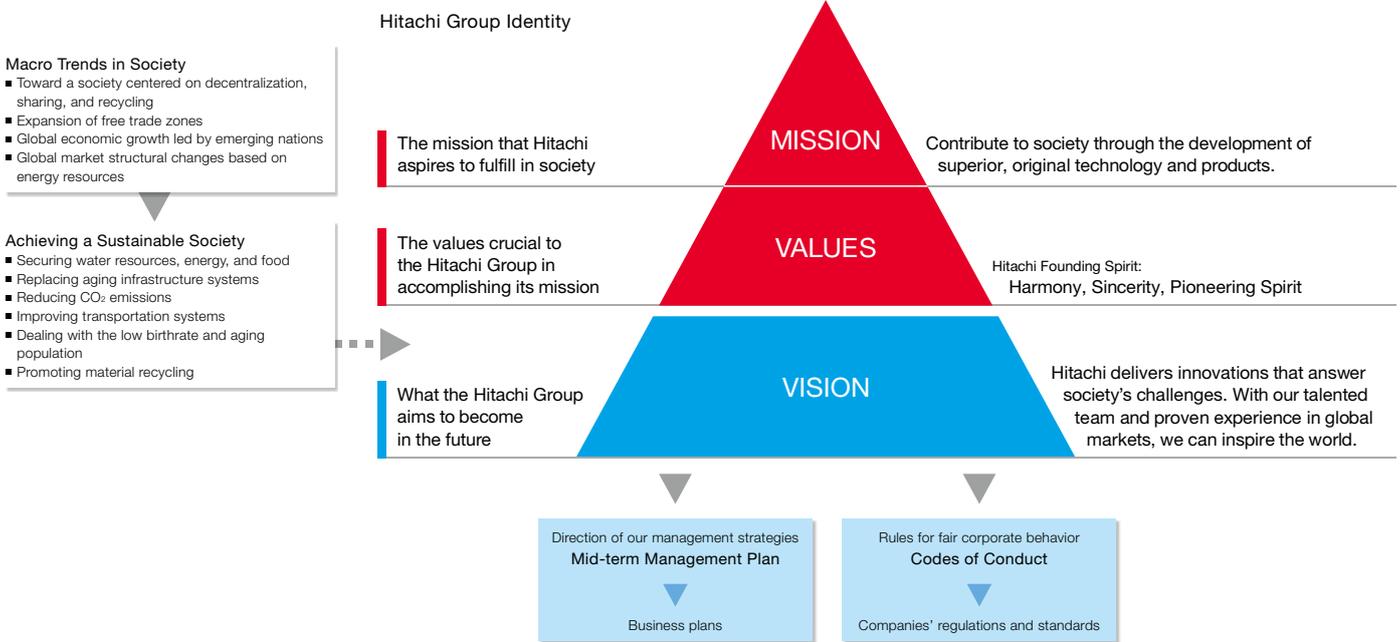
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### Trends in Society and Hitachi Group Identity



### Hitachi's Social Innovation Business

We work with stakeholders to recognize issues society and our customers face, including global environment problems, and are contributing to the resolution of social issues through our Social Innovation Business, which combines advanced IT with infrastructure technologies developed over many years.

In May 2016, we formulated our 2018 Mid-term Management Plan, which will culminate in fiscal 2018. Under the plan, we aim to become an Innovation Partner for the IoT Era centered on our Social Innovation Business, seeking to expand the sales ratio of frontline operations that develop and deploy services meeting the diverse needs of global society to 40% and to increase our overseas sales ratio as a whole to 55%. We will expand our frontline

operations by evolving and enhancing our Social Innovation Business through digital technology and promoting it overseas in the focus business domains of power and energy; industry, distribution, and water; urban; and finance, public, and healthcare.

We will continue to provide optimum solutions to society's issues with advanced network technologies that are capable of connecting social infrastructure, products, and people.

Social Innovation Business

2018 Mid-term Management Plan

### Focus Business Domains and Key Initiatives



#### Power/Energy

Transition to distributed power supply utilizing IT

- Microgrid, regional energy management
- Renewable energy

#### Investment Focus

- Strengthening Grid and Engineering



#### Industry/ Distribution/Water

Use "Lumada"<sup>\*1</sup> IoT platform to optimize value chains for industry and distribution

#### Investment Focus

- Strengthening Engineering
- Predictive Maintenance
- Optimized Factory



#### Urban

Improvement of quality of life in communities

From rail as a service to outcome delivery

#### Investment Focus

- Development of Urban Solutions
- Expansion of the Rail Business Area



#### Finance/Public/ Healthcare

FinTech, My Number Healthcare service (platform)

#### Investment Focus

- Strengthening Healthcare Informatics

\*1 Hitachi's open and highly versatile IoT solution platform using software technology to obtain new information from integrating and analyzing data and running simulations.



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**2015 Mid-term Management Plan and Material Issues for Hitachi**

The 2015 Mid-term Management Plan focused on the three themes of “Innovation,” “Global,” and “Transformation,” and we have used our Social Innovation Business to achieve growth and transformation.

Achieving the plan’s goals required improvements in not only our financial activities but also non-financial performance aimed at addressing Hitachi’s material issues. We set targets for non-financial activities related to key management policies and carried out these activities from fiscal 2013.

Management Focus	Material Issues for Hitachi	
	Fiscal 2013–15 Targets	Fiscal 2015 Results
<b>Innovation:</b> Strengthen services and achieve innovation	<b>Sustainable Business</b>	
	Expand R&D centers	Promoted R&D in 7 regions globally (as of June 2015)
	Increase R&D staff by 500 people	Launched Global Centers for Social Innovation as part of R&D framework with 200 staff in Japan, 350 overseas
	Strengthen Open Innovation	Demonstration experiments of prototypes: 74 (27 in fiscal 2014)
	<b>Caring for the Environment</b>	
	Eco-Product sales ratio: 90%	95%
<b>Global:</b> Grow as a company providing Social Innovation Business solutions worldwide	<b>Diversity Management</b>	
	Diversity among directors	Outside directors: 9 Non-Japanese: 5 (of which 2 are women) (as of June 2015, out of 13 directors)
	Female senior executives	Appointed female head of CSR and Environmental Strategy Division as senior executive-level director on April 1, 2015
	Female managers (Hitachi, Ltd.) Fiscal 2020 target: 1,000 women	474 women
	<b>Respect for Human Rights</b>	
	Implement due diligence in the field of “business and human rights”	Procurement division began conducting human rights due diligence based on due diligence guidelines
	<b>Public Policy Initiatives</b>	
	Engage in dialogue with government officials	Participated in policy councils
	Provide forums for stakeholder dialogue	Four events held in India, Australia, Europe, and China
	<b>Transformation:</b> Achieve Hitachi Smart Transformation marked by global standards and speedy, responsive management	<b>Diversity Management</b>
Promotion of global human capital management strategy		Expanded the range of employees directly sent the results of the global employee survey with the goal of promoting communication with team members and applying the results toward concrete action plans



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**Innovation Management**

**Research and Development Direction**

To become an “Innovation Partner for the IoT Era,” Hitachi is accelerating collaborative creation with customers to advance its Social Innovation Business in four business domains—power and energy; industry, distribution, and water; urban; and finance, public, and healthcare.

The Research & Development Group has been setting the pace in collaborative creation with customers, evolving from R&D that generates new technology to that which drives innovation and leads to new growth.

R&D is being pursued under the following directives to create business innovation amid uncertainty.

- (1) Create service businesses by accelerating collaborative creation
- (2) Build up technology platforms for Service & Product business growth
- (3) Challenge future societal issues through open innovation

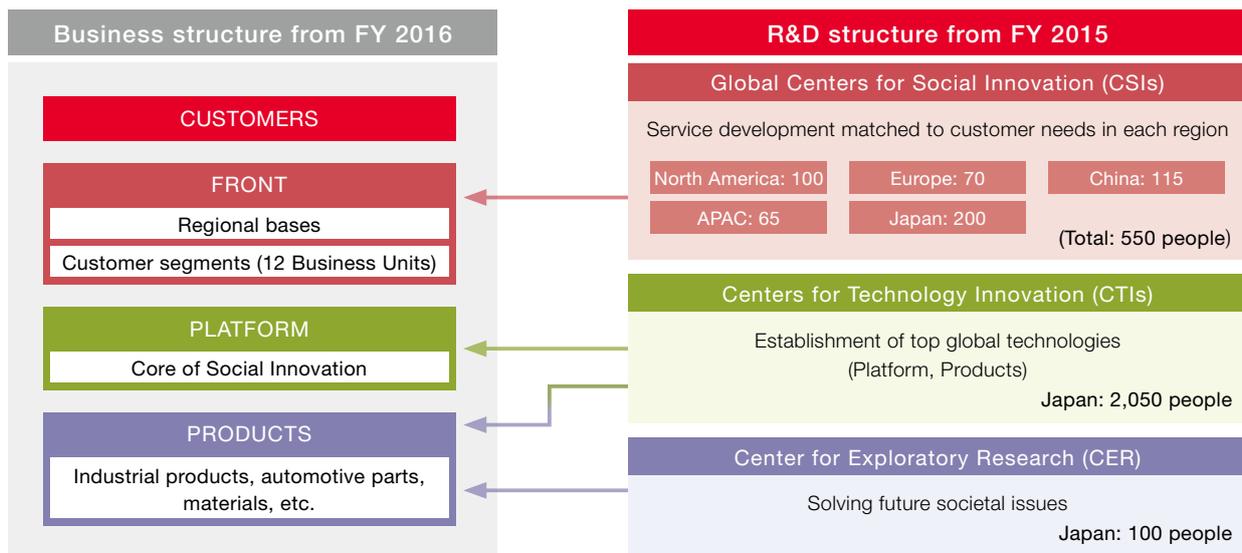
Hitachi will contribute to resolving increasingly global and complex societal issues through the Social Innovation Business.

**Linking Customer-Driven R&D to New Business**

To accelerate collaborative creation with customers, the Research & Development Group reconfigured itself as a more customer-driven research organization in April 2015. The three research laboratories in Japan—the former Central Research Laboratory, Hitachi Research Laboratory, and Yokohama Research Laboratory—were realigned together with the Design Division and overseas research centers to form four Global Centers for Social Innovation (CSIs), nine Centers for Technology Innovation (CTIs), and the Center for Exploratory Research (CER) to support the new business structure. In April 2016, Hitachi transitioned to a new business structure consisting of service and product business groups, supported by R&D, to expand the Social Innovation Business.

Under the new business structure, the CSIs collaborate with the 12 Front business units (BUs) and regional centers to develop services to meet the needs of customers in each region. The CTIs coordinate with the BU responsible for the core of Social Innovation and the Product BUs supporting services with their highly competitive key components to establish world-leading technologies. As a global and open laboratory, the CER works with various research institutions to conduct cutting-edge research to realize solutions to future societal issues and to tie this to future Social Innovation Business.

**Research & Development Group Structure**



**Accelerating Collaborative Creation with Customers Worldwide**

Hitachi’s Social Innovation Business is expanding globally. The CSIs are located in five key regions—Tokyo, the Asia-Pacific (APAC), North America, China, and Europe—with researchers assigned close to their customers to facilitate collaborative creation. To be able to better serve the needs of customers in each region, about 350 of the

approximately 550 researchers in the CSIs are non-Japanese.

CSI-Tokyo focuses on collaborative creation of solutions with customers using methodologies developed through design and service research.

At CSI-APAC, data science, machine learning, and software engineering are used to create energy, transportation, and urban solutions in collaboration with customers.



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CSI-North America is building a big-data analytics platform to collaboratively create advanced solutions in such areas as energy, communications, finance, and healthcare with customers.

CSI-China conducts collaborative creation to develop such products as elevators and ATMs in order to realize solutions for the Chinese government’s industrial policies including “Made in China 2025,” promoting growth in the manufacturing sector, and a low-carbon society.

CSI-Europe is participating in the creation of new markets through standardization activities led by Europe, addressing challenges faced by a matured society by developing solutions together with key institutions.

Communication with customers was also enhanced in fiscal 2015 by the increased participation of the Research & Development Group in various external events, such as the regional Hitachi Social Innovation Forums in Japan, North America, and EMEA, as well as the Hitachi Technology Forum in China.

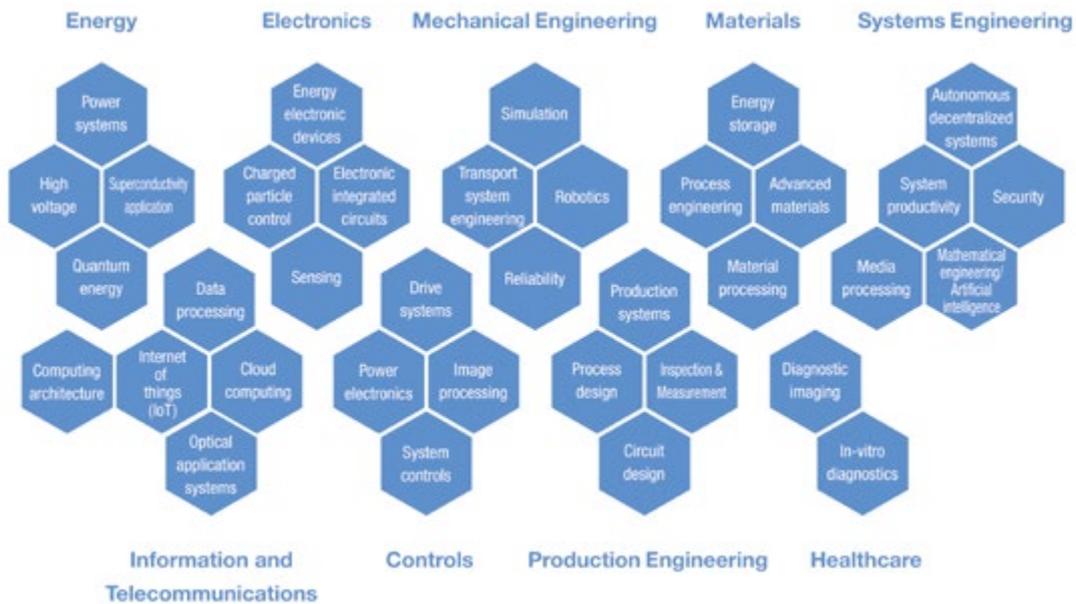
**Building Up Technology Platforms for Business Growth**

In its history, which spans 100 years, Hitachi has continued to pursue technology development in a broad range of areas—from information and telecommunications, electric power systems, and industrial machinery to transportation and urban development—producing many different types of products to meet customer expectations and contribute to society.

The CTIs are innovating technology through product development. By accumulating know-how in this way, they have established 36 technology platforms in nine technologies: Energy, Electronics, Mechanical Engineering, Materials, Systems Engineering, Information and Telecommunications, Controls, Production Engineering, and Healthcare.

Through the application and free combination of these 36 technology platforms beyond the boundaries of a given product or technological field, innovative products and services are generated, providing greater value to customers.

**36 Technology Platforms in 9 Areas of Technology**



**Promoting Open Innovation**

An open R&D environment is maintained in collaboration with research institutes and universities both within and outside of Japan and customers to proceed with innovative technology development that cannot be achieved by Hitachi alone. To date, Hitachi has established the Hitachi Cambridge Laboratory at the University of Cambridge in 1985 to pursue research in fundamental physics and pioneer innovations in future computing, devices, and materials, and a joint research laboratory within the Shanghai Jiao Tong University, China, in fiscal 2012 to conduct research on metallurgical materials. In fiscal 2015, the CER became the

hub for open innovation, creating the seeds for the next Social Innovation Business. In June 2016, joint research laboratories were established within the University of Tokyo, Kyoto University, and Hokkaido University to work toward the realization of the “Super Smart Society” (Society 5.0)\*1 proposed by the Japanese government. Through collaborative creation with each university, Hitachi seeks insights into future societal challenges and proposes visions and innovations to realize solutions that both resolve those challenges and contribute to economic development. Furthermore, in fiscal 2015, research collaboration was conducted with 85 research institutes outside of Japan and



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233 within Japan. Collaboration with researchers outside of Japan is being further strengthened through such programs as the Hitachi Research Visit Program (HiVIPS), established in 1985 to invite researchers to work for a fixed term in the labs in Japan.

\*1 Super Smart Society: A vision proposed by the government of Japan for a new type of society that will be led by innovations in science and technology, following on from the hunter-gatherer, pastoral-agrarian, industrial, and information societies.

**R&D Ethics Reviews**

In September 2000, Hitachi established an ethical review committee to review the handling of information from human genome analysis. It was the first such committee to be established by a private company in Japan. We instituted this because we were handling information from human genome analysis. The majority of the committee members are external experts, and the committee meets two or more times a year. The original ethical guidelines were prepared based on the "Ethical Guidelines for Human Genome/Gene Analysis Research" from the Ministry of Education, Culture, Sports, Science, and Technology and the "Ethical Guidelines for Clinical Research" from the Ministry of Health, Labor, and Welfare; these guidelines remain in effect today.\*1

All Hitachi business divisions and Group companies whose activities require review are expected to show a high level of corporate social responsibility and to maintain high ethical standards among their researchers and staff.

\*1 On October 1, 2015, the Ethical Guidelines for Clinical Research of the Hitachi ethical review committee were changed to the Ethical Guidelines for Medical and Health Research Involving Human Subjects.

**R&D Planning and Budget**

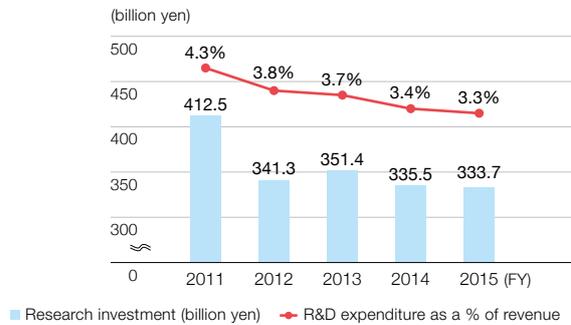
R&D investment by the Hitachi Group is equivalent to about 4% of revenue, of which approximately 20% is used in the Research & Development Group. Research categories can be divided into Sponsored Research, Advanced Sponsored Research, and Frontier and Platform Research. Sponsored and Advanced Sponsored Research are financed by business units or Group companies, and are based mainly on business roadmaps from business unit initiatives. Frontier and Platform Research is based on mid- to long-term technology plans led by the Research & Development Group. The aim of Sponsored or Advanced Sponsored Research is to expand and grow core businesses, targeting practical application within three to five years. Frontier and Platform Research aims to strengthen customer collaborative creation and technical platforms and to create new businesses.

In fiscal 2016, investment in Frontier and Platform Research focused on digital solutions (Social Innovation Business using digital technology) as a driver of growth across the Group in the 2018 Mid-term Management Plan.

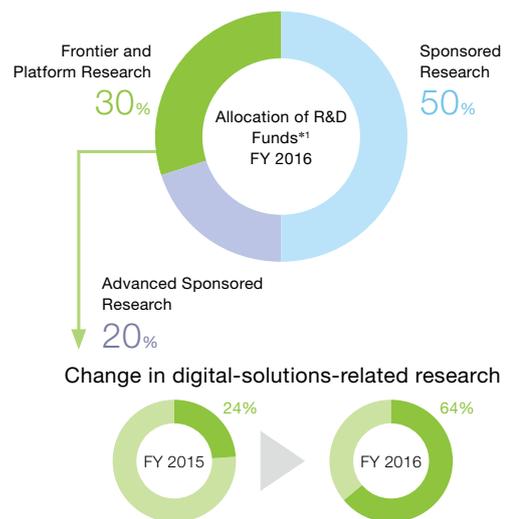
Hitachi will continue to pursue R&D aligned with corporate strategy in order to contribute to the expansion and accelerated global deployment of our businesses.

**Key Indicators**

• R&D Expenditure (Hitachi Group)



• Allocation of Research & Development Group Funds



\*1 Roughly 20% of total Hitachi Group R&D expenditure.

**Intellectual Property**

**Actions in the Intellectual Property Field**

Intellectual property (IP) is a key element of Hitachi's business strategy. We protect the innovations emerging from our R&D, as well as the Hitachi brand, on the basis of these IP rights, while providing remuneration and incentive awards for inventors.

**Building a Global Patent Portfolio**

One of the IP activities supporting our global operations is developing a global patent portfolio to ensure worldwide protection for innovations emerging from our R&D and to prevent other companies from using our technologies without authorization. The portfolio also enables us to demonstrate the advantages of those technologies to customers, as well as to provide patent licenses to other companies. We boosted our patent application ratio outside Japan from 47% in fiscal 2009 to 59% in fiscal 2015. We will continue to efficiently build and maintain our global patent portfolio.



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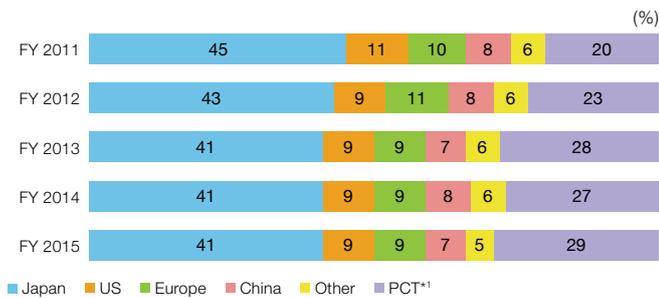
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In tandem with efforts to globalize our R&D centers, we are also globalizing our IP hubs. We currently have IP offices in New York and Santa Clara, California, in the United States, Beijing and Shanghai in China, and Munich in Germany to protect the innovations generated through R&D activities outside Japan.

Another key issue is developing globally minded IP human resources. Since fiscal 1964, Hitachi's Intellectual Property Division has operated an international job training system, sending trainees to IP law firms and Group companies in Europe and the United States and to study abroad. In fiscal 2015, four trainees went to the United States, two to Germany, and one to the United Kingdom.

**Key Indicators**

• Patent Application Ratios by Country or Region



\*1 International applications filed for Patent Cooperation Treaty coverage.

**Respect for Intellectual Property**

We respect the intellectual property rights (IPRs) of others, as we expect them to respect ours. We follow the Hitachi Group Codes of Conduct and conduct preliminary searches of others' patents when undertaking R&D on new products and technologies in order to avoid IPR infringements. For IPRs that belong to others, we obtain licenses from IPR holders before we use the IP. As our Social Innovation Business expands and opportunities for collaborative creation with customers and partners increase, we carefully handle IP acquired from other parties. If any company is found to have infringed Hitachi's IPRs, we encourage the counterparty to acquire the necessary license and take legal action if necessary.

Hitachi Group Codes of Conduct, 5.3: Management and Preservation of Company Assets

**Anti-Counterfeiting Activities**

Protecting the Hitachi brand is crucial for supporting our global operations. We operate a rigorous regime against such infringements as making and selling counterfeit goods carrying the Hitachi brand and illegally applying for or registering trademarks similar to the Hitachi brand.

Until recently, the bulk of counterfeit goods were manufactured in China, but over the past several years manufacturing methods and sales routes have become more sophisticated and diverse. In 2015, for example, counterfeit goods operations were successfully raided in UAE and Vietnam as a result of our approaching local authorities. With the growth in trade over the Internet, anti-counterfeit measures for the Internet are also increasingly important.

It is important to teach general consumers not to buy them in order to eliminate counterfeit goods. Hitachi conducts ongoing consumer awareness activities to eliminate counterfeit goods.

**Reward System for Employee Inventions**

We motivate employees in the R&D field with an ample reward system for new inventions. To make this reward system as fair and transparent as possible, we set standards to evaluate inventions and disclose these standards to employees. We also have a mechanism for receiving inquiries about the rewards, as well as opinions on the reward system.

We have set up a special division within the Intellectual Property Division to plan and operate this system. An internal Invention Management Committee made up of R&D, legal affairs, personnel management, and IP experts ensures that the system operates effectively across the whole Group. The system includes an invention information channel to promote communication between inventors and the business divisions implementing the resulting patents. Inventors can ask the business divisions for information about patent implementation and check the evaluation standards used to calculate the rewards for their inventions. To ensure transparency and inventor satisfaction, we also set up an Arbitration Committee for Invention Rewards with the same composition as the Invention Management Committee. Inventors can appeal to this committee if they disagree with the amount they have been awarded.

From fiscal 2005, we have also given President's Awards to the top 100 inventors. Since fiscal 2006, we have also awarded the top 50 young inventors (under 35 years old) based on patent application rewards received within five years of their joining Hitachi.



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## Understanding Issues Through Dialogue and Taking Part in Initiatives

### Hitachi's Approach

Hitachi promotes its Social Innovation Business with efforts to accurately perceive the social issues in each country or region, followed by collaborative work with customers and other stakeholders to resolve them. In conducting this business, we place importance on two-way communication with stakeholders and active participation in various initiatives in coordination with various groups.

### Stakeholder Engagement

#### Communication with Stakeholders

The outcomes of communication with stakeholders are shared with respective divisions and actively utilized as valuable insights into our business. Public interest is growing in how corporations are taking in stakeholders' voices to improve their businesses, and we will continue to globally develop and promote ways of capitalizing on the opinions of the members of society with whom we engage in our business activities.

Stakeholders	Main Roles	Main Divisions	Means of Communication	Pages
Customers	Creation of better products and services, response to complaints, appropriate disclosure of information on products and services	<ul style="list-style-type: none"> <li>Quality Assurance</li> <li>Sales</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction activities</li> <li>Marketing</li> <li>Website</li> <li>Advertisement activities</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction pp. 59–60</li> <li>Universal Design pp. 61–62</li> <li>Product Information Disclosure pp. 63</li> <li>Adaption for Emerging Markets pp. 63</li> <li>Quality Assurance Activities pp. 63–65</li> <li>Rigorous Information Management pp. 65</li> </ul>
Shareholders and Investors	Timely and proper information disclosure, fair assessment and support from capital markets, reflection of shareholder and investor viewpoints in corporate management	<ul style="list-style-type: none"> <li>Public Relations and IR</li> </ul>	<ul style="list-style-type: none"> <li>Announcements of financial results (quarterly)</li> <li>General shareholders' meetings (annual)</li> <li>IR events, one-on-one meetings (about 740 times/year)</li> <li>IR tools: <i>Integrated Report</i>, business reports, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder Engagement pp. 19–22</li> </ul>
Suppliers	Building of fair and sound business relations, smooth information sharing toward better partnerships	<ul style="list-style-type: none"> <li>Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Procurement activities</li> <li>Supplier meetings</li> <li>CSR monitoring (218 companies/year)</li> <li>CSR audits (20 companies/year, annual)</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management pp. 54–57</li> </ul>
Employees	Active utilization, proper treatment, promotion of occupational health and safety of human capital	<ul style="list-style-type: none"> <li>Public Relations</li> <li>Human Capital</li> </ul>	<ul style="list-style-type: none"> <li>Intranet, in-house newsletters</li> <li>Training</li> <li>Town hall meetings between senior management and employees (21 times/year)</li> <li>Employee surveys (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and Inclusion pp. 42–44</li> <li>Developing Women's Careers pp. 44</li> <li>Work-Life Management pp. 45–46</li> <li>Employing People with Disabilities pp. 46</li> <li>Diverse Support Systems for Employees pp. 46</li> <li>Occupational Health and Safety pp. 47–48</li> <li>Global Human Capital Development pp. 49–51</li> <li>Stakeholder Engagement pp. 19–22</li> </ul>
National and Local Governments, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> <li>Government &amp; External Relations</li> </ul>	<ul style="list-style-type: none"> <li>Policy council participation</li> <li>Participation in business and industry associations</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder Engagement pp. 19–22</li> </ul>
Local Communities	Fulfillment of responsibilities as corporate citizen, involvement in local communities	<ul style="list-style-type: none"> <li>Social Contribution</li> <li>All Business Divisions</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to local communities through business</li> <li>Participation in volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Social Contribution Activities pp. 67</li> </ul>
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> <li>Research and Development</li> </ul>	<ul style="list-style-type: none"> <li>Open innovation (joint research)</li> </ul>	<ul style="list-style-type: none"> <li>Innovation Management pp. 15–18</li> </ul>
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities	<ul style="list-style-type: none"> <li>CSR Promotion</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder dialogue (4 times/year)</li> <li>Dialogue through collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Social Contribution Activities pp. 67</li> </ul>
Global Environment	Global warming prevention, resource conservation, ecosystem preservation	<ul style="list-style-type: none"> <li>Environment</li> <li>All Business Divisions</li> </ul>		<ul style="list-style-type: none"> <li>Environment pp. 68–92</li> </ul>



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### Engagement with Customers

#### Global Campaign Rollout

It is critical for Hitachi to gain stakeholders' understanding of its Social Innovation Business and corporate vision, which aspire to realize a sustainable society. Continuing from fiscal 2014, we conducted the Global Brand Campaign in 19 countries and regions. The campaign uses the slogan "SOCIAL INNOVATION—It's Our Future," presenting examples of how Hitachi's Social Innovation Business is helping to address the many issues societies now face globally, such as energy issues, depletion of water resources, transportation issues linked to urbanization, healthcare issues associated with the graying of society, advancement of big data and other information technologies, food safety, and information security.

To globally enhance the Hitachi brand, we have held the Hitachi Social Innovation Forum in locations worldwide, including Brazil, Germany, India, Japan, Myanmar, Turkey, the United Kingdom, and the United States, showcasing examples of the Social Innovation Business being conducted in each region. Through keynote speeches, panel discussions, and exhibits, we present a wide range of stakeholders—including customers and government officials—with solutions to social issues that countries and regions around the world face today.

### Engagement with Employees

#### Enhancing Management-Employee Communication

Since fiscal 2012, we have been organizing town hall meetings bringing together senior management and employees. We held around 130 town hall meetings at operations in and outside Japan during the first three years, and in fiscal 2015, the Chairman and CEO and the President and COO attended 21 meetings in the United States and China, as well as in Japan and elsewhere.

Ordinary business meetings and conferences are limited in agenda, and company communications with employees via our intranet and other channels tend to be one-way. Town hall meetings, meanwhile, are intended as forums for direct dialogue where employees can gain a real sense of the senior management's way of thinking and what is needed for Hitachi to make the next leap forward, as well as occasions for reaching a shared understanding of the work in which everyone is involved.

In the town hall meetings, we believe that it is important for senior management to hear the thoughts of frontline employees and for both sides to share their awareness as they engage in dialogue on diverse topics, such as how we can grow our business.

### Promoting a Proactive IR Approach

Our investor relations (IR) activities broadly include business strategy meetings, tours of plants and R&D facilities for institutional investors and analysts, participation in

brokerage-sponsored investor meetings, and one-on-one meetings with institutional investors and analysts.

In fiscal 2015, we held quarterly financial results briefings and corporate strategy meetings on our progress with the 2015 Mid-term Management Plan. Following on from fiscal 2014, we hosted Hitachi IR Day 2015, where senior management explained their business strategies and management policies under the plan. Feedback from institutional investors and analysts was positive. Their comments included, "I was struck by the companywide efforts to generate cash flows," and "This was a valuable once a year opportunity to update our understanding of the company's various businesses—one that I very much hope will continue."

We also conducted tours of the Nakajo Division of Hitachi Industrial Equipment Systems and Hitachi Consumer Products (Thailand), a consumer electronics production site, to deepen understanding of our product businesses, in addition to conducting about 740 one-on-one meetings with institutional investors and analysts worldwide. Members of senior management visit institutional investors in North America, Europe, and Asia twice a year to explain corporate management policies and business directions. We are doing our best to share IR feedback in-house and reflect this in management and operations.

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. We aim to continuously enhance our information disclosure. In fiscal 2015 we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets.

[Investor Relations](#)

[Disclosure Policy](#)



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### Working with Governments and Public Policymakers

#### External Relations Initiatives

The social infrastructure field draws particularly strong interest from the public sector. In the task of globally expanding our Social Innovation Business, government institutions in Japan and other countries around the world are important partners to Hitachi, both as customers and as backers.

The Japanese government has implemented a support structure for fields including the internet of things (IoT), artificial intelligence (AI), and infrastructure system export projects to raise industrial competitiveness. Effective use of these structures and advice from the government is enormously helpful to us in advancing our Social Innovation Business. We also increasingly receive requests for policy proposals from government authorities when they are looking into social issues and infrastructure support policies. In responding to these requests, Hitachi contributes to a better society.

We also cooperate with government-related organizations in other countries while addressing local social issues and the forms of society envisioned by the people there with the aim of creating the best possible societies.

In carrying out the Social Innovation Business, making various types of policy proposals to the governments of Japan and other countries is becoming increasingly important. The Government & External Relations Division contributes to the creation of new social mechanisms.

#### Promoting External Relations

Hitachi established the Government & External Relations Division in our corporate headquarters in fiscal 2009 to guide and accelerate the external relations of the entire Hitachi Group, and we have since worked to strengthen our relationships with government and industrial organizations. In fiscal 2016, we reorganized the division to achieve our new goals of further enhancing the global expansion of our Social Innovation Business from the perspective of external relations activities.

The Government & External Relations Division works together with the Hitachi Corporate Office in Washington DC and the Hitachi Corporate Office, Europe, as well as business locations in the Americas, Europe, Asia, and Japan. By dealing with these governments and organizations, the division uncovers new business opportunities for Hitachi based on the social issues and policies in each region. The division works together with other departments in the company to further strengthen the Social Innovation Business, and to contribute to better societies in Japan and around the world.

### Policy Council Participation

As part of our dialogue with government officials, Hitachi executives and other representatives participate in a range of government-sponsored policy councils. Chairman of the Board and Representative Executive Officer Hiroaki Nakanishi served from fiscal 2013 to 2015 as a member of Japan's Council for Science, Technology, and Innovation—which serves as the control tower for science, technology, and innovation policy under the prime minister—making policy planning recommendations. He also contributed to the compilation of the 5th Science and Technology Basic Plan. His current work emphasizes both resolving social issues and economic growth with the use of ICT to achieve the "Society 5.0"\*<sup>1</sup> proposed by the Japanese government.

Since fiscal 2015 he has participated as a member of the New Industrial Structure Committee of the Ministry of Economy, Trade, and Industry in discussions for the formulation of a New Industrial Structure Vision to help Japan take the lead in innovations based on IoT, big data, and AI—the so-called fourth industrial revolution.

Staff from Hitachi headquarters and business departments have also participated in meetings and roundtable discussions that look into policy and from the standpoint of expanding businesses, as well as cooperating in planning new policies for Japan, including specific recommendations for more effective policy planning and implementation.

\*1 In the 5th Science and Technology Basic Plan, "Society 5.0" refers to scientific and technical innovation that leads to transformations to bring about a new society following the evolution from a hunting society to an agricultural society, industrial society, and information society.

### Government Support

As one of its infrastructure system export support measures, METI commissions the Overseas Human Resources and Development Association (HIDA) and the Japan External Trade Organization (JETRO) to conduct a Global Internship Program to support global human resource development and the creation of global networks. From fiscal 2012 through 2015, 17 young Hitachi Group employees took part in this program, which sends junior-level employees from private companies to government institutions and local companies in emerging countries for several months. Employee participation in this type of program enables Hitachi to accurately identify the needs of emerging countries and propose the optimal solutions for their particular social concerns, helping to resolve them.


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**Participating in Business and Industry Associations**

Membership in business and industry associations is another critical aspect of our external relations. Hitachi is a member of Keidanren (Japan Business Federation), where Chairman of the Board and Representative Executive Officer Hiroaki Nakanishi has served as vice chair since June 2014. He also chairs the Committee on South Asia, the Committee on Information and Telecommunication Policy, and the Committee on Education and Human Resources Development (as of May 2016). Other executives and employees participate in a wide range of Keidanren committees. As the planning and coordination chair for the subcommittee on Europe, we also conduct activities with Japanese and European governments to pursue early agreement during ongoing negotiations on the Japan-EU Economic Partnership Agreement, while maintaining close economic relations with European governments and economic organizations in those regions.

As a member of the Japan Electronics and Information Technology Industries Association (JEITA), we continue to participate in activities to formulate industry responses to the European Union's General Data Protection Regulation on personal data protection that was adopted in April 2016, as well as proposed amendments to Japan's Act on the Protection of Personal Information that were enacted in September 2015. We will continue similar efforts related to delegated regulations in the EU and cabinet orders and guidelines in Japan that provide more detailed regulations.

Within the Japan Electrical Manufacturers' Association (JEMA), Hitachi is surveying the status of the development of the electric power infrastructure in other countries, including power generation and transmission facilities, to promote infrastructure system exports. We are also participating in public relations activities—primarily interactions with business operators in these countries—on how Japanese technologies and products can help to solve social issues there.

**United States: Hitachi Corporate Office in Washington DC**

The Hitachi Corporate Office in Washington DC examines the impact of US government policies and legislation on our business activities. To promote mutual understanding and improve business opportunities, we communicate to key stakeholders on how Hitachi can contribute to the growth of US society.

For example, we share information gathered by the Washington office with Group companies, exchanging reports on key laws and regulations that impact management and business, analyzing their business impact, and responding appropriately. To increase the effectiveness of these activities, we cooperate with influential external business associations, think tanks, and academic groups, exchanging opinions with specialists and researchers in efforts that will lead to policy proposals.

As part of the global expansion of our Social Innovation Business, we provide information to policymakers and

government representatives on Hitachi's technological expertise to convey how Hitachi can contribute to the United States.

These kinds of activities allow us to foster broader understanding of Hitachi's business and technological expertise and to expand our global network.

**Europe: Hitachi Corporate Office, Europe**

The Hitachi Corporate Office, Europe, located in Brussels, monitors policy and legislation trends in the European Union, such as the European Commission and European Parliament, and analyzes their impact on Hitachi's business activities. It is active in European societal issues, contributing to policy development through business.

Specifically, the office actively gathers information in the fields of energy, trade, information and telecommunications, transportation, healthcare, research and development, environment, and CSR; communicates with relevant departments within the company; and makes proposals to EU institutions through business and trade associations like BUSINESSEUROPE, DigitalEurope, and the Japan Business Council in Europe (JBCE). We also participate in a European Commission Product Environmental Footprint (PEF) pilot project as part of our environmental policy activities, exchanging opinions and supporting the development of new policies.

We maintain ongoing dialogues with representatives responsible for European policy, business associations, and others, mainly via the JBCE, in the EU-Japan Working Group on Corporate Social Responsibility, organized by the European Commission and Japan's Ministry of Economy, Trade, and Industry, and the UN Asia Regional Forum on Business and Human Rights, among other organizations.

Since 1998, we have held the EU Hitachi Science & Technology Forum to deepen understanding of Hitachi's business. In fiscal 2014, the forum took place in Paris, addressing the theme of healthcare. Starting in fiscal 2016 we are focusing on the Social Innovation Business while continuing to hold these forums from the perspective of contributing to European society through business and technology. Through these activities Hitachi actively shares information with European stakeholders. We also communicate with policymakers through workshops and other activities.



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**Participation in Initiatives**

**Main Initiatives in Which Hitachi Is Involved**

**United Nations Global Compact**

Hitachi became a full member of the United Nations Global Compact in February 2009. Our corporate foundation is the basis for continuing growth as a global company, and it also needs to meet internationally recognized global standards that go beyond national and regional laws and regulations. We believe that respecting and implementing the 10 principles of the UN Global Compact will build a stronger foundation for our business.

Global Compact Network Japan (GCNJ)

**World Business Council for Sustainable Development**

The World Business Council for Sustainable Development (WBCSD) is an organization led by CEOs of forward-looking companies in more than 30 countries worldwide. Its aim is to create a sustainable future for business, society, and the environment. Hitachi has participated in the WBCSD since 1995.



**International Standardization Activities**

To help create and expand markets as well as to accelerate our global business expansion, we are actively involved in developing international standards and are willing to commit employees to serve as chairpersons or international secretaries or in other key positions of international standards developing organizations, such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

The Hitachi Group Standardization Committee was established to work for coordination among the Hitachi Group toward international standardization. The Steering Committee\*1 of this body determines priority themes and promotes standardization activities by creating working groups for each theme.

Hitachi's international standardization work is well regarded. In fiscal 2015, we received the Industrial Science and Technology Policy and Environment Bureau Director-General's Award in the Ministry of Economy, Trade, and Industry's Industrial Standardization Awards, and we were honored by the Telecommunication Technology Committee and the Information Technology Standards Commission of Japan.

Hitachi is committed to contributing to international standardization via standard-developing organizations like the IEC, ISO, and various consortia to facilitate innovation that resolves social issues, as well as to providing solutions consistent with international standards to support the development of sound global markets.

\*1 Steering Committee: Headed by the executive officer overseeing R&D, this entity includes chief technology officers of Hitachi business units and Group companies. The committee is responsible for decisions on cross-departmental and companywide standardization projects.

**Hitachi Group Standardization Committee**

