Recognition of Social Responsibility

Hitachi's Aims: Achieve Management That Is Ever Responsive to the Expectations of Society

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.

Of particular note in fiscal 2016 was the start of management-level deliberations on how we can contribute to society through our Social Innovation Business while paying heed to the United Nations Sustainable Development Goals (SDGs), which came into force in January 2016.

Fiscal 2016 Overview of Activities

In fiscal 2016, we formulated our long-term environmental targets for 2050 and worked to promote understanding of the Sustainable Development Goals (SDGs) inside the company. We also made an effort to communicate interactively with our stakeholders, such as by actively conducting stakeholder dialogue in and outside of Japan.

Main Plans and Results

Realizing Sustainable, Innovative Management

Policies	FY 2016 goals/plans	Results in FY 2016	Achievement level	FY 2017 goals/plans
Recognition of stakeholder expectations; identification of social responsibilities to fulfill in business activities and social issues to address through business	· Formulate long-term environmental policies · Hold workshops to promote understanding of the importance of sustainability	· Announced long-term environmental targets · Held workshops on scaling up SDGs and business activities at the Water Business Unit	★★	· Launch Executive Sustainability Committee; have each business unit/Group company formulate and promote a sustainability strategy that includes SDGs
Promotion of innovative R&D that contributes to resolving customers' or society's issues	· Continue to actively communicate research activities and achievements · Continuously achieve recognition for world-leading innovative research	· Issued 35 press releases (17 related to open innovation) · Received nine awards for world-leading innovative research, such as the Industrial Standardization Awards, Minister of Economy, Trade, and Industry Award, and Contemporary Master Craftsman award	★★★	· Continue policy of disclosure and open innovation · Continuously achieve recognition for world-leading innovative research

Understanding Issues Through Dialogue and Taking Part in Initiatives

Policies	FY 2016 goals/plans	Results in FY 2016	Achievement level	FY 2017 goals/plans
Recognition of company's impact on society through interactive communication with stakeholders	· Recognize issues and achieve improvements by building relationships and engaging in dialogue with NGOs	· Held stakeholder dialogues around the world with NGOs and shared experiences, information	★★★	· Continue building relationships and engaging in dialogue with NGOs
	· Pursue proactive PR activities	· Examined social issues and solutions in designated areas in Japan and overseas with various business units and Group companies · Shared activity policies and case studies with PR officers of US Group companies	★★★	· Promote PR activities of both social and business activities (1) Create new Social Innovation Business activities by partnering with governmental and international institutions (2) Formulate SDG-based assessment index of social businesses · Establish a global public relations structure that capitalizes on Hitachi's strengths as both a Japanese and international company
	· Hold stakeholder dialogues	· Held stakeholder dialogues in India, Europe, Australia, Singapore, and China; started preparing for stakeholder dialogues in North America; discussed issues on disclosure in Europe · Discussed *Integrated Report* disclosure issues at the dialogue in Europe	★★	· Continue with stakeholder dialogues in each country and reflect the conclusions in business activities · Hold stakeholder dialogue more than once a year on policies and important themes under review in North America, Australia, Europe, China, India, and Singapore
	· Advertise in 19 countries, including Japan, as part of a global integrated brand campaign	· Ran ads and TV commercials on two themes, respectively, in 19 countries, including Japan	★★★	· Advertise in 16 countries, including Japan, as part of a global integrated brand campaign

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

Realizing Sustainable, Innovative Management

Hitachi's Approach

Executive Sustainability Committee Initiatives

In April 2017, Hitachi, Ltd. launched the Executive Sustainability Committee to discuss and reach decisions on the Group's sustainability strategy. The committee comprises President and CEO Toshiaki Higashihara and other members of the Senior Executive Committee, along with the CEOs of various business units (BUs).

The inaugural meeting on April 25 addressed such issues as the measures to be adopted in helping achieve the UN Sustainable Development Goals (SDGs) and the setup needed to advance those measures.

Each BU will henceforth assign sustainability strategy promotion officers in an effort to strengthen the measures and organizations needed to help achieve the SDGs and promote sustainability.
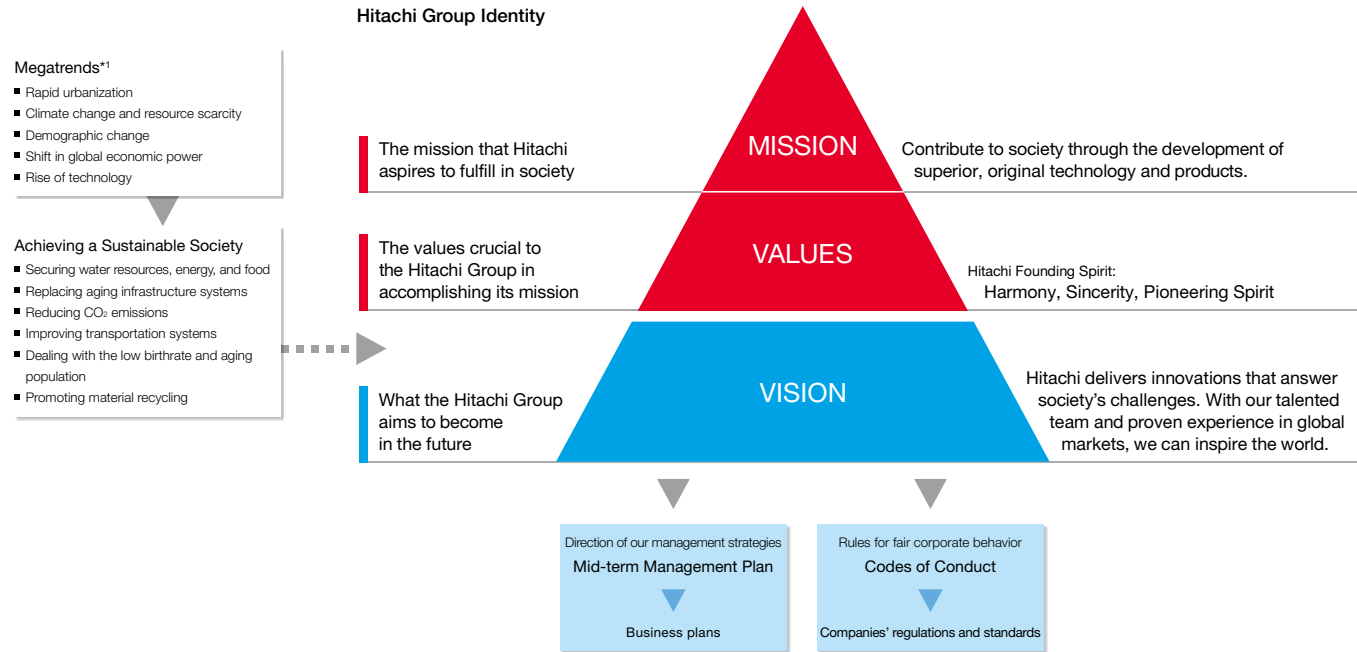
Trends in Society and Hitachi Group Identity

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 and regulations of all countries and regions in which we operate and pursue our activities in line with the Hitachi Group Codes of Conduct.

Trends in Society and Hitachi Group Identity

Hitachi Group Identity

Megatrends[1]
- Rapid urbanization
- Climate change and resource scarcity
- Demographic change
- Shift in global economic power
- Rise of technology

Achieving a Sustainable Society
- Securing water resources, energy, and food
- Replacing aging infrastructure systems
- Reducing CO_2 emissions
- Improving transportation systems
- Dealing with the low birthrate and aging population
- Promoting material recycling

The mission that Hitachi aspires to fulfill in society

MISSION

Contribute to society through the development of superior, original technology and products.

The values crucial to the Hitachi Group in accomplishing its mission

VALUES

Hitachi Founding Spirit:
Harmony, Sincerity, Pioneering Spirit

What the Hitachi Group aims to become in the future

VISION

Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

Direction of our management strategies
Mid-term Management Plan

Business plans

Rules for fair corporate behavior
Codes of Conduct

Companies' regulations and standards

[1] As identified in "Five Megatrends and Possible Implications," published in 2014 by PwC.

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
- Predictive maintenance

Industry/Distribution/Water

Use Lumada*[1] 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.

Innovation Management

Research and Development Direction

As an Innovation Partner for the IoT Era, Hitachi has identified "power and energy," "industry, distribution, and water," "urban," and "finance, public, and healthcare" as the four focus business domains in which to advance its Social Innovation Business by accelerating collaborative creation with customers.

The role of the Research & Development Group is to respond to the challenges faced by customers through collaborative creation and technology development to lead the Social Innovation Business.

R&D will be pursued in accordance with a directive to "create business innovation in an era of uncertainty."

Hitachi will contribute to resolving increasingly global and complex challenges in society through its Social Innovation Business.

Customer-Driven R&D and Hitachi's Business Structure

To accelerate collaborative creation with customers, the Research & Development Group was realigned into a more customer-driven research structure in April 2015. The three research laboratories in Japan—the former Central Research Laboratory, Hitachi Research Laboratory, and Yokohama Research Laboratory—were consolidated along with the Design Division and overseas research centers and regrouped into the Global Center for Social Innovation (CSI), the Center for Technology Innovation (CTI), and the Center for Exploratory Research (CER). This R&D structure supports the new market-driven business structure created in April 2016 along the lines of the "Front" (the customer interface), "Platform," and "Products."
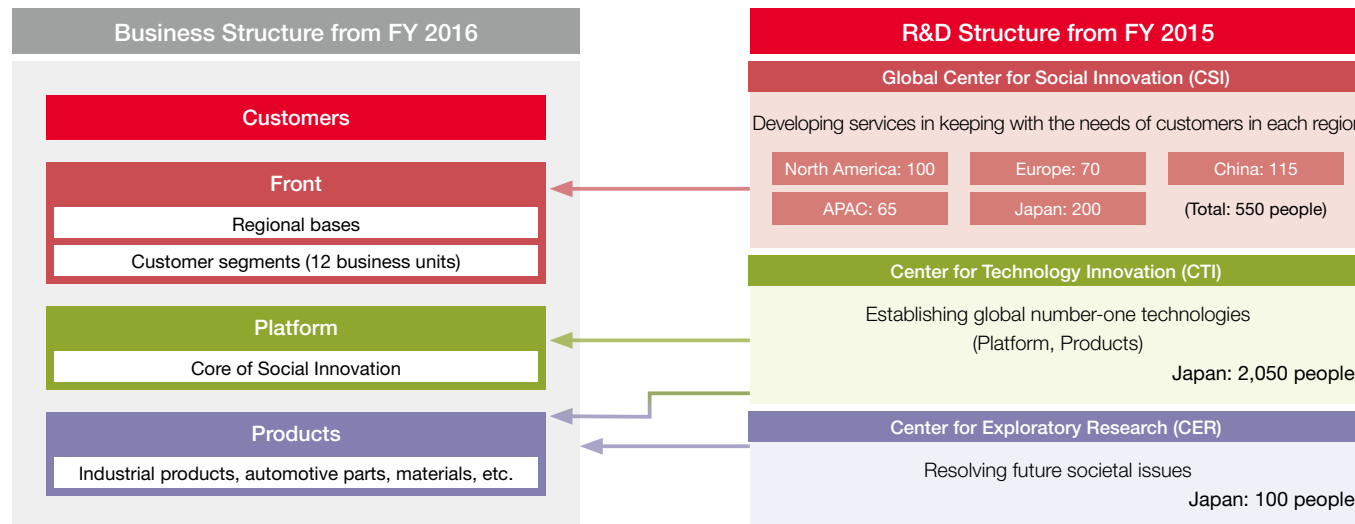
Under this new structure, the CSI is working with the 12 Front business units (BUs) as well as regional centers around the world to develop services meeting the needs of customers in each region. The CTI is working with the Platform BUs that provide the backbone of Social Innovation, as well as the Product BUs that provide the highly competitive key components that support services, to generate digital solutions combining OT (operational technology) and IT, and provide new value to customers in various fields. In December 2016, the Open Laboratory was established within the Yokohama Research Laboratory to use Hitachi's latest technologies to develop

prototypes together with customers, thereby developing applications and platforms that contribute to the creation of visionary innovations. The CER is conducting cutting-edge research toward realizing a human-centric society that pursues the fundamental human goals of "experience and well-being," by working in collaboration with various research institutions to resolve future societal challenges.

Lumada's Evolution in Support of Hitachi's Social Innovation Business

Through collaborative creation, Hitachi creates new value by designing, verifiying, and simulating business models based on challenges and visions shared with the customer. To enable this, an open and secure platform that can connect the different systems of stakeholders is required. Thus in 2016, Hitachi launched the Lumada IoT platform and began offering related services. The Research & Development Group is using NEXPERIENCE, a systemized process facilitating collaborative creation with customers, to generate Lumada customer cases, as well as developing solution cores using innovative technology, such as AI and analytics, as the common platform.

Research & Development Group Structure

Business Structure from FY 2016	R&D Structure from FY 2015
Customers	**Global Center for Social Innovation (CSI)** Developing services in keeping with the needs of customers in each region North America: 100 — Europe: 70 — China: 115 APAC: 65 — Japan: 200 — (Total: 550 people)
Front Regional bases Customer segments (12 business units)	
Platform Core of Social Innovation	**Center for Technology Innovation (CTI)** Establishing global number-one technologies (Platform, Products) Japan: 2,050 people
Products Industrial products, automotive parts, materials, etc.	**Center for Exploratory Research (CER)** Resolving future societal issues Japan: 100 people

Accelerating Collaborative Creation with Customers Worldwide

The market for Hitachi's Social Innovation Business is expanding globally. To be able to respond to the increasing number of collaborative creation projects, CSI is located in five key regions—Japan, Asia-Pacific (APAC), North America, China, and Europe, with about 350 of the approximately 550 CSI personnel being assigned outside of Japan.

CSI-Tokyo is using methodologies developed through design and service research to pursue collaborative creation of solutions together with customers.

CSI-APAC is creating energy, transportation, and urban solutions in collaboration with customers using data science, machine learning, and software engineering. In addition to the existing centers in India and Singapore, R&D personnel have been assigned to a new center in Australia.

CSI-North America is building a big-data analytics platform to collaboratively create advanced solutions in such areas as energy, communications, finance, and healthcare. New laboratories launched in 2016 include the Financial Innovation Laboratory and the Digital Solution Platform Laboratory, which aims to strengthen IoT platform research.

CSI-China is developing such products as elevators and ATMs through collaborative creation with customers to realize solutions for "Made in China 2025," a policy being promoted by the Chinese government to advance the manufacturing sector, and other industrial policies, such as that for a low-carbon society. In 2016, a new center was opened in Guangzhou, a major manufacturing hub in southern China, complementing existing facilities in Beijing and Shanghai.

CSI-Europe is participating in the creation of new markets through European-led standardization activities, addressing challenges facing mature society by developing solutions with key institutions. In April 2017, a new office was opened in London to accelerate the development of digital solutions.

Also launched the same month was the Insights Laboratory, a global hub for collaborative creation between regional CSIs and customers. The laboratory will work closely with the Hitachi Insight Group, established in May 2016, to accelerate the global expansion of Lumada.

Promoting Open Innovation

To realize innovative technology development that cannot be achieved by one company alone, Hitachi has created an open R&D environment, working with research institutes, universities, and customers both within and outside of Japan. From fiscal 2015, the CER has become an open innovation hub to co-create the seeds for the Social Innovation Business of the future.

In Japan, joint research laboratories were established within the University of Tokyo, Kyoto University, and Hokkaido University in June 2016 to work toward the realization of a "Super Smart Society" (Society 5.0)[*1] proposed by the Japanese government. In April 2017, the Hitachi Kobe Laboratory was opened within the Kobe Biomedical Innnovation Cluster as a development facility to achieve practical applications for regenerative medicine. These centers will seek insights into future societal challenges and propose visions and innovations that can both resolve those challenges and contribute to economic development.

Further, as part of efforts toward realizing Society 5.0, Hitachi announced its Vision Design project to consider the future role of technology in people's daily lives. Focusing on the four main themes of "school education," "public safety," "aging support," and "meal experience," Vision Design proposes new ways in which technology can augment human initiatives in support of people requiring assistance.

Globally, in addition to working closely with Stanford University in the field of autonomous driving technology, in 2016 Hitachi became a board member of the Hyperledger Project for blockchain technology, an area of rising interest in FinTech and other fields. Additionally, Hitachi is one of 46 groups from North America, Europe, and Asia participating in the OpenFog Consortium and plays a key role in the Japan regional committee.

In fiscal 2016, research collaboration was conducted with 65 research institutes outside of Japan and 243 within Japan. Collaboration with researchers outside of Japan is being further strengthened through such programs as the Hitachi Research Visit Programs (HIVIPS), established in 1985 to invite researchers to work for a fixed term in labs in Japan.

*1 Super Smart Society (Society 5.0): A term used in the 5th Science and Technology Basic Plan released by the Japanese government to refer to 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.

▶ Hitachi and Hokkaido University Receive Imperial Invention Prize for Real-Time Tumor-Tracking Particle Beam Cancer Therapy System

At the fiscal 2018 National Commendation for Invention, Hitachi and Hokkaido University were jointly awarded the Imperial Invention Prize for a real-time tumor-tracking particle beam cancer therapy system (Japanese patent no. 05896211). The award recognizes the most outstanding inventions of the year.

In particle beam cancer therapy, particles such as protons (hydrogen nuclei) and carbon ions are accelerated to create a particle beam that is focused on the tumor. Almost painless and causing relatively few side effects compared to other forms of radiotherapy, this cutting-edge technique is being introduced at an increasing number of medical institutions in Japan and worldwide. However, as tumors in the lung, liver, and other internal organs move frequently due to respiration and other factors, the need for a technology that can accurately determine the location of moving tumors has long been recognized. This new, jointly developed system combines Hitachi's spot-scanning irradiation technology with Hokkaido University's real-time tumor-tracking radiotherapy in a single, complete therapeutic device that can quickly and accurately irradiate moving tumors, reducing the burden on patients. The Hokkaido University Hospital has been treating patients using this technology since 2014.

The National Commendation for Invention was inaugurated in 1919 and is considered Japan's most prestigious award in the field of invention.

R&D Ethics Reviews

In September 2000, Hitachi established an ethical review committee to oversee the handling of information from human genome analysis. It was the first such committee to be established by a private company in Japan. The majority of the committee members are external experts, and the committee meets two or more times a year to review Hitachi's activities with reference to the in-house ethical guidelines that were prepared based on government documents, such as the "Ethical Guidelines for Human Genome/Gene Analysis Research" and the "Ethical Guidelines for Clinical Research."[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] The guidelines' in-house name was changed on October 1, 2015, by the Hitachi ethical review committee to "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, approximately one-fifth of which is used by the Research & Development Group. Research categories are divided into two categories: (1) Sponsored and Advanced Sponsored Research and (2) Frontier and Platform Research. The former is financed by business units and Group companies and is based mainly on business roadmaps from business unit initiatives. The latter is led by the Research & Development Group and is based on medium- to long-term technology plans. The aim of Sponsored and Advanced Sponsored Research is to expand and grow core businesses with a target
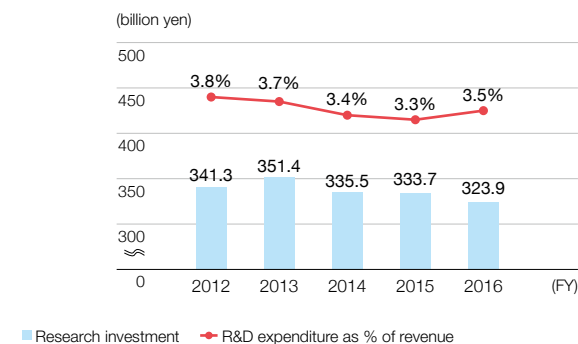
date for practical applications within three to five years. Frontier and Platform Research aims to strengthen customer collaborative creation and technical platforms and to create new businesses.

In fiscal 2017, investment in Frontier and Platform Research was concentrated on the four focus business domains identified in the 2018 Mid-term Management Plan—power and energy; industry, distribution, and water; urban; and finance, public, and healthcare—as well as digital solutions (Social Innovation Business using digital technology) that will contribute to the evolution of the Lumada IoT platform.
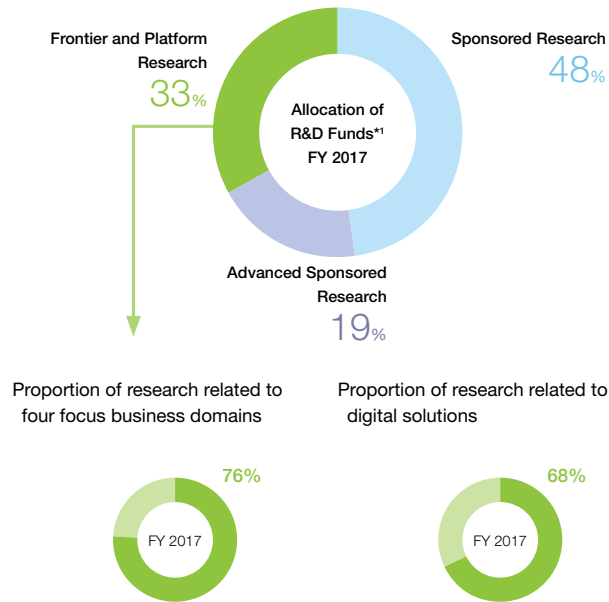
Hitachi will continue to pursue R&D aligned with its corporate strategy in order to contribute to the expansion and accelerated global deployment of its businesses.

Key Indicators

● R&D Expenditure (Hitachi Group)

(billion yen)

FY	2012	2013	2014	2015	2016
Research investment	341.3	351.4	335.5	333.7	323.9
R&D expenditure as % of revenue	3.8%	3.7%	3.4%	3.3%	3.5%

■ Research investment ━ R&D expenditure as % of revenue

● Allocation of Research & Development Group Funds

Frontier and Platform Research
33%

Sponsored Research
48%

Allocation of R&D Funds*1 FY 2017

Advanced Sponsored Research
19%

Proportion of research related to four focus business domains
76%
FY 2017

Proportion of research related to digital solutions
68%
FY 2017

*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, through patent, trademark, and other IP rights, along with strict management of trade secrets, while providing remuneration and incentive awards for inventors. Furthermore, as our Social Innovation Business expands and opportunities for collaborative creation with customers and partners increase, we handle IP acquired from other parties with care.

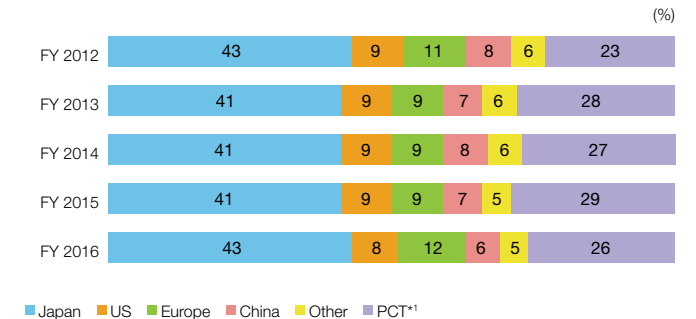▶ Building a Global Patent Portfolio

One of the IP activities supporting our global operations is the development of a global patent portfolio to ensure worldwide protection for innovations emerging from our R&D and prevent competitors from imitating the technological advantages that set us apart. The portfolio also enables us to demonstrate the advantages of those technologies to customers and provide patent licenses to other companies, spurring further collaborative creation. We increased our patent application ratio outside Japan from 47% in fiscal 2009 to 57% in fiscal 2016, and we will continue to efficiently build and maintain our global patent portfolio.

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 London in the United Kingdom 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 2016, two trainees went to the United States, two to Germany, and one to Singapore, while one employee was sent to the United States to study.

Key Indicators

● Patent Application Ratios by Country or Region

(%)

	Japan	US	Europe	China	Other	PCT*1
FY 2012	43	9	11	8	6	23
FY 2013	41	9	9	7	6	28
FY 2014	41	9	9	8	6	27
FY 2015	41	9	9	7	5	29
FY 2016	43	8	12	6	5	26

■ Japan ■ US ■ Europe ■ China ■ Other ■ PCT*1

*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 handle IP acquired from other parties with care. 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, which has spurred us to take further action.

To stamp out counterfeit goods, it is also important to teach general consumers not to buy them. 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 established a special division within the Intellectual Property Division to plan and operate this system, while 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, composed similarly to 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 given President's Awards to the top 100 inventors. Since fiscal 2006, we have also given awards to the top 50 young inventors (under 35 years old) based on patent application rewards received within five years of their joining Hitachi.

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 creation 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	• Quality Assurance • Sales	• Customer satisfaction activities • Marketing • Website • Advertisement activities	Customer Satisfaction pp. 78–79 — Quality Assurance Activities pp. 82–84 Universal Design p. 80 — Rigorous Information Management p. 84 Adaption for Emerging Markets p. 81
Shareholders and Investors	Timely and proper information disclosure, fair assessment and support from capital markets, reflection of shareholder and investor viewpoints in corporate management	• Public Relations and IR	• Financial results briefings (quarterly) • General shareholders' meetings (annual) • IR events, one-on-one meetings (about 700 times/year) • IR tools: *Integrated Report*, business reports, etc.	Stakeholder Engagement pp. 22–26
Suppliers	Building of fair and sound business relations, smooth information sharing toward better partnerships	• Procurement	• Procurement activities • Supplier meetings • CSR monitoring (316 companies/year) • CSR audits (20 companies/year)	Supply Chain Management pp. 71–75
Employees	Active utilization, proper treatment, promotion of occupational health and safety of human capital	• Public Relations • Human Capital	• Intranet, in-house newsletters • Training • Town hall meetings between senior management and employees (16 times/year) • Employee surveys (annual)	Diversity and Inclusion pp. 55–57 — Diverse Support Systems for Employees p. 60 Developing Women's Careers p. 57 — Occupational Health and Safety pp. 61–63 Work-Life Management pp. 58–59 — Global Human Capital Development pp. 64–66 Employing People with Disabilities p. 59 — Stakeholder Engagement pp. 22–26
National and Local Governments, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	• Government & External Relations	• Policy council participation • Participation in business and industry associations	Stakeholder Engagement pp. 22–26
Local Communities	Fulfillment of responsibilities as corporate citizen, involvement in local communities	• Social Contribution • All Business Divisions	• Contribution to local communities through business • Participation in volunteer activities	Social Contribution Activities p. 87
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	• Research and Development	• Open innovation (joint research)	Innovation Management pp. 16–21
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities	• CSR Promotion	• Stakeholder dialogues (4 times/year) • Dialogue through collaboration	Social Contribution Activities p. 87
Global Environment	Realization of a low-carbon society, a resource efficient society, a harmonized society with nature	• Environment • All Business Divisions	• Stakeholder dialogues (annual)	Environment pp. 89–121

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. We conducted a Global Brand Campaign in 19 countries under the slogan "THE FUTURE IS OPEN TO SUGGESTIONS," 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, 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 held town hall meetings as forums for direct dialogue between senior management and employees. In fiscal 2016, President and CEO Toshiaki Higashihara attended a total of 16 town hall meetings in Japan, the United States, China, Singapore, Australia, and other countries.

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, however, are 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. These interactions help drive mindset reform within Hitachi. For example, at one town hall meeting, a participant pointed out that existing structures and procedures made it difficult for junior-level staff to propose new business ideas. This ultimately led to the creation of an entirely new way for employees to make business proposals: an internal "New Ideas Contest" called "Make a Difference!"

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 2016, we held quarterly financial results briefings as well as corporate strategy meetings presenting our new 2018 Mid-term Management Plan. We also hosted the seventh annual Hitachi IR Day, where divisional managers from each business unit explained their business strategies and management policies under the plan. Feedback from institutional investors and analysts was positive, with comments including

"Hitachi IR Day has become an established, worthwhile IR event," and "Direct briefings from CEOs of business units about their business strategies are important opportunities for those of us in the capital market to deepen our understanding of Hitachi's various businesses, and we very much hope they will continue."

We also held briefings to explain our newly constructed Lumada IoT platform, and members of senior management continued their practice of visiting institutional investors and analysts in North America, Europe, and Asia twice a year to explain corporate management policies and business direction, for a combined total of around 700 meetings. In addition, we hosted numerous company information sessions tailored to individual investors to deepen their understanding of Hitachi. We are doing our best to report to members of senior management and to 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. Aiming to continuously enhance our information disclosure, we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets and created a dedicated page outlining our new Mid-term Management Plan.

🖱 Investor Relations

🖱 Disclosure Policy

Working with Governments and Public Policymakers

▶ External Relations Initiatives

We believe that it is governments that are best positioned to both understand and work to resolve social issues, whether at the

national or regional level. As we develop our Social Innovation Business on a global scale, our activities in the social infrastructure field are particularly intertwined with the public interest. This makes government institutions and related organizations in Japan and other countries around the world important partners to Hitachi both as customers and as backers.

Today's global community urgently requires solutions for a range of social issues related to the environment, energy, aging societies, and urbanization. At the same time, innovation in the fields of internet of things (IoT) and artificial intelligence (AI)—the so-called fourth industrial revolution—is advancing rapidly. Like the Japanese governement and its "Super Smart Society" (Society 5.0) proposal, governments around the world are expanding their support systems in response to these developments. For Hitachi, promoting our business according to legislative policies and making effective use of governmental advice and support systems is enormously helpful to us in advancing our Social Innovation Business. We also increasingly receive requests for proposals from the Japanese government as they seek to identify solutions for social issues and craft infrastructure support policies to resolve unique regional challenges. Assisting with these requests, whether directly or through participation in an economic organization or industrial body, is one way Hitachi contributes to a better society.

The senior management of Hitachi actively embrace their social responsibilities. For example, Chairman of the Board and Representative Executive Officer Hiroaki Nakanishi takes part in the Council on Investments for the Future, newly founded in September 2016 by the Japanese government, as one of the representative members of the business world, and also serves as vice chairman of Keidanren (Japan Business Federation), a major economic organization. President Higashihara's service

as chair of the Japan Electronics and Information Technology Industries Association (JEITA) between May 2016 and May 2017 was one way he has brought Japanese corporations closer together and contributed to establishing an appropriate relationship between business entities and society.

▶ 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 in terms of external relations.

The Government & External Relations Division is not only active in Japan but also works with the Hitachi Corporate Office in Washington DC, the Hitachi Corporate Office, Europe, and other business locations in the Americas, Europe, and Asia. By dealing with governments and organizations as a unified Group in seeking mutual benefit with the communities we participate in, we uncover new business opportunities for Hitachi in each community's unique social issues and policies. We contribute to better societies in Japan and around the world through business activities balanced against harmonious relationships with governments and economic organizations worldwide.

▶ 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. We are particularly active in the discussion of how best to realize "Society 5.0,"

advocated by the Japanese government, exploring ways to simultaneously resolve social issues and achieve economic growth. Chairman Nakanishi has been a member of the New Industrial Structure Committee since its founding in 2015 under the Industrial Structure Council of the Ministry of Economy, Trade, and Industry, playing a key role in discussions for the formulation of a New Industrial Structure Vision to help Japan take the lead in the fourth industrial revolution of innovations based on IoT, big data, and AI. He has also been a member of the governmental Council on Investments for the Future since its first meeting in September 2016. The council is a new command post for the government's growth strategy, chaired by the prime minister of Japan. As a representative of a corporation contributing to the realization of "Society 5.0," Chairman Nakanishi makes proposals in areas including the use of data and open innovation.

Staff from the Hitachi headquarters and business departments have also participated in meetings and roundtable discussions that look into policy 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.

▶ 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, where Chairman Nakanishi has served as vice chair since June 2014. He also chairs the Committee on South Asia and the Committee on Information and Telecommunication Policy (as of July 2017). Other executives and employees participate in the Industrial Policy, Labor Policy, Innovation Policy, Regional and Bilateral Relations, and other major

Keidanren committees. As the planning and coordination chair for the subcommittee on Europe, we also conduct activities with Japanese and European governments, while maintaining close economic relations with European governments and economic organizations.

In fiscal 2016, President Higashihara served as chair of JEITA, initiated new business models, and launched fresh concepts with an eye to the future. For example, he spearheaded an initiative to dramatically overhaul the major CEATEC JAPAN event, transforming it in a single year from a general fair for cutting edge IT and electronics to a "CPS/IoT Exhibition."[1] He has also worked to stimulate the IT and electronics industry for the coming fourth industrial revolution by promoting Japanese-German collaboration at CeBIT, a global event for digital business held in Germany in March 2017.

As a member of the Japan Electrical Manufacturers' Association (JEMA), Hitachi takes its commitment to sustainable development of the heavy electric machinery industry and the establishment of a low-carbon society very seriously. To that end, we are 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.

[1] CPS (Cyber Physical System): A system in which data collected in the physical world is analyzed and transformed into knowledge through large-scale data processing technologies in cyberspace to stimulate industry and seek solutions to social issues.

▶ 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 affect management and business, analyzing their impact, and responding appropriately. To increase the effectiveness of these activities, we engage with external business associations, think tanks, and academic groups, exchanging ideas and knowledge with specialists and researchers in efforts that will lead to better policy.

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 a 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 demonstrates how business can contribute to European policy and to societal issues.

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 other Group companies; and

makes policy contributions to EU institutions through business and trade associations like BUSINESSEUROPE, DigitalEurope, and the Japan Business Council in Europe (JBCE). We also participate in the European Commission Product Environmental Footprint (PEF) pilot project as part of our environmental policy activities, exchanging opinions and supporting the development of new policies.

Regarding non-financial information disclosure and conflict minerals regulation, we maintain ongoing dialogues with representatives responsible for European policy, business associations, and others, mainly via the JBCE, in forums including 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.

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 communicates with European stakeholders including policymakers.

▶ Asia-Pacific Region: Hitachi Asia Ltd., APAC Office
The Asia-Pacific region is replete with challenges in areas including the environment, energy, transportation, and healthcare that call for urgent solutions. At the same time, however, it offers a wealth of business opportunities. Hitachi Asia Ltd. opened its Asia-Pacific (APAC) office in April 2016 and continues working to reinforce its business activities in the region. A core

team made up of top-level managers from each national and regional office monitors legislative policies and legal regulations impacting businesses across the Asia-Pacific region and ensures that business activities remain suitable to each location's individual circumstances. On matters such as trade policies that have cross-border implications, solutions are sought through cross-border collaboration. In Singapore, for example, our active participation in the Committee on the Future Economy (CFE) gives us a voice in policymaking.

The Asia-Pacific region is known for its religious, political, and economic diversity. To expand our Social Innovation Business in this region and contribute to solving the social issues it faces, cooperation with national and local governments and involvement in policymaking throughout the region, including Japan, is crucial. For this reason, we sponsor regional events like the Hitachi Social Innovation Forum (HSIF) and Hitachi Young Leaders Initiative (HYLI) as part of our strategy to raise understanding and awareness of our values and vision for the future among those involved in formulating policy.

Until now, Hitachi has emphasized information exchange and communication between Group companies on a national basis. From fiscal 2017, we plan on strengthening collaborative ties between regional offices as well. As One Hitachi, we will continue to seek dialogue with policymakers across a variety of forums in order to resolve social challenges through business.

Participation in Initiatives

Main Initiatives in Which Hitachi Is Involved

▶ United Nations Global Compact

Hitachi, Ltd. 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, Ltd. has participated in the WBCSD since 1995.

wbcsd member

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 coordinate the efforts of all Hitachi Group companies toward international standardization. The Steering Committee[*1] of this body determines priority themes and promotes standardization activities by establishing working groups for each theme.

Hitachi's international standardization work is well regarded. In fiscal 2016, a Hitachi employee received the IEC Thomas Edison Award, and two of our employees received the Minister of Economy, Trade, and Industry Award. And we were also honored by such bodies as the Information Processing Society of Japan and the Railway Technology Standardization Investigation Committee.

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

Head: Hitachi, Ltd. executive officer in charge of R&D	Members: Hitachi Group representatives in charge of international standardization (CTOs, etc.)	Priority Theme 1 Working Group
		Priority Theme 2 Working Group
		Priority Theme 3 Working Group

Steering Committee

Hitachi Group Standardization Committee