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.

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

Hitachi Group Standardization Committee