

A Strategy for Growing Together with Our Global Human Capital

Hitachi's Approach

The globalization of the economy has led many companies to accelerate the shift toward multinational operations. Fostering global human capital has thus become indispensable to providing common global services while at the same time meeting the needs of each country and region. Impacting heavily on the employment and human resource strategies of companies over the medium- to long-term, though, are the falling birthrates and aging populations of industrial countries and the population explosion in developing nations.

The Hitachi Group, with a combined workforce of around 340,000 people engaged together in business activities in countries and regions around the world, is promoting a global human capital management strategy. Specifically, in order to attract, promote, and develop the right human capital, we are taking proactive steps like standardizing required employee skills and evaluation standards globally and rendering human capital visible throughout the Group. We are also working to promote employee development from a global perspective by drafting measures to share values and promote mutual understanding and formulating programs to develop human capital capable of meeting the needs of global operations. Through additional initiatives such as effective implementation of Hitachi's Global Performance Management (GPM) to improve employee engagement and analysis of feedback from our global employee survey, we will continue our efforts to perfect a human capital strategy that allows us to develop along with our employees.

Global Human Capital Development

Advancing Global Human Capital

Our Group-wide global human capital management strategy optimizes both human resources and organizational performance in pursuit of our goal of becoming an Innovation Partner for the IoT Era.

One example of our initiatives is the Global Human Capital Database covering all Hitachi Group employees, excluding factory workers outside Japan. This database enables us to fully ascertain the status of worldwide Group human capital and to assess macro management data, such as the allocation of human resources. We have also built a global grading system that applies to all managers in the Hitachi Group worldwide, using it as a common platform for job evaluations throughout the Group and as a common standard for assessing the value of management duties.

In addition, we introduced a performance management system at Hitachi, Ltd. and at some Group companies worldwide to link the individual and operational business goals, with the aim of promoting mutual sustained improvement and the growth of both individuals and businesses. This system will be expanded to include more companies. With an eye to supporting the advancement of employees as our global operations expand, we are introducing common global hiring systems to secure talented personnel, boost efficiency, and reduce hiring costs.

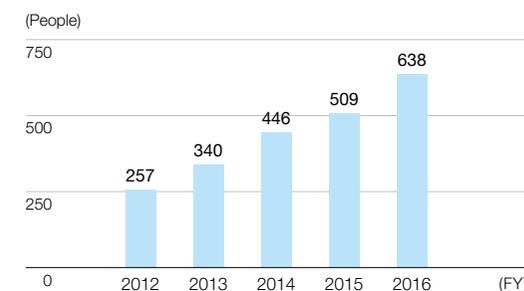
Global Recruiting and Globalizing Human Capital

As a means of developing markets worldwide, we have been accelerating the globalization of human capital in Japan through three initiatives: (1) recruiting "global business personnel" who can promote global operations, (2) providing younger Japanese employees with experience outside Japan, and (3) providing globally unified management training.

Given the globalization of our business, our hiring activities are designed to secure the right personnel. In principle, we categorize all employees graduating from universities and technical colleges as global business personnel who can contribute to driving our global operations. Our priority in employing such personnel is to attract those who are eager to build their foreign language skills and relish the challenge of working in different cultures, social settings, and work environments.

Key Indicators

- Non-Japanese Employees*1 (Hitachi, Ltd.) ✓



*1 Figures include contract-based technical intern trainees with fixed terms.

► **Providing Younger Employees with Overseas Experience**

Hitachi maintains broad programs to systematically cultivate and secure people who can succeed in global business. To develop the careers of people capable of understanding and adapting to local cultures and lifestyles, we have offered a program for younger employees to live outside Japan. We have sent around 8,300 Group employees over six years beginning in fiscal 2011, allowing them to take part in more than 80 programs designed to promote understanding of other cultures and to engage in language studies, local field studies, and internships, as well as to provide opportunities to work with local people to resolve social issues. In fiscal 2015, we shifted our focus to a practical, work-related model of overseas postings instead of the former emphasis on language learning and cross-cultural activities to accelerate the development of employees ready to take on global challenges. We will continue with these initiatives in fiscal 2017.

► **Globalizing Management Training**

Along with the rollout of global human capital management, we are also globalizing our human capital development programs.

We began to thoroughly revise our training of management candidates in fiscal 2015, implementing the Global Advanced Program for Key Positions (GAP-K) to accelerate their development. GAP-K helps participants to look at themselves objectively through three modules and to gain a deeper understanding of the Hitachi Group Identity and their own role in maintaining it. They commit themselves to vigorously and fully resolving business issues and challenges with a sense of mission, share values and goal-oriented thinking while inspiring others, and declare, in their own words, how they will put their skills into practice. Participants also discuss strategies for

global business expansion, with special reference to emerging markets, and explore how these strategies can be applied to Hitachi's existing businesses. In fiscal 2016, 23 people were selected to participate in GAP-K over a three-month period in Japan and India.

Additionally, Hitachi has held the Global Advanced Program for Leadership Development (GAP-L) in Singapore every year since fiscal 2012. The program mainly targets local human resources with potential for leadership at the respective overseas subsidiaries. It is aimed at fostering a deeper understanding of the Hitachi Group's global growth and developing the leadership, thinking, and skills needed for such growth. In fiscal 2016, 24 leaders from around the world took part in the program.

Starting in fiscal 2014, we also initiated standard training courses for general managers and new managers. Around 7,200 people worldwide have taken part in these courses across our Group. We will continue to globalize our management development programs and cultivate leaders to guide us toward further growth in line with our global human capital management strategy.

Career Development Support

There are differences among individual employees with regard to what they find fulfilling in their lives and careers. Bearing this in mind, Hitachi has developed a broad range of career development support that focuses on employees' "internal careers," namely, their individual values and views on the significance and meaning of their work. In addition to ensuring that these individuals can fulfill their potential and maximize their creativity, our aim is also to link that individual growth to the positive outcomes and growth of the organization, thereby enhancing

our corporate value. Along with promoting self-understanding and fostering strong individuals with the independence and autonomy to think and act for themselves, we are also providing support to create a framework that will capitalize on the engagement and motivation of individual employees and to enhance mutual understanding as a way of fostering the teamwork needed to enhance organizational strength and performance.

Future Initiatives for Career Development

In pursuit of becoming a major global player, we are upgrading individual and organizational performance as one of our top priorities. We create value built on employees' individuality and personal aspirations by implementing Hitachi's Global Performance Management (GPM) grounded in diversity and the individual. We are also committed to supporting career development by fostering communication and mutual understanding between employees and their organizations based on programs encouraging individual employees to take greater control of developing their own careers. In these ways, we provide the resources and tools that enable a wide range of people to work together with enthusiasm.

Conducting a Global Employee Survey

Since fiscal 2013, we have been conducting the annual global employee survey, Hitachi Insights, as a way of measuring employee engagement.*1 In September 2016, the survey was administered for the fourth time. Around 210,000 employees worldwide were sent the survey in one of 14 different languages, and roughly 180,000 responses were received.

In accordance with the 2018 Mid-term Management Plan, the contents of the survey were partially revised in fiscal 2016

to measure internal awareness and understanding of the plan along with employee attitudes toward Hitachi's corporate culture. The results in all 14 categories, including those concerning targets in the plan, improved compared to the previous fiscal year's results.

Hitachi scored particularly well in "pride in your company" and "teamwork," suggesting that employees are proud to be part of a company that is aiming to grow globally as an Innovation Partner for the IoT Era. On the other hand, the low scores for "resources and support" that were observed in fiscal 2015 did not improve. Employees may have expected Hitachi to do better on the level of staffing as well as information and resource tools—a situation we will continue to address by reforming working patterns, introducing new tools, and deepening communication with employees.

Survey results are sent directly to immediate section and department heads so that they can confirm the survey results and communicate with team members. This can lead to concrete initiatives through the PDCA cycle, further enhancing the level of engagement within Hitachi as a whole.

*1 Hitachi uses the term "engagement" to refer to employees' understanding of the company's strategies and policies, as well as their job satisfaction and desire to take actions on their own initiative to bring about results.

Career Development in the Workplace

For Hitachi, the center of career development is the work that employees perform daily in the workplace. Based on Global Performance Management (GPM), we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued, followed by the evaluation of the results to formulate the next objectives.

Every fiscal year we also conduct "performance planning," in which individual employees work with supervisor guidance and support, consulting with their supervisors to reach a consensus regarding short-term objectives. These consultations include discussions about past work and evaluations of the content of the work performed to date and the degree to which employee goals were met, followed by the setting of goals for the next fiscal year. Repeating the GPM cycle improves individual performance and further increases motivation and creativity, spurring individual growth and improving organizational results. Along with GPM, employees also take part in career consultations with their superiors to discuss their medium- and long-term career plans regarding such matters as requests for transfers or overseas postings.

In addition, Hitachi administers the Career Counseling Center as part of career development support, in order to provide employees with professional counseling services to help them proactively address concerns related to such issues as their jobs, career plans, or personal relations.

Promoting Career Development Workshops

Along with our workplace career development, we also provide direct support for individual career development through our career development programs. Our key program is the Hitachi Career Development Workshop (H-CDW), launched in fiscal 2002 as a Group-wide initiative in Japan. Around 9,700 people have participated in the program so far (as of March 31, 2017), with a focus on technicians, managers, and researchers in their 30s. Participants use self-analysis to deepen their self-understanding with an emphasis on their "internal careers," affirming their career direction, goals, and paths so that they

can direct the development of their own career and skills. H-CDW has gained recognition as a high-quality program for in-house career development that has built up research and improvements during a period of over 40 years.

According to the January 2016 survey conducted of the most recent participants, about 80% of the 422 answers received from group managers and about 70% of the 277 answers from section chiefs agreed that "H-CDW has been helpful to my career development and work." Specific responses received include "I began to seriously examine my medium- and long-term life plan," "I gained a renewed awareness of the importance of my position and responsibilities," and "I started to think deeply about my career and became conscious of my actions." Of the responses from section chiefs, about 60% reported making use of their workshop experiences in managing subordinates. In addition to those programs, Hitachi also offers programs targeting specific age groups, such as career education for younger employees and training for middle-aged or older employees to help them prepare for the changes ahead in their careers. Regarding the training for employees aged 50 and over, a survey conducted between October 2015 and March 2016 found that 90% of participants felt that the training had been beneficial; one respondent noted, "Creating a financial plan and grasping my current situation in terms of specific numbers dispelled my anxiety," while another said, "It was a good opportunity to start thinking about my life plan from age 60 onward."