



# Our ESG Approach

## Message from Outside Directors



### Impressions of Hitachi's Corporate Governance

In my view, Hitachi's corporate governance is excellent. I joined the Board of Directors of Hitachi as an outside director in 2012. Currently, outside directors account for 9 of the 13 directors. In addition, 5 directors are from outside of Japan. I am most impressed that Hitachi is one of the few leading corporations in Japan in the promotion of diversity. In terms of their experience and cultures, the directors have a wide range of backgrounds and offer diverse opinions. There have been many opportunities for me to learn, and I believe that meetings of the Board of Directors are conducted in a manner that is highly meaningful.

Another distinctive feature of Hitachi is the close communication between the directors and the executive officers, who communicate freely and openly. At meetings of the Board of Directors, there are detailed business briefings by each Business Unit CEO and executive officers. In response, outside directors offer a broad range of opinions and views from their independent viewpoints. The President & CEO openly welcomes the comments of the outside directors and works to reflect those comments in management. The executives of Hitachi are aiming to increase shareholder

value through sustainable growth and to be a corporation in which all employees can work in a comfortable, secure environment.

### Changes for Hitachi

To accelerate the Social Innovation Business, from fiscal 2016 Hitachi made a major shift to a new system that emphasizes front businesses, which will implement marketing while maintaining close contact with customers. In addition, the Company has clarified its market-in approach. For example, the President & CEO and other executives will take a lead role in stepping up sales and marketing initiatives. That approach is also clear at meetings of the Board of Directors. Outside directors have been included in opportunities to meet with local customers and partners. These have included meetings of the Board of Directors in Delhi, India, in 2012; Washington, D.C., United States, in 2013; and London, United Kingdom, in 2015. These meetings were highly significant opportunities.

Hitachi also implements a market-in approach in regard to R&D, which will be the source of sustainable growth in the future. A new organizational system that supports front operations has already been placed into operation. I have visited

Hitachi's Central Research Laboratory twice. The majority of its research efforts have business potential, and I look forward to seeing the commercialization of these R&D results at an early stage.

### Globalization of Management

Hitachi has strengths in advanced technologies and in the broad scope of its business fields, and the Company is rolling out initiatives in the Social Innovation Business on a global scale. The members of the Board of Directors have visited major offices and facilities in India, the United States, and the United Kingdom. In addition, we participated in the Hitachi Social Innovation Forum 2015, which was held in Las Vegas, Nevada. Working together with customers and partners, Hitachi provides a wide range of technologies and solutions globally. Based on my experience at these events, it is clear that Hitachi enjoys a wide range of business opportunities.

Hitachi is accelerating reforms to promote globalization of management. The Company's goal is to derive more than 55% of its revenue from overseas markets in fiscal 2018. Here the diversity of its human capital talent pool is key. It will be necessary to enhance the capabilities of individual employees while effectively utilizing human resource rotations across Japan and overseas markets. These efforts should include the active utilization of overseas global talent in postings at Hitachi headquarters in Japan.

Moreover, global markets are currently characterized by increasing uncertainty. In addition to strengthening services and products, Hitachi must take additional steps to improve profitability, such as reducing costs through further diversification of its procurement of parts and components. Customers are managing their operating expenditures within limited budgets, and accordingly Hitachi needs to step up the global provision of solutions and services that help customers resolve these challenges. I believe that this will provide opportunities to create new businesses and lead to future growth.



### Hitachi's Meeting of the Board of Directors

I became an outside director of Hitachi in June 2015, and my overall evaluation of our corporate governance is that it is very good. At Hitachi, executive officers aggressively incorporate the opinions of the Board of Directors into management activities. Hitachi has demonstrated a consistent, forward-looking approach that aims for further progress. Many Japanese companies have problems with rapid decision making, but one of Hitachi's distinctive strengths is the extremely fast pace of its management. For example, when I ask a question about a particular issue at a meeting, the answer to that question is always provided at the next meeting. The Company does not simply listen to the opinions of outside directors. They have a clear focus on actually incorporating those opinions into actions and drawing on them in management activities.

Hitachi has a global business involved in many diverse industries. This means the Company needs a board with a diverse makeup to enable both the skills and specialized focus that are needed to govern over a company like Hitachi. In that regard,

the Board itself has broadened to become more diverse in culture and experience. One example is the increase in the number of outside directors who are not Japanese. There is a good degree of debate and multiple points of views from the diversity on the Board, which includes these directors with different backgrounds.

Maintaining a focus on the next three to five years and seeking to ensure Hitachi remains competitive are the most important themes that the Company is dealing with. If the management policies and organizational reforms that have been discussed in meetings of the Board of Directors over the past few years take firm hold, and Hitachi moves forward on that basis, then I believe that the Company is certain to be successful.

### Hitachi's Strengths and Challenges

Hitachi has numerous strengths and those that are always top of mind for me are the global reach of the Company, the diversification of industries, the highly talented and skilled workforce, and the longevity of the talent pool within Hitachi as well as the leadership, including the Chairman of the Board and the President & CEO.

But with great strengths like these, the challenges can also seem not a few. Maintaining margin growth with a 340,000-person workforce is no small feat. Hitachi has a wealth of talented, innovative human resources around the world, but it will be necessary for each individual to further enhance and leverage his or her skills.

No matter how a company reduces waste and increases efficiency, it is a continuous theme that the company must keep constant its efforts to overcome the competition. In this difficult environment, Hitachi needs to learn how to make quicker management decisions or completely change if the Company wants to lead rather than follow.

### Expectations for Hitachi

Hitachi needs to focus on steadily delivering on goals in the 2018 Mid-term Management Plan while increasing the speed of decision making and changing risks and challenges into opportunities.

Also, there are geopolitical changes that continue to occur and could sometimes affect the business of Hitachi. It will be necessary to focus not only on geopolitical risks but also on cultural risks. In preparation for these risks, Hitachi needs to further strengthen its cost competitiveness. To expand operations while reducing risk, it will be necessary to utilize overseas human resources, who have abundant knowledge of local markets, for top management positions, as in the case of British executive Mr. Alistair Dormer, who was appointed as the CEO of the Railway Systems Business Unit.

As a legal specialist with experience in the management of global corporations, I will do my utmost to contribute to Hitachi. Through meetings of the Board of Directors, I would like to utilize my knowledge in a wide range of fields, such as corporate culture, organizational reform, and cost reductions, in Hitachi's management.

# Corporate Governance

Hitachi and its listed subsidiaries are companies with Nominating Committee, etc., under the Companies Act of Japan. By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for quick business operation, while making management highly transparent.

In addition, Hitachi is executing business strategies formulated to enable the Group to demonstrate its collective strengths. Moreover, some of Hitachi's Directors and Executive Officers serve concurrently as Directors and Executive Officers at Group companies, thereby strengthening integrated management of the Group and improving

management oversight of Group companies. In these ways, Hitachi is working to increase corporate value.

Starting in June 2015, the Japan's Corporate Governance Code applies to companies listed on domestic stock exchanges in Japan. Hitachi agrees with the basic approach of the Code, which is that the Code's appropriate implementation will contribute to the development and success of companies, investors and the Japanese economy as a whole through individual companies' self-motivated actions so as to achieve sustainable growth and increase corporate value over the medium-to-long term. Moving forward, Hitachi will work to further strengthen corporate governance.

## Initiatives to Strengthen Corporate Governance

### 1. Realizing quick, highly transparent management

**Transition to a Company with Committee System (currently a Company with Nominating Committee, etc.) (June 2003~)**

#### Major Aims

- Make management highly transparent by demarcating responsibilities for management oversight and those for the execution of business operations

Composition of Each Committee (June 2016)

Nominating Committee: Determines director candidates



Audit Committee: Audits execution of Directors and Executive Officers



Compensation Committee: Determines remuneration for Directors and Executive Officers



† Chairman (Outside Director) ‡ Outside Director § Inside Director

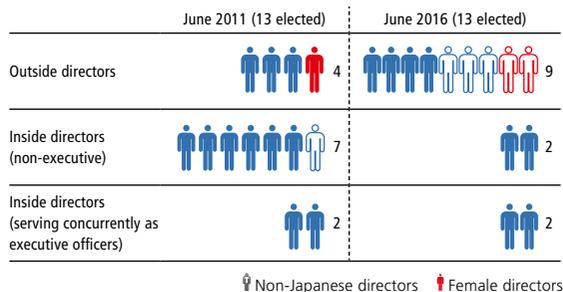
### 2. Accelerating global management, strengthening oversight function

**Increased number of outside directors including non-Japanese directors; outside directors became majority (June 2012~)**

#### Major Aims

- Reflect global, diverse viewpoints in management, further strengthen oversight function

Composition of Board of Directors



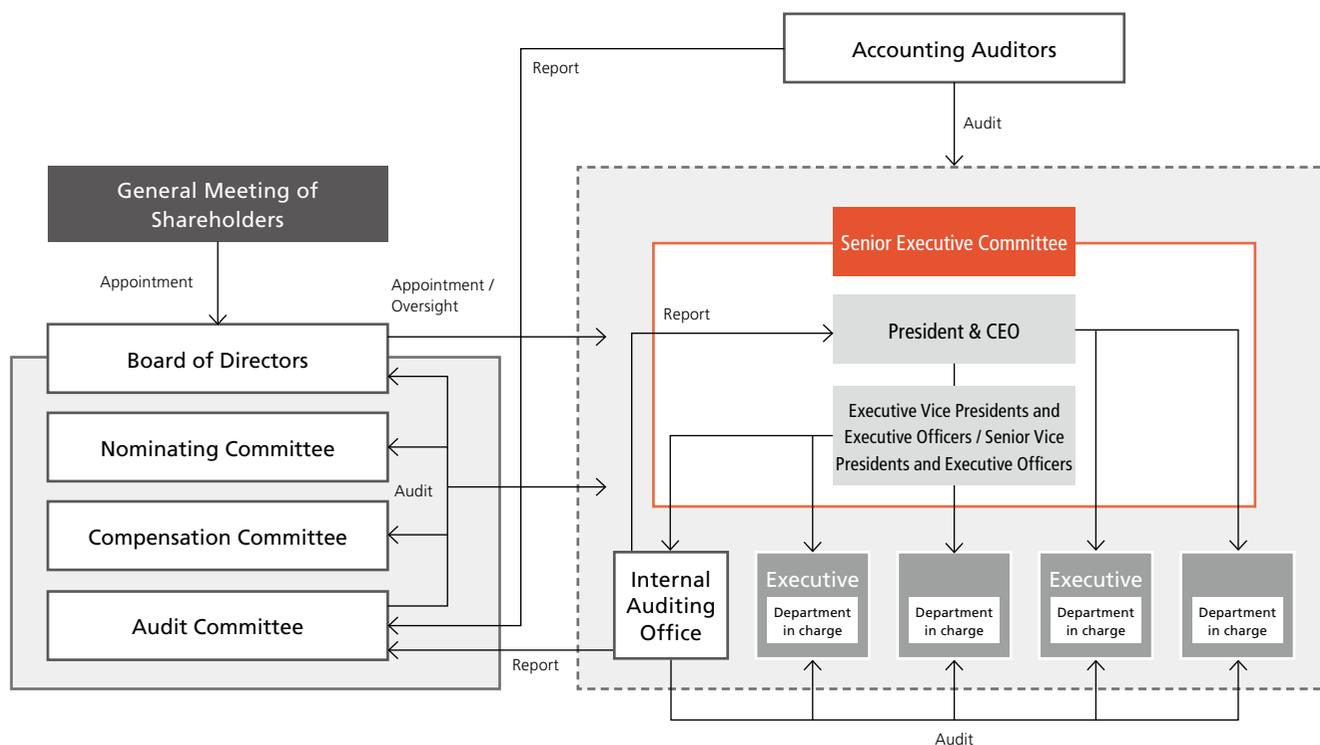
### 3. Appropriate implementation of the Corporate Governance Code

**Implementing all of the principles of the Corporate Governance Code**

#### Analysis and Evaluation of the Effectiveness of the Board of Directors

- The Board of Directors analyzed and evaluated its effectiveness in fiscal year ended March 31, 2016, based on each director's evaluations in regard to such matters as the composition of the Board of Directors, the decision-making process, contributions, and operational and support systems.
- The results of the evaluation were that the Board of Directors has diversity in its composition and, targeting growth in corporate value over the medium-to-long term, conducts active discussions, centered on matters related to management strategies, such as mid-term management plans. The evaluation concluded that the Board of Directors is functioning effectively overall.

## Corporate Government Framework



### Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations. As of June 22, 2016, the Board of Directors was made up of 13 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which nine outside Directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 8 days during the fiscal year ended

March 31, 2016, and the attendance rate of Directors at these meetings was 100%. To assist with the duties of the Board of Directors and each committee, staffs who are not subject to orders and instructions of Executive Officers are assigned.

#### Attendance at meetings of the Board of Directors by each outside director in the fiscal year ended March 31, 2016

Name	Attendance
Nobuo Katsumata	8 out of 8 days
Cynthia Carroll	8 out of 8 days
Sadayuki Sakakibara	8 out of 8 days
George Buckley	8 out of 8 days
Louise Pentland	7 out of 7 days
Harufumi Mochizuki	8 out of 8 days
Philip Yeo	8 out of 8 days
Hiroaki Yoshihara	8 out of 8 days

## Corporate Governance

Furthermore, Hitachi formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for Directors, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.

<http://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

### Qualification for the outside Directors and criteria for the independency

In regard to the election of an outside Director, the Company's Nominating Committee considers the following criteria for independence. In addition, the Committee also considers whether the outside Director has outstanding character and insight and whether the Outside Director has worked in a leadership position in such fields as business, law, administration, accounting or education or has experience at policy-making levels.

In regard to the independence of an outside Director, the Company considers an outside director to be independent if none of the following items are applicable.

- His or her immediate family member is, or has been within the last three years, an executive director or an executive officer, of the Company or any of its subsidiaries;
- He or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
- He or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- He or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

Name	Reasons for appointment
Baba Kalyani	Mr. Kalyani was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of a major global company.
Cynthia Carroll	Ms. Carroll was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on her rich experience and insight as the top executive of major global companies.
Sadayuki Sakakibara	Mr. Sakakibara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight as the top executive of a major global company.
George Buckley	Mr. Buckley was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of major global companies.
Louise Pentland	Ms. Pentland was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies.
Harufumi Mochizuki	Mr. Mochizuki was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of public administration, etc.
Takatoshi Yamamoto	Mr. Yamamoto was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management.
Philip Yeo	Mr. Yeo was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his broad experience and insight in such areas as public administration.
Hiroaki Yoshihara	Mr. Yoshihara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management and accounting.

### (1) Nominating Committee

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors. The Nominating Committee consists of four Directors, three of whom are outside Directors.

The Nominating Committee meetings were held 6 days during the fiscal year ended March 31, 2016.

### (2) Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of five Directors, including three outside Directors and one standing Audit Committee members.

The Audit Committee meetings were held 16 days during the fiscal year ended March 31, 2016.

### (3) Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are outside Directors.

The Compensation Committee meetings were held 9 days during the fiscal year ended March 31, 2016.

### Composition of the Board of Directors and Each Committee

	Number of persons	Outside Directors	Directors	Chairman
Board of Directors	13	9*	4	Inside Director
Nominating Committee	4	3	1	Outside Director
Audit Committee	5	3	2	Outside Director
Compensation Committee	4	3	1	Outside Director

\* In regard to the outside directors, Hitachi has notified all outside Directors as independent directors to each of the stock exchanges in Japan where the Company is listed.

## Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute Hitachi's business affairs within the scope of assignments determined by the Board of Directors. As of August 1, 2016, Hitachi had 34 Executive Officers.

## Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussing from diverse viewpoints. This committee consists of eight members as of June 22, 2016: President & CEO, four Executive Vice President and Executive Officers and three Senior Vice President and Executive Officers.

## Director and Executive Officer Compensation

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act. Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

Compensation for Directors will consist of a monthly remuneration and a year-end allowance. Monthly remuneration will be decided by adjusting basic remuneration that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc. Year-end allowance will be a pre-determined amount equivalent to about 20% of the Director's annual income based on monthly remuneration, although this amount may be reduced depending on financial results. A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

Compensation for Executive Officers will consist of a monthly remuneration, a performance-linked component and a medium and long-term incentive compensation. The higher position Executive Officers hold, the higher proportion of variable pay (the sum of performance-linked component and medium and long-term incentive compensation, except monthly remuneration as fixed pay) will be set to the total annual compensation. Monthly remuneration will be decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position. Performance-linked component will be decided by adjusting a basic amount to reflect financial results and individual performance. The basic amount is set within the range of about 25 to 35% of the total annual compensation of each Executive Officer in accordance with the relevant position. Medium and long-term incentive compensation\* will be stock options as stock-based compensation with share price conditions (stock acquisition rights with the strike price of ¥1), the number of which to be granted will be determined within the range of about 10 to 40% of the total annual compensation of each Executive Officer in accordance with the relevant position. As for expatriates, cash award based on the value of the Company's share price with the similar conditions will be substituted for the stock options.

\* It was decided at the Compensation Committee meeting held on May 13, 2016 that medium and long-term incentive compensation will be introduced as a component of the compensation from the fiscal year commencing on April 1, 2016.

The compensation structure for Directors and Executive Officers was re-examined starting with compensation for the fiscal year ended March 31, 2009, and the retirement allowance was abolished.

## Corporate Governance

Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2016, is as follows:

### Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly remuneration	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	117* <sup>1</sup>	105* <sup>1</sup>	12	3* <sup>2</sup>
Outside Directors	280	265	14	8
Executive Officers	1,763	1,275	487	28
Total	2,161	1,647	514	39

\*1 The amount of compensation to Directors (excluding outside Directors) includes the monthly remuneration for one Director, who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.

\*2 The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.

In addition, Directors or Executive Officers whose compensation from Hitachi and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)					
				Monthly remuneration	Performance-linked component	Basic remuneration	Incentive		Others* <sup>6</sup>
							Short-term	Long-term	
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer* <sup>3</sup>	161	115	46	—	—	—	—
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive Officer* <sup>3</sup>	136	97	39	—	—	—	—
Alistair Dormer* <sup>4</sup>	Hitachi Rail Europe Ltd. (Consolidated subsidiary)* <sup>5</sup>	Executive Chairman and CEO	161	—	—	70	61	28	—
John Domme* <sup>4</sup>	Hitachi Information & Telecommunication Systems Global Holding Corporation (Consolidated subsidiary)* <sup>5</sup>	Chairman of the Board and CEO	900	—	—	144	185	558	12

\*3 Although concurrently serving as Director, Messrs. Hiroaki Nakanishi and Toshiaki Higashihara do not receive compensation as Director.

\*4 Although concurrently served as Executive Officer of the Company for the fiscal year ended March 31, 2016, Messrs. Alistair Dormer and John Domme did not receive compensation as Executive Officer of the Company.

\*5 The basic remuneration paid in Sterling pounds and US dollars is converted into yen using average exchange rate for each quarter of the fiscal year ended March 31, 2016. The other compensations paid in Sterling pounds and US dollars are converted into yen using average exchange rate for the fiscal year ended March 31, 2016.

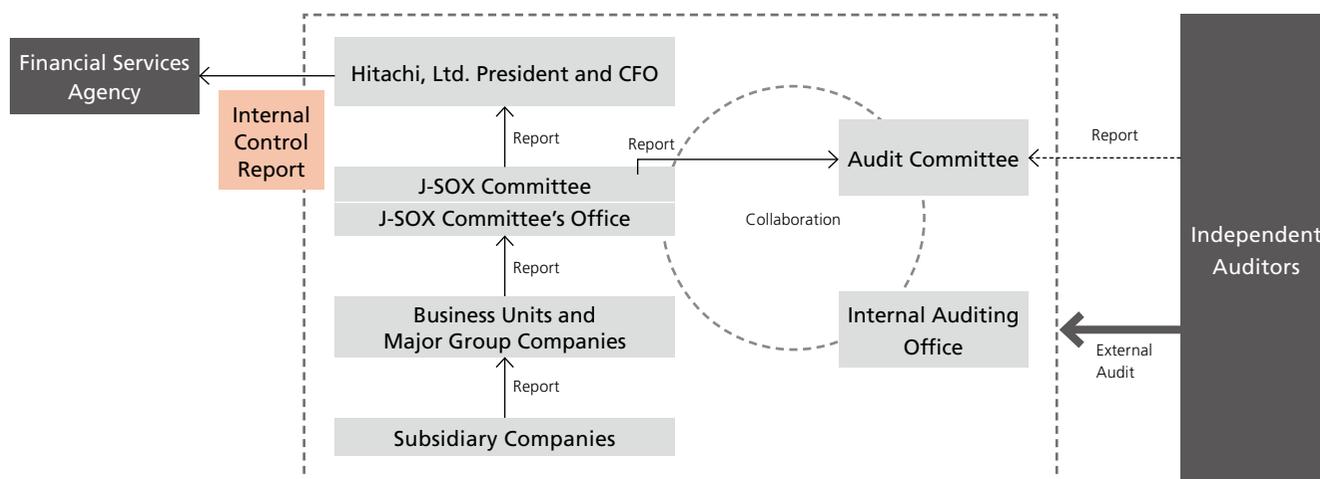
\*6 The "Others" column represents the amount of fringe benefits.

### Internal Control over Financial Reporting

To ensure the reliability of the financial reporting for the Group as a whole, the Hitachi Group has documented control procedures, from company-level controls to process-level controls, in accordance with policies determined by the J-SOX Committee. In regard to assessment of the internal control over financial

reporting, Hitachi is advancing the establishment of systems for objective assessment at each business unit and major Group company. The J-SOX Committee's office summarizes the assessment results of each company to confirm the effectiveness of internal control on a Group-wide, consolidated basis.

## Hitachi Group Internal Control Assessment Framework (As of April 1, 2016)



## Accountability

In accordance with its disclosure policy, Hitachi is implementing the fair and appropriate disclosure of such information as management strategies and financial information. In addition, Hitachi is aggressively conducting dialogues through such means as meetings with shareholders and investors, investor relations (IR) events, and the general meeting of shareholders.

In the fiscal year ended March 31, 2016, we held quarterly financial results briefings and corporate strategy meetings on our progress with the 2015 Mid-term Management Plan. Following on from the fiscal year ended March 31, 2015, we hosted Hitachi IR Day 2015, where senior management explained their business strategies and management policies under the Plan. Feedback from institutional investors and analysts was positive. Their comments included, "I was struck by the Company-wide efforts to generate cash flows," and "This was a valuable once-a-year opportunity to update our understanding of the Company's various businesses—one that I very much hope will continue."

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

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. We aim to continuously enhance our information disclosure. In the fiscal year ended March 31, 2016, we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets.

Information for shareholders and investors  
<http://www.hitachi.com/IR-e/>

### Major information disclosure publications

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Financial results / Quarterly financial results

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Annual securities reports / Quarterly reports

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Business reports / Interim business reports

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Annual report

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Hitachi Group sustainability reports

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# Risk Management

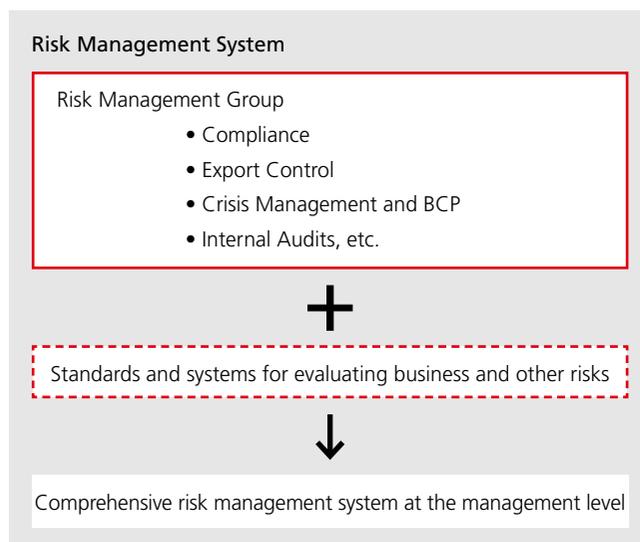
Changes to our operating environment from such factors as the globalization of the economy and advances in and spread of information and communications technology (ICT) not only lead to the expansion of business opportunities but also to the diversification of risks to our operations.

We have built a diverse risk management system under which we carry out risk analysis to accurately gauge ongoing economic and social changes and use the insights gained to take preventive measures and ensure a rapid response to issues that may arise unexpectedly.

## Reinforcement of Risk Management System

The entire Hitachi Group is reinforcing its risk management system to address increasingly globalized and complexed risks.

Under Hitachi, Ltd.'s head of risk management, each business operation assigns an executive handling risk management to manage risks mainly concerned with compliance, export control, disasters, and crime, and to respond adequately in coordination among the entire Group. Furthermore, Hitachi is building a comprehensive risk management system that contains standards and procedures to objectively evaluate different risks that may affect business.



## Creating BCPs\* in Key Operations Worldwide

Given the close relation of our business to social infrastructure, we are enhancing our BCPs to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. In December 2006, we issued the *Hitachi Group Guidelines for Developing Business Continuity Plans* in Japanese. In fiscal 2010 these were translated into English and Chinese for distribution to all Hitachi Group companies worldwide to ensure our response readiness for large disasters and other risks.

When the Great East Japan Earthquake struck in March 2011, our BCPs enabled quick responses and swift decision making. However, issues emerged including identification of secondary and other suppliers, cloud storage and multiplexing of production information, and the need to secure alternate transportation and fuel sources.

Based on the lessons learned from this disaster, in October 2011 we released and distributed new BCP guidelines for departmental implementation to further improve our BCPs. Hitachi Group operations in Japan completed their preparation and review of BCPs, based on applicability to their operations, by the end of fiscal 2011. BCPs for large earthquakes and novel strains of influenza have been prepared for 49 Hitachi, Ltd. business sites and 96 Group companies.

On top of these efforts, since fiscal 1998, Hitachi, Ltd. has held annual earthquake drills simulating a major seismic event at key operations in Japan. In November 2015, Hitachi Automotive Systems held coordinated drills at its head office and business sites in the cities of Sawa, Atsugi, and Fukushima, where managers in charge of their divisions confirmed the action plans in emergency situations based on BCPs.

In fiscal 2013, Hitachi appointed personnel in charge of risk-response policies at its main overseas bases and around 300 companies prepared BCPs with the goal of completing them for key operations by the end of fiscal 2013. These BCPs are aimed at strengthening our ability to respond to business risks, including large disasters, novel strains of influenza, political instability, and social disruption, as well as acts of terrorism. Moving forward, we intend to further expand the scope of our BCPs.

\* BCP: Business Continuity Plan

## Improving Safety for Employees Sent to Dangerous Regions

Responding to the hostage incident in Algeria in January 2013, then President Hiroaki Nakanishi reinforced his policy in February 2013 of ensuring the safety of employees sent outside Japan. Survey missions of in-house and outside experts are now sent beforehand to areas at high risk of war, terrorism, and other threats. Even after employees are dispatched to such areas, we conduct additional local surveys every six months as a means of confirming the effectiveness of our safety policies. In fiscal 2014, survey missions were sent to several countries in Africa and the Middle East. In addition, we have introduced a range of safety measures in the light of recent terrorist incidents involving Japanese and other nationals, including providing timely alerts to employees. These and other steps underscore our commitment to ensuring the safety of our employees working around the globe.

Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, Hitachi executives participated in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs, and in June 2014 Hitachi took part in a public-private kidnap incident preparatory training exercise.

\* Incident in January 2013 in which an armed terrorist group attacked a natural gas refining plant in Algeria. There were more than 30 victims, including 10 Japanese.

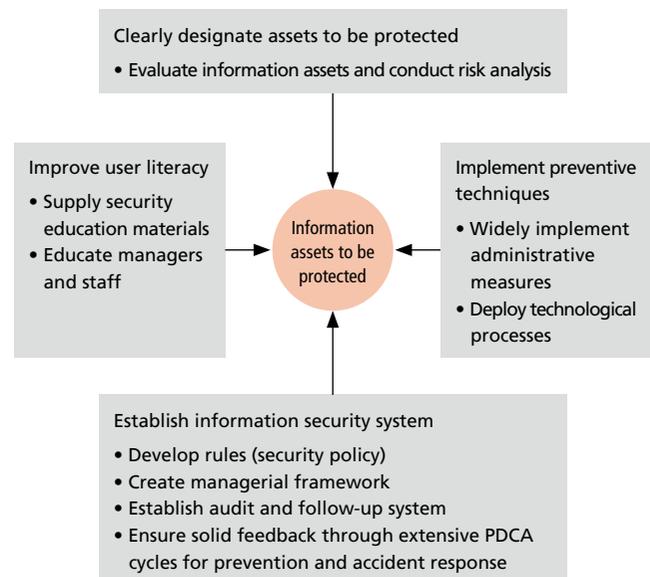
## Promoting Information Security

The Information Security Committee, chaired by the Chief Information Security Officer, determines our information security policies and procedures. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

The Hitachi Group emphasizes two points in information security and personal information protection:

- (1) Precautionary measures and prompt security responses  
We classify assets to be secured and take safeguarding measures based on vulnerability and risk analyses. We also have an emergency manual for security breaches, based on the assumption that these are inevitable, and not just possible.
- (2) Promoting stronger ethical and security awareness among data users  
We have prepared a program tailored to Hitachi's various personnel levels and are working to raise the prevailing sense of ethics and security awareness through Group-wide e-learning. We are also conducting audits to identify and address problems early on.

### Basic Approach to Information Security Governance



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# Compliance

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior in accordance with conditions in the countries and regions where we have operations. As a global company, we are implementing a consistent compliance structure across the entire Hitachi Group.

## Enhancing Our Compliance Framework

To comprehensively implement our compliance framework, we have appointed a senior executive as the head of risk management for the entire Hitachi Group. Every in-house company and key Group company also has an executive handling risk management, assisted by a compliance manager (CM). We are also supporting regional Group companies and have appointed compliance heads in 11 regions globally.

Under this system, policies and measures are shared through the Compliance Management Conference, composed of risk management executives from in-house companies and key Group companies. In addition, all CMs meet regularly at the Hitachi Group Compliance Conference to provide information on compliance and to confirm implementation of required actions.

The Advisory Committee, consisting of outside experts, convenes regularly to exchange views on the state of compliance initiatives. The insights provided by committee members are utilized to improve policies and actions.

The internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where the reviews identify necessary improvements, corrective measures are swiftly implemented.

## Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group, who are able to report issues through in-house channels, but also by former employees, temporary staff, and suppliers.

In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors. The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to appropriately deal with situations, including taking remedial action where necessary.

## Thorough Export Controls

For basic export control policies, we adopt the Hitachi Standards of Corporate Conduct, which state: "We shall help maintain international peace and security through compliance with trade-related laws and regulations." We established the Corporate Regulations concerning Security Export Control based on this policy in 1987. We carry out strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support to Hitachi Group companies to ensure that all Group companies follow the same export control policies. In fiscal 2015, we held workshops for Group companies in the United States, South Korea, and India providing practical training on export control. During this period an e-learning program in Japanese, English, and Chinese—Export Controls of the Hitachi Group (Introductory Course)—was introduced and taken by around 113,000 employees at Group companies worldwide.

## Measures to Prevent Bribery and Corrupt Practices

To deal with global bribery and corruption risks, in fiscal 2013 we referred to the *US Foreign Corrupt Practices Act Resource Guide*\* and other documents to develop various corruption risk scenarios. These were used as the basis for a survey conducted at Hitachi Group companies outside Japan. By analyzing the survey results, we identified several companies at risk from corruption. We are monitoring and working with those companies with the goal of reducing corruption worldwide.

In 2015 we also created a set of revised rules regarding prevention of bribery and corrupt practices, which were globally adopted by Hitachi Group companies.

That same year we released a global version of an e-learning program regarding the fundamentals of preventing bribery and corrupt practices to be utilized among Group companies worldwide.

\* The US Foreign Corrupt Practices Act consists of antibribery provisions regarding foreign government officials and transparent accounting provisions within the Securities Exchange Act. Enforced by the Department of Justice, it prohibits bribes to foreign government officials. Transparent accounting, enforced by the Securities and Exchange Commission, requires companies to show transactions fairly and accurately in their accounting records and to maintain effective internal control over accounting.

## Preventing Violations of Fair Competition Laws

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and disciplined competition.

However, Hitachi, Ltd. was found to have impaired the fairness of a public bid in fiscal 2002 and was penalized in September 2006, October 2008, and March 2009 for violating the Japanese Antimonopoly Law. In November 2012, a subsidiary dealing in automotive components was penalized by the Japan Fair Trade Commission for violating the Antimonopoly Law. In September 2013, the same company was prosecuted by the US Department of Justice for violating American antitrust laws, resulting in a plea bargain, and in January 2016 the company reached a settlement with the European Commission for a violation of EU competition laws.

We are working to prevent further violations and to broaden awareness of compliance issues, including publicizing messages from top executives, developing company regulations, conducting regular audits, and providing education and training to employees based on a compliance manual. In fiscal 2015, we held group education sessions on the Antimonopoly Law for 1,263 participants, including all Hitachi sales managers. We also released an e-learning program on the fundamentals for compliance with competition laws and implemented it at Hitachi Group companies globally.

Through these initiatives we will continue working to improve and enhance our compliance framework.

## Implementing Thorough Tax Compliance

In January 2016, we established a set of tax-related regulations with which the entire Group must comply. In connection with the globalization of our business, we are implementing risk management for taxation that focuses in particular on the points listed below.

- (1) Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body's Action Plan on Base Erosion and Profit Shifting (BEPS).
- (2) Group companies effectively, continually, and proactively manage tax-related issues as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.
- (3) Group companies build sincere and positive relations of trust with the tax authorities in the regions where the companies do business, and strive to maintain and develop those relations.

## Achieving a Fair and Equitable Work Environment

Hitachi has a human resource strategy that emphasizes the concept of “decent work.” This concept has taken on increased importance globally as a standard for labor practices, with the International Labour Organization, for example, positioning the concept as an important objective of its activities. Companies are expected to ensure decent work through policies appropriate to their businesses.

### Hitachi’s Thinking on Decent Work

Human resources are key to Hitachi’s ability to adapt to rapid social and environmental change and continue providing new value to customers. Diversity and inclusion are crucial to our strategy, and throughout the Hitachi Group we promote HR management practices that maximize the strength we can draw from a diverse, highly engaged workforce transcending national and corporate boundaries. Our globally shared leadership development program fosters leaders who champion our Social Innovation Business around the world, while a range of other training programs help employees obtain the knowledge and skills they need to provide innovative solutions to our customers.

Hitachi also views it as crucial to create a work environment in which each employee can engage meaningfully in productive work. As part of efforts in this area, we have unified performance review standards worldwide in a highly transparent and fair system for evaluating each employee’s achievements. We have also enacted safety policies that apply across the entire Hitachi Group, and continue striving globally to create workplaces that offer safety and peace of mind to those who work there. Other initiatives aim to make it easier to achieve work-life balance, reduce work hours, and promote healthy lifestyles among employees. Additionally, we conduct an annual survey of employee engagement levels across the Group, using the results as the basis for further improvement in management practices.

## A Strategy for Growing Together with Our Global Human Capital

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. We are fostering human capital through a diverse array of initiatives, such as hiring and promoting to management positions non-Japanese personnel, drafting measures to share values and promote mutual understanding, and formulating programs to develop human capital capable of meeting the needs of global operations.

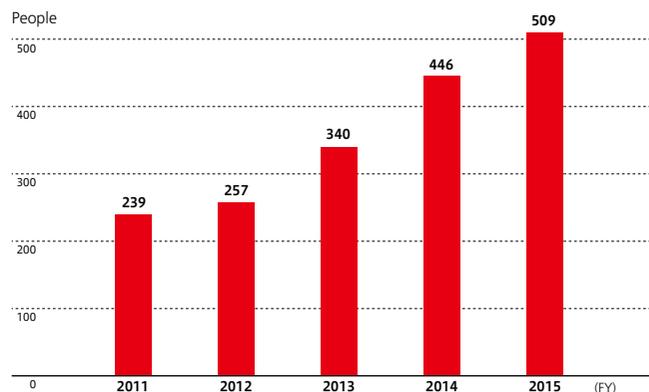
### Advancing Global Human Capital

Our Group-wide global human capital management strategy optimizes both human resources and organizational performance in pursuit of Hitachi’s goal of becoming a major global player.

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 entire 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 operational business goals and individual skills, with the aim of mutual sustained improvement and growth of both businesses and individuals. 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.

### Non-Japanese Employees (Hitachi, Ltd.)



## Global Recruiting and Globalizing Human Capital

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

With an eye on the globalization of our business, we are committed to hiring activities that 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 for employing global business personnel is to attract people who are eager to build their foreign language skills and relish the challenge of working in different cultures, social settings, and work environments.

## 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 needed to think and act for themselves, we also are providing support to create a framework for the organization to benefit from 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 prioritizing individual and organizational performance. 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.\* In September 2015, the survey was administered for the third time. Around 210,000 employees worldwide were sent the survey in one of 13 different languages, and roughly 170,000 responses were received. For the second consecutive year, the results in all 13 categories improved compared to the previous fiscal year's results. The year-on-year improvements were the outcome of the in-house departments and organizations examining the results and implementing improvements, in line with the PDCA (plan, do, check, act) approach. We intend to continue making improvements.

Overall, among the 13 categories, Hitachi scored well as in previous surveys in "pride in your company" and "your supervisor's management," but less well for the category "resources and support." This suggests that employees are proud to be part of a company that is aiming to grow along with society through its Social Innovation Business, but that many employees felt that Hitachi can do better on the level of staffing as well as information and resource tools. In addition, in fiscal 2015 we expanded the range of an initiative begun in the previous fiscal year to directly send the survey results to section and department heads so that they can confirm the survey results and communicate with their team members, with the aim of promoting concrete initiatives. In fiscal 2016, in line with our Mid-term Management Plan, the content of the survey will be revised, along with providing support to in-house workplaces to continually implement the PDCA cycle, as a way to further enhance the level of engagement within Hitachi as a whole.

\* 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.

# Promoting Diversity and Inclusion

Hitachi believes that building a corporate culture that fully draws on the diversity of human capital, in terms of gender, age, and values, not only offers employees an opportunity to approach their work with enthusiasm but also contributes to enhancing competitiveness through the provision of solutions that incorporate diverse perspectives. In recent years, with the growing interest among stakeholders for personnel policies enabling flexible work styles, we are taking a proactive stance toward implementing this approach. We are also establishing key performance indicators to help expand career options for female employees.

With the strong commitment of top management, we aim to promote diversity as part of our management strategy and become a company that makes full use of our diverse human capital.

## Diversity and Inclusion

Diversity is the wellspring of our innovation and our growth engine. Hitachi regards personal differences—gender, nationality, work history, age, sexual orientation, and philosophy—as facets of people’s individuality. By respecting our employees’ individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual’s and the Company’s sustainable growth. With strong teamwork and broad experience in the global market, we will meet our customers’ needs.

Since the 1990s, we have been at the social forefront, supporting women and other members of our multifaceted workforce. This includes setting up systems to help balance work with child and nursing care. Entering Phase 3 of our diversity management roadmap, we are embracing diversity as a management strategy under the initiative slogan “Diversity for the Next 100.” This means creating an environment where women and other members of our varied workforce can use their skills in leadership and business management.

## Development Structure of Diversity Management

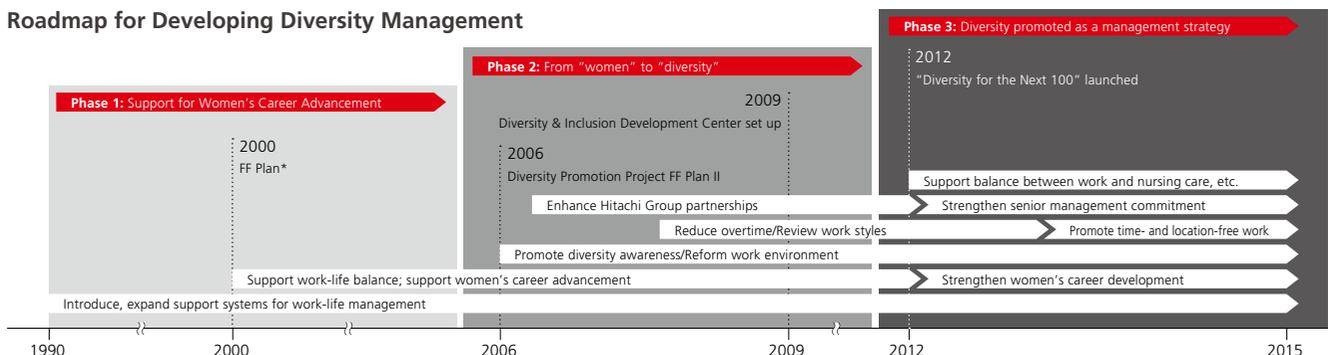
The Diversity Development Project, launched in fiscal 2006 under the president’s direct control, was replaced in fiscal 2009 with the Diversity & Inclusion Development Center, which currently operates under the direct supervision of the Human Capital Group.

Hitachi and 20 Group companies jointly operate the Advisory Committee and the Diversity Development Council to accelerate awareness across Hitachi as a whole, including support for diverse human resources and work-life management. The Advisory Committee ensures follow-through on our diversity management policy, while the Diversity Development Council discusses specific activities and shares best practices. Both meet every six months.

Group companies and business groups/sites have also set up their own diversity-promotion organizations and projects, such as those to help develop women’s careers, in order to enhance initiatives geared to the challenges faced by individual workplaces. We also hold regular meetings to exchange opinions on diversity with labor unions.

In Europe, too, we are accelerating the pace of our diversity and inclusion initiatives on the basis of establishing the D&I Steering Committee in January 2016. The committee, which convenes every quarter, is made up of executives from the seven main Hitachi Group companies in Europe, including Hitachi Europe Ltd., Hitachi Rail Europe Ltd., and Hitachi Data Systems Corporation. The three main areas addressed are “the creation of a diversity and inclusion framework,” “career development,” and “communication.” Members are assigned to each area and lively discussions are held in order to formulate and implement plans to promote diversity and inclusion.

## Roadmap for Developing Diversity Management



\* The Gender-Free and Family-Friendly (FF) Plan is an initiative to create a better work environment by supporting efforts to balance work and family life and supporting women in the workplace.

## Promoting Occupational Health and Safety

As a corporate group that engages in multinational business activities, building safe, healthy, and hygienic workplace environments at business sites around the world is a Group-wide management task for Hitachi. This means that we must be sure to take into careful consideration the social conditions and workplace environment of each country and region.

Hitachi has thoroughly implemented measures for occupational health and safety since its founding. Currently, we are advancing a global occupational health and safety system based on the concept of decent work while also drawing on the lessons and knowledge gained at workplaces in Japan.

### Fundamental Idea for Occupational Health and Safety

Ensuring the health and safety of all employees is the basic principle underlining the Hitachi Group Health and Safety Policy. This policy is shared by all Hitachi Group companies around the world. Employees work together to create safe, secure work environments that aim to be accident free.

#### Hitachi Group Health and Safety Policy

##### Principle

“Health and Safety Comes First.”

##### Policies

In accordance with our mission, “Contribute to society through the development of superior, original technology and products,” the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of “Health and Safety Always Comes First.”

##### To accomplish this, we will:

1. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by designating the health and safety of employees as management’s top priority.
2. Comply with the local laws and regulations in each company regarding health and safety.
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace.
4. Require an understanding of Hitachi’s principle and the promotion of health and safety awareness from all business partners of the Hitachi Group.
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi’s business activities.

Revised November 2013

### Framework for Promoting Health and Safety

Hitachi views occupational health and safety as vital preconditions for advancing our Social Innovation business. We promote a range of Group-wide occupational health and safety activities that include preventing workplace accidents by setting and applying minimum safety standards to be observed by Group manufacturers around the globe and by taking into consideration the specific conditions at each company. We respond quickly when an accident occurs, using incidents to make improvements and boost our levels of health and safety management.

In accordance with Japanese law, a health and safety commission—composed of company representatives, labor union officials, and employees—is organized at each business site and is convened every month to discuss and share information related to such issues as workplace accident causes and countermeasures, the situation regarding employees who have taken sick leave, and other points of concern.

In fiscal 2011, we introduced the Hitachi Group Key Safety Management Designation System. This initiative tracks key safety management improvements at Hitachi Group companies and business sites in Japan that have experienced serious work accidents. Under the leadership of top executives, these companies and business sites take on management-driven and bottom-up initiatives to formulate and promote specific improvement plans. We are also reshaping the Group’s safety management framework and introducing targeted safety measures, including extensive investigations of the cause of serious accidents, reviews of risks to reduce potential accidents, and engagement of third parties with a high level of health and safety expertise to diagnose safety issues.

In fiscal 2015, we became able to grasp our safety management level overseas through the application of safety statistics and minimum standards. Moving forward, we aim to continually make improvements to further raise the level of safety.

# Respect for Human Rights Throughout the Value Chain

Hitachi respects international human rights norms in every country and region and strives to continuously and thoroughly implement those norms. Along with putting into practice the Hitachi Group Human Rights Policy and other guiding principles, we are implementing educational activities targeting company executives and employees at each Group company on an ongoing basis. At the same time, company executives are taking the lead in analyzing potential risks within the business process and creating an organization in which human rights infringements do not occur.

We also have been putting in place a system for implementing human rights due diligence from the perspective of preventing any involvement with human rights violations, and in fiscal 2015 we expanded the system to include our supply chain.

## Human Rights Initiatives

In May 2013, we adopted the Hitachi Group Human Rights Policy to supplement the Hitachi Group Codes of Conduct, drawn up in fiscal 2010. In this policy, we clarify our understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. This policy shapes Hitachi's approach to meeting the responsibility to respect human rights, including implementing human rights due diligence\*1 in line with the UN Guiding Principles on Business and Human Rights,\*2 providing appropriate education to employees, adhering to national laws and regulations in all the regions and countries where we operate, and seeking ways to honor the principles of international human rights when faced with conflicts between internationally recognized human rights standards and national laws.

In fiscal 2014, Hitachi added the perspective of Business and Human Rights to its existing structures and policies and developed a guidance on human rights due diligence that explains procedures for everyday business practices. Based on this guidance, in fiscal 2015 we initiated human rights due diligence in procurement, assessing and prioritizing human rights risks in the supply chain and considering measures to reduce these risks.

\*1 Human rights due diligence: An ongoing process to identify and assess potential and actual human rights impacts, integrate findings, and take appropriate action to prevent or mitigate potential impacts or to provide for or cooperate in remediation of actual impacts. The processes also cover tracking the effectiveness of actions to address impacts and communicating externally.

\*2 UN Guiding Principles on Business and Human Rights: Included in the March 2011 Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie (A/HRC/17/31).

### Hitachi Group Codes of Conduct

<http://www.hitachi.com/corporate/about/conduct/index.html>

### Hitachi Group Human Rights Policy

[http://www.hitachi.com/csr/renew/pdf/human\\_rights\\_policy.pdf](http://www.hitachi.com/csr/renew/pdf/human_rights_policy.pdf)

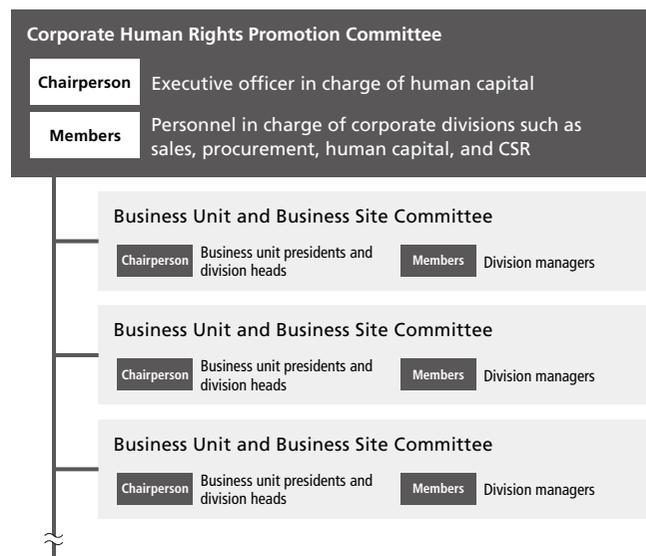
## Framework for Human Rights

Hitachi, Ltd. established the Corporate Human Rights Promotion Committee in fiscal 1981 to gauge the impact of business activities on stakeholders' human rights and to deliberate on mechanisms and policies for preventing human rights violations. The executive

officer in charge of human capital chairs this body, whose members include representatives from sales, procurement, human capital, CSR, and other corporate units. Hitachi is improving its Group-wide human rights awareness based on the guidelines discussed and written by the Corporate Human Rights Promotion Committee. Information from deliberations is shared with all employees through business units and business site committees, led by business unit presidents and division heads. Business units provide consultation services through which employees can seek consultation on issues such as sexual harassment and are working to ensure that those coming forward are treated with respect and dignity.

In a practice launched in fiscal 2014, we distribute a human rights message by Representative Executive Officer, President, and CEO Toshiaki Higashihara every year on December 10, Human Rights Day. In fiscal 2015, approximately 148,000 executives and employees at Hitachi, Ltd. and Group companies in and outside Japan received an e-mail message regarding global trends in human rights, Hitachi's human rights policy and activities, and the importance of individual employees respecting human rights in their work.

### Hitachi, Ltd. Framework for Promoting Respect for Human Rights



## Engaging in Responsible Procurement

As a company that procures products and services from suppliers in regions and countries around the world, Hitachi was quick to introduce policies on CSR and green procurement. Moreover, Hitachi has taken the lead in responding to the issue of conflict minerals, which has been the focus of public interest in recent years, by scrutinizing the countries where raw materials are mined in order to prevent the infringements on human rights by countries engaged in conflict.

### Raising Human Rights Awareness Among Executives and Employees

Hitachi conducts regular group training and seminars and uses videos to educate employees in each business unit and Group company. The target is for each employee to attend these sessions at least once every three years (equivalent to a yearly participation rate of 33.3%). In fiscal 2015, the participation rate came to 71.8% at Hitachi, Ltd. and 46.0% among Group companies. We also offer an e-learning program on business and human rights, launched in June 2013; as of March 2015, approximately 187,000 Group employees in Japan and elsewhere had taken the program. Using educational materials developed in line with the Hitachi Group Human Rights Policy, adopted in May 2013, the program aims to ensure that employees understand Hitachi's human rights policy and act accordingly. The training is provided to all employees once every three years on average, taking into account human rights trends worldwide.

In July 2015, moreover, 25 Hitachi, Ltd. executive officers participated in an officer training session on the theme of human rights in global businesses, led by Takaji Hishiyama of the Center for Corporate Behavior. Touching on several cases, Hishiyama discussed what the international community expects of corporations regarding respect for human rights and how human rights risks translate into business risks, among other topics.



A scene from the officer training session.

### CSR Supply Chain Management Framework

Given the global reach of Hitachi's business, there is a growing likelihood of supply chain risks creating management problems, and we are working hard to identify and mitigate these risks beforehand as much as possible. We established a CSR/Ecological Procurement Promotion Center within the Hitachi headquarters in fiscal 2011. We have also established the Hitachi Group CSR Green Procurement Committee, which includes committee members from in-house and key Group companies. This completes a framework that will enable our CSR supply chain management and green procurement philosophy and initiatives to be shared throughout the Group.

In order to share the philosophy of Hitachi among our suppliers, in fiscal 2015 we also introduced a new initiative to provide suppliers directly with information in a face-to-face format, in addition to the information shared on the Hitachi website as well as our CSR monitoring, CSR audits, and other measures. The first of these face-to-face events was held in January 2016 at a CSR and green procurement seminar held in Shanghai for Hitachi Group partners in China. The event was attended by 15 people from 12 companies, primarily suppliers in eastern China. At the seminar, Hitachi explained topics including its fundamental CSR philosophy, the CSR audit situation, regulatory trends under Chinese environmental laws, and Hitachi's related policies. Feedback from participants included a comment from one person who was "impressed by the emphasis the Company places on not only *monozukuri* craftsmanship but also on fulfilling its social responsibility in a range of areas." Another participant "gained a sense that profitability is not the sole aim and that it is important to adhere to environmental laws." As reflected in the comments, the seminar served to deepen the understanding of Hitachi initiatives related to CSR and green procurement.

#### Guidelines for Procurement Activities

[http://www.hitachi.com/procurement/policy/\\_\\_\\_icsFiles/afieldfile/2010/08/30/guidelines.pdf](http://www.hitachi.com/procurement/policy/___icsFiles/afieldfile/2010/08/30/guidelines.pdf)

#### Procurement Policy

<http://www.hitachi.com/procurement/policy/index.html>

#### CSR/Green Procurement

<http://www.hitachi.com/procurement/csr/index.html>

# Helping Resolve Environmental Issues Toward 2050

The world's population, which was 7.3 billion in 2015, is projected to grow to 9.7 billion by 2050 and to 11.2 billion by 2100.\*<sup>1</sup> Global GDP is also continuing to expand—led by emerging economies—aggravating a host of environmental problems, including global warming caused by higher CO<sub>2</sub> emissions from fossil fuel consumption, the depletion of resources due to increased demand, and ecosystem destruction. Global-scale efforts are being made to develop approaches that lighten the burden on the environment so that a prosperous planet can be passed on to future generations.

Hitachi strives to achieve a more sustainable society by addressing environmental problems, which pose a major challenge for society, based on its corporate mission of contributing to society through the development of superior, original technology and products.

\*1 According to *World Population Prospects: The 2015 Revision*, published by the United Nations.

## Hitachi's Environmental Vision

As global warming, resource depletion, ecosystem destruction, and other environmental issues grow more serious, the international community is working together to tackle these problems, such as by adopting the Paris Agreement that includes a target to keep global warming to below 2°C. From an environmental-management perspective, Hitachi, which promotes the Social Innovation Business, has established the Environmental Vision and defined the kind of society we envision in the long term in contributing to the resolution of global environmental issues.

### Environmental Vision

Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.

## Long-Term Environmental Targets: Hitachi Environmental Innovation 2050

Our Environmental Vision envisions a low-carbon society; a resource efficient society; a harmonized society with nature. To achieve such a sustainable society, we have newly established a set of long-term environmental targets called Hitachi Environmental Innovation 2050.

To create a low-carbon society, we aim to achieve 80% reductions in CO<sub>2</sub> emissions by fiscal 2050 across the value chain in line with ambitious targets set in the Paris Agreement. Toward that end, we will enhance the efficiency of our products and services, supply low-carbon energy, and develop innovative technologies and solutions.

To achieve a resource efficient society, we will do our utmost through our business operations, together with our customers and society, to help build a society that uses water and other resources efficiently. We will also improve our usage efficiency of water and other resources in our business operations by 50% by fiscal 2050.

To achieve a harmonized society with nature, we will strive to minimize Hitachi's impact on natural capital, which bestows the benefits of nature on humankind.

### Hitachi Environmental Innovation 2050

- Low-Carbon Society**
  - Achieve **50% reductions** in CO<sub>2</sub> emissions by fiscal 2030 and **80% reductions** by fiscal 2050 across the value chain (compared to fiscal 2010)
- Resource Efficient Society**
  - **Build a society that uses water and other resources efficiently**
  - Achieve **50% improvement** in usage efficiency of water and other resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)
- Harmonized Society with Nature**
  - **Minimize** the impact on natural capital

## Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results)

The Environmental Action Plan for 2013 to 2015 encompassed many themes, such as promoting Eco-Products, reducing CO<sub>2</sub> emissions, and using resources efficiently. Three years of improvement activities were concluded in fiscal 2015 with many positive results.

### Environmental Action Plan for 2013 to 2015: Achievements

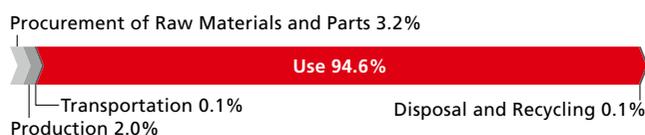
Category	Items	Indicators	Fiscal 2015 targets	Fiscal 2015 results
Establish Environmental Management Systems	Raise the level of environmental activities	GPs (green points) in GREEN 21 Environmental Activity Evaluation System	640 GPs	646 GPs
	Ecosystem (biodiversity) preservation	Implementation of ecosystem preservation assessment	Completion of ecosystem preservation assessment	Completed ecosystem preservation assessment
Promote Eco-Products	Expand Hitachi Eco-Product lineup	Percentage of Hitachi Eco-Product sales	90%	95%
		Number of models in Eco-Products Select program	340 models	409 models
Build Industry's Most Advanced Factories and Offices	Promote Eco-Factories & Offices Select certification	Eco-Factories & Offices Select certification	Average of at least 1 certification per in-house or Group company	New certifications: 15 Renewed certifications: 58 Total: 73
Prevent Global Warming	Reduce energy use per unit	Reduction in energy use per unit (base: FY 2005, global)	15%	16%

For details about initiatives to address major indicators other than those above, please refer to the CSR section of our website.

## Calculation of GHG Emissions Throughout the Value Chain

We calculate greenhouse gas (GHG) emissions throughout the entire value chain to more effectively reduce these emissions. As over 90% of emissions come from use of the products we have sold, we are working to reduce emissions by developing Eco-Products that meet environmentally conscious criteria throughout their life cycle.

### GHG Emissions Throughout the Hitachi Value Chain



## Increasing the Ratio of Eco-Products

We promote the development of environmentally conscious products called Eco-Products as part of our initiative to reduce the environmental burden of our products and services as much as possible.

Eco-Products must meet criteria used in the design and development stages, when we evaluate the extent to which their environmental burden can be reduced. Until fiscal 2015, we promoted the development of Eco-Products by setting targets for raising the Eco-Product sales ratio, a figure measuring Eco-Product sales against total product sales. In fiscal 2016, we will launch new initiatives with the aim of helping to resolve environmental issues by developing and expanding the use of products and services with high environmental value.

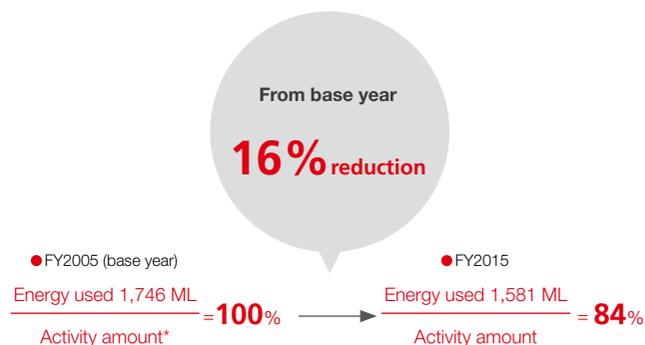
▶ [Key Indicators] Eco-Product Sales Ratio (Please refer to page 55.)

## Global Warming Countermeasures in Factories and Offices

We are promoting ways to use energy more efficiently and reduce GHG emissions during production and transportation, in both manufacturing and nonmanufacturing divisions, to help prevent global warming.

We are working to reduce the energy use per unit as one way to use energy more efficiently. In fiscal 2015, we achieved a reduction of 16% (from fiscal 2005, the base year), surpassing the target of 15%. We are systematically working to improve the energy efficiency of individual lighting equipment and facilities by installing high-efficiency equipment and devices, from LED lighting to inverter air conditioners. In pursuit of more efficient energy use, moreover, we are actively harnessing the control technologies and IT systems that are our forte to conserve energy at our factories and offices.

### Reduction in Energy Use per Unit



\* A value closely related to the emission factor numerators (environmental burden) of energy use from business activities (for example, production quantity, output, building floor space, and number of employees).

▶ [Key Indicators] CO<sub>2</sub> Emissions (Please refer to page 55.)