

Understanding Issues Through Dialogue and Taking Part in Initiatives

Hitachi's Approach

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

Stakeholder Engagement

Communication with Stakeholders

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

Stakeholders	Main Roles	Main Divisions	Means of Communication	Pages
Customers	Creation of better products and services, response to complaints, appropriate disclosure of information on products and services	<ul style="list-style-type: none"> Quality Assurance Sales 	<ul style="list-style-type: none"> Customer satisfaction activities Marketing Website Advertisement activities 	<ul style="list-style-type: none"> Customer Satisfaction pp. 80–81 Universal Design p. 82 Adaptation for Emerging Markets p. 83 Quality Assurance Activities pp. 84–85 Rigorous Information Management p. 86
Shareholders and Investors	Timely and proper information disclosure, fair assessment and support from capital markets, reflection of shareholder and investor viewpoints in corporate management	<ul style="list-style-type: none"> Public Relations and IR 	<ul style="list-style-type: none"> Financial results briefings (quarterly) General shareholders' meetings (annual) IR events, one-on-one meetings (about 600 times/year) IR tools: <i>Integrated Report</i>, business reports, etc. 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 28–32
Suppliers	Building of fair and sound business relations, smooth information sharing toward better partnerships	<ul style="list-style-type: none"> Procurement 	<ul style="list-style-type: none"> Procurement activities Supplier meetings CSR monitoring (131 companies/year) CSR audits (18 companies/year) 	<ul style="list-style-type: none"> Supply Chain Management pp. 74–78
Employees	Active utilization, proper treatment, promotion of occupational health and safety of human capital	<ul style="list-style-type: none"> Public Relations Human Capital 	<ul style="list-style-type: none"> Intranet, in-house newsletters Training Town hall meetings between senior management and employees (18 times/year) Employee surveys (annual) 	<ul style="list-style-type: none"> Diversity and Inclusion pp. 60–62 Developing Women's Careers pp. 62–63 Work-Life Management pp. 63–64 Employing People with Disabilities p. 64 Diverse Support Systems for Employees p. 64 Occupational Health and Safety pp. 65–67 Global Human Capital Development pp. 68–70 Stakeholder Engagement pp. 28–32
National and Local Governments, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> Government & External Relations 	<ul style="list-style-type: none"> Policy council participation Participation in business and industry associations 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 28–32
Local Communities	Fulfillment of responsibilities as corporate citizen, involvement in local communities	<ul style="list-style-type: none"> Social Contribution All Business Divisions 	<ul style="list-style-type: none"> Contribution to local communities through business Participation in volunteer activities 	<ul style="list-style-type: none"> Social Contribution Activities pp. 88–90
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> Research and Development 	<ul style="list-style-type: none"> Open innovation (joint research) 	<ul style="list-style-type: none"> Innovation Management pp. 21–27
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities	<ul style="list-style-type: none"> CSR Promotion 	<ul style="list-style-type: none"> Stakeholder dialogue (3 times/year) Dialogue through collaboration 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 28–32 Social Contribution Activities pp. 88–90
Global Environment	Realization of a low-carbon society, a resource efficient society, a harmonized society with nature	<ul style="list-style-type: none"> Environment All Business Divisions 	<ul style="list-style-type: none"> Stakeholder dialogues (annual) 	<ul style="list-style-type: none"> Environment pp. 91–127

Engagement with Customers

▶ Global Campaign Rollout

It is critical for Hitachi to gain stakeholders' understanding of its Social Innovation Business and corporate vision, which aspire to realize a sustainable society. We conducted a Global Brand Campaign in 16 countries under the slogan "THE FUTURE IS OPEN TO SUGGESTIONS," presenting examples of how Hitachi's Social Innovation Business is helping to address the many issues societies now face globally, such as energy issues, depletion of water resources, transportation issues linked to urbanization, healthcare issues associated with the graying of society, advancement of big data and other information technologies, food safety, and information security.

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

Engagement with Employees

▶ Enhancing Management-Employee Communication

Since fiscal 2012, we have held town hall meetings as forums for direct dialogue between senior management and employees. In fiscal 2017, President and CEO Toshiaki Higashihara attended a total of 18 town hall meetings in Japan, the United States, Canada, Myanmar, Vietnam, the United Kingdom, and other countries.

Ordinary business meetings and conferences are limited in agenda, and company communications with employees via

our intranet and other channels tend to be one-way. Town hall meetings, however, are forums for direct dialogue where employees can gain a real sense of the senior management's way of thinking and what is needed for Hitachi to make the next leap forward, as well as occasions for reaching a shared understanding of the work in which everyone is involved. These interactions help drive mindset reform within Hitachi. For example, at one town hall meeting, a participant pointed out that existing structures and procedures made it difficult for junior-level staff to propose new business ideas. This ultimately led to the creation of an entirely new way for employees to make business proposals: an internal "New Ideas Contest" called "Make a Difference!"

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

Dialogue with Shareholders and Investors

Hitachi conducts extensive investor relations (IR) activities, focusing on dialogue with stakeholders, including institutional investors and analysts.

In fiscal 2017, we held quarterly financial results briefings as well as corporate strategy meetings on the progress of our 2018 Mid-term Management Plan. We also hosted the eighth annual Hitachi IR Day, where divisional management teams from each business explained their business strategies and management policies under the plan.

We held briefings on Hitachi's R&D Group a source of value creation, and conducted a tour of the Omika Works to promote understanding of the Lumada business. Hitachi executives visited institutional investors and analysts in North America,

Europe, and Asia to explain our management strategies for mid- and long-term growth, for a combined total of around 600 meetings. In addition, we hosted company information sessions tailored to individual investors to deepen their understanding of Hitachi. We are doing our best to reflect feedback in management and operations to enhance our corporate value.

On the Hitachi IR website, we post briefing materials and videos as well as business performance and stock price trend charts in a timely manner. As part of our efforts to enhance our information disclosure, we have introduced a new responsive design to allow smartphone and tablet users to browse our website with ease.



Investor Relations



Disclosure Policy

Working with Governments and Public Policymakers

▶ External Relations Initiatives

We believe that it is governments that are best positioned to both understand and work to resolve social issues, whether at the national or regional level. As we develop our Social Innovation Business on a global scale, our activities in the social infrastructure field are particularly intertwined with the public interest. This makes government institutions and related organizations in Japan and other countries around the world important partners to Hitachi both as customers and as backers.

Today's global community urgently requires solutions for a range of social issues related to the environment, energy, aging societies, and urbanization. At the same time, innovation in the fields of internet of things (IoT) and artificial intelligence (AI)—the so-called fourth industrial revolution—is advancing rapidly. Like the Japanese government and its "Super Smart Society"

(Society 5.0) proposal, governments around the world are expanding their support systems in response to these developments. For Hitachi, promoting our business according to legislative policies and making effective use of governmental advice and support systems is enormously helpful to us in advancing our Social Innovation Business. We also increasingly receive requests for proposals from the Japanese government as they seek to identify solutions for social issues and craft infrastructure support policies to resolve unique regional challenges. Assisting with these requests, whether directly or through participation in an economic organization or industrial body, is one way Hitachi contributes to a better society.

Since 2016, Chairman of the Board and Executive Officer Hiroaki Nakanishi has taken part in the Council on Investments for the Future, founded in 2016 by the Japanese government, as a representative of corporations that seek to contribute to society and has actively participated in discussions of how Japan can build an ideal society. Chairman Nakanishi also served as vice chair of Keidanren (Japan Business Federation), particularly leading the discussion of cyber security, essential in maintaining and developing an advanced information society, and preparing proposals for submission. In the same way, Hitachi's President and CEO Toshiaki Higashihara serves as vice chair of the Japan Electronics and Information Technology Industries Association (JEITA), making efforts toward building an affluent society and promoting information and communication technology to contribute to resolving many social issues through exchanging views and opinions with relevant ministries and agencies.

▶ Promoting External Relations

Hitachi established the Government & External Relations Division in our corporate headquarters in fiscal 2009 to guide

and accelerate the external relations of the entire Hitachi Group, and we have since worked to strengthen our relationships with government and industrial organizations. In fiscal 2016, we reorganized the division to achieve our new goals of further enhancing the global expansion of our Social Innovation Business in terms of external relations.

The Government & External Relations Division is not only active in Japan but also works with the Hitachi Corporate Office in Washington DC, the Hitachi Corporate Office, Europe, and other business locations in the Americas, Europe, Middle East, Africa, and the Asia Pacific. By dealing with governments and organizations as a unified Group in seeking mutual benefit with the communities we participate in, we explore new business opportunities for Hitachi in each community's unique social issues and policies. In fiscal 2018, the division's name was officially changed to the Government & External Relations Group. Under this new name we will continue to contribute to better societies in Japan and around the world through business activities balanced against harmonious relationships with governments and economic organizations worldwide.

▶ Policy Council Participation

As part of our dialogue with government officials, Hitachi executives and other representatives participate in a range of government-sponsored policy councils. We are particularly active in the discussion of how best to realize the "Super Smart Society" (Society 5.0), advocated by the Japanese government, exploring ways to simultaneously resolve social issues and achieve economic growth. Chairman Nakanishi has been a member of the governmental Council on Investments for the Future since its first meeting in September 2016. The council is a command post for the government's growth strategy, chaired by the prime minister of Japan. As a representative of

a corporation contributing to the realization of "Society 5.0," Chairman Nakanishi makes proposals in areas including the use of data, open innovation, and development of human resources. The government's growth strategy, Investments for the Future Strategy, formulated based on discussions at the Council on Investment for the Future, outlines policies toward realizing "Society 5.0."

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

▶ Participating in Business and Industry Associations

Membership in business and industry associations is another critical aspect of our external relations. Hitachi is a member of Keidanren, where Chairman Nakanishi was appointed chair in June 2018 after having served as vice chair since June 2014 and leading the Committee on South Asia and the Committee on Information and Telecommunication Policy. Other executives and employees also participate in major Keidanren committees such as Industrial Policy, Labor Policy, Innovation Policy, and Regional and Bilateral Relations. As the planning and coordination chair for the subcommittee on Europe, we also conduct activities with Japanese and European governments, while maintaining close economic relations with European governments and economic organizations. In relation to the United Kingdom's decision to withdraw from the European Union, commonly referred to as "Brexit," we have been communicating with both the European Union and the United Kingdom to continue maintaining a stable business environment in the region as before.

President Higashihara serves as vice chair of the Japan Electronics and Information Technology Industries Association (JEITA), whose mission is to achieve Society 5.0, including through the promotion of Connected Industries, and thereby optimize society as a whole. As a corporate member of the association, Hitachi has been active in various committees and working groups, examining and making proposals on IT use and data handling, working on elementary and secondary education issues while arranging for lectures at universities and other advanced educational institutions, and offering insights into paradigms of international legislation and agreements in the era of global business.

As a member of the Japan Electrical Manufacturers' Association (JEMA), Hitachi takes seriously its commitment to sustainable development of the electric machinery industry and contribution to a global society. To that end, we have made a total of 24 recommendations and comments to the Japanese ministries and agencies, including on the Strategic Energy Plan.

Recognizing that economic development in Japan and China will form a foundation for promoting infrastructure system exports, and that fostering business in third countries will be beneficial to those countries as well as Japan and China, Hitachi is working to help establish relationships between JEMA member companies and Chinese businesses. For instance, we have conducted research on Chinese heavy electric power companies regarding their current business expansion initiatives to overseas markets and studied potential Japan–China joint projects.

► **United States: Hitachi Corporate Office in Washington DC**
The Hitachi Corporate Office in Washington DC has three missions: (1) Enhancing Hitachi's presence in the United States; (2) Contributing to the growth of business in the United States;

and (3) Gathering and analyzing geopolitical intelligence. The North American market plays an important part in our business, accounting for 13% of our total revenue and more than 21,000 employees. The US political and economic climate has been rapidly changing in recent years, significantly impacting our business globally. We must monitor these changes closely in order to make critical business decisions, not just for the US but for other markets as well. Building reliable relationships and networks with influential leaders and experts, including government representatives, in the United States and enhancing our presence in those circles provide valuable feedback for our management and an emergency safety net.

As part of our efforts to expand our Social Innovation Business, the Hitachi Corporate Office in Washington DC is engaging in dialogue with and lobbying US government representatives and regulatory authorities to facilitate a favorable business environment. In recent years, particular focus has been placed on establishing relationship with state-level government authorities, who have decision-making power over regional infrastructure investment plans, as well as federal government officials, by working closely with regional Hitachi Group companies. By proactively enhancing engagement in many areas, including security and trade issues, new technologies such as IoT and AI, energy policies, and infrastructure investment, the Washington office will strive not only to support Hitachi's business growth but also to contribute to US society and the community.

► **Europe: Hitachi Corporate Office, Europe**

The Hitachi Corporate Office, Europe, located in Brussels, monitors policy and legislation trends in the European Union, such as the European Commission and European Parliament, and analyzes their impact on Hitachi's business activities. It

demonstrates how business can contribute to European policy and to social issues.

Specifically, the office actively gathers information in the fields of energy, trade, information and telecommunications, transportation, healthcare, research and development, environment, CSR or ESG (environmental, social, and governance), and SDGs (Sustainable Development Goals); communicates with relevant departments within the company and other Group companies; and makes policy contributions to EU institutions through business and trade associations like BUSINESSEUROPE, DigitalEurope, and the Japan Business Council in Europe (JBCE). We have also participated in the European Commission Product Environmental Footprint (PEF) pilot project since 2013 as part of our environmental policy activities, exchanging opinions, supporting the development of new policies, and helping to verify the environmental footprint calculation method announced by the European Union.

Regarding non-financial information disclosure and conflict minerals regulation, we maintain ongoing dialogues with the European Union's Directorate-General for Internal Market, Industry, Entrepreneurship, and SMEs and Directorate-General for Trade and communicate our views on each field via the JBCE. We also actively participate in the EU-Japan Working Group on Corporate Social Responsibility, an EU-Japan industrial policy dialogue initiative. To promote engagement by and dialogue with business leaders, in 2016 we worked with affiliated organizations in Japan and Europe to organize and host the EU-Japan CSR Business Dialogue, promoting conversations on business contributions and influence through discussion of CSR and SDGs.

Since 1998, we have held the EU Hitachi Science & Technology Forum to deepen understanding of Hitachi's business. Starting in fiscal 2016, we are focusing on the Social

Innovation Business and, in 2017, we held a forum about urban environments and quality of life for their residents, with speakers from the European Commission, think tanks, and NGOs, exploring how business and technology can contribute to European society. Through these activities Hitachi actively communicates with European stakeholders.

► Asia-Pacific Region: Hitachi Asia Ltd., APAC Office

The Asia-Pacific region is replete with challenges in areas including the environment, energy, transportation, and health-care that call for urgent solutions. At the same time, however, it offers a wealth of business opportunities. At Hitachi Asia Ltd., a core team made up of top-level managers from each national and regional office monitors legislative policies and legal regulations impacting businesses across the Asia-Pacific region and ensures that business activities remain suitable to each location's individual circumstances. On matters such as trade policies and data flow issues that have cross-border implications, solutions are sought through cross-border collaboration.

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

Hitachi has long emphasized information exchange and communication between Group companies on a national

basis. Starting in fiscal 2017, we brought in outside specialists as external relations advisors *to strengthen our voice in regional policymaking. As One Hitachi, we will continue to seek dialogue with policymakers across a variety of forums* in order to resolve social challenges through policy contributions and business.

Stakeholder Dialogue

Hitachi organizes stakeholder dialogues in countries and regions around the world to invite opinions on social challenges from stakeholders representing specialized knowledge platforms and ensure that their insights are reflected in the business activities conducted at each of Hitachi's global businesses.

► India: Expanding the Reach of Social Contribution Activities

In September 2017, Hitachi India held a CSR Stakeholder Dialogue in New Delhi to gauge the effectiveness of the social contribution activities it conducted in fiscal 2017. The dialogue was attended by 35 people, including representatives from external stakeholders like public authorities and NGOs, and 16 internal stakeholders from Hitachi Group companies, BUs, and the legal and finance corporate functions.

Hitachi India has been working with other Group companies since fiscal 2016 to establish a CSR Task Force Committee and explore corporate social activities the group might undertake based on the Companies Act. At the dialogue, Hitachi presented its CSR policies and activities, and participants discussed potential initiatives targeting digital literacy (e-education) and skills development, sparking a lively exchange of questions, answers, and opinions.

Participants appreciated the efforts made by Hitachi, and some stakeholders expressed interest in partnering with Hitachi.

There were also comments about the need for activities that could serve as a catalyst for corporate contributions to economic and social development and support synergy between business, civic society, and government.

Based on the results of this dialogue, Hitachi India planned its fiscal 2017 social contribution activities in the field of digital literacy and skills development.

► Australia: Smart Cities and Infrastructure Development

In March 2018, Hitachi Australia and the Smart Cities Council Australia New Zealand (SCCANZ) cohosted a dialogue on the role of next-generation urban design and public safety technology in helping to build thriving communities and cities. A total of 17 people attended, with representatives from government agencies and NGOs as well as relevant industries like railway and construction.

Discussion ranged across topics including the current condition of Australia's smart city market, business opportunities leading to sustainable growth through the fusion of technology and data, and strategies for making cities more vital and livable. Participants offered opinions on the role of public safety technology in urban planning solutions, referring in some cases to the details of Hitachi's own business strategy for the public safety field.

The dialogue allowed new bonds to be forged between Australian government agencies, NGOs, and other corporations active in smart city development. Since the event, SCCANZ has initiated various follow-up actions including a Smart Cities Conference and a Western Sydney Smart Cities Action Cluster Scoping Workshop to be held in the second half of 2018.

Participation in Initiatives

Main Initiatives in Which Hitachi Is Involved

▶ United Nations Global Compact

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



▶ World Business Council for Sustainable Development

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



International Standardization Activities

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

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

Hitachi's international standardization work is well regarded. In fiscal 2017, we were honored by such bodies as the IEC, the Ministry of Economy, Trade, and Industry, the Telecommunication Technology Committee, and the Information Processing Society of Japan.

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

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

Hitachi Group Standardization Committee

