

Promoting Work Practices in Line with International Ethics Codes

Hitachi's Approach

Given the globalization of the economy and the increasingly borderless nature of corporate activities, our business increasingly spans countries and regions with different governmental and economic frameworks, trade practices, and sets of values. Common worldwide principles in the form of initiatives and guidance are becoming increasingly important in order to thoroughly implement fair business practices around the globe and to avoid any risks that could impede business activities.

Hitachi has formulated in-house regulations in line with widely accepted international standards to govern important business practices, such as bribery prevention, ensuring of fair competition, and tax compliance, and these regulations are made known to and thoroughly implemented across the Hitachi Group. There is ongoing global debate concerning each of these issues, and demands regarding corporate behavior and the interpretation of relevant rules and regulations are constantly evolving. We thus regularly review and update our in-house regulations as appropriate in responding to society's demands. We will continue to act in a thoroughly responsible manner as members of both the global and local community.

Preventing Bribery and Corrupt Practices

Measures to Prevent Bribery and Corrupt Practices

Preventing bribery and corrupt practices is a big challenge for a company today. In 2008 Hitachi established rules against bribery and corruption for the Hitachi Global Compliance Program along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements, also intended to prevent bribery and corrupt practices. In 2016 we introduced a policy banning facilitation payments, which had not been explicitly regulated, along with revisions including clarification of due diligence procedures for business partners.

To ensure awareness of these rules and policies, we developed a global e-learning program on preventing bribery and corrupt practices, making it available in nine languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

As the risks of bribery and corruption vary according to the content of business, the industry field, the market where activities take place, the business counterpart, and other environmental factors, since fiscal 2013 Hitachi has conducted surveys across Group companies outside Japan (about 500 companies in fiscal 2017) considering possible risk scenarios. We will continue risk assessment regularly, reflecting the results in compliance activities.

In fiscal 2017, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices.

Measures to Prevent Unfair Competition

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 open competition. For this reason, the Hitachi Global Compliance Program incorporates rules concerning competition law and other related business standards and guidelines. In 2017, to enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors based on the standards originally prepared for use in Japan.

Fiscal 2017 saw one incident where one of our Group companies was sanctioned and fined by the European Commission. This incident relates to a cartel in the condenser business that had already been identified by Japanese and US authorities in 2016 and earlier. As a measure to prevent recurrence of such an incident, the Group company involved has appointed a compliance head in each unit to conduct regular reviews of participating business associations and promote education through sharing cases of violations within and outside Japan.

Eliminating violations of competition laws is among our top priorities for regaining trust, and so Hitachi will continue its efforts to prevent the recurrence of any such incident.

Tax Compliance

Implementing Thorough Tax Compliance

The global expansion of Hitachi's business activities has made it necessary for the Group as a whole to build a system of tax governance in order to comply with indications made by the tax authorities in each country and respond to risks concerning taxation, such as tax-related legal proceedings. In January 2016, we established a set of tax-related regulations with which the entire Group must comply. Additionally, 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.

Furthermore, following the establishment in April 2017 of rules for Group transfer pricing management, Hitachi manages transfer pricing in accordance with the OECD Transfer Pricing Guidelines as well as laws and regulations on transfer pricing in each country or region where Group companies are located.

Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations. Hitachi did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations in fiscal 2017.