Governance

Striving to Increase Corporate Value

Not only is Hitachi strengthening its corporate governance in areas like the role and composition of the Board of Directors and standards for determining the suitability and independence of its independent directors, it is also taking self-directed action to enhance corporate value by sharing its Codes of Conduct and values across the Group, ensuring compliance with laws and regulations, and advancing risk management. In this way, we contribute both to the company's own sustainable growth and the development of the economy as a whole.

CONTENTS

Corporate Governance

Hitachi's Approach

Hitachi not only strives to ensure the legality, soundness, and transparency of its business but also endeavors to respond rapidly to constantly changing economic and social conditions and efficiently conduct operations. We seek to increase corporate value by formulating and executing business strategies to enable the Group to demonstrate its collective strength, bolstering mutual collaboration within the Group, and improving management oversight of Group companies. We maintain and reinforce a management structure enabling us to fulfill our social responsibilities in line with the Corporate Governance Guidelines, formulated to provide a framework for corporate governance and direction for our reinforcement efforts.

Our Impact on Society

No. of consolidated subsidiaries

Japan: **181**   Outside Japan: **622**

Our Performance

Ratio of non-Japanese directors
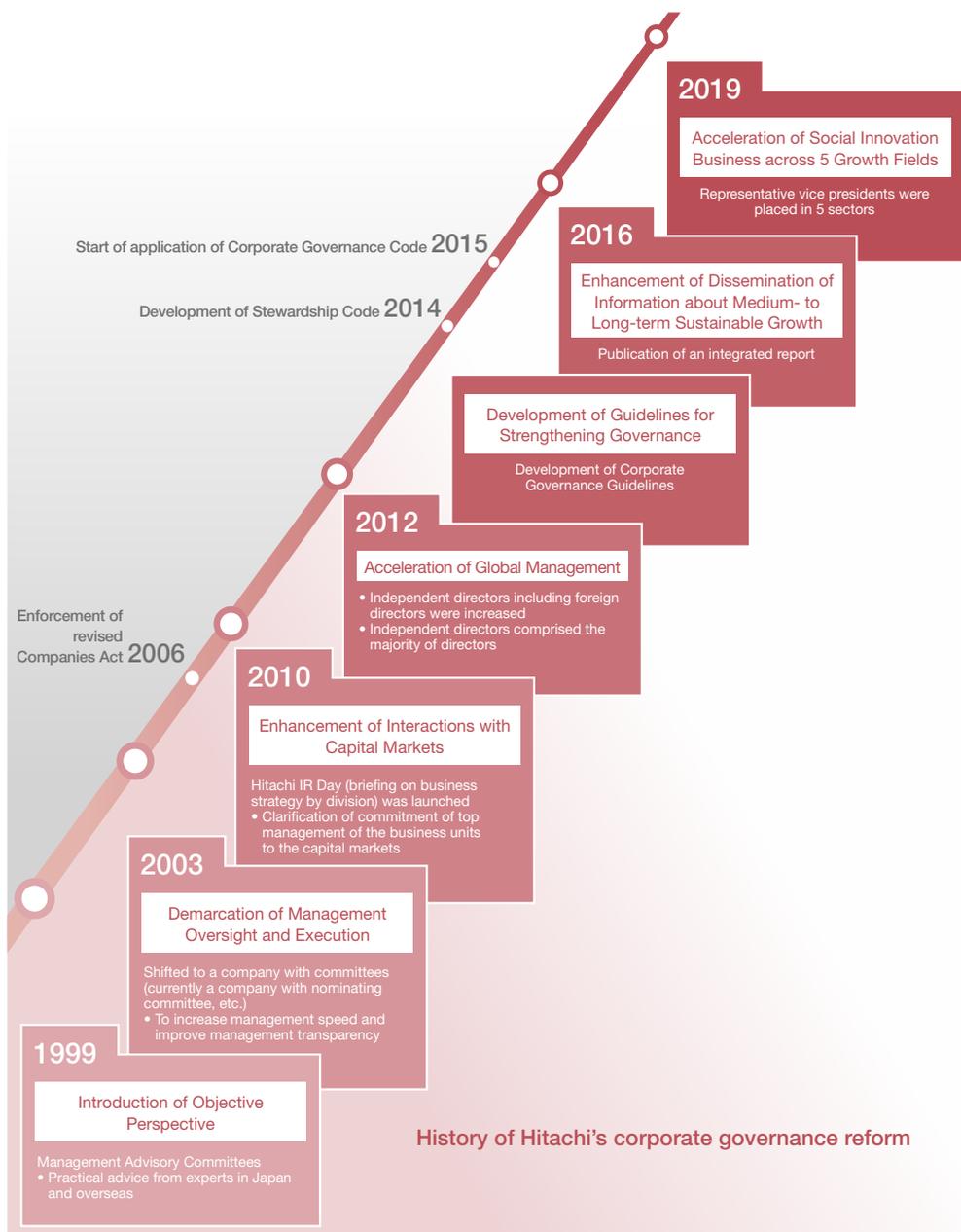
36.4%

Basic Approach   `Policy`

Hitachi is a company with nominating committee, etc. under the Companies Act of Japan.
In June 2003, we changed our organizational design, separating the oversight of management from execution of management. By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for nimble operations, while making management highly transparent.

In June 2012, we ensured that 7 of the 13 members of our Board of Directors were independent directors[1], and that some of these independent directors were non-Japanese. These changes will help us to establish management that reflects diverse global perspectives and strengthen our supervisory functions.

Starting in June 2015, Corporate Governance Code of Japan (the "Code") was applied to companies listed on Japanese stock exchanges. In 2012, Hitachi formulated and published Corporate Governance Guidelines as a set of enhancing principles and as a framework for corporate governance that includes criteria for determining the roles and composition of the Board of Directors, director appropriateness and the independence of independent directors.

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.

[1] The "Independent Directors" are the directors who fulfill the qualification requirements to be outside directors as provided for the Companies Act of Japan and also meet the independence criteria defined by the Company and those provided by Japanese stock exchanges where the Company is listed.

History of Hitachi's corporate governance reform

Start of application of Corporate Governance Code **2015**

Development of Stewardship Code **2014**

Enforcement of revised Companies Act **2006**

2019
Acceleration of Social Innovation Business across 5 Growth Fields
Representative vice presidents were placed in 5 sectors

2016
Enhancement of Dissemination of Information about Medium- to Long-term Sustainable Growth
Publication of an integrated report

Development of Guidelines for Strengthening Governance
Development of Corporate Governance Guidelines

2012
Acceleration of Global Management
• Independent directors including foreign directors were increased
• Independent directors comprised the majority of directors

2010
Enhancement of Interactions with Capital Markets
Hitachi IR Day (briefing on business strategy by division) was launched
• Clarification of commitment of top management of the business units to the capital markets

2003
Demarcation of Management Oversight and Execution
Shifted to a company with committees (currently a company with nominating committee, etc.)
• To increase management speed and improve management transparency

1999
Introduction of Objective Perspective
Management Advisory Committees
• Practical advice from experts in Japan and overseas

Implementing All of the Principles of the Corporate Governance Code

Objectives, Activities, and Achievements

We are implementing all of the principles of the Corporate Governance Code.

Analysis and Evaluation of the Effectiveness of the Board of Directors

Objectives, Activities, and Achievements

The Company evaluates the effectiveness of its Board of Directors as a whole each year, in a continuous effort to maintain and improve its functions.
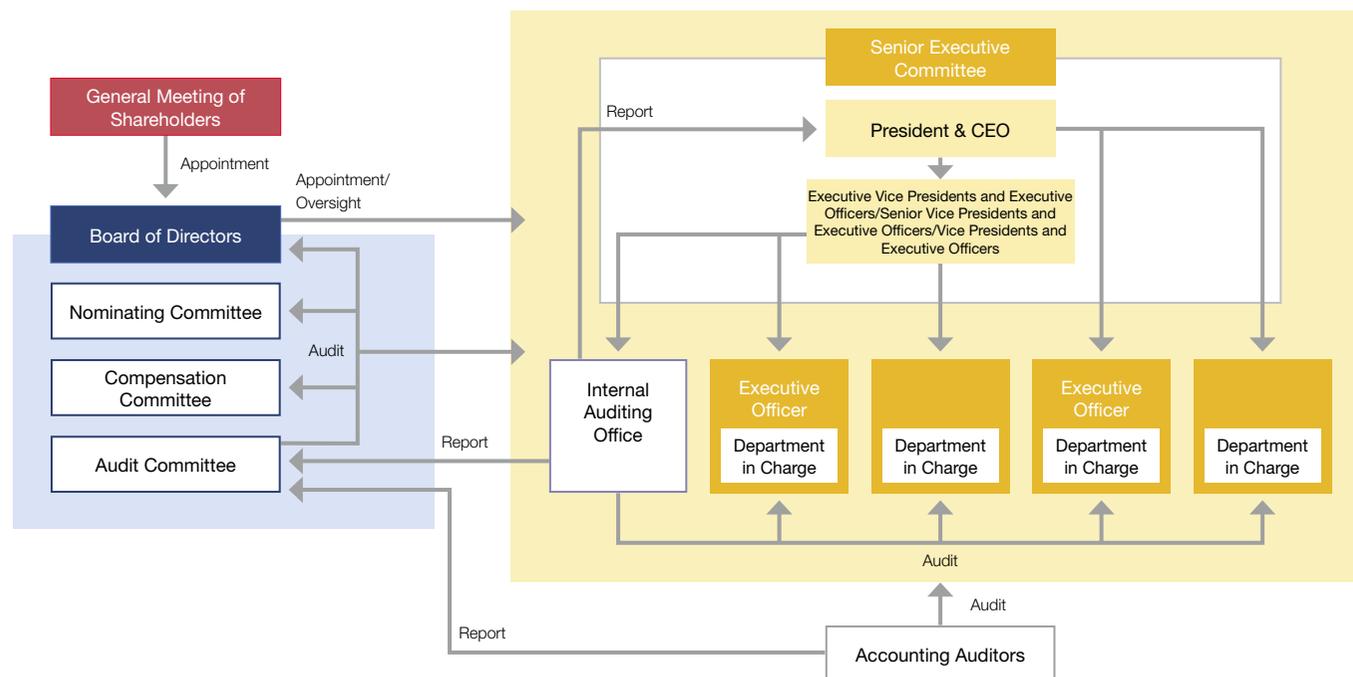
Fiscal 2018 Evaluation Process

	Points of evaluation
1. Questionnaire-based self-assessment for each director (February–March 2019)	• Composition of Board of Directors: Member diversity, numbers and ratios of independent directors and inside directors, etc. • Operation of Board of Directors: Meeting frequency, discussion time, proposal selection, role of chairperson, etc. • Contribution: Contribution to management strategy formulation and other matters, member demonstration of experience and knowledge, etc. • Status of committee activities: Composition, responsibilities and roles, collaboration with Board of Directors, etc. • Operation supporting system: delivery of information e.g., provision of documents for the Board
2. Discussions held by independent directors (March 2019)	• Independent directors held an exclusive meeting to discuss the effectiveness of the Board of Directors.
3. Discussion and review within the Board of Directors (May 2019)	• The Board of Directors holds a discussion based on the results of the questionnaire-based self-assessment and discussions conducted in the exclusive meeting attended by independent directors, comparing these results to those of the previous year and considering the statuses of related initiatives. Through this discussion the Board of Directors analyzes and evaluates its overall effectiveness and identifies policies through which it can increase this effectiveness.

Evaluation Results and Future Initiatives

Overall evaluation in fiscal 2018	
Overall evaluation in fiscal 2018	Fiscal 2018 evaluations determined that membership in our Board of Directors was sufficiently diverse. They also indicated the Board of Directors' overall effectiveness was satisfactory due in part to its active discussions aimed at medium- to long-term growth in corporate value. Each director was found to have contributed his or her own knowledge to these discussions, which were primarily focused on points related to management strategy, including the Mid-term Management Plan.
Future initiatives	
Maintenance and improvement of Board of Director functions	• Determine the Company's medium- to long-term strategic direction and further contribute to the formulation of business strategies • Raise contribution to CEO succession planning • Conduct thorough and continuous monitoring of important matters
Enhancement of support to operation of the Board of Director	• Continue to create opportunities to share information, including independent directors visit to Group locations • Apply ingenuity to improve the design and content of documents and work to consistently provide them in advance

Corporate Governance Framework Frameworks and Systems

Board of Directors Frameworks and Systems

The Board of Directors approves basic management policy for 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 Mid-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. The Board of Directors was made up of 11 directors, 2 of whom concurrently serve as executive officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which 8 independent directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints. The term of office for directors is 1 year.

Within the Board of Directors, there are 3 statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with independent directors accounting for the majority of members of each committee. The Board of Directors meetings were held on 12 days during the fiscal year ended March 31, 2019, and the attendance rate of directors at these meetings was 96%. The attendance rates for each independent director were as shown in the table on the next page. To assist with the duties of the Board of Directors and each committee, staff who are not subject to orders and instructions from executive officers are assigned.

(1) Nominating Committee
The Nominating Committee has the authority to determine proposals submitted to the general meeting of shareholders for the election and dismissal of directors. The Nominating Committee consists of 4 directors, 3 of whom are independent directors. The Nominating Committee meetings were held on 9 days during the fiscal year ended March 31, 2019.

(2) Audit Committee
The Audit Committee has the authority to audit the execution of duties of directors and executive officers and to decide on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of 5 directors, including 4 independent directors and 1 standing Audit Committee member. The Audit Committee meetings were held on 17 days during the fiscal year ended March 31, 2019.

(3) Compensation Committee
The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on them. The Compensation Committee consists of 4 directors, 3 of whom are independent

directors. The Compensation Committee meetings were held on 6 days during the fiscal year ended March 31, 2019.

The Board of Directors continuously supervises succession planning for the CEO. The CEO is appointed or dismissed in line with the proposal of the Nominating Committee in consideration of the matters: 1) that the candidate has the highest personal and professional ethics, integrity, insight, and leadership, and 2) that the candidate is believed to be the one most qualified to realize sustainable enhancement of the Company's corporate value and shareholders' common interests, with rich experience and a distinguished record in the area of corporate management.

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, criteria for assessing the independence of independent directors, and rules on those serving concurrently as officers at other companies.

Corporate Governance Guidelines of Hitachi, Ltd.

Attendance at Meetings of the Board of Directors by Independent Directors in the Fiscal Year Ended March 31, 2019

| Name | Attendance / Number of days on which the meetings were held[1] | | | |
	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
Katsumi Ihara	100%	—	100%	100%
Cynthia Carroll	100%	100%	—	—
Joe Harlan	100%	—	—	—
George Buckley	100%	—	—	—
Louise Pentland	100%	—	—	—
Harufumi Mochizuki	◎100%	◎100%	100%	◎100%
Takatoshi Yamamoto	100%	—	100%	100%
Hiroaki Yoshihara	92%	100%	◎100%	—

[1] Number of days during term of office during on which Board of Director meetings were held: 12 (9 in the cases of Mr. Ihara and Harlan)
　Number of days during term of office on which Nominating Committee meetings were held: 9 (7 in the case of Mr. Yoshihara)
　Number of days during term of office on which Audit Committee meetings were held: 17 (11 in the case of Mr. Ihara)
　Number of days during term of office on which Compensation Committee meetings were held: 6 (5 in the case of Mr. Ihara)
◎ Indicates role as board or committee chairperson

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 the end of June, 2019, Hitachi has 39 executive officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that the President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussion from diverse viewpoints. This committee consists of 12 members as of the end of June, 2019: the president and CEO, 6 executive vice president and executive officers, 4 senior vice president and executive officers, and 1 vice president and executive officer.

Director and Executive Officer Compensation

Basic Policy
- Compensation shall be such that it enables the Company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

Compensation Structure

(1) Directors

Compensation for directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A director concurrently serving as an executive officer is not paid compensation as a director.

(2) Executive Officers

Compensation for executive officers consists of basic remuneration as fixed pay, and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. The basic amount of each type of compensations is set based on the ratio of 1:1:1 as the standard from compensation for the fiscal 2019, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher position of executive officers holds, the higher proportion of variable pay is set to the total annual compensation.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for executive officers that has been already paid shall be returned to the Company (clawback provision).

Please refer to Compensation to Directors and Executive Officers on P. 75–80 of *Annual Securities Report*.

Annual Securities Report

Compensation to Executive Officers (FY2019) `Frameworks and Systems`

| Total remuneration				
Fixed pay (Basic remuneration)	Variable pay			
	Short-term incentive compensation The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance.			Medium- and Long-term incentive compensation The shares of restricted stock are granted in order to propel management from a medium- and longterm perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management's shared values with shareholders through the holding of shares during their term of office.
	Individual target-linked component	Performance-linked component		The shares of restricted stock
		Company performance	Division performance	
Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.	Varies according to the evaluation of the level of achievement of individual target for each executive officer determined based on his/her responsibility.	Evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.	Evaluated referring to adjusted operating income and operating cash flows for each division, among other indicators, to measure the level of achievement of targets under the Midterm Management Plan and the annual budgets for divisions.	• The restriction on transfer shall be lifted if executive officers resign from all of the positions of the Company's executive officer, director, and corporate officer. • With regard to one-half of granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation in which the total shareholder return of Hitachi stock is compared to growth rate of TOPIX. Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more. Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is between 80% or more but less than 120%[1]. Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%. Shares whose transfer restrictions are not lifted shall be acquired by the Company without consideration. [1] Number of shares whose transfer restrictions are lifted = Number of granted shares × { (TSR/TOPIX Growth Rate Ratio × 1.25) − 0.5}

Internal Control over Financial Reporting Frameworks and Systems

To ensure the reliability of its consolidated financial reporting, the Hitachi Group is establishing and implementing relevant internal controls. We evaluate their effectiveness by adhering to standards for the evaluation of internal controls related to financial reporting that are generally accepted as fair and reasonable.

Furthermore, we have established the J-SOX Committee with the goal of raising the effectiveness of these internal controls. This committee evaluates internal control effectiveness and establishes frameworks designed to improve and strengthen them.
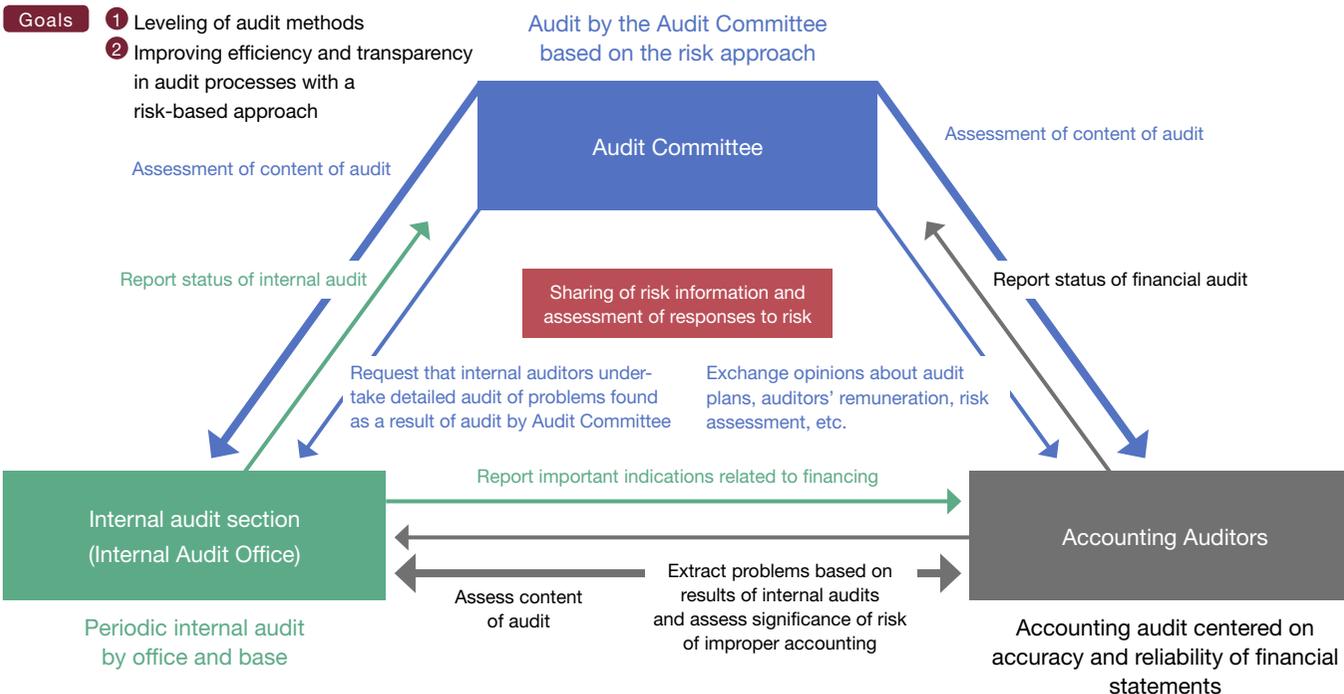
Internal Control Assessment Framework
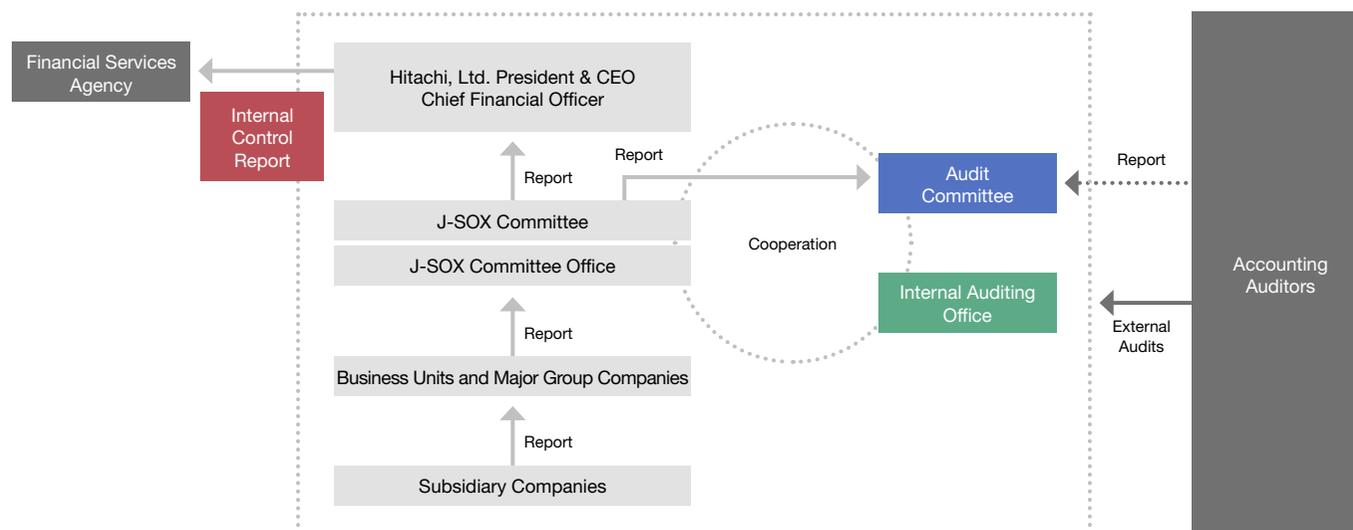
Enhanced Collaboration Through Tripartite Audits

In pursuit of sustainable growth in corporate value, Hitachi's Audit Committee and internal audit section collaborate with third-party accounting auditors to strengthen its "tripartite auditing," which aims to increase the effectiveness of internal controls. Our Audit Committee takes the lead in this regard, as the three parties communicate closely to share risk information and assessments concerning risk response while securing transparency and ensuring appropriate checks and balances.

Improving Internal Control Through a "Tripartite Audit" Function

Goals
① Leveling of audit methods
② Improving efficiency and transparency in audit processes with a risk-based approach

Audit by the Audit Committee based on the risk approach

Assessment of content of audit

Report status of internal audit

Audit Committee

Assessment of content of audit

Report status of financial audit

Sharing of risk information and assessment of responses to risk

Request that internal auditors undertake detailed audit of problems found as a result of audit by Audit Committee

Exchange opinions about audit plans, auditors' remuneration, risk assessment, etc.

Internal audit section (Internal Audit Office)

Report important indications related to financing

Assess content of audit

Extract problems based on results of internal audits and assess significance of risk of improper accounting

Accounting Auditors

Periodic internal audit by office and base

Accounting audit centered on accuracy and reliability of financial statements

Building a More Effective and Efficient Auditing System

Our Audit Committee formulates audit plans in accordance with its risk-based approaches and conducts audits for each consolidated business unit. Audit Committee members meet directly with business unit heads before the internal audit section's audits are carried out. Then, these members inform the internal audit section about concerns and issues related to the implementation of business strategies aimed at achieving sustainable growth that require attention. At this time, Hitachi also verifies matters that carry high levels of risk in terms of quality, measuring these risks through employee awareness surveys and thorough implementation of business strategies.

Hitachi's internal audit section performs regular internal audits at each business site and location. This section reports directly to the CEO and is independent from organizations that are subject to its audits. The internal audit section also formulates audit plans based on past audit records and the most recent business circumstances. Additionally, this section performs audits upon receiving direction from the Audit Committee, ensuring their effectiveness.

The internal audit section at Hitachi is responsible for confirming the legality and appropriateness of all business operations, including those related to accounting, production management, sales, purchasing, IT systems, compliance and personnel labor. Furthermore, employees are well versed in the ideas and policies of our management and, acting on behalf of our management team, confirm whether operations are being carried out based on these ideas and policies and if business strategies are being implemented in a way that will efficiently lead to sustainable growth.

To further raise audit effectiveness, we implemented a "executive auditor" system in each of our 5 growth sectors (IT, energy, industry, mobility, smart life) in April 2019. We also established internal control systems which are headed by

executive auditors who report to the vice presidents who manage each sector. Although these executive auditors do not act as legal agents under the Companies Act, they still assume responsibility for governance in each sector. They also function as a reporting line for statutory auditors at Hitachi subsidiaries who are legal agents under the Companies Act and are working to improve the efficiency of our internal control systems.

When conducting business audits, we use IT systems to expeditiously search for reference information contained within materials submitted prior to audit in an attempt to improve efficiency. We are currently building a system that will allow our internal audit section to share information with professional accounting auditors using the Lumada platform's data lake and expect it to be complete sometime in fiscal 2020. When reading audit reports submitted by the internal audit section, our CEO must be able to quickly understand the issues identified by these reports and make prompt judgments concerning whether immediate action is required. In the future, our internal audit section will continue to maintain its transparency and independence while working to improve audit efficiency as one member of our tripartite audit system.

Our accounting auditors perform audits that focus on the accuracy and reliability of our financial statements. First, they adopt a risk-based approach in response to the Group's overall financial status. Applying this approach, they then determine the scope and methods of the audit, formulate an audit plan and share opinions with the Audit Committee. Next, based on the audit plan, they perform audits on each of the 5 growth sectors and the business units that comprise them, enabling effective and efficient understanding of data related to Hitachi's finance department and each of its business segments. If, during the auditing process, our accounting auditors discover a degree of risk that could impact future financial statements significantly or issues that, even if monetarily small, could have a large qualitative effect, they share related information regarding these risks and issues and progress on response from related divisions with the Audit Committee and internal audit section. They also work to improve and raise the effectiveness of audits by submitting "management letters" containing points of concern and improvement suggestions through the accounting department. Recently, they have also been working to raise the efficiency of checks on the accuracy of numerical figures by using IT systems to investigate all cases, rather than performing test-checking through sampling.

Compliance

Hitachi's Approach

With the globalization of the economy, borderless corporative activities— spanning countries and regions with different governmental and economic frameworks, trade practices, and sets of values—are increasingly vital. Spreading understanding of and respect for norms among all Hitachi Group employees is a fundamental management issue as we seek to rigorously implement fair business practices and avoid risks around the globe. Hitachi has formulated in-house regulations in line with widely accepted international standards to govern important business practices such as bribery prevention and the ensuring of fair competition, and these regulations are conveyed and strictly enforced across the Hitachi Group.

Additionally, as we pursue sustainable management, in order to realize value creation that contributes to the resolution of social issues, we disseminate and share both the Hitachi Group Identity, an integrated set of principles including our management vision and values, and the Hitachi Group Codes of Conduct, which spell out decision-making procedures and actions for all Hitachi Group executives and employees.

Our Impact on Society

No. of employees (consolidated)

Japan: **162,000**

Outside Japan: **133,000**

Our Performance

No. of participants of compliance e-learning for preventing bribery and corruption and violations of fair competition laws (8 languages)

More than **150,000**

Sharing Our Codes of Conduct and Values Across the Group

The Hitachi Group Codes of Conduct

Policy

Hitachi, Ltd. formulated the Hitachi, Ltd. Standards of Corporate Conduct in 1983, followed by the Hitachi Group Codes of Conduct in 2010 that the entire Group pledges to uphold.

In April 2018, we revised the Hitachi Group Codes of Conduct based on our philosophy that corporate activities should meet the needs of the times, such as the SDGs, toward a sustainable society, human rights and building a work environment, and various types of crisis management.

Hitachi Group Codes of Conduct

Ensuring Awareness of the Hitachi Group Codes of Conduct

Objectives, Activities, and Achievements

The Hitachi Group Codes of Conduct are available in Japanese and 13 other languages—including English and Chinese—and shared with Hitachi Group employees around the world. The Codes of Conduct are based on global standards in a range of areas, including the SDGs, and an e-learning tool has been made available in Japanese and 13 other languages to encourage a deeper understanding of them.

Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to cultivate a healthy corporate culture.

Compliance Framework

Frameworks and Systems

As an organization with global business activities, Hitachi is expected to have a compliance framework based not only on the laws and regulations in the regions and countries where we operate but on global standards. In 2016, Hitachi reviewed and reorganized the regulations and guidelines including on compliance with competition laws, prevention of antisocial transactions, and prevention of bribery and corruption that had been set independently, and established the

Hitachi Global Compliance Program, a new integrated system of rules headed by the Hitachi Group Codes of Conduct. This program is being implemented seamlessly across the global organization.

To implement this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group, to supervise management-level risk management executives from business units and key Group companies. Under this system, policies and measures are shared through the Compliance Management Conference, composed of these risk management executives. Each executive is assisted by a compliance manager who implements practical support measures. We also support Group companies outside Japan and have appointed compliance heads in 11 regions, responsible for implementing education and sharing information as well as arranging consultation services with outside attorneys.

Issues in the promotion of compliance measures are clarified through individual dialogue with business units and key Group companies, while the internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented. Hitachi, Ltd. also convenes an Advisory Committee of outside experts to gain new insights into compliance and apply them proactively in its own efforts.

Compliance Reporting System

Frameworks and Systems

Hitachi has instituted a Compliance Reporting System allowing reports to be made to the compliance section or directly to external lawyers to prevent illegal and unethical behavior, to promptly address infractions, and to enhance its ability to self-regulate.

This system can be used not only by employees within the Hitachi Group but also by temporary staff and business partners, such as suppliers and distributors. Reports can be made about matters that contravene social justice, such as improper treatment—including acts that are illegal or against regulations—and human rights issues. Suspected violations of competition and

anti-bribery laws can be reported anonymously.

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 deal with situations as appropriate, including taking remedial action where necessary. We will continue to maintain and review the system, prioritizing the protection of whistleblowers. In fiscal 2018, in Japan, we applied for recognition under the Whistleblowing Compliance Management System (with self-declaration of conformity) implemented by the Consumer Affairs Agency, and our registration was accepted in July 2019.

In addition, we have implemented the Channel to the Board of Directors system to allow all Hitachi, Ltd. employees to directly report problems anonymously or under their real names to Hitachi directors in cases where they see any illegality or extreme inappropriateness in business conduct by division heads, executive officers, or other management personnel.

Compliance Reporting Achievements   `Objectives, Activities, and Achievements`

In fiscal 2018, we received 462 reports from all Group companies in Japan and around the world.

Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to improve the effectiveness of the Compliance Reporting System.

Prevention of Antisocial Transactions   `Policy` `Frameworks and Systems`

To cut off all relationships with organized crime groups and other antisocial forces, in the Hitachi Group Codes of Conduct we have laid out provisions stating that we will never engage in antisocial transactions under any circumstances in any part of the world, and will refuse any improper demands and unfair deals. To this end, we conduct eligibility checks on new as well as existing business partners and, in Japan, include antisocial force rejection clauses in contracts so that if it is determined that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The entire Hitachi Group acts decisively to eliminate approaches

from antisocial forces in partnership with external specialist institutions (the National Center for the Elimination of Boryokudan or the police).

Thorough Export Controls   `Policy` `Frameworks and Systems`

For basic export control policies, we have adopted the Hitachi Group Codes of Conduct, which state: "We will help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately according to our internal rules and policies." Hitachi, Ltd. has established Corporate Regulations concerning Security Export Control based on this policy to 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 for the formulation of regulations and the establishment of frameworks to Hitachi Group companies in Japan and around the world to ensure that all Group companies follow the same export control policies in accordance with relevant laws and regulations.

At present, as part of our educational program for all Group companies within and outside Japan, we host training sessions and workshops on export control in addition to the implementation of an e-learning program in Japanese, English, and Chinese. Moving forward, we will continue to make an effort so that export control is thoroughly enforced throughout the Group.

Solidifying the Hitachi Group Identity   `Objectives, Activities, and Achievements`

To help us solve social issues through understanding and embodiment of the Hitachi Group Identity, our brand management must engage everyone in the Group. We use channels, including our intranet, to ensure that Group employees are clearly aware of what needs to be done to express the Hitachi Group Identity. To promote understanding of and familiarity with the Hitachi Group Identity and the Hitachi Brand, we launched the Inspiration of the Year Award in fiscal 2003 to share activities within Hitachi that have demonstrated the Hitachi Group Identity and

made an outstanding contribution to our brand value. In fiscal 2012, we began evaluating applications globally, renaming the program the Inspiration of the Year Global Award. In fiscal 2018, the award saw 198 applications from various regions, including the Americas, China, Europe/Middle East/Africa, India, Japan/South Korea/Oceania, and Southeast Asia. Outstanding activities from each region were highlighted on the intranet, and the president presented the award at a ceremony held at our Tokyo headquarters.

To further instill the Hitachi Group Identity and promote understanding of the Hitachi Brand among our employees globally, we held brand-training sessions utilizing the Hitachi Brand Book, which explains the Hitachi Group Identity and Hitachi Brand, and the "Hitachi Group Identity Movie—I am Hitachi," a visual depiction of the ways in which Hitachi Group employees are working to address society's challenges.

🖱 Hitachi Group Identity

Promoting Work Practices in Line with International Ethics Codes

Framework for Promoting Compliance with International Ethics Codes

Frameworks and Systems

By periodically matching our list of existing Group-wide business partners against an external compliance database under the Hitachi Global Compliance Program (HGCP) and incorporating the results into the headquarters' platform, we are promoting the standardization of due diligence levels across the Group. To reinforce education at business units and key Group companies, we also bring together program instructor candidates and provide them with instructor education.

📄 Compliance Framework

Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a big challenge for a company today. In 2008 Hitachi established rules against bribery and corruption for the HGCP along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements provided to public officials. We have striven to ensure strict compliance with these rules. 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.

Educational Activities for Preventing Bribery and Corrupt Practices

Objectives, Activities, and Achievements

To ensure awareness of the HGCP rules and policies concerning prevention of bribery and corruption and compliance with competition law, we developed a global e-learning program about them and made it available in 12 languages—including Japanese, English, and Chinese—for use by Group companies worldwide. In fiscal 2018, more than 150,000 employees across the Hitachi Group, including executives, completed the e-learning program.

Competition Law Compliance Policy

Policy

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and open competition. In 2015, we included business standards and guidelines related to these principles in the HGCP, in addition to rules concerning competition law.

Preventing Violations of Competition Law

Objectives, Activities, and Achievements

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally using e-learning material available in 12 languages—including Japanese, English, and Chinese—while at the same time ensuring that we comply with the HGCP's 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.

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. We have been providing a collection of case studies for workplace discussion to Group companies since 2012, and in 2018 we added case studies about competition law in three languages, Japanese, English, and Chinese, to raise employee awareness.

Hitachi's Tax Compliance Approach

Policy

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, and in April 2017 we set rules for Group transfer pricing management. 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.

Tax Compliance Initiatives

Objectives, Activities, and Achievements

To ensure risk management for taxation in response to globalization, Hitachi follows relevant tax-related regulations applicable to the Group as a whole as well as rules for transfer pricing management. We also manage transfer pricing in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations on transfer pricing in each country or region where Group companies are located.

Violations of Laws and Regulations

Objectives, Activities, and Achievements

In fiscal 2018, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices and competition. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations.

Risk Management

Hitachi's Approach

Hitachi launched an Investment Strategy Committee in 2017 to ascertain and minimize risks and to strengthen the quantitative risk management of its investments. The Executive Sustainability Committee deliberates the social and environmental impact of our business activities to clarify any negative impact our business has on society and the environment and to identify countermeasures. We are reinforcing business continuity plans (BCPs) and further tightening our information security to ensure the stable supply of our products and services and to prevent threats to our networks that could severely disrupt business operations.

Our Impact on Society

No. of employees (Hitachi, Ltd.)

33,490

Our Performance

Recipients of e-learning programs on information security (Hitachi, Ltd.)

Approx. # 40,000

Addressing Risks and Opportunities
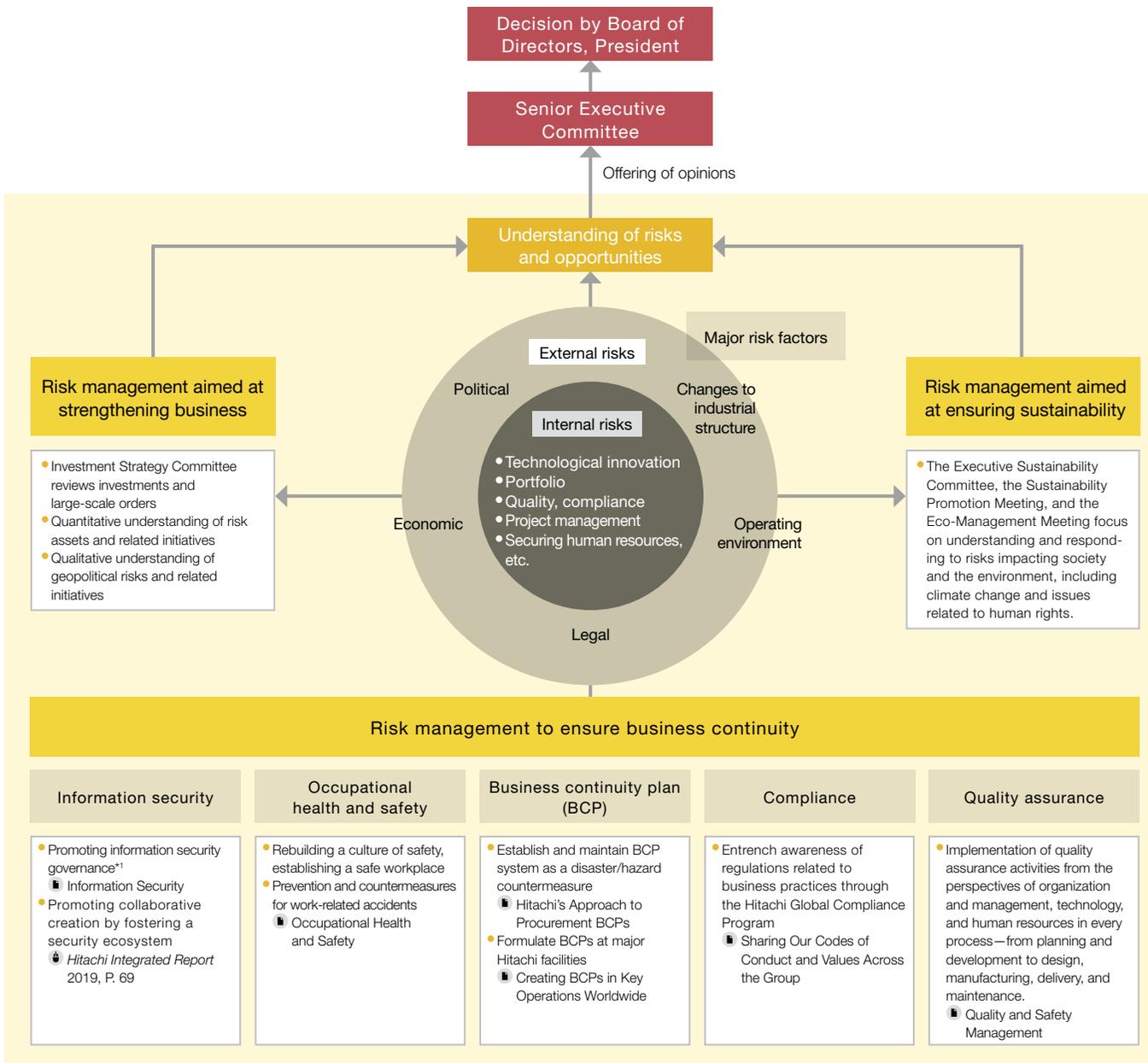
Risks and Opportunities

`Policy`

Hitachi's 2021 Mid-term Management Plan, beginning in fiscal 2019, focuses on expanding our business while making the best use of the Company's competitive advantages. In particular, we target investment for growth in select, focused areas over the three years through fiscal 2021 of ¥2.0–¥2.5 trillion, compared to investment of about ¥500 billion in the three years through fiscal 2018. We believe taking advantage of growth business opportunities and implementing aggressive management requires a solid risk management system.

Hitachi established the Investment Strategy Committee to strengthen investment risk management in 2017 and continues to work to better understand risk and take appropriate action. The Company in the same year established the Executive Sustainability Committee to focus on the company's policies in regard to social and environmental issues. Our efforts in this area also included a move to identify issues that could be seen as business opportunities, as well as the negative effects on society and the environment from our business activities and the measures Hitachi is taking to address them.

Risk Management System

`Frameworks and Systems`

The business environment is changing day by day, impacted by the continued advance of information and communications technology, as exemplified by IoT, and geopolitical risks arising from complex shifts in political and economic conditions around the world. Hitachi aims to create new revenue opportunities while controlling risk. To do this, we maintain a clear understanding and analysis of the operating environment, taking into account social issues as well as our competitive advantages and management resources, and conduct risk management with an eye toward the many risks the Company should be prepared for as well as opportunities for growth.

Decision by Board of Directors, President

↑

Senior Executive Committee

↑ Offering of opinions

Understanding of risks and opportunities

Major risk factors

External risks

Political

Internal risks

Changes to industrial structure

- Technological innovation
- Portfolio
- Quality, compliance
- Project management
- Securing human resources, etc.

Economic

Operating environment

Legal

Risk management aimed at strengthening business

- Investment Strategy Committee reviews investments and large-scale orders
- Quantitative understanding of risk assets and related initiatives
- Qualitative understanding of geopolitical risks and related initiatives

Risk management aimed at ensuring sustainability

- The Executive Sustainability Committee, the Sustainability Promotion Meeting, and the Eco-Management Meeting focus on understanding and responding to risks impacting society and the environment, including climate change and issues related to human rights.

Risk management to ensure business continuity

Information security	Occupational health and safety	Business continuity plan (BCP)	Compliance	Quality assurance
• Promoting information security governance*1 📖 Information Security • Promoting collaborative creation by fostering a security ecosystem 📖 Hitachi Integrated Report 2019, P. 69	• Rebuilding a culture of safety, establishing a safe workplace • Prevention and countermeasures for work-related accidents 📖 Occupational Health and Safety	• Establish and maintain BCP system as a disaster/hazard countermeasure 📖 Hitachi's Approach to Procurement BCPs • Formulate BCPs at major Hitachi facilities 📖 Creating BCPs in Key Operations Worldwide	• Entrench awareness of regulations related to business practices through the Hitachi Global Compliance Program 📖 Sharing Our Codes of Conduct and Values Across the Group	• Implementation of quality assurance activities from the perspectives of organization and management, technology, and human resources in every process—from planning and development to design, manufacturing, delivery, and maintenance. 📖 Quality and Safety Management

*1 Information security governance works in support of corporate governance by building and maintaining an organization's internal control mechanisms related to information security.

Understanding and Responding to Quantitative Risk

Frameworks and Systems

In regard to quantitative risk, assumed maximum risk (value at risk) is calculated using statistical methods based on the type of asset held. More specifically, value at risk measures the maximum expected loss based on price movements over a specified period of time (observation period) at a given confidence level for a defined period of time moving forward. Visualizing the strength of a company's balance sheet and whether that company has the potential for growth, including by focusing on whether the maximum expected loss is within the range of net assets or whether there is room to invest in growth, limits the likelihood that opportunities for growth will be missed, while continued monitoring ensures that risks do not exceed management capabilities.

Moreover, analyzing risk by country and sector, while also taking into account future trends, allows a quantitative understanding of the concentration of risks in a given country or sector relative to profitability.

The Flow of Quantitative Risk Assessment

Management strategy

Reflected in

Executive level

Periodic reporting

Group risk capacity

Comparison with risk tolerance

Amount of risk in the group

Quantify using statistical methods

Credit risk | Business investment risk | Country risk | Risks, including business assets

Risk identification and analysis

Financial and non-financial data from within the group and information from outside organizations

Understanding and Responding to Qualitative Risk

Objectives, Activities, and Achievements

In regard to qualitative risk, including geopolitical risk, we maintain a focus on the global political and economic situation by taking advantage of research from external organizations, and use this information to analyze the potential risks and opportunities for Hitachi so that we may take action to improve our corporate value. In addition, the Investment Strategy Committee examines investment projects and large orders, taking into account qualitative factors in addition to quantitative factors such as those listed below.

- Related technological innovations and competitive conditions
- Hitachi's past performance in the business
- Trends and market conditions, including prices and costs
- Business performance from ordering parties and their transaction history with Hitachi, etc.
- Contractual rights and obligations (transaction terms, reasons and details for damages and penalties)
- Local laws and labor practices in countries in which the business operates

Understanding and Responding to Risks and Opportunities Related to Sustainability

Objectives, Activities, and Achievements

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models.

Amid such a drastic change in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth over the long term.

Hitachi is able to gain a clear understanding of sustainability-related risks, and accordingly take appropriate action, thanks to the efforts of the Executive Sustainability Committee and other related committees. We remain actively engaged in promoting our own sustainable growth while contributing to the realization of a sustainable society by seeking out business opportunities contributing to the resolution of important domestic and overseas issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0.

Risk Factors

Objectives, Activities, and Achievements

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Therefore, we are exposed to a wide range of risks related to our operations. The following risks are based on the assumptions we consider reasonable as of the date this report was issued.

For more information on business risks and other risks, please refer to our 150th *Annual Securities Report*.

Annual Securities Report

Major Risks and Opportunities

Major risk factors		Details on risks and opportunities	Company actions	
Fluctuations in product supply and demand, exchange rates and resource prices; insufficient raw materials, components	Risks	• Price fluctuations, including for products, exchange rate impact and excess inventory • Exchange rate impact and price fluctuations, including for raw materials and components • Impact from significant disasters on supply chain	• Building close relationships with multiple suppliers • Ensuring an appropriate response to changes in demand in each region by promoting a local production and local consumption model for products and services • Heightening resistance to business interruption risks by formulating BCPs at domestic and major overseas facilities	Responsible Procurement Stable Provision of Products and Services
Rapid technological innovation	Risks	• Decreased competitiveness if development of cutting-edge technology, or application to product/service does not progress as expected • Reduction or elimination of existing market due to technological innovation	• Promoting open innovation through industry-academia-government cooperation • Bolstering the digital workforce • Strengthen Lumada • Fostering an innovation ecosystem through the above	Research and Development (R&D) Developing Human Capital for Frontline and Digital Operations
	Opportunities	• Development of advanced technology leads to new business opportunities		
Securing human resources	Risks	• Impact on new hires and worker retention due to increased competition to hire and retain the highly skilled workers	• Securing the highly skilled global workers using a global common standard for personnel • Securing and training the highly skilled workers through in-house educational systems, include Hitachi Academy, and Hitachi University, the group's global common learning management system	2021 HR Strategy Developing Global Human Capital
	Opportunities	• Growth opportunities on the recruitment and retention of highly skilled workers that share the Hitachi vision		
Occupational health and safety	Risks	• Impact on business due to inability to create healthy, safe and secure work environments	• Establishing a global occupational health and safety system that includes lessons learned from global operations, entrenchment of global norms, and the sharing of success stories	Occupational Health and Safety
M&A, investment in new projects, etc.	Risks	• M&A aimed at strengthening the Social Innovation Business, investment in new projects, R&D investment/capex, failure related to insufficient project management in large-scale orders	• Implementing phase-gate management in each business unit (BU), analysis and discussion of market trends, strategies, acquisition prices, and the post-merger integration process at Investment Strategy Committee, Senior Executive Committee, Board of Directors, and Audit Committee	Independent Director Dialogue, *Hitachi Integrated Report 2019*, P. 18 Corporate Governance
	Opportunities	• Building a foundation for growth through the acquisition of new management resources		
Geopolitical risks	Risks	• Impact on Hitachi's overseas businesses due to global political, economic and social trends	• Regularly updating our understanding of global political and economic trends, analyzing the impact on our business, and swiftly implementing countermeasures on a groupwide basis	
Tighter laws and regulations	Risks	• Tighter laws and regulations in regard to investment, exports, and customs duties Example: The effects on business activities from the introduction of new laws and regulations related to the protection of personal data, such as the General Data Protection Regulation (GDPR) in Europe	• Operating of personal information protection systems in line with Hitachi's personal information protection policy • Identifying businesses subject to GDPR, assessing risk, implementing appropriate safety management measures in line with those risks, implementing worker training	Rigorous Information Management Information Security
Compliance	Risks	• Reduced trust and a decline in corporate value as a result of corporate behavior that deviates from social norms and violates laws, including relating to bribery and anti-competitive activities	• Implementing groupwide compliance programs and establishing the highest values in the Codes of Conduct • Strengthening measures to prevent bribery and violation of competition laws	Compliance
Product quality and responsibility	Risks	• Reduced trust and claims for damages due to defects or a deterioration in product and service quality as a result of the increased complexity/sophistication of products or services, or the diversification of production sites or suppliers	• Strengthening the quality assurance system • Activities aimed at preventing accidents • Activities aimed at ensuring compliance with laws and regulations related to technology • Intensive risk assessment • Implementing measures to handle product accidents • Conducting quality and reliability-related training	Quality and Safety Management
Climate change/significant disasters	Risks	• Impact on business activities due to measures in line with the tightening of international regulations to curb greenhouse gas emissions and the depletion of energy and resources • Impact on business activities, from production to sales, due to significant disaster affecting major Hitachi facilities in Japan or overseas	• Strengthening measures aimed at achieving the CO_2 reduction targets in the Hitachi Environmental Innovation 2050 • Enacting measures in line with an analysis of Hitachi risks and opportunities based on climate-related scenarios • Formulating BCPs to strengthen our ability to respond to business disruption risks	Achieving a Low-Carbon Society Climate-related Information Disclosure (Based on TCFD Recommendations) Stable Provision of Products and Services
	Opportunities	• Expansion in the decarbonization business through offering climate-change-related solutions		
Information security	Risks	• Computer viruses or other factors adversely impacting information systems	• Promoting cybersecurity strategies through risk management and value creation	Information Security Story of Value Creation in the IT Sector, *Hitachi Integrated Report 2019*, P. 54
	Opportunities	• Expansion in revenue opportunities through increased demand for information security measures		

Stable Provision of Products and Services

Hitachi's Thinking on BCPs   `Policy`

Given the close relation of our business to social infrastructure, we are enhancing our business continuity plans (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 (Overview)* in Japanese. In fiscal 2010 this was translated into English and Chinese for distribution to all Hitachi Group companies worldwide to ensure our response readiness for large disasters and other risks.

## Creating BCPs in Key Operations Worldwide   `Frameworks and Systems`

When the Great East Japan Earthquake struck in March 2011, quick responses and swift decision making were enabled by the BCPs that we had developed based on the *Hitachi Group Guidelines for Developing Business Continuity Plans (Overview)*. 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 versions of the *Hitachi Group Guidelines for Developing Business Continuity Plans (By Department)* to further improve our BCPs.

By the end of fiscal 2011, Hitachi Group operations in Japan had completed their preparation and review of BCPs for both large earthquakes and novel strains of influenza as appropriate to their operations.

On top of these efforts, Hitachi, Ltd. has held annual earth-quake drills simulating a major seismic event at key operations in Japan since fiscal 1998. In March 2018, we held initial response drills at our headquarters under the direction of our head of Major Earthquake Countermeasures Office simulating a large earthquake in the suburbs of Tokyo, striving to promote understanding of each department's role and strengthen cooperation among departments. As part of countermeasures against large earthquakes striking the suburbs of Tokyo, in December 2017 we developed action plans including setting up substitute headquarters in the Kansai region in case our Tokyo headquarters cease to function temporarily due to such earthquakes. In March

2019, based on the scenario of an earthquake striking the Tokyo metropolitan area and significantly damaging its infrastructure, we established a substitute headquarters at our Kansai Area Operation and conducted initial response drills and joint drills with the response headquarters at our Tokyo headquarters according to our action plans.

Hitachi appointed personnel with responsibility for risk-response policies at its main overseas bases in fiscal 2013. By the end of that year, around 300 companies prepared BCPs with the goal of completing them for key operations. 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.
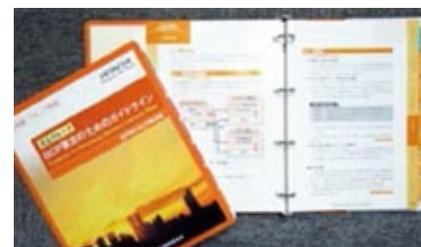
Hitachi Group Guidelines for Developing Business Continuity Plans (By Department).

Earthquake simulation drill.

Hitachi's Approach to Procurement BCPs   `Policy`

We have a deep involvement in social infrastructures in places where the suppliers who are our business partners can be affected by major earthquakes and other natural disasters.

These disasters can heavily impact not only our business operations and those of our suppliers but also society as a whole. To minimize this impact, the procurement divisions in business units and key Group companies in Japan have created procurement BCPs that (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers;

(3) distribute production across several locations; (4) budget inventory strategically; and (5) consider substitute products.

Creation of Procurement BCPs   Frameworks and Systems

To see whether or not procurement BCPs would be effective, we held desktop exercises to discuss in a group what should be done during and after a disaster, making further improvements as a result.

In fiscal 2018, all major Group business sites with production lines (approximately 210 sites in total) took steps to maintain and strengthen the procurement BCPs they had created by the previous fiscal year, thereby contributing to the continuation of Hitachi's global operations.

Improving Safety for Employees Sent to Dangerous Regions   Frameworks and Systems

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 to countries and areas at higher risk. 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 2018, against the threat of terrorism expanding around the world and infectious diseases spreading regionally, we had in place a range of safety measures, including providing timely alerts to employees. This underscores 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. Since 2014 Hitachi has taken part in public-private kidnap incident preparatory training exercises.

Information Security

Information Security Policies   Policy

The increased connections between things due to development of IoT are creating new value. At the same time, increasingly sophisticated cyberattacks are widening their focus from traditional IT to include the IoT/OT field. Managing information security risks is one of the most critical issues for companies to minimize the risk of business disruption due to factors such as leaks of information or operational stoppages.

The development of the Social Innovation Business has highlighted for Hitachi the vital importance of information security governance as a key management issue. The Japan Business Federation's Declaration of Cyber Security Management that was published in March 2018 also placed emphasis on cyber security measures as a critical management challenge from the aspects of both value creation and risk management. Hitachi approaches the issue of information security governance based on the same concept.

At the same time, as a global company, we regard cyber security risk as one of our management risks. Accordingly, to allow us to declare both internally and externally Group policies for addressing this risk, we have formulated Information Security Policies in line with our corporate management policies and based on our cyber security risk management.

Information Security Policies

1. Formulation and continuous improvement to information security management regulations
2. Protection and continuous management of information assets
3. Strict observance of laws and standards
4. Education and training
5. Incident prevention and management
6. Assurance of fair business practices within the corporate group

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Three Principles for Preventing Leakage of Confidential Information

Policy

Hitachi, Ltd. has formulated the Three Principles for Preventing Leakage of Confidential Information to ensure the highest level of care for such information and to prevent leaks and other related incidents. Our policies specify that if an incident does occur, damage must be promptly minimized by contacting customers, reporting to government agencies, investigating causes, and acting to prevent any recurrence.

> **Three Principles for Preventing Leakage of Confidential Information**
> Principle 1: In principle, no confidential information shall be taken outside of the company's premises.
> Principle 2: Any person taking confidential information out of the company's premises when necessary for conducting business shall obtain prior approval from the Information Asset Manager.
> Principle 3: Any person taking confidential information out of the company's premises when necessary for conducting business shall carry out the necessary and appropriate measures to prevent information leakage.

Framework for Promoting Information Security

Frameworks and Systems

At Hitachi, Ltd. the senior executive with ultimate authority and responsibility regarding the handling of information security and personal privacy issues is appointed by the president and CEO. Hitachi established a position of chief information security officer (CISO) to oversee promotion of information security for all Hitachi products and internal facilities. In fiscal 2018, the CISO role was performed by an executive vice president.

Chaired by the CISO, the Information Security Committee determines all policies and procedures for information security and personal information protection. These decisions are conveyed to all Hitachi Group business sites and companies, and are implemented by the relevant information security officers.

Framework for Promoting Information Security

President & CEO
Information security chief auditor
Chief information security officer
Information Security Committee
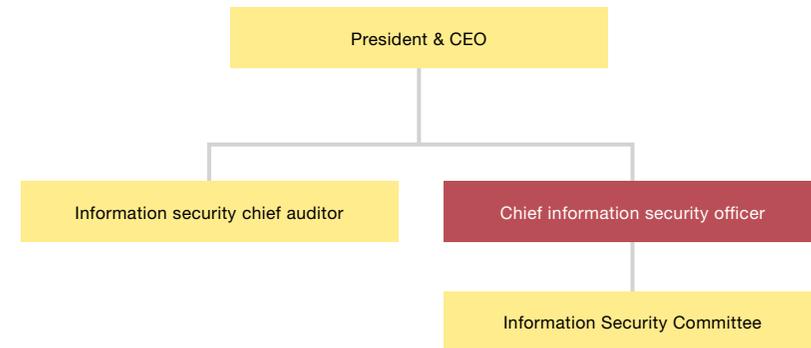
Information Security Management

Frameworks and Systems

Hitachi Group companies worldwide reinforce their information security in line with our Global Information Security Administration Rules, which conform to the international ISO/IEC 27001 standard. These rules are globally distributed from the parent company in Japan to Group companies worldwide. Other measures include the provision of shared security services and related support for information security by the regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

▌Security Monitoring

In Hitachi, the Security Operation Center (SOC) monitors security on a 24/7 basis so cyberattacks can be detected and countermeasures initiated right away. The Incident Response Team (IRT) collects and develops threat intelligence*1 and manages the response to any security incidents.

*1 Threat intelligence: An approach to countering cyber attacks using knowledge of new threats gathered from a range of information on cyber security.

Implementing Rigorous Information Security

Frameworks and Systems

The Information Security Committee determines policies and procedures for information security and personal information protection. 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 clarify the principal systems and assets to be secured, using vulnerability and risk analyses to formulate companywide business continuity plans (BCPs) for cyber incidents and to implement safeguarding measures. We also have an emergency process manual for security breaches, based on the assumption that these are inevitable, and not just possible.
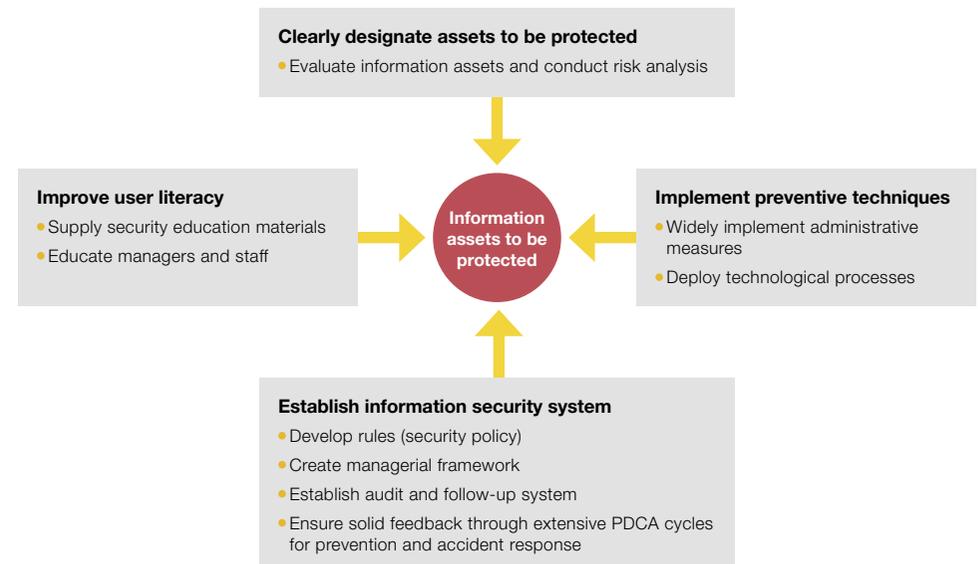
(2) Promoting stronger ethical and security awareness among data users

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.

Details, including a message from the CISO and a list of third-party assessments and certifications, are contained in Information Security Report 2018.

🖱 Information Security Report 2018

Basic Approach to Information Security Governance

Clearly designate assets to be protected
- Evaluate information assets and conduct risk analysis

Improve user literacy
- Supply security education materials
- Educate managers and staff

Information assets to be protected

Implement preventive techniques
- Widely implement administrative measures
- Deploy technological processes

Establish information security system
- Develop rules (security policy)
- Create managerial framework
- Establish audit and follow-up system
- Ensure solid feedback through extensive PDCA cycles for prevention and accident response

Preventing Information Leaks

Hitachi takes the following IT steps to prevent information leaks: encrypting devices; using thin clients;*1 employing electronic document access control and expiration processing software; maintaining ID management and access control by building an authentication infrastructure; and filtering e-mail and visited websites. In response to the recent spate of targeted e-mail attacks and other cyberattacks, we are participating in an initiative to share information between the private sector and the government. We are also enhancing our IT organization by adding more layers to our leak prevention procedures.

To ensure the secure exchange of information with our suppliers, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We have provided tools to suppliers (procurement partners) for security education and for checking business information on computers. In addition, we require suppliers to check and remove business information from personal computers to prevent leaks.

*1 Thin client: A terminal with the minimum necessary software. Thin client computing significantly enhances cyber security by storing applications and data on the server.

Education on Information Security

Objectives, Activities, and Achievements

Consistently maintaining information security requires all employees to continually develop their knowledge of information handling and to remain strongly aware of the issues. For this reason, we hold annual e-learning programs on information security and personal information protection for all directors, employees, and temporary employees.

Nearly all of the roughly 40,000 employees at Hitachi, Ltd. participate in these programs. We offer a variety of courses that have different goals and are tailored to different target audiences, including new employees, new managers, and information system administrators. In 2012, we also began simulation training to educate employees about malicious targeted e-mail attacks and other cyberattacks. Employees are sent examples of targeted e-mail to heighten their awareness of security through direct experience.

Our educational programs, available to Hitachi Group companies in Japan and other global regions, provide Group-wide education on information security and personal information protection.

Thorough Information Security Audits and Inspections ⊘

Objectives, Activities, and Achievements

The Hitachi Group has developed its approach to security based on the "plan-do-check-act" (PDCA) cycle for its information security management system. We conduct annual information security and personal information protection audits at all Group companies and business units.

The president of Hitachi, Ltd. appoints officers to conduct independent audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing. There are 220 Hitachi Group companies in Japan, including Hitachi, Ltd., that conduct audits in the same way as Hitachi, Ltd., and all results are subject to confirmation. For Hitachi Group companies outside Japan, we use a "common global self-check" approach to ensure Group-wide auditing and inspections. We implement Confirmation of Personal Information Protection and Information Security Management annually for the voluntary inspection of Hitachi, Ltd. business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 606 operations (as of March 2019) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.