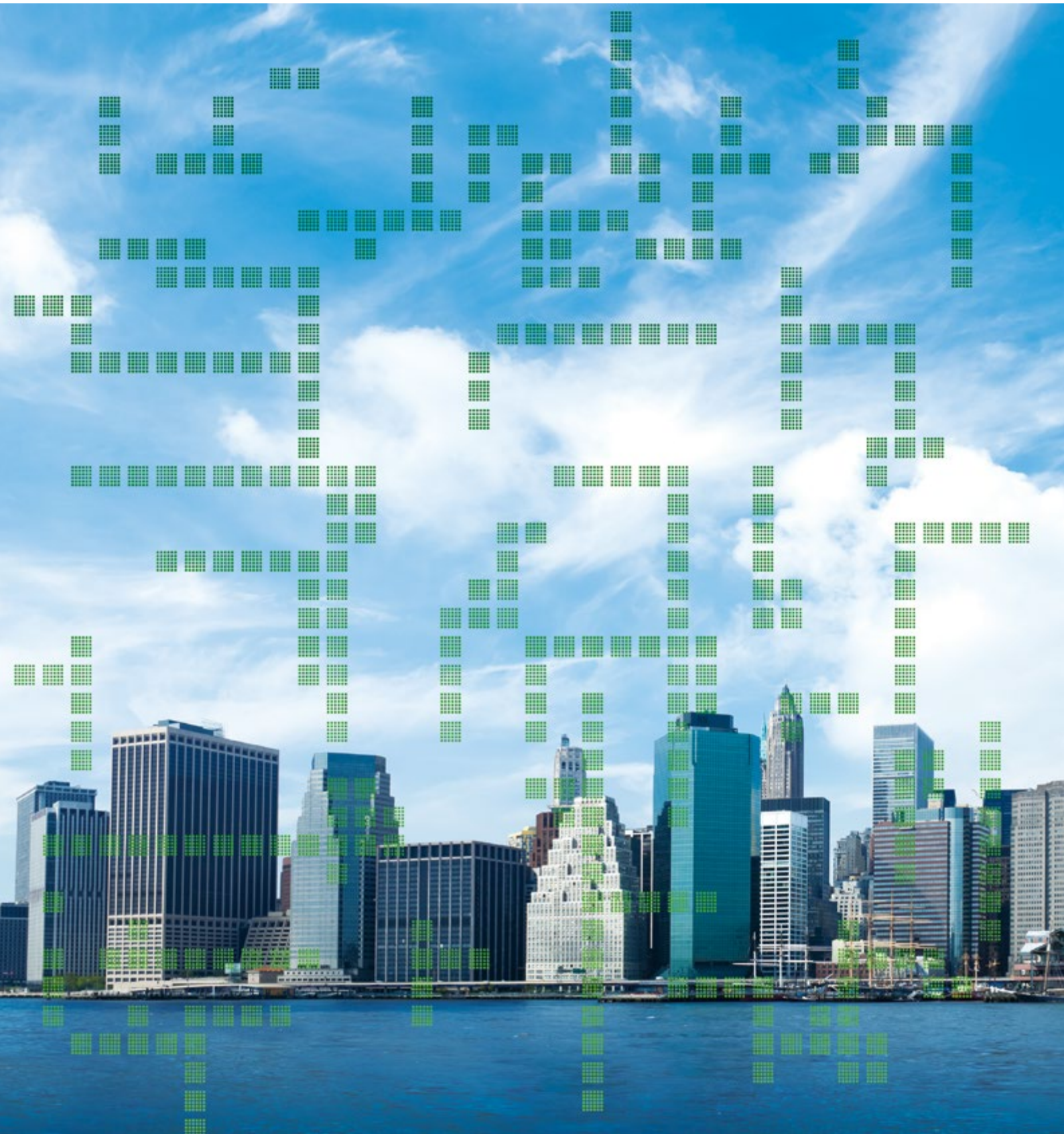


## Hitachi Sustainability Report 2016





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## How to Use This Report

Use the category tabs, navigation icons, and link buttons to go directly to different sections of this report.

### Link Buttons

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-  Click to go to corresponding page

### Navigation Icons

-  Click to go back one page
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-  Click to show table of contents



### Category Tabs

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## Editorial Policy

### Basic Concept

We are continuously improving our CSR activities in line with the ISO 26000 international guidelines for CSR and have identified nine key themes for our CSR Management Framework: (1) recognition of social responsibility, (2) corporate governance, (3) human rights, (4) labor practices, (5) environment, (6) fair operating practices, (7) customers (consumer issues), (8) community involvement and development, and (9) review and improvement of CSR activities.

With reference to these nine key themes, the *Hitachi Sustainability Report 2016* details the social and environmental issues that are vital to the sustainability of our operations and society, presenting our stance and the activities undertaken in fiscal 2015.

Inasmuch as the report is a tool with which we engage with our stakeholders through honest and transparent disclosures of information, it contains our basic policies, promotion systems, key performance indicators, and specific measures for our CSR initiatives in line with the disclosure provisions of the GRI Sustainability Reporting Guidelines (G4).

### What This Report Covers (Boundary of Reporting)

Period:	The main period covered is fiscal 2015 (April 1, 2015, to March 31, 2016)	
Companies:	1,306 companies, namely Hitachi, Ltd. and 1,305 consolidated subsidiaries (including 249 equity-method affiliates)	
Boundary of Data:	Financial data:	1,306 companies, namely Hitachi, Ltd. and 1,305 consolidated subsidiaries (including 249 equity-method affiliates)
	Social data:	Boundary of data indicated under each indicator
	Environmental data:	1,057 companies, namely Hitachi, Ltd. and 1,056 consolidated subsidiaries. However, for environmental performance data associated with Hitachi's business operations, Hitachi, Ltd. and consolidated subsidiaries whose environmental load comprises 90% of the total (based on Hitachi calculations) are included.
Reporting Cycle:	Published every year as an annual report	
Date Published:	October 2016	

\* The data for each fiscal year are the results according to the boundary of data in that fiscal year.  
\* The base fiscal year data has been revised to match the boundary of data for fiscal 2015.



**[Symbol Marks Used in This Report]**

\* Technical terms, proper nouns, tables, diagrams, etc. requiring explanation

**[Hitachi References in This Report]**

Hitachi, Ltd.: Information on or initiatives of Hitachi, Ltd.  
 Hitachi and the Hitachi Group: Information on or initiatives of all Group companies in and outside Japan

**[Key Guidelines Referred to in Preparing This Report]**

- G4 Sustainability Reporting Guidelines, Global Reporting Initiative
- Environmental Reporting Guidelines (2012 version), Ministry of the Environment, Japan
- Environmental Reporting Guidelines 2001 – With Focus on Stakeholders, Ministry of Economy, Trade and Industry, Japan

**Disclosure of Financial and Non-Financial Information**

Hitachi, following closely the deliberations of the European Union (EU) and the International Integrated Reporting Council (IIRC) about non-financial disclosure, presents information to match the needs of stakeholders reading this report.

To date the *Annual Report* has mainly presented financial information, while the *Hitachi Sustainability Report* mainly presented non-financial information. Starting in 2016 the *Hitachi Integrated Report* will present both financial and non-financial information in showing how Hitachi is striving to create value. The *Hitachi Sustainability Report* will continue to serve as a comprehensive tool providing detailed non-financial information.

**Financial and Non-Financial Information Reports on Hitachi's Value Creation**



Hitachi Integrated Report 2016

**Non-Financial Information Reports**



Hitachi Sustainability Report 2016

The *Hitachi Sustainability Report 2016* provides non-financial information to investors, auditors, and CSR experts in an easily searchable, interactive PDF format (A4, 102 pages).

The CSR website contains not only the contents of this report but also examples of environmental conservation activities and news releases to provide up-to-date information to our diverse stakeholders.

**Financial Information Reports**



**WEB** Investor Relations  
<http://www.hitachi.com/IR-e/>



**WEB** CSR (Corporate Social Responsibility)  
<http://www.hitachi.com/csr/>



**WEB** Environmental Activities  
<http://www.hitachi.com/environment/>



**WEB** Global Community Relations and Activities (Social Contribution Activities)  
<http://www.hitachi.com/csr/sc/>

\* Information about Hitachi, Ltd. is also disclosed in the *Annual Securities Report* and the *Report on the 147th Business Term*.

\* We also disclose information about Hitachi, Ltd. in the *Corporate Governance Report*.

**Independent Assurance**

To enhance the credibility of this report, we have engaged KPMG AZSA Sustainability Co., Ltd. to provide assurance on environmental and social performance indicators. This assurance was carried out in accordance with the International Standard on Assurance Engagement (ISAE)

3000 and 3410, as well as the Practical Guidelines for the Assurance of Sustainability Information of the Japanese Association of Assurance Organizations for Sustainability Information. Performance indicators for fiscal 2015 that have been assured are marked with in the report.

## Hitachi and Society

Creating value to fulfill our Corporate Credo—contributing to society through the development of superior, original technology and products—has underpinned our business development for more than a century. Hitachi's R&D program focuses on products and services that help to resolve social issues.

### Hitachi Group Profile

#### Company Profile (as of March 31, 2016)

Corporate name	Hitachi, Ltd.
Incorporated	February 1, 1920 (founded in 1910)
Head office	1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8280, Japan
Representative	Toshiaki Higashihara Representative Executive Officer, President, and CEO
Capital	458.79 billion yen
Number of employees	37,353 (unconsolidated basis) 335,244 (consolidated basis)
Number of consolidated subsidiaries (including variable interest entities)	1,056 (Japan: 262, outside of Japan: 794)
Number of equity-method affiliates	249

#### Consolidated Financial Highlights for Fiscal 2015, Based on the International Financial Reporting Standards (IFRS)

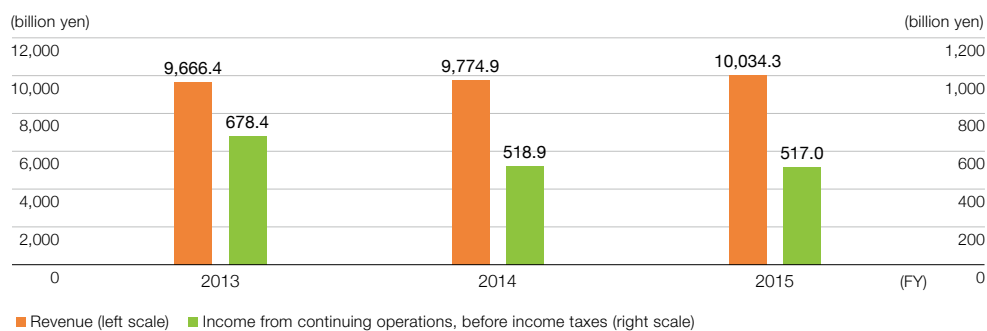
Revenue	10,034.3 billion yen	(up 3%, year on year)
EBIT* <sup>1</sup>	531.0 billion yen	(down 1%)
Income from continuing operations, before income taxes	517.0 billion yen	(unchanged)
Capital expenditure* <sup>2</sup>	528.5 billion yen	(up 23%)
R&D expenditure	333.7 billion yen	(unchanged)
Total assets	12,551.0 billion yen	
Overseas production as percentage of revenue	26%	

\*1 EBIT: Income from continuing operations before income tax, less interest income, plus interest charges.

\*2 Since fiscal 2015, the amount of investment in leased assets that fall under the heading of finance and leases included in conventional capital expenditure are deducted from capital expenditure for disclosure.

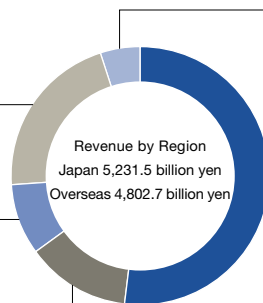
Note: Hitachi's consolidated financial statement is prepared based on the International Financial Reporting Standards (IFRS).

#### Revenue and Income from Continuing Operations, Before Income Taxes



### Revenue and Ratio by Region (Consolidated for fiscal 2015, based on IFRS)

<b>Asia</b>	2,112.3 billion yen (21%)
Number of Companies:	399
Number of Employees:	95,496
<b>Europe</b>	951.1 billion yen (9%)
Number of Companies:	194
Number of Employees:	19,984
<b>North America</b>	1,280.3 billion yen (13%)
Number of Companies:	112
Number of Employees:	21,026



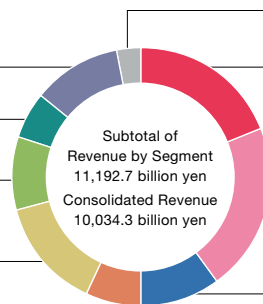
<b>Other Areas</b>	459.0 billion yen (5%)
Number of Companies:	89
Number of Employees:	10,802

<b>Japan</b>	5,231.5 billion yen (52%)
Number of Companies:	263*1
Number of Employees:	187,936

\*1 Including Hitachi, Ltd. and 262 consolidated subsidiaries in Japan.

### Revenue and Ratio by Segment (Consolidated for fiscal 2015, based on IFRS)

<b>Others (Logistics and Other Services)</b>	1,252.7 billion yen (11%)
<b>Smart Life &amp; Ecofriendly Systems</b>	681.0 billion yen (6%)
<b>Automotive Systems</b>	1,001.1 billion yen (9%)
<b>High Functional Materials &amp; Components</b>	1,564.0 billion yen (14%)
<b>Construction Machinery</b>	758.3 billion yen (7%)



<b>Financial Services</b>	365.3 billion yen (3%)
<b>Information &amp; Telecommunication Systems</b>	2,109.3 billion yen (19%)
<b>Social Infrastructure &amp; Industrial Systems</b>	2,333.1 billion yen (21%)
<b>Electronic Systems &amp; Equipment</b>	1,127.6 billion yen (10%)

Notes:

- Since April 1, 2015, Power Systems has been integrated into Social Infrastructure & Industrial Systems.
- Hitachi Transport Systems, Ltd. included in Other became an equity-method affiliate of Hitachi, Ltd. as of May 19, 2016.
- Hitachi Capital Corporation, which consists of Financial Services, is scheduled to become an equity-method affiliate of Hitachi, Ltd. in October 2016, pending regulatory approval.

### Key Business Segments for Social Contributions

The issues humanity faces are becoming global in nature: environmental problems like climate change and ecosystem degradation, as well as energy, water, resource, and food shortages, urban population growth, and the graying of societies. As a global corporate citizen, Hitachi engages in business worldwide in social infrastructure and many other fields, thereby creating both economic and social value in order to address these issues and contribute to a sustainable society.

### Information & Telecommunication Systems

Hitachi provides IT services that address customers' diverse needs by combining Hitachi's extensive expertise in a diverse range of business fields including financial services with advanced information technology. Our services cover the entire life cycle of systems, ranging from consulting to system integration, operation, maintenance, and other support.

Locations of our business operations:

Over **100** countries and regions

To contribute solutions to issues facing society and our customers, we provide IT solutions worldwide, particularly storage solutions supporting data utilization.

### Main Products and Services

Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Networks, ATMs

### Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi Information & Telecommunication Engineering, Ltd., Hitachi-Omron Terminal Solutions, Corp., Hitachi Computer Products (America), Inc., Hitachi Computer Products (Europe) S.A.S., Hitachi Financial Equipment System (Shen Zhen) Co., Ltd., Hitachi Solutions, Ltd., Hitachi Systems, Ltd., Hitachi Consulting Corporation, Hitachi Data Systems Corporation, Hitachi Information & Telecommunication Systems Global Holding Corporation



A Hitachi storage system.

Revenue	Adjusted operating income	EBIT
2,109.3 billion yen	141.3 billion yen	109.1 billion yen

**Social Infrastructure & Industrial Systems**

Hitachi provides infrastructure products and services that form the underpinning of people’s daily lives and their communities, such as rolling stock and train management systems, power plants and transmission/distribution systems, elevators and escalators, and water treatment systems. In addition, it offers industrial equipment and energy-saving solutions that help reduce the environmental impact on our society. Hitachi leverages technological capabilities and products developed over many years to maximize the efficiency and reliability. Business operations are focused on industrial equipment and plants in the Asia region, railway systems in the United Kingdom, and elevators in China.

Ultrafast elevator speed: **1,200** m/min (72 km/h)  
In 2016, Hitachi is scheduled to deliver elevators traveling 1,200 meters per minute (72 kilometers per hour) for the CTF Finance Centre, 530 meters tall, under construction in Guangzhou, China.

● Main Products and Services

Industrial Machinery and Plants Solutions, Water Environment Solutions, Elevators, Escalators, Railway Systems, Nuclear, Wind, and Photovoltaic Power Generation Systems, Transmission & Distribution Systems, Digital Technology Service Solutions

● Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi-GE Nuclear Energy, Ltd., Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Elevator (China) Co., Ltd., Hitachi Building Systems Co., Ltd., Hitachi Industry & Control Solutions, Ltd., Hitachi Plant Construction, Ltd., Hitachi Plant Services Co., Ltd., Hitachi Power Solutions Co., Ltd., Hitachi Rail Europe, Ltd., Horizon Nuclear Power, Ltd.



Class 800 high-speed train cars for the Intercity Express Programme (UK).

Revenue	Adjusted operating income	EBIT
2,333.1 billion yen	81.3 billion yen	29.1 billion yen

**Electronic Systems & Equipment**

Drawing upon the Hitachi Group’s advanced technologies, Hitachi provides systems that support the information society, including semiconductor manufacturing equipment, electronic component processing equipment, and broadcasting and wireless communications systems. Hitachi also produces medical and inspection systems that improve health as well as power tools. We conduct business operations in regions including North America, Europe, and Asia.

MRI scanners shipped: **7,050**

As of the end of March 2016, Hitachi Medical Corporation (currently the Healthcare Business Unit, Hitachi, Ltd.)\*1 had shipped MRI medical scanners to 87 countries. Through development of these scanners and other medical equipment, Hitachi contributes to realizing a safe and secure society in which people live healthy lives.

● Main Products and Services

Semiconductor Manufacturing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment, Power Tools

● Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi High-Technologies Corporation, Hitachi Koki Co., Ltd., Hitachi Medical Corporation, Hitachi Kokusai Electric Inc.



A proton beam cancer therapy system.

Revenue	Adjusted operating income	EBIT
1,127.6 billion yen	67.0 billion yen	64.3 billion yen

**Construction Machinery**

Hitachi provides integrated solutions globally, ranging from the sale of hydraulic excavators and other construction machinery to services and maintenance. Leveraging decades of expertise with these technologies and know-how, Hitachi offers solutions that address the needs of a broad range of industries, including civil engineering and construction, building and structural demolition, and mining and excavation.

Overseas sales ratio: **69%**

This is the fiscal 2015 overseas sales ratio for construction machinery. Our hydraulic excavators, wheel loaders, and dump trucks are used at construction sites and mines around the world.

● Main Products and Services

Hydraulic Excavators, Wheel Loaders, Mining Machinery

● Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi Construction Machinery Co., Ltd.



Hitachi Construction Machinery’s ultralarge hydraulic excavator and dump truck for use in mining.

Revenue	Adjusted operating income	EBIT
758.3 billion yen	22.6 billion yen	25.8 billion yen

**High Functional Materials & Components**

Hitachi draws upon its wealth of technologies and expertise to provide various materials and products that support advanced functions, as well as a host of diverse products in fields ranging from IT to consumer electronics and automobiles. These materials and products include semiconductor and display materials, advanced performance materials, synthetic resin products, specialty steels, magnetic materials, casting components, and wires and cables. We conduct business operations in regions including Asia, North America, and Europe.

World share of anode material for lithium ion batteries:

About **25%** (Hitachi estimation)

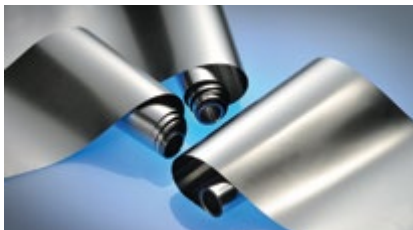
Hitachi Chemical's anode material for lithium ion batteries is an essential material for improving the quality of lithium ion batteries. In the market for eco-friendly automobiles, which are in increasing demand, we hold the top world share.

• Main Products and Services

Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts (Molded Plastics, etc.), Energy Storage Devices, Specialty Steels, Magnetic Materials and Components, Casting Components, Wires and Cables

• Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi Chemical Company, Ltd., Hitachi Metals, Ltd.



An amorphous metal alloy from Hitachi Metals.

Revenue	Adjusted operating income	EBIT
1,564.0 billion yen	125.9 billion yen	153.5 billion yen

**Automotive Systems**

Hitachi is working on mobility technology innovations for electronic and motorized automotive parts in the areas of the environment, safety, and information to contribute to the creation of safe and comfortable automobiles with ultra-low fuel consumption. We are conducting business operations globally.

Ratio of automotive electronics products: **47%**

Hitachi Automotive Systems aims for high levels of safety and fuel efficiency in developing electronics products. The electronics products share in fiscal 2014 placed Hitachi at the equivalent of third place among the top 10 global suppliers.

• Main Products and Services

Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems

• Principal Consolidated Subsidiaries (as of March 31, 2016)

Clarion Co., Ltd., Hitachi Automotive Systems, Ltd., Hitachi Automotive Systems Americas, Inc.



Hitachi Automotive Systems' Stereo Camera.

Revenue	Adjusted operating income	EBIT
1,001.1 billion yen	61.9 billion yen	53.9 billion yen

**Smart Life & Ecofriendly Systems**

Hitachi delivers new values and lifestyle innovations to society and people all over the world by providing home appliances, lighting and housing equipment, and refrigerating and air-conditioning solutions. Hitachi also helps reduce the environmental impact on our society through the development of more energy-efficient products. We conduct business operations in regions including China, Asia, and the Middle East.

Grand Prize winners: **3** kinds of products for 3 consecutive years  
Three Hitachi Appliances products—IH rice cookers, large-capacity refrigerators, and water pumps—won fiscal 2015 Energy Conservation Grand Prizes. This is the third consecutive year that three Hitachi Appliances products have been awarded.

• Main Products and Services

Home Appliances, Lighting and Housing Equipment, Refrigerating and Air-Conditioning Products

• Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi Appliances, Inc., Hitachi Consumer Marketing, Inc., Hitachi Consumer Products (Thailand), Ltd.



Hitachi Appliances' large-capacity "Vacuum Compartment" XG series refrigerator.

Revenue	Adjusted operating income	EBIT
681.0 billion yen	23.8 billion yen	41.9 billion yen



### Others (Logistics and Other Services)

Hitachi is active in the logistics sector, including system logistics, transport and installation of heavy products and precision machinery, and international air and sea freight transportation, as well as the manufacture and sales of information storage medium and batteries, and real estate. We conduct business operations in regions including North America, Europe, and Asia.

Eco-car ownership rate: **90%**

In Japan, Hitachi Transport System\*2 has a rising eco-car ownership rate, including hybrid, natural gas, electric, and LPG vehicles, as well as nationally certified, low-emission gas and biofuel vehicles.

- Main Products and Services

Logistics, Optical Disk Drives, Property Management

- Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi-LG Data Storage, Inc., Hitachi Life, Ltd., Hitachi Transport System, Ltd., Hitachi Urban Investment, Ltd., Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd., Hitachi India Pvt. Ltd.\*3



Hitachi Transport System's Metropolitan East Distribution Center and a large truck.

Revenue	Adjusted operating income	EBIT
1,252.7 billion yen	52.5 billion yen	40.6 billion yen

### Financial Services

We offer solutions integrating diverse functions including leasing, loans, rentals, credit cards, and securitization as well as payment and collection agency services, insurance services, trust services, and outsourcing. We provide these solutions to customers in five key areas: Japan, Europe, the Americas, China, and ASEAN.

Power generated in renewable projects: **200%** growth  
Hitachi Capital finances and operates wind and solar power plants, providing Hitachi's combined strengths to find solutions that promote renewable energy use. We boosted power generated from renewable energy from 160 MW in fiscal 2012 to 320 MW in fiscal 2015.

- Main Products and Services

Leasing, Loan Guarantees

- Principal Consolidated Subsidiaries (as of March 31, 2016)

Hitachi Capital Corporation



Hitachi Capital's Hitachi Corporate Card.

Revenue	Adjusted operating income	EBIT
365.3 billion yen	45.2 billion yen	46.6 billion yen

\*1 The trade name of Hitachi Medical Corporation was changed to Hitachi Healthcare Manufacturing, Ltd. as of April 1, 2016.

\*2 Hitachi Transport System, Ltd. became an equity-method affiliate of Hitachi with the transfer of some of the shares held by Hitachi in that company.

\*3 Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd., and Hitachi India Pvt. Ltd. are the Hitachi Group's regional headquarters for the Americas, Asia, China, Europe, and India, respectively, and they sell the Hitachi Group's products.

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<b>Leadership</b>	<b>10–11</b>	<b>Review and Improvement of CSR Activities</b>	<b>24–27</b>
<ul style="list-style-type: none"> <li>① CEO's Message 10</li> <li>① Executive Officer's Message: CSR and the Environment 11</li> </ul>		<ul style="list-style-type: none"> <li>① Enhancing CSR Management 24</li> </ul>	
<b>Recognition of Social Responsibility</b>	<b>12–23</b>		
<ul style="list-style-type: none"> <li>① Realizing Sustainable, Innovative Management 12</li> <li>① Understanding Issues Through Dialogue and Taking Part in Initiatives 19</li> </ul>			



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Leadership CEO's Message

## Leadership

### CEO's Message



## Hitachi's Social Innovation for Safer, Richer Lives

The state of the world is in constant flux. Each day brings new political, economic, and environmental changes, and the issues facing our customers and societies as a whole grow ever more diverse and complex. The field of business and people's lifestyles are also seeing dramatic shifts as the impact of IoT (the internet of things) and computerization continue to gain momentum.

Anticipating these changes, in May 2016 Hitachi moved to become an Innovation Partner for the IoT Era with its new 2018 Mid-term Management Plan. In this plan, we focus our efforts in four business domains—power and energy; industry, distribution, and water; urban; and finance, public, and healthcare. We have launched a market-driven business structure comprising three layers: the “front” businesses that interface directly with customers as they develop and provide services; the “platform” that enables quick, efficient provision of those services; and the globally competitive “products” we bring to market.

In line with our Corporate Credo—contributing to society through the development of superior, original technology and products—we engage in the Social Innovation Business on a global basis, putting our IT and control and operational technologies to use in the advanced social infrastructure systems we provide to create a future where people can live safer, richer lives. Moving forward, we will take our Social Innovation Business to a more advanced phase with enhanced digital technologies to accelerate “collaborative creation,” tackling shared issues and crafting solutions together with our customers and partners.

The solutions we provide through our Social Innovation Business aim to support people's lives for decades as vital capital for society. When addressing environmental issues, too, we must look ahead to the likely state of the global environment decades from now and implement actions with an eye firmly on the impact of corporate activities on the environment. We have created the Hitachi Environmental Innovation 2050 targets to help achieve a low-carbon society; a resource efficient society; a harmonized society with nature. Toward the realization of these goals, we continue developing innovative technologies and solutions.

It is precisely because this is an era of great change that Hitachi is dedicating itself to working smarter and faster, creating new value for customers and enhancing people's quality of life. In this way we will pursue growth as a company and sustainable development for society as a whole.

Toshiaki Higashihara  
 President & CEO  
 Hitachi, Ltd.


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Leadership Executive Officer's Message: CSR and the Environment

## Executive Officer's Message: CSR and the Environment



### Integrating CSR into Corporate Management



#### Toshiaki Kuzuoka, Hitachi, Ltd.

Representative Executive Officer; Senior Vice President and Executive Officer; General Counsel & Head of Corporate Communication; Head of Risk Management; General Manager of Legal and Communications Group; General Manager of Risk Management Group; General Manager of Corporate Hospital Group

With the formulation of the corporate governance code in Japan, the adoption of the Sustainable Development Goals (SDGs) as the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations, and the growing importance of ESG\*1 considerations in mainstream investment, private companies—particularly those with global operations—are increasingly being called upon by not only investors and shareholders but also various other stakeholders to incorporate CSR into their management strategies and contribute to building a sustainable society.

For years, the Social Innovation Business has been Hitachi's core management focus. We have proactively responded to global corporate trends by expanding our CSR initiatives, such as by strengthening corporate governance, upholding respect for human rights, ensuring ecosystem preservation, and promoting diversity management. Our CSR policies, goals, and actual performance have been disclosed in our annual sustainability reports.

With more companies incorporating CSR into their core management strategies, and in keeping with our 2018 Mid-term Management Plan (announced in May 2016), we have decided to publish the *Hitachi Integrated Report* beginning in fiscal 2016 as a means of providing greater information about our integration strategies and results, including CSR. The *Integrated Report* provides insights into how we are building CSR considerations into the foundations of our management along with concisely presented non-financial information. For the sake of completeness and continuity, we will continue publishing detailed non-financial information in our *Sustainability Report*.

Of special note during fiscal 2016 is our announcement in September of the Hitachi Environmental Innovation 2050 targets in line with our 2018 Mid-term Management Plan. The announcement of ambitious targets to achieve a low-carbon society, a resource efficient society, and a harmonized society with nature is an expression of Hitachi's determination to contribute to the resolution of environmental issues through the development of innovative technologies, products, and solutions.

At a time when business practices and people's lifestyles are undergoing a dramatic transformation due to such factors as the growing impact of IoT and computerization, we aim to create new value for customers and enhance people's quality of life by communicating actively with our stakeholders and applying what we learn to our business operations.

\*1 ESG stands for "environment," "social," and "governance"—key factors in promoting socially responsible investment.





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Recognition of Social Responsibility Realizing Sustainable, Innovative Management

## Recognition of Social Responsibility

### Hitachi's Aims

We are actively advancing our CSR activities to meet society's expectations based on an accurate perception of the impact of our operations on society and our social responsibilities. We are contributing to the resolution of social issues through our Social Innovation Business, which combines advanced IT with infrastructure technologies developed over many years, and are conducting dialogue with all our stakeholders to identify and contribute to the identification of social issues. In addition, we are promoting collaborative creation with stakeholders to resolve those issues and achieve the sustainable growth of society by fulfilling our social responsibilities. We are creating both economic and social value by aligning our CSR activities with our Mid-term Management Plan to realize the Hitachi Group Vision.

### Realizing Sustainable, Innovative Management

#### Hitachi's Approach

##### Trends in Society and Hitachi Group Identity

Society is today undergoing great changes and faces a range of challenges, from environmental issues and natural resource and energy constraints to poverty, inequality in education, diseases, and population concentration in cities. Hitachi's Corporate Credo is to contribute to society through the development of superior, original technology and products. We created our Group Vision in May 2013, at the start of the 2015 Mid-term Management Plan, with the aims of delivering innovations that help to answer society's challenges and of building a safe, secure, comfortable, and fair society.

The Group Vision indicates the path to the next stage of growth. We draw on the ethics and values that Hitachi has developed over the past 100 years—encapsulated in

our Corporate Credo and Founding Spirit—while continuously considering the next generation. We look ahead to the longer term, while promoting corporate activities informed by sensitivity to the needs of a changing society. Our Mid-term Management Plan is the action plan we define to realize this vision; by integrating our management and CSR strategies, we seek to enhance the effectiveness of this approach.

The implementation of our plan is a way for us to fulfill our responsibilities as a good corporate citizen through robust, diverse governance; the pioneering spirit and strong ethical stance of our employees; and operations that help address environmental and other issues. We comply with the laws of all countries in which we operate and pursue our activities in line with the Hitachi Group Codes of Conduct.

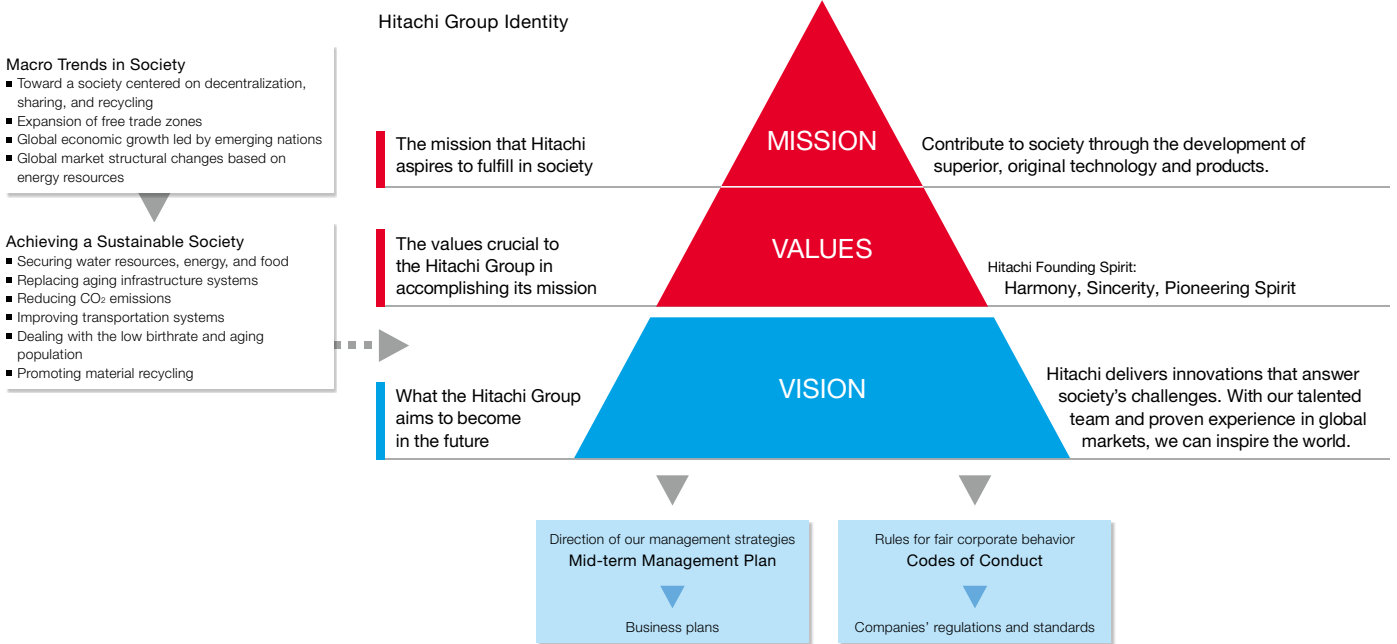
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### Trends in Society and Hitachi Group Identity




### Hitachi's Social Innovation Business


We work with stakeholders to recognize issues society and our customers face, including global environment problems, and are contributing to the resolution of social issues through our Social Innovation Business, which combines advanced IT with infrastructure technologies developed over many years.

In May 2016, we formulated our 2018 Mid-term Management Plan, which will culminate in fiscal 2018. Under the plan, we aim to become an Innovation Partner for the IoT Era centered on our Social Innovation Business, seeking to expand the sales ratio of frontline operations that develop and deploy services meeting the diverse needs of global society to 40% and to increase our overseas sales ratio as a whole to 55%. We will expand our frontline

operations by evolving and enhancing our Social Innovation Business through digital technology and promoting it overseas in the focus business domains of power and energy; industry, distribution, and water; urban; and finance, public, and healthcare.

We will continue to provide optimum solutions to society's issues with advanced network technologies that are capable of connecting social infrastructure, products, and people.

 Social Innovation Business

 2018 Mid-term Management Plan

### Focus Business Domains and Key Initiatives

 **Power/Energy**

Transition to distributed power supply utilizing IT

- Microgrid, regional energy management
- Renewable energy

**Investment Focus**

- Strengthening Grid and Engineering

 **Industry/ Distribution/Water**

Use "Lumada"<sup>\*1</sup> IoT platform to optimize value chains for industry and distribution

**Investment Focus**

- Strengthening Engineering
- Predictive Maintenance
- Optimized Factory

 **Urban**

Improvement of quality of life in communities

From rail as a service to outcome delivery

**Investment Focus**

- Development of Urban Solutions
- Expansion of the Rail Business Area

 **Finance/Public/ Healthcare**

FinTech, My Number Healthcare service (platform)

**Investment Focus**

- Strengthening Healthcare Informatics

\*1 Hitachi's open and highly versatile IoT solution platform using software technology to obtain new information from integrating and analyzing data and running simulations.



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**2015 Mid-term Management Plan and Material Issues for Hitachi**

The 2015 Mid-term Management Plan focused on the three themes of “Innovation,” “Global,” and “Transformation,” and we have used our Social Innovation Business to achieve growth and transformation.

Achieving the plan’s goals required improvements in not only our financial activities but also non-financial performance aimed at addressing Hitachi’s material issues. We set targets for non-financial activities related to key management policies and carried out these activities from fiscal 2013.

Management Focus	Material Issues for Hitachi	
	Fiscal 2013–15 Targets	Fiscal 2015 Results
<b>Innovation:</b> Strengthen services and achieve innovation	<b>Sustainable Business</b>	
	Expand R&D centers	Promoted R&D in 7 regions globally (as of June 2015)
	Increase R&D staff by 500 people	Launched Global Centers for Social Innovation as part of R&D framework with 200 staff in Japan, 350 overseas
	Strengthen Open Innovation	Demonstration experiments of prototypes: 74 (27 in fiscal 2014)
	<b>Caring for the Environment</b>	
	Eco-Product sales ratio: 90%	95%
<b>Global:</b> Grow as a company providing Social Innovation Business solutions worldwide	<b>Diversity Management</b>	
	Diversity among directors	Outside directors: 9 Non-Japanese: 5 (of which 2 are women) (as of June 2015, out of 13 directors)
	Female senior executives	Appointed female head of CSR and Environmental Strategy Division as senior executive-level director on April 1, 2015
	Female managers (Hitachi, Ltd.) Fiscal 2020 target: 1,000 women	474 women
	<b>Respect for Human Rights</b>	
	Implement due diligence in the field of “business and human rights”	Procurement division began conducting human rights due diligence based on due diligence guidelines
	<b>Public Policy Initiatives</b>	
	Engage in dialogue with government officials	Participated in policy councils
Provide forums for stakeholder dialogue	Four events held in India, Australia, Europe, and China	
<b>Transformation:</b> Achieve Hitachi Smart Transformation marked by global standards and speedy, responsive management	<b>Diversity Management</b>	
	Promotion of global human capital management strategy	Expanded the range of employees directly sent the results of the global employee survey with the goal of promoting communication with team members and applying the results toward concrete action plans

Recognition of Social Responsibility Realizing Sustainable, Innovative Management

## Innovation Management

### Research and Development Direction

To become an “Innovation Partner for the IoT Era,” Hitachi is accelerating collaborative creation with customers to advance its Social Innovation Business in four business domains—power and energy; industry, distribution, and water; urban; and finance, public, and healthcare.

The Research & Development Group has been setting the pace in collaborative creation with customers, evolving from R&D that generates new technology to that which drives innovation and leads to new growth.

R&D is being pursued under the following directives to create business innovation amid uncertainty.

- (1) Create service businesses by accelerating collaborative creation
- (2) Build up technology platforms for Service & Product business growth
- (3) Challenge future societal issues through open innovation

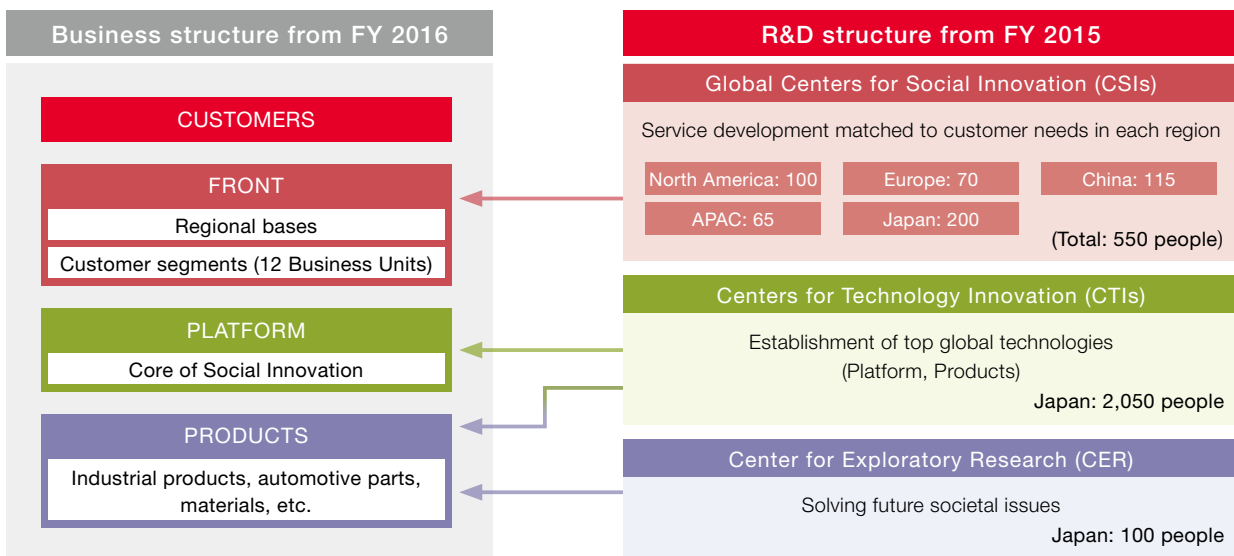
Hitachi will contribute to resolving increasingly global and complex societal issues through the Social Innovation Business.

### Linking Customer-Driven R&D to New Business

To accelerate collaborative creation with customers, the Research & Development Group reconfigured itself as a more customer-driven research organization in April 2015. The three research laboratories in Japan—the former Central Research Laboratory, Hitachi Research Laboratory, and Yokohama Research Laboratory—were realigned together with the Design Division and overseas research centers to form four Global Centers for Social Innovation (CSIs), nine Centers for Technology Innovation (CTIs), and the Center for Exploratory Research (CER) to support the new business structure. In April 2016, Hitachi transitioned to a new business structure consisting of service and product business groups, supported by R&D, to expand the Social Innovation Business.

Under the new business structure, the CSIs collaborate with the 12 Front business units (BUs) and regional centers to develop services to meet the needs of customers in each region. The CTIs coordinate with the BU responsible for the core of Social Innovation and the Product BUs supporting services with their highly competitive key components to establish world-leading technologies. As a global and open laboratory, the CER works with various research institutions to conduct cutting-edge research to realize solutions to future societal issues and to tie this to future Social Innovation Business.

#### Research & Development Group Structure



### Accelerating Collaborative Creation with Customers Worldwide

Hitachi’s Social Innovation Business is expanding globally. The CSIs are located in five key regions—Tokyo, the Asia-Pacific (APAC), North America, China, and Europe—with researchers assigned close to their customers to facilitate collaborative creation. To be able to better serve the needs of customers in each region, about 350 of the

approximately 550 researchers in the CSIs are non-Japanese.

CSI-Tokyo focuses on collaborative creation of solutions with customers using methodologies developed through design and service research.

At CSI-APAC, data science, machine learning, and software engineering are used to create energy, transportation, and urban solutions in collaboration with customers.



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CSI-North America is building a big-data analytics platform to collaboratively create advanced solutions in such areas as energy, communications, finance, and healthcare with customers.

CSI-China conducts collaborative creation to develop such products as elevators and ATMs in order to realize solutions for the Chinese government’s industrial policies including “Made in China 2025,” promoting growth in the manufacturing sector, and a low-carbon society.

CSI-Europe is participating in the creation of new markets through standardization activities led by Europe, addressing challenges faced by a matured society by developing solutions together with key institutions.

Communication with customers was also enhanced in fiscal 2015 by the increased participation of the Research & Development Group in various external events, such as the regional Hitachi Social Innovation Forums in Japan, North America, and EMEA, as well as the Hitachi Technology Forum in China.

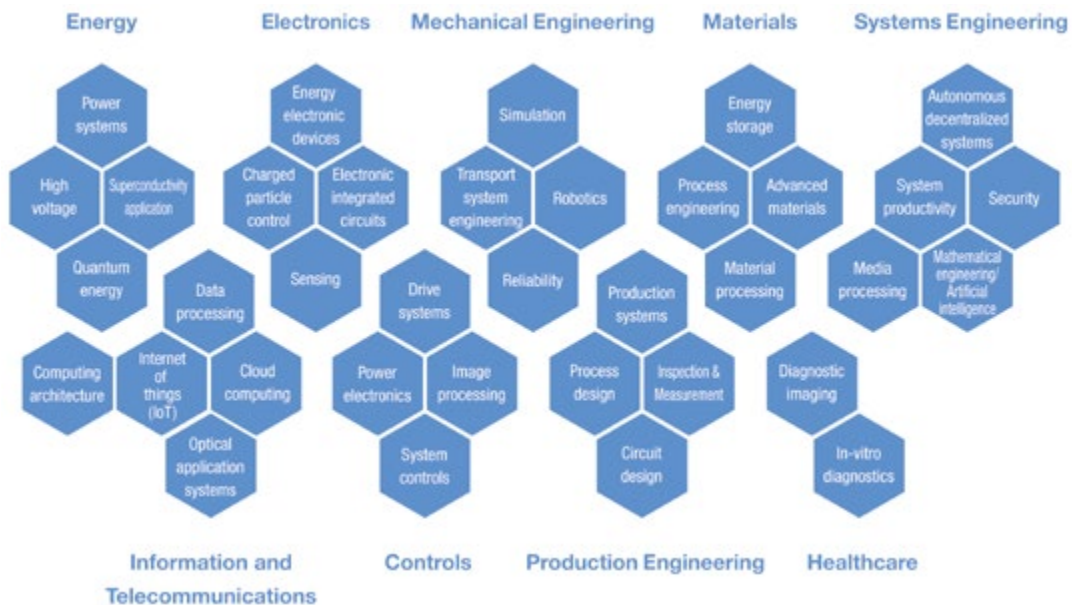
**Building Up Technology Platforms for Business Growth**

In its history, which spans 100 years, Hitachi has continued to pursue technology development in a broad range of areas—from information and telecommunications, electric power systems, and industrial machinery to transportation and urban development—producing many different types of products to meet customer expectations and contribute to society.

The CTIs are innovating technology through product development. By accumulating know-how in this way, they have established 36 technology platforms in nine technologies: Energy, Electronics, Mechanical Engineering, Materials, Systems Engineering, Information and Telecommunications, Controls, Production Engineering, and Healthcare.

Through the application and free combination of these 36 technology platforms beyond the boundaries of a given product or technological field, innovative products and services are generated, providing greater value to customers.

**36 Technology Platforms in 9 Areas of Technology**



**Promoting Open Innovation**

An open R&D environment is maintained in collaboration with research institutes and universities both within and outside of Japan and customers to proceed with innovative technology development that cannot be achieved by Hitachi alone. To date, Hitachi has established the Hitachi Cambridge Laboratory at the University of Cambridge in 1985 to pursue research in fundamental physics and pioneer innovations in future computing, devices, and materials, and a joint research laboratory within the Shanghai Jiao Tong University, China, in fiscal 2012 to conduct research on metallurgical materials. In fiscal 2015, the CER became the

hub for open innovation, creating the seeds for the next Social Innovation Business. In June 2016, joint research laboratories were established within the University of Tokyo, Kyoto University, and Hokkaido University to work toward the realization of the “Super Smart Society” (Society 5.0)\*1 proposed by the Japanese government. Through collaborative creation with each university, Hitachi seeks insights into future societal challenges and proposes visions and innovations to realize solutions that both resolve those challenges and contribute to economic development. Furthermore, in fiscal 2015, research collaboration was conducted with 85 research institutes outside of Japan and

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233 within Japan. Collaboration with researchers outside of Japan is being further strengthened through such programs as the Hitachi Research Visit Program (HiVIPS), established in 1985 to invite researchers to work for a fixed term in the labs in Japan.

\*1 Super Smart Society: A vision proposed by the government of Japan for a new type of society that will be led by innovations in science and technology, following on from the hunter-gatherer, pastoral-agrarian, industrial, and information societies.

### R&D Ethics Reviews

In September 2000, Hitachi established an ethical review committee to review the handling of information from human genome analysis. It was the first such committee to be established by a private company in Japan. We instituted this because we were handling information from human genome analysis. The majority of the committee members are external experts, and the committee meets two or more times a year. The original ethical guidelines were prepared based on the "Ethical Guidelines for Human Genome/Gene Analysis Research" from the Ministry of Education, Culture, Sports, Science, and Technology and the "Ethical Guidelines for Clinical Research" from the Ministry of Health, Labor, and Welfare; these guidelines remain in effect today.\*1

All Hitachi business divisions and Group companies whose activities require review are expected to show a high level of corporate social responsibility and to maintain high ethical standards among their researchers and staff.

\*1 On October 1, 2015, the Ethical Guidelines for Clinical Research of the Hitachi ethical review committee were changed to the Ethical Guidelines for Medical and Health Research Involving Human Subjects.

### R&D Planning and Budget

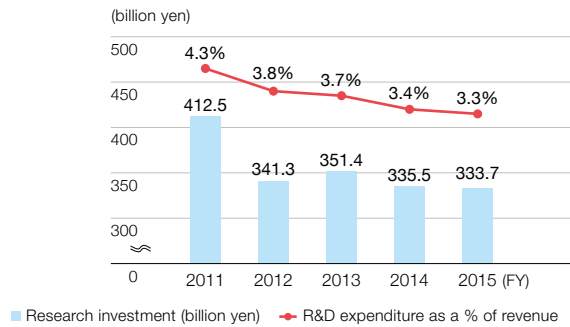
R&D investment by the Hitachi Group is equivalent to about 4% of revenue, of which approximately 20% is used in the Research & Development Group. Research categories can be divided into Sponsored Research, Advanced Sponsored Research, and Frontier and Platform Research. Sponsored and Advanced Sponsored Research are financed by business units or Group companies, and are based mainly on business roadmaps from business unit initiatives. Frontier and Platform Research is based on mid- to long-term technology plans led by the Research & Development Group. The aim of Sponsored or Advanced Sponsored Research is to expand and grow core businesses, targeting practical application within three to five years. Frontier and Platform Research aims to strengthen customer collaborative creation and technical platforms and to create new businesses.

In fiscal 2016, investment in Frontier and Platform Research focused on digital solutions (Social Innovation Business using digital technology) as a driver of growth across the Group in the 2018 Mid-term Management Plan.

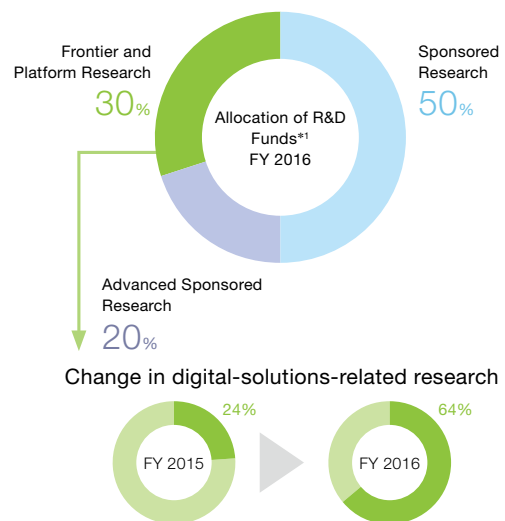
Hitachi will continue to pursue R&D aligned with corporate strategy in order to contribute to the expansion and accelerated global deployment of our businesses.

### Key Indicators

#### • R&D Expenditure (Hitachi Group)



#### • Allocation of Research & Development Group Funds



\*1 Roughly 20% of total Hitachi Group R&D expenditure.

### Intellectual Property

#### Actions in the Intellectual Property Field

Intellectual property (IP) is a key element of Hitachi's business strategy. We protect the innovations emerging from our R&D, as well as the Hitachi brand, on the basis of these IP rights, while providing remuneration and incentive awards for inventors.

#### Building a Global Patent Portfolio

One of the IP activities supporting our global operations is developing a global patent portfolio to ensure worldwide protection for innovations emerging from our R&D and to prevent other companies from using our technologies without authorization. The portfolio also enables us to demonstrate the advantages of those technologies to customers, as well as to provide patent licenses to other companies. We boosted our patent application ratio outside Japan from 47% in fiscal 2009 to 59% in fiscal 2015. We will continue to efficiently build and maintain our global patent portfolio.

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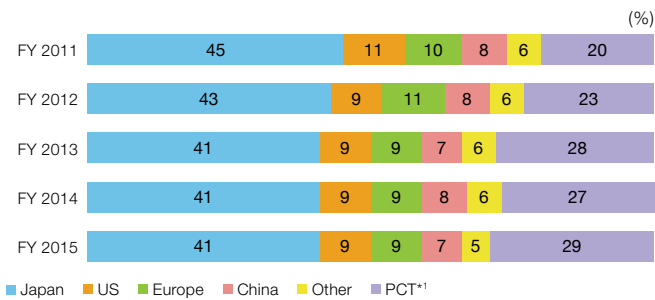
Recognition of Social Responsibility Realizing Sustainable, Innovative Management

In tandem with efforts to globalize our R&D centers, we are also globalizing our IP hubs. We currently have IP offices in New York and Santa Clara, California, in the United States, Beijing and Shanghai in China, and Munich in Germany to protect the innovations generated through R&D activities outside Japan.

Another key issue is developing globally minded IP human resources. Since fiscal 1964, Hitachi's Intellectual Property Division has operated an international job training system, sending trainees to IP law firms and Group companies in Europe and the United States and to study abroad. In fiscal 2015, four trainees went to the United States, two to Germany, and one to the United Kingdom.

**Key Indicators**

• Patent Application Ratios by Country or Region



\*1 International applications filed for Patent Cooperation Treaty coverage.

**Respect for Intellectual Property**

We respect the intellectual property rights (IPRs) of others, as we expect them to respect ours. We follow the Hitachi Group Codes of Conduct and conduct preliminary searches of others' patents when undertaking R&D on new products and technologies in order to avoid IPR infringements. For IPRs that belong to others, we obtain licenses from IPR holders before we use the IP. As our Social Innovation Business expands and opportunities for collaborative creation with customers and partners increase, we carefully handle IP acquired from other parties. If any company is found to have infringed Hitachi's IPRs, we encourage the counterparty to acquire the necessary license and take legal action if necessary.

Hitachi Group Codes of Conduct, 5.3: Management and Preservation of Company Assets

**Anti-Counterfeiting Activities**

Protecting the Hitachi brand is crucial for supporting our global operations. We operate a rigorous regime against such infringements as making and selling counterfeit goods carrying the Hitachi brand and illegally applying for or registering trademarks similar to the Hitachi brand.

Until recently, the bulk of counterfeit goods were manufactured in China, but over the past several years manufacturing methods and sales routes have become more sophisticated and diverse. In 2015, for example, counterfeit goods operations were successfully raided in UAE and Vietnam as a result of our approaching local authorities. With the growth in trade over the Internet, anti-counterfeit measures for the Internet are also increasingly important.

It is important to teach general consumers not to buy them in order to eliminate counterfeit goods. Hitachi conducts ongoing consumer awareness activities to eliminate counterfeit goods.

**Reward System for Employee Inventions**

We motivate employees in the R&D field with an ample reward system for new inventions. To make this reward system as fair and transparent as possible, we set standards to evaluate inventions and disclose these standards to employees. We also have a mechanism for receiving inquiries about the rewards, as well as opinions on the reward system.

We have set up a special division within the Intellectual Property Division to plan and operate this system. An internal Invention Management Committee made up of R&D, legal affairs, personnel management, and IP experts ensures that the system operates effectively across the whole Group. The system includes an invention information channel to promote communication between inventors and the business divisions implementing the resulting patents. Inventors can ask the business divisions for information about patent implementation and check the evaluation standards used to calculate the rewards for their inventions. To ensure transparency and inventor satisfaction, we also set up an Arbitration Committee for Invention Rewards with the same composition as the Invention Management Committee. Inventors can appeal to this committee if they disagree with the amount they have been awarded.

From fiscal 2005, we have also given President's Awards to the top 100 inventors. Since fiscal 2006, we have also awarded the top 50 young inventors (under 35 years old) based on patent application rewards received within five years of their joining Hitachi.

Recognition of Social Responsibility ⊗ Understanding Issues Through Dialogue and Taking Part in Initiatives

## 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 work 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"> <li>Quality Assurance</li> <li>Sales</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction activities</li> <li>Marketing</li> <li>Website</li> <li>Advertisement activities</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction pp. 59–60</li> <li>Universal Design pp. 61–62</li> <li>Product Information Disclosure pp. 63</li> <li>Adaption for Emerging Markets pp. 63</li> <li>Quality Assurance Activities pp. 63–65</li> <li>Rigorous Information Management pp. 65</li> </ul>
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"> <li>Public Relations and IR</li> </ul>	<ul style="list-style-type: none"> <li>Announcements of financial results (quarterly)</li> <li>General shareholders' meetings (annual)</li> <li>IR events, one-on-one meetings (about 740 times/year)</li> <li>IR tools: <i>Integrated Report</i>, business reports, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder Engagement pp. 19–22</li> </ul>
Suppliers	Building of fair and sound business relations, smooth information sharing toward better partnerships	<ul style="list-style-type: none"> <li>Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Procurement activities</li> <li>Supplier meetings</li> <li>CSR monitoring (218 companies/year)</li> <li>CSR audits (20 companies/year, annual)</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management pp. 54–57</li> </ul>
Employees	Active utilization, proper treatment, promotion of occupational health and safety of human capital	<ul style="list-style-type: none"> <li>Public Relations</li> <li>Human Capital</li> </ul>	<ul style="list-style-type: none"> <li>Intranet, in-house newsletters</li> <li>Training</li> <li>Town hall meetings between senior management and employees (21 times/year)</li> <li>Employee surveys (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and Inclusion pp. 42–44</li> <li>Developing Women's Careers pp. 44</li> <li>Work-Life Management pp. 45–46</li> <li>Employing People with Disabilities pp. 46</li> <li>Diverse Support Systems for Employees pp. 46</li> <li>Occupational Health and Safety pp. 47–48</li> <li>Global Human Capital Development pp. 49–51</li> <li>Stakeholder Engagement pp. 19–22</li> </ul>
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"> <li>Government &amp; External Relations</li> </ul>	<ul style="list-style-type: none"> <li>Policy council participation</li> <li>Participation in business and industry associations</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder Engagement pp. 19–22</li> </ul>
Local Communities	Fulfillment of responsibilities as corporate citizen, involvement in local communities	<ul style="list-style-type: none"> <li>Social Contribution</li> <li>All Business Divisions</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to local communities through business</li> <li>Participation in volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Social Contribution Activities pp. 67</li> </ul>
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> <li>Research and Development</li> </ul>	<ul style="list-style-type: none"> <li>Open innovation (joint research)</li> </ul>	<ul style="list-style-type: none"> <li>Innovation Management pp. 15–18</li> </ul>
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities	<ul style="list-style-type: none"> <li>CSR Promotion</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder dialogue (4 times/year)</li> <li>Dialogue through collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Social Contribution Activities pp. 67</li> </ul>
Global Environment	Global warming prevention, resource conservation, ecosystem preservation	<ul style="list-style-type: none"> <li>Environment</li> <li>All Business Divisions</li> </ul>		<ul style="list-style-type: none"> <li>Environment pp. 68–92</li> </ul>





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## 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. Continuing from fiscal 2014, we conducted the Global Brand Campaign in 19 countries and regions. The campaign uses the slogan "SOCIAL INNOVATION—It's Our Future," 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 Brazil, Germany, India, Japan, Myanmar, Turkey, the United Kingdom, and the United States, 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 been organizing town hall meetings bringing together senior management and employees. We held around 130 town hall meetings at operations in and outside Japan during the first three years, and in fiscal 2015, the Chairman and CEO and the President and COO attended 21 meetings in the United States and China, as well as in Japan and elsewhere.

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, meanwhile, are intended as 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.

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.

## Promoting a Proactive IR Approach

Our investor relations (IR) activities broadly include business strategy meetings, tours of plants and R&D facilities for institutional investors and analysts, participation in

brokerage-sponsored investor meetings, and one-on-one meetings with institutional investors and analysts.

In fiscal 2015, we held quarterly financial results briefings and corporate strategy meetings on our progress with the 2015 Mid-term Management Plan. Following on from fiscal 2014, we hosted Hitachi IR Day 2015, where senior management explained their business strategies and management policies under the plan. Feedback from institutional investors and analysts was positive. Their comments included, "I was struck by the companywide efforts to generate cash flows," and "This was a valuable once a year opportunity to update our understanding of the company's various businesses—one that I very much hope will continue."

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

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. We aim to continuously enhance our information disclosure. In fiscal 2015 we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets.



Investor Relations



Disclosure Policy



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### Working with Governments and Public Policymakers

#### External Relations Initiatives

The social infrastructure field draws particularly strong interest from the public sector. In the task of globally expanding our Social Innovation Business, government institutions in Japan and other countries around the world are important partners to Hitachi, both as customers and as backers.

The Japanese government has implemented a support structure for fields including the internet of things (IoT), artificial intelligence (AI), and infrastructure system export projects to raise industrial competitiveness. Effective use of these structures and advice from the government is enormously helpful to us in advancing our Social Innovation Business. We also increasingly receive requests for policy proposals from government authorities when they are looking into social issues and infrastructure support policies. In responding to these requests, Hitachi contributes to a better society.

We also cooperate with government-related organizations in other countries while addressing local social issues and the forms of society envisioned by the people there with the aim of creating the best possible societies.

In carrying out the Social Innovation Business, making various types of policy proposals to the governments of Japan and other countries is becoming increasingly important. The Government & External Relations Division contributes to the creation of new social mechanisms.

#### 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 from the perspective of external relations activities.

The Government & External Relations Division works together with the Hitachi Corporate Office in Washington DC and the Hitachi Corporate Office, Europe, as well as business locations in the Americas, Europe, Asia, and Japan. By dealing with these governments and organizations, the division uncovers new business opportunities for Hitachi based on the social issues and policies in each region. The division works together with other departments in the company to further strengthen the Social Innovation Business, and to contribute to better societies in Japan and around the world.

#### 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. Chairman of the Board and Representative Executive Officer Hiroaki Nakanishi served from fiscal 2013 to 2015 as a member of Japan's Council for Science, Technology, and Innovation—which serves as the control tower for science, technology, and innovation policy under the prime minister—making policy planning recommendations. He also contributed to the compilation of the 5th Science and Technology Basic Plan. His current work emphasizes both resolving social issues and economic growth with the use of ICT to achieve the "Society 5.0"\*<sup>1</sup> proposed by the Japanese government.

Since fiscal 2015 he has participated as a member of the New Industrial Structure Committee of the Ministry of Economy, Trade, and Industry in discussions for the formulation of a New Industrial Structure Vision to help Japan take the lead in innovations based on IoT, big data, and AI—the so-called fourth industrial revolution.

Staff from Hitachi headquarters and business departments have also participated in meetings and roundtable discussions that look into policy and 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.

\*1 In the 5th Science and Technology Basic Plan, "Society 5.0" refers to scientific and technical innovation that leads to transformations to bring about a new society following the evolution from a hunting society to an agricultural society, industrial society, and information society.

#### Government Support

As one of its infrastructure system export support measures, METI commissions the Overseas Human Resources and Development Association (HIDA) and the Japan External Trade Organization (JETRO) to conduct a Global Internship Program to support global human resource development and the creation of global networks. From fiscal 2012 through 2015, 17 young Hitachi Group employees took part in this program, which sends junior-level employees from private companies to government institutions and local companies in emerging countries for several months. Employee participation in this type of program enables Hitachi to accurately identify the needs of emerging countries and propose the optimal solutions for their particular social concerns, helping to resolve them.



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Recognition of Social Responsibility Understanding Issues Through Dialogue and Taking Part in Initiatives

### 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 (Japan Business Federation), where Chairman of the Board and Representative Executive Officer Hiroaki Nakanishi has served as vice chair since June 2014. He also chairs the Committee on South Asia, the Committee on Information and Telecommunication Policy, and the Committee on Education and Human Resources Development (as of May 2016). Other executives and employees participate in a wide range of Keidanren committees. As the planning and coordination chair for the subcommittee on Europe, we also conduct activities with Japanese and European governments to pursue early agreement during ongoing negotiations on the Japan-EU Economic Partnership Agreement, while maintaining close economic relations with European governments and economic organizations in those regions.

As a member of the Japan Electronics and Information Technology Industries Association (JEITA), we continue to participate in activities to formulate industry responses to the European Union's General Data Protection Regulation on personal data protection that was adopted in April 2016, as well as proposed amendments to Japan's Act on the Protection of Personal Information that were enacted in September 2015. We will continue similar efforts related to delegated regulations in the EU and cabinet orders and guidelines in Japan that provide more detailed regulations.

Within the Japan Electrical Manufacturers' Association (JEMA), Hitachi is surveying the status of the development of the electric power infrastructure in other countries, including power generation and transmission facilities, to promote infrastructure system exports. We are also participating in public relations activities—primarily interactions with business operators in these countries—on how Japanese technologies and products can help to solve social issues there.

### United States: Hitachi Corporate Office in Washington DC

The Hitachi Corporate Office in Washington DC examines the impact of US government policies and legislation on our business activities. To promote mutual understanding and improve business opportunities, we communicate to key stakeholders on how Hitachi can contribute to the growth of US society.

For example, we share information gathered by the Washington office with Group companies, exchanging reports on key laws and regulations that impact management and business, analyzing their business impact, and responding appropriately. To increase the effectiveness of these activities, we cooperate with influential external business associations, think tanks, and academic groups, exchanging opinions with specialists and researchers in efforts that will lead to policy proposals.

As part of the global expansion of our Social Innovation Business, we provide information to policymakers and

government representatives on Hitachi's technological expertise to convey how Hitachi can contribute to the United States.

These kinds of activities allow us to foster broader understanding of Hitachi's business and technological expertise and to expand our global network.

### 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 is active in European societal issues, contributing to policy development through business.

Specifically, the office actively gathers information in the fields of energy, trade, information and telecommunications, transportation, healthcare, research and development, environment, and CSR; communicates with relevant departments within the company; and makes proposals to EU institutions through business and trade associations like BUSINESSEUROPE, DigitalEurope, and the Japan Business Council in Europe (JBCE). We also participate in a European Commission Product Environmental Footprint (PEF) pilot project as part of our environmental policy activities, exchanging opinions and supporting the development of new policies.

We maintain ongoing dialogues with representatives responsible for European policy, business associations, and others, mainly via the JBCE, in the EU-Japan Working Group on Corporate Social Responsibility, organized by the European Commission and Japan's Ministry of Economy, Trade, and Industry, and the UN Asia Regional Forum on Business and Human Rights, among other organizations.

Since 1998, we have held the EU Hitachi Science & Technology Forum to deepen understanding of Hitachi's business. In fiscal 2014, the forum took place in Paris, addressing the theme of healthcare. Starting in fiscal 2016 we are focusing on the Social Innovation Business while continuing to hold these forums from the perspective of contributing to European society through business and technology. Through these activities Hitachi actively shares information with European stakeholders. We also communicate with policymakers through workshops and other activities.

## Participation in Initiatives

### Main Initiatives in Which Hitachi Is Involved

#### United Nations Global Compact

Hitachi 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.



Global Compact Network Japan (GCNJ)

#### 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 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).

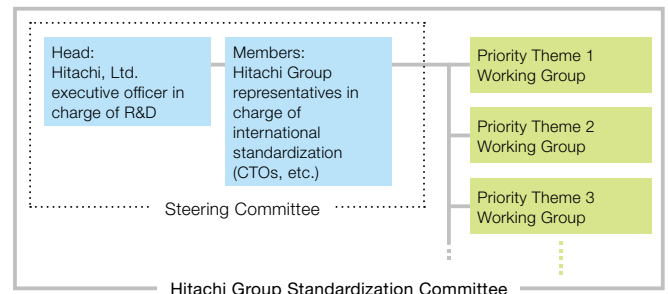
The Hitachi Group Standardization Committee was established to work for coordination among the Hitachi Group toward international standardization. The Steering Committee\*<sup>1</sup> of this body determines priority themes and promotes standardization activities by creating working groups for each theme.

Hitachi's international standardization work is well regarded. In fiscal 2015, we received the Industrial Science and Technology Policy and Environment Bureau Director-General's Award in the Ministry of Economy, Trade, and Industry's Industrial Standardization Awards, and we were honored by the Telecommunication Technology Committee and the Information Technology Standards Commission 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





# Review and Improvement of CSR Activities

## ➤ Hitachi's Aims

Our society faces a wide range of problems, including global warming, poverty, and social discrimination, and demand is growing for corporations to address these problems.

To meet these expectations, Hitachi is integrating its management and CSR, incorporating CSR into routine business practices throughout the organization and improving the quality of management by implementing the PDCA cycle. By communicating with our stakeholders, we are affirming our relationship of trust with society, and by sharing values with stakeholders, we will aim to achieve both the sustainable development of society and our economic growth as a global company.

## Enhancing CSR Management

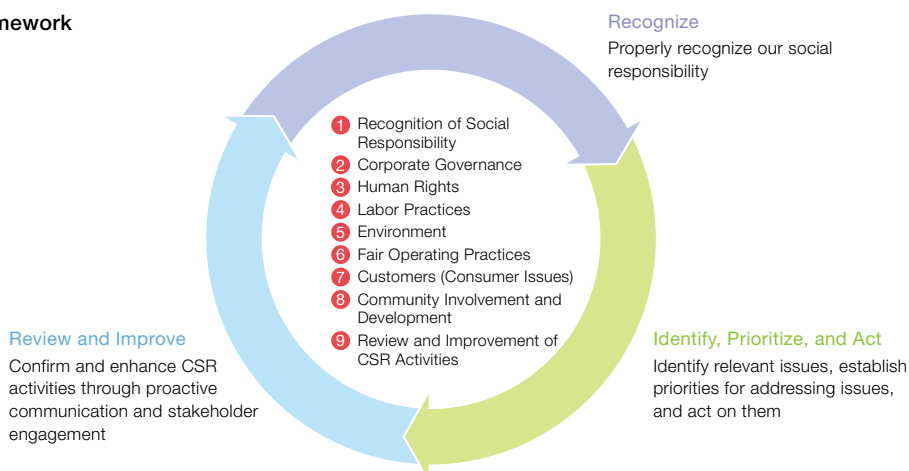
### Hitachi's Approach

We are building our CSR policy on a framework based on ISO 26000 to promote activities that are consistent throughout the Group, actively organizing global CSR meetings and undertaking initiatives at the national and regional levels, with the aim of building and developing a global, Group-wide CSR network. We attach importance to information disclosure, on which communication with stakeholders is based, and are responding to stakeholder needs through the *Hitachi Sustainability Report*, containing standard disclosures defined in the GRI Sustainability Reporting Guidelines.

### Hitachi's CSR Management Framework

To realize the Hitachi Group Vision, which draws on our Corporate Credo and Founding Spirit that form the core of our CSR, we have been sharing throughout the Group our CSR Policy, created in 2005, as the basis of our CSR activities. In keeping with a management strategy of actively advancing our Social Innovation Business, we have, since fiscal 2014, adopted a framework of nine key themes based on ISO 26000 with the aim of further integrating management and CSR and continually improving our CSR activities by running the PDCA cycle.

### CSR Management Framework





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**Hitachi's Engagement with Material Issues**

Hitachi's CSR activities are premised on an accurate perception of changing social issues and expectations. To strengthen the integration of management and CSR, from fiscal 2015 to the first quarter of fiscal 2016, Hitachi, Ltd. prioritized, from its own perspective, its CSR initiatives in accordance with the 2018 Mid-term Management Plan. As a result, three material issues were identified, namely, social innovation, collaborative creation, and the environment. Our aims for each item were formulated, and initiatives are being actively advanced using the CSR management framework as the foundation for the achievement of those aims.

**Hitachi's Material Issues**

Material issues	Aims for each issue
Social innovation	Utilize digital technology, which can connect all things, to offer optimum solutions to social issues
Collaborative creation	Share understanding of issues and ideals with various stakeholders, suggesting and implementing solutions with them, to create new social value and minimize adverse risks
Environment	Resolve environmental issues involving climate change, resources, and ecosystems throughout the value chain

**The Selection and Boundaries of CSR Reporting Themes**

In reporting the achievements of its CSR initiatives, Hitachi seeks to select those themes that are of interest to its stakeholders. To ascertain the ever-changing interests of stakeholders in the light of fluctuating economic and social conditions, we have endeavored since fiscal 2014 to give specific examples of our initiatives under our nine-item CSR management framework. We take note of stakeholders' own priorities, analysis conducted by outside consultants, and the opinions of experts in choosing initiatives that correspond to our nine framework items. These are further screened with reference to the ESG (environmental, social, and governance) investment indexes and SASB (Sustainability Accounting Standards Board) standards, reviewed by the executive officer in charge of CSR, and reflected, starting this year, in *Hitachi Sustainability Report 2016*.

We also aim to provide a more detailed account of the reported themes' social impact by clarifying the boundaries (importance to internal and external stakeholders) of each theme.

Items	Reporting themes	Reporting boundary		
		Internal	External	
1	Recognition of social responsibility	Realizing sustainable, innovative management	●	●
	Understanding issues through dialogue and taking part in initiatives	●	●	
2	Corporate governance	Pursuing management transparency and efficiency	●	●
	Sharing a Hitachi Group Identity	●	●	
	Advancing risk management on multiple fronts	●	●	
3	Human rights	Respect for human rights throughout the value chain	●	●
	Respect for workers' rights	●		
4	Labor practices	Achieving a fair and equitable work environment	●	
	Promoting diversity and inclusion	●		
	Promoting occupational health and safety	●		
	A strategy for growing together with our global human capital	●		
5	Environment	Promoting environmental management	●	●
	Enhancing environmental management on an ongoing basis	●	●	
	Responding to environmental risks and opportunities	●	●	
	Reducing the environmental burden of our business operations	●	●	
	Preserving ecosystems	●	●	
6	Fair operating practices	Promoting work practices in line with international ethics codes	●	●
	Engaging in responsible procurement	●	●	
7	Customers (consumer issues)	Pursuing customer satisfaction	●	●
	Ensuring accessibility to products and services	●	●	
	Ensuring thorough management of quality and safety	●	●	
8	Community involvement and development	Promoting sustainable community involvement and development	●	●
9	Review and improvement of CSR activities	Enhancing CSR management	●	

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**CSR Management Structure**

In October 2013, the CSR Division and the Environmental Strategy Office at Hitachi, Ltd. merged to form the CSR and Environmental Strategy Division. We are sharing the Hitachi Group CSR Statement and Mission, created in fiscal 2014 to lay out the goals of the new organization, with business units and Group companies.

To promote CSR across the Group, the CSR and Environmental Strategy Division, together with CSR-related departments at Hitachi, Ltd. (the CSR Promotion Team\*1) and CSR departments of business units, Group companies, and regional headquarters outside Japan, hold regular global CSR meetings to share a common direction and develop Group-wide CSR policies and initiatives.

To fulfill our social responsibilities, as well as to seek sustainable growth as a global company, we conduct

stakeholder dialogue on a worldwide basis in cooperation with our regional headquarters and take a proactive approach to incorporating global social issues into our management strategy while continuously striving to improve the quality of our management.

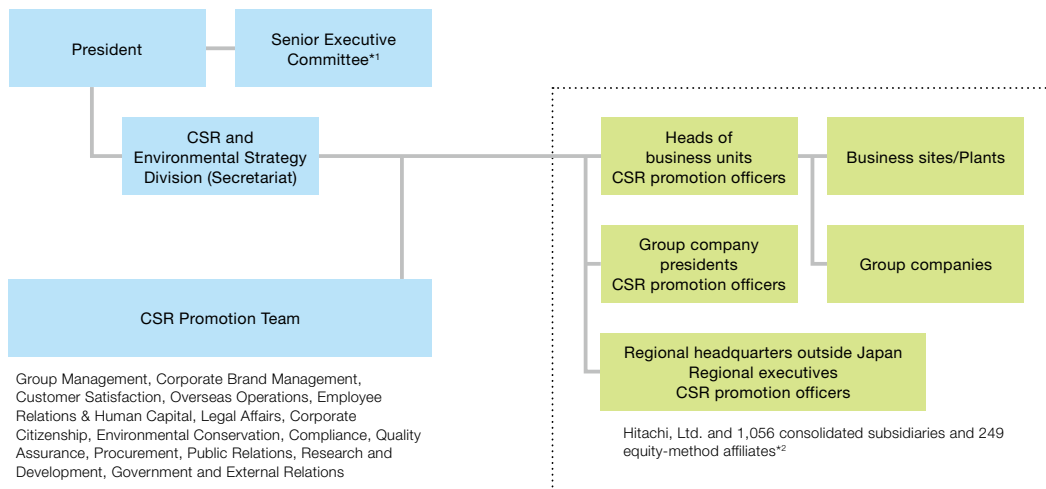
\*1 CSR Promotion Team: Takes the lead in implementing important CSR initiatives throughout the Group.

**Hitachi Group CSR Statement and Mission**

We strive to realize a sustainable society by properly understanding global social and environmental expectations through communication with our various stakeholders and integrating those expectations into our management:

- CSR and environmental initiatives that contribute to solving social issues
- Governance that realizes sustainable management
- Communication that fosters mutual understanding with stakeholders

**Structure of Hitachi Group CSR Promotion**



\*1 Senior Executive Committee: Develops CSR management policies at the executive level.

\*2 As of March 31, 2016.



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## Main Plans and Results

### Recognition of Our Social Responsibility

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
<ul style="list-style-type: none"> <li>Perception of company's impact on society through interactive communication with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Engage in stakeholder dialogue in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Conducted objective evaluation of material issues</li> <li>Held six dialogues with experts, investors, research firms, and others</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Continue stakeholder dialogue at business units</li> </ul>
	<ul style="list-style-type: none"> <li>Engage in stakeholder dialogue outside Japan</li> </ul>	<ul style="list-style-type: none"> <li>Held dialogues in India, Australia, Europe, and China</li> </ul>	★★	<ul style="list-style-type: none"> <li>Continue stakeholder dialogue outside Japan</li> </ul>
<ul style="list-style-type: none"> <li>Implementation of PDCA cycle on the formulation and communication (inside and outside the company) of the vision and growth strategy for CSR management</li> </ul>	<ul style="list-style-type: none"> <li>Confirm progress in the final year of 2015 Mid-term Management Plan and implement measures to achieve targets</li> <li>Examine longer-term issues in formulating 2018 Mid-term Management Plan while also considering and developing specific measures</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened frontline functions through realignment into 12 business units to accelerate collaborative creation with customers</li> <li>Management executives reviewed strategic scenarios of each business unit in preparation for 2018 Mid-term Management Plan</li> </ul>	★★	<ul style="list-style-type: none"> <li>Develop human capital through special training program (19,000 employees by fiscal 2018)</li> <li>Formulation and announcement of 2018 Mid-term Management Plan and promotion of strategic projects</li> </ul>
<ul style="list-style-type: none"> <li>Promotion of innovative R&amp;D that contributes to resolving customers' or society's issues</li> </ul>	<ul style="list-style-type: none"> <li>Actively promote information on research activities and achievements</li> <li>Achieve recognition for world-leading innovative research</li> </ul>	<ul style="list-style-type: none"> <li>Issued 27 press releases (7 related to open innovation)</li> <li>Received 54 external recognitions, including the Medal with Yellow Ribbon and Contemporary Master Craftsman award</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Continue policy of disclosure and open innovation</li> <li>Continue to conduct world-leading innovative research that is recognized by peers and contributes to resolving challenges in society</li> </ul>
<ul style="list-style-type: none"> <li>Global brand communication activities</li> <li>Implementation of "Global Brand Campaign" under a integrated communication strategy</li> </ul>	<ul style="list-style-type: none"> <li>Advertise in 20 countries, including Japan</li> </ul>	<ul style="list-style-type: none"> <li>Ran three creative themes (two for TV commercials) in 20 countries, including Japan</li> <li>Awareness of advertisements reached its target level in 15 of the 18 countries surveyed</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Advertise in 19 countries, including Japan</li> </ul>
<ul style="list-style-type: none"> <li>Proactive communication of operations</li> <li>Proactive participation in and contributions to social initiatives and policymaking</li> </ul>	<ul style="list-style-type: none"> <li>Revitalize proactive public relation activities</li> </ul>	<ul style="list-style-type: none"> <li>Actively participated in committees of government institutions and economic organizations</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Continue revitalizing proactive public relation activities</li> </ul>

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

### Review and Improvement of CSR Activities

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
<ul style="list-style-type: none"> <li>Development of CSR network on Group-wide, global basis</li> </ul>	<ul style="list-style-type: none"> <li>Hold global meeting of CSR promotion officers</li> </ul>	<ul style="list-style-type: none"> <li>Held global meeting of CSR promotion officers</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Continue holding global meeting of CSR promotion officers</li> <li>Hold regional meetings of CSR promotion officers</li> </ul>
<ul style="list-style-type: none"> <li>Communication with stakeholders through information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Publish <i>Hitachi Group Sustainability Report 2015 and Highlights</i> containing standard disclosures from the GRI Sustainability Reporting Guidelines and obtain independent assurance</li> </ul>	<ul style="list-style-type: none"> <li>Published <i>Hitachi Group Sustainability Report 2015 and Highlights</i> containing standard disclosures from the GRI Sustainability Reporting Guidelines and obtained independent assurance</li> <li>Identified issues in the <i>Hitachi Group Sustainability Report 2015</i> and selected reporting themes for <i>Hitachi Sustainability Report 2016</i> in keeping with stakeholder interests</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Publish integrated report, sustainability report, and company outline and think about project team for next year's publications</li> <li>Obtain feedback from stakeholders</li> </ul>

★★★: Achieved   ★★: Partially achieved   ★: Not achieved



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<b>Corporate Governance</b>	<b>29–37</b>	<b>Fair Operating Practices</b>	<b>52–57</b>
<ul style="list-style-type: none"> <li>④ Pursuing Management Transparency and Efficiency 29</li> <li>④ Sharing a Hitachi Group Identity 33</li> <li>④ Advancing Risk Management on Multiple Fronts 35</li> </ul>		<ul style="list-style-type: none"> <li>④ Promoting Work Practices in Line with International Ethics Codes 52</li> <li>④ Engaging in Responsible Procurement 54</li> </ul>	
<b>Human Rights</b>	<b>38–40</b>	<b>Customers (Consumer Issues)</b>	<b>58–65</b>
<ul style="list-style-type: none"> <li>④ Respect for Human Rights Throughout the Value Chain 38</li> <li>④ Respect for Workers' Rights 40</li> </ul>		<ul style="list-style-type: none"> <li>④ Pursuing Customer Satisfaction 59</li> <li>④ Ensuring Accessibility to Products and Services 61</li> <li>④ Ensuring Thorough Management of Quality and Safety 63</li> </ul>	
<b>Labor Practices</b>	<b>41–51</b>	<b>Community Involvement and Development</b>	<b>66–67</b>
<ul style="list-style-type: none"> <li>④ Achieving a Fair and Equitable Work Environment 42</li> <li>④ Promoting Diversity and Inclusion 42</li> <li>④ Promoting Occupational Health and Safety 47</li> <li>④ A Strategy for Growing Together with Our Global Human Capital 49</li> </ul>		<ul style="list-style-type: none"> <li>④ Promoting Sustainable Community Involvement and Development 66</li> </ul>	
		<b>Environment</b>	<b>68–92</b>



## Corporate Governance

### Hitachi's Aims

“Sustainability management” is expected to play an array of roles in realizing a sustainable society, a key component of the Sustainable Development Goals (SDGs)—the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015. We believe that meeting society’s expectations requires a corporate culture that unflinchingly contributes to the resolution of social issues through the creation of products and services and that ensures ethical and fair business activities.

We are cultivating a self-directed corporate culture where CSR perspectives are reflected in management decision making and a common identity is shared throughout the Hitachi Group. In addition to pursuing greater managerial transparency and efficiency, we have identified the main themes of this effort as sharing our Codes of Conduct and values throughout the Group and promoting multifaceted risk management. In these ways we are accelerating the development of corporate governance that incorporates CSR into our decision making and operations across our business activities.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
· Instilling of the Hitachi Group Identity in employees	· Further instill the Hitachi Group Identity under an “autonomous decentralized global management” structure, raise employee awareness globally to realize the Hitachi Group Vision	· Implemented the brand awards “Inspiration of the Year Global Awards 2015” to promote understanding the Hitachi Group Identity and Hitachi brand; shared within the Hitachi Group video of the round table session with CEO Toshiaki Higashihara and the grand prix winners · Held brand-training sessions to gain employees’ understanding about the Hitachi brand · Held brand-training sessions in Europe, Southeast Asia, China, and India	★★★	· Realize the Hitachi Group Vision by further instilling the Group Identity in employees, raise employee awareness to achieve the 2018 Mid-term Management Plan (1) Provide training worldwide to promote understanding of the Hitachi Group Identity and the Hitachi brand value (2) Implement the brand awards “Inspiration of the Year Global Awards 2016”; foster and utilize brand ambassadors (3) Hold brand-training sessions
· Establishment of corporate ethics, strict compliance with laws and regulations	· Enhance Group-wide compliance framework globally	· Held Compliance Management Conference · Convened Advisory Committee · Revised Hitachi Global Compliance Program · Shared CEO’s message during Ethics and Compliance Month · Held Hitachi Group Compliance Conference · Appointed Regional Head of Compliance	★★★	· Enhance Group-wide compliance framework globally

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

## Pursuing Management Transparency and Efficiency

### Hitachi's Approach

We not only strive to ensure the legality, soundness, and transparency of our business but also endeavor to respond rapidly to constantly changing economic and social conditions and efficiently conduct operations. At the same time we are bolstering management oversight and monitoring capabilities and clearly defining managerial responsibilities with a view to sustainably enhancing our corporate value by

forging ever-stronger corporate governance.

Worldwide social and environmental megatrends, such as population growth and climate change, have reached a point in recent years where they are having a bigger impact on corporate management decisions. As a global company that contributes to society through our Social Innovation Business, we are working to ensure that environmental and social issues are at the heart of decision making at the highest levels of corporate governance.

## Corporate Governance

### Driving Hitachi's Governance

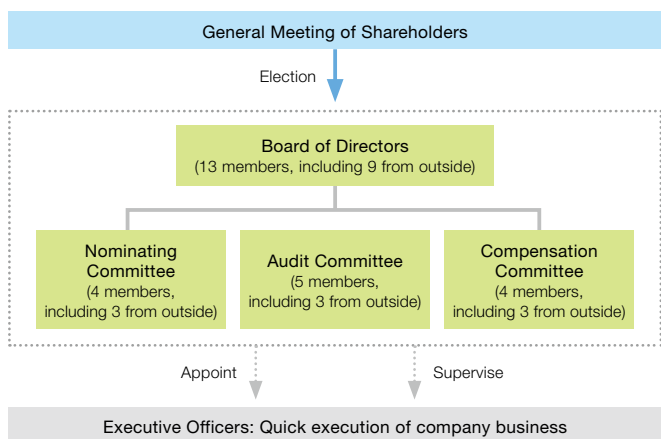
Hitachi, Ltd. has adopted the committee system, which has nominating, audit, and compensation committees.\*1 We aim to establish a framework for quick business operations and to realize highly transparent management by separating the responsibilities for management oversight from the execution of business operations. The majority of our Board of Directors are outside directors, including non-Japanese. Our goals are to reflect diverse and global viewpoints as well as to reinforce management supervisory functions. We have 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 outside directors, and the criteria for assessing the independence of outside directors.

\*1 A corporate governance system under the Companies Act of Japan, where a board of directors makes basic policy decisions and oversees the execution of business by executive officers, while the executive officers, appointed by the board of directors, execute the company's business affairs via a set of statutory committees.



### Governance Structure of Hitachi, Ltd.

The Board of Directors comprises a majority of outside directors and includes five non-Japanese directors, two of whom are women. This represents an effort to reflect global, diverse viewpoints in company management, as well as to reinforce management supervisory functions.



### A Business Structure for Collaborative Creation

From fiscal 2016 we are transitioning from our existing product-specific in-house company system to a business structure that bolsters frontline functions to accelerate collaborative creation with customers and provide innovation through our services and products.

#### Market-Specific Business Structure with Strengthened Frontline Functions

Our new business structure consists of service-focused businesses that provide innovation as a service to our customers and product-focused businesses that furnish products, parts, and materials.

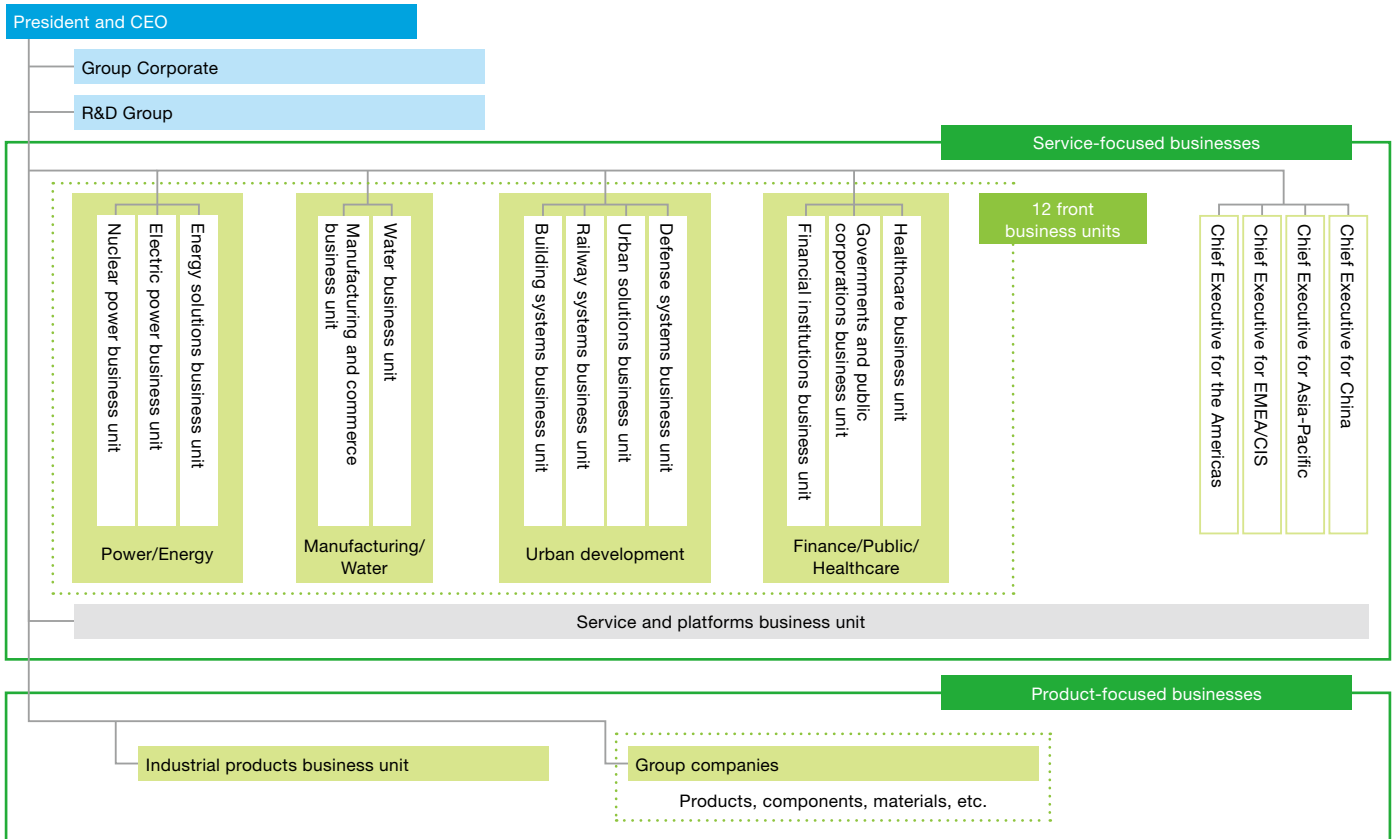
In the service-focused businesses, the service and platforms business unit provides a shared, open platform, and 12 front business units offer services in the power and energy, manufacturing and water, urban development, finance, public sector, and healthcare markets. The front business units have bolstered frontline functions such as sales, engineering, and consulting, while the service and platforms business unit offers a shared platform for aggregating and integrating technologies essential to providing advanced services, including artificial intelligence (AI), analytics, and control technologies, integrating them in a system enabling collaborative innovation with customers.

Our product-focused businesses present customers and front business units globally competitive products, parts, and materials.

Business units are directly operated by the president, while CEOs of individual business units have investment authority and responsibility for profit and earnings. They work in partnership with other business units, comprehensively and organically leveraging the resources of the entire Hitachi Group and creating innovations quickly and flexibly in order to provide optimum products and services to customers.

Our business model aims to sustainably create value. Through our Social Innovation Business it contributes to improving people's quality of life by addressing on an ongoing basis the issues society and our customers face.

## Fiscal 2016 New Business Structure



Hitachi to Make a Transition to a Market-Specific Business Structure with Strengthened Frontline Functions

### Transition to a Global Management System

To accelerate growth in the global market, Hitachi in April 2015 appointed regional chief executives in the four global regions of the Americas, China, the Asia-Pacific, and EMEA/CIS.\*1 In addition to creating regional growth strategies, promoting localization, and effectively utilizing management resources, the chief executives have authority to establish our Social Innovation Business in new business areas where growth is expected. The chief executives also advance our Social Innovation Business based on market needs, providing services and solutions that leverage our strengths. Toward the goal of thorough compliance, they promote coordinated global management of our operations and efficient allocation of our management resources. In this way, Hitachi provides innovation at the highest level and establishes firm governance as a global company.

In the Americas, a market that features world-leading IT innovations, big data analytics are providing new solutions in a variety of industries, including energy. In China, we have brought the direction of our Group operations in line with government initiatives for strengthening infrastructure networks and improving health presented in the Thirteenth

Five-Year Plan, and are also promoting our Social Innovation Business in developing countries. Social-infrastructure-related demand is very strong in the Asia-Pacific, where the aim is to collaborate with local partners in the region in developing our Social Innovation Business to solve issues common in urban areas. In the EMEA/CIS region, where innovations in manufacturing drive markets, the focus will be on rolling out our Social Innovation Business aimed at increasing efficiency in production and supply chains. In all these regions, the chief executives will act as regional “control towers,” developing and building solutions with Hitachi customers to resolve a variety of global issues that are becoming increasingly complex and borderless.

\*1 EMEA/CIS: Europe, the Middle East, Africa, and Commonwealth of Independent States.

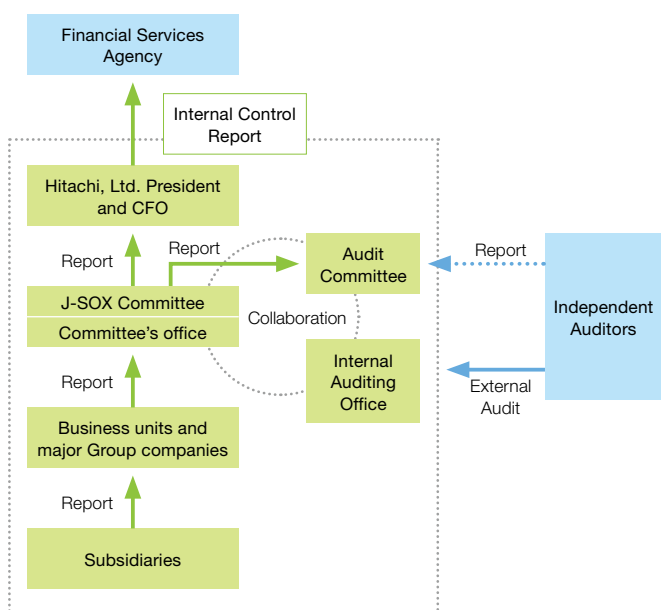
### Internal Control over Financial Reporting

To ensure the reliability of consolidated financial reporting, every company develops and uses assessment documents for company-level controls, and business process controls based on the guidelines determined by our J-SOX Committee.\*1

Our business units and major Group companies have developed mechanisms to objectively perform assessments. Assessment results are reported to the J-SOX Committee's office to assess the effectiveness of internal control.

\*1 J-SOX: A system for the development of the internal control required under Japan's Financial Instruments and Exchange Act (FIEA) that ensure the reliability of financial reporting.

#### Hitachi Internal Control Assessment System



### Compensation for Directors and Executive Officers

Compensation for each director and executive officer is determined by the Compensation Committee in accordance with the provisions of the Companies Act of Japan.

Compensation for directors consists of monthly remuneration and a year-end allowance. Compensation for directors is basically fixed.

Compensation for executive officers consists of monthly remuneration, a performance-linked component, and medium- and long-term incentive compensation. The higher the position that executive officers hold is, the higher the proportion of variable pay (the sum of the performance-linked component and the medium- and long-term incentive compensation, not including monthly remuneration as fixed pay) is as a portion of the total annual compensation. Monthly remuneration is decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position. The performance-linked component is decided by adjusting a basic amount to reflect financial results and individual performance. The basic amount is set within the range of about 25% to 35% of the total annual compensation of each executive officer in accordance with the relevant position. Medium- and long-term incentive compensation is in the form of stock options as stock-based compensation, with share price conditions (stock acquisition rights with the strike price of ¥1), with the number granted determined within the range of about 10% to 40% of the total annual compensation of each executive officer in accordance with the relevant position. As for expatriates, cash awards based on the value of Hitachi's share price with similar conditions are substituted for the stock options.

Beginning with compensation for fiscal 2008, the system for directors and executive officers was revised to abolish retirement allowances. The payment of retirement allowances to directors and executive officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant director or executive officer. The amount of compensation for directors and executive officers in fiscal 2015 is shown below.

#### FY 2015 Compensation to Directors and Executive Officers

Category	Recipients (number)	Total amount (millions of yen)
Directors (outside directors)	11 (8)	398 (280)
Executive officers	28	1,763
<b>Total</b>	<b>39</b>	<b>2,161</b>

\* The number of directors indicated excludes two directors who concurrently serve as executive officers.  
 \* Compensation to directors includes the monthly remuneration of one director who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.  
 \* In addition to the above, there are retirement allowances of 56 million yen for two executive officers who retired on March 31, 2016.



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Corporate Governance Sharing a Hitachi Group Identity

## Sharing a Hitachi Group Identity

### Hitachi's Approach

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

In pursuing sustainable management, we give equal importance to value creation that contributes to the resolution of social issues. This is being advanced through the dissemination and sharing among all employees of the Hitachi Group Identity—an integrated set of principles spelling out our management vision, Codes of Conduct, and values.

### Sharing Codes of Conduct and Compliance Approaches Throughout the Group

#### Ensuring Awareness of the Hitachi Group Codes of Conduct

Hitachi, Ltd. formulated the Hitachi Group Codes of Conduct as a common conduct code for the Hitachi Group in fiscal 2010. We issued the *Hitachi Group Codes of Conduct Handbook* in fiscal 2011 as a guidebook for all employees; as of March 2016, more than 250,000 copies have been distributed to employees in Japan. We ask managers to submit a written pledge to comply with the Hitachi Group Codes of Conduct. To deepen awareness of the codes throughout our global operations, we have produced English and Chinese versions of a Japanese-language e-learning tool showing appropriate behavior and presenting specific examples for use in Hitachi Group companies within and outside Japan.



Hitachi Group Codes of Conduct

### Enhancing Our Compliance Framework

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

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

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

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

### Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate.

In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group, who are able to report issues through in-house channels, but also by temporary staff and suppliers. In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors. The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to appropriately deal with situations, including taking remedial action where necessary.





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Corporate Governance Sharing a Hitachi Group Identity

## Prevention of Antisocial Transactions

To cut off all relationships with organized crime groups and other antisocial forces, we observe the following three provisions laid out in the Hitachi Group Codes of Conduct:

1. We will have no relations whatsoever with antisocial forces such as organized crime groups, and we will never engage in antisocial transactions under any circumstances.
2. We will prevent antisocial transactions through self-inspection of our transactions.
3. We will oppose antisocial forces such as organized crime groups with firm resolve, and refuse any improper demands.

The entire Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with, where necessary, the police, external specialist institutions (the National Center for the Elimination of Boryokudan and Tokuboren, the Federation on Special Organized Crimes Within Jurisdiction of the Metropolitan Police Department), and lawyers. We include an organized crime elimination clause in contracts so that if it is determined that a business partner belongs to an antisocial group, we can void the contract and break off the relationship.

## Thorough Export Controls

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

Preventing Bribery and Corrupt Practices

Preventing Violations of Fair Competition Laws

## Sharing Values Throughout the Group

### Solidifying the Hitachi Group Identity

#### Instilling the Group Identity in Employees

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 Group Identity. To promote understanding of the Hitachi Group Identity and the Hitachi brand, we launched the Inspiration of the Year Awards 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 Awards. In fiscal 2015, the awards saw 227 applications from China, Europe/Africa, India, North America, Southeast Asia, and Japan. Outstanding activities from each region were highlighted on the intranet, and the president presented the awards 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, a straightforward explanation of the Group Identity and Hitachi brand, and the Hitachi Vision Movie, a visual depiction of the Hitachi Group Vision. By raising employee awareness of the Hitachi Group Identity through these activities, we continue to strive to become a company that "delivers innovations that answer society's challenges."



Hitachi Group Identity



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Corporate Governance Advancing Risk Management on Multiple Fronts

## Advancing Risk Management on Multiple Fronts

### Hitachi's Approach

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

We have built a diverse risk management system under which we carry out risk analysis to accurately gauge ongoing economic and social changes and use the insights gained to take preventive measures and ensure a rapid response to issues that may arise unexpectedly. As a company deeply involved in infrastructure projects in countries and regions around the world, we strive to minimize risks to society from our operations. Measures include those to ensure the stable supply of our products and services, further tighten our information security, and reinforce business continuity plans (BCP).

### Reinforcement of Risk Management System

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

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

### Stable Provision of Products and Services

#### Creating BCPs in Key Operations Worldwide

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

When the Great East Japan Earthquake struck in March 2011, our BCPs enabled quick responses and swift decision making. However, issues emerged including identification of

secondary and other suppliers, cloud storage and multiplexing of production information, and the need to secure alternate transportation and fuel sources.

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

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

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



Hitachi Group Guidelines for Developing Business Continuity Plans (department version).



Earthquake simulation drill.

**Creation of Procurement BCPs**

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 key Group and in-house companies in Japan have created procurement business continuity plans (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. 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 2015, 118 Group companies outside Japan took similar steps to bolster procurement BCPs, thereby contributing to the continuation of Hitachi's global operations.

**Improving Safety for Employees Sent to Dangerous Regions**

Responding to the hostage incident in Algeria in January 2013, then President Hiroaki Nakanishi reinforced his policy in February 2013 of ensuring the safety of employees sent 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 2014, survey missions were sent to several countries in Africa and the Middle East. In addition, we have introduced a range of safety measures in the light of recent terrorist incidents involving Japanese and other nationals, including providing timely alerts to employees. These and other steps underscore our commitment to ensuring the safety of our employees working around the globe. Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, Hitachi executives participated in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs. Since 2014 Hitachi has taken part in public-private kidnap incident preparatory training exercises.

**Promoting Information Security**

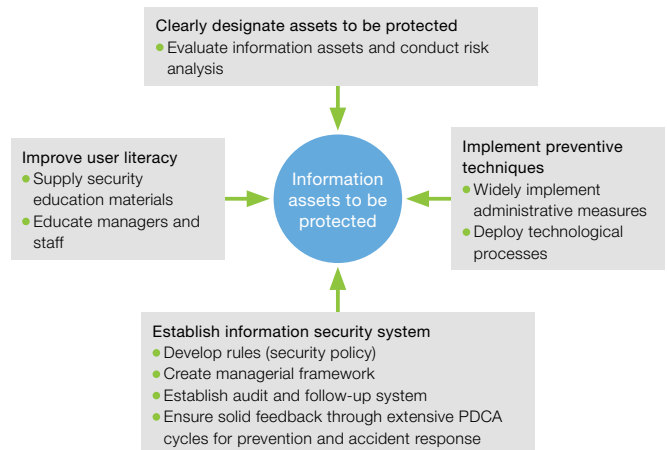
**Implementing Rigorous Information Security**

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

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

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

**Basic Approach to Information Security Governance**





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## Education on Information Security

Consistently maintaining information security requires all parties 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 provide specific additional training, with clear goals, that is geared to new employees and managers, and to information system administrators in particular. In 2012, we also began simulation training to educate employees about the increasing trend toward 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.

## Preventing Information Leaks

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 incidents involving it. Our policies ensure that if an incident does occur, damage is promptly minimized by contacting customers, reporting to government agencies, investigating causes, and acting to prevent any recurrence.

Hitachi Group companies take the following IT steps to prevent information leaks: using encryption software and secure PCs; 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, including both entry and exit countermeasures.

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.

## Three Principles for Preventing Leakage of Confidential Information

### Principle 1

As a general principle nobody can take Confidential Information out of the Company's premises.

### Principle 2

Any person taking Confidential Information out of the Company's premises due to business necessity shall obtain prior approval from the Information Assets Manager.

### Principle 3

Any person taking Confidential Information out of the Company's premises due to business necessity shall put in place relevant and appropriate measures against information leakage.

## Global Information Security Management

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 distributed from the parent company in Japan to Group companies around the world. Other security measures include secure shared services and support from our regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

## Thorough Information Security Audits and Inspections

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 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 238 Hitachi Group companies in Japan 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 business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 453 operations (as of March 2016) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.

# Human Rights

## Hitachi's Aims

As our value chain expands on a global scale, we find diverse working conditions, business norms, and trade practices in countries and regions around the world, and this has highlighted the need to ensure respect for human rights in our operations. Society's awareness of human rights issues is also rising, and companies are expected to address human rights issues in accordance with such international standards as the UN Guiding Principles on Business and Human Rights. Companies are now being asked not only to undertake initiatives for the in-house promotion of human rights but also to avoid abetting human rights infringements by suppliers and customers.

In carrying out our business, Hitachi recognizes human rights as a key issue related to risk management. On the basis of this awareness, we will respect the human rights of all stakeholders, including our own employees and supply chain, in every country and region where we operate. We are also engaged in raising awareness of human rights throughout the Hitachi Group and in expanding the scope of our activities through such measures as the launching of human rights due diligence.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
<ul style="list-style-type: none"> <li>Promotion of employee understanding of the Principles on Business and Human Rights and respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>Implement human rights training session for Hitachi, Ltd. executive officers</li> <li>Hold human rights workshops in Europe</li> </ul>	<ul style="list-style-type: none"> <li>Initiated human rights due diligence in procurement</li> <li>Implemented human rights due diligence training for legal and compliance officers in six Group companies in Europe</li> <li>Distributed human rights message by CEO Toshiaki Higashihara to approximately 148,000 executives and employees</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Implement human rights training sessions for Hitachi, Ltd. executive officers</li> <li>Hold human rights workshops in Europe</li> <li>Conduct e-learning</li> <li>Implement human rights due diligence</li> </ul>

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

## Respect for Human Rights Throughout the Value Chain

### Hitachi's Approach

Hitachi operates in line with the Hitachi Group Human Rights Policy and other guiding principles that set forth its respect for international human rights norms. To implement these principles, we carry out educational activities targeting executives and employees on an ongoing basis to help

foster an organization in which human rights infringements do not occur. At the same time, we are pressing forward with human rights due diligence. In fiscal 2015 we took steps in our procurement divisions to assess potential human rights risks in the supply chain, identify higher-priority issues and craft specific measures to address them.



## Respect for Human Rights

### Human Rights Initiatives

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

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

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

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

Hitachi Group Codes of Conduct

Hitachi Group Human Rights Policy

### Framework for Human Rights

Hitachi, Ltd. established the Corporate Human Rights Promotion Committee in fiscal 1981 to gauge the impact of business activities on stakeholders' human rights and to deliberate on mechanisms and policies for preventing human rights violations. The executive officer in charge of human capital chairs this body, whose members include representatives from sales, procurement, human capital, CSR, and other corporate units. Hitachi is improving its Group-wide human rights awareness based on the guidelines discussed and written by the Corporate Human Rights Promotion Committee. Information from deliberations is shared with all employees through business

units and business site committees, led by business unit presidents and division heads. Business units provide consultation services through which employees can seek consultation on issues such as sexual harassment and are working to ensure that those coming forward are treated with respect and dignity.

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

Compliance Reporting System

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



### Raising Human Rights Awareness Among Executives and Employees

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



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once every three years on average, taking into account human rights trends worldwide.

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



A scene from the officer training session.

### Human Rights Due Diligence Initiatives

In our Hitachi Group Human Rights Policy, we pledged to continue to develop structures for human rights due diligence. Toward that end, in fiscal 2013 some business units implemented pilot programs for human rights due diligence to identify key issues that need to be clarified for implementation of due diligence throughout the Hitachi Group, while also analyzing and evaluating human rights risks in six of the ASEAN countries. Based on the results of these pilot programs, in fiscal 2014 we developed a guidance document for implementing human rights due diligence in collaboration with the nonprofit organization Shift.

In fiscal 2015, we initiated human rights due diligence in the procurement divisions, the activities of which can potentially have negative impacts on the human rights of workers in the supply chain and local communities.



Human Rights Due Diligence in Procurement

## Respect for Workers' Rights

### Hitachi's Approach

Our employees are tasked with maintaining respect for human rights within the supply chain, but at the same time, in their role as employed persons, they are also stakeholders whose human rights must be upheld.

Hitachi's longstanding approach has been to give importance to building a mutually beneficial relationship with our employees as partners in a common effort. Moving forward, we will continually strengthen our system of mutual cooperation to build an equitable worker-employee relationship and improve worker health and safety levels based on respect for workers' fundamental rights.

### Freedom of Association and Collective Bargaining

#### Respecting the Rights of Employees

The Hitachi Group Codes of Conduct, formulated to specify the standards of behavior applicable throughout the Hitachi Group, call for the upholding of fundamental human rights of employees, in line with the principles of the United Nations Global Compact.

In countries and regions where labor unions are recognized, we espouse the three fundamental rights of labor unions (to organize, to bargain collectively, and to act collectively) as seen, for example, in the collective agreement between Hitachi, Ltd. and the Hitachi Workers Union.

#### Notification of Work-related Transfers and Reassignments

The collective agreement between Hitachi, Ltd. and the Hitachi Workers Union states that any transfer or reassignment of an employee for work-related reasons should adequately take into consideration the situation of the employee, as well as requiring the company to promptly inform the Hitachi Workers Union of the decision. More specifically, in cases of large-scale transfers or reassignments, the company will consult with the labor union regarding the basic issues involved.

#### Cooperating to Improve Health and Safety

Hitachi is dedicated to improving health and safety levels through employee-management cooperation. This includes signing a collective agreement with the Hitachi Workers Union on the promotion of, among other things, health and safety mechanisms, a health and safety commission, education and training programs, and health checks for employees.

# Labor Practices

## Hitachi's Aims

Employees are valued partners who play a vital role in sustaining our business. The cornerstone of a sound and mutually beneficial relationship between employees and the company, and the motive force for sustainable growth, is to provide proper working conditions for employees and build a framework for the maximization of their potential. By complying with all work-related laws and regulations and creating a work environment that maintains and develops fair employment relations and makes full use of the abilities of its diverse human capital, Hitachi aims to be a company in which all employees can engage in safe and fulfilling work.

In addition, the nationalities of Hitachi workers are diversifying in response to the globalization of our operations, and the share of non-Japanese employees at Hitachi, Ltd. is rising. In order to adequately meet the needs of customers that differ from region to region and country to country, we have augmented and strengthened our frontline staff and are also aiming to build a structure to foster global human capital.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
<ul style="list-style-type: none"> <li>Implementation of career training for employees, young and old, at various stages in their careers</li> </ul>	<ul style="list-style-type: none"> <li>Hold career training for over 700 new employees</li> <li>Hold Hitachi Career Development Workshop (H-CDW) for over 700 new assistant managers</li> <li>Provide Life Plan Training to older employees, including over 700 participants in e-learning program, over 400 in seminars, and over 350 in Life Plan Briefing</li> </ul>	<ul style="list-style-type: none"> <li>Held career training for 765 new employees</li> <li>Held H-CDW for 548 new assistant managers</li> <li>Provided older employees with Life Plan Training; 1,924 registered for e-learning and 988 completed program, 602 participated in seminars, and 441 participated in Life Plan Briefing for employees at age 58</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Hold career training for 660 new employees</li> <li>Hold H-CDW for 800 new assistant managers</li> <li>Provide Life Plan Training, including participation in (1) e-learning program, (2) seminars for 50-year-old employees on annual contracts, and (3) Life Plan Briefing for 500 employees at age 58</li> </ul>
<ul style="list-style-type: none"> <li>Promotion of employment of people with disabilities within the Group</li> </ul>	<ul style="list-style-type: none"> <li>Achieve Japan's legally required employment rate at Hitachi, Ltd.</li> <li>Ensure strict compliance with legal employment rate at all Hitachi Group companies in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 2.11%  employment rate at Hitachi, Ltd. and 2.18%  at Group companies in Japan; 15 still below the legal rate (as of March 2016)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Achieve legal employment rate at Hitachi, Ltd.</li> <li>Ensure strict compliance with legal employment rate at all Group companies in Japan</li> </ul>
<ul style="list-style-type: none"> <li>Raising of health and safety management levels across the Group through promotion of global health and safety management</li> </ul>	<ul style="list-style-type: none"> <li>Implement and review minimum Group-wide standards for health and safety</li> <li>Compile global health and safety statistics by region</li> <li>Strengthen health and safety measures in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Began implementing and reviewing minimum health and safety standards</li> <li>Compiled global statistics in 2015 and provided feedback every six months; collection rate increased by approximately 11% from previous fiscal year</li> <li>Implemented measures to improve safety levels in Japan, leading to slight decrease in accidents</li> </ul>	★★	<ul style="list-style-type: none"> <li>Continue to implement and review minimum Group-wide health and safety standards</li> <li>Implement preventive measures by utilizing best practices and accident cases</li> <li>Introduce measures in response to new laws and regulations in Japan</li> </ul>

★★★: Achieved   ★★: Partially achieved   ★: Not achieved



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Labor Practices Achieving a Fair and Equitable Work Environment, Promoting Diversity and Inclusion

## Achieving a Fair and Equitable Work Environment

### Hitachi's Approach

Ensuring that hiring and promotions, as well as worker assessment and compensation, are fair is not only a duty that companies must fulfill toward their employees but also an important means of building a healthy relationship with outstanding human capital. Hitachi has a human resource strategy that emphasizes the concept of “decent work” (that is, work that is humane and fulfilling). This concept has taken on increased importance globally as a standard for labor practices, with the International Labour Organization, for example, positioning the concept as an important objective of its activities. Companies are expected to ensure decent work through policies appropriate to their businesses.

### Decent Work

#### Hitachi's Thinking on Decent Work

Human resources are key to Hitachi's ability to adapt to rapid social and environmental change and continue providing new value to customers. Diversity and inclusion are crucial to our strategy, and throughout the Hitachi Group

we promote HR management practices that maximize the strength we can draw from a diverse, highly engaged workforce transcending national and corporate boundaries. Our globally shared leadership development program fosters leaders who champion our Social Innovation Business around the world, while a range of other training programs help employees obtain the knowledge and skills they need to provide innovative solutions to our customers.

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

## Promoting Diversity and Inclusion

### Hitachi's Approach

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

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

### Diversity and Inclusion

#### Statement on Diversity and Inclusion

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

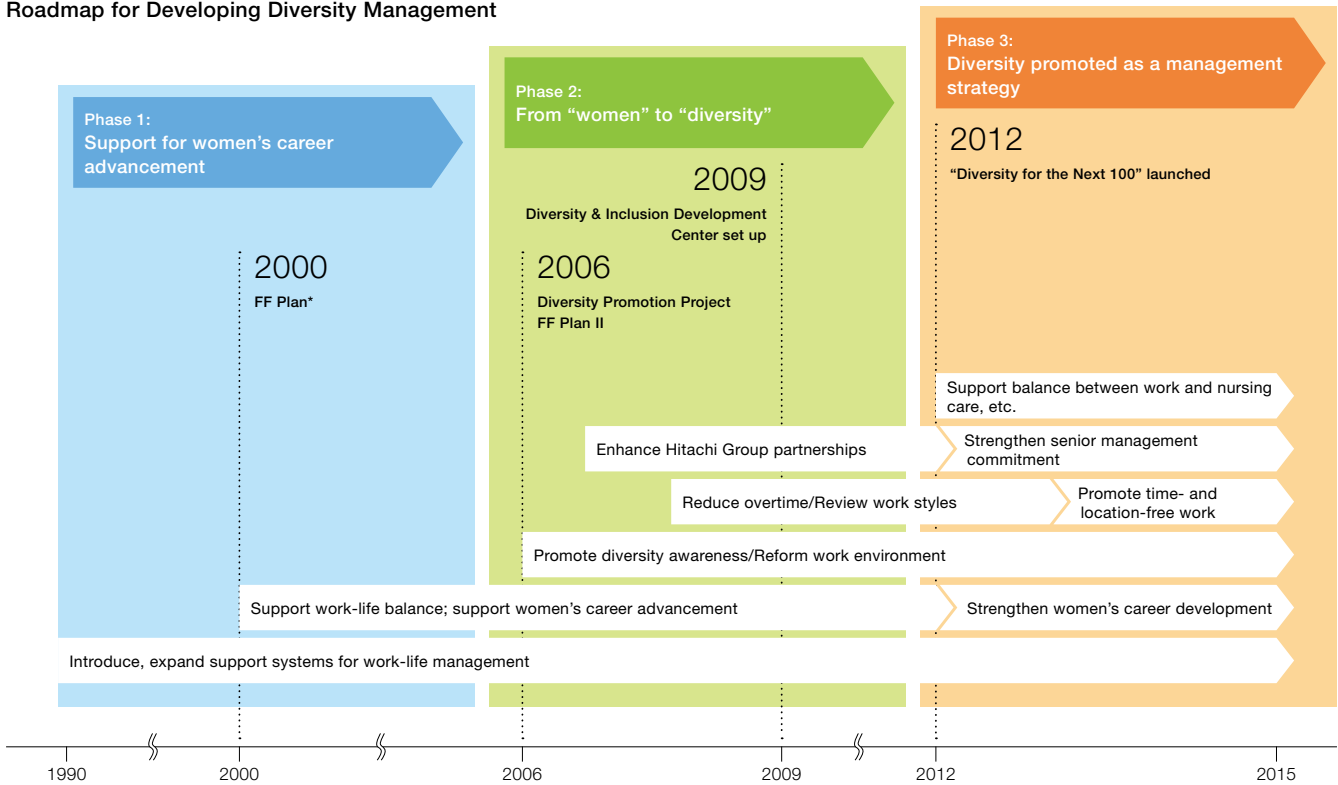
#### Diversity Management Initiative: “Diversity for the Next 100”

Since the 1990s, we have been at the social forefront, supporting women and other members of our multifaceted workforce. This includes setting up systems to help balance work with child and nursing care. Entering Phase 3 of our diversity management roadmap, we are embracing diversity as

a management strategy under the initiative slogan “Diversity for the Next 100.” This means creating an environment where

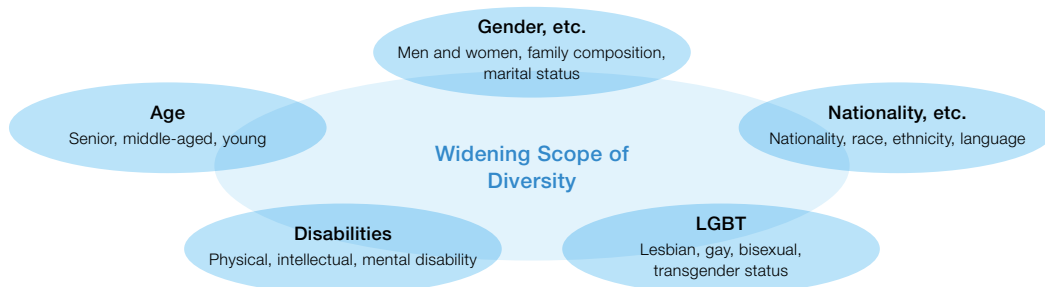
women and other members of our varied workforce can use their skills in leadership and business management.

### Roadmap for Developing Diversity Management



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

### Expanding the Scope of Diversity Management



### Deepening Diversity Management



## Development Structure of Diversity Management

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

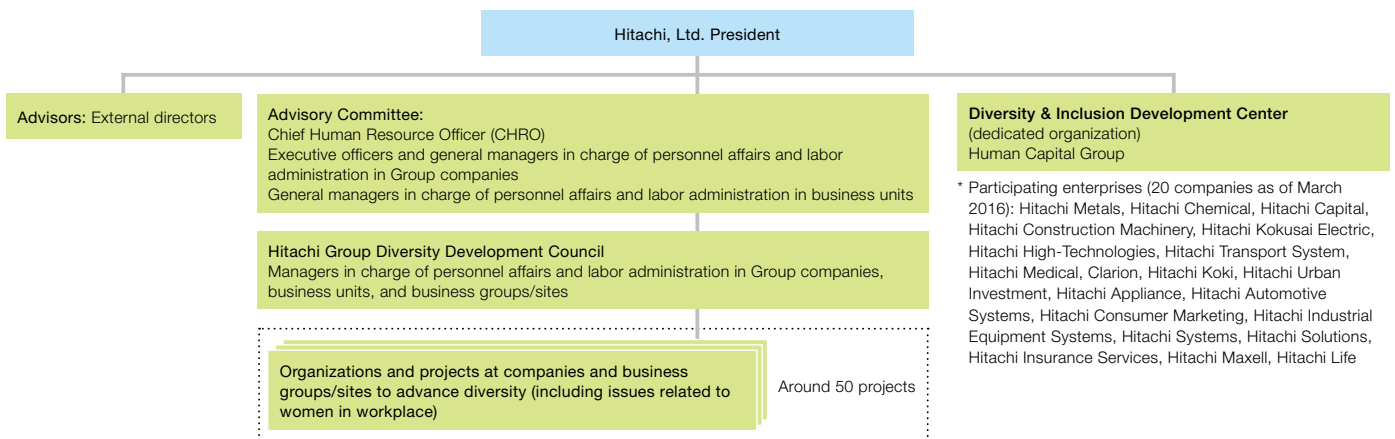
Hitachi and 20 Group companies jointly operate the Advisory Committee and the Diversity Development Council to accelerate awareness across Hitachi as a whole, including support for diverse human resources and work-life management. The Advisory Committee ensures follow-through on our diversity management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

Group companies and business groups/sites have also set up their own diversity-promotion organizations and projects, such as those to help develop women's careers, in

order to enhance initiatives geared to the challenges faced by individual workplaces. We also hold regular meetings to exchange opinions on diversity with labor unions.

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

## Hitachi Group Diversity Structure



\* Participating enterprises (20 companies as of March 2016): Hitachi Metals, Hitachi Chemical, Hitachi Capital, Hitachi Construction Machinery, Hitachi Kokusai Electric, Hitachi High-Technologies, Hitachi Transport System, Hitachi Medical, Clarion, Hitachi Koki, Hitachi Urban Investment, Hitachi Appliance, Hitachi Automotive Systems, Hitachi Consumer Marketing, Hitachi Industrial Equipment Systems, Hitachi Systems, Hitachi Solutions, Hitachi Insurance Services, Hitachi Maxell, Hitachi Life

## Developing Women's Careers

### KPI of Developing Women's Careers

Hitachi, Ltd. has created two key performance indicators (KPIs), announced externally in fiscal 2013, to enable as many female employees as possible to take up leadership positions and to participate in management decision making. These KPIs signal our commitment both internally and to the world to further advance women in the workplace and to improve our diversity management.

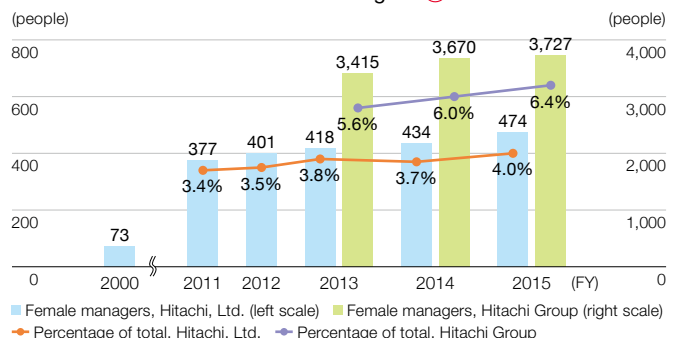
In addition to reinforcing existing programs, we will use the Hitachi Group Women's Career Success Survey to highlight progress with initiatives and outstanding issues in each business unit and to set numerical targets for each unit, strengthening our management commitment. We will also boost women's individual ambitions and morale through programs such as the Hitachi Group Women Leaders' Meeting, which targets female employees at the general manager level and above. We intend to create an environment where as many women as possible are able to optimize their potential in management positions.

### Goals for Hitachi, Ltd. (KPIs)

- Appoint female executives by fiscal 2015 by promoting from within (including the CSR and Environmental Strategy Division chief as a corporate officer in April 2015).
- Increase the number of female managers in Japan to 1,000 by fiscal 2020 (2.5 times more than at the end of fiscal 2012).

### Key Indicators

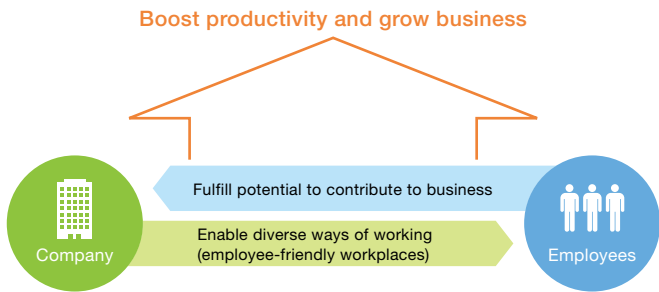
#### Number and Ratio of Female Managers ✔



## Work-Life Management

### Hitachi's Work-Life Management Approach

Our diversity and inclusion management initiatives are designed to enable all employees to reach their full potential, as well as to enhance our organizational capabilities and to create synergies that will boost productivity and grow our business. This requires building a work environment that embraces human resource diversity and promotes work style flexibility.

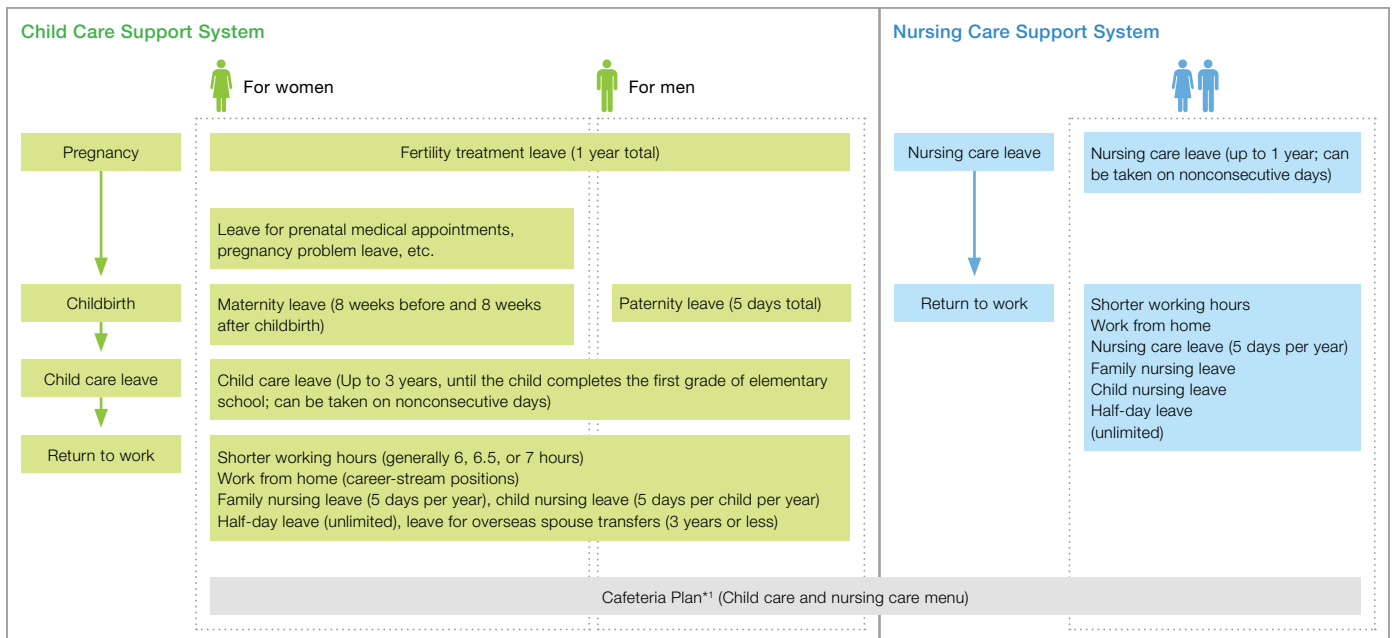


Hitachi looks beyond work-life balance, promoting work-life management that enables our employees to take charge of improving the quality of both their work and their private lives. We believe that optimizing time spent in and outside the workplace through work-life management enhances our employees' professionalism and builds character, resulting in both individual and organizational growth over the long term.

### Enhancing Work-Life Management Support Systems

Since the 1990s, we have been introducing and improving an array of programs for employees to balance work with family, aiming to create a more employee-friendly work environment.

### Work-Life Management Support System (Example of Hitachi, Ltd.)



\*1 Flextime and discretionary labor systems are also available. The cafeteria plan is a system in which employees can select the support that they need, when they need it, according to their "cafeteria points."

**In-House Child Care Centers**

The Hitachi Group, in collaboration with its labor union, has set up in-house child care facilities as a way to help employees balance work with child raising.

**Genki Club**

Established	April 2003
Location	292 Yoshida-cho, Totsuka-ku, Yokohama-shi, Kanagawa, Japan (Yokohama Office, Hitachi, Ltd.)
Capacity	Approximately 70 children
Ages eligible	Children aged several months up to 6 years old (who have not yet entered elementary school) of Hitachi Group employees who live near or commute to the Totsuka area in Yokohama
Operating hours	7:30–20:00



"Genki Club" Logo



Excursion (sweet potato digging).



Christmas party.

**Sakura Hiroba (Hitachi Chemical Group)**

Established	April 2008
Location	2-27-22 Higashi-cho, Hitachi-shi, Ibaraki, Japan (near Yamazaki Division, Hitachi Chemical)
Capacity	20 children (can enroll a maximum of 30)
Ages eligible	Infants aged several months to children up to 6 years old who have not yet entered elementary school (children of Hitachi Chemical Group employees who commute to the city of Hitachi)
Operating hours	7:30–20:00

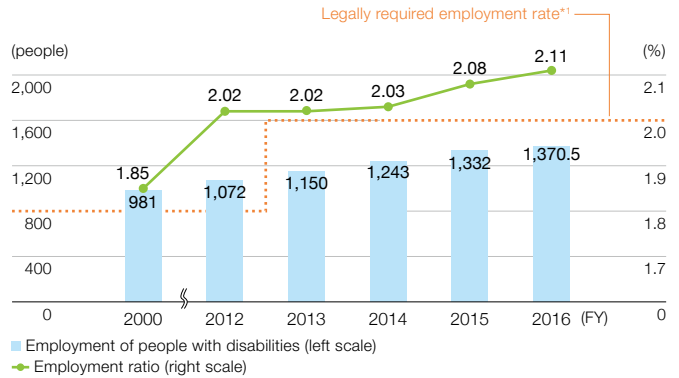
**Employing People with Disabilities**

**Expanding Hiring of People with Disabilities**

Hitachi, Ltd. and Group companies in Japan have worked hard to employ people with disabilities, such as by holding a special hiring fair and study meetings for Group companies to share information. As a result, as of June 2015 the employment ratio of people with disabilities was 2.08% at Hitachi, Ltd. and 2.14% for the entire Group in Japan. As of June 2016, the employment ratio of people with disabilities was 2.11% at Hitachi, Ltd. and 2.18% for the entire Group in Japan. All of these figures topped Japan's legally required employment rate of 2.0%. We will maintain our Group-wide drive to hire more people with disabilities.

**Key Indicators**

• Employment of People with Disabilities and Employment Ratio (Hitachi, Ltd.)



\*1 Up to fiscal 2012, the legally required employment rate was 1.8%; from fiscal 2013 it has been 2.0%.  
Notes:  
• Data compiled in June of each fiscal year.  
• The employment ratio is calculated according to methods prescribed in the relevant laws.

**Diverse Support Systems for Employees**

**Support Systems that Meet Diverse Employee Needs**

To respond to the diverse lifestyles and needs of our employees, Hitachi, Ltd. has provided a wide range of support by introducing welfare systems that include housing support, such as dormitories, company housing, and a housing allowance system, as well as an asset-building savings program, an employee stock ownership program, group insurance, consolation payments, and a "cafeteria plan" program. The cafeteria plan allows employees to select the benefits they receive. This allows them to tailor a plan to their individual lifestyles and living needs by choosing from a list of options, such as skills development, child care, nursing care, health promotion, and donations. Employees use "cafeteria points" to select the type of support they need when they need it.

For our retirement and pension plans, defined contribution and defined benefit plans have been introduced across the Hitachi Group in response to the diversification of lifestyles among the elderly and the changes in forms of employment. The defined contribution pension plan encourages employees to participate in their postretirement planning by providing asset management and investment education, as well as other support. We increased the choice of benefit options and timeframes for both the defined contribution pension plan and the defined benefit pension plan in order to better meet the varied needs of employees.

## Promoting Occupational Health and Safety

### Hitachi's Approach

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

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

### Occupational Health and Safety

#### Fundamental Idea for Occupational Health and Safety

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

#### Hitachi Group Health and Safety Policy

##### Principle

"Health and Safety Comes First."

##### Policies

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

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

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

Revised November 2013

#### Framework for Promoting Health and Safety

Hitachi views occupational health and safety as vital preconditions for advancing our Social Innovation Business.

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

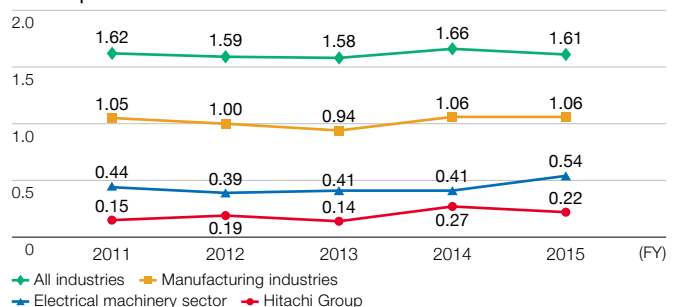
In accordance with Japanese law, a health and safety commission—composed of company representatives, labor-union officials, and employees—is organized at each business site and is convened every month to discuss and share information related to such issues as workplace accident causes and countermeasures,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

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

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

#### Key Indicators

##### Occupational Accident Rates



Notes: Occupational accidents are defined as those involving fatality or work-time loss of more than one day. Hitachi Group figures for Japan, including Hitachi, Ltd., are for 90 Group companies in 2011; for 175 Group companies in 2012; for 195 Group companies in 2013; for 251 Group companies in 2014; and for 240 Group companies in 2015.

**Hitachi Group's Global Safety Figures (Occurrence rate\*1)**

	2014	2015
Americas	2.25	4.35
Europe	3.34	2.02
China	2.38	2.10
Rest of Asia	1.65	0.80
Other	20.53	22.05
Japan	0.53	0.42
Global total	1.23	1.21

\*1 Occurrence rate is the rate of workplace accidents per 1,000 employees resulting in fatality or work-time loss of more than one day.

**Response to Laws Related to Occupational Health and Safety**

In terms of legal compliance, the Hitachi Group goes beyond meeting all legal requirements to also make efforts specified in the law even when they are not mandatory. As one part of these efforts, we made a new Stress Check System mandatory in Japan in December 2015. We are encouraging employees to be aware of their own stress levels and striving to improve workplaces to help prevent mental health disorders, while also strategically using the results of group analysis as a means of enlivening the workplaces.

In addition, we are carrying out risk assessments of chemical substances, which became mandatory in Japan in June 2016, to reconfirm the dangers and harmful effects of chemical substances in the workplace and to implement measures well integrated with management conditions to keep employees who handle such substances from damaging their health.

**Sharing Health and Safety Information in the Hitachi Group**

We built the Hitachi Group Health and Safety Portal System in 2012 to ensure that every Hitachi Group company in Japan can track the health and safety performance of the entire Hitachi Group.

Group-wide information on work accidents is registered in the system so that companies can track causes and see what preventive measures have been initiated. To help prevent recurrences, statistics are kept on types of accidents. Since 2014, we have carried out initiatives to share information on workplace accidents globally, including one that tracks and provides feedback on accidents occurring at Group companies outside of Japan.

Once a year we hold the Hitachi Group Health and Safety Research Presentation Meeting for Hitachi health and safety officers. The 59th gathering, held in November 2015, attracted around 150 participants, who shared newfound knowledge from case studies and heard special lectures from outside experts on ways to improve health and safety activities at companies. Around 70 occupational healthcare workers, including physicians and public health workers, participated in the 15th Hitachi Group Industrial Health Conference in February 2016. Participants presented

research results, shared information on methods for improving occupational health programs at business sites, and discussed training approaches for relevant healthcare workers.

**The Hitachi Group Health and Safety Award Program**

We have implemented the Hitachi Group Health and Safety Award Program to recognize Group companies in Japan that extend their accident-free records or that receive prizes for health and safety from external organizations.

**Initiatives to Improve Employee Health**

Health is the foundation for being able to work with energy and peace of mind. The fundamental principle of the Hitachi Group Health and Safety Policy is that "Health and Safety Always Comes First." Based on this principle, we are engaged in efforts to maintain and improve the health of employees.

Occupational healthcare workers, human resource departments, and the Hitachi Health Insurance Society work together to provide a range of health support and appropriate health management in accordance with Japan's Industrial Safety and Health Act.

In Ibaraki, Tokyo, and Kanagawa Prefectures, where many Hitachi Group business sites are concentrated, a system of health-management centers has been put in place, staffed with occupational doctors, nurses, and other medical personnel. The centers support the health maintenance of employees by providing them with health guidance based on periodic health checks and other examinations to prevent serious disease, while also offering medical interviews and advice to employees working long hours to head off mental and physical disorders. Support is also provided to raise health awareness through consultations that can help relieve employees' health concerns and promote regular exercise.

In addition, Hitachi Group companies carry out activities including sporting competitions and other events for employees and their families as a way of encouraging workplace cohesion and promoting health.



Participants wait to take part in a strength-measurement test at a health event.





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

### Hitachi's Approach

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

The Hitachi Group, with a combined workforce of around 340,000 people engaged together in business activities in countries and regions around the world, is promoting a global human capital management strategy. We are fostering human capital through a diverse array of initiatives, such as hiring and promoting to management positions non-Japanese personnel, drafting measures to share values and promote mutual understanding, and formulating programs to develop human capital capable of meeting the needs of global operations.

### Global Human Capital Development

#### Advancing Global Human Capital

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

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

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

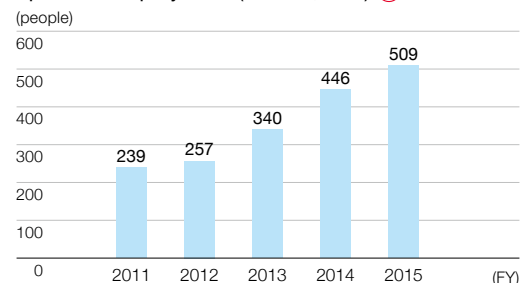
### Global Recruiting and Globalizing Human Capital

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

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

#### Key Indicators

- Non-Japanese Employees\*<sup>1</sup> (Hitachi, Ltd.)



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



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### Providing Young Employees with Overseas Experience

Hitachi maintains broad programs to systematically cultivate and secure people who can succeed in global business. To develop the careers of people who can understand and adapt to local cultures and lifestyles, we have offered a program for younger employees to live outside Japan. We have sent around 4,800 young Group employees over the five years beginning with fiscal 2011, allowing them to take part in more than 80 programs, including understanding other cultures, language studies, local field studies, and internships, as well as opportunities to work with local people to resolve social issues. In fiscal 2015, we shifted our focus to this practical, work-related model of overseas postings, instead of the former emphasis on language training and cross-cultural activities, to accelerate our fostering of employees ready to take on global tasks.

### Globalizing Management Training

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

Since fiscal 2012, we have been holding the Global Advanced Program for Leadership Development (GAP-L) every year in Singapore. The program mainly targets local human resources with potential to be active at our overseas subsidiaries, aiming to foster individuals who can play leading management-level roles at local subsidiaries. In fiscal 2015, 24 leaders from around the world took part in the program. In addition, since fiscal 2013 we have been implementing the Global Advanced Program for Key Positions (GAP-K), which targets management candidates. In fiscal 2015, 22 people selected from Japan and India participated in training under the program for three months.

These programs focus on global business expansion by creating customer value and the requisite leadership skills, moving us closer to our goal of becoming a major global player. In the GAP-K program in particular, time is set aside for participants to look at themselves objectively and gain a deeper understanding of the Hitachi Group Identity, in addition to learning and discussing strategies for global business expansion with a special emphasis on emerging markets.

Starting in fiscal 2014, we also initiated standard training courses for general managers and new managers, with around 4,300 people taking part across our global Group operations. As global human capital management evolves to realize Hitachi's management strategies, we will globalize our management development programs and continue to cultivate leaders to guide us toward further growth.

### Career Development Support

There are differences among individual employees with regard to what they find fulfilling in their lives and careers. Bearing this in mind, Hitachi has developed a broad range

of career development support that focuses on employees' "internal careers," namely, their individual values and views on the significance and meaning of their work. In addition to ensuring that these individuals can fulfill their potential and maximize their creativity, our aim is also to link that individual growth to the positive outcomes and growth of the organization, thereby enhancing our corporate value. Along with promoting self-understanding and fostering strong individuals with the independence and autonomy needed to think and act for themselves, we also are providing support to create a framework for the organization to benefit from the engagement and motivation of individual employees and to enhance mutual understanding as a way of fostering the teamwork needed to enhance organizational strength and performance.

### Future Initiatives for Career Development

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

### Conducting a Global Employee Survey

Since fiscal 2013, we have been conducting the annual global employee survey, Hitachi Insights, as a way of measuring employee engagement.\*1 In September 2015, the survey was administered for the third time. Around 210,000 employees worldwide were sent the survey in one of 13 different languages, and roughly 170,000 responses were received. For the second consecutive year, the results in all 13 categories improved compared to the previous fiscal year's results. The year-on-year improvements were the outcome of the in-house departments and organizations examining the results and implementing improvements, in line with the PDCA (plan, do, check, act) approach. We intend to continue making improvements.

Overall, among the 13 categories, Hitachi scored well as in previous surveys in "pride in your company" and "your supervisor's management," but less well for the category "resources and support." This suggests that employees are proud to be part of a company that is aiming to grow along with society through its Social Innovation Business, but that many employees felt that Hitachi can do better on the level of staffing as well as information and resource tools. In addition, in fiscal 2015 we expanded the range of an initiative begun in the previous fiscal year to directly send the survey results to section and department heads so that they



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can confirm the survey results and communicate with their team members, with the aim of promoting concrete initiatives. In fiscal 2016, in line with our Mid-term Management Plan, the content of the survey will be revised, along with providing support to in-house workplaces to continually implement the PDCA cycle, as a way to further enhance the level of engagement within Hitachi as a whole.

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

### Career Development in the Workplace

For Hitachi, the center of career development is the daily work that employees perform in the workplace. Based on our Global Performance Management (GPM), we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued, followed by the evaluation of the results to formulate the next objectives. Every fiscal year we also conduct “performance planning,” in which individual employees work with supervisor guidance and support, consulting with the supervisors to reach a consensus regarding short-term objectives. These consultations include discussions about past work and evaluations of the content of the work performed to date and the degree to which goals were met, followed by the setting of goals for the next fiscal year. Repeating the GPM cycle improves individual performance and further increases motivation and creativity. This in turn spurs individual growth and improves organizational results. Along with GPM, employees also take part in career consultations with their superiors to discuss their medium- and long-term career plans regarding such matters as requests for transfers or overseas postings.

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

### Promoting Career Development Workshops

Along with our workplace career development, we also provide direct support for individual career development through our career development programs. Our key program is the Hitachi Career Development Workshop (H-CDW), launched in fiscal 2002 as an initiative across Group companies in Japan. Around 8,600 people have participated in the program so far (as of March 31, 2016), with a focus on technicians, managers, and researchers in their 30s. Participants use self-analysis to deepen their self-understanding with an emphasis on their “internal careers,” affirming their career direction, goals, and paths so that they can direct the development of their own career and skills. H-CDW has gained recognition as a high-quality program for in-house career development that has built up research and improvements during a period of over 40 years.

In addition to those programs, Hitachi also offers programs targeting specific age groups, such as our career education for younger employees and our training for middle-aged or older employees to help them prepare for the changes ahead in their professional life.

### “Adventure Kids in the Company” Implemented

Hitachi’s Financial Systems Department is implementing a 10-day training program for all of its new employees called “Adventure Kids in the Company” that involves explaining the financial systems profession to sixth-year elementary school students. Under the training, the new employees formulate a plan for the program while receiving support from fourth-year employees acting as “team leaders.” They then create presentation materials based on interviews with mid-level managers recommended by each section head regarding “work they consider meaningful.” The department head also takes part in meetings where the first-year employees refine the content of their presentations before giving them to the students to convey the joy of work.

For the new employees, preparing a presentation geared to the understanding of elementary school students, within a limited timeframe, helps them to assimilate the key concepts of quality and deadlines—essential to the financial systems sector that supports social infrastructure. The process is also a way for the newcomers to learn about client relations while building rapport with colleagues who entered the company before them.

The team leaders, for their part, gain insight into the challenge of management through the team coordination experience. The program allows participating managers to look back on past experiences and gain new perceptions from them. Finally, for the section heads who choose participants from among the young employees and managers, the program is part of their ongoing responsibility to choose the most appropriate employees for a given task. In these ways, the program brings together various levels of the organization in an ongoing project.

The program was launched in 2009. To date, 338 new employees have participated, as well as 47 fourth-year employees and another 47 managers.

## Fair Operating Practices

### > Hitachi's Aims

There is a growing idea that companies should build their businesses with a view to promoting CSR throughout the supply chain, not just around the company's operations. This view informs such global initiatives as the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD) and the United Nations' Global Compact and Guiding Principles on Business and Human Rights.

In seeking to be a company that continually fulfills its social responsibility throughout the value chain, Hitachi strictly adheres to laws and regulations and acts in a moral and fair manner with all its business partners. We thoroughly promote the compliance of our employees in all business activities, including procurement, manufacture, sales, export, and taxation. By enhancing activities to raise our suppliers' awareness, we are advancing the creation of a framework and fostering a corporate culture to carry out ethical actions and fulfill our social responsibility together with our business partners.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
· Contribution to continuation of Hitachi's operations by working with suppliers to secure supplies	· Establish procurement BCPs at production sites outside Japan · Identify bottlenecks and develop countermeasures; conduct BCP surveys of suppliers	· Established BCPs at 118 targeted production sites outside Japan	★★★	· Regularly update information on parts and suppliers
· Reinforcement of supply chain from global perspective	· Consider supply chain management based on survey results	· Held seminar for suppliers in Shanghai as part of capacity building; 15 people from 12 companies attended · Conducted human rights due diligence at procurement division	★★★	· Implement measures based on the results of the fiscal 2015 human rights due diligence

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

## 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.



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## Preventing Bribery and Corrupt Practices

### Measures to Prevent Bribery and Corrupt Practices

To deal with global bribery and corruption risks, in fiscal 2013 we referred to the *US Foreign Corrupt Practices Act Resource Guide*\*1 and other documents to develop various corruption risk scenarios. These were used as the basis for a survey conducted at Hitachi Group companies outside Japan. By analyzing the survey results, we identified several companies at risk from corruption. We are monitoring and working with those companies with the goal of reducing corruption worldwide.

In 2015, we also created a set of revised rules regarding prevention of bribery and corrupt practices, which were globally adopted by Hitachi Group companies. That same year, we released a global version of an e-learning program regarding the fundamentals of preventing bribery and corrupt practices to be utilized among Group companies worldwide.

\*1 The US Foreign Corrupt Practices Act consists of antibribery provisions regarding foreign government officials and transparent accounting provisions within the Securities Exchange Act. Enforced by the Department of Justice, it prohibits bribes to foreign government officials. Transparent accounting, enforced by the Securities and Exchange Commission, requires companies to show transactions fairly and accurately in their accounting records and to maintain effective internal control over accounting.

## 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 disciplined competition. However, Hitachi, Ltd. was found to have impaired the fairness of a public bid in fiscal 2002 and was penalized in September 2006, October 2008, and March 2009 for violating the Japanese Antimonopoly Act.

In November 2012, a subsidiary dealing in automotive components was penalized by the Japan Fair Trade Commission for violating the Antimonopoly Act. In September 2013, the same company was prosecuted by the US Department of Justice for violating American antitrust laws, resulting in a plea bargain, and in January 2016 the company reached a settlement with the European Commission for a violation of EU competition laws.

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

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

## 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. 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.



## Engaging in Responsible Procurement

### Hitachi's Approach

International initiatives like the UN Global Compact have prompted companies worldwide to give greater thought to CSR and green procurement under which they take social and environmental concerns into consideration when selecting suppliers, thereby strengthening CSR activities throughout the supply chain.

As a company that procures products and services from suppliers in regions and countries around the world, Hitachi was quick to introduce policies on CSR and green procurement. Moreover, Hitachi has taken the lead in responding to the issue of conflict minerals, which has been the focus of public interest in recent years, by scrutinizing the countries where raw materials are mined in order to prevent the infringements on human rights by countries engaged in conflict. Along with sharing our procurement policies throughout the Hitachi Group, we are conducting CSR- and environment-related inspections and audits of suppliers and stepping up awareness-raising activities.

### Supply Chain Management

#### Creating and Sharing Procurement Policies

We base our procurement activities on the Hitachi Guidelines for Procurement Activities, while sharing global supply chain issues within the Group. All Group companies follow these guidelines. The guidelines were created in line with the United Nations Global Compact and include the elimination of discrimination in employment and occupation as well as all forms of child and forced labor.

To help suppliers, as the codrivers of our operations, to understand Hitachi's supply chain management philosophy, we have distributed the *Hitachi Group Supply Chain CSR Deployment Guidebook*, revised in 2009, which is based on the *Supply Chain CSR Deployment Guidebook* issued by JEITA.\*1 The guidebook is given out to around 23,000 suppliers of our in-house and Group companies.

\*1 JEITA (Japan Electronics and Information Technology Industries Association): An industrial association for electronics technologies, electronic machinery, and information technologies.

### Guidelines for Procurement Activities

These guidelines define business transaction standards which shall be applied to all HITACHI executives and employees in connection with their activities purchasing necessary materials, products, services, and information from outside sources.

1. Overall procurement activities of Hitachi shall adhere to the "HITACHI Company Conduct Standards."
2. HITACHI shall maintain proper partnerships, mutual understanding, and reliable relationships with suppliers with a view to the long term results, giving due consideration to the following:
  - (1) HITACHI shall treat all suppliers impartially and be prohibited from favoritism such as giving unfair priority to any specific suppliers.
  - (2) HITACHI respects fair business dealings with suppliers and will avoid any improper act which might cause a loss to a supplier apart from normal and customary business transactions.
  - (3) HITACHI shall keep suppliers' trade secrets strictly confidential and prevent them from being revealed or improperly used.
3. HITACHI develops suppliers to maintain competitiveness from a worldwide point of view, with particular attention to the following points:
  - (1) HITACHI responds to all suppliers' offers sincerely, and is always willing to offer the information necessary for suppliers to compete on an even playing field.
  - (2) HITACHI shall periodically check and review suppliers' performance and will consider offering more advantageous business opportunities when comparison with other resources allows.
4. Through a designated selection process, and in compliance with the standards given below, suppliers shall be evaluated by product quality, reliability, delivery, price, suppliers' business stability, technical development ability, fair and transparent information release, compliance with societies' rules, regulatory compliance, respect for human rights, elimination of discrimination in respect of employment and occupation, elimination of all forms of forced and compulsory labor, environmental preservation activities, social contributions, good working environment, and recognition of social responsibilities with business partners.
  - (1) HITACHI shall not request quotations from suppliers with whom there is no intention to enter into a future business relationship.
  - (2) In accordance with specified internal procedures, the authority and responsibility for specifications, terms and conditions, and product acceptance and inspection belong to each Requester, Procurement Department, and Inspection Department.
  - (3) Procurement Departments shall represent HITACHI when contracting with suppliers.
5. HITACHI members are prohibited from receiving any personal gifts or offers from suppliers.

Revised in 2009



Guidelines for Procurement Activities



Procurement Policy



CSR/Green Procurement





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Fair Operating Practices Engaging in Responsible Procurement

## CSR Supply Chain Management Framework

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

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



### Number of Hitachi Group suppliers

(as of December 2015):

# 26,000

 companies (about 62 countries)

## Green Procurement

To procure parts and materials manufactured with reduced environmental impact, so that suppliers help to protect the environment, it is crucial that we share our commitment to environmentally conscious *monozukuri* craftsmanship throughout our entire supply chain. In fiscal 1998, we led the industry in developing Green Procurement Guidelines to define our basic position on procuring parts and products that do not have a negative impact on the global environment, as well as our requirements of suppliers, so that we can work together to promote green procurement. The guidelines set out supplier requirements for

environmental conservation, including building an environmental management system and acquiring certifications. There are also requirements for reducing the environmental impact of products supplied to Hitachi, such as conserving resources and energy in production, recycling, managing chemical substances, and fully disclosing related information.

There is a global trend toward tighter regulations on chemical substances. In fiscal 2013, we reviewed our categories for controlled chemical substances in our Green Procurement Guidelines to comply with the stipulations on restricted substances, authorized substances, and substances of very high concern (SVHCs) in Europe's Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulation for managing chemical substances within the European Union. Specific changes include: (1) moving some chemicals to the prohibited substances list, (2) further breaking down the controlled substances list, and (3) adopting the industry association list. The previous guidelines were revised to version 8.2 and distributed through in-house and Group companies to suppliers to ensure that they are fully informed. We have built A Gree'Net, an Internet-based green procurement system, to collect information about chemical substances contained in products and other environment-related data from suppliers as soon as it becomes available. The goal is to manage chemicals carefully. Under this system, we encourage suppliers to use the MSDSPlus\*<sup>1</sup>/AIS\*<sup>2</sup> reporting templates published by the Joint Article Management Promotion Consortium.\*<sup>3</sup> We also encourage them to use information transmission systems and to minimize the amount of labor.

\*1 MSDSPlus: A format for reporting chemical substances contained in products created by upstream companies (chemical manufacturers) for midstream companies (molded product manufacturers, etc.).

\*2 AIS: A format for reporting chemical substances contained in products created by midstream companies (molded product manufacturers, etc.) for downstream companies (assembly manufacturers, etc.).

\*3 Joint Article Management Promotion Consortium (JAMP): Established in September 2006 as a cross-industry promotion association of 17 companies endorsing the idea that "it is essential for the enhancement of industrial competitiveness to ensure proper management of information on chemical substances contained in articles (parts and final products), and to establish and popularize a concrete mechanism for smooth disclosure and transmission of such information in supply chains."



Hitachi Group Green Procurement Guidelines



Joint Article Management Promotion Consortium

**Response to the Conflict Minerals Issue**

The *Request to Our Suppliers*, based on the Conflict Minerals Procurement Policy that we released in September 2013, has been published on our website as a clear statement of our position.

**Hitachi Group Conflict Minerals Procurement Policy**

The Hitachi Group is committed to responsible procurement practices to mitigate the risk of sourcing conflict minerals (tantalum, tin, tungsten, and gold) that can directly or indirectly finance armed groups abetting human rights violations in the Democratic Republic of the Congo (DRC) and adjoining countries. The Hitachi Group Procurement Division strives to establish a sustainable supply chain that eliminates procurement of materials and/or parts using conflict minerals. Our efforts are to continue procurement of minerals from responsible sources in the region and are not intended to implement a ban on procurement of minerals from the DRC and adjoining countries.

**Request to Our Suppliers**

To do so, it is important to enhance supply chain transparency and to strengthen responsible procurement of materials and parts. Therefore, we expect our suppliers to agree to our Conflict Minerals Procurement Policy and to cooperate with us in our efforts to ensure procurement of conflict-free minerals. In accordance with the Dodd-Frank Act\*1 and the OECD Guidelines for Multinational Enterprises,\*2 companies are required to conduct a reasonable country of origin inquiry and to exercise due diligence covering the entire supply chain to determine whether final products include conflict minerals which benefit armed groups.

The Hitachi Group will examine its supply chain through a collaborative industrywide approach by utilizing the tool developed by EICC-GeSI.\*3 We expect our suppliers to adhere to our Conflict Minerals Procurement Policy and to cooperate with our supply chain investigation.

As improved processes are introduced to eliminate conflict minerals from the supply chain, we will ask our suppliers to comply with such programs once they are developed, proven, and established (i.e., expansion of the Conflict-Free Smelter\*4 list, which is under implementation by EICC-GeSI). The Hitachi Group will continue to engage in industry efforts to develop methods to build a stable, conflict-mineral-free supply chain.

\*1 Dodd-Frank Act: The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into federal law by President Barack Obama on July 21, 2010.

\*2 OECD Guidelines for Multinational Enterprises: Government recommendations for multinational corporations operating in or from the Organisation for Economic Co-operation and Development (OECD) countries to adhere to their guidelines.

\*3 EICC-GeSI: Nonprofit organization of members in the information and communications technology (ICT) industry.

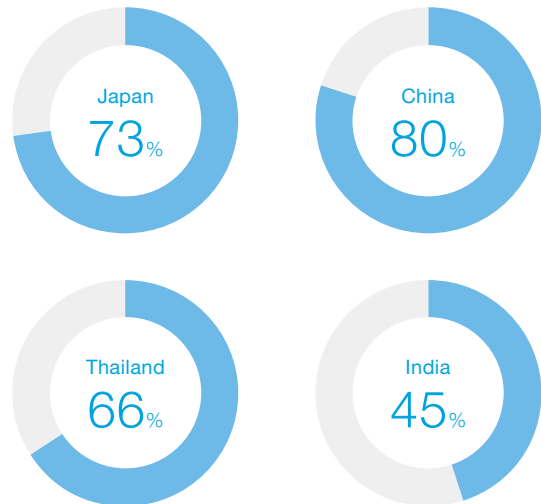
\*4 Conflict-Free Smelter: A smelter or refinery that does not handle conflict minerals.

**Strengthening Global Partnerships**

A key element of the Hitachi Group Vision is to improve the competitiveness of our value chain based on partnerships with our suppliers. Given our business aim to expand internationally, we need to extend our procurement globally, looking toward increasing local production for local consumption. In fiscal 2011, we appointed procurement officers to oversee local procurement in China, the rest of Asia, Europe, and the Americas.

A global supplier database built in fiscal 2013 was followed in fiscal 2014 by a new global procurement scheme using the Group's professional service functions (Hitachi High-Technologies Corporation, Hitachi Capital Corporation, and Hitachi Transport System, Ltd.). We are expanding our suppliers in emerging nations while also strengthening our response to CSR-related risks expected to arise from the global expansion of our supply chain.

**Rate of Local Procurement of Materials for Main Countries**




### Implementation of CSR Monitoring (Self-Checks)

To monitor how well Hitachi's CSR supply chain management philosophy has been adopted by our suppliers, since fiscal 2007 we have asked key suppliers to conduct CSR Monitoring (self-checks) using the *JEITA Supply Chain CSR Deployment Guidebook* and detailed checklists. After collecting and analyzing the results, we provide feedback for the business operations related to the suppliers, and then work with those involved in the operations to resolve issues related to the suppliers. Since fiscal 2011, we have expanded the scope to include suppliers in China and the rest of Asia, and in fiscal 2015 we asked 218 suppliers outside Japan to conduct CSR Monitoring.

#### Self-Check Results

FY	Suppliers in Japan	Suppliers outside Japan	Total
2011	0	102	102
2012	57	41	98
2013	55	45	100
2014	0	200	200
2015	0	218	218
Total	112	606	718

### Implementation of CSR Audits

Since July 2012, we have been auditing suppliers in China and the rest of Asia. In fiscal 2015 as well, we conducted CSR audits of 20 suppliers , all of them in China. For these audits, we engaged the experienced CSR auditing company Intertek Certification. Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI), an American CSR evaluation institution. These audits investigate our workplace practices, and an EICC-recognized auditor checks suppliers' CSR initiatives from the perspectives of labor and human rights, health and safety, the environment, and ethics.

In fiscal 2015, audit results revealed no major infringements at the 20 suppliers, but made note of some small areas needing improvement, such as overtime work exceeding stipulated rules (17 suppliers), failure to conduct periodic inspections of machinery and equipment (12), and insufficient management of hazardous waste (15). We have mandated that these suppliers submit improvement action plans and will be working with and advising them until they complete the planned improvements.

\*1 Intertek Certification: With a presence in over 100 countries across the globe, the Intertek Group provides a wide array of certification services in every industrial field.

### Increasing Green Purchasing of Office Supplies

We are improving our green procurement rate—the ratio of environmentally conscious products purchased to total office supplies—by using a Group-wide online procurement system: the E-sourcing Mall. This system has a range of environmentally conscious products and promotes procurement by clearly labeling these products. In fiscal 2015, our green purchasing rate reached 87%.

### Human Rights Due Diligence in Procurement

Starting in fiscal 2015, the Hitachi Group Procurement Division began implementing human rights due diligence based on the Hitachi Group Human Rights Policy. In the current fiscal year we requested the consulting services of the nonprofit organization Shift for the creation of a working group centered on the procurement and CSR divisions at Hitachi, Ltd., which serve as the corporate divisions overseeing activities throughout the Group, including the procurement and CSR divisions of two in-house and four Group companies and the CSR division of Hitachi Asia Ltd. The working group has evaluated human rights risks within the supply chain, set priorities, and considered measures for reducing risks. Starting from fiscal 2016, plans call for Hitachi to update existing policies and its guidance document based on the results of the fiscal 2015 due diligence, and also to introduce concrete measures such as incorporating human rights initiatives within its ordinary procurement operations.





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Customers (Consumer Issues)

## Customers (Consumer Issues)

### ▶ Hitachi's Aims

Under the Hitachi Group Codes of Conduct, we have worked to provide high quality and safe products and services and to prioritize the customer's perspective. The Hitachi Group provides a broad range of products and services extending from household electronics to social infrastructure, and we strive to expand our lineup to address the needs of our clients and issues facing society. We feel it is important to contribute to building societies where everyone can enjoy a lifestyle of convenience and comfort, and toward this goal we are working to respond to the diverse needs of customers regardless of factors such as age, physical and mental abilities, economic circumstances, and cultural background.

We develop products and services with which customers will be satisfied and which can be used with confidence while also striving to improve their accessibility. We also respect the rights of customers and are working to provide accurate information about our products and services while strictly managing customer information.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
· Infiltration and embeddedness of QF (Quality First) mindset and sense of responsibility and efforts to strengthen implementation	· Implement <i>ochibo hiroi</i> , analyzing root causes of product accidents and reviewing preventive measures with the needs of customers foremost in mind	· Implemented <i>ochibo hiroi</i> at 85 offices worldwide	★★★	· Implement <i>ochibo hiroi</i> , analyzing root causes of product accidents and reviewing preventive measures with the needs of customers foremost in mind
· Improvement of corporate website accessibility in keeping with 2010 revisions of Japan Industrial Standards	· Conduct two training/briefing sessions in Japan · Conduct training/briefing sessions at five locations outside Japan · Promote use of guidelines for regional portal sites	· Conducted two training/briefing sessions in Japan · Conducted five training/briefing sessions at four locations outside Japan · Re-examined the corporate website for accessibility	★★★	· Conduct an annual training session in Japan · Annually update information and distribute materials for online conferences at various locations outside Japan

★★★: Achieved   ★★: Partially achieved   ★: Not achieved



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Customers (Consumer Issues) Pursuing Customer Satisfaction

## Pursuing Customer Satisfaction

### Hitachi's Approach

As a company that offers a broad range of products and services, we believe it is important to engage in corporate activities with the general public in mind, not just the corporate and individual consumers with whom we deal directly.

To improve customer satisfaction (CS), we have created the Customer Satisfaction Management Guidelines. We share customers' thoughts obtained through direct dialogue, customer service counters, and other means within the relevant divisions and reflect these in our management, products and services, and solution strategies. We also look to disseminate information through our advertising and public relations activities in a truthful and appropriate manner that does not mislead customers or in other ways that may adversely affect society, such as by reinforcing human rights infringements.

### Customer Satisfaction

#### CS Improvement Activities

Using the Customer Satisfaction Management Guidelines, one of the pillars of the company's business management, Hitachi continues to improve CS with the goal of creating innovation through collaboration with customers.

#### Customer Satisfaction Management Guidelines

1. Listen to our customers, who determine the value of products and services
2. Review information from our customers is another source of improvement
3. Offer prices and quality that are competitive
4. Respond rapidly to keep our promises to our customers
5. Adopt systems that prevent accidents and minimize their impact

Formulated in 1994

#### Reflecting Customers' Voices

Our sales and marketing division uses customer input in developing management, product, and solution strategies. We identify key customers who will help grow our business, then assign an account manager (AM) to each one. The AMs serve as customers' "portals" into Hitachi Group companies in Japan, and the whole Group works with them to build closer relations with customers and to boost customer satisfaction.

Our Hokkaido, Tohoku, and Shikoku area operations hold executive seminars for local customers. Through direct dialogue with customers participating in our seminars and lectures, we incorporate their expectations for Hitachi and their opinions into product strategies.

We also hold the Hitachi Social Innovation Forum, which includes lectures, business sessions, seminars, and exhibits showcasing new businesses and initiatives targeting social innovation. Project leaders explain details to customers to deepen their understanding of Hitachi's business. We use feedback from this forum to improve our operations.

Our R&D Technology Community program provides opportunities for creation through collaboration with customers. Project leaders invite customers to their research labs to see exhibits of products and systems currently being developed.

#### Applying Advertisement Guidelines

Based on its Customer Satisfaction Management Guidelines, Hitachi, Ltd. applies advertisement guidelines to ensure that its advertising activities comply with laws and regulations showing proper consideration for society as a whole. We will continue to create advertisements that reflect ongoing changes in society, that provide customers with clear and concise messages, and that are appropriate for a company committed to contributing to society.

As issues that arise from advertisement activities can have broad impact on the company, we have established in each business unit a framework for evaluating the expressions in advertisements that stands independent of the ad production process. Following this institutional check, we also evaluate advertisements to ensure that they are socially appropriate.

We designed our advertisement guidelines to be flexibly adjusted and applied to the entire Hitachi Group's diverse operations. At our business locations outside Japan in particular, we strive to ensure appropriate advertising activities by confirming all items on the checklist included in the guidelines.

### Providing Customer Support Online

Hitachi offers comprehensive customer support on its website. This enables us to process customer inquiries, opinions, requests, and complaints—in collaboration with the customer support offices of Hitachi Group companies in Japan—to improve our business operations, as well as our products and services. We also conduct training courses to provide better handling of these inquiries.

As one initiative, we have been holding the Web Inquiry Responsiveness Improvement Course since fiscal 2009. In fiscal 2015, 52 Hitachi Group company employees took the course (bringing the cumulative total to 701 participants), which features case studies on responses to inquiries. Going forward, we will strengthen coordination among Group companies to respond more quickly and effectively to customer inquiries, using the website as an important contact tool.

### Improving Customer Satisfaction in Electric Home Appliances

The Electric Home Appliances Customer Satisfaction Division has enabled the expansion of Hitachi's business from electronic and electric equipment to the environment business by drawing up a vision for environmental value creation, actively promoting various service areas.

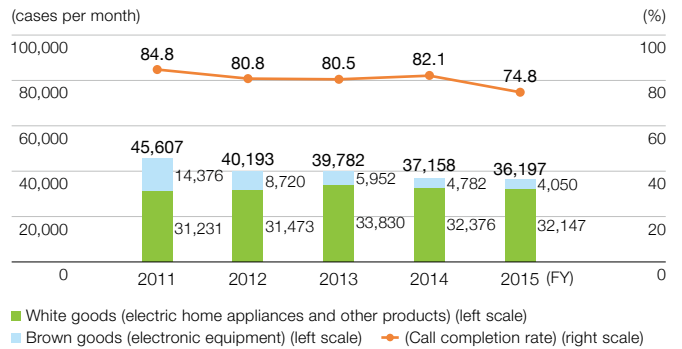
Our call center and website handle about 2.31 million customer inquiries, repair requests, and complaints about washing machines, LCD TVs, and other appliances per year.\*1 We have undertaken a number of initiatives to better respond to inquiries and to reflect customer feedback in our *monozukuri* craftsmanship, including improving the contact success rate by using outsourcing; creating a database of customer feedback, including consultations, inquiries, and complaints; and enhancing our website's FAQ section.

We also conduct semiannual customer service evaluation surveys at approximately 90 service centers in Japan. Based on the answers, we improve services through CS training courses and other programs.

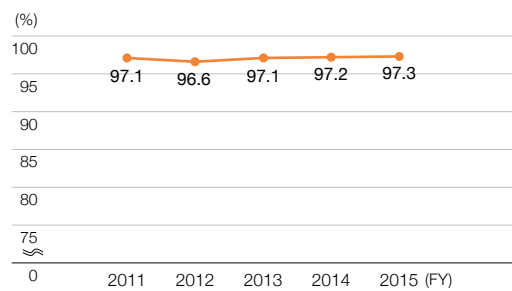
With the expansion of Hitachi's markets outside Japan, sales offices have been opened in nine countries in Asia and the Middle and Near East. We are also working on unifying management of operations outside Japan.

\*1 Since fiscal 2013, technical inquiries from suppliers and parts orders have been excluded from these statistics.

#### Customer Contact Cases, Call Completion Rate (12-Month Average) ✔

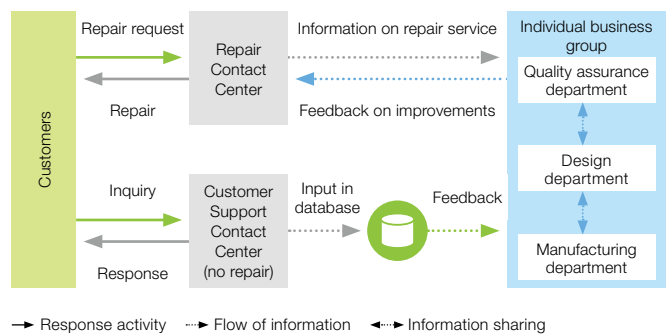


#### Results of Evaluation Survey for Customer Repair Services (Customer Satisfaction) ✔



Notes: Evaluation survey for 2015 carried out in June–August 2015 (35,400 respondents; 38.8% response rate) and December 2015–February 2016 (28,800 respondents; 37.9% response rate).

#### Flow of Customer Service





## Ensuring Accessibility to Products and Services

### Hitachi's Approach

ISO 26000 provides guidelines for corporate social responsibility. It identifies such core consumer issues as “fair marketing, factual and unbiased information” and “access to essential services” and calls on corporations to actively take measures addressing these. It is the base of our CSR management framework, and in applying it we are working to improve our products and services to make them broadly accessible to society through such activities as the appropriate disclosure of product information and the promotion of universal design. In addition, to support the growth of emerging economies we are developing products and services to meet new social needs and carrying out our Social Innovation Business while also engaging in active marketing and other activities.

### Universal Design

We promote universal design (UD) with a focus on three aspects of our products: their quality of use, their accessibility, and their entire life cycle. Quality of use means focusing on the traits that make people feel that the product is easy and enjoyable to make a part of their lives. Accessibility refers to the range of people who can use a product or service. And the life cycle covers all the customer-relevant stages of the value chain, from product purchase through to disposal.

We conduct basic research on users' behavioral and cognitive characteristics to formulate UD guidelines and reflect these in product development, incorporating input from users and experts at every stage. The information obtained during product development goes into a database shared by our businesses in Japan. We also distribute some of this information externally to promote open-source standardization and education.



### Increasing UD Products in Digital and Home Appliances

We define people as customers as soon as a product interests them, and therefore make a point of considering UD concepts in all stages, from presales to disposal. Key attributes are usability, features, harmony with the environment, safety, and maintenance. Our intention is to provide products that suit the physical capabilities and lifestyles of all customers and are appreciated for a long time.

Our UD focus extends beyond products to include product manuals. For example, to allow the visually impaired to use our products safely and easily, we are working with the NPO Kanagawa Information, Employment, and Welfare Network for the Visually Impaired (View-Net Kanagawa) to make our manuals available as audio text files.

The entire manual, including photographs, diagrams, and tables, is converted into a text file that can be played aloud using text-to-speech software (a screen reader for the visually impaired) and made available online. The text files are created based on feedback from visually impaired people who have operated and verified product use while listening to the instructions.

We have also launched a range of measures to improve the accessibility of increasingly complex electronic consumer appliances for the elderly and disabled. DVDs providing clear explanations on product use are included with products, while some products have Japanese Braille labeling on their buttons.



Instruction DVD.



Verifying audio text files for product operation.

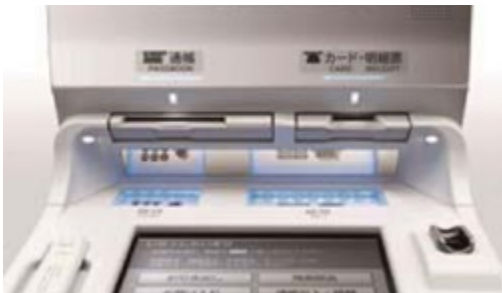
**Bringing UD to Public Equipment and Systems**

Public equipment and systems are used by a large number of people, including children, either individually or collectively, in public spaces like government buildings, stations, railways, and hospitals. Product design must address not only ease of use but also security, privacy, and safety.

For example, our automated teller machines (ATMs) include considerations and ideas based on a human-centric approach aimed at producing a machine that a range of people can operate in the same way with ease and without any particular concern. The arched guide frame leads hands naturally toward the card, bankbook, and cash slots. The open space below the user panel has been substantially deepened to improve wheelchair access.

The screen interface, designed to be easier to use regardless of differences in color vision, has received Color Universal Design certification\*1 from the NPO Color Universal Design Organization (CUDO).

\*1 CUDO Color Universal Design certification: Granted where the color schemes used in products and facilities, etc., are tested and found to be consistent with CUDO standards for color UD, the concept of designing products and facilities for universal ease of use, regardless of people's differences in color perception. The aim of the CUDO certification system is to contribute to the public good by creating a society that accommodates individuals' differences.



An arched guide frame leads hands naturally toward the slots.



An inset front face below provides better wheelchair access.



A display screen accommodating color vision differences.



AKe-S next-generation ATM.

**Increasing UD Products in Web and Information Systems**

Web and information systems are essential for gathering information and communicating. For users with disabilities who have difficulty accessing information, it is particularly important to make systems accessible, usable, and secure. Hitachi promotes UD that ensures accessibility in our web and information systems by using the international Web Content Accessibility Guidelines (WCAG) 2.0.\*1 Examples include screens and layouts that are easy to read, compatibility with screen readers that read content out loud, and a feature that allows people to alter font size and color.

The Assistance for Color Generation by CSS3 (CSS3 Generator) tool uses CSS3,\*2 enabling the rendering of gradation, shadows, glow effects, font bordering, rounded corners, and other effects that allow more people to create web pages efficiently without factoring in colors or using images. This tool makes it easy to choose colors that can be differentiated regardless of color vision. Hitachi has made this tool available for free so that it can be used by screen designers and systems developers.

\*1 WCAG 2.0: Guidelines created by the World Wide Web Consortium (W3C) that form the basis of the Japanese Industrial Standard on information communications and Web content. The International Organization for Standardization (ISO) adopted these guidelines as an ISO/IEC 40500:2012 standard on October 12, 2012.

\*2 CSS3 (CSS Level 3): An additional specification for the W3C's Cascading Style Sheets (CSS), a language for describing the rendering of HTML and XML documents.



Screenshot of the Assistance for Color Generation tool.



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Customers (Consumer Issues) Ensuring Accessibility to Products and Services, Ensuring Thorough Management of Quality and Safety

## Product Safety Information Disclosure

### Information Disclosure for Safety

Hitachi's Product Safety Assurance Guidelines state that our highest priority is the safety of our customers, and we have established activity guidelines for safety across the Group.

As changes in social norms and the environment bring about the need for higher standards of safety, we are crafting even higher safety standards by having the Hitachi Group's risk assessment team share the latest practical cases within the Group and evaluate the safety activities related to each product.

Moreover, we are also proactively working to disclose safety information on the use of our products and improving risk communication with our customers by establishing the Guide for Preparing User Instruction Manuals.

## Adaptation for Emerging Markets

### Product and Service Adaptation for Emerging Markets

As a consequence of their rapid economic development, emerging markets face issues including food shortages, poverty, and environmental and energy concerns, which are attributed to urbanization and population growth. In an effort to seek solutions to these social issues, we are expanding our Social Innovation Business globally.

Economic growth and rising incomes in India have made bolstering the nation's financial infrastructure a top-priority issue, and the Indian government is promoting measures to expand access to financial services throughout the country, including in rural communities. Hitachi has entered India's payment services market by acquiring a major domestic firm with a proven record in automated teller machine (ATM) services, including monitoring, maintenance, and support in optimizing installation for better location selection and further efficiency. Pairing the local company's knowledge of the markets with our big data analytic technology has enabled us to increase our services nationwide. As of March 2016, we manage over 50,000 ATMs and over 270,000 point of sale (POS) service devices.

The introduction of our payment services business represents a change in direction for our operations in India toward more complete financial solutions. In contrast to developed countries, where FinTech\*<sup>1</sup> such as cashless settlement services is widely available, the need for ATM-centered financial services is expected to continue as emerging markets are heavily reliant on cash payments. Moving forward, we plan to expand our financial services business in Southeast Asia and other emerging countries.

\*1 FinTech: A portmanteau of financial technology, describing convenient and innovative financial services using IT created from the point of view of customer needs.

## Ensuring Thorough Management of Quality and Safety

### Hitachi's Approach

Meeting the quality standards our customers expect and providing products and services they can use with confidence are the management themes cited at the beginning of the Hitachi Group Codes of Conduct that each employee strives to fulfill as a promise to society. We are establishing thorough quality assurance measures from the design and production stages through after-sales service, as well as working to ensure a quick response and proper information disclosure in the event a problem emerges. In addition, as production and other operations increasingly take place outside of Japan, we giving importance to quality assurance in our global human resource development activities, and we are working to expand our current programs.

### Quality Assurance Activities

#### About Our Activities

Based on the Corporate Credo of contributing to society through the development of superior, original technology and products, Hitachi is engaged in the *monozukuri* craftsmanship with quality and reliability as top priority. An integral aspect of this is *ochibo hiroi*, Hitachi's traditional approach meaning "gleaning" in English, through which we learn from failure and further develop our technologies. In practice, when an accident occurs, we not only investigate the technical cause of the accident but also have an executive officer in charge and relevant staff members thoroughly discuss the process, framework, and psychological factors of the incident in order to improve our product reliability and customer satisfaction. To ensure quality and reliability, we enhance our quality assurance activities from the perspectives of organization and management, technology, and human resources in every process—from planning, development, design, manufacturing, and delivery to maintenance—in order to perform our safety-driven brief.

From fiscal 2010 to 2015 we promoted Group-wide measures to ensure product safety, compliance with laws and regulations, human resource development, and quality improvements. To realize our fiscal 2018 Mid-term Management Plan, from fiscal 2016 onward we are steadily working to improve the quality of services and the reliability of our products for quality, as well as to promote the reduction of loss costs with better quality management.

**Intensive Risk Assessment**

Hitachi is committed to the quality, reliability, and delivery of safe products and services by combining expertise and technologies in such varied areas as planning, research, design, manufacturing, quality assurance, and maintenance. The safety of our customers' life, health, and property is the top priority in product development. Therefore, we verify safety at every step, from development and production to sales and maintenance, and conduct risk assessments from a wide perspective in collaboration with related business units and research laboratories.

**Complying with Technical Laws**

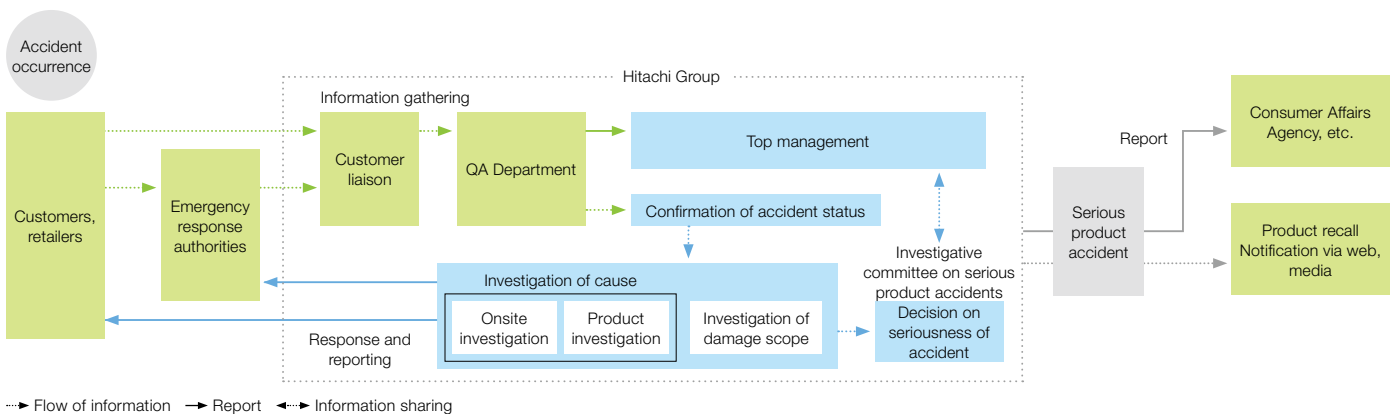
To supply our customers with products that they can use with confidence, we comply with all product safety and technical laws, including those covering environmental

consciousness and safety labels. We distribute information on product regulations worldwide, along with amendment trends and enforcement dates, among Hitachi Group companies. We have also created guidelines for assessment of technical laws and quality assurance systems, sharing them throughout the Group. The guidelines focus on clarifying product-specific laws (the product-specific laws map); on regulatory compliance activities and continuous improvement of processes, based on our compliance management system; and on compliance education, as well as raising compliance awareness.

**Handling Product Accidents**

When a product accident occurs, the division responsible acts swiftly to resolve the problem from the customer's perspective. For an especially severe accident, we report to government agencies in line with legal requirements and publish the incident information on our website and through other channels. At the same time, we promptly submit a status report to top management, ensuring fast and appropriate action at all companies across the Group.

**Response Flow in the Event of Product Accident**



**Quality and Reliability Education**

We conduct various technical lectures for engineers engaged in *monozukuri* craftsmanship, beginners and experts alike, in the field of the Weibull, FTA, and FMEA analysis methods in addition to product safety. In addition to these lectures, we initiated training on reliability improvement to foster instructors from November 2014 to August 2015. The content of the training extended from the Founding Spirit and lessons learned from accidents to our distinct approach, *monozukuri*, which makes Hitachi special. As of August 2015, we have trained over 200 instructors, who are passing on Hitachi's *monozukuri* to the next generation of engineers.

Each business unit also conducts specialized technical courses regarding manufacturing, quality assurance, and maintenance at their quality assurance training centers.

**Ensuring Home Appliance Safety**

We are reducing consumer appliance accidents to near zero levels in line with Hitachi's Customer Satisfaction Management Guidelines, which set avoidance of all accidents as the baseline. For example, since fiscal 1987 we have been testing worst-case scenarios, such as deliberately setting a fire inside a product to confirm that the fire will not spread outside it. Since fiscal 2006, we have also been conducting

product safety risk assessments at the development stage, creating “accidents” that might be caused by misuse.

We will continue to make all our consumer appliances even safer, using our own voluntary action plan for product safety, so that customers can use our products with confidence.

**Training Global QA Personnel in Asia**

As local production has been growing in Asia, we are carrying out training to ensure that products from the region meet Hitachi’s global standard of quality. For example, we host conferences for QA managers in China and Thailand, where we have a large number of manufacturing sites, to raise quality awareness with regard to Hitachi’s *monozukuri* craftsmanship and to share information and best practices.

Additionally, to help employees in quality assurance become global players and improve their level of quality management, we provide three levels of training courses in Beijing, Shanghai, and Guangzhou in China and in Bangkok, Thailand: the Basic Reliability Course,\*1 Intermediate Reliability Course,\*2 and Advanced Reliability Course. In the Advanced Reliability Course, managers and senior managers hold group discussions on past product accidents to investigate the causes, including process-related, organizational, and psychological factors, and the discussions help them enhance their ability to identify issues and craft solutions.

\*1 Basic Reliability Course: Deepens understanding of Hitachi’s *monozukuri* craftsmanship, quality management, and labor safety.

\*2 Intermediate Reliability Course: Improves understanding of more practical issues, including Hitachi’s *monozukuri* craftsmanship, ISO 9001 certification, defect elimination, design for reliability, and purchase management.

**Rigorous Information Management**

**Web Marketing**

Hitachi utilizes online platforms, including the corporate website and social media, to promote its business and enhance customers’ understanding of Hitachi as part of developing the Social Innovation Business globally. The use of these platforms requires effective risk management to protect our brand and to prevent violations of human rights. To this end, we have established the Hitachi Disclosure Policy, the Global Information Security Administration Rules, and the Social Media Guideline as guidance tools, sharing them with Group companies worldwide.

Additionally, Hi-CRM, Hitachi’s customer relations management system, has been applied to 194 Group companies to collect and accurately manage customer information Group-wide, in addition to serving as a marketing tool. Hi-CRM covers 66% of the orders received across the whole Group, with the database enabling us to formulate more effective sales strategies and offer collaborative solutions by multiple businesses. We are currently considering rolling out the system more aggressively across the Group.

**Protecting Personal Information**

We established a personal information protection management system based on our Personal Information Protection Policy. Through the rollout of this system, as well as the safe handling of personal information, e-learning programs for all employees, and periodic audits, we are ensuring protection of personal information throughout the company.

We are also establishing a management system and defining internal regulations in line with legal requirements to appropriately manage information related to Japan’s My Number taxpayer identification system, which the government introduced in January 2016.

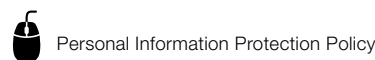
Hitachi experienced no leaks of personal information during fiscal 2015.

**Privacy Mark\*1 Certification**

Hitachi, Ltd. first received Privacy Mark certification in March 2007. We have maintained the high level of privacy protection needed to renew this certification five subsequent times, most recently in March 2015. We are making every effort to ensure our sixth consecutive certification in March 2017. The entire Hitachi Group is committed to personal information protection, with 57 Hitachi Group companies in Japan having received the Privacy Mark as of May 2016. In July 2009, the Corporate Hospital Group in Japan also gained Privacy Mark certification. This group is working hard to protect and carefully handle the personal information of its patients and others. Hitachi also strives to safeguard personal information globally at Group companies outside Japan based on the Personal Information Protection Policy and by adhering to all applicable laws and regulations, including social requirements.

Again, Hitachi experienced no leaks of personal information during fiscal 2015.

\*1 Privacy Mark: A third-party certification established in April 1998 that is granted by the assessment body Japan Information Processing Development Corporation to businesses that have taken appropriate security management and protection measures related to personal information.





# Community Involvement and Development

## Hitachi's Aims

Corporations interact with a diverse community of stakeholders through their onsite operations. In working toward a sustainable society, modern corporations are expected to recognize the value of community interaction and utilize their operational strengths in actively supporting the local community through projects that bolster involvement and development at the local level.

As a good corporate citizen, Hitachi is carrying out a diverse range of community activities and advancing coexistence with society, such as through youth development, creation of cultural diversity, assistance for local community development, and environmental preservation.

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
· Examination and implementation of measures to establish longer-term relationship with communities in which Hitachi operates	· Plan, implement, and review activities that serve as precedents	· Implemented research and analysis of in-house activities that serve as precedents	★★	· Construct framework for activities
· Implementation of community support activities	· Conduct programs by or for Group employees · Conduct independent programs in collaboration with Group companies · Have each Group company and business unit conduct independent community support programs	· Group employee volunteers conducted Universal Design (UD) Educational Programs at 38 schools in and outside Japan · Held seven Hitachi Science Seminars in collaboration with Group companies · Implemented 113 community support programs during Hitachi Volunteer Day—a month of social contributions by the entire Group	★★★	· Continue with independent community support programs of each Group company and each business unit
· Implementation of policies to cultivate human resources in developing countries	· Hold 13th Hitachi Young Leaders Initiative (HYLI)	· Held HYLI in Manila, Philippines, with the participation of 31 university students from seven ASEAN countries and Japan	★★★	· Prepare for 14th HYLI
	· Examine and implement exchange program with students from Asian University for Women (AUW)	· Implemented internship for one AUW graduate	★★★	· Continue exchange program with AUW

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

## Promoting Sustainable Community Involvement and Development

### Hitachi's Approach

Our diverse operations span the globe and involve a wide range of communities. In order to participate in a community, establish a longer-term relationship with it, and contribute to its development, we feel it is important to strategically

pursue social contribution activities and to establish sustainable goals. We have formulated a policy on social contribution activities and are carrying out a wide variety of activities across the Group.



**Social Contribution Activities**

**Policy on Social Contribution Activities**

In fiscal 2014, we revised our policy on social contribution activities based on our own CSR management framework. With the new Group-wide policy on social contribution activities, we will proactively promote our activities. The engine of our various businesses including social innovation is not only driven by Hitachi's efforts to build a relationship with communities as a corporate citizen but also by our employees' flexible mindset and motivation brought about by volunteer activities. We believe that these initiatives enable us to contribute to the development of sustainability in both our business and society as a whole.

As one of Hitachi's global efforts, we introduced the Hitachi Volunteer Day in 2012. To mark the International Volunteer Day on December 5 each year, we set every November and December as a period during which we further encourage our employees to organize and take part in a broad range of volunteer activities to contribute to their communities.

In fiscal 2015, Hitachi and the Hitachi Global Foundation provided 2,057 million yen in funding toward social contribution activities worldwide.

**Policy on Social Contribution Activities and Statement**  
**Policy on Social Contribution Activities**

The Hitachi Group promotes interactive communication with local society through social contribution activities related to business activities, employee volunteers, and charitable activities in the key fields of human development, the environment, and community support.

**Statement**

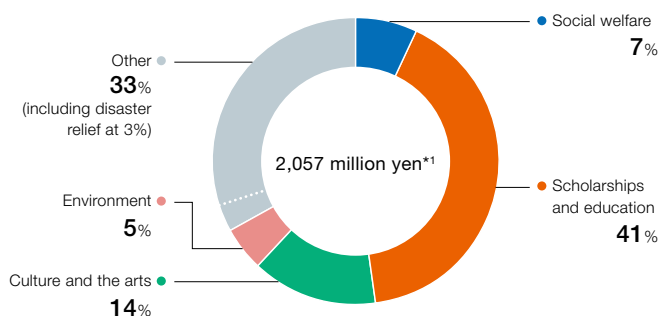
**"Nurturing People, Connecting to the Future"**

The statement was set down to succinctly express and convey the meaning of the policy to as many people as possible.



**Key Indicators**

**Breakdown of Funding for Social Contribution Activities**



\*1 Japan: Hitachi, Ltd., 137 Group companies, and the Hitachi Global Foundation.  
Outside Japan: 244 Group companies.

**Classification According to LBG Guidelines**

We conduct surveys of social contribution activities by applying three categories of motivation based on the LBG\*1 measurement framework, namely charitable gifts, community investment, and commercial initiatives in the community. Hitachi continues to focus on ways to strategically align its social contribution activities with its business, with efforts toward this end including continued charitable activities and increased community investment across the Hitachi Group.

**Ratio of Social Contribution Activities Based on LBG Guidelines (monetary basis)**

	Fiscal 2014	Fiscal 2015
Charitable gifts	80%	80%
Community investment	18%	16%
Commercial initiatives in the community	2%	4%

\*1 LBG (London Benchmarking Group): An internationally recognized, global network of 114 companies that provides a framework for measuring corporate community investment. Over 300 companies worldwide use the LBG model.



**The Hitachi Global Foundation**

On April 1, 2015, five foundations in Japan long supported by the Hitachi Group—namely, the Odaira Memorial Hitachi Education Foundation, the Kurata Memorial Hitachi Science and Technology Foundation, the Hitachi Environment Foundation, the Hitachi Scholarship Foundation, and the Hitachi Mirai Foundation—merged into the Hitachi Global Foundation. The aim is for the newly formed organization to develop the activities previously undertaken respectively by each of the five foundations to further meet societal needs.

Under a policy on social contribution activities revised in fiscal 2014, the Hitachi Global Foundation plans to utilize Hitachi's experience and know-how to promote activities in three key areas—promotion of academic research, science, and technology; human development; and support for local communities—in order to enhance social value through collaboration across the Hitachi Group.

In fiscal 2016–18 we will focus attention on consolidation of the organization. The Foundation has a long-term view informing how it carries out social contribution programs based on an array of societal needs, such as addressing the declining birthrate and the graying of society, responding to the rapid advancement of information technology, cultivating future human resources, and invigorating local communities. Our programs include providing scientific research grants, nurturing future science- and engineering-related personnel, offering scholarships to faculty at universities around Asia, and launching new programs addressing global issues facing the socially vulnerable, including youths and the elderly.



# Environment

## ➤ Hitachi's Aims

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

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

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

### Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
<ul style="list-style-type: none"> <li>Expansion of Hitachi Eco-Product lineup (through fiscal 2015)</li> <li>Improvement in environmental performance of products and services (from fiscal 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Achieve Eco-Product sales ratio of 90%</li> </ul>	<ul style="list-style-type: none"> <li>Achieved Eco-Product sales ratio of 95%</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from use of products and services by 30% (compared to fiscal 2010)</li> </ul>
<ul style="list-style-type: none"> <li>Promotion of improved energy efficiency in factories and offices</li> </ul>	<ul style="list-style-type: none"> <li>Reduce energy use per unit by 15%</li> </ul>	<ul style="list-style-type: none"> <li>Reduced energy use per unit by 16%</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Reduce energy use per unit by 15% (compared to fiscal 2005)</li> </ul>

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

① Promoting Environmental Management	69	① Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results)	82
② Enhancing Environmental Management on an Ongoing Basis	72	② Preserving Ecosystems	91
③ Responding to Environmental Risks and Opportunities	81		



Management Approach

Activities

Performance Data

Environment Promoting Environmental Management

## Promoting Environmental Management

### Hitachi's Approach

Hitachi faces a broad range of challenges regarding its products and services, such as reducing carbon emissions and improving resource efficiency across the value chain. At the same time, given the expectations of society, innovations that help resolve environmental issues present major business opportunities.

Guided by our Environmental Vision, we have formulated a set of long-term environmental targets called Hitachi Environmental Innovation 2050 to guide our environmental initiatives from a broader and longer-term perspective. The Environmental Action Plan for 2018 lays out specific activity areas and improvement targets for achieving our Environmental Vision and long-term environmental targets. Aligning this with the 2018 Mid-term Management Plan, we will promote Group-wide efforts to achieve the targets set forth in the Environmental Action Plan, thereby practicing environmental management in a manner that meets the expectations of society.

### Hitachi's Environmental Vision and Long-Term Environmental Targets

#### Hitachi's Environmental Vision

As global warming, resource depletion, ecosystem destruction, and other environmental issues grow more serious, companies face increasing demands and expectations to reduce the environmental burden of their business activities.

The Intergovernmental Panel on Climate Change (IPCC) concluded in the Synthesis Report of its *Fifth Assessment Report*, issued in November 2014, that limiting global warming "below 2°C relative to pre-industrial levels" would require "40 to 70% global anthropogenic GHG emissions reductions by 2050 compared to 2010." The Paris Agreement adopted in December 2015 at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change set ambitious targets, including a global long-term target of keeping global warming to below 2°C and efforts to limit the increase to 1.5°C. Long-term environmental targets have also been set in the Sustainable Development Goals (SDGs)—the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015.

In the light of these global trends and our own management policy, we created an Environmental Vision to better define the kind of society that Hitachi envisions from a long-term perspective.

### Environmental Vision

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

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

Our Environmental Vision envisions a low-carbon society; a resource efficient society; a harmonized society with nature. To achieve such a sustainable society, we have reviewed the contents of our long-term Environmental Vision 2025, which we have been promoting until now, and newly established a set of long-term environmental targets called Hitachi Environmental Innovation 2050.

### Hitachi Environmental Innovation 2050

#### Low-carbon society

**Achieve 50% reductions** in CO<sub>2</sub> emissions by fiscal 2030 and **80% reductions** by fiscal 2050 across the value chain (compared to fiscal 2010)

#### Resource efficient society

- **Build a society that uses water and other resources efficiently**
- **Achieve 50% improvement** in usage efficiency of water and other resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)

#### Harmonized society with nature

- **Minimize** the impact on natural capital

**Low-carbon society**

The target aims for an 80% reduction in CO<sub>2</sub> emissions compared to fiscal 2010 levels by fiscal 2050, going over and beyond the targets set forth in the IPCC's *Fifth Assessment Report*. We will reduce CO<sub>2</sub> emissions arising from the use of Hitachi's products and solutions, which account for over 90% of emissions in our value chain. We will contribute to our customers and society by developing innovative technologies and solutions, as well as enhancing the efficiency of our products and supplying low-carbon energy. At the same time, we will also work to cut down on emissions at the *production* stage.

**Resource efficient society**

Together with our customers and society, we will do our utmost through our business operations to help build a society that uses water and other resources efficiently. We will expand circulative use of water by further advancing the entire range of water treatment technologies involved in water use from seawater desalination and other forms of fresh water generation to sewage treatment.

We will also improve our usage efficiency of water and other resources by 50% compared to fiscal 2010 levels by fiscal 2050. To that end, we will create products that last longer and use less resources, make thoroughgoing efforts to collect and recycle used products, reduce the volume of water used in the production process as well as purifying and reusing water, and engage in other efforts.

**Harmonized society with nature**

We will strive to minimize Hitachi's impact on natural capital, which bestows the benefits of nature on humankind. We will assess ecosystem impact and advance measures to minimize the burden at each stage of Hitachi's value chain. Moreover, we will preserve the ecosystem through our products and services, such as our air and water purification systems and environmental monitoring systems. We will also endeavor to minimize the environmental burden of our factories and offices.

**The Hitachi Action Guidelines for Environmental Conservation**

The Action Guidelines for Environmental Conservation were drawn up to show the direction of our business management initiatives for environmental protection as we set out to realize the Hitachi Environmental Vision.

The Hitachi Action Guidelines for Environmental Conservation

**Environmental Action Plan for 2018**

Hitachi is pressing forward with activities in accordance with its Action Guidelines for Environmental Conservation in order to achieve its Environmental Vision and its Hitachi Environmental Innovation 2050 long-term environmental targets. Toward this end, we are steadily promoting environmental activities through the implementation and sustained improvements of the detailed environmental initiatives and targets set forth in our Environmental Action Plan. To give our environmental strategy a more prominent role in our management strategy, we revise the Environmental Action Plan every three years to align it with the Mid-term Management Plan for the Hitachi Group.

In keeping with the 2018 Mid-term Management Plan, which begins in fiscal 2016, we have formulated the Environmental Action Plan for 2018 with a view to further reinforcing our environmental activities from a global perspective. We will advance our environmental activities over the next three years through fiscal 2018 under this plan.

**Environmental Action Plan for 2018: Targets**

Under the Environmental Action Plan for 2018, the following main targets have been established for fiscal 2016, which is the first year of the plan, and fiscal 2018, the final year.

**Management**

Items	Indicators	Fiscal 2016 targets	Final fiscal year (2018) targets
Strengthen global environmental management	Voluntary implementation of environmental monitoring by business units and Group companies at overseas business sites (implementing sites/total targeted)	20%	80% or higher (cumulative total)
Raise the level of environmental activities	Green points (GPs) under the GREEN21-2018 environmental activity index	240 GPs	480 GPs

**Products and Services**

Item	Indicator	Fiscal 2016 target	Final fiscal year (2018) target
Improve environmental performance	Rate of reduction in CO <sub>2</sub> emissions from use of products and services (base: FY 2010)	30%	40%

**Factories and Offices: Prevent Global Warming**

Item	Indicator	Fiscal 2016 target	Final fiscal year (2018) target
Reduce energy use	Reduction in energy use per unit (base: FY 2005)	15%	17%

**Factories and Offices: Use Resources Efficiently**

Items	Indicators	Fiscal 2016 targets	Final fiscal year (2018) targets
Reduce waste generation	Reduction in waste and valuables generation per unit (base: FY 2005)	12%	14%
Enhance efficiency of water usage	Reduction in water use per unit (base: FY 2005)	23%	27%

**Factories and Offices: Manage Chemical Substances**

Item	Indicator	Fiscal 2016 target	Final fiscal year (2018) target
Reduce emissions of chemical substances	Reduction in atmospheric emissions of chemical substances per unit (base: FY 2006)	34%	36%

**Ecosystem Preservation**

Item	Indicator	Fiscal 2016 target	Final fiscal year (2018) target
Contribute to ecosystem preservation	New ecosystem preservation activities implemented	30	600

**Partnership with Stakeholders**

Item	Indicator	Fiscal 2016 target	Final fiscal year (2018) target
Make social contributions through environmental activities	Activities implemented in such areas as environmental education, information exchange, ecosystem preservation through afforestation, etc., community contribution through cleanup projects, etc., campaigns to turn off lighting, and community energy-saving activities	800	2,400 (cumulative total)

**Products and Services**

Hitachi will launch new initiatives in fiscal 2016 to help address environmental issues through the development and popularization of products and services of high environmental value.

Until now, we have been promoting the development and expansion of environmentally conscious Eco-Products. To turn environmental value into the creation and expansion of business opportunities, however, it is important to indicate more clearly how this leads to added value for our customers. This is why the Environmental Action Plan now calls for improvements in the environmental performance of Hitachi products and services. The reduction rate of CO<sub>2</sub> emissions from the use of our products and services and the reduction rate of resource use over the life cycle of products and services are now used as indicators for achieving both functional improvements and reduced environmental burden in products and services. We now seek to achieve a target of a 40% reduction in CO<sub>2</sub> emissions compared to fiscal 2010 levels by fiscal 2018 for products that contribute highly to the resolution of environmental issues.

Thanks to the use of the Assessment for DfE (Design for Environment) to evaluate the conformity of our products and services with standards for environmentally conscious design, moreover, the percentage of Eco-Product sales in total product sales exceeded 95% in fiscal 2015. This is an indication that the initiative for environmentally conscious

Eco-Products has sufficiently taken root. To take our environmental considerations to an even higher level, we have formulated a new Environmentally Conscious Design Assessment based on the IEC 62430\*1 international standard. Beginning in fiscal 2016, we will carry out Environmentally Conscious Design Assessment on products and services involving a design process in our design and development activities.

\*1 The standard developed by the International Electrotechnical Commission concerning environmentally conscious design for electrical and electronic products.

**Factories and Offices**

Hitachi engages in efforts to reduce the environmental burden of its operations through the efficient use of energy and resources in the production process. We have created key performance indicators (KPIs) for energy usage, as well as to gauge our operational efficiency in terms of improved ratios of waste volume, water usage, and atmospheric emissions of chemical substances per unit, and are systematically working to achieve our targets while regularly monitoring our progress in each of these areas.

In addition to continued efforts encouraging factories and offices to have a high level of environmental consciousness, the Environmental Action Plan for fiscal 2016 to 2018 includes new targets reflecting emerging social concerns. By setting these targets, we aim to promote manufacturing activities with less environmental burden on a global basis.

With respect to the target of mitigating global warming, we will curb CO<sub>2</sub> generation by installing more energy-efficient equipment and increase renewable energy use. To meet the target of making more effective use of resources, and address environmental problems caused by natural resource depletion and waste materials, we will work to reduce the volume and promote the recycling of waste generated by our business activities, thereby contributing to the formation of a resource-efficient society. To deal with water-associated risks, meanwhile, we will increase the efficiency of water usage by gaining an accurate grasp of current conditions and enhancing water risk management. And for the target of appropriate management of chemical substances, we will minimize emissions of substances that affect humans and ecosystems by improving production processes and switching to alternative substances. At companies that have newly joined the Hitachi Group, we will reduce their environmental burden and promote environmentally conscious production by sharing these goals with them and applying the goals to their operations.



## Enhancing Environmental Management on an Ongoing Basis

### Hitachi's Approach

To lay the groundwork for strategic environmental management, the Hitachi Group needs to establish and continuously improve systems to reduce the environmental burden of its business operations. Based on a number of certifications and guidelines, including ISO 14001, we have developed Group-wide environmental management systems that allow us to gauge the environmental burden of our business activities and steadily implement a PDCA (plan, do, check, act) cycle to reduce that burden. We also have in place a global environmental management framework, under which we evaluate our environmental activities and keep close track of our environmental performance.

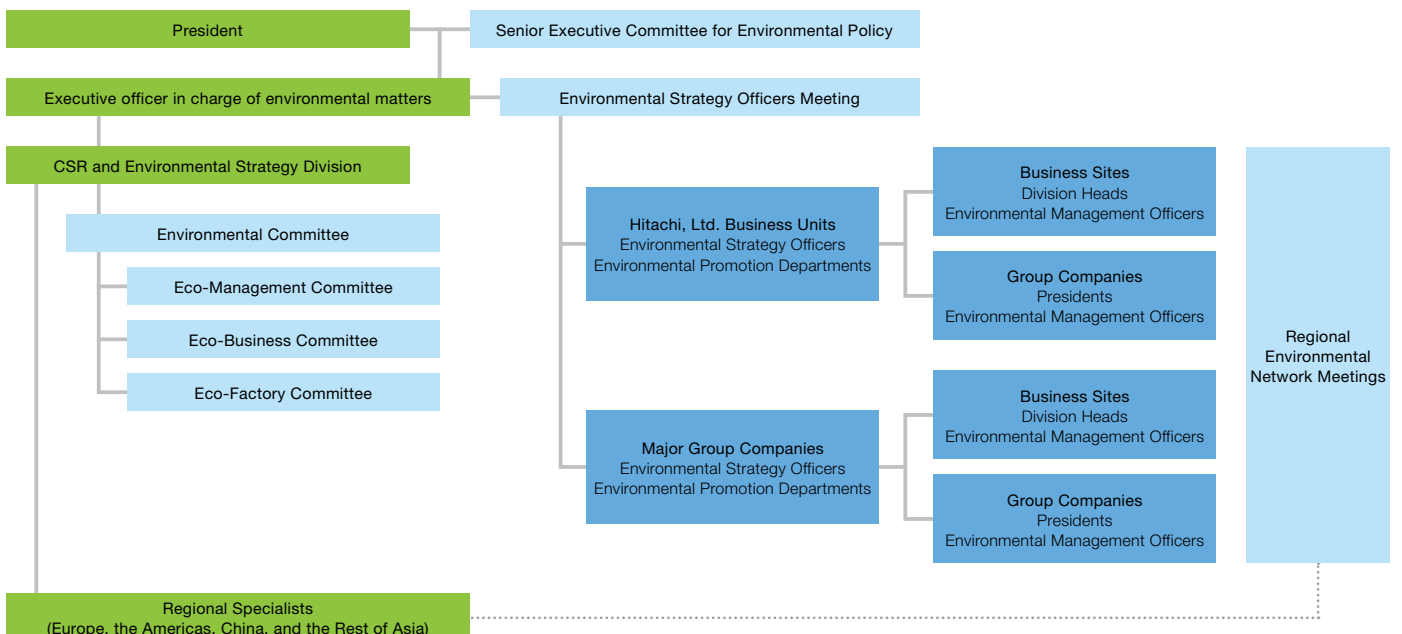
### Environmental Management

#### Environmental Management Framework

Our global environmental management system supports environmental decision making and implementation at Hitachi, Ltd. and 1,056 consolidated subsidiaries (a total of 1,057 companies), as well as 249 equity-method affiliates.

The CSR and Environmental Strategy Division is responsible for developing Group-wide environmental policies. The Senior Executive Committee, which is chaired by the president of Hitachi, Ltd., considers important items related to environmental initiatives. The Environmental Strategy Officers Meeting, comprising representatives from business units and major Group companies, ensures that the Hitachi Group Environmental Action Plan approved by the executive officer in charge of environmental concerns is implemented throughout the Group. The Environmental Committee and committees of working-level experts for each policy area develop targets and ways to achieve them, as well as promote initiatives to be carried out by the Group as a whole. Outside Japan, we assign regional specialists to report on the progress of the Environmental Action Plan and share information on the latest environmental regulations while exchanging views on local environmental issues within each region.

#### Hitachi's Environmental Management Framework (FY 2016)



Hitachi, Ltd. and 1,056 consolidated subsidiaries (a total of 1,057 companies) and 249 equity-method affiliates.

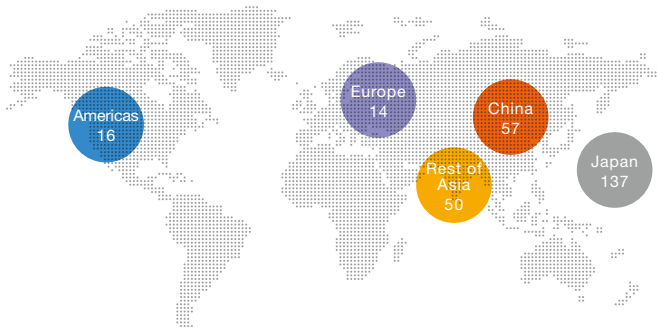
### Building Environmental Management Systems

We have established environmental management criteria to ensure efficient management of each business site's environmental load. There are approximately 250 business sites that meet these criteria, and these, together with the CSR and Environmental Strategy Division, have developed and implemented the Hitachi Group Environmental Promotion Organization EMS (environmental management system) to promote the consistent implementation of environmental policies. At the same time, every business site meeting the criteria for environmental management continues to maintain ISO 14001 certification. Certification is also being pursued at business sites that do not yet meet the criteria.

#### Status of ISO 14001 Certifications (as of April 2016)

	Japan	Outside Japan	Total
Number of Certified Sites**	137	137	274

\*\*1 Including companies with more than one certified business site.



List of ISO 14001-certified sites

### Monitoring Environmental Performance Data

For effective environmental management, we collect data on the environmental performance of business operations using the Environmental Load Evaluation System.

This system collects environmental load data from some 250 Hitachi business sites worldwide on items such as energy use, CO<sub>2</sub> emissions, and waste generation, together with information on awards received and other items. By analyzing this information we identify environmental management issues, share instructive examples within the Group, and improve environmental practices. Specifically, we collect and analyze environmental performance data in the key areas of energy, waste materials, water, and volatile organic compounds (VOCs) monthly and quarterly so that performance levels can be further increased.

### Environmental Activity Evaluation System

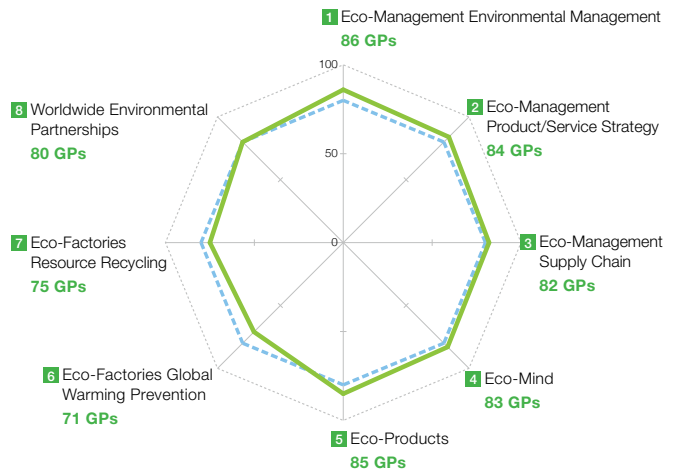
We use our own evaluation system, GREEN 21, to improve the level and quality of our environmental activities. It divides environmental activities into eight categories and evaluates achievements and progress toward Action Plan targets by rating 52 items on a scale from 1 to 5. A perfect score for any category is 100 green points (GPs). We surpassed our fiscal 2015 target of 640 GPs with a score of 646 GPs.

Starting in fiscal 2016, the system was revised to 47 items under six categories. Our aim is to improve our environmental activities based on the target of 240 GPs under the revised system.

#### Key Indicators

##### Green Point (GP) Average: FY 2015 Targets and Results

- FY 2015 target: 640 GPs
- FY 2015 result: 646 GPs



#### Categories and Evaluation Items

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>Environmental management, environmental accounting, and compliance with laws and regulations</li> <li>Progress toward goal of reducing CO<sub>2</sub> emissions; environment business strategies</li> <li>Gathering and communicating environmental information across the supply chain</li> <li>Environmental education and training of environmental experts</li> </ol> | <ol style="list-style-type: none"> <li>Assessment of products and services</li> <li>CO<sub>2</sub> emission reductions, energy efficiency improvements, and energy savings in transportation</li> <li>Resource recycling and chemical substances management</li> <li>Information disclosure, communication activities, global citizenship activities, and ecosystem preservation</li> </ol> |
|--|---|

## Environmental Education Initiatives

### Promoting Environmental Education

Promoting greater environmental awareness and understanding among our employees is essential to Hitachi's effort to energize its environmental activities. Toward that end, we are advancing our environmental education. Hitachi Group training is being implemented for all Group employees, starting from newly hired workers to working-level employees. The training covers a wide range of topics, from basic courses to such specific issues as environmental risks and compliance with environment-related laws and regulations.

### Actions and Achievements

In fiscal 2015 we provided basic environmental management courses for employees working in air, water, and waste management, as well as training in recent amendments to laws and operational procedures.

In order to respond to the new environmental management standards (ISO 14001) revised in September, during the three-year transition to those standards, explanatory meetings for the internal auditors of the Hitachi Group were held to deepen understanding of the revisions. The meeting held in Japan was attended by 184 internal auditors from 68 Group companies, while 52 internal auditors from 36 Group companies attended the meeting in Chengdu, China. In addition to Hitachi Group training, individual companies and units provide education tailored to their own business area. For general education, we offer Internet-based e-learning courses in Japanese, English, and Chinese. To date 178,035 employees worldwide, equaling 96.4% of target employees, have taken this course.

### Environmental Education and Training System

	Target	Introductory	Beginning	Intermediate	Advanced
General education	All employees	Introductory training for new employees	Online e-learning: Eco-Mind education (General topics: Global environmental issues, environmental law, etc.)	Online e-learning: Eco-Mind education (Hitachi Group topics: Environmental policy, Environmental Action Plan, etc.)	
Specialized education	Working-level employees	Basic environmental management course for working-level employees (management of waste; air/water quality; hazardous materials; development & operation of management systems; etc.)			
			Education for Eco-Factories		
			Eco-Product development training		
			Risk communicator training		
	Internal environmental auditors			Brush-up training for ISO 14001	
			ISO 14001 auditor certification training	ISO 14001 senior auditor certification training	

### Next Steps

From fiscal 2016, we will continue with environmental education training across all our global operations to enhance the knowledge and skills of staff in charge of factory management. We will also be holding training programs so that we can fully respond to the new standards during the period of transition between the announcement of the revisions to the ISO 14001 Environmental Management Systems in fiscal 2015 and September 2018.

## Environmental Compliance

### Environmental Compliance Response

Hitachi considers the environmental burden of all business activities and sets voluntary management criteria that are more stringent than regulatory requirements. We regularly monitor water quality, noise levels, and other conditions at each business site and work to minimize environmental risks. In addition, we take every possible step to prevent problems or their recurrence and to strengthen controls by sharing information on environmental laws and regulations, as well as examples of infringements, throughout the Group.

### Actions and Achievements

In fiscal 2015, we received a worldwide total of 12 notices concerning water quality, air quality, or waste matter and complaints about noise or odors, all of which were promptly addressed.

Hitachi continues to implement enhanced environmental management in order to prevent repeated or new contamination occurrences.

### Global Notices and Complaints

	Water quality	Air quality	Waste matter	Complaints	Other (facilities, etc.)
Fiscal 2015 cases	3	1	1	4	3

To help prevent pollution of soil and groundwater, we are working to complete decontamination of soil and water at business sites where chemical substances have been used or to confirm that they are contamination free. At other business sites, we continue to carry out cleaning and observation activities as needed.



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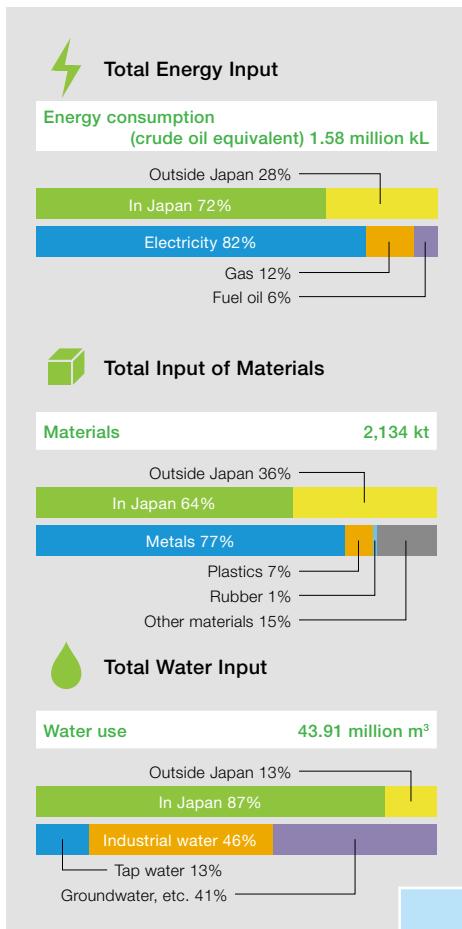
Environment Enhancing Environmental Management on an Ongoing Basis

## Environmental Load

### Data on Environmental Load from Operations (FY 2015)

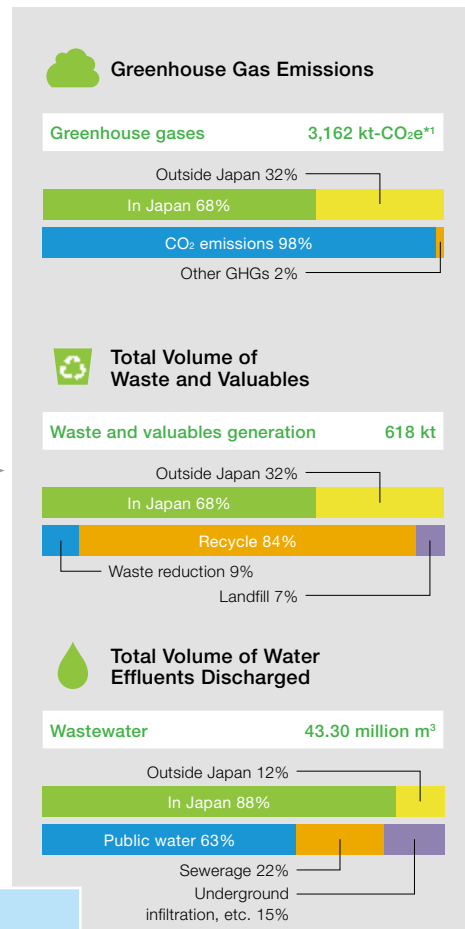
The data below shows the resource inputs and the environmental load for Hitachi Group operations in fiscal 2015.

• Total Input of Resources

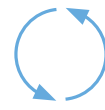


• Total Output of Environmental Load

Products shipped: 3,064 kt (in Japan), 957 kt (outside Japan)



Operations



**Water recycling**

In Japan: 34.44 million m<sup>3</sup>


Outside Japan: 2.16 million m<sup>3</sup>

\*1 CO<sub>2</sub>e: CO<sub>2</sub> equivalent.

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## Detailed Data on Resource Input and Environmental Load Output

### Total Input of Resources

Total resources input from Hitachi Group operations.



#### Total Energy Input

Energy consumption: (crude oil equivalent) 1.58 million kL

		In Japan	Outside Japan
Electricity		3.7 billion kWh (36 PJ)	1.4 billion kWh (14 PJ)
Gas	Natural gas	0.06 billion m <sup>3</sup> (2.7 PJ)	0.05 billion m <sup>3</sup> (2.2 PJ)
	LPG, LNG, etc.	45 kt (2.3 PJ)	11 kt (0.6 PJ)
Fuel oil (heavy oil, kerosene, etc.)		81 thousand kL (3 PJ)	4 thousand kL (0.1 PJ)



#### Total Input of Materials

Materials: 2,134 kt

		In Japan	Outside Japan
Metals		1,005 kt	633 kt
Plastics		107 kt	42 kt
Rubber		5 kt	15 kt
Other materials		249 kt	78 kt
Chemicals	PRTR substances* <sup>1</sup> handled	155 kt	22 kt
	Ozone-depleting substances handled	11 t	0 t
	Greenhouse gas substances handled	3,655 t	136 t

\*1 PRTR substances: The 462 chemicals designated in Japan's Pollutant Release and Transfer Register (PRTR) Law.



#### Total Water Input

Water use: 43.91 million m<sup>3</sup>

		In Japan	Outside Japan
Tap water		4.17 million m <sup>3</sup>	1.48 million m <sup>3</sup>
Industrial water		17.65 million m <sup>3</sup>	2.48 million m <sup>3</sup>
Groundwater, etc.		16.41 million m <sup>3</sup>	1.72 million m <sup>3</sup>


### Total Output of Environmental Load

Environmental load output from Hitachi Group operations.



#### Greenhouse Gas Emissions

Greenhouse gases: 3,162 kt-CO<sub>2</sub>e

		In Japan	Outside Japan
CO <sub>2</sub> emissions 		2,090 kt-CO <sub>2</sub> e	995 kt-CO <sub>2</sub> e
Other GHGs	SF <sub>6</sub> (sulfur hexafluoride)	33 kt-CO <sub>2</sub> e	23 kt-CO <sub>2</sub> e
	PFCs (perfluorocarbons)	1 kt-CO <sub>2</sub> e	3 kt-CO <sub>2</sub> e
	HFCs (hydrofluorocarbons)	14 kt-CO <sub>2</sub> e	2 kt-CO <sub>2</sub> e
	N <sub>2</sub> O, NF <sub>3</sub> , CH <sub>4</sub>	1 kt-CO <sub>2</sub> e	0 kt-CO <sub>2</sub> e



#### Total Volume of Waste and Valuables

Waste and valuables generation: 618 kt

		In Japan	Outside Japan
Waste reduction		49 kt	4 kt
Recycling		363 kt	159 kt
	Reuse	2 kt	1 kt
	Materials recycled	351 kt	155 kt
	Thermal recovery	10 kt	3 kt
Landfill		8 kt	35 kt
Chemicals	PRTR substances discharged or transferred	4 kt	0.4 kt
	SO <sub>x</sub> (sulfur oxides)	41 thousand Nm <sup>3</sup>	9 thousand Nm <sup>3</sup>
	NO <sub>x</sub> (nitrogen oxides)	262 thousand Nm <sup>3</sup>	88 thousand Nm <sup>3</sup>
	Ozone-depleting substances emitted	1 t (0t-ODP* <sup>1</sup> )	0 t (0t-ODP)

\*1 ODP (ozone depletion potential): A coefficient derived by conversion into equivalent in metric tons of CFC-11 (trichlorofluoromethane).



#### Total Volume of Water Effluents Discharged

Water effluents discharged: 43.30 million m<sup>3</sup>

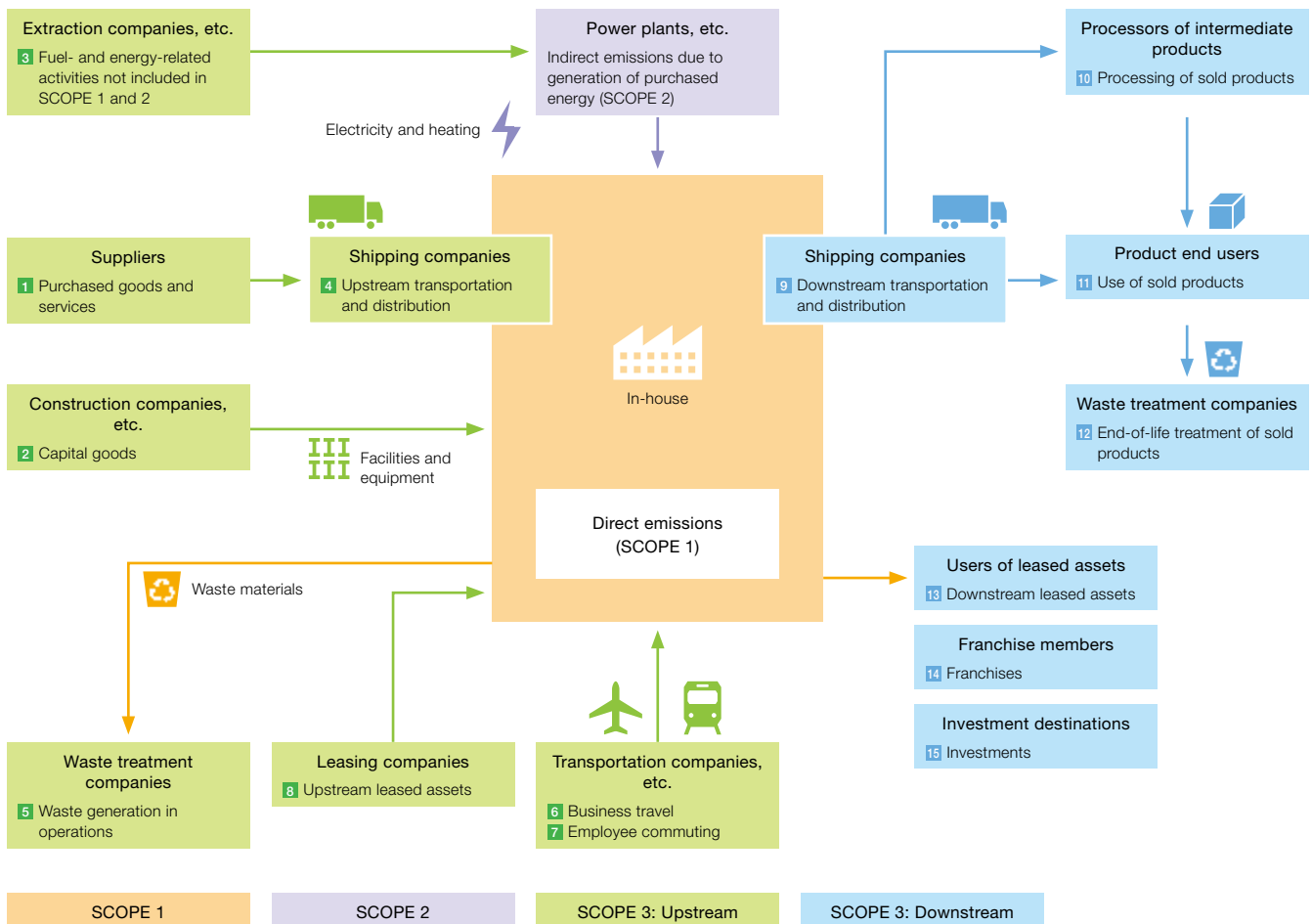
		In Japan	Outside Japan
Public water		26.74 million m <sup>3</sup>	0.62 million m <sup>3</sup>
Sewerage		5.30 million m <sup>3</sup>	4.07 million m <sup>3</sup>
Underground infiltration, etc.		5.99 million m <sup>3</sup>	0.59 million m <sup>3</sup>
Water quality	BOD (biochemical oxygen demand)	210 t	223 t
	COD (chemical oxygen demand)	125 t	607 t

## Environmental Load Through the Value Chain

### Calculation of GHG Emissions Throughout the Value Chain

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

### Categories of GHG Emissions in the Value Chain



**SCOPE 1**  
Direct GHG emissions by the company

**SCOPE 2**  
Indirect emissions from electricity, heat, and steam supplied to and used by the company

**SCOPE 3: Upstream**  
Other indirect emissions not covered by SCOPE 1 and 2, such as emissions by other entities related to the company's activities

**SCOPE 3: Downstream**

**In-house:** Within the scope of the company's organizational boundaries. In principle, the scope of all business activities of the company itself and activities within or controlled by its consolidated subsidiaries.

**Upstream:** In principle, activities related to purchased products and services.

**Downstream:** In principle, activities related to sold products and services.





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## GHG Emissions Throughout the Hitachi Value Chain

Category	Description	Calculation Results (Mt-CO <sub>2</sub> e)
<b>SCOPE 1<sup>*1</sup></b>		
Direct emissions	Direct emissions from in-house fuel use and industrial processes	0.77 (0.3%)
<b>SCOPE 2<sup>*2</sup></b>		
Energy-related indirect emissions	Indirect emissions from production of electricity and heat purchased by the company	2.92 (1.1%)
<b>SCOPE 3: Upstream (other indirect emissions)</b>		
<b>1</b> Purchased goods and services	Emissions from the resource extraction stage to the manufacturing stage, including raw materials, parts, supplied products, and sales	8.61 (3.2%)
<b>2</b> Capital goods	Emissions generated in the construction, manufacture, and shipping of the company's own capital goods, such as equipment, devices, buildings, facilities, and vehicles	1.38 (0.5%)
<b>3</b> Fuel- and energy-related activities not included in SCOPE 1 and 2	Emissions from procuring fuel necessary for electricity and other energy production, including resource extraction, production, and shipping	0.24 (0.1%)
<b>4</b> Upstream transportation and distribution	Emissions from distribution of raw materials, parts, supplied products, and sales prior to delivery of materials to the company, as well as other distribution activities of products for which the company bears the expense	0.18 (0.1%)
<b>5</b> Waste generated in operations	Emissions from transportation, disposal, and treatment of waste generated in the company's operations	0.08 (0.0%)
<b>6</b> Business travel	Emissions generated from fuel and electric power used by employees for business travel	0.07 (0.0%)
<b>7</b> Employee commuting	Emissions generated from fuel and electric power used in employee commuting	0.07 (0.0%)
<b>8</b> Upstream leased assets	Emissions from the operation of assets leased by the company, excluding those counted in SCOPE 1 and 2	Included in SCOPE 1 and 2
<b>SCOPE 3: Downstream (other indirect emissions)</b>		
<b>9</b> Downstream transportation and distribution	Emissions from transportation, storage, loading and unloading, and retail sales of products	0.01 (0.0%)
<b>10</b> Processing of sold products	Emissions by downstream companies during processing of intermediate products	N/A <sup>*3</sup>
<b>11</b> Use of sold products	Emissions from use of products by end users, such as consumers and businesses	258.23 (94.6%)
<b>12</b> End-of-life treatment of sold products	Emissions from transportation, waste disposal, and treatment of products by end users, such as consumers and businesses	0.17 (0.1%)
<b>13</b> Downstream leased assets	Emissions from operating assets owned by the reporting company as lessor and leased to other entities	0.03 (0.0%)
<b>14</b> Franchises	Emissions by franchises under SCOPE 1 and 2	N/A
<b>15</b> Investments	Emissions related to management of investments	0.09 (0.0%)
Total		272.85 (100%)

Note: Figures in parentheses are percentages of GHGs emitted throughout the value chain.

\*1 Includes SF<sub>6</sub>, PFC, HFC, N<sub>2</sub>O, NF<sub>3</sub>, and CH<sub>4</sub>.

\*2 The CO<sub>2</sub> electrical power conversion factor used to calculate emissions uses the 2005 emission coefficients for individual countries published by the International Energy Agency (IEA) in the 2010 edition of CO<sub>2</sub> Emissions from Fuel Combustion.

\*3 Cannot be determined due to insufficient information on processing.

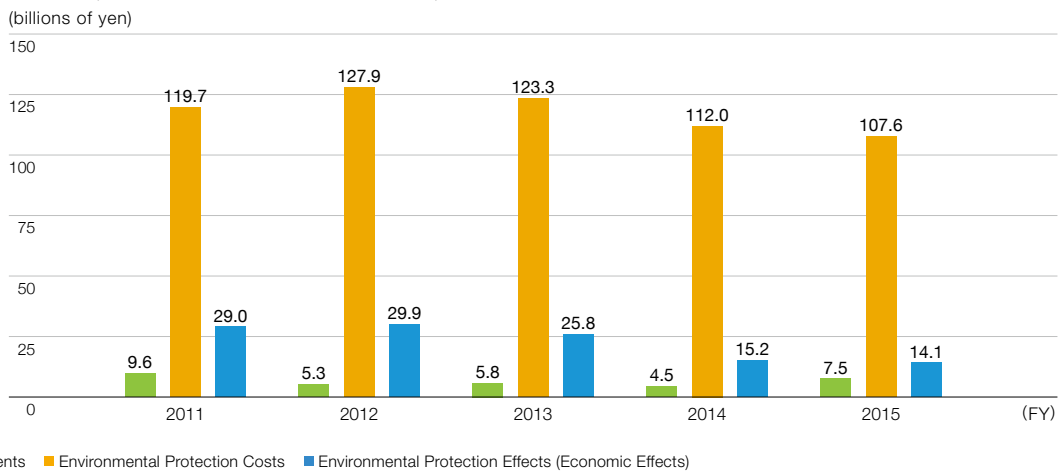
## Environmental Accounting

### Environmental Accounting

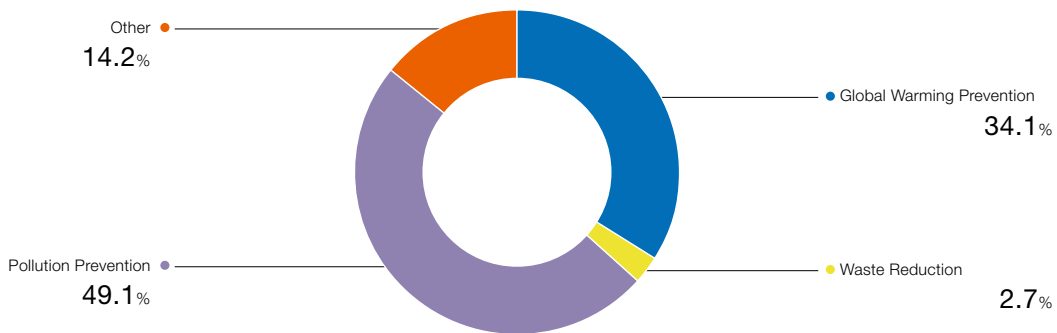
Hitachi has adopted and made public a set of environmental accounting procedures conforming to the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005. We have used the results of these procedures to raise the efficiency of our environmental investments and activities, more effectively allocating management resources to our ongoing environmental efforts.

### Achievements

#### Environmental Investments, Environmental Protection Costs, and Economic Effects



#### Fiscal 2015 Environmental Investment by Countermeasure





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## Environmental Investments

		Costs (billions of yen)				
	Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total investment	Investment in energy-saving equipment and equipment that directly reduces environmental load	9.61	5.28	5.81	4.46	7.50

## Environmental Protection Costs

		Costs (billions of yen)				
Item	Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Expenses						
Business area	Maintenance costs for equipment with low environmental load, depreciation, etc.*1	27.78	31.84	38.63	26.90	24.22
Upstream/downstream	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses	1.43	1.38	1.27	1.09	0.97
Administration	Labor costs for environmental management, implementation and maintenance of environmental management system	8.25	7.67	6.77	6.47	5.97
Research and development	R&D to reduce environmental burden caused by products and production processes, product design expenses	79.81	84.71	75.62	76.12	75.71
Social activities	Planting, beautification, and other environmental improvement expenses	0.45	0.41	0.51	0.36	0.45
Environmental remediation	Environmental mitigation costs, contributions, and charges	1.94	1.90	0.53	1.03	0.27
Total		119.66	127.91	123.33	111.97	107.59

\*1 Equipment depreciation costs are calculated using the straight-line method over five years.

## Environmental Protection Effects

## • Economic Effects\*1

		Costs (billions of yen)				
Item	Major FY 2015 Activities	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Net income effects	Recovering value from waste by sorting and recycling	13.72	17.85	15.98	7.54	7.27
Reduced expenses effects	Installing high-efficiency equipment (lighting, power supply)	15.27	12.07	9.82	7.65	6.78
Total		28.99	29.92	25.80	15.19	14.05

\*1 Economic effects include:

- Net income effects: Benefits with real incomes, including incomes from the sale of resalable materials and incomes from environmental technology patents.
- Reduced expenses effects: Reduction in electricity, waste treatment, and other expenses through environmental load reduction activities.

## • Physical Effects\*1

		Amount Reduced				
Item	Major FY 2015 Activities	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Reduction in energy used during production	Installing LED lighting, upgrading air-conditioning equipment, etc.	93 million kWh	107 million kWh	70 million kWh	68 million kWh	59 million kWh
Reduction in landfilled waste incurred during production	Promoting sale of waste material, reducing volume of liquid waste, recycling, etc.	4,754 t	3,788 t	2,420 t	3,979 t	5,498 t

\*1 As with depreciation costs, benefits from equipment investments are calculated using the straight-line method over five years.

## • Efficiency of Environmental Load Reduction\*1

Item	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Efficiency of energy reduction efforts (million kWh/100 million yen)	2.0	1.7	1.3	1.2	1.2
Efficiency of landfilled waste reduction efforts (t/100 million yen)	183	146	95	166.7	194.6

\*1 Environmental load reduction divided by reduction costs.



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Environment Responding to Environmental Risks and Opportunities

## Responding to Environmental Risks and Opportunities

### Hitachi's Approach

From abnormal weather conditions around the world associated with global warming to resource depletion and loss of biodiversity, environmental risks that could seriously affect the future of humanity and our planet are on the rise. International calls are being made for measures to mitigate these risks, as exemplified by the Paris Agreement adopted in 2015 at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change and the Sustainable Development Goals (SDGs)—the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations. Businesses, too, must accurately ascertain the risks they face and the opportunities that arise for the utilization of management resources.

Hitachi focuses on two particular environmental risks and opportunities—climate change and water resources—and promotes initiatives to address them in a steadfast manner.

### Climate Change: Risks and Opportunities

#### Engaging with the Risks and Opportunities of Climate Change

According to the Intergovernmental Panel on Climate Change (IPCC), there is no room for doubt that our climate is warming. The report states that the temperatures of the atmosphere and oceans are on the rise and that the volume of snow and ice has declined. It also notes a heightened tendency toward extreme climatic phenomena and indicates the strong possibility that such consequences of global warming stem from the impact of human activities.

Hitachi recognizes the risks of climate change as a vital management issue. Seeing opportunities in the mitigation of and adaptation to these risks—the former by reducing greenhouse gases and the latter by changing how society interacts with nature—we are working closely with our customers and partners to promote our Social Innovation Business, which fuses social infrastructure with information technology to tackle the many challenges facing society.

#### Regulatory Risks and Opportunities

The environmental regulations and policies of countries and regions around the world include measures that affect business activities at manufacturing sites, such as emissions trading, carbon taxes, and energy efficiency standards, and those that affect product and service conditions, such as energy efficiency standards for products, carbon footprint labeling, and the introduction of a feed-in tariff system for renewable energy. We view these regulations and policies as potential risks for the sustainability and growth of our

business. At the same time, efforts in individual countries and regions to reduce CO<sub>2</sub> emissions are helping to expand our business in the areas of energy-saving equipment and high-efficiency equipment and devices. Energy conservation initiatives are growing to encompass entire cities, as exemplified by smart cities. We will work to further expand our business by providing environmentally conscious solutions suited to the needs of each country or region.

#### Risks and Opportunities Presented by Physical Factors

Global warming is leading to extreme weather conditions, such as more powerful typhoons and heavier rainfall, causing natural disasters worldwide. Hitachi has had its share of damage, including flooding of Southeast Asian business sites and submersion of areas surrounding business sites in Japan due to river embankments giving way. We view the unavoidable damage that arises from such disasters as risks that threaten the continuity of our business operations.

Meanwhile, in response to growing worldwide demand for measures against natural disasters, business is expanding for disaster-prevention information systems and other disaster-related products and services. Hitachi is using the latest IT to analyze and evaluate the information necessary for people's daily lives, nature-related information concerning weather and other factors, and information on the operation of the social infrastructure in order to provide solutions that contribute to appropriately responding to climate change and help to create new business opportunities.

#### Other Risks and Opportunities

Risks that could threaten the continuity of our business operations might arise if our initiatives to tackle the global issue of climate change are insufficient, such as the loss of reputation and trust among stakeholders or the market rejection of products and services that are not environmentally conscious. We believe that developing and marketing Hitachi products and services with high environmental value is the way for us to help mitigate climate change and also to increase the competitiveness of those products and services, thereby contributing to increased sales as well.

Environment Responding to Environmental Risks and Opportunities,  
Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results)

**Water-Related Risks and Opportunities**

**Activities for Water-Related Risks and Opportunities**

The serious crisis confronting water—the source of all life—is said to stem from increasing demand, rather than a decrease in supply. The growth in the human population has pushed up water consumption, and people have adopted lifestyles that lead to more water being wasted. Other factors behind the crisis include the supplies of products whose manufacture requires a large amount of water consumption. For all of these reasons, people today are using far greater quantities of water than their predecessors.

Along with water shortages due to rising populations and other human causes, water-related risks also include shortages stemming from natural disasters or flooding. But whatever the causes, once such water-related problems

emerge and worsen, they can seriously hinder the continuity of business activities. Hitachi surveys the locations of our various business sites to make sure that our businesses operate in areas with few water-related risks. We have ascertained the water consumption levels of around 700 of our business sites and have continued to implement measures to reduce water consumption in order to minimize these risks.

Hitachi has positioned its Water Solutions business as a key area within our Social Innovation Business. This business is contributing to preserving and improving the global water environment and creating business opportunities through activities including seawater desalination, the development of drinking water and sewage treatment systems, and the building of pumping stations to foster vegetation in desert areas.

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

**Hitachi's Approach**

We systematically promote efforts to reduce the environmental burden of our business activities while adhering to a PDCA cycle in line with our Group-wide environmental management system. The targets and achievements of these efforts are consolidated into our Environmental Action Plan, based on which we strive for continuous improvements in priority areas.

The Environmental Action Plan for 2013 to 2015 encompassed many themes, such as promoting Eco-Products, reducing CO<sub>2</sub> emissions, and using resources efficiently. Three years of improvement activities were concluded in fiscal 2015 with many positive results. In fiscal 2016 we are moving on to the Environmental Action Plan for 2018. We will further engage in environmental activities under the plan, not only taking into account the achievements made over the previous three years but also incorporating a more global perspective.

Environmental Action Plan for 2018

**Environmental Action Plan for 2013 to 2015**

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

In fiscal 2015, the final year of the Environmental Action Plan for 2013 to 2015, we were able to achieve our targets for all items.

Shown in the tables below are the main indicators for Hitachi's environmental activities. Initiatives corresponding to each indicator are introduced in the following pages.

**Establish Environmental Management Systems**

Items	Indicators	Fiscal 2015 targets	Fiscal 2015 results	Achievement level
Raise the level of environmental activities	GPs (green points) in GREEN 21 Environmental Activity Evaluation System	640 GPs	646 GPs	◆◆◆
Ecosystem (biodiversity) preservation	Implementation of ecosystem preservation assessment	Completion of ecosystem preservation assessment	Completed ecosystem preservation assessment	◆◆◆

**Promote Eco-Products**

Items	Indicators	Fiscal 2015 targets	Fiscal 2015 results	Achievement level
Expand Hitachi Eco-Product lineup	Percentage of Hitachi Eco-Product sales	90%	95%	◆◆◆
	Number of models in Eco-Products Select program	340 models	409 models	◆◆◆
Contribute to the reduction of CO <sub>2</sub> emissions through products and services	Volume of contribution to CO <sub>2</sub> emission reductions through products and services	35.0 million metric tons (100 million metric tons by 2025)	36.49 million metric tons	◆◆◆

**Build Industry's Most Advanced Factories and Offices**

Item	Indicator	Fiscal 2015 target	Fiscal 2015 results	Achievement level
Promote Eco-Factories & Offices Select certification	Eco-Factories & Offices Select certification	Average of at least 1 certification per in-house or Group company	New certifications: 15 Renewed certifications: 58 Total: 73	◆◆◆

### Prevent Global Warming

Item	Indicator	Fiscal 2015 target	Fiscal 2015 results	Achievement level
Reduce energy use per unit	Reduction in energy use per unit (base: FY 2005, global)	15%	16%	◆◆◆

### Use Resources Efficiently

Items	Indicators	Fiscal 2015 targets	Fiscal 2015 results	Achievement level
Reduce waste and valuables generation per unit	Reduction in waste and valuables generation per unit (base: FY 2005, global)	23%	28%	◆◆◆
Reduce water use per unit	Reduction in water use per unit (base: FY 2005, outside Japan)	30%	41%	◆◆◆

### Manage Chemical Substances

Item	Indicator	Fiscal 2015 target	Fiscal 2015 results	Achievement level
Reduce volatile organic compound (VOC) atmospheric emissions per unit	Reduction in VOC atmospheric emissions per unit (base: FY 2006, global)	40%	50%	◆◆◆

### Global Citizenship Program

Item	Indicator	Fiscal 2015 target	Fiscal 2015 results	Achievement level
Make social contributions through environmental activities	Promotion of flagship environmental communication activity at each in-house and Group company	Implementation of at least 1 flagship environmental communication activity per company	Implemented at least 1 activity per company	◆◆◆

◆◆◆ : Achieved ◆◆ : Partially achieved

## Environmentally Conscious Products and Services

### Increasing the Ratio of Eco-Products

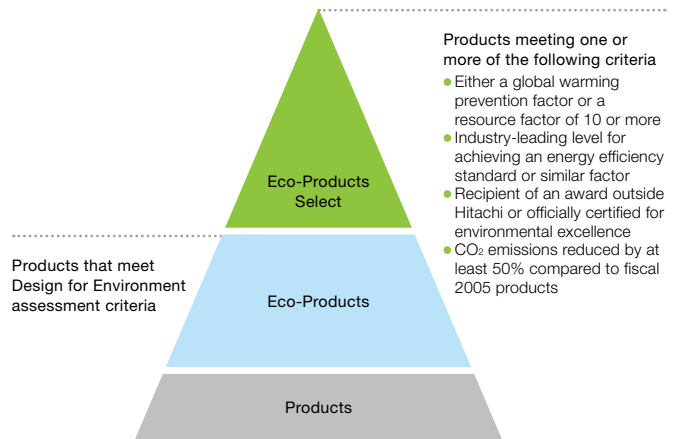
We promote the development of environmentally conscious products called Eco-Products as part of our initiative to reduce the environmental burden of our products and services as much as possible.

Eco-Products must meet criteria used in the design and development stages, when we evaluate the extent to which their environmental burden can be reduced. In addition, Eco-Products that meet even more demanding requirements are designated as Eco-Products Select. Until fiscal 2015, we promoted the development of Eco-Products by setting targets for raising the Eco-Product sales ratio, a figure measuring Eco-Product sales against total product sales. In fiscal 2016, we will launch new initiatives with the aim of

helping to resolve environmental issues by developing and expanding the use of products and services with high environmental value.

Environmental Action Plan for 2018, Products and Services

### Hitachi's Framework for Environmentally Conscious Products



Designation of Eco-Products

Designation of Eco-Products Select

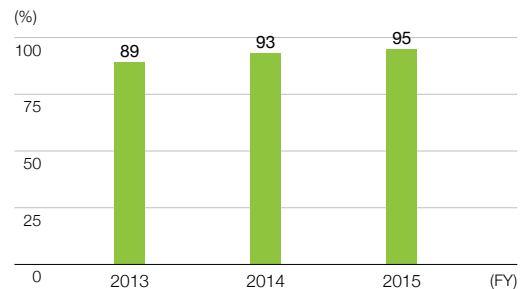
### Actions and Achievements

In fiscal 2015, our Eco-Product sales ratio reached 95%, and we increased the number of Eco-Products Select models by 66, bringing the total to 409 products.

At business sites outside Japan—now with new design and development functions—we went ahead with a planned approach to expanding the lineup of Eco-Products. This included improving the eco-design skills of our designers.

### Key Indicators

● Eco-Product Sales Ratio\*1

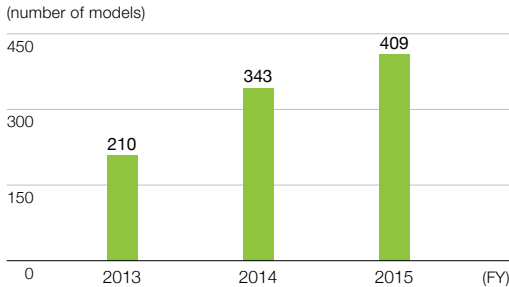


\*1 The ratio of Eco-Product sales to sales of all products, excluding elements whose environmental impact Hitachi cannot control or influence, such as patent income.

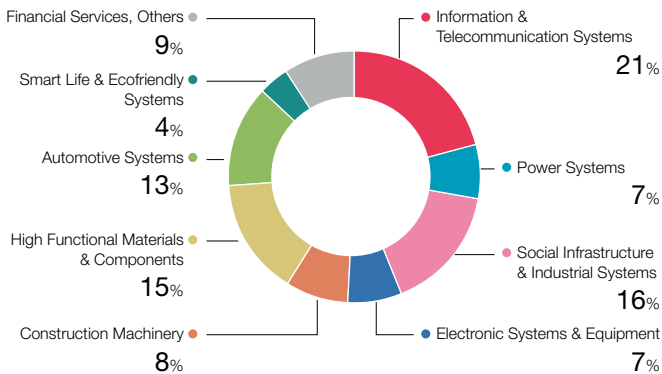


Environment Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results)

• Eco-Products Select



• Eco-Products by Business Segment (FY 2015 Sales Ratio)



Hitachi Products Helping to Reduce CO<sub>2</sub> Emissions

In fiscal 2015, we expect to achieve a reduction in CO<sub>2</sub> emissions through products of 36.49 million metric tons, better than our target of 35 million metric tons. Major contributions to this achievement came from the products and services of our Power Systems Company, Infrastructure Systems Company, Information & Telecommunication Systems Company, Hitachi Appliances, and Hitachi Construction Machinery. We plan to continue working harder to develop and popularize other products that contribute to CO<sub>2</sub> emission reductions.

Calculation Methods for Environmental Load Data/Contribution of Hitachi products and services to the reduction of CO<sub>2</sub> emissions




Addressing Our Carbon Footprint

The carbon footprint of products (CFP) is the CO<sub>2</sub> equivalent of the total amount of greenhouse gases (GHGs) emitted over the entire life cycle of a product or service—from procurement of materials through to disposal and recycling. Making the GHG emission amount visible in this way encourages efforts to reduce the amount of carbon emitted by products over their whole life cycle. A number of countries around the world use the CFP approach.

Hitachi launched CFP assessment in 2009. We participate in the Carbon Footprint Communication Program of the Japan Environmental Management Association for Industry (JEMAI) and are working to expand the number of approved CFP Products.\*1 In fiscal 2015, our midrange storage systems, IP-PBX communication systems, and OCR (optical character reader) scanners were verified and approved by the JEMAI CFP Program. In addition to visualizing CO<sub>2</sub> emission amounts, we quantified the rate of CO<sub>2</sub> emission reductions per function\*2 from previous models, publishing the quantitative effect of their energy efficiency in our catalogs and on our website and offering explanations at product shows. We will make efforts to capitalize on CFP as an added value for our products in the future.

\*1 Approved CFP Product: A product subjected to testing according to the CFP quantification rules of the Carbon Footprint Communication Program, which also passes the CFP quantification verification and undergoes the application process for registration and public announcement.  
 \*2 Specifically, the "life cycle GHG emissions per unit function amount," calculated by dividing "life cycle GHG emissions per sales unit" by "function amount of applicable product" as specified by performance (or performance characteristic) and/or use period.

Products authorized to display the CFP label in fiscal 2015

Product	Midrange storage	IP-PBX communication systems	OCR scanners
Model	Hitachi Virtual Storage Platform G200	MX-01 CCUB	HT-4165-48
Product appearance	 Single unit (above) and multiple units in rack. (Not intended to show standard system configuration.)		
[Previous model]	Hitachi Unified Storage 130	MX900IP CCUB	HT-4139-48U
Rate of reduction in CO <sub>2</sub> emissions (compared to previous model)	-48%	-13%	-27%

Working with European Environmental Footprint Initiatives

The Product Environmental Footprint (PEF) and Organisation Environmental Footprint (OEF) initiatives develop methodologies for measuring the life cycle environmental burden of products and organizations in up to 15 areas. Three-year pilot studies were started in November 2013 to establish assessment methods in multiple product and organization fields.

Hitachi, drawing on experience with Japan's Carbon Footprint Communication Program and the knowledge gained from calculating and visualizing CO<sub>2</sub> emissions in the IT product life cycle, is participating in a European Environmental Footprint pilot study in the IT equipment field, for which it serves as the technical secretariat.

In fiscal 2015, we established methods for evaluating the environmental burden of IT products, which were approved by the European Commission. We also reviewed possible means of disclosing and communicating the evaluation results to our stakeholders. At an October 2015 mid-term conference organized by the European Commission for members of industry, government, nongovernmental organizations, and the general public, we reported on developments and challenges in the pilot study and took part in discussions toward their application to European environmental policy.

**Next Steps**

Having achieved an Eco-Product sales ratio of 95%, our next step in fiscal 2016 and beyond will be to develop and popularize products with high environmental value through our eco-design activities. We will enhance the environmental performance of our products and services by promoting reductions in CO<sub>2</sub> emissions and resource use. Our aim in fiscal 2016 will be to achieve 30% reductions in CO<sub>2</sub> emissions from the use of products and services compared to fiscal 2010 levels. Moreover, we will maintain the environmental consciousness of our products by conducting an Environmentally Conscious Design Assessment, created in compliance with IEC 62430, on products and services that involve a design process. Through these activities, we will strive to ensure that the environmental value of our products and services leads to added value in ways that will help our business to grow, as well as work to contribute to the global environment by offering products and services with low environmental burden.

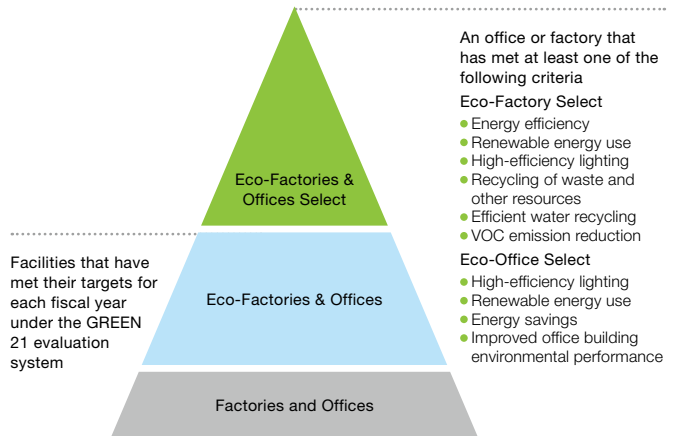
**Environmental Considerations at Business Sites**

**Creating Eco-Factories & Offices Select**

To reduce the environmental burden of our business activities, since fiscal 2011 we have implemented an Eco-Factories & Offices Select certification program for locations that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area. This helps raise the environmental awareness of employees and promote environmentally conscious business activities.

Based on certification criteria that were developed for our manufacturing (factory) and nonmanufacturing (office) divisions globally, we certify existing factories that actively engage in improvements to achieve efficient production and new offices that have been environmentally designed from the start. To maintain and raise the level of environmental awareness through Eco-Factories & Offices Select, certified factories and offices are re-evaluated every fiscal year to confirm that their performance continues to meet requirements. In fiscal 2015, at least one factory or office was certified at each in-house and Group company, with 15 facilities obtaining new certifications and 58 facilities having their certifications renewed.

**Eco-Factories & Offices Select Certification Criteria**



**Next Steps**

In fiscal 2016 and beyond, we will continue our efforts to expand the Eco-Factories & Offices Select program by promoting more efficient energy use, waste recycling, and other measures in Group factories and offices, thereby reducing the environmental burden of our business activities.

Environmental Action Plan for 2018, Factories and Offices

**Global Warming Countermeasures**

**Promoting Global Warming Countermeasures**

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

**Actions and Achievements**

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

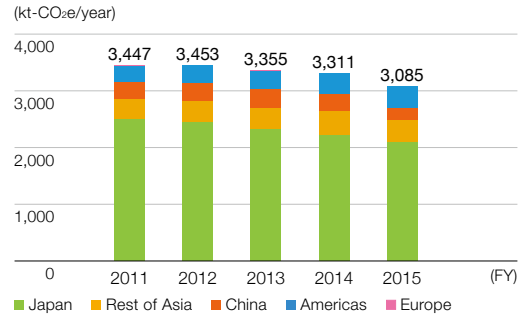
**Key Indicators**

- Reduction in Energy Use per Unit



\*1 A value closely related to the emission factor numerators (environmental burden) of energy use from business activities (for example, production quantity, output, building floor space, and number of employees).

• CO<sub>2</sub> Emissions ✓



**Breakdown by Region (kt-CO<sub>2</sub>e/year) ✓**

	2011	2012	2013	2014	2015
Europe	7	4	4	8	7
Americas	295	316	321	358	375
China	287	315	332	305	211
Rest of Asia	357	381	375	423	402
Japan	2,501	2,437	2,323	2,217	2,090
<b>Total</b>	<b>3,447</b>	<b>3,453</b>	<b>3,355</b>	<b>3,311</b>	<b>3,085</b>

Notes:

- Emissions are calculated based on the 2005 CO<sub>2</sub> emission coefficients for electric power by country published by the International Energy Agency in *CO<sub>2</sub> Emissions from Fuel Combustion* (2010 edition).
- Energy-related CO<sub>2</sub> emissions were 660 kt-CO<sub>2</sub>e (Scope 1) and 2,425 kt-CO<sub>2</sub>e (Scope 2).

**Introducing Renewable Energy**

We are promoting the use of solar, wind power, and other forms of renewable energy. During the 2015 fiscal year, Hitachi produced 3,914 MWh of renewable energy for its own use. Hitachi Computer Products (America), Inc. proactively uses renewable energy to power its factory, purchasing 7,242 MWh during fiscal 2015. In Japan, we also contracted for Green Power Certifications for 1,000 MWh/year through Japan Natural Energy Company Limited, using these to cover power generated for offices, showrooms, and exhibitions.



Green Power logo for Green Power Certification.

**Reducing Transportation Energy Consumption**

Reductions in transportation energy consumption per unit are reflected in the individual targets of each business unit and Group company. This allows additional actions to be taken to further reduce energy consumption. Business sites are promoting a modal shift to highly efficient transportation methods, improving truck loading ratios and taking other measures to reduce transportation energy consumption, and switching to the use of eco-cars. Hitachi is actively utilizing rail transport for surface freight shipments of 500 km or more, for which we have earned the Ministry of Land, Infrastructure, Transport, and Tourism's Eco Rail Mark.\*<sup>1</sup> CO<sub>2</sub> emissions from transportation inside Japan for the Hitachi Group in fiscal 2015 were 114 kt-CO<sub>2</sub>e. ✓

The Mito Works, a building systems business unit, is taking a range of measures to cut transportation energy usage. These include improving the efficiency of its shipping and delivery network and reducing the distances and frequency of transportation. In fiscal 2015, CO<sub>2</sub> emissions per unit were reduced by 69% compared with fiscal 2006.

\*1 A mark conferred on products and businesses when a designated share of freight shipments are made by rail transport, which has low CO<sub>2</sub> emissions.



About the Eco Rail Mark

### Next Steps

As suppliers of products and services, Hitachi business sites will continue to promote efficient energy usage and consistently maintain a high level of improvement activities. We will also contribute to the reduction of energy-related emissions of CO<sub>2</sub> and other GHGs by making maximum use of renewable energy. In pursuit of these targets, Hitachi continually implements a PDCA (plan, do, check, act) cycle and works to reduce GHG emissions.

## Efficient Use of Resources

### Reducing Waste Generation and Promoting Product Recycling

Resource-related problems arising from economic development and population growth are universal challenges, and measures are needed to cope with the mass consumption of resources and mass generation of waste. To address these issues, Hitachi is working to reduce the volume and improve the recycling rates of waste generated during production. We also promote the efficient use of resources by collecting end-of-life products and reusing or recycling them.

### Actions and Achievements

For fiscal 2015, we set a target of a 23% reduction (from the fiscal 2005 base year) for waste and valuables generated per unit, bettering this by achieving a 28% reduction. Every business site is reducing waste through onsite recycling of byproducts and scrap from the production process and efforts to curb use of packing materials during transport. Under the Zero Emission initiative, which seeks to minimize landfill disposal, 111 business sites achieved their zero emission goal\*1 as of fiscal 2015.

\*1 Defined as a final disposal rate (landfill disposal/waste and valuables) of less than 0.5% in any given fiscal year.



Zero Emission Sites

### Key Indicators

#### Reduction in Waste and Valuables Generated per Unit

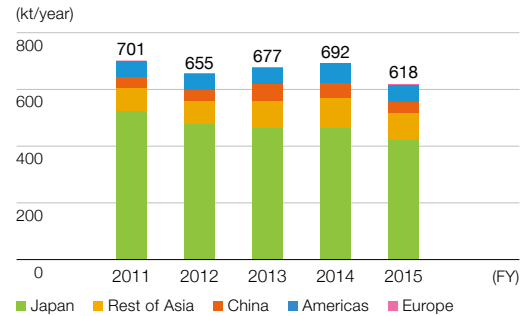


● FY 2005 (base year)

● FY 2015



#### Waste and Valuables Generated



#### Breakdown by Region (kt/year)

	2011	2012	2013	2014	2015
Europe	3	1	1	2	1
Americas	55	58	56	67	63
China	40	38	62	54	36
Rest of Asia	80	80	93	106	98
Japan	523	478	465	463	420
Total	701	655	677	692	618

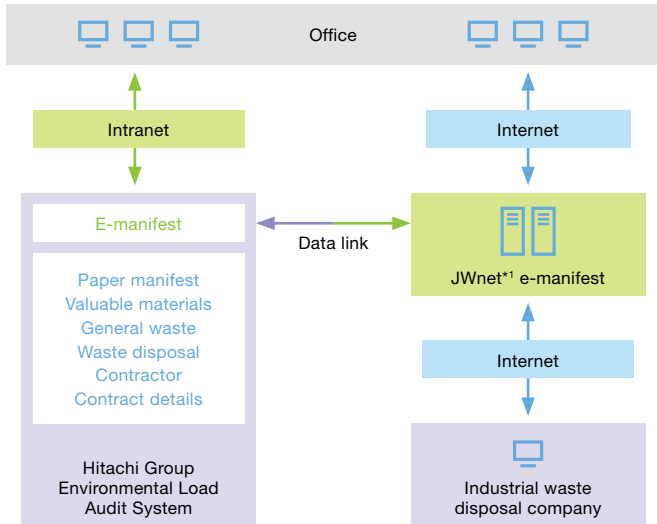
### Using IT for Managing Waste

Hitachi has developed a waste management system aimed at more efficient processes and reduced compliance risk. In Japan, we visualize the generation and disposal of waste produced at our factories, offices, and contract operations and manage data on waste contractors so that we can keep accurate track of our progress in waste recycling. In fiscal 2015, entries were made to the system regarding waste generated at approximately 2,600 locations in Japan. This information is being put to use in measures to reduce waste volume and improve recycling rates.

As of fiscal 2015, the e-manifest system\*1 registration rate for Hitachi Group business sites was 95%, surpassing our target of boosting the registration rate to at least 90% by fiscal 2015.

\*1 The e-manifest is a document that waste generators must issue when commissioning a disposal company to handle waste disposal.

### Waste Management System



\*1 JWnet: The Japan Waste Network is an electronic manifest system operated by the Japan Industrial Waste Information Center under the auspices of Japan's Ministry of the Environment.

### Product Collection and Recycling

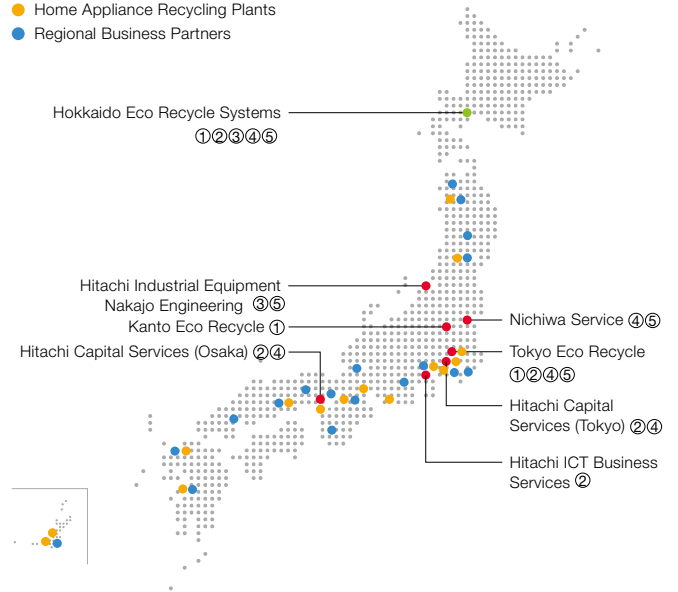
In order to comply with the 2001 Home Appliance Recycling Law, Hitachi has taken part in cooperative efforts by five companies\*1 in the same industry while recycling air conditioners, televisions, refrigerators, and washing machines at 18 recycling plants nationwide. In fiscal 2015, we recycled around 56,000 metric tons of the roughly 63,000 tons of end-of-life products we collected.

Today we are building on our know-how in recycling home appliances by creating a recycling network and expanding collection and recycling programs to include IT products like personal computers, servers, and communication equipment; industrial equipment including pumps, motors, distribution boards, transformers, refrigeration equipment, and machine tools; and industrial air conditioners and medical equipment. In fiscal 2015, we recycled more than 9,000 tons of the roughly 10,000 tons of the end-of-life IT products, industrial equipment, and other items we collected.

\*1 Hitachi Appliances, Inc., Sharp Corporation, Sony Corporation, Fujitsu General Limited, and Mitsubishi Electric Corporation.

### Product Recycling Network

- Hitachi Group Companies
- Hitachi Group (Equity-Method Affiliates)
- ① Home Appliance Recycling
- ② IT Product Recycling
- ③ Financial Equipment Recycling
- ④ Industrial Equipment Recycling
- ⑤ Medical Equipment Recycling
- Home Appliance Recycling Plants
- Regional Business Partners



### Next Steps

With a focus on reducing the volume of waste generated, Hitachi will take a range of measures to address waste-related issues, such as conserving resources and reducing product volume from the design stage, recycling waste, and promoting use of recycled resources. To counteract the cross-border movement of hazardous waste materials, moreover, we will enhance our management of waste contractors.

We will also promote the effective use of resources at both the production and disposal stages of the product life cycle by expanding our recycling network for end-of-life products as well as the range of products that we collect.



## Reducing Water Use

### Water Conservation

Issues related to water resources are diverse. They include shortages of domestic- and agricultural-use water due to population growth, land subsidence from overuse of groundwater, and ecological destruction from wastewater.

Hitachi uses water in such production processes as cleaning, cooling, and painting. To reduce water use through greater efficiency, we are enhancing our level of water management by installing flow meters at more locations, introducing wastewater treatment devices to increase the use of recycled water, and upgrading water supply facilities at our business sites.

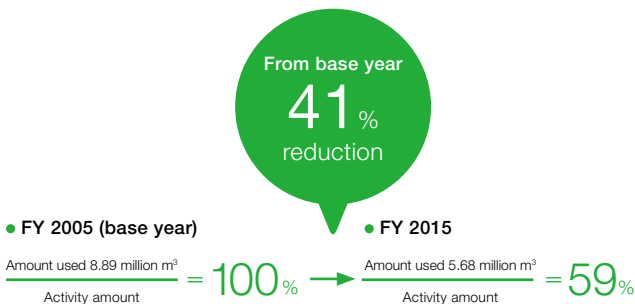
Different countries and regions are affected by water-related issues in different ways. Recognizing the importance of devising measures suited to each region, we will tackle these issues by establishing region-specific targets.

### Actions and Achievements

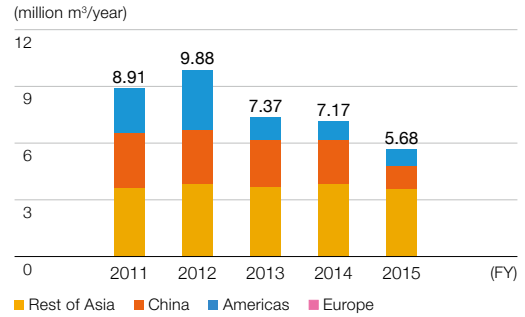
In fiscal 2015, we set a target for our business sites outside Japan of a 30% reduction (over the fiscal 2005 base year) for water use per unit and achieved a 41% reduction. A growing portion of our production takes place outside Japan, and we are promoting efficient use of water through conservation worldwide. To accurately grasp water-related risks in each region, we conducted surveys at 283 business sites around the world on levels of water stress (an index of scarcity of water relative to demand), water intake volume per source, and wastewater volume per discharge destination.

#### Key Indicators

- Reduction in Water Use per Unit (Outside Japan)



### Water Use Outside Japan



#### Breakdown by Region (million m<sup>3</sup>/year)

	2011	2012	2013	2014	2015
Europe	0.03	0.03	0.02	0.02	0.01
Americas	2.35	3.15	1.20	0.98	0.89
China	2.92	2.85	2.50	2.32	1.22
Rest of Asia	3.61	3.85	3.65	3.85	3.56
Total	8.91	9.88	7.37	7.17	5.68

### Next Steps

Hitachi will continue appropriately managing its water usage related to business activities, promoting effective use of this resource. We will also ascertain water-related risks on an ongoing basis in each region and take measures that are appropriate for that region's water environment.

## Chemical Substances

### Managing Chemical Substances

In fiscal 2005, Hitachi formulated the Regulations for Environmental CSR-Compliant Monozukuri to manage the chemical substances contained in its products at all stages—from development and design, procurement, and production to quality assurance and sales. With regard to chemical substances used in our business operations, we manage risk by assigning three ranks to the use of such substances: prohibition, reduction, and control. We also reduce risk by educating chemical substance handlers and managers on laws and regulations and on proper risk assessment.

### Managing Chemical Substances in Our Products

To ensure compliance with European REACH\*1 and other regulations, we continuously revise the list of chemical substances in our products that are to be managed. In October 2015, we modified the list of Voluntarily Controlled Chemical Substances so that now 18 prohibited substances (Level 1) and 27 controlled substances (Level 2) are listed. In compliance with Europe's REACH regulation, we submitted reports on the use of particular substances in parts and final products by the June and December 2015 deadlines.

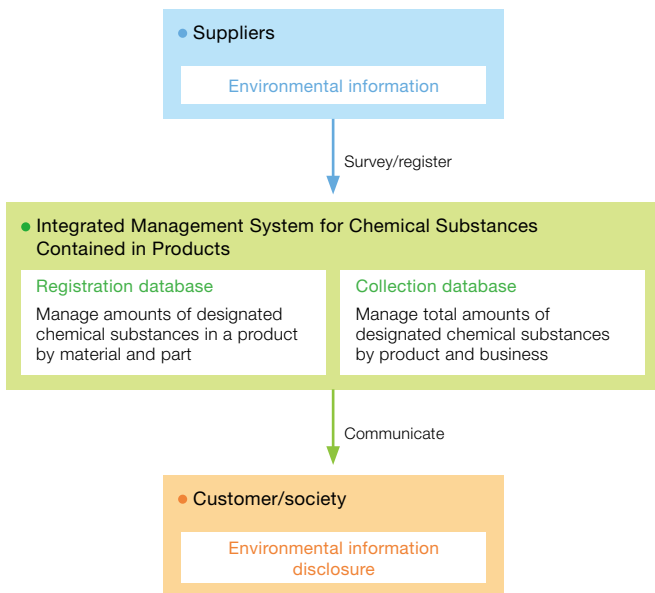
\*1 REACH regulation: The European Union regulation on Registration, Evaluation, Authorization, and Restriction of Chemicals.



## Working with the Supply Chain to Manage Chemical Substances

Working closely with suppliers and customers, we gather and make available information on chemical substances across the supply chain via the Integrated Management System for Chemical Substances Contained in Products, which has been in operation since fiscal 2005. As of March 31, 2016, chemical substance information for more than 1.27 million parts and products was registered under this integrated management system.

### Integrated Management System for Chemical Substances Contained in Products



## Managing Chemical Substances in Our Business Operations

As for the management of chemical substances emitted from our factories and other sites, we are cutting emissions of 41 volatile organic compounds (VOCs) that we have designated with an eye to preventing air pollution. Initiatives in fiscal 2015 to reduce VOC emissions included switching from paints containing VOCs to water-soluble and powder paints, expanding the use of stainless steel requiring no coating and plated sheet steel chassis, and altering washing processes. We successfully achieved our targets through these initiatives. Information on successful efforts is translated into English and Chinese and shared globally with Hitachi Group members. We also monitor and manage emissions of sulfur oxides (SOx) and nitrogen oxides (NOx),\*1 which are required to be measured under the laws and regulations applicable at our business locations.

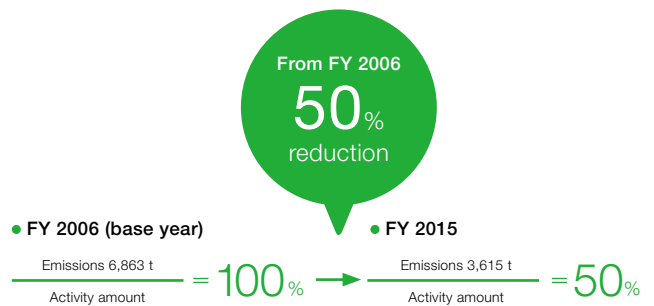
We comply with Japan's Pollutant Release and Transfer Register (PRTR) Law through Group-wide monitoring of chemical substances released into the atmosphere or into public waters, removed outside our plants as waste, or discharged into sewage systems, reporting the results to

local governments for each office or plant. Although some substances are exempt from reporting due to their small quantities, our policy is to keep data on the handling, emission, and transfer of all PRTR substances of 10 kilograms or more per year, recognizing the need to control these substances as well.

\*1 Emissions of SOx and NOx: Calculated as the product of concentration and exhaust air-flow rate.

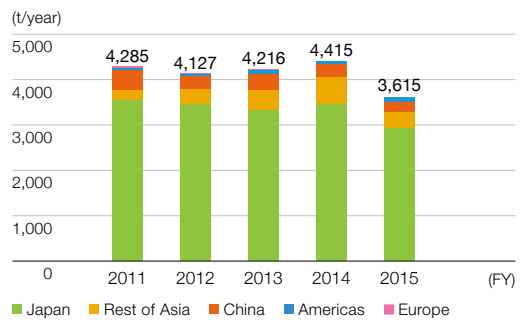
### Key Indicators for Chemical Substance Management

- Reduction in VOC Atmospheric Emissions per Unit



	Japan	Outside Japan	Overall
<b>FY 2015 (from base year)</b>	<b>29%</b>	<b>21%</b>	<b>50%</b>

- Reducing VOC Atmospheric Emissions



#### Breakdown by Region (t/year)

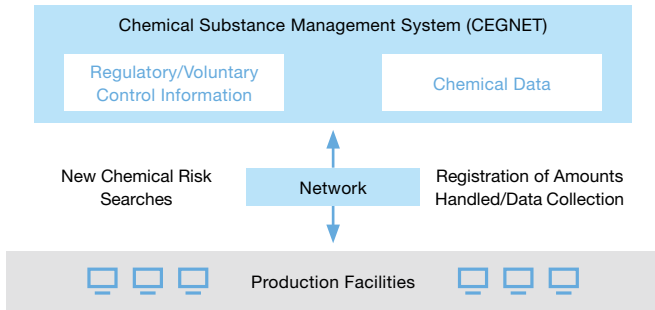
	2011	2012	2013	2014	2015
Europe	28	6	8	12	9
Americas	62	53	76	66	113
China	427	273	372	281	199
Rest of Asia	232	346	447	604	373
Japan	3,536	3,449	3,313	3,452	2,921
<b>Total</b>	<b>4,285</b>	<b>4,127</b>	<b>4,216</b>	<b>4,415</b>	<b>3,615</b>

Environment Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results), Preserving Ecosystems

**The CEGNET Chemical Substance Management System**

To ensure the proper management of chemical substances used in its business operations, since 1998 Hitachi has operated a database for chemical substance management called CEGNET to keep track of the latest laws and regulations and the company's own voluntary regulations.

CEGNET also collects and aggregates data on the amount of chemical substances handled, emitted, and transferred in our operations, helping to reduce the volume of chemicals that we handle.



**Managing Storage of Equipment Containing PCBs**

In Japan, we gather and manage information on storing and handling equipment that uses polychlorinated biphenyls (PCBs) every year and promote the efficient and thorough treatment of these units. Waste materials with high PCB concentrations are subject to a treatment program based on requirements set by the national government of Japan, and waste materials with low PCB concentrations are also processed by treatment companies that have been certified and have the capacity to handle them. Thanks to these efforts, we are successfully reducing the stored amount of

PCB-containing waste. Waste materials containing PCBs stored at 39 business sites were treated in fiscal 2015; we are aiming to complete the treatment process ahead of the 2027 deadline set by Japan's Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.



Disposing of waste materials (large transformers) containing PCBs.

**Next Steps**

In fiscal 2016, with our shift to a new Environmental Action Plan, we will review our list of targeted substances and continue with our emission-reduction initiatives.

In connection with Europe's REACH regulation, we will continue our checks and preparations in the lead-up to the next round of notification deadlines.

**Preserving Ecosystems**

**Hitachi's Approach**

Various forms of development accompanying economic growth and urbanization around the world have led to environmental degradation and pollution, the overuse of natural resources, and threats to biodiversity. Hitachi believes that preserving ecosystems for diverse living organisms is vital to ensuring that biodiversity—a precious asset—will remain intact for future generations. We are reducing the burden on the ecosystem from the perspective of the entire life cycle of products and striving to produce things in a way that does not damage the ecosystem. We are also promoting Group-wide activities that contribute to preserving ecosystems.

**Preserving Ecosystems**

**Initiatives to Preserve Ecosystems**

An important aim of our Environmental Action Plan for 2013 to 2015 was to carry out the Business Assessment on the Preservation of Ecosystems. We were also active outside the company, such as participating in the biodiversity working group of four Japanese electrical and electronic industry associations\*1 and the Japan Business Initiative for Biodiversity (JBIB). We continue to raise awareness and knowledge within Hitachi and to promote ecosystem

preservation throughout the entire Group while laying the groundwork for environmental programs through activities outside the company.

\*1 The Japan Electrical Manufacturers' Association (JEMA), Japan Electronics and Information Technology Industries Association (JEITA), Communications and Information Network Association of Japan (CIAJ), and Japan Business Machine and Information System Industries Association (JBMI).

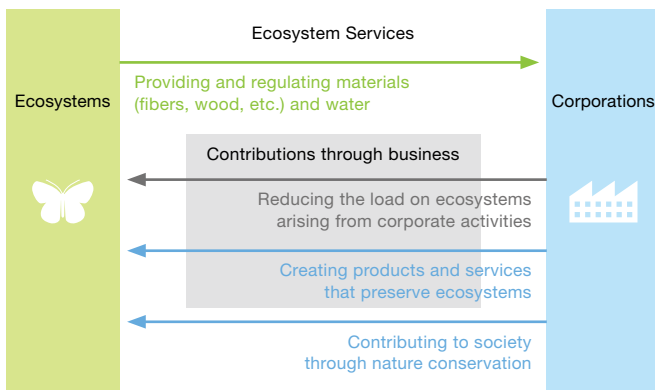
The biodiversity working group

Japan Business Initiative for Biodiversity

### Corporate Relationship with Ecosystems

Corporations depend on “ecosystem services,” including the natural supply of materials like fibers and wood, and the ability of ecosystems to maintain the quality and quantity of air, water, and soil. Contributing to ecosystem preservation through both business and social activities enables companies to continue receiving these benefits and to restore ecosystems. Through its business activities, Hitachi is promoting designs and production methods that reduce the impact on ecosystems throughout the product life cycle. We are also increasing the number of products and services for direct preservation of ecosystems, such as water purification measures. We view chemical substance management as part of ecosystem preservation and continually ensure that it is carried out correctly. To contribute to society, we encourage employee volunteer programs, such as tree planting and ecological surveys of rare plants and animals, as well as other programs that preserve ecosystems.

#### Corporations and Ecosystems



- Production dependent on ecosystems
- Minimizing negative impacts (reducing burden on ecosystems)
- Expanding positive impacts (contributing to ecosystem preservation)

### Encouraging Action to Preserve Ecosystems

The *Hitachi Group Guide to Preservation of Ecosystems* is a guidebook issued to employees that outlines the relationship between corporate activities and ecosystems, introduces trends and examples of initiatives being taken around the world, and makes recommendations. Since fiscal 2013, we have also been implementing the Business Assessment on the Preservation of Ecosystems every year in order to deepen employee understanding. The aim is to promote initiatives that help to preserve ecosystems from a variety of perspectives by conducting an assessment based on a total of 53 criteria in eight different categories (such as “communication/education” and “design/development”), as specified in the table. In fiscal 2015, the assessment was conducted at around 211 Hitachi business sites (excluding the headquarters of each company) both within and outside Japan, with the participants conducting a self-assessment regarding the results of activities over a three-year period.

#### Main Criteria and Overview of Assessment

No	Category	Assessment Overview	Share of Business Sites that Enhanced Initiatives Over 3-Year Period
1	Communication/ Education	Understanding the gist and goals of preserving ecosystems through business activities	40%
2	Design/ Development	Products that take ecosystems into consideration	17%
3	Procurement	Encouraging and educating suppliers regarding initiatives to preserve ecosystems	20%
4	Production	Reducing the environmental burden of the manufacturing process	42%
5	Site management	Surveying ecosystems at business sites and taking environmental issues into consideration when building or renovating structures at those sites	13%
6	Transportation/ Sales	Conserving energy use for transportation and reducing use of printed materials	20%
7	Collecting/ Recycling	Encouraging and educating waste-treatment firms regarding initiatives to preserve ecosystems	16%
8	Engagement	Contributing to society through partnerships with stakeholders	20%

### Next Steps

In fiscal 2016, we created the “Ecosystem Preservation Activities Menu” including the pioneering efforts being carried out at companies and organizations outside the Hitachi Group. We will continue with existing preservation efforts and systematically add activities in accordance with the new menu. As demonstrated by the addition of the number of new ecosystem preservation initiatives as a major indicator in the Environmental Action Plan for 2018, the Hitachi Group as a whole will make further efforts to promote ecosystem preservation.



Management Approach

Activities

Performance Data

# Performance Data

<b>Key Indicators</b>	<b>94–95</b>
<b>Overview of Financial Results, Board Members, and Employee Data</b>	<b>96–97</b>
<b>Main Assessments and Awards</b>	<b>98–99</b>
<b>Independent Assurance</b>	<b>100</b>





Management Approach

Activities

Performance Data

Key Indicators

## Key Indicators

The Key Indicators of Hitachi's CSR activities are listed below. Comparative tables with the GRI Content Index, as well as our Policy, Vision, and Guidelines, are only available on our website.



Comparative Tables with GRI Content Index



Policy, Vision, and Guidelines

### Recognition of Social Responsibility

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Realizing Sustainable, Innovative Management					
Ratio of R&D expenditure to revenue (%)	4.3	3.8	3.7	3.4	3.3
Number of R&D staff outside Japan	150	—	290	300	350
Patent application ratio outside Japan (%)	55	57	59	59	59

#### Boundary of Data

Hitachi, Ltd. and consolidated subsidiaries (including variable interest entities).

Number of companies: FY 2011: 940; FY 2012: 964; FY 2013: 948; FY 2014: 996; FY 2015: 1,057.

### Labor Practices

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Promoting Diversity and Inclusion					
Ratio of male and female employees*1 (%)	84:16	84:16	83:17	84:16	84:16
Number and global ratio of female managers	—	—	3,415	3,670	3,727
			5.6%	6.0%	6.4%
Disabled employment ratio*1 (%)	2.00	2.02	2.02	2.03	2.08
Promoting Occupational Health and Safety*2					
Occupational accident rate*1	0.10	0.14	0.10	0.09	0.07
Occupational accident rate*3	0.15	0.19	0.14	0.27	0.22
A Strategy for Growing Together with Our Global Human Capital*2					
Number of non-Japanese employees	239	257	340	446	509
Number of young employees participating in training outside Japan*4	1,064	1,202	747	720	674

#### Boundary of Data

\*1 Hitachi, Ltd.

\*2 January to December each year.

\*3 90 major Hitachi Group companies in Japan including Hitachi, Ltd. through to 2011; 175 Hitachi Group companies in Japan including Hitachi, Ltd. for 2012; 195 Hitachi Group companies in Japan including Hitachi, Ltd. for 2013; 251 Hitachi Group companies in Japan including Hitachi, Ltd. for 2014; 240 Hitachi Group companies in Japan including Hitachi, Ltd. for 2015.

\*4 Hitachi, Ltd. and Group companies in Japan.



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Key Indicators

## Environment

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Reducing the Environmental Burden of Our Business Operations</b>					
Eco-Product sales ratio (%)	80	84	89	93	95
Contributions to CO <sub>2</sub> emission reduction (million metric tons)	19.04	22.74	27.47	32.19	36.49
CO <sub>2</sub> emissions (kt-CO <sub>2</sub> e) ✓	3,447	3,453	3,355	3,311	3,085
Waste and valuables generation (kt)	701	655	677	692	618
Water use (outside Japan) (million m <sup>3</sup> )	8.91	9.88	7.37	7.17	5.68
VOC atmospheric emissions (t)	4,285	4,127	4,216	4,415	3,615

### Boundary of Data

Hitachi, Ltd. and consolidated subsidiaries.

Number of companies: FY 2011: 940; FY 2012: 964; FY 2013: 948; FY 2014: 996; FY 2015: 1,057.

Environmental performance data associated with Hitachi's business operations: Hitachi, Ltd. and consolidated subsidiaries whose environmental load comprises 90% of the total (based on Hitachi calculations); data for each fiscal year indicates performance within the given boundary for the fiscal year.

## Fair Operating Practices ✓

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Engaging in Responsible Procurement</b>					
Number of CSR monitoring (self-checks)	102	98	100	200	218
Number of audits supported by external auditing organizations	—	12	16	20	20

## Community Involvement and Development ✓

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Promoting Sustainable Community Involvement and Development</b>					
Funding for social contribution activities* <sup>1</sup> (million yen)	—	—	1,806	1,218	889
Funding for social contribution activities* <sup>2</sup> (million yen)	3,471	3,284	3,076	2,327	2,057

### Boundary of Data

\*1 Hitachi, Ltd. and the Hitachi Global Foundation.

\*2 Through to fiscal 2014: Hitachi, Ltd. and 136 Group companies (including equity-method affiliates) and five foundations in Japan, 199 companies outside Japan; for fiscal 2015: Hitachi, Ltd. and 136 Group companies (including equity-method affiliates) and the Hitachi Global Foundation in Japan, 244 companies outside Japan.



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Overview of Financial Results, Board Members, and Employee Data

## Overview of Financial Results, Board Members, and Employee Data

An overview of the consolidated financial results, board members, and employee data is shown below.

Most data are Hitachi, Ltd. figures.

### Financial Results (Consolidated IFRS)

	(billion yen)		
	FY 2013	FY 2014	FY 2015
Revenue	9,666.4	9,774.9	<b>10,034.3</b>
Adjusted operating income	604.7	641.3	<b>634.8</b>
EBIT*1	691.2	534.0	<b>531.0</b>
Income from continuing operations, before income taxes	678.4	518.9	<b>517.0</b>
Net income attributable to Hitachi, Ltd. stockholders	413.8	217.4	<b>172.1</b>
Capital investment (completion basis)	849.8	374.3	<b>528.5</b>
R&D spending	351.4	335.5	<b>333.7</b>

\*1 EBIT: Income from continuing operations before income tax, less interest income, plus interest charges.

### Board Members

	Total	Gender		Nationality	
		Male	Female	Japan	Outside Japan
Directors*1	<b>13</b> <sup>2</sup>	<b>11</b>	<b>2</b>	<b>8</b>	<b>5</b>
Executive officers*1	<b>35</b>	<b>35</b>	<b>0</b>	<b>33</b>	<b>2</b>

\*1 As of June 2016.

\*2 Including nine external directors (four from Japan and five from outside Japan).

### Composition of Employees

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of employees*1	32,908	33,665	33,500	31,375	<b>37,353</b>
Male	27,805	28,437	28,273	26,428	<b>31,536</b>
Female	5,103	5,228	5,227	4,947	<b>5,817</b>
Ratio of female employees (%)	15.9	16.0	16.6	16.3	<b>15.6</b>
Average age (years)	40.0	40.2	40.7	41.0	<b>41.2</b>
Male	40.6	40.8	41.3	41.6	<b>41.7</b>
Female	36.8	37.1	37.6	38.0	<b>38.4</b>
Average service (years)	17.9	18.0	18.3	18.4	<b>18.4</b>
Male	18.6	18.7	19.0	19.0	<b>19.0</b>
Female	14.2	14.5	15.0	15.4	<b>15.6</b>
Number and ratio of female managers*2 ✓	377 3.4%	401 3.5%	418 3.8%	434 3.7%	<b>474</b> <b>4.0%</b>
General manager or above	54 1.9%	68 2.3%	77 2.7%	87 2.8%	<b>104</b> <b>3.2%</b>
Section chief	323 4.0%	333 4.0%	341 4.3%	347 4.1%	<b>370</b> <b>4.3%</b>
Employment ratio of people with disabilities (%)*3 ✓	2.00	2.02	2.02	2.03	<b>2.08</b>

\*1 Number of full-time employees.

\*2 See Key Indicators for Group global figures.

\*3 Data compiled in June of each fiscal year.



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Overview of Financial Results, Board Members,  
and Employee Data

## Hiring Ratios

	April 2012	April 2013	April 2014	April 2015	April 2016
Ratio of new female graduates hired*1 (%)	20.3	18.0	19.4	21.7	<b>22.8</b>
Technical	14.7	11.6	14.7	18.3	<b>17.3</b>
Administrative	43.9	43.4	43.4	41.0	<b>45.5</b>

\*1 Graduates from universities or colleges (including postgraduate schools and technical colleges).

## Number of Employees Using Work-Life Balance Support Systems

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of employees taking child care leave/spouse child care leave					
Female	518	525	539	508	<b>524</b>
Male	224	245	238	236	<b>307</b>
Number of employees using shorter working hours for child care					
Female	608	617	683	663	<b>668</b>
Male	6	8	5	4	<b>3</b>
Number of employees taking nursing care leave					
Female	6	10	8	8	<b>8</b>
Male	6	7	12	9	<b>9</b>
Number of employees using shorter working hours for nursing care					
Female	6	7	4	7	<b>9</b>
Male	2	3	2	3	<b>3</b>

## Working Conditions

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Paid leave					
Average number of days	15.9	15.3	15.5	15.4	<b>15.6</b>
Ratio (%)	66.8	64.0	64.7	64.3	<b>65.3</b>
Average overtime hours/month	12.8	14.1	13.5	12.2	<b>11.9</b>
Occupational health and safety					
Number of fatal accidents	1	3	1	1	<b>2</b>

## Social Contribution Activities

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Social contribution activities					
Number of voluntary social contribution programs	32	34	43	39	<b>38</b>
Participants in voluntary social contribution programs	2,087	2,479	2,744	2,344	<b>2,166</b>

## Main Assessments and Awards

Hitachi actively pursues a range of CSR activities aimed at developing a more sustainable society. These activities have earned the Hitachi Group high marks from numerous external organizations.

### Actively Integrating ESG

The Hitachi Group welcomes external assessments as a target for ESG\*1 and sustainability-oriented investment. For seven years in a row since fiscal 2009, the Dow Jones Sustainability World Index (DJSI World),\*2 a leading global sustainability investment index, has listed Hitachi, Ltd. as a component stock. RobecoSAM, which handles survey and analysis for the DJSI listings, also gave its Bronze Class designation to Hitachi, Ltd. in its 2015 CSR rankings. Four Group companies (Hitachi Chemical Co., Ltd., Hitachi Capital Corporation, Hitachi Construction Machinery Co., Ltd., and Hitachi High-Technologies Corporation) were selected for the FTSE4Good Index Series.\*3 Hitachi Chemical, Hitachi Construction Machinery, Hitachi Metals, Ltd., Hitachi High-Technologies, and Hitachi Kokusai Electric Inc. were chosen for the Morningstar SRI Index,\*4 with the Group performing well overall in these external assessments. Hitachi Chemical was also selected for the MSCI Global Sustainability Indexes.\*5

\*1 ESG stands for "environment," "social," and "governance"—key factors in promoting socially responsible investment.

\*2 DJSI: A family of ESG indexes developed by Dow Jones & Company (USA) and RobecoSAM (Switzerland) that includes global and regional indexes with specific compositions. DJSI World, for example, selects on a global basis, while the DJSI Asia Pacific Index covers Japan, Asia, and Australia.

\*3 FTSE4Good Index Series: One of the indexes calculated by the London Stock Exchange-owned FTSE Group that selects component stocks based on their ESG performance, specifically environmental management, climate change mitigation, human rights and workers' rights, supply chain labor standards, and bribery and corruption prevention.

\*4 Morningstar SRI Index: An ESG index for Japanese stocks developed by Morningstar Japan K.K. with the Center for Public Resources Development.

\*5 MSCI Global Sustainability Indexes: A family of indexes developed by US-based Morgan Stanley Capital International comprising companies with high ESG ratings relative to sector peers.



### Results of ESG Analysis in Fiscal 2015

Institution	Index	Companies selected
RobecoSAM	Dow Jones Sustainability World Index	Hitachi, Ltd.
	Dow Jones Sustainability Asia Pacific Index	Hitachi, Ltd. Hitachi Chemical Co., Ltd.
FTSE Group	FTSE4Good Index Series	Hitachi Chemical Co., Ltd. Hitachi Capital Corporation Hitachi Construction Machinery Co., Ltd. Hitachi High-Technologies Corporation
Morningstar	SRI Index	Hitachi Chemical Co., Ltd. Hitachi Construction Machinery Co., Ltd. Hitachi Metals, Ltd. Hitachi High-Technologies Corporation Hitachi Kokusai Electric Inc.
MSCI	MSCI Global Sustainability Indexes	Hitachi Chemical Co., Ltd.

### Hitachi Selected for CDP Climate A List

Hitachi's efforts to address climate change placed it in the top 5% of global corporations surveyed by the nonprofit organization CDP,\*1 which selected Hitachi among 113 leading companies, including seven from Japan, for the A List of its Global Climate Change Report 2015.

\*1 CDP is an international NPO that provides a global system used to gauge, disclose, manage, and share key environmental information on companies and cities. On behalf of 822 investors, representing \$95 trillion in assets, CDP sends a survey on climate change to corporations and then evaluates the results.



### Nadeshiko Brand Designation

On March 16, 2016, Hitachi, Ltd. was selected as a 2016 Nadeshiko Brand, making it the third year in a row the company received the honor. Hitachi was recognized for developing environments where women in management positions are able to maximize their potential.

Since fiscal 2012, the Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange (TSE) have jointly selected, on an industry basis, enterprises that are considered to encourage women to play active roles in the workplace. From fiscal 2015 selection was increased from among approximately 1,800 companies listed on the first section of the TSE to around 3,500 firms by including those listed on the TSE second section, the Mothers index, and JASDAQ. Companies are assessed on two factors: providing career support for women and supporting women in balancing work and life. Of the top scoring companies, those also meeting return on equity requirements receive the Nadeshiko Brand designation. Hitachi, Ltd. was one of 45 enterprises chosen in fiscal 2015, the fourth round of selections.



### Diversity Management Selection 100

On March 22, 2013, Japan's Ministry of Economy, Trade, and Industry (METI) held a ceremony to celebrate Diversity Management Selection 100. Hitachi, Ltd. was one of 43 companies receiving awards in Japan. The Diversity Management Selection 100 system chooses and recognizes companies that achieve high results in such areas as improving innovation and productivity by using the talents of diverse employees, including women, different nationalities, older employees, and people with disabilities. Hitachi was lauded for going beyond simply introducing diversity programs to promote diversity management Group-wide as a corporate

strategy backed by strong management commitment. On March 18, 2015, Hitachi Group companies Hitachi Transport System, Ltd. and Hitachi Solutions, Ltd. were chosen also for the METI Diversity Management Selection 100.



### Kurumin Certification

Kurumin certification is granted under Japan's 2005 Act on Advancement of Measures to Support Raising Next-Generation Children to companies that create action plans for child care support in line with this legislation and that meet performance requirements. In February 2011, we acquired this certification\*1 in recognition of our achievements in developing and implementing action plans supporting child care so that our employees can work with the peace of mind that comes from a good work-life balance.

\*1 Hitachi Group companies receiving Kurumin certification: Hitachi Capital Corporation, Hitachi Construction Machinery Co., Ltd., Hitachi Kokusai Electric Inc., Hitachi High-Technologies Corporation, Hitachi Transport System Ltd., Clarion Co., Ltd., Hitachi Urban Investment, Ltd., Hitachi Systems Ltd., Hitachi Solutions, Ltd., Hitachi Maxell, Ltd., Hitachi SC, Ltd., Hitachi Solutions East Japan, Ltd., Hitachi INS Software, Ltd., Hitachi Government & Public Sector Systems, Ltd., Hitachi Architects & Engineers Co., Ltd. and Hitachi Aloka Medical, Ltd.






# Independent Assurance

To enhance the reliability of the data disclosed in the *Hitachi Sustainability Report 2016*, we have received independent assurance of key environmental and social performance indicators by KPMG AZSA Sustainability Co., Ltd. The indicators that were assured are marked with a .


The standards, guidelines, and calculation methods used in collecting environmental data are posted on our website.

## Independent Assurance Report



### Independent Assurance Report

To the President of Hitachi, Ltd.

We were engaged by Hitachi, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with  for the period from April 1, 2015 to March 31, 2016 (the "Indicators") included in its Hitachi Sustainability Report 2016 (the "Report") for the fiscal year ended March 31, 2016, except for the 'Employment of people with disabilities' and the 'Employment ratio of people with disabilities', whose figures as of June 2015 and June 2016 are the subject of this assurance engagement.

**The Company's Responsibility**  
The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment.

**Our Responsibility**  
Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to Hitachi Kokusai Electric Inc.'s Tokyo Works selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

**Conclusion**  
Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

**Our Independence and Quality Control**  
We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
September 27, 2016



Inquiries

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