

Compliance

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior while taking into consideration the characteristics of the countries and regions where we operate.

As a global company, we have put in place and expanded a coherent compliance structure across the entire Hitachi Group.

Sharing Codes of Conduct and Compliance Approaches Throughout the Group

Ensuring Awareness of the Hitachi Group Codes of Conduct

Hitachi, Ltd. is a pioneer in developing business ethics. The company formulated the Hitachi, Ltd. Standards of Corporate Conduct in 1983, followed by the Hitachi Group Codes of Conduct in 2010 that the entire Group pledges to uphold. The Hitachi Group Codes of Conduct are available in 21 languages and shared among Hitachi Group employees throughout the world. In addition, an e-learning tool has been made available in Japanese and nine other languages, such as English and Chinese, showing appropriate behavior and presenting specific examples for use.

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

Hitachi Group Codes of Conduct
<http://www.hitachi.com/corporate/about/conduct/index.html>

Enhancing Our Compliance Framework

In 2016, Hitachi reviewed compliance regulations and guidelines that had been set independently relating to such issues as competition law and the prevention of transactions with antisocial groups as well as bribery and corruption. These compliance regulations and guidelines have been reorganized into the Hitachi Global Compliance Program as a newly integrated system of rules under the Hitachi Group Codes of Conduct.

To implement this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group, to supervise management-level risk management executives from business units and key Group companies. Under this system, policies and measures are shared through the Compliance Management Conference, composed of these risk management executives. Each executive is assisted by a compliance manager who implements practical support measures.

Compliance heads have been appointed in 11 regions to support Group companies outside Japan, with responsibility for implementing education and sharing information as well as arranging consultation services with outside attorneys and other experts.

The internal audit section regularly conducts Group-wide reviews to verify compliance status across Group operations.

Composed of outside experts, the Advisory Committee has also been created to provide new compliance insights for proactive implementation within the Group.

Compliance Whistleblowing System

Hitachi has instituted a Group-wide whistleblowing system under which reports go directly to the Company's Compliance Department or to an outside attorney. This system can be used not only by Hitachi employees, but also by temporary staff and business partners. Fiscal 2017 saw 360 reports throughout the Group. In each case, the relevant facts were investigated thoroughly and the results were provided to whoever made the initial report. Appropriate measures were taken, including remedial action where necessary. Going forward, we will continue to maintain and review the system, prioritizing the protection of whistleblowers.

In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors in cases where they see any illegality or extreme inappropriateness in business conduct by management.

Prevention of Antisocial Transactions

To prevent any such relationships, our commitment never to engage in any kind of transactions with organized crime groups and other antisocial forces is laid out clearly in the Hitachi Group Codes of Conduct. As part of this policy stance, we insert antisocial force rejection clauses in our contracts with suppliers and business partners and conduct regular compliance checks. In addition, we try to eliminate any approaches from antisocial forces in partnership with the police and other external specialist institutions.

Thorough Export Controls

The basis of our export control policy is the statement in the Hitachi Group Codes of Conduct that: “We will help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately based on internal rules and procedures.” We instituted the Corporate Regulations concerning Security Export Controls based on this policy to ensure strict export controls are maintained throughout the Hitachi Group, including all domestic and overseas Group companies.

At present, we host training sessions and workshops on export controls for all domestic and overseas Group companies, in addition to the annual implementation of an e-learning program in Japanese, English, and Chinese.

Measures to Prevent Bribery and Corrupt Practices

In 2008, Hitachi established rules against bribery and corruption for the Hitachi Global Compliance Program, along with guidelines delineating specific spending thresholds for entertainment, gifts, and other arrangements. In 2016, we introduced a revised policy to explicitly forbid any facilitation payments for routine governmental action, and to clarify due diligence procedures for business partners. To ensure awareness of these rules and policies, we developed a global e-learning program on preventing bribery and corrupt practices, making it available in nine languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

As the risks of bribery and corruption vary according to the nature of the business, the industry sector, the region of business, the counterparty, and other conditions, since fiscal 2013 Hitachi has conducted surveys of Group companies outside Japan (about 500 companies in fiscal 2017) concerning potential risk scenarios relating to bribery and corruption.

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

Preventing Violations of Fair Competition Laws

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

Fiscal 2017 saw one incident where one of our Group companies was sanctioned and fined by the European Commission. This related to a cartel in the capacitor business that had already been identified by Japanese and US authorities

in 2016 and earlier. To prevent any recurrence, the Group company involved has already appointed a compliance head in each unit to conduct regular reviews of participating business associations and to promote education through sharing cases of violations within and outside Japan.

Eliminating competition law violations is among our top priorities for regaining trust. Going forward, we will continue our efforts to prevent such incidents recurring.

Quality Assurance Initiatives

Based on the Corporate Mission of ‘contributing to society through the development of superior, original technology and products,’ Hitachi’s manufacturing ethos (monozukuri) places top priority on quality and reliability. To achieve this, we are working to strengthen quality assurance from the standpoints of organization and management, technology, and human resources in every process—from planning and development to design, manufacturing, delivery, and maintenance.

From fiscal 2016, to achieve the goals of our 2018 Mid-term Management Plan, we have been steadily working to improve service quality and product reliability, and to reduce losses arising from quality issues based on better quality management.

Intensive Risk Assessment

Hitachi is committed to the delivery of safe products and services. 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.

Handling Product Accidents

When a product accident occurs, the division responsible acts swiftly to resolve the problem. For a severe accident, we report to government agencies in line with legal requirements and publish the incident information on our website and through other channels. Our systems are designed to ensure that appropriate action is taken swiftly at all companies throughout the Group.

Global Quality Assurance Personnel Training in Asia

We undertake personnel training as part of maintaining Hitachi’s global quality standards. In China and Thailand, where many of the Group’s manufacturing sites are concentrated, we organize educational seminars aimed at improving our quality management technology. We also host conferences for quality assurance managers to raise quality awareness regarding Hitachi’s monozukuri craftsmanship, and to share information and best practices.