

Compliance

Thorough Compliance

As the economy becomes more global and corporate activities become more borderless, business activities spanning across countries and regions with different administrative and economic systems, trading practices and values are picking up. Globally shared initiatives and guidance are increasingly important in terms of conducting proper international business and preparing for all types of risks that could potentially hinder business activities.

Hitachi promotes business globalization in accordance with "Basics and Ethics," and has established its own set of rules concerning important business practices, such as preventing bribery, ensuring fair competition and establishing tax compliance, that are compliant with widely recognized and approved international standards. We are also working to ensure thorough awareness and practice of these rules throughout the entire Group. We will respond appropriately to the demands of society while reviewing and updating these rules as needed based on an awareness that required corporate behavior and interpretations of standards and regulations continue to evolve due to ongoing global discussion concerning compliance.

Our Basic Policy and Promotion System

We established the Hitachi Group Codes of Conduct as a standard of behavior for the entire Group and have translated them from Japanese into 13 different languages, including English and Chinese, sharing them with employees throughout the world. Hitachi also works to foster a sound corporate culture in terms of awareness of corporate ethics and compliance and conducts related employee surveys throughout the Group annually.

In 2016, Hitachi reconstituted its rules and guidelines related to matters such as compliance with competition law and the prevention of transactions with antisocial groups, corruption and bribery, repackaging them into the Hitachi Global Compliance Program (HGCP), a system of regulations falling under the Hitachi Group Codes of Conduct. We are seamlessly implementing these rules at all business sites within Japan.

Strengthening Our Global Compliance Framework

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

We also support Group companies outside Japan and have appointed compliance heads in 11 regions, responsible for implementing education and sharing information as well as arranging consultation services with outside attorneys.

Issues in the promotion of compliance measures are clarified through individual dialogue with business units and key Group companies, while the internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented.

Hitachi, Ltd. also convenes an Advisory Committee of outside experts to gain new insights into compliance and apply them proactively in its own efforts.

Compliance Reporting System

Hitachi, Ltd. has instituted a Compliance Reporting System allowing reports to be made to the compliance section or directly to external lawyers to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. This system can be used not only by employees within the Hitachi Group but also by temporary staff and business partners, such as suppliers and distributors. In fiscal 2018, we received 462 reports from all Group companies in Japan and around the world. In addition, we have implemented the Channel to the Board of Directors system to allow all Hitachi, Ltd. employees to directly report problems anonymously or under their real names to Hitachi directors in cases where they see any illegality or extreme inappropriateness in business conduct by division heads, executive officers, or other management personnel.

Response to Technical Intern Training Program Issues

In 2018, the Organization for Technical Intern Training conducted on-site inspections at Hitachi, Ltd. and 10 Group companies. These inspections identified violations of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees, and the relevant companies were provided with recommendations for improvement regarding intern training. Additionally, in September 2019, Hitachi, Ltd. received an order for improvement from Immigration Services Agency of Japan and Ministry of Health, Labour and Welfare, regarding the construction of its systems for carrying out proper technical intern training according to authorized plans. Companies that received recommendations or orders for improvement have already taken corrective measures. We have taken strict measures to ensure that no further violations will take place throughout the entire Group, such as constructing Group-wide policies, guidelines, and check systems for technical intern training, and we continue to strive to carry out appropriate technical intern training in accordance with relevant laws and the aims of the Technical Intern Training Program.

Primary Initiatives

Policies for Preventing Bribery and Corrupt Practices

Preventing bribery and corrupt practices is a big challenge for a company today. In 2008 Hitachi established rules against bribery and corruption for the HGCP along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements provided to public officials. We have striven to ensure strict compliance with these rules. In 2016 we introduced a policy banning facilitation payments, which had not been explicitly regulated, along with revisions including clarification of due diligence procedures for business partners.

Preventing Violations of Competition Law

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and open competition, while at the same time ensuring that we comply with the HGCP's rules concerning competition law and other related business standards and guidelines. In 2017, to enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors based on the standards originally prepared for use in Japan. We have been providing a collection of case studies for workplace discussion to Group companies since 2012, and in 2018 we added case studies about competition law in three languages, Japanese, English, and Chinese, to raise employee awareness.

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

Tax Compliance Initiatives

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

Violations of Laws and Regulations

In fiscal 2018, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices and competition.

Quality Assurance

Thorough Implementation of Quality Assurance

Providing products and services that our customers can use with confidence, along with meeting the requirements and quality standards of our customers in order to achieve this, are important values shared by all our employees and codified in the Hitachi Group Codes of Conduct. To ensure that quality and reliability are maintained, we are strengthening our quality assurance activities from the perspectives of organization and management, technology, and human resources in every process—from planning and development to design, manufacturing, delivery, and maintenance.

Quality Assurance Initiatives

Maintaining the values of “Harmony”, “Sincerity”, and “Pioneering Spirit” that comprise the Hitachi Founding Spirit, as well as adhering to “Basics and Ethics” and “Putting Right and Wrong before Profits and Losses”, we place great emphasis on “Sincerity” in quality assurance activities as part of earning trust in our products.

One integral aspect of this is our unique and longstanding practice of *ochibo hiroi* which means “gleaning” in English and involves learning from failure to further develop our technologies. When an incident occurs, our executive officers take the lead in examining things from the customer's perspective, not only investigating the technical causes

but also thoroughly discussing the process, framework, and motivating factors leading up to occurrence, along with ways to prevent reoccurrence, in order to improve our product reliability and customer satisfaction.

Framework for Quality Assurance

To ensure full control over quality governance, we have separated the quality assurance division from the manufacturing division in every business unit (BU) and Group company, creating a framework for activity in which our customers' safety and trust are the top priorities. Since fiscal 2018, in order to strengthen this framework further, we