CSR Management

As a global company, we share society's values and pursue sustainable growth by integrating management strategies and CSR. We align our CSR activities with our Mid-term Management Plan to realize the Hitachi Group Vision, creating both social and economic value.

Management Strategies and CSR

Hitachi's Vision

In conjunction with the start of the 2015 Mid-term Management Plan, which was announced in May 2013, the Hitachi Group Vision was created as a guide to what the Hitachi Group intends to become. The Vision embodies our firm commitment to help resolve the various challenges facing society as well as to contribute to the realization of a sustainable society.

Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

For Hitachi, CSR is about realizing the world we envision in our Group Vision.

Hitachi's CSR Activities

To realize the Hitachi Group Vision, we have shared the CSR Policy of the Hitachi Group with all Group members. This policy, which was formulated in fiscal 2005, is the basis for our CSR activities. Looking toward the next Mid-term Management Plan which will start from fiscal 2016, to further integrate management strategies and CSR, we are revising our CSR Policy to a new framework using ISO26000. From fiscal 2014, we will further improve communications with our stakeholders to recognize and fulfill our social responsibilities. We will also reinforce the PDCA cycle to ensure execution of our activities and to improve the quality of our management.

New CSR Management Framework

Material Issues for Hitachi

We use a materiality process based on dialogues with stakeholders to identify material issues. To integrate our management strategies and CSR, we reflect, in our activities, material issues related to the key management policies in our Mid-term Management Plan and we seek to materialize CSR in line with our management strategy.

Environmental Activities

Accompanying economic and social development around the world, a range of environmental problems, such as climate change, resource depletion, and ecosystem destruction, are becoming increasingly severe.

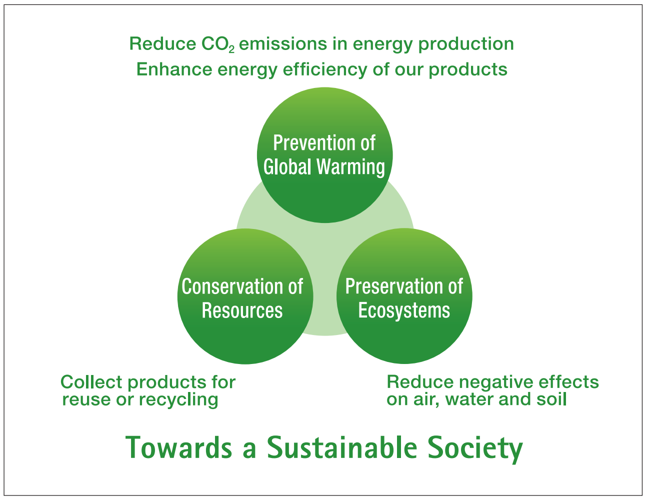
As a company engaged in the Social Innovation Business, we aim to achieve the environmental management described in our Environmental Vision or achieving a sustainable society by employing our company's resources to reduce the burden of human activities on the environment.

We are committed to global warming prevention, resource conservation, and ecosystems preservation as the three pillars of our vision. Our goal is to achieve a more sustainable society by promoting global production that reduces the environmental burden of a product throughout its lifecycle.

Environmentally Conscious Products and Services

We develop environmentally conscious products called Eco-Products as part of our efforts to make the burden on the environment of our products and services as small as possible. Eco-Products must meet specific environmentally conscious criteria for the design and development of products and services. These criteria are set in our Assessment for DfE (Design for Environment), which is used for the evaluation process. To advance the development of Eco-Products, we have set targets for raising the Eco-Product sales ratio, which is the ratio of Eco-Product sales to total product sales. In fiscal 2013, the Eco-Product sales ratio has reached 89%, surpassing our target of 84%.

The Hitachi Environmental Vision



Eco-Products that meet even more demanding requirements are designated as Eco-Products Select. In fiscal 2013, the number of products qualifying under the Eco-Products Select program increased to 210.

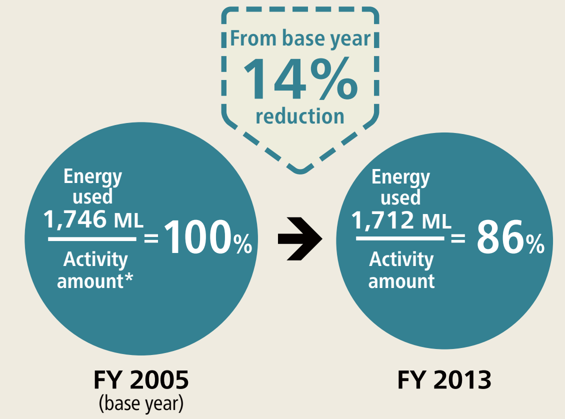
Environmentally Conscious Production

We have set targets for efficient energy use, waste amounts, chemical substance emissions, and water use to reduce the environmental burden of our business activities.

Creating Eco-Factories & Offices Select

The Eco-Factory & Office Select program certifies factories and offices that show a high level of environmental consciousness as well as outstanding results. In this way, the program promotes environmentally conscious production and encourages environmental action. Factories and offices certified under the Eco-Factory & Office Select program are reevaluated every fiscal year to confirm that their performance continues to meet the certification criteria. In fiscal 2013, 19 facilities obtained new certification and 36 facilities had their certifications renewed.

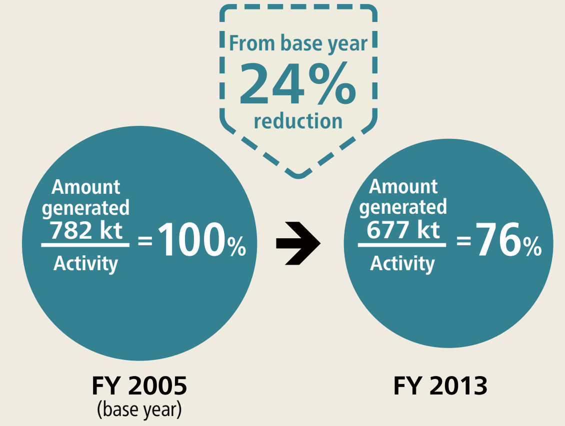
Reduction in Energy Use per Unit



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

We reduce the energy use per unit as one way to use energy more efficiently. In fiscal 2013, we reduced this by 14 percent, surpassing the 11 percent target (from the base year fiscal 2005). For more reductions, we installed high-efficiency equipment, from LED lighting to inverter air conditioners, and are cutting energy by improving manufacturing processes.

Reduction in Waste and Valuables Generation per Unit



All factories and offices are recycling waste materials onsite and, with customers, are reducing transportation waste. Under the Zero Emission*1 initiative, which minimizes landfill disposal, 121 facilities achieved zero emission goal as of fiscal 2013.

*1 Zero emission: A final disposal rate (landfill disposal/waste) of less than 0.5 percent in any given year.

Corporate Governance

Hitachi, Ltd. and its seven listed subsidiaries have adopted the Committee System under the Companies Act of Japan (the "Companies Act"). By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for quick business operation, while making management highly transparent with outside Directors on the Board of Directors.

Some of Hitachi's Directors and Executive Officers serve concurrently as Directors and committee members at Group companies. In addition, Hitachi is strengthening its integrated management of the Group, improving management oversight of Group companies, and executing business strategies formulated to enable the Hitachi Group to demonstrate its collective strengths. The goal is higher corporate value.

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of Executive Officers and Directors to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations. As of June 20, 2014, the Board of Directors was made up of 12 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the supervisory function of the Board of Directors, of which seven outside Directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints. Furthermore, Hitachi formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for outside Directors, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.
http://www.hitachi.com/IR-e/corporate/governance/guidelines.html

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 10 days during the fiscal year ended March 31, 2014, and the attendance rate of Directors at these meetings was 99%. To assist with the duties of the Board of Directors and each committee, staffs who are not subject to orders and instructions of Executive Officers are assigned.

(1) Nominating Committee
The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors. The Nominating Committee consists of four Directors, three of whom are outside Directors.

The Nominating Committee meetings were held five days during the fiscal year ended March 31, 2014.

(2) Audit Committee
The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of five Directors, including three outside Directors and two standing Audit Committee members.

The Audit Committee meetings were held 15 days during the fiscal year ended March 31, 2014.

(3) Compensation Committee
The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on these policies. The Compensation Committee consists of four Directors, three of whom are outside Directors.

The Compensation Committee meetings were held four days during the fiscal year ended March 31, 2014.

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute Hitachi's business affairs within the scope of assignments determined by the Board of Directors. As of June 20, 2014, Hitachi had 31 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that the President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussing these matters from diverse viewpoints. This committee consists of 10 members as of June 20, 2014: the Chairman & CEO, the President and COO, five Executive Vice Presidents and Executive Officers, and three Senior Vice Presidents and Executive Officers.

Director and Executive Officer Compensation

Compensation for Directors and Executive Officers is commensurate with the ability required of them as well as their responsibilities, while compensation packages at other companies are also taken into consideration.

The compensation for Directors consists of a monthly salary and a year-end allowance. The monthly salary is decided by making adjustments to the basic salary that reflects full-time or part-time status, committee membership and position, and travel from place of residence, among other factors. The year-end allowance is a pre-determined amount equivalent to about 20% of the Director's annual income based on the monthly salary, although this amount may be reduced depending on Hitachi's performance. Directors concurrently serving as Executive Officers are not paid compensation as Directors.

The compensation for Executive Officers consists of a monthly salary and a performance-linked component. The monthly salary is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment. The performance-linked component is set within a range equivalent to about 30% of the

Executive Officer's annual income and adjusted based on Hitachi and individual performance.

The compensation structure for Directors and Executive Officers was re-examined starting with compensation for the fiscal year ended March 31, 2009, and the retirement allowance was abolished.

Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2014, is as follows:

Compensation for Directors and Executive Officers

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly salary	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	161	142	18	5
Outside Directors	215	201	13	9
Executive Officers	1,989	1,275	714	31
Total	2,366	1,619	746	45

Notes:
1. The number of Directors excludes one Director who concurrently serves as an Executive Officer.
2. The amount of compensation to outside Directors includes the monthly salary for one outside Director who retired due to the expiration of his term of office at the close of the 144th Ordinary General Meeting of Shareholders held on June 21, 2013.

In addition, Directors or Executive Officers for whom compensation from Hitachi and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)	
				Monthly salary	Performance-linked component
Hiroaki Nakanishi	Hitachi, Ltd.	Executive Officer*	173	122	51

* Although concurrently serving as Director, Mr. Hiroaki Nakanishi does not receive compensation as Director.

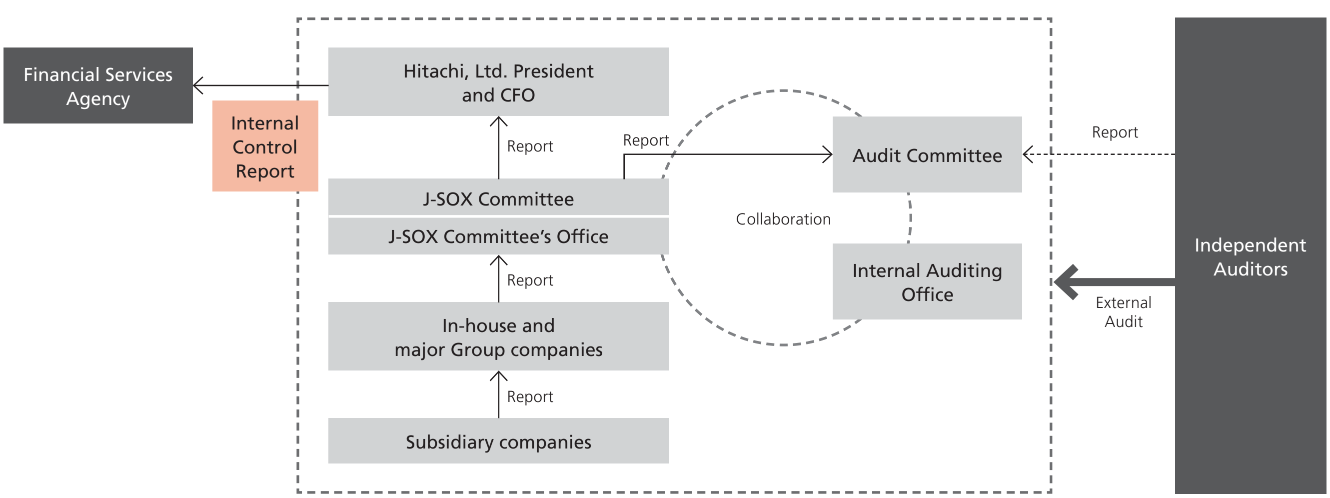
Internal Control over Financial Reporting

To ensure the reliability of the financial reporting for the Group as a whole, the Hitachi Group has documented control procedures, from company-level controls to process-level controls, in accordance with policies determined by the J-SOX Committee.

In regard to assessment of the internal control over the financial reporting, Hitachi is advancing the establishment of systems for objective assessment at each in-house company and major Group company. The J-SOX Committee's Office summarizes the assessment results of each company to confirm the effectiveness of internal control on a Group-wide, consolidated basis.

Hitachi Group Internal Control Assessment Framework

(As of March 31, 2014)



Risk Management

Hitachi conducts business activities in a wide range of fields in markets around the world. To prevent a variety of risk factors from having adverse effects on business continuity, the Hitachi Group is taking steps to strengthen risk management, such as utilizing a system with overall responsibility for compliance for the Hitachi Group.

Reinforcing the Risk Management System

The entire Hitachi Group is reinforcing management systems to address increasingly global and complex risks. In fiscal 2009, we formulated the Hitachi Global Compliance Program (HGCP), our basis for audits and educating employees. In fiscal 2013, we appointed a Hitachi Group Chief Compliance Officer (CCO), with overall responsibility for the Hitachi Group's compliance system, and CCOs in each business unit.

Moreover, in October 2013 we established the Risk Management Group, which consolidates a range of functions under the Head of Risk Management, such as internal audits, compliance, and crisis management (BCP),*[1] that had previously been managed by separate departments. Moving forward, in addition to compliance, we will establish standards and systems for evaluating all risks related to our business activities, including business risks, and a comprehensive risk management system for final consideration of countermeasures at the management level.

*1 BCP: Business Continuity Plan: A plan for the rapid restoration and continued implementation of core operations in the event of an emergency.

Risk Management System

Risk Management Group
- Compliance
- Export Control
- Crisis Management (BCP / disaster response)
- Internal Audits, etc.

+

Standards and systems for evaluating business and other risks

↓

Comprehensive risk management system at the management level

Compliance Reporting System

We instituted a Group-wide whistle-blowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. People can report directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by Hitachi employees but also by former employees, temporary staff, and business partners. Another system—the Channel to the Board of Directors—has been introduced to allow employees to report problems anonymously and directly to Hitachi's Board of Directors.

For all reports, an investigation is conducted and the facts are confirmed. If the report is an onymous, then the results of the investigation are communicated to the person who made the report. In addition, an appropriate response is implemented, such as corrective measures as needed.

Corruption Prevention Initiatives

To address the global risk of bribery, with reference to the U.S. Foreign Corrupt Practices Act (USFCPA)*[2] Resource Guide and other laws and regulations, in fiscal 2013, we formulated possible bribery risk scenarios and conducted surveys related to bribery risk at Group companies outside Japan. Based on the responses to those surveys, we identified companies that had a specified risk corresponding to the risk scenarios. Moving forward, we will take steps to reduce compliance risk on a global basis through such means as auditing and education, centered on the companies that were identified.

*2 U.S. Foreign Corrupt Practices Act (USFCPA) has two main provisions. One prohibits the bribery of foreign government officials, and the other requires accounting transparency in accordance with the Securities Exchange Act. The anti-bribery provision prohibits bribery of foreign government officials and is under the jurisdiction of the U.S. Department of Justice. The accounting provision requires that accounting records accurately and fairly reflect transactions and that an appropriate system of internal accounting controls is maintained. This provision is under the jurisdiction of the U.S. Securities and Exchange Commission.

Preventing Violations of the Antimonopoly Law

The Hitachi Group operates on the principles of "conformance with the law and business ethics" and "fair and disciplined competition." However, Hitachi, Ltd. was penalized for impairing the fairness of a public bid in fiscal 2002, and we received administrative orders in September 2006, October 2008, and March 2009 for violating Japan's Antimonopoly Law.

In November 2012, a subsidiary dealing in automotive components received administrative orders from the Japan Fair Trade Commission for violating the Antimonopoly Law. In September 2013, the same company was prosecuted by the U.S. Department of Justice for violating U.S. antitrust laws, resulting in a plea bargain. The company concluded a plea agreement and paid a fine of 195 million U.S. dollars (¥19.0 billion) in November 2013.

As part of measures to prevent recurrence, we are publicizing messages from top executives, developing internal regulations, conducting regular audits, and providing education and training to employees based on a compliance manual.

Export Control

Hitachi's basic policy for export control is a provision of the Hitachi Standards of Corporate Conduct,*3 which states that we "shall help maintain international peace and security through compliance with trade laws and regulations." We adopted rules for controlling security exports based on this policy in 1987. For all goods and technologies intended for export, we screen for destination countries and regions, end users, and end uses, and we conduct strict export control in accordance with laws and regulations. We provide guidance to promote the implementation of export controls by Hitachi Group companies in Japan and overseas in accordance with this policy. We also implement training support and other measures. In fiscal 2013, we held workshops in the United States and implemented working-level training for Hitachi Group companies in the United States. In addition, we continue to implement e-learning related to export controls for all employees. In fiscal 2013, this e-learning was provided for about 20,000 people at 111 Group companies in Japan and overseas.

*3 Hitachi Standards of Corporate Conduct: Created by Hitachi, Ltd. to ensure full awareness of Hitachi's mission and role and to enable Hitachi to continue to grow as a truly global enterprise.

BCP Formulation

Being deeply committed to the social infrastructure, we are enhancing our BCPs to guard against risks that could cause disruption to business operations that severely impact society. In December 2006, we created the Hitachi Group Guidelines for Developing Business Continuity Plans, and in fiscal 2010 we translated them into English and Chinese for distribution to all Hitachi Group companies worldwide to prepare for large-scale disasters and other risks.

When the Great East Japan Earthquake hit Japan in March 2011, our BCP helped us to make immediate response and decision . On the other hand, a number of problems became clear, such as tracking secondary suppliers and beyond, using the cloud and redundant systems for production information, and securing alternative means of transportation and stock of fuel. Based on the lessons that we learned from the disaster, in October 2011, we issued new Hitachi Group BCP guidelines for departmental implementation to further enhance our business continuity planning. By the end of fiscal 2011, 49 business divisions of Hitachi, Ltd. and 96 Hitachi Group companies in Japan completed developing and revising BCPs for earthquakes and new strains of influenza. Overseas, 303 companies took steps on to formulate BCPs, with the objective of completing the BCPs by the end of fiscal 2013. In this way, Hitachi Group is strengthening its ability to respond to business risks, such as large-scale disasters, new strains of influenza, political disturbances, rioting, and terrorism.

Strengthening Safety Measures for Employees Working in Dangerous Regions

Following the hostage incident in Algeria*4 in January 2013, the President instituted a policy in February 2013 for ensuring the safety of employees dispatched to regions with high risks of war, conflicts and terrorism. Under this policy, security assessment is conducted by in-house and outside experts before employees are dispatched to a high-risk region. In addition, after deployment, additional surveys are conducted every half year to confirm effectiveness of safety measures. In fiscal 2013, we made such an assessment in several countries in the Middle East and Africa and secured the safety of employees who work all around the world.

*4 Algerian hostage crisis: Incident in January 2013 in which an armed terrorist group attacked a natural gas refining plant in Algeria. There were more than 30 victims, including 10 Japanese.