

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

have reinforced the report lines from BU and Group company quality assurance divisions to the quality assurance division at our head office, independent from all business divisions, establishing systems for close information sharing between the two. We have also strengthened governance by giving greater authority to the quality assurance division at our head office.

Accident Prevention Activities

Under our approach of making prevention the duty of quality assurance, we are working beyond recurrence prevention and striving towards preventing accidents from occurring in the first place.

Closely following the changes in a range of business activities, we anticipate quality issues on the horizon across the entire Group and plan our quality activities accordingly.

As a part of these activities, we aim to increase trust in our embedded software even further by bringing the software development capabilities and expertise in strengthening trust of our solutions divisions to our product divisions (embedded software development divisions).

Furthermore, we are promoting the digitalization of test and inspection data and working to construct processes for acquiring, assessing and reporting on this data without manual intervention.

Complying with Technical Laws

We have created guidelines for assessment of technical laws and quality assurance systems, sharing them throughout the Group. The guidelines include information on the two themes of (1) clarifying product-specific laws (the product-specific laws map) and (2) regulatory compliance activities and continuous improvement of processes, based on our product compliance management system.

Thorough Risk Assessment

We conduct product safety risk assessment as well as testing worst-case scenarios—for example, deliberately setting a fire inside a consumer appliance to confirm that the fire will not spread outside it.

Handling Product Accidents

When a product accident occurs, the division responsible acts swiftly to resolve the problem and ensure absolute safety 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.

When we determine that retroactive action is necessary, we notify customers via newspaper advertising and websites in order to carry out the necessary repair or replacement program.

Quality and Reliability Education

We conduct field-specific technical lectures for engineers engaged in *monozukuri* craftsmanship at a range of levels from beginner to expert.

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

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.