



# Respect for Human Rights, Basics and Ethics

We respect human rights, observe laws and ethics, and establish a clean corporate culture that is admired by society.

## Respect for Human Rights

Our commitment to human rights is clearly stated in the Hitachi Kokusai Electric Group Codes of Conduct. To complement the Group Codes of Conduct, we established the Hitachi Kokusai Electric Group Human Rights Policy in fiscal 2013.

The full text of our Human Rights Policy and detailed information on our related activities, including human rights seminars, are available on our website.

 Website including details of our respect for human rights  
<http://www.hitachi-kokusai.co.jp/global/en/csr/respect/index.html>  
 or

## Identifying and addressing risks properly

### Compliance

The Company was issued with a cease and desist order by the Japan Fair Trade Commission. Bid rigging and the formation of cartels are criminal acts against society. Efforts to eradicate these unlawful acts and enhance competitiveness will lead to improved corporate structures and customer-first operations. Furthermore, there is growing social interest in the prevention of bribery of public officials, etc. inside and outside Japan. Reflecting growing concerns in the international arena such as the issue of nuclear development, export control is also assuming greater importance. For these risks, with the Legal & CSR Division taking the lead, we are implementing education and conducting periodic audits targeted at the entire Group, updating their scope as necessary. Moreover, we maintain a system in which any risks are reported immediately to top management. Through all these, we are working to ensure that the strong interests of top management concerning compliance, that is, to live up to the trust and expectations of society, are thoroughly pursued throughout the Group, with both top-down and bottom-up measures.

As for the proper management and handling of confidential information of the Company and other firms, the protection of personal information, etc., the Company's Information Security Committee educates and enlightens employees regularly and as necessary. Regarding the observance of other laws and company rules and the prevention of disreputable incidents, the relevant sections, the legal affairs section and the Human Resources & Corporate Administration Division jointly educate and enlighten employees regularly and as necessary. Meanwhile, the Internal Auditing Office audits the entire Group on a regular basis.

We are keenly aware of the gravity of being issued with a cease and desist order. We are determined to strengthen initiatives related to legal compliance to prevent recurrence, and to do our utmost to regain the trust of our stakeholders.

## Cease and Desist Order issued by the Japan Fair Trade Commission

In November 2014, we were subject to an on-site inspection by the Japan Fair Trade Commission with regard to our supply of fire rescue digital radio equipment. In February 2017, we were issued with a cease and desist order by the Commission, which has found us in violation of the Antimonopoly Act.

After becoming aware of this issue, we promptly applied for leniency, and implemented the following measures to ensure compliance with the Antimonopoly Act and prevent recurrence: 1) issuing a declaration of strict compliance in a message from the Company president; 2) raising awareness of compliance issues by revising our internal training program; 3) confirming the status of legal compliance by strengthening compliance audits; and 4) reinforcing management through preparation and revision of labor regulations and work-related rules. By sustaining these measures into the future, we will strictly comply with the Antimonopoly Act and eradicate all violations of this Act.

## Ensuring the Reliability of Financial Information

Concerning the internal control system, which has the main purpose of securing the reliability of financial information, we collaborate with our parent company, Hitachi, Ltd., in order to maintain the system by using the framework and tools for internal control of the Hitachi Group, and make evaluations and improvements.

## Collaboration with Stakeholders

The Group promotes positive dialogue with all stakeholders, including customers, builds relationships based on mutual trust, and engages them in value creation.

## Internal Reporting System: "The Compliance Reporting System of the Hitachi Kokusai Electric Group"

We have an internal reporting system that enables our employees or employees of our business partners to report any illegal act related to our business, any improper act in violation of our company rules, or any issue regarding human rights that cannot be addressed through ordinary methods. When a report is received, it is investigated to ascertain the facts and necessary corrective measures are implemented.

We ensure that all employees, including those at Group companies, are informed of this reporting system as well as the principles of "maintaining confidentiality," "not punishing whistle-blowers" and "responding in good faith" through internal gazettes, seminars and the intranet. To earn the trust of whistle-blowers through appropriate responses, this system is operated under the advice of a lawyer who serves as an outside committee member.

### The Compliance Reporting System of the Hitachi Kokusai Electric Group

Email: [compliance.hike@h-kokusai.com](mailto:compliance.hike@h-kokusai.com)

Postal address : Person in charge of the Compliance Reporting System

Hitachi Kokusai Electric Inc.

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Note : Our Compliance Reporting System accepts reports not only from employees of the entire Group but also from its business partners.

# Corporate Governance

## Corporate Governance Structure

The Company has adopted the "three committees" system to ensure timely decision-making and transparent management.

The Board of Directors, the members of which are predominantly externally appointed Outside Directors, determines the Company's basic management policies and delegates decision-making authority to Executive Officers to promote efficient operations. It also oversees and supervises the Company's operations in unison with the Nominating Committee, the Audit Committee and the Compensation Committee (hereinafter referred to as "each Committee"). In this way, the Company promotes management reform by placing emphasis on securing the adequacy of its operations. Within the above framework, Outside Directors remain independent from the Company, actively providing their opinions from an objective standpoint. In this regard, Outside Directors fulfill an important role and function in further enhancing the transparency and soundness of the Company's management.

## Outline of Corporate Governance Structure

### 1. Execution of Business

Within the scope of statutory and regulatory requirements, considerable authority is delegated to Executive Officers with respect to matters related to management decisions in an effort to accelerate the decision-making process.

While individual Executive Officers are provided with decision-making authority and execute operations for their particular areas of responsibility in accordance with the segregation of duties determined by the Board of Directors, an Executive Officers' Meeting comprising all Executive Officers is held to deliberate matters of major importance from multifaceted perspectives, following which Executive Officers make decisions on specific matters in order to ensure the adequacy of decision-making.

All other operational matters for determination by Executive Officers are defined in the Company's internal rules and regulations by their type and content. All necessary procedures are taken in accordance with these internal rules and regulations.

### 2. Monitoring and Audit Functions

The Board of Directors monitors overall management including execution of business in collaboration with each Committee, with the Board forming the central organization.

In addition, the activities of the Board of Directors and each Committee are supported by the responsible departments. A designated specialist department has been established for the Audit Committee to ensure that audits are conducted in an appropriate and effective manner. Employees within this department are not subject to the directions and instructions of Executive Officers.

#### (1) Board of Directors

The Board of Directors monitors management by way of receiving reports from each Committee in connection with the status of each Committee's activities as well as receiving reports directly from each Executive Officer outlining details of the execution of their duties.

#### (2) Nominating Committee

The Nominating Committee determines candidates for the position of Director, who are then proposed at the Company's shareholder meetings for approval. In order to ensure better managerial judgments, the Nominating Committee selects Director candidates from both inside and outside the

Company based on comprehensive criteria that encompass personal disposition, experience, knowledge, ability and other factors, which are necessary for Directors of the Company to meet in order to contribute to its management.

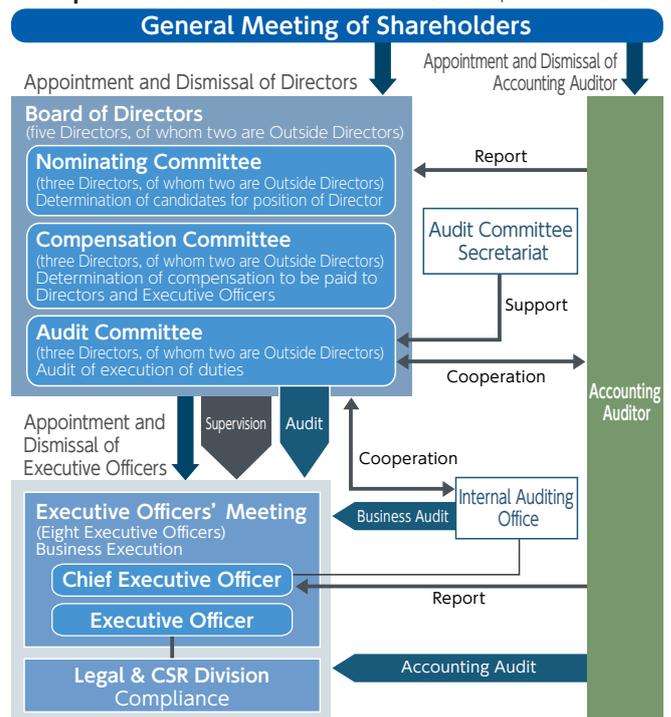
#### (3) Audit Committee

In addition to determining the Company's audit policies and plans, the Audit Committee engages in follow-up activities to ensure that a designated member of the Audit Committee has conducted each audit in accordance with such audit policies and plans. In order to complement the effectiveness of audits, the Audit Committee promotes the sharing of information and other collaborative measures regarding audits conducted by the Internal Audit Department, Accounting Auditor, and audit team members of Group companies.

#### (4) Compensation Committee

The Compensation Committee formulates the basic policy for determining the compensation to be paid to the Company's Directors and Executive Officers. At the same time, the Compensation Committee evaluates the performance of each Director and Executive Officer and determines the specific compensation amount.

### ■ Corporate Governance Structure (As of April 1, 2017)



## Disclosure of Information on Corporate Governance

The "Corporate Governance Guidelines of Hitachi Kokusai Electric Inc." were established and published in December 2015. The Guidelines set out the Company's basic views on and framework of corporate governance to realize sustainable growth and increase the corporate value of the Group over the medium to long term. These Guidelines and other corporate governance-related information are available on the Company's website.


[Website for information on corporate governance](http://www.hitachi-kokusai.co.jp/global/en/csr/governance/)  
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