

Building a Strong Enterprise that Is Global and Unique

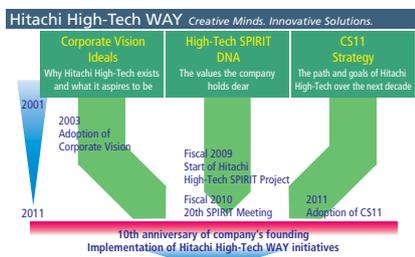
Creating a Corporate Culture through the Hitachi High-Tech WAY

Hitachi High-Technologies launched initiatives related to the Hitachi High-Tech WAY in October 2011, the 10th anniversary of the company's founding. Three components—the Corporate Vision adopted in 2003, the Hitachi High-Tech SPIRIT summarizing the values the company holds dear, and Corporate Strategy 2011 (CS11)—were brought together in initiatives to heighten the sense of unity within the Hitachi High-Technologies Group and to boost group value. The process by which the Hitachi High-Tech WAY came together and the values the company holds dear embodied in the Hitachi High-Tech SPIRIT are described below.

Building a Sense of Shared Values



A discussion forming part of the Hitachi High-Tech SPIRIT Project (October to December 2009)



History of formation and adoption of Hitachi High-Tech WAY

<p>CHALLENGE Always taking on new challenges</p> <ul style="list-style-type: none"> ▶ We energetically take on challenges in new fields with our eye on future market and customer needs. ▶ We steadfastly pursue the challenges we have set as we progress toward our high goals. 	<p>SPEED Always working in a speedy manner</p> <ul style="list-style-type: none"> ▶ We satisfy people with speedy responses that exceed customer and market expectations. ▶ We speedily implement the PDCA cycle—continually improving operations through a “Plan, Do, Check, Act” process—in pursuit of high quality.
<p>OPENNESS Always being open to others</p> <ul style="list-style-type: none"> ▶ We engage in open, lively communication with people in and outside the company to generate synergy. ▶ We strive to treat others fairly on the basis of mutual respect, irrespective of nationality, ethnicity, or gender. 	<p>TEAMWORK Always emphasizing teamwork</p> <ul style="list-style-type: none"> ▶ We create new value for the market and our customers through internal and external collaboration. ▶ We work together as a unified group of professionals in order to reach our common goals.

Hitachi High-Tech SPIRIT

Since its establishment the Hitachi High-Technologies Group has steadily grown and prospered as an organization combining “manufacturing, sales, and services” through a thoroughgoing commitment to “putting the customer first” and “prioritizing the worksite.”

As fiscal 2008 approached, with the 10th anniversary of the company's founding only three years away, the top management endeavored to formulate the ideals, values, and strategy shared in common by the group as a whole, with the aim of achieving further rapid progress. At the Executive Officers' Brainstorming Session (BS8) held in June “what we want the company to be” and “shared values the company holds dear” were discussed alongside the Long-Term Management Strategy.

The period from the establishment of the company until that point was seen as the “fusion phase,” during which the companies, organizations, and personnel that make up the Hitachi High-Technologies Group moved forward business operations with a sense of unity. The next 10 years would be the “expansion phase,” during which Hitachi High-Technologies would grow and extend the value of the group as a whole as a vigorous and ambitious company creating new businesses and a brilliant team. In order to make this a reality it was necessary to clarify a common understanding of “what we want the company to be” and “the values the company holds dear.”

The Hitachi High-Tech SPIRIT Project to formulate the values the company holds dear was launched in fiscal 2009. Its basic guideline was to encourage those who would be moving the company forward over the next decade to think and set targets for themselves. A team of 65 managers in the prime of their careers and selected from various departments within the company, group companies, and overseas subsidiaries held repeated meetings over a period of about six months, including one overnight session. Their efforts provided an eloquent endorsement of the “shared values” the company holds dear and of the need for venues to discuss culture and values, unconstrained by boundaries of organization and hierarchy.

“Lighting a Spark” in Employees' Hearts

Based on the proposals developed by the Hitachi High-Tech SPIRIT Project, a program of SPIRIT Meetings, each attended by 20 selected

members, was initiated in fiscal 2010 to promote understanding and internalization of the Hitachi High-Tech SPIRIT and “light a spark” in employees’ hearts.

President Obayashi gave a talk at the first SPIRIT Meeting, and company officers also spoke at the second and subsequent meetings. The structure of the event consisted of one day of discussion at the head Office, after which the attendees took what they had learned back to their worksites, where they conducted observation and discussions. This was then followed by two days and one night at the Institute of Management Development, where more discussions were held regarding the strategic aspects of “what we want the company to be” and “shared values the company holds dear,” as well as other topics such as invigorating organizations and personnel.

The aim of bringing together personnel from different departments and work categories was “to trigger a chemical reaction from chaos.” It was also important that the participants would bring issues from the worksite to the SPIRIT Meeting, where they would continue discussions and strive to gain a real understanding of how to convey their thoughts to others, what their colleagues were thinking, and how they were viewed by others. After the meeting there was a get-together, which provided a valuable opportunity to deepen communication.

Participants were invited not only from locations in Japan but also from ASEAN and East Asian countries, and SPIRIT Meetings were even held in America and Europe, with participants attending from Japan. At these meetings the presidents of the local subsidiaries presented talks, and the local staff took topics back to their worksites for discussion.

The results distilled from the SPIRIT Meetings became the Hitachi High-Tech SPIRIT and the four keywords that embody it: Challenge, Openness, Speed, and Teamwork.

Broadening Hitachi High-Tech WAY Initiatives

The Hitachi High-Tech WAY was announced in October 2011, marking the start of initiatives to identify and implement a shared corporate vision, strategy, and spirit; to foster a sense of unity within the Hitachi High-Technologies Group; and to boost corporate value. Copies of the WAY book were distributed to all group employees, WAY posters were produced, and efforts were made to encourage understanding and internalization of the message by disseminating it via internal company newsletters, the company intranet, and online WAY announcements from top executives.

Alongside these publicity efforts a SPIRIT e-learning course was developed in Japanese, English, and Chinese (both simplified and traditional characters), and all 9,086 group employees worldwide were required to complete it. In addition, leadership training sessions, workshops for managers, workshops for local subsidiaries, and training sessions for newly hired employees ensured fine-grained, in-depth coverage.

From fiscal 2013 onward a multifaceted approach was taken, with WAY Leaders’ Cafes and WAY Creative Cafes providing opportunities for freeform discussions, as well as WAY Sessions where employees could exchange views with the president.

Furthermore, the Hitachi High-Tech WAY Award was newly instituted in fiscal 2012 to acknowledge practical actions exemplifying the WAY. In 2015 the 3rd annual WAY Awards were presented to winners chosen from among more than 40 nominees.

As a result of these efforts the Hitachi High-Tech WAY has become firmly established.



The SPIRIT Handbook, which was published in Japanese, English, and Chinese, and distributed globally



Hitachi High-Tech WAY poster



WAY Session (October 2014) held in Dallas, Texas



3rd Hitachi High-Tech WAY Awards Ceremony (December 2015)

Building a Strong Enterprise that Is Global and Unique

CSR Initiatives and Reform of Control System and Information System to Support Consolidated Management

The management policy in place at the establishment of Hitachi High-Technologies called for symbiosis with society, and the Corporate Vision formulated in 2003 took as its basic principles harmony with the environment and the realization of a prosperous society through the fulfillment of the company's social responsibility. Hitachi High-Technologies considers efforts at corporate social responsibility (CSR) to be indispensable to the achievement of sustained growth and increased corporate value, and has adopted Hitachi High-Technologies Group Engagement Guidelines that have been disseminated throughout the corporate group.



Themes for fulfilling the company's social responsibility (four fields for putting basic principles into practice in order to fulfill the company's social responsibility)

CSR Initiatives

When Hitachi High-Technologies was founded in October 2001 full management efforts toward CSR were called for as part of the management policy, and emphasis was also placed on the dissemination of information to society. An Environmental Management Department was launched at the same time, tasked with the implementation of environmental management initiatives and with the compilation of the annual Environmental Report.

In April 2005 the CSR & Environmental Promotion Department was newly established and given overall authority over CSR. In April 2006 this department evolved into the CSR Promotion Division, headed by a Senior Vice President and Executive Officer. Then, in April 2011, the CSR Division was newly established, reflecting the central role of CSR in the management operations of the company. At the same time the Legal & CSR

Department, Corporate Communications Department, and Environmental Management Department were put in place to promote CSR.

Since 2015 CSR and management have been ever more closely integrated through efforts at boosting the quality of implementation by establishing guidelines at the global group level and evaluating their level of attainment, based on the ISO 26000 international CSR standard.

In particular, the Hitachi High-Technologies Group is expanding efforts in areas such as compliance and environmental risk reduction from a global perspective as a company with worldwide business activities. In addition, the company is actively endeavoring to implement diversity management, promoting respect for disparate sensibilities and values as a way toward a more vigorous organization.

In the area of information dissemination, Hitachi High-Technologies issues an Environmental Report on a regular basis, and since 2005 this has been joined by an a CSR Report. In 2015 an Integrated Annual Report was issued combining CSR information and financial information to provide a fuller account of corporate activities. Such efforts at information dissemination are intended to deepen the understanding of stakeholders in Hitachi High-Technologies and also to enable the incorporation of the views of stakeholders in future CSR initiatives.

Governance and Compliance Initiatives

In the area of corporate governance, in 2003 Hitachi High-Technologies moved to a company with committees with the aim of increasing corporate value through highly transparent management. Board directors were brought in from major shareholders such as Hitachi, Ltd., and knowledgeable persons from other fields, including lawyers and executives from trading companies and manufacturers, were also invited to serve in this role. In 2015 the Corporate Governance Guidelines were adopted, setting forth the framework of corporate governance.

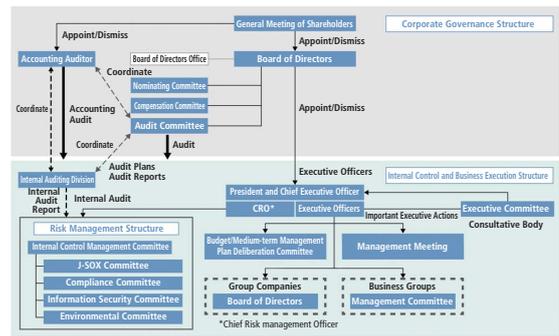
To ensure compliance with relevant laws and regulations, a full-time organization was set up when Hitachi High-Technologies was established, and efforts in this area, such



Planting trees in Hitachi High-Tech Yasato Forest

as the implementation of a system, have been pursued actively, including at group companies. The Compliance Coordinating Dept. was established in April 2003, and an Internal Whistleblower System opened in January 2004. In 2015 a system was established to allow reporting of compliance issues directly to the Board Director of Audit Committee, who was independent of the executive team.

Successive presidents of Hitachi High-Technologies have consistently emphasized “to adhere to basics and ethics” and “right and wrong before profit and loss” as their management policy, and this uncompromising commitment to compliance will remain in place moving forward as the basis for earning and maintaining the trust of society.



Corporate Governance Structure, Internal Control System, and Business Execution Structure

Improving Management Quality

As a global enterprise, Hitachi High-Technologies has endeavored to establish and enhance management quality at a world-class level ever since its establishment.

In April 2004 a project was launched for achieving certification under ISO 9001, the international standard for quality management systems. By July 2006 the Head Office and all branch offices had obtained ISO 9001 certification.

To establish an internal control system for financial reports, an Internal Control (COSO) Promotion Project was launched in July 2004 to put in place appropriate regulations and systems.

In 2012 an Internal Control Supervisory Committee was formed as a risk management system to achieve further improvement in management quality. Under its jurisdiction were established a J-SOX Committee, Compliance Committee, Information Security Committee, and Environmental Committee, and the post of Chief Risk Management Officer (CRO) was established to supervise them.



Internal Control Supervisory Committee

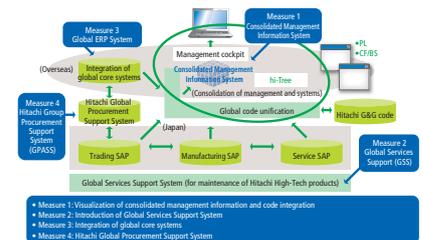
Reform of Management Control System and Information System to Support Consolidated Management

When Hitachi High-Technologies was established in 2001 linking and integrating the existing information systems was an essential task. Study began in March 2001 on the topic of how to deal with the information system situation during the integration of the disparate organizations that merged to form Hitachi High-Technologies. Working on a tight schedule of just six months, a new accounting system was completed and put into operation after much effort, overcoming differences in the terminology and culture of the manufacturer and trading company components of the new company. After this the process of standardizing the core systems for “manufacturing, sales, and services” into a single, unified system got underway.

Then, in 2009, reforms of the management control system and information system began in order to realize consolidated management and cash flow management on a global scale.

Based on a New Management Control System under which the performance of each of the business groups that together constitute the unified “manufacturing, sales, and services” company is managed separately while cash flow management is implemented on a consolidated basis, the New Consolidated Management Information System was put in place in 2010. Under this system balance sheets and cash flow statements were prepared for each division on a consolidated basis, and profit and loss statements were prepared for each product and region, also on a consolidated basis.

Then, in a bid to speed up consolidated management globally, the Global Services Support System (GSS), enabling sharing among “manufacturing, sales, and services” personnel of information on product operating status and service activities, and the Global ERP System (GERP), integrating the core systems of offshore facilities, entered service in fiscal 2012. These systems became a reality thanks to the strong determination of top management to continue investment in IT even in periods when business performance is poor in order to strengthen the corporate competitiveness of Hitachi High-Technologies.



Positioning of policies within the IT strategy

Building a Strong Enterprise that Is Global and Unique

Strengthening the Company by Reforming the Business System

Hitachi High-Technologies has undertaken ongoing management reforms in order to become a “strong enterprise” capable of withstanding the vicissitudes of the global market. This commitment to reform over a 15-year period can be seen in the adoption of the Management Reform Project aimed at achieving “purposeful consolidated management,” and Long-Term Management Strategy (CS11: Corporate Strategy 2011), while leveraging the “three business domain strategy.”



Corporate Vision and operation guidelines (from fiscal 2006 financial results briefing materials)



Discussions on the theme “Building the Framework to Enable Growth over the Next Decade” at the Executive Officers’ Brainstorming Session (BS10)

Purposeful Consolidated Management Initiatives

In December 2003 “aiming for global leadership in the high-tech solutions business” was adopted as part of the Corporate Vision, and this goal has remained constant ever since.

To realize this goal a Management Reform Project was initiated in order to promote “purposeful consolidated management,” while respecting the individuality of the group companies around the world, and efforts to “maximize corporate value” for the group as a whole. The project involved taking a hard, honest look at problem points in all areas of corporate activity, with nowhere off limits to scrutiny, holding frank discussions, and incorporating the results into the fiscal 2005 budget and medium-term management plan. In April 2005 President Hayashi issued a list of 16 detailed and specific reform items entitled “Implementing Management Reforms.”

The major aims of the reforms were to concentrate resources on four core businesses (semiconductor manufacturing and evaluation equipment; instrumentation related to the life sciences; information and manufacturing systems; and electronic components, industrial materials, and electronic materials), to bring in a more muscular management organization, and to optimize the group as a whole.

Adoption of Long-Term Management Strategy (CS11)

The management reforms aimed at achieving “purposeful consolidated management” bore fruit, and Hitachi High-Technologies recorded its highest profit to that point in fiscal 2007. However, the subsequent financial crisis following the collapse of Lehman Brothers resulted in a sudden slowdown in performance, and in fiscal 2009 the company recorded the first financial deficit since its founding. Amidst the volatile business climate President Obayashi and the entire company working in unison implemented emergency measures, including structural reforms of unprofitable businesses, and succeeded to bringing about a turnaround in fiscal 2010.

Alongside emergency measures aimed at business recovery, formulation of the Long-Term Management Strategy (CS11: Corporate Strategy 2011) for the coming decade was proceeding in earnest. The four themes presented and discussed at the Executive Officers’ Brainstorming Session (BS10) held in June 2010 were “optimized worldwide business operation system,” “strengthening the worldwide manufacturing system,” “R&D strategy and system,” and



Long-Term Management Strategy (CS11)

“reviewing and boosting the efficiency of corporate functions.” Building on the results of the session, investigation of the specifics proceeded thereafter.

It was essential, with regard to the path the Hitachi High-Technologies Group should follow, to clarify “areas of core competence (what sort of company to become),” “areas of action (where to compete),” and “objectives (what to strive for),” and to establish “stronger management foundations and shared values” in order to realize those goals.

To achieve better business results in four promising fields where growth was anticipated (life sciences, the environment/new energy, next-generation electronics, and social innovation) it would be important to strengthen synergies between the trading and manufacturing functions; rebuild the business portfolio based on a clear identification of the target fields; pursue global expansion with a focus on key regions; and coordinate efforts with the Hitachi Group, which was working to strengthen its social innovation business. Essential goals were identified as strengthening the management foundation to enable implementation and acceleration of the above efforts, continuing to proceed together with customers at the forefront, pursuing added value for customers, and generating new business opportunities.

The compilation of CS11 continued, and in April 2011 the company implemented major reforms that included switching to an organizational system based on business groups and the introduction of matrix management to strengthen vertical business lines and horizontal companywide functions.

The Long-Term Management Strategy (CS11) was announced in October 2011. President Hisada noted that “CS11 lays out the path of our business operations for realizing the Corporate Vision as our top policy and will become the foundation of our decision-making” and advocated “proceeding together with customers at the forefront as an enterprise that creates new cutting-edge business opportunities,” as mentioned in the strategy statement.

Reformulation into Three Business Domains, with the Customer as the Focus

Following the adoption of CS11, changes in the global economy and the effects of the Great East Japan Earthquake brought about a sudden restructuring of the business world in Japan, the implications of which extended even to advanced fields such as semiconductors and LCDs. To cope with these sudden changes, in April 2014 the four target fields were rebundled into three business domains (bioscience/healthcare, social/industrial infrastructure, and advanced industrial systems), which were to be prioritized in the strategic allocation of investment and resources.

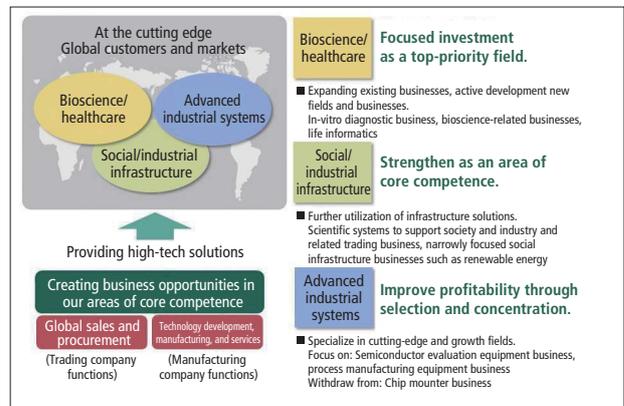
Upon assuming his post in April 2015, President Miyazaki declared that “we should make the customer the focus, not Hitachi High-Technologies” and stated that the mission of Hitachi High-Technologies was “to make the maximum contribution toward enabling customers to become enterprises at the forefront that create new cutting-edge business opportunities.” The company can attain “global leadership in the high-tech solutions business” by realizing goals that are customer-focused. To make a real contribution to its customers’ success, to proceed together with its customers, the Hitachi High-Technologies Group is committed to deepening its program of reforms in its 16th year and thereafter.



Overview of Long-Term Management Strategy (CS11)

営業と製造一体
事業統括本部制
日立ハイテクが導入
半導体製造装置の日立
ハイテク/ロジクスは
「事業統括本部」制を導入
した。計測・評価装置
の電子デバイス事業統括
本部など4部門を創設。
これまで別組織だった営
業・サービス部門と製造
部門を一体化した。
事業統括本部は、電子
デバイスのほか、DNA
解析装置の科学・医用シ
ステム、液晶パネル製造
装置のファインテックシ
ステム、商事の4つ。各
事業統括本部のなかには
経営戦略と営業統括、研
究開発、ものづくり統括
コーポレート本部を
設置。各事業統括本部を
決定権を強化し、新装
置の開発や販路開拓など
の意思決定を早める。

Article in April 25, 2011, edition of Nihon Keizai Shimbun reporting the switch to an organizational system based on business groups



Three Business Domains