

From its current position, how should the Company approach the goal of realizing the true meaning of CSR? We invited two outside experts to offer their opinions on this theme while discussing the CSR-related policies and programs implemented by the Hitachi Metals Group up to now and the future direction the Company needs to pursue to achieve its CSR goals

Building compliance systems is fundamental, but raising the level of compliance awareness among all employees is the real key

Panel Members



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Yoshioka: In July 2006, the Hitachi Metals Group formulated the Code of Conduct for Hitachi Metals Group Companies comprising five items, which forms the basis for the Group's CSR activities. Although each of the five items in the Code of Conduct is important in its own right, in fiscal 2007 we particularly focused on activities related to item one, "Enhancing awareness of social responsibility and corporate ethics," and item four, "Thinking about the next generation—an environmentally friendly solution." The first item makes adherence to the principle of "Obey the law and walk the path of virtue" the basis of all our corporate activities and emphasizes the importance of ethical behavior in addition to legal compliance, which is the very minimum expected of us. In 2006 and 2007, the Company was subject to on-site inspections by the Japan Fair Trade Commission (JFTC) related to two investigations under provisions of the Antimonopoly Act. In the first investigation the JFTC issued the Company with a cease-and-desist order after finding that Hitachi Metals had acted illegally in relation to sales of polyethylene gas pipes and fittings. In the second matter, after an internal investigation, the Company concluded that there had been a breach of the law in relation to the sale of flexible stainless steel gas pipes and fittings, and applied for the Leniency Program. As a result, the Company was granted exemption for the full fine

amount and no further administrative sanctions were carried out in relation to this matter.

With these serious issues brought to light, in fiscal 2007 the Hitachi Metals Group implemented a vigorous training program on the Code of Conduct for Hitachi Metals Group Companies and the Antimonopoly Act using the Hitachi Metals Group CSR Guidebook as its core instructional tool. This training program covered all domestic and overseas offices of the Company and all Group companies. In addition, the



Company identified a matter related to the Export Trade Control Order pursuant to the Foreign Exchange and Foreign Trade Law that was not meeting a satisfactory compliance standard in some aspects of the Company's operations. Accordingly, the Company carried out measures to ensure the thoroughness of training in this area. We also spent a substantial amount of time reinforcing our information security systems, which relates to items one, two and three of the Corporate Code of Conduct. In response to an information security accident at a Group company, we implemented training programs focusing on information security systems and undertook action to remove the group company's data from PCs privately owned by employees of the Group company and its business

partners.

Kimata: You really have a put in a lot of work in the area of legal compliance. Having been the subject of on-site inspections by the JFTC in 2006 and 2007 on suspicion of violating the Antimonopoly Act certainly explains why you have gone to such efforts in this area.

Yoshioka: Yes, we focused particularly on reaffirming one of the Hitachi Metals Group's core philosophies, which is articulated in item one of the Corporate Code of Conduct as the pursuit of "corporate activities in an ethical manner, with full grasp of our social responsibility and the potential effects of our corporate activities."

Kimata: From a specialist point of view, I think it is imperative that you analyze the reasons why the Antimonopoly Act compliance violations occurred, particularly since they took place during a period when you were implementing these compliance-related programs.

Yoshioka: Yes, I completely agree. In the background of these problems were structural problems, which needed to be addressed through a fundamental overhaul. I think it is a case of turning a bad situation into something that we can use as a catalyst for positive change. The Company's senior management was able to reaffirm the ideal form it seeks to realize and communicate this to the entire Group. We have also taken actions aimed at ensuring there is no recurrence of such compliance problems.

Ikari: In the past 30 to 40 years, we have seen a significant shift in Japanese people's thinking. In my opinion, the reality is that people's sense of ethics—attitudes to



such things as abiding by the law and what constitutes moral behavior—has become more lax. On top of that, you had an industry in which business practices made it easy to fall into a situation that might lead to breaches of the Antimonopoly Act. In these kinds of circumstances, not only companies but especially employees must have the ability to judge whether or not there is a problem with the actual business practices. Without such judgment, I do not think it is possible for a company to say that it has thoroughly instilled an awareness of compliance and its importance.

Kimata: I think that is right. Each and every employee must think about such issues as "What does society mean?" and "What is a sense of ethics?" Of course, building compliance systems through such measures as development of the Corporate Code of Conduct and implementation of training programs is essential. However, in addition to system building, it is crucial that each employee has a satisfactory grasp of what compliance actually means. The thoroughness of a company's compliance really depends on this aspect.

Yoshioka: There are social rules and norms as well as laws, and on a higher level there is a sense of ethics. A company is a social entity and it is definitely not acceptable to say that any means may be employed in pursuit of profit targets. Ethics, empathy and mutual aid are also important. At the end of one's career, when reflecting on what positive things one has achieved, I think such things are very relevant.

Ikari: One method that may be used to raise compliance awareness at the individual workplace level is a program of compliance-themed meetings. Speeches and training sessions have a tendency to remain at the conceptual level, but if a company has robust internal communications then meetings at individual

workplaces facilitate discussions in which gray areas in terms of compliance within day-to-day operations can be aired and examined.



Kimata: Fostering an internal company atmosphere that is conducive to such meetings and discussions is a fundamental prerequisite to realizing a compliance-oriented corporate culture.

Yoshioka: Yes, that is true. An open corporate culture is very important in building both sound compliance and strong CSR. In the future, we want to remain conscious of the impact corporate culture can have on all corporate activities.

Kimata: Although the "R" in CSR stands for "responsibility," I believe it should be primarily thought of as the process of winning trust. Responsibility can be viewed as quite a narrow concept, whereas trust requires a reciprocal relationship and can only exist between two or more parties. In my opinion, pursuing the ideal of CSR should be seen as striving to win the trust of society through corporate activities. A company is a microcosm of society, so a company that does not think of the good of society is really out of the question.

As a leading participant in the materials industry, Hitachi Metals must take a leadership role in addressing environmental issues

Yoshioka: The fourth item in the Corporate Code of Conduct relates to the environment. In recent years, there has been a significant increase in general awareness regarding global warming and the need for measures to mitigate its



causes. The Hitachi Metals Group has adopted a proactive approach to this issue over several years, and we intend to accelerate and reinforce the measures we take from here on. Broadly speaking, our contributions to solutions can be divided into two main categories: those relating to our products and those relating to our manufacturing processes. On the product side, our products are used in a wide range of fields. Those products that contribute to a reduction in greenhouse gas emissions when used by customers are called Eco-Products. In fiscal 2007, 73.6% of Hitachi Metals' products were classified as Eco-Products. In the future, we plan to bolster our Eco-Products ratio to 100%. To achieve that goal, all product development must incorporate environmental principles. In practical terms, that means we will choose product development themes that have a strong environmental aspect. In parallel with such efforts, we must also strive to reduce greenhouse gas emissions from our own internal operations. As well as needing to realize innovations in manufacturing technology, such as major reductions in manufacturing times and shortened processes, we must think about the investments that will need to accompany such innovations. These types of measures contribute to the protection of the environment while simultaneously being deeply connected to item two of the Corporate Code of Conduct, "Pursuing mutual growth with our business partners."

Kimata: I certainly agree that environmental issues are on a similar level of importance as compliance in the CSR sphere. In this sense, the Hitachi Metals Group has built a very sound CSR-based management practice. In the long run, it is vital to nurture this into a business that realizes true sustainability.

Ikari: The Hitachi Metals Group operates principally under a typical B-to-B (business to business) business model focused on materials. Unlike B-to-C (business to consumer) companies, it is difficult for a company like Hitachi Metals to show how it is contributing to energy conservation. In the future, it will be important to build a strong identity among ordinary consumers based on the contribution to dealing with environmental issues. As a leading company in the materials industry, I think the Hitachi Metals Group should try to target its appeal broadly across society by highlighting the measures it is taking in such areas as resource conservation and energy savings. Rather than only communicating these activities mainly within the Group, which is the case at present, Hitachi Metals should, where possible, publicize its specific numerical targets for the reduction of CO₂ emissions and other greenhouse gases.

Articulating the future shape of the Company and the necessity of taking a long-term approach to management and CSR

Yoshioka: Within many Japanese companies, there is a corporate

culture that emphasizes the importance of employees—on reaching the end of their careers—being able to honestly say, "I had a good life here." This way of thinking has positive flow-on effects across many aspects of people's lives—within the company, within the community and at home. We shouldn't let this type of corporate culture become a forgotten part of Japanese culture, but instead nurture it within the context of CSR.

Kimata: Certainly, in the past many Japanese companies followed a philosophy that called for benefits to accrue to three parties from any business transaction. This philosophy was summed up by the phrase "good for the seller, good for the buyer, good for society." This way of thinking emphasizes the importance of companies existing within society as a whole. For a company to be sustainable, society too must be sustainable. In thinking about the realization of a sustainable society, in recent years, considerable attention has been focused on the concept of "backcasting," which is juxtaposed with "forecasting." The backcasting method defines the parameters of how society should look in the future and uses this set of defined goals as the basis for designing an approach to get society from its current position to the future defined point. When thinking about our current environmental problems, this is a crucial concept, and I think it can be equally applied to corporate management. The Hitachi Metals Group also needs to articulate the shape of the Company in the future and adopt management practices as well as CSR measures from a sound a long-term perspective that will enable it to reach its future goals.

Yoshioka: Thank you for participating in today's discussion. I think it was very fruitful.

Comment by the Director Responsible for CSR:

● We appreciate and value your opinions

The Hitachi Metals Group has a history stretching back more than 100 years. Today, this history has shaped our corporate philosophy of "contributing to society by creating 'the best possible company'" Our history and philosophy are also reflected in the Code of Conduct for Hitachi Metals Group Companies. Based on this philosophy and Code of Conduct, we aim to engage in meaningful CSR activities for the benefit of our stakeholders and society as a whole.



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