Hitachi Koki, moving forward with you ~Together for Vision~

We aspire to be a company where all customers are happy to do business with us, and all employees worldwide are proud to be a part of Hitachi Koki, with our Corporate Vision of “Hitachi Koki, moving forward with you ~Together for Vision~.”

The KOKI Way: Sharing values and putting them into practice

In 2015, the Hitachi Koki Group established “KOKI Way” that systematizes the Corporate Philosophy, Corporate Vision and Conduct Guidelines/Codes of Conduct. The purpose of this was to demonstrate in specific terms the traditional Corporate Philosophy “Contribute to our society through outstanding technologies, products and services,” to instill it in all employees of the Group in an easily understandable way and make clear to individual employees what behavior was expected of them as employees and members of society. Based on this thinking, the “KOKI Way” places emphasis on people, the greatest asset of the Company. Through the Corporate Vision, “Hitachi Koki, moving forward with you ~ Together for Vision~” it made clear the values that we regard as important.

The Corporate Vision, “Hitachi Koki, moving forward with you ~ Together for Vision~” incorporates the goals of growth and development shared with all of our stakeholders, including all Group employees, customers and business partners. The basic concept for achieving this is “the operation ABC” ("Do All the things that go without saying, don’t Brush them off as if they don’t matter, and do them Completely"). Through the practical adoption of these principles, we aim to play an indispensable role in society today, trusted by customers and business partners.

One and a half years have passed since the establishment of the “KOKI Way” within the Group. We feel that we have achieved steady progress in getting the message across at all levels of the organization. At overseas Group companies, we are taking measures to enable sharing of our values and practical action to be taken based on the “KOKI Way,” while steadily building up awareness of compliance-related matters. We likewise plan to ensure understanding and dissemination of Group regulations and the “KOKI Way” in the management integration process at Metabo, the German power tool manufacturer which became part of our Group in March 2016.

To ensure further progress based on the “KOKI Way,” we believe that we must now take operational quality, speed and commitment up to the next level.

Social contribution, creation of shared values through business activities and harmony with the environment

In terms of social contribution and creating shared values, we see our business activities as our commitment to contributing to creation of a more affluent society. Though power tools form a niche market, these devices support construction and maintenance works across the infrastructure sector, including housing, railway and bridge. Our centrifuges, which are life-science instruments, likewise support various kinds of manufacturing, with applications in vaccine production and other medical fields. Recently they have been used more widely in test applications in the cosmetics and printing.

Power tools in particular provide new values. We meet market needs through development of compact, high-performance products with lower power consumption by leveraging our strength in electronic control technology. We are also focusing on expansion of “Eco-products” that reduce environmental load, such as cordless products using lithium-ion batteries and longer-life devices using brushless motors.

In future product development, we will make further social contributions by addressing the challenge of creating values by leveraging data we have built up on actual power tool usage in the operating environment of the customer, and combining this with Cloud networking, the IoT and other advanced information and communication technology.

On the one hand, when we look at the increasingly
globalizing Group businesses of the Company, we are building strong links with local communities through job creation and by always meeting our supplier responsibilities in our production activities, such as production activity in China that accounts for approximately 80% of the whole and our sales and service sites around the world that support worldwide sales that account for approximately 70%. Given our responsibilities as a company which operates businesses on a global scale, we feel it necessary to ensure balanced, flexible management decision-making, while continuing to meet the expectations of local communities overseas.

Corporate governance and leveraging human resources

In order to further strengthen corporate governance, the Company in June 2015 transitioned to a Company with Nominating Committee, etc. in a move to improve corporate value. Although this was the first fiscal year after the transition, we believe that overall things have worked out well, based on an evaluation of the effectiveness of the Board of Directors in terms of reaching our goals of improving management transparency and mobility and speeding up the pace of business execution, etc.

We also proactively made use of this in our management of the advice and supervision of Outside Board Directors. In particular, we were able to benefit from a wide variety of meaningful guidance and advice in lively discussions concerning the management decision to convert Metabo into a consolidated subsidiary. In fiscal 2016, we added a third Outside Board Director who had become independent of the Company and Hitachi Group. We plan to bring their experience and expertise to bear in management decision-making while strengthening and enriching corporate governance.

In further internal initiatives to build corporate value and ensure sustainable growth, we are working to improve diversity and the workplace environment at the Group. In this process, promoting the empowerment of female employees is a priority initiative which will help us secure and leverage top talent. The Group plans to increase the proportion of female employees and continue to create a workplace that gives free rein to the abilities of women employees.

We would like to continue to count on the support of all our stakeholders as we address the challenges of the future and take the Group to higher levels.

Osami Maehara
President & Representative Executive Officer
Hitachi Koki Co., Ltd.
Corporate Profile

Corporate name: Hitachi Koki Co., Ltd.
Founded: December 18, 1948
Headquarters: Shinagawa Intercity Tower A, 20th Floor, 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6020, Japan
Tel: +81-3-5783-0601
Representative: Osami Maehara, President & Representative Executive Officer
Capital: ¥17,800 million (as of March 31, 2016)
Employees: Consolidated basis: 6,528 Non-consolidated basis: 1,372 (as of March 31, 2016)
Employees including temporary employees, etc.: Consolidated basis: 7,556 Non-consolidated basis: 1,698

Lines of Business

Main Products of Each Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Main Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Tools</td>
<td>Metalworking power tools, woodworking power tools, cordless power tools, construction power tools, pneumatic tools (nailers, screwdrivers and compressors for nailers), woodworking machines, engine tools, gardening tools, household power tools, dust collectors, laser measuring instruments (line lasers, range finders), accessories (diamond tools and consumable parts)</td>
</tr>
<tr>
<td>Life-Science Instruments</td>
<td>Ultracentrifuges, refrigerated centrifuges, micro centrifuges and large-scale continuous flow ultracentrifuges</td>
</tr>
</tbody>
</table>

History of Company and Products

1940’s
- Founded with capital of ¥30 million
- Produced coal mining tools and power tools (*)
- Listed on the Tokyo Stock Exchange and Osaka Securities Exchange

1949
- Production begun for Chemical Instruments products (currently Life-Science Instruments)

1950’s
- The first domestically produced centrifuge 40P (1955)
- Enriched the lineup of metalworking tools for factories and shipbuilding

1954
- Production begun for Chemical Instruments products (currently Life-Science Instruments)

1960’s
- Impact Drill BLV-DN (1966)
- For DIY and gardening
- Enriched the lineup of woodworking tools for increase in housing construction
- Automatic Planing Machine P-500 (1968)
- Nailer NH-65 (1966)
- Enriched the lineup of special tools for buildings and steel construction
- Super Home Kit KL-11 (1957)

1970’s
- Impact Wrench EW-22 (1972)
- Impact Drill BLV-DN (1966)
- For DIY and gardening

(*) Production begun after transfer of Hitachi power tools and coal picks (coal mining tools), which have a long history beginning with the domestic production of electric drills in 1918, from Hitachi, Ltd. Totsuka Plant.
### Trends of Performance

#### Revenues

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Japanese GAAP</th>
<th>International Financial Reporting Standards (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012/3</td>
<td>115,463</td>
<td>115,645</td>
</tr>
<tr>
<td>FY2013/3</td>
<td>131,778</td>
<td>135,849</td>
</tr>
<tr>
<td>FY2014/3</td>
<td>141,570</td>
<td></td>
</tr>
<tr>
<td>FY2015/3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2016/3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Operating income

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Japanese GAAP</th>
<th>International Financial Reporting Standards (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012/3</td>
<td>6,288</td>
<td>6,331</td>
</tr>
<tr>
<td>FY2013/3</td>
<td>4,158</td>
<td></td>
</tr>
<tr>
<td>FY2014/3</td>
<td>6,388</td>
<td></td>
</tr>
<tr>
<td>FY2015/3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2016/3</td>
<td>2,645</td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2016/3</th>
<th>( Millions of yen )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life-science instruments</td>
<td>4,773</td>
<td>3%</td>
</tr>
<tr>
<td>Power tools</td>
<td>136,797</td>
<td>97%</td>
</tr>
<tr>
<td>Other</td>
<td>7,018</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016/3</th>
<th>( Millions of yen )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>39,662</td>
<td>28%</td>
</tr>
<tr>
<td>Europe</td>
<td>42,269</td>
<td>30%</td>
</tr>
<tr>
<td>Asia</td>
<td>4,773</td>
<td>9%</td>
</tr>
<tr>
<td>North America</td>
<td>40,210</td>
<td>28%</td>
</tr>
</tbody>
</table>

#### Production Volume by Region (Power Tools)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016/3</th>
<th>(Thousands of units / month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>55</td>
<td>10%</td>
</tr>
<tr>
<td>Europe</td>
<td>535</td>
<td>30%</td>
</tr>
<tr>
<td>China</td>
<td>420</td>
<td>79%</td>
</tr>
</tbody>
</table>

Figures for the fiscal year ended March 31, 2013 and prior are based on Japanese GAAP, and those for the fiscal year ended March 31, 2014 or later are based on International Financial Reporting Standards (IFRS).

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**1980’s**
- Overseas sales subsidiary established in the U.S.
- Overseas manufacturing subsidiary established in China

**1990’s**
- Received Promotor Foundation for Electrical Science and Engineering Award (former OHM Technology Award) for the development of quick charge control technology
- Received Japan Society for the Promotion of Machine Industry Award for the development of a small-sized centrifuge for particle separation, the highest speed machine of its kind in the world

**2000’s, 2010’s**
- Printer business transferred to Hitachi, Ltd.
- Hitachi, Ltd. becomes the parent company of Hitachi Koki Co., Ltd.
- Acquired Metabo, a German power tool manufacturer

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**Introduction of Cordless**
- Cordless Driver Drill DRC-6 (1979)
- Cordless Impact Driver WH8DA (1986)
- Slide Compound Mitre Saw C8FB (1985)

**Improved weight, speed, handling**
- Micro Ultracentrifuge CS150GX (1996) with the world’s highest speed of 150,000 min⁻¹
- Micro Ultracentrifuge CS150XX (1996) with the world’s highest speed of 150,000 min⁻¹

**Continue to evolve (brushless motor + lithium-ion battery)**
- AC Brushless Motor Impact Driver WH12VE (2011)
- Slide Compound Mitre Saw C8FB (1985)
- IF Design Award / Low vibration Rotary Hammer DH401MY (2002/2006)

**Full-scale Launch of Engine Tools**
- Engine Chain Saw EDV345 (2007)
- Aluminum Body Housing + AC Brushless Motor (high durability, double insulation)
- Rotary Hammer DH401MEY (2014)
- Brushless + high capacity Cordless Circular Saw C14DBL (2014), with 3 times more runtime

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Hitachi Koki Co., Ltd. Corporate Profile / CSR Report 2016
Hitachi Koki is a company with global operations manufacturing power tools and life-science instruments, and is proud of its track record and reputation for reliability over many years. Hitachi Koki’s power tools fulfill a wide range of needs from professional users to DIY users. With strength in outstanding technological expertise and development with emphasis on “monozukuri” (craftsmanship), Hitachi Koki is focusing on development of products that match user needs in addition to improving customer satisfaction, while always bearing in mind our “service first” customer commitment.

**An abundant lineup of power tools**

- **Outstanding development capabilities**
- **Track record and reputation for reliability over many years**
- **Enhanced system for sales and services**

Using power tools of various types, depending on application and work environment, reduces the burden on users and improves efficiency and accuracy of work. The Company offers approximately 1,300 product lines. We also have a comprehensive lineup of electric, batteries, pneumatic and engine tools, enabling us to respond to all applications.

**CLOSE UP**

**Hitachi Koki designs**

Product design is one of the strengths of Hitachi Koki. To date, the Company has won many design awards in Japan and overseas. Last year, it won the “Good Design Award” in Japan for the 26th time. This year, it was also awarded the “iF Design Award” in Germany, known as the Oscars of the design sector for the fourth consecutive year (and for the ninth time overall). We will continue to create products with appealing designs for users.
**Tools with energy-efficient motors**

Amid growing demand for energy-efficient motors, our next-generation “brushless motors” are drawing attention. Developed by the Company’s own technology, they are designed to meet workplace needs for high durability, long life and high efficiency. By supplying tools equipped with these compact, lightweight, energy-saving motors that need no maintenance, we aim to not only improve user convenience but also to reduce carbon dioxide emissions.

**Using IoT to improve customer satisfaction**

Our products with brushless motors can also record usage status and error data at customers.

By using these data it is not only possible to swiftly diagnose and fix breakdowns, but also timely supply new products even better tailored to user needs by quickly gathering usage data from customers around the world using IoT.

* Operations are scheduled to start on October 1, 2016

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**Lithium-ion Battery-operated Cordless Tools**

Hand-held cordless power tools increasingly use lithium-ion batteries, which are compact, lightweight and provide highly concentrated energy, meeting market demand for size and weight reduction. In the last one to two years, there has also been progress in developing still higher-capacity lithium-ion batteries. The 6.0Ah lithium-ion batteries marketed by the Company ahead of the competition has sector-leading battery capacity, and boasts approximately twice the runtime from a single charge (compared with conventional 3.0Ah batteries). In lithium-ion batteries, the Company has always been firmly committed to safety and interchangeability (full same-voltage compatibility within the Company’s products). In a further demonstration expression of our confidence in our quality, we became the first power tool manufacturer in Japan to offer a two-year battery warranty (covering two years or 1,500 recharges).

**Life-science Instruments with the World Highest Level**

Through our high-speed rotation, ultraprecise processing and electronic control technologies, we are contributing to the development of global bio-related research, etc. with products which exist only one in the Japanese market such as ultracentrifuges with the world’s fastest rotation speed (150,000 rpm) and continuous flow ultracentrifuges essential to the production of influenza vaccines. This system has also been highly regarded as a new separation method for nanotechnology applications.

* Based on Company research, July 2016
Hitachi Koki Global Network

— Products loved by the world —

Hitachi Koki power tools continue to be the tools of choice for professional users around the world. Underpinning this success is our rich lineup of products of proven quality and a locally rooted sales network that is capable of responding to customer needs.

### Europe

**21 countries**

**Regional characteristics**

A large market for hammers, hammer drills and disc grinders exists in Europe, where stone-built buildings are numerous. Russia at the moment is going through an economic slowdown, but other European regions are generally buoyant. To further raise our presence in this large market, we are focusing on expanding sales of not only lithium-ion battery-operated cordless tools, but also products equipped with our proprietary AC (corded) brushless motors.

Street scene in Heidelberg, Germany

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### Asia ∙ Middle East ∙ Oceania ∙ Africa

**11 countries**

**Regional characteristics**

In India, the Middle East, Thailand and other areas, construction of large-scale facilities such as shopping malls and condominium is ongoing. Here, we sell disk grinders, hammer drills and cordless tools. This is a market that holds out the promise of significant future growth.

Street scene in Singapore
In the North American region, demand for power tools is also growing, driven by a rebound in long-stagnant housing investment. Because of the huge scale of the do-it-yourself market, a great deal of demand comes from both professionals and ordinary members of the public. We plan to increase our share of the market by aggressively expanding sales of pneumatic tools such as our nailers, which have a high market share.

Regional characteristics

Amid recovery in housing investment, our lithium-ion batteries with two-year guarantee have penetrated in the market, and our cordless tools are showing robust growth. We aim to further penetrate in the markets, beginning with AC brushless motor models offering the two-year warranty.

Regional characteristics

The Americas

In the North American region, demand for power tools is also growing, driven by a rebound in long-stagnant housing investment. Because of the huge scale of the do-it-yourself market, a great deal of demand comes from both professionals and ordinary members of the public. We plan to increase our share of the market by aggressively expanding sales of pneumatic tools such as our nailers, which have a high market share.
Global Strategy of Hitachi Koki

German power tool manufacturer Metabo has become a member of the Hitachi Koki Group.
Here we introduce the M&A of Metabo completed on March 1, 2016.

Comments from representatives

Osami Maehara
President & Representative Executive Officer

As we see it, Metabo is a perfect fit for us because the two companies complement each other extremely well in all kinds of ways. We consider this to be a kind of marriage. Our explicit goal is to grow significantly in Europe and acquiring Metabo brings us a big step closer to achieving this. By early generating synergy effects by leveraging the brands and management resources of both companies, we aim to further expand the scope of Hitachi Koki Group business operations and strengthen earning power.

Horst W. Garbrecht,
CEO of Metabo

Hitachi’s takeover of Metabo unlocks completely new opportunities for us. We have access to the resources of a large company in our sector. Given that battery technology is plainly the big topic for the future in our market, being able to utilize synergies in the development of cutting-edge drive and battery systems, and pooling in procurement are key factors that will boost our competitiveness. For years, both Hitachi and Metabo have focused on developing maximum mobility for power tools by using battery systems that deliver ever higher performance levels. As an independent unit and brand within the Hitachi Group, Metabo can continue to make the most of its strengths in terms of flexibility, speed and proximity to both customers and the market. That is how we are combining the best of both worlds.

Profile of Metabo

Corporate name: Metabo Aktiengesellschaft
Location: Nürtingen, Germany
Founded: August 25, 2000 (Founded in 1923 as a tool manufacturer.)
Capital: €10 million
Employees: Approximately 1,800
Revenues: Approximately ¥ 50.0 billion
Lines of business: Manufacture and sales of power tools
Here we introduce the synergy effects that are expected by leveraging brand and management resources.

**Complementary product development and technology**

By leveraging each partner’s respective strengths, we aim to improve product lineups and development efficiency.

**Areas of strength of Hitachi Koki**
- Products with AC brushless motors
  - Rotary Hammer
  - Impact Wrench
- Products using compact, lightweight, high-efficiency lithium-ion batteries
  - Cordless Impact Driver
  - Cordless Circular Saw
  - High Pressure Coil Nailer
- Pneumatic tools
  - Disc Grinder
  - Random Orbital Sander
- Disc grinders and other metal-processing products
- Pneumatic tools

**Areas of strength of Metabo**
- Products with high-power lithium-ion batteries
  - Cordless Disc Grinder
- Products with high-power lithium-ion batteries
- Disc grinders and other metal-processing products
- Pneumatic tools

**Hitachi Koki**
- Rich product lineup as a comprehensive power tool manufacturer
- Established brand in global markets
- Global production system
- Advanced motor technologies
- High technological expertise in construction, pneumatic and woodworking tools

**metabo**
- Crafted high-quality products for professional users
- Strong market presence in Europe
- High marketing and advertising capabilities
- Highly efficient supply chain and management
- Advanced technological expertise in high-capacity batteries
- Strong reputation in metalworking tools

**Early manifestation of synergy effects**
What is the “KOKI Way”?

Based on the Hitachi Group Identity, which is the Mission, Values and Vision shared by the Hitachi Group as “One Hitachi,” the “KOKI Way” shows the fundamental principles of how all executives and employees of the Hitachi Koki Group should think and act in their day-to-day business activities, through the structure of “Corporate Philosophy,” “Corporate Vision” and “Conduct Guidelines/Codes of Conduct” of the Hitachi Koki Group.

The basic values presented by the “KOKI Way” are universal values which, we believe, are to be shared in every country and region and in all ages.

We relate all our activities to the KOKI Way. When we have doubts or concerns regarding our daily activities or the conducts of those around us, we return to the “KOKI Way,” which is the fundamental principles for both actions and attitudes. At the same time, we reflect once again on its meaning and ensure that such principles are spread, shared and practiced throughout the Company.

A Corporate Philosophy

Contribute to our society through outstanding technologies, products and services

As our Corporate Philosophy of management, the Hitachi Koki Group is committed to contributing to society through the supply of innovative, high performance, high quality and high customer satisfaction products and services which are suited to the users’ needs, and is developing power tools and life science equipment businesses etc. worldwide as a global company.

B Corporate Vision

Hitachi Koki, moving forward with you—Together for Vision—

We aspire to be a company where all customers are happy to do business with us, and all of our world-wide employees are proud to be a part of Hitachi Koki.

In addition to thinking and acting from the customers’ standpoint and fully implementing “the operation ABC” (“Do All the things that be a part of Hitachi Koki.”), every employee who works in the Hitachi Koki Group achieves self-improvement through challenging work, and grows together with Hitachi Koki.

C Conduct Guidelines/Codes of Conduct and “5 Principles of Action”

The “Hitachi Koki Group Conduct Guidelines/Codes of Conduct” show the attitude that every employee of the Hitachi Koki Group should possess and the actions that he or she should take in order to achieve the Group’s philosophy and vision.

The “5 Principles of Action” are an easy-to-understand expression of the Conduct Guidelines and Codes of Conduct, and are grounded in the spirit of “Basics and Ethics.”

1. A Member of Society with Common Sense (Compliance)

Employees of the Hitachi Koki Group will be aware that each of us is a member of society, even before we are members of a company, and observe all laws and social rules properly. As individuals with social common sense, employees of the Group will also adapt good manners (for example, greetings and politeness) and will act sincerely and fairly at all times.

2. Respect for Human Rights

Employees of the Hitachi Koki Group will respect the human rights of every individual, and will not discriminate on the basis of gender, age, nationality, race, ethnicity, philosophy, religion, position in society, family status or lineage, illness or disability, etc. In addition, employees of the Group will not act in any way that harms the dignity of individuals, such as any types of workplace harassment (sexual harassment, abusive behaviors at the hands of superiors etc.), violence, invasion of privacy or the like.

3. Customer Satisfaction

Thinking and acting from the customers’ standpoint, and earning the trust of the customers, are of the utmost importance.

4. Challenge

In today’s rapidly changing business environment, the Hitachi Koki Group will create new value and be growing by taking on new challenges continuously.

5. Environment and Safety/Security

As a good corporate citizen in global society, the Hitachi Koki Group will continue to strive to achieve harmony with the environment and ensure safety and security.

“Safety and security” includes product safety, human safety, information security and the security of society.
Hitachi Koki Group CSR

Based on the Corporate Philosophy “Contribute to our society through outstanding technologies, products and services,” Hitachi Koki Group aims to become a global enterprise which shares values with society by integrating management and business strategies with CSR.

The company-wide CSR policies and activities are developed by CSR and Environment Policy Promotion Division (established in October 2014).

In addition to the conventional control, audit, education and enlightenment of the overall environment and promotion of public relation activities, we will globally promote activities such as creation of an ideal workplace, respect of corporate ethics and human rights, promotion of social contribution activities, and disclosure of information and communication with society throughout our business activities, in cooperation with each division and domestic and overseas affiliates.

We will respect the human rights of individual employees, and manage personnel records strictly with close attention to protecting personal information and privacy rights. We will absolutely refrain from any sort of workplace harassment that violates human rights.

We will carry out social contribution activities, centered on activities to foster personnel who will lead the reforms of the next era, to realize a vibrant society by making the greatest possible use of our resources. By implementing social contribution activities, we aim to be a respected and trusted global enterprise of the 21st century.

We recognize the roles we should play and will carry out each of them to conduct monozukuri aimed at reducing the environmental burden of a product throughout its life cycle - from procurement of materials to manufacture, inspection, shipment, distribution, use, and disposal - in order to realize a sustainable society in harmony with the environment.

We will place importance on the process of dialogue with a wide range of stakeholders regarding information required by society, listen to various opinions and negative information about the Company and Hitachi Koki Group companies, respond to them sincerely on our own initiative, and promote two-way communication with society.

We will strive to build good partnerships with suppliers, and to maintain and improve long-term relationships of mutual understanding and trust.

We will satisfy customer needs and specifications. We will not only obey quality, safety and environmental laws and standards, but also set our own voluntary standards when necessary to ensure the quality of our products and services.

We will strive to build good partnerships with suppliers, and to maintain and improve long-term relationships of mutual understanding and trust.

We will satisfy customer needs and specifications. We will not only obey quality, safety and environmental laws and standards, but also set our own voluntary standards when necessary to ensure the quality of our products and services.

Structure of CSR Promotion

The company-wide CSR policies and activities are developed by CSR and Environment Policy Promotion Division (established in October 2014).

In addition to the conventional control, audit, education and enlightenment of the overall environment and promotion of public relation activities, we will globally promote activities such as creation of an ideal workplace, respect of corporate ethics and human rights, promotion of social contribution activities, and disclosure of information and communication with society throughout our business activities, in cooperation with each division and domestic and overseas affiliates.
Corporate Governance

Aiming to establish a framework for rapid and accurate management decision making and operational performance, as well as enhance the function for supervision of management, Hitachi Koki, as one of the most important management issues, is working to strengthen the structure of corporate governance.

Corporate Governance

Hitachi Koki has adopted the form of a Company with Nominating Committee, etc. as its system of corporate governance in order to further increase corporate value and strengthen the structure of corporate governance, by clearly separating the execution of business from the supervision of management to strive to “actualize management with high transparency” and by substantially delegating the authority of business decision-making from the Board of Directors to the Executive Officers to achieve “acceleration of business execution and improvement of management mobility.”

The Board of Directors is made up of seven Board Directors, including three Outside Board Directors, makes decisions regarding basic management policy, and monitors and supervises the status of the execution of business, while delegating in principle authority of business execution to Executive Officers.

The Company has eleven Executive Officers. They decide the execution of operations of the Company and the Hitachi Koki Group, and execute such operations in accordance with the assignment of duties decided by resolution of the Board of Directors.

General Shareholders’ Meeting

Board Directors (seven members, including three Outside Board Directors)

Election/removal

Audit Committee
Nominating Committee
Compensation Committee

Delegation of authority to execute operations
Supervision of execution of operations

Election/removal

Coordination

Executive Officers (eleven members)

President & Representative Executive Officer

Executive Committee

Risk Management Committee
Compliance Department
Corporate Export Regulation Department
Internal Control Department, etc.

Internal Audit Department

Affiliated companies, etc.

Divisions

Internal Audit Department

Auditing

Coordination

Reporting

Questions and Replies

Direction and Instruction

Control and Supervision

Advice, Consultation

Corporate Lawyer

Accounting Auditors

Auditing

Coordination

Reporting
Internal Control

The Hitachi Koki Group has implemented an internal control system to perform evaluation in accordance with the requirements of Japan's Financial Instruments and Exchange Act, and files the internal control report to the Financial Services Agency every year. In particular, to ensure the reliability of Group-wide financial reporting, the Group has established a department dedicated to the promotion of internal control, based on decision of policy by the Internal Control Committee, where activities from company-wide control to operation control are documented, in cooperation with related departments.

As for the evaluation, Internal Auditing Office, as a department for monitoring, regularly conducts independent evaluation on the result of assessment test on the status of maintenance and operation of internal control, which is regularly conducted by internal departments and affiliated companies, thereby verifying the effectiveness of internal control on a consolidated basis.

Information Security

1. Protecting Personal Information

The Company regards protection and management of personal information acquired as obligation under laws and regulations and important responsibilities directly connected to the trust of the Company.

Specifically, we established “Personal Information Protection Policy” and “Regulations concerning Personal Information Management”, and are working on the appropriate management of personal information by conducting various information security measures and continuous education by the related department.

2. Preventing Information Leaks

The Company recognizes that avoidance and prevention of information leaks are extremely important for the continuation and development of business, and also a company’s social responsibility.

In particular, we are actively working on information security activities for protection of personal and corporate information, including prevention measures for cyber-attacks, in cooperation with the parent company, Hitachi, Ltd.

Business Continuity Plan (BCP)

The Company has formulated “Conduct Standards for Earthquake and Disaster Prevention” in order to prevent disaster, fire and pollution from occurring and minimize damage in times of large earthquakes.

We always collect information from overseas Group companies and Hitachi, Ltd., the parent company, and take measures such as issuance of warnings within the Hitachi Koki Group as needed.

In the event that natural disasters, conflicts or terrorist attacks occur, we take measures to minimize the impact on business operation in cooperation with parties concerned including overseas Group companies and Hitachi, Ltd.
Compliance

The Hitachi Koki Group is working to strengthen compliance and steadfastly uphold corporate ethics throughout Group businesses, based on its corporate creed of “Basics and Ethics,” with the goal of being a socially trusted enterprise.

Compliance Concept

Recognizing compliance as one of the management’s top priority, in corporate regulations “Hitachi Koki Corporate Code of Conduct” and “Hitachi Koki Group Codes of Conduct,” we pledged to conduct business activities based on legal compliance and corporate ethics.

We have established the Compliance Office dedicated to conducting promotion, audit, guidance, education and enlightenment of compliance for the Company and affiliated companies, and appointed Chief Compliance Officer (CCO) who is responsible for overall compliance on a global basis, Compliance Managers (CM) as assistants to the CCO and also Compliance Promoters for every department, in order to strengthen the compliance system of the companies within and outside Japan.

Furthermore, as an internal committee, the Company has also established Compliance Management Committee to enhance and comprehensively implement compliance by evaluating the effectiveness of the system of preventing misconducts, etc. as well as making examinations and proposals on the system.

In addition, the Company has instituted the Compliance Reporting System, a whistleblowing system, where reports go directly to the Compliance Office or external lawyer in the event that illegal or improper activities are discovered. Through this system, the Company is making efforts to prevent illegal or improper activities, to promptly address infractions, and to enhance our ability to self-regulate, thereby conducting corporate activities with a high ethical viewpoint.

Compliance Management Committee

Aiming to prevent wrongdoing and scandals from occurring, the Company has the Compliance Management Committee in place as an internal committee (established on September 12, 2011).

The Compliance Management Committee is made up of one Chairman, two Vice-Chairmen, eleven committee members and three secretaries, and holds a semiannual committee meeting, where they discuss (1) raising awareness of wrongdoing and scandals inside the Company, (2) evaluating the effectiveness of system of preventing misconducts, etc., (3) measures for preventing recurrence of scandals in the event that scandals occur, in order to enhance and ensure compliance.

Compliance Reporting System (Whistleblowing System)

The Company set up the “Compliance Reporting System” in April 2005. All employees of the Hitachi Koki Group are informed on the objectives of the system and method of reporting in both Japanese and English.

Aiming at ensuring effectiveness of the system, contact points include an external lawyer in addition to the internal department (Compliance Office), and reports can be sent by post, email, etc.

In case of affiliated companies, reporting can be made by email, etc. directly to Outside Board Directors dispatched by the Headquarters.

Reporting Route

Through this system, the Company is making efforts to prevent illegal or improper activities, to promptly address infractions, and to enhance our ability to self-regulate, thereby conducting corporate activities with a high ethical viewpoint.

Compliance System

President & Representative Executive Officer

Chief Compliance Officer (COO)
Responsible person for overall compliance on a global basis

Compliance Manager (CM)
Assistance to Chief Compliance Officer

Compliance Office
Promotion, audit, guidance, education and enlightenment of compliance for the Company and affiliated companies

Compliance Promoter
Adoption of compliance measures in each department

Whistle-blower
Mail
Internal mail
E-mail

Compliance Office

External lawyer
Mail
E-mail
For Customers

With regard to product quality assurance, based on our basic policy of “manufacturing products trusted by customers,” the Company is promoting the activities for improvement of customer satisfaction. We have compiled the Action Guidelines regarding product safety, and strive to assure safety of products that the Hitachi Koki Group manufactures and sells by conducting activities in line with the Action Guidelines.

Product Safety Action Guidelines

The Hitachi Koki Group upholds the concepts of “respecting customers” and “ensuring product safety” as part of their basic management policy and shall endeavor to ensure the safety of the products that the Group Companies manufacture and sell based on the action guidelines prescribed below.

1. Compliance to relevant laws and regulations

The Hitachi Koki Group shall endeavor to comply with laws and regulations, company rules relating to product safety, and these action guidelines to ensure the safety of the products that the Group Companies manufacture and sell.

2. Endeavors to ensure product safety

The Group shall endeavor to make continuous improvements in product safety by identifying and assessing risks throughout all the stages from product development/design to the procurement of raw materials and parts, manufacture, inspection, shipment, distribution, use and disposal of the product, and by feeding back the results of such efforts to the products, parts, warning labels, instruction manuals, etc. Where an incident involving our product has occurred or is likely to occur, the Group Companies shall, in good faith, respond promptly, while making efforts to thoroughly examine the cause, to prevent the reoccurrence of such an incident and to ensure the safety of the customers.

3. Collection and disclosure of information on product incidents, etc.

The Group shall endeavor to proactively collect information on incidents involving our products, etc. (product defects and malfunctions, product complaints, incidents of similar product, etc.) from their customers and business partners, and to disclose such information in a prompt, timely fashion.

4. Educating employees regarding relevant laws and regulations

The Group, in order to educate the employees regarding the importance of ensuring product safety, shall conduct appropriate education on the laws and regulations, company rules and systems relating to product safety and other necessary matters.

5. Monitoring

The Group shall endeavor to conduct monitoring through internal audits and other means on the compliance with laws and regulations, company rules relating to product safety and these action guidelines and to maintain and improve the system to ensure product safety.

Initiative to Acquire ISO Certification

Starting with acquisition of the certification of international standard for quality management system by Katsuta Plant and Sawa Plant in 1995, all Hitachi Koki Group production sites including overseas plants have acquired ISO 9001 certification, and have been working to improve quality management throughout the Group.

ISO 9001 acquisition status (as of March 2016)

<table>
<thead>
<tr>
<th>Certified sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Hitachi Koki Co., Ltd.: Katsuta Plant, Sawa Plant</td>
</tr>
<tr>
<td>Sankyo Diamond Industrial Co., Ltd.</td>
</tr>
<tr>
<td>Malaysia</td>
</tr>
<tr>
<td>Hitachi Koki (Malaysia) Sdn. Bhd.</td>
</tr>
<tr>
<td>Fujian Hitachi Koki Co., Ltd.</td>
</tr>
<tr>
<td>Guang Dong Hitachi Koki Co., Ltd.</td>
</tr>
<tr>
<td>Guangzhou Hitachi Koki Co., Ltd.</td>
</tr>
<tr>
<td>Hitachi Koki Europe Ltd.</td>
</tr>
<tr>
<td>Hitachi Koki Taiwan Co., Ltd.</td>
</tr>
<tr>
<td>Metabo Powertools (China) Co., Ltd.</td>
</tr>
<tr>
<td>Overseas</td>
</tr>
<tr>
<td>Hitachi Koki Europe Ltd.</td>
</tr>
<tr>
<td>Hitachi Koki Taiwan Co., Ltd.</td>
</tr>
<tr>
<td>Metabo Powertools (China) Co., Ltd.</td>
</tr>
</tbody>
</table>

ISO 9001 Certification granted to Katsuta Plant

Message from employee

CS Promotion & Quality Assurance Dept.
CS Promotion & Quality Assurance Division
Hitachi Koki

Yumi Odakura

I am responsible for the management and calibration of measuring instruments and other equipment used on the production floor. Specifically, I manage how many measuring instruments and other equipment of which type we are lending to which workplace, including our trading partners, and regularly inspect whether the measuring instruments and other equipment can read the correct figure. I think it is important for monozukuri that each person uses measuring instruments and other equipment correctly, and carefully manages them.

While responsible for the management and calibration of measuring instruments and other equipment, I want to instruct those on the production floor about the correct way to use them and their daily management, and henceforth I want to continue focusing on my work with a sense of responsibility in order that we can guarantee our quality.
Cordless impact drivers (WH14DDL2/WH18DDL2) sell well. It is particularly popular with carpenters. The performance of lithium-ion batteries has improved over the past few years, and I feel it represents the high quality we expect from Hitachi Koki. In addition, electric disc grinders (G10SP4/G10SH5) used in ironworks are popular for their track record and high reliability. It also seems that the new electric disc grinder (G10VE) equipped with an AC brushless motor has improved grinding ability and product life, so we are holding internal sessions to study the product, and are focusing our efforts on sales.

Mr. Takashi Nabeshima
K.K. Kayou
Representative Director

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Kayou website: http://www.kabu-kayoh.co.jp/
For Business Partners

Regarding suppliers as equal partners, we are working to strengthen competitiveness from a long-term perspective, and pursuing fairness in business transactions with an open-door policy.

Guidelines on Conduct Concerning Procurement

The Company has formulated “Hitachi Koki Guidelines on Conduct Concerning Procurement” that stipulates behavior guidelines for officers and employees of the Company in procurement of materials, products, services and information required for business operation of the Company from outside suppliers. All officers and employees of the Company will adhere to the “Hitachi Koki Corporate Code of Conduct” and “Hitachi Koki Group Codes of Conduct,” as a basis of all activities.

Response to the Conflict Minerals Issue

In August 2012, the U.S. Securities and Exchange Commission (SEC) adopted and issued a final rule obliging companies with securities registered in the United States that use any conflict minerals in their products to report this to the SEC from 2014 pursuant to Article 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law in July 2010. Conflict minerals include gold, tantalum, tin, and tungsten, the four minerals determined to be financing armed groups that are produced in the Democratic Republic of Congo (“DRC”) and adjoining countries (together the “DRC countries”). The goal of this law is to cut off revenues from armed groups that use violence and significantly violate human rights in the conflict-ridden DRC countries.

The Hitachi Koki Group has no obligation to report under the said Act. However, we strive to ensure that we do not, directly or indirectly, abet the human rights violations identified in the DRC countries. To continue our responsible procurement practices, we are working with Group companies, suppliers, and Hitachi, Ltd. to strengthen supply chain transparency and to ensure that the minerals we procure do not finance or benefit armed groups committing human rights violations.

In fiscal 2015, we conducted the conflict minerals survey targeting around 1,000 suppliers and confirmed that conflict minerals were not contained in the products of the Company. At present the recovery rate is 92%, and we will continue our survey in this area.

Enhancement of Transparency of the Supply Chain

To deliver environmentally sound products to our customers, Hitachi Koki is asking suppliers for understanding and collaboration in actively carrying out environmental protection activities and supplying materials and components having reduced environmental burden.

We are pursuing environmental improvement in stronger cooperation with “green suppliers,” Hitachi Koki’s classification of suppliers who have voluntarily acquired environmental certification. Furthermore, we will try to improve the quality of procured items, aiming to save resources and reduce environmental burden.

For instance, as for cadmium contact switches that are not currently subject to restriction, we are proactively proceeding with elimination of cadmium usage and gradually switching over from a viewpoint of reducing environmental burden. In addition, with regard to banned substances, which the Hitachi Group voluntarily manages, we are proceeding with the collection of guarantees of non-inclusion from trading partners, and at the same time we are proceeding with countermeasures against items that contain banned substances.

We are promoting green procurement of office supplies used within the Company, and aiming to achieve green procurement rate(*) of more than 90%, utilizing “E-sourcing” provided by Hitachi, Ltd.

In a budget plan conference held for suppliers every year, we communicate information, requests, etc. on green and CSR procurement. Furthermore, every term, we select thirty to forty companies inside and outside Japan, and conduct suppliers’ self-audit through CSR questionnaire. Based on the result of the self-audit, onsite audit is also conducted by independent third-party auditors.

* Green procurement rate = procurement amount of environment-friendly products / procurement amount by E-sourcing

Budget plan conference for suppliers
For Shareholders and Investors

By way of disclosing and disseminating business policy, business activities based on such policy, business performance, etc. through our active public relations and investor relation activities in an appropriate and timely manner, we will endeavor to promote communication with shareholders and investors and enhance corporate value.

Information Disclosure in a Timely Manner

We disclose information in a timely, accurate and fair manner, and strive to obtain and maintain appropriate appraisal in market.

While our website always provides the latest information such as news releases and timely disclosure information in an easy-to-understand manner, we will continue to make improvement in our website including enhancement of accessibility by accessible page configuration, with the aim of a more user-friendly website.

Communication with Shareholders

The Company holds IR meetings and financial results briefings with domestic and overseas institutional investors, as well as briefing session for individual investors, publishes annual reports, timely posts various information including business results on its website, and disseminates information on new products, etc. by newspapers, magazines, etc.

Last year, briefing session for individual investors was held five times, with 200 participants in total. It was held not only in Tokyo and Osaka, but also in other locations such as Fukuoka prefecture and Nagano prefecture.

In addition, we are actively conducting IR activities for overseas investors. To our IR activity held in Hong Kong and Singapore last year in June, we received overwhelming response from local people.

General Shareholders’ Meeting

We held the 94th Annual General Shareholders’ Meeting on June 24, 2016, and held an exhibition to introduce our products and topics in order to enable better understanding of our business.

Following the conclusion of the proceedings for the Annual General Shareholders’ Meeting, Mr. Horst W. Garbrecht, the CEO of Metabo, which was added to the Hitachi Koki Group on March 1, 2016 via acquisition, explained Metabo’s history, its businesses, its future vision, and other related matters.
With Employees
All Hitachi Koki employees continue to pursue self-improvement through challenges to grow with Hitachi Koki.

Human Rights Policy
The Hitachi Koki Group will support realization of society where human rights are respected, while responding with innovation to social issues faced, and contributing to our society through outstanding technologies, products and services. We will strive to fulfill our responsibilities to respect human rights as a foundation for such endeavors.

In October 2013, we have established Hitachi Koki Human Rights Policy that supplements Hitachi Koki Group Codes of Conduct and the Hitachi Group’s CSR Policy, and have pledged to fulfill responsibility of respecting human rights through implementation of the UN Guiding Principles on Business and Human Rights.

Fostering Human Resources
The Company aims to foster human resources, focusing on (1) fostering human resources capable of responding to globalization, (2) enhancing education of the core (technology, skills, and sales) as a manufacturer, and (3) fostering the managerial awareness of heads of departments or divisions and career-track employees (stratified education).

System for training in overseas operations ➤ The Company is systematically fostering persons in charge who are capable of leading global business. Specifically, we transfer the employees, who are expected to be assigned overseas in the future, to overseas companies in principle for one year to provide them with training in operations, aiming to offer motivation and chance to grow.

Promotion of Diversity
We recognize that in order to fulfill the corporate vision and corporate philosophy of Hitachi Koki, it is essential that we secure a variety of human resources and respect their various individual characteristics, and we are conducting various initiatives to that end.

Advancement of Women ➤ We aim to create a workplace where women can work comfortably and for a long time. They can take a longer period of time for both maternity and childcare leave than the statutory period, and working hours can be reduced until the child becomes six years old (the statutory period is until the child becomes three years old). In addition, the average length of employment for full-time female employees is over 20 years, and going forward we aim to continue increasing comprehensive work positions for women.

Employment of People with Disabilities ➤ We actively focus on initiatives for the employment of people with disabilities, such as participating in Hitachi Group employment fairs.

Employment of Elderly People ➤ We want experienced employees who know the history of the Company well and possess rich skills and expertise to work for as long as possible, and to pass on their experience to their successors. We reemploy about 90% of employees who wish to continue working after retirement age.

Creating the Ideal Workplace
The Company set “Safety Day” in April, on which the entire Group carries out safety check and SS check (Sort, Set in order, Shine, Standardize, Sustain). Furthermore, we are enhancing systems to enable the employees to continue working in safety and with peace of mind without worrying and to demonstrate their fullest potential.

Support system for nursing care ➤ The Company offers systems such as short-time working system and family care leave to enable employees to work with peace of mind when they are required to provide nursing care for their family members.

Promoting utilization of paid leave, shortening working hours ➤ We help employees to raise their level of motivation by providing a system where employees are granted refreshment leave when they complete certain years of employment (10, 15, 20, 25, 30 and 35 full years). As for working hours, we have set Wednesday and Friday as day of leaving work on time, and introduced “No overtime day”, etc, and are working to promote our business efficiency by enabling employees to work in a well-balanced manner.

Mental health care ➤ To enhance mental health of employees, in Katsuta Plant, regular medical care (once a month) and counseling (once a month) are offered by industrial physicians specialized in mental health and clinical psychologists, respectively. In addition, for employees working at Shinagawa office and sales branches, we have established a health counselling room to provide health counseling (once a month) by industrial physicians, and offer health counseling by e-mail at any time.

Issuance of Koki News ➤ The Company publishes “Koki News,” an internal newsletter for the entire Hitachi Koki Group quarterly. In “Koki News,” we feature voices from employees, including those in Group companies overseas, in both Japanese and English, as we strive to foster a global sense of unity.

Message from employee

Kazuko Otsu
Following maternity leave, I took childcare leave for about one year and three months. During my leave, I was able to focus on raising my child, and spend time together with my infant child who was growing every day. I was able to deepen my self-awareness as a mother and my bond with my child. I was also able to feel relieved in terms of time and mentally, and was also able to spend time on selecting a nursery school.
I felt anxious about the gap until I returned to work. However, I was able to return to my original workplace, and I was able to conduct my work smoothly with the support of those around me.
I am very grateful that there is this kind of system as well as the atmosphere and understanding in the company that allow us to use it easily.
For Local Communities

The Hitachi Koki Group is committed to various activities, aiming at contribution to local communities where our offices are located. By implementing social contribution activities, the Group will aim to be a respected and trusted global enterprise of the 21st century.

Cleaning Activity in Local Communities

At our plants (Katsuta Plant, Sawa Plant, etc.), cleaning around the plant is carried out as part of global environment beautification activities.

We also join a beach clean campaign held by the local municipality.

Plant Tours and Experience Learning

At Sawa Plant, we conduct plant tours for elementary school students and welcome middle and high school students for experience learning about the workplace, as part of our activities to contribute to the local community. In plant tours, we welcomed 362 third-year elementary school students from three schools in Hitachinaka City, and they learned about the work in the plant and techniques used in the work. In addition, in experience learning about the workplace, we welcomed 18 middle and high school students from five schools in the city, and they deepened their understanding of "monozukuri" (craftsmanship).

A middle school student who experienced standing work including fitting parts into the electric drill said with a tired expression, "It was far more physically demanding work than I thought it would be," while also appearing to have further interest in the "monozukuri" that he had experienced.

Also, high school students manipulated NC lathes and other equipment skillfully and performed high-level work such as machine work on inside diameters and dimension checks of hammer parts, perhaps in a reflection of their daily practice. After reconfirming the significance of work, the expressions of the high school students, who will look for a job in the near future, appeared even more gallant than before the experience learning.

Overseas Cases

Spain

Movement to Collect Plastic Caps

We conduct an internal movement to collect plastic caps such as those from PET bottles. In the last year alone, we collected approximately 19kg of plastic caps. The recycling funds from the plastic caps are put toward supporting children with disabilities.

Australia

Volunteer Activities at Nursing Care Facilities for the Elderly

We participate in volunteer activities at nursing care facilities for the elderly in the vicinity of our offices. All employees are proud that we can support people that have lived locally for a long time, and contribute to local society.

Bamboo Grove Maintenance Volunteer

The forest of the City of Hitachinaka brings us a peace of mind and blessings from this precious greenery. However, the maintenance of forest with many hillsides is not easy, and the propagation of Japanese wisteria and bamboo are destroying other kinds of trees that grow there. Every year, we join the activity led by a local NPO to maintain and thin the bamboo grove and contribute to the conservation of greenery.
Environmental Policy Initiatives

Putting harmony with the environment as one of the high-priority tasks of management, the Company has been engaging in unison with Group companies and supplier companies in environmental protection activities. More specifically, we have formulated “Environmental Action Plan” and are working to develop and produce environmentally sound products.

### Environmental Policy

The Hitachi Koki Group established the following environmental policies, and continuously engages in the activities, aiming to promote pro-environmental behavior.

#### Environmental Policy (excerpt)

The Hitachi Koki Group promotes pro-environmental behavior, which is a major issue shared by all humankind, in every aspect of corporate activities under the slogan of “Green, Pleasant Lands of the Earth for Future Generations.” On the basis of the fact that we design, manufacture, sell and service power tools, engine power tools, life-science instruments, diamond tools, etc., we conduct the activities related to environmental maintenance and improvement.

### Promotion of ISO 14001 Certification

Regarding the ISO 14001 Environmental Management System, the Hitachi Koki Group manages it by a single system within Japan, and separately at the respective sites outside Japan. Since we acquired ISO 14001 in 1996 in Japan, we have promoted expanding application and integration of the certification among domestic Group companies, while our overseas plants successfully acquired the certification one after another.

### FY2015 Environmental Action Plan: Target and Performance result

Performance result and assessment of FY2015 Environmental Action Plan are as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target</th>
<th>FY2015</th>
<th>Final fiscal year</th>
<th>Fiscal year</th>
<th>Performance result</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Environmental Management</td>
<td>Increase of the Green Point (GPs) in “GREEN21-2015” Activities</td>
<td>640GP</td>
<td>640GP</td>
<td>FY2015</td>
<td>658GP</td>
<td>☀️☀️☀️</td>
</tr>
<tr>
<td></td>
<td>Promote participation in the Hitachi Group’s shared education courses: participation rate of environmental e-learning</td>
<td>98%</td>
<td>Continued</td>
<td>Continued</td>
<td>100%</td>
<td>☀️☀️☀️</td>
</tr>
<tr>
<td>Eco-products</td>
<td>Expansion of environment-friendly products</td>
<td>88%</td>
<td>88%</td>
<td>FY2015</td>
<td>88%</td>
<td>☀️☀️☀️</td>
</tr>
<tr>
<td>Environmentally Friendly Factories and Offices</td>
<td>Reduction of CO2 emissions</td>
<td>0.2% or less</td>
<td>0.2% or less</td>
<td>FY2015</td>
<td>0.23%</td>
<td>☀️</td>
</tr>
</tbody>
</table>

For more detailed data: Hitachi Koki Co., Ltd. website “Environmental Protection Activities”

URL: http://www.hitachi-koki.com/about/environment/index.html

**Hitachi Koki Co., Ltd. Corporate Profile / CSR Report 2016**
Environmental Management

Aiming at formulating a systematic environmental management system, and in order to maintain and improve the ongoing environmental activities, we are continuously working on improvement of the management systems in and outside Japan and promotion of environmental accounting.

“GREEN21-2015” Activities

The Hitachi Group had been using “GREEN 21-2015” to evaluate environmental activities collectively since fiscal 2011 to improve and enhance the level of activities. This “GREEN 21-2015” divides environmental activities into eight categories and evaluates achievement of the targets set in the Environmental Action Plan and activities themselves with 53 evaluation items. Full points of each category are 100 GPs (Green Points), and five-level rating is used for each item. The evaluation points achieved in fiscal 2015, the last year of the target period, were 658GPs, while the target points were 640GPs. In 2016, we have newly established “GREEN21-2018” with the deadline year of 2018, and will continue to make efforts for further improvement in environmental activities.

Evaluation Criteria (eight categories) and Evaluation Points for FY2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Principal performance indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-management</td>
<td>Environmental management, environmental accounting, compliance with laws and regulations</td>
</tr>
<tr>
<td>Environmental Business</td>
<td>Restraint of CO2 emissions of 0.1 billion tons, environmental business strategies</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Collection and communication of environment information through the supply chain</td>
</tr>
<tr>
<td>Eco-minds</td>
<td>Environmental education, cultivation of experts on environment</td>
</tr>
<tr>
<td>Eco-products</td>
<td>Assessment of products, services, etc.</td>
</tr>
<tr>
<td>Prevention of Global Warming</td>
<td>Reduction of CO2 emissions, efforts for saving energy, energy saving in transportation</td>
</tr>
<tr>
<td>Resource Recycling</td>
<td>Resource circulation, chemical substance management</td>
</tr>
<tr>
<td>Stakeholder Collaboration</td>
<td>Information disclosure, communication, global citizen activities and conservation of ecosystem</td>
</tr>
</tbody>
</table>

Evaluation Criteria (eight categories) of “GREEN21-2015” Activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Principal performance indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td></td>
</tr>
<tr>
<td>Products and Services</td>
<td></td>
</tr>
<tr>
<td>Factories and Offices: Prevent Global Warming</td>
<td></td>
</tr>
<tr>
<td>Use Resources Efficiently / Manage Chemical Substances</td>
<td></td>
</tr>
<tr>
<td>Ecosystem Preservation</td>
<td></td>
</tr>
<tr>
<td>Partnership with Stakeholders</td>
<td></td>
</tr>
</tbody>
</table>

Economic Aspect (Environmental Accounting)

The Hitachi Koki Group calculates the environmental conservation costs and effects based on “Environmental Accounting Guidelines” of the Ministry of the Environment. Cost effectiveness is understood quantitatively to make effective environmental investment and reduce environmental burden continuously.

Environmental Conservation Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost (Millions of yen)</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office area</td>
<td>159.2 199.9 145.2</td>
<td>Costs of maintenance of equipment with low environmental burden, depreciation</td>
</tr>
<tr>
<td>Upstream/downstream</td>
<td>13.7 16.3 17.3</td>
<td>Recycling of products and packaging, recycling expenses</td>
</tr>
<tr>
<td>Management activities</td>
<td>191.1 197.1 183.1</td>
<td>Labor costs of environmental management, implementation and maintenance of environmental management system</td>
</tr>
<tr>
<td>Research and development</td>
<td>57.7 59.5 60.6</td>
<td>R&amp;D for the reduction of environmental burden caused, product design expenses</td>
</tr>
<tr>
<td>Social activity</td>
<td>1.2 1.6 0.2</td>
<td>Planting, beautification, and other environmental improvement expenses, PR and publicity expenses</td>
</tr>
<tr>
<td>Environmental damage</td>
<td>0.9 0.9 0.4</td>
<td>Environmental mitigation costs, assessments, etc.</td>
</tr>
<tr>
<td>Total</td>
<td>423.8 475.3 406.8</td>
<td>—</td>
</tr>
<tr>
<td>Total investment</td>
<td>203.7 14.3 2.1</td>
<td>Installation of solar power generation system (from FY2013), and investment in energy-saving equipment and equipment for reduced environmental burden</td>
</tr>
</tbody>
</table>

Economic Effects with Environmental Conservation Measures

<table>
<thead>
<tr>
<th>Contents of effects</th>
<th>Cost (Millions of yen)</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income effect (Profit on sales resulting from separation and recycling of wastes, and solar power selling)</td>
<td>94.6 122.6 79.7</td>
<td></td>
</tr>
<tr>
<td>Cost reduction effect (Energy cost reduction by energy saving, water consumption reduction by reusing gray water and electricity cost reduction through a better contract deal)</td>
<td>5.6 7.5 19.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.2 130.1 98.9</td>
<td></td>
</tr>
</tbody>
</table>

Power-saving Effects with Environmental Conservation Measures

<table>
<thead>
<tr>
<th>Item</th>
<th>Reduced amount (Millions of yen)</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of electric power consumption when manufacturing products (KWh)</td>
<td>414 399 377</td>
<td>Energy saving by switching to higher efficiency air conditioners, by taking air leakage prevention measures and by using LED illumination, etc.</td>
</tr>
<tr>
<td>Reduction of electric power consumption when using products (KWh)</td>
<td>132,488 139,756 146,569</td>
<td>Reduction of electric power consumption when using products by employing power tools with energy-saving motors</td>
</tr>
</tbody>
</table>
Waste Reduction

Through production without wasting resources, we are striving to reduce industrial waste.

We are also promoting reuse and recycling to effectively utilize industrial waste as new resources, and striving to reach the Hitachi Koki Group’s target of zero-emissions activity (i.e., final disposal rate of 0.2% or less).

### Purchase of Resources and Discharge into the Environment (Material Balance)

Hitachi Koki Group’s environmental performance result in fiscal 2015 is as follows.

#### Purchase of Resources

- **Energy**
  - Electricity
    - Japan: 223
    - Outside Japan: 149
  - Fuel oil
    - Japan: 28
    - Outside Japan: 3
  - LPG, LNG
    - Japan: 12
    - Outside Japan: —

- **Raw materials**
  - Metal
    - Japan: 1,498
    - Outside Japan: 1,025
  - Plastic
    - Japan: 298
    - Outside Japan: 573
  - Chemical substances
    - Japan: 60
    - Outside Japan: 144
  - Others
    - Japan: 14
    - Outside Japan: 1,920

- **Water**
  - Surface water
    - Japan: 81
    - Outside Japan: 83
  - Industrial water
    - Japan: —
    - Outside Japan: 31

#### Total Volume of Wastes Generated within Japan, Final Disposal Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Reduced volume (t/year)</th>
<th>Recycled volume (t/year)</th>
<th>Final disposal volume (t/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.8 (7)</td>
<td>0.26 (7)</td>
<td>0.26 (7)</td>
</tr>
<tr>
<td>2011</td>
<td>3.0 (7)</td>
<td>0.24 (7)</td>
<td>0.21 (7)</td>
</tr>
<tr>
<td>2012</td>
<td>3.3 (9)</td>
<td>0.26 (9)</td>
<td>0.12 (4)</td>
</tr>
<tr>
<td>2013</td>
<td>2.8 (8)</td>
<td>0.21 (8)</td>
<td>0.23 (5)</td>
</tr>
<tr>
<td>2014</td>
<td>2.9 (4)</td>
<td></td>
<td>0.21 (5)</td>
</tr>
<tr>
<td>2015</td>
<td>2.1 (5)</td>
<td></td>
<td>0.23 (5)</td>
</tr>
</tbody>
</table>

#### Amount Discharged as Environmental Burden

- **Atmospheric air**
  - CO₂
    - Japan: 13.8
    - Outside Japan: 11.5
  - Chemical substances
    - Japan: 13
    - Outside Japan: 47

- **Wastewater**
  - Sewerage system
    - Japan: 79
    - Outside Japan: 61
  - Public waterways
    - Japan: 2
    - Outside Japan: 48
  - Underground infiltration
    - Japan: 0
    - Outside Japan: 5

- **Waste**
  - Drainage
    - Japan: 2,114
    - Outside Japan: 1,117
  - Recycling
    - Japan: 2,590
    - Outside Japan: —
  - Waste reduction
    - Japan: 19
    - Outside Japan: —
  - Final disposal
    - Japan: 5
    - Outside Japan: —

#### Minimization of Final Disposal Rate of Waste

In Japan we aimed to reduce the final disposal rate of waste (final disposal volume/discharge) to 0.2% or less by fiscal 2015.

Unfortunately, the final disposal rate was 0.23% in fiscal 2015 and we failed to achieve the goal (0.2% or less). This was due to the disposal of toxic sludge collected during the regular maintenance.

We will continuously commit to further reduction to reach the same goal in fiscal 2016 and later years.

### Example of activity

**Promotion of resource recycling: producing valuables by separating waste**

We separate expanded polystyrene discharged from plants at each site and sell it as valuables after processing it into a recyclable shape at the dedicated facility in a plant.

**Katsuta Plant, Hitachinaka, Ibaraki, Japan**

- **Collected expanded polystyrene**
- **Reduction volume and solidify expanded polystyrene by an expanded polystyrene volume reduction machine to sell it as resin material** (valuable).

**Message from employee**

**CSR and Environment Policy Promotion Division**

**Akihiro Akutsu**

I am responsible for energy management, such as power at Katsuta Plant.

Recently, various high efficiency devices have appeared one after another, such as LED lighting, and the Company is also actively replacing lighting with high-efficiency lighting as it focuses on energy-saving activities.

In addition, when purchasing energy, it is increasingly more important to make faster and better choices amid developments such as rapid changes in the price of oil and the entry of new power providers. Last year, we revised power contracts at main domestic offices, and were able to lower our electricity expenses.

In future, we will remain alert on multiple fronts as we focus on effective environmental investments and lowering our environmental burden.
Environmentally Friendly Factories and Offices

In order to promote prevention of global warming, waste reduction, water conservation and appropriate control of chemical substances, we are working on reducing the environmental burden in our factories and offices.

Prevention of Global Warming (Improvement in CO2 emission per unit of production)

By fiscal 2015, we had reduced our CO2 emissions intensity to 89% of fiscal 2009 at plants in Japan, and to 85% of fiscal 2009 at overseas plants. We are striving to improve the efficiency by introducing high efficiency lighting and air-conditioning equipment, and changing and repairing aging pipes, targeting mainly the overseas plants where production is expanding year by year. Moreover, we are globally expanding Group-wide activities such as “Light Down Campaign” and various environmental events. We will endeavor to further reduce CO2 emissions and improve the index per unit of production with continuous efforts.

CO2 emissions at domestic plants and index per unit of production

- Headquarter, branches, etc.
- Hitachi Koki Manufacturing & Service Co., Ltd.
- Haramachi Manufacturing Center
- Katsuta Plant
- Sawa Plant
- Shikino Plant
- Sankyo Diamond Industrial Co., Ltd.

Values in ( ) are in comparison with FY1990

CO2 emissions at overseas plants and index per unit of production

- Ireland
- India
- China (Fujian)
- Malaysia
- China (Guang Dong)
- China (Guangzhou)
- Taiwan

Values in ( ) are in comparison with FY1990

Major improvements (Katsuta Plant)

At plants, there are many electric furnaces, such as furnaces for quenching steel and maintaining the warmth of molten aluminum. The energy usage of those furnaces worsens each year as the furnace walls degrade. At the Hitachi Koki Group, we monitor the temperature of the furnace walls and energy usage, and have established standards for decisions about replacements of these furnace facilities, as we strive to limit the occurrence of power loss. In fiscal 2015, as a result of replacing one aluminum holding furnace, we achieved total reduced electricity of 41.5 (MWh/year) and total reduced cost of 738.1 (Thousands of yen/year).

Recognized with Special Award (Corporate Category) in the Ibaraki SmartMove Project 2

The Company participated in the “Ibaraki Smart Move Project 2” which was held by three NPOs as a project subsised by the Ministry of the Environment. 146 organizations from within Ibaraki Prefecture participated in this project. Initiatives such as Eco-drive by our employees were well received, and we were recognized with a Special Prize.

* Activities combining Eco-drive and Eco-mobility (changing transportation methods from cars to walking and bicycles) to reduce carbon dioxide.
To Make a Sustainable Society Come True

To make a sustainable society come true, we provide products of less environmental burden.

Eco-products (Increase in the production ratio of eco-products)

- **Batteries**
  - BSL1460/BSL1860
  - This product line has the same dimensions and weight as a conventional 5.0Ah battery, but we increased the capacity and runtime by approximately 20%.

- **Cordless Multi Tool**
  - CV18DBL
  - We increased the runtime per charge by approximately 30% through measures such as equipping the product with a high efficiency brushless motor. In addition, we reduced vibration when there is no load by approximately 40% by equipping it with a mode that automatically changes speed.

- **18V Cordless Band Saw**
  - CB18DBL
  - We improved the runtime per charge and blade life by approximately 90% by equipping the product with a brushless motor, Auto-mode, etc., and using a large-diameter saw wheel.

- **Cordless Impact Driver**
  - WH18DDL2
  - We increased the runtime per charge by approximately 25% by equipping the product with a brushless motor and Active Control System unique to Hitachi Koki, and also a high capacity (6.0Ah) battery.

- **Cordless Impact Driver**
  - WH18DKL
  - We made the body of the product lighter and increased the runtime per charge by approximately 20% through revising the product structure.

- **Rotary Hammer**
  - DH40SE
  - We reduced electricity consumption during use by approximately 9% with a high efficiency AC brushless motor.

- **Rotary Hammer**
  - DH52MEY
  - We reduced vibration during use by approximately 26% using our User Vibration Protection system.

- **Impact Wrench**
  - WR16SE
  - We made the product lighter and reduced electricity consumption during use by approximately 10% through equipping the product with a compact AC brushless motor.

- **High Pressure Air Compressor**
  - EC1245H2
  - We increased durability and saved resources by lowering the running costs. In addition, we reduced power consumption by approximately 15% through improving discharge efficiency.