

The Turtle Bay Security Roundtable:  
Navigating the Sanctions Regime,  
Promoting Proliferation Prevention

# Hitachi's Export Control

December 5, 2011  
Corporate Export Regulation Department  
Corporate Export Regulation Division (CERD)  
Hitachi, Ltd.

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# Part1.

# Outline of Hitachi

## Corporate Profile\*

Corporate Name	Hitachi, Ltd.
Established	February 1, 1920 [Founded in 1910]
Headquarters	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8280 Japan
President	Hiroaki Nakanishi

## Capital & Number of employees\*

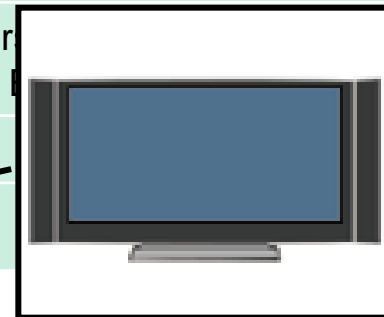
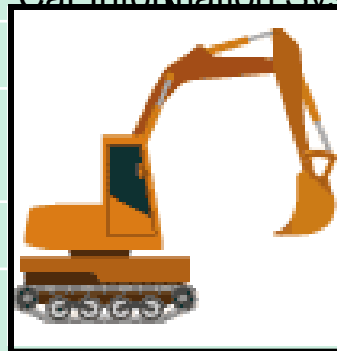
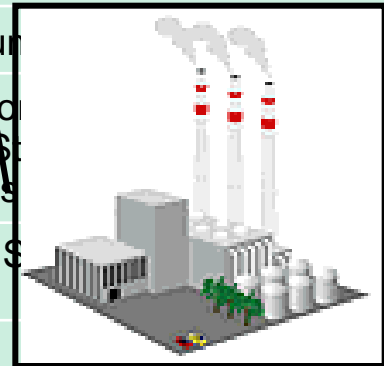
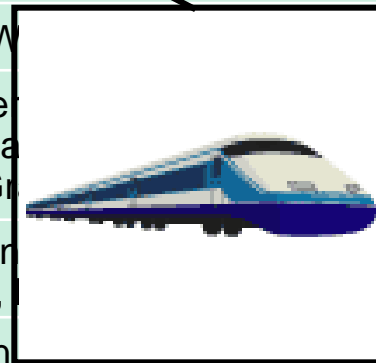
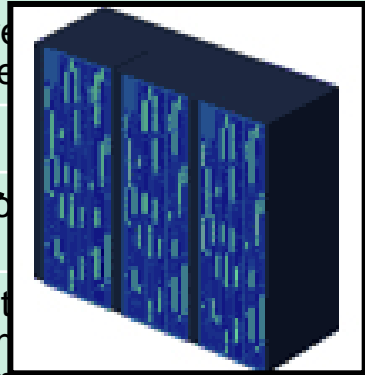
Common Stock	4,929 million U.S. dollars**
Number of Employees	361,745

\*As of March 31, 2011

\*\* All figures were converted at the rate of 83 yen to the U.S. dollar, the approximate exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2011.

# Major Products & Services

Industry Segment	Products & Services
Information & Telecommunication Systems	Systems Integration, Outsourcing Services, Software <b>Servers</b> , Mainframes, Telecommunications Equipment
Power Systems	<b>Power Generation Systems</b>
Social Infrastructure & Industrial Systems	Industrial Machinery and Plants, Elevators, Escalators <b>Rolling Stock</b> and Systems
Electronics Systems & Equipment and Systems	Semiconductor and LCDs Manufacturing Equipment, Test and Measurement Equipment, Medical Electronics, Power Tools, Electronic Parts Manufacturing System
Construction Machinery	<b>Hydraulic Excavators</b> , Wheel Loaders
High Functional Materials & Components	Wires and Cables, Copper Materials, Circuit Boards and Components, High Grade Castings
Automotive Systems	EMS*3, Electric Powertrain, Car Information Systems, Navigation Systems
Components & Devices	Hard Disk Drives, Flat-Panel TVs, LCD Projectors, Copiers, Printing Machines, Air-Conditioning Units
Digital Media & Consumer Products	Flat-Panel TVs, LCD Projectors, Copiers, Printing Machines, Air-Conditioning Units
Financial Services	ATMs, Insurance, Leasing, Finance, Guarantees
Others	Management



\*1 Automated Teller Machine \*2 Hard Disk Drive \*3 Engine Management System

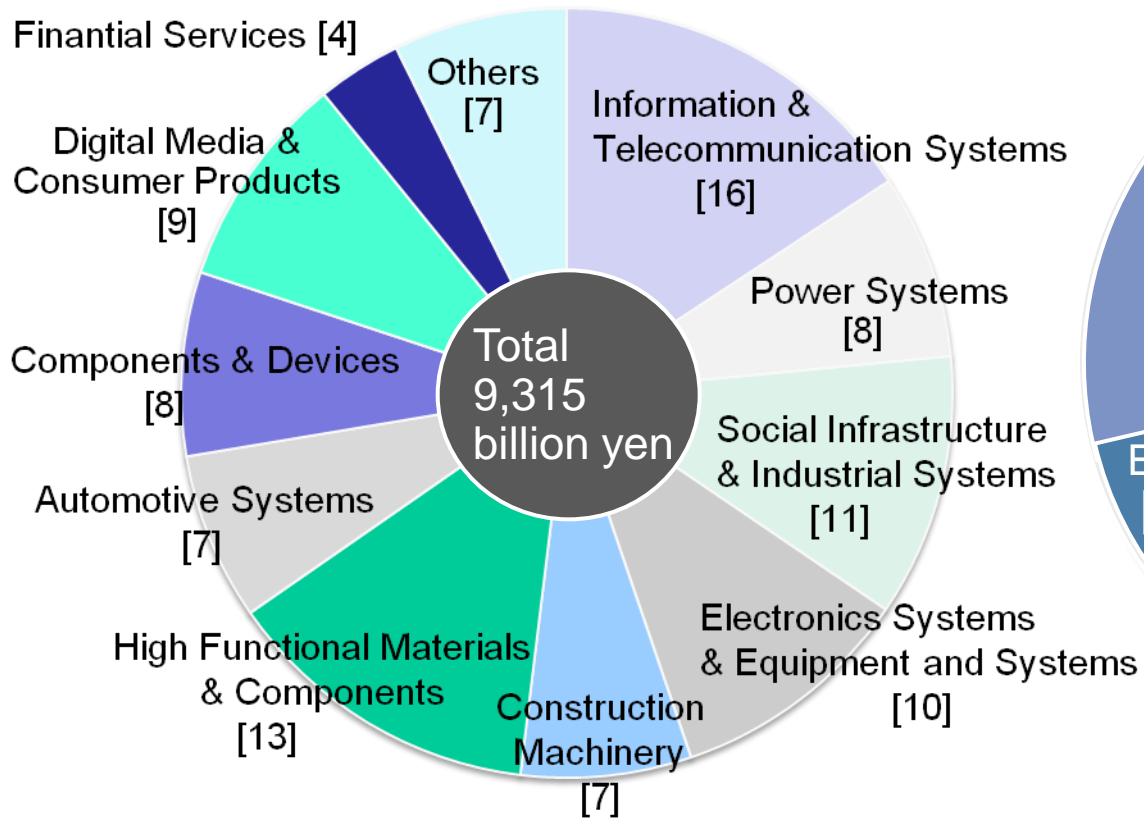
# Hitachi in FY2010

## Revenues by Market (For the Year Ended March 31, 2011)

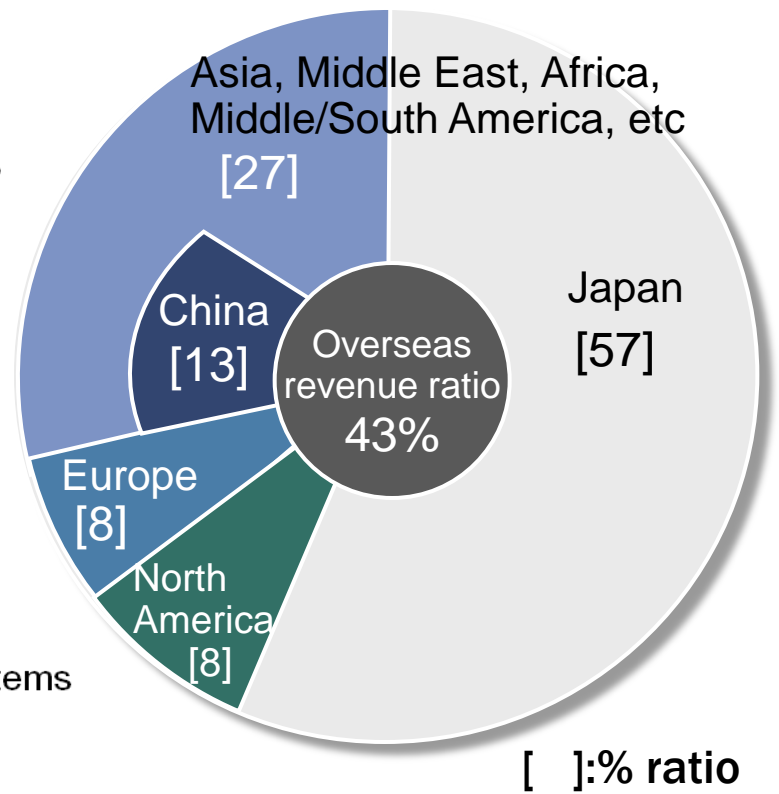
Revenues*	112,239 million U.S. dollars
Outside Japan Revenues*	48,754 million U.S. dollars

\*Consolidated Basis

[Revenues by Industry Segments]

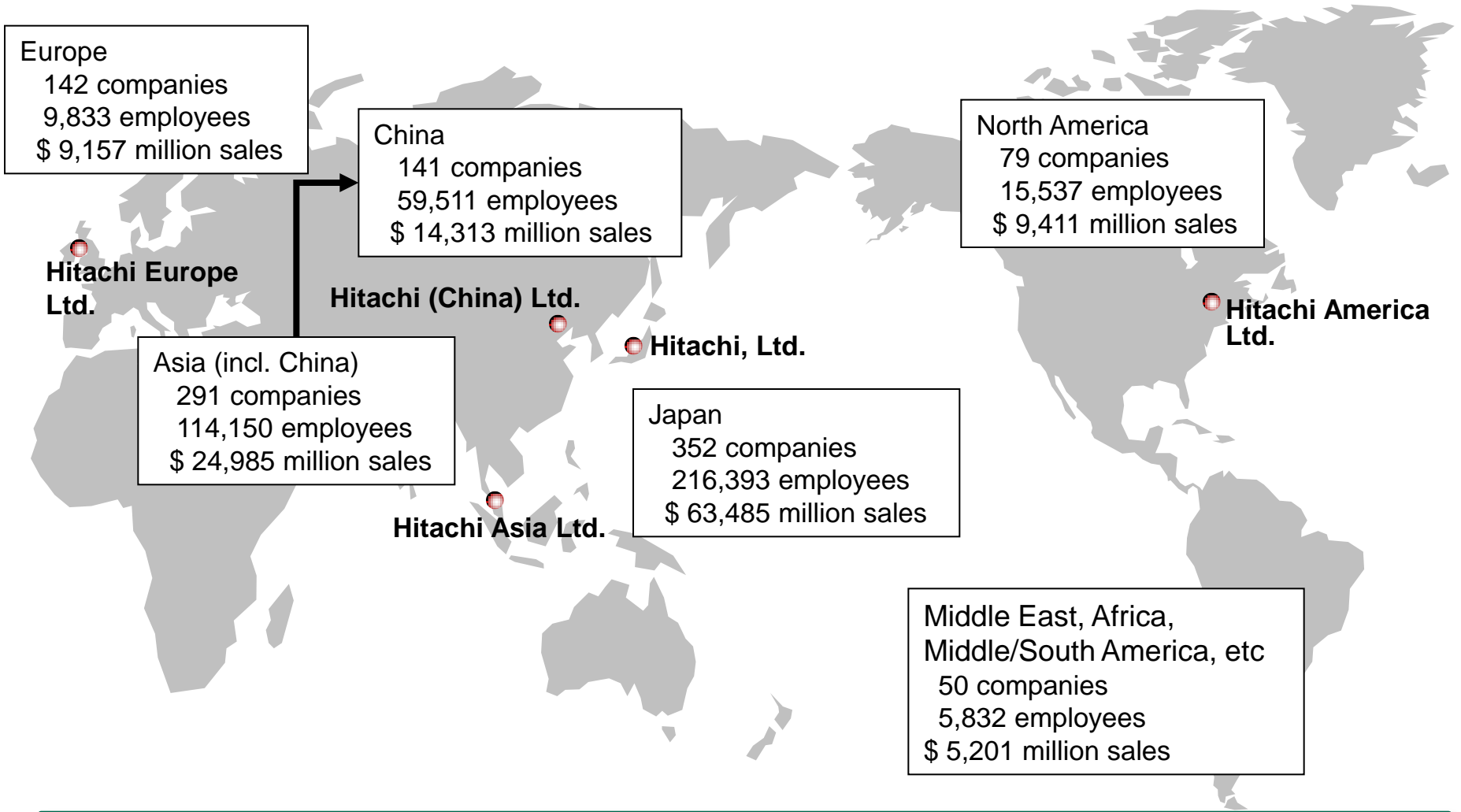


[Revenues by Region]



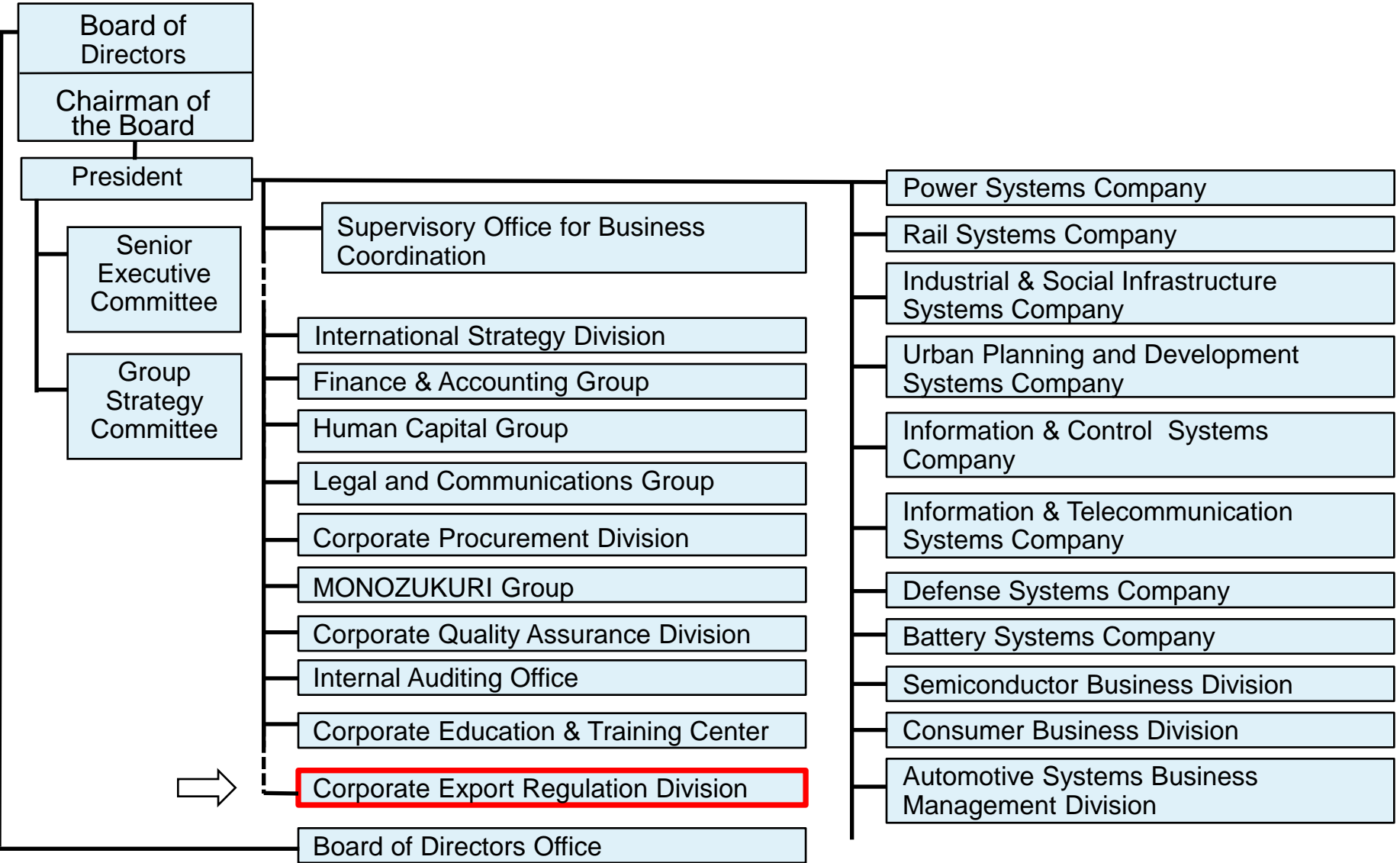
[ ]: % ratio

# Global Operations



**Over 900 Group Companies in the world**

# Hitachi, Ltd. Organization (As of October 1, 2011)





## Part2.

# Hitachi's Export Control

# 2.1

# Rules and Organization

# Structure of Regulations and Rules



Company's Basic Policy

Company's Internal Rules

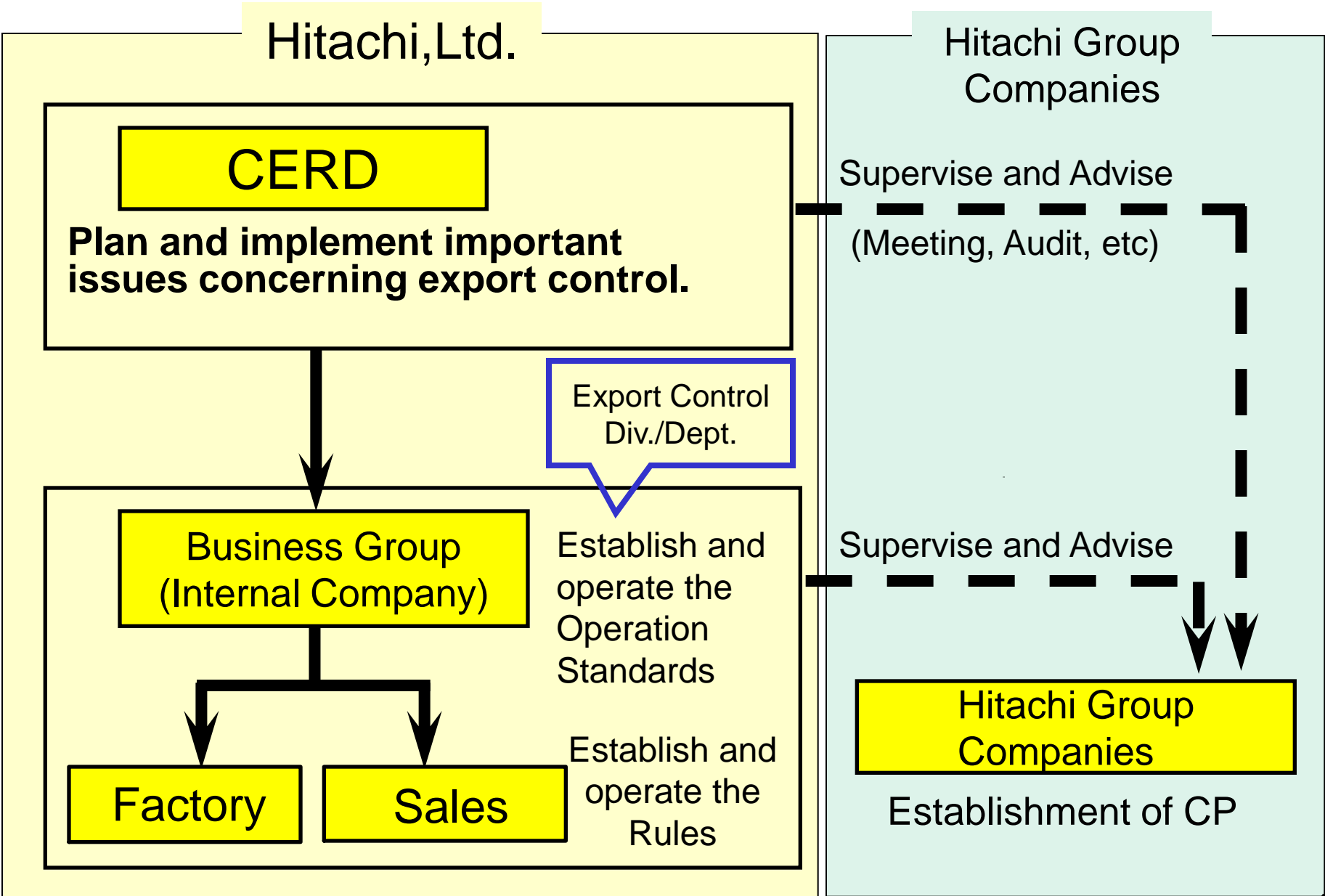
It is stipulated in Hitachi Group Company's Internal Rules that the company shall comply with the applicable laws, including the US EAR.

Model rules for Gr. companies

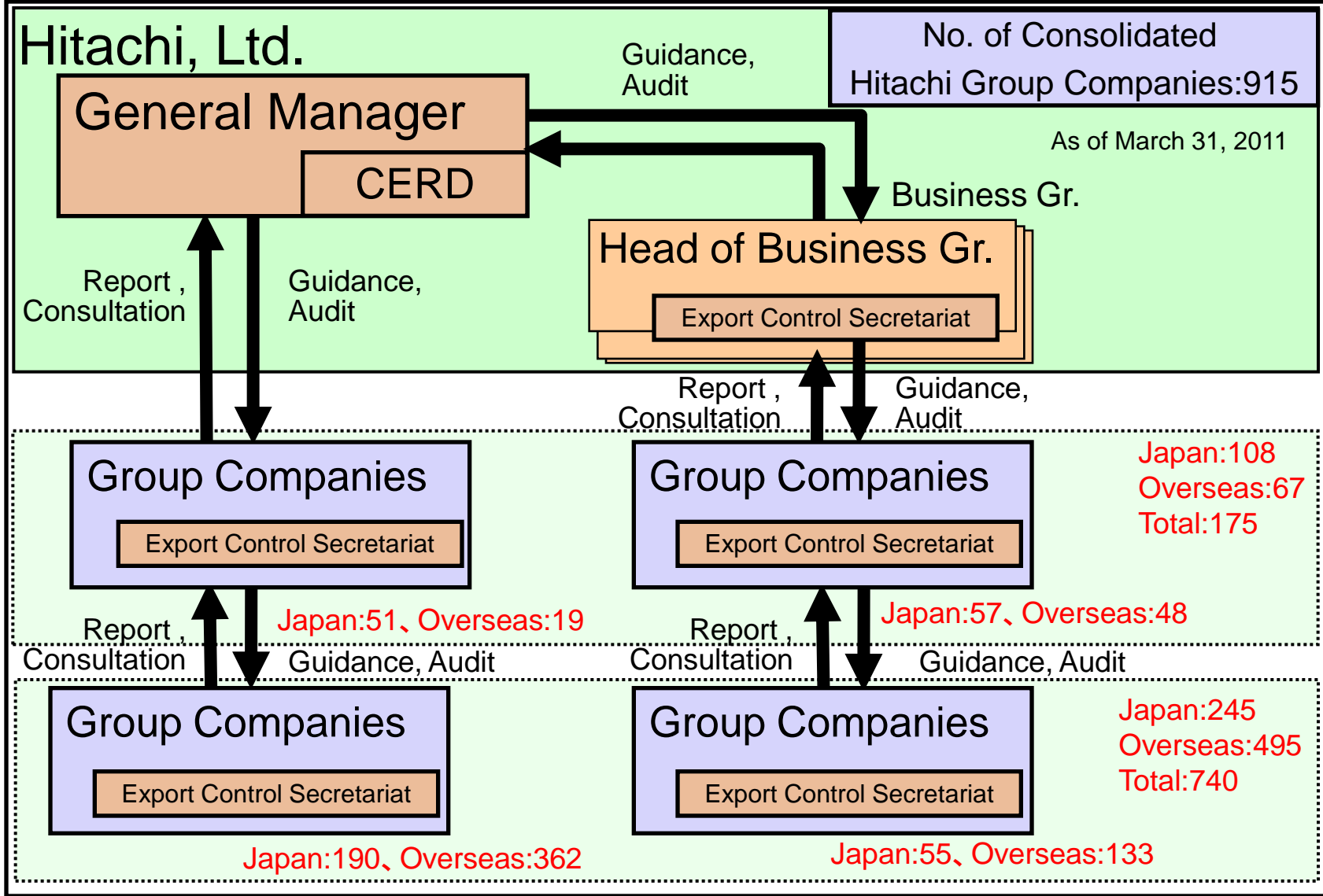
- Corporate Export Regulation Division (CERD)'s notification was sent to Presidents/Managing Directors of Hitachi group companies in the world on March 2006 in accordance with the METI's notices.
- This notification requests the following:
  - (1) Not only employees but also **top management** of each company should re-understand the importance of export control and the compliance with the applicable export control laws and regulations.
  - (2) **Top management** of each company should be responsible for establishing the export control organization and implementing export compliance.

\*METI=Ministry of Economy, Trade and Industry

# Export Control Organization of Hitachi



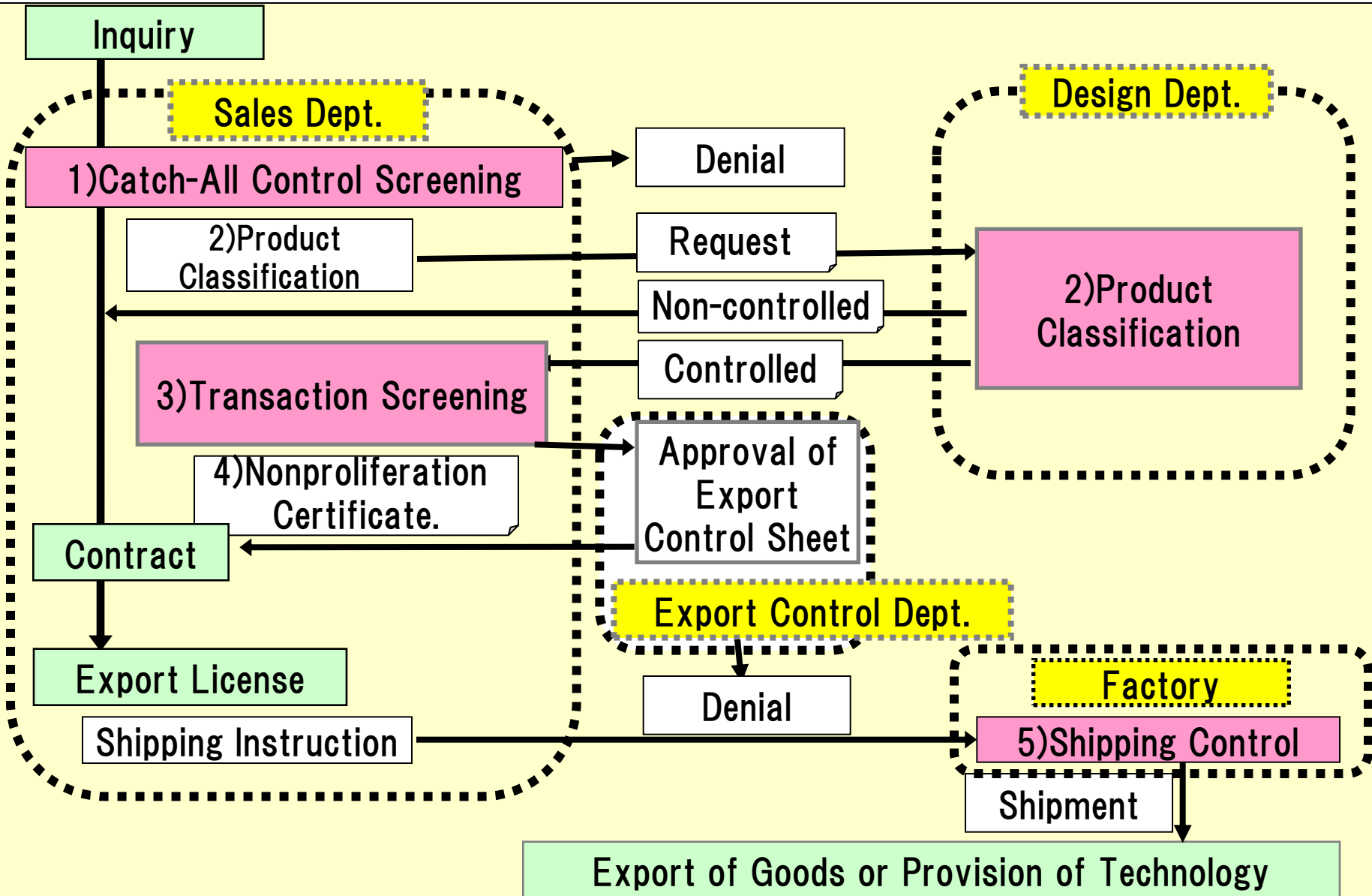
# Hitachi, Ltd. and Hitachi Group Companies



## 2.2

# Export Control Practice

# Workflow of Export Control





# 1) Catch-All Screening(1)

- (1) It is necessary to check whether **the end-use and/or end-user are related to any activities of weapons of mass destruction (WMD), conventional weapons or military.**
- (2) If any of the above conditions applies, group company should consult with the parent company whether the transaction can be proceeded or not.
- (3) If the end-use and/or end-user are related to WMD, the transaction should be prohibited.

# 1) Catch-All Screening (2) ~Concerned Parties Lists Check~

It is necessary to check whether **the customer and/or end-user are listed on any of the concerned parties lists.**

(e.g. Japan METI's Foreign User List, United Nations Sanction List, US Entity List, US Denied Persons List, US Specially Designated National List, etc.)

(Note) CERD's website provides the internal search system for the above concerned parties lists.



# 1) Catch-All Screening (3)

## ~Screening of Domestic Transaction~

It is necessary to conduct the screening and other export control procedures not only for export, but also for **domestic transaction**, in those countries except for U.S., Canada, Australia and EU member countries.

[Reason]

- (i) If seller knows (at the time of the sales) that the domestic customer will export the products, the domestic sales would be regarded as indirect export and the seller would also be subject to export control laws.
- (ii) Asia and middle-east countries/regions are often used as intermediate locations for illegal diversion to WMD or terror-concerned countries or parties, and there are many concerned companies to help them.

## 2) Product Classification

- (1) Product classification needs to be conducted to check whether **the products are controlled under any applicable export control laws and regulations** including the U.S. EAR.
- (2) If products are controlled under any applicable export control laws and regulations, **export license would be required for the exports.**



# 3) Transaction Screening

- (1) **Customer screening** should be conducted to check the customer's background information such as location, business, shareholder, etc.
- (2) **RFI (Red Flag Indicators) screening** should be conducted to check if there is any indication of concerns such as follows in the transaction.
  - (i) Identity of customer or end-use is vague
  - (ii) No information of location for installation
  - (iii) Restriction of site visit or strict confidential obligation
  - (iv) Too favorable payment terms
  - (v) Discrepancy between destination and package, etc.



# 4) Nonproliferation Certificate

- (1) It is necessary to **make the best efforts** to obtain Nonproliferation Certificate from customers (excluding Hitachi group companies).
- (2) Nonproliferation Certificate is the letter which states the customer will use/sell/transfers the products neither for WMD and/or military nor in violation of any applicable export control laws.
- (3) In case Nonproliferation Certificate cannot be obtained, notification should be sent to customers.



Final check before the shipment to prevent the export of goods or technologies in violation of export control laws

## Check Points

- (1) Re-check the contents and classification of goods or technologies.
- (2) Check the goods or technologies are the same with the license.
- (3) Record that above checking is done and keep such records.
- (4) Send the information and instruction to customs broker for customs clearance.