

Materiality

Towards a Sustainable Society: Hitachi's Materiality

Hitachi practices sustainable management, which positions sustainability as the core of its business strategy, and is working toward realizing a sustainable society through the Social Innovation Business.

In the Mid-term Management Plan 2024, we declared our new aspiration of “supporting people’s quality of life with data and technology that fosters a sustainable society.” While some of the nine planetary boundaries have already been exceeded, Hitachi is aware of each one and works to protect the planet and maintain society. Hitachi aims to solve social challenges to realize a future that balances protection of the planet and people’s individual wellbeing.

The materiality analysis process

With a comprehensive understanding of social issues, Hitachi has identified six material topics and 15 sub-material topics based on an analysis of risks and opportunities from sustainability perspectives as well as feedback from stakeholders.

Based on these material topics, Hitachi will monitor measures as well as discuss the progress of, and new initiatives for, each materiality at the Senior Executive Committee and the Board of Directors.

Further, Hitachi’s materiality was developed based on backcasting from 2050 and input from stakeholder dialogue in Japan and Europe, based on the Strategic Focus Area disclosed in the Hitachi Integrated Report 2021 published last year.

STEP 1

Comprehensive understanding of social issues

- Identifying social issues from the SDGs, GRI standards, SASB standards, ESG external evaluation items, etc.

STEP 2

Ranking issues by priority from Hitachi’s point of view

- Identifying innovation areas where Hitachi should contribute based on backcasting from 2050
- Analyzing risks and opportunities

STEP 3

Ranking issues by priority from stakeholders’ point of view

- Evaluating material topics based on assessments and comments from investors, NGOs, and ESG evaluation organizations
- Evaluation through dialogue with investors, NGOs, and sustainability experts

STEP 4

Identifying Materiality

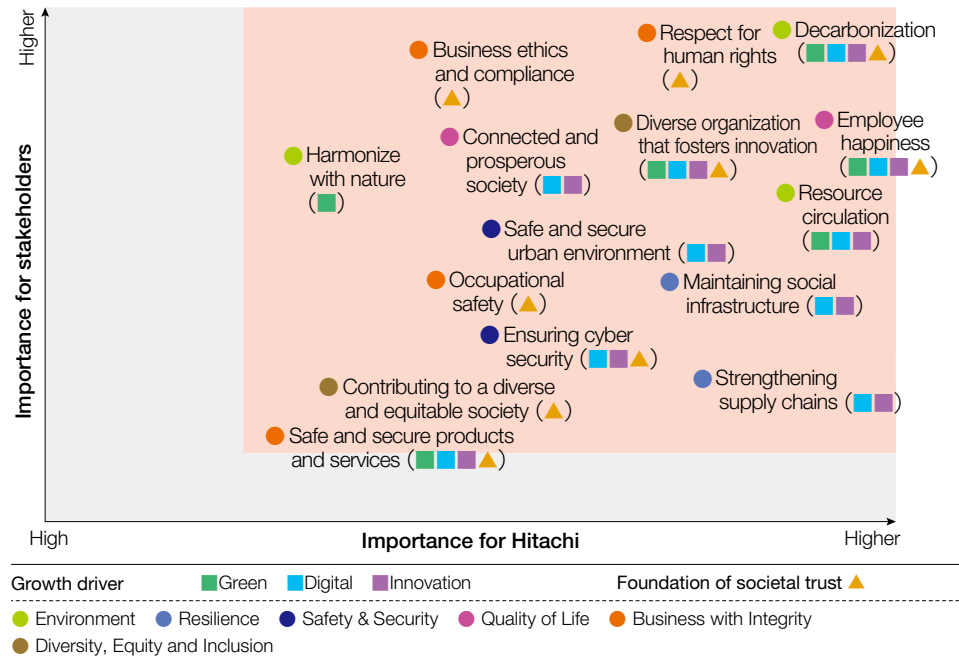
Materiality	Our aspirations
Environment ● Contributing to decarbonization and resource circulation	As a climate change innovator, Hitachi will contribute to the realization of a carbon neutral society with Hitachi’s superior green technologies, by providing value to customers in all business segments. We will also promote resource efficiency toward the transition to a circular economy.
Resilience ● Contributing to the maintenance and rapid recovery of social infrastructure	Hitachi helps people live safely by contributing to the rapid recovery of supply chains and the maintenance of social infrastructure by providing system solutions that can respond immediately to risks, such as natural disasters, pandemics, and cyberattacks.
Safety & Security ● Contributing to safe and secure society-building	Hitachi contributes to the realization of comfortable and active lifestyles for people by providing solutions in the building, mobility, and security fields that support urban development for safe and secure living.
Quality of Life ● Contributing to physical and mental wellness and a prosperous life	Hitachi is harnessing our healthcare and digital technologies to help more people develop bonds and enjoy healthier, more prosperous lives. We will also continue to pursue the happiness and wellbeing of our employees, as we believe that their happiness and wellbeing is the ground on which Hitachi’s future will flourish even more fully.
Business with Integrity ● Adhering to ethical standards as well as respect human rights	As a Group responsible for social infrastructure around the world, Hitachi will manage its business with honesty and integrity, trusted by society, respect human rights, and provide a safe workplace. We will reflect a system of ethical and responsible business conduct, including respect for human rights, in our business activities and decision-making standards, working together with our employees, collaborative partners and communities throughout the supply chain.
Diversity, Equity and Inclusion (DEI) ● Contributing to a society where everyone can shine	Hitachi has a place for everyone, welcoming differences in colleagues’ background, age, gender, sexuality, family status, disability, race, nationality, ethnicity, and religion. At Hitachi, we treat everyone fairly, recognizing differences to allow everyone to perform at their full potential. We respect and value these and other differences because only through them we can understand our markets, create better ideas and drive innovation.

15 Sub-Material Topics and Targets

Material topics	Sub-material topics	Target	Relevant SDGs	
Environment ● Contributing to decarbonization and resource circulation	Decarbonization	Carbon neutrality through the value chain <ul style="list-style-type: none"> FY2030: Achieve carbon neutrality in business sites (factories and offices) FY2050: Achieve carbon neutrality through the value chain 		
	Resource circulation	Contributing to CO₂ reduction through business <ul style="list-style-type: none"> FY2024: 100 million metric tons/year 		
		Transition to a circular economy <ul style="list-style-type: none"> FY2024: Full application Eco-Design for new product development FY2030: Zero*2 waste to landfill¹ from manufacturing sites 		
	Harmonize with nature	Effective use of water <ul style="list-style-type: none"> Reduction rate in water use per unit (compared to FY2010) FY2024: 24%, FY2050: 50% 		
Resilience ● Contributing to the maintenance and rapid recovery of social infrastructure	Strengthening supply chains	Build flexible supply chains capable of responding to disasters and risks		
	Maintaining social infrastructure	Resilience and sophistication of maintenance through DX of social infrastructure <ul style="list-style-type: none"> Contribute to stable energy supply through substation management Approx. 1.9 billion people*3 		
Safety & Security ● Contributing to safe and secure society-building	Safe and secure urban environments	Safe and comfortable transportation <ul style="list-style-type: none"> A total of 15 billion people use railway services annually*3 		
	Ensuring cyber security	Secure cybersecurity for social infrastructure and business systems		
Quality of Life ● Contributing to physical and mental wellness and a prosperous life	Connected and prosperous society	Increase healthy life expectancy and wellbeing <ul style="list-style-type: none"> Blood tests and other physical exams: 20 billion tests/year*3 		
	Employee happiness	Build a trustful relationship with others <ul style="list-style-type: none"> Users of happiness service (10 thousand in FY2022 → 90 thousand in FY2024) 		
Business with Integrity ● Adhering to ethical standards as well as respect human rights	Business ethics and compliance	More flexible working styles to increase engagement <ul style="list-style-type: none"> Employee engagement score (FY2021: 65.0% → FY2024: 68.0%) 		
	Respect for human rights	Encourage employees to apply ethical standards in day-to-day work. <ul style="list-style-type: none"> Achieve a score of at least 60 (out of 100) in FY2022, the first year of results from Ethical Culture & Perceptions Assessment, improving it every year 		
	Occupational safety	Promote human rights due diligence and strengthen monitoring of procurement partners for responsible procurement, including human rights		
	Safe and secure products and services	Creating a safe working environment without accidents <ul style="list-style-type: none"> Zero fatal accidents 		
Business with Integrity ● Adhering to ethical standards as well as respect human rights	Safe and secure products and services	Ensure products and services safety while putting customers first		
	Diverse organization that fosters innovation	Strengthen diversity in management <ul style="list-style-type: none"> Ratio of female and non-Japanese executive and corporate officers (30% in FY2030) 		
		Acquiring and developing digital talent <ul style="list-style-type: none"> FY2021: 67,000 persons → FY2024: 98,000 persons 		
Diversity, Equity and Inclusion (DEI) ● Contributing to a society where everyone can shine	Contribution to a diverse and equitable society	Empower DEI of society through community relationship programs <ul style="list-style-type: none"> Support young generations in Asia through the Hitachi Young Leaders Initiative A total of 405 students participating (as of end of July 2022) 		

*1 Wherever this is compatible with local conditions and regulations *2 Less than 0.5% *3 FY2021 results

Hitachi has mapped the 15 sub-material topics in terms of importance for Hitachi and its stakeholders. The level of importance to Hitachi is defined as the gap between our goals and our current initiatives.



Stakeholder dialogue about the materiality

We held a stakeholder dialogue with on the theme of materiality in Japan and Europe in fiscal 2021. We received feedback on Hitachi's proposed materiality and measures for each materiality from disclosure experts, leading sustainability companies, the European Commission, NGOs, international organizations, and institutional investors. In Europe, we divided the dialogue into a planet session and a people session, with Hitachi explaining its measures for the environment, human capital, and respecting human rights, while participants gave suggestions for new perspectives and improvements.

Principal comments from stakeholders

- Hitachi should indicate the direction society wants Hitachi to move along or the goals that Hitachi itself has.
- When it comes to diversity and inclusion, it would be better to include “equity” and make it “diversity, equity, and inclusion.”
- For the circular economy, the approach shouldn't just be to reduce materials and waste but also to think about new business models.
- With human rights and decent work, Hitachi should go beyond conventional monitoring, audit, and other compliance approaches to engage with all aspects of supply chains through partnerships with external stakeholders.

Sustainability Strategy Promotion Structure

Under the leadership of Lorena Dellagiovanna, the Chief Sustainability Officer newly appointed on April 1, 2022, Hitachi is promoting its sustainability strategy including green strategy. We have created the Sustainability Promotion Meeting, which consists of the Chief Sustainability Officer, the heads of business promotion departments at business units (BUs) and major group companies, and sustainability officers at regional headquarters, to deliberate on key sustainability measures and monitor progress towards targets. Deliberations and decisions

regarding important matters to achieve the Mid-term Management Plan are made by the Senior Executive Committee, which is then discussed further by the Board of Directors. With regard to important themes like carbon neutrality, the circular economy, human rights due diligence (HRDD), and DEI, individual committees consisting of responsible staff at BUs and major group companies work to promote sustainability throughout the Hitachi Group by discussing measures and sharing information.