



Hitachi Sustainability Report 2022

Fiscal 2021 Results

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Introduction

➤ Editorial Policy

Hitachi Group Profile

// Editorial Policy

GRI 102-45/102-46/102-48/102-50/102-51/102-52/102-56

Basic Concept

The Hitachi Sustainability Report 2022 presents our stance toward environmental (E), social (S), and governance (G) issues and details the activities we undertook in relation to these in fiscal 2021.

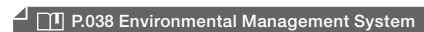
Inasmuch as the report is a tool with which we engage with our stakeholders through comprehensive information disclosure, it is based on the disclosure requirements of the GRI Sustainability Reporting Standards (GRI Standards). Additionally, in creating the report, as well as referring to the industry disclosure standards relevant to Hitachi as defined in the Sustainability Accounting Standards Board's (SASB) Sustainable Industry Classification System (SICS), with respect to climate change, we disclose a variety of information based on the proposals of the Task Force on Climate-related Financial Disclosures (TCFD).

What This Report Covers (Scope of Report)

Period:	The main period covered is fiscal 2021 (April 1, 2021, to March 31, 2022) Note: Some information on activities in April 2022 and after is also included.
Companies:	Hitachi, Ltd. and its consolidated subsidiaries
Reporting Boundary:	Financial data 1,141 companies, namely Hitachi, Ltd. and 1,140 consolidated subsidiaries and equity-method associates and joint ventures
	Environmental data 854 companies, namely Hitachi, Ltd. and 853 consolidated subsidiaries. Data on the environmental load from operations applies to business sites with a large environmental load that are classified as Category A.*1 Some data for major companies acquired/merged in fiscal 2020 is listed in notes.
	Social and governance data Boundary of individual data indicated
Reporting cycle:	Published every year as an annual report
Date published:	September 2022 (Previous report: September 2021)

Notes: • The data for each fiscal year are the results according to the boundary of data in that fiscal year.
• The base fiscal year data has been revised to match the boundary of data for fiscal 2021.

*1 All Group business sites are classified into one of three categories: A, B, or C, based on the Criteria for Classification of Environmental Management established by Hitachi, and the most suitable management is then conducted for each in accordance with the respective level of environmental risk.



Hitachi References in This Report

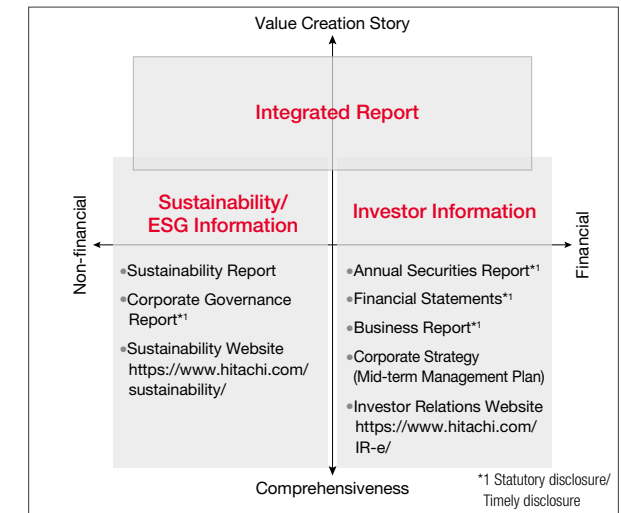
- Hitachi, Ltd.** : Information on or initiatives of Hitachi, Ltd.
- Hitachi** : Information on or initiatives of all Group companies worldwide including Hitachi, Ltd.

Key Guidelines Referred to in Preparing This Report

- GRI Standards, Global Reporting Initiative
Each section is labeled with GRI topic numbers showing which disclosure requirement it corresponds to.
- Sustainability Accounting Standards, IFRS Foundation
- *Environmental Reporting Guidelines* (2012/2018 version), Ministry of the Environment, Japan

Disclosure Structure for Financial and Non-Financial Information

The Hitachi Integrated Report discloses both financial and non-financial information about Hitachi's value creation process. The Hitachi Sustainability Report serves as a tool for comprehensively reporting more detailed ESG-related information.



Independent Assurance

GRI 102-56

To enhance the credibility of this report, we have engaged KPMG AZSA Substitutability Co., Ltd. to perform a third-party review. The ✓ mark indicates disclosed information assured in accordance with the International Standard on Assurance Engagements (ISAE) 3000 and ISAE 3410.

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// Hitachi Group Profile

GRI 102-1/ 102-2/102-3/102-4/102-5/102-6/102-7/201-1/203-1

Company Profile (as of March 31, 2022)

Corporate name	Hitachi, Ltd.
Incorporated	February 1, 1920 (founded in 1910)
Head office	1-6-6 Marunouchi, Chiyoda-ku, Tokyo, Japan
Representative	Representative Executive Officer, President & CEO Keiji Kojima
Capital	461,731 billion yen
Number of employees (consolidated)	368,247 (Japan: 156,768, outside Japan: 211,479)
Number of consolidated subsidiaries	853 (Japan: 157, outside Japan: 696)
Number of equity-method associates and joint ventures	287

Consolidated Financial Highlights for Fiscal 2021 Based on the International Financial Reporting Standards (IFRS)

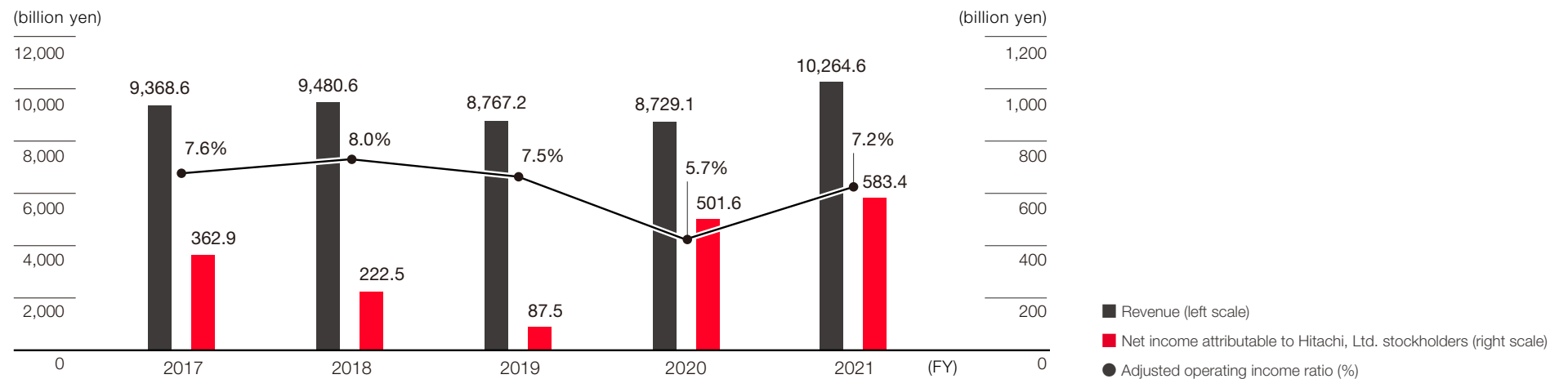
Revenue	10,264.6 billion yen (up 118% year on year)
Adjusted Operating Income Ratio	7.2% (up down 1.5%)
EBIT*1	850.9 billion yen (up 0.6 billion yen)
Net income attributable to Hitachi, Ltd. stockholders	583.4 billion yen (up 81.8 billion yen)
ROIC*2	7.7% (up 1.3points)

Note: Hitachi's consolidated financial statement is prepared based on the International Financial Reporting Standards (IFRS).

*1 EBIT: Income from continuing operations before income tax, less interest income, plus interest charges.

*2 ROIC: Return on invested capital. Calculated as follows: $ROIC = (NOPAT + \text{Equity method gain/loss}) / \text{Invested capital} \times 100$. $NOPAT$ (Net operating profit after tax) = Adjusted operating income \times (1 - Tax burden). Invested capital = Interest-bearing debt + Total equity

Revenue/Adjusted Operating Income Ratio/Net Income



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Business of the Hitachi Group

In April 2022, Hitachi formulated the Mid-term Management Plan 2024 targeting further global advances and growth in the Social Innovation Business based on three pillars of growth: digital, green and innovation. To increase management efficiency and speed, we simplified our structure, grouping together businesses with similar characteristics organized into three sectors: Digital Systems & Services (DSS), Green Energy & Mobility (GEM) and Connective Industries (CI). Together with customers, we will resolve social issues leveraging a business structure that includes the Automotive Systems Business (Hitachi Astemo).

Digital Systems & Services

Main products and services

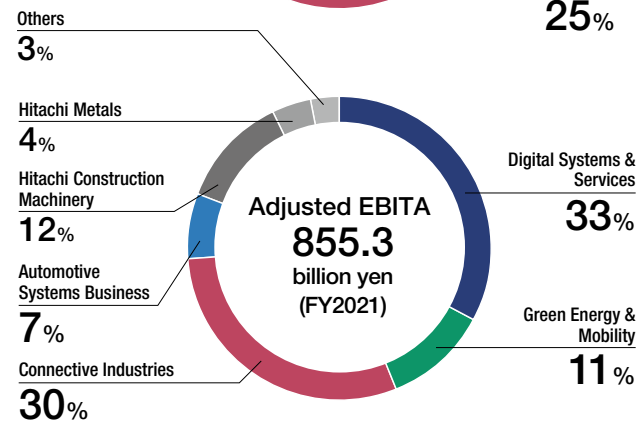
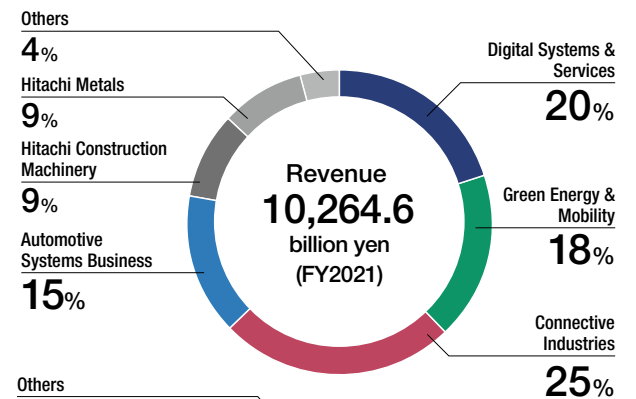
- Front Business: IT and digital systems in mission-critical fields such as financial institutions, public offices, municipalities and social infrastructure
- IT Services: DX solutions and services
- Services & Platforms: Designs, digital engineering, data analytics, cloud services and IT products



Green Energy & Mobility

Main products and services

- Energy solutions (power grids, nuclear, renewable and distributed power sources)
- Railway systems (rolling stock, signals, controls, services and maintenance, smart mobility, turnkey)



Notes: 1 Figures based on new segment classifications applied from fiscal 2022 onward.
 2 Hitachi Construction Machinery was deconsolidated on August 23, 2022. Hitachi Metals is scheduled to be removed from the scope of consolidation in March 2023.
 3 Adjusted EBITA=Adjusted operating income – acquisition-related amortization + equity in earnings (losses) of affiliates

Connective Industries

Main products and services

- Urban Group: Elevators, escalators and building services, home appliances, air conditioning systems
- Advanced Technologies Group: Healthcare (clinical chemistry and immunochemistry analyzers, automated cell culture equipment, particle therapy system, etc.), measurement and analysis (semiconductor metrology/inspection equipment, electron microscopes, etc.)
- Industry Group: Industry & distribution solutions, robotics SI, water supply and sewage, utilities solutions, industrial machinery



Automotive Systems Business

Main products and services

- Powertrains, chassis, advanced driver assistance, motorcycle systems



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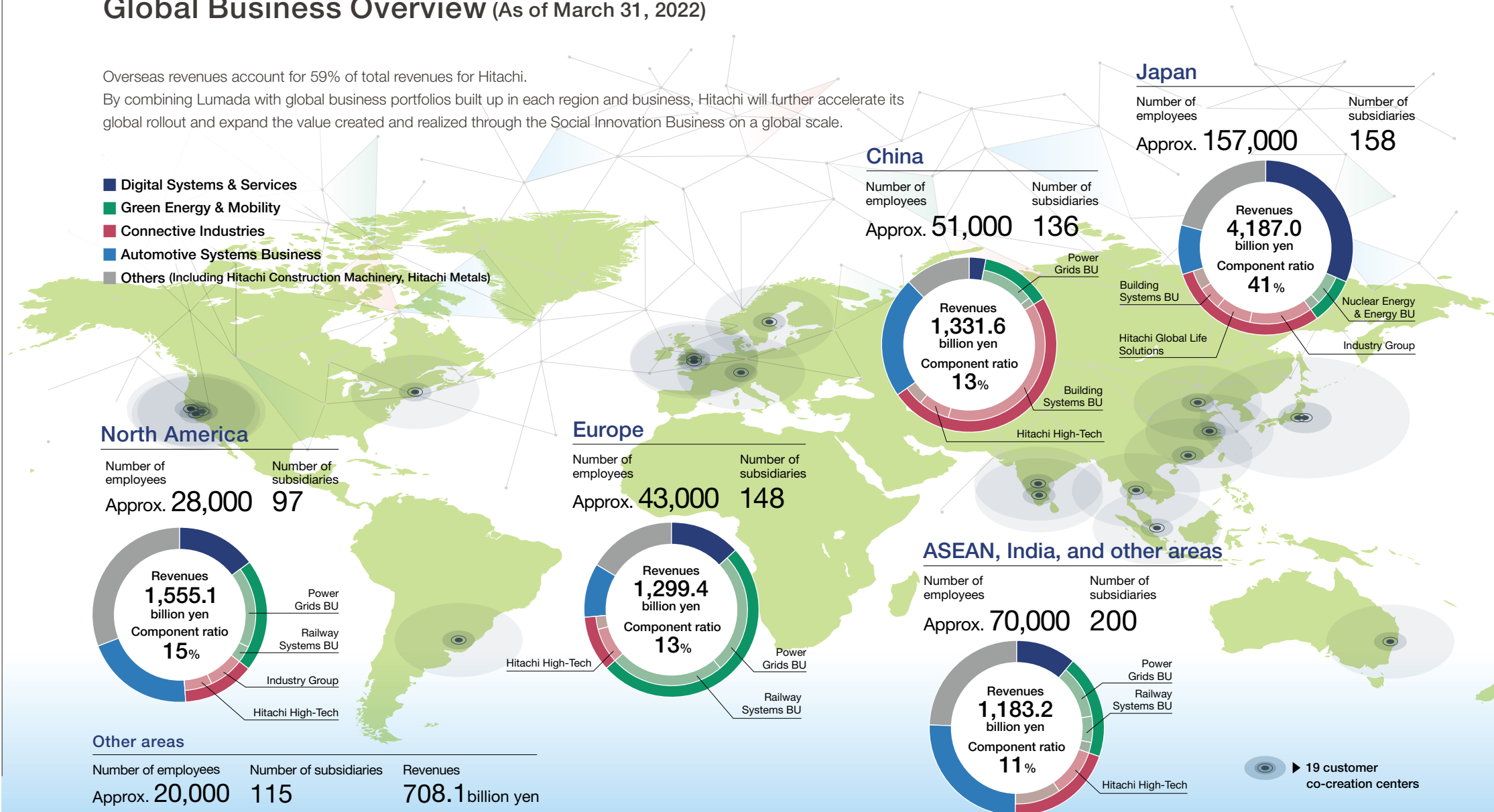
- Global Business Overview

Global Business Overview (As of March 31, 2022)

Overseas revenues account for 59% of total revenues for Hitachi.

By combining Lumada with global business portfolios built up in each region and business, Hitachi will further accelerate its global rollout and expand the value created and realized through the Social Innovation Business on a global scale.

- Digital Systems & Services
- Green Energy & Mobility
- Connective Industries
- Automotive Systems Business
- Others (Including Hitachi Construction Machinery, Hitachi Metals)



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//CEO's Message GRI 102-14/102-15


Support people's quality of life with data and technology that fosters a sustainable society

In the wake of the financial crisis following the collapse of Lehman Brothers, Hitachi made a major shift to the Social Innovation Business, which aims to solve social issues through co-creation with customers, leveraging our core strengths in IT (Information Technology) × OT (Operational Technology) × Products. For about 10 years until last fiscal year, as one CEO passed the baton to another, we have been on a transformational journey to reform our business structure to further expand our Social Innovation Business.

The three-year term of our Mid-term Management Plan 2021 was, in a sense, about putting the finishing touches on this process of structural reform. Our key objective to become a global leader in the Social Innovation Business guided us to focus our resources on building a global business foundation. Acquiring global leader ABB's Power Grids business (currently Hitachi Energy) provided us with core infrastructure in the environmental business that is essential for renewable energy use. Further, our acquisition of GlobalLogic, a leading-edge digital engineering firm that is growing rapidly on its strength in collaborating with customers, gave us the global base needed for our Lumada-focused digital business.

In the Mid-term Management Plan 2024, Hitachi aspires to "support people's quality of life with data and technology that fosters a sustainable society." In our business activities, we must be mindful of planetary boundaries—tipping points for destructive changes to the global environment—and act to protect the planet. In the social aspect, our next major objective is 'wellbeing'—where every individual can fully express their individuality and play an active role. Hitachi focuses on research and development that will enable us to use data and technology to build a sustainable society that does not exceed planetary boundaries while realizing wellbeing. We have set an overall theme for our Mid-term Management Plan 2024 — "From structural reform to organic growth" — which will pave the way for growth over the next ten years by earning the trust of our customers as their partner in finding solutions to issues.

To meet expectations from global initiatives and stakeholders, we have identified six key material



President & CEO
Hitachi, Ltd.

Keiji Kojima

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issues which we will address through our deepened commitment to sustainable management taking into account the greatest strengths we have and the challenges we face. The Senior Executive Committee and the Board of Directors are discussing the status of progress on the management targets we have set based on these, as well as possible new initiatives. In the interest of strengthening governance to achieve the objectives of the Mid-term Management Plan 2024, we are working to clarify our approach to accountability, including linking major KPIs to the performance evaluation of executive officers.

The world has entered an era of highly unpredictable social and economic change. There are critical steps we must take to ensure reliable implementation of our plan in this volatile environment. One crucial focus is gathering information on potential risks so that we are prepared to take rapid action when risks materialize. We are committed to responding to the diverse range of risks we face, including those related to the economic environment, geopolitics, natural disasters and compliance, in a swift and comprehensive manner. In April 2022, we established a central risk management framework and accountability structure for this purpose.

With regards to the environment, we have set up a Group-wide cross-sectoral organization under the Chief Sustainability Officer to promote decarbonization efforts among our customers and within the Hitachi Group. A key aim is to promptly provide customers with relevant knowledge and expertise that the Group has accumulated.

We will leverage this new framework to achieve the targets of contributing to reduce CO₂ emissions by 100 million metric tons annually by fiscal 2024 and also achieving carbon neutrality in the value chain by fiscal 2050.

We must not lose sight of the fact that the most important factor in continuing to provide value to our customers and the broader society to build a sustainable world is our people. The driving force behind the evolution of our Social Innovation Business is the talents from all over the world who identify with our purpose of solving social issues. Solving increasingly complex social issues requires creativity that goes beyond conventional thinking. Diversity, Equity and Inclusion is the key to achieving this. It is crucial that we encourage collaboration across organizations, regions and generations, and build an equitable and inclusive organization where our diverse talents are able to play an active role. We will develop talents and foster a corporate culture that enables each and every employee to see social issues as their own and to fulfill their best with passion, thereby improving engagement with employees.

To address environmental challenges such as climate change, social issues such as urban population growth, and new social issues that we cannot even predict at this time, Hitachi will take on the challenges and grow through co-creation with our customers and other stakeholders. I invite you to keep your eyes on Hitachi, as we move into the future.

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// Chief Sustainability Officer's Message GRI 102-14/102-15

Sustainability will be the Growth Driver

**Lorena Dellagiovanna**Vice President and Executive Officer, Chief Sustainability Officer,
Head of Global Environment Division, and CDIO
Hitachi, Ltd.

Hitachi believes a strong commitment to sustainability will be the Growth Driver. Sustainability is not a cost nor is it for compliance. It is a value creation for the business first, and as a consequence, for society. It is important to clarify that sustainability is not a concept up in the air, something nice to have, but it's a key driver for any business to survive in the mid-to-long term future. It has become increasingly accepted that the objective of maximizing shareholder value requires not only top competitive performance, but also the attention to a variety of sustainability's issues.

As indicated in the Mid-term Management Plan 2024, we aim to enhance our corporate value through sustainability with a focus on planetary boundaries and wellbeing.

Speaking to the environment, to accelerate and promote the achievement of Hitachi's long-term environmental targets as measures, Hitachi developed two business strategies, GX for GROWTH (customer and society decarbonization) and GX for CORE (Hitachi decarbonization). Under GX for GROWTH, we will support customers in reducing CO₂ emissions by expanding Hitachi's greener and more efficient product portfolio and providing customers with End to End (E2E) solutions across sectors. By fiscal

2024, we aim to contribute to reduce CO₂ emissions by approximately 100 million metric tons per year. We will accelerate the development of various solutions realizing energy transition, the electrification of mobility and the energy saving. GX for CORE aims to decarbonize our own operations. We aim to achieve reductions in Scope 1 and 2 by investing approximately 37 billion yen over the next three years to meet the carbon neutrality target in fiscal 2030 and 50% CO₂ emissions reduction throughout the value chain by the same fiscal year. In addition, we launched a framework for issuing green bonds to mobilize more funds to accelerate activities toward carbon neutrality. Based on these efforts, including preparation of SBTi net zero certification, we aim to improve ESG evaluation.

At the same time, we are also looking to the future by investing in the R&D of green technologies, such as hydrogen, methanation, and Direct Air Capture (DAC).

Hitachi supported COP26 held on November 2021 as 1st Principal Partner in Japanese companies. In COP26, Hitachi had opportunities to discuss with VIPs such as Ministers and present our activities in several events. Through these activities in COP26, we developed good

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relationships with stakeholders including government. We recognize that we have a role to play as part of the global community. Through COP26, we were able to demonstrate



Vice President and Executive Officer Dellagiovanna speaks at COP26

our strong commitment to climate action. We will focus on advancing decarbonization with our clients and partners to deliver our commitment pledged in COP26. We will continue to monitor the development in COP27.

In terms of society, Hitachi believes that, through the inclusion of diverse talents, we will be able to collaborate and create innovation in data and technology in the digital age to realize a sustainable society and support people's wellbeing. In addition to strengthening the acquisition and development of digital talents, we aim to enhance employee engagement by creating a culture in which every employee can contribute in solving social issues, and a work environment in which Diversity, Equity and Inclusion (DEI) are fostered on a global scale, thereby achieving both business growth and a sustainable society.

All of the above are in line with Hitachi's mission to contribute to society but respecting human rights is essential. It is indispensable for the development and sustainability of the company. In accordance with the Hitachi Group Human Rights Policy, we are promoting human rights due diligence (HRDD) and other efforts to embed human rights risk management into our operation and too see that people's rights and dignity are respected throughout the value chain.

We look forward to co-creating solutions with our customers, partners, and the global community to solve sustainable issues. Together, we will innovate for a sustainable society.

Mid-term Management Plan 2024

[Consolidated Financial Results for the Year Ended March 31, 2022 and Mid-term Management Plan 2024](https://www.hitachi.com/New/cnews/month/2022/04/220428.html)

<https://www.hitachi.com/New/cnews/month/2022/04/220428.html>

Green Strategy

[Green / Innovation Strategy](https://www.hitachi.com/IR-e/library/presentation/webcast/220613_01_gis.html)

https://www.hitachi.com/IR-e/library/presentation/webcast/220613_01_gis.html

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// Hitachi Group Identity

Carrying out Corporate Activities Based on the Hitachi Group Identity

Approach

GRI 102-16

Hitachi's Mission is to "contribute to society through the development of superior, original technology and products." To fulfill our Mission, we adhere to our Values, which reflect the Hitachi Founding Spirit of "Harmony, Sincerity and Pioneering Spirit." Under our Mission and Value, we have added the Hitachi Group Vision, which describes what the Hitachi Group aims to become in the future. These elements together make up the Hitachi Group Identity. Based on the Hitachi Group Identity, continuously considering the next generation, we carry out corporate activities from a medium- to long-term perspective informed by sensitivity to the changing needs of society. The Mid-term Management Plan is our action plan to realize the Hitachi Group Vision; by

integrating our management and sustainability strategies, we seek to enhance the effectiveness of this approach.

By implementing the plan, the Hitachi Group seeks to fulfill its responsibilities as a good corporate citizen and member of the global community which provides value to customers and society leveraging robust, diverse governance; the Pioneering Spirit and strong ethical stance of our employees; and operations that help address social issues. We operate and pursue our activities in line with the Hitachi Group Codes of Conduct, which are the guidelines for ethical behavior and decision-making shared by all executives and employees of the Hitachi Group.

Solidifying the Hitachi Group Identity

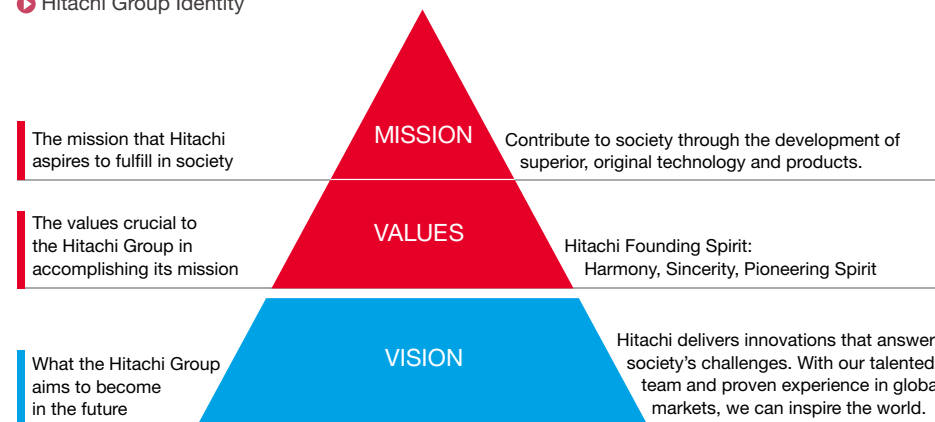
Training

Hitachi promotes brand education using training tools and courses, based on the idea that social issues can be solved if each and every one of its employees understands and practices the Hitachi Group Identity.

One way we promote understanding of and familiarity with the Hitachi Group Identity and the Hitachi Brand is with the annual Inspiration of the Year Global Award, which recognizes remarkable activities that contribute to enhancing the value of the Hitachi Brand by demonstrating the Hitachi Group Identity. In fiscal 2021, the award saw 307 applications from Hitachi Group employees around the world. Projects that utilized data and technology to help create a sustainable society while supporting people's happiness were selected from various regions for the Grand Prix. One such award went to a project in Europe working to promote the transition to electric vehicles and to co-create technological and commercial innovations. The Grand Prix-winning projects were recognized at the Global Awards Ceremony and shared with all employees through our intranet.

"Hitachi Group Identity Movie - I am Hitachi," a movie featuring the award winners, is released on our website, allowing a wide range of people inside and outside the Group to see how Hitachi Group employees around the world are endeavoring to realize a better society.

▶ Hitachi Group Identity



P171 Complying with the Hitachi Group Codes of Conduct

[Hitachi Group Identity](https://www.hitachi.com/corporate/about/identity/index.html)
<https://www.hitachi.com/corporate/about/identity/index.html>

[Hitachi Group Identity Movie - I am Hitachi](https://www.hitachi.com/corporate/about/identity/i_am_hitachi/index.html)
https://www.hitachi.com/corporate/about/identity/i_am_hitachi/index.html

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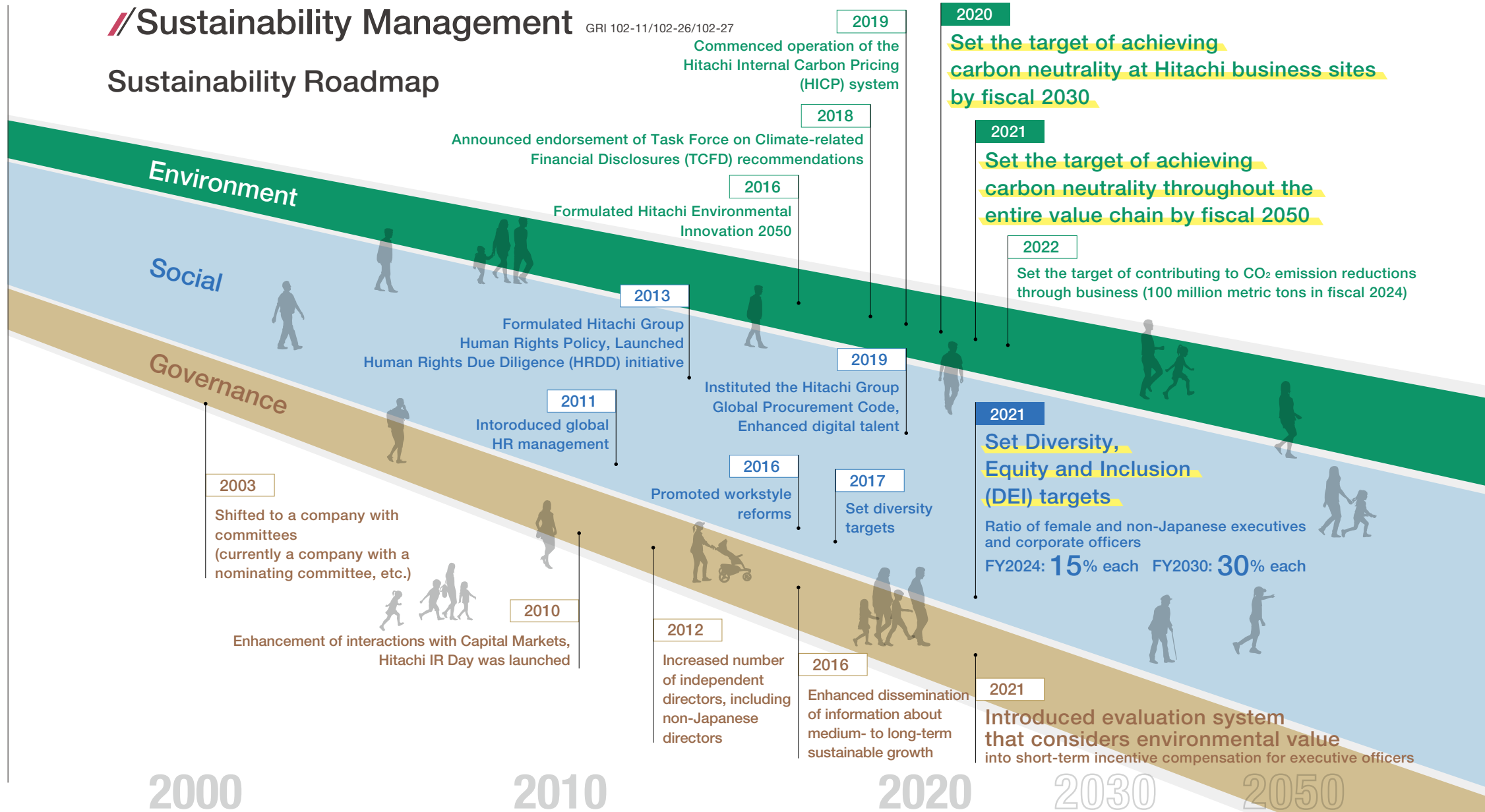
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GRI 102-11/102-26/102-27

Sustainability Roadmap



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Mid-term Management Plan 2024 and Sustainability

Towards a Sustainable Society: Mid-term Management Plan 2024

Target	Activities
In accordance with Hitachi's Mission to "contribute to society through the development of superior, original technology and products," we have been working to promote Social Innovation Business leveraging its core strengths in IT (Information Technology) × OT (Operational Technology) × Products, and Lumada*1 to help build a sustainable society.	
In order to respond to the increasingly complex global issues of recent years, it is essential that we promote management with a long-term perspective and maximally utilize Hitachi's diverse management resources to achieve further evolution of the Social Innovation Business.	
Hitachi has responded by imagining the future—what the earth, society, and people will look and act like in 2050—and back-casting to determine new business opportunities that should be undertaken now and in the medium- to long term to help realize a better future. In April 2022, we established the Mid-term Management Plan 2024 to clarify this vision.	

*1 Lumada: Solutions, services, and technologies that leverage Hitachi's digital technology and are offered to customers to accelerate the digitization of customers' businesses.

[Mid-term Management Plan 2024](https://www.hitachi.com/New/cnews/month/2022/04/220428/f_220428pre.pdf)
https://www.hitachi.com/New/cnews/month/2022/04/220428/f_220428pre.pdf

[Hitachi Vision 2050](https://www.youtube.com/watch?v=w8-0cK-CZPI)
<https://www.youtube.com/watch?v=w8-0cK-CZPI>

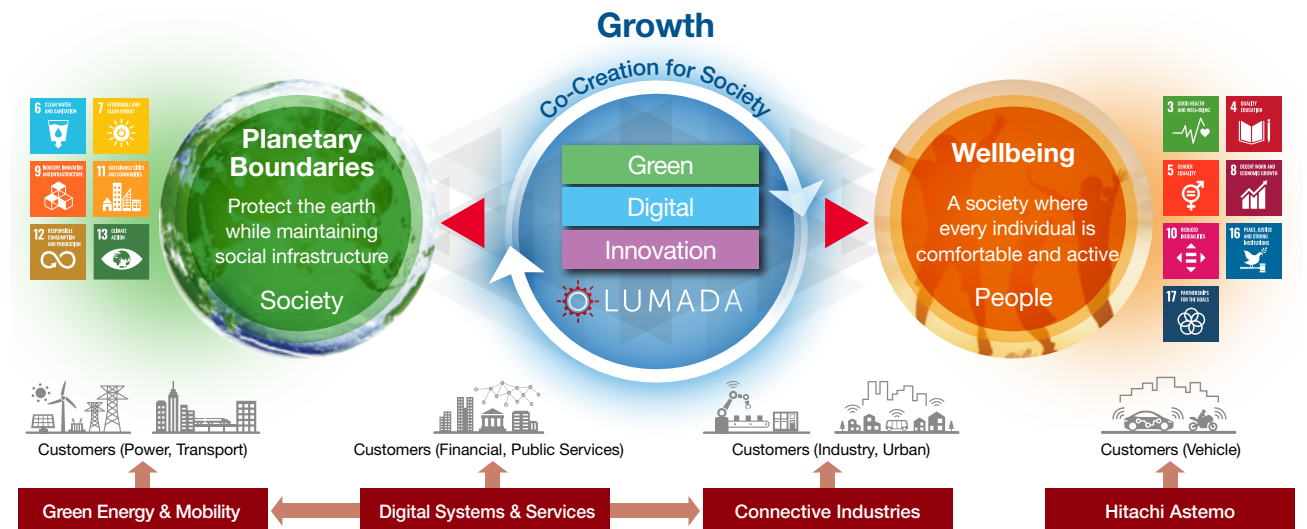
Vision Targets of Mid-term Management Plan 2024

Today and tomorrow, the various stakeholders and social challenges that surround us are growing more complex. On a global scale, the environment is reaching its limit to accommodate lives of abundance and safety for humans, as the thresholds of several of the nine planetary boundaries have already been crossed. Recent changes to workstyles and the diversification of personal values have made wellbeing (physical, mental, and social) a vital part of how we choose to live and work.

Hitachi aims to resolve the increasingly complex social

issues through its business, while respecting planetary boundaries and realizing wellbeing for all individuals. To achieve these goals, we will expand Lumada business through even greater utilization of data and technology and achieve further evolution of Social Innovation Business with our three growth drivers: "Digital," "Green," and "Innovation."

Supporting people's quality of life with data and technology that foster a sustainable society



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Three Growth Drivers

Digital

With an understanding of management issues faced by customers, Hitachi will contribute to the enhancement of customer business value through a cycle of co-creation with customers, which involves designing, implementing, managing and maintaining solutions, while working to resolve subsequent issues.

We will expand earnings and achieve global growth by leveraging digital technologies to drive the value co-creation cycle.

Green

Hitachi will lead global GX (Green Transformation) by switching to renewable energy, electrification, energy conservation and automation, and contribute to the realization of a sustainable society. We will proactively invest in the green field to contribute to an annual reduction in CO₂ emissions of approximately 100 million metric tons by fiscal 2024. Additionally, we will promote decarbonization in order to realize Hitachi Environmental Innovation 2050, which aims to achieve carbon neutrality throughout the value chain by fiscal 2050. Leveraging knowledge gained through this process and providing environmental value tailored to each business domain and region, we aim to realize both a sustainable society and growth of the Hitachi Group.

Innovation

Focusing on its vision for the world in 2050, Hitachi will identify areas where R&D is required while striving to create innovative technologies and products contributing to the resolution of social issues. At the same time, we will increase the speed of innovation by further accelerating collaborations with promising startups, government and academia.

In April 2022, Hitachi simplified its structure, grouping together businesses with similar characteristics organized into three sectors: Digital Systems & Services (DSS), Green Energy & Mobility (GEM) and Connective Industries (CI) to streamline and speed up its management function. With the addition of the Automotive Systems Business (Hitachi Astemo), We will leverage our three growth drivers—Digital, Green, and Innovation—to provide value to our customers and society, and to promote sustainability management.

Contribution to the SDGs

Approach GRI 102-11

Hitachi's Social Innovation Business aims to realize a sustainable society through contributing to the resolution of global social and environmental issues as defined by the SDGs, and we consider it to be a source of sustainable growth for us. We are striving to create social, environmental, and economic value through our Social Innovation Business, as well as working to reduce negative social and environmental impacts. We are also seeking a

deeper understanding of business risks arising from social and environmental changes to ensure business continuity with greater resilience.

In 2016, we examined the relationship between the opportunities and risks associated with the SDGs and our businesses to identify 11 goals as Hitachi's priority SDG issues: five goals where we can make particularly significant impacts through our key businesses and six goals that we can contribute to through our entire corporate activities. In 2022, based on the 2024 Mid-term Management Plan, we added two more goals, Goal 10: Reduced Inequalities and Goal 16: Peace, Justice, and Strong Institutions, expanding our list of priority SDG issues to 13.

Through our active involvement in a broad range of business fields, we believe we can contribute extensively to the achievement of SDGs beyond the 13 goals identified, and we will strive to contribute to the achievement of all 17 SDGs.



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Materiality GRI 102-15/102-32

Toward a Sustainable Society: Hitachi's Materiality

Target	Activities	GRI 102-47/102-49/103-1/103-2
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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.

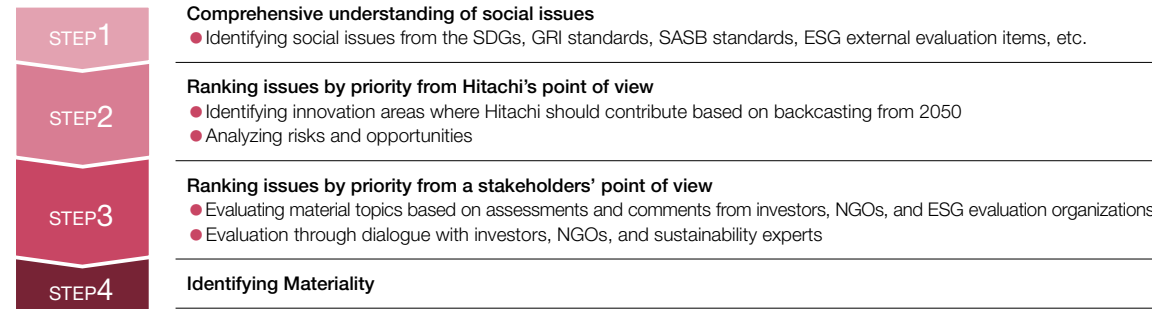
In the Mid-term Management Plan 2024, we declared our new aspiration of “supporting people’s quality of life with data and technology that fosters a sustainable society.” While some of the nine planetary boundaries have already been exceeded, Hitachi is aware of each one and works to protect the planet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



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.

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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 Contributing to CO ₂ reduction through business	 	
	Resource circulation	Transition to a circular economy		<ul style="list-style-type: none"> FY2030: Achieve carbon neutrality in business sites (factories and offices) FY2050: Achieve carbon neutrality through the value chain
		Effective use of water		<ul style="list-style-type: none"> FY2024: 100 million metric tons/year FY2024: Full application Eco-Design for new product development FY2030: Zero*² waste to landfill*¹ from manufacturing sites Reduction rate in water use per unit (compared to FY2010) FY2024: 24%, FY2050: 50%
	Harmonize with nature	Minimize impact on natural capital		
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	 	
	Ensuring cyber security	Secure cybersecurity for social infrastructure and business systems		<ul style="list-style-type: none"> A total of 15 billion people use railway services annually*³
Quality of Life Contributing to physical and mental wellness and a prosperous life	Connected and prosperous society	Increase healthy life expectancy and wellbeing Build a trustful relationship with others	 	
	Employee happiness	More flexible working styles to increase engagement		<ul style="list-style-type: none"> Blood tests and other physical exams: 20 billion tests/year*³ Users of happiness service (10 thousand in FY2022 → 90 thousand in FY2024) Employee engagement score (FY2021: 65.0% → FY2024: 68.0%)
Business with Integrity Adhering to ethical standards as well as respect human rights	Business ethics and compliance	Encourage employees to apply ethical standards in day-to-day work.	 	
	Respect for human rights	Promote human rights due diligence and strengthen monitoring of procurement partners for responsible procurement, including human rights		<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	Creating a safe working environment without accidents		<ul style="list-style-type: none"> Zero fatal accidents
Diversity, Equity and Inclusion (DEI) Contributing to a society where everyone can shine	Diverse organization that fosters innovation	Strengthen diversity in management	 	
		Acquiring and developing digital talent		<ul style="list-style-type: none"> Ratio of female and non-Japanese executive and corporate officers (30% in FY2030) FY2021: 67,000 persons → FY2024: 98,000 persons
	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) 	

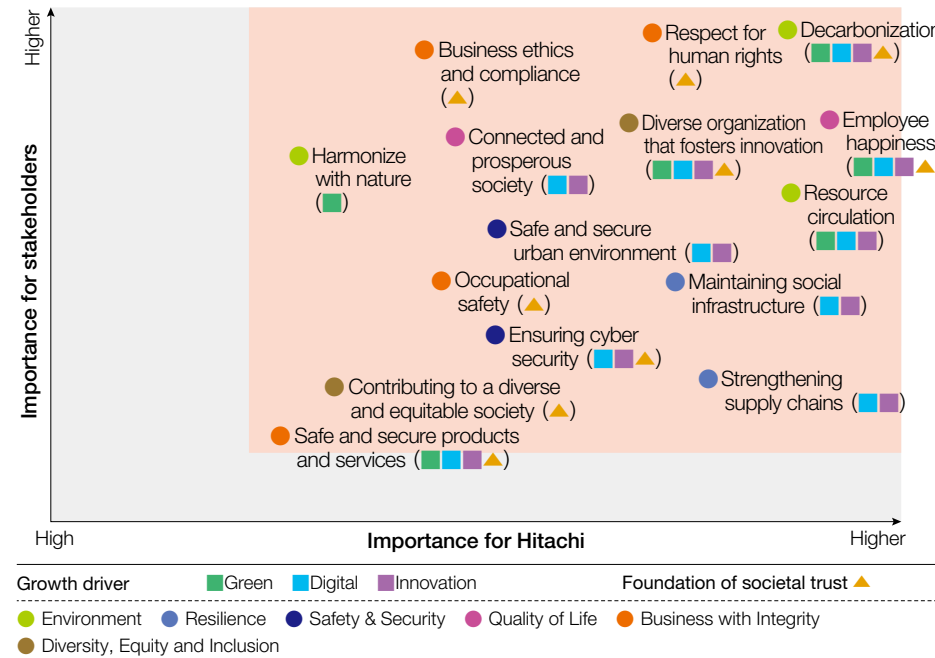
*1 Wherever this is compatible with local conditions and regulations *2 Less than 0.5% *3 FY2021 results

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



Stakeholder dialogue about the materiality

GRI 102-44

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, 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.

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Framework for Promoting Sustainability Strategy

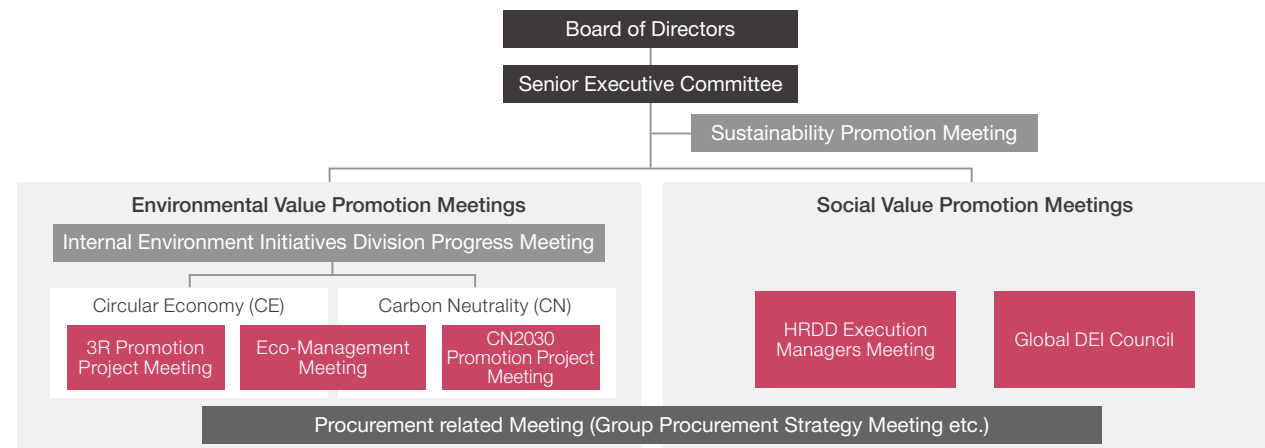
Establish a System to Promote Sustainability

Structure GRI 102-18/102-19/102-20/102-21/102-26/102-27/102-30/102-31/102-32/102-33/102-34/102-35/103-3

Framework for Implementing the Hitachi GX Strategy



Sustainability Strategy Promotion Meetings Framework



Hitachi is working to promote sustainability strategy, including the Hitachi GX Strategy, under the guidance of Vice President and Executive Officer Lorena Dellagiovanna, who was appointed to the newly established position of Chief Sustainability Officer on April 1, 2022.

Under the Global Environment Division, which is managed by the Chief Sustainability Officer, as a framework for implementing the Hitachi GX Strategy, we have established the Internal Environment Initiatives Division to promote efforts to achieve carbon neutrality throughout our in-house production activities and the value chain, 3R activities, and the Global Environment Business Division to lead growth in our environmental business.

In fiscal 2022, we established a new Sustainability Promotion Meeting, with members that include the Chief Sustainability Officer, business promotion division heads at Business Units (BUs) and key Group companies, and RHQ Sustainability Officers, to discuss important measures concerning sustainability, conduct monitoring of progress in reaching targets, and more. Important matters aimed at achieving the Mid-term Management Plan are also discussed or decided on by the Senior Executive Committee and presented to the Board of Directors.

In addition, for important themes such as carbon neutrality, the circular economy, human rights due diligence (HRDD), and Diversity, Equity and Inclusion (DEI), we are working to promote sustainability throughout the Hitachi Group by setting up separate meetings composed of responsible officers from individual BUs and major Group companies to consider Group-wide policies, share information, and so on.

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▶ Overview of Sustainability Related Conference Bodies

Meeting	Attendees	Purpose	Frequency
Sustainability Promotion Meeting	Chief Sustainability Officer, Business promotion division heads at BUs & key Group companies and RHQ Sustainability Officers	Deliberation, implementation and monitoring of material sustainability initiatives	Twice per year
Internal Environment Initiatives Division Progress Meeting	Heads of Business promotion/Environment-related/MONOZUKURI(production)/Procurement divisions from BUs and key Group companies	Formulating and implementing plans based on the environmental action plan	Twice per year
Eco-Management Meeting	Heads of Environment-related divisions from BUs and key Group companies	Deliberation and implementation of actual action plan to achieve Hitachi Environmental Long-term goals	Twice per year
CN2030 Promotion Project Meeting	Heads and members of Environment-related/MONOZUKURI(production) divisions from BUs and key Group companies	Monitoring and implementation of CN action plan and discussion of acceleration	Every quarter
3R Promotion Project Meeting	Heads and members of Environment-related/MONOZUKURI(production) divisions from BUs and key Group companies	Promotion of actions for 3R activities toward realizing CE	Every quarter
Procurement related Meeting (Group Procurement Strategy Meeting etc.)	Chief Procurement Officer, heads of the procurement divisions at BUs and key Group companies	Disseminating Hitachi group global procurement policy and strategy, and discussion on the framework of Sustainable Procurement	Twice or more per year
HRDD Execution Managers Meeting	HRDD execution managers from BUs and key Group companies	Provide information and knowledge necessary for HRDD implementation, and share status of implementation in BUs and key Group companies	Once or twice per year
Global DEI Council	DEI promotion leaders from BUs and key Group companies	Implement DEI promotion policies and initiatives, and share best practices	Once or twice per year

▶ Fiscal 2021 Executive Sustainability Committee*1 Agenda Items

Term	Agenda Items
May 2021	New DEI-related targets, issues associated with reaching targets, action plans, etc.
June 2021	Reviewing targets and considering promotion measures for Hitachi Environmental Innovation 2050, etc.
July 2021	Hitachi Group priority human rights risk survey results (concerning migrant workers and forced labor), framework for managing human rights risks, etc.
December 2021	Progress reports for DEI-related activities, future measures necessary to link DEI to growth, etc.
January 2022	Materiality plans aimed at achieving the next Mid-term Management Plan and approaches to advancing the circular economy, etc.

*1 Holding sustainability-related discussions under a new committee system from fiscal 2022

Reflecting Sustainability Targets in Executive Compensation Evaluation

System

In fiscal 2021, Hitachi introduced evaluations that take environmental value into consideration in the executive compensation system for the first time with the aim of accelerating the creation of environmental value. All executive officers, including the CEO, set targets for environmental value and were evaluated for their achievement of individual targets.

From fiscal 2022, in addition to environmental targets such as decarbonization and resource efficiency, we introduced quantitative and qualitative target setting for occupational health and safety and product quality in the compensation evaluation of all executive officers to further advance sustainable management.

▶ Examples of Sustainability Targets Reflected in Fiscal 2022 Compensation Evaluations

	Sustainability Targets
Decarbonization	<ul style="list-style-type: none"> ● Efforts to realize carbon neutrality*1 in business sites (factories and offices) by fiscal 2030 ● Efforts to achieve carbon neutrality* by fiscal 2050 throughout the value chain
Resource efficiency	<ul style="list-style-type: none"> ● Efforts related to resource efficiency
Occupational health and safety	<ul style="list-style-type: none"> ● Zero fatal accidents ● Wellbeing initiatives
Product quality	<ul style="list-style-type: none"> ● Efforts to enhance product quality

*1 Regarding fiscal 2030 and fiscal 2050 decarbonization targets, single-year targets are set Groupwide and for each BU.

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// Engagement and Initiatives GRI102-13

Stakeholder Engagement Approach Activities GRI 102-40/102-42/102-43

In its commitment to promoting the Social Innovation Business, Hitachi endeavors to accurately identify the various social issues facing each country and region, and to work toward resolution of these issues through engagement in collaborative creation with a wide range of stakeholders, including customers, governments and municipalities, as well as academic and research institutions. In addition, with the goal of enhancing the value of our human capital, we work to promote activities with an emphasis on maintaining direct dialogues between the management and employees as an essential management resource in the promotion of business. Furthermore, with the recent rise in ESG investment, we actively engage in dialogues with shareholders and investors as well.

Hitachi organizes stakeholder dialogues to invite opinions on social challenges from stakeholders representing specialized knowledge platforms, and it ensures that their insights are reflected in the business activities. In fiscal 2021, Hitachi, Ltd. held stakeholder dialogues on the theme of “materiality” in Japan and Europe with the formulation of the Mid-term Management Plan 2024. 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.

[Investor Relations](https://www.hitachi.com/IR-e/index.html)

<https://www.hitachi.com/IR-e/index.html>

[Disclosure Policy](https://www.hitachi.com/IR-e/corporate/disclosure/index.html)

<https://www.hitachi.com/IR-e/corporate/disclosure/index.html>

P017 Stakeholder dialogue about the materiality

Stakeholders	Main Roles	Main Divisions	Means of Engagement (FY 2021)		Pages
Customers	Creation of better products and services, response to complaints, appropriate disclosure of information on products and services	Quality Assurance/Sales	<ul style="list-style-type: none"> ● Customer satisfaction activities ● Marketing ● Website 	<ul style="list-style-type: none"> ● Advertising activities ● “Global Brand Campaign” (14 countries) ● Hitachi Social Innovation Forum (2 countries) 	Quality and Product Safety Management P137-139 Personal Information Protection P188-189 Customer Satisfaction (CS) P140-141
Shareholders and Investors	Timely and proper information disclosure, obtaining fair recognition and support from capital markets, reflection of shareholder and investor viewpoints in corporate management	Public Relations and IR	<ul style="list-style-type: none"> ● Financial results briefings (quarterly) ● General shareholders’ meetings (annual) ● IR event “Hitachi Investor Day” (annual) ● Stakeholder dialogues (annual) 	<ul style="list-style-type: none"> ● One-on-one meetings with institutional investors and analysts (approx. 710 meetings) ● IR tools: Integrated Report, business reports, etc. ● Information disclosure on website for stakeholders and investors 	Stakeholder Engagement P020-021
Procurement Partners	Building fair and sound business relations, smooth information sharing toward better partnerships	Procurement	<ul style="list-style-type: none"> ● Procurement activities ● Sustainability monitoring Note: Sustainability monitoring in fiscal 2021 was focused on human rights and environmental risk assessment. (Human rights: 2,524 companies, Environment: 708 companies) ● Sustainability audits (25 companies) ● Sustainable procurement seminars (359 companies) 		Responsible Procurement P132-136 Respect for Human Rights Throughout the Value Chain P123-129
Employees	Proper treatment, promotion of occupational health and safety of human capital, increasing employee engagement	Public Relations/ Human Capital	<ul style="list-style-type: none"> ● Intranet, in-house newsletters ● Training ● Town hall meetings between senior management and employees (President & CEO: 7 meetings, Vice Presidents: 19 meetings) ● Employee survey (annual) ● “Make a Difference!” idea contest 		Stakeholder Engagement P020-021 Global Human Capital Management P091-094 Diversity, Equity and Inclusion P100-105 Work-Life Management P106-110 Occupational Health and Safety P111-119 Freedom of Association and Collective Bargaining P120-121

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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Stakeholders	Main Roles	Main Divisions	Means of Engagement (FY 2021)	Pages
National Governments, Municipalities, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	Government and External Relations	<ul style="list-style-type: none"> ● Academic research for policy recommendations to international organizations and national governments, lobbying activities ● Policy council participation ● Participation in business and industry associations (Japan) 	Stakeholder Engagement P020-021 Main Initiatives and Groups Hitachi Is Involved with P022 Industry Leadership and Policy Recommendations P023
Local Communities	Fulfillment of responsibilities as a corporate citizen, involvement in local communities	Social Contributions/ All Business Divisions	<ul style="list-style-type: none"> ● Contribution to local communities through business ● Participation in volunteer activities 	Social Contribution Activities P143-146
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	Research and Development	<ul style="list-style-type: none"> ● Open innovation (joint research) 	Innovation Management P079-080
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contributions through nonprofit activities	Sustainability Promotion	<ul style="list-style-type: none"> ● Stakeholder dialogues (annual) ● Dialogue through collaboration 	Stakeholder Engagement P020-021 Social Contribution Activities P143-146
The Environment	Realization of a decarbonized society, a resource efficient society, a harmonized society with nature	Environment/All Business Divisions	<ul style="list-style-type: none"> ● Participation in COP26 	Environmental P041-066

ESG Disclosure Study Group

How to address the rapidly changing global trend in ESG disclosure is a major challenge for many corporations and institutional investors in Japan. Hitachi, Ltd. is responding to this issue through co-creation with stakeholders. In June 2020, Hitachi took the lead in establishing the ESG Disclosure Study Group to explore ways of disclosing ESG information that contribute to long-term corporate value enhancement while also keeping an eye on global trends. The study group initially started with 19 companies, and as of June 30, 2022, more than 100 companies, institutional investors, auditing firms and public organizations are participating.

Study group activities are divided into phases according to themes, and in June 2022, the “ESG Disclosure Study Group Report 2022” was published including the results of these activities. This report contains ESG disclosure recommendations for corporations, institutional investors and standard-setting bodies and is disseminated to relevant organizations within and outside Japan. Hitachi, Ltd. serves as the co-chairman and secretariat of this study group, and leads these activities.

[General Incorporation Association of ESG Disclosure Study Group / EDSG](https://edsg.org/en/)
<https://edsg.org/en/>

Kyoto University and Hitachi Joint Project

One of the key initiatives for the evolution of sustainable management is to quantitatively clarify the financial impact of non-financial values such as environmental and social values created by business activities, as well as intangible asset measures such as human resource policies. This is expected to further advance management and improve engagement with stakeholders.

Since 2021, Hitachi, Ltd. has engaged with these challenges through experimental research conducted in collaboration with Graduate School of Management, Kyoto University. Through academic and other approaches, it was quantitatively confirmed that Hitachi’s initiatives toward the environment and human resources could have a positive impact on financial indicators (ROIC and WACC). In the future, we will clarify the causal relationship between non-financial and intangible asset measures and financial indicators, as well as employee survey results, to identify measures with a high degree of causal influence and lead them to measures to improve financial performance through non-financial and intangible asset measures.

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Main Initiatives and Groups Hitachi Is Involved with

Activities GRI 102-11 102-12

Based on its corporate mission of “contribute to society through the development of superior, original technology and products,” Hitachi promotes its Social Innovation Business with the aim of contributing to the realization of a sustainable society. As part of this, to play its proper role as a global corporation, Hitachi actively participates in international initiatives and groups addressing social issues on a global scale.

Initiative or Group	Activities		Initiative or Group	Activities	
United Nations Global Compact (UNGC)	Became a participant in 2009. Joined workshops organized by the Global Compact Network Japan (GCNJ) on nine different topics in fiscal 2021, including ESG, SDGs, and WEPs (the Women's Empowerment Principles)		Japan Climate Initiative (JCI)	Became a member in 2018 and joined the JCI Race to Zero Circle established in 2021	
World Business Council for Sustainable Development (WBCSD)	Became a member in 1995. Adopted SOS 1.5 project in 2020		The Science Based Targets initiative (SBTi)	Obtained accreditation of “Targets for 1.5°C” in 2020	
Business for Social Responsibility (BSR)	Became a member in 2007 and has participated in the Human Rights Working Group (HRWG) since 2016		Business Ambition for 1.5°C	Became a member in 2020, along with SBT1.5°C certification	
World Economic Forum	Participated in Davos Forum since 2014	—	Race To Zero campaign	Joined in 2020, along with Business Ambition for 1.5°C commitment	
Task Force on Climate-related Financial Disclosures (TCFD)	Announced support for TCFD in 2018 and disclosed climate-related information based on the TCFD recommendations		The Valuable 500	Became a member in 2021	

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Industry Leadership and Policy Recommendations

Activities GRI 102-13 203-2

As part of developing Hitachi's Social Innovation Business on a global scale, Hitachi views government institutions and private bodies in each country and region of the world as important partners. Our Government & External Relations Group leads our efforts to strengthen ties with these bodies. The Hitachi Group collaborates with each site in the world to seek to develop a mutual relationship with local communities by making efforts to work with governments and international organizations in each country. At the same time, the Group also works to discover new business opportunities for Hitachi, and to create value based on the various regions' social issues and policies.

We are also more frequently being asked for opinions by governments. By making requests directly as well as proposing solutions through discussions in economic organizations and industrial bodies, we contribute to building a better society.

▶ Major Participation in Government Councils/Business and Industry Associations

Council/Group	Participant	Activities
Panel discussion regarding Infrastructure System International Expansion Strategy 2025 (Cabinet Secretariat of Japan)	Executive Chairman Toshiaki Higashihara (attended as a private sector member)	<ul style="list-style-type: none"> ● Proposals regarding appropriate concrete measures to be taken based on the Japanese government's Infrastructure System International Expansion Strategy 2025
Japan Business Federation (Keidanren)	Executive Chairman Toshiaki Higashihara (attended as the Vice Chair)	<ul style="list-style-type: none"> ● Disseminating opinions on important issues such as digital transformation (DX) and green transformation (GX) to accelerate Keidanren's efforts under the theme of "Society 5.0 for SDGs" and to establish sustainable capitalism
Japan Electronics and Information Technology Industries Association (JEITA)	President & CEO Keiji Kojima (attended as the Vice Chairman)	<ul style="list-style-type: none"> ● Examining and making proposals on the promotion of digital technology, data use, and market creation under the mission to achieve Society 5.0 ● Offering insights into paradigms of international legislation, agreements, and standards to develop digital trade and strengthen international competitiveness
Japan Electrical Manufacturers' Association (JEMA)	Vice President Kenji Uruse (attended as the Director)	<ul style="list-style-type: none"> ● Promoting the sustainable development of electrical manufacturing by submitting opinions on various governmental and administrative policies and promoting product safety awareness, international standardization and compatibility evaluation, statistical research work, and the development of human capital for STEM fields
Japan Machinery Federation (JMF)	Executive Chairman Toshiaki Higashihara (attended as the Chairman)	<ul style="list-style-type: none"> ● Providing opinions to the Diet and the government, conducting surveys and research on the machinery industry, and promoting international standardization activities for the comprehensive progress and development of the machinery industry
World Economic Forum (WEF)	Executive Officers centered on Executive Chairman Toshiaki Higashihara and President & CEO Keiji Kojima	<ul style="list-style-type: none"> ● Contributing to improve world affairs through discussions toward solving global, regional, and industrial challenges by cooperating with leaders from economics, politics, and academia participating in the forum
Japan-U.S. Business Council	Executive Chairman Toshiaki Higashihara (attended as an Executive Committee member)	<ul style="list-style-type: none"> ● Exchanging opinions and proposing policies regarding various issues with Japan-U.S. economic relations from the point of view of the Japan-U.S. business community as a whole
National Association of Manufacturers	Hitachi Corporate Office in Washington DC	<ul style="list-style-type: none"> ● Lobbying and making policy proposals, as the largest association of manufacturers in the United States, to support the international competitiveness of member corporations
Japan Business Council in Europe (JBCE)	Hitachi Europe Government Relations Office	<ul style="list-style-type: none"> ● Making policy proposals to contribute to the further development of EU-Japan relations and the EU economy as the body representing Japanese corporations in the EU

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Sustainability Management

➤ Engagement and Initiatives

Stakeholder Engagement

Main Initiatives and Groups Hitachi Is Involved with

Industry Leadership and Policy Recommendations

– Leadership in International Standardization Activities

External Assessments and Awards

Leadership in International Standardization Activities

Approach to International Standardization

Approach

In order for Hitachi to contribute to the achievement of SDGs through promoting its Social Innovation Business, we believe it is extremely important to work toward the resolution of social issues from a global perspective through the collaborative creation of new social norms together with a diverse range of stakeholders, including governments and municipalities throughout the world, academic and research institutions, companies, non governmental organizations (NGOs), non profit organizations (NPOs), and users.

In our view, international standardization activities are global initiatives appropriate for the realization of a sustainable society, being based on explicitly stated standards, formulated on the basis of fair discussions involving members representing specialized fields, with international consensus, and an accurate grasp of social issues facing the world. Accordingly, we consider international standardization activities to be of importance along with research and development work and intellectual property-related activities. In order to contribute to the resolution of social issues on a global scale with a diverse range of stakeholders, Hitachi actively engages in activities with international standardization organizations, including IEC*1, ISO*2, and ITU-T*3.

In the environmental domain, we are engaged in efforts concerning the circular economy (ISO/TC*4 323) and the environmental standardization for electrical and electronic products and systems (IEC/TC 111), and, with regard to social issues, Society 5.0 (ISO/IWA*5 39), smart community

infrastructures (ISO/TC 268/SC*6 1), and unmanned aircraft systems (ISO/TC 20/SC 16).

Additionally, by contributing to international standardization efforts by various consortia and other bodies, and providing solutions consistent with international standards, we support the development of sound global markets and facilitate innovation to resolve social issues.

*1 IEC: International Electrotechnical Commission. An international organization composed of member countries and regions.

*2 ISO: International Organization for Standardization. An international organization composed of member countries and regions.

*3 ITU-T: International Telecommunication Union Telecommunication Standardization Sector. A specialized agency of the United Nations.

*4 TC: Technical Committee

*5 IWA: International Workshop Agreement

*6 SC: Subcommittee

External Recognition of Hitachi's International Standardization Activities

Activities

In fiscal 2021, we received two 1906 Awards from the IEC, an Award for Contributors to Standardization Activities from the Railway Technology Standardization Investigation Committee (Engineering Planning Division, Railway Bureau, Ministry of Land, Infrastructure, Transport and Tourism), an Encouragement Award from the ITU Association of Japan, and two Awards for Distinguished Service from the Telecommunication Technology Committee (TTC).

Structure for Promoting International Standardization Activities

Structure

Hitachi personnel participate as members in many technical committees maintained by international standardization organizations, including IEC and ISO, and have been appointed to key positions, such as committee chairs and committee managers and secretaries, as well.

Furthermore, in order to make efforts concerned with international standardization activities involving Group-wide cooperation, we have established the Hitachi Group Standardization Committee.

The Steering Committee*1 for the Standardization Committee selects themes for Hitachi to prioritize in the medium- to long-term with regard to important issues. Detailed discussions are held in working groups for each theme to promote standardization activities. In fiscal 2021, Hitachi Energy joined the Standardization Committee.

*1 Steering Committee: Headed by the executive officer overseeing R&D, this entity includes chief technology officers of Hitachi business units and key Group companies. The committee is responsible for decisions on cross-departmental and companywide standardization projects.

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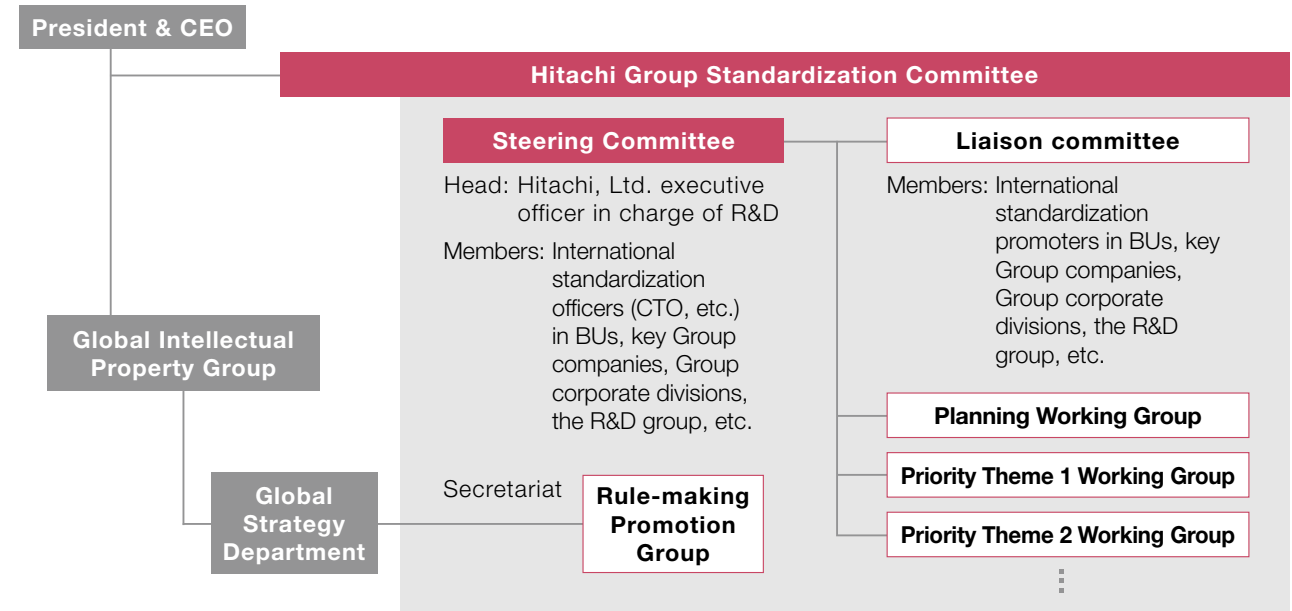
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Achievements in Fiscal 2021

One of the principal themes selected was Society 5.0, an initiative spearheaded by the Japanese government aimed at the realization of a human-centered, sustainable society. In order to create venues in which discussions can be conducted to attain consensus among various countries and major standardization organizations looking toward realization of Society 5.0, Hitachi has actively engaged in activities related to ISO/IWA 39 (gap analysis for standardization on sustainable and human-centered societies enabled with cyber physical systems) and contributed to the completion of the IWA 39 agreement based on international consensus.

▶ Hitachi Group Standardization Committee



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// External Assessments and Awards Activities

As a corporate group that promotes sustainable management, the Hitachi Group has earned high marks from numbers of external assessment organizations.

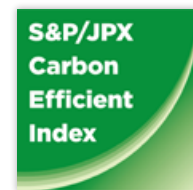
Inclusion in ESG Indices (Hitachi, Ltd.)

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX


(Continued inclusion in 2022)

 [MSCI Japan ESG Select Leaders Index](https://www.msci.com/our-solutions/japan-esg-select-leaders-index)
https://www.msci.com/our-solutions/japan-esg-select-leaders-index

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(Continued inclusion in 2022)

 [S&P/JPX Carbon Efficient Index](https://www.jpjx.co.jp/english/markets/indices/carbon-efficient/index.html)
https://www.jpjx.co.jp/english/markets/indices/carbon-efficient/index.html



FTSE4Good

 [FTSE4Good](https://www.ftserussell.com/products/indices/ftse4good)
https://www.ftserussell.com/products/indices/ftse4good



FTSE Blossom Japan

(Continued inclusion in 2022)

 [FTSE Blossom Japan](https://www.ftserussell.com/products/indices/blossom-japan)
https://www.ftserussell.com/products/indices/blossom-japan



FTSE Blossom Japan Sector Relative Index

(Selected in 2022)

 [FTSE Blossom Japan Sector Relative Index](https://www.ftserussell.com/products/indices/blossom-japan)
https://www.ftserussell.com/products/indices/blossom-japan

External Assessment of ESG (Hitachi, Ltd.)

Hitachi, Ltd. was selected for the A List, the highest rating given by the CDP for companies, in the two areas of climate change and water security. It was also selected as a Supplier Engagement Leader, the highest rating for supplier engagement.



(Rated in 2021)

 [CDP](https://www.cdp.net/ja)
https://www.cdp.net/ja

Hitachi, Ltd. has also been certified as Prime in the ESG Corporate Rating by ISS ESG.



(Continued inclusion in 2021)

 [ISS ESG](https://www.issgovernance.com/esg/)
https://www.issgovernance.com/esg/

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Hitachi, Ltd. has been selected by Corporate Knights and the NGO As You Sow for the Carbon Clean200 (Clean200), the largest 200 public companies ranked by clean revenue.

(Continued inclusion in 2022)

 [Clean200](https://www.asyousow.org/clean200)
<https://www.asyousow.org/clean200>

Human Resources Awards and Recognition

Kurumin Certification

Hitachi, Ltd. received Kurumin certification from the Ministry of Health, Labour and Welfare in 2011. This was granted under Japan's Act on Advancement of Measures to Support Raising Next-Generation Children, in recognition of its achievements in developing and implementing action plans supporting child care so that employees can work with the peace of mind that comes from a good work-life balance. In addition to Hitachi, Ltd., several Group companies in Japan, including Hitachi High-Tech, Hitachi Systems, and Hitachi Solutions, have received Kurumin certification.



Eruboshi Certification

Hitachi, Ltd. promotes diversity as an important component of its management strategy and strives to create work environments that enable its diverse talent to play an active role. In recognition of these initiatives, we received Eruboshi certification, which is conferred to companies that are implementing exceptional measures under Japan's Act on Promotion of Women's Participation and Advancement in the Workplace. In addition to Hitachi, Ltd., several Group companies in Japan, including Hitachi High-Tech, Hitachi Systems, and Hitachi Solutions, have received Eruboshi certification.



Assessment of Reporting

The *Hitachi Integrated Report 2021* received the Silver Award in the WICI Japan Integrated Reporting Awards 2021 organized by the World Intellectual Capital/Assets Initiative (WICI Japan). The report was evaluated as sufficiently incorporating important details of financial and non-financial information and having a high degree of completeness. The report was also selected as an Excellent Integrated Report by the Japanese Government Pension Investment Fund's (GPIF) Japanese equity managers.

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GRI 103-2

Relevant SDGs



Why

— Why it matters —

Hitachi's Mission is to "contribute to society through the development of superior, original technology and products." We seek solutions to environmental issues, which are of serious concern to society, through our business operations and promote environmental management from a long-term perspective. Meeting society's expectations with innovations that mitigate environmental issues also presents major business opportunities. Hitachi's Environmental Vision states that "Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders." To uphold this vision and work toward achieving a decarbonized society, a resource efficient society, and a harmonized society with nature, we have established a set of long-term environmental targets looking toward 2050 and 2030 called Hitachi Environmental Innovation 2050, and have been promoting Group-wide environmental activities in line with our Environmental Action Plan, which is updated every three years. To help build a decarbonized society, we aim to achieve carbon neutrality at our business sites (factories and offices) by fiscal 2030 and throughout our value chain by fiscal 2050.



Environmental Governance

What

— What we are doing —

- Enhancing environmental governance
- Enhancing environmental management system
- Reducing environmental burdens through "Eco-Factories & Offices Select" certification
- Implementing environmental education for employees
- Ensuring environmental compliance

How

— How we are doing it —

Promotion structure

Important matters related to the environment are monitored by the Sustainability Promotion Meeting, discussed or decided on by the Senior Executive Committee, and presented to the Board of Directors.

Achievements in FY 2021

Environmental management system	Registered data from about 1,500 business sites in 67 countries in the Environmental Data Collection System (Eco-DS) to estimate environmental load A total score of 269 GPs in the GREEN 21 evaluation of our Environmental Action Plan
"Eco-Factories & Offices Select" certification	Under "Eco-Factories & Offices Select," of our approximately 1,500 facilities, recorded two new certifications, and 48 renewed certifications (total certified facilities: 50)
Environmental human capital development	Rolled out climate change e-learning materials globally (attended by 132,773 people)
Voluntary environmental audits	Implementation rate of voluntary environmental audits of business sites outside Japan by business units and Group companies (number of sites audited/number of sites): 56%



Achieving a Decarbonized Society

What

— What we are doing —

- Reducing CO₂ emissions and achieving carbon neutrality throughout our value chain
- Expanding the decarbonization business
- Reducing CO₂ emissions and achieving carbon neutrality at business sites (factories and offices)

How

— How we are doing it —

Long-term environmental targets

- Achieve carbon neutrality by fiscal 2050 through the value chain and reduce CO₂ emissions 50% by fiscal 2030 (compared to fiscal 2010)
- Achieve carbon neutrality at business sites (factories and offices) by fiscal 2030

Achievements in FY 2021

Reduction of CO ₂ emissions	Reduction rate of CO ₂ emissions per unit of products and services (Compared to FY2010): 28% (FY 2021 reduction target: 21%) Formulated a roadmap to achieving carbon neutrality at business sites (factories and offices) by fiscal 2030 Reduction rate of CO ₂ emissions per unit at business sites (factories and offices) (Compared to FY2010): 6% (FY 2021 reduction target: 9%)
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Achieving a Resource Efficient Society

- Introducing the Hitachi Internal Carbon Pricing (HICP) framework
- Introducing renewable energy

What — What we are doing —

- Building a water efficient society
- Responding to water risks
- Building a society that uses resources efficiently
- Transitioning to a circular economy

Promotion of the HICP framework	Implemented investment in energy-saving equipment in 59 cases totaling 1.46 billion yen through HICP
Introduce renewable energy	Increased by 56% the amount of renewable energy-derived electricity produced by in-house power generation facilities, and increased by 36% the amount of renewable energy-derived electricity purchased, as compared to FY 2020 for both

How — How we are doing it —

Long-term environmental targets	<ul style="list-style-type: none"> • Build a society that uses water and other resources efficiently with customers and society • 50% improvement of efficiency in use of water/resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)
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Achievements in FY 2021	
Reduction of water use per unit	Reduction rate in water use per unit (Compared to FY2010): 36% (FY 2021 reduction target: 26%)
Respond to water risks	Promoted measures based on water risk survey results
Build a society that uses resources efficiently	Promoted eco-designs for each product
Reduction of waste and valuables generation per unit	Reduction rate in waste and valuables generation per unit (Compared to FY2010): 18% (FY 2021 reduction target: 12%)
Plastic recycling activities	Set a target for reduction of waste plastics by fiscal 2030 (effective utilization rate: 100%)



Achieving a Harmonized Society with Nature

What — What we are doing —

- Promoting initiatives to minimize impact on natural capital
- Managing chemical substances in products
- Managing chemical substances in business operations
- Promoting initiatives to preserve ecosystems

How — How we are doing it —

Long-term environmental targets	Minimize impact on natural capital
---------------------------------	------------------------------------

Achievements in FY 2021	
Reduce the rate of chemical atmospheric emissions per unit	Reduction rate in chemical atmospheric emissions per unit (Compared to FY2010): 35% (FY 2021 reduction target: 18%)
Promote ecosystem preservation efforts	Joined the 30by30 Alliance for Biodiversity
Calculation of positive and negative impact on natural capital	Calculated positive impacts (e.g., benefits of forest conservation activities) and negative impacts due to business activities by using data from the Environmental Data Collection System (Eco-DS)

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/// Advancing Our Environmental Vision and Long-Term Environmental Targets

The Environmental Vision and Hitachi Environmental Innovation 2050

Policy **Target** GRI 102-11/102-15/103-2

Taking into account the growing urgency of environmental issues in the world and the management policies of Hitachi, we formulated an Environmental Vision that clearly outlines our vision for society from a long-term perspective. In working toward achieving this vision, we have established a set of long-term environmental targets aimed at building a decarbonized society, a resource efficient society, and a harmonized society with nature under the banner of Hitachi Environmental Innovation 2050 and are working to advance them.

With regard to achieving a decarbonized society, we originally set a target of reducing CO₂ emissions by 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010) in response to the adoption of the Paris Agreement and the UN Sustainable Development Goals (SDGs) in fiscal 2016. However, in consideration of the IPCC Special Report on Global Warming of 1.5°C, and in recognition of the corporate social responsibility Hitachi is expected to fulfill, we raised our targets. In fiscal 2020, we revised our target to achieve carbon neutrality at Hitachi business sites (factories and offices) by fiscal 2030. And then in fiscal 2021, we revised our target again to achieve carbon neutrality in our value chain by fiscal 2050.

In seeking to realize a resource efficient society, we aim to improve the usage efficiency of water and other resources by 50% by fiscal 2050 (compared to fiscal 2010 levels). And in aiming to build a harmonized society with nature, we are advancing initiatives to minimize our impact on natural capital by reducing our negative impacts and maximizing our positive impacts across the value chain.

Hitachi's environmental initiatives, including the achievement of these long-term environmental targets, are mandated by the short-term Environmental Action Plan which is updated every three years and pursued Group-wide.

Environmental Vision and Long-term Environmental Targets: Hitachi Environmental Innovation 2050

Environmental Vision

Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.

The aim of Hitachi's environmental management

Decarbonized Society
Climate Change Mitigation/Adaptation

Resource Efficient Society
Saving and Recycling Resources

Harmonized Society with Nature
Preservation of Ecosystems

Long-term Environmental Targets

Hitachi's resolution looking toward 2050 and 2030

Hitachi Environmental Innovation 2050

For a decarbonized society

Achieve **carbon neutrality** by FY 2050 through the value chain

Reduce CO₂ emissions **50%** by FY 2030 (compared to FY 2010)

Achieve **carbon neutrality** by FY 2030 at business sites (factories and offices)

For a resource efficient society

Build a society that uses water and other resources efficiently with customers and society

Efficiency in use of water/resources

FY 2050 **50%** improvement (compared to FY 2010 in Hitachi Group)

Impact on natural capital

Minimized

Environmental Action Plan

Set environmental action items and targets every three years in order to achieve the long-term targets

P041 Achieving a Decarbonized Society P056 Achieving a Resource Efficient Society

P062 Achieving a Harmonized Society with Nature

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Progress in Reaching Hitachi Environmental Innovation 2050 Targets

Target	Activities
--------	------------

We are making progress with major Hitachi Environmental Innovation 2050 targets, as shown in the table below. We are generally on track, and we will continue strengthening our environmental activities to achieve these targets. Regarding the achievement of our long-term value chain target to help build a decarbonized society, we are developing activities which help to reduce CO₂ emissions by providing products with top-tier environmental performance.



Efforts to Achieve a Decarbonized Society

Reduced CO₂ Emissions at Business Sites (Factories and Offices)

	FY 2021 target	FY 2021 result	FY 2030 target	FY 2050 target
Reduction rate of total CO ₂ emissions (compared to FY 2010)	20%	37%	100% (carbon neutrality)	(Maintain 100%)



Efforts to Achieve a Resource Efficient Society

Enhanced Efficiency in the Use of Water at Business Sites (Factories and Offices)

	FY 2021 target	FY 2021 result	FY 2030 target	FY 2050 target
Reduction rate in water use per unit (compared to FY 2010 Hitachi Group)	26%	36%	—	50%

Enhanced Efficiency in the Use of Waste and Valuable Generation at Business Sites (Factories and Offices)

	FY 2021 target	FY 2021 result	FY 2030 target	FY 2050 target
Reduction rate in waste and valuable generation use per unit (compared to FY 2010 Hitachi Group)	12%	18%	—	50%

Note: See the referenced pages for details on the figures cited.

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Environmental Action Plan

To achieve its Environmental Vision and the Hitachi Environmental Innovation 2050 long-term environmental targets, Hitachi draws up an Environmental Action Plan containing indicators and targets for the three-year period covered by the Mid-term Management Plan and steadily promotes its implementation.

Environmental Action Plan for 2021 (Fiscal 2019–2021)

Target	Activities
--------	------------

Hitachi has promoted environmental activities under the Environmental Action Plan for 2021 (Fiscal 2019–2021) that were based on the 2021 Mid-term Management Plan. The targets set for fiscal 2021, which is the final year, as well as the actual results are as follows. GREEN 21 is used as a tool for evaluating and managing our achievements made over three-year periods toward the targets set.

◆◆◆ : Achieved ◆◆ : Partially achieved

Environmental Action Plan for 2021		Our environmental activities and targets are updated every three years with a view to achieving our long-term environmental targets.			
	Items	Indicators	FY 2021 targets	FY 2021 results (achievement level)	
Environmental Management	Promote environmental human capital development	Environmental human capital development of the Hitachi Group			
	Enhance global environmental management	Implementation rate of voluntary environmental audits (number of implementing sites/number of sites outside Japan)	80%	56% ◆◆	
A Decarbonized Society	Reduce CO ₂ emissions of products and services	Reduction rate of CO ₂ emissions per unit (compared to FY 2010)	21%	28% ◆◆◆	
	Address climate change risks and opportunities	Identification and review of risks and opportunities			
	Reduce CO ₂ emissions of business sites (factories and offices)	Reduction rate of CO ₂ emissions per unit ^{*1} (compared to FY 2010)	9%	6% ◆◆	
	Reduce CO ₂ emissions from transportation (shipping)	Reduction rate of transportation energy consumption per unit (Japan) ^{*2} (compared to FY 2010)	11%	11% ◆◆◆	
A Resource Efficient Society	Water circulation (factories and offices)	Enhancing efficiency in the use of water	Reduction rate in water use per unit (compared to FY 2010)	26%	36% ◆◆◆
		Respond to water risks	Promotion of measures based on water risk survey results		
	Resource circulation (factories and offices)	Enhance efficiency in the use of resources Reduce and recycle waste materials	Reduction rate in waste and valuables generation per unit (compared to FY 2010)	12%	18% ◆◆◆
A Harmonized Society with Nature	Chemical substances (factories and offices)	Reduce chemical emissions	Reduction rate in chemical atmospheric emissions per unit (compared to FY 2010)	18%	35% ◆◆◆
	Ecosystem preservation	Reduce impact on natural capital	Calculation of negative impacts (environmental impact assessment of business activities)		
		Contribute to ecosystem preservation	Promotion of ecosystem preservation activities	Calculation of positive impacts (forest conservation activities)	

Environmental Action Plan Achievement Evaluation System

GREEN 21

*1 Reduction rate of CO₂ emissions per unit refers to reductions in CO₂ emissions from just Hitachi's consumption of energy.

*2 This is a target for Japan only. Targets in other countries are set on a voluntary basis.

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Environmental Action Plan for 2024 (Fiscal 2022–2024)

Target	Activities
--------	------------

Hitachi has established a new Environmental Action Plan for 2024 (Fiscal 2022–2024) based on the 2024 Mid-term Management Plan as an initiative beginning in fiscal 2022. We will strengthen our efforts further in working to achieve the Hitachi Environmental Innovation 2050 long-term environmental targets.

Environmental Action Plan for 2024						
	Items		Indicators	FY 2022 targets	FY 2023 targets	Final FY (2024) targets
Environmental Management	Environmental human capital development	Promote environmental human capital development	Promote environmental human capital development	Environmental human capital development mindful of changes in personnel composition, including generational shifts		
A Decarbonized Society	Factories and offices	Total CO ₂ reduction	Total CO ₂ reduction (compared to FY 2010)	32%	35%	50%
		Improvement of transportation energy consumption per unit (Japan)	Improvement rate of transportation energy consumption per unit (Japan) (compared to FY 2010)	2%	3%	4%
	Products and services	Reduce CO ₂ emissions of products and services	Reduction rate of CO ₂ emissions (compared to FY 2010)	12%	13%	14%
		Promote eco-design	Contribution to CO ₂ emissions reduction	Contribution to CO ₂ emissions reduction of 100 million t per year (FY 2024)		
A Resource Efficient Society	Factories and offices	Enhancing efficiency in the use of resources	Number of sites achieving zero landfill waste*1	90	124	158
			Reduction in waste and valuables generation per unit (compared to FY 2010)	14%	17%	20%
			Reduction rate in water use per unit (compared to FY 2010)	22%	23%	24%
			Effective utilization rate of plastic waste	77%	81%	85%
Water risks	Respond to water risks	Respond to water risks	Minimization of business impacts regarding water risks			
A Harmonized Society with Nature	Chemical substance	Reduce chemical emissions	Reduction rate in chemical atmospheric emissions per unit (compared to FY 2010)	5%	6%	8%
	Ecosystem preservation	Impact on natural capital	Calculation of negative impacts (business unit/Group company-level LCA implementation) / Calculation of positive impacts (forest conservation activities)			

*1 Pursued in assumed conformance with regulations, conditions, etc. and less than 0.5%

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Environmental Action Plan Achievement Evaluation System: GREEN 21

System **Activities**

GREEN 21 is used as a system for evaluating and managing our achievements made over three-year periods toward the targets set in our Environmental Action Plan.

GREEN 21 converts the level of achievement toward the Environmental Action Plan targets at each of the approximately 160 major sites classified as category A into green points (GPs) and then makes an evaluation on a category-by-category basis. A perfect score for any category is 100 GPs. Points are awarded for meeting the Environmental Action Plan’s annual targets and as an added incentive for particularly ambitious activities. Representing progress in terms of GPs shows how much each site has achieved in each category and also enables sites to be compared with each other. The results are also used in the Environmental Action Plan’s PDCA (plan-do-check-act) cycles.

The Sustainability Promotion Division also uses the results of the GREEN 21 evaluation as a condition for awarding its Eco-Factories & Offices Select certification for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area.

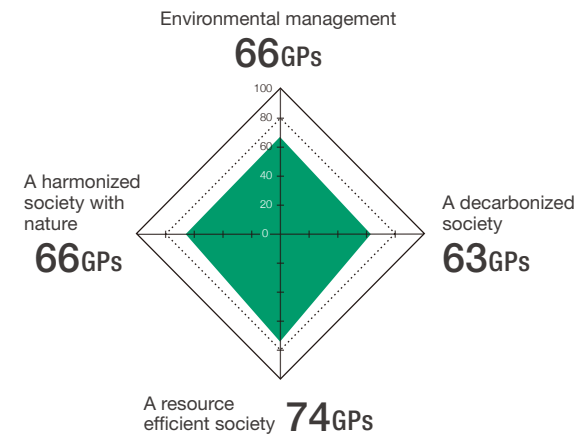
Achievements in FY 2021

The overall evaluation, which is the sum of the evaluation scores for each category, was 269 GPs which is lower than the reference score of 320 GPs in fiscal 2021. Due to the impact of the COVID-19, business trips outside of Japan were restricted and there was a decrease in production. The scores for enhancing global environmental management and reducing CO₂ emissions per unit of business site came in below the targets.

▶ **GREEN 21: Fiscal 2021 Evaluation Results (Hitachi Group)**

..... FY 2021 reference score: 320 GPs

■ FY 2021 result: 269 GPs



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// Environmental Governance

Framework for Promoting Environmental Governance

Structure GRI 102-11/102-29/102-31

To achieve our Environmental Vision and reach our long-term environmental targets called Hitachi Environmental Innovation 2050, Hitachi, Ltd. has built a global structure to support environmental decision making and implementation at Hitachi, Ltd. and consolidated subsidiaries (a total of 854 companies as of March 31, 2022).

In fiscal 2022, we established a new Sustainability Promotion Meeting, with members that include the Chief Sustainability Officer, business promotion division heads at business units and key Group companies, and RHQ Sustainability Officers, to discuss important measures concerning sustainability, including the environment, conduct monitoring of progress in reaching targets, and more. Important matters related to the environment, including decarbonization and resource circulation, that are aimed at achieving the Mid-term Management Plan are also discussed or decided on by the Senior Executive Committee and presented to the Board of Directors. At the Board of Directors in fiscal 2021, a report on Hitachi's participation in COP26 and the revision of long-term environmental targets was provided, affirming Hitachi's efforts toward the environment including carbon neutrality.

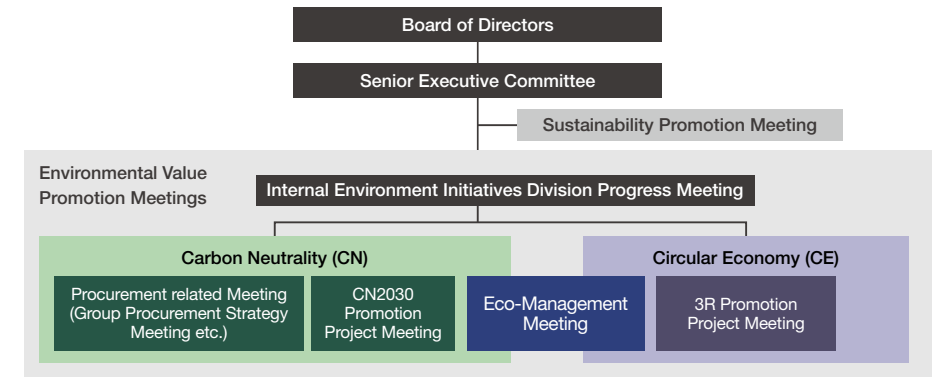
For important themes such as carbon neutrality and the circular economy, we are working to promote environmental activities throughout the Hitachi Group by setting up separate meetings composed of the heads of responsible personnels from individual BUs and major Group companies to consider Group-wide policies, share information, and so on.

With regard to the Hitachi GX Strategy, a set of comprehensive efforts aimed at realizing decarbonization and resource circulation within the Hitachi Group and in the value chain, we have newly constructed a framework for its implementation and are working to effectively promote it under the guidance of the Global Environment Division, which is managed by the Chief Sustainability Officer.

Hitachi, Ltd., a company with Nominating Committee, etc. under the Companies Act, has adopted a committee system to separate the responsibilities for management oversight from the execution of business operations. Under this system, the Audit Committee of independent directors conducts an audit of sustainability-related operations once a year. Reports on climate change and other environment-related material issues are made to the committee by executive officers of Hitachi, Ltd.

P018 Framework for Promoting Sustainability Strategy

▶ Framework for Promoting Environmental Governance



▶ Environmental Value Promotion Meetings

Meeting	Attendees	Purpose	Frequency
Sustainability Promotion Meeting	Chief Sustainability Officer, Business promotion division heads at BUs & key Group companies and RHQ Sustainability Officers	Deliberation, implementation and monitoring of material sustainability initiatives	Twice per year
Internal Environment Initiatives Division Progress Meeting	Heads of Business promotion/ Environment-related/ MONOZUKURI (production)/Procurement divisions from BUs and key Group companies	Formulating and implementing plans based on the environmental action plan	Twice per year
Eco-Management Meeting	Heads of Environment-related divisions from BUs and key Group companies	Deliberation and implementation of actual action plan to achieve Hitachi Environmental Long-term goals	Twice per year
CN2030 Promotion Project Meeting	Heads and members of Environment-related/ MONOZUKURI (production) divisions from BUs and key Group companies	Monitoring and implementation of CN action plan and discussion of acceleration	Every quarter
3R Promotion Project Meeting	Heads and members of Environment-related/ MONOZUKURI (production) divisions from BUs and key Group companies	Promotion of actions for 3R activities toward realizing CE	Every quarter
Procurement related Meeting (Group Procurement Strategy Meeting etc.)	Chief Procurement Officer, heads of the procurement divisions at BUs and key Group companies	Disseminating Hitachi group global procurement policy and strategy, and discussion on the framework of Sustainable Procurement	Twice or more per year

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System for Executive Compensation Incorporating Environmental Value

System

In fiscal 2021, Hitachi introduced evaluations that take environmental value into consideration in the executive compensation system for the first time with the aim of accelerating the creation of environmental value. All executive officers, including the CEO, set targets for environmental value and were evaluated for their achievement of individual targets.

▶ Examples of Environmental Targets Reflected in Fiscal 2022 Compensation Evaluations

Sustainability Targets	
Decarbonization	<ul style="list-style-type: none"> • Efforts to realize carbon neutrality*1 in business sites (factories and offices) by fiscal 2030 • Efforts to achieve carbon neutrality*1 by fiscal 2050 throughout the value chain
Resource efficiency	<ul style="list-style-type: none"> • Efforts related to resource efficiency

*1 Regarding fiscal 2030 and fiscal 2050 decarbonization targets, single-year targets are set Groupwide and for each BU.

📄 P166 Reflecting Sustainability Targets in Executive Compensation Evaluation

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Hitachi has globally applicable criteria for environmental management classification to conduct environmental management properly and efficiently in accordance with the environmental load and compliance risk levels of Group business sites, both large and small. We assign a score for each classification item, such as the amount of power consumed, the volume of waste generated, water usage, and whether or not legal restrictions apply. All Group business sites are classified into one of three categories: A, B, or C, and environmental management is then conducted based on the respective level of risk. Of our approximately 1,500 business sites, about 160 major sites are classified as category A currently. Among acquired Group companies, business sites with a large environmental load (equivalent to category A) are classified as category A after a few years of adjustment during which they adapt to Hitachi's environmental management.

The business units and Group companies that manage A sites participate in drawing up the Eco-Management Meeting's Environmental Action Plan, setting targets based on it and striving to achieve these targets. The Environmental Action Plan is disseminated throughout the entire Hitachi Group by environmental strategy officers, chosen from among the heads of environment divisions of those organizations.

In addition to adhering to the in-house environmental management system, our main global category A manufacturing sites have acquired third-party certification, such as ISO 14001.

P074 Number of ISO 14001 Certified Companies

📍 Categories by Criteria for Classification of Environmental Management

	Setting targets based on the Environmental Action Plan and reporting environmental load data to Hitachi, Ltd. headquarters	Reporting environmental load data to environmental strategy officers within their own group	Responding to the management classification survey and reporting violations of environmental laws and regulations to Hitachi, Ltd. headquarters
Category A	○	○	○
Category B	–	○	○
Category C	–	–	○

Environmental Data Collection System

Activities

As part of its environmental management, Hitachi uses the Environmental Data Collection System (Eco-DS) to collect about 20 categories of environmental load-related data ranging from energy use, water use, and waste generation, to whether an item falls under relevant environmental laws and regulations, and environmental accounting. In fiscal 2021, data collection covered about 1,500 business sites in 67 countries. We are working to progressively expand the scope of collection to estimate the environmental load of the entire Hitachi Group. We have also set up an international help desk to support the system's operation and promote understanding of environmental management, offering support in Japanese, English, and Chinese.

The aggregated data is used to provide feedback to improve environmental measures, such as in determining business sites' environmental management classifications; identifying environmental management issues; and sharing instructive examples within the Group, as well as to calculate green points (GPs) in GREEN 21 evaluations. Approximately 160 major sites classified as category A aggregate data on key items biannually.

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Chemical Substance Management System

Hitachi manages data on chemical substances in procured materials, parts, and products using A Gree'Net, a green procurement system compatible with the chemSHERPA*1 format, to grasp what chemical substances are used in our products—from design and development, procurement, and production to quality assurance and shipping—and to respond to export partners' legal and regulatory frameworks.

To ensure proper use of chemical substances in our business operations, we operate a database for chemical substance management called CEGNET, which keeps track of the latest laws and regulations and our own voluntary regulations and supports searches for new substance risks. The system also registers chemical substances used and aggregates data on amounts handled, emitted, and transferred in our operations, helping to reduce their volume.

*1 chemSHERPA: A shared transmission scheme throughout the supply chain to ensure proper management of chemical substances in products and continuing compliance with the ever-growing requirements of major global laws and regulations like the REACH regulation (EU regulation of Registration, Evaluation, Authorisation and Restriction of Chemicals) and RoHS directive (EU rules restricting the use of hazardous substances in electrical and electronic equipment).

Achievements in FY 2021: Briefings for Procurement Partners

Data regarding chemical substances contained in approximately 1.35 million materials, parts, and products are registered in A Gree'Net as of the end of fiscal 2021. Each year, we hold briefings for procurement partners on using A Gree'Net on using the system, chemSHERPA, and regulatory revision trends. In fiscal 2021, we held eight online briefings, for a cumulative total attendance of 2,613 people.

“Eco-Factories & Offices Select” Certification

System Activities

Hitachi recognizes business sites featuring high levels of environmental consciousness with Eco-Factories & Offices Select certification based on criteria that were developed for our manufacturing (factory) and non-manufacturing (office) divisions, making evaluations for certification each fiscal year for all locations. Superior policies from certified factories and offices are shared with the entire Group, with other locations encouraged to implement them as well to raise levels of environmental awareness.

In fiscal 2021, of our approximately 1,500 facilities, two were newly certified, and 48 had their certifications renewed. The total number of certified factories and offices was 50.

[Certified Eco-Factories and Offices Select](https://www.hitachi.com/environment/select/list/index.html)
<https://www.hitachi.com/environment/select/list/index.html>

Environmental Education for Employees

Activities Training

Hitachi offers environmental education using e-learning for all Group employees, from new hires to executive officers. We provide once a year specialized training on environmental risks and compliance with environment-related laws and regulations for working-level employees in charge of environmental management and internal environmental auditors. Particularly in China, where we have more than 20 category A sites, we provide training focused on compliance with the country's increasingly strict environmental laws and regulations.

▶ Environmental Education in Fiscal 2021

Contents of training	Target	Number of participants
e-learning material: Climate change	All employees in the Hitachi Group	132,773 people (as of March 31, 2022)
Hitachi Group training on recent amendments to laws and operational procedures as well as basic environmental management	Employees working in air, water quality, and waste management	Japan: 1,826 people from 64 companies (1,127 people in waste management, plus 699 people in legal compliance) China: 163 people from 59 companies
Environmental management training program to reduce environmental risks in China and raise the knowledge of working-level employees	Working-level employees	191 people from 61 companies
Training for new employees	New employees in the China Hitachi Group	17 people from 10 companies

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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Environmental Compliance

Activities

In addition to ensuring compliance with the laws and regulations of each country and region, Hitachi strives to minimize environmental risks by setting compliance with voluntary management criteria that are more stringent than regulatory requirements and carrying out internal audits. We make periodic examinations of soil and groundwater for any contamination at business sites where hazardous chemical substances are being or were once used. If contamination is found, we will conduct cleaning and monitoring activities until decontamination is complete.

If we find a violation or receive a complaint, we take steps to share information about the causes and countermeasures throughout the Group and connect these efforts to the prevention of similar incidents. Business sites where legal or regulatory violations have occurred in particular are designated as high-risk business sites for a three-year period as a corrective measure. Appropriate guidance provided to such sites by business units and Group companies in charge of their management serves to strengthen their compliance activities on an ongoing basis and prevent recurrences.

📍 Implementation Status of Internal Environmental Audits

Implementing division	Target	Frequency
Corporate division of Hitachi, Ltd. (Sustainability Promotion Division)	Business units, headquarters of Group companies, and business sites classified as category A in our environmental management classification	
Corporate divisions of business units and Group companies (environment divisions)	Major business sites and subsidiaries of business units and Group companies*1 Sites of business units and Group companies outside Japan that are classified as category A in our environmental management classification*2	Usually every three years
ISO 14001-certified sites (audit teams)	Divisions within business sites	

*1 According to the Hitachi Group Global Audit Standards, which specify matters concerning internal audits conducted by business units and Group companies.

*2 According to the Environmental Action Plan.

📄 P074 Number of Regulatory Violations and Complaints

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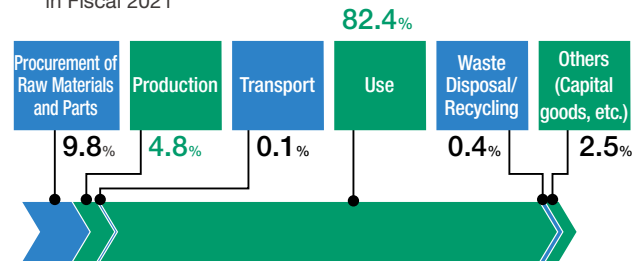
Efforts to Achieve a Decarbonized Society Approach

Hitachi has set out a target to achieve carbon neutrality throughout its value chain by fiscal 2050 among its long-term environmental targets called Hitachi Environmental Innovation 2050 in order to help build a decarbonized society.

In fiscal 2022, we have put in place two green strategies—GX for GROWTH and GX for CORE—and are working to accelerate measures aimed at achieving the target. Under GX for GROWTH, we contribute to decarbonization efforts by our customers and society through the provision of products and services with a low environmental burden. Further, under GX for CORE, we accelerate measures aimed at achieving carbon neutrality at Hitachi business sites (factories and offices) by fiscal 2030.

The majority of our value-chain emissions result from the use of our products and services after they are sold, making this stage of our value chain the key to reducing CO₂ emissions.

▶ Ratio of CO₂ Emissions at Each Stage of Hitachi Value Chain in Fiscal 2021



* Percentages may fluctuate due to changes in our business portfolios

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

Environmental Strategy for Achieving a Decarbonized Society

Target Activities

Toward a Decarbonized Society

- Achieve carbon neutrality by fiscal 2050 through the value chain and reduce CO₂ emissions by 50% by fiscal 2030 (compared to fiscal 2010)
- Achieve carbon neutrality at business sites (factories and offices) by fiscal 2030

Initiatives for Achieving a Decarbonized Society

(1) Achieve carbon neutrality at our own business sites and production activities (by fiscal 2030)

- Introduce energy-saving and renewable energy equipment.
- Procure 100% non-fossil electricity across all business sites.

(2) Achieve the world’s highest level of energy conservation in products

- Achieve energy conservation by developing products that take the environment into consideration from the design stage.

(3) Support businesses that contribute to the carbon neutrality of society as a whole

- Power grids business to support the expansion of renewable energy.
- Provision of EV systems and related infrastructure and energy-efficient high-speed trains and storage battery hybrid trains for the spread of carbon-free mobility.
- Provide Lumada solutions that support the realization of a decarbonized society through digitalization.

(4) Develop technologies to realize the transition to a decarbonized society

- Development of high-efficiency products, energy management systems and hydrogen-related technologies.

(5) Work with procurement partners toward a decarbonized society

- Raise awareness, by distributing our Sustainable Procurement Guidelines and Green Procurement Guidelines, and requesting 70% of our procurement partners (procurement spending basis, excluding publicly listed subsidiaries) to formulate CO₂ reduction plans

P042 Expanding the Decarbonization Business

P045 CO₂ Emission Reduction at Business Sites (Factories and Offices) and Hitachi Carbon Neutrality 2030

P132 Responsible Procurement

Hitachi Integrated report 2022 / Green Strategy (P29-33)

<https://www.hitachi.com/IR-e/library/integrated/>

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Contributing to a Decarbonized Society Through the Decarbonization Business

Expanding the Decarbonization Business

Approach	Activities
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To help achieve a decarbonized society as set out in Hitachi's Environmental Vision, Hitachi provides value to customers and society by pursuing a decarbonization business that contributes to the reduction of CO₂ emissions, leveraging collaborative creation with our partners. Hitachi has three major sectors—Green Energy & Mobility, Digital Systems & Services, and Connective Industries—as well as the Hitachi Astemo, automotive business area. We are developing the following businesses that contribute to decarbonization:

- Businesses that help to accelerate the energy shift aimed at realizing decarbonization
- Businesses that provide safe, comfortable, and clean mobility
- Businesses that help to reduce CO₂ emissions by using cutting-edge digital technologies to improve the efficiency of systems that underpin society
- Businesses that help to decarbonize industries and cities by creating a resilient supply chain
- Businesses that contribute to the electrification and autonomous driving of vehicles

We will work to expand our decarbonization business through the provision of these varied solutions, thereby helping the world to mitigate and adapt to climate change.

▶ Examples of Decarbonization Business: A Hitachi Focus

<p>Green Energy & Mobility</p>	Power grid solutions	• Enhancing efficiency of transformers, high voltage products, and power transmission/distribution
	Grid automation	• Advancing smart grid control, etc.
	Power generation	• Promoting power generation systems using wind and other non-fossil energy sources
<p>Digital Systems & Services</p>	Railways	<ul style="list-style-type: none"> • Enhancing energy-saving features of rolling stock • Developing smart operating systems • Enhancing maintenance service efficiency through rolling stock monitoring
	Finance and public-oriented solutions	• Promoting digital solutions
	Data centers	• Developing smart data centers
<p>Connective Industries</p>	Servers/storage	• Enhancing energy-saving features of servers and storage
	Smart logistics	• Improving energy-saving features through fully IT-enhanced logistics
	Factory automation	• Enhancing energy efficiency through shorter lead times
<p>Hitachi Astemo (Automotive business)</p>	Water business	• Enhancing efficiency of water and sewage systems
	Industrial products	• Enhancing efficiency of industrial products
	Smart cities	• Reducing CO ₂ through comprehensive urban energy management solutions
	Home appliances	<ul style="list-style-type: none"> • Enhancing energy efficiency of home appliances • Promoting connected home appliances
	Smart therapies	• Enhancing energy-saving features of medical devices
	Elevators	<ul style="list-style-type: none"> • Enhancing energy-saving features of elevators and escalators through replacement • Enhancing energy efficiency through total building solutions
Vehicle electrification	• Promoting electrification through electric powertrain systems	
	AD/ADS (Automatic Driving, Advanced Driver-Assistance Systems)	• Reducing CO ₂ by improving operational efficiency through AD/ADAS solutions

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Efforts to Reduce CO₂ Emissions During the Use of Products and Services

Approach	Activities
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To reduce CO₂ emissions from the use of our products and services, which make up the largest proportion of emissions in our value chain, we have established target reduction rates of CO₂ emissions per unit based on fiscal 2010. For each product or service subject to this initiative, we calculate the reduction rate with CO₂ emissions as the numerator and function size*¹ as the denominator. We will also help our customers and society to reduce CO₂ emissions through the products and services we sell. Hitachi aims to lead the world in decarbonization by making a reduction contribution of approximately 100 million metric tons/year in fiscal 2024 through enhancing power grid resilience and promoting the adoption of renewable energy and advancement of energy conservation throughout society in our aim of realizing a sustainable society.

Approach to Calculating CO₂ Emission Reductions

The Guidelines on Calculating CO₂ Emission Reductions for Hitachi Group Products and Services*² specify the following three methods for calculating different types of CO₂ emission reductions. Figures considered reductions for products and services while in use under the GHG Protocol, a standard for calculation and reporting of GHG emission, are calculated using method (1). Methods (2) and (3) are for avoided emissions.

(1) Energy-saving feature enhancements

Set a reduction rate of CO₂ emissions per unit (compared to fiscal 2010) based on efficiency enhancements such as energy-saving feature enhancement in products and services. Every year, calculate reductions in CO₂ emissions considering the production volume of the relevant year.

(2) Reduction through new systems and solutions based on technological innovation

Calculate avoided emissions as reductions in CO₂ emissions due to the dissemination of new systems and solutions that emit less CO₂ while providing equivalent value to existing products, services, and solutions.

(3) Reduction through the deployment of non-fossil energy systems

Calculate avoided emissions as reductions in CO₂ emissions due to the introduction of renewable and other non-fossil energy systems, as compared to existing grid-supplied electricity (using the average emissions factor of the base year, fiscal 2010).

*1 Major functions of products correlated with CO₂ emissions, such as their output and volume

*2 The Guidelines are based on various standards, including the Guidance on Quantifying Greenhouse Gas Emission Reductions from the Baseline for Electrical and Electronic Products and Systems (IEC TR62726) issued by the International Electro-technical Commission (IEC), and calculation methods established by governments or industrial associations.

Achieving CO₂ Emission Reductions During the Use of Products and Services

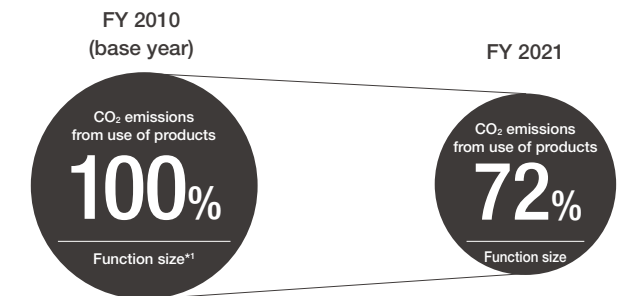
Target	Activities
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GRI 305-4/305-5

Hitachi set a target for fiscal 2021 of a 21% reduction in CO₂ emissions per unit from products and services compared to the base year of fiscal 2010 and achieved a 28% reduction. The achievement of this target was driven by the introduction of new models of high energy-saving equipment used in industrial equipment and social infrastructure.

Environmental Action Plan for 2021 Management Values

➤ Reduction in CO₂ Emissions per Unit (Hitachi Group)



Reduction in CO₂ emissions per unit (Hitachi Group)

From base year **28% reduction**
FY 2021 reduction target rate: 21%

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Improving the Environmental Performance of Products and Services Through Eco-designs

System

Activities

For all products and services involving a design process, Hitachi promotes eco-designs by applying our Environmentally Conscious Design Assessments to steadily improve environmental performance throughout the Group. We identify 30 environmental impact items that may cause climate change, resource depletion, and ecosystem degradation across the entire life cycle of products and services, assess the level of environmental burden reduction across our business activities in multifaceted ways, and strive to achieve further reductions.

Initiatives for Improving Environmental Performance of Products and Services

- Promoting environmentally conscious processes: In accordance with the IEC 62430*1 criteria, promote environmentally conscious processes in designing and developing products and services including by meeting environmental regulatory requirements and ascertaining the environment-related needs of our stakeholders within our existing management system.
- Implementing Life Cycle Assessments (LCAs): For our main, priority products, quantitatively evaluate their global environmental burden in such areas as the consumption of mineral resources, fossil fuels, and water resources, as well as their impact on climate change and air pollution, disclose the results to our stakeholders, and utilize them in improving the design of next-generation products.

*1 The standard developed by the International Electrotechnical Commission (IEC) concerning environmentally conscious design for electrical and electronic products.

 [Case studies of Reducing CO₂ Emissions Throughout the Value Chain](https://www.hitachi.com/environment/casestudy/index.html#case01)

<https://www.hitachi.com/environment/casestudy/index.html#case01>

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Contributing to a Decarbonized Society at Business Sites (Factories and Offices)

CO₂ Emission Reductions at Business Sites (Factories and Offices) and Hitachi Carbon Neutrality 2030

Policy Activities

In working toward realizing a decarbonized society, Hitachi has set the goal of realizing carbon neutrality by fiscal 2030 at all business sites (factories and offices) as part of its long-term environmental targets called Hitachi Environmental Innovation 2050.

Our roadmap to achieving this goal sets targets of reducing CO₂ emissions by 50%, compared to the base year, by fiscal 2024 and 80% by fiscal 2027 toward realizing carbon neutrality by fiscal 2030.

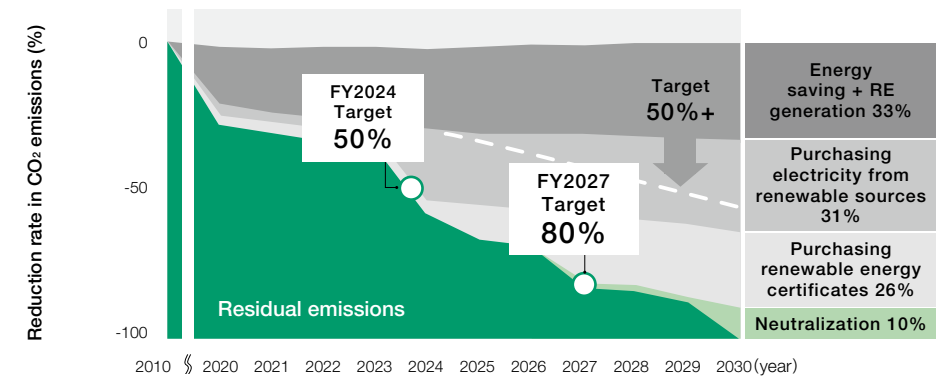
Approaches to reducing CO₂ emissions include installing energy-saving and renewable energy equipment (including PPAs^{*1}) and purchasing electricity from renewable sources, renewable energy certificates,^{*2} and high-quality credits for neutralization (environmental value obtained by removing carbon from the atmosphere). Among these, installing energy-saving and renewable energy equipment is expected to incur high costs relative to the amounts of reduction. However, it will also lead to reduced risks associated with factors including anticipated sharp rises in energy pricing and increased costs from carbon taxes and the expansion of carbon tax transactions. It also aligns with our Corporate Mission — “To contribute to society through the development of superior, original technology and products” — and for this reason as well, we are placing a priority focus on this approach. Currently, we have set the target at a 33% reduction to be made by fiscal 2030, however we are working to increase that level to 50%.

^{*1} Power Purchase Agreement (PPA): An arrangement in which a company (PPA provider) that owns and manages solar power generation equipment installs a solar power generation system in a space furnished by a facility owner, such as a lot or rooftop, and the electricity generated by it is supplied to the facility for a fee.

^{*2} Renewable energy certificate: Accredits the environmental value associated with electricity generation from renewable energy sources. Unlike the purchase of renewable electricity, acquisition of this environmental value, which is separate from the electricity itself, is regarded as equivalent to reducing CO₂ emissions.

GRI 305-4/305-5

▶ CO₂ reduction roadmap (as of Mar. 2022)



Concrete efforts to achieve carbon neutrality at business sites, categorized by location type (factories, offices), can be outlined as shown below.

▶ Major Initiatives for Reducing CO₂ Emissions at Business Sites (Factories and Offices)

Factories	<ul style="list-style-type: none"> ● Improve equipment efficiency by introducing and upgrading to high-efficiency equipment (Determine priority measures and manage introduction and upgrade rates) ● Improve production efficiency and energy use efficiency during production through use of the Lumada platform and production technologies cultivated from our long years of experience ● Optimize equipment operations and reduce wasted energy by installing smart meters ● Review product designs and processes ● Optimize control of equipment operations in response to production conditions
Offices	<ul style="list-style-type: none"> ● Build/move to new facilities with high energy efficiency ● Combine and integrate existing facilities ● Install energy-saving equipment and optimize equipment operations in collaboration with building owners
Factories and offices	<ul style="list-style-type: none"> ● Install renewable energy systems ● Use electricity from renewable sources ● Adopt renewable energy certificate systems ● Introduce off-balance-sheet solar power generation for self-consumption ● Promote investment in carbon-reduction equipment through adoption of the Hitachi Internal Carbon Pricing (HICP) framework

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The Hitachi Internal Carbon Pricing Framework

System

To promote CO₂ reduction at its business sites (factories and offices), in fiscal 2019 Hitachi introduced the Hitachi Internal Carbon Pricing*¹ (HICP) framework.

Specifically, with reference to emissions trading and carbon taxes globally, we establish company-internal carbon prices, convert into monetary value the effect of CO₂ reductions due to investment in equipment that contributes to decarbonization, add this to the value of energy reduction effects, and use the result to evaluate the effect of our investment. By applying incentives like these, we aim to further expand our investment in equipment that contributes to decarbonization.

Initially, we set the HICP rate at 5,000 yen/t-CO₂ in consideration of 2025 carbon taxes and carbon trading prices (ETS²). Subsequently, looking ahead to 2030, we increased the rate to 14,000 yen/t-CO₂ in August 2021 in consideration of anticipated carbon taxes and carbon trading prices. We will leverage this framework to provide early responses to future risks such as carbon taxes as well as to actively promote the installation of energy-saving and renewable energy equipment, our highest priority initiative aimed at achieving carbon neutrality.

Increased burdens from carbon taxes and new emission regulations can be anticipated in the future. Taking such risk factors into account from the stage of equipment investment considerations and making investments that contribute to decarbonization a higher priority will help minimize the impacts of future climate change risks and make our company more resilient. The introduction of the HICP framework is instrumental in this process.

*1 Internal carbon pricing: An in-house tool for assessing in monetary terms the amount of carbon generated or reduced in order to voluntarily make investment decisions and conduct risk management.

*2 Emission Trading Scheme

Achievements in FY 2021

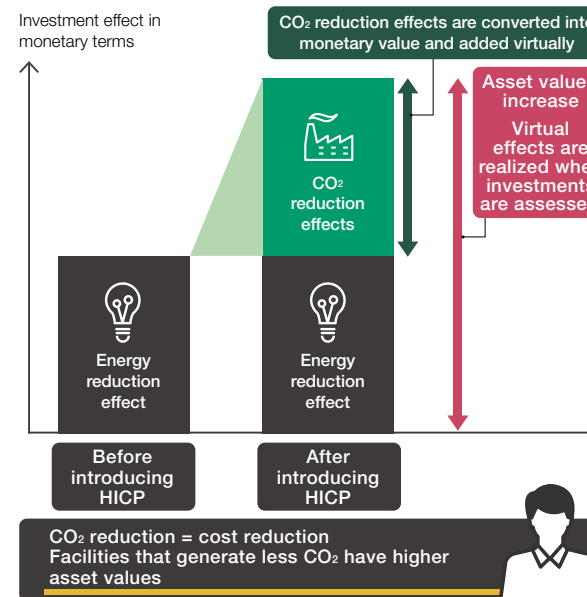
As a result of Hitachi's creation and implementation of the HICP framework, we have made additional investments in equipment that was previously judged to be effective in reducing CO₂ emissions for projects that had not originally received sufficient investment due to their low levels of investment efficiency.

In fiscal 2021, we invested in 59 cases of energy-saving equipment with a total investment of 1.460 billion yen. These investments contributed to an annual reduction of 1,230 metric tons of CO₂ emissions. The annual amount of CO₂ emission reductions from our business sites improved 2% compared to the previous fiscal year.

With factors including the revised rate of 14,000 yen/t-CO₂, 33% of overall investments contributing to decarbonization were selected through the HICP framework. The scope of investments broadened to include categories such as reducing energy use in production facilities in addition to conventional categories like upgrading to high-efficiency equipment.

Hitachi Internal Carbon Pricing (HICP) Framework

Approach to Assessing Investment Effectiveness with HICP



Actions and Achievements

Activities

GRI 302-1/305-4/305-5

At Hitachi, the achievement of environmental targets for individual business sites (factories and offices) set by the Environmental Action Plan for 2021 is measured by CO₂ emissions per unit. Because we conduct business in various sectors, the KPI of CO₂ emissions per unit for each business site is calculated using the site's CO₂ emissions as the numerator and its activity amount¹ as the denominator.

In fiscal 2021, which was also the final year of the Environmental Action Plan for 2021, the reduction rate of CO₂ emissions per unit was 6% against a target of 9% (compared to the base year of fiscal 2010). Reasons for not reaching the target include an increase in the operation of equipment with high energy consumption in factories and lower production efficiency due to the inability stemming from COVID-19 to procure certain components.

Also, total CO₂ emissions increased by approximately 2.6%, or 88 kt-CO₂,*² compared to fiscal 2020. This was influenced by an increase in operations by materials divisions.

*1 Activity amount is a value closely related to CO₂ emissions at each business site (for example, production quantity, output, building floor space, and number of employees).

*2 The CO₂ electrical power conversion factor for total CO₂ emissions is market-based

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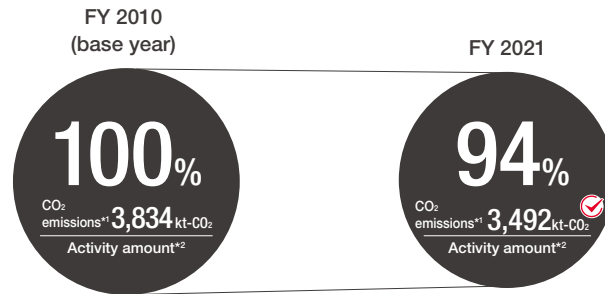
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Environmental Action Plan for 2021 Management Values

CO₂ emissions reduction rate per unit (Hitachi Group)



CO₂ emissions reduction rate per unit at Business Sites (Factories and Offices) **6% reduction** From base year
 FY 2021 reduction target: 9%

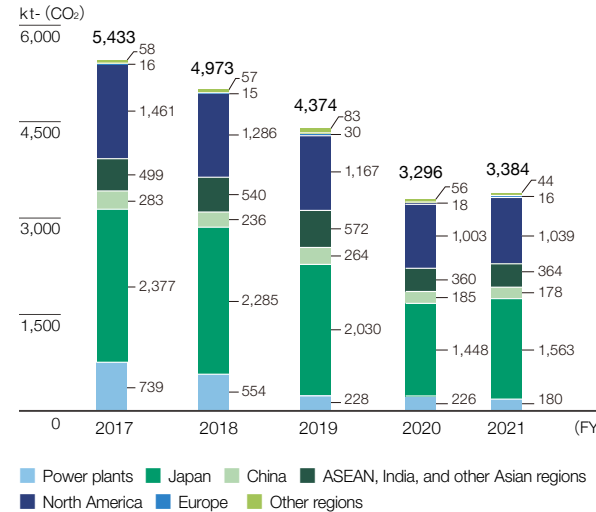
Notes: • As with the CO₂ electrical power conversion factor in calculations of CO₂ emissions per unit, a unified factor of 0.530 kg-CO₂/kWh is applied across the entire Hitachi Group.

• The Environmental Action Plan's management values do not include amounts for our power plants in fiscal 2010 (base year) or fiscal 2021. Emissions, which provide the base for intensity metrics, are calculated according to the boundary of environmental performance aggregation data for fiscal 2021.

*1 CO₂ emitted from the organization (SCOPE 1 and 2).

*2 Activity amount is a value closely related to CO₂ emissions at each business site (for example, production quantity, output, building floor space, and number of employees).

CO₂ Emissions (Hitachi Group's factories, offices, and power plants)



Notes: • Regarding CO₂ electrical power conversion factors: in Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; outside of Japan, the latest values for each fiscal year supplied by the International Energy Agency (IEA) for individual countries and by power supply companies are used.

- Energy-related CO₂ emissions in fiscal 2021 were 1,245 kt-CO₂ (SCOPE 1) and 2,139 kt-CO₂ (SCOPE 2, market-based).
- In addition to this figure, the fiscal 2021 CO₂ emissions of an energy-related company and automotive business companies, which became consolidated subsidiaries in fiscal 2020, were 175 kt-CO₂ and 601 kt-CO₂, respectively. The companies' CO₂ emissions will be incorporated into the Hitachi Group's CO₂ emissions from fiscal 2022.
- 3.2 kt-CO₂ through the use of carbon-neutral city gas*1 and 3.6 kt-CO₂ achieved with credits for neutralization are excluded from SCOPE 1.

*1 Carbon-neutral city gas: A type of liquefied natural gas for which greenhouse gases generated through processes from the extraction to the combustion of the natural gas are offset with carbon neutralization credits so that it can be regarded as equivalent to generating no CO₂ on a global scale.

P067 Calculating GHG Emissions Throughout the Value Chain (Fiscal 2021)

P069 Environmental Load from Operations

Introducing Renewable Energy

Activities

Hitachi is promoting the generation of power through solar, wind, and other forms of renewable energy at its business sites. We are advancing related efforts with the aim of raising the share of this power in our total electricity consumption to 5% by fiscal 2030.

As well, for electricity we purchase, we are also offsetting any CO₂ emissions that cannot be reduced through energy-saving and renewable energy equipment by adopting the use of electricity from renewable sources. Going forward, we plan to reduce the total amount of electricity acquired by promoting even greater energy-saving. Renewable electricity used will be based on the standards set by the GHG Protocol.

Achievements in FY 2021

Renewable electricity generation across the Hitachi Group in fiscal 2021 increased by 56% compared to fiscal 2020, accounting for 0.7% of the electricity consumed by the entire Hitachi Group. Also, the amount of purchased renewable electricity used by the Hitachi Group in fiscal 2021 increased by 36% compared to fiscal 2020, accounting for 3.4% of the electricity consumed by the entire Hitachi Group.

Together, generated and purchased renewable electricity accounted for 4.1% of the electricity consumed by the entire Hitachi Group in fiscal 2021.

At ten sites in the United States, Europe, and Japan all the electricity used came from renewable sources. Moreover, three Hitachi High-Tech Group sites and one Hitachi Industrial Equipment Systems Group site have achieved carbon neutrality by promoting further enhanced energy-saving and purchasing high-quality credits for neutralization.

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Business Sites Fully Powered by Renewable Electricity

Hitachi Computer Products (US)	1 site	11,263 MWh (wind power)	—
Hitachi Rail Italy	3 sites	31,635 MWh (hydroelectric power, etc.)	—
Hitachi Astemo (UK)	1 site	3,954 MWh (hydroelectric power, etc.)	—
Hitachi High-Tech Group (Japan)	3 sites	11,104 MWh (hydroelectric and wind power)	carbon neutrality
Hitachi Industrial Equipment Systems Group (US)	1 site	11,171 MWh (wind power)	carbon neutrality
Hitachi Construction Machinery Group (Japan)	1 site	11,702 MWh (wind and solar power)	—
Total	10 sites	80,829 MWh	

Case studies of Energy Savings in Eco-Factories & Offices

<https://www.hitachi.com/environment/casestudy/index.html#case02>

Reducing Transportation Energy Consumption

Activities

As part of its efforts to reduce energy output during transportation as well as at its business sites (factories and offices), Hitachi has established targets for the reduction of transportation energy use per unit for each business unit and Group company in Japan.

Outside Japan these targets are voluntary. Our business sites are promoting a modal shift to highly efficient transportation methods by improving truck loading ratios, taking other measures to reduce transportation energy consumption and switching to the use of eco-cars for in-house operations.

Eco Rail Mark Certification and Initiatives

Considering a modal shift from truck to rail transportation a high priority, we are working toward “Eco Rail Mark company” and “Eco Rail certified product” certifications from the Ministry of Land, Infrastructure, Transport, and Tourism. Transitioning from truck to railway transportation is expected to reduce CO₂ emissions per unit to one-thirteenth of its current level, and we plan to continue expanding our use of railways for long-distance transportation.

About the Eco Rail Mark

<https://www.mlit.go.jp/tetudo/ecorailmark/ecorailmark-english.html>

Eco Rail Mark Initiatives

Company	Certification
Hitachi, Ltd.	Eco Rail Mark company* ¹ Eco Rail certified product* ²
Hitachi Channel Solutions	Eco Rail Mark company* ¹
Hitachi Industrial Equipment Systems	Eco Rail certified product* ²



*1 A mark conferred on companies using railways for more than 15% of freight land transportation covering 500 km or more; for 15,000 metric tons or more in volume per year; or for more than 15 million ton-kilometers in volume × distance per year.
*2 A mark conferred on products using railways for more than 30% of freight land transportation covering 500 km or more in terms of volume × distance.

Achievements in FY 2021

To reduce CO₂ emissions in fiscal 2021, we focused on improving efficiency when loading products for transportation, increasing the use of coordinated transportation, and optimizing transport vehicles. However, due to increased production by our materials divisions and construction machinery divisions, CO₂ emissions from transportation within Japan totaled 74.3kt-CO₂ , an increase of 5.4kt-CO₂, or 7%, compared to fiscal 2020.

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Climate-related Financial Information Disclosure (Based on TCFD Recommendations) GRI 102-12

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosures (TCFD). The following contains key climate-related financial information in line with the TCFD’s recommendations.

Governance

Structure

Hitachi sees climate change and other environmental issues as important management issues.

Important matters concerning the Group’s sustainability strategy, including climate change measures, are discussed and decided on by the Senior Executive Committee and are presented to the Board of Directors according to necessity. Hitachi’s long-term environmental targets called Environmental Innovation 2050, which include reducing CO₂ emissions, were reviewed and approved by the Board of Directors when they were established and revised, and then shared with the public.

In addition, the Audit Committee of independent directors conducts an audit of sustainability-related operations once a year, and Hitachi executive officers report on climate-related issues to the committee during the audit.

As for TCFD initiatives outside the company, since 2019 Hitachi has participated in the TCFD Study Group on Green Finance and Corporate Disclosures arranged by Japan’s Ministry of Economy, Trade and Industry (METI). In addition, we have participated in the TCFD Consortium, which holds discussions on efforts to link companies’ effective information disclosure and the information they disclose with appropriate investment decisions by financial institutions and others, as a Steering Committee member and contributed to

their guidance formulation.

P018 Framework for Promoting Sustainability Strategy

P036 Framework for Promoting Environmental Governance

Strategy

Approach GRI 102-11/102-15/102-29/201-2

We are responding to climate change by fulfilling our responsibilities as a global company by helping to achieve a decarbonized society. Under the RCP 2.6*¹ and RCP 8.5*² scenarios of the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), we established long-term environmental targets called Hitachi Environmental Innovation 2050—as a transition plan to a decarbonized society—in fiscal 2016 under our Environmental Vision. Moreover, in order to help limit the global temperature rise to 1.5°C as recommended in the IPCC Global Warming of 1.5°C report, in fiscal 2020 we revised our target to achieve carbon neutrality at Hitachi factories and offices by fiscal 2030. And then in fiscal 2021 we revised our target again to achieve carbon neutrality in our value chain by fiscal 2050.

Our aim is to help create a decarbonized society, and we work to achieve the ambitious targets to realize that goal.

*1 A Representative Concentration Pathway (RCP) scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.

*2 An RCP scenario that assumes that emissions will continue to rise resulting in an approximately 4°C rise in global temperatures compared to preindustrial levels.

P031 The Environmental Vision and Hitachi Environmental Innovation 2050

P041 Environmental Strategy for Achieving a Decarbonized Society

P045 CO₂ Emission Reductions at Business Sites (Factories and Offices) and Hitachi Carbon Neutrality 2030

Identification and Assessment of Climate-related Risks and Opportunities

The Hitachi Group operates a broad array of businesses around the world with each business having its own set of risks and opportunities. We are responding to the impact of climate change by assessing climate-related risks and opportunities in accordance with TCFD classifications. We make sector-specific assessments of risks and opportunities for important business sectors that have a relatively high likelihood of being affected by climate change. Our assessments are also categorized according to time span, namely short term, medium term, and long term as defined below.

▶ Time Spans for Assessing Climate-related Risks and Opportunities

	Time span	Reason for adoption
Short term	Over the next three years from fiscal 2022 to 2024	Corresponds to the three-year management period covered by the Environmental Action Plan for 2024 established in line with the 2024 Mid-term Management Plan
Medium term	Through fiscal 2030	Time span of our fiscal 2030 long-term environmental targets
Long term	Up to fiscal 2050	Time span of our fiscal 2050 long-term environmental targets

▶ Degrees of Impact

Impact	Definition
Major	Has an impact sufficient to disrupt business or cause it to substantially decrease or increase
Medium	Part of the business is impacted.
Minor	There is little impact.

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Responding to Climate Scenario Risks and Opportunities for Each Business

Hitachi operates a broad array of businesses with each business having its own set of risks and opportunities. We therefore selected businesses that have a relatively high likelihood of being affected by climate change and conducted scenario analyses on them. In selecting the businesses, we took into account the factors of, high sales volume within the Group, and relatively high need for fossil fuels when products and services are used, as well as high CO₂ emissions.

The businesses we selected using these criteria were railway systems, power generation and power grids, IT systems, industrial equipment, automotive systems, and construction machinery.

For each of these businesses, we considered the business environment under the 1.5°C and 4°C scenarios and how we would respond.

- **1.5°C scenario** As projected by the IPCC's RCP 2.6 climate model, the IEA 450 Scenario, and other scenarios, we are anticipating a world where stringent measures and regulations will be implemented to help realize a decarbonized society. Therefore, we investigated risks and opportunities on the premise of carbon neutrality by fiscal 2050.

- **4°C scenario** We focused on there being increased climate-induced natural disasters as a result of lax regulations as projected by the IPCC's RCP8.5 scenario and other scenarios.

Our assessment of the major risks and opportunities for the selected businesses are outlined in the following table.

📌 The Business Environment, Major Risks and Opportunities, and Strategies under the 1.5°C and 4°C Scenarios

Note: This table is divided into the following three pages.

Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems
The business environment and major risks and opportunities under the 1.5°C scenario	<p>Business environment Global demand for transport systems that emit less CO₂ per distance covered will grow with tighter CO₂ emission regulations in each country and region.</p>	<p>Business environment Global demand for electricity generated from renewable energy, nuclear power, and other non-fossil sources will grow with tighter CO₂ emission regulations in each country and region. Power networks will increasingly accommodate natural energy produced through distributed generation.</p>	<p>Business environment Demand for energy-saving, high-efficiency IT solutions will grow with tighter CO₂ emission regulations in each country and region. There will also be increased demand for data centers and data analysis systems to accommodate the expansion of financial services such as investments and loans for decarbonization businesses, green bond issues, and data utilization businesses.</p>	<p>Business environment Global demand for energy-saving industrial equipment will grow with tighter CO₂ emission regulations in each country and region.</p>	<p>Business environment Electric vehicles will rapidly spread with tighter laws and regulations on fuel efficiency and environmental standards, and increases in fossil fuel prices. Markets for alternative non-fossil technologies like hydrogen and biofuel vehicles will expand. The number of countries and regions with near zero sales of internal combustion engine vehicles will increase.</p>
	<p>Risks Competitiveness will decline if there are delays in the development of innovative emission-reducing technologies including those to improve the efficiency of railway services through digital utilization such as dynamic headway (flexible operations in response to passenger demand) and new mobility services like MaaS.</p>	<p>Risks Delays in the construction of power networks that would enable the mass introduction of renewable energy with large output fluctuations.</p>	<p>Risks Competitiveness will decline if there is a lack of technological and human resource development to provide energy-saving and highly efficient IT solutions and also if decarbonized measures for energy-intensive data centers are delayed.</p>	<p>Risks Competitiveness will decline if there are delays in the development of high-efficiency, low-loss products.</p>	<p>Risks Delay transition to a new business environment caused by rapidly development of internal combustion engine vehicles will potentially decline sales.</p>
	<p>Opportunities Demand will grow for railways, which emit less CO₂ per distance covered. There will be a shift to energy-saving railcars from conventional models, and the efficiency of railway services will be improved through digital utilization. Data usage will also boost demand for new mobility services.</p>	<p>Opportunities Business opportunities will grow with rising demand for renewable energy—the key to a decarbonized future—and with the provision of grid solutions, digital service solutions, and energy platforms that can accommodate the diversification of energy suppliers.</p>	<p>Opportunities Demand will grow for energy-saving and high-efficiency information systems that contribute to zero-emissions. There will also be increased demand for environment-related financial services as investments and loans for decarbonization businesses and green bond issues.</p>	<p>Opportunities Utilization of IoT, digitalization, and connected systems to develop innovative products and solutions that contribute to CO₂ emission reductions without relying on the energy-saving features of individual products.</p>	<p>Opportunities Expanding market for electric, hydrogen, and biofuel vehicles including motorcycles to replace internal combustion engine vehicles.</p>

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Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems
<p>The business environment and major risks and opportunities under the 4°C scenario</p>	<p>Business environment Demand for electric-powered transport will gradually increase even without tighter energy regulations. Damage from typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p>	<p>Business environment The cost competitiveness of non-fossil energy will increase, and demand for renewable, nuclear, and other non-fossil energy will increase as the expansion of energy consumption pushes up the price of fossil fuels. Natural disasters caused by climate change will rise sharply.</p>	<p>Business environment Demand for new, high-efficiency technology will expand as multiplex IT systems in response to natural disaster BCPs will result in increased energy consumption. Demand will also grow for social and public systems to reduce damage from natural disasters.</p>	<p>Business environment Typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p>	<p>Business environment Fuel efficiency laws and regulations will remain lax globally, and internal combustion engine vehicles will remain a major mode of transport. The modal shift will be slow, as conventional automobiles and motorcycles will remain predominant. Typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p>
	<p>Risks The high frequency of natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains leading to delays in deliveries and the procurement of parts.</p>	<p>Risks The high frequency of natural disasters will increase damage to power generation and transmission/distribution facilities, hamper efforts to restore power transmission/distribution, and disrupt supply chains leading to delays in deliveries and the procurement of parts.</p>	<p>Risks Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains leading to delays in deliveries and the procurement of parts.</p>	<p>Risks Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains leading to delays in deliveries and the procurement of parts.</p>	<p>Risks Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains leading to delays in deliveries and the procurement of parts.</p>
	<p>Opportunities Transport systems more resilient to natural disasters can be developed. Competitiveness can be enhanced by providing added value in such forms as energy-saving railcars and adaptability to new technologies.</p>	<p>Opportunities Energy demand will grow as warmer weather leads to increased use of air conditioning. Demand will increase for disaster-resilient power generation and transmission/distribution technologies.</p>	<p>Opportunities Demand will increase for social and public systems that help reduce damage from natural disasters and for IT systems required as part of BCP.</p>	<p>Opportunities Efforts to accommodate IoT products will lead to higher demand for remote control and remote maintenance during natural disasters.</p>	<p>Opportunities Demand will grow for technologies to enhance the efficiency of internal combustion engines.</p>
<p>Non-environmental market factors (neither the 1.5°C nor 4°C scenario)</p>	<ul style="list-style-type: none"> ● Economic growth will lead to urbanization and population growth around the world which will drive the railway business globally as an efficient form of public transport for large numbers of passengers regardless of climate conditions. Market size in Japan will remain flat, but the Asian market overall will see substantial growth. ● Long-distance transport will decline going forward as the global pandemic restricts travel and encourages remote work. Although the decline in demand will not be as severe as that for air transport. ● Competition will grow as major railway manufacturers in various countries will expand their businesses to meet global demand. 	<ul style="list-style-type: none"> ● Economic growth, urbanization, and population growth will push up demand for energy, especially electricity, mainly in developing countries. ● Energy supply and demand will diversify due to various factors, such as CO₂ emissions, the environmental burden, economic performance, safety, and supply stability. ● Digital technology will be further applied to enhance the stability and efficiency of the power supply. 	<ul style="list-style-type: none"> ● Further digitization globally will exponentially increase the volume of data circulated, accumulated, and analyzed. Experience with the global pandemic will prompt a shift to remote, noncontact, and online formats, both in our life and work and will boost demand for digital solutions that facilitate such a shift. ● New services and businesses utilizing big data, IoT, AI, and other digital technology will expand. 	<ul style="list-style-type: none"> ● Digitalization, infrastructure renewal, population decline, and worker shortages will expand the automation market in industrial countries. ● As the global pandemic forces people to stay at or work from home, demand will grow for factory automation enabling a handful of workers to operate a factory. ● The industrial market in emerging economies will grow due to a rise in production plants. 	<ul style="list-style-type: none"> ● Economic growth, urbanization, population growth, and infrastructure development like road construction will expand the global market for automobiles and motorcycles as a flexible and personal means of transport. ● The global pandemic may temporarily dampen passenger vehicle sales due to restrictions on people's movements, but commercial vehicle sales appear to be rising as the need for the delivery of goods increases. ● Businesses that offer greater safety, security, and comfort, such as those developing autonomous driving and advanced safety devices, will become increasingly important. ● Technological innovations in the connected industries will create new mobility service markets.

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Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems
Response to future business risks (business opportunities)	<p>Response to business risks under 1.5°C or 4°C scenarios</p> <ul style="list-style-type: none"> Continue to strengthen the railway business as global demand for railways will increase under either scenario. Specifically, develop and market more energy-saving railcars and battery-powered railcars for non-electrified sections. Strengthen railway services through digital utilization such as dynamic headway (flexible operations in response to passenger demand) and new mobility services like MaaS. Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under 1.5°C or 4°C scenarios</p> <ul style="list-style-type: none"> Continue to enhance the response to relevant markets in view of expected higher demand for non-fossil energy under either scenario. Strengthen the provision of grid solutions, digital service solutions, and energy platforms that can accommodate the increased use of renewable energy and diversification of energy supply and demand management. Given the increasing frequency of natural disasters, develop technologies for disaster-resilient renewable energy systems and disruption-resistant power transmission/distribution systems. Take risk aversion into account when deciding the location and equipment layout of a new production plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under 1.5°C or 4°C scenarios</p> <ul style="list-style-type: none"> Continue to develop innovative digital technologies, nurture necessary human capital, and enhance digital service solutions that generate new value in view of the expected growth in demand for digital services and the subsequent market expansion under either scenario. Specifically, enhance competitiveness by providing energy-saving and high-efficiency IT solutions that contribute to the following: zero-emissions; environment-related financial services for decarbonization businesses; social and public systems to prevent natural disasters, reduce damage, and enhance resilience; and IT systems for BCPs. Given the increasing frequency of natural disasters, strengthen our ability to respond to business disruption risks in accordance with our BCPs. Ensure competitiveness by decarbonizing data centers actively. 	<p>Response to business risks under 1.5°C or 4°C scenarios</p> <ul style="list-style-type: none"> Under either scenario, continue developing energy-saving, high-efficiency products that use IoT technology. Focus particularly on connected products with communication features. Miniaturized, high-efficiency, low-loss products can also help reduce CO₂ emissions. Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under the 1.5°C scenario</p> <ul style="list-style-type: none"> Promote R&D of electrification technology and other alternative technologies to enhance the response to new markets such as electric vehicles. <p>Response to business risks under the 4°C scenario</p> <ul style="list-style-type: none"> Promote R&D and product development in existing technologies, including internal combustion engines, to not only improve energy efficiency but also non-environmental issues like safety, security, and comfort. Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs.
Financial information (sales volume of each target sector)	Partial impact on the revenue of the railway systems business, which accounted for approximately 6.1% of Hitachi's revenue at 628.3 billion yen in fiscal 2021	Partial impact on the revenue of the Energy Sector, which accounted for approximately 14.1% of Hitachi's revenue at 1,447.9 billion yen in fiscal 2021	Partial impact on the revenue of the IT Sector, which accounted for approximately 21.0% of Hitachi's revenue at 2,153.6 billion yen in fiscal 2021	Partial impact on the revenue of the Industry Sector, which accounted for approximately 4.0% of Hitachi's revenue at 409.4 billion yen in fiscal 2021	Partial impact on the revenue of the automotive business (Hitachi Astemo), which accounted for approximately 15.6% of Hitachi's revenue at 1,597.7 billion yen in fiscal 2021

Note: The above scenario analyses are not future projections but attempts to examine our resilience to climate change. How the future unfolds may be quite different from any of these scenarios.

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Climate-related Risks (Hitachi Group)

Based on a business-by-business review, Hitachi did not find any significant climate change-related risks that were difficult to respond to.

When considering whether existing businesses will be viable when a decarbonized society is realized, many businesses that use electricity as their energy source would be able to adapt to a decarbonized society by replacing the electricity they use with electricity derived from non-fossil energy sources. On the other hand, it is expected that businesses that currently use fossil fuels will need to adapt to a decarbonized society by adopting new technologies such as hydrogen and biomass, as well as various measures to offset CO₂ emissions. Since many of Hitachi's businesses use electricity, it is clear that there is little significant risk arising from the unavailability of fossil fuels.

Below is a summary of Hitachi's overall risks under the 1.5°C scenario and the 4°C scenario. Given Hitachi's business form, we have determined that these risks related to climate change can be addressed.

(1) Risks related to the transition to a decarbonized economy (applying mostly to the 1.5°C scenario)				
Category	Major risks	Time span	Impact	Main initiatives
Policy and legal	Increased business costs from the introduction of carbon taxes, fuel/energy consumption taxes, emissions trading systems, and other measures	Short to long term	Medium	<ul style="list-style-type: none"> Shift from fossil fuel-using to non-fossil fuel-using businesses. Promote activities aimed at achieving carbon neutrality Avoid increases in business costs by further enhancing production and transport efficiency and promoting the use of non-fossil fuel-based energy Promote energy-saving equipment by introducing Hitachi Internal Carbon Pricing (HICP)
Technology	Loss of sales opportunities due to delays in technology development for products and services for a decarbonized society	Short to long term	Medium	<ul style="list-style-type: none"> Contribute to reducing CO₂ emissions by developing and marketing innovative products and services that lead to the achievement of long-term environmental targets and expanding the decarbonization business Promote the development of energy-saving and low-carbon products by implementing Environmentally Conscious Design Assessments when designing products and services
Market and reputation	Impact on sales due to changes in market values or assessment of our approach to climate issues	Medium to long term	Minor	<ul style="list-style-type: none"> Established a goal of carbon neutrality in the Hitachi Environmental Innovation 2050 long-term environmental targets; participated in COP26 and communicated to the world advanced technologies and initiatives that support the realization of a decarbonized society

(2) Risks related to the physical impacts of climate change (4°C scenario)				
Category	Major risks	Time span	Impact	Main initiatives
Acute and chronic physical risks	Climate-related risks to business continuity including increased severity of typhoons, floods, and droughts (acute risks), as well as rising sea levels and chronic heat waves (chronic risks)	Short to long term	Medium	<ul style="list-style-type: none"> Taking into account the possibility of flood damage when deciding on the location or equipment layout of a new plant. Measures tailored to the water risks of each manufacturing site will be strengthened in the future based on the results of a water risk assessment now being conducted

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Climate-related Opportunities (Hitachi Group)

To achieve the CO₂ reduction targets set forth in our long-term environmental targets and 2024 Mid-term Management Plan, it is important not only to decarbonize our business sites (factories and offices) but also to reduce CO₂ emissions from the use of products and services sold, which account for a large portion of emissions in the entire value chain. Developing and providing products and services that emit zero or very little CO₂ during their use will not only satisfy customer needs but also help meet society’s demands for reduced emissions. This represents a business opportunity for us in the short, medium, and long term and constitutes a major pillar of the Social Innovation Business that we are promoting as a management strategy.

Category	Major risks	Impact	Main initiatives
Acute and chronic physical risks	Increased corporate value and revenue from expanded sales of products and services with innovative technology that can contribute to the mitigation and adaptation of climate change	Medium	<ul style="list-style-type: none"> Expand business areas that contribute to decarbonization. Promote decarbonized solutions and services through collaborative initiatives with customers. Focusing on the fields of energy, mobility, and industry, we are promoting greater utilization of digital technology (Green by Digital) and developing products that offer world-class efficiency.
Resilience	Provision of solutions to address climate-related natural disasters	Medium	<ul style="list-style-type: none"> Providing disaster prevention solutions such as high-performance firefighting command systems

P042 Expanding the Decarbonization Business

P057 Responding to Water Risks



Based on the various reviews, Hitachi did not find any significant climate change-related risks that were difficult to respond to.

Hitachi believes that it has high resilience in the transition to a decarbonized society in the medium- to long-term, as it closely monitors market trends and will develop its business flexibly and strategically under both the 1.5°C and 4°C scenarios.

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Risk Management

Structure

Hitachi evaluates and monitors climate-related risks for each business unit and Group company as part of a process of assessing risks and opportunities. The results are tabulated by the Sustainability Promotion Division of Hitachi, Ltd. and those risks and opportunities perceived as being particularly important for the Group as a whole are deliberated and decided by the Senior Executive Committee and, if necessary, deliberated by the Board of Directors.

Metrics and Targets

Target

Hitachi defines medium- to long-term metrics and targets in the Hitachi Environmental Innovation 2050 long-term environmental targets. It also establishes and manages short-term metrics and targets in detail every three years through the Environmental Action Plan.

Metrics for climate change mitigation and adaptation use total CO₂ emissions and the reduction rate in CO₂ emissions per unit. Total CO₂ emissions from the use of sold products in SCOPE 3, which account for most of our emissions given the nature of Hitachi’s business, fluctuate greatly due to changes in sales volumes and our business portfolio. This has the disadvantage of making it difficult to see the results of energy saving and efficiency improvements. Therefore, we have established CO₂ emissions per unit as a metric for providing customers and society with products and services that emit less CO₂ for those featuring equivalent value. We also set and manage a metric for avoided emissions that contribute to the realization of a decarbonized society as a whole.

We continue to reduce CO₂ emissions generated at our own business sites (factories and offices) by utilizing the Hitachi Internal Carbon Pricing (HICP) system, which provides incentives for capital investments that contribute to CO₂ reductions. The carbon price for HICP is set at 14,000 yen per ton-CO₂.

In addition, in April 2021, Hitachi, Ltd. introduced evaluations that take environmental value into account in the executive compensation system with a view to accelerating the creation of environmental value toward achievement of its long-term environmental targets. In addition, we plan to put approximately 500 billion yen toward the energy shift, the electrification of vehicles, and so on over the next three

years from now to fiscal 2024 as R&D investments to create green value.

- 📄 P031 The Environmental Vision and Hitachi Environmental Innovation 2050
- 📄 P033 Environmental Action Plan
- 📄 P041 Achieving a Decarbonized Society
- 📄 P042 Expanding the Decarbonization Business
- 📄 P045 Contributing to a Decarbonized Society at Business Sites (Factories and Offices)
- 📄 P067 Calculating GHG Emissions Throughout the Value Chain (Fiscal 2021)
- 📄 P166 Reflecting Sustainability Targets in Executive Compensation Evaluation

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Efforts to Achieve a Resource Efficient Society Approach

The issues of water and resource scarcity, triggered by increasing water demand and population growth—resulting in higher volumes of resources collected, extracted, used, and eventually emitted as waste—are common concerns for the entire world. Uncertainty concerning natural disasters and geopolitical situations is on the rise as well. Hitachi's business operations will respond to these issues by working with our customers and society to help build a society that uses water and other resources efficiently.

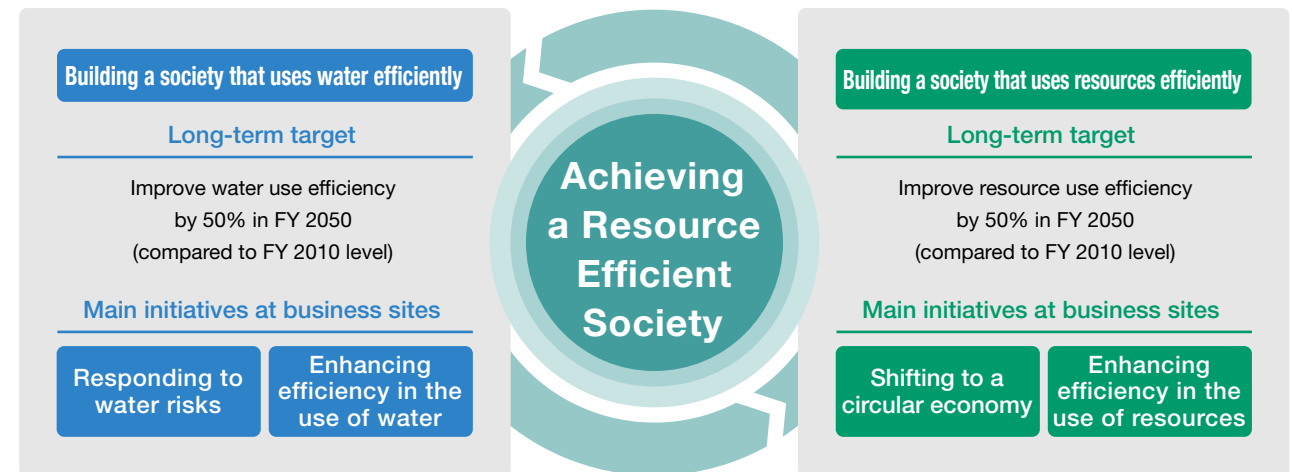
Initiatives in the Value Chain

Hitachi considers the circularity of resources across the value chain to be of key importance, as well as water usage reduction that takes into consideration water risks on a region-by-region basis at each stage of the supply chain. Accordingly, we will optimize water use and wastewater treatment in the supply chain, provide water-efficient products and services, while pushing circular-design initiatives, and develop tools, applications, and services to achieve a circular economy.

Initiatives at Business Sites

We have set a long-term environmental target of improving the usage efficiency of water and other resources by 50% by fiscal 2050 compared to fiscal 2010 levels. We will create higher economic value using less water and other resources and pursue production activities with a low environmental burden.

▶ Initiatives to Achieve a Resource Efficient Society



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Building a Water Efficient Society

Responding to Water Risks

Approach

GRI 303-1/303-2/303-5

Since Hitachi’s exposures to water risks in its businesses vary by region and the type of business, it is important to identify their respective risks and implement countermeasures. To facilitate risk response, we have compiled the procedures for water risk identification and countermeasures into Water Risk Guidelines,^{*1} which are followed by some 140 manufacturing sites around the world that are classified as category A in our environmental management classification.

We use our Environmental Data Collection System (Eco-DS) and various globally recognized tools for water risk assessment as well as region- and operation-specific water risk identification checklists to identify and evaluate the water risks for each business unit and Group company, per country and region, and for the entire Group once a year.

We work to reduce water use according to the characteristics of local communities and businesses, comply with wastewater standards and other water-related regulations, and strengthen water management with the aim of improving efficiency in the use of water by 50%, which we have set as a long-term environmental target.

▶ Identification of Water Risks Using the Environmental Data Collection System (Eco-DS)

	Regional water risks	Operational water risks
Number of evaluation items related to water resources, water quality, water damage, regulations, reputational risk, etc.	Approximately 50	Approximately 70
Risk identification method	Various water risk assessment tools, including Aqueduct, ^{*2} Water Risk Filter, ^{*3} Flood Hazard Map of the World, ^{*4} are combined to identify risks based on the address information	Risks are identified from information such as a business site’s volume of water intake and effluents discharged, and its water-related initiatives
Risk assessment	Assessed using a five-level scale ^{*5} from low to extremely-high	Assessed using a five-level scale from low to extremely high
Risk results	High at 4 sites	Low to medium-high at all sites, including the 4 to the left
No business sites are facing a comprehensively high water risk.		

^{*1} Prepared with reference to *Setting Site Water Targets Informed By Catchment Context* created by members of the UN Global Compact, the CEO Water Mandate, the Pacific Institute, WRI, WWF, and other global institutions with the aim of helping companies set effective site water targets. In fiscal 2021, issued a revised version of Water Risk Guidelines reflecting the revised content of Water Risk Filter 6.0 and with additional examples of measures.

^{*2} A water risk assessment tool developed by the World Resources Institute (WRI).

^{*3} A water risk assessment tool developed by the World Wide Fund for Nature (WWF) and the German Development Finance Institution (DEG)

^{*4} Flood risk maps published by the European Union.

^{*5} Five-level scale: low, low-medium, medium-high, high, extremely-high

Achievements in Fiscal 2021

In fiscal 2021, we assessed the water risks in each region and identified high regional water risks at a total of four business sites operating in India and Vietnam out of manufacturing sites that are classified as category A in our environmental management classification. With this, we then assessed the operational water risks, which were found to be “low to medium-high at all business sites” including the four business sites identified earlier. For this reason, Hitachi does not consider that any of its business sites face a comprehensively high water risk. The water use at the four business sites is 0.3 million m³, accounting for about 1% of the 25.6 million m³ of water used in Hitachi’s main manufacturing processes.

Water Resource Management System

System

Hitachi has set a long-term goal of improving efficiency in the use of water and is carrying out activities in pursuit of this goal at major manufacturing sites that are classified as category A in our environmental management classification. The Water Risk Response Working Group (WG), consisting of members of major business units and Group companies, discusses the formulation of water-related plans and their level of achievement. These are then deliberated on and finalized in the Eco-Management Meetings. Important items related to environmental initiatives, including water risk, are also discussed or decided on by the Senior Executive Committee and presented to the Board of Directors.

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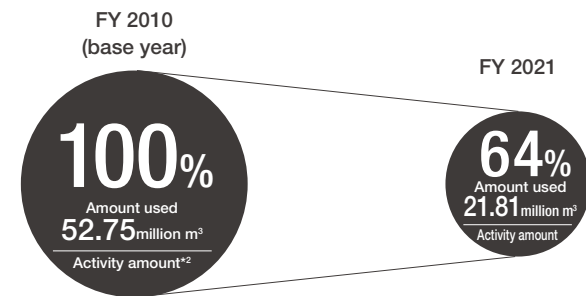
Management of Water Use at Business Sites

Activities

Fiscal 2021 was the final year of the Environmental Action Plan for 2021 (fiscal 2019–2021), which set out a target of a 26% reduction (over the base year of fiscal 2010) for water usage per unit in manufacturing processes. We achieved the target with a 36% reduction. The volume of water used declined by 30.9 million m³, equivalent to 59% from the base year. Our measures to reduce water usage include more stringent management of water intake using flowmeters, leakage control by installing above-ground water pipes, circular use of cooling water, and reuse of purified waste water.

Environmental Action Plan for 2021 Management Values

Reduction in Water Usage^{*1} per Unit (Hitachi Group)

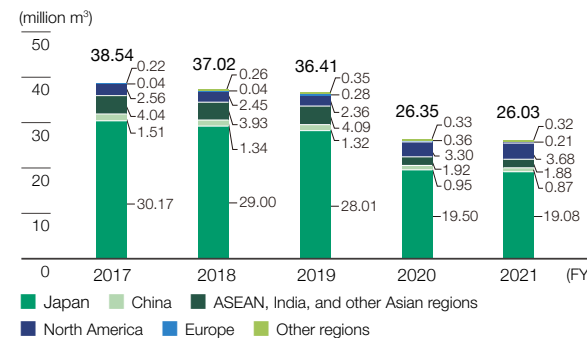


Reduction in water usage^{*1} per unit compared to base year **36% reduction**
FY 2021 reduction target: 26%

^{*1} Amount of water used in the manufacturing processes.

^{*2} Activity amount is a value closely related to water use at each business site (for example, output, sales, and production weight).

Water Usage^{*1} (Hitachi Group)



^{*1} The total amount of water input in manufacturing processes and for other purposes, such as in offices.

Note: In addition to this figure, the fiscal 2021 water inputs of an energy-related company and automotive business companies, which became consolidated subsidiaries in fiscal 2020, were 4.75 million m³/year and 3.91 million m³/year, respectively. The companies' inputs will be incorporated into the Hitachi Group's water input from fiscal 2022.

Case Studies of Improving Water Use Efficiency

<https://www.hitachi.com/environment/casestudy/index.html#case03>

P069 Environmental Load from Operations

Products and Services that Contribute to Resolving Water Issues

Activities

Hitachi is committed to contributing to the effective use of limited water resources. We will strive to solve numerous issues faced by customers that are involved in the water supply and sewerage business by combining our track record and know-how of operational technology (OT) and products and services cultivated over many years as a comprehensive water service provider with IT which Hitachi possesses abundant experience and knowledge of in diverse fields.

Hitachi's Water-related Products and Services

Activity field	Products or services (implementation to date)
Creating water resources	Wastewater recycling systems
	Seawater desalination systems
Developing water infrastructure	Water and sewage treatment, etc. (over 200 sites in about 40 countries and regions)
	Water purification plants (approximately 700 plants in Japan)
	Sewage treatment plants (approximately 900 plants in Japan)
	Comprehensive digital solutions for water and sewage treatment operators

We are also engaged in verification tests and joint research with national and local governments, companies, and other organizations in various countries to establish new technologies and systems for the water business. In recent years, we have participated in a verification project for an integrated seawater desalination and water reuse system in the Republic of South Africa, a verification project to optimize the operational planning of water pumps using a virtual power plant in Japan, and joint research on the automation of water purification plant operations through the use of AI.

Water Environment Solutions

https://www.hitachi.com/businesses/infrastructure/product_site/water_environment/index.html

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Building a Society That Uses Resources Efficiently GRI 417-1

Approach to Transitioning to a Circular Economy

Approach

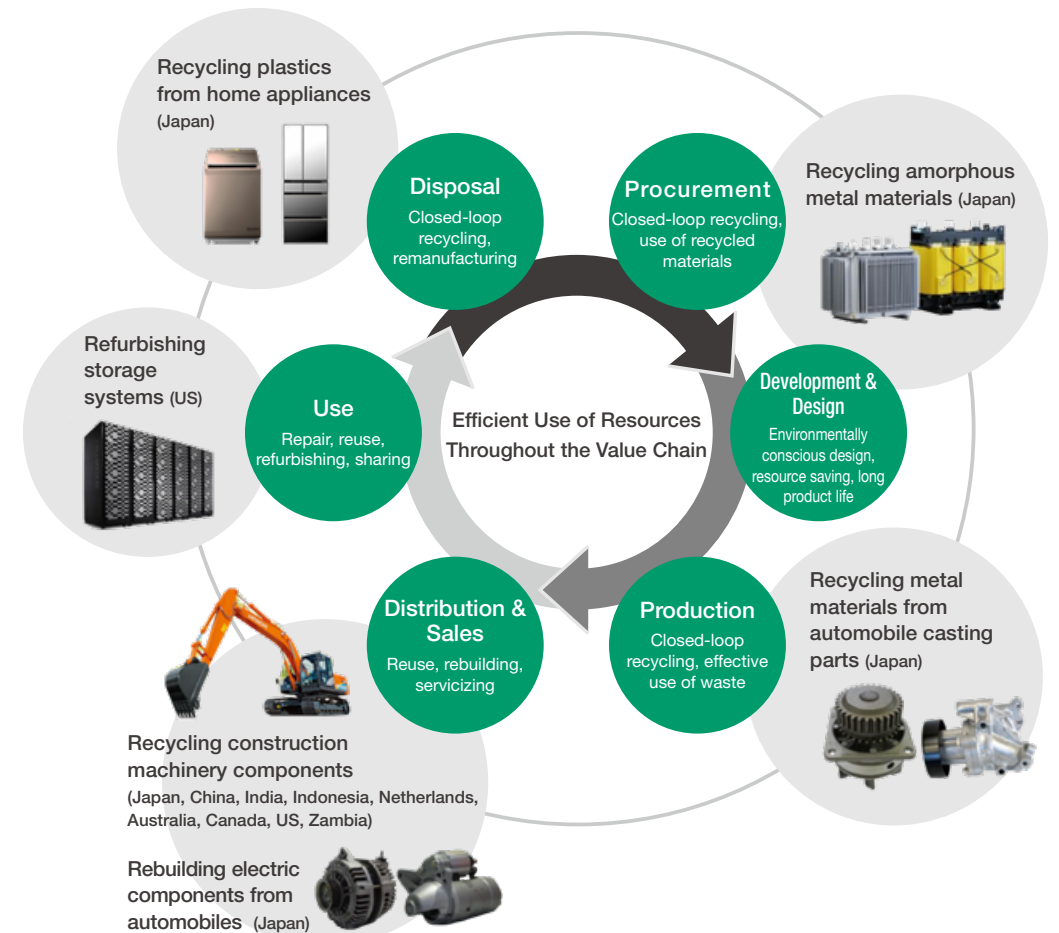
To help build a recycling-oriented society, Hitachi will advance a shift from the conventional linear economy to a circular economy. We strive to realize this goal with a dual approach of pursuing effective and sustainable use of resources and assets in Hitachi's business activities and achieving the circularity of resources throughout the value chain.

Beyond the issues of the long-term use of products, and the reuse, repair, refurbishment, repurposing, and remanufacturing of products that are no longer needed in the course of our business activities, our customers' needs are changing from goods to experiences, or from ownership to leasing. Responding to such a society, we will promote the effective use of resources and assets, such as with leasing, pay-per-use systems, subscriptions, products as a service, reuse, and models for sharing. Also, in order to support the business model described above, at the stages of procurement, development, and design we will advance eco-designs. This includes ease of disassembly, adoption of mono-materials, durability, repairability, and resource saving as well as greater use of recycled materials and environmentally friendly materials. Having already been applying Environmentally Conscious Design Assessments and Life Cycle Assessments (LCAs) for newly developed products, we have now set clear goals of achieving 100% implementation and are working to promote it.

With regard to initiatives spanning the value chain, we feel it will be imperative to advance the efforts together with a diverse range of stakeholders on a medium- to long-term basis. For example, if we introduce products as a service, we will not dispose of old products ourselves, rather, we aim to reliably attain circularity by sharing goals and engaging in co-creation with a diverse range of stakeholders in the value chain in order to realize the effective and sustainable use of resources and assets.

Additionally, we will actively promote the research and development involving raw materials, products, tools, applications, and services necessary for this and leverage the advantages of Hitachi's OT x IT x Products to support the achievement of circularity not only in our value chain, but in our customers' activities as well.

▶ Efficient Use of Resources Throughout the Value Chain



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Management of Waste Generated at Business Sites

Activities

For fiscal 2021, which is the final year of the Environmental Action Plan for 2021 (fiscal 2019–2021), we set a target of a 12% reduction (from a base year of fiscal 2010) for waste and valuables*¹ generated per unit, and bettered this by achieving an 18% reduction. The amount of waste and valuables generated was reduced by 241 kt or 18% compared to the base year. We strived to reduce waste by installing recycling facilities within our business sites as well as through closed-loop recycling, whereby the by-products and scrap from the production process are reused as resources by other business sites, and repeated use of packing and cushioning materials during transport.

Also, we are promoting activities to achieve the goal of the Zero Waste to Landfill*² initiative, which seeks to minimize landfill disposal to realize the ongoing, sustainable utilization of resources we have used, and in fiscal 2021, 64 business sites out of 155 target sites achieved their goals. For hazardous wastes, we collect environmental load data using the Environmental Data Collection System (Eco-DS) to centrally manage the volumes of hazardous wastes generated and exported by type, and to ensure thorough compliance with laws and regulations, as well as proper disposal within the Group.

*1 Waste and valuables: Materials generated through business activities. Each country has a legal definition of waste, and in Japan, the term refers to refuse, bulky refuse, ashes, sludge, excreta, waste oil, waste acid and alkali, carcasses, and other filthy and unnecessary matter, which are in a solid or liquid state according to the Waste Management and Public Cleansing Law. Valuables, meanwhile, are those materials left over after business activities other than waste, and can be sold or transferred free of charge to other parties as items of value.

*2 Zero Waste to Landfill goal: Defined as a final disposal rate (landfill disposal/waste and valuables) of less than 0.5% in any given fiscal year in the Hitachi Group. Pursued in assumed conformance with regulations, conditions, etc.

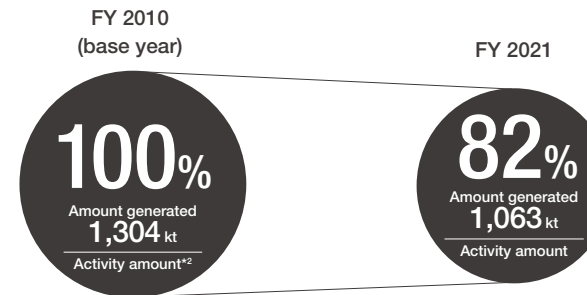
[Sites Achieving Zero Waste to Landfill Goal](http://www.hitachi.com/environment/data/zerolandfill.html)

<http://www.hitachi.com/environment/data/zerolandfill.html>

GRI 306-1/306-2/306-3

Environmental Action Plan for 2021 Management Values

▶ **Reduction in Waste and Valuables Generation*¹ per Unit (Hitachi Group)**



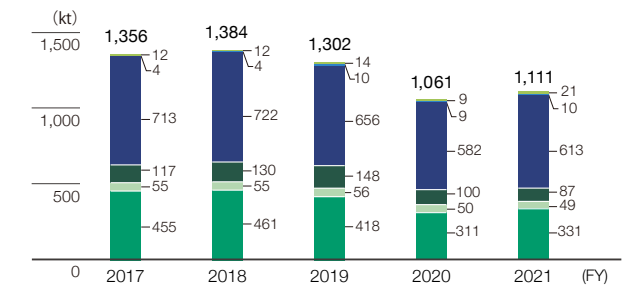
Reduction in waste and valuables generation per unit compared to base year

18% reduction

FY 2021 reduction target: 12%

*1 Amount of waste and valuables generated from the production process.
*2 Activity amount is a value closely related to waste and valuables generation at each business site (for example, output, sales, and production weight).

▶ **Waste and Valuables Generation*¹ (Hitachi Group)**



Legend: Japan (green), China (light green), ASEAN, India, and other Asian regions (dark green), North America (blue), Europe (light blue), Other regions (yellow-green)

*1 The total amount of waste and valuables generated in manufacturing processes plus that generated in offices and other nonmanufacturing businesses.
Note: In addition to this figure, the fiscal 2021 waste and valuables generated by an energy-related company and automotive business companies, which became consolidated subsidiaries in fiscal 2020, were 70,860 t and 58,549 t, respectively. The companies' waste and valuables generated will be incorporated into the Hitachi Group's waste and values generated from fiscal 2022.

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[Case Studies of Efficient Use of Resources](#)

<https://www.hitachi.com/environment/casestudy/index.html#case04>

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Plastic Recycling Activities

Activities

Hitachi Global Life Solutions, whose plastic consumption accounts for around 70% of the Hitachi Group's total, uses recycled plastic in parts for washing machines and refrigerators and packing materials for ceiling lights. The company procures recycled plastic materials produced within the Hitachi Group using plastic parts recovered from end-of-life home appliances and plastic containers as well as purchasing recycled plastics from materials manufacturers.

While large components in washing machines (such as enclosure bases in the lower parts of units) were previously made with mixtures of new and recycled materials, a switch to almost 100% recycled plastics use has been achieved through the clearing of technical problems and handling of procurement issues.

Hitachi Global Life Solutions works to recycle four categories of end-of-life home appliances (air conditioners, TVs, refrigerators/freezers, and washing machines/dryers) at 19 recycling plants as part of cooperative efforts among five companies*¹ in response to the 2001 Act on Recycling of Specified Home Appliances. A total of 91,130 kt of recyclable materials*² were recovered in fiscal 2021 of which approximately 81,768 kt were recycled. By product type, the recycling rate for refrigerators and freezers was 80%, exceeding the legal requirement of 70% by 10 percentage points, and for washing machines and dryers it was 94%, exceeding the legal requirement of 82% by 12 percentage points.

We are working to strengthen our activities from fiscal 2022 onward with the goal of achieving a 100%*³ effective utilization rate of waste plastics throughout the entire Hitachi Group by fiscal 2030.

*1 Hitachi Global Life Solutions; Sharp Corporation; Sony Corporation; Fujitsu General Limited; and Mitsubishi Electric Corporation.

*2 Parts and materials recovered from four categories of end-of-life home appliances (air conditioners, TVs, refrigerators/freezers, and washing machines/dryers) and recycled through in-house use, selling them, or transferring them free of charge to others who will use them. Data values are aggregated from Hitachi Global Life Solutions and Johnson Controls-Hitachi Air Conditioning.

*3 Effective utilization encompasses material recycling, chemical recycling, and thermal recovery. Pursued in assumed conformance with regulations, conditions, etc.

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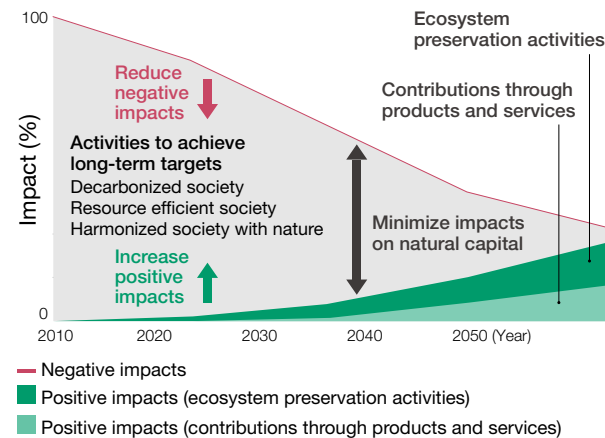
/// Achieving a Harmonized Society with Nature

Efforts to Achieve a Harmonized Society with Nature Approach

To adequately preserve the ecosystem and achieve a harmonized society with nature so that we may continue to enjoy nature's benefits, we have established targets to minimize our impact on natural capital as part of our long-term environmental targets.

We classify the emission of greenhouse gases and chemical substances into the atmosphere and the generation of waste materials in the course of our business activities as negative impact activities. Providing products and services that contribute to ecosystem preservation and undertaking activities to preserve biodiversity and ecosystems are categorized as positive impact activities. We are working to quantify and minimize the gap between positive and negative impacts by 2050.

▶ A Timetable for Minimizing Impacts



Initiatives to Minimize Impacts on Natural Capital

Activities

Hitachi has identified the negative impacts that our business activities have on natural capital with the aim of reducing such impacts and evaluated them using the latest version of an inventory database (IDEA v2^{*1}). According to our estimates, approximately 80% of our total negative impacts on natural resources in fiscal 2021 were related to climate change, ecotoxicity (air), urban air pollution, and resource consumption. With regard to climate change, we will advance initiatives aimed at realizing a decarbonized society. Regarding ecotoxicity (air), urban air pollution, and resource consumption, in consideration of the findings coming to light in impact assessments concerning raw materials procurement, we will accelerate the pace of efforts intended to achieve a resource efficient society. Also, we found negative impacts were reduced by 15% in fiscal 2021 from fiscal 2020. To further reduce our environmental load to minimize our impact on natural capital, we will enhance a wide range of activities such as increasing the energy efficiency of our products and services, advancing factory efficiency, using resources more effectively, and properly managing chemical substances.

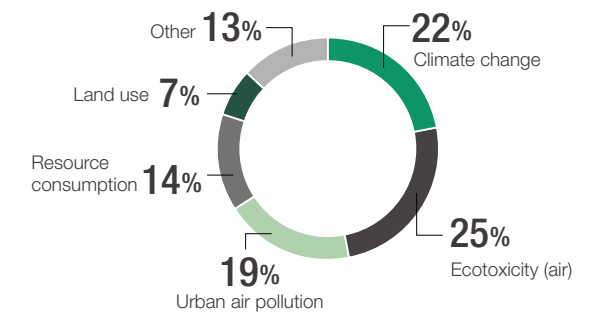
As for expanding our positive impact activities, while advancing social contribution activities like forest conservation and business activities that directly contribute to ecosystem preservation, such as building water treatment plants, we are also looking into quantifying the impact of

these activities on the environment.

We estimate the benefits gained through our forest conservation activities (flood prevention, water impoundment, water purification, soil loss prevention, and carbon fixation) on an ongoing basis using evaluation methods commonly used in forestry-related public works projects. We also collect data on forested areas targeted for conservation activities using the Environmental Data Collection System (Eco-DS). These data are needed to evaluate forest conservation efforts, and in fiscal 2021, we surveyed 0.84 km² of such areas.

^{*1} IDEA v2: One of Japan's leading inventory databases which is needed to implement LCAs for calculating negative impacts.

▶ Negative Impact on Natural Capital (FY 2021)



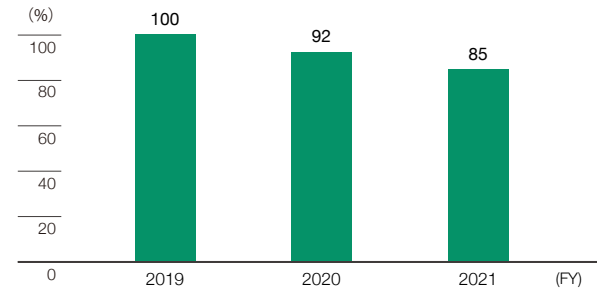
Note: Calculated from version 2 of the Life-cycle Impact Assessment Method based on Endpoint Modeling (LIME2) by using IDEA v2

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▶ Negative Impacts on Natural Capital



[Scope of Negative Impact Calculations](https://www.hitachi.com/environment/data/method.html)
<https://www.hitachi.com/environment/data/method.html>

▶ **Signing the Call to Action Statement, Initiated by Business for Nature**

In 2020, the global Business for Nature coalition issued a Call to Action*1 statement. The aim is to encourage policy makers around the world to adopt policies to “to reverse nature loss in this decade.” Hitachi agrees with this goal and has signed the statement.

*1 The Call to Action states that healthy societies, resilient economies and thriving businesses rely on nature. It urges governments to adopt policies to reverse the loss of nature, and calls for the protection, restoration, and sustainable use of natural resources.

[Business for Nature’s Call to Action](https://www.businessfornature.org/call-to-action)
<https://www.businessfornature.org/call-to-action>

▶ **30by30 Alliance for Biodiversity Approved by Ministry of the Environment (MOE), Japan**

The 30by30 target aims to conserve or protect at least 30% of the land and sea areas in Japan by 2030 to achieve nature-positive goals of curbing biodiversity loss and promoting restoration by the same year.

The 30by30 Alliance for Biodiversity was established to promote achievement of the 30by30 target agreed to at the G7 Summit 2021 and consists of governments, companies, and NPOs. Its goals are expanding national parks, registering in an international database areas such as rural satochi-satoyama landscapes and commercial forests for which biodiversity preservation is planned by various organizations, promoting the conservation of such areas and actively sharing information concerning these activities.

Hitachi supports this mission and will work to advance related efforts.



[30by30 Alliance \(In Japanese only\)](https://policies.env.go.jp/nature/biodiversity/30by30alliance/)
<https://policies.env.go.jp/nature/biodiversity/30by30alliance/>

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Managing and Reducing Chemical Substances

Managing Chemical Substances

Approach

Hitachi believes that the control and reduction of chemical substances like volatile organic compounds (VOCs), one of the causes of urban air pollution, are important not only for reducing discharge of pollutants into the air and water environment but also for properly managing chemical substance usage, in order to minimize our impact on natural capital.

Based on this belief, Hitachi formulated the Environment and CSR-Based MONOZUKURI Standards to manage chemical substances at all stages of its operations—from design and development, procurement, and production to quality assurance and shipping. Chemical substances in our products are divided into two categories, prohibited substances and controlled substances, for separate management to respond to legal and regulatory frameworks at shipping destinations. With regard to chemical substances used in our business operations, we reduce risk by assigning three ranks to the use of such substances: prohibited, reduced, and controlled, as well as by educating chemical substance handlers and managers on laws and regulations and on proper risk assessment.

Managing Chemical Substances in Our Products

System Activities

Hitachi designates the chemical substances in our products requiring management as Voluntarily Controlled Chemical Substances. With the basic principle of taking as our model the standards of the EU, where regulations are stringent, we determine and manage controlled chemical substances

regardless of export destination, type of industry, or purpose of use.

The list of managed substances and management levels is revised when necessary based on updates to the EU's REACH*1 and other regulations, with the aim of adding substances to our list of Voluntarily Controlled Chemical Substances six months before they are officially regulated. For instance, we have revised this list to include perfluorocarboxylic acids containing 9 to 14 carbon atoms in the chain (C9-C14 PFCAs), their salts, and their related substances due to new EU REACH regulations having been placed on them effective February 2023.

Classification Examples

Prohibited Substances (Level 1)

Substances for which use is generally prohibited inside and outside Japan in products (including packaging) but which might be found in products from suppliers.

Controlled Substances (Level 2)

Substances we are required to track and manage the use of and substances requiring attention to recycling or appropriate disposal methods.

*1 REACH: The European Union regulation of Registration, Evaluation, Authorisation, and Restriction of Chemicals.

[Hitachi Group's voluntarily controlled chemical substances in our products](https://www.hitachi.com/environment/data/chemical.html)

<https://www.hitachi.com/environment/data/chemical.html>

Managing Chemical Substances in Our Business Operations

System Activities

GRI 305-7

Hitachi has been cutting emissions of chemical substances from its factories and other sites through stricter management, such as by expanding the number and scope of controlled chemical substances.

Case studies for reduction have been translated into English and Chinese and shared globally among Hitachi Group companies. We also follow legally prescribed procedures in measuring and managing emissions*1 of sulfur oxides (SOx) and nitrogen oxides (NOx), whose measurement is required under the laws and regulations of our business site locations, and are advancing efforts to further restrict emissions.

We comply with Japan's Pollutant Release and Transfer Register (PRTR) Law*2 through Group-wide monitoring of chemical substances released into the atmosphere or into public waters, removed outside our plants as waste, or discharged into sewage systems, reporting the results to local governments for each office or plant. Although some substances are exempt from reporting due to their small quantities, our policy is to aggregate and manage data on the handling, emission, and transfer of all PRTR substances totaling 10 kilograms or more per year.

*1 Emissions of SOx and NOx: Calculated from data by business site (measured values, exhaust volume, content rate, etc.).

*2 PRTR Law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.

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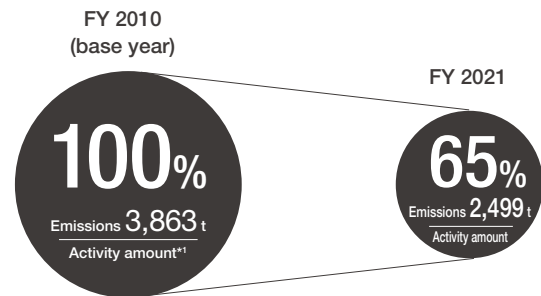
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In fiscal 2021, which is the final year of the Environmental Action Plan for 2021 (fiscal 2019–2021), toward the target of reducing atmospheric emissions of chemical substances per unit by 18% from the base year 2010, we achieved a reduction rate of 35%. To reduce the emissions, we are switching from paints containing VOCs to water-soluble and powder paints as well as expanding their use and altering the painting and washing processes.

Environmental Action Plan for 2021 Management Values

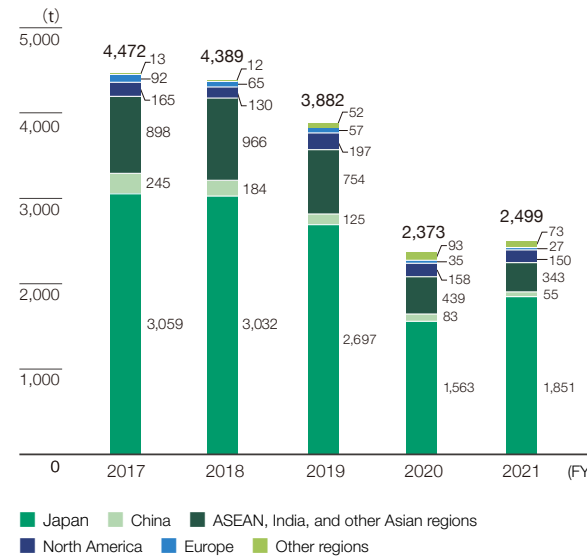
▶ Reduction in Atmospheric Emissions of Chemical Substances per Unit (Hitachi Group)



Reduction in atmospheric emissions of chemical substances per unit **35% reduction**
 FY 2021 reduction target: 18%

*1 Activity amount is a value closely related to atmospheric emissions of chemical substances at each business site (for example, substances handled, sales, and output)

▶ Reducing Atmospheric Emissions of Chemical Substances (Hitachi Group)



Notes: Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate included in the ingredients

📄 P069 Environmental Load from Operations

🔗 [Case Studies of Reducing Chemical Substances in Our Business Activities](https://www.hitachi.com/environment/casestudy/index.html#case05)

<https://www.hitachi.com/environment/casestudy/index.html#case05>

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Preserving Ecosystems

Initiatives to Preserve Ecosystems

Approach	Activities	GRI 304-3
	At Hitachi, we seek to reduce negative impacts on natural capital caused by business activities and to promote positive impacts, such as by undertaking social contribution activities to protect nature and providing products and services that help preserve the ecosystem, thereby minimizing our impact on natural capital by fiscal 2050.	
	Hitachi created an Ecosystem Preservation Activities Menu citing the specific activities to be undertaken to promote the preservation of the ecosystem, including activities that are difficult to quantify but are nonetheless important, such as the protection of rare species and efforts to make biodiversity a criterion when making investment decisions. Each business site sets its goals and promotes initiatives based on the Ecosystem Preservation Activities Menu and helps realize a harmonized society with nature.	

▶ Ecosystem Preservation Activities Menu

	Category	Activities taken	No. of menu items
Business sites	Production	Reducing use of resources that cannot be reused	4
	Transportation	Using packaging that takes ecosystem into consideration	7
	Collection, disposal, and recycling	Reducing hazardous materials in products	2
	Product planning, development, and design	During R&D, estimating impact on biodiversity during a product's life cycle and implementing, if needed, mitigation measures	3
	Site management	Using native species, setting up biotopes	17
	Water use	Using rainwater	1
Value chain	Investment and acquisition	Confirming impacts on biodiversity when investing in or acquiring a business, and implementing measures to minimize such impacts	1
	Market entry and expansion	Including biodiversity as an investment criterion	1
	Business development	Developing products and services to purify water, air, and soil and expanding such businesses	1
	Procurement	Preferentially procuring paper and other office supplies that take biodiversity into consideration	17
	Transportation	Implementing ballast water measures during marine transportation	2
	Sales	Implementing sales expansion of products that take biodiversity into consideration	9
	Collection, disposal, and recycling	Reusing and recycling components	7
	Entire value chain	Promoting the use of renewable energy	1
Community	Engagement	Promoting employee activities outside the company	3
	Social contribution	Implementing desert greening and afforestation activities	12
Water use that takes watershed ecosystems into consideration	Water intake	Observing and collecting biota information (impact on ecosystem depending on intake volume)	14
	Water discharge	Setting up biota management indicators and making observations (species and numbers of inhabiting organisms)	14

[Case Studies of Promoting Ecosystem Preservation](https://www.hitachi.com/environment/casestudy/index.html#case06)
<https://www.hitachi.com/environment/casestudy/index.html#case06>

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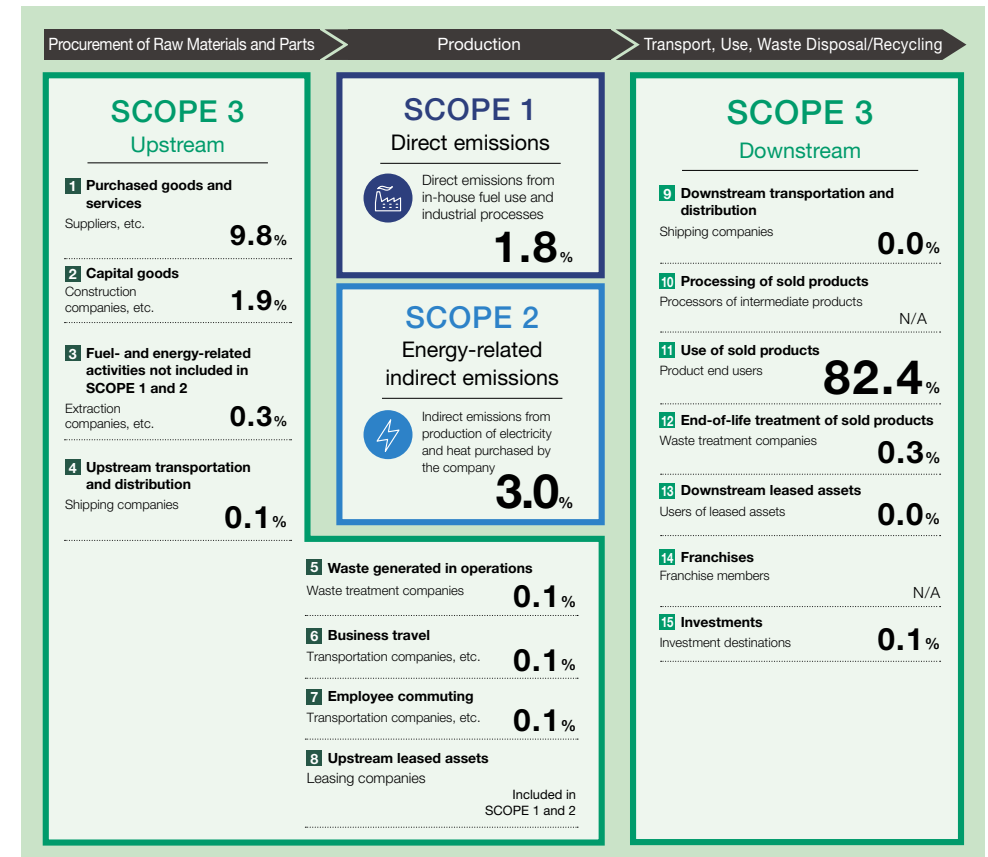
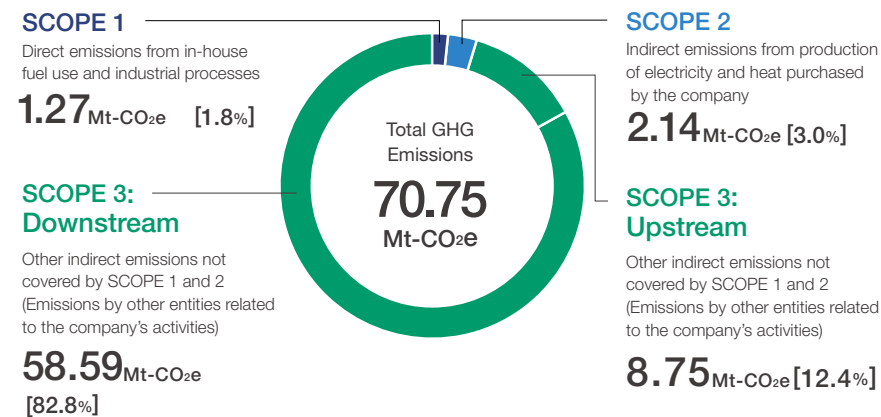
GHG Emissions Throughout the Value Chain

GRI 302-2/305-1/305-2/305-3/305-4/305-5

Calculating GHG Emissions Throughout the Value Chain (Fiscal 2021)

Hitachi calculates greenhouse gas (GHG) emissions throughout the value chain in conformance with GHG Protocol standards. This gives us a good grasp of emission hotspots in our value chain with which we can establish effective targets and reduction measures. Energy-related CO₂ accounts for almost all of Hitachi's GHG emissions, with there being negligible releases of other gases, making it all the more important to focus on CO₂ reduction efforts.

An extremely high share of our value chain emissions comes from the use of the products and services we sell. We thus believe that we can make a major contribution to decarbonization through our businesses by giving priority to enhancing the efficiency and energy-saving features of our products and services.



In-house: Within the scope of the company's organizational boundaries. In principle, all business activities of the company itself and activities within or controlled by its consolidated subsidiaries.
 Upstream: In principle, activities related to products and services that are purchased.
 Downstream: In principle, activities related to products and services that are sold.

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Detailed Data on GHG Emissions Throughout the Hitachi Value Chain (Hitachi Group, Fiscal 2021)

Category	Description	Reporting Boundary	Emissions (Mt-CO ₂ e)	Percentage (%)
Total of SCOPE 1, 2, and 3				
SCOPE 1 and 2 total		Hitachi Group	70.75	100
SCOPE 1 *2		Hitachi Group	3.41 *1	4.8
Direct emissions	Direct emissions from in-house fuel use and industrial processes	Hitachi Group	1.27	1.8
SCOPE 2*3				
Energy-related indirect emissions	Indirect emissions from the use of electricity and heat purchased by the company	Hitachi Group	2.14	3.0
SCOPE 3 total				
SCOPE 3: Upstream (other indirect emissions)				
1 Purchased goods and services	Emissions from the resource extraction stage to the manufacturing stage, including raw materials, parts, supplied products, and sales		6.91	9.8
2 Capital goods	Emissions generated in the construction, manufacture, and shipping of the company's own capital goods, such as equipment, devices, buildings, facilities, and vehicles		1.36	1.9
3 Fuel- and energy-related activities not included in SCOPE 1 and 2	Emissions from procuring the fuel necessary for electricity and other energy production, including resource extraction, production, and shipping		0.18	0.3
4 Upstream transportation and distribution	Emissions from the distribution of raw materials, parts, products supplied, and sales prior to the delivery of materials to the company, as well as other distribution activities of products for which the company bears the expense	Hitachi Group	0.07	0.1
5 Waste generated in operations	Emissions from the transportation, disposal, and treatment of waste generated from the company's operations		0.08	0.1
6 Business travel	Emissions generated from the fuel and electricity used by employees for business travel		0.05	0.1
7 Employee commuting	Emissions generated from the fuel and electricity used by employees commuting		0.10	0.1
8 Upstream leased assets	Emissions from the operation of assets leased by the company, excluding those counted in SCOPE 1 and 2		Included in SCOPE 1 and 2	—
SCOPE 3: Downstream (other indirect emissions)				
9 Downstream transportation and distribution	Emissions from the transportation, storage, loading and unloading, and retail sales of products		0.01	0.0
10 Processing of sold products	Emissions by downstream companies during the processing of intermediate products		N/A*4	—
11 Use of sold products*5	Emissions from the use of products by end users, such as consumers and businesses		58.30*6	82.4
12 End-of-life treatment of sold products sold*5	Emissions from the transportation, waste disposal, and treatment of products by end users, such as consumers and businesses	Hitachi Group	0.20	0.3
13 Downstream leased assets	Emissions from the operating of assets owned by the reporting company as the lessor which are leased to other entities		0.02	0.0
14 Franchises	Emissions by franchises under SCOPE 1 and 2		N/A	—
15 Investments	Emissions related to the management of investments		0.06	0.1

*1 In addition to this figure, the fiscal 2021 CO₂ emissions of an energy-related company and automotive business company, which became consolidated subsidiaries in fiscal 2020, were 175 kt-CO₂ and 601 kt-CO₂, respectively.

*2 Including SF₆, PFC, HFC, N₂O, NF₃, and CH₄. The gas and fuel oil conversion factor is based on the list of emissions and calculation methods

*3 CO₂ emissions were calculated using the 2019 CO₂ electrical power conversion factor for countries (in CO₂ per kWh) in Emission Factors (2021 edition), published by the International Energy Agency (IEA).

*4 Cannot be determined due to insufficient information about the processing.

*5 CO₂ emissions per unit is based on the Inventory Database for Environmental Analysis (IDEA), developed by the National Institute of Advanced Industrial Science and Technology (AIST) and the Japan Environmental Management Association for Industry (JEMAI).

*6 In addition to this figure, the fiscal 2021 CO₂ emissions of an energy-related company, which became a consolidated subsidiary in fiscal 2020, was 66,907 kt-CO₂.

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GHG Emissions Throughout the Value Chain

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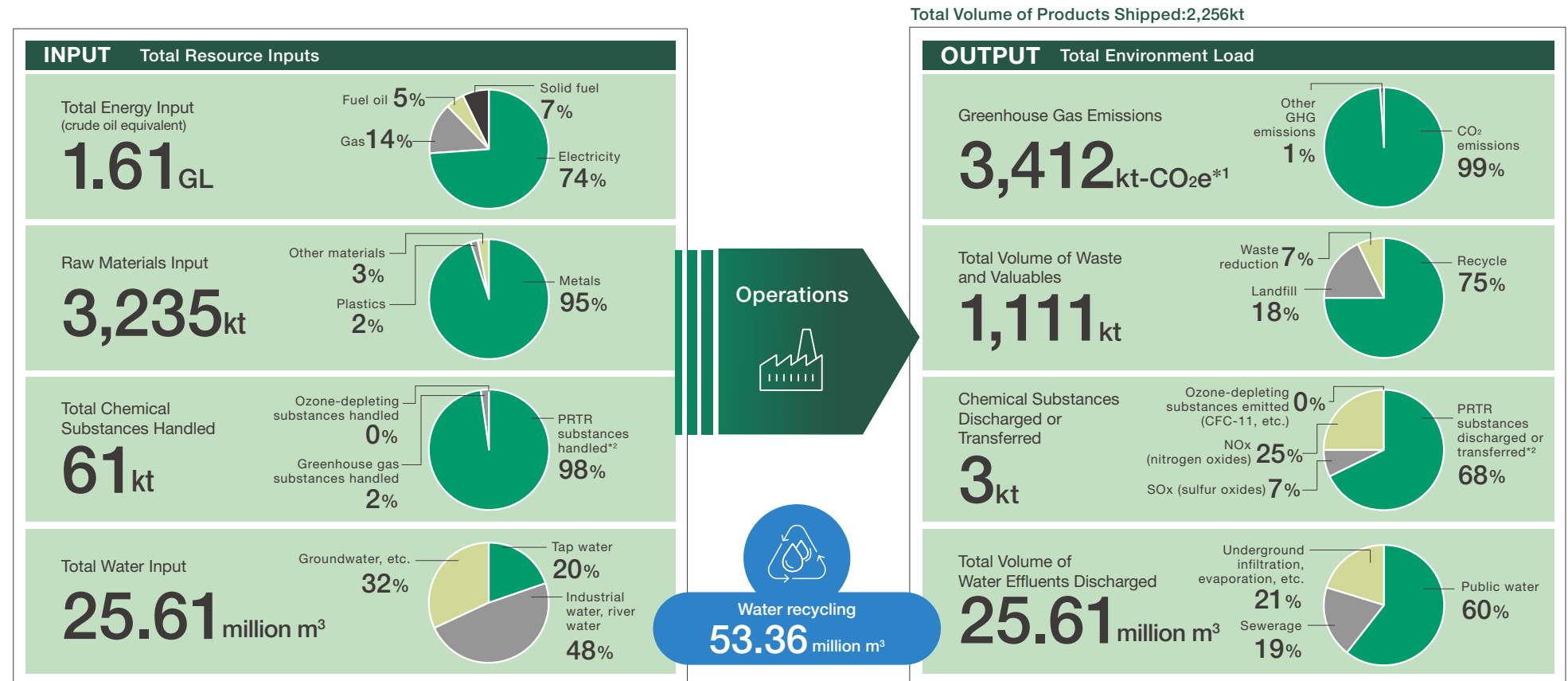
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Environmental Load from Operations

GRI 301-1/301-2/302-1/302-4/303-1/303-2/303-3/303-4/303-5/305-4/305-5/305-6/ 305-7/306-1/306-3/306-4/306-5

Overview of the Environmental Load from Business Operations (Fiscal 2021)

The following is an outline of total resource inputs (energy, raw materials, etc.) and the environmental load (greenhouse gas emissions, waste generation, etc.) of Hitachi Group operations during fiscal 2021.



*1 CO₂e: CO₂ equivalent. *2 PRTR substances: The 462 chemicals designated in Japan's Pollutant Release and Transfer Register (PRTR) Law.

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Detailed Data on Resource Input and Environmental Load Output

Energy Inputs and GHG Emissions During Business Operations

The following is an outline of the energy consumed during Hitachi's business operations and the part of our environmental load consisting of greenhouse gas (GHG) emissions.

Energy Inputs

			Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total energy consumption (crude oil equivalent)			Hitachi Group	PJ (GL)	91(2.35)	88(2.27)	81(2.07)	61(1.51)	62(1.61)
Renewable energy	Electricity	Total Electricity	Hitachi Group	GWh (PJ)	3.2(0.012)	7.1(0.026)	18.0 (0.065)	138.2(0.498)	192.6 (0.693)
		Self-generated amount	Hitachi Group	GWh (PJ)	3.2(0.012)	7.1(0.026)	18.0 (0.065)	22.0(0.079)	34.0(0.122)
		Purchased amount	Hitachi Group	GWh (PJ)	—	—	—	116.2(0.418)	158.6(0.571)
Non-renewable energy	Electricity	Total Electricity	Hitachi Group	GWh (PJ)	6,020(58.4)	6,021(58.4)	5,992 (58.2)	4,498 (43.9)	4,584 (44.7)
		For heating	Hitachi Group	GWh (PJ)	130(1.3)	128(1.3)	128(1.3)	96(1.0)	101(1.0)
		For cooling	Hitachi Group	GWh (PJ)	277(2.7)	273(2.7)	273(2.7)	208(2.0)	214(2.1)
		To generate steam	Hitachi Group	kt (PJ)	3.2(0.008)	3.2(0.008)	3.2(0.008)	3.2(0.008)	4.6(0.011)
	Gas	Natural gas	Hitachi Group	Billion m ³ (PJ)	0.19(8.6)	0.18(8.4)	0.15 (7.0)	0.11 (4.8)	0.11 (4.9)
		For heating	Hitachi Group	Million m ³ (PJ)	18.4(0.9)	18.6(0.9)	18.6(0.9)	14.2(0.6)	14.6(0.7)
		For cooling	Hitachi Group	Million m ³ (PJ)	10.3(0.5)	10.5(0.5)	10.5(0.5)	8.0(0.4)	8.2(0.4)
	To generate steam	Hitachi Group	kt (PJ)	291(0.68)	268(0.63)	232(0.54)	161(0.38)	165(0.39)	
	LPG, LNG, etc.	Hitachi Group	kt (PJ)	269(14.5)	251(13.5)	150 (8.0)	111 (5.9)	118 (6.3)	
	Fuel oil (heavy oil, kerosene, etc.)	Hitachi Group	ML (PJ)	117(4.5)	87(3.3)	75 (2.9)	61 (2.3)	47 (1.8)	
	Solid fuel (coke)	Hitachi Group	kt (PJ)	179(5.4)	188(5.5)	162 (4.8)	137 (4.0)	156 (4.6)	

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Greenhouse Gases Emitted

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total GHGs*1		Hitachi Group	kt-CO ₂ e	5,488	5,026	4,415	3,313	3,412
CO ₂ emissions	Total CO ₂ emissions	Hitachi Group	kt-CO ₂ e	5,433	4,973	4,374	3,296	3,384*2
	Direct emissions	Hitachi Group	kt-CO ₂	2,062	1,869	1,489	1,202	1,245*2
	Energy-related indirect emissions	Hitachi Group	kt-CO ₂	3,371	3,104	2,885	2,094	2,139
Other GHGs	SF ₆ (sulfur hexafluoride)	Hitachi Group	kt-CO ₂ e	40	35	24	11	20.4
	PFCs (perfluorocarbons)	Hitachi Group	kt-CO ₂ e	4	5	4	0	1.9
	HFCs (hydrofluorocarbons)	Hitachi Group	kt-CO ₂ e	7	3	3	1	3.3
	N ₂ O, NF ₃ , CH ₄ (dinitrogen monoxide, nitrogen trifluoride, methane)	Hitachi Group	kt-CO ₂ e	1	3	2	2	2.5
	CO ₂ from non-energy sources	Hitachi Group	kt-CO ₂ e	3	7	8	3	0.1

Notes: • CO₂ emissions indicate the total of SCOPE 1 and SCOPE 2 emissions which are associated with those emerging from energy use. Those emissions emerging from renewable energy are considered zero.

• CO₂ emissions from electricity consumption is calculated using a market-based calculation method. Regarding CO₂ electrical power conversion factors: In Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; outside of Japan, the latest values for each fiscal year supplied by the International Energy Agency (IEA) and by power supply companies as conversion factors for individual countries are used.

• The gas and fuel oil conversion factor is based on the list of emissions and calculation methods published by Japan's Ministry of the Environment.

• In addition to this figure, the fiscal 2021 CO₂ emissions of an energy-related company and automotive business company, which became consolidated subsidiaries in fiscal 2020, were 175 kt-CO₂ and 601 kt-CO₂, respectively.

*1 Total GHGs: SCOPE 1 and 2 total

*2 3.2 kt-CO₂ through the use of carbon-neutral city gas and 3.6 kt-CO₂ achieved with credits for neutralization are excluded from SCOPE 1.

Raw Material Inputs and Waste and Valuables Generation During Business Operations

The following is an outline of the raw materials used during Hitachi's business operations and the part of our environmental load consisting of the generation of waste and valuables.

Raw Material Inputs

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Total amount of raw materials		Hitachi Group	kt	3,797	4,403	3,776	3,066	3,235	
Raw materials	Metals	Total metals	Hitachi Group	kt	3,388	4,031	3,454	2,861	3,083
		New materials	Hitachi Group	kt	1,571	1,624	1,372	1,075	909
		Recycled materials, etc.	Hitachi Group	kt	1,817	2,407	2,082	1,786	2,175
	Plastics	Total plastics	Hitachi Group	kt	151	165	147	115	74
		New materials	Hitachi Group	kt	150	163	143	113	72
		Recycled materials, etc.	Hitachi Group	kt	1	2	4	2	2
	Other materials	Total other materials	Hitachi Group	kt	258	207	175	90	77
		New materials	Hitachi Group	kt	250	201	173	89	76
		Recycled materials, etc.	Hitachi Group	kt	8	6	2	1	1

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Waste and Valuables Generated

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total waste and valuables generated		Hitachi Group	kt	1,356	1,384	1,302	1,061	1,111
Waste reduction		Hitachi Group	kt (kt*)	83(9.0)	94(5.6)	101(17.5)	75(9.8)	74(10.5)
Recycle	Reuse	Hitachi Group	kt (kt*)	1(0.4)	1(0.0)	5(2.2)	35(11.4)	36(18.7)
	Materials recycled	Hitachi Group	kt (kt*)	1,038(20.2)	1,044(25.6)	919(25.3)	740(17.6)	784(19.3)
	Thermal recovery	Hitachi Group	kt (kt*)	11(1.4)	13(1.4)	21(4.9)	11(5.4)	13(6.5)
Landfill		Hitachi Group	kt (kt*)	223(5.2)	232(3.7)	256(6.1)	200(4.9)	204(5.7)
Nonhazardous (hazardous)		Hitachi Group	kt (kt*)	1,320(36)	1,348(36)	1,246(56)	1,012(49)	1,050(61)

Note: In addition to this figure, the fiscal 2021 waste and valuables generated by an energy-related company and automotive business company, which became consolidated subsidiaries in fiscal 2020, were 71 kt and 59 kt, respectively.
*1 Figures in parentheses are the generation of waste defined as hazardous under the Basel Convention.

Inputs, Discharges, and Transfers of Chemical Substances During Business Operations

The following is an outline of the chemical substances handled during Hitachi's business operations and the part of our environmental load consisting of chemical substance discharges and transfers.

Chemical Substances Handled

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total amount of chemicals handled		Hitachi Group	kt	212	196	186	56	61
Chemical Substances Handled	PRTR substances handled	Hitachi Group	kt	205	189	177	51*1	60
	Ozone-depleting substances handled	Hitachi Group	kt	1	1	0	0	0
	Greenhouse gas substances handled	Hitachi Group	kt	6	6	9	5	1

*1 Due to deconsolidation of material company, the handling volume decreased.

Chemical Substances Discharged or Transferred

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Amount of Discharges and Transfers		Hitachi Group	kt	5.5	5.3	4.5	3.1	3.0
Chemical Substances Discharged or Transferred	PRTR substances discharged or transferred	Hitachi Group	kt	4.3	4.1	3.4	2.1	2.1
	SOx (sulfur oxides)	Hitachi Group	kt	0.3	0.3	0.3	0.2	0.2
	NOx (nitrogen oxides)	Hitachi Group	kt	0.9	0.9	0.8	0.7	0.8
	Ozone-depleting substances emitted (CFC-11, etc.)	Hitachi Group	t (t-ODP*1)	24(0.61)	27(0.70)	9.8(0.28)	0.06(0.002)	0

*1 ODP (ozone depletion potential): A coefficient indicating the extent to which a chemical compound may cause ozone depletion relative to depletion by CFC-11 (trichlorofluoromethane, ODP = 1.0). The conversion factor uses the ODP and global warming potential published by Japan's Ministry of the Environment.

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Water Inputs and Effluent Discharges During Business Operations

The following is an outline of the total amount of water resources used during Hitachi's business operations and the part of our environmental load consisting of effluent discharges.

Water Input

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total water use		Hitachi Group	Million m ³	38.54	37.02	36.41	26.35	25.61
Surface water	Tap water (water for drinking and other household uses)	Hitachi Group	Million m ³	7.4	7.61	7.95	5.10	5.01
	Industrial water, river water	Hitachi Group	Million m ³	17.46	16.63	15.58	12.62	12.43
Groundwater		Hitachi Group	Million m ³	13.56	12.74	12.84	8.60	8.16
Rain water		Hitachi Group	Million m ³	0.02	0.01	0.02	0.01	0.01
Recycled water (recycled from the wastewater of other organizations)		Hitachi Group	Million m ³	0.1	0.03	0.02	0.01	0.00

Note: In addition to this figure, the fiscal 2021 water inputs of an energy-related company and automotive business company, which became consolidated subsidiaries in fiscal 2020, were 4.75 million m³/year and 3.91 million m³/year, respectively.

Water Effluents Discharged

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total water effluents discharged		Hitachi Group	Million m ³	35.13	34.1	33.41	23.25	25.61
Public water		Hitachi Group	Million m ³	23.12	22.44	22.46	15.29	15.40
Sewerage		Hitachi Group	Million m ³	8.62	8.18	7.74	5.44	4.99
Underground infiltration, evaporation, etc.		Hitachi Group	Million m ³	3.39	3.48	3.21	2.52	5.22
Water quality	BOD (biochemical oxygen demand)	Hitachi Group	t	399	392	232	204	156
	COD (chemical oxygen demand)	Hitachi Group	t	587	1,657	400	406	301

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Number of ISO 14001 Certified Companies (as of March 2022)

	Reporting Boundary	Unit	FY 2020	FY 2021
Total	Hitachi Group*1	Companies	202	185
Japan			85	66
China			43	43
ASEAN, India, and other Asian regions			42	43
North America	Hitachi Group*1	Companies	10	9
Europe			17	15
Other regions			5	9

Note: In addition to this figure, in fiscal 2021 there were additional 106 ISO 14001-certified companies, comprising an energy-related company that became a consolidated member of the Group in fiscal 2020 and its subsidiaries. These companies will all be incorporated into the Hitachi Group's number of ISO 14001 certified companies from fiscal 2022.

*1 Companies with at least one certified business site.

Number of Regulatory Violations and Complaints

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Regulatory violations	Hitachi Group	Water quality	3	4	4	5	2
		Air quality	1	2	0	0	0
		Waste materials	0	3	0	4	3
		Other (equipment registration, etc.)	4	4	1	1	3
Complaints	Hitachi Group	Cases	5	3	5	3	3

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Environmental Accounting GRI 201-1

Environmental Protection Costs

			Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total			Hitachi Group	Billions of yen	92.46	94.16	105.71	86.62	79.97
Expenses	Business area	Maintenance costs for equipment with low environmental loads, depreciation, etc.*1			22.17	23.57	22.62	19.14	19.56
	Upstream/Downstream	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses			0.72	0.68	0.68	0.62	0.64
	Administration	Labor costs for environmental management and the implementation and maintenance of environmental management systems			5.69	6.72	4.98	5.88	5.40
	Research and development	Costs of research and development and product designs to reduce the environmental burden caused by products and production processes	Hitachi Group	Billions of yen	62.55	61.86	77.01	60.64	53.79
	Social activities	Planting, beautification, and other environmental improvement costs			1.00	0.93	0.25	0.22	0.26
	Environmental remediation	Environmental mitigation costs, contributions, and charges			0.33	0.40	0.17	0.12	0.32

*1 Equipment depreciation costs are calculated using the straight-line method over five years

Environmental Protection Effects

Economic Effects*1

Major FY 2021 Activities		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total		Hitachi Group	Billions of yen	21.44	16.05	18.62	14.28	19.20
Net income effects	Recovering value from waste by sorting and recycling	Hitachi Group	Billions of yen	6.90	8.35	12.42	9.66	15.15
Cost reduction effects	Installing high-efficiency equipment (lighting, power supply, etc.)			14.54	7.70	6.20	4.62	4.05

*1 Economic effects include the following:

Net income effects: Real income from the sale of valuable materials and environmental technology patents.

Cost reduction effects: Reductions in electricity, waste treatment, and other expenses through activities that reduce environmental loads.

Environmental Liability

As the amounts that we can reasonably project as future environmental liabilities as of end of March 2022, we have appropriated 5.34 billion yen in costs for the disposal of waste containing PCB and 1.19 billion yen to clean up contaminated soil.

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Innovation Management

GRI 103-2



Why

— Why it matters —

Throughout its history of over 100 years, Hitachi has pursued its Mission “to contribute to society through the development of superior, original technology and products” aiming at creating innovation leading into the future. We view the approach of leveraging data and technology even further to produce strong, robust products, solutions, and business models as essential in realizing a sustainable society and business amid the increasingly diverse and complex social issues we face. Accordingly, we are backcasting from 2050 to bolster research and development aimed at creating radical innovation and working to protect and effectively utilize intellectual property (IP).



Innovation Strategy

What

— What we are doing —

- Expanding Investments in Innovation
- Generating digital service businesses with the Lumada growth model
- Backcasting from 2050 to create radical innovation
- Accelerating outside-in innovation through startup investments

How

— How we are doing it —

Policy and promotion structure	The newly established Innovation Growth Strategy Division will formulate innovation investment strategies that will inspire the next growth for customers, and under this strategy, promote the creation of digital service businesses and radical innovation. We are also working to build an innovation promotion structure fully leveraging Hitachi Group’s technology platforms, human capital, and customer network to achieve growth worldwide.
Achievements in FY 2021	
Backcasting from 2050 to create radical innovation	Identified three social issues, “an environmentally-neutral society” “a society which supports an active 100-year lifespan of its citizens” and “the co-evolution of digital technologies, people and society”, that must be resolved by 2050 and strived to create radical innovation to help resolve them
Accelerating outside-in innovation through startup investments	Launched a second fund and invested in a total of 17 startup companies



Research and Development

What

— What we are doing —

- Accelerating value co-creation
- Creating growth drivers
- Evolving Lumada further
- Creating the next pillars of growth
- Bolstering recruitment and development of digital talent
- Observing AI ethics

How

— How we are doing it —

Policy and promotion structure	In April 2022, the Global Center for Social Innovation and the Center for Technology Innovation were integrated and reorganized as the Center for Digital Services and the Center for Sustainability. We are working to enhance value creation through DX/GX to promote worldwide business growth.
Achievements in FY 2021	
R&D investment	Hitachi Group R&D expenditure: 317.3 billion yen (R&D expenditure as a percentage of revenue: 3.1%)
Accelerating value co-creation	Promoted activities, including holding forums and roundtables with universities in and outside Japan, to identify signs of change in society and customers, formulate visions and design business scenarios.
Bolstering recruitment and development of digital talent	Digital talent: Approx. 67,000 people Target 98,000 people by fiscal 2024
AI ethics observance	Published a special issue of <i>Hitachi Review</i> , “AI Governance and Ethics in Social Innovation Business”

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Intellectual Property

What

— What we are doing —

- Deploying IP activities globally based on our IP strategy
- Engaging in IP activities aimed at creating environmental value
- Enhancing our reward system for employee inventions
- Promoting design and brand protection activities

How

— How we are doing it —

Policy and promotion structure	In fiscal 2022, the name of the Intellectual Property Division was changed to the Global Intellectual Property Group with the intention of strengthening collaboration with companies outside of Japan and promoting further global deployment of our IP activities. We also created the position of Chief Intellectual Property Officer (CIPO) to strengthen our global intellectual property management framework.
	Achievements in FY 2021
Global deployment of IP activities based on our IP strategy	Globally implemented an intellectual property strategy comprising three pillars: Competition, Collaboration, and IP for society.
IP activities aimed at creating environmental value	Established the new Environmental IP Enhancement Center and began considering measures to contribute to the improvement of environmental value from the perspective of intellectual property Newly registered our wind-generation technology that contributes to resolving climate change issues with WIPO GREEN, a platform for environmental technology operated by the World Intellectual Property Organization (WIPO)
Awards for IP	Selected for inclusion in Clarivate Plc's Derwent Top 100 Global Innovators (2021) list for the 11th consecutive year

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Innovation Strategy

Approach to Generation of Innovation

Approach

Over a history of more than a 100 years, Hitachi has pursued the company Mission “to contribute to society through the development of superior, original technology, and products,” and generating innovation for the future by pursuing cutting-edge technologies.

During the Mid-term Management Plan 2021, we opened Kyōsō-no-Mori and expanded co-creation with customers, while reorganizing technology platforms and acquiring business models through startup investment and collaborations. To further accelerate these initiatives, the newly established Innovation Growth Strategy Division in April 2022 will formulate innovation investment strategies that will inspire the next growth for customers, and under this strategy, promote the creation of digital service businesses and radical innovation.

Strategies for Generation of Innovation

Strategy

Expanding Investments in Innovation

Under the Mid-term Management Plan 2024, we will expand investments in innovation across the entire Hitachi Group for further growth. A cumulative total of 100.0 billion yen will be invested in advanced research during the three-year plan, expanding Group-wide R&D investment to 1.1 trillion yen. We will also invest an additional 50.0 billion yen in corporate venturing (CV). Through these investments, Hitachi aims to create radical innovation to solve future societal issues.

Generating Digital Service Businesses with the Lumada Growth Model

Under the Mid-term Management Plan 2024, we will further develop the Lumada growth model to co-create innovation together with customers, and promote digital services that address our customers’ next management challenges. To ramp up the Lumada growth cycle, we will deepen our understanding of captured signs and changes in society and customers, draft together with our customers visions for new growth, and provide innovations to realize that growth. In the Lumada growth model, we will promote the categorization of business segment characteristics and operations as well as work with the global front teams to strengthen marketing activities, to materialize and scale up through co-creation.

Backcasting from 2050 to Generate Radical Innovation

In formulating the 2024 Mid-term management plan, we explored future social issues through repeated discussions with international organizations, universities, customers, and startups. Based on these discussions, we understood that the societal challenges that need to be addressed as we approach 2050 are: “an environmentally-neutral society,” “a society which supports an active 100-year lifespan of its citizens,” and “the co-evolution of digital technologies, people and society,” and set them as areas of focus. We are addressing these concerns through such initiatives as “energy storage and supply” and “direct air capture” to realize a carbon negative society; “minimally invasive cancer treatment” and “designed cells” to overcome cancer and intractable and infectious diseases; and “Ultra Big Data Management” and “silicon quantum computers” to facilitate

a data economy and computing innovation. Hitachi will be taking on the challenge of creating radical innovation to resolve future issues by backcasting from 2050.

Accelerating Outside-in Innovation through Startup Investments

Through investments and collaborations with startup companies, Hitachi will achieve radical innovation and acquire groundbreaking business models contributing to the expansion of the Lumada business. In 2019, we established Hitachi Ventures GmbH (HVG) and launched the first fund. We have now launched a second fund and invested in 17 companies.

Under the Mid-term Management Plan 2024, we will expand innovation ecosystems with customers, startup companies, academia and others. Specifically, we will focus on three areas identified in backcasting from 2050: “achieving a decarbonized and carbon-negative society,” “overcoming cancer and intractable and infectious diseases,” and “promoting the co-evolution of digital technologies, people and society.”

In May 2022, HVG CEO Stefan Gabriel was ranked 19th on the Top 50 Powerlist by Global Corporate Venturing.

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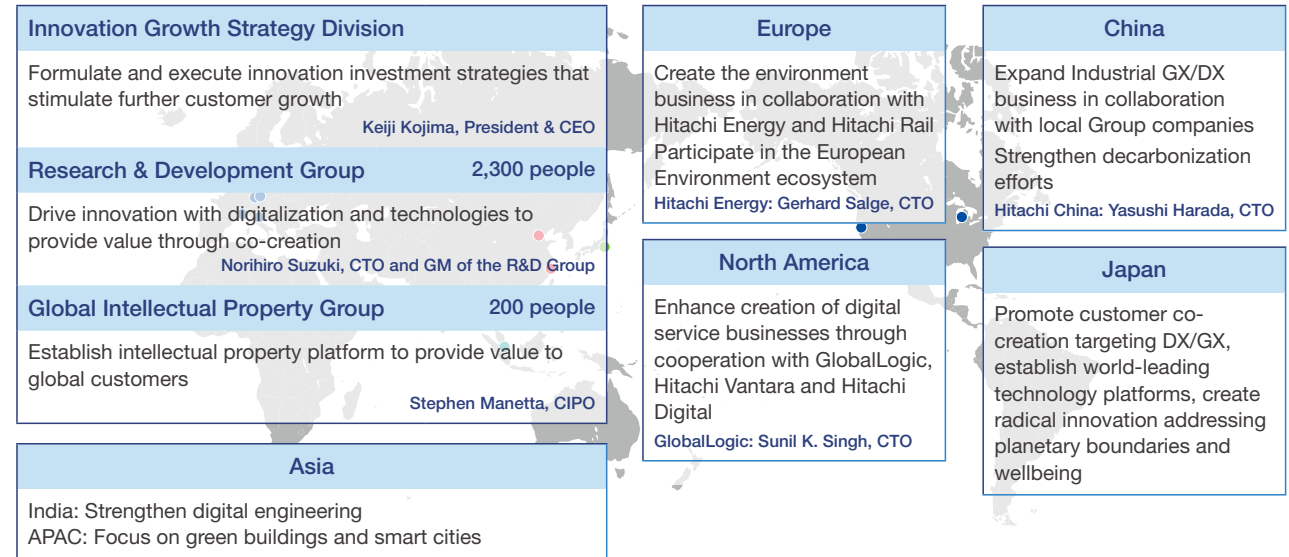
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Innovation Promotion Structure for DX/GX Global Growth

Structure

Fully leveraging the Hitachi Group's technology platforms, human capital and the customer network, we will create DX/GX innovations under a global structure. The Research & Development Group with a highly diversified workforce of 2,300 people, will be leading the creation of innovation through digitalization and other technologies. Together with Hitachi Ventures GmbH (HVG), we will work to create innovation that will solve issues faced by customers and society through collaborations with leading startups in a wide-range of fields. The Global Intellectual Property Group is promoting the establishment of a new intellectual property platform to provide value to global customers under experienced global leadership. We will accelerate global business growth together with Hitachi Energy, GlobalLogic, and business units in each region.



DX: Digital Transformation, GX: Green Transformation

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Approach to R&D

Policy Approach

Hitachi's R&D strength is that it has established a value creation cycle based on owning platform technologies for OT × IT × Products, and know-how, and pursuing technology development through co-creation with customers and partners, adding to greater know-how.

Under the Mid-term Management Plan 2024, Research & Development will work closely with Hitachi Digital, the Global Environment Division and the Innovation Growth Strategy Division that are leading the growth strategy across the Hitachi Group. We will accelerate initiative for the co-creation of value to further advance the Social Innovation Business, focusing on "Digital," "Green" and "Innovation" as the growth drivers. By generating innovation which will drive the Lumada growth model, we will contribute to the growth of our global business as well as create the next pillars of growth through radical innovation backcasted from 2050.

In fiscal 2022, R&D will be conducted under the following policy.

R&D Policy for Fiscal 2022

Basic Policy: "Generate innovation through 'Digital' and 'Green' solutions for global business growth"

- Accelerate co-creation of value: Create OT × IT × Products value through digital technology
- Create growth drivers: Contribute to global business growth through Innovative products × Digital
- Establish the next pillars of growth: Generate radical innovations by backcasting from 2050

➤ [Research & Development](https://www.hitachi.com/rd/index.html)

<https://www.hitachi.com/rd/index.html>

Structure to Promote R&D

Structure

To execute on the R&D policy, the Research & Development Group was reorganized on April 1, 2022. The Global Center for Social Innovation, which was responsible for generating value-driven innovation, together with front line Business Units (BUs), and the Center for Technology Innovation, which was responsible for development of world-leading technology to support value creation, were integrated and reorganized as the Center for Digital Services and the Center for Sustainability, to enhance value creation through DX/GX. Together with the Center for Exploratory Research, responsible for laying key stones for the future, and research laboratories in North America, Europe, China, India, and Asia-Pacific (APAC), we will work as one global organization to drive innovation.

➤ Global R&D Structure (As of April 2022)

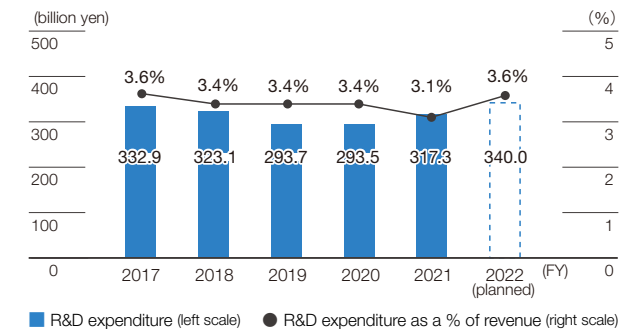


R&D Investment

Activities

Hitachi is actively investing in R&D. We are strengthening our Digital systems & Services, Green energy & Mobility, and Connective industries businesses, and working to reinforce mid-to long-term initiatives for future growth. With regard to the Research & Development Group, a corporate division, it is expanding digital technology platforms and enhancing research resources outside of Japan to expand the Lumada business, Hitachi's growth engine and global deployment, as well as investing in co-creation to resolve issues faced by customers and society and the creation of world-leading technology and radical technology. In fiscal 2021, the R&D expenditure of the Hitachi Group was 317.3 billion yen, and R&D expenditure as a percentage of revenue was 3.1%.

➤ Investment in R&D



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Accelerating Value Co-creation

Activities

Hitachi considers its most important issue to be realizing a sustainable society, while respecting planetary boundaries and human wellbeing. Aiming to realize societal and economic development that protects the Earth, Hitachi will deliver “Green,” “Digital,” and “Innovation” as the solutions for future growth to society and customers to realize a society and economy that protects the Earth, and to achieve happiness in everyday life and workstyles. We will develop Hitachi’s unique co-creation approach, NEXPERIENCE, into a methodology to resolve societal issues and deploy the Lumada growth model. Through activities such as those in our university joint laboratories, we are capturing the kizashi (signs) of change in society and customers, to develop visions and business scenarios.

[About NEXPERIENCE](#)

<https://www.hitachi.com/rd/research/design/nexperience/>

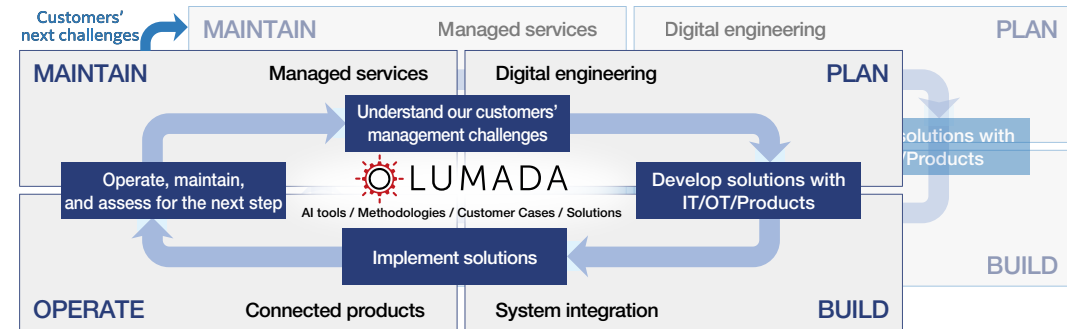
Achievements in Fiscal 2021

Hitachi participated in the Transition to Zero Pollution panel discussion hosted by Imperial College London in the United Kingdom to promote consensus-building on expectations and issues regarding a decarbonized, recycling-oriented society. Transition to Zero Pollution aims to achieve net zero emissions by 2050 (the state where the amount of CO₂ produced is equivalent to that removed from the atmosphere). Additionally, forums and roundtables were held at the H-UTokyo Lab. and Tsinghua University in China to discuss the realization of a carbon neutral society in each region.

Creating Growth Drivers

Strategy Activities

Hitachi is developing data-driven solutions under the Lumada growth model. By implementing the Lumada four-quadrant value co-creation cycle, our goal is to create growth drivers that support customer businesses. In Research & Development, we are furthering our understanding of customers’ next business challenges while promoting the co-creation of innovations and digital services to resolve these issues. The Lumada growth model will be deployed worldwide together with GlobalLogic and others.



▶ Examples of Value Co-creation in Finance and Public Services

	Current issue: Operational excellence	Next challenge: Create new demand
PLAN	Optimize work processes with design thinking	Design cross-industry financial and public service products based on OT know-how
BUILD	Increase work process system efficiency using “AI (RPA, dialogues, automated responses),” awarded first place in an international competition (SemEval2020)	Launch of Sustainable Finance Platform as inter-industry coordinated services using IoT and blockchain technology, implement an inter-industry coordinated IoT information distribution system
OPERATE	Hitachi’s “Explainable AI” analyzes and evaluates operational data, and supports the implementation of AI in work systems, continuous operations and improvements	Data analysis with assured security in DFFT and Blockchain/NFT discussed at first GTGS hosted by the World Economic Forum
MAINTAIN	Hitachi’s sensitivity analysis service automatically analyzes the voice of customers, and provides customer service improvements through product planning, sales strategies, risk countermeasures, and so on.	Offer value distribution services leveraging metaverse and Web 3.0

AI: Artificial Intelligence, RPA: Robotics Process Automation, GTGS: Global Technology Governance Summit, DFFT: Data Free Flow with Trust, NFT: Non-Fungible Token

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▶ Examples of the Value Creation Cycle in the Fields of Energy, Railway and Transport

	Current issues: Innovations in asset management	Next challenge: Promote user transition to CN
PLAN	Optimize facility costs with design thinking	Consider asset optimization, including gas and hydrogen, based on a CN scenario created through shared understanding of issues with stakeholders in an industry-academia co-creation forum hosted by H-UTokyo Lab.
BUILD	Deploy Hitachi's digital maintenance platform and digital twin equipment diagnoses and management systems to maintain and improve analysis accuracy in line with changes in equipment status	Co-create and verify using the area energy management verification environment created at Kyōsō-no-Mori by combining Hitachi power generation, power storage, and equipment maintenance technologies
OPERATE	Implement remote and automated equipment inspections using "image diagnostics AI technology" that has achieved the highest level in an international competition (TRECVID2020)	Introduce DERMS to implement grid-edge control systems using technology such as Hitachi's grid edge solution for distributed energy sources
MAINTAIN	Provide condition-based services with Hitachi's APM which was selected as a Leader in the IDC MarketScape 2020-2021 Vendor Assessment	Provide multi-energy optimization service with EaaS and MaaS

APM: Asset Performance Management, CN: Carbon Neutrality, DERMS: Distributed Energy Resource Management System, EaaS: Energy as a Service, MaaS: Mobility as a Service

Hitachi Product Strengths

Hitachi is promoting the provision of value to customers through OT x IT x Products. In terms of products, during the Mid-term Management Plan 2021, we were able to establish the top global technologies, winning prominent awards for high-speed railways, in-vehicle inverters, particle beam cancer treatment systems, and biochemical immune-assay systems.

In the Automotive System business, we are working on gearless, high-efficiency drive systems and multi-port EVs realizing the industry's most substantial size and weight reductions. Regarding the drive system (in-wheel motor), we aim to reduce energy loss by 30% compared to previous motors, and have been selected for support by the Japanese government's Green Innovation (GI) Fund, aiming for even higher efficiency.

In the measurement and analysis systems business (Hitachi High-Technologies), we will enhance the

competitiveness of our semiconductor inspection and manufacturing equipment while integrating and analyzing data generated from equipment in processing, inspection, measurement and analysis to provide feedback on manufacturing processes and products to realize customer process innovations. Through co-creation with customers, we will use the data generated from products for predictive diagnostics, analytics visualization and optimizing operating conditions to contribute to reduced development time, improved yields in manufacturing, and increased productivity for customers.

Further Evolution of Lumada

In conducting R&D to further evolve Lumada, Hitachi is engaged in the creation of Lumada cyber-physical systems (CPS) that link the digital and physical spaces in real time. We are also focusing on the key technologies of AI, 5G, beyond 5G, security, electrification, metaverse/Web 3.0.

For the area of security, we are developing Public Biometric Infrastructure (PBI) technologies realizing data free flow with trust (DFFT) and promoting enhanced security for crypto assets. Regarding metaverse/Web 3.0 which will support future societal infrastructure, we will accelerate co-creations with startup companies.

Creating the Next Pillars of Growth

Activities

By backcasting from 2050, Hitachi is taking on the challenge to generate radical innovation for the next pillars of growth: "an environmentally-neutral society," "a society which supports an active 100-year lifespan of its citizens," and "the co-evolution of digital technologies, people and society."

Toward the realization of an environmentally-neutral society

To realize a decarbonized and carbon negative society, we are working to realize a large-scale, low-cost hydrogen production system, high-efficiency artificial photosynthesis, and a fuel production cycle fed directly by CO₂.

Toward the realization of a society which supports an active 100-year lifespan of its citizens

For "overcoming cancer, intractable and infectious diseases," we are working to develop even more advanced cancer therapy through technology such as automated positioning of particle beam radiotherapies. Furthermore, we are developing designed cells based on genetic modification and cell measurement technologies.

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Toward the realization of the co-evolution of digital technologies, people and society

We will further enhance ultrahigh-speed database engines to realize data extraction performance speeds more than 100-times faster than conventional systems.

We are also accelerating developments for bio transformation (BX) and quantum transformation (QX), which will follow DX and GX.

Digital Human Resource Development

Activities

To respond to the recent progress of digitalization, Hitachi is strengthening our digital human resources, including top-class AI experts. In the Research & Development Group, we are placing particular emphasis on developing top-class AI researchers*¹ and established the Lumada Data Science Lab. to bring together digital human resources to foster and develop them. This helped us to realize our target (350 top-class AI researchers by fiscal 2021) ahead of schedule, with currently 399 at the end of fiscal 2021.

*¹ Top-class researchers who use AI/analytics, and data scientists who received internal certification.

P097 Bolstering Recruitment and Development of Digital Talent

AI Ethics

Activities

In February 2021, Hitachi released Principles guiding the ethical use of AI in Social Innovation Business and a white paper on Hitachi's activities in the area of AI ethics. Its goal is to ensure human-centric AI development and societal implementation.

Since then, we have striven toward the development, societal implementation, and proper utilization of human-centric AI that is safe and secure. And in the AI development stage, we are working to curb the various risks that arise when using AI.

In fiscal 2021, we checked approximately 800 AI projects in the planning phase, identified risks and took measures against them.

Hereafter, we will continue to promote the establishment of AI governance, and help to stimulate discussions throughout society. We are continually working to improve the substance and operation of this effort, while incorporating the opinions of stakeholders and changes in the external environment.

Achievements in Fiscal 2021

In fiscal 2021, we published a special issue of *Hitachi Review*, AI Governance and Ethics in Social Innovation Business. It provides an in-depth explanation of Hitachi's approach to AI ethics and governance for AI implementation in research, PoC, and product development.

[AI Governance and Ethics in Social Innovation Business](https://www.hitachi.com/rev/archive/2022/r2022-sp/index.html?WT.mc_id=XR-E101)

https://www.hitachi.com/rev/archive/2022/r2022-sp/index.html?WT.mc_id=XR-E101

[Principles guiding the ethical use of AI in Social Innovation Business](https://www.hitachi.co.jp/products/it/lumada/about/ai/ldsl/document/ai_document_en.pdf)

https://www.hitachi.co.jp/products/it/lumada/about/ai/ldsl/document/ai_document_en.pdf

[AI Ethics White Paper](https://www.hitachi.co.jp/products/it/lumada/about/ai/ldsl/document/ai_whitepaper_en.pdf)

https://www.hitachi.co.jp/products/it/lumada/about/ai/ldsl/document/ai_whitepaper_en.pdf

Major External Recognitions in Fiscal 2021

In the environmental sector, we received the 68th Okochi Memorial Prize and the 2021 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology Awards for Science and Technology (Development Category) for the development of a compact and high power density inverter for EVs and PHVs, together with Hitachi Astemo. In the digital sector, together with the National Research Institute for Earth Science and Disaster Resilience, we were awarded the R&D World Magazine's R&D100 Award for the SIP4D: Shared Information Platform for Disaster Management, together with the National Research Institute for Earth Science and Disaster Resilience, Japan.

With regard to products, Hitachi's Urban Ace HF standard elevator was recognized in Nikkan Kogyo Shimbun's 64th (2021) Best Ten Greatest New Products Award, and the EMU3000 rolling stock built for Taiwan Railways Administration, MOTC, was awarded the Good Design Award 2021, Best 100.

Recognition was also given by the Japan Association of Technology Executives to Dr. Shizu Takeda, Corporate Chief Scientist, for outstanding achievement in training female engineers and researchers with the 7th Distinguished Service Award for fostering female technologists.

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Intellectual Property

Approach to Intellectual Property

Approach

Hitachi has positioned intellectual property (IP) activities as one of its key business strategies, and has established a basic policy for the protection of IP and brand in the Hitachi Group Codes of Conduct. Under the Mid-term Management Plan 2021, in line with the stated vision of becoming a global leader driving enhanced value through the use of intellectual property and the goal of realizing IP-driven social innovations, we engaged in value-based (Environment, Safety & Security, Resilience) intellectual property activities. In the Mid-term Management Plan 2024, we established a new vision to become a global leader that resolves societal issues and grows our DX and GX businesses using intellectual property. We will achieve further advances and growth in the our Social Innovation Business through the protection and use of intellectual property centered on Green, Digital and Innovative initiatives.

[The Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html#ank8071860)
<https://www.hitachi.com/corporate/about/conduct/index.html#ank8071860>

Intellectual Property Strategy

Strategy

Hitachi has formulated and implemented an IP strategy that consists of three pillars: Competition, Collaboration, and IP for society.

IP Strategy for Competition

The IP strategy for Competition is centered on acquiring and utilizing patents and other IP rights. “IP Master Plans” customized for the nature of each business are formulated and implemented to enforce competitiveness.

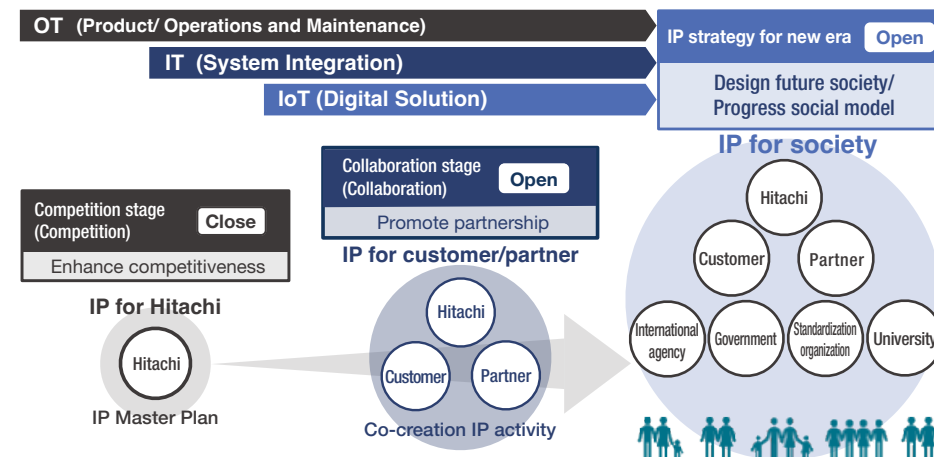
IP Strategy for Collaboration

As opportunities for co-creation with our customers and partners increase through the use of our IoT platform,

Lumada, we are expanding the scope of our IP activities to include not only copyrights, patents, and trade secrets as well as information assets such as data and information, and are using IP to promote partnerships and build ecosystems.

IP for society

Hitachi is strategically engaged in IP activities that contribute to solving social issues. In fiscal 2019, we introduced the “IP for society” concept, in which we promote the use of IP in certain highly public domains to maintain and evolve social norms. We will work in cooperation with external organizations (national governments, municipalities, universities, organizations in the United Nations, international standards organizations, etc.) through the use of IP to make contributions to businesses aimed at achieving SDGs.



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Global Deployment of Intellectual Property

Approach

Structure

We are contributing to the globalization of Hitachi's business by strengthening international patent applications (PCT applications) that cover inventions that were developed through open innovation with our customers and partners in addition to inventions from our own R&D activities. We will work to promote further globalization of our IP by working in cooperation with new members of the Hitachi Group, including Hitachi Energy and GlobalLogic.

Framework to Promote Global Deployment

In fiscal 2022, we changed the name of the Intellectual Property Division to the Global Intellectual Property Group. Our intent was to strengthen collaboration with companies outside of Japan and promote further global deployment of our IP activities.

Moreover, we have created the new role of Chief Intellectual Property Officer (CIPO) to serve as the Hitachi Group's metaphorical control tower with regards to IP. We have also established a new CIPO Office within the Global Intellectual Property Group that will work to support the formulation and execution of CIPO strategy. The highly experienced Stephen Manetta, who comes from outside the company, has been appointed CIPO to hasten the enhancement of our system for global IP management (which promotes the protection and utilization of global IP, including at group companies outside of Japan).

Specifically, we cover our globalized business in collaboration with our IP offices in the United States (Santa Clara and Farmington Hills), China (Beijing), United Kingdom (London), Singapore, Switzerland, and India.

New Initiatives Linked to Innovation

Activities

Hitachi is promoting activities that contribute to innovation by analyzing IP information. In the Environment field, for example, we analyze the degree of market maturity for each theme. This involves estimating the market's scale and growth potential based on the compound annual growth rate of the most recent inventions worldwide. We also use IP information and other data to estimate and analyze the degree of technological superiority Hitachi has for each theme. We contribute to innovation through these processes by identifying markets with high growth potential, areas where we have the greatest technological advantages, and providing our findings to business divisions.

Intellectual Property Activities Aimed at Creating Environmental Value

Activities

We are working to create solutions that utilize IP to enhance environmental value.

In fiscal 2021, we newly established an Environmental IP Enhancement Center within the Intellectual Property Division. With it, we have begun considering policies (solution creation contributing to environmental value realization, construction of IP libraries, etc.) aimed at improving environmental value from the perspective of IP. In order to maximize Hitachi's business—especially environmental value—by accumulating and utilizing knowledge of the results of IP activities that contribute to improving environmental value, Hitachi established guidelines and deployed them internally. With regard to IP libraries in particular, our hope is to link the IP we possess internally with the environmental value that the utilization of such IP may bring about, to visualize them and promote their use both within the company and externally.

Achievements in Fiscal 2021

Hitachi has registered our wind-generation technology that contributes to solving issues of climate change with WIPO GREEN a platform for environmental technology operated by the World Intellectual Property Organization (WIPO). We also share our ambition to inspire innovation by accelerating the application of environmental IP through collaboration with WIPO GREEN, and have shared this message in a video.



Contribution to Environment through Intellectual Property - Hitachi

<https://www.youtube.com/watch?v=sk18jbfqqSk>

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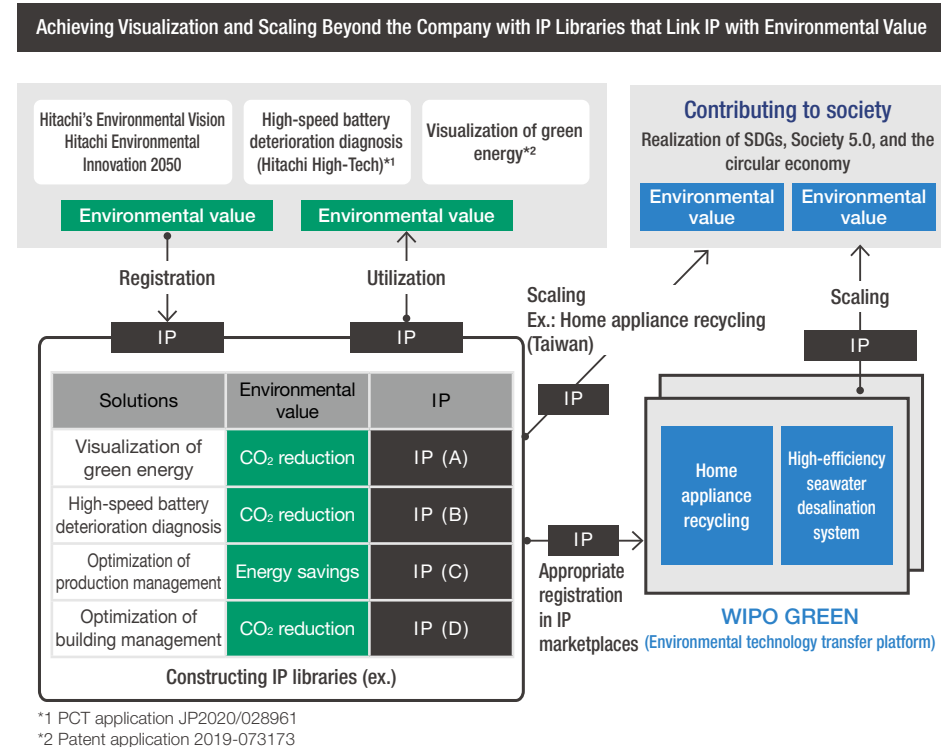
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Reward System for Employee Inventions

System

We motivate employees in the R&D field with an ample reward system for new inventions. To make this reward system as fair and transparent as possible, we set standards to evaluate inventions and disclose these standards to employees. We also have a mechanism for receiving inquiries about the rewards that was paid to employees, as well as opinions on the reward system.

We have established a special department within the Intellectual Property Division to plan and operate this system, while an internal Invention Management Committee made up of R&D, legal affairs, personnel management, and IP experts ensures that the system operates effectively across the whole Group.

▶ Internal Rewards for Inventors

Invention Information System	System allowing inventors to check the evaluation standards used to calculate rewards for inventions
Arbitration Committee for Invention Rewards	Committee to which inventors can appeal if they disagree with the amount they have been awarded
Business Contribution Awards Annual Top 100	President's awards to the top 100 inventors based on patent rewards received
Patent Contribution Awards Top 50	Ranking of the top 50 young inventors (under 35 years of age) based on patent rewards received within five years of their joining Hitachi

Awards for Intellectual Property

Activities

We are proud of Hitachi, Ltd.'s inclusion in Clarivate Plc's Derwent Top 100 Global Innovators list for the past 11 years consecutively.

	Organizer	Award	Object of Award
FY 2021	Clarivate Plc	Selected for inclusion in Derwent Top 100 Global Innovators (2021) list (for 11th consecutive year)	The most innovative companies and institutions in the world
FY 2020	Japan Patent Office, Ministry of Economy, Trade and Industry	Award from Minister of Economy, Trade and Industry at the Intellectual Property Achievement Awards	Excellent company that utilizes the IP rights system
FY 2019		Imperial Invention Prize (top prize) at the National Commendation for Invention	Designs concerning UK high-speed rail vehicles
FY 2018	Japan Institute of Invention and Innovation	The Japan Patent Attorneys Association Chairman Award at the National Commendation for Invention	Inventions concerning x-ray fluoroscopy systems
FY 2017		Imperial Invention Prize (top prize) at the National Commendation for Invention	Inventions concerning particle beam therapy systems

Protecting Our Designs and Brand

Activities

To protect Hitachi's designs and brand, we take resolute measures against such infringements as making and selling counterfeit goods, copying our designs or carrying the Hitachi brand, and illegally applying for or registering trademarks of such goods.

In recent years, we are intensifying our efforts to identify counterfeiting networks, whose manufacturing methods and sales channels have become more sophisticated and diverse. We are also working with e-commerce site operators on countermeasures against online counterfeit sales.

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Relevant SDGs

3
GOOD HEALTH AND WELL-BEING

4
QUALITY EDUCATION

5
GENDER EQUALITY

8
DECENT WORK AND ECONOMIC GROWTH

10
REDUCED INEQUALITIES

17
PARTNERSHIPS FOR THE GOALS

Why

— Why it matters —

Hitachi prioritizes human capital. In other words, Hitachi believes that employees are the source of value. As such, we aim to leverage the combined power of our global network of employees to provide value to our customers and society and contribute to achieving a sustainable society. In working toward these goals, we are committed to respecting the fundamental rights of employees, providing equal opportunities, and ensuring occupational safety and health. We will strive to build favorable relationships between employees and the company, including creating work environments conducive to feelings of pride and happiness concerning working at Hitachi, and actively engaging in dialogue regarding the treatment of employees and career advancement opportunities. We will further work to strengthen our recruitment and development of digital human capital, which is vital for implementing our growth strategy, and to promote Diversity, Equity and Inclusion (DEI) throughout our global operations.

Global Human Capital Management

- ### What
- What we are doing —
- Putting the right person in the right place
 - Ensuring fair evaluation and compensation
 - Improving employee engagement
 - Fostering a global Hitachi culture

How

— How we are doing it —

Policy and promotion structure	We have set the vision of becoming the employer of choice in global markets to attract human capital eager to make social contributions and create an organization where everyone can play an active role. We are working to further enhance our human capital based on the three key pillars of People, Mindset, and Organization, along with their underlying Foundation of the HR strategy.
Achievements in FY 2021	
Put the Right Person in the Right Place	Introduced formal job descriptions aimed at transitioning to job-based HR management
Improve employee engagement	Percentage of positive responses to employee engagement questions in global employee survey: 65% Target 68% by fiscal 2024
Foster a global Hitachi culture	Opened a corporate museum, Hitachi Origin Park, to introduce the corporate philosophy and founding spirit that Hitachi has passed down since its founding in 1910

Talent Development

- ### What
- What we are doing —
- Fostering autonomy of the individual
 - Developing management-level leadership
 - Bolstering recruitment and development of digital talent
 - Utilizing a common global learning platform
 - Supporting career development

How

— How we are doing it —

Policy and promotion structure	Hitachi aims to develop human capital that can contribute resolve social issues. In addition to on-site work-task instruction, we are expanding training programs globally across the Group to improve individual capabilities, skills, and specialties.
Achievements in FY 2021	
Develop management-level leadership	Number of participants in management-level leadership training and management training programs: 3,976
Bolster recruitment and development of digital talent	Brushed up our DX training system consisting of more than 100 courses, and widely expanded the program to Group companies outside Japan Cumulative total attendance: Approx. 24,000 Digital talent: Approx. 67,000 people Target 98,000 people by fiscal 2024

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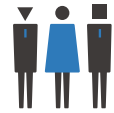
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Diversity, Equity and Inclusion

What
— What we are doing —

- Accelerating the advancement of DEI based on our DEI policy and strategy

How
— How we are doing it —

Policy and promotion structure

We are working to advance DEI with global and regional perspectives under the leadership of the Chief Sustainability Officer based on a newly formulated DEI policy and strategy. Our Global DEI Council meets to discuss specific activities concerning DEI strategy pursued by Group companies around the world and throughout our global operations. In our aim to be a diverse, inclusive company, we have also established DEI promotion leaders in each region and are striving to promote DEI in ways that take into account individual regions' characteristics and business strategies.

Achievements in FY 2021	
Promote diversity among executives	Ratio of female executive and corporate officers: 12.2%, ratio of non-Japanese executive and corporate officers: 17.6% (as of June 2022) Target 30% by fiscal 2030 respectively
Accelerate the advancement of DEI based on our DEI policy and strategy	Set targets for Business Units (BUs), corporate function, and Group company in line with our three global DEI themes: Gender-balance, Cultural diversity, and Multi-generation, and promoted related efforts
Enhance employees' understanding of DEI	Promoted training, etc. at each Group company worldwide to enhance employees' understanding of DEI



Work-Life Management

What
— What we are doing —

- Promoting work-style reform
- Introducing and expanding support systems for balancing work and child care/nursing care
- Developing support systems and measures that meet diverse employee needs
- Preventing long working hours and overwork
- Promoting diverse work styles in the "new normal"

How
— How we are doing it —

Policy and promotion structure

We believe that practicing work-life management will enrich employees' work and private lives, enhance professionalism, and build personal character resulting in both individual and organizational growth sustainably. Based on this philosophy, we have established systems to support work-style reforms and a balance between employees' work and private lives.

Achievements in FY 2021	
Introduce and expand support systems for balancing work and child care/nursing care	Promoted efforts aimed at transforming our corporate culture, including conducting manager-oriented training and expectant-father/expectant-mother seminars concerning the balancing of work and childcare/nursing care
Develop support systems and measures that meet diverse employee needs	Reviewed the Cafeteria Plan program to be able to provide a fair system not dependent on working location choices in conjunction with the expansion of working from home

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Occupational Health and Safety

What

— What we are doing —

- Establishing occupational health and safety management systems
- Conducting occupational health and safety risk assessments
- Carrying out appropriate occupational health and safety training
- Ensuring the occupational health and safety of contractors
- Implementing initiatives to improve employee health

How

— How we are doing it —

Policy and promotion structure The Hitachi Group Health and Safety Policy is shared with Group companies worldwide as part of our efforts to create safe, secure, comfortable and healthy workplace that are accident-free. We are working to continuously improve Group-wide occupational health and safety management systems under the Health and Safety Management Division, which is responsible for promoting occupational health and safety in the Hitachi Group.

Achievements in FY 2021	
Initiatives for preventing work-related accidents	Number of fatal accidents ^{*1*} : 2 (Hitachi Group), 0 (Hitachi, Ltd.) Target 0 <small>*1 Figures are calendar year-based (January–December) *2 Including contractors</small> Number of lost-time accidents ^{*1} : 434 (Hitachi Group), 3 (Hitachi, Ltd.) Target 253 which is half the number recorded in 2018 (Hitachi Group), 3 which is half the number recorded in 2018 (Hitachi, Ltd.) <small>*1 Figures are calendar year-based (January–December)</small>
Occupational health and safety risk assessment	Globally expanded our processes of identifying, assessing and mitigating the risks of high-risk activities and equipment Conducted independent outside safety diagnoses when fatal accidents occurred at Group companies outside of Japan, worked to strengthen health and safety systems in the relevant region, reviewed action plans, and strived to improve safety awareness
Employee health promotion	Percentage of employees with high stress according to the stress-check: 12.8% Target 10% decrease from fiscal 2020 (less than 10.4%) Percentage of employees who have received special health guidance: 40.3% (estimate) Target 40% of employees



Freedom of Association and Collective Bargaining

What

— What we are doing —

- Respecting the rights of employees
- Communicating mutually between employees and management
- Providing notifications of work-related transfers and reassignments
- Promoting labor-management cooperation toward improving occupational health and safety levels

How

— How we are doing it —

Policy and promotion structure The Hitachi Group Codes of Conduct call for the upholding of the fundamental rights of employees in line with the principles of the United Nations Global Compact. We also actively pursue dialogue with individual labor unions and their representatives in accordance with the laws and regulations in each country and region to deepen mutual understanding of employee working conditions and treatment as well as business conditions.

Achievements in FY 2021	
Deepen mutual understanding through dialogue between employees and management	Japan: Held Hitachi Group management meetings four times a year (once a quarter) China (Hitachi China): Held management information round-table meetings with labor unions Europe (Hitachi Europe): Held annual labor-management meeting

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Approach to Global Human Capital Management

Approach

Hitachi has welcomed around 100,000 new members with diverse backgrounds onboard through a number of major mergers and acquisitions in recent years. Contributing to society through our Social Innovation Business will require building inclusive organizations in which diverse human resources are able to play active roles. We must also encourage a mindset where employees perceive social issues as matters of personal concern and strive to resolve them. We are working to promote a variety of HR-related measures aimed at attracting diverse human resources who aspire to contribute to society, and to creating an organization where everyone participates enthusiastically. By putting these initiatives into practice, we further aim to become an “Employer of Choice” in the global markets.

Global Human Capital Management Strategy

Strategy

To advance the Social Innovation Business, Hitachi must explore customer and social issues and engage in co-creation with customers to devise unique new solutions. Human capital is the key to achieving this. In order to create new value worldwide through the Social Innovation Business, over the past 10 years we have focused on securing and developing a diverse range of human resources—the driver of sustainable growth—and on relevant organization-building. Over the next 10 years, we will marshal the strengths of our more than 300,000 employees, including

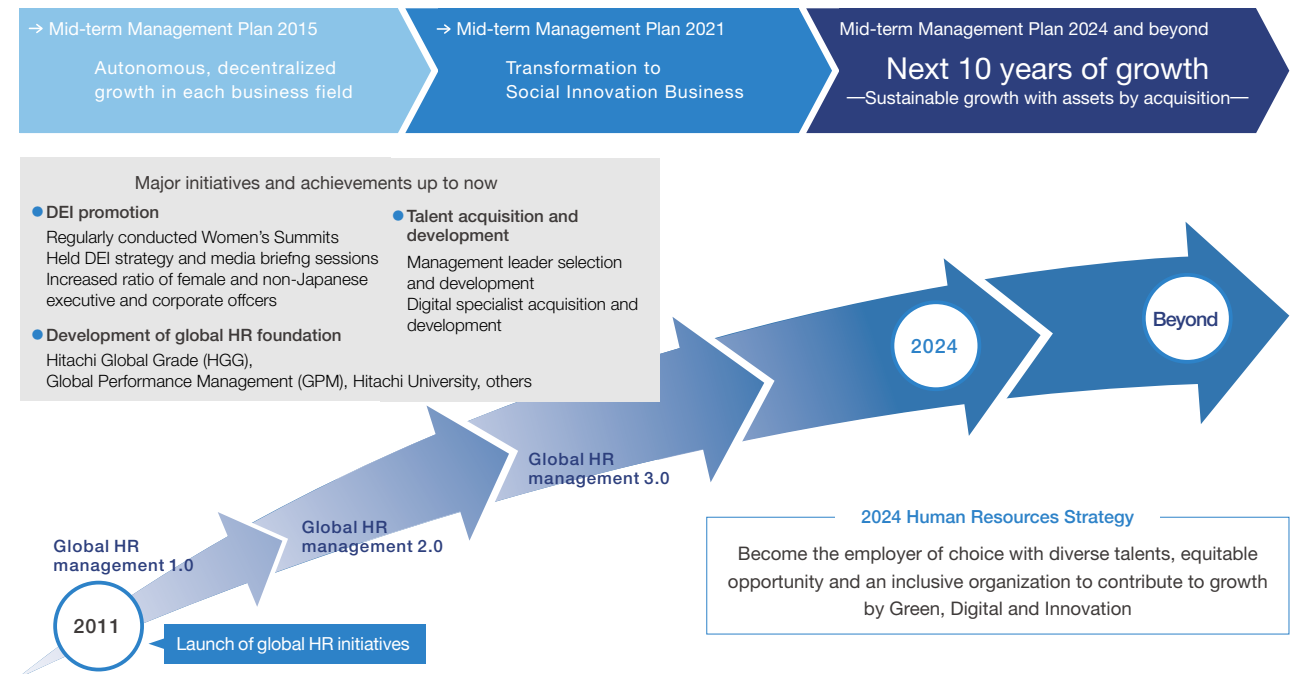
new members we have welcomed onboard through mergers and acquisitions, and work to further enhance our human capital. Through this, we will continuously provide value to our customers and society and accelerate our global growth.

The 2024 HR Strategy, formulated based on Hitachi’s Mid-term Management Plan 2024, sets forth our vision of becoming an “Employer of Choice” in the global marketplace, a vibrant organization where individuals aspiring to make social contributions gather and participate

enthusiastically. To this end, we are advancing a variety of measures around the three key pillars of People, Mindset, and Organization, along with their underlying Foundation.

Diversity, Equity, and Inclusion are at the core of our efforts to promote HR strategy. We aim to build an organization in which diverse employees respect each other’s differences and are able to innovate.

🏠 P100 Diversity, Equity and Inclusion



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▶ 2024 HR Strategy

Mission Contribute to business through diverse talents, equitable opportunity, and inclusive organization

Vision We lead transformation into “Employer of choice” in global market to become a vibrant “Talent Destination” that contributes to society

	Pillars	Key Initiatives
HR Strategy	People (Talent) Maximize talent (human capital and individual capabilities) engagement for growth	1. Acquire, retain, develop and allocate global leaders and digital talent to maximize their potential 2. Placement the right people in the right places (matching) at the optimal timing in the Hitachi Group 3. Enhance employee wellbeing and engagement
	Mindset (Culture) Fostering a mindset and culture for growth	4. Embody Hitachi’s founding spirit and cultivate global Hitachi culture to realize sustainable growth 5. Promote a growth mentality (ongoing, autonomous skills development, including upskilling and reskilling) 6. Promoting innovations and transformations: Ensure psychological safety and encourage the taking on of challenges
	Organization Promoting collaborations between divisions for growth and the realization of global productivity and efficiency	7. Breakdown organizational silos and collaborate to enhance customer value 8. Create new workstyles 9. Utilize digital technologies to transform HR with the provision of higher quality HR services and solutions
	Foundation	<ul style="list-style-type: none"> ● Ensure physical and mental wellbeing and safety ● Strengthen exhaustive risk management (compliance, prevent incidents and accidents, respond to disasters, etc.)

Initiatives to Put the Right Person in the Right Place

Approach Structure Activities

Hitachi has been building a global human capital management platform to attract, deploy, and develop the best most talented team members on a global basis.

Integrated Platform for Human Capital Management

Through this platform, up-to-date and specific human resource information, such as professional skills and career preferences, is shared via a cloud system. The platform enables centralized management of various processes including searching for talent and accessing human capital from across the Group, utilizing that information for team management, performance management, development planning, and career development. The platform is gradually being expanded throughout the Group globally.

Hitachi Global Grade (HGG)

In order for diverse human capital to advance our business, job and task-oriented HR management is needed. Hitachi Global Grade (HGG) is one way to realize this. This system has been adopted for all positions in all our organizations. The system consists of 11 grades, and each position is evaluated based on the global common standards of the entire Hitachi Group.

Transformation to Job-Based HR Management

Hitachi is accelerating the shift to job-based HR management. This involves clarifying the duties and necessary skills and experience and assigning human resources based on their desires and abilities to perform the required duties.

Through job-based HR management in Hitachi, we

can assign the right people to the right jobs according to their personal abilities and motivations, regardless of their attributes such as nationality, gender, or age. The aim of our job-based HR management is to produce organizations and human resources that generate innovations by maximizing individual and organizational performance and by improving engagement. To achieve this, Hitachi, Ltd. has been devising ways to make its jobs and human resources more visible. Specifically, in fiscal 2020, we adopted a talent review system to investigate placement and training based on each individual’s aptitude and career goals. In fiscal 2021, we introduced formal job descriptions. Through repeated discussions with the labor union, we have also focused on employee communication to encourage understanding of the need for job-based HR management and to update their thinking and behavior. The majority of Hitachi, Ltd. employees now understand the need for job-based HR management and proactive career building. In the future, we will do more to encourage each employee to change his or her behavior, and we will review our systems, transforming our entire HR management system to a job-based approach.

As part of these efforts, Group companies in Japan are carrying out similar measures. By transforming to job-based HR management, Hitachi aims to enhance employee self-motivation, create a stronger sense of unity between the company and its employees, and promote both personal and organizational growth.

Promoting People Analytics

Hitachi’s People Analytics initiative involves gathering and analyzing data about regular employee awareness and behavior and putting it to use in human resources and management policy.

Quantifying the effect of human resources initiatives has always been difficult. Evaluations have tended to be based

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on the experience of the evaluator. With the introduction of People Analytics, however, it is now possible to implement more effective and precise human resources initiatives based on objective indicators and analysis. This includes those that encourage a change in behavior by providing insights while following the development of each and every individual employee.

Utilizing Survey Analysis Results for Human Capital Management

We conducted a survey based on a unique psychological analysis developed under the academic guidance of the University of Tsukuba. The results are analyzed using IT, including AI and data analysis. The awareness of individuals as well as data on job assignments and behavior arising from the survey's results are used to assign and develop employees and to maintain and improve organizational health and productivity. This strengthens our human capital by energizing talent and organizations.

➤ Integrated Platform for Human Capital Management



Ensuring Fair Evaluation and Compensation

System

Hitachi believes that a fair global system of employee evaluation and compensation is essential for attracting diverse and highly engaged human capital regardless of nationality. Accordingly, we have established a Global Compensation Philosophy: A management framework shared by all Group companies based on the principles of “ensuring market competitiveness,” “paying based on performance,” and “maintaining transparency.”

We have developed a performance-based compensation system for regular employees that is fair and competitive in the context of the labor market for each national or regional industry. Each employee's compensation is based on an annual performance review. Feedback on this review helps further development.

We ensure compliance with the laws and regulations of each country and region in which we operate when determining compensation. For instance, in Japan, to ensure compliance with minimum wages, etc., we conduct comprehensive and periodic checks through our system to confirm that there are no violations.

Global Performance Management (GPM)

Global Performance Management (GPM) forms the foundation for business management and performance enhancement with the aim of promoting the sustainable growth of organizations and individuals. There are five items including the perspective of corporate ethics and compliance that are particularly important for Hitachi to become a global leader in the Social Innovation Business. They have been set as common competencies (behaviors) for the Hitachi Group and are applied to all employees. Supervisors provide coaching and feedback to their staff to

help them achieve their targets. They encourage continuous performance improvements which lead to the medium- and long-term development of employees. By clarifying the skills and behaviors that individuals need to demonstrate, while explaining how their actions contribute to the success of the business, we cultivate employee fulfillment at work and encourage employees to take ownership over their work and self-development.

➤ Common competencies of Hitachi Group

Competencies	Common Definition
Safety & Integrity	Be bold to do the right thing for yourself and others.
Challenge (Pioneering spirit)	Be agile, and learn from failures to succeed.
Customer Focus (Sincerity)	Empathize with customers, and collaborate to create innovation.
Collaboration (Harmony)	Speak up and listen respectfully to others.
Growth	Be hungry to grow yourself, other, and the organization.

Improving Employee Engagement

Targets Activities

Employee wellbeing is critical to Hitachi's sustainable growth. Accordingly, as part of our human capital management, we have set improvement in employee engagement**1 as a KPI. We monitor employee engagement annually through Hitachi Insights, a global employee survey, and work to plan and promote human capital management measures aimed at making relevant improvements.

Specifically, senior management and managers share the survey results for their own organizations with workplace

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members to identify organizational issues. Actions are then planned and implemented as countermeasures through the PDCA cycle, leading to improvements.

Also, with regard to the content of the fiscal 2022 survey, questions related to wellbeing, such as those concerning psychological safety and feeling connected to others, and questions related to environmental and sustainability awareness and behavior have been expanded based on the 2024 HR Strategy. In addition, the number of languages available has been expanded from 14 to 20, and improvements have been made to its usability. We will continue to enhance our use of the employee survey to provide more appropriate management of employees worldwide.

*1 Employee engagement: Hitachi uses the term “engagement” to refer to employees’ understanding of the company’s strategies and policies as well as their job satisfaction and desire to take actions on their own initiative to bring about results.

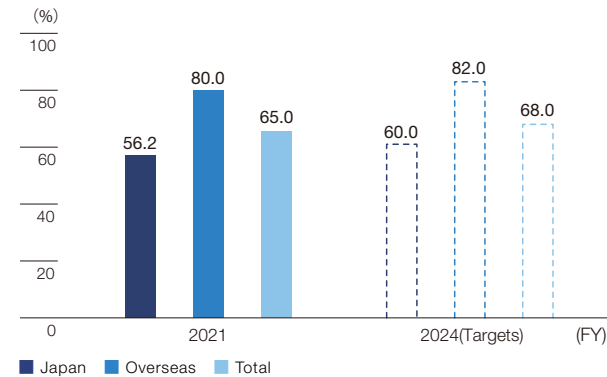
▶ Global Result and Target of the Global Employee Survey
Hitachi Insights in Fiscal 2021

Number who took survey (response rate) **Approx. 210,000 people (86%)**

	FY2021 result	2024 target
Percentage of positive responses to employee engagement questions ^{*1}	65%	68%
	+3% YoY	
	+12% from FY 2013 (1st survey)	

*1 Employee engagement in fiscal 2021 is measured in terms of four factors: pride in working for Hitachi; whether it is a great place to work that one would recommend to others; feeling of personal accomplishment in work; and intention to continue to stay at Hitachi for the foreseeable future.

▶ Employee engagement (positive response rate)



Fostering a Global Hitachi Culture

Activities

Hitachi has welcomed approximately 100,000 new employees through several large-scale M&As in recent years. We share Hitachi’s Mission and Values (Founding Spirit) with these new colleagues, and are working to foster a global Hitachi culture that achieves growth and innovation by combining the strengths and advantages of employees.

Town Hall Meetings

Senior management continues to hold town hall meetings with employees to deepen mutual understanding through direct dialogue. In fiscal 2021, 26 town hall meetings with the President & CEO and Vice Presidents were held, counting meetings in and outside Japan.

Communication to Fuse Corporate Cultures with New Colleagues in the Hitachi Group

In July 2021, a town hall meeting was held at GlobalLogic, a new member of the Hitachi Group, with approximately 6,000 participants. Participants were extremely positive as the Executive Chairman, President & CEO, and other executives shared their thoughts on creating future synergies and answered questions from employees.

“Make a Difference!” New Business Proposal and Job Improvement Idea Contest

Since fiscal 2015, Hitachi has been running the “Make a Difference!” employee idea contest to create a stronger culture based on an “I will” mindset. The number of entrants has expanded across the Group globally, and members of Hitachi Energy and GlobalLogic, who are new to the Group, are participating actively.



Establishment of Hitachi Origin Park

In November 2021, Hitachi opened a corporate museum, Hitachi Origin Park, in Hitachi City, Ibaraki Prefecture, where the company was founded. Hitachi Origin Park introduces the corporate philosophy and founding spirit that Hitachi has passed down since its founding in 1910, along with examples of how the company has solved social issues. It is a place where Hitachi Group employees can learn about Hitachi’s origins and deepen their understanding of our corporate philosophy and founding spirit. It is also a place to create new dialogues with local communities and our business partners around the world.

▶ Hitachi Origin Park

<https://origin.hitachi.co.jp/en/>

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Talent Development

GRI 404-2

Approach to Talent Development

Approach

Hitachi has traditionally placed great emphasis on developing human resources, including the establishment of the Apprenticeship Training School, a predecessor of today's Hitachi Industrial Skills Academy, in 1910, the year of Hitachi's own founding. The pedagogical principles established in 1959 as our Educational Guidelines emphasized the spirit of *yūeki* (guidance through assistance) and *jikyō* (endeavor through one's own efforts).

That spirit has been maintained to the present day. In addition to on-site training through work tasks, we are also expanding training programs globally across the Group to improve individual capabilities, skills, and specialties. We will continue to support the growth of each and every individual employee with the goal of developing employees who can contribute to resolving social issues.

Fostering Autonomy of the Individual

Approach | Activities

Hitachi recognizes the diversity and independence of individual employees. We work to create an organizational culture that makes the most of individuality, thereby fostering autonomy and support individuals who demonstrate career ownership.

Since fiscal 2015, we have implemented the "Make a Difference!" employee idea contest on the theme of "I will" mindset transformation. Employee support is being expanded for personal development, including subsidies under the Cafeteria Plan and recommendations relating to materials for self-development. We are also continuing to provide regular education so that each employee can acquire the skills they need.

Fiscal 2021 Make a Difference! Winning Idea

In fiscal 2021, out of 457 applications received from around the world, five teams made it to the final round of judging and gave presentations to a panel of executive judges. Two teams received the Gold Ticket, awarded to the best and most feasible ideas, and three teams received the Outstanding Spirit Award, recognizing their endeavors taken with an "I will" mindset. One new business idea that won the Gold Ticket was praised for its focus on people, especially women and diversity, and its initiative to provide useful information combining career development, health information, and life events. The other Gold Ticket award was for a job improvement idea submitted by a team from GlobalLogic, which participated in the contest for the first time this year. The team's unique idea to focus on the engagement of Hitachi employees and use an app to reach out to employees not only in terms of their individual careers, but also with respect to social aspects (hobbies, volunteer work, self-development activities, etc.) to lead them to success was evaluated highly. Since both ideas are aimed at employee retention, which is a top priority for the company, the two teams will collaborate to implement and realize these projects.

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Management-Level Leadership Development

Approach System Activities Training

Hitachi takes a medium- to long-term approach to developing management-level leadership that will drive transformation with top management and the Nominating Committee playing a central role.

When developing candidates for appointment in the next and subsequent term to executive positions including CEO, CXO, and division heads several hundred candidates are selected from the Hitachi Group’s human capital around the world and given both on-the-job training (OJT), including tough assignments,^{*1} and off-the-job training (Off-JT) such as external training and coaching.

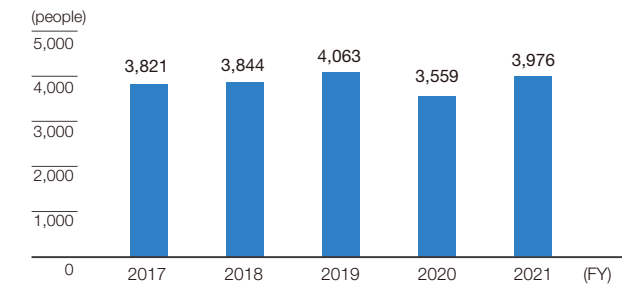
We also select around 50 outstanding emerging employees as candidates for management-level leadership as members of the “Future 50” program. By giving this Future 50 members tough assignments opportunities for direct discussions with independent directors and so on, we perform their development with focused educational activities.

*1 Assigning highly demanding tasks.

▶ Leadership and Management Training (Global)

Training	Overview	FY 2021 results
Global Leadership Acceleration Program for Key Positions (GAP-K)	Selective training held for five months to accelerate the development of future management-level leaders	33 participants from 12 countries
Global Advanced Program for Leadership Development (GAP-L)	Training held twice a year for local leaders expected to perform well in subsidiaries outside Japan with the aim of developing the superior leadership, mindset, and skills necessary to drive Hitachi’s global growth business	43 participants from 13 countries
Global Group Executive Development Course (Global GEC)	E-learning course to give leaders of Hitachi subsidiaries outside Japan a basic understanding of Hitachi’s management and provide the latest information to lead Social Innovation Business	49 participants from five regions
Global Leadership Acceleration Program for Managers (GAP-M, Ready to Lead)	Leadership training with global common content for senior managers and new managers	2,921 participants, classes in eight regions

▶ Number of Participants of Leadership and Management Training Programs



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Bolstering Recruitment and Development of Digital Talent

Approach	Target	Activities	Training
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To accelerate our Social Innovation Business using digital technologies and realize Hitachi's growth strategy, we are working to secure and develop human capital (digital talent) that can lead a digital transformation (DX).

In fiscal 2021, we increased our digital talent to approximately 67,000 people. This was achieved with the addition of GlobalLogic, a leading digital engineering services company, to the Hitachi Group, as well as the hiring of outside talent that can contribute immediately and the development of internal talent through DX training and other programs. We also increased our data scientists with specialist knowledge of data analysis including AI, IoT, and the utilization of big data to approximately 10,000, up from around 2,000 at the end of April 2020.

We have set a target of increasing our digital talent to approximately 98,000 people, mainly outside Japan, by fiscal 2024. We will accelerate our efforts to bolster our digital talent needed for business growth by acquiring talent globally through GlobalLogic and other means, and by developing internal talent through expansion of training programs and other measures.

Achievements in Fiscal 2021

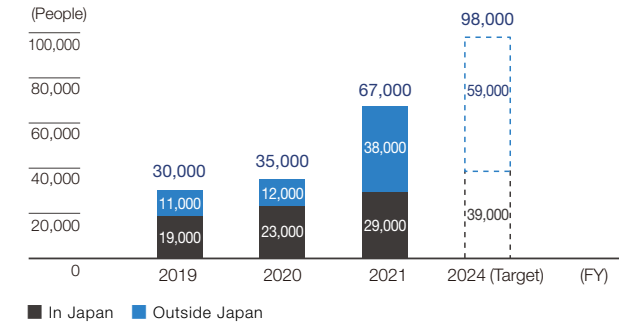
Aiming to further develop and strengthen our digital talent, we consolidated our various training institutes into the Hitachi Academy in April 2019. We also have constructed a DX training system that organizes, categorizes, and systematizes the processes and tasks needed for digital transformation.

Every year, we brush up our DX training system consisting of more than 100 courses, which were taken by a cumulative total of approximately 24,000 employees in fiscal 2021. In addition, we are enhancing the development of individuals who can apply DX to their own work by developing training courses for each skill required of digital talent. Furthermore, in fiscal 2020, we began an e-learning basic training program to improve DX literacy among all Group employees in Japan. In fiscal 2021, we widely expanded the program to Group companies outside Japan to foster a common understanding of digital business promotion throughout the Group worldwide.

At the same time, we are training the people in the leadership class who are in charge of DX projects by providing them with on-the-job training in actual projects and other practical experience.

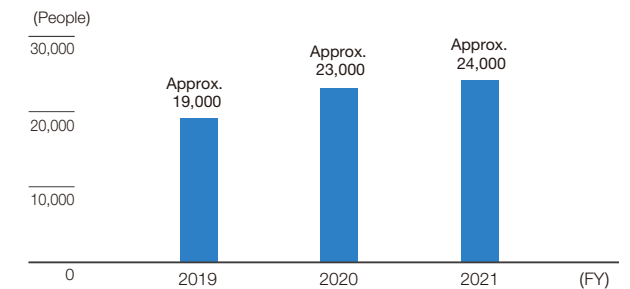
We will continue to strengthen our digital talent development with broader fundamental training aimed at acquiring basic knowledge and skills by participating in training, and specialized education to develop the leader class and specialists.

Digital Talent: Past and Target



Note: A cumulative total number of people categorized into twelve groups by their skill (An employee with several skills is counted multiple times based on the number of skills)

Total Number of Participants in DX Training



Note: A cumulative total number of participants in Japan by end of each fiscal year



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Utilizing a Common Global Learning Platform

Activities

Training

At Hitachi, all employees can use Hitachi University, a common global learning platform, to check their past learning progress and take necessary training in a timely manner to achieve their business goals and develop their future careers in consultation with their managers. This promotes autonomous, workplace-based talent development. In addition, the HR department utilizes training transcripts to implement effective talent development measures.

Career Development Support

Activities

Training

Hitachi, Ltd. has developed a broad range of career development support that focuses on “internal careers,” namely, employees’ individual values and rewarding activities, as well as their views on the meaning of their work. In a career development program to provide direct support for individual career development, we hold the Hitachi Career Development Workshop (H-CDW). Through self-analysis work, participants consider the direction they should proceed in, their career goals, and their career path, and then engage in self-directed efforts to develop their career and abilities. Around 15,300 people have participated in the program so far (as of March 31, 2022) with a focus on assistant manager-rank personnel working as technicians, researchers, and administrative office workers in their thirties. In addition to those programs, Hitachi also offers programs targeting specific age groups such as career education for young groups and training for middle-aged or older groups to help them prepare for the changes ahead in their careers.

We also operate a Career Consultation Room so that employees can speak with professional counselors about any challenges they have regarding their work, their career, or interpersonal relationships in order to help them find a solution.

We will continue to promote self-understanding while respecting each employee’s individuality and personal aspirations. By doing so, we will develop individuals with autonomy to think and act for themselves, promote mutual understanding as a way of fostering a sense of unity and teamwork while capitalizing on individuals’ engagement and motivation within the organization. We provide support and create mechanisms to link individual abilities and creativity to the enhancement of organizational strength and performance.

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Initiatives at Regional Headquarters to Develop Employee Skills

Hitachi is a company with global operations, so its skills development programs are implemented primarily by its regional headquarters in keeping with the focus of each region’s business operations and cultural environment.

Through these efforts, we seek to identify and nurture the human capital who will become Hitachi’s leaders globally across the Group.

Hitachi America, Ltd.

For employees in the Americas aspiring to become global leaders, in addition to a global management training program, the company provides a variety of learning and individual training options utilizing the Hitachi University. Specifically, the company encourages employees to take e-learning courses on topics such as DX and AI/data science. To develop leadership, it also actively encourages employees to participate in training programs for management-level leaders.

Hitachi Asia Ltd.

Once a year, key business leaders meet to formulate a plan for training tailored to the skills required and business trends, thereby strengthening the alignment of talent development policy and business. The company provides global management training courses and an environment where employees can independently learn needed skills online, making full use of an e-learning platform for employees.

Hitachi (China) Ltd.

The growth of all employees is promoted through a training system catering to different levels of development which enables workers to develop the specialized and comprehensive skills they need to perform their jobs. In addition to global common training through Hitachi University and an e-learning platform for employees, the company provides specific content to allow employees to acquire the skills and knowledge required for business activities in China. It also supports the development of Hitachi’s Social Innovation Business by strengthening training for talent development related to digital business.

Hitachi Europe Ltd.

Employees in Europe can develop their skills through classroom lectures and online classes enabling them to acquire professional qualifications in cultural awareness, presentation skills, and IT skills. Global management training and other programs bring together Hitachi leaders in Europe which helps to build an important network in support of “One Hitachi.” In addition, the company also provides education and training to transform employees into smart workers who can make choices and deliver results in a limited amount of time.

Hitachi India Pvt. Ltd.

The Learning and Development Committee consists of senior executives and meets twice a year to discuss training programs. Another mission is to promote building skill sets by making full use of global management training courses and the e-learning platform for employees. In addition, to enable an effective learning and development, the company provides annual development roadmap and educational programs to Group companies located in India.

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Diversity, Equity and Inclusion

Committed to Diversity, Equity and Inclusion (DEI)

Approach

Policy

Hitachi aims to be a diverse company where everyone is welcome, everyone is treated equitably, and everyone feels included.

Diversity, Equity and Inclusion open our future

Diversity, Equity and Inclusion are the source of our innovation and growth.

Hitachi has a place for everyone, welcoming differences in colleagues' background, age, gender, sexuality, family status, disability, race, nationality, ethnicity and religion.

We respect and value these and other differences because only through difference can we understand our markets, create better ideas and drive innovation which contributes to society.

At Hitachi we treat everyone fairly, recognizing difference to allow everyone to contribute.

With a diverse workforce, broad experience, and an inclusive culture we will meet our customers' needs and drive our company's sustainable growth.

Diversity:

Diversity refers to the various differences that exist within individuals and groups.

In Hitachi, Diversity means that there is a place for everyone, regardless of background, age, gender, sexuality, family status, disability, race, nationality, ethnicity, religion and many other characteristics.

Equity:

Equity means fairness of treatment, making adjustments to account for imbalances.

In Hitachi, Equity means we treat everyone fairly. Treating people "fairly" is not the same as treating them the same. We recognise that each of us is different, and each of us needs different conditions to thrive. We put in place policies, tools and adaptations to allow everyone to access the same opportunities.

Inclusion:

Inclusion is a state in which the uniqueness of each person is recognized and enabled to contribute to the organization at their best.

In Hitachi, Inclusion means that everyone feels respected, heard, and involved.

For colleagues to feel included means being accepted and valued, able to speak up and to contribute. It implies an open, empathetic culture and attitude. Including the different

voices and varied perspectives that diversity brings enables us to reach better decisions and unlock innovative ideas.

In line with this commitment, all of our initiatives to enhance Diversity, Equity and Inclusion (DEI) share these basic goals:

- Make Hitachi a truly global company, with talent from all over the world
- Enable Hitachi to better serve global customers, improve our footprint and open new markets
- Drive innovation and creativity
- Support attraction and retention of talent
- Allow employees to feel more engaged and connected, to be a part of Group strategy and actively contribute to it

 [Hitachi Group Diversity, Equity and Inclusion Policy](https://www.hitachi.com/sustainability/download/pdf/Global_DEI_policy_EN.pdf)

https://www.hitachi.com/sustainability/download/pdf/Global_DEI_policy_EN.pdf

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Global DEI Strategy

Strategy

Under the leadership of the Chief Sustainability Officer and Chief Diversity & Inclusion Officer (CDIO), Lorena Dellagiovanna, in fiscal 2020 we conducted a gap data analysis, looking at external assessments and working with the Business Units (BUs), corporate functions, and Group companies to review their current status and business strategies. Based on this analysis, we formulated our global DEI strategy for the medium to long term.

Diversity refers to all the different characteristics that distinguish people one from another. Some of these differences are immediately visible, but many more are intrapersonal—for instance thinking styles, personality type, and background experiences—at least until people really get to know each other.

Hitachi commits to tackle all dimensions of diversity, however we identified three themes that are common in every region and business.

Our global DEI themes:

1. Gender-balance: More women across the business, especially within leadership roles
2. Cultural diversity: A team which reflects the global nature of our company
3. Multi-generation: Colleagues are recognized based on competence, not on age

In line with the above three global DEI themes, we set targets for BUs, corporate functions, and Group companies. The procedure to define the targets included individual meetings, where discussions focused on how DEI efforts can help to address issues in the business, since Hitachi operates in a variety of industries and markets.

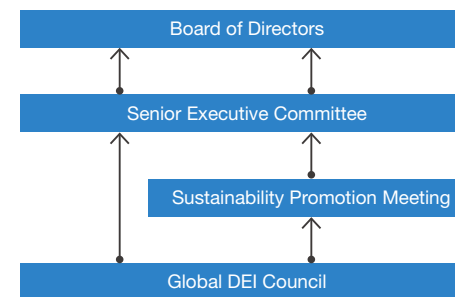
These targets are promoted through the “five pillars of implementation”:

Pillars	Description
Leadership Commitment	<ul style="list-style-type: none"> • President & CEO and other senior stakeholders show their clear commitment to the DEI vision • Leaders are accountable for DEI progress
Culture	<ul style="list-style-type: none"> • Improving workplace culture and cultural focus on inclusion are a business mandate
Recruitment	<ul style="list-style-type: none"> • We attract and hire diverse people • We conduct diagnostic analysis and review our recruiting channels and practice, monitoring the recruiting funnel
Retention	<ul style="list-style-type: none"> • We provide different benefits and support robust Employee Resource Groups (ERGs), driving cultural relevant programming
Advancement	<ul style="list-style-type: none"> • We produce diverse leaders • We promote diverse individuals based on competency

Global DEI Management Structure

Structure

➤ Global DEI Management Structure (FY 2022)



To achieve our aspirations, Hitachi has created a structure to lead its global and local initiatives.

At a global level, DEI themes are discussed both at the executive level and the implementation level, in order to promote the Group’s policies and initiatives.

The Global DEI Council is aligned with the global DEI strategy and conducts discussions on specific actions in partnership with the HR departments of Group companies around the world. Material matters are reported and deliberated on in the Senior Executive Committee, and are reported to the Board of Directors when necessary.

Regional DEI lead positions have been created to drive initiatives aligned to local needs and business strategies.

The Global DEI team supports the implementation of global and regional initiatives, promoting the DEI strategy to foster an inclusive culture. The team implements a thorough set of DEI performance indicators .

To promote communication among all functions, BUs and Group companies, the Global DEI team facilitates working group sessions. These sessions involve all key internal stakeholders, and participants discuss specific DEI topics, seeking to share best practices, identify common issues, and find practical solutions.

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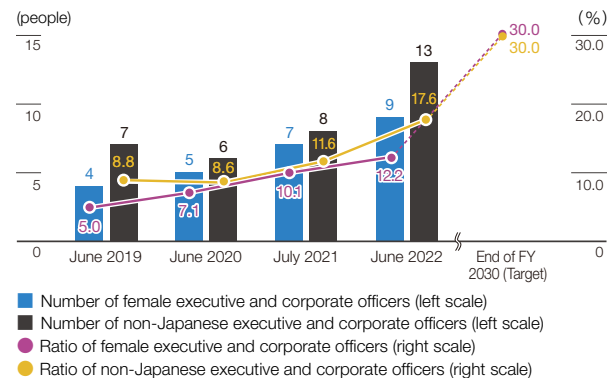
DEI Global Target

Target	Activities	GRI 405-1/405-2
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We have set the strengthening of diversity in management as a global DEI target, with a KPI of the ratio of executive and corporate positions held by women and non-Japanese persons.

As of June 2022, 12.2% of executives and corporate officers were women, compared to 10.1% as of June 2021. Furthermore, 17.6% of executives and corporate officers were non-Japanese persons, compared to 11.6% as of that same date. By 2030, our target is for 30% of our executives and corporate officers to be women and 30% to be non-Japanese persons.

▶ Ratio of Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.) ✓



Initiatives to Support Our Global DEI Themes

Activities

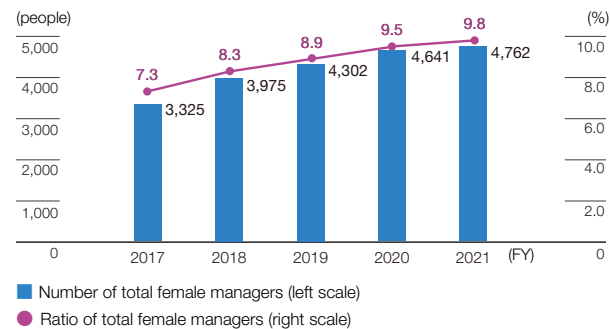
To advance DEI across our three global themes, the Hitachi businesses have a range of ongoing initiatives. These initiatives champion the global themes and enable Hitachi to meet its global DEI Policy.

Global DEI Theme 1: Gender-balance

Improving our gender balance means empowering women across the business. Starting with giving broader access to all roles through recruitment, we are offering opportunities for their progression into leadership positions and providing support to ensure a workplace where women can thrive.

Our goal is that all women at Hitachi feel that they have a place, have a clear and distinctive voice, and enjoy the freedom to contribute to our innovation. Furthermore, in regards to employee compensation, it is set according to each individual's role and achievements, with no divisions or differences based on gender or age.

▶ Ratio and Number of Female Managers (Hitachi Group) ✓



Note: The figures are based on enrolled employees with employment contract including those seconded from Hitachi Group to other companies and those taking leave, and excluding those seconded from other companies to Hitachi Group (as of March 31). Rising numbers of female managers in part reflect improved coverage of our human capital databases.

▶ Basic Salary and Total Individual Compensation for Female and Male Managers (Fiscal 2021) (Hitachi, Ltd.)

Basic Salary	Total Individual Compensation
100:105	100:107

Note: Benefits for male and female employees are identical. Differences between male and female employees' salary and compensation are due to age distribution, grade distribution, etc.

Initiatives of Hitachi, Ltd.

Hitachi, Ltd. supports women in thinking about their own career paths. The seminar is aimed at women with 3-4 years' experience at Hitachi and gives them the opportunity to better understand their career and consider their future. The seminar includes lectures on the environment surrounding working women, panel discussions by women in senior roles, and discussions among participants. The seminar was held online 2 times in FY 2021.

Initiatives of Hitachi Energy

Within Hitachi Energy's diversity strategy, one opportunity focus area is "women's acceleration," with a management commitment to increase women's representation at three levels of the organization to achieve 25% women in management by 2025.

Hitachi Energy's Female Talent Development Program is an acceleration program including mentoring for middle managers, and to date 60 female leaders have graduated. Hitachi Energy incorporates DEI into all policies related to the employee life cycle such as equal pay, flexible working, and Employee Resource Groups (ERGs) global and locally.

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Initiatives of Hitachi Vantara

Hitachi Vantara is committed to providing opportunities for the advancement of women in the technology sector and providing career development opportunities for existing employees and future candidates. The company also offers a “returners” program with the Mom Project to support women returning to work after a career break. The business is working in partnership to place returners in the US, into key roles to support them continuing their career path and are looking to expand the program if this initiative is successful.

The business has also seen its Women of Hitachi ERG grow and expand globally. The Group’s mission is to help advance the development and advancement of women across all sectors. Members of this ERG are actively engaged in mentoring one another and hosting panel discussions with guest speakers to inspire and motivate all employees who identify as women and their allies.

Initiatives for LGBTQ+

For 2022, Hitachi Vantara scored a 100 on the Human Rights Campaign’s Corporate Equality Index, a national benchmarking tool on corporate policies, practices, and benefits for the LGBTQ+ community. This score was a result of the recent change to supplier selection, where Hitachi Vantara partners with diverse suppliers with minority, women, LGBTQ+ or person-with-disability owners.

Other programs to fulfill the DEI programs regionally and locally include employee resource groups such as LGBTQ+ (Rainbow Connection). We also have LGBTQ+ healthcare concierge services and DEI global compliance training.

Initiatives of GlobalLogic

GlobalLogic offers opportunity through its Women Influencers Program. High-potential women in senior management positions participate in a multi-month career development program. This rigorous program employs training, mentoring, and coaching to support senior managers’ advancement into the decision-making tier. The first “proof of concept” cohort earned 60% advancements and 40% role enhancements to date. The program will be expanding globally from 2022.

Global DEI Theme 2: Cultural Diversity

Being culturally diverse is about creating a team which reflects the global nature of our company. Hitachi has grown into a global innovation business from its Japanese roots, and our aspiration is to see the global and diverse nature of our business portfolio reflected in our people, particularly at the decision-making levels, and supported by an inclusive culture.

By providing the opportunity for more individuals from different nationalities to progress into leadership, we create opportunities for Hitachi to access new markets and sustain our global growth.

Initiatives of Hitachi Astemo

Hitachi Astemo organized its very first Diversity Month in May 2021. To highlight the cultural diversity of the company, employees were invited to share their favorite recipes, along with their favorite memories of cooking them.

Initiatives of Hitachi Vantara

To celebrate diversity in the workplace, Hitachi Vantara leverages spotlight months, such as Black History and Hispanic Heritage month, to invite employees to share stories of their heritage and culture. The company also

shares religious and holiday observance messages globally, to further respect cultural diversity. In addition to that, its leadership teams continue to participate in intercultural training courses to help further strengthen their understanding of cultures around the world.

Global DEI Theme 3: Multi-generation

Technology and society change quickly, and the voice of younger colleagues is essential in Hitachi’s approach to innovation. We seek to attract young people to our workplaces and ensure they contribute to our thinking, while also being sure to foster positive collaboration and dialogue among different generations. We recognize the value that all individuals can bring, and so we strive to recognize colleagues based on competence, rather than age.

Initiatives of Hitachi Energy

To attract and retain future talent, Hitachi Energy has set targets in the early career space to see 40% of early career positions filled by women and 20% of external hires be early career by 2025, partnering with university relations and our Power+ trainee program (a program to build solid foundation for fulltime position).

Hitachi Energy also works to ensure that its recruiting policy contributes to an inclusive workplace by examining areas such as the office infrastructure and embedding flexible working practices.

The company has also trained more than 3,500 leaders in a leadership model designed by employees to strengthen leadership capabilities of tomorrow.

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Initiatives of Hitachi High-Tech

To support its talent, Hitachi High-Tech America has an Employee Mentorship Program (EMPower). This aligns with the company's goal to develop individuals within the organization with the skills and knowledge to achieve personal and professional growth. The company's diverse professional mentor/mentee relationships strengthen its ability to provide global customers with the solutions they need. This, in turn, helps ensure client satisfaction and strengthens long-term relationships.

Disability Inclusion

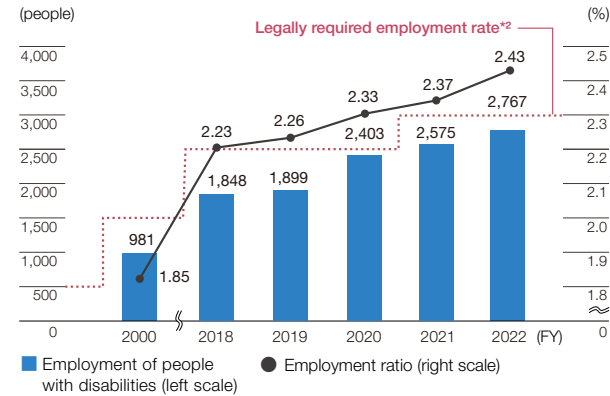
Activities GRI 405-1

Hitachi Group joined The Valuable 500, a global CEO community launched at the World Economic Forum to promote the inclusion of people with disabilities by providing business leadership and other opportunities. By joining this worldwide movement, Hitachi seeks to accelerate the inclusion of people with disabilities internally and externally.

Initiatives of Hitachi, Ltd.

Hitachi, Ltd. and its Group companies in Japan are actively recruiting people with disabilities via online recruiting fairs and by partnering with special subsidiaries. As of June 2022, the employment ratio of people with disabilities was 2.43% at Hitachi, Ltd. and 2.51% for the entire Group in Japan. These figures exceed Japan's legally required employment ratio of 2.3 %.

Employment of People with Disabilities and Employment Ratio (Hitachi, Ltd.)*1



*1 Includes special subsidiaries and related Group companies. (One special subsidiary and 25 related Group companies in June 2022. Figures include Hitachi, Ltd.)

*2 The legally required employment rate was 1.8% up through fiscal 2012, 2.0% from fiscal 2013 through fiscal 2017, 2.2% in fiscal 2018, and 2.3% in fiscal 2021.

Notes: • Data compiled on June 1 of each fiscal year.
• The employment ratio is calculated according to methods prescribed in the relevant laws.

Hitachi, Ltd. has also implemented "Working Together with People with Disabilities," an e-learning course introducing non-discriminative policies and accommodations designed for people with disabilities. Some 168,000 employees have attended the course across the Japan-based Group companies (95% attendance rate).

In addition, "Hitachi You and I", a special subsidiary established in fiscal 2020, created the Recruitment Retention Support Division. The division supports the long-term employment of people with disabilities and seeks to create a work environment where employees enjoy high job satisfaction.

Initiatives of Hitachi Energy

Hitachi Energy has ensured disability inclusion in the HR processes and policies within the Group. This includes equal employment opportunity policies, induction programs for onboarding, and buddy programs as part of retention and support. The business is also currently making its website more accessible and will continue to improve the application process for people with disabilities.

Initiatives of GlobalLogic

The vision for the diversity and inclusion program at GlobalLogic is to contribute to society and create equal opportunities for all. The business has been recognized as an "Emerging Employer" by ASSOCHAM and Sarthak NAAI (National Ability Association of India) for empowering the lives of persons with disabilities.

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Enhancing Employee Understanding of DEI

Training

Hitachi Group is working on initiatives to enhance employee understanding of DEI.

Initiatives of Hitachi Astemo

To make managers the best possible ambassadors of DEI, Hitachi Astemo is rolling out an e-learning program covering the topic of unconscious biases. Addressing managers in its first phase, the material will be translated in 2022 and be offered to all indirect employees in a second step. Among other topics, this online course tackles the importance of diversity in the business, and equips managers to better support DEI. A toolbox was distributed to managers in March 2022 to raise awareness about unconscious biases that may be at work during employee performance reviews.

Initiatives of GlobalLogic

GlobalLogic is now designing its own unconscious bias training, based on storytelling (“Let me explain what it means to be the only woman in the room”). These are customized by region in terms of the content and format.

Initiatives of Hitachi High-Tech

Hitachi Hi-Tech hosts the “Hitachi High-Tech WAY” a series of inclusive gatherings consisting of 25 town hall meetings per year with a total of 4,000 people. These meetings provide an opportunity for all employees to speak up about any work or nonwork matters in an environment with guaranteed psychological safety.

The business recognizes the links between DEI and innovation and works to address “Workstyle Improvement,” “Diversity & Inclusion Acceleration,” “People Development,” “Women at Hitachi,” and “Employee Mentorship” at a global level.

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Work-Life Management

Approach to Work-Life Management

Approach

Hitachi goes beyond “work-life balance,” in which employees are simply balancing work and private life, to promote “work-life management” which encourages employees to proactively take charge of improving the quality of both their work and private lives. We believe that practicing work-life management will enrich employees’ work and private lives, enhance professionalism, and build personal character, resulting in both individual and organizational growth sustainably. Based on this philosophy, we have established systems to support work-style reforms and a balance between employees’ work and private lives.

Promoting Work-style Reform

Approach System Activities

Hitachi, Ltd. promotes the companywide work-style reform initiative, Hitachi Work-style Innovation, to develop workstyles allowing talent from diverse backgrounds to work with enthusiasm and demonstrate strong performance.

Today, approximately 95% of all regular employees may take advantage of our programs to work from home or satellite offices, including managerial-level employees, discretionary labor system workers, and regular employees who need to balance work with child care, nursing care, or medical treatment. This provides regular employees with flexibility concerning where and when they work. The programs do not require the applicants to come into

the office for a certain amount of time nor are there any limitations on the number of times for doing so, which allows regular employees to work from wherever they need to be for child care or nursing care. If posted away from their families, they can work from their family home. We are also rolling out location-free work for managerial-level employees, which allows them to perform their duties from anywhere when approved by the company.

Coverage of working from home and satellite office programs

Approx. 95%

▶ Work-style Innovation Initiatives at Hitachi, Ltd.

Activity	Key components
Top commitment	<ul style="list-style-type: none"> • Send message within company
Review of operations and processes	<ul style="list-style-type: none"> • Reform administrative operations at headquarters • Clarify rules for outgoing email • Use support tool designed to optimize meeting durations and participant numbers and improve meeting efficiency
Strengthening workplace management	<ul style="list-style-type: none"> • Increase operational transparency using in-house consultants • Improve attendance management system for firm compliance • Offer training to learn effective organizational management in remote workplace (Target: 8,000 managers at Hitachi, Ltd.)
Promotion of time- and location-independent work practices	<ul style="list-style-type: none"> • Expand working from home program • Create environments where internal networks can be accessed safely • Distribute around 30,000 IT tools to support paperless and online meetings • Roll out location-free work for managerial-level employees • Expand satellite office network (232 sites as of March 2022) • Reform administration by promoting electronic signatures and paperless systems
Companywide promotional tactics	<ul style="list-style-type: none"> • Share on Hitachi's intranet site • Raise employee ideas about work-style reforms and share them

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Introducing and Expanding Support Systems for Balancing Work and Child Care/Nursing Care

System

GRI 401-2/401-3

Support Systems for Balancing Work and Child Care

Hitachi, Ltd. and certain Group companies in Japan are working to introduce and expand various programs to help employees balance work and child care, and to create even more supportive workplaces. Specifically, we have provided an allowance to support child care and work; launched Hokatsu Concierge child-care matching service, an information-providing service for finding nurseries; and provided a child-care matching service in collaboration with company-led nurseries. To create an environment in which both men and women can balance work and child care, from fiscal 2022 we offer “e-learning for managers” to help managers understand management and other issues related to the revised Child Care and Family Care Leave Act. We also offer “expectant-father and expectant-mother seminars” to promote understanding of child care and child-care leave systems among employees who themselves or their spouses are expecting a baby.

To help employees balance work and child care, Hitachi, Ltd. has established an in-house child-care facility with a capacity of approximately 70 children at its Yokohama Office in cooperation with the labor union and 17 Group companies.

Support System for Balancing Work and Nursing Care

As Japan’s population ages, the number of employees facing the challenge of providing nursing care for elderly family members is growing. Consequently, Hitachi, Ltd. regularly conducts employee awareness and internal fact-finding surveys concerning nursing care. Based on the results of these surveys, the company is working to continually enhance measures to help employees balance their work and home nursing care responsibilities.

Specifically, Hitachi, Ltd. has been offering financial support for these employees by establishing programs such as work-caregiving balance support points under the Cafeteria Plan. Through seminars for all employees 40 years of age and older on how to balance work and nursing care responsibilities, the company provides useful information that raises their awareness of the work-life balance. This

includes learning about the significance of continuing to work while fulfilling nursing care responsibilities along with expert information on how to achieve this balance.

Hitachi, Ltd. and certain Group companies have introduced a service that warmly supports employees dealing with nursing care concerns. In addition to helping employees apply for public programs and find care-giving facilities, it established services that arrange counseling to help employees cope with the emotional challenges. The understanding and cooperation of others, including superiors and workplace colleagues, is essential for balancing work and nursing care. Accordingly, we are making efforts to reform our organizational culture, including by holding management e-learning for all managers and seminars by experts in fiscal 2021.

New Measures in Fiscal 2021

▶ Balancing Work, Child Care and Nursing Care

Measures	Main Details and Purpose
Expectant-father and expectant-mother seminars (pilot conducted in March 2022, and started full-scale in FY 2022)	<ul style="list-style-type: none"> Conducted for regular employees who are expecting a baby or whose spouse is expecting a baby, to promote understanding of child care and child-care leave systems and to encourage regular employees to use the necessary leave and work systems
E-learning for managers on balancing work and child care (April 2022)	<ul style="list-style-type: none"> Conducted to help managers understand basic knowledge for management and promotion of male employees to take child-care leave in accordance with the revised Child Care and Family Care Leave Act
E-learning for managers on balancing work and nursing care (September 2021)	<ul style="list-style-type: none"> Conducted to help managers understand the knowledge necessary to manage subordinates with nursing care situations and to be able to respond appropriately
Seminar by an expert on the state of nursing care in Japan (February 2022)	<ul style="list-style-type: none"> Provided various perspectives on the nursing care situation in Japan, with the aim of fostering awareness and an organizational culture that considers nursing care issues from viewpoints of both the company and individuals

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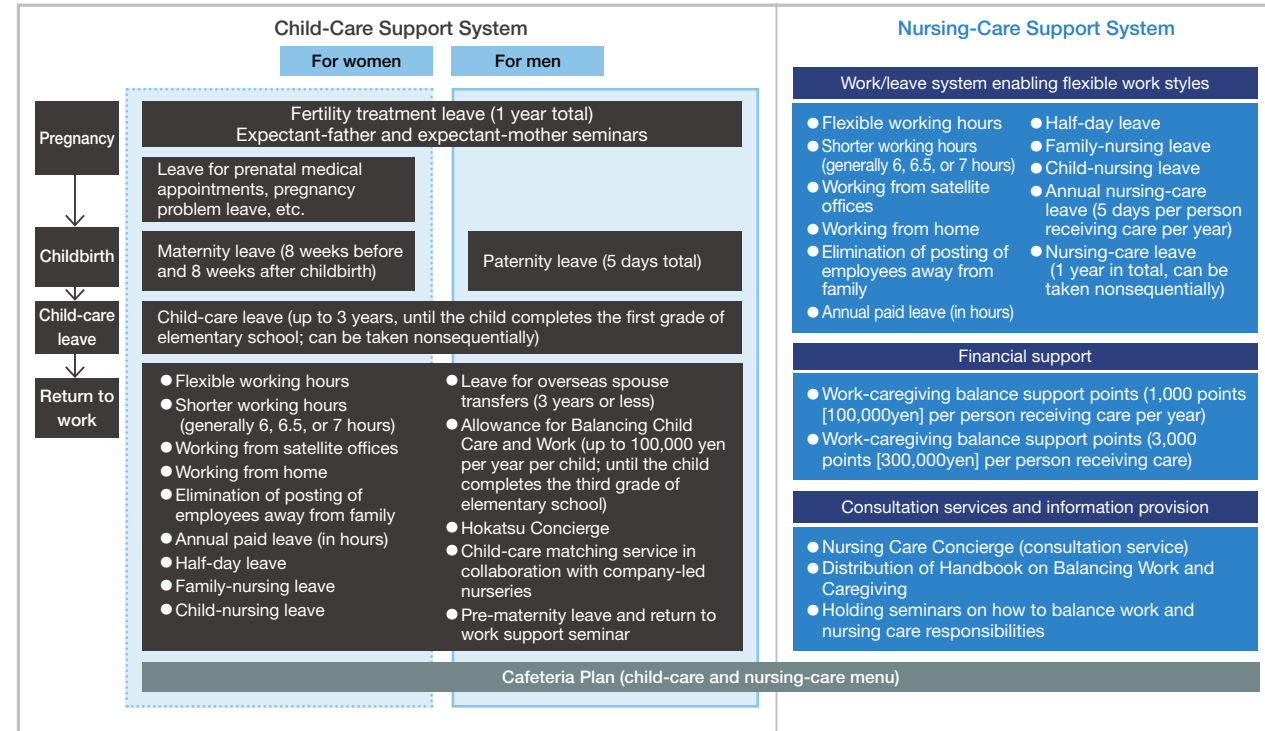
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▶ Work-Life Management Support System at Hitachi, Ltd.



Support Systems and Measures that Meet Diverse Employee Needs

System

GRI 401-2/404-2

Hitachi, Ltd. and the Hitachi Group companies in Japan are working to meet the needs of employees as their lifestyles become more diverse. Through domestic Group-wide lifestyle support programs and measures, we have implemented systems that provide the necessary level of support based on the business environment of each company and the needs of employees. These measures include the following: a Cafeteria Plan program, housing support such as dormitory

and family housing and a housing allowance system, systems for balancing work with child and nursing care, retirement and pension plans, a consolation payment system, an employee stock ownership program, Hitachi Group insurance, a property accumulation promotion system, internal sales, and a Health Insurance Society.

In the past, these lifestyle support programs and measures were only available in principle to regular

employees. Based on Japanese laws with bearing on equal pay for equal work that came into effect in 2020, some systems have been updated so that they also cover limited-term contract employees. In addition, for those measures that are unsuitable for limited-term contract employees due to the purpose and nature of the program concerned, we provide support to employees regardless of their employment type. This includes the provision of welfare allowances as an alternative measure.

With regard to retirement benefit programs, Hitachi Group companies in Japan have partially or fully implemented defined benefit pension plans, defined contribution pension plans, and lump-sum retirement allowance plans. These plans respond to the diverse needs of people in old age by providing supplementary benefits in addition to public pensions and play an important role in allowing retired people to live more affluently.

Achievements in Fiscal 2021

With the expansion of working from home, Hitachi, Ltd. has restructured its lunch allowance, which was previously provided on the premise that employees come into an office to work, to make it fair regardless of where they choose to work. The company decided to grant an additional 60,000 yen worth of points per person per year through the Cafeteria Plan starting in January 2022, in part to subsidize the cost of working from home. Equivalent support is provided to limited-term contract employees who are not eligible for the Cafeteria Plan. Through such efforts, we will promote more flexible work styles and encourage the active participation of diverse talent.

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Prevention of Long Working Hours and Overwork

Approach Activities

Hitachi complies with the laws and regulations of each country and region concerning long working hours and overwork.

With a view to maintaining employee health and improving productivity through a balanced work schedule, Hitachi, Ltd. sets companywide KPIs for work-style reform in Japan each fiscal year, and works to strengthen workplace management and review business processes. The company provides e-learning programs to ensure compliance with laws and regulations related to working hours and the taking of annual paid leave. Projects with issues that lead to long working hours are managed individually. In addition, for working-hour management, we have introduced a system that links PC on/off times to an attendance management system to check actual operating hours. We also provide a labor management dashboard*1 and send out alerts to help supervisors monitor the working conditions of their subordinates in a timely manner, thereby supporting appropriate management in the workplace.

We communicate with employees by sending out messages that promote positive working habits and inform them of their actual total monthly hours worked. Through this communication, we encourage individuals to reflect on their workstyle and autonomously increase productivity. In this way, we are trying to change work culture to that of working efficiently (producing results in less time) and taking breaks after working (maintain high performance by recharging and preparing for the next workday).

*1 Labor management dashboard: A business tool that integrates and visualizes information and data related to labor management

Working in the New Normal in the Pandemic

Approach Activities

In the new normal following the spread of COVID-19, we are accelerating the shift to working from home as the standard way of working in a wide range of positions, further evolving the diversification of employee workstyles with working from home as a driver of change.

Hitachi strives to prevent the spread of the virus, placing the safety and health of all employees first and foremost. As well as promoting working from home for, in principle, all positions except those requiring a physical presence for society to function, we are undertaking initiatives to protect employees from infections and support working from home. With the evolving diversity of our employees' work styles, we are further promoting the creation of a rewarding workplace where each employee can play an active role.

COVID-19's impact is global, and our countermeasures in each region are informed by the conditions at regional headquarters. Hitachi Europe asked employees working from home what they needed, and developed an action plan to provide it. At Hitachi India, an e-learning course on COVID-19 was created and shared to raise awareness of the virus and how employees can prevent its spread.

▶ Hitachi Ltd.'s Main Measures Supporting New Workstyles for the New Normal

Support for flexible workstyles	Flexible working hours	Promote and realize autonomous and flexible workstyles by eliminating the minimum daily work hours for discretionary work and flextime work by choosing their own start and finish times, and allowing employees to set "non-working days"
	Flexible work locations	Give employees greater flexibility to choose time- and location-free work by allowing work at locations such as travel destinations or parents' homes, to realize autonomous workstyles and further improve productivity
Main policies for supporting working from home medium- to long-term	Appropriate health support for long-term workers from home	Remote counseling by occupational physicians and other medical staff, provision via intranet of information for staying mentally and physically healthy, etc.
	Provision of communication activation tools	Using Hitachi's unique indicator "Happiness Level," which measures people's feelings of contentment, to stimulate communication

📄 P118 Measures to Prevent Infectious Disease

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Initiatives at Regional Headquarters to Create a Good Working Environment

Hitachi supports workstyles that are conducive to each employee achieving their full potential. Region-specific policies are also implemented by our regional headquarters.

Hitachi America, Ltd.

Various systems and measures are in place to improve employee wellbeing. There is a monthly No Meeting Day for individuals to focus on their work. There is a hybrid and flexible work hour system, and a system for individuals to switch to permanent working from home at their discretion, creating a more comfortable work environment for employees.

Hitachi Asia Ltd.

Efforts to make Hitachi Asia the best place to work in Asia include providing equal opportunities for all employees and creating workplaces that foster and retain outstanding human capital. The company provides opportunities for recreation in order to further enhance communication among employees and boost engagement. It has also introduced staggered work hours and provides more flexible ways of working to create new workstyles and enhance employees' work-life balance.

Hitachi (China) Ltd.

In order to improve productivity and support diverse workstyles, work-style reform is promoted, and working from home has been introduced in addition to flexible work hours. Emphasizing work-life balance, average overtime hours are well below the legally mandated maximum, and employees are encouraged to take annual leave. Town hall meetings are held with executives, and interdepartmental business exchange meetings are held to continuously enhance vertical and horizontal communication within the workplace. The network built through these activities contributes to a sense of unity in the company, a comfortable work environment, and smoother business operations.

Hitachi Europe Ltd.

Hybrid working arrangements have been instituted to protect the health and safety of employees and to support diverse workstyles. In addition, staggered work hours and other systems are used to encourage a better work-life balance and help employees balance their work and private lives.

Hitachi India Pvt. Ltd.

For every employee to work in a style they are most comfortable with, Hitachi India introduced a hybrid style of working. Employees can come to the office whenever required and utilize to the utmost working from home for a suitable work life balance.

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Occupational Health and Safety

The Basic Principle for Occupational Health and Safety

Approach Policy GRI 403-1

“Health and Safety Always Comes First.” is the basic principle underlining the Hitachi Group Health and Safety Policy which is shared by all Hitachi Group companies around the world. Employees work together with all related companies, including contractors and procurement partners, to develop a safe, secure, comfortable and healthy workplace for everyone involved in our business activities.

Moreover, we communicate our belief to everyone who works at the Hitachi Group that occupational injuries and illnesses can be prevented and that each of us is responsible for our own safety and health. We also strive to actively adopt practices to protect our own health and safety and foster a culture of raising mutual awareness.

Hitachi Group Health and Safety Policy

“Health and Safety Always Comes First”

Policies

In accordance with our mission, “Contribute to society through the development of superior original technology and products,” the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of “Health and Safety Always Comes First.”

To accomplish this, we will:

1. Continuously be involved in taking health and safety activities in order to prevent occupational injuries and illnesses through designating the health and safety of employees as management’s top priority
2. Comply with the local laws and regulations in each company regarding health and safety
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace
4. Require an understanding of Hitachi’s principles and the promotion of health and safety awareness from all the business partners of the Hitachi Group (contractors, cooperating companies, procurement partners, etc. involved in the Hitachi Group’s business activities)
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi’s business activities

Establishing Occupational Health and Safety Management System

Structure System GRI 403-1/403-2/403-3/403-4/403-8

In April 2021, the Hitachi Group established the Safety and Health Management Division to promote occupational health

and safety, and oversee our global occupational health and safety management system.

Every other month, the Safety and Health Management Division holds a Health and Safety Leaders Meeting attended by the officers in charge of health and safety at each Group company, and those responsible for health and safety in each division. The meeting checks the progress of each division’s efforts toward targets and sets Group-wide KPIs. Participants also work to continually improve our occupational health and safety management system by analyzing the factors behind accidents and implementing thorough measures to prevent recurrence, sharing best practices, and promoting training. The number of accidents and responses to occupational health and safety risks are reported and deliberated on in the Senior Executive Committee, and are reported to the Board of Directors.

In Japan, each business site (BU) or other location convenes a monthly health and safety commission, which is attended by the business operators, labor union, and employees. Participants analyze the factors leading to accidents and develop countermeasures, share information, and discuss health and safety activities considering the situation regarding employees who have taken sick leave. If serious injuries or fatal accidents occur at worksites outside of Japan, depending on the circumstances, the Safety and Health Management Division gets directly involved in supporting improvement activities.

The Hitachi Group has also obtained international certifications such as ISO 45001 at multiple sites.

📄 P121 Labor-Management Cooperation toward Improving Occupational Health and Safety Levels

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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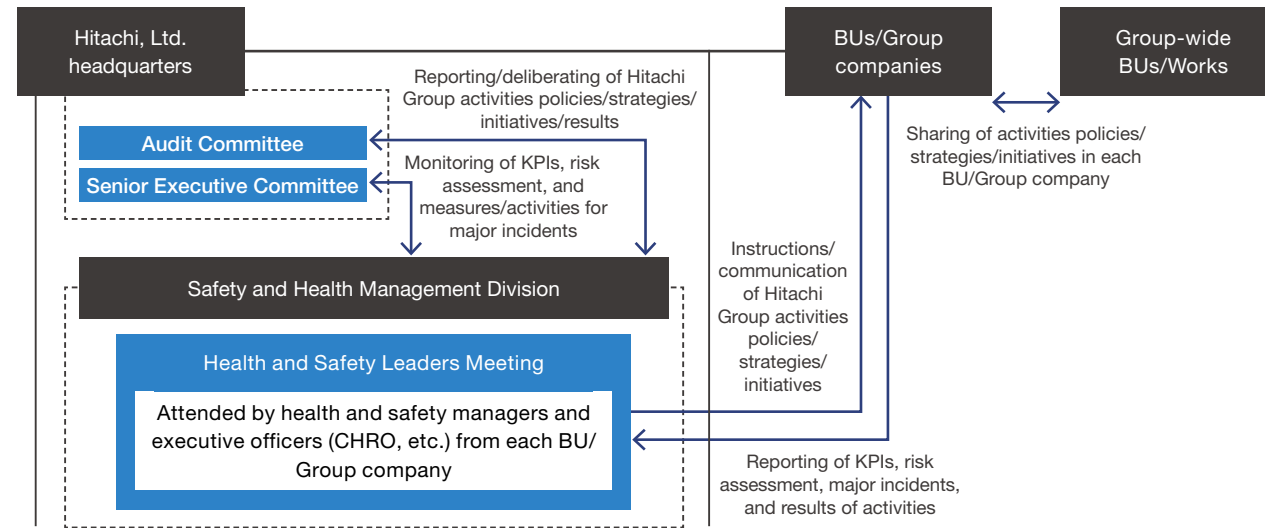
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▶ Occupational Health and Safety Management Structure



▶ Initiatives to Prevent Occupational Accidents

	Target	Outline
Key Safety Management Designation System	Group companies and BUs that have experienced serious occupational accidents	<ul style="list-style-type: none"> ● Under the leadership of top executives, target companies and BUs take on management-driven initiatives to formulate specific plans, and the progress of these plans is monitored by the Occupational Health and Safety Officer, who also lead initiatives to prevent recurrences.
Incident Investigation Database	Entire Group	<ul style="list-style-type: none"> ● An Incident Investigation Database was built to analyze accidents and formulate future countermeasures in accordance with the Incident Investigation System established in 2019. Implementation began in Japan in 2020, and we now intend to roll it out globally.

Global Occupational Health and Safety Targets

Target	Activities	GRI 403-9
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Hitachi aims to create a safe workplace, free of accidents, and has set a global goal of zero fatal accidents. To achieve this target, we have set up and deployed an occupational health and safety management system tailored to each company's business, conduct periodic risk assessments and audits, and are working to expand training related to occupational health and safety globally.

Safety Targets and Progress Achieved in 2021

Unfortunately, we were not able to meet our safety targets for 2021. We deeply regret that two fatal accident occurred within the Hitachi Group (including contractors) in 2021, and there were 434 lost-time accidents Group-wide. While the occurrence rate decreased from the previous year, there is still room for improvement.

In 2019 and 2020, there have been multiple cases of employees and contractors being fatally electrocuted in work conducted outside of our sites during business hours. So, we recognize the need to strengthen integrated safety management systems in order to identify risks and implement countermeasures for employees and contractors working on tasks and equipment that pose a high risk of electric shock.

▶ Safety Targets and Achievements in 2021, and Targets for 2024

	Scope	2021 targets	2021 achievements	2024 targets
Hitachi Group	Fatal accidents *1	0	2 (Target not achieved)	0
	Lost-time accidents	Halved compared to 2018 (253 cases)	434 (Target not achieved)	Halved compared to 2021 (20% annual reduction)
Hitachi, Ltd.	Fatal accidents *1	0	0 (Target achieved)	0
	Lost-time accidents	Halved compared to 2018 (3 cases)	3 (Target achieved)	Halved compared to 2021 (20% annual reduction)

Note: Since safety-related targets are generally based on calendar year statistics, numerical targets are established and managed on a calendar year basis, instead of on a fiscal year basis.

*1 Including contractors

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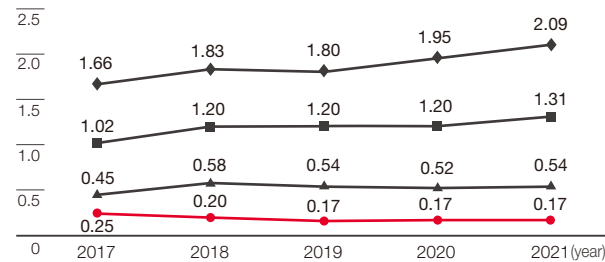
We carried out the following action plans in fiscal 2021. Based on our awareness of these issues, we continue striving to enhance occupational health and safety.

Fiscal 2021 Action Plan

- 1. Effectively utilize risk assessment**
Build a framework for identifying and mitigating risks
- 2. Build and operate an global occupational health and safety management system**
Clarify rules and processes
- 3. Education and training**
Transform ways of thinking to encourage voluntary occupational health and safety behaviors
- 4. Utilize IT and digital tools**
Measures to digitize and improve data reports

📄 P147 Societal Data

▶ Occupational Accident Frequency Rate

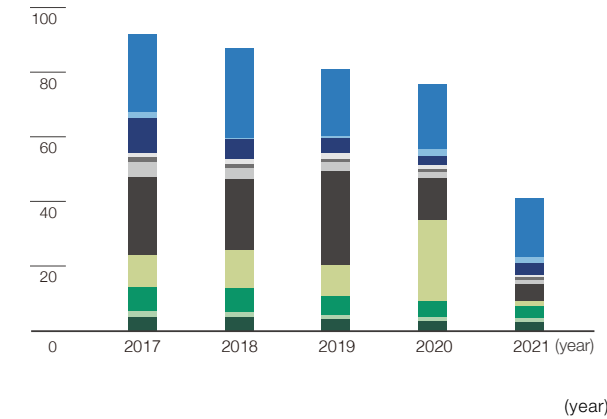


◆ All industries ■ Manufacturing industries
▲ Electrical machinery sector ● Hitachi Group*1

Note: Occupational accidents are defined as those involving fatality or work-time loss of one day or more.

*1 Hitachi Group figures for Japan including Hitachi, Ltd., are; for 201 Group companies in 2017; for 188 Group companies in 2018; for 169 Group companies in 2019; for 136 Group companies in 2020; and for 131 Group companies in 2021.

▶ Hitachi Group's Global Safety Figures (Occurrence Rate*2)



	2017	2018	2019	2020	2021
North America	24.33	27.96	20.76	18.98	18.46
Central and South America	1.62	0.44	0.57	2.12	1.69
Europe	10.82	6.08	4.78	3.09	3.71
India	1.44	1.44	1.63	1.07	0.53
China	1.53	1.46	1.17	1.12	1.06
Asia (excluding India, China, and Japan)	4.41	3.34	2.63	1.55	1.30
Oceania	24.41	21.94	29.07	12.95	5.32
Africa	9.93	11.76	9.72	25.37	1.43
Overseas total	7.42	7.43	5.78	4.90	3.80
Japan	1.85	1.64	1.53	1.34	1.20
Global total	4.22	4.20	3.45	2.89	2.69

*2 Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees (including cases without lost workdays).

Occupational Health and Safety Risk Assessment

Activities

Hitachi sets and operates its own standards for high-risk activities and equipment as a common global measure. We also promote occupational health and safety activities that fit each company's business. We have also built a system for globally monitoring risk identification, evaluation, and countermeasure implementation. We conduct internal audits into the status of risk assessment for locations that are determined to have significant risks through this monitoring. And we are working to improve safety measures in both hard and soft aspects using IT and digital technologies for accident prevention. Moreover, since July 2020, we have increased the frequency of global accident statistic reporting from twice a year to once a month. This acts as a mechanism for getting an accurate handle on information such as accident statistics.

Risk Assessment for High-risk Activities and Equipment

Since 2021, we have been advancing efforts to identify and evaluate the hazards in high-risk activities and equipment, and implementing measures to reduce risk, on a global scale.

We also have been working to modify high-risk activities*1 and equipment, including strengthening the response to risks of electric shock in all our BUs globally. Thus, we have formulated measures to prevent accidents which clearly designate the accountable person in charge of safety at each BU, and we are carrying out physical measures and investment to this end.

*1 Examples of high-risk activities and equipment: (1) electric shock (high voltage), (2) work at height (3) industrial vehicles (4) heavy lifting (5) machinery and equipment (6) confined space (7) toxic gases (8) fires and explosions

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Internal Audits

The Audit Committee holds annual deliberations on the policies, plans, and results of our occupational health and safety activities. It also reports at least once a year to the Senior Executive Committee, meetings of Group company presidents, and other bodies, about important issues such as fatal accidents and potentially serious events. For measures and activities that require particular improvement, the results of monitoring are reported at the above relevant meetings.

External Audits

In fiscal 2018, the Hitachi Group commissioned independent external audits on safety diagnostics at four of our BUs in Japan. The auditors identified issues that we needed to address in order to implement our Hitachi Group Health and Safety Policy; we are making improvements in response to each of these issues (See the table below).

During fiscal 2019 and 2020, we focused on activities that built a foundation for understanding the current situation and solving problems. In fiscal 2021, we performed independent outside safety diagnoses when fatal accidents occurred at Group companies outside of Japan and are strengthening the health and safety systems in the relevant region, reconsidering our action plans, and working to improve safety awareness.

Issues Identified	Items to deal with	Concrete actions taken
Establishment of Group-wide safety management systems	<ul style="list-style-type: none"> ● Build and operate an occupational global health and safety management system ● Clarify rules and processes 	<ul style="list-style-type: none"> ● Ascertain capacity for global safety governance Conduct survey and interviews with business entities involved in building occupational health and safety management systems ● Create rules, documents, and regarding occupational health and safety management systems (in Japan) Publish occupational health and safety management system guidelines Health and Safety Action Principles ● Formulate common standards for Hitachi Group occupational health and safety management systems (Begin implementation in Japan in 2022, and outside of Japan from 2023)
Raising safety awareness of employees by strengthening leadership at the organization's top management	<ul style="list-style-type: none"> ● Transform ways of thinking to encourage voluntary health and safety behaviors through training 	<ul style="list-style-type: none"> ● Begin specialized safety training by grade (Japan) (By grade: Executives, line managers, the person in charge of safety) For executives, training was held a total of 13 times, with 240 people participating (Heads of BUs, presidents of Group companies, etc.) ● Established training management methods (Japan) ● Introduced awards system (Safety Spot Award) ● Held senior management discussion between the General Manager and Deputy General Manager of the Safety and Health Management Division, and heads of BUs
Clarifying the accountability for implementing safety activities and expanding basic countermeasures in the event of an accident	<ul style="list-style-type: none"> ● Effectively utilize risk assessment ● Build a framework for identifying and mitigating risks ● Digitize and improve data reports using IT/digital technology 	<ul style="list-style-type: none"> ● Shared report on risk assessment for high-risk activities and equipment, and progress made in various meetings ● Conducted audit of measures for handling high voltage ● Checked measures meant to reduce the risks of important work ● Began monthly reports of global accident statistics ● Set global KPIs for occurrence rate, near-misses, etc. (Starting from 2022) ● Considered use of security camera systems, and expanded use of vehicle dash cams to prevent accidents ● Promoted proper use of accident investigation system/accident investigation database

Carry out Appropriate Health and Safety Training

Training

GRI 403-5

To prevent occupational accidents, Hitachi aims to rebuild its safety culture by implementing appropriate occupational health and safety training for all executive officers and employees. Each Hitachi Group company distributes work guidelines and procedures relating to their own business and industry. We also conduct safety-focused training to each organizational level, as well as education and drills tailored to each organization and business type, for line managers and safety staff, and workers engaged in specific hazardous activities in the field. We provide individual guidance to new hires and temporary workers in particular, as they are at a higher risk of injury. This is accomplished through on-the-job training to increase awareness and understanding of work procedures and dangers before engaging in work.

Since fiscal 2020, we have carried out safety-focused leadership training for managerial staff, with the goal of strengthening awareness of, and building commitment to, their roles and responsibilities concerning safety. Following training, we also evaluate their changes in awareness and behavior through one-on-one interviews with external consultants. As of fiscal 2021, we had held 13 training sessions attended by 240 people.

Ensuring the Occupational Health and Safety of Contractors

Approach

Activities

Hitachi conducts gap analysis for its safety management systems, rules, and operations both within inside and outside its factories. This is based on the occurrence of accidents in which contractors were injured during construction, installation, service, and maintenance work outside of our

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plants. We are also working to formulate common Hitachi Group guidelines and manuals for safety management systems, and evaluation methods for integrated safety management that includes contractors.

[Hitachi Group Sustainable Procurement Guidelines](https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf)
https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf

Initiatives to Improve Employee Health

Activities **Targets** GRI 403-6/403-10

Hitachi believes that the wellbeing of its employees are essential for its sustainable growth. So, we are working to create a workplace in which all Group employees can work safely and be healthy in both mental and physical health.

In fiscal 2020, we added questions relating to wellbeing to our annual Global Employee Survey, and we expanded these questions from fiscal 2021 onward. Going forward, we will evaluate the effectiveness of measures related to employee wellbeing.

In Japan, we will steadily implement health management measures, strengthen mental health support in accordance with new workstyles, and work to thoroughly prevent lifestyle-related diseases. Over the medium and long term, we will implement measures based on a Group-wide Health and Hygiene Policy after ascertaining the actual conditions of occupational health measures globally and identifying issues.

P.093 Global Employee Survey

▶ Fiscal 2021 Targets and Results for Health Management and Fiscal 2022 Targets

	Scope	FY 2021 Targets	FY 2021 Achievements	FY 2022 Targets
Rate of mental illness		—	—	Less than 0.7%
Percentage of employees with high stress according to the stress-check	Hitachi Group (Japan)	10% decrease from fiscal 2020(less than 10.4%)	12.8%	Less than 10%
Percentage of employees who have received special health guidance		40% of employees	40.3% (estimate)	50% or more of employees

Health Support Initiatives in Japan

- Occupational healthcare provided by occupational physicians, nurses, and other occupational healthcare personnel located both on-site and at regional health-management centers serving multiple business locations
- Health maintenance measures provided based on periodic medical exams and other examinations to prevent serious disease
- Medical interviews and advice to prevent mental and physical disorders among employees working long hours
- Consultations and guidance by occupational healthcare workers to address employees' health concerns and encourage regular exercise
- Qualitative improvement of occupational healthcare activities and the human capital development of occupational healthcare workers through regular meetings, study groups, and training sessions attended by both occupational healthcare workers and human resources staff
- Prevent mental health problems by promoting consultations and interviews with internal and external consultation services (in addition to the interviews with doctors required by law), as a proactive approach to employees who have been identified through the stress check system as having high stress
- Provide opportunities to help employees quickly resolve a wide range of concerns by creating an environment in which employees can consult internal and external EAP*1 consultation service

*1 Employee Assistance Program

▶ Absences Rate Trend

	2017	2018	2019	2020	2021
Mental	0.60	0.64	0.65	0.62	0.66
Physical	0.26	0.24	0.25	0.22	0.21

Note: Percentage of employees taking sick leave for seven or more consecutive days and formally taking leaving system (Number of employees taking sick leave per month/ Number of employees per month × 100)

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Addressing Mental Health

Activities GRI 403-6

Hitachi has established measures addressing mental health to be taken by employees, workplace managers, occupational healthcare workers, and human resources divisions. We are working to spread basic mental health knowledge and understanding of ways to deal with stress as well as reinforcing the ability of those in positions of authority to respond to these issues. The mental illness incidence rate among employees in fiscal 2021 was higher than in the previous year, therefore we have continued to take a proactive approach to increases in mental strain such as that caused by the prolongation of the pandemic.

- (1) Regular one-on-one interviews
- (2) Expansion of a system for remote consultations with occupational physicians
- (3) Introduction of an external EAP consultation service in addition to our internal one
- (4) Individual interviews with employees who are stationed at customer company
- (5) Tips for working from home posted on the intranet
- (6) Identification of health issues using a survey of employees working from home
- (7) Sending emails promoting non-statutory interviews (consultations) to employees identified through a stress check as highly stressed
- (8) Providing a handbook for care by line managers when working from home

We will also clarify which target levels require special attention based on our survey of employees working from home, a global employee survey, and the opinions of occupational physicians. And we will promote taking an effective and active approach.

▶ Initiatives Addressing Mental Health at Hitachi

	Occupational physicians and occupational healthcare workers	Self-care (individual)	Line care (superior)	Human resources division
Preventive management (while healthy)	Health improvement activities (Seminars and health guidance from occupational physicians)	Stress-check system specified in law		
		Mental health education •Stress coping seminars •External and internal EAP consultations and other consulting services •Stress-check approach for highly stressed employees e-learning; "Thinking about mental and physical health" versions 1-3	Working environment improvement workshops, etc. •EAP corporate diagnosis •Line care training •360FBP*1 Workplace management	Promotion of training and education Workplace management guidance Reduction of long working hours
Indicator management (while mentally unhealthy)	Mental health consultations during medical exams Health consultations	Health consultations Health exams of various types	Workplace management Promotion of various types of health exams	Management of those working extensive overtime
Condition management (at beginning of and during absences and leave)	Regular consultations Support for returning to work	Leave system	Regular consultations	Management of employees on leave
Management to prevent recurrence (from decision to return to after returning to work)	Programs supporting return to work Regular consultations	Trial return system	Consideration of tasks upon return Regular consultations Follow-up status checks after return to work	Programs supporting return to work Regular consultations
Repetition management (during repetition after return to work)	Regular consultations	Collaboration to support return to work		
		Guidance to external facilities supporting return to work		

*1 360FBP: 360-degree Feedback Program.

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Promoting Collabo-Health*1

Activities GRI 403-6

As well as carrying out individual health improvement initiatives according to their own unique characteristics, Group companies in Japan strive to maintain and improve the health of employees by taking full advantage of the services offered by the Hitachi Health Insurance Society.*2 Hitachi is also working to ensure that all Group companies are certified under the Health and Productivity Management Organization Recognition Program by Ministry of Economy, Trade and Industry. Health promotion initiatives are also evaluated on an annual basis with recognition of the most accomplished companies and BUs within the Group heightening the motivation among business owners and employees to pursue such activities.

*1 Collabo-Health: A concept involving insurers like the Health Insurance Society proactively working with business owners, with a clear division of labor and a good working environment, to effectively and efficiently improve the health of insured persons (employees and their families), including preventive strategies.

*2 Hitachi Health Insurance Society: Hitachi Group employees and their families are members of this organization which is one of Japan's largest health insurance associations. As of the end of March 2022, there were 197 participating corporations and 409,943 insured persons (206,301 members and 203,642 dependents).

▶ Number of Hitachi Health Insurance Society Member Corporations Certified Under the Health and Productivity Management Organization Recognition Program

Category	FY 2020	FY 2021
Large companies	58 (Including seven with "White 500" status)	75 (Including four with "White 500" status)
Small-and medium-sized companies	41 (Including three with "Bright 500" status)	66 (None with "Bright 500" status)

Encouraging Employees to Receive Medical Exams and Quit Smoking

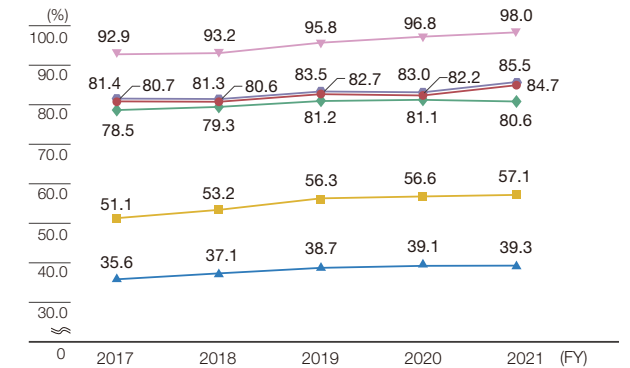
Activities GRI 403-6

In Japan, Hitachi has established a system offering financial support for medical exams by the Health Insurance Society and encourages employees aged 35 and over, to receive the general physical and other exams specified in law as well as targeted screening based on age, in order to promote early diagnosis and treatment such as for lifestyle related diseases and cancers.

Furthermore, as a response to the rise in metabolic syndrome, and in addition to special health guidance made compulsory for the Health Insurance Society, we actively promote policies to prevent and control conditions such as diabetes, cerebral strokes, and myocardial infarctions.

Hitachi has also continued its online quit smoking program so that employees do not need to visit a clinic during the pandemic. This helps employees to stop smoking while working from home. Of the approximately 360 employees who signed up, more than 70% have succeeded in stopping smoking.

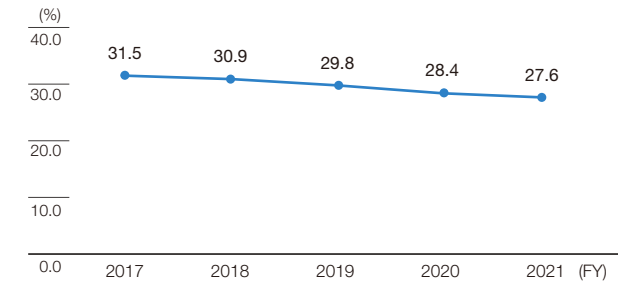
▶ Medical Exam and Screening Attendance Rates



◆ General physical exam*1 ■ Breast cancer screening*2
 ▲ Uterine cancer screening*3 ● Stomach cancer screening*4
 ● Intestinal cancer screening*4 ▼ Lung cancer screening*5

*1 Men and women aged 35 and over *2 Women aged 30 and over
 *3 Women aged 25 and over *4 Men and women aged 30 and over
 *5 In fiscal 2016–2017, men and women aged 50 and over; from fiscal 2018, it changed to men and women aged 35 and over

▶ Smoking Rate Trend



Note: Employees aged 35 and over (results of specific medical examinations)



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Measures to Prevent Infectious Disease

Activities

GRI 403-6

In addition to measures to prevent the spread of COVID-19, we have been vaccinating employees against hepatitis A, tetanus, and cholera to prevent them from contracting infectious diseases during business travel outside Japan.

In Japan, the Health Insurance Society has established an incentive point system to reward influenza vaccine recipients, including employee family members, with the aim of preventing influenza outbreaks in the workplace. As an initiative to prevent catching influenza, we recommend employees get vaccinated before the flu season gets underway. The program is used by about 120,000 employees and their families every year.

From fiscal 2019 to fiscal 2021, we introduced an incentive point system in cooperation with the Health Insurance Society to encourage applicable employees to receive an antibody test for and vaccination against measles and rubella—both of which are now free of charge. This is part of our efforts in Japan to target male employees of the generation not covered by the national MR vaccination program as children.

Promoting Measures to Prevent the Spread of COVID-19

As a measure to prevent the spread of COVID-19, we ask all employees to check their temperature and physical condition before leaving for work, and to always stay home if they have a fever or feel unwell. We encourage the full implementation of the government's infection prevention guidelines. We have implemented full-scale infection prevention measures according to the type of work. This includes providing disinfectant and masks to employees engaged in the maintenance of social infrastructure. Hitachi has taken a whole range of other preventive measures such as mandatory mask wearing at all sites as well as thorough temperature checks and workplace disinfection based on the installation of thermal cameras, non-contact thermometers, and automatic sanitizer dispensers at building entrances.

We have also spaced-out seating in offices, employee cafeterias, and conference rooms, installed droplet blocking partitions, limited the number of passengers in elevators, suspended the use of smoking rooms and ensured physical distancing in common areas.

The Hitachi Group recommends that employees get vaccinated against COVID-19 to prevent infection and serious illness. In Japan, we conducted workplace vaccinations, and offered vaccination to the families of employees at some of our locations. Altogether, we have vaccinated approximately 75 thousand people.

Helping to Protect Employees Against COVID-19

We are providing a wide range of support to address a broad array of mental and physical health concerns among long-term workers from home. For example, we provide remote healthcare counseling, offer tips on staying healthy while working from home, support foreign employees seeking medical services in Japan, and ensure the human rights of COVID-19 infected employees.

Hitachi Group companies outside Japan have also been supporting employee health during the pandemic. Their efforts include holding mental health workshops and providing EAP consultation services.

[Hitachi Group's General Policies in Response to COVID-19](https://www.hitachi.com/information/ImportantNotices/management.html)

<https://www.hitachi.com/information/ImportantNotices/management.html>

Health Promotion Initiatives for Employees and Their Families

Activities

GRI 403-6

To encourage healthy lifestyles among employees and their families, the Hitachi Health Insurance Society has established a portal site for individuals entitled MY HEALTH WEB. By providing information on health exam results and a system of incentive points allowing employees to receive rewards for entering health-related activities, the site raises health awareness, helps employees understand the state of their own health, and offers a range of support for adopting a healthier lifestyle.

In fiscal 2021, we completely overhauled MY HEALTH WEB and increased the employee utilization rate to 80% through various promotional activities.

Achievements in FY 2021

In fiscal 2020, in order to encourage regular checkups, Hitachi added an online service that allows employees and their families to make appointments for medical examinations using MY HEALTH WEB. Furthermore, in fiscal 2021, to support employees' health management in the COVID-19 pandemic, we held our first "Autumn Walking Campaign" in two years, with about 50,000 participants.

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▶ Helping Employees in Japan Stay Healthy and Promote Further

Initiative	Outline
Remote counseling by occupational physicians	Established remote counseling by occupational physicians and nurses as an early-response measure to address the mental and physical health concerns of employees working long-term from home
Tips on staying healthy while working from home	The website provides advice for maintaining physical and mental health as well as contact information for health consultation providers. It provides information on ways to keep mentally and physically fit—such as stress-coping strategies and simple, at-home exercises—and links to career, family-health, and other counseling services
Inbound Medical Assistance Services	A 24-hour year-round call center offering medical assistance in 16 languages for foreign employees and their families in Japan, including referrals and appointments to medical facilities and arrangements for emergency transport and hospitalization, and other services

▶ Supporting the Mental Health of Employees Outside Japan

Region	Outline
Europe	<ul style="list-style-type: none"> ● Establishment of a mental health consultation service ● EAP consultation services ● Mental health workshops for managers and employees ● Health resilience training ● Providing information on mental health measures through in-house newsletters ● Virtual sessions on topics such as team leadership while working from home as well as workstyles and work lifestyles to improve productivity, etc.
United States	<ul style="list-style-type: none"> ● EAP consultation services ● Wellness programs (virtual yoga and wellness workshops) ● Setting recommended dates for taking leave
Asia	<ul style="list-style-type: none"> ● Virtual engagement activities (dialog between top management and employees, recreation, etc.) ● Wellbeing programs (Build Mental Resilience) ● Structured 1-on-1 communications ● Daily team communication and health status management by managers

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Health and Safety Considerations for Nuclear Businesses

GRI 403-7

Since 2008, Hitachi has been working with the world's leading nuclear power plant vendors to develop voluntary, private principles of conduct covering the export of nuclear power plants and reactors. The Nuclear Power Plant and Reactor Exporters' Principles of Conduct were formally revealed on September 15, 2011. They were adopted by all involved in their development, and we have also indicated our adherence to them.

Regarding our employees and other persons employed at nuclear sites under the Hitachi Group umbrella, we have performed thorough exposure management based on our internal management systems and performed evaluation of radiation damage (dose management).

For health management in particular, our management indicators for radiation exposure are stricter than those set by Japan's Ministry of Health, Labour and Welfare. We monitor physical and mental health along with exposure doses even for employees of partner companies, and an occupational physician from Hitachi visits sites to perform examinations and offer health advice.

[Nuclear Power Plant and Reactor Exporters' Principles of Conduct](https://www.hitachi-hgne.co.jp/en/principle/index.html)
<https://www.hitachi-hgne.co.jp/en/principle/index.html>

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Respecting the Rights of Employees

Approach

GRI 102-41

Hitachi respects and supports human rights as recorded in the ILO Declaration on Fundamental Principles and Rights at Work. And the Hitachi Group Codes of Conduct call for the upholding of the fundamental rights of employees in line with international standards and in accordance with the laws of each country and region. In addition, we have signed the United Nations Global Compact, which states that, “businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining” of employees.

[Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html)

<https://www.hitachi.com/corporate/about/conduct/index.html>

Mutual Communication Between Employees and Management

System

The relationship between employees and management at Hitachi, Ltd. and Group companies in Japan is stable with healthy ongoing dialogue.

In Japan, the Group companies espouse the three fundamental rights of labor unions (to organize, to bargain collectively, and to act collectively), and we are working to promote mutual understanding through Dialogue between employees and management throughout the entire Group. Plus, the Central Management Council, the Business Units Management Council, and the Business Sites Management Council work to enhance mutual communication between

employees and management. This contributes to smooth management and business development and helps improve working conditions for union members. We usually negotiate with the Hitachi Workers Union, from February to March each year, to determine wages, bonuses, and collective agreements for the next fiscal year. We have also established 13 committees, advisory panels, and round-table conferences, including the Next 100 Labor and Management Committee, the Central Wages Committee, and the Employment and Work Style Advisory Panel. These committees each meet one to four times a year to share information, exchange opinions, and hold discussions.

All Hitachi, Ltd. all employees, with the exception of management, can join the Workers Union, and the membership rate is approximately 96%, as of March 31, 2022.

At Hitachi, Ltd., we also hold quarterly Hitachi Group management meetings with the labor unions of group companies in Japan that belong to the Federation of Hitachi Group Workers Unions (FHGWU), to share information and exchange views and opinions on Group business conditions. In addition, we have established five round-table conferences and committees, such as the Hitachi Group Health and Safety Round-table Conference, which each meet once or twice a year to share information and exchange opinions.

Group companies outside Japan also actively pursue dialogue with individual labor unions and their representatives in accordance with the laws and regulations in each country and region to deepen mutual understanding of employee working conditions and treatment as well as business conditions.

Labor Management Dialogue at Regional Headquarters in China and Europe

Hitachi (China) Ltd.

To maintain good communication with employees, Hitachi China holds management roundtable meetings with labor unions to share information on corporate management conditions and issues. In fiscal 2021, the 22nd meeting was held online.

Moreover, the company and its labor unions work to deepen mutual understanding and protect the rights of employees by forming contracts related to working conditions, wage revisions, protection of female employees, and the like.

Hitachi Europe Ltd.

Since 1996, our European labor management meeting has been held every year as a place for senior management and employees to exchange opinions on the Group's business environment and strategies.

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Notification of Work-related Transfers and Reassignments

System

GRI 402-1

The collective agreement between Hitachi, Ltd. and the Hitachi Workers Union states that any transfer or reassignment of an employee for work-related reasons should adequately take into consideration the situation of the employee as well as requiring the company to promptly inform the Hitachi Workers Union of the decision. More specifically, in cases of large-scale transfers, reassignments, or moving the company will consult with the labor union regarding the basic issues involved.

Labor-Management Cooperation toward Improving Occupational Health and Safety Levels

System

Hitachi, Ltd. and the Hitachi Workers Union are dedicated to improving occupational health and safety levels through employee management cooperation. This includes signing a collective agreement on the promotion of, among other things, occupational health and safety measures, a health and safety committee, education and training programs, and health checks for employees.

The committee works to ensure a healthy and safe work environment through their initiatives that include planning and tracking occupational health and safety activities each year, reviewing their measures to prevent occupational accidents, and sharing information on whether employees have received their annual health check-ups.

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GRI 103-2

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Why

— Why it matters —

Hitachi understands that respecting human rights in business activities is not only essential for corporate sustainable development but is also a responsibility that all companies must fulfill. In 2013, to clarify corporate responsibility with respect to human rights, we established the Hitachi Group Human Rights Policy based on Hitachi's Corporate Mission and Group Vision and designated it one of the highest codes governing our internal regulations. Under the Hitachi Group Human Rights Policy, we pursue initiatives to ensure respect for human rights including human rights due diligence (HRDD) to mitigate human rights risks, not just within Hitachi itself, but for everyone in our supply chain or otherwise involved with our business activities, products, or services.



Respect for human rights throughout the value chain

What	How
— What we are doing —	— How we are doing it —
<ul style="list-style-type: none"> • Group structure for promoting human rights • HRDD initiatives • Working with procurement partners • Human rights education and awareness raising for employees and executive officers 	<p>Policy and promotion structure</p> <p>Hitachi is working to strengthen human rights risk management worldwide with efforts that include tasking the Chief Sustainability Officer with Group-wide human rights promotion and determining policies based on a grasp of the status of HRDD progress throughout the Hitachi Group. Also, HRDD Execution Managers Meetings are held once or twice a year as occasions for Group-wide information sharing and deliberation.</p>
	<p style="text-align: center;">Achievements in FY 2021</p>
	<p>HRDD initiatives</p> <p>Investigated the actual situation concerning potential forced labor and violations of migrant workers' rights, which were identified as common priority risks for the Hitachi Group</p> <p>Provided guidance to operational sites where there were issues to be improved based on the results of investigation of the actual situation and implemented appropriate measures there</p>
	<p>Working with procurement partners</p> <p>Conducted investigations of the actual situation concerning potential forced labor and violations of migrant workers' rights for procurement partners as well</p>
	<p>Raise human rights awareness among executives and employees and education</p> <p>Continuously worked to raise human rights awareness among all Hitachi Group employees through opportunities such as trainings, and message from the President & CEO on Human Rights Day</p> <p>Carried out executive human rights training taught by an external lecturer</p>
<p>Global Group grievance mechanisms</p> <p>The facts related to all reports, including those concerning harassment and human rights issues, are subject to thorough investigation. Reporters are informed of the investigation results, and remedial action is taken when necessary.</p>	

Note: Hitachi normally refers to its suppliers (including vendors or providers) as "procurement partners" who build business together on an equal footing.

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Respect for Human Rights Throughout the Value Chain

Respecting the Human Rights of All People

Approach

At Hitachi, we believe that respecting human rights is our duty as a global company, and essential to conducting business.

We are making continuous efforts not to engage in any acts that may impair individual dignity or discriminate on bases such as sex, sexual orientation, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease, or disability.

Engagement with stakeholders is vital to understanding and managing our impact on human rights.

Hitachi Group Human Rights Policy

Policy

In May 2013, we formulated the Hitachi Group Human Rights Policy and positioned it as one of our highest internal standards. This policy declares our respect for human rights as recorded in the International Bill of Human Rights^{*1} and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The declaration stipulates the basic rights at work, including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor, and the elimination of discrimination in respect of employment and occupation. This policy shapes Hitachi's approach to meeting the responsibility to respect human rights including implementing human rights due diligence (HRDD)^{*2} in line with the UN Guiding Principles on Business and Human Rights,^{*3} providing appropriate education to employees, adhering to laws and regulations in all the

regions and countries where we operate, and seeking ways to honor the principles of international human rights when faced with conflicts between internationally recognized human rights standards and national laws.

To formulate this policy, we invited representatives of the European Commission, ILO, NGOs, corporations, and lawyers specialized in human rights issues to take part in stakeholder dialogues. We then incorporated their opinions and suggestions into the policy that was discussed and approved by the Senior Executive Committee.

Hitachi has been a member of the United Nations Global Compact since 2009. We have declared our support for the UN Global Compact, which outlines a set of universal principles that companies should adhere to in the four areas of human rights, labor, the environment, and anti-corruption. Accordingly, we are promoting efforts in each area.

With respect to the human rights of children, we are striving to ensure there is no child labor nor forced labor in our company or supply chain. The Hitachi Group Codes of Conduct stipulates that consideration be given to human rights, including those of children.

^{*1} International Bill of Human Rights: Collective name for the Universal Declaration of Human Rights and International Covenants on Human Rights adopted by the United Nations.

^{*2} Human rights due diligence (HRDD): An ongoing process to identify and assess potential and actual human rights negative impacts, take appropriate action to prevent or mitigate potential impacts, track the effectiveness of actions to address impacts, and communicate externally.

^{*3} Guiding Principles on Business and Human Rights: Included in the March 2011 "Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie" (A/HRC/17/31).

[Hitachi Group Human Rights Policy](https://www.hitachi.com/sustainability/esg_summary/pdf/human_rights_policy.pdf)

https://www.hitachi.com/sustainability/esg_summary/pdf/human_rights_policy.pdf

[Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html)

<https://www.hitachi.com/corporate/about/conduct/index.html>

[Hitachi Group Sustainable Procurement Guidelines](https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf)

https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf

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Group Structure for Promoting Human Rights

Structure

GRI 406-1

Hitachi is working to strengthen human rights risk management worldwide with efforts that include tasking the Chief Sustainability Officer with Group-wide human rights promotion and determining policies based on a grasp of the status of HRDD progress throughout the Hitachi Group. Also, we have set up a project team (composed of members from the human resources, procurement, and sustainability divisions) in the Hitachi, Ltd. headquarters to promote HRDD. The team takes charge of core promotion activities based on inter-divisional cooperation that include investigating HRDD promotion measures for the Hitachi Group and its procurement partners, preparing implementation-oriented manuals and guidelines, and responding to inquiries from Business Units (BUs) and Group companies.

Hitachi comprises diverse business entities and must manage human rights risks that take into consideration the individual characteristics of each of their businesses and value chains. Accordingly, we are advancing the construction and maintenance of a promotion framework with the aim of responding to global human rights risks by making the heads of BUs and presidents of key Group companies responsible for HRDD promotion, appointing managers to take charge of HRDD

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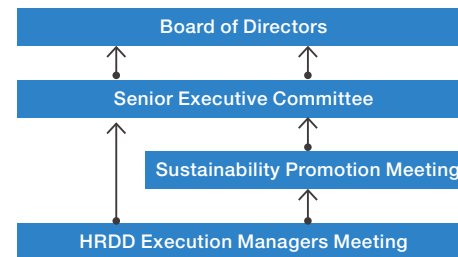
Community

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implementation in respective business entities, holding HRDD Promotion Meetings, and so on. Also, overseas subsidiaries of BUs and key Group companies work closely with regional headquarters outside Japan to share region-specific issues (cultural and religious backgrounds, legislative trends, etc.) and discuss ways of responding to them.

In addition to this, HRDD Execution Managers Meeting is held once or twice a year as occasions for Group-wide information sharing and deliberation. Important matters discussed by the meeting may also be deliberated and decided on by the Senior Executive Committee and presented to the Board of Directors as necessary in accordance with the level of seriousness.

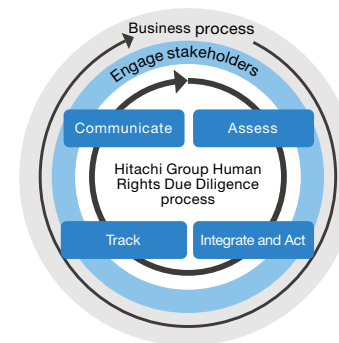
▶ Framework for Promoting Respect for Human Rights (Fiscal 2022)



HRDD Initiatives

Activities

In line with the UN Guiding Principles on Business and Human Rights, Hitachi manages human rights risks in accordance with the following HRDD processes.



Source: Hitachi Group "Human Rights Risk Management Implementation Manual" 1st edition (partially revised)

Assess: Assessing actual and potential human rights impacts

• Prioritizing Risks

In fiscal 2021, the entire Hitachi Group addressed the issues of forced labor and violations of the rights of migrant workers, which the Group had defined as a common priority risk for the Group. We identified these priority risks by analyzing and reevaluating information such as the results of our HRDD to date and feedback from human rights NGOs on them, human rights issues identified in Hitachi rules and guidelines, information and observations by NGOs, experts and the media, evaluation criteria for corporate efforts based on international initiatives, the results of internal inspections by procurement partners and Group companies, and trends in international legislation.

📄 P126 Our HRDD Initiatives to Date

• Understanding the Situation

To understand the actual situation surrounding these priority risks, we created a priority risk questionnaire to assess the situation within the Hitachi Group and procurement partners. This questionnaire has been reviewed by the ASSC (The Global Alliance for Sustainable Supply Chain), an NGO with experience and expertise in supporting companies from the perspective of sustainability, including human rights and environmental issues. They provided advice regarding questions to include, and consistency with industry and international standards such as those of the ILO. This questionnaire goes beyond simply understanding the level of our efforts, and aims to lead to continuous improvement through consideration and implementation of remedies and countermeasures based on the evaluation results for each BU or Group company.

We investigated the actual situations of manufacturing workers (including temporary workers, technical interns) working at operational sites with 300 or more employees for a total of 15 major BUs and Group companies. In Southeast Asian countries, which are said to have challenges on forced labor and violations of migrant workers' rights, as NGOs and the media have indicated as well, we surveyed all manufacturing workers at manufacturing sites regardless of the site's size. The questionnaire was composed of about 30 questions relating to labor, occupational health and safety, and mechanisms for responding to grievances, with each offering four choices to evaluate the level of efforts implemented. Each choice clearly specified the target conduct in objective terms so that each operational site surveyed was able to understand what needs to be done to improve the current level of their own business site.

Note: Hitachi normally refers to its suppliers (including vendors or providers) as "procurement partners" who build business together on an equal footing.

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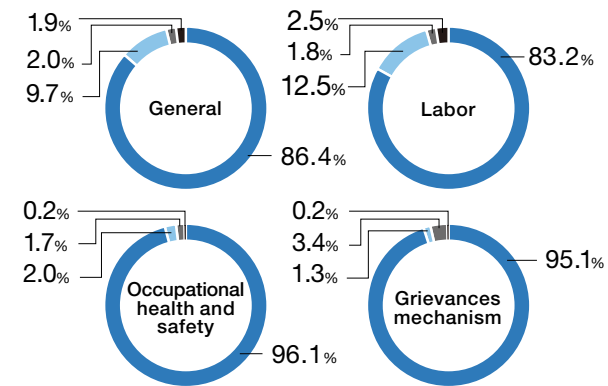
▶ Breakdown of Responses by Country/Region (205 Operational Sites Total)

Japan	64	Central, and South America	10
Southeast Asia	35	Oceania	2
Europe	26	Middle East	2
China	24	Taiwan	2
India	20	South Korea	1
North America	18	Russia	1

• Summary of Investigation Results

The results concerning labor, occupational health and safety, and the grievances mechanism were as follows.

▶ Survey Results



Breakdown of responses from operational site ■ A ■ B ■ C ■ D

Answer Choice Levels for the Questionnaire

Choice	Level
A	Efforts in accordance with international standards (best case)
B	Borderline acceptable for Hitachi efforts
C	Below the borderlines required by Hitachi
D	No efforts made on this matter

Labor

We were able to confirm that most operational sites were taking appropriate measures for areas such as proper conclusion of employment contracts, proper payment of wages, provision of holidays, and compliance with local labor laws. However, we discovered that there were several operational sites that did not know if there were recruitment fees to be paid by workers.

Occupational Health and Safety

We were able to confirm that most operational sites were carrying out occupational health and safety efforts in accordance with standards. However, we discovered that several operational sites did not provide multilingual safety education for migrant workers.

Grievances Mechanism

Many operational sites had put in place policies and procedures for handling reporting and maintaining confidentiality. On the other hand, there were several operational sites that answered that there was no reporting mechanism in-place, or that there was one, but it was not available in a language that the workers could understand. We realized that we needed to further publicize the existence of the Hitachi Global Compliance Hotline established in fiscal 2020 as a unified contact point for consultation and reporting.

In July 2021, ASSC, which was commissioned to review the priority risk questionnaire, facilitated a workshop for BUs and Group companies that were involved in the survey to analyze the response results and consider countermeasures. We also published the A Guide for Considering Measures to Address Hitachi Group Priority Risks (Forced labor and violations of the rights of migrant workers). This guide is

useful for making corrections and improvements at each operational site.

Integrate and Act: Integrating and acting upon the findings

In response to the results of this survey, each BU and Group company is working to make improvements and provide guidance for issues to operational sites where there were issues to be improved. Examples of the primary measures taken by operational sites are listed below:

▶ Key Countermeasures Implemented by Operational Sites

Item	Example Countermeasure
Control of identification documents, etc.	<ul style="list-style-type: none"> • Because some sites were keeping IDs, the sites changed the rules to ensure the documents be retained by workers. • Installed a personal safe for each employee, so that they can manage these documents themselves.
Recruitment fees borne by directly employed workers	<ul style="list-style-type: none"> • Changed the rules so that recruitment expenses borne by workers will be instead borne by the company. • Directed operational sites not to use referral agencies that push costs onto workers.
Recruitment fees paid by temporary workers	<ul style="list-style-type: none"> • Requested that staffing agencies refund workers.
Collective bargaining	<ul style="list-style-type: none"> • Developed guidelines that stipulate that if an employee requests to negotiate, the company will accept the request, and ensure that site managers are aware of these guidelines. (Malaysia)
Entering provided housing	<ul style="list-style-type: none"> • Directed operational sites to install locks on rooms for the sake of employees.
Health & Safety Training	<ul style="list-style-type: none"> • For foreign workers (temporary workers), provide work standards and safety training materials in their native languages with the cooperation of temporary staffing agencies.
Fire and emergency response	<ul style="list-style-type: none"> • Employed diagrams and other tools so that all workers could understand.
Grievance mechanisms	<ul style="list-style-type: none"> • Notify operational sites that multilingual support is available through the Hitachi Global Hotline.

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Track: Tracking responses

While majority of operational sites implemented their countermeasures during fiscal 2021, several operational sites carried implementation over into fiscal 2022, as they were still developing internal rules. We will conduct a follow-up investigation on these operational sites during fiscal 2022.

Communicate: Communicating how impacts are addressed

We disclose information on initiatives concerning respect for human rights, including HRDD, through our Sustainability Report, websites, and other means. We also strive to deepen understanding of Hitachi's initiatives through appropriate communication concerning questions, observations, and the like from investors, ESG evaluation organizations, NGOs, and media outlets, and incorporate opinions from inside and outside the company when considering future countermeasures.

In fiscal 2021, we took measures to address priority risks common to the entire Group. From fiscal 2022, we will apply the knowledge gained through our efforts in fiscal 2021 to evaluate the human rights risks for each BU and Group company, with consideration for the characteristics specific to each business and value chain.

Our HRDD Initiatives to Date

Hitachi has engaged in HRDD since 2013, with the cooperation of NGOs, NPOs, and outside experts.

▶ Implementation Status of HRDD

	Initiatives
FY 2013	Implemented HRDD pilot program at specific Group companies with the support of the NPOs Shift and Business for Social Responsibility (BSR). Also analyzed and evaluated human rights risks in six ASEAN countries.
FY 2014	Created guidance documents for implementing HRDD in collaboration with Shift.
FY 2015	Initiated HRDD in procurement divisions under the guidance of Shift. Headquarters, BUs and Group companies assessed and prioritized human rights risks that employees are likely to confront in the supply chain and explored mitigation strategies. Identified priority items and high-risk countries based on information concerning countries' corruption-related situations published by NGOs and others, publicly available information such as human rights-related reports, trading conditions, results of procurement partners' sustainability audits, externally indicated matters, and so on. Based on this, received feedback from Human Rights NGOs regarding priority issue identification methods and future measures, led to revision of CSR Procurement Guidelines for procurement partners and checklists for sustainability monitoring, expansion of the countries subject to audits, and holding of information sessions for procurement partners.
FY 2016	Initiated HRDD in human resources divisions under the guidance of Shift. Assessed and prioritized human rights risks for employees through interviews held with the human resources personnel of BUs and Group companies in Japan and subsidiaries outside Japan and explored mitigation strategies. In HRDD efforts in human resources divisions in fiscal 2016, country-specific assessments of risks for employees were performed. Although situations vary among countries, we identified the top risks as those concerning working hours, workplace health and safety, harassment/discrimination, and freedom of association. Many of those items were already being addressed as human resources measures, so we decided to continue them. Improving grievance mechanisms was another matter that came up and led to measures including the improvement of Intranet-based guidance and integration with the Hitachi Global Compliance Hotline.
FY 2017	Incorporated results of HRDD in procurement divisions into the revision of CSR procurement guidelines for suppliers; revised the checklist used in procurement partners sustainability monitoring.
FY 2018	Assessed and prioritized human rights risks and considered medium-term action plans for several BUs and Group companies under the guidance of Shift. Also held workshops for the human resources division at headquarters, verified the results of HRDD in fiscal 2016, and considered countermeasures.
FY 2019	Used our checklist for procurement partners to perform self-checks of approximately 100 Group companies in Southeast Asia under the guidance of Verite Southeast Asia. The necessity of enhancing measures to prevent forced labor and respect the human rights of migrant workers was observed at some operational sites.
FY 2019	Analyzed and reassessed results of HRDD to date to determine human rights risks that the Hitachi Group must address as a whole
FY 2020	Established the HRDD Promotion Project Team. Prepared and deployed a survey concerning priority risks common to the Hitachi Group (forced labor and violations of the rights of migrant workers) within the Group with the support of the NGO The Global Alliance for Sustainable Supply Chain (ASSC). Created our Human Rights Risk Management Implementation Manual. This manual, incorporated Shift's advice on consistency with the UN Guiding Principles on Business and Human Rights and explanations of each step in HRDD. Implemented measures to improve grievance mechanisms, such as consolidating the Hitachi Global Compliance Hotline.
FY 2021	Implemented countermeasures (provided corrective guidance, held workshops, published countermeasure consideration guide, etc.) at each BU and Group company, based on the fiscal 2020 survey, to address the Group's common priority risks that are grounds for concern.

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Working with Procurement Partners

Activities GRI 408-1/409-1

To ensure respect for human rights throughout our entire supply chain, Hitachi is promoting understanding of Hitachi’s policy with respect for human rights among procurement partners by including the Hitachi Group Human Rights Policy in our Hitachi Group Sustainable Procurement Guidelines. And we are working to ensure they are put into practice.

Moreover, these guidelines make it clear that child labor and forced labor should be eliminated. We are working to ensure complete awareness throughout our supply chain through efforts such as distributing them to our procurement partners, and holding sustainable procurement seminars.

In fiscal 2021, we ascertained actual conditions at our procurement partners using a survey similar to the survey on forced labor and violations of the rights of migrant workers that we used within the Hitachi Group.

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Human Rights Education and Awareness Raising for Employees and Executive Officers

Training GRI 412-2

In accordance with the Hitachi Group Human Rights Policy, Hitachi continually strives to familiarize all Hitachi Group employees with human rights by conducting human rights e-learning, distributing human rights messages on the

importance of respect for human rights from the President & CEO on Human Rights Day, and other efforts.

Annually in Japan, we aim for every employee to attend group training, lectures, or video-based educational activities held at each business site or Group company. Also, in an effort to prevent harassment, we held video-based training on the theme of harassment (in the workplace). The objective was to increase the skills of those responsible for handling harassment issues (counselors), including managerial personnel. The training was attended by 1,200 employees across the Hitachi Group. In addition to this, we use various training and educational activities, such as onboarding training directed at new hires, training for job positions, and training for employees transferred abroad, to convey the significance of respecting human rights in their own work to every employee.

For Group companies outside of Japan, the regional headquarters plays the role of promoting and supporting collaboration. To this end, we invited lecturers from NPO Shift to conduct implementation training for promotion representatives.

Human Rights Awareness Initiatives Targeting Procurement Partners and Procurement Personnel

	Target	Initiatives
FY 2018	European Group companies	Procurement personnel from European Group companies formed the Responsible Supply Chain Working Group.
	Procurement partners in China	Held CSR procurement seminars to explain Hitachi Group CSR policies and activities as well as the severity of human rights risks.
FY 2019	European Group companies	Created a webinar titled “Implementing the UN Guiding Principles on Business and Human Rights” for procurement personnel in the working group mentioned above.
	Procurement partners in Thailand	Held CSR procurement seminars to explain forced labor by providing case studies.
FY 2020	European Group companies	Introduced human rights risk analysis into the selection of procurement partners which should be included in sustainability monitoring. The above-mentioned working group discussed the self-check results under the guidance of Shift and explained the situation regarding the development of due diligence legislation in Europe.
	Procurement partners in China, Thailand, and other Asian countries	Used e-learning to explain CSR measures to procurement partners in China during the COVID-19 pandemic. For procurement partners in other parts of Asia, sustainability briefing webinars were held. By sharing the results of procurement partners’ sustainability monitoring in the region, we raised procurement partners’ awareness thereby helping each company to enhance its sustainability activities.
FY 2021	European Group companies	Held a responsible supply chain working group. Together with the NPO, Shift, we investigated disparities between European legislative trends and the laws of some member states, and the UN Guiding Principles on Business and Human Rights. Conducted webinar targeted specifically at human resources and legal divisions. Began to consider establishing an HRDD Secretariat including sustainability, procurement, human resources, and legal divisions.
	Procurement partners in China and other Asian countries	Held online information sessions in China and other Asian countries. In China, we explained our policy and activities concerning sustainable procurement activities including HRDD. In other parts of Asia, we raised procurement partners awareness by inviting outside experts familiar with environmental and human rights issues to provide training, and shared the results of monitoring, thereby helping each procurement partner to enhance its sustainability activities.

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

Implementation Status of Activities to Raise Awareness of Human Rights

Target	Details	Number of participants in FY 2021
All Hitachi Group executives and employees	Distributed a human rights message by President & CEO on Human Rights Day (every year)	Distributed to approx. 238,000 messages
	E-learning course on business and human rights (provided in 15 languages, taken about once every three years)	Not implemented in FY2021 (A total of more than 160,000 people took it in FY 2019)
Executive officers of Hitachi, Ltd.	Lecture on human rights by an outside expert (held annually)	Attended by 27 people

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Achievements in Fiscal 2021

Every year, we provide human rights training to executives of Hitachi, Ltd. In fiscal 2021, this training was conducted by an external lecturer. He gave lectures on changes in the social context that have made human rights issues closely related to business, how to enhance human rights risk management while conducting business globally, and how it is essential to always be aware of human rights risks when making management decisions.

Global Group Grievance Mechanisms

System

GRI 102-17

Hitachi has established a Group-wide internal reporting system called the Hitachi Global Compliance Hotline. We investigate all reports, including those concerning human rights and harassment, and following verification of the relevant facts, inform those who submitted reports of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action when necessary.

📄 P173 Hitachi Global Compliance Hotline (Whistleblower System)

Handling Various Human Rights Issues

Activities

We are working to appropriately handle various human rights issues, including problems concerning the work environment of foreign technical interns in Japan, and global supply chain issues related to Uighurs.

📄 P132 Responsible Procurement

▶ Responses to Human Rights Issues

Human Rights Issue	Timeline	Event/Handling
Problems concerning foreign technical interns	2018	Hitachi, Ltd. and 10 Group companies received recommendations for improvement of practical training from Japanese Organization for Technical Intern Training for alleged violations related to the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees.
	September 2019	Hitachi, Ltd. received improvement orders from the Immigration Services Agency of Japan and the Ministry of Health, Labour and Welfare regarding establishment of its system for carrying out proper technical intern training according to authorized plans.
	October 2019	Each company that was subject to a recommendation for improvement or improvement order submitted a report to the Organization for Technical Intern Training that it had completed improvements according to the content of the improvement order, and all of them were accepted.
	March 2020	Established Group-wide policies, guidelines, and check systems for conducting technical intern training
Response to Issues Concerning Uighurs	November 2020	The entire Group is thoroughly committed to preventing recurrence through internal audits and the like. In accordance with the intent of relevant laws and regulations on the Technical Training Program as well as the Hitachi Group Human Rights Policy, we continue striving to implement appropriate technical training from the viewpoint of respect for human rights.
	March 2020	A report by the Australian Strategic Policy Institute pointed out that one of our procurement partners may be involved in forced labor of Uighur people.
	December 2020	Hitachi, Ltd. conducted an audit through a third party based on international standards of the management system of the procurement partner identified, particularly with respect to personnel management. As a result, we found no issues related to forced labor. Hitachi will continue to strive, through various forms of engagement, to ensure respect for the human rights of not only those within our Group, but of our procurement partners as well.

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Initiatives to Promote Broad-Based Black Economic Empowerment (B-BBEE) in South Africa

As Hitachi conducts business in South Africa, it pursues activities aligned with the country's Broad-Based Black Economic Empowerment (B-BBEE)*1 policy to create employment and economic development. As of August 31, 2022, Hitachi Energy in Southern Africa has achieved level 1 on B-BBEE.

Hitachi Energy South Africa is obliged to meet the Employment Equity Act (EEA)² targets and plans, which are reviewed every 3–5 years with annual progress reporting. Its ultimate aim is to ensure that it maintains diversity in the workforce, including gender diversity.

The company's training strategy is aligned with the Skills Development targets as linked to B-BBEE and the company also invests in its current employees, in line with diversity and equity, to enhance the performance and promotability of internal talent. Hitachi Energy South Africa hires graduates and trainees with Historically Disadvantaged South Africans (HDSA) backgrounds annually.

Currently, employees with HDSA backgrounds comprise 26.4% of those in management/supervisory positions at Hitachi Energy South Africa.

*1 B-BBEE: Companies and organizations in South Africa are scored on their B-BBEE approaches and contributions, and are rated on a scale from level 1 (the highest) to 8, and "non-compliant."

*2 Employment Equity Act (EEA): A South African law that promotes fairness and equal opportunities in the workplace for all employees.

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Value Chain Management

GRI 103-2



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Why

— Why it matters —

With the globalization of the Hitachi Group’s businesses, procurement risks are also increasing in supply chains. That is why we are going beyond merely understanding and mitigating supply chain risks to pursue sustainable procurement instead. We recognize that we must actively work with our procurement partners to improve social, environmental, and economic value for our customers, and we are working with procurement partners to achieve carbon neutrality throughout our value chain as well.

Hitachi was founded on the principles of “Harmony, Sincerity, and Pioneering Spirit.” We ensure product quality and safety by adhering to these principles, along with the basics and ethics, and by putting right and wrong before profit and loss. All employees embrace our policy of making quality and reliability a top priority, and this strengthens our quality assurance activities. By continuing to provide high-quality, thoroughly safe products, Hitachi will maintain the trust of customers and society.



What

— What we are doing —

- Implementing sustainable procurement
- Encouraging procurement partners to reduce their environmental load
- Implementing procurement BCP initiatives
- Responding to the conflict minerals issue

How

— How we are doing it —

Policy and promotion structure	Positioning the Hitachi Group Global Procurement Code as the highest code, Hitachi promotes sustainable procurement based on the Hitachi Group Sustainable Procurement Guidelines and other accompanying guidelines. Also, our Value Integration Division, which reports directly to the President & CEO, discusses sustainable procurement policies and initiatives, and the actions they decide on are thoroughly disseminated throughout the Hitachi Group by the Sustainable Procurement Conference, which includes the heads of procurement divisions at Business Units (BUs) and major Group companies. In fiscal 2021, we established the new Sustainable Procurement Office to strengthen sustainability activities pursued in cooperation with our procurement partners.
Achievements in FY 2021	
Raising awareness of the Hitachi Group Sustainable Procurement Guidelines	Revised the Hitachi Group Sustainable Procurement Guidelines and distributed them to procurement partners to raise awareness of them as a code of conduct for procurement partners
Sustainability monitoring of procurement partners	Assessed and analyzed the status of procurement partners’ sustainability initiatives through surveys with a focus on human rights and environmental risk assessment
Conducting sustainability audits	Conducted sustainability audits of procurement partners in China and other Asian countries (Target: 25 companies)
Holding sustainable procurement seminars for procurement partners	Held sustainable procurement seminars online on Hitachi Group sustainability initiatives for procurement partners (Target: 359 companies in China and the rest of Asia)
Encouraging procurement partners to reduce their environmental load	To coincide with COP26, organized “Towards Net Zero—Hitachi Value Chain Innovators,” an online event concerning value chains. Received the highest rating for CDP supplier engagement
Responding to the conflict mineral Issue	Revised the Hitachi Group’s Conflict Minerals Procurement Policy to formulate the Hitachi Group’s Policy for Responsible Supply Chain of Minerals in response to the expanded scope of responsibilities expected of companies in their procurement of minerals Held the Hitachi Group Conflict Minerals Seminar for the sales, procurement, and sustainability divisions of business units and Group companies (Number of participants: 270 people)

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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Quality and Product Safety Management

What

— What we are doing —

- Engaging in quality assurance activities
- Commissioning external audits concerning product quality assurance
- Acquiring international standards certification for our quality management system
- Providing quality and reliability education
- Acting to provide product safety
- Responding when incidents occur

How

— How we are doing it —

Policy and promotion structure	We are promoting quality and safety as part of the Hitachi Group Codes of Conduct, and our basic quality assurance principles are outlined in the relevant section of the company rules. In order to thoroughly promote quality governance, we are strengthening our promotion structure to put the safety and security of our customers first. This is being achieved by making the quality assurance divisions of BUs and Group companies independent from the business divisions.
Achievements in FY 2021	
Quality assurance activities	Ensured technical law compliance Pursued thorough safety design and safety monitoring for products and services
External audits concerning product quality assurance	Commissioned regular external audits concerning product safety
International standards certification for our quality management system	Surveyed the number of certified business sites
Quality and reliability education	Provided various forms of training and education in accordance with the target recipients



Customer Satisfaction

What

— What we are doing —

- Implementing initiatives to improve communication with customers
- Conducting digital marketing
- Engaging in advertising activities
- Providing comprehensive customer support online
- Engaging in activities to improve customer satisfaction (CS) regarding home appliances

How

— How we are doing it —

Policy and promotion structure	Dedicated account managers serve as gateways for corporate customers to deal with Hitachi Group companies in Japan. The entire Group works with these managers to build even closer relationships with clients and to improve customer satisfaction (CS).
Achievements in FY 2021	
Initiatives to improve communication with customers	Held seminars and forums to improve CS
Advertising activities	Promoted communication activities based on our Advertisement Guidelines and Social Media Policy
Activities to improve CS regarding home appliance	Conducted a CS survey using the evaluation survey for customer repair services (Satisfaction rate: 95.4%)

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Responsible Procurement

Basic Procurement Guidelines

Approach **Policy** GRI 102-9

We believe that putting sustainability at the core of our business throughout our value chain will lead to mutual prosperity for procurement partners and the Hitachi Group. We are also working to proactively identify and mitigate procurement risks.

Hitachi instituted the Hitachi Group Global Procurement Code. This is our highest code for procurement activities. It calls on Group companies and procurement partners to give due consideration to human rights, labor practices, safety, ethics, quality, and security in the supply chain. Procurement partners are also selected strictly in accordance with the code's provisions.

We also established the Hitachi Group Sustainable Procurement Guidelines, which are a code of conduct for procurement partners. We aim to develop sustainable business and society together with procurement partners by promoting procurement activities that adhere to this code.

[Sustainable Procurement](https://www.hitachi.com/procurement/csr/index.html)
<https://www.hitachi.com/procurement/csr/index.html>

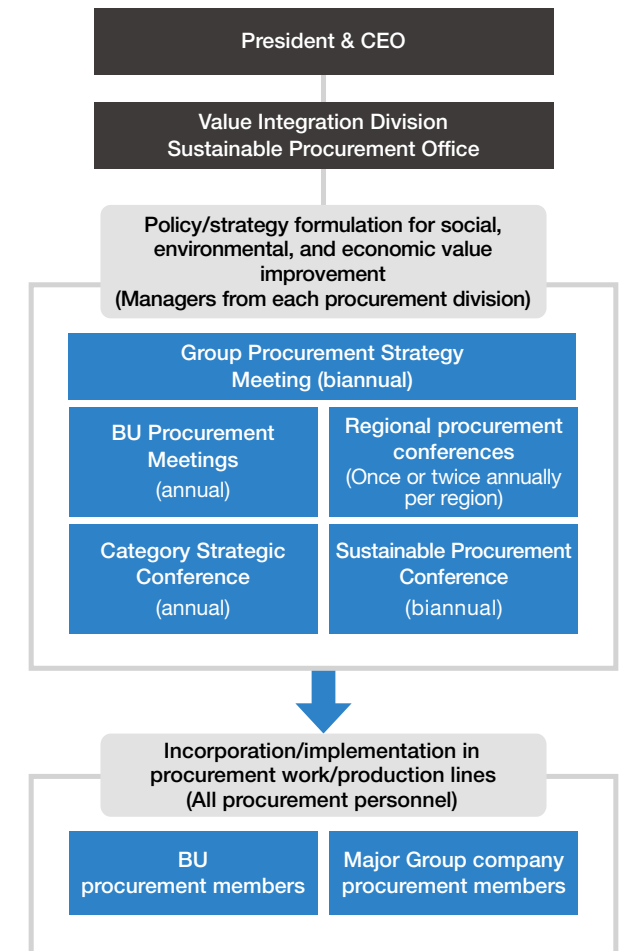
[Hitachi Group Sustainable Procurement Guidelines](https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf)
https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf

Sustainable Procurement Management Framework

Structure GRI 204-1

Policies and initiatives related to sustainability are discussed within Hitachi's Value Integration Division, which reports directly to the President & CEO of Hitachi, Ltd. Policies and initiatives adopted after this discussion are thoroughly disseminated throughout the Hitachi Group through the Sustainable Procurement Conference, which includes the heads of the procurement divisions at Business Units (BUs) and major Group companies. We established the Sustainable Procurement Office in fiscal 2021 to strengthen our sustainability activities in coordination with procurement partners. This division takes the lead in planning and formulating sustainable procurement measures in close cooperation with stakeholders both inside and outside of the company. It also promotes these activities by cooperating with Hitachi Group procurement divisions both inside and outside of Japan.

Procurement Management Organizational Structure



Note: Hitachi normally refers to its suppliers (including vendors or providers) as "procurement partners" who build business together on an equal footing.

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Implementing Sustainable Procurement

Activities GRI 308-2/414-2

Hitachi is implementing the following wide variety of initiatives to promote and ensure sustainable procurement. And, when we start to do business with new procurement partners, we work to enhance risk management by making careful selections based on the Hitachi Group Global Procurement Code, and distributing the Hitachi Group Sustainable Procurement Guidelines to each partner.

Making the Hitachi Group Sustainable Procurement Guidelines Known to All

The Hitachi Group Sustainable Procurement Guidelines, revised in July 2021, informs procurement partners what we want them to comply with. The contents fall into seven major categories: labor, health and safety, environment, business ethics, management system, product quality and safety, and prevention of personal and confidential information leakage. It is also positioned as a communication tool to inform procurement partners about Hitachi Group initiatives, and describes our policies and initiatives related to sustainability.

We make these guidelines available in four languages (Japanese, English, Chinese, and Thai), and distribute them to approximately 30,000 procurement partners. We also ask for compliance and continually explain the contents through sustainable procurement seminars.

Sustainability Monitoring of Procurement Partners

With the purpose of risk management and engagement with procurement partners, the Hitachi Group evaluates and analyzes the state of sustainability initiatives by procurement partners through surveys. In fiscal 2021, we focused on human rights and environmental risk assessment.

• Human Rights Initiatives Survey

As part of human rights due diligence (HRDD) initiative in fiscal 2021, we conducted a survey of efforts to address forced labor and violations of the rights of migrant workers, which we have defined as a human rights risk that the entire Hitachi Group should handle. In this survey, 2,524 procurement partners performed self-evaluations concerning initiatives related to (1) labor, (2) health and safety, and (3) a point of contact for reporting. After analyzing the results of the survey, we provided feedback to the procurement partners.

Details of Feedback

- (1) Introduction to Hitachi Group initiatives and approach to human rights (Familiarization with Hitachi Group Human Rights Policy)
- (2) Survey results and analysis
- (3) Approach to measures addressing key points
- (4) Request for efforts toward remedy and improvement

• Environmental Initiatives Survey

In fiscal 2021, we selected approximately 1,000 procurement partners which accounts for 70% of our procurement spending (excluding publicly listed subsidiaries), to be environmental focus partners, then carried out a survey of environment-related initiatives. We received replies from 708 companies about the status of: (1) establishment of a policy on climate change, (2) efforts to reduce greenhouse gas emissions, and (3) measurement of energy consumption. Based on the information we obtained through this survey, we intend to move forward with sharing issues and pursuing concrete CO₂ reduction measures through dialogue with

a number of procurement partners who are implementing advanced initiatives, and encouraging lessons and successful practices developed through this initiative to be adopted and applied by our environmental focus partners.

Starting in fiscal 2022, we have adopted the EcoVadis^{*1} third-party evaluation platform for monitoring and evaluating the sustainability performance of our procurement partners. We are working towards further strengthening engagement with our procurement partners.

^{*1} EcoVadis: A comprehensive corporate social responsibility assessment service platform. They conduct assessments of factors including environment, labor practices and human rights, ethics, and the impact of sustainable procurement.

▶ P126 Human Rights Due Diligence (HRDD) Initiatives

Conducting Sustainability Audits

Hitachi, Ltd. has been auditing the manufacturing bases of its and Group companies' procurement partners in China and other Asian countries. For these audits, we engaged external evaluators such as auditing company Intertek Certification.^{*1} Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI). These audits investigate our workplace practices, and a Responsible Business Alliance (RBA)-recognized auditor checks procurement partners' sustainability initiatives from the perspectives of labor and human rights, health and safety, the environment, and ethics. Procurement partners needing improvement were requested to submit improvement action plans, and Hitachi, Ltd., together with Group companies, will work with and advise the procurement partners until they complete the planned improvements.

^{*1} Intertek Certification: With a presence in over 100 countries across the globe, the Intertek Group provides a wide array of certification services in every industrial field.

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In fiscal 2021, audits were conducted of 25 procurement partners in China and other Asian countries. Though there were no significant violations, minor problems with the following issues were identified for some procurement partners, which they were asked to remedy accordingly.

- Provision of emergency exits
- Management of overtime hours
- Construction of frameworks for initiatives that promote human rights
- Identification of physically demanding tasks such as work that requires standing for long hours

Holding Sustainable Procurement Seminars for Procurement Partners

We held sustainable procurement seminars in an effort to deepen procurement partner understanding of Hitachi policies and the importance of sustainability.

Activities in 2021

To prevent the spread of COVID-19, in fiscal 2021 we held these seminars online for partners in China and other Asian countries just as we did in fiscal 2020.

Our seminars in China were attended by approximately 200 people from 133 companies. We explained policies and measures for sustainable procurement activities, including carbon neutrality and HRDD. We also asked partners to comply with the Hitachi Group Sustainable Procurement Guidelines.

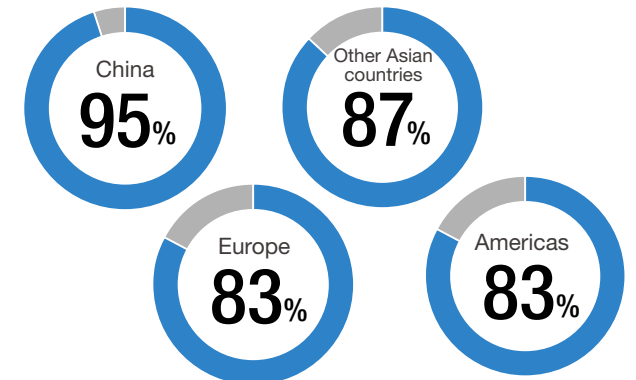
Our seminars in other Asian countries were attended by approximately 300 people from 226 companies. We shared the details of our Group-wide sustainable procurement activities, and invited two experts in human rights and environmental issues as guest lecturers to conduct training on the importance of sustainability (latest trends, specific approaches to human rights and environmental initiatives, etc.). We also shared the results (average score) of the sustainability monitoring for each item, and worked to raise awareness to strengthen the sustainability activities at each company.

Strengthening Global Partnerships

With the worldwide expansion of Hitachi's business, our procurement partners have become increasingly globalized as well, and we now have dealings with around 30,000 procurement partners in over 60 countries. Accordingly, we have appointed procurement officers to oversee procurement activities locally in China, other Asian countries, Europe, and the Americas in order to encourage procurement from locally based partners in line with the principle of promoting local production for local consumption. These officers carry out activities such as sustainability monitoring, sustainability audits, and sustainable procurement seminars for procurement partners in their respective regions to strengthen sustainable procurement.

Local procurement officers in China are also responsible for addressing environmental risks in China. Through the Institute of Public and Environmental Affairs, an environmental NGO, the officers obtain information about polluting enterprises made public by China's central and regional government bodies. They use this information not only for screening businesses which have transactions with these enterprises but also for urging the enterprises themselves to make improvements.

▶ Rate of Local Procurement of Materials for Main Regions (Fiscal 2021)



▶ Implementation Status of Sustainability Procurement Activities (Fiscal 2021)

Human rights initiatives survey	Environmental initiatives survey	Sustainability audits	Sustainable procurement seminars
2,524 companies	708 companies	25 companies	359 companies

Note: Hitachi normally refers to its suppliers (including vendors or providers) as "procurement partners" who build business together on an equal footing.

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Encouraging Procurement partners to Reduce their Environmental Load

Policy Activities

Sharing Our Green Procurement Guidelines and Related Initiatives

We distribute the Green Procurement Guidelines that define our basic position on procuring environmentally friendly parts and products as well as our requirements of procurement partners. The guidelines set out requirements, such as establishing environmental management and recommend obtaining environmental certificates. They also include environmental conservation—reducing the impact of products supplied to Hitachi, such as conserving resources and energy, recycling, managing chemical substances in products, and fully disclosing related information.

To address the issue of chemical substances in products, we recommend using chemSHERPA*1 CI/AI, a standardized format for communicating information on chemical substances in products throughout the supply chain.

*1 chemSHERPA: Developed by the Japanese Ministry of Economy, Trade and Industry to facilitate the management of chemical substances in products by creating a standardized format throughout the supply chain. The chemSHERPA-CI standard is applicable to chemical substances contained in chemical products and chemSHERPA-AI to those contained in molded products.

Expanding Our Green Purchasing Rate for Office Supplies

We are working to expand the green purchasing rate*1 for office supplies Group-wide. We are striving to increase the number of items eligible for green purchasing, and encouraging our employees to purchase them.

*1 Green purchasing rate: The percentage, by monetary value, of products with the Eco Mark among all products purchased subject to the Act on Promoting Green Procurement.

[Green Procurement Guidelines](https://www.hitachi.com/environment/library/pdf/green_en.pdf)
https://www.hitachi.com/environment/library/pdf/green_en.pdf

[Green Procurement Guidelines Annex](https://www.hitachi.com/environment/library/pdf/green_annex_en.pdf)
https://www.hitachi.com/environment/library/pdf/green_annex_en.pdf

Achievements in Fiscal 2021

To coincide with COP26, the Hitachi Group organized, Towards net zero—Hitachi Value Chain innovators, an online event related to value chains. Through the event, our Group Chief Procurement Officer shared Hitachi's vision for carbon neutrality, representatives from three partner companies delivered a presentation sharing their approach to best practice, and participants discussed future courses of action.

[COP26: Uniting the World to Tackle Climate Change](https://www.hitachi.com/cop26/index.html)
<https://www.hitachi.com/cop26/index.html>

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Received the Highest Rating for CDP Supplier Engagement

Hitachi, Ltd. was recognized for its efforts to realize a net-zero society, including the reduction of CO₂ emissions throughout its supply chain. The CDP, an international NGO working in the environmental sector, selected the company as a Supplier Engagement Leader, which is their highest rating for supplier engagement.*1



*1 Supplier Engagement Rating: Used to evaluate corporate supply chain engagement on climate issues, and select companies with particularly outstanding initiatives as Supplier Engagement Leaders.

P026 Status of Inclusion of External ESG Assessments and ESG Indices

Procurement BCP Initiatives

Approach Activities

We are working to enhance procurement-related business continuity plans (BCPs) across Group companies worldwide to ensure that significant incidents*1 do not disrupt our business and seriously impact society.

*1 Events such as natural disasters (including major earthquakes) serious enough to disrupt business

P183 Procurement BCP Initiatives

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Response to the Conflict Mineral Issue

- Policy
- Structure
- Activities

In fiscal 2013, Hitachi formulated its Conflict Minerals Procurement Policy, declaring its stance and commitments regarding conflict minerals. The policy was revised in fiscal 2016 to explicitly lay out measures to be implemented to ensure responsible procurement. Expanding the scope of corporate responsibilities for the procurement of minerals is a global trend, with companies increasingly expected to address broader overall risks to human rights not limited to the risk of being complicit in conflicts, and recognize responsibilities that extend beyond the countries adjoining the Democratic Republic of the Congo to a wider area where the risks are high. In consideration of this, in fiscal 2021 we revised this policy to formulate the Hitachi Group's policy for Responsible Supply Chain of Minerals.

[Hitachi Group's Policy for Responsible Supply Chain of Minerals](https://www.hitachi.com/procurement/csr/EN_HG_RSCM_1.pdf)
https://www.hitachi.com/procurement/csr/EN_HG_RSCM_1.pdf

System and Initiatives

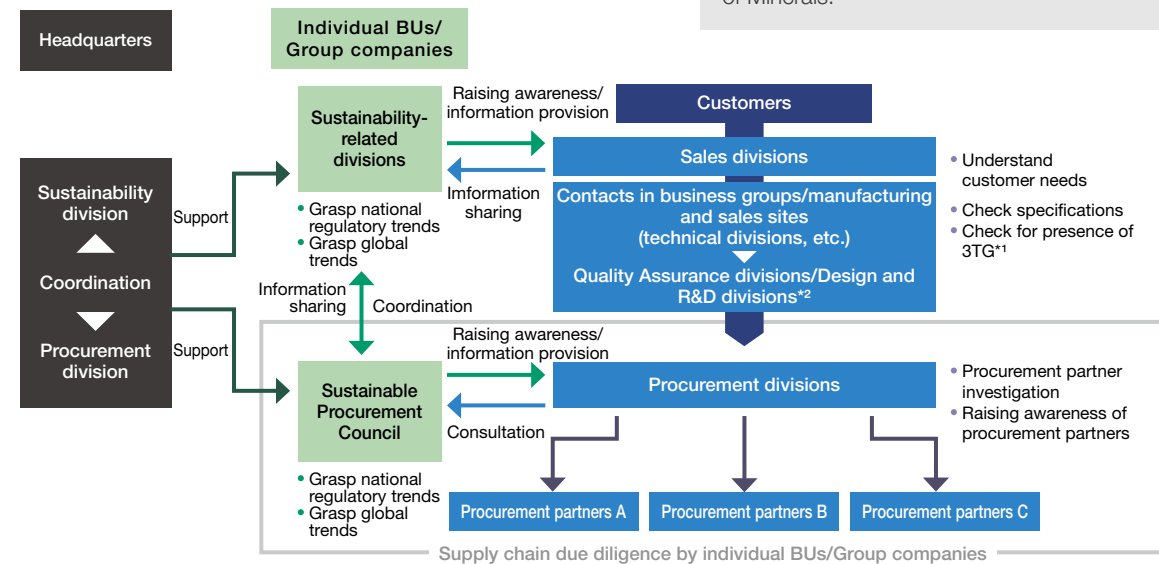
Sales divisions, business groups, manufacturing sites, procurement divisions, and other divisions within individual BUs and Group companies work together to respond to investigation requests and inquiries relating to conflict minerals. We also strive to grasp developments in conflict mineral-related laws and regulations in each country and region and what global society demands of enterprises, and work to share information within the Group.

Each BU and Group company investigates its use of conflict minerals and reports the results to customers when requested. Supply chain investigations are carried out with the cooperation of the relevant BUs' and Group companies' sales, procurement, and Sustainability divisions. In addition,

Hitachi, Ltd. is a member of the Japan Electronics and Information Technology Industries Association (JEITA)'s Responsible Minerals Trade Working Group. This working group has been addressing the issues of conflict minerals with other members of the association. In June 2021, the working group held an online information session targeted at personnel in-charge of investigation of conflict minerals at companies and organizations that face common issues related to Responsible Minerals. The working group explained the background behind responsible minerals to 1,700 people.

P023 Industry Leadership and Policy Recommendations

▶ Hitachi's Conflict Minerals Response Framework



→ Headquarters → Individual BUs/Group companies

*1 3TG: Collective term for four commonly used conflict minerals: tin, tantalum, tungsten, and gold.

*2 May differ depending on BU or Group company

Employee Education

In 2021, about 270 employees participated in the Hitachi Group Conflict Minerals Seminar, which was held for the sales, procurement, and Sustainability divisions of our BUs and Group companies, with the aim of enhancing our Group response to conflict minerals issues. A visiting lecturer gave talks to deepen understanding of human rights violations in mineral producing countries (which are the root cause of the conflict minerals problem), risk of corporate complicity, regulatory trends relating to conflict minerals, the Conflict Minerals Reporting Template (CMRT), and the Hitachi Group's Policy the Responsibility Supply Chain of Minerals.

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Quality and Product Safety Management GRI 417-1

Approach to Quality Assurance Activities

Approach

Hitachi was founded on the principles of “Harmony, Sincerity, and Pioneering Spirit.” We ensure product quality and safety by adhering to these principles, along with the basics and ethics, and by putting right and wrong before profit and loss. We engage in quality assurance activities through our unique practice of OCHIBO-HIROI, which means “gleaning” in English and involves analyzing and learning from failure to further develop our technologies.

As stipulated in the Hitachi Group Codes of Conduct, we aim to provide products and services that meet the needs and requirements of our customers, complying with relevant laws and standards and ensuring quality and safety by setting additional standards of our own where necessary. We strive to ensure quality and safety by setting independent standards as necessary, in addition to complying with all relevant laws and standards. The Quality Assurance Standards in our corporate regulations also set out our basic principles for quality assurance and aim to promote employees’ awareness of them.

[The Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html)
<https://www.hitachi.com/corporate/about/conduct/index.html>

Framework for Quality Assurance

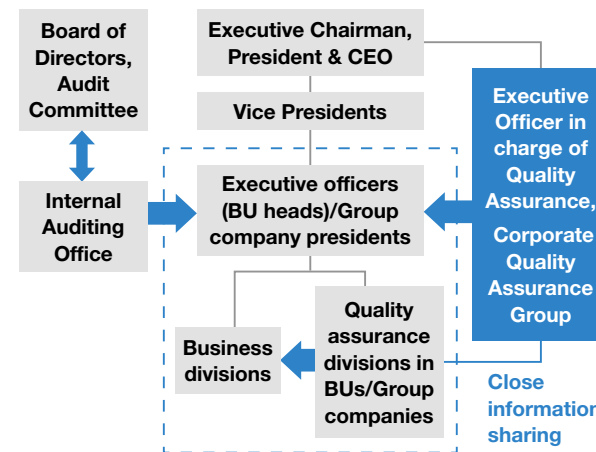
Structure

To ensure full control over quality governance, Hitachi has made quality assurance divisions within business divisions independent from product design divisions and manufacturing divisions, creating a framework for activity in which the safety and trust of customers are the top priorities. In order to strengthen this framework further, we have made quality

assurance divisions independent of business divisions and reinforced the report line of the quality assurance divisions of Business Units (BUs) and Group companies to the Corporate Quality Assurance Group at Hitachi, Ltd., and established systems for close information sharing between the two sides. We are also strengthening governance by giving greater authority to the Corporate Quality Assurance Group.

When a production incident occurs in the Hitachi Group, the quality assurance division in the BU or Group company that manages the company that caused the accident reports it to the Corporate Quality Assurance Group. Then, weekly reports are provided to management executives, including the Executive Chairman, and the President & CEO at Hitachi, Ltd. Also, for a serious incident, the quality assurance division in the BU or Group company reports the incident to management executives, including the Executive Chairman, and the President & CEO at Hitachi, Ltd. as soon as it is known.

Quality Assurance Structure



Global Quality Assurance Framework

Against a backdrop of the increased number of mergers and acquisitions outside Japan, in recent years, we have been working to strengthen our global quality assurance framework as a high-priority initiative. Specifically, we are promoting awareness of Hitachi’s basic principles of quality assurance globally, receiving incident reports from Group companies outside Japan, and, as in Japan, we are also establishing international quality assurance reporting lines that are independent of the business divisions, as well as practicing OCHIBO-HIROI.

Quality Assurance Activities

Activities

We are strengthening the organization and management, technology, and human capital aspects of our quality assurance activities in every process—from planning and development to design, manufacturing, testing, delivery, and maintenance. Furthermore, under our approach of “making prevention the duty of quality assurance,” we are going beyond the strengthening of reoccurrence prevention and striving to prevent incidents from occurring in the first place.

Technical Law Compliance Activities

Hitachi promotes internal awareness of product regulations, amendment trends, and enforcement dates in each country and region. We also work to clarify product-specific laws (with our product-specific laws map) as well as promoting regulatory compliance and implementing continuous process improvements with our product compliance management system.

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Thorough Safety Design and Safety Monitoring for Products and Services

When developing products, Hitachi makes the safety of our customers' lives, health, and property the top priority in product design and works to ensure safety at every step, from development and production to sales and maintenance. We strive to ensure safety through risk reduction according to the following order of priority: design (fundamental safety design), protective measures (safeguards), and usage information such as user instruction manuals. Also, we conduct risk assessments from a wide perspective in collaboration with related BUs and research laboratories.

Service, Software, and Security Quality Enhancement Activities

For our services business, which continues to grow in scale, we have established a Service and Software Quality Enhancement Division and are sharing quality activities and current challenges. We are also applying our solutions division's software development capabilities and reliability enhancement expertise to assist our product divisions (embedded software development divisions) in enhancing the reliability of embedded software as the field becomes more advanced and complex.

External Audits of Product Quality Assurance

Activities

For certified products and other products, Hitachi has been commissioning regular external audits of product safety.

Relevant marks indicate products that have received certification. Periodic external audits are conducted following

certification, as well, to confirm the validity of their quality maintenance.

The S-Mark : Indicates third-party certification for electronics based on a certification system administered by the Steering Council of Safety Certification for Electrical and Electronic Appliances and Parts of Japan (SCEA).

The UL Mark: Indicates compliance with safety standards established by UL Solutions, a safety certification company.

International Standards Certification for Our Quality Management System

Activities

Hitachi's quality management system has acquired certification from an external certifying organizations. We are committed to effectively applying the findings of third-party evaluations to our activities as well.

We have also obtained quality management system certification for each of our product categories worldwide. The chart below shows a representative sample.

Category	Name of standard	Number of certified sites
Overall quality	ISO 9001	319 sites
Railway business	ISO/TS 22163	7 sites
Medical devices	ISO 13485	13 sites

(Survey results as of the end of June 2022)

Quality and Reliability Education

Training

Hitachi regularly provides various forms of education and training related to quality and reliability, including the

safety of products and services, depending on the target employees. In addition to implementing e-learning courses on Hitachi's philosophy regarding quality for all employees, quality assurance is also featured as a theme in position-specific and executive-oriented training, as well as new employee education. In addition, we conduct field-specific technical lectures for engineers engaged in MONOZUKURI (manufacturing) at a range of levels from basic to expert. Each BU also conducts specialized technical courses regarding manufacturing, quality assurance, and maintenance at their quality assurance training centers.

Product Safety Response when Incidents Occur

Activities

When an incident occurs, the division responsible acts swiftly to resolve the problem. We not only investigate the technical causes, but also thoroughly discuss the process, framework, and motivating factors leading up to the occurrence, along with ways to prevent reoccurrences, in order to ensure product safety.

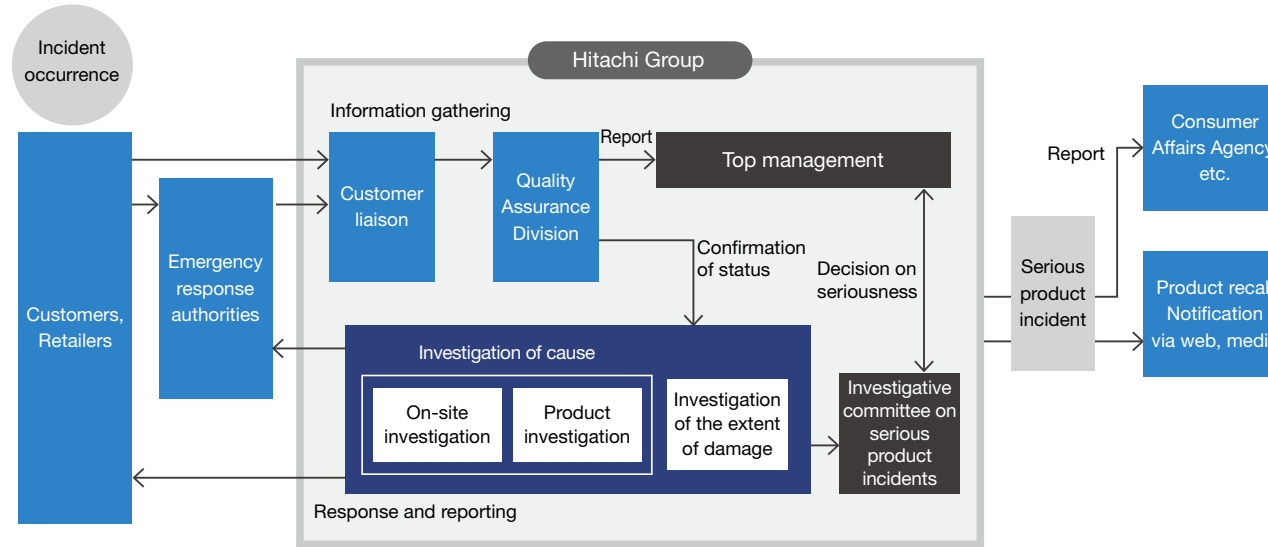
In the case of a severe incident, we work to provide a prompt status report to top management, reports to government agencies in line with legal requirements, and relevant information disclosure to customers on our website and through other communication channels. At the same time, we have a framework in place to ensure that fast and appropriate action is implemented at all companies across the Group.

In the case we determine that retroactive action is necessary, we notify customers via newspaper advertising and websites in order to carry out the necessary repair or replacement program.

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▶ Response Flow in the Event of Product Incident



Reoccurrence Prevention Measures in Response to Inappropriate Conduct Discovered by Hitachi Astemo

Hitachi Astemo, discovered inappropriate conduct, such as issues involving periodic testing of some of the brake components manufactured at its Yamanashi Plant (Minami-Alps City, Yamanashi Prefecture) and suspension components manufactured at its Fukushima Plant (Koori Town, Date District, Fukushima Prefecture), based on information that was shared by an employee.

We sincerely apologize for the significant inconvenience we may have caused our customers and concerned parties.

At Hitachi Astemo, to ensure such incidents do not occur again, in April 2021, we established a new governance office to function as a headquarters and strengthen risk management in addition to a dedicated auditing organization in the Quality Management Division, and in December 2021, we established a special investigation committee through external legal counsel to investigate the facts and root causes of the issue independently and objectively. We are working to enact sweeping measures to prevent reoccurrences. Going forward, we are fully committed to strengthening compliance even further to regain the trust of our partners and customers.

[Notice of Inappropriate Conduct for Certain Products, Including Unperformed Periodic Tests](https://www.hitachi.com/New/cnews/month/2021/12/211222.pdf)
<https://www.hitachi.com/New/cnews/month/2021/12/211222.pdf>

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Customer Satisfaction (CS) GRI 103-2

Initiatives to Improve Communication with Customers

Activities

The sales and marketing divisions at Hitachi, Ltd. listen to customer voices when developing management, product, and solution strategies. These divisions assign an account manager to each customer to help grow the business of the Hitachi Group. These account managers serve as customers' points of contact with Group companies in Japan, leading initiatives for improving communication with customers while working to build closer relationships between customers and account managers.

▶ Initiatives to Improve Communication with Customers

Initiative	Outline
Executive seminars	Strengthen ties with customers through customer-oriented seminars and use these opportunities to develop sales activity proposals that reflect customer needs.
Hitachi Social Innovation Forum	Encourage co-creation with customers and business partners worldwide with these events, which consist of seminars and exhibits, with the aim of realizing a sustainable society through our Social Innovation Business.
Technology Community program	Facilitate direct dialogue between researchers and customers regarding Hitachi's diverse range of advanced technologies and contribute to co-creation through new businesses matching Hitachi technology with customer needs.

Digital Marketing

Activities

Based on strict personal information-protection rules, Hitachi collects and analyzes customer information acquired from participants in various online seminars and events, and from website browsing-history data. Our digital marketing activities are used for product development, improvement of customer service, and sales promotion activities linked with a sales support system (SFA).

P188 Personal Information Protection

Advertising Activities

Activities

Because Hitachi, Ltd. believes that advertising activities must show proper consideration for society as a whole as well as comply with laws and regulations, it has established a set of Advertisement Guidelines.

To ensure that these guidelines are strictly followed at all business locations globally, even where languages and customs may vary, an Advertising Material Checklist is included. All items on the checklist are confirmed in multiple languages when creating advertisements.

When conducting communications and promotional activities on social media channels, we abide by the Hitachi Social Media Policy, which consists of the Communication Guidelines and the Guidelines for Employees, to not only protect our brand, but also to avoid violating the rights of others. It stipulates our policies for social media use and specific promotional methods.

To raise awareness of this policy among members of the company, we carry out e-learning activities in Japanese, English, and Chinese about the use of social media and addressing associated risks.

[Social Media Communication Guidelines](https://www.hitachi.com/utility/socialmedia/index.html)

<https://www.hitachi.com/utility/socialmedia/index.html>

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Comprehensive Customer Support Online

Activities

Hitachi offers comprehensive global customer support on its website to respond to customer inquiries, opinions, requests, and complaints. Since fiscal 2009, we also have conducted training courses, including our Web Inquiry Responsiveness Improvement Course, to improve our handling of these inquiries. Going forward, the Hitachi Group will continue to work to strengthen and improve cooperation among Group companies in order to respond more quickly and accurately to customer feedback.

▶ Customer Support Activities in Fiscal 2021

Web Inquiry Responsiveness Improvement Course attendees	Not held in fiscal 2021 due to the pandemic (858 attendees in total since fiscal 2009)
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Activities to Improve Customer Satisfaction Regarding Home Appliances

Activities

The Home Appliances Customer Satisfaction Division provides services and solutions to improve the quality of life for people of all ages and regions. In Japan, these initiatives are carried out under the slogan, “360° Happiness: More smiles to life for one and all.”

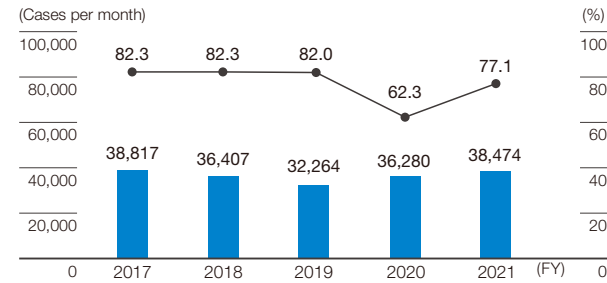
The call centers and websites for the Customer Support Center (no repair) and Repair Contact Center handle about 2.09 million customer inquiries, repair requests, and complaints about washing machines, refrigerators, and other appliances per year. We have undertaken a number of initiatives to better respond to inquiries and to reflect customer feedback in our MONOZUKURI (Manufacturing),

including improving the call center call completion rate by using outsourcing; creating a database of customer feedback, including consultations, inquiries, and complaints; and enhancing our website’s FAQ section.

We also conduct semiannual customer service evaluation surveys at approximately 90 service centers in Japan. Based on the answers, we improve after-sales services through CS training courses and other programs.

In fiscal 2021, more than 20,000 customers responded to the questionnaire, and 95.4% of them expressed satisfaction with our customer service.

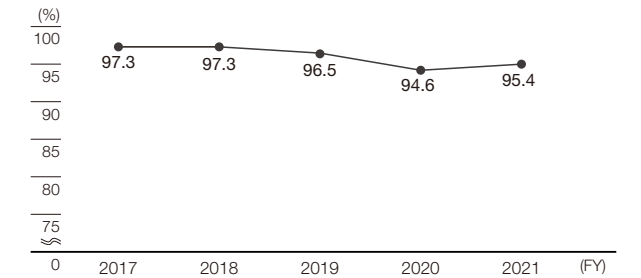
▶ Customer Contact Cases, Call Completion Rate*1 at Customer Support Center (12-Month Average)



■ Electrical home appliances/other products, and electronic equipment (left scale)
● Call completion rate (right scale)

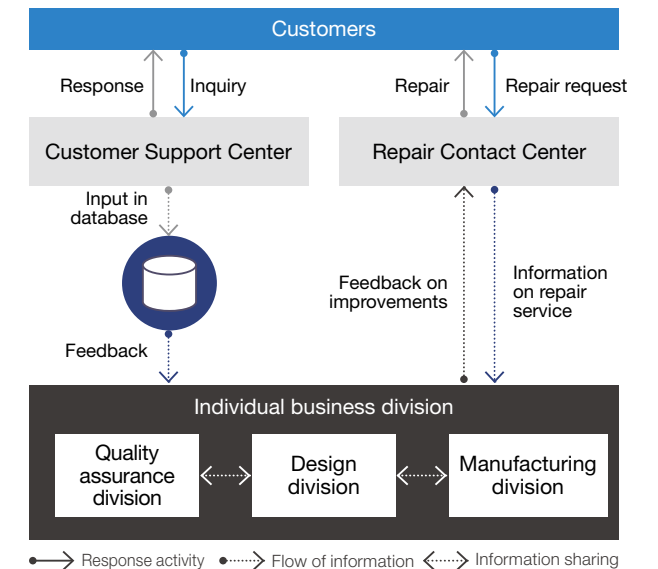
* 1 Call center call completion rate

▶ Results of Evaluation Survey for Customer Repair Services (CS)



Notes: Target scope: Customers for whom repair services are provided (approx. 1.04 million cases a year)
Survey response rate: 32% (20,328 responded out of a total of 64,200)
Question: How satisfied were you with the service from the repair request to completion?
Responses: Satisfied/Somewhat satisfied/Somewhat dissatisfied/Dissatisfied (4 levels)
Satisfaction level: Percentage of respondents who answered “Satisfied” or “Somewhat satisfied”

▶ Flow of Customer Service



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Community GRI 103-2

Relevant SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

17 PARTNERSHIPS FOR THE GOALS

Why

— Why it matters —

Hitachi considers social contribution activities to be of importance in contributing to the sustainable development of both society and business. We believe that Hitachi, as a company seeking to resolve social issues through innovation, has an important mission to foster not only its own human capital but also the talent that will contribute to society in the field of science and technology more broadly. We are focusing our efforts on activities related to science, technology, engineering, arts, and mathematics (STEAM*) education, which has gained attention as a tool for fostering human capital capable of using cutting-edge technologies to enhance their creativity, expressivity, and problem-solving skills. As a global company, we also support charitable and volunteer activities among employees, because it is essential for employees to actively volunteer their time and to participate in charitable work to address local issues and needs if we are to build trust with local communities and grow together with them as a good corporate citizen.

*1 STEAM: Acronym for Science, Technology, Engineering, Arts and Mathematics



Social Contribution Activities

What	How
— What we are doing —	— How we are doing it —
<ul style="list-style-type: none"> • Promoting social contribution activities in three areas of STEAM, the environment, and community support • Social contribution scheme enabling Hitachi and its employees to make donations together (matching funds) • Providing donations for humanitarian aid to Ukraine • Contributing to society through The Hitachi Global Foundation • Promoting COVID-19-related support efforts 	<p>Policy and promotion structure</p> <p>We adopt the social contribution statement, “Nurturing People, Connecting to the Future,” and are engaged in various activities in three areas: STEAM, the environment, and community support.</p>
	<p style="text-align: center;">Achievements in FY 2021</p>
<p>Social contribution activity funding and number of participating employees</p>	<p>We provided 1,869.4 million yen in funding toward social contribution activities worldwide. Additionally, a total of 33,585 Hitachi Group employees (around 9.6% of the total) participated in social contribution activities.</p>
<p>Social contribution scheme enabling Hitachi and its employees to make donations together (matching funds)</p>	<p>Introduced a social contribution scheme (matching funds) through which donations made by employees will be matched by the Group</p> <p>A total of approximately 77.2 million yen in matching fund donations</p>
<p>Donations for humanitarian aid to Ukraine</p>	<p>Donated 360 million yen to the Japanese Red Cross Society and the Japan Committee for UNICEF</p>
<p>Contributing to society through The Hitachi Global Foundation</p>	<p>Developed activities centered on the three areas of “promotion of academic research, science and technology,” “human development,” and “realization of an inclusive society”</p>

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Social Contribution Activities GRI 201-1

Approach to Social Contribution Activities

Approach

Hitachi regards social contribution as an important activity that contributes to the sustainable development of both society and business, and actively promotes social contribution activities in regions where it operates. It is people themselves who create innovation to solve social issues and bring about social impact and social good. Based on this belief, we have adopted the social contribution statement, “Nurturing People, Connecting to the Future,” and are engaged in various activities in three areas: STEAM (Science, Technology, Engineering, Arts, and Mathematics), the environment, and community support.

[Policy on Social Contribution Activities](https://www.hitachi.com/sustainability/sc/vision/index.html)
<https://www.hitachi.com/sustainability/sc/vision/index.html>

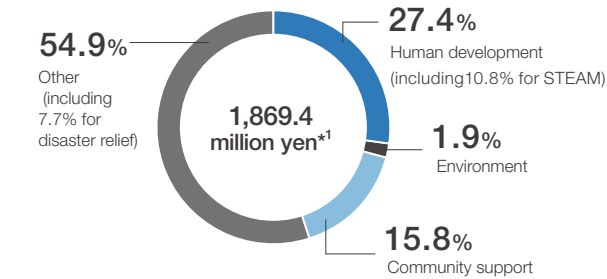
Funding for Social Contribution Activities and Number of Participating Employees

Activities

GRI 413-1

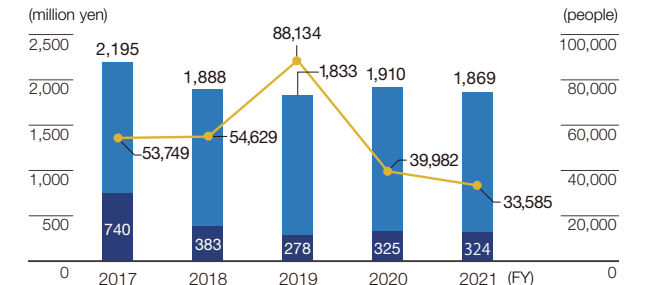
Hitachi and The Hitachi Global Foundation provided 1.8 billion yen funding toward social contribution activities worldwide, including initiatives to cultivate a talented younger generation and financial donations and other support for disaster-struck areas. A total of 33,585 Hitachi Group employees (around 9.6% of total employees) participated in social contribution activities. Due to the impact of the continuous spread of COVID-19, we are shifting to online events.

Breakdown of Funding for Social Contribution Activities in Fiscal 2021



*1 Japan: Hitachi, Ltd., 103 Group companies, and the Hitachi Global Foundation. Outside Japan: 252 companies. Funding includes monetary and in-kind donations, independently organized programs, participation or dispatch of employees, community use of facilities, and employee donations; excludes personnel costs incurred from the participation or dispatch of employees.

Funding for Social Contribution Activities*1 and Number of Employee Participations



■ Total Fund ■ Of Hitachi Group funding, amount related to STEAM
 ● Total number of employee participations

*1 Fiscal 2017 Japan: Hitachi, Ltd., 141 Group companies, and The Hitachi Global Foundation. Outside Japan: 196 companies.
 Fiscal 2018 Japan: Hitachi, Ltd., 142 Group companies, and The Hitachi Global Foundation. Outside Japan: 152 companies.
 Fiscal 2019 Japan: Hitachi, Ltd., 153 Group companies, and The Hitachi Global Foundation. Outside Japan: 234 companies.
 Fiscal 2020 Japan: Hitachi, Ltd., 119 Group companies, and The Hitachi Global Foundation. Outside Japan: 209 companies.
 Fiscal 2021 Japan: Hitachi, Ltd., 103 Group companies, and The Hitachi Global Foundation. Outside Japan: 252 companies.

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Examples of Social Contribution Activities

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Hitachi promotes human development activities centered on fostering the next-generation of human capital. We are actively working on a wide range of issues at global and local community levels and implementing programs to support development of next-generation leaders and science and engineering human capital.

The cultivation of talented IT professionals in particular is a global challenge, especially with the rapid development of information technology, such as AI and big data. In recent years, we have therefore been focusing on educational activities related to STEAM, which has gained attention as a tool for fostering human capital capable of utilizing cutting-edge technologies to enhance their creativity, expressivity, and problem-solving skills.

Fostering next-generation leaders in Asia through the Hitachi Young Leaders Initiative

Hitachi Ltd. and Hitachi Asia have been supporting the "Hitachi Young Leaders Initiative" since 1996 with the aim of developing young leaders who will lead the next generation in Asia. A four-day program consisting of forums, workshops, and fieldwork are usually prepared for university and graduate students from seven ASEAN countries and Japan. Participants are to discuss and exchange opinions on social issues facing ASEAN and on the final day of the program, they make specific proposals for solving such social issues. As of the end of July 2022, a total of 405 program participants are each playing an active part in various fields such as international organizations, government, companies, and NPOs.

Examples of Social Contributions

Area	Activity	BU/Group company
STEAM	Activities to support online science education with electron microscopes https://www.hitachi-hightech.com/global/science-edu/	Hitachi High-Tech
	Initiatives to promote positive change in children https://vimeo.com/677375595/5ba0de99b7	Hitachi, Ltd. (United States)
Environment	Science workshops at elementary schools as part of ecosystem conservation activities in the IT Eco Experimental Village (In Japanese only) https://www.hitachi.co.jp/products/it/harmonious/geoaction100/iteco/index.html	Hitachi, Ltd.
Community support	Hitachi Young Leaders Initiative (next-generation leader development program for university and graduate students in seven Southeast Asian countries and Japan) http://www.hitachi.com.sg/about/hitachi/activities/hyli/index.html	Hitachi, Ltd., Hitachi Asia

Social Contribution Scheme Enabling Hitachi and Its Employees to Make Donations Together (Matching Funds)

In fiscal 2021, the Hitachi Group introduced a social contribution scheme (matching funds) through which donations made by employees in response to disasters, accidents, disease outbreaks, and so on will be matched by the Group in full. This will serve to increase employee engagement in social contribution activities as well as promote the embodiment of the Hitachi Group corporate mission and further solidify the Hitachi Group identity. In fiscal 2021, Hitachi donated a total of approximately 77.2 million yen through the matching funds.

Donations for Humanitarian Aid to Ukraine

The Hitachi Group donated 360 million yen to the Japanese Red Cross Society and the Japan Committee for UNICEF to provide humanitarian aid to those affected by the situation in Ukraine and those who have fled to neighboring areas.

In addition, the entire Hitachi Group made donations to Red Cross and UNICEF around the world, and World Central Kitchen through a scheme in which employees make donations and the company matches the amount.

(Fiscal 2021 results: A total of approximately 63.7 million yen was donated for humanitarian aid to Ukraine through the matching funds)

[Hitachi to Donate toward Humanitarian Aid for Ukraine](https://www.hitachi.com/New/cnews/month/2022/03/220308.pdf)
https://www.hitachi.com/New/cnews/month/2022/03/220308.pdf

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Contributing to Society Through The Hitachi Global Foundation

The Hitachi Global Foundation was established in 2015 through the merger of five existing foundations, including one for supporting scientists and another for supporting the development of university lecturers in Southeast Asia. The Hitachi Global Foundation conducts social contribution activities centered on the three areas of “promotion of academic research, science, and technology,” “human development,” and “realization of an inclusive society” in accordance with the intention of Namihei Odaira, the founder of Hitachi, to contribute to society through business activities.

Achievements in Fiscal 2021

In fiscal 2020, in the area of promotion of academic research, science, and technology, Hitachi responded to the issues created by the COVID-19 pandemic by establishing the Hitachi Fund Support for Research Related to Infectious Diseases with donations from Hitachi, Ltd., its executives and employees, and Group company executives. Five research projects have been selected for funding from the Fund, which has been providing research grants since fiscal 2021.

The Hitachi Global Foundation’s second Asia Innovation Award was also held in fiscal 2021, and the research findings of the award winners have been shared publicly.

In the area of human development, the Hitachi Future Innovator Program at elementary schools was conducted fully online. With the aim of realizing an inclusive society, Hitachi held workshops and forums, and many people from all over Japan participated.

▶ The Hitachi Global Foundation Activities

Area	Activity	Details
Promotion of academic research, science and technology	The Kurata Grants https://www.hitachi-zaidan.org/global/activities/kurata/index.html	A program supporting researchers who engage in the pursuit of solutions to social challenges, in the natural sciences and engineering, or in philosophical and historical elements through research in the humanities and social sciences. [Cumulative grants awarded by the end of fiscal 2021: 1,526]
	The Hitachi Global Foundation Science and Technology Seminars https://www.hitachi-zaidan.org/global/activities/seminar/index.html	An awareness-raising initiative providing opportunities for the public to learn more about cutting-edge science technology topics, with the aim of supporting people in discovering the fascinating fields of science. [In fiscal 2021, a seminar was held regarding advanced engineering approaching the world of science fiction, From Muscle-Covered Biohybrid Robots to Cultured Meat]
	The Hitachi Global Foundation Science and Technology Seminars (In Japanese only) https://www.hitachi-zaidan.org/topics/topics084.html	
Human development	The Hitachi Global Foundation Asia Innovation Award Program https://www.hitachi-zaidan.org/global/activities/award/index.html	An initiative providing awards for achievements in research and development in science and technology innovation that help solve social challenges in the ASEAN region. [Cumulative awards given by the end of fiscal 2021: 24]
	Hitachi Fund Support for Research Related to Infectious Diseases https://www.hitachi-zaidan.org/global/activities/fundsupport/index.html	A research grant initiative aimed at promoting academic investigations, analysis, and considerations based on data and evidence for issues that became apparent through COVID-19 with the aim of sharing the findings and research results internationally. [Projects adopted in fiscal 2021: 5]
	Hitachi Future Innovator Program https://www.hitachi-zaidan.org/global/activities/innovator/index.html	A program promoting the development of science and engineering human capital targeting Japanese schoolchildren in the upper grades of elementary school that is aiming to cultivate personality traits and abilities required for future human resources in science and technology. [Cumulative schools and students participating by the end of fiscal 2021: 16 schools and 1,151 students]
	Girls in science support project https://www.hitachi-zaidan.org/global/activities/girls/index.html	A program aiming to support science and engineering education for women by showing the rewards of science and engineering careers to female junior and senior high school students in Japan. [In fiscal 2021, a dialogue was held with female role model from the fields of science and technology.]
		PIONEER TALK (In Japanese only) https://www.hitachi-zaidan.org/my-tomorrow/dialog/vol7/01.html

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Area	Activity	Details
Realization of an inclusive society	Symposium on Realization of an Inclusive Society https://www.hitachi-zaidan.org/global/activities/symposium/index.html	<p>A program urging a new understanding among citizens for the purpose of realizing an inclusive society where people can accept various positions and values.</p> <p>[In fiscal 2021, a workshop to enhance understanding toward LGBTQ+ was held, and an online forum was held on the theme of developing the ability to participate actively among Japanese high school students with foreign connections.]</p>
		<p>LGBTQ+: Changing the future with correct understanding of LGBTQ+ (In Japanese only)</p> <p>https://www.hitachi-zaidan.org/activities/symposium/data/symposium_20210817.pdf</p>
		<p>Developing the "power to thrive" for high school students who have international backgrounds (In Japanese only)</p> <p>https://www.hitachi-zaidan.org/topics/topics089.html</p>

[The Hitachi Global Foundation](https://www.hitachi-zaidan.org/global/index.html)
<https://www.hitachi-zaidan.org/global/index.html>

▶ Hitachi Group's COVID-19-Related Support Efforts

Initiative	Details
Support for business owners	Provided US\$ one million to support business owners impacted by COVID-19 through loans by the nonprofit organization Kiva.
Support for research	The Hitachi Fund Support for Research Related to Infectious Diseases was established with a fund of 150 million yen from donations of Hitachi, Ltd., its executives and employees, and Group company executives.
Donations for medical professionals (funds and supplies)	Medical supplies and equipment were provided free of charge, including medical masks, face shields, and computed tomography (CT) equipment, along with financial donations.
Support for India	About 50 million yen was donated to the Japan Committee for UNICEF, charitable organizations in India, and others. Also 500 oxygen concentrators (worth about 30 million yen) were provided to Hitachi Group companies in India, and employee-oriented support measures related to medical treatments and so on were implemented.

Note: Initiatives in and after fiscal 2020

[How Hitachi is responding to the Novel Coronavirus \(COVID-19\)](https://www.hitachi.com/information/ImportantNotices/index.html)
<https://www.hitachi.com/information/ImportantNotices/index.html>

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Innovation Management

Research & Development

R&D Expenditure

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
R&D expenditure	Hitachi Group	Billions of yen	332.9	323.1	293.7	293.5	317.3
Ratio of R&D expenditure to revenue		%	3.6	3.4	3.4	3.4	3.1

P097 Digital Talent Headcount

P153 Talent Development

Intellectual Property

Number of Patent Applications

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of published patent applications *1	Hitachi Group	Cases	–	–	Approx. 12,000	Approx. 10,000	Approx. 11,000

*1 The total number of published patent applications within Hitachi Group-wide in one year.

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GRI 102-7/102-8/401-1/401-3/403-9/403-10/404-1/405-1/405-2

Employee Data

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Number of employees	Hitachi Group	Total	People	307,275	295,941	301,056	350,864	368,247	
		(By region)*1							
		Japan		168,086	162,083	162,100	158,194	156,768	
		China		44,080	40,784	41,673	51,903	50,707	
		ASEAN, India, and the rest of Asia		44,536	44,229	45,114	61,411	69,876	
		North America	People	21,884	20,985	22,034	27,122	27,914	
		Europe		16,517	17,074	17,850	32,449	42,519	
		Other areas		12,172	10,786	12,285	19,785	20,463	
		Total	People	241,063	239,802	244,962	279,659	283,020	
		(By gender)*2							
		Male	People	199,193	196,221	199,603	228,278	227,652	
		Female		41,870	43,581	45,359	51,381	55,368	
		(By age)*2 *3							
		15-19 years old	%	0.4	0.5	0.5	0.5	0.4	
		Japan	%	0.3	0.4	0.4	0.4	0.3	
		Outside Japan		0.1	0.1	0.1	0.1	0.1	
		20-29 years old	%	15.6	15.4	15.7	14.9	15.2	
Japan	%	10.6	10.0	9.8	8.6	8.2			
Outside Japan		5.0	5.4	5.9	6.3	7.0			
30-39 years old	%	26.9	27.5	26.7	27.5	27.8			
Japan	%	18.7	17.8	16.5	13.9	12.7			
Outside Japan		8.2	9.7	10.1	13.6	15.1			
40-49 years old	%	32.1	30.8	30.4	29.1	28.5			
Japan	%	26.9	25.1	23.8	19.4	17.5			
Outside Japan		5.2	5.7	6.6	9.7	11.0			
50-59 years old	%	23.6	24.3	25.1	25.6	25.6			
Japan	%	20.9	21.3	21.5	19.6	19.1			
Outside Japan		2.7	3.0	3.6	6.0	6.5			

*1 Regional classifications were changed from fiscal 2020. *2 Approximately 50,000 manufacturing workers not registered in the employee database and approximately 35,000 employees of some newly consolidated companies are not included. *3 Hitachi does not employ 0-14 years old children.

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	Reporting Boundary		Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Number of employees	Hitachi Group	(By age) ^{*2} ^{*3}	60-69 years old	%	1.4	1.5	1.6	2.4	2.4
			Japan	%	0.5	0.6	0.6	0.6	0.6
		Outside Japan	%	0.9	0.9	0.9	1.8	1.8	
		Over 70 years old	%	0.0	0.0	0.0	0.1	0.1	
			Japan	%	0.0	0.0	0.0	0.0	0.0
		Outside Japan	%	0.0	0.0	0.0	0.1	0.1	
Average age	Hitachi, Ltd.	Total	People	34,925	33,490	31,442	29,850	29,485	
		(By gender)	Male	People	29,220	27,828	25,628	24,100	23,749
			Female	People	5,705	5,662	5,814	5,750	5,736
Average age	Hitachi Group ^{*2}	Total	Age	41.4	41.3	41.5	41.8	41.7	
			(By gender)	Male	Age	41.8	41.9	41.9	42.2
		Female		Age	39.1	39.0	39.4	40.1	40.2
		Hitachi, Ltd.	Total	Age	41.8	42.1	42.4	43.0	43.3
			(By gender)	Male	Age	42.3	42.6	43.0	43.5
		Female		Age	39.2	39.5	40.1	40.8	41.1
Average service (years)	Hitachi Group ^{*2}	Total	Years	14.9	15.1	15.0	13.6	13.5	
			(By region) ^{*1}	Japan	Years	18.0	18.8	18.8	18.9
		China		Years	8.5	8.8	8.4	8.4	9.2
		ASEAN, India, and the rest of Asia		Years	7.5	7.4	7.4	7.2	8.2
		North America		Years	8.7	7.1	7.2	6.4	7.5
		Europe		Years	8.4	7.6	8.3	6.0	5.7
		Other areas		Years	7.3	6.4	7.6	7.5	5.7
		(By gender)	Male	Years	15.4	15.8	15.7	14.2	13.8
			Female	Years	12.6	11.8	11.8	11.0	10.9
		Hitachi, Ltd.	Total	Years	17.8	18.0	17.9	18.3	18.5
(By gender)	Male		Years	18.3	18.5	18.5	18.8	19.0	
	Female	Years	15.5	15.6	15.6	16.0	16.2		
Turnover rate ^{*4} ^{*5}	Hitachi Group ^{*2}	Total	%	5.5	6.3	5.2	4.3	7.5	
		(By region) ^{*1}	Japan	%	2.1	2.2	2.5	2.0	3.3
			Outside Japan	%	13.4	15.4	10.9	7.4	13.1

^{*1} Regional classifications were changed from fiscal 2020. ^{*2} Approximately 50,000 manufacturing workers not registered in the employee database and approximately 35,000 employees of some newly consolidated companies are not included. ^{*3} Hitachi does not employ 0-14 years old children. ^{*4} The figures are based on enrolled employees with employment contract including those seconded from Hitachi Group to other companies and those taking leave, and excluding those seconded from other companies to Hitachi Group (as of March 31). ^{*5} Figures include only voluntary resignations.

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	Reporting Boundary		Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Turnover rate*4 *5	Hitachi Group*2	(By gender)	Male	5.0	5.8	4.8	4.1	7.1
			Female	7.8	8.4	7.2	5.2	8.9
	Hitachi, Ltd.	Total	%	1.5	1.6	1.7	1.4	1.8
		(By gender)	Male	1.3	1.4	1.5	1.3	1.7
			Female	2.9	3.0	2.8	2.1	2.3

*2 Approximately 50,000 manufacturing workers not registered in the employee database and approximately 35,000 employees of some newly consolidated companies are not included.

*4 The figures are based on enrolled employees with employment contract including those seconded from Hitachi Group to other companies and those taking leave, and excluding those seconded from other companies to Hitachi Group (as of March 31).

*5 Figures include only voluntary resignations.

Diversity, Equity and Inclusion*1

	Reporting Boundary		Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Number and ratio of registered employees	Hitachi Group*2	Total number of registered employees		People	248,488	242,994	251,016	285,857	291,028
		Number and Ratio of female employees		People(%)	45,208 (18.2)	45,580 (18.8)	48,665 (19.4)	54,719 (19.1)	58,830 (20.2)
		(By region)	Japan	24,754 (14.2)	25,076 (14.9)	26,203 (15.6)	26,106 (16.0)	26,773 (16.5)	
			China	6,504 (39.6)	6,733 (39.5)	6,856 (37.5)	7,232 (34.1)	7,594 (35.7)	
			ASEAN, India, and the rest of Asia	5,918 (24.3)	6,231 (24.6)	6,828 (25.3)	6,990 (20.7)	9,120 (20.6)	
			North America	2,635 (24.2)	3,176 (26.2)	3,955 (24.9)	4,298 (22.7)	4,954 (25.7)	
			Europe	2,392 (20.4)	2,348 (21.5)	2,361 (21.3)	6,903 (22.0)	6,761 (23.8)	
			Other areas	3,005 (27.9)	2,016 (22.1)	2,462 (23.4)	3,190 (18.2)	3,628 (23.4)	
	Hitachi, Ltd.	Total number of registered employees		People	39,362	37,489	34,997	33,198	32,713
		Number and Ratio of female employees		People(%)	6,768 (17.2)	6,678 (17.8)	6,649 (19.0)	6,537 (19.7)	6,595 (20.2)
Number and Ratio of managers*3	Hitachi Group*2	Number of manager		People	45,346	47,831	48,336	48,712	48,690
		Number and Ratio of female managers ✓		People(%)	3,325 (7.3)	3,975 (8.3)	4,302 (8.9)	4,641 (9.5)	4,762 (9.8)
	Hitachi, Ltd.	Number of manager		People	13,737	13,332	12,694	11,881	11,584
		Number and Ratio of female managers ✓		People(%)	577 (4.2)	635 (4.8)	700 (5.5)	768 (6.5)	785 (6.8)
		(By rank)	General manager or above	People(%)	128 (3.2)	135 (3.4)	147 (3.9)	156 (4.5)	146 (4.3)
			Section manager	449 (4.6)	500 (5.3)	553 (6.2)	612 (7.3)	639 (7.8)	
Individual compensation ratio of female to male managers*4	Hitachi, Ltd.	Total		Female: Male	100:104	100:105	100:106	100:106	100:107
		Basic salary			100:102	100:103	100:104	100:104	100:105

*1 The figures are based on enrolled employees with employment contract including those seconded from Hitachi Group to other companies and those taking leave, and excluding those seconded from other companies to Hitachi Group (as of March 31).

*2 Approximately 50,000 manufacturing workers not registered in the employee database and approximately 35,000 employees of some newly consolidated companies are not included. *3 Rising numbers of female managers in part reflect improved coverage of our human capital databases. *4 Benefits for men and women are identical. Differences between male and female salaries and compensation are due to age distribution, grade distribution, etc.

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		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number and Ratio of new employees hired	Hitachi Group*2	Total	People	14,257	17,120	14,997	17,963	29,539
		Number and Ratio of new female employees hired	People(%)	3,155 (22.1)	4,574 (26.7)	3,943 (26.3)	4,269 (23.8)	6,489 (22.0)
	(By region)	Japan	People(%)	1,087 (19.4)	1,438 (23.1)	1,372 (23.0)	1,329 (23.9)	2,051 (15.7)
		China		475 (40.8)	432 (35.6)	400 (30.9)	371 (31.9)	449 (38.3)
		ASEAN, India, and the rest of Asia		711 (19.4)	793 (25.3)	1,002 (27.7)	595 (22.2)	1,402 (22.0)
		North America		446 (26.2)	1,002 (32.8)	635 (29.7)	574 (23.2)	927 (27.9)
		Europe		290 (19.6)	313 (23.8)	147 (22.9)	970 (26.5)	971 (27.9)
		Other areas		146 (22.8)	596 (27.3)	387 (28.9)	430 (17.8)	689 (27.4)

*2 Approximately 50,000 manufacturing workers not registered in the employee database and approximately 35,000 employees of some newly consolidated companies are not included.

		Reporting Boundary	Unit	June 2018	June 2019	July 2020	June 2021	June 2022
Number and Ratio of female and non-Japanese executive and corporate officers	Hitachi, Ltd.	Number of female executive and corporate officers	People	2	4	5	7	9
		Ratio of female executive and corporate officers	%	2.6	5.0	7.1	10.1	12.2
		Number of non-Japanese executive and corporate officers	People	5	7	6	8	13
		Ratio of non-Japanese executive and corporate officers	%	6.4	8.8	8.6	11.6	17.6

		Reporting Boundary	Unit	June 2018	June 2019	July 2020	June 2021	June 2022
Number and Ratio of female and non-Japanese Directors	Total	Hitachi, Ltd.	People	12	11	13	13	12
			%	83.3	81.8	84.6	84.6	83.3
	Female	Hitachi, Ltd.	People	2	2	2	2	2
			%	16.7	18.2	15.4	15.4	16.7
	Japan	Hitachi, Ltd.	People	8	7	7	7	7
			%	66.7	63.6	53.8	53.8	58.3
	Outside Japan	Hitachi, Ltd.	People	4	4	6	6	5
			%	33.3	36.4	46.2	46.2	41.7

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		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Maternity/partner's leave	Hitachi, Ltd.	Utilization rate* ⁵	Male	32.7	37.8	38.1	33.8	32.9
			Female	100.0	100.0	100.0	100.0	100.0
		Return rate for recipients* ⁶	Male	100.0	100.0	100.0	100.0	100.0
			Female	100.0	100.0	100.0	99.7	100.0
		Retention rate for recipients* ⁷	Male	98.4	99.7	96.9	97.7	97.5
			Female	99.2	100.0	100.0	99.7	98.5
Childcare leave	Hitachi, Ltd.	Utilization rate* ⁸	Male	2.2	2.7	4.0	7.3	9.9
			Female	99.7	100.0	99.6	99.6	100.0
		Return rate for recipients* ⁹	Male	100.0	94.3	100.0	100.0	100.0
			Female	98.5	97.4	97.4	98.9	100.0
		Retention rate for recipients* ¹⁰	Male	96.6	90.9	84.8	71.4	94.4
			Female	98.0	99.4	95.5	98.0	96.6

*5 Total number of employees who took maternity leave or partner's maternity leaves/Total number of employees with newborn children

*6 Total number of employees not resigning on the day after completing maternity leave or partner's maternity leaves/Total number of employees who took maternity leave or partner's maternity leave

*7 Total number of employees who did not resign within one year after maternity leave or partner's maternity leave/Total number of employees who took maternity leave or partner's maternity leave

*8 Total number of employees who took child-care leave/Total number of employees with newborn children

*9 Total number of employees returning from child-care leave/Total number of employees who planned to return from child-care leave. Number of employees returning excludes those who planned to return and resigned voluntarily without returning

*10 Total number of employees continuously working one year after returning from child-care leave/Total number of employees returning from child-care leave

		Reporting Boundary	Unit	June 2018	June 2019	June 2020	June 2021	June 2022
Employment of people with disabilities	Hitachi Group companies in Japan* ¹¹		People	1,848	1,899	2,403	2,575	2,767
Employment rate of people with disabilities			%	2.23	2.26	2.33	2.37	2.43

*11 It includes special subsidiaries and related Group companies. (There were 1 special subsidiaries and 23 related Group companies in June 2022.)

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Global Human Capital Management

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Percentage of positive responses to employee engagement questions	Hitachi Group	Global average	%	58	60	60	62	65	
		(By region)	Japan	%	—	—	—	—	56
			Outside Japan	%	—	—	—	—	80

Notes: 1. Questions change slightly each year. Above figures are not adjusted for changes in questions.

2. In fiscal 2021, the composition of questions measuring employee engagement was revised. The percentage was calculated from the average of the percentage of positive responses to the following four questions: pride in working for Hitachi; whether it is a great place to work that one would recommend to others; job satisfaction and sense of accomplishment; and desire to continue working for Hitachi for the foreseeable future.

Talent Development

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of participants of training programs	Hitachi Group	For management-level leadership	People	3,821	3,844	4,063	3,559	3,976
Training hours per employee	Hitachi Group		Hours	—	—	—	—	25.6
Average amount invested in education per employee*1	Hitachi Group		Yen	—	—	—	61,700*2	57,700*3
	Hitachi Group companies in Japan			118,500*4	127,800*5	128,000*6	—	—

*1 The scope of data was changed from the Hitachi Group in Japan to the Hitachi Group from fiscal 2020.

*2 Hitachi, Ltd., 45 Group companies in Japan, and 78 Group companies outside Japan, total 124.

*3 Hitachi, Ltd., 44 Group companies in Japan, and 63 Group companies outside Japan, total 108.

*4 Hitachi, Ltd. and 14 major Group companies in Japan

*5 Hitachi, Ltd. and 13 major Group companies in Japan

*6 Hitachi, Ltd. and 12 major Group companies in Japan

		Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Digital talent headcount*7	Hitachi Group	Total	People	—	—	Approx. 30,000	Approx. 35,000	Approx. 67,000	
		(By region)	Japan	People	—	—	Approx. 19,000	Approx. 23,000	Approx. 29,000
			Outside Japan	People	—	—	Approx. 11,000	Approx. 12,000	Approx. 38,000

*7 Disclosures began in fiscal 2019. "Digital talent" is defined as those who possess any of the 12 capabilities required for digital business, such as data science and security. The digital talent accumulation is the total number of capabilities possessed by employees.

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Occupational Health and Safety

	Reporting Boundary		Unit	2017	2018	2019	2020	2021
Number of fatal accidents	Hitachi Group (including contractors)		Cases	4	0	5	3	2
Number of deaths	Hitachi Group	Employees	People	5	0	4	1	1
	Hitachi, Ltd.	Employees		0	0	0	0	0
	Contractors	Contractors		0	0	1	2	1
Lost-time accidents	Hitachi Group*2		Cases	485	506	396	314	434
	Hitachi Group companies in Japan*2			92	64	57	52	54
	Hitachi, Ltd.			11	6	6	4	3
Occupational accident severity rate*1	Hitachi Group companies in Japan*2		—	0.17	0.11	0.03	0.00	0.00
Occupational accident frequency rate *1	Hitachi Group companies in Japan*2		—	0.25	0.2	0.17	0.17	0.17
Hitachi Group's Global Safety Figures (Occurrence Rate)*3	Hitachi Group		Global total	4.22	4.20	3.45	2.89	2.69
	(By region)	Japan	—	1.85	1.64	1.53	1.34	1.20
		Overseas total	—	7.42	7.43	5.78	4.90	3.80
			North America	24.33	27.96	20.76	18.98	18.46
			Central and South America	1.62	0.44	0.57	2.12	1.69
			Europe	10.82	6.08	4.78	3.09	3.71
			India	1.44	1.44	1.63	1.07	0.53
	(By region)	China	—	1.53	1.46	1.17	1.12	1.06
			Asia (excluding India and China)	4.41	3.34	2.63	1.55	1.30
			Oceania	24.41	21.94	29.07	12.95	5.32
		Africa	9.93	11.76	9.72	25.37	1.43	

Notes: The period for each year is from January to December.

*1 Occupational accidents are defined as those involving fatality or work-time loss of one day or more.

*2 Hitachi Group figures for Japan, including Hitachi, Ltd., are for 201 Group companies in 2017, 188 in 2018, 169 in 2019, 136 in 2020, and 131 in 2021.

*3 The occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees resulting in injuries without lost workday or more.

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	Reporting Boundary	Unit	2017	2018	2019	2020	2021
Absence rate**4	Hitachi Group companies in Japan	(By health type) Mental	0.60	0.64	0.65	0.62	0.66
		Physical	0.26	0.24	0.25	0.22	0.21

*4 The percentage of employees taking sick leave for seven or more consecutive days or formally taking leave (number of employees taking sick leave per month/number of employees per month × 100)

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Medical Exam and Screening Attendance Rates	Hitachi Group companies in Japan	(By exam type) General physical exam*5	78.5	79.3	81.2	81.1	80.6
		Breast cancer screening*6	51.1	53.2	56.3	56.6	57.1
		Uterine cancer screening*7	35.6	37.1	38.7	39.1	39.3
		Stomach cancer screening*8	80.7	80.6	82.7	82.2	84.7
		Intestinal cancer screening*8	81.4	81.3	83.5	83.0	85.5
Smoking Rate*10	Hitachi Group companies in Japan	%	31.5	30.9	29.8	28.4	27.6

*5 Men and women aged 35 and over

*6 Women aged 30 and over

*7 Women aged 25 and over

*8 Men and women aged 30 and over

*9 In fiscal 2016–2017, men and women aged 50 and over; from fiscal 2018, it changed to men and women aged 35 and over

*10 Employees aged 35 and over (results of specific medical examinations)

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Responsible Procurement

Sustainable Procurement Activities

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Sustainability monitoring			131	345	291	271	(Human rights) 2,524* ¹ (Environment) 708* ¹
Sustainability audits	Hitachi Group	Companies	18	24	19	27	25
Sustainability Procurement Seminars			65	126	59	450	359

*1 Sustainability monitoring in fiscal 2021 was focused on human rights and environmental risk assessment.

Rate of Local Procurement of Materials for Main Regions

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
China			78	88	90	98	95
Other Asian countries	Hitachi Group	%	71	71	71	80	87
Europe			70	81	78	77	83
Americas			57	66	69	70	83

Green Purchasing

	Reporting Boundary	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Green purchasing rate* ²	Hitachi Group	%	86	86	84	83	83

*2 The percentage, by monetary value, of products with the Eco Mark among all products purchased subject to the Act on Promoting Green Procurement. Act on Promoting Green Procurement.

Conflict Mineral Issue

	Reporting Boundary	Unit	2017	2018	2019	2020	2021
Number of surveys on conflict minerals conducted from customer requests	Hitachi Group* ³	Cases	1,422	1,874	1,645	1,836	—* ⁴

Note: Reported statistics is from January to December every year.

*3 Among all Business Units (BUs) and Group companies, there are a total of 20 BUs and Group companies that have a registered CSR manager. Among these 20, the boundary covered some BUs and Group companies that conducted the survey from customer requests.

*4 The data for 2020 are the most recent available, due to the timing of data compilation.

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Social Contribution Activities

	Reporting Boundary		Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Funding for social contribution activities	Hitachi Group and The Hitachi Global Foundation*1	Total	Million Yen	2,195	1,888	1,833	1,910	1,869
		(By area)						
		Human development		983 (44.8)	931 (49.3)	744 (40.6)	850 (44.5)	512 (27.4)
		Of which, amount related to STEAM		740 (33.7)	383 (20.3)	278 (15.2)	325 (17.1)	201 (10.8)
		Environment	Million Yen	64 (2.9)	38 (2.0)	51 (2.8)	23 (1.2)	36 (1.9)
		Community support	(%)	759 (34.6)	387 (20.5)	477 (26.0)	206 (10.8)	295 (15.8)
		Other		389 (17.7)	532 (28.2)	561 (30.6)	831 (43.5)	1,026 (54.9)
		Of which, disaster relief		213 (9.7)	130 (6.9)	86 (4.7)	220 (11.5)	143 (7.7)
Total employees participating	Hitachi Group and The Hitachi Global Foundation*1		Participants*2	53,749	54,629	88,134	39,982	33,585

*1 FY 2017 Japan: Hitachi, Ltd., 141 Group companies, and The Hitachi Global Foundation. Outside Japan: 196 companies
 FY 2018 Japan: Hitachi, Ltd., 141 Group companies, and The Hitachi Global Foundation. Outside Japan: 152 companies
 FY 2019 Japan: Hitachi, Ltd., 153 Group companies, and The Hitachi Global Foundation. Outside Japan: 234 companies
 FY 2020 Japan: Hitachi, Ltd., 119 Group companies, and The Hitachi Global Foundation. Outside Japan: 209 companies
 FY 2021 Japan: Hitachi, Ltd., 103 Group companies, and The Hitachi Global Foundation. Outside Japan: 252 companies

*2 Includes multiple activities by some individuals

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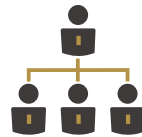
Governance Data



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Corporate Governance

GRI 103-2/103-3

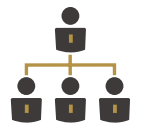
Relevant SDGs



Why

— Why it matters —

Hitachi believes that promoting sound and highly transparent management is essential to achieving sustainable growth of corporate value. To this end, we take the strengthening of corporate governance to be one of our most material management issues. We are working to develop and further strengthen our corporate governance system by such means as thoroughly separating management oversight from execution and establishing a system for prompt business execution.



Corporate Governance

What — What we are doing —	How — How we are doing it —						
<ul style="list-style-type: none"> •Implementing all of the principles of the Corporate Governance Code •Conducting board meetings in a way that sustainably enhances corporate value and shareholders' common interests •CEO appointment, dismissal, and succession plan •Determining appropriate compensation for directors and executive officers •Reflecting sustainability targets in the executive compensation evaluation •Implementing internal controls over financial reporting •Enhancing collaboration through tripartite audits •Building a more effective and efficient auditing system 	<div style="background-color: #f0f0f0; padding: 5px; margin-bottom: 10px;">Policy and promotion structure</div> <p>Hitachi, Ltd. adopted its current committee system in 2003 and has established an Audit Committee, Compensation Committee, and Nominating Committee. Independent directors chair these committees and comprise the majority of the members. The company has also created a system that enables sufficient exercise of supervisory functions by separating the execution and supervision of business management.</p> <div style="background-color: #333; color: white; padding: 2px; margin-bottom: 10px; font-size: 0.8em;">Achievements in FY 2021</div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; padding: 5px;">Administrative performance of the Board of Directors</td> <td style="padding: 5px;">To formulate the Mid-term Management Plan 2024, the Board of Directors held numerous discussions between executive officers and directors on the plan's direction and priority issues.</td> </tr> <tr> <td style="padding: 5px;">Ensuring legality, soundness, and transparency of Hitachi's business</td> <td style="padding: 5px;">Analyzed and evaluated the effectiveness of the Board of Directors</td> </tr> <tr> <td style="padding: 5px;">Reviewing executive compensation systems</td> <td style="padding: 5px;"> <p>In addition to environmental targets such as decarbonization and resource efficiency, we introduced quantitative and qualitative target setting for occupational health and safety and product quality in the compensation evaluation of all executive officers.</p> <hr style="border-top: 1px dotted #000;"/> <p>A restricted stock compensation unit system was introduced as compensation for non-Japanese executive officers and corporate officers, and the scope of the system was applied to executives at some Group companies.</p> </td> </tr> </table>	Administrative performance of the Board of Directors	To formulate the Mid-term Management Plan 2024, the Board of Directors held numerous discussions between executive officers and directors on the plan's direction and priority issues.	Ensuring legality, soundness, and transparency of Hitachi's business	Analyzed and evaluated the effectiveness of the Board of Directors	Reviewing executive compensation systems	<p>In addition to environmental targets such as decarbonization and resource efficiency, we introduced quantitative and qualitative target setting for occupational health and safety and product quality in the compensation evaluation of all executive officers.</p> <hr style="border-top: 1px dotted #000;"/> <p>A restricted stock compensation unit system was introduced as compensation for non-Japanese executive officers and corporate officers, and the scope of the system was applied to executives at some Group companies.</p>
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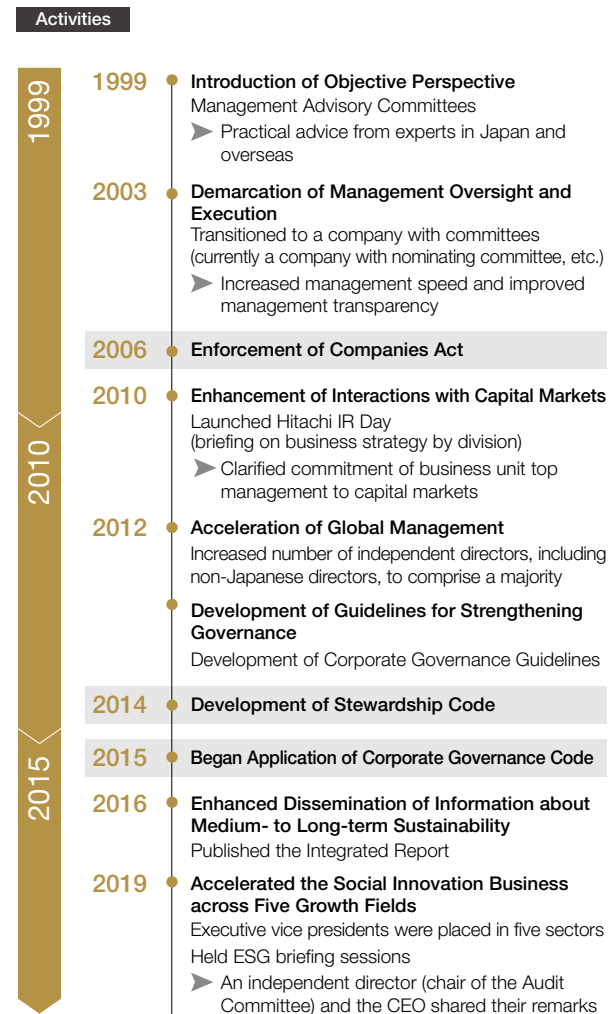
Information Management

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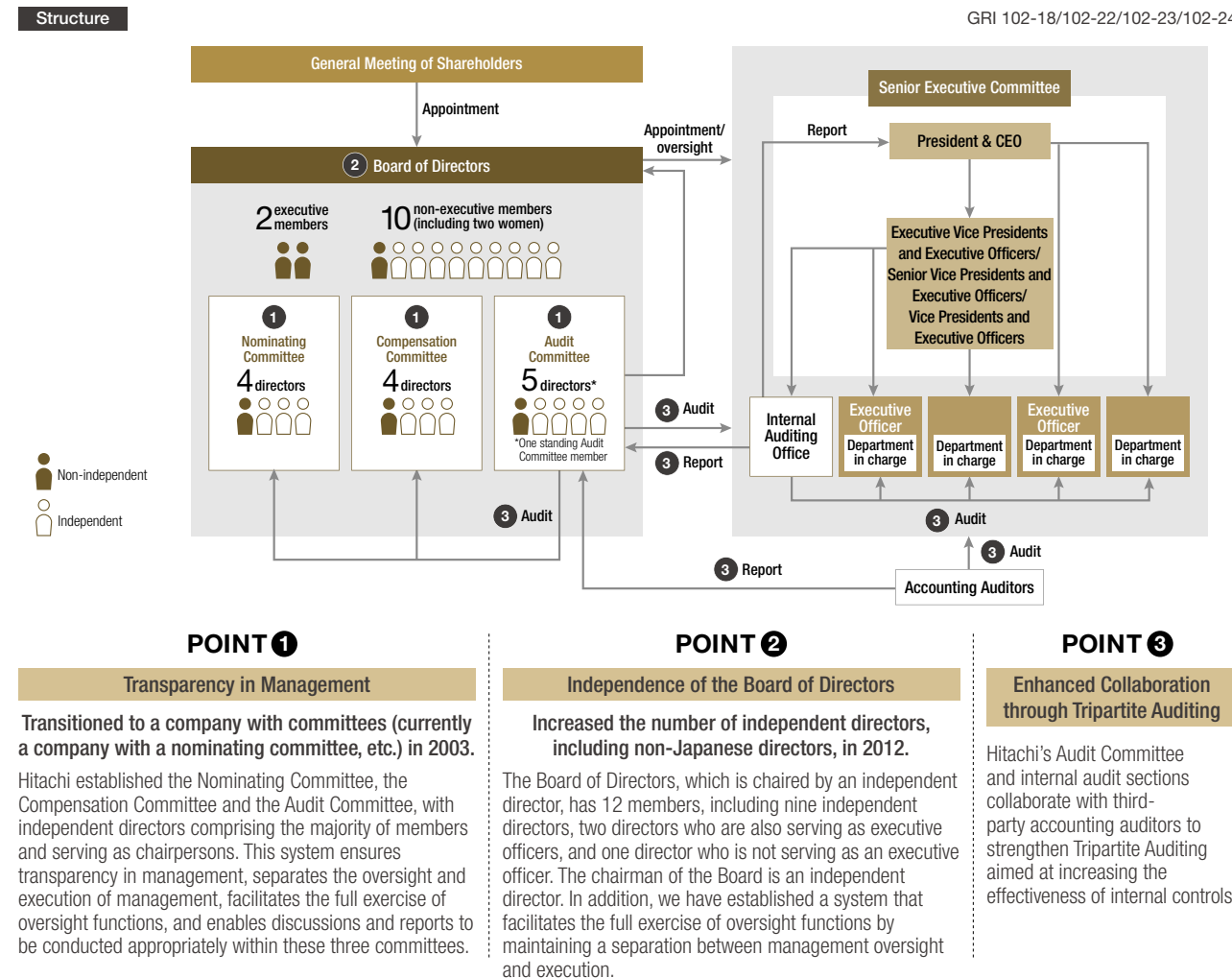
GRI 405-1

History of Hitachi's Corporate Governance Reform



Hitachi's Corporate Governance Framework and Features (as of July 2022)

GRI 102-18/102-22/102-23/102-24



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Experience, Knowledge and Capabilities Required for Directors

Approach

GRI102-24

Hitachi Directors need to have a wide range of experience and knowledge in the global and diverse fields that are worthy of leading Hitachi's management to expand the Social Innovation Business globally, and have the qualities of a broad experience and expertise in management.

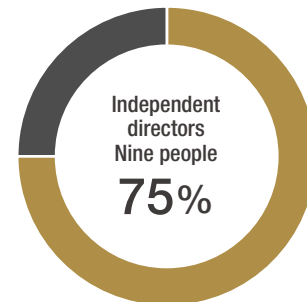
The experience, knowledge, capabilities and other qualities required for Hitachi directors are as follows.

Core Skills Core qualities that ensure management oversight efficiency and decision-making functions		Number of applicable directors	Professional Skills Expertise and experience that enhances discussions pertaining to the promotion of the Social Innovation Business		Number of applicable directors
Corporate management	Corporate management experience and knowledge	12 people	Governments and international organizations	Leadership experience in government, governmental agencies, international organizations or economic associations that facilitate an understanding of and response to regulations and social issues, as well as practical experience at educational institutions	4 people
Global business	Business experience outside Japan or management experience at a company that develops business globally	12 people	Legal affairs	Expertise and practical experience in legal affairs indispensable for global business and the development of new business	1 person
Risk management	Knowledge of risk assessment and management necessary to maintain operations	12 people	R&D and intellectual property	Expertise and practical experience in R&D or intellectual property facilitating the utilization of technology and the incorporation of new technologies	2 people
Finance and accounting	Knowledge and management experience pertaining to financial accounting necessary for medium- to long-term corporate value creation from a financial perspective	12 people	Digital	Practical experience in industrial fields vital for promoting digital transformation (DX) in the Social Innovation Business	4 people

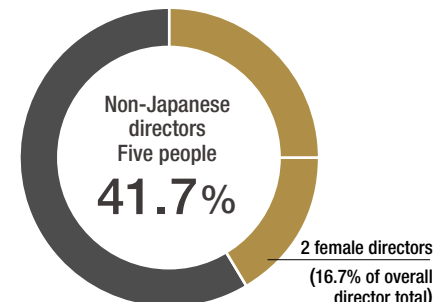
Board of Directors Composition (As of July 2022)

Structure **Activities**

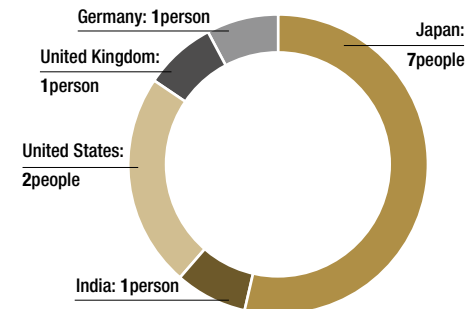
Independence
(ratio of independent directors)



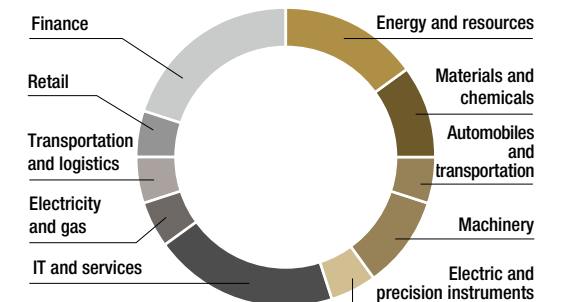
Diversity
(ratio of non-Japanese and female directors)



Diversity (by country of origin)



Industrial field



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Highly Experienced Directors

Structure Activities

GRI102-24

At Board of Directors, discussions are conducted from a variety of perspectives by directors possessing a wealth of experience and knowledge pertaining to management, legal affairs, accounting, capital markets, government agencies and digital initiatives at global corporations.

Name	Notes	Main industrial fields	Positions at Hitachi and responsibilities
Katsumi Ihara	Engaged in Sony Group management, possessing a wealth of experience and insight in the field of international corporate management.	Electric and precision instruments, finance	Independent director ● Nominating Committee chairman ● Audit Committee member ▲ Compensation Committee member
Ravi Venkatesan	Possesses a wealth of experience and insight in international corporate management at Microsoft India and other companies, and in particular, the digital field and business in emerging markets.	IT and services	Independent director
Cynthia Carroll	Possesses a wealth of experience and insight as a manager of large international corporations including Anglo American.	Materials and chemicals, energy and resources	Independent director ● Nominating Committee member
Ikuro Sugawara	Held a leading position in the Ministry of Economy, Trade and Industry, and possesses a wealth of experience and insight in the administrative field.	General industry	Independent director ● Audit Committee member
Joe Harlan	Possesses a wealth of experience and insight in international corporate management, including at the Dow Chemical Company.	Electricity and gas, energy and resources, materials and chemicals	Independent director ▲ Compensation Committee member
Louise Pentland	Attorney licensed in New York and the UK possessing a wealth of insight into corporate legal affairs and corporate governance cultivated through experience as a Legal Officer at PayPal Holdings and other large global corporations.	IT and services, finance and retail	Independent director
Takatoshi Yamamoto	Possesses extensive insight into business and management in the fields of corporate analysis and international corporate management.	Finance	Independent director ▲ Compensation Committee chairman
Hiroaki Yoshihara	Possesses a high degree of professional knowledge and a wealth of experience in the fields of international corporate management, finance and accounting.	Finance, general industry	Independent director ● Nominating Committee member ● Audit Committee chairman
Helmuth Ludwig	Mainly engaged in Siemens Group management, possessing a wealth of experience and insight in international corporate management and the digital field in particular.	Machinery, manufacturing	Independent director ● Audit Committee member
Keiji Kojima	Engaged in R&D at Hitachi and its group companies, most recently in the Smart Life sector, possessing a wealth of experience and achievements, particularly in digital businesses related to Lumada global deployment.	IT and services	Director, Representative Executive Officer, President & CEO ▲ Compensation Committee member
Hideaki Seki	Engaged in managing Hitachi and group company elevator/escalator and automotive systems businesses, possessing a wealth of experience and achievements, including promoting the global expansion of these businesses.	Automobiles and transportation, machinery	Director ● Audit Committee member
Toshiaki Higashihara	Engaged in managing a wide range of fields at Hitachi and its group companies, including the social infrastructure and electric power system businesses, possessing a wealth of experience and achievements that include promoting the global expansion of Hitachi Group business.	Transportation and logistics, IT and services, energy and resources	Director, Executive Chairman, Representative Executive Officer ● Nominating Committee member

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Administrative Performance of the Board of Directors

Structure Activities

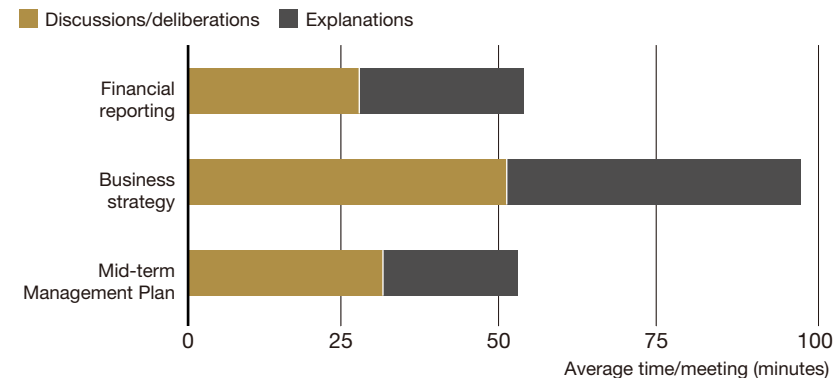
The Board of Directors approves basic management policy for the Hitachi Group and oversees the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes the Mid-term Management Plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy, as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and the Board of Directors Regulations.

Fiscal 2021 was a year in which we formulated the next Mid-term Management Plan, with the Board of Directors holding numerous discussions between executive officers and directors on the plan's direction and priority issues. At a Board meeting held in October 2021, then CEO Toshiaki Higashihara (currently Executive Chairman of the Board) provided a progress report on the 2021 Mid-term Management Plan, facilitating a common understanding among directors regarding issues that need to be strengthened in the next Mid-term Management Plan. This process was aimed at sharing Hitachi's aspirations as a Company and examining specific plan details. In promoting the execution of management strategies, more time is spent discussing and deliberating than is used to explain quarterly financial reports and business strategies. As for GlobalLogic, which plays a major role in promoting Hitachi's digital strategy, the Board of Directors is informed of the post-acquisition PMI plan and progress, and the status of promotion is shared on a regular basis. In terms of environmental initiatives, a report on Hitachi's participation in COP26 and the revision of long-term environmental targets was provided, affirming Hitachi's efforts toward the environment including carbon neutrality.

▶ Board of Directors Meetings in Fiscal 2021

Fiscal 2021 Board of Directors Meeting Results	
Meetings held	Nine days
Average number of agenda items	7.5 per meeting
Average meeting length	3.5 hours (longest meeting 5.7 hours)

▶ Discussion of Major Themes



Providing Information to Independent Directors

Activities

The Board of Directors holds individual meetings and site visits to improve the effectiveness of the Board of Directors and increase opportunities for information sharing. Site visits were conducted on a limited basis in fiscal 2021 due to the impact of the COVID-19 pandemic, but through online participation in the Hitachi Social Innovation Forum, attendance at Internal Business Conference and Research Presentation Meeting held at research institutes, we provided opportunities to deepen understanding of the business and engage in dialogue with senior management and front-line employees.

Activities of the Three Committees

Activities

Nominating Committee

The Nominating Committee has the authority to determine proposals submitted to the general meeting of shareholders for the election and dismissal of directors. The Nominating Committee consists of four directors, three of whom are independent directors. This committee determines director candidates, holds preliminary discussions concerning the appointment and dismissal of the CEO and receives advance reports on the selection and dismissal of executive officers.

In fiscal 2021, the Nominating Committee held meetings on 10 days.

Primary Activities

In addition to deciding upon the contents of proposals made concerning director appointments at the Annual General Meeting of Shareholders, the Nominating Committee confirmed and deliberated proposals for CEO appointments

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and confirmed receipt of a preliminary report on the executive officer system implemented in fiscal 2022. In addition, it promoted committee-related activities, including discussions and individual interviews aimed at developing candidates for future management and leadership positions.

Audit Committee

The Audit Committee has the authority to audit the execution of duties of directors and executive officers and to decide on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors.

The Audit Committee currently consists of five directors, including four independent directors and one standing Audit Committee member.

Hiroaki Yoshihara, the chairman of the Audit Committee, has been involved in accounting and other business practices at the KPMG Group for many years and possesses a considerable wealth of knowledge concerning finance and accounting.

In fiscal 2021, the Audit Committee held meetings on 15 days.

Primary Activities

The Audit Committee conducted activities that were focused on its priority matters for consideration, which included the strengthening of collaboration and the facilitation of information sharing under a “Tripartite Audit” (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings

such as the Senior Executive Committee, and facilitated information sharing with other committee members.

Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on them. Currently composed of four directors, including three independent directors, the committee strives to ensure objectivity, transparency, and fairness in the remuneration determination process. In addition, the Compensation Committee verifies and reviews details of the process used for determining remuneration for individuals, including assessments concerning basic remuneration amounts, evaluations of progress made toward individual targets, and performance appraisals that are tied to short-term incentive compensation.

In fiscal 2021, the Compensation Committee held meetings on five days.

Primary Activities

The Compensation Committee determined remuneration amounts for individual directors and executive officers in accordance with established policies while verifying and reviewing the processes and results of appraisals for performance and individual targets tied to short-term incentive compensation for executive officers.

In addition, the committee reviewed the executive compensation system while giving due consideration to compensation granted to managers at global companies and the goal of sharing value with shareholders, and decided upon policies covering remuneration for directors and executive officers in fiscal 2022.

CEO Appointment, Dismissal, and Succession Plan

Activities

GRI102-24

After a preliminary report to the Nominating Committee, Hitachi’s Board of Directors decides upon the appointment and dismissal of executive officers with the goal of constructing an optimal business execution system for management. As stipulated in our Corporate Governance Guidelines, our basic policy concerning the CEO requires that individuals serving in the position of CEO have extensive experience and achievements in the field of company management. They must also be considered optimally suited for conducting management aimed at achieving Hitachi’s goals of continuously raising its corporate value and further serving the common interests of its shareholders. Decisions regarding the appointment or dismissal of the CEO shall be made based on prior deliberations and proposals by the Nominating Committee.

Regarding our CEO Succession Plan, as the speed of change in the management environment accelerates, we are striving to build a system that enables us to appropriately and promptly secure and develop (both internally and globally) necessary management personnel who will provide leadership that will allow us to realize our growth strategies. Accordingly, we are also concentrating on providing training for selected employees while targeting the early development of candidates for future management positions. Moreover, we are developing next-generation leaders capable of acting authoritatively and resolutely by establishing forums where participants can discuss what is necessary for Hitachi’s future growth and make recommendations to management.

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Analysis and Evaluation of the Effectiveness of the Board of Directors

Activities GRI 102-28

Hitachi evaluates the effectiveness of its Board of Directors each year in a continuous effort to maintain and improve its functions.

▶ Fiscal 2021 Evaluation Process

	Points of evaluation
1. Questionnaire-based self-assessment by each director (February–March 2022)	<ul style="list-style-type: none"> ● Composition: Diversity on the Board, the number and proportion of Inside and Outside directors, etc. ● Visibility of responsibilities and roles of the Board ● Meeting operation: Meeting frequency, deliberation time, agenda setting, quality of deliberation, Chairman's role, etc. ● Contribution to strategy building and change of company culture, contribution to constructive discussions, utilization of Director's knowledge and experience, discussions contribution to CEO succession plan, etc. ● Understanding of the Company: Hitachi Group Identity, risk factors, potential challenges and opportunities. ● Three committees: Composition, responsibilities and roles, coordination with the Board, etc. ● Supporting system for the Board: Provision of necessary information such as the Board materials, etc.
2. Discussions among independent directors (March 2022)	<ul style="list-style-type: none"> ● Independent directors had a meeting and discussed the Board effectiveness there referring to the Board's activities in each evaluation items set out in the above 1.
3. Discussions at the Board meeting (May 2022)	<ul style="list-style-type: none"> ● The Board analyzed and evaluated its effectiveness as a whole and confirmed the policy on approaches to further enhance the Board's effectiveness based on the results of the preceding process, considering comparison to the evaluation results of the previous year and measures taken for improving its effectiveness in fiscal 2022.

▶ Evaluation Results and Future Initiatives

	Evaluation results
Overall evaluation in fiscal 2021	<ul style="list-style-type: none"> ● The Board assessed that Board members are diverse and make use of their knowledge and expertise to speak out, having vigorous discussions especially on matters related to business strategies such as the Mid-term Management Plan targeting the medium- to long-term growth of corporate value. The Board concluded that the effectiveness of the Board as a whole is maintained.

	Future initiatives
Further enhancement of corporate governance	<ul style="list-style-type: none"> ● Provide opportunities to freely discuss corporate culture and the overall future of the business portfolio to deepen discussions. ● Discuss specific strategies including important themes (such as GX and DX) in each sector and BU to confirm consistency with the Mid-term Management Plan.
Enhancement of the Board support system and improvement of practical issues in operations	<ul style="list-style-type: none"> ● Post COVID-19, increase opportunities for meetings with BU CEOs and others and restart Independent Director visits to Group sites. ● Further improve structure and content of materials for Board meetings and ensure provision of materials well in advance of meetings.

Policy regarding strategic shareholdings

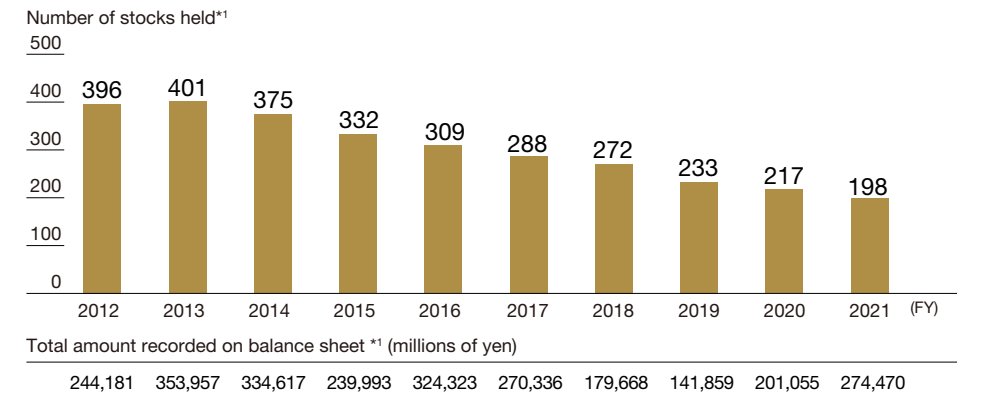
Activities

Policy on listed company strategic shareholdings

Hitachi's basic policy is not to acquire or hold other companies' shares except in cases where acquiring or holding such shares is necessary in terms of transactions or business relationships. We will promote reducing shares already held unless significance of holding shares or economic rationales of holding are confirmed.

The Board of Directors verifies the appropriateness of all stock holdings every year. To this end, each individual stock was re-examined as to the purpose of holding the shares and whether benefits from holding shares are in line with target level of capital efficiency. As the result of verification, we promote the sales of shares for which significance of holding shares and economic rationale are not confirmed. In the fiscal year ended March 31, 2022, we reduced the number of shares held in 10 listed stocks (total amount sold: 47,750 million yen).

▶ Strategic shareholding status



*1 Total of listed and unlisted shares

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Director and Executive Officer Compensation

System GRI 102-35/102-36

Basic Policy

- Compensation shall be such that it enables the Company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with the roles and responsibilities of each Director and Executive Officer.
- Compensation for Directors shall be such that it enables them to the management oversight functions effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined considering compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

Compensation Structure

(1) Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect fulltime or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

(2) Executive Officers

Compensation for Executive Officers consists of basic remuneration as fixed pay and short-term incentive compensation and medium- and long-term incentive compensation as variable pay.

The basic amount of basic remuneration, short-term incentive compensation and medium- and long-term incentive compensation is set based on the ratio of 1:1:1 as the standard, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher the position an Executive Officer holds, the greater the proportion of variable pay is set to the total annual compensation.

If it is found that an executive officer has engaged in misconduct during their term of office, any compensation already paid shall be returned to the Company (clawback provision).

Please refer to Compensation to Directors and Executive Officers on page 96 of the Annual Securities Report (The 153rd Business Term)

https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2021_4_en.pdf

Reflecting Sustainability Targets in Executive Compensation Evaluation

System GRI 102-35/102-36

In fiscal 2021, Hitachi introduced evaluations that take environmental value into consideration in the executive compensation system for the first time with the aim of accelerating the creation of environmental value. All executive officers, including the CEO, set targets for environmental value and were evaluated for their achievement of individual targets.

From fiscal 2022, in addition to environmental targets such as decarbonization and resource efficiency, we introduced quantitative and qualitative target setting for occupational health and safety and product quality in the compensation evaluation of all executive officers to further advance sustainable management.

▶ Examples of Sustainability Targets Reflected in Fiscal 2022 Compensation Evaluations

	Sustainability Targets
Decarbonization	<ul style="list-style-type: none"> ● Efforts to realize carbon neutrality*1 in business sites (factories and offices) by fiscal 2030 ● Efforts to achieve carbon neutrality*1 by fiscal 2050 throughout the value chain
Resource efficiency	<ul style="list-style-type: none"> ● Efforts related to resource efficiency
Occupational health and safety	<ul style="list-style-type: none"> ● Zero fatal accidents ● Wellbeing initiatives
Product Quality	<ul style="list-style-type: none"> ● Efforts to enhance product quality

*1 Regarding fiscal 2030 and fiscal 2050 decarbonization targets, single-year targets are set Group-wide and for each BU.

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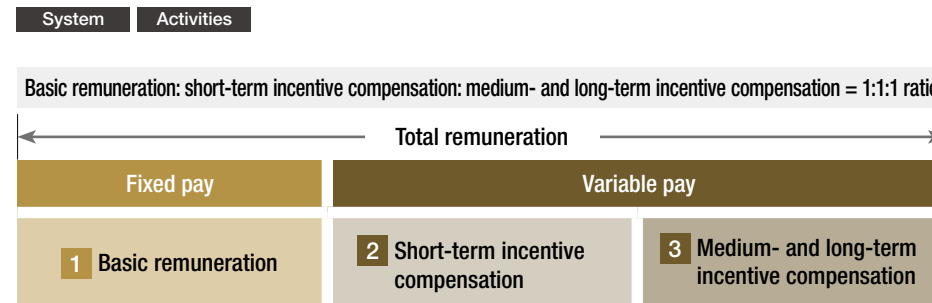
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Compensation to Executive Officers (Fiscal 2022)

GRI 102-35/102-36



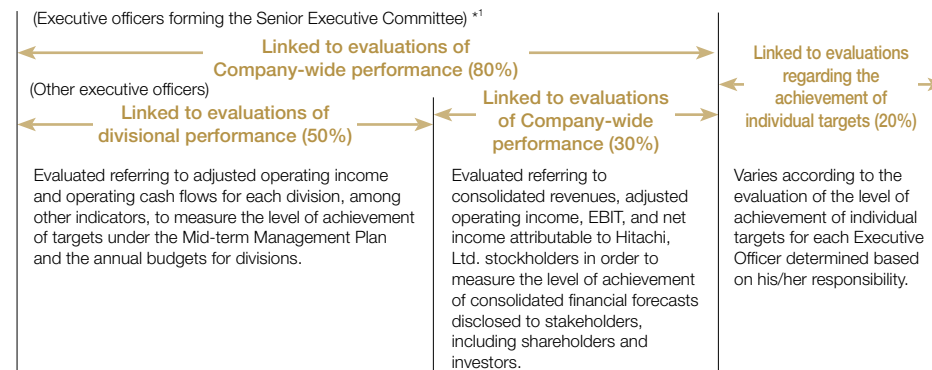
1 Basic remuneration

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

2 Short-term incentive compensation

The amount of short-term incentive compensation is decided within a range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

From fiscal 2022, we are also working to further strengthen accountability by linking the achievement of KPIs, including sustainability indicators specified in the Mid-term Management Plan, to the performance evaluation of executive officers.



*1 The rates used for "other executive officers" apply when "executive officers forming the Senior Executive Committee" are in charge of sector or business unit.

3 Medium- and long-term incentive compensation

Shares of restricted stock were introduced in fiscal 2019 as compensation for Japanese executive officers and corporate officers (the executive positions next to Executive Officers) to promote management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management's shared values with shareholders through the holding of shares during their term of office. In fiscal 2020, a restricted stock compensation unit system*1 was introduced as compensation for non-Japanese executive officers and corporate officers. In fiscal 2021, the scope of the restricted stock compensation unit system was expanded to executives at some Group companies.

Shares of restricted stock

- The restriction on transfers shall be lifted if executive officers resign from all of the positions of the company's executive officer, director, and corporate officer.
- With regard to one-half of the granted shares of restricted stock, the number of shares for which the transfer restriction is lifted shall be determined after ex-post evaluation. In the ex-post evaluation, the total shareholder return (TSR) of Hitachi stock over the three years from the beginning of the fiscal year when the medium- and long-term incentive compensation is granted is compared to growth rate of TOPIX over the same period.

TSR/TOPIX growth rate	Shares for which the transfer restrictions are lifted
120% or more	Transfer restrictions are lifted for all granted shares.
Between 80% or more but less than 120%	Transfer restrictions are lifted for part of granted shares*2.
Less than 80%	No granted shares have transfer restrictions lifted.

*1 A system in which restricted stock compensation units are granted to the eligible persons, and over three years from the start of the business year in which the restricted stock compensation units were granted, one-third of the number of restricted stock compensation units granted is paid in each fiscal year that passes, as Hitachi stock or cash.

*2 Number of shares for which the transfer restrictions are lifted = Number of granted shares × {(TSR/TOPIX Growth Rate Ratio × 1.25) – 0.5}

Shares whose transfer restrictions are not lifted shall be acquired by Hitachi without consideration

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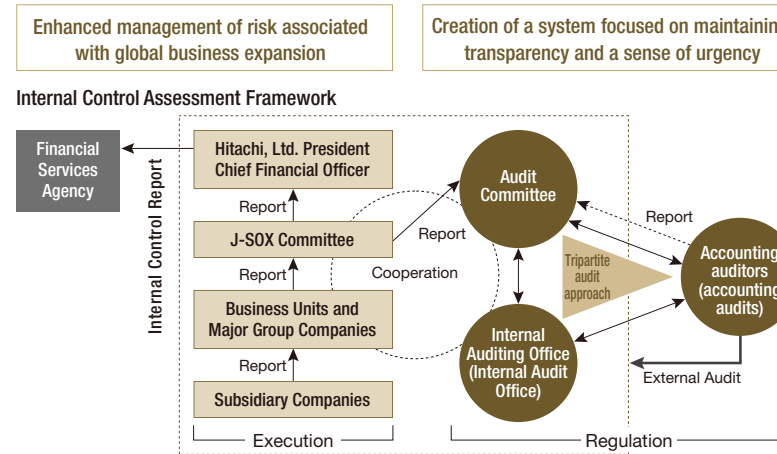
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Internal Control over Financial Reporting

Structure

To ensure the reliability of its consolidated financial reporting, the Hitachi Group is establishing and implementing relevant internal controls. We evaluate their effectiveness by adhering to standards for the evaluation of internal controls related to financial reporting that are generally accepted as fair and reasonable.

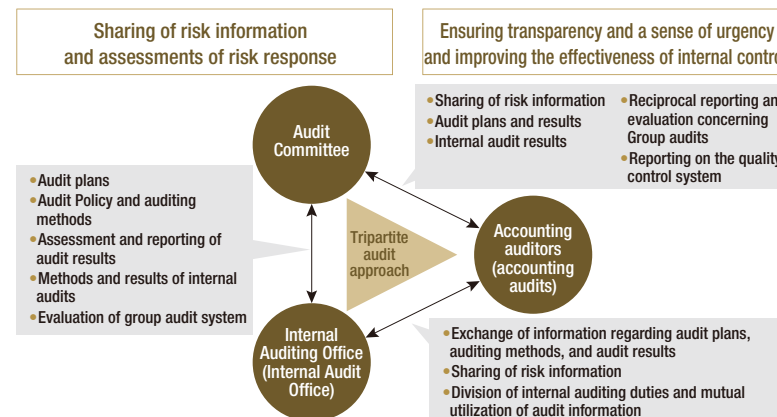
Furthermore, we have established the J-SOX Committee with the goal of raising the effectiveness of these internal controls. This committee evaluates internal control effectiveness and establishes frameworks designed to improve and strengthen them.



Enhanced Collaboration through Tripartite Audits

Structure

In pursuit of sustainable growth in corporate value, Hitachi's Audit Committee and internal audit section collaborate with third-party accounting auditors to strengthen its "Tripartite Auditing," which aims to increase the effectiveness of internal controls. The three parties communicate closely to share risk information and assessments concerning risk response while securing transparency and ensuring appropriate checks and balances.



Building a More Effective and Efficient Auditing System

Structure

GRI 102-11/102-19

Audit Committee

The Audit Committee formulates audit plans in accordance with risk-based approaches and conducts audits for each consolidated business unit. Cooperating with the internal audit section audits, Audit Committee members meet directly with business unit heads. These members share concerns and issues related to the implementation of business strategies aimed at achieving sustainable growth that require attention with the internal audit section. At that time, the committee also verifies matters that carry high levels of risk in terms of quality, measuring these risks through employee awareness surveys and thorough implementation of business strategies.

Internal Audit Section

Hitachi's internal audit section performs regular internal audits of each business unit, business division and subsidiary. This section reports directly to the President and is independent from organizations that are subject to its audits. The internal audit section also formulates audit plans based on past audit records and the most recent business circumstances. In addition, this section performs audits while sharing information with the Audit Committee, ensuring their effectiveness. The internal audit section at Hitachi is responsible for confirming the legality and appropriateness of all business operations, including those related to accounting, production management, sales, purchasing, IT systems, compliance, and human resources. Furthermore, acting on behalf of our management team, the internal audit section confirms whether employees are well versed in the ideas and policies of management, whether operations are being carried out based on these ideas and Policies, and whether business strategies are being implemented in a way that will efficiently lead to sustainable growth.

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Accounting Auditors

Accounting auditors perform audits that focus on the accuracy and reliability of our financial statements. First, they adopt a risk-based approach in response to the group's overall financial status. Applying this approach, they then determine the scope and methods of the audit, formulate an audit plan, and share opinions with the Audit Committee. Next, based on the audit plan, they perform audits on each of the five sectors and the business units that comprise them, enabling effective and efficient understanding of data related to Hitachi's finance department and each of its business segments. If, during the auditing process, our accounting auditors discover a degree of risk that could impact future financial statements significantly or issues that, even if monetarily small, could have a large qualitative effect, they share related information regarding these risks and issues and the progress on a response from the related divisions with the Audit Committee and internal audit section. They also work to improve and raise the effectiveness of audits by submitting "management letters" containing points of concern and improvement suggestions through the finance department. Recently, they have also been working to raise the efficiency of checks on the accuracy of numerical figures by using some IT systems to investigate all cases rather than performing test-checking through sampling.

Sector Corporate Auditor System

To further raise audit effectiveness, sector corporate auditors were assigned in each core business field (sector) in April 2019. Through this action, we expanded the internal control system spearheaded by chief auditors and enhanced collaboration with executive vice presidents managing each sector, as well as with the Audit Committee.

Although sector corporate auditors do not act as organs under the Companies Act, they still assume responsibility for governance in each sector. Statutory auditors, which function as organs at Hitachi subsidiaries under the Companies Act, also report to sector corporate auditors and work to improve the effectiveness of Hitachi's internal control systems.

IT Utilization

When conducting business audits, we use IT systems to expeditiously search for reference information contained within materials submitted prior to audit in an attempt to improve efficiency. We are currently enhancing a system that will allow our internal audit section to share information with professional accounting auditors using a data lake. When reading audit reports submitted to the President by the internal audit section, the President must be able to quickly understand the issues identified by these reports and make prompt judgments concerning whether immediate action is required. In the future, our internal audit section will continue to maintain its transparency and independence while working to improve audit efficiency as one member of our Tripartite Audit system.

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Business Ethics and Compliance

GRI 103-2

Relevant SDGs

10 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Why

— Why it matters —

With the globalization of the economy, overarching regulations and differences in governmental and economic frameworks, the importance of building a culture based on ethics, honesty and integrity are key.

Today more than ever, corporations are called upon to be ethical, fair and transparent in the way they do business. This obligation is rightly front and center in the minds of Hitachi's stakeholders.

Additionally, with stricter regulations in countries and regions around the world regarding important business practices such as bribery prevention and adherence to competition laws, Hitachi has formulated in-house regulations in line with international standards and is sharing these regulations and enforcing strict compliance with them throughout the Group.



Business Ethics and Compliance

What — What we are doing —	How — How we are doing it —										
<ul style="list-style-type: none"> • Complying with Hitachi Group Codes of Conduct • Cultivating a Culture of Ethics and Compliance • Ethics and Compliance Risk Assessments • Enhancing the Hitachi Global Compliance Hotline • Preventing bribery and corrupt practices • Complying with competition laws • Carrying out strict export controls • Implementing thorough tax compliance 	<div style="background-color: #f0f0f0; padding: 10px; margin-bottom: 10px;"> <p style="text-align: center; margin: 0;">Policy and promotion structure</p> <p>The Hitachi Group Codes of Conduct (including the Hitachi Group Code of Ethics and Compliance) spell out decision-making procedures and actions for all Hitachi Group executives and employees. To promote compliance, the Hitachi Group Head of Ethics and Compliance leads the One Hitachi Compliance Program, a program for global compliance initiatives. We work together with the Ethics and Compliance representatives, located in group companies around the globe, to streamline business ethics standards to drive efficiencies and the effectiveness of the One Hitachi Compliance Program.</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #333; color: white;"> <th colspan="2" style="padding: 5px;">Achievements in FY 2021</th> </tr> </thead> <tbody> <tr> <td style="width: 30%; padding: 5px;">Complying with Hitachi Group Codes of Conduct</td> <td style="padding: 5px;">Translated into multiple languages and shared with Hitachi Group executive officers and employees around the world.</td> </tr> <tr> <td style="padding: 5px;">Cultivating a Culture of Ethics and Compliance</td> <td style="padding: 5px;">Set a global target to measure and improve Hitachi's ethical culture. Conducted ethics and compliance training for all executive officers and employees. (Participation rate: 99.1% in the Hitachi Group globally) Joined Ethisphere's Business Ethics Leadership Alliance.</td> </tr> <tr> <td style="padding: 5px;">Enhancing the Hitachi Global Compliance Hotline</td> <td style="padding: 5px;">Received 1,023 reports from all Group companies worldwide.</td> </tr> <tr> <td style="padding: 5px;">Implement prevention of bribery and corrupt practices and compliance with competition law</td> <td style="padding: 5px;">Established Standards for the Value Limits and Frequency of Entertainment and Gifts Applicable to Commercial Parties and revised the Approval Procedures on Donation Expenditures. Revised guidelines for preventing cartel activity.</td> </tr> </tbody> </table>	Achievements in FY 2021		Complying with Hitachi Group Codes of Conduct	Translated into multiple languages and shared with Hitachi Group executive officers and employees around the world.	Cultivating a Culture of Ethics and Compliance	Set a global target to measure and improve Hitachi's ethical culture. Conducted ethics and compliance training for all executive officers and employees. (Participation rate: 99.1% in the Hitachi Group globally) Joined Ethisphere's Business Ethics Leadership Alliance.	Enhancing the Hitachi Global Compliance Hotline	Received 1,023 reports from all Group companies worldwide.	Implement prevention of bribery and corrupt practices and compliance with competition law	Established Standards for the Value Limits and Frequency of Entertainment and Gifts Applicable to Commercial Parties and revised the Approval Procedures on Donation Expenditures. Revised guidelines for preventing cartel activity.
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Business Ethics and Compliance

Doing Business Ethically, Honestly and Transparently

Approach

GRI 102-17/406-1

Hitachi counts on employees – including supervisors, managers, leaders – and business partners to know and follow the ethical, legal, and policy requirements that apply to their jobs and for reporting any suspected violations of law or the Hitachi Group Codes of Conduct (including the Hitachi Group Code of Ethics and Compliance; the same shall apply hereinafter) to help Hitachi create a work environment where everyone is empowered to speak up, and to perform at the highest standards. This is fundamental to consistently delivering excellence to our stakeholders, while complying with relevant laws and regulations.

Our focus on business ethics makes Hitachi stronger. It helps us attract, retain, and engage the best employees and select the right business partners. It protects our reputation and relationships with stakeholders. It helps us deliver on our Mission, Values and Vision—the Hitachi Group Identity. Although the Compliance Division of Hitachi, Ltd. oversees the One Hitachi Compliance Program, which is a group-wide initiative to enhance compliance, doing what is right is everyone's responsibility.

Additionally, we have formulated the Hitachi Group Sustainable Procurement Guidelines in which we request our procurement partners to share our commitment to doing business with the highest levels of ethics and integrity and complying with applicable laws and regulations, as well as to share our commitment to human rights.

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

Complying with the Hitachi Group Codes of Conduct

Policy

GRI 102-16/406-1

Hitachi has formulated the Hitachi Group Codes of Conduct, which all executives and employees across the entire Group pledge to uphold. The Hitachi Group Codes of Conduct is translated into more than 15 languages from Japanese and shared with Hitachi Group executive officers and employees around the world.

The Hitachi Group Codes of Conduct explains our standards as well as our legal and ethical responsibilities and provides guidance for expected behaviors. It covers a range of topics such as business ethics, conflicts of interest, fair competition, sustainability, human rights and care for our communities.

The Hitachi Group Codes of Conduct is posted on Group company intranet sites and the Hitachi, Ltd. website to ensure that it is known and practiced by all officers, employees and relevant stakeholders.

The Compliance Division will review annually the Codes to ensure its effectiveness and that legislative and regulatory updates as well as change in social conditions are reflected.

 [Hitachi Group Codes of Conduct](https://www.hitachi.com/corporate/about/conduct/index.html)

<https://www.hitachi.com/corporate/about/conduct/index.html>

Ethics and Compliance Structure

Structure

The Hitachi Group Head of Ethics and Compliance leads the One Hitachi Compliance Program and maintains a reporting relationship to the Audit Committee of the Board of Directors.

The global ethics and compliance team works with Hitachi Group companies and more than 1,500 ethics and compliance representatives located in Group companies around the globe to streamline business ethics standards in order to drive the efficiency and effectiveness of the One Hitachi Compliance Program.

These ethics and compliance representatives are key stakeholders in promoting ethics awareness among management and employees, coaching colleagues through ethical dilemmas, raising concerns and potential risks to their Compliance or Legal Division or the global ethics and compliance team and responding to questions and concerns from employees.

In regular meetings with ethics and compliance representatives, the global ethics and compliance team provides updates on ethics and compliance initiatives, trends, and additional resources to support them as they fulfill the responsibilities of their role.

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Cultivating a Culture of Ethics and Compliance

Target

Activities

The global ethics and compliance team develops and implements strategy and initiatives to drive an ethical culture throughout Hitachi's 800+ Group companies. This is part of Hitachi's effort to provide all employees with guidelines and resources that ensure they can understand and do what is right, make ethical decisions, and support compliance with company policies, procedures, and legal requirements.

Target

At Hitachi, we encourage employees to apply high ethical standards in their day-to-day work as we strive to build a highly ethical corporate culture. To measure and improve Hitachi's ethical culture, as part of the initiatives of the Ethisphere's Business Ethics Leadership Alliance, we started conducting Ethisphere's best-in-class the Ethical Culture & Perceptions Assessment in fiscal 2022 and 2023. The results of this assessment will be monitored and used to develop tailored KPIs to improve Hitachi's ethical culture. We aim to achieve a baseline score of 60 or above (out of 100) in fiscal 2022, the first year, and to improve the score in fiscal 2023 and each year thereafter.

Ethisphere's Business Ethics Leadership Alliance

Hitachi became a member of Ethisphere's Business Ethics Leadership Alliance in October 2021. The Business Ethics Leadership Alliance (BELA) is a globally recognized organization leading companies collaborating to share best practices in governance, risk management and ethics. Hitachi receives access to the BELA Member Hub, a repository of resources provided by BELA companies that are intended to cultivate the exchange of ideas and inspire companies.



Business Ethics and Compliance Training

Our annual ethics training on the Hitachi Group Codes of Conduct reinforces Hitachi's commitment to business ethics and keeps all executive officers and employees (including part-time) informed and updated on our high ethical standards and obligations.

Achievements in Fiscal 2021

Our fiscal 2021 training course covered business ethics, bribery and corruption, gifts, travel and entertainment, anti-money laundering laws, fraud, antisocial forces, fair competition, export control, company assets, information owned by others, data protection, conflicts of interest, reporting and non-retaliation and Hitachi Global Compliance Hotline.

After completing the training, employees acknowledge that they understand and agree to comply with the Hitachi Group Codes of Conduct and ethics-related policies and protocols.

In fiscal 2021, we reached 99.1% completion of our annual ethics and compliance training.

Ethics and Compliance Risk Assessments

Activities

Hitachi conducts ongoing and comprehensive risk assessments including risks of bribery and corruption practices at our Group companies every three to four years to help assure that Hitachi's Compliance Program effectively mitigates and manages top risks. In cases where these reviews identify necessary improvements, corrective measures are developed and implemented.

Due Diligence of Third Parties

From fiscal 2017, Hitachi Group has implemented a compliance due diligence program including the introduction of a third-party management system to identify reputational risks associated with bribery, corruption and other factors. This has prevented Hitachi from engaging with parties that have acted or are likely to act in a manner inconsistent with Hitachi's ethical culture.

Strengthening our Speak-up Culture

Approach

Hitachi believes that a speak up/listen up culture—where employees are encouraged to raise concerns and feel confident that they can do so without fear of retaliation—is essential to early detection and prevention of ethical and regulatory problems.

We are committed to ensuring our employees feel safe to speak up, to share ideas, and to challenge how business is conducted without fear of retaliation. Employees may raise concerns and ask questions through their managers, a next-level manager or any other manager, Human Resources, Compliance or Legal team members, or using the Hitachi Global Compliance Hotline, our whistleblower system.

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We encourage employees to seek guidance on ethics and business conduct questions and report possible violations of the Hitachi Group Codes of Conduct, company policy or the law.

Hitachi Global Compliance Hotline (Whistleblower System)

System	Activities	GRI102-17
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The Hitachi Global Compliance Hotline is a 24/7, confidential and anonymous helpline and online reporting system. It is managed by an independent third party and is available to all Hitachi Group employees, contractors, business partners (including procurement partners) and other stakeholders

who can seek guidance on ethics questions including human rights and harassment issues and report any concerns or actual or suspected breach of the Hitachi Group Codes of Conduct or any other improper or illegal conduct. Breaches of the Hitachi Group Codes of Conduct by any of Hitachi’s contracted third parties may also be reported.

Phone numbers for the Hitachi Global Compliance Hotline are available for all employees to speak to a representative in their native language. The phone lines are staffed by specially trained third-party representatives, with translators in more than 50 languages. Web-based reporting is also available to employees. Data supplied in a report is maintained on secure servers maintained by the third party who administers the hotline.

To efficiently address and resolve contacts to the Hitachi Global Compliance Hotline, we assign inquiries to a resource who is a subject matter expert.

After a confidential review of the concern, the investigator determines which reports require an investigation. If an investigation is needed, an appropriate investigative resource is assigned. For concerns that are substantiated, disciplinary actions may be taken. Discipline comes in many forms from warnings to suspensions to termination.

In fiscal 2021, we received 1,023 reports from all Group companies worldwide.

Categories		1 HR issues (Labor management, travel expenses, commuting costs, etc.)	2 Harassment	3 Financial	4 Procurement	5 Competition law	6 Bribery	7 Others	Total
Areas where whistleblowing cases occurred	Americas	64	104	3	6	—	3	58	238
	Europe (including CIS)	26	12	—	2	—	4	54	98
	Middle East North Africa	16	4	—	—	1	1	32	54
	Sub-Sahara	1	—	2	4	1	—	5	13
	APAC (excluding Japan)	50	42	15	10	1	22	94	234
	Japan	69	179	7	4	—	—	127	386
Total		226	341	27	26	3	30	370	1,023

P122 Human Rights

Note: Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

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Anti-Bribery and Anti-Corruption

Policy

Activities

GRI 205-2

We require all employees and those with whom we do business to maintain the highest ethical standards in full compliance with all applicable anti-corruption laws. We have zero-tolerance for bribes, kickbacks or any other illegal business practices.

Hitachi has established the Hitachi Group Anti-Bribery and Anti-Corruption Policy, with associated rules, and clarified the standards and procedures concerning entertainment, gifts, and other arrangements provided to or received from public officials and non-public officials alike.

Under the Policy, when providing or accepting entertainment or gifts, or making donations or political contributions, executive officers and employees must not exceed the scope of actions permitted by anti-bribery laws and regulations and must comply with Hitachi's internal rules. These indicate specific spending limits in terms of monetary value and the number of times that entertainment, gifts, and other arrangements may be provided to public officials. We also have policies banning facilitation payments and requiring due diligence procedures for business partners. With anti-corruption regulations growing stricter in recent years around the globe, we work hard to ensure that we remain in strict compliance with the US Foreign Corrupt Practices Act (FCPA) and all other relevant laws and regulations in the countries and regions where we do business.

Achievements in Fiscal 2021

In fiscal 2021, we established the Standards for the Value Limits and Frequency of Entertainment and Gifts, applicable to Commercial Parties regarding Hitachi Group Gifts, Travel and Entertainment Protocol and revised the guidelines for the Hitachi Group Charitable Donations and Political Contributions Protocol. The revised guidelines include, the prohibition of donations for illegal profit acquisition and periodic risk assessments of the existing beneficiary based on a risk-based approach.

By doing business in accordance with such Protocols, Hitachi will develop fair and ethical business activities around the world.

Educational Activities for Preventing Bribery and Corrupt Practices

To ensure awareness of the stipulations on prevention of bribery and corruption spelled out in the internal Hitachi Group Anti-Bribery and Anti-Corruption Policy and Business Conduct, we offer teaching materials for use by Group companies worldwide.

Fair Competition

Policy

Activities

Hitachi engages in business in accordance with the law and with business ethics, and practicing fair and open competition. Business standards and guidelines related to these principles are included in the Hitachi Group Codes of Conduct as well as the internal Hitachi Group Fair Competition Policy. In fiscal 2021, we revised the guidelines for preventing cartel activity and improved the relevant forms based on the revised guidelines.

Educational Activities for Preventing Violations of Competition Law

Paralleling our initiatives to prevent bribery and corrupt practices, we are also rolling out global learning and development programs on competition law, while also ensuring compliance with all related rules, business standards, and guidelines. To enhance awareness of ethical principles and practices worldwide, we have issued a global version of our standards on contact with competitors.

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Prevention of Antisocial Transactions and Money Laundering

Approach

Activities

To cut off all relationships with antisocial forces, in the Hitachi Group Codes of Conduct, we have laid out provisions stating that we will never engage in antisocial transactions under any circumstances, and will refuse any improper demands and unfair deals. We conduct eligibility checks on all new as well as existing business partners. In Japan, we insert antisocial-force rejection clauses in contracts so that if it is determined that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The entire Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with external specialist institutions (the National Center for Removal of Criminal Organizations or the police).

In fiscal 2020, we revised our rules, adding provisions on the prevention of money laundering in addition to the prevention of antisocial transactions, seeking to clarify Hitachi's stance of not tolerating money laundering as well as to strengthen concrete initiatives. We establish these concrete initiatives to eliminate the possibility of involvement with persons or organizations engaged in money laundering or other illegal activities in and outside Japan. To that end, we conduct due diligence on all customers and business partners, including checking the sanctions lists of each country, checking payment details, and including clauses in business contracts to prevent money laundering and terrorist financing.

Export Controls

Approach

Activities

For basic export control policies, we have adopted The Hitachi Group Codes of Conduct, which states: "We will

help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately according to our internal rules and policies." Hitachi, Ltd. has established Corporate Regulations concerning Security Export Control based on this policy to ensure implementation of strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support for the formulation of regulations and the establishment of frameworks to Hitachi Group companies to ensure that all Group companies follow the same export control policies in accordance with relevant laws and regulations.

As part of our educational program for all Group companies, we operate online courses and e-learning programs on export controls. We operate a basic e-learning program in 14 languages and an e-learning program for practitioners in Japanese and English. Hitachi is working to ensure that export controls are thoroughly enforced throughout the Group.

Hitachi's Tax Compliance Approach

Approach

GRI 207-1/207-2/207-3/207-4

Under the Chief Financial Officer (CFO), Hitachi has built a system of tax governance designed to address tax risks associated with the globalization of its business, such as indications made by the tax authorities and tax-related legal proceedings in each country. Specifically, we have established tax-related rules for the purposes listed below.

To ensure thorough compliance with these rules, we are striving to raise awareness of them among all employees involved in tax management (filing and paying taxes,

handling tax audits, and managing tax risk) and the handling of other tax-related matters.

1. Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body's Action Plan on Base Erosion and Profit Shifting (BEPS).
2. Group companies effectively, continually, and proactively manage tax-related issues in a manner befitting their status as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.
3. Group companies build sincere and positive relations of trust with the tax authorities in the regions where these companies do business, and strive to maintain and develop those relations.

In accordance with these rules, we have established rules on transfer pricing management for Group companies, seeking to identify and mitigate potential taxation risks related to transfer pricing in transactions with foreign-affiliated parties, and to help ensure compliance. As stated above, we are striving to raise awareness of these rules and ensure that they are followed.



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Tax Compliance Initiatives

Activities

By following the relevant tax-related rules applicable to the Group as a whole, Hitachi manages tax risks associated with globalization. For example, we are strengthening our risk management as well as compliance with laws and regulations by identifying and sharing indications made by the tax authorities and tax-related legal proceedings in each country. The results of our tax filings and tax audits in Japan are reported to the CFO, and we are continuously working to ensure appropriate tax reporting and prevent fraud. In preparing tax filings, we determine whether anti-tax haven legislation applies, and when it does, we reflect it properly in the tax filing to ensure that we make appropriate tax payments.

Hitachi follows rules for transfer pricing management and also manages transfer pricing in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations on transfer pricing in each country or region where Group companies are located.

In the fiscal year ended March 31, 2022, we paid 248.4 billion yen*1 in corporate income tax (68% in Japan and 32% outside Japan*2).

*1 Refer to income taxes paid in consolidated statements of cash flows of Hitachi, Ltd.

*2 Based on the percentage in the country-by-country report submitted to tax authorities

Violations of Laws and Regulation

Activities

GRI 205-3/206-1/419-1

In fiscal 2021, there were no incidents in which Hitachi was prosecuted or penalized by authorities for bribery, corrupt practices, competition law or export control. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not receive any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations in fiscal 2021.

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Risk Management

GRI 103-2/403-2



Why
— Why it matters —

Social issues, including rapid advancements in digitalization and complex changes in political and economic situations occurring worldwide, along with environmental issues, including climate change, resource depletion, and major disasters, are bringing changes to the business environment that are difficult to predict. Hitachi monitors and analyzes this business environment, conducts risk management in terms of both responding to risks that should be anticipated and opportunities for further growth in light of social issues, Hitachi's competitive advantage and management resources, and strives to create revenue opportunities while controlling risks.



Addressing Risks and Opportunities

What	How
— What we are doing —	— How we are doing it —
<ul style="list-style-type: none"> • Strengthening risk management systems • Understanding and responding to risks and opportunities related to investment, sustainability, etc. 	<p>Policy and promotion structure</p> <p>In April 2022, a Risk Management Meeting that deliberates important matters related to Hitachi management was established within the Senior Executive Committee. Chaired by the CEO with the Chief Risk Management Officer (CRMO) as vice chair, the meeting discusses and makes decisions on important matters relating to companywide risks. By centrally managing the various risks faced by Hitachi, which has operations around the world, we are working to achieve a solid management foundation that is linked to growth strategy.</p>
	<p>Achievements in FY 2021</p>
<p>Strengthen risk management systems</p>	<p>Established a Risk Management Meeting that deliberates important matters related to Hitachi management within the Senior Executive Committee and selected top risks based on global risk trends</p> <p>Set up Six risk-specific working groups under the Risk Management Meeting; investment risks, business risks, crisis management, compliance, Group governance and regional risks, and each WG coordinates Group corporate functions across the organization while conducting activities to mitigate the respective risks</p>
<p>Understand risks and opportunities and take appropriate action</p>	<p>Ascertained and appropriately responded to risks and opportunities related to investments (e.g., M&A, sale of assets, orders for projects) and assets held on the group's consolidated balance sheet</p> <p>Implemented crisis and compliance management initiatives</p> <p>Disclosed climate-related information based on the TCFD recommendations</p> <p> P049 Climate-related Financial Information Disclosure (Based on TCFD Recommendations)</p>

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Business Continuation Initiatives

What

— What we are doing —

- Strengthening Business Continuity Plans (BCPs)
- Improving the safety of employees sent to dangerous regions

How

— How we are doing it —

<p>Policy and promotion structure</p>	<p>To increase preparedness for major disasters and other risks across the entire Group worldwide, we have issued the Hitachi Group Guidelines for Developing Business Continuity Plans. We are strengthening our measures against COVID-19 and natural disasters as part of Pandemic and Natural Disaster BCPs, and the procurement divisions in business units and key Group companies in Japan have created procurement BCPs to minimize the impact of disasters that may occur.</p>
<p>Achievements in FY 2021</p>	
<p>Continuously strengthening Pandemic and Natural Disaster BCPs</p>	<p>Under the COVID-19 task force's leadership, our regional headquarters around the world gathered local information as well as share information on the measures taken by Hitachi Group companies in their respective regions</p> <p>Conducted an earthquake drill on the assumption that there is a mix of those who come to the office and those who work from home</p>
<p>Continuously strengthening procurement BCPs</p>	<p>Expanded the number of business sites utilizing the Procurement BCPs Management System for our procurement partners in Japan and to digitize information</p>
<p>Continuously improving the safety of employees sent to dangerous regions</p>	<p>Provided medical assistance for Hitachi Group employees outside Japan</p>

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Addressing Risks and Opportunities GRI 102-11/201-2

With the rapid advance of digitalization and complex developments in the political and economic landscape globally, the business environment is changing day by day. Hitachi monitors and analyzes this business environment, conducts risk management in terms of both responding to risks that should be anticipated and opportunities for further growth in light of social issues, Hitachi’s competitive advantage and management resources, and strives to create revenue opportunities while controlling risks.

Strengthening of the Risk Management Structure and Its Aims

System

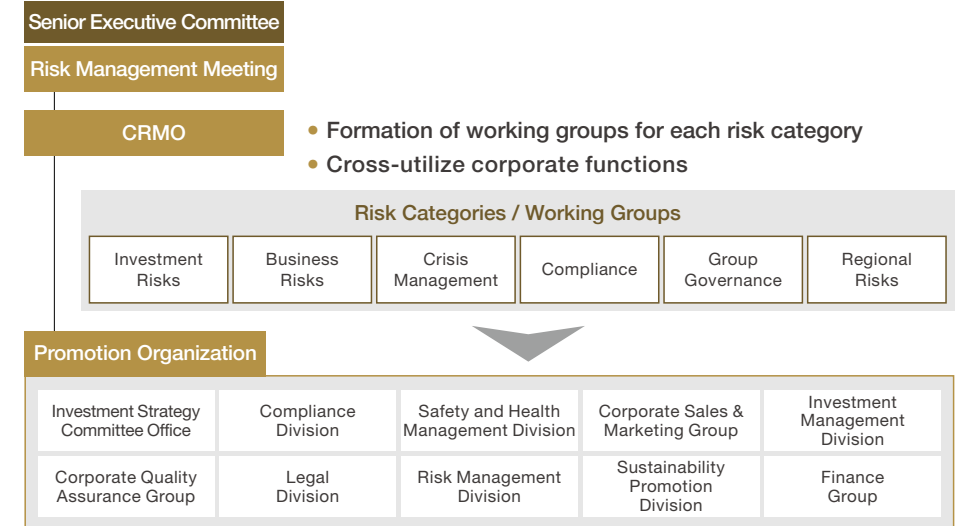
In April 2022, a Risk Management Meeting that deliberates important matters related to Hitachi management was established within the Senior Executive Committee. Chaired by the CEO with the Chief Risk Management Officer (CRMO) as vice chair, the meeting discusses and makes decisions on important matters relating to company-wide risks. By centrally managing the various risks faced by Hitachi, which has operations around the world, we are working to achieve a solid management foundation that is linked to growth strategy.

Six risk-specific working groups have been set up under the Risk Management Meeting, investment risks, business risks, crisis management, compliance, group governance and regional risks. Each working group coordinates Group corporate functions across the organization while conducting activities to mitigate the respective risks.

For example, the Business Risks Working Group discusses risks and responses in the global supply chain. Since control of consolidated management is important for Hitachi as a group made up of more than 800 companies, we must also develop plans to disseminate and manage guidelines and policies. This is an area the Group Governance Working Group will discuss going forward. Addressing regional risks in an effort to review the roles of local subsidiaries and achieve overall optimization at global sites, we will ensure that Hitachi’s assets are utilized effectively.

Initiatives about investment risks, crisis management and compliance are introduced on the following pages.

▶ Risk Management Structure



- Formation of working groups for each risk category
- Cross-utilize corporate functions

Selecting Top Risks based on Global Risk Trends

In the Mid-term Management Plan 2024, we are utilizing knowledge from inside and outside the Group to collect and analyze information on the external environment surrounding Hitachi and select top risks through the Risk Management Meeting.

Specifically, we have organized major risks under classifications such as disasters, accidents and epidemic; geopolitics and geoeconomics; economics, finance and markets; sustainability; investment and orders for projects; and operations. We then assess and narrow down the risks from the perspectives of the nature of risk events, expected time period, likelihood of occurrence and seriousness when occurring, and select the top risks, such as the risk of a major natural disaster in Japan that may significantly impact Hitachi’s business. The six working groups consider and implement policies to respond to each of the top risks.

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Addressing Investment Risks and Opportunities

System

GRI 102-15/102-29/102-30/102-31

To ascertain and appropriately respond to risks and opportunities related to investments (e.g., M&A, sale of assets, orders for projects), Hitachi has established a decision-making framework based on the following flowchart. Decision-making regarding individual investments (e.g., execution, business plan changes) is delegated from the Board of Directors as the highest level body to the head office Senior Executive Committee (which generally meets twice a month) or the relevant sector or business unit, based on the size and specifics of the matter. This facilitates flexible and appropriate decision-making. For important matters that fall under deliberation by the head office Senior Executive Committee, the Investment Strategy Committee working as its advisory body checks the risks, response measures for the matter from economic value perspectives such as profitability and cash flow as well as in terms of the impact on social value and environmental value. Following deliberation, the Investment Strategy Committee delivers a report that includes approval or rejection recommendations to the Senior Executive Committee, of which the CEO is also a member.

After executing an investment, Hitachi regularly monitors the achievement of business objectives and plan while taking into account changes to the risk climate including the external environment. By generally having monitoring performed by the relevant business units, which are accountable for profits and closely associated with field operations, flexibility can be maintained, while head office can still become involved depending on the importance of the matter. For changes to business plans, business withdrawals, asset sales and other matters related to important investment targets, the head office Senior Executive Committee engages in similar deliberations to the initial investment stage. For investment targets whose business is not proceeding as planned, a framework has been established to deliberate the merits of continuing a business, including the prospects of withdrawal, in an effort to enhance capital efficiency.

Quantitative Understanding of Risks

Activities

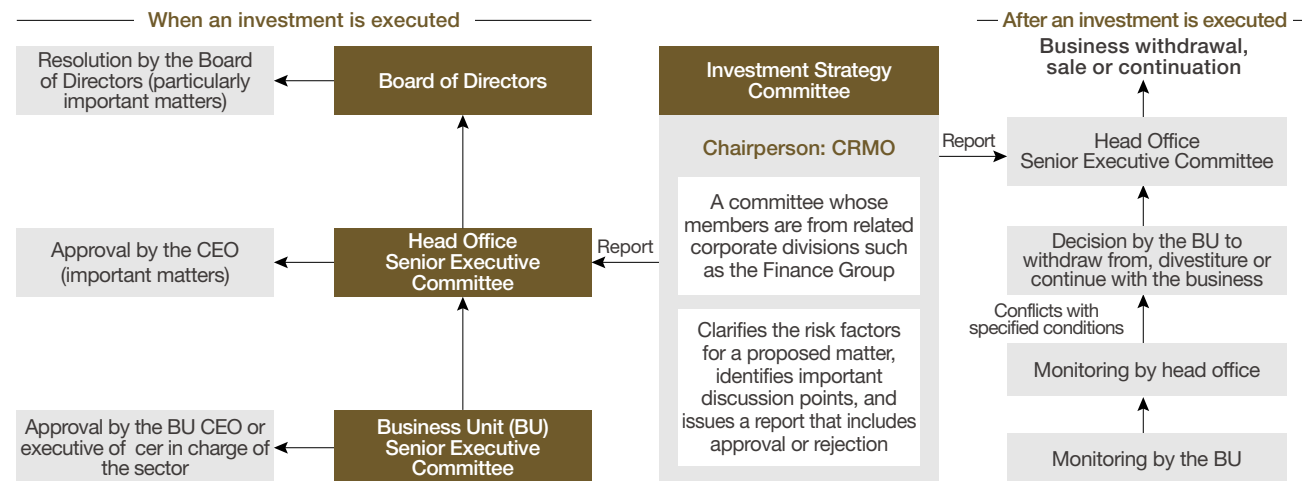
GRI 102-15

Hitachi calculates expected maximum risks (Value at Risk) assumed by statistical methods according to the type of assets held on the group's consolidated balance sheet.

We avoid missing out on growth opportunities by visualizing the capacity for growth investment, etc., considering consolidated net assets and other factors. We also engage in monitoring and hold discussions through the Risk Management Meeting to ensure that risks are not excessively unbalanced compared to Hitachi's consolidated financial strength.

We also quantitatively analyze and understand the state of risks and profitability on a regional and per-sector basis.

Conceptual Diagram of the Decision-Making Flow



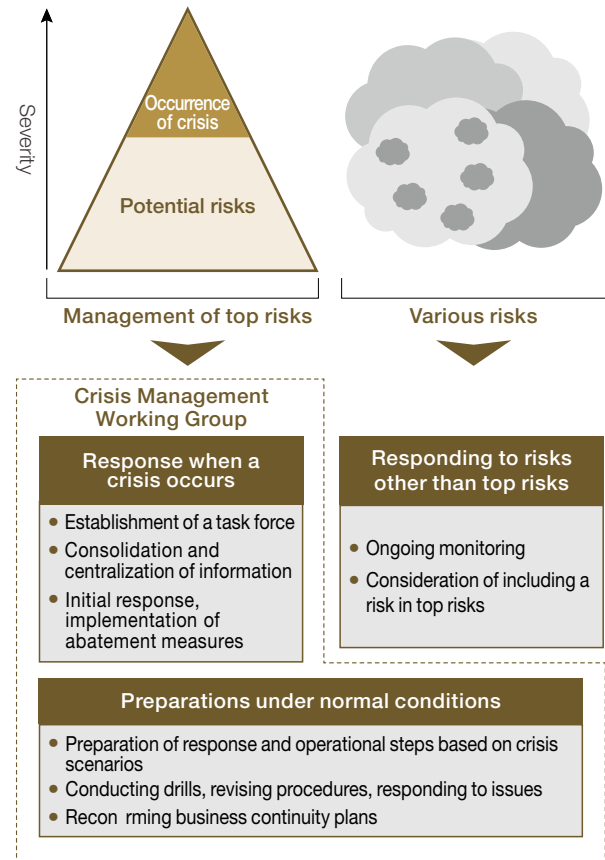
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Crisis Management Initiatives

System	Activities
Based on the selected top risks, the Crisis Management Working Group promotes the development of response measures, including crisis management structures, for each risk. By making preparations under normal conditions, we have put systems in place to respond swiftly in the event a risk does materialize.	



Compliance Initiatives

System	Activities
The Compliance Working Group is made up of members from the Compliance Division, Sustainability Promotion Division, Corporate Quality Assurance Group and Safety and Health Management Division.	

For major compliance-related risks falling under business ethics and compliance, environmental compliance, quality compliance, and health and safety (fatal and serious incidents, etc.), information on the measures implemented by each department under regular conditions (development of regulations, training, monitoring, audits, etc.) and the response methods implemented in the event of an emergency (communication with internal and external stakeholders including top management when a major risk has materialized, etc.) are linked and shared amongst member of the Working Group as management methods for the different risk areas. By pursuing a greater level of global collaboration, we will strive to raise the level of risk management in each field and mitigate various risks.



Safety-First Risk Management

Three Hitachi Group companies, namely GlobalLogic, Hitachi Energy and Hitachi Vantara have sites in Ukraine. The safety and health of our employees and their families is the highest priority for the Hitachi Group. GlobalLogic, which has an engineering site in Ukraine, has approximately 7,500 employees (as of May 31, 2022). Based on the business continuity plan, top priority has been given to the safety of the site's employees and their families, and measures were taken to evacuate them to safe locations in Ukraine or out of the country. The company is now returning to normal operations with an operating rate of 96% as of May, and is working to maintain business continuity while ensuring safety.

[Annual Securities Report \(The 153rd Business Term\)](https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2021_4_en.pdf)
https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2021_4_en.pdf

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Business Continuation Initiatives GRI102-15

Approach on Business Continuity Plans (BCPs)

Approach

Given the close relationship of our business to social infrastructure, we are enhancing our BCPs to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. The Hitachi Group Guidelines for Developing Business Continuity Plans (Overview) and the Hitachi Group Guidelines for Developing Business Continuity Plans (By Department) were issued in Japanese and then translated into English and Chinese for distribution to all Hitachi Group companies to enhance preparedness for major disasters and other risks.

Regarding infectious diseases, we released the Hitachi Group Guidelines for Pandemic Influenza Preparedness in Japanese, English, and Chinese. In fiscal 2021, they served as a useful tool in dealing with the novel coronavirus (COVID-19) pandemic.

We have also appointed personnel with responsibility for risk-response policies at our main overseas bases. Around 300 Group companies outside Japan prepared BCPs to strengthen their ability to respond to business risks including major disasters, infectious diseases, political instability, social disruption, and acts of terrorism. We will reflect in our BCPs the current environment of significantly more people working from home and the experienced gained in the course of recent COVID-19 measures.

Formulation of BCPs

Since fiscal 2011, Hitachi, Ltd. and its Group companies in Japan have formulated BCPs for each business in preparation for major earthquakes, wind and flood damage, and novel strains of influenza. Each business unit regularly reviews its BCP and revises it as necessary to reflect the latest risk assessment results. Group companies outside Japan have formulated BCPs in light of risks of concern in their respective locations.

From fiscal 2022, we will strengthen our BCPs especially for infectious diseases such as COVID-19 and for mega-earthquakes.

Pandemic and Natural Disaster BCPs Initiatives

Activities

A COVID-19 task force, headed by the President & CEO of Hitachi, Ltd., was established at Group headquarters to provide instructions on preventive measures to Group companies. Similarly, each Group company formed its own task force to secure the safety of its employees and business continuity while helping to maintain the social infrastructure through their business operations. Our regional headquarters around the world gather local information as well as share information on the measures taken by Hitachi Group companies in their respective regions.

Hitachi, Ltd. is also strengthening its measures against natural disasters by conducting annual earthquake drills, which simulate a major seismic event. In fiscal 2017, we developed action plans including setting up substitute headquarters in the Kansai region in case our Tokyo

headquarters temporarily ceases to function. From fiscal 2019 we have conducted drills that assume remote work. In such ways, we are making sure that our efforts are in line with reality.

📄 P118 Measures to Prevent Infectious Disease

▶ Drill Simulating Earthquake Measures

FY 2018	<ul style="list-style-type: none"> Initial response drills simulating a major earthquake in the suburbs of Tokyo
FY 2019	<ul style="list-style-type: none"> Drills to set up a substitute headquarters in the Kansai region in case our Tokyo headquarters temporarily ceases to function Drills to set up an earthquake task force on a remote-work basis on the assumption that a major seismic event had occurred on a holiday, shutting down traffic
FY 2020	<ul style="list-style-type: none"> Drills to set up an earthquake task force on a remote-work basis on the assumption that all work must be conducted remotely
FY 2021	<ul style="list-style-type: none"> Remote drills using a Web conferencing system on the assumption that not everyone can assemble at the office on weekdays and that there is a mix of those who come to the office and those who work from home

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Procurement BCPs Initiatives

Approach Activities

Hitachi is also working to enhance BCPs for procurement across Group companies worldwide so that the occurrence of incidents*1 does not disrupt business and have a significant impact on society.

To minimize the impact of disasters that may occur, the procurement divisions in business units and key Group companies in Japan do the following: (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory strategically; and (5) consider and promote substitute products.

We also hold desktop exercises to check the effectiveness of procurement BCPs against earthquakes and to make further improvements hold group discussions about what should be done during and after such disasters.

We share these activities with procurement divisions in business units and key Group companies outside Japan as appropriate, making use of them in reviewing strategies in an effort to enhance procurement BCPs throughout the Group worldwide.

*1 Incidents: Events that interrupt business operations, such as major earthquakes and other natural disasters

Achievements in Fiscal 2021

In January 2020, we introduced the Procurement BCPs Management System for our procurement partners in Japan to efficiently share information among Hitachi Group companies during disasters.

In fiscal 2021, we worked to expand the number of business sites utilizing the system and to digitize information to help shorten recovery time.

P132 Responsible Procurement

Improving Safety for Employees Sent to Dangerous Regions

Activities

When sending employees to countries and areas at high risk of conflicts, terrorism, and other threats, we take all possible measures to ensure their safety. On-site surveys are also conducted by in-house and outside experts beforehand.

Hitachi, Ltd. is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, we participate in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs.

Achievements in Fiscal 2021

In fiscal 2021, Hitachi, Ltd. undertook a range of measures to ensure the safety of its employees working around the globe. These included the timely provision of information by alerts on conflicts occurring around the world and also the COVID-19 pandemic as well as information from outside risk consultants contracted by Hitachi, Ltd. posted on its intranet. In addition, the company employed an outside specialist to provide medical assistance to Hitachi Group employees outside Japan.

Note: Hitachi normally refers to its suppliers (including vendors or providers) as "procurement partners" who build business together on an equal footing.

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Information Security

GRI 103-2

Why

— Why it matters —

Even as the development of IoT creates new value, cyberattacks are growing increasingly sophisticated and widening in focus from traditional IT to encompass the IoT/OT field as well. The risks for corporations include leaks of information, operational stoppages, and even direct disruption to business, making information security one of the most critical issues companies face. Hitachi, in expanding its Social Innovation Business worldwide, has highlighted the importance of working to ensure cybersecurity as a key management issue and is engaged in information security governance efforts.

Also, amid rapidly expanding data use with the development of digital technologies, privacy risks are increasing as well. In working to provide a safe and secure social infrastructure system, Hitachi is prioritizing personal information protection efforts in order to realize the secure management of personal information entrusted to us by our customers, personal information related to business operations, and more.



- Information Security
- Personal Information Protection

What

— What we are doing —

- Disseminating Information Security Policy
- Strengthening information security management
- Implementing security monitoring
- Preventing information leaks
- Providing education programs on information security
- Conducting thorough personal information protection/information security audits and inspections
- Responding to personal data protection laws around the world
- Acquiring PrivacyMark certification
- Managing customer information
- Promoting privacy protection efforts by digital business divisions

How

— How we are doing it —

Policy and promotion structure

Hitachi has established Information Security Policy to foster cybersecurity risk management. The Information Security Committee is chaired by the Chief Information Security Officer (CISO), who is the C-level executive with ultimate authority and responsibility regarding the handling of information security and personal privacy issues. The committee determines relevant policies and measures, while the information security heads at each Hitachi business unit and Group company promote workplace awareness and oversee the implementation of measures.

Achievements in FY 2021

Strengthening information security management	Advanced the strengthening of information security governance worldwide, based on our rules for information security, established in compliance with the ISO/IEC 27001 standard, and furthermore enhanced with NIST SP 800-171 U.S. government standard. Implemented IT countermeasures and activities to raise security awareness among employees in conjunction with promoting telecommuting Implemented measures to reduce security risks during deals/post-merger integration in conjunction with acquisitions and sales of companies
Security monitoring	Enhanced cyber monitoring by using endpoint detection and response to monitor equipment operation, implemented authentication, and strengthened cyber monitoring
Education on information security	Held e-learning programs on information security and personal information protection for all executive officers and employees (Hitachi, Ltd. attendance rate: 100%)
Thorough personal information protection/information security audits and inspections	Conducted personal information protection/information security internal audits at all Group companies and divisions (Annually)
Responding to personal data protection laws around the world	Formulated and put into effect from April 2022 a Group-wide internal code of conduct concerning protection of personal information, which takes into consideration international legal frameworks, such as the European General Data Protection Regulation (GDPR)
Acquiring third-party certification related to personal information protection	Acquired PrivacyMark certification for 37 Hitachi Group companies in Japan
Personal information leaks	Personal information leaks: 0

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Information Security

Information Security Policy

Policy

Hitachi considers one of its top management priorities to be information security governance to minimize the risk of business disruption such as leaks of information or operational stoppages due to cyberattacks.

As a global company, Hitachi regards cyber security risk as one of our management risks. Accordingly, we have formulated Information Security Policy in line with our corporate management policies and based on our cyber security risk management.

We have our data centers and other divisions certified by the ISMS Accreditation Center in accordance with the ISO/IEC 27001 Information Security Management System international standard. This certification has been received by seven divisions of Hitachi, Ltd. and 27 divisions of 23 Group companies.*1

*1 As of September 30, 2021.

Information Security Policy

1. Formulating administrative rules for information security and ensuring their continual improvement
2. Protection and ongoing management of information assets
3. Legal and regulatory compliance
4. Education and training
5. Preventing incidents and taking action when they occur
6. Ensuring business processes are optimized within the corporate group

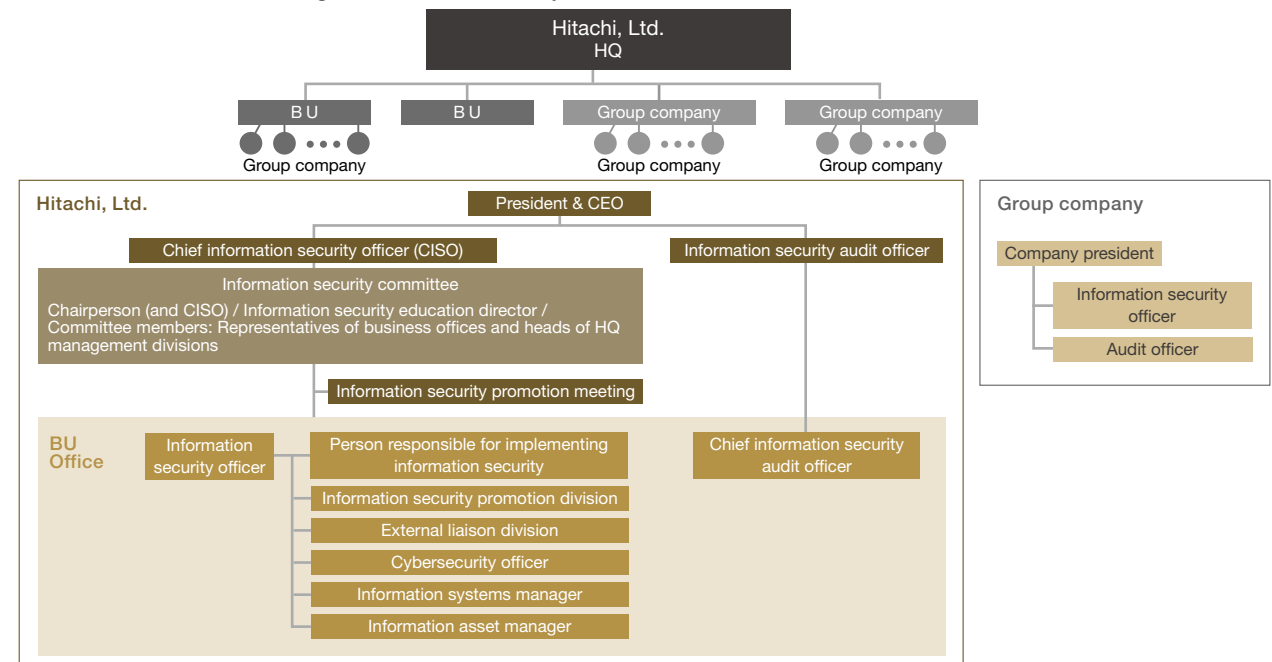
Framework for Promoting Information Security

Structure

At Hitachi, Ltd., the Chief Information Security Officer (CISO), who is the C-level executive with ultimate authority and responsibility regarding the handling of information security and personal privacy issues, oversees the promotion of information security for all Hitachi products, services, and internal facilities.

Chaired by the CISO, the Information Security Committee determines all policies and procedures for information security and personal information protection. Business Units (BU) and business sites establish information security promotion divisions, with the heads of the units and sites serving as information security officers. These divisions work to implement information security management in each workplace and provide relevant education to employees. This framework is also implemented at Group companies to promote information security across the Group through mutual cooperation.

▶ Framework for Promoting Information Security



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Hitachi has established information security management based on ISO/IEC 27001 and has been working to strengthen information security by reviewing regulations with the U.S. government standards SP800-171 due to the intensifying cyberattacks in recent years. These rules are globally distributed by Hitachi, Ltd. and its Group companies. Other measures include actively promoting the use of shared security services and related support for information security provided by regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

The Information Security Promotion Council and other bodies convey policies and procedures for information security and personal information protection determined by the Information Security Committee internally and to other companies in the Hitachi Group. Information security officers at business sites and Group companies ensure that these decisions are implemented in the workplace.

Details of our information security initiatives are contained in our Information Security Report.

[Information Security Report](https://www.hitachi.com/sustainability/download/pdf/securityreport_e.pdf)

https://www.hitachi.com/sustainability/download/pdf/securityreport_e.pdf

Achievements in Fiscal 2021

As Hitachi promotes new workstyles based on telecommuting, the vulnerability posed by employees' security awareness becomes a risk. Considering this threat, we are working to raise security awareness among our employees with an employee-centered approach alongside IT-based security measures. Also, given the vigorous acquisition and sale of companies in recent years, we keep an eye on the security conditions during deals/post-merger integration, and take measures to reduce security risks.

Security Monitoring

In Hitachi, the Security Operation Center (SOC) monitors security on an around-the-clock basis so global-scale cyberattacks can be detected and countermeasures initiated right away. The Incident Response Team (IRT) collects and develops threat intelligence*1 and manages the response to any security incidents.

Cyberattacks become more sophisticated each year, with damage tending to increase as attacks slip past conventional detection and go undiscovered for longer periods. To counter this risk, we are working to enhance cyber monitoring by using endpoint detection and response to monitor equipment operation, as well as implementing authentication. We continue improving and strengthening our cyber monitoring environment using the latest technology.

*1 Threat intelligence: An approach to countering cyberattacks using knowledge of new threats gathered from multiple sources of information on cyber security.

Preventing Information Leaks

Activities

Hitachi takes the following IT steps to prevent information leaks: encrypting devices; using thin clients;*1 employing electronic document access control and expiration processing software; maintaining ID management and access control by building an authentication infrastructure; and filtering e-mails and websites. In response to the recent spate of targeted e-mail attacks and other cyberattacks, we are participating in an initiative to share information between the private sector and the government. We are also enhancing various IT measures such as a defense in depth strategy.

To prevent leaks from our procurement partners, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We also provide tools to procurement partners for security education and for checking business information on computers. In addition, we require procurement partners to check and remove business information from personal computers.

*1 Thin client: A terminal with the minimum necessary software. Thin client computing significantly enhances cyber security by storing applications and data on the server.

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Education on Information Security

Training

Hitachi holds annual e-learning programs on information security and personal information protection for all executive officers and employees. Approximately 35,000 employees at Hitachi, Ltd. take these programs, and the percentage of employees completing these programs reaches 100% every year (excluding those who cannot attend for reasons such as being on leave). The company offers a variety of courses that have different goals and are tailored to different target audiences, including new employees, new managers, and information system administrators. Hitachi, Ltd. also implement simulation training to educate employees about phishing attacks and other cyberattacks. Employees are sent deceptive e-mails as phishing simulations to heighten their awareness of security through direct experiences.

Educational programs from Hitachi, Ltd. are shared within the Group to provide Group-wide education on information security and personal information protection.

Thorough Personal Information Protection/ Information Security Audits and Inspections

Activities

The Hitachi has developed its approach to security based on the PDCA (plan-do-check-act) cycle for its information security management system that Hitachi, Ltd established. Hitachi conducts annual internal audits of personal information protection and information security at all Group companies and BUs.

The President & CEO of Hitachi, Ltd. appoints officers to conduct internal audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing.

There are 169 Hitachi Group companies*1 in Japan that conduct internal audits in the same way as Hitachi, Ltd., and all results are subject to confirmation by Hitachi, Ltd. Hitachi requires Group companies outside Japan to use a common global self-check approach to ensure Group-wide auditing and inspections. All BUs conduct annual self-inspections for Confirmation of Personal Information Protection and Information Security Management, and monthly inspections for operations that involve processing important personal information (740 registered operations as of March 2022). This regular control mechanism ensures ample safety management and implementation.

A dedicated internal security team at Hitachi, Ltd. conducts regular on-site assessments of the state of information security measures, and investigates external vulnerabilities in public-facing servers once every fourth quarter. In this way, Hitachi, Ltd. is working to reduce security risks by identifying discrepancies with self-checks.

*1 Including partner companies that have submitted voluntarily

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Personal Information Protection Policy

Policy

Structure

Activities

Hitachi places great importance on protecting personal information that is entrusted to us by customers or related to our business operations. As a member of the global community, Hitachi commits to protecting personal information in accordance with a vision for personal information protection summarized as providing safety and trustworthiness, and recognizing the importance of individuals' rights.

Hitachi, Ltd.'s Personal Information Protection Policy sets out its corporate philosophy and principles on personal information protection. The policy is disseminated to all executive officers and employees as well as being publicly available.

Hitachi has also established a personal information protection management system based on this policy. Through the rollout of the system, Hitachi is ensuring protection of personal information by such means as safe handling of personal information, educational programs for all employees, and periodic audits.

[Personal Information Protection Policy of Hitachi, Ltd.](https://www.hitachi.com/privacy-e/)

<https://www.hitachi.com/privacy-e/>

Responding to Personal Data Protection Laws Around the World

Approach

With the increasing risk of privacy violations in recent years due to the advent of the digital age following advances in IT and the globalization of socio-economic activities, lawmakers are actively seeking to create and modify relevant laws and legislation in countries and regions around the world. Hitachi ensures thorough global compliance with legal frameworks, continues to monitor related legal frameworks and social trends, and implements appropriate measures.

In Japan, Hitachi will report any leakage of personal information and notify affected individuals, as required by the Amended Act on the Protection of Personal Information. In the event that a leak could result in a situation that would harm the rights and interests of individuals, we will promptly report it to the Personal Information Protection Commission and notify the affected individual(s).

Hitachi, Ltd. has also formulated a Group-wide internal code of conduct concerning the protection of personal information, which takes into consideration international legal frameworks such as the European General Data Protection Regulation (GDPR), and put this code of conduct into effect from April 2022. Furthermore, each Group company is strengthening its system for protection of personal information, and is working to ensure thorough and appropriate protection of personal information on a global scale.

PrivacyMark Certification

Activities

GRI 418-1

Hitachi, Ltd. has received PrivacyMark*¹ certification. The entire Hitachi Group is committed to personal information protection; 37 Hitachi Group companies in Japan have been granted the PrivacyMark as of March 31, 2022.

Hitachi also strives to safeguard personal information globally at Group companies outside Japan, based on each company's personal information protection policy, and ensures that they comply with all applicable laws and regulations in each country and region as well as they respond the expectations of society at large. In addition, there were no cases of personal information leakage by Hitachi, Ltd. during fiscal 2021.

*1 PrivacyMark: A third-party certification established in April 1998 that is granted by the assessment body the Japan Information Processing Development Corporation to businesses that have taken appropriate security management and protection measures related to personal information.

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Management of Customer Information

Activities


Hitachi has deployed customer relations management (CRM) systems, which allow us to collect and accurately manage customer and transaction information, in addition to use as a marketing tool. The data collected in these CRM systems enable us to formulate more effective sales strategies and offer collaborative solutions through cooperation by multiple business sites.

Privacy Protection Initiatives by Hitachi's Digital Business Division


Approach

Activities

Under the Digital Systems & Services Sector, which drives our digital business, we have assigned a personal data manager to unify our handling of personal data, and established a privacy protection advisory committee to support risk assessments and develop countermeasures based on its knowledge and expertise of privacy protection. In accordance with the policies set by the committee, our employees implement privacy impact assessments for processes where personal data will be handled and take measures to prevent privacy violations.

 [Hitachi Privacy Protection Initiatives for the Utilization of Personal Data \(In Japanese only\)](https://www.hitachi.co.jp/products/it/bigdata/bigdata_ai/personaldata_privacy/index.html)

https://www.hitachi.co.jp/products/it/bigdata/bigdata_ai/personaldata_privacy/index.html

 P187 Thorough Personal Information Protection/Information Security Audits and Inspections

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Corporate Governance GRI 405-1

Leadership Demographics

	Unit	Total	Gender		Nationality	
			Male	Female	Japanese	Non-Japanese
Directors*1	People	12*2	10	2	7	5
Executive officers*1		34	33	1	31	3
Executive officers and corporate officers*1		74	65	9	61	13
Ratios of female and non-Japanese executive officers and corporate officers	%			12.2		17.6

*1 As of June 2022

*2 Including 9 independent directors (seven from Japan and two from outside Japan)

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Business Ethics and Compliance Training

	Reporting Boundary	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Number of participants of business ethics and compliance training* ¹	Hitachi Group	people	—	—	—	—	341,888
Participation rate of business ethics and compliance training*	Hitachi Group	%	—	—	—	—	99.1

*¹ Disclosures began in fiscal 2021.

Hitachi Global Compliance Hotline (Whistleblower System)

	Reporting Boundary	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Number of compliance reports* ¹	Hitachi Group	Total	—	—	459	639	1,023
	(By category)	HR issues (Labor management, travel expenses, commuting costs, etc.)	—	—	—	—	226
		Harassment	—	—	—	—	341
		Financial	—	—	—	—	27
		Procurement	—	—	—	—	26
		Competition law	—	—	—	—	3
		Bribery	—	—	—	—	30
		Others	—	—	—	—	370
	(By area)	Americas	—	—	—	—	238
		Europe (including CIS)	—	—	—	—	98
		Middle East/North Africa	—	—	—	—	54
		Sub-Saharan	—	—	—	—	13
		APAC (excluding Japan)	—	—	—	—	234
	Japan	—	—	—	—	386	


*¹ Discloses of the total number of cases began in fiscal 2019 and the breakdown in fiscal 2021.



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Assurance

// Assurance GRI 102-56

To enhance the reliability of the data disclosed in the Hitachi Sustainability Report 2022, we have received independent assurance of key environmental, social and governance performance indicators by KPMG AZSA Sustainability Co., Ltd. The indicators that were assured are marked with a .


The standards, guidelines, and calculation methods used in collecting environmental data are posted on our website.

 [Calculation Methods for Environmental Load Data](https://www.hitachi.com/environment/data/method.html)

<https://www.hitachi.com/environment/data/method.html>

Independent Assurance Report

To President & CEO of Hitachi, Ltd.

We were engaged by Hitachi, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental, social and governance performance indicators marked with  (the "Indicators") for the period from April 1, 2021 to March 31, 2022 (or as of June 30, 2022 for the Ratio of Female and Non-Japanese Executive and Corporate Officers) included in its Hitachi Sustainability Report 2022 (the "Report") for the fiscal year ended March 31, 2022.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Nakajo business office of Hitachi Industrial Equipment Systems Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 2, 2022

Notes to the Reader of Independent Assurance Report: This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Inquiries



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