Hitachi
Sustainability Report
2021

Fiscal 2020 Results

HITACHI
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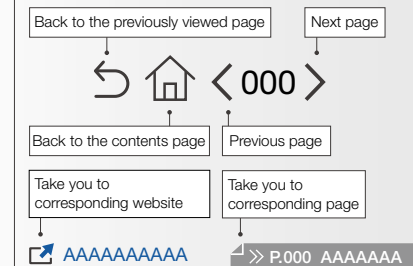
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1 Introduction

Hitachi Sustainability Report 2021

/ Editorial Policy

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

Basic Concept

The Hitachi Sustainability Report 2021 (published September 2021) presents our stance toward environmental (E), social (S), and governance (G) issues and details the activities we undertook in relation to these in fiscal 2020.

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 2020 (April 1, 2020, to March 31, 2021) Note: Some information on activities in April 2021 and after is also included.
Companies:	Hitachi, Ltd. and its consolidated subsidiaries
Reporting Boundary:	**Financial data** 1,217 companies, namely Hitachi, Ltd. and 1,216 consolidated subsidiaries and equity-method associates and joint ventures **Social data** Boundary of individual data indicated **Environmental data** 872 companies, namely Hitachi, Ltd. and 871 consolidated subsidiaries. However, Group companies that were acquired in the middle of the fiscal year are not included in the scope of the environmental load data. For the scope of the environmental load data associated with Hitachi's business operations, Hitachi, Ltd., and consolidated subsidiaries environmental load comprises more than 90%[*1] of the total, excluding the Group companies mentioned above.
Reporting cycle:	Published every year as an annual report
Date published:	September 2021 (Previous report: November 2020)

[*1] Based on calculations by Hitachi, Ltd.
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 2020.

Symbol Marks Used in This Report
*Technical terms, proper nouns, tables, diagrams, etc, requiring explanation

Hitachi References in This Report
Hitachi, Ltd. : Information on or initiatives of Hitachi, Ltd. **Hitachi and the Hitachi Group** : Information on or initiatives of all Group companies

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, Sustainability Accounting Standards Board ● *Environmental Reporting Guidelines* (2012 version, 2018 version), Ministry of the Environment, Japan

Disclosure Systems 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.

Value Creation Story

Integrated Report

Non-financial / Financial

Sustainability/ESG Information
●Sustainability Report
●Corporate Governance Report*
●Sustainability Website https://www.hitachi.com/sustainability/

Investor Information
●Annual Securities Report*
●Financial Statements*
●Business Report*
●Corporate Strategy (Mid-term Management Plan)
●Investor Relations Website https://www.hitachi.com/IR-e/

Comprehensiveness

*Statutory disclosure/Timely disclosure

Independent Assurance

GRI 102-56

To enhance the credibility of this report, we have engaged KPMG AZSA Sustainability Co., Ltd. to provide assurance on environmental and social performance indicators. The ☑ mark indicates disclosed information assured in accordance with the International Standard on Assurance Engagements (ISAE) 3000 and ISAE 3410.

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Introduction

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▶ **Hitachi Group Profile**

Hitachi Sustainability Report 2021

/ 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, 2021)

Corporate name	Hitachi, Ltd.
Incorporated	February 1, 1920 (founded in 1910)
Head office	1-6-6 Marunouchi, Chiyoda-ku, Tokyo, Japan
Representative*1	Representative Executive Officer, President & COO Keiji Kojima
Capital	460.79 billion yen
Number of employees	350,864 (Japan: 158,194, outside Japan: 192,670)
Number of consolidated subsidiaries	871 (Japan: 159, outside Japan: 712)
Number of equity-method associates and joint ventures	345

*1 As of June 23, 2021

Consolidated Financial Highlights for Fiscal 2020
Based on the International Financial Reporting Standards (IFRS)

Revenue	8,729.1 billion yen (even year on year)
Adjusted Operating Income Ratio	5.7% (down 1.8%)
EBIT*1	850.2 billion yen (up 666.6 billion yen)
Net income attributable to Hitachi, Ltd. stockholders	501.6 billion yen (up 414.0 billion yen)
ROIC*2	6.4% (down 3.0%)

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 + Equity method gain/loss)/Invested capital × 100. NOPAT (Net operating profit after tax) = Adjusted operating income × (1 – Tax burden). Invested capital = Interest-Bearing debts + Total equity.

▶ Revenue/Adjusted Operating Income Ratio/Net Income

(billion yen)

	2016	2017	2018	2019	2020 (FY)
Revenue	9,162.2	9,368.6	9,480.6	8,767.2	8,729.1
Adjusted operating income ratio	6.4%	7.6%	8.0%	7.5%	5.7%
Net income	231.2	362.9	222.5	87.5	501.6

- ■ Revenue (left scale)
- ■ Net income attributable to Hitachi, Ltd. stockholders (right scale)
- ● Adjusted operating income ratio (%)
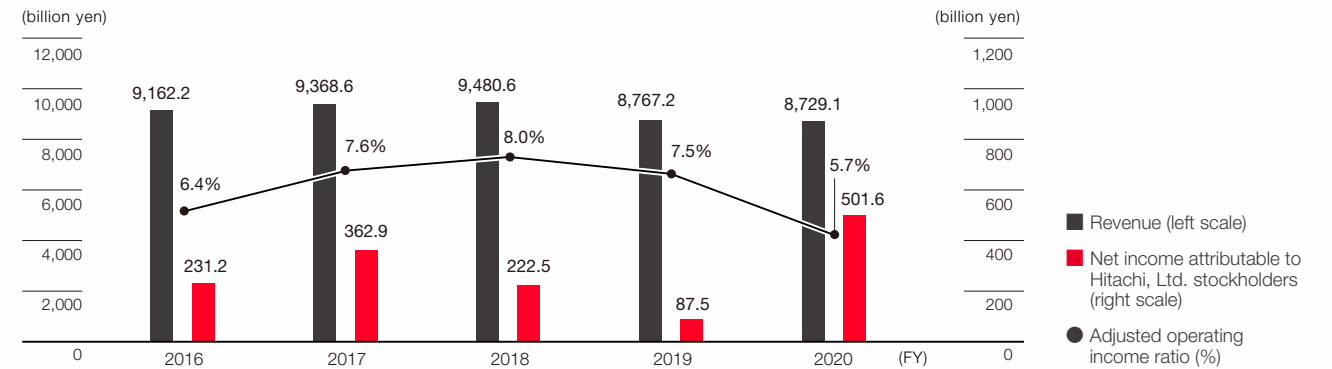
▶ Revenue and Share by Segment
(Consolidated for fiscal 2020 based on IFRS)

Consolidated Revenue
8,729.1 billion yen

- ■ IT 2,048.7 billion yen (21%)
- ■ Energy 1,107.9 billion yen (12%)
- ■ Industry 830.1 billion yen (9%)
- ■ Mobility 1,199.6 billion yen (13%)
- ■ Smart Life 1,252.7 billion yen (14%)
- ■ Automotive Systems 987.5 billion yen (10%)
- ■ Hitachi Construction Machinery 813.3 billion yen (8%)
- ■ Hitachi Metals 761.6 billion yen (8%)
- ■ Other 449.0 billion yen (5%)
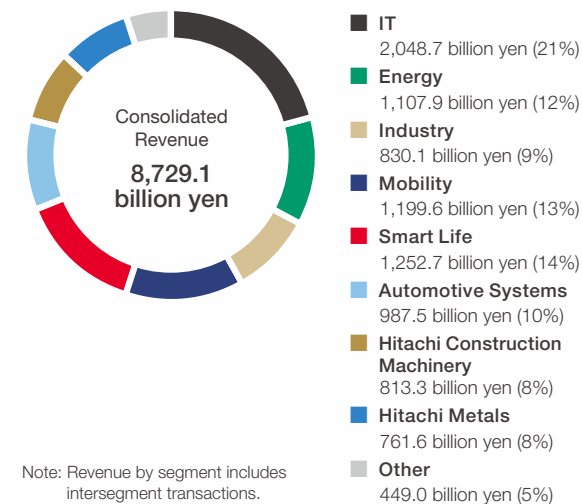
Note: Revenue by segment includes intersegment transactions.

▶ Revenue and Share by Region
(Consolidated for fiscal 2020 based on IFRS) / Number of Employees by Region (as of March 31, 2021)

Revenue by Region
Japan: 4,154.8 billion yen
Outside Japan: 4,574.3 billion yen

- ■ Japan 4,154.8 billion yen (48%) 👤158,194 employees
- ■ China 1,043.2 billion yen (12%) 👤51,903 employees
- ■ ASEAN, India, and other Asian regions 850.3 billion yen (10%) 👤61,411 employees
- ■ North America 1,117.5 billion yen (13%) 👤27,122 employees
- ■ Europe 1,013.4 billion yen (11%) 👤32,449 employees
- ■ Other areas 549.7 billion yen (6%) 👤19,785 employees

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› Hitachi Group Profile

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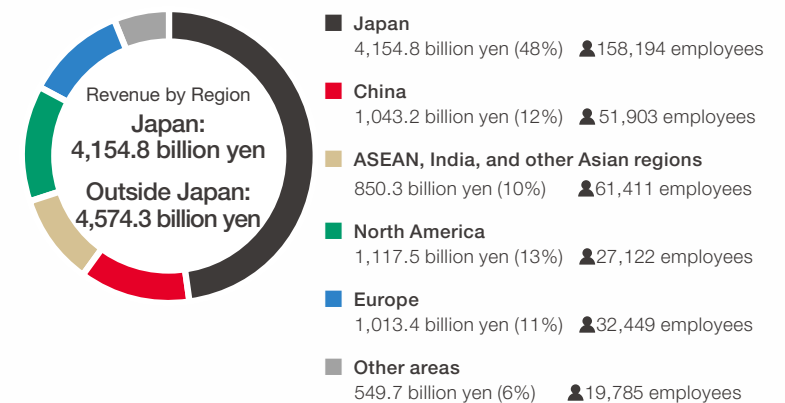
Hitachi Group Business Activities Contributing to a Sustainable Society

Our 2021 Mid-term Management Plan, launched in April 2019, focuses on simultaneously improving social, environmental, and economic value, and establishes five business sectors (IT, energy, industry, mobility, and smart life) for the creation of social innovation. From April 2021, the Automotive Systems business (Hitachi Astemo) was made independent from the Smart Life sector, as we undertake business with the goal of creating further value through the six segments.

Hitachi's Vision

Achieving a sustainable society through improving the QoL and adding values for customers

LUMADA

ENERGY

Main Products and Services
- Energy Solutions (Power Grids, Nuclear, Renewable Energy, Thermal)

INDUSTRY

Main Products and Services
- Industry & Distribution Solutions
- Water & Environmental Solutions
- Industrial Machinery

LIFE

Main Products and Services
- Smart Life & Ecofriendly Systems (Home Appliances, Air-conditioning Systems)
- Measurement & Analytical Systems (Medical and Bio, Semiconductors, Industry)

Hitachi Construction Machinery

Main Products and Services
- Hydraulic Excavators
- Wheel Loaders
- Mining Machiner
- Maintenance and Services
- Construction Solutions
- Mine Management Systems

Hitachi Metals

Main Products and Services
- Specialty Steel Products
- Functional Components and Equipment
- Magnetic Materials and Power Electronics Materials
- Wires, Cables and Related Products

IT

Main Products and Services
- Digital Solutions (Consulting, Software, Cloud Services, System Integration, Control Systems)
- IT Products (Storage, Servers)
- ATMs

MOBILITY

Main Products and Services
- Building Systems (Elevators, Escalators)
- Railway Systems

Automotive Systems

Main Products and Services
- Powertrains, Chassis, Advanced Driver Assistance, Motorcycle Systems

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Management

Hitachi
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Management

Aiming to Build a Resilient Company Structure

To develop Hitachi's Social Innovation Business, building a resilient company structure is essential.

By executing highly effective management and all executives and employees acting as good corporate citizens with the Hitachi Group Code of Conducts, we will fulfill our responsibilities. This will help to address social issues called for in Society 5.0 and SDGs.

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

Creating New Social Value
with a Unique Vision for the Future

Executive Chairman
and CEO
Hitachi, Ltd.

T. Higashihara

In 2020 and 2021, people's lives were dramatically impacted everywhere by the COVID-19 pandemic, which made existing social and economic challenges all the more apparent. Meanwhile, efforts to address climate change have accelerated significantly as the world acknowledges the urgency of this issue for sustainability, and glaring human rights issues have also been in the spotlight. It is clear that companies today must provide not only economic value, but also environmental and social value.

At Hitachi, we have been making the most of our strengths in operational technology (OT), IT, and products (OT × IT × Products) under our 2021 Mid-term Management Plan. We have sought to improve the quality of life for people everywhere while enhancing value for customers with our Lumada suite of digital solutions, services, and technologies. We are also determined to create new social value with our Social Innovation Business. We are doing this by defining the kind of future value we would like to create. For example, we envision the kind of thriving world we would like to see by 2050 and then backcast from there to determine what we need to do now. As part of this effort, we have defined three areas where Hitachi will focus its growth: Environment, Resilience, and Security & Safety.

In the area of Environment, we will help build a decarbonized, resource efficient society. In the area of Resilience, we want to promote a society that can handle any disruption to public services and systems caused by a natural disaster or resource shortage. In the area of Security & Safety, we aim to help prepare for an era when the average person will live to be

100 by helping to make it possible for everyone to grow older while enjoying good physical and mental health. At Hitachi, we are committed to developing and providing solutions for social issues in order to help build a world that is sustainable, resilient, secure and safe.

Maximizing human resource value is one of the keys to our Social Innovation Business. We want every Hitachi employee to view social issues as part of their own personal agenda. We are also shifting to job-based human capital management. This ensures the right people are in the right jobs taking into careful account the abilities and motivation of each individual. I want to see the power of each autonomous individual taking the initiative to generate a collective force that drives the growth of the entire Hitachi Group. We are also making a range of efforts to improve workplace environments in a way that will foster more independent thinking by employees. These include asking employees to consider which business fields we want to strengthen and to look at how we can bring products to market over the medium and long term based on next-generation technology trends as well as social changes. These efforts are led by our Future Investment Division. In addition, we hold the "Make a Difference!" in-house idea contest.

I have also been emphasizing dialogue and

engagement with shareholders and investors. Fortunately, there have been greater opportunities recently to engage in broad discussions with these stakeholders on environmental issues and human resource development. Environmental, social, and governance (ESG) measures are top priorities for corporate management, and these are inherent responsibilities for every good corporate citizen. In the area of human resources management, we will pursue globally optimized deployment of human resources and improve engagement with employees while fostering diversity and inclusion. We also aim to increase the ratios for female and non-Japanese executive and corporate officers to 30% by fiscal 2030. In the area of governance, we are preparing to introduce new environmental indicators as part of the package for determining executive compensation evaluation, and we will continue to strengthen our risk management.

Hitachi will keep striving to meet the expectations of all stakeholders by practicing openness and transparency. Our goal is to address social issues with a unique vision for an even better future and we do this by considering every perspective including the timeframe, region, and value. I look forward to your continued support going forward.

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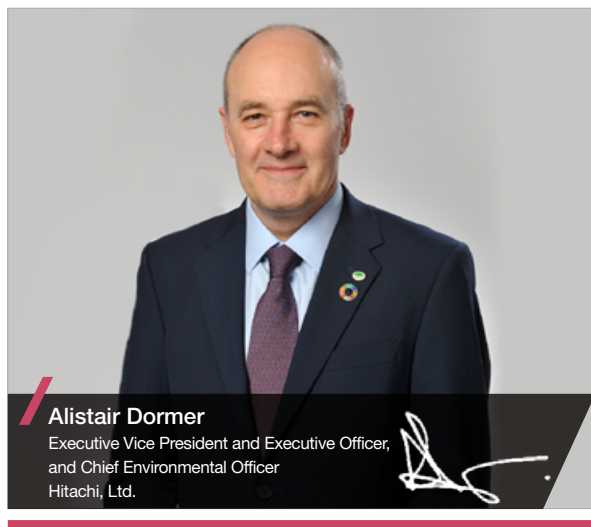
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/ Message from the Chief Environmental Officer   GRI 102-14/102-15

A Company That Contributes to Environmental Impact Reductions and the Realization of a Decarbonized Society

Alistair Dormer
Executive Vice President and Executive Officer,
and Chief Environmental Officer
Hitachi, Ltd.

Countries worldwide are currently working to further bolster climate change countermeasures. The European Union has announced updates to its 2020 NDCs (nationally determined contributions to reduce greenhouse gas emissions) of now achieving climate neutrality by 2050 and reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990. Japan has announced it too shares the goal of carbon neutrality by 2050 as well. In responding to environmental issues, and particularly to climate change, the implementation of specific initiatives has become essential, as has technological development with a medium- to long-term perspective.

Hitachi aims to become a Climate Change Innovator helping to support governments', cities', and companies' efforts to reduce greenhouse gas emissions. Hitachi is proud to be the first Japanese company to join the group of Principal Partners for COP26, the 26th United Nations Climate Change Conference, to be held in Glasgow, the United Kingdom, in November 2021. For over 110 years since the company's foundation, Hitachi has been putting the Hitachi Mission—"Contribute to society though the development of superior, original technology and products"—into practice, contributing to the realization of a decarbonized society through our operations. Our aim is to achieve a decarbonized society, a resource efficient society and a harmonized society with nature. Our participation in COP26, I feel, constitutes a major step toward the realization of a decarbonized society.

Our 2021 Mid-term Management Plan places an emphasis on environmental value, and clearly indicates our commitment to focus our efforts on environmental activities. Having taken the post of chief environmental officer in April 2021, I will work to accelerate the pace of our environmental initiatives.

In 2020 we announced the aim for our business sites (factories and offices) to become carbon neutral by fiscal 2030. And in September 2021, we also declared that we will work toward achieving carbon neutrality throughout our value chain by fiscal 2050, further enhancing our existing goals. In December 2020, Hitachi obtained accreditation from the Science Based Targets initiative (SBTi) for its efforts to reduce greenhouse gas emissions and also recognition

that it is a signatory to the Business Ambition for 1.5℃ commitment, which seeks to limit the global temperature increase to 1.5℃ above pre-industrial levels, one of the aims of the Paris Agreement. Having also joined the UN Race to Zero campaign, we will work to make contributions to the realization of a net zero society.

Furthermore, as of April 2021, we have also incorporated environmental value as a criteria to be evaluated in the executive officer compensation system, with the aim of strengthening our governance.

Having Hitachi ABB Power Grid*1, who has the world's No. 1 technology and market share in the power grid business field, joining our group, we now possess the technology to efficiently provide energy from generating stations to points of consumption. Additionally, we have established Hitachi Astemo, through a merger of Hitachi Automotive Systems with three Honda-affiliated companies, to realize the creation of core components and solutions that advance motorization and hold the key to the future of next-generation automobiles. Hitachi will leverage such new business portfolios to the utmost and utilize the power of our many businesses and digital innovations, particularly in our IT, Energy, Industry, and Mobility sectors in working toward a decarbonized society. Through these efforts I am confident that Hitachi will be able to make contributions to activities such as the reduction of governments', cities', and companies' environmental impacts, as well as the realization of a decarbonized society.

*1 In October 2021, the company's name was changed to Hitachi Energy, to show a strengthened commitment to sustainable energy in the future.

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Management

Hitachi Sustainability Report 2021

/ Environmental Strategy for Achieving a Decarbonized Society

Hitachi's Environmental Strategy

In fiscal 2016, toward building a low-carbon society, Hitachi set the target of reducing CO_2 emissions through its value chain by 80% by fiscal 2050 compared to emissions in fiscal 2010, in order to achieve our long-term environmental targets called Hitachi Environmental Innovation 2050. After releasing the targets, the IPCC 1.5°C Special Report was published in 2018 stating that further measures are needed to limit global warming to 1.5°C . Each country has strengthened its measures when resubmitting NDCs (nationally determined contributions to reducing greenhouse gas emissions determined by a country/region) in 2020. The world is rapidly moving toward a decarbonized society with the EU announcing its goal of achieving climate neutrality in 2050 and reducing GHG emissions by at least 55% compared to 1990, and Japan also announcing its goal of achieving carbon neutrality in 2050.

  In the 2021 Mid-term Management Plan, Hitachi has clearly stated its commitment to focusing on the creation of environmental value. In terms of business, we are working to strengthen sectors including our railway business (a means of transportation with a small environmental impact) and our grid solutions business which plays an important role in electrification and decarbonization of the energy sector. We continue to make progress with such efforts, building business portfolios able to further contribute to the achievement of a decarbonized society. Looking forward, Hitachi will remain committed to working together as one and combining innovative products and services to contribute to our customers' decarbonization as well. In 2021, Hitachi became the first Japanese company to take on the role of a Principal Partner for COP26.

  Based on these internal and external changes, Hitachi has promoted aiming for a decarbonized society, one of the long-term environmental targets set out in Hitachi Environmental Innovation 2050, with the goal of leading climate change measures committed to achieving a decarbonized society.

Toward a Decarbonized Society	● Achieve carbon neutrality by 2050 through the value chain and reduce CO_2 emissions by 50% by fiscal 2030 (compared to fiscal 2010) ● Achieve carbon neutrality in business sites (factories and offices) by fiscal 2030

We will implement the following initiatives companywide to achieve our new long-term environmental goals:

(1) Achieve carbon neutrality in business sites (factories and offices) by fiscal 2030
- We will further improve production efficiency and energy use efficiency during the production by using production technology developed over a long time and the Lumada platform and by adopting and updating highly efficient equipment in our business sites (factories and offices). We will also acquire renewable energy and adopt equipment for it to effectively promote carbon neutrality at our business sites.
- We will encourage use of our Hitachi Internal Carbon Pricing (HICP) system which was introduced to provide incentives for capital investments that contribute to CO_2 reductions. HICP is an in-house system to visualize the amount of CO_2 reductions from capital investments in factories and offices, and then convert it into costs and apply it to investment decisions.

(2) World-class energy efficiency of products
- We will promote world-class energy efficiency in our products provided to our customers by considering reductions in environmental impacts from the design stage.

(3) Active promotion of projects that contribute to society's overall shift to carbon neutrality
- In order to speed up the shift to carbon-neutral energy systems, we will combine power grids (transmission/distribution networks) that support the expansion of renewable energy with state-of-the-art intelligent control systems which will serve as stronger, more reliable, and more secure energy systems that contribute to a decarbonized society.
- We will contribute to popularizing decarbonized mobility by encouraging the spread of highly energy-efficient high-speed railcars and hybrid railcars with storage batteries, providing EV systems to expand the EV market, and creating and enhancing EV value chains to help promote the spread of EVs.
- We will contribute to the decarbonized operations of our customers by providing Lumada-powered solution services which help reduce CO_2 emissions by advancing the digitalization of society.

(4) Develop technology that paves the way for transitioning to a decarbonized society
- Hitachi is taking the approach of backcasting from 2050 and promoting research and development that can respond to the rapid changes in society. Hitachi plans to set the amount of R&D investments at ¥1.5 trillion over a three year period. In the environmental field that includes promoting research and development in areas such as grid control technology that would bring about the mass adoption of renewable energy, electrification/motorization and operation management technology, state-of-the-art materials, and CO_2 absorption and utilization and thus contribute to a net zero society.

(5) Work with suppliers toward a decarbonized society
- As part of the initiatives to promote carbon neutrality in our supply chain, starting in fiscal 2021 we plan to request that 70% of our suppliers (based on the total amount of our transactions and does not include publicly listed subsidiaries) formulate CO_2 reduction plans.

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Hitachi Sustainability Report 2021

/ Corporate Credo

Hitachi Group Identity `Approach` GRI 102-16

Hitachi's Mission is to contribute to society through the development of superior, original technology and products. This Mission has been carefully passed on to generations of employees and stakeholders throughout our 110-year history. Our Values reflect the Hitachi Founding Spirit of Harmony, Sincerity and Pioneering Spirit, which was shaped by the achievements of our predecessors in the company as they worked hard to fulfill the Mission. Our Vision was created based on our Mission and Values. It is an expression of what Hitachi Group aims to become in the future as it advances in its next stage of growth. Our Mission, Values, and Vision combine to form the Hitachi Group Identity. Based on the Hitachi Group Identity, and continuously considering the next generation, we promote corporate activities with a

view to the medium and long term informed by sensitivity to the needs of a changing 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.

The implementation of the plan is a way for us to fulfill our responsibilities as a good corporate citizen through 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, the guidelines for ethical behavior and decision-making shared by all executives and employees of the Hitachi Group.

Solidifying the Hitachi Group Identity

`Employee Engagement`

Hitachi promotes brand education through 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 through 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 2020, the award saw 275 applications from Hitachi Group employees around the world. Projects that represented the practice of the Hitachi Group Identity and contributed to a sustainable society by increasing social, environmental, and economic value were selected from various regions for the Grand Prix, including the Green & Digital Hospitals for the energy saving project in India. 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 award winning projects, was unveiled 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 improve people's quality of life every day while holding the Hitachi Group Identity close to their heart.

▶ Hitachi Group Identity

The mission that Hitachi aspires to fulfill in society	MISSION	Contribute to society through the development of superior, original technology and products.
The values crucial to the Hitachi Group in accomplishing its mission	VALUES	Hitachi Founding Spirit: Harmony, Sincerity, Pioneering Spirit
What the Hitachi Group aims to become in the future	VISION	Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

Hitachi Group Identity

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/ Sustainability Management

The 2021 Mid-term Management Plan and Sustainability   Approach

Hitachi practices sustainable management and places sustainability at the center of our business strategy and—in our 2021 Mid-term Management Plan ending in fiscal 2021—setting ourselves the goal of contributing to the realization of a sustainable world as a global leader of our Social Innovation Business. In working toward realization of this goal, Hitachi is focusing efforts on the three key areas of Environment, Resilience, and Security & Safety to contribute to the resolution of social and management issues. We remain committed to improving people's Quality of Life (QoL), as well as improving the value for customers.

We will expand our Social Innovation Business through collaborative creation using the knowledge in our business areas and our partners around the world and by providing Lumada, a solution that accelerates digital innovation as a cyber-physical system that allows the cyber and physical spaces to interact.

We continue to further merge sustainability and business to contribute to the resolution of social issues through initiatives like Society 5.0 and Sustainable Development Goals (SDGs).

2021 Mid-Term Management Plan

Social Innovation Business

▶ Hitachi's Business Vision
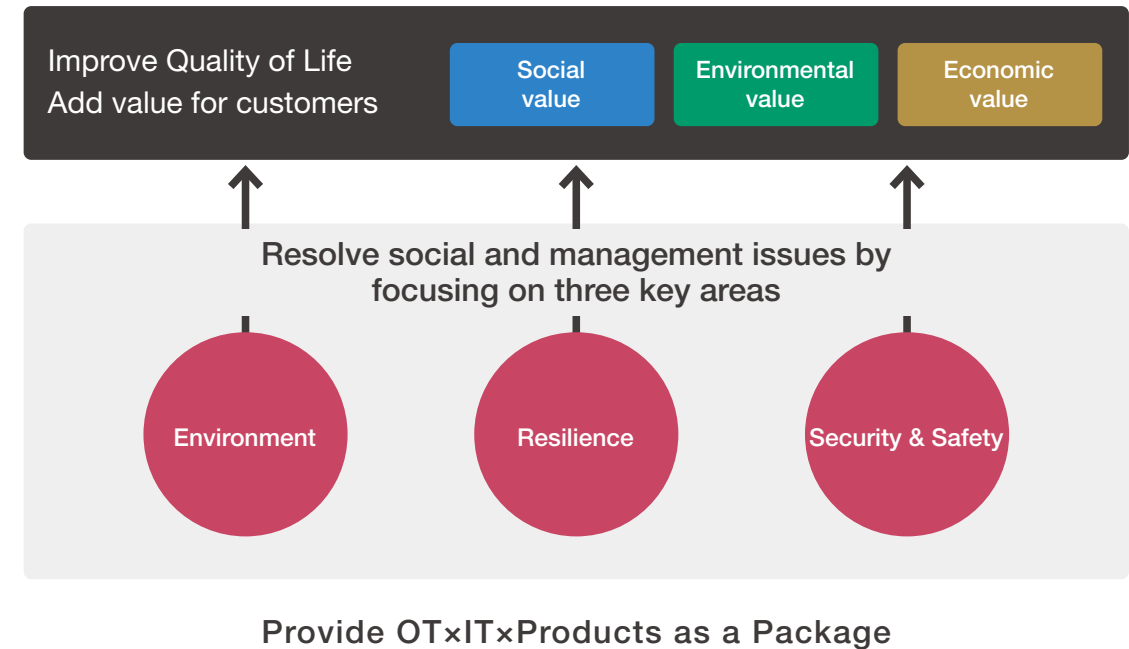
Improve Quality of Life
Add value for customers

| Social value | Environmental value | Economic value |

Resolve social and management issues by focusing on three key areas

Environment

Resilience

Security & Safety

Provide OT×IT×Products as a Package

LUMADA

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

Hitachi, Ltd.'s Executive Sustainability Committee, which is held twice a year, comprises Executive Chairman & CEO Toshiaki Higashihara, and other members of the Senior Executive Committee, along with the CEOs of every business unit. The committee discusses and reaches decisions on important policies and measures related to sustainability, shares progress and results, and finds ways to connect these to further improvements and new initiatives.

Sustainability Promotion Meetings holds twice a year that attended by sustainability strategy promotion officers from business units (business promotion division head–class), also established under the committee, formulate long-term corporate strategies focusing on ESG (environmental, social, and governance) to promote specific measures for advancing sustainability, including contribution to achieving the SDGs.

To review and discuss CSR initiatives, CSR Manager Meetings are regularly held by CSR and social contribution officers from business units and Group companies. Additionally, CSR officers at regional headquarters in the United States, Europe, China, Southeast Asia, India, and Australia, as well as environmental officers in the United States, Europe, and China work daily to cultivate mutual understanding and provide opportunities for general meetings in order to achieve cross-regional information sharing and cooperation.

To discuss and implement specific measures to achieve long-term environmental targets, the Eco-Management Meetings, whose members are environmental promotion officers from business units and Group companies, work

together with Sustainability Promotion Meetings. Global and Regional Environmental Meetings are also held regularly, allowing environmental initiative officers from regional headquarters outside Japan to share common practices and promote environmental initiatives.

Additionally, starting in fiscal 2021, in order to further accelerate human rights and diversity initiatives, newly established Human Rights Due Diligence (HRDD) Manager Meetings are held twice yearly to promote human rights due diligence. Also, the Diversity Development Council meets once or twice a year, along with periodic reporting and deliberations by the Executive Sustainability Committee on progress being made toward these efforts. We have worked with business units and key Group companies to strengthen our structure to promote human rights and diversity initiatives.

The Sustainability Promotion Division holds regular dialogue with stakeholders in each region in cooperation with regional headquarters. Through such dialogues,

we endeavor to grasp global social issues promptly, extensively, and deeply, incorporating them into the issues our management deals with. At the same time, this dialogue lets us safeguard our corporate responsibility in a global society and make continued efforts to improve as we strive to achieve sustainable management and a sustainable society.

As a company that maintains committees, including a Nominating Committee, Hitachi has an Audit Committee that conducts business auditing. The committee is made up of directors selected as Audit Committee members. Yearly reports concerning important matters related to sustainability are made by executive officers in charge, and feedback from the Audit Committee is put to advantageous use in the work of promoting sustainability.

▶ Fiscal 2020 Executive Sustainability Committee Agenda Items

Term	Agenda Items
April 2020	● Hitachi Environmental Innovation 2050 - Achieve Carbon Neutrality by 2030 at business sites (factories and offices) [bellow, Hitachi Carbon Neutrality 2030] - Cooperation with suppliers to promote CO₂ reduction in the upstream value chain
November 2020	● Reporting and structural enhancements related to the status of plans for achieving Hitachi Carbon Neutrality 2030 ● Approaches regarding goals for 2030 at the stage of product and service utilization

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▶ The Sustainability Strategy Promotion Structure

Executive Sustainability Committee	
Chair	Executive Chairman & CEO
Members	Senior Executive Committee members, CEOs of BUs, and corporate division heads
Key roles	Discuss and implement specific measures for sustainability strategy (including environment, human rights, and diversity and inclusion)
Frequency	Twice per FY (more than twice per FY from FY2021 on)

Sustainability Promotion Meetings
- **Members:** Business promotion division heads at BUs and key Group companies
- **Key roles:** Discuss and implement specific measures for sustainability strategy
- **Frequency:** Twice per FY

Eco-Management Meetings
- **Members:** Environmental promotion division heads at BUs and key Group companies
- **Key roles:** Discuss and implement concrete measures to achieve longterm environmental targets in sustainability strategy
- **Frequency:** Twice per FY

CSR Manager Meetings
- **Members:** CSR and social contribution officers from BUs and key Group companies
- **Key roles:** Discuss and implement CSR initiatives
- **Frequency:** Once or twice per FY

HRDD Manager Meetings
- **Members:** Members: HRDD officers from BUs and key Group companies
- **Key roles:** Provide information and knowledge necessary for HRDD implementation, and share status of implementation in BUs and key Group companies
- **Frequency:** Once or twice per FY

Diversity Development Council
- **Members:** Diversity development officers from BUs and key Group companies
- **Key roles:** Expand diversity and inclusion development policies and initiatives, and share best practices
- **Frequency:** Once or twice per FY

Secretariat
Sustainability Promotion Division

CSR and environmental officers from each regional headquarters

Secretariat
Sustainability Promotion Division
Diversity & Inclusion Development Center, Human Capital Group
Value Chain Integration Division

Secretariat
Diversity & Inclusion Development Center
Human Capital Group

Regional promotion managers and officers

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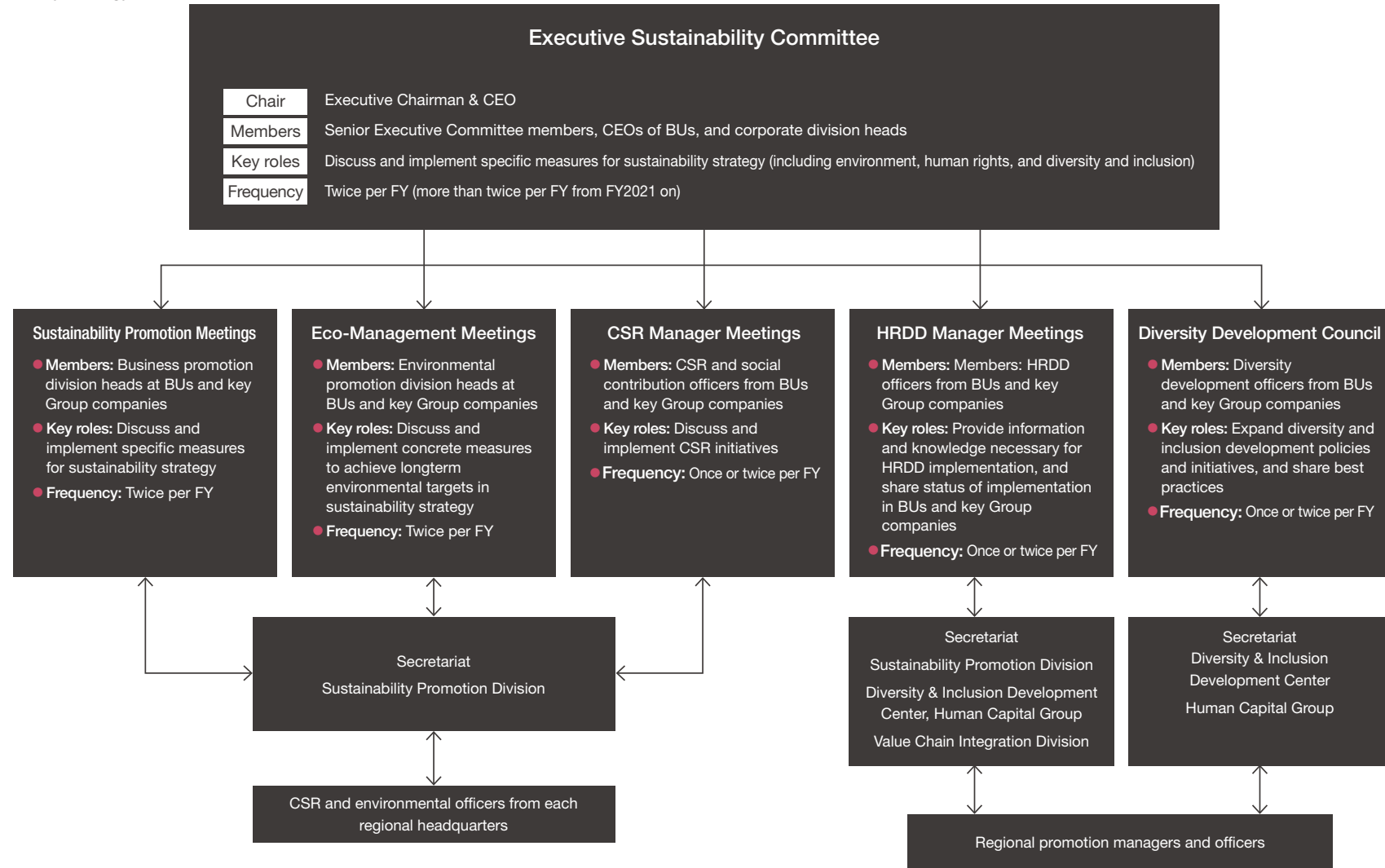Management   CEO's Message   Message from the Chief Environmental Officer   Environmental Strategy for Achieving a Decarbonized Society   Corporate Credo   Sustainability Management   Engagement and Initiatives   External Assessments and Awards

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Bolstering the Environmental Business Promotion Structure

Structure

In April 2021, Hitachi appointed Executive Vice President Alistair Dormer to Chief Environmental Officer, and established the Environment Business Growth Strategy Division. These steps will enable us to accelerate the pace of environmental value creation achieved through business.

Identifying Priority Initiatives as Strategic Focus Areas

Activities   GRI102-47

Looking forward to 2030 and what we aim for society and our company to become by then, Hitachi is focusing efforts on value creation in areas we consider to be of key importance. In working to realize Hitachi's goals of improving people's QoL and increasing our customers' corporate value, we have mapped out focus initiatives taking into account the degree of impact for Hitachi and the degree of interest and importance for all our stakeholders in order to make society and Hitachi's management sustainable. We have identified particularly high-priority initiatives among these as Strategic Focus Areas.
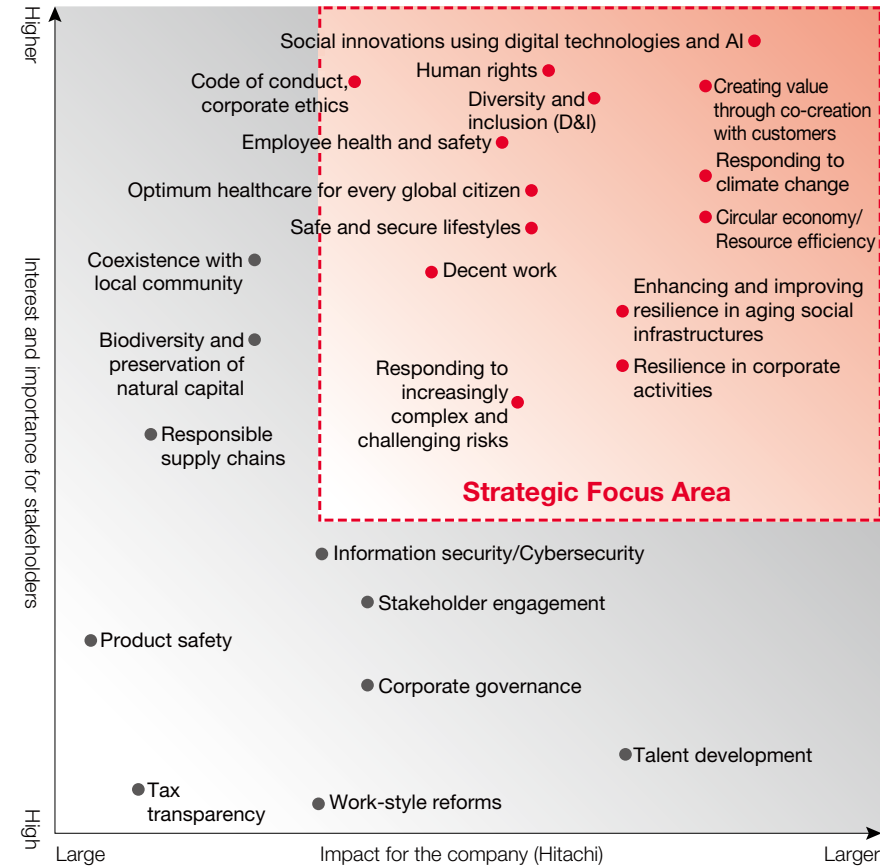
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Strategic Focus Area	Recognition of Issues and Strategies	Initiatives/KPIs		Relevant SDGs
Enhancing and improving resilience in aging social infrastructures	Society and the economy are always potentially susceptible to highly unpredictable risks such as natural disasters, pandemics and cyberattacks. Public services and corporate activities must be able to recover quickly even in times of disaster. We face also the urgent need to create a society in which everyone can benefit equally from the public services delivered by rapid digitalization. Hitachi provides systems and solutions to that make society and corporate activities more robust, thereby contributing to a more resilient society.	● Expand businesses that support public infrastructure and services ● Expand businesses that support business operations such as finances, industry, logistics, and cybersecurity	● Value creation story in five sectors and the Automotive Systems business ⬈ Hitachi Integrated Report 2021(P52-69)	
Resilience in corporate activities				
Human Rights	Hitachi's Social Innovation Business adds to the vitality of society and people's lives. Hitachi is managing its workplaces and maximizing the potential of its diverse talent pool in line with our basic philosophy that "Health and Safety Always Come First." We respect all people, including co-creation partners and those who support the value chain, contributing to a society in which everyone can work safely and with peace of mind. By encouraging the participation of diverse talent, we will promote active co-creation between Hitachi and its partners and accelerate the creation of new value through the Social Innovation Business.	● Respect human rights	● Training completion ratio ● Auditing of supply chains	
Employee health and safety		● Thorough work safety and hygiene	● Reduce work-related accidents ● Promote health	
Diversity and inclusion (D&I)		● Promote diversity and inclusion (D&I)	● Ratio of non-Japanese and female executives and corporate officers ● Number of non-Japanese and female employees ● Number of female managers ● Employment of people with disabilities	
Decent work		● Put in place and promote workplace environments that are comfortable and satisfying for employees	● Participation rate in Global employee survey/engagement index ● Create learning opportunities ● Autonomous career support through HR management initiatives ● Put in place a remote working environment ● Promote social contributions	
Code of conduct, corporate ethics	Amid the rapid growth of Hitachi's businesses and partners on a global scale, the effective management of corporate compliance, geopolitical risks and business risks is essential to the continuation of highly reliable business activities. Hitachi recognizes that sharing codes of conduct, ensuring thorough compliance with laws and regulations and promoting risk management are particularly important to sustainable growth. We are also undertaking initiatives to augment our corporate governance function.	● Compliance		
Responding to increasingly complex and challenging risks		● Build and operate risk management systems	● Respond to risks and opportunities	

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Establishment of Principal ESG-Related KPIs and Linking It with Executive Officers' Compensation

Goals | **Activities**

As part of promoting sustainability, we have established KPIs for key ESG challenges, and promote activities to help achieve them. In addition, ESG-related KPIs corresponding to executive officers' scope of work are set as criteria for evaluation regarding appropriate compensation for their duties.

Achievements in and after Fiscal 2020

In May 2020, we declared a target: to achieve carbon neutrality in our business sites (factories and offices) by fiscal 2030. Following this, we created a new target in September 2021: to achieve carbon neutrality through entire value chain by 2050.

Additionally, in order to accelerate environmental value creation, we have incorporated environmental value as part of the executive officer compensation system from April 2021. The targeted environmental value is determined through dialogues between the president and executive officers.

● Key ESG-Related KPIs

✓ Achievement of goal, or progress being made toward achievement
✕ Goal not achieved (for fiscal 2020 goals)
[ ] Bracketed items in the Achievements column show initial fiscal 2020 targets

	KPI	Achievements in FY 2020	Progress made toward the goal and achievements in made	Target		Relevant Page
Environment	Business Sites (Factories and Offices) Reduction rate of CO$_2$ emissions (base: FY 2010)	39%	✓	FY 2021	20% or higher	P031
				FY 2030	100% (carbon neutrality)	
				FY 2050	(Maintain 100%)	
	Reduction rate in water use per unit (Hitachi Group) (base: FY 2010)	24%	✓	FY 2021	26% or higher	P057
				FY2050	50%	
	Reduction rate in waste and valuables generation per unit (Hitachi Group) [Base: FY 2010]	14%	✓	FY 2021	12% or higher	P062
				FY 2050	50%	
Society	Digital talent (Hitachi Group)	Approx. 35,000 people	✓	FY 2021	37,000 people	P102
	Number of Data scientists (Hitachi Group)	Approx. 3,000 people (Achieved ahead of schedule)	✓	FY 2021	3,000 people	
	Number of Top-class AI talent (Hitachi Group)	356 people (Achieved ahead of schedule)	✓	FY 2021	350 people	P086
	Ratio of female executives and corporate officers (Hitachi, Ltd.)	10.1%[1] [10%]	✓	FY 2024	15%[1]	P106
				FY 2030	30%[1]	
	Ratio of non-Japanese executives and corporate officers (Hitachi, Ltd.)	11.6%[1] [10%]	✓	FY 2024	15%[1]	
				FY 2030	30%[1]	
	Number of female managers in Japan (Hitachi, Ltd.)	800 people[2] [800 people]	✓	—	—	
	Fatal accidents (Hitachi Group)	3 cases	—	2021	0	
	Fatal accidents (Hitachi, Ltd.)	0 cases	✓	2021	0	
	Lost time accidents (Hitachi Group)	314 cases	—	2021	Halve the number compared to 2018 (253 cases)	P116
	Lost time accidents (Hitachi, Ltd.)	4cases	—	2021	Halve the number compared to 2018 (3 cases)	

[1] Personnel reassignments are included as of April 1, 2021, for FY 2020, April 1, 2025, for FY 2024, and April 1, 2031, for FY 2030
[2] The number of female managers in Japan is as of October 2020

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Contribution to the SDGs

The SDGs and Hitachi's Social Innovation Business

Approach   GRI 102-11

We consider the Sustainable Development Goals (SDGs) an important initiative for realizing a sustainable society and improving people's Quality of Life (QoL) through solving global social and environmental issues. We have significantly contributed to achieving the SDGs through our Social Innovation Business which also serves as a source of sustainable growth for us.

Accordingly, through the provision of innovative solutions and products in our Social Innovation Business, we will strive to create social, environmental, and economic value as part of our management strategy. We will also endeavor to reduce negative social and environmental impacts resulting from our business and seek a deeper understanding of business risks arising from social and environmental changes to ensure greater resilience against negative impacts.

Hitachi's Priority SDG Issues

Policy

At the Executive Sustainability Committee chaired by Executive Chairman & CEO Toshiaki Higashihara, the committee members considered the 17 SDGs and the opportunities and risks they presented. After this, they identified five goals where we can make a particularly significant impact through our key businesses and six goals that we can contribute to through our entire corporate

activities. We view the latter six goals as relevant to our entire business and management strategies and that make an impact on corporate sustainability.

Because we are active in a broad range of business fields, we believe we can contribute extensively to the achievement of SDGs in addition to the 11 goals identified. Understanding that all SDGs are mutually related, we will endeavor to contribute to the achievement of all 17 SDGs both directly and indirectly.

By proactively responding to social issues, Hitachi contributes to the achievement of all SDGs through its responsible corporate conduct and its Social Innovation Business.

Corporate Commitment

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

Business Strategy

3 GOOD HEALTH AND WELL-BEING | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE DEVELOPMENT G🌀ALS

Hitachi contributes to the achievement of all SDGs both directly and indirectly through its business activities.

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Road Map to Achieve Hitachi's Priority SDG Issues

[Goals] [Activities]

Developing a sustainable society as defined by the SDGs will also lead to sustainable growth for Hitachi. We believe that we are providing value not only to the companies and consumers that are our direct customers but also to society more broadly. This is the essence of our Social Innovation Business. The products and services that we provide are all closely linked to social sustainability. We aim to be a global leader in sustainability through our efforts to help achieve the SDGs.

Specifying the Social Impacts of the Goals of the SDGs Will Contribute to Hitachi's Business Strategy

[Activities]   GRI 102-47/103-1

Since fiscal 2019, Hitachi has urged business units and Group companies to promote visualization of social and environmental impacts in order to create the social, environmental, and economic value called for in the 2021 Mid-term Management Plan.

Specifically, after selecting their key businesses, each business unit and Group company chose the relevant items from the list of social and environmental impacts and sorted them by positive and negative impacts. They then identified the stakeholders involved in each impact and summarized them in a logic model.

This helped not only to visualize what kind of impacts Hitachi and its customers have on society but also enabled them to maximize positive impacts while minimizing negative ones.

Phase1,2	Phase3	Phase3	Phase4
Understand sustainability and the SDGs, clarify how key businesses are linked to the SDGs	Incorporate sustainability perspectives in our management strategy	Explore new business possibilities based on the motives of solving social issues	Seek to create businesses based on the motives of solving social issues
FY 2017	FY 2018	FY 2019	FY 2020 —
• Increase understanding through sustainability messages from the CEO, symposiums, workshops, newsletters, etc. • Work with planning divisions and other relevant departments at business units and key Group companies to clarify how their businesses are linked to the SDGs in terms of business opportunities and risks.	• Incorporate the vision of Hitachi's future business and growth originating from achieving the SDGs and sustainability (solving social issues) in the 2021 Mid-term Management Plan business strategy, based on the knowledge that realizing a sustainable society will make sustainable growth possible for Hitachi.	• Promote management focusing on social, environmental, and economic value. • Explore building a framework for assessing the impact of non-financial value created by the five focus sectors set out in the 2021 Mid-term Management Plan.	• Expand application to consideration of new businesses and impact evaluation for existing businesses. • Promote establishment of a collaborative system with sales divisions to enhance sustainability.

The measures will be taken in collaboration with business units, major Group companies, corporate-related departments, and global sites (regional strategies).

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/ Engagement and Initiatives

Stakeholder Engagement   GRI 102-40/102-43

Approaches to Engagement

Approach   Investors Relations   Disclosure Policy

In our commitment to promoting our Social Innovation Business, we endeavor 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.

Stakeholders	Main Roles	Main Divisions	Means of Communication (Results in FY 2020)		Pages
Customers	Creation of better products and services, response to complaints, appropriate disclosure of information on products and services	Quality Assurance/Sales	● Customer satisfaction activities ● Marketing ● Website	● Advertising activities ● "Global Brand Campaign" (14 locations) ● Holding the Hitachi Social Innovation Forum (9 countries in 3 regions)	Quality and Product Safety Management P137-138 Information Management P181-182 Customer Satisfaction P139-140
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	● Financial results briefings (quarterly) ● General shareholders' meeting (annual) ● Business strategy briefing "Hitachi Investor Day" (annual) ● Stakeholder dialogue (annual)	● One-on-one meetings with institutional investors and analysts (approx. 660 meetings) ● IR tools: Integrated Report, business reports, etc. ● Information disclosure on website for stakeholders and investors	Stakeholder Engagement P019-020
Suppliers	Building fair and sound business relations, smooth information sharing toward better partnerships	Procurement	● Procurement activities ● CSR monitoring (271 companies) ● CSR audits (27 companies) ● CSR procurement seminars (450 companies)		Responsible Procurement P132-136 Respect for Human Rights Throughout the Value Chain P125-129
Employees	Proper treatment, promotion of occupational health and safety of human capital	Public Relations/ Human Capital	● Intranet, in-house newsletters ● Training ● Town hall meetings between senior management and employees (President & CEO: 7 meetings, executive vice presidents: 8 meetings) ● Employee survey (annual) ● "Make a Difference!" idea contest		Stakeholder Engagement P019-020 Global Human Capital Management P094-100 Diversity and Inclusion P105-109 Work-Life Management P110-113 Occupational Health and Safety P114-122 Freedom of Association and Collective Bargaining P123
National and Local Governments, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	Government and External Relations	● Academic research for policy recommendations to international organizations and national governments, lobbying activities ● Policy council participation (Japan) ● Participation in business and industry associations (Japan)		Stakeholder Engagement P019-020 Main Initiatives and Groups Hitachi Is Involved with P021 Main Groups in Which Hitachi Participates P024

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Stakeholders	Main Roles	Main Divisions	Means of Communication (Results in FY 2020)	Pages
Local Communities	Fulfillment of responsibilities as a corporate citizen, involvement in local communities	Social Contributions/All Business Divisions	• Contribution to local communities through business • Participation in volunteer activities	Social Contribution Activities P142-145
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	Research and Development	• Open innovation (joint research)	Innovation Management P083-090
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contributions through nonprofit activities	Sustainability Promotion	• Stakeholder dialogues (annual) • Dialogue through collaboration	Stakeholder Engagement P019-020 Social Contribution Activities P142-145
Global Environment	Realization of a decarbonized society, a resource efficient society, a harmonized society with nature	Environment/All Business Divisions	• Stakeholder dialogues about environment (annual)	Stakeholder dialogues P020 Environment P027-079

Promoting Engagement

Structure

The outcomes of communication with stakeholders are shared with the respective divisions and actively utilized as valuable insights into our business. Public interest is growing in how corporations are taking in stakeholders' voices to improve their businesses, and we will continue to globally develop and promote ways of capitalizing on the opinions of the members of society with whom we engage with in our business activities.

Stakeholder Dialogues

Activities   Case Study   GRI 102-42/102-44

Hitachi organizes stakeholder dialogues in countries and regions around the world to invite opinions on social challenges from stakeholders representing specialized knowledge platforms, and it ensures that their insights are reflected in the business activities conducted at each of Hitachi's global businesses and business units.

Achievements in Fiscal 2020

In March 2021, Hitachi Europe held a two-day online dialogue on the theme of Hitachi's approach toward a zero-carbon society with stakeholders. The event was attended by 29 participants including company management executives, managers involved with sustainability, policy makers, investors and NGOs.

Over the course of the two-day event, the participants engaged in wide-ranging and lively discussions covering everything from sharing issues for the promotion of carbon neutrality with one another from their various perspectives to their expectations of companies from the viewpoint of policy and what information companies are expected to disclose. In addition to this, Alistair Dormer, Hitachi, Ltd.'s executive vice president, expounded on Hitachi's environmental strategy and received a great deal of feedback from the participants.

Looking forward, we will continue to promote active dialogues with stakeholders and work to improve social and environmental value by putting what we learn through this process to advantageous use in the management of the company.

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Main Initiatives and Groups Hitachi Is Involved with   Activities   GRI 102-11/102-12

Based on its corporate credo of "contribute to society through the development of superior, original technology and products," Hitachi has advanced its Social Innovation Business in order to help realize a sustainable society. As part of this, to play its proper role as a global corporation, Hitachi actively participates in international initiatives addressing social issues on a global scale.

Initiative/Group	Logo	Activities
United Nations Global Compact	WE SUPPORT UN GLOBAL COMPACT	Officially became a participant in 2009. Joined workshops organized by the Global Compact Network Japan on ten different topics including supply chain management, ESG, and SDGs in fiscal 2020
World Business Council for Sustainable Development (WBCSD)	wbcsd member	Became a member in 1995 Adopted SOS 1.5 project in 2020
Business for Social Responsibility (BSR)	BSR	Became a member in 2007 and have participated in the Human Rights Working Group (HRWG) since 2016
World Economic Forum (WEF)	WORLD ECONOMIC FORUM	Participated in Davos Forum since 2014
Task Force on Climate-related Financial Disclosures (TCFD)	TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Announced its support for TCFD in 2018 and disclosed climate-related information based on the TCFD recommendations

Initiative/Group	Logo	Activities
Race To Zero campaign	RACE TO ZERO	Joined in 2020, along with Business Ambition for 1.5°C commitment
Business Ambition for 1.5°C	BUSINESS AMBITION FOR 1.5°C	Became a member in 2020, along with SBT1.5°C certification
Japan Climate Initiative (JCI)	JAPAN CLIMATE INITIATIVE	Became a member in 2018. Also a member of the JCI Race to Zero Circle established in 2021
The Valuable 500	The Valuable 500	Participated in 2021
Tokyo Zero-emission Innovation Bay	Zero-emission Bay Tokyo Zero-emission Innovation Bay	Became an organizing institution in conjunction with its establishment in 2020

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International Standardization Activities

Hitachi's 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, and end 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, 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. In order to fulfill our duties as a global company, Hitachi actively participates in associations involved with standardization activities in various industries and regions.

*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 Assessment of Hitachi's International Standardization Activities

Activities

Hitachi's international standardization activities have been receiving favorable appraisals from outside the company. In fiscal 2020, we received public recognition from the Ministry of Economy, Trade and Industry (METI), the IEC Activities Promotion Committee of Japan, the Telecommunication Technology Committee (TTC), and the Information Technology Standards Commission of Japan (ITSCJ), among other organizations.

Structure for Promoting International Standardization Activities

Structure

As part of the initiatives related to international standardization activities, 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, 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

*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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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.

Achievements in Fiscal 2020

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 of sustainable and human-centered societies enabled with cyber-physical systems).

▶ Hitachi Group Standardization Committee

Head: Hitachi, Ltd. executive officer in charge of R&D	Members: International Standardization Officers of Hitachi business units and key Group companies	Priority Theme 1 Working Group
Steering Committee		Priority Theme 2 Working Group
		Priority Theme 3 Working Group

Hitachi Group Standardization Committee

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- External Assessments and Awards

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Main Groups in Which Hitachi Participates `Activities` GRI 102-13/203-2

As part of developing Hitachi's Social Innovation Business on a global scale, we view government institutions and related organizations in Japan and other countries around the world as important partners both as customers and supporters. Our Government & External Relations Group leads our efforts to strengthen ties with these bodies. The Government & External Relations Group seeks to collaborate with local communities by making Group-wide efforts to work with governments and international organizations in each country, and at the same time, they also work to discover new business opportunities for Hitachi in response to 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 help build a better society.

▶ Participation in Government Councils/Business and Industry Associations

Council/Group	Participant	Activities
Panel discussion regarding Infrastructure System International Expansion Strategy 2025 (Cabinet Secretariat)	Executive Chairman & CEO Toshiaki Higashihara attended as a private sector member	● 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 & CEO Toshiaki Higashihara attended as the vice chair	● Establishing sustainable capitalism that achieves SDGs through policy recommendations for realizing Society 5.0 under the theme of "Society 5.0 for SDGs."
Japan Electronics and Information Technology Industries Association (JEITA)	Executive Chairman & CEO Toshiaki Higashihara attended as the vice chair	● 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)	Executive Chairman & CEO Toshiaki Higashihara attended as the chair	● 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
World Economic Forum (WEF)	Executive Officers centered on Executive Chairman & CEO Toshiaki Higashihara and President & COO Keiji Kojima	● 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-US Business Council	Executive Chairman & CEO Toshiaki Higashihara attended as an organizing Executive Committee member	● Exchanging opinions and proposing policies regarding various issues with Japan-US economic relations from the point of view of the Japan-US business community as a whole
National Association of Manufacturers	Hitachi Corporate Office in Washington DC	● 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 Public Relations and Sustainability Division	● 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

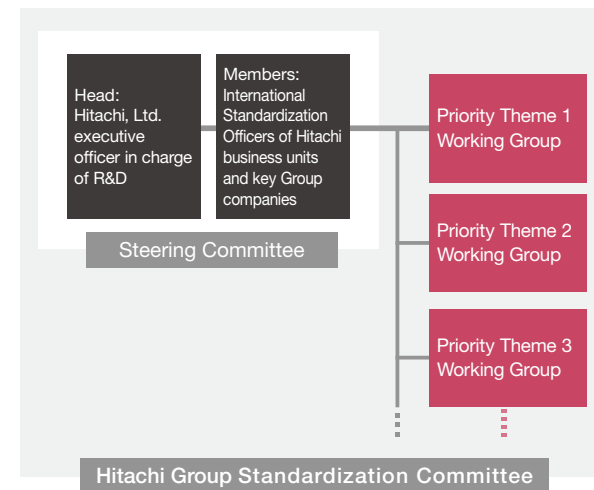Contents   Introduction   Management   Environmental   Social   Governance   Assurance

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Management

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/ External Assessments and Awards

External Assessments and Awards   `Activities`

Hitachi actively pursues a range of activities aimed at developing a more sustainable society. These activities have earned the Hitachi Group high marks from numerous external organizations.

Actively Responding to ESG Assessments

The Hitachi Group is proactively responding to the external assessments that are required to be selected as a target for ESG[1] investment.

Hitachi, Ltd. received high scores from the CDP[2] which ranks companies based on their environmental practices and the quality of their disclosures. We received an A, the highest score, for water security, and an A- for climate change. We have now also been included in the FTSE4Good Index Series[3] for the first time.

Among Group companies, Hitachi Construction Machinery was selected for the Dow Jones Sustainability Asia Pacific Index (DJSI[4] Asia Pacific); Hitachi Metals was selected for the MSCI Japan Empowering Women Index (WIN)[5], and both companies were selected for the MSCI Japan ESG Select Leaders Index[6] and the FTSE4Good Index Series.

[1] ESG stands for "environmental, social, and governance"—key factors in promoting socially responsible investment.
[2] CDP is a UK-based international nonprofit organization that rates corporate initiatives and transparency in the three areas of climate change, water security, and forests using an eight-level scale of A to D-.
[3] FTSE4Good Index Series: One of the indexes calculated by the London Stock Exchange, that is owned by the FTSE Group and which selects component stocks based on their ESG performance, specifically environmental management, climate change mitigation, human rights and workers' rights, supply chain labor standards, and bribery and corruption prevention.
[4] DJSI: A family of ESG indexes developed by Dow Jones & Company (USA) and RobecoSAM (Switzerland) that includes global and regional indexes with specific compositions. DJSI World, for example, selects on a global basis, while the DJSI Asia Pacific Index covers Japan, Asia, and Australia.
[5] MSCI Japan Empowering Women Index (WIN): A stock price index comprising companies in Japan selected for their high degree of engagement by female employees based on criteria formulated by the world-renowned index calculation company MSCI.
[6] MSCI Japan ESG Select Leaders Index: The MSCI Japan ESG Select Leaders Index targets 50% of the free float-adjusted market capitalization of each Global Industry Classification Standard [i](GICS®) from a free float-adjusted market capitalization weighted index based on the MSCI Japan IMI Top 700 Index, its parent index, which includes large, mid and small-cap securities in the Japanese markets and is designed to target companies that have high Environmental, Social and Governance (ESG) performance.

▶ CDP Scores for Fiscal 2020

Company	Score	
Hitachi, Ltd.	**Climate change:** A-	**Water security:** A
Hitachi Metals	**Climate change:** B-	**Water security:** B-
Hitachi Construction Machinery	**Climate change:** A-	**Water security:** B

▶ Results of ESG External Analysis in Fiscal 2020

Institution	Index	Companies selected
FTSE	FTSE4Good Index Series FTSE Blossom Japan Index	Hitachi, Ltd., Hitachi Metals, Hitachi Construction Machinery
MSCI	MSCI Japan ESG Select Leaders Index	Hitachi Metals, Hitachi Construction Machinery
	MSCI Japan Empowering Women Index (WIN)	Hitachi Metals
S&P Global	Dow Jones Sustainability Asia Pacific Index	Hitachi Construction Machinery

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Management

Management

CEO's Message

Message from the Chief Environmental Officer

Environmental Strategy for Achieving a Decarbonized Society

Corporate Credo

Sustainability Management

Engagement and Initiatives

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Diversity Management Selection 100

In 2013, Hitachi, Ltd. was included in the Diversity Management Selection 100, an initiative of Japan's Ministry of Economy, Trade, and Industry (METI). The Diversity Management Selection 100 system chooses and recognizes companies that have achieved high results in such areas as improving innovation and productivity by using the talents of diverse employees, including women, different nationalities, older employees, and people with disabilities. Hitachi was lauded for going beyond simply introducing diversity programs to promoting diversity management Group-wide as a corporate strategy backed by strong management commitment. Additionally, the Group company Hitachi High-Tech was selected to be included in the New Diversity Management Selection 100 in 2021.

Kurumin Certification

Hitachi, Ltd. has received Kurumin certification in 2011 *1. 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.

*1 Hitachi Group companies with Kurumin certification include Hitachi Construction Machinery Co., Ltd., Hitachi High-Tech, Hitachi Urban Investment, Ltd., Hitachi Systems, Ltd., and Hitachi Solutions, Ltd.

Eruboshi Certification

Hitachi, Ltd. promotes diversity as an important component of its management strategy and strives to create work environments that enable its diverse human capital 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 the Act on Promotion of Women's Participation and Advancement in the Workplace. Hitachi, Ltd. was awarded class 2 (there are three categories); other Group companies receiving Eruboshi certification include Hitachi Metals, Hitachi High-Tech, Hitachi Systems, and Hitachi Solutions which were all awarded class 3 certification.

WICI Japan Integration Reporting Awards 2020 and the 23rd Nikkei Annual Report Awards 2020

The Hitachi Integrated Report 2020 was awarded the Gold, the highest award, at the WICI Japan Integration Reporting Awards 2020.

The award was given on the basis of the integrated thinking informing our implementation of management, the way medium- to long-term value creation capabilities were indicated clearly with their relation to various stakeholders, and for our appraisal as a company with promising potential in further business value improvement, looking forward. Our report was also awarded the Semi Grand Prix at the 23rd Nikkei Annual Report Awards 2020.

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Environmental

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🌍 Environmental

Striving to Increase Environmental Value

Hitachi aims to achieve a decarbonized society, a resource efficient society, and a harmonized society with nature under its Environmental Vision.
To this end, we strive to achieve the long-term environmental targets of Hitachi Environmental Innovation 2050 not just within Hitachi itself but across our entire value chain.

Additionally, we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are actively advancing our efforts to clarify and disclose information on climate-related risks and opportunities.

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Environmental GRI 103-2

Relevant SDGs

Why
— Why it matters —

Hitachi's corporate credo 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 2030 and 2050 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 —

Policy and promotion structure	Important items related to environmental initiatives are deliberated by the Executive Sustainability Committee which is chaired by the executive chairman and CEO of Hitachi, Ltd. and attended by top Hitachi executives, and environmental activities are implemented.

Achievements in Fiscal 2020

Enhance environmental governance/environmental management system	Registered data from about 1,000 business sites in 63 countries in the Environmental Data Collection System (Eco-DS) to estimate environmental load
	A total score of 223 GPs in the GREEN 21 evaluation of our Environmental Action Plan
"Eco-Factories & Offices Select" certification	Under "Eco-Factories & Offices Select," of our approximately 1,000 facilities, recorded 13 new certifications, and 57 renewed certifications (total certified facilities: 70)
Environmental human capital development	Rolled out Introduction to Sustainability e-learning materials for general education globally
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): 34%

Achieving a Decarbonized Society

What
— What we are doing —

- Expanding the decarbonization business
- Improving the environmental performance of products and services through Environmentally Conscious Design Assessments

How
— How we are doing it —

Long-term environmental targets	· Achieve carbon neutrality throughout our value chain by fiscal 2050 and reduce CO_2 emissions 50% by fiscal 2030 (compared to fiscal 2010) · Achieve carbon neutrality at business sites (factories and offices) by fiscal 2030

Achievements in Fiscal 2020

Reduction of CO_2 emissions	Reduction rate of CO_2 emissions per unit of products and services: 20%
	Reduction rate of CO_2 emissions per unit at business sites (factories and offices): 1.4%

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- Reducing CO_2 emissions and achieving carbon neutrality at business sites (factories and offices)
- Introducing the Hitachi Internal Carbon Pricing (HICP) framework
- Introducing renewable energy

Promotion of the HICP framework	Implemented investment in energy-saving equipment in 22 cases totaling ¥250 million through HICP
Introduce Renewable Energy	Tripled the previous fiscal year's use of electricity from renewable sources

Achieving a Resource Efficient Society

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

How — How we are doing it —

Long-term environmental targets
- 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)

Achievements in Fiscal 2020

Reduction of water use per unit	Reduction rate in water use per unit: 24%
Respond to water risks	· Revised our Water Risk Guidelines · Promoted measures based on water risk survey results
Build a society that uses resources efficiently	· Promoted recycling activities for each product
Reduction of waste and valuables generation per unit	Reduction rate in waste and valuables generation per unit: 14%

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 Fiscal 2020

Reduce the rate of chemical atmospheric emissions per unit	Reduction rate in chemical atmospheric emissions per unit: 33%
Manage chemical substances in our products	Revised list of Voluntarily Controlled Chemical Substances in accordance with Toxic Substances Control Act (TSCA)
Calculation of positive and negative impact on natural capital	Built calculation methods for positive impacts (e.g., benefits of forest conservation activities) and negative impacts into the Environmental Data Collection System (Eco-DS) and started to collect data

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/ Advancing Our Environmental Vision and Long-Term Environmental Targets

The Environmental Vision and Hitachi Environmental Innovation 2050   Policy   Goals   GRI 102-11/ 102-15/103-2

Hitachi's Mid-term Management Plan places an emphasis on environmental value clearly indicating the company's commitment to delivering strong environmental performance. In response to the adoption of the Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs), in 2016 we established a set of long-term environmental targets under the banner of Hitachi Environmental Innovation 2050 and have been working toward achieving them. The IPCC Special Report on Global Warming of 1.5℃ published in 2018 states that greater efforts will be required in order to limit the global temperature increase to 1.5℃. In response, regions and countries around the world, including the European Union and Japan, have been stepping up their commitments. At Hitachi, we had set a long-term environmental target of reducing CO_2 emissions by 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010). However, in consideration of recent trends both internal and external, and in recognition of the corporate social responsibility Hitachi is expected to fulfill, we have now revised our target of achieving a decarbonized society as described below, explicitly aiming to achieve carbon neutrality.

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. Implementation of the Environmental Action Plan for 2021, covering fiscal 2019–2021 and formulated in line with the 2021 Mid-term Management Plan, is currently underway, and we are steadily accumulating achievements as we work to meet the detailed KPIs that the plan includes.

▶ 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**	For **a resource efficient society**	For **a harmonized society with nature**
Achieve **carbon neutrality** by FY 2050 through the value chain Reduce CO_2 emissions **50%** by FY 2030 (compared to FY 2010) Achieve **carbon neutrality** by FY 2030 at business sites (factories and offices)	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)	Impact on natural capital **Minimized**

Environmental Action Plan

Set environmental action items and targets every 3 years in order to achieve the long-term targets

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Efforts to Achieve a Decarbonized Society

● Achieve carbon neutrality throughout our value chain by fiscal 2050 and reduce CO_2 emissions by 50% by fiscal 2030 (compared to fiscal 2010)

● Achieve carbon neutrality at business sites (factories and offices) by fiscal 2030

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Progress in Reaching Long-Term Environmental Targets

Goals   Activities

We are making progress on major targets, as shown in the table below, and we are generally on track. We will continue increasing our efforts to achieve these long-term 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 CO_2 emissions by providing products with top-tier environmental performance.

Efforts to Achieve a Decarbonized Society

Reduced CO_2 Emissions at Business Sites (Factories and Offices)

	FY 2020 result	FY 2021 target	FY 2030 target	FY 2050 target
Reduction rate of total CO_2 emissions (base: FY 2010, Hitachi Group)	39%	20% or higher	100% (carbon neutral)	(Maintain 100%)

Efforts to Achieve a Resource Efficient Society

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

	FY 2020 result	FY 2021 target	FY 2030 target	FY 2050 target
Reduction rate in water use per unit (base: FY 2010, Hitachi Group)	24%	26% or higher	—	50%

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

	FY 2020 result	FY 2021 target	FY 2030 target	FY 2050 target
Reduction rate in Waste and Valuable Generation use per unit (base: FY 2010, Hitachi Group)	14%	12% or higher	—	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 promotes its steady implementation.

Environmental Action Plan for 2021 (Fiscal 2019–2021)

Goals   Activities

Hitachi is promoting environmental activities under the 2021 Environmental Action Plan (fiscal 2019–2021) that are based on the 2021 Mid-term Management Plan. The targets set for fiscal 2020 and fiscal 2021 as well as the actual results for fiscal 2020 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.

Environmental Management

Items	Indicators	FY 2020 targets	FY 2020 results (achievement level)	Final FY (2021) targets
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)	50%	34%◆◆	80%

A Decarbonized Society

Items	Indicators	FY 2020 targets	FY 2020 results (achievement level)	Final FY (2021) targets
Reduce CO$_2$ emissions of products and services	Reduction rate of CO$_2$ emissions per unit (base: FY 2010)	20%	20% ◆◆◆	21%
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] (base: FY 2010)	8%	1.4% ◆◆	9%
Reduce CO$_2$ emissions from transportation (shipping)	Reduction rate of transportation energy consumption per unit (Japan)[*2] (base: FY 2010)	10%	1% ◆◆	11%

A Resource Efficient Society

Items		Indicators	FY 2020 targets	FY 2020 results (achievement level)	Final FY (2021) targets
Water circulation (factories and offices)	Enhancing efficiency in the use of water	Reduction rate in water use per unit (base: FY 2010)	24%	24% ◆◆◆	26%
	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 (base: FY 2010)	11%	14% ◆◆◆	12%

A Harmonized Society with Nature

Items		Indicators	FY 2020 targets	FY 2020 results (achievement level)	Final FY (2021) targets
Chemical substances (factories and offices)	Reduce chemical emissions	Reduction rate in chemical atmospheric emissions per unit (base: FY 2010)	17%	33% ◆◆◆	18%
Ecosystem preservation	Reduce impact on natural capital	Calculation of negative impacts (environmental impact assessment of business activities)			
		Calculation of positive impacts (forest conservation activities)			
	Contribute to ecosystem preservation	Promotion of ecosystem preservation activities			

Environmental Action Plan Achievement Evaluation System: GREEN 21

*1 Reduction rate of CO$_2$ emissions per unit refers to reductions in CO$_2$ 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 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 Fiscal 2020

The overall evaluation, which is the sum of the evaluation scores for each category, was 223 GPs which is lower than the reference score of 240 GPs in fiscal 2020. 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 CO_2 emissions per unit of business site came in below the targets.

▶ GREEN 21: Fiscal 2020 Evaluation Results (Hitachi Group)

· · · · · · FY 2020 reference score: 240 GPs

▬ FY 2020 result: 223 GPs
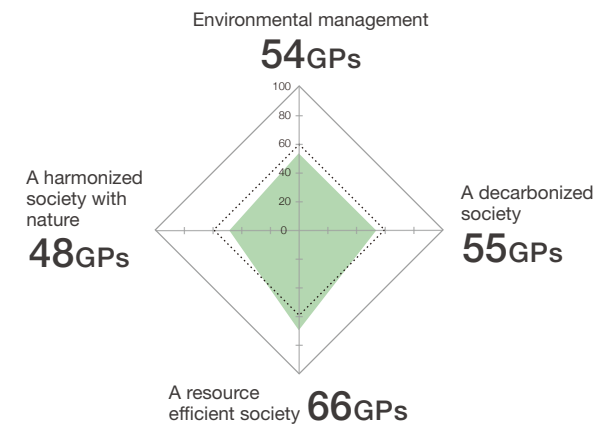
Environmental management
54GPs

A harmonized
society with
nature
48GPs

A decarbonized
society
55GPs

A resource
efficient society **66**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., is enhancing environmental governance by building a global structure to support environmental decision making and implementation at Hitachi, Ltd. and consolidated subsidiaries (a total of 872 companies as of March 31, 2021).

Important items related to environmental initiatives in the Hitachi Group are deliberated by the Executive Sustainability Committee, chaired by the executive chairman and CEO of Hitachi, Ltd., and attended by top Hitachi executives. Members meet twice a year to discuss environment-related policies and measures, including those in response to climate change, water and other resources, and to share progress reports and achievements and set the course for further improvements and new initiatives.

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. The targeted environmental value is based on dialogue between the president and each executive officer.

Hitachi, Ltd. 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.

To develop ways to achieve our long-term environmental targets and reduce environmental compliance risks, the three-year Hitachi Group Environmental Action Plan is formulated in line with the Mid-term Management Plan by environmental promotion division heads from business units of Hitachi, Ltd., and major Group companies participating in Eco-Management Meetings. Targets (and measures to achieve them) in the Environmental Action Plan that affect not only our environmental strategy but also our business strategy—like those to reduce the CO_2 emissions of our products and services—are determined jointly by the Eco-Management Meetings and Sustainability Promotion Meetings, attended by business promotion division heads. A progress report concerning important targets in the Environmental Action Plan is made to the Executive Sustainability Committee, and instructions from committee members are reflected in actual environmental activities.

Group-wide efforts to advance environmental activities are undertaken outside Japan as well. Environmental officers are assigned to China, the rest of Asia, the Americas, and Europe to share information on the state of progress of our environmental activities and on the latest environmental regulations in each country and region. Respective Regional Environmental Meetings are also held once or twice a year.

Achievements in and after Fiscal 2020

In fiscal 2020, the Executive Sustainability Committee was held in April and November. The discussions included: a report on the status of plans to promote Hitachi Carbon Neutrality 2030, a measure to accelerate the long-term environmental targets called Hitachi Environmental Innovation 2050, and ways to enhance its framework; visualization of environmental value; and the approach to the 2030 objective of the phase of the use of products and services. In June 2021, it was decided to revise one of the long-term environmental targets of Hitachi Environmental Innovation 2050, aiming for a decarbonized society, to achieve carbon neutrality by fiscal 2050 through the value chain.

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▶ Sustainability Strategy Promotion Structure

Executive Sustainability Committee

Chair	Executive Chairman & CEO
Members	Senior Executive Committee members, CEOs of BUs, and corporate division heads
Key roles	Discuss and implement specific measures for sustainability strategy (including environment, human rights, and diversity and inclusion)
Frequency	Twice per FY (more than twice per FY from FY2021 on)

Sustainability Promotion Meetings

- **Members:** Business promotion division heads at BUs and key Group companies
- **Key roles:** Discuss and implement specific measures for sustainability strategy
- **Frequency:** Twice per FY

Eco-Management Meetings

- **Members:** Environmental promotion division heads at BUs and key Group companies
- **Key roles:** Discuss and implement concrete measures to achieve longterm environmental targets in sustainability strategy
- **Frequency:** Twice per FY

Secretariat
Sustainability Promotion Division

CSR and environmental officers
from each regional headquarters

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Environmental Management System

Enhancing Our Environmental Management System

System

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, and whether or not legal restrictions apply. All Group business sites are classified into one of three categories: A, B, and C, and environmental management is then conducted based on the respective level of risk. Of our approximately 1,000 business sites, about 160 major sites are classified as category A. These sites account for more than 90% of the Group's total environmental load.

The business units and Group companies that manages A sites participate as members of Eco-Management Meetings to draw up the Environmental Action Plan, which is then disseminated throughout the entire Hitachi Group by environmental strategy officers, chosen from among the heads and general managers of those organizations. These business units and Group companies also formulate their own environmental action plans based on Hitachi Group's Environmental Action Plan and strive to achieve their targets.

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

↗ List 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	Reporting violations of environmental laws and regulations to Hitachi, Ltd. headquarters and responding to the management classification survey
Category A	○	○	○
Category B	—	○	○
Category C	—	—	○

Collecting and Monitoring Environmental Load Data to Improve Environmental Practices

Activities

To conduct environmental management efficiently and effectively, Hitachi collects environmental load data using the Environmental Data Collection System (Eco-DS). The system, which is in Japanese, English, and Chinese, monitors and registers items in about 20 categories, ranging from environmental load data on items such as energy use, water use, and waste generation, to whether an item falls under relevant environmental laws and regulations, and environmental accounting. We have also set up an international help desk to support the system's operation and promote understanding of environmental management.

The collected data is aggregated and analyzed to implement a PDCA cycle for environmental measures, such as environmental management classification into the categories A, B, and C; identifying environmental management issues; and sharing instructive examples within the Group. GREEN 21 uses the data registered in the system to calculate green points (GPs) for evaluating the level of target achievements. Approximately 160 major sites classified as category A aggregate and analyze data biannually on such key items as energy, water, and waste materials.

Achievements in Fiscal 2020

In fiscal 2020, data from about 1,000 business sites in 63 countries, including factories, research laboratories, and offices, was registered in the system to estimate the environmental load of the entire Hitachi Group.

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Environmental   Executive Summary   Advancing Our Environmental Vision and Long-Term Environmental Targets   ❯ Environmental Governance   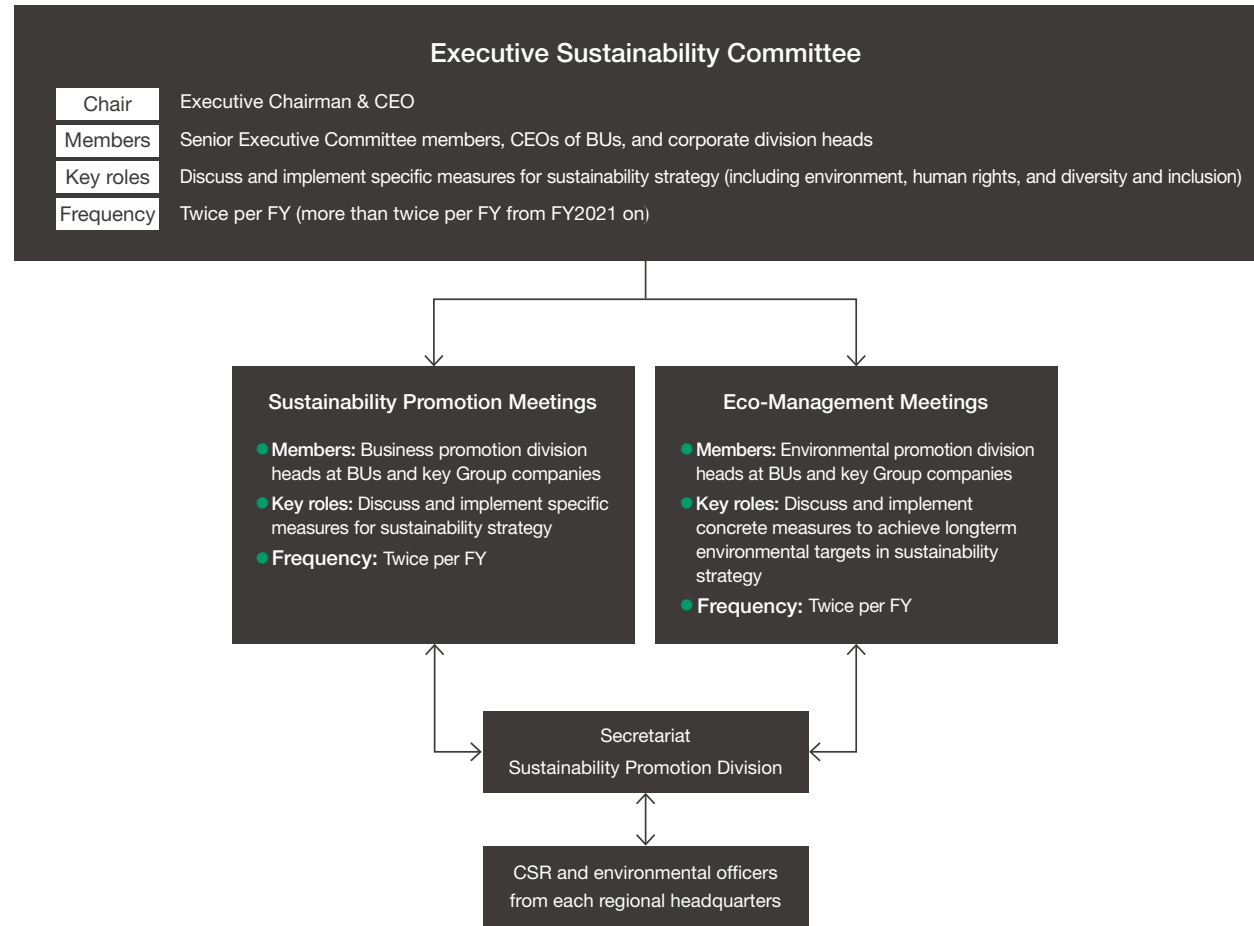Achieving a Decarbonized Society   Achieving a Resource Efficient Society   Achieving a Harmonized Society with Nature   Environmental Data

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Chemical Substance Management System

To collect and manage data on chemical substances in materials, parts, and products from our suppliers, Hitachi operates 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 legal and regulatory frameworks at shipping destinations.

To properly manage chemical substances used in our business operations, we have introduced 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 collects and aggregates data on the amount of chemical substances handled, emitted, and transferred in our operations, helping to reduce the volume of chemicals that we handle and emit to the environment.

[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 dirctive RoHS directive (EU rules restricting the use of hazardous substances in electrical and electronic equipment).

▶ Management of Chemical Substances in Products
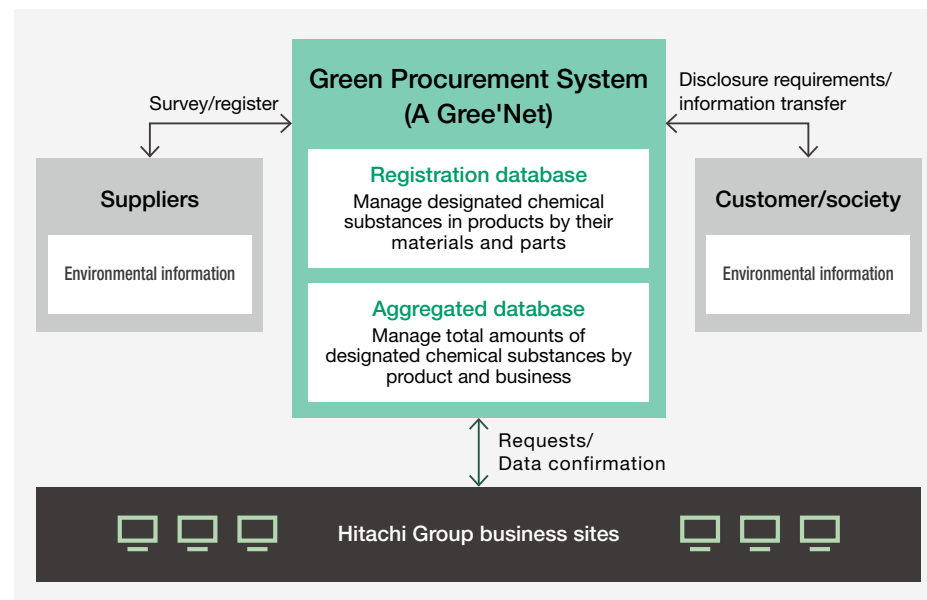
Achievements in Fiscal 2020

Approximately 1.33 million parts and products with chemical substances are registered in A Gree'Net as of March 31, 2021. This is around 10,000 less than the previous fiscal year due to a decrease in the number of Hitachi Group companies as a result of changes in our business portfolios.

We held 14 briefings via online meeting on regulatory revision trends and chemSHERPA tools, and gave instructions on how to use A Gree'Net to suppliers using the system at Omika Works, Hitachi IE Systems, the Naka area of Hitachi High-Tech, and the Kasado area of Hitachi High-Tech, and Hitachi High-Tech Science between October 2020 and March 2021. The briefings were attended by 916 people and helped to deepen understanding of regulatory revision trends, these tools, and this system.

▶ Management of Chemical Substances in Business Operations
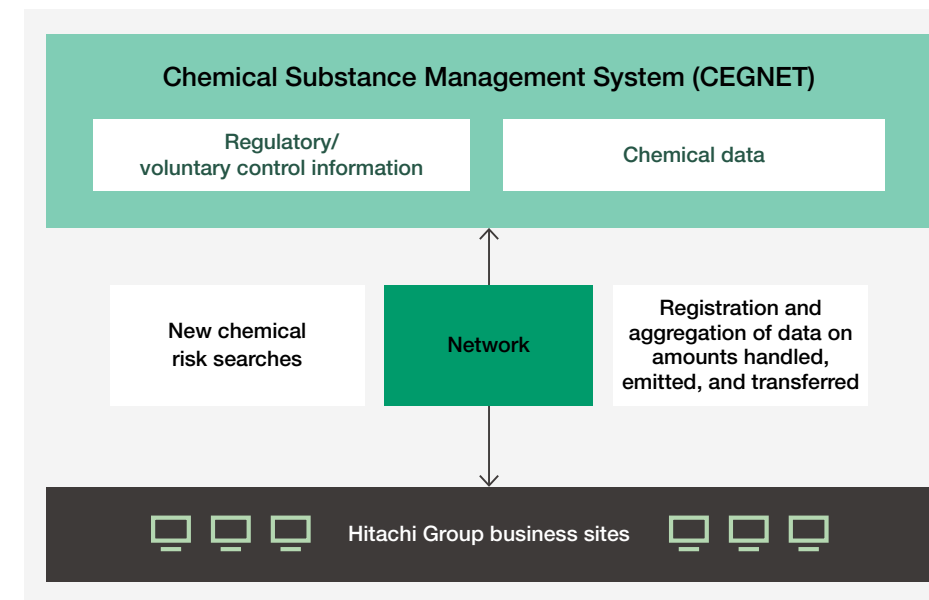
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Reducing the Environmental Burden Through "Eco-Factories & Offices Select" Certification

`System` `Activities`

Hitachi has implemented an "Eco-Factories & Offices Select" certification program for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area. This helps raise the environmental awareness of employees and promotes environmentally conscious activities at our business sites.

Based on certification criteria that were developed for our manufacturing (factory) and nonmanufacturing (office) divisions globally, we certify factories that actively engage in improvements to achieve efficient production and offices that have been environmentally designed. Superior policies from certified factories and offices are shared with the entire Group, with other locations encouraged to implement them as well. To maintain and raise the level of environmental awareness through Eco-Factories & Offices Select, certified factories and offices are re-evaluated every fiscal year, and

only those that meet the evaluation requirements have their certification renewed.

Achievements in Fiscal 2020
In fiscal 2020, of our approximately 1,000 facilities, 13 were newly certified, and 57 had their certifications renewed. The total number of certified factories and offices was 70.

Environmental Education for Employees

`Employee Engagement` `Activities`

Hitachi believes that promoting greater environmental awareness and understanding among employees is essential to efforts to energize its environmental activities. Toward that end, we offer general education using e-learning for all Group employees, from new hires to executive officers. We also provide once a year specialized Hitachi Group 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 on compliance with the country's increasingly strict environmental laws and regulations.

Achievements in Fiscal 2020
In fiscal 2020, we created the new e-learning document Introduction to Sustainability for general education with a view to sustainability in line with the 2021 Mid-term Management Plan. It was rolled out globally in July 2020. Hitachi Group training on recent amendments to laws and operational procedures was held in Japan and China in November and September. An environmental management training program to reduce environmental risks and raise the knowledge of working-level employees was held in Shanghai, China, in September.

▶ Eco-Factories & Offices Select Certification Criteria

▶ Environmental Education

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▶ Environmental Education in Fiscal 2020

Contents of training	Target	Number of participants
e-learning material: Introduction to Sustainability	All employees in the Hitachi Group	133,143 people
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: 307 people from 36 companies China: 52 people from 37 companies
Environmental management training program to reduce environmental risks in China and raise the knowledge of working-level employees	Working-level employees	45 people from 34 companies
Training for new employees	New employees in the China Hitachi Group	35 people from 11 companies

Environmental Compliance

Activities

In order to better ensure compliance with the laws and regulations of each country and region and minimize environmental risks, Hitachi sets and monitors compliance with voluntary management criteria that are more stringent than regulatory requirements. If we find a violation or receive a complaint, we take steps to enhance environmental risk management by sharing the causes and countermeasures throughout the Group and to prevent occurrences of similar incidents. As part of our measures to address the pollution of soil and groundwater, we are examining the soil and water 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.

Achievements in Fiscal 2020

In fiscal 2020, we continued designating 15 business sites that committed environmental violations in the past three years as high-risk business sites. The relevant business units and Group companies began providing guidance to these sites to strengthen their compliance activities. Through enhanced guidance to these high-risk business sites, compliance management has improved outside Japan. However, our business activities were strongly affected by COVID-19, and the number of relevant legal and regulatory violations increased compared to the previous year due to delays in notifications, contract renewals, and poor maintenance.

▶ 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	Usually every three years
Corporate divisions of business units and Group companies (environment divisions)	Major business sites and subsidiaries of business units and Group companies*1	Usually every three years
	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	Usually every three years

*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.

▶ Number of Regulatory Violations and Complaints (Hitachi Group)
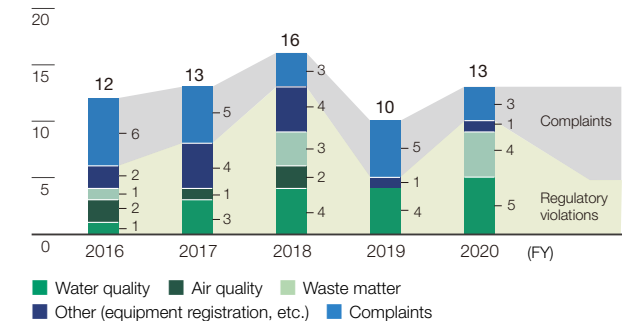
- Water quality
- Air quality
- Waste matter
- Other (equipment registration, etc.)
- Complaints

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/ Achieving a Decarbonized Society

Efforts to Achieve a Decarbonized Society   Approach

Hitachi has established a target to achieve carbon neutrality throughout its value chain by fiscal 2050 and reduce CO_2 emissions by 50% by fiscal 2030 (compared to fiscal 2010) in the Hitachi Environmental Innovation 2050 long-term environmental targets in order to help build a decarbonized society.

The value chain for our products and services encompasses all stages from the procurement of raw materials and parts to production, transportation, use, disposal, and recycling. We have accelerated the pace by setting the target of achieving carbon neutrality at our business sites (factories and offices), which covers the production stage of the value chain, by fiscal 2030.

The majority of our value-chain emissions result from the use of our products and services after they are sold, so reducing these emissions will be crucial to reducing CO_2 emissions throughout the value chain.

CO_2 emissions from the use of sold products and services are greatly influenced by changes in product sales and business portfolios. We have established an indicator for providing products and services that produce less CO_2 from among products and services offering equivalent value, and, recognizing the importance of this matter, have set and continue to manage reduction goals for our main products and services on the basis of CO_2 emissions per unit to reduce gross CO_2 emissions. Specifically, by fiscal 2030, we aim to reduce CO_2 emissions per unit by 50% for products and services at the usage stage and contribute to reducing global CO_2 emissions through energy systems that do not emit CO_2 at the operational stage and expanding our new decarbonization business using digital technologies such as OT and IT.

▶ Ratio of CO_2 Emissions at Each Stage of Hitachi Value Chain in Fiscal 2020

83.2%

Procurement of Raw Materials and Parts **9.1%** | Production **4.6%** | Transport **0.1%** | Use | Waste Disposal/Recycling **0.7%** | Others (Capital goods, etc.) **2.3%**
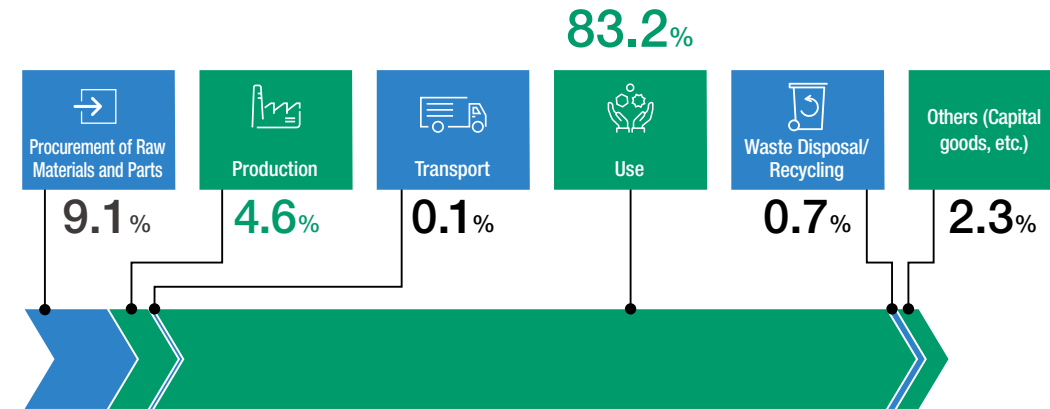
* Percentages may fluctuate due to changes in our business portfolios

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Efforts to Reduce CO_2 Emissions During the Use of Products and Services

Approach

To reduce CO_2 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 CO_2 emissions per unit from products and services while in use. These rates are based on fiscal 2010. Given the unique qualities of the wide range of businesses we engage in, for each product or service subject to this initiative, we calculate the reduction rate of CO_2 emissions per unit with CO_2 emissions as the numerator and function size[1] as the denominator, and work toward total elimination of CO_2 emissions.

We also have high expectations for specific long-term CO_2 reduction countermeasures such as sales of renewable energy systems with zero emissions while in use and the use of technological innovation to replace existing products or services with new versions that provide the same value but emit less CO_2 while in use.

The Guidelines on Calculating CO_2 Emission Reductions for Hitachi Group Products and Services[2] specify the following three methods for calculating different types of CO_2 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 CO_2 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 CO_2 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 CO_2 emissions due to the dissemination of new systems and solutions that emit less CO_2 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 CO_2 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 CO_2 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.

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Contributing to a Decarbonized Society Through the Decarbonization Business

Expanding the Decarbonization Business

Activities

To help achieve a decarbonized society as set out in Hitachi's Environmental Vision, we are pursuing a decarbonization business that contributes to the reduction of CO_2 emissions, leveraging collaborative creation with our partners. This includes a business that provides products and services with enhanced energy-saving features, a business facilitating the introduction of renewable energy, and a business that offers solutions to improve efficiency and reduce CO_2 emissions through digitalization, such as by using our Lumada platform. We will expand the decarbonization business by supplying solutions in the six business areas of IT, energy, industry, mobility, smart life, and automotive, thereby helping the world to mitigate and adapt to climate change.

In working to achieve a decarbonized society, we will support the electrification of social infrastructure with our OT × IT × Products approach. In seeking to realize an energy transformation, we will work to expand the transmission/distribution of renewable energy-based electric power using high-voltage direct current (HVDC) technology. Further, as we look to support carbon-free mobility, we will work to provide automobile EV systems and to promote hybridization (with power storage and hydrogen technologies) in the railway business. Also, by working to make energy utilizing digital technologies more visible, we will strive to promote the broader adoption of renewable energy and the efficient use of energy.

▶ Examples of Decarbonization Buisness: A Hitachi Focus

IT
- **Finance and public-oriented solutions**
  · Promoting digital solutions
- **Data centers**
  · Developing smart data centers
- **Servers/storage**
  · Enhancing energy-saving features of servers and storage

Energy
- **Power grid solutions**
  · Enhancing efficiency of power transmission/distribution
- **Energy management**
  · Advancing smart energy management to reduce peak electricity demand
- **Power generation**
  · Promoting power generation systems using wind and other non-fossil energy sources

Industry
- **Smart logistics**
  · Improving energy-saving features through fully IT-enhanced logistics
- **Factory automation**
  · Enhancing energy efficiency through shorter lead times
- **Water business**
  · Enhancing efficiency of water and sewage systems
- **Industrial products**
  · Enhancing efficiency of industrial products

Mobility
- **Railways**
  · Enhancing energy-saving features of rolling stock
  · Developing smart operating systems
  · Enhancing maintenance service efficiency through rolling stock monitoring
- **Elevators**
  · Enhancing energy-saving features of elevators and escalators through replacement
  · Enhancing energy efficiency through total building solutions

Smart Life
- **Smart cities**
  · Reducing CO_2 through comprehensive urban energy management solutions
- **Home appliances**
  · Enhancing energy efficiency of home appliances
  · Promoting connected home appliances
- **Smart therapies**
  · Enhancing energy-saving features of medical devices

Automotive business
- **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

LUMADA

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Hitachi ABB Power Grids' Decarbonization Business Initiatives

Hitachi ABB Power Grids, which became a member of the Hitachi Group in July 2020, is accelerating the transition toward a carbon-neutral energy future, together with its customers and partners. With pioneering technologies, including high voltage direct current (HVDC) systems, it will contribute to the efficient transmission and large-scale integration of renewable energy.

In fiscal 2020, Hitachi ABB Power Grids received an order for HVDC Light®*1 from the Dogger Bank Wind Farm in the United Kingdom, the world's largest offshore wind farm. This project will enable efficient power transmission and large-scale integration of renewable energy, and will support the United Kingdom's efforts to expand the use of offshore wind on its journey toward net zero. HVDC Light is also the facilitating technology in the NordLink project which enables the exchange of renewable energy between Norway and Germany. In this project, the world's longest*2 HVDC voltage source converter cable and Europe's longest*2 HVDC power grid are interconnected. Hitachi ABB Power Grids designed, engineered, and supplied the two converter stations, including control and protection systems at the core of the project, located in Southern Norway and Northern Germany.

*1 A high-voltage DC power transmission system that is highly efficient for transmitting large amounts of electricity over long distances, integration of renewables and interconnecting grids, opening up for new sustainable transmission solutions.
*2 As of August 2021, based on Hitachi ABB Power Grids' research.

Achieving CO_2 Emission Reductions During the Use of Products and Services

Goals	Activities		GRI 305-4/305-5

Hitachi set a target for fiscal 2020 of a 20% reduction in CO_2 emissions per unit from products and services compared to the base year of fiscal 2010 and achieved a 20% reduction. This was driven by an increase in sales of high energy-saving products, including industrial equipment and equipment used for social infrastructure.

Environmental Action Plan for 2021 Management Values

▶ Reduction in CO_2 Emissions per Unit (Hitachi Group)
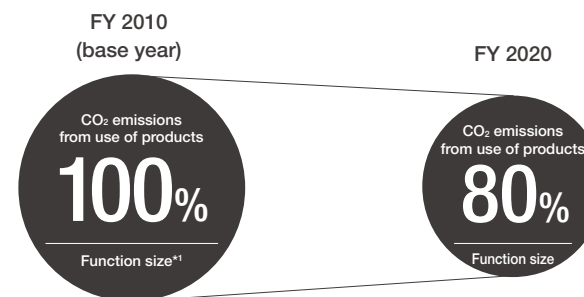
FY 2010 (base year)

CO_2 emissions from use of products

100%

Function size*1

FY 2020

CO_2 emissions from use of products

80%

Function size

Reduction in CO_2 Emissions per Unit (Hitachi Group)

From base year **20% reduction**

FY 2020 reduction target rate: 20%

*1 Major functions of products correlated with CO_2 emissions, such as their output and volume

Improving Environmental Performance of Products and Services Through Environmentally Conscious Design Assessments

System	Activities

We conduct independently developed Environmentally Conscious Design Assessments for all products and services involving a design process 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 Comission (IEC) concerning environmentally conscious design for electrical and electronic products.

Case studies of Reducing CO_2 Emissions Throughout the Value Chain

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

CO_2 Emission Reductions at Business Sites (Factories and Offices) and Hitachi Carbon Neutrality 2030

Policy

As part of our long-term environmental targets called Hitachi Environmental Innovation 2050 we have established and promoted the goal of realizing carbon neutrality by fiscal 2030 at all business sites (factories and offices). We call this goal "Hitachi Carbon Neutrality 2030."

Under Hitachi Carbon Neutrality 2030, we aim to be carbon neutral by effectively reducing CO_2 emissions 100% by fiscal 2030 compared to fiscal 2010 instead of the original 50% reduction target.

The following initiatives will help us achieve the target.

▶ Major Initiatives for Reducing CO_2 Emissions at Business Sites (Factories and Offices)

Factories	● Improve equipment efficiency by introducing and upgrading to high-efficiency equipment ● Improve production efficiency and energy use efficiency during the production through the 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
Offices	● 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	● Install renewable energy systems ● Use electricity from renewable sources ● Adopt the non-fossil fuel energy certificate[*1] system ● 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

*1 These credits are for electricity that has been certified as having been produced from renewable energy sources. Purchasers of such credits can offset their conventional energy use instead of implementing their own reduction measures.

We believe that the technologies and experience we have developed through our efforts to achieve our carbon neutrality targets will help us offer business proposals that accurately respond to our customers' decarbonization needs and will greatly expand our new business opportunities.

The Hitachi Internal Carbon Pricing Framework

System

To promote CO_2 reduction at our business sites (factories and offices), in fiscal 2019 we started operating the Hitachi Internal Carbon Pricing[*1] (HICP) framework which provides sites with incentives to invest in necessary new equipment.

The HICP framework is an internal system that aims to achieve CO_2 reductions effectively. It helps visualize CO_2 reductions from investment in equipment at factories and offices and encourages investment in new equipment that drives decarbonization through energy-saving and other measures as an extension of the established decision-making process on investment.

Specifically, with reference to emissions trading and carbon taxes globally, we establish company-internal carbon prices, convert into monetary value the effect of CO_2 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.

As the climate change issue deepens, we anticipate risks like increased burdens from carbon taxes and new emissions trading frameworks to emerge. By incorporating those risks into our equipment investment decisions, we can not only make investments in equipment that contributes to decarbonization a higher priority, but also minimize the future risks of climate change and make ourselves more resilient. The introduction of the HICP framework is a key part of this process.

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

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Achievements in Fiscal 2020

As a result of Hitachi's creation and implementation of the HICP framework and our determination to reduce CO_2 emissions, we have made additional investments in equipment for projects that had not originally received sufficient investment due to their low levels of investment efficiency.

In fiscal 2020, we invested in 22 cases of energy-saving equipment with a total investment of ¥250 million. These investments contributed to an annual reduction of 447 tons of CO_2 emissions. The annual amount of CO_2 emission reductions from our business sites improved 0.8% compared to the previous fiscal year.

▶ Hitachi Internal Carbon Pricing (HICP) Framework
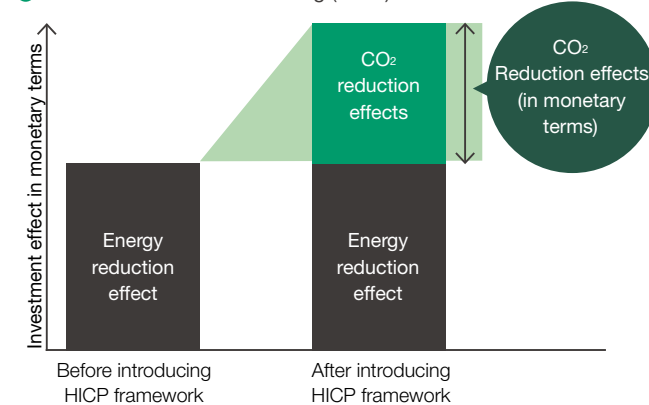
- Set internal carbon prices based on future risks such as higher carbon taxes and emissions trading
- Convert effects of CO_2 reductions from investment in equipment that contributes to decarbonization into monetary value

- Evaluate the effect of investments by adding the monetary effect of CO_2 reductions to the previously calculated monetary value of the effect of energy reductions through investments

- Increase the priority of investments in equipment that contribute to decarbonization

Encourage investment in equipment that contributes to decarbonization

Renewable energy   High-efficiency equipment

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 CO_2 emissions per unit. Because we conduct business in various sectors, the KPI of CO_2 emissions per unit for each business site is calculated using the site's CO_2 emissions as the numerator and its activity amount[1] as the denominator.

In fiscal 2020, the reduction rate of CO_2 emissions per unit was 1.4% against a target of 8% (compared to the base year of fiscal 2010). Part of the reason for not hitting the target was that decreased production caused by COVID-19 meant facilities were used less efficiently. There were also some business divisions that could not achieve the expected reductions in CO_2 emissions per unit due to their failure to promptly respond to reductions in fixed power allocations linked to production.

We report the total CO_2 emissions from our entire Group including CO_2 emissions from power plants selling electricity. Total CO_2 emissions in fiscal 2020 decreased by approximately 1,078 kt-CO_2[2] compared to fiscal 2019. The decrease in emissions was caused by removing materials companies from the consolidated Hitachi Group, decreased production due to COVID-19, lower emissions thanks to energy saving efforts, and the use of renewable electricity.

[1] Values are closely related to CO_2 emissions at each business site (for example, production quantity, output, building floor space, and number of employees).
[2] The CO_2 electrical power conversion factor for total CO_2 emissions is market based

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Environmental Action Plan for 2021 Management Values

▶ CO_2 emissions reduction rate per unit (Hitachi Group)

FY 2010 (base year)

100%
CO_2 emissions[*1] **3,914** kt-CO_2
Activity amount

FY 2020

98.6%
CO_2 emissions[*1] **3,365** kt-CO_2
Activity amount

CO_2 emissions reduction rate per unit at Business Sites (Factories and Offices)

From base year **1.4% reduction**

FY 2020 reduction target rate: 20%

*1 CO_2 emitted from the organization (Scope 1 and 2).
Notes: • As with the CO_2 electrical power conversion factor in calculations of CO_2 emissions per unit, a unified factor of 0.530 kg-CO_2/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 2020. Emissions, which are base for intensity are calculated according to the scope of environmental performance aggregation data of fiscal 2020.

▶ CO_2 Emissions
(Hitachi Group's factories, offices, and power plants)

(kt-CO_2)

| | Power plants[*1] | Japan | China | ASEAN, India, and other Asian regions |
| North America | Europe | Other regions | |

*1 Emissions by power plants selling electricity in Japan were retroactively added to total CO_2 emissions from fiscal 2017.
Notes: • Regarding CO_2 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) as conversion factors for individual countries 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.
• Energy-related CO_2 emissions in fiscal 2020 were 1,202 kt-CO_2 (Scope 1) and 2,094 kt-CO_2 (Scope 2, market-based).
• Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

Introducing Renewable Energy

Activities

Hitachi is promoting the use of solar, wind, and other forms of renewable energy at its business sites. Going forward, we will accelerate these efforts and aim to raise the share of renewable energy in our total electricity consumption to 2% by fiscal 2030.

Achievements in Fiscal 2020

Renewable electricity generation across the Hitachi Group was 22,000MWh in fiscal 2020 which is an increase of 20% compared to fiscal 2019. Renewable energy generated by equipment installed at business sites (factories and offices) accounted for 0.5% of the electricity consumed by the entire Hitachi Group.

Introducing Renewable Electricity

Activities

Hitachi is adopting renewable electricity as a way to reduce CO_2 emissions and achieve carbon neutrality. As part of this, we are also offsetting any CO_2 emissions that cannot be reduced through energy saving and renewable electricity generation equipment. Going forward, we plan to reduce the amount of renewable electricity acquired by promoting even greater energy-saving. Renewable electricity used will be based on the standards set by the GHG Protocol.

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Achievements in Fiscal 2020

The amount of renewable electricity used by Hitachi factories and offices in fiscal 2020 was 116,211MWh; this is three times the level in fiscal 2019 and 2.6% of Hitachi's total power consumption.

At nine sites in the United States, Europe, and Japan all the electricity used came from renewable sources. Moreover, the three sites of the Hitachi High-Tech Group have achieved carbon neutrality by adopting renewable electricity and promoting energy-saving.

❯ Business Sites Fully Powered by Renewable Electricity in Fiscal 2020

Hitachi Computer Products (America)	1 site	12,056 MWh (wind power)
Hitachi Rail Italy	3 sites	27,813 MWh (hydroelectric power, etc.)
Hitachi Astemo (UK and Germany)	2 sites	3,635 MWh (hydroelectric power, etc.)
Hitachi High-Tech Group	3 sites	11,809 MWh (hydroelectric and wind power)

Reducing Transportation Energy Consumption

Activities

As part of our efforts to reduce energy output during transportation as well as at our business sites (factories and offices), we have 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 and taking other measures to reduce transportation energy consumption and switching to the use of eco-cars for in-house operations. 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 CO_2 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

⬈ Case studies of Energy Savings in Eco-Factories & Offices

❯ Eco Rail Mark Initiatives

Company	Certification
Hitachi, Ltd.	Eco Rail Mark company[1] Eco Rail certified product[2]
Hitachi-Omron Terminal 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 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 Fiscal 2020

In fiscal 2020, CO_2 emissions from transportation within Japan for the Hitachi Group were 68.9 kt-CO_2 ✓ which is 19.5 kt- CO_2 less than the previous fiscal year. To reduce CO_2 emissions in fiscal 2020, we focused on improving efficiency when loading products for transportation while increasing the use of coordinated transportation. Furthermore, CO_2 emissions dropped by more than 20% compared to fiscal 2019 due to factors such as the removal of materials companies from the consolidated Hitachi Group and smaller shipment volumes stemming from decreased production during the pandemic.

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Environmental   Executive Summary   Advancing Our Environmental Vision and Long-Term Environmental Targets   Environmental Governance ❯ **Achieving 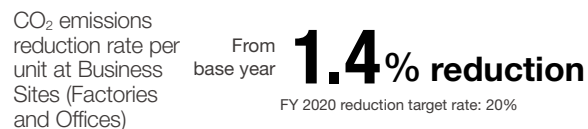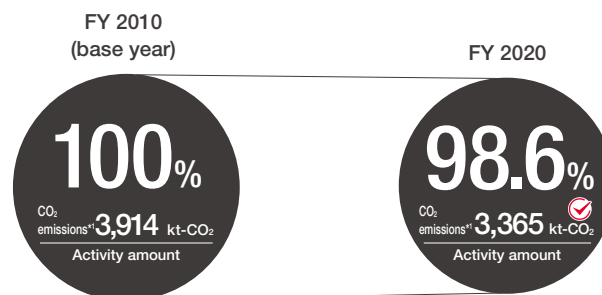a Decarbonized Society**   Achieving a Resource Efficient Society   Achieving a Harmonized Society with Nature   Environmental Data
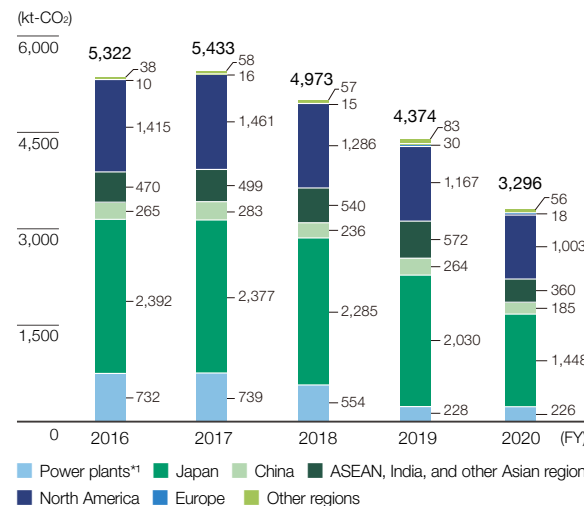
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Climate-related Financial Information Disclosure (Based on TCFD Recommendations) GRI 102-12

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.

The Board of Directors discusses the Group's sustainability strategy, including climate change measures, as a key component of management strategy. Hitachi's long-term environmental targets called Environmental Innovation 2050 which include reducing CO_2 emissions were established in fiscal 2016. And in fiscal 2021, they were reviewed and approved again by the Board of Directors and shared with the public.

The Executive Sustainability Committee, chaired by the executive chairman and CEO and staffed by heads of corporate divisions and business units, meets twice a year to discuss and reach decisions on environment-related policies and measures including those in response to climate change, and it sets the stage for implementing those measures. 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, in 2019 a Hitachi executive officer participated in the TCFD Study

Group on Green Finance and Corporate Disclosures and helped compile its report. The initiative was launched by Japan's Ministry of Economy, Trade, and Industry. Hitachi also participates in an industry-government-academia initiative called the TCFD Consortium—comprised by 164 companies and other organizations at the time of inauguration—as a member of its Steering Committee and contributed to the formulation of TCFD Guidance 2.0, announced in July 2020.

Strategy

Policy   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. Taking note of the total CO_2 reductions required globally 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 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 by setting more 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.

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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 2019 to 2021	Corresponds to the three-year management period covered by the Environmental Action Plan for 2021 established in line with the 2021 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

Climate-related Risks (Hitachi Group)

As for climate-related business risks, we have followed the TCFD's classification in considering: (1) risks related to the transition to a decarbonized economy in the 1.5°C scenario, and (2) risks related to the physical impacts of climate change in the 4°C scenario which assumes that efforts to reduce global CO_2 emissions have failed. Previously, we ascertained risks based on a 2°C scenario, but after considering the importance of helping to realize a decarbonized society, we are now working with the 1.5°C scenario. Hitachi has already set long-term environmental goals and has been promoting activities accordingly. Moreover, very few of our businesses depend on fossil fuels. Therefore, switching to the 1.5°C scenario does not have a big impact on the potential climate change-related risks and opportunities for Hitachi.

(1) Risks related to the transition to a decarbonized economy (applying mostly to the 1.5°C scenario)

Category	Major risks	Time span	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	● Avoid or mitigate increases in business costs, such as from carbon taxes, by further enhancing production and transport efficiency and promoting the use of non- or low-carbon energy sources ● 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	Medium to long term	● Contribute to reducing CO_2 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 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	● In light of growing market concerns about climate change and investor expectations for companies to play more active roles, we revised our long-term environmental targets called Hitachi Environmental Innovation 2050 by setting the goal of becoming carbon neutral by fiscal 2050 throughout our entire value chain

(2) Risks related to the physical impacts of climate change (4°C scenario)

Category	Major risks	Time span	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	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)

CO_2 emissions during our customers' use of our products and services account for the main total emissions in our value chain. To achieve the CO_2 reduction targets set forth in our long-term environmental targets and 2021 Mid-term Management Plan, it is essential that we reduce emissions during use. Developing and providing products and services that emit zero or very little CO_2 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 opportunities	Main initiatives
Products/services and markets	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	● 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	● Providing disaster prevention solutions such as high-performance firefighting command systems ● Providing construction equipment that enables quicker recoveries from disasters

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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 examined the business impact of and responses to the 1.5°C and 4°C scenarios. Under the 1.5°C scenario, as projected by the IPCC's RCP 2.6 climate model, 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. Under the latter scenario, we focused on there being increased climate-induced natural disasters as a result of lax regulations as projected by the RCP 8.5 scenario.

In selecting the businesses that have a relatively high likelihood of being affected by climate change, we took many different factors into account and chose those with (1) relatively high CO_2 emissions from the use of products and services, (2) a relatively high need for fossil fuels during the use of products and services, and (3) high sales volume within the Group. The businesses we selected using these criteria were railway systems, power generation and power grids, IT systems, industrial equipment, automotive systems, and construction machinery.

Our assessment of the major climate-related risks and opportunities for these 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	Construction machinery
The business environment and major risks and opportunities under the 1.5°C scenario	**Business environment** Global demand for transport systems that emit less CO_2 per distance covered will grow with tighter CO_2 emission regulations in each country and region.	**Business environment** Global demand for electricity generated from renewable energy, nuclear power, and other non-fossil sources will grow with tighter CO_2 emission regulations in each country and region. Power networks will increasingly accommodate natural energy produced through distributed generation.	**Business environment** Demand for energy-saving, high-efficiency IT solutions will grow with tighter CO_2 emission regulations in each country and region. There will also be a jump in 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.	**Business environment** Global demand for energy-saving industrial equipment will grow with tighter CO_2 emission regulations in each country and region.	**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.	**Business environment** Demand for electric and no carbon-fuel construction machinery will grow with tighter laws and regulations on the use of fossil fuels. Environmental regulations for items other than CO_2 emissions (air and noise pollution, etc.) will grow tighter in urban areas.
	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.	**Risks** Delays in the construction of power networks that would enable the mass introduction of renewable energy with large output fluctuations.	**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.	**Risks** Competitiveness will decline if there are delays in the development of high-efficiency, low-loss products.	**Risks** Delay transition to a new business environment of rapidly declining sales of internal combustion engine vehicles.	**Risks** Higher development costs, lost markets due to slow response, and higher costs in building customer support for the use of electric and low/no carbon fuel machinery. Loss of customers due to the short range of electric machinery and lack of fueling and power-storage infrastructure for no carbon fuel machinery. Declining demand due to the divestments of major coal companies, and pressure on profitability due to the continued high cost of parts and equipment resulting from a lag in the adoption of no carbon fuel machinery.
	Opportunities Demand will grow for railways, which emit less CO_2 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.	**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.	**Opportunities** Demand will grow for energy-saving and high-efficiency information systems that contribute to zero-emissions. There will also be increased demand for platforms to offer such environment-related financial services as investments and loans for decarbonization businesses and green bond issues.	**Opportunities** Utilization of IoT, digitalization, and connected systems to develop innovative products and solutions that contribute to CO_2 emission reductions without relying on the energy-saving features of individual products.	**Opportunities** Expanding market for electric, hydrogen, and biofuel vehicles to replace internal combustion engine vehicles.	**Opportunities** Sales of electric machinery, a broader diversity of fuel types, and digital applications will increase as companies turn to new technologies and adapt to new site environments.

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Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems	Construction machinery
The business environment and major risks and opportunities under the 4°C scenario	**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.	**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.	**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.	**Business environment** Typhoons, floods, and other natural disasters caused by climate change will rise sharply.	**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.	**Business environment** Natural disasters caused by climate change will rise sharply, boosting demand for construction machinery to support speedy and safe disaster countermeasures.
	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.	**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.	**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.	**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.	**Risks** Natural disasters will exacerbate damage to production facilities and disrupt supply chains leading to delays in deliveries and the procurement of parts. A breakdown in one link of the supply chain will have an increasing impact on overall production.	**Risks** Major wind, snow, and flooding events will lead to factory damage and production setbacks due to highway closures and supply chain disruptions. More regular and extreme heat days will cause a deterioration in working environments and decrease productivity.
	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.	**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.	**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.	**Opportunities** Efforts to accommodate IoT products will lead to higher demand for remote control and remote maintenance during natural disasters.	**Opportunities** Demand will grow for technologies to enhance the efficiency of internal combustion engines.	**Opportunities** Demand of construction machinery that can assist natural disaster measures will grow.
Non-environmental market factors (neither the 1.5°C nor 4°C scenario)	● 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.	● 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 CO$_2$ 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.	● 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 rapidly.	● 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.	● 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.	● Worker shortages will be addressed through further labor savings, automation, remote work, robotic solutions, and greater development of safety-related products and solutions. ● There will be greater development of products, services, and solutions to meet the needs for developing smart infrastructure that can cope with accelerated urbanization and aging infrastructure. ● Emerging economies with expanding markets represent both increased sale opportunities and intensifying competition with emerging manufacturers. ● There is a need for stronger total supply chain management to accommodate shifting demand and for enhanced resilience of the business portfolio.

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Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems	Construction machinery
Response to future business risks (business opportunities)	**Response to business risks under 1.5°C or 4°C scenarios** ● Continue to strengthen the railway business as global demand for railways will increase under either scenrio. ● 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.	**Response to business risks under 1.5°C or 4°C scenarios** ● Continue to enhance the response to relevant markets in view of expected higher demand for non-fossil energy under either scenrio. ● 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.	**Response to business risks under 1.5°C or 4°C scenarios** ● 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 scenrio. ● Specifically, enhance competitiveness by providing energy-saving and high-efficiency IT solutions that contribute to the following: zero-emissions; platforms for expanded 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.	**Response to business risks under 1.5°C or 4°C scenarios** ● 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 CO$_2$ 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.	**Response to business risks under the 1.5°C scenario** ● Promote R&D of electrification technology and other alternative technologies to enhance the response to new markets such as electric vehicles. **Response to business risks under the 4°C scenario** ● 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.	**Response to business risks under the 1.5°C scenario** ● Differentiate by expanding the development of decarbonized technologies such as those for electric and hydrogen vehicles. Create decarbonized products by ascertaining latent market needs and accelerating product development. ● Going forward, expand the machinery and parts service business for hard rock mining (iron ore, copper, nickel, etc.) in the Central Asian and South American markets. ● Provide various solutions for customers' frontline issues using the latest digital technology. ● Ensure the rapid provision of optimal solutions for the prevention, mitigation, and response to disasters as well as recovery and reconstruction. ● Build a global production and procurement system to prepare for disasters. Going forward, enhance BCP and improve the effectiveness of business continuity management (BCM) for the entire supply chain.
Financial information (sales volume of each target sector)	Impacts a part of the ¥547.7 billion railway systems business sales (Fiscal 2020)	Impacts a part of the ¥1,107.9 billion Energy Sector sales (Fiscal 2020)	Impacts a part of the ¥2,048.7 billion IT Sector sales (Fiscal 2020)	Impacts a part of the ¥376.4 billion Industry Sector's industrial products business sales (Fiscal 2020)	Impacts a part of the ¥987.5 billion automotive business (Hitachi Astemo) sales (Fiscal 2020)	Impacts a part of the ¥813.3 billion construction machinery business (Hitachi Construction Machinery) sales (Fiscal 2020)

We believe that by paying close attention to market trends and developing our business flexibly and strategically, we have high climate resilience in the medium to long term under either the 1.5°C or 4°C scenario

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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Risk Management

Structure

The Hitachi Group evaluates and monitors climate-related risks for each business unit and Group company as part of a process of assessing risks and opportunities in accordance with the Environmental Action Plan that is updated every three years. The results are tabulated by the Sustainability Promotion Division of Hitachi, Ltd., and their importance is checked at Sustainability Promotion Meetings. Those risks and opportunities perceived as being particularly important for the Group as a whole are deliberated on by the Executive Sustainability Committee which is chaired by the executive chairman and the CEO of Hitachi, Ltd.

Metrics and Targets

Goals

Our environmental activities are managed through the Environmental Action Plan toward achieving the Environmental Vision and long-term environmental targets called Hitachi Environmental Innovation 2050. Its metrics and targets are updated every three years including those to measure and manage climate-related risks and opportunities.

We use the reduction rate of CO_2 emissions per unit compared to fiscal 2010 to set targets and monitor progress across our many Group products and services in the value chain. Under the current Environmental Action Plan for 2021 (covering fiscal 2019–2021 as well), we have established annual targets and monitor progress for each business unit and Group company.

Total greenhouse gas emissions (Scope 1, Scope 2, and Scope 3) across our value chain are calculated based on GHG Protocol standards, and we have published annual figures since fiscal 2012. Given the nature of our business, most of our CO_2 emissions come from the use of sold products in Scope 3.

However, CO_2 emissions can fluctuate greatly due to changes in sales volumes and our business portfolio. Therefore, to advance CO_2 reductions during the use of sold products and services, we set targets and monitor the progress of reducing CO_2 emissions per unit. In other words, for products and services featuring equivalent value, we focus on metrics that provide customers and society with those that emit less CO_2. At the same time, we will make an effort to not only reduce per unit emissions, but also total CO_2 emissions from our business sites (factories and offices).

The Environmental Vision and Hitachi Environmental Innovation

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/ Achieving a Resource Efficient Society

Efforts to Achieve a Resource Efficient Society   Approach

The issues of water and resource scarcity, triggered by rising 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. 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

In order to improve the efficiency of water and resource use throughout the product life cycle, we will optimize water use and wastewater treatment in the supply chain, provide water-efficient products and services, push eco-design initiatives, and develop tools, applications, and services to achieve a circular economy.

Initiatives at Business Sites

We have set a fiscal 2050 target of improving the usage efficiency of water and other resources by 50% 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
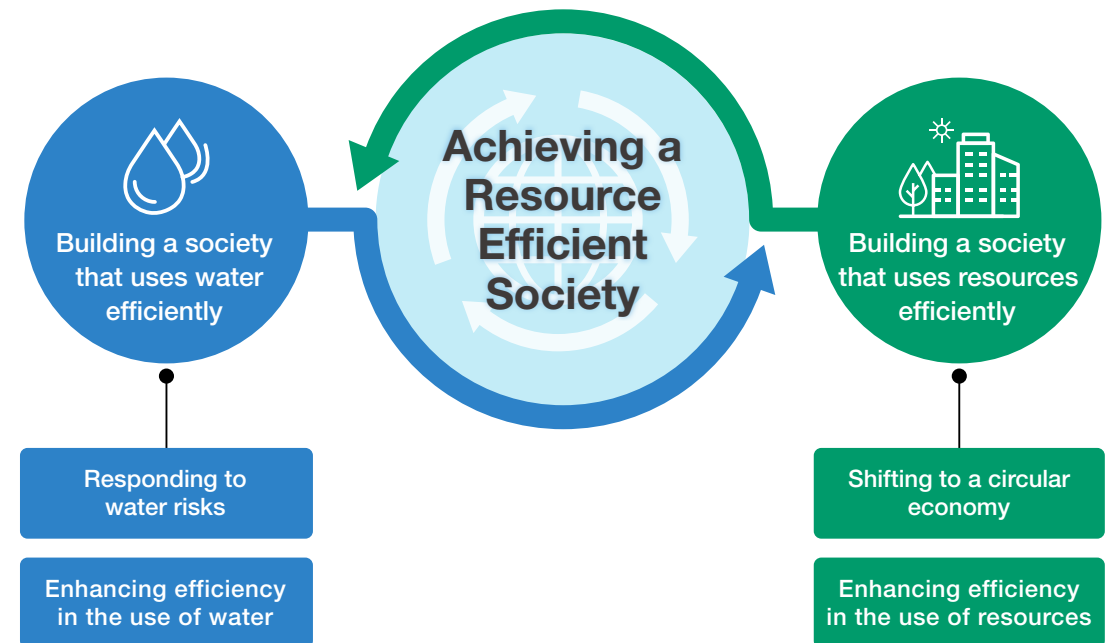
Building a society that uses water efficiently → Achieving a Resource Efficient Society → Building a society that uses resources efficiently

Responding to water risks

Enhancing efficiency in the use of water

Shifting to a circular economy

Enhancing efficiency in the use of resources

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Building a Water Efficient Society

Hitachi's Approach to Water Risks

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

In recent years, a sense of crisis over water resource depletion and pollution has been growing worldwide. Hitachi is working to enhance the efficiency of water use within the Group and to respond to water risks with a view to achieving a water efficient society.

Hitachi operates a variety of businesses worldwide. Since water risks vary by region and the type of business, it is important to identify their respective risks and implement countermeasures tailored to the specific risks identified. To promote these efforts, we have issued Water Risk Guidelines[1], which put together policies related to water risk identification and countermeasures, and we strive to better understand water risks faced by some 150 manufacturing sites around the world that are classified as category A in our environmental management classification.

We identify water risks at each site by using our Environmental Data Collection System (Eco-DS) and such globally recognized tools for water risk assessment as the Aqueduct, developed by the World Resources Institute (WRI); the Water Risk Filter, developed by the World Wide Fund for Nature (WWF) and the German development finance institution DEG; and the European Union's Flood Hazard Map of the World. We analyze and evaluate the current status of water risks for each business unit and Group company, per country and region, and for the entire Group once a year.

In light of the results, we work to reduce water usage according to the characteristics of local communities and businesses 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.

Achievements in Fiscal 2020

In fiscal 2020, we issued a revised version of our Water Risk Guidelines reflecting revisions to Aqueduct 3.0 and Water Risk Filter 5.0 and also included case studies. We also revised the checklist for identifying regional and operational water risks. Based on these revisions, we assessed the water risks in each region and identified high regional water risks at a total of 10 business sites operating in China, India, Vietnam, and Thailand out of some 150 manufacturing sites around the world that are classified as category A in our environmental management classification. With these results, we then assessed the operational water risks, which were found to be "low to medium-high" at the 10 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 usage at the 10 business sites is 0.47 million m^3, accounting for about 2% of the 22.11 million m^3 of water used in Hitachi's manufacturing processes.

Additionally, we used Aqueduct to ascertain the water stress[2] levels at 129 suppliers in China and 29 in Thailand, and shared the results within the Group.

▶ 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, 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[3] from low to extremely-high	Assessed using a five-level scale from low to extremely-high
Risk results	High at 10 sites	Low to medium-high at all sites, including the 10 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.

[2] Water stress occurs when demand for water outpaces availability. The maximum volume of available water supply per capita is used as an index to measure levels of scarcity. The minimum volume of water required for living, agriculture, industry, energy, and the environment is considered to be 1,700 m^3 per person per year, and regions below this level are said to experience water stress.

[3] Five-level scale: low, low-medium, medium-high, high, extremely-high

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Management Framework for Water Resources

Structure

Hitachi has set a long-term goal of improving efficiency in the use of water, with a view to achieving a water efficient society. We are carrying out activities in pursuit of this goal at some 150 manufacturing sites around the world 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 deliberated in the Executive Sustainability Committee.

In order to conduct water management efficiently and effectively, we operate an Environmental Data Collection System (Eco-DS) that collects environmental load data at all the Hitachi Group's business sites (approximately 1,000 sites). The collected data is aggregated and analyzed, and used for PDCA management of measures including the identification of water-related issues and the sharing of case studies.

Management of Water Usage at Business Sites

Activities

In fiscal 2020, we set a target of a 24% reduction (over the base year of fiscal 2010) for water usage per unit and achieved a 24% reduction. The volume of water used declined by 30.64 million m^3, equivalent to 58% 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)

FY 2010 (base year)

100%
Amount used
52.75 million m^3
Activity amount[*2]

FY 2020

76%
Amount used
22.11 million m^3
Activity amount
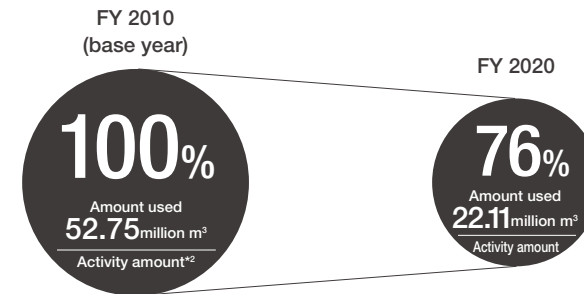
Reduction in Water Usage[*1] per Unit compared to base year

24% reduction
FY 2020 reduction target rate: 24%

*1 Amount of water used in the production process.
*2 Activity amount is a value closely related to water use at each business site (for example, output, sales, and production weight).

▶ Water Input[*1] (Hitachi Group)

(million m^3)

(FY)	2016	2017	2018	2019	2020
Total	41.34	38.54	37.02	36.41	26.35

2016: 0.11 / 0.02 / 2.98 / 4.00 / 1.51 / 32.72
2017: 0.22 / 0.04 / 2.56 / 4.04 / 1.51 / 30.17
2018: 0.26 / 0.04 / 2.45 / 3.93 / 1.34 / 29.00
2019: 0.35 / 0.28 / 2.36 / 4.09 / 1.32 / 28.01
2020: 0.33 / 0.36 / 3.30 / 1.92 / 0.95 / 19.50

■ Japan ■ China ■ ASEAN, India, and other Asian regions
■ North America ■ Europe ■ Other regions
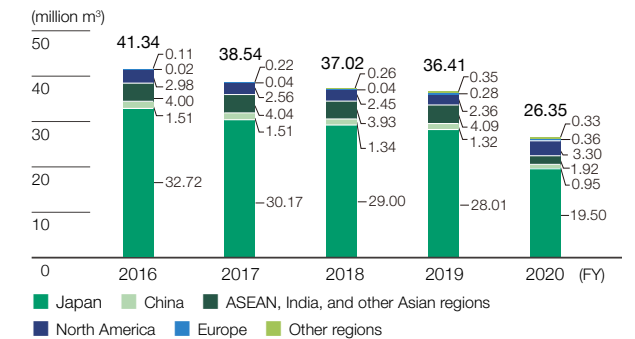
*1 The total amount of water input in manufacturing processes and for other purposes, such as in offices.
Note: Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

Case Studies of Improving Water Use Efficiency

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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 help 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 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

Achievements in Fiscal 2020

Japan

Optimization from Water Sources to Water Distribution Management Utilizing Digital Technologies

Japan's waterworks bureau is facing various issues such as aging facilities and skills transfers. In response, Hitachi is strengthening public-private partnerships by providing its Operations and Maintenance (O&M) Support Digital Solution which utilizes the cloud. In fiscal 2018, at a water purification facility Hitachi introduced the O&M Support Digital Solution to support equipment inspections, manage water distribution using machine learning, and predict residual chlorine concentrations using reaction models by linking supervisory control and data acquisition (SCADA) systems, inspection tablets, and the data center. In fiscal 2020, we verified the functionality and efficient maintenance and management of multiple water processing systems over a wide area, as well as the appropriate water volume and residual chlorine management in water purification plants with different water treatment methods.

Through the use of verification tests, Hitachi has been able to confirm the efficiency at several plants in Japan. And in fiscal 2021, we expanded the lineup of O&M Support Digital Solutions and started providing new features such as AI-driven equipment diagnostics, water quality predictions, and operation support.

▶ Plant Operation Support Function of O&M Support Digital Solutions

Operation planning function (Flow control, pump operation, etc.)

Water demand forecast	Operational constraints identified	Manual control	
Water demand forecasting	Operational constraints identification	Automatic control	

Monitoring and control system

Water source → Pump → Water purification plant → Pump → Distribution reservoir → Service area

Effective use of water resources

Papua New Guinea

Construction of a Sewage Treatment Plant to Address Hygiene Issues and Protect the Marine Environment

Sewage treatment infrastructure was under maintained along the coast of Papua New Guinea's capital, Port Moresby. Sewage was being released untreated into the ocean, killing coral reefs in coastal waters, and worsening the environment of the local residents.

To solve this social and environmental issue, Hitachi formed a joint venture with Dai Nippon Construction and began a sewage treatment infrastructure development project. Completed in 2019, the constructed plant has a processing capacity of 18,400 m^3 per day. In fiscal 2020, the target population for sewage treatment was about 92,000 people. In the future, it is planned to increase the processing capacity to 25,700 m^3 per day to cover a projected target population of about 126,000 people along the coast of the city in 2042. This project goes beyond the construction of a sewage treatment plant. Hitachi has requested collaboration on technical support from Kitakyushu, which has been selected as an Environmental Future City, and is working to ensure stable operation of the facility by proposing efficient O&M and developing human resources, such as through water quality analysis training.

Sewage treatment plant

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Building a Society That Uses Resources Efficiently   GRI 417-1

Hitachi's 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. At the stages of procurement, development, and design we will advance eco-designs. This includes taking into account ease of disassembly, adoption of mono-materials, durability, repairability, and resource saving as well as greater use of recycled materials and environmentally friendly materials. Beyond the issues of the long-term use of products and their reuse, and the repair, refurbishment, repurposing, and remanufacturing of products that are no longer needed, 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. In the field of technology development to support resource circulation, we will pursue the development of raw materials, products, tools, applications, and services with a view to achieving a circular economy.

▶ Efficient Use of Resources Throughout the Value Chain

Recycling plastics from home appliances (Japan)

Disposal
Closed-loop recycling, remanufacturing

Procurement
Closed-loop recycling, use of recycled materials

Recycling amorphous metal materials (Japan)

Refurbishing storage systems (US)

Use
Repair, reuse, refurbishing, sharing

Efficient Use of Resources Throughout the Value Chain

Development & Design
Environmentally conscious design, resource saving, long product life

Distribution & Sales
Reuse, rebuilding, servicizing

Production
Closed-loop recycling, effective use of waste

Recycling metal materials from automobile casting parts (Japan)

Recycling construction machinery components
(Japan, China, India, Indonesia, Netherlands, Australia, Canada, US, Zambia)

Rebuilding electric components from automobiles (Japan)

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Activities Related to a Circular Economy

`Activities`   GRI 301-1/301-2/301-3

Hitachi High-Tech has developed a high-speed battery deterioration diagnosis method to instantaneously evaluate the performance deterioration and remaining life of lithiumion batteries (LIB) at speeds ranging from several seconds to two minutes compared to two to four hours before. Application of this method in processes ranging from production, the use and reuse, to the recycling of electric vehicles' lithium-ion batteries is expected to enable it to be used as a new data management platform with features including the monitoring of individual battery use, clarification of remaining performance at the reuse and recycling stages, and visualization of factors such as the supply-demand balance and predicted market value in the reuse of batteries.

　　Hitachi ABB Power Grids and Sweden's Stena Recycling have entered into a long-term cooperation agreement on transformer recycling. Encompassing cooperative design work to enable a new smart recycling process for transformers, the agreement constitutes a major step on the path toward realizing a sustainable circular economy.

Efforts aimed
at transformer recycling

▶ Relationship of the Evaluation Method to the Lithium-Ion Battery-Related Circular Economy Business Sector
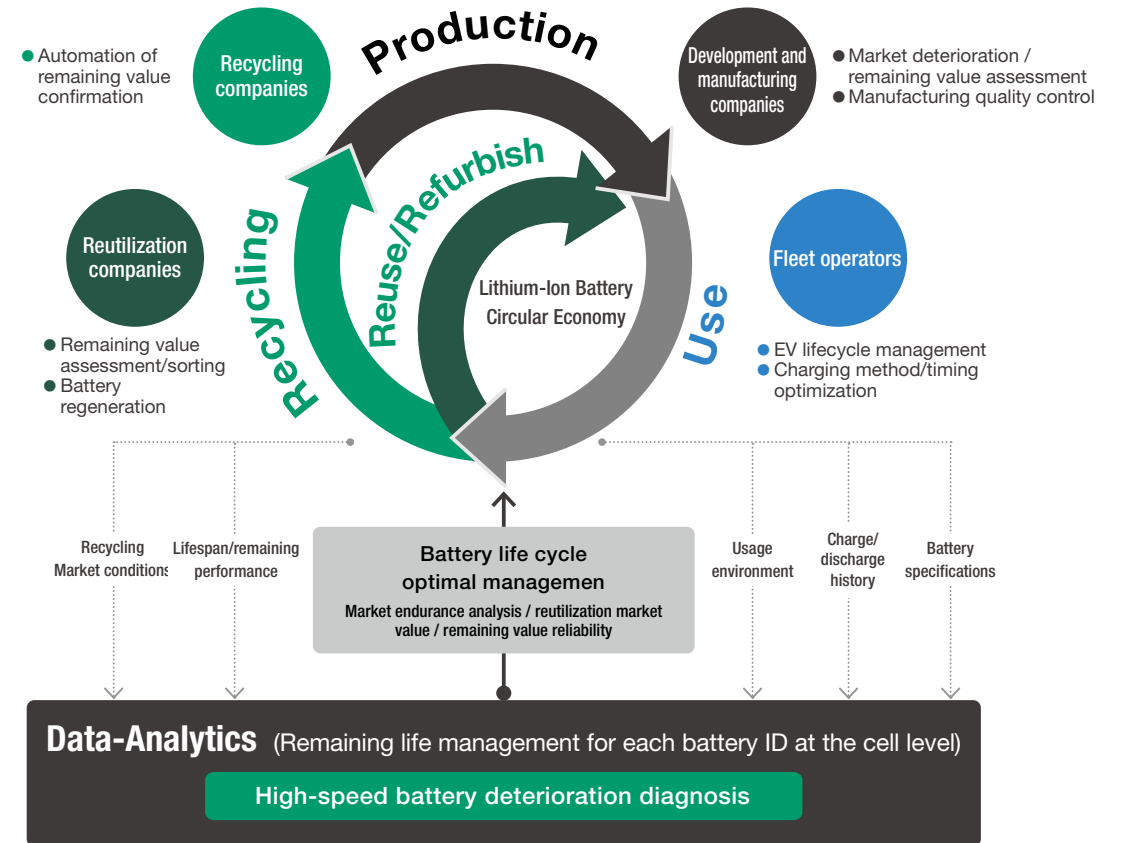
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Achievements in Fiscal 2020

Japan

IT equipment

Hitachi has established its own product recycling network providing services near its customers to collect and recycle such end-of-life products as supercomputers, mainframes, and other computing machines; communication equipment like network devices and telephone switchboards; and information equipment like ATMs. It recycled a total of 62 tons of products in fiscal 2020.

The United States

Large-capacity storage systems

Hitachi Computer Products (America) and Hitachi Vantara refurbish parts of used devices traded in for new products after cleaning and checking them for use as warranty-backed maintenance components. They reused and recycled a total of 251 tons of products in fiscal 2020.

Japan, China, Australia, and six other countries

Construction machinery units

The Hitachi Construction Machinery Remanufacturing Business remanufactures used units at recycling plants to offer as high-function, reasonably priced units with functions equivalent to those of new ones. It reduced a total of 6,630 tons of industrial waste in fiscal 2020 with a target of 9,500 tons by fiscal 2022.

Japan

Electric components for automobiles

After collecting malfunctioning components from dealers and repair shops, Hitachi Astemo disassembles, checks, cleans and restores, reassembles, and inspects them, and markets them as having the same performance as new products. Approximately 47.5% of electrical components were collected as malfunctioning parts and reused as refurbished products and about 15,000 malfunctioning components (approximately 100 tons) were serviced in fiscal 2020. It reduced approximately 47.5 tons of industrial waste.

Japan

Home appliances

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 91,715 kt of recyclable materials[2] were recovered in fiscal 2020 of which approximately 82,408 kt were recycled. By product type, the recycling rate for refrigerators and freezers was 81%, exceeding the legal requirement of 70% by 11 percentage points, and for washing machines and dryers it was 94%, exceeding the legal requirement of 82% by 12 percentage points.

[1] Hitachi Global Life Solutions; Sharp Corp.; Sony Corp.; Fujitsu General Ltd.; and Mitsubishi Electric Corp.
[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 Hitachi-Johnson Controls Air Conditioning.

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.

Achievements in Fiscal 2020

During fiscal 2020, a total of 1,794 tons of recycled plastic materials from end-of-life home appliances were used as parts for home appliances and packing materials. 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 substantial increase in the use of recycled plastics compared to fiscal 2019 was achieved with the switch to almost 100% recycled material use in fiscal 2020. The clearing of technical problems and the handling of procurement issues are factors in this achievement.

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Management of Waste Generated at Business Sites

Activities

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

For fiscal 2020, we set a target of a 11% reduction (from a base year of fiscal 2010) for waste and valuables*1 generated per unit, and bettered this by achieving a 14% reduction. The amount of waste and valuables generated was reduced by 313 kt or 24% 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.

Under the Zero Emission*2 initiative, which seeks to minimize landfill disposal, 73 business sites out of 162 target business sites achieved their zero waste emissions goal*3 in fiscal 2020.

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 confirm 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 emissions: The principles and methods advanced by the United Nations University in 1994 aimed at eliminating waste from human activity as much as possible while maximizing the use of resources and achieving sustainable economic and manufacturing activities.
*3 Zero waste emissions 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

🔗 **Zero Emission Sites**

Environmental Action Plan for 2021 Management Values

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

FY 2010 (base year)

100%
Amount generated
1,322 kt
Activity amount*2

FY 2020

86%
Amount generated
1,009 kt
Activity amount
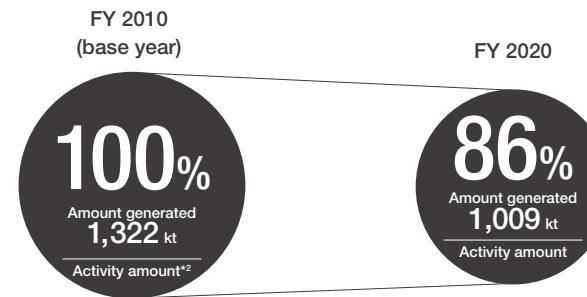
Reduction in Waste and Valuables Generation per Unit compared to bae year

14% reduction
FY 2020 reduction target rate: 11%

*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)

(t)

FY	2016	2017	2018	2019	2020
Total	1,336	1,356	1,384	1,302	1,061

2016: 7, 2, 737, 107, 48, 435
2017: 12, 4, 713, 117, 55, 455
2018: 12, 4, 722, 130, 55, 461
2019: 14, 10, 656, 148, 56, 418
2020: 9, 9, 582, 100, 50, 311

■ Japan ■ China ■ ASEAN, India, and other Asian regions
■ North America ■ Europe ■ Other regions
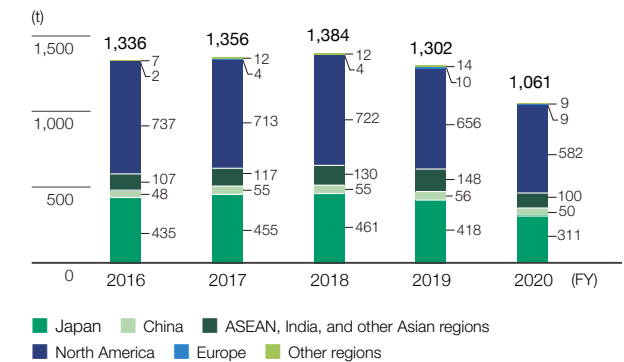
*1 The total amount of waste and valuables generated in manufacturing processes plus that generated in offices and other nonmanufacturing businesses.
Note: Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

🔗 **Case studies of Efficient Use of Resources**

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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 as negative impact activities. Providing products and services that contribute to ecosystem preservation and undertaking social contribution activities to protect the environment through the preservation of biodiversity and ecosystems are categorized as positive impact activities. We will strive to minimize the gap between them by 2050.

By quantifying Hitachi's positive and negative impact activities across the value chain, we are advancing initiatives to reduce our negative impact and maximize our positive impact.

▶ A Timetable for Minimizing Impacts

— Negative impacts   ■ Positive impacts (ecosystem preservation activities)   ■ Positive impacts (contributions through products and services)

Reduce negative impacts

Activities to achieve long-term targets
Decarbonized society
Resource efficient society
Harmonized society with nature

Increase positive impacts

Minimize impacts on natural capital

Ecosystem preservation activities

Contributions through products and services

Initiatives to Minimize Impacts on Natural Capital

Activities

Hitachi has identified and quantified the negative impacts our business activities have on natural capital with the aim of reducing such impacts. In fiscal 2020, we evaluated the impacts using the latest version of an inventory database (IDEA v2[*1]) that is needed for calculating negative impacts. According to our estimates, approximately 30% of our negative impacts in fiscal 2020 were related to climate change, and 20%, respectively, to ecotoxicity (air), urban air pollution, and resource consumption. With regard to climate change, we will accelerate the pace of our efforts to realize a decarbonized society and a resource efficient society as the impact of our raw materials procurement is becoming apparent in impact assessments regarding ecotoxicity (air), urban air pollution, and resource consumption. Also, we found negative impacts were reduced by 8% in fiscal 2020 from fiscal 2019. 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 our positive impact activities, we have been advancing social contribution activities like forest conservation and business activities that directly contribute to ecosystem preservation such as building water treatment

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

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plants. We are also looking to quantify the impact of these activities.

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.

Achievements in Fiscal 2020

In fiscal 2020, we started collecting 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.

▶ Negative Impact on Natural Capital (FY 2020)

- Other **10**%
- Climate change **28**%
- Ecotoxicity (air) **21**%
- Urban air pollution **17**%
- Resource consumption **15**%
- Land use **9**%

Note: Calculated from version 2 of the Life-cycle Impact Assessment Method based on Endpoint Modeling (LIME2) by using IDEAv2

▶ Negative Impacts on Natural Capital
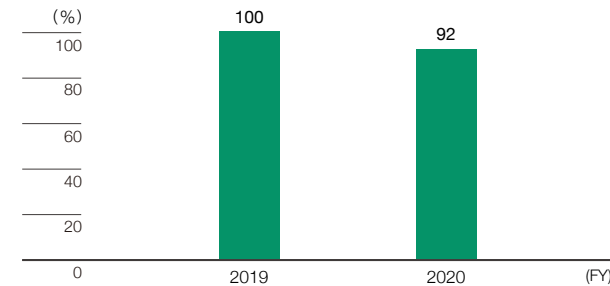
↗ Scope of Negative Impact Calculations

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

In June 2020, the global Business for Nature coalition issued a Call to Action 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.

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

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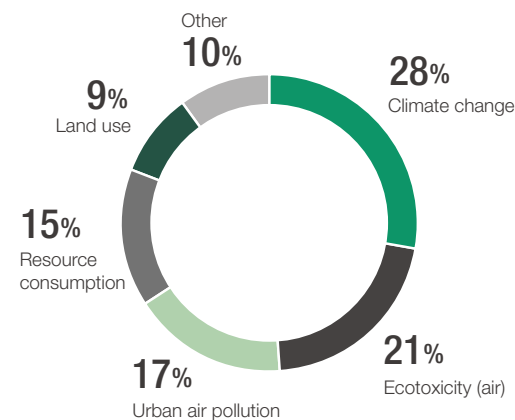
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Managing and Reducing Chemical Substances

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 to minimizing our impact on natural capital.

Based on this belief, Hitachi formulated the Regulations for Environmental CSR-Compliant Monozukuri 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 extensively, regardless of export destination, type of industry,

or purpose of use. Specifically, we distinguish between prohibited substances (Level 1), which are basically illegal to use inside and outside Japan in products (including packaging) but which might be found in products from suppliers, and controlled substances (Level 2), which includes substances we are required to track and manage the use of and substances requiring attention to recycling or appropriate disposal methods. The list of managed substances and levels is revised when necessary based on updates to the EU's REACH[1] and other regulations, with the aim of adding substances to the list of Voluntarily Controlled Chemical Substances six months before they are officially regulated.

⤷ **Hitachi's Voluntarily Controlled Chemical Substances**

Achievements in Fiscal 2020

Because five substances including phenol isopropylated phosphate (PIP [3:1]) were to be added to the list of restricted substances under the United States' Toxic Substances Control Act (TSCA[2]) in March 2021, we in April 2021 revised them as prohibited substances and controlled substances. As a result, the list of Voluntarily Controlled Chemical Substances now contains 23 prohibited substance groups and 25 controlled substance groups.

[1] REACH: The European Union regulation of Registration, Evaluation, Authorization, and Restriction of Chemicals.
[2] The act comes under the authority of the United States Environmental Protection Agency.

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.

Information on our efforts has been translated into English and Chinese and shared globally with Hitachi Group members. 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 Groupwide 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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Achievements in Fiscal 2020

In fiscal 2020, toward the target of reducing atmospheric emissions of chemical substances per unit by 17% from the base year 2010, we were able to achieve a reduction rate of 33%. 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)

FY 2010 (base year)

100%
Emissions 4,006 t
Activity amount[1]

FY 2020

67%
Emissions 2,374 t
Activity amount

Reduction in Atmospheric Emissions of Chemical Substances per Unit

33% reduction

FY 2020 reduction target rate: 17%

[1] 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)
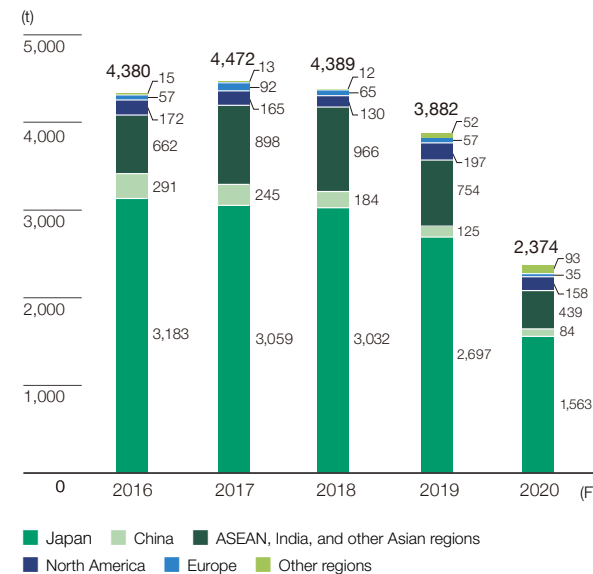
(t)

	2016	2017	2018	2019	2020
Total	4,380	4,472	4,389	3,882	2,374
Other regions	15	13	12	52	93
Europe	57	92	65	57	35
North America	172	165	130	197	158
ASEAN, India, and other Asian regions	662	898	966	754	439
China	291	245	184	125	84
Japan	3,183	3,059	3,032	2,697	1,563

(FY)

■ Japan　■ China　■ ASEAN, India, and other Asian regions
■ North America　■ Europe　■ Other regions

Notes: • Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate included in the ingredients
• Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

Case studies of Reducing Chemical Substances in Our Business Activities

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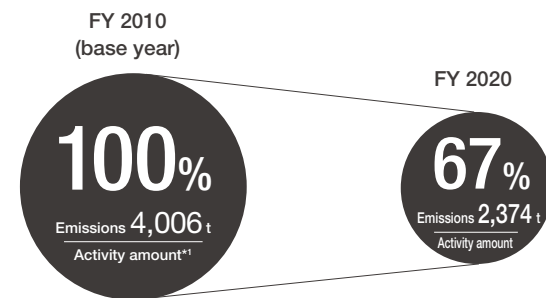
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Preserving Ecosystems

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 and realizing a society in harmony with nature.

Hitachi created an Ecosystem Preservation Activities Menu citing the specific activities to be undertaken to promote the preservation of the ecosystem, including not only CO_2 emission reductions, resource recycling, and chemical substances management but also 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.

▶ 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

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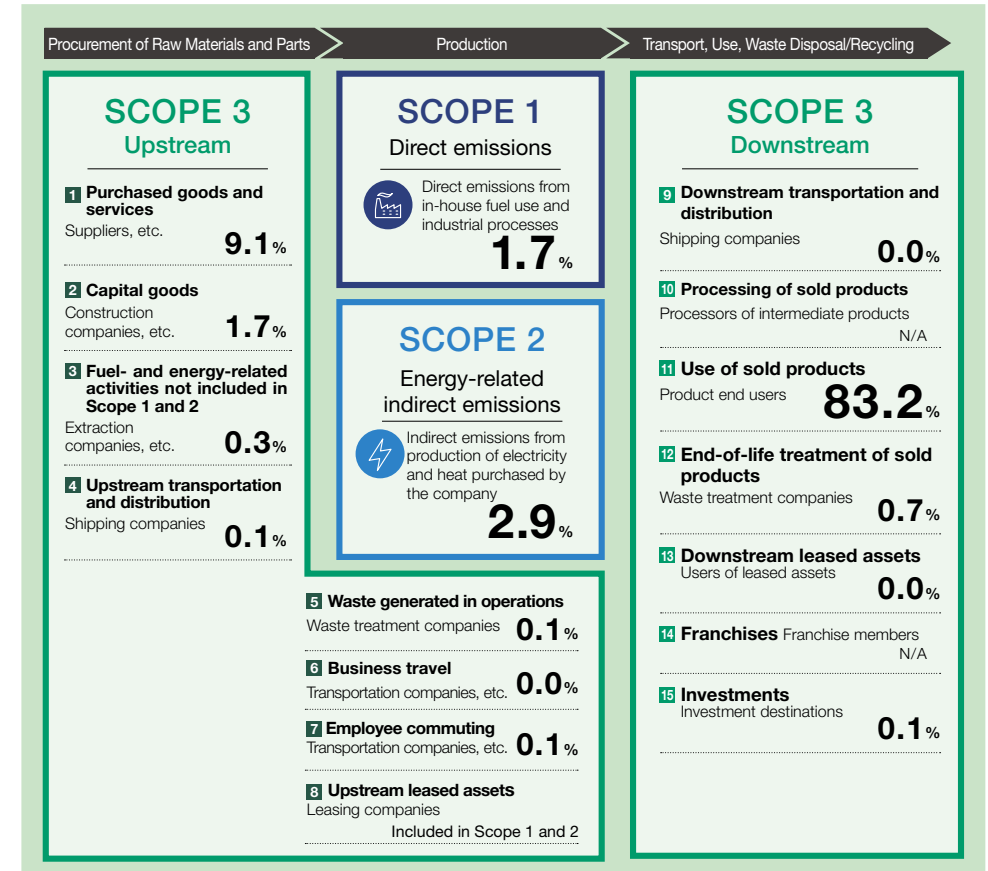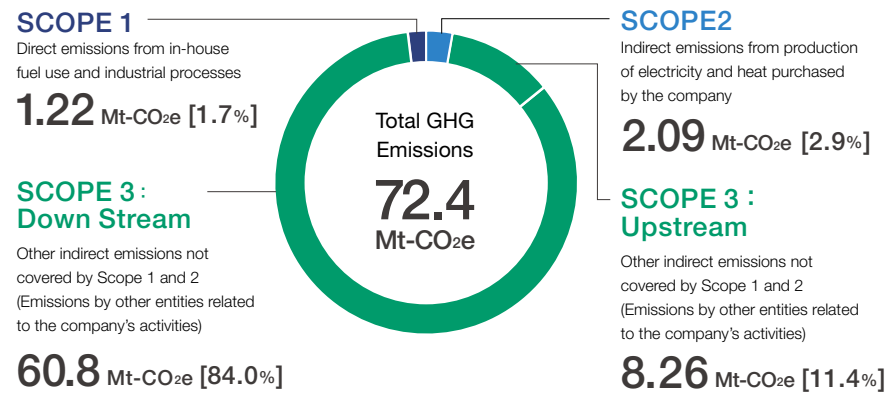Report
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GHG Emissions Throughout the Value Chain   GRI 302-2/305-1/305-2/305-3/305-4/305-5

Calculating GHG Emissions Throughout the Value Chain (Fiscal 2020)

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. CO_2 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 CO_2 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 business operations by giving priority to enhancing the efficiency and energy-saving features of our products and services.

SCOPE 1
Direct emissions from in-house fuel use and industrial processes
1.22 Mt-CO₂e [1.7%]

SCOPE2
Indirect emissions from production of electricity and heat purchased by the company
2.09 Mt-CO₂e [2.9%]

Total GHG Emissions
72.4 Mt-CO₂e

SCOPE 3 : Down Stream
Other indirect emissions not covered by Scope 1 and 2 (Emissions by other entities related to the company's activities)
60.8 Mt-CO₂e [84.0%]

SCOPE 3 : Upstream
Other indirect emissions not covered by Scope 1 and 2 (Emissions by other entities related to the company's activities)
8.26 Mt-CO₂e [11.4%]

Procurement of Raw Materials and Parts › Production › Transport, Use, Waste Disposal/Recycling

SCOPE 3 Upstream

1 **Purchased goods and services**
Suppliers, etc.
9.1%

2 **Capital goods**
Construction companies, etc.
1.7%

3 **Fuel- and energy-related activities not included in Scope 1 and 2**
Extraction companies, etc.
0.3%

4 **Upstream transportation and distribution**
Shipping companies
0.1%

5 **Waste generated in operations**
Waste treatment companies
0.1%

6 **Business travel**
Transportation companies, etc.
0.0%

7 **Employee commuting**
Transportation companies, etc.
0.1%

8 **Upstream leased assets**
Leasing companies
Included in Scope 1 and 2

SCOPE 1
Direct emissions
Direct emissions from in-house fuel use and industrial processes
1.7%

SCOPE 2
Energy-related indirect emissions
Indirect emissions from production of electricity and heat purchased by the company
2.9%

SCOPE 3 Downstream

9 **Downstream transportation and distribution**
Shipping companies
0.0%

10 **Processing of sold products**
Processors of intermediate products
N/A

11 **Use of sold products**
Product end users
83.2%

12 **End-of-life treatment of sold products**
Waste treatment companies
0.7%

13 **Downstream leased assets**
Users of leased assets
0.0%

14 **Franchises** Franchise members
N/A

15 **Investments**
Investment destinations
0.1%

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 (Fiscal 2020)

Category	Description	Reporting Boundary	Calculation Results (Mt-CO₂e)	Percentage (%)
Scope1[*1]				
Direct emissions	Direct emissions from in-house fuel use and industrial processes	Hitachi Group	1.22	1.7
Scope2[*2]				
Energy-related indirect emissions	Indirect emissions from the production of electricity and heat purchased by the company	Hitachi Group	2.09	2.9
Scope 1 and 2 total		Hitachi Group	3.31	4.6
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		6.61	9.1
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		1.26	1.7
3 Fuel- and energy-related activities notincluded 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		0.07	0.1
6 Business travel	Emissions generated from the fuel and electricity used by employees for business travel		0.01	0.0
7 Employee commuting	Emissions generated from the fuel and electricity used by employees commuting		0.06	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[*3]	—
11 Use of sold products[*4]	Emissions from the use of products by end users, such as consumers and businesses		60.24	83.2
12 End-of-life treatment of sold products sold[*4]	Emissions from the transportation, waste disposal, and treatment of products by end users, such as consumers and businesses	Hitachi Group	0.50	0.7
13 Downstream leased assets	Emissions from the operating of assets owned by the reporting company as the lessor which are leased to other entities		0.03	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
Scope 3 total		Hitachi Group	69.05	95.4
Total		Hitachi Group	72.40	100

*1 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 published by Japan's Ministry of the Environment.
*2 CO₂ emissions were calculated using the 2017 CO₂ electrical power conversion factor for countries (in CO₂ per kWh) in Emission Factors (2019 edition), published by the International Energy Agency (IEA).
*3 Cannot be determined due to insufficient information about the processing.
*4 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).

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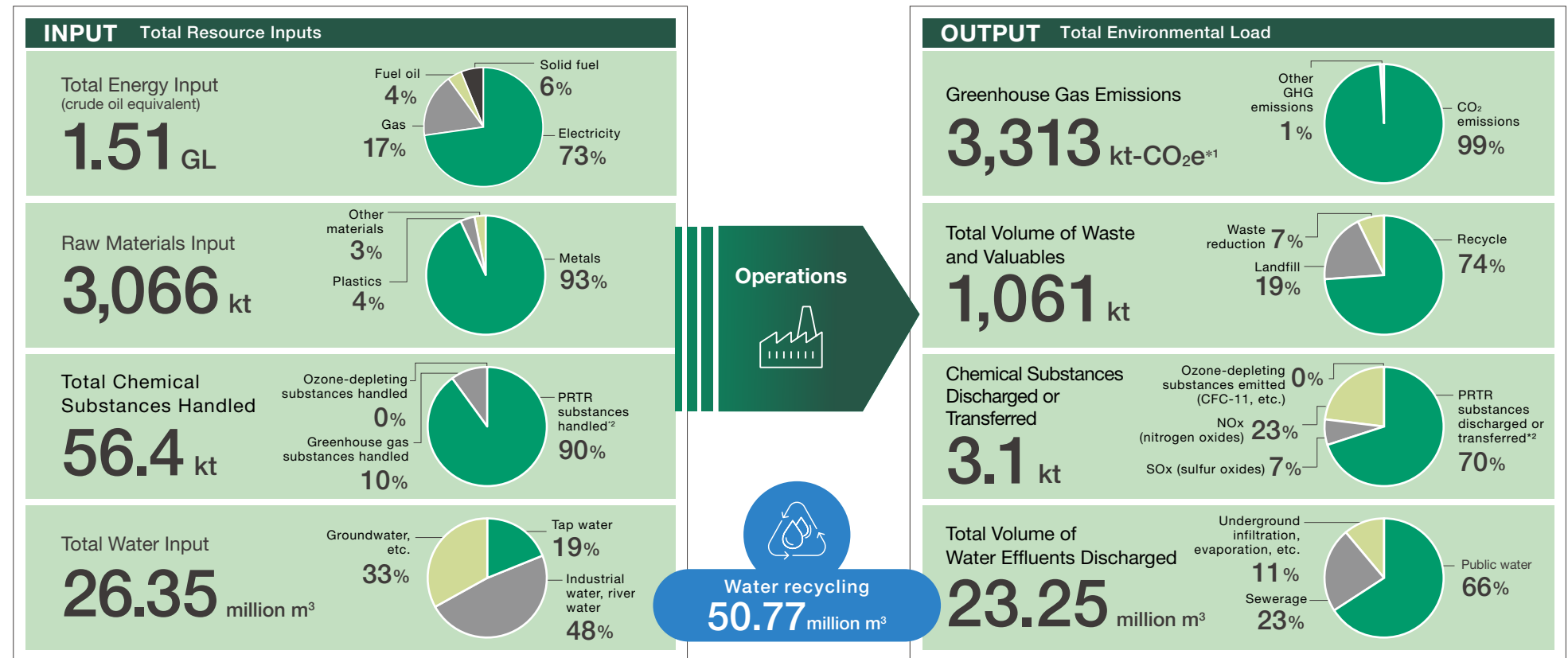
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Environmental Load from Operations

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 (Hitachi Group, Fiscal 2020)

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 2020.

Products shipped: 1,807k

INPUT — Total Resource Inputs

Total Energy Input (crude oil equivalent)
1.51 GL
- Solid fuel 6%
- Electricity 73%
- Fuel oil 4%
- Gas 17%

Raw Materials Input
3,066 kt
- Other materials 3%
- Metals 93%
- Plastics 4%

Total Chemical Substances Handled
56.4 kt
- Ozone-depleting substances handled 0%
- Greenhouse gas substances handled 10%
- PRTR substances handled[*2] 90%

Total Water Input
26.35 million m³
- Groundwater, etc. 33%
- Tap water 19%
- Industrial water, river water 48%

Operations

Water recycling 50.77 million m³

OUTPUT — Total Environmental Load

Greenhouse Gas Emissions
3,313 kt-CO_2e[*1]
- Other GHG emissions 1%
- CO_2 emissions 99%

Total Volume of Waste and Valuables
1,061 kt
- Waste reduction 7%
- Landfill 19%
- Recycle 74%

Chemical Substances Discharged or Transferred
3.1 kt
- Ozone-depleting substances emitted (CFC-11, etc.) 0%
- NOx (nitrogen oxides) 23%
- SOx (sulfur oxides) 7%
- PRTR substances discharged or transferred[*2] 70%

Total Volume of Water Effluents Discharged
23.25 million m³
- Underground infiltration, evaporation, etc. 11%
- Sewerage 23%
- Public water 66%

*1 CO_2e: CO_2 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 2016	FY 2017	FY 2018	FY 2019	FY 2020
Renewable energy	Electricity	Hitachi Group	GWh (TJ)	2.9 (10.4)	3.2 (11.5)	7.1 (25.6)	18.0 (64.8)	138.2 ✓ (497.5) *1
Non-renewable energy	Electricity			5,903 (57.4)	6,020 (58.4)	6,021 (58.4)	5,992 (58.2)	4,498 ✓ (43.9)
	For heating		GWh (PJ)	—	130 (1.3)	128 (1.3)	128 (1.3)	96 (1.0)
	For cooling			—	277 (2.7)	273 (2.7)	273 (2.7)	208 (2.0)
	To generate steam		kt (TJ)	—	3.2 (7.7)	3.2 (7.7)	3.2 (7.7)	3.2 (7.7)
	Gas Natural gas		Billion m³ (PJ)	0.18 (8.1)	0.19 (8.6)	0.18 (8.4)	0.15 (7.0)	0.11 ✓ (4.8)
	For heating	Hitachi Group	Million m³ (PJ)	—	18.4 (0.9)	18.6 (0.9)	18.6 (0.9)	14.2 (0.6)
	For cooling			—	10.3 (0.5)	10.5 (0.5)	10.5 (0.5)	8.0 (0.4)
	To generate steam		kt (PJ)	—	291 (0.68)	268 (0.63)	232 (0.54)	161 (0.38)
	LPG, LNG, etc.			241 (13.0)	269 (14.5)	251 (13.5)	150 (8.0)	111 ✓ (5.9)
	Fuel oil (heavy oil, kerosene, etc.)		ML (PJ)	149 (5.6)	117 (4.5)	87 (3.3)	75 (2.9)	61 ✓ (2.3)
	Solid fuel (coke)		kt (PJ)	173 (5.2)	179 (5.4)	188 (5.5)	162 (4.8)	137 ✓ (4.0)
Total energy consumption (crude oil equivalent)		**Hitachi Group**	**PJ (GL)**	**89 (2.30)**	**91 (2.35)**	**88 (2.27)**	**81 (2.07)**	**61 (1.51)**

*1 From FY 2020, the amount of purchased renewable energy is added to the amount of generated renewable energy.

Greenhouse Gases Emitted

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
CO_2 emissions ✓		Hitachi Group	$kt\text{-}CO_2$	5,322	5,433	4,973	4,374	3,296
Other GHGs	SF_6 (sulfur hexafluoride)			37	40	35	24	11
	PFCs (perfluorocarbons)			4	4	5	4	0
	HFCs (hydrofluorocarbons)	Hitachi Group	$kt\text{-}CO_2e$	19	7	3	3	1
	N_2O, NF_3, CH_4 (dinitrogen monoxide, nitrogen trifluoride, methane)			2	1	3	2	2
	CO_2 from non-energy sources			3	3	7	8	3
Total GHGs*1		**Hitachi Group**	**$kt\text{-}CO_2e$**	**5,387**	**5,488**	**5,026**	**4,415**	**3,313**

*1 Total GHGs: Scope 1 and 2 total

Notes: • CO_2 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.
• CO_2 emissions from electricity consumption is calculated using a market-based calculation method. Regarding CO_2 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.

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Environmental

Hitachi Sustainability Report 2021

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 2016	FY 2017	FY 2018	FY 2019	FY 2020
Raw materials	Metals				2,710	3,388	4,031	3,454	2,861
		New materials			1,497	1,571	1,624	1,372	1,075
		Recycled materials, etc.			1,213	1,817	2,407	2,082	1,786
	Plastics		Hitachi Group	kt	169	151	165	147	115
		New materials			167	150	163	143	113
		Recycled materials, etc.			2	1	2	4	2
	Other materials				314	258	207	175	90
		New materials			308	250	201	173	89
		Recycled materials, etc.			6	8	6	2	1
Total amount of raw materials			Hitachi Group	kt	3,193	3,797	4,403	3,776	3,066

Waste and Valuables Generated

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Waste reduction		Hitachi Group	kt (kt[1])	68 (0.4)	83 (9.0)	94 (5.6)	101 (17.5)	75 (9.8)
Recycle	Reuse			1 (0.4)	1 (0.4)	1 (0.0)	5 (2.2)	35 (11.4)
	Materials recycled	Hitachi Group	kt (kt[1])	1,001 (21.5)	1,038 (20.2)	1,044 (25.6)	919 (25.3)	740 (17.6)
	Thermal recovery			12 (2.4)	11 (1.4)	13 (1.4)	21 (4.9)	11 (5.4)
Landfill		Hitachi Group	kt (kt[1])	254 (2.0)	223 (5.2)	232 (3.7)	256 (6.1)	200 (4.9)
Total waste and valuables generated		Hitachi Group	kt	1,336	1,356	1,384	1,302	1,061
Nonhazardous (hazardous)		Hitachi Group	kt (kt[1])	1,309 (27)	1,320 (36)	1,348 (36)	1,246 (56)	1,012 (49)[2]

[1] Figures in parentheses are the generation of waste defined as hazardous under the Basel Convention.
[2] The hazardous wastes imported and exported are zero tons, and hazardous wastes transported internationally are 0%.

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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 2016	FY 2017	FY 2018	FY 2019	FY 2020
Chemical substances handled	PRTR substances handled	Hitachi Group	kt	190	205	189	177	51 [*1]
	Ozone-depleting substances handled		t	208	1,219	561	241	0.25
	Greenhouse gas substances handled			3,425	5,656	6,332	8,520	5,426
	Total amount of chemicals handled	Hitachi Group	kt	193.6	211.9	195.9	185.8	56.4

Chemical Substances Discharged or Transferred

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Chemical substances discharged or transferred	PRTR substances discharged or transferred	Hitachi Group	kt	4.5	4.3	4.1	3.4	2.1
	SOx (sulfur oxides)		t	290	297	274	256	209
	NOx (nitrogen oxides)			1,007	929	930	822	706
	Ozone-depleting substances emitted (CFC-11, etc.)		t (t-ODP[*2])	1.1(0.05)	24 (0.61)	27 (0.70)	9.8 (0.28)	0.06 (0.002)
	Total Amount of Discharges and Transfers	Hitachi Group	kt	5.8	5.5	5.3	4.5	3.1

*1 Due to deconsolidation of material company, the handling volume decreased.
*2 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[1]

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Surface water	Tap water (water for drinking and other household uses)	Hitachi Group	Million m³	7.77	7.4	7.61	7.95	5.10
	Industrial water, river water			18.41	17.46	16.63	15.58	12.62
Groundwater			Million m³	14.92	13.56	12.74	12.84	8.60
Rain water			Million m³	0.03	0.02	0.01	0.02	0.01
Recycled water (recycled from the wastewater of other organizations)			Million m³	0.21	0.1	0.03	0.02	0.01
Total water use		Hitachi Group	Million m³	41.34	38.54	37.02	36.41	26.35

[1] There is no water intake from the sea.

Water Effluents Discharged[1]

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Public water		Hitachi Group	Million m³	26.16	23.12	22.44	22.46	15.29
Sewerage			Million m³	8.93	8.62	8.18	7.74	5.44
Underground infiltration, evaporation, etc.			Million m³	3.68	3.39	3.48	3.21	2.52
Total water effluents discharged		Hitachi Group	Million m³	38.77	35.13	34.1	33.41	23.25
Water quality	BOD (biochemical oxygen demand)	Hitachi Group	t	347	380	368	204	172
	COD (chemical oxygen demand)[2]			531	575	1,648	383[2]	400

[1] There is no discharge into the sea.
[2] The fiscal 2019 figure excludes business sites (which accounted for around 60% of demand the previous year) from which data collection was hampered due to the spread of COVID-19.

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Environmental Load by Region

Achieving a Decarbonized Society

CO_2 Emissions by Region

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Japan			2,392	2,377	2,285	2,030	1,448
China			265	283	236	264	185
ASEAN, India, and other Asian regions			470	499	540	572	360
North America	Hitachi Group	kt-CO_2	1,415	1,461	1,286	1,167	1,003
Europe			10	16	15	30	18
Other regions			38	58	57	83	56
Power plants			732	739	554	228	226
Total	Hitachi Group	kt-CO_2	5,322	5,433	4,973	4,374	3,296

Notes: • Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.
• Regarding CO_2 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) as conversion factors for individual countries 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.

Achieving a Resource-Efficient Society

Water Input by Region

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Japan			32.72	30.17	29.00	28.01	19.50
China			1.51	1.51	1.34	1.32	0.95
ASEAN, India, and other Asian regions			4.00	4.04	3.93	4.09	1.92
North America	Hitachi Group	Million m³	2.98	2.56	2.45	2.36	3.30
Europe			0.02	0.04	0.04	0.28	0.36
Other regions			0.11	0.22	0.26	0.35	0.33
Total	Hitachi Group	Million m³	41.34	38.54	37.02	36.41	26.35

Note: Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

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Waste and Valuables Generated by Region

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Japan			435	455	461	418	311
China			48	55	55	56	50
ASEAN, India, and other Asian regions	Hitachi Group	kt	107	117	130	148	100
North America			737	713	722	656	582
Europe			2	4	4	10	9
Other regions			7	12	12	14	9
Total	Hitachi Group	kt	1,336	1,356	1,384	1,302	1,061

Note: Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

Achieving a Harmonized Society with Nature

Atmospheric Emissions of Chemical Substances by Region

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Japan			3,182	3,058	3,032	2,697	1,563
China			291	245	184	125	84
ASEAN, India, and other Asian regions	Hitachi Group	t	661	898	966	754	439
North America			118	104	94	197	158
Europe			57	58	65	57	35
Other regions			15	13	12	52	93
Total	Hitachi Group	t	4,325	4,378	4,352	3,882	2,374

Notes: • Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate stated in the ingredients.
• Regional classifications were changed in fiscal 2020, and the past data was recalculated based on this.

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Environmental Management Data

Number of ISO 14001 Certified Companies (as of March 2021)

	Reporting Boundary	Unit	FY 2020
Japan			85
China			43
ASEAN, India, and other Asian regions	Hitachi Group[1]	Companies	42
North America			10
Europe			17
Other regions			5
Total	Hitachi Group[1]	Companies	202

[1] Companies with at least one certified business site.
Note: Regional classifications are revised from those used in fiscal 2020 and Mexico, the Middle East, Central and South Africa and other Asian regions were added as other regions.

Number of Regulatory Violations and Complaints

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Regulatory violations	Water quality			1	3	4	4	5
	Air quality	Hitachi Group	Cases	2	1	2	0	0
	Waste materials			1	0	3	0	4
	Other (equipment registration, etc.)			2	4	4	1	1
Complaints		Hitachi Group	Cases	6	5	3	5	3

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Environmental Accounting   GRI 201-1

Environmental Investments

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total investments	Investments in energy-saving equipment and equipment that directly reduces the environmental load	Hitachi Group	Billions of yen	5.12	10.99	9.86	9.71	5.75

Environmental Protection Costs

			Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Expenses	Business area	Maintenance costs for equipment with low environmental loads, depreciation, etc.*1			19.19	22.17	23.57	22.62	19.14
	Upstream/Downstream	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses			0.63	0.72	0.68	0.68	0.62
	Administration	Labor costs for environmental management and the implementation and maintenance of environmental management systems	Hitachi Group	Billions of yen	5.12	5.69	6.72	4.98	5.88
	Research and development costs	Costs of research and development and product designs to reduce the environmental burden caused by products and production processes			63.13	62.55	61.86	77.01	60.64
	Social activities	Planting, beautification, and other environmental improvement costs			1.21	1	0.93	0.25	0.22
	Environmental remediation	Environmental mitigation costs, contributions, and charges			0.22	0.33	0.4	0.17	0.12
Total			Hitachi Group	Billions of yen	89.50	92.46	94.16	105.71	86.62

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

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Environmental Protection Effects

Economic Effects[1]

	Major FY 2020 Activities	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net income effects	Recovering value from waste by sorting and recycling	Hitachi Group	Billions of yen	4.96	6.90	8.35	12.42	9.66
Cost reduction effects	Installing high-efficiency equipment (lighting, power supply, etc.)			7.77	14.54	7.70	6.20	4.62
Total		Hitachi Group	Billions of yen	12.73	21.44	16.05	18.62	14.28

[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.

Physical Effects[1] (amount of reduction)

	Major FY 2020 Activities	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Reduction in energy used during production	Installing LED lighting, upgrading air-conditioning equipment, etc.	Hitachi Group	Million kWh	51	41	55	48	51

[1] The effect of capital investments is calculated by the reduction in electricity consumption in the fiscal year it was invested each fiscal year.

Environmental Liability

We have appropriated 5.5 billion yen in costs for the disposal of waste containing PCB and 2.4 billion yen to clean up contaminated soil as the amounts that we can reasonably project, as of end of March 2021, as future environmental liabilities.

4

Social

Social

Striving to Increase Social Value

In order to grow sustainably and improve social value, Hitachi must meet a range of social expectations. As well as creating the innovation sought by society, we need to establish a working environment where diverse talent can shine, and rigorously implement fair business practices and respect for human rights throughout the value chain.

We also aim for greater involvement in and development of the communities related to our businesses.

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Social

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Innovation Management GRI 103-2

Relevant SDGs

Why
— Why it matters —

Hitachi is focusing its efforts on Social Innovation Business as part of its mission "to contribute to society through the development of superior, original technology and products." We have also set a goal to become a "global innovation leader" driving Society 5.0 initiatives and contributing to the realization of the UN's Sustainable Development Goals (SDGs). In fiscal 2021, the final year of the 2021 Mid-term Management Plan, we are accelerating open innovation through initiatives focusing on the three areas of Environment, Resilience, and Security & Safety; further enhancing Lumada and NEXPERIENCE, a co-creation methodology for collaborative creation with customers, and leveraging "Kyōsō-no-Mori," a new research initiative for open collaborative creation. Hitachi is creating solutions that help customers improve the value they provide to society, the environment, and the economy, deploying our intellectual property of these solutions globally and so helping to address social issues by achieving the SDGs and the Society 5.0 initiative.

Research & Development

What
— What we are doing —

- Generating value-innovation (for Environment, Resilience, and Security & Safety)
- Contributing to Lumada business expansion (development of world-leading technology for OT × IT × Products)
- Strategic positioning to resolve future challenges facing society (reinforcing initiatives to address the needs of society in 2050)

How
— How we are doing it —

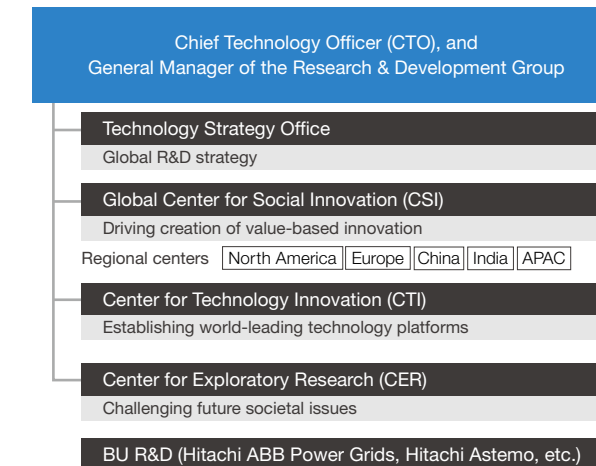| Policy and promotion structure	To become "a global innovation leader" driving Society 5.0 and the realization of the SDGs, the Global Center for Social Innovation (CSI) is working with front-line teams to foster value-based innovation. Also, the Center for Technology Innovation (CTI) is promoting technology development to expand the Lumada business. In addition, the Center for Exploratory Research (CER) is promoting research to address the needs of society in 2050 as a stepping stone toward solving future social issues.

Achievements in Fiscal 2020

Develop and socially implement human-centric AI	Established principles guiding the ethical use of AI
Generate and share visions through industry-governmentacademia collaborations	Held collaborative forums with leading universities, published the research results
	Promoted open innovation with governments and academic institutions in each country and region
Realize Lumada cyber-physical systems (CPS)	Promoted technology development in the areas of AI, 5G, beyond 5G, massively big data processing, cybersecurity, and authentication infrastructure
Generate product innovation	Reinforced research and development in areas such as robotics and electrification
Enhance technology platforms	Technology developments in quantum computing, regenerative medicine and hydrogen systems as disruptive technology
Foster the development of top-class AI talent	Top-class AI talent: 356 employees **Target** 350 employees by fiscal 2021 Achieved ahead of schedule in April 2021
	Established the Lumada Data Science Lab. bringing together top data scientists
Adapt to a new normal society	Developed and implemented work shift optimization solution suitable for remote working
	Developed the "BuilMirai" IoT platform for building management

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Social

Social
❯ Innovation Management
Human Capital
Human Rights
Value Chain Management
Community
Social Data

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Intellectual Property

What
— What we are doing —

- Creating solutions and supporting global expansion
- Promoting IP activities to resolve social issues such as SDGs and Society 5.0

How
— How we are doing it —

Policy and promotion structure	Under the Social Innovation Business, Hitachi has formulated and implemented an IP strategy that consists of three pillars: competitiveness, collaboration, and society. By establishing sites in various countries, we are also promoting global IP activities for the globalization of our business.

Achievements in Fiscal 2020

Strengthen solution creation	Developed a issue discovery and ideation methods using intellectual property information
	Implemented incentive measures such as in-house education
	Launched the Environmental Intellectual Property Enhancement Project to improve the provision of environmental value
Deploy Hitachi-developed intellectual property globally	Enhanced international patent applications (PCT applications) including the results of open innovation
Contribute to solving social issues	Promoted "IP for society" which utilizes intellectual property in specific fields that are of great public interest to maintain social norms and advance solutions to social issues

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Social

Social

❯ Innovation Management

Human Capital

Human Rights

Value Chain Management

Community

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Research and Development

Hitachi's R&D Policy and Initiatives

| Policy | Activities |

Over a history of more than a 100 years, Hitachi's research and development 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 of the time. In the 2021 Mid-term Management Plan, the Research & Development Group set a goal to become a "global innovation leader" driving Society 5.0 initiatives to contribute to the realization of the UN's Sustainable Development Goals (SDGs), and accelerated open innovation which assimilates external knowledge into our OT × IT × Products technology platforms and knowhow.

Further, against a backdrop of a rapidly changing society and environment, Hitachi is focusing on the three areas of "Environment," "Resilience," and "Security & Safety" to deliver value-based innovation through the use of Lumada to resolve issues.

Through such initiatives, Hitachi aims to simultaneously enhance "Social," "Environmental," and "Economic" value for our customers and raise people's quality of life (QoL).

R&D Policy for Fiscal 2021

Generate value-based innovation

● Work with front-line teams to generate value in "Environment,""Resilience," and "Security & Safety"

Contribute to the business expansion of Lumada

● Accelerate Lumada platform technology development
● Promote development of world-leading technology for OT×IT×Products which supports value creation

Strategic positioning to resolve future societal issues

● Strengthen initiatives with a view to society in 2050

Hitachi's Structure to Promote R&D

| Structure | Activities |

To realize the R&D policy, the Global Center for Social Innovation (CSI) is working with front-line teams to generate value-based innovations. Further, to accelerate the expansion of Lumada business, the Center for Technology Innovation (CTI) is developing world-leading technology for OT × IT × Products which supports value creation.

In regard to Environment, a key area of focus for Hitachi, we are pursuing close collaboration with Hitachi ABB Power Grids and Hitachi Astemo for decarbonization and electrification. Furthermore, the Center for Exploratory Research (CER) is pursing research focusing on society in 2050, to strategically position Hitachi for resolving future societal challenges.

It is working closely with the Corporate Venturing Office

established in April 2019 to agilely integrate disruptive technology and business models from startups and quickly establish new businesses that capture changes in society and its needs.

▶ Global R&D Structure (As of April, 2021)

Chief Technology Officer (CTO), and General Manager of the Research & Development Group

Technology Strategy Office
Global R&D strategy

Global Center for Social Innovation (CSI)
Driving creation of value-based innovation

Regional centers   North America   Europe   China   India   APAC

Center for Technology Innovation (CTI)
Establishing world-leading technology platforms

Center for Exploratory Research (CER)
Challenging future societal issues

BU R&D (Hitachi ABB Power Grids, Hitachi Astemo, etc.)

Achievements in Fiscal 2020

The Lumada Data Science Laboratory was established as part of Kyōsō-no-Mori[1] to bring together top data scientists to further enhance value through digital solutions. In July 2020, Fellow Kazuo YANO commercialized technology to measure "well-being," and established Happiness Planet, Ltd. in April 2020. to support corporate management and workstyle reforms.

[1] Research initiative launched from the Central Research Laboratory in April 2019 to pursue open innovation.

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In February 2021, we drafted the "Principles Guiding the Ethical Use of AI" to develop and implement in society human-centric artificial intelligence (AI) for Hitachi's Social Innovation Business, as well as convening the Environment and R&D Strategy Information Meeting to discuss R&D strategies for carbon neutrality with investors and analysts.

Against a backdrop of a rapidly changing society and environment, Hitachi is contributing to activities to raise people's quality of life (QoL) through such initiatives.

Value-based Innovation

`Structure` `Activities`

Focusing on the three areas of the "Environment," "Resilience," and "Security & Safety," Hitachi is working with global front-line teams to generate value-based innovations.

In the area of the Environment, Hitachi will contribute to the realization of a net-zero society by promoting research and development in decarbonization, renewable energy, electrification, and so on. With regard to Resilience, we will improve resilience in industry and societal infrastructures. For Security & Safety, our goal is to realize a digital healthcare society using Hitachi's leading-edge measurement technologies and data analytics.

Following the launch of the Lumada Data Science Laboratory (LDSL), Hitachi redefined generating innovation in a "new normal" society as "linking wisdom and ideas across industries, space, and time," and established the Lumada Innovation Hub Tokyo in April 2021 as Hitachi's flagship center to achieve this goal. Hitachi will accelerate the pace of innovations using our co-creation methodology, "NEXPERIENCE" to pursue collaborative creation with customers globally based on visions for 2050.

Achievements in Fiscal 2020

In fiscal 2020, to resolve the challenges facing society, Hitachi identified the changes faced by our customers andsociety, drafted a vision with industry-academia-government, and began sharing this vision with the world.

In Japan, an industry-academia collaboration forum was held by the Hitachi The University of Tokyo Laboratory (H-UTokyo Lab.).[1] "Creating value through energy systems and socio-technical scenarios for a carbon neutral 2050" was discussed and a proposal was published. Based on this proposal, we have begun activities to implement the recommendations for environment-related policies. Further, the Hitachi Kyoto University Laboratory[1] summarized research achievements and discussions related to the drafting of "Societal challenges in 2050: A social value proposal from academia and industry for their resolution" based on exploratory insights of future societies and cultures, and published this as a book entitled, "*Beyond Smart Life.*"

Outside of Japan, as part of our activities to promote regional co-creation, we engaged in joint projects with Thailand's prestigious Chulalongkorn University to create new services that will help build a future digital city and also China's Tsinghua University to tackle issues related to climate change, health, and elderly care. In Australia, an agreement was formed to work with the Liverpool City Council (LCC) and the South Western Sydney Local Health District (SWSLHD) in areas such as digital healthcare.

[1] Joint laboratories were established in 2016 with the University of Tokyo and Kyoto University respectively, to create value based on future social issues.

▶ Global Open Innovation Network

Region	Research centers
Europe	UK (London & Cambridge), Denmark (Copenhagen), France (Sophia Antipolis), Germany (Munich)
Americas	United States (Santa Clara & Detroit)
China	Beijing, Shanghai, Guangzhou
Asia (Oceania)	India (Bangalore), Singapore, Thailand (Chonburi), Australia (Sydney)
Japan	Tokyo (Kokubunji-shi & Marunouchi), Ibaraki (Hitachi-shi), Kanagawa (Yokohama-shi), Saitama (Hatoyama-machi)

Contributing to the Expansion of Lumada Business

`Structure` `Activities`

Hitachi is continuing to enhance Lumada to realize value-based innovation. Priority is being placed on the development of technology in AI, 5G/beyond 5G, massively big data processing, and cybersecurity/authentication platforms which will be core technologies in a Lumada CPS (cyber-physical system) that will seamlessly and in real time connect the digital with the real world.

AI

At the Lumada Data Science Laboratory, our top data scientists who include researchers, engineers and consultants, are working to resolve the issues faced by our customers. At the same time, we are pursuing activities to strengthen our technological standing, such as through actively participating in renowned international competitions and attaining top-class results in the fields of video and natural language processing.

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5G/beyond 5G

To accelerate the development of 5G solutions, 5G testbed environments have been set-up at our Silicon Valley site in the United States and Kyōsō-no-Mori in Japan. These demo environments will be leveraged to co-create solutions using 5G real time control for not only the Industry business domain but also Mobility and Energy.

Massively Big Data Processing

We will continue to enhance the functionality of Hitachi's strength, the data base software Hitachi Advanced Data Binder (HADB), to increase its competitive advantage, as well as contribute to accelerating our customers' digital transformation (DX) by enabling the quick extraction of value from various types of big data.

Technology Developments in Cybersecurity/ Authentication Platforms

We are pursuing activities to realize Data Free Flow with Trust (DFFT) which was proposed by the Government of Japan and have also jointly published a white paper on trust and governance with the World Economic Forum (WEF) and the Ministry of Economy, Trade, and Industry of Japan. In the area of authentication platforms, Hitachi is developing an authentication platform to support Society 5.0 such as hands-free authentication technologies using PBI*1 and digital certificate technologies for renewable energy.

In addition, we are also strengthening research and development in areas such as robotics and electrification technologies to further advance technology platforms supporting key products such as high-speed trains, elevators, particle beam therapy equipment, biochemical/ immunological analysis systems, inverters, and air compressors.

*1 PBI: Public Biometrics Infrastructure

Through such activities, we will establish world-leading technologies leveraging Hitachi's expertise in OT×IT×Products, and deliver high value to our customers.

Achievements in Fiscal 2020

In the area of the environment, Hitachi was awarded the Excellence Award for the development and global standardization of a phthalates detection system for RoHS2, in the 47th Environmental Awards co-sponsored by Japan's National Institute for Environmental Studies (NIES) and Nikkan Kogyo Shimbun. Hitachi was also awarded the 52nd "Ichimura Prize in Industry against Global Warming" for the development of energy-saving industrial motors using amorphous magnetic alloy foil. In addition, Hitachi's integrated bio authentication platform service that enables hands-free authentication and cashless settlements received the Masuda Award in the 63rd Best 10 New Products Awards (2020) sponsored by Nikkan Kogyo Shimbun. We are actively pursuing initiatives to contribute to the development of society such as the development and provision of services enabling safe and secure personal authentication and financial settlements.

Strategic Positioning to Resolve Future Societal Issues

Activities

Looking ahead to society of 2050, Hitachi is laying the groundwork to resolve future societal challenges by investing in the development of quantum computers, regenerative medicine, and hydrogen systems.

In addition to the research pursued at the Hitachi

Cambridge Laboratory - a key research sites for quantum computer research; in Japan, a proposal for a large-scale silicon computer led by distinguished researcher Hiroyuki Mizuno in Japan was selected as a Moonshot Research and Development Program project promoted by the Japan Science and Technology Agency (JST) and the Japanese government. The project focuses on research and development of large-scale silicon quantum computing technologies powered by silicon semiconductor technologies.

In the field of regenerative medicine, Hitachi's automated cell culturing equipment was employed by Sumitomo Dainippon Pharma Co., Ltd. to cultivate iPS cells for the world's first clinical trial for the treatment of Parkinson's disease, led by physicians at Kyoto University. This is the first time that a commercial cell culturing equipment developed through industry-academia collaboration has been used in a clinical trial, and represents a significant step toward making regenerative medicine available to a wider population.

In the area of hydrogen systems, we worked with Denyo Kosan Co., Ltd. and the National Institute of Advanced Industrial Science and Technology (AIST) after receiving the tender for the "Support Project for Promoting the Introduction of Renewable Energy in Fukushima Prefecture," and realized improved efficiency of hydrogendiesel power generation systems.

For other combinations of a wide range of fuels, Hitachi is pursuing greater efficiency using AI control technology to flexibly respond to changes in composition. For blue hydrogen production systems, we will realize a 30% reduction in water usage compared to conventional systems by employing Hitachi's unique shift catalysts which are structurally controlled at the atomic level. Trial operations are currently underway since August 2020, at the New Energy and Industrial Technology Development Organization (NEDO)'s Osaki CoolGen PJ Stage 2. Hitachi will continue its work to realize a sustainable hydrogen value chain through such efforts.

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Developing Technology to Prevent the Spread of COVID-19

Hitachi's considers the safety and health of all its stakeholders, including customers, partners, and Hitachi Group employees and their families worldwide as its first priority, and is committed to preventing the spread of the novel coronavirus (COVID-19).

In October 2020, Hitachi used its original computational technology, CMOS annealing, to provide a work shift optimization solution that can draw up work shifts for ten to several hundred employees. CMOS annealing, which is the core technology involved in this solution, is able to quickly solve highly complex largescale computational problems called combinational optimization problems. In the "new normal" it is expected that society will shift toward a more flexible workstyle that takes advantage of both telecommuting and in-person attendance. Accordingly, this solution is being made available to a wide range of businesses as a Lumada solution that accelerates digital innovation and supports corporate measures for work-life balance and diverse workstyles.

Further, in November 2020, Hitachi developed the IoT platform "BuilMirai" that provides the high added Developing Technology to Prevent the Spread of

COVID-19 value of increased management efficiency and greater user comfort that is needed for building management in the "new normal." The platform helps to realize a comfortable environment in buildings by alleviating congestion and adjusting temperature settings in accordance with the level of crowding; connecting a facility's equipment control systems, such as elevators and air-conditioning systems, with the people flow data in each area of the building. Also in November 2020, Hitachi conducted a technological demonstration during a professional baseball game at the Tokyo Dome where images of visitors captured by cameras were replaced by silhouette icons using a "human flow visualization solution" to ascertain crowding within the stadium while respecting visitor privacy. As a technology that can support measures such as positioning visitor guides to alleviate crowding, it will be applied to prevent the spread of infections in commercial facilities and event venues as well sporting events.

R&D Investment and Fostering Digital Talent

Activities

Investing approximately 4% of revenue in research and development, Hitachi is committed to strengthening business in the five core sectors of our Social Innovation Business, as well as medium- to long-term initiatives for future growth. Corporate-led research and development is focused on co-creation with customers, investing in the development of world-leading technologies and disruptive technologies. We are also enhancing and expanding common digital platforms and research capabilities outside of Japan to achieve an n-fold increase in the Lumada business, our growth engine and to promote global deployment.

Further, Hitachi is strengthening its workforce of digital experts, including in the AI area, to respond to society's needs based on the recent advances in digitalization. At the Lumada Data Science Laboratory, we are training and increasing the capabilities of our engineers and consultants in the fields of AI and data analytics through practical business experience. The Research & Development Group is particulary focused on training top-class talent in the field of AI.[1] At the end of fiscal 2020, there were 356 such talent, and we will continue the focus on talent training in fiscal 2021.

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

▶ Top-Class Digital Talent in the AI Field
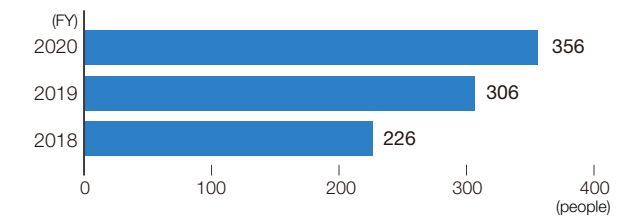
(FY)
2020 ████ 356
2019 ███ 306
2018 ██ 226

0　100　200　300　400 (people)

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▶ R&D Expenditure

(billion yen)   (%)

	2016	2017	2018	2019	2020	2021 FY (planned)
R&D expenditure	3,239	3,329	3,231	2,937	2,935	3,580
% of revenue	3.5%	3.6%	3.4%	3.4%	3.4%	

■ R&D expenditure (left scale)   ● R&D expenditure as % of revenue (right scale)
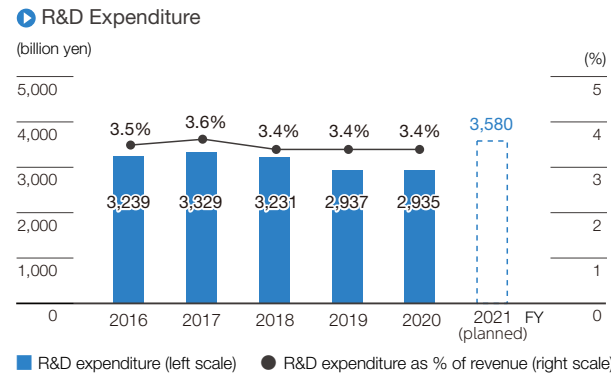
Principles Guiding the Ethical Use of AI

Policy

Even as the significance of AI as a source of innovation continues to grow, there are still concerns that its use may negatively impact the lives of people and society as a whole through actions unintended by the developers or malicious intervention by a third party as well as the AI itself unexpectedly contributing to discrimination and increased poverty.

To develop human-centric AI and implement it into our Social Innovation Business, Hitachi drafted and published its guiding principles for the ethical use of AI.

The principles comprise of three standards of conduct in planning, societal implementation, and maintenance stages, together with seven items to be observed in all stages, such as safety, privacy, fairness, equality, and the prevention of discrimination.

By reducing ethical risks hidden in the development of AI, Hitachi hopes to contribute to realizing a higher quality of life (QoL) and a sustainable society through the development and societal implementation of safe and secure, human-centric AI.

Principles guiding the ethical use of AI: Standards of conduct (Excerpt)

1. Development and use of AI will be planned for the realization of a sustainable society
2. AI will be societally implemented in society with a human-centric perspective
3. AI will be maintained and managed to provide long-term value

Principles guiding the ethical use of AI: Items to be addressed (Excerpt)

1. Safety
2. Privacy
3. Fairness, equality, and prevention of discrimination
4. Proper and responsible development and use
5. Transparency, explainability and accountability
6. Security
7. Compliance

By publishing a white paper on our activities to establish AI ethics, we hope to stimulate discussions in society as a whole. We will continuously review coverage to improve AI ethics and operations by assimilating the diverse perspectives of stakeholders.

↗ Principles guiding the ethical use of AI in Social Innovation Business

↗ Hitachi's Activities for the Ethical Use of AI in Its Social Innovation Business

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Intellectual Property

Hitachi's 2021 Intellectual Property Mid-term Management Plan

Policy

Intellectual property (IP) is a key element of Hitachi's business strategy. Hitachi will promote IP activities to create solutions that enhance social, environmental, and economic value for customers in line with the 2021 Mid-term Management Plan, globally deploy the created IP, and contribute to resolving social issues related to the SDGs and Society 5.0 through IP activities.

IP activities support Hitachi's solution creation from the perspective of intellectual property through the development of issue discovery and ideation methods making use of IP information (Patent-thons), along with the implementation of internal incentive measures, and so on. In particular, looking forward, we will bolster our support of solution creation that is intended to contribute to the enhancement of environmental value for our customers.

Regarding global deployment of the IP we have created, we will contribute 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 in particular, working in cooperation with new members of the Hitachi Group, including Hitachi ABB Power Grids and Hitachi Astemo, etc.

Regarding helping to solve social issues, in fiscal 2019 Hitachi introduced the "IP for society" concept, in which it promotes the use of IP in certain highly public domains to maintain and evolve social norms. We will work in cooperation with external organizations (national and local governments,

universities, organizations in the United Nations, international standards organizations, etc.) through the use of IP to make contributions to businesses aimed at achieving SDGs.

Achievements in and after Fiscal 2020

Regarding solution creation, now that the patent-thons are mostly established, we are beginning to make contributions to the creation of high-quality solutions meant to resolve serious issues. Additionally, awareness of IP solutions, such as protection, utilization, and appropriate handling, is seeing improvement due to efforts we are making, including education within our organization.

Regarding global deployment of the IP we have created, we are working to strengthen PCT applications suited to the business plans of each sector as we engage in consultations with our various business divisions. In particular, the IP departments of both Hitachi, Ltd. and Hitachi ABB Power Grids are engaged in discussions regarding global IP activities.

With regard to contributions to resolve social issues, Hitachi has announced to open its IP concerning the Mother & Child Health Survey in cooperation with Hokkaido University, the City of Iwamizawa, and Morinaga Milk Industry Co., Ltd. Looking forward, we will continue to consider ways we may be able to contribute to the resolution of social issues utilizing our IP.

To Become a Global Leader in Delivering Enhanced Value Using Intellectual Property
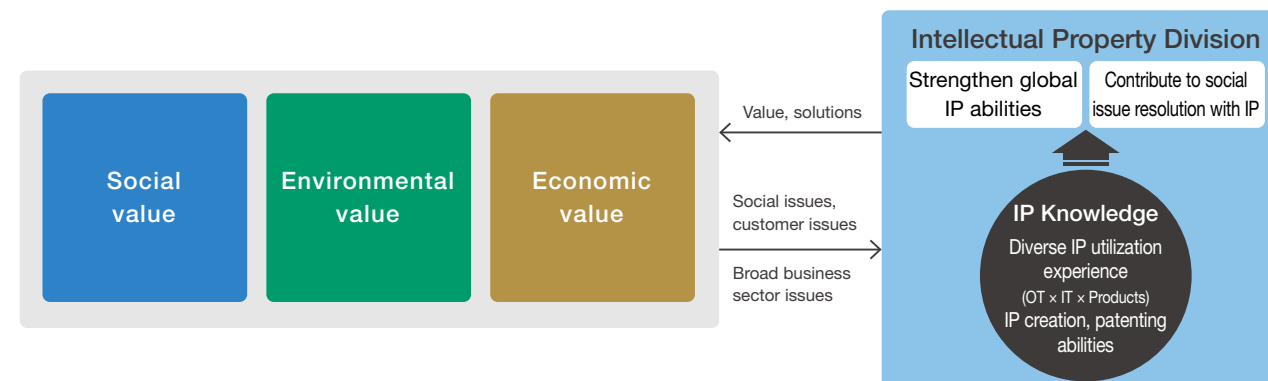
Social value	Environmental value	Economic value

Value, solutions

Social issues, customer issues

Broad business sector issues

Intellectual Property Division

Strengthen global IP abilities   Contribute to social issue resolution with IP

IP Knowledge
Diverse IP utilization experience
(OT × IT × Products)
IP creation, patenting abilities

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Environment

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 intellectual property. With regard to the IP libraries in particular, our hope is to link the IP we possess internally with the environmental value the utilization of such IP may bring about to realize visualization of them and promote their use both within the company and externally.

In addition, Hitachi has registered the technology for the desalination of seawater to resolve water-related issues as well as the technology for a type of ink that detects changes in temperature and then changes color to help tackle food waste issues, with WIPO GREEN a platform for environmental technology operated by the World Intellectual Property Organization (WIPO).

Achieving Visualization and Scaling Beyond the Company with IP Libraries that Link IP with Environmental Value

Hitachi's Environmental Vision Hitachi Environmental Innovation 2050	High-speed battery deterioration diagnosis (Hitachi High-Tech)*1	Visualization of green energy*2
Environmental value	Environmental value	

Registration / Utilization

Contributing to society
Realization of SDGs, Society 5.0, and the circular economy

| Environmental value | Environmental value |

IP / IP

Constructing IP libraries (ex.)

		IP
Solutions	Environmental value	IP
Visualization of green energy	CO₂ reduction	IP (A)
High-speed battery deterioration diagnosis	CO₂ reduction	IP (B)
Optimization of production management	Energy savings	IP (C)
Optimization of building management	CO₂ reduction	IP (D)

Scaling
Ex.: Home appliance recycling (Taiwan)

IP

Appropriate registration in IP marketplaces

| Home appliance recycling | High-efficiency seawater desalination system |

Scaling

IP

WIPO GREEN
(Environmental technology transfer platform)

*1 PCT application JP2020/028961
*2 Patent application 2019-073173

Hitachi's IP Strategy

Policy

Under the Social Innovation Business, Hitachi has formulated and implemented an IP strategy that consists of three pillars: competitiveness, collaboration, and society.

The IP strategy for competitiveness 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.

The IP strategy for collaboration is a strategy based on collaboration. As opportunities for collaborative creation with our customers and partners increase through the use of our IoT platform, Lumada, we have expanded the scope of our IP activities to include not only copyrights, patents, and trade secrets but also information assets such as data and information, and are using IP to promote partnerships and build ecosystems.

Our activities rooted in Hitachi's "IP for society" concept work to promote the use of our IP in certain highly public domains to maintain and evolve social norms in order to make contributions to resolving social issues. Through such activities, we will promote the construction of ecosystems and build relationships with like-minded companions to contribute to the improvement of social value.

Hitachi Group Codes of Conduct: 6. Protection of Intellectual Property and Brand
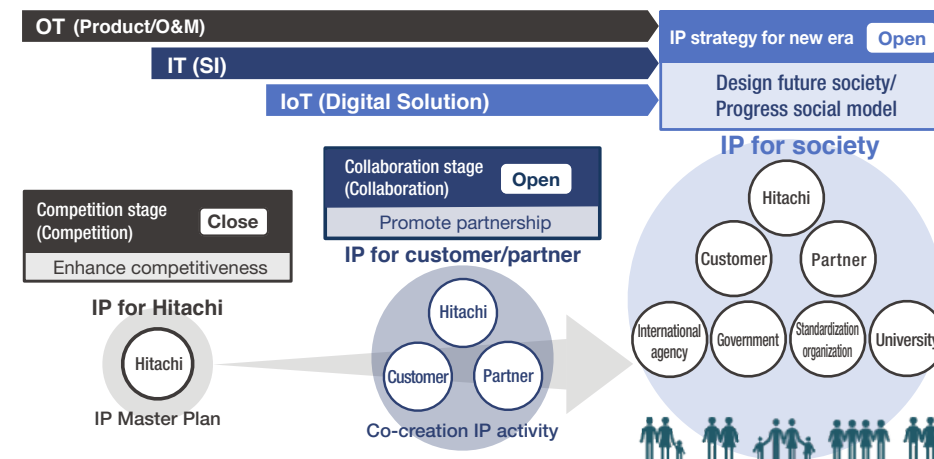
OT (Product/O&M)
IT (SI)
IoT (Digital Solution)

IP strategy for new era — Open
Design future society/ Progress social model

IP for society

Competition stage (Competition) — Close
Enhance competitiveness

Collaboration stage (Collaboration) — Open
Promote partnership

IP for customer/partner

Hitachi

Customer / Partner

Co-creation IP activity

IP for Hitachi

Hitachi

IP Master Plan

Hitachi | Customer | Partner | International agency | Government | Standardization organization | University

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Framework for IP Activities

Structure

We currently have IP offices in the United States (Santa Clara and Detroit), China (Beijing), United Kingdom (London), Thailand (Bangkok), and Singapore to cover our globalized business. Furthermore, with the involvement of Hitachi ABB Power Grids, we are accelerating the pace of globalization with our IP activities, adding operation sites in Switzerland and India.

Achievements in Fiscal 2020

The spread of COVID-19 has limited in-person communication. While a variety of issues remain to be solved, Hitachi has been able to maintain a certain level of IP activity because the majority of our internal IP activities have been digitized, along with our proactive use of internally-created online tools. While our global locations in particular experienced challenging circumstances, with lockdowns, travel restrictions, and so on, Hitachi has continued almost the same IP activities as before the pandemic through the adoption of working from home and so on.

Reward System for Employee Inventions

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, 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 IP

Activities

We are proud of Hitachi's inclusion in Clarivate Plc's Derwent Top 100 Global Innovators list for the past 10 years consecutively.

	Organizer	Award	Object of Award
FY 2017	Japan Institute of Invention and Innovation	Imperial Invention Prize (top prize) at the National Commendation for Invention	Inventions concerning particle beam therapy systems
FY 2018		The Japan Patent Attorneys Association Chairman Award at the National Commendation for Invention	Inventions concerning x-ray fluoroscopy systems
FY 2019		Imperial Invention Prize (top prize) at the National Commendation for Invention	Designs concerning UK high-speed rail vehicles
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 intellectual property rights system
	Clarivate Plc	Selected for inclusion in Derwent Top 100 Global Innovators (2021) list (for 10th consecutive year)	The most innovative companies and institutions in the world

Protecting Our Designs and Brand

Protecting Hitachi's designs and brand is crucial for promoting our Social Innovation Business and supporting our global operations. 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 taking action 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.

In 2019, the government of Japan appended the strengthening of countermeasures against counterfeit goods to its action plan regarding SDGs. With the building and improvement of intergovernmental cooperation and relationships, Hitachi is also taking part in joint public-private initiatives, including cooperation with the International Intellectual Property Protection Forum (IIPPF).

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Human Capital GRI 103-2

Relevant SDGs

Why
— Why it matters —

In order to engender innovation and create new value in a global and digital era, Hitachi is working on attracting, retaining, and developing diverse talent and transforming its organization to drive sustainable business growth. With due attention paid to respecting the rights of employees, equality of opportunity, occupational health and safety, and employee well-being, we strive to build good relations between employees and the company including providing work environments where employees can feel proud and happy to work at Hitachi and engaging in active dialogue regarding employee treatment and career advancement.

In recognition of the "new normal" in light of the ongoing coronavirus (COVID-19) pandemic, not only are we promoting diverse working styles as a driver of telecommuting innovation, in order to improve productivity and allow employees to use their abilities to the utmost, we are also implementing job descriptions, performance management, and other systems to clarify the role of, expectations for, and output of each employee's position and accelerate the pivot to job-based human capital management.

Global Human Capital Management

What
— What we are doing —

- Developing global human capital
- Building job-based HR management
- Ensuring fair evaluation and compensation
- Fostering "I will" mindset and corporate culture
- Supporting new work styles for the post-pandemic new normal

How
— How we are doing it —

Policy and promotion structure	The Hitachi Group aims to achieve a high level of employee engagement across its companies worldwide. We are striving to create an environment that maximizes the value our diverse pool of human capital can provide. Accordingly, we are implementing global human capital management to ensure effective hiring, promotion, and development of human resources.

Achievements in Fiscal 2020

Implement global human capital management to hire, promote, and develop diverse human capital	Announced an accelerated shift to job-based human capital management
	Expanded the use of people analytics at business divisions in Japan, which enables data on employee awareness and behavior to be utilized for HR and executive management measures
	Conducted a global employee survey (number of respondents: approx. 180,000; survey response rate: 90%; response results: scores improved again in all categories)
	Supported new work styles for the post-pandemic new normal
Promote employee mindset reform to foster more independent human capital with an awareness of the individual	Held an employee idea contest project called "Challenge to COVID-19" (number of ideas submitted: 1,430)
	Introduced a new social contribution scheme in which employees and the company work together

Talent Development

What
— What we are doing —

- Securing and fostering human capital capable of creating value
- Developing management-level leadership
- Developing digital talent
- Utilizing a learning management system

How
— How we are doing it —

Policy and promotion structure	Hitachi aims to develop human capital who can help solve social issues. In addition to workplace learning, we are promoting training to enhance the individual abilities, skills, and expertise of employees worldwide.

Achievements in Fiscal 2020

| Develop management-level leadership | Number of participants of Global Management Training Programs: 3,559 |
| | Moved all management training online (target group: management-level) |

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Develop digital talent

Digital talent: Approx. 35,000 (as of the end of fiscal 2020)

Target Over 37,000 employees by fiscal 2021

Number of data scientists: Approx. 3,000 (as of the end of April 2021)

Target 3,000 employees by fiscal 2021 Achieved ahead of schedule in April 2021

Established a training system for digital transformation (DX) and a range of digital talent training programs targeting different positions
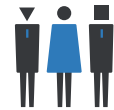
Diversity and Inclusion

What
— What we are doing —

- Integrating diversity and inclusion into business strategy
- Accelerating Hitachi Group initiatives worldwide

How
— How we are doing it —

Policy and promotion structure

Accelerating efforts to deliver on the Hitachi Diversity & Inclusion Statement, we appointed our first female executive officer, Lorena Dellagiovanna, as Chief Diversity and Inclusion Officer (CDIO), to lead initiatives worldwide. The Sustainability Strategy Committee is made up of Hitachi executives, and its role is to determine strategies to implement across the entire Group. We have also established a Diversity Development Council in partnership with the HR departments of group companies from Hitachi, Ltd. and major Group companies.

Achievements in Fiscal 2020

Promote diversity among executives

Ratio of female executive and corporate officers: 10.1%

Target 10% by fiscal 2020, Achieved in April 2021 , 15% by fiscal 2024, and 30% by fiscal 2030

Ratio of non-Japanese executive and corporate officers: 11.6%

Target 10% by fiscal 2020, Achieved in April 2021 , 15% by fiscal 2024, and 30% by fiscal 2030

Women's empowerment

Number of female managers at Hitachi, Ltd.: 800 (as of October 2020)

Target 800 managers by fiscal 2020 (double the number in fiscal 2012) Achieved ahead of schedule in October 2020

The CDIO participates in Talent Committees and discusses development of future leaders from the perspective of diversity

Mentoring of female management candidates by the CDIO

Inclusion of people with disabilities

Member of The Valuable 500—an international movement to promote the advancement of people with disabilities.

Employment rate of people with disabilities at Hitachi, Ltd. 2.37% (Legally required employment rate: 2.3%)

Work-Life Management

What
— What we are doing —

- Promoting work-life reform
- Enhancing work-life management support systems
- Developing support systems that meet diverse employee needs

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 over the long term. Based on this philosophy, we have established systems to support work-life reforms and a balance between employees' work and private lives.

Achievements in Fiscal 2020

Promotion of work-life management

Adopted a remote and satellite office work system (Coverage: About 95% of all employees)

Enhanced measures to support employee work-life balance such as establishing a consultation and support service for employees providing long-term home care to a family member

Financial support for purchase of telecommuting equipment

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Social
Innovation Management
〉 Human Capital
Human Rights
Value Chain Management
Community
Social Data

Occupational Health and Safety

What
— What we are doing —

- Establishing occupational health and safety management systems
- Preventing work-related accidents
- Providing support for staying mentally and physically healthy

How
— How we are doing it —

Policy and promotion structure	The Hitachi Group Health and Safety Policy is shared with employees worldwide. We make efforts to create safe, secure and healthy workplaces that are accident-free. Hitachi, Ltd. has built an organization in which employees can promote safety activities of their own accord. To support this, we established a Safety Management Division that reports directly to the president. In fiscal 2021, this division was reorganized as the Health and Safety Management Division. The new organization will help strengthen global Group-wide initiatives and promote integrated management of both occupational safety and health.

Achievements in Fiscal 2020

Prevent work-related accidents*	Number of fatal accidents (Hitachi Group): 3, Number of fatal accidents (Hitachi, Ltd.): 0
	Target 0
	Number of lost-time accidents (Hitachi Group): 314; Number of lost-time accidents (Hitachi, Ltd.): 4
	Target 198 which is half the number recorded in 2019 (Hitachi Group); 3 which is half the number recorded in 2019 (Hitachi, Ltd.)
Employee health promotion	Percentage of stress-check participants deemed to have high stress: 11.6%
	Specific health guidance implementation rate: 27%

* Data based on calendar years (January to December)

Freedom of Association and Collective Bargaining

What
— What we are doing —

- Respecting the rights of employees
- Fostering employee-management dialogue

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 Fiscal 2020

Deepen mutual understanding through dialogue between employees and management	Japan: Held Hitachi Group management meetings four times (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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Global Human Capital Management GRI 404-2

Developing Global Human Capital

Approach

As an innovation partner in the IoT era, Hitachi is developing its Lumada-based Social Innovation Business worldwide, with the aim of becoming a global leader in this field.

In order to realize this management strategy, we must secure, assign, and develop the best human resources for the job regardless of their nationality, gender, or age. They must be able to promote global projects together as "One Hitachi."

Furthermore, in order to accurately ascertain the challenges faced by society and customers and to propose innovative solutions, we must foster an employee mindset that encourages operating proactively and independently while sharing ideas with society and customers. Fostering a corporate culture to support this is also an issue for the Group's human capital management.

As a global human capital management measure, Hitachi is putting a lot of effort into the proper hiring, promotion, and development of global human resources. This can be seen with the launch of a shared worldwide HR evaluation system and a leadership development program. In addition, as a way of integrating the various existing measures for the management of global human capital, we have built a platform containing an array of information about the skills, career orientations, and other aspects of our human capital. We use the platform for globally optimized placement, identifying and nurturing management

leaders of the future, and strengthening manager employee communication.

Hitachi's 2021 HR Strategy, based on its 2021 Mid-term Management Plan, is designed to allow the company's diverse global team to grow through their work, feel proud and happy about working at Hitachi, respect diverse values, and contribute to the creation of safe and vibrant workplaces each in their own way. To this end, we are advancing a variety of enhanced measures around the four key concepts of Talent, Culture, Organization, and HR Transformation.

Meanwhile, in anticipation of a new normal in the post-pandemic world, we are accelerating the transition to working from home as a standard workstyle for a wide range of duties. Hitachi will also further diversify its employee workstyles by using work from home as a driver for change.

In addition, the Hitachi Group has been updating its job descriptions with the aim of fully utilizing the capabilities of employees and further improving overall productivity. We are moving toward job-based HR management by clarifying the role of, expectations for, and output of each employee's position. This includes the creation of performance evaluation systems.

❯ Main Enhanced Measures of the 2021 HR Strategy

Four Key Concepts of the HR Strategy	Main Enhanced Measures Toward Fiscal 2021
Talent Attract, retain, and develop diverse talent to lead business growth	● Develop digital talent[1] ● Develop the mindsets and skills to become global leaders ● Promote diversity and inclusion[2]
Culture Transform organizational culture and employee mindsets to encourage proactivity and individual growth	● Build Hitachi culture globally[3] ● Foster a culture of career ownership
Organization Reform the organization and transform employment policies to adapt to environmental changes; take action on organizational reshuffling	● Ensure safety, health, and compliance[4] ● Build job-based HR management[5] ● Ensure steady integration of Hitachi ABB Power Grids
HR Transformation Transformation	● Execute HR transformation, promote digital HR ● Implement HR career development and mindset transformation

[1]

[2]

[3]

[4]

[5]

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Developing Global Human Capital

`Structure`

In the past, Hitachi developed separately optimized HR systems and measures for each Group company operating outside Japan. With the aim of creating organizations that can succeed globally, we began building a global human capital management platform in fiscal 2012.

While digitizing human resources information for approximately 250,000 Group employees worldwide to get an overall picture, we started by selecting 50 leader candidates from among the Group's young talented employees who can support Hitachi's global growth. This launched the "Future 50" program to develop future leaders. In fiscal 2013, we conducted an employee survey (Hitachi Insights) and rated 50,000 manager positions worldwide as

Hitachi Global Grade (HGG). The information was then utilized for the implementation of Global Performance Management (GPM) in fiscal 2014, which links the career goals of individual employees to business areas in the Group. Hitachi University was launched in fiscal 2015 as a management learning system for the entire worldwide Group. Also in fiscal 2015, we introduced a worldwide integrated platform for human capital management as a way to integrate the global human capital management measures already introduced, and its scope is gradually being expanded.

Hitachi will continue to enhance its corporate value by improving its human capital management systems and environments, and by utilizing HR technology and data.

We aim to create an environment that can maximize each employee's human resource potential.

▶ Shared Global Foundation for Group-wide Human Capital Management

Global Human Capital Database	Plan to transfer control of the functions to Global Human Capital Management Integrated Platform from 28 July 2021
Hitachi Global Grade (HGG)	To evaluate the role and responsibilities of each position by the unified standards shared by the entire Group
Global Performance Management (GPM)	To align business and individual objectives and promote sustainable improvement and growth of both individuals and businesses
Global Leadership Development	To clarify human capital requirements for key management positions and identify and develop candidates for management leadership from around the world
Hitachi University	A management learning system shared globally by the entire Group
Integrated Platform for Human Capital Management	An integrated platform for global human capital management and management measures

▶ Global Human Capital Management

FY 2012	FY 2013	FY 2014	FY 2015~
Global Human Capital Database	**Hitachi Global Grade (HGG)**	**Global Performance Management (GPM)**	**Global education platform (Hitachi University)**
Database creation for Approx. 250,000 people's human capital information	Grading of 50,000 positions worldwide from manager level and above	Implementation for 112,000 people (with phased expansion of implementation)	Introduced new learning system to 300,000 people
Selection/development of global leaders	**Global Employee Survey (Hitachi Insights)**	**Amended compensation for manager level and above (Japan [Hitachi, Ltd.])**	**Global integrated platform for human capital management**
Selection/ development of around 500 people with top-level global talent	Approx. 682 participant companies worldwide Approx. 177,940 respondents (Response rate: 86%) Provided in 11 languages	Phased expansion of linkage between HGG and GPM Excluding seniority-based portion for manager level and above Toward job-based compensation	FY 2015 Test implementation FY 2017 Implementation in Japan FY 2020 153,000 people FY 2021 224,000 people

Phased implementation of human capital management platform shared globally by the entire Group

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Hitachi Global Grade (HGG)

In order to promote business strategy by utilizing diverse talents, job and task-oriented talent 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 worldwide. The system consists of nine grades, and each position is evaluated based on the global common standards of the entire Hitachi Group.

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 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.

Integrated Platform for Human Capital Management

The Hitachi Group has adopted a worldwide integrated platform for human capital management. In order to consolidate its global human capital management practices and policies, we have accumulated a massive amount of information about our talent, including their professional skills and career preferences, into process and a database.

Up-to-date information about our talents is always available on this cloud-based platform which enables authorized employees to access it from their PCs or smart devices at any time.

This platform gives us the power to search our talents Group-wide and globally when launching new projects, gathering talent information, as well as utilizing that information to manage the team. Moreover, by having all talent data on one platform, various but correlated processes such as performance management, development planning, and career plans can be efficiently managed together on the same system.

Since the pilot program in fiscal 2015 and full-scale adoption by Hitachi, Ltd. in fiscal 2017, the platform is currently being expanded to Group companies worldwide.

▶ 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.

▶ Integrated Platform for Human Capital Management

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Transformation to Job-Based HR Management

`Approach`   `System`   `Activities`

In anticipation of the new normal of a post-pandemic world, in May 2020, Hitachi began promoting new workstyles with telecommuting as a standard option for a wide range of duties. In addition, we announced an accelerated 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.

In order for the Hitachi Group to expand its Social Innovation Business worldwide, we need diverse and self-motivated human resources to fully utilize their unique personal strengths and abilities. Through job-based HR management, Hitachi 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 mutual 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. While continuing discussions with the labor union, we have also focused on employee communication to help them recognize the need for job-based HR management and to update their thinking. As a result, the majority of Hitachi, Ltd. employees now understand the need for job-based HR management.

As part of these efforts, Group companies in Japan are undertaking initiatives such as the adoption of formal job descriptions and promoting internal communication to help employees recognize the need for job-based HR management and to help change their ways of thinking.

By transforming to job-based HR management, Hitachi wants to enhance employee self-motivation, create a stronger sense of unity between the company and its members, and promote both personal and organizational growth.

Ensuring Fair Evaluation and Compensation

`System`

We believe 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 shared by all Group companies based on the principles of ensuring market competitiveness, paying based for 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 is also provided as fuel for further development.

We ensure compliance with the laws and regulations of each country and region in which we operate when determining compensation. In Japan, which accounts for about half of the Group's regular employees, starting pay for new graduates is roughly 20% higher than the weighted average of Japan's regional minimum wages (as of April 1, 2021).

Promoting People Analytics

`Activities`

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 on the experience or intuition of the evaluator. However, with People Analytics, which uses IT such as AI and data analysis, optimal initiatives based on objective indicators and analysis can be promulgated. Not only does this allow human resources departments to follow the development of each and every individual employee, it can also contribute to management by activating human capital.

In concrete terms, this means conducting a survey based on a unique psychological analysis developed under the academic guidance of the University of Tsukuba and then making use of AI in analyzing the awareness of individuals, job assignments, and behavioral data arising from the survey's results. This makes it possible to provide individual employees with insights that encourage a change in behavior, streamline human capital placement, and otherwise formulate more effective and precise human resources initiatives.

Achievements in Fiscal 2020
In fiscal 2020, Hitachi launched this unique survey and its analytics at business divisions in Japan. In addition, we have drawn up a project roadmap and global priority initiative themes to promote People Analytics across the entire Group.

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Conducting a Global Employee Survey

`Activities`

Employee engagement*1 has always been critical to Hitachi's people practices and thus the Global Annual Survey – Hitachi Insights is one of the programs that Global HR runs to measure engagement across the Hitachi Group companies. In September 2020, the survey was administered for the eighth time in 14 languages and around 200,000 employees worldwide were invited to participate with 180,000 responding. This response rate of 90% was the highest since its launch in 2013. We continue to see the trend of increases across all the categories with an overall approval rating of 64% (3% higher than last year and 10% higher than 2013). The engagement indicator score was 62% (2% higher than last year and 9% higher than 2013). Hitachi continuously aims for further enhancing the level of engagement by communicating the results and taking concrete actions through the PDCA cycle by senior management and managers.

*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.

Number who took Global Employee Survey

Approx.**180,000**people

Survey response rate

90%

Fostering the "I Will" Mindset as Part of the Corporate Culture (Mindset Reform)

`Approach`   `Activities`

In order to promote the Social Innovation Business that Hitachi is striving to build, employees need to generate innovation by demonstrating creativity and a desire to take on challenges. Therefore, we need to transform the mindsets of employees so that they will take the initiative to act on their own. Hitachi recognizes the diversity and independence of individual employees. We will create an organizational culture that makes the most of individuality thereby fostering individuals who take the initiative and develop and support individuals who demonstrate career ownership.

Employee support is being expanded for personal development including customized benefits 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.

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Promoting the "Make a Difference!" Idea Contest

Activities

Hitachi believes that changing the awareness of each and every employee is necessary for achieving the corporate reforms needed to steadfastly uphold our medium- to long-term vision. We therefore launched the "Make a Difference!" idea contest for all employees around the theme of the "I will" mindset. This is designed to encourage participants' growth not only through a change in perspective as their ideas are linked to real experience in creating new businesses but also by providing an opportunity for employees to think for themselves, make decisions, and see a project through to completion. From prize-winning ideas, actual businesses have been born.

In fiscal 2020, we also used the platform of "Make a Difference!" to gather ideas globally across the Group for new workstyles or ways Hitachi employees could come together as one and contribute to society by helping solve challenges related to the pandemic. This project entitled "Challenge to COVID-19" attracted some 1,430 ideas from around the world.

After reviewing the ideas, we summarized the most outstanding ones into 16 themes, and proceeded with investigating how to implement them as a Group-wide activity. For one of the specific social contribution activities, Hitachi provided one million US dollars in loans to small businesses that have been impacted by the pandemic worldwide. This was done through the crowd funding platform Kiva

Microfunds a nonprofit organization in the United States. And to increase the interest in science among children around the world, Hitachi High-Tech launched an initiative to provide new online learning classes. It is based on the science education support activities that the company has been carrying out using its own tabletop scanning electron microscopes. In the area of new workstyles, we have gathered many ideas involving paperless offices, digitization of personal seals, and improvement of the telework environment. These are now being promoted under the SMiLE*1 for Work Innovation Project formed for the purpose of realizing new ways of working at Hitachi. Specifically, Hitachi has set reduction targets for achieving paperless offices and is revising business processes and establishing document storage rules. Moreover, we are promoting a plan to completely abolish the use of physical name seals for internal purposes by the end of fiscal 2021 and are switching to online document processing systems. We have also been coordinating with external partners to adopt electronic seal systems for documents, and we have started using electronic signature services for sales and procurement operations in the second half of fiscal 2020. To improve the telework environment, we began providing new laptop computers to employees in January 2021. These devices are less likely to cause communication delays and they minimize the risk of data leakage in the event of loss or theft. Full-scale deployment of the computers began in March 2021. Some of the selected innovative ideas involved

utilizing the benefits of Hitachi technology and included ideas that we had already started putting into practical use. Examples of these are a solution for being able to walk through buildings operated by touchless systems in order to prevent the spread of infection and a sensor-based solution for reducing infectious disease risks. Going forward, Hitachi will continue to foster an "I will" mindset among employees through the activities of the "Make a Difference!" idea contest. We will work to realize new outstanding ideas that contribute to society.

*1 SMiLE: Styles & Methods Innovation, Lead Enablement

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Introducing a New Social Contribution Scheme Enabling Hitachi and Its Employees to Make Donations Together

Activities

In fiscal 2021, the Hitachi Group introduced a social contribution scheme 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 scheme will serve to provide support for employees who proactively engage in social contribution efforts by selecting donation recipients experiencing social issues in multiple numbers and across multiple countries. Participating in social contribution activities together with our employees in this way will serve to increase employee engagement as well as promote the embodiment of the Hitachi Group corporate credo and further solidify the Hitachi Group identity. In fiscal 2021, the Group plans to match donations up to approximately 30 million yen starting with India, where the spread of COVID-19 has become more severe, and expanding to other countries facing a range of different social issues in the future.

New Workstyle Measures for the New Normal in the Pandemic

Approach   Activities

During the COVID-19 pandemic, ensuring the health and safety of all employees is our highest priority as supporting and we strive to prevent the spread of the virus. As well as promoting telecommuting 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 telecommuting. 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 telecommuting employees 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 based on immediate risk of infections	Financial support for purchases necessary to prevent infections	¥3,000 per month per person is provided toward the cost of telecommuting or if working at the office for masks, disinfectant, etc.
	Financial support for the purchase of telecommuting equipment	Financial support for the purchase of IT devices, work desks, chairs, and other equipment for telecommuting
	Establishment of a Novel Coronavirus Countermeasure Allowance	For employees who work in environments where risk of infection is thought to be high, an allowance of ¥500 to ¥1,000 per day depending on the level of risk
	Deployment of Inbound Medical Assistance Services for foreign employees working in Japan	In addition to a 24-hour year-round call center offering medical assistance in 16 languages for foreign employees and their families in Japan, referrals and appointments to medical facilities and arrangements for emergency transport and hospitalization, translation via telephone, and other services are provided.
Main policies for supporting medium- to long-term telecommuting	IT environment improvements	Development of remote access environments, provision of PCs with advanced data security (volatile memory), and delivery of notebook computers and displays to employee homes, etc.
	Appropriate health support for long-term telecommuters	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 Happiness Level, which measures people's feelings of contentment, to stimulate communication

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Talent Development GRI 404-2

Hitachi's Approach to Talent Development

Policy **Approach**

Hitachi has traditionally placed great emphasis on developing talent, 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.

Securing and Developing Human Resources Who Create Value

Approach **Activities**

By utilizing People Analytics, Hitachi is expanding the hiring of value-creating human resources. These individuals can solve not only problems given to them but also identify other issues faced by customers and thereby provide added value to them. Once these human resources are hired, we focus on training them to become employees who can take the lead in changing and transforming Hitachi.

Management-Level Leadership Development

Approach **Activities**

Hitachi believes that innovation in talent management to resolve the diverse challenges of global society is essential to increasing social, environmental, and economic value making it vital to develop the management-level leadership who will drive this innovation and change. For this reason, we approach management-level leadership development as a medium- to long-term initiative 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 stretch assignments, and off-the-job training (Off-JT) such as external training and coaching.

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

Global Management Training

System **Activities**

We are globalizing our talent development programs in accordance with our global talent management strategy to develop management-level human capital.

Achievements in Fiscal 2020

In fiscal 2020, the pandemic made it difficult to conduct in-person group training. Therefore, we devised online group training for senior management leaders in different locations and were able to provide continuous training in this way.

The Global Group Executive Development Course (Global GEC) is for new leaders of Hitachi subsidiaries outside Japan including the executives of the new Group company, Hitachi ABB Power Grids. This e-learning course, attended by 33 people in fiscal 2020, brings a basic understanding of Hitachi's management and provides the latest information for advancing our Social Innovation Business. We are continuously creating new programs to develop talent.

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▶ Management Training Currently Offered Globally

Global Leadership Acceleration Program for Key Positions (GAP-K)	Selective training is held for three months to accelerate the development of future management candidates. It is conducted online and connects participants from all over the world. It is attended by 27 people from eight countries.
Global Advanced Program for Leadership Development (GAP-L)	It is held twice a year with the aim of developing the superior leadership, mindset, and skills necessary to drive Hitachi's global development. It is attended by 51 local leaders from 14 countries that are expected to perform well in overseas subsidiaries.
Global Leadership Acceleration Program for Managers (GAP-M) Ready to Lead (R2L)	It is leadership training with globally unified content for general managers and new managers. It is held in eight regions and attended by 2,700 people.

▶ Number of Participants of Global Management Training Programs

(people)
- 2016: 3,530
- 2017: 3,821
- 2018: 3,844
- 2019: 4,063
- 2020: 3,559
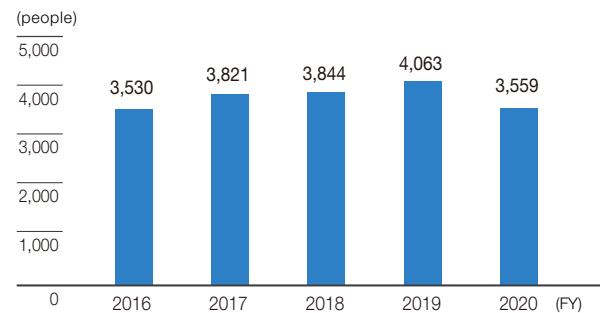
Developing Digital Talent

[Approach] [Goals] [System]

To accelerate our Social Innovation Business using digital technologies, we are working to develop human capital that can lead a digital transformation (DX). We are increasing the amount of digital talent across the entire Hitachi Group from approximately 30,000 employees in fiscal 2019 to 37,000 in fiscal 2021. In fiscal 2020, there were approximately 35,000.

In April 2021 we achieved ahead of schedule our fiscal 2021 goal of 3,000 data scientists with specialist knowledge of data analysis including AI, IoT, and the utilization of big data. Hitachi will continue to expand its digital solutions globally.

Achievements in Fiscal 2020

Aiming to further develop and strengthen our digital talent, we consolidated our various training institutes into the Hitachi Academy in April 2019 and are currently constructing a training system for developing human capital to drive digital transformation. In fiscal 2020, we continued to maintain a training system for digital transformation and a range of digital talent skill training programs targeting different positions and focusing on developing digital talent in order to accelerate our Social Innovation Business. We also hold basic training programs on digital transformation throughout the year to raise the level of digital literacy for the entire Hitachi Group in Japan.

Through a development policy that combines the knowledge and skills obtained by participating in training with OJT, we will strengthen our digital talent development with broader fundamental training and specialist development.

▶ Number of Data Scientists in the Hitachi Group
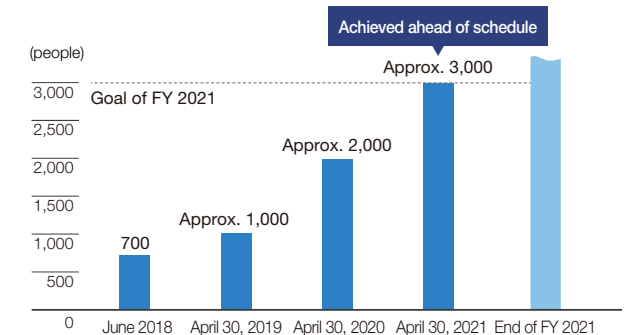
(people)
- June 2018: 700
- April 30, 2019: Approx. 1,000
- April 30, 2020: Approx. 2,000
- April 30, 2021: Approx. 3,000 (Achieved ahead of schedule)
- End of FY 2021

Goal of FY 2021

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Hitachi University (Learning Management System)

Activities

Hitachi University is a global learning platform in which all Hitachi employees and managers can register and take necessary training in a timely manner to develop their business goals and future careers. This platform supports business line managers to grow businesses through the development of talent. In addition, the HR department utilizes training transcripts to implement effective talent development measures.

Career Development Support in Japan

Activities

Hitachi 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. By ensuring that individuals can fulfill their potential and maximize their creativity, and by linking individual growth to positive outcomes and growth for the organization, we enhance our corporate value. Along with promoting self-understanding and fostering strong individuals with autonomy to think and act for themselves, we are also providing support to create a framework that will capitalize on the engagement and motivation of individuals and enhance mutual understanding as a way of fostering the teamwork needed to enhance organizational strength and performance.

Recognizing the importance of maximizing individual and organizational performance as we seek to become a major global player, we implement Global Performance Management (GPM) grounded in diversity and the individual thereby promoting career development with respect for each employee's individuality and personal aspirations.

In concrete terms, based on the idea that the foundation of career development is the work that each employee performs daily in the workplace, we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued and followed by evaluation of the results to formulate the next objectives. We established the GPM program which includes the following initiatives.

▶ Global Performance Management

Performance planning	After consulting with their supervisors to reach a consensus on short-term objectives, employees work with supervisor guidance and support. At the end of the fiscal year, they consult with supervisors on whether these objectives were met and set new ones for the next fiscal year.
Career interview	Regular employees meet with supervisors to discuss medium- and long-term career plans regarding such matters as requests for transfers or overseas postings.

We also provide direct support for individual career development through a career development program that supports workplace communication. This program is 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 14,500 people have participated in the program so far (as of March 31, 2021) with a focus on technicians, managers, and researchers 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 as part of our personalized career development support. At the Career Consultation Room, 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.

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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, Hitachi University's global learning platform is used alongside a global management training program. HR business partners work with managers at Hitachi Vantara Corp.—the core of Hitachi's digital solutions—to assess employee skills and capabilities while helping employees set and achieve their personal goals.

Hitachi Europe Ltd.

Employees across Europe can develop their skills through classroom lectures and online classes enabling them to acquire professional qualifications in cultural awareness, presentation skills, and IT desktop 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."

Hitachi Asia Ltd.

A regional program to enhance the knowledge and skills needed to grow Hitachi's business in Asia is being implemented in addition to making full use of global management training courses and an e-learning platform for general employees. Training roadmaps to develop employee knowledge, skill sets, and competencies are created to achieve optimal work performance.

Hitachi India Pvt. Ltd.

The L&D Committee consists of senior executives and meets twice a year to discuss training programs. Employees are encouraged to build skill sets by making full use of global management training courses and the e-learning platform for general employees. Along with the adoption of telecommuting as a measure to deal with the COVID-19 pandemic, employee training was also moved online. As a result of preparatory learning by participants and follow-up sessions at the office, the training proved to be even more effective than initially anticipated.

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 training through Hitachi University and an e-learning platform for general employees, the company provides specific content to allow employees to acquire the skills and knowledge required for business activities in China.

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Diversity and Inclusion

Toward Achieving Diversity and Inclusion

Policy

At Hitachi, Diversity and Inclusion matter as they are a crucial component to build innovation, growth, and a long-term sustainable business. The Statement on Diversity and Inclusion was created to demonstrate our commitment.

Statement on Diversity and Inclusion

Diversity and Inclusion Open Our Future

Diversity is the wellspring of our innovation and our growth engine. Hitachi regards personal differences such as gender, nationality, race, religion, background, age, disability, and sexual orientation, as well as other differences as facets of people's individuality. By respecting our employees' individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual's and the company's sustainable growth. With a diverse workforce, strong teamwork, and broad experience in the global market we will meet our customers' needs.

Diversity and Inclusion Integrated with Business Strategy

Policy

Hitachi has positioned Diversity and Inclusion as part of its management strategy, and embraces all aspects of Diversity included in the Statement on Diversity and Inclusion. To further accelerate activities at a global level, it is transitioning to integrate Diversity and Inclusion with each business strategy. To exhibit strong commitment by the management, the Chief Diversity and Inclusion Officer (CDIO) position was established in April 2020, with Lorena Dellagiovanna appointed to lead Diversity and Inclusion globally across the whole Hitachi Group.

As a first step of this transition, in fiscal 2020, we implemented gap data analysis, external assessments, and interviewed business/function leaders to understand our current situation. Based on the analysis, we determined the Diversity and Inclusion global strategy for the medium to long term.

In addition, as part of the strategy, Diversity and Inclusion targets were set by business units, corporate functions, and Group companies. The procedure to define the targets included individual meetings with top management and the CDIO, where discussions focused on how Diversity and Inclusion can address issues in the business as Hitachi operates in a variety of industries and markets.

Diversity Management Promotion Framework

Structure

To achieve our aspirations, Hitachi has created a structure to lead global and regional actions.

At a global level, Sustainability Strategy Meetings (Diversity and Inclusion sessions) and the Diversity and Inclusion Council are held every six months to promote the Group's policies and initiatives. From fiscal 2021, Diversity and Inclusion sessions were added to the Sustainability Strategy Meetings with the aim of determining the direction, defining the priorities on initiatives and investments, and sharing experiences within the top management of Group and global companies. The Diversity and Inclusion Council focuses on aligning itself with the global Diversity and Inclusion strategy and conducts discussions on specific actions in partnership with the HR departments of Group companies globally.

Regional Diversity and Inclusion lead positions are created to drive initiatives aligned to local business strategies. Lastly, under the CDIO, the Diversity and Inclusion Development Center supports implementation of global and regional initiatives, and by communicating the Diversity and Inclusion strategy globally it creates value for internal and external stakeholders.

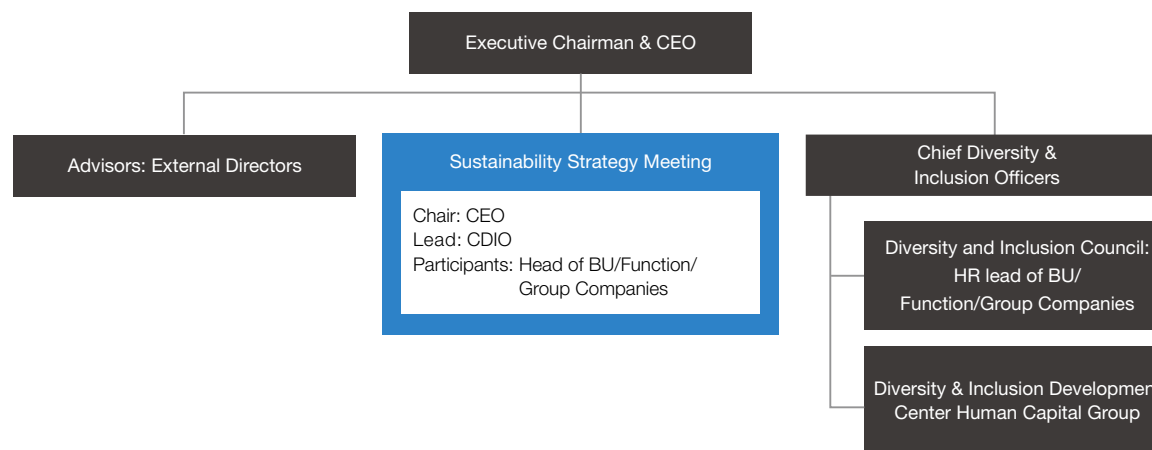We also hold regular meetings to exchange opinions with labor unions.

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▶ Hitachi Diversity Structure

Executive Chairman & CEO

Advisors: External Directors

Sustainability Strategy Meeting

Chair: CEO
Lead: CDIO
Participants: Head of BU/Function/
Group Companies

Chief Diversity &
Inclusion Officers

Diversity and Inclusion Council:
HR lead of BU/
Function/Group Companies

Diversity & Inclusion Development
Center Human Capital Group

Diversity and Inclusion Targets

Goals Activities

GRI 405-1

With the aim of increasing diversity among executive officers and executive and corporate officers and managers, Hitachi has created two key performance indicators (KPIs).

The goal set in November 2017 was to increase the ratio of female executives and corporate officers from 2.5% to 10% by fiscal 2020, and for non-Japanese executives and corporate officers to raise it from 3.5% to 10% in the same period. This goal was achieved in April 2021.

Another goal was to increase the number of female managers in Hitachi, Ltd. to 800 by fiscal 2020 (double the

number at the end of fiscal 2012) which was achieved in October 2020, six months earlier than the target completion date.

For the next step, we have decided on a new target, based on the Diversity and Inclusion global strategy in April 2021, to achieve 30% for both female and non-Japanese executive officers and corporate officers by fiscal 2030. As a milestone, we have set target of 15% by fiscal 2024.

With our new goals, we will accelerate our global initiatives.

▶ Ratio and Number of
Female Managers (Hitachi, Ltd.) ✓

(people)

	2000	2016	2017	2018	2019	October 2020	2020*² (FY)
Female managers*1	73	509	577	635	700	800	768
Ratio of total female managers*1		4.1%	4.2%	4.8%	5.5%	6.3%	6.5%

■ Female managers*1 (left scale)
● Ratio of total female managers*1 (right scale)
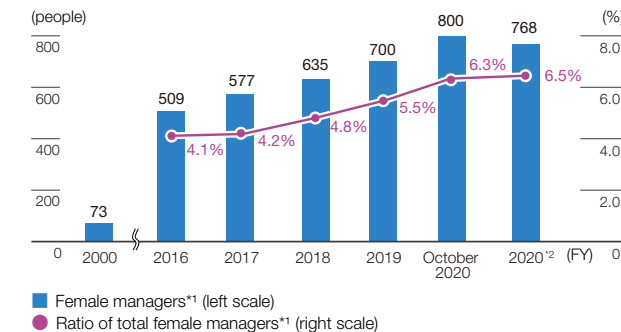
Note: Figures include section manager–level employees and above.
*1 Since fiscal 2017, "Female managers" has included managerial employees dispatched from Hitachi, Ltd. to other companies and those accepted from other companies by Hitachi, Ltd. Earlier figures include regular managerial employees dispatched to other companies but exclude those accepted from other companies.
*2 The reason for the decline between October 2020 to the end of fiscal 2020 was due to business transfers. Independent assurance was provided on the percentage and number of female managers for end of fiscal 2020 (as of March 31, 2021)

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

(people)

	June 2018	June 2019	July 2020	June 2021	End of FY 2024 (Target)	End of FY 2030 (Target)
Number of female executive and corporate officers	2	4	5	7		
Number of non-Japanese executive and corporate officers	5	7	6	8		
Ratio of female executive and corporate officers	2.6	5.0	7.1	10.1	15.0	30.0
Ratio of non-Japanese executive and corporate officers	6.4	8.8	8.6	11.6	15.0	30.0
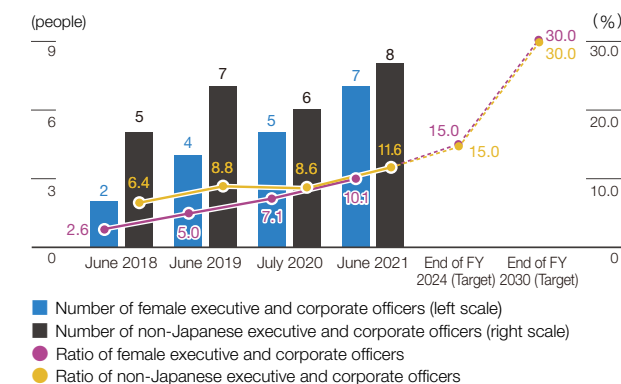
■ Number of female executive and corporate officers (left scale)
■ Number of non-Japanese executive and corporate officers (right scale)
● Ratio of female executive and corporate officers
● Ratio of non-Japanese executive and corporate officers

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▶ Ratio and Numbers of Male/Female and Japanese/Non-Japanese Directors (Hitachi, Ltd., as of June 2021)

Item	Total	Male	Female	Japanese	Non-Japanese
Directors					
Number	13	11	2	7	6
%	100	84.6	15.4	53.8	46.2

Ratio of female executive and corporate officers

10.1 %

Ratio of non-Japanese executive and corporate officers

11.6 %

Diversity and Inclusion Strategy Execution

Activities

In fiscal 2020, so as to understand the issues throughout Hitachi and to facilitate understanding diversity and inclusion even more, we have increased our activities such as meetings with top management, active communication with employees through events, and we have joined The Valuable 500—an international movement to promote the advancement of people with disabilities. We will continuously implement actions both on global and regional priorities.

For fiscal 2021, at a global level, the Diversity and Inclusion global strategy is based on the following five pillars. Progress in implementing these five pillars shall be reported on and reviewed in the global structure. Group companies are also advancing diversity management in accordance with their challenges and circumstances at the global level.

▶ Diversity and Inclusion Actions Based on the Following Five Pillars

Pillars	Fiscal 2024 target	Fiscal 2021 actions
Overall	● Strategic metrics of Diversity and Inclusion are monitored and disclosed	● Set policies, guidelines, and strategic metrics (KPIs), base line analysis and continuous data gathering ● Strengthen Diversity and Inclusion structure
(1) Leadership Commitment	● Vocal leadership team commitments with tracking and accountability globally	● Communication strategy and campaigns to be defined based on priorities showing leadership commitment
(2) Culture	● Inclusive culture is cultivated: Everyone is recognized to have a fair opportunity and freedom to express their own ideas and opinions	● Renewal of internal/external communication globally ● Review companywide training/events ● Accelerate talent exchange globally
(3) Recruitment	● Targeted recruiting initiatives and array of channels for diverse communities globally	● Set a Group-wide policy to commit to diversity and inclusion in recruiting ● Build scenarios on the speed of change in 3–5 years, and put elements of Diversity and Inclusion in recruiting activities tailored to the region and business
(4) Retention	● Differentiated benefits companywide and a robust network of employee resource groups (ERGs)* * Employee-led groups, which are based on shared characteristics and experience	● Support informal activities of employees including ERGs to expand their networks, broaden their horizons, and have voices advocate inclusivity ● Review benefits packages and policies
(5) Advancement	● Diverse talent in decision-level management - Achieve the new target (15% of directors are female or non-Japanese) for executive officers and corporate officers in Hitachi as the milestone toward 2030	● CDIO's direct communication with future leaders (1 on 1 mentoring, group sessions, events, etc.) and Global Leadership Development activities (identify and develop talented employees for management positions within the Hitachi Group globally)

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Female Empowerment

Activities

To ensure an environment where women are able to perform at their best in all layers of the organization, the CDIO participated in Talent Committee sessions and had positive discussions about aspiring, talented future employees. Based on actions determined at the Diversity and Inclusion global strategy and Talent Committee sessions, the CDIO is mentoring female leaders and leader candidates globally.

In addition, the annual Global Women's Summit (in fiscal 2020 it was cancelled due to COVID-19) has been held since fiscal 2016 to realize gender equality in the Hitachi Group as well as other dedicated events for female employees that are held in partnership with the business units to encourage all female employees.

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

■ Female managers (left scale)
● Ratio of total female managers (right scale)

Note: The figures are based on the total number of female managers including those dispatched from Hitachi, Ltd. to other companies. Rising numbers of female managers in part reflect improved coverage of our human capital databases.

Activities related to the empowerment of women are also being developed globally in Group companies, and we are further strengthening the global structure of the Diversity and Inclusion program.

Examples of actions being taken in regions and Group companies include Hitachi Astemo establishing a global organization with the appointment of a global Diversity and Inclusion manager under the leadership of its CEO. With one of the key focus areas being increasing diversity across the entire organization, aspects of Diversity and Inclusion have been integrated in various HR processes including acquiring and managing talented employees with an increased focus on gender diversity and having a variety of different nationalities. All of the initiatives are embedded in a cohesive Diversity and Inclusion statement to build and leverage an inclusive work environment and fully embrace diversity.

Hitachi ABB Power Grids (HAPG) launched Diversity 360 as a company strategic priority to ensure diversity and inclusion penetrates all aspects of management practice throughout the Group. One of the four work streams is "Female acceleration" with a management commitment to increase female representation at three levels of the organization; senior leadership positions, middle managers, and early career hires. The target is supported by a robust and comprehensive plan including Employee Value Proposition (EVP) to reflect the aspiration to hire employees with different ways of thinking, and the Female Talent Development Program in pipeline planning and structural integration to incorporate Diversity and Inclusion into all policies related to the employee lifecycle such as equal pay and flexible working.

In Japan, actions within the group are being implemented such as Hitachi Japan Group Women's Career Success Survey which measures the progress of female inclusion activities; it was launched in 2013 and is held every two years. Alongside these efforts, we are implementing actions such as Hitachi Japan Group Women Leaders' Meeting held every two years to support female employees at the supervisory level and above and career development training for early career female employees. Hitachi, Ltd. provides HR support and communicates with employees to prevent employees having to leave the workforce due to child/nursing care issues (for details see the Work Life Balance page). In addition, we are working to change the mindset of managers and male staff regarding gender parity and examining our working style as a whole with the aim of transforming our corporate culture. Employee compensation is set according to each individual's role and achievements, with no divisions or differences based on gender or age.
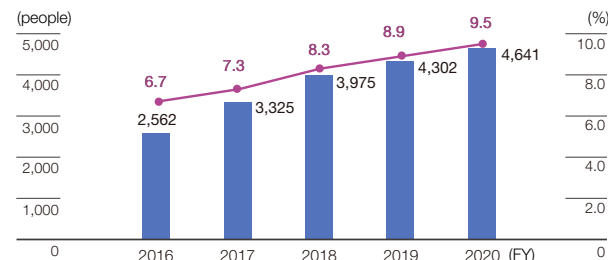
▶ Basic Salary and Total Individual Compensation for Female and Male Managers (Fiscal 2020)(Hitachi, Ltd.)

Basic Salary	Total Individual Compensation
100:104	100:106

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.

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Disability Inclusion

Activities

Hitachi Group joined The Valuable 500, a global CEO community launched at the World Economic Forum to realize the inclusion of people with disabilities through business leadership and opportunities. By joining this worldwide movement, Hitachi accelerates the inclusion of people with disabilities internally and externally.

Disability inclusion actions in regional and Group companies are implemented in compliance with the local laws. In the case of regional Group companies, Hitachi Europe employees and contractors must complete training on "equality and diversity" as part of their induction plan, since disability inclusion is legally protected. Through the training, employees will be able to understand how to contribute to creating an inclusive workplace for all.

Hitachi ABB Power Grids ensured it aligned disability inclusion in the HR processes and policies within the group. This includes equal employment opportunity policies, induction programs for on boarding as well as buddy programs as part of retention and support. In addition, Hitachi ABB Power Grids is currently making its website more accessible and will continue to make the application process better for people with disabilities. Hitachi ABB Power Grids has also ensured its recruiting policy is aligned with requirements by conducting a review to create an inclusive workplace by examining things such as the office infrastructure.

In Japan, Hitachi, Ltd. and domestic Group companies have actively implemented the recruitment of people with disabilities such as using online recruiting fairs, partnerships with special subsidiaries, expanded their job capabilities, and responded to the growing needs of working from home such as with the digitalization of documents. As a result,

as of June 2021, the employment ratio of people with disabilities was 2.37% at Hitachi, Ltd.*1 and 2.42% for the entire Group in Japan. Both of these figures exceed Japan's legally required employment ratio of 2.3 %.

As of April 1, 2020, "Hitachi You and I,*2" which was established by three special subsidiaries, created the Recruitment Retention Support Division. The Division ensures support for the long-term employment of the disabled and develops an environment where the job satisfaction of employees is high. In addition, we have implemented "Working Together with the Disabled," an e-learning course, that 168,000 people out of 176,000 (attendance rate 95%) attended for the domestic Hitachi Group and which aims to introduce non-discrimination policies and accommodation designed for the disabled.

*1 Includes one special subsidiary and 23 related Group companies.
*2 The new company's name is Hitachi You and I Co. Ltd. The company employs around 450 people, of which around 380 have disabilities.

GRI 405-1

▶ Employment of People with Disabilities and Employment Ratio (Hitachi, Ltd.)*1
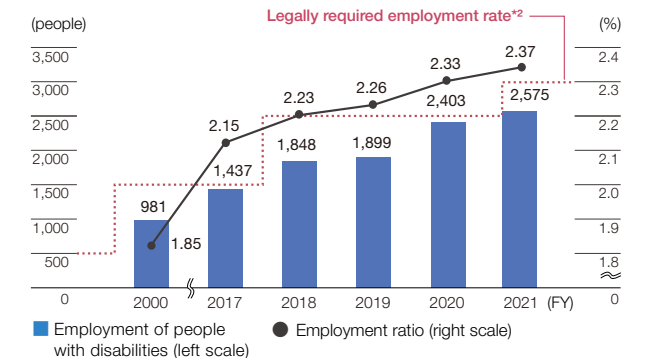
*1 Includes special subsidiaries and related Group companies. (One special subsidiary and 23 related Group companies in fiscal 2021.)
*2 The legally required employment rate was 1.8% up to fiscal 2012, 2.0% between fiscal 2013 and 2017, 2.2% in fiscal 2018 and became 2.3% from fiscal 2021.
Note: • Data compiled on June 1 of each fiscal year.
• The employment ratio is calculated according to methods prescribed in the relevant laws.

Employment ratio of people with disabilities

2.37%

Our approach on B-BBEE in South Africa

As Hitachi expands its 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 31 March 2021, Hitachi Construction Machinery Southern Africa has achieved a B-BBEE rating of level 4.

*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."

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Work-Life Management `Approach`

Hitachi goes beyond "work-life balance," in which employees are simply urged to balance 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 over the long term. Based on this philosophy, we have established systems to support work-life reforms and a balance between employees' work and private lives.

Promoting Work-Life Reform

`Approach` `System` `Activities`

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

Today, approximately 95% of all employees take advantage of our telecommuting and satellite office work programs, including managerial-level employees, flex workers, and career-track regular employees who need to balance work with child care, nursing care, or medical treatment. This provides 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 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 telecommuting and satellite office work programs

Approx. **95**%

▶ Work-Life Innovation Initiatives at Hitachi, Ltd.

Activity	Key components
Top commitment	• Send message within company
Review of operations and processes	• 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 of workplace management	• Increase operational transparency using in-house consultants (experience-oriented approach) • Improve attendance management system for compliance rule enforcement
Promotion of time- and location-independent work practices	• Expand telecommuting program • Create environments where internal wireless local area networks (LAN) can be accessed safely • Distribute around 30,000 IT tools to support paperless and online meetings • Roll out location-independent work for managerial-level employees • Expand satellite office network (150 sites as of April 2021) • Reform administration by promoting electronic signatures and paperless systems
Companywide promotional tactics	• Share on Hitachi's intranet site • Share best practices by giving awards

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Enhancing Work-Life Management Support Systems

System   GRI 401-2/401-3

Hitachi, Ltd. and certain Group companies in Japan are working to create even more supportive workplaces by introducing and expanding various programs to help employees balance work and family life. 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. Through these kinds of support, we offer an environment where work and parenting can be balanced with peace of mind.

Hitachi regularly conducts employee awareness and internal fact-finding surveys concerning nursing care. Based on the results of these surveys, we are working to enhance measures to help employees balance their work and home nursing care responsibilities. As Japan's population ages, the number of regular employees facing the challenge of providing nursing care for elderly family members is growing. Consequently, Hitachi has been offering financial support for these employees by establishing new programs such as Work-caregiving balance support points under the Cafeteria Plan. By also holding seminars on how to balance work and nursing care responsibilities, employees receive useful information which transforms their awareness of the work-life balance. This includes learning about the importance of continuing to work while fulfilling nursing care responsibilities along with expert information on how to achieve this balance.

Hitachi has also introduced a service that warmly supports employees dealing with nursing care concerns. In addition to helping employees apply for public programs and find nursing care facilities, the service can also arrange counseling to help employees cope with the emotional challenges.

New Measures in Fiscal 2020

▷ Balancing Work, Child Care and Nursing Care

Measures	Main Details and Purpose
Child-care matching service in collaboration with company-led nurseries (started operation in fiscal 2020)	● New support measures to promote the balancing of work and child care ● Supporting a more balanced approach between work and parenting, we launched a child-care matching service in collaboration with company-led nurseries. This service, created with the help of the Cabinet Office's support program, enables employees who are looking for a nursery for their children to apply for admission to a company-led nursery, thereby expediting an early return to work for employees on maternity or child-care leave.
Launched Nursing Care Concierge (October 2020)	● Contact point for obtaining consultation and support regarding nursing care concerns
Expanded the number of people eligible for Work-caregiving balance support points (January 2021)	● To increase financial support
Established Work-caregiving Balance System Development Support Points (January 2021)	● To enhance support for creating better home care environments

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

Child-Care Support System

For women | For men

Pregnancy → Fertility treatment leave (1 year total)

Leave for prenatal medical appointments, pregnancy problem leave, etc.

Childbirth → Maternity leave (8 weeks before and 8 weeks after childbirth) | Paternity leave (5 days total)

Child-care leave → Child-care leave (up to 3 years, until the child completes the first grade of elementary school; can be taken nonsequentially)

Return to work →
- ● Flexible working hours
- ● Shorter working hours (generally 6, 6.5, or 7 hours)
- ● Working from satellite offices
- ● Working from home
- ● Elimination of posting employees away
- ● Annual paid leave (in hours)
- ● Half-day leave
- ● Family-nursing leave
- ● Child-nursing leave
- ● Leave for overseas spouse transfers (3 years or less)
- ● Allowance for Balancing Child Care and Work (up to 100,000 yen per year per child; until the child completes the third grade of elementary school)
- ● Hokatsu Concierge
- ● Child-care matching service in collaboration with company-led nurseries

Nursing-Care Support System

Work/leave system enabling flexible work styles
- ● Flexible working hours
- ● Shorter working hours (generally 6, 6.5, or 7 hours)
- ● Working from satellite offices
- ● Working from home
- ● Elimination of posting employees away
- ● Annual paid leave (in hours)
- ● Half-day leave
- ● Family-nursing leave
- ● Child-nursing leave
- ● Nursing-care leave Nursing-care leave (5 days per person receiving care per year)
- ● Nursing-care leave (1 year in total, can be taken nonsequentially)

Financial support
- ● Work-caregiving balance support points (1,000 points [100,000 JPY] per person receiving care per year)
- ● Work-caregiving balance support points (3,000 points [300,000 JPY] per person receiving care)

Consultation services and information provision
- ● Nursing Care Concierge (consultation service)
- ● Distribution of Handbook on Balancing Work and Caregiving
- ● Holding seminars on how to balance work and nursing care responsibilities

Cafeteria Plan (child-care and nursing-care menu)

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- Social
- Innovation Management
- Human Capital
- Human Rights
- Value Chain Management
- Community
- Social Data

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▶ Return and Retention Rates After Maternity and Child-Care Leave (Hitachi, Ltd.)

	Definition		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Maternity/partner's leave utilization rate (%)	Total number of employees who took maternity leave or partner's maternity leave/Total number of employees with newborn children	Male	24.3	32.7	37.8	38.1	33.8
		Female	100.0	100.0	100.0	100.0	100.0
Return rate for maternity/partner's leave recipients (%)	Total number of employees not resigning on the day after completing maternity leave or partner's maternity leave/Total number of employees who took maternity leave or partner's maternity leave	Male	100.0	100.0	100.0	100.0	100.0
		Female	100.0	100.0	100.0	100.0	99.7
Retention rate for maternity/partner's leave recipients (%)	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	Male	98.7	98.4	99.7	96.9	97.7
		Female	100.0	99.2	100.0	100.0	99.7
Childcare leave utilization rate (%)	Total number of employees who took child-care leave/Total number of employees with newborn children	Male	1.6	2.2	2.7	4.0	7.3
		Female	99.6	99.7	100.0	99.6	99.6
Return rate for childcare leave recipients (%)	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 planned to return and resigned voluntary without returning)	Male	96.7	100.0	94.3	100.0	100.0
		Female	97.1	98.5	97.4	97.4	98.9
Retention rate for childcare leave recipients (%)	Total number of employees continuously working one year after returning from child-care leave/Total number of employees returning from child-care leave	Male	100.0	96.6	90.9	84.8	71.4
		Female	98.6	98.0	99.4	95.5	98.0

In-House Child-Care Centers

Hitachi, Ltd., in collaboration with its labor union and 17 Group companies, has set up in-house child-care facilities with capacity for approximately 70 children in its Yokohama Office as a way to support employees in balancing work with child care.

Support Systems and Measures that Meet Diverse Employee Needs

System

GRI 401-2/404-2

Hitachi, Ltd. and the Hitachi Group 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, allowances 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 Japan's Equal Pay for Equal Work Act 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 corporate 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 2020

In fiscal 2020, the incentive system to encourage regular employee participation in the stock ownership program was changed at Hitachi, Ltd. and some Group companies in Japan. Under the new system, the stock option incentive rate varies according to the degree of the target achievement under the 2021 Mid-term Management Plan and the number of shares already held by the employee concerned. While raising awareness of the benefits of management participation, we are helping employees to accumulate assets over the medium and long term.

Furthermore, as part of its Cafeteria Plan benefits program, Hitachi, Ltd. has been taking special measures during the COVID-19 pandemic. This includes raising funds to support professionals on the healthcare frontlines, while also subsidizing costs incurred to purchase computer equipment such as monitors and Wi-Fi routers, as well as desks, chairs, and other items they may need to work from home.

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Initiatives at Regional Headquarters to Create a Good Working Environment

The Statement on Diversity and Inclusion guides Hitachi's endeavors to create work environments that allow our diverse range of human capital to work with enthusiasm and to support workstyles that are conducive to each employee achieving their full potential. Region-specific policies are also implemented by our regional headquarters.

Hitachi America, Ltd.

Initiatives to promote diversity and inclusion include a mentor program and webinars to share the experiences of employee role models. Of the employees promoted from January to early August 2020, 36% were women and 83% were from minority groups. Nearly 30% of minority employees at Hitachi America hold director or higher positions. New hires during the same span were about one-third women and approximately half were ethnic minorities.

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 is particularly striving to improve team management, which is a key business capability. The focus is on sharing knowledge and skills, enhancing communication and coaching, and promoting the acceptance of diversity to boost employee engagement. It also supports the creation of opportunities for employees to engage in recreation together in order to further enhance communication between employees.

Hitachi (China) Ltd.

Activities are being promoted to strengthen inter-divisional cooperation. A group of mainly younger employees are asked to introduce their division's work to workers in other divisions to deepen understanding and encourage collaborative creation across divisions. This activity was held four times in fiscal 2020, twice in Beijing and twice in Shanghai, including online sessions and with a total of 63 employees participating. The network built through these activities has contributed to smoother business operations.

Hitachi Europe Ltd.

In addition to Hitachi Insights, which is conducted across the worldwide Hitachi Group, each region of Hitachi Europe separately surveys those who have chosen to leave the company. The information is analyzed and used to help create workplaces where employees prefer to stay long term. Support is provided to employees' philanthropic activities, with auctions and sporting events being organized to benefit a charity selected by a vote among employees each year.

Hitachi India Pvt. Ltd.

In India, where the pandemic has been especially severe, this company has been accelerating online measures to improve communication between employees. Sixty participants from Hitachi India and its group companies participated in an online workshop program. By enhancing participant follow-up before and after the program, the activity received high marks from those who took part. As part of other measures to deal with COVID-19, Hitachi India introduced virtual coffee breaks for employees working from home. Also, the company is enhancing efforts to support the mental health of telecommuters including the promotion of online yoga using a mobile app.

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Occupational Health and Safety

The Basic Principle for Occupational Health and Safety

`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 to create healthy, safe, and secure work environments that aim to be accident free. Moreover, we actively adopt practices to protect our own health and safety and share the belief that all work-related accidents can be prevented. We also strive to build 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. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by 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 business partners[1] of the Hitachi Group
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 (Revised November 2013)

[1] Includes contractors like vendors and suppliers, etc.

Establishing Occupational Health and Safety Management System

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

In fiscal 2020, the Safety Management Division promoted the creation of organizations to support independent safety activities by employees. The Health and Productivity Management Promotion Office of the Human Capital Division has been working to improve employee healthcare support to promote even better health management. In April 2021, we established the Safety and Health Management Division to integrate and operate the organizations that manage Occupational Safety and Occupational Health and Productivity Management. The aim is to build a global safety and health management system, strengthen efforts toward zero work-related accidents, and further improve the employee support system both physically and mentally.

Health and Safety Officer Meeting is held bimonthly with occupational health and safety officers from each Group company and representatives from each division attending. The members set plans and objectives for Group-wide safety strategies, review ongoing efforts to improve occupational health and safety activities, and share the clear commitment from top management to make protecting the health and safety of employees their top priority. In addition, the meeting monitors the progress of each Group company and division's health and safety activities, education, training, etc., and also sets Group-wide KPIs. From fiscal 2021, the meeting has begun to identify risks, conduct risk assessments, and mitigate the risks of high-risk operations[1] on a global basis.

The Audit Committee is composed of directors that audit the Group's health and safety plans, policies, and activities every year. For critical health and safety issues, such as fatal accidents and cases that could lead to deaths, the status of occupational health and safety management is reported at least once a year to the Senior Executive Committee and at meetings of Group company presidents.

In Japan, a health and safety commission—composed of business owners, labor union officials, and employees—is convened at each business site every month to discuss and share information related to such issues as work-related accident cause analysis and countermeasures and health and safety activities in light of the situation regarding employees who have taken sick leave.

[1] Examples of high-risk operations and environments: (1) work high above the ground (2) industrial vehicles (3) heavy objects (4) machinery and equipment (5) lack of oxygen (6) toxic gases (7) fires and explosions

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▶ Safety Management Framework
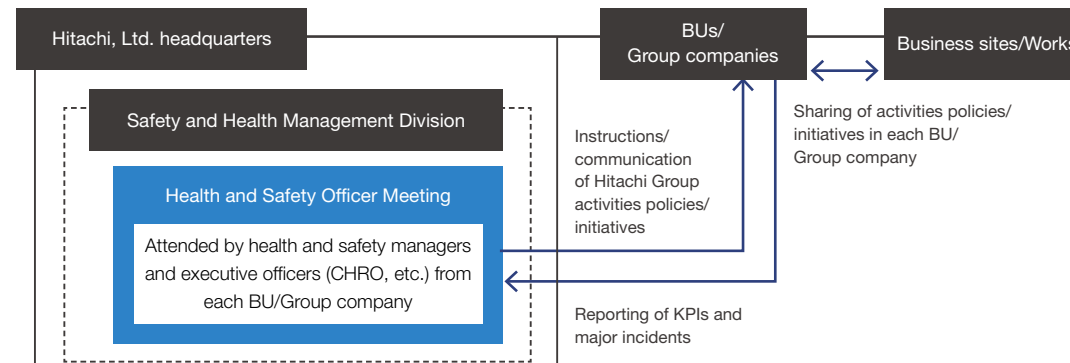
Safety Audits by External Specialist Institutions

Four Hitachi Group sites in Japan underwent safety audits by a third-party organization from January to September 2018. As a result, the following were pointed out as issues to be addressed in order to realize the Group's health and safety policy which states: "Health and Safety Always Comes First." (See "Issues Identified" in the table.)

In response to these findings in fiscal 2019 and 2020 we promoted activities with a focus on monitoring the current situation and building a foundation for issue resolution. The following specific measures were taken in fiscal 2020.

Issues Identified	Fiscal 2020 targets	Specific measures taken in fiscal 2020
Insufficient Group-wide safety management systems	Continued to strengthen cooperation with each business site and ascertained the actual situations of safety activities	● Continued to hold meetings of the Safety Strategy Promotion meeting (once every two months): Changed policy to require the attendance of safety representatives (CHROs of each business unit and officers responsible for safety at each Group company) ● Improved the frequency of global accident reporting from once per fiscal year to once a month ● Enhanced reporting of incidents and accidents
Leadership by the organization's top management has not been fully demonstrated which has led to a decline in the safety awareness of employees	Raised awareness of the need to rebuild a culture of safety	● Held top-level discussions between the general manager and deputy general managers of the Safety Management Division and the business unit CEOs and launched safety training for executives
Lack of safety expertise and implementation skills in the workplace	Launched safety education to develop human resources at business units and Group companies	● Held safety training for line managers and safety staff as well as instructor training workshops for safety staff
Who is accountable for the performance of safety activities is unclear, and fundamental measures to deal with accidents are inadequate	Analyzed accident causes, improved methods for horizontal initiative deployment, and ensured full-scale implementation of corrective and preventive measures	● Analyzed accident data for Tier 1-1 (lost-time accidents) and more severe accidents and reviewed the accident investigations in Japan

Achievements in Fiscal 2020

In fiscal 2020, the Hitachi Group promoted infrastructure development that included collecting information for the building of a global health and safety management system. The aim is to rebuild a culture of safety in which all Group employees can think and take safety steps proactively. As an initiative toward eliminating work-related accidents, in July 2020 the frequency of global accident statistics reporting was changed from once every six months to once a month in order to better track accident data. Initiatives directly under the Safety Management Division have been expanded to improve health and safety activities at sites outside Japan where serious accidents have occurred. To further raise awareness of the need to rebuild a culture of safety, the Group has initiated safety training to enhance safety awareness among management as well as leadership training based on the use of external consultants. The Group also conducted safety training for each organizational level such as enhanced safety training for line managers and safety staff on the frontlines. A total of about 320 people participated in these activities.

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Initiatives for Preventing Work-related Accidents

Employee Engagement   GRI 403-5/403-7

Hitachi is developing organizations where employees are self-motivated to maintain safety activities and prevent work-related accidents. We aim to achieve zero fatal accidents by 2021 and halve lost-time accidents compared to 2018 across Group sites worldwide.

▶ 2021 Safety Targets (KPI)

Target	Fatal accidents	Lost-time accidents
Hitachi Group	Zero accidents	Halved compared to 2018 (253 accidents)
Hitachi, Ltd.	Zero accidents	Halved compared to 2018 (3 accidents)

In order to achieve these goals, the Safety Management Division is taking the lead in holding monthly Safety Strategy Promotion Council meetings, interviewing the departments in charge of safety, as well as analyzing accident causes and conducting training. It also implemented various measures in line with five action plans in fiscal 2020.

Action Plans

1. The top management's commitment to safety and raising awareness of workplace safety
2. Ensuring full awareness of the need to put safety first and taking actions accordingly
3. Irregular operations, situation recognition, and appropriate responses
4. Improving expertise and the ability to promote safety activities
5. Analysis of the causes of accidents and thorough measures to prevent recurrences

Hitachi sets and applies its own safety standards to be observed at manufacturing sites globally as well as advancing health and safety measures tailored to the operations of individual companies. In particular, under the Safety Management Division we have worked to improve our safety

measures both in terms of our policies by examining and improving our risk assessment frameworks and our protocols by using IT and digital technology to prevent accidents.

Additionally, because the risk of accidents is higher for workers not yet accustomed to their work or environment, employees and temporary workers receive health and safety training on their work and on-the-job training before work begins to help prevent accidents by ensuring that they understand work procedures and dangers. We are also working to build an education system that meets the requirements of the occupational health and safety management system integrated across the Group's operations worldwide. At each business site, the system will provide training for safety administrators at each organizational level and safety training for specific hazardous work activities as appropriate for the organizational structure or business type.

When business restructuring occurs, we share the details of the health and safety management frameworks and initiatives of the organizations to be merged in advance, and, paying all due respect to the organizational cultures on both sides, we ensure that safety is always preserved during the execution of a smooth business launch.

▶ Initiatives to Prevent Work-related Accidents

	Target	Details
Key Safety Management Designation System	Group companies and business sites that have experienced serious work-related accidents	Under the leadership of top executives, target companies and business sites take on management-driven initiatives to formulate specific plans, and the progress of these plans is monitored by safety officers, who also lead initiatives to prevent recurrences.
Incident Investigation Database	Entire Group	An Incident Investigation Database was built to analyze accidents and formulate future countermeasures in accordance with the Incident Investigation System established in 2019. The database is currently operational for Japan, and we intend to roll it out globally.

Enhancement of Safety Education

In order to ensure safety awareness among all officers and employees, Hitachi carries out safety training specific to each organizational level. With the aim of changing safety awareness starting at the top, in fiscal 2020, we established new safety training for executives. Over a total of four sessions, 76 executives learned about their roles and responsibilities for safety and then made their own personal safety commitments. After attending the training, we also evaluate the changes in awareness and behavior of the executives through 1-on-1 interviews with external consultants.

Current Work-related Accident Situations

Activities   GRI 403-9

In fiscal 2020, the total number of accidents fell due to the suspension of operations during the COVID-19 pandemic. Unfortunately however, three fatal accidents occurred within the Hitachi Group worldwide. The number of lost-time accidents decreased by about 21% from the previous fiscal year, but there is still considerable room for improvement.

In 2020, Hitachi, Ltd. and Group companies in Japan had no fatalities and 52 lost time injuries (Hitachi, Ltd.: 4). Globally, in 2019 and 2020, there were multiple fatal accidents caused by electrocution involving both employees and contractors (five out of the eight fatal accidents were electrocutions). We recognize the need to improve workplace environments, which pose risks such as electric shocks, and to build a safety management system that also includes contractors.

In 2021, Hitachi plans to undertake global risk management concerning serious accidents with the goals of achieving zero fatal accidents while halving lost-time accidents compared to 2018. In the short term, the Group will work on minimizing the risk of electrocutions in all business

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divisions worldwide and remediate high-risk operations and equipment. This will be done by implementing occupational accident prevention measures that clarify the safety manager at the business site level and by investing in and installing hardware to reduce risks. The initiative is to be completed by the end of fiscal 2021.

In the medium and long term, Hitachi will build a safety management system covering the Group's operations worldwide while establishing Group-wide KPIs and making their performance visible. We will provide follow-up safety training for executives, redefine the roles and necessary functions of safety organizations and staff, and increase the number of safety experts.

▶ Work-related Accident Frequency Rate ✅
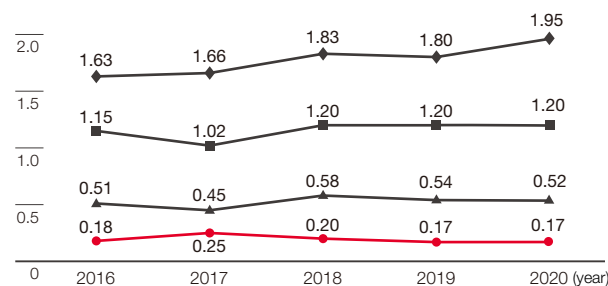
◆ All industries ■ Manufacturing industries
▲ Electrical machinery sector ● Hitachi Group *1

Note: Work-related 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 200 Group companies in 2016; for 201 Group companies in 2017; for 188 Group companies in 2018; for 169 Group companies in 2019; and for 136 Group companies in 2020.

▶ Hitachi Group's Global Safety Figures (Occurrence Rate*2)
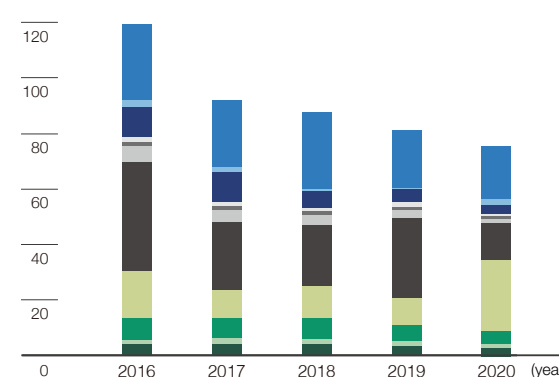
	2016	2017	2018	2019	**2020**
North America	27.65	24.33	27.96	20.76	**18.98**
Central and South America	2.33	1.62	0.44	0.57	**2.12**
Europe	10.70	10.82	6.08	4.78	**3.09**
India	2.07	1.44	1.44	1.63	**1.07**
China	1.59	1.53	1.46	1.17	**1.12**
Asia (excluding India and China)	5.43	4.41	3.34	2.63	**1.55**
Oceania	39.07	24.41	21.94	29.07	**12.95**
Africa	17.26	9.93	11.76	9.72	**25.37**
Overseas total	7.76	7.42	7.43	5.78	**4.90**
Japan	1.57	1.85	1.64	1.53	**1.34**
Global total	3.95	4.22	4.20	3.45	**2.89**

*2 Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees (including cases without lost workdays).

Initiatives to Improve Employee Health

[Approach] [Activities]   GRI 403-6/403-10

Hitachi believes that health is the foundation for employees being able to work energetically and with peace of mind. The basic principle of the Hitachi Group Health and Safety Policy, shared by all Group companies globally, is that "Health and Safety Always Comes First." Based on this principle, we strive as one to create working environments that allow workers to do their jobs without anxiety over their mental or physical health.

Until recently, health measures have been concentrated in Japan and the Health and Productivity Management Promotion Office of the Human Resources and Labor Administration Division, and the Health Insurance Society, BUs, Group companies, and the Occupational Health Division collaborated and were the main body for implementing measures. In order to promote health management as part of organizational management, the Health Management and Productivity Promotion Office and the Safety Management Division have now been integrated. The new Health Management Promotion Department of

the Health and Safety Management Promotion Division is working on health measures shared across the worldwide Hitachi Group in collaboration with safety-related personnel.

In the short term, we will steadily implement health management measures in Japan, 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 develop a Group-wide health and safety policy after ascertaining the actual conditions of occupational health measures globally, and identifying issues. The necessary initiatives will then be implemented in a unified way.

▶ Fiscal 2021 Targets for Health Management (KPIs)

	Percentage of employees with high stress according to the stress-check system	Percentage who have received special health guidance
Hitachi Group (Japan)	10% decrease from fiscal 2020	40% of employees

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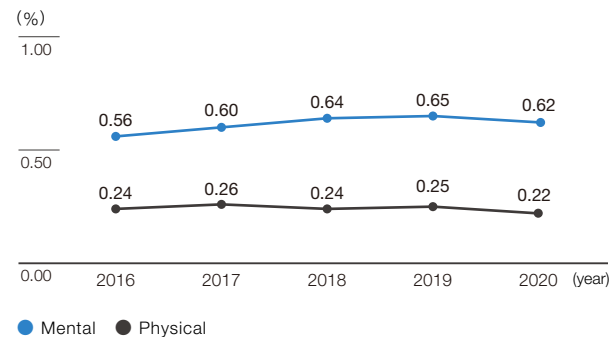
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Achievements in Fiscal 2020

In April 2020, the Health and Productivity Management Promotion Office of the Human Resources and Labor Administration Division was established with the aim of strengthening cooperation with the Occupational Health Promotion Center and the Health Insurance Society. We have been working on mental and physical health measures to deal with the diversification of workstyles and the pandemic situation. Specific measures taken in Japan include the creation of a system for employees to consult the company's occupational physicians remotely during the pandemic, based on an extraordinary meeting of the occupational physicians. A campaign was also launched to encourage personnel to regularly record their health data such as body temperature and weight to support personal health management. Outside Japan, employee mental health measures were implemented in each region.

Health Support Initiatives in Japan

- Occupational healthcare provided by occupational physicians, nurses, and other occupational healthcare personnel both at health-management centers located at individual business locations and 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
- Proactive implementation of stress checks specified by law at all business sites—even those employing fewer than 50 employees which are only required to make efforts toward compliance—to help prevent mental health issues and revitalize workplaces
- 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 officers

▷ Absences

(%)

1.00

0.56   0.60   0.64   0.65   0.62

0.50

0.24   0.26   0.24   0.25   0.22

0.00   2016   2017   2018   2019   2020   (year)

● Mental   ● Physical

Note: 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)

Percentage of stress-check participants deemed to have high stress

11.6%

Specific health guidance implementation rate

27%

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, and it is 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 2020 was lower than in the previous year. Nevertheless, we have developed a proactive approach that anticipates increases in mental strain such as that caused by the changing workstyles and behavioral constraints during the pandemic.

(1) Regular one-on-one interviews
(2) Expansion of a system for remote consultations with occupational physicians
(3) Introduction of an EAP[*1] consultation service for Group companies that have not yet adopted it
(4) Individual interviews with expatriate employees
(5) Tips for working from home posted on the intranet
(6) Identification of health issues using a telecommuting survey

Also, based on the results of the telecommuting survey and the opinions of occupational physicians, we plan to provide even more proactive support for employees who need it. This includes consultations with those who have been diagnosed with elevated stress, looking for warning signs in attendance information, establishing a health consultation service for managers, conducting resilience training, and holding individual health interviews with young employees.
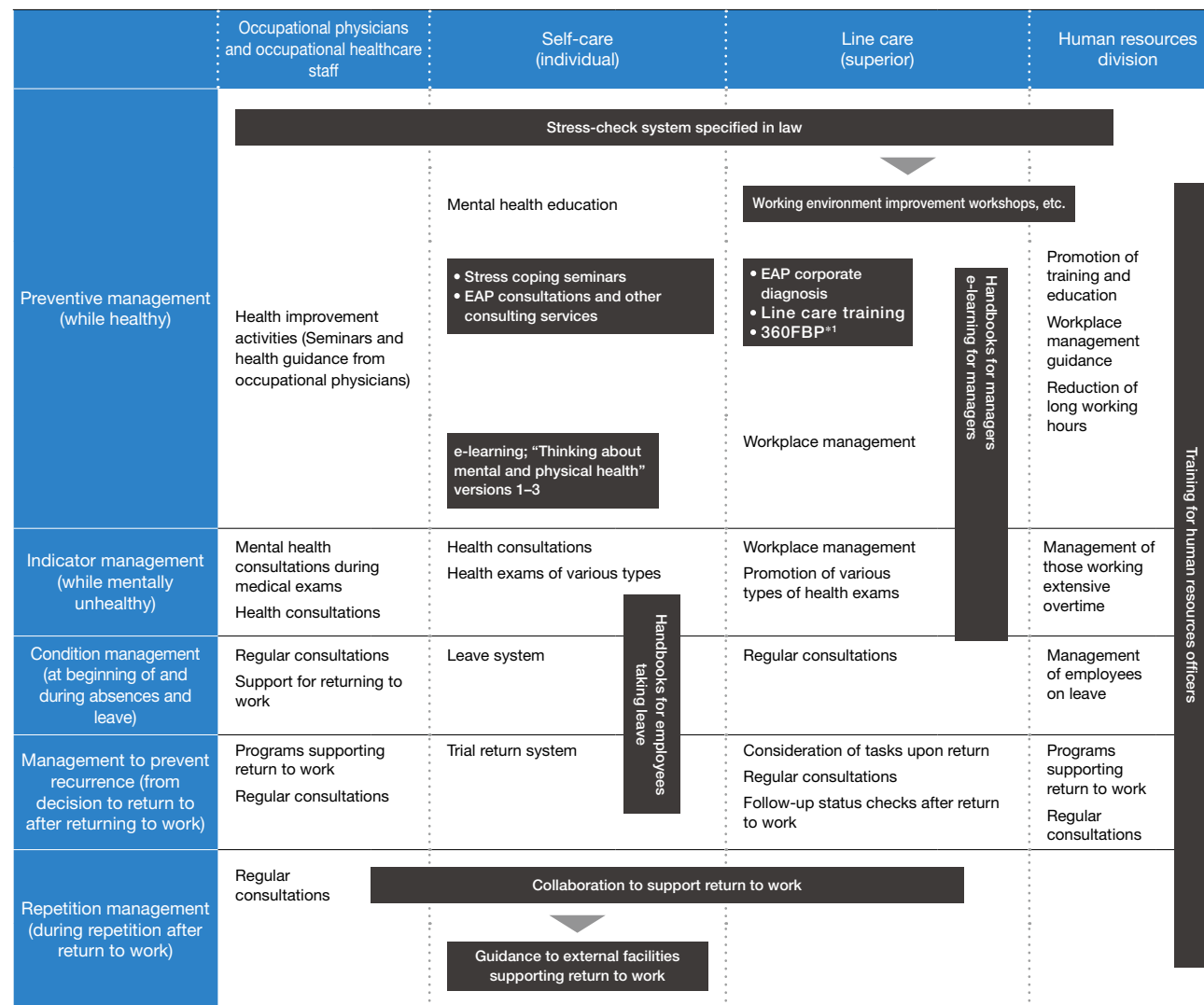
*1 Employee Assistance Program

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▶ Initiatives Addressing Mental Health at Hitachi

	Occupational physicians and occupational healthcare staff	Self-care (individual)	Line care (superior)	Human resources division
	Stress-check system specified in law			
Preventive management (while healthy)	Health improvement activities (Seminars and health guidance from occupational physicians)	Mental health education • Stress coping seminars • EAP consultations and other consulting services 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		

Handbooks for managers e-learning for managers

Handbooks for employees taking leave

Training for human resources officers

*1 360FBP: 360-degree Feedback Program.

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 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 the Ministry of Economy, Trade, and Industry. Health promotion initiatives are also evaluated on an annual basis with recognition of the most accomplished companies and business sites 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 2021, there were 191 participating corporations and 447,153 insured persons (223,007 members and 224,146 dependents).

▶ Number of Hitachi Health Insurance Society Member Corporations Certified Under the Health and Productivity Management Organization Recognition Program

Category	FY 2020	FY 2019
Large companies	58 (Including 7 with "White 500" status)	45
small-and medium-sized companies	41 (Including 3 with "Bright 500" status)	26

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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 in particular 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 introduced an 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 300 employees who signed up more than 80% have succeeded in stopping smoking.
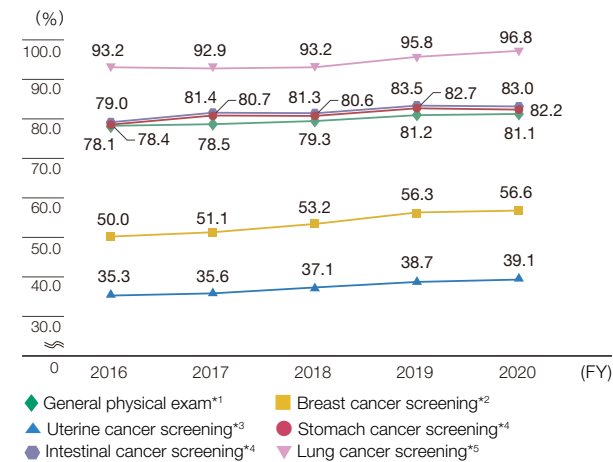
▶ Medical Exam and Screening Attendance Rates

◆ 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
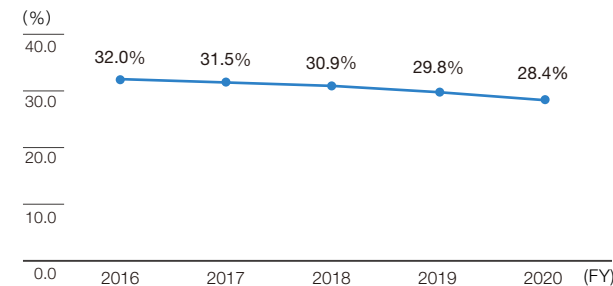
Note: Employees aged 35 and over (results of specific medical examinations)

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.

In fiscal 2019 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.

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Achievements in Fiscal 2020

As a measure to prevent the spread of COVID-19 while commuting and when in the office, we ask 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.

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.

Achievements in Fiscal 2020

In fiscal 2020, Hitachi added an online service that allows employees and their families to make appointments for medical examinations using My Health Web in order to encourage regular checkups. Further supporting health management during the pandemic, we launched the online "Amabie Campaign" that encouraged employees to record their daily health data such as body temperature and weight. The campaign ran for four months from May to August 2020, and about 30,000 people participated. This initiative continued even after the end of the campaign.

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 perform exposure management based on our internal management systems and perform 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, Labor, 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

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Helping to Protect Employees Against COVID-19

Hitachi has been taking measures to prevent the spread of COVID-19 and ensure the health and safety of employees and their families globally across the Group.

Hitachi, Ltd. adopted a sweeping work-from-home policy in March 2020 and maintained a telecommuting rate of 70% during the state of emergencies in Japan. In addition to establishing in-house procedures to deal with infections among employees, we adhere to government guidelines for preventing the spread of infection. Should an employee test positive, we instruct everyone in the same workplace to stay home and monitor their health, and we also disinfect the workplace.

We are expanding our efforts to address a broad array of mental and physical health concerns among long-term telecommuters. 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 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 Employee Assistance Program (EAP) consultation services.

▶ Helping Employees in Japan Stay Healthy

Initiative	Details
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 long-term telecommuters
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, translation via telephone, and other services
Looking after infected employees	Messages delivered by the CEOs of business units giving reassurances to infected individuals and raising awareness among their colleagues

▶ Supporting the Mental Health of Employees Outside Japan

Region	Details
Europe	• 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.
USA	• EAP consultation services • Wellness programs (virtual yoga and wellness workshops) • Setting recommended dates for taking leave
Asia	• 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

↗ Hitachi Group's General Policies in Response to COVID-19

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Freedom of Association and Collective Bargaining

Respecting the Rights of Employees

Policy   GRI 102-41

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.

In Japan, where labor unions are recognized, we espouse the three fundamental rights of labor unions (to organize, to bargain collectively, and to act collectively) as seen in the collective agreement between the CEO of Hitachi, Ltd. and the representative of the Hitachi Workers Union.

The Hitachi Workers Union membership[1] rate is approximately 97%, as of February 28, 2021.

* 1 Union members/All employees except managers who are not eligible to join the labor union.

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.

At Hitachi, Ltd., the Central Management Council, the Business Units Management Council, and the Business Sites Management Council work to enhance mutual communication between employees and management contributing to smooth management and business development and improving working conditions for union members.

We also hold quarterly Hitachi Group management meetings to share information and exchange views and opinions on Group business conditions among the Federation of Hitachi Group Workers Unions (FHGWU). 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   To maintain good communication with employees, we hold management round-table meetings with labor unions to share information on corporate management conditions and issues. In fiscal 2020, the 21st meeting was held online.

Hitachi Europe   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.

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 Health and Safety Levels

System

Hitachi, Ltd. and the Hitachi Workers Union are dedicated to improving health and safety levels through employee-management cooperation. This includes signing a collective agreement on the promotion of, among other things, 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 health and safety activities each year, reviewing their measures to prevent work-related injuries, and sharing information on whether employees have received their annual health check-ups.

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Innovation Management

Human Capital

❯ Human Rights

Value Chain Management

Community

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Human Rights GRI 103-2

Relevant SDGs

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 Credo 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 not just within Hitachi itself but for everyone in our supply chain or otherwise involved with our business activities, products, or services. As well as implementing global training and awareness-raising activities and establishing grievance mechanisms to address employee concerns throughout the Hitachi Group, in recent years we have focused on human rights due diligence (HRDD) working to construct frameworks and systems for recognizing and reducing human rights risks.

Respect for human rights throughout the value chain

What
— What we are doing —

- Ensuring awareness of Hitachi Group Human Rights Policy
- Raising human rights awareness among executives and employees
- Recognizing human rights risks and constructing frameworks and systems for reducing them through human rights due diligence (HRDD)
- Raise human rights awareness among suppliers including issues involving child labor and forced labor

How
— How we are doing it —

Policy and promotion structure	Hitachi has established the Hitachi Group Human Rights Policy and pursues initiatives that ensure human rights are respected. Hitachi, Ltd. has a Corporate Human Rights Promotion Committee composed of the heads of business units and corporate divisions and chaired by the executive officer in charge of human resources. In fiscal 2021, the scope of the Executive Sustainability Committee's mandate was expanded to cover human rights topics as part of sustainability management.

	Achievements in Fiscal 2020
Raise human rights awareness among executives and employees	Consolidated general consultation and reporting systems (contact points) for harassment and human rights issues into the Hitachi Global Compliance Hotline
	Distributed a human rights message from the Executive Chairman & CEO on Human Rights Day
	Carried out executive human rights training using external lecturers
Recognize and minimize human rights risks through HRDD	Appointed a Chief Diversity and Inclusion Officer (CDIO) to promote activities across the entire Hitachi Group
	Established a project team to promote human rights due diligence (HRDD) at the headquarters of Hitachi, Ltd.
	Created a priority risk questionnaire to evaluate measures being taken to prevent forced labor and migrant labor (for Hitachi Group companies and suppliers)
An initiative to promote the respecting of human rights by suppliers	Conducted online CSR procurement briefing sessions for suppliers in China, Thailand, and other Asian countries.

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Respect for Human Rights Throughout the Value Chain

Hitachi Group Human Rights Policy

`Policy`

Hitachi believes that respecting human rights is its responsibility as a global company and indispensable in conducting business. To this end, in May 2013 we formulated the Hitachi Group Human Rights Policy. The Senior Executive Committee reviewed and approved this policy, designating it one of the highest codes governing our internal regulations. During the formulation of the policy, Hitachi held stakeholder dialogues, and invited representatives from the European Commission, the International Labour Organization (ILO), NGOs, and external companies, as well as lawyers specializing in human rights issues, and the opinions and suggestions of these attendees are reflected in the final policy.

In the policy, we clarify our understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights[1] and the ILO's Declaration on Fundamental Principles and Rights at Work. 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.

In accordance with the policy, we use opportunities such as our e-learning program on human rights and messages from our Executive Chairman & CEO (and at that time also our president) Toshiaki Higashihara on

Human Rights Day to continuously raise awareness among all employees. The policy is also included in the Hitachi Group CSR Procurement Guidelines for our suppliers, and we strive, through a range of activities, to promote understanding among suppliers of our approach to human rights and ensure that they act in accordance with it.

[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

🔗 Details of the dialogue with stakeholders during the formulation of the Hitachi Group Human Rights Policy

Respect for the Rights of Children

Hitachi respects the rights of children as outlined in the United Nations Convention on the Rights of the Child and the Children's Rights and Business Principles developed by the United Nations Children's Fund (UNICEF). We strive to eliminate child labor in the Group and its supply chains as specified in the Hitachi Group Codes of Conduct. We have also set forth in other relevant internal regulations our policy of respecting human rights including the rights of children.

🔗 Hitachi Group Codes of Conduct

Framework for Human Rights

`Structure`   GRI 406-1

Hitachi, Ltd. has a Corporate Human Rights Promotion Committee to gauge the impact of business activities on human rights and to deliberate on mechanisms and policies for preventing human rights violations, thereby improving Group-wide human rights awareness. The executive officer in charge of human resources chairs this body, whose members include representatives from corporate divisions. From fiscal 2021, the framework changed and the Executive Sustainability Committee composed of Executive Chairman & CEO Higashihara and other members of the Senior Executive Committee and the heads of business units and corporate divisions will also deliberate on global human rights issues including HRDD.

▶ Hitachi, Ltd. Framework for Promoting Respect for Human Rights (FY 2020)

Corporate Human Rights Promotion Committee

`Chairperson`
Executive officer in charge of human resources

`Vice-Chairperson`
Executive officer in charge of legal affairs and risk management

`Members`
Personnel in charge of corporate divisions such as procurement, human resources, and CSR, including executive officers in charge of sales and sustainability promotion

Business Unit and Business Site Committee

`Chairperson`
Business unit presidents and division heads

`Members`
Division managers

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Establishing a Global Grievance Mechanism

| System | GRI 102-17 |

In April 2020, we consolidated the Hitachi Group's internal reporting systems into the Hitachi Global Compliance Hotline. The hotline is provided through a third-party platform that supports dozens of languages. Consultations are available 24 hours a day through calling or online messaging. We merged the general consultation and reporting systems (contact points) for harassment and human rights issues at the business sites of each business unit and Group company into this hotline in fiscal 2020.

These efforts will clarify who to consult with on human rights issues, make it easier for employees and those working with us to access these services, and promote the Group-wide effort globally including a grievance mechanism, that helps Hitachi grasp and identify violations of human rights.

Raising Human Rights Awareness Among Executives and Employees

| Employee Engagement | GRI 412-2 |

Hitachi conducts regular group training and seminars and uses videos to educate employees at each business site and Group company. As of fiscal 2020, the target is for each employee to attend one session every year instead of the previous target of once every three years. In fiscal 2020, the approximate participation rate was 86.3% at Hitachi, Ltd. and 78.3% at Group companies in Japan. Through various other training and awareness-raising activities such as onboarding education for new employees and training for job positions, we are also communicating to our employees the importance of them respecting human rights in each of their roles.

Achievements in Fiscal 2020

As part of the fiscal 2020 human rights training for executive officers at Hitachi, Ltd., attorney Yoshihiko Matake of the firm Nagashima Ohno & Tsunematsu gave a lecture entitled "Latest Trends in Legal and Compliance concerning Business and Human Rights."

In addition to corporate scandals, which have been frequent in recent years, the guest lecturer talked about the human rights risks faced by global companies, the importance of HRDD as a prevention measure, and the latest trends in human rights legislation, especially in Europe. Mr. Matake suggested that companywide cooperation is necessary to identify inherent business risks and to effectively implement due diligence concerning business partners. He also stressed the necessity for executive-level commitment and leadership.

In Japan, where a revised labor law designed to prevent power harassment took effect in June 2020, we are raising awareness of the issue of harassment through seminars for executives and workplace discussion sessions for all employees as well as training for different levels and employees transferred abroad.

▶ Implementation Status of Activities to Raise Awareness of Human Rights

Target	Details	Results of Fiscal 2020
All Hitachi Group executives and employees	Distributed a human rights message by Executive Chairman & CEO Toshiaki Higashihara on Human Rights Day (every year)	Distributed to approx. 242,000 executives and employees
	E-learning course on business and human rights (provided in 15 languages, taken about once every three years)	Not implemented in fiscal 2020 (A total of more than 160,000 people took it in fiscal 2019)
Executive officers of Hitachi, Ltd.	Lecture on human rights by an outside expert (held annually) Note: In fiscal 2020, attended a lecture on the "Latest Trends in Legal and Compliance concerning Business and Human Rights"	Attended by 34 people

Human Rights Due Diligence (HRDD) Initiatives

| Activities |

In our Hitachi Group Human Rights Policy, we pledged to develop mechanisms for and to continue the implementation of HRDD. We are working to improve our business processes. For example, our CSR procurement guidelines reflect the results of HRDD risk assessments performed in our procurement divisions.

We analyzed and reassessed a wide variety of information including the results of our HRDD to date; human rights issues specified in Hitachi's codes and guidelines; information, advice, and inquiries from non-governmental organizations, the media, and experts; assessments of corporate efforts concerning international initiatives; and the results of self-checks by suppliers and Group companies. Taking these results into account, we have identified forced labor and migrant labor as a priority risk for the Hitachi Group and this is now being addressed Group-wide. Forced labor and migrant labor are issues of high concern that are increasingly the subject of legislation around the world.

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Achievements in Fiscal 2020

Development of Systems to Promote HRDD

The position of chief diversity & inclusion officer (CDIO) has been established for the Hitachi Group. We have also set up a project team at the Hitachi, Ltd. headquarters to promote HRDD. It is composed of members from the human resources, procurement, and CSR divisions. The project team holds regular meetings to investigate HRDD measures for the Hitachi Group and its suppliers. It also prepares relevant internal manuals, and responds to inquiries from business units and Group companies.

In order to carry out HRDD specific to each business area of the Hitachi Group, HRDD promotion committees were set up and persons responsible for promoting and implementing HRDD were appointed in each business unit and major Group company. We are developing a system to enhance human rights risk management while taking into account the characteristics of each business and value chain.

Results of HRDD Activities

The Hitachi Group prepared a priority risk questionnaire (about 30 questions in total) to evaluate the situation within the Group and at its suppliers regarding forced labor and migrant labor which have been defined as Group-wide priority risks. In preparation for this survey, Hitachi obtained a review from a non-governmental organization, The Global Alliance for Sustainable Supply Chain (ASSC). The ASSC also provided advice concerning the questionnaire content and consistency with global industries and international standards such as those of the ILO. The purpose of this questionnaire is not only to ascertain the level of human rights compliance efforts, but also to promote continuous improvement by investigating and implementing corrections and measures based on the evaluation results from each BU or Group company.

Hitachi has also created a Human Rights Risk Management Implementation Manual. It complements the guidelines for implementing HRDD prepared in 2014 and enables the guidelines to be applied more effectively in the operations of our business units and Group companies. The manual was reviewed by the nonprofit organization Shift. It provided advice on its consistency with the United Nations Guiding Principles on Business and Human Rights and on the explanations in the manual for each step of the HRDD process. Shift also delivered lectures to Hitachi business units and Group companies on the latest developments concerning business and human rights, and on the importance of HRDD.

▶ Implementation Status of HRDD

	Initiatives
FY 2013	Implemented HRDD pilot programs at certain Group companies and analyzed and evaluated human rights risks in six ASEAN countries with the support of the nonprofit organizations Shift and Business for Social Responsibility (BSR).
FY 2014	Developed a document with guidelines for implementing HRDD in collaboration with Shift
FY 2015	Initiated HRDD in procurement divisions under the guidance of Shift. Assessed and prioritized human rights risks that employees are likely to confront in the supply chain and explored mitigation strategies
FY 2016	Launched HRDD in human resource divisions under the guidance of Shift. Assessed and prioritized human rights risks for employees and explored mitigation strategies
FY 2017	Incorporated results of HRDD in procurement divisions into the revision of CSR procurement guidelines for suppliers; revised the checklist used in supplier CSR monitoring (self-checks)
FY 2018	Assessed and prioritized human rights risks in some business units and Group companies under Shift's guidance and discussed medium-term action plans
	Implemented self-checks for about 100 Group companies in Southeast Asia using checklists for suppliers with the support of Verite Southeast Asia
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	Launched the HRDD promotion project team. Created a questionnaire on Group-wide priority risks (forced labor and migrant labor) with the support of the nonprofit organization ASSC and used it within the Hitachi Group. Prepared a Human Rights Risk Management Implementation Manual with the help of Shift.

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Addressing the Risks of Child Labor and Forced Labor

`Activities`   GRI 408-1/409-1

The Hitachi Group Codes of Conduct clearly express Hitachi's firm stance against the use of child labor or forced labor either in Group companies or in our supply chain. Recognizing the growing risks of forced labor amid the ongoing globalization of business, Hitachi also developed an e-learning program for all Group executives and employees on the subject of human rights. The program draws on specific case studies to convey the importance of preventing forced labor and human trafficking problems before they occur.

　　Hitachi's CSR procurement guidelines for suppliers also clearly forbid the use of child labor or forced labor. As part of our efforts to raise awareness in our supply chain, we distributed these guidelines to tier 1 suppliers and conducted CSR procurement seminars in China and Thailand.

　　In fiscal 2020, the Hitachi Group prepared a questionnaire concerning forced labor and migrant labor, which were defined as Group-wide priority risks. In fiscal 2021, we will use this questionnaire to evaluate the progress of this initiative within the Hitachi Group and we also plan to survey suppliers.

▶ Human Rights Awareness Initiatives Targeting Suppliers and Procurement Personnel

	Target	Initiatives
FY 2016	Employees responsible for procurement and human resources in Southeast Asia	Held a four-part webinar series led by speakers from NGOs and businesses implementing advanced countermeasures
	Suppliers in China	Held CSR procurement seminars to explain the Hitachi Group's CSR activities and respect for human rights
FY 2017	Suppliers in Malaysia	Conducted on-site visits and interviews regarding the working and living conditions of migrant laborers, who are considered at high risk of bonded labor and other issues
	Suppliers in China	Held CSR procurement seminars to explain the SDGs and other recent sustainability trends, as well as how environmental and labor issues, including human rights, are linked to business risks
FY 2018	European Group companies	Procurement personnel from European Group companies formed the Responsible Supply Chain Working Group
	Suppliers 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
	Suppliers 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 suppliers which should receive Supplier Assessment Questionnaires (CSR self-checklists). 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.
	Suppliers in China, Thailand, and other Asian countries	Used e-learning to explain CSR measures to suppliers in China during the COVID-19 pandemic. For suppliers in other parts of Asia CSR briefing webinars were held. By sharing the results of supplier CSR monitoring activities in the region we raised supplier awareness thereby helping each company to enhance its CSR activities.

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Response to Technical Intern Training Program Issues

Activities

In 2018, the Organization for Technical Intern Training, a legal entity whose establishment was approved by competent ministers conducted on-site inspections at Hitachi, Ltd. and 11 Group companies. These inspections identified violations of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees, and the relevant companies were provided with recommendations for improvement regarding intern training. Additionally, in September 2019, Hitachi, Ltd. received an order for improvement from the Immigration Services Agency of Japan and the Ministry of Health, Labour and Welfare regarding the construction of its systems for carrying out proper technical intern training according to authorized plans.

The companies subject to the improvement recommendations and orders submitted reports to Japan's Organization for Technical Intern Training by October 2019. They stated that relevant improvements had been completed, and the reports were accepted. We have taken further strict measures to ensure that no further violation will take place throughout the entire Group. In March 2020, we implemented Group-wide policies, guidelines, and check systems for technical intern training, and in November we began conducting internal audits.

We continue to strive to carry out appropriate technical intern training in accordance with relevant laws and the aims of the Technical Intern Training Program and with due consideration for human rights on the basis of the Hitachi Group Human Rights Policy.

Response to Concerns over Uyghur Labor

Activities

In March 2020, a report from the Australian Strategic Policy Institute indicated that one of Hitachi's suppliers may be using Uyghur forced labor in China.

We conducted a social compliance review via a third-party based on international standards to review the supplier's management system, specifically looking at how employees were managed, given the allegations stated in the report. We found nothing to support allegations of forced labor. Through various forms of engagement the Hitachi Group will continue its efforts to respect the human rights of its workers including those employed by suppliers.

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Value Chain Management GRI 103-2

Relevant SDGs

Why
— Why it matters —

As businesses become more globalized, procurement risk is also increasing in supply chains. That is why the Hitachi Group is going beyond mere supply chain risk management to pursue sustainable procurement instead. We recognize that we must actively work with our suppliers to improve social, environmental, and economic value for our customers. Specifically, we thoroughly screen new suppliers based on the Hitachi Group Global Procurement Code and implement sustainable procurement by conducting CSR monitoring and audits at suppliers. Going forward, we will be working with suppliers to achieve carbon neutrality throughout our value chain.

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.

Note: Hitachi normally refers to its suppliers as "procurement partners" who build business together on an equal footing, but we use the term "suppliers" in consideration of the search ability of external evaluation bodies in this report.

Responsible Procurement

What
— What we are doing —

- Strengthening global partnerships
- Sharing responsible procurement policies with suppliers
- Improving support for sustainable procurement including CSR monitoring, audits, and procurement briefings for suppliers
- Responsible mineral procurement measures

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 Hitachi Group Sustainable Procurement Guidelines and other accompanying guidelines. We are also working to ensure sustainable procurement for the entire Hitachi Group. This is done under the guidance of the Hitachi Group CSR/ BCP Procurement Committee which is made up of representatives from the business units (BUs), CSR/ BCP Procurement Committees at major Group companies, and the Value Integration Division which reports directly to the president. In fiscal 2021, the committee made a new start as the Sustainable Procurement Council.

Achievements in Fiscal 2020	
Share the responsible procurement policy	Continued distributing the Hitachi Group CSR Procurement Guideline to suppliers
CSR monitoring/ auditing	Implemented CSR monitoring for suppliers using check sheets (Target: 271 suppliers)
	Conducted CSR audits in China and other Asian countries (Target: 27 suppliers)
	Prepared a questionnaire on forced labor and migrant labor to help manage human rights risks
Hold CSR Seminar for Suppliers	Explained Hitachi Group CSR measures using e-learning, and held CSR Seminar for Suppliers (Target: 450 suppliers)
Responsible mineral procurement measures	Continued surveys on supply chains and the countries of mineral origin using the Conflict Minerals Reporting Template (CMRT)

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Quality and Product Safety Management

What
— What we are doing —

- Practicing our policy of making quality and reliability a top priority
- Adhereing to basics and ethics, and putting right and wrong before profit and loss

Customer Satisfaction

- Improving CS by reflecting customers' voices in our business
- Digital marketing that is always based on personal information protection rules
- Promoting advertising activities
- Providing comprehensive customer support online
- Improving CS in home appliances

How
— How we are doing it —

Policy and promotion structure

We are promoting quality and safety as part of the Hitachi Group Code 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 departments of Hitachi business units and Group companies independent from the business divisions.

Improve product reliability and customer satisfaction

Achievements in Fiscal 2020
Strengthened customer satisfaction (CS) and organizational structure for quality assurance
Carried out technical law compliance activities
Promoted product safety activities
Promoted quality assurance activities globally
Promoted accident prevention activities and emergency responses to product accidents
Conducted quality and reliability education

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 Fiscal 2020
Continue CS activities	Held seminars and forums to improve CS
Conduct suitable advertising activities for products and services	Promoted communication activities based on our Advertisement Guidelines and Social Media Policy
Promote CS activities using customer inquiry personnel and questionnaires	Website inquiries to comprehensive customer support: 5,220
	Conducted a customer satisfaction survey using the Evaluation Survey for Customer Repair Services (Satisfaction rate: 94.6%)

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Responsible Procurement

Basic Procurement Guidelines

Policy   GRI 102-9

The Hitachi Group attaches great importance to conduct sustainable business (ESG) for increasing the values of environmental, social, and economic goals. In our value chains, we also believe that developing our business with sustainability will lead to prosperity for suppliers and the Hitachi Group. Amid rising risks as businesses globalize, to proactively avoid risks inherent in the supply chains, we are taking steps to reinforce risk identification and management. In addition, we are addressing the sustainable procurement initiatives with suppliers to increase environmental, social, and economic value.

In April 2019, Hitachi instituted the Hitachi Group Global Procurement Code. Based on the framework of our sustainable procurement, this is our highest code for procurement activities. It calls on Group companies and suppliers to give due consideration to human rights, labor practices, safety, ethics, quality, and security in the supply chain. All Group companies follow the code, and we share global supply chain issues within the Group as we engage in procurement activities. Suppliers are also selected strictly in accordance with the code's provisions.

Procurement activities are also carried out according to the Hitachi Group CSR Procurement Guidelines, which are based on the results of human rights due diligence (HRDD) performed by procurement divisions and globally recognized standards. We reviewed the guidelines in fiscal 2021 and produced a revision retitled the Hitachi Group Sustainable

Procurement Guidelines.

We will also revise all our policies and procedures regularly in the future to ensure that they always reflect global demands regarding corporate supply chain management.

⬀ Hitachi Group Sustainable Procurement Guidelines

Sustainable Procurement Management Framework

Structure   GRI 412-1

With the global expansion of Hitachi's business, Hitachi places great importance on the promotion of sustainable management (ESG) in order to improve environmental, social, and economic value throughout the supply chain, and it engages in discussions at all procurement conferences and meetings.

CSR supply chain management, responsible minerals procurement, and green procurement policies and initiatives are discussed within Hitachi's Value Integration Division, which reports directly to the president of Hitachi, Ltd. Policies and initiatives adopted after this discussion are shared throughout the Group through the Hitachi Group CSR/BCP Procurement Committee, which includes CSR/BCP Procurement Committees members from business units and key Group companies.

In fiscal 2020, in order to strengthen the sustainable procurement management framework, Hitachi, Ltd. decided to rename and redefine the Hitachi Group CSR/BCP Procurement Committee. This was done based on a multi-faceted discussion of the Group's management

system for enhancing sustainable procurement. As of fiscal 2021, the committee has established the Sustainable Procurement Council. The committee members consist of the heads of procurement divisions at business units and major Group companies.

The members will investigate and share strategies for improving ESG value, while enabling procurement divisions to further improve supply chain management.

Number of Hitachi Group suppliers (as of March 2021)
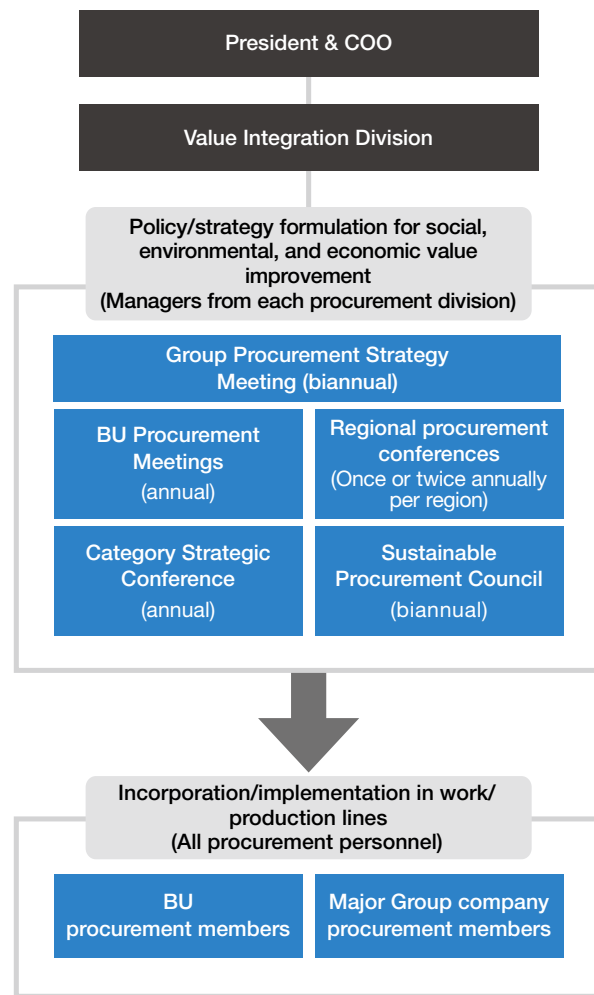
Approx.**30,000**companies
(66 countries)

⬀ Sustainable Procurement

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▶ Supply Chain Management Organizational Structure

President & COO

Value Integration Division

Policy/strategy formulation for social, environmental, and economic value improvement
(Managers from each procurement division)

Group Procurement Strategy Meeting (biannual)

BU Procurement Meetings
(annual)

Regional procurement conferences
(Once or twice annually per region)

Category Strategic Conference
(annual)

Sustainable Procurement Council
(biannual)

Incorporation/implementation in work/production lines
(All procurement personnel)

BU procurement members

Major Group company procurement members

Strengthening Global Partnerships

[Structure] [Activities]　　　　　　　　　　　　GRI 204-1

A key element of the Hitachi Group Vision is to strengthen our partnerships with suppliers.

In order to promote procurement based on local production for local consumption in line with our business policy of international expansion, we have appointed procurement officers to oversee local procurement in China, the rest of Asia, Europe, and the Americas. These officers carry out activities such as CSR audits, CSR monitoring (self-checks), and CSR Seminar for Suppliers 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.

Sharing Responsible Procurement Policies with Suppliers

[Activities]

To share procurement policies with the approximately 30,000 suppliers of Hitachi business units and Group companies, Hitachi, Ltd. is undertaking the following initiatives.

Distributing the Hitachi Group CSR Procurement Guidelines

To ensure that the guidelines are strictly followed, Hitachi, Ltd. makes them available in Japanese, English, Chinese, and Thai and distributes them to approximately 30,000 suppliers around the world. We also request acknowledgment in writing by suppliers that they understand them. We reviewed the guidelines in fiscal 2021 and produced a revision retitled the Hitachi Group Sustainable Procurement Guidelines.

▶ Rate of Local Procurement of Materials for Main Regions
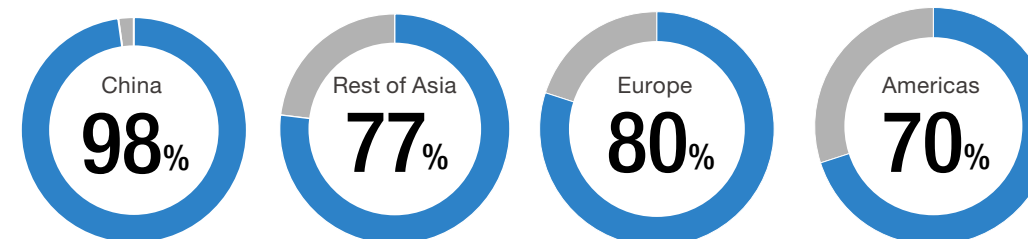
China
98%

Rest of Asia
77%

Europe
80%

Americas
70%

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Sharing Our Green Procurement Policies and Related Initiatives

We distribute guidelines that define our basic position on procuring environmentally friendly parts and products as well as our requirements of suppliers.

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.

Also, as an initiative aimed at realizing carbon neutrality, we plan to request that 70% of our suppliers (based on the total amount of our transactions and does not include publicly listed subsidiaries) have CO_2 reduction plans.

[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.

🔗 Green Procurement Guidelines

🔗 Supplementary Data

Implementing Sustainable Procurement

`Activities`

GRI 308-2/414-2

Hitachi considers the development of business with an emphasis on sustainability to be an activity that will lead to mutual prosperity for the Hitachi Group as well as our suppliers. Based on this philosophy, we engage in CSR monitoring, CSR audits, and CSR Seminar for Suppliers to promote and implement sustainable procurement.

CSR Monitoring (Self-Checks)

We ask key suppliers to conduct CSR monitoring (self-checks) using checklists based on the Hitachi Group CSR Procurement Guidelines. After collecting and analyzing the results, we provide feedback for related business operations to suppliers, and then work with those involved in the operations to resolve issues related to the suppliers. We are also reinforcing our onboarding procedures for new suppliers in Japan, including providing them with the guidelines and asking them to complete a checklist. In fiscal 2020, the Human Rights Due Diligence (HRDD) Promotion Project Team established at the headquarters of Hitachi, Ltd. created a questionnaire concerning the use of forced labor and immigrant labor. This issue has been defined as a human rights risk that the entire Hitachi Group must address. In fiscal 2021, the Group will require suppliers to take the questionnaire, and will strive to ascertain the actual risk situations at suppliers. We want to help suppliers improve their efforts in this area, including addressing any human rights issues they may have.

Implementation of CSR Audits

Hitachi, Ltd. has been auditing the manufacturing bases of its and Group companies' suppliers in China and the rest of Asia. For these audits, we engaged external evaluators such as the experienced CSR auditing company Intertek Certification.[1] Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI), an American CSR evaluation institution. These audits investigate our workplace practices, and an Responsible Business Alliance (RBA)-recognized auditor checks suppliers' CSR initiatives from the perspectives of labor and human rights, health and safety, the environment, and ethics. Suppliers needing improvement were requested to submit improvement action plans, and Hitachi, Ltd., together with Group companies, will work with and advise the suppliers 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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Violations in Fiscal 2020

In fiscal 2020, audits were conducted of 27 suppliers in China and the rest of Asia. Though there were no significant violations, the following minor problems were identified with some suppliers, which were accordingly asked to remedy the issues.

- Failure to comply with legal working hours including overtime: 18 suppliers
- Failure to provide sufficient emergency exits, or to provide or repair exit signage: 27 cases
- Failure to provide appropriate discharge methods for wastewater/exhaust gases from production processes: 7 suppliers

Hold CSR Seminar for Suppliers

In order to share the philosophy of Hitachi among our suppliers, we provide suppliers directly with information. Specifically, we hold a CSR Seminar for Suppliers for Hitachi Group's suppliers in China and the rest of Asia.

Activities in Fiscal 2020

In fiscal 2020, in consideration of factors including travel restrictions put in place to prevent the spread of COVID-19, we decided to use e-learning to explain the Hitachi Group's CSR policies to suppliers in China rather than holding a face-to-face seminar. For suppliers elsewhere in Asia, we held a webinar on CSR which was attended by 84 participants from 78 companies. In the webinar, we showed Group-wide CSR procurement activities and CSR-related initiatives and indicated CSR monitoring results (as averages) for suppliers in Asia, separated by category, to raise awareness with the aim of strengthening each company's CSR activities in the future.

Through this meeting, we received feedback such as "I would like to share information on CSR policies from companies other than Hitachi," and "I would like to discuss what we should do to help CSR culture take root in our company." We believe that the webinar helped participants deepen their understanding of our efforts on CSR and green procurement activities. Also, in a survey we conducted following the webinar, we received an 88% approval rating regarding the online format and a 97% approval rating regarding the content of Hitachi's CSR monitoring questionnaires.

▶ CSR Procurement Activities Implementation Status Fiscal 2020

CSR monitoring (self-checks)	CSR audits ✓	CSR Seminar for Suppliers
271 companies	**27** companies	**450** companies

Increasing Green Purchasing of Office Supplies

[Activities]

Hitachi is improving our green purchasing rate[*1] by using a Group-wide online procurement system called the E-sourcing Mall. This system has a range of environmental friendly products and promotes procurement by clearly labeling these products. In fiscal 2020, our green purchasing rate reached 83%.

*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.

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 the overall risks to human rights as well as conflict risks, 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 the Responsibility Supply Chain of Minerals.

Sales divisions, business groups, plants, procurement divisions, and other divisions within individual business units and Hitachi Group companies work together to respond to investigation requests and inquiries relating to conflict minerals. We also strive to grasp developments in conflict

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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 Hitachi business unit 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 entities' sales, procurement, and CSR divisions. In addition, Hitachi, Ltd., a member of the Japan Electronics and Information Technology Industries Association (JEITA)'s Responsible Minerals Trade Working Group, has been addressing the issues of conflict minerals with other members of the association.

In fiscal 2020, we checked on the investigation and reply results on Hitachi, Ltd. and key Group companies through January to December 2019. As a result, we have noticed that Hitachi, Ltd. and three key Group companies (Hitachi Metals, Hitachi High-Technologies, and Hitachi Astemo) performed investigations and replied to a total of 1,645 requests from customers.

Hitachi Group's Policy for the Responsible Supply Chain of Minerals

The Hitachi Group is committed to responsible procurement activities as its policy to ensure that the procurement of materials containing conflict minerals (tin, tantalum, tungsten, and gold) and cobalt does not encourage the activities of armed groups, human rights violations including child labor, corruption, and environmental destruction in the conflict and high-risk regions.

The Group also respects the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and conducts more detailed investigations based on the Guidance while understanding social issues and the expected roles of companies in the regions.

For its suppliers, the Group will continue to inquire into their minerals' country of origin and supply chains using the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI), and request its suppliers to procure minerals from smelters certified under RMI's Responsible Minerals Assurance Program (RMAP).

▶ Hitachi's Conflict Minerals Response Framework
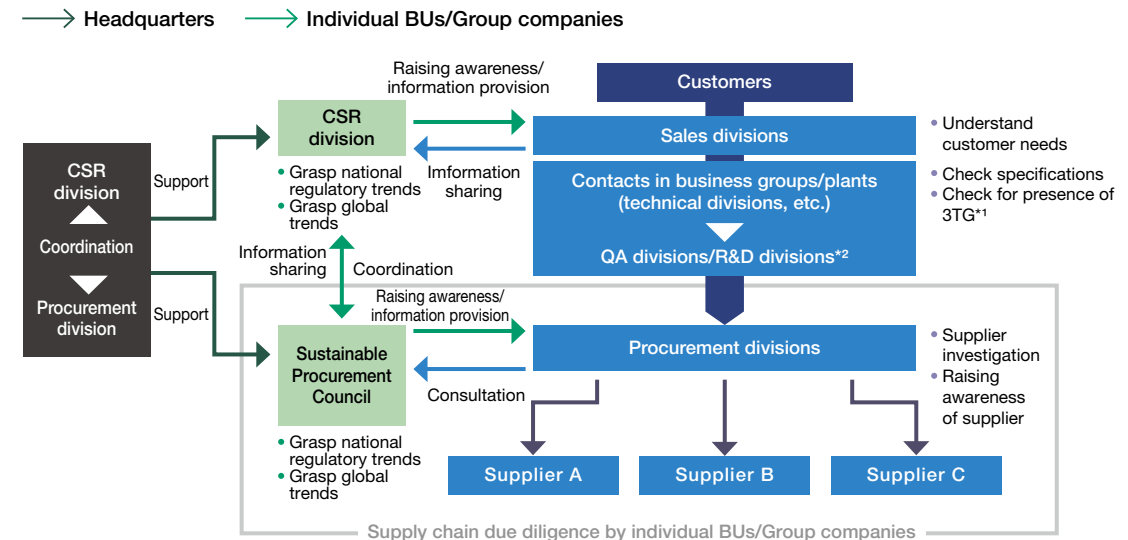
*1 3TG: Collective term for four commonly used conflict minerals: tin, tantalum, tungsten, and gold.
*2 May differ depending on business unit or Group company

🔗 Hitachi Group's Policy for Responsible Supply Chain of Minerals

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Quality and Product Safety Management <small>GRI 417-1</small>

Hitachi's Approach to Quality Assurance Activities

Approach

As stipulated in the Hitachi Group Codes of Conduct, we aim to meet customer needs and specifications when providing products and services. 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. Embracing the Hitachi Founding Spirit of "Harmony, Sincerity, and Pioneering Spirit," we adhere to basics and ethics and put right and wrong before profits and losses, with all employees sharing our policy of prioritizing quality and reliability above all else. 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 strengthening beyond reoccurrence prevention and striving toward preventing incidents from occurring in the first place.

Our unique practice of OCHIBO-HIROI, which means "gleaning" in English, involves analyzing and learning from failure to further develop our technologies. When an incident occurs, 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 improve our product reliability and customer satisfaction.

🔗 Hitachi Group Codes of Conduct

Framework for Quality Assurance and Quality Assurance Activities

Structure

To ensure full control over quality governance, Hitachi has separated the quality assurance division from the manufacturing division in every business unit and Group company, creating a framework for activity in which its customers' safety and trust are the top priorities. In order to strengthen this framework further, we have made BU and Group company quality assurance divisions independent of business divisions and reinforced their reporting lines to the Quality Assurance Division at our head office, establishing systems for close information sharing between the two sides. We are also strengthening governance by giving greater authority to the Quality Assurance Division at our head office.

Regarding 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, while also enhancing the reliability of our embedded software as the field becomes more advanced and complex by applying our solutions division's software development capabilities and expertise to strengthen the reliability of our product divisions (embedded software development divisions).

Technical Law Compliance Activities

- Distribute product regulations worldwide, along with amendment trends and enforcement dates, among Hitachi Group companies.
- Clarify product-specific laws (the product-specific laws map); regulatory compliance activities, and continuous process improvements based on our product compliance management system.

Product Safety Activities

- Ensure safety by reducing risks through design (fundamental safety design), protective measures (safeguards), and usage information (such as user instruction manuals).
- Conduct risk assessments from a wide perspective in collaboration with related business units and research laboratories.
- Make the safety of our customers' life, health, and property the top priority in product development and verify safety at every step, from development and production to sales and maintenance.
- Use the Guide for Preparing User Instruction Manuals to improve risk communication with our customers.

Global Quality Assurance Activities

- The Hitachi Group is building a worldwide quality assurance system by globally deploying Hitachi's basic principles of quality assurance along with its Quality Assurance Standards. We are receiving accident 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. Through these activities, we promote the establishment of a global quality assurance framework.

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Responding to Product Incidents

Structure

When a product incident occurs, the division responsible acts swiftly to resolve the problem. In the case of a severe incident, we report to government agencies in line with legal requirements and disclose information about the incident to customers on our website and through other communication channels. At the same time, we ensure a status report is promptly submitted to top management, ensuring fast and appropriate action 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.

Quality and Reliability Education

Employee Engagement

We conduct field-specific technical lectures for engineers engaged in MONOZUKURI (craftmanship) at a range of levels from basic to expert.

Each business unit also conducts specialized technical courses regarding manufacturing, quality assurance, and maintenance at their quality assurance training centers.

▶ Response Flow in the Event of Product Incident
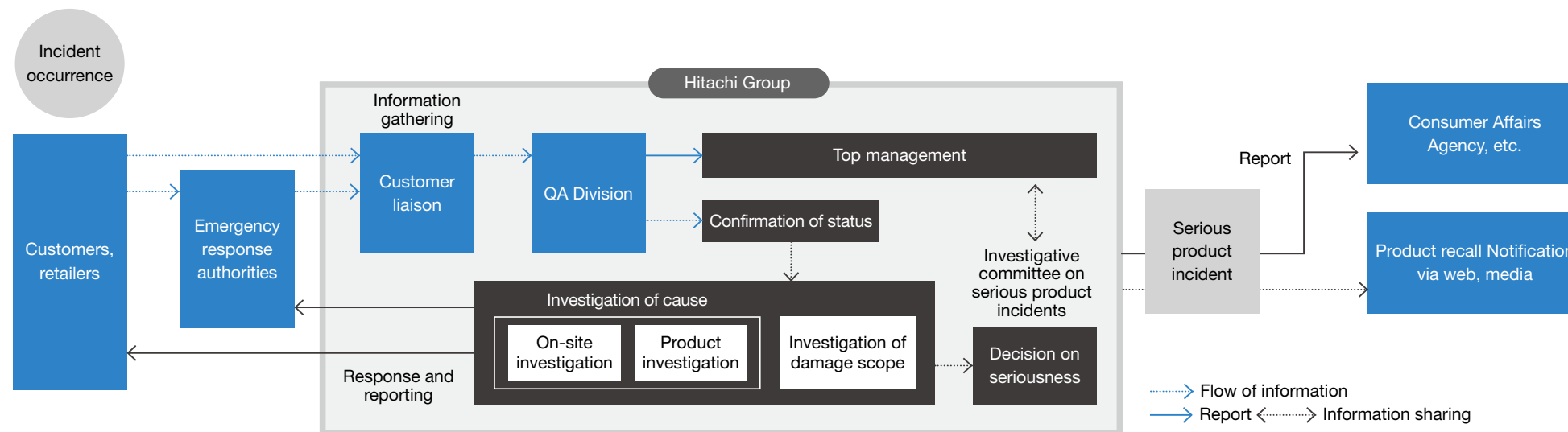
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- Social
- Innovation Management
- Human Capital
- Human Rights
- ❯ Value Chain Management
- Community
- Social Data

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Customer Satisfaction   GRI 103-2

Structure for Reflecting Customers' Voices

Structure

The sales and marketing divisions at Hitachi, Ltd. use customer input in developing management, product, and solution strategies. We identify key customers who will help grow our business, then assign an account manager to each one. These account managers serve as customers' "portals" into Hitachi Group companies in Japan, and the whole Group works with them to build closer relationships with customers, including the following initiatives for improving customer satisfaction (CS).

▶ Initiatives for Improving CS

Initiative	Location	Outline
Executive seminars	Headquarters and branches in Japan	Engage in direct dialogue with customers to learn their expectations of Hitachi and opinions about product strategies, and use this knowledge to create sales activity proposals based on customer needs
Hitachi Social Innovation Forum	Global	Accelerate collaborative creation with customers in Hitachi's Social Innovation Business
Technology Community program	R&D sites in Japan	Create opportunities for researchers to speak directly with customers and contribute to collaborative creation of new businesses based on customer needs and Hitachi technology

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).

Advertising Activities

Policy

Because Hitachi, Ltd. believes that advertising activities must show proper consideration for society as a whole as well as complying with laws and regulations, it has established a set of Advertisement Guidelines which are followed and updated in line with social developments.

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 when creating advertisements.

When conducting communications and promotional activities on social media channels, we abide by the Hitachi Social Media Policy to not only protect our brand but also 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.

Providing Customer Support Online

Activities

Hitachi offers comprehensive global customer support on its website to respond to customer inquiries, opinions, requests, and complaints.

We also conduct training courses like our Web Inquiry Responsiveness Improvement Course to improve our

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handling of these inquiries. The course has been held since fiscal 2009. Going forward, we will continue to utilize our websites as important ways to communicate with our customers. The Hitachi Group will work to strengthen and improve cooperation among its member companies in order to respond more quickly and accurately.

▶ Customer Support Activities in Fiscal 2020

Inquiries to comprehensive customer support	5,220
Web Inquiry Responsiveness Improvement Course attendees	Not held in fiscal 2020 due to the pandemic (858 attendees in total since fiscal 2009)

Improving CS in 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."

Our call center and website handle about 2.10 million customer inquiries, repair requests, and complaints about washing machines, refrigerators, and other appliances per year.[1] We have undertaken a number of initiatives to better respond to inquiries and to reflect customer feedback in our monozukuri (craftmanship), including improving the contact success 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 services through CS training courses and other programs.

In fiscal 2020, more than 20,000 customers responded to the questionnaire, and 94.6% of them expressed satisfaction with our customer service.

With the expansion of Hitachi's markets, sales offices and manufacturing sites have been opened mainly in Asia, and the Near East and Middle East. We are also working on unifying management of operations outside Japan.

[1] Since fiscal 2013, technical inquiries from suppliers and parts orders have been excluded from these statistics.

▶ Customer Contact Cases, Call Completion Rate[1] (12-Month Average)

(Cases per month)   (%)
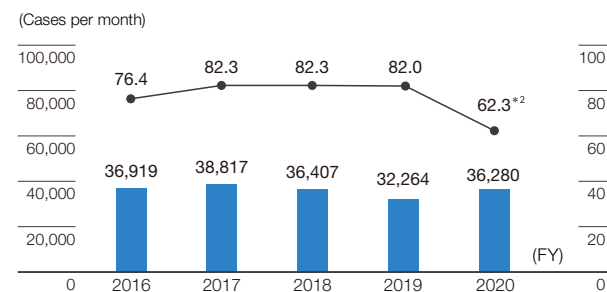

■ White goods (electrical home appliances and other products) and brown goods (electronic equipment) (left scale)
● Call completion rate (right scale)

[1] Call center call completion rate
[2] The reason for the significant change in the completion rate is due to call center staff reductions as part of measures to prevent the spread of COVID-19 and due to the double-digit increase in the number of calls received compared to the previous year.

▶ Results of Evaluation Survey for Customer Repair Services (CS)
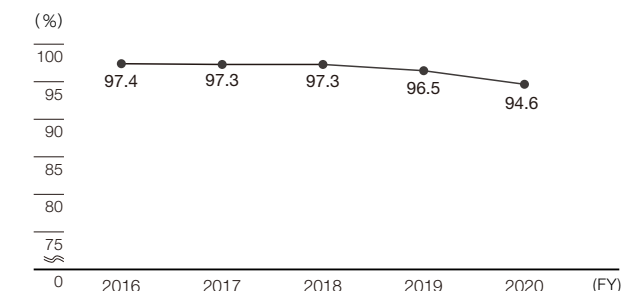
Notes: Target scope: Customers for whom repairs services are provided (approx. 1.09 million cases a year)
Response rate: 32% (20,705 responded out of a total of 64,200)
Question: How satisfied were you with the service from the repair request to completion?
Responses: Satisfied/Somewhat satisfied/Somewhat dissatisfied/Dissatisfied (4 levels)
Satisfaction level: Percentage of respondents who answered "Satisfied" or "Somewhat satisfied"

▶ Flow of Customer Service
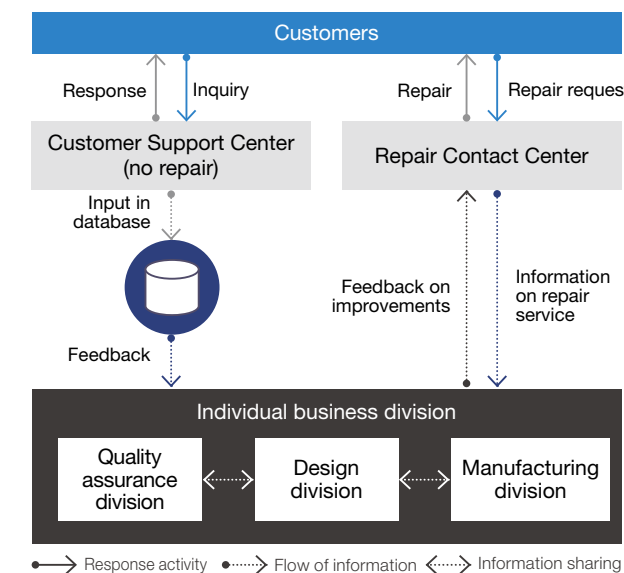
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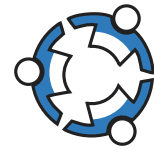
Community GRI 103-2

Relevant SDGs

Why
— Why it matters —

Hitachi aims to create social and environmental value not only through the Social Innovation Business but also by making social contributions and is working actively to contribute 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 those who 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.

Social Contribution Activities

What
— What we are doing —

- Promoting social contribution activities in the areas of STEAM, the environment, and community engagement
- Promoting social contribution activities through the Hitachi Global Foundation
- Providing support related to COVID-19

How
— How we are doing it —

Policy and promotion structure	Guided by our vision of "Nurturing People, Connecting to the Future," we are working to develop a wide range of social contribution activities worldwide, including volunteer and pro bono work. In fiscal 2021, we have also introduced a new social contribution scheme in which employees and the company work together to make donations.

Achievements in Fiscal 2020

Social contribution activity funding and number of participating employees	Despite the impact the COVID-19 pandemic has had on many of our activities, we provided over 1.91 billion yen (a 4.2% increase compared to the previous fiscal year) in funding toward social contribution activities worldwide, including human resources development and support for disaster-struck areas. Additionally, 39,982 Hitachi Group employees (around 11% of the total, a 54% decrease compared to the previous fiscal year) participated in social contribution activities.
Provide STEAM education	Amid the impact the COVID-19 pandemic has had on many of our activities, we have switched to online platforms for some, including workshops for schoolchildren in Singapore and Japan.
Support through the Hitachi Foundation	The Hitachi Foundation established a new research grant under the Hitachi Fund Support for Research Related to Infectious Diseases to promote academic research on topics such as COVID-19 and to share the findings internationally.
Provide support related to COVID-19	Provided US$1 million to support business owners impacted by COVID-19 through loans by the nonprofit organization Kiva
	Donated about 50 million yen to the Japan Committee for UNICEF and charitable institutions in India, and provided 500 oxygen concentrators (worth approx. 30 million yen) to Hitachi Group companies in India.

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Social Contribution Activities GRI 201-1

Policy on Social Contribution Activities

Policy

In order to achieve the 2021 Mid-term Management Plan, Hitachi is committed to creating social and environmental value through the Social Innovation Business. At the same time, we are actively promoting social contribution activities in regions where we operate, conscious of the fact that these activities will help create social and environmental value as well as contributing to the sustainable development of both society and business. In fiscal 2019, we reviewed our policy on social contribution activities based on the belief that we, as a company aiming to resolve social issues through innovation, have an important mission to foster not only our human capital but also those who will contribute to society centered on the field of science and technology. We also provide our employees with opportunities to actively volunteer their time in response to the needs and challenges of local communities, as well as supporting those communities through donations and pro bono activities. We believe this is essential in forging good relationships with local communities and growing together with them as a good corporate citizen.

[↗] Social Contribution Activities

Social Contribution Activities

Policy on Social Contribution Activities

Nurturing People, Connecting to the Future

    At Hitachi, our Corporate Mission, "to contribute to society through the development of superior, original technology and products," is the basis for everything we do. We believe it is our purpose to contribute to solving societal and environmental issues and help achieve the Sustainable Development Goals (SDGs) by accelerating our Social Innovation Business, as well as undertaking corporate citizenship activities.

    Central to this goal are people: people in our business, people in our local and global communities, and people who are our future. Ultimately, it is individuals that have the ability to create innovation, bring social impact, and deliver social good to society.

    Therefore, the Hitachi Group is committed to investing in, developing, nurturing, and empowering future generations, together with our employees and diverse stakeholders in the following areas:

- STEAM (science, technology, engineering, arts, and mathematics)
- The environment
- Community engagement

Funding for Social Contribution Activities

Activities   GRI 413-1

In fiscal 2020, Hitachi and The Hitachi Global Foundation provided over 1.9 billion yen in funding toward social contribution activities worldwide, including initiatives to cultivate a talented younger generation and financial donations and other support for disaster-struck areas. Additionally, while a cumulative total of 39,982 Hitachi Group employees (around 11% of total employees) participated in social contribution activities, the number amounted to less than half of the previous fiscal year's total due to the worldwide spread of COVID-19.

    Hitachi Group employees are contributing to society through community-based activities in various forms and areas, such as cleaning up around our business sites, visiting and donating goods to welfare facilities, and participating in charity events. Many employees make full use of their knowledge and skills acquired through work to contribute to society, such as running workshops for schoolchildren on a wide range of themes, from science and the environment to career education, and implementing programs aimed at support non-profit organizations through pro bono activities.

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▶ Breakdown of Funding for Social Contribution Activities in Fiscal 2020

43.5% Other (including 11.5% for disaster relief)

44.5% Human development

1,910.47 million yen[1]

Community support **10.8%**

1.2% Environment
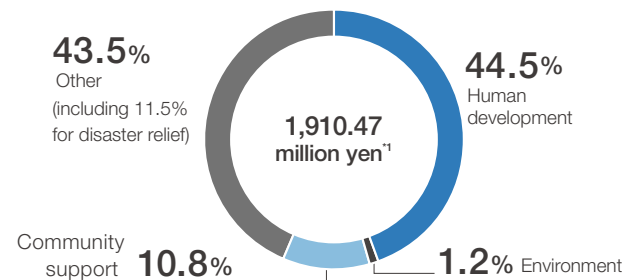
*1 Japan: Hitachi, Ltd., 119 Group companies, and the Hitachi Global Foundation.
Outside Japan: 209 Group companies.
Funding includes monetary and in-kind donations, independently organized programs, participation or dispatch of employees, community use of facilities, and employee donations; excludes personnel costs incurred from the participation or dispatch of employees.

▶ Funding for Social Contribution Activities and Number of Participating Employees

(million yen) (people)
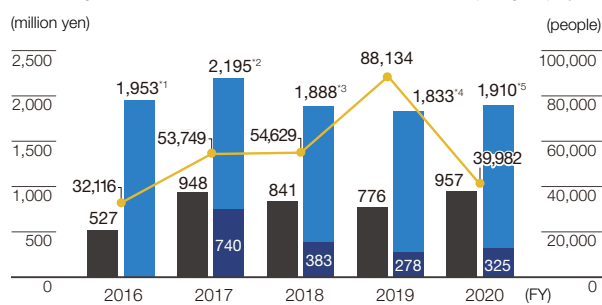
■ Hitachi, Ltd., the Hitachi Global Foundation (left scale)
■ Hitachi Group (left scale) ■ Of Hitachi Group funding, amount related to STEAM
● Total employees participating (right scale)

*1 Japan: Hitachi, Ltd., 134 Group companies, and the Hitachi Global Foundation.
Outside Japan: 159 companies.
*2 Japan: Hitachi, Ltd., 141 Group companies, and the Hitachi Global Foundation.
Outside Japan: 196 companies.
*3 Japan: Hitachi, Ltd., 142 Group companies, and the Hitachi Global Foundation.
Outside Japan: 152 companies.
*4 Japan: Hitachi, Ltd., 153 Group companies, and the Hitachi Global Foundation.
Outside Japan: 234 companies.
*5 Japan: Hitachi, Ltd., 119 Group companies, and the Hitachi Global Foundation.
Outside Japan: 209 companies.

Specific Examples of Social Contribution Activities

Activities

Hitachi promotes human development activities centered on fostering the next-generation of human capital as a priority area for social contribution activities. 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 amid the rapid development of IT using AI and big data. In recent years, we have therefore been focusing on activities related to STEAM education, 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.

In fiscal 2020, many social contribution activities were interrupted by the COVID-19 pandemic while some were moved online. Hitachi also provided support for business owners, researchers, and medical professionals.

▶ Specific Examples of Social Contributions

	Activity	BU/Group company
STEAM	Engineering education to develop future enginners in the United Kingdom	Hitachi Rail
	Activities to support online science education with electron microscopes in Republic of Singapore	Hitachi High-Tech, Hitachi Asia
	Pro bono activities to help create a world free of hunger	Hitachi Consulting
	Online workshop as part of the career education for a junior high school	Hitachi, Ltd.
	Hitachi scholarship program for the Asian University for Women	Hitachi, Ltd.
	Hitachi Young Leaders Initiative	Hitachi, Ltd., Hitachi Asia Ltd
	Providing lecturers for The Hitachi Global Foundation's Hitachi Future Innovator Program	Hitachi, Ltd., Hitachi Group
Environment	Providing science workshops for elementary schools as part of the ecosystem	Hitachi, Ltd.
	Sato-umi activities	Shikoku Hitachi Group
	Support for environmental education programs targeting young people	Hitachi Construction Machinery Southern Africa
Community support	Free provision of company facilities to local residents and groups	Some Hitachi Group companies

Notes: The examples include activities that were suspended in 2020 due to the spread of COVID-19 infection.

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Innovation Management

Human Capital

Human Rights

Value Chain Management

❯ Community

Social Data

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Introducing a New Social Contribution Scheme Enabling Hitachi and Its Employees to Make Donations Together

In fiscal 2021, the Hitachi Group introduced a social contribution scheme 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 scheme will serve to provide support for employees who proactively engage in social contribution efforts by selecting donation recipients experiencing social issues in multiple numbers and across multiple countries. Participating in social contribution activities together with our employees in this way will serve to increase employee engagement as well as promote the embodiment of the Hitachi Group corporate credo and further solidify the Hitachi Group identity. In fiscal 2021, the Group plans to match donations up to approximately 30 million yen starting with India, where the spread of COVID-19 has become more severe, and expanding to other countries facing a range of different social issues in the future.

Contributing to Society Through The Hitachi Global Foundation

Inheriting the intention of Namihei Odaira, the founder of Hitachi, to contribute to society through business activities, we wholeheartedly embrace the importance of social contributions. Since 1967, we have established five foundations, including one for supporting scientists and another for supporting the development of university lecturers in Southeast Asia. These formed the basis of The Hitachi Global Foundation today, which was established in 2015 through a merger of the existing five foundations. In accordance with Odaira's aspirations, 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"as its core areas, and will develop activities that meet the social needs through experiences and know-how that the Hitachi Group has accumulated.

Achievements in Fiscal 2020

The issues created by the COVID-19 pandemic have made one of Hitachi's core areas for social contribution especially relevant, namely, the promotion of academic research, science and technology. Accordingly, the Hitachi Fund Support for Research Related to Infectious Diseases was established in fiscal 2020 based on donations from Hitachi, Ltd., its executives and employees, and Group company executives. Research grants will be provided by the fund starting fiscal 2021.

The Hitachi Global Foundation's first Asia Innovation Awards were also held in fiscal 2020, and the research findings of the award winners have been shared publicly.

As part of Hitachi's human development efforts, Hitachi Future Innovator Program was provided for elementary schools while implementing physical distancing measures because of the pandemic. An educational forum was also held online.

With the aim of realizing an inclusive society, Hitachi held a symposium using the webinar format, and many people from all over Japan participated.

🡵 Social Contribution Activities

▶ Specific Examples of The Hitachi Global Foundation Activities

Area	Activity	Details
Promotion of academic research, science and technology	Kurata Grants	A program supporting researchers who engage in the pursuit of solutions to social challenges, in creative and pioneering research in the natural sciences and engineering, or in unraveling the complex challenges faced by advanced technological societies and exploring the underlying philosophical and historical elements through research in the humanities and social sciences. [Total number of grants awarded by the end of fiscal 2020: 1,477]
	The Hitachi Global Foundation Science and Technology Seminars	An awareness-raising initiative providing opportunities for the public to learn more about cutting-edge research and science and technology topics, with the aim of helping people discover the fascinating fields in science and the importance of seeing the world from a scientific perspective. [In fiscal 2020, a technology webinar was given by Professor Hidetoshi Katori of the University of Tokyo entitled, "Optical Lattice Clock: A Clock for Seeing the Distortion of Space- Time." There were 290 participants.]
	The Hitachi Global Foundation Asia Innovation Awards	An initiative providing awards for achievements in research and development in science and technology innovation that help solve social challenges in the ASEAN region. [Fiscal 2020 was the first year; 14 awards were given.]
	Hitachi Fund Support for Research Related to Infectious Diseases	A new research grant initiative with the aim of promoting academic investigations, analysis, and consideration of newly apparent issues based on data and evidence with the aim of sharing the findings and research results internationally. This grant was established because the COVID-19 pandemic has caused enormous harm to countries around the world and issues and vulnerabilities have become apparent in various areas including politics, economics, legal systems, science and technology, and international affairs. [The fund was officially set up in 2020, and the process of receiving, selecting, and funding applications will start in fiscal 2021.]

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Area	Activity	Details
Human development	Hitachi Future Innovator Program	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 (creativity, curiosity, independence, and the spirit to challenge) and abilities (problem finding and solving abilities) required for future human resources in science and technology in order to create innovators who will take a leading role in resolving social issues. [Total number of schools and students participating as of the end of fiscal 2020: 14 schools and 1069 students] Held an educational forum webinar entitled, "The Evolution of Education and Japan's Future: Talent Development to Innovate the Future." There were 300 participants.
	Pioneer Talk interviews on the website My Tomorrow	A program aiming to support science and engineering education for women in order to promote human capital diversity and innovation by showing the rewards of science and engineering careers to female junior and senior high school students in Japan. [In fiscal 2020, female role models from the fields of science and technology were invited as guests and two talks were held. (The fields of future city planning and building construction) Transcripts of the talks are available on The Hitachi Global Foundation website]
Realization of an inclusive society	Symposium on the realization of an inclusive society	A program urging a new understanding among citizens of the importance of constructing an "inclusive society" which is defined as a society where people can feel happy and lively transcending differences such as gender, nationality, age, disability, and sexual orientation and accept various positions and values. [In fiscal 2020, a symposium webinar was held on the theme of foreign education and employment opportunities for Japanese high school students. There were 589 live-stream viewers and 350 subsequent views.]

⤢ The Hitachi Global Foundation Web site

▶ Hitachi Group's COVID-19-Related Support Efforts

Initiative	Details
Support for business owners	Provided one million US dollars to support business owners impacted by COVID-19 through loans by the nonprofit organization Kiva.
Support for research	A fund of 150 million yen has been established from donations of Hitachi, Ltd., executive officers, corporate officers, and employees to The Hitachi Global Foundation. It is to support research aimed at promoting prosperity worldwide by implementing evidence-based academic research and analysis to address issues and weaknesses that have become apparent in the international community during the course of the COVID-19 pandemic.
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.

⤢ How Hitachi is responding to COVID-19

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/ Social Data GRI 201-1

Innovation Management

Research and Development

R&D Expenditure

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
R&D expenditure	Hitachi Group	Billions of yen	323.9	332.9	323.1	293.7	293.5
Ratio of R&D expenditure to revenue	Hitachi Group	%	3.5	3.6	3.4	3.4	3.4

Top-Class Digital Talent in the AI Field

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Top-Class Digital Talent in the AI Field	Hitachi Group	People	—	—	226	306	356

Notes: Disclosure began in fiscal 2018.

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Human Capital   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 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of employees	Region	Hitachi Group	Japan	People	169,744	168,086	162,083	162,100	158,194
			China		44,736	44,080	40,784	41,673	51,903
			ASEAN, India, and the rest of Asia		41,913	44,536	44,229	45,114	61,411
			North America		20,071	21,884	20,985	22,034	27,122
			Europe		14,808	16,517	17,074	17,850	32,449
			Other areas		12,615	12,172	10,786	12,285	19,785
		Total		People	303,887	307,275	295,941	301,056	350,864
	Gender	Hitachi Group*1	Male	People	195,645	199,193	196,221	199,603	228,278
			Female		42,460	41,870	43,581	45,359	51,381
		Total		People	238,105	241,063	239,802	244,962	279,659
		Hitachi, Ltd.	Male	People	29,921	29,220	27,828	25,628	24,100
			Female		5,710	5,705	5,662	5,814	5,750
		Total		People	35,631	34,925	33,490	31,442	29,850
Average age		Hitachi, Ltd.	Male	Age	41.9	42.3	42.6	43.0	43.5
			Female		38.7	39.2	39.5	40.1	40.8
		Total		Age	41.4	41.8	42.1	42.4	43.0

*1 Approximately 40,000 employees in part of manufacturing workers not registered in the employee database and approximately 30,000 employees of some newly consolidated companies are not included.
Note: Regional classifications were changed from fiscal 2020.

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Social

		Reporting Boundary		Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Average service (years)	Region	Hitachi Group*1	Japan	Years	18.4	18.0	18.8	18.8	18.9
			China		7.3	8.5	8.8	8.4	8.4
			ASEAN, India, and the rest of Asia		7.2	7.5	7.4	7.4	7.2
			North America		8.4	8.7	7.1	7.2	6.4
			Europe		7.9	8.4	7.6	8.3	6.0
			Other areas		4.5	7.3	6.4	7.6	7.5
		Total		Years	15.0	14.9	15.1	15.0	13.6
	Gender	Hitachi Group*1	Male	Years	15.8	15.4	15.8	15.7	14.2
			Female		11.6	12.6	11.8	11.8	11.0
		Total		Years	15.0	14.9	15.1	15.0	13.6
		Hitachi, Ltd.	Male	Years	17.9	18.3	18.5	18.5	18.8
			Female		15.2	15.5	15.6	15.6	16.0
		Total		Years	17.5	17.8	18.0	17.9	18.3
Turnover rate*2*3		Hitachi Group*1	Male	%	4.7	5.0	5.8	4.8	4.1
			Female		7.8	7.8	8.4	7.2	5.2
			Japan		2.3	2.1	2.2	2.5	2.0
			Outside Japan		12.9	13.4	15.4	10.9	7.4
		Total		%	5.3	5.5	6.3	5.2	4.3
		Hitachi, Ltd.		%	1.5	1.5	1.6	1.7	1.4

*1 Approximately 40,000 employees in part of manufacturing workers not registered in the employee database and approximately 30,000 employees of some newly consolidated companies are not included.
*2 The figures are based on number of employees including those dispatched from Hitachi Group to other companies.
*3 Figures include only voluntary resignations.
Note: Regional classifications were changed from fiscal 2020.

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Global Human Capital Management

Approval Rating in Global Employee Survey

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Engagement indicator	Hitachi Group	%	58	58	60	60	62
Overall			60	61	60	61	64

Note: Questions change slightly each year. Above figures are not adjusted for changes in questions. Comparing fiscal 2020 results with previous years using only the same questions, overall approval has improved for five straight years.

Talent Development

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of participants of global management training programs	Hitachi Group	People	3,530	3,821	3,844	4,063	3,559
Digital talent headcount[1]	Hitachi Group	People	—	—	—	Approx. 30,000	Approx. 35,000
Average amount invested in education per employee[2]	Hitachi Group	Yen	—	—	—	—	66,900[3]
	Hitachi Group companies in Japan		—	118,500[4]	127,800[5]	128,000[6]	—

	Reporting Boundary	Unit	June 30, 2018	April 30, 2019	April 30, 2020	April 30, 2021
Number of data scientists[7]	Hitachi Group	People	Approx. 700	Approx. 1,000	Approx. 2,000	Approx. 3,000

[1] Disclosures began in fiscal 2019.
[2] Disclosure of figure as Hitachi Group began in fiscal 2020. Disclosure of figure as Hitachi Group in Japan began from fiscal 2017.
[3] Hitachi, Ltd., 45 Group companies in Japan, and 78 Group companies outside Japan.
[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
[7] Disclosures began in fiscal 2018.

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Diversity and Inclusion

	Reporting Boundary		Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Ratio of female employees[1]	Hitachi Group	Japan	% (People)	13.9	14.2	14.9	15.6	16.0
		China		40.6	39.6	39.5	37.5	34.1
		ASEAN, India, and the rest of Asia		24.5	24.3	24.6	25.3	20.7
		North America		24.5	24.2	26.2	24.9	22.7
		Europe		22.7	20.4	21.5	21.3	22.0
		Other areas		35.1	27.9	22.1	23.4	18.2
	Total		%	18.3	18.2	18.8	19.4	19.1
Ratio of female employees	Hitachi, Ltd.		%	16.8	17.2	17.8	19.0	19.7
Ratio and number of female managers ✓ [1][2][3]	Hitachi Group		% (People)	6.7(2,562)	7.3(3,325)	8.3(3,975)	8.9(4,302)	9.5(4,641)
Ratio and number of female assistant managers[1][3][4]	Hitachi Group			—	—	16.6(14,909)	17.8 (18,028)	18.2 (18,675)
Ratio and number of female managers ✓ [3][5]	Hitachi, Ltd.	General manager or above		3.3(113)	3.2(128)	3.4(135)	3.9(147)	4.5 (156)
		Section manager		4.4(396)	4.6(449)	5.3(500)	6.2(553)	7.3 (612)
	Total		% (People)	4.1(509)	4.2(577)	4.8(635)	5.5(700)	6.5 (768)
Basic salary ratio of female to male managers[6]	Hitachi, Ltd.		Female: Male	—	100:102	100 : 103	100:104	100:104
Total individual compensation ratio of female to male managers[6]				—	100:104	100 : 105	100:106	100:106
Ratio of new female employees hired [1]	Hitachi Group	Japan	%	18.8	19.4	23.1	23.0	23.9
		China		37.7	40.8	35.6	30.9	31.9
		ASEAN, India, and the rest of Asia		26.6	19.4	25.3	27.7	22.2
		North America		22.0	26.2	32.8	29.7	23.2
		Europe		20.5	19.6	23.8	22.9	26.5
		Other areas		29.2	22.8	27.3	28.9	17.8
	Total		%	24.2	22.1	26.7	26.3	23.8
Ratio of new female graduates hired [7]	Hitachi, Ltd.	Technical	%	20.8	17.2	17.9	17.8	17.7
		Administrative		42.1	53.8	51.6	48.9	36.3
	Total		%	26.3	26.6	24.2	25.3	21.1

[1] Hitachi Group figures exclude approximately 40,000 manufacturing workers and approximately 30,000 people in newly consolidated companies as they are not registered yet. [2] The figures are based on all female managers including those dispatched from Hitachi Group to other companies. [3] Rising numbers of female managers and female assistant managers in part reflect improved coverage of our human capital databases. [4] Disclosures began in fiscal 2018. [5] Since fiscal 2017, "female managers" has included managerial employees dispatched from Hitachi, Ltd. to other companies and those accepted from other companies by Hitachi, Ltd. Figures prior to fiscal 2016 include regular managerial employees dispatched to other companies but exclude those accepted from other companies. [6] Benefits for men and women are identical. Differences between male and female salaries and compensation are due to age distribution, grade distribution, etc. Disclosures began in fiscal 2017. [7] Graduates from universities or colleges (including postgraduate schools and technical colleges)

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Social

	Reporting Boundary		Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Maternity/partner's leave utilization rate*1		Male		24.3	32.7	37.8	38.1	33.8
		Female		100.0	100.0	100.0	100.0	100.0
Return rate for maternity/ partner's leave recipients*2		Male		100.0	100.0	100.0	100.0	100.0
		Female		100.0	100.0	100.0	100.0	99.7
Retention rate for maternity/ partner's leave recipients*3	Hitachi, Ltd.	Male	%	98.7	98.4	99.7	96.9	97.7
		Female		100.0	99.2	100.0	100.0	99.7
Childcare leave utilization rate *4		Male		1.6	2.2	2.7	4.0	7.3
		Female		99.6	99.7	100.0	99.6	99.6
Return rate for childcare leave recipients*5		Male		96.7	100.0	94.3	100.0	100.0
		Female		97.1	98.5	97.4	97.4	98.9
Retention rate for childcare leave recipients*6		Male		100.0	96.6	90.9	84.8	71.4
		Female		98.6	98.0	99.4	95.5	98.0

*1 Total number of employees who took maternity leave or partner's maternity leaves/Total number of employees with newborn Children
*2 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
*3 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
*4 Total number of employees who took child-care leave/Total number of employees with newborn children
*5 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 voluntary without retuning
*6 Total number of employees continuously working one year after returning from child-care leave/Total number of employees returning from child-care leave

Ratio of Female and Non-Japanese Executive and Corporate Officers

	Reporting Boundary	Unit	June 2017	June 2018	June 2019	July 2020	June 2021
Number of female executive and corporate officers		People	2	2	4	5	7
Ratio of female executive and corporate officers ⊘	Hitachi, Ltd.	%	2.4	2.6	5	7.1	10.1
Number of non-Japanese executive and corporate officers		People	3	5	7	6	8
Ratio of non-Japanese executive and corporate officers ⊘		%	3.7	6.4	8.8	8.6	11.6

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Ratio and Number of Male/Female and Japanese/Non-Japanese Directors

	Reporting Boundary	Unit	June 2017	June 2018	June 2019	July 2020	June 2021
Number of male directors	Hitachi, Ltd.	People	11	10	9	11	11
		%	84.6	83.3	81.8	84.6	84.6
Number of female directors		People	2	2	2	2	2
		%	15.4	16.7	18.2	15.4	15.4
Number of Japanese directors		People	8	8	7	7	7
		%	61.5	66.7	63.6	53.8	53.8
Number of non-Japanese directors		People	5	4	4	6	6
		%	38.5	33.3	36.4	46.2	46.2
Total			13	12	11	13	13

Employment of People with Disabilities and Employment Ratio

	Reporting Boundary	Unit	June 2017	June 2018	June 2019	June 2020	June 2021
Employment of people with disabilities	Hitachi Group companies in Japan[1]	People	1,437	1,848	1,899	2,403	2,575
Employment rate		%	2.15	2.23	2.26	2.33	2.37

[1] It includes special subsidiaries and related Group companies. (There were one special subsidiaries and 23 related Group companies in June 2021.)

Occupational Health and Safety

Number of Fatal Accidents, Occupational Accident Severity Rate and Occupational Accident Frequency Rate

	Reporting Boundary	Unit	2016	2017	2018	2019	2020
Number of fatal accidents (Number of deaths of employees)	Hitachi Group	Cases	3	5	0	4	3
		(People)	(3)	(5)	0	(4)	(3)
	Hitachi, Ltd.	Cases	1	0	0	0	0
		(People)	(1)	0	0	0	0
Number of lost-time accidents	Hitachi Group[1]	Cases	425	485	506	396	314
	Hitachi Group companies in Japan[1]		68	92	64	57	52
	Hitachi, Ltd.		11	11	6	6	4
Occupational accident severity rate[1]	Hitachi Group companies in Japan[1]	—	0.18	0.17	0.11	0.03	0.00
Occupational accident frequency rate ✅[1]	Hitachi Group companies in Japan[1]	—	0.18	0.25	0.2	0.17	0.17

Notes: Work-related accidents are defined as those involving injuries without lost workday or more from January to December each year.
[1] Hitachi Group figures for Japan, including Hitachi, Ltd., are for 200 Group companies in 2016, 201 in 2017, 188 in 2018, 169 in 2019, and 136 in 2020.

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Hitachi Group's Global Safety Figures (Occurrence Rate)

	Reporting Boundary		Unit	2016	2017	2018	2019	2020
Hitachi Group's global safety figures (Occurrence rate)[1]	Hitachi Group	North America	%	27.65	24.33	27.96	20.76	18.98
		Central and South America		2.33	1.62	0.44	0.57	2.12
		Europe		10.7	10.82	6.08	4.78	3.09
		India		2.07	1.44	1.44	1.63	1.07
		China		1.59	1.53	1.46	1.17	1.12
		Asia (excluding India and China)		5.43	4.41	3.34	2.63	1.55
		Oceania		39.07	24.41	21.94	29.07	12.95
		Africa		17.26	9.93	11.76	9.72	25.37
		Overseas total	%	7.76	7.42	7.43	5.78	4.90
		Japan	%	1.57	1.85	1.64	1.53	1.34
		Global total	%	3.95	4.22	4.2	3.45	2.89

*1 The occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees resulting in injuries without lost workday or more.
Notes: Reported statistics is from January to December every year.

Absence Rate

	Reporting Boundary	Unit	2016	2017	2018	2019	2020
Mental	Hitachi Group companies in Japan	%	0.56	0.60	0.64	0.65	0.62
Physical			0.24	0.26	0.24	0.25	0.22

Note: 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)

Medical Exam and Screening Attendance Rates

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
General physical exam[1]	Hitachi Group companies in Japan	%	78.1	78.5	79.3	81.2	81.1
Breast cancer screening[2]			50.0	51.1	53.2	56.3	56.6
Uterine cancer screening[3]			35.3	35.6	37.1	38.7	39.1
Stomach cancer screening[4]			78.4	80.7	80.6	82.7	82.2
Intestinal cancer screening[4]			79.0	81.4	81.3	83.5	83.0
Lung cancer screening[5]			93.2	92.9	93.2	95.8	96.8

*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 For fiscal 2016 and 2017 it was men and women aged 50 and over, but from fiscal 2018 it was changed to men and women aged 35 and over.

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Social

Value Chain Management

Responsible Procurement

CSR Procurement Activities Implementation Status

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total for specified period
CSR monitoring (self-checks)			316	131	345	291	271	2,072[*1]
CSR audits ✓	Hitachi Group	Companies	20	18	24	19	27	176[*2]
CSR Seminar for Suppliers			29	65	126	59	450	741[*3]

[*1] Total from fiscal 2011 to fiscal 2020.
[*2] Total from fiscal 2012 to fiscal 2020.
[*3] Total from fiscal 2015 to fiscal 2020.
Note: In fiscal 2020, CSR Seminar for Suppliers were held by webinar and e-learning instead of face-to-face.

Rate of Local Procurement of Materials for Main Regions

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
China			64	78	88	90	98
Europe	Hitachi Group	%	83	70	81	78	77
Rest of Asia			64	71	71	71	80
Americas			69	57	66	69	70

Conflict Mineral Issue

	Reporting Boundary	Unit	2016	2017	2018	2019	2020
Number of surveys on conflict minerals conducted from customer requests[*4]	Hitachi Group	Cases	—	1,422	1,874	1,645	—

[*4] Disclosures began in 2017.
Note: Reported statistics is from January to December every year.

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Community

Social Contribution Activities

Funding for Social Contribution Activities and Number of Participating Employees

		Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Funding for social contribution activities		Hitachi, Ltd. and the Hitachi Global Foundation	Million Yen	527	948	841	776	957
		Hitachi Group		1,953[*1]	2,195[*2]	1,888[*3]	1,833[*4]	1,910[*5]
	Of Hitachi Group funding, amount related to STEAM[*6]	Hitachi Group		—	740	383	278	325
Breakdown of funding for social contribution activities[*7]	Human development	Hitachi Group	%	—	44.8	49.3	40.6	44.5
	Environment			—	2.9	2.0	2.8	1.2
	Community support			—	34.6	20.5	26.0	10.8
	Other (number in parentheses: disaster relief)			—	17.7 (9.7)	28.2 (6.9)	30.6 (4.7)	43.5 (11.5)
Total employees participating		Hitachi Group	People	32,116	53,749	54,629	88,134	39,982

*1 Japan: Hitachi, Ltd., 134 Group companies, and the Hitachi Global Foundation.
　 Outside Japan: 159 companies
*2 Japan: Hitachi, Ltd., 141 Group companies and the Hitachi Global Foundation.
　 Outside Japan: 196 companies
*3 Japan: Hitachi, Ltd., 141 Group companies and the Hitachi Global Foundation.
　 Outside Japan: 152 companies
*4 Japan: Hitachi, Ltd., 153 Group companies, and the Hitachi Global Foundation.
　 Outside Japan: 234 Group companies
*5 Japan: Hitachi, Ltd., 119 Group companies and the Hitachi Global Foundation.
　 Outside Japan: 209 companies
*6 The collection of statistics began in fiscal 2017.
*7 The breaking down of disclosures into the current classifications began in fiscal 2017.

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Governance

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Governance

Striving to Increase Corporate Value

Not only is Hitachi strengthening its corporate governance in areas like the role and composition of the Board of Directors and standards for determining the suitability and independence of its independent directors, it is also taking self-directed action to enhance corporate value by sharing its Codes of Conduct across the Group, ensuring compliance with laws and regulations, and advancing risk management. In this way, we contribute both to the company's own sustainable growth and the development of the economy as a whole.

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Governance
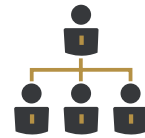
Corporate Governance GRI 103-2

Why
— Why it matters —

Hitachi views the expansion of long-term and overall shareholder returns as an important management objective. Hitachi, Ltd. and Hitachi Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important part of our overall corporate value. Accordingly, we are striving to establish a system that will facilitate the maintenance of these relationships and improve our corporate value primarily through the implementation of measures focused on promoting constructive dialogue.
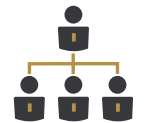
Corporate Governance

What
— What we are doing —

- 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
- Approving and dismissing the CEO and formulating a succession plan
- Determining appropriate compensation for directors and executive officers
- Implementing internal controls over financial reporting
- Enhancing collaboration through tripartite audits
- Building a more effective and efficient auditing system

How
— How we are doing it —

Policy and promotion structure	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.

Achievements in Fiscal 2020

Ensuring legality, soundness, and transparency of Hitachi's business	Analyzed and evaluated the effectiveness of the Board of Directors
Reviewing executive compensation systems	To achieve carbon neutrality at Hitachi business sites (factories and offices) by fiscal 2030, Hitachi, Ltd. reviewed a system of evaluation taking environmental performance into consideration in executive officers' short-term incentive compensation and decided to introduce it in fiscal 2021.
	A restricted stock compensation unit system was introduced as compensation for non-Japanese executive officers and corporate officers in fiscal 2020, and the scope of was expanded to executives at some Group companies In fiscal 2021.

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Corporate Governance GRI 405-1

Hitachi views the expansion of long-term and overall shareholder returns as an important management objective. Hitachi, Ltd. and Hitachi Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important portion of our overall corporate value. Accordingly, Hitachi are striving to establish a system that will facilitate the maintenance of these relationships and improve our corporate value primarily through the implementation of measures focused on promoting constructive dialogue. To advance these efforts effectively, we are working to improve our corporate governance by ensuring thorough separation between the oversight and execution of management, establishing a swift business execution system, and striving to achieve highly transparent management.

History of Hitachi's Corporate Governance Reform

Structure	Activities

1999 Introduction of Objective Perspective
Management Advisory Committees
➤ Practical advice from experts in Japan and overseas

2003 Demarcation of Management Oversight and Execution
Shifted to a company with committees (currently a company with nominating committee, etc.)
➤ To increase management speed and improve management transparency

2006 Enforcement of Revised Companies Act

2010 Enhancement of Interactions with Capital Markets
Hitachi IR Day (briefing on business strategy by division) was launched
➤ Clarification of commitment of top management of the business units to the capital markets

2012 Acceleration of Global Management
Independent directors including foreign directors were increased
Independent directors comprised the majority of directors

2012 Development of Guidelines for Strengthening Governance
Development of Corporate Governance Guidelines

2014 Development of Stewardship Code

2015 Start of Application of Corporate Governance Code

2016 Enhancement of Dissemination of Information about Medium- to Long-term Sustainable Growth
Publication of an integrated report

2019 Acceleration of the Social Innovation Business across 5 Growth Fields
Executive vice presidents were placed in 5 sectors
ESG briefing session held
➤ An independent director (chair of the Audit Committee) and the CEO shared their remarks

Implementing All the Principles of the Corporate Governance Code

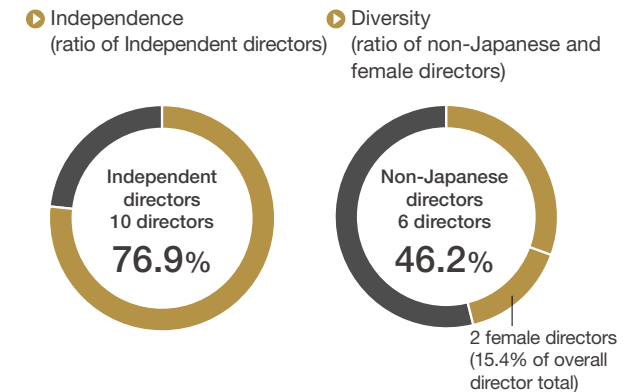| Policy | Activities | GRI 102-22 |

We are implementing all the principles of the Corporate Governance Code.

Director Composition

| Structure |

⯈ Independence
(ratio of Independent directors)

⯈ Diversity
(ratio of non-Japanese and female directors)

Independent directors
10 directors
76.9%

Non-Japanese directors
6 directors
46.2%

2 female directors
(15.4% of overall director total)

Directors with Abundant Experience

The Board of Directors applies their abundant experience and knowledge related to the management of global companies, legal affairs, accounting, capital markets, government agencies, and the field of digital technology to facilitate discussions informed by a wide variety of perspectives.

In June 2021, Helmuth Ludwig joined the Audit Committee and Joe Harlan joined the Compensation Committee, enabling even more diverse discussions
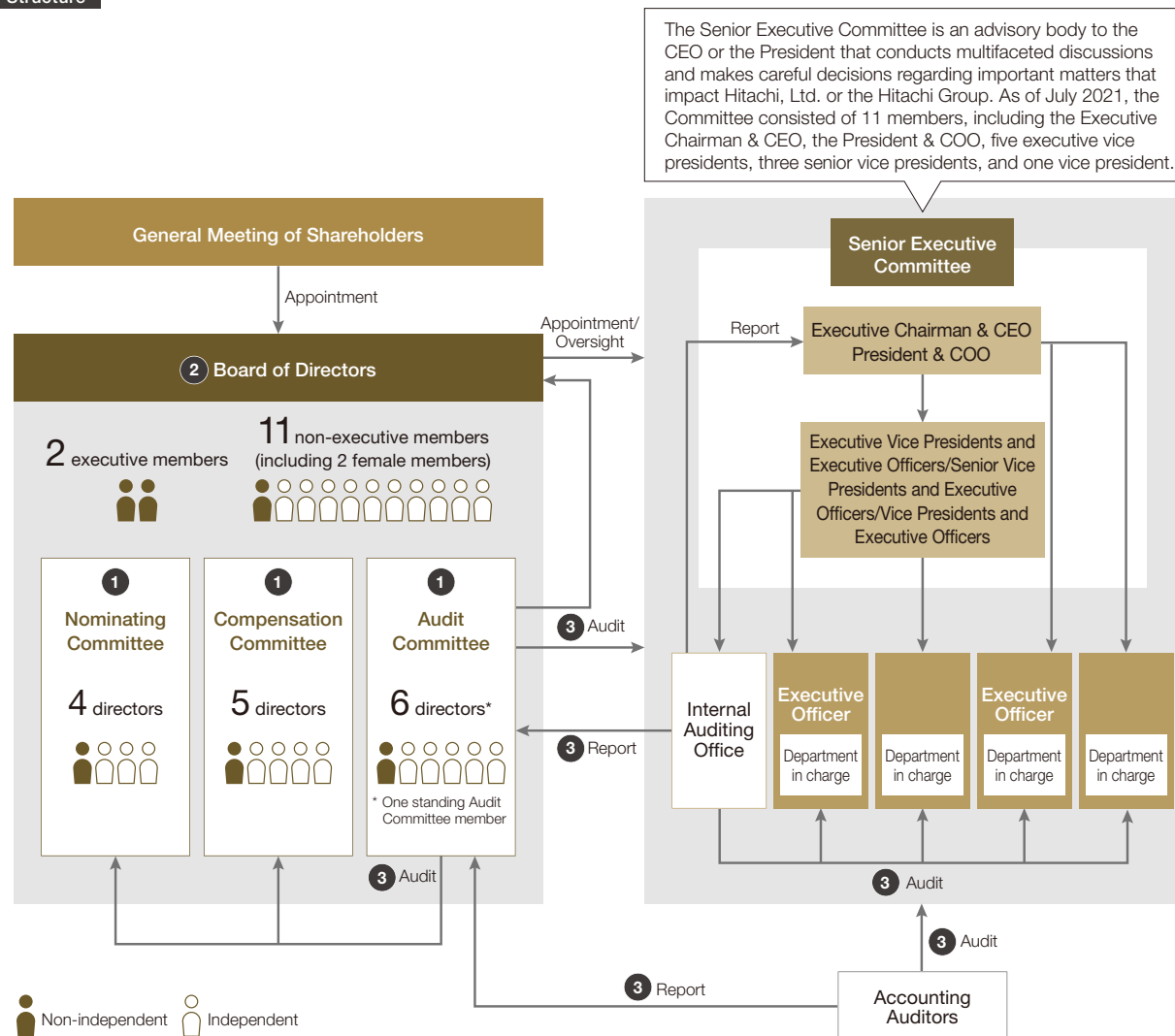
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Hitachi's Corporate Governance Framework and Its Features

GRI 102-18/102-22/102-23/102-24

Structure

The Senior Executive Committee is an advisory body to the CEO or the President that conducts multifaceted discussions and makes careful decisions regarding important matters that impact Hitachi, Ltd. or the Hitachi Group. As of July 2021, the Committee consisted of 11 members, including the Executive Chairman & CEO, the President & COO, five executive vice presidents, three senior vice presidents, and one vice president.

General Meeting of Shareholders

Appointment

2 Board of Directors

Appointment/Oversight

2 executive members

11 non-executive members (including 2 female members)

Nominating Committee
1
4 directors

Compensation Committee
1
5 directors

Audit Committee
1
6 directors*

* One standing Audit Committee member

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3 Report
3 Audit

Senior Executive Committee

Report

Executive Chairman & CEO President & COO

Executive Vice Presidents and Executive Officers/Senior Vice Presidents and Executive Officers/Vice Presidents and Executive Officers

Internal Auditing Office

Executive Officer — Department in charge
Executive Officer — Department in charge
Department in charge
Department in charge

3 Audit

3 Report

3 Audit

Accounting Auditors

● Non-independent　○ Independent

POINT ❶　Transparency in Management

We became a company with committees (currently a company with a nominating committee, etc.) in 2003.
We have established the Nominating Committee, the Compensation Committee, and the Audit Committee, which are mostly made up of, and are chaired by, independent directors. The system we have in place to ensure transparency in management separates the oversight and execution of management, facilitates the full exercise of supervisory functions, and enables discussions and reports to be conducted appropriately within these three committees.

POINT ❷　Independence of the Board of Directors

We increased our number of independent directors, including non-Japanese directors, in 2012.
Our Board of Directors, which is chaired by an independent director, has 13 members, including 10 independent directors, two directors who are also serving as executive officers, and one director who is not serving as an executive officer. In addition, we have established a system that facilitates the full exercise of supervisory functions by maintaining separation between the oversight and execution of management.

POINT ❸　Enhanced Collaboration through Tripartite Audits

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.

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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 supervises 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.

　Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with independent directors accounting for the majority of members of each committee. The Board of Directors meetings were held on nine days during fiscal 2020, and the attendance rate of directors at these meetings was 100%. The attendance rates for each independent director were as shown in the table below. To assist with the duties of the Board of Directors and each committee, staff who are not subject to orders and instructions from executive officers are assigned.

▶ Attendance at the Board of Directors meetings held in fiscal 2020

Name	Attendance/Number of days on which the meetings were held*			
	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
Katsumi Ihara	100%	—	100%	100%
Ravi Venkatesan	100%	—	—	—
Cynthia Carroll	100%	100%	—	—
Joe Harlan	100%	—	—	—
George Buckley	100%	—	—	—
Louise Pentland	100%	—	—	—
Harufumi Mochizuki	◎100%	◎100%	100%	◎100%
Takatoshi Yamamoto	100%	—	100%	100%
Hiroaki Yoshihara	100%	100%	◎100%	—
Helmuth Ludwig	100%	—	—	—

* Number of days during term of office on which the Board of Directors meetings were held: 9; Mr. Venkatesan and Mr. Ludwig: 6
　Number of days during term of office on which Nominating Committee meetings were held: 8
　Number of days during term of office on which Audit Committee meetings were held: 17
　Number of days during term of office on which Compensation Committee meetings were held: 4
◎Indicates role as a board or committee chairperson

Description of the three committees' activities

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.
　It determines director candidates and holds preliminary hearings concerning the appointment and dismissal of executive officers, including the CEO.
　In fiscal 2020, the Nominating Committee held meetings on eight days.

Primary Activities

In addition to deciding upon the contents of the proposal made concerning director appointments at the Annual General Meeting of Shareholders, the Nominating Committee set an upper limit on the total term of office for independent directors and reviewed and confirmed the executive officer system implemented in fiscal 2021. 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 six directors, including five 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 breadth of knowledge concerning finance and accounting.
　In fiscal 2020, the Audit Committee held meetings on 17 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 five directors, including four 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 2020, the Compensation Committee held meetings on four 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 2021.

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Analysis and Evaluation of the Effectiveness of the Board of Directors

Activities   GRI 102-28

The Company evaluates the effectiveness of its Board of Directors each year in a continuous effort to maintain and improve its functions.

▶ Fiscal 2020 Evaluation Process

	Points of evaluation
1. Questionnaire-based self-assessment by each director (February–March 2021)	• 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: Contribution to strategy building and change of company culture, contribution to have constructive discussions, utilization of Director's knowledge and experience, discussions based on taking the Digital Transformation, 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 2021)	• Independent directors had a meeting and discussed the Board effectiveness there.
3. Discussions at the Board meeting (May 2021)	• 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 for fiscal 2018 and measures taken for improving its effectiveness in fiscal 2020.

▶ Evaluation Results and Future Initiatives

	Evaluation Results
Overall evaluation in fiscal 2020	• The Board assessed that the 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 toward mid/long-term growth of corporate value. The Board, therefore, concluded that the effectiveness of the Board as a whole is maintained.

	Future initiatives
Further enhancement of corporate governance	• Examine the discussion process for strategy discussions based on a mid to long term perspective and establish a time and forum for deepening discussions. • Business strategy reports and discussions at Board meetings will continue to be implemented on a Sector by Sector basis, and discussions will focus on strategy, such as a risk matrix based on factors such as the standing of the Company, the status of competitors, technology, talent, finance and Lumada strategy. • Risk management, ESG and Investor relations will be submitted as agenda items as important matters for improving long term corporate value. • The Board will attempt to strengthen a relationship with the Nominating Committee and further contribute to succession planning of CEO (e.g. enhancement of Nominating Committee's reports to the Board, one-on-one meeting with CEO successor candidates and next generation leader candidates).
Enhancement of supporting system for the Board and improve practical issues in operations	• Post COVID-19, restarting to provide Independent Directors with information on opportunities of visiting sites and events of Hitachi Group. • Further improve structure and contents of materials for the Board meeting and operation of provision of materials well in advance of the Board meeting.

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CEO Appointment, Dismissal, and Succession Plan

Structure   GRI 102-24

Hitachi's Board of Directors decides upon the appointment and dismissal of executive officers, including the CEO, with the goal of constructing an optimal business execution system for management. Decisions regarding the appointment or dismissal of executive officers are based on proposals from the Nominating Committee. 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.

In addition, we have identified a group of about 50 employees from around the Hitachi Group with next-generation development potential. People in this "Future 50" group are selected on merit, regardless of age, gender, or nationality. They are given challenges to help expand their horizons and build their perspectives through tough assignments including different types of work and internal and external training opportunities. The Future 50 group members receive one-on-one mentoring opportunities with independent directors to benefit directly from their extensive business experience and global perspectives. Our aim is to change mindsets so that we can develop people for important positions in the future.

Director and Executive Officer Compensation

                                                  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 exercise the functions of supervision of management 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 full-time 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 position Executive Officer hold, the higher proportion of variable pay is set to the total annual compensation.

As part of efforts to achieve carbon neutrality at Hitachi business sites (factories and offices) by fiscal 2030, in fiscal 2021, an evaluation system that considers environmental value was introduced into short-term incentive compensation for executive officers. Specifically, targets are set for environmental strategies and solutions to environmental issues based on the divisions and operations handled by each executive officer, and performance is evaluated according to the degree of target achievement.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for Executive Officers that has been already paid shall be returned to the Company (clawback provision).

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Designate important positions	Define the roles and personnel requirements associated with important positions	Select candidates for important positions	Evaluate candidates	Develop candidates

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Compensation to Executive Officers (Fiscal 2021)

System

GRI 102-35/102-36

Basic remuneration : short-term incentive compensation : medium- and long-term incentive compensation = 1:1:1 ratio

Total remuneration

Fixed pay	Variable pay

1 Basic remuneration	2 Short-term incentive compensation	3 Medium- and Long-term incentive compensation
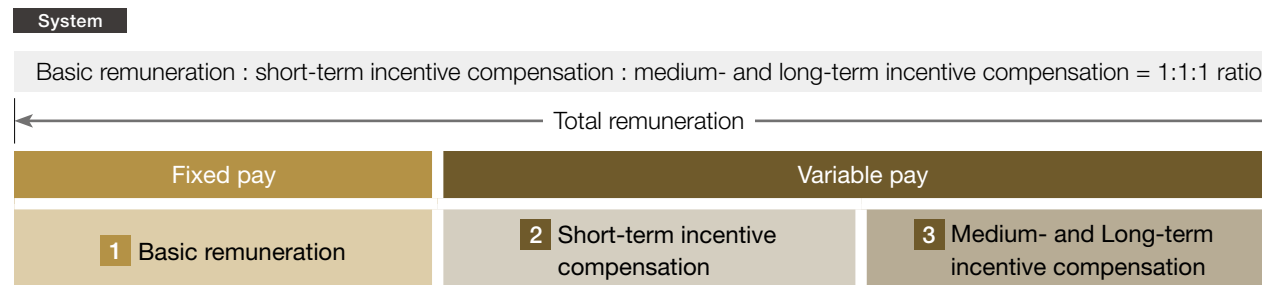
1 Basic remuneration

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 the 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.

(Executive officers forming the Senior Executive Committee[*1])

← Linked to evaluations of Company-wide performance (80%) →

(Other executive officers)

← Linked to evaluations of divisional performance (50%) → | ← Linked to evaluations of Companywide performance (30%) → | ← Linked to evaluations regarding the achievement of individual targets (20%) →

Evaluated referring to adjusted operating income and operating cash flows for each division, among other indicators, to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.	Evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecastsdisclosed to stakeholders, including shareholders and investors.	Varies according to the evaluation of the level of achievement of individual target for each Executive Officer determined based on his/her responsibility.

*1 The rates used for "other executive officers" apply when "executive officers forming the Senior Executive Committee" are in charge of sector or business units.

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 propel 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.

The shares of restricted stock
- The restriction on transfer 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 whose 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 with 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 whose 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.
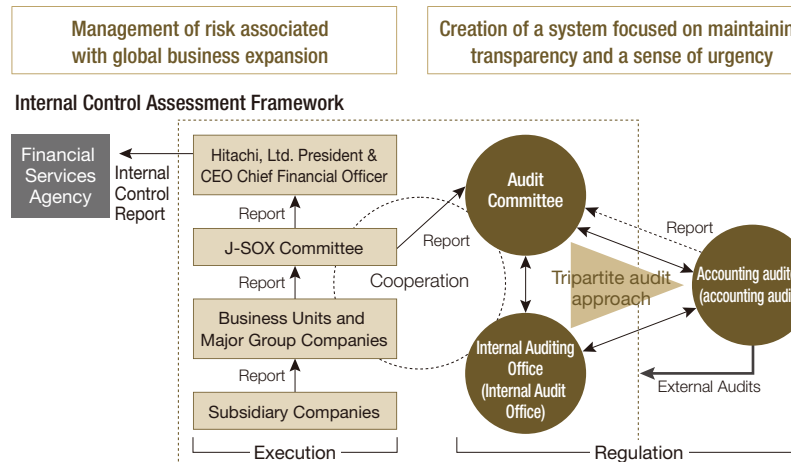
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Internal Control over Financial Reporting

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.

| Management of risk associated with global business expansion | Creation of a system focused on maintaining transparency and a sense of urgency |

Internal Control Assessment Framework

Enhanced Collaboration through Tripartite Audits

Structure

GRI 102-11

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. Our Audit Committee takes the lead in this regard, as the three parties communicate closely to share risk information and assessments concerning risk response while securing transparency and ensuring appropriate checks and balances.

| Sharing of risk information and assessments of risk response | Ensuring transparency and a sense of urgency and improving the effectiveness of internal controls |
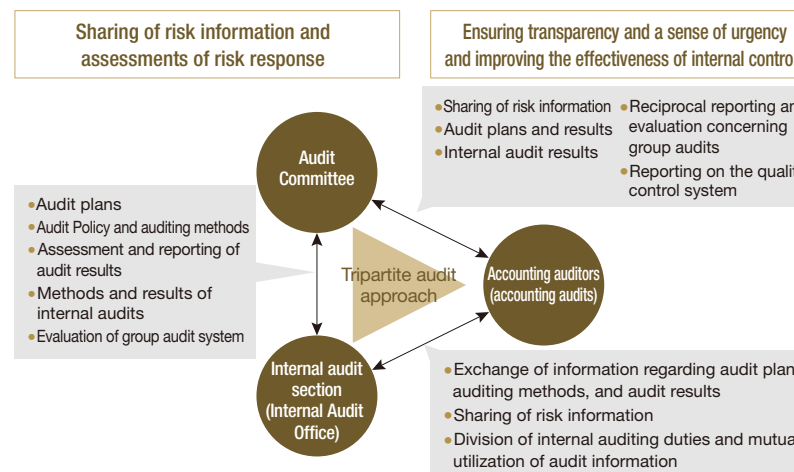
Building a More Effective and Efficient Auditing System

Structure   GRI 102-11/102-19

Our Audit Committee formulates audit plans in accordance with its risk-based approaches and conducts audits for each consolidated business unit. Audit Committee members meet directly with business unit heads before the internal audit section's audits are carried out. Then, these members inform the internal audit section about concerns and issues related to the implementation of business strategies aimed at achieving sustainable growth that require attention. 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.

Hitachi's internal audit section performs regular internal audits at each business site and location. 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 upon receiving direction from 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 the employees are well versed in the ideas and policies of our management, and their operations are being carried out based on these ideas and policies and if business strategies are being implemented in a way that will efficiently lead to sustainable growth.

To further raise audit effectiveness, we implemented a

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"chief auditor system" in each of our five sectors (IT, Energy, Industry, Mobility, Smart Life) in April 2019. Through this action, we built an internal control system spearheaded by chief auditors and enhanced collaboration with the executive vice presidents who manage each sector and with the Audit Committee.

Although these chief auditors do not act as legal agents under the Companies Act, they still assume responsibility for governance in each sector. Statutory auditors, which function as legal agents at Hitachi subsidiaries under the Companies Act, also report to these chief auditors and work to improve the effectiveness of Hitachi's internal control systems.

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.

Our 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.

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⚖ Compliance GRI 103-2

Why
— Why it matters —

With the globalization of the economy, borderless corporate activities—spanning countries and regions with different governmental and economic frameworks, trade practices, and sets of values—are increasingly vital. Spreading understanding of and respect for norms among all Hitachi Group employees is a fundamental management issue as we seek to rigorously implement fair business practices and avoid risks around the globe.

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 thorough compliance with them throughout the Group.

Promoting Work Practices in Line with International Codes of Ethics

What
— What we are doing —

- Comply with the Hitachi Group Codes of Conduct
- Establishing and strengthening a compliance framework
- Instituting and integrating a compliance reporting system
- Preventing antisocial transactions and money laundering
- Preventing bribery and corrupt practices
- Complying with competition laws
- Carrying out strict export controls
- Implementing thorough tax compliance

How
— How we are doing it —

| Policy and promotion structure | The Hitachi Group Codes of Conduct and 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, Hitachi has implemented the Hitachi Group Compliance Program (HGCP) based on these standards. In addition, information is shared with business units, key Group companies, etc., under the supervision of personnel responsible for Group-wide risk management and compliance. |

Achievements in Fiscal 2020

Complying with the Hitachi Group Codes of Conduct	Formulated the Hitachi Group Code of Ethics and Compliance
	Had more than 300,000 executives and employees complete an e-learning program on the Hitachi Group Code of Ethics and Compliance (provided in 15 languages)
Strengthen compliance	Hitachi Group Compliance Conference for working-level employees twice, each was divided among four regions
	Held interviews and provided improvement guidance for Group companies deemed "high-risk" in the compliance risk survey
Institute and integrate a compliance reporting system	Launched a Group-wide internal reporting system called the Hitachi Global Compliance Hotline and worked to integrate internal reporting systems within the Group with it (Total number of Group-wide compliance reports: 639)
Implement prevention of bribery and corrupt practices and compliance with competition law	Established the Hitachi Group Anti-Bribery and Anti-Corruption Policy as well as the 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
	Established the Hitachi Group Fair Competition Policy and clarified the participation of departments responsible for compliance in types of conduct other than with cartels (vertical relationships with customers, channel partners, suppliers, and so on)

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Promoting Work Practices in Line with International Ethics Codes GRI 406-1

Hitachi Group Codes of Conduct

| Policy | Employee Engagement | GRI 102-16 |

Hitachi, Ltd. has formulated the Hitachi Group Codes of Conduct, which all executives and employees across the entire Group pledge to uphold. The Codes of Conduct are translated into 14 languages from Japanese and shared with Hitachi Group executive officers and employees around the world.

In April 2020, we established the Hitachi Group Code of Ethics and Compliance. This code supplements the Codes of Conduct and makes clear the ideas on corporate ethics and compliance that must be shared across the entire Hitachi Group.

Hitachi's executive officers and employees around the world have diverse cultural and educational backgrounds. To ensure they thoroughly uphold corporate ethics and compliance, all executive officers and employees take an annual e-learning course on corporate ethics. In addition, the Hitachi Group monitors employees' awareness of matters such as business ethics and compliance with an annual survey as part of its efforts to cultivate a healthy corporate culture.

Given the global reach of Hitachi's business, the growth in possible risks is a concern. The Hitachi Group is working hard to identify and avoid procurement risks throughout the supply chain as much as possible. The third edition of the Hitachi Group CSR Procurement Guidelines revised by the Hitachi Group in January 2017 is based on version 5.1 of the Electronic Industry Citizenship Coalition (EICC) Code of

Conduct as well as the Hitachi Group Codes of Conduct established in August 2010. We distribute the guidelines to suppliers and make efforts to raise awareness of them as CSR codes of conduct and standards that we expect suppliers to adhere to.

In addition, we reviewed the guidelines in fiscal 2021. The revised guidelines have been titled the Hitachi Group Sustainable Procurement Guidelines.

↗ Hitachi Group Code of Ethics and Compliance

Achievements in Fiscal 2020

In fiscal 2020, more than 300,000 executive officers and employees across the Hitachi Group took an e-learning course (provided in 15 languages) on the Hitachi Group Code of Ethics and Compliance. (The participation rate was over 98%)

We have revised the Hitachi Group's compliance rules. The three objectives for the revisions are as follows: make codes that are easy for executive officers and employees to understand, and provide substantive reasons when actions are taken; and more clearly share the compliance policy of Hitachi that is aligned with global standards with companies and business divisions that join the Hitachi Group, including through corporate buyouts.

Compliance Framework Structure

| Structure |

Based on the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, Hitachi created the Hitachi Group Compliance Program (HGCP) to promote compliance.

To implement this program we have appointed the Hitachi Group Head of Risk Management and the Hitachi Group Head of Ethics and Compliance to supervise the Head of Ethics and Compliance in business units, key Group companies, and other organizations. Under this system, policies and measures on compliance are shared through communication with these Head of Ethics and Compliance. Head of Ethics and Compliance are assisted by a Compliance Manager who implements practical support measures. Globally, we have also appointed Regional Head of Compliance in 11 regions, responsible for implementing education and sharing information as well as arranging consultation services with outside attorneys.

Issues in the promotion of compliance measures are clarified through individual dialogue with business units and key Group companies, while the internal audit section conducts Group-wide reviews once every four years to verify that each area of compliance is being appropriately conducted. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented.

In order to identify various risks, including risks of

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bribery and corrupt practices, Hitachi conducted risk assessments on Group companies outside Japan in the fiscal years of 2013 and 2017 and on all Group companies in 2019. We will continue to perform regular risk assessments like these and use the results to improve compliance activities in all Group companies.

Achievements in Fiscal 2020

In the second half of the year, we appointed personnel in the United Kingdom to promote the compliance program and made other efforts to strengthen its structure globally with the aim of driving implementation and optimization of the HGCP across the entire Hitachi Group.

In May and June 2020, and January 2021, we held a Hitachi Group Compliance Conference for compliance persons in charge at business units and Group companies. The conference was held four times for compliance persons in charge in each of the following four regions: Japan; North, Central, and South America; Asia-Pacific; and Europe, the Middle East, and Africa. At the conference in January 2021, the Chief Compliance Officer (CCO) personally explained Hitachi's policies.

Interviews were conducted at Group companies deemed to be high risk based on the compliance risk survey performed in fiscal 2019. The interviews were used to closely examine the situation at those companies and provide guidance on how to improve. Based on the survey results, we will continue to allocate resources to high-risk operations and regions, thereby securing the effectiveness of the program as we strive to take thoroughgoing measures according to risk levels.

▶ Compliance structure
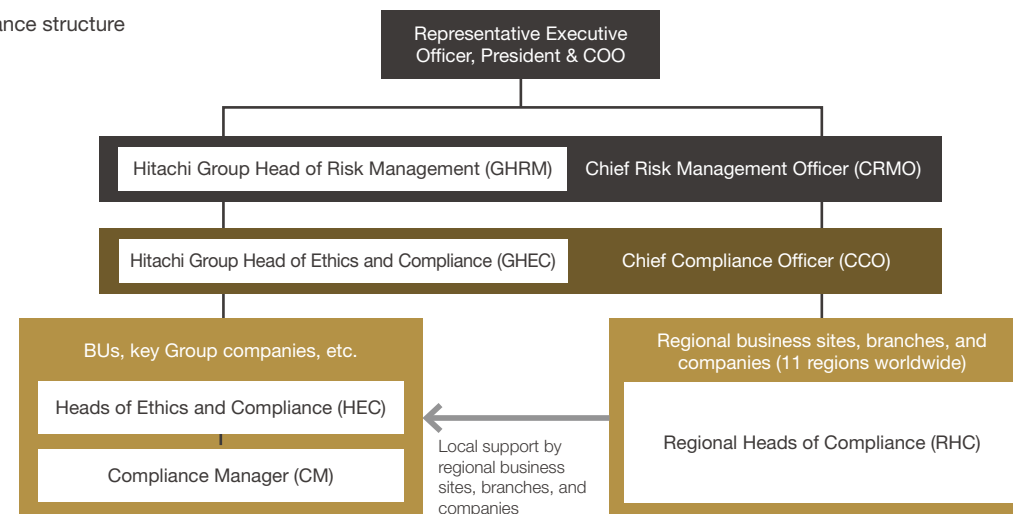
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Compliance Reporting System

System   GRI 102-17

To prevent and promptly address illegal or inappropriate activity and enhance its ability to self-regulate, Hitachi has instituted an internal reporting system, a so-called whistleblower system, allowing direct reports to be made regarding actual or suspected compliance violations including the provision of improper benefits to public officials in and outside Japan. This system can be used anonymously, not only by employees within the Hitachi Group but also by temporary staff and business partners, such as suppliers and distributors. The facts related to all reports are subject to thorough investigation and reporters are informed of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action where necessary. In fiscal 2020, we received 639 reports from all Group companies worldwide.

In addition, we have implemented the Channel to the Board of Directors system to allow all Hitachi, Ltd. employees to directly report problems anonymously or under their real names to Hitachi directors in cases where they see any illegality or extreme inappropriateness in business conduct by division heads, executive officers, or other management personnel.

Achievements in Fiscal 2020

In fiscal 2020, to further strengthen the Group's governance and compliance, we integrated internal reporting systems within the Group into a Group-wide system called the Hitachi Global Compliance Hotline. The harassment consultation service previously under the management of the human capital division and the internal reporting systems independently maintained by Group companies were integrated into the new system. However, the above-mentioned Channel to the Board of Directors was not integrated, as the systems have different purposes. The new system enhances our reporting capacity by offering a service 24 hours a day every day in multiple languages both online and by telephone. In cooperation with business units and relevant departments at Group companies, we strive to promptly investigate, respond to, and take corrective actions regarding reports received through the hotline.

Prevention of Antisocial Transactions and Money Laundering

Policy   **Structure**

To cut off all relationships with antisocial forces, in the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, 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 new as well as existing business partners and, in Japan, include 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 the Elimination of Boryokudan or the police).

In fiscal 2020, we revised our established rules, adding provisions on the prevention of money laundering in addition to the prevention of antisocial transactions with a view to clarifying Hitachi's stance of not tolerating money laundering and to strengthen concrete initiatives to prevent it.

Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a major challenge for any company today. Hitachi established the Hitachi Group Anti-Bribery and Anti-Corruption Policy along with related regulations as part of the Hitachi Group Compliance Program (HGCP). When providing or accepting entertainment or gifts, or making donations or political

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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 the monetary value and number of times for entertainment, gifts, and other arrangements to 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 also expend great effort ensuring that we are 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.

Educational Activities for Preventing Bribery and Corrupt Practices

`Employee Engagement`   GRI 205-2

To ensure awareness of rules and policies concerning prevention of bribery and corruption spelled out in the Hitachi Group Codes of Conduct, the Hitachi Group Code of Ethics and Compliance, and the Hitachi Group Compliance Program (HGCP), we have developed teaching materials and made them available in several languages for use by Group companies worldwide.

> #### Achievements in Fiscal 2020
> In fiscal 2020, we established the Hitachi Group Anti-Bribery and Anti-Corruption Policy along with related regulations, clarifying the standards and procedures for entertainment, gifts, travel, and other arrangements provided to and received from others, whether public officials or not.

Competition Law Compliance Policy

`Policy`

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and open competition. We included business standards and guidelines related to these principles in the Hitachi Group Compliance Program (HGCP), in addition to the Hitachi Group Fair Competition Policy.

Preventing Violations of Competition Law

`Activities`

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally while at the same time ensuring that we comply with the related rules, business standards, and guidelines. To enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors. We also provide a collection of case studies on competition law and other topics for workplace discussion to Group companies in three languages—Japanese, English, and Chinese—to raise employee awareness.

> #### Achievements in Fiscal 2020
> In fiscal 2020, as we reviewed our rules related to compliance, as described above, we established the Hitachi Group Fair Competition Policy, which are rules for complying with competition laws. We also clarified the involvement of compliance departments in types of conduct other than cartels (vertical relationships with customers, channel partners, suppliers, and others).

Export Controls

`Policy` `Structure`

For basic export control policies, we have adopted the Hitachi Group Codes of Conduct, which state: "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 carry out 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.

At present, 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 staff in Japanese and English. These ongoing efforts help ensure that export controls are thoroughly enforced throughout the Group.

Hitachi's Tax Compliance Approach

`Approach`   GRI 207-1/207-2/207-4

Hitachi has built a system of tax governance in order to respond to 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,

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we established tax-related rules for the purposes listed below. To ensure thorough compliance with the rules, we are striving to raise awareness of them among all employees involved in tax management (filing and paying taxes, handling tax audits, and tax risk management) and the handling of other tax 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 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 the 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 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 they are followed.

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 strengthen our risk management as well as compliance with laws and regulations by identifying and sharing indications made by the tax authorities and the tax related legal proceedings in each country. The results of our tax filings and tax audits in Japan are reported to the management, 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 in an effort to 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, 2021, we paid 188.9 billion yen[1] in corporate income tax (76% in Japan and 24% 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 2020, there were no incidents in which Hitachi was prosecuted or penalized by the authorities regarding bribery, corrupt practices, competition law or export control. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations.

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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. In this era, the maintenance of our business model will be greatly affected by how we respond to these changes as well. Hitachi understands that, in this context, it will be necessary to identify and analyze opportunities to attain sustainable growth and the risks that it must prepare for and appropriately address them.

Given the close relationship of our business with social infrastructure, we are enhancing our business continuity plans (BCPs) to ensure that the impact of risks does not disrupt our business and thereby significantly affect society.

Meanwhile, we remain actively engaged in promoting our own sustainable growth while contributing to the realization of a sustainable society by seeking out business opportunities that contribute to the resolution of global issues including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0. Also regarding climate change, which is an urgent issue worldwide, Hitachi discloses key information and strives to promote responses to climate change based on the proposals of the Task Force on Climate-related Financial Disclosure (TCFD).

Risk and Opportunity Management

What
— What we are doing —

· Understanding and responding to risks and opportunities related to investment, sustainability, etc.

· Implementing risk management to strengthen the business and ensure continuity

How
— How we are doing it —

Policy and promotion structure	Hitachi launched an Investment Strategy Committee to strengthen the quantitative risk management of its investments. The Executive Sustainability Committee deliberates on the social and environmental impact of our business activities to clarify any negative impact our business has on society and the environment and to identify issues. The company also established the new position of chief risk management officer (CRMO) in April, 2020 and has worked to better understand the risks and opportunities that may affect its business and to strengthen risk management activities.

Achievements in Fiscal 2020	
Strengthen risk management systems	Established the new position of CRMO
Understand risks and oppotunities and take appropriate action	Continued to strive systematically to identify and address risks hindering the achievement of business objectives, and for climate change, disclosed information based on the TCFD's recommendations

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Business Continuation Initiatives

What
— What we are doing —

- Strengthen procurement BCPs

- Improve the safety of employees sent to dangerous regions

How
— How we are doing it —

Policy and promotion structure	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. Also, to minimize the impact of disasters that may occur, the procurement divisions in business units and key Group companies in Japan have created procurement BCPs.

Achievements in Fiscal 2020

Earthquake drills simulating a major seismic event	Conducted drills to set up an earthquake task force on a remote-work basis
Further strengthening procurement BCPs	Hitachi Group CSR/BCP Procurement Committee provided supplier diagnostic tools to procurement divisions
Continuously improving the safety of employees sent to dangerous regions	Posted information from risk consultants internally through our intranet
	Provided medical assistance for Hitachi Group employees outside Japan

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Addressing Risks and Opportunities   GRI 102-11

Investment Risks and Opportunities

`Approach` `Structure`

The business environment is changing with each passing day, for example, as a result of rapid digitalization and changes in complex political and economic conditions worldwide. Hitachi monitors and analyzes the business environments, and based on factors such as social issues, management resources, and our competitive superiority, undertakes risk management from the perspective of both further growth opportunities and responding to the risks that Hitachi should prepare for, controlling risks while creating profit opportunities. Hitachi established the Investment Strategy Division in fiscal 2017 and the post of Chief Risk Management Officer (CRMO) in April 2020 to better identify the risks and opportunities that could potentially affect Hitachi's business and to strengthen risk management.

From fiscal 2017, as part of efforts to achieve a sustainable society, the Executive Sustainability Committee was established to discuss relations between Hitachi's business and social/environmental issues and to define the issues that Hitachi should target as business opportunities, the negative impact that business could have on society and the environment, and necessary countermeasures.

Investment Risks and Opportunities

`Structure`

▶ Hitachi's Risk Management

Board of Directors
Senior Executive Committee

Monitoring / Management

Implement risk management to strengthen business and ensure business continuity

Investments and lending	Social and environmental issues	Information security	Occupational health and safety	Quality Assurance	Compliance	Business Continuity Plan (BCP)	Business risks
• Enhance individual investment and business evaluation criteria • Strengthen the monitoring of large-scale M&A and other projects	Ascertaining and responding to risks affecting society and the environment, including climate change and human rights	• Promote information security governance* • Promote collaborative creation by fostering a security ecosystem	• Rebuild a culture of safety and establish a safe workplace • Develop countermeasures to prevent work-related accidents	Implement quality assurance activities from the perspectives of "organization and management," "technology," and "human resources" in every process—from product planning and development to design, manufacturing, delivery, and maintenance.	To improve the effectiveness and efficiency of frameworks, implement balanced measures in keeping with the level of risk and confirm/improve effectiveness based on monitoring and a central group-wide whistleblower system	• Establish and maintain BCP systems as a disaster/hazard countermeasure • Procurement BCPs • Formulate BCPs at major Hitachi facilities	• Implement systematic risk assessments and risk responses • Strengthen project management

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* Information security governance supports corporate governance by building and implementing an organization's internal control mechanisms related to information security.

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Investment Risks and Opportunities

Approach   **Structure**

GRI 102-15/102-29/102-30/102-31

To accelerate the global Social Innovation Business amid structural changes and increasing uncertainty in the world economy, it is increasingly important to understand investment risks and opportunities (e.g., M&A and orders for projects) and to take appropriate measures.

As shown in the flowchart on the right, regarding individual investment decisions (e.g., execution, business plan changes, and disposals), under the ultimate authority of the Board of Directors and depending on the scale and content of the projects, Hitachi delegates authority to the Senior Executive Committee (which, in principle, meets twice per month) and respective business units to facilitate flexible and appropriate decision-making. In addition, regarding important matters to be deliberated by the Senior Executive Committee, prior to deliberations, discussions are held with the Investment Strategy Committee[1] advisory body to confirm and review not only the perspective of economic value in terms of cash flow and the profitability of projects but also the impact on social value and environmental value. The findings, including pros and cons, are reported to Senior Executive Committee members, including the President.

After making an investment, Hitachi regularly monitors the business objectives and achievement status of the project, considering changes in the external environment. In principle, each business unit ensures flexibility, but the Headquarters is also involved depending on the level of importance. Also, regarding changes in business plans and the disposal or reorganization of important investment targets, discussions are held by the Senior Executive Committee as in the execution stage. For investment targets of which business is not progressing as planned, Hitachi established a framework

to deliberate on the pros and cons of continuing business, including withdrawal, to improve capital efficiency.

⊙ Investment Execution Flowchart
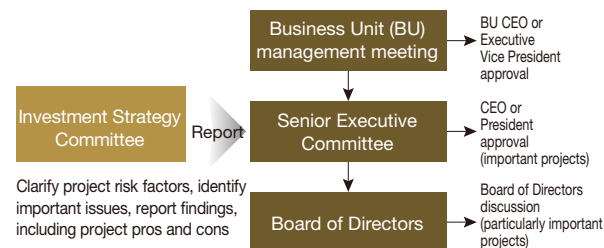
⊙ Post-Investment Flowchart
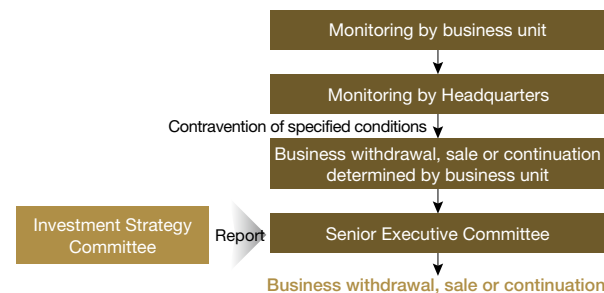
Through the above process, Hitachi will further strengthen asset profitability and risk tolerance while ascertaining risks before and after investments are made.

Quantitative Understanding of Risks

Activities

GRI 102-15

Hitachi calculates the maximum risk (Value at Risk) assumed by statistical methods according to the type of assets held on the Group's consolidated balance sheet.

Considering total consolidated net assets and other factors, we visualize the surplus capacity of growth investments to monitor growth opportunities and ensure that risks are not excessively unbalanced compared to Hitachi's consolidated management strength.

In addition, by analyzing risk conditions in each region and sector and the outlook for future trends, Hitachi gains a quantitative understanding of risk concentrations in specific regions and sectors in comparison with profitability.

Responding to increasingly challenging and complex risks

Activities

GRI 102-15/201-2

Hitachi conducts business activities in a variety of industries throughout the world and therefore needs to take a multifaceted approach to managing the business risks that prevent the organization from achieving its business objectives. To systematically identify, evaluate, and manage risks, while taking into account the effects of reorganizing the business portfolio, Hitachi is rebuilding group-wide risk management frameworks and putting in place more systematic processes, using global standard practices at Hitachi ABB Power Grids as a reference. By further enhancing risk management, we will strengthen our capability of responding to different risks in each business and at the same time gain a comprehensive and integrated understanding of those risks and put in place

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measures in advance to better achieve the organization's goals.

Following is an outline of the main risks and opportunities. This list assumes that the content was reasonable at the time this report was issued.

↗ Annual Securities Report (The 152nd Business Term).

▶ Major Risks and Opportunities

Major risk factors	Details on risks and opportunities	Company actions
Market risks (Changes in exchange rates, capital procurement interest, and stock prices)	**Risks** • Decline in sales of products and services in yen, and increased costs of raw material and parts purchasing • Revaluation loss due to decline in value of inventory assets • Increasing capital procurement costs • Changes in fair value due to declining value of stockholdings	• Hedging exchange rate/interest fluctuation risks • Promoting local production/local consumption strategies for products and services • Sell-off of cross-shareholdings ↗ Hitachi Integrated Report 2021 (P73)
Geopolitical risks	**Risks** • Effects on business from political, economic, and social trends in countries and regions worldwide	• Regularly monitor global political and economic conditions, analyze effects on business, and implement Group-wide responses
Raw material / parts procurement	**Risks** • Raw material shortages and manufacturing cost increases resulting from fluctuations in prices/supply and demand • Negative effects on production activities • Damage to reputation caused by violations of laws and regulations, e.g., human rights violations by suppliers	• Build close relationships with multiple suppliers • Use and strengthen Group-wide procurement functions • Create business continuity plans (BCPs) to strengthen responses to risks of business stoppages • Have suppliers conduct self-inspections and audits and promote understanding to prevent violations of laws and regulations
Intensifying competition and rapid technology innovations	**Risks** • Reduced competitiveness due to commoditization and cost reductions in cutting-edge products, systems, and services • Reduced competitiveness when cutting-edge technologies are not developed or applied in products and services on schedule **Opportunities** • Secure growth opportunities by developing innovative technologies	• Expand digital solutions using Lumada • Increase added value of products and services through co-creation with customers • Create value through open innovations and the formation of ecosystems • Form innovation ecosystems
M&As and receipt of orders for large projects	**Risks** • Increased integration costs from M&As and loss of intangible assets including goodwill • Increased costs on large-scale projects **Opportunities** • Build growth platforms by securing new management resources	• Conduct analyses and discussions from various perspectives at meetings of the Investment Strategy Committee, Senior Executive Committee, Board of Directors, and Auditing Committee, e.g., regarding trends in markets, competitors, and technologies, as well as strategies, acquisition prices, PMI processes, and potential risks • Monitor investment results • Manage project risks, including phase gate management by business units

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Major risk factors	Details on risks and opportunities	Company actions
Secure talent	**Risks** • Loss of growth opportunities due to intensifying competition in recruiting and securing outstanding talent in the digital field **Opportunities** • Strengthen competitiveness by securing and fostering outstanding talent	• Expand direct hiring of digital talent • Build comfortable work environments for diverse talent • Create common HR systems worldwide • Use learning management systems and implement in-house training programs that are common throughout the Group worldwide
Occupational Health and Safety	**Risks** • Deterioration in work efficiency and loss of trust due to inability to put in place work environments where employees can work safely and with peace of mind	• At Safety Strategy Promotion Meetings, create plans and targets and continuously review the status of improvements • Support improvement activities at overseas sites and other workplaces where major accidents and incidents have arisen • Establish contact points for remote consultations with occupational physicians
Compliance	**Risks** • Loss of trust, limitations on business activities and increases in related costs due to behaviors that deviate from international ethics and codes of conduct in relation to bribery, competition laws, export management, and taxation	• Strengthen structures for promoting activities based on the Hitachi Group's Code of Conduct and the Hitachi Group Compliance Program (HGCP), and implement these structures worldwide • Integrate, unify, and enhance internal reporting systems throughout the entire Group
Product quality and responsibility	**Risks** • Indemnity liability and loss of sales capabilities due to declining quality and defects resulting from increasingly complex and advanced products and services and diversification of suppliers	• Strengthen QA structures • Implement accident prevention activities • Ensure compliance with technology laws and regulations • Ensure thorough quality risk assessments • Provide training in responses in the event of incidents involving quality, trust, and product-related accidents
Climate change, large-scale disasters, infections (COVID-19)	**Risks** • Delays or suspension in business activities ranging from production to shipment and sales • Decline in product/service demand and confusion in supply chains • Increasingly serious natural disasters resulting from climatechange **Opportunities** • Increasing demand for solutions aimed at reducing risks	• Activities targeting carbon neutrality in "Hitachi Environmental Innovation 2050" long-term environmental goals • Analyze risks and opportunities based on climate change scenarios, and respond based on results • Expand environment-related business • Create BCPs to strengthen responses to risks of business stoppages • Create and implement effective infection countermeasures
Information security	**Risks** • Interruption of operations or information leaks resulting from cyberattacks • Information leaks resulting from expansion of remote working **Opportunities** • Increase profit opportunities resulting from increased demand for security measures	• Build cyber monitoring environments that incorporate the latest technologies • Implement information security training, and ensure thorough auditing and inspections • Confirm and audit the status of information security among suppliers • Strengthen development of technologies and products suited to digital environments

Business Continuation Initiatives

Hitachi's Thinking on BCPs

Approach **Structure**

Given the close relationship of our business to social infrastructure, we are enhancing our business continuity plans (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 2020, 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 overseas Group companies prepared BCPs to strengthen their ability to respond to business risks including major disasters, infectious diseases, political instability, social disruption, and acts of terrorism.

BCP Initiatives in Japan
- Creating BCPs for major earthquakes, wind and flood damage, as well as novel strains of influenza as appropriate to each business operation (from fiscal 2011)
- Conducted earthquake drills simulating a major seismic event (annually)
- Conducted initial response drills simulating a major earthquake in the suburbs of Tokyo (fiscal 2018)
- Developed action plans including setting up substitute headquarters in the Kansai region in case our Tokyo headquarters temporarily cease to function (fiscal 2017) and conducted drills to set up the substitute headquarters (fiscal 2019)
- Conducted 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 (fiscal 2019)
- Conducted drills to set up an earthquake task force on a remote-work basis on the assumption that all work is conducted remotely (fiscal 2020)

Responding to COVID-19

A COVID-19 task force led by the president of Hitachi, Ltd. was established at Group headquarters to provide instructions on preventive measures to Group companies worldwide. 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.

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Procurement BCPs Initiatives

`Approach` `Activities`

Our procurement divisions are also working to enhance BCPs across Group companies worldwide so that the occurrence of incidents does not disrupt business and have a significant impact on society.

For example, 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 substitute products.

We held desktop exercises to see whether or not procurement BCPs would be effective against earthquakes and to make further improvements held group discussions about what should be done during and after such disasters.

We collaborate on these activities with procurement divisions in business units and key Group companies outside Japan as well as reviewing and sharing strategies in an effort to enhance procurement BCPs throughout the Group worldwide.

Achievements in Fiscal 2020

In fiscal 2020, all major Group business sites in Japan with production lines (147 sites in total) took steps to strengthen the procurement BCPs. In January 2020, we introduced the Procurement BCPs Management System for our business partners in Japan to efficiently share information among Hitachi Group companies during disasters.

In fiscal 2020, the Hitachi Group CSR/BCP Procurement Committee, which includes members from business units and key Group companies, provided a supplier diagnostic tool to procurement divisions in an effort to support suppliers' BCP initiatives.

Improving Safety for Employees Sent to Dangerous Regions

`System`

The president of Hitachi, Ltd. strengthened our policy of ensuring the safety of employees sent to countries and areas at high risk of conflicts, terrorism, and other threats. On-site surveys are also conducted by in-house and outside experts beforehand. After employees are dispatched, we conduct additional local surveys every six months to confirm the effectiveness of our safety policies.

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 and take part in public-private exercises to counter terrorism and kidnapping.

Achievements in Fiscal 2020

In fiscal 2020, with demonstrations occurring around the world and also the COVID-19 pandemic, we endeavored to ensure the safety of our employees working around the globe with a range of safety measures. These included the timely provision of information to employees by alerts we issued and information from outside risk consultants posted on our intranet. In addition, we employed an outside specialist to provide medical assistance to Hitachi Group employees outside Japan.

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Information Management 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 developing its Social Innovation Business, has highlighted the vital importance of information security governance as a key management issue and is working to address it.

With the arrival of the digital age due to advances in IT and the globalization of socioeconomic activity, privacy risks have also increased. Data associated with individuals, including location information and purchase history, has come to be known collectively as "personal data." The use of personal data can be expected to create value going forward, but protecting this data and showing due consideration for privacy is essential.

Information Security

What
— What we are doing —

· Disseminating information security policies
· Strengthening information management
· Preventing information leaks
· Providing education programs on information security
· Conducting thorough information security audits and inspections
· Personal information protection
· Managing customer information

How
— How we are doing it —

Policy and promotion structure	Hitachi has established Information Security Policies that foster cybersecurity risk management. The Information Security Committee is chaired by the chief information security officer (CISO) who has the responsibility and authority for the implementation and operation of Hitachi's information security and personal information protection systems. The committee determines relevant policies and measures, while the information security heads at each Hitachi business unit (BU) and Group company promote workplace awareness and oversee measure implementation.

	Achievements in Fiscal 2020
Strengthen information management	In addition to ISO/IEC27001, which is an international standard, we are promoting compliance with the U.S. government standard SP800-171 in our Global Information Security Management Regulations to strengthen information security governance globally.
	Built a cyber monitoring environment that continually adopts the latest technology to defend against increasingly sophisticated cyberattacks
Provide education programs on information security	Held e-learning programs on information security and personal information protection (participating employees: around 40,000)
Conduct thorough information security audits and inspections	Conducted Information security and personal information protection audits at all Group companies and business units (annual)
	Conducted audits of 153 Hitachi Group companies in Japan including Hitachi, Ltd. in the same manner as at Hitachi, Ltd. and Hitachi, Ltd. confirmed all results
Personal information leaks	Personal information leaks: 0
Privacy protection initiatives by Hitachi's IT Sector	· Published opinion surveys on use of consumer data in big data businesses · Hitachi initiatives were included in the *Guidebook on Corporate Governance for Privacy in Digital Transformation (DX) ver.1.1* released by Japan's Ministry of Internal Affairs and Communications and Ministry of Economy, Trade, and Industry.

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Information Security

Information Security Policies

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. The Japan Business Federation's Declaration of Cyber Security Management also places emphasis on cyber security measures as a critical management challenge from the aspects of both value creation and risk management. Hitachi approaches the issue of information security governance based on the same philosophy.

At the same time, as a global company, we regard cyber security risk as one of our management risks. Accordingly, to enable us to declare both internally and externally Group policies for addressing this risk, we have formulated Information Security Policies 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 28 divisions of 23 Group companies.*1

*1 As of March 31, 2021.

Information Security Policies

1. Formulation and continuous improvement of information security management regulations
2. Protection and continuous management of information assets
3. Strict observance of laws and standards
4. Education and training
5. Incident prevention and management
6. Assurance of fair business practices 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. As a general principle, heads of business units and divisions serve as information security officers. They also establish information security promotion departments, 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

President & COO

Information Security Chief Auditor

Chief Information Security Officer

Information Security Committee
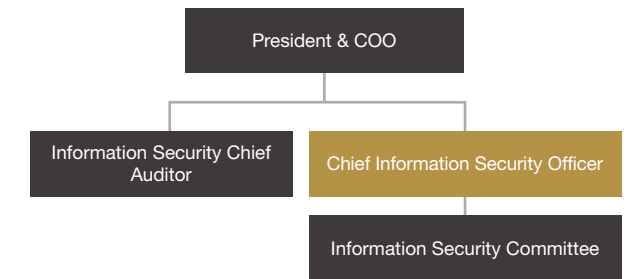
Information Security Management

Structure

Hitachi establishes its Global Information Security Administration Rules which conform to the international ISO/IEC 27001 standard and follows NIST Special Publication 800-171 (National Institute of Standards and Technology of the Department of Commerce in the United States) to reinforce its information security. These rules are globally distributed by the headquarters of 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 companies ensure that these decisions

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are implemented in the workplace.

Details of our information security initiatives are contained in our Information Security Report.

> ### Achievements in and after Fiscal 2020
>
> As Hitachi promotes new workstyles based on telecommuting, the vulnerability posed by employees' security awareness becomes a risk. Given this threat, we are working to raise security awareness among our employees with an employee-centered approach alongside IT-based security measures.

Security Monitoring

In Hitachi, the Security Operation Center (SOC) monitors security on a round-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.

Every year, cyberattacks become more sophisticated with damage tending to increase as attacks slip past conventional detection and go undiscovered for longer periods. To counter this risk, in fiscal 2020 we began building a cyber monitoring environment that always uses 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

Structure

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 suppliers, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We also provide tools to suppliers for security education and for checking business information on computers. In addition, we require suppliers 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.

Education on Information Security

Employee Engagement

Hitachi holds annual e-learning programs on information security and personal information protection for all executive officers and employees. More than 40,000 employees at Hitachi, Ltd. participate in these programs, and the participation rate has reached almost 100%. We offer a variety of courses that have different goals and are tailored to different target audiences, including new employees, new managers, and information system administrators. We 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. shared within the Group provide Group-wide education on information security and personal information protection.

Thorough Information Security Audits and Inspections

Activities

The Hitachi Group has developed its approach to security based on the "Plan-Do-Check-Act" (PDCA) cycle for its information security management system. We conduct annual information security and personal information protection audits at all Group companies and business units.

The president of Hitachi, Ltd. appoints officers to conduct independent audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing.

There are 153 Hitachi Group companies in Japan, including Hitachi, Ltd., that conduct audits in the same way as Hitachi, Ltd., and all results are subject to confirmation. For Hitachi Group companies outside Japan, we use a common global self-check approach to ensure Group-wide auditing and inspections. All business units conduct Confirmation of Personal Information Protection and Information Security Management annually as self inspections. We conduct monthly Confirmation of Personal Information Protection Management at 733 operations (as of March 2021) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.

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Personal Information Protection

Personal Information Protection Policy

Structure

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.

A personal information protection management system based on the policy has also been established. Through the rollout of the system, as well as the safe handling of personal information, programs for all employees, and periodic audits we are ensuring protection of personal information.

🔗 Personal Information Protection Policy

PrivacyMark*[1] Certification

Activities   GRI 418-1

Hitachi, Ltd. has received PrivacyMark certification. The entire Hitachi Group is committed to personal information protection with 39 Hitachi Group companies having received the PrivacyMark as of March 31, 2021.

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 the expectations of society at large.

There were no cases of personal information leakage

during fiscal 2020.

*[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.

Responding to Personal Data Protection Laws Around the World

System

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 pays close attention to relevant laws and legislation on a global basis including the European General Data Protection Regulation (GDPR) and makes efforts to comply with them across the Group. We also monitor relevant legislation and social trends and take action when necessary.

Management Framework for Customer Information

Structure

Hitachi has deployed customer relations management (CRM) systems at approximately 200 Group companies, which allow us to collect and accurately manage customer and transaction information, in addition to using it as a marketing tool. This covers more than 80% of the orders received across the whole Group with the database enabling

us to formulate more effective sales strategies and offer collaborative solutions by multiple businesses.

Privacy Protection Initiatives by Hitachi's IT Sector

Approach   **Activities**

We are taking proactive steps to protect privacy to ensure that personal data is used safely and securely. In our IT sector, which leads our digital business, we have assigned a personal data manager responsible for privacy protection 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. In fiscal 2020, the number of cases where personal data was handled increased because of our measures against COVID-19. The committee has issued guidance on privacy protection items of this sort and is putting measures in place based on this guidance.

Furthermore, we regularly conduct consumer opinion surveys on the use of consumer data in big data businesses. The 2020 survey revealed trends thought to be attributable to the current social climate such as expectations for measures using personal data to help counter the spread of COVID-19. Initiatives to regularly survey consumer opinions and then use this information to assess and improve measures are

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regarded as important and are taken up as examples in the *Guidebook on Corporate Governance for Privacy in Digital Transformation (DX) ver.1.1* published by Japan's Ministry of Internal Affairs and Communications (MIC) and the Ministry of Economy, Trade, and Industry.

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/ Governance Data GRI 405-1

Corporate Governance

Leadership Demographics

	Unit	Gender			Nationality	
		Total	Male	Female	Japanese	Non-Japanese
Directors[1]	People	**13**[2]	11	2	7	6
Executive officers[1]		**32**	31	1	28	4
Executive officers and corporate officers[1][3]		**69**	62	7	61	8
Ratios of female and non-Japanese executive officers and corporate officers ✓	%			(10.1%)		(11.6%)

[1] As of June 2021
[2] Including 10 independent directors (four from Japan and six from outside Japan)
[3] Including fellows

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Compliance

Compliance Reporting System

Compliance Reporting System

	Reporting Boundary	Unit	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of compliance reports*1	Hitachi Group	Cases	—	—	—	459	639

*1 Disclosures began in fiscal 2019.

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Assurance

❯ Independent Assurance

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/ Independent Assurance GRI 102-56

To enhance the reliability of the data disclosed in the Hitachi Sustainability Report 2021, we have received independent assurance of key environmental and social 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

KPMG

Independent Assurance Report

To the President and COO of Hitachi, Ltd.

We were engaged by Hitachi, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ⊗ (the "Indicators") for the period from April 1, 2020 to March 31, 2021 (or as of June 30, 2021 for the Ratio of Female and Non-Japanese Executive and Corporate Officers) included in its Hitachi Sustainability Report 2021 (the "Report") for the fiscal year ended March 31, 2021.

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 Hitachi, Ltd.'s Mito Works 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.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 17, 2021