

Hitachi Sustainability Report 2020
Fiscal 2019 Results



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Editorial Policy

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Basic Concept

The *Hitachi Sustainability Report 2020* presents our stance toward environmental (E), social (S), and governance (G) issues, and details the activities we undertook in relation to these in fiscal 2019.

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 (SASB)'s 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 Disclosure (TCFD).

What This Report Covers (Boundary of Reporting)

Period:	The main period covered is fiscal 2019 (April 1, 2019, to March 31, 2020) Note: Some information on activities in April 2020 and after is also included.
Companies:	Hitachi, Ltd. and its consolidated subsidiaries
Boundary of Data:	Financial data: 1,224 companies, namely Hitachi, Ltd. and 1,223 consolidated subsidiaries and equity-method associates and joint ventures Social data: Boundary of data indicated under each indicator Environmental data: 815 companies, namely Hitachi, Ltd. and 814 consolidated subsidiaries. However, for environmental performance data associated with Hitachi's business operations, Hitachi, Ltd. and consolidated subsidiaries whose environmental load comprises 90% of the total (based on Hitachi calculations) are included.
Reporting Cycle:	Published every year as an annual report
Date Published:	November 2020 (Previous report: October 2019)

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 2019.

[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.

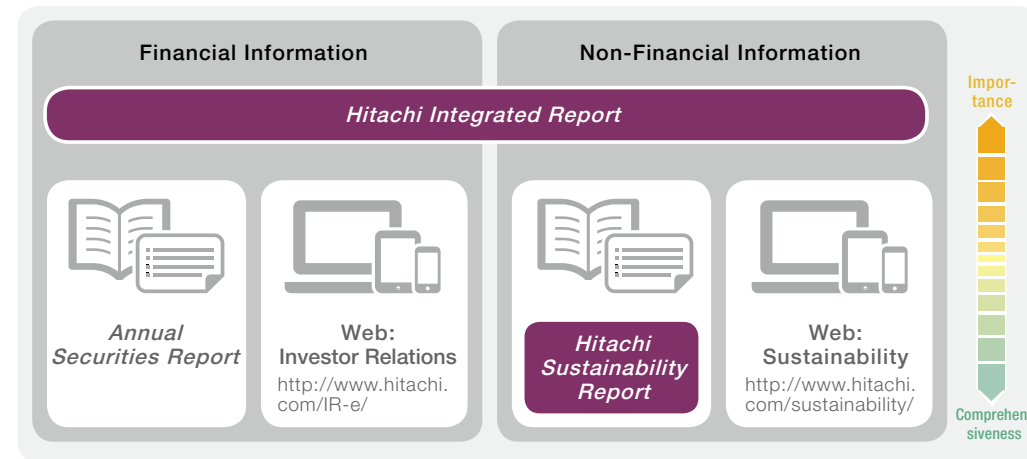
Hitachi and the Hitachi Group: Information on or initiatives of all Group companies

[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.



Independent Assurance

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 International Standard on Assurance Engagement (ISAE) 3000 and ISAE 3410.

Use the category tabs, navigation icons, and link buttons to go directly to different sections of this report.

▶ Link Buttons

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- Click to go to corresponding page

▶ Navigation Icons

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- Go to the beginning of the corresponding section

Hitachi Group Profile

Company Profile (as of March 31, 2020)

Corporate name	Hitachi, Ltd.
Incorporated	February 1, 1920 (founded in 1910)
Head office	1-6-6 Marunouchi, Chiyoda-ku, Tokyo, Japan
Representative	Toshiaki Higashihara, President and CEO
Capital	458.79 billion yen
Number of employees	31,442 (unconsolidated basis) 301,056 (consolidated basis)
Number of consolidated subsidiaries (including variable interest entities)	814 (Japan: 173, outside Japan: 641)
Number of equity-method associates and joint ventures	409

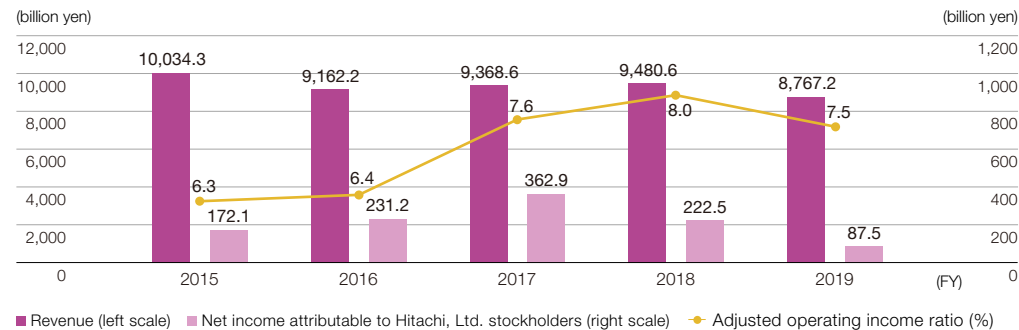
Consolidated Financial Highlights for Fiscal 2019, Based on the International Financial Reporting Standards (IFRS)

102-7 | 201-1

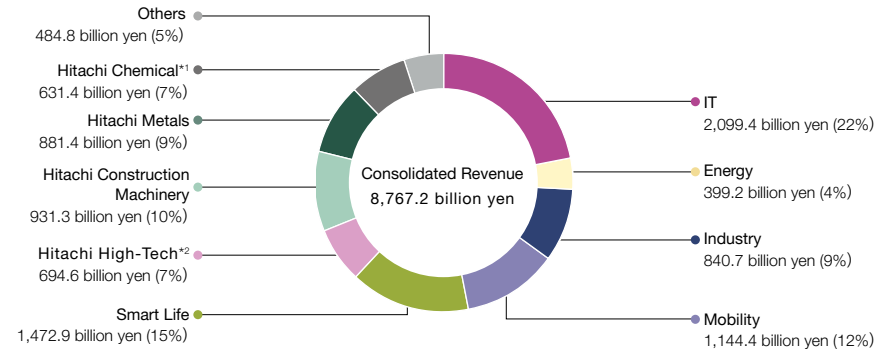
Revenue	8,767.2 billion yen (down 8%, year on year)
Adjusted operating income	7.5% (down 0.5 percentage points)
EBIT*1	183.6 billion yen (down 64%)
Net income attributable to Hitachi, Ltd. stockholders	87.5 billion yen (down 61%)
ROIC*2	9.4% (up 0.9 percentage points)
Capital expenditure	399.6 billion yen (down 4%)
R&D expenditure	293.7 billion yen (down 9%)

*1 EBIT: Income from continuing operations before income tax, less interest income, plus interest charges.
 *2 ROIC: Return on invested capital. Calculated as follows: $ROIC = (NOPAT + \text{Equity method gain/loss}) \div \text{Invested capital} \times 100$. NOPAT (Net operating profit after tax) = Adjusted operating income \times (1 - Tax burden). Invested capital = Interest-bearing debts + Capital.
 Note: Hitachi's consolidated financial statement is prepared based on the International Financial Reporting Standards (IFRS).

Revenue, Adjusted Operating Income Ratio, and Net Income



Revenue and Share by Segment (Consolidated for fiscal 2019, based on IFRS)

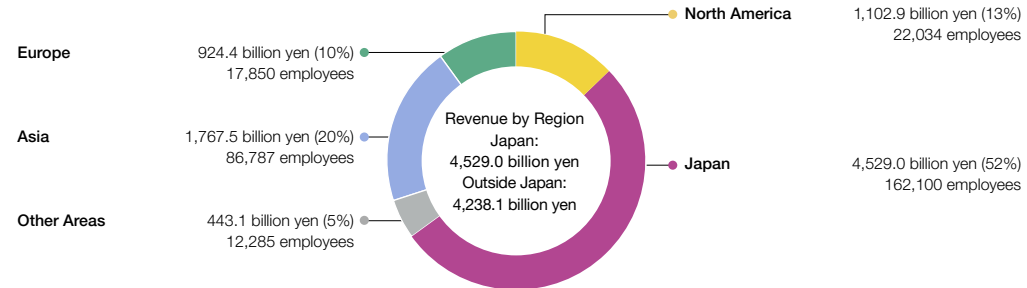


Note: Revenue by segment includes intersegment transactions.

*1 Deconsolidated in April 2020.

*2 Became a wholly-owned subsidiary in May 2020.

Revenue and Share by Region (Consolidated for fiscal 2019, based on IFRS)



Key Business Segments

102-2	102-6	102-10	203-1
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■ IT

[Main Products and Services]

Systems integration, consulting, control systems, cloud services, software, IT products (storage, servers), ATMs

[Consolidated Subsidiaries]

Hitachi Information & Telecommunication Engineering, Ltd., Hitachi-Omron Terminal Solutions, Corp., Hitachi Solutions, Ltd., Hitachi Systems, Ltd., Hitachi Computer Products (America), Inc., Hitachi Global Digital Holdings Corporation, Hitachi Payment Services Private Limited, Hitachi Vantara LLC

■ Energy

[Main Products and Services]

Energy solutions (nuclear, renewable energy, thermal, power grids)

[Consolidated Subsidiaries]

Hitachi-GE Nuclear Energy, Ltd., Hitachi Plant Construction, Ltd., Hitachi Power Solutions Co., Ltd.

■ Industry

[Main Products and Services]

Industrial systems, water and environmental systems, industrial machinery

[Consolidated Subsidiaries]

Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Industrial Products, Ltd., Hitachi Industry & Control Solutions, Ltd., Hitachi Plant Services Co., Ltd., JR Technology Group, LLC, Sullair US Purchaser, Inc.

Note: Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.

■ Mobility

[Main Products and Services]

Elevators, escalators, railway systems

[Consolidated Subsidiaries]

Hitachi Building Systems Co., Ltd., Hitachi Elevator (China) Co., Ltd., Hitachi Rail Europe, Ltd.

■ Smart Life

[Main Products and Services]

Media electronics, Smart Life & Ecofriendly systems (refrigerators, washing machines, room air conditioners, air-conditioning equipment), automotive systems (powertrain systems, chassis systems, advanced driver assistance systems)

[Consolidated Subsidiaries]

Hitachi Automotive Systems, Ltd., Hitachi Global Life Solutions, Inc., Hitachi Automotive Systems Americas, Inc., Hitachi Consumer Products (Thailand), Ltd.

■ Hitachi High-Tech

[Main Products and Services]

Medical and life science products, analytical equipment, semiconductor processing equipment, manufacturing and inspection equipment, advanced industrial products

Note: Hitachi High-Tech Corporation became a wholly-owned subsidiary of Hitachi, Ltd. on May 20, 2020. As a result, the Hitachi High-Tech segment was merged into the Smart Life segment.

■ Hitachi Construction Machinery

[Main Products and Services]

Hydraulic excavators, wheel loaders, mining machinery, 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

■ Hitachi Chemical

[Main Products and Services]

Functional materials (electronics materials, printed wiring boards materials, electronics components), advanced components and systems (mobility components, energy storage devices, life science-related products)

Note: Hitachi Chemical Company, Ltd. ceased to be an affiliate of Hitachi, Ltd. through a share transfer on April 20, 2020. As a result, the Hitachi Chemical segment was abolished.

■ Others

[Main Products and Services]

Optical disk drives, property management

[Consolidated Subsidiaries]

Hitachi-LG Data Storage, Inc., Hitachi Life, Ltd., Hitachi Urban Investment, Ltd.,*1 Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China) Ltd., Hitachi Europe Ltd., Hitachi India Pvt. Ltd.*2

*1 Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.

*2 Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising companies for the Americas, Asia, China, Europe and India respectively, and sell the Hitachi Group's products.

Note: Consolidated subsidiaries are listed as of March 31, 2020.

Management

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CEO's Message

102-14

Meeting Society's Challenges Through the Social Innovation Business with an Open, Vigorous Mind, Considering the Needs and Feelings of Others

As COVID-19 cases continue to rise around the world, my thoughts go out to all those who have suffered from its symptoms and those who have lost loved ones. I also wish to applaud the courage and dedication of medical professionals and other essential workers who have put their own lives at risk to be of service to others.

We at Hitachi are committed to prioritizing the health and safety of all our stakeholders, including our customers, partners, and employees and their families. Our operations have been sustained by employees who are encouraged to work from home whenever possible to prevent the spread of infection. We are now seeking ways to adapt to the "new normal" by transitioning to shifts based on remote work for a wide range of job categories and promoting workstyles that are aligned with employees' type of work and role. One unique initiative to promote employee communication has been an experiment enabling closer online contact using an application that measures happiness levels. Our support measures for COVID-19 to date include provision of free medical equipment and supplies, donations by executives and employees, loans through nonprofit organizations, and support for infectious diseases research. Hitachi will continue to direct its resources to tackling the global challenge of COVID-19.

The 2021 Mid-term Management Plan announced in fiscal 2019 outlines Hitachi's strategy for achieving a sustainable world as a global leader in the Social Innovation Business through improvements in social, environmental, and economic value as well as contributions to people's quality of life and enhanced customer value. COVID-19 has highlighted the challenges confronting society and Hitachi, but the goals we have set out in the management plan remain unchanged. As employees shift increasingly to remote work and the digitalization of our economy accelerates through contactless technologies and automated production, we will contribute to addressing society's challenges through our Social Innovation Business.

Our most prized source of problem-solving prowess is the mindset of our employees. This was the impetus for holding a "Make a Difference!" idea contest, where employees were challenged to devise new ways of responding to the crisis caused by COVID-19 and thereby deepen their awareness of their links with society and its values. Some of the proposals have already been implemented, and others will follow. In advancing our business in these uncertain times, we will actively engage with our employees, highlighting the importance of the social, environmental, and economic value central to the Sustainable Development Goals (SDGs). As digitalization progresses, people are increasingly seeking out "sharing" rather than "ownership," leading to a new set of values built on a sharing economy. In such a society, it becomes all the more important to have a deep understanding of other people. Enhancing our resilience, then, will require each and every employee to relate to society's issues as their own, consider the needs and feelings of others, and vigorously spearhead changes in advancing the Social Innovation Business.

Of the many challenges confronting society, addressing climate change and other environmental issues is Hitachi's top priority. As the first step toward becoming a leader in creating environmental value and spearheading a decarbonized society, we announced our commitment this year to achieve carbon neutrality at Hitachi Group business sites by fiscal 2030. The knowhow we accumulate will also be offered as solutions to our customers in advancing our activities toward this goal.

Over the past 110 years since its founding, Hitachi has grown by addressing the challenges confronting society. We will continue to offer solutions to such challenges through close dialogue with our stakeholders.



Toshiaki Higashihara
President & CEO
Hitachi, Ltd.



Executive Officer's Message

102-14

Leading the Transformation Toward Sustainable Lifestyles

The many social issues that the coronavirus pandemic has brought to the fore have prompted us to rethink the ways Hitachi should help meet those challenges. We have given renewed thought to how we can be of benefit to society and what we must do to fulfill our mission. We need to do more than simply adapt to the “new normal” of living with COVID-19 but accelerate a shift to employment policies that enable our valuable human capital to achieve their full potential, such as through telecommuting and skills-based hiring, as well as by embracing diversity and inclusion. Our efforts to achieve a human-friendly Society 5.0*1 and to lead the transformation toward more sustainable lifestyles will be focused on our Social Innovation Business, aimed at enhancing social, environmental, and economic value.

We have implemented three major sustainability-related initiatives during fiscal 2019 through the first half of fiscal 2020.

The first was to step up our efforts to disclose non-financial information, holding our first ESG Briefing in fiscal 2019. After President and CEO Toshiaki Higashihara gave an overview of the course Hitachi is taking in his opening remarks, an independent director and executive officers provided details regarding our governance measures, strategy for human capital, and environmental initiatives. We will be upgrading both the quality and quantity of our ESG disclosures going forward as well as continually strengthening our initiatives in these areas.

The second was in the area of climate change. Until now our efforts have focused on achieving our long-term environmental targets called Hitachi Environmental Innovation 2050, which includes a CO₂ reduction target of 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010). To move more vigorously toward these goals, we introduced an internal carbon pricing system in fiscal 2019 and announced our aim of attaining carbon neutrality for in-house manufacturing by fiscal 2030. We are working with our customers, partners, and other stakeholders to achieve a decarbonized society.

Our third initiative has been to promote the visualization of social and environmental value. To help build a sustainable society through our Social Innovation Business, our 2021 Mid-term Management Plan calls for the enhancement of social, environmental, and economic value for our customers through solutions in five sectors, namely, IT, energy, industry, mobility, and smart life. In fiscal 2019, we reexamined our businesses to identify how they could best help achieve the SDGs. Through quantification and other means, we tried as much as possible to visualize the social and environmental value each business was generating. We also focused our efforts on ascertaining our businesses' social and environmental impact, both positive and negative. This information will allow us to offer solutions that are more sustainable and to provide even greater social, environmental, and economic value for our customers.

The 2030 timeline for achieving the SDGs is only a decade away. As the officer responsible for sustainability and government & external relations, I remain keenly aware of the importance of multi-stakeholder capitalism,*2 working closely with the governments of many countries and actively promoting dialogue with stakeholders in the social sector to achieve our goal of a decarbonized, digital society.

Adhering to our foundational Corporate Credo of contributing to society through the development of superior, original technologies and products, our 300,000 employees around the world will continue striving to build a sustainable and human-centered world as envisioned by Society 5.0.

*1 Society 5.0: A proposal for a new super-smart, human-centric society from the Japanese government. It aims to achieve both economic development and the resolution of social issues through the closer integration of cyberspace (virtual reality) and the physical universe. The moniker denotes the next stage in human evolution from the hunter-gatherer (Society 1.0), agrarian (Society 2.0), industrial (Society 3.0), and information (Society 4.0) societies.

*2 Multi-stakeholder capitalism: A concept aimed at achieving sustainable growth with the interests of many different stakeholders in mind, rather than focusing on shareholder profits.



Hitoshi Ito

Vice President and Executive Officer
Hitachi, Ltd.

Corporate Credo

Hitachi Group Identity

Approach

102-16

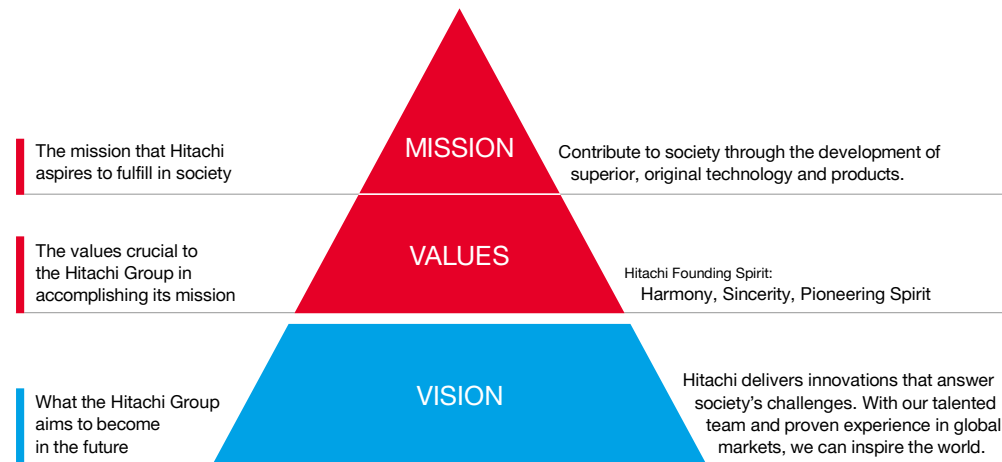
Hitachi Group Codes of Conduct ▶

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.

■ Hitachi Group Identity



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 embodies 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 recognize remarkable activities that contribute to enhancing the value of the Hitachi Brand by demonstrating the Hitachi Group Identity. In fiscal 2019, the award saw 211 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 "Making the Sea Beautiful Again! Water Infrastructure Business in Papua New Guinea" and "Using AI in Providing Smart Building Solutions in Singapore." The Grand Prix-winning projects were recognized at the Global Awards Ceremony and shared with all employees through our intranet.

"Hitachi Group Identity Movie—I am Hitachi," a movie featuring the Grand Prix-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 ▶
<http://www.hitachi.com/corporate/about/identity/index.html>

Hitachi Group Identity Movie—I am Hitachi ▶
http://www.hitachi.com/corporate/about/identity/i_am_hitachi/index.html

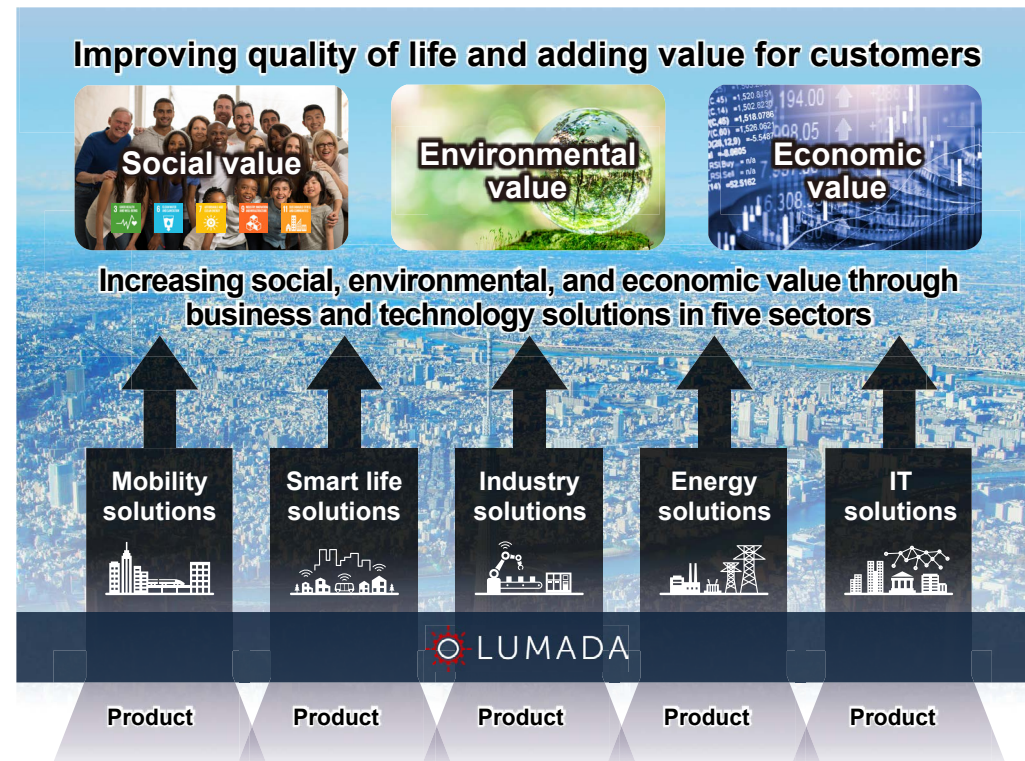


Sustainability Management

The 2021 Mid-term Management Plan and Sustainability

Hitachi practices sustainable management, placing 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 Social Innovation Business. To that end, our 2021 Mid-term Management Plan identifies five sectors where we can increase social, environmental, and economic value simultaneously as well as enhance our customers' corporate value and people's quality of life: IT, energy, industry, mobility, and smart life. Additionally, in order to increase the three

■ Enhancing Three Kinds of Value with Solutions in Five Sectors



kinds of value simultaneously, we will expand our Social Innovation Business through collaborative creation with our partners around the world by providing Lumada, a solution that accelerates digital innovation, as a cyber-physical system allowing the cyber and physical spaces to interact.

We continue to pursue the 2021 Mid-term Management Plan, further merging sustainability and business to contribute to the resolution of social issues through initiatives like Society 5.0 and Sustainability Development Goals (SDGs).

■ Solutions Contributing to Enhanced Social/Environmental Value in Five Sectors

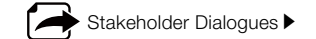
Sector	Social/Environmental Value Being Created	Relevant SDGs
IT	Contributing to India's economic development by expanding payment services to over 400 million people	11 SUSTAINABLE CITIES AND COMMUNITIES
Energy	Managing 25% of the world's substations and providing stable energy to around 1.8 billion people	7 AFFORDABLE AND CLEAN ENERGY
Industry	Providing a safe and secure water environment to 70 million users per day by providing water supply and sewerage systems	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Mobility	Providing railway services that are safe, secure, pleasant, and environmentally conscious to 18.5 billion passengers per year	11 SUSTAINABLE CITIES AND COMMUNITIES
Smart Life	Contributing to improvements in people's quality of life by performing 20 billion blood tests and other diagnostic tests per year	3 GOOD HEALTH AND WELLBEING, 11 SUSTAINABLE CITIES AND COMMUNITIES

Social Innovation Business ▶ <http://social-innovation.hitachi/en/>

2021 Mid-term Management Plan ▶ <http://www.hitachi.com/IR-e/library/presentation/webcast/190510.html>

Sustainability Strategy Promotion Structure

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Hitachi, Ltd.'s Executive Sustainability Committee comprises President and 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 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.

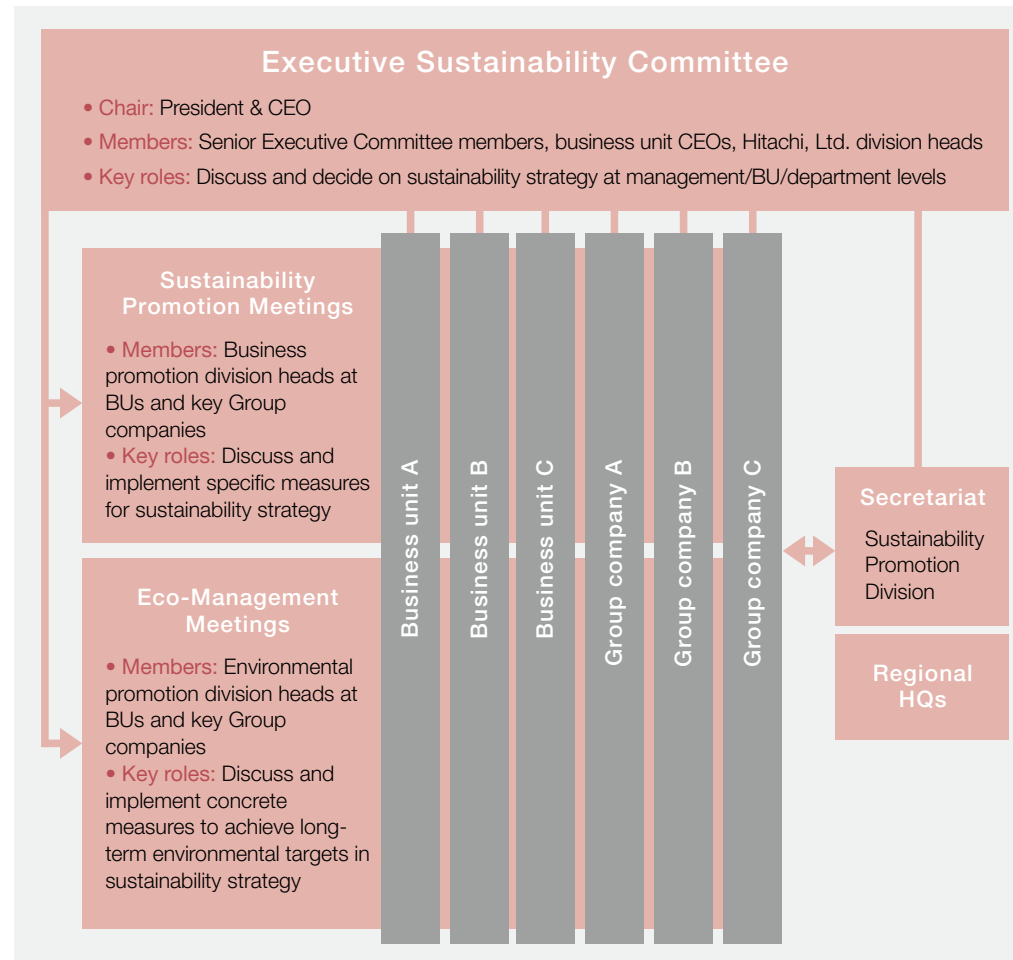
To review and discuss CSR initiatives, CSR Manager Meetings are regularly held by CSR and social contribution officers from business units and Group companies. Global and Regional CSR Meetings for the Americas, Europe, China, Southeast Asia, India, and Australia are also held regularly.

To discuss and implement specific measures to achieve long-term environmental targets, 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 directions and promote environmental initiatives.

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

We have adopted a committee system to separate the responsibilities for management oversight from the execution of business operations. Under this system, the Audit Committee conducts an audit of sustainability-related operations once a year. Reports on sustainability-related material issues are made to the committee by Hitachi executive officers.

■ Sustainability Strategy Promotion Structure



Executive Sustainability Committee Meetings

Hitachi's Executive Sustainability Committee meets twice a year to discuss and reach decisions on important policies and measures related to sustainability, share progress and results, and find ways to connect these to further improvements and new initiatives.

In fiscal 2019, the Executive Sustainability Committee held meetings in April and December. At the April meeting, in preparation for the May launch of the 2021 Mid-term Management Plan, the committee confirmed that creating social, environmental, and economic value as part of our management strategy would be pursued, and, alongside quantitative and qualitative evaluation of the social and environmental value to be created by each business, considered specific initiatives toward increasing environmental value.

At the December meeting, in order to create social, environmental, and economic value, the committee considered and made decisions on visualization and evaluation methods for social and environmental impacts as well as important policies and measures related to the environment, including our response to climate change.

Setting Key ESG-Related KPIs

As part of promoting sustainability, we have established KPIs for key ESG challenges, and promote activities to help achieve them.

In May 2020, we unveiled a new KPI: to achieve carbon neutrality in our places of business (factories and offices) by fiscal 2030.

ESG Briefing

In September 2019, we held our first ESG Briefing at which we explained our environmental strategy, human capital strategy, and governance initiatives to institutional investors, analysts, and the media. At the beginning of the briefing, President and CEO Toshiaki Higashihara explained the improvement in social, environmental, and economic value called for by the 2021 Mid-term Management Plan and clarified the direction of the entire company. Environmental and human capital strategy were explained by the executive officers responsible for these areas, while governance was explained by an independent director.

Key ESG-Related KPIs

	KPI	Result in FY 2019	Target	Relevant Page	
Environmental	Products and services Reduction rate of CO ₂ emissions per unit (base: FY 2010)	19%	FY 2021	20% or higher	P. 25
			FY 2030	50%	
			FY 2050	80%	
	Business sites (factories and offices) Reduction rate of total CO ₂ emissions (base: FY 2010)	17%	FY 2021	20% or higher	P. 25
FY 2030			100% (carbon neutral)		
FY 2050			(Maintain 100%)		
Reduction rate of water use per unit in Hitachi Group (base: FY 2010)	26%	FY 2021	26% or higher	P. 25	
		FY 2050	50%		
Reduction rate of waste and valuables generation per unit in Hitachi Group (base: FY 2010)	14%	FY 2021	12% or higher	P. 25	
		FY 2050	50%		
Social	Digital talent	30,000	FY 2021	37,000	P. 81
	Data scientists	Approx. 1,000	FY 2021	3,000	P. 81
	Top-class AI talent	306	FY 2021	350	P. 72
	Ratio of female executive and corporate officers	5.0%	FY 2020	10%	P. 84
	Ratio of non-Japanese executive and corporate officers	8.8%	FY 2020	10%	P.84
Number of female managers in Japan	700	FY 2020	800 (twice the number at the end of fiscal 2012)	P. 84	

Identifying Social Impacts with Respect to Goals to Contribute to Through Business Activities ▶

Contribution to the SDGs (Sustainable Development Goals)

The SDGs and Hitachi's Social Innovation Business

Approach

102-11

We consider the SDGs an important initiative for realizing a sustainable society and improving people's quality of life 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 strive 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 robustness against them.

Hitachi's Priority SDG Issues

Policy

At the Executive Sustainability Committee meetings chaired by President and CEO Toshiaki Higashihara, the committee members considered the 17 SDGs and the opportunities and risks they represented. After this, they identified 5 Goals where we can make a particularly significant impact through our key businesses, and 6 Goals that we can contribute to through our entire corporate activities. We view the latter 6 Goals as relevant to our entire business and management strategies, making 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 the SDGs other than 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.



Road Map for Achieving the SDGs

Goals

Activities

Developing a sustainable society as defined by the SDGs will lead to sustainable growth for Hitachi, too. 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.

Achievements in FY 2019

In fiscal 2019, we launched an initiative exploring ways to build a framework for assessing social and environmental impacts brought about by business activities, in order to make our efforts to create social and environmental value closely linked to the SDGs more appealing to our customers and society in a concrete manner—one of the goals included in the 2021 Mid-term Management Plan. Using key businesses outlined in the 2021 Mid-term Management Plan as examples, we have developed an impact evaluation methodology for social and environmental value that can be used across the entire Group, and are now working to establish an impact evaluation framework. To determine the guidelines for the methodology, a series of discussions were held at meetings of the working group made up of staff from corporate divisions of the Hitachi Group. The guidelines also reflect feedback through exchanges of opinions with stakeholders in Europe and other regions that lead in impact evaluation initiatives, as well as discussions with business units and Group companies.

Each business unit used the guidelines to assess the impacts of the social and environmental value created through business activities and develop business plans for fiscal 2020 based on the impacts. Going forward, we will further improve the guidelines so that they can also be used for exploring new business possibilities and evaluating the impact of existing businesses. This approach will enable us to grasp the positive and negative social and environmental impacts of our business activities and offer more sustainable businesses to our customers. In this way, we will realize the three kinds of value outlined in the 2021 Mid-term Management Plan.



- 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).

Identifying Social Impacts with Respect to Goals to Contribute to Through Business Activities

Activities

102-47 | 103-1

In fiscal 2019 Hitachi 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 choosing their key businesses, each business unit and Group company selected the relevant items from the “List of Social and Environmental Impacts,” and sorted them by positive and negative. They then identified the stakeholders involved in each impact, and summarized them in a logic model.

This helped to visualize what kind of impacts Hitachi and its customers have on society, enabling them to maximize positive impacts while minimizing negative impacts.

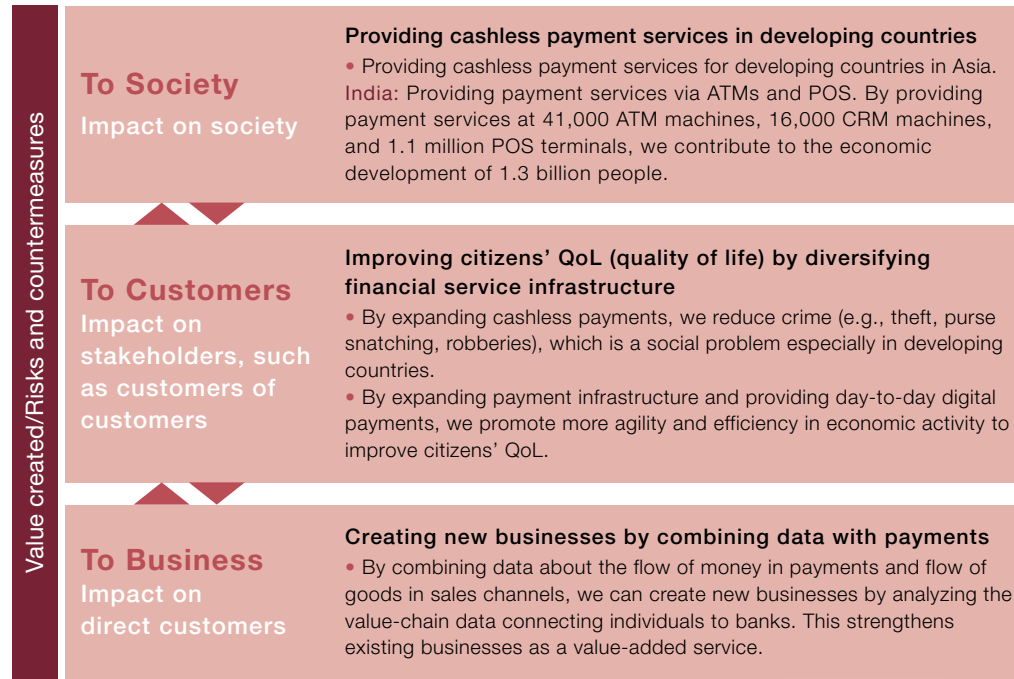
In fiscal 2020 we are promoting efforts to create social and environmental value by expanding the application of qualitative and quantitative assessment of impacts visualized using these logic models.

Identifying Social Impacts: One Example (Cashless Payment Services in Developing Countries Such as India)

Contributing to the achievement of SDGs



1.4: “By 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance”



Business creating impact

Name of key business	Business overview
Cashless payment services in developing countries such as India	<ul style="list-style-type: none"> • India: ATM and POS payment services. Acquiring business and data linkage business via JV with large national bank SBI.

Engagement and Initiatives

Stakeholder Engagement

Hitachi's Approach to Engagement

Approach

Hitachi promotes its Social Innovation Business with efforts to perceive the social issues in each country or region, followed by collaborative creation with customers, national and local governments, academic and research institutes, and other stakeholders to resolve them. We strive to enhance the

value of human capital—indispensable management resources for conducting business—and place importance on direct dialogue between employees and senior management. Partly in recognition of the growing interest in ESG investment, we are also active in dialogue with shareholders and investors.

Stakeholders	Main Roles	Main Divisions	Means of Communication	Pages
Customers	Creation of better products and services, response to complaints, appropriate disclosure of information on products and services	<ul style="list-style-type: none"> Quality Assurance Sales 	<ul style="list-style-type: none"> Customer satisfaction activities Marketing Website Advertising activities "Global Brand Campaign" (14 locations) Holding Hitachi Social Innovation Forum (4 locations) 	<ul style="list-style-type: none"> Quality and Product Safety Management pp. 106–107 Information Management pp. 141–146 Customer Satisfaction pp. 108–109
Shareholders and Investors	Timely and proper information disclosure, obtaining of fair recognition and support from capital markets, reflection of shareholder and investor viewpoints in corporate management	<ul style="list-style-type: none"> Public Relations and IR 	<ul style="list-style-type: none"> Financial results briefings (quarterly) General shareholders' meetings (annual) Hitachi IR Day event (annual), one-on-one meetings with institutional investors and analysts (about 790 meetings/year) IR tools: <i>Integrated Report</i>, business reports, etc. Information disclosure on website for stakeholders and investors 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 15–16
Suppliers	Building of fair and sound business relations, smooth information sharing toward better partnerships	<ul style="list-style-type: none"> Procurement 	<ul style="list-style-type: none"> Procurement activities CSR procurement seminars (59 companies/year) CSR monitoring (201 companies/year) CSR audits (19 companies/year) 	<ul style="list-style-type: none"> Responsible Procurement pp. 102–105 Respect for Human Rights Throughout the Value Chain pp. 97–99
Employees	Proper treatment, promotion of occupational health and safety of human capital	<ul style="list-style-type: none"> Public Relations Human Capital 	<ul style="list-style-type: none"> Intranet, in-house newsletters Training Town hall meetings between senior management and employees (president and CEO: 18 meetings/year, executive vice presidents: 28 meetings/year) Employee survey (annual) "Make a Difference!" idea contest (annual) 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 15–16 Diversity and Inclusion pp. 83–85 Occupational Health and Safety pp. 89–94 Global Human Capital Management pp. 77–79 Work-Life Management pp. 86–88 Freedom of Association and Collective Bargaining p. 95
National and Local Governments, Industrial Associations	Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> Government & External Relations 	<ul style="list-style-type: none"> Academic research for policy recommendations to international organizations and national governments, lobbying activities Policy council participation (Japan) Participation in business and industry associations (Japan) 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 15–16 Main Initiatives and Groups in Which Hitachi Is Involved p. 17 Main Groups in Which Hitachi Participates p. 19
Local Communities	Fulfillment of responsibilities as corporate citizen, involvement in local communities	<ul style="list-style-type: none"> Social Contribution All Business Divisions 	<ul style="list-style-type: none"> Contribution to local communities through business Participation in volunteer activities 	<ul style="list-style-type: none"> Social Contribution Activities pp. 111–113
Academic Associations and Research Institutions	Promotion of technological innovations, participation in industry-government-academia collaborative projects	<ul style="list-style-type: none"> Research and Development 	<ul style="list-style-type: none"> Open innovation (joint research) 	<ul style="list-style-type: none"> Innovation Management pp. 68–74
NGOs and NPOs	Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities	<ul style="list-style-type: none"> Sustainability Promotion 	<ul style="list-style-type: none"> Stakeholder dialogues (3 times/year) Dialogue through collaboration 	<ul style="list-style-type: none"> Stakeholder Engagement pp. 15–16 Social Contribution Activities pp. 111–113
Global Environment	Realization of a decarbonized society, a resource efficient society, a harmonized society with nature	<ul style="list-style-type: none"> Environment All Business Divisions 	<ul style="list-style-type: none"> Stakeholder dialogues (annual) 	<ul style="list-style-type: none"> Environmental pp. 22–66

Promoting Engagement

Structure

The outcomes of communication with stakeholders are shared with 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 in our business activities.

Stakeholder Dialogues

Activities

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

Theme	Venue	BU/Group company
Measuring impacts of the Social Innovation Business	Brussels, Belgium	Hitachi Europe
IoT 4SDGs: What Can the Digital Transformation and IoT Achieve for Agenda 2030?	Brussels, Belgium	Hitachi Corporate Office, Europe
Role of business in furthering the SDGs agenda of India: e-Education and Urban Transportation	New Delhi, India	Hitachi India







Main Initiatives and Groups in Which Hitachi Is Involved

Activities

102-11 | 102-12

Based on its Corporate Credo, which is to “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 or Group	Logo	Activities
United Nations Global Compact		Officially became a participant in 2009. Joined workshops organized by the Global Compact Network Japan on six different topics, including supply chain management, ESG, and SDGs, in fiscal 2019.
World Business Council for Sustainable Development (WBCSD)		Became a member in 1995.
Task Force on Climate-related Financial Disclosures (TCFD)		Announced its support for TCFD in 2018 and disclosed climate-related information based on the TCFD Recommendations.
Japan Climate Initiative (JCI)		Became a member in 2018.
Business for Social Responsibility (BSR)		Became a member in 2007, participating in the Human Rights Working Group (HRWG) since 2016.
Tokyo Zero-emission Innovation Bay		Participated in council, founded in 2020, as an organizer.

International Standardization Activities

Hitachi's Approach to International Standardization

Approach

To help create and expand markets as well as to accelerate our global business expansion, and to contribute to the SDGs through our Social Innovation Business, we are actively involved in developing international standards through participation in the activities of international standards-developing organizations such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). In concrete terms, we participate in international standardization activities in fields such as, in the environmental field, supporting the environmentally friendly design of electrical, electronic, and information communications systems (IEC TC 111, ISO/IEC JTC 1 SC 39, ITU-T SG5 WP2); in the clean energy field, smart energy (IEC SyC Smart Energy) and power storage systems (IEC TC 120); in manufacturing and technology, smart manufacturing (ISO/IEC JWG 21, IEC SyC SM) and electronics assembly (IEC TC 91); and, in health and safety, water and sewage services (ISO TC 224) and biotechnology (ISO TC 276). Additionally, by contributing to international standardization efforts by 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.

Structure for Promoting International Standardization Activities

Structure

As part of its efforts toward international standardization activities, Hitachi commits employees to serve in key positions such as technical committee chairperson and secretary at international standardization organizations like the IEC and ISO. Additionally, the Hitachi Group Standardization Committee was established to coordinate the efforts of all Hitachi Group companies toward international standardization. The Steering Committee*1 of this body determines priority themes and promotes standardization activities by establishing working groups for each theme.

*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.

Achievements in FY 2019

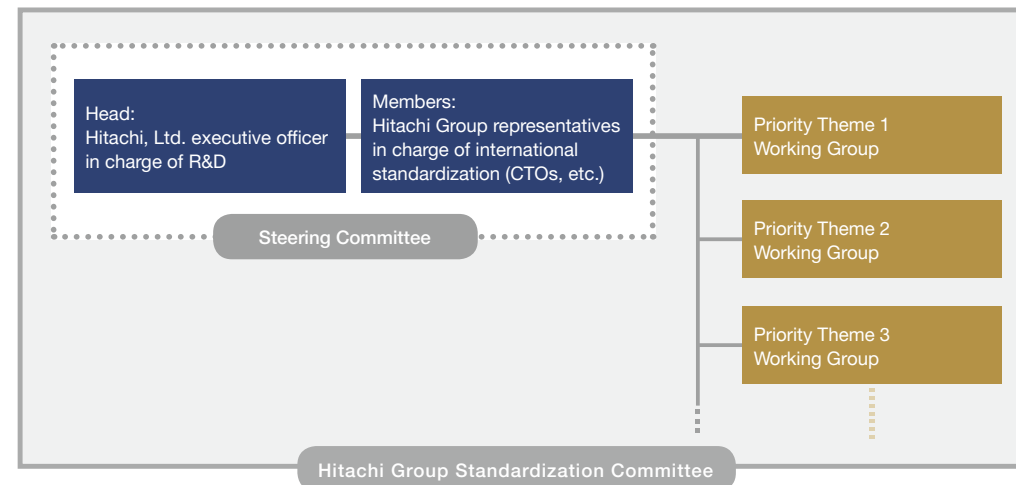
In fiscal 2019, we selected Society 5.0 as one priority theme. In concert with our global stakeholders, we actively participated in international standardization activities which will contribute to Society 5.0's realization.

External Assessment of Hitachi's International Standardization Activities

Activities

Hitachi's international standardization work is well regarded. In fiscal 2019, we were honored by such bodies as the IEC, the IEC Activities Promotion Committee of Japan, the Japan Electronics and Information Technology Industries Association (JEITA), and the Telecommunication Technology Committee (TTC).

Hitachi Group Standardization Committee



Main Groups in Which Hitachi Participates

Approach

102-13

Hitachi's Social Innovation Business is particularly intertwined with the public interest. As part of developing that 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 Group also works with the Hitachi Corporate Office in Washington DC; the Hitachi Corporate Office, Europe; and other business locations in the Americas, Europe, the Middle East,

Africa, and the Asia-Pacific region and Japan. Dealing with governments and organizations as a unified Group lets us not only seek mutual benefit with local communities but also explore new business opportunities for Hitachi within each country's unique social issues and policies.

In Japan, we are increasingly asked for proposals by the Japanese government. By making requests directly as well as proposing solutions through economic organizations and industrial bodies, we help build a better society.

Participation in Government Councils by Hitachi Executives

Council	Participant	Activities
Council on Investments for the Future (Cabinet Secretariat)	Executive Chairman Hiroaki Nakanishi as a private sector expert	<ul style="list-style-type: none"> • Making proposals in areas including the use of data, open innovation, and development of human capital to realize "Society 5.0," Japan's growth strategy
Committee for the Formulation of New Strategies Related to Deploying Infrastructure Outside Japan (Cabinet Secretariat)	President and CEO Toshiaki Higashihara as a private sector member	<ul style="list-style-type: none"> • Making proposals on new infrastructure development measures that assume business models using digital technologies and co-creation with local partners
Industrial Structure Council/Trade Committee (METI)	President and CEO Toshiaki Higashihara as a council/committee member	<ul style="list-style-type: none"> • Making proposals on using data to realize a human-centric society, as envisaged for Society 5.0, from the commerce and trade perspective

Participation in Business and Industry Associations

Group	Participant	Activities
Japan Business Federation (Keidanren)	Executive Chairman Hiroaki Nakanishi as chair	<ul style="list-style-type: none"> • Making policy recommendations for achieving the SDGs through realizing Society 5.0 under the theme of "Society 5.0 for SDGs" • Promoting Japan-led value-creating digital transformation (DX) with close collaboration among industry, government, and academia around the world to formulate systems and rules
Communications and Information Network Association of Japan (CIAJ)	President and CEO Toshiaki Higashihara as a senior steering committee member	<ul style="list-style-type: none"> • Promoting information and communication technology solutions that could contribute to resolving a range of social issues by exchanging views and opinions with relevant ministries and agencies
Japan Electronics and Information Technology Industries Association (JEITA)	President and CEO Toshiaki Higashihara as vice chair	<ul style="list-style-type: none"> • Examining and making proposals on promotion of digital technology and 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)	President and CEO Toshiaki Higashihara as vice chair	<ul style="list-style-type: none"> • Promoting the sustainable development of electrical manufacturing by submitting opinions on various governmental and administrative policies and promoting product safety awareness, international standardization and compatibility evaluation, statistical research work, and the development of human capital for STEM fields
Japan-US Business Council	Executive Chairman Hiroaki Nakanishi as an Executive Committee member	<ul style="list-style-type: none"> • Exchanging opinions and proposing policies regarding various issues in Japan-US economic relations from the point of view of the entire Japan-US economic world
National Association of Manufacturers	Hitachi Corporate Office in Washington DC	<ul style="list-style-type: none"> • Lobbying and making policy proposals, as the largest association of manufacturers in the United States, to support the international competitiveness of member corporations
Japan Business Council in Europe (JBCE)	Hitachi Corporate Office, Europe as CSR Committee chair	<ul style="list-style-type: none"> • Making policy proposals to contribute to the further development of EU-Japan relations and the EU economy, as the body representing Japanese corporations in the EU

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 Assessment

Approach

The Hitachi Group welcomes external assessments as a target for ESG*¹ and sustainability-oriented investment.

Hitachi, Ltd. received high scores from the CDP,*² which ranks companies based on their environmental practices and the quality of their disclosure. We received an A, the highest score, for water security, and an A- for climate change. We are also included in the Euronext Vigeo Eiris World 120 Index.*³

Among Group companies, Hitachi Construction Machinery was selected for the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific),*⁴ and Hitachi Metals, Hitachi Construction Machinery, and Hitachi High-Tech were selected for the FTSE4Good Index Series.*⁵

*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 Euronext Vigeo Eiris World 120 Index: A sustainability index created jointly by NYSE Euronext, which operates several stock exchanges in the United States, and Vigeo Eiris, an ESG research firm in France and United Kingdom. The index comprises 120 companies from Europe, North America, and Asia Pacific that have achieved the most advanced performance in the ESG areas.

*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 FTSE4Good Index Series: One of the indexes calculated by the London Stock Exchange—owned FTSE Group that 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.

CDP Scores for Fiscal 2019

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
Hitachi High-Tech	Climate change: B Water security: B

Results of ESG External Analysis in Fiscal 2019

Institution	Index	Companies selected
RobecoSAM	Dow Jones Sustainability Asia Pacific Index	Hitachi Construction Machinery
MSCI	MSCI Japan ESG Select Leaders Index	Hitachi Metals, Hitachi Construction Machinery, Hitachi High-Tech
	MSCI Japan Empowering Women Index (WIN)	Hitachi Metals, Hitachi High-Tech
FTSE	FTSE4Good Index Series	Hitachi Metals, Hitachi Construction Machinery, Hitachi High-Tech
	FTSE Blossom Japan Index	Hitachi Metals, Hitachi Construction Machinery, Hitachi High-Tech
Vigeo Eiris	Euronext Vigeo Eiris World 120 Index	Hitachi, Ltd.



Diversity Management Selection 100

Hitachi, Ltd. is 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 promote diversity management Group-wide as a corporate strategy backed by strong management commitment.



Kurumin Certification

Hitachi, Ltd. has received Kurumin certification.*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 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 enabling 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 (assessed in three categories); other Group companies receiving Eruboshi certification include Hitachi High-Tech (class 3), Hitachi Systems (class 3), and Hitachi Solutions (class 3).



Hitachi Wins Silver at the First Annual ESG Finance Awards

Hitachi, Ltd. was presented with a silver award at the ESG Finance Awards, a program launched by the Ministry of the Environment to promote the dissemination and growth of ESG finance in Japan. In fiscal 2019 we held an ESG Briefing for the first time, where our top management clearly described their commitment to sustainable management and listened closely to comments from shareholders and other stakeholders. We were highly praised for our continuous efforts in this area, which also include our Group's governance structure, which aims to instill sustainable management across the entire Group, and steady practice of PDCA in accordance with our ambitious long-term environmental and climate change targets, including our Environmental Action Plan, to be updated every three years based on these targets.

Hitachi Integrated Report 2019 Awarded Grand Prize at Nikkei Annual Report Awards and Encouragement Prize at WICI Japan Awards

At the 22nd Nikkei Annual Report Awards, sponsored by Nikkei, Inc. and held to recognize Japanese companies producing superior annual reports, Hitachi, Ltd. won the grand prize. The *Hitachi Integrated Report 2019* earned high praise for providing a clear, persuasive overview of our company's activities, including our top management's determination, consistent growth strategies aimed to accelerate innovation, and philosophy of and approach to risk management. The report also won an encouragement prize at the 7th WICI Japan Awards for Excellence in Integrated Reporting.

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



Key SDGs



Solar power generation system newly installed at Hitachi Automotive Systems Gunma Plant.

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 promote Group-wide environmental activities in line with our Environmental Action Plan, which is updated every three years. Toward the goal of a decarbonized society in particular, we have announced our intention of aiming for carbon neutrality at our business sites (factories and offices) by fiscal 2030.

What we are doing



Enhancing environmental governance

Core initiatives

- Enhance environmental governance
- Enhance environmental management system
- Reduce environmental burden through "Eco-Factories & Offices Select" certification
- Implement environmental education for employees
- Ensure environmental compliance

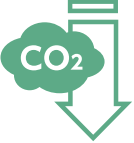


Goals and KPIs

- Cultivation of environmental human capital in the Hitachi Group
- Implementation rate of voluntary environmental audits of business sites outside Japan by business units and Group companies (number of implementing sites/number of sites): 20%

Achievements in FY 2019

- Registered data from about 1,000 business sites in 63 countries in the Environmental Data Collection System (Eco-DS) to estimate environmental load
- Achieved a total score of 177 GPs in the GREEN 21 evaluation of our Environmental Action Plan, exceeding the fiscal 2019 benchmark of 160 GPs
- Under "Eco-Factories & Offices Select," of our approximately 1,000 facilities, achieved 6 new certifications, 2 recertifications, and 64 renewed certifications (total certified facilities: 72)
- Implementation rate of voluntary environmental audits of international business sites outside Japan by business units and Group companies: 26%

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Achieving a decarbonized society</p>	<ul style="list-style-type: none"> Expand decarbonization business Improve environmental performance of products and services through Environmentally Conscious Design Assessments Reduce CO₂ emissions at business sites (factories and offices) Introduce Hitachi Internal Carbon Pricing (HICP) framework Introduce renewable energy 	<ul style="list-style-type: none"> Reduction rate of CO₂ emissions per unit of products and services: 19% Identification and review of climate change risks and opportunities Reduction rate of CO₂ emissions per unit at business sites (factories and offices): 7% 	<ul style="list-style-type: none"> Reduction rate of CO₂ emissions per unit of products and services: 19% Announced goal of realizing carbon neutrality by fiscal 2030 at all business sites (factories and offices) Implemented investment in energy-saving equipment in 35 cases totaling ¥260 million through HICP Reduction rate of CO₂ emissions per unit at business sites (factories and offices): 5% Generated 2.6 times more renewable energy for its own use than the previous fiscal year
 <p>Achieving a resource efficient society</p>	<ul style="list-style-type: none"> Build a water efficient society Respond to water risks Build a society that uses resources efficiently Transition to a circular economy 	<ul style="list-style-type: none"> Reduction rate in water use per unit: 23% Reduction rate in waste and valuables generation per unit: 10% 	<ul style="list-style-type: none"> Released Water Risk Guidelines Promoted measures based on water risk survey results Reduction rate in water use per unit: 26% Promoted recycling activities for each product Reduction rate in waste and valuables generation per unit: 14%
 <p>Achieving a harmonized society with nature</p>	<ul style="list-style-type: none"> Promote initiatives to minimize impact on natural capital Manage chemical substances in products Manage chemical substances in business operations Promote initiatives to preserve ecosystems 	<ul style="list-style-type: none"> Reduction rate in chemical atmospheric emissions per unit: 16% Calculation of positive and negative impact on natural capital 	<ul style="list-style-type: none"> Reduction rate in chemical atmospheric emissions per unit: 21% Built calculation methods for positive impact (e.g. benefits of forest conservation activities) and negative impact (LIME2 evaluation of business activities) into Environmental Data Collection System (Eco-DS) Revised list of Voluntarily Controlled Chemical Substances in accordance with EU's POP Regulation

Key SDGs



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION

Note: Figures in "Goals and KPIs" are goals for fiscal 2019, compared to fiscal 2010.

Advancing Our Environmental Vision and Long-Term Environmental Targets

The Environmental Vision and Hitachi Environmental Innovation 2050

In order to fulfill its corporate social responsibility for reducing global and local environmental burden, Hitachi has made striving to resolve related issues through its business operations part of its management strategy. In response to the 2015 adoption of the Paris Agreement on climate change and the UN's Sustainable Development Goals (SDGs), in September 2016 we established our Environmental Vision and long-term environmental targets called Hitachi Environmental Innovation 2050. In order to achieve these long-term targets, we drew up our Environmental Action Plan, a set of short-term targets that are updated every three years. 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.

Our environmental strategy, centered on the Environmental Vision and our long-term environmental targets, is deliberated over by the Executive Sustainability Committee, chaired by the president and CEO, and advanced by the Hitachi Group as a whole.

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.

We also aim to achieve a decarbonized society, a resource efficient society, and a harmonized society with nature—the components of a sustainable society—in accordance with this Vision.

Long-Term Environmental Targets: Hitachi Environmental Innovation 2050

For a decarbonized society

CO₂ emissions per unit through the value chain

80% reduction by fiscal 2050, **50% reduction** by fiscal 2030 (compared to fiscal 2010)

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

For a resource efficient society

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

50% improvement of efficiency in use of water/resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)

For a harmonized society with nature

Minimize impact on natural capital

Policy Goals

102-11 | 102-15 | 103-2

Progress in Reaching Long-Term Environmental Targets

Goals Activities

The quantitative targets of the Hitachi Environmental Innovation 2050 are specified in the Environmental Action Plan for 2021 (covering fiscal 2019–2021). Progress toward major targets is being made, as shown in the table below, and we are generally on track. We will continue increasing our efforts to achieve these long-term targets.

Efforts Toward Achieving a Decarbonized Society				
Products and Services				
	Fiscal 2019 result	Fiscal 2021 target	Fiscal 2030 target	Fiscal 2050 target
Reduction rate of CO ₂ emissions per unit from use of products and services (base: FY 2010)	19%	20% or higher	50%	80%
Business Sites (Factories and Offices)				
	Fiscal 2019 result	Fiscal 2021 target	Fiscal 2030 target	Fiscal 2050 target
Reduction rate of total CO ₂ emissions (base: FY 2010)	17%	20% or higher	100% (carbon neutral)	(Maintain 100%)

Note: The reduction rate of total CO₂ emissions is an indicator that includes such variables as the amount of CO₂ emissions reduced due to self-consumption of energy, the amount of renewable energy purchased, and the amount of reduction using non-fossil fuel energy certificates.

Efforts Toward Achieving a Resource Efficient Society				
Enhanced Efficiency in the Use of Water				
	Fiscal 2019 result	Fiscal 2021 target	Fiscal 2030 target	Fiscal 2050 target
Reduction rate in water use per unit (base: FY 2010, Hitachi Group)	26%	26% or higher	-	50%
Enhanced Efficiency in the Use of Resources				
	Fiscal 2019 result	Fiscal 2021 target	Fiscal 2030 target	Fiscal 2050 target
Reduction rate in waste and valuables generation per unit (base: FY 2010, Hitachi Group)	14%	12% or higher	-	50%

Notes: • See the referenced pages for details on the figures cited.
• In fiscal 2019, slowdowns in factory operations due to COVID-19 may have resulted in CO₂ and other emission reductions.

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

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

Building a Water Efficient Society ▶

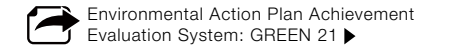
Building a Society That Uses Resources Efficiently ▶

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



We are pressing forward with environmental activities based on the Environmental Action Plan for 2021 formulated in line with the 2021 Mid-term Management Plan. The table below outlines the

targets for fiscal 2019–2021, as well as the results for fiscal 2019. GREEN 21 is used as a system for evaluating and managing the achievement made over the three years for each goal.

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	Fiscal 2019 targets	Fiscal 2019 results (achievement level)	Fiscal 2020 targets	Final fiscal year (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)	20%	26% ◆◆◆	50%	80%

A Decarbonized Society						A Resource Efficient Society						A Harmonized Society with Nature							
Items	Indicators	Fiscal 2019 targets	Fiscal 2019 results (achievement level)	Fiscal 2020 targets	Final fiscal year (2021) targets	Items	Indicators	Fiscal 2019 targets	Fiscal 2019 results (achievement level)	Fiscal 2020 targets	Final fiscal year (2021) targets	Items	Indicators	Fiscal 2019 targets	Fiscal 2019 results (achievement level)	Fiscal 2020 targets	Final fiscal year (2021) targets		
Reduce CO ₂ emissions of products and services	Reduction rate of CO ₂ emissions per unit (base: FY 2010)	19%	19% ◆◆◆	20%	21%	Water circulation (factories and offices)	Enhance efficiency in the use of water Respond to water shortages	Reduction rate in water use per unit (base: FY 2010)	23%	26% ◆◆◆	24%	26%	Chemical substances (factories and offices)	Reduce chemical emissions	Reduction rate in chemical atmospheric emissions per unit (base: FY 2010)	16%	21% ◆◆◆	17%	18%
Address climate change risks and opportunities	Identification and review of risks and opportunities						Promotion of measures based on water risk survey results												
Reduce CO ₂ emissions of business sites (factories and offices)	Reduction rate of CO ₂ emissions per unit*1 (base: FY 2010)	7%	5% ◆◆	8%	9%	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)	10%	14% ◆◆◆	11%	12%	Ecosystem preservation	Reduce impact on natural capital	Calculation of negative impact (environmental impact assessment of business activities)				
Reduce CO ₂ emissions from transportation (shipping)	Reduction rate of transportation energy consumption per unit (Japan)*2 (base: FY 2010)	9%	7% ◆◆	10%	11%									Contribute to ecosystem preservation	Promotion of ecosystem preservation activities				

Evaluation system for the achievement of the Environmental Action Plan | GREEN 21

◆◆◆ Achieved ◆◆ Partially achieved

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

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

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 200 major manufacturing sites classified as category A into green points (GPs), 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 allows sites to be compared with each other, the results of which are in turn used in the Environmental Action Plan's PDCA (plan-do-check-act) cycles.

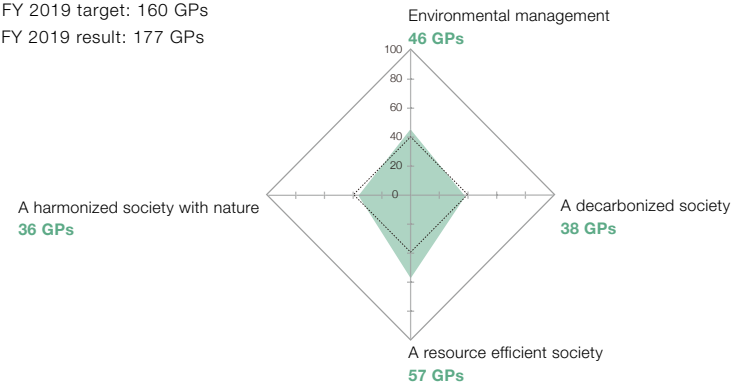
The Sustainability Promotion Division also uses the results of the GREEN 21 evaluation as a condition for awarding its Eco-Factories & Offices Select certification for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that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

Achievements in FY 2019

From fiscal 2019, progress has been evaluated for individual categories (environmental management, a decarbonized society, a resource efficient society, and a harmonized society with nature) newly created based on the Environmental Action Plan for 2021. The total score for all the categories was 177 GPs, exceeding the fiscal 2019 benchmark of 160 GPs. One factor behind the higher score was progress made in water risk assessment as part of our efforts to build a resource efficient society.

GREEN 21: FY 2019 Evaluation Results (Hitachi Group)

..... FY 2019 target: 160 GPs
 ■ FY 2019 result: 177 GPs



Environmental Governance

Framework for Promoting Environmental Governance

To achieve our Environmental Vision and reach our long-term environmental targets, we are enhancing environmental governance by building a global structure to support environmental decision making and implementation at Hitachi, Ltd. and consolidated subsidiaries (a total of 815 companies as of March 31, 2020).

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

We have 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 Hitachi executive officers.


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 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 CO₂ 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.

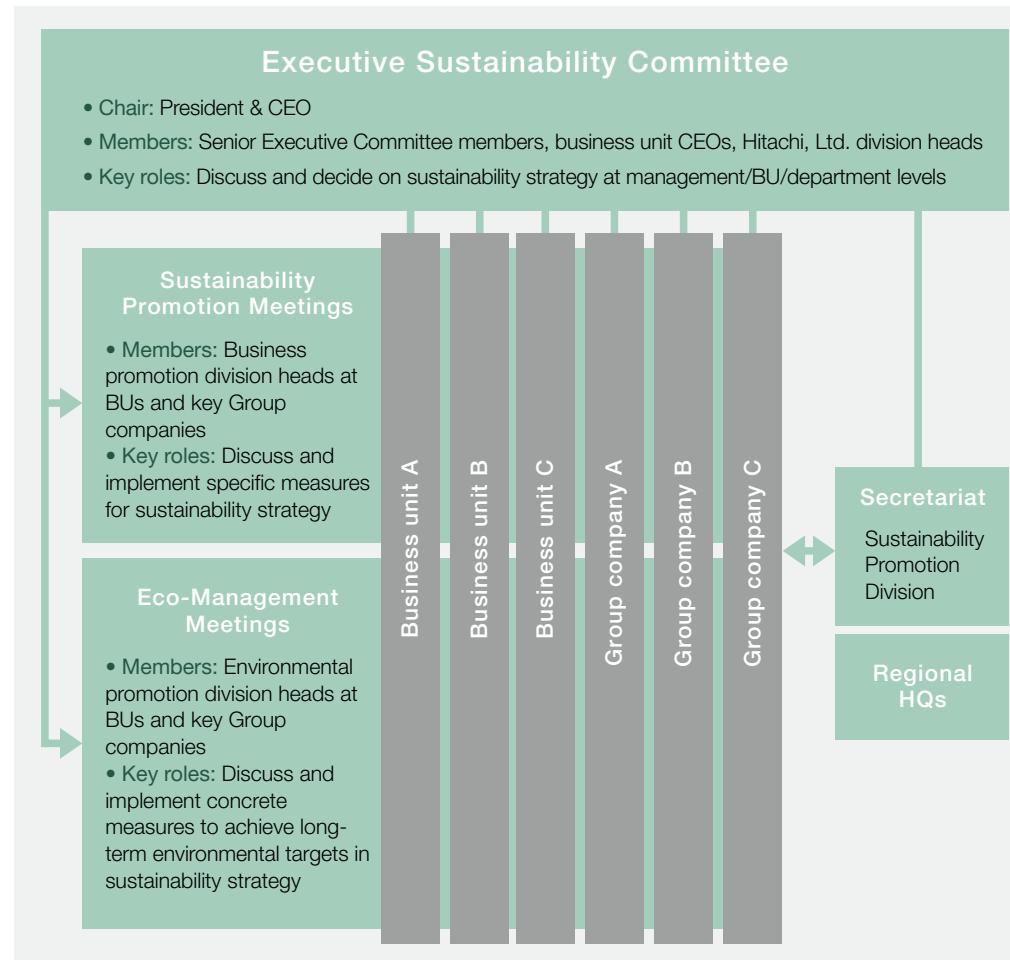
Structure

102-11 | 102-29 | 102-31

 Sustainability Strategy Promotion Structure ▶

 Audit Committee ▶

■ Sustainability Strategy Promotion Structure



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. Each Group business site is classified into one of three categories: A, B, and C. Environmental management is then conducted based on the respective level of risk. Of our approximately 1,000 business sites, about 200 major manufacturing 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 with category A sites participate in Eco-Management Meetings to draw up the Environmental Action Plan, which is then disseminated throughout the business units and Group companies 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 ISO14001.

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 Group environmental strategy officers	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, we collect environmental load data using the Environmental Data Collection System (Eco-DS). The system, which supports three languages (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, to 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 determining 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 achievement. Approximately 200 manufacturing sites classified as category A aggregate and analyze data biannually on such key items as energy, water, and waste materials.

Achievements in FY 2019

In fiscal 2019, 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.



List of ISO 14001-Certified Companies ▶
<http://www.hitachi.com/environment/data/iso14001.html>

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.

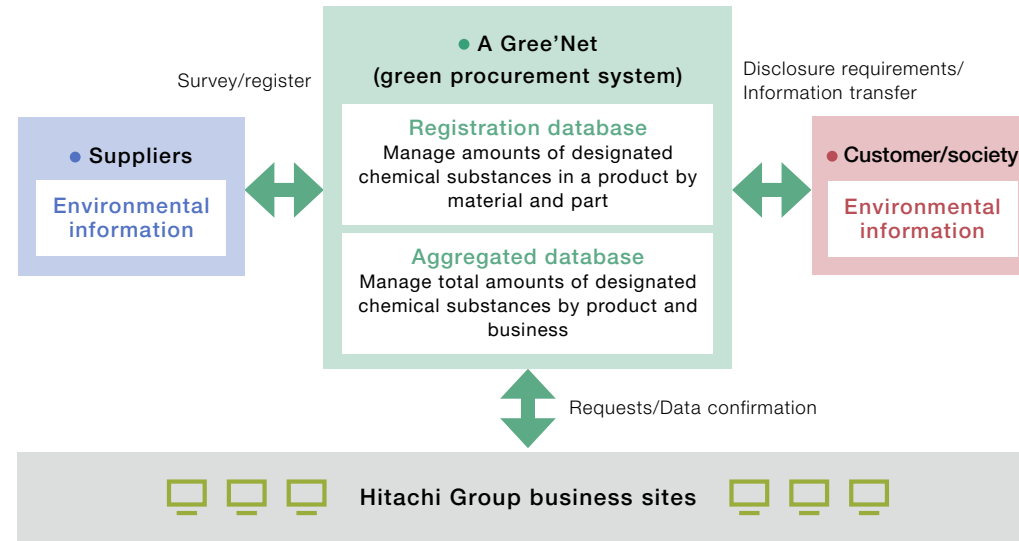
Achievements in FY 2019

Approximately 1.34 million parts and products with chemical substances are registered in A Gree'Net as of March 31, 2020. This is around 200,000 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.

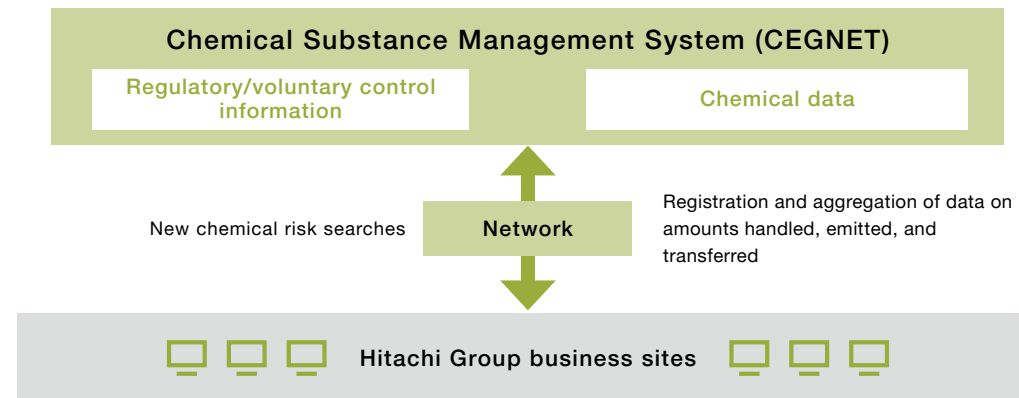
We held 13 briefings on chemSHERPA tools and A Gree'Net for suppliers using the system at Healthcare Kashiwa, Omika Works, Kasado Works, Shimizu Works, Mito Works, and Hitachi IE Systems between July 2019 and March 2020. The briefings were attended by 1,276 people and helped to deepen understanding of these tools and this system.

*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 and RoHS directive.

Management of Chemical Substances in Products



Management of Chemical Substances in Business Operations



Reducing the Environmental Burden Through “Eco-Factories & Offices Select” Certification

System Activities

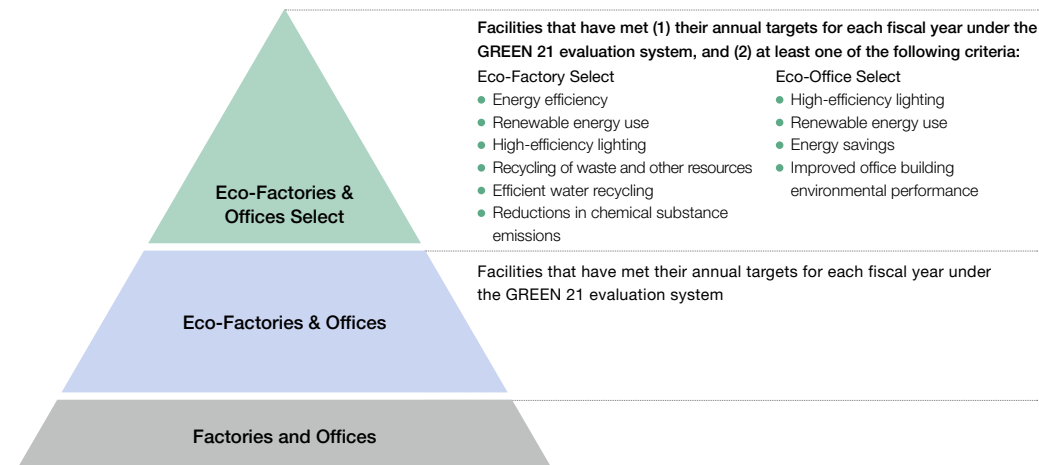
Hitachi has implemented an “Eco-Factories & Offices Select” certification program for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area. This helps raise the environmental awareness of employees and promote environmentally 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 FY 2019

In fiscal 2019, of our approximately 1,000 facilities, 6 were newly certified, 2 were recertified, and 64 had their certifications renewed. The total number of certified factories and offices was 72.

■ Eco-Factories & Offices Select Certification Criteria



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 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 30 category A manufacturing sites, we provide training on compliance with the country’s increasingly strict environmental laws and regulations.

Achievements in FY 2019

In fiscal 2019, we created new e-learning materials for general education with a view to sustainability in line with the 2021 Mid-term Management Plan. These materials will be rolled out globally starting in fiscal 2020. An environmental management training program scheduled for March 2020 in China was postponed due to COVID-19.

■ Environmental Education and Training System

Target		Introductory	Beginning	Intermediate	Advanced
General education	All employees	Introductory training for new employees			
		Online e-learning: Eco-Mind education (General topics: Global environmental issues, environmental law, etc.)			
Specialized education	Working-level employees	Basic environmental management course for working-level employees (management of waste, air/water quality, and hazardous materials; development and operation of management systems; etc.)			
			Education for Eco-Factories		
			Eco-Product development training		
			Risk communicator training		
Internal environmental auditors				ISO 14001 auditor brush-up training	
				ISO 14001 auditor certification training	
					ISO 14001 senior auditor certification training

Environmental Education in Fiscal 2019

Contents of training	Target	Number of participants
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: 105 people from 33 companies China: 68 people from 41 companies
Environmental management training program to reduce environmental risks in China and raise the knowledge of working-level employees	Working-level employees	Postponed due to COVID-19

Environmental Compliance

Activities

306-3

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 preventing a recurrence 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 FY 2019

In fiscal 2019, we designated 15 business sites that committed an environmental violation 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 compliance activities. Through enhanced guidance to these high-risk business sites, compliance management has improved outside Japan and the number of relevant legal and regulatory violations decreased.

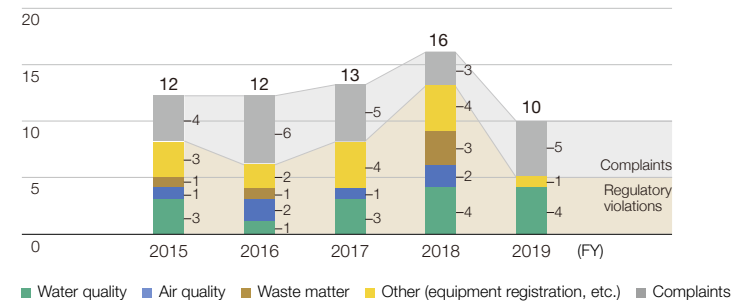
Implementation Status of Internal Environmental Audits

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
	Overseas business sites of business units and Group companies 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 year

*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)



Achieving a Decarbonized Society

Efforts to Achieve a Decarbonized Society

Approach

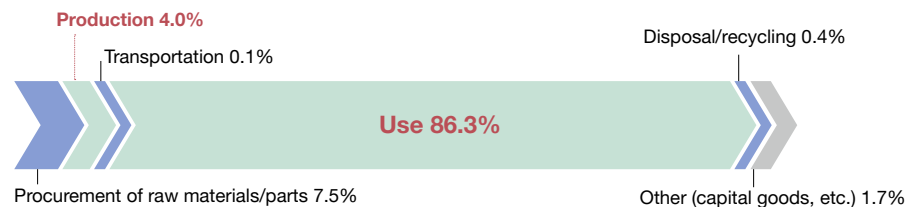
Hitachi Environmental Innovation 2050 contains long-term reduction targets for CO₂ emissions per unit of 50% by fiscal 2030 and 80% by fiscal 2050 (compared to fiscal 2010 levels) throughout Hitachi's value chain.

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. In May 2020 we announced an even more ambitious CO₂ reduction target of achieving carbon neutrality, which will mean net zero emissions, at our business sites (factories and offices) by fiscal 2030.

Approximately 90% of our value-chain emissions result from the use of our products and services after they are sold, and reducing these emissions will be crucial to reducing CO₂ emissions across the value chain. However, CO₂ emissions from the use of sold products and services are greatly influenced by changes in product sale price and business portfolios. We have established an indicator for providing products and services that produce less CO₂ from among products and services offering equivalent value, and, recognizing the importance of this matter, have set and continue to manage reductions goals for our main products and services on the basis of CO₂ emissions per unit. Specifically, by fiscal 2030, we aim to reduce CO₂ emissions per unit by 50% for products and services at the usage stage and contribute to reducing global CO₂ emissions through energy systems that do not emit CO₂ at the operational stage and expanding our new decarbonization business using digital technology such as OT and IT.

Additionally, in response to growing investor interest in the long-term impact of climate change on financial performance and corporate operations, we actively disclose climate-related information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and also engage in dialogue with investors.

Ratio of CO₂ Emissions at Each Stage of Hitachi Value Chain in Fiscal 2019



Objectives for CO₂ Emissions per Unit from Products and Services in Use and Approach to Avoided Emissions

Approach

GHG Emissions Throughout the Value Chain ▶

To reduce CO₂ emissions from the use of our products and services, which make up the largest proportion of emissions in our value chain, we have established target reduction rates of CO₂ emissions per unit 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 CO₂ emissions per unit with CO₂ emissions as the numerator and function size*¹ as the denominator, and work toward overall reduction.

We also have high expectations for specific long-term CO₂ 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 CO₂ while in use.

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

(1) Energy-saving feature enhancements

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

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

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

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

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

*1 Major functions of products correlated with CO₂ emissions.

*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 Electrotechnical Commission (IEC), and calculation methods established by the government or industrial associations.

Contributing to a Decarbonized Society Through the Decarbonization Business

Expanding the Decarbonization Business

Activities

To achieve a decarbonized society set out in its Environmental Vision, Hitachi is pursuing decarbonization business that contributes to reducing CO₂ emissions, including business to provide products and services with enhanced energy-saving features, business to introduce renewable energy, and business to offer solutions to improve efficiency and reduce CO₂ emissions through digitalization, such as the use of Lumada. We will expand the decarbonization business by supplying solutions in the five business areas of IT, energy, industry, mobility, and smart life, and help the world mitigate and adapt to climate change. In the IT sector, we will develop work style innovation solutions and other digital technologies to help improve the working environment for

individual employees. In the energy sector, we will promote wider use of renewable energy through increased efficiency of power transmission and distribution. In the industry sector, we will improve efficiency of industrial equipment like compressors and transformers used at production sites. In the mobility sector, we will not only work to enhance the efficiency of elevators for buildings and their security and safety functions through remote monitoring but also to improve the ease of their maintenance. Finally, in the smart life sector, we will contribute to energy management in smart cities and developing, producing, and providing electrification parts for automobiles.

Decarbonization Business: A Hitachi Focus

IT solutions	Energy solutions	Industry solutions	Mobility solutions	Smart life solutions
<ul style="list-style-type: none"> ■ Finance and public-oriented solutions <ul style="list-style-type: none"> • Promoting digital solutions ■ Data center <ul style="list-style-type: none"> • Developing smart data centers ■ Servers/storage <ul style="list-style-type: none"> • Enhancing energy-saving features of servers and storage 	<ul style="list-style-type: none"> ■ Power grid solutions <ul style="list-style-type: none"> • Enhancing efficiency of power transmission/distribution ■ Energy management <ul style="list-style-type: none"> • Advancing smart energy management to reduce peak electricity demand ■ Power generation <ul style="list-style-type: none"> • Promoting power generation systems using wind and other non-fossil energy sources 	<ul style="list-style-type: none"> ■ Smart logistics <ul style="list-style-type: none"> • Improving energy-saving features through fully IT-enhanced logistics ■ Factory automation <ul style="list-style-type: none"> • Enhancing energy efficiency through shorter lead times ■ Water business <ul style="list-style-type: none"> • Enhancing efficiency of water and sewage systems ■ Industrial products <ul style="list-style-type: none"> • Enhancing efficiency of industrial products 	<ul style="list-style-type: none"> ■ Railways <ul style="list-style-type: none"> • Enhancing energy-saving features of rolling stock • Developing smart operating systems • Enhancing maintenance service efficiency through rolling stock monitoring ■ Elevators <ul style="list-style-type: none"> • Enhancing energy-saving features of elevators and escalators through replacement • Enhancing energy efficiency through total building solutions 	<ul style="list-style-type: none"> ■ Smart cities <ul style="list-style-type: none"> • Reducing CO₂ through comprehensive urban energy management solutions ■ Vehicle electrification <ul style="list-style-type: none"> • Promoting electrification through electric powertrain systems ■ Home appliances <ul style="list-style-type: none"> • Enhancing energy efficiency of home appliances • Promoting connected home appliances ■ Smart therapies <ul style="list-style-type: none"> • Enhancing energy-saving features of medical devices

Achieving CO₂ Emission Reductions During the Use of Products and Services

Goals Activities

302-5 305-4 305-5

Hitachi set a target for fiscal 2019 of 19% reduction in CO₂ emissions per unit from products and services compared to the base year of fiscal 2010, and our actual rate of reduction in fiscal 2019 was 19%. This is due to 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 CO₂ Emissions per Unit (Hitachi Group)

• FY 2010 (base year)

$$\frac{\text{CO}_2 \text{ emissions from use of products}}{\text{Function size}^{*1}} = 100\%$$



• FY 2019

$$\frac{\text{CO}_2 \text{ emissions from use of products}}{\text{Function size}} = 81\%$$

*1 Major functions of products correlated to CO₂ emissions.

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

System

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 environmental burden reduced through our business activities in multifaceted ways, and strive for further reductions.

Initiatives for Improving Environmental Performance of Products and Services

- Promoting environmentally conscious process: In accordance with the IEC 62430*1 criteria, promote environmentally conscious process 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 burden on the global environment in such areas as the consumption of mineral resources, fossil fuels, and water resources, as well as their impact on climate change and air pollution, disclose the results to our stakeholders, and utilize them in improving the design of next-generation products.

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

Reducing CO₂ Emissions Throughout the Value Chain

Case Study

Project	Department, Group company	Activity
Reducing CO ₂ emissions using IT	Systems & Services Business, Hitachi, Ltd.	Reducing CO ₂ emissions by 42% through JP1/Client Process Automation IT products
New G-Series air compressors	Hitachi Industrial Equipment Systems	Reducing CO ₂ emissions by about 6% through improvement in air compressor efficiency
Participation in the Carbon Footprint Communication Program	Services & Platforms Business Unit, Hitachi, Ltd.	New verification and approval of Hitachi Virtual Storage Platform 5000 Series enterprise storage (four models in series)

▶ <https://www.hitachi.com/environment/casestudy/2019/case01.html>

▶ <https://www.hitachi.com/environment/casestudy/2019/case02.html>

▶ <https://www.hitachi.com/environment/casestudy/2019/case03.html>

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

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

Policy

Hitachi is working toward achieving its target of reducing CO₂ emissions from our business sites (factories and offices) by 50% compared to fiscal 2010 by fiscal 2030, as set out in Hitachi Environmental Innovation 2050, our long-term environmental targets.

To accelerate these efforts, in 2020 we announced an additional 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 emissions by 100% by fiscal 2030 compared to fiscal 2010, instead of the original 50% reduction target. The following initiatives will help us achieve the new target.

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

Factories	<ul style="list-style-type: none"> ● Improve equipment efficiency by introducing and upgrading to high-efficiency equipment ● Reduce energy use during production by raising efficiency through the use of Lumada and production technologies cultivated over long years of experience ● Optimize equipment operation and stop energy waste by installing smart meters ● Review product designs and processes
Offices	<ul style="list-style-type: none"> ● Build new facilities with high energy efficiency ● Combine and integrate existing facilities ● Install energy-saving equipment and optimize equipment operation in collaboration with building owners
Factories and offices	<ul style="list-style-type: none"> ● 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 Credits assigned to energy certified as having been produced from renewable sources. Purchasers of such credits can offset their conventional energy use instead of implementing their own reduction measures.

Toward the goal of Hitachi Carbon Neutrality 2030, we have formulated a plan to make three existing factories in fiscal 2020 and a total of more than seven factories in fiscal 2021 carbon neutral. We believe that the technologies and experiences developed through efforts to achieve our carbon neutrality targets will help us offer business proposals accurately responding to our customers’ decarbonization needs, thereby greatly contributing to expanding our new business opportunities.

Introducing the Hitachi Internal Carbon Pricing Framework

System

To promote CO₂ 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 CO₂ reduction effectively. It helps visualize CO₂ reduction from investment in equipment at factories and offices and encourage 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 CO₂ reduction 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.

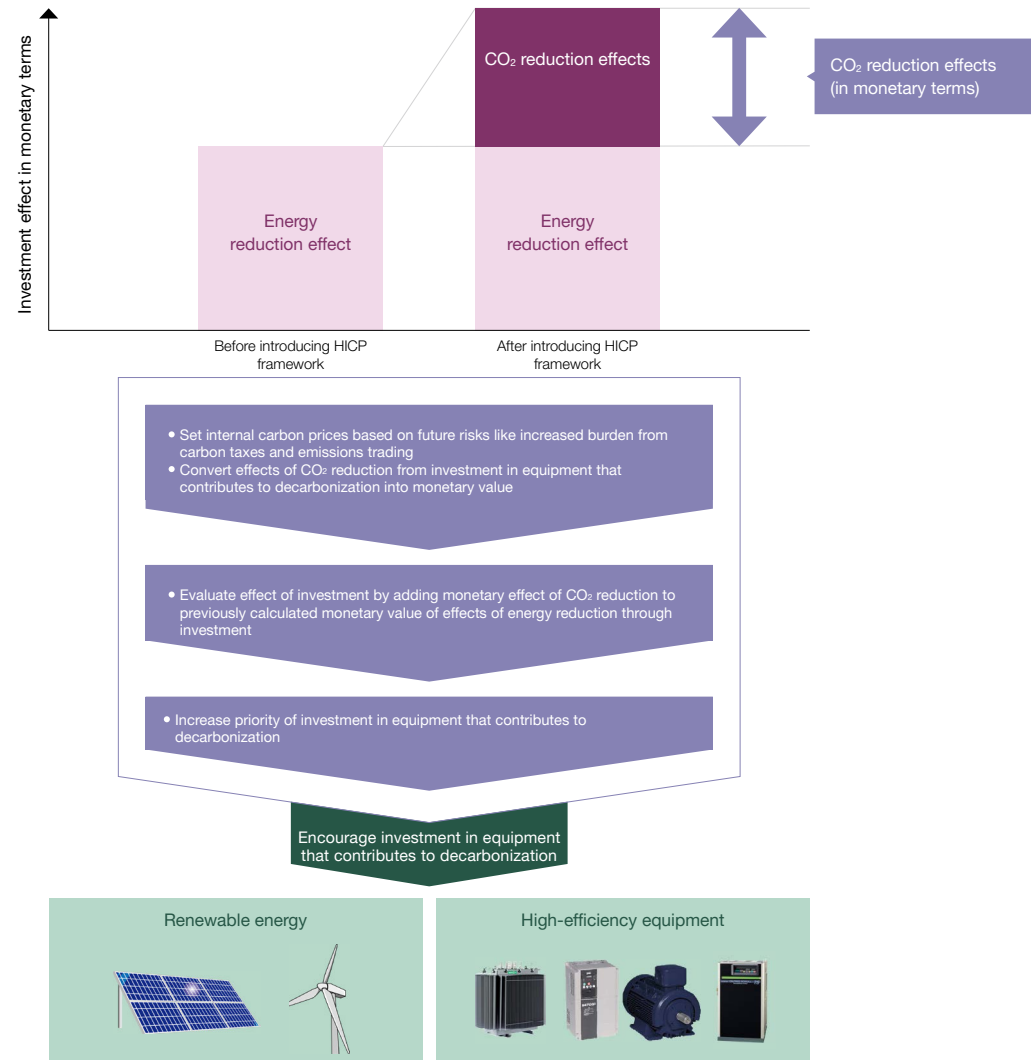
As the climate change issue deepens, we anticipate risks like increased burdens from carbon taxes and new emissions trading frameworks to emerge. By incorporating those risks into our equipment investment decisions, we can not only make investment in equipment that contributes to decarbonization a higher 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.

Achievements in FY 2019

Establishing and implementing the HICP framework resulted in additional investment in energy-saving equipment. Such equipment did not receive investment before due to low returns, but it qualified under the HICP framework as it is expected to help reduce CO₂ emissions. Fiscal 2019 saw 35 cases of investment in energy-saving equipment with a total investment of ¥260 million, contributing to an annual reduction of 1,356 tons of CO₂ emissions. The annual amount of CO₂ emission reductions from our business sites improved 2% compared to the previous fiscal year.

*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 decision and conduct risk management.

■ Hitachi Internal Carbon Pricing (HICP) Framework



Actions and Achievements

Activities

302-1 | 302-4 | 305-4 | 305-5

At Hitachi, the achievement of environmental targets for individual business sites (factories and offices) set by the Environmental Action Plan for 2021 is measured by CO₂ emissions per unit. Because we conduct business in various sectors, the KPI of CO₂ emissions per unit for each business site is calculated using the site's CO₂ emissions as the numerator and its activity amount*¹ as the denominator.

In fiscal 2019, the reduction rate of CO₂ emissions per unit was 5% against a target of 7% (compared to the base year of fiscal 2010). Part of the reason for not hitting the target was a lower efficiency of facility use due to a decrease in sales. There were also some business divisions that could not achieve expected reductions in CO₂ emissions per unit due to a failure to appropriately respond to a reduction in the fixed power allocation linked to sales.

We report the total CO₂ emissions from our entire Group, including CO₂ emissions from power plants selling electricity. Total CO₂ emissions in fiscal 2019 decreased by approximately 599 kt-CO₂ compared to fiscal 2018*² due to the sale of our power plants and a drop in sales. CO₂ emissions by region, excluding those from power plants, fell as a result of reorganization of business sites and a decline in sales in Japan. In the Americas, a materials company that became a reporting company in fiscal 2016 accounts for a large portion of CO₂ emissions, and we will look into ways to promote the use of inexpensive renewable energies.

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

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

Environmental Action Plan for 2021 Management Values >>>

■ Reduction in CO₂ Emissions per Unit (Hitachi Group)

● **FY 2010 (base year)**
 CO₂ emissions*¹
 4,703 kt-CO₂
 Activity amount = **100%**

From base year
5% reduction
 FY 2019 reduction target: 7%

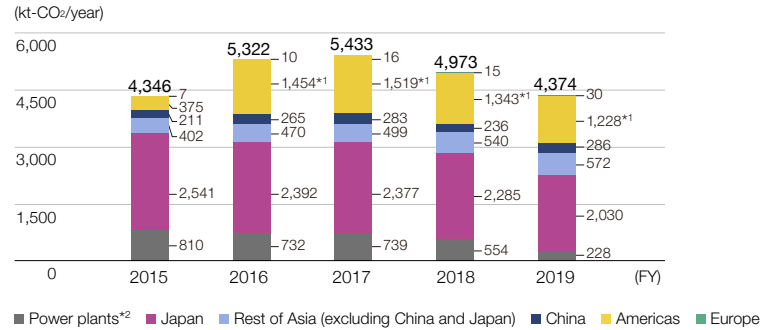
● **FY 2019**
 CO₂ emissions
 4,441 kt-CO₂ ✓
 Activity amount = **95%**

*1 CO₂ emitted within the organization (Scopes 1 and 2).

Notes: ● As the CO₂ electrical power conversion factor in calculations of CO₂ emissions per unit, a unified factor of 0.530 kgCO₂/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 2019.

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



*1 Includes 1,070 kt-CO₂ (fiscal 2016), 1,163 kt-CO₂ (fiscal 2017), 1,112 kt-CO₂ (fiscal 2018), and 950 kt-CO₂ (fiscal 2019) emitted by a materials company that became a reporting company in fiscal 2016.

*2 Emissions from power plants selling electricity in Japan are included in the CO₂ emissions data for fiscal 2017 and onward.

Notes: • Starting from fiscal 2019's calculations, Scope 2 emissions were changed from a calculation method using a unified Group-wide electrical power conversion factor to a market-based calculation method, and past data was recalculated based on this.

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

• Energy-related CO₂ emissions in fiscal 2019 were 1,489 kt-CO₂ (Scope 1) and 2,885 kt-CO₂ (Scope 2).

Introducing Renewable Energy

Activities

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

Achievements in FY 2019

In fiscal 2019, Hitachi generated a total of 18,022 MWh of renewable energy for its own use, which is 2.6 times the amount generated in the previous fiscal year. Renewable energy generated by equipment installed at business sites (factories and offices) accounted for 0.3% of the electricity consumed by the entire Hitachi Group.

Major Business Sites Using Renewable Energy

Hitachi Computer Products (America)	11,325 MWh/year of wind power used
Tata Hitachi Construction Machinery (India)	12,629 MWh/year of solar power generated

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, improving truck loading ratios and taking other measures to reduce transportation energy consumption, and switching to the use of eco-cars for in-house operation. Considering a modal shift from truck to rail transportation a high priority, we are working toward "Eco Rail Mark company" and "Eco Rail certified product" certifications from the Ministry of Land, Infrastructure, Transport, and Tourism. Transitioning from truck to railway transportation is expected to reduce CO₂ emissions per unit to one-eleventh of its current level, and we plan to continue expanding our use of railways for long-distance transportation.

Achievements in FY 2019

In fiscal 2019, CO₂ emissions from transportation within Japan for the Hitachi Group were 88.4 kt-CO₂, 14.4 kt-CO₂ less than the previous fiscal year. To reduce CO₂ emissions, we actively worked to improve efficiency when loading products for transportation and increase our use of coordinated transportation, reducing CO₂ emissions by more than 10% compared to fiscal 2018.

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



About the Eco Rail Mark ▶
<http://www.mlit.go.jp/tetudo/ecorailmark/ecorailmark-english.html>

*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.

Energy Savings in Eco-Factories & Offices

Case Study

Project	Department, Group company	Activity
Promoting measures for carbon neutrality Increasing use of renewable energy with off-balance-sheet solar power generation systems for self-consumption	Hitachi Automotive Systems, Hitachi High-Tech Manufacturing & Service	Reduction in CO ₂ emissions of about 820 t-CO ₂ by increasing use of renewable energy
Reducing CO ₂ by increasing efficiency of cupola furnaces and utilizing unused energy through heat recovery	Hitachi Metals	Reduction in CO ₂ emissions by 15% compared to previous fiscal year through initiatives including increased efficiency of cupola furnaces and heat recovery

▶  <https://www.hitachi.com/environment/casestudy/2019/case04.html>

▶  <https://www.hitachi.com/environment/casestudy/2019/case05.html>

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

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board (FSB)'s 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. A report to the Board of Directors in 2016 was followed by the establishment and announcement of long-term environmental targets called Hitachi Environmental Innovation 2050 containing CO₂ reduction targets for fiscal 2030 and fiscal 2050.

The Board of Directors discusses the Group's sustainability strategy, including climate change measures, as a key component of management strategy. The Executive Sustainability Committee, chaired by the president and CEO and staffed by heads of corporate divisions and business units, meets twice a year to discuss and reach decisions on material environment-related policies and measures, including those in response to climate change, and to set the stage for implementation. 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 material issues to the committee during the audit.

As for activities outside the company, in 2019 an executive officer in charge participated in the TCFD Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance Through Proactive Corporate Disclosures, launched by the Ministry of Economy, Trade, and Industry, and helped compile its report. Hitachi also participates in an industry-government-academia initiative called the TCFD Consortium—comprising 164 companies and other organizations—as a member of its Steering Committee and contributed to the formulation of TCFD Guidance 2.0, announced in July 2020.

Strategy

Policy

102-11 | 102-15 | 102-29 | 201-2

We are responding to climate change by fulfilling our responsibilities as a global company in achieving a decarbonized society. Taking note of the total CO₂ 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 have established long-term environmental targets called Hitachi Environmental Innovation 2050 based on our Environmental Vision calling for CO₂ reductions throughout our value chain of 50% by fiscal 2030 and 80% by fiscal 2050, compared to fiscal 2010.

In May 2020 we announced an even more ambitious CO₂ reduction target of achieving carbon neutrality, which will mean net zero emissions, at our business sites (factories and offices) by fiscal 2030.

*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.

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	Through fiscal 2050	Time span of our fiscal 2050 long-term environmental targets

 The Environmental Vision and Hitachi Environmental Innovation 2050 ▶

 Efforts to Achieve a Decarbonized Society ▶

 Hitachi's Corporate Governance Framework and Its Features ▶

 Sustainability Strategy Promotion Structure ▶

 Framework for Promoting Environmental Governance ▶

Climate-related Risks

As for climate-related business risks, we have followed the TCFD's classification in considering (1) risks related to the transition to a low-carbon economy in the 2°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 CO₂ emissions have failed.

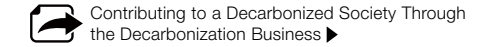
(1) Risks related to the transition to a low-carbon economy (applying mostly to the 2°C scenario)			
Category	Major risks	Time span	Main initiatives
Policy and legal	Increased business costs from the introduction of carbon taxes, fuel/energy consumption taxes, emissions trading systems, and other measures	Short to long term	<ul style="list-style-type: none"> ● 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
Technology	Loss of sales opportunities due to delays in technology development for products and services	Medium to long term	<ul style="list-style-type: none"> ● Contribute to reducing CO₂ emissions by developing and marketing innovative products and services that lead to the achievement of long-term environmental targets and expanding the decarbonization business ● Promote the development of 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	<ul style="list-style-type: none"> ● In the light of rising investor and market interest in climate change and growing expectations of the business sector, clearly identify the reduction of CO₂ emissions in our management and business strategy by incorporating reduction targets for fiscal 2021 in the 2021 Mid-term Management Plan in line with our long-term environmental targets

(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 level and chronic heat waves (chronic risks)	Short to long term	<ul style="list-style-type: none"> ● Take 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

Climate-related Opportunities

CO₂ emissions during the use of our products and services by our customers account for approximately 90% of total emissions in our value chain. To achieve the CO₂ reduction targets set forth in our long-term environmental targets and 2021 Mid-term Management Plan, Management Plan, it is essential that we reduce emissions during use. Developing and providing products and services that emit zero or very little CO₂ during their use will not only satisfy customer needs but also help meet society's demands for reduced emissions. This represents a business opportunity for us in the short, medium, and long term and constitutes a major pillar of the Social Innovation Business that we are promoting as a management strategy.

Climate-related opportunities		
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	<ul style="list-style-type: none"> ● Develop and market products and services that contribute to a decarbonized society, expand the decarbonization business, and promote the development of innovative devices and materials that contribute to reducing the environmental burden ● Create solutions that leverage Hitachi's strengths in operational technology (OT), IT, and products, as well as expertise in R&D (high-efficiency, energy-saving products; high-efficiency production systems using digital technology; power generation systems using non-fossil energy that do not emit CO₂; environment-friendly mobility; and building of smart, environmental cities)
Resilience	Provision of solutions to address climate-related natural disasters	<ul style="list-style-type: none"> ● Provide disaster-mitigation solutions, such as high-performance fire-fighting command systems ● Provide construction machinery that enables speedy recovery efforts



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 2°C and 4°C scenarios. Under the former, our assessments were premised on there being stronger measures and regulations for decarbonization envisioned by the IPCC’s RCP 2.6 scenario. By assuming somewhat tighter regulations and an earlier target date for CO₂ reductions, we can prepare ourselves for the 1.5°C scenario. Under the latter, 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 CO₂ 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 2°C and 4°C Scenarios

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 2°C scenario	<p>Business environment: Global demand for transport systems that emit less CO₂ per distance covered will grow with tighter CO₂ emission regulations in each country and region</p>	<p>Business environment: Global demand for electricity generated from renewable energy, nuclear power, and other non-fossil sources will grow with tighter CO₂ emission regulations in each country and region. Power networks will increasingly accommodate natural energy produced through distributed generation.</p>	<p>Business environment: Demand for energy-saving, high-efficiency IT solutions will grow with tighter CO₂ emission regulations in each country and region. There will also be a jump in demand for data centers and data analysis systems to accommodate the expansion of such financial services as investments and loans for decarbonization businesses and green bond issues, as well as of data utilization businesses.</p>	<p>Business environment: Global demand for energy-saving industrial equipment will grow with tighter CO₂ emission regulations in each country and region</p>	<p>Business environment: Electric vehicles will rapidly spread with tighter laws and regulations on fuel efficiency and environmental standards, and increases in fossil fuel prices. Markets for alternative, non-fossil technologies like hydrogen and biofuel vehicles will expand. The number of countries and regions with near zero sales of internal combustion engine vehicles will increase.</p>	<p>Business environment: Demand for electric and low/no carbon-fuel construction machinery will grow with tighter laws and regulations on the use of fossil fuels. Environmental regulations for items other than CO₂ emissions (air and noise pollution, etc.) will grow tighter in urban areas.</p>
	<p>Risks: Competitiveness will decline if there are delays in the development of innovative emission-reducing technologies, including those to improve the efficiency of railway services through digital utilization, such as dynamic headway (flexible operation in response to passenger demand) as well as new mobility services like MaaS</p>	<p>Risks: Delays in the construction of power networks enabling the mass introduction of renewable energy with large output fluctuations</p>	<p>Risks: Competitiveness will decline if there are delays in the development of technologies and human capital to offer energy-saving, high-efficiency IT solutions; shortages in human capital; and slow implementation of decarbonization measures for energy-consuming data centers</p>	<p>Risks: Competitiveness will decline if there are delays in the development of high-efficiency, low-loss products</p>	<p>Risks: Failure to transition to a new business environment of rapidly declining sales of internal combustion engine vehicles</p>	<p>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 low/no carbon fuel machinery. Declining demand due to divestment of major coal companies.</p>
The business environment and major risks and opportunities under the 4°C scenario	<p>Opportunities: Demand will grow for railways, which emit less CO₂ per distance covered. There will be a shift to energy-saving railcars from conventional models, and the efficiency of railway services will be improved through digital utilization. Data usage will also boost demand for new mobility services.</p>	<p>Opportunities: Business opportunities will grow with rising demand for renewable energy—the key to a decarbonized future—and with the provision of grid solutions, digital service solutions, and energy platforms that can accommodate the diversification of energy suppliers</p>	<p>Opportunities: Demand will grow for energy-saving and high-efficiency information systems that contribute to zero-emissions. There will also be increased demand for platforms to offer such environment-related financial services as investments and loans for decarbonization businesses and green bond issues.</p>	<p>Opportunities: Utilization of IoT, digitalization, and connected systems to develop innovative products and solutions that contribute to CO₂ emission reductions without relying on the energy-saving features of individual products</p>	<p>Opportunities: Markets for alternative, non-fossil technologies like electric, hydrogen, and biofuel vehicles will expand</p>	<p>Opportunities: Sales and sale opportunities for 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</p>
	<p>Business environment: Demand for electric-powered transport will gradually increase even without tighter energy regulations. Damage from typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p>	<p>Business environment: The cost competitiveness of non-fossil energy will increase, and demand for renewable, nuclear, and other non-fossil energy will increase as the expansion of energy consumption pushes up the price of fossil fuels. Natural disasters caused by climate change will rise sharply.</p>	<p>Business environment: Demand for new, high-efficiency technology will expand as multiplex IT systems in response to natural disaster BCPs will result in increased energy consumption. Demand will also grow for social and public systems to reduce damage from natural disasters.</p>	<p>Business environment: Typhoons, floods, and other natural disasters caused by climate change will rise sharply</p>	<p>Business environment: Fuel efficiency laws and regulations will remain lax globally, and internal combustion engine vehicles will remain a major mode of transport. The modal shift will be slow, as conventional automobiles and motorcycles will remain predominant. Typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p>	<p>Business environment: Natural disasters caused by climate change will rise sharply, boosting demand for construction machinery to support speedy and safe recovery efforts</p>

Achieving a Decarbonized Society

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	<p>Risks: The high frequency of natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains, leading to delays in deliveries and the procurement of parts</p> <p>Opportunities: Transport systems more resilient to natural disasters can be developed. Competitiveness can be enhanced by providing added value in such forms as energy-saving railcars and adaptability to new technologies.</p>	<p>Risks: The high frequency of natural disasters will increase damage to power generation and transmission/distribution facilities, hamper efforts to restore power transmission/distribution, and disrupt supply chains, leading to delays in deliveries and the procurement of parts</p> <p>Opportunities: Energy demand will grow as warmer weather leads to increased use of air conditioning. Demand will increase for disaster-resilient power generation and transmission/distribution technologies.</p>	<p>Risks: Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains, leading to delays in deliveries and the procurement of parts</p> <p>Opportunities: Demand will increase for social and public systems that help reduce damage from natural disasters and for IT systems required as part of a BCP</p>	<p>Risks: Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains, leading to delays in deliveries and the procurement of parts</p> <p>Opportunities: Efforts to accommodate IoT products will lead to higher demand for remote control and remote maintenance during natural disasters</p>	<p>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 increasingly severe impact on production overall.</p> <p>Opportunities: Demand will grow for technologies to enhance the efficiency of internal combustion engines</p>	<p>Risks: Natural disasters will exacerbate damage to production facilities, worsen working environments, and disrupt supply chains, leading to delays in deliveries and the procurement of parts</p> <p>Opportunities: Infrastructure projects to prevent and mitigate disasters and support recovery efforts will increase</p>
Non-environmental market factors (neither the 2°C nor 4°C scenario)	<ul style="list-style-type: none"> Economic growth will lead to urbanization and population growth around the world, driving 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. The decline in demand, though, will not be as severe as that for air transport. Competition will grow as major railway manufacturers in various countries will expand their business to meet global demand 	<ul style="list-style-type: none"> Economic growth, urbanization, and population growth will push up demand for energy, especially electricity, mainly in developing countries Energy supply and demand will diversify due to various factors, such as CO₂ emissions, environmental burden, economic performance, safety, and supply stability Digital technology will be further applied to enhance the stability and efficiency of the power supply 	<ul style="list-style-type: none"> Further digitization globally will exponentially increase the volume of data circulated, accumulated, and analyzed. Experience with the global pandemic will prompt a shift to remote, noncontact, and online formats, both in our life and work, and boost demand for solutions that facilitate such a shift. New services and businesses utilizing big data, IoT, AI, and other digital technology will expand rapidly 	<ul style="list-style-type: none"> Digitalization, infrastructure renewal, population decline, and worker shortages will expand the automation market in industrial countries As the global pandemic forces people to stay at or work from home, demand will grow for factory automation enabling a handful of workers to operate a factory The industrial market in emerging economies will grow due to a rise in production plants 	<ul style="list-style-type: none"> Economic growth, urbanization, population growth, and infrastructure development like road construction will expand the global market for automobiles as a flexible and personal means of transport The global pandemic may temporarily dampen passenger vehicle sales due to restrictions on people's movement, but commercial vehicle sales appear to be rising as need for goods delivery increases Non-environmental functions like autonomous driving and advanced safety features that promote safety, security, and comfort will drive competitiveness 	<ul style="list-style-type: none"> Worker shortages will be addressed through further labor savings, automation, remote work, and the development of safety-related products and solutions Products, services, and solutions (such as CO₂-free machines/attachments suited for work at dismantling sites, in narrow spaces, and underground) will be further developed to meet the needs of smart infrastructure building amid rapid urbanization 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
Responses to future business risks (business opportunities)	<p>Response to business risks under 2°C or 4°C scenario</p> <ul style="list-style-type: none"> Continue to strengthen the railway business, as global demand for railways will increase under either scenario Specifically, develop and market more energy-saving railcars and battery-powered railcars for non-electrified sections. Strengthen railway services through digital utilization, such as dynamic headway (flexible operation in response to passenger demand), and new mobility services like MaaS. Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under 2°C or 4°C scenario</p> <ul style="list-style-type: none"> Continue to enhance response to relevant markets in view of expected higher demand for non-fossil energy under either scenario Strengthen the provision of grid solutions, digital service solutions, and energy platforms that can accommodate the increased use of renewable energy and diversification of energy supply and demand management Given the increasing frequency of natural disasters, develop technologies for disaster-resilient renewable energy systems and disruption-resistant power transmission/distribution systems. Take risk aversion into account when deciding the location and equipment layout of a new production plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under 2°C or 4°C scenario</p> <ul style="list-style-type: none"> Continue to develop innovative digital technologies, nurture necessary human capital, and enhance digital service solutions that generate new value in view of expected growth in society's demand and markets for digital services under either scenario Specifically, enhance competitiveness by providing energy-saving and high-efficiency IT solutions that contribute to 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 	<p>Response to business risks under 2°C or 4°C scenario</p> <ul style="list-style-type: none"> Under either scenario, continue developing energy-saving, high-efficiency products that use IoT technology. Focus particularly on connected products with communication features. Miniaturized, high-efficiency, low-loss products can also help reduce CO₂ emissions. Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs. 	<p>Response to business risks under 2°C scenario</p> <ul style="list-style-type: none"> Promote R&D of electrification technology and other alternative technologies to enhance response to new markets, such as for electric vehicles <p>Response to business risks under 4°C scenario</p> <ul style="list-style-type: none"> Promote R&D and product development in existing technologies, including internal combustion engines, to not only improve energy efficiency but increase such non-environmental value as 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. 	<p>Response to business risks under 2°C scenario</p> <ul style="list-style-type: none"> Advance product development with an eye on trends in electrification and low/no carbon fuel to minimize development and product costs Build a system covering the entire value chain to work with and support the education of maintenance staff engaged in new technologies to accommodate customer requests for servicing and rentals <p>Response to business risks under 4°C scenario</p> <ul style="list-style-type: none"> Promote the development and manufacture of innovative products and solutions that enable a speedy recovery from disasters Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCPs.
Financial information (sales volume of each target sector)	Impact on part of ¥580.3 billion in railway systems business sales (FY 2019)	Impact on part of ¥399.2 billion in Energy Sector sales (FY 2019)	Impact on part of ¥2,099.4 billion in IT Sector sales (FY 2019)	Impact on part of ¥424 billion in Industry Sector's industrial products business sales (FY 2019)	Impact on part of ¥811.6 billion in automotive business (Hitachi Automotive Systems) sales (FY 2019)	Impact on part of ¥931.3 billion in construction machinery business (Hitachi Construction Machinery) sales (FY 2019)

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 2°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.

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, 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 by the Executive Sustainability Committee, chaired by the president and CEO of Hitachi, Ltd.


Metrics and Targets

Goals

Our environmental activities are managed through the Environmental Action Plan, whose 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 CO₂ 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, some 90% of our total CO₂ emissions come from the use of sold products in Scope 3. CO₂ emissions can fluctuate greatly, though, due to changes in sales volume and our business portfolio. To advance CO₂ reductions during the use of sold products and services, therefore, we set targets and monitor progress for the reduction rate of CO₂ emissions per unit. In other words, for products and services featuring equivalent value, we focus on metrics to provide customers and society with those that emit less CO₂. At the same time, we will make an exerted effort to not only reduce per unit but also total CO₂ emissions from our business sites (factories and offices).

 Environmental Action Plan for 2021 (Fiscal 2019–2021) ▶

 GHG Emissions Throughout the Value Chain ▶

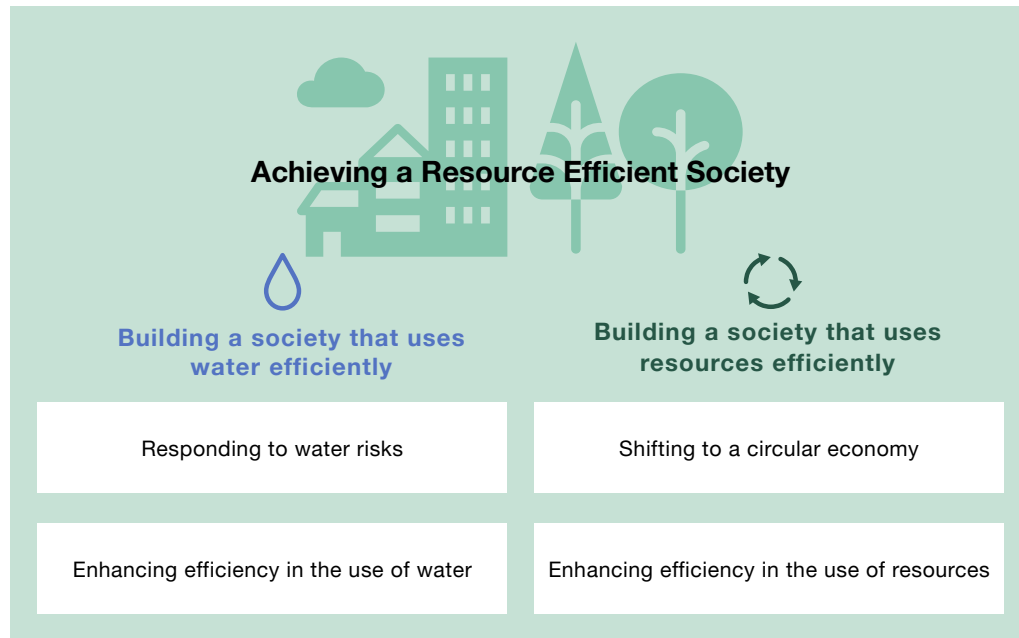
Achieving a Resource Efficient Society

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. 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 Water Efficient Society

Hitachi's Approach to Water Risks

Approach

303-2 | 303-5

Embracing the importance of developing region-specific risk measures that take the respective water stress*1 levels into account, Hitachi strives to better understand the water issues faced by some 200 business sites around the world, which are classified as category A in our environmental management classification. To this end, 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 Aqeduct, 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 Flood Hazard Map of the World produced by the European Union. To identify water risks, we analyze and evaluate water risks for each business unit and Group company, per country and region, and for the entire Group using approximately 50 assessment items, including physical risks like water stress that may affect water resources and quality or cause water damage; regulatory risks leading to higher water and discharge costs or new taxes; and reputation risks that can negatively affect communication with stakeholders, thereby implementing measures based on the nature and characteristics of each region and business.

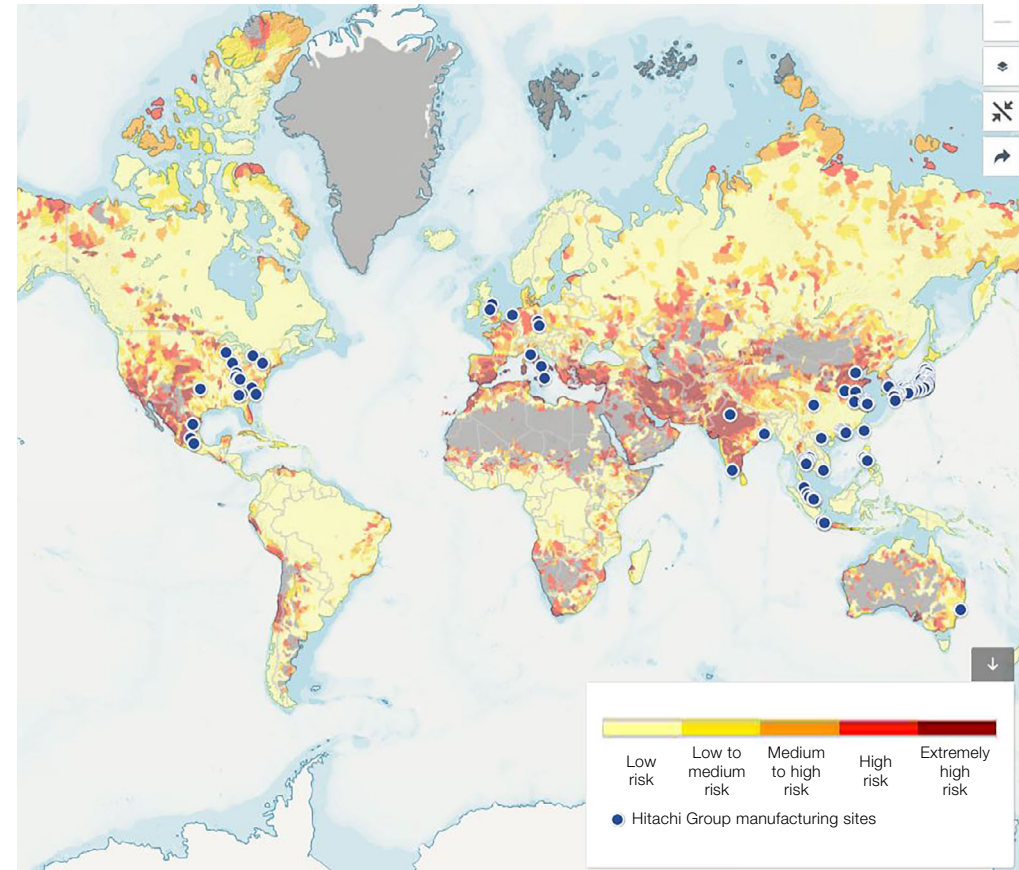
Achievements in FY 2019

In December 2019, we released the Water Risk Guidelines, which stipulate policies on how to identify and respond to water risks at each region and business area, taking into consideration the impacts of water risks on our business. The guidelines were developed with reference to *Setting Site Water Targets Informed by Catchment Context*,*2 published in August 2019, and are shared among the Hitachi Group together with the checklist to identify water risks and case studies of measures taken at our business sites.

*1 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 cubic meters per person per year, and regions below this level are said to experience water stress. According to the WRI Aqeduct risk analysis, when the ratio of total annual water withdrawn to average annual water supply within an area is 80% or more, it is defined as extremely high risk.

*2 A guide created by members of UN Global Compact, CEO Water Mandate, Pacific Institute, WRI, WWF, and other global institutions with the aim of helping companies set effective site water targets.

Water Stress Levels at Manufacturing Sites



Created based on Aqeduct data.

WRI/Aqeduct
<https://www.wri.org/aqeduct/about>

Enhancing Our Environmental Management System

Actions and Achievements

Activities

In fiscal 2019, we set a target of a 23% reduction (over the base year of fiscal 2010) for water usage per unit and achieved a 26% reduction. The volume of water used declined by 20.9 million cubic meters, or 40% 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.

Improving Water Use Efficiency

Case Study

Project	Department, Group company	Activity
Reducing groundwater use by recycling cupola furnace cooling water	Hitachi Metals	About 40% reduction in groundwater use by installing new water tanks and cooling towers to cool the furnaces
Reducing water use by visualizing groundwater flow	Hitachi Global Life Solutions	Water conservation efforts including the introduction of a power-monitoring system that automatically measures the flow of groundwater

<https://www.hitachi.com/environment/casestudy/2019/case06.html>

<https://www.hitachi.com/environment/casestudy/2019/case07.html>

Products and Services that Contribute to Resolving Water Issues

Activities

Hitachi will provide customers with a wide range of water-related products and services, thereby contributing to resolving water issues through its global business operations.

Achievements in FY 2019

The Republic of South Africa (South Africa) suffers from a serious water shortage. Hitachi is engaged in a demonstration project of RemixWater,*1 an integrated seawater desalination and water reuse system in the city of Durban in cooperation with the New Energy and Industrial Technology Development Organization (NEDO). In fiscal 2019, we started operating the system at the demonstration site of a wastewater treatment plant in the city. In this demonstration project, we construct desalination facilities aiming to produce 6,250 tons*2 of product water meeting potability standards from seawater and treated and discharged wastewater every day, while saving 30% more energy*3 compared to conventional seawater desalination systems*4 and reducing the impact on the nearby marine environment. We plan to introduce this technology in South Africa and to other regions with serious water shortages, thus contributing to the development of water infrastructure and industry.

*1 RemixWater is a registered trademark of Hitachi in Japan.
 *2 This corresponds to a water supply population of about 25,000.
 *3 Hitachi estimates for RemixWater in case of converting 100,000 m³/day at 3.5% seawater salinity.
 *4 Conventional systems desalinate by filtrating seawater through a reverse osmosis (RO) membrane. High pressure is needed to permeate the RO membrane, leading to high energy consumption.

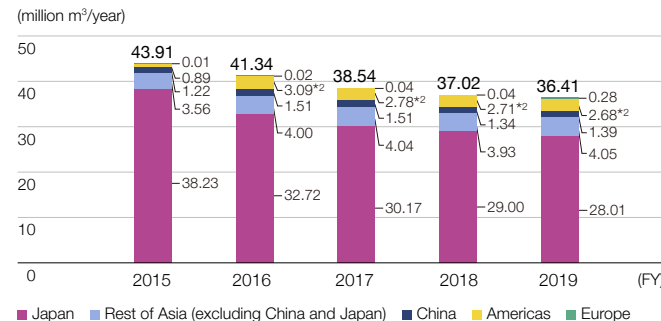
Environmental Action Plan for 2021 Management Values >>>

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



*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 Usage*1 (Hitachi Group)



*1 The total amount of water used in manufacturing processes and for other purposes, such as in offices.
 *2 Includes water used by a materials company that became a reporting company in fiscal 2016 (2.12 million m³/year in fiscal 2016, 1.91 million m³/year in fiscal 2017, 1.92 million m³/year in fiscal 2018, and 1.63 million m³/year in fiscal 2019).

Achieving a Resource
Efficient Society

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

Building a Society That Uses Resources Efficiently

Hitachi's Approach to Transition to a Circular Economy

Approach

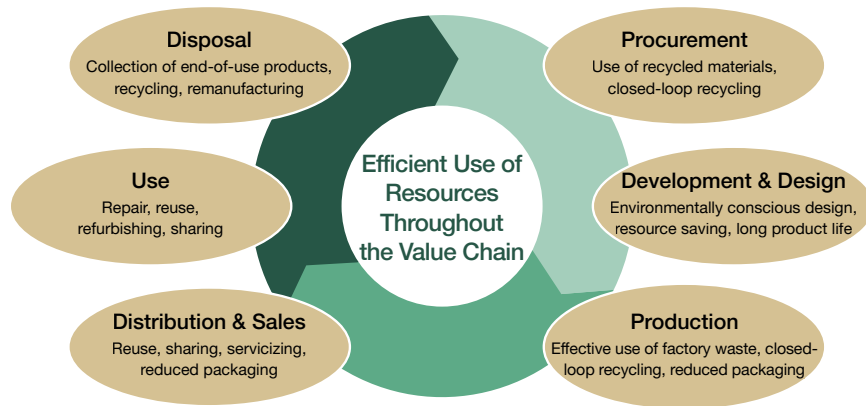
To help build a recycling-oriented society, Hitachi will advance a shift from the conventional linear economy to a circular economy. We will develop closed-loop recycling and servicizing*1 business models through utilization of recycled materials, manufacturing that is oriented to resource saving and long product life, reduction and recycling of factory waste, refurbishing*2 and remanufacturing,*3 and recycling of end-of-life products. These are advanced at each stage of the value chain, namely, procurement, development and design, production, distribution and sales, use, and disposal.

*1 Servicizing: Providing customers with the function of a product rather than selling them the product itself.

*2 Refurbishing: Servicing end-of-use products to a condition conforming to new-product standards.

*3 Remanufacturing: Restoring end-of-use products through disassembly, washing, component replacement, and other work to a condition equivalent to new products.

Efficient Use of Resources Throughout the Value Chain



Activities Related to Use and Disposal of Products

Activities

301-1 | 301-2 | 301-3

In Japan, Hitachi has built its own product recycling network providing services near our 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, though collecting and recycling of these products are voluntary and not legally required of manufacturers.

Achievements in FY 2019

We collected a total of 15 tons of end-of-life personal computers and monitors, including all-in-one computers, of which 12 tons were recycled, achieving a resource recycling rate of 80%. The total weight of recyclable materials*1 recovered from four types of end-of-life home appliances collected was approximately 86 kt, of which some 77 kt were recycled. By product type, the recycling rate for refrigerators and freezers was 80%, exceeding by 10% point the legal requirement of 70% and that for washing machines and dryers was 93%, exceeding by 11% point the legal requirement of 82%.

*1 Recyclable materials: Parts and materials recovered from the four types of end-of-life home appliances (air conditioners, TVs, refrigerators and freezers, and washing machines and dryers) and recycled by putting them to use in house or by selling them or transferring them free of charge to others who will use them. The data is aggregated from Hitachi Global Life Solutions and Hitachi-Johnson Controls Air Conditioning.

By-Product Recycling Activities

- Large-capacity storage unit**
 Clean, check, and refurbish parts of the used device replaced by a new one for use as our warranty-backed maintenance parts (US)
- Construction machinery**
 Remanufacture used units at recycling plants as high-function, reasonably priced units which have functions equivalent to those of new ones (Japan, China, Australia, and six other countries)
- Electric components for automobiles**
 After collecting malfunctioning components from dealers and repair shops, disassemble, check, clean and restore, reassemble, and inspect those components and market them as products featuring the same performance as new ones (Japan)
- Industrial equipment (pumps, motors, distribution boards, transformers, refrigeration equipment, and air conditioners)**
 Collect and reuse end-of-life products as resources (Japan)
- Home appliances**
 Recycle the four types of end-of-use home appliances (air conditioners, TVs, refrigerators and freezers, and washing machines and dryers) at our 19 recycling plants as part of cooperative efforts among five companies*1 in response to the 2001 Home Appliance Recycling Law (Japan)

*1 Hitachi Global Life Solutions; Sharp Corp.; Sony Corp.; Fujitsu General Ltd.; and Mitsubishi Electric Corp.

Plastic Recycling Activities

Activities

Hitachi Global Life Solutions, the major consumer of plastic in the Hitachi Group, uses 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 FY 2019

During fiscal 2019, a total of 1,163 tons of recycled plastic materials from end-of-life home appliances were used as parts for home appliances and packing materials.

Actions and Achievements

Activities

306-2

For fiscal 2019, we set a target of a 10% reduction (from a base year of fiscal 2010) for waste and valuables*¹ generated per unit, bettering this by achieving a 14% reduction. The amount of waste and valuables generated was reduced by 208 kt or 14% 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, 67 business sites out of 167 target business sites achieved their zero waste emissions goal*³ in fiscal 2019.

*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 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 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.

Environmental Action Plan for 2021 Management Values >>>

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

FY 2010 (base year)

$$\frac{\text{Amount generated } 1,434 \text{ kt}}{\text{Activity amount}^{*2}} = 100\%$$

From base year
14% reduction
FY 2019 reduction target: 10%

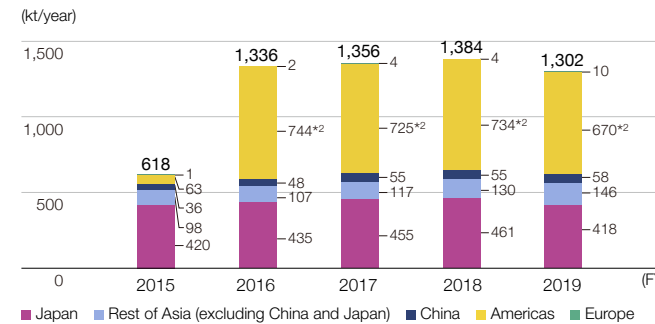
FY 2019

$$\frac{\text{Amount generated } 1,226 \text{ kt}}{\text{Activity amount}} = 86\%$$

*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)



*1 The total amount of waste and valuables generated in manufacturing processes plus that generated in offices and other nonmanufacturing business.

*2 Includes 675 kt (fiscal 2016), 675 kt (fiscal 2017), 689 kt (fiscal 2018), and 601 kt (fiscal 2019) of a materials company that became a reporting company in fiscal 2016.

Efficient Use of Resources

Case Study

Project	Department, Group company	Activity
Recycling of waste sand	Hitachi Metals	Reduction in the amount of waste sand generated in the process of manufacturing casting products by about 4,000 tons through recycling
Recycling polishing sludge with an abrasive powder compression system	Hitachi Automotive Systems	Recycling about 360 tons of polishing sludge that had been disposed of as industrial waste annually by introducing an abrasive powder compression system

▶  <https://www.hitachi.com/environment/casestudy/2019/case08.html>

▶  <https://www.hitachi.com/environment/casestudy/2019/case09.html>

Achieving a Harmonized Society with Nature

Efforts to Achieve a Harmonized Society with Nature

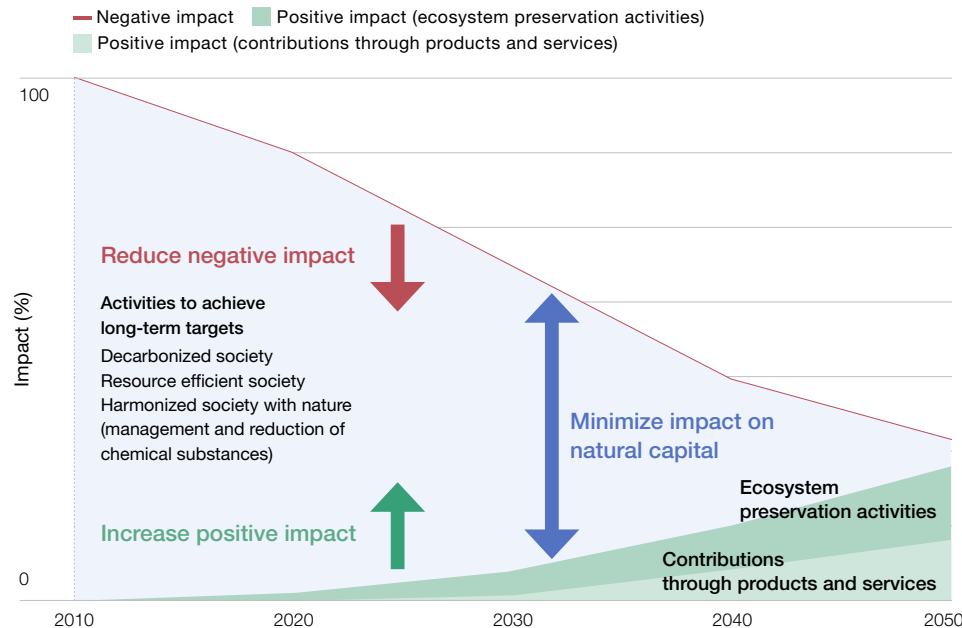
Approach

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 difference 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 Impact



Initiatives to Minimize Impact on Natural Capital

Approach

Hitachi has identified and quantified the negative impact our business activities have on natural capital with the aim of reducing such impact. According to our estimates, approximately 40% of our negative impact in fiscal 2019 was related to climate change, and 20%, respectively, to waste materials, resource consumption, and urban air pollution. These results suggest that we need to further reduce our environmental load to minimize our impact on natural capital, such as by 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 plants. We are also looking to quantify the impact of these activities.

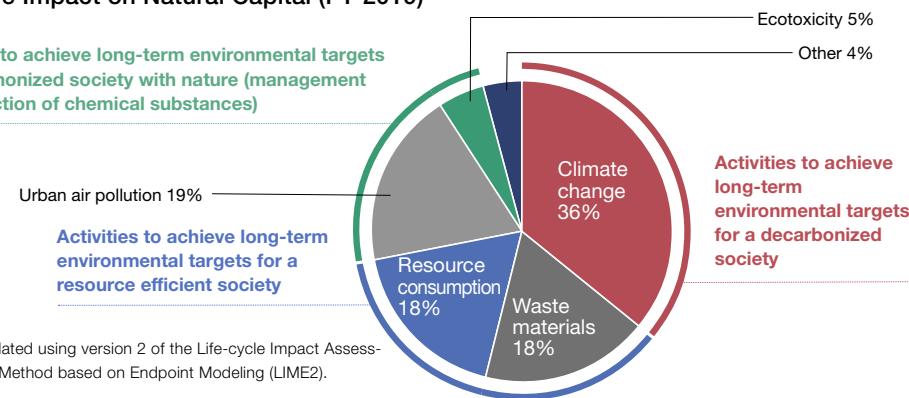
We estimate the benefits gained through our forest conservation activities (flood prevention, water impoundment, water purification, soil loss prevention, and carbon fixation) on an ongoing basis using evaluation methods commonly used in forestry-related public works projects.

Achievements in FY 2019

To enable the evaluation of forest conservation efforts, in fiscal 2019 we built a framework to collect data on forest areas targeted for conservation activities through the Environmental Data Collection System (Eco-DS).

■ Negative Impact on Natural Capital (FY 2019)

Activities to achieve long-term environmental targets for a harmonized society with nature (management and reduction of chemical substances)



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

Scope of Negative Impact Calculations ▶ <http://www.hitachi.com/environment/data/method.html>

Managing and Reducing Chemical Substances

Managing Chemical Substances

Approach

Hitachi believes that 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.

Achievements in FY 2019

Because perfluorooctanoic acid (PFOA), its salts, and PFOA-related substances were to be added to the list of restricted substances in the EU's POPs Regulation*2 in July 2020, we designated them as prohibited substances in a January 2020 revision. As a result, the list of Voluntarily Controlled Chemical Substances now contains 23 prohibited substance groups and 21 controlled substance groups.

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

*2 EU's POPs Regulation: Regulation of the European Parliament and of the Council on persistent organic pollutants (POPs).

Managing Chemical Substances in Our Business Operations

System

Activities

305-7

We have been cutting emissions of chemical substances from our 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 of sulfur oxides (SOx) and nitrogen oxides (NOx),*1 whose measurement is required under the laws and regulations of our business site locations, and are advancing efforts to further restrict emissions.

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

Achievements in FY 2019

Initiatives in fiscal 2019 to reduce emissions of chemical substances included switching from paints containing VOCs to water-soluble and powder paints as well as expanding their use and altering the painting and washing processes. These efforts enabled us to successfully achieve our target of reducing atmospheric emissions of chemical substances per unit by 16% compared to fiscal 2010.

*1 Emissions of SOx and NOx: Calculated by multiplying their concentration and exhaust volume.

*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.



Hitachi's Voluntarily Controlled Chemical Substances ▶ <http://www.hitachi.com/environment/data/chemical.html>



Enhancing Our Environmental Management System ▶

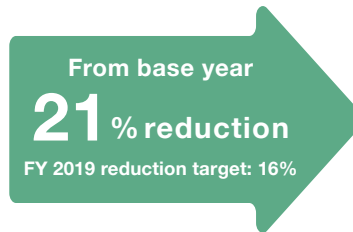
Achieving a Harmonized Society with Nature

Environmental Action Plan for 2021 Management Values >>>

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

• FY 2010 (base year)

$$\frac{\text{Emissions } 4,982 \text{ t}}{\text{Activity amount}^{*1}} = 100\%$$

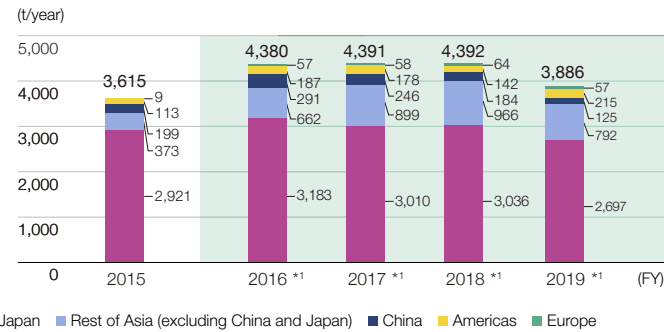


• FY 2019

$$\frac{\text{Emissions } 3,886 \text{ t}}{\text{Activity amount}} = 79\%$$

*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)



*1 Since fiscal 2016, the scope of controlled chemical substances has been expanded from 41 to 50 substances.
Note: Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate included in the ingredients.

Reducing Chemical Substances in Our Business Activities

Case Study

Project	Department, Group company	Activity
Reducing VOC emissions	Hitachi Construction Machinery	Reduction of VOC emissions by changing paints for construction machinery and installing new systems in China
	Hitachi Automotive Systems	Reduction of atmospheric emissions of VOCs by installing a VOC emissions treatment unit

<https://www.hitachi.com/environment/casestudy/2019/case10.html>

<https://www.hitachi.com/environment/casestudy/2019/case11.html>

Preserving Ecosystems

Initiatives to Preserve Ecosystems

Approach

Activities

304-3

306-5

At Hitachi, we seek to reduce the burden (negative impact) on natural capital caused by business activities and to promote the positive impact, 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 harmonized society 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 CO₂ 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 impact on biodiversity when investing in or acquiring a business, and implementing measures to minimize such impact	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 ecosystem 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

Promoting Ecosystem Preservation

Case Study

Project	Department, Group company	Activity
Mangrove planting in Indonesia	Hitachi Construction Machinery and Hexindo Adiperkasa	Planting of 2,811 mangrove seedlings in Indonesia
Araihamara reforestation project	Hitachi Industrial Equipment Systems (Nakajo business office)	Reforestation of areas damaged by the pinewood nematode

 <https://www.hitachi.com/environment/casestudy/2019/case12.html>

 <https://www.hitachi.com/environment/casestudy/2019/case13.html>

Environmental Data

GHG Emissions Throughout the Value Chain

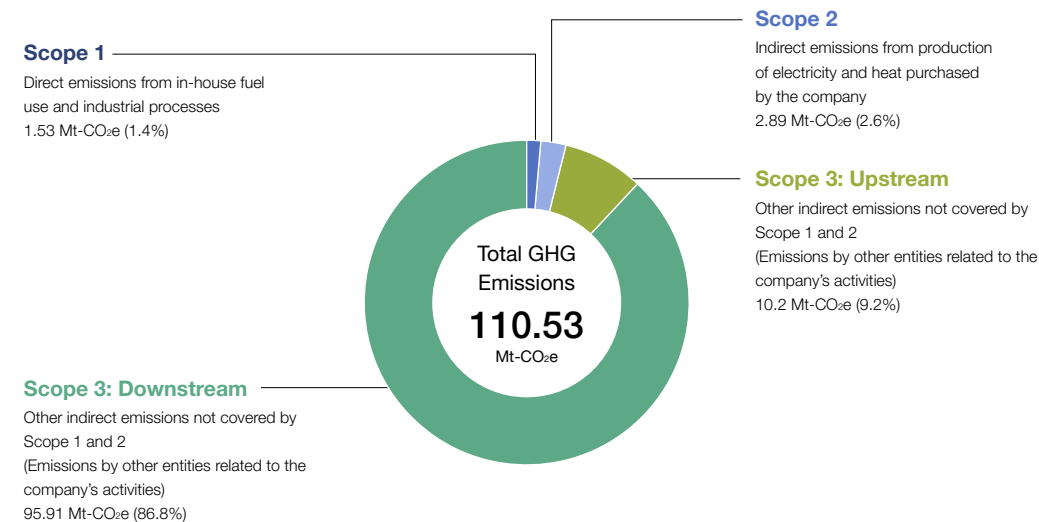
302-1 | 302-2 | 305-1 | 305-2 | 305-3 | 305-4

Calculating GHG Emissions Throughout the Value Chain (Hitachi Group, FY 2019)

Activities

We calculate 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 and thereby establish effective targets and reductions measures. CO₂ accounts for almost all of Hitachi's GHG emissions, with there being negligible release of other gases, making it all the more important to focus on CO₂ reduction efforts.

An extremely high share (over 80%) 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.



Detailed Data on GHG Emissions Throughout the Hitachi Value Chain (Hitachi Group, FY 2019) ▶

Greenhouse Gas Emissions ▶

In-house: Within the scope of the company's organizational boundaries. In principle, the scope of all business activities of the company itself and activities within or controlled by its consolidated subsidiaries.

Upstream: In principle, activities related to purchased products and services.

Downstream: In principle, activities related to sold products and services.

Environmental Data

Detailed Data on GHG Emissions Throughout the Hitachi Value Chain (Hitachi Group, FY 2019)

Category	Description	Calculation Results (Mt-CO ₂ e)
Scope 1^{*1}		
Direct emissions	Direct emissions from in-house fuel use and industrial processes	1.53 (1.4%)
Scope 2^{*2}		
Energy-related indirect emissions	Indirect emissions from production of electricity and heat purchased by the company	2.89 (2.6%)
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	8.25 (7.5%)
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	1.40 (1.3%)
3 Fuel- and energy-related activities not included in Scope 1 and 2	Emissions from procuring fuel necessary for electricity and other energy production, including resource extraction, production, and shipping	0.22 (0.2%)
4 Upstream transportation and distribution	Emissions from distribution of raw materials, parts, supplied products, and sales prior to delivery of materials to the company, as well as other distribution activities of products for which the company bears the expense	0.09 (0.1%)
5 Waste generated in operations	Emissions from transportation, disposal, and treatment of waste generated in the company's operations	0.12 (0.1%)
6 Business travel	Emissions generated from fuel and electric power used by employees for business travel	0.06 (0.0%)
7 Employee commuting	Emissions generated from fuel and electric power used in employee commuting	0.06 (0.0%)
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 transportation, storage, loading and unloading, and retail sales of products	0.01 (0.0%)
10 Processing of sold products	Emissions by downstream companies during processing of intermediate products	N/A ^{*3}
11 Use of sold products ^{*4}	Emissions from use of products by end users, such as consumers and businesses	95.30 (86.3%)
12 End-of-life treatment of sold products ^{*4}	Emissions from transportation, waste disposal, and treatment of products by end users, such as consumers and businesses	0.49 (0.4%)
13 Downstream leased assets	Emissions from operating assets owned by the reporting company as lessor and 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 management of investments	0.08 (0.1%)
Total		110.53 (100%)

Note: Figures in parentheses are percentages of GHGs emitted throughout the value chain.

*1 Includes SF₆, PFC, HFC, N₂O, NF₃, and CH₄. The gas and fuel 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 world countries (in CO₂ per kWh) in the *Emission Factors* (2019 edition), published by the International Energy Agency (IEA).

*3 Cannot be determined due to insufficient information on 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).

Environmental Load from Operations

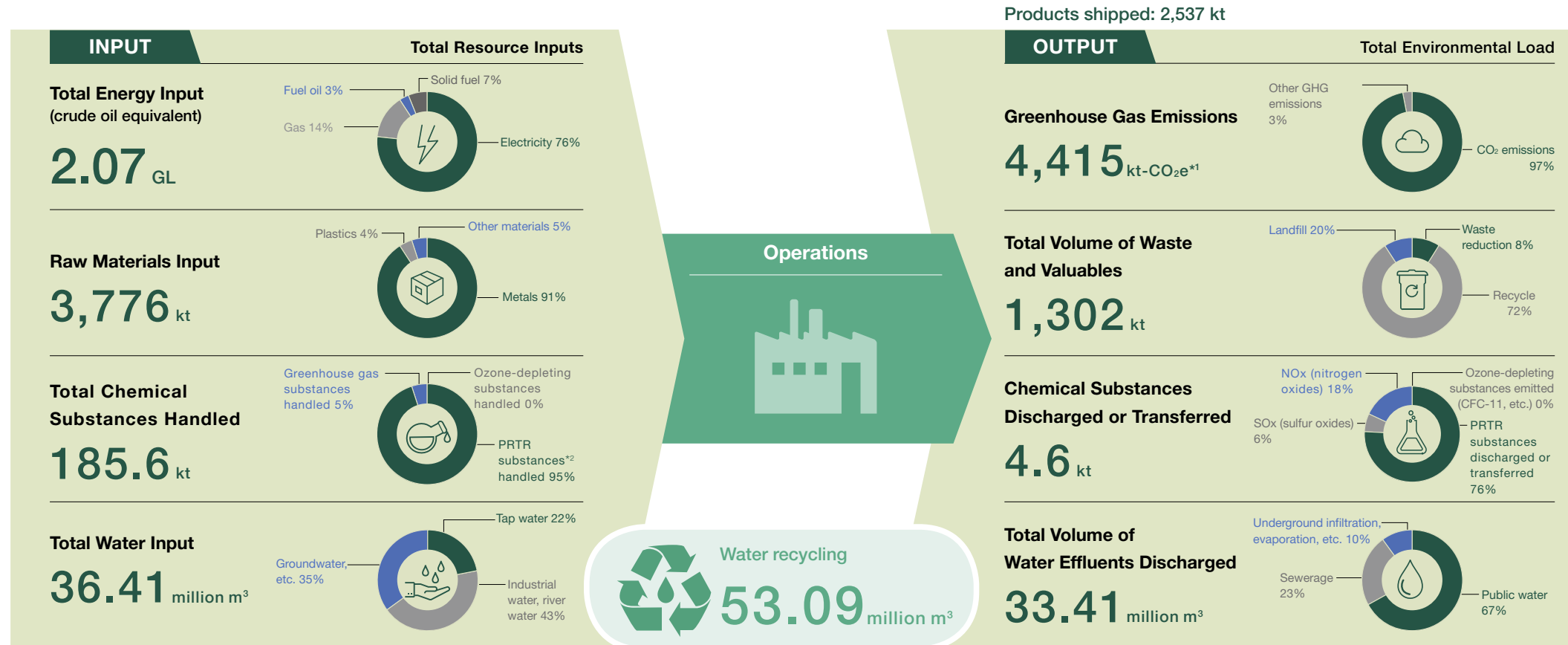
301-1	301-2	302-1	302-4	302-5	303-1	303-2	303-3	303-4	305-4	305-5	305-6	305-7	306-1	306-2
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Overview of the Environmental Load from Business Operations (Hitachi Group, FY 2019)

Activities

 Detailed Data on Resource Input and Environmental Load Output ▶

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 2019.



*1 CO₂e: CO₂ equivalent.

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

Detailed Data on Resource Input and Environmental Load Output

Activities

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.

Total Energy Inputs		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Renewable energy	Electricity	3.9 GWh (39 TJ)	2.9 GWh (29 TJ)	3.2 GWh (11.2 TJ)	7.1 GWh (25.6 TJ)	18.0 GWh (64.8 TJ)
Non-renewable energy	Electricity	5,111 GWh (49.7 PJ)	5,903 GWh (57.4 PJ)	6,020 GWh (58.4 PJ)	6,021 GWh (58.4 PJ)	5,992 GWh (58.2 PJ)
	For heating	—	—	130 GWh (2.7 PJ)	128 GWh (2.6 PJ)	128 GWh (2.6 PJ)
	For cooling	—	—	277 GWh (1.3 PJ)	273 GWh (1.3 PJ)	273 GWh (1.3 PJ)
	To generate steam	—	—	644 t (41.7 TJ)	648 t (41.9 TJ)	648 t (41.9 TJ)
	Gas					
	Natural gas	0.11 billion m ³ (4.9 PJ)	0.18 billion m ³ (8.1 PJ)	0.19 billion m ³ (8.6 PJ)	0.18 billion m ³ (8.4 PJ)	0.15 billion m ³ (7.0 PJ)
	For heating	—	—	18.4 million m ³ (0.9 PJ)	18.6 million m ³ (0.9 PJ)	18.6 million m ³ (0.9 PJ)
	For cooling	—	—	10.3 million m ³ (0.5 PJ)	10.5 million m ³ (0.5 PJ)	10.5 million m ³ (0.5 PJ)
	To generate steam	—	—	560 kt (2.0 PJ)	567 kt (2.0 PJ)	566 kt (2.0 PJ)
	LPG, LNG, etc.	74 kt (4.1 PJ)	241 kt (13.0 PJ)	269 kt (14.5 PJ)	251 kt (13.5 PJ)	150 kt (8.0 PJ)
	Fuel oil (heavy oil, kerosene, etc.)	84 ML (3.2 PJ)	149 ML (5.6 PJ)	117 ML (4.5 PJ)	87 ML (3.3 PJ)	75 ML (2.1 PJ)
	Solid fuel (coke)	0.008 kt (0.0 PJ)	173 kt (5.2 PJ)	179 kt (5.4 PJ)	188 kt (5.5 PJ)	162 kt (4.8 PJ)
Total energy consumption (crude oil equivalent)		61.9 PJ (1.58 GL)	89 PJ (2.30 GL)	91 PJ (2.35 GL)	88 PJ (2.27 GL)	80 PJ (2.07 GL)

Greenhouse Gas Emissions		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
CO ₂ emissions		4,346 kt-CO ₂	5,322 kt-CO ₂	5,433 kt-CO ₂	4,973 kt-CO ₂	4,374 kt-CO ₂
Other GHGs	SF ₆ (sulfur hexafluoride)	56 kt-CO ₂ e	37 kt-CO ₂ e	40 kt-CO ₂ e	35 kt-CO ₂ e	24 kt-CO ₂ e
	PFCs (perfluorocarbons)	4 kt-CO ₂ e	4 kt-CO ₂ e	4 kt-CO ₂ e	5 kt-CO ₂ e	4 kt-CO ₂ e
	HFCs (hydrofluorocarbons)	16 kt-CO ₂ e	19 kt-CO ₂ e	7 kt-CO ₂ e	3 kt-CO ₂ e	3 kt-CO ₂ e
	N ₂ O, NF ₃ , CH ₄ (dinitrogen monoxide, nitrogen trifluoride, methane)	1 kt-CO ₂ e	2 kt-CO ₂ e	1 kt-CO ₂ e	3 kt-CO ₂ e	2 kt-CO ₂ e
	CO ₂ from non-energy sources	6 kt-CO ₂	3 kt-CO ₂	3 kt-CO ₂	7 kt-CO ₂	8 kt-CO ₂
Total GHGs		4,429 kt-CO ₂ e	5,387 kt-CO ₂ e	5,488 kt-CO ₂ e	5,026 kt-CO ₂ e	4,415 kt-CO ₂ e

Notes: • Starting from fiscal 2019's calculations, Scope 2 emissions were changed from a calculation method using a unified Group-wide electrical power conversion factor to a market-based calculation method, and past data was recalculated based on this. Regarding CO₂ electrical power conversion factors: in Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; overseas, the latest values for each fiscal year supplied by the International Energy Agency (IEA) 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.

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 waste and valuables generation.



Raw Material Inputs

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Raw materials	Metals	1,638 kt	2,710 kt	3,388 kt	4,031 kt	3,454 kt	
		New materials	—	1,497 kt	1,571 kt	1,624 kt	1,372 kt
		Recycled materials, etc.	—	1,213 kt	1,817 kt	2,407 kt	2,082 kt
	Plastics	149 kt	169 kt	151 kt	165 kt	147 kt	
		New materials	—	167 kt	150 kt	163 kt	143 kt
		Recycled materials, etc.	—	2 kt	1 kt	2 kt	4 kt
	Other materials	347 kt	314 kt	258 kt	207 kt	175 kt	
		New materials	—	308 kt	250 kt	201 kt	173 kt
		Recycled materials, etc.	—	6 kt	8 kt	6 kt	2 kt
Total raw materials		2,134 kt	3,193 kt	3,797 kt	4,403 kt	3,776 kt	



Total Volume of Waste and Valuables

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Waste reduction		53 kt	68 kt (0.4 kt)	83 kt (9.0 kt)	94 kt (5.6 kt)	101 kt (17.5 kt)
Recycling	Reuser	3 kt	1 kt (0.4 kt)	1 kt (0.4 kt)	1 kt (0.0 kt)	5 kt (2.2 kt)
	Materials recycled	506 kt	1,001 kt (21.5 kt)	1,038 kt (20.2 kt)	1,044 kt (25.6 kt)	919 kt (25.3 kt)
	Thermal recovery	13 kt	12 kt (2.4 kt)	11 kt (1.4 kt)	13 kt (1.4 kt)	21 kt (4.9 kt)
Landfill		43 kt	254 kt (2.0 kt)	223 kt (5.2 kt)	232 kt (3.7 kt)	256 kt (6.1 kt)
Total waste and valuables generation		618 kt	1,336 kt	1,356 kt	1,384 kt	1,302 kt
Nonhazardous (hazardous*)		—	1,309 kt (27 kt)	1,320 kt (36 kt)	1,348 kt (36 kt)	1,246 kt (56 kt)

*1 Figures in parentheses are the generation of waste defined as hazardous under the Basel Convention.

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

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



Chemical Substances Handled

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
PRTR substances handled	177 kt	190 kt	205 kt	189 kt	177 kt
Ozone-depleting substances handled	11 t	208 t	77 t	130 t	62 t
Greenhouse gas substances handled	3,791 t	3,425 t	5,656 t	5,640 t	8,520 t
Total chemicals handled	180.8 kt	193.6 kt	210.7 kt	194.8 kt	185.6 kt



Chemical Substances Discharged or Transferred

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
PRTR substances discharged or transferred	4.4 kt	4.5 kt	4.3 kt	4.1 kt	3.5 kt
SOx (sulfur oxides)	144 t	290 t	297 t	274 t	255 t
NOx (nitrogen oxides)	719 t	1007 t	931 t	929 t	822 t
Ozone-depleting substances emitted (CFC-11, etc.)	1 t (0 t-ODP*)	1 t (0 t-ODP)	1 t (0 t-ODP)	1 t (0 t-ODP)	2 t (0 t-ODP)
Total Discharges and Transfers	5.3 kt	5.8 kt	5.5 kt	5.3 kt	4.6 kt

Note: Includes a materials company that became a reporting company in fiscal 2016.

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

Water Inputs and Effluent Discharges During Business Operations

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



Total Water Inputs		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Surface water	Tap water (water for drinking and other household uses)	5.65 million m ³	7.77 million m ³	7.40 million m ³	7.61 million m ³	7.95 million m ³
	Industrial water, river water	20.13 million m ³	18.41 million m ³	17.46 million m ³	16.63 million m ³	15.58 million m ³
Groundwater		18.13 million m ³	14.92 million m ³	13.56 million m ³	12.74 million m ³	12.84 million m ³
Rain water		0.00 million m ³	0.03 million m ³	0.02 million m ³	0.01 million m ³	0.02 million m ³
Recycled water (recycled from the wastewater of other organizations)		0.00 million m ³	0.21 million m ³	0.10 million m ³	0.03 million m ³	0.02 million m ³
Total water use		43.91 million m³	41.34 million m³	38.54 million m³	37.02 million m³	36.41 million m³




Total Volume of Water Effluents Discharged		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Public water		27.36 million m ³	26.16 million m ³	23.12 million m ³	22.44 million m ³	22.46 million m ³
Sewerage		9.37 million m ³	8.93 million m ³	8.62 million m ³	8.18 million m ³	7.74 million m ³
Underground infiltration, evaporation, etc.		6.58 million m ³	3.68 million m ³	3.39 million m ³	3.48 million m ³	3.21 million m ³
PRTR		43.30 million m³	38.77 million m³	35.13 million m³	34.10 million m³	33.41 million m³
Total water effluents discharged	BOD (biochemical oxygen demand)	433 t	346 t	392 t	390 t	209 t
	COD (chemical oxygen demand)	732 t	531 t	617 t	1,701 t	413 t ^{*1}

*1 The fiscal 2019 figure excludes business sites (which accounted for around 60% of demand the previous year) from which data collection has been hampered due to the spread of COVID-19.

Environmental Load by Region

Achieving a Decarbonized Society

Activities

CO ₂ Emissions by Region (Hitachi Group) 	(kt-CO ₂ /year)				
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Europe	7	10	16	15	30
Americas	375	1,454* ¹	1,519* ¹	1,343* ¹	1,228* ¹
China	211	265	283	236	286
Rest of Asia (excluding China and Japan)	402	470	499	540	572
Japan	2,541	2,392	2,377	2,285	2,030
Power plants* ²	810	732	739	554	228
Total	4,346	5,322	5,433	4,973	4,374

*¹ Includes 1,070 kt-CO₂ (fiscal 2016), 1,163 kt-CO₂ (fiscal 2017), 1,112 kt-CO₂ (fiscal 2018), and 950 kt-CO₂ (fiscal 2019) emitted by a materials company that became a reporting company in fiscal 2016.

*² Emissions by power plants selling electricity in Japan were retroactively added to total CO₂ emissions in fiscal 2017.

- Notes:
- Starting from fiscal 2019's calculations, Scope 2 emissions were changed from a calculation method using a unified Group-wide electrical power conversion factor to a market-based calculation method, and past data was recalculated based on this. Regarding CO₂ electrical power conversion factors: in Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; overseas, the latest values for each fiscal year supplied by the International Energy Agency (IEA) as conversion factors for individual countries are used.
 - Energy-related CO₂ emissions in fiscal 2019 were 1,489 kt-CO₂ (Scope 1) and 2,885 kt-CO₂ (Scope 2).

Achieving a Resource Efficient Society

Activities

Water Usage by Region (Hitachi Group)	(million m ³ /year)				
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Europe	0.01	0.02	0.04	0.04	0.28
Americas	0.89	3.09* ¹	2.78* ¹	2.71* ¹	2.68* ¹
China	1.22	1.51	1.51	1.34	1.39
Rest of Asia (excluding China and Japan)	3.56	4.00	4.04	3.93	4.05
Japan	38.23	32.72	30.17	29.00	28.01
Total	43.91	41.34	38.54	37.02	36.41

*¹ Includes water used by a materials company that became a reporting company in fiscal 2016 (2.12 million m³/year in fiscal 2016, 1.91 million m³/year in fiscal 2017, and 1.92 million m³/year in fiscal 2018).

Environmental Data

Waste and Valuables Generation by Region (Hitachi Group)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Europe	1	2	4	4	10
Americas	63	744*1	725*1	734*1	670*1
China	36	48	55	55	58
Rest of Asia (excluding China and Japan)	98	107	117	130	146
Japan	420	435	455	461	418
Total	618	1,336	1,356	1,384	1,302

(kt/year)

*1 Includes 675 kt (fiscal 2016), 675 kt (fiscal 2017), 689 kt (fiscal 2018), and 601 kt (fiscal 2019) of a materials company that became a reporting company in fiscal 2016.

Achieving a Harmonized Society with Nature

Activities

Atmospheric Emissions of Chemical Substances by Region (Hitachi Group)					
	FY 2015	FY 2016*1	FY 2017*1	FY 2018*1	FY 2019*1
Europe	9	57	58	64	57
Americas	113	187	178	142	215
China	199	291	246	184	125
Rest of Asia (excluding China and Japan)	373	662	899	966	792
Japan	2,921	3,183	3,010	3,036	2,697
Total	3,615	4,380	4,391	4,392	3,886

(t/year)

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

*1 Since fiscal 2016, the scope of controlled chemical substances has been expanded from 41 to 50 substances.

Environmental Management Data

Number of ISO 14001 Certified Companies*1 (Hitachi Group, as of April 30, 2020)

Activities

	FY 2019
Europe	15
Americas	14
China	45
Rest of Asia (excluding China and Japan), etc.	42
Japan	82
Total	198

*1 Companies with at least one certified business site.

Number of Regulatory Violations and Complaints

Activities

		306-3		307-1		
		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Regulatory violations	Water quality	3	1	3	4	4
	Air quality	1	2	1	2	0
	Waste matter	1	1	0	3	0
	Other (equipment registration, etc.)	3	2	4	4	1
Complaints		4	6	5	3	5

Environmental Accounting

Activities

Environmental Investments		(billions of yen)				
		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total investment	Investment in energy-saving equipment and equipment that directly reduces environmental load	7.50	5.12	10.99	9.86	9.71

Environmental Protection Costs		(billions of yen)				
Items		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Expenses						
Business area	Maintenance costs for equipment with low environmental load, depreciation, etc.*1	24.22	19.19	22.17	23.57	22.62
Upstream/downstream	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses	0.97	0.63	0.72	0.68	0.68
Administration	Labor costs for environmental management, implementation and maintenance of environmental management system	5.97	5.12	5.69	6.72	4.98
Research and development	R&D to reduce environmental burden caused by products and production processes, product design expenses	75.71	63.13	62.55	61.86	77.01
Social activities	Planting, beautification, and other environmental improvement expenses	0.45	1.21	1.00	0.93	0.25
Environmental remediation	Environmental mitigation costs, contributions, and charges	0.27	0.22	0.33	0.40	0.17
Total		107.59	89.50	92.46	94.16	105.71

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

Environmental Protection Effects

Economic Effects*1		(billions of yen)				
Items	Major FY 2019 Activities	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net income effects	Recovering value from waste by sorting and recycling	7.27	4.96	6.90	8.35	12.42
Reduced expenses effects	Installing high-efficiency equipment (lighting, power supply)	6.78	7.77	14.54	7.70	6.20
Total		14.05	12.73	21.44	16.05	18.62

*1 Economic effects include:

- Net income effects: Benefits with real incomes, including incomes from the sale of resalable materials and incomes from environmental technology patents.
- Reduced expenses effects: Reduction in electricity, waste treatment, and other expenses through environmental load reduction activities.

Physical Effects*1		(million kWh)				
Item	Major FY 2019 Activities	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Reduction in energy used during production	Installing LED lighting, upgrading air-conditioning equipment, etc.	59	51	41	55	48

*1 Physical effects refer to the annual amount of reduction in electricity consumption due to measures invested in during each fiscal year.

Environmental Liability

Activities

We have appropriated 6.3 billion yen in expenses for the disposal of PCB-containing waste and 1.3 billion yen to clean up contaminated soil as the amounts that we can reasonably project as of March 2020 as future environmental liabilities.

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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Innovation Management



Key SDGs



Why it matters

Under its Corporate Credo “to contribute to society through the development of superior, original technology and products,” Hitachi has focused its efforts on the Social Innovation Business. Our 2021 Mid-term Management Plan sets the goals of creating social, environmental, and economic value for our customers. In fiscal 2020, we established an R&D policy of becoming a global innovation leader in delivering social, environmental, and economic value. By further enhancing Lumada and NEXPERIENCE, a methodology for collaborative creation with customers, and making use of “Kyōsō-no-Mori,”

a new research initiative for open collaborative creation, we will accelerate open innovation and support our customers in resolving their challenges.

Hitachi believes that intellectual property (IP) activities make an important contribution to creating social, environmental, and economic value for our customers. Our Intellectual Property Division takes part in creating solutions that enhance such value, contributes to the global deployment of IP, and leads the way in resolving social issues toward achieving the SDGs and Society 5.0 through IP activities.

What we are doing



R&D

Core initiatives

- Create value at the frontline (promote open innovation)
- Leverage technological strengths for value creation (redesign innovation processes)
- Become a technology leader (promote innovation)

Goals and KPIs

- Expanding collaborative creation “spaces”
- Creating a vision in each region
- Contributing to expanding the Lumada business in each region
- Accelerating innovation in our five core sectors
- Strengthening our technological foundation
- Developing top digital talent in the field of AI: 350 employees by fiscal 2021

Achievements in FY 2019

- Launched Kyōsō-no-Mori, a research initiative for open collaborative creation
- Established a corporate venture capital fund
- Promoted open innovation with governments and academic institutions in each country and region
- Globally expanded “Scale of Digital” business and “Scale by Digital” business
- Promoted development of AI, digital trust, “Beyond 5G/6G” technologies, electrification, and robotics for Lumada CPS and other products
- Developed disruptive technologies in the areas of quantum computing, regenerative medicine, and environment
- Established the Lumada Data Science Lab. by bringing together top data scientists

What we are doing



IP

Core initiatives

- Provide support for creating solutions
- Promote IP activities to resolve social issues toward the SDGs and Society 5.0

Goals and KPIs

- Strengthening solution creation
- Carrying out IP activities based on specific projects that contribute to solving social issues

Achievements in FY 2019

- Developed new method of collaborative creation to drive solution creation using patent information as a catalyst
- Introduced the "IP for society" concept, which promotes the use of IP in certain areas of high public interest to maintain and evolve social norms (for example, allowing free use of IPs to resolve social issues)
- Established the IP Strategy Department to develop and implement IP activities; in fiscal 2020, established a Data Science Group within the department

Key SDGs



Research and Development

Hitachi's R&D Policy and Initiatives

Policy Structure Activities

Over its history of more than 100 years, Hitachi has worked to develop cutting-edge technologies through its R&D activities in an effort to create innovation toward the future, adhering to the company's Corporate Credo of contributing to society through the development of superior, original technology and products. In fiscal 2020, we established an R&D policy of becoming a global innovation leader in delivering social, environmental, and economic value. Building on Lumada as a foundation, we will further accelerate open innovation and grow together with our stakeholders by combining our strengths in operational technology (OT), IT, and products with the technology platforms in the Research & Development Group and external knowledge. Through these efforts, our goal is to enhance social, environmental, and economic value for our customers, as well as to improve people's quality of life.

To realize this R&D policy, the Global Center for Social Innovation (CSI) acts as the frontline function, working closely with the Center for Technology Innovation (CTI) to leverage Hitachi's technology advantages in creating new value. CTI and the Center for Exploratory Research (CER) are pursuing research to create the world's No. 1 technologies and disruptive technologies to become a technology leader.

Achievements Since FY 2019

In April 2019, Kyōsō-no-Mori, a research initiative for open collaborative creation (co-creation), was launched within the Central Research Laboratory. In June, a corporate venture capital fund was established to promote industry-academia-government cooperation and collaboration with startups. In April 2020, the Lumada Data Science Laboratory was established within Kyōsō-no-Mori, bringing together top data scientists to further enhance value through digital solutions.

R&D Policy for FY 2020

Policy	Become a global innovation leader in delivering social, environmental, and economic value
Creating value at the frontlines	CSI
Leveraging technological strengths for value creation	CSI-CTI collaboration
Becoming a technology leader	CTI CER

Creating Value at the Frontlines (Promoting Open Innovation)

Structure Activities

Hitachi is expanding open co-creation "spaces" in regions of focus to strengthen initiatives in growth areas and in solving social issues, as well as to capture changes in the latest trends and create value by setting a vision for and exploring business opportunities in each region.

Achievements in FY 2019

In fiscal 2019, as part of initiatives to expand co-creation "spaces," Kyōsō-no-Mori was launched within the Central Research Laboratory in April 2019, followed by the relocation of the Silicon Valley Research Center of Hitachi America, Ltd. to a new office building in Santa Clara, California with Hitachi Vantara to strengthen collaboration and establish a development center for digital solutions through open co-creation. We are looking at different business models together with startups through ideathons and hackathons held by such research centers. In October, Hitachi and the New South Wales State Government agreed to establish a "Kyōsō (collaborative creation) Centre" in Western Sydney, Australia, to accelerate the creation of social innovation. We have begun co-creation activities from early 2020 with a view to opening the center in 2023.

As part of our activities to promote regional co-creation, we are engaged in a joint project with Thailand's prestigious Chulalongkorn University to create new services that will help realize a future digital city. A "healthy aging" project in collaboration with Tsinghua University in China is also underway.

To enhance social, environmental, and economic value, projects on the environment and aging were launched under the direct control of the Research & Development Group. Our goal is to generate new value together with the Future Investment Division which is responsible for identifying mid- to long-term focus areas and managing projects based on next-generation technology trends and global changes. Further, the Hitachi-UTokyo Laboratory that has made policy proposals for next-generation grid systems since 2016, has begun studies since fiscal 2020 on a total energy system project to achieve zero carbon, and contribute to raising environmental and social value.

In the past, Hitachi has identified customer issues and promoted end-to-end value creation from vision design to services based on its originally developed co-creation methodology “NEXPERIENCE.” Going forward, NEXPERIENCE will evolve into a methodology that quantifies social, environmental, and economic value, with enhanced risk assessment, to enable collaboration with multiple companies or regional communities to resolve social challenges. We will accelerate value creation through the delivery of solutions by gaining insight into the challenges faced by regional communities and incorporating them into vision design and rulemaking, as well as by working with our global front teams.

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)

Leveraging Technology Strengths to Create Value (Transforming the Innovation Process)

Structure Activities

In order to create solutions that contribute to enhancing people’s quality of life and our customers’ corporate value, we are working closely with our global frontline teams to expand the Lumada business by leveraging R&D’s technology platforms and knowledge in OT, IT, and products (OT×IT×Products), and globally developing our “Scale of Digital” business centered on the IT sector as well as our “Scale by Digital” business centered on OT and products.

OT×IT specialists have been assigned to each region in North America, Europe, China, Asia Pacific, and Japan to resolve challenges faced by our customers in those regions and promote our “Scale of Digital” business. With this organization, we aim to achieve an *n*-fold expansion by developing digital solutions such as maintenance repair through co-creation with customers.

In relation to our “Scale by Digital” business, we are utilizing Lumada solution cores that can be applied across our five sectors for solution development, such as blockchain or data analytics technology, to connect stakeholders and create value by linking multiple services in areas such as MaaS (Mobility as a Service), IaaS (Infrastructure as a Service), smart manufacturing and logistics.

The MaaS solution, for example, provides value to businesses and people by coordinating the entire regional traffic network and peripheral services through the application of technologies developed for railway systems, such as operation control and scheduling. This is just one example of how we will use OT technology, one of our technology strengths, to differentiate ourselves from our competitors and enhance value creation in each region.

Becoming a Technology Leader (Promoting Innovation)

Activities

Hitachi will accelerate innovation in each of its five core sectors to enhance social, environmental, and economic value by increasing people’s quality of life and our customers’ corporate value. To achieve this, we are using Lumada as a common platform to realize a cyber-physical system that seamlessly connects cyberspace with the real world in real time, focusing on the development of AI, digital trust, and technologies for “Beyond 5G/6G.”

“Explainable AI” technologies that can explain the rationale behind the decisions they reach are being developed and already in use for loan screening in a co-creation with a financial institution. Development of digital trust technologies is also underway, including public biometrics infrastructure using a proprietary hands-free authentication system and confidential information-processing technologies that allow data to be processed while encrypted. For “Beyond 5G/6G” networks and services, we will accelerate co-creation with customers using 5G demo environments in Japan and North America.

We are also strengthening R&D 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.

Furthermore, in the area of quantum computers, the Hitachi Cambridge Laboratory has successfully demonstrated fundamental technology that will lead to the fast readout at very low temperatures necessary for quantum computing. Also, through joint research with Myoridge Co. Ltd., known for its technology for culturing iPS-derived differentiated myocardial cells, we have developed new technology to automate 3D culturing using Hitachi’s equipment for automated mass culturing of iPS cells.

Other collaborations include projects with startups to co-create new areas of business through corporate venture capital funds.

In our quest to improve social, environmental, and economic value, Hitachi is focusing on electrification, renewable energies, and hydrogen systems, seeking to become a leading company in environmental value.

For renewable energy, we are developing systems to balance energy supply and demand when large-scale renewable energy systems are introduced, to ensure stable power supply. We are also proceeding with demonstration projects such as in urban areas with our Area Energy Management System using AI and in national projects with the Ministry of Economy, Trade, and Industry and the Ministry of the Environment, Japan, on systems producing and using hydrogen.

By drawing on our combined expertise in OT×IT×Products, Hitachi will strive to develop the world's No. 1 technologies and disruptive technologies and deliver high value to our customers.

Achievements Since FY 2019

In the field of electrification for a zero carbon society, we are working on high-efficiency technologies for electric power systems such as motors and inverters to reduce carbon emissions from electric vehicles and industrial equipment. Our 800 V inverter for EVs that allows long-distance driving won the 62nd (2019) Nikkan Kogyo Shimbun Best Ten New Product Award.

Developing Technology to Prevent the Spread of COVID-19

Hitachi's first priority is the safety and health of all of its stakeholders, including customers, partners, and Hitachi Group employees and their families worldwide, and it is committed to preventing the spread of the novel coronavirus (COVID-19). In May 2020, we began manufacturing face shields for medical use. The Research & Development Group played a central role in designing the face shields, incorporating advice from medical staff at the Hitachi General Hospital in the city of Hitachi, Ibaraki Prefecture. The face shields were provided free of charge on a priority basis to designated medical institutions for specified infectious and class I infectious diseases in Japan. They were also provided free of charge to designated medical institutions for class II infectious diseases.

In response to changes in society and lifestyles brought about by COVID-19, we are pursuing technology and solution development in the environmental and life science areas, as well as in supporting technologies such as measurement technology and digital technology leveraging remote operation or automation, to contribute to a sustainable and resilient society that can coexist with the novel coronavirus.

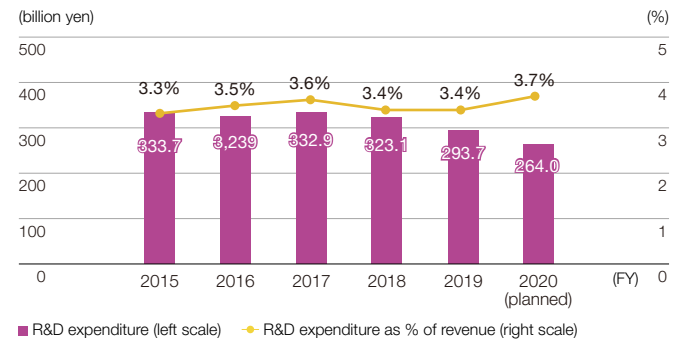
R&D Investment and Fostering Digital Talent

Activities

Hitachi invests around 4% of its revenue in research and development to strengthen its capabilities in the five core sectors of its Social Innovation Business. Corporate-led R&D is focused on co-creation with customers, development of the world's No. 1 technologies and disruptive technologies, as well as expanding common digital platforms and enhancing research capabilities outside Japan to achieve an *n*-fold expansion of the Lumada business, our growth engine, and expand business worldwide.

Further, to meet society's needs associated with advancements in digitalization, Hitachi is strengthening digital expertise, including top digital talent in AI-related areas. In April 2020, in cooperation with the business division, researchers specializing in the fields of AI and data analytics were brought together with engineers and consultants with deep knowledge in OT necessary for practical application to form the Lumada Data Science Laboratory, a new organization for greater collaboration leveraging their individual skills and expertise. The Research & Development Group is focusing on developing top-class digital talent in the field of AI, and intends to increase the number of employees meeting this description from 306 as of the end of fiscal 2019 to 350 by fiscal 2021.

R&D Expenditure



Intellectual Property

Hitachi's 2021 Intellectual Property Mid-term Management Plan

Policy

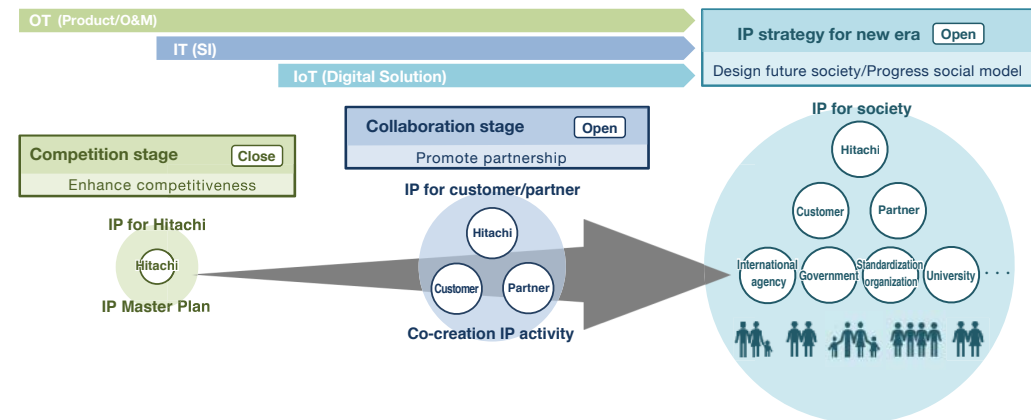
Intellectual property (IP) is a key element of Hitachi's business strategy. Hitachi will promote IP activities to create solutions that enhance value for customers in line with the 2021 Mid-term Management Plan, globally deploy the created IP, and contribute to resolving social issues related to the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

Regarding solution creation, our Intellectual Property Division takes an active role, by taking part in the solution development process and developing new collaborative creation methods (Patentathons) using patent information as a catalyst to drive solution creation. It also supports the promotion of open innovation activities designed to create solutions, such as Ideathons and Hackathons, from the intellectual property side.

Regarding global deployment of the IP we have created, the division 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.

Achievements Since FY 2019

Regarding solving 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. Moving forward, we will consider further ways to contribute to resolving social issues through IP, including contributions to combating the spread of COVID-19 through measures such as allowing free use of IP related to products that prevent the spread of infection.



Hitachi's IP Strategy

Policy

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

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.

IP strategy for collaboration is an IP 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.

Global IP activities have changed rapidly in recent years due to the emergence of gigantic platform companies and advancement of open innovation. From fiscal 2020 onward, we will evolve our IP strategy by closely examining the circumstances of the "new normal" post COVID-19, as well as political, economic, social, and technological trends.



Hitachi Group Codes of Conduct: 6. Protection of Intellectual Property and Brand
<http://www.hitachi.com/corporate/about/conduct/index.html#ank8071860>

Framework for IP Activities

Structure System

We currently have IP offices in Santa Clara and Detroit in the United States, Beijing in China, London in the United Kingdom, and Singapore to cover our globalized business.

Achievements Since FY 2019

As a control tower for developing and implementing new IP activities based on the focus sectors and regions for investment under the 2021 Mid-term Management Plan, in fiscal 2019 we established the IP Strategy Department within the Intellectual Property Division. The new department plays a central role as a hub in forming a global talent network and works closely with major sites around the world, as well as building close ties with our newly established Corporate Venturing Office in addition to our Strategy Planning Division, the Government and External Relations Group, and the Corporate Brand & Communication Division in Hitachi, Ltd.

In fiscal 2020, a Data Science Group was launched within the IP Strategy Department. The new group is responsible for cultivating IP data scientists who can use IP AI tools to perform comprehensive analysis of IP information (such as patents) along with non-IP information (such as market and R&D information) and propose management and business strategies by showing present business standings and future projections.

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

Activities

At the Intellectual Property Achievement Awards for fiscal 2020, sponsored by the Ministry of Economy, Trade, and Industry and the Japan Patent Office, Hitachi, Ltd. received the Award from Minister of Economy, Trade, and Industry along with high praise for the establishment of our IP strategies for competitiveness and collaboration as well as our active engagement in IP activities to resolve social issues in advance of competitors. This was our first award since receiving the Award from Commissioner of the Japan Patent Office 28 years ago in 1992, and our first time winning the more prestigious Award from the Minister of Economy, Trade, and Industry.

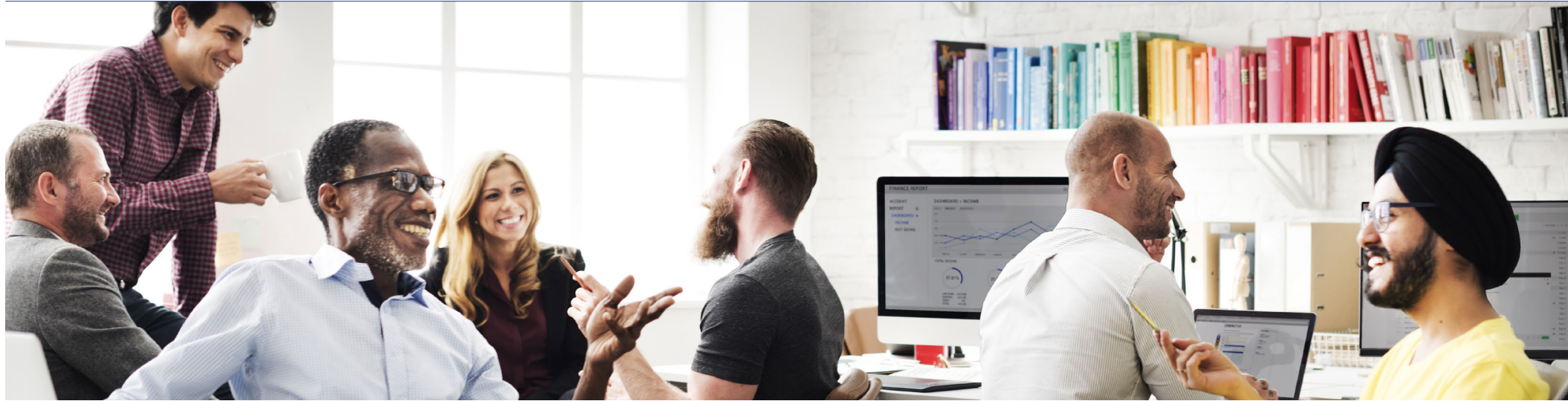
Clarivate Analytics also included Hitachi in its Derwent Top 100 Global Innovators for the ninth consecutive year, and the Japan Institute of Invention and Innovation presented Hitachi with the fiscal 2019 Imperial Invention Prize for our design of the Class 800 high-speed train for the UK. This is the third consecutive year that we have received high honors from the National Commendation for Invention, a prestigious Japanese award for invention established in 1919, and the first time that the Imperial Invention Prize, the highest prize offered by the National Commendation for Invention, has been awarded in recognition of outstanding design. Hitachi, Ltd. has received the Imperial Invention Prize eight times in total, more than any other recipient.

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 similar to the Hitachi brand.

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.

Human Capital



Key SDGs



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 promoting work environments that make employees feel proud and happy to work at Hitachi, and engage in active dialogue regarding employee





treatment and career advancement.

In recognition of the “new normal” in light of the ongoing novel 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.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
<p>Global human capital management</p>	<ul style="list-style-type: none"> Develop global human capital Promote people analytics Ensure fair evaluation and compensation 	<ul style="list-style-type: none"> Promoting global human capital management in order to hire, promote, and develop diverse human capital 	<ul style="list-style-type: none"> Accelerated the pivot to job-based human capital management in light of the COVID-19 pandemic Undertook initiatives to protect employees from transmission and support telecommuting Tried People Analytics in certain business divisions
<p>Talent development</p>	<ul style="list-style-type: none"> Develop management-level leadership Globalize management training Develop digital talent 	<ul style="list-style-type: none"> Management-level leadership development Strengthening our digital talent (increasing the number of data scientists to 3,000 by fiscal 2021) 	<ul style="list-style-type: none"> Established a training system for digital transformation and a range of digital talent training programs targeting different positions Strengthened recruitment at the Indian Institutes of Technology and other top-class universities around the world

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Diversity and inclusion</p>	<ul style="list-style-type: none"> Review our systems and operations in light of the Statement on Diversity and Inclusion Expand hiring of people with disabilities 	<ul style="list-style-type: none"> Achieving a 10% ratio of both female and non-Japanese executive and corporate officers by fiscal 2020 Increasing of the number of female managers in Japan to 800 by fiscal 2020 (twice the number at the end of fiscal 2012) 	<ul style="list-style-type: none"> Held the 6th Hitachi Group Women Leaders' Meeting Held the 4th Global Women's Summit
 <p>Work-life management</p>	<ul style="list-style-type: none"> Promote work-life reform Enhance work-life management support systems Develop support systems that meet diverse employee needs 	<ul style="list-style-type: none"> Promotion of work-life management 	<ul style="list-style-type: none"> Strengthened support for balancing work and nursing care with initiatives such as a seminar for all employees aged 40 and over on how to balance work and nursing care Launched a child-care matching service in collaboration with company-led nurseries
 <p>Occupational health and safety</p>	<ul style="list-style-type: none"> Establish occupational health and safety management systems Prevent work-related accidents Provide support for staying mentally and physically healthy 	<ul style="list-style-type: none"> Achieving zero fatal accidents by the end of fiscal 2021; reducing lost-time accidents globally by 50% compared to the previous year 	<ul style="list-style-type: none"> Established the Safety Management Division Established the Health and Productivity Management Promotion Office (in April 2020)
 <p>Freedom of association and collective bargaining</p>	<ul style="list-style-type: none"> Respect the rights of employees Foster employee-management dialogue 	<ul style="list-style-type: none"> Deepening mutual understanding through dialogue between employees and management 	<ul style="list-style-type: none"> Engaged in continuous employee-management dialogue

Key SDGs



Global Human Capital Management

Developing Global Human Capital

Approach

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. Alongside this, we are striving to cultivate a common Hitachi Group Identity in all employees worldwide, along with the values of Harmony, Sincerity, and Pioneering Spirit that comprise the Hitachi Founding Spirit, so that we can work as One Hitachi across countries, regions, and divisions to contribute to society. To this end, we are advancing a variety of enhanced measures around the four key concepts of "Talent," "Culture," "Organization," and "HR Transformation."

In recognition of the "new normal" in light of the ongoing novel coronavirus (COVID-19) pandemic, we are also making telecommuting standard for a wide range of positions. As well as 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 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.

Main Enhanced Measures of the 2021 HR Strategy

4 Key Concepts of the HR Strategy	Main Enhanced Measures Toward FY 2021
Talent Attract, retain, and develop diverse talent to lead business growth	<ul style="list-style-type: none"> Develop digital human resources*1 Develop mindset and skills to become global leaders Promote diversity and inclusion*2
Culture Transform organizational culture and employee mindset to encourage proactivity and individual growth	<ul style="list-style-type: none"> Build Hitachi culture globally*3 Foster a culture of career ownership
Organization Reform organization and transform employment policies to adapt to environmental changes; take action on organizational reshuffling	<ul style="list-style-type: none"> Ensure safety, health, and compliance*4 Build job-based HR management*5
HR Transformation Transformation	<ul style="list-style-type: none"> Execute HR transformation Implement HR career development and mindset transformation Shift to digital HR

Developing Global Human Capital

Structure






In order to become a world leader in the Social Innovation Business, we believe it is important to maintain high engagement across countries and regions as well as companies and establish diverse human capital and a working environment that maximizes personal and organizational performance. Based on this idea, we have developed a global human capital management strategy. We hire, promote, and develop human capital via global human capital management that uses unified performance evaluation criteria and offers a common leadership development program for employees around the world.

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.

Achievements in FY 2019

From fiscal 2019, Levent Arabaci, general manager of our global human capital division has also served as chief transformation officer of global operations. Initiatives he has led in this role include using global shared services to standardize and optimize shared work within the Group, drastic operational reforms on the back of increased diversity, business process re-engineering using cutting-edge digital technologies within and outside the company, and optimal deployment of talent.

Additionally, in order to change the awareness and behavior of employees as we seek to reinvent ourselves as a global leader in the Social Innovation Business, we reconsidered our competencies. Our new focus will be on competencies in line with both Hitachi's Corporate Credo and the Founding Spirit. These will be used as shared behavioral objectives to unite diverse human capital and organizations as we seek to raise awareness of Hitachi's corporate culture globally.

- *1  Developing Digital Talent ▶
- *2  Diversity and Inclusion ▶
- *3  Solidifying the Hitachi Group Identity ▶
- *4  Occupational Health and Safety ▶
- *5  Developing Global Human Capital ▶

Shared Global Foundation for Group-wide Human Capital Management

Global Human Capital Database	To visualize the entire Group's human capital for a macro understanding of HR data
Hitachi Global Grade	To evaluate the role and responsibilities of each position against unified standards shared by the entire Group
Global Performance Management	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 learning management system shared globally by the entire Group.

Promoting People Analytics

Activities

Hitachi's People Analytics initiative involves gathering and analyzing data about 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 the human resources 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 scale constructed under the academic guidance of the University of Tsukuba, then making use of AI in analyzing the awareness of individuals and job assignment and behavioral data arising from the survey's results. This makes it possible to provide individual employees with insight encouraging a change in behavior, streamline human capital placement, and otherwise formulate more effective and precise human resources initiatives.

Achievements in FY 2019

In fiscal 2019, as well as trialing People Analytics in certain business divisions, we formulated a plan for expanding the scope of its implementation. From fiscal 2020, we will expand its deployment to more business divisions in Japan. We will also begin planning for a global rollout of People Analytics across the entire Group.

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, pay for performance, and maintaining transparency.

We have developed a performance-based compensation system for full-time, regular employees that is fair and competitive in the context of the labor market for each national or region industry. Each employee's compensation is set 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. Starting pay for new graduates in Japan—which accounts for about half of the Group's full-time, regular employees—is roughly 20% higher than the weighted average of Japan's regional minimum wages.

Conducting a Global Employee Survey

Activities

We conduct an annual global employee survey called Hitachi Insights as a way of measuring employee engagement.*1 In September 2019, the survey was administered for the seventh time. Around 200,000 employees worldwide were sent the survey in one of 14 different languages, and roughly 180,000 responses were received. This represents a response rate of 87%, the highest since the survey was first performed in 2013. Results continue to improve, with an overall approval rating of 61% (1% higher than last year, 7% higher than 2013) and an engagement indicator of 60% (unchanged from last year, 7% higher than 2013). Moving forward, senior management and managers on site will confirm the survey results for their own organizations and, through communication with team members, take concrete action through the PDCA cycle, further enhancing the level of engagement.

*1 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.

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 participant 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. For some prize-winning ideas, the verification experiment process has already begun. In fiscal 2019, 741 ideas were received.

Countermeasures Against the COVID-19 Pandemic

Amid the novel coronavirus (COVID-19) pandemic, ensuring the health and safety of all employees is our highest priority as 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 transmission and support telecommuting.




COVID-19’s impact is global, and our countermeasures in each region are informed by the conditions around regional headquarters. Hitachi Europe surveyed telecommuting employees to find out 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.

We also used the “Make a Difference!” platform to gather ideas globally across the Group for new workstyles or ways Hitachi employees could come together as one and contribute to society. This project, titled “Challenge to COVID-19,” attracted some 1,430 ideas from around the world.

One proposal involving support via crowdfunding for small business owners affected by the pandemic has already been adopted. Regarding the other proposals, after discussion with relevant divisions, the decision was made to divide them among 15 themes for further consideration of their feasibility. In concrete terms, regarding social contribution activities, we will promote activities such as providing online education to children; as contributions utilizing Hitachi’s technology, we are preparing for the implementation of systems and products leading the way to a new lifestyle predicated on prevention of infection.

Hitachi, Ltd.’s Main Policies Supporting New Workstyles for the “New Normal”

Support for employees based on immediate risk of transmission	Financial support for purchases necessary to prevent transmission	3,000 JPY per month per person toward the cost of telecommuting or, if working at the office, preventing transmission via masks, disinfectant, etc.
	Financial support for purchase of telecommuting equipment	Financial support for the purchase of IT devices, work desks, chairs, and other equipment for telecommuting
	Establishment of Novel Coronavirus Countermeasure Allowance	For employees who work in environments where risk of transmission is thought to be high, an allowance of 500–1,000 JPY 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, including referrals and appointments to medical facilities and arrangements for emergency transport and hospitalization, translation via telephone and other services
Main policies for supporting medium- to long-term telecommutings	IT environment improvements	Improvement of remote access environment, lending laptops for telecommuting, 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 tools for stimulating communication	Using Hitachi’s unique “happiness level,” which measures people’s feelings of contentment, to stimulate communication

-  Support for Employees During the COVID-19 Pandemic [Occupational Health and Safety] ▶
-  Hitachi Group’s COVID-19-Related Support Efforts [Social Contribution Activities] ▶
-  Responding to COVID-19 [Business Continuation Initiatives] ▶

Talent Development

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, 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 *yūteki* (guidance through assistance) and *jikyō* (endeavor through one's own efforts).

That spirit has been inherited to the present day. In addition to on-site training through work tasks, we are also expanding education 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 talent who can contribute to resolving social issues.

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 the president and CEO and Nominating Committee playing a central role.

When developing candidates for appointment in the next and subsequent term to executive positions including president, CxO, and division head, 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 a "Future 50" of around 50 outstanding emerging employees as future candidates for management-level leadership. By giving this Future 50 tough assignments and opportunities for direct discussion with independent directors, we accelerate their development in a focused manner.

Global Management Training

System

Activities

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

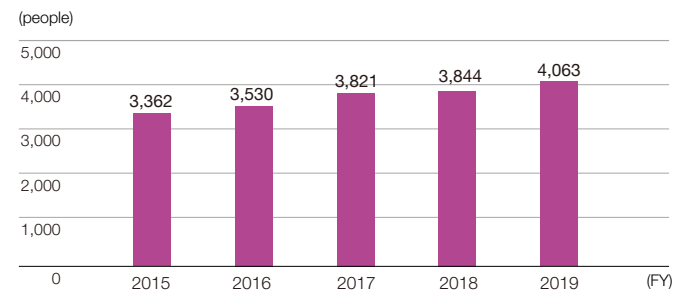
Achievements in FY 2019

In fiscal 2019, we launched the Global Group Executive Development Course (Global GEC) for new leaders of Hitachi subsidiaries outside Japan. This e-learning course, attended by 100 people in fiscal 2019, fosters a basic understanding of Hitachi's management and provides the latest information for advancing our Social Innovation Business. We are continuously developing new programs to foster human capital.

Management Training Currently Offered Globally

Global Leadership Acceleration Program for Key Positions (GAP-K)	Selective training held for 3 months in India and Japan to accelerate development of future management candidates. Attended by 30 people from 8 countries.
Global Advanced Program for Leadership Development (GAP-L)	Held twice a year with the aim of developing the superior leadership, mindset, and skill necessary to drive Hitachi's global development. Attended by around 60 local leaders from 19 countries expected to perform well in overseas subsidiaries.
Global Leadership Acceleration Program for Managers (GAP-M) Ready to Lead (R2L)	Leadership training with globally unified content for general managers and new managers. In fiscal 2019, held in 8 regions and attended by around 3,000 participants.

Number of Participants of Global Management Training Programs



Developing Digital Talent

Approach Goals Structure

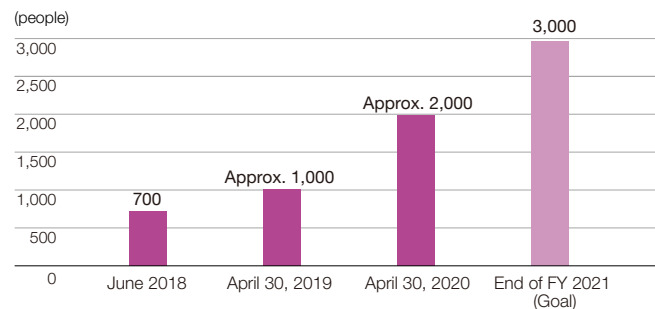
To accelerate our Social Innovation Business using digital technologies, we are working to develop human capital that can lead a digital transformation. We are increasing the amount of digital talent across the entire Hitachi Group from 30,000 employees in fiscal 2019 to 37,000 in fiscal 2021. At the end of April 2020, we had around 2,000 data scientists with specialist knowledge of data analysis, including AI, IoT, and the utilization of big data, and we are aiming to increase that number to 3,000 by fiscal 2021 as we expand our global digital solutions.

Achievements in FY 2019

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 2019, we established a training system for digital transformation and a range of digital talent training programs targeting different positions, focusing on developing world-leading human capital and digital talent in order to accelerate our Social Innovation Business. We also strengthened recruitment at the Indian Institutes of Technology and other top-class universities around the world.

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

■ Data Scientists in Hitachi Group



Providing Younger Employees with Overseas Experience

Activities

Hitachi maintains a broad array of programs to systematically cultivate and secure people who can succeed in global business. To develop the careers of people capable of understanding and adapting to local cultures and lifestyles, we offer a program enabling younger employees in Japan to live and work in another country. We have dispatched more than 5,000 Group employees in total, allowing them to take part in over 80 programs designed to promote understanding of other cultures and to engage in language studies, local field studies, and internships, as well as to provide opportunities to work with local people to resolve social issues. In fiscal 2019, we moved to encouraging employees to engage in opportunities for leadership training to accelerate the development of employees ready to take on global challenges.

Career Development Support in Japan

Activities

Hitachi has developed a broad range of career development support that focuses on employees' "internal careers," namely, their individual values and views on the significance and meaning of their work. By ensuring that individuals can fulfill their potential and maximize their creativity and 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 the independence and 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 individual employees and to 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 center of career development is the work that employees perform 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, followed by evaluation of the results to formulate the next objectives. We call this Global Performance Management, and it 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 next fiscal year.
Career consultation	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 13,900 people have participated in the program so far (as of March 31, 2020), with a focus on technicians, managers, and researchers in their 30s. In addition to those programs, Hitachi also offers programs targeting specific age groups, such as career education for younger employees and training for middle-aged or older employees to help them prepare for the changes ahead in their careers.

We also operate a Career Counseling Center as part of our career development support. At the center, employees can speak with professional counselors about any concerns they have regarding their work, their career, or interpersonal relationships, in order to help them seek a solution themselves.

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.:** An individualized e-learning platform is used alongside a Global management training program for employees aspiring to become global leaders. 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 Asia Ltd.:** A regional program to enhance the knowledge and skills needed to grow Hitachi's business in Asia is 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 (China) Ltd.:** The growth of all employees is promoted through a training system catering to different levels of development, enabling workers to develop the specialized and comprehensive skills they need to perform their jobs. Global training materials and the e-learning platform for general employees are expanded with content to help employees acquire the skills and knowledge.
- **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, helping build an important network in support of One Hitachi.
- **Hitachi India Pvt. Ltd.:** 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. Advances through self-learning were made while employees worked from home due to the COVID-19 pandemic, and the top-performing employees were honored by Hitachi India.

Diversity and Inclusion

Toward Achieving Diversity and Inclusion

Approach

Hitachi has composed a Statement on Diversity and Inclusion and strives to create an environment where diverse human capital can exercise its potential to the fullest. Furthermore, we continually review our systems and operations in light of this statement.

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, 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 Management Promotion Framework

Structure

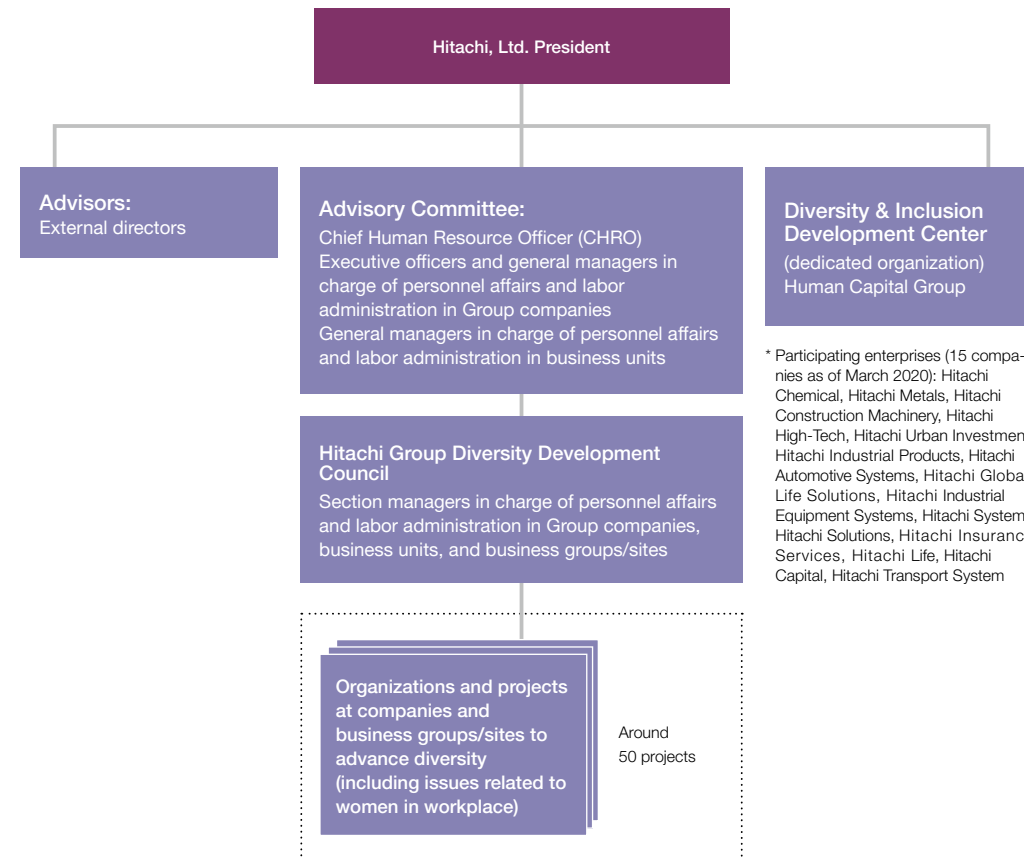
Hitachi has created a Diversity & Inclusion Development Center to promote its diversity initiatives, including support for diverse human capital and work-life management. The center acts as a secretariat managing the Advisory Committee and Diversity Development Council, which are operated jointly by Hitachi, Ltd. and 15 Group companies. The Advisory Committee ensures follow-through on our diversity management policy, while the Diversity Development Council discusses specific activities and shares best practices. Both meet every six months.

Group companies and business sites are also advancing diversity management in accordance with their challenges and circumstances. To this end, they have set up their own diversity-promotion organizations and projects, such as those to help develop women’s careers, in order to enhance initiatives geared to the challenges faced by individual workplaces.

Among global diversity initiatives, the achievement of gender equality across the entire Group has been identified as needing particular attention, and initiatives like our Global Women’s Summit are underway across the Group.

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

Hitachi Diversity Structure



KPIs for Promoting Diversity

Goals Activities

405-1

With the aim of increasing diversity among executive officers and managers, Hitachi, Ltd. has created the following two key performance indicators (KPIs). These demonstrate our commitment both internally and to the world to supporting diverse human capital and enhancing diverse management.

Goals for Hitachi, Ltd. (KPIs)

- Achieve a 10% ratio of both female and non-Japanese executive officers and corporate officers by fiscal 2020.
- Increase the number of female managers in Japan to 800 by fiscal 2020 (twice the number at the end of fiscal 2012).

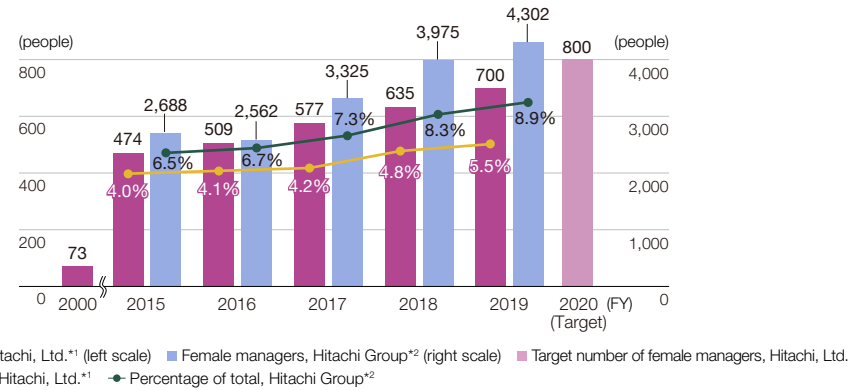
To achieve these goals, as well as reinforcing existing programs, we introduced the Hitachi Group Women’s Career Success Survey to highlight progress with initiatives and outstanding issues in each business division and to set numerical targets for each division, strengthening our management commitment. We will also boost women’s individual ambitions and morale through programs such as the Hitachi Group Women Leaders’ Meeting and the Roundtable Conference with Female Independent Directors, which support female employees at the supervisory level and above. We intend to create an environment where as many women as possible are able to optimize their potential in management positions.

Achievements in FY 2019

The 6th Hitachi Group Women Leaders’ Meeting was held in February 2020. The meeting was attended by 31 women newly appointed to managerial positions in Hitachi Group companies within Japan. A lecture by an external expert and a roundtable on the theme “Proactive Career Building and Behavioral Change” promoted a lively exchange of views between participants, and each participant announced a personal action plan and statement to further encourage behavioral change at the workplace.

Alongside these efforts, 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 roles and achievements, with no divisions or differences based on gender or age.

Number and Ratio of Female Managers

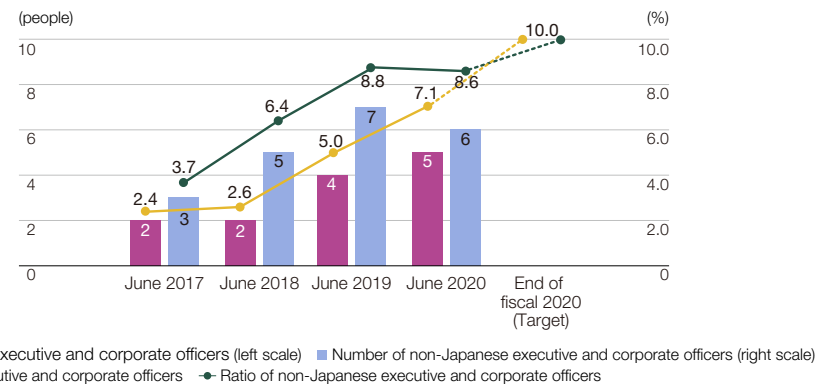


Note: Figures include section manager-level employees and above.

*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. Figures for fiscal 2020 are targets.

*2 Beginning in fiscal 2019, the scope of reporting shifted from full-time, regular female managers, excluding those dispatched to non-Group companies, to all female managers including those dispatched from Hitachi, Ltd. to other companies; figures for previous years have been adjusted to match this new scope. Rising numbers of female managers in part reflect improved coverage of our human capital databases.

Ratios for Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.)



Note: Disclosure began in 2017, when initiatives for increasing diversity among executive and corporate officers started.

Ratios for Male/Female and Japanese/Non-Japanese Directors (Hitachi, Ltd.) (as of July 2020)

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

Basic Salary and Total Individual Compensation for Female and Male Managers at Hitachi, Ltd. (Fiscal 2019)

Basic Salary	Total Individual Compensation
100 : 104	100 : 106

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

Global Women’s Summit

The Global Women’s Summit is a venue where Hitachi Group employees from various countries, regions, companies, and positions gather for discussion on the theme of achieving gender equality.

To encourage attendance by as many employees as possible, the summit takes place at a different country of the world each year. The meeting for fiscal 2019 was held in October in Japan—the fourth country, following the United Kingdom, the United States, and Singapore—and was attended by around 180 executives and employees from 17 countries and regions. During the meeting, President and CEO Toshiaki Higashihara and a female independent director made speeches, and panel discussions were held featuring prominent leaders from regional offices. At workshops and networking dinners, participants deepened their engagement with each other, exchanging information and career advice.

Newly added this year were a program for both male and female employees and a panel discussion involving male executives, offering all participants, male or female, an opportunity to consider gender parity in the workplace.

Expanding Hiring of People with Disabilities

Activities

405-1

Hitachi, Ltd. and Group companies in Japan have worked hard to employ people with disabilities, such as by holding a special hiring fair and study meetings for Group companies to share information. We have also worked to expand the range of employment opportunities for people with disabilities, coordinating with special subsidiaries to develop new positions for such individuals in IT. As a result, as of June 2020 the employment ratio of people with disabilities was 2.33% at Hitachi, Ltd.*1 and 2.38% for the entire Group in Japan. Both of these figures exceed Japan’s legally required employment rate of 2.2%.

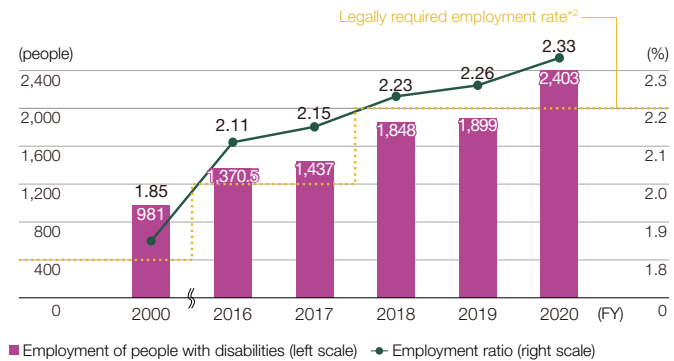
Achievements in FY 2019

Three special subsidiaries within the Hitachi Group were merged into one new company on April 1, 2020, in an effort to improve management stability by expanding business scale and increase employment of people with disabilities within the Group.*2

*1 Includes one special subsidiary and 25 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 are people with disabilities.

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



*1 Includes special subsidiaries and related Group companies. (Two special subsidiaries and 17 related Group companies in fiscal 2020.)

*2 The legally required employment rate was 1.8% up to fiscal 2012, 2.0% between fiscal 2013 and 2017, and became 2.2% in fiscal 2018.

Note: • Data compiled in June 1 of each fiscal year.

• The employment ratio is calculated according to methods prescribed in the relevant laws.

B-BBEE Initiatives 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 policies to create employment and economic development. As of the end of fiscal 2019, Hitachi Construction Machinery Southern Africa has achieved a B-BBEE rating of level 4, while Hitachi Vantara has reached level 5.

*1 B-BBEE: Companies and organizations in South Africa are scored on their B-BBEE initiatives and contributions and rated on a scale from level 1 (highest) to 8 or as being “non-compliant.”

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 a 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.

In order to put work-life reform into practice, it was determined that reform of administrative operations at the company’s headquarters was necessary. To that end, we implemented a review of our own business operations and processes.

Today, 70% of all full-time, regular Hitachi employees take advantage of our telecommuting and satellite office work programs, including managerial-level employees, flex workers, and career-track employees who need to balance work with child care or nursing care. 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, allowing 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, allowing them to perform their duties from anywhere when approved by the company. To further enhance our telecommuting and satellite office work programs, since fiscal 2020 we have added balance between work and medical care as grounds for program use, and made the programs available to all employees meeting the necessary conditions.

Work-Life Innovation Initiatives at Hitachi, Ltd.

Initiative	Key components
Top commitment	<ul style="list-style-type: none"> Send message within company
Review of operations and processes	<ul style="list-style-type: none"> Reform administrative operations at headquarters Clarify rules for outgoing email Use support tool designed to optimize meeting durations and participant numbers and improve meeting efficiency
Strengthening of workplace management	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Expand telecommuting program Create environments where internal wireless local area network (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 (88 sites as of March 2020, with over 50,000 monthly users across the entire Hitachi Group) 15,651 people participating in Telework Days
Companywide promotional tactics	<ul style="list-style-type: none"> Put up posters, create intranet site Share best practices by giving awards

Enhancing Work-Life Management Support Systems

System

401-2 401-3

Hitachi, Ltd. introduced and expanded an array of programs to support work-life balance, striving to create a more friendly working environment. We have distributed an Allowance for Balancing Child Care and Work; launched “Hokatsu Concierge,” an information-providing service supporting the search for a nursery; 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.

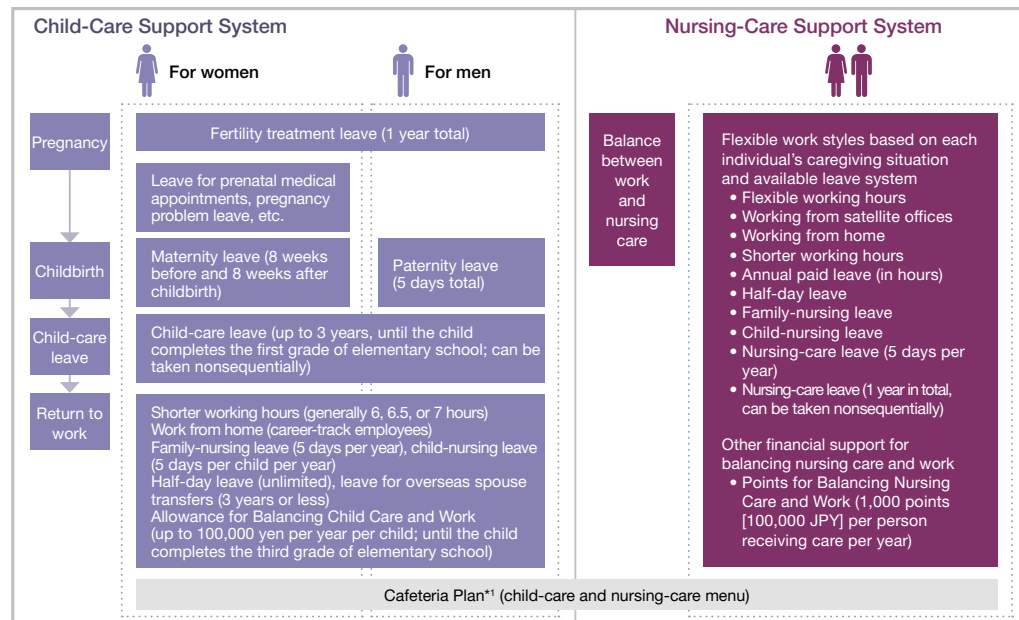
Additionally, with Japan’s society continuing to age, it is expected that more employees will be involved in caring for their elderly family members. We have, therefore, declared the years from fiscal 2018 to fiscal 2020 a period to focus on reinforcement of work and nursing care balance support, and are expanding programs. We have established a new “Points for Balancing Nursing Care and Work” system strengthening financial support for employees. We also conducted awareness surveys and work-life support seminars to encourage employees and provide information to prepare for this issue, emphasizing the importance of balancing work with nursing care and conveying practical know-how on the topic.

Achievements in FY 2019

Sometimes employees quit their job unexpectedly due to caregiving obligations when better information on nursing care might have helped them balance those obligations with work. To prevent such outcomes, Hitachi, Ltd. held a seminar for all employees aged 40 and over on how to balance work and nursing care. Anticipating that their families might also need such information, we also created the *Handbook on Balancing Work and Caregiving*, which includes the basic information provided in the seminar along with case studies on using support systems and services, and distributed a copy to each employee's home.

In Japan, to support a more balanced approach between work and parenting, in fiscal 2020 we launched a child-care matching service in collaboration with company-led nurseries. This service enables employees who are looking for a nursery for their children to apply for admission to a company-led nursery, created with the help of the Cabinet Office's support program, thereby expediting an early return to work for employees on maternity or child-care leave.

Work-Life Management Support System at Hitachi, Ltd.



*1 Flextime and discretionary labor systems are also available. The Cafeteria Plan is a system in which employees can select the support that they need, when they need it, according to their "Cafeteria Points."

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

		FY 2019
Return rate (%)	Male	100
	Female	97.4
Retention rate (%)	Male	84.8
	Female	95.5

In-House Child-Care Centers

Hitachi, Ltd., in collaboration with its labor union, 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 that Meet Diverse Employee Needs

401-2 | 404-2

To respond to the diverse lifestyles and needs of its employees, Hitachi, Ltd. has provided a wide range of support through welfare benefits that includes 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, a property accumulation promotion system, an employee stock ownership program, retirement and pension plans, group insurance, a consolation payment system, internal sales, cultural and physical education activities, and employee cafeterias.

The Cafeteria Plan allows employees to select the benefits they receive, depending on individual lifestyles and needs, from a list of options, such as skills development, child care, nursing care, health promotion, and donations. Employees can use their Cafeteria Points to select the type of support they need when they need it.

For our retirement and pension plans, defined contribution and defined benefit plans have been introduced across the Hitachi Group in response to the diversification of lifestyles among the elderly and the changes in forms of employment.

Achievements in FY 2019

Starting in fiscal 2020, we expanded the scope of our support systems to recognize same-sex partners of employees. Considering the intent of laws around equal pay for equal work, we are expanding the scope of some support systems to cover limited-term contract employees as well.

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 between January and early August 2020, 36% were women. New hires during the same span were about one-third women, and half were ethnic minorities. Nearly 30% of minority employees have reached the level of director or higher.
- **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. Emphasis is placed on employee engagement aimed at promoting teamwork and recognizing the importance of human capital diversity. The concerns of employees' families are also considered, such as by offering flexible working hours to enable a better work-life balance and providing fringe benefits for family members.
- **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. The activities were launched in fiscal 2019 with the participation of 27 employees, and the network built through these activities has contributed to smoother business operations. Plans for fiscal 2020 include increasing the frequency of meetings and holding them online.
- **Hitachi Europe Ltd.:** In addition to conducting a Global Employee Survey, Hitachi Europe independently implements a survey targeting employees who choose to leave the company. Their reasons are analyzed, and measures to reduce attrition are formulated. 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. An online program was implemented in Germany to promote the health of employees working from home during the COVID-19 pandemic.
- **Hitachi India Pvt. Ltd.:** To ensure the safety of female employees, those traveling on business or leaving work after 7:00 p.m. in the summer and 6:00 p.m. in the winter are permitted to use the company car or a taxi. Measures to support employees working from home during the COVID-19 outbreak are being expanded, such as by using a cellphone app offering online meditation and yoga sessions.

Occupational Health and Safety

Basic Principle for Occupational Health and Safety

Policy

403-1

Ensuring the health and safety of all employees 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.

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 principle and the promotion of health and safety awareness from all business partners 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

Establishing Occupational Health and Safety Management Systems

Framework

System

403-1 | 403-2 | 403-3 | 403-4

Hitachi, Ltd. is committed to building an organization in which employees can promote safety activities of their own accord. To this end, in April 2019, we established a Safety Management Division that reports directly to the president. This division holds an annual Safety Strategy Congress, attended by safety officers from each Group company and representatives from each division, to set budgets and objectives for companywide safety strategy, review ongoing efforts to improve occupational health and safety management systems, and share the clear commitment from top management to make protecting the health and safety of employees their top priority. The state of occupational health and safety management, including important health and safety issues, is reported regularly to the Senior Executive Committee and meetings of Group company presidents.

In addition, the Safety Strategy Promotion Council, attended by safety department managers from each business unit and Group company, examines the promotional frameworks for safety activities and education in each division alongside standards to be shared across the Group.

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.

Achievements in FY 2019

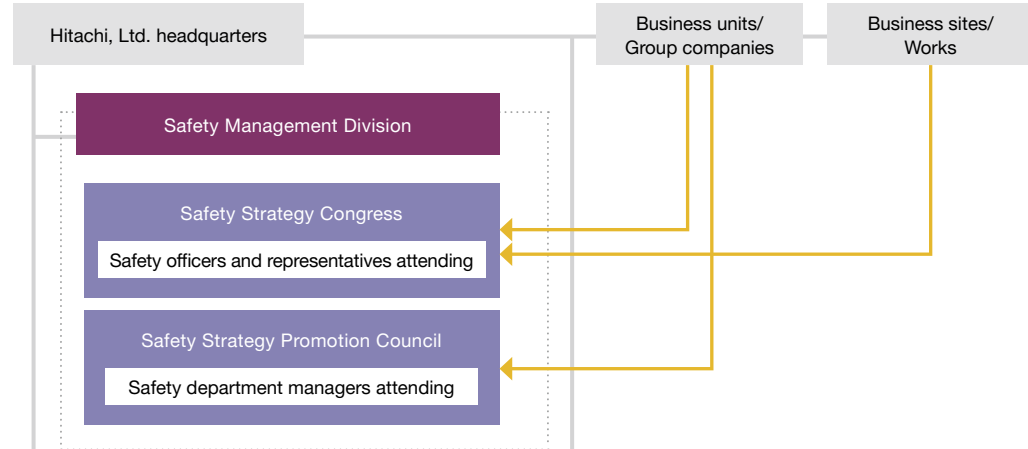
In fiscal 2019 senior management at Hitachi, Ltd. held one-on-one meetings with the CEOs of each business unit and Group company presidents to reinforce their commitment to health and safety management.

We also introduced an Incident Investigation System as a tool for analyzing occupational accidents to be commonly used across the Hitachi Group and intend to roll it out globally.

Goals for Hitachi, Ltd. (KPIs)

- Achieving zero fatal accidents by the end of fiscal 2021; reducing lost-time accidents globally by 50% compared to the previous year.

■ Safety Management Framework



Initiatives to Prevent Work-related Accidents

	Target	Details
Hitachi Group 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 both management-driven and bottom-up initiatives to formulate specific plans, and the progress of these plans is monitored by safety officers, who also lead initiatives to prevent recurrence.
Hitachi Group Health and Safety Portal System	In Japan	Based on each accident's severity, analysis of its causes and examples of countermeasures are registered in the system and shared with the entire Group as part of our knowledge base to be used globally. By analyzing detailed accident information from multiple perspectives aggregated by the system, similar accidents can be prevented.
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.

Initiatives for Preventing Work-related Accidents

Employee Engagement

403-5 | 403-7

To prevent work-related accidents among employees, Hitachi sets and applies its own safety standards to be observed at manufacturing sites around the globe 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 in terms of both policy, by examining and improving our risk assessment frameworks, and technology, by using IT and digital technology to prevent accidents.

Additionally, because the risk of accident is higher for workers not yet accustomed to their work or environment, employees and temporary workers receive individual health and safety training 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 organizational structure or business type.

On occasions of business restructuring, 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, ensure that safety is always preserved during the execution of a smooth business launch.

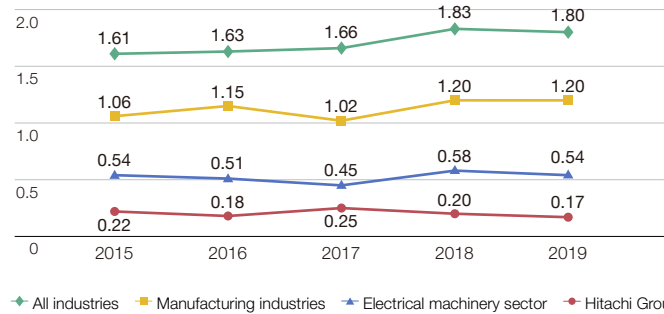
Current Work-related Accident Situation

Activities

403-9

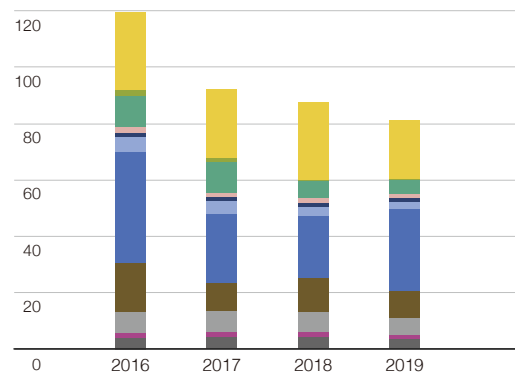
Unfortunately, during fiscal 2019, we had four fatal work-related accidents. Although the number of lost-time accidents decreased by 23% compared with the previous fiscal year, improvement is required. Taking an honest view of our present situation, we are continuously striving to improve our health and safety management systems, reviewing our risk management to make it more effective and enhancing our employees' ability to determine the cause of accidents.

■ Work-related Accident Frequency Rate (V)



Notes: Work-related accidents are defined as those involving fatality or work-time loss of one day or more. Hitachi Group figures for Japan, including Hitachi, Ltd., are for 240 Group companies in 2015; for 200 Group companies in 2016; for 201 Group companies in 2017; for 188 Group companies in 2018; and for 169 Group companies in 2019.

■ Hitachi Group's Global Safety Figures (Occurrence Rate*1)

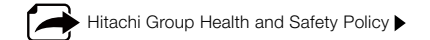


	2016	2017	2018	2019
■ North America	27.65	24.33	27.96	20.76
■ Central and South America	2.33	1.62	0.44	0.57
■ Europe	10.70	10.82	6.08	4.78
■ India	2.07	1.44	1.44	1.63
■ China	1.59	1.53	1.46	1.17
■ Asia (excluding India, China, and Japan)	5.43	4.41	3.34	2.63
■ Oceania	39.07	24.41	21.94	29.07
■ Africa	17.26	9.93	11.76	9.72
■ Overseas total	7.76	7.42	7.43	5.78
■ Japan	1.57	1.85	1.64	1.53
■ Global total	3.95	4.22	4.20	3.45

*1 Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees (excluding cases without lost workdays). Note: Collection of statistics began in 2016.

Initiatives to Improving Employee Health

Approach Activities



403-6 403-10

Hitachi believes that health is the foundation for employees being able to work with energy and 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. In particular, within Japan, we are promoting support for identifying employees struggling with physical and mental issues, not just work-related but also private, and work with the Health Insurance Society to promote the individual support provided to each employee.

In Japan, occupational healthcare workers, human resources divisions, and the Health Insurance Society work together to promote a range of health support and appropriate health promotion management in accordance with Japan's Industrial Safety and Health Act.

Achievements in FY 2019

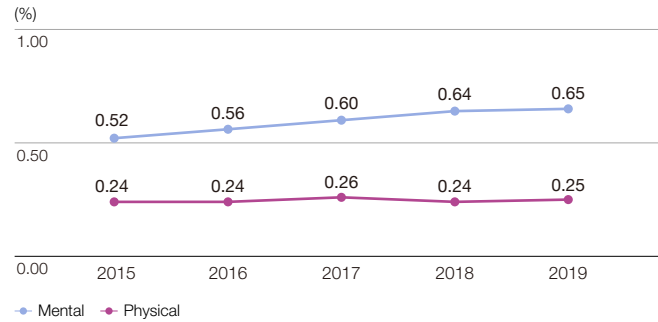
In order to advance employee health and promote health management, in fiscal 2019 the results of a third-party external evaluation conducted in the previous fiscal year were brought together with on-site reports for review and discussion by in-house occupational healthcare staff. Going forward, we will strive to further strengthen the foundation of health management, with the Health and Productivity Management Promotion Office, established in April 2020, playing a central role in improving health systems and policies in cooperation with the human resources division and the Health Insurance Society.

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



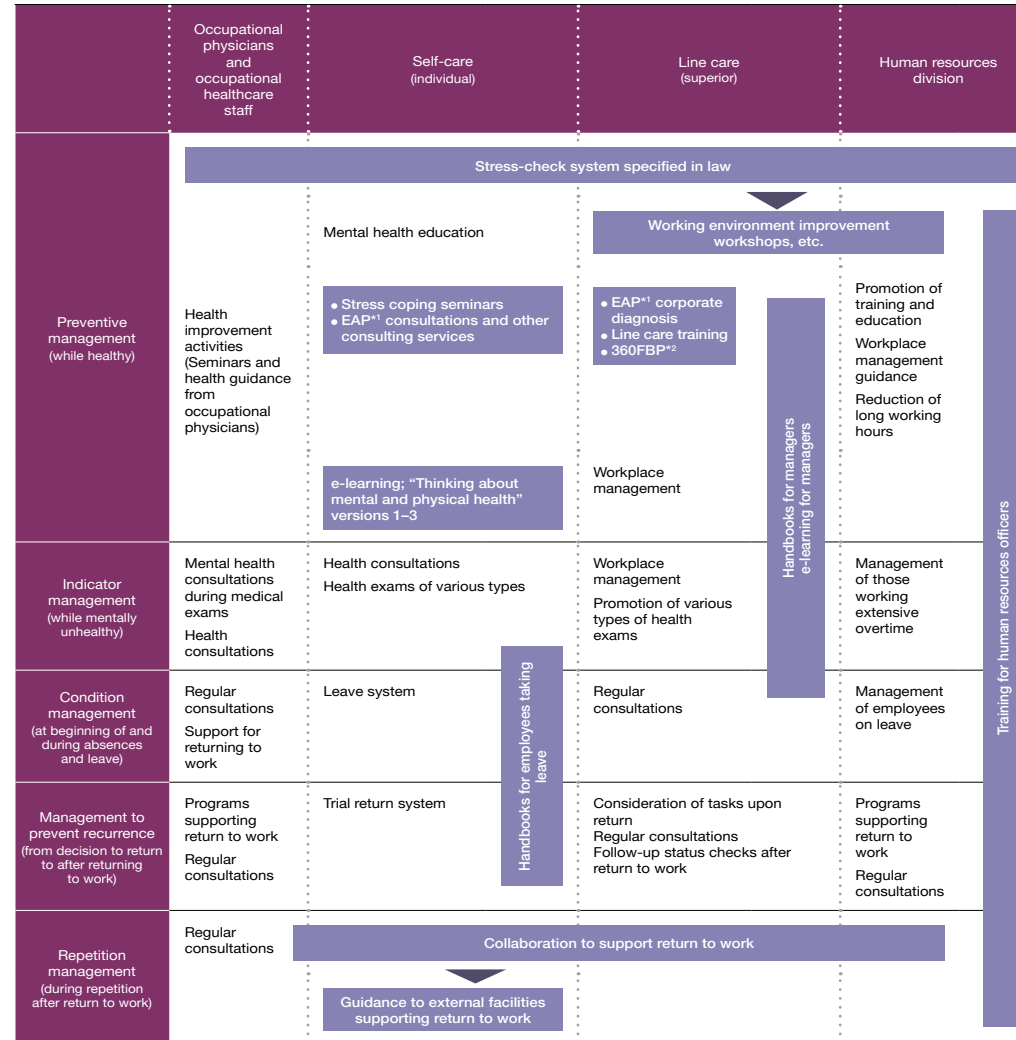
Note: Percentage of employees taking sick leave for seven or more consecutive days, or formally taking leave (Number of employees taking sick leave per month ÷ Number of employees per month × 100).

Addressing Mental Health

Activities
403-6

Hitachi has established measures addressing mental health to be taken by employees, workplace managers, occupational healthcare workers, and human resources divisions, and is working to spread basic mental health knowledge and understanding of ways to deal with stress, as well as to reinforce the ability of those in each position to respond to these issues.

Initiatives Addressing Mental Health at Hitachi



*1 EAP: Employee Assistance Program.
*2 360FBP: 360-degree Feedback Program.

Encouraging Employees to Receive Medical Exams and Vaccinations

Activities

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 their age, in order to promote early diagnosis and treatment.

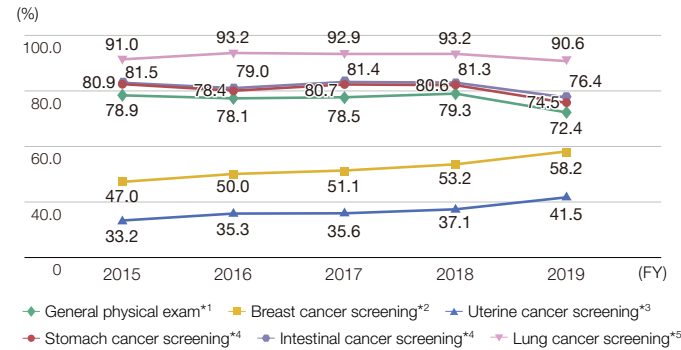
Furthermore, as a response to metabolic syndrome, in addition to special health guidance made compulsory for the Health Insurance Society, we actively promote policies to prevent and control conditions such as diabetes, cerebral strokes, and myocardial infarctions. Additionally, each year on May 31, World No Tobacco Day, we run an anti-smoking campaign aimed at employees.

To prevent employees from infectious diseases at overseas destinations, the Health Insurance Society has established financial support frameworks for vaccinations against conditions such as hepatitis A, tetanus, and cholera, as well as flu vaccinations for employees and their families to prevent the flu spreading in workplaces. As an initiative to prevent employees falling ill or suffering from serious conditions, we encourage vaccination in the early stage of each illness's spread. These programs are used by around 120,000 employees and family members each year.

Achievements in FY 2019

In fiscal 2019, as part of our efforts in Japan to encourage male employees of the generation not covered by a national MR vaccination program as children to receive an antibody test for and vaccination against measles and rubella—both of which are now free of charge—we introduced an incentive point system in cooperation with the Health Insurance Society.

Medical Exam and Screening Attendance Rates



*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 FY 2016–2017, men and women aged 50 and over; from FY 2018, changed to men and women aged 35 and over.

Health Promotion Initiatives for Employees and Their Families

Activities

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 FY 2019

Our health promotion initiatives for fiscal 2019 included an Autumn Walking Campaign using the pedometer function on “My Health Web.” The program ran for around three months and had some 21,000 participants. A ranking chart for participants was presented on the website, encouraging them to compete over daily results as they improved their health.

Promoting Collabo-Health*1

Activities

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. Initiatives are 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 with preventive strategies.

Health and Safety Considerations for Nuclear Businesses

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 exportation 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 its 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 dose even for employees of partner companies, and an occupational physician from Hitachi visits sites to perform examinations and offer health advice.

Support for Employees During the COVID-19 Pandemic

Hitachi is 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 80% during Japan's state of emergency. In addition to establishing in-house procedures to deal with infections among employees, we adhere to government guidelines in preventing the spread of infection. Should an employee test positive, we instruct everyone in the same workplace to stay at 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.

Helping Employees in Japan Stay Healthy

Initiatives	Details
Remote counseling by occupational physicians	Start of 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	Launch of a website providing 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
Looking after infected employees	Messages delivered by the CEOs of business units to give reassurance to infected individuals and raise awareness among their colleagues

-  [Hitachi Group's General Policies in Response to COVID-19](https://www.hitachi.com/information/ImportantNotices/management.html#section2) ▶
-  [Countermeasures Against the COVID-19 Pandemic \[Global Human Capital Management\]](#) ▶
-  [Hitachi Group's COVID-19-Related Support Efforts \[Social Contribution Activities\]](#) ▶
-  [Responding to COVID-19 \[Business Continuation Initiatives\]](#) ▶

Freedom of Association and Collective Bargaining

Respecting the Rights of Employees

Policy

102-41 | 403-4 | 407-1

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 concrete terms, 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 union has 23,847 members out of 37,701 employees as of October 31, 2019.

Respecting the Rights of Employees

System

407-1

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 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.

Notification of Work-related Transfers and Reassignments

System

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 or reassignments, the company will consult with the labor union regarding the basic issues involved.

Cooperating to Improve Health and Safety

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 mechanisms, 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 initiatives that include planning and tracking health and safety activities each year, reviewing measures to prevent industrial accidents, and sharing information on whether employees have received their annual health check-ups.

Human Rights



Key SDGs

- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Why it matters

Hitachi understands that respecting human rights in business activities is not only essential for corporate sustainable development, it 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 designating 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.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
<p>Respect for human rights throughout the value chain</p>	<ul style="list-style-type: none"> • Ensure awareness of Hitachi Group Human Rights Policy • Raise human rights awareness among executives and employees • Recognize human rights risks and construct frameworks and systems for reducing them through HRDD • Raise human rights awareness among suppliers, including issues around child labor and forced labor 	<ul style="list-style-type: none"> • Training program on respect for human rights: Attendance by each employee at least once every three years (equivalent to a yearly participation rate of 33%) 	<ul style="list-style-type: none"> • Consolidated general consultation and reporting systems (contact points) for harassment and human rights issues into Hitachi Global Compliance Hotline • Distributed human rights message from President and CEO Toshiaki Higashihara on Human Rights Day • Revised e-learning program on business and human rights • Conducted human rights training session for executives titled "Current Perspective About AI Ethics" • Identified human rights risks to be addressed by entire Group • Conducted CSR procurement seminars for suppliers in Southeast Asia

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, inviting 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*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 President and CEO 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: 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).

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.

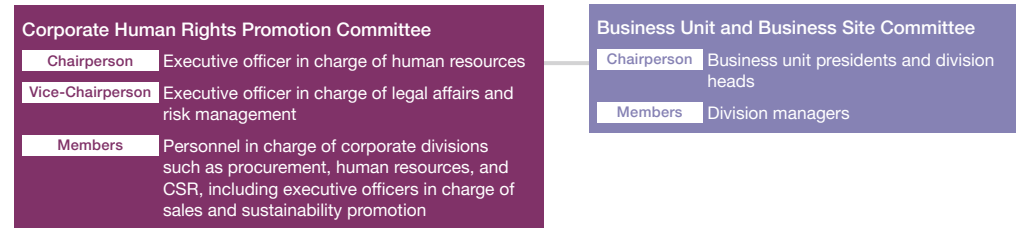
Framework for Human Rights

Framework

406-1 | 410-1 | 412-1 | 412-3

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. Policies decided through these deliberations are shared with business unit and business site committees, led by business unit presidents and division heads to prevent human rights violations.

■ Hitachi, Ltd. Framework for Promoting Respect for Human Rights



Establishing a Global Grievance Mechanism

System

102-17

In April 2020, we consolidated the Hitachi Group's internal reporting systems into the Hitachi Global Compliance Hotline. We are planning to merge 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 contact to discuss human rights issues, make it easier for employees and those working with us to access these services, and promote the Group-wide effort globally by establishing an environment, including a grievance mechanism, that helps Hitachi grasp and identify violations of human rights.

Human Rights Awareness Initiatives Targeting Suppliers and Procurement Personnel ▶

Hitachi Group Codes of Conduct ▶ <http://www.hitachi.com/corporate/about/conduct/index.html>

Hitachi Group Human Rights Policy ▶ http://www.hitachi.com/sustainability/policy/pdf/human_rights_policy.pdf

Details of dialogue with stakeholders during formulation of Hitachi Group Human Rights Policy ▶ <https://www.hitachi.com/sustainability/download/pdf/csr2013e.pdf#page=123>

Compliance Reporting System ▶

Hitachi Group Codes of Conduct ▶

Work-Life Management ▶

Advertising Activities ▶

Raising Human Rights Awareness Among Executives and Employees

Employee Engagement

412-2

Hitachi conducts regular group training and seminars and uses videos to educate employees in each business site and Group company. The target is for each employee to attend these sessions at least once every three years (equivalent to a yearly participation rate of 33%). In fiscal 2019, the participation rate came to approximately 65% at Hitachi, Ltd. and around 60% among Group companies in Japan. Through these and other trainings and activities to raise awareness, we are communicating to our employees the importance of respecting human rights in each of their roles.

Achievements in FY 2019

In fiscal 2019, we revised the e-learning program on business and human rights offered to all Hitachi employees around the world. The goal of the program is to deepen understanding of the definition of and international standards for human rights as well as corporate responsibility to respect them. It helps improve understanding and shows how human rights relate to business activities by introducing case studies involving discrimination, forced labor, and human rights issues at suppliers.

Executive officers from Hitachi, Ltd. also participate in annual officer training sessions on human rights. In fiscal 2019, Hiroshi Nakagawa, group director of the RIKEN Center for Advanced Intelligence Project (AIP), gave a presentation on “Current Perspective About AI Ethics.” He spoke about the impacts AI development has had on human rights as well as ethical guidelines for AI published by the Institute of Electrical and Electronics Engineers (IEEE), the Organisation for Economic Co-operation and Development (OECD), and the Cabinet Office of Japan.

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 trainings for different levels and employees transferred abroad.

Implementation Status of Activities to Raise Awareness of Human Rights

Target	Details	Number of participants
All Hitachi Group executives and employees	Distributed a human rights message by President and CEO Toshiaki Higashihara on Human Rights Day	251,085 executives and employees
All Hitachi Group executives and employees	Implemented an e-learning program on business and human rights (completed by employees roughly once every three years; contents revised in fiscal 2019; provided in 15 languages)	A total of more than 160,000 Group executives and employees globally (as of March 2020)
Executive officers of Hitachi, Ltd.	Attended a presentation on “Current Perspective About AI Ethics” by Hiroshi Nakagawa, group director of the RIKEN Center for Advanced Intelligence Project	34

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 human rights due diligence (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.

Achievements in FY 2019

In fiscal 2019, 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; items on assessments of corporate efforts by international initiatives; and the results of self-checks by suppliers and Group companies. Taking these results into account, we identified forced labor and migrant labor as human rights risks that the Hitachi Group as a whole should work to address. Forced labor and migrant labor are issues of high concern that are increasingly the subject of legislation around the world. From fiscal 2020 onward, we will carry out specific measures globally across the Group and explore the establishment of human rights risks management systems at individual business sites.

Implementation Status of Human Rights Due Diligence

FY	Initiatives
2013	<ul style="list-style-type: none"> Launched HRDD pilot programs in specified business sites Analyzed and evaluated human rights risks in six ASEAN countries
2014	<ul style="list-style-type: none"> Developed a document with guidelines for implementing HRDD in collaboration with NPO Shift
2015	<ul style="list-style-type: none"> Initiated HRDD in procurement divisions; assessed and prioritized human rights risks that employees are likely to confront in the supply chain and explored mitigation strategies
2016	<ul style="list-style-type: none"> Initiated HRDD for human resources divisions at Hitachi; assessed and prioritized human rights risks for employees and explored mitigation strategies
2017	<ul style="list-style-type: none"> Incorporated results of HRDD in procurement divisions into revision of CSR procurement guidelines for suppliers; revised checklist used in supplier CSR monitoring (self-checks)
2018	<ul style="list-style-type: none"> Assessed and prioritized human rights risks in some business units and Group companies and discussed mid-term action plan
2018	<ul style="list-style-type: none"> Implemented self-checks for about 100 Group companies in Southeast Asia using checklists for suppliers
2019	<ul style="list-style-type: none"> Analyzed and reassessed results of HRDD to date to determine human rights risks that Hitachi Group must address as a whole

Addressing the Risks of Child Labor and Forced Labor

Activities

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 along 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 all along the supply chain, we distributed these guidelines to tier 1 suppliers and conducted CSR procurement seminars in China and Thailand.

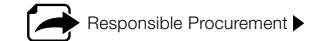
Human Rights Awareness Initiatives Targeting Suppliers and Procurement Personnel

FY	Target	Initiatives
2016	Employees responsible for procurement and human resources in Southeast Asia	Held a four-part webinar*1 series led by speakers from NGOs and businesses implementing advanced countermeasures
2016	Suppliers in China	Held CSR procurement seminars to explain the Hitachi Group's CSR activities and respect for human rights
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
2017	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
2018	European Group companies	Procurement personnel from European Group companies formed the Responsible Supply Chain Working Group
2018	Suppliers in China	Held CSR procurement seminars to explain Hitachi Group CSR policies and activities as well as the severity of human rights risks
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
2019	Suppliers in Thailand	Held CSR procurement seminars to explain forced labor by providing case studies

*1 Webinar: A portmanteau word combining "web" and "seminar," used to refer to an interactive seminar held online.

Response to Technical Intern Training Program Issues

Activities

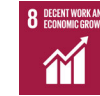


In 2018, the Organization for Technical Intern Training, a legal entity whose establishment was approved by competent ministers conducted on-site inspections at Hitachi, Ltd. and 10 Group companies. These inspections identified violations of the Act on Proper Technical Intern Training and Protection 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, Labor and Welfare regarding the construction of its systems for carrying out proper technical intern training according to authorized plans. Companies that received such recommendations or orders for improvement have already taken corrective measures. We have taken further strict measures to ensure that no further violation will take place throughout the entire Group, such as constructing Group-wide policies, guidelines, and check systems for technical intern training. 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.

Value Chain Management



Key SDGs




Why it matters

As business becomes more and more globalized, there is a growing possibility of procurement risks in the supply chain creating management problems. As an enterprise that engages in businesses activities in many regions around the world, Hitachi strives to identify and mitigate these risks in advance as much as possible. Hitachi emphasizes sustainability in the value chain, and suppliers are selected strictly in accordance with the Hitachi Group Global Procurement Code. Additionally, in order to share our CSR procurement policies, we not only distribute the Hitachi Group CSR Procurement Guidelines to approximately 30,000 suppliers around the world and


ensure their awareness but also conduct CSR Monitoring (self-checks) and CSR audits to minimize procurement risks. To address the conflict mineral issue, Hitachi formulated the Hitachi Group Conflict Minerals Procurement Policy to promote responsible procurement in line with international guidelines.

Furthermore, embracing the Hitachi Founding Spirit of “Harmony, Sincerity, and Pioneering Spirit,” we adhere to basics and ethics and put right and wrong before profit and loss, with all employees sharing our policy of making quality and reliability our top priority, thereby strengthening our quality assurance activities.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Responsible procurement</p>	<ul style="list-style-type: none"> • Improve value chain competitiveness based on partnerships with suppliers • Share procurement policies with suppliers • Implement CSR procurement • Hold CSR procurement seminars • Respond to conflict mineral issue 	<ul style="list-style-type: none"> • Conducting audits on suppliers with the support of external auditing organizations 	<ul style="list-style-type: none"> • Formulated the Hitachi Group Global Procurement Code • Conducted CSR audits at 19 suppliers • Held a CSR seminar for suppliers in Thailand, our first in Southeast Asia

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019	Key SDGs
 <p>Quality and product safety management</p>	<ul style="list-style-type: none"> Practice our policy of making quality and reliability our top priority Adhere to basics and ethics, put right and wrong before profit and loss 	<ul style="list-style-type: none"> Improving product reliability and customer satisfaction 	<ul style="list-style-type: none"> Strengthened organizational structure for quality assurance Promoted quality assurance activities globally Carried out incident prevention activities Promoted product safety activities Carried out technical law compliance activities Conducted quality and reliability education 	 
 <p>Customer satisfaction (CS)</p>	<ul style="list-style-type: none"> Improve CS by reflecting customers' voices in our business Provide comprehensive customer support online Improve CS in home appliances Promote advertising activities 	<ul style="list-style-type: none"> Improvement of CS Proper information disclosure on products and services 	<ul style="list-style-type: none"> Continuously implemented CS and advertising activities 	

Responsible Procurement

Basic Procurement Guidelines

Policy

102-9

In April 2019, Hitachi instituted the Hitachi Group Global Procurement Code. Based on the framework of our CSR and green procurement guidelines, 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, too, are selected strictly in accordance with the code's provisions.

Procurement activities are also carried out according to the Hitachi Group CSR Procurement Guidelines, which were revised based on the results of human rights due diligence performed by procurement divisions and version 5.1 of the Responsible Business Alliance (RBA, formerly called EICC) Code of Conduct. We plan to revise these guidelines regularly in the future to ensure that they always reflect global demands regarding corporate supply chain management.

CSR Supply Chain Management Framework

Framework

308-1 | 411-1 | 412-1 | 414-1

Given the global reach of Hitachi's business, procurement risks throughout the supply chain are growing. The Hitachi Group is working hard to identify and mitigate these risks beforehand as much as possible.

CSR supply chain management, responsible minerals procurement, and green procurement policies and initiatives are discussed within Hitachi's Value Chain 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 members from business units and CSR/BCP Procurement Committees at key Group companies.

To address the issue of chemical substances in products, we recommend management with chemSHERPA*1-CI/AI, a common scheme that facilitates transmission of information on chemical substances in products throughout the supply chain.

*1 chemSHERPA: A standard developed by the Japanese Ministry of Economy, Trade, and Industry to facilitate the management of chemical substances in products by creating a shared transmission scheme 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.

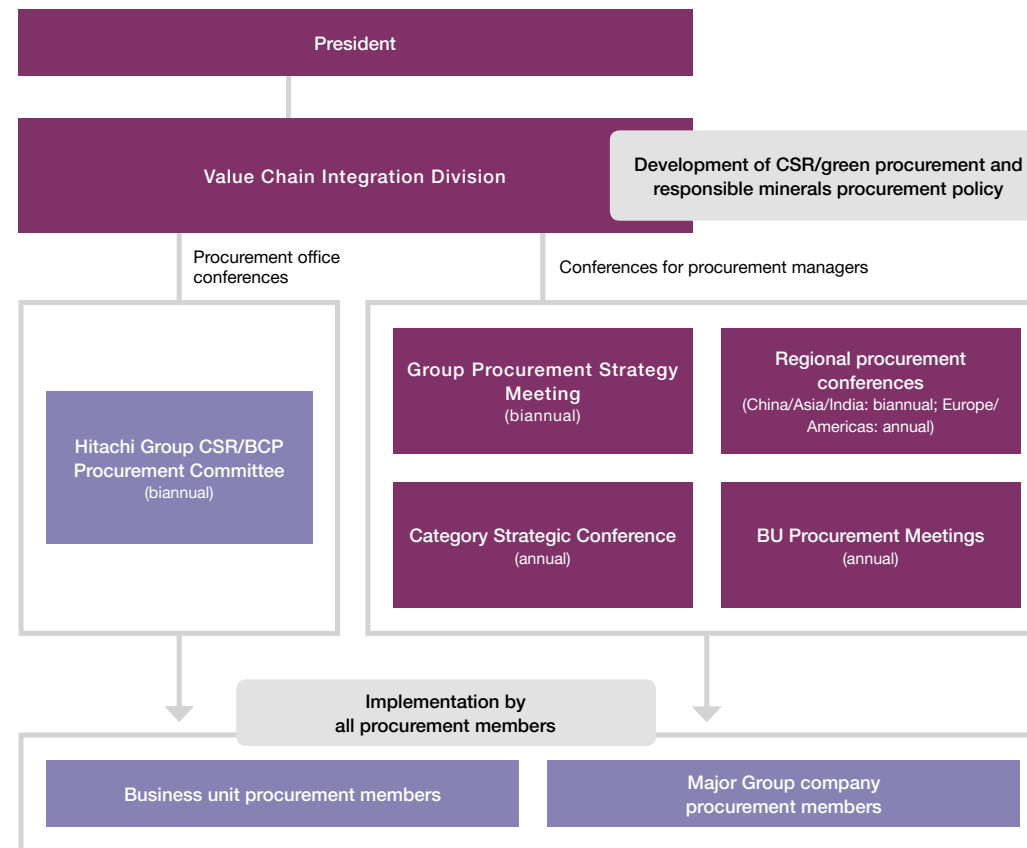


Number of Hitachi Group suppliers
(as of December 2019):

Approx. **30,000** companies (66 countries)

CSR/Green Procurement
<http://www.hitachi.com/procurement/csr/index.html>

Supply Chain Management Organizational Structure



Strengthening Global Partnerships

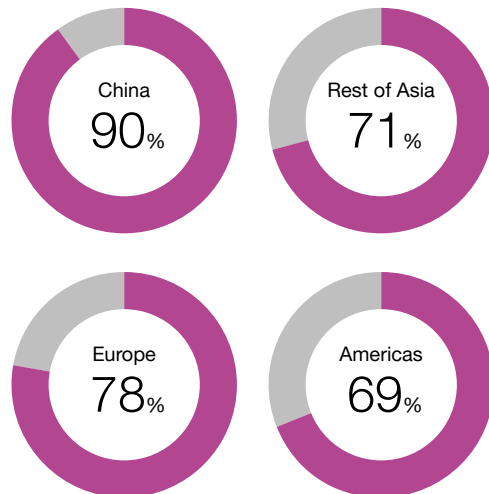
Framework

Activities

A key element of the Hitachi Group Vision is to improve the competitiveness of our value chain based on partnerships with our 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 procurement seminars in their respective regions to strengthen our response to CSR-related risks.

Local procurement officers 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 who have transactions with these enterprises but also for urging the enterprises themselves to make improvements.

■ Rate of Local Procurement of Materials for Main Regions



Sharing Procurement Policies with Suppliers

Activities

To share procurement policies with the approximately 30,000 suppliers of Hitachi business units and Group companies, we are undertaking the following initiatives.

Distributing the Hitachi Group CSR Procurement Guidelines

To ensure that the guidelines are strictly followed, we make them available in Japanese, English, Chinese, and Thai and distribute them to approximately 30,000 suppliers around the world. We also request acknowledgment of suppliers' understanding in writing.

Distributing the Green Procurement Guidelines

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 for environmental conservation, including building an environmental management system and acquiring certifications. There are also requirements for reducing the environmental impact of products supplied to Hitachi, such as conserving resources and energy, recycling, managing chemical substances in products, and fully disclosing related information. In fiscal 2019, we revised these guidelines to ban four types of phthalates in line with the EU's RoHS directive.

 Hitachi Group CSR Procurement Guidelines ▶ <http://www.hitachi.com/procurement/csr/csr/index.html>

 Hitachi Group Green Procurement Guidelines ▶ http://www.hitachi.com/environment/library/pdf/green_en.pdf

Implementing CSR Procurement

Activities

414-2

Hitachi engages in the following initiatives to promote and pursue CSR procurement based on its CSR supply chain management philosophy.

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.

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 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.

Violations in FY 2019

In fiscal 2019, audits were conducted of 12 Chinese suppliers. Though there were no significant violations, the following minor problems were identified with some suppliers, who were accordingly asked to remedy the issues.

- Failure to comply with legal working hours, including overtime: 8 suppliers
- Failure to conduct staff training, including fire safety measures, evacuation drills, and emergency response to hazardous chemicals: 7 suppliers
- Failure to renew permit for discharging pollutants: 1 supplier

*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.

Holding CSR Procurement Seminars

In order to share the philosophy of Hitachi among our suppliers, we provide suppliers directly with information in a face-to-face format. Specifically, we hold a CSR Procurement Seminar for Hitachi Group partners in China.

Activities in 2019

In fiscal 2019, we held a CSR seminar for suppliers in Thailand attended by 77 participants from 59 companies. At the seminar, our first in Southeast Asia, we explained our Group-wide CSR procurement initiatives and activities, CSR procurement activities in ASEAN, CSR-related laws and regulations in Thailand, and promotion of ethical employment. Feedback from participants included comments such as "I was pleased to gain necessary information and knowledge about CSR," "The seminar taught me the importance of working together on CSR initiatives," and "More companies will participate if the next seminar like this is held in an industrial park." We believe that the seminar helped participants deepen their understanding of our efforts on CSR and green procurement activities.

A seminar was also scheduled for China in February 2020, but was cancelled due to the spread of COVID-19.



CSR Procurement Activities Implementation Status

	FY 2019
CSR monitoring (self-checks)	291
CSR audits	19
Supplier seminars	59

Increasing Green Purchasing of Office Supplies

Activities

We are 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 environmentally conscious products and promotes procurement by clearly labeling these products. In fiscal 2019, our green purchasing rate reached 84%.

*1 Green purchasing rate: The ratio, 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

Framework

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, including inquiries based on international guidelines, so that procurement of components incorporating conflict minerals does not benefit armed groups in the Democratic Republic of the Congo (DRC) or adjoining countries. 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 Congo to a wider area where risks are high. We are currently revising our Conflict Minerals Procurement Policy in this respect. 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 mineral-related laws and regulations in each country and region and what global society demands of enterprises, working 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 conflict minerals issues with other members of the association.

In 2018, Hitachi, Ltd. and six key Group companies (Hitachi Metals, Hitachi Chemicals, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Automotive Systems, and Hitachi Industrial Equipment Systems) performed investigations and replied to a total of 1,874 requests from customers.

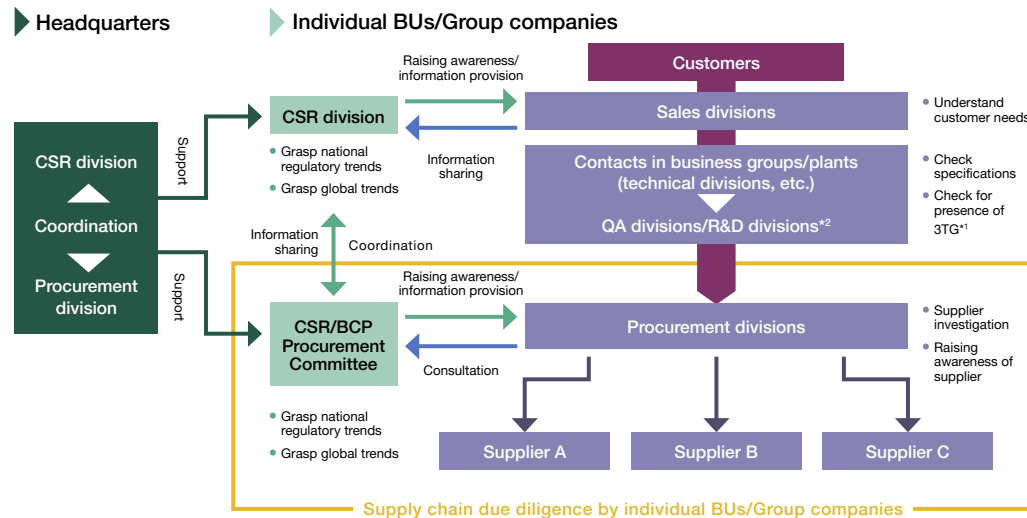
Hitachi Group Conflict Minerals Procurement Policy

The policy for procurement departments in all Hitachi Group companies have always been and will continue to be to ensure that procurement activities do not result or aid in conflicts within the same region and that the armed groups described above do not benefit from those activities, while continuing responsible procurement activities of minerals that are not related to the conflicts in the region based on local laws. Additionally, we will continue to support the practice of due diligence based on the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" among companies. With these in mind, Hitachi Group would like to request all our suppliers to utilize the Conflict Minerals Reporting Template developed by RBA/GeSI to continue checking the country of origin and supply chain of minerals, and also to procure from the CFS (Conflict Free Smelter)*1 listed within.

*1 CFS (Conflict Free Smelter): A list of smelters who have been identified as "not being involved in the conflict within the same region" by the Responsible Minerals Initiative (RMI), an organization that was founded by the RBA/GeSI, which is a group that aims to solve the conflict minerals problem.

Hitachi Group Conflict Minerals Procurement Policy
http://www.hitachi.com/procurement/csr/initiative/_icsFiles/afidfile/2018/06/07/Hitachi_Group_Conflict_Minerals_Procurement_Policy.pdf

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.

Main Groups in Which Hitachi Participates

Quality and Product Safety Management

Hitachi's Approach to Quality Assurance Activities

Approach

As stipulated in the Hitachi Group Codes of Conduct, we uphold a philosophy of providing products and services that our customers can use with confidence by meeting their specifications and quality requirements. The Quality Assurance Standards in our corporate regulations also set out our basic principles for quality assurance activities.

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 working 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 occurrence, along with ways to prevent reoccurrence, in order to improve our product reliability and customer satisfaction.

Framework for Quality Assurance and Quality Assurance Activities

Structure

416-1

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 report 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 in strengthening reliability to 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); continuously improve regulatory compliance activities and processes based on our product compliance management system.

Product Safety Activities

- Use Guide for Preparing User Instruction Manuals to improve risk communication with our customers.
- 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.
- Conduct risk assessments from a wide perspective in collaboration with related business units and research laboratories.
- Ensure safety by reducing risks through design (fundamental safety design), protective measures (safeguards), and usage information (product manuals), in order of priority.

Global Quality Assurance Activities

- Build Hitachi quality by applying our fundamental principles for quality assurance activities globally and preparing Global Quality Assurance Standards, thereby understanding the situation regarding incidents globally through a unified set of rules.



Hitachi Group Codes of Conduct
<https://www.hitachi.com/corporate/about/conduct/index.html#aid8071856>

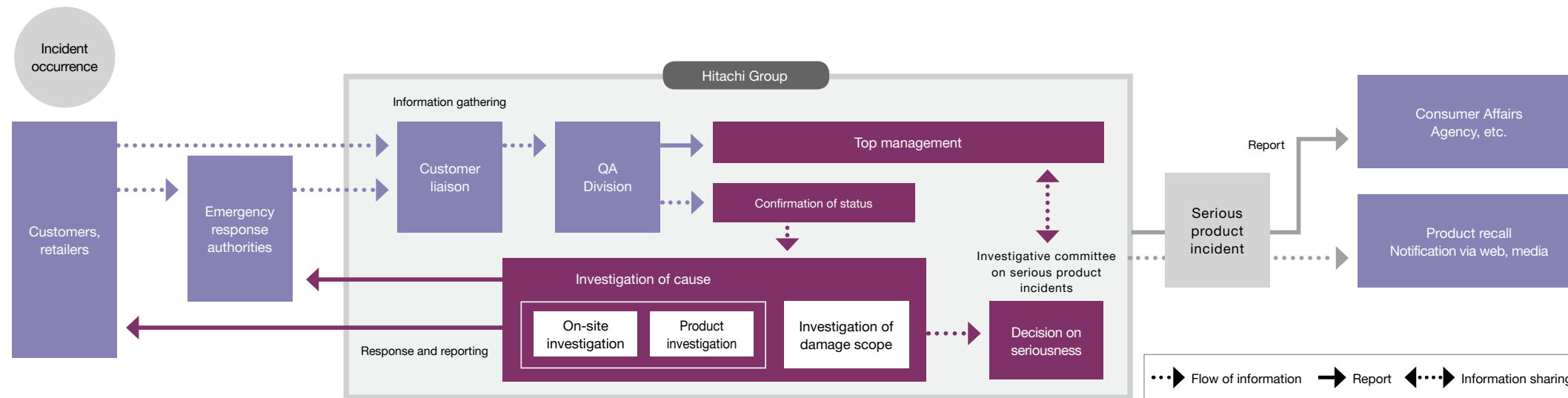
Handling Product Incidents

Structure

When a product incident occurs, the division responsible acts swiftly to resolve the problem. In case of a severe incident, we report to government agencies in line with legal requirements and disclose the incident information to customers on our website and through other communication channels. At the same time, we promptly submit a status report to top management, ensuring fast and appropriate action at all companies across the Group.

In 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.

Response Flow in the Event of Product Incident



Quality and Reliability Education

Employee Engagement

We conduct field-specific technical lectures for engineers engaged in monozukuri craftsmanship 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.

Customer Satisfaction

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 relations 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Accelerate collaborative creation with customers in Hitachi's Social Innovation Business
Technology Community program	R&D sites in Japan	<ul style="list-style-type: none"> Create opportunities for researchers to speak directly with customers and contribute to collaborative creation of new businesses based on customer needs and Hitachi technology

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 handling of these inquiries.

Customer Support Activities in Fiscal 2019

Inquiries to comprehensive customer support	4,017
Web Inquiry Responsiveness Improvement Course attendees	31 (858 in total since fiscal 2009)

Improving CS in Home Appliances

Activities

416-1

The Home Appliances Customer Satisfaction Division provides services and solutions to improve quality of life for people of all ages and regions of residence. In Japan, these initiatives are carried out under the slogan, "360° Happiness: Encircling People and All Their Dreams for the Future."

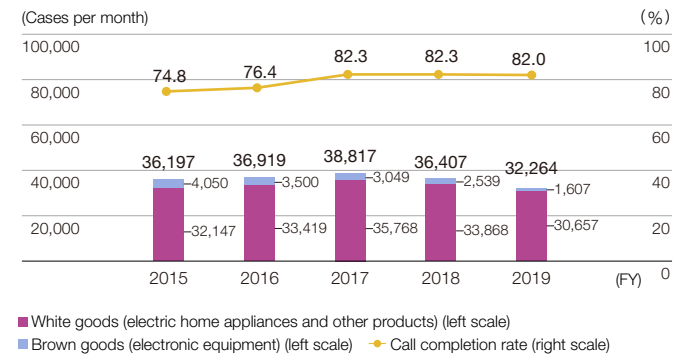
Our call center and website handle about 2.13 million customer inquiries, repair requests, and complaints about washing machines, refrigerators, and other appliances per year.*1 We have undertaken a number of initiatives to better respond to inquiries and to reflect customer feedback in our monozukuri craftsmanship, 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.

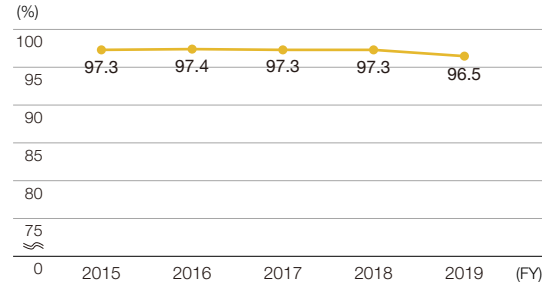
With the expansion of Hitachi's markets, 12 sales offices and manufacturing sites have been opened mainly in Asia and the Middle and Near East. We are also working on unifying management of operations outside Japan.

*1 Since fiscal 2013, technical inquiries from suppliers and parts orders have been excluded from these statistics.

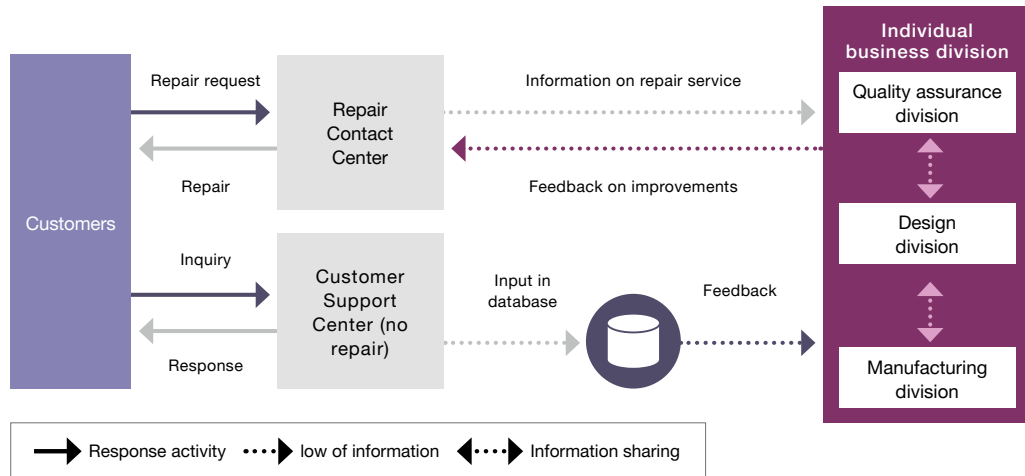
Customer Contact Cases, Call Completion Rate (12-Month Average)



■ Results of Evaluation Survey for Customer Repair Services (CS)



■ Flow of Customer Service



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 it follows and updates in line with social developments.

To ensure that these guidelines are strictly followed even at business locations outside Japan, where languages and customs vary, an Advertising Material Checklist is included. All items on the checklist are confirmed when creating advertisements.

Community



Key SDGs

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

Why it matters

Under the 2021 Mid-term Management Plan that aims to enhance social, economic, and environmental value through the Social Innovation Business, we are actively promoting social contribution activities that will help create social and environmental value and contribute to the sustainable development of both society and business.

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 in the field of science and technology more broadly, our focus in recent years has been on activities related to STEAM (science,

technology, engineering, arts, and mathematics) 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 volunteer activity among employees, because it is essential for employees to actively volunteer their time 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.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
<p>Social contribution activities</p>	<ul style="list-style-type: none"> • Work with all employees and other diverse stakeholders to develop next-generation human capital and promote empowerment in the areas of STEAM, the environment, and community engagement • Promote social contribution activities through the Hitachi Global Foundation 	<ul style="list-style-type: none"> • Developing next-generation human capital • Forging good relationships with local communities 	<ul style="list-style-type: none"> • Reviewed our policy on social contribution activities based on the belief that we have an important mission to foster human capital who will contribute to society in the field of science and technology • Added a new grant category for humanities and social sciences to the Kurata Grants

Social Contribution Activities

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, 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.

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 pursuit 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

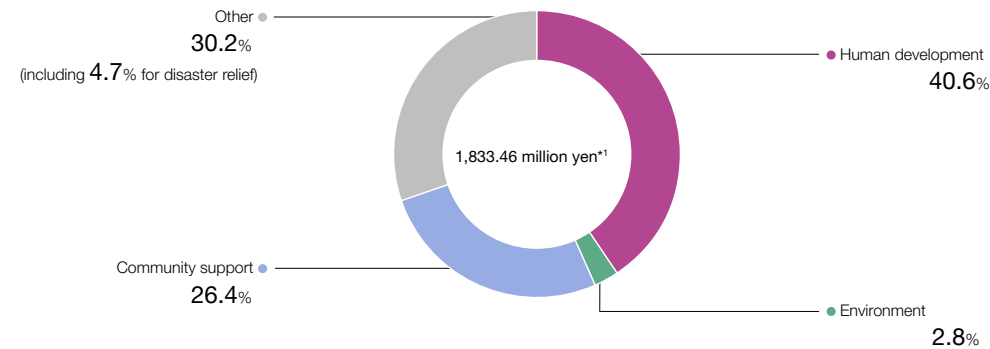
413-1 | 413-2

In fiscal 2019, Hitachi and the Hitachi Global Foundation provided over 1.8 billion yen in funding toward social contribution activities worldwide, including initiatives to cultivate a younger generation of talent and financial donations and other support for disaster-struck areas. Additionally, 88,134 Hitachi Group employees (around 30% of the total) participated in social contribution activities.

Hitachi spends around 2 billion yen annually on social contribution activities, but that amount has been shrinking due to a decrease in the number of consolidated Group companies and revised data-gathering measures. However, fiscal 2019 marked the largest number of employees participating in social contribution activities since we started gathering this data in fiscal 2016.

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 for their contribution 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 to support non-profit organizations through pro bono activities.

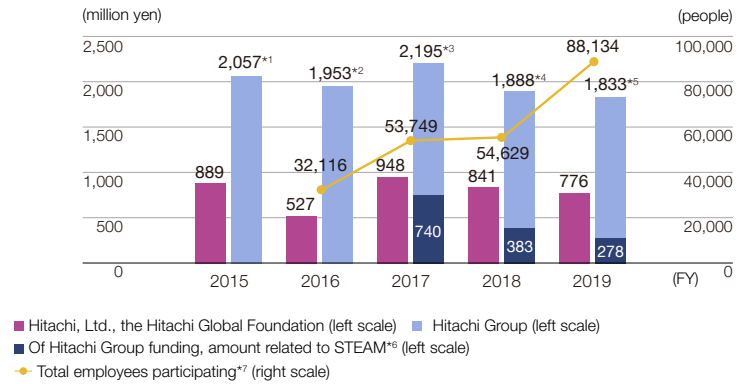
■ Breakdown of Funding for Social Contribution Activities in FY 2019



*1 Japan: Hitachi, Ltd., 153 Group companies, and the Hitachi Global Foundation.
Outside Japan: 234 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



*1 Japan: Hitachi, Ltd., 136 Group companies (including equity-method associates and joint ventures), and the Hitachi Global Foundation.
 Outside Japan: 244 companies.
 *2 Japan: Hitachi, Ltd., 134 Group companies, and the Hitachi Global Foundation.
 Outside Japan: 159 companies.
 *3 Japan: Hitachi, Ltd., 141 Group companies, and the Hitachi Global Foundation.
 Outside Japan: 196 companies.
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 *5 Japan: Hitachi, Ltd., 153 Group companies, and the Hitachi Global Foundation.
 Outside Japan: 234 companies.
 *6 Collection of statistics began in fiscal 2017.
 *7 Collection of statistics began in fiscal 2016.

Specific Examples of Social Contribution Activities

Activities

Social Contribution Activities
<http://www.hitachi.com/sustainability/sc/>

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 IT talent 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 (science, technology, engineering, arts, and mathematics) 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.

Specific Examples of Social Contributions

Activity	BU/Group company	URL
STEAM education	STEM education to develop engineers in the United Kingdom	Hitachi Rail https://www.youtube.com/watch?v=AllxAs4112s
	Activities to support science education with electron microscopes	Hitachi High-Tech https://www.hitachi-hightech.com/global/science-edu/
	Programing workshop for elementary schoolchildren	Hitachi Consulting http://www.hitachi.com/sustainability/sc/report/archives/0460.html
	Science workshop on the theme of water	Hitachi, Ltd. http://www.hitachi.com/sustainability/sc/report/archives/0461.html
	Hitachi scholarship program for the Asian University for Women	Hitachi, Ltd. -
Environment	Ecosystem preservation activities in the Hitachi IT Eco Experimental Village	Shikoku Hitachi Group -
	Sato-umi activities	Shikoku Hitachi Group -
	Support for environmental education programs targeting young people	Hitachi Construction Machinery Southern Africa -
Community support	Hitachi Young Leaders Initiative	Hitachi, Ltd., Hitachi Asia Ltd. http://www.hitachi.com/sustainability/sc/education/next-generation/
	Skill development program for youth employment	Hitachi India -
	Participation in Walk for Millions	Hong Kong Hitachi Group -

Contributing to Society Through the Hitachi Global Foundation

Activities


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 development of university lecturers in Southeast Asia. These formed the basis of today's Hitachi Global Foundation, 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 pillars of "promotion of academic research, science and technology," "human development," and "building multicultural symbiotic and diverse societies" based on the recognition of current social issues.

Achievements in FY 2019

A new grant category of humanities and social sciences was added to the Kurata Grants, a research fund established originally for the advancement of natural sciences and engineering, to support researchers exploring issues faced by our advanced scientific and technological society today.

Specific Examples of Hitachi Global Foundation Activities

Pillar	Activity	Details
Promotion of academic research, science and technology	Kurata Grants	Program supporting researchers who engage, in pursuit of solutions to social challenges, in creative and pioneering research in the natural sciences and engineering, or in unravelling 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 as of end of fiscal 2019: 1,429
Human development	Hitachi Future Innovator Program	Program promoting the development of science and engineering human capital aimed at Japanese schoolchildren in the upper grades of elementary school, aiming to cultivate personality traits (creativity, curiosity, independence, and challenging spirit) and abilities (problem finding and solving ability) 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 end of fiscal 2019: 10 schools, 737 students
	Pioneer Talk interviews in website My Tomorrow	Program supporting science and engineering education for women through raising interest in science and engineering careers among female junior high and high school students
Building multicultural symbiotic and diverse societies	Symposiums to build multicultural symbiotic and diverse societies	Program urging a new understanding among everyday citizens of the importance of constructing "multicultural symbiotic and diverse societies," defined as active, diverse, and inclusive societies that are lively and unified and where diverse viewpoints and values are mutually accepted across differences in attributes like gender, nationality, age, abled or disabled status, and sexual orientation


 The Hitachi Global Foundation) ▶ <https://www.hitachi-zaidan.org/global/index.html>


Hitachi Group's COVID-19-Related Support Efforts

Initiative	Details
Support for business owners	Provided US \$1 million to support business owners impacted by COVID-19 through loans by the nonprofit organization Kiva
Support for infectious disease research	To support research into the kind of pioneering, practical medical technology that can contribute to resolving the new social issues of the pandemic from Hitachi's unique global perspective, as well as the new social systems this entails, made the decision to donate 100 million JPY to the Hitachi Global Foundation and solicit further contributions from Hitachi's executive officers, corporate officers, and employees
Donations for medical professionals (funds and supplies)	Provided medical supplies and equipment free of charge, including medical masks, face shields, and computed tomography (CT) equipment, and also made financial donations

 How Hitachi is responding to COVID-19 ▶ <http://www.hitachi.com/information/ImportantNotices/index.html>

 Countermeasures Against the COVID-19 Pandemic [Global Human Capital Management] ▶

 Support for Employees During the COVID-19 Pandemic [Occupational Health and Safety] ▶

 Responding to COVID-19 [Business Continuation Initiatives] ▶

Social Data

Innovation Management

Research and Development

R&D Expenditure		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
R&D expenditure (billions of yen)	Hitachi Group	333.7	323.9	332.9	323.1	293.7
R&D expenditure as % of revenue	Hitachi Group	3.3	3.5	3.6	3.4	3.4

Top-Class Digital Talent in the AI Field		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
Top-class AI digital talent	Hitachi Group	—	—	—	226	306

Notes: Disclosure began in fiscal 2018.

Human Capital

Employee Data

		102-7	102-8	401-1	401-3	403-9	403-10
Reporting Boundary		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Number of employees	Hitachi Group	335,244	303,887	307,275	295,941	301,056	
	Male*1	217,707	195,645	199,193	196,221	199,603	
	Female*1	47,676	42,460	41,870	43,581	45,359	
	Japan	187,936	169,744	168,086	162,083	162,100	
	Asia	95,496	86,649	88,616	85,013	86,787	
	North America	21,026	20,071	21,884	20,985	22,034	
	Europe	19,984	14,808	16,517	17,074	17,850	
	Other areas	10,802	12,615	12,172	10,786	12,285	
Number of employees	Hitachi, Ltd.	37,353	35,631	34,925	33,490	31,442	
	Male	31,536	29,921	29,220	27,828	25,628	
	Female	5,817	5,710	5,705	5,662	5,814	
Average age*2	Hitachi, Ltd.	41.1	41.4	41.8	42.1	42.4	
	Male	41.6	41.9	42.3	42.6	43.0	
	Female	38.2	38.7	39.2	39.5	40.1	
Average service (years)*1	Hitachi Group	14.4	15.0	14.9	15.1	15.0	
	Male	15.2	15.8	15.4	15.8	15.7	
	Female	11.0	11.6	12.6	11.8	11.8	
	Japan	17.6	18.4	18.0	18.8	18.8	
	Asia	6.7	7.2	7.9	7.9	7.7	
	North America	8.2	8.4	8.7	7.1	7.2	
	Europe	6.5	7.9	8.4	7.6	8.3	
	Other areas	6.8	4.5	7.3	6.4	7.6	
Average service (years)	Hitachi, Ltd.	15.6	17.5	17.8	18.0	17.9	
	Male	15.9	17.9	18.3	18.5	18.5	
	Female	13.8	15.2	15.5	15.6	15.6	
Turnover ratio (%)**3	Hitachi Group	4.2	5.3	5.5	6.3	5.2	
	Male	3.9	4.7	5.0	5.8	4.8	
	Female	5.6	7.8	7.8	8.4	7.2	
	Japan	2.4	2.3	2.1	2.2	2.5	
	Outside Japan	9.0	12.9	13.4	15.4	10.9	
Turnover ratio (%)**3	Hitachi, Ltd.	1.3	1.5	1.5	1.6	1.7	

*1 Hitachi Group figures exclude approximately 40,000 manufacturing workers.

*2 Beginning in fiscal 2019, the scope of reporting shifted from full-time, regular employees to all employees across the organization; figures for previous years have been adjusted to match this new scope.

*3 Figures include only voluntary resignations.

Global Human Capital Management

Approval Rating in Global Employee Survey		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
Engagement indicator (%)	Hitachi Group	56	58	58	60	60
Overall (%)	Hitachi Group	58	60	61	60	61

Note: Questions change slightly each year. Above figures not adjusted for change in questions. Comparing fiscal 2019 results with previous years for unchanged questions only, overall approval has improved for five straight years.

Talent Development

Number of Participants of Global Management Training Programs		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
	Hitachi Group	3,362	3,530	3,821	3,844	4,063

Digital Talent Headcount		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
	Hitachi Group	—	—	—	—	30,000

Note: Disclosure began in fiscal 2019.

Number of Data Scientists		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
	Hitachi Group	—	—	700	Approx. 1,000	Approx. 2,000

Note: Disclosure began in 2018.

Average Amount Invested in Education per Employee		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
(yen)	Hitachi Group companies in Japan	—	—	118,500*1	127,800*2	128,000*3

*1 Hitachi, Ltd. and 14 major Group companies in Japan.

*2 Hitachi, Ltd. and 13 major Group companies in Japan.

*3 Hitachi, Ltd. and 12 major Group companies in Japan.

Note: Disclosure began in fiscal 2017.

Number of Young Employees Participating in Training Outside Japan		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Reporting Boundary					
	Hitachi Group companies in Japan	674	382	378	392	320

Diversity and Inclusion

	Reporting Boundary	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Ratio of female employees (%) ^{*1} ✓	Hitachi Group	18.5	18.3	18.2	18.8	19.4	
Ratio of female employees (%)	Hitachi, Ltd.	16.5	16.8	17.2	17.8	19.0	
Ratio (number) of female managers ^{*1*2*3} ✓	Hitachi Group	6.5 (2,688)	6.7 (2,562)	7.3 (3,325)	8.3 (3,975)	8.9 (4,302)	
Ratio (number) of female assistant managers ^{*1*3*4}	Hitachi Group	—	—	—	16.6 (14,909)	17.8 (18,028)	
Ratio (number) of female managers ^{*3*5} ✓	Hitachi, Ltd.	General manager or above	3.2 (104)	3.3 (113)	3.2 (128)	3.4 (135)	3.9 (147)
		Section manager	4.3 (370)	4.4 (396)	4.6 (449)	5.3 (500)	6.2 (553)
Basic salary ratio of female to male managers ^{*6}	Hitachi, Ltd.	—	—	100 : 102	100 : 103	100 : 104	
Total individual compensation ratio of female to male managers ^{*6}	Hitachi, Ltd.	—	—	100 : 104	100 : 105	100 : 106	
Ratio of new female employees hired (%) ^{*1}	Hitachi Group	Japan	18.4	18.8	19.4	23.1	23.0
		Asia	30.4	30.4	24.5	28.2	28.5
		North America	33.0	22.0	26.2	32.8	29.7
		Europe	29.0	20.5	19.6	23.8	22.9
		Other areas	12.9	29.2	22.8	27.3	28.9
		Hitachi, Ltd.	22.8	26.3	26.6	24.2	25.3
Ratio of new female graduates hired (%) ^{*7}	Hitachi, Ltd.	Technical	17.3	20.8	17.2	17.9	17.8
		Administrative	45.5	42.1	53.8	51.6	48.9

*1 Hitachi Group figures exclude approximately 40,000 manufacturing workers.

*2 Beginning in fiscal 2019, the scope of reporting shifted from full-time, regular female managers, excluding those dispatched to non-Group companies, to all female managers including those dispatched from Hitachi, Ltd. to other companies and those accepted from other companies; figures for previous years have been adjusted to match this new scope.

*3 Rising numbers of female managers and female assistant managers in part reflect improved coverage of our human capital databases.

*4 Disclosure 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. Earlier figures 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 salary and compensation are due to age distribution, grade distribution, etc. Disclosure began in fiscal 2017.

*7 Graduates from universities or colleges (including postgraduate schools and technical colleges).

Social Data

	Reporting Boundary		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of employees taking maternity/paternity leave	Hitachi, Ltd.	Male	307	352	426	464	445
		Female	524	664	724	720	680
Return rates after maternity/paternity and child-care leave*1	Hitachi, Ltd.	Male	—	97.1	98.5	97.4	97.4
		Female	—	96.7	100.0	94.3	100
Retention rates after maternity/paternity and child-care leave*1	Hitachi, Ltd.	Male	—	98.6	98.0	99.4	95.5
		Female	—	100.0	96.6	90.9	84.8
Number of employees using shorter working hours for child care	Hitachi, Ltd.	Male	3	2	2	5	9
		Female	668	822	887	893	866
Number of employees taking nursing-care leave	Hitachi, Ltd.	Male	9	8	14	9	10
		Female	8	7	7	9	11
Number of employees using shorter working hours for nursing care	Hitachi, Ltd.	Male	3	3	3	2	4
		Female	9	9	12	11	6
Paid leave	Hitachi, Ltd.	Average number of days	15.6	16.3	17.2	18.7	18.8
		Ratio (%)	65.3	68.1	72.0	78.3	78.7
Average overtime hours/month	Hitachi, Ltd.		11.9	12.8	10.9	9.3	7.7

*1 Disclosure began in fiscal 2016.

Ratios for Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.)							
	Reporting Boundary		June 2017	June 2018	June 2019	June 2020	
Number of female executive and corporate officers	Hitachi, Ltd.		2	2	4	5	
Ratio of female executive and corporate officers (%) 	Hitachi, Ltd.		2.4	2.6	5.0	7.1	
Number of non-Japanese executive and corporate officers	Hitachi, Ltd.		3	5	7	6	
Ratio of non-Japanese executive and corporate officers (%) 	Hitachi, Ltd.		3.7	6.4	8.8	8.6	


Note: Disclosure began in 2017, when initiatives for increasing diversity among executive and corporate officers started.

Ratios for Male/Female and Japanese/Non-Japanese Directors (Hitachi, Ltd.)							
	Reporting Boundary		June 2016	June 2017	June 2018	June 2019	June 2020
Male	Hitachi, Ltd.	Number	11	11	10	9	11
		Ratio (%)	84.6	84.6	83.3	81.8	84.6
Female	Hitachi, Ltd.	Number	2	2	2	2	2
		Ratio (%)	15.4	15.4	16.7	18.2	15.4
Japanese	Hitachi, Ltd.	Number	8	8	8	7	7
		Ratio (%)	61.5	61.5	66.7	63.6	53.8
Non-Japanese	Hitachi, Ltd.	Number	5	5	4	4	6
		Ratio (%)	38.5	38.5	33.3	36.4	46.2
Total			13	13	12	11	13

Employment of People with Disabilities and Employment Ratio (Hitachi, Ltd.*1)							
	Reporting Boundary		June 2016	June 2017	June 2018	June 2019	June 2020
Employment of people with disabilities	Hitachi Group companies in Japan*1		1,370.5	1,437	1,848	1,899	2,403
Employment ratio (%)	Hitachi Group companies in Japan*1		2.11	2.15	2.23	2.26	2.33

*1 Includes special subsidiaries and related Group companies. (Two special subsidiaries and 17 related Group companies in fiscal 2020.)

Occupational Health and Safety

	Reporting Boundary	2015	2016	2017	2018	2019
Number of fatal accidents	Hitachi Group	4	3	5	0	4
Occupational accident severity rate*1	Hitachi Group companies in Japan*1	0.07	0.18	0.17	0.11	0.03
Occupational accident frequency rate*1 	Hitachi Group companies in Japan*1	0.22	0.18	0.25	0.20	0.17

Notes: • January to December each year.

• 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 240 Group companies in 2015; for 200 Group companies in 2016; for 202 Group companies in 2017; for 188 Group companies in 2018; and for 169 Group companies in 2019.

Hitachi Group's Global Safety Figures (Occurrence Rate)*1					
	Reporting Boundary	2016	2017	2018	2019
North America	Hitachi Group	27.65	24.33	27.96	20.76
Central and South America	Hitachi Group	2.33	1.62	0.44	0.57
Europe	Hitachi Group	10.70	10.82	6.08	4.78
India	Hitachi Group	2.07	1.44	1.44	1.63
China	Hitachi Group	1.59	1.53	1.46	1.17
Asia (excluding India, China, and Japan)	Hitachi Group	5.43	4.41	3.34	2.63
Oceania	Hitachi Group	39.07	24.41	21.94	29.07
Africa	Hitachi Group	17.26	9.93	11.76	9.72
Overseas total	Hitachi Group	7.76	7.42	7.43	5.78
Japan	Hitachi Group	1.57	1.85	1.64	1.53
Global total		3.95	4.22	4.20	3.45

*1 Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees resulting in fatality or work-time loss of one day or more.

Note: • Collection of statistics began in 2016.

• January to December each year.

Absences						
	Reporting Boundary	2015	2016	2017	2018	2019
Mental (%)	Hitachi, Ltd.	0.52	0.56	0.60	0.64	0.65
Physical (%)	Hitachi, Ltd.	0.24	0.24	0.26	0.24	0.25

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).


Medical Exam and Screening Attendance Rates						
	Reporting Boundary	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General physical exam*1 (%)	Hitachi, Ltd.	78.9	78.1	78.5	79.3	72.4
Breast cancer screening*2 (%)	Hitachi, Ltd.	47.0	50.0	51.1	53.2	58.2
Uterine cancer screening*3 (%)	Hitachi, Ltd.	33.2	35.3	35.6	37.1	41.5
Stomach cancer screening*4 (%)	Hitachi, Ltd.	80.9	78.4	80.7	80.6	74.5
Intestinal cancer screening*4 (%)	Hitachi, Ltd.	81.5	79.0	81.4	81.3	76.4
Lung cancer screening*5 (%)	Hitachi, Ltd.	91.0	93.2	92.9	93.2	90.6

*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–fiscal 2017, men and women aged 50 and over; from fiscal 2018, changed to men and women aged 35 and over.

Value Chain Management

Responsible Procurement

CSR Procurement Activities Implementation Status							
	Reporting Boundary	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total for specified period
CSR monitoring (self-checks)	Hitachi Group	218	316	131	345	291	1,801*1
CSR audits 	Hitachi Group	20	20	18	24	19	149*2
Supplier seminars	Hitachi Group	12	29	65	126	59	291*3

*1 Total from fiscal 2011 to fiscal 2019.

*2 Total from fiscal 2012 to fiscal 2019.

*3 Total from fiscal 2015 to fiscal 2019.

Rate of Local Procurement of Materials for Main Regions					
	Reporting Boundary	FY 2016	FY 2017	FY 2018	FY 2019
China (%)	Hitachi Group	64	78	88	90
Europe (%)	Hitachi Group	83	70	81	78
Rest of Asia (%)	Hitachi Group	64	71	71	71
Americas (%)	Hitachi Group	69	57	66	69

Note: Collection of statistics began in 2016.

Community

Social Contribution Activities

Funding for Social Contribution Activities and Number of Participating Employees						
	Reporting Boundary	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Funding for social contribution activities (million yen)	Hitachi, Ltd. and the Hitachi Global Foundation	889	527	948	841	776
	Hitachi Group	2,057 ^{*1}	1,953 ^{*2}	2,195 ^{*3}	1,888 ^{*4}	1,833 ^{*5}
	Of Hitachi Group funding, amount related to STEAM ^{*6}					
	Hitachi Group	—	—	740	383	278
Breakdown of funding for social contribution activities (%) ^{*7}	Human development (%)	—	—	44.8	49.3	40.6
	Environment (%)	—	—	2.9	2.0	2.8
	Community support (%)	—	—	34.6	20.5	26.0
	Other (number in parentheses: disaster relief) (%)	—	—	17.7 (9.7)	28.2 (6.9)	30.6 (4.7)
Total employees participating ^{*8}	Hitachi Group	—	32,116	53,749	54,629	88,134

^{*1} Japan: Hitachi, Ltd., 136 Group companies (including equity-method associates and joint ventures), and the Hitachi Global Foundation.

Outside Japan: 244 companies.

^{*2} Japan: Hitachi, Ltd., 134 Group companies, and the Hitachi Global Foundation.

Outside Japan: 159 companies.

^{*3} Japan: Hitachi, Ltd., 141 Group companies, and the Hitachi Global Foundation.

Outside Japan: 196 companies.

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Outside Japan: 152 companies.

^{*5} Japan: Hitachi, Ltd., 153 Group companies, and the Hitachi Global Foundation.

Outside Japan: 234 companies.

^{*6} Collection of statistics began in fiscal 2017.

^{*7} Disclosure broken down into current segments began in fiscal 2017.

^{*8} Collection of statistics began in fiscal 2016.

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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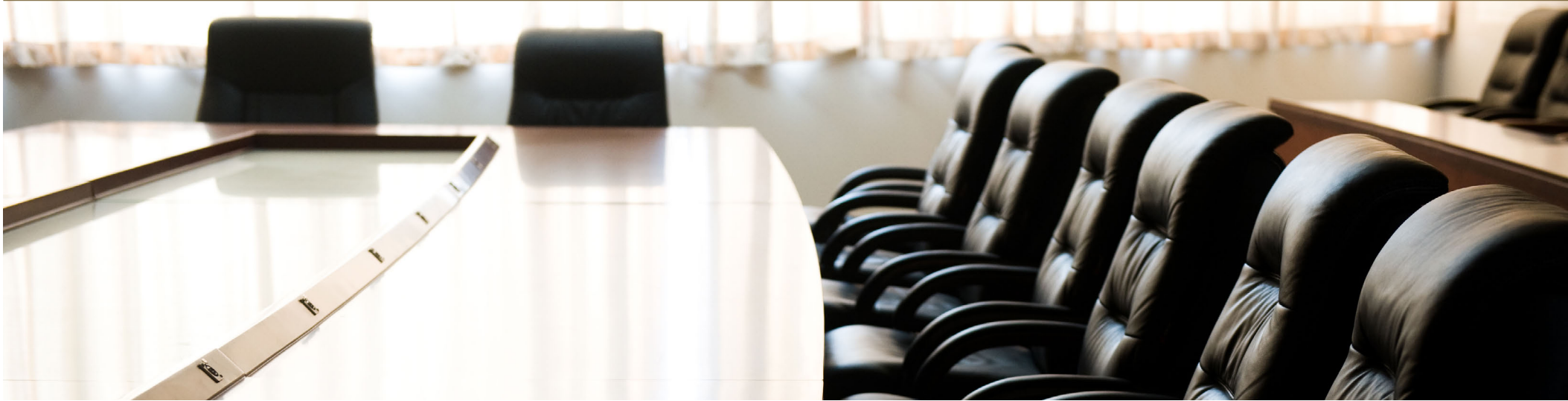
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Corporate Governance




Why it matters

Hitachi views the expansion of long-term and overall shareholder returns as an important management objective. Hitachi and its 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, 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.

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.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Corporate governance</p>	<ul style="list-style-type: none"> • Implement all of the principles of the Corporate Governance Code • Run board meetings to sustainably enhance corporate value and shareholders' common interests • Approve and dismiss the CEO and formulate succession plan • Implement internal control over financial reporting • Enhance collaboration through tripartite audits • Build a more effective and efficient auditing system 	<ul style="list-style-type: none"> • Ensuring legality, soundness, and transparency of Hitachi's business • Rapid response to economic and social conditions 	<ul style="list-style-type: none"> • Analyzed and evaluated effectiveness of the Board of Directors of fiscal 2018 • Implemented an "chief auditor" system in five sectors (IT, energy, industry, mobility, smart life) and built an internal control system spearheaded by chief auditors under the executive vice presidents managing each sector

Corporate Governance

History of Hitachi's Corporate Governance Reform

Structure

Activities

102-26

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 Five Growth Fields	Executive vice presidents were placed in five sectors ESG Briefing session was held ▶ An independent director (chair of the Audit Committee) and the CEO shared their remarks

Implementing All of the Principles of the Corporate Governance Code

Policy

102-22 | 405-1

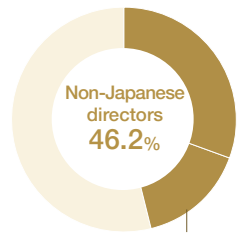
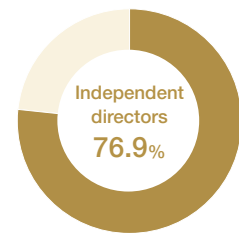
We are implementing all of the principles of the Corporate Governance Code.

Director Composition

Structure

■ Independence (ratio of independent directors)

■ Diversity (ratio of non-Japanese directors)



2 female directors (15.4% of overall director total)

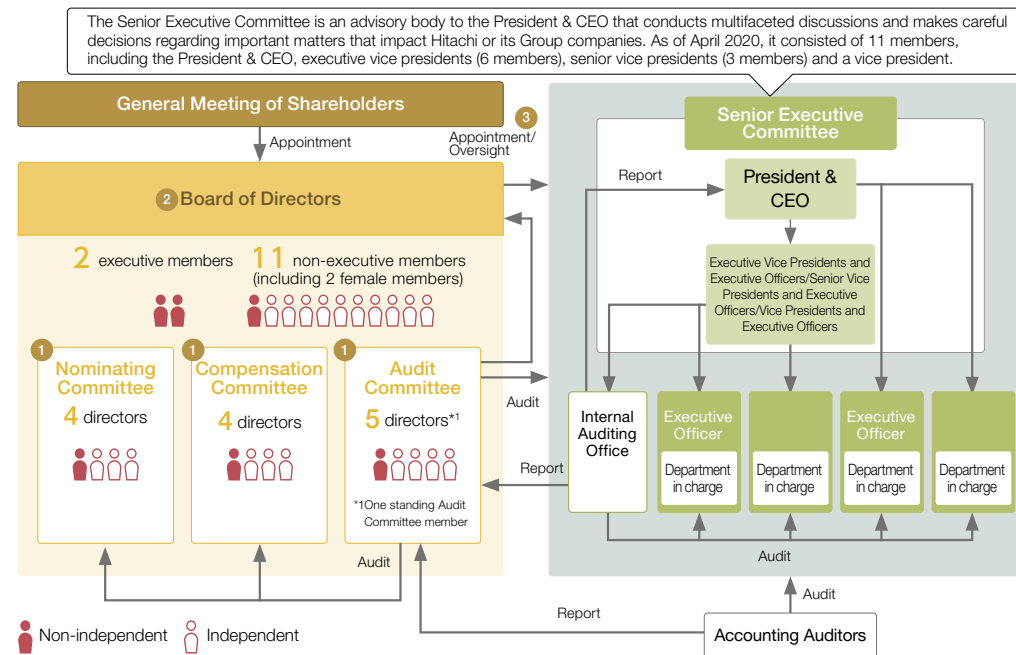
Directors with Abundant Experience

Hitachi has 13 directors, 6 of whom are non-Japanese and 2 of whom are female. This team 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.

Hitachi's Corporate Governance Framework and Its Features

Structure

102-18 | 102-22 | 102-23 | 102-24



POINT 1 Transparency in Management

We became a company with committees (currently a company with a nominating committee, etc.) in 2003. We have established a Nominating Committee, a Compensation Committee and an 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 2 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, 2 directors who are also serving as executive officers and 1 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 3 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.

Administrative Performance of the Board of Directors

Structure

Activities

The Board of Directors approves the 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 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 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. Board of Directors meetings were held on 9 days during fiscal 2019, and the attendance rate of directors at these meetings was 98%. 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 or instructions from executive officers are assigned.

Status of Board of Directors Meetings Held in Fiscal 2019

Name	Attendance/Number of days on which the meetings were held*1			
	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
Katsumi Ihara	100%	—	100%	100%
Cynthia Carroll	100%	100%	—	—
Joe Harlan	100%	—	—	—
George Buckley	100%	—	—	—
Louise Pentland	89%	—	—	—
Harufumi Mochizuki	◎100%	◎100%	100%	◎100%
Takatoshi Yamamoto	100%	—	100%	100%
Hiroaki Yoshihara	100%	100%	◎100%	—

*1 Number of days during term of office on which Board of Directors meetings were held: 9.

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: 15. Number of days during term of office on which

Compensation Committee meetings were held: 4.

Note: ◎Indicates role as board or committee chairperson.

Overseas Board of Directors Meetings and Panel Discussions Involving Experts

In principle, Hitachi holds a meeting of its Board of Directors annually in a foreign country that is deeply connected with its businesses. In December 2019, this meeting was held in the City of Zurich in the Swiss Confederation. As a side event, we also held a panel discussion involving representatives from the International Energy Agency (IEA), European power transmission and distribution companies, and Japanese scholars. This panel discussion increased the depth of understanding our directors and associates have concerning the “three Ds” (decarbonization, dispersion, and digitalization) and new power system trends, including the ongoing establishment of power grids in a wide range of regions and nations.



Analysis and Evaluation of the Effectiveness of the Board of Directors

Activities

102-28

Hitachi, Ltd. evaluates the effectiveness of its Board of Directors as a whole each year, in a continuous effort to maintain and improve its functions.

Fiscal 2019 Evaluation Process

1. Questionnaire-based self-assessment by each director (February–March 2020)	<ul style="list-style-type: none"> Points of evaluation <ul style="list-style-type: none"> Composition of Board of Directors: Member diversity, numbers and ratios of independent directors and inside directors, etc. Clarification of the responsibilities and expected roles of the Board of Directors Operation of Board of Directors: Meeting frequency, discussion time, proposal selection, discussion content, role of chairperson, etc. Contribution: Contribution to management strategy formulation and changes in corporate culture, member demonstration of experience and knowledge, etc. Understanding regarding the company: Group identity, risk factors Status of committee activities: Composition, responsibilities and roles, collaboration with Board of Directors, etc. Operation supporting system: Delivery of information, e.g. provision of documents for the Board
2. Discussions held by independent directors (March 2020)	<ul style="list-style-type: none"> Independent directors held an exclusive meeting to discuss the effectiveness of the Board of Directors.
3. Discussion and review within the Board of Directors (June 2020)	<ul style="list-style-type: none"> The Board of Directors held a discussion based on the results of the questionnaire-based self-assessment and discussions conducted in the exclusive meeting attended by independent directors, comparing these results to those of the previous year and considering the statuses of related initiatives. Through this discussion the Board of Directors analyzed and evaluated its overall effectiveness and identified policies through which it can increase this effectiveness.

Evaluation Results and Future Initiatives

Overall evaluation in fiscal 2019	
Overall evaluation in fiscal 2019	Fiscal 2019 evaluations determined that membership in our Board of Directors was sufficiently diverse. They also indicated the Board of Directors' overall effectiveness was satisfactory due in part to its active discussions aimed at medium- to long-term growth in corporate value. Each director was found to have contributed his or her own knowledge to these discussions, which were primarily focused on points related to management strategy, including the Mid-term Management Plan.
Future initiatives	
Maintenance and improvement of Board of Director functions	<ul style="list-style-type: none"> The Board of Directors will continue to conduct discussions concerning business strategies for each sector. At the same time, it will discuss the progress of our Mid-term Management Plan as appropriate while accounting for circumstances surrounding COVID-19. We are strengthening collaboration between the Board of Directors and the Nominating Committee while further contributing to CEO succession planning (for example, expanding reports made to the Board of Directors through the Nominating Committee, enhancing coaching for successive and next-generation candidates).
Enhancement of operational support of the Board of Directors and improvement of its practical aspects	<ul style="list-style-type: none"> While accounting for circumstances surrounding COVID-19, we are improving our operational support system through the continuous sharing of information obtained through independent directors' visits to Hitachi Group business premises and event participation. We will achieve further improvements related to the composition and content of materials, as well as to their preliminary provision.

Administrative Performance of the Three Committees

Activities

Nominating Committee	Audit Committee	Compensation Committee
<p>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.</p> <p>It also determines director candidates and holds preliminary hearings concerning the appointment and dismissal of executive officers, including the CEO. In fiscal 2019, the Nominating Committee held meetings on eight days.</p>	<p>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 consists of five directors, including four independent directors and one standing Audit Committee member.</p> <p>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.</p> <p>In fiscal 2019, the Audit Committee held meetings on 15 days.</p>	<p>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 these policies. Composed of four directors, including three independent directors, the committee strives to ensure objectivity, transparency, and fairness in the remuneration determination process.</p> <p>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.</p> <p>In fiscal 2019, the Compensation Committee held meetings on four days.</p>
<p>Primary Activities</p> <p>In addition to deciding upon the contents of the proposal made concerning director appointments at the Annual General Meeting of Shareholders, the Nominating Committee reviewed and confirmed the executive officer system implemented in fiscal 2020. In addition, it promoted committee-related activities including discussions and individual interviews aimed at developing candidates for future management and leadership positions.</p>	<p>Primary Activities</p> <p>The Audit Committee conducted activities that were focused on its priority matters for consideration, which included the enhancement of collaboration and the promotion of information through tripartite audits (involving the Audit Committee, internal audit sections, and accounting auditors), as well as the construction and operational evaluation of internal control systems based on perspectives concerning the adequacy of risk management and business execution. In addition, standing Audit Committee members established an understanding regarding timely and appropriate information through collaboration with internal audit sections and attendance at meetings of the Senior Executive Committee and other important internal conferences. Furthermore, they subsequently shared this information with other committee members.</p>	<p>Primary Activities</p> <p>The committee determined remuneration amounts for individual directors and executive officers in accordance with established policies while verifying and reviewing details of the processes applied when conducting performance appraisals tied to short-term incentive compensation for executive officers and evaluating progress made toward individual targets. 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. Furthermore, the committee decided upon policies covering remuneration for directors and executive officers in fiscal 2020, including the implementation of a restricted stock unit (RSU) compensation system for non-Japanese officers.</p>

CEO Appointment, Dismissal, and Succession Plan

Structure

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 upon proposals made to the Nominating Committee, while decisions related to the position of CEO are made based on preliminary deliberations and proposals from the Nominating Committee. As stipulated in our Corporate Governance Guidelines, our basic policy concerning CEO appointments and dismissals 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.

Regarding our CEO Succession Plan, as the speed of change 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. We are also concentrating on providing training for selected employees while targeting the early development of candidates for future management positions. Accordingly, 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

Policy System

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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 roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise 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 taking into account 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, 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 each type of compensation is set based on the ratio of 1:1:1 as the standard form of compensation, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher the position an executive officer holds, the higher the proportion of variable pay in total annual compensation.

If it is found that an executive officer has engaged in misconduct during his/her term of office, executive officer compensation that has already been paid shall be returned to the company (clawback provision).

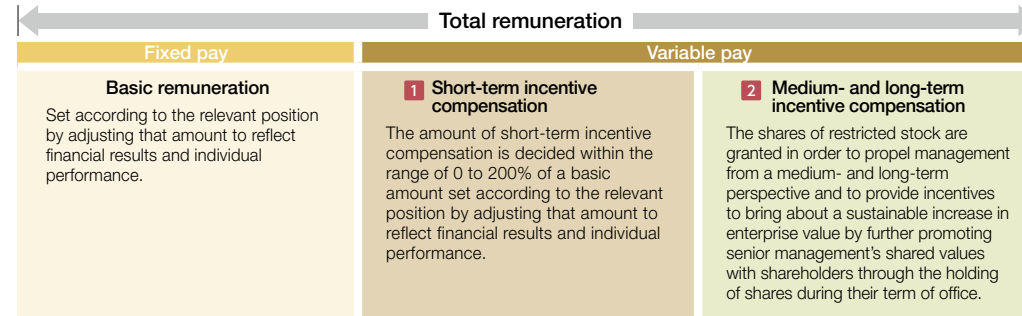
Please refer to Compensation to Directors and Executive Officers on pp. 93–98 of the Annual Securities Report (The 151st Business Term).

Compensation to Executive Officers (FY 2020)

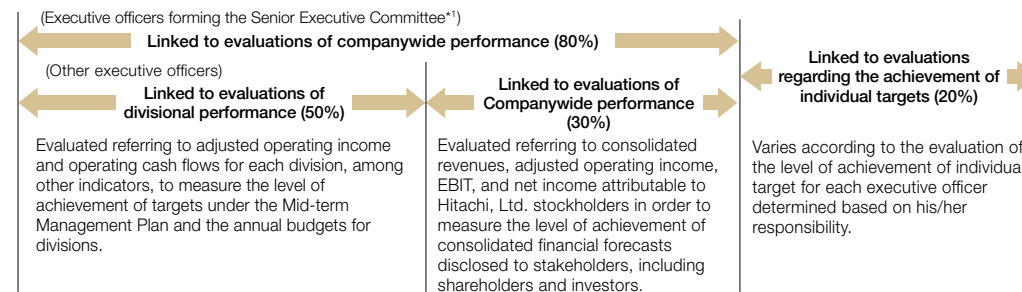
System

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Basic remuneration : short-term incentive compensation : medium- and long-term incentive compensation = 1:1:1 ratio



1 Short-term incentive compensation



*1 The rates used for "other executive officers" apply when "executive officers forming the Senior Executive Committee" are in charge of business units or businesses.

2 Medium- and long-term incentive compensation

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 granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation in which the total shareholder return of Hitachi stock is compared to growth rate of TOPIX (both measured over the three years dating back to the beginning of the fiscal year during which corresponding medium- and long-term incentive compensation was issued). Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more. Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%.^{*2} Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%. Shares whose transfer restrictions are not lifted shall be acquired by the company without consideration.

*2 Number of shares whose transfer restrictions are lifted = Number of granted shares × ((TSR/TOPIX Growth Rate Ratio × 1.25) – 0.5)

Internal Controls over Financial Reporting

Structure

102-25

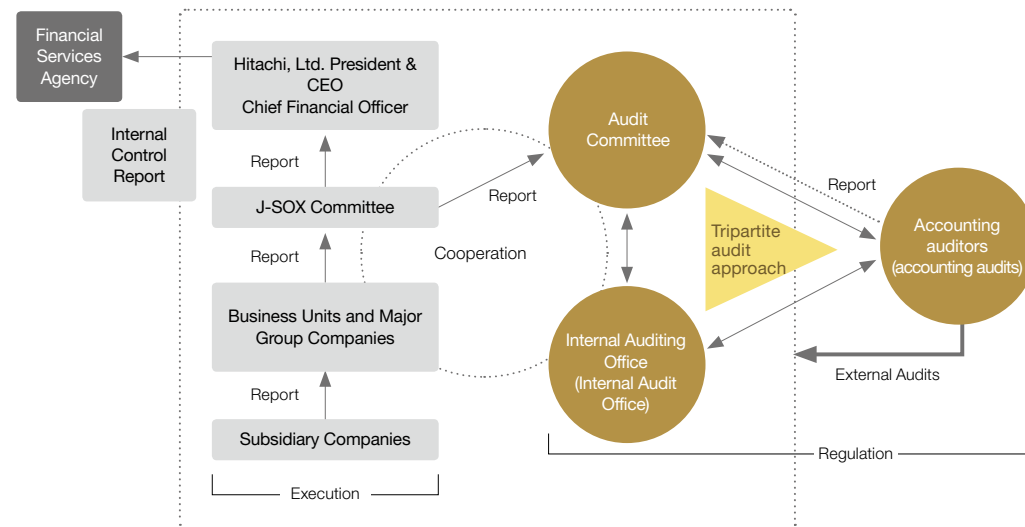
To ensure the reliability of its consolidated financial reporting, the Hitachi Group is establishing and implementing relevant internal controls. We evaluate their effectiveness by adhering to standards for the evaluation of internal controls related to financial reporting that are generally accepted as fair and reasonable.

Furthermore, we have established a 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

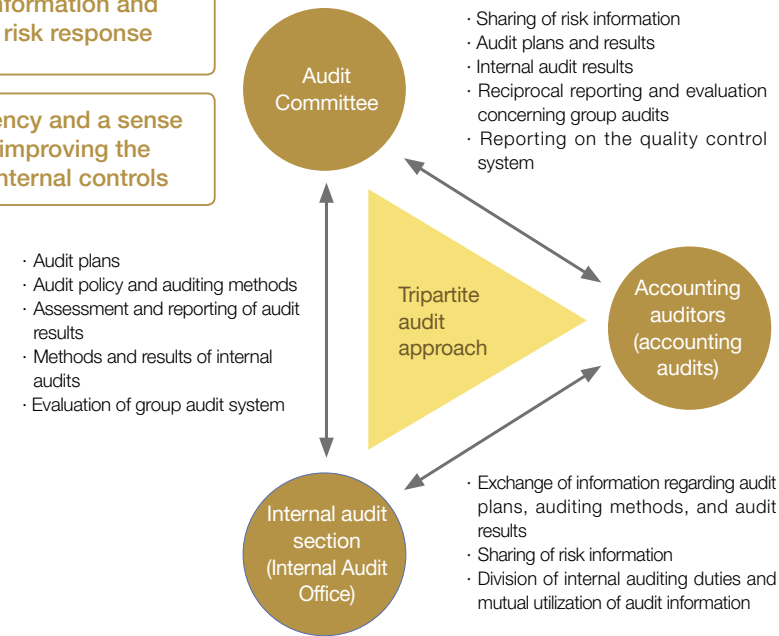
Structure

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

102-25

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. These members then 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 this time, Hitachi 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 CEO 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. Additionally, 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 that employees are well versed in the ideas and policies of our management, that their operations are being carried out based on these ideas and policies, and that business strategies are being implemented in a way that will efficiently lead to sustainable growth.

To further raise audit effectiveness, we implemented a "chief auditor system" in 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. They also function as a reporting line for statutory auditors at Hitachi subsidiaries who are legal agents under the Companies Act and are working to improve the efficiency of our 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 building a system that will allow our internal audit section to share information with professional accounting auditors using the Lumada platform's data lake and expect it to be complete in fiscal 2020. When reading audit reports submitted by the internal audit section, our CEO 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 they comprise, 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 information related to these risks and issues and progress on response from 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 IT systems to investigate all cases, rather than performing test-checking through sampling.

Compliance



Why it matters

With the globalization of the economy, borderless corporative 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. Hitachi addresses this partly through the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, which spell out

decision-making procedures and actions for all Hitachi Group executive officers and employees.

Additionally, with stricter regulations in countries and regions around the world regarding important business practices such as bribery prevention and adherence to competition law, Hitachi has formulated in-house regulations in line with international standards, and is sharing these regulations and enforcing thorough compliance throughout the Group.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Promoting work practices in line with international ethics codes</p>	<ul style="list-style-type: none"> • Comply with the Hitachi Group Codes of Conduct • Implement the Hitachi Global Compliance Program (HGCP) • Prevent antisocial transactions • Prevent bribery and corrupt practices • Comply with competition law • Carry out strict export control • Implement thorough tax compliance 	<ul style="list-style-type: none"> • Compliance reporting achievements: 459 reports • Thorough implementation of prevention of bribery and corrupt practices and compliance with competition law 	<ul style="list-style-type: none"> • Formulated the Hitachi Group Code of Ethics and Compliance • Conducted a compliance risk survey of 821 Group companies • Launched a Group-wide internal reporting system called the Hitachi Global Compliance Hotline • Had more than 170,000 employees, including executive officers, complete an e-learning program on prevention of bribery and corrupt practices and compliance with competition law • Conducted training sessions to prevent violations of competition law for general managers from sales divisions more likely to be exposed to compliance risks

Promoting Work Practices in Line with International Codes of Ethics

Hitachi Group Codes of Conduct

Policy

Employee Engagement

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 13 languages and shared with Hitachi Group executive officers and employees around the world. An e-learning tool has also been made available in Japanese and 13 other languages to reinforce understanding of the Codes of Conduct. Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to cultivate a healthy corporate culture.

Achievements in FY 2019

In fiscal 2019, we explored ways to ensure a deeper understanding among all executive officers and employees of the Hitachi Group Codes of Conduct and clearly share the ideas on corporate ethics and compliance that must be shared across the entire Hitachi Group. The result of this process was the Hitachi Group Code of Ethics and Compliance, established in April 2020 to further emphasize to Hitachi executive officers and employees the importance of acting in accordance with corporate ethics and following compliance procedures. The code has been translated into 14 languages and shared with executive officers and employees around the world.

Compliance Framework

Structure

Based on the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, Hitachi established the Hitachi Global Compliance Program (HGCP) to promote compliance.

To implement this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group, to supervise management-level risk management executives from business units and key Group companies. Under this system, policies and measures are shared through the Compliance Management Conference, composed of these risk management executives. Each executive is assisted by a compliance manager who implements practical support measures. Globally, we have also appointed compliance heads 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 regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where these reviews identify necessary improvements, corrective measures are swiftly implemented.

Hitachi, Ltd. also convenes an Advisory Committee of outside experts to gain new insights into compliance and apply them proactively in its own efforts.

Since fiscal 2013, we have conducted surveys related to bribery risk every three years at Group companies in regions with high risks of bribery and corrupt practices. The surveys are based on potential bribery risk scenarios. We will continue to perform regular risk assessments like these and use the results to improve compliance activities in all Group companies.

Achievements in FY 2019

In fiscal 2019, we conducted a compliance risk survey of 821 Group companies worldwide with the aim of implementing the compliance program based on risk management classification applicable throughout the Hitachi Group. Based on the survey results, we will 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 Reporting System

System

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 allowing direct reports to be made regarding actual or suspected compliance violations. This system can be used 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 checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action where necessary. In fiscal 2019, we received 459 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.



Hitachi Group Codes of Conduct/Hitachi Group Code of Ethics and Compliance ▶ <http://www.hitachi.com/corporate/about/conduct/index.html>



Establishing a Global Grievance Mechanism ▶

Achievements in FY 2019

In fiscal 2019, 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. Launched in April 2020, the new system enhances our reporting system capacity by offering 24/7 service in multiple languages both online and via telephone.

Prevention of Antisocial Transactions

Policy Structure

To cut off all relationships with organized crime groups and other antisocial forces, in the Hitachi Group Codes of Conduct we have laid out provisions stating that we will never engage in antisocial transactions under any circumstances, and will refuse any improper demands and unfair deals. We conduct eligibility checks on 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).

Policies for Preventing Bribery and Corrupt Practices

Policy

Preventing bribery and corrupt practices is a major challenge for any company today. Hitachi established rules against bribery and corruption for the HGCP along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements 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

205-1 205-2

To ensure awareness of the HGCP rules and policies concerning prevention of bribery and corruption and compliance with competition law, we developed a global e-learning program about them and made it available in 15 languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

Achievements in FY 2019

In fiscal 2019, more than 170,000 employees across the Hitachi Group, including executives, completed the e-learning program. To raise awareness of compliance, we asked participants to pledge to adhere to compliance rules.

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 HGCP, in addition to rules concerning competition law.

Preventing Violations of Competition Law

Activities

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally using e-learning material available in 15 languages—including Japanese, English, and Chinese—while at the same time ensuring that we comply with the HGCP's rules concerning competition law and other related 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 FY 2019

In fiscal 2019, Hitachi, Ltd. held its special biennial training sessions for managers. The sessions were attended by about 1,100 general managers and equivalents from sales divisions who are more likely to be exposed to compliance risks in business operations as they meet with competitors and participate in public tenders.

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 host training sessions and workshops on export control. Additionally, we operate a basic e-learning program in 14 languages and a program for working-level employees in Japanese, English, and Chinese. These ongoing efforts help ensure that export control is thoroughly enforced throughout the Group.

Hitachi's Tax Compliance Approach

Approach

Hitachi has built a system of tax governance in order to comply with indications made by the tax authorities in each country and respond to risks concerning taxation, such as tax-related legal proceedings. Specifically, we established a set of tax-related regulations and set rules for Group transfer pricing management. We are striving to enhance awareness of the rules and regulations throughout the Group. In connection with the globalization of our business, we are implementing risk management for taxation that focuses in particular on the points listed below:

- (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.

Tax Compliance Initiatives

Activities

To ensure risk management for taxation in response to globalization, Hitachi follows relevant tax-related regulations applicable to the Group as a whole as well as rules for transfer pricing management. We also manage 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.

Violations of Laws and Regulation

Activities

205-3 | 206-1 | 419-1

In fiscal 2019, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices. One of our Group companies, however, was found to have violated a competition law in an international deal involving automobile parts. We take this incident seriously and are striving to prevent recurrence of such violations by revising our organization and policies and enhancing education and audits. 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.

Risk Management



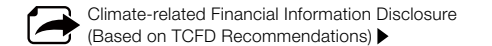
Why it matters

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. Amid such a drastic change in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth.

Hitachi launched an Investment Strategy Committee to strengthen the quantitative risk management of its investments. The Executive Sustainability Committee deliberates 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 countermeasures. 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 contributing to the resolution of global issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0. In addition, 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.

Since fiscal 2019, along with disclosing key information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have also been promoting climate change responses.



What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
<p>Risk and opportunity management</p>	<ul style="list-style-type: none"> Understand and respond to risks and opportunities related to investment, sustainability, etc. Implement risk management to strengthen business and ensure business continuity 	<ul style="list-style-type: none"> Understanding risks and taking appropriate action 	<ul style="list-style-type: none"> Continued to understand risks and take appropriate action Disclosed information based on the TCFD's recommendations
<p>Business continuation initiatives</p>	<ul style="list-style-type: none"> Strengthen procurement BCPs Improve safety for employees sent to dangerous regions 	<ul style="list-style-type: none"> Further strengthening procurement BCPs 	<ul style="list-style-type: none"> Strengthened procurement BCPs at major business sites in Japan Introduced Procurement BCPs Management System for business partners in Japan

Addressing Risks and Opportunities

Risks and Opportunities

Approach | Structure

102-11 | 102-30 | 103-2

Under the 2021 Mid-term Management Plan, which began in fiscal 2019, we will expand our business while leveraging the company's competitive advantages. We plan to invest ¥2.0–2.5 trillion in focus areas over the three-year period ending in fiscal 2021. A solid risk management system is indispensable for seizing growth opportunities and implementing aggressive management.

Hitachi established the Investment Strategy Division in 2017 and the post of Chief Risk Management Officer (CRMO) in April 2020 to better understand risk and take appropriate action. The company in the same year established the Executive Sustainability Committee to focus on the company's policies regarding social and environmental issues. Our efforts in this area also included a move to identify issues that could be seen as business opportunities, as well as the negative effects on society and the environment from our business activities and the measures Hitachi is taking to address them.

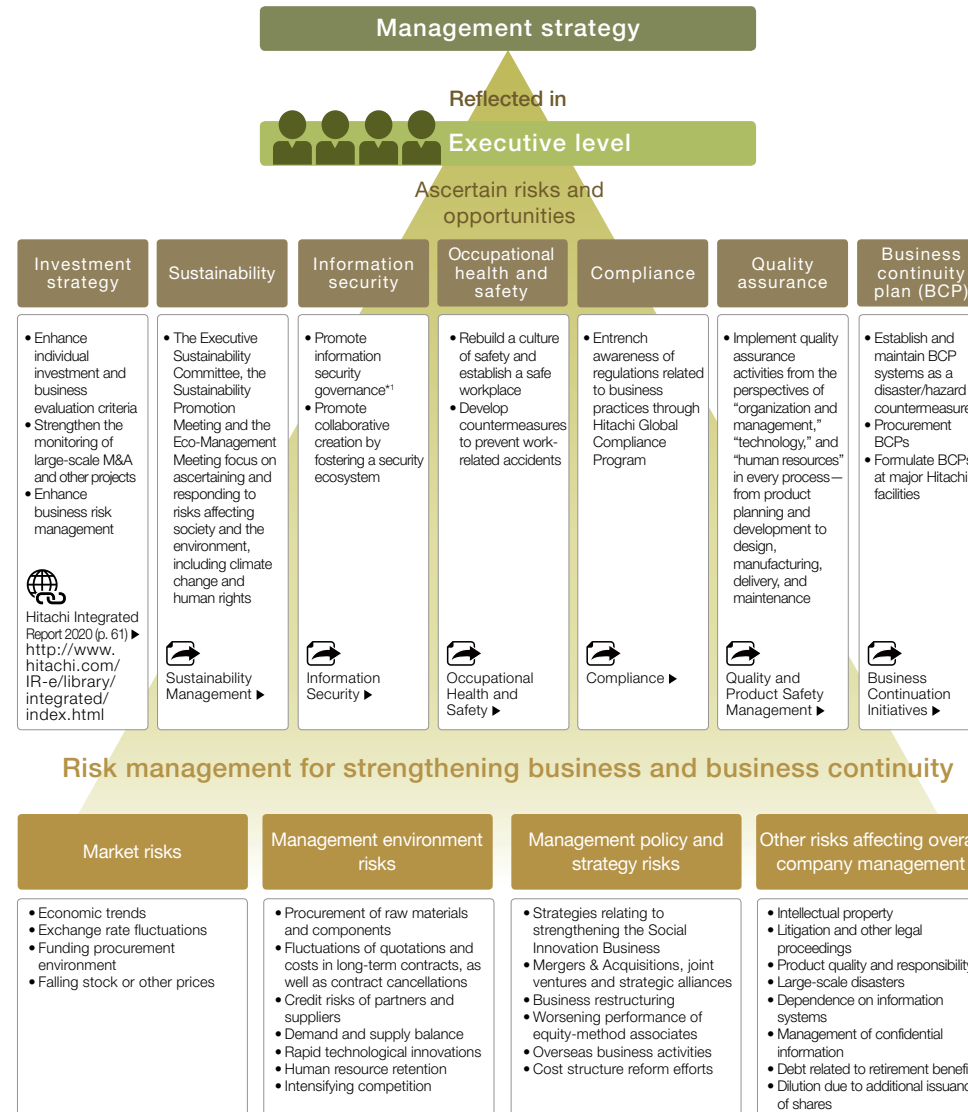
Risk Management System

Structure

102-29 | 102-30

The business environment is changing day by day, impacted by the continued advance of information and communications technology, as exemplified by IoT, and geopolitical risks arising from complex shifts in political and economic conditions around the world. Hitachi aims to create new revenue opportunities while controlling risks. To do this, we maintain a clear understanding and analysis of the operating environment, taking into account social issues, as well as our competitive advantages and management resources, and conduct risk management with an eye toward the many risks the company should be prepared for as well as opportunities for growth.

In April 2020, we established the new post of CRMO to formulate and execute risk management policies and strategies for the entire Hitachi Group. We also established the Hitachi Group Corporate Ethics and Compliance Code to clearly share ideas regarding corporate ethics and compliance that should be shared throughout Hitachi, as we work to further ensure that all Hitachi executives and employees act in complete compliance with corporate ethics.



^{*1} Information security governance supports corporate governance by building and implementing an organization's internal control mechanisms related to information security.

Investment Risks and Opportunities

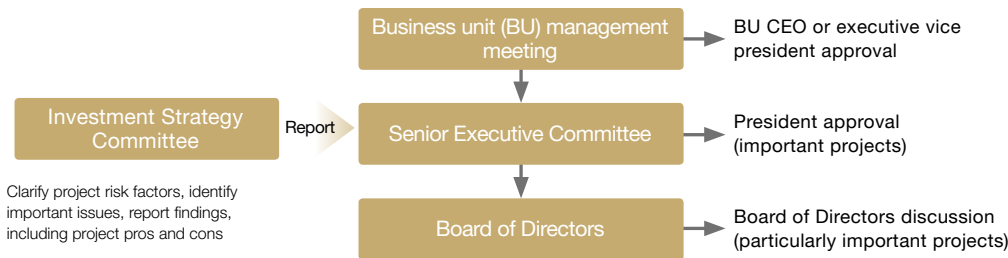
Approach Structure

102-15 102-29 102-30

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 below, with regard to 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, whose findings, including pros and cons, are reported to Senior Executive Committee members, including the President.

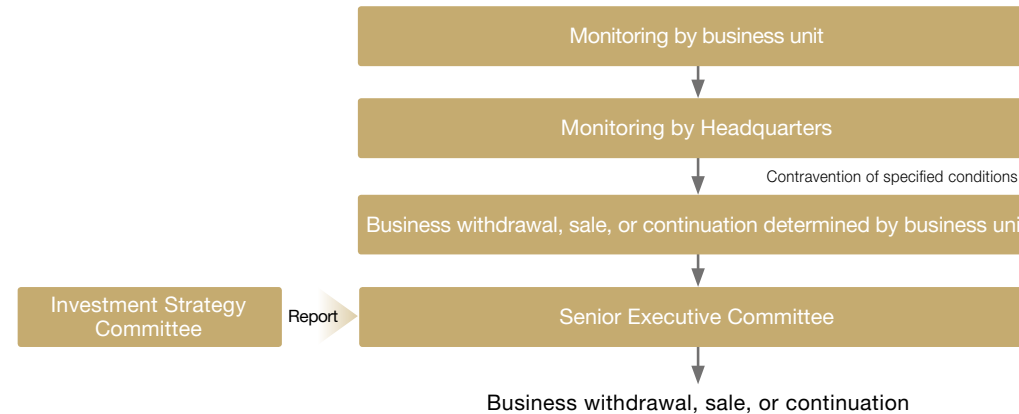
*1 Investment Strategy Committee: Consists of 10 members from the finance department and other relevant corporate divisions (as of March 31, 2020), including the Executive Officers in charge of Investment Strategy and Management Strategy as chairman and vice chairman.

Investment Execution Flowchart



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 Headquarters may also be 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 whose business is not progressing as planned, Hitachi established a framework to deliberate on the pros and cons of continuing business, including withdrawal as an option, so as to improve capital efficiency.

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

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 country and sector and the outlook for future trends, Hitachi gains a quantitative understanding of risk concentrations in specific countries and sectors in comparison with profitability.

Understanding and Responding to Risks and Opportunities Related to Sustainability









Activities

201-2

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. Amid such drastic changes in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth over the long term.

Hitachi can gain a clear understanding of sustainability-related risks, and accordingly take appropriate actions, thanks to the efforts of the Executive Sustainability Committee and other related committees. We remain actively engaged in promoting our own sustainable growth while contributing to the realization of a

Major Risks and Opportunities

Major risk factors	Details on risks and opportunities	Company actions
Fluctuations in product supply and demand, exchange rates, and resource prices; insufficient raw materials and components	<p>Risks</p> <ul style="list-style-type: none"> Price fluctuations, including for products, exchange rate impact, and excess inventory Exchange rate impact and price fluctuations, including for raw materials and components Impact from significant disasters on the supply chain Shrinking demand and impact on the supply chain caused by the spread of COVID-19 	<ul style="list-style-type: none"> Build close relationships with multiple suppliers Ensure an appropriate response to changes in demand in each region by promoting a local production and local consumption model for products and services Strengthen resilience to business interruption risks by formulating BCPs at domestic and major overseas facilities <p>  Responsible Procurement ▶  Business Continuation Initiatives ▶  Hitachi Integrated Report 2020 (p. 38) Sustaining Financial Soundness, Enhancing Cost Management ▶ http://www.hitachi.com/IR-e/library/integrated/index.html </p>
Rapid technological innovation	<p>Risks</p> <ul style="list-style-type: none"> Decreased competitiveness if development of cutting-edge technology or application of a product/service does not progress as expected Reduction or elimination of existing market due to technological innovation <p>Opportunities</p> <ul style="list-style-type: none"> Develop advanced technology to generate new business opportunities 	<ul style="list-style-type: none"> Promote open innovation through industry-academia-government cooperation Secure and develop digital talent Strengthen Lumada Foster an innovation ecosystem through the above <p>  Hitachi Integrated Report 2020 (p. 24) Expand Revenues by Accelerating the Social Innovation Business ▶ http://www.hitachi.com/IR-e/library/integrated/index.html  Hitachi Integrated Report 2020 (p. 30) Reinforce Global Competitiveness ▶ http://www.hitachi.com/IR-e/library/integrated/index.html </p>
Securing human resources	<p>Risks</p> <ul style="list-style-type: none"> Impact on new hires and worker retention due to increased competition to hire and retain highly skilled workers <p>Opportunities</p> <ul style="list-style-type: none"> Grow opportunities for the recruitment and retention of highly skilled workers who share Hitachi's vision 	<ul style="list-style-type: none"> Expand the direct hiring of frontline and digital talent overseas Create workplaces where diverse talent can work comfortably Secure highly skilled global talent using a global common platform for HR Management Retain and develop talent through through a common learning management system globally across the Group and in-house education programs <p>  Hitachi Integrated Report 2020 (p. 24) Expand Revenues by Accelerating the Social Innovation Business ▶ http://www.hitachi.com/IR-e/library/integrated/index.html  Hitachi Integrated Report 2020 (p. 30) Reinforce Global Competitiveness ▶ http://www.hitachi.com/IR-e/library/integrated/index.html </p>
Occupational health and safety	<p>Risks</p> <ul style="list-style-type: none"> Impact on business due to inability to create healthy, safe, and secure work environments Impact on business activities from employees infected with COVID-19 	<ul style="list-style-type: none"> Establish a global occupational health and safety system that includes lessons learned from global operations, the entrenchment of global norms, and the sharing of success stories <p>  Occupational Health and Safety ▶ </p>

sustainable society by seeking out business opportunities contributing to the resolution of important domestic and overseas issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0.

 151st Annual Securities Report ▶
https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2019_4_en.pdf

Risk Factors

Activities

102-15 | 201-2

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Thus, we are exposed to a wide range of risks related to our operations. The following risks are based on the assumptions we consider reasonable as of the date this report was issued.

For more information on business risks and other risks, please refer to our 151st Annual Securities Report.

Risk Management

Major risk factors	Details on risks and opportunities	Company actions
M&A, investment in new projects, etc.	<p>Risks</p> <ul style="list-style-type: none"> Failure related to insufficient management of projects involving M&A aimed at strengthening the Social Innovation Business, investment in new projects, R&D investment/CAPEX, and large-scale orders <p>Opportunities</p> <ul style="list-style-type: none"> Build a foundation for growth through the acquisition of new management resources 	<ul style="list-style-type: none"> Carry out strategy formulation in business units and phase-gate management in various councils and approval meetings Analyze and discuss market trends, other company trends, technological trends and potential risks at Investment Strategy Committee, Business Strategy Meeting, Senior Executive Committee, Board of Director and Audit Committee meetings <p>Corporate Governance ▶</p>
Geopolitical risks	<p>Risks</p> <ul style="list-style-type: none"> Impact on Hitachi Group's overseas businesses due to political, economic and social trends 	<ul style="list-style-type: none"> Regularly update our understanding of global political and economic trends, analyze the impact on our business and swiftly implement countermeasures on a Group-wide basis
Tighter laws and regulations	<p>Risks</p> <ul style="list-style-type: none"> Tighter laws and regulations regarding investment, exports, and customs duties <p>Example: Impact on business activities from the introduction of new laws and regulations related to the protection of personal data, such as the General Data Protection Regulation (GDPR) in Europe</p>	<ul style="list-style-type: none"> Operate personal information protection systems in line with Hitachi's personal information protection policy Identify businesses subject to the GDPR, assess risk, implement appropriate safety management measures in line with those risks, and conduct worker training <p>Information Security ▶</p>
Compliance	<p>Risks</p> <ul style="list-style-type: none"> Loss of trust and a decline in corporate value as a result of corporate behavior that deviates from social norms and violates laws, including relating to bribery and anti-competitive activities 	<ul style="list-style-type: none"> Implement Group-wide compliance programs based on Hitachi Group Codes of Conduct as highest principles Strengthen measures to prevent bribery and violation of competition laws <p>Compliance ▶</p>
Product quality and responsibility	<p>Risks</p> <ul style="list-style-type: none"> Loss of trust and claims for damages due to defects or a deterioration in product and service quality because of the increased complexity/sophistication of products or services, or the diversification of production sites or suppliers 	<ul style="list-style-type: none"> Strengthen the quality assurance system Engage in activities aimed at preventing accidents Engage in activities aimed at ensuring compliance with laws and regulations related to technology Ensure intensive risk assessment Implement measures for handling product accidents Conduct quality and reliability-related training <p>Quality and Product Safety Management ▶</p>
Climate change/significant disasters	<p>Risks</p> <ul style="list-style-type: none"> Impact on business activities due to measures in line with the tightening of international regulations to curb greenhouse gas emissions and the depletion of energy and resources Impact on business activities, from production to sales, due to a significant disaster affecting major facilities in Japan or overseas <p>Opportunities</p> <ul style="list-style-type: none"> Expand the decarbonization business by offering climate change-related solutions 	<ul style="list-style-type: none"> Strengthen measures to achieve the CO₂ reduction targets in Hitachi Environmental Innovation 2050 Implement measures in line with an analysis of Hitachi risks and opportunities based on climate-related scenarios Formulate BCPs to strengthen our ability to respond to business disruption risks <p>Achieving a Decarbonized Society ▶ Climate-related Financial Information Disclosure ▶ Business Continuation Initiatives ▶ Hitachi Integrated Repot 2020 (P. 28) Creation of Social and Environmental Value ▶ http://www.hitachi.com/IR-e/library/integrated/index.html</p>
Information security	<p>Risks</p> <ul style="list-style-type: none"> Computer viruses or other factors adversely affecting information systems <p>Opportunities</p> <ul style="list-style-type: none"> Expand revenue opportunities through increased demand for information security measures Respond to increased demand for IT solutions in line with the expansion of remote work 	<ul style="list-style-type: none"> Promote cybersecurity strategies through risk management and value creation Enhance technological and product development for digital environments <p>Information Security ▶ Hitachi Integrated Repot 2020 (P. 42) Story of Value Creation in the IT Sector ▶ http://www.hitachi.com/IR-e/library/integrated/index.html Hitachi Integrated Repot 2020 (P. 24) Expand Revenues by Accelerating the Social Innovation Business ▶ http://www.hitachi.com/IR-e/library/integrated/index.html</p>

Business Continuation Initiatives

Hitachi's Thinking on BCPs

Approach

Structure

Given the close relation 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 2019, 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.

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 their employees and business continuity while helping to maintain social infrastructure through its business operations.

Our regional headquarters around the world gather local information as well as sharing information on the measures taken by Hitachi Group companies in their respective regions.

BCP Initiatives in Japan

- Created BCPs for both major earthquakes and novel strains of influenza as appropriate to each business operation (fiscal 2011).
- Conducted earthquake drills simulating a major seismic event (annually).
- Conducted initial response drills simulating a major earthquake in the suburbs of Tokyo (2018).
- Developed action plans including setting up substitute headquarters in the Kansai region in case our Tokyo headquarters temporarily cease to function (2017); conducted drills to set up substitute headquarters (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 (2019).

Procurement BCPs Initiatives

Approach

Activities

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 that (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 held group discussions about what should be done during and after such disasters, seeking further improvements.


Achievements in FY 2019

In fiscal 2019, all major Group business sites in Japan with production lines (192 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 in time of a disaster.

 Countermeasures Against the COVID-19 Pandemic [Global Human Capital Management] ▶

 Support for Employees During the COVID-19 Pandemic [Occupational Health and Safety] ▶

 Hitachi Group's COVID-19-Related Support Efforts [Social Contribution Activities] ▶

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 higher risk of conflicts, terrorism, and other threats. Survey missions of in-house and outside experts are sent beforehand to such areas. After employees are dispatched, we conduct additional local surveys every six months to confirm the effectiveness of our safety policies.

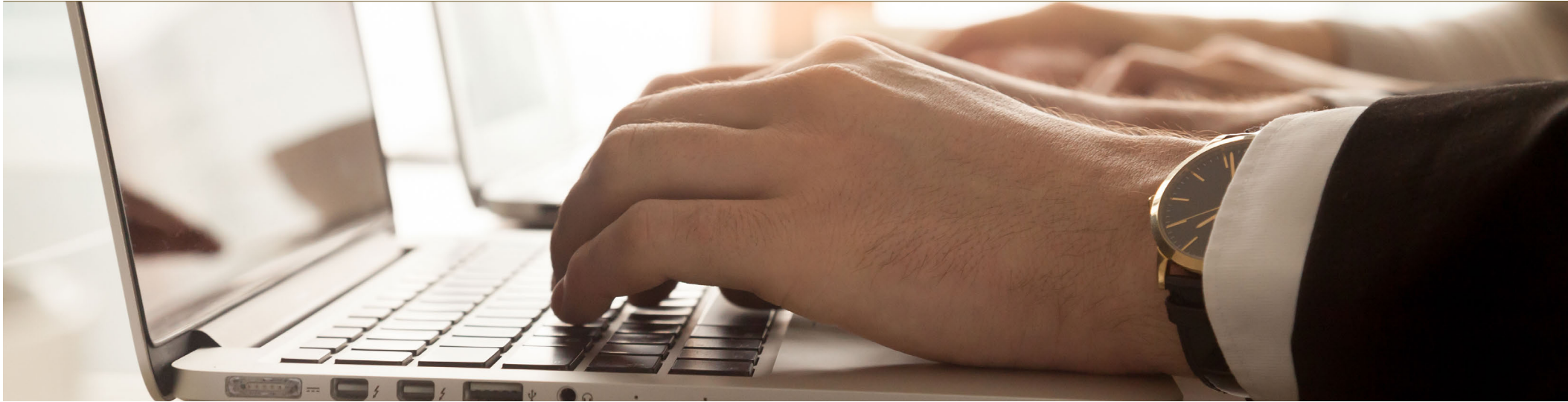
Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, we participate in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs and take part in public-private exercises to counter terrorism and kidnapping.

Achievements in FY 2019

In fiscal 2019, against the threat of terrorism expanding around the world and the COVID-19 pandemic, we employed a range of safety measures, including providing timely alerts to employees.

This underscores our commitment to ensuring the safety of our employees working around the globe.

Information Management




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. The development of Hitachi's Social Innovation Business has highlighted the vital importance of information security governance as a key management issue, and measures are being put in place to address it.


With the arrival of the digital age due to advances in IT and the internationalization 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. Hitachi not only implements comprehensive personal information management, strictly adhering to all relevant laws and regulations in every country and region where it does business, it also aims to create value by using personal data safely and securely while keeping privacy protected.

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 Information security	<ul style="list-style-type: none"> Disseminate Information Security Policies Strengthen information management Prevent information leaks Provide education programs on information security Conduct thorough information security audits and inspections 	<ul style="list-style-type: none"> Information security and personal information protection audits at all Group companies and business units (annual) 	<ul style="list-style-type: none"> Launched cyber security risk-management activities

What we are doing

	Core initiatives	Goals and KPIs	Achievements in FY 2019
 <p>Personal information protection</p>	<ul style="list-style-type: none"> • Protect personal information • Manage customer information • Manage online content 	<ul style="list-style-type: none"> • Personal information leaks: 0 	<ul style="list-style-type: none"> • Held e-learning programs on information security and personal information protection (participating employees: around 40,000) • Conducted opinion surveys on use of consumer data in big data businesses • Developed e-learning tool on using social media and addressing associated risks

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 placed 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 concept.

At the same time, as a global company, we regard cyber security risk as one of our management risks. Accordingly, to allow 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 ISMS-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 7 divisions of Hitachi, Ltd. and 27 divisions of 21 Group companies.*1

*1 As of July 31, 2020.

Information Security Policies

1. Formulation and continuous improvement to 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

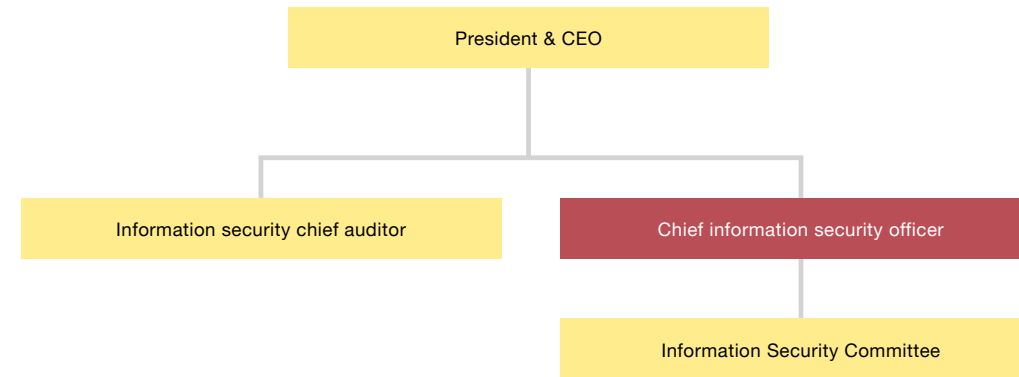
Framework for Promoting Information Security

Structure

At Hitachi, Ltd., the CISO (Chief Information Security Officer), the C-level executive with ultimate authority and responsibility regarding the handling of information security and personal privacy issues, oversees promotion of information security for all Hitachi products and internal facilities.

Chaired by the CISO, the Information Security Committee determines all policies and procedures for information security and personal information protection. These decisions are conveyed to all Hitachi Group business sites and companies, and are implemented by the relevant information security officers.

■ Framework for Promoting Information Security



Information Security Management

Structure

Hitachi reinforces its information security in line with its Global Information Security Administration Rules, which conform to the international ISO/IEC 27001 standard. 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 Committee determines policies and procedures for information security and personal information protection. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

Details of our information security initiatives are contained in our Information Security Report.



Information Security Report 2018 (latest edition) ▶
https://www.hitachi.com/sustainability/download/pdf/securityreport_e.pdf

Achievements in FY 2019

As cyberattack methods become more diversified, our business is at a higher risk of damage from incidents taking place in a broader range of areas. To address this risk, in fiscal 2019 we expanded the scope of our risk management from the security of the internal IT environment used by our existing OA to launch a new series of cyber security risk management activities. We are currently working to reduce business risk by expanding our efforts in the environments where products and services are developed, produced, and manufactured as well as the supply chain and the process of developing products and services.

Security Monitoring

In Hitachi, the Security Operation Center (SOC) monitors security on a 24/7 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.

*1 Threat intelligence: An approach to countering cyberattacks using knowledge of new threats gathered from a range 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-mail and visited 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 our IT organization by adding more layers to our leak prevention procedures.

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 (procurement partners) 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.


Nearly all of the roughly 40,000 employees at Hitachi, Ltd. participate in these programs. 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 malicious targeted e-mail attacks and other cyberattacks. Employees are sent examples of targeted e-mail to heighten their awareness of security through direct experience.

Our educational programs, 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 196  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. We implement Confirmation of Personal Information Protection and Information Security Management annually for the voluntary inspection of Hitachi, Ltd. business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 629 operations (as of March 2020) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.

Personal Information Protection

Personal Information Protection Policy

Policy

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.

Privacy Mark*1 Certification

Activities

418-1

Hitachi, Ltd. received Privacy Mark certification. The entire Hitachi Group is committed to personal information protection, with 39 Hitachi Group companies having received the Privacy Mark as of March 31, 2020.

Hitachi also strives to safeguard personal information globally at Group companies outside Japan based on each company's personal information protection policy and compliance with all applicable laws and regulations as well as the expectations of society at large.

There were no cases of personal information leakage during fiscal 2019.

*1 Privacy Mark: A third-party certification established in April 1998 that is granted by the assessment body 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 violation 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. The Hitachi Group pays close attention to relevant laws and legislation on a global basis, including the European General Data Protection Regulation (GDPR), making efforts to comply with them across the Group. It also monitors relevant legislation and social trends and takes action in response when necessary.

Management Framework for Customer Information

Structure

Hitachi's customer relations management framework, HiCRM, has been deployed at approximately 200 Group companies to collect and accurately manage customer and transaction information Group-wide, in addition to serving as a marketing tool. HiCRM 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. Going forward, we will consider rolling out the system more aggressively across the Group.

Privacy Protection Initiatives by Hitachi's IT Sector

Approach & Activities

We are taking proactive steps on privacy protections to ensure that personal data is used safely and securely.

In Hitachi's IT sector, which leads our digital business, we have assigned a personal data manager responsible for managing privacy protection and established a privacy protection advisory committee to support risk assessments and develop countermeasures based on 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. When employees find it difficult to assess risks on their own, or conclude that risks of privacy violation are high, the privacy protection advisory committee will extend support to deal with the case and help reduce risks. In fiscal 2019, we dealt with 190 privacy protection cases of this sort.

In order to leverage the expertise built on these experiences when conducting business with our customers, we have made publicly available a whitepaper on Hitachi's privacy protection initiatives in the use of personal data. Furthermore, Hitachi regularly conducts consumer opinion surveys on the use of consumer data in big data businesses to understand changing consumer perceptions and take them into consideration when updating privacy protection measures.



Hitachi Personal Information Protection Policy
<http://www.hitachi.com/privacy-e/>

Online Content Management

Information Management Policies on the Use of the Web and Social Media

[Policy](#)

Hitachi has been active in promoting initiatives to deepen customer understanding of its Social Innovation Business through its corporate website and social media accounts. To protect our brand and avoid violating the rights of others, including human rights, in implementing these initiatives, we have established the Hitachi Social Media Policy for global use, which stipulates usage policies. To raise awareness of this policy, an e-learning tool on approaching the use of social media and addressing associated risks is available in Japanese, English, and Chinese.

Governance Data

Corporate Governance

Leadership Demographics

	Total	Gender		Nationality	
		Male	Female	Japanese	Non-Japanese
Directors*1	13*2	11	2	7	6
Executive officers*1	33	33	0	31	2
Executive and corporate officers*1*3	70	65	5	64	6
(Ratios for female and non-Japanese executive and corporate officers) ✓			(7.1%)		(8.6%)


*1 As of July 2020.

*2 Including 10 independent directors (four from Japan and six from outside Japan).

*3 Including fellows.

Independent Assurance

Assurance

To enhance the reliability of the data disclosed in the *Hitachi Sustainability Report 2020*, 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
<https://www.hitachi.com/environment/data/method.html>



Independent Assurance Report

To the President and CEO 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, 2019 to March 31, 2020 included in its Hitachi Sustainability Report 2020 (the "Report") for the fiscal year ended March 31, 2020.

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.
- Making inquiries and reviewing materials including documented evidence of Hitachi High-Tech Fine Systems Corporation's Saitama Factory selected on the basis of a risk analysis, as alternative procedures to a site visit.
- 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
 November 12, 2020

Inquiries



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