Management

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CEO’s Message

Resolving Social Issues and Improving Quality of Life Through Social Innovations

We are today going through an era of volatility, uncertainty, complexity, and ambiguity (VUCA) in which the future of society and economy is becoming increasingly difficult to predict. Our lives are being affected by many sweeping changes, such as shifting demographics from urbanization and aging, climate change, and resource shortages. This has heightened expectations worldwide for private businesses, which are the drivers of innovation, to make a bigger contribution to the resolution of society’s issues and the achievement of Society 5.0 and the Sustainable Development Goals (SDGs). There is growing global demand, in particular, for intelligent social infrastructure using digital technology—a need that Hitachi is well-positioned to meet.

In the VUCA era, we believe it is all the more important for us at Hitachi to reembrace our Corporate Credo: to contribute to society through the development of superior, original technology and products. This philosophy has remained at the heart of our operations over the 109 years since our founding, and it informs the Hitachi Group Vision to become a company that “delivers innovation that answer society’s challenges.” As a global leader with business operations worldwide, we believe it is our mission to contribute to the resolution of social issues and achievement of the SDGs by accelerating our Social Innovation Business.
Our 2021 Mid-term Management Plan, announced in May 2019, outlines our aim to help bring about a sustainable society through our global leadership in the Social Innovation Business, simultaneously increasing social, environmental, and economic value, improving people’s quality of life, and enhancing value for our customers. We seek to improve people’s lives by providing intelligent social infrastructure globally through our digital solutions. The sources of our strength in these areas are our operational technology (OT) accumulated over a century of developing monozukuri excellence—starting with the five-horsepower induction motor—and our IT skills honed over the past 50 years. We can contribute to the solution of various problems facing society with our OT, IT, and high-quality products.

Among the issues facing contemporary society, climate change is regarded as being one of the most important, as reflected in the goal set in our Mid-term Management Plan of raising environmental value. Roughly 90% of CO₂ emissions from Hitachi’s value chain come from the use of our products and services. We thus have a responsibility to help achieve a low-carbon society by prioritizing our decarbonization business, which seeks to provide more value to customers and society while using less energy.

When people hear the name Hitachi, I would like everyone to associate us with being an innovation partner. This will require that we accelerate our collaborative creation with a full range of stakeholders worldwide and to construct an “innovation ecosystem” with them.

For instance, in addressing social issues to help achieve the SDGs, we will strengthen our efforts to cultivate the “seeds” of innovation into new ideas ready for implementation through collaborative creation with universities, open innovation at “Kyōsō-no-Mori” of Hitachi’s Central Research Laboratory, and venture capital investment.

Human capital is another key driver of our Social Innovation Business, and I believe it is extremely important for our employees to have an awareness in their work that all businesses relating directly to social infrastructure can be seen as contributions to society. Human capital is an important component of our efforts to create social value. In striving to achieve our goals for the medium and long term, I would like for all our employees to consider the kind of value we can provide not only to our customers but also to society so that we may make an even bigger contribution through the provision of social, environmental, and economic value.

Toshiaki Higashihara
President & CEO
Hitachi, Ltd.
Executive Officer’s Message: CSR and the Environment

Integrating Sustainability Initiatives into Our Management Strategy

The risks we face from such factors as climate change and a global population explosion have grown to unprecedented levels in recent years and are threatening the sustainability of our way of life. Since the European Union announced an action plan in 2015 to accelerate its transition to a circular economy, in which growth is achieved through the effective use of resources, companies have increasingly been called to shift to sustainable business models. They are being asked to address social issues and help achieve the Sustainable Development Goals (SDGs) through their main business activities, while also integrating sustainability initiatives into their management and business strategies.

Since its founding, Hitachi has had a Corporate Credo of contributing to society through the development of superior, original technology and products, and this has remained at the heart of its operations. Sustainability has been a primary consideration in our management, as we have sought to contribute to a sustainable society through our Social Innovation Business. We will further pursue sustainability management going forward and strive to continually enhance our corporate value in response to global trends.

Our 2021 Mid-term Management Plan, announced in May 2019, outlines a goal of contributing to the realization of a sustainable world by simultaneously increasing social, environmental, and economic value. Toward this end, we must regard sustainability as a management issue and strengthen our governance. In 2017, we thus created the Executive Sustainability Committee chaired by the president and CEO of Hitachi, Ltd. and comprising other members of the Senior
Executive Committee, along with the CEOs of every business unit, to discuss and reach decisions on the Group’s sustainability strategy as a key management and business issue. The topics discussed at the Executive Sustainability Committee meeting in June 2018 included integrating our sustainability strategy into the 2021 Mid-term Management Plan to respond to climate change and to help achieve the SDGs through our business activities. Deliberations at the December 2018 meeting focused on expanding our decarbonization business and introducing the Hitachi Internal Carbon Pricing (HICP) system as specific approaches to achieving our long-term environmental targets (for CO₂ reduction). Other issues discussed included corporate measures that are the foundations of management, such as human rights, CSR procurement, and the development of human capital; sustainability-related stakeholder engagement; and Hitachi’s disclosure policy on ESG information.

Climate change is a priority management issue for us at Hitachi, and we are striving to reduce CO₂ emissions throughout our value chain. We announced our long-term environmental targets called Hitachi Environmental Innovation 2050 in fiscal 2016 that includes a CO₂ reduction target of 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010). To achieve a resource efficient society, we are responding to the issue of water scarcity and promoting the efficient use of water and other resources. We are also promoting the effective use of plastic and other resources to minimize our impact on natural capital to achieve a harmonized society with nature.

In response to growing calls in recent years from investors and other stakeholders for climate-related disclosures, we are advancing our efforts in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In fiscal 2018, we participated in the Ministry of Economy, Trade, and Industry’s TCFD Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance Through Proactive Corporate Disclosures, which brought together private businesses and financial institutions for discussions on the development of guidelines on climate-related financial disclosures (TCFD Guidance) in promoting constructive dialogue between global corporations and investors.

This report outlines our strategies for climate-related risks and opportunities based on these TCFD discussions. It also contains detailed information on our ESG-related activities, which I hope will be pertinent to our readers.

We will continue to pursue sustained growth for both society and our company through dialogue with and proactive information disclosure to our stakeholders.
Corporate Credo

Hitachi Group Identity

Society is today undergoing great changes and faces a range of challenges, from rapid urbanization and shifting demographics to climate change and resource scarcity. The Hitachi Group’s Corporate Credo is to contribute to society through the development of superior, original technology and products. To accomplish this mission, we uphold the values of Harmony, Sincerity, and Pioneering Spirit that comprise the Hitachi Founding Spirit. Our Group Vision was created based on this mission and these values to express what the Hitachi Group aims to become in the future. Together, these three elements—Mission, Values, and Vision—make up the Hitachi Group Identity.

Based on our Group Identity, and continuously considering the next generation, we promote corporate activities informed by sensitivity to the needs of a changing society. Our Mid-term Management Plan is the action plan we define 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 our 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.

Trends in Society and Hitachi Group Identity

Megatrends*1
- Rapid urbanization (72% rise in global urban population by 2050)
- Shifting demographics (shifting workforce) (Doubling of share of 60-and-over in the population between 2000 and 2050)
- Climate change and resource scarcity (50% rise in demand for energy and 40% in water intake by 2030)

Hitachi Group Identity

- The mission that Hitachi aspires to fulfill in society
- The values crucial to the Hitachi Group in accomplishing its mission
- What the Hitachi Group aims to become in the future

Hitachi Founding Spirit: Harmony, Sincerity, Pioneering Spirit

Hitachi delivers innovations that answer society’s challenges. With our talented team and proven experience in global markets, we can inspire the world.

*1 Based on the “Five Megatrends and Possible Implications,” published in 2014 by PwC.
Sustainability Management

The 2021 Mid-term Management Plan and Sustainability

Since its founding, Hitachi has responded to social challenges by placing its Corporate Credo of contributing to society through the development of superior, original technologies and products at the center of its business. In recent years, we have promoted our Social Innovation Business in order to contribute to improving people’s quality of life and realizing a sustainable society. We have implemented sustainable management, placing sustainability at the center of our business strategy and—in our 2021 Mid-term Management Plan announced in May 2019 and 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. We strive to simultaneously increase social, environmental, and economic value, as well as enhance our customers’ corporate value and the peoples’ quality of life.

With our 2021 Mid-term Management Plan, we have advanced to a new stage, identifying five sectors where we can increase social, environmental, and economic value for our customers simultaneously: mobility, smart life, industry, energy, and IT. In order to increase the three 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.

Based on these ideas, 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).
Sustainability Strategy
Promotion Structure

In 2017, Hitachi, Ltd. launched the Executive Sustainability Committee to discuss and reach decisions on the Group's sustainability strategy. The committee comprises President and CEO Toshiaki Higashihara and other members of the Senior Executive Committee, along with the CEOs of every business unit.

Sustainability Promotion Meetings attended by sustainability strategy promotion officers from business units were also established under the committee to strengthen our systems for promoting specific measures for advancing sustainability, including contribution to achieving the SDGs. We aim to achieve a sustainable society through long-term corporate strategies focusing on ESG (environmental, social, and governance) in business activities as well as conventional CSR activities to take responsibility for our corporate impact on society and respond to requests from stakeholders.

To review and discuss CSR initiatives, CSR Corporate Meetings are regularly held by officers from corporate divisions of Hitachi, Ltd., as are CSR Manager Meetings attended by CSR and social contribution officers from business units and Group companies. Global and Regional CSR Meetings are also held regularly, allowing CSR officers from regional headquarters outside Japan to share common directions and exchange information with the aim of promoting sustainability. And, 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, and Sustainability Promotion Meetings are working together. 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.

The CSR and Environmental Strategy Division at Hitachi, Ltd., which played a leading role in CSR management and activities across the entire Hitachi Group, was enhanced and renamed the Sustainability Promotion Division in April 2018 in response to growing awareness and importance of sustainability in management and business. The new division is responsible for holding 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.
Sustainability Strategy Promotion Structure

Executive Sustainability Committee
- **Chair**: President & CEO
- **Members**: Senior Executive Committee members, business unit CEOs, Hitachi, Ltd. division heads
- **Key roles**: Discuss and decide on sustainability strategy at management/BU/department levels

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

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

CSR Corporate Meetings
- **Members**: General managers in corporate planning, human capital, legal, procurement, quality control, and other corporate divisions
- **Key roles**: Discuss CSR activities of corporate divisions

CSR Manager Meetings
- **Members**: CSR officers of BUs and Group companies
- **Key roles**: Report and discuss sustainability strategy and activities, introduce sustainability activities of BUs and Group companies

Regional CSR Meetings
- **Members**: CSR officers at Group companies outside Japan
- **Key roles**: Report sustainability strategy and activities and discuss and share information on regional CSR initiatives

Environmental Manager Meetings
- **Members**: Environmental strategy officers at BUs and Group companies
- **Key roles**: Promote environmental policies and develop environmental information and activities

Regional Environmental Meetings
- **Members**: Regional environmental specialists at global sites
- **Key roles**: Develop environmental policies and initiatives, share information on regional environmental regulations and local environmental issues

Global CSR Meetings
- **Members**: CSR officers at regional headquarters and Hitachi, Ltd. global sites
- **Key roles**: Report and discuss Hitachi, Ltd. sustainability strategy and activities, report and discuss CSR activities at regional headquarters outside Japan

Global Environmental Meetings
- **Members**: Environmental officers at regional headquarters and Hitachi, Ltd. global sites
- **Key roles**: Report and discuss Hitachi, Ltd. environmental strategy and activities, report and discuss environmental activities at regional headquarters outside Japan
Executive Sustainability Committee Meetings

In fiscal 2018, the Executive Sustainability Committee held meetings in June and December.

At the June meeting, our response to climate change and the integration of our sustainability strategy into the 2021 Mid-term Management Plan were discussed. The focus was on how business units and key Group companies should link their operations to the SDGs in terms of business opportunities and risks, as well as how Hitachi should respond to risks and social demands around climate change. We also reviewed ESG, SDGs, and other sustainability initiatives to be incorporated into the 2021 Mid-term Management Plan.

At the December meeting, as part of our countermeasures against climate change, we discussed the expansion of our decarbonization business and introduction of the Hitachi Internal Carbon Pricing (HICP) system as specific approaches to achieving our long-term environmental targets (for CO2 reduction). We also discussed corporate measures that are the foundations of management, like human rights, CSR procurement, and the development of human capital; sustainability-related stakeholder engagement; and specific information disclosure requirements.

Contribution to SDGs

SDGs and Hitachi’s Social Innovation Business

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.
Identifying How Hitachi Can Contribute to the SDGs

In fiscal 2017 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, and identified 11 Goals to the achievement of which Hitachi can make a particularly significant contribution: 5 Goals where we can make significant impact through our key business strategies, and 6 additional Goals that we must 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

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, and we aim to establish a global position as a business-to-society (B2S) company through our efforts to help achieve the SDGs.

In fiscal 2017, we officially launched strategic initiatives for achieving the SDGs. In phase 1, as part of our initiatives to help deepen understanding across the Hitachi Group of sustainability and the SDGs, sustainability workshops were held individually for four business units: Water, Energy Solutions, Healthcare, and Railway Systems. Sustainability newsletters were also issued in an effort to promote understanding and awareness of our SDG initiatives. In phase 2, our Sustainability Promotion Division worked with the planning divisions of business units and key Group companies to clarify how each could contribute to the achievement of the SDGs through their key businesses and create business opportunities from the SDGs.

In phase 3, starting in fiscal 2018, Hitachi started seeking new business opportunities emerging from social challenges addressed by the SDGs. Specifically, we clarified how each business unit and key Group company should link their Social Innovation Business to the SDGs and set quantitative KPIs, wherever possible, for the social and environmental value they created to help visualize improvements.

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. Moving forward, we will develop an impact assessment approach with reference to key businesses outlined in the 2021 Mid-term Management Plan, thereby establishing an impact evaluation framework for social and environmental value that can be used across the entire Group.

This approach will enable us to offer more sustainable business options to our customers based on consideration of the positive and negative social and environmental impacts of our business activities. In this way, we will realize the three kinds of value outlined in the 2021 Mid-term Management Plan.
Phases 1 and 2
Understand sustainability and the SDGs, clarify how key businesses are linked to the SDGs

Phase 3
Incorporate sustainability perspectives in our management strategy

Phase 3
Explore new business possibilities based on the motives of solving social issues

- 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.

The measures will be taken in collaboration with business units, major Group companies, corporate-related departments, and global sites (regional strategies).
Hitachi promotes its Social Innovation Business with efforts to accurately 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—which are 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.

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Stakeholder Engagement

Hitachi’s Approach to Engagement

Policy

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Hitachi Sustainability Report 2019
Framework for Promoting Engagement

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.

Hitachi's President and CEO Toshiaki Higashihara serves as chair of the Communications and Information Network Association of Japan (CIAJ),*1 making efforts toward building a fulfilling society and promoting information and communication technology to contribute to resolving many social issues through exchanging views and opinions with relevant ministries and agencies.

*1 Communications and Information Network Association of Japan (CIAJ): A major ICT industry association consisting of manufacturers of communication network devices and terminals, communication operators, service providers, and user companies.

Working with Governments and Public Policymakers

Hitachi’s Approach to External Relations Initiatives

We believe that it is governments that are best positioned to both understand and work to resolve social issues, whether at the national or regional level. As we develop our Social Innovation Business on a global scale, our activities in the social infrastructure field are particularly intertwined with the public interest. This makes government institutions and related organizations in Japan and other countries around the world important partners to Hitachi both as customers and as backers.

Today's global community urgently requires solutions for a range of social issues related to the environment, energy, aging societies, and urbanization. At the same time, innovation in the fields of internet of things (IoT) and artificial intelligence (AI)—the so-called fourth industrial revolution—is advancing rapidly. Like the Japanese government and its “Super Smart Society” (Society 5.0) proposal, governments around the world are expanding their support systems in response to these developments. For Hitachi, promoting our business according to legislative policies and making effective use of governmental advice and support systems is enormously helpful to us in advancing our Social Innovation Business. We also increasingly receive requests for proposals from the Japanese government as they seek to identify solutions for social issues and craft infrastructure support policies to resolve unique regional challenges. Assisting with these requests, whether directly or through participation in an economic organization or industrial body, is one way Hitachi contributes to a better society.

Appointed chair of Keidanren (Japan Business Federation) in 2018, Executive Chairman Hiroaki Nakanishi has since been working on policy recommendations for achieving the SDGs through realizing Society 5.0 under the theme of “Society 5.0 for SDGs.” In the same way,

Hitachi established the Government & External Relations Division in our corporate headquarters in fiscal 2009 to guide and accelerate the external relations of the entire Hitachi Group, and we have since worked to strengthen our relationships with government and industrial organizations. In fiscal 2018, we established the Government & External Relations Group by integrating this division with the Sustainability Promotion Division to achieve our new goals of further enhancing the global expansion of our Social Innovation Business in terms of external relations.

The Government & External Relations Group is not only active in Japan but also works with the Hitachi Corporate Office in Washington DC, the Hitachi Corporate Office, Europe, and other business locations in the Americas, Europe, Middle East, Africa, and the Asia Pacific. By dealing with governments and organizations as a unified Group in seeking mutual benefit with the communities we participate in, we explore new business opportunities for Hitachi in each community's unique social issues and policies.

Policy Council Participation

As part of our dialogue with government officials, Hitachi executives and other representatives participate in a range of government-sponsored policy councils. We are particularly active in the discussion of how best to realize “Society 5.0” advocated by the Japanese government, exploring ways to simultaneously resolve social issues and achieve economic growth. Executive Chairman Nakanishi has been a member of the governmental Council on Investments for the Future since its first meeting in September 2016. The council is a command post for the government's growth strategy, chaired by the prime minister of Japan. As a representative of a corporation contributing to the realization of “Society 5.0,” Executive Chairman Nakanishi makes proposals in areas including the use of data, open innovation, and development of human resources.
The government’s growth strategy, Investments for the Future Strategy, formulated based on discussions at the Council on Investment for the Future, outlines policies toward realizing “Society 5.0.”

Staff and senior management from the Hitachi headquarters and business departments have also participated in meetings and roundtable discussions that look into policy from the standpoint of expanding businesses, as well as cooperating in planning new policies for Japan, including specific recommendations for more effective policy planning and implementation. For example, Hidenobu Nakahata, senior vice president and executive officer, is a member of the 2050 Economic and Social Structure Committee under the Industrial Structure Council of the Ministry of Economy, Trade and Industry (METI) to discuss a society for healthy longevity and extended working life; Osamu Naito, vice president and executive officer, is a member of the METI’s Study Group on Implementing TCFD Recommendation for Mobilizing Green Finance Through Proactive Corporate Disclosure; and employees participate as advisors on the advisory committee on Japan’s electric energy networks and investments established by the Agency for Natural Resources and Energy.

**Participating in Business and Industry Associations**

Membership in business and industry associations is another critical aspect of our external relations. Hitachi is a member of Keidanren, where Executive Chairman Nakanishi was appointed chair in May 2018. Other executives and employees also participate in major Keidanren committees. As the planning and coordination chair for the subcommittee on Europe, we also maintain close economic relations with European governments and economic organizations. In relation to the United Kingdom’s decision to withdraw from the European Union, commonly referred to as “Brexit,” we have been communicating with both the United Kingdom and the European Union to continue maintaining stable business environment in the region as before.

President Higashihara serves as vice chair of the Japan Electronics and Information Technology Industries Association (JEITA), whose mission is to achieve Society 5.0, including through the promotion of Connected Industries, and thereby optimize society as a whole. As a corporate member of the association, Hitachi has been active in various committees and working groups, examining and making proposals on the promotion of IT and data utilization, working on elementary and secondary education issues while arranging for lectures at universities and other advanced educational institutions, and offering insights into paradigms of international legislation and agreements in the era of global business.

As a member of the Japan Electrical Manufacturers’ Association (JEMA), Hitachi is committed to sustainable development of the electric machinery industry and contribution to a low-carbon society. To that end, we are working on various initiatives, including promotion of infrastructure systems exports, study of the impact of electric-power system reforms on the electric machinery industry and new business trends, improvement in the efficiency of industrial system devices, and promotion of the use of electricity storage systems, as well as actively communicating our views by participating in many committees and working groups.

**United States: Hitachi Corporate Office in Washington DC**

The Hitachi Corporate Office in Washington DC has three missions: (1) Enhancing Hitachi’s presence in the United States; (2) Contributing to the growth of business in the United States; and (3) Gathering and analyzing geopolitical intelligence. The North American market plays an important part in our business, accounting for 13% of our total revenue and more than 21,000 employees. The US political and economic climate has been rapidly changing in recent years, significantly impacting our business globally. We must monitor these changes closely in order to make critical business decisions, not just for the US but for other markets as well. Building reliable relationships and networks with influential leaders and experts including government representatives in the United States and enhancing our presence in those circles provide valuable feedback for our management and an emergency safety net.

As part of our efforts to expand our Social Innovation Business, the Hitachi Corporate Office in Washington DC is engaging in dialogue with and lobbying US government representatives and regulatory authorities to facilitate a favorable business environment. In recent years, particular focus has been placed on establishing relationship with state-level government authorities, who have decision-making power over regional infrastructure investment plans, as well as federal government officials, by working closely with regional Hitachi Group companies. By proactively enhancing engagement in many areas, including security and trade issues, new technologies such as IoT and AI, energy policies, and infrastructure investment, the Washington office will strive not only to support Hitachi’s business growth but also to contribute to US society and the community.
Europe: Hitachi Corporate Office, Europe
The Hitachi Corporate Office, Europe, located in Brussels, monitors policy and legislation trends in the European Union, such as the European Commission and European Parliament, and analyzes their impact on Hitachi’s business activities. It demonstrates how business can contribute to European policy and to societal issues.

Specifically, the office actively gathers information in the fields of energy, trade, information and telecommunications, transportation, healthcare, research and development, environment, CSR or ESG (Environmental, Social, and Governance), and SDGs (Sustainable Development Goals); communicates with relevant departments within the company and other Group companies; and makes policy contributions to EU institutions through business and trade associations like BUSINESSEUROPE, DigitalEurope, and the Japan Business Council in Europe (JBCE). We have also participated in the European Commission Product Environmental Footprint (PEF) pilot project since 2013 as part of our environmental policy activities, exchanging opinions, supporting the development of new policies, and helping to verify the environmental footprint calculation method announced by the European Union.

Regarding sustainable finance, non-financial information disclosure, and conflict minerals regulation, we maintain ongoing dialogues with the European Union’s Directorate-General for Financial Stability, Financial Services, and Capital Markets Union and Directorate-General for Trade, and communicate our views on each field via the JBCE. We also actively participate in the European Commission Product Environmental Footprint (PEF) pilot project since 2013 as part of our environmental policy activities, exchanging opinions, supporting the development of new policies, and helping to verify the environmental footprint calculation method announced by the European Union.

Asia-Pacific Region: Hitachi Asia Ltd., APAC Office
The Asia-Pacific region is replete with challenges in areas including the environment, energy, transportation, and healthcare that call for urgent solutions. At the same time, however, it offers a wealth of business opportunities. At Hitachi Asia, a core team made up of top-level managers from each national and regional office monitors legislative policies and legal regulations impacting businesses across the Asia-Pacific region and ensures that business activities remain suitable to each location's individual circumstances. On matters such as trade policies and data flow issues that have cross-border implications, solutions are sought through cross-border collaboration.

The Asia-Pacific region is known for its religious, political, and economic diversity. To expand our Social Innovation Business in this region and contribute to solving the social issues it faces, cooperation with national and local governments and involvement in policymaking throughout the region, including Japan, is crucial. For this reason, we sponsor regional events like the Hitachi Social Innovation Forum (HSIF) and Hitachi Young Leaders Initiative (HYLI) and endeavor to advance long-term and organic involvement in international scholarship programs through the Hitachi Global Foundation as part of our strategy to raise understanding and awareness of our values and vision for the future among those involved in formulating policy.

Hitachi has long emphasized information exchange and communication between Group companies on a national basis. Starting in fiscal 2017, we brought in outside specialists as external relations advisors to strengthen our voice in regional policymaking. As One Hitachi, we will continue to seek dialogue with policymakers across a variety of forums in order to resolve social challenges through policy contributions and business.

Engagement with Customers
It is critical for Hitachi to gain stakeholders’ understanding of its Social Innovation Business and corporate vision, which aspire to realize a sustainable society. We conducted a Global Brand Campaign in 16 countries under the slogan “THE FUTURE IS OPEN TO SUGGESTIONS,” presenting examples of how Hitachi’s Social Innovation Business is helping to address the many issues societies now face globally, such as energy issues, depletion of water resources, transportation issues linked to urbanization, healthcare issues associated with the graying of
society, advancement of big data and other information technologies, food safety, and information security.

To globally enhance the Hitachi brand, we have held the Hitachi Social Innovation Forum in locations worldwide, including Japan, the United Kingdom, Italy, Australia, the Philippines, and India, showcasing examples of the Social Innovation Business being conducted in each region. Through keynote speeches, panel discussions, and exhibits, we present a wide range of stakeholders—including customers and government officials—with solutions to social issues that countries and regions around the world face today.

Engagement with Employees

Since fiscal 2012, we have held town hall meetings as forums for direct dialogue between senior management and employees. In fiscal 2018, President and CEO Toshiaki Higashihara attended a total of 20 town hall meetings in Japan, the United States, Thailand, India, the Philippines, and other countries. Our executive vice presidents responsible for the four focus business domains also held more than 30 town hall meetings, engaging in discussions with our employees.

Ordinary business meetings and conferences are limited in agenda, and company communications with employees via our intranet and other channels tend to be one-way. Town hall meetings, however, are forums for direct dialogue where employees can gain a real sense of the senior management’s way of thinking and what is needed for Hitachi to make the next leap forward, as well as occasions for reaching a shared understanding of the work in which everyone is involved. These interactions help drive mindset reform within Hitachi. For example, at one town hall meeting, a participant pointed out that existing structures and procedures made it difficult for junior-level staff to propose new business ideas. This ultimately led to the creation of an entirely new way for employees to make business proposals: an internal “New Ideas Contest” called “Make a Difference!”

In the town hall meetings, we believe that it is important for senior management to hear the thoughts of frontline employees and for both sides to share their awareness as they engage in dialogue on diverse topics, such as how we can grow our business.

Dialogue with Shareholders and Investors

Hitachi conducts extensive investor relations (IR) activities, focusing on dialogue with stakeholders, including institutional investors and analysts.

In fiscal 2018, we held quarterly financial results briefings as well as corporate strategy meetings on the progress of our 2018 Mid-term Management Plan. We also hosted the ninth consecutive annual Hitachi IR Day, where divisional management teams from each business explained their business strategies and management policies under the plan.

We held briefings on Hitachi’s R&D Group, a source of value creation, Hitachi executives visited institutional investors and analysts in North America, Europe, and Asia to explain our management strategies for mid- and long-term growth, for a combined total of around 550 meetings. We are doing our best to reflect feedback in management and operations to enhance our corporate value.

On the Hitachi IR website, we post briefing materials and videos as well as business performance and stock price trend charts in a timely manner. As part of our efforts to enhance our information disclosure, we have introduced a new responsive design to allow smartphone and tablet users to browse our website with ease.

Stakeholder Dialogue

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.
The Information & Telecommunication Systems Segment’s Contribution to SDGs

In March 2019, the Systems & Services Business, a section of our Information & Telecommunication Systems Segment, hosted a dialogue between Hitachi executives and external experts on the theme “Appreciation and Expectations Toward Hitachi Building Infrastructure for a Society Where People Can Live a Safe, Secure, and Comfortable Life with Digital Technologies.” The discussion, led by the CEOs of the Financial Institutions Business Unit, Social Infrastructure Systems Business Unit, and Service & Platforms Business Unit and the CSO of the Systems and Services Business, was focused on how these three business units can promote the SDGs as part of corporate culture and connect them to business opportunities.

One external expert commented, “Each business unit’s business could positively or negatively affect society. Taking proactive steps toward the SDGs will not only contribute greatly to the sustainability of society, it could also be a growth driver for Hitachi.” Another said, “The Social Infrastructure Systems Business Unit’s information platform for regional comprehensive care is an initiative contributing to resolving the issues of an aging society with a declining birthrate as well as supporting the human rights of children and the disabled, helping achieve Goal 16 of the SDGs.”

The dialogue was concluded by the following closing remarks from Hitachi: “We are committed to helping realize a sustainable society through social innovation, in accordance with our corporate mission. We will continue our efforts to raise awareness of this commitment among our employees and promote our business through collaborative cooperation along the value chain based on our policy of contributing to the SDGs.”

Europe: AI and the Future of Work in the EU

In February 2019, Hitachi organized a European stakeholder dialogue in Brussels on the responsible development of digitalization for the future of work. Facilitated by CSR Europe,* 24 people attended, including representatives from the European Commission, International Labour Organization, NGOs, academia, and the wider tech sector.

Hitachi Rail STS’s chief technology officer opened the event by outlining Hitachi’s experience of digitalization and co-creating solutions with customers. The subsequent discussion focused on the potential impacts of digitalization, providing greater understanding of the issues leaders must consider. Attendees were generally optimistic about future scenarios, but some took a more cautious view. Any approach, it was agreed, must remain human-centric. Participants also discussed how policy and smart regulation could ensure that technology is applied responsibly in the context of the future of work. The emerging themes highlighted a need for corporations to lead with strong ethical platforms, integrated and transparent decision-making, and diverse workforces to drive innovation without bias. Participants were also clear on the importance of taking a collaborative approach with multiple stakeholders, particularly employees, if business is to adapt responsibly to the rapid changes caused by digitalization. Hitachi will use the results of this dialogue to guide its internal and external engagement on the future of work.

* CSR Europe is a leading European business network for corporate sustainability and responsibility.
Philippines: The Social Challenges to Realizing Sustainable Urbanization

Hitachi Asia’s Philippine Branch hosted the country’s first-ever Hitachi stakeholder dialogue in March 2019 on the theme of “The Social Challenges to Realizing Sustainable Urbanization in the Philippines.” The dialogue drew a total of 36 participants representing 3 Hitachi Group companies and 18 external organizations, including government agencies, private-sector companies, and civic groups. The aim of the dialogue was to foster and deepen collaboration between stakeholders in support of the United Nations’ 17 Sustainable Development Goals (SDGs), and the keynote presentation was delivered by a senior Philippine government official, who explained the country’s long-term plans and alignment with the SDGs.

The dialogue’s first session focused on the sub-theme “Perspectives on Balancing Growth and Sustainability,” examining sustainability reporting by listed firms and challenges in sustaining national infrastructure development programs. The second session’s sub-theme was “Opportunities for Collaboration in Different Sectors.” A senior representative from Hitachi clarified the meaning of “smart city” as human-centric rather than technology-focused, and government programs for multistakeholder collaboration were highlighted.

Participants learned about efforts by government, business and civil society in support of sustainable urbanization, and built trust to facilitate greater collaboration in future.

Australia: The Business Implementation of the SDGs in Oceania

In March 2019, Hitachi Australia and KPMG Australia cohosted a stakeholder dialogue on the business implementation of the SDGs in Oceania. The 14 participants included CSR and sustainability representatives from a diverse group of organizations, including Downer Group, Unilever Australia Ltd., SunRice, Fujitsu Australia Ltd., Insurance Australia Group Ltd. (IAG), Transurban Ltd., and National Roads and Motorists’ Association Ltd. (NRMA).

In preparation for the 2021 Mid-term Management Plan and its accompanying sustainability strategy, Hitachi Australia sought to understand how other Australian companies approach the SDGs and to what extent their business strategies and targets are influenced by these global goals. Participants agreed that making SDGs central to business strategy will soon be the norm.

During the half-day discussion, participants shared insights into how to better engage employees in the development and achievement of these strategies and how to measure the outcomes and impact of planned actions. The group also emphasized the strong need for business and government to work more closely than ever to realize the benefits of these initiatives.

The key takeaways were summarized in a report which was shared with Hitachi Australia’s management and can be leveraged during further development of regional sustainability strategy.

India: The Business Contribution Toward the SDGs in India

Working toward developing a sustainable society, Hitachi India held the CSR India Stakeholder Dialogue 2018 on October 25 in New Delhi. The event was attended by 32 external and internal stakeholders, including Hitachi Asia’s Chairman Kojin Nakakita and Hitachi India’s Managing Director Bharat Kaushal.

The dialogue focused on the role of the private sector and how business can contribute to the SDG agenda in India, particularly in the areas of e-Education, e-Governance, and urban transportation. Participants shared their understanding and experiences of how companies can align their way of working with the SDGs. During the discussion, the need to inculcate sustainability into one’s business model to ensure long-term impact was emphasized. It was also acknowledged that, given the size and complexity of the challenges, a collaborative approach rather than an individual effort will be required to achieve the SDGs.

Based on the key learnings from the dialogue, Hitachi will persevere in its ambitious efforts to incorporate sustainability into its business. By proactively responding to social issues, and through collaborative creation with various stakeholders, Hitachi will continue contributing to achieving the SDGs.
Main Initiatives and Groups in Which Hitachi Is Involved

**United Nations Global Compact**

Hitachi, Ltd. became a full member of the United Nations Global Compact in February 2009. Our corporate foundation is the basis for our continuing growth as a global company, and it must meet internationally recognized global standards that go beyond national and regional laws and regulations. We believe that respecting and implementing the 10 principles of the UN Global Compact will build a stronger foundation for our business.

In fiscal 2018, the Hitachi Group also participated in workshops organized by the Global Compact Network Japan on seven different topics, including human rights, supply chain management, and the UN's Sustainable Development Goals (SDGs).

**World Business Council for Sustainable Development**

The World Business Council for Sustainable Development (WBCSD) is an organization led by CEOs of around 200 progressive companies around the world. Its aim is to create a sustainable future for business, the environment, and societies. Hitachi, Ltd. has participated in the WBCSD since 1995.

**Task Force on Climate-related Financial Disclosures**

In June 2018, Hitachi announced its support for the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board to encourage disclosure of information about climate-related risks and opportunities.

**Japan Climate Initiative**

The Japan Climate Initiative (JCI) is a network formed to improve information-sharing and discussion between companies, local governments, NGOs, and other organizations actively working to address climate change in Japan. Hitachi has been a member since the JCI's founding in 2018.
Business for Social Responsibility

Founded in 1922, Business for Social Responsibility (BSR) is an international NPO with a focus on CSR. Together with over 250 corporate members and external partners around the world, it uses its global network for activities designed to build a fair, sustainable world. Hitachi joined BSR in 2007, and has participated in the organization’s human rights sessions since fiscal 2016.

International Standardization Activities

Hitachi’s Approach to International Standardization

To help create and expand markets as well as to accelerate our global business expansion, 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). 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.

Framework for Promoting International Standardization Activities

As part of its efforts toward international standardization activities, Hitachi commits employees to serve on the IEC’s Market Strategy Board as well as other key positions such as technical committee chairperson and secretary at international standardization organizations like the ISO.

Assessment of Hitachi’s International Standardization Activities

Hitachi’s international standardization work is well regarded. In fiscal 2018, we were honored by such bodies as the IEC, the Ministry of Economy, Trade, and Industry, the Telecommunication Technology Committee, and the Railway Technology Standardization Investigation Committee.

Hitachi Group Standardization Committee

- Priority Theme 1 Working Group
- Priority Theme 2 Working Group
- Priority Theme 3 Working Group

*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.