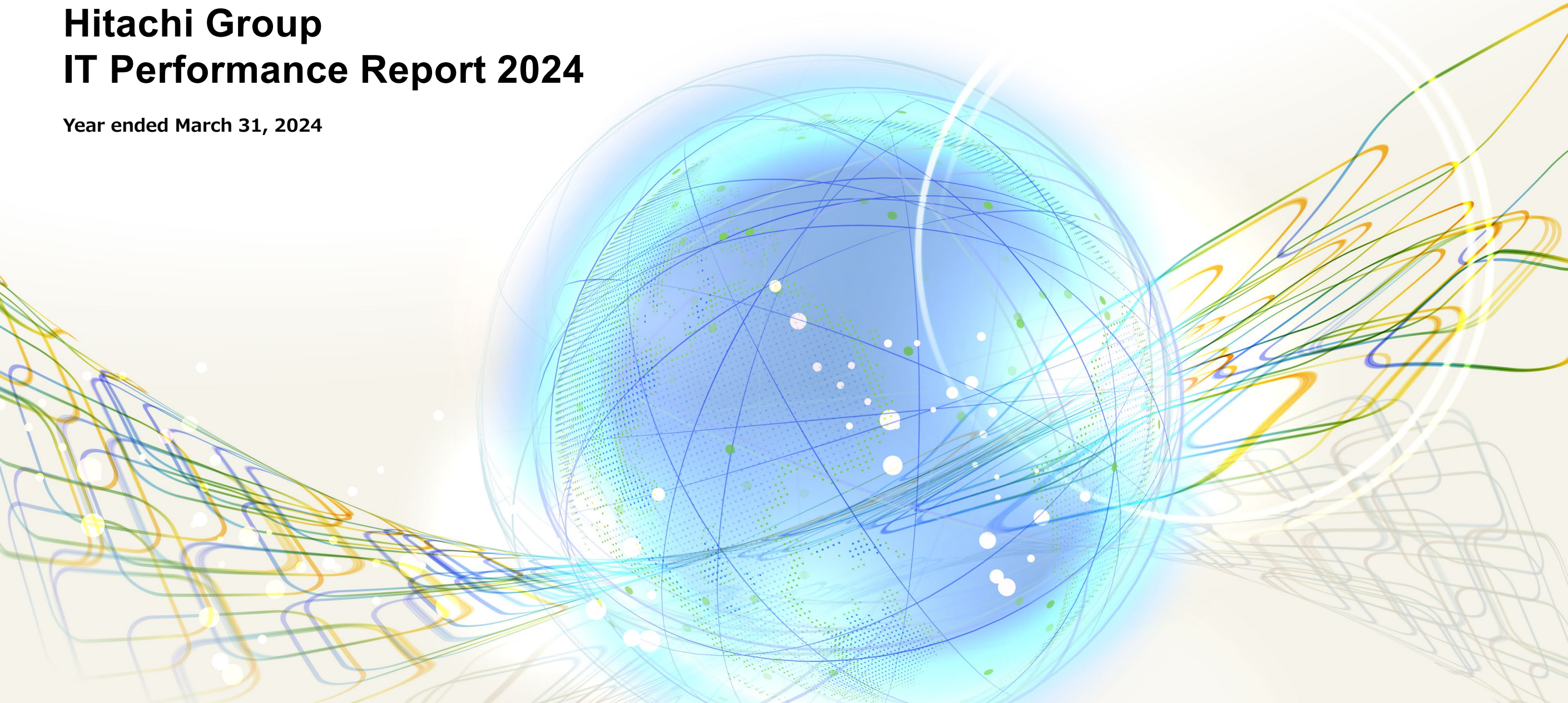


Hitachi Group IT Performance Report 2024

Year ended March 31, 2024



Message from CIO

Hitachi is promoting its social innovation business globally across a variety of industries, using data and technology to achieve a sustainable society and enhance people's happiness.

Our IT departments are transforming our IT operations to contribute to the global expansion of the social innovation business. Through the creation of a **digital management foundation and IT structural reforms**, we are working to achieve agility, efficiency, and robustness while also achieving world-class cost levels and data utilization.

To build a **digital management platform** that will achieve the growth, speed, and efficiency that management needs, we are currently developing and building a Group-wide CRM infrastructure, the infrastructure and tools to accelerate DX, and a globally shared ERP infrastructure. Additionally, in the area of digital transformation, we have begun to utilize generative AI, which is expected to bring about a major paradigm shift. By incorporating generative AI into common tasks such as automatic creation of meeting minutes and machine translation, we are achieving greater work efficiency.

Additionally, to curb increases in fixed IT costs while also promoting the **optimization and diversification of global IT human resources**, we are implementing **structural reforms for IT assets, costs, resources, and governance**.

Furthermore, we will work **to strengthen IT** by implementing a more flexible IT architecture and zero trust in order to deal with natural disasters, changes in the business environment due to factors such as the international situation, and increasing risks such as cyberattacks.

To ensure these measures are implemented globally, we have optimized the allocation of our IT functions. We have appointed regional CIOs^{#1} and CoEs^{#2} in key regions around the world to **accelerate decision-making and policy implementation related to our company-internal IT**.

By utilizing the above initiatives in co-creation projects with our customers, we hope to increase the value of their businesses.

It is my hope that you find the information within this report useful.

CIO, and General Manager of the IT Strategy & Digital Integration Division
Vice President and Executive Officer,
Hitachi, Ltd.



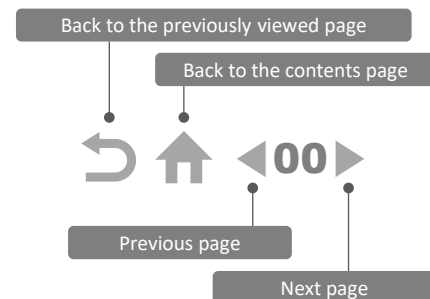
#1 CIO: Chief Information Officer #2 CoE: Center of Excellence

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Basic IT Policies

Hitachi aims to provide value to our customers and to society through the realization of a sustainable society. The IT departments have formulated the 2024 Hitachi Group IT Medium-Term Plan in line with Hitachi's growth strategy. The plan seeks to transform IT so that it will contribute to the expansion of social innovation businesses worldwide.

Basic IT Policies

We have formulated the 2024 Hitachi Group IT Medium-Term Plan based on the 2024 Medium-Term Management Plan. Under the 2024 Hitachi Group IT Medium-Term Plan, our goal is to contribute to the expansion of social innovation businesses worldwide and to achieve cost levels and data utilization that rank among the best in the world. We will accomplish this by constructing a digital management platform and restructuring IT.

2024 Hitachi Group IT Medium-Term Plan (basic strategies to become what we need to be)

Our IT departments are currently implementing the **2024 Hitachi Group IT Medium-Term Plan, for which building a digital management platform and IT structural reforms are set as the Plan's main initiatives.** We are steadily implementing the key measures outlined here and producing results while contributing to business expansion and the implementation of digital management.

The mission of our IT departments is to become an agile and trusted partner that contributes to accelerating digitalization and business growth by providing technology, human resources, and solutions. **To this end, we are accelerating the realization of digital management by developing a standardized shared IT platform and infrastructure tools that accelerate**

data utilization, while also working to revamp our internal processes to make them more efficient.

Additionally, by consolidating and reorganizing legacy IT^{#1} assets, optimizing IT service costs, carrying out cloud lift and shift, and utilizing new technologies, **we will implement structural reforms of IT assets, costs, resources, and governance, thereby curbing increases in fixed IT costs.**

In addition, to enhance diversity and respond to changes in the business environment and to increasing risks, we are strengthening our IT resilience and controls by adopting a more flexible IT architecture and establishing and reviewing various IT rules and guidelines.

Implementing Hitachi growth strategies

Hitachi will continue to provide value to customers and society in a wide range of industries with Digital, Green, and Connected approaches as transformation drivers.

In addition, BUs^{#3} and Hitachi Group companies are promoting strategies such as creating new digital businesses, achieving environmental targets, and strengthening and diversifying human resources. **Our IT departments will support these growth strategies and contribute to their completion through the use of IT, digital and advanced technologies, the establishment of a shared platform, work style reforms, and human resource development.**


Furthermore, as a result of our business portfolio reforms, Hitachi's business assets have become significantly globalized and the proportion of overseas sales is expanding.

As a result, compared to the previous fiscal year, IT costs and the ratio of IT personnel based overseas have increased by approximately 5%, and we are working to strengthen our global response capabilities.

We will support Hitachi's business operations by creating an IT environment that can quickly respond to business restructuring and globalization due to future changes such as M&A (mergers and acquisitions), **and a structure that prevents IT costs from increasing even as our business grows.**


Seven goals of Corporate IT


 Establish **standardized**, shared IT platforms

 **Utilize data** to enhance management

 **Allocate IT resource priority** to growth fields and regions

 **Improve digital literacy** to accelerate DX^{#2}

 **Modernize** legacy IT assets

 **Reallocate IT resources** and consolidate IT budgets in shared areas

 **Improve transparency** and optimization of IT costs

#1 legacy IT: Complicated/outdated IT systems and applications built on past technologies and mechanisms #2 DX: Digital transformation #3 BU: Business unit

Global Key Measures

- 1** Constructing a Digital Management Platform
- 2** Utilizing Generative AI
- 3** Restructuring IT
- 4** Global Efforts

Global Key Measures

To contribute to the expansion of social innovation businesses and to the realization of digital management, we aim to build a digital management platform that will be shared throughout the Hitachi Group. Even as we expand our company scope and portfolio, this shared platform will provide information for growth and keep costs down.

Global Key Measures

Global Key Measures **1** Constructing a Digital Management PlatformGroup-wide CRM^{#1} Platform

We are building a CRM platform to consolidate and visualize data about markets, customers, and projects globally, as well as to contribute to enhanced information-provision and sales activities in the marketing departments at all Hitachi companies.

By creating chunks of data that help us to comprehensively visualize the relationship between the Hitachi Group and our customers, we will strengthen marketing and sales activities through the entire Group.

Sales coverage ratio

100 %

Sales coverage ratio = Net sales of companies that have already deployed the platform ÷ Net sales of companies that have been requested to deploy the platform*

*Top 18 companies accounting for 83% of the net consolidated sales in FY 2022 and 3 RCs^{#2}

1 Constructing a Digital Management Platform**2** Utilizing Generative AI**3** Restructuring IT**4** Global Efforts

Group-wide deployment and visualization of customer and project information of the entire organization

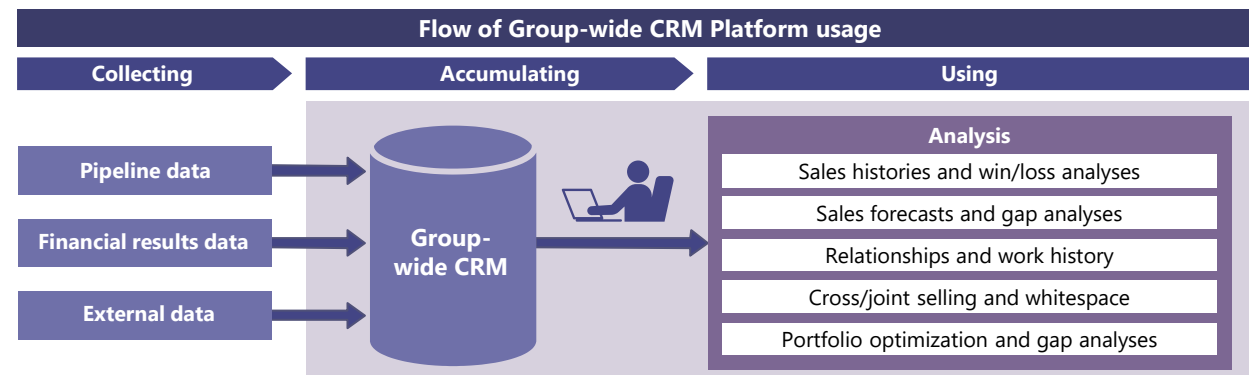
The Group-wide CRM platform was released in Japan in August 2022 and released overseas in January 2023; however, it was rolled out to some overseas Hitachi Group companies in advance. The plan is to fully roll this out to all companies between FY (fiscal year) 2023 and FY 2025. To strengthen our marketing and sales activities, we need to make the state of business at all companies visible in real time, as well as to gather and store data that is the same level of quality globally. **We can then share this data throughout the Hitachi Group to make information such as the following visible: customer contact histories, order data, negotiation pipelines, competitor data, and macro market data.**

Providing insights gleaned from data analysis

We will provide data-analysis functionality to enable **sophisticated use of the consolidated data**. Previously, searches were limited to the order and procurement records of individual BUs or Hitachi Group companies, and their industry, region, customers, etc. The Group-wide CRM infrastructure combines external information (such as market size and growth rates) with internal information (such as orders, sales amount, and gross profits), enabling exploration from multiple perspectives.

Deepening sales activities by putting data to use

By assigning priorities to different opportunities and visualizing the status of projects, we will support **cross-sales expansion and the creation of the social innovation businesses across multiple sectors**. By exploring “white space” (unmet customer needs) through analysis of internal and external information, we can make previously invisible information visible and support enhancements to proposal content through order analysis and sharing of customer information. In addition, by using consolidated customer-relevant data and case examples, we can reduce the level of effort required to prepare proposals. This will lead to stronger and more efficient sales activities, while also enabling the Hitachi Group to make proposals to customers that maximize the value of the Hitachi Group.



#1 CRM: Customer Relationship Management #2 RC: Region Company

Global Key Measures

Global Key Measures **1** Constructing a Digital Management Platform

DX – Data Utilization, Support for Decision Making

We are continuously advancing the preparation of environments for accumulating and analyzing data, in order to expand the usage of data and produce business-related benefits. By creating templates based on case examples of data utilization and associated knowledge, in addition to distributing this information both inside and outside the company, we will promote DX as part of standard operations and develop and distribute DX solutions that are linked to shared ERP^{#1} platforms. Through these efforts, we will contribute to the strengthening of managerial effectiveness and business competitiveness.

No. of DX cases (cumulative):

374 cases

DX cases that use Lumada^{#2}'s internal environment
Results are from the end of FY 2023

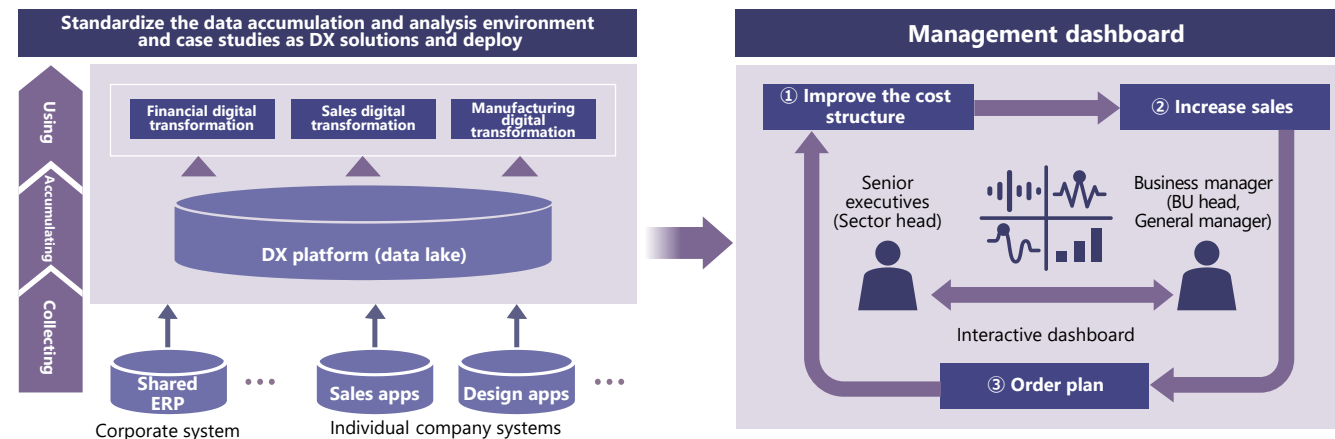
Expanding business benefits through DX solutions

To enable timelier and more flexible management decisions across the Hitachi Group, we are establishing a digital management platform with a standardized data accumulation and analysis environment. By visualizing management information and providing predictive information using AI^{#3}, we are creating benefits within the Hitachi Group. For example, the efforts are increasing sales, improving cost structures, and strengthening cash flow management. In addition, the efforts are improving compliance by promoting digital transformation of internal and external audits. We will also turn these case studies and know-how into solutions and provide them to our customers, thereby contributing to their digital transformation efforts.

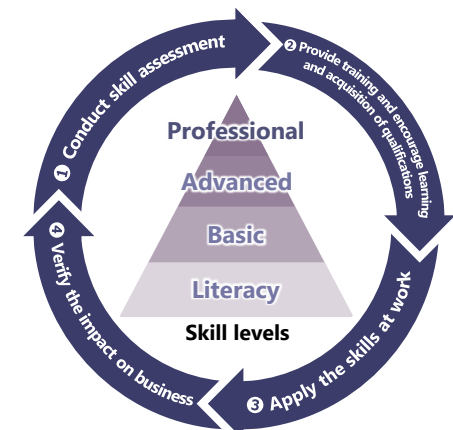
The digital management platform will accumulate data from the shared ERP platform and each company's systems, establish a mechanism for utilizing it according to purpose, and promote digital transformation in various areas, including finance, sales, and manufacturing. In the area of sales, in FY 2023 we developed order simulations based on project pipeline information, which enabled us to predict the probability and timing of receiving orders for a project. In FY 2024, we will work to roll out a company-wide management dashboard that will provide comprehensive support for management decisions in each business sector.

Improving DX literacy is important to make effective use of the digital management platform throughout the company. By developing our human resources and establishing an internal certification system, we will work to promote the wide-spread use of DX as a usual process among employees in charge of various operations, including IT and finance.

Data governance is extremely important for accumulating and utilizing data, which requires accuracy, comprehensiveness, and consistency. To accelerate the usage of management information globally, we are establishing common rules in the Hitachi Group regarding the use of management data. In addition, to maintain and improve quality, we will put in place a system for monitoring data quality.



#1 ERP: Enterprise resource planning #2 Lumada: A collection of solutions, services, and technologies developed through the use of Hitachi's cutting-edge digital technologies. Lumada is intended to create value from customer data and accelerate digital innovations. #3 AI: Artificial Intelligence



- 1** Constructing a Digital Management Platform
- 2** Utilizing Generative AI
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- 4** Global Efforts

Global Key Measures

Global Key Measures **1** Constructing a Digital Management Platform

DX – Improving the Efficiency of Work Processes

We are moving forward with efforts to establish and widely distribute digital tools and solutions for business reforms and for making business more efficient. We continue to provide support for the standardization of core operational processes and for making ongoing operations more efficient. These goals are accomplished, for example, through the sharing of case studies and knowledge and through the expansion of templates.

No. of work hours reduced through the introduction of RPA

About **720,000** hours

Cumulative total through FY 2023
Calculated based on log data obtained from servers managed through the common RPA platform

Automating and enhancing work processes by utilizing digital technologies

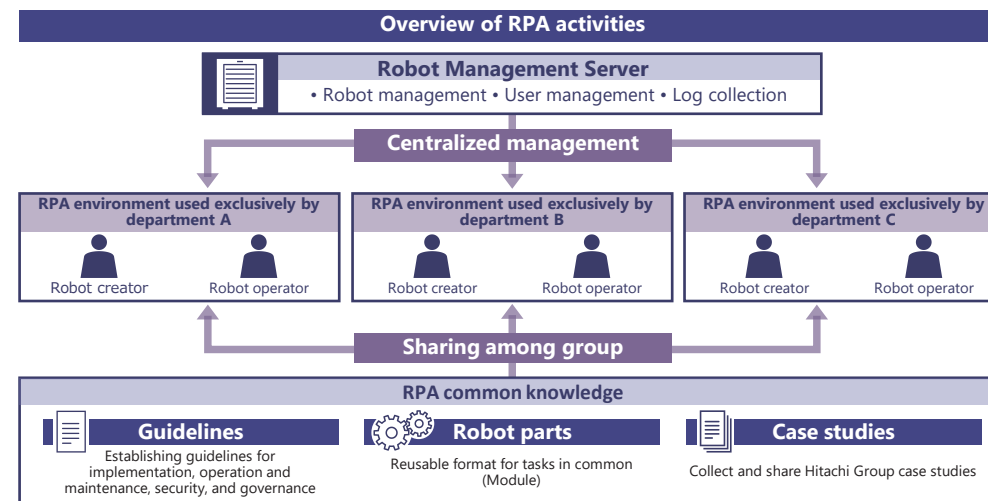
The Hitachi Group is consolidating business efficiency through the introduction of RPA^{#1}. **We are working to establish a foundation for the collection and sharing of solutions that have been proven effective, developing guidelines to strengthen governance, running an RPA user group that brings together RPA advocates within the Hitachi Group, and sharing technical knowledge and automation examples.** As a result, RPA was introduced in more than 120 departments by the end of FY 2023, reducing work hours by approximately 720,000 hours per year.

Improving business efficiency through data visualization and analysis

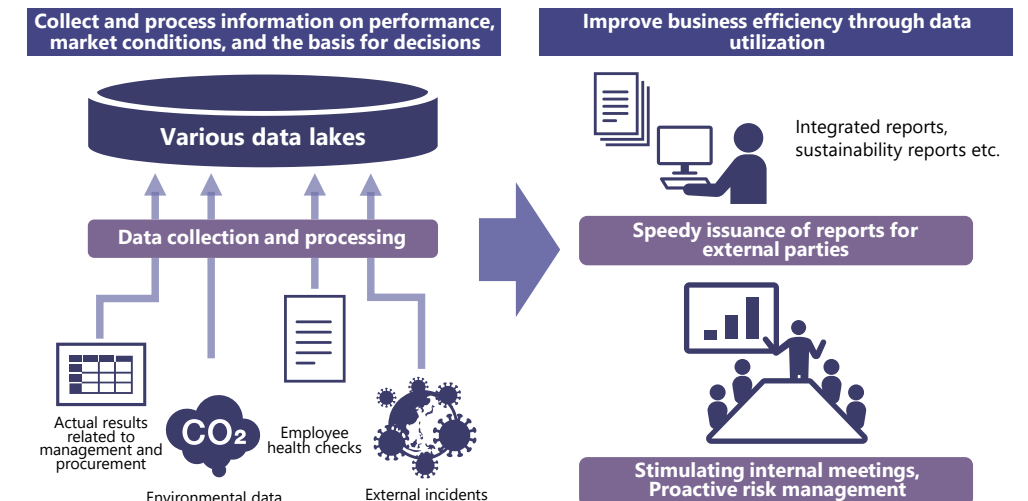
The current business environment is changing more rapidly than ever before, requiring companies to make faster and more sophisticated decisions. In these circumstances, more than before, we must have more efficient access to information we can use to make decisions.

We collect and consolidate past performance and external data and provide an environment where data is more easily accessible. For example, we can calculate Scope 3 upstream CO₂ emissions based on procurement performance, so we can more efficiently create external reports such as sustainability reports and integrated reports. We can also accumulate and collect data on occupational safety, hygiene, and health checkups, helping to proactively manage employee health risks and promote well-being.

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#1 RPA: Robotic Process Automation



Global Key Measures

Global Key Measures **1** Constructing a Digital Management Platform

Global Shared ERP Platform

By standardizing core operational processes and introducing a global shared ERP platform, we can slim down IT assets, strike a balance between lower IT costs and greater flexibility, and make rapid decisions through the consolidation of data.

Benefits from building a shared ERP platform

70 billion yen

Cumulative benefits through FY 2027

1 Constructing a Digital Management Platform

2 Utilizing Generative AI

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4 Global Efforts

Integration and consolidation onto a shared ERP platform

Individual Hitachi Group companies implemented and operate the current ERP systems, which will reach the end of their maintenance period in 2027. We will take this opportunity **to integrate and consolidate the ERP systems within the Hitachi Group onto a shared ERP platform, thereby enabling us to shift human resources and assets to competitive business areas and to respond more quickly to issues such as business restructuring.**

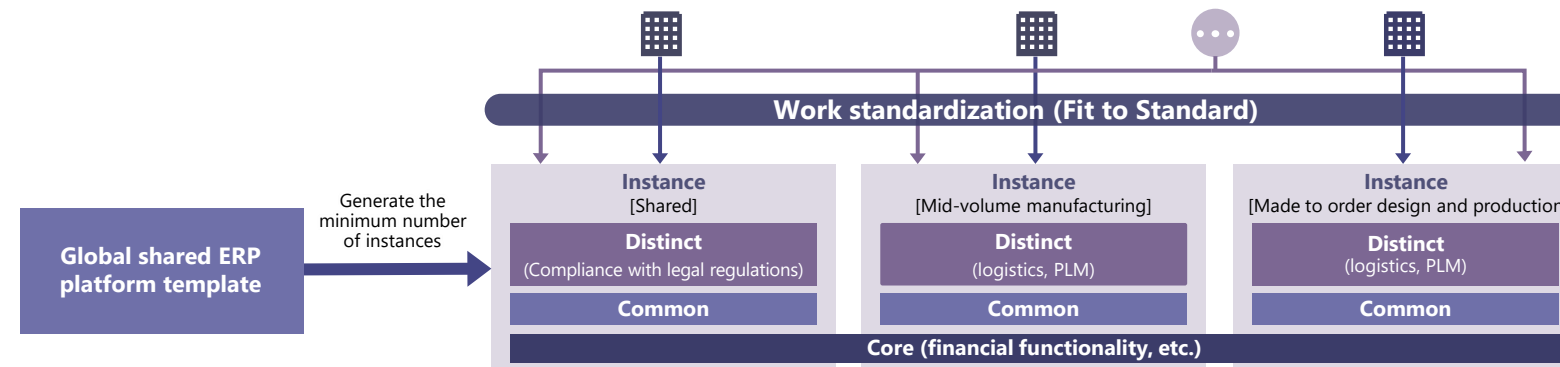
The shared ERP platform will increase the ratio of Core areas^{#1} and Common areas^{#2} while also appropriately allocating Distinct areas^{#3} that support business competitiveness. In addition, we will build the minimum ERP instances necessary for each business model and carry out efficient migration and implementation using the Fit to Standard methodology.

Lightening of IT assets, reducing IT costs, and accelerating management

Implementing the capabilities of the legacy systems, which were individually developed and operated at various Hitachi Group companies, and incorporating them into a shared ERP platform will accelerate the reduction of IT assets. Furthermore, by keeping the development scope to the minimum required level, we can both maintain business competitiveness and keep IT costs down. **The shared ERP platform will centrally manage the Hitachi Group's management data and organically link with other shared IT platforms, contributing to data-driven management and regional autonomous decentralized management.** Also, by proactively utilizing cutting-edge technologies and cloud services and solutions, we will contribute quickly and flexibly to changes in the business environment and the realization of a sustainable society.

Promoting the introduction of pilot projects, and the deployment status

After the first pilot company of the shared business model was officially launched in April 2023, **the simultaneous migration from the old systems to the shared business model was completed in April 2024 for overseas sites. In FY 2024, development of the medium-volume production and made-to-order design production business model will be complete, and the first pilot company will use it in operation.** **Additionally, we are reducing costs by consolidating all ERP instance operations and maintenance into AMO^{#4}, which handles them in a unified, uniform, and scalable manner.** We will utilize the knowledge gained through these implementations to the maximum extent possible in subsequent projects, with the aim of achieving steady integration and consolidation by FY 2027.



#1 Core area: Used in common for all business entities
 #2 Common area: Used in common for each business model
 #3 Distinct area: Used independently by each BU or Hitachi Group company
 #4 AMO: Application management outsourcing

Global Key Measures

Global Key Measures **2** Utilizing Generative AI

Utilizing Generative AI (latest technology)

We are leading the way in rapidly developing generative AI technologies and promoting the creation of an environment in which our employees can utilize them. We will deploy an AI assistant within the Hitachi Group. This allows users to use a generative AI safely, securely, and at low cost. By providing functionality that enables users to reference knowledge accumulated throughout the Hitachi Group, we can form a collective set of knowledge and contribute to the creation of better business results.

AI assistant chat count:

797,000 times

Number of times the generative AI assistant, developed for use within the Hitachi Group, was used
Actual results from December 2023 to June 2024

- 1 Constructing a Digital Management Platform
- 2 Utilizing Generative AI
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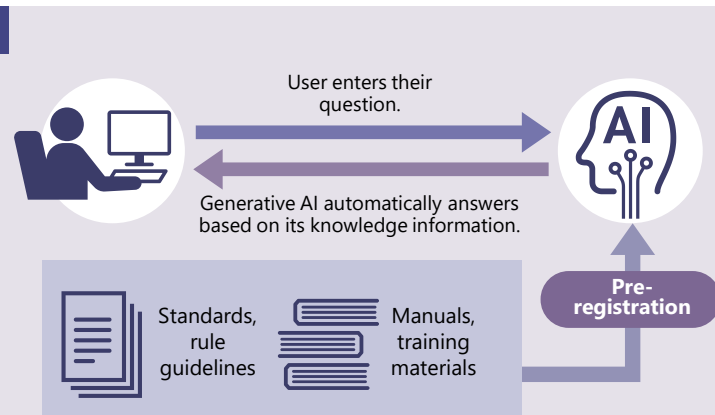
Utilizing generative AI to improve internal business efficiency

Generative AI technology is attracting a great deal of attention worldwide, and rapid technological innovation is underway. **To enable employees to utilize generative AI safely, securely, and at low cost, we are providing the dedicated generative AI environment for the Hitachi Group, and are providing an AI assistant that runs in the environment.**

As of the end of June 2024, the AI assistant using generative AI is being used by approximately 48,000 people, and the number of chats has reached approximately 797,000. The AI assistant is equipped with features that allow users to use tools such as automatic translation and automatic

creation of meeting minutes at the touch of a button, regardless of the user's level of understanding of generative AI. The assistant also has functionality to generate PowerPoint files in Hitachi Group standard format. This will greatly improve work efficiency and also contribute to improving AI literacy for providing products and services that use generative AI to customers outside the Hitachi Group. Additionally, **we have implemented functionality to organize and reference common knowledge within the Hitachi Group, enabling us to provide fresher, higher quality answers that are directly related to business.**

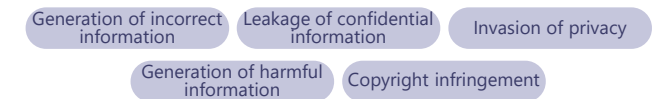
Examples of improving business efficiency by using the AI assistant



Addressing the risks associated with using generative AI

While the use of generative AI has the potential to dramatically change business operations, it also carries risks such as the leakage of confidential information, privacy and copyright infringements, and the generation of harmful or false information. To address the risk of leakage of confidential information, we use generative AI that does not learn from the input information. In addition, we have made sure that our generative AI solutions adopt security measures such as multi-factor authentication and communication encryption. To address risks such as privacy and copyright infringements and the generation of harmful or false information, we have issued guidelines for the use of generative AI. These guidelines summarize the points that users should be aware of and are raising awareness of these risks.

Risks associated with using generative AI



Hitachi Group's risk management measures



IT Assets and Cost Structure Reforms

We are reducing IT assets and maintenance costs by eliminating legacy IT and consolidating and integrating IT assets into modernized and shared IT services.

We are promoting simple and low-cost IT operations by reviewing IT service costs for the entire Hitachi Group.

Reducing IT assets and maintenance costs

Until now, Hitachi Group companies possessed and operated IT assets according to their individual business processes, resulting in duplication of IT assets and IT operating costs within the Hitachi Group.

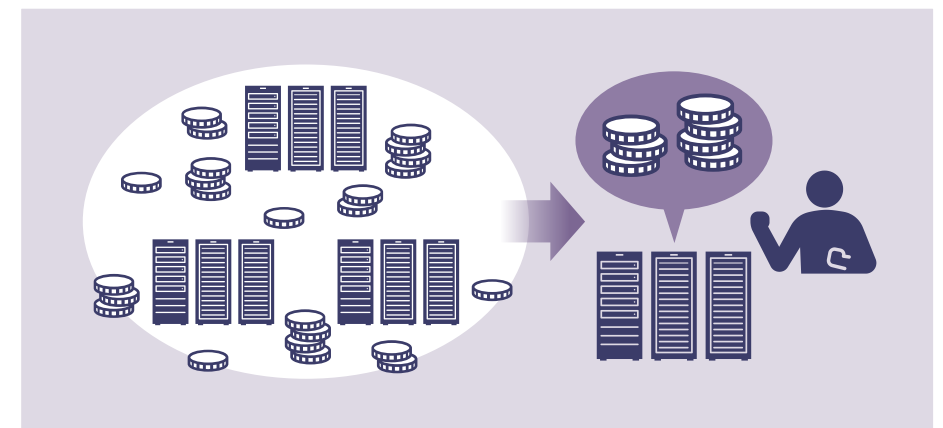
This situation must be changed. We are strengthening our corporate governance, and working toward greater standardization and a thorough sharing of common operational processes and IT operations throughout the Hitachi Group. We are reducing IT assets and maintenance costs by consolidating IT assets into shared IT services, shifting to the cloud, and streamlining legacy IT. Through these efforts, we keep in check the rise in fixed IT costs as our businesses expand, and secure growth investments that contribute to management and business. By regularly monitoring the Hitachi Group's fixed IT costs and return on investment, we implemented a PDCA cycle for improvement, and are able to maintain the ratio of fixed IT costs to sales at an appropriate level.



Consolidating and integrating IT assets through modernization

We are boldly modernizing legacy IT in Hitachi Group companies and consolidating IT assets into shared IT services that combine agility, efficiency, and robustness. We set the reduction of legacy IT as a KPI and achieved the reduction objective of the 2024 IT Medium-Term Plan in FY 2023 ahead of schedule.

In addition, we scrutinized and classified IT assets and costs of all companies into shared IT for use in common (core IT) and business-specific IT. By consolidating the core IT assets that are independently held by each company into shared IT services, we are able to raise the core IT ratio and promote cost structure reforms.



1 Constructing a Digital Management Platform

2 Utilizing Generative AI

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4 Global Efforts

Global Key Measures

Global Key Measures **3** Restructuring IT

IT-GBS^{#1} & IT Service Consolidation

We are providing advanced maintenance and operation services at lower costs by standardizing and consolidating IT services and IT operation processes.
 We optimize the Hitachi Group's IT costs through unification of IT services at a global level, and are building a solid foundation for Hitachi to conduct business globally.

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Improving cost efficiency through service integration and automation

We will standardize IT operational processes on a global scale, and consolidate IT systems that were individually developed by Hitachi Group companies into shared IT services (IT infrastructure and ERP).
 We provide low-cost IT services and optimize IT resources through consolidation of IT operations and automation of service delivery processes.
 In addition, we strive to further reduce costs by carrying out operations at low-cost sites.

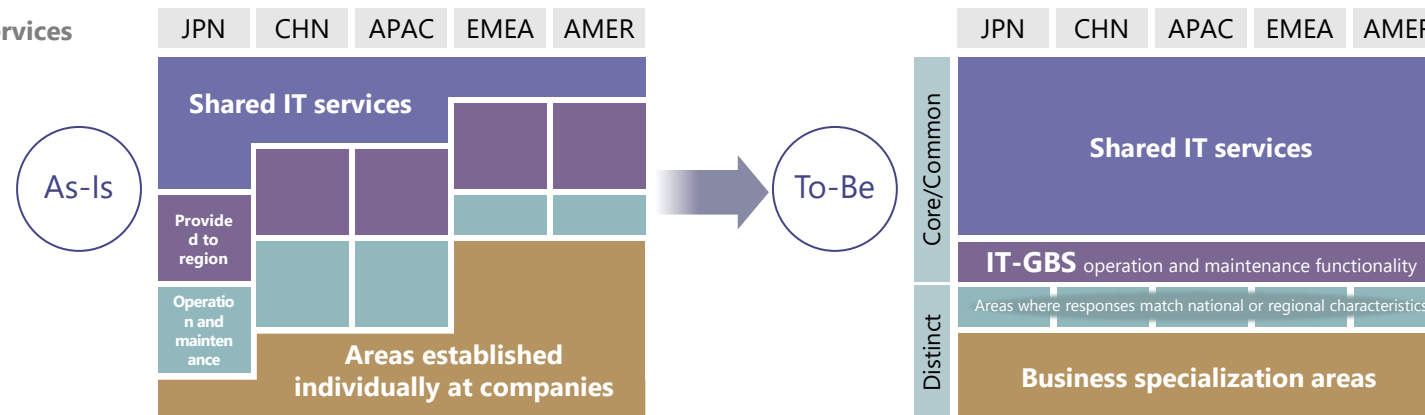
Speeding up business launches and improving user convenience

To enable Hitachi Group employees to concentrate on their business without being concerned about where they work (country, region, etc.), we have been gradually providing shared IT services of uniform quality globally since FY 2023. In particular, we aim to simplify applications for IT services necessary for business operations, accelerate the speed of service provision, shorten lead times for OA equipment, and speed up troubleshooting by visualizing the status of IT services. Through these efforts, we are able to speed up the launch and expansion of business sites and to improve convenience for users along with global business deployment.

Improving security through global unification

To ensure that Hitachi Group employees can concentrate on their business without being exposed to external threats, **we will globally apply shared IT services that meet Hitachi's security standards and strengthen security for the entire Hitachi Group.** Also, for Hitachi Group companies where security measures are not yet fully implemented, we will provide support services, such as automating security measures, and work to unify security policies at a global level.

Establishing shared IT services



#1 GBS: Global business service

Global Key Measures

Global Key Measures **4** Global Efforts

Enhancement of Global IT Functions

To strengthen global strategy formulation and decision-making, we have established a “Deputy CIO of ITSD for Special Mission” for each role, with three leaders participating. (As of June 2024, “Regional CIO US” is vacant.) We have established a Global One Team operation structure, in which IT departments in each region are organized into CoEs by function, to lead global IT.

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Timothy Coles

Deputy CIO of ITSD for Special Mission (Regional CIO EU)



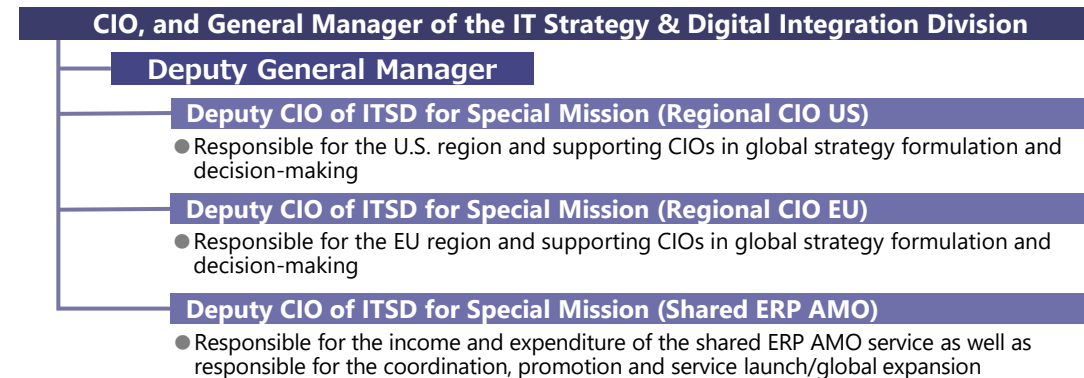
As the Regional CIO for Europe, my mission is to chart a strategic course that fosters business alignment and growth through enhanced communication and collaboration across the region. By leveraging state-of-the-art technologies and automation, I am committed to delivering exceptional business value, bolstering operational efficiency, and boosting productivity. In my role at Hitachi Group IT, we prioritize enriching the customer experience and achieving cost efficiency. We are dedicated to fostering a data-driven enterprise, minimizing security risks, and reducing superfluous costs through smart rationalization. Our approach centers on sustainability, zero-trust security, and cultivating a digital workplace that encourages seamless collaboration. Our proactive exploration of innovative technologies is key to ensuring IT agility and driving progressive change across the organization.

Jeremy Tjebbes

Deputy CIO of ITSD for Special Mission (Shared ERP AMO)



Our global S/4HANA solution went live in 2023 as the new digital platform to deliver innovation and productivity improvement to Hitachi. This platform is designed to provide a seamless and integrated experience for our business processes, enabling us to work more efficiently and effectively. By standardizing our core business processes, we can reduce the complexity of our operations and improve our ability to respond to changing market conditions. Additionally, the consolidation of our IT run and support costs through a global application support function will result in significant cost savings for Hitachi. As we continue to extend the platform and roll it out across the Hitachi Group, we will see even greater benefits in the years ahead.



	Major Functions
Hitachi Europe Ltd.	Shared ERP AMO & SWAT-G (Shared Model)
Hitachi America Ltd.	Business Support (Digital & Industry)
Hitachi Asia Ltd.	Unified IT Development & Maintenance
Hitachi India Pvt. Ltd.	Unified IT Managed Services Providing

Contributions to Regional Business Strategies in Global Areas

The IT departments in each of the five global areas are contributing to the smooth and efficient management of business in the region through various measures tailored to each region's particular characteristics and business strategies.

Hitachi America Ltd.

Bala Krishnapillai



Hitachi America Information Technology organization's focus is to contribute to regional growth strategies, accelerate solutions innovation, promote corporate transformation, build efficient IT, OT and Dx services to better support business. IT expansion of establishing a new private AI cloud infrastructure, build enterprise AI digital platform, and Insights services to our regional customers, Enhance IT Cyber-Security controls and promote One Hitachi initiatives. Our IT mission is to deliver managed services by adopting standardized, unified, and quantified information security and risk management methodology to protect our businesses and customers through risk-based assurance.

2023 has been an exceptional year for Hitachi America with new AI/DX service expansion focused on Predictive Maintenance leveraging IoT^{#1}, AI/ML^{#2} and Generative AI services in shared services across Americas, reducing IT costs for Hitachi in the region and improving IT operational efficiency by using intelligence process automation and Low code platform.

In addition to our service expansion, we have established a close collaboration with the corporate IT department. Together we are developing "One Hitachi CRM" initiative to reduce the IT cost of Global sales and marketing business unit. We collaborate with the America's innovation team and regional BU's on new business incubation efforts and future innovative technologies

Hitachi Europe Ltd.

Jeremy Tjebbes



In 2023 we have seen strong growth in shared IT services across Europe, reducing IT costs for Hitachi and improving collaboration by sharing cloud hosting platforms and applications.

Our service expansion has been made possible through close collaboration between corporate center and region. Together we have launched and delivered two key projects in 2023; the establishment of Public Cloud 2.0 service as our secure Azure cloud offer, and the build of the shared ERP platform to replace our existing SAP instance with the new Hitachi templated S/4HANA solution.

The team in Europe has been expanded to build a global application support function and will continue to strengthen to meet the needs of the business.

Hitachi (China), Ltd.

Bao Long



In China, we have a challenge in complying with three digital laws, as well as region-specific IT environment and business process standards, to efficiently support various kinds of Hitachi business requirements in China from an IT perspective.

Regarding the three digital laws, we focused on compliance with cross-border data regulations. We led all companies in China to complete their Personal Information Protection Impact Assessment (PIA), meeting compliance requirements and thereby reducing business risks.

Additionally, in information security and IT services, we aligned with the headquarters' zero trust security architecture policy through a complementary approach of global services and regional services, thereby improving the overall information security level of the group while accommodating the region-specific IT environment.

We are doing our best to better comply with this special environment and prepare valuable solutions not only for local business in China but also to help global unified business operations to take proper action in China.

1 Constructing a Digital Management Platform

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Contributions to Regional Business Strategies in Global Areas

The IT departments in each of the five global areas are contributing to the smooth and efficient management of business in the region through various measures tailored to each region's particular characteristics and business strategies.

Hitachi Asis Ltd.

Anang Zainuddin



Hitachi Asia Ltd., Information Technology Group (ITG) is focused on becoming a strategic partner for BUs and Hitachi Group companies to grow together in APAC region. One of our key roles is to enhance functions that can create more business opportunity but at the same time, support IT risk management especially in areas of information security.

Hitachi Asia Ltd., ITG continues to lead in the transformation initiatives in promoting generative AI and Cloud based solutions to adapt new technologies for business efficiency to enhance Hitachi group competitiveness. Our focus areas are on improving operational efficiency, customer relationships and service support delivery.

With the global IT initiatives from Hitachi Ltd, and the substantial growth opportunities in APAC region, Hitachi Asia Ltd., ITG wants to take advantage, to be the key value-driven IT partner to drive the 'One Hitachi' initiatives and collaborate with Hitachi groups, not just at the regional level but globally.

Hitachi India Pvt. Ltd.

Prashant Ranjan



Hitachi India with over nine decades of burgeoning partnership has been colossally expanding its business footprints in India region, with presence of over 28 group companies spread across varied yet dynamic businesses. Hitachi India IT team is an integral part of the organization's progression offering Global standard IT services and local IT solutions complimenting the nature of businesses and necessities from the respective Hitachi Group companies. Hitachi India IT team holds security sessions for all the employees at regular intervals and conduct the maturity level assessment to effectually gauge the current security awareness level and suggesting well-structured improvement plans.

Indian government has introduced the Digital Personal Data Protection Bill. As a proactive initiative we have already started knowledge sharing to support data protection management activity in each company. FY2024 onwards we are incharge of Unified IT-PF global operation and will lead this project to provide follow-the-sun support to all regions.

I hope that these initiatives and support will improve work efficiency, contributing to the Hitachi group business indirectly and would help in building a Secure IT Platform.

1 Constructing a Digital Management Platform

2 Utilizing Generative AI

3 Restructuring IT

4 Global Efforts

IT Modernization and Security

- 1 Next-Generation Architecture
- 2 Cloud and Edge Strategy
- 3 Security Enhancements

IT Modernization and Security

With a shift to a zero-trust and internet-based architecture for IT infrastructure, the entire Hitachi Group will achieve a safe and secure IT environment for both its employees and businesses. Business will expand through the introduction of new ways of working and the adoption of cloud services.

Next-Generation IT Architecture Based on Zero-Trust Security

In the world of the internet, where cyberattacks are becoming increasingly sophisticated and skillful year after year, we are engaged in efforts to achieve safe and secure IT environments for both our employees and businesses throughout the entire Hitachi Group, in order to grow our businesses by introducing new ways of working and adopting cloud services.

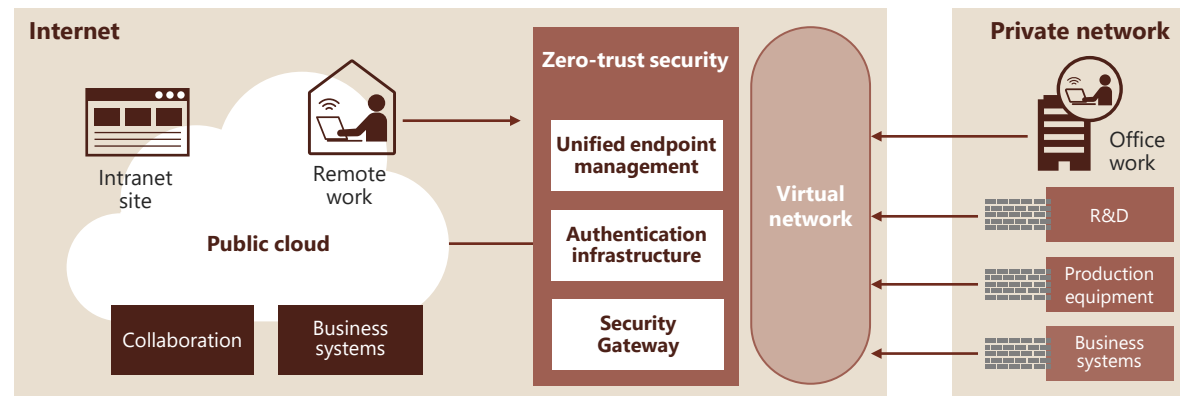
IT infrastructure for achieving zero-trust security

The Hitachi Group **is moving forward with a transition to an architecture based on zero-trust security** to enable employees to work securely anytime and anywhere. **We have completed the cloud migration of the zero-trust infrastructure, including endpoint management systems, authentication platforms, and proxy and remote access systems, enabling seamless access to our internal and external systems.** Additionally, **for systems where uniform cloud migration and security measures are challenging, such as production equipment and R&D environments, we have implemented network segmentation and access control between network segments.** Moving forward, we will continue to promote further cloud lift and shift of on-premises systems that remain in-house and expand security measures for our business systems.

Security measures suitable for business systems

Various business systems exist within the company, including production equipment and R&D environments. While micro-segmenting the network helps mitigate the spread of ransomware and other risks, it also contributes to the complexity of the network configuration and an increase in the management workload due to the addition of firewalls. Additionally, business systems are often built individually to meet specific requirements, making it challenging to implement common internal IT measures. To address these challenges, **we are enhancing network virtualization to create a more flexible and simplified network, thereby reducing management costs. Moreover, by expanding security measures for business systems, we aim to facilitate the rapid establishment of DX and IoT environments.**

IT infrastructure to achieve zero trust security



Making IT Assets More Lightweight via the Cloud, and Adopting Edge Computing

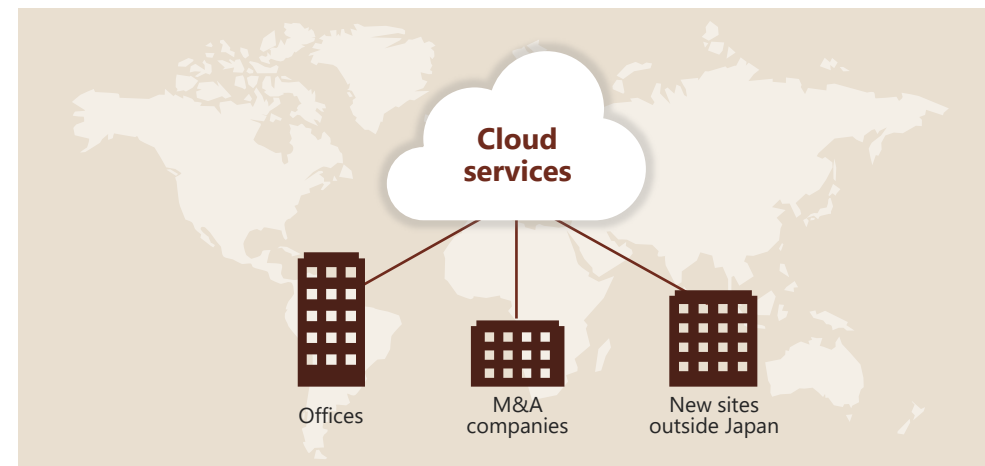
In response to trends such as sudden changes in business environments and workstyles as well as the promotion of DX and data utilization, we are formulating strategies for cloud and edge computing that incorporate an expanded migration to public cloud services, support for multiple cloud environments, and the use of edge data centers, based on the prerequisite of a cloud-first and asset-light approach.

In parallel with promoting the shift to the cloud, we are promoting the introduction of security measures that are appropriate for hybrid on-premises/cloud environments.

Cloud strategy

We are migrating our IT infrastructures and applications to the cloud to streamline in-house IT assets. Additionally, we are leveraging advanced technologies and adopting globally standardized applications to swiftly respond to expansions in our business portfolio and other environmental changes.

To enable users to select the optimal cloud for their needs, we are promoting the development of a multi-cloud environment. By integrating various business applications on the multi-cloud platform and constructing workflows, we aim to contribute to increased operational productivity through standardizing and automating our business processes. Furthermore, under the policies of "cloud-first" and "asset-light," we are encouraging a mindset shift among employees to quickly master advanced technologies without waiting for the development of IT assets.

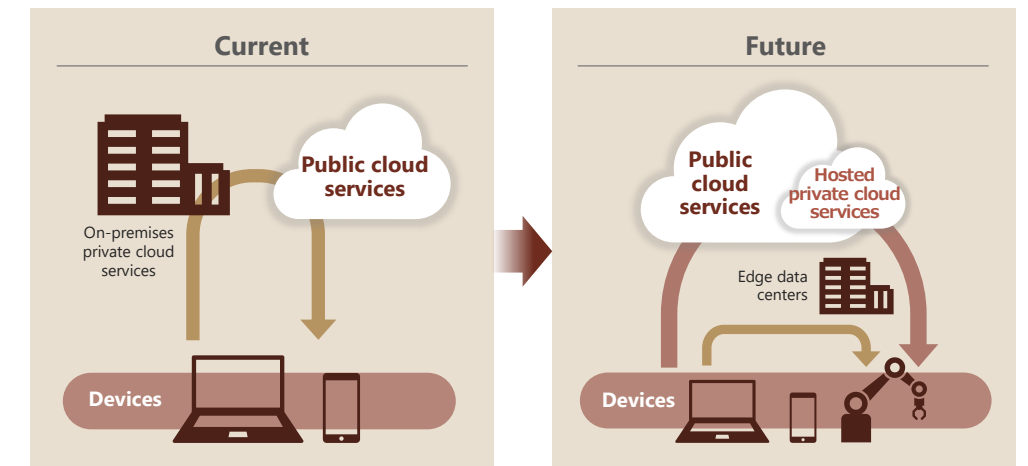


1 CPS: Cyber Physical System # 2 AR: Augmented Reality # 3 VR: Virtual Reality

Edge strategy

To accelerate DX in development environments and at manufacturing sites, we provide a platform that seamlessly connects edge devices such as PCs, smart devices, and IoT devices with the cloud. To enable cloud usage and secure inter-site communication from business environments such as R&D or production and manufacturing, we establish secure virtual networks on the internet tailored for each business unit, realizing an optimal network adapted to zero trust.

Moreover, with the spread of 5G communication and the utilization of CPS^{#1}, as well as AR^{#2}/VR^{#3} and visualization for real-time processing, **we are considering infrastructure improvements such as 5G environments and the use of low-latency edge data centers.**



Enhancing Security through the Provision of Device Sets

By developing device sets equipped with features such as automated device procurement, automated kitting, and network connection restrictions, we aim to enhance security further by globally deploying devices and software that comply with Hitachi Group's security standards.

Enhanced security through device procurement and automated kitting

We aim to enhance security and standardization by globally deploying a system that automatically kits devices and software in a manner compliant with Hitachi's security standards, ensuring that Hitachi Group employees can work securely and confidently without worrying about security threats.

Previously, each company was required to handle the detection, notification, and individual responses to vulnerabilities if end users continued using devices in risky conditions. The new system under development restricts device connections to networks prone to security incidents. This allows employees to work without concerns about security risks.

Enhanced security through global unified management and operational support

To ensure that Hitachi Group employees can engage in their work with peace of mind even when transferred between workplaces or sites, we aim to consolidate and globally manage the detection and mitigation of security vulnerabilities. Previously such tasks were handled individually by each company's IT department.

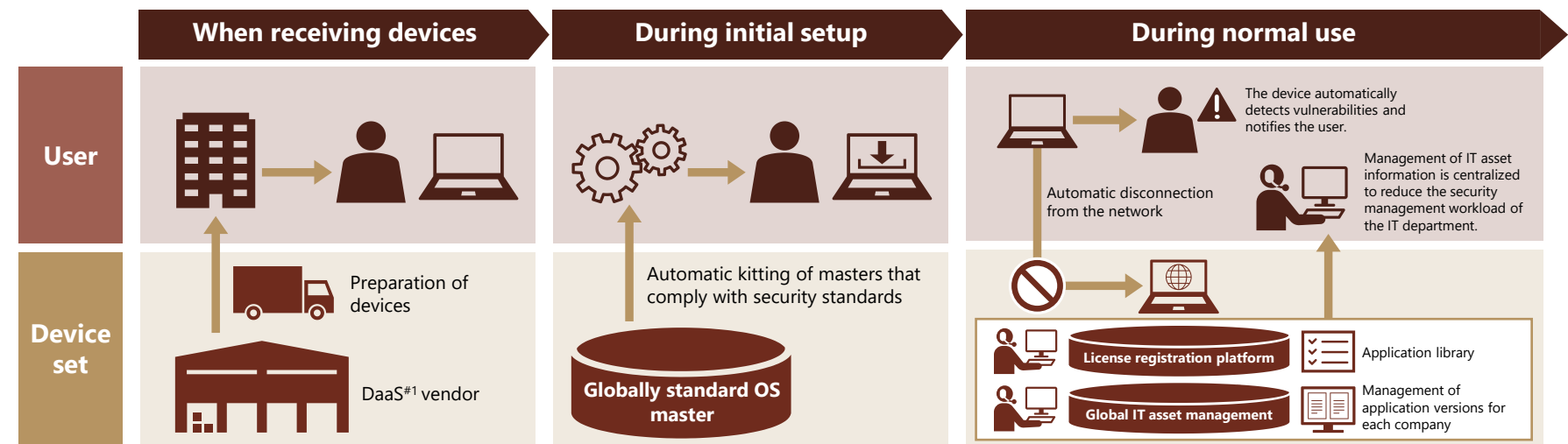
By providing globally unified security services, we are standardizing security levels across all companies to prevent the occurrence of security incidents.

If an information security incident occurs or there is a risk of such an incident, we check the usage status of the applications with vulnerabilities and take corrective measures to prevent the applications from starting.

1 Next-Generation Architecture

2 Cloud and Edge Strategy

3 Security Enhancements



1 DaaS: Device as a Service

1 IT Rules and Standards

2 Initiatives to Enhance IT Controls

3 IT-BCP

4 IT-PMI

IT Governance

Throughout the entire Hitachi Group, including companies in business reorganizations and companies integrated as a result of M&As, we are working to ensure compliance and business continuity for internal IT. To respond to the risk of information leaks and increasing cyberattacks, as well as to ensure proper use of software, we are continuing our efforts to strengthen our IT controls.

Establishing IT Rules and Standards

Aiming to reduce internal IT risks, we have established requirements for IT controls and IT architecture for BUs and Hitachi Group companies as IT rules and standards to achieve information security, IT compliance, and business continuity.

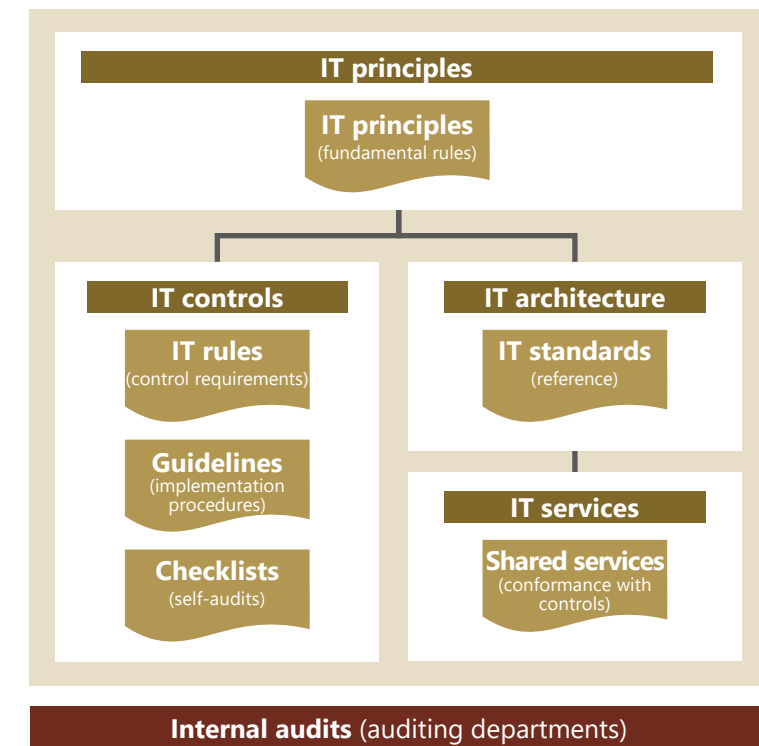
Ensuring IT governance throughout the entire Hitachi Group

When supporting global business with company-internal IT, it is essential to ensure requirements (such as information security, IT compliance, and business continuity) while reducing IT risks and costs. The Hitachi Group has BUs and Hitachi Group companies worldwide in various industries and their scale varies. To implement governance in these BUs and Hitachi Group companies, it is important to define consistent and acceptable requirements.

Therefore, we established IT principles as universal rules that can be adopted by the IT departments of all BUs and Hitachi Group companies, regardless of region, industry, or scale. In addition, we also established requirements for IT controls with a focus on IT risk measures, and an IT architecture for IT standardization as IT rules and standards, etc. used in common in the Hitachi Group.

Additionally, we have established and are operating the Hitachi Group IT Control Framework to ensure IT governance throughout the Hitachi Group, including the provision of IT services in accordance with the standards and confirmation through internal audits.

Hitachi Group IT controls framework



1 IT Rules and Standards

2 Initiatives to Enhance IT Controls

3 IT-BCP

4 IT-PMI

Thorough Compliance with IT Controls

Throughout the entire Hitachi Group, including companies resulting from business reorganizations and companies that have been integrated as a result of M&As, we are working to ensure information security, IT compliance, and business continuity for internal IT, and are encouraging the standardization and sharing of IT.

We are engaged in a thorough application of IT controls, by establishing IT rules and standards as well as by performing self-diagnostics and internal audits.

Self-diagnostic
implementation rate

99%

From the percentage of self-diagnostic results submitted regarding IT controls for FY 2023 (BUs and Hitachi Group companies)

1 IT Rules and Standards

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Promoting compliance with IT controls

To reduce company-internal IT risks, we request that BUs and Hitachi Group companies comply with IT rules that stipulate essential requirements for IT controls. These rules focus on information security, IT compliance, and business continuity. To promote compliance, we created self-inspection checklists to verify the status of compliance with IT rules and guidelines, and introduced a system that requires BUs and Hitachi Group companies to periodically self-inspect their own IT and to take corrective action. Furthermore, if company-internal audits conducted by the auditing department detect any deficiencies, the BU or Hitachi Group companies is required to make corrections, thereby ensuring thorough IT controls.

Thoroughly implementing the self-inspection system

The self-inspection system is not limited to Hitachi Group companies in Japan, it also applies to Hitachi Group companies outside Japan. **To ensure that the system is thoroughly implemented at BUs and Hitachi Group companies, we clearly defined in advance the target companies for each business group and specified that the business group is responsible for ensuring their subsidiary companies conduct self-inspections.** As a result, the self-inspection implementation rate has remained above 90% since FY 2020. Aiming at an implementation rate of 100%, we are continually enhancing our efforts through cooperation with business group leaders.

Also, **Hitachi provides BUs and Hitachi Group companies with services (such as authentication and antivirus measures) that are necessary for compliance with IT rules and guidelines.** In response to the increase in cyberattacks in recent years, we clarified guidelines on measures against software vulnerabilities that pose particularly high risks, and are providing services that support BUs and Hitachi Group companies in implementing the measures. We are also using these services to help BUs and Hitachi Group companies that find it difficult to take adequate measures on their own to improve their response capabilities.

Responding to business integration resulting from M&A and other events

As business integration through M&A and other events increase, we are strengthening measures to reduce IT risks at an early stage for related BUs and Hitachi Group companies. Particularly, from the above-mentioned self-inspection checklist, we selected and set priority items (such as vulnerability measures) that acquired companies must comply with. We request the parent company of the business group that conducts M&A to ensure that the self-inspection of priority items is performed by the acquired company and, that if any deficiencies are found, corrections are made by a specified deadline.

IT-BCP^{#1} : Supporting Business Continuity through IT

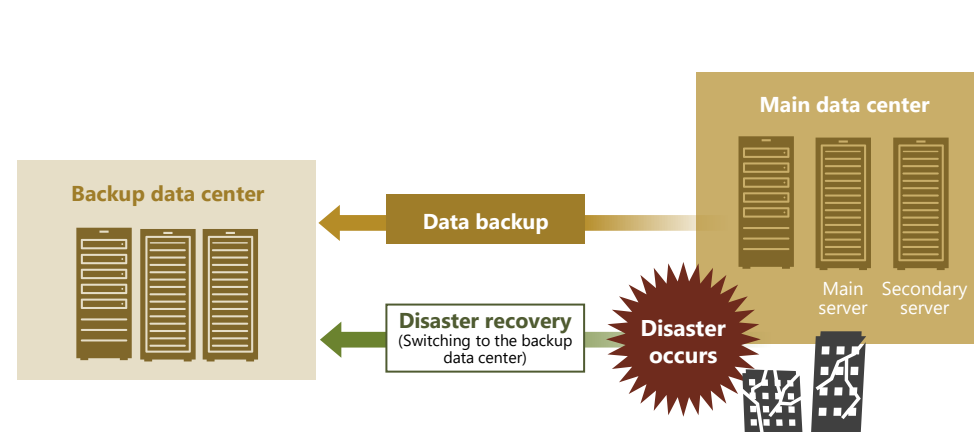
With respect to large-scale earthquakes (such an earthquake is said to have a high probability of occurring in Japan in the near future) and natural disasters arising from global warming, as well as various other kinds of emergencies, such as pandemics and cyberattacks, we are formulating and operating IT-BCPs that enable us to support business continuity for the Hitachi Group through IT.

In addition, we are continually revising our plans so that we will be able to support next-generation IT architecture such as zero-trust security and cloud lift & shift.

Measures against disasters

In preparation for large-scale disasters, **we install and operate our servers in robust data centers, and select clouds that can enable us to continuously provide services if a disaster occurs. Also, we have set recovery time objectives for each service and defined disaster prevention levels accordingly.** In addition, **we are working to preserve data by establishing environments for secondary servers and data backups. For services that are important for business continuity, we have configured systems in multiple data centers and on clouds, and established early recovery mechanisms for disasters.** Also, to prepare for emergency situations, we regularly conduct training in line with the BCP (Business Continuity Plan).

In response to new work styles and the expansion of cloud usage, we established and improved our remote work environment. By using the remote work environment, we are able to continue our business even in the event of a pandemic. In addition, we defined priorities for necessary system operations according to the degree of impact on the social function maintenance business and created operation plans.

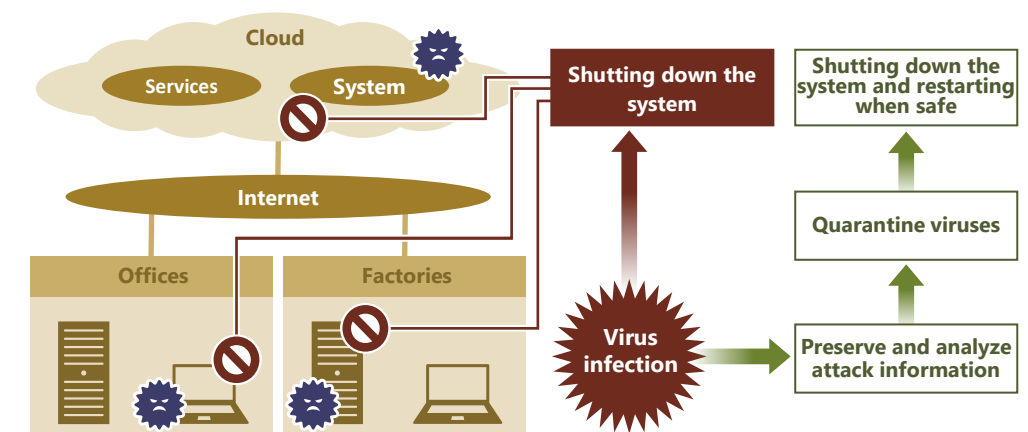


#1 IT-BCP: IT business continuity plan

Measures against cyberattacks

To combat cyberattacks, **we are taking robust security measures by shifting to an architecture based on zero trust security.** In anticipation of cyberattacks such as ransomware, targeted email attacks, worm-type viruses, and unauthorized access to servers open to the public, **we have prepared response methods, from initial action to recovery, that are tailored to each type of attack. For example, these methods include isolating infected systems by shutting down the systems and suppressing the startup of applications, preserving and analyzing attack information, quarantining viruses, and shutting down the systems and restarting them when safe. We are working hard to ensure safe system operation and rapid recovery.**

Furthermore, to firmly establish and improve our BCP, we regularly review our measures, for example, by conducting training in line with anticipated cyberattacks and modernization of our IT infrastructure, and by preparing for new threats.



Promoting Global IT-PMI^{#1}

In preparation for the investment in priority business fields and reorganization of businesses under the Hitachi Group's 2024 Medium-Term Management Plan, we are enhancing the capability to support the integration and partitioning of IT, which will be key points for successful M&A, and are engaged in initiatives to lower risks and increase efficiency via IT-PMI globally.

1 IT Rules and Standards

2 Initiatives to Enhance IT Controls

3 IT-BCP

4 IT-PMI

Reducing risks and improving efficiency via IT-PMI

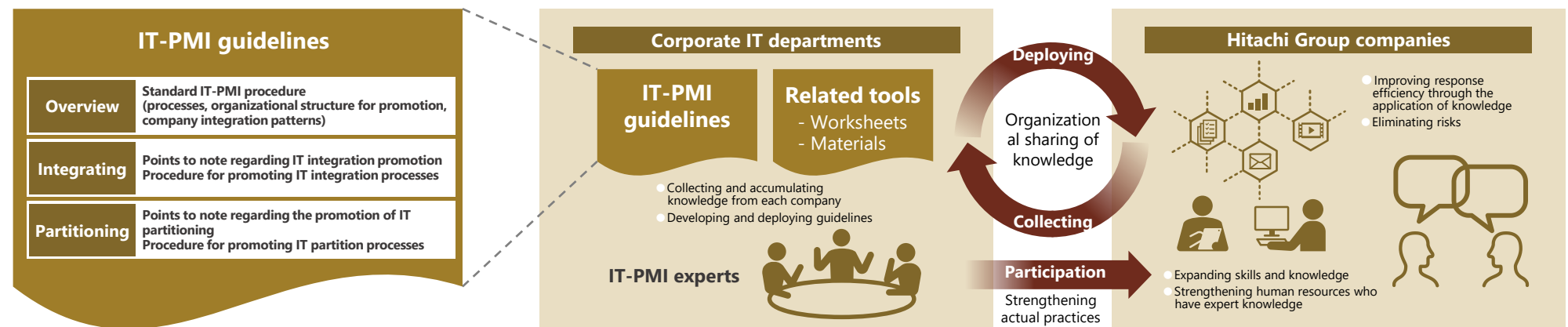
Hitachi Group's IT departments are promoting IT-PMI, which involves IT integration and separation activities associated with business restructuring. In recent years, the Hitachi Group has carried out large-scale global integrations such as the integration with GlobalLogic, as well as divestitures of companies such as Hitachi Transport System, Hitachi Metals, and Hitachi Construction Machinery. Currently, we are conducting IT-PMI for the acquisition of the European railway signaling-related business and are working on smooth and efficient IT integration and separation. **To reduce risks associated with IT-PMI and improve efficiency, the Hitachi Group has adopted IT-PMI guidelines to systematize the processes to be performed as standard.**

Continually expanding the IT-PMI guidelines

Companies newly joining the Hitachi Group are required to comply with Hitachi Group IT regulations and to establish IT management structures immediately after the acquisition is complete. In FY 2023, **we enhanced our security check items in response to increased security risks associated with M&A.** This initiative not only speeds up the IT-PMI process, but also improves the effectiveness of IT-PMI from an IT control perspective.

Enhancing the capability to support IT-PMI projects

To achieve business income and expenditure plans in M&A, it is important to minimize the discrepancy between the planned and actual costs related to IT-PMI. To ensure that all parties involved in M&A have a common understanding, we take steps such as holding IT-PMI briefing sessions both inside and outside Japan. In addition, IT-PMI experts are invited to strategically participate in actual projects to further consolidate skills and knowledge. We are improving our project-support capabilities by enhancing resources.



#1 IT-PMI: IT post-merger integration (IT integration following the merging or acquisition of companies)

Environment and Talent Management

- 1 Environmental Initiatives
- 2 Organizational Structure for Promoting DX
- 3 Personnel Management

Environment and Talent Management

At IT departments, in coordination with the ESG policies of the entire Hitachi Group, we are actively engaging in solutions to problems related to the environmental impact reduction. In addition, we are accelerating the reallocation of IT resources, the training of human resources, and the securing of diverse human resources, promoting the globalization of IT human resources.

Environmental Activities

Hitachi has established "Hitachi Carbon Neutral 2030," which aims to reduce CO₂ emissions to virtually zero by FY 2030. At IT departments, we are continuing and expanding the promotion of "IT operations with low environmental impact" to contribute to company-wide CO₂ reduction activities. We also conducted educational activities aimed at fostering environmental awareness among employees.



1 Environmental Initiatives

2 Organizational Structure for Promoting DX

3 Personnel Management

Promoting IT operations that have a low environmental impact

To achieve the company's environmental goals, our IT departments are focusing on reducing the CO₂ emissions from IT itself. Specifically, **we are continuing and expanding our efforts to achieve carbon neutrality by reviewing the use and operation of IT devices, with the targets of the reviews being [1] data centers and servers and [2] user devices (PCs, monitors, and smartphones).**

[1] Our efforts to reduce the environmental impact of data centers and servers include working on lifting and shifting to the cloud in conjunction with public cloud vendors, as well as promoting energy conservation and the use of renewable energy at Hitachi Group data centers. We have continued to improve the efficiency and reduce the power consumption of servers in our in-house data centers, resulting in a reduction in CO₂ emissions of approximately 65% (compared to FY 2010) in FY 2023.

In addition, as part of our efforts to reduce the environmental impact of user devices (PCs, monitors, and smartphones) [2], we are encouraging users to switch to newer, more eco-friendly device models. To facilitate the switch, newer models of PCs and monitors that come with the right to offset CO₂ emissions over the entire product lifecycle will be provided as an IT service within Hitachi. As for smartphones, encouraging the switch from older models to newer 5G-compatible models will lead to the use of carriers' 5G equipment and base stations, which run on





renewable energy, thereby contributing to a reduction in CO₂ emissions.

We will expand these efforts across the entire Hitachi Group to further increase their effectiveness.

We will investigate the IT devices used by BUs and Hitachi Group companies and provide solutions that support the switch to eco-friendly IT services. This will accelerate efforts to reduce the environmental impact of the Hitachi Group as a whole.

Fostering environmental awareness

To foster environmental awareness, the Corporate IT department also **holds awareness-raising events for all employees [3]**. For example, we use case studies highlighting actions in the office that negatively impact the environment and hold workplace discussions on eco-friendly actions we can take in our everyday lives. Through these events, **we foster environmental awareness among our employees and motivate them to take environmental action.**

Measures		Measures	Goals
1	Reducing the environmental impact of servers and data centers  Servers, data centers	<ul style="list-style-type: none"> Eliminate unnecessary servers Lift/shift servers to a green-energy cloud Conserve energy and use renewable energy at the Hitachi Group's data centers 	Reducing CO₂ emissions <ul style="list-style-type: none"> Reduce unnecessary power consumption Improve energy efficiency through intensified consolidation Curb CO₂ emissions by using renewable energy
		<ul style="list-style-type: none"> Switch to the latest carbon-neutral models Perform PC kitting online 	
2	Reducing the environmental impact of user devices  PCs, monitors  Smartphones	<ul style="list-style-type: none"> Switch to the latest carbon-neutral models 	<ul style="list-style-type: none"> Offset CO₂ emissions throughout each product's lifecycle, from procurement to disposal^{#1} Reduce power consumption at conventional kitting sites
		<ul style="list-style-type: none"> Switch to the latest carbon-neutral models 	
3	Fostering environmental awareness  Grassroots movement	<ul style="list-style-type: none"> At each workplace, hold discussions using environmental case studies Regularly disseminate information related to the environment 	Changing our behaviors to be more eco-friendly <ul style="list-style-type: none"> Create opportunities to learn and think about environment-related information and market trends that can be put into practice in the workplace and in our private lives

#1 Carbon offset: Offsetting your own CO₂ emissions through various methods, such as investing in reforestation or biofuel development businesses or donating an amount comparable to the amount of emissions

Organizational Structure for Promoting DX

In order to contribute to accelerated DX promotion and business growth throughout the entire Hitachi Group, the IT departments are formulating and promoting DX-related policies and strategies; providing expertise, shared platforms, and services; and training digital human resources.

1 Environmental Initiatives

2 Organizational Structure for Promoting DX

3 Personnel Management

Facilitating organic collaboration among IT departments in the Hitachi Group

The Hitachi Group is promoting internal operating reforms and business structural reforms through DX that makes use of AI and digital technologies. Through these activities, **we aim to formulate and implement IT and DX strategies for the Hitachi Group, develop a digital management infrastructure, and create a CoE for IT and DX know-how, while also providing shared IT services and DX solutions to be used around the world.**

Corporate's reform promotion department and IT department will work together to promote digital transformation for the whole company in a top-down manner. By implementing company-wide measures, we can avoid redundant investments within the Hitachi Group and contribute to the efficient horizontal deployment of DX know-how.

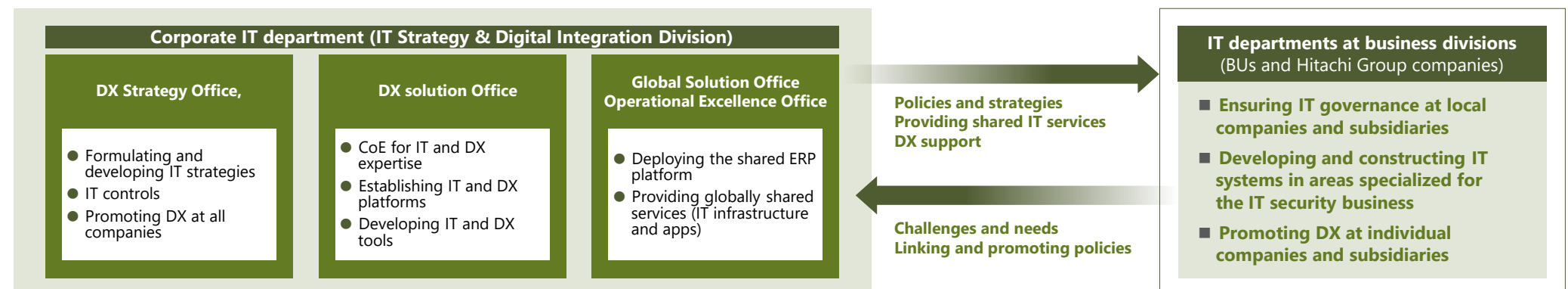
At the same time, IT departments provide support for the challenges and needs of business divisions by providing infrastructure, facilitating analysis, and developing talent, and they work with on-site staff who are familiar with business operations. Through these efforts, the IT departments help promote bottom-up digital transformation.

In addition, we have accumulated DX expertise and know-how (cultivated over the course of various in-house DX projects) in Lumada. Through the sharing of this expertise and know-how and through co-creation projects with customers and business partners, we will provide value to society.

Developing digital talent

To secure digital talent (personnel who drive digital transformation of the Hitachi Group as a whole), we are working to acquire and develop global IT and DX talent, and to improve our technologies and skills. **We are enhancing our talent development through both on-the-job and off-the-job training, for example, by developing specialists through training and certification systems and by rotating personnel inside and outside Japan.**

Furthermore, **we are rolling out multifaceted measures (for example, by disseminating information, offering practical training, and carrying out in-house community activities)** so that all employees can continuously work on the skills and expertise needed to promote digital transformation.



Global IT Human Resources Management

We will train human resources who have the capabilities to contribute via IT to the global business expansion of the Hitachi Group, transforming our IT human resources portfolio.
We will actively promote diversity, aiming to further change how employees think and develop their mindsets.

Percentage of human resources within Japan who handle global matters

About **60** %

Target value for FY 2024

Human resources who handle global matters: Human resources who fall into levels from 1 to 3 in the IT human resources portfolio

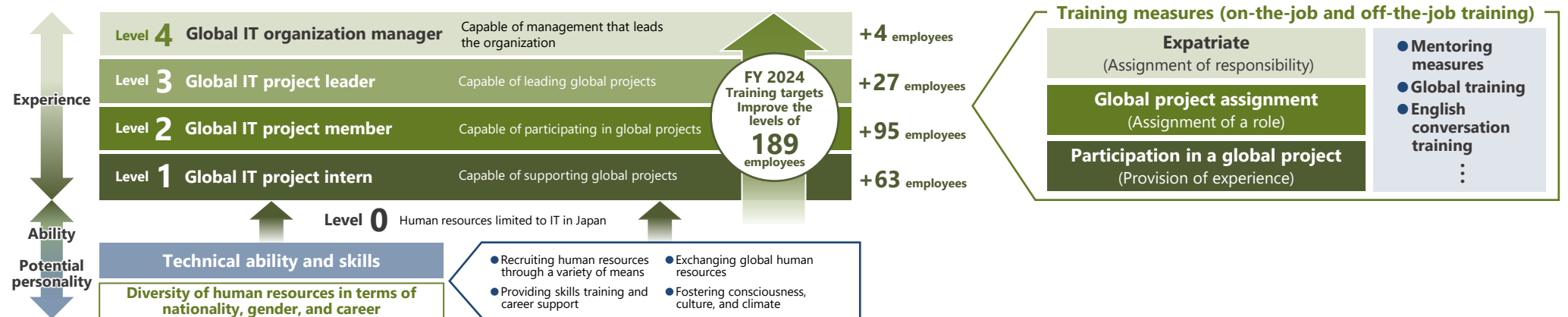
Transforming the IT human resources portfolio

To become global top-level IT departments, we are working to acquire and develop global IT talent, including digital talent, and to improve our skills and technologies. Specifically, to achieve the goals of the Hitachi Group's 2024 IT Medium-Term Plan, we will formulate a To-Be vision for our IT talent, review our IT talent portfolio, support career paths to achieve that vision, and work on strengthening our technological capabilities and skills. We are also cultivating highly skilled IT and DX talent through such projects as the application of generative AI (cutting-edge technology) to business operations. Furthermore, we aim to further strengthen our global response capabilities by having employees working in Japan participate in global IT projects. In FY 2023, we launched the Global IT Talent Development Promotion Team (GITD) and, since then, have been setting KPIs for trainees, creating detailed training plans, and developing global talent through both on-the-job and off-the-job training.

Promoting Diversity, Equity, and Inclusion (DEI)

Promoting DEI is one of the Hitachi Group's management strategies. Our IT departments are also actively engaged in this effort, aiming for sustainable growth for both the company and its employees.

From a medium- to long-term perspective, we aim to diversify our human resources and become an organization that is unbiased in terms of nationality, gender, experience (experience outside the Hitachi Group), and other factors. By communicating more proactively with employees, we will support fair and independent career development and create a culture (awareness and climate) in which diverse human resources can thrive. Starting from FY 2023, we have been appointing people outside Japan to new leadership positions with the aim of strengthening our strategy formulation and decision-making capabilities around the world. In particular, we have been appointing overseas talent to regional CIO and other positions, and actively promoting personnel exchanges with Hitachi Group companies outside Japan. Going forward, we will continue to further accelerate our global businesses while respecting diversity.



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