Sustainability Strategy PLEDGES

By identifying risks and opportunities in business and the impact on society (IRO†), Hitachi has established the KPI/target of the PLEDGES sustainability strategy.

Inspire 2027 aims to contribute to the realization of a Harmonized Society and drive Hitachi's sustainable growth. To deepen our commitment to sustainable management toward this goal, Hitachi has developed a group-wide sustainability strategy, PLEDGES.

† Impact, Risk, Opportunity

Process of Formulating the Sustainability Strategy PLEDGES Sustainability Report ⧉

1 **Created a list of sustainability topics**
Hitachi formulated a list of sustainability topics referring to international standards such as ESRS*1 and SASB*2

2 **Analysis and evaluation of business risks, opportunity and social impact (IRO)**
Using the list created in step 1, Hitachi conducted analysis and evaluation of IRO (business risks/ opportunities and social impact) for each business, taking into account the characteristics of each business and its value chain, based on common group-wide criteria. Based on the results of the analysis and evaluation by BU, Hitachi calculated business risk/opportunity scores and social impact scores for each topic, and visualized the IRO areas that should be prioritized.

3 **Confirmed expectations from external stakeholders**
To validate the relevance of the IRO areas visualized in step 2, Hitachi engaged in dialogue with 10 organizations, including domestic and international investors, international institutions and NGOs, to confirm expectations and requests from external stakeholders.

4 **Deliberation held within management, taking into account management policy and strategy**

5 **PLEDGES was reported to the Senior Executive Committee and approved by the Board of Directors**

PLEDGES organizes seven strategic pillars across the IRO domains that Hitachi should address, and defines the vision, KPIs/targets for each. The first six pillars of Planet, Leadership, Empowerment, Diverse perspectives, Governance and Engagement contain Hitachi's approach and strategies to strengthen Group management foundation for sustainable growth. The final pillar, Sustainability for all, represents Hitachi's commitment to deliver value to society through business activities based on the above six pillars. Starting in fiscal year 2025, certain targets have been incorporated as evaluation indicators for determining short-term and medium- and long-term incentives in executive compensation, reinforcing our commitment to their achievement.

*1 ESRS：European Sustainability Reporting Standards
*2 SASB：Sustainability Accounting Standards Board
*3 All manufacturing sites and non-manufacturing sites in categories A and B are covered
*4 Per gross profit   *5 All manufacturing sites
*6 Ambitious target of 80 points is set, which exceed global competitors (base target is 75 points)
*7 A program to support bottom-up idea proposals and implementation aimed at Hitachi Group employees
*8 At or above the benchmark score established for similarly situated companies utilizing external institute's (Ethisphere) ethical culture and compliance perceptions assessment
*9 Number of recordable injuries per 200,000 work hours
*10 Based on METI Cyber Security Management Guidelines created with reference to globally recognized standards (ISO/IEC 27000 series) and frameworks (NIST Cybersecurity Framework, etc.)

Overview of PLEDGES, KPI/Target for Each Strategy

Strategic Pillars	Aspirations	Included Themes	FY2027 KPIs/Targets		Linked to Executive Compensation
Planet	Lead green transformation (GX) globally to achieve decarbonization	Decarbonization	GHG emissions reduction rate at business sites (factories and offices)*3 (compared to FY2019)	75%	STI
			Number of procurement partners that set GHG reduction plans and targets	700 procurement partners	
			Reduction in GHG emissions intensity through products and services*4 (compared to FY2022)	40%	
		Circular economy	Application rate of environmental conscious design for new product development	100%	
			Waste landfill rate*5	2%	
			Effective utilization rate of plastic waste*5	92.5%	
		Nature Positive	Reduction rate in water use per unit*5 (compared to FY2019)	8.0%	
			Reduction rate of water usage at manufacturing sites located in water-stressed areas	1%	
Leadership	Lead transformation with people who can boldly take on societal issues and pave the way for a brighter future	Human capital acquisition and development, Individual leadership	Number of global leaders who realize growth strategy	1,000 people	
			Number of generative AI professional talents	50,000 people	
			Employee growth mindset score	70 points	LTI
Empowerment	Build a culture that praises learning and encourages challenges and growth	Employee engagement, Organizational culture	Employee engagement score	80 points*6	STI/LTI
			Number of people who receive allotment of Restricted Stock Unit	1,500 people	
			Number of people eligible for Employee Stock Purchase Plan globally	150,000 people	
Diverse perspectives	Drive innovation by maximizing capabilities and performance of diverse talents	Inclusive workplace and opportunities for all	Realize innovative ideas through the new "Make a Difference!" program*7		
Governance	Build a resilient foundation with safety and ethics as a priority	Business ethics and compliance	Ethical culture and compliance perceptions assessment score	85 points*8	
		Health and safety	Total recordable injury frequency rate*9	0.1 or lower	STI
			Number of fatal incidents	0	
		Quality and product safety	Executive participation rate (including Hitachi executives and business site senior management) in review sessions for product-related incidents (OCHIBO-HIROI)	100%	
		Information security	Ensure and enhance information security by implementing measures based on the annual cybersecurity score Monitoring*10		
		AI governance	Implement risk management for applying AI to products, services and systems		
		Risk management	Strengthen process and talent of our global operation to foster effective risk management for growth		
Engagement	Build a sustainable value chain along with stakeholders	Sustainable procurement	Number of procurement partners taking action on environment and human rights (compared to FY2024)	1.5 times (6,000+ procurement partners)	STI
		Human rights	Work to remediate the specific human rights risks identified		
Sustainability for all	Accelerate value delivery to society and Hitachi's sustainable growth through PLEDGE	Delivering Value to society	Avoided emissions from the use of products and service per year (FY2025–FY2027 average)	100 million tons/year	
			Revenues of products, services and solutions contributing to GX per year (FY2025–FY2027 average)	¥4.6 trillion/year	