Sustainability Strategy

In this section

Hitachi Group sustainability strategy—PLEDGES

In its management plan Inspire 2027, the Hitachi Group has set forth a vision of contributing to the realization of a harmonized society where the environment, wellbeing, and economic growth are in balance, while also achieving sustainable growth. To advance the realization of this vision and deepen its sustainable management, Hitachi has formulated a new sustainability strategy framework PLEDGES under the Inspire 2027 plan.

Deepening sustainable management

Guided by its founding corporate philosophy to contribute to society through the development of superior, original technology and products, the Hitachi Group has spent more than 115 years working to solve the challenges facing society. This philosophy also underpins the Inspire 2027 plan, through which Hitachi aims to create greater value for society and enhance corporate value by leveraging its strengths in IT, OT, and products more than ever before. As the Group moves toward the next stage of sustainable growth, it has formulated the sustainability strategy PLEDGES, a Group-wide initiative that places sustainability at the core of its business strategy and aims to deepen sustainable management.

Process of formulating the sustainability strategy PLEDGES

STEP 1 **Creating a list of sustainability topics**
Taking into account the business environment surrounding Hitachi and the broader social context related to sustainability, a list of sustainability topics was created with reference to international sustainability standards such as the European Sustainability Reporting Standards (ESRS) and the Sustainability Accounting Standards Board (SASB).

STEP 2 **Analysis and assessment of business risks/ opportunities and social impact (IRO)**
Using the list of sustainability topics, each business unit (BU) analyzed and assessed the risks and opportunities specific to their business characteristics and value chains, as well as the potential social impacts of Hitachi's business activities, based on Group-wide standards. Based on the analysis and evaluation results from BUs, business risk/ opportunity and social impact scores were calculated for each topic, visualizing the IRO areas that the Hitachi Group should prioritize.

STEP 3 **Confirming stakeholder expectations and requests**
To validate the appropriateness of the IRO areas identified through analysis and evaluation by the business units, dialogues were conducted with 10 domestic and international groups, including institutional investors, international organizations, and NGOs. These discussions helped confirm stakeholder expectations and requests, as well as identify any perspectives that may have been overlooked during the evaluation process.

STEP 4 **Discussions by senior management**
From a medium- to long-term perspective grounded in the Hitachi Group's management policies and strategies, discussions were held by senior management, including the President & CEO, Chief Sustainability Officer, and Chief Risk Management Officer.

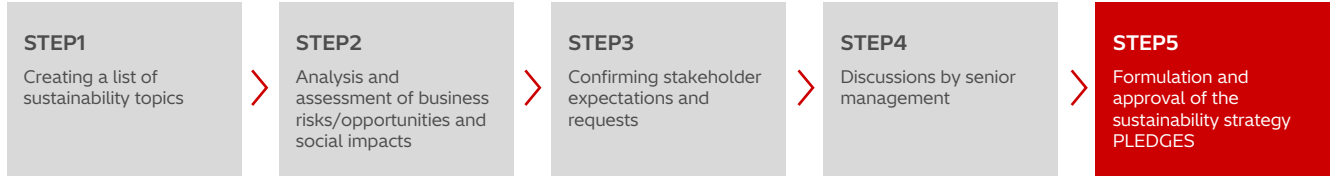**STEP 5** **Formulation and approval of the sustainability strategy PLEDGES**
The IRO areas were organized into seven strategic pillars—Planet, Leadership, Empowerment, Diverse perspectives, Governance, Engagement, and Sustainability for all. For each pillar, our aspirations and KPIs/targets were defined. The resulting framework was reported to and approved by the Senior Executive Committee and the Board of Directors as the Hitachi Group's sustainability strategy, PLEDGES, under the Inspire 2027 plan.

Approach for identifying IRO areas the Hitachi Group needs to address

IRO areas included in the sustainability strategy PLEDGES

Impact on society (vertical axis)
Impact of risks/opportunities on business (horizontal axis)

IRO analysis and assessment standards

	Evaluation criteria	Definition
Risks / Opportunities	Magnitude	The degree of impact on the company when a risk or opportunity event occurs in its business
	Likelihood	The likelihood of a risk or opportunity event occurring in the business
Impact on society	Scale	The degree of positive or negative impact on society when such an impact occurs
	Scope	The extent of scope of the positive or negative impact on society when such an impact occurs
	Irremediable	The degree to which a negative impact on society can be remedied if it occurs
	Likelihood	The likelihood of a positive or negative impact on society occurring

STEP1
Creating a list of sustainability topics

STEP2
Analysis and assessment of business risks/opportunities and social impacts

STEP3
Confirming stakeholder expectations and requests

STEP4
Discussions by senior management

STEP5
Formulation and approval of the sustainability strategy PLEDGES

Areas of business risks/opportunities and social impacts

Themes	IRO areas		Time horizon	Value chain
Decarbonization	Risk	**Risk of deteriorating earnings due to strengthened climate change regulations (policies and legal regulations)** If regulations are strengthened in various countries, such as the introduction of carbon pricing including carbon taxes, business costs may increase.	Short to long term	Own operation
	Risk	**Risk of reputational damage if perceived as lacking commitment to climate change (market/reputation)** Hitachi sets and regularly updates targets related to climate change, but there is a risk that these targets may not be achieved. There is also a risk that if the company's disclosure activities—such as reporting in sustainability reports—deteriorate or cease, its corporate reputation in the market will decline.	Short to long term	Own operation
	Risk	**Risk of deteriorating earnings due to physical risks from climate change** Weather-related disasters believed to be caused by climate change—such as intensifying typhoons and floods (acute risks) or long-term temperature rises and heat waves (chronic risks)—could result in business interruptions or delays in procurement due to disruptions in the supply chain.	Short to long term	Upstream, own operation, downstream
	Opportunity	**Business opportunities through products and solutions that contribute to climate change mitigation and adaptation** There is potential to expand business opportunities by increasing the provision of innovative products and services expected to contribute to climate change mitigation and adaptation.	Short term	Upstream, own operation, downstream
	Social impact (Positive)	**Contributing to society-wide climate change mitigation and adaptation** Through various initiatives toward green transformation (GX)—including providing environmentally conscious products and services, fostering energy transitions toward decarbonization, offering safe, comfortable, and clean means of transportation, and improving system efficiency and utilization rates through digital technologies— Hitachi can advance decarbonization across the entire value chain, potentially contributing to society's climate change mitigation and adaptation.	Short term	Upstream, own operation, downstream
	Social impact (Negative)	**Acceleration of society-wide climate change** Many of Hitachi's products provide value to customers through energy use, which in aggregate results in high GHG emissions during product use. These emissions may be a contributing factor to global climate change. If GHG emissions across the value chain, including those generated during product use, are not reduced, climate change could accelerate further.	Short term	Downstream

Themes	IRO areas		Time horizon	Value chain
Circular economy	Opportunity	**Potential to expand business opportunities through environmentally and life-cycle-conscious products/solutions** There is potential to expand business opportunities by offering products and solutions designed with environmental and life-cycle considerations, such as extending product lifespans and expanding recurring business models.	Medium term	Own operation, downstream
	Social impact (Negative)	**Depletion of society's resources** If the transition to a circular economy is not advanced through transformations in product design, procurement, and overall business models, it could lead to resource depletion.	Medium term	Upstream, own operation, downstream
Nature positive	Social impact (Negative)	**Ecosystem degradation due to climate change and water use** Acceleration of climate change, discharges into aquatic environments, and other negative impacts on natural capital could lead to ecosystem degradation.	Long term	Upstream, own operation, downstream
Human capital acquisition and development, Individual leadership	Opportunity	**Expanding business opportunities through appropriate talent development and recruitment** By developing and acquiring talent in line with business strategies, Hitachi can potentially drive business growth through innovation, creation of new business opportunities, development of products and services, and increased production volumes (e.g., training generative AI professionals).	Short to medium term	Own operation
Employee engagement, Organizational culture	Opportunity	**Expanding business opportunities through enhanced employee engagement** Higher employee engagement can lead to increased productivity and enhanced corporate brand value, which in turn can attract more talent and potentially drive business growth.	Short term	Own operation
Inclusive workplace and opportunities for all	Opportunity	**Expanding business opportunities through leveraging diverse perspectives** By fully utilizing the diverse backgrounds, perspectives, and expertise of a diverse workforce, Hitachi can foster innovation driven by new ideas, acquire opportunities for new businesses, and potentially drive business growth.	Short term	Own operation

Climate-related financial information disclosure (based on TCFD recommendations)

Themes	IRO areas		Time horizon	Value chain
Health and safety	Risk	**Financial burden and loss of social credibility due to insufficient safety management** If occupational incidents occur because safety management for employees and contractors is not thoroughly implemented, it could not only cause a decline in productivity and loss of business opportunities, resulting in a financial burden for the company, but also lead to a loss of social credibility.	Short term	Own operation
	Social impact (Negative)	**Impact on the health and safety of people working in the value chain** If high-risk tasks involving hazards such as electric shocks, working at heights, heavy loads, oxygen deficiency, toxic gases, or fires are not properly managed, or if training is inadequate, it could pose safety risks to employees, contractors, and others working in the value chain, as well as potentially cause mental and physical health issues.	Short term	Upstream, own operation, downstream
Human rights	Risk	**Loss of reputation and business opportunities due to insufficient respect for human rights** If human rights issues, such as labor problems or harassment, occur within the company, among procurement partners, or among business partners in the value chain, there are risks of supply chain disruptions and other procurement risks, lawsuits/fines, reputational damage, and loss of business opportunities.	Medium term	Upstream, own operation, downstream
	Social impact (Negative)	**Human rights violations affecting people involved in the value chain** If appropriate human rights due diligence (HRDD) processes are not implemented, or if responses to identified human rights issues are inadequate, it could lead to the occurrence or continuation of human rights violations against stakeholders such as suppliers, employees, business partners, and local communities.	Short term	Upstream, own operation, downstream
Sustainable procurement	Risk	**Reputation and supply risks due to inadequate supply chain management** If procurement is conducted from partners who do not consider human rights, the environment, or compliance, and appropriate investigation or action is not taken, it could lead to reputational damage and hinder stable procurement.	Short term	Upstream, own operation
	Risk	**Risk of deteriorating earnings due to insufficient supply chain resilience** Progress in protectionist policies and economic bloc formation in various countries and regions, the expansion of import/export restrictions, the occurrence of large-scale disasters, and increasing economic uncertainty pose risks of supply chain disruptions and rising procurement costs.	Short term	Upstream, own operation, downstream
	Social impact (Negative)	**Expansion of human rights violations and exacerbation of environmental impacts** If responsible procurement is neglected, it could lead to the expansion of human rights violations affecting workers at suppliers and other entities in the value chain, as well as an increase in environmental impacts.	Short term	Upstream, own operation, downstream

Themes	IRO areas		Time horizon	Value chain
Information security	Risk	**Business interruption and reputational damage due to increasingly sophisticated and advanced cyberattacks** If increasingly sophisticated and advanced cyberattacks result in system shutdowns or the theft/destruction of information, there is a risk of business interruption and reputational damage.	Short to medium term	Upstream, own operation, downstream
	Social impact (Negative)	**Abuse of personal information and suspension of critical infrastructure services** In Hitachi's businesses that support various aspects of social infrastructure, cyberattacks on its own systems or on the products and services it provides could result in information leaks or system shutdowns, potentially leading to the abuse of personal information or the suspension of critical infrastructure services, thereby undermining public safety and security.	Medium term	Own operation, downstream
AI governance	Risk	**Deterioration of earnings and loss of business opportunities due to inadequate governance in AI utilization** If governance structure and risk management of AI utilization to address regulatory compliance are not implemented, there is a possibility of reputational damage and fines due to AI incidents. Furthermore, it may become a factor of impeding productivity, which may lead to loss of business opportunities.	Short to medium term	Own operation
Business ethics and compliance	Risk	**Reputational damage and deterioration of earnings due to insufficient enforcement of business ethics** Acts that deviate from international norms and ethics—including bribery, violations of anti-corruption measures, and breaches of competition law—pose risks such as loss of stakeholder trust and other reputational risks, litigation risks, deterioration of earnings due to fines, and loss of business opportunities through exclusion from investment or trading partner consideration.	Short to medium term	Own operation
Quality and product safety	Risk	**Risk of deteriorating earnings due to product/solution quality and safety** If issues arise with quality or product safety, there are risks of incurring costs associated with remedial actions, reputational damage, and loss of business opportunities.	Medium term	Own operation, downstream

Hitachi Group sustainability strategy framework—PLEDGES

Based on the analysis and assessment of business risks, opportunities, and social impacts, Hitachi has formulated its sustainability strategy PLEDGES, under the management plan Inspire 2027. For each strategic pillar, we have defined our aspirations, KPIs and targets, and are working to advance sustainable management.

PLEDGES

Strategic pillars	Aspirations	Included themes	FY2027 KPI/target	
Planet	Lead green transformation (GX) globally to achieve decarbonization	Decarbonization	GHG emissions reduction rate at business sites (factories and offices)*1 (compared to FY2019)	75%
			Number of procurement partners that set GHG reduction plans and targets	700 procurement partners
			Reduction in GHG emissions intensity rate through products and services*2 (compared to FY2022)	40%
		Circular economy	Application rate of environmental conscious design for new product development	100%
			Waste landfill rate*3	2%
			Effective utilization rate of plastic waste*3	92.5%
		Nature positive	Reduction rate in water use per unit*3 (compared to FY2019)	8%
			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
Empowerment	Build a culture that praises learning and encourages challenges and growth	Employee engagement, Organizational culture	Employee engagement score	80 points*4
			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*5	

Strategic pillars	Aspirations	Included themes	FY2027 KPI/target	
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*6
		Health and safety	Total recordable injury frequency rate*7	0.1 or lower
			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*8	
		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)
		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 services per year (FY2025–FY2027 average)	100 million tons/year
			Revenue of products, services, and solutions contributing to GX per year (FY2025–FY2027 average)	4.6 trillion JPY/year

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

Linking executive compensation to the sustainability strategy

At Hitachi, the Compensation Committee, composed of a majority of independent external directors, determines the policy for the compensation of directors and executive officers, as well as the individual compensation details and amounts based on that policy.

Starting in fiscal 2023, to strengthen sustainable management and enhance corporate value, the weighting of sustainability targets in short-term incentive compensation (STI) was set at 20%. In addition, for long-term incentive compensation (LTI), if sustainability targets are achieved, additional shares equivalent to 10% of the standard amount are granted.

From fiscal 2025, selected KPIs and targets from the newly formulated sustainability strategy PLEDGES have also been incorporated into the evaluation of executive compensation to further enhance its implementation.

Contributing to the SDGs

Through corporate management based on the sustainability strategy PLEDGES, Hitachi aims to advance its Social Innovation Business and contribute to the realization of a harmonized society where the environment, wellbeing, and economic growth are in balance, while also addressing a wide range of global social issues outlined in the Sustainable Development Goals (SDGs). We have identified specific SDG targets to which we can contribute most significantly through business activities with

PLEDGES as the foundation, under the management plan, Inspire 2027. Through our active involvement across a broad range of business fields, we believe we can contribute extensively to the achievement of SDGs beyond the goals identified, and we will strive to contribute to the achievement of all 17 SDGs.

Sustainability evaluation indicators linked to executive compensation

PLEDGES Strategic pillars	KPI	Link to executive compensation	FY2027 targets
Planet	GHG emission reduction rate at business sites (factories and offices) (compared to FY2019)	STI	75%
Leadership	Employee growth mindset score	LTI	70 points
Empowerment	Employee engagement score	STI / LTI	80 points[1]
Governance	Total recordable injury frequency rate (TRIFR)	STI	0.1 or less
	Number of fatal incidents		Zero
Engagement	Number of procurement partners taking action on environment and human rights (compared to FY2024)	STI	1.5 times

[1] Ambitious target of 80 points is set, which exceeds global competitors (base target is 75 points)

🔖 **Director and executive officer compensation**

**SDG targets to which Hitachi contributes through its business activities**

Sustainability and financial performance

To advance sustainable management, it is essential to identify how sustainability initiatives impact financial performance and to explore possible future directions. Based on this approach, Hitachi conducts financial influence analysis to assess how changes in sustainability initiatives and indicators relate to financial metrics. Building on these results, we are using AI to run future scenario simulations for management.

These analysis outcomes were referenced in the formulation of the sustainability strategy PLEDGES and are being utilized to inform various sustainability initiatives.

Analyzing the relation between sustainability and financial performance
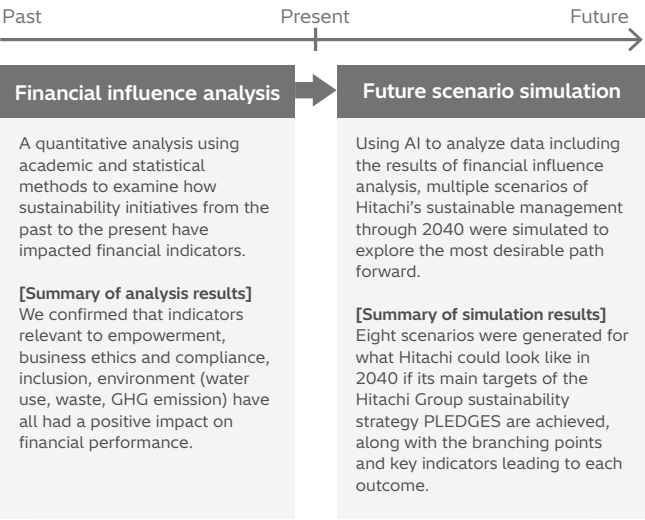
Financial influence analysis

The financial influence analysis model was jointly developed by Hitachi, the Isagawa Laboratory, and Kazuo Yamada Laboratory at Kyoto University. It is a method designed to clarify how sustainability initiatives affect financial indicators. Using this method, Hitachi analyzed ESG and financial data spanning approximately the past 3 to 10 years. The results quantitatively demonstrated that sustainability initiatives have a positive impact on financial performance. These findings were utilized in the formulation of the sustainability strategy PLEDGES.

🖥 **ESG-Financial indicators analysis based on causal hypothesis graphs**

🖥 **Development of ESG measure simulator for predicting impact on financial indicators**

🚩 **Hitachi Group sustainability strategy framework— PLEDGES**

Financial influence analysis results

Impact of sustainability initiatives on financial performance

Results from the financial influence analysis confirmed that several ESG-related indicators contribute to financial performance. We confirmed positive correlation between revenue and indicators of empowerment, cost and business ethics, and ROA and indicators of inclusion. In addition, environmental initiatives such as reduction in water use, waste and GHG emissions, as well as efforts to fosster diversity, were found to contribute to a reduction in capital costs (WACC).

Future scenario simulation

Hitachi conducted simulations of management scenarios for the year 2040, assuming the achievement of certain PLEDGES indicators. These simulations were performed using an AI simulator developed by Hitachi that incorporated the results of the financial influence analysis as well as external sustainability-related factors such as social trends.

The simulation generated eight potential scenarios for Hitachi's business in 2040 following the successful attainment of key PLEDGES targets. It also identified the decision points that lead to each scenario and the strategic actions required at those points. While the ultimate choice of the scenario rests with management and external conditions will continue to evolve, Hitachi plans to carry out ongoing simulations and explore the use of AI to support managerial decision-making.

Although forecasting an uncertain future is inherently difficult, combining AI-driven simulations with human experience and judgment will enable Hitachi to further advance sustainable management.

Overview of future scenario simulation
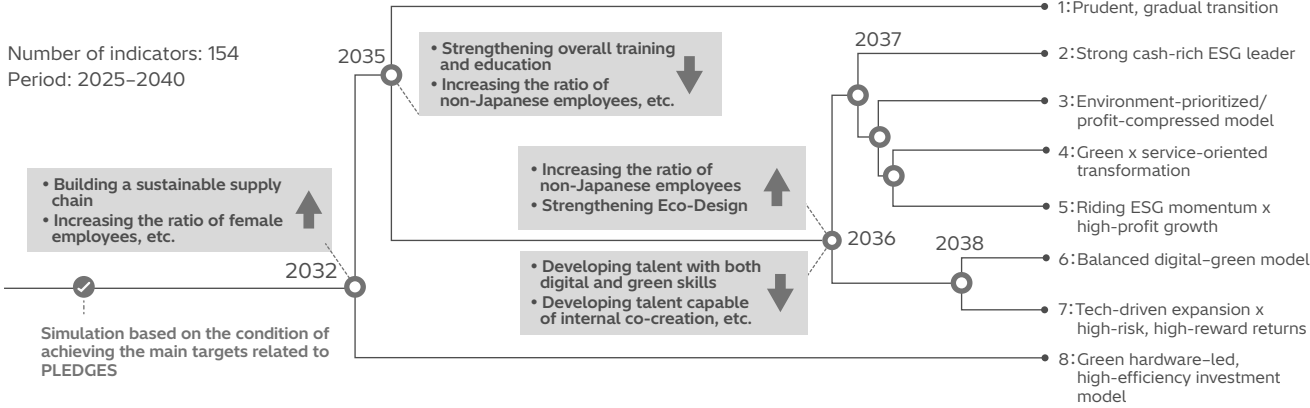
Sustainability strategy management structure

Establish a structure to foster sustainability

Under the leadership of Chief Sustainability Officer, Lorena Dellagiovanna, Hitachi engages in sustainability initiatives on a Group-wide basis. The Senior Executive Committee deliberates and makes decisions on important sustainability issues. These issues are submitted to the Board of Directors as needed.

The Committee deliberates and decides on important managerial matters, including the following strategies:

- Growth strategies and global (regional) strategies: Matters relating to management strategies for each business and region necessary for Hitachi's growth.
- Risk management strategies: Matters needed to strengthen the Company's management base linked to growth strategies through a unified and horizontal understanding of risks across the entire Hitachi globally.
- Human resources strategies: Matters needed to foster an organization and culture aimed at the growth of Hitachi, and to secure and cultivate human resources.
- Other strategies including sustainability strategies relating to the Hitachi Group globally.

By formulating and executing various strategies in an integrated manner as One Hitachi, we aim to further enhance our corporate value and achieve sustainable growth.

As a company with a Nominating Committee, etc., Hitachi has an Audit Committee composed of independent directors that conduct an annual audit of sustainability related operations. Reports on important sustainability issues are made to the Committee by the executive officers responsible.

## Toward further integration of sustainability and business

Starting in fiscal 2025, Hitachi is enhancing the further integration of sustainability into our business operations. As part of this initiative, sustainability leaders have been appointed from each of its four sectors—Digital Systems & Services, Energy, Mobility, and Connective Industries—as well as from Strategic Social Innovation Business (SIB) business unit (BU).

Committees for fostering the sustainability strategy PLEDGES

We foster sustainability practices throughout the entire Group under the leadership of the Chief Sustainability Officer. We hold the Sustainability Promotion Meeting once or twice a year to discuss important sustainability initiatives and share information. The meeting is chaired by the Chief Sustainability Officer. The other members are the heads of the business promotion divisions of each BU and major group companies, and the Sustainability Officers of regional headquarters.

In addition, for sustainability themes that are under the sustainability strategy PLEDGES, such as environment, human capital, human rights, health and safety, business ethics, sustainable procurement, quality and product safety, etc. we set individual meeting bodies consisting of responsible staff at BUs and major group companies as part of cross-organizational activities in Hitachi. Through Group-wide discussions and information sharing, these initiatives are advanced throughout the entire Hitachi Group.

Governance structure for fostering the sustainability strategy PLEDGES
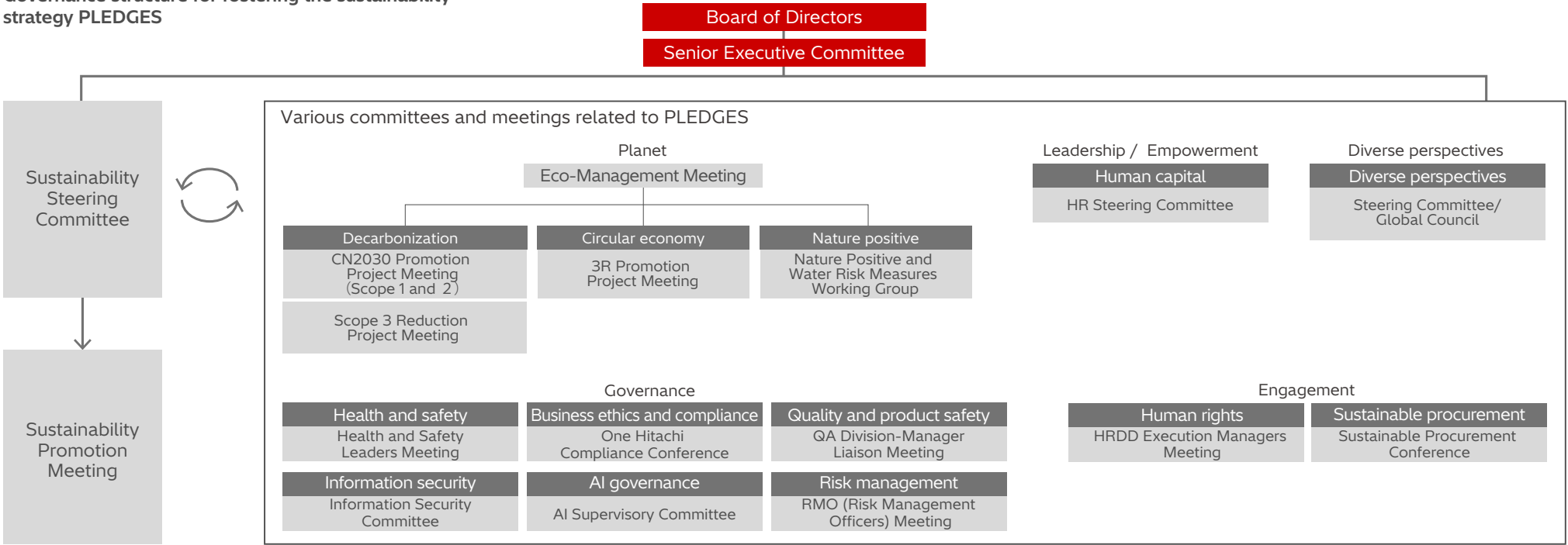
Overview of sustainability related conference bodies

Strategic Pillars	Meeting	Attendees	Purpose	Frequency
PLEDGS Overall	Sustainability Steering Committee	Chief Sustainability Officer and the Sustainability Officers of each Sector and BU	Discussions on the measures necessary to implement the sustainability strategy PLEDGES across the entire Group, as well as on current issues and response	Every quarter
	Sustainability Promotion Meeting	Chief Sustainability Officer, Business promotion division heads at BUs and major Group companies and RVHQ Sustainability Officers	Deliberation and information sharing related to material sustainability initiatives	Once or twice per year
Planet	Eco-Management Meeting	Heads of Business promotion/Environment-related/MONOZUKURI (production)/Procurement divisions from BUs and major Group companies	Deliberation, planning, and implementation of action plans (environmental action plans) to achieve Hitachi's environmental long-term goals	Every half-year
	CN2030 Promotion Project Meeting (Scope 1 and 2)	Heads and members of Environment-related/MONOZUKURI (production) divisions from BUs and major Group companies	Monitoring and discussion of measures to accelerate implementation focused on Scope 1 and 2 emissions reduction	Every half-year
	Scope 3 Reduction Project Meeting	Heads and members of Environment-related/MONOZUKURI (production) divisions from BUs and major Group companies; major sustainable procurement members at BUs and major Group companies	Monitoring and discussion of measures to accelerate implementation focused on Scope 3 emissions reduction	Every half-year
	3R Promotion Project Meeting	Heads and members of Environment-related/MONOZUKURI (production) divisions from BUs and major Group companies	Promotion of actions for 3R activities toward realizing CE	Every quarter
	Nature Positive and Water Risk Measures Working Group	Heads and members of Environment-related divisions from BUs and major Group companies	Monitoring and discussion of measures focused on nature-positive initiatives and water risks	Every half-year
Leadership/Empowerment	HR Steering Committee	CHRO, Deputy CHROs, Global HR leaders and Business HR leaders (Sector CHROs)	Discussion and decision-making on Human Capital Strategy and HR key initiative	Once per two months
Diverse perspectives	Steering Committee	Sector CDEIOs and Global HR CoE (Center of Excellence) Head	Set the strategy to leverage diverse perspectives through inclusive culture and merit-based processes that ensure equal opportunities for all	Every quarter
	Global Council	Leaders responsible for inclusion from BUs and major Group companies	Implement policies and initiatives for leveraging diversity and share best practices	Every month
Governance	Health and Safety Leaders Meeting	Individuals responsible for health and safety at BUs, major Group companies (CHRO, officer in charge of health and safety)	Instruct and communicate health and safety activity policies and measures and confirm progress Share the details of important incidents related to health and safety, and discuss measures to ensure the prevention of recurrence	Once per two months
	QA Division-Manager Liaison Meeting	Heads of the quality assurance divisions at BUs and major Group companies	Discuss and develop shared Hitachi Group quality improvement activity policies and measures for products and services	Every quarter
	Information Security Committee	CD&SO, Information Security Audit Officer, Information Security Training Officer, and Representatives of BUs, business sites, and Corporate Departments	Discuss and decide on policies and measures regarding information security and personal information protection	Every half-year
	AI Supervisory Committee	Leaders of major corporate divisions, the AI utilization promotion division, and sector promotion leaders including those overseas	Support the establishment and operation of a Hitachi Group framework to manage risks that may arise from the promotion of AI utilization	Every quarter
	One Hitachi Compliance Conference	Chief Compliance Officer, and compliance officers of BUs and major Group companies	Dissemination and discussion of compliance measures	Once per year
	RMO (Risk Management Officers) Meeting	RMOs of each sector/BU/region, CRMO/Deputy CRMO	Information sharing on risks discussed at the Senior Executive Committee, development of a company-wide risk management network, and advancement of ERM	Once per two months
Engagement	HRDD Execution Managers Meeting	HRDD execution managers at BUs and major Group companies	Provide information and knowledge necessary for HRDD implementation, and share status of implementation in BUs and major Group companies	Once or twice per year
	Sustainable Procurement Conference	Chief Procurement Officer, heads of the procurement divisions at BUs and major Group companies, and individuals responsible for and engaged in sustainable procurement	Communicate the Hitachi Group sustainable procurement policies and strategies to all procurement divisions, and improve knowledge and share best practices	Once or twice per year

Stakeholder engagement and leadership

Stakeholder engagement

Hitachi endeavors to accurately identify the various social issues that each country and region faces, and to work toward resolving these issues through engagement in collaborative creation with a wide range of stakeholders, including customers, governments and municipalities, as well as academic and research institutions.

🖥 **Dialogue with Stakeholders**

🖥 **Disclosure Policy**

Sustainability leadership

Hitachi works with diverse global initiatives and organizations to advance rule-making that contributes to the creation of a sustainable society, and to contribute to solving social issues.

Industry leadership and policy recommendations

As part of developing Hitachi's Social Innovation Business, Hitachi views government institutions and private bodies in each country and region as important partners. Our government & external relations group endeavors to strengthen ties with these bodies. We collaborate with business locations worldwide to develop mutual relationships with local communities, working with governments and international organizations in each country. At the same time, we seek new business opportunities and value creation based on the various regional social issues and policies.

Governments are increasingly asking for our opinions. We also contribute to the realization of a better society by directly responding to such requests and making proposals through discussions in business and industry associations.

Participation in government councils and business and industry associations

Council/Group	Participant	Activities
Meeting on Digital Administrative and Fiscal Reform	Executive Chairman Toshiaki Higashihara (Expert Member)	Aims to realize social transformation by fundamentally reviewing Japan's administrative and fiscal systems from a user-centric perspective in response to rapid population decline, and by maximizing the use of digital technologies to maintain and strengthen public services and revitalize local economies
Japan Business Federation (Keidanren)	Executive Chairman Toshiaki Higashihara (Vice Chair, Keidanren Board of Councillors)	Disseminating opinions on important issues such as digital transformation (DX) and green transformation (GX) to accelerate Keidanren's efforts under the theme of "Society 5.0 for SDGs" and to establish sustainable capitalism
Japan Electronics and Information Technology Industries Association (JEITA)	President & Chief Executive Officer Toshiaki Tokunaga (Vice Chairperson, JEITA)	Examining and making proposals on the promotion of digital technology, data usage, and market creation under the mission to achieve Society 5.0 Offering insights into paradigms of international legislation, agreements, and standards to develop digital trade and strengthen international competitiveness
Japan Electrical Manufacturers' Association (JEMA)	Executive Vice President and Executive Officer Yasunori Inada (Director, JEMA)	Promoting the sustainable development of electrical manufacturing by submitting opinions on various governmental and administrative policies and promoting product safety awareness, international standardization and compatibility evaluation, statistical research work, and the development of human capital for STEM fields
Japan Machinery Federation (JMF)	Executive Chairman Toshiaki Higashihara (Chairman, JMF)	Providing opinions to the Diet and the government, conducting surveys and research on the machinery industry, and promoting international standardization activities for the comprehensive progress and development of the machinery industry
World Economic Forum (WEF)	Executive Officers predominantly Executive Chairman Toshiaki Higashihara and President & CEO Toshiaki Tokunaga	Contributing to improving world affairs through discussions toward solving global, regional, and industrial challenges by cooperating with leaders from economics, politics, and academia participating in the forum. Signing an open letter calling for commitment to net zero, shared globally ahead of COP28, as a member of the Alliance of CEO Climate Leaders
Japan-U.S. Business Council	Executive Chairman Toshiaki Higashihara (Vice Chairman)	Exchanging opinions and proposing policies regarding various issues with Japan-U.S. economic relations from the point of view of the Japan-U.S. business community as a whole
National Association of Manufacturers	Hitachi Corporate Office in Washington DC	Lobbying and making policy proposals, as the largest association of manufacturers in the United States, to support the international competitiveness of member corporations
Japan Business Council in Europe (JBCE)	Hitachi Europe Government Relations Office	Making policy proposals to contribute to the further development of EU-Japan relations and the EU economy as the body representing Japanese corporations in the EU

Efforts in international standardization activities

Hitachi recognizes international standardization as an activity to define the international rules necessary for achieving sustainable societies. International standards are stipulated specifications or criteria endorsed by members representing specialized fields and diverse stakeholders through fair discussion and international agreement.

Therefore, Hitachi strives to solve social issues from a global perspective and engages in collaborative creation of new social norms (rules) with a diverse range of stakeholders, including national and regional governments, academic and research institutions, corporations, NGOs and NPOs, and users around the world to contribute to sustainable societies through our Social Innovation Business.

Hitachi believes international standardization is as important as R&D and intellectual property. Hitachi participates actively in standardization activities at international standardization organizations that include IEC[1], ISO[2], and ITU-T[3]. Hitachi also participates in consortia and forums established in various regions and industrial fields around the world.

For example, Hitachi is engaged in international standardization activities in various fields including efforts concerning the circular economy (ISO/TC[4] 323), the environmental standardization for electrical and electronic products and systems (IEC/TC111), smart community infrastructures (ISO/TC 268/SC[5] 1), and the Web of Things (W3C[6]/WoT). In particular, for the circular economy, Hitachi established the Hitachi-AIST Circular Economy Cooperative Research Laboratory together with the National Institute of Advanced Industrial Science and Technology (AIST), working to create internationally accepted rules and

standards originating from Japan. In addition to the subjects around which there are already debates and established technical committees within international standard organizations, we also give attention to subjects that still require a space for international discussion and the creation of an international consensus going forward. For example, ISO/IWA 39[7] was finalized in fiscal 2021, and Hitachi is working to create opportunities for various stakeholders to hold concrete discussions and come to an international consensus based on the conclusions of this agreement, with the aim of achieving Society 5.0 (an initiative led by the Japanese government that aims to build a human-centered and sustainable society).

By providing solutions consistent with international standards through these international standardization activities, Hitachi supports the sound development of global markets and facilitates innovation to resolve social issues.

*1 IEC: International Electrotechnical Commission. An international organization composed of member countries and regions
*2 ISO: International Organization for Standardization. An international organization composed of member countries and regions
*3 ITU-T: International Telecommunication Union Telecommunication Standardization Sector. A specialized agency of the United Nations
*4 TC: Technical Committee
*5 SC: Subcommittee
*6 W3C: World Wide Web Consortium, a nonprofit organization that develops international standards for the Web
*7 IWA: International Workshop Agreement, an ISO deliverable. ISO/IWA 39 provides gap analysis for standardization on sustainable human-centered societies enabled with cyber physical systems

Participation in international standardization activities

A Hitachi employee has been serving as a member of the SMB[1], an upper-level committee supervising the IEC's standardization activities. Our employees can also be found in other key international positions, including chairpersons, secretaries, and committee managers across various bodies, and participate in a

variety of technical committees within international standardization organizations. In recognition of these contributions to international standardization activities, in fiscal 2024, one employee received the Minister of Economy, Trade and Industry Award under the Ministry's Industrial Standardization Awards, and another employee received the IEC's 1906 Award.

*1 SMB: Standardization Management Board. Fifteen members are appointed from IEC member countries. Seven members are elected by the standing member countries and eight by general election
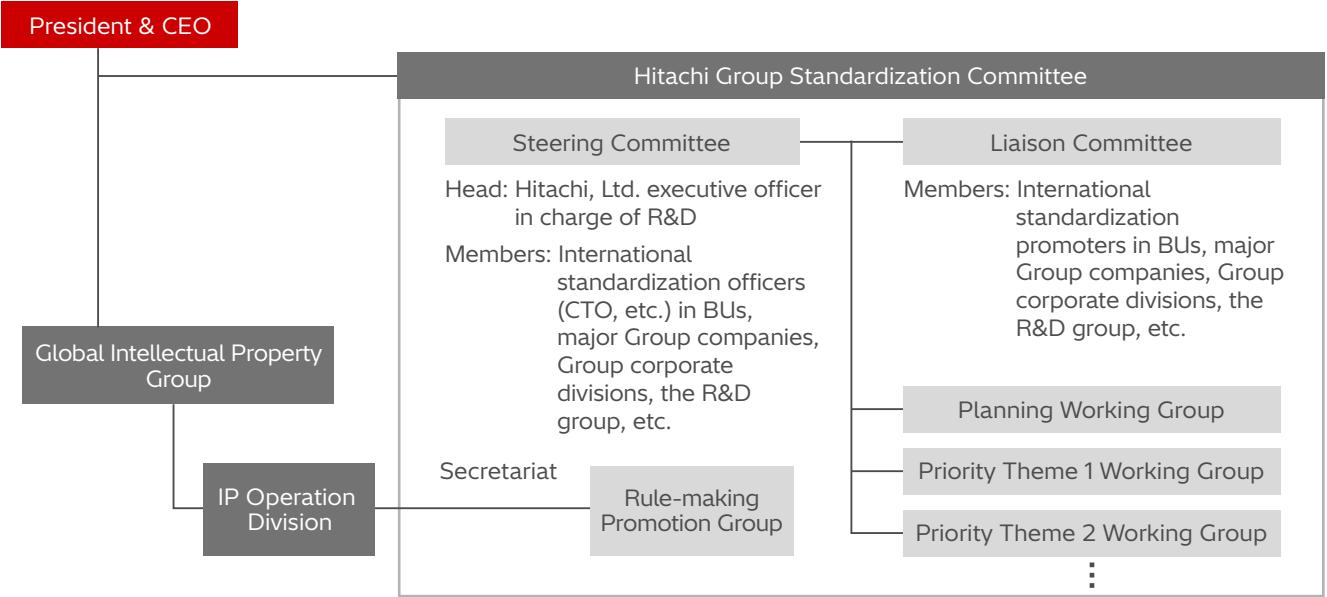
Structure for advancing international standardization activities

The Hitachi Group Standardization Committee has been established to engage with international standardization activities involving Group-wide cooperation. The Steering Committee[1] for the Standardization Committee selects areas for Hitachi to

prioritize over the medium to long term. Each working group engages in detailed discussions and strategic activities toward international standardization.

The Hitachi Group Standardization Committee is also working to develop human resources who will promote international standardization activities. This includes incorporating international standardization into our training programs for developing business leaders and running an internal awards program to recognize those who have made contributions through their work for international standardization.

*1 Steering Committee: Headed by the executive officer overseeing R&D, this entity includes chief technology officers of Hitachi business units and major Group companies. The committee is responsible for decisions on cross-departmental and companywide standardization projects

Hitachi Group Standardization Committee

- President & CEO
- Hitachi Group Standardization Committee
  - Steering Committee
    - Head: Hitachi, Ltd. executive officer in charge of R&D
    - Members: International standardization officers (CTO, etc.) in BUs, major Group companies, Group corporate divisions, the R&D group, etc.
    - Secretariat
      - Rule-making Promotion Group
  - Liaison Committee
    - Members: International standardization promoters in BUs, major Group companies, Group corporate divisions, the R&D group, etc.
    - Planning Working Group
    - Priority Theme 1 Working Group
    - Priority Theme 2 Working Group
- Global Intellectual Property Group
- IP Operation Division

Sustainability performance in Mid-term Management Plan 2024

Materiality	Our aspirations	Sub-material topics KPI/target		FY2024 performance
Environment Contributing to decarbonization and resource circulation	As a climate change innovator, Hitachi will contribute to the realization of a carbon neutral society with Hitachi's superior green technologies, by providing value to customers in all business segments. We will also promote resource efficiency toward the transition to a circular economy.	Decarbonization	**KPI/target for carbon neutrality through the value chain** • FY2030: Achieve carbon neutrality in business sites (factories and offices) • FY2050: Achieve carbon neutrality through the value chain	81% of total CO_2 reduction rate at factories and offices (compared to FY2010)
			KPI/target for contributing to CO_2 reduction through business • FY2024: 100 million metric tons of CO_2 avoided emissions per year	142 million metric tons per year[1] of CO_2 avoided emissions
		Resource circulation	**KPI/target for transitioning to a circular economy** • FY2024: Full application Eco-Design for all newly developed products • FY2030: Zero[2] waste to landfill[3] from manufacturing sites	Eco-Design application rate: 100% (169 products covered) 154 sites (73%) achieved zero waste to landfill
			KPI/target for effective use of water • Reduction rate in water use per unit (compared to FY2010) FY2024: 24%, FY2050: 50%	Reduction rate in water use per unit: 43%
		Harmonize with nature	**Minimize impact on natural capital**	🚩 **Nature positive**
Resilience Contributing to the maintenance and rapid recovery of social infrastructure	Hitachi helps people live safely by contributing to the rapid recovery of supply chains and the maintenance of social infrastructure by providing system solutions that can respond immediately to risks, such as natural disasters, pandemics, and cyberattacks.	Strengthening supply chains	**Build flexible supply chains capable of responding to disasters and risks**	
		Maintaining social infrastructure	**Resilience and sophistication of maintenance through DX of social infrastructure**	
Safety & Security Contributing to safe and secure society-building	Hitachi contributes to the realization of comfortable and active lifestyles for people by providing solutions in the building, mobility, and security fields that support urban development for safe and secure living.	Safe and secure urban environments	**Safe and comfortable transportation**	🚩 **Delivering value to society**
		Ensuring cyber security	**Secure cybersecurity for social infrastructure and business systems**	
Quality of Life Contributing to physical and mental wellness and a prosperous life	Hitachi is harnessing our healthcare and digital technologies to help more people develop bonds and enjoy healthier, more prosperous lives. We will also continue to pursue the happiness and wellbeing of our employees, as we believe that their happiness and wellbeing is the ground on which Hitachi's future will flourish even more fully.	Connected and prosperous society	**Increase healthy life expectancy and wellbeing**	
			KPI/target for building a trustful relationship with others • Users of happiness service: 90 thousand in FY2024	106 thousand users of happiness service
		Employee happiness	**More flexible working styles to increase engagement** • Employee engagement score: FY2024 71.0points[4]	71.5points[5] employee engagement score
Business with Integrity Adhering to ethical standards as well as respect human rights	As a Group responsible for social infrastructure around the world, Hitachi will manage its business with honesty and integrity, trusted by society, respect human rights and provide a safe workplace. We will reflect a system of ethical and responsible business conduct, including respect for human rights, in our business activities and decision-making standards, working together with our employees, collaborative partners and communities throughout the supply chain.	Business ethics and compliance	**KPI/target for encouraging employees to apply ethical standards in day-to-day work** • Achieve a score of at least 60 (out of 100) in FY2023, the first year of results from Ethical culture and compliance perceptions assessment	Score of 79.8
		Respect for human rights	**KPI/target for promoting human rights due diligence and strengthen monitoring of procurement partners for responsible procurement, including human rights** • FY2023: Conduct human rights risk assessments for all BUs (10 BUs) and major Group companies • FY2024: Respond to human rights risks	Conduct human rights risk assessments at all BUs (10 BUs) and major Hitachi Group companies
		Occupational safety	**KPI/target for creating a safe working environment without incidents** • Zero fatal incidents	2 fatal incidents
		Safe and secure products and services	**Ensure products and services safety while putting customers first**	🚩 **Quality and product safety**
Diversity, Equity and Inclusion (DEI) Contributing to a society where everyone can shine	Hitachi has a place for everyone, welcoming differences in colleagues' background, age, gender, sexuality, family status, disability, race, nationality, ethnicity, and religion. At Hitachi, we treat everyone fairly, recognizing differences to allow everyone to perform at their full potential. We respect and value these and other differences because only through them we can understand our markets, create better ideas and drive innovation.	Diverse organization that fosters innovation	**KPI/target for strengthen diversity in management** • Ratio of women and ethnically/culturally diverse executive and corporate officers *FY2030: 30% each	Ratio of women executive and corporate officers: 15.9% Ratio of ethnically/culturally diverse executive and corporate officers: 26.1%[6]
			KPI/target for acquiring and developing digital talent • FY2024: 97,000 persons[5]	Digital talent 107,000 persons
		Contribution to a diverse and equitable society	**KPI/target for empowering DEI of society through community relationship programs** • Nurture and empower next-generation talent	Participants in Hitachi Young Leaders Initiative: 32 people 437 people cumulative[7] Participants in Hitachi High-Tech science education support activities: 55,421 people 482,694 people cumulative[8]

*1 FY2022-FY2024 average   *2 Less than 0.5%   *3 Wherever this is compatible with local conditions and regulations   *4 Target has been raised in FY2023 since we achieved the initial KPI/target in FY2022   *5 Excluding Hitachi Astemo
*6 As of June 2025   *7 Cumulative total since 1996   *8 Cumulative total since 1990