

Realizing Sustainable, Innovative Management

Hitachi's Approach

Trends in Society and Hitachi Group Identity

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

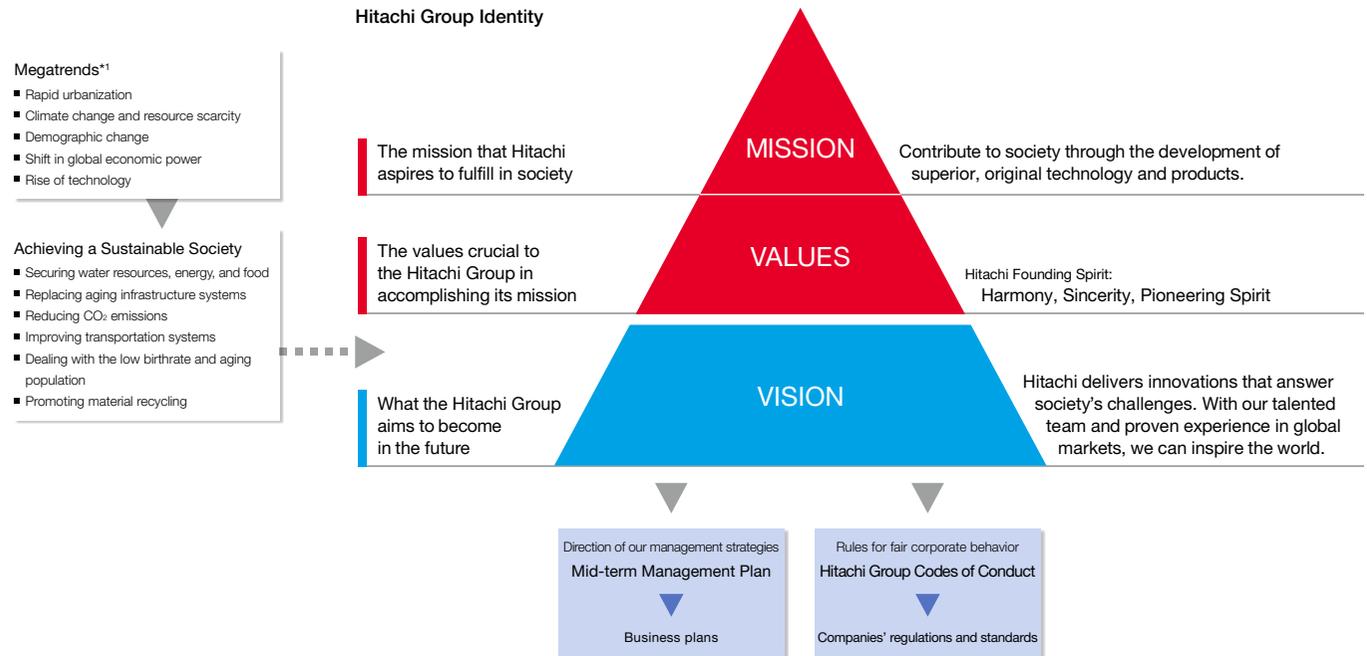
Based on our Group Identity, and continuously considering

the next generation, we promote corporate activities informed by sensitivity to the needs of a changing society. Our Mid-term Management Plan is the action plan we define to realize the Hitachi Group Vision; by integrating our management and sustainability strategies, we seek to enhance the effectiveness of this approach.

The implementation of our plan is a way for us to fulfill our

responsibilities as a good corporate citizen through robust, diverse governance; the pioneering spirit and strong ethical stance of our employees; and operations that help address social issues. We operate and pursue our activities in line with the Hitachi Group Codes of Conduct, the guidelines for ethical behavior and decision-making shared by all executives and employees of the Hitachi Group.

Trends in Society and Hitachi Group Identity



*1 As identified in "Five Megatrends and Possible Implications," published in 2014 by PwC.

Sustainability Strategy and Management

▶ Executive Sustainability Committee Initiatives

In April 2017, Hitachi, Ltd. launched the Executive Sustainability Committee to discuss and reach decisions on the Group’s sustainability strategy. The committee comprises President and CEO Toshiaki Higashihara and other members of the Senior Executive Committee, along with the CEOs of various business units (BUs).

Each BU has assigned sustainability strategy promotion officers to strengthen the measures and organizations needed to help achieve the Sustainable Development Goals (SDGs) and promote sustainability. In fiscal 2017, discussions were held to deepen understanding of sustainability and the SDGs and to clarify the relationships between our major businesses and the SDGs from the standpoint of opportunities and risks. From fiscal 2018, we will pursue new business opportunities centered on social issues.

▶ Sustainability Management Structure

In October 2013, the CSR Division and the Environmental Strategy Office at Hitachi, Ltd. merged to form the CSR and Environmental Strategy Division.

Aiming to help realize a sustainable society, in April 2017 we created the Executive Sustainability Committee and reorganized the promotion structure it heads. The committee is responsible for assessing the impact that the company has on society and responding to stakeholder expectations by building long-term corporate strategies through business activities with a focus on environment, society, and governance, as well as conventional corporate social responsibility (CSR) activities. In April 2018, the CSR and Environmental Strategy Division was renamed the Sustainability Promotion Division.

To promote sustainability policies and activities across the Group, Sustainability Promotion Meetings were convened to work with sustainability strategy promotion officers from the

various business units and Group companies using the Sustainability Promotion Division as a secretariat. As well as holding regular CSR Corporate Meetings with corporate-related departments at Hitachi, Ltd., the Sustainability Promotion Division also organized CSR Manager Meetings with the CSR departments of business units and Group companies. In addition, the committee held regular Regional CSR Meetings for regional headquarters outside Japan to share a common direction and promote sustainability strategy.

To fulfill our social responsibilities, as well as to seek sustainable growth as a global company, we conduct stakeholder dialogue on a worldwide basis in cooperation with our regional headquarters and take a proactive approach to incorporating global social issues into our management strategy while continuously striving to improve the quality of our management.

Sustainability Strategy Promotion Structure



Hitachi's Social Innovation Business

We work with stakeholders to recognize issues society and our customers face, including global environment problems, and are contributing to the resolution of social issues through our Social Innovation Business, which combines advanced IT with infrastructure technologies developed over many years.

In May 2016, we formulated our 2018 Mid-term Management Plan, which will culminate in fiscal 2018. Under the plan, we aim to become an Innovation Partner for the IoT Era centered on our Social Innovation Business, seeking to expand the sales ratio of frontline operations that develop and deploy services meeting the diverse needs of global society to 40% and to increase our overseas sales ratio as a whole to 55%. With the former ratio reaching 39% and the latter 50% as of fiscal 2017 end, we are making steady progress toward our targets.

We will expand our frontline operations by evolving and enhancing our Social Innovation Business through digital technology and promoting it overseas in the focus business domains of “power and energy,” “industry, distribution, and water,” “urban,” and “finance, social, and healthcare.”

We will continue to provide optimum solutions to society's issues with advanced network technologies that are capable of connecting social infrastructure, products, and people.

 Social Innovation Business

 2018 Mid-term Management Plan

 Progress of the 2018 Mid-term Management Plan

Focus Business Domains and Key Initiatives



Power/Energy

Transition to distributed power supply utilizing IT

- Microgrid, regional energy management
- Renewable energy

Investment Focus

- Strengthening grid and engineering
- Predictive maintenance



Urban

Improvement of quality of life in communities

From rail as a service to outcome delivery

Investment Focus

- Development of urban solutions
- Expansion of the rail business area



Industry/ Distribution/Water

Use “Lumada”^{*1} IoT platform to optimize value chains for industry and distribution

Investment Focus

- Strengthening engineering
- Predictive maintenance
- Optimized factory



Finance/Social/ Healthcare

FinTech, My Number Healthcare service (platform)

Investment Focus

- Strengthening healthcare informatics

^{*1} Hitachi's open and highly versatile IoT solution platform using software technology to obtain new information from integrating and analyzing data and running simulations.