

The Key Social Challenges Hitachi Faces

Hitachi's Social Innovation Business and Sustainability

In 2015, the United Nations announced 17 Sustainable Development Goals (SDGs) to be achieved by 2030, including goals for ending poverty, fighting inequality and injustice, and tackling climate change. The SDGs are not just a blueprint but a comprehensive action plan for businesses, governments, and communities to support the shared prosperity of people and the planet. Organizations are expected to develop long-term frameworks and take ownership of this push for sustainability to realize the SDGs and create a better world.

Hitachi considers responding to these challenges to realize a sustainable society and improve quality of life to be the aim of our Social Innovation Business and a source of sustainable growth.

Accordingly, through innovative solutions and products from our Social Innovation Business, we will strive to create economic, social, and environmental value as part of our management strategy. We will also reduce negative social and environmental impacts resulting from our business and seek a deeper understanding of business risks arising from social and environmental changes to ensure greater robustness against them.

Along the way, in response to rising interest in corporate ESG initiatives, we will proactively disclose information to our stakeholders about our efforts toward achieving these SDGs.

By proactively responding to social issues, Hitachi contributes to the achievement of all SDGs through its responsible corporate conduct and its Social Innovation Business.

Corporate Commitment

Business Strategy

Hitachi contributes to the achievement of all SDGs both directly and indirectly through its business activities.

Identifying Key Social Challenges

In fiscal 2017 Executive Sustainability Committee meetings chaired by President and CEO Toshiaki Higashihara, the committee members considered the 17 SDGs, and the opportunities and risks they represented, and identified the 11 Goals that pose the most important social challenges for Hitachi: 5 Goals where Hitachi can make significant impact through its business strategy, and 6 additional Goals relevant to its corporate commitment to society, cutting across all areas of business and management strategy to affect Hitachi's very sustainability as a company.

Embracing the belief that Hitachi can contribute broadly to the achievement of the SDGs through a wide range of business activities, the company is also investigating options for supporting the remaining six Goals in the short to medium term. We are committed to supporting efforts to reach all SDGs, both directly and indirectly, especially in terms of the interaction and interdependence between them.

Tackling the SDGs with Our Business Strategy

To select the SDGs where Hitachi can make the greatest impact through its business strategy, all business units (BUs) and key Group companies spent nearly a year reviewing the 17 SDGs and 169 targets in light of the contributions Hitachi could make through its core business, making recommendations to the Executive Sustainability Committee.

Hitachi identified five SDGs where it can have a significant impact: Ensure healthy lives and promote well-being for all at all ages (Goal 3); Ensure availability and sustainable management of water and sanitation for all (6); Ensure access to affordable, reliable, sustainable, modern energy for all (7); Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation (9); and Make cities and human settlements

inclusive, safe, resilient, and sustainable (11). These are the five SDGs best aligned with our business strategy across the four focus business domains of our Social Innovation Business: "power and energy," "industry, distribution, and water," "urban," and "finance, social, and healthcare." We will continue to promote our Social Innovation Business, as we believe that working toward these goals will provide not only growth opportunities but also the chance to create social values through business.

Tackling the SDGs with Our Corporate Commitment

To meet the expectations of our stakeholders and fulfill our social responsibilities, we identified six additional SDGs we can help achieve throughout our operations: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Goal 4); Achieve gender equality and empower all women and girls (5); Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (8); Ensure sustainable consumption and production patterns (12); Take urgent action to combat climate change and its impacts (13); and Strengthen the means of implementation and revitalize the global partnership for sustainable development (17). Hitachi believes that activities to help achieve these targets also have an important impact on sustainable management.

Sustainability initiatives have been developed in cooperation with divisions closely connected to sustainability issues, such as the human resources division and procurement division while ensuring compliance with management policies such as the Hitachi Group Codes of Conduct, the Hitachi Group Human Rights Policy, and Hitachi Environmental Innovation 2050. We will make steady progress by setting specific targets for each initiative.

Dialogue on Sustainability Strategy

In March 2018 a European Stakeholder Dialogue on the subject of "Hitachi's Sustainability Strategy" was held in Brussel, Belgium with 18 participants from international organizations, NGOs, sustainably advanced companies, and other groups. Yukiko Araki, executive general manager of the Sustainability Promotion Division, spoke at the event about the 11 SDGs that pose the most important social challenges for Hitachi. We received a number of constructive comments and suggestions from attendees and will share them with our corporate divisions, BUs, and key Group companies to ensure that they are reflected in our initiatives and further enhance cooperation in setting specific key performance indicators (KPIs).

Comments and Suggestions from the Stakeholder Dialogue

- Hitachi's information and communication technologies could be a key driver for achieving the SDGs.
- Though Hitachi is a B2B company, it needs to understand how its technologies are used by and for end users.
- Awareness of which SDGs a product will help achieve from the product planning stage makes a difference and gives Hitachi a competitive edge.
- Hitachi must rank its target SDGs by priority and incorporate its sustainability strategy into its global management strategy.
- Further external communication is required to specifically explain how Hitachi's Social Innovation Business will help achieve the SDGs.

Road Map for Achieving the SDGs

Creating a sustainable society will make sustainable growth possible for Hitachi too. Though we are mostly known for B2B (business to business) activities, our Social Innovation Business is intrinsically rooted in B2S (business to society). All our products and services are closely linked to social sustainability, and we aim to establish a global position as a B2S company through efforts to help achieve the SDGs.

In fiscal 2017, Hitachi officially launched activities intended to make a concrete contribution toward the SDGs. In phase 1, we began helping our business units and Group companies deepen their understanding of sustainability and the SDGs,

and sustainability workshops were held for the Water, Energy Solutions, and Healthcare Business Units. In February 2018, we held a sustainability symposium, inviting as guest speaker Mr. Toshio Arima, chairman of the board, Global Compact Network Japan. The symposium was attended by about 130 employees and directors, including President Higashihara. We also launched a sustainability newsletter in an effort to promote awareness of SDG initiatives. In phase 2, the Sustainability Promotion Division worked with the planning divisions of business units and key Group companies to clarify how their businesses are linked to the SDGs in terms of opportunity and risk.

In phase 3, starting in fiscal 2018, Hitachi will seek new business opportunities emerging from social challenges. By setting specific quantitative KPIs for social and environmental values provided by our Social Innovation Business, we will monitor progress to achieve further business development. Sustainability initiatives already launched include a requirement to describe “factors allowing a contribution to meeting the SDGs” on the internal application form for a business startup. We are determined to reflect our sustainability initiatives in our next Mid-term Management Plan. Hitachi believes that its efforts toward achieving the SDGs and sustainability will enable the company to grow.

FY 2017

Phase 1



Understand sustainability and the SDGs

Increase understanding through CEO messages, symposiums, workshops, newsletters, and so on.

FY 2017

Phase 2



Classify the existing businesses based on the SDGs

Classify social value/business opportunities and risks of existing businesses based on the SDGs in collaboration mainly with business strategy divisions in each BU/Group company.

FY 2018 and beyond

Phase 3



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

Achieving a “sustainable society” (the sustainability of society) enables “Hitachi’s sustainable growth” (the sustainability of Hitachi). **Hitachi’s future business opportunities and growth depend on achieving the SDGs and sustainability (solving social issues).** Therefore, apply this concept to our medium- and long-term business strategies.

The measures will be taken in collaboration with business units, major Group companies, corporate-related departments, and global sites (regional strategies).