

Sustainability Management

The 2021 Mid-term Management Plan and Sustainability

Policy

Since its founding, Hitachi has responded to social challenges by placing its Corporate Credo of contributing to society through the development of superior, original technologies and products at the center of its business. In recent years, we have promoted our Social Innovation Business in order to contribute to improving people's quality of life and realizing a sustainable society. We have implemented sustainable management, placing sustainability at the center of our business strategy and—in our 2021 Mid-term Management Plan announced in May 2019 and ending in fiscal 2021—setting ourselves the goal of contributing to the realization of a sustainable world as a global leader of Social Innovation Business. We strive to simultaneously increase social, environmental, and economic value, as well as enhance our customers' corporate value and the peoples' quality of life.

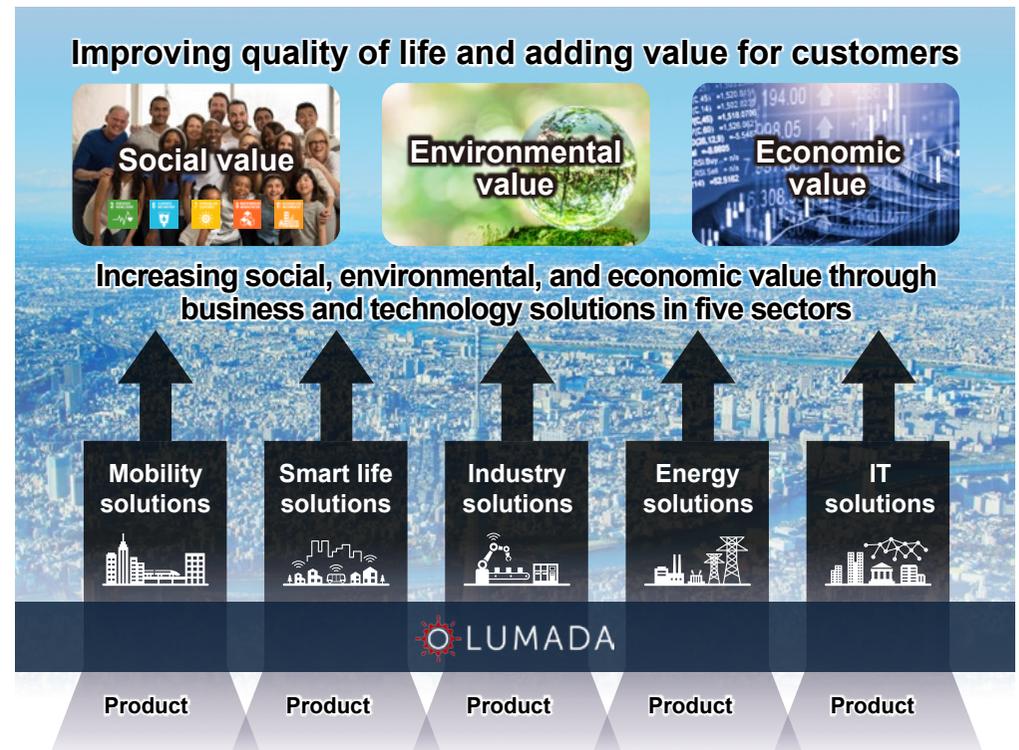
With our 2021 Mid-term Management Plan, we have advanced to a new stage, identifying five sectors where we can increase social, environmental, and economic value for our customers simultaneously: mobility, smart life, industry, energy, and IT. In order to increase the three kinds of value simultaneously, we will expand our Social Innovation Business through collaborative creation with our partners around the world by providing Lumada, a solution that accelerates digital innovation, as a cyber-physical system allowing the cyber and physical spaces to interact.

Based on these ideas, we continue to pursue the 2021 Mid-term Management Plan, further merging sustainability and business to contribute to the resolution of social issues through initiatives like Society 5.0 and Sustainability Development Goals (SDGs).

 Social Innovation Business

 2021 Mid-term Management Plan

Enhancing Three Kinds of Value with Solutions in Five Sectors



Sustainability Strategy Promotion Structure

Frameworks and Systems

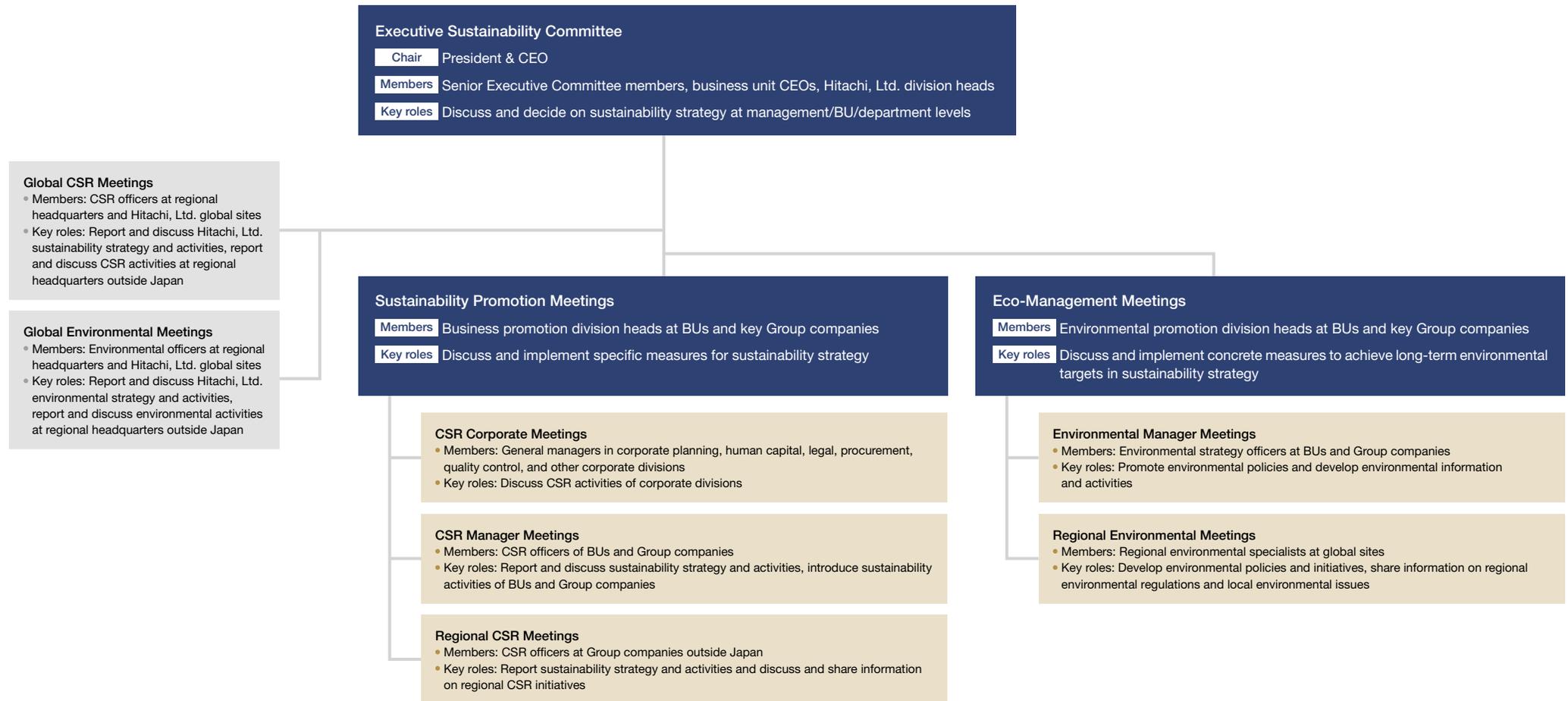
In 2017, Hitachi, Ltd. launched the Executive Sustainability Committee to discuss and reach decisions on the Group's sustainability strategy. The committee comprises President and CEO Toshiaki Higashihara and other members of the Senior Executive Committee, along with the CEOs of every business unit.

Sustainability Promotion Meetings attended by sustainability strategy promotion officers from business units were also established under the committee to strengthen our systems for promoting specific measures for advancing sustainability, including contribution to achieving the SDGs. We aim to achieve a sustainable society through long-term corporate strategies focusing on ESG (environmental, social, and governance) in business activities as well as conventional CSR activities to take responsibility for our corporate impact on society and respond to requests from stakeholders.

To review and discuss CSR initiatives, CSR Corporate Meetings are regularly held by officers from corporate divisions of Hitachi, Ltd., as are CSR Manager Meetings attended by CSR and social contribution officers from business units and Group companies. Global and Regional CSR Meetings are also held regularly, allowing CSR officers from regional headquarters outside Japan to share common directions and exchange information with the aim of promoting sustainability. And, to discuss and implement specific measures to achieve long-term environmental targets, Eco-Management Meetings, whose members are environmental promotion officers from business units and Group companies, and Sustainability Promotion Meetings are working together. Global and Regional Environmental Meetings are also held regularly, allowing environmental initiative officers from regional headquarters outside Japan to share common directions and promote environmental initiatives.

The CSR and Environmental Strategy Division at Hitachi, Ltd., which played a leading role in CSR management and activities across the entire Hitachi Group, was enhanced and renamed the Sustainability Promotion Division in April 2018 in response to growing awareness and importance of sustainability in management and business. The new division is responsible for holding regular dialogue with stakeholders in each region in cooperation with regional headquarters. Through such dialogue, we endeavor to grasp global social issues promptly, extensively, and deeply, incorporating them into the issues our management deals with. At the same time, this dialogue lets us safeguard our corporate responsibility in a global society and make continued efforts to improve as we strive to achieve sustainable management and a sustainable society.

Sustainability Strategy Promotion Structure



Executive Sustainability Committee Meetings

In fiscal 2018, the Executive Sustainability Committee held meetings in June and December.

At the June meeting, our response to climate change and the integration of our sustainability strategy into the 2021 Mid-term Management Plan were discussed. The focus was on how business units and key Group companies should link their operations to the SDGs in terms of business opportunities and risks, as well as how Hitachi should respond to risks and social demands around climate change. We also reviewed ESG, SDGs, and other sustainability initiatives to be incorporated into the 2021 Mid-term Management Plan.

At the December meeting, as part of our countermeasures against climate change, we discussed the expansion of our decarbonization business and introduction of the Hitachi Internal Carbon Pricing (HICP) system as specific approaches to achieving our long-term environmental targets (for CO₂ reduction). We also discussed corporate measures that are the foundations of management, like human rights, CSR procurement, and the development of human capital; sustainability-related stakeholder engagement; and specific information disclosure requirements.

Contribution to SDGs

Policy

SDGs and Hitachi's Social Innovation Business

We consider the SDGs an important initiative for realizing a sustainable society and improving people's quality of life through solving global social and environmental issues. We have significantly contributed to achieving the SDGs through our Social Innovation Business, which also serves as a source of sustainable growth for us.

Accordingly, through the provision of innovative solutions and products in our Social Innovation Business, we will strive to create social, environmental, and economic value as part of our management strategy. We will also strive to 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.

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



Identifying How Hitachi Can Contribute to the SDGs

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 11 Goals to the achievement of which Hitachi can make a particularly significant contribution: 5 Goals where we can make significant impact through our key business strategies, and 6 additional Goals that we must contribute to through our entire corporate activities. We view the latter 6 Goals as relevant to our entire business and management strategies, making an impact on corporate sustainability.

Because we are active in a broad range of business fields, we believe we can contribute extensively to the achievement of the SDGs other than the 11 Goals identified. Understanding that all SDGs are mutually related, we will endeavor to contribute to the achievement of all 17 SDGs both directly and indirectly.

Road Map for Achieving the SDGs

Developing a sustainable society as defined by the SDGs will lead to sustainable growth for Hitachi, too. We believe that we are providing value not only to the companies and consumers that are our direct customers but also to society more broadly. This is the essence of our Social Innovation Business. The products and services that we provide are all closely linked to social sustainability, and we aim to establish a global position as a business-to-society (B2S) company through our efforts to help achieve the SDGs.

In fiscal 2017, we officially launched strategic initiatives for achieving the SDGs. In phase 1, as part of our initiatives to help deepen understanding across the Hitachi Group of sustainability and the SDGs, sustainability workshops were held individually for four business units: Water, Energy Solutions, Healthcare, and Railway Systems. Sustainability newsletters were also issued in an effort to promote understanding and awareness of our SDG initiatives. In phase 2, our Sustainability Promotion Division worked with the planning divisions of business units and key Group companies to clarify how each could contribute to the achievement of the SDGs through their key businesses and create business opportunities from the SDGs.

In phase 3, starting in fiscal 2018, Hitachi started seeking new business opportunities emerging from social challenges addressed by the SDGs. Specifically, we clarified how each business unit and key Group company should link their Social Innovation Business to the SDGs and set quantitative KPIs, wherever possible, for the social and environmental value they created to help visualize improvements.

In fiscal 2019, we launched an initiative exploring ways to build a framework for assessing social and environmental impacts brought about by business activities, in order to make our efforts to create social and environmental value closely linked to the SDGs more appealing to our customers and society in a concrete manner. Moving forward, we will develop an impact assessment approach with reference to key businesses outlined in the 2021 Mid-term Management Plan, thereby establishing an impact evaluation framework for social and environmental value that can be used across the entire Group.

This approach will enable us to offer more sustainable business options to our customers based on consideration of the positive and negative social and environmental impacts of our business activities. In this way, we will realize the three kinds of value outlined in the 2021 Mid-term Management Plan.

FY 2017

Phases 1 and 2

Understand sustainability and the SDGs, clarify how key businesses are linked to the SDGs

- Increase understanding through sustainability messages from the CEO, symposiums, workshops, newsletters, etc.
- Work with planning divisions and other relevant departments at business units and key Group companies to clarify how their businesses are linked to the SDGs in terms of business opportunities and risks.

FY 2018

Phase 3

Incorporate sustainability perspectives in our management strategy

- Incorporate the vision of Hitachi's future business and growth originating from achieving the SDGs and sustainability (solving social issues) in the 2021 Mid-term Management Plan business strategy, based on the knowledge that realizing a sustainable society will make sustainable growth possible for Hitachi.

FY 2019 and beyond

Phase 3

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

- Promote management focusing on social, environmental, and economic value.
- Explore building a framework for quantitatively assessing the impact of non-financial value created by the five focus sectors as set out in the 2021 Mid-term Management Plan.

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