Hitachi Sustainability Report 2020
Fiscal 2019 Results
Basic Concept

The Hitachi Sustainability Report 2020 presents our stance toward environmental (E), social (S), and governance (G) issues, and details the activities we undertook in relation to these in fiscal 2019.

Inasmuch as the report is a tool with which we engage with our stakeholders through comprehensive information disclosure, it is based on the disclosure requirements of the GRI Sustainability Reporting Standards (GRI Standards). Additionally, in creating the report, as well as referring to the industry disclosure standards relevant to Hitachi as defined in the Sustainability Accounting Standards Board (SASB)’s Sustainable Industry Classification System (SICS), with respect to climate change, we disclose a variety of information based on the proposals of the Task Force on Climate-related Financial Disclosure (TCFD).

What This Report Covers (Boundary of Reporting)

Period: The main period covered is fiscal 2019 (April 1, 2019, to March 31, 2020)
Note: Some information on activities in April 2020 and after is also included.
Companies: Hitachi, Ltd. and its consolidated subsidiaries
Boundary of Data: Financial data: 1,224 companies, namely Hitachi, Ltd. and 1,223 consolidated subsidiaries and equity-method associates and joint ventures
Social data: Boundary of data indicated under each indicator
Environmental data: 815 companies, namely Hitachi, Ltd. and 814 consolidated subsidiaries. However, for environmental performance data associated with Hitachi’s business operations, Hitachi, Ltd. and consolidated subsidiaries whose environmental load comprises 90% of the total (based on Hitachi calculations) are included.
Reporting Cycle: Published every year as an annual report
Date Published: November 2020 (Previous report: October 2019)

Independent Assurance

To enhance the credibility of this report, we have engaged KPMG AZSA Sustainability Co., Ltd. to provide assurance on environmental and social performance indicators. The mark indicates disclosed information assured in accordance with International Standard on Assurance Engagement (ISAE) 3000 and ISAE 3410.

Disclosure Systems for Financial and Non-Financial Information

The Hitachi Integrated Report discloses both financial and non-financial information about Hitachi’s value creation process. The Hitachi Sustainability Report serves as a tool for comprehensively reporting more detailed ESG-related information.
### Hitachi Group Profile

#### Company Profile
(as of March 31, 2020)
- **Corporate name**: Hitachi, Ltd.
- **Incorporated**: February 1, 1920 (founded in 1910)
- **Head office**: 1-6-6 Marunouchi, Chiyoda-ku, Tokyo, Japan
- **Representative**: Toshiki Higashihara, President and CEO
- **Capital**: 458.79 billion yen
- **Number of employees**: 31,442 (unconsolidated basis)
- **Number of consolidated subsidiaries (including variable interest entities)**: 814 (Japan: 173, outside Japan: 641)
- **Number of equity-method associates and joint ventures**: 409

#### Consolidated Financial Highlights for Fiscal 2019,
Based on the International Financial Reporting Standards (IFRS)

#### Revenue, Adjusted Operating Income Ratio, and Net Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (billion yen)</th>
<th>Adjusted operating income (billion yen)</th>
<th>Adjusted operating income ratio (%)</th>
<th>Net income attributable to Hitachi, Ltd. stockholders (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10,043.4</td>
<td>9,368.6</td>
<td>9.3%</td>
<td>875.6</td>
</tr>
<tr>
<td>2016</td>
<td>9,480.6</td>
<td>9.4%</td>
<td>87.5</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>9,368.6</td>
<td>9.4%</td>
<td>97.5</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>8,767.2</td>
<td>9.4%</td>
<td>107.5</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>8,767.2</td>
<td>9.4%</td>
<td>117.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Revenue by Region

- **Japan**: 4,529.0 billion yen (52%), 162,100 employees
- **North America**: 1,102.9 billion yen (13%), 22,034 employees

#### Revenue by Segment

- **Energy**: 399.2 billion yen (4%)
- **IT**: 2,099.4 billion yen (22%)
- **Industry**: 840.7 billion yen (9%)
- **Mobility**: 1,144.4 billion yen (12%)
- **Smart Life**: 494.8 billion yen (6%)

#### Note:
- Revenue by segment includes intersegment transactions.
- *1* Deconsolidated in April 2020.
- *2* Became a wholly-owned subsidiary in May 2020.
Key Business Segments

**IT**
- **Main Products and Services**
  Systems integration, consulting, control systems, cloud services, software, IT products (storage, servers), ATMs
- **Consolidated Subsidiaries**

**Energy**
- **Main Products and Services**
  Energy solutions (nuclear, renewable energy, thermal, power grids)
- **Consolidated Subsidiaries**

**Industry**
- **Main Products and Services**
  Industrial systems, water and environmental systems, industrial machinery
- **Consolidated Subsidiaries**
  Note: Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.

**Mobility**
- **Main Products and Services**
  Elevators, escalators, railway systems
- **Consolidated Subsidiaries**
  Hitachi Building Systems Co., Ltd., Hitachi Elevator (China) Co., Ltd., Hitachi Rail Europe, Ltd.

**Smart Life**
- **Main Products and Services**
  Medial electronics, Smart Life & Ecofriendly systems (refrigerators, washing machines, room air conditioners, air-conditioning equipment), automotive systems (powertrain systems, chassis systems, advanced driver assistance systems)
- **Consolidated Subsidiaries**

**Hitachi High-Tech**
- **Main Products and Services**
  Medical and life science products, analytical equipment, semiconductor processing equipment, manufacturing and inspection equipment, advanced industrial products
  Note: Hitachi High-Tech Corporation became a wholly-owned subsidiary of Hitachi, Ltd. on May 20, 2020. As a result, the Hitachi High-Tech segment was merged into the Smart Life segment.

**Hitachi Construction Machinery**
- **Main Products and Services**
  Hydraulic excavators, wheel loaders, mining machinery, maintenance and services, construction solutions, mine management systems

**Hitachi Metals**
- **Main Products and Services**
  Specialty steel products, functional components and equipment, magnetic materials and power electronics materials, wires, cables and related products

**Hitachi Chemical**
- **Main Products and Services**
  Functional materials (electronics materials, printed wiring boards materials, electronics components), advanced components and systems (mobility components, energy storage devices, life science-related products)
  Note: Hitachi Chemical Company, Ltd. ceased to be an affiliate of Hitachi, Ltd. through a share transfer on April 20, 2020. As a result, the Hitachi Chemical segment was abolished.

**Others**
- **Main Products and Services**
  Optical disk drives, property management
- **Consolidated Subsidiaries**
  1 Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.
  2 Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China) Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising companies for the Americas, Asia, China, Europe and India respectively, and sell the Hitachi Group's products.
  Note: Consolidated subsidiaries are listed as of March 31, 2020.
Meeting Society's Challenges Through the Social Innovation Business with an Open, Vigorous Mind, Considering the Needs and Feelings of Others

As COVID-19 cases continue to rise around the world, my thoughts go out to all those who have suffered from its symptoms and those who have lost loved ones. I also wish to applaud the courage and dedication of medical professionals and other essential workers who have put their own lives at risk to be of service to others.

We at Hitachi are committed to prioritizing the health and safety of all our stakeholders, including our customers, partners, and employees and their families. Our operations have been sustained by employees who are encouraged to work from home whenever possible to prevent the spread of infection. We are now seeking ways to adapt to the "new normal" by transitioning to shifts based on remote work for a wide range of job categories and promoting workstyles that are aligned with employees' type of work and role. One unique initiative to promote employee communication has been an experiment enabling closer online contact using an application that measures happiness levels. Our support measures for COVID-19 to date include provision of free medical equipment and supplies, donations by executives and employees, loans through nonprofit organizations, and support for infectious diseases research. Hitachi will continue to direct its resources to tackling the global challenge of COVID-19.

The 2021 Mid-term Management Plan announced in fiscal 2019 outlines Hitachi’s strategy for achieving a sustainable world as a global leader in the Social Innovation Business through improvements in social, environmental, and economic value as well as contributions to people’s quality of life and enhanced customer value. COVID-19 has highlighted the challenges confronting society and Hitachi, but the goals we have set out in the management plan remain unchanged. As employees shift increasingly to remote work and the digitalization of our economy accelerates through contactless technologies and automated production, we will contribute to addressing society’s challenges through our Social Innovation Business.

Our most prized source of problem-solving prowess is the mindset of our employees. This was the impetus for holding a “Make a Difference!” idea contest, where employees were challenged to devise new ways of responding to the crisis caused by COVID-19 and thereby deepen their awareness of their links with society and its values. Some of the proposals have already been implemented, and others will follow. In advancing our business in these uncertain times, we will actively engage with our employees, highlighting the importance of the social, environmental, and economic value central to the Sustainable Development Goals (SDGs). As digitalization progresses, people are increasingly seeking out "sharing" rather than "ownership," leading to a new set of values built on a sharing economy. In such a society, it becomes all the more important to have a deep understanding of other people. Enhancing our resilience, then, will require each and every employee to relate to society’s issues as their own, consider the needs and feelings of others, and vigorously spearhead changes in advancing the Social Innovation Business.

Of the many challenges confronting society, addressing climate change and other environmental issues is Hitachi’s top priority. As the first step toward becoming a leader in creating environmental value and spearheading a decarbonized society, we announced our commitment this year to achieve carbon neutrality at Hitachi Group business sites by fiscal 2030. The knowhow we accumulate will also be offered as solutions to our customers in advancing our activities toward this goal.

Over the past 110 years since its founding, Hitachi has grown by addressing the challenges confronting society. We will continue to offer solutions to such challenges through close dialogue with our stakeholders.

Toshiaki Higashihara
President & CEO
Hitachi, Ltd.
Executive Officer’s Message

Leading the Transformation Toward Sustainable Lifestyles

The many social issues that the coronavirus pandemic has brought to the fore have prompted us to rethink the ways Hitachi should help meet those challenges. We have given renewed thought to how we can be of benefit to society and what we must do to fulfill our mission. We need to do more than simply adapt to the “new normal” of living with COVID-19 but accelerate a shift to employment policies that enable our valuable human capital to achieve their full potential, such as through telecommuting and skills-based hiring, as well as by embracing diversity and inclusion. Our efforts to achieve a human-friendly Society 5.0*1 and to lead the transformation toward more sustainable lifestyles will be focused on our Social Innovation Business, aimed at enhancing social, environmental, and economic value.

We have implemented three major sustainability-related initiatives during fiscal 2019 through the first half of fiscal 2020.

The first was to step up our efforts to disclose non-financial information, holding our first ESG Briefing in fiscal 2019. After President and CEO Toshiaki Higashihara gave an overview of the course Hitachi is taking in his opening remarks, an independent director and executive officers provided details regarding our governance measures, strategy for human capital, and environmental initiatives. We will be upgrading both the quality and quantity of our ESG disclosures going forward as well as continually strengthening our initiatives in these areas.

The second was in the area of climate change. Until now our efforts have focused on achieving our long-term environmental targets called Hitachi Environmental Innovation 2050, which includes a CO2-reduction target of 80% throughout the value chain by fiscal 2050 (compared to fiscal 2010). To move more vigorously toward these goals, we introduced an internal carbon pricing system in fiscal 2019 and announced our aim of attaining carbon neutrality for in-house manufacturing by fiscal 2030. We are working with our customers, partners, and other stakeholders to achieve a decarbonized society.

Our third initiative has been to promote the visualization of social and environmental value. To help build a sustainable society through our Social Innovation Business, our 2021 Mid-term Management Plan calls for the enhancement of social, environmental, and economic value for our customers through solutions in five sectors, namely, IT, energy, industry, mobility, and smart life. In fiscal 2019, we reexamined our businesses to identify how they could best help achieve the SDGs. Through quantification and other means, we tried as much as possible to visualize the social and environmental value each business was generating. We also focused our efforts on ascertaining our businesses’ social and environmental impact, both positive and negative. This information will allow us to offer solutions that are more sustainable and to provide even greater social, environmental, and economic value for our customers.

The 2030 timeline for achieving the SDGs is only a decade away. As the officer responsible for sustainability and government & external relations, I remain keenly aware of the importance of multi-stakeholder capitalism*2 working closely with the governments of many countries and actively promoting dialogue with stakeholders in the social sector to achieve our goal of a decarbonized, digital society.

Adhering to our foundational Corporate Credo of contributing to society through the development of superior, original technologies and products, our 300,000 employees around the world will continue striving to build a sustainable and human-centered world as envisioned by Society 5.0.

*1 Society 5.0: A proposal for a new super-smart, human-centric society from the Japanese government. It aims to achieve both economic development and the resolution of social issues through the closer integration of cyberspace (virtual reality) and the physical universe. The moniker denotes the next stage in human evolution from the hunter-gatherer (Society 1.0), agrarian (Society 2.0), industrial (Society 3.0), and information (Society 4.0) societies.

*2 Multi-stakeholder capitalism: A concept aimed at achieving sustainable growth with the interests of many different stakeholders in mind, rather than focusing on shareholder profits.
Hitachi Group Identity

Hitachi’s Mission is to contribute to society through the development of superior, original technology and products. This Mission has been carefully passed on to generations of employees and stakeholders throughout our 110-year history. Our Values reflect the Hitachi Founding Spirit of Harmony, Sincerity and Pioneering Spirit, which was shaped by the achievements of our predecessors in the company as they worked hard to fulfill the Mission. Our Vision was created based on our Mission and Values. It is an expression of what Hitachi Group aims to become in the future as it advances in its next stage of growth. Our Mission, Values and Vision combine to form the Hitachi Group Identity.

Based on the Hitachi Group Identity, and continuously considering the next generation, we promote corporate activities with a view to the medium and long term informed by sensitivity to the needs of a changing society. The Mid-term Management Plan is our action plan 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 the 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.

Hitachi promotes brand education through training tools and courses based on the idea that social issues can be solved if each and every one of its employees understands and embodies the Hitachi Group Identity.

One way we promote understanding of and familiarity with the Hitachi Group Identity and the Hitachi Brand is through the annual Inspiration of the Year Global Award, which recognize remarkable activities that contribute to a sustainable society by increasing social, environmental, and economic value were selected from various regions for the Grand Prix, including “Making the Sea Beautiful Again! Water Infrastructure Business in Papua New Guinea” and “Using AI in Providing Smart Building Solutions in Singapore.” The Grand Prix-winning projects were recognized at the Global Awards Ceremony and shared with all employees through our intranet.

“Hitachi Group Identity Movie—I am Hitachi,” a movie featuring the Grand Prix-winning projects, was unveiled on our website, allowing a wide range of people inside and outside the Group to see how Hitachi Group employees around the world are endeavoring to improve people’s quality of life every day while holding the Hitachi Group Identity close to their heart.
Hitachi practices sustainable management, placing sustainability at the center of our business strategy and—in our 2021 Mid-term Management Plan 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. To that end, our 2021 Mid-term Management Plan identifies five sectors where we can increase social, environmental, and economic value simultaneously as well as enhance our customers’ corporate value and people’s quality of life: IT, energy, industry, mobility, and smart life. Additionally, 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.

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).

### Solutions Contributing to Enhanced Social/Environmental Value in Five Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Social/Environmental Value Being Created</th>
<th>Relevant SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>Contributing to India’s economic development by expanding payment services to over 400 million people</td>
<td>11</td>
</tr>
<tr>
<td>Energy</td>
<td>Managing 25% of the world’s substations and providing stable energy to around 1.8 billion people</td>
<td>7</td>
</tr>
<tr>
<td>Industry</td>
<td>Providing a safe and secure water environment to 70 million users per day by providing water supply and sewerage systems</td>
<td>6, 12</td>
</tr>
<tr>
<td>Mobility</td>
<td>Providing railway services that are safe, secure, pleasant, and environmentally conscious to 18.5 billion passengers per year</td>
<td>11</td>
</tr>
<tr>
<td>Smart Life</td>
<td>Contributing to improvements in people’s quality of life by performing 20 billion blood tests and other diagnostic tests per year</td>
<td>3, 16</td>
</tr>
</tbody>
</table>
Hitachi, Ltd.’s Executive Sustainability Committee comprises President and CEO Toshiaki Higashihara and other members of the Senior Executive Committee, along with the CEOs of every business unit. The committee discusses and reaches decisions on important policies and measures related to sustainability, shares progress and results, and finds ways to connect these to further improvements and new initiatives.

Sustainability Promotion Meetings attended by sustainability strategy promotion officers from business units (business promotion division head-class), also established under the committee, formulate long-term corporate strategies focusing on ESG (environmental, social, and governance) to promote specific measures for advancing sustainability, including contribution to achieving the SDGs.

To review and discuss CSR initiatives, CSR Manager Meetings are regularly held by CSR and social contribution officers from business units and Group companies. Global and Regional CSR Meetings for the Americas, Europe, China, Southeast Asia, India, and Australia are also held regularly.

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, work together with Sustainability Promotion Meetings. 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.

Additionally, the Sustainability Promotion Division holds 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.

We have adopted a committee system to separate the responsibilities for management oversight from the execution of business operations. Under this system, the Audit Committee conducts an audit of sustainability-related operations once a year. Reports on sustainability-related material issues are made to the committee by Hitachi executive officers.
Executive Sustainability Committee Meetings
Hitachi’s Executive Sustainability Committee meets twice a year to discuss and reach decisions on important policies and measures related to sustainability, share progress and results, and find ways to connect these to further improvements and new initiatives.

In fiscal 2019, the Executive Sustainability Committee held meetings in April and December. At the April meeting, in preparation for the May launch of the 2021 Mid-term Management Plan, the committee confirmed that creating social, environmental, and economic value as part of our management strategy would be pursued, and, alongside quantitative and qualitative evaluation of the social and environmental value to be created by each business, considered specific initiatives toward increasing environmental value.

At the December meeting, in order to create social, environmental, and economic value, the committee considered and made decisions on visualization and evaluation methods for social and environmental impacts as well as important policies and measures related to the environment, including our response to climate change.

Setting Key ESG-Related KPIs
As part of promoting sustainability, we have established KPIs for key ESG challenges, and promote activities to help achieve them.

In May 2020, we unveiled a new KPI: to achieve carbon neutrality in our places of business (factories and offices) by fiscal 2030.

ESG Briefing
In September 2019, we held our first ESG Briefing at which we explained our environmental strategy, human capital strategy, and governance initiatives to institutional investors, analysts, and the media. At the beginning of the briefing, President and CEO Toshiaki Higashihara explained the improvement in social, environmental, and economic value called for by the 2021 Mid-term Management Plan and clarified the direction of the entire company. Environmental and human capital strategy were explained by the executive officers responsible for these areas, while governance was explained by an independent director.
Contribution to the SDGs (Sustainable Development Goals)

The 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.

Hitachi’s Priority SDG Issues

At the 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. After this, they identified 5 Goals where we can make a particularly significant impact through our key businesses, and 6 Goals that we can 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.

By proactively responding to social issues, Hitachi contributes to the achievement of all SDGs through its responsible corporate conduct and its Social Innovation Business.
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. We aim to be a global leader in sustainability through our efforts to help achieve the SDGs.

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—one of the goals included in the 2021 Mid-term Management Plan. Using key businesses outlined in the 2021 Mid-term Management Plan as examples, we have developed an impact evaluation methodology for social and environmental value that can be used across the entire Group, and are now working to establish an impact evaluation framework. To determine the guidelines for the methodology, a series of discussions were held at meetings of the working group made up of staff from corporate divisions of the Hitachi Group. The guidelines also reflect feedback through exchanges of opinions with stakeholders in Europe and other regions that lead in impact evaluation initiatives, as well as discussions with business units and Group companies. Each business unit used the guidelines to assess the impacts of the social and environmental value created through business activities and develop business plans for fiscal 2020 based on the impacts. Going forward, we will further improve the guidelines so that they can also be used for exploring new business possibilities and evaluating the impact of existing businesses. This approach will enable us to grasp the positive and negative social and environmental impacts of our business activities and offer more sustainable businesses to our customers. In this way, we will realize the three kinds of value outlined in the 2021 Mid-term Management Plan.

Achievements in FY 2019

- 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.
- 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.
- Promote management focusing on social, environmental, and economic value.
- Explore building a framework for assessing the impact of non-financial value created by the five focus sectors set out in the 2021 Mid-term Management Plan.
- Expand application to consideration of new businesses and impact evaluation for existing businesses.
- Promote establishment of a collaborative system with sales divisions to enhance sustainability.

The measures will be taken in collaboration with business units, major Group companies, corporate-related departments, and global sites (regional strategies).
Identifying Social Impacts with Respect to Goals to Contribute to Through Business Activities

In fiscal 2019 Hitachi urged business units and Group companies to promote visualization of social and environmental impacts in order to create the social, environmental, and economic value called for in the 2021 Mid-term Management Plan.

Specifically, after choosing their key businesses, each business unit and Group company selected the relevant items from the “List of Social and Environmental Impacts,” and sorted them by positive and negative. They then identified the stakeholders involved in each impact, and summarized them in a logic model.

This helped to visualize what kind of impacts Hitachi and its customers have on society, enabling them to maximize positive impacts while minimizing negative impacts.

In fiscal 2020 we are promoting efforts to create social and environmental value by expanding the application of qualitative and quantitative assessment of impacts visualized using these logic models.

### Contributing to the achievement of SDGs

1.4: “By 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance.”

<table>
<thead>
<tr>
<th>Value created/Risks and countermeasures</th>
<th>To Society Impact on society</th>
<th>To Customers Impact on stakeholders, such as customers of customers</th>
<th>To Business Impact on direct customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing cashless payment services in developing countries</td>
<td>Providing cashless payment services in developing countries in Asia. India: Providing payment services via ATMs and POS. By providing payment services at 41,000 ATM machines, 16,000 CRM machines, and 1.1 million POS terminals, we contribute to the economic development of 1.3 billion people.</td>
<td>Improving citizens’ QoL (quality of life) by diversifying financial service infrastructure</td>
<td>Creating new businesses by combining data with payments</td>
</tr>
<tr>
<td></td>
<td>• Providing cashless payment services for developing countries in Asia. India: Providing payment services via ATMs and POS. By providing payment services at 41,000 ATM machines, 16,000 CRM machines, and 1.1 million POS terminals, we contribute to the economic development of 1.3 billion people.</td>
<td>• By expanding cashless payments, we reduce crime (e.g., theft, purse snatching, robberies), which is a social problem especially in developing countries. • By expanding payment infrastructure and providing day-to-day digital payments, we promote more agility and efficiency in economic activity to improve citizens’ QoL.</td>
<td>• By combining data about the flow of money in payments and flow of goods in sales channels, we can create new businesses by analyzing the value-chain data connecting individuals to banks. This strengthens existing businesses as a value-added service.</td>
</tr>
</tbody>
</table>

### Identifying Social Impacts: One Example (Cashless Payment Services in Developing Countries Such as India)

<table>
<thead>
<tr>
<th>Name of key business</th>
<th>Business overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashless payment services in developing countries such as India</td>
<td>India: ATM and POS payment services. Acquiring business and data linkage business via JV with large national bank SBI.</td>
</tr>
</tbody>
</table>

Business creating impact
Hitachi's Approach to Engagement

Hitachi promotes its Social Innovation Business with efforts to perceive the social issues in each country or region, followed by collaborative creation with customers, national and local governments, academic and research institutes, and other stakeholders to resolve them. We strive to enhance the value of human capital—indispensable management resources for conducting business—and place importance on direct dialogue between employees and senior management. Partly in recognition of the growing interest in ESG investment, we are also active in dialogue with shareholders and investors.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Main Roles</th>
<th>Main Divisions</th>
<th>Means of Communication</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Creation of better products and services, response to complaints, appropriate disclosure of information on products and services</td>
<td>Quality Assurance, Sales</td>
<td>Customer satisfaction activities, Marketing, Website, Advertising activities, &quot;Global Brand Campaign&quot; (14 locations), Hosting Hitachi Social Innovation Forum (4 locations)</td>
<td>pp. 106–107</td>
</tr>
<tr>
<td>Shareholders and Investors</td>
<td>Timely and proper information disclosures, obtaining of fair recognition and support from capital markets, reflection of shareholder and investor viewpoints in corporate management</td>
<td>Public Relations and IR</td>
<td>Financial results briefings (quarterly), General shareholders' meetings (annual), Hitachi IR Day event (annual), one-on-one meetings with institutional investors and analysts (about 180 meetings/year), IR tools (Integrated Report, business reports, etc.), Information disclosure on website for shareholders and investors</td>
<td>pp. 15–16</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Building and sound business relations, smooth information sharing toward better partnerships</td>
<td>Procurement</td>
<td>Procurement activities, CSR procurement seminars (50 companies/year), CSR monitoring (201 companies/year), CSR audit (14 companies/year)</td>
<td>pp. 102–105, 97–99</td>
</tr>
<tr>
<td>Employees</td>
<td>Proper treatment, promotion of occupational health and safety of human capital</td>
<td>Public Relations, Human Capital</td>
<td>Internal, in-house newsletters, &quot;Town hall meetings between senior management and employees (president and CEO: 18 meetings/year, executive vice presidents: 28 meetings/year), Employee survey (annual), &quot;Make a Difference!&quot; idea contest (annual)</td>
<td>pp. 15–16, 60–65, 69–74</td>
</tr>
<tr>
<td>National and Local Governments, Industrial Associations</td>
<td>Compliance with domestic and foreign laws and regulations, policy recommendations, participation in industry-government-academia collaborative projects</td>
<td>Government &amp; External Relations</td>
<td>Academic research for policy recommendations to international organizations and national governments, lobbying activities, Policy council participation (Japan), Participation in business and industry associations (Japan)</td>
<td>pp. 15–16, 17–27, 80–88, p. 95</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Fulfillment of responsible corporate citizen, involvement in local communities</td>
<td>Social Contribution, All Business Divisions</td>
<td>Contribution to local communities through business participation in business and industry associations (Japan)</td>
<td>pp. 111–113</td>
</tr>
<tr>
<td>Academic Associations and Research Institutions</td>
<td>Promotion of technological innovations, participation in industry-government-academia collaborative projects</td>
<td>Research and Development</td>
<td>Open innovation (joint research)</td>
<td>pp. 68–74</td>
</tr>
<tr>
<td>NGOs and NPOs</td>
<td>Incorporation of diverse public opinions, promotion of stakeholder-focused management, social contribution through nonprofit activities</td>
<td>Sustainability Promotion</td>
<td>Stakeholder dialogues (5 times/year), Dialogue through collaboration</td>
<td>pp. 15–16, 111–113</td>
</tr>
<tr>
<td>Global Environment</td>
<td>Realization of a decarbonized society, a resource efficient society, a harmonized society with nature</td>
<td>Environment, All Business Divisions</td>
<td>Stakeholder dialogues (annual)</td>
<td>pp. 25–26</td>
</tr>
</tbody>
</table>
Promoting Engagement

The outcomes of communication with stakeholders are shared with respective divisions and actively utilized as valuable insights into our business. Public interest is growing in how corporations are taking in stakeholders’ voices to improve their businesses, and we will continue to globally develop and promote ways of capitalizing on the opinions of the members of society with whom we engage in our business activities.

Stakeholder Dialogues

Hitachi organizes stakeholder dialogues in countries and regions around the world to invite opinions on social challenges from stakeholders representing specialized knowledge platforms and ensure that their insights are reflected in the business activities conducted at each of Hitachi’s global businesses and business units.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Venue</th>
<th>BU/Group company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring impacts of the Social Innovation Business</td>
<td>Brussels, Belgium</td>
<td>Hitachi Europe</td>
</tr>
<tr>
<td>IoT 4SDGs: What Can the Digital Transformation and IoT Achieve for Agenda 2030?</td>
<td>Brussels, Belgium</td>
<td>Hitachi Corporate Office, Europe</td>
</tr>
<tr>
<td>Role of business in furthering the SDGs agenda of India: e-Education and Urban Transportation</td>
<td>New Delhi, India</td>
<td>Hitachi India</td>
</tr>
</tbody>
</table>
Main Initiatives and Groups in Which Hitachi Is Involved

Based on its Corporate Credo, which is to “contribute to society through the development of superior, original technology and products,” Hitachi has advanced its Social Innovation Business in order to help realize a sustainable society. As part of this, to play its proper role as a global corporation, Hitachi actively participates in international initiatives addressing social issues on a global scale.

<table>
<thead>
<tr>
<th>Initiative or Group</th>
<th>Logo</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Global Compact</td>
<td><img src="logo.png" alt="UN Global Compact Logo" /></td>
<td>Officially became a participant in 2009. Joined workshops organized by the Global Compact Network Japan on six different topics, including supply chain management, ESG, and SDGs, in fiscal 2019.</td>
</tr>
<tr>
<td>World Business Council for Sustainable Development (WBCSD)</td>
<td><img src="logo.png" alt="WBCSD Logo" /></td>
<td>Became a member in 1995.</td>
</tr>
<tr>
<td>Task Force on Climate-related Financial Disclosures (TCFD)</td>
<td><img src="logo.png" alt="TCFD Logo" /></td>
<td>Announced its support for TCFD in 2018 and disclosed climate-related information based on the TCFD Recommendations.</td>
</tr>
<tr>
<td>Japan Climate Initiative (JCI)</td>
<td><img src="logo.png" alt="JCI Logo" /></td>
<td>Became a member in 2018.</td>
</tr>
<tr>
<td>Business for Social Responsibility (BSR)</td>
<td><img src="logo.png" alt="BSR Logo" /></td>
<td>Became a member in 2007, participating in the Human Rights Working Group (HRWG) since 2016.</td>
</tr>
<tr>
<td>Tokyo Zero-emission Innovation Bay</td>
<td><img src="logo.png" alt="Tokyo ZIB Logo" /></td>
<td>Participated in council, founded in 2020, as an organizer.</td>
</tr>
</tbody>
</table>
International Standardization Activities

Hitachi’s Approach to International Standardization

To help create and expand markets as well as to accelerate our global business expansion, and to contribute to the SDGs through our Social Innovation Business, we are actively involved in developing international standards through participation in the activities of international standards-developing organizations such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). In concrete terms, we participate in international standardization activities in fields such as, in the environmental field, supporting the environmentally friendly design of electrical, electronic, and information communications systems (IEC TC 111, ISO/IEC JTC 1 SC 39, ITU-T SG5 WP2); in the clean energy field, smart energy (IEC SyC Smart Energy) and power storage systems (IEC TC 120); in manufacturing and technology, smart manufacturing (ISO/IEC JWG 21, IEC SyC SM) and electronics assembly (IEC TC 91); and, in health and safety, water and sewage services (ISO TC 224) and biotechnology (ISO TC 276). Additionally, by contributing to international standardization efforts by consortia and other bodies, and providing solutions consistent with international standards, we support the development of sound global markets and facilitate innovation to resolve social issues.

Structure for Promoting International Standardization Activities

As part of its efforts toward international standardization activities, Hitachi commits employees to serve in key positions such as technical committee chairperson and secretary at international standardization organizations like the IEC and ISO. Additionally, the Hitachi Group Standardization Committee was established to coordinate the efforts of all Hitachi Group companies toward international standardization. The Steering Committee*1 of this body determines priority themes and promotes standardization activities by establishing working groups for each theme.

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

In fiscal 2019, we selected Society 5.0 as one priority theme. In concert with our global stakeholders, we actively participated in international standardization activities which will contribute to Society 5.0’s realization.

External Assessment of Hitachi’s International Standardization Activities

Hitachi’s international standardization work is well regarded. In fiscal 2019, we were honored by such bodies as the IEC, the IEC Activities Promotion Committee of Japan, the Japan Electronics and Information Technology Industries Association (JEITA), and the Telecommunication Technology Committee (TTC).

Hitachi Group Standardization Committee
Main Groups in Which Hitachi Participates

Hitachi’s Social Innovation Business is particularly intertwined with the public interest. As part of developing that business on a global scale, we view government institutions and related organizations in Japan and other countries around the world as important partners, both as customers and supporters. Our Government & External Relations Group leads our efforts to strengthen ties with these bodies. The Group also works with the Hitachi Corporate Office in Washington DC; the Hitachi Corporate Office, Europe; and other business locations in the Americas, Europe, the Middle East, Africa, and the Asia-Pacific region and Japan. Dealing with governments and organizations as a unified Group lets us not only seek mutual benefit with local communities but also explore new business opportunities for Hitachi within each country’s unique social issues and policies.

In Japan, we are increasingly asked for proposals by the Japanese government. By making requests directly as well as proposing solutions through economic organizations and industrial bodies, we help build a better society.

Participation in Government Councils by Hitachi Executives

<table>
<thead>
<tr>
<th>Council</th>
<th>Participant</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council on Investments for the Future (Cabinet Secretariat)</td>
<td>Executive Chairman Hiroaki Nakanishi as a private sector expert</td>
<td>• Making proposals in areas including the use of data, open innovation, and development of human capital to realize “Society 5.0,” Japan’s growth strategy</td>
</tr>
<tr>
<td>Committee for the Formulation of New Strategies Related to Deploying Infrastructure Outside Japan (Cabinet Secretariat)</td>
<td>President and CEO Toshiaki Higashihara as a private sector member</td>
<td>• Making proposals on new infrastructure development measures that assume business models using digital technologies and co-creation with local partners</td>
</tr>
<tr>
<td>Industrial Structure Council/Trade Committee (METI)</td>
<td>President and CEO Toshiaki Higashihara as a council committee member</td>
<td>• Making proposals on using data to realize a human-centric society, as envisaged for Society 5.0, from the commerce and trade perspective</td>
</tr>
</tbody>
</table>

Participation in Business and Industry Associations

<table>
<thead>
<tr>
<th>Group</th>
<th>Participant</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Business Federation (Keidanren)</td>
<td>Executive Chairman Hiroaki Nakanishi as chair</td>
<td>• Making policy recommendations for achieving the SDGs through realizing Society 5.0 under the theme of “Society 5.0 for SDGs” • Promoting Japan-led value-creating digital transformation (DX) with close collaboration among industry, government, and academia around the world to formulate systems and rules</td>
</tr>
<tr>
<td>Communications and Information Network Association of Japan (CIAJ)</td>
<td>President and CEO Toshiaki Higashihara as a senior steering committee member</td>
<td>• Promoting information and communication technology solutions that could contribute to resolving a range of social issues by exchanging views and opinions with relevant ministries and agencies</td>
</tr>
<tr>
<td>Japan Electronics and Information Technology Industries Association (JEITA)</td>
<td>President and CEO Toshiaki Higashihara as vice chair</td>
<td>• Examining and making proposals on promotion of digital technology and data use 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</td>
</tr>
<tr>
<td>Japan Electrical Manufacturers’ Association (JEMA)</td>
<td>President and CEO Toshiaki Higashihara as vice chair</td>
<td>• 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</td>
</tr>
<tr>
<td>Japan-Us Business Council</td>
<td>Executive Chairman Hiroaki Nakanishi as an Executive Committee member</td>
<td>• Exchanging opinions and proposing policies regarding various issues in Japan-US economic relations from the point of view of the entire Japan-US economic world</td>
</tr>
<tr>
<td>National Association of Manufacturers</td>
<td>Hitachi Corporate Office in Washington DC</td>
<td>• Lobbying and making policy proposals, as the largest association of manufacturers in the United States, to support the international competitiveness of member corporations</td>
</tr>
<tr>
<td>Japan Business Council in Europe (JBCE)</td>
<td>Hitachi Corporate Office, Europe as CSR Committee chair</td>
<td>• 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</td>
</tr>
</tbody>
</table>
Hitachi actively pursues a range of activities aimed at developing a more sustainable society. These activities have earned the Hitachi Group high marks from numerous external organizations.

### Actively Responding to ESG Assessment

The Hitachi Group welcomes external assessments as a target for ESG*1 and sustainability-oriented investment.

Hitachi, Ltd. received high scores from the CDP,*2 which ranks companies based on their environmental practices and the quality of their disclosure. We received an A, the highest score, for water security, and an A– for climate change. We are also included in the Euronext Vigeo Eiris World 120 Index.*3

Among Group companies, Hitachi Construction Machinery was selected for the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific),*4 and Hitachi Metals, Hitachi Construction Machinery, and Hitachi High-Tech were selected for the FTSE4Good Index Series.*5

*1 ESG stands for “environmental,” “social,” and “governance”—key factors in promoting socially responsible investment.
*2 CDP is a UK-based international nonprofit organization that rates corporate initiatives and transparency in the three areas of climate change, water security, and forests using an eight-level scale of A to D−.
*3 Euronext Vigeo Eiris World 120 Index: A sustainability index created jointly by NYSE Euronext, which operates several stock exchanges in the United States, and Vigeo Eiris, an ESG research firm in France and United Kingdom. The index comprises 120 companies from Europe, North America, and Asia Pacific that have achieved the most advanced performance in the ESG areas.
*4 DJSI: A family of ESG indexes developed by Dow Jones & Company (USA) and RobecoSAM (Switzerland) that includes global and regional indexes with specific compositions. DJSI World, for example, selects on a global basis, while the DJSI Asia Pacific Index covers Japan, Asia, and Australia.
*5 FTSE4Good Index Series: One of the indexes calculated by the London Stock Exchange-owned FTSE Group that selects component stocks based on their ESG performance, specifically environmental management, climate change mitigation, human rights and workers’ rights, supply chain labor standards, and bribery and corruption prevention.

### Results of ESG External Analysis in Fiscal 2019

<table>
<thead>
<tr>
<th>Institution</th>
<th>Index</th>
<th>Companies selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>RobecoSAM</td>
<td>Dow Jones Sustainability Asia Pacific Index</td>
<td>Hitachi Construction Machinery</td>
</tr>
<tr>
<td>MSCI</td>
<td>MSCI Japan ESG Select Leaders Index</td>
<td>Hitachi Metals, Hitachi Construction Machinery</td>
</tr>
<tr>
<td></td>
<td>MSCI Japan Empowering Women Index (WIN)</td>
<td>Hitachi Metals, Hitachi High-Tech</td>
</tr>
<tr>
<td>FTSE</td>
<td>FTSE4Good Index Series</td>
<td>Hitachi Metals, Hitachi Construction Machinery</td>
</tr>
<tr>
<td></td>
<td>FTSE Blossom Japan Index</td>
<td>Hitachi Metals, Hitachi Construction Machinery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hitachi High-Tech</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hitachi High-Tech</td>
</tr>
<tr>
<td>Vigeo Eiris</td>
<td>Euronext Vigeo Eiris World 120 Index</td>
<td>Hitachi, Ltd.</td>
</tr>
</tbody>
</table>

### CDP Scores for Fiscal 2019

<table>
<thead>
<tr>
<th>Company</th>
<th>Climate change</th>
<th>Water security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi, Ltd.</td>
<td>A–</td>
<td>A</td>
</tr>
<tr>
<td>Hitachi Metals</td>
<td>B–</td>
<td>B</td>
</tr>
<tr>
<td>Hitachi Construction Machinery</td>
<td>A–</td>
<td>B</td>
</tr>
<tr>
<td>Hitachi High-Tech</td>
<td>B</td>
<td>B</td>
</tr>
</tbody>
</table>
Diversity Management Selection 100

Hitachi, Ltd. is included in the Diversity Management Selection 100, an initiative of Japan’s Ministry of Economy, Trade, and Industry (METI). The Diversity Management Selection 100 system chooses and recognizes companies that have achieved high results in such areas as improving innovation and productivity by using the talents of diverse employees, including women, different nationalities, older employees, and people with disabilities. Hitachi was lauded for going beyond simply introducing diversity programs to promote diversity management Group-wide as a corporate strategy backed by strong management commitment.

Kurumin Certification

Hitachi, Ltd. has received Kurumin certification.*1 This was granted under Japan’s Act on Advancement of Measures to Support Raising Next-Generation Children, in recognition of its achievements in developing and implementing action plans supporting child care so that employees can work with the peace of mind that comes from a good work-life balance.

*1 Hitachi Group companies with Kurumin certification include Hitachi Construction Machinery Co., Ltd., Hitachi High-Tech, Hitachi Urban Investment, Ltd., Hitachi Systems Ltd., and Hitachi Solutions, Ltd.

Eruboshi Certification

Hitachi, Ltd. promotes diversity as an important component of its management strategy and strives to create work environments enabling its diverse human capital to play an active role. In recognition of these initiatives, we received Eruboshi certification, which is conferred to companies that are implementing exceptional measures under the Act on Promotion of Women’s Participation and Advancement in the Workplace. Hitachi, Ltd. was awarded class 2 (assessed in three categories); other Group companies receiving Eruboshi certification include Hitachi High-Tech (class 3), Hitachi Systems (class 3), and Hitachi Solutions (class 3).

Hitachi Wins Silver at the First Annual ESG Finance Awards

Hitachi, Ltd. was presented with a silver award at the ESG Finance Awards, a program launched by the Ministry of the Environment to promote the dissemination and growth of ESG finance in Japan. In fiscal 2019 we held an ESG Briefing for the first time, where our top management clearly described their commitment to sustainable management and listened closely to comments from shareholders and other stakeholders. We were highly praised for our continuous efforts in this area, which also include our Group’s governance structure, which aims to instill sustainable management across the entire Group, and steady practice of PDCA in accordance with our ambitious long-term environmental and climate change targets, including our Environmental Action Plan, to be updated every three years based on these targets.

Hitachi Integrated Report 2019 Awarded Grand Prize at Nikkei Annual Report Awards and Encouragement Prize at WICI Japan Awards

At the 22nd Nikkei Annual Report Awards, sponsored by Nikkei, Inc. and held to recognize Japanese companies producing superior annual reports, Hitachi, Ltd. won the grand prize. The Hitachi Integrated Report 2019 earned high praise for providing a clear, persuasive overview of our company’s activities, including our top management’s determination, consistent growth strategies aimed to accelerate innovation, and philosophy of and approach to risk management. The report also won an encouragement prize at the 7th WICI Japan Awards for Excellence in Integrated Reporting.
Striving to Increase Environmental Value

Hitachi aims to achieve a decarbonized society, a resource efficient society, and a harmonized society with nature under its Environmental Vision.

To this end, we strive to achieve the long-term environmental targets of Hitachi Environmental Innovation 2050 not just within Hitachi itself but across our entire value chain. Additionally, we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are actively advancing our efforts to clarify and disclose information on climate-related risks and opportunities.
Hitachi’s Corporate Credo is to “contribute to society through the development of superior, original technology and products.” We seek solutions to environmental issues, which are of serious concern to society, through our business operations and promote environmental management from a long-term perspective. Meeting society’s expectations with innovations that mitigate environmental issues also presents major business opportunities.

Hitachi’s Environmental Vision states that “Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.” To uphold this vision and work toward achieving a decarbonized society, a resource efficient society, and a harmonized society with nature, we have established a set of long-term environmental targets looking toward 2030 and 2050 called Hitachi Environmental Innovation 2050, and promote Group-wide environmental activities in line with our Environmental Action Plan, which is updated every three years. Toward the goal of a decarbonized society in particular, we have announced our intention of aiming for carbon neutrality at our business sites (factories and offices) by fiscal 2030.

Why it matters

Hitachi’s Environmental Governance focuses on environmental reduction, which is managed through a “cost-cutting” mentality. The Environmental Vision states that “Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.” To uphold this vision and work toward achieving a decarbonized society, a resource efficient society, and a harmonized society with nature, we have established a set of long-term environmental targets looking toward 2030 and 2050 called Hitachi Environmental Innovation 2050, and promote Group-wide environmental activities in line with our Environmental Action Plan, which is updated every three years. Toward the goal of a decarbonized society in particular, we have announced our intention of aiming for carbon neutrality at our business sites (factories and offices) by fiscal 2030.

What we are doing

Core initiatives
- Enhance environmental governance
- Enhance environmental management system
- Reduce environmental burden through “Eco-Factories & Offices Select” certification
- Implement environmental education for employees
- Ensure environmental compliance

Goals and KPIs
- Cultivation of environmental human capital in the Hitachi Group
- Implementation rate of voluntary environmental audits of business sites outside Japan by business units and Group companies (number of implementing sites/number of sites): 20%

Achievements in FY 2019
- Registered data from about 1,000 business sites in 63 countries in the Environmental Data Collection System (Eco-DS) to estimate environmental load
- Achieved a total score of 177 GPs in the GREEN 21 evaluation of our Environmental Action Plan, exceeding the fiscal 2019 benchmark of 160 GPs
- Under “Eco-Factories & Offices Select,” of our approximately 1,000 facilities, achieved 6 new certifications, 2 recertifications, and 64 renewed certifications (total certified facilities: 72)
- Implementation rate of voluntary environmental audits of international business sites outside Japan by business units and Group companies: 20%
What we are doing

**Core initiatives**
- Expand decarbonization business
- Improve environmental performance of products and services through Environmentally Conscious Design Assessments
- Reduce CO₂ emissions at business sites (factories and offices)
- Introduce Hitachi Internal Carbon Pricing (HICP) framework
- Introduce renewable energy

**Goals and KPIs**
- Reduction rate of CO₂ emissions per unit of products and services: 19%
- Identification and review of climate change risks and opportunities
- Reduction rate of CO₂ emissions per unit at business sites (factories and offices): 7%
- Reduction rate in water use per unit: 23%
- Reduction rate in waste and valuables generation per unit: 10%
- Reduction rate in chemical atmospheric emissions per unit: 16%
- Calculation of positive and negative impact on natural capital

**Achievements in FY 2019**
- Reduction rate of CO₂ emissions per unit of products and services: 19%
- Announced goal of realizing carbon neutrality by fiscal 2030 at all business sites (factories and offices)
- Implemented investment in energy-saving equipment in 35 cases totaling ¥260 million through HICP
- Reduction rate of CO₂ emissions per unit at business sites (factories and offices): 5%
- Generated 2.6 times more renewable energy for its own use than the previous fiscal year
- Released Water Risk Guidelines
- Promoted measures based on water risk survey results
- Reduction rate in water use per unit: 26%
- Promoted recycling activities for each product
- Reduction rate in waste and valuables generation per unit: 14%
- Reduction rate in chemical atmospheric emissions per unit: 21%
- Built calculation methods for positive impact (e.g. benefits of forest conservation activities) and negative impact (LIME2 evaluation of business activities) into Environmental Data Collection System (Eco-DS)
- Revised list of Voluntarily Controlled Chemical Substances in accordance with EU's POP Regulation

**Key SDGs**

Note: Figures in "Goals and KPIs" are goals for fiscal 2019, compared to fiscal 2010.
Advancing Our Environmental Vision and Long-Term Environmental Targets

The Environmental Vision and Hitachi Environmental Innovation 2050

In order to fulfill its corporate social responsibility for reducing global and local environmental burden, Hitachi has made striving to resolve related issues through its business operations part of its management strategy. In response to the 2015 adoption of the Paris Agreement on climate change and the UN’s Sustainable Development Goals (SDGs), in September 2016 we established our Environmental Vision and long-term environmental targets called Hitachi Environmental Innovation 2050. In order to achieve these long-term targets, we drew up our Environmental Action Plan, a set of short-term targets that are updated every three years. Implementation of the Environmental Action Plan for 2021, covering fiscal 2019–2021 and formulated in line with the 2021 Mid-term Management Plan, is currently underway, and we are steadily accumulating achievements as we work to meet the detailed KPIs that the plan includes.

Our environmental strategy, centered on the Environmental Vision and our long-term environmental targets, is deliberated over by the Executive Sustainability Committee, chaired by the president and CEO, and advanced by the Hitachi Group as a whole.

Environmental Vision
Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders. We also aim to achieve a decarbonized society, a resource efficient society, and a harmonized society with nature—the components of a sustainable society—in accordance with this Vision.

Long-Term Environmental Targets: Hitachi Environmental Innovation 2050

For a decarbonized society
CO₂ emissions per unit through the value chain
80% reduction by fiscal 2050, 50% reduction by fiscal 2030 (compared to fiscal 2010)
Achieve carbon neutrality by fiscal 2050 at business sites (factories and offices)

For a resource efficient society
Build a society that uses water and other resources efficiently with customers and society
50% improvement of efficiency in use of water/resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)

For a harmonized society with nature
Minimize impact on natural capital

Progress in Reaching Long-Term Environmental Targets

The quantitative targets of the Hitachi Environmental Innovation 2050 are specified in the Environmental Action Plan for 2021 (covering fiscal 2019–2021). Progress toward major targets is being made, as shown in the table below, and we are generally on track. We will continue increasing our efforts to achieve these long-term targets.

For a decarbonized society
- Reduction rate of CO₂ emissions per unit from use of products and services (base: FY 2010)
  - Fiscal 2019 result: 19%
  - Fiscal 2021 target: 20% or higher
  - Fiscal 2030 target: 50%
  - Fiscal 2050 target: 80%
- Reduction rate of total CO₂ emissions (base: FY 2010)
  - Fiscal 2019 result: 17%
  - Fiscal 2021 target: 20% or higher
  - Fiscal 2030 target: 100%
  - Fiscal 2050 target: Maintain 100%

For a resource efficient society
- Reduction rate in water use per unit (base: FY 2010, Hitachi Group)
  - Fiscal 2019 result: 26%
  - Fiscal 2021 target: 26% or higher
  - Fiscal 2030 target: -
  - Fiscal 2050 target: 50%
- Reduction rate in waste and valuables generation per unit (base: FY 2010, Hitachi Group)
  - Fiscal 2019 result: 14%
  - Fiscal 2021 target: 12% or higher
  - Fiscal 2030 target: -
  - Fiscal 2050 target: 50%

Note: The reduction rate of total CO₂ emissions is an indicator that includes such variables as the amount of CO₂ emissions reduced due to self-consumption of energy, the amount of renewable energy purchased, and the amount of reduction using non-fossil fuel energy certificates.
Environmental Action Plan

To achieve its Environmental Vision and the Hitachi Environmental Innovation 2050 long-term environmental targets, Hitachi draws up an Environmental Action Plan containing indicators and targets for the three-year period covered by the Mid-term Management Plan and promotes its steady implementation.

Environmental Action Plan for 2021 (Fiscal 2019–2021)

We are pressing forward with environmental activities based on the Environmental Action Plan for 2021 formulated in line with the 2021 Mid-term Management Plan. The table below outlines the targets for fiscal 2019–2021, as well as the results for fiscal 2019. GREEN 21 is used as a system for evaluating and managing the achievement made over the three years for each goal.

<table>
<thead>
<tr>
<th>Item</th>
<th>Indicators</th>
<th>Fiscal 2019 targets</th>
<th>Fiscal 2019 results (achievement level)</th>
<th>Fiscal 2020 targets</th>
<th>Final fiscal year (2021) targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote environmental human capital development</td>
<td>Environmental human capital development of the Hitachi Group</td>
<td>5%</td>
<td>3%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Enhance global environmental management</td>
<td>Implementation rate of voluntary environmental audits (number of implementing sites/number of sites outside Japan)</td>
<td>20%</td>
<td>26%</td>
<td>50%</td>
<td>80%</td>
</tr>
<tr>
<td>Reduce CO2 emissions of products and services</td>
<td>Reduction rate of CO2 emissions per unit (base: FY 2010)</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>Address climate change risks and opportunities</td>
<td>Identification and review of risks and opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce CO2 emissions of business sites (factories and offices)</td>
<td>Reduction rate of CO2 emissions per unit (base: FY 2010)</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Resource circulation (factories and offices)</td>
<td>Enhancement efficiency in the use of resources and recycle waste materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce CO2 emissions from transportation (shipping)</td>
<td>Reduction rate of transportation energy consumption per unit (Liquefied) (base: FY 2010)</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*1 Reduction rate of CO2 emissions per unit refers to reductions in CO2 emissions from just Hitachi’s consumption of energy.
*2 This is a target for Japan only. Targets in other countries are set on a voluntary basis.

Evaluation system for the achievement of the Environmental Action Plan | GREEN 21

<table>
<thead>
<tr>
<th>Name</th>
<th>Achievement Evaluation System: GREEN 21</th>
<th>30%</th>
<th>50%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical substances (factories and offices)</td>
<td>Reduction rate in chemical atmospheric emissions per unit (base: FY 2010)</td>
<td>16%</td>
<td>16%</td>
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</tr>
<tr>
<td>Ecosystem preservation</td>
<td>Contribution to ecosystem preservation</td>
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<td>13%</td>
</tr>
<tr>
<td>Ecosystem preservation</td>
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Evaluation system for the achievement of the Environmental Action Plan | GREEN 21

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Evaluation system for the achievement of the Environmental Action Plan | GREEN 21

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GREEN 21 is used as a system for evaluating and managing our achievements made over three-year periods toward the targets set in our Environmental Action Plan.

GREEN 21 converts the level of achievement toward the Environmental Action Plan targets at each of the approximately 200 major manufacturing sites classified as category A into green points (GPs), then makes an evaluation on a category-by-category basis. A perfect score for any category is 100 GPs. Points are awarded for meeting the Environmental Action Plan's annual targets and, as an added incentive, for particularly ambitious activities. Representing progress in terms of GPs shows how much each site has achieved in each category, and allows sites to be compared with each other, the results of which are in turn used in the Environmental Action Plan’s PDCA (plan-do-check-act) cycles.

The Sustainability Promotion Division also uses the results of the GREEN 21 evaluation as a condition for awarding its Eco-Factories & Offices Select certification for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area.

From fiscal 2019, progress has been evaluated for individual categories (environmental management, a decarbonized society, a resource efficient society, and a harmonized society with nature) newly created based on the Environmental Action Plan for 2021. The total score for all the categories was 177 GPs, exceeding the fiscal 2019 benchmark of 160 GPs. One factor behind the higher score was progress made in water risk assessment as part of our efforts to build a resource efficient society.
Environmental Governance

Framework for Promoting Environmental Governance

To achieve our Environmental Vision and reach our long-term environmental targets, we are enhancing environmental governance by building a global structure to support environmental decision making and implementation at Hitachi, Ltd. and consolidated subsidiaries (a total of 815 companies as of March 31, 2020).

Important items related to environmental initiatives are deliberated by the Executive Sustainability Committee, chaired by the president and CEO of Hitachi, Ltd., and attended by top Hitachi executives. Members meet twice a year to discuss material environment-related policies and measures, including those in response to climate change, to share progress reports and achievements, and to set the course for further improvements and new initiatives.

We have adopted a committee system to separate the responsibilities for management oversight from the execution of business operations. Under this system, the Audit Committee of independent directors conducts an audit of sustainability-related operations once a year. Reports on climate change and other environment-related material issues are made to the committee by Hitachi executive officers.

To develop ways to achieve our long-term environmental targets and reduce environmental compliance risks, the three-year Hitachi Group Environmental Action Plan is formulated in line with the Mid-term Management Plan by environmental promotion division heads from business units and major Group companies participating in Eco-Management Meetings. Targets (and measures to achieve them) in the Environmental Action Plan that affect not only our environmental strategy but also our business strategy—like those to reduce the CO2 emissions of our products and services—are determined jointly by the Eco-Management Meetings and Sustainability Promotion Meetings, attended by business promotion division heads. A progress report concerning important targets in the Environmental Action Plan is made to the Executive Sustainability Committee, and instructions from committee members are reflected in actual environmental activities.

Group-wide efforts to advance environmental activities are undertaken outside Japan as well. Environmental officers are assigned to China, the rest of Asia, the Americas, and Europe to share information on the state of progress of our environmental activities and on the latest environmental regulations in each country and region. Respective Regional Environmental Meetings are also held once or twice a year.
Environmental Management System

Enhancing Our Environmental Management System

Hitachi has globally applicable criteria for environmental management classification to conduct environmental management properly and efficiently in accordance with the environmental load and compliance risk levels of Group business sites, both large and small. We assign a score for each classification item, such as the amount of power consumed, the volume of waste generated, and whether or not legal restrictions apply. Each Group business site is classified into one of three categories: A, B, and C. Environmental management is then conducted based on the respective level of risk. Of our approximately 1,000 business sites, about 200 major manufacturing sites are classified as category A. These sites account for more than 90% of the Group's total environmental load.

The business units and Group companies with category A sites participate in Eco-Management Meetings to draw up the Environmental Action Plan, which is then disseminated throughout the business units and Group companies by environmental strategy officers, chosen from among the heads and general managers of those organizations. These business units and Group companies also formulate their own environmental action plans based on Hitachi Group’s Environmental Action Plan and strive to achieve their targets.

In addition to adhering to the in-house environmental management system, all our global category A manufacturing sites have acquired third-party certification, such as ISO14001.

Categories by Criteria for Classification of Environmental Management

<table>
<thead>
<tr>
<th>Category</th>
<th>Setting targets based on the Environmental Action Plan and reporting environmental load data to Hitachi, Ltd. headquarters</th>
<th>Reporting environmental load data to Group environmental strategy officers</th>
<th>Reporting violations of environmental laws and regulations to Hitachi, Ltd. headquarters and responding to the management classification survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A</td>
<td>☒</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>Category B</td>
<td>–</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>Category C</td>
<td>–</td>
<td>–</td>
<td>☒</td>
</tr>
</tbody>
</table>

Collecting and Monitoring Environmental Load Data to Improve Environmental Practices

To conduct environmental management efficiently and effectively, we collect environmental load data using the Environmental Data Collection System (Eco-DS). The system, which supports three languages (Japanese, English, and Chinese), monitors and registers items in about 20 categories, ranging from environmental load data on items such as energy use, water use, and waste generation, to whether an item falls under relevant environmental laws and regulations, to environmental accounting. We have also set up an international help desk to support the system’s operation and promote understanding of environmental management.

The collected data is aggregated and analyzed to implement a PDCA cycle for environmental measures, such as determining environmental management classification into the categories A, B, and C; identifying environmental management issues; and sharing instructive examples within the Group. GREEN 21 uses the data registered in the system to calculate green points (GPs) for evaluating the level of target achievement. Approximately 200 manufacturing sites classified as category A aggregate and analyze data biannually on such key items as energy, water, and waste materials.

Achievements in FY 2019

In fiscal 2019, data from about 1,000 business sites in 63 countries, including factories, research laboratories, and offices, was registered in the system to estimate the environmental load of the entire Hitachi Group.
Chemical Substance Management System

To collect and manage data on chemical substances in materials, parts, and products from our suppliers, Hitachi operates A Gree’Net, a green procurement system compatible with the chemSHERPA*1 format, to grasp what chemical substances are used in our products—from design and development, procurement, and production to quality assurance and shipping—and to respond to legal and regulatory frameworks at shipping destinations.

To properly manage chemical substances used in our business operations, we have introduced a database for chemical substance management called CEGNET, which keeps track of the latest laws and regulations and our own voluntary regulations and supports searches for new substance risks. The system also collects and aggregates data on the amount of chemical substances handled, emitted, and transferred in our operations, helping to reduce the volume of chemicals that we handle and emit to the environment.

Approximately 1.34 million parts and products with chemical substances are registered in A Gree’Net as of March 31, 2020. This is around 200,000 less than the previous fiscal year due to a decrease in the number of Hitachi Group companies as a result of changes in our business portfolios.

We held 13 briefings on chemSHERPA tools and A Gree’Net for suppliers using the system at Healthcare Kashiwa, Omika Works, Kasado Works, Shimizu Works, Mito Works, and Hitachi IE Systems between July 2019 and March 2020. The briefings were attended by 1,276 people and helped to deepen understanding of these tools and this system.

*1 chemSHERPA: A shared transmission scheme throughout the supply chain to ensure proper management of chemical substances in products and continuing compliance with the ever-growing requirements of major global laws and regulations like the REACH regulation and RoHS directive.
Reducing the Environmental Burden Through “Eco-Factories & Offices Select” Certification

Hitachi has implemented an “Eco-Factories & Offices Select” certification program for business sites that promote activities demonstrating a high level of environmental consciousness and produce notable results in that area. This helps raise the environmental awareness of employees and promote environmentally conscious activities at our business sites.

Based on certification criteria that were developed for our manufacturing (factory) and non-manufacturing (office) divisions globally, we certify factories that actively engage in improvements to achieve efficient production and offices that have been environmentally designed. Superior policies from certified factories and offices are shared with the entire Group, with other locations encouraged to implement them as well. To maintain and raise the level of environmental awareness through Eco-Factories & Offices Select, certified factories and offices are re-evaluated every fiscal year, and only those that meet the evaluation requirements have their certification renewed.

In fiscal 2019, of our approximately 1,000 facilities, 6 were newly certified, 2 were recertified, and 64 had their certifications renewed. The total number of certified factories and offices was 72.

Achievements in FY 2019
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Environmental Education for Employees

Hitachi believes that promoting greater environmental awareness and understanding among employees is essential to efforts to energize its environmental activities. Toward that end, we offer general education using e-learning for all Group employees, from new hires to executive officers. We also provide specialized Hitachi Group training on environmental risks and compliance with environment-related laws and regulations for working-level employees in charge of environmental management and internal environmental auditors. Particularly in China, where we have more than 30 category A manufacturing sites, we provide training on compliance with the country’s increasingly strict environmental laws and regulations.

Achievements in FY 2019
In fiscal 2019, we created new e-learning materials for general education with a view to sustainability in line with the 2021 Mid-term Management Plan. These materials will be rolled out globally starting in fiscal 2020. An environmental management training program scheduled for March 2020 in China was postponed due to COVID-19.

Environmental Education and Training System
Environmental Compliance

Environmental Education in Fiscal 2019

<table>
<thead>
<tr>
<th>Contents of training</th>
<th>Target</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi Group training on recent amendments to laws</td>
<td>Employees working in air, water</td>
<td>Japan: 150 people from</td>
</tr>
<tr>
<td>and operational procedures as well as basic environmental</td>
<td>quality, and waste management</td>
<td>33 companies</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td>China: 68 people from 41 companies</td>
</tr>
<tr>
<td>Environmental management training program to reduce</td>
<td>Working-level employees</td>
<td>Postponed due to COVID-19</td>
</tr>
<tr>
<td>environmental risks in China and raise the knowledge of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>working-level employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to better ensure compliance with the laws and regulations of each country and region and minimize environmental risks, Hitachi sets and monitors compliance with voluntary management criteria that are more stringent than regulatory requirements. If we find a violation or receive a complaint, we take steps to enhance environmental risk management by sharing the causes and countermeasures throughout the Group and preventing a recurrence of similar incidents. As part of our measures to address the pollution of soil and groundwater, we are examining the soil and water for any contamination at business sites where hazardous chemical substances are being or were once used. If contamination is found, we will conduct cleaning and monitoring activities until decontamination is complete.

Implementation Status of Internal Environmental Audits

<table>
<thead>
<tr>
<th>Implementing division</th>
<th>Target</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate division of Hitachi, Ltd. (Sustainability Promotion Division)</td>
<td>Business units, headquarters of Group companies, and business sites classified as category A in our environmental management classification</td>
<td>Usually every three years</td>
</tr>
<tr>
<td>Corporate divisions of business units and Group companies (environment divisions)</td>
<td>Major business sites and subsidiaries of business units and Group companies**</td>
<td>Usually every three years</td>
</tr>
<tr>
<td>Overseas business sites of business units and Group companies that are classified as category A in our environmental management classification*2</td>
<td>Usually every three years</td>
<td></td>
</tr>
<tr>
<td>ISO 14001-certified sites (audit teams)</td>
<td>Divisions within business sites</td>
<td>Usually every year</td>
</tr>
</tbody>
</table>

*1 According to the Hitachi Group Global Audit Standards, which specify matters concerning internal audits conducted by business units and Group companies.
*2 According to the Environmental Action Plan.

Environmental Education in Fiscal 2019

Contents of training Target Number of participants
Hitachi Group training on recent amendments to laws and operational procedures as well as basic environmental management Employees working in air, water quality, and waste management Japan: 150 people from 33 companies China: 68 people from 41 companies
Environmental management training program to reduce environmental risks in China and raise the knowledge of working-level employees Working-level employees Postponed due to COVID-19

Environmental Compliance

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Achievements in FY 2019

- In fiscal 2019, we designated 15 business sites that committed an environmental violation in the past three years as high-risk business sites. The relevant business units and Group companies began providing guidance to these sites to strengthen compliance activities. Through enhanced guidance to these high-risk business sites, compliance management has improved outside Japan and the number of relevant legal and regulatory violations decreased.

Number of Regulatory Violations and Complaints (Hitachi Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water quality</th>
<th>Air quality</th>
<th>Waste matter</th>
<th>Other (equipment registration, etc.)</th>
<th>Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2019</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
Efforts to Achieve a Decarbonized Society

Hitachi Environmental Innovation 2050 contains long-term reduction targets for CO₂ emissions per unit of 50% by fiscal 2030 and 80% by fiscal 2050 (compared to fiscal 2010 levels) throughout Hitachi’s value chain.

The value chain for our products and services encompasses all stages from the procurement of raw materials and parts to production, transportation, use, disposal, and recycling. In May 2020 we announced an even more ambitious CO₂ reduction target of achieving carbon neutrality, which will mean net zero emissions, at our business sites (factories and offices) by fiscal 2030.

Approximately 90% of our value-chain emissions result from the use of our products and services after they are sold, and reducing these emissions will be crucial to reducing CO₂ emissions across the value chain. However, CO₂ emissions from the use of sold products and services are greatly influenced by changes in product sale price and business portfolios. We have established an indicator for providing products and services that produce less CO₂ from among products and services offering equivalent value, and, recognizing the importance of this matter, have set and continue to manage reductions goals for our main products and services on the basis of CO₂ emissions per unit. Specifically, by fiscal 2030, we aim to reduce CO₂ emissions per unit by 50% for products and services at the usage stage and contribute to reducing global CO₂ emissions through energy systems that do not emit CO₂ at the operational stage and expanding our new decarbonization business using digital technology such as OT and IT.

Additionally, in response to growing investor interest in the long-term impact of climate change on financial performance and corporate operations, we actively disclose climate-related information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and also engage in dialogue with investors.

### Objectives for CO₂ Emissions per Unit from Products and Services in Use and Approach to Avoided Emissions

To reduce CO₂ emissions from the use of our products and services, which make up the largest proportion of emissions in our value chain, we have established target reduction rates of CO₂ emissions per unit from products and services while in use. These rates are based on fiscal 2010.

Given the unique qualities of the wide range of businesses we engage in, for each product or service subject to this initiative, we calculate the reduction rate of CO₂ emissions per unit with CO₂ emissions as the numerator and function size*1 as the denominator, and work toward overall reduction.

We also have high expectations for specific long-term CO₂ reduction countermeasures such as sales of renewable energy systems with zero emissions while in use and the use of technological innovation to replace existing products or services with new versions that provide the same value but emit less CO₂ while in use.

The Guidelines on Calculating CO₂ Emission Reductions for Hitachi Group Products and Services*2 specify the following three methods for calculating different types of CO₂ emission reductions. Figures considered reductions for products and services while in use under the GHG Protocol, a global standard for CO₂ emission reduction disclosure, are calculated using method (1). Methods (2) and (3) are for avoided emissions.

1. **Energy-saving feature enhancements**
   - Set a reduction rate of CO₂ emissions per unit (compared to fiscal 2010) based on efficiency enhancements such as energy-saving feature enhancement in products and services. Every year, calculate reductions in CO₂ emissions considering the production volume of the relevant year.

2. **Reduction through new systems and solutions based on technological innovation**
   - Calculate avoided emissions as reductions in CO₂ emissions due to the adoption of new systems and solutions that emit less CO₂ while providing equivalent value to existing products, services, and solutions.

3. **Reduction through the deployment of non-fossil energy systems**
   - Calculate avoided emissions as reductions in CO₂ emissions due to the introduction of renewable and other non-fossil energy systems, as compared to grid-supplied electricity (using the average emissions factor of the base year, fiscal 2010).

*1 Major functions of products correlated with CO₂ emissions.

*2 The Guidelines are based on various standards, including the Guidance on Quantifying Greenhouse Gas Emission Reductions from the Baseline for Electrical and Electronic Products and Systems (IEC TR62726) issued by the International Electrotechnical Commission (IEC), and calculation methods established by the government or industrial associations.
Contributing to a Decarbonized Society Through the Decarbonization Business

Expanding the Decarbonization Business

To achieve a decarbonized society set out in its Environmental Vision, Hitachi is pursuing decarbonization business that contributes to reducing CO₂ emissions, including business to provide products and services with enhanced energy-saving features, business to introduce renewable energy, and business to offer solutions to improve efficiency and reduce CO₂ emissions through digitalization, such as the use of Lumada. We will expand the decarbonization business by supplying solutions in the five business areas of IT, energy, industry, mobility, and smart life, and help the world mitigate and adapt to climate change. In the IT sector, we will develop work style innovation solutions and other digital technologies to help improve the working environment for individual employees. In the energy sector, we will promote wider use of renewable energy through increased efficiency of power transmission and distribution. In the industry sector, we will improve efficiency of industrial equipment like compressors and transformers used at production sites. In the mobility sector, we will not only work to enhance the efficiency of elevators for buildings and their security and safety functions through remote monitoring but also to improve the ease of their maintenance. Finally, in the smart life sector, we will contribute to energy management in smart cities and developing, producing, and providing electrification parts for automobiles.

Decarbonization Business: A Hitachi Focus

- **IT solutions**
  - Finance and public-oriented solutions
  - Promoting digital solutions
  - Data center
  - Developing smart data centers
  - Servers/storage
  - Enhancing energy-saving features of servers and storage

- **Energy solutions**
  - Power grid solutions
  - Enhancing efficiency of power transmission/distribution
  - Energy management
  - Advancing smart energy management to reduce peak electricity demand
  - Power generation
  - Promoting power generation systems using wind and other non-fossil energy sources

- **Industry solutions**
  - Smart logistics
  - Improving energy-saving features of fully IT-enhanced logistics
  - Factory automation
  - Enhancing energy efficiency through shorter lead times
  - Water business
  - Enhancing efficiency of water and sewage systems
  - Industrial products
  - Enhancing efficiency of industrial products

- **Mobility solutions**
  - Railways
  - Enhancing energy-saving features of rolling stock
  - Developing smart operating systems
  - Enhancing maintenance service efficiency through rolling stock monitoring
  - Elevators
  - Enhancing energy-saving features of elevators and escalators through replacement
  - Enhancing energy efficiency through total building solutions

- **Smart life solutions**
  - Smart cities
  - Reducing CO₂ through comprehensive urban energy management solutions
  - Vehicle electrification
  - Promoting electrification through electric powertrain systems
  - Home appliances
  - Enhancing energy efficiency of home appliances
  - Promoting connected home appliances
  - Smart therapies
  - Enhancing energy-saving features of medical devices
Achieving CO₂ Emission Reductions During the Use of Products and Services

Hitachi set a target for fiscal 2019 of 19% reduction in CO₂ emissions per unit from products and services compared to the base year of fiscal 2010, and our actual rate of reduction in fiscal 2019 was 19%. This is due to an increase in sales of high energy-saving products, including industrial equipment and equipment used for social infrastructure.

Initiatives for Improving Environmental Performance of Products and Services

- Promoting environmentally conscious process: In accordance with the IEC 62430** criteria, promote environmentally conscious process in designing and developing products and services including by meeting environmental regulatory requirements and ascertaining the environment-related needs of our stakeholders within our existing management system.
- Implementing Life Cycle Assessments (LCAs): For our main, priority products, quantitatively evaluate their burden on the global environment in such areas as the consumption of mineral resources, fossil fuels, and water resources, as well as their impact on climate change and air pollution, disclose the results to our stakeholders, and utilize them in improving the design of next-generation products.

Environmental Action Plan for 2021 Management Values

<table>
<thead>
<tr>
<th>Project</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing CO₂ emissions using IT</td>
<td>Systems &amp; Services Business, Hitachi, Ltd.</td>
</tr>
<tr>
<td>New G-Series air compressors</td>
<td>Hitachi Industrial Equipment Systems</td>
</tr>
<tr>
<td>Participation in the Carbon Footprint Communication Program</td>
<td>Services &amp; Platforms Business Unit, Hitachi, Ltd.</td>
</tr>
</tbody>
</table>

Improving Environmental Performance of Products and Services Through Environmentally Conscious Design Assessments

We conduct independently developed Environmentally Conscious Design Assessments for all products and services involving a design process to steadily improve environmental performance throughout the Group. We identify 30 environmental impact items that may cause climate change, resource depletion, and ecosystem degradation across the entire life cycle of products and services, assess the environmental burden reduced through our business activities in multifaceted ways, and strive for further reductions.
Contribution to a Decarbonized Society at Business Sites (Factories and Offices)

**CO₂ Emission Reductions at Business Sites (Factories and Offices) and Hitachi Carbon Neutrality 2030**

Hitachi is working toward achieving its target of reducing CO₂ emissions from our business sites (factories and offices) by 50% compared to fiscal 2010 by fiscal 2030, as set out in Hitachi Environmental Innovation 2050, our long-term environmental targets.

To accelerate these efforts, in 2020 we announced an additional goal of realizing carbon neutrality by fiscal 2030 at all business sites (factories and offices). We call this goal "Hitachi Carbon Neutrality 2030." Under Hitachi Carbon Neutrality 2030, we aim to be carbon neutral by effectively reducing emissions by 100% by fiscal 2030 compared to fiscal 2010, instead of the original 50% reduction target. The following initiatives will help us achieve the new target.

**Major Initiatives for Reducing CO₂ Emissions at Business Sites (Factories and Offices)**

**Factories**
- Improve equipment efficiency by introducing and upgrading to high-efficiency equipment
- Reduce energy use during production by raising efficiency through the use of Lumada and production technologies cultivated over long years of experience
- Optimize equipment operation and stop energy waste by installing smart meters
- Review product designs and processes

**Offices**
- Build new facilities with high energy efficiency
- Combine and integrate existing facilities
- Install energy-saving equipment and optimize equipment operation in collaboration with building owners

**Factories and offices**
- Install renewable energy systems
- Use electricity from renewable sources
- Adopt the non-fossil fuel energy certificate*1 system
- Introduce off-balance-sheet solar power generation for self-consumption
- Promote investment in carbon-reduction equipment through adoption of the Hitachi Internal Carbon Pricing (HICP) framework

*1 Credits assigned to energy certified as having been produced from renewable sources. Purchasers of such credits can offset their conventional energy use instead of implementing their own reduction measures.

**Introducing the Hitachi Internal Carbon Pricing Framework**

To promote CO₂ reduction at our business sites (factories and offices), in fiscal 2019 we started operating the Hitachi Internal Carbon Pricing*1 (HICP) framework, which provides sites with incentives to invest in necessary new equipment.

The HICP framework is an internal system that aims to achieve CO₂ reduction effectively. It helps visualize CO₂ reduction from investment in equipment at factories and offices and encourage investment in new equipment that drives decarbonization through energy-saving and other measures as an extension of the established decision-making process on investment.

Specifically, with reference to emissions trading and carbon taxes globally, we establish company-internal carbon prices, convert into monetary value the effect of CO₂ reduction due to investment in equipment that contributes to decarbonization, add this to the value of energy reduction effects, and use the result to evaluate the effect of our investment. By applying incentives like these, we aim to further expand our investment in equipment that contributes to decarbonization.

As the climate change issue deepens, we anticipate risks like increased burdens from carbon taxes and new emissions trading frameworks to emerge. By incorporating those risks into our equipment investment decisions, we can not only make investment in equipment that contributes to decarbonization a higher priority, but also minimize the future risks of climate change and make ourselves more resilient. The introduction of the HICP framework is a key part of this process.

Establishing and implementing the HICP framework resulted in additional investment in energy-saving equipment. Such equipment did not receive investment before due to low returns, but it qualifies under the HICP framework as it is expected to help reduce CO₂ emissions. Fiscal 2019 saw 35 cases of investment in energy-saving equipment with a total investment of ¥260 million, contributing to an annual reduction of 1,356 tons of CO₂ emissions. The annual amount of CO₂ emission reductions from our business sites improved 2% compared to the previous fiscal year.

**Achievements in FY 2019**

*1 Internal carbon pricing: An in-house tool to assess in monetary terms the amount of carbon generated or reduced in order to voluntarily make investment decisions and conduct risk management.
At Hitachi, the achievement of environmental targets for individual business sites (factories and offices) set by the Environmental Action Plan for 2021 is measured by CO2 emissions per unit. Because we conduct business in various sectors, the KPI of CO2 emissions per unit for each business site is calculated using the site's CO2 emissions as the numerator and its activity amount\(^1\) as the denominator.

In fiscal 2019, the reduction rate of CO2 emissions per unit was 5% against a target of 7% (compared to the base year of fiscal 2010). Part of the reason for not hitting the target was a lower efficiency of facility use due to a decrease in sales. There were also some business divisions that could not achieve expected reductions in CO2 emissions per unit due to a failure to appropriately respond to a reduction in the fixed power allocation linked to sales.

We report the total CO2 emissions from our entire Group, including CO2 emissions from power plants selling electricity. Total CO2 emissions in fiscal 2019 decreased by approximately 599 kt-CO2 compared to fiscal 2018\(^2\) due to the sale of our power plants and a drop in sales. CO2 emissions by region, excluding those from power plants, fell as a result of reorganization of business sites and a decline in sales in Japan. In the Americas, a materials company that became a reporting company in fiscal 2016 accounts for a large portion of CO2 emissions, and we will look into ways to promote the use of inexpensive renewable energies.

\(^1\) A value closely related to CO2 emissions at each business site (for example, production quantity, output, building floor space, and number of employees).

\(^2\) The CO2 electrical power conversion factor in calculations of CO2 emissions per unit, a unified factor of 0.530 kgCO2/kWh is applied across the entire Hitachi Group.

### Environmental Action Plan for 2021 Management Values

<table>
<thead>
<tr>
<th>Activity amount</th>
<th>CO2 emissions*</th>
<th>FY 2010 (base year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,703 kt-CO2</td>
<td>4,703 kt-CO2</td>
<td>= 100%</td>
</tr>
</tbody>
</table>

\* CO2 emitted within the organisation (Scopes 1 and 2).

Notes: As the CO2 electrical power conversion factor in calculations of CO2 emissions per unit, a unified factor of 0.530 kgCO2/kWh is applied across the entire Hitachi Group.

The Environmental Action Plan's management values do not include amounts for our power plants in fiscal 2010 (base year) or fiscal 2019.
Achieving a Decarbonized Society

Reducing Transportation Energy Consumption

As part of our efforts to reduce energy output during transportation as well as at our business sites (factories and offices), we have established targets for the reduction of transportation energy use per unit for each business unit and Group company in Japan. Outside Japan, these targets are voluntary. Our business sites are promoting a modal shift to highly efficient transportation methods, improving truck loading ratios and taking other measures to reduce transportation energy consumption, and switching to the use of eco-cars for in-house operation. Considering a modal shift from truck to rail transportation a high priority, we are working toward “Eco Rail Mark company” and “Eco Rail certified product” certifications from the Ministry of Land, Infrastructure, Transport, and Tourism. Transitioning from truck to railway transportation is expected to reduce CO2 emissions per unit to one-eleventh of its current level, and we plan to continue expanding our use of railways for long-distance transportation.

In fiscal 2019, CO2 emissions from transportation within Japan for the Hitachi Group were 88.4 kt-CO2, 14.4 kt-CO2 less than the previous fiscal year. To reduce CO2 emissions, we actively worked to improve efficiency when loading products for transportation and increase our use of coordinated transportation, reducing CO2 emissions by more than 10% compared to fiscal 2018.

Eco Rail Mark Initiatives

We are promoting the use of solar, wind, and other forms of renewable energy at our business sites. Going forward, we will accelerate these efforts, aiming to raise the share of renewable energy in our total electricity consumption to 2% by fiscal 2030.

In fiscal 2019, Hitachi generated a total of 18,022 MWh of renewable energy for its own use, which is 2.6 times the amount generated in the previous fiscal year. Renewable energy generated by equipment installed at business sites (factories and offices) accounted for 0.3% of the electricity consumed by the entire Hitachi Group.

Major Business Sites Using Renewable Energy

<table>
<thead>
<tr>
<th>Company</th>
<th>Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi Ltd.</td>
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</tr>
<tr>
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<td>Eco Rail certified product*2</td>
</tr>
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*1 A mark conferred on companies using railways for more than 15% of freight land transportation covering 500 km or more; for 15,000 tons or more in volume per year; or for more than 15 million ton-kilometers in volume x distance per year.

*2 A mark conferred on products using railways for more than 30% of freight land transportation covering 500 km or more in terms of volume x distance.

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## Energy Savings in Eco-Factories & Offices

<table>
<thead>
<tr>
<th>Project</th>
<th>Department, Group company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting measures for carbon neutrality</td>
<td>Hitachi Automotive Systems, Hitachi High-Tech Manufacturing &amp; Service</td>
<td>Reduction in CO₂ emissions of about 820 t-CO₂ by increasing use of renewable energy</td>
</tr>
<tr>
<td>Increasing use of renewable energy with off-balance-sheet solar power generation systems for self-consumption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing CO₂ by increasing efficiency of cupola furnaces and utilizing unused energy through heat recovery</td>
<td>Hitachi Metals</td>
<td>Reduction in CO₂ emissions by 15% compared to previous fiscal year through initiatives including increased efficiency of cupola furnaces and heat recovery</td>
</tr>
</tbody>
</table>

[Case Study](https://www.hitachi.com/environment/casestudy/2019/case04.html)

[Case Study](https://www.hitachi.com/environment/casestudy/2019/case05.html)
Climate-related Financial Information Disclosure (Based on TCFD Recommendations)

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board (FSB)’s Task Force on Climate-related Financial Disclosures (TCFD). The following contains key climate-related financial information in line with the TCFD’s recommendations.

Governance

Hitachi sees climate change and other environmental issues as important management issues. A report to the Board of Directors in 2016 was followed by the establishment and announcement of long-term environmental targets called Hitachi Environmental Innovation 2050 containing CO2 reduction targets for fiscal 2030 and fiscal 2050.

The Board of Directors discusses the Group’s sustainability strategy, including climate change measures, as a key component of management strategy. The Executive Sustainability Committee, chaired by the president and CEO and staffed by heads of corporate divisions and business units, meets twice a year to discuss and reach decisions on material environment-related policies and measures, including those in response to climate change, and to set the stage for implementation. In addition, the Audit Committee of independent directors conducts an audit of sustainability-related operations once a year, and Hitachi executive officers report on climate-related material issues to the committee during the audit.

As for activities outside the company, in 2019 an executive officer in charge participated in the TCFD Study Group on Implementing TCFD Recommendations for Mobilizing Green Finance Through Proactive Corporate Disclosures, launched by the Ministry of Economy, Trade, and Industry, and helped compile its report. Hitachi also participates in an industry-government-academia initiative called the TCFD Consortium—comprising 164 companies and other organizations—as a member of its Steering Committee and contributed to the formulation of TCFD Guidance 2.0, announced in July 2020.

Identification and Assessment of Climate-related Risks and Opportunities

The Hitachi Group operates a broad array of businesses around the world, with each business having its own set of risks and opportunities. We are responding to the impact of climate change by assessing climate-related risks and opportunities in accordance with TCFD classifications. We make sector-specific assessments of risks and opportunities for important business sectors that have a relatively high likelihood of being affected by climate change. Our assessments are also categorized according to time span, namely, short term, medium term, and long term, as defined below.

Time Spans for Assessing Climate-related Risks and Opportunities

<table>
<thead>
<tr>
<th>Time span</th>
<th>Reason for adoption</th>
</tr>
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<tbody>
<tr>
<td>Short term: Over the next three years from fiscal 2019 to 2021</td>
<td>Corresponds to the three-year management period covered by the Environmental Action Plan for 2021, established in line with the 2021 Mid-term Management Plan</td>
</tr>
<tr>
<td>Medium term: Through fiscal 2030</td>
<td>Time span of our fiscal 2030 long-term environmental targets</td>
</tr>
<tr>
<td>Long term: Through fiscal 2050</td>
<td>Time span of our fiscal 2050 long-term environmental targets</td>
</tr>
</tbody>
</table>

- A Representative Concentration Pathway (RCP) scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.
- An RCP scenario that assumes that emissions will continue to rise, resulting in an approximately 4°C rise in global temperatures compared to preindustrial levels.

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</tr>
</tbody>
</table>
Climate-related Risks

As for climate-related business risks, we have followed the TCFD’s classification in considering (1) risks related to the transition to a low-carbon economy in the 2°C scenario and (2) risks related to the physical impacts of climate change in the 4°C scenario, which assumes that efforts to reduce global CO₂ emissions have failed.

(1) Risks related to the transition to a low-carbon economy (applying mostly to the 2°C scenario)

<table>
<thead>
<tr>
<th>Category</th>
<th>Major risks</th>
<th>Time span</th>
<th>Main initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and legal</td>
<td>Increased business costs from the introduction of carbon taxes, fuel/energy consumption taxes, emissions trading systems, and other measures</td>
<td>Short to long term</td>
<td>- Avoid or mitigate increases in business costs, such as from carbon taxes, by further enhancing production and transport efficiency and promoting the use of non- or low-carbon energy sources</td>
</tr>
<tr>
<td>Technology</td>
<td>Loss of sales opportunities due to delays in technology development for products and services</td>
<td>Medium to long term</td>
<td>- Contribute to reducing CO₂ emissions by developing and marketing innovative products and services that lead to the achievement of long-term environmental targets and expanding the decarbonization business. - Promote the development of low-carbon products by implementing Environmentally Conscious Design Assessments when designing products and services</td>
</tr>
<tr>
<td>Market and reputation</td>
<td>Impact on sales due to changes in market values or assessment of our approach to climate issues</td>
<td>Medium to long term</td>
<td>- In the light of rising investor and market interest in climate change, and growing expectations of the business sector, clearly identify the reduction of CO₂ emissions in our management and business strategy by incorporating reduction targets for fiscal 2021 in the 2021 Mid-term Management Plan in line with our long-term environmental targets</td>
</tr>
</tbody>
</table>

(2) Risks related to the physical impacts of climate change (4°C scenario)

<table>
<thead>
<tr>
<th>Category</th>
<th>Major risks</th>
<th>Time span</th>
<th>Main initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute and chronic physical risks</td>
<td>Climate-related risks to business continuity, including increased severity of typhoons, floods, and droughts (acute risks) as well as rising sea level and chronic heat waves (chronic risks)</td>
<td>Short to long term</td>
<td>- Take into account the possibility of flood damage when deciding on the location or equipment layout of a new plant. Measures tailored to the water risks of each manufacturing site will be strengthened in the future based on the results of a water risk assessment now being conducted</td>
</tr>
</tbody>
</table>

Climate-related Opportunities

CO₂ emissions during the use of our products and services by our customers account for approximately 90% of total emissions in our value chain. To achieve the CO₂ reduction targets set forth in our long-term environmental targets and 2021 Mid-term Management Plan, Management Plan, it is essential that we reduce emissions during use. Developing and providing products and services that emit zero or very little CO₂ during their use will not only satisfy customer needs but also help meet society’s demands for reduced emissions. This represents a business opportunity for us in the short, medium, and long term and constitutes a major pillar of the Social Innovation Business that we are promoting as a management strategy.

<table>
<thead>
<tr>
<th>Category</th>
<th>Major opportunities</th>
<th>Main initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products/services and markets</td>
<td>Increased corporate value and revenue from expanded sales of products and services with innovative technology that can contribute to the mitigation and adaptation of climate change</td>
<td>- Develop and market products and services that contribute to a decarbonized society, expand the decarbonization business, and promote the development of innovative devices and materials that contribute to reducing the environmental burden. - Create solutions that leverage Hitachi’s strengths in operational technology (OT), IT, and products, as well as expertise in R&amp;D (high-efficiency, energy-saving products; high-efficiency production systems using digital technology; power generation systems using non-fossil energy that do not emit CO₂; environment-friendly mobility; and building of smart, environmental cities)</td>
</tr>
<tr>
<td>Resilience</td>
<td>Provision of solutions to address climate-related natural disasters</td>
<td>- Provide disaster-mitigation solutions, such as high-performance fire-fighting command systems. - Provide construction machinery that enables speedy recovery efforts</td>
</tr>
</tbody>
</table>

Contributing to a Decarbonized Society Through the Decarbonization Business
Responding to Climate Scenario Risks and Opportunities for Each Business

Hitachi operates a broad array of businesses, each business having its own set of risks and opportunities. We therefore selected businesses that have a relatively high likelihood of being affected by climate change and examined the business impact of and responses to the 2°C and 4°C scenarios. Under the former, our assessments were premised on there being stronger measures and regulations for decarbonization envisioned by the IPCC’s RCP 2.6 scenario. By assuming somewhat tighter regulations and an earlier target date for CO2 reductions, we can prepare ourselves for the 1.5°C scenario. Under the latter, we focused on being increased climate-induced natural disasters as a result of tax regulations, as projected by the RCP 8.5 scenario.

In selecting the businesses that have a relatively high likelihood of being affected by climate change, we took many different factors into account and chose those with (1) relatively high CO2 emissions from the use of products and services, (2) a relatively high need for fossil fuels during the use of products and services, and (3) high sales volume within the Group. The businesses we selected using these criteria were railway systems, power generation and power grids, IT systems, industrial equipment, automotive systems, and construction machinery. Our assessment of the major climate-related risks and opportunities for these businesses is outlined in the following table:

<table>
<thead>
<tr>
<th>The Business Environment, Major Risks and Opportunities, and Strategies under the 2°C and 4°C Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target businesses</strong></td>
</tr>
<tr>
<td><strong>Business environment:</strong></td>
</tr>
<tr>
<td><strong>Risks:</strong> Competitiveness will decline if there are delays in the development of renewable and energy-saving technologies and the development of new, high-efficiency platforms that can accommodate the expansion of such financial services and loan businesses for decarbonization businesses and green bond issues, as well as telecommunication businesses.</td>
</tr>
<tr>
<td><strong>Opportunities:</strong> Demand will grow for railway systems, which emit less CO2 per distance covered. There will be a shift in energy-saving railways from conventional models, and the efficiency of railway services will be improved through distributed generation.</td>
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Continued on next page ▼
# Achieving a Decarbonized Society

## Hitachi Sustainability Report 2020

<table>
<thead>
<tr>
<th>Target businesses</th>
<th>Railway systems</th>
<th>Power generation and power grids</th>
<th>IT systems</th>
<th>Automobile systems</th>
<th>Construction machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The business environment and major risks and opportunities under 4°C scenario</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risks: The high frequency of natural disasters will increase damage to property facilities, women working environments, and production lines. Supply chains will be disrupted, leading to delays in deliveries and the procurement of parts.</td>
<td></td>
<td></td>
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<tr>
<td>Opportunities: Transport systems more resilient to natural disasters can help mitigate damage from natural disasters and IT for remote control and remote maintenance during natural disasters.</td>
<td></td>
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<td></td>
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<tr>
<td>Non-environmental functions like safety, security, and comfort will drive competitiveness.</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Response to future business risks (Business opportunities)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Response to business risks under 2°C or 4°C scenario</td>
<td>Continue to strengthen the railway business, as global demand for railways will increase under either scenario.</td>
<td>Continue to enhance the efficiency and effectiveness of the supply chain.</td>
<td>Promote R&amp;D of electrification technology and other alternative technologies to enhance response to new markets, such as for electric vehicles.</td>
<td>Continue to strengthen the railway business, as global demand for railways will increase under either scenario.</td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥580.3 billion in railway systems’ industrial products business sales (FY 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥2,099.4 billion in IT systems’ industrial products business sales (FY 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥399.2 billion in Energy Sector’s industrial products business sales (FY 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥604.0 billion in Energy Sector’s industrial products business sales (FY 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥424.4 billion in automobile Hitachi Automotive Systems’ industrial products sales (FY 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on part of ¥581.8 billion in automobile Hitachi Construction Machinery’s sales FY 2019</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

We believe that by paying close attention to market trends and developing our business flexibility and strategically, we have high climate resilience in the medium to long term under either the 2°C or 4°C scenario.

Note: The above scenario analyses are not future projections but attempts to examine our resilience to climate change. How the future unints may be quite different from any of these scenarios.
Risk Management

The Hitachi Group evaluates and monitors climate-related risks for each business unit and Group company as part of a process of assessing risks and opportunities in accordance with the Environmental Action Plan, updated every three years. The results are tabulated by the Sustainability Promotion Division of Hitachi, Ltd., and their importance is checked at Sustainability Promotion Meetings. Those risks and opportunities perceived as being particularly important for the Group as a whole are deliberated by the Executive Sustainability Committee, chaired by the president and CEO of Hitachi, Ltd.

Metrics and Targets

Our environmental activities are managed through the Environmental Action Plan, whose metrics and targets are updated every three years, including those to measure and manage climate-related risks and opportunities.

We use the reduction rate of CO₂ emissions per unit compared to fiscal 2010 to set targets and monitor progress across our many Group products and services in the value chain. Under the current Environmental Action Plan for 2021 (covering fiscal 2019–2021) as well, we have established annual targets and monitor progress for each business unit and Group company.

Total greenhouse gas emissions (Scope 1, Scope 2, and Scope 3) across our value chain are calculated based on GHG Protocol standards, and we have published annual figures since fiscal 2012. Given the nature of our business, some 90% of our total CO₂ emissions come from the use of sold products in Scope 3. CO₂ emissions can fluctuate greatly, though, due to changes in sales volume and our business portfolio. To advance CO₂ reductions during the use of sold products and services, therefore, we set targets and monitor progress for the reduction rate of CO₂ emissions per unit. In other words, for products and services featuring equivalent value, we focus on metrics to provide customers and society with those that emit less CO₂. At the same time, we will make an exerted effort to not only reduce per unit but also total CO₂ emissions from our business sites (factories and offices).
Achieving a Resource Efficient Society

Efforts to Achieve a Resource Efficient Society

The issues of water and resource scarcity, triggered by rising water demand and population growth—resulting in higher volumes of resources collected, extracted, used, and eventually emitted as waste—are common concerns for the entire world. Hitachi's business operations will respond to these issues by working with our customers and society to help build a society that uses water and other resources efficiently. We have set a fiscal 2050 target of improving the usage efficiency of water and other resources by 50% compared to fiscal 2010 levels. We will create higher economic value using less water and other resources and pursue production activities with a low environmental burden.

Initiatives to Achieve a Resource Efficient Society

- Responding to water risks
- Shifting to a circular economy
- Enhancing efficiency in the use of water
- Enhancing efficiency in the use of resources
Building a Water Efficient Society

Hitachi's Approach to Water Risks

Embracing the importance of developing region-specific risk measures that take the respective water stress*1 levels into account, Hitachi strives to better understand the water issues faced by some 200 business sites around the world, which are classified as category A in our environmental management classification. To this end, we identify water risks at each site by using our Environmental Data Collection System (Eco-DS) and such globally recognized tools for water risk assessment as the Aqueduct, developed by the World Resources Institute (WRI); the Water Risk Filter, developed by the World Wide Fund for Nature (WWF) and the German development finance institution DEG; and the Flood Hazard Map of the World produced by the European Union. To identify water risks, we analyze and evaluate water risks for each business unit and Group company, per country and region, and for the entire Group using approximately 50 assessment items, including physical risks like water stress that may affect water resources and quality or cause water damage; regulatory risks leading to higher water and discharge costs or new taxes; and reputation risks that can negatively affect communication with stakeholders, thereby implementing measures based on the nature and characteristics of each region and business.

In December 2019, we released the Water Risk Guidelines, which stipulate policies on how to identify and respond to water risks at each region and business area, taking into consideration the impacts of water risks on our business. The guidelines were developed with reference to Setting Site Water Targets Informed by Catchment Context,*2 published in August 2019, and are shared among the Hitachi Group together with the checklist to identify water risks and case studies of measures taken at our business sites.

*1 Water stress occurs when demand for water outpaces availability. The maximum volume of available water supply per capita is used as an index to measure levels of scarcity. The minimum volume of water required for living, agriculture, industry, energy, and the environment is considered to be 1,700 cubic meters per person per year, and regions below this level are said to experience water stress. According to the WRI Aqueduct risk analysis, when the ratio of total annual water withdrawn to average annual water supply within an area is 80% or more, it is defined as extremely high risk.

*2 A guide created by members of UN Global Compact, CEO Water Mandate, Pacific Institute, WRI, WWF, and other global institutions with the aim of helping companies set effective site water targets.

Achievements in FY 2019

In December 2019, we released the Water Risk Guidelines, which stipulate policies on how to identify and respond to water risks at each region and business area, taking into consideration the impacts of water risks on our business. The guidelines were developed with reference to Setting Site Water Targets Informed by Catchment Context,*2 published in August 2019, and are shared among the Hitachi Group together with the checklist to identify water risks and case studies of measures taken at our business sites.
Actions and Achievements

In fiscal 2019, we set a target of a 23% reduction (over the base year of fiscal 2010) for water usage per unit and achieved a 26% reduction. The volume of water used declined by 20.9 million cubic meters, or 40% from the base year. Our measures to reduce water usage include more stringent management of water intake using flowmeters, leakage control by installing above-ground water pipes, circular use of cooling water, and reuse of purified waste water.

Improving Water Use Efficiency

<table>
<thead>
<tr>
<th>Project</th>
<th>Department, Group company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing groundwater use by recycling cupola furnace cooling water</td>
<td>Hitachi Metals</td>
<td>About 40% reduction in groundwater use by installing new water tanks and cooling towers to cool the furnaces</td>
</tr>
<tr>
<td>Reducing water use by visualizing groundwater flow</td>
<td>Hitachi Global Life Solutions</td>
<td>Water conservation efforts including the introduction of a power-monitoring system that automatically measures the flow of groundwater</td>
</tr>
</tbody>
</table>

Products and Services that Contribute to Resolving Water Issues

Hitachi will provide customers with a wide range of water-related products and services, thereby contributing to resolving water issues through its global business operations.

Achievements in FY 2019

The Republic of South Africa (South Africa) suffers from a serious water shortage. Hitachi is engaged in a demonstration project of RemixWater, an integrated seawater desalination and water reuse system in the city of Durban in cooperation with the New Energy and Industrial Technology Development Organization (NEDO). In fiscal 2019, we started operating the system at the demonstration site of a wastewater treatment plant in the city. In this demonstration project, we construct desalination facilities aiming to produce 6,250 tons of product water meeting potability standards from seawater and treated and discharged wastewater every day, while saving 30% more energy compared to conventional seawater desalination systems and reducing the impact on the nearby marine environment. We plan to introduce this technology in South Africa and to other regions with serious water shortages, thus contributing to the development of water infrastructure and industry.
### Hitachi’s Water-related Products and Services

<table>
<thead>
<tr>
<th>Activity field</th>
<th>Products or services (Implementation to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating water resources</td>
<td>Wastewater recycling systems</td>
</tr>
<tr>
<td></td>
<td>Seawater desalination systems</td>
</tr>
<tr>
<td>Developing water infrastructure</td>
<td>Water and sewage treatment, etc. (over 200 sites in about 40 countries and regions)</td>
</tr>
<tr>
<td></td>
<td>Water purification plants (approximately 720 plants in Japan)</td>
</tr>
<tr>
<td></td>
<td>Sewage treatment plants (approximately 900 plants in Japan)</td>
</tr>
<tr>
<td></td>
<td>Comprehensive digital solutions for water and sewage treatment operators</td>
</tr>
</tbody>
</table>
Building a Society That Uses Resources Efficiently

Hitachi's Approach to Transition to a Circular Economy

To help build a recycling-oriented society, Hitachi will advance a shift from the conventional linear economy to a circular economy. We will develop closed-loop recycling and servicizing*1 business models through utilization of recycled materials, manufacturing that is oriented to resource saving and long product lifetimes, reduction and recycling of factory waste, refurbishing*2 and remanufacturing,** and recycling of end-of-life products. These are advanced at each stage of the value chain, namely, procurement, development and design, production, distribution and sales, use, and disposal.

*1 Servicizing: Providing customers with the function of a product rather than selling them the product itself.
*2 Refurbishing: Servicing end-of-use products to a condition conforming to new-product standards.
** Remanufacturing: Restoring end-of-use products through disassembly, washing, component replacement, and other work to a condition equivalent to new products.

Efficient Use of Resources Throughout the Value Chain

Disposal
Collection of end-of-use products, recycling, remanufacturing

Procurement
Use of recycled materials, closed-loop recycling

Development & Design
Environmentally conscious design, resource saving, long product life

Production
Effective use of factory waste, closed-loop recycling, reduced packaging

Distribution & Sales
Reuse, sharing, servicing, reduced packaging

Use
Repair, reuse, refurbishing, sharing

By-Product Recycling Activities

1. Large-capacity storage unit
   Collection of end-of-use products, recycling, remanufacturing

2. Construction machinery
   Remanufacture used units at recycling plants as high-function, reasonably priced units which have functions equivalent to those of new ones (Japan, China, Australia, and six other countries)

3. Electric components for automobiles
   After collecting malfunctioning components from dealers and repair shops, disassemble, check, clean and restore, reassemble, and inspect those components and market them as products featuring the same performance as new ones (Japan)

4. Industrial equipment (pumps, motors, distribution boards, transformers, refrigeration equipment, and air conditioners)
   Collect and reuse end-of-life products as resources (Japan)

5. Home appliances
   Recycle the four types of end-of-use home appliances (air conditioners, TVs, refrigerators and freezers, and washing machines and dryers) at our 19 recycling plants as part of cooperative efforts among five companies*1 in response to the 2001 Home Appliance Recycling Law (Japan)

Activities Related to Use and Disposal of Products

- In Japan, Hitachi has built its own product recycling network providing services near our customers to collect and recycle such end-of-life products as supercomputers, mainframes, and other computing machines; communication equipment like network devices and telephone switchboards; and information equipment like ATMs, though collecting and recycling of these products are voluntary and not legally required of manufacturers.

- We collected a total of 15 tons of end-of-life personal computers and monitors, including all-in-one computers, of which 12 tons were recycled, achieving a resource recycling rate of 80%.

- The total weight of recyclable materials*1 recovered from four types of end-of-life home appliances collected was approximately 86 kt, of which some 77 kt were recycled. By product type, the recycling rate for refrigerators and freezers was 80%, exceeding by 10% the legal requirement of 70%; and that for washing machines and dryers was 93%, exceeding by 11% point the legal requirement of 82%.

Activities in FY 2019

*1 Recyclable materials: Parts and materials recovered from the four types of end-of-life home appliances (air conditioners, TVs, refrigerators and freezers, and washing machines and dryers) and recycled by putting them to use in houses or by selling them or transferring them free of charge to others who will use them. The data is aggregated from Hitachi Global Life Solutions and Hitachi-Johnson Controls Air Conditioning.

*2 Servicizing: Providing customers with the function of a product rather than selling them the product itself.
*3 Remanufacturing: Restoring end-of-use products through disassembly, washing, component replacement, and other work to a condition equivalent to new products.

*1 Hitachi Global Life Solutions; Sharp Corp.; Sony Corp.; Fujitsu General Ltd.; and Mitsubishi Electric Corp.
Plastic Recycling Activities

Hitachi Global Life Solutions, the major consumer of plastic in the Hitachi Group, uses plastic in parts for washing machines and refrigerators and packing materials for ceiling lights. The company procures recycled plastic materials produced within the Hitachi Group using plastic parts recovered from end-of-life home appliances and plastic containers as well as purchasing recycled plastics from materials manufacturers.

During fiscal 2019, a total of 1,163 tons of recycled plastic materials from end-of-life home appliances were used as parts for home appliances and packing materials.

Actions and Achievements

For fiscal 2019, we set a target of a 10% reduction (from a base year of fiscal 2010) for waste and valuables*1 generated per unit, bettering this by achieving a 14% reduction. The amount of waste and valuables generated was reduced by 208 kt or 14% compared to the base year. We strived to reduce waste by installing recycling facilities within our business sites as well as through closed-loop recycling, whereby the by-products and scrap from the production process are reused as resources by other business sites, and repeated use of packing and cushioning materials during transport. Under the Zero Emission*2 initiative, which seeks to minimize landfill disposal, 67 business sites out of 167 target business sites achieved their zero waste emissions goal*3 in fiscal 2019.

*1 Waste and valuables: Materials generated through business activities. Each country has a legal definition of waste, and in Japan, the term refers to refuse, bulky refuse, ashes, sludge, excreta, waste oil, waste acid and alkali, carcasses, and other filthy and unnecessary matter, which are in solid or liquid state according to the Waste Management and Public Cleansing Law. Valuables, meanwhile, are those materials left over after business activities other than waste, and can be sold or transferred free of charge to other parties as items of value.

*2 Zero emissions: The principles and methods advanced by United Nations University in 1994 aimed at eliminating waste from human activity as much as possible while maximizing the use of resources and achieving sustainable economic and manufacturing activities.

*3 Zero waste emissions goal: Defined as a final disposal rate (landfill disposal/waste and valuables) of less than 0.5% in any given fiscal year.

Environmental Action Plan for 2021 Management Values

<table>
<thead>
<tr>
<th>Reduction in Waste and Valuables Generation*1 per Unit (Hitachi Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010 (base year)</td>
</tr>
<tr>
<td>Amount generated: 1,434 kt</td>
</tr>
<tr>
<td>From base year</td>
</tr>
<tr>
<td>14% reduction</td>
</tr>
<tr>
<td>FY 2019 reduction target: 10%</td>
</tr>
<tr>
<td>Amount generated: 1,226 kt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Waste and Valuables Generation*1 (Hitachi Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(FY)</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>[kt/year]</td>
</tr>
<tr>
<td>1,000</td>
</tr>
<tr>
<td>961</td>
</tr>
<tr>
<td>38</td>
</tr>
<tr>
<td>68</td>
</tr>
<tr>
<td>36</td>
</tr>
<tr>
<td>500</td>
</tr>
</tbody>
</table>

*1 The total amount of waste and valuables generated in manufacturing processes plus that generated in offices and other nonmanufacturing business.

*2 Includes 675 kt (fiscal 2016), 675 kt (fiscal 2017), 689 kt (fiscal 2018), and 601 kt (fiscal 2019) of a materials company that became a reporting company in fiscal 2016.
<table>
<thead>
<tr>
<th>Project</th>
<th>Department, Group company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling of waste sand</td>
<td>Hitachi Metals</td>
<td>Reduction in the amount of waste sand generated in the process of manufacturing casting products by about 4,000 tons through recycling</td>
</tr>
<tr>
<td>Recycling polishing sludge with an abrasive powder compression system</td>
<td>Hitachi Automotive Systems</td>
<td>Recycling about 360 tons of polishing sludge that had been disposed of as industrial waste annually by introducing an abrasive powder compression system</td>
</tr>
</tbody>
</table>
Achieving a Harmonized Society with Nature

Efforts to Achieve a Harmonized Society with Nature

To adequately preserve the ecosystem and achieve a harmonized society with nature so that we may continue to enjoy nature’s benefits, we have established targets to minimize our impact on natural capital as part of our long-term environmental targets.

We classify the emission of greenhouse gases and chemical substances into the atmosphere and the generation of waste materials as negative impact activities. Providing products and services that contribute to ecosystem preservation and undertaking social contribution activities to protect the environment through the preservation of biodiversity and ecosystems are categorized as positive impact activities. We will strive to minimize the difference between them by 2050.

By quantifying Hitachi’s positive and negative impact activities across the value chain, we are advancing initiatives to reduce our negative impact and maximize our positive impact.

A Timetable for Minimizing Impact

Hitachi has identified and quantified the negative impact our business activities have on natural capital with the aim of reducing such impact. According to our estimates, approximately 40% of our negative impact in fiscal 2019 was related to climate change, and 20%, respectively, to waste materials, resource consumption, and urban air pollution. These results suggest that we need to further reduce our environmental load to minimize our impact on natural capital, such as by increasing the energy efficiency of our products and services, advancing factory efficiency, using resources more effectively, and properly managing chemical substances.

As for our positive impact activities, we have been advancing social contribution activities like forest conservation and business activities that directly contribute to ecosystem preservation, such as building water treatment plants. We are also looking to quantify the impact of these activities.

We estimate the benefits gained through our forest conservation activities (flood prevention, water impoundment, water purification, soil loss prevention, and carbon fixation) on an ongoing basis using evaluation methods commonly used in forestry-related public works projects.

To enable the evaluation of forest conservation efforts, in fiscal 2019 we built a framework to collect data on forest areas targeted for conservation activities through the Environmental Data Collection System (Eco-DS).

 Achievements in FY 2019

<table>
<thead>
<tr>
<th>Negative impact</th>
<th>Positive impact (ecosystem preservation activities)</th>
<th>Positive impact (contributions through products and services)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities to achieve long-term targets</td>
<td>Decarbonized society</td>
<td>Resource efficient society</td>
</tr>
<tr>
<td>Harmonized society with nature (management and reduction of chemical substances)</td>
<td>Ecosystem preservation activities</td>
<td>Contributions through products and services</td>
</tr>
</tbody>
</table>

Note: Calculated using version 2 of the Life-cycle Impact Assessment Method based on Endpoint Modeling (LIME2).
Managing and Reducing Chemical Substances

Managing Chemical Substances

Hitachi believes that control and reduction of chemical substances like volatile organic compounds (VOCs), one of the causes of urban air pollution, is important to minimizing our impact on natural capital.

Based on this belief, Hitachi formulated the Regulations for Environmental CSR-Compliant Monozukuri to manage chemical substances at all stages of its operations—from design and development, procurement, and production to quality assurance and shipping. Chemical substances in our products are divided into two categories, prohibited substances and controlled substances, for separate management to respond to legal and regulatory frameworks at shipping destinations. With regard to chemical substances used in our business operations, we reduce risk by assigning three ranks to the use of such substances: prohibited, reduced, and controlled, as well as by educating chemical substance handlers and managers on laws and regulations and on proper risk assessment.

Managing Chemical Substances in Our Products

Hitachi designates the chemical substances in our products requiring management as Voluntarily Controlled Chemical Substances. With the basic principle of taking as our model the standards of the EU, where regulations are stringent, we determine and manage controlled chemical substances extensively, regardless of export destination, type of industry, or purpose of use. Specifically, we distinguish between prohibited substances (Level 1), which are basically illegal to use inside and outside Japan in products (including packaging) but which might be found in products from suppliers, and controlled substances (Level 2), which includes substances we are required to track and manage the use of and substances requiring attention to recycling or appropriate disposal methods. The list of managed substances and levels is revised when necessary based on updates to the EU’s REACH*1 and other regulations, with the aim of adding substances to the list of Voluntarily Controlled Chemical Substances six months before they are officially regulated.

Because perfluorooctanoic acid (PFOA), its salts, and PFOA-related substances were to be added to the list of restricted substances in the EU’s POPs Regulation*2 in July 2020, we designated them as prohibited substances in a January 2020 revision. As a result, the list of Voluntarily Controlled Chemical Substances now contains 23 prohibited substance groups and 21 controlled substance groups.

Managing Chemical Substances in Our Business Operations

We have been cutting emissions of chemical substances from our factories and other sites through stricter management, such as by expanding the number and scope of controlled chemical substances. Information on our efforts has been translated into English and Chinese and shared globally with Hitachi Group members. We also follow legally prescribed procedures in measuring and managing emissions of sulfur oxides (SOx) and nitrogen oxides (NOx),*1 whose measurement is required under the laws and regulations of our business site locations, and are advancing efforts to further restrict emissions.

We comply with Japan’s Pollutant Release and Transfer Register (PRTR) Law*2 through Group-wide monitoring of chemical substances released into the atmosphere or into public waters, removed outside our plants as waste, or discharged into sewage systems, reporting the results to local governments for each office or plant. Although some substances are exempt from reporting due to their small quantities, our policy is to aggregate and manage data on the handling, emission, and transfer of all PRTR substances totaling 10 kilograms or more per year.

Initiatives in fiscal 2019 to reduce emissions of chemical substances included switching from paints containing VOCs to water-soluble and powder paints as well as expanding their use and altering the painting and washing processes. These efforts enabled us to successfully achieve our target of reducing atmospheric emissions of chemical substances per unit by 16% compared to fiscal 2010.

*1 Emissions of SOx and NOx: Calculated by multiplying their concentration and exhaust volume.
*2 PRTR Law: Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.
Environmental Action Plan for 2021 Management Values

**Reduction in Atmospheric Emissions of Chemical Substances per Unit (Hitachi Group)**

<table>
<thead>
<tr>
<th>FY 2010 (base year)</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions 4,982 t</td>
<td>Emissions 3,886 t</td>
</tr>
<tr>
<td>Activity amount = 100%</td>
<td>Activity amount = 79%</td>
</tr>
</tbody>
</table>

*21% reduction from base year FY 2019 reduction target: 16%*

**Reducing Atmospheric Emissions of Chemical Substances (Hitachi Group)**

- **FY 2010 (base year)**
  - Emissions: 4,982 t
  - Activity amount: 100%

- **FY 2019**
  - Emissions: 3,886 t
  - Activity amount: 79%

*21% reduction from base year FY 2019 reduction target: 16%*

Activity amount**1**

**Emissions**

<table>
<thead>
<tr>
<th>Japan</th>
<th>Rest of Asia (excluding China and Japan)</th>
<th>China</th>
<th>Americas</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,615</td>
<td>2,921</td>
<td>187</td>
<td>291</td>
<td>662</td>
</tr>
<tr>
<td>3,886</td>
<td>3,921</td>
<td>187</td>
<td>291</td>
<td>662</td>
</tr>
</tbody>
</table>

*1 A value closely related to atmospheric emissions of chemical substances at each business site (for example, substances handled, sales, and output).

Reducing Chemical Substances in Our Business Activities

<table>
<thead>
<tr>
<th>Project</th>
<th>Department, Group company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reducing VOC emissions</strong></td>
<td>Hitachi Construction Machinery</td>
<td>Reduction of VOC emissions by changing paints for construction machinery and installing new systems in China</td>
</tr>
<tr>
<td>Hitachi Automotive Systems</td>
<td>Reduction of atmospheric emissions of VOCs by installing a VOC emissions treatment unit</td>
<td></td>
</tr>
</tbody>
</table>

### Environmental Action Plan for 2021 Management Values

**Project**

- **Reducing VOC emissions**
  - Hitachi Construction Machinery
    - Reduction of VOC emissions by changing paints for construction machinery and installing new systems in China
  - Hitachi Automotive Systems
    - Reduction of atmospheric emissions of VOCs by installing a VOC emissions treatment unit

### Environmental Action Plan for 2021 Management Values

**Project**

- **Reducing VOC emissions**
  - Hitachi Construction Machinery
    - Reduction of VOC emissions by changing paints for construction machinery and installing new systems in China
  - Hitachi Automotive Systems
    - Reduction of atmospheric emissions of VOCs by installing a VOC emissions treatment unit

### Environmental Action Plan for 2021 Management Values

**Project**

- **Reducing VOC emissions**
  - Hitachi Construction Machinery
    - Reduction of VOC emissions by changing paints for construction machinery and installing new systems in China
  - Hitachi Automotive Systems
    - Reduction of atmospheric emissions of VOCs by installing a VOC emissions treatment unit

**Note:** Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate included in the ingredients.

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**Reduction in Atmospheric Emissions of Chemical Substances per Unit (Hitachi Group)**

<table>
<thead>
<tr>
<th>FY 2010 (base year)</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions 4,982 t</td>
<td>Emissions 3,886 t</td>
</tr>
<tr>
<td>Activity amount = 100%</td>
<td>Activity amount = 79%</td>
</tr>
</tbody>
</table>

*21% reduction from base year FY 2019 reduction target: 16%*
Preserving Ecosystems

Initiatives to Preserve Ecosystems

At Hitachi, we seek to reduce the burden (negative impact) on natural capital caused by business activities and to promote the positive impact, such as by undertaking social contribution activities to protect nature and providing products and services that help preserve the ecosystem, thereby minimizing our impact on natural capital by fiscal 2050 and realizing a harmonized society with nature.

Hitachi created an Ecosystem Preservation Activities Menu citing the specific activities to be undertaken to promote the preservation of the ecosystem, including not only CO2 emission reductions, resource recycling, and chemical substances management but also activities that are difficult to quantify but are nonetheless important, such as the protection of rare species and efforts to make biodiversity a criterion when making investment decisions. Each business site sets its goals and promotes initiatives based on the Ecosystem Preservation Activities Menu.

Hitachi created an Ecosystem Preservation Activities Menu citing the specific activities to be undertaken to promote the preservation of the ecosystem, including not only CO2 emission reductions, resource recycling, and chemical substances management but also activities that are difficult to quantify but are nonetheless important, such as the protection of rare species and efforts to make biodiversity a criterion when making investment decisions. Each business site sets its goals and promotes initiatives based on the Ecosystem Preservation Activities Menu.

### Ecosystem Preservation Activities Menu

<table>
<thead>
<tr>
<th>Category</th>
<th>Activities taken</th>
<th>No. of menu items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>Reducing use of resources that cannot be reused</td>
<td>4</td>
</tr>
<tr>
<td>Transportation</td>
<td>Using packaging that takes ecosystem into consideration</td>
<td>1</td>
</tr>
<tr>
<td>Collection, disposal, and recycling</td>
<td>Reducing hazardous materials in products</td>
<td>2</td>
</tr>
<tr>
<td>Product planning, development, and design</td>
<td>During R&amp;D, estimating impact on biodiversity during a product’s life cycle and implementing, if needed, mitigation measures</td>
<td>3</td>
</tr>
<tr>
<td>Site management</td>
<td>Using native species, setting up biotopes</td>
<td>17</td>
</tr>
<tr>
<td>Water use</td>
<td>Using nanotubes</td>
<td>1</td>
</tr>
<tr>
<td>Value chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment and acquisition</td>
<td>Confirming impact on biodiversity when investing in or acquiring a business, and implementing measures to minimize such impact</td>
<td>1</td>
</tr>
<tr>
<td>Market entry and expansion</td>
<td>Including biodiversity as an investment criterion</td>
<td>1</td>
</tr>
<tr>
<td>Business development</td>
<td>Developing products and services to purify water, air, and soil and expanding such businesses</td>
<td>1</td>
</tr>
<tr>
<td>Procurement</td>
<td>Preferentially procuring paper and other office supplies that take biodiversity into consideration</td>
<td>11</td>
</tr>
<tr>
<td>Transportation</td>
<td>Implementing ballast water measures during marine transportation</td>
<td>2</td>
</tr>
<tr>
<td>Sales</td>
<td>Implementing sales expansion of products that take biodiversity into consideration</td>
<td>9</td>
</tr>
<tr>
<td>Collection, disposal, and recycling</td>
<td>Reusing and recycling components</td>
<td>1</td>
</tr>
<tr>
<td>Entire value chain</td>
<td>Promoting the use of renewable energy</td>
<td>1</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engagement</td>
<td>Promoting employee activities outside the company</td>
<td>1</td>
</tr>
<tr>
<td>Social contribution</td>
<td>Implementing desert greening and afforestation activities</td>
<td>1</td>
</tr>
<tr>
<td>Water use that takes watershed ecosystem into consideration</td>
<td>Observing and collecting biota information (impact on ecosystem depending on intake volume)</td>
<td>14</td>
</tr>
<tr>
<td>Water intake</td>
<td>Observing and collecting biota information (impact on ecosystem depending on intake volume)</td>
<td>14</td>
</tr>
<tr>
<td>Water discharge</td>
<td>Setting up biota management indicators and making observations (species and numbers of inhabiting organisms)</td>
<td>14</td>
</tr>
</tbody>
</table>

### Promoting Ecosystem Preservation

<table>
<thead>
<tr>
<th>Project</th>
<th>Department, Group company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangrove planting in Indonesia</td>
<td>Hitachi Construction Machinery and Hexindo Adiperkasa</td>
<td>Planting of 2,811 mangrove seedlings in Indonesia</td>
</tr>
<tr>
<td>Araihama reforestation project</td>
<td>Hitachi Industrial Equipment Systems (Nakajo business office)</td>
<td>Reforestation of areas damaged by the pinewood nematode</td>
</tr>
</tbody>
</table>

[Case Study](https://www.hitachi.com/environment/casestudy/2019/case12.html)
We calculate greenhouse gas (GHG) emissions throughout the value chain in conformance with GHG Protocol standards. This gives us a good grasp of emission hotspots in our value chain and thereby establish effective targets and reductions measures. CO₂ accounts for almost all of Hitachi’s GHG emissions, with there being negligible release of other gases, making it all the more important to focus on CO₂ reduction efforts.

An extremely high share (over 80%) of our value chain emissions comes from the use of the products and services we sell. We thus believe that we can make a major contribution to decarbonization through our business operations by giving priority to enhancing the efficiency and energy-saving features of our products and services.

Total GHG Emissions 110.53 Mt-CO₂e

Scope 1
Direct emissions from in-house fuel use and industrial processes
1.53 Mt-CO₂e (1.4%)

Scope 2
Indirect emissions from production of electricity and heat purchased by the company
2.89 Mt-CO₂e (2.6%)

Scope 3: Upstream
Other indirect emissions not covered by Scope 1 and 2
10.32 Mt-CO₂e (9.2%)

Scope 3: Downstream
Other indirect emissions not covered by Scope 1 and 2
95.91 Mt-CO₂e (86.8%)

Scope 1
Direct emissions
Purchased goods and services
7.5%
Purchased goods and services
7.5%
Capital goods
1.3%
Capital goods
1.3%
Fuel- and energy-related activities not included in Scope 1 and 2
0.2%
Fuel- and energy-related activities not included in Scope 1 and 2
0.2%
Upstream transportation and distribution
0.1%
Upstream transportation and distribution
0.1%

Scope 2
Energy-related indirect emissions
Waste generated in operations
0.1%
Waste generated in operations
0.1%
Business travel
0.0%
Business travel
0.0%
Employee commuting
0.0%
Employee commuting
0.0%
Upstream leased assets
Included in Scope 1 and 2
0.0%
Upstream leased assets
Included in Scope 1 and 2
0.0%

Scope 3: Downstream
Commercial transportation and distribution
0.0%
Commercial transportation and distribution
0.0%
Processing of sold products
N/A
Processing of sold products
N/A
Use of sold products
86.3%
Use of sold products
86.3%
End-of-life treatment of sold products
0.4%
End-of-life treatment of sold products
0.4%

In-house: Within the scope of the company’s organizational boundaries. In principle, the scope of all business activities of the company itself and activities within or controlled by its consolidated subsidiaries.

Upstream: In principle, activities related to purchased products and services.

Downstream: In principle, activities related to sold products and services.
Detailed Data on GHG Emissions Throughout the Hitachi Value Chain (Hitachi Group, FY 2019)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Calculation Results (Mt-CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1</strong></td>
<td>Direct emissions</td>
<td><strong>1.53</strong> (1.4%)</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td>Energy-related indirect emissions</td>
<td><strong>2.89</strong> (2.6%)</td>
</tr>
<tr>
<td>Purchased goods and services</td>
<td>Emissions from the resource extraction stage to the manufacturing stage, including raw materials, parts, supplied products, and sales</td>
<td><strong>8.25</strong> (7.5%)</td>
</tr>
<tr>
<td>Capital goods</td>
<td>Emissions generated in the construction, manufacture, and shipping of the company’s own capital goods, such as equipment, devices, buildings, facilities, and vehicles</td>
<td><strong>1.40</strong> (1.3%)</td>
</tr>
<tr>
<td>Fuel- and energy-related activities not included in Scope 1 and 2</td>
<td>Emissions from procuring fuel necessary for electricity and other energy production, including resource extraction, production, and shipping</td>
<td><strong>0.22</strong> (0.2%)</td>
</tr>
<tr>
<td>Upstream transportation and distribution</td>
<td>Emissions from distribution of raw materials, parts, supplied products, and sales prior to delivery of materials to the company, as well as other distribution activities of products for which the company bears the expense</td>
<td><strong>0.09</strong> (0.1%)</td>
</tr>
<tr>
<td>Waste generated in operations</td>
<td>Emissions from transportation, disposal, and treatment of waste generated in the company’s operations</td>
<td><strong>0.12</strong> (0.1%)</td>
</tr>
<tr>
<td>Business travel</td>
<td>Emissions generated from fuel and electric power used by employees for business travel</td>
<td><strong>0.06</strong> (0.0%)</td>
</tr>
<tr>
<td>Employee commuting</td>
<td>Emissions generated from fuel and electric power used in employee commuting</td>
<td><strong>0.06</strong> (0.0%)</td>
</tr>
<tr>
<td>Upstream leased assets</td>
<td>Emissions from the operation of assets leased by the company, excluding those counted in Scope 1 and 2</td>
<td><strong>0.03</strong> (0.0%)</td>
</tr>
<tr>
<td><strong>Scope 3: Downstream (other indirect emissions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downstream transportation and distribution</td>
<td>Emissions from transportation, storage, loading and unloading, and retail sales of products</td>
<td><strong>0.01</strong> (0.0%)</td>
</tr>
<tr>
<td>Processing of sold products</td>
<td>Emissions by downstream companies during processing of intermediate products</td>
<td>N/A**</td>
</tr>
<tr>
<td>Use of sold products**</td>
<td>Emissions from use of products by and users, such as consumers and businesses</td>
<td><strong>95.30</strong> (86.3%)</td>
</tr>
<tr>
<td>End-of-life treatment of sold products**</td>
<td>Emissions from transportation, waste disposal, and treatment of products by end users, such as consumers and businesses</td>
<td><strong>0.49</strong> (0.4%)</td>
</tr>
<tr>
<td>Downstream leased assets</td>
<td>Emissions from operating assets owned by the reporting company as lessee and leased to other entities</td>
<td><strong>0.03</strong> (0.0%)</td>
</tr>
<tr>
<td>Franchises</td>
<td>Emissions by franchises under Scope 1 and 2</td>
<td>N/A</td>
</tr>
<tr>
<td>Investments</td>
<td>Emissions related to management of investments</td>
<td><strong>0.08</strong> (0.1%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>110.53</strong> (100%)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages of GHGs emitted throughout the value chain.

*1 Includes SF6, PFC, HFC, N2O, NF3, and CF4. The gas and fuel conversion factor is based on the list of emissions and calculation methods published by Japan’s Ministry of the Environment.

*2 CO2 emissions were calculated using the 2017 CO2 electrical power conversion factor for world countries (in CO2 per kWh) in the Emission Factors (2019 edition), published by the International Energy Agency (IEA).

*3 Cannot be determined due to insufficient information on processing.

*4 CO2 emissions per unit is based on the Inventory Database for Environmental Analysis (IDEA), developed by the National Institute of Advanced Industrial Science and Technology (AIST) and the Japan Environmental Management Association for Industry (JEMAI).
Environmental Load from Operations

The following is an outline of total resource inputs (energy, raw materials, etc.) and the environmental load (greenhouse gas emissions, waste generation, etc.) of Hitachi Group operations during fiscal 2019.

### Total Resource Inputs

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Energy Input</strong> (crude oil equivalent)</td>
<td>2.07 GL</td>
</tr>
<tr>
<td>Fuel oil</td>
<td>3%</td>
</tr>
<tr>
<td>Gas</td>
<td>14%</td>
</tr>
<tr>
<td>Solid fuel</td>
<td>7%</td>
</tr>
<tr>
<td>Electricity</td>
<td>78%</td>
</tr>
<tr>
<td><strong>Raw Materials Input</strong></td>
<td>3,776 kt</td>
</tr>
<tr>
<td>Plastics</td>
<td>4%</td>
</tr>
<tr>
<td>Other materials</td>
<td>5%</td>
</tr>
<tr>
<td>Metals</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Total Chemical Substances Handled</strong></td>
<td>185.6 kt</td>
</tr>
<tr>
<td>Greenhouse gas substances handled</td>
<td>5%</td>
</tr>
<tr>
<td>Ozone-depleting substances handled</td>
<td>0%</td>
</tr>
<tr>
<td>PRTR substances handled</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Total Water Input</strong></td>
<td>36.41 million m³</td>
</tr>
<tr>
<td>Groundwater etc.</td>
<td>35%</td>
</tr>
<tr>
<td>Industrial water, river water</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Total Resource Inputs</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Total Environmental Load

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greenhouse Gas Emissions</strong></td>
<td>4,415 kt-CO₂e*1</td>
</tr>
<tr>
<td>Other GHS emissions</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total Volume of Waste and Valuables</strong></td>
<td>1,302 kt</td>
</tr>
<tr>
<td>Landfill</td>
<td>20%</td>
</tr>
<tr>
<td>Waste reduction</td>
<td>8%</td>
</tr>
<tr>
<td>Recycle</td>
<td>72%</td>
</tr>
<tr>
<td><strong>Chemical Substances Discharged or Transferred</strong></td>
<td>4.6 kt</td>
</tr>
<tr>
<td>NOx (nitrogen oxides)</td>
<td>18%</td>
</tr>
<tr>
<td>SOx (sulfur oxides)</td>
<td>6%</td>
</tr>
<tr>
<td>Ozone-depleting substances emitted (CFC-11, etc.)</td>
<td>0%</td>
</tr>
<tr>
<td>PRTR substances discharged or transferred</td>
<td>76%</td>
</tr>
<tr>
<td><strong>Total Volume of Water Effluents Discharged</strong></td>
<td>33.41 million m³</td>
</tr>
<tr>
<td>Underground infiltration, evaporation, etc. 10%</td>
<td></td>
</tr>
<tr>
<td>Sewerage</td>
<td>23%</td>
</tr>
<tr>
<td>Public water</td>
<td>87%</td>
</tr>
</tbody>
</table>

*1 CO₂e: CO₂ equivalent.

*2 PRTR substances: The 462 chemicals designated in Japan’s Pollutant Release and Transfer Register (PRTR) Law.

Overview of the Environmental Load from Business Operations (Hitachi Group, FY 2019)

The following is an outline of total resource inputs (energy, raw materials, etc.) and the environmental load (greenhouse gas emissions, waste generation, etc.) of Hitachi Group operations during fiscal 2019.

- **Products shipped:** 2,537 kt
- **Water recycling:** 53.09 million m³
- **Waste reduction:** 8%
- **Water discharge:** 33.41 million m³

Detailed Data on Resource Input and Environmental Load Output
**Energy Inputs and GHG Emissions During Business Operations**

The following is an outline of the energy consumed during Hitachi's business operations and the part of our environmental load consisting of greenhouse gas (GHG) emissions.

### Total Energy Inputs

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>3.9 GWh (39 TJ)</td>
<td>2.9 GWh (29 TJ)</td>
<td>3.2 GWh (11.2 TJ)</td>
<td>7.1 GWh (25.6 TJ)</td>
<td>18.0 GWh (64.8 TJ)</td>
</tr>
<tr>
<td><strong>Non-renewable energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>5,111 GWh (49.7 PJ)</td>
<td>5,903 GWh (57.4 PJ)</td>
<td>6,020 GWh (58.4 PJ)</td>
<td>6,021 GWh (58.4 PJ)</td>
<td>5,992 GWh (58.2 PJ)</td>
</tr>
<tr>
<td>For heating</td>
<td>—</td>
<td>—</td>
<td>130 GWh (2.7 PJ)</td>
<td>128 GWh (2.6 PJ)</td>
<td>128 GWh (2.6 PJ)</td>
</tr>
<tr>
<td>For cooling</td>
<td>—</td>
<td>—</td>
<td>277 GWh (1.3 PJ)</td>
<td>273 GWh (1.3 PJ)</td>
<td>273 GWh (1.3 PJ)</td>
</tr>
<tr>
<td>To generate steam</td>
<td>—</td>
<td>—</td>
<td>644 t (41.7 TJ)</td>
<td>648 t (41.9 TJ)</td>
<td>648 t (41.9 TJ)</td>
</tr>
<tr>
<td><strong>Gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td>0.11 billion m³ (4.9 PJ)</td>
<td>0.18 billion m³ (8.1 PJ)</td>
<td>0.19 billion m³ (8.6 PJ)</td>
<td>0.18 billion m³ (8.4 PJ)</td>
<td>0.15 billion m³ (7.0 PJ)</td>
</tr>
<tr>
<td>For heating</td>
<td>—</td>
<td>—</td>
<td>18.4 million m³ (0.9 PJ)</td>
<td>18.6 million m³ (0.9 PJ)</td>
<td>18.6 million m³ (0.9 PJ)</td>
</tr>
<tr>
<td>For cooling</td>
<td>—</td>
<td>—</td>
<td>10.3 million m³ (0.5 PJ)</td>
<td>10.5 million m³ (0.5 PJ)</td>
<td>10.5 million m³ (0.5 PJ)</td>
</tr>
<tr>
<td>To generate steam</td>
<td>—</td>
<td>—</td>
<td>560 kt (2.0 PJ)</td>
<td>567 kt (2.0 PJ)</td>
<td>566 kt (2.0 PJ)</td>
</tr>
<tr>
<td>LPG, LNG, etc.</td>
<td>74 kt (4.1 PJ)</td>
<td>241 kt (13.0 PJ)</td>
<td>269 kt (14.5 PJ)</td>
<td>251 kt (13.5 PJ)</td>
<td>150 kt (8.0 PJ)</td>
</tr>
<tr>
<td>Fuel oil (heavy oil, kerosene, etc.)</td>
<td>84 ML (3.2 PJ)</td>
<td>149 ML (5.6 PJ)</td>
<td>117 ML (4.5 PJ)</td>
<td>87 ML (3.3 PJ)</td>
<td>75 ML (2.1 PJ)</td>
</tr>
<tr>
<td>Solid fuel (coke)</td>
<td>0.008 kt (0.0 PJ)</td>
<td>173 kt (5.2 PJ)</td>
<td>179 kt (5.4 PJ)</td>
<td>188 kt (5.5 PJ)</td>
<td>162 kt (4.8 PJ)</td>
</tr>
<tr>
<td><strong>Total energy consumption (crude oil equivalent)</strong></td>
<td>61.9 PJ (1.58 GL)</td>
<td>89 PJ (2.30 GL)</td>
<td>91 PJ (2.35 GL)</td>
<td>88 PJ (2.27 GL)</td>
<td>80 PJ (2.07 GL)</td>
</tr>
</tbody>
</table>

### Greenhouse Gas Emissions

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions</td>
<td>4,348 kt-CO₂</td>
<td>5,322 kt-CO₂</td>
<td>6,433 kt-CO₂</td>
<td>4,972 kt-CO₂</td>
<td>4,374 kt-CO₂</td>
</tr>
<tr>
<td>Other GHGs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SF₆ (sulfur hexafluoride)</td>
<td>56 kt-CO₂e</td>
<td>37 kt-CO₂e</td>
<td>40 kt-CO₂e</td>
<td>35 kt-CO₂e</td>
<td>24 kt-CO₂e</td>
</tr>
<tr>
<td>PFCs (perfluorocarbons)</td>
<td>4 kt-CO₂e</td>
<td>4 kt-CO₂e</td>
<td>4 kt-CO₂e</td>
<td>5 kt-CO₂e</td>
<td>4 kt-CO₂e</td>
</tr>
<tr>
<td>HFCs (hydrofluorocarbons)</td>
<td>16 kt-CO₂e</td>
<td>19 kt-CO₂e</td>
<td>7 kt-CO₂e</td>
<td>3 kt-CO₂e</td>
<td>3 kt-CO₂e</td>
</tr>
<tr>
<td>NO₂, NF₃, CH₄ (dinitrogen monoxide, nitrogen trifluoride, methane)</td>
<td>1 kt-CO₂e</td>
<td>2 kt-CO₂e</td>
<td>1 kt-CO₂e</td>
<td>3 kt-CO₂e</td>
<td>2 kt-CO₂e</td>
</tr>
<tr>
<td>CO₂ from non-energy sources</td>
<td>6 kt-CO₂</td>
<td>3 kt-CO₂</td>
<td>3 kt-CO₂</td>
<td>7 kt-CO₂</td>
<td>8 kt-CO₂</td>
</tr>
<tr>
<td><strong>Total GHGs</strong></td>
<td>4,429 kt-CO₂e</td>
<td>5,387 kt-CO₂e</td>
<td>5,488 kt-CO₂e</td>
<td>5,026 kt-CO₂e</td>
<td>4,415 kt-CO₂e</td>
</tr>
</tbody>
</table>

**Notes:**
- Starting from fiscal 2019’s calculations, Scope 2 emissions were changed from a calculation method using a unified Group-wide electrical power conversion factor to a market-based calculation method, and past data was recalculated based on this. Regarding CO₂ electrical power conversion factors in Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; overseas, the latest values for each fiscal year supplied by the International Energy Agency (IEA) as conversion factors for individual countries are used.
- The gas and fuel oil conversion factor is based on the list of emissions and calculation methods published by Japan’s Ministry of the Environment.
Raw Material Inputs and Waste and Valuables Generation During Business Operations

The following is an outline of the raw materials used during Hitachi’s business operations and the part of our environmental load consisting of waste and valuables generation.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metals</td>
<td>1,638 kt</td>
<td>2,710 kt</td>
<td>3,388 kt</td>
<td>4,031 kt</td>
<td>3,454 kt</td>
</tr>
<tr>
<td>New materials</td>
<td></td>
<td>1,497 kt</td>
<td>1,571 kt</td>
<td>1,624 kt</td>
<td>1,372 kt</td>
</tr>
<tr>
<td>Recycled materials, etc.</td>
<td>1,213 kt</td>
<td>1,817 kt</td>
<td>2,407 kt</td>
<td>2,082 kt</td>
<td></td>
</tr>
<tr>
<td>Plastics</td>
<td>149 kt</td>
<td>169 kt</td>
<td>151 kt</td>
<td>165 kt</td>
<td>147 kt</td>
</tr>
<tr>
<td>New materials</td>
<td></td>
<td>167 kt</td>
<td>150 kt</td>
<td>163 kt</td>
<td>143 kt</td>
</tr>
<tr>
<td>Recycled materials, etc.</td>
<td>2 kt</td>
<td>1 kt</td>
<td>2 kt</td>
<td>4 kt</td>
<td></td>
</tr>
<tr>
<td>Other materials</td>
<td>347 kt</td>
<td>314 kt</td>
<td>256 kt</td>
<td>207 kt</td>
<td>175 kt</td>
</tr>
<tr>
<td>New materials</td>
<td></td>
<td>308 kt</td>
<td>250 kt</td>
<td>201 kt</td>
<td>173 kt</td>
</tr>
<tr>
<td>Recycled materials, etc.</td>
<td>6 kt</td>
<td>8 kt</td>
<td>6 kt</td>
<td>2 kt</td>
<td></td>
</tr>
<tr>
<td>Total raw materials</td>
<td>2,134 kt</td>
<td>3,193 kt</td>
<td>3,797 kt</td>
<td>4,403 kt</td>
<td>3,776 kt</td>
</tr>
</tbody>
</table>

Total Volume of Waste and Valuables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste reduction</td>
<td>53 kt</td>
<td>68 kt (0.4 kt)</td>
<td>83 kt (0.9 kt)</td>
<td>94 kt (5.6 kt)</td>
<td>101 kt (17.5 kt)</td>
</tr>
<tr>
<td>Recycling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rouser</td>
<td>3 kt</td>
<td>1 kt (0.4 kt)</td>
<td>1 kt (0.4 kt)</td>
<td>1 kt (0.0 kt)</td>
<td>1 kt (0.0 kt)</td>
</tr>
<tr>
<td>Materials recycled</td>
<td>506 kt</td>
<td>1,011 kt (21.5 kt)</td>
<td>1,038 kt (20.2 kt)</td>
<td>1,044 kt (26.6 kt)</td>
<td>919 kt (25.3 kt)</td>
</tr>
<tr>
<td>Thermal recovery</td>
<td>13 kt</td>
<td>12 kt (2.4 kt)</td>
<td>11 kt (1.4 kt)</td>
<td>13 kt (1.4 kt)</td>
<td>21 kt (4.9 kt)</td>
</tr>
<tr>
<td>Landfill</td>
<td>43 kt</td>
<td>254 kt (2.0 kt)</td>
<td>223 kt (5.2 kt)</td>
<td>232 kt (3.7 kt)</td>
<td>256 kt (6.1 kt)</td>
</tr>
<tr>
<td>Total waste and valuables generation</td>
<td>618 kt</td>
<td>1,336 kt</td>
<td>1,356 kt</td>
<td>1,384 kt</td>
<td>1,302 kt</td>
</tr>
<tr>
<td>Nonhazardous (hazardous*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonhazardous (hazardous*)</td>
<td>1,309 kt (27 kt)</td>
<td>1,320 kt (36 kt)</td>
<td>1,348 kt (36 kt)</td>
<td>1,246 kt (56 kt)</td>
<td></td>
</tr>
</tbody>
</table>

* Figures in parentheses are the generation of waste defined as hazardous under the Basel Convention.
### Inputs, Discharges, and Transfers of Chemical Substances During Business Operations

The following is an outline of the chemical substances handled during Hitachi's business operations and the part of our environmental load consisting of chemical substance discharges and transfers.

#### Chemical Substances Handled

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRTR substances handled</td>
<td>177 kt</td>
<td>190 kt</td>
<td>205 kt</td>
<td>189 kt</td>
<td>177 kt</td>
</tr>
<tr>
<td>Ozone-depleting substances handled</td>
<td>11 t</td>
<td>208 t</td>
<td>77 t</td>
<td>130 t</td>
<td>62 t</td>
</tr>
<tr>
<td>Greenhouse gas substances handled</td>
<td>3,791 t</td>
<td>3,425 t</td>
<td>5,661 t</td>
<td>5,640 t</td>
<td>8,520 t</td>
</tr>
<tr>
<td><strong>Total chemicals handled</strong></td>
<td><strong>180.8 kt</strong></td>
<td><strong>193.6 kt</strong></td>
<td><strong>210.7 kt</strong></td>
<td><strong>194.8 kt</strong></td>
<td><strong>185.6 kt</strong></td>
</tr>
</tbody>
</table>

#### Chemical Substances Discharged or Transferred

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRTR substances discharged or transferred</td>
<td>4.4 kt</td>
<td>4.5 kt</td>
<td>4.3 kt</td>
<td>4.1 kt</td>
<td>3.5 kt</td>
</tr>
<tr>
<td>SOx (sulfur oxides)</td>
<td>144 t</td>
<td>200 t</td>
<td>297 t</td>
<td>274 t</td>
<td>255 t</td>
</tr>
<tr>
<td>NOx (nitrogen oxides)</td>
<td>719 t</td>
<td>1007 t</td>
<td>931 t</td>
<td>929 t</td>
<td>822 t</td>
</tr>
<tr>
<td>Ozone-depleting substances emitted (CFC-11, etc.)</td>
<td>1 t (0 t-ODP)*1</td>
<td>1 t (0 t-ODP)</td>
<td>1 t (0 t-ODP)</td>
<td>1 t (0 t-ODP)</td>
<td>2 t (0 t-ODP)</td>
</tr>
<tr>
<td><strong>Total Discharges and Transfers</strong></td>
<td><strong>5.3 kt</strong></td>
<td><strong>5.8 kt</strong></td>
<td><strong>5.5 kt</strong></td>
<td><strong>5.3 kt</strong></td>
<td><strong>4.6 kt</strong></td>
</tr>
</tbody>
</table>

*Note: Includes a materials company that became a reporting company in fiscal 2016.*

*1 ODP (ozone depletion potential): A coefficient indicating the extent to which a chemical compound may cause ozone depletion relative to the depletion for CFC-11 (trichlorofluoromethane, ODP = 1.0). The conversion factor uses the ODP and global warming potential of Japan's Ministry of the Environment.
## Water Inputs and Effluent Discharges During Business Operations

The following is an outline of the total water resources used during Hitachi’s business operations and the part of our environmental load consisting of effluent discharges.

### Total Water Inputs

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tap water (for drinking and other household uses)</td>
<td>5.65 million m³</td>
<td>7.77 million m³</td>
<td>7.40 million m³</td>
<td>7.61 million m³</td>
<td>7.95 million m³</td>
</tr>
<tr>
<td>Industrial water, river water</td>
<td>20.13 million m³</td>
<td>18.41 million m³</td>
<td>17.46 million m³</td>
<td>16.63 million m³</td>
<td>15.58 million m³</td>
</tr>
<tr>
<td>Groundwater</td>
<td>18.13 million m³</td>
<td>14.92 million m³</td>
<td>13.56 million m³</td>
<td>12.74 million m³</td>
<td>12.84 million m³</td>
</tr>
<tr>
<td>Rain water</td>
<td>0.00 million m³</td>
<td>0.03 million m³</td>
<td>0.02 million m³</td>
<td>0.01 million m³</td>
<td>0.02 million m³</td>
</tr>
<tr>
<td>Recycled water (recycled from the wastewater of other organizations)</td>
<td>0.00 million m³</td>
<td>0.21 million m³</td>
<td>0.10 million m³</td>
<td>0.03 million m³</td>
<td>0.02 million m³</td>
</tr>
<tr>
<td>Total water use</td>
<td>43.91 million m³</td>
<td>41.94 million m³</td>
<td>38.54 million m³</td>
<td>37.02 million m³</td>
<td>36.41 million m³</td>
</tr>
</tbody>
</table>

### Total Volume of Water Effluents Discharged

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public water</td>
<td>27.36 million m³</td>
<td>26.16 million m³</td>
<td>23.12 million m³</td>
<td>22.44 million m³</td>
<td>22.46 million m³</td>
</tr>
<tr>
<td>Sewerage</td>
<td>9.37 million m³</td>
<td>8.93 million m³</td>
<td>8.62 million m³</td>
<td>8.18 million m³</td>
<td>7.74 million m³</td>
</tr>
<tr>
<td>Underground infiltration, evaporation, etc.</td>
<td>6.58 million m³</td>
<td>3.68 million m³</td>
<td>3.39 million m³</td>
<td>3.48 million m³</td>
<td>3.21 million m³</td>
</tr>
<tr>
<td>PRTR</td>
<td>43.30 million m³</td>
<td>38.77 million m³</td>
<td>35.13 million m³</td>
<td>34.10 million m³</td>
<td>33.41 million m³</td>
</tr>
<tr>
<td>Total water effluents discharged</td>
<td>BOD (biochemical oxygen demand)</td>
<td>453 t</td>
<td>346 t</td>
<td>392 t</td>
<td>390 t</td>
</tr>
<tr>
<td></td>
<td>COD (chemical oxygen demand)</td>
<td>752 t</td>
<td>531 t</td>
<td>617 t</td>
<td>1,701 t</td>
</tr>
</tbody>
</table>

*1 The fiscal 2019 figure excludes business sites (which accounted for around 60% of demand the previous year) from which data collection has been hampered due to the spread of COVID-19.
Environmental Load by Region

Achieving a Decarbonized Society

<table>
<thead>
<tr>
<th>CO2 Emissions by Region (Hitachi Group)</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>7</td>
<td>10</td>
<td>16</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Americas</td>
<td>375</td>
<td>1,454*1</td>
<td>1,519*1</td>
<td>1,343*1</td>
<td>1,228*1</td>
</tr>
<tr>
<td>China</td>
<td>211</td>
<td>265</td>
<td>283</td>
<td>236</td>
<td>286</td>
</tr>
<tr>
<td>Rest of Asia (excluding China and Japan)</td>
<td>402</td>
<td>470</td>
<td>499</td>
<td>540</td>
<td>572</td>
</tr>
<tr>
<td>Japan</td>
<td>2,541</td>
<td>2,392</td>
<td>2,377</td>
<td>2,285</td>
<td>2,030</td>
</tr>
<tr>
<td>Power plants*2</td>
<td>810</td>
<td>732</td>
<td>739</td>
<td>554</td>
<td>228</td>
</tr>
<tr>
<td>Total</td>
<td>4,346</td>
<td>5,322</td>
<td>5,433</td>
<td>4,973</td>
<td>4,374</td>
</tr>
</tbody>
</table>

*1 Includes 1,070 kt-CO2 (fiscal 2016), 1,163 kt-CO2 (fiscal 2017), 1,112 kt-CO2 (fiscal 2018), and 951 kt-CO2 (fiscal 2019) emitted by a materials company that became a reporting company in fiscal 2016.

*2 Emissions by power plants selling electricity in Japan were retroactively added to total CO2 emissions in fiscal 2017.

Notes:
- Starting from fiscal 2019’s calculations, Scope 2 emissions were changed from a calculation method using a unified Group-wide electrical power conversion factor to a market-based calculation method, and past data was recalculated based on this. Regarding CO2 electrical power conversion factors in Japan (including power plants), adjusted conversion factors for individual power businesses based on the Act on Promotion of Global Warming Countermeasures are used; overseas, the latest values for each fiscal year supplied by the International Energy Agency (IEA) as conversion factors for individual countries are used.
- Energy-related CO2 emissions in fiscal 2019 were 1,489 kt-CO2 (Scope 1) and 2,885 kt-CO2 (Scope 2).

Achieving a Resource Efficient Society

<table>
<thead>
<tr>
<th>Water Usage by Region (Hitachi Group)</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>0.01</td>
<td>0.02</td>
<td>0.04</td>
<td>0.04</td>
<td>0.38</td>
</tr>
<tr>
<td>Americas</td>
<td>0.19</td>
<td>3.09*1</td>
<td>2.78*1</td>
<td>2.71*1</td>
<td>2.68*2</td>
</tr>
<tr>
<td>China</td>
<td>1.22</td>
<td>1.51</td>
<td>1.51</td>
<td>1.34</td>
<td>1.39</td>
</tr>
<tr>
<td>Rest of Asia (excluding China and Japan)</td>
<td>3.56</td>
<td>4.00</td>
<td>4.04</td>
<td>3.93</td>
<td>4.05</td>
</tr>
<tr>
<td>Japan</td>
<td>38.23</td>
<td>32.72</td>
<td>30.17</td>
<td>29.00</td>
<td>28.01</td>
</tr>
<tr>
<td>Total</td>
<td>43.91</td>
<td>41.34</td>
<td>38.54</td>
<td>37.02</td>
<td>36.41</td>
</tr>
</tbody>
</table>

*1 Includes water used by a materials company that became a reporting company in fiscal 2016 (2.12 million m3/year in fiscal 2016, 1.91 million m3/year in fiscal 2017, and 1.92 million m3/year in fiscal 2018).
### Waste and Valuables Generation by Region (Hitachi Group)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Americas</td>
<td>63</td>
<td>744*1</td>
<td>725*1</td>
<td>734*1</td>
<td>670*1</td>
</tr>
<tr>
<td>China</td>
<td>36</td>
<td>48</td>
<td>55</td>
<td>55</td>
<td>58</td>
</tr>
<tr>
<td>Rest of Asia (excluding China and Japan)</td>
<td>98</td>
<td>107</td>
<td>117</td>
<td>130</td>
<td>146</td>
</tr>
<tr>
<td>Japan</td>
<td>420</td>
<td>435</td>
<td>455</td>
<td>461</td>
<td>418</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>618</td>
<td>1,336</td>
<td>1,356</td>
<td>1,384</td>
<td>1,302</td>
</tr>
</tbody>
</table>

*1 Includes 675 kt (fiscal 2016), 675 kt (fiscal 2017), 689 kt (fiscal 2018), and 601 kt (fiscal 2019) of a materials company that became a reporting company in fiscal 2016.

### Achieving a Harmonized Society with Nature

### Atmospheric Emissions of Chemical Substances by Region (Hitachi Group)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY 2015</th>
<th>FY 2016*1</th>
<th>FY 2017*1</th>
<th>FY 2018*1</th>
<th>FY 2019*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>9</td>
<td>57</td>
<td>58</td>
<td>64</td>
<td>57</td>
</tr>
<tr>
<td>Americas</td>
<td>113</td>
<td>187</td>
<td>178</td>
<td>142</td>
<td>215</td>
</tr>
<tr>
<td>China</td>
<td>199</td>
<td>291</td>
<td>246</td>
<td>184</td>
<td>125</td>
</tr>
<tr>
<td>Rest of Asia (excluding China and Japan)</td>
<td>373</td>
<td>662</td>
<td>899</td>
<td>966</td>
<td>792</td>
</tr>
<tr>
<td>Japan</td>
<td>2,521</td>
<td>3,183</td>
<td>3,010</td>
<td>3,026</td>
<td>2,697</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,615</td>
<td>4,380</td>
<td>4,391</td>
<td>4,392</td>
<td>3,886</td>
</tr>
</tbody>
</table>

Note: Atmospheric emissions of VOCs and other chemical substances are calculated from the content rate included in the ingredients.

*1 Since fiscal 2016, the scope of controlled chemical substances has been expanded from 41 to 50 substances.
### Environmental Management Data

#### Number of ISO 14001 Certified Companies*1 (Hitachi Group, as of April 30, 2020)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>14</td>
</tr>
<tr>
<td>Americas</td>
<td>14</td>
</tr>
<tr>
<td>China</td>
<td>45</td>
</tr>
<tr>
<td>Rest of Asia (excluding China and Japan), etc.</td>
<td>42</td>
</tr>
<tr>
<td>Japan</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
</tr>
</tbody>
</table>

*1 Companies with at least one certified business site.

#### Number of Regulatory Violations and Complaints

<table>
<thead>
<tr>
<th>Regulatory violations</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water quality</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Air quality</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Waste matter</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Other (equipment registration, etc.)</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

| Complaints            | 4       | 6       | 5       | 3       | 5       |

<table>
<thead>
<tr>
<th>Activities</th>
<th>306-3</th>
<th>307-1</th>
</tr>
</thead>
</table>

### Environmental Accounting

#### Environmental Investments

<table>
<thead>
<tr>
<th>Items</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment</td>
<td>7.50</td>
<td>5.12</td>
<td>10.99</td>
<td>9.86</td>
<td>9.71</td>
</tr>
</tbody>
</table>

#### Environmental Protection Costs

<table>
<thead>
<tr>
<th>Items</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business area Maintenance costs for equipment with low environmental load, depreciation, etc.</td>
<td>24.22</td>
<td>19.19</td>
<td>22.17</td>
<td>23.57</td>
<td>22.62</td>
</tr>
<tr>
<td>Upstream/downstream Green procurement expenses, recovery and recycling of products and packaging, recycling expenses</td>
<td>0.97</td>
<td>0.63</td>
<td>0.72</td>
<td>0.68</td>
<td>0.68</td>
</tr>
<tr>
<td>Administration Labor costs for environmental management, implementation and maintenance of environmental management system</td>
<td>5.97</td>
<td>5.12</td>
<td>5.69</td>
<td>6.72</td>
<td>4.98</td>
</tr>
<tr>
<td>Research and development R&amp;D to reduce environmental burden caused by products and production processes, product design expenses</td>
<td>75.71</td>
<td>63.13</td>
<td>62.55</td>
<td>61.86</td>
<td>77.01</td>
</tr>
<tr>
<td>Social activities Planting, beautification, and other environmental improvement expenses</td>
<td>0.45</td>
<td>1.21</td>
<td>1.00</td>
<td>0.93</td>
<td>0.25</td>
</tr>
<tr>
<td>Environmental remediation Environmental mitigation costs, contributions, and charges</td>
<td>0.27</td>
<td>0.22</td>
<td>0.33</td>
<td>0.40</td>
<td>0.17</td>
</tr>
<tr>
<td>Total</td>
<td>107.59</td>
<td>89.50</td>
<td>92.46</td>
<td>94.16</td>
<td>105.71</td>
</tr>
</tbody>
</table>

*1 Equipment depreciation costs are calculated using the straight-line method over five years.

#### Environmental Protection Effects

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Effects*1</td>
<td>Net income effects</td>
<td>Recovering value from waste by sorting and recycling</td>
<td>7.27</td>
<td>4.96</td>
<td>6.90</td>
<td>8.35</td>
</tr>
<tr>
<td></td>
<td>Reduced expenses effects</td>
<td>Installing high-efficiency equipment (lighting, power supply)</td>
<td>6.78</td>
<td>7.77</td>
<td>14.54</td>
<td>7.70</td>
</tr>
<tr>
<td>Total</td>
<td>14.05</td>
<td>12.73</td>
<td>21.44</td>
<td>16.05</td>
<td>18.62</td>
<td></td>
</tr>
</tbody>
</table>

*1 Economic effects include:
- Net income effects: Benefits with real incomes, including incomes from the sale of resalable materials and incomes from environmental technology patents.
- Reduced expenses effects: Reduction in electricity, waste treatment, and other expenses through environmental load reduction activities.

#### Environmental Liability

We have appropriated 6.3 billion yen in expenses for the disposal of PCB-containing waste and 1.3 billion yen to clean up contaminated soil as the amounts that we can reasonably project as of March 2020 as future environmental liabilities.
Striving to Increase Social Value

In order to grow sustainably and improve social value, Hitachi must meet a range of social expectations. As well as creating the innovation sought by society, we need to establish a working environment where diverse talent can shine, and rigorously implement fair business practices and respect for human rights throughout the value chain. We also aim for greater involvement in and development of the communities related to our businesses.
Under its Corporate Credo “to contribute to society through the development of superior, original technology and products,” Hitachi has focused its efforts on the Social Innovation Business. Our 2021 Mid-term Management Plan sets the goals of creating social, environmental, and economic value for our customers. In fiscal 2020, we established an R&D policy of becoming a global innovation leader in delivering social, environmental, and economic value. By further enhancing Lumada and NEXPERIENCE, a methodology for collaborative creation with customers, and making use of “Kyōsō-no-Mori,” a new research initiative for open collaborative creation, we will accelerate open innovation and support our customers in resolving their challenges.

Hitachi believes that intellectual property (IP) activities make an important contribution to creating social, environmental, and economic value for our customers. Our Intellectual Property Division takes part in creating solutions that enhance such value, contributes to the global deployment of IP, and leads the way in resolving social issues toward achieving the SDGs and Society 5.0 through IP activities.

### What we are doing

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Create value at the frontline (promote open innovation)*</td>
<td>* Creating a vision in each region*</td>
<td>* Launched Kyōsō-no-Mori, a research initiative for open collaborative creation*</td>
</tr>
<tr>
<td>* Leverage technological strengths for value creation (redesign innovation processes)*</td>
<td>* Contributing to expanding the Lumada business in each region*</td>
<td>* Established a corporate venture capital fund*</td>
</tr>
<tr>
<td>* Become a technology leader (promote innovation)*</td>
<td>* Accelerating innovation in our five core sectors*</td>
<td>* Promoted open innovation with governments and academic institutions in each country and region*</td>
</tr>
<tr>
<td></td>
<td>* Strengthening our technological foundation*</td>
<td>* Globally expanded “Scale of Digital” business and “Scale by Digital” business*</td>
</tr>
<tr>
<td></td>
<td>* Developing top digital talent in the field of AI: 350 employees by fiscal 2021*</td>
<td>* Promoted development of AI, digital trust, “Beyond 5G/6G” technologies, electrification, and robotics for Lumada CPS and other products*</td>
</tr>
</tbody>
</table>

#### Why it matters

- Creating value at the frontline
- Leveraging technological strengths
- Becoming a technology leader
- Strengthening our technological foundation
- Developing top digital talent in AI

#### What we are doing

- Promoting open innovation
- Expanding collaborative creation “spaces”
- Creating a vision in each region
- Contributing to expanding the Lumada business in each region
- Accelerating innovation in our five core sectors
- Strengthening our technological foundation
- Developing top digital talent in the field of AI: 350 employees by fiscal 2021
### What we are doing

**IP**

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide support for creating solutions</td>
<td>• Strengthening solution creation</td>
<td>• Developed new method of collaborative creation to drive solution creation using patent information as a catalyst</td>
</tr>
<tr>
<td>• Promote IP activities to resolve social issues toward the SDGs and Society 5.0</td>
<td>• Carrying out IP activities based on specific</td>
<td>• Introduced the “IP for society” concept, which promotes the use of IP in certain areas of high public interest to maintain and evolve social norms (for example, allowing free use of IPs to resolve social issues)</td>
</tr>
<tr>
<td></td>
<td>projects that contribute to solving social issues</td>
<td>• Established the IP Strategy Department to develop and implement IP activities; in fiscal 2020, established a Data Science Group within the department</td>
</tr>
</tbody>
</table>
Research and Development

Hitachi's R&D Policy and Initiatives

Over its history of more than 100 years, Hitachi has worked to develop cutting-edge technologies through its R&D activities in an effort to create innovation toward the future, adhering to the company’s Corporate Credo of contributing to society through the development of superior, original technology and products. In fiscal 2020, we established an R&D policy of becoming a global innovation leader in delivering social, environmental, and economic value. Building on Lumada as a foundation, we will further accelerate open innovation and grow together with our stakeholders by combining our strengths in operational technology (OT), IT, and products with the technology platforms in the Research & Development Group and external knowledge. Through these efforts, our goal is to enhance social, environmental, and economic value for our customers, as well as to improve people’s quality of life.

To realize this R&D policy, the Global Center for Social Innovation (CSI) acts as the frontline function, working closely with the Center for Technology Innovation (CTI) to leverage Hitachi’s technology advantages in creating new value. CTI and the Center for Exploratory Research (CER) are pursuing research to create the world’s No. 1 technologies and disruptive technologies to become a technology leader.

In April 2019, Kyōsō-no-Mori, a research initiative for open collaborative creation (co-creation), was launched within the Central Research Laboratory. In June, a corporate venture capital fund was established to promote industry-academia-government cooperation and collaboration with startups. In April 2020, the Lumada Data Science Laboratory was established within Kyōsō-no-Mori, bringing together top data scientists to further enhance value through digital solutions.

Achievements Since FY 2019

- In April 2019, Kyōsō-no-Mori was launched within the Central Research Laboratory in April 2019, followed by the relocation of the Silicon Valley Research Center of Hitachi America, Ltd. to a new office building in Santa Clara, California with Hitachi Vantara to strengthen collaboration and establish a development center for digital solutions through open co-creation. We are looking at different business models together with startups through ideathons and hackathons held by such research centers.
- In October, Hitachi and the New South Wales State Government agreed to establish a “Kyōsō (collaborative creation) Centre” in Western Sydney, Australia, to accelerate the creation of social innovation. We have begun co-creation activities from early 2020 with a view to opening the center in 2023.
- As part of our activities to promote regional co-creation, we are engaged in a joint project with Thailand’s prestigious Chulalongkorn University to create new services that will help realize a future digital city. A “healthy aging” project in collaboration with Tsinghua University in China is also underway.
- To enhance social, environmental, and economic value, projects on the environment and aging were launched under the direct control of the Research & Development Group. Our goal is to generate new value together with the Future Investment Division which is responsible for identifying mid- to long-term focus areas and managing projects based on next-generation technology trends and global changes. Further, the Hitachi-UTokyo Laboratory that has made policy proposals for next-generation grid systems since 2016, has begun studies since fiscal 2020 on a total energy system project to achieve zero carbon, and contribute to raising environmental and social value.
In the past, Hitachi has identified customer issues and promoted end-to-end value creation from vision design to services based on its originally developed co-creation methodology “NEXPERIENCE.” Going forward, NEXPERIENCE will evolve into a methodology that quantifies social, environmental, and economic value, with enhanced risk assessment, to enable collaboration with multiple companies or regional communities to resolve social challenges. We will accelerate value creation through the delivery of solutions by gaining insight into the challenges faced by regional communities and incorporating them into vision design and rulemaking, as well as by working with our global front teams.

The MaaS solution, for example, provides value to businesses and people by coordinating the entire regional traffic network and peripheral services through the application of technologies developed for railway systems, such as operation control and scheduling. This is just one example of how we will use OT technology, one of our technology strengths, to differentiate ourselves from our competitors and enhance value creation in each region.

Becoming a Technology Leader (Promoting Innovation)

Activities

Hitachi will accelerate innovation in each of its five core sectors to enhance social, environmental, and economic value by increasing people’s quality of life and our customers’ corporate value. To achieve this, we are using Lumada as a common platform to realize a cyber-physical system that seamlessly connects cyberspace with the real world in real time, focusing on the development of AI, digital trust, and technologies for “Beyond 5G/6G.”

“Explainable AI” technologies that can explain the rationale behind the decisions they reach are being developed and already in use for loan screening in a co-creation with a financial institution. Development of digital trust technologies is also underway, including public biometrics infrastructure using a proprietary hands-free authentication system and confidential information-processing technologies that allow data to be processed while encrypted. For “Beyond 5G/6G” networks and services, we will accelerate co-creation with customers using 5G demo environments in Japan and North America.

We are also strengthening R&D in areas such as robotics and electrification technologies to further advance technology platforms supporting key products such as high-speed trains, elevators, particle beam therapy equipment, biochemical/immunological analysis systems, inverters, and air compressors. Furthermore, in the area of quantum computers, the Hitachi Cambridge Laboratory has successfully demonstrated fundamental technology that will lead to the fast readout at very low temperatures necessary for quantum computing. Also, through joint research with Myoridge Co. Ltd., known for its technology for culturing iPS-derived differentiated myocardial cells, we have developed new technology to automate 3D culturing using Hitachi’s equipment for automated mass culturing of IPS cells.

Other collaborations include projects with startups to co-create new areas of business through corporate venture capital funds.

In our quest to improve social, environmental, and economic value, Hitachi is focusing on electrification, renewable energies, and hydrogen systems, seeking to become a leading company in environmental value.
For renewable energy, we are developing systems to balance energy supply and demand when large-scale renewable energy systems are introduced, to ensure stable power supply. We are also proceeding with demonstration projects such as in urban areas with our Area Energy Management System using AI and in national projects with the Ministry of Economy, Trade, and Industry and the Ministry of the Environment, Japan, on systems producing and using hydrogen.

By drawing on our combined expertise in OT×IT×Products, Hitachi will strive to develop the world’s No. 1 technologies and disruptive technologies and deliver high value to our customers.

In the field of electrification for a zero carbon society, we are working on high-efficiency technologies for electric power systems such as motors and inverters to reduce carbon emissions from electric vehicles and industrial equipment. Our 800 V inverter for EVs that allows long-distance driving won the 62nd (2019) Nikkan Kogyo Shimbun Best Ten New Product Award.

**Achievements Since FY 2019**

**Developing Technology to Prevent the Spread of COVID-19**

Hitachi’s first priority is the safety and health of all of its stakeholders, including customers, partners, and Hitachi Group employees and their families worldwide, and it is committed to preventing the spread of the novel coronavirus (COVID-19). In May 2020, we began manufacturing face shields for medical use. The Research & Development Group played a central role in designing the face shields, incorporating advice from medical staff at the Hitachi General Hospital in the city of Hitachi, Ibaraki Prefecture. The face shields were provided free of charge on a priority basis to designated medical institutions for specified infectious and class I infectious diseases in Japan. They were also provided free of charge to designated medical institutions for class II infectious diseases.

In response to changes in society and lifestyles brought about by COVID-19, we are pursuing technology and solution development in the environmental and life science areas, as well as in supporting technologies such as measurement technology and digital technology leveraging remote operation or automation, to contribute to a sustainable and resilient society that can coexist with the novel coronavirus.

**R&D Investment and Fostering Digital Talent**

Hitachi invests around 4% of its revenue in research and development to strengthen its capabilities in the five core sectors of its Social Innovation Business. Corporate-led R&D is focused on co-creation with customers, development of the world’s No. 1 technologies and disruptive technologies, as well as expanding common digital platforms and enhancing research capabilities outside Japan to achieve an n-fold expansion of the Lumada business, our growth engine, and expand business worldwide.

Further, to meet society’s needs associated with advancements in digitalization, Hitachi is strengthening digital expertise, including top digital talent in AI-related areas. In April 2020, in cooperation with the business division, researchers specializing in the fields of AI and data analytics were brought together with engineers and consultants with deep knowledge in OT necessary for practical application to form the Lumada Data Science Laboratory, a new organization for greater collaboration leveraging their individual skills and expertise. The Research & Development Group is focusing on developing top-class digital talent in the field of AI, and intends to increase the number of employees meeting this description from 306 as of the end of fiscal 2019 to 350 by fiscal 2021.

**R&D Expenditure**

![R&D Expenditure Chart]

- **FY 2015 - 2020 (planned)**
  - Total R&D expenditure: 333.7 billion yen
  - R&D expenditure as % of revenue: 3.3% to 3.7%

- **FY 2021 (planned)**
  - Total R&D expenditure: 323.1 billion yen
  - R&D expenditure as % of revenue: 3.4%
Intellectual Property

**Hitachi's 2021 Intellectual Property Mid-term Management Plan**

Intellectual property (IP) is a key element of Hitachi’s business strategy. Hitachi will promote IP activities to create solutions that enhance value for customers in line with the 2021 Mid-term Management Plan, globally deploy the created IP, and contribute to resolving social issues related to the SDGs and Society 5.0 through IP activities.

Regarding solution creation, our Intellectual Property Division takes an active role, by taking part in the solution development process and developing new collaborative creation methods (Patentathons) using patent information as a catalyst to drive solution creation. It also supports the promotion of open innovation activities designed to create solutions, such as Ideathons and Hackathons, from the intellectual property side.

Regarding global deployment of the IP we have created, the division will contribute to the globalization of Hitachi’s business by strengthening international patent applications (PCT applications) that cover inventions that were developed through open innovation with our customers and partners in addition to inventions from our own R&D activities.

Regarding solving social issues, in fiscal 2019 Hitachi introduced the “IP for society” concept, in which it promotes the use of IP in certain highly public domains to maintain and evolve social norms. Moving forward, we will consider further ways to contribute to resolving social issues through IP, including contributions to combating the spread of COVID-19 through measures such as allowing free use of IP related to products that prevent the spread of infection.

**Achievements Since FY 2019**

Hitachi’s IP Strategy

Under the Social Innovation Business, Hitachi has formulated and implemented an IP strategy that consists of two pillars: IP strategy for competitiveness and IP strategy for collaboration.

- **IP strategy for competitiveness** is centered on acquiring and utilizing patents and other IP rights. “IP Master Plans” customized for the nature of each business are formulated and implemented to enforce competitiveness.

- **IP strategy for collaboration** is an IP strategy based on collaboration. As opportunities for collaborative creation with our customers and partners increase through the use of our IoT platform, Lumada, we have expanded the scope of our IP activities to include not only copyrights, patents, and trade secrets but also information assets such as data and information, and are using IP to promote partnerships and build ecosystems.

Global IP activities have changed rapidly in recent years due to the emergence of gigantic platform companies and advancement of open innovation. From fiscal 2020 onward, we will evolve our IP strategy by closely examining the circumstances of the “new normal” post COVID-19, as well as political, economic, social, and technological trends.
Framework for IP Activities

We currently have IP offices in Santa Clara and Detroit in the United States, Beijing in China, London in the United Kingdom, and Singapore to cover our globalized business.

As a control tower for developing and implementing new IP activities based on the focus sectors and regions for investment under the 2021 Mid-term Management Plan, in fiscal 2019 we established the IP Strategy Department within the Intellectual Property Division. The new department plays a central role as a hub in forming a global talent network and works closely with major sites around the world, as well as building close ties with our newly established Corporate Venturing Office in addition to our Strategy Planning Division, the Government and External Relations Group, and the Corporate Brand & Communication Division in Hitachi, Ltd.

In fiscal 2020, a Data Science Group was launched within the IP Strategy Department. The new group is responsible for cultivating IP data scientists who can use IP AI tools to perform comprehensive analysis of IP information (such as patents) along with non-IP information (such as market and R&D information) and propose management and business strategies by showing present business standings and future projections.

Achievements Since FY 2019

Reward System for Employee Inventions

We motivate employees in the R&D field with an ample reward system for new inventions. To make this reward system as fair and transparent as possible, we set standards to evaluate inventions and disclose these standards to employees. We also have a mechanism for receiving inquiries about the rewards, as well as opinions on the reward system.

We have established a special department within the Intellectual Property Division to plan and operate this system, while an internal Invention Management Committee made up of R&D, legal affairs, personnel management, and IP experts ensures that the system operates effectively across the whole Group.

Internal Rewards for Inventors

<table>
<thead>
<tr>
<th>Invention Information System</th>
<th>System allowing inventors to check the evaluation standards used to calculate rewards for inventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arbitration Committee for Invention Rewards</td>
<td>Committee to which inventors can appeal if they disagree with the amount they have been awarded</td>
</tr>
<tr>
<td>Business Contribution Awards Annual Top 100</td>
<td>President’s awards to the top 100 inventors based on patent rewards received</td>
</tr>
<tr>
<td>Patent Contribution Awards Top 50</td>
<td>Ranking of the top 50 young inventors under 35 years of age based on patent rewards received within five years of joining Hitachi</td>
</tr>
</tbody>
</table>

Awards for IP Activities

At the Intellectual Property Achievement Awards for fiscal 2020, sponsored by the Ministry of Economy, Trade, and Industry and the Japan Patent Office, Hitachi, Ltd. received the Award from Minister of Economy, Trade, and Industry along with high praise for the establishment of our IP strategies for competitiveness and collaboration as well as our active engagement in IP activities to resolve social issues in advance of competitors. This was our first award since receiving the Award from Commissioner of the Japan Patent Office 28 years ago in 1992, and our first time winning the more prestigious Award from the Minister of Economy, Trade, and Industry.

Clarivate Analytics also included Hitachi in its Dervent Top 100 Global Innovators for the ninth consecutive year, and the Japan Institute of Invention and Innovation presented Hitachi with the fiscal 2019 Imperial Invention Prize for our design of the Class 800 high-speed train for the UK. This is the third consecutive year that we have received high honors from the National Commendation for Invention, a prestigious Japanese award for invention established in 1919, and the first time that the Imperial Invention Prize, the highest prize offered by the National Commendation for Invention, has been awarded in recognition of outstanding design. Hitachi, Ltd. has received the Imperial Invention Prize eight times in total, more than any other recipient.

Protecting Our Designs and Brand

Protecting Hitachi's designs and brand is crucial for promoting our Social Innovation Business and supporting our global operations. We take resolute measures against such infringements as making and selling counterfeit goods copying our designs or carrying the Hitachi brand and illegally applying for or registering trademarks similar to the Hitachi brand.

In recent years, we are taking action to identify counterfeit networks, whose manufacturing methods and sales channels have become more sophisticated and diverse. We are also working with e-commerce site operators on countermeasures against online counterfeit sales.
In order to engender innovation and create new value in a global and digital era, Hitachi is working on attracting, retaining, and developing diverse talent, and transforming its organization to drive sustainable business growth. With due attention paid to respecting the rights of employees, equality of opportunity, occupational health and safety, and employee well-being, we strive to build good relations between employees and the company, including promoting work environments that make employees feel proud and happy to work at Hitachi, and engage in active dialogue regarding employee treatment and career advancement.

In recognition of the “new normal” in light of the ongoing novel coronavirus (COVID-19) pandemic, not only are we promoting diverse working styles as a driver of telecommuting innovation, in order to improve productivity and allow employees to use their abilities to the utmost, we are also implementing job descriptions, performance management, and other systems to clarify the role of, expectations for, and output of each employee's position, and accelerate the pivot to job-based human capital management.

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Develop global human capital</td>
<td>* Promoting global human capital management in order to hire, promote, and develop diverse human capital</td>
<td>* Accelerated the pivot to job-based human capital management in light of the COVID-19 pandemic</td>
</tr>
<tr>
<td>* Promote people analytics</td>
<td>* Strengthening our digital talent (increasing the number of data scientists to 3,000 by fiscal 2021)</td>
<td>* Undertook initiatives to protect employees from transmission and support telecommuting</td>
</tr>
<tr>
<td>* Ensure fair evaluation and compensation</td>
<td></td>
<td>* Taught People Analytics in certain business divisions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Established a training system for digital transformation and a range of digital talent training programs targeting different positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Strengthened recruitment at the Indian Institutes of Technology and other top-class universities around the world</td>
</tr>
</tbody>
</table>
## What we are doing

### Core initiatives

**Diversity and inclusion**
- Review our systems and operations in light of the Statement on Diversity and Inclusion
- Expand hiring of people with disabilities

**Work-life management**
- Promote work-life reform
- Enhance work-life management support systems
- Develop support systems that meet diverse employee needs

**Occupational health and safety**
- Establish occupational health and safety management systems
- Prevent work-related accidents
- Provide support for staying mentally and physically healthy

**Freedom of association and collective bargaining**
- Respect the rights of employees
- Foster employee-management dialogue

### Goals and KPIs

**Diversity and inclusion**
- Achieving a 10% ratio of both female and non-Japanese executive and corporate officers by fiscal 2020
- Increasing the number of female managers in Japan to 800 by fiscal 2020 (twice the number at the end of fiscal 2012)

**Work-life management**
- Promotion of work-life management

**Occupational health and safety**
- Achieving zero fatal accidents by the end of fiscal 2021; reducing lost-time accidents globally by 50% compared to the previous year

**Freedom of association and collective bargaining**
- Deepening mutual understanding through dialogue between employees and management

### Achievements in FY 2019

**Diversity and inclusion**
- Held the 6th Hitachi Group Women Leaders’ Meeting
- Held the 4th Global Women’s Summit

**Work-life management**
- Strengthened support for balancing work and nursing care with initiatives such as a seminar for all employees aged 40 and over on how to balance work and nursing care
- Launched a child-care matching service in collaboration with company-led nurseries

**Occupational health and safety**
- Established the Safety Management Division
- Established the Health and Productivity Management Promotion Office (in April 2020)

**Freedom of association and collective bargaining**
- Engaged in continuous employee-management dialogue
Global Human Capital Management

**Developing Global Human Capital**

Hitachi's 2021 HR Strategy, based on its 2021 Mid-term Management Plan, is designed to allow the company's diverse global team to grow through their work, feel proud and happy about working at Hitachi, respect diverse values, and contribute to the creation of safe and vibrant workplaces each in their own way. Alongside this, we are striving to cultivate a common Hitachi Group Identity in all employees worldwide, along with the values of Harmony, Sincerity, and Pioneering Spirit that comprise the Hitachi Founding Spirit, so that we can work as One Hitachi across countries, regions, and divisions to contribute to society. To this end, we are advancing a variety of enhanced measures around the four key concepts of "Talent," "Culture," "Organization," and "HR Transformation."

In recognition of the "new normal" in light of the ongoing novel coronavirus (COVID-19) pandemic, we are also making telecommuting standard for a wide range of positions. As well as promoting diverse working styles as a driver of telecommuting innovation, in order to improve productivity and allow employees to use their abilities to the utmost, we are implementing job descriptions, performance management, and other systems to clarify the role of, expectations for, and output of each employee's position, and accelerate the pivot to job-based human capital management.

**Developing Global Human Capital Structure**

In order to become a world leader in the Social Innovation Business, we believe it is important to maintain high engagement across countries and regions as well as companies and establish diverse human capital and a working environment that maximizes personal and organizational performance. Based on this idea, we have developed a global human capital management strategy. We hire, promote, and develop human capital via global human capital management that uses unified performance evaluation criteria and offers a common leadership development program for employees around the world.

In addition, as a way of integrating the various existing measures for the management of global human capital, we have built a platform containing an array of information about the skills, career orientations, and other aspects of our human capital. We use the platform for globally optimized placement, identifying and nurturing management leaders of the future, and strengthening manager-employee communication.

From fiscal 2019, Levent Arabaci, general manager of our global human capital division has also served as chief transformation officer of global operations. Initiatives he has led in this role include using global shared services to standardize and optimize shared work within the Group, drastic operational reforms on the back of increased diversity, business process re-engineering using cutting-edge digital technologies within and outside the company, and optimal deployment of talent.

Additionally, in order to change the awareness and behavior of employees as we seek to reinvent ourselves as a global leader in the Social Innovation Business, we reconsidered our competencies. Our new focus will be on competencies in line with both Hitachi's Corporate Credo and the Founding Spirit. These will be used as shared behavioral objectives to unite diverse human capital and organizations as we seek to raise awareness of Hitachi's corporate culture.

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**Achievements in FY 2019**

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### Shared Global Foundation for Group-wide Human Capital Management

<table>
<thead>
<tr>
<th>System</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Human Capital Database</td>
<td>To visualize the entire Group’s human capital for a macro understanding of HR data</td>
</tr>
<tr>
<td>Hitachi Global Grade</td>
<td>To evaluate the role and responsibilities of each position against unified standards shared by the entire Group</td>
</tr>
<tr>
<td>Global Performance Management</td>
<td>To align business and individual objectives and promote sustainable improvement and growth of both individuals and businesses</td>
</tr>
<tr>
<td>Global Leadership Development</td>
<td>To clarify human capital requirements for key management positions and identify and develop candidates for management leadership from around the world</td>
</tr>
<tr>
<td>Hitachi University</td>
<td>A learning management system shared globally by the entire Group.</td>
</tr>
</tbody>
</table>

### Promoting People Analytics

Hitachi’s People Analytics initiative involves gathering and analyzing data about employee awareness and behavior and putting it to use in human resources and management policy.

Quantifying the effect of human resources initiatives has always been difficult. Evaluations have tended to be based on the experience or intuition of the evaluator. However, with People Analytics, which uses IT such as AI and data analysis, optimal initiatives based on objective indicators and analysis can be promulgated. Not only does this allow the human resources to follow the development of each and every individual employee, it can also contribute to management by activating human capital.

In concrete terms, this means conducting a survey based on a unique psychological scale constructed under the academic guidance of the University of Tsukuba, then making use of AI in analyzing the awareness of individuals and job assignment and behavioral data arising from the survey’s results. This makes it possible to provide individual employees with insight encouraging a change in behavior, streamline human capital placement, and otherwise formulate more effective and precise human resources initiatives.

### Achievements in FY 2019

- In fiscal 2019, as well as trialing People Analytics in certain business divisions, we formulated a plan for expanding the scope of its implementation. From fiscal 2020, we will expand its deployment to more business divisions in Japan. We will also begin planning for a global rollout of People Analytics across the entire Group.

### Ensuring Fair Evaluation and Compensation

We believe that a fair global system of employee evaluation and compensation is essential for attracting diverse and highly engaged human capital regardless of nationality. Accordingly, we have established a Global Compensation Philosophy shared by all Group companies based on the principles of ensuring market competitiveness, pay for performance, and maintaining transparency.

We have developed a performance-based compensation system for full-time, regular employees that is fair and competitive in the context of the labor market for each national or region industry. Each employee’s compensation is set based on an annual performance review. Feedback on this review is also provided as fuel for further development.

We ensure compliance with the laws and regulations of each country and region in which we operate when determining compensation. Starting pay for new graduates in Japan—which accounts for about half of the Group’s full-time, regular employees—is roughly 20% higher than the weighted average of Japan’s regional minimum wages.

### Conducting a Global Employee Survey

We conduct an annual global employee survey called Hitachi Insights as a way of measuring employee engagement. In September 2019, the survey was administered for the seventh time. Around 200,000 employees worldwide were sent the survey in one of 14 different languages, and roughly 180,000 responses were received. This represents a response rate of 87%, the highest since the survey was first performed in 2013. Results continue to improve, with an overall approval rating of 61% (1% higher than last year, 7% higher than 2013) and an engagement indicator of 60% (unchanged from last year, 7% higher than 2013). Moving forward, senior management and managers on site will confirm the survey results for their own organizations and, through communication with team members, take concrete action through the PDCA cycle, further enhancing the level of engagement.

*1 Hitachi uses the term “engagement” to refer to employees’ understanding of the company’s strategies and policies, as well as their job satisfaction and desire to take actions on their own initiative to bring about results.
Promoting the “Make a Difference!” Idea Contest

Hitachi believes that changing the awareness of each and every employee is necessary for achieving the corporate reforms needed to steadfastly uphold our medium- to long-term vision. We therefore launched the “Make a Difference!” idea contest for all employees around the theme of the “I will” mindset. This is designed to encourage participant growth, not only through a change in perspective as their ideas are linked to real experience in creating new businesses, but also by providing an opportunity for employees to think for themselves, make decisions, and see a project through to completion. For some prize-winning ideas, the verification experiment process has already begun. In fiscal 2019, 741 ideas were received.

Countermeasures Against the COVID-19 Pandemic

Amid the novel coronavirus (COVID-19) pandemic, ensuring the health and safety of all employees is our highest priority as we strive to prevent the spread of the virus. As well as promoting telecommuting for, in principle, all positions except those requiring a physical presence for society to function, we are undertaking initiatives to protect employees from transmission and support telecommuting.

COVID-19’s impact is global, and our countermeasures in each region are informed by the conditions around regional headquarters. Hitachi Europe surveyed telecommuting employees to find out what they needed, and developed an action plan to provide it. At Hitachi India, an e-learning course on COVID-19 was created and shared to raise awareness of the virus and how employees can prevent its spread.

We also used the “Make a Difference!” platform to gather ideas globally across the Group for new workstyles or ways Hitachi employees could come together as one and contribute to society. This project, titled “Challenge to COVID-19,” attracted some 1,430 ideas from around the world.

One proposal involving support via crowdfunding for small business owners affected by the pandemic has already been adopted. Regarding the other proposals, after discussion with relevant divisions, the decision was made to divide them among 15 themes for further consideration of their feasibility. In concrete terms, regarding social contribution activities, we will promote activities such as providing online education to children; as contributions utilizing Hitachi’s technology, we are preparing for the implementation of systems and products leading the way to a new lifestyle predicated on prevention of infection.
Talent Development

Hitachi's Approach to Talent Development

Hitachi has traditionally placed great emphasis on developing talent, including the establishment of the Apprenticeship Training School, predecessor of today's Hitachi Industrial Skills Academy, in 1910, the year of Hitachi's own founding. The pedagogical principles established in 1959 as our Educational Guidelines emphasized the spirit of yūsaku (guidance through assistance) and jikyō (endeavor through one's own efforts).

That spirit has been inherited to the present day. In addition to on-site training through work tasks, we are also expanding education globally across the Group to improve individual capabilities, skills, and specialties. We will continue to support the growth of each and every individual employee with the goal of developing talent who can contribute to resolving social issues.

Management-level Leadership Development

Hitachi believes that innovation in talent management to resolve the diverse challenges of global society is essential to increasing social, environmental, and economic value, making it vital to develop the management-level leadership who will drive this innovation and change. For this reason, we approach management-level leadership development as a medium- to long-term initiative with the president and CEO and Nominating Committee playing a central role.

When developing candidates for appointment in the next and subsequent term to executive positions including president, CXO, and division head, several hundred candidates are selected from the Hitachi Group's human capital around the world and given both on-the-job training (OJT), including stretch assignments, and off-the-job training (Off-JT) such as external training and coaching.

We also select a “Future 50” of around 50 outstanding emerging employees as future candidates for management-level leadership. By giving this Future 50 tough assignments and opportunities for direct discussion with independent directors, we accelerate their development in a focused manner.

Global Management Training

We are globalizing our talent development programs in accordance with global talent management strategy to develop management-level human capital.

In fiscal 2019, we launched the Global Group Executive Development Course (Global GEC) for new leaders of Hitachi subsidiaries outside Japan. This e-learning course, attended by 100 people in fiscal 2019, fosters a basic understanding of Hitachi’s management and provides the latest information for advancing our Social Innovation Business. We are continuously developing new programs to foster human capital.

<table>
<thead>
<tr>
<th>Management Training Currently Offered Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Leadership Acceleration Program for Key Positions (GAP-K)</strong></td>
</tr>
<tr>
<td><strong>Global Advanced Program for Leadership Development (GAP-L)</strong></td>
</tr>
<tr>
<td><strong>Global Leadership Acceleration Program for Managers (GAP-M) Ready to Lead (R2L)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Participants of Global Management Training Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="" /></td>
</tr>
<tr>
<td>Number of Participants</td>
</tr>
</tbody>
</table>

(Total number of people)
Developing Digital Talent

To accelerate our Social Innovation Business using digital technologies, we are working to develop human capital that can lead a digital transformation. We are increasing the amount of digital talent across the entire Hitachi Group from 30,000 employees in fiscal 2019 to 37,000 in fiscal 2021. At the end of April 2020, we had around 2,000 data scientists with specialist knowledge of data analysis, including AI, IoT, and the utilization of big data, and we are aiming to increase that number to 3,000 by fiscal 2021 as we expand our global digital solutions.

Aiming to further develop and strengthen our digital talent, we consolidated our various training institutes into the Hitachi Academy in April 2019, and are currently constructing a training system for developing human capital to drive digital transformation. In fiscal 2019, we established a training system for digital transformation and a range of digital talent training programs targeting different positions, focusing on developing world-leading human capital and digital talent in order to accelerate our Social Innovation Business. We also strengthened recruitment at the Indian Institutes of Technology and other top-class universities around the world.

Through a development policy that combines knowledge and skill obtained by participating in training with OJT, we will strengthen our digital talent development along the twin axes of broader fundamental training and specialist development.

Achievements in FY 2019

- Aiming to further develop and strengthen our digital talent, we consolidated our various training institutes into the Hitachi Academy in April 2019, and are currently constructing a training system for developing human capital to drive digital transformation. In fiscal 2019, we established a training system for digital transformation and a range of digital talent training programs targeting different positions, focusing on developing world-leading human capital and digital talent in order to accelerate our Social Innovation Business. We also strengthened recruitment at the Indian Institutes of Technology and other top-class universities around the world.

- Through a development policy that combines knowledge and skill obtained by participating in training with OJT, we will strengthen our digital talent development along the twin axes of broader fundamental training and specialist development.

Provisioning Younger Employees with Overseas Experience

Hitachi maintains a broad array of programs to systematically cultivate and secure people who can succeed in global business. To develop the careers of people capable of understanding and adapting to local cultures and lifestyles, we offer a program enabling younger employees in Japan to live and work in another country. We have dispatched more than 5,000 Group employees in total, allowing them to take part in over 80 programs designed to promote understanding of other cultures and to engage in language studies, local field studies, and internships, as well as to provide opportunities to work with local people to resolve social issues. In fiscal 2019, we moved to encouraging employees to engage in opportunities for leadership training to accelerate the development of employees ready to take on global challenges.

Career Development Support in Japan

Hitachi has developed a broad range of career development support that focuses on employees’ “internal careers,” namely, their individual values and views on the significance and meaning of their work. By ensuring that individuals can fulfill their potential and maximize their creativity and linking individual growth to positive outcomes and growth for the organization, we enhance our corporate value. Along with promoting self-understanding and fostering strong individuals with the independence and autonomy to think and act for themselves, we are also providing support to create a framework that will capitalize on the engagement and motivation of individual employees and to enhance mutual understanding as a way of fostering the teamwork needed to enhance organizational strength and performance.

Recognizing the importance of maximizing individual and organizational performance as we seek to become a major global player, we implement Global Performance Management (GPM) grounded in diversity and the individual, thereby promoting career development with respect for each employee’s individuality and personal aspirations.

In concrete terms, based on the idea that the center of career development is the work that employees perform daily in the workplace, we implement a cycle aimed at the growth of each employee through a process in which goals for daily tasks are set and then pursued, followed by evaluation of the results to formulate the next objectives. We call this Global Performance Management, and it includes the following initiatives.
Global Performance Management

<table>
<thead>
<tr>
<th>Performance planning</th>
<th>Career consultation</th>
</tr>
</thead>
<tbody>
<tr>
<td>After consulting with their supervisors to reach a consensus on short-term objectives, employees work with supervisor guidance and support. At the end of the fiscal year, they consult with supervisors on whether these objectives were met and set new ones for next fiscal year.</td>
<td>Employees meet with supervisors to discuss medium- and long-term career plans regarding such matters as requests for transfers or overseas postings.</td>
</tr>
</tbody>
</table>

We also provide direct support for individual career development through a career development program that supports workplace communication. This program is the Hitachi Career Development Workshop (H-CDW). Through self-analysis work, participants consider the direction they should proceed in, their career goals, and their career path, and then engage in self-directed efforts to develop their career and abilities. Around 13,900 people have participated in the program so far (as of March 31, 2020), with a focus on technicians, managers, and researchers in their 30s. In addition to those programs, Hitachi also offers programs targeting specific age groups, such as career education for younger employees and training for middle-aged or older employees to help them prepare for the changes ahead in their careers.

We also operate a Career Counseling Center as part of our career development support. At the center, employees can speak with professional counselors about any concerns they have regarding their work, their career, or interpersonal relationships, in order to help them seek a solution themselves.

Initiatives at Regional Headquarters to Develop Employee Skills

Hitachi is a company with global operations, so its skills development programs are implemented primarily by its regional headquarters in keeping with the focus of each region’s business operations and cultural environment. Through these efforts, we seek to identify and nurture the human capital who will become Hitachi’s leaders globally across the Group.

- **Hitachi America, Ltd.**: An individualized e-learning platform is used alongside a Global management training program for employees aspiring to become global leaders. HR business partners work with managers at Hitachi Vantara Corp.—the core of Hitachi’s digital solutions—to assess employee skills and capabilities while helping employees set and achieve their personal goals.

- **Hitachi Asia Ltd.**: A regional program to enhance the knowledge and skills needed to grow Hitachi’s business in Asia is implemented in addition to making full use of Global management training courses and an e-learning platform for general employees. Training roadmaps to develop employee knowledge, skill sets, and competencies are created to achieve optimal work performance.

- **Hitachi (China) Ltd.**: The growth of all employees is promoted through a training system catering to different levels of development, enabling workers to develop the specialized and comprehensive skills they need to perform their jobs. Global training materials and the e-learning platform for general employees are expanded with content to help employees acquire the skills and knowledge.

- **Hitachi Europe Ltd.**: Employees across Europe can develop their skills through classroom lectures and online classes, enabling them to acquire professional qualifications in cultural awareness, presentation skills, and IT desktop skills. Global management training and other programs bring together Hitachi leaders in Europe, helping build an important network in support of One Hitachi.

- **Hitachi India Pvt. Ltd.**: L&D Committee consists of senior executives and meets twice a year to discuss training programs. Employees are encouraged to build skill sets by making full use of Global management training courses and the e-learning platform for general employees. Advances through self-learning were made while employees worked from home due to the COVID-19 pandemic, and the top-performing employees were honored by Hitachi India.
Diversity and Inclusion

Toward Achieving Diversity and Inclusion

Hitachi has composed a Statement on Diversity and Inclusion and strives to create an environment where diverse human capital can exercise its potential to the fullest. Furthermore, we continually review our systems and operations in light of this statement.

Statement on Diversity and Inclusion

Diversity and Inclusion Open Our Future

Diversity is the wellspring of our innovation and our growth engine. Hitachi regards personal differences—such as gender, nationality, race, religion, background, age, and sexual orientation—as well as other differences, as facets of people's individuality. By respecting our employees' individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual's and the company's sustainable growth. With a diverse workforce, strong teamwork and broad experience in the global market, we will meet our customers' needs.

Diversity Management Promotion Framework

Hitachi has created a Diversity & Inclusion Development Center to promote its diversity initiatives, including support for diverse human capital and work-life management. The center acts as a secretariat managing the Advisory Committee and Diversity Development Council, which are operated jointly by Hitachi, Ltd. and 15 Group companies. The Advisory Committee ensures follow-through on our diversity management policy, while the Diversity Development Council discusses specific activities and shares best practices. Both meet every six months.

Group companies and business sites are also advancing diversity management in accordance with their challenges and circumstances. To this end, they have set up their own diversity-promotion organizations and projects, such as those to help develop women's careers, in order to enhance initiatives geared to the challenges faced by individual workplaces.

Among global diversity initiatives, the achievement of gender equality across the entire Group has been identified as needing particular attention, and initiatives like our Global Women's Summit are underway across the Group.

We also hold regular meetings to exchange opinions on diversity with labor unions.

Hitachi Diversity Structure

Advisory Committee:
- Chief Human Resource Officer (CHRO)
- Executive officers and general managers in charge of personnel affairs and labor administration in Group companies
- General managers in charge of personnel affairs and labor administration in business units

Hitachi Group Diversity Development Council:
- Section managers in charge of personnel affairs and labor administration in Group companies, business units, and business groups/sites

Diversity & Inclusion Development Center (dedicated organization)
- Human Capital Group

Organizations and projects at companies and business groups/sites to advance diversity (including issues related to women in workplace)


Hitachi, Ltd. President

Advisors:
- External directors

Human Capital Group

* Around 50 projects
KPIs for Promoting Diversity

With the aim of increasing diversity among executive officers and managers, Hitachi, Ltd. has created the following two key performance indicators (KPIs). These demonstrate our commitment both internally and to the world to supporting diverse human capital and enhancing diverse management.

Goals for Hitachi, Ltd. (KPIs)

- Achieve a 10% ratio of both female and non-Japanese executive officers and corporate officers by fiscal 2020.
- Increase the number of female managers in Japan to 800 by fiscal 2020 (twice the number at the end of fiscal 2012).

To achieve these goals, as well as reinforcing existing programs, we introduced the Hitachi Group Women’s Career Success Survey to highlight progress with initiatives and outstanding issues in each business division and to set numerical targets for each division, strengthening our management commitment. We will also boost women’s individual ambitions and morale through programs such as the Hitachi Group Women Leaders’ Meeting and the Roundtable Conference with Female Independent Directors, which support female employees at the supervisory level and above. We intend to create an environment where as many women as possible are able to optimize their potential in management positions.

Achievements in FY 2019

The 6th Hitachi Group Women Leaders’ Meeting was held in February 2020. The meeting was attended by 31 women newly appointed to managerial positions in Hitachi Group companies within Japan. A lecture by an external expert and a roundtable on the theme “Proactive Career Building and Behavioral Change” promoted a lively exchange of views between participants, and each participant announced a personal action plan and statement to further encourage behavioral change at the workplace.

Alongside these efforts, we are working to change the mindset of managers and male staff regarding gender parity and examining our working style as a whole with the aim of transforming our corporate culture.

Employee compensation is set according to each individual’s roles and achievements, with no divisions or differences based on gender or age.

Number and Ratio of Female Managers

![Number and Ratio of Female Managers](image)

Achievements in FY 2019

![Achievements in FY 2019](image)

Ratios for Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.)

![Ratios for Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.)](image)

Note: Disclosure began in 2017, when initiatives for increasing diversity among executive and corporate officers started.
### Ratios for Male/Female and Japanese/Non-Japanese Directors (Hitachi, Ltd.) (as of July 2020)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Japanese</th>
<th>Non-Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>13</td>
<td>11</td>
<td>2</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

### Basic Salary and Total Individual Compensation for Female and Male Managers at Hitachi, Ltd. (Fiscal 2019)

<table>
<thead>
<tr>
<th>Item</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Salary</td>
<td>100</td>
<td>104</td>
<td>100</td>
</tr>
<tr>
<td>Total Individual Compensation</td>
<td>100</td>
<td>104</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Benefits for men and women are identical. Differences between male and female salary and compensation are due to age distribution, grade distribution, etc.

### Global Women's Summit

The Global Women's Summit is a venue where Hitachi Group employees from various countries, regions, companies, and positions gather for discussion on the theme of achieving gender equality. To encourage attendance by as many employees as possible, the summit takes place at a different country of the world each year. The meeting for fiscal 2019 was held in October in Japan—the fourth country, following the United Kingdom, the United States, and Singapore—and was attended by around 180 executives and employees from 17 countries and regions. During the meeting, President and CEO Toshiaki Higashihara and a female independent director made speeches, and panel discussions were held featuring prominent leaders from regional offices. At workshops and networking dinners, participants deepened their engagement with each other, exchanging information and career advice. Newly added this year were a program for both male and female employees and a panel discussion involving male executives, offering all participants, male or female, an opportunity to consider gender parity in the workplace.

### Expanding Hiring of People with Disabilities

Hitachi, Ltd. and Group companies in Japan have worked hard to employ people with disabilities, such as by holding a special hiring fair and study meetings for Group companies to share information. We have also worked to expand the range of employment opportunities for people with disabilities, coordinating with special subsidiaries to develop new positions for such individuals in IT. As a result, of as June 2020 the employment ratio of people with disabilities was 2.33% at Hitachi, Ltd. 2.15% and 2.38% for the entire Group in Japan. Both of these figures exceed Japan’s legally required employment rate of 2.2%.

### Achievements in FY 2019

Three special subsidiaries within the Hitachi Group were merged into one new company on April 1, 2020, in an effort to improve management stability by expanding business scale and increase employment of people with disabilities within the Group.*1

### B-BBEE Initiatives in South Africa

As Hitachi expands its business in South Africa, it pursues activities aligned with the country’s Broad-Based Black Economic Empowerment (B-BBEE)*2 policies to create employment and economic development. As of the end of fiscal 2019, Hitachi Construction Machinery Southern Africa has achieved a B-BBEE rating of level 4, while Hitachi Vantara has reached level 5.

*1 B-BBEE: Companies and organizations in South Africa are scored on their B-BBEE initiatives and contributions and rated on a scale from level 1 (highest) to 8 or as being “non-compliant.”

*2 The legally required employment rate was 1.8% up to fiscal 2012, 2.0% between fiscal 2013 and 2017, and became 2.2% in fiscal 2018.
Work-Life Management

Hitachi goes beyond “work-life balance,” in which employees are simply urged to balance work and private life, to promote “work-life management,” which encourages employees to proactively take charge of improving the quality of both their work and private lives. We believe that practicing work-life management will enrich employees’ work and private lives, enhance professionalism, and build personal character, resulting in both individual and organizational growth over the long term. Based on this philosophy, we have established systems to support work-life reforms and a balance between employees’ work and private lives.

Promoting Work-Life Reform

Hitachi, Ltd. promotes a companywide work-life reform initiative, “Hitachi Work Life Innovation,” to develop workstyles allowing talent from diverse backgrounds to work with enthusiasm and demonstrate strong performance.

In order to put work-life reform into practice, it was determined that reform of administrative operations at the company’s headquarters was necessary. To that end, we implemented a review of our own business operations and processes.

Today, 70% of all full-time, regular Hitachi employees take advantage of our telecommuting and satellite office work programs, including managerial-level employees, flex workers, and career-track employees who need to balance work with child care or nursing care. The programs do not require the applicants to come into the office for a certain amount of time, nor are there any limitations on the number of times for doing so, allowing employees to work from wherever they need to be for child care or nursing care. If posted away from their families, they can work from their family home. We are also rolling out location-free work for managerial-level employees, allowing them to perform their duties from anywhere when approved by the company. To further enhance our telecommuting and satellite office work programs, since fiscal 2020 we have added balance between work and medical care as grounds for program use, and made the programs available to all employees meeting the necessary conditions.

Work-Life Innovation Initiatives at Hitachi, Ltd.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Key components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top commitment</td>
<td>Send message within company</td>
</tr>
<tr>
<td>Review of operations and processes</td>
<td>Reform administrative operations at headquarters, Clarify rules for outgoing email, Use support tool designed to optimize meeting durations and participant numbers and improve meeting efficiency</td>
</tr>
<tr>
<td>Strengthening of workplace management</td>
<td>Increase operational transparency using in-house consultants (experience-oriented approach), Improve attendance management system for compliance rule enforcement</td>
</tr>
<tr>
<td>Promotion of time- and location-independent work practices</td>
<td>Expand telecommuting program, Create environments where internal wireless local area network (LAN) can be accessed safely, Distribute around 30,000 IT tools to support paperless and online meetings, Roll out location-independent work for managerial-level employees, Expand satellite office network (88 sites as of March 2020, with over 50,000 monthly users across the entire Hitachi Group), 15,651 people participating in Telework Days</td>
</tr>
</tbody>
</table>

Enhancing Work-Life Management Support Systems

Hitachi, Ltd. introduced and expanded an array of programs to support work-life balance, striving to create a more friendly working environment. We have distributed an Allowance for Balancing Child Care and Work; launched "Hokatsu Concierge," an information-providing service supporting the search for a nursery; and provided a child-care matching service in collaboration with company-led nurseries. Through these kinds of support, we offer an environment where work and parenting can be balanced with peace of mind.

Additionally, with Japan’s society continuing to age, it is expected that more employees will be involved in caring for their elderly family members. We have, therefore, declared a period from fiscal 2018 to fiscal 2020 a period to focus on reinforcement of work and nursing care balance support, and are expanding programs. We have established a new “Points for Balancing Nursing Care and Work” system strengthening financial support for employees. We also conducted awareness surveys and work-life support seminars to encourage employees and provide information to prepare for this issue, emphasizing the importance of balancing work with nursing care and conveying practical know-how on the topic.
Sometimes employees quit their job unexpectedly due to caregiving obligations when better information on nursing care might have helped them balance those obligations with work. To prevent such outcomes, Hitachi, Ltd. held a seminar for all employees aged 40 and over on how to balance work and nursing care. Anticipating that their families might also need such information, we also created the Handbook on Balancing Work and Caregiving, which includes the basic information provided in the seminar along with case studies on using support systems and services, and distributed a copy to each employee’s home.

In Japan, to support a more balanced approach between work and parenting, in fiscal 2020 we launched a child-care matching service in collaboration with company-led nurseries. This service enables employees who are looking for a nursery for their children to apply for admission to a company-led nursery, created with the help of the Cabinet Office’s support program, thereby expediting an early return to work for employees on maternity or child-care leave.

**Achievements in FY 2019**

### Work-Life Management Support System at Hitachi, Ltd.

#### Child-Care Support System

- For women
  - Child-care leave (up to 3 years, until the child completes the first grade of elementary school)
- For men
  - Child-care leave (1 year total)

#### Nursing-Care Support System

- Flexible work styles based on each individual’s caregiving situation and available leave system
  - Flexible working hours
  - Working from satellite offices
  - Working from home
  - Shorter working hours
  - Annual paid leave (in hours)
  - Half-day leave
  - Family-nursing leave
  - Child-nursing leave
  - Nursing-care leave (up to 1 year total)
  - Nursing-care leave (5 days per year per child)

Other financial support for balancing nursing care and work
- Points for Balancing Nursing Care and Work (1,000 points for 100,000 JPY per person receiving nursing care per year)

### Return and Retention Rates After Maternity and Child-Care Leave (Hitachi, Ltd.)

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return rate (%)</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Retention rate (%)</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>84.8</td>
</tr>
</tbody>
</table>

### In-House Child-Care Centers

Hitachi, Ltd., in collaboration with its labor union, has set up in-house child-care facilities with capacity for approximately 70 children in its Yokohama Office as a way to support employees in balancing work with child care.

### Support Systems that Meet Diverse Employee Needs

To respond to the diverse lifestyles and needs of its employees, Hitachi, Ltd. has provided a wide range of support through welfare benefits that includes a Cafeteria Plan program, housing support such as dormitory and family housing and a housing allowance system, allowances for balancing work with child and nursing care, a property accumulation promotion system, an employee stock ownership program, retirement and pension plans, group insurance, a consultation payment system, internal sales, cultural and physical education activities, and employee cafeterias.

The Cafeteria Plan allows employees to select the benefits they receive, depending on individual lifestyles and needs, from a list of options, such as skills development, child care, nursing care, health promotion, and donations. Employees can use their Cafeteria Points to select the type of support they need when they need it.

For our retirement and pension plans, defined contribution and defined benefit plans have been introduced across the Hitachi Group in response to the diversification of lifestyles among the elderly and the changes in forms of employment.

### Achievements in FY 2019

Starting in fiscal 2020, we expanded the scope of our support systems to recognize same-sex partners of employees. Considering the intent of laws around equal pay for equal work, we are expanding the scope of some support systems to cover limited-term contract employees as well.
Initiatives at Regional Headquarters to Create a Good Working Environment

The Statement on Diversity and Inclusion guides Hitachi’s endeavors to create work environments that allow our diverse range of human capital to work with enthusiasm and to support workstyles that are conducive to each employee achieving their full potential. Region-specific policies are also implemented by our regional headquarters.

- **Hitachi America, Ltd.:** Initiatives to promote diversity and inclusion include a mentor program and webinars to share the experiences of employee role models. Of the employees promoted between January and early August 2020, 36% were women. New hires during the same span were about one-third women, and half were ethnic minorities. Nearly 30% of minority employees have reached the level of director or higher.

- **Hitachi Asia Ltd.:** Efforts to make Hitachi Asia the best place to work in Asia include providing equal opportunities for all employees and creating workplaces that foster and retain outstanding human capital. Emphasis is placed on employee engagement aimed at promoting teamwork and recognizing the importance of human capital diversity. The concerns of employees’ families are also considered, such as by offering flexible working hours to enable a better work-life balance and providing fringe benefits for family members.

- **Hitachi (China) Ltd.:** Activities are being promoted to strengthen inter-divisional cooperation. A group of mainly younger employees are asked to introduce their division’s work to workers in other divisions to deepen understanding and encourage collaborative creation across divisions. The activities were launched in fiscal 2019 with the participation of 27 employees, and the network built through these activities has contributed to smoother business operations. Plans for fiscal 2020 include increasing the frequency of meetings and holding them online.

- **Hitachi Europe Ltd.:** In addition to conducting a Global Employee Survey, Hitachi Europe independently implements a survey targeting employees who choose to leave the company. Their reasons are analyzed, and measures to reduce attrition are formulated. Support is provided to employees’ philanthropic activities, with auctions and sporting events being organized to benefit a charity selected by a vote among employees each year. An online program was implemented in Germany to promote the health of employees working from home during the COVID-19 pandemic.

- **Hitachi India Pvt. Ltd.:** To ensure the safety of female employees, those traveling on business or leaving work after 7:00 p.m. in the summer and 6:00 p.m. in the winter are permitted to use the company car or a taxi. Measures to support employees working from home during the COVID-19 outbreak are being expanded, such as by using a cellphone app offering online meditation and yoga sessions.
Occupational Health and Safety

Basic Principle for Occupational Health and Safety

Ensuring the health and safety of all employees is the basic principle underlining the Hitachi Group Health and Safety Policy, which is shared by all Hitachi Group companies around the world. Employees work together to create healthy, safe, and secure work environments that aim to be accident free.

Hitachi Group Health and Safety Policy

"Health and Safety Always Comes First."

Policies

In accordance with our mission, "Contribute to society through the development of superior, original technology and products," the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of "Health and Safety Always Comes First."

To accomplish this, we will:

1. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by designating the health and safety of employees as management's top priority.
2. Comply with the local laws and regulations in each company regarding health and safety.
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace.
4. Require an understanding of Hitachi's principle and the promotion of health and safety awareness from all business partners of the Hitachi Group.
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi's business activities.

Revised November 2013

Establishing Occupational Health and Safety Management Systems

Hitachi, Ltd. is committed to building an organization in which employees can promote safety activities of their own accord. To this end, in April 2019, we established a Safety Management Division that reports directly to the president. This division holds an annual Safety Strategy Congress, attended by safety officers from each Group company and representatives from each division, to set budgets and objectives for companywide safety strategy, review ongoing efforts to improve occupational health and safety management systems, and share the clear commitment from top management to make protecting the health and safety of employees their top priority. The state of occupational health and safety management, including important health and safety issues, is reported regularly to the Senior Executive Committee and meetings of Group company presidents.

In addition, the Safety Strategy Promotion Council, attended by safety department managers from each business unit and Group company, examines the promotional frameworks for safety activities and education in each division alongside standards to be shared across the Group.

In Japan, a health and safety commission—composed of business owners, labor union officials, and employees—is convened at each business site every month to discuss and share information related to such issues as work-related accident cause analysis and countermeasures and health and safety activities in light of the situation regarding employees who have taken sick leave.

In fiscal 2019 senior management at Hitachi, Ltd. held one-on-one meetings with the CEOs of each business unit and Group company presidents to reinforce their commitment to health and safety management.

We also introduced an Incident Investigation System as a tool for analyzing occupational accidents to be commonly used across the Hitachi Group and intend to roll it out globally.

Achievements in FY 2019

- In fiscal 2019 senior management at Hitachi, Ltd. held one-on-one meetings with the CEOs of each business unit and Group company presidents to reinforce their commitment to health and safety management.
- We also introduced an Incident Investigation System as a tool for analyzing occupational accidents to be commonly used across the Hitachi Group and intend to roll it out globally.

Goals for Hitachi, Ltd. (KPIs)

- Achieving zero fatal accidents by the end of fiscal 2021; reducing lost-time accidents globally by 50% compared to the previous year.
To prevent work-related accidents among employees, Hitachi sets and applies its own safety standards to be observed at manufacturing sites around the globe as well as advancing health and safety measures tailored to the operations of individual companies. In particular, under the Safety Management Division, we have worked to improve our safety measures in terms of both policy, by examining and improving our risk assessment frameworks, and technology, by using IT and digital technology to prevent accidents.

Additionally, because the risk of accident is higher for workers not yet accustomed to their work or environment, employees and temporary workers receive individual health and safety training and on-the-job training before work begins, to help prevent accidents by ensuring that they understand work procedures and dangers. We are also working to build an education system that meets the requirements of the occupational health and safety management system integrated across the Group’s operations worldwide. At each business site, the system will provide training for safety administrators at each organizational level and safety training for specific hazardous work activities as appropriate for organizational structure or business type.

On occasions of business restructuring, we share the details of the health and safety management frameworks and initiatives of the organizations to be merged in advance, and, paying all due respect to the organizational cultures on both sides, ensure that safety is always preserved during the execution of a smooth business launch.

Initiatives to Prevent Work-related Accidents

<table>
<thead>
<tr>
<th>Target</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi Group Key Safety Management Designation System</td>
<td>Group companies and business sites that have experienced serious work-related accidents. Under the leadership of top executives, target companies and business sites take on both management-driven and bottom-up initiatives to formulate specific plans, and the progress of these plans is monitored by safety officers, who also lead initiatives to prevent recurrence.</td>
</tr>
<tr>
<td>Hitachi Group Health and Safety Portal System</td>
<td>In Japan. Based on each accident's severity, analysis of its causes and examples of countmeasures are registered in the system and shared with the entire Group as part of our knowledge base to be used globally. By analyzing detailed accident information from multiple perspectives aggregated by the system, similar accidents can be prevented.</td>
</tr>
<tr>
<td>Incident Investigation Database</td>
<td>Entire Group. An Incident Investigation Database was built to analyze accidents and formulate future countmeasures in accordance with the Incident Investigation System established in 2019. The database is currently operational for Japan, and we intend to roll it out globally.</td>
</tr>
</tbody>
</table>

Current Work-related Accident Situation

Unfortunately, during fiscal 2019, we had four fatal work-related accidents. Although the number of lost-time accidents decreased by 23% compared with the previous fiscal year, improvement is required. Taking an honest view of our present situation, we are continuously striving to improve our health and safety management systems, reviewing our risk management to make it more effective and enhancing our employees’ ability to determine the cause of accidents.
**Initiatives to Improving Employee Health**

Hitachi believes that health is the foundation for employees being able to work with energy and peace of mind. The basic principle of the Hitachi Group Health and Safety Policy, shared by all Group companies globally, is that “Health and Safety Always Comes First.” Based on this principle, we strive as one to create working environments that allow workers to do their jobs without anxiety over their mental or physical health. In particular, within Japan, we are promoting support for identifying employees struggling with physical and mental issues, not just work-related but also private, and we work with the Health Insurance Society to promote the individual support provided to each employee.

In Japan, occupational healthcare workers, human resources divisions, and the Health Insurance Society work together to promote a range of health support and appropriate health promotion management in accordance with Japan’s Industrial Safety and Health Act.

In order to advance employee health and promote health management, in fiscal 2019 the results of a third-party external evaluation conducted in the previous fiscal year were brought together with on-site reports for review and discussion by in-house occupational healthcare staff. Going forward, we will strive to further strengthen the foundation of health management, with the Health and Productivity Management Promotion Office, established in April 2020, playing a central role in improving health systems and policies in cooperation with the human resources division and the Health Insurance Society.

### Achievements in FY 2019

- Occupational healthcare provided by occupational physicians, nurses, and other occupational healthcare personnel both at health-management centers located at individual business locations and regional health-management centers serving multiple business locations
- Health maintenance measures provided based on periodic medical exams and other examinations to prevent serious disease
- Medical interviews and advice to prevent mental and physical disorders among employees working long hours
- Consultations and guidance by occupational healthcare workers to address employees’ health concerns and encourage regular exercise

### Health Support Initiatives in Japan

- **Occupational healthcare** provided by occupational physicians, nurses, and other occupational healthcare personnel located at health-management centers located at individual business locations and regional health-management centers serving multiple business locations
- **Health maintenance measures** provided based on periodic medical exams and other examinations to prevent serious disease
- **Medical interviews and advice** to prevent mental and physical disorders among employees working long hours
- **Consultations and guidance** by occupational healthcare workers to address employees’ health concerns and encourage regular exercise

### Hitachi Group’s Global Safety Figures (Occurrence Rate*)

<table>
<thead>
<tr>
<th>Year</th>
<th>North America</th>
<th>Central and South America</th>
<th>Europe</th>
<th>India</th>
<th>All others (excluding India, China, and Japan)</th>
<th>Africa</th>
<th>Oceania</th>
<th>Japan</th>
<th>Global total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27.65</td>
<td>2.33</td>
<td>10.70</td>
<td>2.07</td>
<td>5.43</td>
<td>7.26</td>
<td>39.07</td>
<td>1.57</td>
<td>3.95</td>
</tr>
<tr>
<td>2017</td>
<td>24.33</td>
<td>1.82</td>
<td>10.82</td>
<td>1.44</td>
<td>4.41</td>
<td>9.93</td>
<td>24.41</td>
<td>1.85</td>
<td>4.22</td>
</tr>
<tr>
<td>2018</td>
<td>27.96</td>
<td>0.44</td>
<td>6.08</td>
<td>1.44</td>
<td>3.54</td>
<td>11.76</td>
<td>21.94</td>
<td>1.64</td>
<td>4.20</td>
</tr>
<tr>
<td>2019</td>
<td>29.72</td>
<td>0.57</td>
<td>4.78</td>
<td>1.63</td>
<td>3.25</td>
<td>9.72</td>
<td>29.07</td>
<td>1.53</td>
<td>3.45</td>
</tr>
</tbody>
</table>

* Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees (excluding cases without lost workdays).

Note: Collection of statistics began in 2016.
Hitachi has established measures addressing mental health to be taken by employees, workplace managers, occupational healthcare workers, and human resources divisions, and is working to spread basic mental health knowledge and understanding of ways to deal with stress, as well as to reinforce the ability of those in each position to respond to these issues.

### Abilities

- Proactive implementation of stress checks specified by law at all business sites—even those employing fewer than 50 employees, which are only required to make efforts toward compliance—to help prevent mental health issues and revitalize workplaces.
- Qualitative improvement of occupational healthcare activities and the human capital development of occupational healthcare workers through regular meetings, study groups, and training sessions attended by both occupational healthcare workers and human resources officers.

#### Abnormalities

<table>
<thead>
<tr>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.52</td>
</tr>
<tr>
<td>0.56</td>
</tr>
<tr>
<td>0.60</td>
</tr>
<tr>
<td>0.64</td>
</tr>
<tr>
<td>0.65</td>
</tr>
</tbody>
</table>

Note: Percentage of employees taking sick leave for seven or more consecutive days, or formally taking leave (Number of employees taking sick leave per month ÷ Number of employees per month × 100).

### Addressing Mental Health

#### Activities

- **Occupational physicians and occupational health care staff**
- **Self-care (individual)**
- **Line care (superior)**
- **Human resources division**

#### Initiatives Addressing Mental Health at Hitachi

- **Stress-check system specified in law**
- **Mental health education**
- **Health improvement activities (Seminars and health guidance from occupational physicians)**
- **Life care (superior)**
- **Human resources division**

**Note:** Percentage of employees taking sick leave for seven or more consecutive days, or formally taking leave (Number of employees taking sick leave per month ÷ Number of employees per month × 100).

Proactive implementation of stress checks specified by law at all business sites—even those employing fewer than 50 employees, which are only required to make efforts toward compliance—to help prevent mental health issues and revitalize workplaces.

Qualitative improvement of occupational healthcare activities and the human capital development of occupational healthcare workers through regular meetings, study groups, and training sessions attended by both occupational healthcare workers and human resources officers.

#### Stress-check system specified in law

- Mental health education
- Stress coping seminars
- Self-care (individual)
- Line care (superior)
- Human resources division

**Promotion of training and education:**

- Workplace management
- Management of employees on leave
- Training of occupational physicians

**Promotion of various types of health exams:**

- Physical health consultations
- Health education activities
- Health exams of various types
- Health exams of various types
- Health improvement

**Management:**

- Regular consultations
- Support for returning to work
- Management of employees on leave
- Management of those working extensive overtime

**Proactive implementation of stress checks specified by law at all business sites—even those employing fewer than 50 employees, which are only required to make efforts toward compliance—to help prevent mental health issues and revitalize workplaces.**

**Qualitative improvement of occupational healthcare activities and the human capital development of occupational healthcare workers through regular meetings, study groups, and training sessions attended by both occupational healthcare workers and human resources officers.**

*1 EAP: Employee Assistance Program.
*2 360FBP: 360-degree Feedback Program.*
Encouraging Employees to Receive Medical Exams and Vaccinations

In Japan, Hitachi has established a system offering financial support for medical exams by the Health Insurance Society, and encourages employees aged 35 and over in particular to receive the general physical and other exams specified in law, as well as targeted screening based on their age, in order to promote early diagnosis and treatment.

Furthermore, as a response to metabolic syndrome, in addition to special health guidance made compulsory for the Health Insurance Society, we actively promote policies to prevent and control conditions such as diabetes, cerebral strokes, and myocardial infarctions. Additionally, each year on May 31, World No Tobacco Day, we run an anti-smoking campaign aimed at employees.

To prevent employees from infectious diseases at overseas destinations, the Health Insurance Society has established financial support frameworks for vaccinations against conditions such as hepatitis A, tetanus, and cholera, as well as flu vaccinations for employees and their families to prevent the flu spreading in workplaces. As an initiative to prevent employees falling ill or suffering from serious conditions, we encourage vaccination in the early stage of each illness’s spread. These programs are used by around 120,000 employees and family members each year.

In fiscal 2019, as part of our efforts in Japan to encourage male employees of the generation not covered by a national MR vaccination program as children to receive an antibody test for and vaccination against measles and rubella—both of which are now free of charge—we introduced an incentive point system in cooperation with the Health Insurance Society.

Achievements in FY 2019

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Achievements in FY 2019

Medical Exam and Screening Attendance Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>General physical exam (%)</th>
<th>Breast cancer screening (%)</th>
<th>Uterine cancer screening (%)</th>
<th>Stomach cancer screening (%)</th>
<th>Intestinal cancer screening (%)</th>
<th>Lung cancer screening (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>91.0</td>
<td>93.2</td>
<td>92.9</td>
<td>99.2</td>
<td>90.5</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>81.5</td>
<td>79.0</td>
<td>81.4</td>
<td>81.3</td>
<td>76.4</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>78.9</td>
<td>78.1</td>
<td>78.5</td>
<td>79.3</td>
<td>72.4</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>81.0</td>
<td>79.5</td>
<td>81.9</td>
<td>81.4</td>
<td>73.4</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>84.0</td>
<td>82.8</td>
<td>85.2</td>
<td>85.5</td>
<td>72.4</td>
<td></td>
</tr>
</tbody>
</table>

*1 Men and women aged 35 and over  
*2 Women aged 30 and over  
*3 Women aged 25 and over  
*4 Men and women aged 30 and over  
*5 In FY 2016-2017, men and women aged 50 and over; from FY 2018, changed to men and women aged 35 and over

Health Promotion Initiatives for Employees and Their Families

To encourage healthy lifestyles among employees and their families, the Hitachi Health Insurance Society has established a portal site for individuals entitled “My Health Web.”

By providing information on health exam results and a system of incentive points allowing employees to receive rewards for entering health-related activities, the site raises health awareness, helps employees understand the state of their own health, and offers a range of support for adopting a healthier lifestyle.

Our health promotion initiatives for fiscal 2019 included an Autumn Walking Campaign using the pedometer function on “My Health Web.” The program ran for around three months and had some 21,000 participants. A ranking chart for participants was presented on the website, encouraging them to compete over daily results as they improved their health.
Support for Employees During the COVID-19 Pandemic

Hitachi is taking measures to prevent the spread of COVID-19 and ensure the health and safety of employees and their families globally across the Group.

Hitachi, Ltd. adopted a sweeping work-from-home policy in March 2020 and maintained a telecommuting rate of 80% during Japan’s state of emergency. In addition to establishing in-house procedures to deal with infections among employees, we adhere to government guidelines in preventing the spread of infection. Should an employee test positive, we instruct everyone in the same workplace to stay at home and monitor their health, and we also disinfect the workplace.

We are expanding our efforts to address a broad array of mental and physical health concerns among long-term telecommuters. For example, we provide remote healthcare counseling, offer tips on staying healthy while working from home, support foreign employees seeking medical services in Japan, and ensure the human rights of infected employees.

Promoting Collabo-Health*1

As well as carrying out individual health improvement initiatives according to their own unique characteristics, Group companies in Japan strive to maintain and improve the health of employees by taking full advantage of the services offered by the Health Insurance Society. Initiatives are evaluated on an annual basis, with recognition of the most accomplished companies and business sites within the Group heightening the motivation among business owners and employees to pursue such activities.

<table>
<thead>
<tr>
<th>Health and Safety Considerations for Nuclear Businesses</th>
</tr>
</thead>
</table>

Since 2008, Hitachi has been working with the world’s leading nuclear power plant vendors to develop voluntary, private principles of conduct covering the exportation of nuclear power plants and reactors. The “Nuclear Power Plant and Reactor Exporters’ Principles of Conduct” were formally revealed on September 15, 2011. They were adopted by all involved in its development, and we have also indicated our adherence to them.

Regarding our employees and other persons employed at nuclear sites under the Hitachi Group umbrella, we perform exposure management based on our internal management systems, and perform evaluation of radiation damage (dose management).

For health management in particular, our management indicators for radiation exposure are stricter than those set by Japan’s Ministry of Health, Labor, and Welfare. We monitor physical and mental health along with exposure dose even for employees of partner companies, and an occupational physician from Hitachi visits sites to perform examinations and offer health advice.

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remote counseling by occupational physicians</td>
<td>Start of remote counseling by occupational physicians and nurses as an early-response measure to address the mental and physical health concerns of long-term telecommuters</td>
</tr>
<tr>
<td>Tips on staying healthy while working from home</td>
<td>Launch of a website providing information on ways to keep mentally and physically fit — such as stress-coping strategies and simple, at-home exercises — and links to career-, family-health, and other counseling services</td>
</tr>
<tr>
<td>Inbound Medical Assistance Services</td>
<td>24-hour, year-round call center offering medical assistance in 16 languages for foreign employees and their families in Japan, including referrals and appointments to medical facilities and arrangements for emergency transport and hospitalization</td>
</tr>
<tr>
<td>Looking after infected employees</td>
<td>Messages delivered by the CEOs of business units to give reassurance to infected individuals and raise awareness among their colleagues</td>
</tr>
</tbody>
</table>

*1 Collabo-Health: A concept involving insurers like the Health Insurance Society proactively working with business owners, with a clear division of labor and a good working environment, to effectively and efficiently improve the health of insured persons (employees and their families), including with preventive strategies.
Freedom of Association and Collective Bargaining

Respecting the Rights of Employees

The Hitachi Group Codes of Conduct call for the upholding of the fundamental rights of employees in line with the principles of the United Nations Global Compact.

In concrete terms, in Japan, where labor unions are recognized, we espouse the three fundamental rights of labor unions (to organize, to bargain collectively, and to act collectively) as seen in the collective agreement between the CEO of Hitachi, Ltd. and the representative of the Hitachi Workers Union. The union has 23,847 members out of 37,701 employees as of October 31, 2019.

Respecting the Rights of Employees System

The relationship between employees and management at Hitachi, Ltd. and Group companies in Japan is stable with healthy ongoing dialogue. At Hitachi, Ltd., the Central Management Council, the Business Units Management Council, and the Business Sites Management Council work to enhance mutual communication between employees and management, contributing to smooth management and business development, and improving working conditions for union members.

We also hold Hitachi Group management meetings to share information and exchange views and opinions on Group business conditions among the Federation of Hitachi Group Workers Unions (FHWGU). Group companies outside Japan also actively pursue dialogue with individual labor unions and their representatives in accordance with the laws and regulations in each country and region to deepen mutual understanding of employee working conditions and treatment as well as business conditions.

Notification of Work-related Transfers and Reassignments

The collective agreement between Hitachi, Ltd. and the Hitachi Workers Union states that any transfer or reassignment of an employee for work-related reasons should adequately take into consideration the situation of the employee, as well as requiring the company to promptly inform the Hitachi Workers Union of the decision. More specifically, in cases of large-scale transfers or reassignments, the company will consult with the labor union regarding the basic issues involved.

Cooperating to Improve Health and Safety

Hitachi, Ltd. and the Hitachi Workers Union are dedicated to improving health and safety levels through employee-management cooperation. This includes signing a collective agreement on the promotion of, among other things, health and safety mechanisms, a health and safety committee, education and training programs, and health checks for employees.

The committee works to ensure a healthy and safe work environment through initiatives that include planning and tracking health and safety activities each year, reviewing measures to prevent industrial accidents, and sharing information on whether employees have received their annual health check-ups.
Hitachi understands that respecting human rights in business activities is not only essential for corporate sustainable development, it is also a responsibility that all companies must fulfill. In 2013, to clarify corporate responsibility with respect to human rights, we established the Hitachi Group Human Rights Policy based on Hitachi’s Corporate Credo and Group Vision and designating it one of the highest codes governing our internal regulations. Under the Hitachi Group Human Rights Policy, we pursue initiatives to ensure respect for human rights not just within Hitachi itself but for everyone in our supply chain or otherwise involved with our business activities, products, or services. As well as implementing global training and awareness-raising activities and establishing grievance mechanisms to address employee concerns throughout the Hitachi Group, in recent years we have focused on human rights due diligence (HRDD), working to construct frameworks and systems for recognizing and reducing human rights risks.

### Core initiatives
- Ensure awareness of Hitachi Group Human Rights Policy
- Raise human rights awareness among executives and employees
- Recognize human rights risks and construct frameworks and systems for reducing them through HRDD
- Raise human rights awareness among suppliers, including issues around child labor and forced labor

### Goals and KPIs
- Training program on respect for human rights: Attendance by each employee at least once every three years (equivalent to a yearly participation rate of 33%)

### Achievements in FY 2019
- Consolidated general consultation and reporting systems (contact points) for harassment and human rights issues into Hitachi Global Compliance Hotline
- Distributed human rights message from President and CEO Toshiaki Higashihara on Human Rights Day
- Revised e-learning program on business and human rights
- Conducted human rights training session for executives titled “Current Perspective About AI Ethics”
- Identified human rights risks to be addressed by entire Group
- Conducted CSR procurement seminars for suppliers in Southeast Asia
Respect for Human Rights Throughout the Value Chain

Hitachi Group Human Rights Policy

Hitachi believes that respecting human rights is its responsibility as a global company and indispensable in conducting business. To this end, in May 2013 we formulated the Hitachi Group Human Rights Policy. The Senior Executive Committee reviewed and approved this policy, designating it one of the highest codes governing our internal regulations. During the formulation of the policy, Hitachi held stakeholder dialogues, inviting representatives from the European Commission, the International Labour Organization (ILO), NGOs, and external companies, as well as lawyers specializing in human rights issues, and the opinions and suggestions of these attendees are reflected in the final policy. In the policy, we clarify our understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights*1 and the ILO’s Declaration on Fundamental Principles and Rights at Work. This policy shapes Hitachi’s approach to meeting the responsibility to respect human rights, including implementing human rights due diligence*2 in line with the UN Guiding Principles on Business and Human Rights,*3 providing appropriate education to employees, adhering to laws and regulations in all the regions and countries where we operate, and seeking ways to honor the principles of international human rights when faced with conflicts between internationally recognized human rights standards and national laws. In accordance with the policy, we use opportunities such as our e-learning program on human rights and messages from President and CEO Toshiaki Higashihara on Human Rights Day to continuously raise awareness among all employees. The policy is also included in the Hitachi Group CSR Procurement Guidelines for our suppliers, and we strive, through a range of activities, to promote understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights and the ILO’s Declaration on Fundamental Principles and Rights at Work. To this end, in May 2013 we formulated the Hitachi Group Human Rights Policy.

Hitachi, Ltd. has a Corporate Human Rights Promotion Committee to gauge the impact of business activities on human rights and to deliberate on mechanisms and policies for preventing human rights violations, thereby improving Group-wide human rights awareness. The executive officer in charge of human resources chairs this body, whose members include representatives from corporate divisions. Policies decided through these deliberations are shared with business unit presidents and division heads to prevent human rights violations.

Hitachi, Ltd. Framework for Promoting Respect for Human Rights

Framework for Human Rights

Hitachi, Ltd. has a Corporate Human Rights Promotion Committee to gauge the impact of business activities on human rights and to deliberate on mechanisms and policies for preventing human rights violations, thereby improving Group-wide human rights awareness. The executive officer in charge of human resources chairs this body, whose members include representatives from corporate divisions. Policies decided through these deliberations are shared with business unit presidents and division heads to prevent human rights violations.

Establishing a Global Grievance Mechanism

In April 2020, we consolidated the Hitachi Group’s internal reporting systems into the Hitachi Global Compliance Hotline. We are planning to merge the general consultation and reporting systems (contact points) for harassment and human rights issues at the business sites of each business unit and Group company into this hotline in fiscal 2020. These efforts will clarify who to contact to discuss human rights issues, make it easier for employees and those working with us to access these services, and promote the Group-wide effort globally by establishing an environment, including a grievance mechanism, that helps Hitachi grasp and identify violations of human rights.


*2 Human rights due diligence: An ongoing process to identify and assess potential and actual human rights negative impacts, take appropriate action to prevent or mitigate potential impacts, track the effectiveness of actions to address impacts, and communicate externally.

Raising Human Rights Awareness Among Executives and Employees

Hitachi conducts regular group training and seminars and uses videos to educate employees in each business site and Group company. The target is for each employee to attend these sessions at least once every three years (equivalent to a yearly participation rate of 33%). In fiscal 2019, the participation rate came to approximately 65% at Hitachi, Ltd. and around 60% among Group companies in Japan. Through these and other trainings and activities to raise awareness, we are communicating to our employees the importance of respecting human rights in each of their roles.

Implementation Status of Activities to Raise Awareness of Human Rights

In fiscal 2019, we revised the e-learning program on business and human rights offered to all Hitachi employees around the world. The goal of the program is to deepen understanding of the definition of and international standards for human rights as well as corporate responsibility to respect them. It helps improve understanding and shows how human rights relate to business activities by introducing case studies involving discrimination, forced labor, and human rights issues at suppliers.

Executive officers from Hitachi, Ltd. also participate in annual officer training sessions on human rights. In fiscal 2019, Hiroshi Nakagawa, group director of the RIKEN Center for Advanced Intelligence Project (AIP), gave a presentation on “Current Perspective About AI Ethics.” He spoke about the impacts AI development has had on human rights as well as ethical guidelines for AI published by the Institute of Electrical and Electronics Engineers (IEEE), the Organisation for Economic Co-operation and Development (OECD), and the Cabinet Office of Japan.

In Japan, where a revised labor law designed to prevent power harassment took effect in June 2020, we are raising awareness of the issue of harassment through seminars for executives and workplace discussion sessions for all employees as well as trainings for different levels and employees transferred abroad.

In our Hitachi Group Human Rights Policy, we pledged to develop mechanisms for and to continue the implementation of human rights due diligence (HRDD). We are working to improve our business processes. For example, our CSR procurement guidelines reflect the results of HRDD risk assessments performed in our procurement divisions.

Implementation Status of Human Rights Due Diligence

<table>
<thead>
<tr>
<th>FY</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Launched HRDD pilot programs in specified business sites</td>
</tr>
<tr>
<td>2014</td>
<td>Analyzed and evaluated human rights risks in six ASEAN countries</td>
</tr>
<tr>
<td>2015</td>
<td>Launched HRDD and explored mitigation strategies for suppliers</td>
</tr>
<tr>
<td>2016</td>
<td>Analyzed and evaluated human rights risks in six ASEAN countries</td>
</tr>
<tr>
<td>2017</td>
<td>Conducted a workshop on “Current Perspective About AI Ethics” by Hiroshi Nakagawa, group director of the RIKEN Center for Advanced Intelligence Project</td>
</tr>
<tr>
<td>2018</td>
<td>Assessed and prioritized human rights risks in six ASEAN countries</td>
</tr>
<tr>
<td>2019</td>
<td>Analyzed and assessed results of HRDD to date to determine human rights risks that Hitachi Group must address as a whole</td>
</tr>
</tbody>
</table>
Addressing the Risks of Child Labor and Forced Labor

The Hitachi Group Codes of Conduct clearly express Hitachi’s firm stance against the use of child labor or forced labor either in Group companies or along our supply chain. Recognizing the growing risks of forced labor amid the ongoing globalization of business, Hitachi also developed an e-learning program for all Group executives and employees on the subject of human rights. The program draws on specific case studies to convey the importance of preventing forced labor and human trafficking problems before they occur.

Hitachi’s CSR procurement guidelines for suppliers also clearly forbid the use of child labor or forced labor. As part of our efforts to raise awareness all along the supply chain, we distributed these guidelines to tier 1 suppliers and conducted CSR procurement seminars in China and Thailand.

Human Rights Awareness Initiatives Targeting Suppliers and Procurement Personnel

<table>
<thead>
<tr>
<th>FY</th>
<th>Target</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Employees responsible for procurement and human resources in Southeast Asia</td>
<td>Held a four-part webinar&lt;sup&gt;*&lt;/sup&gt; series led by speakers from NGOs and businesses implementing advanced countermeasures</td>
</tr>
<tr>
<td>2016</td>
<td>Suppliers in China</td>
<td>Held CSR procurement seminars to explain the Hitachi Group’s CSR activities and respect for human rights</td>
</tr>
<tr>
<td>2017</td>
<td>Suppliers in Malaysia</td>
<td>Conducted on-site visits and interviews regarding the working and living conditions of migrant laborers, who are considered at high risk of bonded labor and other issues</td>
</tr>
<tr>
<td>2017</td>
<td>Suppliers in China</td>
<td>Held CSR procurement seminars to explain the SDGs and other recent sustainability trends, as well as how environmental and labor issues, including human rights, are linked to business risks</td>
</tr>
<tr>
<td>2018</td>
<td>European Group companies</td>
<td>Procurement personnel from European Group companies formed the Responsible Supply Chain Working Group</td>
</tr>
<tr>
<td>2018</td>
<td>Suppliers in China</td>
<td>Held CSR procurement seminars to explain Hitachi Group CSR policies and activities as well as the severity of human rights risks</td>
</tr>
<tr>
<td>2019</td>
<td>European Group companies</td>
<td>Created a webinar titled “Implementing the UN Guiding Principles on Business and Human Rights” for procurement personnel in the working group mentioned above</td>
</tr>
<tr>
<td>2019</td>
<td>Suppliers in Thailand</td>
<td>Held CSR procurement seminars to explain forced labor by providing case studies</td>
</tr>
</tbody>
</table>

<sup>*</sup> Webinar: A portmanteau word combining “web” and “seminar,” used to refer to an interactive seminar held online.

Response to Technical Intern Training Program Issues

In 2018, the Organization for Technical Intern Training, a legal entity whose establishment was approved by competent ministers conducted on-site inspections at Hitachi, Ltd. and 10 Group companies. These inspections identified violations of the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees, and the relevant companies were provided with recommendations for improvement regarding intern training. Additionally, in September 2019, Hitachi, Ltd. received an order for improvement from the Immigration Services Agency of Japan and the Ministry of Health, Labor and Welfare regarding the construction of its systems for carrying out proper technical intern training according to authorized plans. Companies that received such recommendations or orders for improvement have already taken corrective measures. We have taken further strict measures to ensure that no further violation will take place throughout the entire Group, such as constructing Group-wide policies, guidelines, and check systems for technical intern training. We continue to strive to carry out appropriate technical intern training in accordance with relevant laws and the aims of the Technical Intern Training Program and with due consideration for human rights on the basis of the Hitachi Group Human Rights Policy.
As business becomes more and more globalized, there is a growing possibility of procurement risks in the supply chain creating management problems. As an enterprise that engages in businesses activities in many regions around the world, Hitachi strives to identify and mitigate these risks in advance as much as possible. Hitachi emphasizes sustainability in the value chain, and suppliers are selected strictly in accordance with the Hitachi Group Global Procurement Code. Additionally, in order to share our CSR procurement policies, we not only distribute the Hitachi Group CSR Procurement Guidelines to approximately 30,000 suppliers around the world and ensure their awareness but also conduct CSR Monitoring (self-checks) and CSR audits to minimize procurement risks. To address the conflict mineral issue, Hitachi formulated the Hitachi Group Conflict Minerals Procurement Policy to promote responsible procurement in line with international guidelines. Furthermore, embracing the Hitachi Founding Spirit of “Harmony, Sincerity, and Pioneering Spirit,” we adhere to basics and ethics and put right and wrong before profit and loss, with all employees sharing our policy of making quality and reliability our top priority, thereby strengthening our quality assurance activities.

**What we are doing**

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve value chain competitiveness based on partnerships with suppliers</td>
<td>Conducting audits on suppliers with the support of external auditing organizations</td>
<td>Formulated the Hitachi Group Global Procurement Code</td>
</tr>
<tr>
<td>Share procurement policies with suppliers</td>
<td></td>
<td>Conducted CSR audits at 19 suppliers</td>
</tr>
<tr>
<td>Implement CSR procurement</td>
<td></td>
<td>Held a CSR seminar for suppliers in Thailand, our first in Southeast Asia</td>
</tr>
<tr>
<td>Hold CSR procurement seminars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respond to conflict mineral issue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Why it matters**

As business becomes more and more globalized, there is a growing possibility of procurement risks in the supply chain creating management problems. As an enterprise that engages in businesses activities in many regions around the world, Hitachi strives to identify and mitigate these risks in advance as much as possible. Hitachi emphasizes sustainability in the value chain, and suppliers are selected strictly in accordance with the Hitachi Group Global Procurement Code. Additionally, in order to share our CSR procurement policies, we not only distribute the Hitachi Group CSR Procurement Guidelines to approximately 30,000 suppliers around the world and ensure their awareness but also conduct CSR Monitoring (self-checks) and CSR audits to minimize procurement risks. To address the conflict mineral issue, Hitachi formulated the Hitachi Group Conflict Minerals Procurement Policy to promote responsible procurement in line with international guidelines. Furthermore, embracing the Hitachi Founding Spirit of “Harmony, Sincerity, and Pioneering Spirit,” we adhere to basics and ethics and put right and wrong before profit and loss, with all employees sharing our policy of making quality and reliability our top priority, thereby strengthening our quality assurance activities.
### Core initiatives
- Practice our policy of making quality and reliability our top priority
- Adhere to basics and ethics, put right and wrong before profit and loss

### Goals and KPIs
- Improving product reliability and customer satisfaction
- Improvement of CS
- Proper information disclosure on products and services

### Achievements in FY 2019
- Strengthened organizational structure for quality assurance
- Promoted quality assurance activities globally
- Carried out incident prevention activities
- Promoted product safety activities
- Carried out technical law compliance activities
- Conducted quality and reliability education
- Continuously implemented CS and advertising activities

### What we are doing

**Quality and product safety management**
- Improve CS by reflecting customers’ voices in our business
- Provide comprehensive customer support online
- Improve CS in home appliances
- Promote advertising activities

**Customer satisfaction (CS)**
- Practice our policy of making quality and reliability our top priority
- Adhere to basics and ethics, put right and wrong before profit and loss

### Key SDGs
Responsibility Procurement

**Basic Procurement Guidelines**

In April 2019, Hitachi instituted the Hitachi Group Global Procurement Code. Based on the framework of our CSR and green procurement guidelines, this is our highest code for procurement activities. It calls on Group companies and suppliers to give due consideration to human rights, labor practices, safety, ethics, quality, and security in the supply chain. All Group companies follow the code, and we share global supply chain issues within the Group as we engage in procurement activities. Suppliers, too, are selected strictly in accordance with the code's provisions.

Procurement activities are also carried out according to the Hitachi Group CSR Procurement Guidelines, which were revised based on the results of human rights due diligence performed by procurement divisions and version 5.1 of the Responsible Business Alliance (RBA, formerly called EICC) Code of Conduct. We plan to revise these guidelines regularly in the future to ensure that they always reflect global demands regarding corporate supply chain management.

**CSR Supply Chain Management Framework**

Given the global reach of Hitachi’s business, procurement risks throughout the supply chain are growing. The Hitachi Group is working hard to identify and mitigate these risks beforehand as much as possible.

CSR supply chain management, responsible minerals procurement, and green procurement policies and initiatives are discussed within Hitachi's Value Chain Integration Division, which reports directly to the president of Hitachi, Ltd. Policies and initiatives adopted after this discussion are shared throughout the Group through the Hitachi Group CSR/BCP Procurement Committee, which includes members from business units and CSR/BCP Procurement Committees at key Group companies.

To address the issue of chemical substances in products, we recommend management with chemSHERPA*1-CI/AI, a common scheme that facilitates transmission of information on chemical substances in products throughout the supply chain.

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*1 chemSHERPA: A standard developed by the Japanese Ministry of Economy, Trade, and Industry to facilitate the management of chemical substances in products by creating a shared transmission scheme throughout the supply chain. The chemSHERPA-CI standard is applicable to chemical substances contained in chemical products and chemSHERPA-AI to those contained in molded products.
Strengthening Global Partnerships

A key element of the Hitachi Group Vision is to improve the competitiveness of our value chain based on partnerships with our suppliers. In order to promote procurement based on local production for local consumption in line with our business policy of international expansion, we have appointed procurement officers to oversee local procurement in China, the rest of Asia, Europe, and the Americas. These officers carry out activities such as CSR audits, CSR monitoring (self-checks), and CSR procurement seminars in their respective regions to strengthen our response to CSR-related risks.

Local procurement officers are also responsible for addressing environmental risks in China. Through the Institute of Public and Environmental Affairs, an environmental NGO, the officers obtain information about polluting enterprises made public by China’s central and regional government bodies. They use this information not only for screening businesses who have transactions with these enterprises but also for urging the enterprises themselves to make improvements.

<table>
<thead>
<tr>
<th>Rate of Local Procurement of Materials for Main Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>China 90%</td>
</tr>
<tr>
<td>Rest of Asia 71%</td>
</tr>
<tr>
<td>Europe 78%</td>
</tr>
<tr>
<td>Americas 69%</td>
</tr>
</tbody>
</table>

Sharing Procurement Policies with Suppliers

To share procurement policies with the approximately 30,000 suppliers of Hitachi business units and Group companies, we are undertaking the following initiatives.

Distributing the Hitachi Group CSR Procurement Guidelines

To ensure that the guidelines are strictly followed, we make them available in Japanese, English, Chinese, and Thai and distribute them to approximately 30,000 suppliers around the world. We also request acknowledgment of suppliers’ understanding in writing.

Distributing the Green Procurement Guidelines

We distribute guidelines that define our basic position on procuring environmentally friendly parts and products as well as our requirements of suppliers. The guidelines set out requirements for environmental conservation, including building an environmental management system and acquiring certifications. There are also requirements for reducing the environmental impact of products supplied to Hitachi, such as conserving resources and energy, recycling, managing chemical substances in products, and fully disclosing related information. In fiscal 2019, we revised these guidelines to ban four types of phthalates in line with the EU’s RoHS directive.
Hitachi engages in the following initiatives to promote and pursue CSR procurement based on its CSR supply chain management philosophy.

**CSR Monitoring (Self-Checks)**

We ask key suppliers to conduct CSR Monitoring (self-checks) using checklists based on the Hitachi Group CSR Procurement Guidelines. After collecting and analyzing the results, we provide feedback for related business operations to suppliers, and then work with those involved in the operations to resolve issues related to the suppliers. We are also reinforcing our onboarding procedures for new suppliers in Japan, including providing them with the guidelines and asking them to complete a checklist.

**Implementation of CSR Audits**

Hitachi, Ltd. has been auditing the manufacturing bases of its and Group companies’ suppliers in China and the rest of Asia. For these audits, we engaged external evaluators such as the experienced CSR auditing company Intertek Certification.*1 Our audits are based on the international SA8000 certification standard developed by Social Accountability International (SAI), an American CSR evaluation institution. These audits investigate our workplace practices, and an RBA-recognized auditor checks suppliers’ CSR initiatives from the perspectives of labor and human rights, health and safety, the environment, and ethics. Suppliers needing improvement were requested to submit improvement action plans, and Hitachi, Ltd., together with Group companies, will work with and advise the suppliers until they complete the planned improvements.

In fiscal 2019, audits were conducted of 12 Chinese suppliers. Though there were no significant violations, the following minor problems were identified with some suppliers, who were accordingly asked to remedy the issues.

- Failure to comply with legal working hours, including overtime: 8 suppliers
- Failure to conduct staff training, including fire safety measures, evacuation drills, and emergency response to hazardous chemicals: 7 suppliers
- Failure to renew permit for discharging pollutants: 1 supplier

In fiscal 2019, audits were conducted of 12 Chinese suppliers. Though there were no significant violations, the following minor problems were identified with some suppliers, who were accordingly asked to remedy the issues.

**Holding CSR Procurement Seminars**

In order to share the philosophy of Hitachi among our suppliers, we provide suppliers directly with information in a face-to-face format. Specifically, we hold a CSR Procurement Seminar for Hitachi Group partners in China.

In fiscal 2019, we held a CSR seminar for suppliers in Thailand attended by 77 participants from 59 companies. At the seminar, our first in Southeast Asia, we explained our Group-wide CSR procurement initiatives and activities, CSR procurement activities in ASEAN, CSR-related laws and regulations in Thailand, and promotion of ethical employment. Feedback from participants included comments such as “I was pleased to gain necessary information and knowledge about CSR,” “The seminar taught me the importance of working together on CSR initiatives,” and “More companies will participate if the next seminar like this is held in an industrial park.” We believe that the seminar helped participants deepen their understanding of our efforts on CSR and green procurement activities.

A seminar was also scheduled for China in February 2020, but was cancelled due to the spread of COVID-19.

<table>
<thead>
<tr>
<th>CSR Procurement Activities Implementation Status</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR monitoring (self-checks)</td>
<td>291</td>
</tr>
<tr>
<td>CSR audits</td>
<td>19</td>
</tr>
<tr>
<td>Supplier seminars</td>
<td>59</td>
</tr>
</tbody>
</table>

*1 Intertek Certification: With a presence in over 100 countries across the globe, the Intertek Group provides a wide array of certification services in every industrial field.
Increasing Green Purchasing of Office Supplies

We are improving our green purchasing rate*1 by using a Group-wide online procurement system called the E-sourcing Mall. This system has a range of environmentally conscious products and promotes procurement by clearly labeling these products. In fiscal 2019, our green purchasing rate reached 84%.

*1 Green purchasing rate: The ratio, by monetary value, of products with the Eco Mark among all products purchased subject to the Act on Promoting Green Procurement.

Response to the Conflict Mineral Issue

In fiscal 2013, Hitachi formulated its Conflict Minerals Procurement Policy, declaring its stance and commitments regarding conflict minerals. The policy was revised in fiscal 2016 to explicitly lay out measures to be implemented to ensure responsible procurement, including inquiries based on international guidelines, so that procurement of components incorporating conflict minerals does not benefit armed groups in the Democratic Republic of the Congo (DRC) or adjoining countries. Expanding the scope of corporate responsibilities for the procurement of minerals is a global trend, with companies increasingly expected to address the overall risks to human rights as well as conflict risks, and recognize responsibilities that extend beyond the countries adjoining Congo to a wider area where risks are high. We are currently revising our Conflict Minerals Procurement Policy in this respect.

Sales divisions, business groups, plants, procurement divisions, and other divisions within individual business units and Hitachi Group companies work together to respond to investigation requests and inquiries relating to conflict minerals. We also strive to grasp developments in conflict mineral-related laws and regulations in each country and region and what global society demands of enterprises, working to share information within the Group.

Each Hitachi business unit and Group company investigates its use of conflict minerals and reports the results to customers when requested. Supply chain investigations are carried out with the cooperation of the relevant entities’ sales, procurement, and CSR divisions. In addition, Hitachi, Ltd., a member of the Japan Electronics and Information Technology Industries Association (JEITA)’s Responsible Minerals Trade Working Group, has been addressing the conflict minerals issues with other members of the association.

In 2018, Hitachi, Ltd. and six key Group companies (Hitachi Metals, Hitachi Chemicals, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Automotive Systems, and Hitachi Industrial Equipment Systems) performed investigations and replied to a total of 1,874 requests from customers.

Hitachi Group Conflict Minerals Procurement Policy

Procurement Policy

The policy for procurement departments in all Hitachi Group companies has always been and will continue to be to ensure that procurement activities do not result or aid in conflicts within the same region and that the armed groups described above do not benefit from those activities, while continuing responsible procurement activities of minerals that are not related to the conflicts in the region based on local laws. Additionally, we will continue to support the practice of due diligence based on the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” among companies. With these in mind, Hitachi Group would like to request all our suppliers to utilize the Conflict Minerals Reporting Template developed by RBA/GFIS to continue checking the country of origin and supply chain of minerals, and also to procure from the CFS (Conflict Free Smelters)*1 listed within.

*1 CFS (Conflict Free Smelter): A list of smelters who have been identified as “not being involved in the conflict within the same region” by the Responsible Minerals Initiative (RMI), an organization that was founded by the RBA/GFIS, which is a group that aims to solve the conflict minerals problem.

Hitachi’s Conflict Minerals Response Framework

Headquarters

Individual BUs/Group companies

- Understand sustainable trends
- Check specifications for the presence of 3TG*1
- Supplier investigation
- Raising awareness/ information provision
- Raising awareness/ information provision

Coordination

Procurement division

CSR division

Sales divisions

Contacts in business groups/plants (technical divisions, etc.)

QA divisions/R&D divisions*2

Information sharing

Procurement divisions

CSR/BCP Procurement Committee

Information sharing

Supplier A

Supplier B

Supplier C

Supply chain due diligence by individual BUs/Group companies

*1 3TG: Collective term for four commonly used conflict minerals: tin, tantalum, tungsten, and gold.
*2 May differ depending on business unit or Group company.
Quality and Product Safety Management

Hitachi’s Approach to Quality Assurance Activities

As stipulated in the Hitachi Group Codes of Conduct, we uphold a philosophy of providing products and services that our customers can use with confidence by meeting their specifications and quality requirements. The Quality Assurance Standards in our corporate regulations also set out our basic principles for quality assurance activities.

Embracing the Hitachi Founding Spirit of “Harmony, Sincerity, and Pioneering Spirit,” we adhere to basics and ethics and put right and wrong before profits and losses, with all employees sharing our policy of prioritizing quality and reliability above all else. We are strengthening the organization and management, technology, and human capital aspects of our quality assurance activities in every process—from planning and development to design, manufacturing, testing, delivery, and maintenance. Furthermore, under our approach of making prevention the duty of quality assurance, we are working beyond reoccurrence prevention and striving toward preventing incidents from occurring in the first place.

Our unique practice of OCHIBO-HIROI, which means “gleaning” in English, involves analyzing and learning from failure to further develop our technologies. When an incident occurs, we not only investigate the technical causes but also thoroughly discuss the process, framework, and motivating factors leading up to occurrence, along with ways to prevent reoccurrence, in order to improve our product reliability and customer satisfaction.

Framework for Quality Assurance and Quality Assurance Activities

To ensure full control over quality governance, Hitachi has separated the quality assurance division from the manufacturing division in every business unit and Group company, creating a framework for activity in which its customers’ safety and trust are the top priorities. In order to strengthen this framework further, we have made BU and Group company quality assurance divisions independent of business divisions and reinforced their report lines to the Quality Assurance Division at our head office, establishing systems for close information sharing between the two sides. We are also strengthening governance by giving greater authority to the Quality Assurance Division at our head office.

Regarding our services business, which continues to grow in scale, we have established a Service and Software Quality Enhancement Division and are sharing quality activities and current challenges, while also enhancing the reliability of our embedded software as the field becomes more advanced and complex by applying our solutions division’s software development capabilities and expertise in strengthening reliability to our product divisions (embedded software development divisions).

Technical Law Compliance Activities

- Distribute product regulations worldwide, along with amendment trends and enforcement dates, among Hitachi Group companies.
- Clarify product-specific laws (the product-specific laws map); continuously improve regulatory compliance activities and processes based on our product compliance management system.

Product Safety Activities

- Use Guide for Preparing User Instruction Manuals to improve risk communication with our customers.
- Make the safety of our customers’ life, health, and property the top priority in product development and verify safety at every step, from development and production to sales and maintenance.
- Conduct risk assessments from a wide perspective in collaboration with related business units and research laboratories.
- Ensure safety by reducing risks through design (fundamental safety design), protective measures (safeguards), and usage information (product manuals), in order of priority.

Global Quality Assurance Activities

- Build Hitachi quality by applying our fundamental principles for quality assurance activities globally and preparing Global Quality Assurance Standards, thereby understanding the situation regarding incidents globally through a unified set of rules.
Handling Product Incidents

When a product incident occurs, the division responsible acts swiftly to resolve the problem. In case of a severe incident, we report to government agencies in line with legal requirements and disclose the incident information to customers on our website and through other communication channels. At the same time, we promptly submit a status report to top management, ensuring fast and appropriate action at all companies across the Group.

In case we determine that retroactive action is necessary, we notify customers via newspaper advertising and websites in order to carry out the necessary repair or replacement program.

Quality and Reliability Education

We conduct field-specific technical lectures for engineers engaged in monozukuri craftsmanship at a range of levels from basic to expert.

Each business unit also conducts specialized technical courses regarding manufacturing, quality assurance, and maintenance at their quality assurance training centers.

Response Flow in the Event of Product Incident
Customer Satisfaction

Structure for Reflecting Customers’ Voices

The sales and marketing divisions at Hitachi, Ltd. use customer input in developing management, product, and solution strategies. We identify key customers who will help grow our business, then assign an account manager to each one. These account managers serve as customers’ “portals” into Hitachi Group companies in Japan, and the whole Group works with them to build closer relations with customers, including the following initiatives for improving customer satisfaction (CS).

Initiatives for Improving CS

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Location</th>
<th>Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive seminars</td>
<td>Headquarters and branches in Japan</td>
<td>Engage in direct dialogue with customers to learn their expectations of Hitachi and opinions about product strategies, and use this knowledge to create sales activity proposals based on customer needs</td>
</tr>
<tr>
<td>Hitachi Social Innovation Forum</td>
<td>Global</td>
<td>Accelerate collaborative creation with customers in Hitachi’s Social Innovation Business</td>
</tr>
<tr>
<td>Technology Community program</td>
<td>R&amp;D sites in Japan</td>
<td>Create opportunities for researchers to speak directly with customers and contribute to collaborative creation of new businesses based on customer needs and Hitachi technology</td>
</tr>
</tbody>
</table>

Providing Customer Support Online

Hitachi offers comprehensive global customer support on its website to respond to customer inquiries, opinions, requests, and complaints. We also conduct training courses like our Web Inquiry Responsiveness Improvement Course to improve our handling of these inquiries.

Customer Support Activities in Fiscal 2019

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inquiries to comprehensive customer support</td>
<td>4,017</td>
</tr>
<tr>
<td>Web Inquiry Responsiveness Improvement Course attendees</td>
<td>31 (858 in total since fiscal 2009)</td>
</tr>
</tbody>
</table>

Improving CS in Home Appliances

The Home Appliances Customer Satisfaction Division provides services and solutions to improve quality of life for people of all ages and regions of residence. In Japan, these initiatives are carried out under the slogan, “360° Happiness: Encircling People and All Their Dreams for the Future.”

Our call center and website handle about 2.13 million customer inquiries, repair requests, and complaints about washing machines, refrigerators, and other appliances per year.¹ We have undertaken a number of initiatives to better respond to inquiries and to reflect customer feedback in our monozukuri craftsmanship, including improving the contact success rate by using outsourcing; creating a database of customer feedback, including consultations, inquiries, and complaints; and enhancing our website’s FAQ section.

We also conduct semiannual customer service evaluation surveys at approximately 90 service centers in Japan. Based on the answers, we improve services through CS training courses and other programs.

With the expansion of Hitachi’s markets, 12 sales offices and manufacturing sites have been opened mainly in Asia and the Middle and Near East. We are also working on unifying management of operations outside Japan.

¹ Since fiscal 2013, technical inquiries from suppliers and parts orders have been excluded from these statistics.

Customer Contact Cases, Call Completion Rate (12-Month Average)

![Graph showing customer contact cases and call completion rate](image-url)
### Results of Evaluation Survey for Customer Repair Services (CS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>97.3</td>
<td>97.4</td>
<td>97.3</td>
<td>97.3</td>
<td>96.5</td>
</tr>
</tbody>
</table>

### Advertising Activities

Because Hitachi, Ltd. believes that advertising activities must show proper consideration for society as a whole as well as complying with laws and regulations, it has established a set of Advertisement Guidelines, which it follows and updates in line with social developments.

To ensure that these guidelines are strictly followed even at business locations outside Japan, where languages and customs vary, an Advertising Material Checklist is included. All items on the checklist are confirmed when creating advertisements.
Under the 2021 Mid-term Management Plan that aims to enhance social, economic, and environmental value through the Social Innovation Business, we are actively promoting social contribution activities that will help create social and environmental value and contribute to the sustainable development of both society and business.

Based on the belief that we, as a company aiming to resolve social issues through innovation, have an important mission to foster not only our human capital but also those who will contribute to society in the field of science and technology more broadly, our focus in recent years has been on activities related to STEAM (science, technology, engineering, arts, and mathematics) education, which has gained attention as a tool for fostering human capital capable of using cutting-edge technologies to enhance their creativity, expressivity, and problem-solving skills.

As a global company, we also support volunteer activity among employees, because it is essential for employees to actively volunteer their time to address local issues and needs if we are to build trust with local communities and grow together with them as a good corporate citizen.

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work with all employees and other diverse stakeholders to develop next-generation human capital and promote empowerment in the areas of STEAM, the environment, and community engagement</td>
<td>Developing next-generation human capital</td>
<td>Reviewed our policy on social contribution activities based on the belief that we have an important mission to foster human capital who will contribute to society in the field of science and technology</td>
</tr>
<tr>
<td>Promote social contribution activities through the Hitachi Global Foundation</td>
<td>Forging good relationships with local communities</td>
<td>Added a new grant category for humanities and social sciences to the Kurata Grants</td>
</tr>
</tbody>
</table>
Social Contribution Activities

Policy on Social Contribution Activities

In order to achieve the 2021 Mid-term Management Plan, Hitachi is committed to creating social and environmental value through the Social Innovation Business. At the same time, we are actively promoting social contribution activities in regions where we operate, conscious of the fact that these activities will help create social and environmental value as well, contributing to the sustainable development of both society and business. In fiscal 2019, we reviewed our policy on social contribution activities based on the belief that we, as a company aiming to resolve social issues through innovation, have an important mission to foster not only our human capital but also those who will contribute to society centered on the field of science and technology. We also provide our employees with opportunities to actively volunteer their time in response to the needs and challenges of local communities, as well as supporting those communities through donations and pro bono activities. We believe this is essential in forging good relationships with local communities and growing together with them as a good corporate citizen.

Funding for Social Contribution Activities

In fiscal 2019, Hitachi and the Hitachi Global Foundation provided over 1.8 billion yen in funding toward social contribution activities worldwide, including initiatives to cultivate a younger generation of talent and financial donations and other support for disaster-struck areas. Additionally, 88,134 Hitachi Group employees (around 30% of the total) participated in social contribution activities. Hitachi spends around 2 billion yen annually on social contribution activities, but that amount has been shrinking due to a decrease in the number of consolidated Group companies and revised data-gathering measures. However, fiscal 2019 marked the largest number of employees participating in social contribution activities since we started gathering this data in fiscal 2016.

Hitachi Group employees are contributing to society through community-based activities in various forms and areas, such as cleaning up around our business sites, visiting and donating goods to welfare facilities, and participating in charity events. Many employees make full use of their knowledge and skills acquired through work for their contribution to society, such as running workshops for schoolchildren on a wide range of themes, from science and the environment to career education, and implementing programs aimed to support non-profit organizations through pro bono activities.

Policy on Social Contribution Activities

At Hitachi, our Corporate Mission, “to contribute to society through the development of superior, original technology and products,” is the basis for everything we do. We believe it is our pursuit to contribute to solving societal and environmental issues and help achieve the Sustainable Development Goals (SDGs) by accelerating our Social Innovation Business, as well as undertaking corporate citizenship activities. Central to this goal are people: people in our business, people in our local and global communities, and people who are our future. Ultimately, it is individuals that have the ability to create innovation, bring social impact, and deliver social good to society.

Therefore, the Hitachi Group is committed to investing in, developing, nurturing, and empowering future generations, together with our employees and diverse stakeholders in the following areas:
- STEAM (science, technology, engineering, arts, and mathematics)
- The environment
- Community engagement

Breakdown of Funding for Social Contribution Activities in FY 2019

- Human development: 40.6%
- Community support: 26.4%
- Environment: 2.8%
- Other: 30.2%

Funding includes monetary and in-kind donations, independently organized programs, participation or dispatch of employees, community use of facilities, and employee donations; excludes personnel costs incurred from the participation or dispatch of employees.
### Funding for Social Contribution Activities and Number of Participating Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Hitachi, Ltd., the Hitachi Global Foundation (million yen)</th>
<th>Hitachi Group (million yen)</th>
<th>Total employees participating*6 (people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>889</td>
<td>32,116</td>
<td>527</td>
</tr>
<tr>
<td>2016</td>
<td>1,953*2</td>
<td>53,448</td>
<td>916</td>
</tr>
<tr>
<td>2017</td>
<td>2,057*3</td>
<td>64,899</td>
<td>1,160</td>
</tr>
<tr>
<td>2018</td>
<td>2,195*4</td>
<td>88,134</td>
<td>1,888</td>
</tr>
<tr>
<td>2019</td>
<td>889</td>
<td>740</td>
<td>740</td>
</tr>
</tbody>
</table>

*1 Japan: Hitachi, Ltd., 136 Group companies (including equity-method associates and joint ventures), and the Hitachi Global Foundation. Outside Japan: 244 companies.

### Specific Examples of Social Contribution Activities

**Activities**

Hitachi promotes human development activities centered on fostering the next-generation of human capital as a priority area for social contribution activities. We are actively working on a wide range of issues at global and local community levels and implementing programs to support development of next-generation leaders and science and engineering human capital.

The cultivation of IT talent in particular is a global challenge amid the rapid development of IT using AI and big data. In recent years, we have therefore been focusing on activities related to STEAM (science, technology, engineering, arts, and mathematics) education, which has gained attention as a tool for fostering human capital capable of utilizing cutting-edge technologies to enhance their creativity, expressivity, and problem-solving skills.

**Specific Examples of Social Contributions**

<table>
<thead>
<tr>
<th>Activity</th>
<th>BU/Group company</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STEM education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STEM education to develop engineers in the United Kingdom</td>
<td>Hitachi Rail</td>
<td><a href="https://www.youtube.com/watch?v=AIlxAs41l2s">https://www.youtube.com/watch?v=AIlxAs41l2s</a></td>
</tr>
<tr>
<td>Activities to support science education with electron microscopes</td>
<td>Hitachi High-Tech</td>
<td><a href="https://www.hitachi-hightech.com/global/science-edu/">https://www.hitachi-hightech.com/global/science-edu/</a></td>
</tr>
<tr>
<td>Hitachi scholarship program for the Asian University for Women</td>
<td>Hitachi, Ltd.</td>
<td>—</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecosystem preservation activities in the Hitachi IT Eco Experimental Village</td>
<td>Shikoku Hitachi Group</td>
<td>—</td>
</tr>
<tr>
<td>Sat-o-uni activities</td>
<td>Shikoku Hitachi Group</td>
<td>—</td>
</tr>
<tr>
<td>Support for environmental education programs targeting young people</td>
<td>Hitachi Construction Machinery Southern Africa</td>
<td>—</td>
</tr>
<tr>
<td><strong>Community support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill development program for youth employment</td>
<td>Hitachi India</td>
<td>—</td>
</tr>
<tr>
<td>Participation in Walk for Millions</td>
<td>Hong Kong Hitachi Group</td>
<td>—</td>
</tr>
</tbody>
</table>
Inheriting the intention of Namihei Odaira, the founder of Hitachi, to contribute to society through business activities, we wholeheartedly embrace the importance of social contributions. Since 1967, we have established five foundations, including one for supporting scientists and another for supporting development of university lecturers in Southeast Asia. These formed the basis of today's Hitachi Global Foundation, which was established in 2015 through a merger of the existing five foundations. In accordance with Odaira's aspirations, the Hitachi Global Foundation conducts social contribution activities centered on the three pillars of "promotion of academic research, science and technology," "human development," and "building multicultural symbiotic and diverse societies" based on the recognition of current social issues.

**Specific Examples of Hitachi Global Foundation Activities**

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Activity Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of academic research, science and technology</td>
<td>Kurata Grants - Program supporting researchers who engage, in pursuit of solutions to social challenges, in creative and pioneering research in the natural sciences and engineering, or in unravelling the complex challenges faced by advanced technological societies and exploring the underlying philosophical and historical elements through research in the humanities and social sciences. Total number of grants awarded as of end of fiscal 2019: 1,429.</td>
</tr>
<tr>
<td>Human development</td>
<td>Hitachi Future Innovator Program - Program promoting the development of science and engineering human capital aimed at Japanese schoolchildren in the upper grades of elementary school, aiming to cultivate personality traits (creativity, curiosity, independence, and challenging spirit) and abilities (problem finding and solving ability) required for future human resources in science and technology, in order to create innovators who will take a leading role in resolving social issues. Total number of schools and students participating as of end of fiscal 2019: 10 schools, 737 students.</td>
</tr>
<tr>
<td>Building multicultural symbiotic and diverse societies</td>
<td>Pioneer Talk interviews in website My Tomorrow - Program supporting science and engineering education for women through raising interest in science and engineering careers among female junior high and high school students.</td>
</tr>
<tr>
<td></td>
<td>Symposiums to build multicultural symbiotic and diverse societies - Program urging a new understanding among everyday citizens of the importance of constructing &quot;multicultural symbiotic and diverse societies,&quot; defined as active, diverse, and inclusive societies that are lively and unified and where diverse viewpoints and values are mutually accepted across differences in attributes like gender, nationality, age, abled or disabled status, and sexual orientation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for business owners</td>
<td>Provided US $1 million to support business owners impacted by COVID-19 through loans by the nonprofit organization Kiva.</td>
</tr>
<tr>
<td>Support for infectious disease research</td>
<td>To support research into the kind of pioneering, practical medical technology that can contribute to resolving the new social issues of this pandemic from Hitachi's unique global perspective, as well as the new social systems this entails, made the decision to donate 100 million JPY to the Hitachi Global Foundation and solicit further contributions from Hitachi's executive officers, corporate officers, and employees.</td>
</tr>
<tr>
<td>Donations for medical professionals (funds and supplies)</td>
<td>Provided medical supplies and equipment free of charge, including medical masks, face shields, and computed tomography (CT) equipment, and also made financial donations.</td>
</tr>
</tbody>
</table>


Countermeasures Against the COVID-19 Pandemic


Support For Employees During the COVID-19 Pandemic


Responding to COVID-19

[Business Continuation Initiatives](http://www.hitachi.com/information/ImportantNotices/index.html)
## Innovation Management

### Research and Development

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenditure (Billions of yen) Hitachi Group</td>
<td>333.7</td>
<td>323.9</td>
<td>332.9</td>
<td>323.1</td>
<td>293.7</td>
</tr>
<tr>
<td>R&amp;D expenditure as % of revenue Hitachi Group</td>
<td>3.3</td>
<td>3.5</td>
<td>3.6</td>
<td>3.4</td>
<td>3.4</td>
</tr>
</tbody>
</table>

### Top-Class Digital Talent in the AI Field

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-class AI digital talent Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>226</td>
<td>306</td>
</tr>
</tbody>
</table>

Notes: Disclosure began in fiscal 2018.
### Employee Capital

#### Employee Data

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi Group</td>
<td>335,244</td>
<td>303,887</td>
<td>307,275</td>
<td>295,641</td>
<td>301,056</td>
</tr>
<tr>
<td>Male</td>
<td>217,707</td>
<td>190,646</td>
<td>196,321</td>
<td>199,603</td>
<td>196,321</td>
</tr>
<tr>
<td>Female</td>
<td>117,537</td>
<td>113,241</td>
<td>110,954</td>
<td>106,038</td>
<td>104,734</td>
</tr>
<tr>
<td>Asia</td>
<td>270,548</td>
<td>241,564</td>
<td>244,341</td>
<td>235,531</td>
<td>235,298</td>
</tr>
<tr>
<td>Japan</td>
<td>187,038</td>
<td>169,744</td>
<td>168,086</td>
<td>162,083</td>
<td>162,100</td>
</tr>
<tr>
<td>North America</td>
<td>21,026</td>
<td>20,071</td>
<td>21,884</td>
<td>20,985</td>
<td>22,034</td>
</tr>
<tr>
<td>Europe</td>
<td>19,984</td>
<td>14,396</td>
<td>18,517</td>
<td>17,074</td>
<td>17,950</td>
</tr>
<tr>
<td>Other areas</td>
<td>10,966</td>
<td>12,615</td>
<td>12,172</td>
<td>10,786</td>
<td>12,285</td>
</tr>
<tr>
<td>Number of employees</td>
<td>37,533</td>
<td>35,631</td>
<td>34,925</td>
<td>33,490</td>
<td>31,442</td>
</tr>
<tr>
<td>Male</td>
<td>31,538</td>
<td>29,921</td>
<td>29,220</td>
<td>27,828</td>
<td>25,638</td>
</tr>
<tr>
<td>Female</td>
<td>5,995</td>
<td>5,710</td>
<td>5,705</td>
<td>5,662</td>
<td>5,814</td>
</tr>
<tr>
<td>Average age**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi, Ltd.</td>
<td>41.1</td>
<td>41.4</td>
<td>41.8</td>
<td>42.1</td>
<td>42.4</td>
</tr>
<tr>
<td>Male</td>
<td>41.6</td>
<td>41.9</td>
<td>42.3</td>
<td>42.6</td>
<td>43.0</td>
</tr>
<tr>
<td>Female</td>
<td>38.2</td>
<td>38.7</td>
<td>39.3</td>
<td>39.5</td>
<td>40.1</td>
</tr>
<tr>
<td>Average service (years)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi Group</td>
<td>14.4</td>
<td>15.0</td>
<td>14.9</td>
<td>15.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Male</td>
<td>15.2</td>
<td>15.8</td>
<td>15.4</td>
<td>15.8</td>
<td>15.7</td>
</tr>
<tr>
<td>Female</td>
<td>11.0</td>
<td>11.6</td>
<td>12.6</td>
<td>11.8</td>
<td>11.9</td>
</tr>
<tr>
<td>Japan</td>
<td>17.6</td>
<td>18.4</td>
<td>18.0</td>
<td>18.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Asia</td>
<td>6.7</td>
<td>7.2</td>
<td>7.9</td>
<td>7.9</td>
<td>7.7</td>
</tr>
<tr>
<td>North America</td>
<td>8.2</td>
<td>8.4</td>
<td>8.1</td>
<td>7.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Europe</td>
<td>7.6</td>
<td>8.1</td>
<td>7.6</td>
<td>7.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Other areas</td>
<td>6.8</td>
<td>4.2</td>
<td>7.6</td>
<td>6.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Average service (years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi, Ltd.</td>
<td>15.6</td>
<td>17.5</td>
<td>17.8</td>
<td>18.0</td>
<td>17.9</td>
</tr>
<tr>
<td>Male</td>
<td>15.9</td>
<td>17.9</td>
<td>18.3</td>
<td>18.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Female</td>
<td>13.8</td>
<td>15.2</td>
<td>15.5</td>
<td>15.6</td>
<td>15.6</td>
</tr>
<tr>
<td>Turnover ratio (%)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi Group</td>
<td>4.2</td>
<td>4.7</td>
<td>5.0</td>
<td>5.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Male</td>
<td>3.9</td>
<td>4.7</td>
<td>5.0</td>
<td>5.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Female</td>
<td>5.1</td>
<td>7.8</td>
<td>7.8</td>
<td>8.4</td>
<td>7.2</td>
</tr>
<tr>
<td>Japan</td>
<td>2.4</td>
<td>2.3</td>
<td>2.1</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Outside Japan</td>
<td>9.0</td>
<td>12.9</td>
<td>13.4</td>
<td>15.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Turnover ratio (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hitachi, Ltd.</td>
<td>1.3</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.7</td>
</tr>
</tbody>
</table>

---

1. Hitachi Group figures exclude approximately 40,000 manufacturing workers.
2. Beginning in fiscal 2019, the scope of reporting shifted from full-time, regular employees to all employees across the organization; figures for previous years have been adjusted to match this new scope.
3. Figures include only voluntary resignations.
### Global Human Capital Management

#### Approval Rating in Global Employee Survey

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement indicator (%)</strong>&lt;br&gt;Hитачи Групп</td>
<td>56</td>
<td>58</td>
<td>58</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td><strong>Overall (%)</strong>&lt;br&gt;Hитачи Групп</td>
<td>58</td>
<td>60</td>
<td>61</td>
<td>60</td>
<td>61</td>
</tr>
</tbody>
</table>

Note: Questions change slightly each year. Above figures not adjusted for change in questions. Comparing fiscal 2019 results with previous years for unchanged questions only, overall approval has improved for five straight years.

#### Talent Development

##### Number of Participants of Global Management Training Programs

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hitachi Group</strong></td>
<td>3,362</td>
<td>3,530</td>
<td>3,821</td>
<td>3,844</td>
<td>4,063</td>
</tr>
</tbody>
</table>

##### Digital Talent Headcount

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hitachi Group</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Note: Disclosure began in fiscal 2019.

##### Number of Data Scientists

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hitachi Group</strong></td>
<td>—</td>
<td>—</td>
<td>700</td>
<td>Approx. 1,000</td>
<td>Approx. 2,000</td>
</tr>
</tbody>
</table>

Note: Disclosure began in 2018.

##### Average Amount Invested in Education per Employee (yen)

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hitachi Group companies in Japan</strong>&lt;br&gt;</td>
<td>—</td>
<td>—</td>
<td>118,500*1</td>
<td>127,800*2</td>
<td>128,000*3</td>
</tr>
</tbody>
</table>

*1 Hitachi, Ltd. and 14 major Group companies in Japan.  
*2 Hitachi, Ltd. and 13 major Group companies in Japan.  
*3 Hitachi, Ltd. and 12 major Group companies in Japan.

Note: Disclosure began in fiscal 2017.

##### Number of Young Employees Participating in Training Outside Japan

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hitachi Group companies in Japan</strong>&lt;br&gt;</td>
<td>674</td>
<td>382</td>
<td>378</td>
<td>352</td>
<td>320</td>
</tr>
</tbody>
</table>
## Diversity and Inclusion

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>Ratio of female employees (%)</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi Group</td>
<td>18.5</td>
<td>18.3</td>
<td>18.2</td>
<td>18.8</td>
<td>19.4</td>
<td></td>
</tr>
<tr>
<td>Hitachi, Ltd.</td>
<td>16.5</td>
<td>16.8</td>
<td>17.2</td>
<td>17.8</td>
<td>19.0</td>
<td></td>
</tr>
<tr>
<td>Hitachi Group</td>
<td>6.5 (2,688)</td>
<td>6.7 (2,562)</td>
<td>7.3 (3,325)</td>
<td>8.3 (3,975)</td>
<td>8.9 (4,302)</td>
<td></td>
</tr>
<tr>
<td>Hitachi Group</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>16.6 (14,900)</td>
<td>17.8 (18,028)</td>
<td></td>
</tr>
<tr>
<td>Hitachi Ltd.</td>
<td>4.0 (474)</td>
<td>4.1 (529)</td>
<td>4.2 (577)</td>
<td>4.8 (635)</td>
<td>5.5 (700)</td>
<td></td>
</tr>
<tr>
<td>General manager or above</td>
<td>3.2 (104)</td>
<td>3.3 (113)</td>
<td>3.2 (128)</td>
<td>3.4 (136)</td>
<td>3.9 (147)</td>
<td></td>
</tr>
<tr>
<td>Section manager</td>
<td>4.3 (370)</td>
<td>4.4 (396)</td>
<td>4.6 (449)</td>
<td>5.3 (500)</td>
<td>6.2 (553)</td>
<td></td>
</tr>
<tr>
<td>Basic salary ratio of female to male managers</td>
<td>Hitachi, Ltd.</td>
<td>--</td>
<td>--</td>
<td>100 : 102</td>
<td>100 : 103</td>
<td>100 : 104</td>
</tr>
<tr>
<td>Total individual compensation ratio of female to male manager</td>
<td>Hitachi, Ltd.</td>
<td>--</td>
<td>--</td>
<td>100 : 104</td>
<td>100 : 105</td>
<td>100 : 106</td>
</tr>
<tr>
<td>Ratio of new female employees hired (%)</td>
<td>Hitachi Group</td>
<td>24.4</td>
<td>24.2</td>
<td>22.1</td>
<td>26.7</td>
<td>26.3</td>
</tr>
<tr>
<td>Japan</td>
<td>18.4</td>
<td>18.8</td>
<td>19.4</td>
<td>23.1</td>
<td>23.0</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>30.4</td>
<td>30.4</td>
<td>24.5</td>
<td>28.2</td>
<td>28.5</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>33.0</td>
<td>22.0</td>
<td>26.2</td>
<td>22.8</td>
<td>29.7</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>29.8</td>
<td>20.5</td>
<td>19.6</td>
<td>23.8</td>
<td>22.9</td>
<td></td>
</tr>
<tr>
<td>Other areas</td>
<td>12.9</td>
<td>29.2</td>
<td>22.8</td>
<td>27.3</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Ratio of new female graduates hired (%)</td>
<td>Hitachi, Ltd.</td>
<td>22.8</td>
<td>26.3</td>
<td>26.6</td>
<td>24.2</td>
<td>25.3</td>
</tr>
<tr>
<td>Technical</td>
<td>17.3</td>
<td>20.8</td>
<td>17.2</td>
<td>17.9</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>46.6</td>
<td>42.1</td>
<td>53.8</td>
<td>51.6</td>
<td>48.9</td>
<td></td>
</tr>
</tbody>
</table>

---

*1 Hitachi Group figures exclude approximately 40,000 manufacturing workers.

*2 Beginning in fiscal 2019, the scope of reporting shifted from full-time, regular female managers, excluding those dispatched to non-Group companies, to all female managers including those dispatched from Hitachi, Ltd. to other companies and those accepted from other companies; figures for previous years have been adjusted to match this new scope.

*3 Rising numbers of female managers and female assistant managers in part reflect improved coverage of our human capital databases.

*4 Disclosure began in fiscal 2018.

*5 Since fiscal 2017, “Female managers” has included managerial employees dispatched from Hitachi, Ltd. to other companies and those accepted from other companies by Hitachi, Ltd. Earlier figures include regular managerial employees dispatched to other companies but exclude those accepted from other companies.

*6 Benefits for men and women are identical. Differences between male and female salary and compensation are due to age distribution, grade distribution, etc. Disclosure began in fiscal 2017.

*7 Graduates from universities or colleges (including postgraduate schools and technical colleges).
### Social Data

#### Reporting Boundary FY 2015 FY 2016 FY 2017 FY 2018 FY 2019

**Number of employees taking maternity/paternity leave**
- **Hitachi, Ltd.**
  - Male: 307, 352, 426, 464, 445
  - Female: 524, 664, 724, 720, 680

**Return rates after maternity/paternity and child-care leave**
- **Hitachi, Ltd.**
  - Male: 97.1, 98.5, 97.4, 97.4
  - Female: 96.7, 100.0, 94.3, 100

**Retention rates after maternity/paternity and child-care leave**
- **Hitachi, Ltd.**
  - Male: 98.6, 98.0, 99.4, 95.5
  - Female: 100.0, 96.6, 90.9, 84.8

**Number of employees using shorter working hours for child care**
- **Hitachi, Ltd.**
  - Male: 3, 2, 2, 5, 9
  - Female: 668, 822, 887, 893, 866

**Number of employees taking nursing-care leave**
- **Hitachi, Ltd.**
  - Male: 9, 8, 14, 9, 10
  - Female: 8, 7, 7, 9, 11

**Number of employees using shorter working hours for nursing care**
- **Hitachi, Ltd.**
  - Male: 3, 3, 3, 2, 4
  - Female: 9, 9, 12, 11, 6

**Paid leave**
- **Hitachi, Ltd.**
  - Average number of days: 15.6, 16.3, 17.2, 18.7, 18.8
  - Ratio (%): 65.3, 68.1, 72.0, 78.3, 78.7

**Average overtime hours/month**
- **Hitachi, Ltd.**
  - 11.9, 12.8, 10.9, 9.3, 7.7

---

**Ratios for Female and Non-Japanese Executive and Corporate Officers (Hitachi, Ltd.)**

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>June 2017</th>
<th>June 2018</th>
<th>June 2019</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of female executive and corporate officers</strong></td>
<td>Hitachi, Ltd.</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Ratio of female executive and corporate officers (%)</strong></td>
<td>Hitachi, Ltd.</td>
<td>2.4</td>
<td>2.6</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Number of non-Japanese executive and corporate officers</strong></td>
<td>Hitachi, Ltd.</td>
<td>3</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>Ratio of non-Japanese executive and corporate officers (%)</strong></td>
<td>Hitachi, Ltd.</td>
<td>3.7</td>
<td>6.4</td>
<td>8.8</td>
</tr>
</tbody>
</table>

**Note:** Disclosure began in fiscal 2016.
### Ratios for Male/Female and Japanese/Non-Japanese Directors (Hitachi, Ltd.)

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>June 2016</th>
<th>June 2017</th>
<th>June 2018</th>
<th>June 2019</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male</strong> Hitachi, Ltd.</td>
<td>Number</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Ratio (%)</td>
<td>84.6</td>
<td>84.6</td>
<td>83.3</td>
<td>81.8</td>
</tr>
<tr>
<td><strong>Female</strong> Hitachi, Ltd.</td>
<td>Number</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Ratio (%)</td>
<td>15.4</td>
<td>15.4</td>
<td>16.7</td>
<td>18.2</td>
</tr>
<tr>
<td><strong>Japanese</strong> Hitachi, Ltd.</td>
<td>Number</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Ratio (%)</td>
<td>61.5</td>
<td>61.5</td>
<td>66.7</td>
<td>63.6</td>
</tr>
<tr>
<td><strong>Non-Japanese</strong> Hitachi, Ltd.</td>
<td>Number</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Ratio (%)</td>
<td>38.5</td>
<td>38.5</td>
<td>33.3</td>
<td>36.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>13</td>
<td>13</td>
<td>12</td>
<td>11</td>
</tr>
</tbody>
</table>

### Employment of People with Disabilities and Employment Ratio (Hitachi, Ltd.*)

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>June 2016</th>
<th>June 2017</th>
<th>June 2018</th>
<th>June 2019</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment of people with disabilities Hitachi Group companies in Japan</td>
<td>1,370.5</td>
<td>1,437</td>
<td>1,848</td>
<td>1,899</td>
<td>2,403</td>
</tr>
<tr>
<td>Employment ratio (%) Hitachi Group companies in Japan</td>
<td>2.11</td>
<td>2.15</td>
<td>2.23</td>
<td>2.26</td>
<td>2.33</td>
</tr>
</tbody>
</table>

**Notes:**
- *Includes special subsidiaries and related Group companies. (Two special subsidiaries and 17 related Group companies in fiscal 2020.)*
- **Occupational Health and Safety**

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of fatal accidents Hitachi Group</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Occupational accident severity rate<em>1 Hitachi Group companies in Japan</em>1</td>
<td>0.07</td>
<td>0.18</td>
<td>0.17</td>
<td>0.11</td>
<td>0.03</td>
</tr>
<tr>
<td>Occupational accident frequency rate<em>1 Hitachi Group companies in Japan</em>1</td>
<td>0.22</td>
<td>0.18</td>
<td>0.25</td>
<td>0.20</td>
<td>0.17</td>
</tr>
</tbody>
</table>

**Notes:**
- January to December each year.
- *Work-related accidents are defined as those involving fatality or work-time loss of one day or more.*
- *Hitachi Group figures for Japan, including Hitachi, Ltd., are for 240 Group companies in 2015; for 200 Group companies in 2016; for 202 Group companies in 2017; for 188 Group companies in 2018; and for 169 Group companies in 2019.*
### Hitachi Group's Global Safety Figures (Occurrence Rate)*1

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>27.65</td>
<td>24.33</td>
<td>27.96</td>
<td>20.76</td>
</tr>
<tr>
<td>Central and South America</td>
<td>2.33</td>
<td>1.62</td>
<td>0.44</td>
<td>0.57</td>
</tr>
<tr>
<td>Europe</td>
<td>10.70</td>
<td>10.82</td>
<td>6.08</td>
<td>4.78</td>
</tr>
<tr>
<td>India</td>
<td>2.07</td>
<td>1.44</td>
<td>1.44</td>
<td>1.63</td>
</tr>
<tr>
<td>China</td>
<td>1.59</td>
<td>1.53</td>
<td>1.46</td>
<td>1.17</td>
</tr>
<tr>
<td>Asia (excluding India, China, and Japan)</td>
<td>5.43</td>
<td>4.41</td>
<td>3.34</td>
<td>2.63</td>
</tr>
<tr>
<td>Oceania</td>
<td>39.07</td>
<td>24.41</td>
<td>21.94</td>
<td>29.07</td>
</tr>
<tr>
<td>Africa</td>
<td>17.26</td>
<td>9.93</td>
<td>11.76</td>
<td>9.72</td>
</tr>
<tr>
<td>Overseas total</td>
<td>7.76</td>
<td>7.42</td>
<td>7.43</td>
<td>5.78</td>
</tr>
<tr>
<td>Japan</td>
<td>1.57</td>
<td>1.85</td>
<td>1.64</td>
<td>1.53</td>
</tr>
<tr>
<td>Global total</td>
<td>3.95</td>
<td>4.22</td>
<td>4.20</td>
<td>3.45</td>
</tr>
</tbody>
</table>

*1 Occurrence rate is the rate of workplace accidents per 1,000 directly contracted employees resulting in fatality or work-time loss of one day or more.

Note: • Collection of statistics began in 2016.
• January to December each year.

### Absences

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental (%) Hitachi, Ltd.</td>
<td>0.52</td>
<td>0.56</td>
<td>0.60</td>
<td>0.64</td>
<td>0.65</td>
</tr>
<tr>
<td>Physical (%) Hitachi, Ltd.</td>
<td>0.24</td>
<td>0.24</td>
<td>0.26</td>
<td>0.24</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Note: Percentage of employees taking sick leave for seven or more consecutive days, or formally taking leave (Number of employees taking sick leave per month ÷ Number of employees per month × 100).

### Medical Exam and Screening Attendance Rates

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>General physical exam*1 (%) Hitachi, Ltd.</td>
<td>78.9</td>
<td>78.1</td>
<td>78.5</td>
<td>79.3</td>
<td>72.4</td>
</tr>
<tr>
<td>Breast cancer screening*2 (%) Hitachi, Ltd.</td>
<td>47.0</td>
<td>50.0</td>
<td>51.1</td>
<td>53.2</td>
<td>58.2</td>
</tr>
<tr>
<td>Uterine cancer screening*2 (%) Hitachi, Ltd.</td>
<td>33.2</td>
<td>35.3</td>
<td>35.6</td>
<td>37.1</td>
<td>41.5</td>
</tr>
<tr>
<td>Stomach cancer screening*2 (%) Hitachi, Ltd.</td>
<td>80.9</td>
<td>78.4</td>
<td>80.7</td>
<td>80.6</td>
<td>74.5</td>
</tr>
<tr>
<td>Intestinal cancer screening*2 (%) Hitachi, Ltd.</td>
<td>81.5</td>
<td>79.0</td>
<td>81.4</td>
<td>81.3</td>
<td>76.4</td>
</tr>
<tr>
<td>Lung cancer screening*3 (%) Hitachi, Ltd.</td>
<td>91.0</td>
<td>93.2</td>
<td>92.9</td>
<td>93.2</td>
<td>90.6</td>
</tr>
</tbody>
</table>

*1 Men and women aged 35 and over.  
*2 Women aged 30 and over.  
*3 Women aged 25 and over.  
*4 Men and women aged 30 and over.  
*5 In fiscal 2016~fiscal 2017, men and women aged 30 and over; from fiscal 2018, changed to men and women aged 35 and over.
## Value Chain Management

### Responsible Procurement

<table>
<thead>
<tr>
<th>CSR Procurement Activities Implementation Status</th>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Total for specified period</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR monitoring (self-checks)</td>
<td>Hitachi Group</td>
<td>218</td>
<td>316</td>
<td>131</td>
<td>345</td>
<td>291</td>
<td>1,801*1</td>
</tr>
<tr>
<td>CSR audits</td>
<td>Hitachi Group</td>
<td>20</td>
<td>20</td>
<td>18</td>
<td>24</td>
<td>19</td>
<td>149*2</td>
</tr>
<tr>
<td>Supplier seminars</td>
<td>Hitachi Group</td>
<td>12</td>
<td>29</td>
<td>65</td>
<td>126</td>
<td>59</td>
<td>291*3</td>
</tr>
</tbody>
</table>

*1 Total from fiscal 2011 to fiscal 2019.
*2 Total from fiscal 2012 to fiscal 2019.
*3 Total from fiscal 2015 to fiscal 2019.

### Rate of Local Procurement of Materials for Main Regions

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (%)</td>
<td>Hitachi Group</td>
<td>64</td>
<td>78</td>
<td>88</td>
</tr>
<tr>
<td>Europe (%)</td>
<td>Hitachi Group</td>
<td>83</td>
<td>70</td>
<td>81</td>
</tr>
<tr>
<td>Rest of Asia (%)</td>
<td>Hitachi Group</td>
<td>64</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Americas (%)</td>
<td>Hitachi Group</td>
<td>69</td>
<td>57</td>
<td>66</td>
</tr>
</tbody>
</table>

Note: Collection of statistics began in 2016.
## Social Contribution Activities

### Funding for Social Contribution Activities and Number of Participating Employees

<table>
<thead>
<tr>
<th>Reporting Boundary</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding for social contribution activities (million yen)</td>
<td>Hitachi, Ltd. and the Hitachi Global Foundation</td>
<td>889</td>
<td>527</td>
<td>948</td>
<td>841</td>
</tr>
<tr>
<td></td>
<td>Hitachi Group</td>
<td>2,057*1</td>
<td>1,953*2</td>
<td>2,192*3</td>
<td>1,888*4</td>
</tr>
<tr>
<td>Of Hitachi Group funding, amount related to STEAM*6</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>740</td>
<td>383</td>
</tr>
<tr>
<td>Breakdown of funding for social contribution activities (%)</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>44.8</td>
<td>49.3</td>
</tr>
<tr>
<td>Human development (%)</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>2.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Environment (%)</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>34.6</td>
<td>20.5</td>
</tr>
<tr>
<td>Community support (%)</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>17.7 (9.7)</td>
<td>28.2 (6.9)</td>
</tr>
<tr>
<td>Other (number in parentheses: disaster relief) (%)</td>
<td>Hitachi Group</td>
<td>—</td>
<td>—</td>
<td>40.6</td>
<td>38.3</td>
</tr>
<tr>
<td>Total employees participating*8</td>
<td>Hitachi Group</td>
<td>—</td>
<td>32,116</td>
<td>53,749</td>
<td>54,629</td>
</tr>
</tbody>
</table>

*1 Japan: Hitachi, Ltd., 136 Group companies (including equity-method associates and joint ventures), and the Hitachi Global Foundation.
Outside Japan: 244 companies.

Outside Japan: 159 companies.

*3 Japan: Hitachi, Ltd., 141 Group companies, and the Hitachi Global Foundation.
Outside Japan: 196 companies.

*4 Japan: Hitachi, Ltd., 141 Group companies, and the Hitachi Global Foundation.
Outside Japan: 152 companies.

Outside Japan: 234 companies.


*7 Disclosure broken down into current segments began in fiscal 2017.

*8 Collection of statistics began in fiscal 2016.
Striving to Increase Corporate Value

Not only is Hitachi strengthening its corporate governance in areas like the role and composition of the Board of Directors and standards for determining the suitability and independence of its independent directors, it is also taking self-directed action to enhance corporate value by sharing its Codes of Conduct across the Group, ensuring compliance with laws and regulations, and advancing risk management. In this way, we contribute both to the company’s own sustainable growth and the development of the economy as a whole.
Hitachi views the expansion of long-term and overall shareholder returns as an important management objective. Hitachi and its Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important portion of our overall corporate value. Accordingly, we are striving to establish a system that will facilitate the maintenance of these relationships and improve our corporate value, primarily through the implementation of measures focused on promoting constructive dialogue.

To advance these efforts effectively, we are working to improve our corporate governance by ensuring thorough separation between the oversight and execution of management, establishing a swift business execution system, and striving to achieve highly transparent management.

**Corporate Governance**

**Corporate Governance**

- Implement all of the principles of the Corporate Governance Code
- Run board meetings to sustainably enhance corporate value and shareholders' common interests
- Approve and dismiss the CEO and formulate succession plan
- Implement internal control over financial reporting
- Enhance collaboration through tripartite audits
- Build a more effective and efficient auditing system
- Ensuring legality, soundness, and transparency of Hitachi’s business
- Rapid response to economic and social conditions
- Analyzed and evaluated effectiveness of the Board of Directors of fiscal 2018
- Implemented an “chief auditor” system in five sectors (IT, energy, industry, mobility, smart life) and built an internal control system spearheaded by chief auditors under the executive vice presidents managing each sector
Corporate Governance

History of Hitachi's Corporate Governance Reform

Structure | Activities
---|---
102-26

1999 Introduction of Objective Perspective
- Management Advisory Committees
  - Practical advice from experts in Japan and overseas

2001 Separation of Management Oversight and Execution
- United with a company with committees (currently a company with nominating committee, etc.)

2002 Enhancement of Interactions with Capital Markets
- Market-friendly voting on business strategy by directors was launched

2003 Demarcation of Management Oversight
- Certification of commitment of top management of the business units to the capital markets

2006 Enforcement of Revised Companies Act

2010 Enhancement of Interactions with Capital Markets
- Independent directors, including foreign directors, were increased
- Independent directors comprised the majority of directors

2012 Development of Guidelines for Strengthening Governance
- Development of Corporate Governance Guidelines

2013 Development of Stewardship Code

2015 Start of Application of Corporate Governance Code

2019 Acceleration of the Social Innovation Business Across Five Growth Fields

We are implementing all of the principles of the Corporate Governance Code.

Policy

102-22 405-1

Director Composition

- **Independence** (ratio of independent directors)
  - 76.9%
- **Diversity** (ratio of non-Japanese directors)
  - 46.2%
  - 2 female directors (15.4% of overall director total)

Directors with Abundant Experience
Hitachi has 13 directors, 6 of whom are non-Japanese and 2 of whom are female. This team of directors applies their abundant experience and knowledge related to the management of global companies, legal affairs, accounting, capital markets, government agencies, and the field of digital technology to facilitate discussions informed by a wide variety of perspectives.

- **Transparency in Management**
- **Independence of the Board of Directors**
- **Enhanced Collaboration Through Tripartite Audits**

Hitachi’s Corporate Governance Framework and Its Features

- General Meeting of Shareholders
  - Appointment
  - Appointed Oversee

- Board of Directors
  - 2 executive members
  - 11 non-executive members (including 2 female members)

- Nominating Committee
  - 4 directors

- Organization Committee
  - 4 directors

- Audit Committee
  - 5 directors

- Senior Executive Committee

The Senior Executive Committee is an advisory body to the President & CEO that conducts multi-faceted discussions and makes careful decisions regarding important matters that impact Hitachi or its Group companies. As of April 2020, it consisted of 11 members, including the President & CEO, executive vice presidents (8 members), senior vice presidents (3 members) and a vice president.

Hitachi’s Audit Committee and internal audit section collaborate with third-party accounting auditors to strengthen its “tripartite auditing,” which aims to increase the effectiveness of internal controls.
Administrative Performance of the Board of Directors

The Board of Directors approves the basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders’ common interests. The basic management policy includes the Mid-term Management Plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with independent directors accounting for the majority of members of each committee. Board of Directors meetings were held on 9 days during fiscal 2019, and the attendance rate of directors at these meetings was 98%. The attendance rates for each independent director were as shown in the table below. To assist with the duties of the Board of Directors and each committee, staff who are not subject to orders or instructions from executive officers are assigned.

Status of Board of Directors Meetings Held in Fiscal 2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katsumi Ihara</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Cynthia Carroll</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Joe Harlan</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>George Buckley</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Louise Pentland</td>
<td>99%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Harufumi Mochizuki</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Takatoshi Yamamoto</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Hiroshi Yonehara</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*1 Number of days during term of office on which Board of Directors meetings were held: 9.
Number of days during term of office on which Nominating Committee meetings were held: 8.
Number of days during term of office on which Audit Committee meetings were held: 15. Number of days during term of office on which Compensation Committee meetings were held: 4.
Note: (g) indicates role as board or committee chairperson.

Analysis and Evaluation of the Effectiveness of the Board of Directors

Hitachi, Ltd. evaluates the effectiveness of its Board of Directors as a whole each year, in a continuous effort to maintain and improve its functions.

Fiscal 2019 Evaluation Process

1. Questionnaire-based self-assessment by each director (February-March 2020)
   - Points of evaluation:
     - Composition of Board of Directors: Member diversity, numbers and ratios of independent directors and inside directors, etc.
     - Clarification of the responsibilities and expected roles of the Board of Directors
     - Operation of Board of Directors: Meeting frequency, discussion time, proposal selection, discussion content, role of chairperson, etc.
     - Contribution: Contribution to management strategy formulation and changes in corporate culture, members' demonstration of experience and knowledge, etc.
     - Understanding regarding the company: Group identity, risk factors
     - Committee activities: Composition, responsibilities and roles, collaboration with Board of Directors, etc.
   - Independent directors held an exclusive meeting to discuss the effectiveness of the Board of Directors.

2. Discussions held by independent directors (March 2020)
   - Independent directors held an exclusive meeting to discuss the effectiveness of the Board of Directors.

3. Discussion and review within the Board of Directors (June 2020)
   - The Board of Directors held a discussion based on the results of the questionnaire-based self-assessment and discussions conducted in the exclusive meeting attended by independent directors, comparing these results to those of the previous year and considering the statuses of related initiatives. Through this discussion the Board of Directors analyzed and evaluated its overall effectiveness and identified policies through which it can increase this effectiveness.
Evaluation Results and Future Initiatives

Overall evaluation in fiscal 2019

Overall evaluation in fiscal 2019 evaluations determined that membership in our Board of Directors was sufficiently diverse. They also indicated the Board of Directors’ overall effectiveness was satisfactory due in part to its active discussions aimed at medium- to long-term strategic planning. The Nominating Committee was primarily focused on points related to management strategy, including the Mid-term Management Plan. Fiscal 2019 evaluations determined that membership in our Board of Directors was sufficiently diverse. They also indicated the Board of Directors’ overall effectiveness was satisfactory due in part to its active discussions aimed at medium- to long-term strategic planning. The Nominating Committee was primarily focused on points related to management strategy, including the Mid-term Management Plan.

Future initiatives

- The Board of Directors will continue to conduct discussions concerning business strategies for each sector. At the same time, it will discuss the progress of our Mid-term Management Plan as appropriate while accounting for circumstances surrounding COVID-19.
- We are strengthening collaboration between the Board of Directors and the Nominating Committee while further contributing to CEO succession planning. For example, expanding reports made to the Board of Directors through the Nominating Committee, enhancing coaching for successive and next-generation candidates.
- While accounting for circumstances surrounding COVID-19, we are improving our operational support system through the continuous sharing of information obtained through independent directors’ visits to Hitachi Group business premises and event participation.
- We will achieve further improvements related to the composition and content of materials, as well as to their practical aspects.

Administrative Performance of the Three Committees

**Nominating Committee**

- The Nominating Committee has the authority to determine proposals submitted to the general meeting of shareholders for the election and dismissal of directors. The Nominating Committee consists of four directors, three of whom are independent directors.
- It also determines director candidates and holds preliminary hearings concerning the independence of such candidates, including the CEO.
- In fiscal 2019, the Nominating Committee held meetings on eight days.

**Audit Committee**

- The Audit Committee has the authority to audit the execution of duties of directors and executive officers and to decide on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors.
- The Audit Committee consists of five directors, including four independent directors and one standing Audit Committee member. It has been invited in accounting and other business practices at the KPMG Group for many years and possesses a considerable breadth of knowledge concerning finance and accounting.
- In fiscal 2019, the Audit Committee held meetings on 15 days.

**Compensation Committee**

- The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on these policies. It is composed of four directors, including three independent directors, the committee strives to ensure objectivity, transparency, and fairness in the remuneration system.
- In addition, the Compensation Committee convenes and reviews details of the process used for determining remuneration for individuals, including assessments concerning basic remuneration amounts, evaluations of progress made toward target goals, and performance appraisal that are tied to short-term and long-term incentive compensation. The Compensation Committee held meetings on four days.

**Primary Activities**

- In addition to deciding upon the contents of the proposal made concerning director candidates at the Annual General Meeting of Shareholders, the Nominating Committee deliberates and makes decisions concerning the appointment or dismissal of executive officers, including the CEO. In fiscal 2019, the Nominating Committee held meetings on eight days.
- The committee determined director candidates based on preliminary deliberations and proposals from the Nominating Committee, while decisions related to the position of CEO are made based on preliminary deliberations and proposals from the Nominating Committee.

CEO Appointment, Dismissal, and Succession Plan

Hitachi’s Board of Directors decides upon the appointment and dismissal of executive officers, including the CEO, with the goal of constructing an optimal business execution system for management. Decisions regarding the appointment or dismissal of executive officers are based upon proposals made to the Nominating Committee, while decisions related to the position of CEO are made as a result of discussions by the Nominating Committee and the Audit Committee.

- The Board of Directors made decisions regarding the appointment or dismissal of executive officers, including the CEO, with the goal of constructing an optimal business execution system for management.
- Decisions regarding the appointment or dismissal of executive officers are based upon proposals made to the Nominating Committee, while decisions related to the position of CEO are made based on preliminary deliberations and proposals from the Nominating Committee.

- We are strengthening collaboration between the Board of Directors and the Nominating Committee while further contributing to CEO succession planning. For example, expanding reports made to the Board of Directors through the Nominating Committee, enhancing coaching for successive and next-generation candidates.
- We will achieve further improvements related to the composition and content of materials, as well as to their practical aspects.
Director and Executive Officer Compensation

Basic Policy
- Compensation shall be such that it enables the Company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

Compensation Structure

1. Directors
   Compensation for directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, travel from place of residence, etc. A director concurrently serving as an executive officer is not paid compensation as a director.

2. Executive Officers
   Compensation for executive officers consists of basic remuneration as fixed pay, and short-term incentive compensation and medium- and long-term incentive compensation as variable pay.
   The basic amount of each type of compensation is set based on the ratio of 1:1:1 as the standard form of compensation, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher the position an executive officer holds, the higher the proportion of variable pay in total annual compensation.
   If it is found that an executive officer has engaged in misconduct during his/her term of office, executive officer compensation that has already been paid shall be returned to the company (clawback provision).

Please refer to Compensation to Directors and Executive Officers on pp. 93-98 of the Annual Securities Report (The 151st Business Term).

Compensation to Executive Officers (FY 2020)


Fixed pay
- Basic remuneration
  Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.
- Short-term incentive compensation
  The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

Variable pay
- Medium- and long-term incentive compensation
  The shares of restricted stock are granted in order to propel management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management’s shared values with shareholders through the holding of shares during their term of office.

Total remuneration

Top-level Management Plan and the annual budgets for achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
Evaluated referring to adjusted operating income and operating cash flows for each division, among other indicators, to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
Accepted by adjusting the amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance.
Evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecasts disclosed to shareholders, including shareholders and investors.

Short-term incentive compensation

1. Executives forming the Senior Executive Committee
   - Linked to evaluations of divisional performance (50%)
   - Linked to evaluations of companywide performance (80%)

2. Other executive officers
   - Linked to evaluations of divisional performance (50%)
   - Linked to evaluations of companywide performance (80%)

Medium- and long-term incentive compensation

The shares of restricted stock
- The restriction on transfer shall be lifted if executive officers resign from all of the positions of the company’s executive officer, director, and corporate officer.
- With regard to one-half of granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation in which the total shareholder return of Hitachi’s stock is compared to growth rate of TOPIX (both measured over the three years dating back to the beginning of the fiscal year during which corresponding medium- and long-term incentive compensation was issued). Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more. Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%. Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%.

*1 The rates used for “other executive officers” apply when “executive officers forming the Senior Executive Committees” are in charge of business units or businesses.

*2 Number of shares whose transfer restrictions are lifted = Number of granted shares × [(TSR/TOPIX Growth Rate Ratio) - 0.5] × 0.5
Internal Controls over Financial Reporting

To ensure the reliability of its consolidated financial reporting, the Hitachi Group is establishing and implementing relevant internal controls. We evaluate their effectiveness by adhering to standards for the evaluation of internal controls related to financial reporting that are generally accepted as fair and reasonable.

Furthermore, we have established a J-SOX Committee with the goal of raising the effectiveness of these internal controls. This committee evaluates internal control effectiveness and establishes frameworks designed to improve and strengthen them.

Enhanced Collaboration through Tripartite Audits

In pursuit of sustainable growth in corporate value, Hitachi's Audit Committee and internal audit section collaborate with third-party accounting auditors to strengthen its "tripartite auditing," which aims to increase the effectiveness of internal controls. Our Audit Committee takes the lead in this regard as the three parties communicate closely to share risk information and assessments concerning risk response while securing transparency and ensuring appropriate checks and balances.
Building a More Effective and Efficient Auditing System

Our Audit Committee formulates audit plans in accordance with its risk-based approaches and conducts audits for each consolidated business unit. Audit Committee members meet directly with business unit heads before the internal audit section’s audits are carried out. These members then inform the internal audit section about concerns and issues related to the implementation of business strategies aimed at achieving sustainable growth that require attention. At this time, Hitachi also verifies matters that carry high levels of risk in terms of quality, measuring these risks through employee awareness surveys and thorough implementation of business strategies. Hitachi’s internal audit section performs regular internal audits at each business site and location. This section reports directly to the CEO and is independent from organizations that are subject to its audits. The internal audit section also formulates audit plans based on past audit records and the most recent business circumstances. Additionally, this section performs audits upon receiving direction from the Audit Committee, ensuring their effectiveness. The internal audit section at Hitachi is responsible for confirming the legality and appropriateness of all business operations, including those related to accounting, production management, sales, purchasing, IT systems, compliance, and human resources. Furthermore, acting on behalf of our management team, the internal audit section confirms that employees are well versed in the ideas and policies of our management, that their operations are being carried out based on these ideas and policies, and that business strategies are being implemented in a way that will efficiently lead to sustainable growth.

To further raise audit effectiveness, we implemented a “chief auditor system” in five sectors (IT, Energy, Industry, Mobility, Smart Life) in April 2019. Through this action, we built an internal control system spearheaded by chief auditors and enhanced collaboration with the executive vice presidents who manage each sector and with the Audit Committee. Although these chief auditors do not act as legal agents under the Companies Act, they still assume responsibility for governance in each sector. They also function as a reporting line for statutory auditors at Hitachi subsidiaries who are legal agents under the Companies Act and are working to improve the efficiency of our internal control systems.

When conducting business audits, we use IT systems to expeditiously search for reference information contained within materials submitted prior to audit in an attempt to improve efficiency. We are currently building a system that will allow our internal audit section to share information with professional accounting auditors using the Lumada platform’s data lake and expect it to be complete in fiscal 2020. When reading audit reports submitted by the internal audit section, our CEO must be able to quickly understand the issues identified by these reports and make prompt judgments concerning whether immediate action is required. In the future, our internal audit section will continue to maintain its transparency and independence while working to improve audit efficiency as one member of our tripartite audit system.

Our accounting auditors perform audits that focus on the accuracy and reliability of our financial statements. First, they adopt a risk-based approach in response to the group’s overall financial status. Applying this approach, they then determine the scope and methods of the audit, formulate an audit plan, and share opinions with the Audit Committee. Next, based on the audit plan, they perform audits on each of the five sectors and the business units they comprise, enabling effective and efficient understanding of data related to Hitachi’s finance department and each of its business segments. If, during the auditing process, our accounting auditors discover a degree of risk that could impact future financial statements significantly, or issues that, even if monetarily small, could have a large qualitative effect, they share information related to these risks and issues and progress on response from related divisions with the Audit Committee and internal audit section. They also work to improve and raise the effectiveness of audits by submitting “management letters” containing points of concern and improvement suggestions through the finance department. Recently, they have also been working to raise the efficiency of checks on the accuracy of numerical figures by using IT systems to investigate all cases, rather than performing test-checking through sampling.
With the globalization of the economy, borderless corporate activities—spanning countries and regions with different governmental and economic frameworks, trade practices, and sets of values—are increasingly vital. Spreading understanding of and respect for norms among all Hitachi Group employees is a fundamental management issue as we seek to rigorously implement fair business practices and avoid risks around the globe. Hitachi addresses this partly through the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, which spell out decision-making procedures and actions for all Hitachi Group executive officers and employees.

Additionally, with stricter regulations in countries and regions around the world regarding important business practices such as bribery prevention and adherence to competition law, Hitachi has formulated in-house regulations in line with international standards, and is sharing these regulations and enforcing thorough compliance throughout the Group.

### Core Initiatives
- Comply with the Hitachi Group Codes of Conduct
- Implement the Hitachi Global Compliance Program (HGCP)
- Prevent antisocial transactions
- Prevent bribery and corrupt practices
- Comply with competition law
- Carry out strict export control
- Implement thorough tax compliance

### Goals and KPIs
- Compliance reporting achievements: 459 reports
- Thorough implementation of prevention of bribery and corrupt practices and compliance with competition law

### Achievements in FY 2019
- Formulated the Hitachi Group Code of Ethics and Compliance
- Conducted a compliance risk survey of 821 Group companies
- Launched a Group-wide internal reporting system called the Hitachi Global Compliance Hotline
- Had more than 170,000 employees, including executive officers, complete an e-learning program on prevention of bribery and corrupt practices and compliance with competition law
- Conducted training sessions to prevent violations of competition law for general managers from sales divisions more likely to be exposed to compliance risks
Hitachi, Ltd. has formulated the Hitachi Group Codes of Conduct, which all executives and employees across the entire Group pledge to uphold. The Codes of Conduct are translated into 13 languages and shared with Hitachi Group executive officers and employees around the world. An e-learning tool has also been made available in Japanese and 13 other languages to reinforce understanding of the Codes of Conduct. Additionally, the Hitachi Group performs an annual employee survey on awareness of matters such as business ethics and compliance as part of its efforts to cultivate a healthy corporate culture.

In fiscal 2019, we explored ways to ensure a deeper understanding among all executive officers and employees of the Hitachi Group Codes of Conduct and clearly share the ideas on corporate ethics and compliance that must be shared across the entire Hitachi Group. The result of this process was the Hitachi Group Code of Ethics and Compliance, established in April 2020 to further emphasize to Hitachi executive officers and employees the importance of acting in accordance with corporate ethics and following compliance procedures. The code has been translated into 14 languages and shared with executive officers and employees around the world.

Based on the Hitachi Group Codes of Conduct and the Hitachi Group Code of Ethics and Compliance, Hitachi established the Hitachi Global Compliance Program (HGCP) to promote compliance.

To implement this program, we have appointed a senior executive as the head of risk management for the entire Hitachi Group, to supervise management-level risk management executives from business units and key Group companies. Under this system, policies and measures are shared through the Compliance Management Conference, composed of these risk management executives. Each executive is assisted by a compliance manager who implements practical support measures. Globally, we have also appointed compliance heads in 11 regions, responsible for implementing education and sharing information as well as arranging consultation services with outside attorneys.

Promoting Work Practices in Line with International Codes of Ethics

The Compliance Reporting System allows direct reports to be made regarding actual or suspected compliance violations. This system can be used not only by employees within the Hitachi Group but also by temporary staff and business partners, such as suppliers and distributors. The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to deal with situations as appropriate, including taking remedial action where necessary. In fiscal 2019, we received 459 reports from all Group companies worldwide.
Educational Activities for Preventing Bribery and Corrupt Practices

To ensure awareness of the HGCP rules and policies concerning prevention of bribery and corruption and compliance with competition law, we developed a global e-learning program about them and made it available in 15 languages—including Japanese, English, and Chinese—for use by Group companies worldwide.

Achievements in FY 2019

In fiscal 2019, more than 170,000 employees across the Hitachi Group, including executives, completed the e-learning program. To raise awareness of compliance, we asked participants to pledge to adhere to compliance rules.

Prevention of Antisocial Transactions

To cut off all relationships with organized crime groups and other antisocial forces, in the Hitachi Group Codes of Conduct we have laid out provisions stating that we will never engage in antisocial transactions under any circumstances, and will refuse any improper demands and unfair deals. We conduct eligibility checks on new as well as existing business partners and, in Japan, include antisocial force rejection clauses in contracts so that if it is determined that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The entire Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with external specialist institutions (the National Center for the Elimination of Boryokudan or the police).

Policies for Preventing Bribery and Corrupt Practices

Preventing bribery and corrupt practices is a major challenge for any company today. Hitachi established rules against bribery and corruption for the HGCP along with guidelines indicating specific spending thresholds for entertainment, gifts, and other arrangements provided to public officials. We also have policies banning facilitation payments and requiring due diligence procedures for business partners. With anti-corruption regulations growing stricter in recent years around the globe, we also expend great effort ensuring that we are in strict compliance with the US Foreign Corrupt Practices Act (FCPA) and all other relevant laws and regulations in the countries and regions where we do business.

Preventing Violations of Competition Law

As with our initiatives against bribery and corrupt practices, we are developing educational activities globally using e-learning material available in 15 languages—including Japanese, English, and Chinese—while at the same time ensuring that we comply with the HGCP's rules concerning competition law and other related business standards and guidelines. To enhance awareness of ethical principles and practices globally, we created a global version of our standards regarding contact with competitors. We also provide a collection of case studies on competition law and other topics for workplace discussion to Group companies in three languages—Japanese, English, and Chinese—to raise employee awareness.
Compliance

(1) Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body's Action Plan on Base Erosion and Profit Shifting (BEPS).

(2) Group companies effectively, continually, and proactively manage tax-related issues as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.

(3) Group companies build sincere and positive relations of trust with the tax authorities in the regions where the companies do business, and strive to maintain and develop those relations.

Tax Compliance Initiatives

To ensure risk management for taxation in response to globalization, Hitachi follows relevant tax-related regulations applicable to the Group as a whole and rules for transfer pricing management. We also manage transfer pricing in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations on transfer pricing in each country or region where Group companies are located.

Violations of Laws and Regulation

In fiscal 2019, there were no incidents in which Hitachi violated or was penalized under laws or regulations regarding bribery or corrupt practices. One of our Group companies, however, was found to have violated a competition law in an international deal involving automobile parts. We take this incident seriously and are striving to prevent recurrence of such violations by revising our organization and policies and enhancing education and audits. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations and did not have any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations.
## Risk Management

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. Amid such a drastic change in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth.

Hitachi launched an Investment Strategy Committee to strengthen the quantitative risk management of its investments. The Executive Sustainability Committee deliberates the social and environmental impact of our business activities to clarify any negative impact our business has on society and the environment and to identify countermeasures. Meanwhile, we remain actively engaged in promoting our own sustainable growth while contributing to the realization of a sustainable society by seeking out business opportunities contributing to the resolution of global issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0. In addition, we are enhancing our business continuity plans (BCPs) to ensure that the impact of risks does not disrupt our business and thereby significantly affect society.

Since fiscal 2019, along with disclosing key information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have also been promoting climate change responses.

### Why it matters

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. Amid such a drastic change in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth.

### What we are doing

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<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
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<tr>
<td>+ Understand and respond to risks and opportunities related to investment, sustainability, etc.</td>
<td>+ Understanding risks and taking appropriate action</td>
<td>+ Continued to understand risks and take appropriate action</td>
</tr>
<tr>
<td>+ Implement risk management to strengthen business and ensure business continuity</td>
<td></td>
<td>+ Disclosed information based on the TCFD’s recommendations</td>
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<tr>
<td>+ Strengthen procurement BCPs</td>
<td>+ Further strengthening procurement BCPs</td>
<td>+ Strengthened procurement BCPs at major business sites in Japan</td>
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<tr>
<td>+ Improve safety for employees sent to dangerous regions</td>
<td></td>
<td>+ Introduced Procurement BCPs Management System for business partners in Japan</td>
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</tbody>
</table>

### Goals and KPIs

- Understanding risks and taking appropriate action
- Further strengthening procurement BCPs

### Achievements in FY 2019

- Continued to understand risks and take appropriate action
- Disclosed information based on the TCFD’s recommendations
- Strengthened procurement BCPs at major business sites in Japan
- Introduced Procurement BCPs Management System for business partners in Japan
Addressing Risks and Opportunities

Risks and Opportunities

Under the 2021 Mid-term Management Plan, which began in fiscal 2019, we will expand our business while leveraging the company’s competitive advantages. We plan to invest ¥2.0–2.5 trillion in focus areas over the three-year period ending in fiscal 2021. A solid risk management system is indispensable for seizing growth opportunities and implementing aggressive management.

Hitachi established the Investment Strategy Division in 2017 and the post of Chief Risk Management Officer (CRMO) in April 2020 to better understand risk and take appropriate action. The company in the same year established the Executive Sustainability Committee to focus on the company’s policies regarding social and environmental issues. Our efforts in this area also included a move to identify issues that could be seen as business opportunities, as well as the negative effects on society and the environment from our business activities and the measures Hitachi is taking to address them.

Risk Management System

The business environment is changing day by day, impacted by the continued advance of information and communications technology, as exemplified by IoT, and geopolitical risks arising from complex shifts in political and economic conditions around the world. Hitachi aims to create new revenue opportunities while controlling risks. To do this, we maintain a clear understanding and analysis of the operating environment, taking into account social issues, as well as our competitive advantages and management resources, and conduct risk management with an eye toward the many risks the company should be prepared for as well as opportunities for growth.

In April 2020, we established the new post of CRMO to formulate and execute risk management strategies for the entire Hitachi Group. We also established the Hitachi Group Corporate Ethics and Compliance Code to clearly share ideas regarding corporate ethics and compliance that should be shared throughout Hitachi, as we work to further ensure that all Hitachi executives and employees act in complete compliance with corporate ethics.
Investment Risks and Opportunities

To accelerate the global Social Innovation Business amidst structural changes and increasing uncertainty in the world economy, it is increasingly important to understand investment risks and opportunities (e.g., M&A and orders for projects) and to take appropriate measures. As shown in the flowchart below, with regard to individual investment decisions (e.g., execution, business plan changes and disposals), under the ultimate authority of the Board of Directors and depending on the scale and content of the projects, Hitachi delegates authority to the Senior Executive Committee (which, in principle, meets twice per month) and respective business units to facilitate flexible and appropriate decision-making. In addition, regarding important matters to be deliberated by the Senior Executive Committee, prior to deliberations, discussions are held with the Investment Strategy Committee*1 advisory body, whose findings, including pros and cons, are reported to Senior Executive Committee members, including the President.

*1 Investment Strategy Committee: Consists of 10 members from the finance department and other relevant corporate divisions (as of March 31, 2020), including the Executive Officers in charge of Investment Strategy and Management Strategy as chairman and vice chairman.

Investment Execution Flowchart

After making an investment, Hitachi regularly monitors the business objectives and achievement status of the project, considering changes in the external environment. In principle, each business unit ensures flexibility, but Headquarters may also be involved depending on the level of importance. Also, regarding changes in business plans and the disposal or reorganization of important investment targets, discussions are held by the Senior Executive Committee as in the execution stage. For investment targets whose business is not progressing as planned, Hitachi established a framework to deliberate on the pros and cons of continuing business, including withdrawal as an option, so as to improve capital efficiency.

Post-Investment Flowchart

Through the above process, Hitachi will further strengthen asset profitability and risk tolerance while ascertaining risks before and after investments are made.

Quantitative Understanding of Risks

Hitachi calculates the maximum risk (Value at Risk) assumed by statistical methods according to the type of assets held on the Group’s consolidated balance sheet.

Considering total consolidated net assets and other factors, we visualize the surplus capacity of growth investments to monitor growth opportunities and ensure that risks are not excessively unbalanced compared to Hitachi’s consolidated management strength.

In addition, by analyzing risk conditions in each country and sector and the outlook for future trends, Hitachi gains a quantitative understanding of risk concentrations in specific countries and sectors in comparison with profitability.
Understanding and Responding to Risks and Opportunities Related to Sustainability

Social and environmental issues, including climate change, resource depletion, the curtailment of business activity due to significant disasters, and social instability due to growing inequality, are having a substantial impact on corporate value creation and business models. Amid such drastic changes in the business environment, companies must have a clear understanding of opportunities and risks and take appropriate measures if they are to achieve sustainable growth over the long term.

Hitachi can gain a clear understanding of sustainability-related risks, and accordingly take appropriate actions, thanks to the efforts of the Executive Sustainability Committee and other related committees. We remain actively engaged in promoting our own sustainable growth while contributing to the realization of a sustainable society by seeking out business opportunities contributing to the resolution of important domestic and overseas issues, including those relevant to the UN Sustainable Development Goals (SDGs) and Society 5.0.

<table>
<thead>
<tr>
<th>Major Risks and Opportunities</th>
<th>Details on risks and opportunities</th>
<th>Company actions</th>
</tr>
</thead>
</table>
| Fluctuations in product supply and demand, exchange rates, and resource prices; insufficient raw materials and components | **Risks**  
- Price fluctuations, including for products, exchange rate impact, and excess inventory  
- Exchange rate impact and price fluctuations, including for raw materials and components  
- Impact from significant disasters on the supply chain  
- Shrinkage of demand and impact on the supply chain caused by the spread of COVID-19 | **Activities**  
- Build close relationships with multiple suppliers  
- Ensure an appropriate response to changes in demand in each region by promoting a local production and local consumption model for products and services  
- Strengthen resilience to business interruption risks by formulating BCPs at domestic and major overseas facilities |
| Rapid technological innovation | **Risks**  
- Overdevelopment of cutting-edge technology or application of a product/service does not progress as expected  
- Reduction or elimination of existing market due to technological innovation | **Activities**  
- Develop advanced technology to generate new business opportunities  
- Promote open innovation through industry-academia-government cooperation  
- Secure and develop digital talent  
- Strengthen Lumada  
- Foster an innovation ecosystem through the above |
| Securing human resources | **Risks**  
- Impact on new hires and worker retention due to increased competition to hire and retain highly skilled workers | **Activities**  
- Expand the direct hiring of front-line and digital talent overseas  
- Create workplaces where diverse talent can work comfortably  
- Secure highly skilled global talent using a global common platform for HR Management  
- Retain and develop talent through a common learning management system globally across the Group and in-house education programs |
| Occupational health and safety | **Risks**  
- Impact on business due to inability to create healthy, safe, and secure work environments  
- Impact on business activities from employees infected with COVID-19 | **Activities**  
- Establish a global occupational health and safety system that includes lessons learned from global operations, the entrenchment of global norms, and the sharing of success stories  
- Occupational Health and Safety |
<table>
<thead>
<tr>
<th>Major risk factors</th>
<th>Details on risks and opportunities</th>
<th>Company actions</th>
</tr>
</thead>
</table>
| M&A, investment in new projects, etc.                                             | • Failure related to insufficient management of projects involving M&A aimed at strengthening the Social Innovation Business, investment in new projects, R&D investment/CAPEx, and large-scale orders  
• Build a foundation for growth through the acquisition of new management resources | • Carry out strategy formulation in business units and phase-gate management in various councils and approval meetings 
• Analyze and discuss market trends, other company trends, technological trends and potential risks at Investment Strategy Committees, Business Strategy Meeting, Senior Executive Committees, Board of Director and Audit Committee meetings |
| Geopolitical risks                                                                 | • Impact on Hitachi Group’s overseas businesses due to political, economic and social trends                                                                                                                                                                                                  | • Regularly update our understanding of global political and economic trends, analyze the impact on our business and swiftly implement countermeasures on a Group-wide basis |
| Tighter laws and regulations                                                     | • Tighter laws and regulations regarding investment, exports, and customs duties  
Example: Impact on business activities from the introduction of new laws and regulations related to the protection of personal data, such as the General Data Protection Regulation (GDPR) in Europe | • Operate personal information protection systems in line with Hitachi's personal information protection policy 
• Identify businesses subject to the GDPR, assess risk, implement appropriate safety management measures in line with those risks, and conduct worker training |
| Compliance                                                                        | • Loss of trust and a decline in corporate value as a result of corporate behavior that deviates from social norms and violates laws, including relating to bribery and anti-competitive activities | • Implement Group-wide compliance programs based on Hitachi Group Codes of Conduct as highest principles 
• Strengthen measures to prevent bribery and violation of competition laws |
| Product quality and responsibility                                               | • Loss of trust and claims for damages due to defects or a deterioration in product and service quality because of the increased complexity/sophistication of products or services, or the diversification of production sites or suppliers | • Strengthen the quality assurance system 
• Engage in activities aimed at preventing accidents 
• Engage in activities aimed at ensuring compliance with laws and regulations related to technology 
• Ensure intensive risk assessment 
• Implement measures for handling product accidents 
• Conduct quality and reliability-related training |
| Climate change/significant disasters                                             | • Impact on business activities due to measures in line with the tightening of international regulations to curb greenhouse gas emissions and the depletion of energy and resources  
• Impact on business activities, from production to sales, due to a significant disaster affecting major facilities in Japan or overseas  
• Expand the decarbonization business by offering climate change-related solutions | • Strengthen measures to achieve the CO₂ reduction targets in Hitachi Environmental Innovation 2050 
• Implement measures in line with an analysis of Hitachi risks and opportunities based on climate-related scenarios  
• Formulate BCPs to strengthen our ability to respond to business disruption risks |
| Information security                                                              | • Computer viruses or other factors adversely affecting information systems  
• Depend revenue opportunities through increased demand for information security measures  
• Respond to increased demand for IT solutions in line with the expansion of remote work | • Promote cybersecurity strategies through risk management and value creation 
• Enhance technological and product development for digital environments |

**Notes:**
- **Risks:** Potential threats or challenges that may impact the business.
- **Opportunities:** Positives or benefits arising from the identified risks.
- **Company actions:** Strategies or responses to manage the risks and seize opportunities.
### Business Continuation Initiatives

#### Hitachi's Thinking on BCPs

Given the close relation of our business to social infrastructure, we are enhancing our business continuity plans (BCPs) to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. The Hitachi Group Guidelines for Developing Business Continuity Plans (Overview) and the Hitachi Group Guidelines for Developing Business Continuity Plans (By Department) were issued in Japanese, and then translated into English and Chinese for distribution to all Hitachi Group companies to enhance preparedness for major disasters and other risks.


We have also appointed personnel with responsibility for risk-response policies at our main overseas bases. Around 300 overseas Group companies prepared BCPs to strengthen their ability to respond to business risks, including major disasters, infectious diseases, political instability, social disruption, and acts of terrorism.

#### Responding to COVID-19

**A COVID-19 task force led by the president of Hitachi, Ltd. was established at Group headquarters to provide instructions on preventive measures to Group companies worldwide. Similarly, each Group company formed its own task force to secure the safety of their employees and business continuity while helping to maintain social infrastructure through its business operations.**

Our regional headquarters around the world gather local information as well as sharing information on the measures taken by Hitachi Group companies in their respective regions.

**BCP Initiatives in Japan**

- Created BCPs for both major earthquakes and novel strains of influenza as appropriate to each business operation (fiscal 2011).
- Conducted earthquake drills simulating a major seismic event (annually).
- Conducted initial response drills simulating a major earthquake in the suburbs of Tokyo (2018).
- Developed action plans including setting up substitute headquarters in the Kansai region in case our Tokyo headquarters temporarily cease to function (2017); conducted drills to set up substitute headquarters (2019).
- Conducted drills to set up an earthquake task force on a remote-work basis, on the assumption that a major seismic event had occurred on a holiday, shutting down traffic (2019).

**Procurement BCPs Initiatives**

To minimize the impact of disasters that may occur, the procurement divisions in business units and key Group companies in Japan have created procurement BCPs that (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory strategically; and (5) consider substitute products.

We held desktop exercises to see whether or not procurement BCPs would be effective against earthquakes and held group discussions about what should be done during and after such disasters, seeking further improvements.

**Achievements in FY 2019**

**In fiscal 2019, all major Group business sites in Japan with production lines (192 sites in total) took steps to strengthen the procurement BCPs.**

In January 2020, we introduced the Procurement BCPs Management System for our business partners in Japan to efficiently share information among Hitachi Group companies in time of a disaster.

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### Improving Safety for Employees Sent to Dangerous Regions

The president of Hitachi, Ltd. strengthened our policy of ensuring the safety of employees sent to countries and areas at higher risk of conflicts, terrorism, and other threats. Survey missions of in-house and outside experts are sent beforehand to such areas. After employees are dispatched, we conduct additional local surveys every six months to confirm the effectiveness of our safety policies.

Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, we participate in the Council for Public-Private Cooperation for Overseas Safety organized by Japan’s Ministry of Foreign Affairs and take part in public-private exercises to counter terrorism and kidnapping.

**Achievements in FY 2019**

In fiscal 2019, against the threat of terrorism expanding around the world and the COVID-19 pandemic, we employed a range of safety measures, including providing timely alerts to employees. This underscores our commitment to ensuring the safety of our employees working around the globe.
Information Management

Even as the development of IoT creates new value, cyberattacks are growing increasingly sophisticated and widening in focus from traditional IT to encompass the IoT/OT field as well. The risks for corporations include leaks of information, operational stoppages, and even direct disruption to business, making information security one of the most critical issues companies face. The development of Hitachi’s Social Innovation Business has highlighted the vital importance of information security governance as a key management issue, and measures are being put in place to address it.

With the arrival of the digital age due to advances in IT and the internationalization of socioeconomic activity, privacy risks have also increased. Data associated with individuals, including location information and purchase history, has come to be known collectively as “personal data.” The use of personal data can be expected to create value going forward, but protecting this data and showing due consideration for privacy is essential. Hitachi not only implements comprehensive personal information management, strictly adhering to all relevant laws and regulations in every country and region where it does business, it also aims to create value by using personal data safely and securely while keeping privacy protected.

Table:

<table>
<thead>
<tr>
<th>Core initiatives</th>
<th>Goals and KPIs</th>
<th>Achievements in FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Disseminate Information Security Policies</td>
<td>- Information security and personal information protection audits at all Group companies and business units (annual)</td>
<td>- Launched cyber security risk-management activities</td>
</tr>
<tr>
<td>- Strengthen information management</td>
<td>- Prevent information leaks</td>
<td></td>
</tr>
<tr>
<td>- Prevent information leaks</td>
<td>- Provide education programs on information security</td>
<td></td>
</tr>
<tr>
<td>- Provide education programs on information security</td>
<td>- Conduct thorough information security audits and inspections</td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
### Core initiatives
- Protect personal information
- Manage customer information
- Manage online content

### Goals and KPIs
- Personal information leaks: 0

### Achievements in FY 2019
- Held e-learning programs on information security and personal information protection (participating employees: around 40,000)
- Conducted opinion surveys on use of consumer data in big data businesses
- Developed e-learning tool on using social media and addressing associated risks
Information Security

Information Security Policies

Hitachi considers one of its top management priorities to be information security governance to minimize the risk of business disruption such as leaks of information or operational stoppages due to cyberattacks. The Japan Business Federation’s Declaration of Cyber Security Management also placed emphasis on cyber security measures as a critical management challenge from the aspects of both value creation and risk management. Hitachi approaches the issue of information security governance based on the same concept.

At the same time, as a global company, we regard cyber security risk as one of our management risks. Accordingly, to allow us to declare both internally and externally Group policies for addressing this risk, we have formulated Information Security Policies in line with our corporate management policies and based on our cyber security risk management.

We have our data centers and other divisions ISMS-certified by the ISMS Accreditation Center in accordance with the ISO/IEC 27001 Information Security Management System international standard. This certification has been received by 7 divisions of Hitachi, Ltd. and 27 divisions of 21 Group companies.*1

*1 As of July 31, 2020.

Information Security Policies

1. Formulation and continuous improvement to information security management regulations
2. Protection and continuous management of information assets
3. Strict observance of laws and standards
4. Education and training
5. Incident prevention and management
6. Assurance of fair business practices within the corporate group

Framework for Promoting Information Security

Chaired by the CISO, the Information Security Committee determines all policies and procedures for information security and personal information protection. These decisions are conveyed to all Hitachi Group business sites and companies, and are implemented by the relevant information security officers.

Information Security Management

Hitachi reinforces its information security in line with its Global Information Security Administration Rules, which conform to the international ISO/IEC 27001 standard. These rules are globally distributed by the headquarters of Hitachi, Ltd. and its Group companies. Other measures include actively promoting the use of shared security services and related support for information security provided by regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

The Information Security Committee determines policies and procedures for information security and personal information protection. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

Details of our information security initiatives are contained in our Information Security Report.
As cyberattack methods become more diversified, our business is at a higher risk of damage from incidents taking place in a broader range of areas. To address this risk, in fiscal 2019 we expanded the scope of our risk management from the security of the internal IT environment used by our existing OA to launch a new series of cyber security risk management activities.

We are currently working to reduce business risk by expanding our efforts in the environments where products and services are developed, produced, and manufactured as well as the supply chain and the process of developing products and services.

**Achievements in FY 2019**

Security Monitoring

In Hitachi, the Security Operation Center (SOC) monitors security on a 24/7 basis so global-scale cyberattacks can be detected and countermeasures initiated right away. The Incident Response Team (IRT) collects and develops threat intelligence*1 and manages the response to any security incidents.

*1 Threat intelligence: An approach to countering cyberattacks using knowledge of new threats gathered from a range of information on cyber security.

**Preventing Information Leaks**

Hitachi takes the following IT steps to prevent information leaks: encrypting devices; using thin clients;*1 employing electronic document access control and expiration processing software; maintaining ID management and access control by building an authentication infrastructure; and filtering e-mail and visited websites. In response to the recent spate of targeted e-mail attacks and other cyberattacks, we are participating in an initiative to share information between the private sector and the government. We are also enhancing our IT organization by adding more layers to our leak prevention procedures.

To prevent leaks from our suppliers, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We also provide tools to suppliers (procurement partners) for security education and for checking business information on computers. In addition, we require suppliers to check and remove business information from personal computers.

*1 Thin client: A terminal with the minimum necessary software. Thin-client computing significantly enhances cyber security by storing applications and data on the server.

**Education on Information Security**

Hitachi holds annual e-learning programs on information security and personal information protection for all executive officers and employees.

Nearly all of the roughly 40,000 employees at Hitachi, Ltd. participate in these programs. We offer a variety of courses that have different goals and are tailored to different target audiences, including new employees, new managers, and information system administrators. We also implement simulation training to educate employees about malicious targeted e-mail attacks and other cyberattacks. Employees are sent examples of targeted e-mail to heighten their awareness of security through direct experience.

Our educational programs, shared within the Group, provide Group-wide education on information security and personal information protection.

**Thorough Information Security Audits and Inspections**

The Hitachi Group has developed its approach to security based on the "plan-do-check-act" (PDCA) cycle for its information security management system. We conduct annual information security and personal information protection audits at all Group companies and business units.

The president of Hitachi, Ltd. appoints officers to conduct independent audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing. There are 196 Hitachi Group companies in Japan, including Hitachi, Ltd., that conduct audits in the same way as Hitachi, Ltd., and all results are subject to confirmation. For Hitachi Group companies outside Japan, we use a "common global self-check" approach to ensure Group-wide auditing and inspections. We implement Confirmation of Personal Information Protection and Information Security Management annually for the voluntary inspection of Hitachi, Ltd. business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 629 operations (as of March 2020) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.
Personal Information Protection

Personal Information Protection Policy

Hitachi, Ltd.’s Personal Information Protection Policy sets out its corporate philosophy and principles on personal information protection. The policy is disseminated to all executive officers and employees, as well as being publicly available.

A personal information protection management system based on the policy has also been established. Through the rollout of the system, as well as the safe handling of personal information, programs for all employees, and periodic audits, we are ensuring protection of personal information.

Privacy Mark Certification

Hitachi, Ltd. received Privacy Mark certification. The entire Hitachi Group is committed to personal information protection, with 39 Hitachi Group companies having received the Privacy Mark as of March 31, 2020.

Hitachi also strives to safeguard personal information globally at Group companies outside Japan based on each company’s personal information protection policy and compliance with all applicable laws and regulations as well as the expectations of society at large.

There were no cases of personal information leakage during fiscal 2019.

Privacy Protection Initiatives by Hitachi's IT Sector

We are taking proactive steps on privacy protections to ensure that personal data is used safely and securely.

In Hitachi’s IT sector, which leads our digital business, we have assigned a personal data manager responsible for managing privacy protection and established a privacy protection advisory committee to support risk assessments and develop countermeasures based on knowledge and expertise of privacy protection. In accordance with the policies set by the committee, our employees implement privacy impact assessments for processes where personal data will be handled and take measures to prevent privacy violations. When employees find it difficult to assess risks on their own, or conclude that risks of privacy violation are high, the privacy protection advisory committee will extend support to deal with the case and help reduce risks. In fiscal 2019, we dealt with 190 privacy protection cases of this sort.

In order to leverage the expertise built on these experiences when conducting business with our customers, we have made publicly available a whitepaper on Hitachi’s privacy protection initiatives in the use of personal data. Furthermore, Hitachi regularly conducts consumer opinion surveys on the use of consumer data in big data businesses to understand changing consumer perceptions and take them into consideration when updating privacy protection measures.

Responding to Personal Data Protection Laws Around the World

With the increasing risk of privacy violation in recent years due to the advent of the digital age following advances in IT and the globalization of socio-economic activities, lawmakers are actively seeking to create and modify relevant laws and legislation in countries and regions around the world. The Hitachi Group pays close attention to relevant laws and legislation on a global basis, including the European General Data Protection Regulation (GDPR), making efforts to comply with them across the Group. It also monitors relevant legislation and social trends and takes action in response when necessary.

Management Framework for Customer Information

Hitachi’s customer relations management framework, HiCRM, has been deployed at approximately 200 Group companies to collect and accurately manage customer and transaction information Group-wide, in addition to serving as a marketing tool. HiCRM covers more than 80% of the orders received across the whole Group, with the database enabling us to formulate more effective sales strategies and offer collaborative solutions by multiple businesses. Going forward, we will consider rolling out the system more aggressively across the Group.

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Online Content Management

Information Management Policies on the Use of the Web and Social Media

Hitachi has been active in promoting initiatives to deepen customer understanding of its Social Innovation Business through its corporate website and social media accounts. To protect our brand and avoid violating the rights of others, including human rights, in implementing these initiatives, we have established the Hitachi Social Media Policy for global use, which stipulates usage policies. To raise awareness of this policy, an e-learning tool on approaching the use of social media and addressing associated risks is available in Japanese, English, and Chinese.
## Governance Data

### Corporate Governance

#### Leadership Demographics

<table>
<thead>
<tr>
<th>Role</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Japanese</th>
<th>Non-Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors*1</td>
<td>13</td>
<td>11</td>
<td>2</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Executive officers*2</td>
<td>33</td>
<td>33</td>
<td>0</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>Executive and corporate officers*3</td>
<td>70</td>
<td>65</td>
<td>5</td>
<td>64</td>
<td>6</td>
</tr>
</tbody>
</table>

*1 As of July 2020.

*2 Including 10 independent directors (four from Japan and six from outside Japan).

*3 Including fellows.
To enhance the reliability of the data disclosed in the Hitachi Sustainability Report 2020, we have received independent assurance of key environmental and social performance indicators by KPMG AZSA Sustainability Co., Ltd. The indicators that were assured are marked with a "i".

The standards, guidelines, and calculation methods used in collecting environmental data are posted on our website.

Independent Assurance Report

To the President and CEO of Hitachi, Ltd.

We were engaged by Hitachi, Ltd. (the "Company") to provide a limited assurance engagement of the environmental and social performance indicators marked with "i" (the "Indicators") as of the period ended April 1, 2019, to March 31, 2020, which are included in Hitachi Sustainability Report 2020 (the "Report") for the fiscal year ended March 31, 2020.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We cannot assume our engagement is in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Financial Statements and the ISAE 3001, Assurance Engagements on Control and Other Attestation Engagements issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of evaluating the criteria, primarily of relevant responsible for the preparation of the Indicators contained in the Report, and applying our judgment and other procedures, so the procedures performed vary in nature and extend to those for a reasonable assurance engagement. The level of assurance provided is thus not at high or that provided by a reasonable assurance engagement. Our assurance procedures included:

- Evaluating the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's control system.
- Testing the design and operating effectiveness of the controls.
- Evaluating the documentation supporting the preparation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and testing the Indicators.
- Making inquiries and reviewing materials including documented evidence of Hitachi High-Tech Plc System Corporation, which are related to the basis of audit, in addition to other procedures.
- Evaluating the overall presentation of the Indicators.

Conclusions

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants Issued by the International Ethical Standards Board for Accountants, which includes independence and other requirements focused on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. In accordance with International Standard on Quality Control (ISQC), we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 12, 2019

https://www.hitachi.com/environment/data/method.html
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