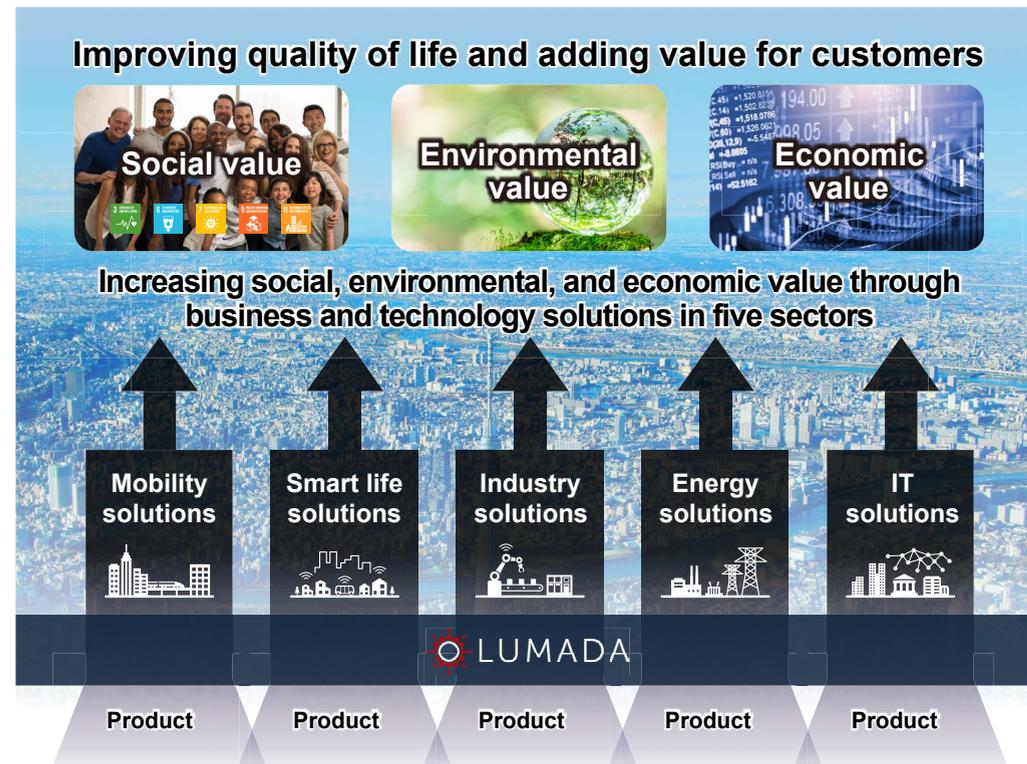


Sustainability Management

The 2021 Mid-term Management Plan and Sustainability

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

■ Enhancing Three Kinds of Value with Solutions in Five Sectors



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

Sector	Social/Environmental Value Being Created	Relevant SDGs
IT	Contributing to India's economic development by expanding payment services to over 400 million people	11 SUSTAINABLE CITIES AND COMMUNITIES
Energy	Managing 25% of the world's substations and providing stable energy to around 1.8 billion people	7 AFFORDABLE AND CLEAN ENERGY
Industry	Providing a safe and secure water environment to 70 million users per day by providing water supply and sewerage systems	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Mobility	Providing railway services that are safe, secure, pleasant, and environmentally conscious to 18.5 billion passengers per year	11 SUSTAINABLE CITIES AND COMMUNITIES
Smart Life	Contributing to improvements in people's quality of life by performing 20 billion blood tests and other diagnostic tests per year	3 GOOD HEALTH AND WELLBEING, 11 SUSTAINABLE CITIES AND COMMUNITIES

 Social Innovation Business ▶ <http://social-innovation.hitachi/en/>

 2021 Mid-term Management Plan ▶ <http://www.hitachi.com/IR-e/library/presentation/webcast/190510.html>

Sustainability Strategy Promotion Structure

102-19 | 102-20 | 102-21 | 102-26 | 102-27 | 102-30 | 102-31 | 102-32 | 102-33 | 102-34 | 102-46 | 103-3



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.

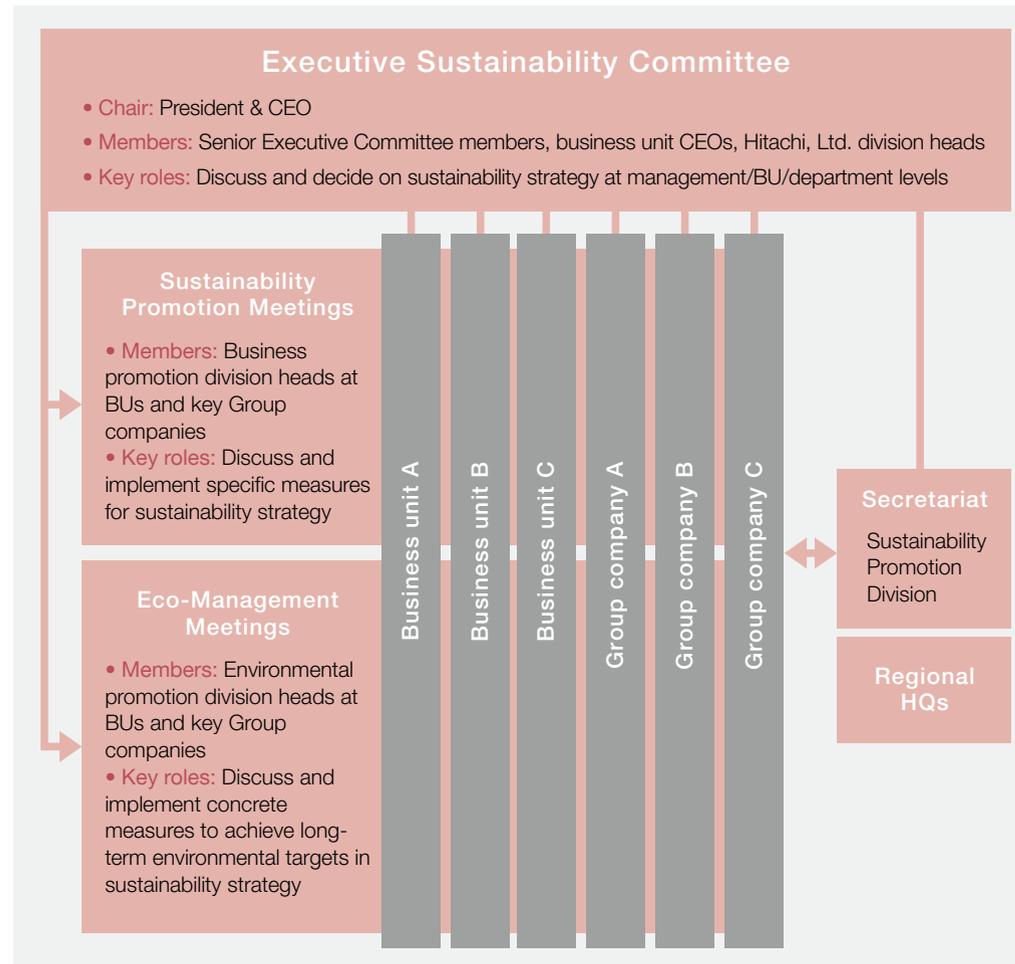
To review and discuss CSR initiatives, CSR Manager Meetings are regularly held by CSR and social contribution officers from business units and Group companies. Global and Regional CSR Meetings for the Americas, Europe, China, Southeast Asia, India, and Australia are also held regularly.

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.

■ Sustainability Strategy Promotion Structure



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.

Key ESG-Related KPIs

	KPI	Result in FY 2019	Target	Relevant Page	
Environmental	Products and services Reduction rate of CO ₂ emissions per unit (base: FY 2010)	19%	FY 2021	20% or higher	P. 25
			FY 2030	50%	
			FY 2050	80%	
	Business sites (factories and offices) Reduction rate of total CO ₂ emissions (base: FY 2010)	17%	FY 2021	20% or higher	P. 25
FY 2030			100% (carbon neutral)		
FY 2050			(Maintain 100%)		
Reduction rate of water use per unit in Hitachi Group (base: FY 2010)	26%	FY 2021	26% or higher	P. 25	
		FY 2050	50%		
Reduction rate of waste and valuables generation per unit in Hitachi Group (base: FY 2010)	14%	FY 2021	12% or higher	P. 25	
		FY 2050	50%		
Social	Digital talent	30,000	FY 2021	37,000	P. 81
	Data scientists	Approx.1,000	FY 2021	3,000	P. 81
	Top-class AI talent	306	FY 2021	350	P. 72
	Ratio of female executive and corporate officers	5.0%	FY 2020	10%	P. 84
	Ratio of non-Japanese executive and corporate officers	8.8%	FY 2020	10%	P.84
Number of female managers in Japan	700	FY 2020	800 (twice the number at the end of fiscal 2012)	P. 84	

Identifying Social Impacts with Respect to Goals to Contribute to Through Business Activities ▶

Contribution to the SDGs (Sustainable Development Goals)

The SDGs and Hitachi's Social Innovation Business

Approach

102-11

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

Policy

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.



Road Map for Achieving the SDGs

Goals

Activities

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.

Achievements in FY 2019

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.



- 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

Activities

102-47 | 103-1

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.

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

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”



Business creating impact

Name of key business	Business overview
Cashless payment services in developing countries such as India	<ul style="list-style-type: none"> • India: ATM and POS payment services. Acquiring business and data linkage business via JV with large national bank SBI.