

2

Management

Management

➤ CEO's Message

Chief Sustainability Officer's Message

Hitachi Group Identity

Sustainability Management

Engagement and Initiatives

External Assessments and Awards

//CEO's Message GRI 102-14/102-15

Support people's quality of life with data and technology that fosters a sustainable society

In the wake of the financial crisis following the collapse of Lehman Brothers, Hitachi made a major shift to the Social Innovation Business, which aims to solve social issues through co-creation with customers, leveraging our core strengths in IT (Information Technology) × OT (Operational Technology) × Products. For about 10 years until last fiscal year, as one CEO passed the baton to another, we have been on a transformational journey to reform our business structure to further expand our Social Innovation Business.

The three-year term of our Mid-term Management Plan 2021 was, in a sense, about putting the finishing touches on this process of structural reform. Our key objective to become a global leader in the Social Innovation Business guided us to focus our resources on building a global business foundation. Acquiring global leader ABB's Power Grids business (currently Hitachi Energy) provided us with core infrastructure in the environmental business that is essential for renewable energy use. Further, our acquisition of GlobalLogic, a leading-edge digital engineering firm that is growing rapidly on its strength in collaborating with customers, gave us the global base needed for our Lumada-focused digital business.

In the Mid-term Management Plan 2024, Hitachi aspires to "support people's quality of life with data and technology that fosters a sustainable society." In our business activities, we must be mindful of planetary boundaries—tipping points for destructive changes to the global environment—and act to protect the planet. In the social aspect, our next major objective is 'wellbeing'—where every individual can fully express their individuality and play an active role. Hitachi focuses on research and development that will enable us to use data and technology to build a sustainable society that does not exceed planetary boundaries while realizing wellbeing. We have set an overall theme for our Mid-term Management Plan 2024 — "From structural reform to organic growth" — which will pave the way for growth over the next ten years by earning the trust of our customers as their partner in finding solutions to issues.

To meet expectations from global initiatives and stakeholders, we have identified six key material



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2

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issues which we will address through our deepened commitment to sustainable management taking into account the greatest strengths we have and the challenges we face. The Senior Executive Committee and the Board of Directors are discussing the status of progress on the management targets we have set based on these, as well as possible new initiatives. In the interest of strengthening governance to achieve the objectives of the Mid-term Management Plan 2024, we are working to clarify our approach to accountability, including linking major KPIs to the performance evaluation of executive officers.

The world has entered an era of highly unpredictable social and economic change. There are critical steps we must take to ensure reliable implementation of our plan in this volatile environment. One crucial focus is gathering information on potential risks so that we are prepared to take rapid action when risks materialize. We are committed to responding to the diverse range of risks we face, including those related to the economic environment, geopolitics, natural disasters and compliance, in a swift and comprehensive manner. In April 2022, we established a central risk management framework and accountability structure for this purpose.

With regards to the environment, we have set up a Group-wide cross-sectoral organization under the Chief Sustainability Officer to promote decarbonization efforts among our customers and within the Hitachi Group. A key aim is to promptly provide customers with relevant knowledge and expertise that the Group has accumulated.

We will leverage this new framework to achieve the targets of contributing to reduce CO₂ emissions by 100 million metric tons annually by fiscal 2024 and also achieving carbon neutrality in the value chain by fiscal 2050.

We must not lose sight of the fact that the most important factor in continuing to provide value to our customers and the broader society to build a sustainable world is our people. The driving force behind the evolution of our Social Innovation Business is the talents from all over the world who identify with our purpose of solving social issues. Solving increasingly complex social issues requires creativity that goes beyond conventional thinking. Diversity, Equity and Inclusion is the key to achieving this. It is crucial that we encourage collaboration across organizations, regions and generations, and build an equitable and inclusive organization where our diverse talents are able to play an active role. We will develop talents and foster a corporate culture that enables each and every employee to see social issues as their own and to fulfill their best with passion, thereby improving engagement with employees.

To address environmental challenges such as climate change, social issues such as urban population growth, and new social issues that we cannot even predict at this time, Hitachi will take on the challenges and grow through co-creation with our customers and other stakeholders. I invite you to keep your eyes on Hitachi, as we move into the future.