Business Ethics and Compliance

Basic Concept

With the globalization of the economy, overarching regulations and differences in governmental and economic frameworks, the importance of building a culture based on ethics, honesty and integrity are key. Hitachi believes that business ethics and compliance are the foundation of our Company, and we engage in fair, transparent, and honest management. We are committed to creating an open environment in which employees perform at their best and in which every employee feels safe in acting ethically. In this way, we work together to create environments where everyone is empowered to speak up and to perform at the highest standards.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Overview</th>
<th>Targets, KPIs, and Results</th>
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</thead>
<tbody>
<tr>
<td>Business Ethics and Compliance</td>
<td>The Hitachi Group Code of Ethics and Business Conduct spell out decision-making procedures and actions for all Hitachi Group executives and employees. To promote compliance, the Hitachi Group Chief Compliance Officer (CCO) leads the One Hitachi Compliance Program, a program for global compliance initiatives. Specifically, we conduct training to foster a culture of corporate ethics and compliance, pursuing risk assessment within the company and among business partners. We are also expanding the Hitachi Global Compliance Hotline (grievance mechanism) globally.</td>
<td>Assessment Score on Ethical Culture and Ethics FY2023 Target: Standard score of 60 points or higher (out of 100) Achieved a score of 76.5</td>
</tr>
<tr>
<td>Anti-Bribery and Anti-Corruption</td>
<td>Hitachi has made it clear that we will not tolerate any bribery, kickbacks, or other corrupt behavior by employees or business partners, or any conduct that violates the anti-bribery laws and regulations of countries and regions that have become increasingly strict in recent years, including the U.S. Foreign Corrupt Practices Act (FCPA). We conduct various anti-bribery and anti-corruption initiatives, including internal education for our employees.</td>
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<tr>
<td>Tax Compliance</td>
<td>To respond to tax risks associated with the globalization of our business, Hitachi conducts appropriate tax governance throughout the Group by identifying tax risks on a quarterly basis under the management of the CFO.</td>
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</table>
Business Ethics and Compliance

Doing Business Ethically, Honestly and Transparently

The Hitachi Group believes that business ethics and compliance are the foundation of the company, and we promote fair, transparent, and honest management. We strive to create open environments in which every employee acts ethically and maximizes performance. In addition to ensuring compliance with laws and regulations, we encourage an understanding of the Hitachi Group Code of Ethics and Business Conduct, various rules, and other regulations, not only among employees, but also among business partners. We promote a culture of speaking up to ensure appropriate reporting and action in the unlikely event of a violation or suspected violation of laws and regulations or the Hitachi Group Code of Ethics and Business Conduct.

The Hitachi Group Identity embodies our mission, the Hitachi Founding Spirit, and the Hitachi Group Vision. We believe this Identity is an important part of the Hitachi Group commitment to business ethics and compliance. Through the One Hitachi Compliance Program, which aims to strengthen compliance throughout the Group and organization globally, Hitachi fosters a corporate culture in which every employee understands what is expected of them and acts with integrity and fairness.

Further, we ensure business ethics and compliance throughout the value chain through the Hitachi Group Sustainable Procurement Guidelines, which serves as a code of conduct for procurement partners to follow in understanding Hitachi’s commitment to compliance with laws, regulations, and ethical standards, as well as our commitment to respect for human rights.

Compliance With the Hitachi Group Code of Ethics and Business Conduct

All employees who complete the annual business ethics and compliance training via e-learning pledge to comply with the group-wide Hitachi Group Code of Ethics and Business Conduct (the “Code”).

The Code defines the basis for decisions and actions across a range of matters, including business ethics, conflicts of interest, fair and free competition, sustainability, human rights, respect for diversity and individuality, and community involvement. In March 2023, we performed a complete revision of the content to be more broadly responsive to the expectations of a changing global social environment. The Audit Committee members received a report regarding the revisions of the Code.

The Code has been prepared in more than 20 languages. The Japanese and English versions are published on the Hitachi, Ltd. website, and other languages are available on the intranet servers of Hitachi, Ltd. and other Group companies to ensure familiarity and practice by all executive officers, employees, and relevant stakeholders. The Compliance Division leads an annual review of the Code to ensure effectiveness and to reflect legislative and regulatory updates, as well as changes in social conditions.

Note: Hitachi normally refers to suppliers (including suppliers, vendors or providers) as procurement partners who build business together on an equal footing.

Ethics and Compliance Structure

Under the leadership of the Chief Compliance Officer (CCO), who oversees overall business ethics and compliance, Hitachi conducts the One Hitachi Compliance Program to strengthen business ethics and compliance throughout the Group. In addition, the CCO reports important compliance matters regularly to the members of the Audit Committee, which consists solely of non-executive directors of the Board. In addition, we established Regional Compliance Managers in Japan, Asia-Pacific (APAC), Europe, the Middle East and Africa (EMEA), North America, India, and South America to support regional business units (BUs), Group companies, and other entities to meet global and local compliance and regulatory requirements. Regional Compliance Managers also play a role in facilitating collaboration across the Group.
Corporate Governance

Business Ethics and Compliance

Executive Summary

Business Ethics and Compliance

Risk Management

Information Security

Governance Data

More than 1,200 selected Heads of Ethics and Compliance, Compliance Managers, and Persons in Charge of Compliance and others from Hitachi Group BUs and Group companies around the globe work to streamline business ethics standards to drive the efficiency and effectiveness of the One Hitachi Compliance Program.

The Heads of Ethics and Compliance, Compliance Managers, and Persons in Charge of Compliance and others at each BU and Group company are key stakeholders in promoting ethics awareness among management and employees. They coach colleagues through ethical dilemmas, raise concerns and potential risks to their Legal Division or Hitachi, Ltd. global compliance office and conduct investigations when appropriate.

In regular meetings with Heads of Ethics and Compliance, Compliance Managers, and Persons in Charge of Compliance and others, the Compliance Division provides updates on ethics and compliance initiatives, trends, and additional resources to support them as they fulfill the responsibilities of their role.

Cultivating a Culture of Ethics and Compliance

Hitachi develops and implements strategy and initiatives to drive an ethical culture throughout Hitachi’s 800-plus Group companies. This approach is part of Hitachi’s effort to provide all employees with guidelines and resources that ensure they understand and do what is right, make ethical decisions, and support compliance with company policies, procedures, and legal requirements.

Target | Activities
--- | ---
Hitachi conducts annual business ethics and compliance training for all employees (including temporary and part-time workers) based on the Hitachi Group Code of Ethics and Business Conduct and internal rules. Participants in the e-learning program pledge to comply with the Hitachi Group Code of Ethics and Business Conduct and other relevant standards during the training.

Achievements in Fiscal 2022

Our fiscal 2022 training course covered business ethics, bribery and corruption, gifts, travel and entertainment, anti-money laundering laws, fraud, fair competition, information owned by others, data protection, conflicts of interest, reporting and non-retaliation, and the Hitachi Global Compliance Hotline. This training encouraged higher levels of compliance awareness in the Group. The participation rate was 95.1% globally. In addition, we conduct data analysis on the level of understanding among training participants by region and job category, as well as the time required for training via e-learning, for use in identifying areas of risk or need for additional training. Hitachi, Ltd. also conducted live training for new employees, and additional compliance training for mid-career hires and newly-appointed managers to ensure a complete understanding of the Hitachi Group Code of Ethics and Business Conduct.

Due Diligence on Third Parties

Hitachi maintains a reputational due diligence program including the introduction of a third-party management system to identify reputational risks associated with bribery, corruption and other factors related to potential business partners with whom Hitachi plans to begin business. This program assists in preventing Hitachi from engaging with parties that have acted or are likely to act in a manner inconsistent with Hitachi’s ethical culture.

We also conduct an annual screening of business partners with whom we have already conducted transactions to check for any concerns that may have arisen in the interim.

Ethics and Compliance Risk Assessments

To date, Hitachi conducts a comprehensive business ethics and compliance risk assessment, including anti-bribery, anti-corruption, and competition law compliance, for all Group companies every three years. This assessment verifies the effectiveness of measures taken to manage and correct significant risks, and we take appropriate corrective actions when matters requiring improvement are identified. As of the beginning of fiscal 2023, each of the Regional Compliance Managers are responsible to strengthen cooperation with Group companies in their countries and regions of responsibility. Each Regional Compliance Manager also provides support to enhance risk identification and mitigation at each Group company.
Strengthening our Speak-up Culture

Hitachi believes that a speak-up/listen-up culture—where employees are encouraged to raise concerns and feel confident that they can do so without fear of retaliation—is essential to the early detection and prevention of breaches of ethical and regulatory expectations. We are committed to ensuring our employees feel safe to speak up, to share allegations and to challenge how business is conducted without fear of retaliation.

When an employee discovers a violation or suspected violation of laws, regulations, or the Code, or when employees have questions about business activities in general, we encourage employees to consult or report the matter to their leaders, the relevant department (Human Resources, Compliance and Legal), or to the Hitachi Global Compliance Hotline.

Hitachi Global Compliance Hotline (Whistleblower System)

The Hitachi Global Compliance Hotline is a reporting system operated by a third-party organization and is available 24/7/365 to Hitachi Group employees, business partners (including procurement partners and contractors), and all other stakeholders. To ensure that no one is treated unfairly, anonymous reporting is permitted when legal, and all information received is kept strictly confidential except as necessary to conduct an investigation.

Consultation and reporting are available by phone or online for all matters involving possible misconduct, including violations of laws and regulations, violations of the Hitachi Group Code of Ethics and Business Conduct, and human rights violations, including harassment.

Phone numbers for the Hitachi Global Compliance Hotline are available for all employees and other stakeholders to speak up in their native language. The phone lines are staffed by specially trained third-party representatives, with translators in more than 50 languages. Web-based reporting is also available. We store data supplied in a report on secure servers maintained by the third party who administers the hotline.

To address and resolve contacts to the Hitachi Global Compliance Hotline efficiently, we assign inquiries to an investigator who is a subject matter expert.

A confidential review of the concern, the investigator determines which reports require an investigation. If an investigation is needed, appropriate investigative personnel are assigned. For concerns that are substantiated, disciplinary actions may be taken. Discipline comes in many forms from warnings to suspensions to termination.

The Chief Compliance Officer reports to, and receives necessary instructions from, members of the Audit Committee on a quarterly basis regarding the number of cases reported, trends, etc. Serious incidents of noncompliance are immediately reported to the Chief Compliance Officer.

In fiscal 2022, we received 1,276 reports from all Group companies worldwide.

Hitachi Global Compliance Hotline
https://secure.ethicspoint.eu/domain/media/en/gui/109107/index.html

Note: Hitachi normally refers to suppliers (including suppliers, vendors or providers) as procurement partners who build business together on an equal footing.
Details of Fiscal 2022 Consultations and Reports

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<td>Other</td>
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<td>457</td>
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Anti-Bribery and Anti-Corruption

Hitachi has made it clear that we will not tolerate any bribery, kickbacks, or other corrupt behavior by employees or business partners, or any conduct that violates the anti-bribery laws and regulations of countries and regions, including the U.S. Foreign Corrupt Practices Act (FCPA).

We established the Hitachi Group Code of Ethics and Business Conduct, the Hitachi Group Anti-Bribery and Anti-Corruption Policy, and rules and guidelines related to the provision and acceptance of gifts, entertainment, and travel expenses; donations and political contributions; conflicts of interest; and business partner screening procedures. Under these policies, when providing or accepting entertainment or gifts, or making donations or political contributions, executive officers and employees must not exceed the scope of actions permitted by anti-bribery laws and regulations and must comply with Hitachi’s internal rules. These policies indicate specific spending limits in terms of monetary value and the number of times that entertainment, gifts, and other arrangements may be provided to public officials. We also have policies banning facilitation payments and requiring due diligence procedures for business partners.

In addition, as an effort to manage the risk of corrupt practices, we established and implemented procedures for pre-screening of (1) the provision and acceptance of gifts, entertainment, and travel expenses; (2) the selection of business partners; (3) donations and political contributions; and (4) business acquisitions, joint ventures, and other forms of investment and financing for each transaction type. In doing so, we take into account the risk of corrupt practices by country/region in the screening procedures according to the score of the Corruption Perceptions Index (CPI) published annually by Transparency International and other relevant factors.

Fiscal 2022 Initiatives

In fiscal 2022, Hitachi began building a system for conducting Due Diligence and creating Due Diligence reports using a new platform from an external service provider and assigning several Due Diligence analysts from inside the company to an internal global compliance team. The goal of this system is to improve and standardize business partner screening, as well as to create and maintain records, when initiating or renewing transactions with business partners globally.
Educational Activities for Preventing Bribery and Corrupt Practices
One of the major topics in the Hitachi annual business ethics and compliance training is the prevention of bribery and corruption. This training includes specific guidelines on gifts, travel, and entertainment from the perspective of preventing bribery and corruption. In fiscal 2022, 331,525 employees received training on anti-bribery and anti-corruption. In addition, we post Group-wide educational materials on anti-bribery and anti-corruption on the intranet for use by all Group companies.

In conjunction with the United Nations' International Anti-Corruption Day on December 9, we posted an article on the Hitachi Group employee news website, calling on employees to remember that the anti-corruption framework includes the Hitachi Group Code of Ethics and Business Conduct and Hitachi Group Anti-Bribery and Anti-Corruption Policy to ensure consistent anti-corruption.

In addition, we share the latest enforcement policies of the U.S. Department of Justice on bribery, corruption, and other corporate crimes at regular meetings for Heads of Ethics and Compliance, Compliance Managers, and Persons in Charge of Compliance and others at Group companies. The meetings are designed to expand the knowledge of Heads of Ethics and Compliance, Compliance Managers, and Persons in Charge of Compliance and others as well as to confirm the rationale and direction of the Hitachi Group compliance program.

Fair Competition
Hitachi engages in business in accordance with the law and with business ethics, and we practice fair and open competition. We have also established operational standards in addition to the Hitachi Group Code of Ethics and Business Conduct and the Hitachi Group Fair Competition Policy. In fiscal 2021, we revised the guidelines for preventing cartel activity and improved the relevant forms based on the revised guidelines.

Educational Activities for Preventing Violations of Competition Law
As with our anti-bribery and anti-corruption initiatives, Hitachi addresses compliance with competition laws as one of the main topics in our annual business ethics and compliance training. In this way, we strive to ensure that all relevant rules and operational standards are fully understood. In addition, we prepare standards related to global contact with competitors for overseas employees to inform them of the practicalities involved.

Prevention of Antisocial Transactions and Money Laundering
To cut off all relationships with antisocial forces, the Hitachi Group Policy Against Money Laundering and Antisocial Transactions includes provisions stating that we will never engage in antisocial transactions under any circumstances, and will refuse any improper demands and unfair deals.

In Japan, we insert antisocial-force rejection clauses in contracts. If we determine that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The Hitachi Group acts decisively to prevent antisocial transactions and will refuse any improper demands and unfair deals.

As part of our training program for all Group companies, we offer courses and e-learning programs on export controls, as well as intended end use and end users. We provide guidance and educational support for the formulation of regulations and the establishment of frameworks to ensure that Group companies follow the same export control policies in accordance with relevant laws and regulations.

Export Controls
The basic Hitachi export control policy is to comply with export and import laws and regulations on a global basis to maintain international peace and security, and to manage exports appropriately in accordance with internal regulations. Hitachi, Ltd. established Corporate Regulations concerning Security Export Control based on this policy to ensure implementation of strict export control practices in line with relevant laws and regulations. We screen all goods and technologies intended for export against such factors as destination countries and regions, as well as intended end use and end users.

The Hitachi export control policy is based on the United Nations’ International Anti-Corruption Day on December 9, we posted an article on the Hitachi Group employee news website, calling on employees to remember that the anti-corruption framework includes the Hitachi Group Code of Ethics and Business Conduct and Hitachi Group Anti-Bribery and Anti-Corruption Policy to ensure consistent anti-corruption.

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In Japan, we insert antisocial-force rejection clauses in contracts. If we determine that a business partner belongs to an antisocial force, we can promptly void the contract and end the relationship. The Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with external specialist institutions (the National Center for Removal of Criminal Organizations or the police).

In fiscal 2023, we revised our rules by adding provisions for the prevention of money laundering in addition to the prevention of antisocial transactions. These provisions reinforce Hitachi’s stance and clearly establish that we will not tolerate involvement with persons or organizations engaged in money laundering or other illegal activities within or outside of Japan. Using a risk-based approach, we conduct due diligence on prospective customers and business partners, including checking against country sanctions lists and inspecting payment details for red flags. Additionally, we include clauses in contracts which prohibit money laundering and terrorist financing.

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The basic Hitachi export control policy is to comply with export and import laws and regulations on a global basis to maintain international peace and security, and to manage exports appropriately in accordance with internal regulations. Hitachi, Ltd. established Corporate Regulations concerning Security Export Control based on this policy to ensure implementation of strict export control practices in line with relevant laws and regulations. We screen all goods and technologies intended for export against such factors as destination countries and regions, as well as intended end use and end users.

We provide guidance and educational support for the formulation of regulations and the establishment of frameworks to ensure that Group companies follow the same export control policies in accordance with relevant laws and regulations.

As part of our training program for all Group companies, we offer courses and e-learning programs on export controls, consisting of a basic e-learning program in 14 languages and an e-learning program for practitioners in Japanese and English. Hitachi strives to ensure that export controls are thoroughly enforced throughout the Group.
Tax Compliance

Approach
GRI 207-1/207-2/207-3/207-4

To respond to tax risks associated with the globalization of our business, including tax audit and litigation by tax authorities in various countries, Hitachi conducts appropriate tax governance throughout the Group by identifying tax risks on a quarterly basis under the management of the CFO.

To ensure thorough compliance with these rules, we strive to raise awareness among all employees involved in tax management (filing and paying taxes, handling tax audits, and managing tax risk) and in the handling of other tax-related matters.

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)*1, as well as that body’s Action Plan on Base Erosion and Profit Shifting (BEPS)*2.

2. Group companies effectively, continually, and proactively manage tax-related issues in a manner befitting their status as socially responsible organizations, 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 these companies do business, striving to maintain and develop those relations.

In accordance with these policies, we established rules on transfer pricing management for Group companies, seeking to identify and mitigate potential taxation risks related to transfer pricing in transactions with foreign-affiliated parties, as well as to ensure compliance. As stated above, we strive to raise awareness of these rules and ensure that they are followed.

*1 OECD (Organisation for Economic Co-operation and Development)
*2 BEPS (Base Erosion and Profit Shifting)

Tax Compliance Initiatives

Activities

By following the relevant tax-related rules applicable to the Group as a whole, Hitachi manages tax risks associated with globalization. For example, we strengthen risk management and compliance with laws and regulations by identifying and sharing matters indicated by the tax authorities and tax-related legal proceedings in each country.

The results of our tax filings and tax audits in Japan are reported to the CFO, and we work continuously to ensure appropriate tax reporting and prevent fraud. In preparing tax filings, we determine whether anti-tax haven legislation applies. When legislation applies, we reflect said rules properly in the tax filing to ensure appropriate tax payments.

Hitachi follows rules for transfer pricing management and manages 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.

We paid 170.8 billion yen*1 in income taxes for the fiscal year ended March 31, 2023 (Japan: 64%, Overseas: 36%*2).

*1 Refer to income taxes paid in the consolidated statements of cash flows
*2 Based on the percentage in the country-by-country report submitted to tax authorities

Stakeholder Collaboration and Engagement

Hitachi continues efforts to build relationships of trust through sincere responses to tax authorities and to reduce tax risks through researching appropriate tax treatment in consultation with external tax advisors. We also collaborate with the business community through industry associations to lobby for viable tax reform that contributes to stronger international competitiveness on the part of Japanese companies.

Violation of Laws and Regulations

Activities
GRI 205-3/206-1

In fiscal 2022, we recorded no incidents in which Hitachi was prosecuted or penalized by authorities for bribery, corrupt practices, competition law or export control. Regarding tax compliance, Hitachi acts in accordance with all applicable laws and regulations, and we did not record any significant fines or nonmonetary sanctions for noncompliance with tax laws and regulations.