

Addressing Risks and Opportunities

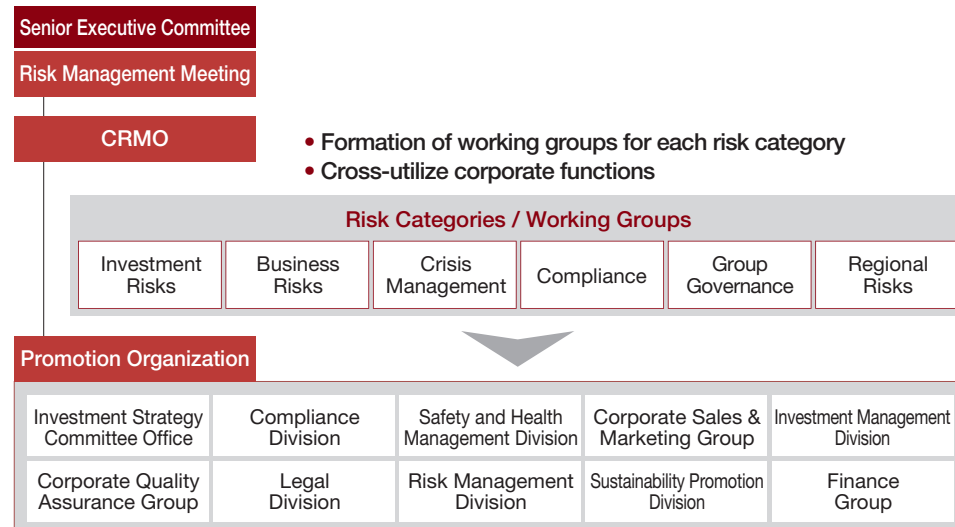
With the rapid advance of digitalization and complex developments in the political and economic landscape globally, the business environment is changing day by day. Hitachi monitors and analyzes this business environment, conducts risk management in terms of both responding to risks that should be anticipated and opportunities for further growth in light of social issues, Hitachi's competitive advantage and management resources, and strives to create revenue opportunities while controlling risks.

Strengthening of the Risk Management Structure and Its Aims

In April 2022, a Risk Management Meeting that deliberates important matters related to Hitachi management was established within the Senior Executive Committee. Chaired by the CEO with the Chief Risk Management Officer (CRMO) as vice chair, the meeting discusses and makes decisions on important matters relating to company-wide risks. By centrally managing the various risks faced by Hitachi, which has operations around the world, we are working to achieve a solid management foundation that is linked to our growth strategy.

Six risk-specific working groups have been set up under the Risk Management Meeting, investment risks, business risks, crisis management, compliance, group governance and regional risks. Each working group coordinates Group corporate functions across the organization while conducting activities to mitigate the respective risks.

Risk Management Structure



For example, the Business Risks Working Group discusses risks and responses in the global supply chain. Since control of consolidated management is important for Hitachi as a group made up of more than 800 companies, we must also develop plans to disseminate and manage guidelines and policies. This is an area the Group Governance Working Group will discuss going forward. Addressing regional risks in an effort to review the roles of local subsidiaries and achieve overall optimization at global sites, we will ensure that Hitachi's assets are utilized effectively. Initiatives about investment risks, crisis management and compliance are introduced on the following pages.



Yoshihiko Kawamura
Executive Vice President and Executive Officer, CFO, CRMO

Selecting Top Risks based on Global Risk Trends

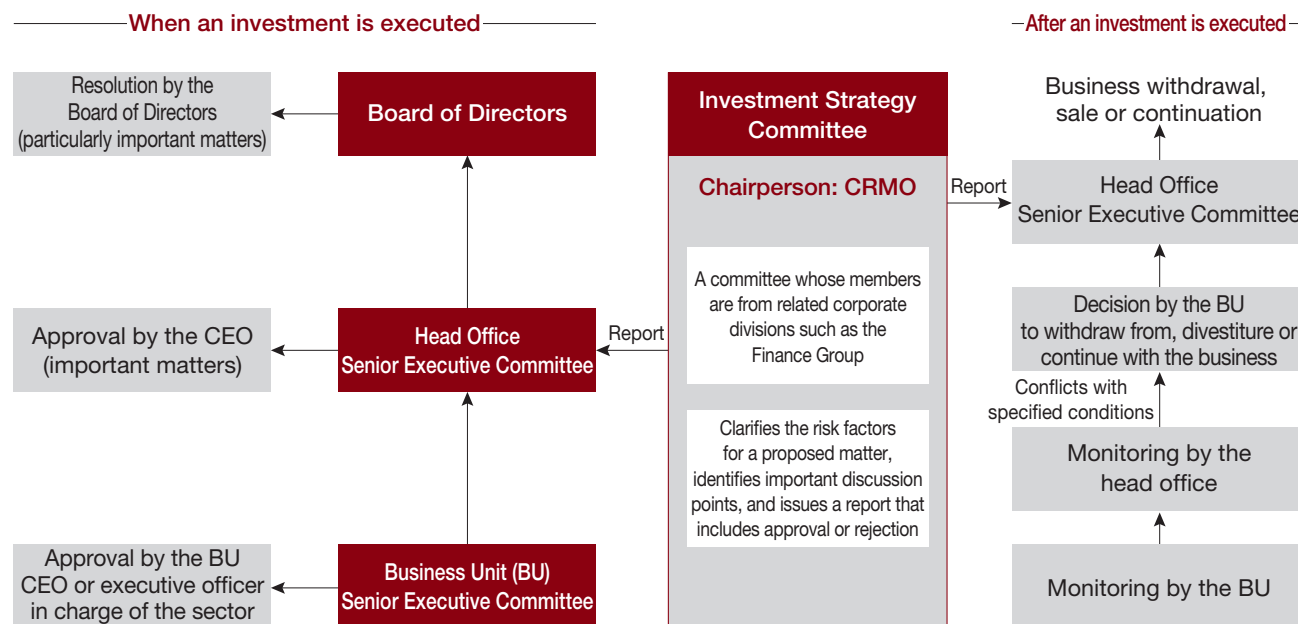
In the Mid-term Management Plan 2024, we are utilizing knowledge from inside and outside the group to collect and analyze information on the external environment surrounding Hitachi and select top risks through the Risk Management Meeting. Specifically, we have organized major risks under classifications such as disasters, accidents and epidemic; geopolitics and geoeconomics; economics, finance and markets; sustainability; investment and orders for projects; and operations. We then assess and narrow down the risks from the perspectives of the nature of risk events, expected time period, likelihood of occurrence and seriousness when occurring, and select the top risks, such as the risk of a major natural disaster in Japan that may significantly impact Hitachi's business. The six working groups consider and implement policies to respond to each of the top risks.

Addressing Investment Risks and Opportunities

To ascertain and appropriately respond to risks and opportunities related to investments (e.g., M&A, sale of assets, orders for projects), Hitachi has established a decision-making framework based on the following flowchart. Decision-making regarding individual investments (e.g., execution, business plan changes) is delegated from the Board of Directors as the highest level body to the head office Senior Executive Committee (which generally meets twice a month) or the relevant sector or business unit, based on the size and specifics of the matter. This facilitates flexible and appropriate decision-making. For important matters that fall under deliberation by the head office Senior Executive Committee, the Investment Strategy Committee working as its advisory body checks the risks, response measures for the matter from economic value perspectives such as profitability and cash flow as well as in terms of the impact on social value and environmental value. Following deliberation, the Investment Strategy Committee delivers a report that includes approval or rejection recommendations to the Senior Executive Committee, of which the CEO is also a member.

After executing an investment, Hitachi regularly monitors the achievement of business objectives and the plan while taking into account changes to the risk climate including the external environment. By generally having monitoring performed by the relevant business units, which are accountable for profits and closely associated with field operations, flexibility can be maintained, while the head office can still become involved depending on the importance of the matter. For changes to business plans, business withdrawals, asset sales and other matters related to important investment targets, the head office Senior Executive Committee engages in similar deliberations to the initial investment stage. For investment targets for which business is not proceeding as planned, a framework has been established to deliberate the merits of continuing a business, including the prospects of withdrawal, in an effort to enhance capital efficiency.

Conceptual Diagram of the Decision-Making Flow



Quantitative Understanding of Risks

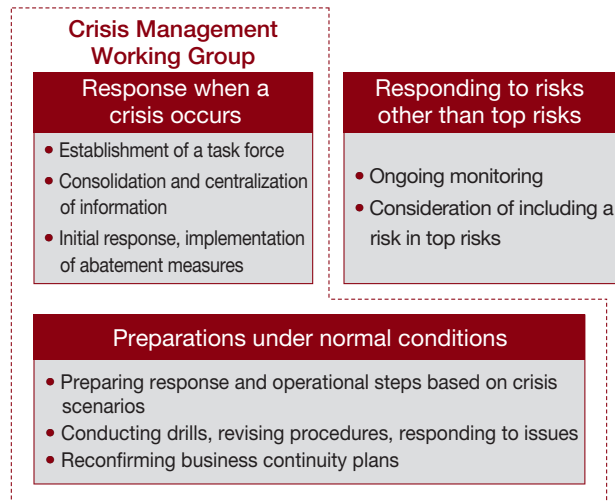
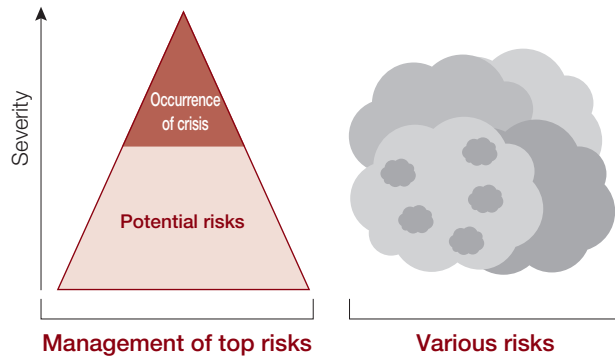
Hitachi calculates expected maximum risks (Value at Risk) assumed by statistical methods according to the type of assets held on the group's consolidated balance sheet.

We avoid missing out on growth opportunities by visualizing the capacity for growth investment, etc., considering consolidated net assets and other factors. We also engage in monitoring and hold discussions through the Risk Management Meeting to ensure that risks are not excessively unbalanced compared to Hitachi's consolidated financial strength.

We also quantitatively analyze and understand the state of risks and profitability on a regional and per-sector basis.

Crisis Management Initiatives

Based on the selected top risks, the Crisis Management Working Group promotes the development of response measures, including crisis management structures, for each risk. By making preparations under normal conditions, we have put systems in place to respond swiftly in the event a risk does materialize.



Compliance Initiatives

The Compliance Working Group is made up of members from the Compliance Division, Sustainability Promotion Division, Corporate Quality Assurance Group and Safety and Health Management Division.

For major compliance-related risks falling under business ethics and compliance, environmental compliance, quality compliance, and health and safety (fatal and serious incidents, etc.), information on the measures implemented by each department under regular conditions (development of regulations, training, monitoring, audits, etc.) and the response methods implemented in the event of an emergency (communication with internal and external stakeholders including top management when a major risk has materialized, etc.) are linked and shared amongst member of the Working Group as management methods for the different risk areas. By pursuing a greater level of global collaboration, we will strive to raise the level of risk management in each field and mitigate various risks.



Safety-First Risk Management

Three Hitachi Group companies, namely GlobalLogic, Hitachi Energy and Hitachi Vantara have sites in Ukraine. The safety and health of our employees and their families is the highest priority for the Hitachi Group. GlobalLogic, which has an engineering site in Ukraine, has approximately 7,500 employees. Based on the business continuity plan, top priority has been given to the safety of the site's employees and their families, and measures were taken to evacuate them to safe locations in Ukraine or out of the country. The company is now returning to normal operations with an operating rate of 96% and is working to maintain business continuity while ensuring safety (as of May 31, 2022).

For additional details regarding business and other risks, please see page 27 of the 153rd Securities Report.

► https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2021_4_en.pdf

Responding to Climate Change Risks and Opportunities

Climate-related Financial Information Disclosure (Based on TCFD-based Recommendations)

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

▶ See page 49 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

Governance

Hitachi sees climate change and other environmental issues as important management issues. Important matters concerning the group's sustainability strategy, including climate change measures, are discussed and decided on by the Senior Executive Committee and are presented to the Board of Directors according to necessity.

Hitachi's long-term environmental targets called Environmental Innovation 2050, which include reducing CO₂ emissions, were reviewed and approved by the Board of Directors when they were established and revised in fiscal 2021, and then shared with the public. 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 issues to the committee during the audit.

Additionally, as an external initiative, we have participated in the TCFD Consortium, which holds discussions on efforts to link companies' effective information disclosure and the information they disclose with appropriate investment decisions by financial institutions and others, as a Steering Committee member and contributed to their guidance formulation.

Strategy

We are responding to climate change by fulfilling our responsibilities as a global company by helping to achieve a decarbonized society and established long-term environmental targets called Hitachi Environmental Innovation 2050—as a transition plan to a decarbonized society—in fiscal 2016 under our Environmental Vision.

Moreover, in order to help limit the global temperature rise to 1.5°C as recommended in the Intergovernmental Panel on Climate Change (IPCC) Global Warming of 1.5°C report, in fiscal 2020 we announced a new and more aggressive target to achieve carbon neutrality at Hitachi factories and offices by fiscal 2030. Then in fiscal 2021 we also announced that we would seek to achieve carbon neutrality in our value chain by fiscal 2050.

Climate-related Risks

Climate-related business risks are considered based on TCFD classifications for a number of scenarios, such as (1) risks related to the transition to a decarbonized economy mainly occurring on the way to the 1.5°C scenario*, and (2) risks related to the physical impact of climate change that would materialize if the 4°C scenario* was reached due to global CO₂ emission reduction targets not being met. In considering climate change risks and opportunities, our assessments are categorized according to time span, namely short term (three years from fiscal 2022 to fiscal 2024), medium term (up to fiscal 2030), and long term (up to fiscal 2050).

*The scenarios for rising temperature referenced include the Fifth Assessment Report (released in 2014) and the Special Report on Global Warming of 1.5°C (released in 2018), both from the Intergovernmental Panel on Climate Change (IPCC). The 1.5°C scenario is a scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 1.5°C. The 4°C scenario is a scenario under which global temperatures rise approximately 4°C compared to preindustrial levels.

Climate-related Opportunities

To achieve the CO₂ reduction targets set forth in our long-term environmental targets and Mid-term Management Plan 2024, it is important not only to decarbonize our business sites (factories and offices) but also to reduce CO₂ emissions from the use of products and services sold, which account for a large portion of emissions in the entire value chain. Developing and providing products and services that emit zero or very little CO₂ during their use will 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.

Risks and Opportunities for Individual Businesses based on Climate Change-related Scenarios, and Hitachi's Response

Hitachi operates a broad array of businesses with 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 conducted scenario analyses on them and considered the business environment and our response under the 1.5°C and 4°C scenarios. Based on a review, Hitachi did not find any significant climate change-related risks that were difficult to respond to. Hitachi believes that we can adapt to a decarbonized society by switching the electricity used in many businesses to non-fossil-fuel-derived energy. We will closely monitor market trends and will develop businesses flexibly and strategically.

The Business Environment and Responses under the 1.5°C and 4°C Scenarios (excerpts)

Target businesses	Railway systems	Power generation and power grids	IT systems	Industrial equipment	Automotive systems
The business environment under the 1.5°C scenario	Business environment Global demand for transport systems that emit less CO ₂ per distance covered will grow with tighter CO ₂ emission regulations in each country and region.	Business environment Global demand for electricity generated from renewable energy, nuclear power, and other non-fossil sources will grow with tighter CO ₂ emission regulations in each country and region. Power networks will increasingly accommodate natural energy produced through distributed generation.	Business environment Demand for energy-saving, high-efficiency IT solutions will grow with tighter CO ₂ emission regulations in each country and region. There will also be increased demand for data centers and data analysis systems to accommodate the expansion of financial services such as investments and loans for decarbonization businesses, green bond issues, and data utilization businesses.	Business environment Global demand for energy-saving industrial equipment will grow with tighter CO ₂ emission regulations in each country and region.	Business environment Electric vehicles will rapidly spread with tighter laws and regulations on fuel efficiency and environmental standards, and increases in fossil fuel prices. Markets for alternative non-fossil technologies like hydrogen and biofuel vehicles will expand. The number of countries and regions with near zero sales of internal combustion engine vehicles will increase.
The business environment under the 4°C scenario	Business environment Demand for electric-powered transport will gradually increase even without tighter energy regulations. Damage from typhoons, floods, and other natural disasters caused by climate change will rise sharply.	Business environment The cost competitiveness of non-fossil energy will increase, and demand for renewable, nuclear, and other non-fossil energy will increase as the expansion of energy consumption pushes up the price of fossil fuels. Natural disasters caused by climate change will rise sharply.	Business environment Demand for new, high-efficiency technology will expand as multiplex IT systems in response to natural disaster BCPs will result in increased energy consumption. Demand will also grow for social and public systems to reduce damage from natural disasters.	Business environment Typhoons, floods, and other natural disasters caused by climate change will rise sharply.	Business environment Fuel efficiency laws and regulations will remain lax globally, and internal combustion engine vehicles will remain a major mode of transport. The modal shift will be slow, as conventional automobiles and motorcycles will remain predominant. Typhoons, floods, and other natural disasters caused by climate change will rise sharply.
Responses to future business risks (Business opportunities)	Responses to business risks under the 1.5°C and 4°C scenarios Continue to strengthen the railway business as global demand for railways will increase under either scenario.	Responses to business risks under the 1.5°C and 4°C scenarios Continue to enhance the response to relevant markets in view of expected higher demand for non-fossil energy under either scenario.	Responses to business risks under the 1.5°C and 4°C scenarios Continue to develop innovative digital technologies, nurture necessary human capital, and enhance digital service solutions that generate new value in view of the expected growth in demand for digital services and the subsequent market expansion under either scenario.	Responses to business risks under the 1.5°C and 4°C scenarios Under either scenario, continue developing energy-saving, high-efficiency products that use IoT technology. Focus particularly on connected products with communication features. Miniaturized, high-efficiency, low-loss products can also help reduce CO ₂ emissions.	Responses to business risks under the 1.5°C scenario Promote R&D of electrification technology and other alternative technologies to enhance the response to new markets such as electric vehicles.

Notes:

- 1 This table is a partial extract. Please check the Hitachi Sustainability Report 2022 for more details including risks and opportunities under each scenario and financial information.
- 2 These scenario analyses are not future projections, but an approach used to consider Hitachi's climate change resilience. Future outcomes may differ from each scenario.

Risk Management

Hitachi evaluates and manages climate-related risks for each business unit and group company as part of a process of assessing risks and opportunities. The results of these evaluations are summarized by the Hitachi Sustainability Promotion Division, after which the Senior Executive Committee, and if necessary, the Board of Directors, deliberates the risks and opportunities perceived as being particularly important for the group as a whole to make decisions.

Metrics and Targets

Hitachi defines its medium- and long-term metrics and targets in Hitachi Environmental Innovation 2050 and implements detailed management of short-term metrics and targets in its Environmental Action Plan, which is updated every three years. Metrics for climate change mitigation and adaptation use total CO₂ emissions and the reduction rate in CO₂ emissions per unit. Hitachi also sets and manages a metric of its contributions to CO₂ reductions, which help achieve a comprehensively decarbonized society. Hitachi promotes efforts to reduce CO₂ emissions at its own business sites (factories and offices) using such as the Hitachi Internal Carbon Pricing (HICP) system, which that incentivizes capital expenditures that contribute to the reduction of CO₂ emissions.

Additionally, to accelerate the creation of environmental value to achieve long-term environmental targets, in fiscal 2021 Hitachi introduced the executive officer compensation scheme incorporating assessments that take environmental value into account. Hitachi also plans to spend approximately 500 billion yen as an R&D investment to create green value through the switching of energy sources, vehicle electrification, and so on over the next three years from now to fiscal 2024.

Promoting Information Security

Hitachi places “Ensuring cyber security” as one of the sub material topics under our material topic of “Safety and Security.” To minimize information leaks due to incidents such as cyber attacks and risks that would interfere with business continuity such as operational shutdowns, Hitachi addresses information security from the perspectives of both value creation and risk management. Hitachi has established an Information Security Policy based on cyber security risk management, which is promoted under a structure where the Information Security Committee, chaired by the Chief Information Security Officer (CISO), determines action policies and various measures regarding information security and the protection of personal information.

Information Security Management

Hitachi has established the rules for information security in compliance with the ISO/IEC 27001 international standard and furthermore enhanced our rules with US government standard SP800-171. In light of the recent severe cyber attacks, the rules have been rolled out globally by Hitachi, Ltd., and the headquarters of each group company. Support through regional headquarters and the use of shared security services are also actively promoted. Policies and various measures determined by the Information Security Committee are thoroughly enforced at each workplace through the Information Security Promotion Council and other bodies. While Hitachi promotes new working styles through telework, due to the threat posed by the risk of vulnerabilities in the security awareness of employees, Hitachi has been conducting employee-focused awareness raising activities in addition to IT measures since fiscal 2020.

In addition, to detect global cyber attacks early on and respond to them swiftly, we conduct 24/7 security monitoring through a Security Operation Center (SOC), and employ an Incident Response Team (IRT) that collects and spreads threat information, and responds to incidents. To deal with cyber attacks that are becoming more sophisticated year after year, we have stepped up cyber monitoring efforts, such as the installation of Endpoint Detection and Response (EDR) systems to monitor the operation of equipment, and the implementation of monitoring to protect authentication systems.

Preventing Information Leaks

Hitachi employs device encryption, thin clients, electronic document access control and revocation software, ID management and access control through the development of authentication infrastructure, email and website filtering systems and other measures. We have also strengthened various IT measures including multi-layered defense against cyber attacks such as targeted emails. Additionally, to prevent information leaks from procurement partners, Hitachi checks and audits the status of information security measures at its procurement sources based on its own standards for information security requirements. Hitachi also provides procurement partners with business information inspection tools installed in information equipment and security training materials, and asks that business information stored on personally owned information equipment be checked for and deleted.

► See page 184 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

Education on Information Security

Hitachi conducts e-learning on information security and personal information protection for all officers and employees each year. In fiscal 2021, roughly 35,000 employees underwent the training (at Hitachi, Ltd.), achieving a 100% participation rate (excluding those who could not take the training due to leaves of absence, etc.). Hitachi prepares and promotes a wide range of educational programs for different subjects and purposes. Training on targeted email attacks and similar incidents includes actually sending simulated attack emails to employees as “simulated target attack email drills” designed to raise sensitivity to security through the experience of receiving such messages.

Thorough Information Security Audits and Inspections

Hitachi's information security is implemented in accordance with the information security management system PDCA cycle. Audits of personal information protection and information security are conducted for all group companies and divisions yearly. A chief auditor appointed by Hitachi's CEO conducts audits from an independent standpoint to ensure the impartiality and independence of auditors. Domestic group companies (169 companies*) conduct equivalent audits to Hitachi, Ltd., while self-checks consistent with global standards are promoted at overseas group companies. In addition, as workplace self-inspections, all divisions of Hitachi conduct checks of personal information protection and information security operation each year. In conjunction with these activities, each month checks are performed to confirm the operation of personal information protection measures with respect to 740 tasks that involve handling important personal information (as of March 2022) as a way to regularly monitor the status of these activities. In addition, a dedicated team performs on-site assessments periodically and checks vulnerabilities quarterly on the servers or other equipment that are exposed to the public. The team works to mitigate security risks by checking for deviations from self-checks.

*Including voluntary submission from partners.

Occupational Health and Safety

Hitachi places “Occupational safety” as one of the sub material topics under our material topic of “Business with Integrity.” “Health and Safety Always Comes First” is the basic principle underlining the Hitachi Group Health and Safety Policy which is shared by all Hitachi Group companies, and reflects our commitment to develop a safe, secure, comfortable and healthy workplace free from accidents. We share the belief that all work-related injuries and ill health can be prevented, and that we are responsible for our own safety and health. We engage in practices to protect our health and safety and endeavor to build a culture that promotes mutual awareness.

Establishing the Occupational Health and Safety Management System

The Hitachi Group Health and Safety Leaders Meeting is held and attended by health and safety officers from each group company and representatives from each division. The members set plans and objectives for Groupwide health and safety strategies, review ongoing measures to improve occupational health and safety management system, and share the commitment from top management to make protecting the health and safety of employees their top priority. The Audit Committee also audits the results of group health and safety activities, plans, and policies every year. For critical health and safety issues, the status of occupational health and safety management is reported at least once a year to the Senior Executive Committee and at meetings of group company presidents.

In fiscal 2021, the Hitachi Group established Safety and Health Management Division that is responsible for promotion of occupational health and safety within the group and is overseeing a global management system. Under the division, the Hitachi Group has been continually working to improve our health and safety management system in collaboration with health and safety officers from each group company and representatives from each division.

Initiatives for Preventing Work-related Accidents

We have set goals of “zero fatal accidents and having lost-time accidents across group sites worldwide compared to 2018” by fiscal 2021 but were unable to meet the goals. In the light of this, we have set a new goal of “zero fatal accidents and halving the global accident rate compared to 2021” by fiscal 2024. In fiscal 2021, we promoted the effective utilization of risk assessments, the building and operation of a global health and safety management system, training to promote autonomous health and safety practices, and improvement measures utilizing IT and digital technologies. In addition, in the event of a fatal accident occurs at an overseas group company, a safety assessment is conducted by a third-party organization, and improvements are made such as strengthening the system, reviewing action plans, and raising safety awareness.

Although the total number of occupational accidents is declining, there are issues to work on such as improvement of the risky work environment and enforcement of the safety management

► See page 111 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

system including contractors and subcontractors. To address this, we are working to formulate guidelines for safety management system common to the Hitachi Group and comprehensive safety management evaluation methods that include contractors.

Initiatives to Improve Employee Health

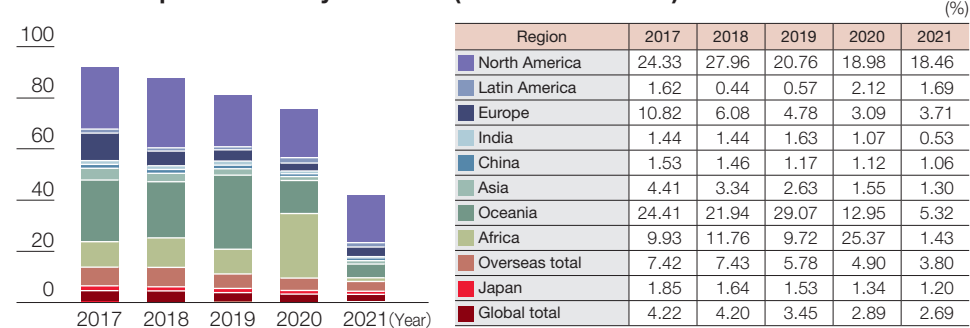
Since the wellbeing of employees is essential to the sustainable growth of the Hitachi Group, we are making every effort to develop workplace environments in which employees can work safely without worrying about their physical and mental health. In fiscal 2020, new questions about wellbeing were added to the Global Employee Survey that is conducted annually, and the questions were expanded in fiscal 2021.

Additionally, in Japan we have steadily implemented hygiene and health measures, strengthened mental health support in line with changes in working styles, and made thorough efforts to prevent lifestyle-related disease. In the medium to long term, we will carry out initiatives based on a common hygiene policy after grasping the actual situations of occupational health measures and identifying issues globally.

Measures to Prevent Infectious Disease

We have been vaccinating employees against hepatitis A, tetanus, cholera, etc., to support infectious disease prevention during business travel outside Japan. In fiscal 2021, we asked that employees always stay home if they have a fever or feel unwell relative to COVID-19. We also urged the enforcement of preventive measures advocated by the government. The Hitachi Group recommends that employees be vaccinated against COVID-19 from the perspective of preventing infections and aggregation of the virus. In the workplace vaccinations implemented in Japan, approximately 75,000 people were vaccinated, including employees and their families at some sites.

Hitachi Group Global Safety Statistics (rate of occurrence)*



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

Responsibility in the Value Chain

Hitachi places “Respect for human rights” as one of the sub material topics under our material topic of “Business with Integrity.” Together with our procurement partners*1, we also promote responsible procurement including human rights considerations in the value chain. Additionally, to ensure the stable supply of products and services, whenever possible we endeavor to ascertain and mitigate risks in advance.

*1 Hitachi normally refers to its suppliers (including vendors or providers) as “procurement partners” who build business together on an equal footing.

Procurement

Procurement BCP and Framework

We are working to enhance procurement BCPs across the group companies worldwide so that the occurrence of incidents*2 does not disrupt business and have a significant impact on society.

*2 Incidents: Events that cause a disruption to business, including natural disasters such as major earthquakes

Sustainable Procurement and Framework

Hitachi instituted the Hitachi Group Global Procurement Code. It calls on group companies and procurement partners to give due consideration to human rights, labor practices, safety, ethics, quality, and security in the supply chain. Hitachi also established the Hitachi Group Sustainable Procurement Guidelines and the Green Procurement Guidelines, which are a code of conduct for procurement partners. We distribute them to approximately 30,000 procurement partners. We also ask for compliance and continually explain the contents through sustainable procurement seminars. Hitachi also conducts sustainability monitoring, where it evaluates and analyzes the state of sustainability initiatives by procurement partners through surveys. In fiscal 2021, we focused on human rights and environmental risk assessment, and provided feedback to the relevant procurement partners. Regarding the procurement of minerals, we established the Hitachi Group's Policy for a Responsible Supply Chain of Minerals, and pursue activities consistent with international guidelines.

We established the Sustainable Procurement Conference and Sustainable Procurement Office in fiscal 2021 to strengthen our sustainability activities.

Tackling Sustainable Procurement by Strengthening Global Partnerships

Hitachi has appointed procurement officers to oversee procurement activities locally in China, the rest of Asia, Europe, and the Americas. The officers carry out activities such as sustainability audits, sustainability monitoring, and sustainable procurement seminars for procurement partners in their respective regions to strengthen sustainable procurement.

▶ See page 123 and 132 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

Status of Sustainable Procurement Measures

(Number of companies)

	FY2017	FY2018	FY2019	FY2020	FY2021
Sustainability Monitoring	131	345	291	271	[Human rights] 2,524*3 [Environment] 708*3
Sustainability Audits	18	24	19	27	25
Sustainability Procurement Seminar for Suppliers	65	126	59	450	359

*3 Sustainability monitoring in fiscal 2021 was conducted focusing on the assessment of risks related to human rights and the environment.

Respect for Human Rights

Human Rights Due Diligence Initiatives

In the Hitachi Group Human Rights Policy, Hitachi commits to engaging in Human Rights Due Diligence (HRDD), appropriately educating employees, and other activities.

Hitachi has placed the Chief Sustainability Officer in charge of groupwide human rights promotion, while a project team established within the Hitachi, Ltd. headquarters for HRDD promotion plays a central role in promotional activities based on interdepartmental cooperation, such as considering HRDD promotion measures for the Hitachi Group and its procurement partners.

In addition, in fiscal 2020 we established the Hitachi Global Compliance Hotline, which consolidated the general consultation and reporting systems for harassment and human rights issues at the business sites of each business unit and group company. Going forward, Hitachi will work to make the hotline widely known to employees.

Initiatives to Deal with Child Labor and Forced Labor

In the Hitachi Group Codes of Conduct, Hitachi has made clear its stance of never tolerating child labor and forced labor internally or in its supply chain, and we work to thoroughly disseminate this stance among procurement partners. In March 2020, a report from the Australian Strategic Policy Institute indicated that one of Hitachi's procurement partners may be involved with forced labor of Uyghur people. In response, a third-party audit based on international standards was conducted to review the procurement partner's management systems and employee management in particular, but no issues regarding forced labor were found. In fiscal 2021, we made groupwide efforts to address “forced labor and violations of the rights of migrant workers,” which is designated as a priority risk across the Hitachi Group.

Response to Technical Intern Trainee Issues

In 2018, the Organization for Technical Intern Training Groupwide issued recommendations for improvement regarding legal violations regarding training, and in 2019 Hitachi received an order for improvement from the Immigration Services Agency of Japan and the Ministry of Health, Labour and Welfare regarding systems for carrying out proper training. We submitted reports stating the completion of improvements to the Organization for Technical Intern Training by October 2019, and the reports were accepted. Hitachi has developed Groupwide policies, guidelines and check systems, conducts internal audits, and engages in other efforts to thoroughly prevent repeat occurrences of this nature.

Quality Assurance

Hitachi places “Safe and secure products and services” as one of the sub material topics under our material topic “Business with Integrity,” and we are committed to ensuring product and service safety while putting the customer first. As stipulated in the Hitachi Group Codes of Conduct, we aim to meet customer needs and specifications when providing products and services. We strive to ensure quality and safety by setting independent standards as necessary, in addition to complying with all relevant laws and standards.

Hitachi's Basic Philosophy on Quality Assurance

Embracing the Hitachi Founding Spirit of “Harmony, Sincerity, and Pioneering Spirit,” we thoroughly adhere to the basics and the right way and espouse the values of prioritizing morality over profits, placing great emphasis on sincerity in our quality assurance activities. Hitachi's unique practice of OCHIBO-HIROI (investigating the fundamental cause of incidents and completely preventing similar incidents) is a method that advances technology by analyzing and thoroughly learning from failures. When an incident occurs, we not only investigate the technical causes in a product, but also thoroughly discuss the processes, frameworks and motivating factors leading up to the incident, along with ways to prevent recurrences, in order to improve our product reliability and customer satisfaction.

Framework for Quality Assurance

Hitachi has separated the Quality Assurance Division from the Manufacturing Division in every business division. We have also made them independent of their business divisions and reinforced their reporting lines to the Quality Assurance Division at our head office, establishing systems for close information sharing between the two sides. In addition, we have strengthened governance by giving greater authority to the Quality Assurance Division at our head office and implemented thorough quality governance through regular internal audits. When a serious incident occurs, once identified it is promptly reported to the top management, including the chairperson and president, by the Quality Assurance Division of the BUs or group companies concerned.

Quality Assurance Activities

We promote activities to enhance quality assurance in terms of organization and management, technology and human capital across every process—from product planning and development to design, manufacturing, testing, delivery and maintenance services. Under our approach of making prevention the duty of quality assurance, we are strengthening our incident prevention activities, which go beyond recurrence prevention.

► See page 137 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

Technical Law Compliance Activities

Hitachi promotes internal awareness of product regulations, amendment trends, and enforcement dates in each country and region. We also work to clarify product-specific laws (with our product-specific laws map) as well as promoting regulatory compliance and implementing continuous process improvements with our product compliance management system.

Thorough Safety Design and Safety Monitoring for Products and Services

When developing products, Hitachi makes the safety of our customers' lives, health and property its top priority. We verify safety across every process, from development and production to sales and maintenance, and strive to ensure safety based on the prioritization of risk mitigation informed by usage information. We also conduct risk assessments from a wide perspective in coordination with related BUs and research laboratories.

Quality and Reliability Education

Hitachi regularly provides various forms of education and training related to quality and reliability with curricula tailored to attendees. All employees undergo e-learning courses on Hitachi's philosophy regarding quality, with quality assurance themes also dealt with in tiered training. Engineers are given field-specific technical lectures at various levels.

Product Safety Response When Incidents Occur

When an incident occurs, the division responsible for the product takes a central role and acts swiftly to ensure product safety. In the case of a severe incident, a status report is issued to top management, the relevant authorities are informed in line with legal requirements, and the incident is disclosed to customers through the website and other communication channels. We also have a structure in place to ensure that fast and appropriate action is taken. In the case we determine that retroactive action is necessary, we notify customers via newspaper advertising and websites to carry out the necessary repair or replacement program.

Reoccurrence Prevention Measures in Response to Inappropriate Conduct Discovered by Hitachi Astemo

In December 2021, Hitachi Astemo announced that it had uncovered improper conduct based on information provided by an employee regarding periodic testing on brake and suspension components and other activities. To ensure such incidents do not occur again, Hitachi Astemo established a new governance office to function as a headquarters and strengthen risk management, in addition to a dedicated auditing organization in the Quality Management Division. In December 2021, we established a special investigation committee through external legal counsel and we are working to enact sweeping measures to prevent reoccurrences.

Business Ethics and Compliance

Hitachi places “Business ethics and compliance” as one of the sub material topics under our material topic of “Business with Integrity.” We expect our business practices to meet international rules and legal requirements and adhere to high standards of ethics and integrity.

Governance

The One Hitachi Compliance Program, led by the Hitachi Group Head of Ethics and Compliance, with oversight by the Audit Committee of the Hitachi, Ltd., Board of Directors, contributes to Hitachi's success by providing advice to managers, leaders and employees.

The Compliance Division works closely with Hitachi companies to streamline business ethics standards to drive the program's efficiency and effectiveness. Focusing on business ethics helps Hitachi attract, retain and engage the best employees and select the right business partners. It protects our reputation and relationships with stakeholders. It helps us deliver on our Mission, Values and Vision and provides a competitive advantage for Hitachi.

Outside Hitachi, the Compliance Division regularly exchanges ideas and best practices for compliance processes. Hitachi became a member of Ethisphere's Business Ethics Leadership Alliance (BELA) in October 2021. BELA is a globally recognized organization of leading companies collaborating to share best practices in governance, risk management and ethics.

Enforcing Policies and Guidelines

The Hitachi Group Codes of Conduct and Code of Ethics and Compliance (the Codes), are available in 15 languages or more, and define how we conduct our business. The Codes set standards for dealings with each other, customers, partners, and competitors. We also expect our business partners to commit to meeting our high standards of integrity.

The One Hitachi Group Compliance Program consists of regulations and guidelines such as compliance with the Competition law, preventing transactions with antisocial forces and money laundering, and preventing bribery and corruption. In fiscal 2021, the Compliance Division worked to address business ethics and compliance issues and improve policies, protocols, systems and measures related to their implementation.

- Policies for Preventing Bribery and Corrupt Practices

The Hitachi Group's Anti-Bribery and Anti-Corruption policy ensures that the Hitachi Group remains in compliance with all anti-bribery and anti-corruption laws. The policy details the provision or acceptance of entertainment or gifts, donations, or provision of political contributions by officers and employees. In addition to outlining spending limits on the value and frequency of entertainment or gifts to be provided to public officials, these policies prohibit facilitation payments. In fiscal 2021, we set limits on the amount of money spent on gifts or entertainment as part of sales activities to commercial parties and the number of times entertainment or gifts are provided.

► See page 170 of our Sustainability Report for detailed information.

https://www.hitachi.com/sustainability/download/pdf/en_sustainability2022.pdf

- Competition Law Compliance Policy

The Hitachi Group's Fair Competition Policy addresses interaction with competitors and ensures awareness of points of caution related to business practices. In fiscal 2021, we revised the guidelines for preventing cartel activity and improved the relevant forms based on the revised guidelines.

- Hitachi's Tax Compliance Approach

The Hitachi Group ensures appropriate tax governance, established regulations governing tax-related matters, and informed employees involved in tax management of the regulations.

Business Ethics and Compliance Training

Our annual business ethics training on the Codes and anti-bribery and anti-corruption reinforces Hitachi's commitment to business ethics and integrity. It keeps employees informed and updated on our high ethical standards and obligations.

Our fiscal 2021 training course covered business ethics, bribery and corruption, gifts, travel and entertainment, anti-money laundering laws, fraud, antisocial forces, fair competition, export control, company assets, information owned by others, data protection, conflicts of interest, reporting and non-retaliation and the Hitachi Global Compliance Hotline (Whistleblower system). After completing the training, employees must certify that they will abide by the Codes and ethics-related policies and protocols.

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 a key to early detection and prevention of ethical and regulatory problems. Employees may raise concerns and ask questions through their managers or any other manager, Human Resources, Compliance or Legal team member or the Hitachi Global Compliance Hotline. Hitachi Group employees and other interested parties can use the Hotline to report suspected violations of law and Hitachi policies and protocols relating to illegal or unethical conduct.

The Hitachi Group does not tolerate retaliation against an employee who cooperates with an investigation, raises a concern or reports suspected misconduct in good faith. Hitachi takes claims of retaliation seriously—anyone found to have committed a retaliatory act is subject to disciplinary action.

In fiscal 2021, we received more than 1,000 reports from all group companies worldwide.

Violation of Laws and Regulations

In fiscal 2021, there were no bribery/corruption or competition law-related incidents in which Hitachi was prosecuted or penalized by the authorities. Furthermore, Hitachi had no significant fines or nonmonetary sanctions for non-compliance with tax laws and regulations.