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Basic Concept

Hitachi views the expansion of long-term and comprehensive benefits for shareholders and investors as an important management goal. We also recognize that positive relationships with the diverse stakeholders of Hitachi and the Hitachi Group form an important part of our corporate value. In this context, we strive to develop systems to maintain good relationships with stakeholders and enhance our corporate value, including measures to encourage constructive dialogue.

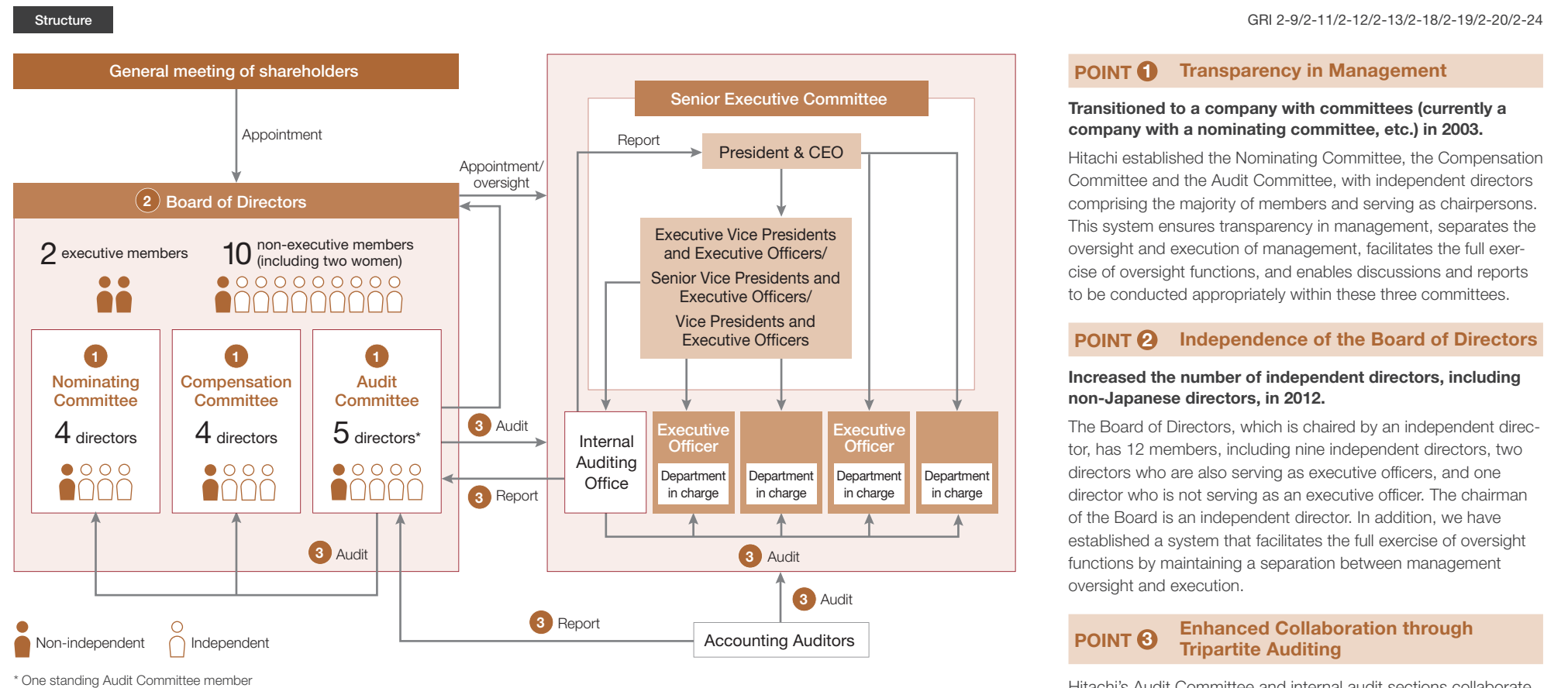| Topic	Overview
Corporate Governance	We endeavor to ensure the distinct separation of management oversight and business execution, to establish a system for the agile execution of business, to determine appropriate compensation and to achieve highly transparent management. Specifically, we select directors who possess the qualities that make them suitable to lead Hitachi management, including global experience and knowledge across a variety of fields, excellent character, and broad experience and knowledge of business management. We strive to establish a highly transparent and independent corporate governance structure and to introduce an executive compensation system that is linked to the enhancement of corporate value.

Governance

Corporate Governance

Hitachi views the expansion of long-term and overall returns to shareholders and investors as an important management objective. Hitachi, Ltd. and Hitachi Group companies maintain good relationships with a wide range of stakeholders, and we recognize that these relationships make up an important portion of our overall corporate value. Accordingly, we are striving to establish a system that will improve our corporate value primarily through the implementation of measures focused on promoting constructive dialogue. To advance these efforts effectively, we are working to improve our corporate governance by ensuring thorough separation between the oversight and execution of management, establishing a swift business execution system, and striving to achieve highly transparent management.

Hitachi's Corporate Governance Framework and Features (as of June 2023)

Structure

GRI 2-9/2-11/2-12/2-13/2-18/2-19/2-20/2-24

General meeting of shareholders

Appointment

2 Board of Directors

2 executive members   10 non-executive members (including two women)

Appointment/ oversight

Senior Executive Committee

Report → President & CEO

Executive Vice Presidents and Executive Officers/
Senior Vice Presidents and Executive Officers/
Vice Presidents and Executive Officers

1 Nominating Committee
4 directors

1 Compensation Committee
4 directors

1 Audit Committee
5 directors*

3 Audit

3 Report

Internal Auditing Office

Executive Officer — Department in charge   Department in charge   Executive Officer — Department in charge   Department in charge

3 Audit

3 Audit

3 Audit

3 Report

Accounting Auditors

● Non-independent   ○ Independent

* One standing Audit Committee member

POINT ❶ Transparency in Management

Transitioned to a company with committees (currently a company with a nominating committee, etc.) in 2003.

Hitachi established the Nominating Committee, the Compensation Committee and the Audit Committee, with independent directors comprising the majority of members and serving as chairpersons. This system ensures transparency in management, separates the oversight and execution of management, facilitates the full exercise of oversight functions, and enables discussions and reports to be conducted appropriately within these three committees.

POINT ❷ Independence of the Board of Directors

Increased the number of independent directors, including non-Japanese directors, in 2012.

The Board of Directors, which is chaired by an independent director, has 12 members, including nine independent directors, two directors who are also serving as executive officers, and one director who is not serving as an executive officer. The chairman of the Board is an independent director. In addition, we have established a system that facilitates the full exercise of oversight functions by maintaining a separation between management oversight and execution.

POINT ❸ Enhanced Collaboration through Tripartite Auditing

Hitachi's Audit Committee and internal audit sections collaborate with third-party accounting auditors to strengthen Tripartite Auditing aimed at increasing the effectiveness of internal controls.

Governance

Experience, Knowledge and Capabilities Required for Directors

Approach

GRI 2-10

Hitachi Directors need to have a wide range of experience and knowledge in global and diverse fields to be worthy of leading Hitachi's management to expand the Social Innovation Business globally, and have the qualities of broad experience and expertise in management.

The experience, knowledge, capabilities and other qualities required for Hitachi directors are as follows.

Core Skills Core qualities that ensure management oversight efficiency and decision-making functions		Number of applicable directors
Corporate management	Corporate management experience and knowledge	**12 people**
Global business	Business experience outside Japan or management experience at a company that develops business globally	**12 people**
Risk management	Knowledge of risk assessment and management necessary to maintain operations	**12 people**
Finance and accounting	Knowledge and management experience pertaining to financial accounting necessary for medium- to long-term corporate value creation from a financial perspective	**12 people**

Professional Skills Expertise and experience that enhance discussions pertaining to the promotion of the Social Innovation Business		Number of applicable directors
Government and international organizations	Leadership experience in government, governmental agencies, international organizations or economic associations that facilitates an understanding of and response to regulations and social issues, as well as practical experience at educational institutions	**4 people**
Legal affairs	Expertise and practical experience in legal affairs indispensable for global business and the development of new business	**1 person**
R&D and intellectual property	Expertise and practical experience in R&D or intellectual property facilitating the utilization of technology and the incorporation of new technologies	**2 people**
Digital	Practical experience in industrial fields vital for promoting digital transformation (DX) in the Social Innovation Business	**4 people**

Board of Directors Composition (as of June 2023)

Structure Activities

GRI 405-1

Independence
(ratio of independent directors)

Independent directors
Nine people
75%
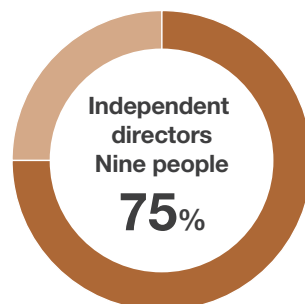
Diversity
(ratio of non-Japanese and female directors)

Non-Japanese Directors
Five people
41.7%

2 female directors
(16.7% of overall director total)
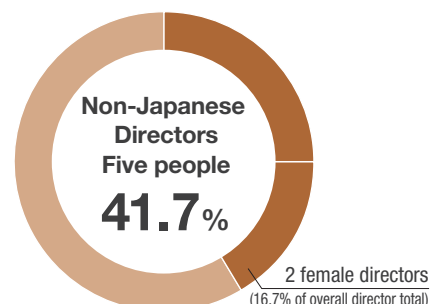
Diversity
(by country of origin)
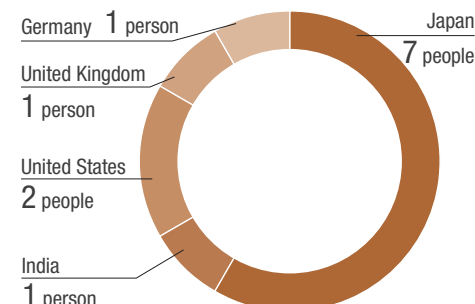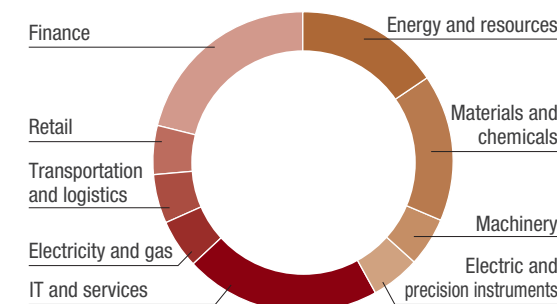
Germany **1** person
United Kingdom **1** person
United States **2** people
India **1** person
Japan **7** people

Industrial field

Finance
Retail
Transportation and logistics
Electricity and gas
IT and services
Energy and resources
Materials and chemicals
Machinery
Electric and precision instruments

Governance

Highly Experienced Directors

| Structure | Activities |

Name	Notes	Main industrial fields	Positions at Hitachi and responsibilities
Katsumi Ihara	Engaged in Sony Group management, possessing a wealth of experience and insight in the field of international corporate management.	Electric and precision instruments, finance	Independent director ● Nominating Committee chairman ◆ Audit Committee member ▲ Compensation Committee member
Ravi Venkatesan	Possesses a wealth of experience and insight in international corporate management at Microsoft India and other companies, and in particular, the digital field and business in emerging markets.	IT and services	Independent director
Cynthia Carroll	Possesses a wealth of experience and insight as a manager of large international corporations including Anglo American.	Materials and chemicals, energy and resources	Independent director ● Nominating Committee member
Ikuro Sugawara	Held a leading position in the Ministry of Economy, Trade and Industry, and possesses a wealth of experience and insight in the administrative field.	General industry	Independent director ◆ Audit Committee member
Joe Harlan	Possesses a wealth of experience and insight in international corporate management, including at the Dow Chemical Company.	Electricity and gas, energy and resources, materials and chemicals	Independent director ▲ Compensation Committee member
Louise Pentland	Attorney licensed in New York and the UK possessing a wealth of insight into corporate legal affairs and corporate governance cultivated through experience as a Legal Officer at PayPal Holdings and other large global corporations.	IT and services, finance and retail	Independent director
Takatoshi Yamamoto	Possesses extensive insight into business and management in the fields of corporate analysis and international corporate management.	Finance	Independent director ▲ Compensation Committee chairman
Hiroaki Yoshihara	Possesses a high degree of professional knowledge and a wealth of experience in the fields of international corporate management, finance and accounting.	Finance, general industry	Independent director ● Nominating Committee member ◆ Audit Committee chairman
Helmuth Ludwig	Mainly engaged in Siemens Group management, possessing a wealth of experience and insight in international corporate management and the digital field in particular.	Machinery, manufacturing	Independent director ◆ Audit Committee member
Keiji Kojima	Engaged in R&D at Hitachi and its group companies, most recently in the Smart Life sector, possessing a wealth of experience and achievements, particularly in digital businesses related to Lumada global deployment.	IT and services	Director, Representative Executive Officer, President & CEO ▲ Compensation Committee member
Mitsuaki Nishiyama	Engaged in operations in accounting and financial affairs and management at Hitachi and Group company etc., possessing a wealth of experience and achievements.	Materials and chemicals	Director ◆ Audit Committee member
Toshiaki Higashihara	Engaged in managing a wide range of fields at Hitachi and its group companies, including the social infrastructure and electric power system businesses, possessing a wealth of experience and achievements that include promoting the global expansion of Hitachi Group business.	Transportation and logistics, IT and services, energy and resources	Director, Executive Chairman, Representative Executive Officer ● Nominating Committee member

Governance

Administrative Performance of the Board of Directors
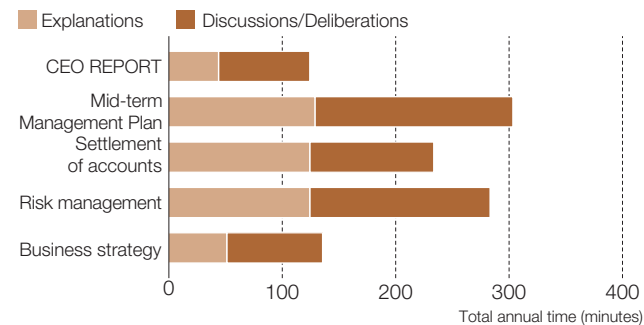
Structure   Activities

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

In fiscal 2022, CEO Keiji Kojima reported on the progress of the Mid-term Management Plan 2024, including overall priority items and progress in each sector, and confirmed consistency with the plan. In promoting the execution of management strategies, more time is spent discussing and deliberating than is used to explain quarterly financial reports and business strategies. In addition, at the Board meeting, CEO Kojima reports and discusses important topics for the executive side that were discussed at the Senior Executive Committee, facilitating a shared understanding with the executive side.

▶ Board of Directors Meetings in FY2022

FY2022 Board of Directors Meeting Results	
Meetings held	Nine days
Average number of agenda items	7.6 per meeting
Average meeting length	3.1 hours (longest meeting 5.3 hours)

▶ Discussion of Major Themes

■ Explanations   ■ Discussions/Deliberations

CEO REPORT
Mid-term Management Plan
Settlement of accounts
Risk management
Business strategy

Total annual time (minutes)

Activities of the Three Committees

Activities

Nominating Committee
The Nominating Committee has the authority to determine proposals submitted to the general meeting of shareholders for the election and dismissal of directors. The Nominating Committee consists of four directors, three of whom are independent directors.

This committee determines director candidates, holds preliminary discussions concerning the appointment and dismissal of the CEO and receives advance reports on the selection and dismissal of executive officers.

In fiscal 2022, the Nominating Committee held meetings on 10 days.

■ **Primary Activities**
In addition to deciding upon the contents of proposals made concerning director appointments at the Annual General Meeting of Shareholders, the Nominating Committee confirmed receipt of a preliminary report on the executive officer system implemented in fiscal 2023. In addition, it promoted committee-related activities, including discussions and individual interviews aimed at developing candidates for future management and leadership positions.

Audit Committee
The Audit Committee has the authority to audit the execution of duties of directors and executive officers and to decide on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee currently consists of five directors, including four independent directors and one standing Audit Committee member.

Hiroaki Yoshihara, the chairman of the Audit Committee, has been involved in accounting and other business practices at the KPMG Group for many years and possesses a considerable wealth of knowledge concerning finance and accounting.

In fiscal 2022, the Audit Committee held meetings on 15 days.

■ **Primary Activities**
The Audit Committee conducted activities that were focused on its priority matters for consideration, which included the strengthening of collaboration and the facilitation of information

sharing under a "Tripartite Audit" (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

Compensation Committee
The Compensation Committee has the authority to determine remuneration policies for directors and executive officers and remuneration for individuals (including amounts of remuneration) based on them. Currently composed of four directors, including three independent directors, the committee strives to ensure objectivity, transparency, and fairness in the remuneration determination process.

In addition, the Compensation Committee verifies and reviews details of the process used for determining remuneration for individuals, including assessments concerning basic remuneration amounts, evaluations of progress made toward individual targets, and performance appraisals that are tied to short-term incentive compensation.

In fiscal 2022, the Compensation Committee held meetings on 8 days.

■ **Primary Activities**
The Compensation Committee determined remuneration amounts for individual directors and executive officers in accordance with established policies while verifying and reviewing the processes and results of appraisals for performance and individual targets tied to short-term incentive compensation for executive officers. In addition, the committee reviewed the executive compensation system while giving due consideration to compensation granted to managers at global companies and the goal of sharing value with shareholders, and decided upon policies covering remuneration for directors and executive officers in fiscal 2023.

Governance

Director and Executive Officer Compensation

System

Fiscal 2023 Revision of Executive Compensation System

At a meeting of the Compensation Committee, Hitachi discussed the executive compensation system to enable continued growth over the next ten years, through a modal change toward growth in MMP 2024. A decision was made to amend the executive compensation system to establish a system that can secure competitive superiority over global companies, ensure effective Pay-for-Performance that rewards contributions to growth and innovation, and increase corporate value by strengthening sustainable management. For specific details, please see the following page.

With regard to employee compensation as well, Hitachi has introduced a framework in which individual targets are linked to the company's targets, and compensation is determined according to the achievement of those targets. The management targets put forward in MMP 2024 are applied as evaluation indexes when deciding compensation for individual employees. Hitachi will cultivate a growth mindset among both executives and employees and strive to achieve global growth as One Hitachi.

Compensation structure

(1) Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

(2) Executive Officers

Compensation for Executive Officers consists of Basic compensation as fixed pay and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. The basic amount of Basic compensation, short-term incentive compensation and medium- and long-term incentive compensation is set based on the ratio of compensation for the President & CEO, which in the past was 1:1:1, but has been changed to 1:1.2:2, increasing the ratio of variable pay with a focus on LTI, which takes the form of stock compensation, and the compensation ratios for other executives have also been set based on this ratio. This takes into account the composition of executive compensation for major global companies including European and the United States companies, in order to increase corporate value through the growth of global businesses.

If it is found that an executive officer has engaged in misconduct during their term of office, any compensation already paid shall be returned to the company (clawback provision).

Please refer to Compensation to Directors and Executive Officers in the Annual Securities Report (The 154th Business Term)

Annual Securities Report (The 154th Business Term) P108 Compensation to Directors and Executive Officers
https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2022_4_en.pdf

Basic Policy of the New Executive Compensation System

Key Principles: New Incentive Plan	Aiming for growth, profitability, and cash generation	Accelerate sustainable management	Emphasize alignment with shareholder value	Ensure global competitiveness in business and compensation

- Aligned with mid or long-term growth of corporate value and business performance
- Corp. value growth through Pay-for-Performance

Linkage with the Mid-term Management Plan 2024	+	Mid- or long-term growth beyond the mid-term plan

Attract and retain key talent

Transparency, objectivity and fairness

1 Alignment with the Mid-term Management Plan 2024
- In the Short-term incentive compensation and Medium- and long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Key Performance Indicator ("KPI") to encourage executives to achieve them.

2 Establishment of compensation program and corporate performance program that foster a growth mindset
- Pursue an optimal balance between short and medium- to long-term performance about "growth," "improving profitability" and "cash generation," aiming for improvement of short-term performance and medium- to long-term growth in corporate value.
- Establish a compensation program that significantly rewards performance by setting stretched goals and commensurate compensation levels.

3 Setting indicators to promote sustainable management
- Develop specific indicators and goals related to "Environments," "Business with Integrity" and "Quality of life" under its sustainability strategy, and encourage their implementation.

4 Expansion of stock compensation that rewards growth in corporate value over the medium to long term
- Expand stock compensation to better align with medium- to long-term corporate value.

5 Competitive compensation levels with a global perspective
- Ensure competitive compensation levels to attract and retain key executives in the global market, regardless of their residence or origin, who lead global management of a global organization.

6 Compensation benchmarking with objectivity and transparency
- Reference the benchmarks in the US and European markets in addition to the benchmarks in the Japanese market for analysis and level-setting from multiple perspectives.

7 Transparency and objectivity through enhanced compensation disclosure and shareholder engagement
- Endeavor to gain investors' understanding and support through sufficient disclosure of the compensation program with a global perspective and ongoing shareholder engagement, and continuously improve the program based on the insights gained through the engagement.

Governance

Compensation to Executive Officers (Fiscal 2023)

System   Activities

Before amendment

Base compensation: short-term incentive: medium- and long-term incentive = 1:1:1 ratio		
Fixed pay	Variable pay	
Basic compensation	Short-term incentive compensation	Medium- and long-term incentive compensation

After amendment

Base compensation: short-term incentive: medium- and long-term incentive = 1:**1.2:2*** ratio		
Fixed pay	Variable pay	
1 Basic compensation	**2** Short-term incentive compensation	**3** Medium- and long-term incentive compensation

* For President & CEO

1 Basic compensation

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

2 Short-term incentive compensation

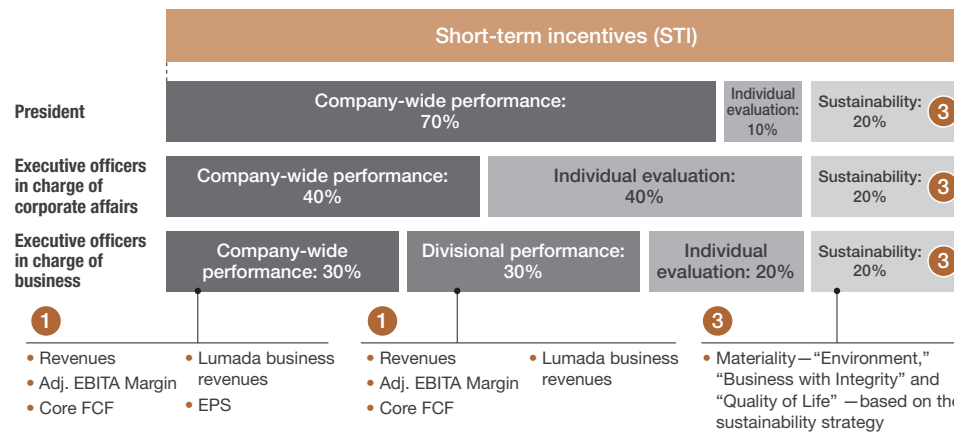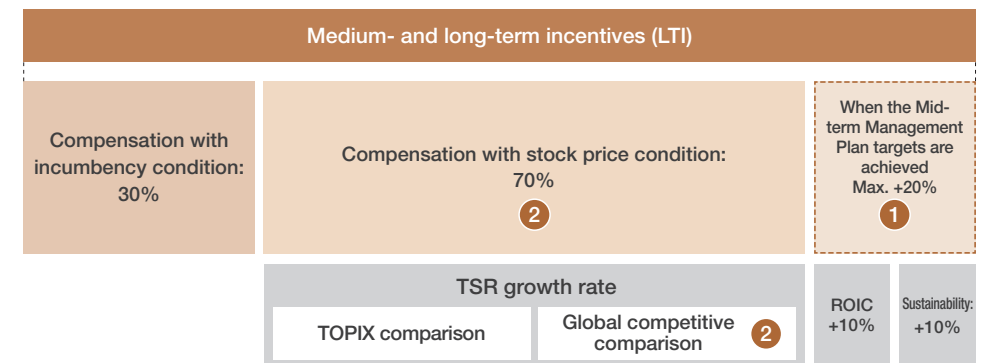|	Short-term incentives (STI)			
President	Company-wide performance: 70%		Individual evaluation: 10%	Sustainability: 20% **3**
Executive officers in charge of corporate affairs	Company-wide performance: 40%	Individual evaluation: 40%		Sustainability: 20% **3**
Executive officers in charge of business	Company-wide performance: 30%	Divisional performance: 30%	Individual evaluation: 20%	Sustainability: 20% **3**

1
- Revenues
- Adj. EBITA Margin
- Core FCF
- Lumada business revenues
- EPS

1
- Revenues
- Adj. EBITA Margin
- Core FCF
- Lumada business revenues

3
- Materiality—"Environment," "Business with Integrity" and "Quality of Life"—based on the sustainability strategy

3 Medium- and long-term incentive compensation

Medium- and long-term incentives (LTI)		
Compensation with incumbency condition: 30%	Compensation with stock price condition: 70% **2**	When the Mid-term Management Plan targets are achieved Max. +20% **1**

TSR growth rate		ROIC +10%	Sustainability: +10%
TOPIX comparison	Global competitive comparison **2**		

Points of amendment

1 Strengthening the link with the Mid-term Management Plan 2024
- Adopt the key indicators set forth in the Mid-term Management Plan 2024 adopted as KPIs (STI)
- Introduce incentives for achieving the Mid-term Management Plan (LTI)

2 Strengthening the link with Corporate Value Enhancement
- Increase the stock price condition compensation ratio (LTI)
- Establish a global competitive comparison (LTI)

3 Further evolving of Sustainable Management
- Separate sustainability evaluations and set at 20% (STI)
- Create new evaluations regarding our Materiality—"Environment," "Business with Integrity" and "Quality of Life"—based on the sustainability strategy (STI)

Governance

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.

Topic	Overview	Targets, KPIs, and Results
Business Ethics and Compliance	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.	**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
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 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.	
Tax Compliance	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.	

Governance

Business Ethics and Compliance

Doing Business Ethically, Honestly and Transparently

Approach   GRI 2-26/3-3

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.

🔗 The Hitachi Group Code of Ethics and Business Conduct
https://www.hitachi.com/corporate/about/conduct/pdf/conduct_e.pdf

🖥 Hitachi Group Sustainable Procurement Guidelines
https://www.hitachi.com/procurement/csr/EN_HG_SPG.pdf

Compliance With the Hitachi Group Code of Ethics and Business Conduct

Policy   GRI 2-23/3-3

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.
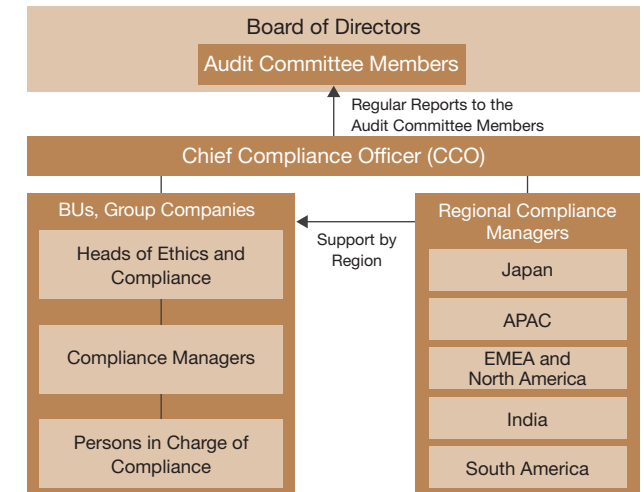
The Code has been prepared in more than 20 languages. The Japanese and English versions are published on the Hitachi, Ltd. website, and other languages are available on the intranet servers of Hitachi, Ltd. and other Group companies to ensure familiarity and practice by all executive officers, employees, 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.

Ethics and Compliance Structure

Structure   GRI 2-13/2-24/3-3

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.

Board of Directors
Audit Committee Members

Regular Reports to the Audit Committee Members

Chief Compliance Officer (CCO)

BUs, Group Companies
- Heads of Ethics and Compliance
- Compliance Managers
- Persons in Charge of Compliance

Support by Region

Regional Compliance Managers
- Japan
- APAC
- EMEA and North America
- India
- South America

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

🏠 ↺ ‹ ›

Introduction　　Management　　Social Innovation　　Environmental　　Social　　**Governance**　　Assurance　　**Hitachi Sustainability Report 2023**　144

Governance

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

| Target | Activities |

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　　Materiality

At Hitachi, we encourage employees to apply high ethical standards in their day-to-day work as we improve our ethical culture. We established a KPI based on the results of an awareness survey on corporate ethics and compliance commissioned to Ethisphere, a U.S. research institute specializing in global corporate ethics. Our target is to achieve a standard score of 60 points or higher (100-point scale) in the first year, improving each year thereafter. We achieved a score of 76.5 in the first survey, conducted in June 2023, and we intend to continue to make improvements under the One Hitachi Compliance Program.

Business Ethics and Compliance Training

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.

Ethics and Compliance Risk Assessments

| Activities |　　　　　　　　　　　GRI 205-1/205-2

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.

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.

Governance

Strengthening our Speak-up Culture

`Approach`   GRI 2-25/2-26

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)

`System`   `Activities`   GRI 2-25/2-26/2-27

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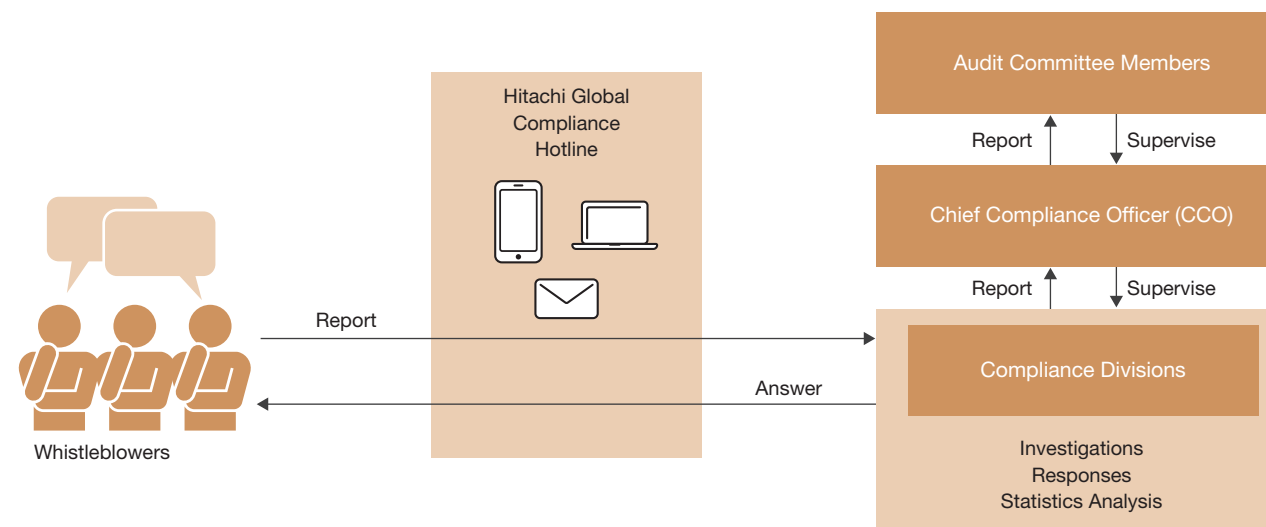
Consultation and reporting are available by phone or online for all matters involving possible misconduct, including violations of laws and regulations, violations of the Hitachi Group Code of Ethics and Business Conduct, and human rights violations, including harassment.

Phone numbers for the Hitachi Global Compliance Hotline are available for all employees and other stakeholders to speak to a representative 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.

After 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

▶ Reporting and Monitoring Structure

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

Governance

▶ Details of Fiscal 2022 Consultations and Reports

Categories		1 HR issues (labor management, travel expenses, commuting costs, etc.)	2 Harassment	3 Financial	4 Procurement	5 Competition law	6 Bribery	7 Other	Total
Areas where whistleblowing cases occurred	Americas	87	125	4	6	1	5	115	343
	Europe (including CIS)	63	52	4	4	0	3	76	202
	Middle East and North Africa	13	15	1	0	0	2	28	59
	Sub-Sahara	1	1	0	2	0	0	0	4
	APAC (excluding Japan)	47	55	9	13	1	19	96	240
	Japan	83	209	16	4	0	2	114	428
	Total	294	457	34	29	2	31	429	1,276

Anti-Bribery and Anti-Corruption

Policy   **Activities**   GRI 205-2

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.

Governance

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 more specifics 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 refamiliarize themselves with 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

[Policy] [Activities]

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

[Approach] [Activities]

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 eliminate approaches from antisocial forces in partnership with external specialist institutions (the National Center for Removal of Criminal Organizations or the police).

In fiscal 2020, 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.

Export Controls

[Approach] [Activities]

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 Hitachi Group companies 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.

Governance

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.

Governance

Risk Management

Basic Concept

We have seen the emergence of social issues such as rapid digitalization and complex global political and economic change, as well as environmental issues such as climate change, resource depletion, and large-scale disasters. In response, the business environment has become so volatile that it is difficult to predict the future, and the response to these changes has become a major factor in maintaining business models. Hitachi strives to comprehend and analyzes this business environment quantitatively and qualitatively. Based on social issues, our competitive environment, and management resources, we engage in risk management from the perspective of responding to risks and opportunities for further growth, creating profit-earning opportunities while controlling risks.

Topic	Overview
Addressing Risks and Opportunities	In April 2022, Hitachi established a new Risk Management Meeting within the Senior Executive Committee to deliberate and determine materialities related to companywide risks. The President serves as chair of the Risk Management Meeting and the chief risk management officer (CRMO) serves as vice-chair. By managing the diverse risks of Hitachi's global operations centrally, we are building a solid management foundation that is aligned with growth strategies.
Business Continuity Initiatives	We provide the Hitachi Group Guidelines for Developing Business Continuity Plans to Group companies to enhance our preparation for major disasters and other risks. In addition to strengthening safety and business continuity measures in the event of natural disasters such as large-scale earthquakes in Japan as Natural Disaster BCPs, the procurement departments of business units (BUs) and major Group companies in Japan strive to enhance procurement BCPs to minimize the impact of future incidents.

Governance

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 with each day. In the Risk Management Meeting, which is chaired by the President with the Chief Risk Management Officer (CRMO) acting as vice-chairperson, Hitachi monitors and analyzes this business environment quantitatively and qualitatively and manages risks in terms of the response to risks that Hitachi should prepare as well as opportunities for further growth in light of, for example, social issues, competitive advantages and management resources. We will create revenue opportunities while controlling risks. We will identify severe risks that could potentially have a significant impact on Hitachi's operations in terms of the nature of risk events, the expected time period, the likelihood of their occurrence and their seriousness when they do occur, and we discuss and implement measures against the risks. By identifying the various risks Hitachi faces while operating around the world, we are working to achieve a solid management foundation that is linked to our growth strategy.

Hitachi's Risk Management Structure

| Structure | GRI 2-12/2-13/2-24/3-3/403-2 |

We established five working groups (WGs) according to types of risk under the Risk Management Meeting. The WGs utilize related group corporate functions and manage respective risks appropriately.

▶ Risk Management Structure

Board of Directors
Senior Executive Committee
Risk Management Meeting
CRMO

Risk categories / Working Groups				
Investment risks	Business risks	Crisis management	Compliance	Group governance

Group Governance Efforts

| Policy | Activities |

We amended our Group Governance Policy in April 2023. The policy aims to clarify how the Hitachi Group's governance should function and to explicitly state responsibilities and roles of different organizations given Hitachi's presence as a global enterprise.

Achieving sustainable growth through the global expansion of the Social Innovation Business requires group-wide optimal management, based on the Group's common aim, to reflect global perspectives and diverse values in our business management and efficiently allocate management resources. Based on this policy, the Hitachi Group integrates its management to formulate and execute the Group's strategies in pursuit of synergies within the Group, strengthen its management foundation through common discipline and rules, and streamline business management through the standardization of our global operations. In this way, we will accelerate our global growth by ensuring the transparency and fairness of our business management, protecting the Hitachi brand's value and promoting our Social Innovation Business.

Governance

Crisis Management Initiatives

Activities

For crisis management, Hitachi strives to achieve more sophisticated resilience. An example is quick action taken in the event that a crisis occurs. Even in ordinary times, we are ready to take action against each of the serious risk categories to enhance our preparedness for contingencies and ensure appropriate action. In fiscal 2022, our corporate measures in the areas of large-scale natural disasters in Japan, as well as cybersecurity and other related issues, were strengthened and reviewed. Our aim was, for example, to facilitate the migration of major systems to the cloud and duplicate our information infrastructure. In fiscal 2023, the expansion of our measures for business units and the Hitachi Group companies as well as Diagrammatic drill, among other initiatives, will be strengthened to enhance the Group's resilience globally.
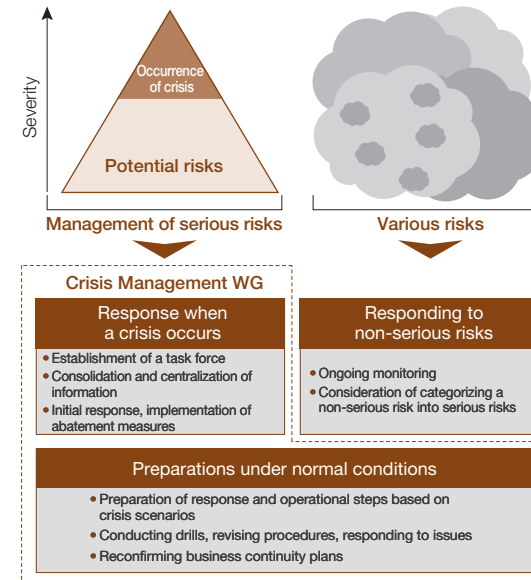
Compliance Initiatives

Activities

GRI 201-2

As a cross-sectoral compliance initiative, four related departments worked together and shared information with one another in fiscal 2022 regarding the measures implemented by each department under regular conditions (e.g., development of regulations, training, monitoring, audits) and how to handle contingencies in the event that they arise (e.g., communication with internal and external stakeholders including senior management when a major risk manifests) to handle major compliance-related risks that concern corporate ethics and laws, the environment, quality, and health and safety. These departments work to strengthen their cooperation in terms of management methods in different categories of risks. In this way, we have sought to raise the level of our risk management in the different categories and reduce risks. In fiscal 2023, we will seek to establish an organizational climate for encouraging employees to speak up and preventing violation of laws and internal rules with the aim to reduce the Hitachi Group's compliance-related risks.

Efforts Against Investment Risks

Structure

Hitachi has a proper framework of decision making in different phases of investment (e.g., M&A, sale of assets, orders for projects) to facilitate our response to risks and secure growth opportunities. Hitachi has a framework for delegation of authority within a three-layer deliberation structure—the Board of Directors, the Senior Executive Committee and the business units—in accordance with the size and details of the project to ensure appropriate and flexible decision making when carrying out an investment or other activity. For important projects, the Investment Strategy Committee, an advisory body consisting of members of our corporate divisions, examines risks in a multifaceted manner to submit a report (including recommendations of approval or disapproval) to the Senior Executive Committee whose members include the President. After an investment is executed, we periodically monitor the status of the project. If the project fails to proceed as planned, we have a framework in place to decide whether to continue with the investment, which might lead to a decision to withdraw. The aim is to enhance our capital efficiency.

In response to changes in the economy finance, geopolitics, customers and other components of the management environment (risks and opportunities), the criteria for providing investment and post-implementation monitoring (including PMI) are continuously strengthened in an effort to achieve the Mid-term Management Plan and capital allocation plans.

▶ Framework of Decision Making
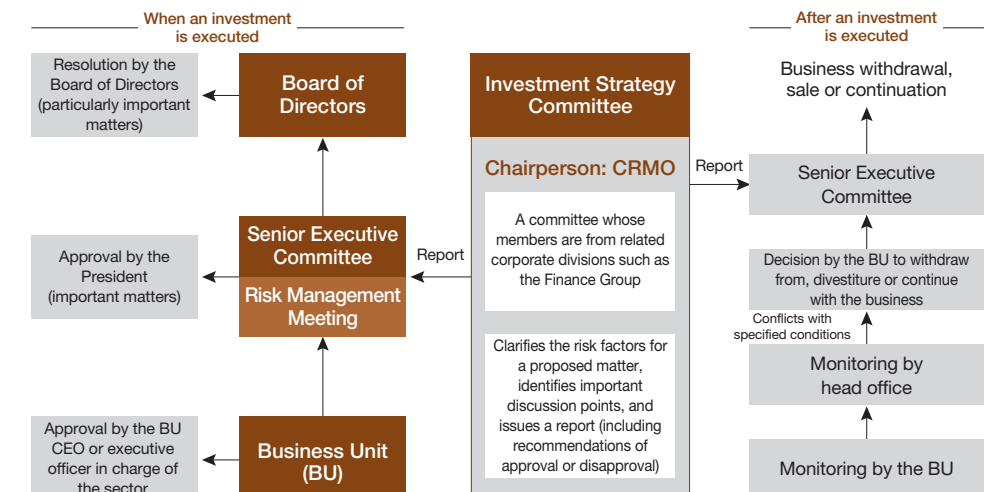
Governance

Quantitative Understanding of Risks

Activities

Hitachi calculates expected maximum risks (Value at Risk) by statistical methods according to the type of assets held on the group's consolidated balance sheet. Similarly, the risks of increasing the backlog of long-lead projects have been quantified since fiscal 2022.

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.

Responding to Climate Change Risks and Opportunities

Activities   GRI 201-2

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).

P.043 Climate-related Financial Information Disclosure (Based on TCFD Recommendations)

For details of the risk factors, please refer to page 34 of the Annual Securities Report (the 154th business term).

Annual Securities Report (the 154th business term) P.34
https://www.hitachi.com/IR-e/library/stock/hit_sr_fy2022_4_en.pdf

Governance

Business Continuity Initiatives

Approach to Business Continuity Plans (BCPs)

`Approach` `Activities`

Given the close relationship of our business to social infrastructure, we continue to strengthen BCPs to ensure that the impact of risks do not disrupt our business and thereby significantly affect society. We published the Hitachi Group Guidelines for Developing Business Continuity Plans (Overview) and the Hitachi Group Guidelines for Developing Business Continuity Plans (By Department) in Japanese, English, and Chinese for distribution to all Hitachi Group companies to enhance preparedness for major disasters and other risks.

Regarding infectious diseases, we released the Hitachi Group Guidelines for Pandemic Influenza Preparedness for Group companies. These guidelines served as a useful tool in dealing with the COVID-19.

We also appointed personnel with responsibility for risk-response policies at our main overseas bases. Major Group companies outside Japan prepared BCPs to strengthen response to business risks including major disasters, infectious diseases, political instability, social disruption, and acts of terrorism.

Formulation of BCPs

Hitachi, Ltd. and its Group companies in Japan have formulated BCPs for each business in preparation for major earthquakes, wind and flood damage, and novel strains of influenza. Each business division reviews its BCP regularly and makes revisions as necessary to reflect the latest risk assessment results. In fiscal 2022, Hitachi, Ltd. and its Group companies in Japan strengthened BCPs related to infectious diseases such as COVID-19 in particular, as well as continuity plans in the event of mega-earthquakes. Group companies outside Japan have formulated BCPs in light of risks of concern in their respective locations.

BCPs Initiatives

`Activities`

Hitachi, Ltd. continues to strengthen measures against natural disasters by conducting annual earthquake drills, which simulate a major seismic event.

▶ Drill Simulating Earthquake Measures

FY2020	● Drills to set up an earthquake task force on a remote-work basis on the assumption that all work must be conducted remotely
FY2021	● Remote drills using a Web conferencing system on the assumption that not everyone can assemble at the office on weekdays and that there is a mix of those who come to the office and those who work from home
FY2022	● Conducted training for remote workers, assuming that headquarters disaster-response staff living in areas subject to JMA Seismic intensity 7 are not able to participate in drills in person; simulated an earthquake occurring directly under the Tokyo metropolitan area during daylight on a weekday

Procurement BCPs Initiatives

`Approach` `Activities`

Hitachi enhances procurement-related business continuity plans (BCPs) across Group companies worldwide to ensure significant incidents[*1] do not disrupt our business or seriously impact the society.

To minimize the impact of disasters that may occur, the procurement divisions in BUs and key Group companies: (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory

strategically; and (5) consider and promote substitute products. Based on our experience with the various impacts e.g. lockdowns caused by COVID-19 and wars, we will accelerate the above measures.

We share these activities with procurement divisions in BUs and key Group companies outside Japan as appropriate, making use of this information in reviewing strategies in an effort to enhance procurement BCPs throughout the Group worldwide.

*1 Events such as natural disasters (including major earthquakes) serious enough to disrupt business

Achievements in Fiscal 2022

We have introduced the Procurement BCPs Management System for our procurement partners in Japan to share information (on contingency impact surveys) efficiently among Hitachi Group companies during disasters.

In fiscal 2022, we added a new function to identify the locations damaged by typhoons and other windstorms in a timely manner, which have been increasing in recent years.

In the future, we promote systematization of incident identification and survey for overseas procurement partners in China and other countries.

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

Governance

Improving Safety for Employees Sent to Dangerous Regions

Activities

Hitachi takes all possible measures to ensure safety when sending employees to countries and areas at high risk of conflicts, terrorism, and other threats. On-site surveys are also conducted by in-house and outside experts beforehand.

In addition, Hitachi, Ltd. participates in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs to enhance collaboration between the private and public sectors in this area, by which contributes to safety measures at other Japanese corporations operating outside Japan.

Achievements in Fiscal 2022

In fiscal 2022, Hitachi, Ltd. undertook measures for the timely provision of information to ensure the safety of our employees around the globe. These measures included posting information from contracted consultants and news agencies on the company's intranet. In addition, the company employs an outside specialist to provide medical assistance to Hitachi Group employees outside Japan.

GlobalLogic Business Continuity Plans

GlobalLogic continues to execute Business Continuity Plans (BCPs) in all business locations. Maintaining the safety of employees as the highest priority, the company continues to operate in Ukraine through BCPs.

A diverse distribution of the workforce is a key factor in the ability of GlobalLogic to operate safely and maintain productivity. A total of 15% of Ukraine teammates live and work outside Ukraine, with another one-third located in the relative safety of western Ukraine. In addition, the company conducts a program to incentivize temporary or permanent employee relocation to safer locations inside and outside of Ukraine.

In fiscal 2022, the company improved safety measures and business continuity to prepare for the future, including the opening of 11 satellite offices across Ukraine. All offices have been equipped with redundant power and communications infrastructure, including multiple satellite internet connections and mobile power banks. The company also maintains a sufficient inventory of emergency provisions in its offices.

In addition to the preceding, GlobalLogic implemented a long-range Ukraine de-risk plan beginning in fiscal 2023.

Governance

Information Security

Basic Concept

While advancements in digital technologies create new value, there is a growing risk of information leaks and shutdowns due to cyberattacks. These attacks become more sophisticated every day and could interfere with business continuity. Risk management related to information security has become one of the most important issues for corporate entities. In response, Hitachi, which aims to be a global leader through our Social Innovation Business, emphasizes cyber security measures from the perspectives of value creation and risk management.

Topic	Overview
Information Security	Based on our information security policy, Hitachi pursues an optimal security structure under the supervision of our chief information security officer (CISO), confirming our sense of unity and agility as One Hitachi. Specifically, we work to prevent information leaks, conduct in-house information security education, and perform internal audits related to information security.
Cybersecurity	To address risks associated with the diversification of cyberattack methods, we expanded the scope of security risk management and strive to reduce business risks in the development and verification environment for creating products and services, production and manufacturing environments, supply chains, and product and service development processes.
Data Protection	As a member of the global community, Hitachi commits to protecting personal information in accordance with a vision for personal information protection summarized as providing safety and trustworthiness, and recognizing the importance of individuals' rights.

Governance

Information Security

Approach to Information Security

Approach

The progress of digitization has brought new opportunities for creating value, but this progress also amplifies the risks that businesses face, including information leaks and operational disruptions caused by increasingly sophisticated cyberattacks that impede business continuity. To minimize these risks, risk management related to information security has become one of the most crucial challenges for companies. Against this backdrop, Hitachi, aiming to be a global leader in the Social Innovation Business, is engaged actively in information security initiatives. We recognize cybersecurity measures as a crucial management challenge that addresses both value creation and risk management. Since Hitachi consists of numerous companies, we are pursuing our businesses as a unified group, *One Hitachi*. In line with this business policy, we address information security as One Hitachi, as well, striving to establish optimal security measures and ensure a sense of unity and agility. To this end, we accelerate the security measures based on common initiatives in accordance with the overall Hitachi policy.

⬈ Information Security Report
https://www.hitachi.com/sustainability/download/pdf/
Infomation_Security_Report_2022_EN.pdf

Information Security Policy

Policy   GRI 2-23

Hitachi created an information security policy to protect information assets, including information entrusted to us by our customers, the systems that store that information, and the information systems that provide social infrastructure services. We established various rules and implementation systems

based on this policy, and we address the challenges of information security management on an active basis.

Information Security Policy

1. Formulating administrative rules for information security and ensuring their continual improvement
2. Protection and ongoing management of information assets
3. Legal and regulatory compliance
4. Education and training
5. Preventing incidents and taking action when they occur
6. Ensuring business processes are optimized within the corporate group

Framework for Promoting Information Security

Structure   GRI 2-13/2-24/3-3

The Chief Information Security Officer (CISO) has overall responsibility and authority for implementing and operating information security and personal information protection, and oversees information security for all Hitachi products, services, and internal facilities.

　　Chaired by the CISO, the Information Security Committee determines all policies and measures for information security and personal information protection. These policies and measures are announced to all Business Units (BUs) and Group companies through channels such as the Information Security

▶ Framework for Promoting Information Security
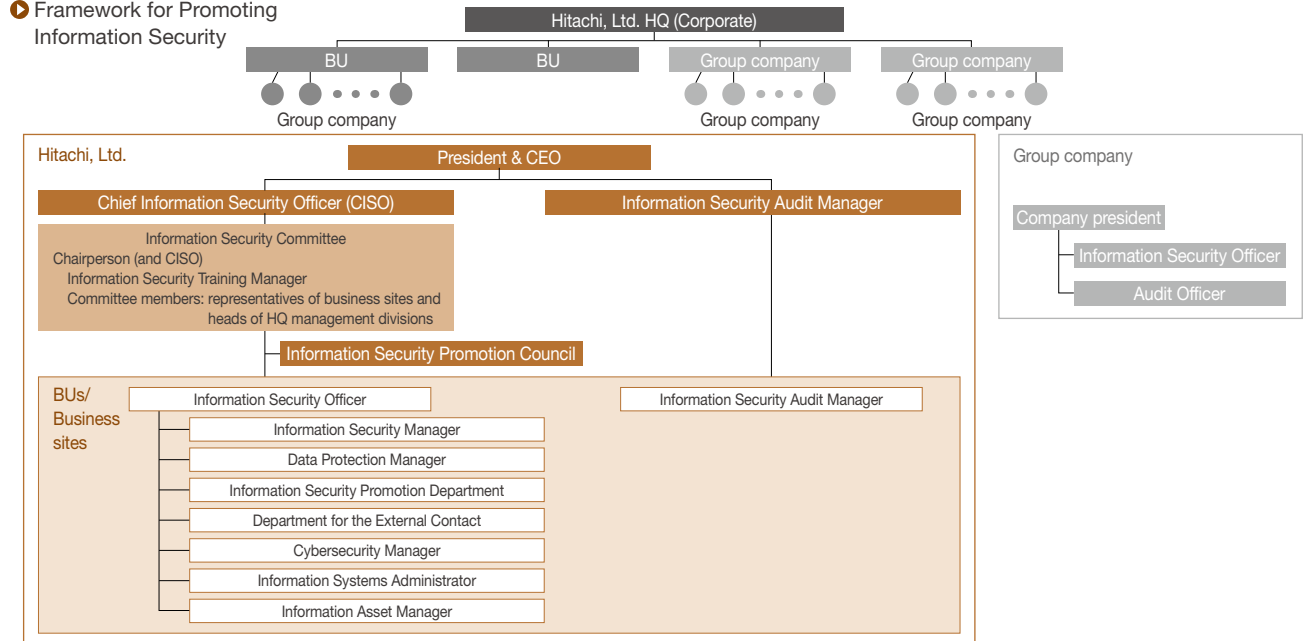
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Governance

Promotion Council. BU and Business sites operate their own information security divisions, with the head of the BU or business site serving as information security officers. These divisions implement information security management in each workplace and provide relevant education to employees. This framework is also implemented at Group companies to promote information security across the group through mutual cooperation.

Information Security Management

Activities

Hitachi established a framework for information security management based on the ISO/IEC 27001 international standard. We enhance information security by ensuring information security response measures comply with the United States government standard SP800-171. The Information Security Rules and the Personal Information Protection Rules including *Information Security Standards* are communicated globally by Hitachi, Ltd. and Group companies headquarters. Hitachi also makes use of shared security services and related information security support provided by regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

Preventing Information Leaks

Hitachi engages in a number of IT-related measures such as device encryption, secure PC use, electronic document access control and expiration processing software, ID management and access control via authentication infrastructure, e-mail and website filtering, etc. to prevent information leaks. In response to the recent proliferation of targeted e-mail attacks and other cyberattacks, we not only participate in an initiative to share information between the private sector and the government, but also strengthen various IT measures that include defense-in-depth strategy.

To prevent leaks from procurement partners, we review their information security measures based on Hitachi's own standards before allowing them to access to confidential information. We also provide tools to procurement partners for security education and for checking business information on computers. In addition, we require procurement partners to check and remove business information from personal computers.

Education on Information Security

Hitachi holds annual e-learning programs on information security and personal information protection for all executive officers and employees. The participation rate in Hitachi, Ltd. in fiscal 2022 was 100% (excluding those who could not attend due to personal leave, etc.). Besides, Hitachi offers a variety of programs depending on the target and aims, such as those for new employees, new managers, and lectures for information system administrators. Hitachi also implements simulation training to educate employees about phishing attacks and other cyberattacks. Employees receive deceptive e-mails as phishing simulations to heighten their awareness of security through direct experience.

Training programs in Hitachi, Ltd. are shared with the Group companies in order to actively implement training on information security and personal information protection in the entire group.

Information Security Management Evaluation and Monitoring

Hitachi implements information security and privacy protection initiatives based on the PDCA cycle of the information security management systems stipulated by Hitachi, Ltd. We conduct regular audits and inspections to monitor and evaluate whether management and measures for information security and data protection are implemented properly in each department.

All divisions of Hitachi, Ltd. and Group companies in Japan conduct annual internal audits of personal information

protection and information security. Internal audits at Hitachi, Ltd. are conducted independently by audit managers appointed by the President and CEO. They are not allowed to audit their own units, which underlines our commitment to fairness and objectivity in auditing. The Group companies in Japan conduct internal audits equivalent to Hitachi, Ltd., and all audit results are confirmed by Hitachi, Ltd.

Hitachi requires Group companies outside Japan to use a common global self-check approach to ensure groupwide inspections. All departments in Hitachi, Ltd. perform self-directed personal information protection and information security operation checks annually. In addition, departments involved in operations that handle important personal information (739[*1] related operations identified as of March 2023) perform personal information protection operation checks every month. Through these measures, we check operational status regarding personal information regularly.

Hitachi is also engaged in groupwide security risk reduction activities through regular on-site assessments of the status of information security measures. A team of in-house security specialists is responsible for identifying any deviations arising from self-checks. Further, Hitachi, Ltd. and Group companies in Japan contract with an external organization to conduct quarterly external vulnerability assessments of servers open to the public and other external vulnerabilities.

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

Governance

Cyber-Security Initiatives

`Activities`

To address the risks posed by the increasing diversification of cyber-attack methods, origins, and impacts, Hitachi is expanding the scope of our security risk management. Traditionally, we focused risk management on response measures for internal IT environments. To reduce business risks going forward, we will include the development and verification environments used to create products and services, production and manufacturing environments, and the supply chain and product/service development process.

Cyber-Security Management

Hitachi established standards for internal IT environment-related vulnerability response measures and network security. We also require BUs/Group companies to conduct regular status assessments of these measures and perform corrective actions. As a companywide measure, we launched an initiative to monitor vulnerability mitigation for each device and follow up with users/administrators to expand the application of such measures.

In the development/test and production/manufacturing environments, we established standards and guidelines for infrastructure construction and operations to ensure security compliance in each environment, and we pursue measures based on these guidelines within the Hitachi Group. We also share information security requirement standards established by Hitachi with our procurement partners, working cooperatively to enhance security.

We established management guidelines to address and maintain the security of products and services, and we follow measures based on these guidelines within the Hitachi Group.

Cyber-Security Monitoring

The Hitachi Security Operation Center (SOC) monitors security on an around-the-clock basis to ensure global-scale cyberattacks are detected and response measures initiated immediately. The Incident Response Team (IRT) collects and develops threat information and manages our response to any security incidents.

Cyber-attack methods are becoming more sophisticated every year, with an increasing number slipping past detection systems. More often, these attacks tend to go undetected for long periods, resulting in increased damage. In this context, Hitachi strengthens cyber surveillance through Endpoint Detection and Response (EDR)*1 to monitor device behavior and perform authentication protection. We continue to improve and strengthen our cyber monitoring environment using the latest technology.

*1 Systems to monitor suspicious behavior and respond quickly to attacks on endpoint devices such as computers.

Data Protection Initiatives

`Activities`　　　　　　　　　　　　　　　　GRI 418-1

As digital technology continues to advance, the global trend toward leveraging data only accelerates. This situation has led to heightened interest in the protection of personal information and cross-border data exchange. In such an environment, Hitachi places significant importance on personal information protection initiatives to ensure the secure management of personal information received from customers and personal information involved in business operations. As a member of the global community, Hitachi is committed to protecting personal information in accordance with our vision for personal information protection, which is to provide safety and trustworthiness, and to value individual rights.

Personal Information Protection

Hitachi, Ltd. established the Personal Information Protection Policy which is announced to all executive officers and employees, and is also publicly available. Hitachi created a personal information protection management system based on this policy. This system ensures the protection of personal information by such means as appropriate management of personal information, educational programs for all employees, and periodic audits. We do not share personal information with third parties without data subject's prior consent. Even in cases where prior consent is obtained, Hitachi requires the third party to whom the data is provided to comply with Hitachi's Personal Information Protection Policy.

Hitachi also strives to safeguard personal information globally based on each company's personal information protection policy, and we ensure that these companies comply with all applicable laws and regulations in each country and region, as well as to the expectations of society at large.

⬈ Personal Information Protection Policy of Hitachi, Ltd.
https://www.hitachi.com/privacy-e/

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

Governance

PrivacyMark Certification

Hitachi, Ltd. obtained PrivacyMark*[1] certification, which is a third-party certification of personal information protection. The entire Hitachi Group is committed to personal information protection, and 37 Hitachi Group companies in Japan have been granted the PrivacyMark as of the end of July 2023.

*1 PrivacyMark: A third-party certification that is granted by the assessment body the Japan Information Processing Development Corporation to businesses that have taken appropriate security management and protection measures related to personal information (invested by Japan Information Processing Development Corporation).

Privacy Protection Initiatives

In response to social demands for privacy protection measures, Hitachi, Ltd. aims to provide more appropriate and high-quality services and products, and foster trust with consumers and other stakeholders, by balancing privacy protection and the use of personal data.

In 2014, we established the position of personal data officer to oversee personal data handling in Digital Systems & Services, which drives our digital business. We also established the Privacy Protection Advisory Committee to consolidate our knowledge on privacy protection, support risk assessments, and consider response measures.

Further, we began companywide effort by adopting the Hitachi Privacy Impact Assessment (PIA) in 2023.

Through these initiatives, we structure measures to prevent issues related to privacy, implementing privacy impact assessments for operations that involve personal data handled by employees.

Responding to Personal Data Protection Laws Around the World

With the increasing risk of privacy violations, lawmakers are actively seeking to create and modify relevant laws and legislation in countries and regions around the world. Hitachi ensures thorough global compliance with legal frameworks, continues to monitor related legal frameworks and social trends, and implements appropriate measures.

In Japan, Hitachi complies with the Amended Act on the Protection of Personal Information, and in the event that a leak may result in a situation that would harm the rights and interests of individuals, Hitachi promptly report said leak to the Personal Information Protection Commission and notify the affected individuals. We recorded one case of personal information leakage at Hitachi, Ltd. during fiscal 2022. We identified the scope of the impact related to this incident and took appropriate action.

Hitachi also formulated a groupwide internal code of conduct concerning the protection of privacy, which takes into consideration international legal frameworks such as the European General Data Protection Regulation (GDPR). This code of conduct became effective as of April 2022. Moreover, individuals responsible for personal data protection are appointed in each Group company, and support functions for regional group companies have been established within each regional headquarters. In this way, we ensure consistent personal information protection on a global scale.

Third-Party Evaluations and Certifications

Activities

Hitachi encourages the acquisition of third-party evaluations and certifications for information security management. Our data centers and other divisions obtain certification from the ISMS Accreditation Center (ISMS-AC) in accordance with the ISO/IEC 27001 Information Security Management System international standard. Eight divisions have received this certification at Hitachi, Ltd., and 28 divisions representing 23 Group companies*[1] have also received this certification.

*1 As of the end of June 2023

Governance Data

Corporate Governance   GRI 405-1/406-1

Leadership Demographics

	Unit	Total	Gender		Nationality	
			Male	Female	Japanese	Non-Japanese
Directors	People	12*1	10	2	7	5
Executive officers		38	36	2	33	5
Executive officers and corporate officers		79	70	9	63	16
Ratios of female and non-Japanese executive officers and corporate officers	%			11.4 ✓		20.3 ✓

Note: As of June 2023
*1 Including 9 independent directors (seven from Japan and two from outside Japan)

Governance

Business Ethics and Compliance   GRI 205-2

Business Ethics and Compliance Training

	Reporting Boundary	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of participants of business ethics and compliance training	Hitachi Group	People	—	—	—	341,888	**331,525**
Participation rate of business ethics and compliance training	Hitachi Group	%	—	—	—	99.1	**95.1**

Note: Disclosures began in fiscal 2021.

Hitachi Global Compliance Hotline (Whistleblower System)

		Reporting Boundary		Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of compliance reports	Hitachi Group	Total		Cases	—	459	639	1,023	**1,276**
		(By category)	HR issues (Labor management, travel expenses, commuting costs, etc.)	Cases	—	—	—	226	**294**
			Harassment		—	—	—	341	**457**
			Financial		—	—	—	27	**34**
			Procurement		—	—	—	26	**29**
			Competition law		—	—	—	3	**2**
			Bribery		—	—	—	30	**31**
			Others		—	—	—	370	**429**
		(By area)	Americas	Cases	—	—	—	238	**343**
			Europe (including CIS)		—	—	—	98	**202**
			Middle East/North Africa		—	—	—	54	**59**
			Sub-Sahara		—	—	—	13	**4**
			APAC (excluding Japan)		—	—	—	234	**240**
			Japan		—	—	—	386	**428**

Note: Discloses of the total number of cases began in fiscal 2019 and the breakdown in fiscal 2021.