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Creating a sustainable society through social innovation together with stakeholders

President & CEO
Hitachi, Ltd.

Keiji Kojima

Hitachi's Social Innovation

At Hitachi, we work with our customers towards creating a sustainable society by utilizing data and technology, and focus on Social Innovation Business that supports people's quality of life. After experiencing the management crisis in the wake of the Lehman Shock, Hitachi focused on Social Innovation Business as our single purpose, to solve social issues together with our customers through unique technologies that combine our strengths in IT, OT, and Products; and we have since continued to reform our business portfolio to become a global leader in bringing transformation to society.

Under our Mid-term Management Plan 2024, which started in 2022, we are committed to ensuring sustainable growth. To realize a sustainable society, we must expand our Social Innovation Business in various fields and create economic, environmental, and social value through three transformation drivers – Digital, Green, and Connective – that have significant impact on society and industry. For economic value, we aim to achieve growth in Earnings Per Share and Cash Flow Per Share by increasing the ratio of the Lumada*¹ business globally, which is a customer co-creation framework of a Social Innovation Business that leverages digital technologies. For environmental value, we aim to contribute to an annual reduction of 100 million metric tons of CO₂ emissions as a Group, through cross-sector collaboration. As for social value, we will respect the planetary boundaries and aim to improve people's well-being, with *Powering Good* as a guiding principle to our activities.

*1 Lumada: Solutions, services, and technologies that leverage Hitachi's digital technology and are offered to customers to accelerate the digitization of customers' businesses.



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As we shift into a sustainable growth mode, *Powering Good* is like a guiding principle for Hitachi, that I hold dear, and which goes hand in hand with the slogan, *Inspire the Next*. For example, I believe that the rapid evolution of generative AI will require us humans to improve our ability to discern what is good. As we constantly take actions and take on new challenges, and inspire the world through our Social Innovation Business (*Inspire the Next*) to make progress, we must never forget the ability to tell what is good, or in other words, the guiding principle of *Powering Good*.

Regarding our approach on "good," to respect planetary boundaries, we have set ourselves a goal to achieve carbon neutrality across our value chain by fiscal year 2050, under the Hitachi Environmental Innovation 2050, a set of long-term environmental targets. We would like to bring value to our customers and society through implementing initiatives at our own business sites (factories and offices) and by significantly growing our decarbonization business that contributes to the reduction of CO₂ emissions through collaborative creation with our customers and partners.

As for well-being, we are committed to influencing and contributing towards creating a sustainable society, to ensure health and wellbeing for all and to sustain a thriving world for everyone. By making further progress in our internal and external efforts, it is our vision to support a 100 year lifespan through innovation.

Initiatives for Human Capital Vital to Social Innovation

Securing global human capital is a critical topic for us as we strive to realize social innovation on a global scale.

Hitachi has a global network and a strong foundation for providing solutions and products to customers around the world. In recent years, we've had the pleasure to welcome many new talented people from ABB's power grids business and GlobalLogic through Mergers & Acquisitions (M&A). Bringing together the capabilities of this diverse group of people with different backgrounds and expertise, and working together as One Hitachi, enables us to understand the needs and issues of our customers around the world, and to innovate to realize a sustainable society.

I believe that human capital is the source of Hitachi's strength. In order to provide new value to customers and society as One Hitachi and to pursue transformation and growth, we have set three important goals under the Mid-term Management Plan 2024: (1) Acquisition and development of digital talent; (2) Promotion of Diversity, Equity and Inclusion (DEI); and (3) Increase employee engagement. Through our M&A, we have strengthened our digital capability by leveraging on GlobalLogic's recruitment and development methods, while also broadening our DEI and harnessing the diverse talents. In addition, our employee engagement score has also improved. We aim to achieve even greater heights, so that our employees will have a growth mindset as One Hitachi.

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Evolving Sustainable Management and Governance that Support Growth

In developing our Mid-term Management Plan 2024, we envisioned how the earth, society, and people living in the year 2050 would look like and our aspirations on how we want it to look like; taking a back casting approach, we identified what we need to do today, as well as what we need to address in the medium to long term. To promote sustainable management, we identified six materiality topics and set relevant targets against each. Progress against these targets and new initiatives are discussed in the Senior Executive Committee and the Board of Directors meetings.

Evolution of governance is essential to sustainable management. The members of our Board of Directors are indispensable in bringing important issues to light and we had countless discussions in formulating the Mid-term Management Plan 2024. We will develop our sustainable management further, through continuous discussions with our Board members under the sustainable growth mode.

Also, in order to improve corporate value through more robust sustainability management, we amended the executive compensation system in April 2023, and introduced new evaluation criteria on sustainability based on our materiality. To grow sustainably as a company, we must be recognized as a sustainable company. It is important that we keep our eyes on the future and contribute to society over the medium to long term and give back to our stakeholders. The amendment reflects our strong desire to share this intention at the management level. By implementing such mechanism, we aim to further advance our sustainable management.

A Message to Stakeholders

Hitachi's more than 110-year history is a series of solving social issues, built together with customers and stakeholders. As a company that promotes Social Innovation Business, Hitachi values dialogue and collaboration with a diverse range of stakeholders, including customers, shareholders/investors, governments, municipalities, academia, and research institutions. We receive a great deal of input from young people who will lead the next generation in particular, as they are highly environmentally and health-conscious.

These stakeholders are also innovation partners for Hitachi with whom we work together to solve social issues. Nowadays, many of our customers are taking on the challenge of solving social issues. Therefore, I feel like we are in an environment where we can truly engage in Social Innovation Business, and it is very encouraging to see the birth of new Social Innovation Businesses as we work diligently together with our customers to solve social issues.

To meet our stakeholders' expectations, Hitachi will continue to grow and deliver innovation to our customers around the world and society, with our diverse team full of talent working together across business domains and areas of responsibility, with a One Hitachi mindset.