

Carbon Pricing for Net Zero - Utilizing Market Mechanism - IEEJ, RIETI and EUJC Joint Webinar

Activities of Hitachi Group on climate change

Jan/27/2022 **Kazunori Takahashi**

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1 Hitachi Profile



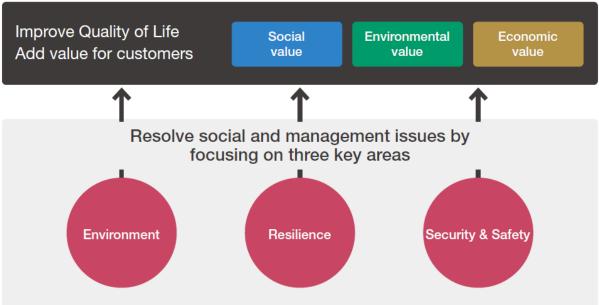
Foundation	1910	Rev Com
Head office	1-6-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	Others 5%
Representative	Representative Executive Officer, President & COO Keiji Kojima	Hitach 8% Hitach Machi
Employees	350,864 (FY2020)	8% Auto
Consolidated subsidiaries	871 (FY2020)	Syst 10 Sma
Business contents	Social Innovation Business that combines information technology (IT), operational technology (OT) and products	1 4

venues nposition ratio (%) rs chi Metals IT chi Construction **21**% hinery Revenues omotive by segment Energy stems ¥8,729.1 billion 12% % (FY2020) Industry art Life 9% .% Mobility 13%

2 The 2021 Mid-term Management Plan

2

Aiming to realize a sustainable world as a global leader in Social Innovation Business



Provide OT×IT×Products as a Package

-Ö-LUMADA*

* Business that realizes social innovations through solutions and services that apply Hitachi's advanced digital technologies © Hitachi, Ltd. 2021. All rights reserved.

3 Environmental Vision and Long-term Environmental Targets **HITACHI** (set first in 2016, updated in 2021)^{Inspire the Next}

Aiming to achieve carbon neutrality by FY2050 through the value chain



Appointment of Chief Environmental Officer(CEnO), Deputy CEnO

4 Hitachi's activities towards a Decarbonized Society (1)



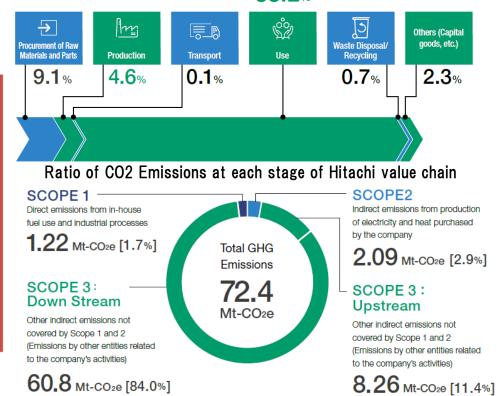
CO2 and GHG emissions and breakdown through the value chain (FY2020) 83.2%

For a decarbonized society

Achieve **carbon neutrality** by FY 2050 through the value chain

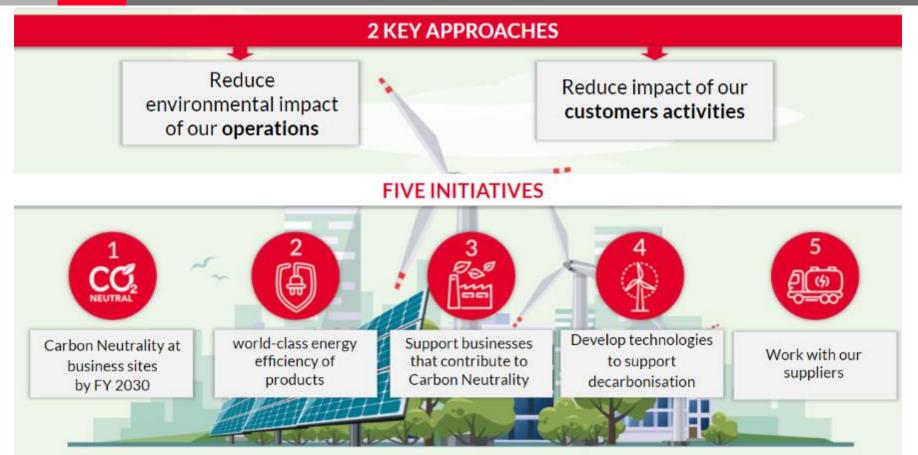
Reduce CO₂ emissions 50% by FY 2030 (compared to FY 2010)

Achieve **Carbon neutrality** by FY 2030 at business sites (factories and offices)



5 Hitachi's activities towards a Decarbonized Society (2)





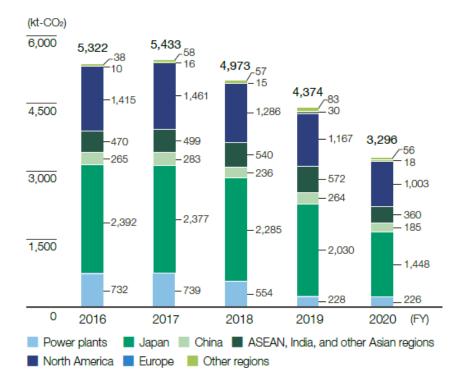
https://www.hitachi.com/New/cnews/month/2021/09/210913.html



Hitachi will become "CN" by 2030 in global operation (factories and offices)

CO2 Emissions

(Hitachi Group's factories, offices, and power plants)



1) Action

- Global best practice deployment to minimize factory energy consumption
- Pool purchasing of RE by region to minimize cost
- Minimize requirement of carbon credit purchase
- 2) Investment
- 84B¥ for 10 years
- 3) Incentive
- Introduction of Executive pay link to Environmental performance from FY2021
- Strengthening of "Hitachi Internal Carbon Pricing", introduced from FY2019

https://www.hitachi.com/New/cnews/month/2021/02/210225/ 20210225_01_env_presentation_en.pdf

7 Hitachi Internal Carbon Pricing (HICP)

- ICP is a mechanism that promotes the CO₂ reduction through organizational activities by having the organization price to its own carbon emissions and reflect them in management decision-making.
- HICP was introduced with the aim of promoting capital investment to reduce CO₂ emissions by setting a virtual price for the reduced CO₂ emissions and raising the investment priority.

- Set internal carbon price

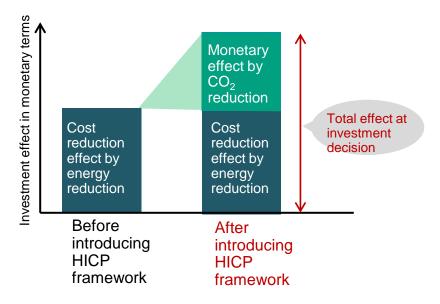
- Set a policy to incorporate the effects of CO₂ reduction into capital investment decisions

Evaluate by adding cost reduction effect of energy consumption reduction and the monetary effect of CO2 reduction through investments

Increase the priority of capital investment reducing CO_{2} and decide investment







HITACHI

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9 Achievement and strengthening of Hitachi Internal Carbon Pricing HITACHI

Introducing HICP from 2019

- CO_2 price : ± 5000 /ton- CO_2 based on global CO_2 price outlook
- Evaluation period : capital investment payback years
 2019: related investment 260M¥, reduced CO₂ 1356ton/year
 2020: related investment 250M¥, reduced CO₂ 447ton/year

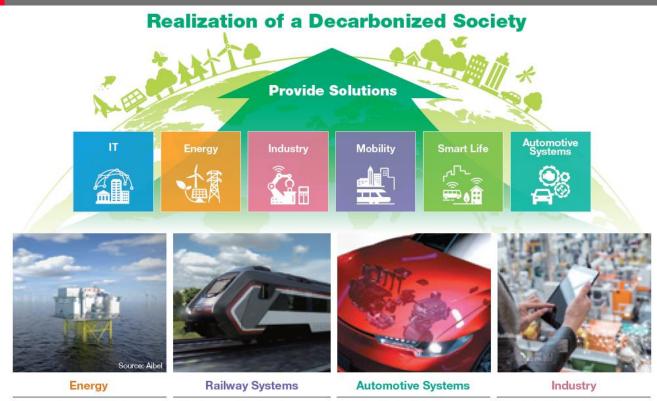
Setting "Hitachi Caron Neutrality 2030" at Business Sites in 2020 and planning the roadmap(investment, RE purchase, etc.) to 2030

Strengthening HICP from 2021

- CO_2 price : ¥14000/ton- CO_2 based on CO_2 price increase outlook and in-house survey
- Evaluation period : equipment operating years

9 Realizing a Decarbonized Society through our Business





- Support the societal shift toward renewable energy
- Provide systems and high-efficiency products that realize stable energy supply
- Develop eco-friendly railcars
 Develop hybrid- and
- battery-powered trains
- Develop high-efficiency electrification products and technologies to support the expansion of xEVs
- Provide DX solutions and energy-saving industrial equipment for manufacturing and other industries

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END

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