

ESG Report 2024 - Fiscal 2023 Results -

Environmental, Social and corporate Governance

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Introduction

ESG Report Editorial Policy and About Hitachi Astemo

Editorial Policy

The Hitachi Astemo ESG Report 2024 presents our stance toward environmental (E), social (S), and governance (G) issues and details the activities we undertook in relation to these in fiscal 2023.

Scope of this report

Period:	The main period covered is fiscal 2023 (April 1, 2023, to March 31, 2024) Some information on activities in April 2024 and after is also included.
Companies:	Hitachi Astemo Corporation and consolidated subsidiaries.
Reporting cycle:	Published yearly as an annual report.

About Hitachi Astemo

Company Profile (as of September 30, 2024)

Corporate name	Hitachi Astemo, Ltd.
Founded	January 2021
Head office	2520 Takaba, Hitachinaka-shi, Ibaraki-ken, Japan
Headquarters	Shin-Otemachi Building, 2-1, Otemachi 2-chome, Chiyoda-ku, Tokyo, Japan
Representative	President & CEO Kohei Takeuchi
Capital	129.1 billion yen
No. of employees (Consolidated)	Approx. 80,000

Consolidated Financial Highlights for Fiscal 2023 Based on International Financial Reporting Standards (IFRS)

Revenue	2,903.0 billion yen
Operating income (IFRS)	67.3 billion yen
EBIT*1	69.4 billion yen

Note: Hitachi Astemo's consolidated financial statement is prepared based on the International Financial Reporting Standards (IFRS).

*1 EBIT: Abbreviation for "Earnings before interest and taxes", a measure the profitability of a company's core business calculated by adding non-operating income and expenses other than interest to operating income.

Management

- 1 CEO's Message
- 2 MISSION, VISION and VALUES
- 3 Sustainability Management
- 4 Engagement and Participating in Initiatives

Management

1 CEO's Message

CEO's Message

Through advanced mobility technologies, we provide safety and freedom of movement to people around the world, and contribute to realizing a sustainable society where people thrive

It has been three and a half years since establishing Hitachi Astemo, a name derived from the first letters of “Advanced Sustainable Technologies for Mobility.” In the midst of a challenging business environment, we have made steady progress through the integration of four companies, and have taken the automotive industry’s rapid structural changes and digital paradigm shift as an opportunity for unparalleled growth.

So far we have integrated R&D and operations, strengthened digital engineering capabilities, deepened synergies between four-wheel and two-wheel businesses, implemented DX, built mutual trust, and enhanced collaboration among our diverse global talent. Yet Hitachi Astemo is still getting started in its significant growth trajectory and contributions to society through advanced mobility.

In light of the business climate and with the change in our capital structure last October, we saw an increasing need to clarify our company’s reason for being in society. It’s why we established our reformed MISSION, VISION, and VALUES (MVV) in April 2024, which reflect our guiding philosophy. Our MVV was created not only by the management team but also through the active input of global and diverse young talent who will lead the next generation. We started by defining the essence of mobility, and our role in delivering mobility solutions to society, with discussions delving deeper and becoming more spirited with each brainstorming session. Through them we recognized how we are proud of our goal to overcome the various barriers for mobility—whether industry-related, technological or physical—to enable each end-user to become freer, expand their possibilities, and realize a more enriched life.



Management

1 CEO's Message

CEO's Message

In line with our company name, our MISSION reflects our timeless commitment: "We contribute to the realization of a sustainable society and enriched lives for people by providing world-leading advanced mobility solutions."

In addition to the MISSION, our VISION reflects the "ideal state" of what we aspire to become in ten years. And to achieve these, the six VALUES each reflect what our employees should hold in high regard, which also guide decision-making. Going forward, we strive to be increasingly conscious of "realizing a sustainable society and enriching lives of people" as our reason for being, both on an individual level and as a company. By living out these principles, we aim to enhance our corporate value and our significance in society.

To realize such value and social contribution, we recognize the importance of building and maintaining a robust governance system. This ensures transparency and clarifies responsibilities in management. As each individual—from management to employees—adheres to compliance and operates ethically, this promotes healthy risk management and sustainable growth, as well as enhancing trust in our company.

In our strategy, we regard sustainability as the most important principle. We will thoroughly work on reducing our environmental impact in product development and business activities, through cooperating with internal and external stakeholders. As a company with 80,000 employees globally, we aim to foster a safe, comfortable, and healthy workplace where all employees can thrive and also work with peace of mind. We will further cultivate well-being, diversity, equity, and inclusion as sources of vitality and creativity.

While the business environment will continue to change greatly and rapidly, we

continue to view change as an opportunity. As stated in our VALUES, we will flexibly capture opportunities, think innovatively and actively evolve our mobility solutions, leading people to live freer and more enriched lives. This is our commitment as a united group.

In our 2024 ESG Report, we introduce such efforts and the achievements of our company. We hope this will be beneficial in communicating with our stakeholders.



Representative Director,
President & CEO

Hokai Takeuchi

Management

2 MISSION, VISION and VALUES

Forming our MISSION, VISION and VALUES

Formation background

The automotive industry is currently undergoing a once-in-a-century change. With such change in the environment surrounding Hitachi Astemo, we have reformed our MISSION, VISION and VALUES to clarify Hitachi Astemo's purpose of existence in mobility and society, as well as to articulate Hitachi Astemo's vision. Furthermore, we have established our new corporate slogan that memorably and succinctly expresses Hitachi Astemo's mission along with its vision, the value provided to society, and the wealth of possibilities with mobility.

By sharing these values with Hitachi Astemo employees around the world and fulfilling our social responsibility for future growth, we aim to improve Hitachi Astemo's corporate value.

Future initiatives

- Hitachi Astemo is committed to realizing a better mobile society based on its MISSION, VISION and VALUES. We aim to achieve carbon neutrality by promoting the development and adoption of innovative products that contribute to realizing a safe and sustainable society, as well as for people to lead enriched lives. In addition, we will strive to enhance corporate value through risk management and strengthening governance.
- We will also support local communities and the youth, promoting diversity, equity and inclusion while growing together with all stakeholders to realize a sustainable society. We will leverage our Gemba capabilities to expand the value we provide to all stakeholders through our technological and Gemba strength.



Astemo

Mobility Beyond

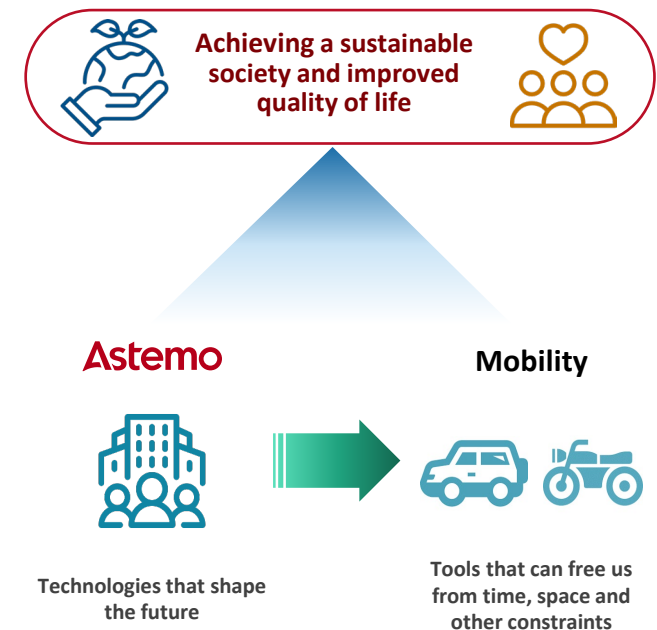
Idea behind "Mobility Beyond"

Astemo's mobility solutions transcend all types of boundaries, bringing freedom of movement to people all over the world

Astemo aims to contribute to realizing a sustainable society and enriching people's lives. This is achieved by challenging the limits of technology and of each individual, as well as by delivering advanced mobility technology and product solutions to people around the world—transcending and overcoming all types of barriers (such as national, cultural, industry, organizational), and realizing "freedom of movement" for each individual.

"Freedom of movement":

An environment where everyone in the world can enjoy mobility freed from various time and space constraints



Management

2 MISSION, VISION and VALUES

MISSION VISION VALUES - Our Passion and Commitment

MISSION VISION VALUES - Our passion and commitment

MISSION

Hitachi Astemo's "reason to exist" and "mission to be fulfilled" in society

We will contribute to a sustainable society and improved quality of life by providing world-leading advanced mobility solutions

Mobility Solutions - Our passion and commitment

We continue to challenge ourselves to create advanced technological innovations that transcend technical limitations and all other boundaries that exist in society (such as cultural, industrial, organizational and other barriers)—this is our mission

Sustainable Society - Our passion and commitment

We will build a global network of diverse employees and customer and supplier partners around the world. And we aim to realize a sustainable society together with all our stakeholders—this is our mission

Quality of Life - Our passion and commitment

In a society of increasingly diverse values, we enable each individual end user to enjoy greater freedom and quality of life through mobility solutions—this is our mission

VISION

The "desired state" that Hitachi Astemo should strive to achieve

**Safety and Freedom for the world through Mobility
Onward with Astemo**

With our advanced mobility solutions as a global mega supplier, we provide more than just safety—we offer peace of mind. By removing barriers like time and space, we aim to empower people worldwide to enjoy greater freedom and quality of life.

Our solutions go beyond our customer's imagination because we are a genuine partner focused on end users and a sustainable society in which they can thrive.

Our collaboration overcomes boundaries and unites diverse individuals and technologies for us to continuously challenge ourselves to realize the unlimited potential of mobility.

Our innovation is driven by our agility in a rapidly changing society and our pursuit of integrated, advanced, regionally-tailored technology development and manufacturing capabilities on a global scale.

We feel proud to work in an organization that respects our passions, talents, and individuality, and we are excited to provide mobility solutions as One Astemo.

Management

2 MISSION, VISION and VALUES

MISSION VISION VALUES - Our Passion and Commitment

MISSION VISION VALUES - Our passion and commitment

VALUES

The "values" and "decision-making standards" that each person at Hitachi Astemo upholds



Innovation

Be an innovative value driver for society

We pioneer technological innovations that improve our society through our continuous focus on quality of life for end-users.



Agility

Be agile, flexible, enjoy change

We embrace change and we are flexible and agile to continuously improve.



Leadership

Lead by example, foster your own and others' growth and success

We lead by example, expand our influence, grow ourselves and take calculated risks to lead change. We collaborate with team members and stakeholders to achieve our goals.



DE & I

Embrace diversity as our valuable asset, and respect equity and inclusion

We respect and embrace our individual differences and the diverse technologies and knowledge within Hitachi Astemo. We recognize each other's abilities and offer equal opportunities for everyone to challenge themselves through strong collaboration and support.



Collaboration

Respect others, collaborate through dialogue

We respect our team members and stakeholders and create solutions from the synergy of our collaboration and dialogue.



Integrity

We respect our team members and stakeholders and create solutions from the synergy of our collaboration and dialogue.






We place great importance on maintaining a high level of compliance awareness and responsibility to quality. With a commitment to doing the right thing for society and ethical accountability, we strive for transparent organizational operations where all employees engage in open communication.

Management 3 Sustainability Management

Realizing a Sustainable Society

We contribute to the realization of a sustainable society by providing next-generation mobility solutions to solve global social and environmental challenges, outlined in the Sustainable Development Goals (SDGs). As a global technology company, we are committed to creating social, environmental, and economic value while contributing to the realization of a sustainable society and environment.

Contributing to SDGs through business strategies (targets and solutions)

Our contribution to SDGs	Target	Solutions
3 GOOD HEALTH AND WELL-BEING 	3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents	ADAS → AD
	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Improve ICE → Electrification
7 AFFORDABLE AND CLEAN ENERGY 	7.3 By 2030, double the global rate of improvement in energy efficiency	Improve ICE → Electrification
	7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	Improve ICE → Electrification
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	Connected
	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Electrification
11 SUSTAINABLE CITIES AND COMMUNITIES 	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	AD Connected
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Improve ICE → Electrification
13 CLIMATE ACTION 	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Electrification

Management

4 Engagement and Participating in Initiatives

Stakeholder Engagement

Hitachi Astemo endeavors to solve social issues in various countries and regions together with a diverse range of stakeholders, including customers, suppliers, central and local governments, as well as academic and research organizations. Moreover, we are promoting initiatives that emphasize direct dialogue between employees and management with the aim of enhancing the value of our human capital.

Stakeholder engagement and participating in initiatives

Stakeholder	Major challenges	Main contact point	Communication method (results in FY2023)
Customers	Create better products and services, handle complaints, and disclose appropriate product and service information.	QA/Sales	<ul style="list-style-type: none"> ● Customer Satisfaction (CS) activities ● Sales activities ● Website
Suppliers	Smooth information sharing to create fair business relationships and better partnerships.	Procurement	<ul style="list-style-type: none"> ● Procurement activities
Employees	Promote appropriate compensation and occupational health and safety, and improve employee engagement.	Internal Communications / Human Capital	<ul style="list-style-type: none"> ● Dedicated employee website (Astemo Times) / Intranet / company newsletter ● Training ● Town hall meetings between management and employees ● Employee surveys
Central/local governments & industry bodies	Compliance with domestic as well as international laws and regulations; strengthening of industrial infrastructure; attracting companies; contributing to a decarbonized, recycling-oriented society	PR/Human Capital	<ul style="list-style-type: none"> ● Liaison with international agencies, national government bodies, and local governments ● Participate in industry-government-academia initiatives
Academic/research organizations	Promote technological innovation and participate in projects that collaborate between industry, government, and academia.	R&D	<ul style="list-style-type: none"> ● Open innovation (joint research)
Local community	Fulfill responsibilities as a corporate citizen and participate in the local community.	Business Divisions / Human Capital	<ul style="list-style-type: none"> ● Contribute to local community through business ● Participate in volunteer activities

Management 4 Engagement and Participating in Initiatives

Major Initiatives and Organizations Involved

Obtained SBTi (Science Based Targets initiative^{*1}) certification

Hitachi Astemo's greenhouse gas (GHG) reduction targets for 2030 have been set in accordance with the GHG Protocol, an international standard for calculating and reporting GHG emissions, which aims to increase the scientific basis and transparency of the targets.

As a result, we have obtained certification from the SBTi, an international climate change initiative for our short-term target of reducing emissions by at least five years and up to ten years from the base year.



*1 SBTi: International organization jointly established by WWF^{*2}, CDP^{*3}, WRI^{*4}, and UNGC^{*5}

*2 WWF: World Wide Fund for Nature

*3 CDP: Carbon Disclosure Project

*4 WRI: World Resources Institute

*5 UNGC: United Nations Global Compact

Hitachi Astemo's carbon neutrality target

- CO₂ emissions from company production activities (Scope 1^{*1}, 2^{*2})
FY2030: Achieve carbon neutrality (including partial carbon offsetting)
- CO₂ emissions throughout the value chain (Scope 1, 2, 3^{*3})
FY2030: 50 percent reduction (compared to FY2010)
FY2050: Achieve carbon neutrality

*1 Scope 1 (Scope 1 emissions): Indicator that shows direct emissions from the company itself.

*2 Scope 2 (Scope 2 emissions): Indicator that shows indirect emissions from energy sources such as electricity, heat, and steam that has been purchased/used by the company.

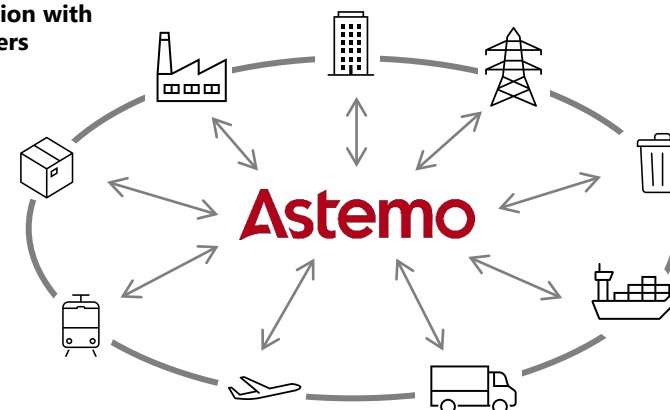
*3 Scope 3 (Scope 3 emissions): Indicator that shows indirect emissions from the supply chain, excluding Scope 1 and Scope 2 emissions.

Collaboration with stakeholders

Efforts to achieve carbon neutrality and a circular economy cannot be completed by individual companies alone; collaboration with governments, local municipalities and cooperation among companies are essential.

To this end, Hitachi Astemo has joined the GX League and Circular Partners, an industry-government-academia initiative established by the Ministry of Economy, Trade and Industry, to further strengthen and accelerate our efforts. Through collaborating with various stakeholders, we will contribute to the realization of a sustainable society.

Collaboration with Stakeholders



A forum where companies tackling green transformation (GX) collaborate with like-minded enterprises as well as governments and institutions. With a view to becoming carbon neutral by 2050 and realizing social transformation, GX League's aim is for sustainable growth for both the present and future societies.



Based on the "Growth-Oriented Resource Autonomous Economy Strategy" developed by the Ministry of Economy, Trade and Industry in March 2023, the partnership was established to promote collaboration among industry, government, and academia.

Management

4 Engagement and Participating in Initiatives

International Standardization Activities

Approach to international standardization

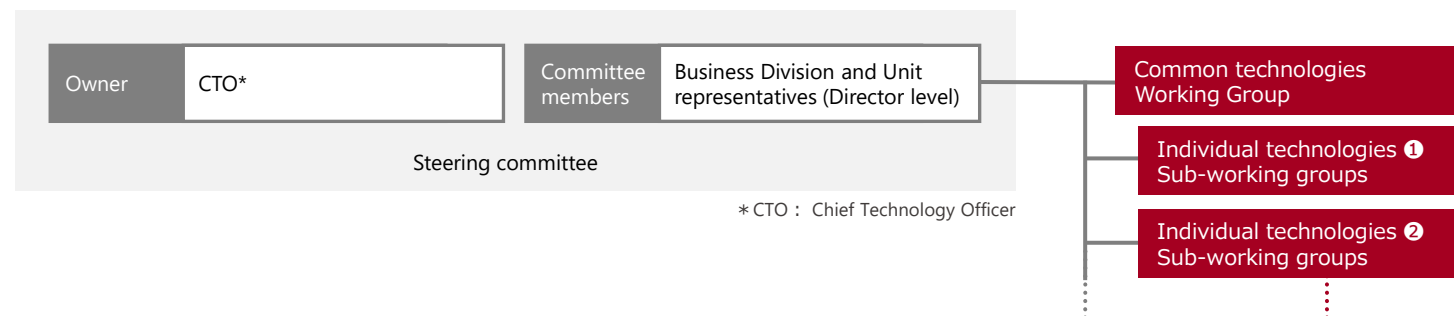
Hitachi Astemo is working to solve social issues from a global perspective through creating new social norms, together with a diverse range of stakeholders that include governments and municipalities throughout the world, academic and research institutions, companies, and users.

Hitachi Astemo's international standardization activities implement our policy of "global initiatives that contribute to realizing a sustainable society, being based on explicitly stated standards, formed on the basis of fair discussions involving members representing specialized fields, with international consensus, and an accurate grasp of social issues facing the world."

Accordingly, we consider international standardization activities to be of importance, along with research and development as well as intellectual property-related activities. To contribute to resolving social issues on a global scale, Hitachi Astemo actively engages in activities with international standardization organizations, including ISO^{*1} activities, and in particular, cybersecurity, functional safety, software updates, and automated driving, which are handled by ISO/TC22 (automotive-related) and TC204 (ITS-related) as well as Japanese standardization study groups, such as the Society of Automotive Engineers of Japan (JSAE) and JASPAR.^{*2} Regarding the promotion of international standardization, we are working to adopt Hitachi Astemo's leading/proprietary technologies and to capture the market through the formation of rules.

We are also actively working to develop standardization personnel who can promote and plan for standardization not only in engineering, but also in operational strategy, business planning, and marketing.

Hitachi Astemo's International Regulatory and Standardization Committee structure



* CTO : Chief Technology Officer

Structure for promoting international standardization activities

As part of our commitment to international standardization activities, Hitachi Astemo personnel participate as members of standards meetings of mirror groups (Society of Automotive Engineers of Japan) in international standardization organizations such as ISO, and have been appointed to key positions, such as secretaries.

The Hitachi Astemo International Regulations and Standardization Committee was established to formulate policies on international standardization within Hitachi Astemo, centrally manage and share various standardization information, and to promote the application of this information to products. Subsidiary working groups are promoting standardization activities through detailed discussions of regulatory and standardization information regarding common^{*3} and individual technologies^{*4}.

^{*1} ISO: International Organization for Standardization. An international organization composed of member countries and regions.

^{*2} JASPAR: Japan Automotive Software Platform and Architecture. Engineers from car manufacturers, electrical components, semiconductor/electronic components, and software/tools, trading companies, career organizations, universities, and research institutes participate in the project.

^{*3} Functional safety, cybersecurity, software updates, etc.

^{*4} Classified by electric/rechargeable, ADS (automated driving systems), ADAS (advanced driver assistance systems), motorcycles, SDV (software-defined vehicle)/IoV (internet of vehicles), connected, etc.

Environmental

- 1 Environmental Policy and Action Plan
- 2 Environmental Governance
- 3 Realizing a Decarbonized Society
- 4 Realization a Resource-Efficient Society
- 5 Achieving a Harmonized Society with Nature
- 6 Environmental Data

Environmental

1 Environmental Policy and Action Plan

Environmental Policy and Action Plan

Environmental philosophy & policy

As part of our corporate social responsibility, Hitachi Astemo is working to reduce the environmental impact of our business activities and, through our products and services, promoting environmental management to help reduce society's impact on the environment. In addition, to promote environmental management across the Hitachi Astemo Group, we have established a set of guidelines on environment-related matters in the form of an "Environmental Policy," and ensure that everyone, from top management to employees, complies with it.

● Environmental action guidelines

1. Complying with environmental laws and regulations while preventing pollution

We will:

1. Comply with laws and regulations related to the environment and develop voluntary standards needed to ensure compliance;
2. Implement measures designed to meet the needs of local communities and minimize the impact our global manufacturing operations may have on their environment whenever possible;
3. Fulfill our agreed environmental requirements with customers and other third parties;
4. Assess the possibility of environmental problems, work to prevent pollution, and take appropriate measures to minimize the impact of any environmental problem that should arise.

2. Enhancing environmental management functions and making continual improvements

We will:

1. Take action aimed at achieving our environmental impact reduction targets utilizing an ISO 14001-compliant environmental management system, environmental regulations, and the capacity to implement environmental initiatives;
2. Take action aimed at continually improving environmental performance;
3. Help enhance our management system with the above actions.

Environmental Policy

"We help build a sustainable society in harmony with nature by taking action to protect the global environment."

Environmental vision

Guided by our mission statement, "We will contribute to a sustainable society and improved quality of life by providing world-leading advanced mobility solutions that satisfy our customers," we strive to protect the global environment with an awareness of how our business operations, products, and services are deeply related to it.

3. Promoting global manufacturing throughout the product life-cycle

We will promote global manufacturing aimed at minimizing environmental impact at every stage of the product life-cycle from R&D and design to procurement, production, distribution, sales, use, and disposal.

We will:

1. Develop and design environmentally friendly products;
2. Work to conserve energy to stop global warming;
3. Strictly control chemical substances and reduce emissions;
4. Promote the conservation and recycling of resources to help build a closed-loop society

4. Protecting the ecosystem

We will promote action for protecting the ecosystem based on both our business activity and social contribution activity relevant to the protection of nature rooted in our local community, aiming to achieve a society coexisting with nature.

5. Education, training and raising awareness

We promote awareness among all Hitachi Astemo employees as well as those who work us. We provide employees with education and training on protecting the environment while ensuring compliance with environmental laws and regulations.

6. Information disclosure

We will share information about our environmental initiatives with stakeholders and maintain communication with them to further mutual understanding and build stronger relationships.

Environmental

1 Environmental Policy and Action Plan

Environmental Action Results for FY2023 and Environmental Action Targets for FY2024 and Beyond

Category	Item	Goal	FY2023 (Target)	FY2023 (Results)	FY2024 (Target)	
Environmental management						
	Compliance	Regulation compliance	Zero law and regulation violations	0 incidents	1 incidents* ¹	0 incidents
		Reduce complaints	Promotion of zero environmental accidents and complaints	0 incidents	6 incidents	0 incidents
	Develop environmental talent	Promote education of environmental talent	Develop environmental experts, increase legally qualified personnel, etc.			
Decarbonized society						
<div>Business sites (factories and offices) FY2030: Achieve carbon neutrality*² Via the value chain FY2050: Achieve carbon neutrality FY2030: Reduce CO₂ emissions by 50% (compared to FY2010)</div>	Factories and offices	Cut total CO ₂	Total CO ₂ emissions reduction rate (compared to FY2010; FY2024 target is compared to FY2021)	30.1%	30.6%	43.0%
		Improve transport consumption rate (Japan)	Improvement rate of transportation energy intensity (Japan/YoY)	1.3%	15.1%	1.0%
	Products and services	Contribution to cut CO ₂	Expansion of products and solutions that contribute to CO ₂ emissions reduction	We aim to increase sales and earnings from our electrification business by promoting the widespread use of highly efficient and high-performance electrification products such as motors, inverters and electric axles for electric vehicles.		
		Promote ecological design	Ratio (number of products assessed in the current year/number of products subject to assessment in the current year)	—	—	100%
Resource efficient society						
<div>Long-term target Efficient use of water/resources FY2050: Improve by 50% (compared to BAU*³)</div>	Factories and offices	Improve resource use efficiency	Landfill waste rate	4.1%	4.1%	3.8%
			Improvement rate of waste and valuables generation per basic unit (compared to BAU* ³)	33.5%	30.2%	32.0%
			Improvement rate of water use per basic unit (compared to BAU* ³)	36.6%	33.7%	32.3%
			Identification and effective utilization rate of plastic waste	75.5%	91.9%	88.7%
A Society Harmonized with Nature						
<div>Long-term target Minimize impact on natural capital</div>	Chemical substance	Reduction of chemical substance emissions	Improvement rate of atmospheric chemical substance emission per basic unit (compared to BAU* ³)	19.2%	28.0%	23.3%
	Ecosystem conservation	Contribution to ecosystem conservation	Promotion of ecosystem preservation activities			

*1 At our overseas business sites, there were cases of waste and wastewater violations, which were reported to the relevant administrative agencies and countermeasures have been completed.

*2 Includes carbon offsets (emissions trading).

*3 BAU: Business as usual. Maintaining the current situation without implementing any additional measures.

Environmental 2 Environmental Governance

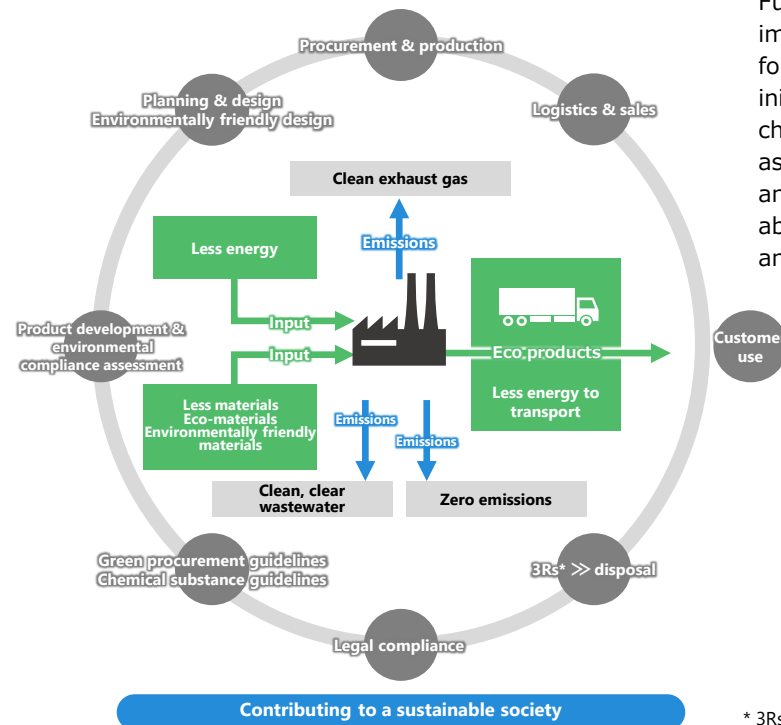
Environmental Governance Promotion

Environmental management promotion

Hitachi Astemo business sites and subsidiaries in Japan and overseas have obtained the international standard ISO 14001 certification, and are promoting environmental activities based on a Hitachi Astemo group-wide environmental management system. Within Japan, we conduct mutual audits through cooperation between our business sites. Audits at our overseas sites are carried out by internal auditors from our domestic sites, focusing on priority management sites, in order to raise the level of management.



We will contribute to the realization of a sustainable society according to our mission and Environmental Policy by continually providing advanced, environmentally friendly products and systems that please our customers, and systematically reduce the environmental impact of all the processes involved in making those products. To this end, Hitachi Astemo is implementing effective environmental management.



Environmental education for employees

Based on the belief that raising awareness and promoting understanding among employees is necessary to invigorate environmental activities, Hitachi Astemo in April 2023 implemented "environmental and eco-mind" training as introductory education for new employees. Additionally, in September 2023 we provided training for internal auditors, education on environmental laws and regulations, as well as specialized training. Furthermore, in FY2024 the Hitachi Astemo Group implemented environmental education via e-learning for all employees, from new hires to executives. The initiative aims to deepen understanding of climate change issues, the framework of the Paris Agreement, as well as Hitachi Astemo's carbon neutrality goals and efforts. This encourages employees to think about and commit to what they can do both at work and in their homes.

* 3Rs: Reduce, reuse, and recycle

Environmental

3 Realizing a Decarbonized Society

Realizing a Decarbonized Society

Hitachi Astemo's targets

As a leading provider of mobility solutions to the automobile and motorcycle industries, we believe our primary mission is to contribute to the realization of a sustainable, decarbonized society. We will increase the provision of products that are helping to reduce our environmental impact, further promote energy conservation, and advance the use of renewable energy.

Targets by 2030

- Carbon neutrality at production sites
- Reduced CO₂ emissions through advanced technologies



Hitachi Astemo Group initiatives

Hitachi Astemo incorporates sustainability into the management and business practices of the entire organization and strives to make improvements through its PDCA* cycle. By building relationships of trust with our stakeholders through effective communication, we aim to achieve both an environmentally friendly and sustainable society and grow as a global company.

* PDCA: Plan, Do, Check, Action

Energy conservation efforts

Continuation of current activities

Use of renewable energy, such as installation of solar power generation equipment

Use of green power

Innovative new technologies

Obtained SBT certification

The SBT initiative (SBTi) is an organization that certifies "Science Based Targets," which are greenhouse gas emission reduction targets that are scientifically consistent with those set by the Paris Agreement. In line with the targets, in August 2023 Hitachi Astemo submitted its own targets to reduce greenhouse gas emissions by 2030, obtaining SBT certification* in November of the same year.

* With the SBT certification, targets have been set for an 80% reduction in Scope 1 and Scope 2 emissions and a 25% reduction in Scope 3 emissions by 2030, based on actual greenhouse gas emission values in 2021.

Environmental

3 Realizing a Decarbonized Society

CO₂ Emission Reductions at Business Sites (Factories and Offices)

Actions and achievements

Hitachi Astemo aims to achieve carbon neutrality at our business sites (factories and offices) by 2030 aiming to realize a decarbonized society. We are implementing a number of initiatives to reduce CO₂ emissions at all our business sites.

Examples of initiatives at business sites

Fukuroi Plant

Introduction of an LPDC*¹ hybrid-type melting and holding furnace

CO₂ emissions were reduced by changing from gas burners to energy-saving electric heaters for equipment holding molten metal



LPDC hybrid-type melting and holding furnace

CO₂ reduction

Equivalent to 218t-CO₂/year

Hitachi Astemo Automotive Powertrain Technologies (Dongguan) Ltd. Dongguan Plant

Reusing cooling air from exhaust fans and reducing the number of cooling towers in operation

The cooling air from exhaust fans, which was previously expelled outside the room, is reused in the cooling tower. This enabled the reduction of operating cooling towers, thereby reducing the load on facilities and CO₂ emissions



Cooling tower

CO₂ reduction

Equivalent to 126t-CO₂/year

*1 LPDC: Low Pressure Die Casting

Environmental

3 Realizing a Decarbonized Society

Introducing Renewable Energy

Initiatives to utilize renewable energy

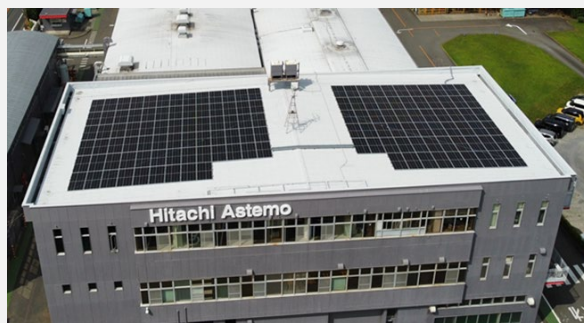
As a step to reduce carbon emissions to achieve carbon neutrality, Hitachi Astemo is moving forward with the use of renewable energy. We are striving to reduce CO₂ emissions by purchasing electricity generated from natural energy sources, such as hydroelectric and wind power (also known as green power), by installing solar power generation systems within the company, and using the electricity generated by these systems within the company.

Promoting the utilization of renewable energy (utilization of in-house solar power generation system)

We are continually working to expand the use of renewable energy globally. In FY2023, we installed solar panels at the Hadano Plant in Japan. We have also installed solar panels at our overseas sites including in China. As a result, the entire Hitachi Astemo Group contributed to a reduction in CO₂ emissions equivalent to approximately 28,600 t-CO₂/year.

Examples of initiatives at business sites

Hadano Plant



CO₂ emissions reduction

90t-CO₂/year

Hitachi Astemo Brake Systems (Zhongshan) Ltd. Zhongshan Plant



CO₂ emissions reduction

812t-CO₂/year

Hitachi Astemo Automotive Systems (Changshu) Ltd. Changshu Plant



CO₂ emissions reduction

660t-CO₂/year

Environmental

3 Realizing a Decarbonized Society

Disclosure of Financial Information Related to Climate Change (Disclosure under TCFD)

Strategy

Through its business activities and by providing products and services, Hitachi Astemo is promoting the reduction of our environmental impact on society. The aim is to contribute to realizing a decarbonized society, which is expected of a global company under the RCP 2.6*¹ and RCP 8.5*² scenarios of the Fifth Assessment Report Intergovernmental Panel on Climate Change (IPCC). Moreover, to help limit the global temperature rise to 1.5°C as recommended in the IPCC Global Warming of 1.5°C report, we will contribute to realizing a carbon-free society on a global scale, with the goal of achieving carbon neutrality at Hitachi Astemo's business sites (factories and offices) and reducing CO₂ emissions by promoting the spread of high-efficiency, high-performance electrified products.

*1 RCP2.6 scenario: A Representative Concentration Pathway (RCP) scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.

*2 RCP8.5 scenario: An RCP scenario that assumes that emissions will continue to rise, resulting in an approximately 4°C rise in global temperatures compared to preindustrial levels.

Addressing risks and opportunities based on climate change-related scenarios

We considered the environment under the 1.5°C and 4°C scenarios for our businesses, and how we would respond.

- 1.5°C scenario: As projected by the IPCC's RCP 2.6 climate model, the IEA 450 scenario, and for other scenarios, we are anticipating a world where stringent measures and regulations will be implemented to help realize a decarbonized society. Therefore, we investigated risks and opportunities on the premise of carbon neutrality by fiscal 2050.
- 4°C scenario: Considered under the assumption of there being increased climate-induced natural disasters as a result of lax regulations as projected by the IPCC's RCP8.5 scenario and other scenarios.

Our business environment, major risks and opportunities under the 1.5°C and 4°C scenarios, and our response

Business environment and main risks and opportunities under the 1.5°C scenario	<p>► Business environment: Electric vehicles will rapidly become widespread due to stricter laws and regulations, such as fuel efficiency and environmental performance regulations, as well as rising prices of fossil fuels. The market for alternative technologies to non-fossil fuels such as hydrogen and biofuel vehicles will also expand. There will be an increase in the number of countries/regions with almost zero internal combustion engine vehicles based on sales.</p> <p>► Risk: There will be delays in business transitions in response to the rapid progress toward the shift away from internal combustion engine vehicles.</p> <p>► Opportunity: The market for electric vehicles (including motorcycles), hydrogen, and biofuel vehicles to replace internal combustion engine vehicles will expand.</p>
Business environment and major risks and opportunities under the 4°C scenario	<p>► Business environment: Fuel efficiency laws and regulations will remain lax globally, and internal combustion engine vehicles will remain a major mode of transport. The modal shift will be slow, as conventional automobiles and motorcycles will remain predominant. Typhoons, floods, and other natural disasters caused by climate change will rise sharply.</p> <p>► Risk: Natural disasters will exacerbate damage to production facilities and disrupt supply chains leading to delays in deliveries and the procurement of parts. A breakdown in one link of the supply chain will have an increasing impact on overall production.</p> <p>► Opportunity: Demand will grow for technologies to enhance the efficiency of internal combustion engines.</p>
Non-environmental market factors (neither the 1.5°C nor 4°C scenario)	<ul style="list-style-type: none"> • Economic growth, urbanization, population growth, and infrastructure development like road construction will expand the global market for automobiles and motorcycles as a flexible and personal means of transport. • Businesses that offer greater safety, security, and comfort, such as those developing autonomous driving and advanced safety devices, will become increasingly important. • Technological innovations in the connected industries will create new mobility service markets.
Response to future business risks (business opportunities)	<p>Response to business risks under the 1.5°C scenario Promote R&D of electrification technology and other alternative technologies to enhance the response to new markets such as electric vehicles.</p> <p>Response to business risks under the 4°C scenario</p> <ul style="list-style-type: none"> • Promote R&D and product development in existing technologies, including internal combustion engines, to not only improve energy efficiency but also non-environmental issues like safety, security, and comfort. • Given the increasing frequency of natural disasters, take risk aversion into account when deciding the location and equipment layout of a new plant. Keep an eye on the supply chain in strengthening our ability to respond to business disruption risks in accordance with our BCP's.
Financial information (sales volume of each target sector)	Partial impact to revenue at 2.19 trillion yen in FY2023

*BCP: Business Continuity Planning

Note: The above scenario analyses are not future projections but attempts to review our resilience to climate change. How the future unfolds may be quite different from any of these scenarios.

Environmental

4 Realizing a Resource-Efficient Society

Building a Society That Uses Resources Efficiently

Resource recycling

For a resource-efficient society

Together with our customers **build a society that uses water and other resources efficiently**



Efficiency in use of water/resources FY2050
50% improvement
(compared to BAU)

Some of the raw materials used in the manufacturing process at Hitachi Astemo can be recycled as raw materials for the same product again and again, while maintaining the original properties of the materials. We are actively working to reduce the consumption of newly introduced natural resources, as well as the emission of environmentally hazardous substances and waste.

Effective use of resources

Regarding the reuse of parts, some alternators and starters recovered by automobile dealers are dismantled, inspected, cleaned, recycled, reassembled, and inspected at the production plant (Sawa Works) before being shipped again as rebuilt products. As for raw materials, scrap metal that had been discarded at our factories are reused as recycled materials (Miyagi region).

Recycled materials collected at a factory in the Miyagi area



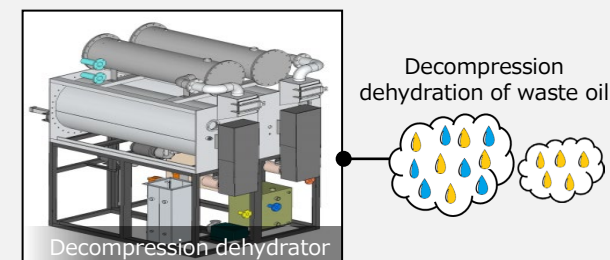
Examples of initiatives at business sites

Atsugi No.1 & No.2 Plant

Reduction of waste oil

Waste oil such as coolant, which contains a mixture of water and oil, is dehydrated and reduced in volume using a decompression dehydrator, thereby reducing the amount of waste oil generated.

Waste reduction amount 50.0t/year



Miyagi No.2 Plant

Recycling of waste plastic by sorting and crushing in-house

After sorting the waste plastic materials by type, they are crushed in a crusher and then sold to manufacturers of recycled materials, reducing waste through recycling.

Waste reduction amount 36.2t/year



Miyagi No.3 Plant

Reducing solvent waste

Reduction of material loss and solvent waste by optimizing the minimum remaining volume sensor of the pressure feed device.

Waste reduction amount 0.9t/year



Environmental

4 Realizing a Resource-Efficient Society

Building a Water-Efficient Society

Reduced and effective use of water resources

By measuring the volumes of water used and discharged at our plants and offices, we manage the results of our environmental impact, including water usage, and progress toward our reduction targets. We also manage risk in the event of flooding or other incidents that could affect our business.

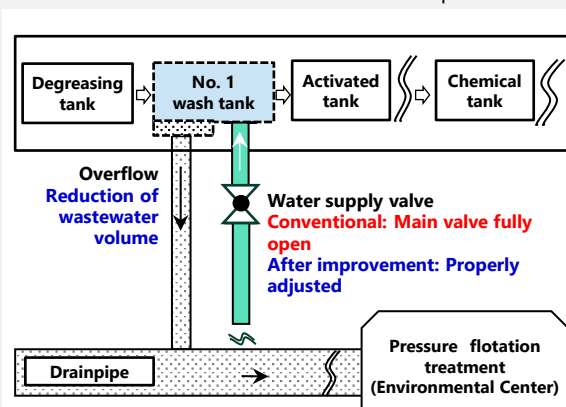
Examples of initiatives at business sites

Miyagi No. 3 Plant

Reduction of water usage in the aluminum rust-proofing process

Adjusted the water supply valve in the first wash tank to the appropriate amount, reducing the amount of overflowing wastewater.

Aluminum anti-corrosion treatment process



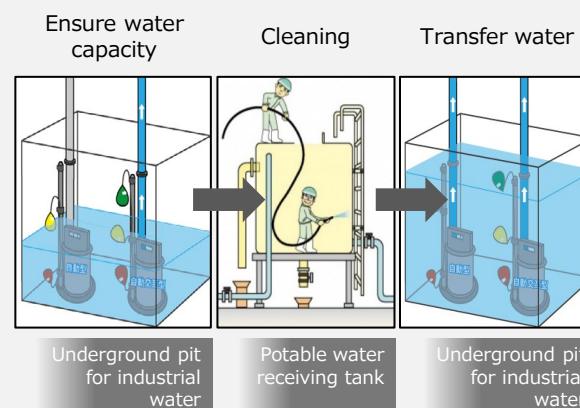
Water resource
usage reduction

0.26 thousand m³/year

Gotemba No.1 & No.2 Plant

Reusing drinking water from receiving tanks during periodic cleaning

Drinking water in the receiving water tank was previously discharged into rainwater gutters. It was instead redirected to an underground pit for reuse as industrial water, which reduced water usage.



Water resource
usage reduction

0.05 thousand m³/year

Saitama Plant

Reducing cooling tower water consumption for plating

Reduced water consumption by changing the ball tap to the proper position, which adjusts the amount of overflowing water when the cooling tower is shut down.



Cooling tower

Water resource
usage reduction

0.18 thousand m³/year

Environmental

5 Achieving a Harmonized Society with Nature

Preserving Ecosystems

Preserving ecosystems

Committed to preserving ecosystems and biodiversity, Hitachi Astemo is implementing a variety of environmentally friendly initiatives, as well as community and social contribution activities.

A society harmonized with nature

Minimize impact on natural capital



Examples of initiatives at business sites

Gotemba No.1 & No.2 Plant

Preventing marine plastic pollution through river cleanup activities

Contributed to preventing marine plastic pollution through cleanup activities around the Sakaizawa River.



No. of participants

15 (once/year Jan.)

Sawa Plant

Installing green curtains in nursery schools

As part of the "Green Curtain" initiative, implemented a seedling planting event with nursery school children at a nursery school near the Sawa Plant.



No. of participants

39 (once/year Jun.)

Hitachi Astemo Lamphun Ltd.

Tree-planting activities and constructing erosion control dams

Implemented activities to plant trees and construct erosion control dams for environmental conservation and forest regeneration in Mae Takhrui National Park, Lamphun Province, Thailand.



Number of trees planted/number of erosion control dams

1,000 trees/2 units

Environmental

6 Environmental Data

Environmental Data (Results for 136 sites included in the FY2023 tally)

Ratio of plastic waste generated

Japan

CO ₂ emissions	<div></div> 186.1	1,000 t-CO ₂
Waste disposed	<div></div> 45.9	1,000 t
Water resource usage	<div></div> 3,645.7	1,000 m ³
Plastic waste volume meter	<div></div> 2.7	1,000 t

Asia

CO ₂ emissions	<div></div> 352.5	1,000 t-CO ₂
Waste disposed	<div></div> 43.0	1,000 t
Water resource usage	<div></div> 2,225.0	1,000 m ³
Plastic waste volume meter	<div></div> 1.2	1,000 t

Europe

CO ₂ emissions	<div></div> 16.7	1,000 t-CO ₂
Waste disposed	<div></div> 23.7	1,000 t
Water resource usage	<div></div> 127.2	1,000 m ³
Plastic waste volume meter	<div></div> 0.4	1,000 t

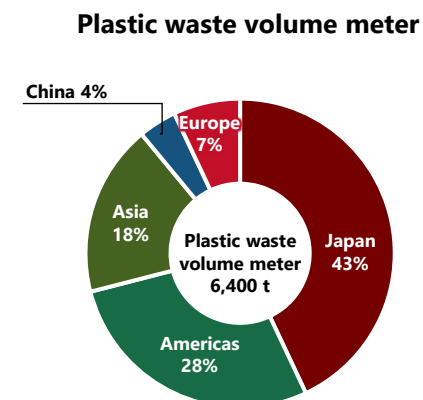
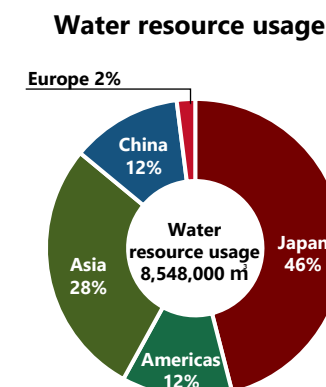
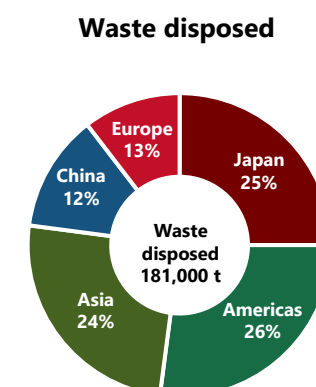
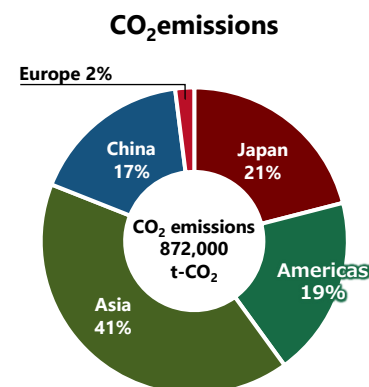
Americas

CO ₂ emissions	<div></div> 167.3	1,000 t-CO ₂
Waste disposed	<div></div> 47.6	1,000 t
Water resource usage	<div></div> 946.4	1,000 m ³
Plastic waste volume meter	<div></div> 1.8	1,000 t

China

CO ₂ emissions	<div></div> 150.2	1,000 t-CO ₂
Waste disposed	<div></div> 21.4	1,000 t
Water resource usage	<div></div> 915.0	1,000 m ³
Plastic waste volume meter	<div></div> 0.3	1,000 t

Environmental impact ratio by region



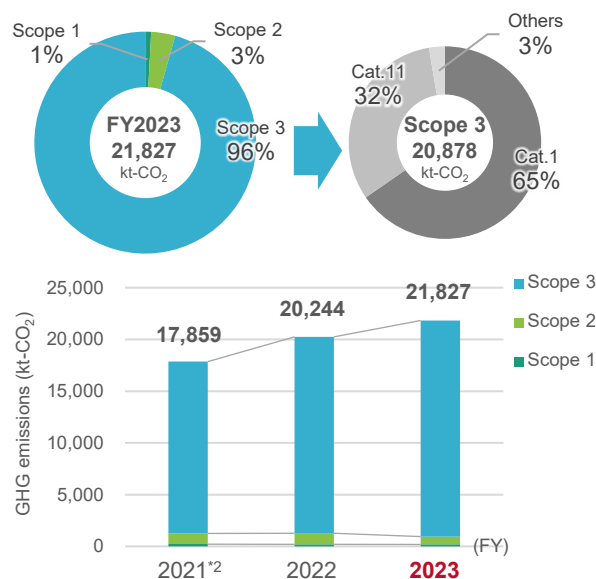
Environmental 6 Environmental Data

GHG Emissions (FY2023 actuals)

In FY2023, reductions in GHG emissions for Scope 1 and 2 were on track due to promoting energy conservation in facilities and using renewable energy. On the other hand, emissions from Cat.1 "Products and services purchased" in Scope 3 increased mainly due to the increase in production volume. We will continue our efforts to reduce Scope 1 and 2, as well as Scope 3 in cooperation with our stakeholders, thereby contributing to the realization of a globally decarbonized society.

Results for 2023^{*1}

(Scope 2 is listed using the market-based approach)



^{*1} Scope of aggregation is on a consolidated basis

^{*2} Base year for GHG reduction targets (FY2030) certified for the SBT Initiative

^{*3} Change in number of sites and offices (Integration of Hitachi Astemo Electric Motor Systems into Hitachi Astemo, closure of plants in various regions: Itu Plant (Americas), Aberdare Plant (Europe), Gateway Plant, etc. (Asia))

^{*4} Change in number of sites and offices (closure of factories in each region: Saitama Plant No.2 (Japan), Muncie Plant (Americas), Chongqing Plant (China), Bekasi Plant, etc. (Asia))

Category		FY2021	FY2022 ^{*3}		FY2023 ^{*4}	
			Rate of change (%) ^{*5}		Rate of change (%) ^{*5}	
Scope 1		214	205	-4.5	186	-9.2
Scope 2		1,044	1,063	+1.8	763	-28.2
Location-based approach ^{*7}		1,266	1,082	-14.6	793	-26.7
Scope 3		10,539 ^{*8}	12,442	+18.1	13,646	+9.7
Upstream	Cat.1 Products and services purchased	297	229	-22.7	314	+36.8
	Cat.2 Capital goods	81	80	-0.8	70	-13.3
	Cat.3 Fuel and energy activities not included in Scope 1 and 2	87 ^{*8}	99	+13.7	114	+14.4
	Cat.4 Transportation, shipping (upstream)	22	21	-6.4	19	-6.8
	Cat.5 Waste from operations	11	11	+0.3	11	-1.1
	Cat.6 Business trips (in-house)	29	30	+2.5	30	-0.9
	Cat.7 Employers commuting (in-house)	No holdings	No holdings	-	No holdings	-
	Cat.8 Leased assets (upstream, in-house)	Excluded due to low ratio	Excluded due to low ratio	-	Excluded due to low ratio	-
	Cat.9 Transport, distribution (downstream)	Excluded due to low ratio	Excluded due to low ratio	-	Excluded due to low ratio	-
	Cat.10 Processing of sold products	Excluded due to low ratio	Excluded due to low ratio	-	Excluded due to low ratio	-
	Cat.11 Use of products sold	5,535	6,064	+9.6	6,674	+10.1
	Cat.12 Disposal of sold products	Excluded due to low ratio	Excluded due to low ratio	-	Excluded due to low ratio	-
	Cat.13 Leased assets (downstream)	No holdings	No holdings	-	No holdings	-
	Cat.14 Franchise (in-house)	No holdings	No holdings	-	No holdings	-
	Cat.15 Investment (in-house)	Excluded due to low ratio	Excluded due to low ratio	-	Excluded due to low ratio	-
Scope 3 total		16,601 ^{*8}	18,976	+14.2	20,878	+9.8

^{*5} Notation errors in the rate of change are due to rounding errors caused by rounding off during calculations, etc.

^{*6} Market-based approach: Calculation of Scope 2 emissions reflecting the content of the electricity contracts purchased by companies

^{*7} Location-based approach: Calculated based on average electricity emission factors for the applicable scope

^{*8} Improved aggregation accuracy for Cat.1 and 4 (added emissions)

Social

- 1 Innovation Management
- 2 Human Capital
- 3 Human Rights
- 4 Value Chain Management
- 5 Community



Social 1 Innovation Management

Research & Development

Hitachi Astemo's R&D policies

Against the backdrop of global climate change and the momentum to achieve the SDGs, there is a search for a vision of mobility that will play a role in a sustainable society. To solve this challenge, technological innovation is being promoted in the CASE field (Connected, Autonomous, Service & Shared, Electric). Hitachi Astemo is pursuing technological innovation in the CASE field with the MISSION of contributing to the realization of a sustainable society and enriched lives through the provision of world-leading, advanced mobility solutions. In response to the three major trends of "Green," "Safety," and "Digitalization," Hitachi Astemo will provide environmental and social value through:

- [Green] contribution to carbon neutrality and circular economy through efficient powertrains and innovative construction methods;
- [Safety] contribution to zero traffic accidents through AD/ADAS and advanced chassis;
- [Digitalization] contribution to mobility in the SDV era through vehicle architecture and IoV platforms.

For environmental value, we are working towards realizing a better global environment with highly efficient electrified products and technologies that reduce CO₂ emissions. Regarding social value, we are working to improve safety, comfort, and QoL through AD/ADAS and advanced chassis technology. Through these initiatives, we will contribute to improving people's quality of life and our customers' corporate value as a "global mobility solution provider that contributes to a sustainable society."

Environmental value

Contributing to a better global environment with highly efficient electrified products and technologies that reduce CO₂ emissions

Green

Highly efficient powertrains and innovative construction methods for carbon neutrality and circular economy

Global mobility solutions provider that contributes to a sustainable society

Astemo

Digitalization

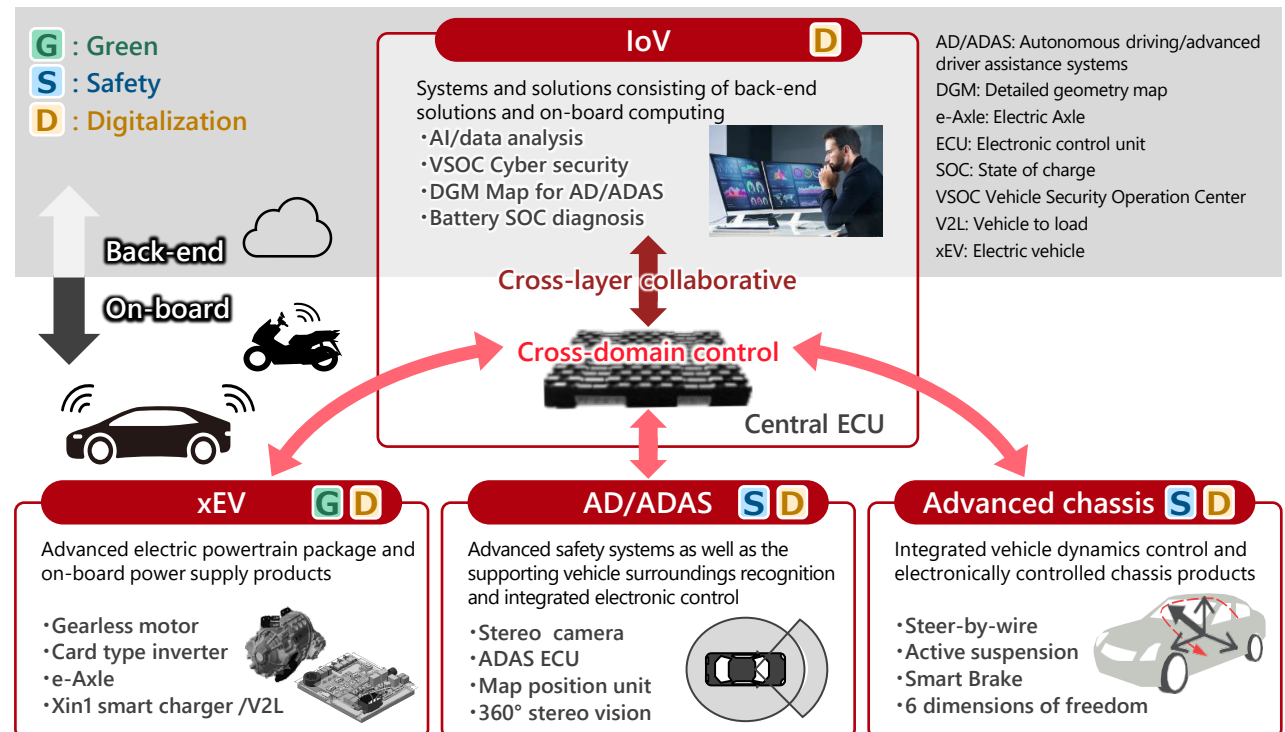
Contribution to mobility in the SDV era through vehicle architecture and IoV platforms

Safety

Contributing to the realization of zero traffic accidents through AD/ADAS and advanced chassis

Social value

Improving safety, comfort and QoL with the AD/ADAS and advanced chassis



Social 1 Innovation Management

Research & Development

Hitachi Astemo's R&D system and initiatives

The Technology Development Functional Division is responsible for creating new products and technologies, developing products and systems across business divisions, and developing fundamental technologies (analysis, material technologies, etc.) that are shared throughout the entire company. The Technology Development Headquarters works in collaboration with the development teams of the Business Divisions, including global sites. It also collaborates with Hitachi's R&D group in developing leading-edge technologies with speed and efficiency to respond to the needs of global customers and markets. With an eye on the SDV (software-defined vehicle) era, we are developing our business in four domains: xEV, AD/ADAS, advanced chassis, and IoV (internet of vehicles). We will promote research and development to provide innovative products and solutions, while contributing to provide environmental and social value.

IoV (internet of vehicles)

We will contribute to the continuous evolution of automobiles by developing an IoV platform that leads the development of the SDV era, utilizing advanced computing technology as well as advanced network and digital technology. We will create value through cross-domain integrated control, taking advantage of the advanced sensing and comprehensive motion control (running, stopping, turning) we possess. We will build an IoV platform that separates software and hardware, and provide an engineering cloud that accelerates continuous evolution together with a centralized zone architecture. In the long term, we will revolutionize the car development process with cloud-based digital twin technology. We will contribute to

realizing value creation through our overwhelming speed.

xEV

We will contribute to an energy-based society through the evolution of components and integrated systems that make use of advanced power electronics and electric power management technologies, as well as through total management that includes the vehicle environment.

We will accelerate the development of high-efficiency and high-output motors, high-output density in-vehicle inverters, as well as high-efficiency and compact e-Axles that apply these technologies. They will be applied across different products, and we are also developing an e-Powertrain energy management system that integrates the functions of an integrated charger and electric components, which all contribute to increased added value. From 2022, we have been participating in the "Development of Highly Efficient Electrification Systems" under the Green Innovation (GI) Fund, and are accelerating the development of motor and inverter technologies that achieve high efficiency, compactness, reduced weight and resource conservation. In the long term, we will contribute to improving customer value by achieving integrated energy management for vehicles through V2X (vehicle-to-everything) external power linking. For motorcycles, we will also work on developing new, high-performance EV systems with new, price-competitive manufacturing methods and structures.

AD/ADAS

We will evolve 3D sensing and risk prediction technologies to achieve advanced environmental awareness and human-like automated driving functions for AD/ADAS, which will contribute to zero fatalities and stress-free mobility.

In addition, we will contribute to zero fatalities on non-highway roads through advanced environmental understanding via 360-degree 3D sensing technology and continuously evolving functionality. In the long term, we will develop risk prediction technology using next-generation AI technology, and contribute to realizing Level 2+ autonomous driving on non-highway roads as well as Level 3 autonomous driving on expressways.

In motorcycles, we also aim to contribute to zero fatal accidents through the fusion of camera-based detection technology and vehicle control technology. Also, we will prevent human error through V2X cooperation.

Advanced chassis

We are evolving chassis-related product technology, including with electrification and by-wire technology, while combining cross-domain vehicle integrated control. This contributes to providing differentiated customer value in the SDV era, which includes outstanding safety, security, and comfort. In the long term, we will contribute to providing new driving experiences (personalization) through next-generation chassis products, which feature more advanced technology, cross-domain vehicle integration control, and cloud linkage.

Social 1 Innovation Management

Research & Development

Examples of development in FY2023

We have developed an autonomous driving technology that enables cooperative behavior on narrow roads. In the future, cost competitiveness will be strengthened by combining LiDAR (Light Detection and Ranging) with new stereo cameras

We have developed an autonomous driving technology that utilizes the 3D sensing data of the vehicle's surrounding environment to enable safe and smooth passing of oncoming vehicles, even on narrow roads. In the future, we will strengthen our cost competitiveness by making use of 3D sensing data from new stereo cameras with improved cost benefits. The need for autonomous driving is increasing to solve social issues, such as eliminating/mitigating traffic congestion and supporting mobility for vulnerable road users such as the elderly. On the other hand, for practically implementing autonomous driving on public roads it is necessary to predict and avoid risks in advance. This includes complex behaviors of moving objects, such as pedestrians that can suddenly emerge from behind obstacles. Additionally, autonomous driving must be able to drive smoothly in environments mixed with non-autonomous vehicles. This requires safe driving trajectory planning and vehicle control, based on 3D sensing information from LiDAR and stereo cameras.

Until now, Hitachi Astemo has been developing the basic technologies for autonomous driving to prevent collisions on public roads.*1 This is achieved by predicting changes in the behavior of pedestrians and others, allowing for safe and natural deceleration. In addition, we have been developing hazard prediction


and avoidance driving technologies that predict potentially high-risk areas for collisions, such as the behaviors of other moving objects and objects suddenly appearing from behind obstacles. This enables driving at speeds and along trajectories that can preemptively avoid risks.

In addition, we have developed technology enabling smooth automated passing in narrow roads in cooperation with oncoming vehicles. This is achieved by integrating sensing information from technologies including LiDAR to recognize the vehicle driving environment in three dimensions, understanding the intention of oncoming vehicles to proceed based on their behavior, as well as by detecting the free space and the predicted route.

In the future, we are considering to link the system with our new high-precision stereo camera, which has been on sale since March 2023 and boasts enhanced versatility. This new stereo camera not only achieves long-distance detection with a wide field of view, but also uses pre-programmed machine learning identification patterns to detect pedestrians and bicycles with high accuracy, enabling distance measurement and contributing to collision prevention, especially when turning right or left at intersections.*2 Furthermore, by leveraging Hitachi Astemo's AI and recognition technologies, we have developed software processing on cost-competitive electronic control units, which enables advanced image recognition and vehicle control. By integrating with the new stereo camera, this enhances the cost competitiveness of autonomous driving technologies that enable cooperative behavior on narrow roads.

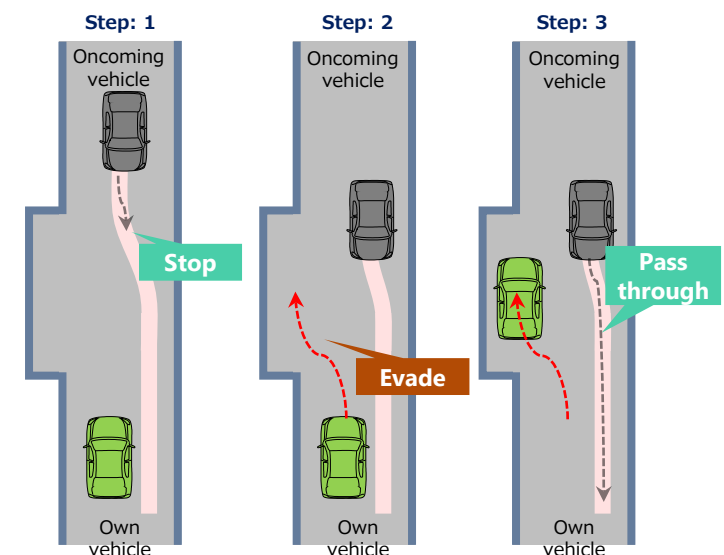
*1 Announced on October 11, 2019, regarding driving control technology that predicts risks in driving environments on ordinary roads.

*2 Announced on December 25, 2019, regarding stereo cameras that combine long range detection and a wide field of view.

 **Hitachi Automotive Systems develops risk-estimation technology for autonomous driving on public roads**

 **Hitachi Astemo develops autonomous driving technology that enables cooperative behavior on narrow roads**

Carrying out cooperative actions with the oncoming vehicle in stages while recognizing the other vehicle's actions



Social 1 Innovation Management

Research & Development

Examples of development in FY2023

6-degrees-of-freedom (6-DOF) vehicle attitude control technology enables a comfortable ride with a view to autonomous vehicles

We have developed a prototype technology that enables 6-DOF vehicle attitude*¹ control, which overcomes the issues that uniquely compromise ride comfort in autonomous vehicles to enable a comfortable ride.

There is a growing need for autonomous vehicles to solve social issues. In the case of Level 4 and higher autonomous vehicles, which are expected to become more widespread in the future, the needs are also becoming more sophisticated, with people expecting a level of comfort similar to that of the living room in their home. When a human drives a vehicle, the person can steer and drive in a manner where passengers don't feel any unpleasant acceleration or shaking, factoring the number of passengers and curves on the road. But with an autonomous vehicle, the top priority is to avoid collisions, which leads to sudden steering and braking. This can result in shaking and acceleration that causes ride comfort issues including motion sickness for passengers. Hitachi Astemo has developed "Dynamics Planning*²," a high-precision trajectory planning technology that minimizes unpleasant shaking and acceleration with autonomous vehicles, or when driving with advanced driving support technology. We have also developed a six-degrees-of-freedom vehicle posture control technology that combines posture control technology to suppress vibrations, which cause discomfort to passengers from changes

in the vehicle's posture during travel. This technology ensures appropriate posture control during the turning, acceleration, and deceleration of autonomous vehicles.

For example, when an autonomous vehicle is turning right, the left side of the vehicle will sink due to the acceleration force acting on the left side of the vehicle, known as "roll." This technology reduces the roll felt by occupants by adjusting the vehicle posture and rolling the vehicle in the opposite direction. Passengers then no longer experience discomfort, enabling them to experience the comfort of being in their own living room.

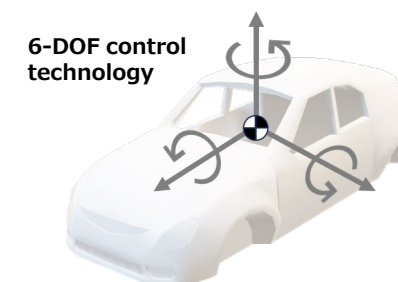
*¹ 6-DOF vehicle posture: Rotational and acceleration motions in the front-back, left-right, left-right, and right-up-and-down directions during vehicle travel.

*² "Development of High-Precision Trajectory Planning Technology to Realize Comfortable Autonomous Vehicle Spaces" (released on May 25, 2021)

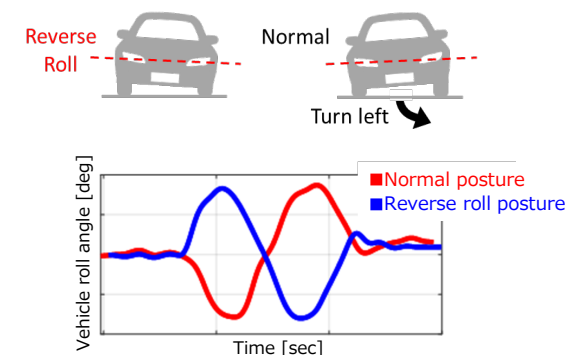
Hitachi Astemo develops "Dynamics Planning"
A high-precision vehicle trajectory planning technology that improves cabin comfort in autonomous driving

6-degrees-of-freedom vehicle posture control technology under development enables comfortable ride for autonomous vehicles

Depiction of 6-DOF vehicle attitude and vehicle posture control



Vehicle posture control (reverse roll)



Vehicle posture control with 6-DOF
Reduces the roll moment* of the occupants to provide a comfortable ride

*Force generated in the direction that causes the occupant to lean outward during a turn

Social 1 Innovation Management

Intellectual Property

Hitachi Astemo's intellectual property policy

In FY2023, the Intellectual Property Department continued to promote activities from the intellectual property governance perspective based on two codes of conduct: "Protect our own intellectual property and respect the intellectual property of other companies" and "enhancing our own brand value." In April 2024 it became the Intellectual Property Division. Under Hitachi Astemo's reformed MISSION, VISION and VALUES and the Technology Development Management Division's policy—which is the higher-level organization of the Intellectual Property Division—the division established the following three missions, based on the policy of "using intellectual property to enhance corporate value and contribute to the growth of stakeholders."

- Ensure freedom of business and design
- Utilize and apply intellectual property information
- Create new value that contributes to society with intellectual property

We believe the source of these achievements lies in our human capital and high-quality inventions. Therefore, we have implemented education for engineers by preparing tools that help them to better understand and express our own inventions—including approaches

to inventions and how to expand on them—and by lectures on how to use these tools. In the actual practice of creating inventions, the intellectual property personnel provide support in differentiating from prior art, leading to patent applications. Before filing an application, we hold invention improvement meetings, where not only inventors but also design development experts participate to improve the technology's quality and the invention from a synergy perspective with related technologies and business, while confirming the invention can contribute to the business. In addition, we are promoting the utilization of intellectual property information for technology strategies, business strategies, and the creation of new value. To accelerate and spread this initiative, in FY2024 we introduced a new information analysis tool.

In this manner, we are strengthening our intellectual property portfolio with a focus on patents, and in particular on intellectual property that addresses social issues while contributing to the environment. By strengthening intellectual property as a management resource, we support efforts to be a company that is in demand by our customers.

Brand protection

The protection of each brand owned by Hitachi Astemo is critical to promoting social innovation businesses and expanding global business. Therefore, we are taking firm measures against the manufacture and sale of counterfeit products pretending to be from the Hitachi Astemo brand and against unauthorized trademark application registration.

In recent years, the methods used to manufacture and sell counterfeit goods have become more sophisticated and diverse. In response, we are strengthening our countermeasures, including by trying to uncover the counterfeiters' networks. We are also working with website operators to implement measures against counterfeit products on cross-border e-commerce sites. The Hitachi Astemo Group brand consists not only of new business brands, but also of a wide range of product brands, primarily of automotive and motorcycle products. Each of our brands is a testament to the technical capabilities and trust we have cultivated over many years. Because they are highly valued by our customers, we will continue to promote intellectual property activities that contribute to the improvement of the value of each brand.

Business brand

Astemo

Product brands



Social 1 Innovation Management

Intellectual Property

Award achievements

Hitachi Astemo is continuously promoting application activities for the National Invention Award and the Regional Invention Award sponsored by the Japan Institute of Invention and Innovation.

At the Kanto Regional Commendation for Invention in FY2023, we received the Ibaraki Prefectural Governor's Award for the “invention of a stereo camera that achieves both long range measurement accuracy and wide-field detection (patent no. 6793608)” and three Invention Encouragement Awards for inventions related to brakes, power modules and inverters.

We will continue to focus on inventions related to technologies that contribute to a sustainable society—such as technologies that solve social issues, technologies that improve people's quality of life, and technologies that produce products and manufacturing methods with low environmental impact—while also contributing to society by creating new value through intellectual property.

Examples of awards received in FY2023

The Ibaraki Prefectural Governor's Award at the “Kanto Regional Commendation for Invention”

Invention of a stereo camera that achieves both long range measurement accuracy and wide-field detection (patent no. 6793608)

The Invention Encouragement Award at the “Kanto Area Invention Award”

Invention of a brake control device that suppresses rear lift (patent no. 5887284)

Invention of a highly reliable, high-output, multi-parallel power module (patent no. 6619518)

Invention of a semiconductor device using a standing busbar (patent no. 7014871)

Social 1 Innovation Management

Intellectual Property

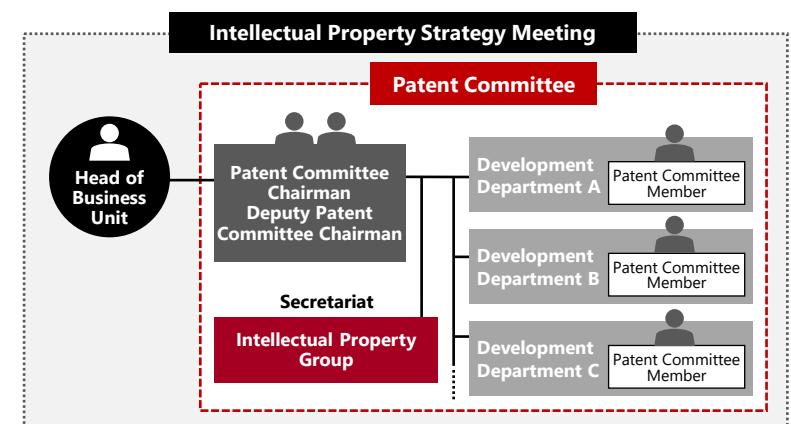
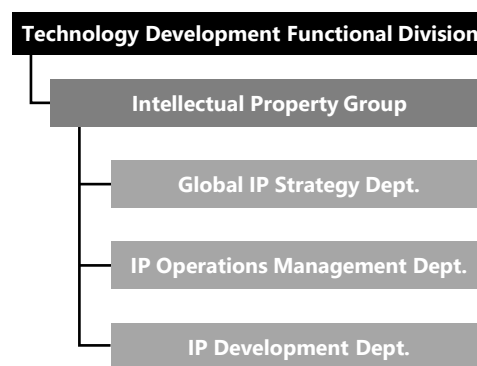
Promotion system for IP activities

With the main objective of promoting independent intellectual property activities as Hitachi Astemo Group, in April 2024 we reorganized the Intellectual Property Department into the Intellectual Property (IP) Group. Within the Group are the Global IP Strategy Department, IP Operations Management Department, and IP Development Department, which support the intellectual property activities of the design and development departments of the Technology Development Functional Division and each Business Unit (hereinafter, "BU") at the nine domestic and three overseas locations, where the main design and development departments are located. The Global IP Strategy Department is responsible for supporting the resolution of contract-related intellectual property issues, disputes, strategies, information dissemination, trademarks, and brand protection for the global Hitachi Astemo Group. The IP Operations Management Department is responsible for carrying out all aspects of IP management (planning, support, management of cases and budget data, procurement, accounting, IP rewards, etc.). The IP Development Department is responsible for planning and implementing intellectual property strategies for businesses and products, from patent applications to the acquisition of rights, patent clearance, the utilization of intellectual property information, as well as supporting intellectual property disputes and litigation.

From a governance perspective, we have established an Intellectual Property Strategy Council at the policy level and a Patent Committee at the execution level. The Intellectual Property Strategy Meeting, which is held once a year for each BU, consists of members

centered around the BU head and patent committee members. We are working to revitalize IP activities in each BU by sharing the company-wide IP strategy between the Intellectual Property Group and each BU, along with the IP strategy for each customized BU. The Patent Committee, which meets regularly for each BU, consists of a patent committee chair and patent committee members selected from the design and development department, as well as members selected from the intellectual property department. The committee promotes IP activities based on the IP strategy confirmed by the Intellectual Property Strategy Council, and responds to issues while confirming progress.

In addition to planning and implementing IP competitive strategies and responding to IP issues that impact business, we are also promoting IP activities in line with the business of each BU. This is accomplished through measures such as human capital development, as well as responding to company-wide or cross-sectional issues—including the unification of global operations—while ensuring reliable and efficient business execution.



Social 2 Human Capital

Global Human Capital Management

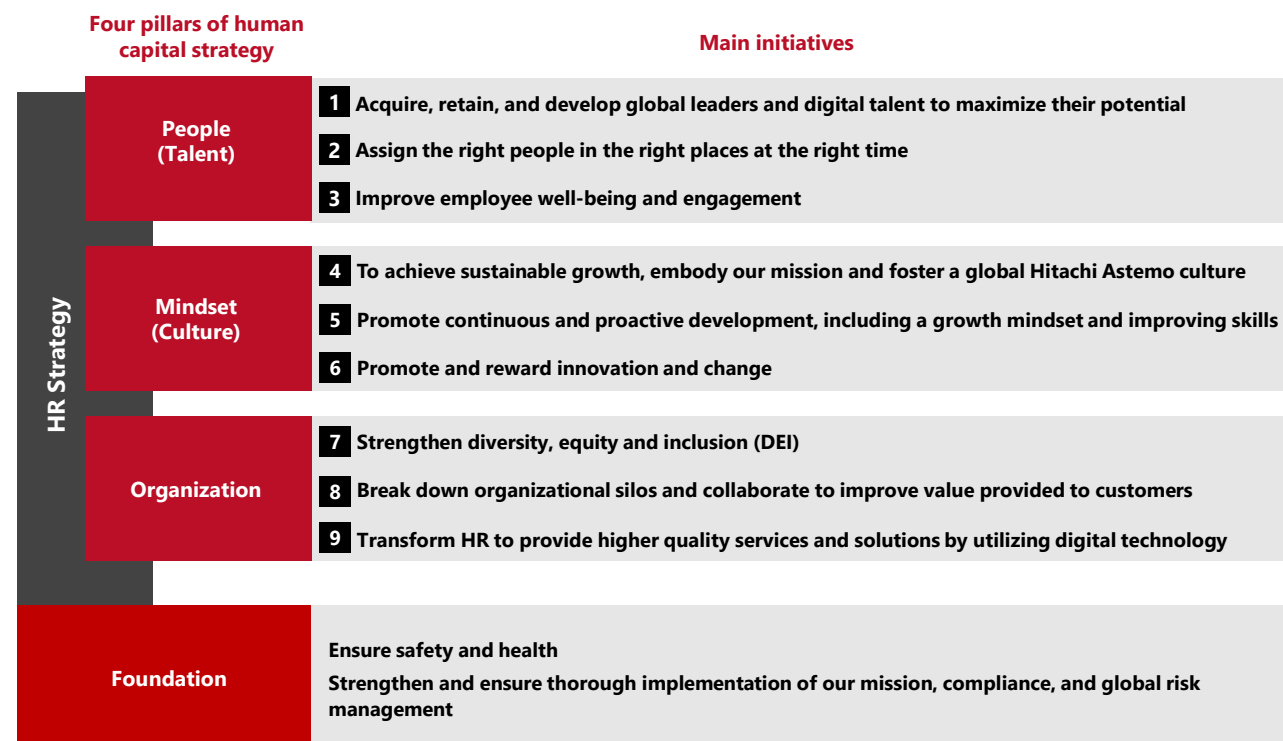
Approach to global human capital management

Through mergers and acquisitions as well as inclusive hiring policies, Hitachi Astemo has been attracting a diverse workforce, making it more essential than ever to promote the creation of an inclusive, diverse organization in which talented people can thrive. To propose innovative solutions to society and customers for a better mobile society, achieve global leadership positions, and to grow into a mega-supplier, it is important for every employee to view social issues as his or her own personal matter and to be a driving force in the midst of change. Hitachi Astemo is committed to developing human capital who can embody these qualities.

Global human capital management strategy

Based on our business strategy, Hitachi Astemo's vision is "to become an 'Employer of Choice' in the global marketplace by attracting human capital who are committed to contributing to society," and to be an organization where they can thrive. To achieve this goal, we are promoting various measures under the four pillars of "People," "Mindset," "Organization," and "Foundation."

Key measures



Social 2 Human Capital

Global Human Capital Management

Initiatives to put the right person in the right place

Hitachi Astemo is building a global common human capital management infrastructure in order to secure, deploy, and develop globally thinking human capital.

Integrated platform for human resource management

Through this platform, the Hitachi Astemo Group leverages its human capital database for information such as employee skills and career aspirations through a cloud system. Introduced to all employees in 2022, the system has enabled the centralized management of various processes. They include the searching and collecting of information on global talent, team management, performance management, training plans, and career development. Going forward, we aim to improve the utilization rate of manager self-service (MSS) and employee self-service (ESS). In addition, we will utilize people analytics through data integration and utilize human capital data that is effective for company management.

Global Grade

In order for diverse human capital to advance business, it is necessary to carry out human capital management based on role and job standards. One way to achieve this is the "Global Grade." We have introduced a grading system for all positions in all organizations based on job evaluations in accordance with standards common to the Hitachi Astemo Group.

Visualization of human capital and shift to job-based human resource management

Hitachi Astemo is promoting the recruitment of global human capital in order to strengthen a human capital strategy that secures top class talent and capabilities. To realize this goal, Hitachi Astemo introduced a global Talent Review in FY2020 to consider placement and training based on each employee's aptitude and career aspirations, and launched the system in FY2021.

In addition, in FY2023 we have created the Astemo Standard Job catalog to visualize the jobs that are common to the Group and globally.

Ensuring fair evaluations and compensation

Hitachi Astemo believes that in order for diverse human capital of any nationality to play an active role, it is necessary to establish a global system to evaluate and treat them fairly, and we have established a management system based on the Global Compensation Philosophy, a core philosophy common to the Hitachi Astemo Group that is based on the principles of "ensuring market competitiveness," "pay for performance," and "maintaining transparency."

In determining compensation, we comply with the laws in each country and region, and we have developed an appropriate and competitive compensation system in light of the labor market of each business in each country and region. Additionally, we evaluate the performance of all employees each year before determining the amount of compensation. Evaluation results are fed back to each employee and used as a source of personal growth.

Social 2 Human Capital

Global Human Capital Management

Fostering the Hitachi Astemo culture

Hitachi Astemo believes that improving employee engagement is an investment in business operations, and therefore requires all managers to take the following initiatives:

Helping employees balance work and personal life.

Add value to business and cost efficiency by improving rewards and rewards and providing benefits based on understanding employee needs.

Managers play an important role in promoting diversity, equity and inclusion. In doing so, they emphasize respect for employees, fostering relationships between employees, having equal opportunities to speak up, listening with sincerity, and breaking down barriers when necessary.

Provide employees with a sense of accomplishment, build trust in leadership, and increase engagement through coaching and other manager support, 1-on-1 meetings, performance management, etc.

Empowerment: Delegating authority to get work done

Positive work environment: Flexible work environment, respect, rewards, fairness, inclusion.

Learning and capacity building: Assigning new projects to develop individual training roadmaps that foster independence.

Team support to practice Hitachi Astemo's health and safety principle of "safety and health protection take precedence over everything else." Team members clearly understand the importance of the operating model (OPM) and confirm that OPM is actually taking place.

Strengthening employee engagement

The priority areas for human capital in FY2023 are as follows.

1. Optimizing human capital allocation and strengthening support

We will provide comprehensive welfare and mental health support, as well as placing the right people in the right roles. We also ensure an effective employee onboarding process by developing targeted learning and development strategies to implement innovative reskilling initiatives.

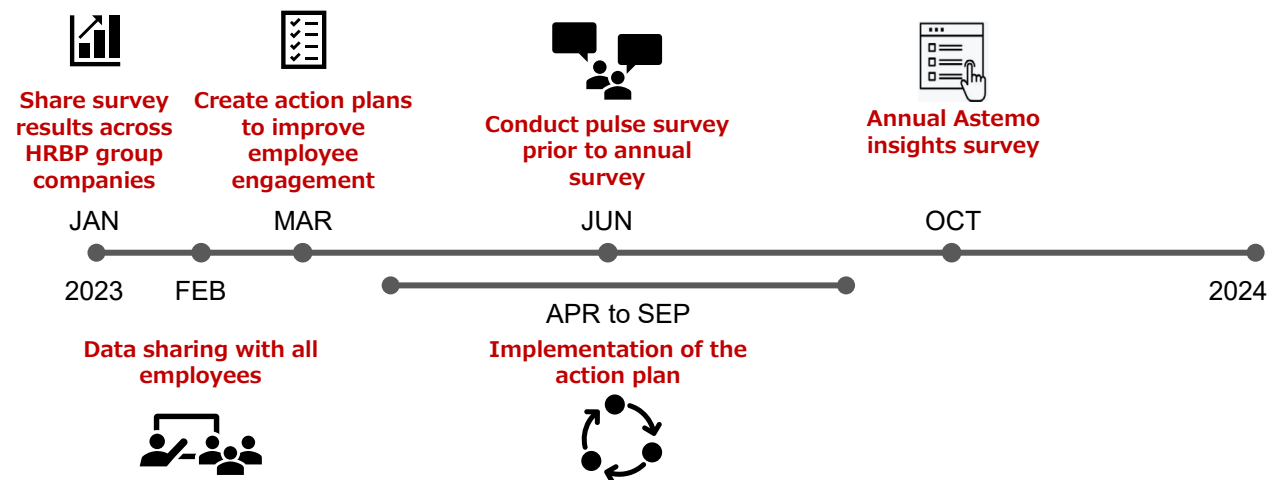
2. Improving the leadership of senior managers

Hitachi Astemo's approach includes effectively communicating the company's expectations, focusing on broader strategies and long-term goals rather than day-to-day tasks, providing constructive feedback to help team members grow professionally, and being mindful of the needs and wellbeing of team members.

3. Continuous improvement in the workplace

Hitachi Astemo focuses on improving conditions to promote a positive work environment, optimizing meetings using a comprehensive meeting toolkit, and using data-driven insights with automation tools.

Cycle of engagement surveys



HRBP : Human Resource Business Partner

Social 2 Human Capital

Human Capital Development

Approach to human capital development

Hitachi Astemo emphasizes the development of human capital, and in addition to on-the-job training in the workplace, we are developing training programs globally to improve individual abilities, skills, and expertise. Going forward, we will continue to support the growth of each and every employee with the aim of developing human capital that contribute to solving social issues.

Development of management leadership

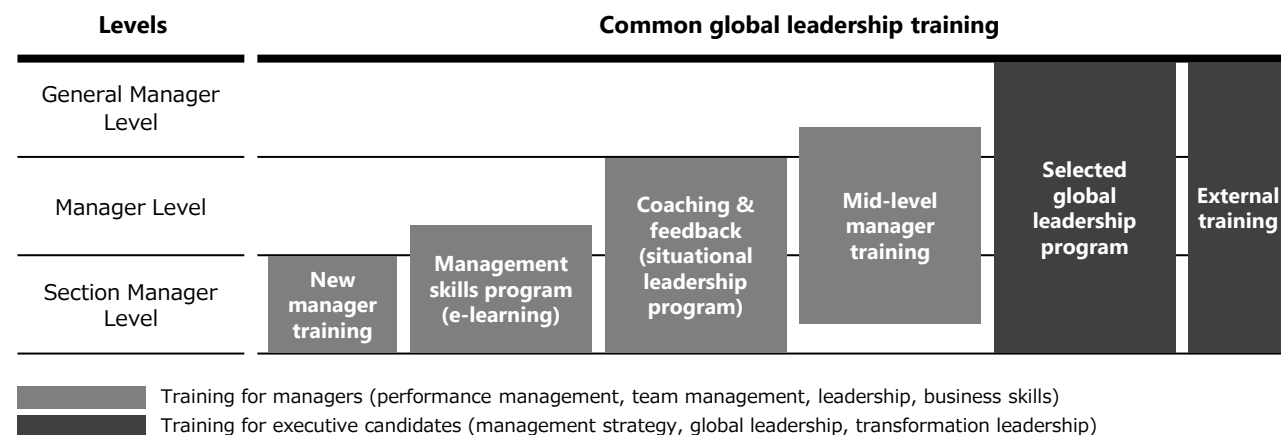
Hitachi Astemo is working to develop medium- to long-term management leaders who will lead change and transformation.

To develop candidates for CEO, CxO, business unit heads, and other senior management positions in the next and subsequent terms, we select several hundred candidates from Hitachi Astemo human capital around the world and conduct OJT (on-the-job training) and Off-JT (off-the-job training and coaching) that incorporate tough assignments.*

In addition, for the talent pool of management leadership candidates, we select outstanding young people for intensive education by granting tough assignments and providing opportunities for direct discussions with outside directors.

*Tough assignment: Assigning highly difficult tasks.

Leadership training framework



Social 2 Human Capital

Human Capital Development

Fostering a coaching and feedback culture

The Hitachi Astemo Group is implementing initiatives to take root in a culture of coaching and feedback with the aim of managers leading teams more effectively and achieving organizational goals. From FY2022, we have been implementing coaching and feedback training on a global scale for managers with subordinates, conducted by in-house instructors. By FY2023, approximately 900 people had participated in the training.

We will continue to provide training for in-house instructors and training for managers to foster and establish a coaching and feedback culture.

Development of digital human capital

The Hitachi Astemo Group began its own DX human capital development efforts in FY2021 to promote its business plan, and is developing an e-learning program that includes DX basics to improve the DX mindset of employees and educational materials to promote the use of business tools. So far, more than 17,000 employees globally have participated in the program.

Utilization of the learning platform

At the Hitachi Astemo Group, each employee can use the learning platform to check his or her past learning progress and consult with his or her manager about the training necessary to achieve goals and future career advancement, and to take the necessary training when necessary. In addition, some of the technical training programs that were previously conducted through group training were implemented through e-learning to promote the expansion of educational opportunities through e-learning. More than 20,000 employees globally are learning through the company-wide common programs.

The Hitachi Astemo Group will continue to utilize the learning platform to promote global education development and promote autonomous human capital development starting from the workplace.

Conducting skills assessments for engineers in Japan

We are implementing a skills assessment program in Japan to periodically evaluate the skills of our engineers. This is a system where managers can objectively grasp the skill levels that individual engineers have self-diagnosed, formulate effective education plans for each person, and share and review them with the person during feedback interviews, etc. The strengths and weaknesses of the organization (the company as a whole, each department, etc.) can also be identified and linked to a sustainable human capital development plan for the organization.

This assessment, which started in the software field, has been expanded to include the hardware field (machinery, electrical and electronic, electric motors), and from 2022, the manufacturing (production technology) field as well as the quality assurance field.

Career development support

As part of the promotion of career development, we regularly hold career interviews for indirect employees with the aim of fostering a sense of autonomous career development and sustainable career development for each and every employee. These interviews allow each individual to think about his or her own mid- to long-term career goals, share them with the manager, and proceed with mutual understanding and agreement on how to work toward those goals.

Social 2 Human Capital

Diversity, Equity & Inclusion (DEI)

DEI initiatives

Hitachi Astemo is actively improving the environment and making efforts to not only enhance diversity, but also to increase the vitality of the organization by making use of our differences and demonstrating their strengths.

DEI vision

Hitachi Astemo creates and leverages an inclusive work environment, one that embraces diversity and encourages employees to respect and inspire each other.

Results of FY2023 activities

We are striving to create a truly diverse, equitable, and inclusive workplace by fostering comprehensive and common themes that apply to all businesses and regions. To achieve this, we have established a global DEI approach focusing on three global common themes: gender balance, cultural diversity and multigenerational inclusivity.

Implementation Categories	Q1 of FY2023	Q2 of FY2023	Q3 of FY2023	Q4 of FY2023
Overall Strategy	DEI Strategy & Target Communication	Progress Report (1 st Half)		Progress Report (2 nd Half)
DEI Organization	Steer Co. Meeting	Steer Co. Meeting	Steer Co. Meeting	Steer Co. Meeting
	Regional Meeting	Regional Meeting	Regional Meeting	Regional Meeting
Activity	Pride Month		DEI Month	DEI Workshop
			Disability Employee	International Woman
Knowledge	Unconscious Bias Training	Inclusive Leadership Training	Global DEI E-learning	Cross Cultural Leader
Policy & Equity	Work with HR to review the current policy to be fair treatment such as Hiring and Recruitment Policy, Promotion Policy, Performance Evaluation Policy			
Communication Internal/External	Pride Month Campaign		DEI Month Campaign	International Woman Day
			Disability Inclusive	

Social 2 Human Capital

Diversity, Equity & Inclusion (DEI)

Status of DEI achievement in 2023

Since the establishment of Hitachi Astemo, we have begun to share our DEI vision and expand globally, and in FY2023, we have taken the following measures:

Promoting gender equality and the creation of a comprehensive working environment through "Pride Month" activities

Raising awareness about mental health issues

Promoting DEI through videos on the theme of email signatures and "unconscious bias", and creating a diverse and inclusive working environment at Hitachi Astemo

Implementation of the "Words of Tolerance" campaign within the company

Improving employment practices for people with disabilities. Hitachi Astemo Korat Ltd. received an award for excellence from the Thai government for the employment of people with disabilities

Strengthening diversity promotion within the company to ensure no discrimination is tolerated

Promoting the active participation of women in the company; the "My Inspire Inclusion" and "Heart Hand" photo display activities of female employees

Initiatives to improve racial and gender diversity among leaders and technical staff

Promoting DEI activities and sharing best practices by DEI ambassadors at each location

DEI-related activities



"Pride Month" photo contest 2023



"Words of Tolerance" campaign



Promotion of women's activities



Mental health awareness week



Excellent company for employing people with disabilities



Initiatives for inclusive leadership training



Participating in global DEI



Social 2 Human Capital

Occupational Health and Safety

Basic principles of occupational health and safety

The Hitachi Astemo Group shares the “Hitachi Astemo Group Health and Safety Policy” with all group companies worldwide, and the entire group is working together to create a safe, secure and healthy workplace free from accidents. In addition, based on the belief that “all workplace accidents can be prevented,” all Hitachi Astemo Group employees share this belief and actively take actions to ensure their own safety and health, while also working to build a culture of mutual edification.

Hitachi Astemo health and safety policy

Safety, health, and wellbeing of our employees are top priorities

[Basic policy]

Based on the enduring philosophy that “safety and health take precedence over everything else,” the Hitachi Astemo Group is united in its global efforts to create a safe, comfortable, and healthy workplace where all employees can work with confidence and vigor, with the belief that “safety is uncompromising.”

[Basic initiatives]

Compliance with applicable laws, regulations, and self-imposed management standards.

Prevention of “occupational accidents,” “fire accidents,” and “traffic accidents” by raising awareness of health and safety (building rule-abiding human capital and workplaces) and taking proactive measures against various risks.

Maintain and improve health and safety activities through occupational health and safety management systems.

Maintenance and promotion of “mental and physical” health through organized health management and meticulous attention to detail.

Minimize damage by developing both normal and contingency response methods for various risks.

Establishment of a health and safety management system

We are establishing a global health and safety management system, working towards “zero” business accidents, and strengthening employee health management. In addition, we aim to ensure “occupational safety” and “occupational health and health,” and by building an organization that supports employees' autonomous safety activities, we are improving the healthcare support system for employees—both physically and mentally—to promote health management.

The “Safety and Health Managers' Meeting” held every month is attended by the safety and health managers of each department of each group company. It is used to check the progress of health and safety activities, education and training, etc. in each department, as well as to set and follow up on group-wide KPIs. In the course of these activities, we report to the Audit Office each month on important health and safety issues.

In Japan, the Central Safety and Health Committee, in which the labor union participates, meets twice a year to discuss and share information on health and safety activities, including analysis of occupational accidents causes, countermeasures, and status of employees on sick leave.

Measures to foster a health and safety mindset

We established workplace inspections and horizontal deployment of countermeasures in all forms, improved communication methods for telecommuting, conducted risk assessment and global general inspections of facilities and the environment, and promoted an ongoing response to high-risk work. In addition, we established Health and Safety Week in the beginning of the fiscal year to promote health and safety, held presentations for horizontal deployment of measures and hosted theme-based team discussions across all sites, with awards given for outstanding efforts at a global safety forum held in December 2023.

Global health and safety forum agenda (Held in December 2023)

- Introduction
- Report from the region
 - ・Summary; China, Asia, Europe, Japan
 - ・Health measures; Japan
 - ・Keynote speech; China
- Q&A live session
- CEO comment / Award Ceremony
- Closing



Social 2 Human Capital

Occupational Health and Safety

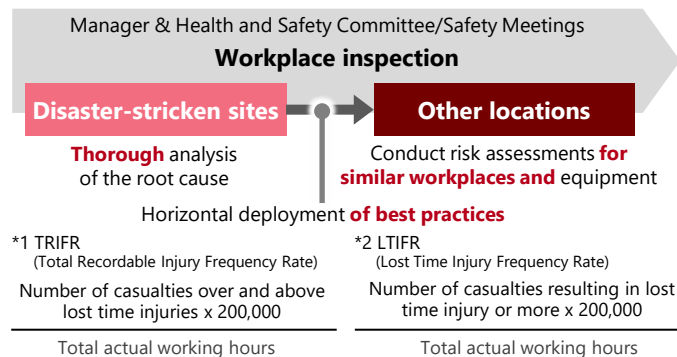
Contributing to the SDGs through health and safety

Hitachi Astemo's corporate activities realize a vibrant society and enrich people's lives. In particular, to contribute to achieving SDG 8 (decent work and economic growth), we are promoting the active participation of diverse human capital and the creation of healthy and safe workplaces within the company.

Hitachi Astemo's goal of a sustainable safety system

To protect the safety of our employees, we aim to build a management system than spans from risk identification to investing in safety. In the unlikely event of an accident, we not only ascertain the actual number of lost time injuries, but also the accident ratios (TRIFR*1 and LTIFR*2) per total number of actual working hours to ascertain the true situation, which is not dependent on the site size.

We aim for sustainable management by adapting to global standards for health and safety through the sharing of risk information among these sites, standardization of processes for greater efficiency, accurate accident counts, and safety investments.

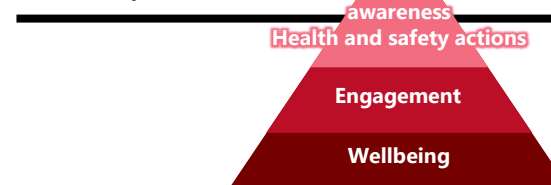


Approach from health and safety to improve wellbeing

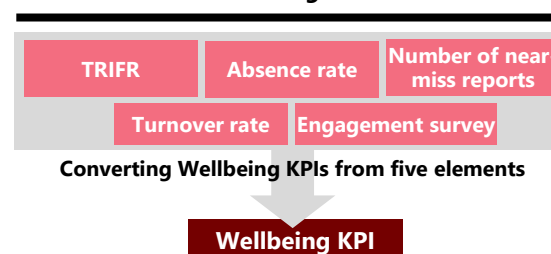
Approach from health and safety to improve workplace satisfaction, i.e., happiness, and wellbeing

Health and safety share a common foundation that is workplace satisfaction, or happiness and wellbeing. Hitachi Astemo globally manages the health and safety conditions of each workplace by using TRIFR, or the number of near-miss reports, and the turnover rate as global KPIs related to health and safety. It is currently developing a Wellbeing KPI consisting of elements including these, with the aim of monitoring workplaces and linking it to measures to improve wellbeing.

Relationship between wellbeing and health and safety awareness/behavior



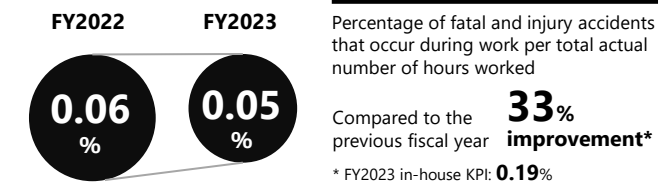
Five elements of Wellbeing KPI



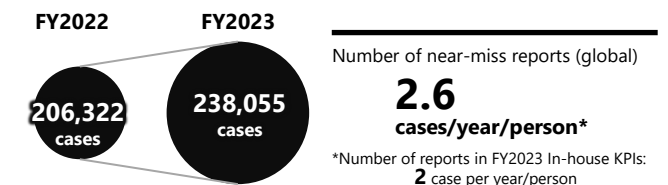
Examples of measures to improve wellbeing related to health and safety



● LTIFR (global)



● Number of near-miss reports (global)



Social 2 Human Capital

Occupational Health and Safety

Initiatives to improve employee health

The Health and Safety Committee, the Health and Safety Department, and the Occupational Health Department at each site in Japan take the lead in implementing employee health promotion measures, in cooperation with health insurance associations with which the company is a member of and various internal departments.

FY2023 initiatives

1. Occupational health services were provided in healthcare rooms where occupational health staff such as occupational physicians, public health nurses, and nurses are stationed.
2. Implemented various health-assurance measures to prevent severe ailments following the results of regular health checkups, etc.
3. Early detection of physical and mental disorders through medical interviews and consultations with workers that log long hours
4. Support for the mental and physical health of employees through health consultations and health guidance provided by occupational health staff.
5. Actively promoting measures to prevent mental health problems, such as conducting stress checks, and intervening in the workplace.
6. Through meetings and training sessions conducted by industrial health staff and health-and-safety supervisors, improve the quality of industrial health activities and provide opportunities for the development of industrial health staff

Promotion of medical checkups

Hitachi Astemo has established a system to subsidize the cost of medical checkups by health insurance societies in Japan, especially for employees aged 35 or older. It is working to promote early detection and early treatment of lifestyle-related diseases and cancer by encouraging employees to undergo examinations, which also serve as statutory medical checkups, and to undergo examinations for certain parts of the body according to age. In addition, as a response to metabolic syndrome we are actively promoting measures to prevent serious illnesses to prevent the onset of diabetes, stroke, and myocardial infarction, on top of the specific health guidance mandated for health insurance societies.

Initiatives to promote the health of employees and their families

Hitachi Astemo uses a personal health portal site operated by health insurance associations with which it is a member of, to encourage healthy behavior among employees and their families. This website provides various support measures to increase health awareness and understand one's own health status. It also promotes a healthy lifestyle, such as by introducing a risk simulator, providing healthy living incentives, and enabling the inquiry of health check-up results.

Promotion of collaborative health*

The Hitachi Astemo Group implements its own health promotion measures tailored to the characteristics of each company, and is also working to maintain and promote the health of its employees by making maximum use of the services provided by health insurance associations with which it is a member of, while working to enable all our companies to continuously obtain certification as a corporation with excellent health management from the Ministry of Economy, Trade and Industry.



*Collaborative health:

Effective and efficient implementation of prevention and health promotion for enrollees (employees and their families) through active cooperation between insurers, such as health insurance societies and employers, with a clear division of roles and a favorable work environment.

Social 2 Human Capital

Occupational Health and Safety

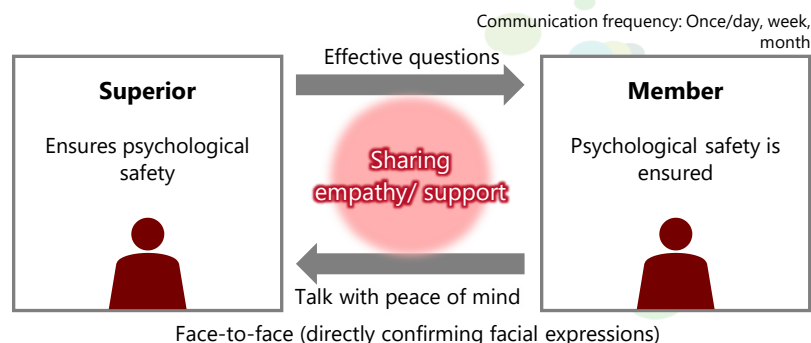
Mental health support

Hitachi Astemo has established mental health support measures for employees, workplace managers, industrial health staff, and human capital departments, and is working to disseminate basic knowledge about mental health and stress management, while strengthening the employees' ability to deal with stress in each position.

In response to the increased mental burden caused by factors such as the diversification of working styles and changes in the workplace environment, we are developing proactive approaches toward stress prevention.

In addition, based on the results of stress check group analysis and the opinions of industrial physicians, we

are further promoting proactive measures for those requiring caution (promotion of interviews for those who have undergone stress checks and high stress, alerting them to the importance of taking attendance information into consideration, mental health education, individual interviews, etc.). Furthermore, we are promoting symptom (predictive) management and one-on-one communication globally as measures to enhance support for employees with mental health problems. We will continue to develop measures to improve wellbeing on a global basis to ensure that employees are satisfied with their health and safety, both physically and mentally.



Mental health support measures

- Regular one-on-one interviews
- Implementation of mental health education
- Introduction of the EAP* consultation desk
- Detecting health issues and improving the workplace environment through stress check group analysis

*EAP: Employee Assistance Program

Social 2 Human Capital

Freedom of Association and Collective Bargaining

Respect for basic employee rights

Hitachi Astemo complies with respect for the basic rights of employees.

In Japan, where the formation of labor unions is permitted, Hitachi Astemo has a collective bargaining agreement between the CEO, who represents the company, and representatives of the labor union, which recognizes that the union has the three labor rights (right to organize, collective bargaining, and collective action).

The Hitachi Astemo labor union membership rate* is approximately 94.9 percent (as of March 31, 2024).

*All employees except union members/management staff (management staff are not eligible for union membership).

Dialogue between labor and management

Labor-management relations at Hitachi Astemo and group companies in Japan are stable, and various discussions are held smoothly.

Hitachi Astemo has established the Central Management Council and Division Management Council, which meet regularly to ensure mutual communication between labor and management, smooth management, business development, and improvement of working conditions for union members.

Overseas group companies also engage in active dialogue based on laws and regulations in each country and region to deepen understanding between labor and management.

Notification of business transfers and secondments

The collective labor agreement that Hitachi Astemo has concluded with the Hitachi Astemo labor union stipulates that when transferring or seconding an employee for business reasons, the union must be notified immediately after the decision is made, after due consideration of the employee's own circumstances. In particular, it is stipulated that basic matters will be discussed with the union for mass relocation and transfers, etc.

Labor-management cooperation to improve health and safety standards

The collective labor agreement signed by Hitachi Astemo and the Hitachi Astemo labor union establishes health and safety measures, the establishment of a health and safety committee, education, training, and medical examinations. Labor and management cooperate to improve workplace health and safety standards.

The Health and Safety Committee formulates annual plans for health and safety activities to create a safe and healthy work environment, confirming its progress; examines measures to prevent occupational accidents and their recurrence; and shares the status of health checkups.

Social 3 Human Rights

Respect for Human Rights throughout the Value Chain

Respect for human rights of all people

Hitachi Astemo believes respecting human rights is our responsibility as a global company and is essential to our business activities. We strive in our corporate activities to not to discriminate on the basis of gender, sexual orientation, age, nationality, race, ethnicity, ideology, creed, religion, social status, family origin, disease, disability, or any other factor, or to engage in any conduct that offends individual dignity. We also value engagement with relevant stakeholders to properly understand and respond to human rights impacts.

Human rights policy

Hitachi Astemo established the "Human Rights Policy" as one of the highest standards of internal regulations. This policy expresses respect for human rights as stated in the ILO Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO^{*1}), which sets forth fundamental rights at work, including the International Bill of Human Rights^{*2}, the effective recognition of freedom of association and the right to collective bargaining, the prohibition of all forms of forced labor, the effective abolition of child labor, and the elimination of discrimination in employment and occupation. In addition, it clearly stipulates the implementation of human rights due diligence (HRDD)^{*3} based on the United Nations Guiding Principles on Business and Human Rights^{*4} and appropriate training for employees, compliance with the laws and regulations of the countries and regions in which the Hitachi Astemo Group operates, and the pursuit of methods to respect international human rights principles when there is a conflict between internationally recognized human rights and the laws

of the countries and regions in which the Hitachi Astemo Group operates.

Regarding children's rights, we strive to eliminate child labor and forced labor in our own operations and in our supply chain, and stipulate that we give due consideration to human rights, including the rights of children.

^{*1} ILO: International Labour Organization

^{*2} International Bill of Human Rights
Collective name for the Universal Declaration of Human Rights and International Covenants on Human Rights adopted by the United Nations General Assembly.

^{*3} Human Rights Due Diligence (HRDD)
Identifying and assessing negative business-related human rights impacts, implementing prevention and mitigation measures, and continuously verifying and disclosing the effectiveness of such measures.

^{*4} "Guiding Principles on Business and Human Rights"
The principles are contained in the "Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and other Business Enterprises" published by John Ruggies in March 2011 (A/HRC/17/31).

Human rights due diligence initiatives

Development of HRDD promotion system

Hitachi Astemo has established a system for promoting HRDD internally. It is also examining HRDD promotion measures for the Hitachi Astemo companies and suppliers, conducting educational activities, and responding to inquiries. In addition, in order to implement HRDD rooted in

each business of Hitachi Astemo, we have appointed a person responsible for implementing HRDD at each major group company and are developing a system for strengthening human rights risk management that takes into account the business characteristics and respective value chains of each company.

Social 3 Human Rights

Respect for Human Rights throughout the Value Chain

Outreach to procurement partners

Hitachi Astemo makes it clear that it does not tolerate child labor nor forced labor in its own operations or in its supply chain, in accordance with the Human Rights Policy. As the globalization of business increases, the likelihood of the risk of forced labor, as well as the importance of preventing forced labor and human trafficking as a company is also explained in an e-learning course on human rights for employees.

To share these basic stances with our procurement partners, we have distributed the "Supply Chain CSR Procurement Guidelines" to ensure that they are well understood throughout the supply chain.

In FY2023, we introduced a third-party evaluation platform (EcoVadis*1).

*1 EcoVadis: A sustainability assessment service platform that comprehensively evaluates four areas: environment, labor and human rights, ethics, and sustainable procurement of materials

Raising awareness and education of human rights of executives and employees

Hitachi Astemo conducts educational activities to raise awareness of human rights through the use of videos, and promotes the goal of having employees take one course each year. Through recruitment activities for human rights slogans for employees, we provide an opportunity for each employee to think seriously about human rights, and we are working to raise awareness of human rights by presenting awards for outstanding works. In addition, through various training and awareness-raising activities, such as onboarding education for new employees and position-specific training, we communicate the importance of respecting human rights to each employee in his or her work.

The consultation and reporting contact points for harassment and human rights issues in general are, in principle, integrated into the compliance reporting system. The Hitachi Astemo Group has established a global mechanism for handling complaints and is promoting efforts to address these issues.

Social 4 Value Chain Management

Quality

Approach to quality assurance activities

At Hitachi Astemo, we thoroughly instill the values of “basics and ethics” and “good and evil over profit and loss.” In addition, all employees share the idea of “quality and reliability first.” In providing products and services, we aim to meet customer needs and specifications, as well as relevant laws and standards; and where necessary, set our own more strict standards to ensure quality and safety. The Hitachi Astemo Global Quality Manual also sets out the principles of quality management, and we are promoting quality assurance enhancement activities from the perspectives of organization and management, technology, and human capital in all processes—from product planning and development to design, manufacturing, testing, delivery, and maintenance services. Furthermore, based on the idea that “prevention is the essence of quality assurance,” we are strengthening our activities to prevent defects from occurring, rather than merely preventing defects from occurring again. We analyze failures, thoroughly learning to develop technology. When a serious failure occurs, we thoroughly discuss not only the technical causes in the product, but also the process, organizational, and motivational causes that led to issue. In addition, we work to prevent recurrences, while improving product reliability and customer satisfaction.

Framework for quality assurance and quality assurance activities

To ensure thorough quality governance, Hitachi Astemo has separated the company-wide Quality Assurance Department from the Manufacturing Department to create a system that allows us to act with the safety and security of our customers as our first priority.

Activities to ensure compliance with technical regulations

- We are promoting compliance activities and continuous improvement of processes through the Cyber Security and Software Update Regulations Compliance Management System, established by the World Forum for Harmonization of Vehicle Regulations (WP29) in June 2020.

Thorough safety design of products and services

- We strive to ensure safety by “reducing risk through design (intrinsic safety design),” “reducing risk through protective measures (safety protection),” and “reducing risk through information in use.”
- During product development, the safety of human life, body, and property is our top priority in design, and safety is verified in all processes—from development to production, sales, and maintenance.

Strengthening the global quality assurance system

- We are strengthening our global quality assurance system by globally developing the basic philosophy of quality assurance activities, establishing global quality assurance regulations, reporting defects from overseas group companies, and, as in Japan, establishing a quality assurance reporting line independent of business divisions.

Social 4 Value Chain Management

Quality

Response to product defects

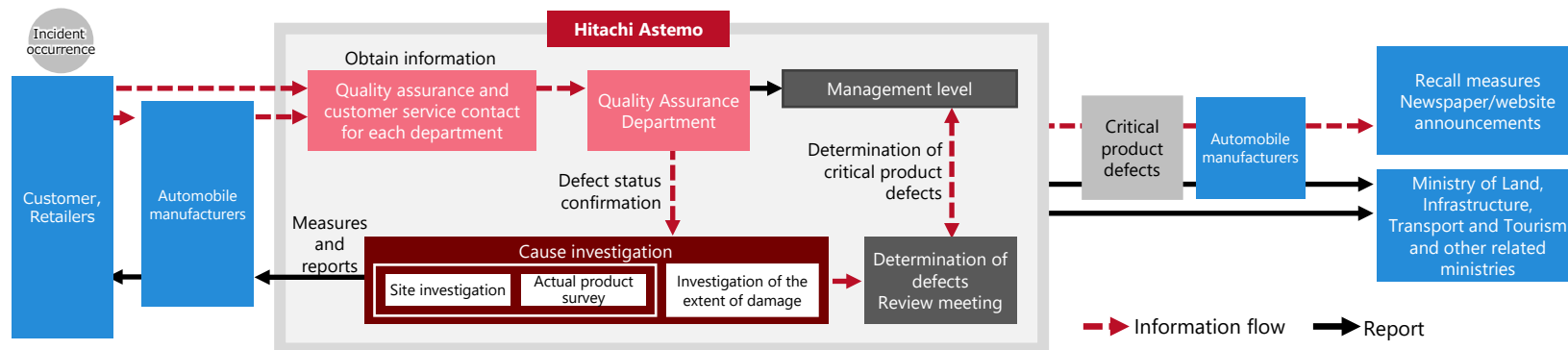
In the event of a product defect, the department in charge of the product will take the lead in promptly responding to the problem. In the event of a serious problem, we report it to the automakers, who are Hitachi Astemo's direct customers, and promptly report the situation to management, so that Hitachi Astemo can work as one to take prompt and appropriate measures.

When we determine that a product requires retroactive countermeasures, Hitachi Astemo consults with the automakers that are its direct customers, as it does when a product defect occurs, and implements measures—such as repair or replacement—and reports the matter to the competent authorities as necessary.

Implementation of quality and reliability training

Focusing on engineers involved in manufacturing, we offer technical courses by field to improve technologies related to manufacturing, quality assurance, and maintenance, as well as technical courses by level, such as "application" and "basics."

Response flow when a serious problem occurs



Inappropriate conduct at Hitachi Astemo

Regarding the inappropriate conduct (announced on December 22, 2021) that included periodic testing of brake components manufactured at the Yamanashi Plant (Minami-Alps City, Yamanashi Prefecture) and suspension components manufactured at the Fukushima Plant (Koori-machi, Date-gun, Fukushima Prefecture): In addition to the fact-finding and root-cause investigation carried out by the Special Investigation Committee, we conducted our own investigation. We then announced the results and recurrence prevention measures on May 19, 2023, and announced disciplinary action of executives on August 4, 2023.

As a result of the investigation, we have become deeply aware that our culture of compliance and management and supervisory systems had been inadequate over a significant period of time. To prevent the recurrence of such conduct, we have established an organization-wide improvement plan, and are implementing relevant education, reviewing processes, and investing in human capital and equipment. We will take the survey results seriously and continue to develop and establish a strong compliance culture.

 **Outcome of Investigation into Inappropriate Conduct Relating to Certain Products and Measures to Prevent Recurrence**

 **Disciplinary Action Against Executives following Outcome of Investigation into Inappropriate Conduct**

Social 4 Value Chain Management

Customer Satisfaction

Framework to apply customer feedback to Our business

Hitachi Astemo's Sales Department assigns a global account manager to each major customer to utilize the opinions of customers—such as automobile manufacturers—in business management, products, and solutions, and to link this to the improvement of the customer's corporate value. The person serves as the liaison between Hitachi Astemo and its customers around the world, and works with the global account teams in each region of the world and the product sales teams in divisions and business units to strengthen relationships with customers. In addition, to support the product sales activities of global account managers, divisions and business units, the Sales Department includes a headquarters that plans and drafts global sales policies, guidelines, priorities, etc.; a headquarters that conducts marketing and promotional activities from a technological perspective, based on the global customer strategy of global account managers; and a global program management for the launch of customers' programs, which is organized as a support structure for global sales activities. To quickly and reliably identify customer needs in our global sales activities, Hitachi Astemo proposes advanced technologies and verifies the technological direction through technological meetings and actual vehicle demonstrations, which will enhance the value of our customers' products and be reflected in our business operations.

Examples of activities to address customer needs

Initiatives	Objective
Technical meeting	After reliably grasping trends in the technology industry, we propose advanced technology development through discussions to meet the technology roadmap and needs of our customers.
Actual vehicle demonstration	We candidly listen to our customers' feedback about the direction of our advanced technologies through test drives of actual vehicles, and proactively respond to their requests through joint development proposals, etc.

Customer satisfaction results

Each customer's rating for our quality is viewed as a customer evaluation, and our KPI is “80% or more achieved” in terms of overall achievement.

Target year	Actual results
FY2021	80% or more achieved
FY2022	80% or more achieved
FY2023	80% or more achieved

Social 5 Community

Social Contribution Activities

About social contribution activities

Hitachi Astemo regards social contribution activities as important for the sustainable development of society and business, promoting them mainly in the regions where it has business sites. We have established the materiality of “safety,” “environment” and “people (next-generation human capital development),” and are promoting activities in these three areas for the sustainable development with all stakeholders, including customers, partners, employees and local communities.

Case studies (Japan)

●Connections with local communities(safety)

We are conducting fund-raising activities to support cancer treatment centers, support disaster-stricken areas including with donations (from providing land for building temporary housing, to collecting food and clothing and distributing to local governments), and providing sales support for products created at facilities for people with disabilities.

To provide relief to those affected by the 2024 Noto Peninsula Earthquake and assist in the recovery of the affected areas, a total of 20 million yen was donated through the Japanese Red Cross Society and the Ishikawa Community Chest.

●Regional greening activities(environment)

In each region where we have business bases, we are actively deepening exchanges with local communities, and are making initiatives to create abundant greenery in the future—such as ecosystem conservation, greening activities, and forest maintenance.

●Support for developing the next-generation of engineers (people)

We are working to develop future engineers through implementing the Kids Engineer Development Project for elementary school students (Nagoya and Sendai), supplying products and technical training for high school teams participating in the Honda Eco Mileage Challenge,* and supplying products and technical support for university student teams participating in

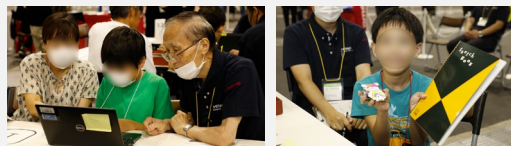
Formula SAE Japan.

*Using a Honda 4-stroke engine, this challenge calls on participants to explore the limitless possibilities of how many kilometers can be traveled with one liter of gasoline, and to compete with original ideas and technology. The cars in the competition drive a specified number of laps (distance) in a specified time, and fuel efficiency is calculated based on fuel consumption.

The event is organized by Honda Motor Company, and in addition to high school, vocational school, and university student classes, a junior high school class has been newly established since 2005.

JSAE* Kids Engineer 2023

Nagoya: Held the “Let’s tour tourist spots in an automated vehicle” program



Sendai: Held “Can cars run on salt water? Let’s make one and see if it works!” program



*JSAE: Society of Automotive Engineers of Japan, Inc.

Japan Micom Car Rally 2023

We supported a test course for high school students participating in the Japan Micom Car Rally 2023.



Support for Formula SAE Japan

Providing in-person support as a consultative judge, brake products and company booth exhibitions



Expenses related to social contribution and number of participants

Hitachi Astemo is involved in community-based social contribution activities, initiatives to nurture the younger generation, and support for disaster-affected areas, including the donation of relief funds. In the promotion of social contribution activities for FY2023, we spent 98.31 million yen.* In addition, 4,231 people* participated in social contribution activities.

*Figures are results for the Japan region.

Social 5 Community

Social Contribution Activities

Case studies (global)

● Initiatives in the Americas

We are working to promote the use of renewable energy. Hitachi Astemo Mexico's Queretaro Plant has installed 1,120 solar panels, generating approximately 990 MWh of electricity per year.



● Initiatives in Asia

Hitachi Astemo Rajasthan Brake Systems Pvt. Ltd. held a "Life Skills Education Program for Girls and Women" with the aim of improving the lives of local communities.

We provided 50 days of training to 80 girls and women who did not have the opportunity to study due to financial reasons. In addition to technical training in areas such as Mehndi design, hair, makeup, skin care, nail art and nail extensions, the program also included enriching lectures by professionals such as doctors, lawyers, police officers and bankers on the importance of self-reliance for a brighter future.



● Initiatives in China

Hitachi Astemo Chassis Systems (Zhongshan) Ltd. and Hitachi Astemo Automotive Systems (Suzhou) Ltd. have been working with local banks to help children understand the concepts of money and consumption in the digital age. The participating children learned through activities such as experiencing a bank, learning how to count money, learning how to tell counterfeit currencies from real ones, and developing the concept of money management.



● Initiatives in the EU

Hitachi Astemo Europe GmbH's Schwaig Office (Germany) donated a generator and test bench to the Technical University of Munich. Using this test bench, university students will be able to conduct tests under specific environmental conditions and tests using 30kW electric motors.



Governance

- 1 Corporate Governance
- 2 Compliance
- 3 Risk Management
- 4 Information Management



Governance

1 Corporate Governance

Corporate Governance (as of March 31, 2024)

Hitachi Astemo transitioned from a company with auditors to a company with an Audit and Supervisory Committee on October 16, 2023. The Audit and Supervisory Committee as an independent body will audit and supervise the execution of duties by directors (excluding those who are Audit and Supervisory Committee members) and executive officers through attending Board of Directors meetings and reporting on the deliberation results of important meetings such as management conferences. Additionally, to ensure the independence and neutrality of the audit system, the committee is composed of three outside directors, thereby enhancing governance and further increasing corporate value through external oversight. In line with the transition to a company with the Audit and Supervisory Committee System, we aim to delegate the decision-making on key business execution matters to executive directors and executive officers responsible for operations, thereby promoting faster decision-making. At the same time, with half of the Board of Directors being outside directors, we enhance the supervisory function. Additionally, we strengthen the auditing and supervisory functions by establishing an Audit and Supervisory Committee, which has the authority to audit the execution of duties by directors, excluding directors who are Audit and Supervisory Committee members.

In addition to the Articles of Incorporation, basic matters concerning the governance and management of the company are stipulated in the Board of Directors Regulations, the Audit and Supervisory Committee Regulations, and other related regulations.

Composition of the Board of Directors

Of the eight total number of directors, three are also audit and other committee members (all of whom are outside directors), and five are not part of the audit or other committee members. Of the five directors who are not members of the Audit and Supervisory Committee, three are directors who also perform business execution duties, while two are non-executive directors (one of whom is an outside director). There are a total of four outside directors.

There are two representative directors, who are selected by the Board of Directors. The Board of Directors has established a Nomination and Remuneration Committee as a voluntary advisory body. The Nomination and Remuneration Committee deliberates on the selection of officers and their remuneration, etc., based on the management guidelines determined in advance by a decision of the Board of Directors, and makes recommendations to the Board of Directors.

Operational status of the Audit and Supervisory Committee

The Audit and Supervisory Committee was formed in October 2023. In FY2023, seven meetings of the committee were held on the same day as or close to the Board of Directors meetings, and in addition to matters stipulated in laws and regulations, the Articles of Incorporation, or the Audit and Supervisory Committee Regulations, etc., the committee verified and extracted risks through prior deliberation of important proposals to be submitted to the Board of Directors. In addition, five round-table discussions were held to discuss the results of deliberations at management meetings and other important meetings, as well as important matters of execution. In addition, to assist the Audit and Supervisory Committee in performing its duties, dedicated Audit and Supervisory Committee support staff are located in the Board of Directors' room.

Governance 1 Corporate Governance

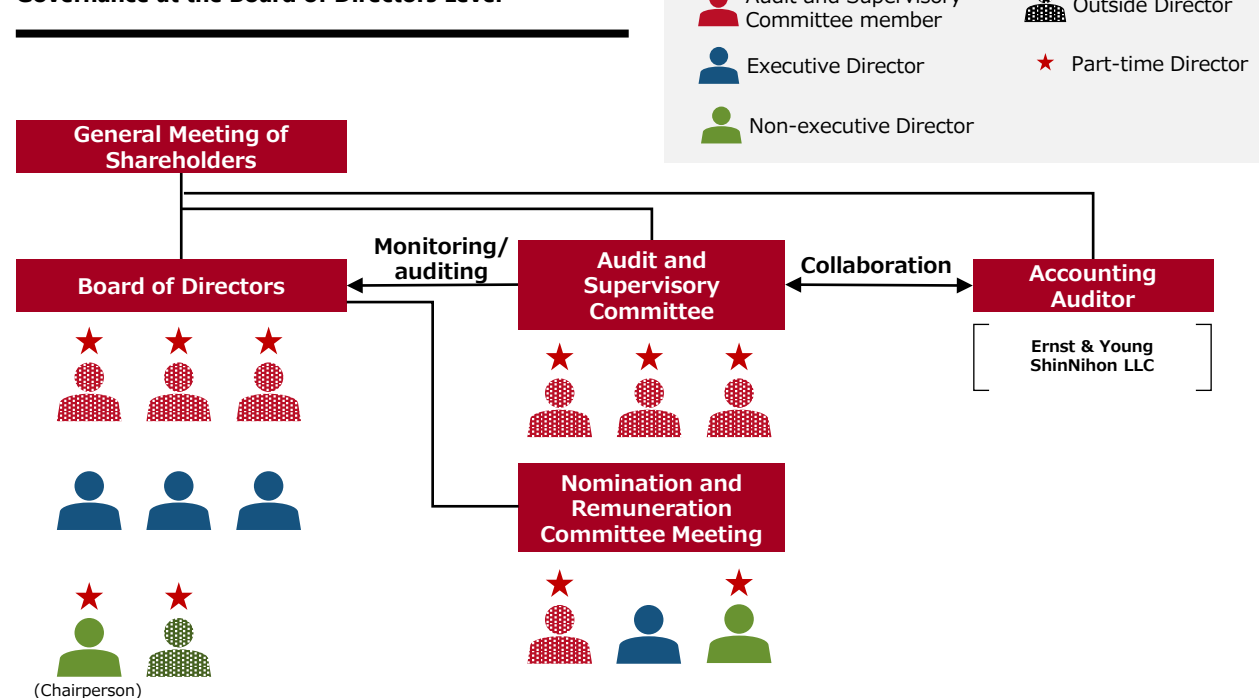
Corporate Governance (as of March 31, 2024)

Framework to ensure the efficient execution of duties by directors

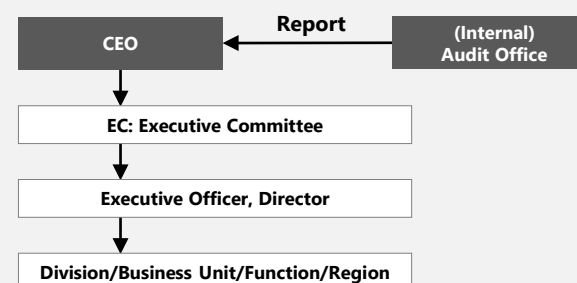
Hitachi Astemo's Board of Directors decides on the development of frameworks to ensure the appropriateness of operations. Among these resolutions, the following resolution was adopted as a "framework to ensure the efficient execution of duties by directors."

- To ensure the efficient execution of duties, directors clearly separate management supervision functions from business execution functions and promote the efficiency of the execution of duties.
- The Executive Committee shall be organized and deliberate on important matters affecting Hitachi Astemo and its group companies as a whole, in order to make careful decisions based on multifaceted considerations.
- To operate our business systematically and efficiently based on our management policy, we have formulated a medium-term management plan and annual budget, and manage business performance based on these plans.
- We have established an Investment and Financing Strategy Committee to improve asset efficiency by allocating investments appropriately and ensuring the profitability of individual projects.

Governance at the Board of Directors Level



Hitachi Astemo's Operating Model (Operational Execution System)



Governance

2 Compliance

Business Practices in Accordance with International Norms

Compliance promotion framework

To promote compliance, Hitachi Astemo has established the "Compliance Committee"—chaired by the President & CEO and vice-chaired by the CCO (Chief Compliance Officer)—and promotes comprehensive compliance activities of the Hitachi Astemo Group led by this committee.

Each region operation division has a regional compliance officer who is responsible for overseeing compliance activities in the region, and through communication with the person in charge, we share basic policies and information on compliance with each region.

In addition, each group company in the region has a compliance manager who is responsible for overseeing compliance activities at each company and promoting compliance activities through education and information sharing at each company. Regarding the status of compliance measures, we not only clarify issues in promoting compliance measures through individual dialogue with regional compliance officers and group companies, but also conduct regular audits in the compliance field for all group companies to confirm their appropriateness. If, as a result of the audit, any items that require improvement are found, corrective measures are taken promptly.

Compliance reporting framework

Hitachi Astemo has established and is operating a compliance reporting system that enables employees to directly report any compliance violations or suspected violations, including the provision of improper benefits to public officials in Japan and overseas. This serves to prevent and promptly correct illegal or inappropriate actions, while improving self-cleansing capabilities. The reporting system also serves as a consultation and reporting service for general harassment and human rights issues. Anonymous reporting is possible, and system is available not only to Hitachi Astemo employees, but also to temporary staff, suppliers, distributors and other business partners. We investigate all reports, confirm the facts, respond to the reporting individual with the investigation results, and take the appropriate measures as necessary, which include corrective action. In FY2023, the entire Hitachi Astemo Group received approximately 400 reports.

Initiatives in FY2023

As one of the Group's important compliance programs, we actively conducted promotional activities for this hotline in FY2023.

For reports received through this hotline, we strive to promptly investigate, respond, and implement corrective measures in cooperation with relevant departments at each business site, plant, and group company.

Compliance education

Every year, Hitachi Astemo conducts compliance education on corporate ethics to all officers and employees around the world. This ensures that the officers and employees with diverse cultural and educational backgrounds are more thorough in their conduct and compliance, based on corporate ethics.

Initiatives in FY2023

To make employees aware of corporate ethics and codes of conduct, we distributed compliance pocket cards to all Hitachi Astemo Group employees worldwide.

Governance

2 Compliance

Business Practices in Accordance with International Norms

Prevention of antisocial transactions and money laundering

To cut off any relationship with antisocial forces, Hitachi Astemo rejects all unreasonable demands and unfair transactions, and stipulates in the Code of Conduct that it will never engage in antisocial transactions. In addition to regular screening of new as well as existing business partners for eligibility, Japan has taken measures such as including clauses in transaction agreements to exclude organized crime groups, in case the other party is found to be an antisocial force after the transaction has commenced.

Moreover, we are working with external specialized organizations (such as the National Center for Removal of Criminal Organizations and the police) to eliminate access by antisocial forces.

The Hitachi Astemo Group as a whole clarified its stance of not tolerating money laundering. It added money laundering prevention provisions to this end to strengthen specific initiatives, in addition to preventing antisocial transactions.

Anti-bribery policy

Preventing business-related corruption is a major challenge for companies. Hitachi Astemo has established related regulation. They stipulate that directors and employees must comply with internal rules when providing or accepting entertainment or gifts, and when making donations or providing political funds (political contributions), which must not exceed the scope permitted under anti-bribery-related laws and regulations.

In addition, the rules also provide specific limits on the amount and frequency of entertainment and gifts to public officials, as well as prohibit facilitation payments and establish procedures for screening business partners. In addition, we thoroughly comply with the Foreign Corrupt Practices Act (FCPA) in the United States and other anti-bribery laws in each country and region, which have become stricter in recent years.

Anti-bribery awareness campaigns

Hitachi Astemo has created and deployed teaching materials in multiple languages, which are used by all employees to ensure that everyone is aware of the anti-bribery policy and rules for prevention stipulated in the Code of Conduct, etc.

Competition law compliance policy

Hitachi Astemo upholds “acting based on laws and correct corporate ethics” and “fair and free competition” as the basis of its business activities. In addition, we strive to comply with other related rules and regulations.

Initiatives to prevent competition law violations

Similar to its anti-bribery initiatives, Hitachi Astemo conducts global activities to raise awareness of competition law compliance through education. It strives to thoroughly comply with relevant rules, business standards, and guidelines, and creates standards for overseas audiences related to contact with competitors globally to disseminate practical precautions.

Governance

2 Compliance

Business Practices in Accordance with International Norms

Export control

Hitachi Astemo's basic policy for export control is to comply with laws and regulations related to imports and exports globally and to conduct appropriate management in accordance with internal regulations to maintain international peace and security. In accordance with this basic policy, Hitachi Astemo has established the "Security Export Control Regulations." It strictly controls all export goods and technologies based on laws and regulations, and after examining the destination countries and regions, customers and uses. In addition, group companies also support their activities through education and other means to provide guidance on the establishment of rules and systems, ensuring that export control is carried out in accordance with the laws and regulations of the relevant country or region.

As a result, we are continuing our efforts to ensure that export control is thoroughly enforced throughout Hitachi Astemo.

Violations of laws and regulations

In FY2023, there were no cases of prosecution or sanctions from authorities related to bribery, competition law or export controls. Regarding tax compliance, we comply with the laws and regulations of our bases in each country and region, and have not received any fines or other sanctions for violations of laws and regulations that have a significant impact.

Governance

3 Risk Management

Addressing Risks and Opportunities, Business Continuity Initiatives

Enterprise risk management

Based on the recognition that it is essential to anticipate future risks and respond quickly in order to survive as a business entity in times of volatility, uncertainty, complexity, and ambiguity (VUCA), Hitachi Astemo is working to strengthen company-wide risk management and strives to increase corporate value.

As part of these efforts, we are introducing integrated and comprehensive enterprise risk management (ERM).

We manage company-wide risks by identifying top Through the Risk Management Officers (RMO), who are the heads of Business Divisions, Business Units, Functional Divisions, and Region Operation Divisions, and the Risk Managers (RM) who support the RMOs in their work, we identify the top risks for each department. Based on the identified risks, we then identify the top corporate-level risks, which the relevant executives then take ownership and implement countermeasures—thereby managing company-wide risks.

Approach on business continuity (BCP/BCM*)

The basic policy of Hitachi Astemo is to take measures to prevent risks that can be assumed in business activities, minimize damage to employees and the company in the event of risks, and to continue business.

In preparation for the occurrence of risks, dedicated persons in charge are working to improve the crisis response capabilities and readiness of the entire organization through practical rules, a global human network, and education and training.

In addition, in the event of a crisis that has a significant impact and cannot be resolved without company-wide efforts, a global crisis response headquarters will be established with the participation of all functions and related Business Divisions, Business Units, and Region Operation Divisions. It will strive to minimize damage and achieve a quick recovery through flexible response. Utilizing its experience in responding to past crises, including major earthquakes in Japan and global pandemics, Hitachi Astemo is further improving its crisis management and crisis response capabilities.

*BCM : Business Continuity Management

Governance

4 Information Management

Information Security

Information security policy

To minimize the risk of information leakage and suspension of operations due to cyberattacks, etc., which may hinder the continuation of the business itself, Hitachi Astemo has positioned information security governance as one of the important management issues. In addition, as a global company, we recognize cybersecurity risks as one of the management risks. We have established an information security policy that is consistent with the company's management policy, taking cybersecurity risk management into account, so that we can declare the response policy of the entire organization both inside and outside the company.

Information Security Policy

1. Formulation and Continuous Improvement of Information Security Management Rules
2. Protection and Continuous Management of Information Assets
3. Compliance with Laws and Regulations
4. Education and Training
5. Accident Prevention and Response
6. Ensuring the Optimization of Operations in the Corporate Group

Framework for promoting information security

At Hitachi Astemo, the Chief Information Security Officer (CISO), who is responsible and authorized to implement and operate information security and personal information protection, is responsible for promoting information security for all Hitachi Astemo products, services, and internal facilities. Policies and various measures for information security and personal information protection are decided by the "Information Security Committee," chaired by the CISO. In principle, the head of the site serves as the information security manager at business units and offices, and a dedicated department is established to manage security at each workplace and educate employees. Group companies have established similar organizations to promote cross-sectional information security in cooperation with each other.

Information security management

Hitachi Astemo has established the "Global Information Security Management Regulations" based on ISO/IEC 27001, an international standard. In addition, we are working to comply with the U.S. government standard SP800-171 and strengthen information security management. These regulations are globally deployed from the headquarters of Hitachi Astemo and each group company. In recent years, we have also been promoting the acquisition of TISAX (Trusted Information Security Assessment Exchange) certification, which is an information security assessment standard widely adopted by the German automobile industry. Hitachi Astemo communicates its policy and various

measures regarding information security and personal information protection decided by the "Product and Information Security Committee" to each business site and group company through the Information "Security Promotion Committee," etc., and the information security manager thoroughly implements them in the workplace.

Security monitoring

Hitachi Astemo provides 24-hour, 365-day-a-year security monitoring by SOC*¹, and collects and deploys threat intelligence*² and incident response by CSIRT*³ for early detection and rapid response to global-scale cyberattacks. As cyberattack methods become more sophisticated year by year—evading conventional detections and having a tendency to delay detection and causing damage—Hitachi Astemo has been working to build a cyber surveillance environment that constantly incorporates the latest technologies to respond to this threat. We also implement penetration tests*⁴ and ASM (Attack Surface Management), as well as create incident response plans to identify and address system vulnerabilities.

*1 SOC: Security Operation Center

*2 Threat intelligence: An initiative to derive knowledge on new threats from multiple pieces of information related to cybersecurity and utilize it for security measures.

*3 CSIRT: Computer Security Incident Response Team

*4 Penetration test: A method of testing whether a system has security vulnerabilities by attempting to penetrate a system connected to a network such as the Internet using various technologies.

Governance

4 Information Management

Information Security

Preventing of information leaks

Hitachi Astemo is implementing common IT measures such as device encryption, access control/revocation processing software for electronic documents, identity management and access control by building an authentication infrastructure, and e-mail and website filtering systems as specific measures to prevent information leakage. In response to cyberattacks such as targeted e-mails, we are strengthening various measures such as multi-layered IT defense, along with information sharing efforts through public-private partnerships. In addition, to prevent information leakage from suppliers when outsourcing operations that handle confidential information, we confirm and examine the status of information security measures of suppliers in advance, based on the information security requirement standards established by Hitachi Astemo.

Moreover, we provide suppliers with business information inspection tools and security teaching materials in information equipment, and request that personally owned information devices inspect and delete business information.

New initiatives for FY2023

To prevent information leaks, we globally implemented education on information security rules.

Education on information security

Hitachi Astemo conducts e-learning education on information security and personal information protection for all officers and employees every year. In addition, we provide information security education by preparing a variety of educational programs for each target and purpose, such as classroom training for new employees and newly appointed managers.

In addition, as an education for cyberattacks such as targeted attack e-mails, we send simulated e-mails disguised as actual attack e-mails to employees and conduct "Targeted Attack E-mail Simulated Training" to increase security sensitivity through the experience. Information system administrators are trained to respond to cyberattacks.

Hitachi Astemo's educational content is shared with all group companies, and Hitachi Astemo as a whole is actively engaged in information security and personal information protection education.

Thorough information security audits and inspections

Hitachi Astemo conducts an information security and personal information protection audit once a year. Audits at Hitachi Astemo are conducted independently by the Chief Audit Officer appointed by the President & CEO. The impartiality and independence of audits are ensured by stipulating that auditors may not audit their own departments. For group companies outside Japan, we conduct global self-checks, and Hitachi Astemo as a whole is engaged in audits and inspections.



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