

Hitachi Group Strategy for UK Tax Management

1. Introduction

Hitachi conducts business on a global scale across a broad range of business areas and utilises sophisticated and specialised technologies to carry out its operations. As a result, it is exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines and risks related to our operations. This is no different in the UK.

Recent developments in the tax environment have led to tax authorities around the world introducing additional reporting to enhance transparency, compliance and governance requirements that companies must fulfil. These include the Senior Accounting Officer (SAO) rules and Publication of Tax Strategy requirements in the UK, the latter requiring UK resident companies that meet certain requirements to publish their tax strategy in the UK and make it available for the public.

Hitachi, as a responsible company, keeps up to date with these requirements and ensures measures are put in place not only to comply with them but also strive to encourage ethical and transparent business practices. As part of these measures, in 2016 Hitachi introduced basic rules that Hitachi Group companies must follow when dealing with any matter related to tax (the “global tax rules”).

Scope

This Hitachi Group Strategy for UK Tax Management (the “UK Tax Strategy”) applies to all Hitachi Group UK resident entities as listed in Appendix I.

2. UK Tax Strategy

Introduction to the UK tax strategy

The UK Tax Strategy is focused on ensuring that the Hitachi Group UK companies’ taxes and tax risks are managed to provide a sustainable outcome within the parameters of Hitachi’s strategic and commercial objectives. The UK Tax Strategy covers the below areas:

- (1) Approach to Risk Management and Governance
- (2) Attitude to Tax Planning
- (3) Level of risk the Hitachi Group UK companies are willing to accept
- (4) Approach of the Hitachi Group UK companies towards HMRC

UK Tax Strategy Statement

(1) Approach to Risk Management and Governance

Our objective is to operate effective governance by implementing an effective tax control framework with an ongoing monitoring process to ensure key tax controls operate to mitigate tax

risk to acceptable levels. The global tax rules were introduced as the general rules for risk management and governance to which all Hitachi Group companies must adhere.

The global tax rules require all Hitachi Group companies to manage their tax affairs efficiently, continuously and proactively. These rules also require all Hitachi Group companies to have systems, processes and controls in place that enable them to comply with their tax obligations. In the UK, Hitachi's Internal Audit group performs annual JSOX audits on the different group companies testing these systems, processes and controls, and providing assurance to the company's management.

Given the diverse nature of taxation issues and enquiries from tax authorities, each Hitachi group company must evaluate the risks of taxation against the relevant rules and regulations in each country at that given time. If important issues are likely to arise, or have an impact on other group companies, then the company will report to both its parent company and the Hitachi, Ltd. Headquarter Tax Group.

(2) Attitude to Tax Planning

Under the Hitachi Group Codes of Conduct (the "Codes of Conduct"), Hitachi Group companies will always observe laws and regulations and act fairly in all circumstances. In addition, the companies will thoroughly implement the Codes of Conduct to ensure that all their business activities are conducted on the basis of corporate ethics and compliance, in accordance with "basics and ethics."

Furthermore, as a matter of principle, Hitachi Group companies aim to comply with all relevant tax rules and regulations of the countries in which they operate, as well as with international standards of tax rules.

Hitachi Group UK companies aim to follow the letter and spirit of the law on all matters related to taxation. The tax implications of all significant transactions are thoroughly analysed, with the support of external tax advisors where necessary, and potential outcomes are determined based on the rules and regulations in force at the time.

When achieving the desired commercial result, the most tax efficient outcome will be considered; however, Hitachi Group companies as a responsible global corporate citizen, we do not engage in any form of aggressive tax planning. As a general rule, any tax planning is aligned to the commercial business activities, and the final decision should be based on the commercial needs of the company or group.

(3) Level of Risk the Hitachi Group UK companies are willing to accept

Just like other businesses, each Hitachi Group UK company has its own inherent level of tax risk

that it is willing to accept. Nevertheless, as per the global tax rules, Hitachi Group companies are required to put in place measures to enhance tax risk management.

As general practice, Hitachi's appetite for risk is low. Hence, in uncertain situations Hitachi Group companies will seek external tax advice to assess the potential risks of the relevant transaction.

(4) Approach of the company towards HMRC

Hitachi Group UK companies aim to make accurate and timely disclosures in tax returns and other documents submitted to HMRC. In addition, the companies will respond in a timely manner to any enquiries raised by HMRC, and provide any necessary information as required for such enquiries.

Hitachi Group UK companies aim to act in a trustful and cooperative manner when dealing with the tax authorities as specified in the global tax rules. For these purposes, the companies will proactively manage their relationship with HMRC.

3. Compliance

Hitachi Group UK companies keep up to date with legislation and ensure compliance with the applicable requirements. Therefore, the UK resident companies that have met the requirements to publish their tax strategy in the UK for the financial year starting on 1st April 2020 to 31st March 2021 (FY20) have done so in accordance with paragraph 16(2) of the UK Finance Act 2016.

Appendix 1: List of Hitachi Group UK companies included in the strategy

Hitachi Vantara Ltd. (U.K.)
Pentaho Limited
Hitachi Data Systems Engineering UK Limited
Hitachi Consulting Europe Limited
Information Management Group Ltd
Hitachi Consulting UK Limited
Celerant Consulting Investments Limited
Celerant Consulting Acquisitions Limited
Celerant Consulting Holdings Limited
Celerant Consulting Russia Limited
Hitachi Consulting (Uae) Limited
Hitachi Solutions Europe Ltd.
Hitachi Nuclear Energy Europe, Limited
Hitachi Nuclear Projects Development Europe Limited
Horizon Nuclear Power Ltd.
Horizon Nuclear Power Wylfa Ltd.
Horizon Nuclear Power Oldbury Ltd.
Horizon Nuclear Power Services Ltd.
Horizon Nuclear Power Wylfa Holdings Limited
Temple Lifts Limited
Hitachi Rail STS Uk Ltd
Hitachi Rail Limited
Hitachi Information Control Systems Europe Ltd.
Hitachi Medical Systems UK Ltd.
Hitachi Construction Machinery (UK) Limited
Synergy Hire Limited
Bradken Uk Limited
Hitachi Automotive Systems UK Ltd.
Hitachi Europe Ltd.
Hitachi Metals Europe Gmbh
Hitachi High-Tech Europe Gmbh
Hitachi High-Tech Analytical Science Limited
Fusionex Limited
ADV Fusionex Limited
Ventyx Pty Ltd.
ABB Power Grids UK Limited

