Hitachi Group
Corporate Social Responsibility Report 2005

HITACHI
Inspire the Next

Enabling Future Generations

About the Hitachi Group CSR Report 2005

The letters "CSR" has recently been used as the acronym for "corporate social responsibility," for Hitachi, this concept is an extension of activities we have been doing for years based on the founding spirit of the company.

We believe that in order to more dynamically respond to society, it is important for the Hitachi Group overall to communicate about its philosophy and activities and to share a common understanding on CSR matters with the many stakeholders involved with Hitachi—including customers and society, shareholders, investors, suppliers, employees, and others. We have thus prepared this document as a report of our CSR activities and progress. We started publishing an "Environmental Report" in 1998. In 2003 we redesigned it into the "Environmental Sustainability Report," and we also have been reporting on the social dimensions of our activities. To better reflect progress in CSR activities of the Group as a whole, in 2005 we made more changes to the content to produce this "Hitachi Group CSR Report 2005."

We have structured this year's report around our philosophy and the activities to realize our corporate statement, "Inspire the Next," which is about innovating for the next generation.

The report has three sections, and we devote one of these to summarize the overall image of the Hitachi Group's CSR activities and governance. In the "Hitachi CSR Activities" section, by portraying our CSR activities through the words of the people who are directly involved, we give examples of the challenges we are tackling to create a better world. In the second section, "next society," we report on the social dimension and how we are responding to our stakeholders. In the third section, "next eco," we report on our environmental activities.

We hope that this report will help readers to understand Hitachi's approach to corporate social responsibility, and that it will promote dialogue with our stakeholders.

Scope of this Report

Period: The main period covered is fiscal year 2004 (April 1, 2004 through March 31, 2005).

Companies: Companies covered under consolidated reporting of the Hitachi Group

Coverage of Data

- Finances: Hitachi, Ltd. and 985 consolidated subsidiary companies (which include modified entities to which the equity method of consolidated reporting applies)
- Affiliated companies that use the equity method: 167 companies
- Social reporting: Hitachi, Ltd.
- Environment reporting: Hitachi, Ltd. and 275 consolidated subsidiaries

Related Reports

We report on financial performance of Hitachi, Ltd. in financial statements and annual reports.

Regarding research and development, as well as intellectual property (intellectual property rights, brands), which are major aspects of technology management of Hitachi, Ltd. and major Group companies, we report in the "R&D and Intellectual Property Report."

Please note that 28 companies in the Hitachi Group, and seven production facilities publish reports on environmental activities and social dimensions. (Please visit the "hitachi green web" site on the Internet and look for "Issuance of Environmental Report & Contact.")

Guidelines Referred to in Preparing this Report

"Environmental Reporting Guidelines" (FY2003 version), by Japan Ministry of the Environment

"Guidelines on Environmental Performance Indicators for Business" (FY2002 version), by Japan Ministry of the Environment

"2001 Environmental Reporting Guidelines with an Emphasis on Stakeholders," by Japan Ministry of Economy, Trade and Industry

"Sustainability Reporting Guidelines 2002," by Global Reporting Initiative

* We intend to publish this CSR Report on an annual basis.

Contents

Symbols Used in this Report

† Terminology: This symbol appears beside certain technical terms and proper nouns. Please see the glossary on pages 62 and 63 for explanations.

WEB : This symbol indicates the title and address of a related Internet website.

PAGE : This symbol indicates a related page in this report.

Graphs and other visuals use universal design for readers with color-impaired vision.

Company names of customers and suppliers may be abbreviated or referred without their titles in this report.

Company Profile

Corporate Name: Hitachi, Ltd.
Incorporated: Incorporated February 1, 1920 (founded in 1910)
Head Office:
1–6–6 Marunouchi, Chiyoda-ku, Tokyo 100–8280, Japan
Representative:
Etsuhiko Shoyama, President, Chief Executive Officer and Director

Hitachi Group Profile

Hitachi, Ltd. and the Hitachi Group make up a corporate group consisting of a total of 1,152 companies, including 539 consolidated subsidiaries within Japan, and 446 overseas, and 84 affiliated companies in Japan that use the equity method and 83 overseas. In terms of business activities, there are seven business units, as indicated below, with revenues of about 9 trillion yen. The Group employs about 340,000 employees.

Economic Performance

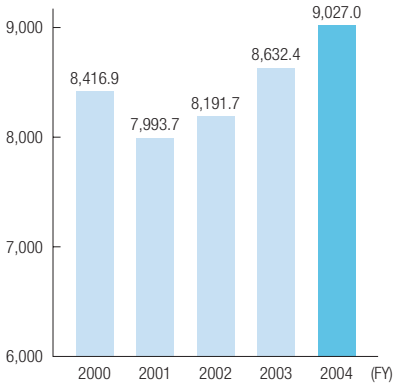
As of March 31, 2005
Capital Stock: ¥282,033 million
Number of employees (Unconsolidated basis): 41,069
Number of employees (Consolidated basis): 347,424
Number of consolidated subsidiaries: 985 (Japan: 539, overseas: 446)
Number of affiliated companies that use the equity method:
167 companies

Period: Fiscal year ending March 31, 2005 (consolidated basis)
Net sales: ¥9,027.0 billion (105% compared with the previous year)
Operating income/loss:
¥279.0 billion (151% compared with the previous year)
Capital investment:
¥959.5 billion (118% compared with the previous year)
R&D expenditure:
¥388.6 billion (105% compared with the previous year)
Overseas output as a percentage of consolidated net sales: 18%

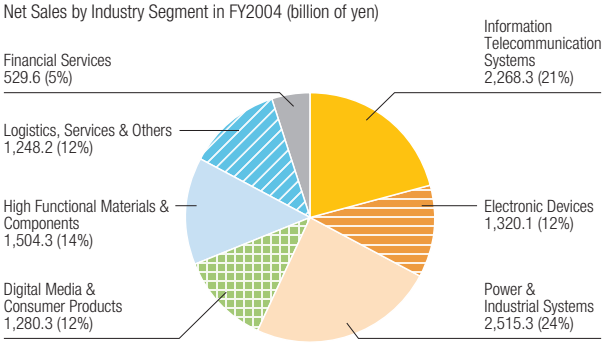
Business Unit	Information & Telecommunication Systems	Electronic Devices	Power & Industrial Systems
Products	 1.0-inch hard disk drive by Hitachi Global Storage Technologies, Inc.  Enterprise blade system* which integrates server, communications, storage, and management software functions  Finger vein authentication system*	 Superfine 2.2-inch (QVGA) TFT liquid crystal display for mobile phones, using IPS (in-plane switching) technology from Hitachi Displays, Ltd.  Advanced CD-measurement SEM by Hitachi High-Technologies Corporation  Magneto-cardiograph system from Hitachi High-Technologies Corporation	 Hitachi train,* which will operate domestic services on the Channel Tunnel Rail Link (CTRL) and local lines in the U.K.  Elevators with a view* at Terminal 2 of the Tokyo International Airport (Haneda)  Excavator by Hitachi Construction Machinery Co., Ltd.
Major Products & Services Major Consolidated Subsidiaries	Systems Integration, outsourcing, software, hard disk drives, disk array subsystems, servers, mainframes, personal computers, telecommunication equipment, automatic teller machines (ATMs) Hitachi Communication Technologies, Ltd., Hitachi-Omron Terminal Solutions, Corp., Hitachi Computer Products (America). Inc., Hitachi Computer Products (Europe) S.A.S, Hitachi Global Storage Technologies Netherlands B.V., Hitachi Electronics Services Co., Ltd., Hitachi Information Systems. Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Data Systems Holding Corp.	Liquid crystal displays (LCD), semiconductor manufacturing equipment, testing and measurement, medical electronics equipment, semiconductors Hitachi Displays, Ltd., Hitachi High-Technologies Corporation, Hitachi Medical Corp., Hitachi Electronic Devices (USA), Inc., Hitachi Semiconductor Singapore Pte. Ltd.	Nuclear power plants, thermal power plants, hydroelectric power plants, industrial machinery and plant construction, automotive products, construction machinery, elevators, escalators, rail vehicles, air-conditioning equipment Babcock-Hitachi K.K., Hitachi Air Conditioning Systems Co., Ltd., Hitachi Construction Machinery Co., Ltd., Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Industries Co., Ltd., Hitachi Kiden Kogyo, Ltd., Hitachi Via Mechanics, Ltd., Japan Servo Co., Ltd., Guangzhou Hitachi Elevator Co., Ltd., Hitachi Automotive Products (USA) , Inc., Hitachi Building Systems Co., Ltd., Hitachi Engineering Co., Ltd., Hitachi Engineering & Services Co., Ltd., Hitachi Plant Engineering & Construction Co., Ltd.

Trends in Performance Results (Consolidated basis)

Net Sales (billions of yen)



Net Sales by Industry Segment in FY2004 (billion of yen)



Total Sales by Industry	Consolidated Net Sales
¥10,666 billion	¥9,027 billion

See Web site for economic performance reports.
http://www.hitachi.co.jp/IR/index.html

* in this table indicates Hitachi, Ltd. products.

Digital Media & Consumer Products

Plasma television*

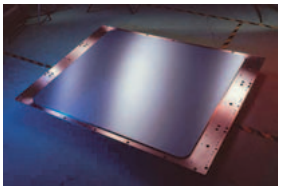
Washer-dryer
by Hitachi Home & Life Solutions, Inc.

Lithium-ion rechargeable battery
from Hitachi Maxell, Ltd.

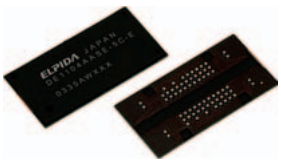
Optical disk drives, televisions, LCD projectors, mobile phones, room air conditioners, refrigerators, washing machines, information storage media, batteries
Hitachi Home & Life Solutions, Inc., Hitachi Maxell, Ltd., Hitachi Media Electronics Co., Ltd., Hitachi Home Electronics (America), Inc., Shanghai Hitachi Household Appliances Co., Ltd.

High Functional Materials & Components

Carbon anode material for lithium-ion battery
by Hitachi Chemical Co., Ltd.



Sputtering target materials for liquid crystal display by Hitachi Metals, Ltd.



µBGA (ball grid array) packages by Hitachi Cable, Ltd. used in DDR2SDRAM by Elpida Memory, Inc.

Wires & cables, copper products, semiconductor-related materials, printed wiring boards and related materials, organic/inorganic chemical products, plastic molded products, LCD-related materials, specialty steels, magnetic materials, ductile cast-iron products, forged and cast-steel products
Hitachi Cable, Ltd., Hitachi Chemical Co., Ltd., Hitachi Metals, Ltd.

Logistics, Services & Others

Hitachi Transport System, Ltd. operates a third-party logistics solutions business.

General trading, transportation, property management
Chuo Shoji, Ltd., Hitachi Life, Ltd., Hitachi Mobile Co., Ltd., Hitachi Transport System, Ltd., Nikkyo Create, Ltd., Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi China Ltd., Hitachi Europe GmbH

Financial Services

Hitachi Capital's multifunctional IC card

Leasing, loan guarantees, insurance services
Hitachi Capital Corporation, Hitachi Insurance Services, Ltd.

Aiming to be Global Leader in CSR

President,
Chief Executive Officer and Director,
Hitachi, Ltd.
Etsuhiko Shoyama

CSR is a Principle of Our Management

In recent years, the relevance of corporate social responsibility (CSR) has been the subject of much discussion around the world. Our times demand many changes, and some of these involve the very nature of corporation, and a corporation's relationship with local communities, suppliers and other stakeholders. Despite this, I do not believe that CSR is a new idea. CSR is at the core of the spirit with which Hitachi was founded. Hitachi's origins go back to the development of the five horsepower induction motor by founder Namihei Odaira who was then the production manager at an electric machinery repair shop of the mining company the Hitachi Mine of Kuhara Mining Co. He declared the goal of establishing original Japanese technology, and to this day, Hitachi has embraced the philosophy of "contributing to society through the development of superior, original technology and products" as part of its Fundamental Credo. Technological ability and synergy, as well as "pioneering spirit," "harmony" and "sincerity," which represent the Hitachi spirit, are the roots of Hitachi's CSR, and all the variety of activities based on this spirit are themselves fulfilling CSR. In other words, CSR is the very essence of our management.

The "Next" Concept: Releasing Potential for the Next Generation

With its many companies, listed and otherwise, the Hitachi Group continues to develop as a general electrical and electronics manufacturer in a broad range of business areas. Our activities have been able to grow so far because of the support from our stakeholders. Hitachi has become what it is today through our cumulative efforts over the years to tackle challenges and respond to the trust placed in us. Today, as needs continue to diversify, we are being called upon to create new value. For example, I think the very role of a corporation should be to take on challenges and resolve problems that cannot be easily resolved, offering innovative life-enriching answers and new eco-friendly technologies.

Hitachi has accumulated know-how and technologies over many years in a wide range of fields. It also has the power of synergy. By utilizing these assets we will create new value, venturing forward with new ideas to meet our stakeholders' expectations.

Our mission is to do things that only Hitachi can do, to do things that are possible only because we are Hitachi—and to do this with speed. This message is the attitude we express to the world in our corporate statement, "Inspire the Next." By taking on new challenges, we will continue giving new life to the next generation, and will aim to create the comfortable society that stakeholders hope for.

All Employees Should Talk about CSR and Demonstrate It at Work

Since its founding, Hitachi has worked to fulfill its corporate social responsibility in a wide range of areas. But today we are still on the way to achieving this aim with CSR. Our goal is for the Hitachi Group to be a global leader in CSR. This starts from the humble and sincere efforts of every Hitachi employee acting as a member of society and meeting customer expectations in good faith. If efforts are stepped up, we will, no doubt, be able to feel the recognition of society.

Above all, it is important for employees to see CSR from their own point of view, to speak about it in their own words, and to put it into action. In other words, it means thinking, discussing, and above all, doing. It is about how to promote CSR through one's work, how to contribute to society, how to be useful to the world—whether talking about the economic, environmental or social dimension. When our 340,000 employees can all speak in their own words about the desire to serve society, their feeling will be conveyed to our customers and other stakeholders.

This report is a tool to help our stakeholders and us reach a common awareness about Hitachi's CSR initiatives. I hope that it will help to promote dialogue and further enhance our activities.

Etsuhiko Shoyama

New Group Management and CSR

Chair, CSR Promotion Committee,
Hitachi Group Executive Officer
and Director,
Hitachi, Ltd.
Isao Uchigasaki

"Year One" of the Hitachi Group's New Management Structure

2004 could be considered as the first year of Hitachi's new Group management. In April that year, Hitachi, Ltd. established Hitachi Group Headquarters, the body that creates and implements management strategy to help expand the synergy of the Group. This step was taken for the Group, which is active in a wide range of business segments, to speed up its Hitachi-style group management, strengthening the will to consolidate management while respecting the spirit of independent creativity.

Making CSR a Unifying Force in the Hitachi Group

Hitachi Group Headquarters pursues group synergy while focusing on planning, proposing, and implementing measures to continually enhance corporate value. In June 2004, a CSR Promotion Committee was established within Hitachi Group Headquarters. Until then, companies in the Hitachi Group had independently conducted various CSR activities. In future, however, through this committee we would like to make CSR a unifying force for the entire Group by developing group-wide and global CSR activities. As a first step, in March 2005 we formulated a CSR policy to serve as a common foundation for the group's CSR activities.

CSR Policy of the Hitachi Group

The CSR Policy of the Hitachi Group summarizes Hitachi's responsibilities in eight points covering aspects of law, ethics, economics, and social contribution. The policy clarifies the activity for each area, while keeping a balance between the economic, social and environmental dimensions that form the basis of corporate activities. Based on the CSR Policy, the Hitachi Group is aiming to realize synergy, while harnessing the uniqueness of each company. Above all, we believe it is important for companies to act voluntarily and proactively, rather than have policy imposed on them from above.

From Each and Every Action

Companies in the Hitachi Group will develop and implement their own CSR action plans reflecting the characteristics of their own business, and at the same time the entire Hitachi Group will create and implement an action plan. I think it is the most effective approach that each company and each person starts from what they can do immediately around them. After each achievement we can then move on to the next challenge. This steady accumulation of little successes is important. We expect that the wisdom and experience gained through CSR activities will soon be put to good use within the group, our society, and the world, and that these intangible assets will be passed on to future generations.
We, the Hitachi Group, intend to come together as one to serve society by implementing CSR in all the areas covered by our policy.

CSR Activities of the Hitachi Group

The Hitachi Group believes CSR activities should be undertaken voluntarily. In order to create an environment where this is possible, in March 2005 we adopted the CSR Policy of the Hitachi Group. By promoting CSR activities under this Policy, the 1,152 companies of the Hitachi Group aim to be corporations that will empower future generations.

The Hitachi Approach to CSR

Hitachi has always conducted corporate activities based on its Fundamental Credo (adopted 1983, revised 1996), which is based on the founder's philosophy—a "pioneering spirit" that always takes the initiative and works to overcome difficulties, "harmony," which means acting together after an action has been decided through sincere discussion, and "sincerity," which means acting with a sincere spirit for everything and always considering others' views. Based on this universal corporate philosophy, and in order to meet the expectations of today's society, the CSR Policy of the Hitachi Group was formulated in March 2005. This policy, shared by the entire Hitachi Group, will help to enhance our CSR activities as we go forward.

Implementation System of the Hitachi Group's CSR Activities

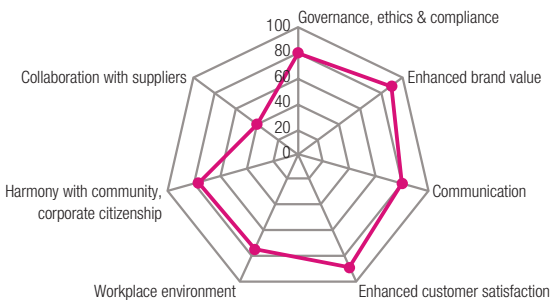
In June 2004, the Hitachi Group Headquarters, responsible for the Group's management strategy, set up a CSR Promotion Committee to address important group-wide items such as CSR action policy and planning. A CSR Promotion Team was also created at the same time, consisting of managers responsible for CSR in various departments, in order to execute the Senior Executive Committee's decisions appropriately and quickly. There is also a CSR Promotion Department responsible for overall coordination of these activities.

Starting in April 2005, the CSR Promotion Department will promote comprehensive activities group-wide, such as information sharing and discussions about issues that are common throughout the Group.

T O P I C S

Hitachi, Ltd. "Self-Evaluation on CSR Activities" and Future Developments

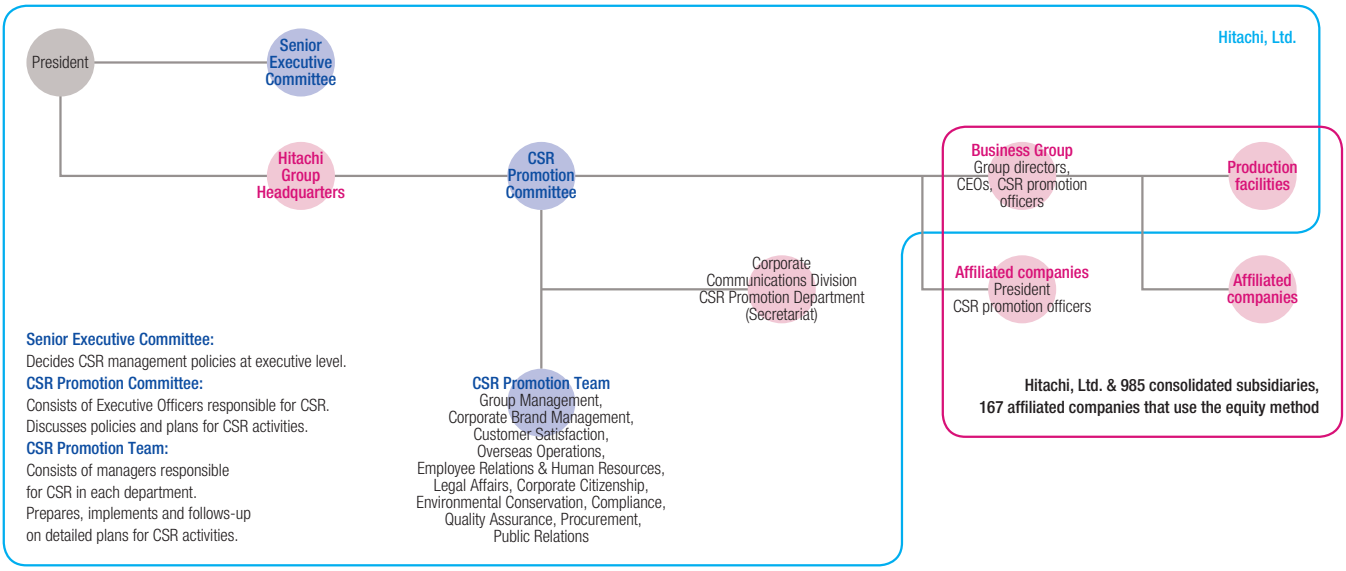
Hitachi CSR Self Evaluation
Implemented October 2004



In fiscal 2004, Hitachi, Ltd. conducted a self-evaluation, aware of the importance to have a good grasp of the state of CSR activities on topics of concern for today's society. For this evaluation, the CSR Promotion Department worked with an independent consultant to consider various indicators, based on international CSR guidelines and SRI (Socially Responsible Investment), condensed these into five indicators,* prepare a 382-question survey on seven themes, and implemented the survey, which targeted the CSR Promotion Team of each business unit. Our findings indicated that we do not explain our approaches and policies relating to human rights clearly enough, and that we need to make further efforts with our CSR activities at the global level, as well as with policies and implementation in supply chains. In the future, Hitachi, Ltd. will tackle these priority issues in earnest, and in collaboration with each Group company, will put more effort into creating an environment in the Group overall that will put voluntary CSR activities into practice.

* Dow Jones Sustainability Indexes by SAM Indexes, CSR research by the Ethical Investment Research Service, GRI Sustainability Guidelines 2002, etc. It should be noted that because we have created independent indicators to evaluate ourselves on the environmental dimension (GREEN 21) (see p. 42), environmental topics were excluded from this CSR self-evaluation.

Structure for Hitachi Group CSR Activities



Fundamental Credo

The basic credo of Hitachi is to further elevate its founding concepts of harmony, sincerity and pioneering spirit, to instill a resolute pride in being a member of Hitachi, and thereby to contribute to society through the development of superior, original technology and products.
Deeply aware that a business enterprise is itself a member of society, Hitachi is also resolved to strive as a good citizen of the community towards the realization of a truly prosperous society and, to this end, to conduct its corporate activities in a fair and open manner, promote harmony with the natural environment, and engage vigorously in activities that contribute to social progress.

(Adopted June 1983, revised September 1996)

CSR Policy of the Hitachi Group

1. **Commitment to Corporate Social Responsibility (CSR)**
   The Hitachi Group, including all its executives and employees, recognizes CSR as a vital part of corporate activity and is therefore committed to a course of social responsibility in accordance with this CSR policy for the sustainable development of society and business.
2. **Contribution to Society through our Business**
   The Hitachi Group will contribute to the building of a prosperous and vibrant society by providing safe, high-quality products and services through business activities based on its excellent research, technology and product development.
3. **Disclosure of Information and Stakeholder Engagement**
   The Hitachi Group will disclose information openly and transparently in order to maintain and develop a relationship of trust with its various stakeholders, and act responsibly towards them through various means of communication.
4. **Corporate Ethics and Human Rights**
   The Hitachi Group will undertake its business based on the principles of fairness and sincerity, act with the utmost respect for human rights and pursue a high sense of corporate ethics in the global business market which encompasses diverse cultures, morals, ethics, and legal systems.
5. **Environmental Conservation**
   The Hitachi Group will strive to minimize environmental effects and utilize resources towards the development of a sustainable society that is in harmony with the environment.
6. **Corporate Citizenship Activities**
   The Hitachi Group will promote social contribution activities as a good corporate citizen in order to realize a better society.
7. **Working Environment**
   The Hitachi Group will make every effort to create a pleasant and motivating working environment for all its employees and to fully support those employees who desire self-fulfillment and self-development through their work.
8. **Responsible Partnership with Business Partners**
   The Hitachi Group will make every effort to promote fair and sound business practices among our business partners by fostering a common awareness of social responsibility.

(Adopted March 2005)

Corporate Governance and Group Management

Hitachi, Ltd. and each company of the Hitachi Group are aiming to enhance corporate governance. We believe that speeding up management response-times, and enhancing transparency will enhance the trust we receive from our stakeholders.

Governance System

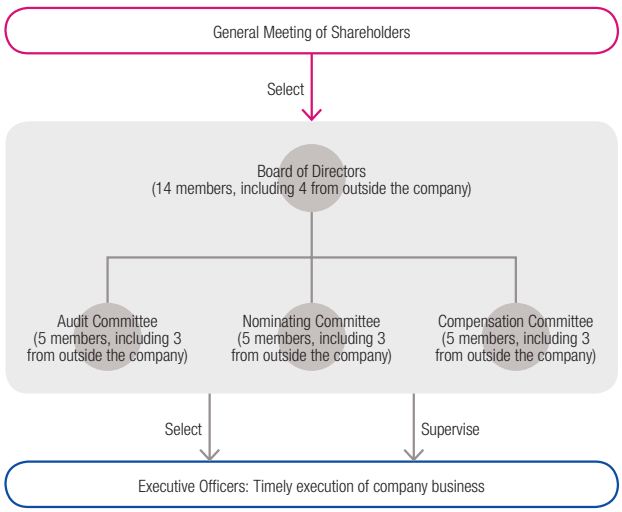
In June 2003, Hitachi, Ltd. adopted a new corporate governance system. It includes the Committee System, the Board of Directors that adopts fundamental management policies and supervises Executive Officers' execution of business, and Executive Officers who are selected by the Board of Directors and charged with executing business in an expeditious manner. The 18 companies of the Hitachi Group that are listed on the Tokyo Stock Exchange also adopted the Committee System, and are working to speed up their management and enhance their governance as members of the Hitachi Group. Also, it was decided that the Board of Directors of Hitachi, Ltd. would establish the Group Management Committee, and it will complement the "decision-making and supervision of fundamental management policies" functions of the Board of Directors, by monitoring Group management overall and making proposals to the Board.

Group Management

The Hitachi Group includes a wide range of industries and types of businesses. In order to maximize their strengths while respecting each Group company's independence and originality, we will develop relationships in the Group that will create synergy effects through collaboration. Through this we aim to create new value.

In order to maximize the synergies of the Hitachi Group, in April 2004 we established the Hitachi Group Headquarters as a body to develop management strategy. The Hitachi Group Executive Officers manage the Hitachi Group Headquarters, and also develop, propose, and implement policies to continuously raise the value of each company in the Group as well as the Group overall. With this new Group management structure, we are consciously promoting "strategically integrated management."

Governance Structure of Hitachi, Ltd.



Compliance

Compliance with laws and regulations and acting with a strong sense of ethics are the most fundamental elements of corporate social responsibility. As a large share of work undertaken by the Hitachi Group involves public projects, we are making efforts to enhance our compliance structure.

Compliance Structure

The Hitachi Group has a strong relationship with society, and the public component of our business is large. We believe that it is important to uphold the highest standards, to conduct ourselves with strong sense of ethics and justice, and to act as a model corporation in society, and that fairness should be the standard for all conduct.

In 2002, however, one employee of Hitachi, Ltd. was charged with intervention in a public bidding process, and three employees of a Hitachi Group company were charged with bribery, and they were found guilty by the courts. We recognize the seriousness of this court judgment, and regret that internal controls were inadequate. In order to prevent any recurrence of this kind of incident, we are making an effort to strengthen everyone's awareness about compliance issues.

In 2002, we established the Compliance Division directly under the company president, with the principal aim of ensuring compliance in public bidding projects, including bidding done by Group companies. We also established an Advisory Committee to function as an oversight body, consisting of external members. The Compliance Division is responsible for education about compliance, and its coverage includes Group companies. It conducts regular audits of business activities. It also gathers and provides information and educational material regarding new legislation and regulations, etc., for all employees in the Group, using the intranet and a regular newsletter.

Another step we took is in the nuclear plant engineering field, one of Hitachi's areas of business, due to the highly public nature of the work. In October 2002 we introduced a "whistle-blower" system in the Nuclear Plant Engineering Department, and in November established a Corporate Ethics Information Service in that department. Taking this idea further, in April 2003, we introduced a whistle-blower system for all employees in Hitachi, Ltd. Also, in response to the enactment of Japan's Whistleblower Protection Act, in October 2004 we expanded this system to accept inquiries or reports not only from all employees in Hitachi, Ltd., but also from former employees, as well as employees of the entire Hitachi Group, suppliers, and temporary staff, etc. Besides this, we established a system whereby employees can report directly to the Board of Directors, as Directors are empowered to provide oversight of executive performance. In ways such as these, the entire Hitachi Group has been strengthening its institutional arrangements and awareness, in order to prevent any recurrence of compliance violations.

Compliance Education

Hitachi, Ltd. is working to spread awareness about compliance issues throughout the company. We published the Ethics Handbook, which covers a wide range of topics relating to compliance. Based on this handbook, we are also implementing group trainings, as well as education based on e-learning computer tools. Meanwhile, with the recent amendment of Japan's Unfair Competition Prevention Law, we have been expanding our educational activities since October 2004 so as to prevent bribery to public officials overseas, targeting Hitachi Group operations in Europe, China, Southeast Asia, and the United States, etc. In the future, we will conduct education relating to Japan's amended Antimonopoly Act, and the Whistleblower Protection Act in connection with its entry into force.

Efforts to Protect Personal Information

The Hitachi Group is undertaking the proper handling of personal information. Hitachi, Ltd. has for many years worked on privacy and personal data protection. We recently adopted a Policy on the Protection of Personal Information, and based on this policy are revising the management system to protect personal information. We are proud to report that the Information & Telecommunication Systems Group, which often handles customers' personal information, has obtained the certification of the Japanese Privacy Mark program (JIPDEC).

Compliance training seminar in Malaysia

WEB

Hitachi, Ltd.
For information on the protection of personal information:
http://www.hitachi.com/privacy-e/

CSR and Stakeholders: A New Perspective to Make Hitachi Visible and Transparent

Takashi Hatchoji
Hitachi, Ltd.
Senior Vice President
and Executive Officer
Vice-Chair,
CSR Promotion Committee

Mr. Hatchoji: It was in 2004 that Hitachi as a group really began its CSR activities in earnest. Since it was founded, Hitachi has emphasized "contributing to society through technology" as part of its basic philosophy, and has always acted with a strong awareness of its responsibility to society. But today, it is important to consider how society looks at the activities of Hitachi, to take a fresh look at things from a CSR perspective, from the stakeholder's point of view. With others, I share responsibility for promoting CSR at Hitachi, and as we value the opportunity to have a dialogue with people who are on the leading edge of CSR issues, we have been holding regular meetings like this one with you today.

Mr. Kawakita: I understand that Hitachi provided heavy equipment as part of the rescue operations after the terrorist attacks in the United States in 2001, and medical X-ray equipment during SARS epidemic in Asia. It's commendable that you at Hitachi have the attitude of doing what you can to help, in ways that relate to your main business. And it also proves that Hitachi has a good balance of initiative at different levels of management.

We Are Proud of our People's Competence to Act Quickly in Disasters.

Mr. Hatchoji: We always feel that we want to contribute to society, and we have accumulated a lot of practical experience which we can offer. I think our responses also reflect the fact that we are operating businesses that support the infrastructure of society. The year 2004 was a year of natural disasters. When one occurs, we always ask ourselves what Hitachi can do. For example, when a large earthquake occurs, it is important to check whether anyone is stuck in an elevator or whether any elevators have stopped between floors, and then quickly start the recovery efforts. After the Niigata-Chuetsu Earthquake on October 23, 2004, 4,000 elevators stopped operating in Japan, including as many as 2,600 in the Chuetsu region alone. But we had them running again quickly—within two hours if someone was trapped inside, and within 12 hours if not. For a speedy response, the construction of a disaster information system is essential. But besides having such a system in place, it is also important that each and every employee be able to judge immediately what he or she should do, and then be able to take action quickly. Although observers may take a quick response for granted, I believe this is an area in which we can be proud and confident.

Continuity in CSR is also important. Hitachi has six foundations, and they are running various programs. For example, one provides research scholarships for young scientists, and another brings young university instructors from southeast Asia to Japanese universities to study in PhD programs. We have already been doing this for over twenty years, and not only is there a growing number of former scholarship awardees who are now doing outstanding things in their careers, but some of their students are now applying for the program. Business has its ups and downs, but we feel that in programs like these it's important to offer continuity over the years.

Future Social Contribution Programs: Long-Term Perspective, Hitachi Style.

Mr. Kawakita: I understand that the reason for those responses and activities is the corporate culture that has been inherited over the years. In 2010, Hitachi will celebrate its 100th anniversary. What will you be focusing on five years from now in terms of CSR, or even further into the future?

Mr. Hatchoji: This may seem a bit abstract, but what we aim for is good dialogue with society, and to provide the kind of value we can deliver from our human capabilities—that is, knowledge and experience. For example, education is one of the main areas of the Hitachi Group's social contribution activities, and we are currently working on some ideas to go further in this direction. For example, it would be great if we could offer a program in which Hitachi

Hatchoji volunteering at farm work with other employees

employees—including the more than one thousand people who hold PhDs—were to go to primary and junior high schools and speak to the children about the joys of research and learning. We would like to make more plans about a variety of possible activities, with a long-term perspective.

Mr. Kawakita: Hitachi also claims special talent in merging knowledge and experience and presenting new ideas to society—particularly effective in the area of environmental protection activities.

Mr. Hatchoji: Hitachi is a manufacturing company, and that is an important point. Regarding the global environment, we would like to apply the use of technology, and make a contribution by merging three core concepts—manufacturing, technology, and the environment. As one example, in 2004 we created what we call an Integrated Management System for Chemical Substances Contained in Products. It traces the movement and numbers of materials, products, etc., and helps to keep track of chemicals subject to government regulations. For the immediate future, we will use this system for the more than 1.5 million types of components that the Hitachi Group handles, but in the future, we'd like to consider expanding the scope of this system in cooperation with other companies. The bottom line is that we want to do our best at creating the infrastructure for a sustainable society.

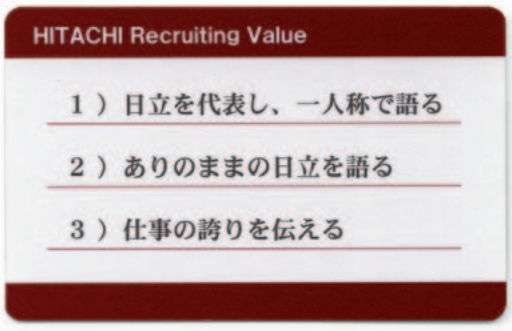
"I believe in the future, so I'll take action this year. I will do it."

Mr. Kawakita: 1.5 million is a huge number. In recent years, Japanese corporations have been putting a lot of effort into enhancing their governance and compliance systems, because people want corporations to be more transparent. At the same time, in Japan, we are moving beyond a process of putting into writing the rules that may have simply been taken for granted until now, and toward a style of CSR that has a more human face.

Mr. Hatchoji: On this point, the business activities of the Hitachi Group are very diverse, and we respect the independence and originality of management in Group companies. This diversity may have made it difficult to picture one "face" for the Group. Because of this, we have created a Group headquarters structure with the aim of manifesting the synerg or collective power of the Group. Meanwhile, we are also promoting visibility on the ground. For example, as a part of our hiring activities, we ran a program in which we had employees meet as many students as possible, to help them understand our business through direct dialogue. A key slogan of this program was "I believe in the future, so I'll take action this year. I will do it." We encouraged employees to be aware that "Employees represent Hitachi and speak of it in the first person," and to "Tell openly about Hitachi as it is," and "Express pride in your work." When the employees met with the students they spoke their own minds, and spoke with passion.

Mr. Kawakita: It's admirable that they spoke in the first-person "I," rather than about "my company." This would be a good CSR slogan for you, wouldn't it?

Mr. Hatchoji: Yes, that's right. With big organizations, there is a tendency to project the image that some faceless person is doing the work, but I'd like to project the image of people saying "Hey, it's me doing the work!" Hitachi's CSR activities really begin with attention to the details, and with each person sincerely doing his or her part.

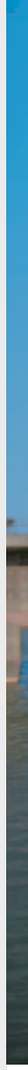


Young employees conveyed the "Hitachi" spirit by wearing this card
1) Employees represent Hitachi and speak of it in the first person.
2) Tell openly about Hitachi as it is.
3) Express pride in your work.

Hideto Kawakita
Representative of the non-profit International Institute for Human, Organization and the Earth (IIHOE)

HITACHI CSR Activities

“Society changes. Hitachi transforms it.”
Our commitment to corporate social responsibility is
an integral part of this message.
At the Hitachi Group, we consider our business activities
themselves to be CSR activities.
This attitude has continued through the years
like roots that bind the Group together.
For the next generation, we will work to create a better world,
and want to build relationships of trust with society.
In this section, we present some of the ways
we are taking up the challenge to create that better world.



Our vision is
to create richer lives and a better society
by providing products, systems, and services
with a new level of value and potential
based on the latest advances in technology,
especially knowledge and information technology.

Our mission is
to identify the real needs of society and our customers
and to set and achieve goals that surpass those needs.

We develop and apply new technology
without being bound by traditional thinking.
We focus our efforts on the fields of communications and services.
We are willing to venture into new business areas.
As a good corporate citizen, our goal is the harmonious coexistence
of environmental preservation and economic growth.

The value we intend to foster and build upon is
that of a company trusted by customers and society,
a company fully responsible for its actions.
We offer a wide range of complex systems
using our knowledge and technologies to meet specific needs.
Our goal is to offer the most complete systems solutions
that will work over the long term for society as a whole.

Hitachi intends to be the catalyst for a changing society.
As society changes, so will Hitachi
(Hitachi Brand Strategy)

Mubarak Pumping Station

CSR Activity 1

Using Technology to Contribute to Society Internationally and Make Dreams Come True:

Construction of the Mubarak Pumping Station

Infrastructure for 3 Million People

The Mubarak Pumping Station was constructed between 1998 and 2003. Egypt is 2.7 times the size of Japan, but much of its land is covered in desert, and vegetation covers only about 6% of the land area, mostly along the banks of the Nile River. The government of Egypt has planned many projects aiming to expand the vegetation cover in the country. The Mubarak Pumping Station is one of those projects. Bearing the name of the president of the country, it is literally the largest state project in Egypt.

Located along the shores of the Naser Lake, which was created by the construction of the famous Aswan Dam, this pumping station is a project in which Hitachi, Ltd. installed 21 large vertical centrifugal volute pumps with the capacity to draw 29 million cubic meters of water per day and supply it to the desert area. About 2,250 square kilometers of land are to be greened through this project, about the same as the area of Tokyo. There are plans for three million people to settle here. In short, the huge scale of this initiative is difficult to imagine.

Humble Beginnings in the Desert

The original construction plans for the pumping station were drawn up more than 30 years ago. The Hitachi Group has been supplying pumps for drainage and irrigation construction work in Egypt since those times. Generally, the pumping equipment is installed after the construction has been completed, but in this case, President Mubarak suggested that it should be an international project, with the design and construction of the pumping equipment done simultaneously with the main structure over a short period of time. For Hitachi, this was an exciting engineering challenge and opportunity to use its many years of experience.

Because of the large responsibility and risk of this project, Hitachi organized an international consortium that included respected British and Egyptian

Egyptian technicians went to Japan for training. Shown here with Hitachi workers.

companies. Hitachi was responsible for machinery and electrical systems engineering and the supply of all equipment.

There were no roads before the project began, and the camp site was a harsh environment, with temperatures above 40°C, as well as scorpions and poisonous snakes. About 20 people from the Hitachi Group stayed at the camp, but at its peak, we were living together with about 3,000 others from England and Egypt. We started our main work on the project here in 2000 and stayed until June 2004, coordinating work within the consortium on-site in Egypt, and giving guidance for the local manufacturing and installation process.

A Focus on Cost Control, Technology Transfer, and Safety

We made use of the experience Hitachi has cultivated in pump manufacturing over many years, and gave special attention to making everything compact, ensuring adequate space for operations and maintenance, and, considering Egypt's economic conditions, made a major effort to keep costs as low as possible. We were able to conduct most of the manufacturing of pump casings by cooperating with factories in Egypt, and were also able to ensure local employment and contribute to technology transfer. Until then, Hitachi had supplied many projects overseas. In this case, in order to ensure the same performance and quality as equipment manufactured in Japan, we exported about 1,000 tonnes of steel, and dispatched personnel to Egypt where they stayed for one year to offer detailed technical instructions. As a result, we were able to achieve our original objectives of ensuring quality while also helping to transfer technology to local people. What we really note about this work was the accident prevention at the work site. The work went ahead under harsh conditions that are difficult to imagine in Japan. With this as well, we used Hitachi experience and instituted thorough strategies and measures to ensure safety and health. The project had no comparison anywhere in the world, and many people doubted whether it would proceed according to plan. But we were able to make things work and complete the project in five years. That was the result of fine teamwork.

What we always felt in the land of Egypt was the respect for water. Many developing countries in Asia and Africa need water resources. and we think that the Hitachi Group could make a contribution to those countries. This project gave us a strong desire to do more.

Hitachi Group Project Team
for Construction of the Mubarak Pumping Station

CSR Activity 2

Managing the Flow of Chemical Substances Through the Entire Product Life Cycle:

Integrated Management System for Chemical Substances Contained in Products

For corporations engaged in global activities, responding to new environmental regulations is an urgent requirement—for example, the European Union's RoHS Directive,† which comes into effect in July 2006, and the WEEE Directive, which requires the separate collection and recycling of used products. Hitachi started in 1998 to take steps toward the complete elimination of the targeted substances. And now we have gone a step beyond the idea of simply complying with environmental regulations.

We think that if we create versatile and robust mechanisms, we can not only compensate the costs of a series of activities but also generate new value.

With "Environmental CSR-Compliant *Monozukuri* (PLM and Total SCM) Standards" We Can Identify Critical Points in the Entire Process Where the Environment Should Be Considered

We took a new look at the concept of manufacturing in the entire Hitachi Group, and in 2004 adopted "Environmental CSR-Compliant Monozukuri (PLM and Total SCM) Standards" (PLM for product lifecycle management, and SCM for supply chain management). We are applying this idea to the entire life cycle of products (both hardware and software) and services—by clarifying the duties and key points for the environment in each process of corporate

activities—including management, planning, design and development, procurement, manufacturing, distribution, use, recycling, and waste disposal. In the midst of all that, the system we created with a view to dealing with chemical substances was the Integrated Management System for Chemical Substances Contained in Products. In terms of chemical substances, in this system there are 13 groups of prohibited substances, including lead and cadmium, and 12 groups of controlled substances, including antimony and arsenic, etc.

Entering the necessary data into this system at each process, allows integrated data management and product traceability—it includes not only the management information on materials and ingredients used, but also integrates purchasing information of materials and parts.

Over 7,000 Suppliers, 1.5 Million Parts

Behind the creation of such a system was the diversity of business activities in the Hitachi Group. The Hitachi Group is comprised of about 1,100 companies in an extremely wide range of business sectors, from advanced materials and components, to consumer products and infrastructure systems for society. In one year Hitachi Group handles over 1.5 million types of parts, and procures parts and materials from over 7,000 suppliers worldwide. At the same time Hitachi is a supplier of products for many other companies.

This is a complex situation, and in order to have proper management of chemical substances within the Group, it was necessary to create a completely new structure, considering the flow of everything, including products and services. It is not easy to imagine the scale of this system, but once the system is in place, data gradually accumulate, and ultimately this will become the strength of Hitachi. Once the system is functioning smoothly, it will be possible to share some of this know-how with other companies.

Ongoing Input and Checking

Here we examine a concrete example in the Disk Array Systems Division, where the system has already been installed. RAID is the acronym for Redundant Arrays of Inexpensive Disks, and it is a system that uses technology to manage multiple hard disks and combine them into one unit. This is being used as a storage system to accumulate huge amounts of data, by companies and organizations that support the infrastructure of the information society, such as airlines, finance, energy, medical, and government. Hitachi storage products using this system are being used by companies around the world, including the United States and Europe.

It is a collection of hard disk drives. Because this product is customized depending on the needs of each customer, it is difficult to get an exact number, but each model will contain about 2,000 kinds of parts. At the design stage, parts that are not on the Hitachi Group's prohibited substances list will be selected and approved from a list of suppliers.

When the parts are received, we receive data about the parts from the suppliers, as well as a declaration stating that the parts contain no substances subject to controls. Then, using those parts, the section in charge of manufacturing makes a product.

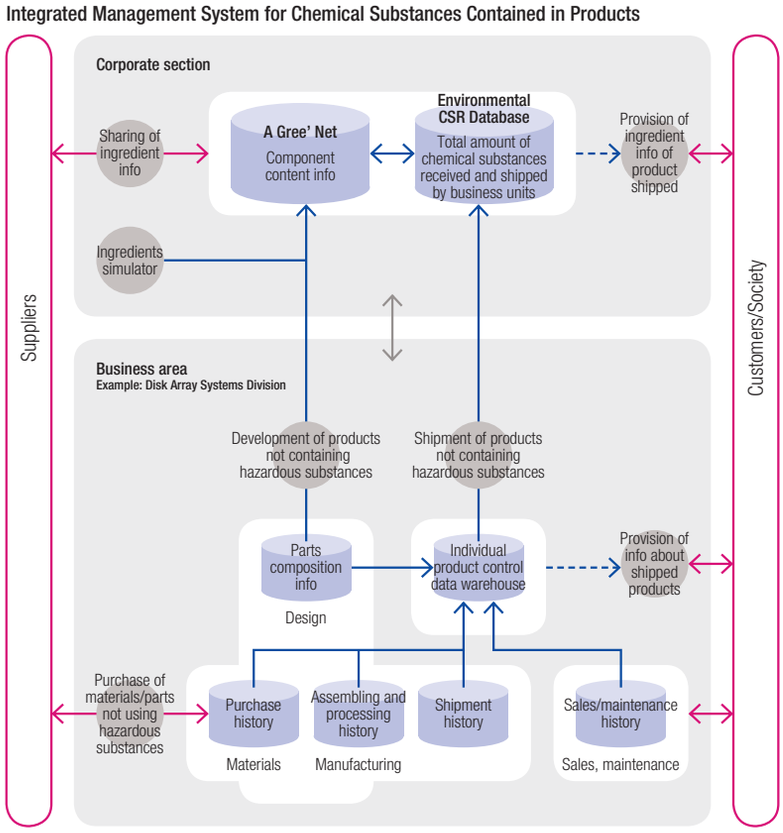
For the finished product, a unique manufacturing number and all the parts data are attached to the record, and all the data is centralized by a newly established system. Then, the chemical substance content of not only the parts but also the entire product can be calculated, and after confirming that it does not exceed the regulated limits, it can be delivered to the customer. Later, when the customer makes changes to the product, such as expansion or maintenance, on each occasion the data can be recorded and updated.

Expanding to All Group Companies by June 2006

At the Disk Array Systems Division, since April 2005 we have started a phase-in period for the new system. In June 2005 we started introducing the system to Group companies, and by June 2006, we aim to complete the process. When all companies in the Group are using the system, there will probably be 3,000 to 4,000 people per day using it on

Toshihiro Tsukishima
Production Planning Department,
Disk Array Systems Division,
Hitachi, Ltd.

Integrated Management System for Chemical Substances Contained in Products



average. If you total the inputs of each person, it will be easy to see the amount of chemical substances were used by the entire Hitachi Group. Meanwhile, if a problem arises, within 48 hours we will be able to determine the extent of impacts.

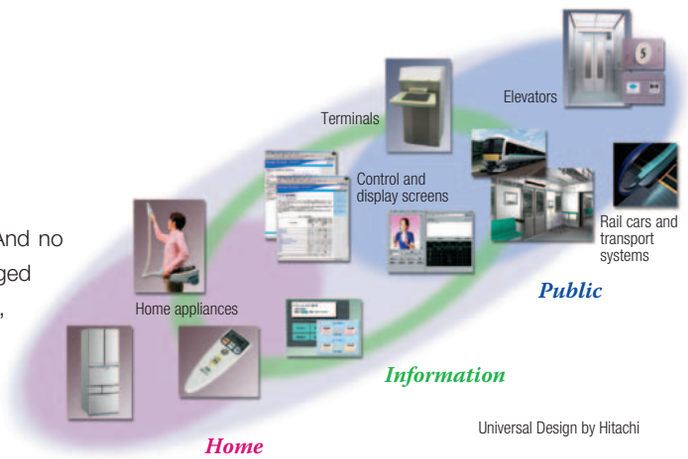
Through this system, it will be possible to verify Hitachi's activities. In that sense, We think that we have gotten closer to what society expects of us. As for the challenge to increase transparency, we will develop and sell products that do not contain hazardous substances, and these will accelerate Hitachi's environmental activities.

Environmental CSR Monozukuri Project Members, Hitachi Group

CSR Activity 3

Tackling Things from the Perspective of Social Responsibility:

Universal Design at Hitachi



Universal Design by Hitachi

"No one is 100% physically challenged. And no one is 100% healthy. Everyone is challenged in some parts of their body or their mind, and has healthy parts at the same time. Universal design is for everyone to lead affluent and comfortable lives."

Those are the words of His Imperial Highness Prince Tomohito, Patron of the International Association for Universal Design,[*1] at the time the organization was launched. Hitachi also participates in this organization. In his words we sense that we should have a fresh look at society, from the perspective that no person is perfect, and everyone feels some kind of obstacle in daily life.

*1. International Association for Universal Design is an organization of experts from industry and academia, established in November 2003. Hitachi, Ltd. is currently serving as the chair of its Board of Directors.

WEB
http://www.iaud.net/en/index.html

This is About Being Human-Centered

Even if we're not normally aware of obstacles, if we have a fresh look at modern urban living, we will notice that various obstacles are there. For example, just placing an ashtray below the call buttons in an elevator lobby will probably create an obstacle for a person in a wheelchair. For non-Japanese in Japan, indicators and instructions printed only in Japanese are a barrier. So are huge product manuals that overwhelm users with detail.

In short, Universal Design (UD)[*2] is not some special discovery or revolutionary technology, but rather a concept that we should introduce into the design of products and services—the concept that everything should be easy to use for everyone.

Actually, long before this term was born, the concept of UD was already deeply rooted in Japan. It comes out and is used everywhere in daily life in Japan, in things that change in size, move, or have flexible uses—examples include the *furoshiki* (a cloth to wrap things in), the *sensu* (a folding fan), or the *fusuma* (sliding doors). UD could also be described as a concept that makes manufacturing one of this country's strengths.

UD also happens to overlap with Hitachi's view of the world. Hitachi has always had the goal of contributing to society through technology as part of its mission—but at its core is the "human-centered" approach. We don't see UD as a new concept, but rather, as an opportunity to have a fresh look at things from the human-centered perspective and to learn something new. And we are working to deepen that approach.

*2. Universal Design: A concept proposed in the 1980s by the late Ronald Mace of the University of North Carolina. He expressed the idea of "designing products, buildings and spaces so that as many people as possible can use them."

Hitachi Group
Universal Design Guidelines

Responding to Diverse Needs

The Hitachi Group is involved with everything from the appliances around us in our homes, to information services, and basic infrastructure such as public services, in other words—society and living. It is exactly because the customer base we serve is very broad, and the social aspects of our business are major, that we would like to see UD from the perspective of social responsibility.

As concrete activities for this, we are pouring our efforts into basic research, product development, employee awareness-raising, networking and information dissemination.

In terms of basic research, we are conducting research into visibility, and are preparing guidelines on indicators of visibility. In terms of product development, from home appliances to major infrastructure

projects, we seek the cooperation of the actual users, and conduct research such as by using monitors to report their experiences, and evaluation testing. In terms of awareness-raising activities, we conduct various activities aiming to have people understand the principle of UD, such as offering employees the chance to use kits that simulate the experience of being an elderly person. We also offer education programs, and workshop for customers. We have created a database with a variety of know-how and basic data. And, as mentioned earlier, we are working with other organizations, including the International Association for Universal Design, to create networks, and to spread information.

UD is an initiative to respond to the diversity of needs. Just as it is difficult to satisfy every person, this UD is an activity that has no end. But little-by-little, we can get closer to the environment that we seek. We are hoping that through these activities to increase the number of satisfied people, some day, in Hitachi and indeed, in society, the thinking behind Universal Design will become the normal way people always do things.

Design Division, Universal Design Group

Mitsuo Kawaguchi
Board Director & General Manager,
Products Planning Division,
Hitachi Home & Life Solutions, Inc.
Chairman of the Board of Directors,
International Association
for Universal Design

CSR Activity 4

Workplaces that Thrive with Diversity:

Promoting Employment for the Physically Challenged

The legal quota for private sector companies in Japan for the employment of persons with disabilities is 1.8% of the workforce.[*3] But for regular companies, the average is actually only 1.46% (according to Ministry of Health, Labour and Welfare, June 2004). One of the major obstacles to promoting their employment is the difficulty in matching the person with the work.

In June 2003, at Hitachi, Ltd., the employment ratio of challenged persons fell to 1.66%, below the quota. Though this is due to personnel movement by corporate restructuring, including the selling-off of some business units, we could not ignore the fact. As a result of redesigning our hiring plan and speeding up the process, we soon made 63 new hires and achieved the rate in six months. However, this alone is not our goal. Considering that employment for the challenged is a topic of concern in today's Japan, we need to think what we should do to make Hitachi an attractive and easy place to work for them. About 40,000 employees work for Hitachi, Ltd., and about 340,000 for the Group companies. This means that our society may change, if Hitachi changes.

Tackling the Issues of Society

To begin with, we sought out opportunities to meet challenged persons by going for interviewing sessions organized by public employment security offices, and by getting referrals from regular and vocational schools for the challenged. Second, we dealt with the "soft" institutional or human aspects that are more difficult than the "hard" physical issues like ensuring barrier-free access to the workplace. We set up trainings to address their concerns and gave career advice to the newly-hired challenged employees. At the same time, we started trainings for their managers. Third, we carried out an internship to take the initiative and show the leadership, which successfully led to hiring a blind but talented student. This effort has just begun. But the staff in her department has been inspired by her enthusiasm and ability. "When the world changes, we want it to be Hitachi that changes." We are determined to put this challenge into practice when it comes to employment for challenged persons.

Satoshi Fujiwara, Employee Relations & Human Resources Department, Hitachi, Ltd.

*3. Law for Employment Promotion, etc. of the Disabled. Companies with at least 56 full-time workers are subject to the law. The target employment ratio for persons with disabilities is 2% for quasi-governmental organizations, and 2.1% for the national and local governments.

Satoshi Fujiwara
Employee Relations &
Human Resources Department
Hitachi, Ltd.

VOICE

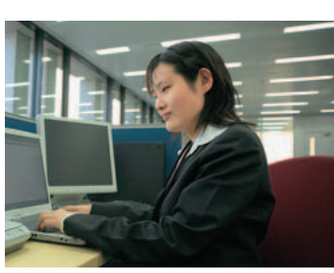
My Experience at Hitachi

Even if there are arrangements for hiring persons with disabilities, generally they are only for people with minor disabilities. I think the hurdles are higher for people with more severe disabilities like me—I'm totally blind. But Hitachi accepted me enthusiastically. To be honest, I do have some anxieties. And it's not just me. I think the people around me have some concerns too. But if we make an effort to communicate straight with each other, I think we can resolve problems that arise.

Right now, most of my work involves administrative tasks that I can do using a computer with speech recognition software installed. And the communication with others has become smoother. For example, since I can't see, when someone points and says "that over there" and "this here" it means nothing to me. So we've started confirming what we mean, when necessary.

But in any company, at some point you have to deal with a lot of paper, and that's difficult for me. Converting things to Braille involves costs, so I would like to take the initiative and think about ways to overcome this problem.

My objective is to make use of the fact that I have a disability and offer some ideas for product development or for society. I want to do my best.



Aya Onoyama
Employee Relations &
Human Resources Department
Hitachi, Ltd.

CSR Activity 5

From Small-Town Factory —A Wish for a Peaceful World:

A Story of the Development of Demining Equipment

Kiyoshi Amemiya with children in Afghanistan

The first time I saw the horrors of antipersonnel landmines was on a business trip to Cambodia in 1994. We are told that there are 110 million buried landmines worldwide today, and there are another 250 million landmines in inventories. This is like a devil's weapon that can be purchased for only about three dollars, and they are increasing in number by about 20 landmines every day.

In Africa one person is injured by a landmine every twenty minutes. In Afghanistan, four children under the age of sixteen die every day, and four are injured. In Angola, landmines are buried in an area covering 420,000 square kilometers, larger than the land area of Japan. The reasons for so many children among the victims are that, first of all, children are closer to the ground and more likely to be injured in a blast, and second, they try to pick them up, attracted by their colorful appearance and shapes, mistaking them for toys.

And kids can't read the letters spelling "danger." Children lose arms and legs during their growing years, and then they are wracked by unimaginable pain. Artificial limbs can cost $3,000 each.

1,000 Years by Hand, 50 Years by Machine

Landmines can be lethal for more than 50 years. Removing them by hand means risking your life. Not only that, it would take a thousand years to remove them all. I heard these facts on my flight back from Cambodia, and simply could not hold back my anger. Then I had an idea—to modify the excavators[*1] that my company handles, and turn them into machines to remove and destroy anti-personnel landmines. I made a promise to myself to work on this idea, and as soon as I returned to Japan I created a project within the company. But what can a company with only 60 employees accomplish? And this work involved danger. "Even for a small-town factory there's a way to contribute something to the world. Please help me battle the world's landmines," I said. And my employees and their families responded positively.

Required was the strength that can withstand a blast at 1000°C. So was the durability to handle rocks and bedrock. After a difficult process, we completed a pilot machine four years later. At the head of an excavator, we had attached a rotating high-speed cutter. It took another two years, but we finally completed the world's first landmine removal machine that could be controlled remotely.

Safe and effective, these machines have the potential to get rid of all of the buried landmines within fifty years. To date, through the Japanese government, we have supplied 50 machines to the United Nations, non-governmental organizations, and governments in a total of five countries. In 2004, they succeeded in removing more than 4,000 landmines in Afghanistan, and 8,000 in Nicaragua.

Creating Self-Sufficiency

Without removing landmines, you cannot invest in farming and building schools. The world may be interested in the countries like Angola, rich in mineral resources, but landmines are an obstacle to their future. One thing that we gave special consideration in our design was to support the self-sufficiency of local people. We help by providing technology transfers for machinery operation and maintenance, and the machine itself is designed to be versatile. By changing the attachments, the people can use this machine for more regular work. For example, in a Nicaraguan village, an area where the landmines had been cleared away was cultivated and restored as an orchard. Today, the village ships 600,000 cases of oranges every year.

We worked very hard for ten years to make a contribution to the world, but at last I feel like this effort is getting some attention. In the future, I think that the potential of this equipment will grow globally.

Kiyoshi Amemiya, President,
Yamanashi Hitachi Construction Machinery Co., Ltd.

*1. Excavator by Hitachi Construction Machinery Co., Ltd. (Yamanashi Hitachi Construction Machinery Co., Ltd. became an exclusive dealer and authorized factory of Hitachi Construction Machinery Co., in 1980.)

Landmine removal test, Afghanistan

next society

Creating the Future with Our Stakeholders

Customers, Society and Hitachi

The Hitachi Group believes it is essential to conduct all of our corporate activities based on an understanding of the perspectives of our customers. We make an effort to find out what our customers desire from us. Then, to help realize a comfortable and secure society, we employ all the know-how of the Hitachi Group to develop new possibilities. We not only contribute to society through our business operations, but, based on recognition that corporate citizenship is also an important part of our activities, the Hitachi group as a whole also pursues activities such as promoting involvement in local communities and assisting with disaster relief.

Contributing to Society through the Combined Energies and Technological Innovations of the Hitachi Group

In keeping with the founding spirit of Hitachi, Ltd., the ongoing mission of the Hitachi Group is to "contribute to the creation of a comfortable and secure society." This is what drives us to create new value for our customers worldwide. Put another way, Hitachi has grown and developed due to our commitment to understand the relationship between our customers and society.

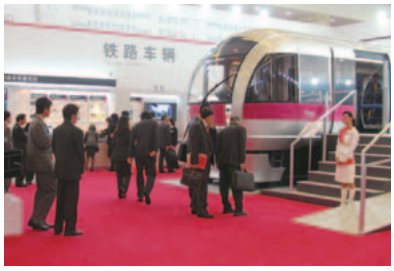
By creating products that exceed our customers' expectations, we are able to respond to the trust that customers place in us. The Hitachi Group's value derives from providing satisfaction and well-being to society through our diverse corporate activities.

The world continues to experience dynamic changes. To respond to the pace of today's changes, we must try harder than ever before. Therefore, the Hitachi Group—while respecting the individuality of each Group company—works to strengthen interlinkages between each company, to make the most of our combined strengths. Our aim is to be a company—with a pioneering spirit, and advanced and wide-reaching technological capabilities and ideas—that creates the right solutions, in other words, products and services that are unique and that bring satisfaction to our customers. For the Hitachi Group, the essence of our corporate social responsibility is to continue providing those solutions.

Leading-edge research and development by the Hitachi Group covers a wide range of fields, including electronics, nanotechnology and biotechnology—always with a view toward the prosperity of future generations. We are expanding that research as businesses that provide solutions to support essential functions of the new era—such as gene diagnosis, through which DNA analysis technologies are expected to play a major role in the medical field in the twenty-first century, and biomedical businesses. Or key devices such as IC cards and radio IC tags that can be used to confirm individual identities, bringing safety, peace of mind and convenience. And networked systems that tie these technologies together. We believe there are many solutions we can provide that can help solve various challenges in society, and contribute to the happiness of people throughout the world.

*1. The "μ-chip," a 0.4-square-millimeter integrated circuit chip, one of the world's smallest contactless IC chips. The chip was recently used in the admissions tickets to the 2005 World Exposition, Aichi, Japan.

"Hitachi Exhibition–China 2004," a showcase highlighting the combined strengths of the Hitachi Group, was held in October and November 2004 in the three Chinese cities of Beijing, Shanghai and Guangzhou.



Customer Satisfaction —Reflecting Customer Views in Our Operations

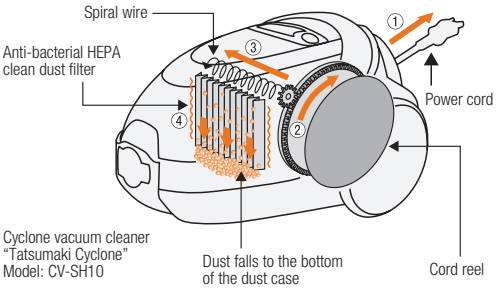
What Hitachi values most is to take action based on an understanding of the views of our customers. In all our products, however small or large—from the 0.4-square-millimeter "μ-chip"[*1] to nuclear power generation equipment—Hitachi is always considering how to create unlimited value, satisfying our customers, and even our customers' customers. Without such a frame of mind, we cannot create valuable solutions.

We also strive to incorporate the views of customers into our operations. Within each area of operations of the Hitachi Group, we maintain "call centers" which respond to inquiries and requests from customers and address urgent requests. The views provided by customers are reviewed by committees composed of the management, including the president, and are reflected in product development as well as ongoing improvements made to our products and services.

The expectations and critiques of our customers provide us with valuable input. For example, the customer consultation "call center" of Hitachi Home & Life Solutions, Inc., which handles home

appliances, receives some 400,000 telephone calls each year. One of these calls was from a user of our cyclone vacuum cleaner, who pointed out that the lamp indicating a blocked dust filter seemed to light up prematurely. This issue was swiftly addressed at a meeting, and improvements to the product were undertaken. We were able to improve the product, so that filter cleaning became easier, while still maintaining the powerful dust collection ability of the unit.

Technology to reduce filter blockage



When the power cord ① is used, the cord reel ② and the spiral wire ③ both turn, which vibrates the anti-bacterial HEPA clean dust filter ④, automatically making the dust fall. Since this continually reduces the amount of dust on the filter, the filter blockage lamp will light up properly.

Enhancing Creativity

In developing products, feedback from customers provides a valuable source of creative ideas. When it comes to product development, it sometimes seems that dramatic advances happen once every ten years, but even these advances are the result of an accumulation of ideas in response to day-to-day feedback from customers.

For home appliances, in particular, it is essential to accurately grasp the needs of customers, due to a wide variety of customers' needs.

Hitachi's "Beat Wash" washer-dryer, launched in 2004, incorporates three new technologies, each developed as a result of feedback from customers. Customers wanted a washer dryer that washed clothes cleaner, yet used water more economically compared to previous models. They also wanted clothes to dry more quickly, and with fewer wrinkles. To meet all these demands would not have been possible with existing drum-style washers. We needed to develop technologies based on completely new ideas. Thus, Hitachi developed three new technologies: the "Beat Wing" pulsator, a water-circulating pump, and a new drive mechanism that provides high torque. The result was a leap in innovation.

We also worked to create a design that makes the unit easier to operate, easier to remove dried clothes, and easier for users to see everywhere inside the unit. Our desire to please our customers spurred us to develop our own innovative technologies.

Quality Assurance Quality First

Hitachi, Ltd. began with the development of Japan's first five-horsepower induction motor. Through manufacturing a long-lived product that supported heavy industry, we learned that reliability is the most important thing in making products—and we learned just how important it is to uphold the quality of our products. Ever since then, we have believed wholeheartedly that the key to making fine products is reliability; quality assurance has thus become our never-ending goal. As our business has diversified—so that our operations now extend around the globe—we have become even more conscious of this fact, making the pursuit of quality central to all our corporate activities.

"Quality First" is a basic principle of the Hitachi Group. The quality of our products is assured from the planning and design stage, and our manufacturing and inspection processes eliminate potential defects. We believe that good products result from good work processes, and so our comprehensive quality assurance system is reflected in the standards, processes, and quality assurance reviews we conduct at every stage of our operations, including product planning and design, manufacture, inspection and shipping. The quality assurance activities of the entire Hitachi Group are benefited through the mutual sharing of best practices and the process improvement studies we conduct.

The Hitachi washer-dryer "Beat Wash"
Model: BW-DV8E
Bright Silver (S)

The shallow-tank and easy-unloading design allow users to remove clothes easily.

Quality Assurance Activities within the Hitachi Group

The Hitachi Group implements a wide variety of concrete activities to assure the quality of our products. Here we introduce some of the Group's quality assurance activities.

Product Safety Activities

The Hitachi Group undertakes activities designed to prevent any accidents related to the safety of our products, and to ensure that we provide high quality products that can be used safely by our customers. We make special efforts not only to prevent the types of accidents addressed under product liability laws, but also to ensure the safety of all products with any possibility of being linked to product liability accidents; our goal is to have no such accidents. We also work to continually raise quality levels across the Hitachi Group by conducting regular intra-company safety inspections.

Quality Reliability Committee

We have set up cross-cutting working groups based on different themes, which work to improve quality and reliability. Through regular meetings, lectures, and other activities, these groups share information on the latest technologies and address issues of common concern.

The QF (Quality First) Intensive Management System

We promote quality improvement by presenting awards once a year to those production facilities demonstrating exemplary improvements in quality, and by conducting special quality improvement drives for those facilities having potential product liability related concerns.

OCHIBO HIROI ("Quality Gleaning Activities")

When accidents happen, it is important to take action from the perspective of customers, giving the highest priority to the customers' benefit. We call this attitude—in which we study all incidents and work to ensure that they do not recur—"quality gleaning." This helps us to prevent accidents.

We believe that an attitude of continually gleaning lessons from any incidents that have happened will help lead to customer satisfaction, and information on any accidents is always shared and reported to all relevant authorities. In addition, technical causes of accidents, including any intentional or unintentional causes, are thoroughly examined to derive strategies to ensure that incidents do not recur. Any lessons relevant to similar products or business processes are captured and applied in order to ensure that no similar incidents occur.

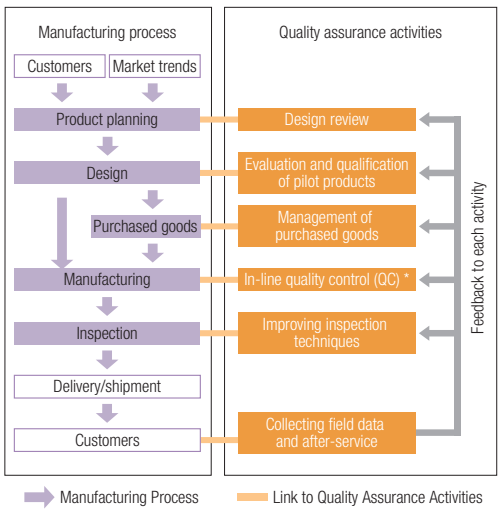
Reliability Education Program and Activities to Raise Ethical Awareness among Engineers

To spread our basic philosophy on quality and ensure that each employee fully appreciates the "Quality First" attitude, we conduct systematic company-wide training programs to enhance reliability, tailored to the experiences and technical capacities of the participants. In 2004, about 250 employees of the Hitachi Group participated in these trainings.

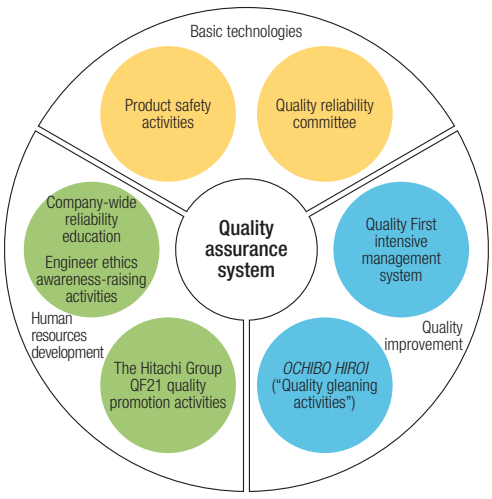
Moreover, as a corporation that contributes to society through technology, we work to promote ethical awareness and conduct among our engineers. In addition to conducting trainings for all of our engineers with presentations by visiting experts, and "e-learning" (see p. 33), we appoint ethics officers at each of our divisions, to promote related activities. We also conduct management training to develop the skills of those who are leaders in ethical awareness of engineers; about 100 employees from throughout the Hitachi Group participated in this training in 2004.

PAGE
"e-learning"
(See p. 33)

Quality Assurance Activities System

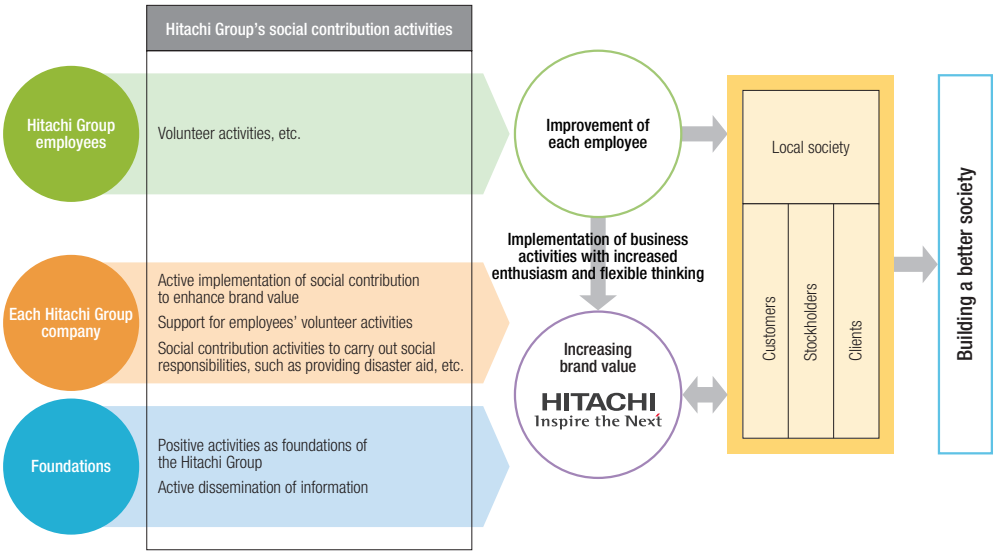


Key Quality Activities



* Reviews and inspections are conducted at each stage of the product life cycle†, including product development and trials, in order to identify and prevent any potential defects.

Approach to Social Contribution Activities



The Hitachi Group QF21 Quality Promotion Activities (Quality Improvement Drives)

In order to dramatically increase quality assurance levels over the three-year period 2003–2005, the Hitachi Group has been conducting a special campaign under the slogan "providing the customer with maximum quality products and services." Through this activity, the Hitachi Group has instilled a consciousness that quality is the highest priority, and has created an atmosphere in which employees do not hide mistakes or problems, but instead feel secure in reporting concerns voluntarily; in these ways, we are working to quantitatively assess and improve our quality performance in ways tailored to each of our Group companies.

Social Contribution Activities: Enhancing Hitachi's Potential

In 2002, the Hitachi Group adopted a new approach to social contribution activities. The Hitachi Group has adopted a shared Philosophy and Policy for the entire Group. Each Group company is now reviewing its own activities to find ways to bring them closer to the shared Philosophy and Policy, while making the most of the activities that they have done independently to date, while also considering the nature of their respective industries and types of business, as well as local community characteristics. Through such efforts, Hitachi is promoting consistency in its global social contribution activities aimed at building a better society.

The reason we are putting our energy into social contribution activities, despite today's tougher business environment, is not only that we see it as an obligation to serve the society that supports us, but also that we believe that such activities help Hitachi to grow and stimulate our latent potential.

Hitachi coexists with society, and the Hitachi Group is becoming more global. In this context, in order to share a common sense of values with diverse countries, regions and people, it is important that we be proactive in addressing the issues and expectations of society, while engaging in dialogue. We believe that continued efforts along these lines will help build the trust of all our stakeholders.

It is also important for our employees to take part in volunteer activities. A corporation is made up of individuals, and volunteer activities help to make the most of each individual's abilities, linking them to the needs of society, while providing them with opportunities for personal growth. Indeed, the power behind Hitachi comes from the development of the individuals within it, through each member of our companies gaining valuable experience that helps them to develop flexible thinking, be motivated, and gain skills that can help build a better future. We feel there could be nothing better if the growth of our company and its employees could together contribute to a better society.

When Hitachi Group employees participate as individuals in volunteer activities, they share their experiences with their coworkers and family members. This approach may not appear to be dramatic, but this is how we would like to expand volunteer activities by individuals, as well as our contribution to society.

Social Contribution Philosophy and Policy

Philosophy

The Hitachi Group strives to demonstrate its corporate citizenship in response to social needs and expectations, while endeavoring to enrich the quality of life and realize a better society.

Policy

The Hitachi Group promotes various social contribution activities to build a vibrant society based on fostering leadership to implement reformation for the next era. This is achieved by making optimal use of our knowledge and information technology in three specific areas, namely, education, the environment, and social welfare.

Support for Volunteer Activities

For each of our employees to develop their abilities—not just as employees but also as members of society—it is very important to have direct contact with the community through volunteer activities, and to learn and grow as a result. Hitachi, Ltd. therefore strives to create a workplace that gives employees the freedom to participate in volunteer activities of interest to them when they want to.

First, in order to promote an appreciation of social contribution activities among our employees, we actively promote educational and informational activities, as well as a variety of training programs. We provide support for volunteer activities in three key ways: information, time, and funding.

Information: Holding Seminars and Lectures

The Hitachi Group actively calls on its employees to participate in volunteer activities through the company intranet and e-mail. Because we have received requests from employees wanting specific information that can help them to identify volunteering opportunities, we also host the "Hitachi Volunteer Seminars." These seminars are designed specifically to make it easy for employees to participate, in groups that are small enough to allow for dialogue with the presenters; sessions are also designed to provide concrete linkages to actual volunteer opportunities. These seminars are presented in cooperation with the Tokyo Voluntary Action Center.

Our "Corporate Citizenship Evening Seminars" are also held several times in the latter part of each fiscal year. These are held in a style in which allows participants to learn from the instructors and also to actively reflect on their own experiences.

The reflections of participants in these seminars and lectures are shared through the company intranet, including insights into how individuals can make use of their unique skills through their volunteering activities, as well as the importance of understanding the needs of society in order to undertake meaningful volunteering. This provides employees throughout the Hitachi Group with opportunities to feel that volunteer activities are within their reach. This also allows employees to share their thoughts and to create a growing community of active volunteers.

Time: Annual Leave System

In order to actively support volunteering, and social contribution and self-enrichment activities by employees, Hitachi, Ltd. in 1993 introduced a "special paid annual leave system." There is also a "cumulative paid annual leave system" that allows employees to take time off to participate in volunteer activities, even after they have used up their normal annual leave time, by carrying over four days of unused leave time which they would otherwise forgo each year (for a total of 20 days maximum).

Funding

Hitachi's volunteer support program is a program to provide funding to activities that Hitachi Group employees participate in as volunteers. It provides financial support to nonprofit organizations that employee volunteers actively help run or provide funding to. An in-house screening committee reviews proposals submitted by employees who are actively involved in organizations as volunteers, making several grants twice a year, of up to 300,000 yen per proposal.

To Expand Our Activities, We Publicize Our Database of Social Contribution Activities

The social contribution activities of the Hitachi Group include not only the activities of each Group company, but also the ongoing activities of the six foundations of the Hitachi Group. Taken together, these efforts cover a diverse range of activities—activities for which Hitachi employees can be very proud. We feel it is important to share information on these activities and raise interest in them, not only among employees, but also among our diverse stakeholders; we therefore make available to

VOICE

Utilizing the Hitachi Volunteer Support Program

I participate in a locally based nonprofit organization (NPO) that helps children enjoy nature. Through this activity, I feel like I have discovered a new part of myself—someone who is not just a business person, but also a member of the community; it makes me feel like my life is two or three times richer than before. I just want to make sure that I can continue on with this activity and not burn out from being too active! Raising funds is a key concern, especially for small-scale NPOs like ours, which depend on membership fees. Insurance costs, postage, and other operating expenses can add up and can prevent projects from getting off the ground. Through funding from this support program, our group has prospects for funding for the next three years. This has been a big help as we develop concrete mid-term activity plans.

Children's environmental education using Japanese traditional-style stories told in pictures.
Hitachi-Omron Terminal Solutions, Corp.
Takao Nakatsuka

WEB
The six foundations of the Hitachi Group
http://www.hitachi.com/Int-e/skk/hsk10000.html

WEB
Hitachi Group Social Contribution Database
http://www.hitachi.co.jp/Int/skk/ (Japanese)
http://www.hitachi.com/Int-e/skk/ (English)

the public the "Hitachi Group Social Contribution Database" on the Internet, providing details of 93 different activities as of April 15, 2005.
This database provides details on the timing, field of activity, activity description and other related information on the domestic and international activities of Hitachi Group companies and foundations. It is also used as a tool for information sharing within the Hitachi Group, further contributing to the development of new and vibrant activities.
In addition, we publish a biannual newsletter, "The Caring Tree," in order to inform people both within and outside the Hitachi Group of the group's social contribution activities.

"The Caring Tree"
http: //www.hitachicontribution.com/

The Six Foundations of the Hitachi Group

Hitachi created its first foundation in 1967. To date, we have established a total of six foundations both inside and outside Japan, each actively contributing to society.

The Hitachi Mirai Foundation (established 1967)
Supports activities for the prevention of juvenile delinquency and crime, the wholesome development of youth, and reform education and welfare activities in correctional institutions.

The Kurata Memorial Hitachi Science and Technology Foundation (established 1967)
Conducts projects to advance science and technology, and provides funding for research activities.

The Odaira Memorial Hitachi Education Foundation (established 1971)
Conducts projects to promote household and school training programs, and recognizes distinguished service to society.

The Hitachi Environment Foundation (established 1972)
Conducts projects for research on environmental issues, and to promote and publicize environmental conservation activities.

The Hitachi Scholarship Foundation (established 1984)
Provides scholarships to university teachers from six Southeast Asian countries to study at graduate schools in Japan, invites visiting researchers in the humanities and natural and social sciences, and funds academic exchanges for graduates.

The Hitachi Foundation (United States, established 1985)
Supports education activities and the development of communities in the United States. The foundation's five-year plan, starting in 2004, focuses on improving the lives of economically and socially isolated people.

TOPICS

Providing Opportunities for Involvement Hitachi Volunteer Seminars

The Hitachi Volunteer Seminars in 2004 focused on topics such as "preventing and responding to child accidents" and "agriculture volunteering." The program on child accidents featured a speaker from the Japanese Red Cross Society, who explained topics such as first aid for infants. The agricultural volunteering session engaged representatives of NPOs and others working to preserve traditional terraced rice fields, which have recently become the focus of preservation efforts; participants not only heard about the status of these rice fields, but also joined farming activities in communities where labor shortages have made it difficult to maintain them. Some 131 people participated in the total of four seminars that were held. The "Corporate Citizenship Evening Seminars" addressed topics on education and the environment. In a session on the state of education in Japan and the role of corporate support, participants not only listened to a lecture, but also held group discussions concerning what each person can do. Eighty eight people participated in the three lecture sessions held in 2004.

The Hitachi Volunteer Seminar volunteering for agriculture


The Hitachi International School Teachers Exchange Program (HISTEP)
Left: A teacher from the United Kingdom teaches at a junior high school in Hitachi City.
Right: A Japanese teacher in a middle school in Bolton, U.K.

Examples of Our activities —Efforts in the Field of Education

The Hitachi Group has designated the areas of education, environment and social welfare as key areas for its social contribution efforts. In the education field, in particular, we conduct activities that make use of the technical and research skills, facilities and equipment within the Hitachi Group, as well as the international experience of our staff as part of a global corporation. Here, we introduce some examples of these activities.

The Hitachi International School Teachers Exchange Program (HISTEP)

This program promotes mutual understanding and international exchange among North American, European and Japanese people. The North American and European HISTEP teachers visit high schools and junior high schools in Japan, where they have various discussions with local teachers, and where they also teach local students by themselves. Meanwhile, Japanese HISTEP teachers visit either America or Europe. Since 1987, 199 Japanese, American and European teachers have participated. In 2004, there were sixteen participants. On the final day of the program, a public forum was held with teachers from seven countries acting as panelists to discuss "developing school children's ability to think by themselves."

EU Hitachi Science and Technology Forum

This annual forum, which has been held since 1998, explores how science and technology can contribute to European society. In May 2004, the forum was held in Stockholm, Sweden. A total of 107 people, including the media and experts from institutions such as the Swedish Agency for Innovation Systems, the University College London, and the French Ministry for Infrastructure, Transport and Housing, Tourism and the Sea, discussed "Transportation and IT, Impact on European Society." The discussions of the three-day forum were summarized in a report which was distributed among the European Commission, the European Parliament, and others.

Hitachi Young Leaders Initiative

This is a program initiated in 1996 to identify and nurture Asian leaders of tomorrow, build a network among them, and promote understanding of regional issues. Under this five-day program, 24 top university students from six Asian nations (Indonesia, Japan, Malaysia, the Philippines, Singapore and Thailand) participate in a forum, student workshops and community work activities. So far, there have been 144 participants.

The young leaders utilize their experience on the program to contribute in various fields. Paulo Benigno Aquino, a participant from the Philippines in 1999, has since developed activities to assist abused children and projects for environmental conservation. He was later involved in human resources development for a youth organization under the Philippine President's Office. Since 2003, he has served as chairman of the organization, having been appointed by President Arroyo.

Regional Activities Supported by the Hitachi Foundation —Reading Programs for Elementary School Students

The Hitachi Foundation, based in Washington, D.C., has been engaged in corporate citizenship activities for the twenty years since its founding—and the importance of its activities has steadily increased. It has been involved in three main programs—funding business-community partnership programs to improve the livelihoods of socially and economically isolated people in the United States; presenting Yoshiyama Award for Exemplary Service to the Community to recognize high school students demonstrating exemplary leadership in their communities (established through a donation from Hitachi, Ltd. Chairman Emeritus Hirokichi Yoshiyama); and supporting matching grant programs that make donations through local committees in each of the communities where the Hitachi Group operates in

EU Hitachi Science and Technology Forum. A keynote speech by a professor of University College London addressing how information technologies can solve various transportation-related problems

Mr. Aquino asking a question at the Hitachi Young Leaders Initiative forum

Award ceremony for the Hitachi Foundation's Yoshiyama Award for Exemplary Service to the Community (United States)

Children participating in reading events supported by Hitachi America, Ltd. and the Hitachi Foundation (United States)

North America. One example of activities promoted in cooperation with Hitachi Group companies is an annual book-reading event for first graders in Tarrytown, New York. Hitachi America, Ltd. has been holding this reading event every year since 2000. It was held every month from October 2003 through May 2004 at Tarrytown's John Paulding Elementary School. At each session, children listened intensively to stories about cultural diversity, tolerance and friendship.

Education Support Program

This program was launched in 2004 in order to contribute to society using the knowledge and skills of the Hitachi Group. Utilizing Hitachi's strengths to address the themes of "universal design" and "IT education," 50 employees of the Hitachi Group registered as volunteers to conduct activities such as teaching classes at elementary schools and serving as teaching assistants.

Thirty Years of Accomplishment by the Hitachi Family Education Center

Due to major social and cultural changes, the ability of households to fulfill their important roles in educating youth has diminished, sometimes resulting in stresses on parents, child abuse, and undercutting the sound development of children. Early on, the Odaira Memorial Hitachi Education Foundation turned its attention to these problems, establishing the Hitachi Family Education Center (in Hitachi City) and the Hitachi Family Education Research Institute (in Yokohama). The Hitachi Family Education Center, which marked its thirtieth anniversary in 2004, holds special classes, benefiting both children and parents, that explore what children need in order to develop sound character. Some 4,500 parent-child pairs have participated in these sessions over 30 years. The center reflected on its role and accomplishments, as well as future directions, in a commemorative publication distributed to various community centers supporting child development, as well as a wide variety of educational facilities.

Disaster Response Activities in FY2004

2004 was a year which saw many major natural disasters. As the Hitachi Group is a corporation involved in the development and improvement of social infrastructure, when disasters strike, employees respond to keep essential services running in the various fields of their expertise, including electricity, manufacturing equipment, information systems, household appliances, and others. Hitachi is proud of its ethos of responding voluntarily at such times, in keeping with an awareness of our responsibility to society. In October 2004, when the Niigata-Chuetsu Earthquake struck an area where 5,500 Hitachi elevators and escalators were in operation, we immediately investigated the extent of related damage and worked quickly to get 10 damaged units repaired by the next day. To help the affected community, Hitachi collected monetary donations and relief goods, as well as household appliances for disaster victims and personal computers to help with recordkeeping at disaster response volunteer centers. Volunteers from the Hitachi Symphony Orchestra also provided well-needed emotional relief, performing orchestral works in the affected community.

Left: Performance at an elementary school by the Hitachi Symphony Orchestra (Kawaguchi-machi Niigata Prefecture, Japan)
Right: Relief activities conducted by the Hitachi Construction Machinery Group after the Indian Ocean Earthquake and Tsunami

Hitachi Group companies from throughout the world responded to the devastating earthquake and tsunami that affected countries around the Indian Ocean in December 2004 by providing contributions, while Hitachi Group companies operating in affected countries worked together to provide relief to those affected. In Indonesia, Hitachi Construction Machinery Group donated construction equipment and sent staff to operate them, conducting relief operations in affected areas.

WEB

The Hitachi Group
Summary of Responses to the Indian Ocean Earthquake and Tsunami
http://www.hitachi.com/information/support_1229/

Efforts for Shareholders and Investors

In order to meet the expectations of our shareholders and investors, Hitachi, Ltd. and the Hitachi Group work to realize enhanced group synergies and to increase our collective strengths. We believe that corporate social responsibility is at the very heart of these efforts. We also work to pursue cutting-edge research to develop our core business activities for the future, as well as research to increase the productivity and speed of innovation of the entire Hitachi Group.

Strengthening Hitachi Group Governance in Achieving Global Management

In order to enhance the management responsiveness and business transparency, Hitachi, Ltd. and 18 Hitachi Group companies were moved to the Committee System (see p. 8) in June 2003.

In addition, we are reevaluating our corporate structure in order to ensure that our business is efficiently operated and in compliance with legal requirements, and are creating more transparent business operations in a global business environment. We are reorganizing and strengthening Hitachi Group governance from the Hitachi Group management point of view.

As one of the U.S. SEC (Securities and Exchange Commission) registered companies subject to the Sarbanes-Oxley Act,[*1] Hitachi, Ltd. has been reviewing and reorganizing the entire Hitachi Group internal control based on the COSO Framework[*2] since FY 2004.

As of the end of March 2005, approximately 230 Hitachi Group companies, including Hitachi, Ltd., had completed most documentation of internal control, and will be further developing their internal control operation structure and focusing on training and educating our management executives and employees.

Growth of the Hitachi Group through Corporate Social Responsibility

The Hitachi Group is undergoing a variety of reforms to prepare for the roles it will be called upon to fulfill over the coming century. Corporate social responsibility is at the heart of these efforts.

First of all, the three-year period from 2003 through 2005 has been designated as a time to improve the quality of our corporate management, with major changes occurring within our operations in order to ensure profitability to our Future Inspiration Value (FIV),[*3] as well as a restructuring of our business portfolio through selectivity and consolidation of focus. We are also working to develop new operations that will support Hitachi in the future and contribute to society.

Investor Relations: Accurate Information Delivered—in a Timely Manner

The operations of Hitachi Group cover a wide range of activities, from information management systems and social infrastructure, to consumer products, high-function materials and components and financial services. We believe nothing is more important than to provide fair, unbiased and accurate information about the current state of our management and future prospects to our shareholders and investors, in a timely manner.

Hitachi, Ltd. and the publicly traded companies of the Hitachi Group make information available to the public, including detailed financial information, through annual reports and financial statements. We also provide regular business strategy briefings and informational meetings on our research and development activities to institutional investors inside and outside of Japan. Briefings we hold for institutional investors and analysts the day we issue our financial performance results are made available on our Web site the following day.
In addition, starting in fiscal 2004, we began issuing a "Research and Development and Intellectual Property Report" that provides details concerning our research and development activities, as well as information on our intellectual property, including our patents and brands. This report is made available in order for our stakeholders to appreciate the importance the Hitachi Group places on research and intellectual property matters. These efforts are intended to allow for a more accurate understanding of our management structure, especially given the changes occurring within the business environment affecting operations.

PAGE
The Committee System
(See p. 8)

WEB
Hitachi, Ltd.
Information for shareholders and investors
http://www.hitachi.com/IR-e/index.html

WEB
"Research and Development and Intellectual Property Report"
http://www.hitachi.co.jp/about/strategy/ip/
(Only in Japanese)

*1. The Sarbanes-Oxley Act was enacted in July 2002. Section 404 of this Act makes corporate management responsible for establishing and maintaining internal control over financial reporting; it also requires audits by external auditors. Implementation and compliance are required by the entire Hitachi Group in order to ensure reliability of consolidated financial reporting by the Group.

*2. COSO Framework is the framework advocated by the Committee of Sponsoring Organizations of the Treadway Commission in the United States, and is the internal control system currently used by most American corporations.

*3. Future Inspiration Value (FIV) is an indicator of added value developed by Hitachi; it is based on the economic added value of after-tax profits minus the cost of capital. For this indicator to be positive, it is necessary for profits to exceed the cost of capital.

Left: Briefing for institutional investors and analysts on information technology and communication strategies.
Right: Informational session held for institutional investors and analysts upon reporting financial results.

General Meetings of Shareholders

In order for our shareholders to better understand our operations, Hitachi, Ltd. provides various visual reports at our Ordinary General Meetings of Shareholders. Hitachi's President makes a presentation regarding management issues, the contents of which are made available afterwards for an appropriate period on our Web site. In addition, starting with the General Meetings of Shareholders of June 2002, shareholders can exercise their voting rights via the Internet.

External Evaluations in FY2004 by Socially Responsible Investors and Others

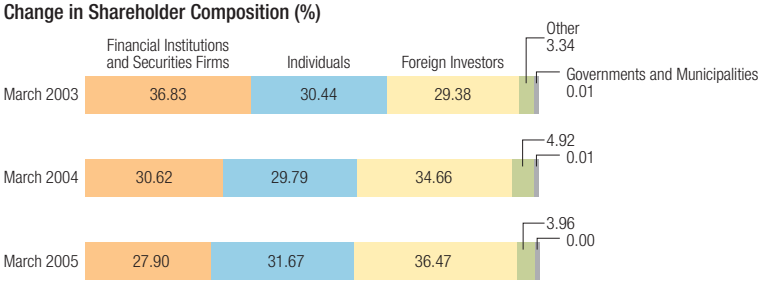
An increasing number of investment funds are adopting socially responsible investment (SRI) approaches, in which they evaluate companies based on corporate social responsibility (CSR) criteria. For five years in a row, Hitachi, Ltd. has been selected for inclusion in the Dow Jones Sustainability Index[*4] by SAM Group. Six Hitachi Group companies have been selected for inclusion in the FTSE4Good Global Index[*5] by the Ethical Investment Research Service (EIRIS). Six Hitachi Group companies have also been included among the 150 socially responsible corporations of the Morningstar SRI Index, receiving "A" rankings with respect to their independent indicators for governance efforts, social contribution activities, and environment. A report by the Japan Research Institute, Ltd., "Annual survey on CSR of Japanese listed companies," praised the environmental and social contribution efforts of Hitachi, Ltd. and seven other Hitachi Group companies, recognizing them as "the companies with advanced measures on CSR."

The Hitachi Group sees the criteria used by these rating institutions as objective indicators of what society expects of corporations, so it will continue to seek out the intent behind those criteria. We will also make use of these criteria for our own self-assessments, to help us to improve the performance of the Hitachi Group as a whole.

*4. The Dow Jones Sustainability Index (DJSI), developed by the Dow Jones Corporation (U.S.) and SAM Group (Switzerland), is a stock index that evaluates companies based on economic, environmental and social performance.

*5. The FTSE4Good Global Index is an index developed by FTSE Group (U.K) which screens certain industry types and evaluates corporations based on their environmental, social and human rights performance.

Change in Shareholder Composition (%)



Details of Key External Evaluations in 2004

Research Institution	SAM	EIRIS	Public Resource Center	Japan Research Institute, Ltd.
Evaluation Index	DJSI	FTSE4Good Global Index	Morningstar SRI Index	"Annual Survey on CSR of Japanese Listed Companies"
Evaluation Result	Selected as a recommended company	Selected as a recommended company	Selected as one of the SRI components	Selected as "companies with advanced measures on CSR"
Companies Selected	Hitachi, Ltd.	Hitachi Metals, Ltd. Hitachi Maxell, Ltd. Hitachi High-Technologies Corporation Hitachi Chemical Co., Ltd. Hitachi Capital Corporation Hitachi Software Engineering Co., Ltd.	Hitachi, Ltd. Hitachi Metals Ltd. Hitachi Construction Machinery Co., Ltd. Hitachi Maxell, Ltd. Hitachi High-Technologies Corporation Hitachi Transport System, Ltd.	Hitachi, Ltd. Hitachi Metals, Ltd. Hitachi Chemical Co., Ltd. Hitachi Capital Corporation Hitachi Construction Machinery Co., Ltd. Hitachi High-Technologies Corporation Hitachi Information Systems, Ltd. Hitachi Maxell, Ltd.

Working with Our Suppliers

The Hitachi Group procures a wide variety of materials, parts and services from companies around the world. In all these transactions, we strive to build relationships as equals with our suppliers, in order to promote mutually beneficial activities. From this point of view, we strive to share CSR policies with our suppliers, including environmentally-beneficial activities throughout the supply chain.

WEB
Hitachi Group Procurement
http://www.hitachi.com/procurement/

Partnership, and Our "Open Door Policy" are Fundamental

In the relationships with our suppliers, above all, Hitachi feels that it is crucial to have a strong sense of partnership. The Hitachi Group conducts business with other companies based on equal relationships built upon mutual understanding, which creates trust with our suppliers. A fundamental point in selecting our suppliers is our "open door policy," which means that we choose suppliers based on the principle of free competition, regardless of the supplier's country. Selection of suppliers is based on fair procedures that give due consideration to the quality of materials, prices and delivery, as well as the reliability and technical capacities of supplier companies.

Hitachi, Ltd. conducts its operations based on its "Guidelines for Procurement Activities." These guidelines specify our practices, including guaranteeing fair business opportunities, entering into transactions as equals, setting fair conditions based on dialogue, not imposing unfair demands due to our position with respect to suppliers, and maintaining strict confidentiality of information acquired through our purchasing. These guidelines ensure that we conduct fair and unbiased procurement activities.

Cooperation on Social Responsibility throughout the Supply Chain

In order to pursue Hitachi's business model of mutual benefit with our suppliers, it is essential to share the same corporate social responsibility (CSR) with them. As a result of the self-evaluation Hitachi conducted of its corporate social responsibility activities (see p. 6), we discovered some insufficiencies with respect to our educational activities and ensuring the consistency of CSR policies throughout the supply chain. The adoption of the Hitachi Group CSR Policy has allowed us to pursue consistency of CSR policies throughout the supply chain; in April 2005, we wrote in our "Guidelines for Procurement Activities" that we would conduct procurement based on CSR criteria.

Specifically, we have established "respect for human rights," "environmental conservation activities," "social contribution activities," "creating good work environments," and other areas as criteria for selecting our suppliers. To ensure consistent application of these policies, it is essential for supplier companies to understand the importance of CSR. We also make sure that training for Hitachi's purchasing staff includes CSR concerns, and that we explain our policies to suppliers whenever opportunities arise; moreover, we also provide information on our policies through our Web site. In these ways, we work to ensure that our suppliers understand what the Hitachi Group is striving for through promotion of CSR as a whole Group, and that we are pursuing the practice of CSR with our suppliers.

PAGE
"Self Evaluation on Corporate Social Responsibility"
(See p. 6)

Quality Control and Value Engineering for Customers

For the Hitachi Group to provide trusted and high quality products and services, we call on our suppliers to continually make improvements in quality and cost. From selecting to receiving materials and parts we will use, we conduct evaluation testing and inspections to make sure that the characteristics and quality that we demand are guaranteed. Moreover, in order to provide our customers with improved performance in the functions of our goods and services, we evaluate our goods and services from every angle, including the design, materials, and processing, based on an activity we call "Value Engineering for Customers" (VEC). By engaging our suppliers in these comprehensive evaluations that make use of experts and knowledge in a variety of fields, we can also contribute to improving the

technical capacities and new product development skills of our suppliers.

Promoting Green Procurement

The Hitachi Group continually conducts "green procurement" in order to procure parts and materials having reduced environmental impacts. Using "A Gree' Net,"[*1] the Internet-based green procurement system developed by Hitachi, we ask suppliers to provide information on their environmental conservation activities and the environmental impacts of the materials they deliver. In fiscal 2004, details on 60,000 parts from 5,000 facilities were made available through this system. Interlinking this information to other systems, such as for design support and materials procurement, we can procure and develop further products that are environmentally friendly.

We share information with others by sending out "Green Procurement News," our regular newsletter reporting on activities to reduce environmental impacts, as well as through holding "Green Procurement Parts Exhibitions." Sixty companies participated in our 2004 exhibition, held in May.

We will continue to share information and work to create new products that can contribute to environmental conservation and innovation for sustainability—including through improved treatment of hazardous materials (such as those addressed under chemical regulations such as the RoHS Directive[†]), as well as through products that use less material and have longer usage lives, improved recyclability, ease of disassembly and processing, lower energy usage, and other factors.

Aiming toward a Green Supplier Ratio of 100%

Reducing the impact on the environment throughout a product's lifecycle[†] is something that Hitachi can accomplish only with the cooperation of the suppliers who are our partners in business. We are working to ensure that all of Hitachi's major suppliers adopt environmental conservation activities. As a sign of this, we have set for ourselves the goal of having our "green supplier ratio"[*2] reach 100% by the end of fiscal 2006, with all of our suppliers receiving third-party certification such as ISO 14001. However, we recognize that small and medium enterprises, which comprise over half of our suppliers, encounter various difficulties in obtaining such certification, in terms of cost as well as setting up new systems.

HI-KES at a Glance

Therefore, in addition to the existing ISO 14001 system, we established the "Hitachi Environmental Certification System" in October 2003, applicable in Japan utilizing other certification schemes comparable to ISO 14001, including KES,[*3] Eco Stage,[*4] and Eco Action.[*5] In April 2004, we also established "HI-KES" as a joint activity with KES. HI-KES is a register system whereby companies register with Hitachi, after receiving KES certification. They can participate in Hitachi's own environmental seminars (Hi-Green Seminars), which address how small and medium enterprises can introduce environmental management systems easily and affordably, with the ultimate goal of acquiring ISO 14001 certification. Suppliers who have achieved this certification have told us that as a result of the active consulting we conduct through this program, they received concrete advice that helped them lower their costs and improve their management.

As of the end of fiscal 2004, a total of 43 companies were pursuing KES certification; we will actively expand this program in the future.

*1. "A Gree'Net" is an Internet-based system developed by Hitachi for sharing information concerning chemicals used in parts provided by suppliers, supplier company environmental activities, and related information.

*2. The green supplier ratio is the ratio of suppliers with an environmental management system (EMS), including those working to put an EMS in place, divided by the total number of suppliers; this ratio is currently about 90%.

*3. KES (Kyoto Environmental Management System Standard) is an environmental management system promoted under the "Miyako Agenda 21" program of Kyoto.

*4. Eco Stage is an evaluation system designed to support environmental management, promoted by the Eco Stage Institute.

*5. Eco Action 21 is a program to evaluate environmental activities created by Japan's Ministry of the Environment.

The Employees that Sustain Hitachi

The importance of people, and the connections between them, is a value that has been fostered by Hitachi, ever since its founding. Hitachi exists because of its employees, their motivation, and their human relationships. In order to address each employee's desires and create a better workplace, since 2000 Hitachi has undergone various reforms to improve its work environment.

Three Keywords for Creating a Good Workplace Environment

In recent years, Hitachi, Ltd. has been making various changes, and in the midst of change the most important points are the nurturing of people who can respond to the challenges of today, and the creation of a workplace environment where talented people can freely show their full ability. We therefore strive to transform our corporate culture based on three keywords. One is "Open"—valuing an open environment of candid communication fostering the free expression of employee talents. Next is "Challenging"—the pursuit of ambitious goals and innovations. Another is "Diversity"—the expression of diverse individualities. Reflecting these values, in 2004 we implemented reforms in our employee compensation and benefits systems, as well as employment and pension programs.

Open

Improving Our Employee Compensation System

In order to maximize each employee's motivation and capacities, we have introduced a staff compensation system that matches employee grades and qualifications, as well as wage and bonus levels, to each employee's abilities and accomplishments, as evaluated in a fair and transparent manner. The factors, criteria and methods for employee evaluations under this system are open, and employees are able to receive feedback through evaluations conducted through one-on-one discussions with those conducting the evaluations; this creates a shared consciousness concerning each employee's strengths and areas for improvement, as well as leading to clear goals for performance and skills development training to be pursued in the future.

To ensure that this system is properly understood, and that evaluation interviews follow established procedures, each year we also conduct an employee attitude survey that gauges the current situation, and that helps us pursue follow-up measures to ensure that the system is properly implemented.

"Brush-up" System for Managers

We started the "360-degree Feedback Program" in 2003 for improving leadership and management skills of managers and above (approximately 10,000 people).

In this program, the participants can learn their own strengths as well as areas for improvement, by joining workshops where they receive various comments from their superiors, peers and subordinates with careful instructions from the workshop facilitator. They also can brush up on their own leadership and management skills by implementing a skill-development plan that they make in the program. The object of the program is not employee evaluation, but only capacity development.

Valuing GENBA (the Workplace)—Communication between the President and Employees

The more a company grows, the more important become the individuals within it, as well as the ability of the workplace to allow individuals to flourish.

"Shoyama Online" is a communication tool for Hitachi's president, Mr. Etsuhiko Shoyama, to communicate with employees. Established in 1999 when he became president, this system allows the president to send out messages via the intranet, and to receive and respond to inquiries and views from the employees of Hitachi, Ltd. and the other companies of the Hitachi Group.

The president also takes the initiative to visit many factory and office work sites throughout the Hitachi Group to engage in dialogue and exchanges of views with employees. More than forty work sites were visited by the president in 2004. The fruits of these interactions, and the stimulation they provide, are invaluable for both the president and the staff; the results of this type of steady communication also nourish a "bottom-up" approach that engages each employee, rather than a "top-down" approach.

Attitude Surveys of Employees

Since 2001, Hitachi, Ltd. has conducted an annual "Business Process and Opinion Survey" involving all

of its roughly 41,000 employees, in order to understand their desires and views regarding the state of management. This survey is conducted via the company intranet, and employees can submit their responses through their personal computers. Through listening to the direct views of staff and analyzing concerns within the workplace, we use this data to create an improved organization with systems that respond to the desires of each of our employees.

Challenging

Support for Career Development

The career development of staff is important for Hitachi, and we dedicate our energy to related efforts. Crucial to career development is the ability to arrive at a mutual understanding of how the desires of employees match the needs of the company. When there is shared direction and agreement on both sides, the mutual growth of the company and the individual becomes possible.

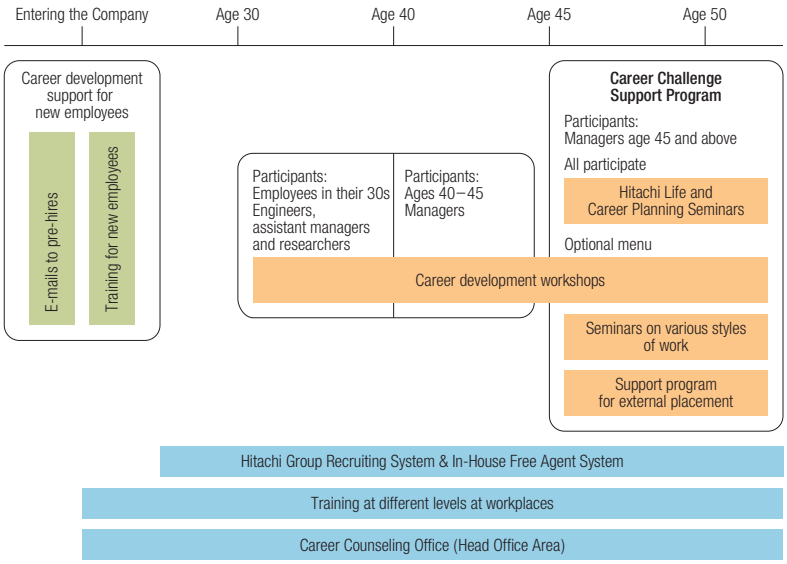
To make this happen, Hitachi has developed its "Career Development Support Program." A representative component of this program is our "Career Development Workshops." These are two- or three-day workshops in which employees conduct career planning, building their personalized visions for the future through analyzing their expertise, values, motivation, and deepening an understanding of themselves. Through the workshops, we help staff to find a passion for their life and work, and help them to develop as employees who can grow and achieve self realization through their work. Since launching these workshops in October 2002, 1,400 employees have participated (as of March 2005).

We also have put in place a system to make the most of our human resources and to place staff in appropriate positions. In order for staff to achieve their desires by being able to take up new positions of their choice, in 1991 Hitachi introduced an "In-House Recruiting System." In 2004, this was developed into our new "Hitachi Group Recruiting System," which covers 19 Hitachi Group companies. In the roughly one-year period starting April 2004, a total of 434 employees applied for positions under the Hitachi Group Recruitment System, with 56 of them moving to new positions of their choice. Since 1991, more than 300 staff have moved to new positions through this recruitment system. We promote awareness of this system and encourage its active use by sharing messages on the intranet from those who have used it.

Examples of the advice to coworkers from those who have used the system have included messages such as these: "The best thing was that my human network doubled in size. I worried what would happen to my old workplace if I left, but this worry was groundless." "Starting a new position is like when you first joined a company—you've got to keep on your toes." "It's a great opportunity for you to really think about what type of job you want to do, and I really hope you will try it." These types of views from coworkers provide useful advice to prospective jobseekers.

In addition, in 2003, we also introduced an "In-House Free Agent System," in which employees are directly able to announce their interest in moving to new jobs. In 2004, 85 position wanted advertisements were announced, with 41 employees finding new positions.

Outline of the Career Development Support Program



Reforming the Employee Invention Reward Compensation System

Hitachi has many employees, including 1,200 with doctorate degrees, who are engaged in leading-edge research and development in various fields. In order to stimulate research activities and to create many outstanding new inventions, in March 2004, Hitachi set up an Invention Management Division, which implements policies to raise the motivation of our front-line researchers and engineers.

In April 2005, in keeping with revisions to Article 35 of the Revised Patent Law of Japan, we disclosed details of revised Regulations for Employee Invention Compensation that were drafted by incorporating the views of our employees. These revisions resulted in regulations that are transparent and have been well-recieved. Under this policy, an invention information system has been introduced through which an inventor can make an application to enter into dialogue with the business unit regarding the use of patents in a project. We will continue to improve these regulations in the future, and intend to create an environment that will support increased motivation among our employees to create many exceptional new inventions.

"Hitachi-Learning Gate" e-Learning System

Skills Development Using the "e-Learning System"

Hitachi, Ltd. created the "Hitachi-LearningGate," as a support mechanism for encouraging voluntary challenge of individuals—an original "e-Learning" system that uses our know-how in the field of software development. The number of users has expanded steadily to include the entire Hitachi Group; it is currently being used by about 200,000 employees.

This system provides training to improve awareness and compliance with regulations and company policies; called "e-Audit," this system enables staff to study whenever they choose, on themes including ethics education, information security, protection of personal information, export controls, and the environment. As an example, since its establishment in September 2004, approximately 54,000 staff (as of February 2005) have completed the training module on "preventing information leaks." In the future, we will work to improve the understanding of trainees, and expand the coverage of training materials on various themes, and actively promote its usefulness as a practical, daily-use tool integrated with our business activities.

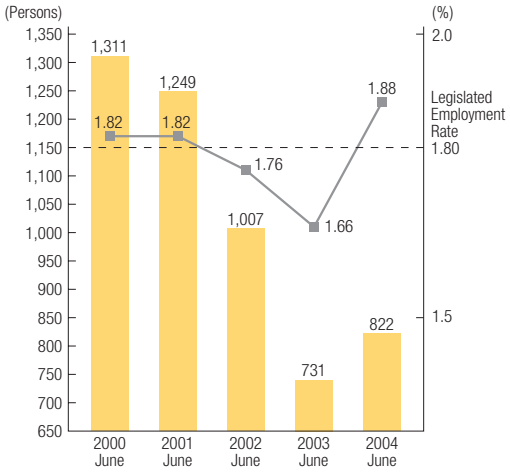
Diversity

Promoting Hiring of Physical Challenged Persons and Introduction of the "F.F. Plan"

Hitachi's wealth is in the diversity of its people. Respecting diversity, Hitachi, Ltd. in March 2000 announced (both inside and outside the company) our "Gender Free and Family Friendly Plan" (F.F. Plan). This is our program to create a conducive work environment that is gender-free, meaning without discrimination on the basis of gender, and family friendly, supporting work-family balance.

The Hitachi Workers Union manages the "Genki Club" childcare facility for Hitachi Group employees established in 2003; it is located inside the Union Workers Building of Hitachi Workers Union Soft Branch. Hitachi, Ltd. and 19 Hitachi Group companies are fully supporting this activity. As of April 2004, 25 children were enrolled full time, with four others on a part-time basis.

Employment of Physical Challenged Persons

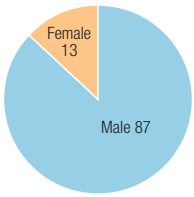


Also, through normalization[*1]—removing barriers between all employees, regardless of whether they are in any way challenged or not—we are actively expanding the hiring of challenged persons within the workplace (see p. 17). Specific efforts in this regard include accepting trainees from schools for the challenged, creating barrier-free environments for those in wheelchairs, and many other policies; presently, employment of challenged persons has reached 1.88% of the total workforce.

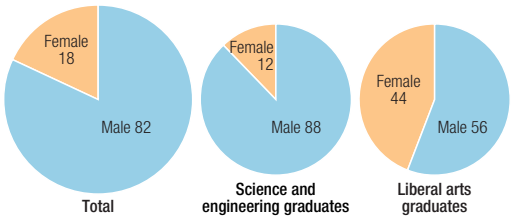
*1. "Normalization" is the social welfare goal of guaranteeing, to the extent possible, the right of challenged persons to live normal lives.

PAGE
"Employment of Physical Challenged Persons"
(See p. 17)

Male-Female Employment Rates (%)
(March 2005)



Number of New Graduates Hired in Fiscal 2004 (%)



Benefits Meeting Employee Needs

We are also revising our employee benefits systems to respond to growing diversity in individual lifestyles. At Hitachi, Ltd., in addition to existing systems providing housing loans and asset-building savings plans, in 2000 we introduced a "cafeteria plan" that allows employees to choose the ben-

efits they receive, in keeping with the approach of "providing services to those who need them." The cafeteria plan is a system that employees can use to select an individualized set of benefits that meet their needs, by selecting from a menu of benefits prepared by the company using a given number of points. This has allowed us to provide more appropriate support to our employees.

[Employees Using Parental Leave, Family Care Leave and Shorter Working Hours]

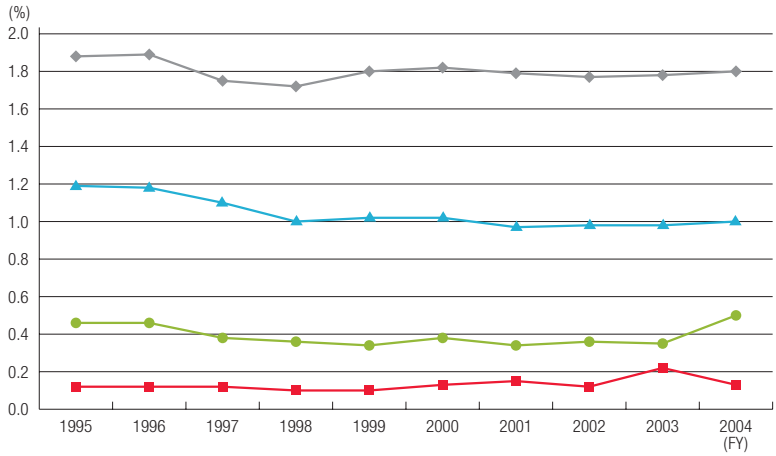
Number using parental leave:	Male–1; Female–209
Number using family care leave:	Male–6; Female–5
Number using shorter working hours:	Male–0; Female–81

(Between April 2004 and March 2005)

Revising Corporate Pension Plans

Corporation pension plans play an important role in supporting retired employees—a role that is expected to increase in the future. In light of external changes occurring in recent years, including the rise of employment mobility, changes in employee awareness, and legal reforms, Hitachi, Ltd. in 2001 (ahead of other companies) fundamentally revised its retirement benefit and corporate pension plans, by introducing a defined contribution pension plan.
The intention of Hitachi's defined contribution pension plan is to foster employees' sense of responsibility by planning for their own post-retirement lives. This new pension plan allows individual employees to gain experience managing their own assets—under of the company's plan—and to choose, within limits, the timing of when they begin to receive payouts from the corporate pension plan. This flexibility in receiving one's payouts has the benefit that the post-retirement financial planning for each employee can be tailored to their own life plans.
In 2003, we also introduced a cash balance plan (a defined benefit pension plan), which expands options for receiving pension payments, as well as clarifying individual holdings through the creation of virtual private accounts, with the expectation that employees will have higher awareness of financial planning for the post-retirement life during their employment years.

Occupational Accident Rate (per million hours)



* An accident in the "all," "manufacturing" and "electrical" categories is counted when it causes a worker to miss at least four days of work.
For Hitachi, Ltd., the criterion is at least one day of work.

Guaranteeing the Safety of Employees

Believing that "ensuring employees' health and safety is the highest priority," we always maintain high health and safety standards, and work to raise these even further.
Our health and safety knowledge—the knowledge, experience and ideas gained through many years of health and safety activities regarding management—education, facilities and the workplace environment, are employed not only to inform our activities in the future, but also in the creation of our worker's health and safety management system, which is a key element of our operations.
To ensure employee health, we have established health consultation centers, with medical specialists who coordinate with our industrial health staff to actively support the good health of our employees.
Moreover, in April 2003 we launched an "Employee Assistance Program" (EAP)[*2] to support the resolution of various employee concerns and issues. In addition to establishing an EAP Center inside the company, in-house EAP specialists visit work sites, hold consultations, and respond to telephone and online inquiries. Feedback from the results of EAP consultations are used by management to propose improvements in the work environment, while ensuring the privacy of the individuals involved.

*2. The Employee Assistance Program (EAP) is a program to provide employees with psychological, physical and social support.

Basic Attitudes Concerning HIV/AIDS

Since 1995, Hitachi, Ltd. has promoted within the Hitachi Group an understanding of HIV/AIDS based on the following three points.
1. We will actively undertake awareness-building activities in keeping with the understanding that the most important thing is "to cultivate accurate knowledge and understanding of HIV/AIDS on the part of each employee."
2. We will respond to known cases of infection by giving the highest consideration to respecting the human rights of those infected, and consider how to the delay the onset of illness.
3. With a view to protection the privacy of individuals, no testing for HIV/AIDS will be conducted as a part of any routine physical examinations done within the company, whether the physical examination is legally sanctioned (for employees) or not (i.e. voluntary).

next society
Action Plan for Fiscal 2005

A Step toward a Sustainable Society

Spreading Awareness of the Hitachi Group CSR Policy

The Hitachi Group CSR Policy established in March 2005 will be applied throughout the Hitachi Group and where we work around the globe. We will build mechanisms to ensure that these policies are adopted by all of the approximately 340,000 employees within the Hitachi Group and that all of our activities will be in conformity with them.

Preparing a "Three-Year Corporate Social Responsibility Roadmap"

We will prepare a Three-Year Corporate Social Responsibility Roadmap to guide CSR activities throughout the entire Hitachi Group.

Establishing and Utilizing a Group Platform

In order to maximize the synergies among the Hitachi Group, we will make full use of a cross-cutting Group Platform as a system to share best practices and to respond swiftly to issues.

Dealing with Key Policy Issues

Key policy issues that we will focus on will include human rights and supply chain management; we will strengthen our activities with respect to these issues globally.

With respect to supply chain management, we will share our Hitachi Group CSR Policy with our suppliers, and build systems for monitoring their implementation on a global level.

With respect to human rights, we will prepare a Corporate Social Responsibility Guidebook for the entire Hitachi Group, and use it as the basis for integrating human rights concerns fully into our operations on a global basis, in keeping with regional and business conditions.

Sharing Information with Stakeholders

We will continue to share information concerning the corporate social responsibility activities of the Hitachi Group, including through disseminating reports and engaging in ongoing dialogues with our stakeholders around the world.

next eco

Aiming for Sustainable "Monozukuri"
(Design, Manufacture and Repair of Products)

Environmental Activities of the Hitachi Group

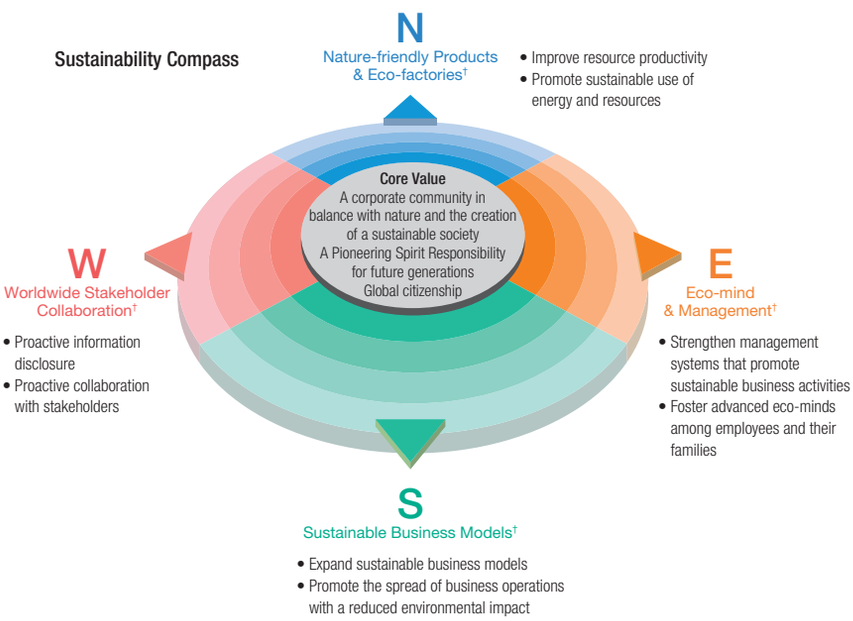
The Hitachi Group is expanding its environmental activities in accordance with the policies to which it has committed itself in its Environmental Vision (Sustainability Compass). It is also applying Hitachi Action Guidelines for Environmental Conservation to the whole Group, and drafting annual action plans based on EcoValue Plan 2010, its roadmap up to 2010. The activities carried out are assessed using our GREEN 21 evaluation system, and plans reviewed accordingly.

Hitachi's Environmental Vision and Guidelines

Hitachi Group companies worldwide will work to help create a corporate community in balance with nature and open up the way to a sustainable society. For the sake of future generations, we will act as a good corporate citizen and use our products, services, and technologies to propose innovative new business models to society, while taking progressive action in the four key directions of our Sustainability Compass.

Sustainability Compass

This is Hitachi's environmental management "compass," comprised of core values and the four directions of activity in which we strive to achieve this environmental vision.



Hitachi Action Guidelines for Environmental Conservation

The basic philosophy of these Guidelines is based on the "Hitachi, Ltd. Standards of Corporate Conduct" (Rule No. 2272, established on June 28, 1983). These Guidelines are intended to set forth Hitachi's action guidelines for addressing environmental conservation in relation to its business activities.

Purpose

In order to realize an environmentally harmonious and sustainable society through products and services, Hitachi is committed to meeting its social responsibilities by promoting globally-applicable "MONOZUKURI" (designing, manufacturing or repairing of products), which is aimed at reducing environmental burdens of products throughout their entire life cycles, ensuring environmental conservation.

Action Guidelines

1. Global environmental conservation is a critical challenge shared by all humans. Hitachi is committed, therefore, to fulfilling its responsibilities by assisting in the realization of an environmentally harmonious and sustainable society as one of its management priorities.
2. Hitachi will make efforts to contribute to society by developing highly reliable technologies and production processes, while identifying needs considering concerns related to global environmental conservation and limited resources.
3. Members of the board in charge of environmental conservation are responsible for facilitating appropriate environmental conservation activities. Departments responsible for environmental conservation should endeavor to promote and ensure environmental conservation activities, including improving environment-related rules and regulations and setting goals for environmental burden reduction. These departments should also confirm that their environmental conservation activities are conducted in a proper manner and ensure that these activities are maintained and improved.
4. Hitachi will promote globally applicable "MONOZUKURI" with the aim of reducing environmental burdens at every stage, including product research and development, design, production, distribution, sales, usage and final disposal.
5. Hitachi will investigate and review the environmental impact caused in the course of its "MONOZUKURI" processes. Hitachi will also introduce excellent technologies and materials useful to safeguard the environment, in other words, to reduce environmental burdens through energy and resource saving, chemical substance management, recycling, and other measures.
6. Hitachi's environmental conservation efforts are not only to be focused on observing international environmental regulations and those of national and local governments, but also on conserving the environment by implementing voluntary environmental standards when necessary.
7. Regarding globally-applicable MONOZUKURI activities, impact on the local environment and community are to be considered. In addition, measures that meet local communities' requests should be implemented.
8. Hitachi will educate its employees on the observance of environment-related laws, raise their environmental awareness and encourage their interest in society at large and broad-based environmental conservation activities.
9. Hitachi will evaluate potential environmental problems and prevent them from occurring. In the event that any environmental problem occurs, Hitachi will take appropriate measures to minimize the impact on the environment.
10. Hitachi will make efforts to disclose information on its environmental conservation activities to its relevant stakeholders. Hitachi will also actively communicate with these stakeholders so as to strengthen mutual understanding and forge cooperative relationships with them.

(Date of enforcement)
April 1, 2005

Medium-Term Environmental Action Plan and Results

EcoValue Plan 2010

This plan was drawn up in 2001 as a roadmap leading to 2010, and has been updated annually in conjunction with the drafting of annual action plans.

Eco-mind & Management		
❶ Promotion of environmental management		Improved global environmental management group synergy
❷ Improvement of self-evaluation system		Continued expansion of GREEN 21 ver.3
❸ Environmental education		Promoted eco-friendly lifestyles
❹ Establishment of environmental accounting		Sustained implementation of effective environmental impact reduction
Nature-friendly Products & Eco-Factories		
Nature-friendly Products		
❺ Eco-product expansion		Expanded eco-product lineup (100% application), 50%-plus improvement in global warming prevention factor, 70%-plus improvement in resource factor (compared to FY2000) (consumer products, etc.)
❻ Promotion of product chemicals content management		Thoroughgoing management of substances in all products posing a risk to the environment
❼ Promotion of green procurement		Joint development of DfE products with suppliers
❽ Transport efficiency improvement		10%-plus reduction per unit in CO_2 emissions generated during transport of products (compared to FY2000)
Eco-factories		
Prevention of global warming	❾ CO_2 emissions	7% reduction (compared to FY1990) (Japan)
	❿ Per production unit CO_2 emissions	25% reduction (compared to FY1990), or industry organization individual target [domestic], 5% reduction (compared to FY2003) [overseas]
	⓫ Greenhouse gas reduction	35% reduction of SF_6 emissions (compared to FY2003), 10% reduction of PFCs (compared to FY1995) [semiconductors], 0% increase [LCDs]
Chemicals management	⓬ Emissions reduction	Reduction of VOC (volatile organic compounds) emissions
Waste reduction	⓭ Reduction of final disposal waste	Reduced to below 70% (compared to FY1998)
	⓮ Control of waste product generation	Promotion of resource recycling-oriented manufacturing
Worldwide Stakeholder Collaboration		
Environmental communication	⓯ Information disclosure	Expanding information disclosure to engage stakeholders
	⓰ Dialog	Worldwide promotion of "town meeting" forums for discussion of environmental issues with local communities
⓱ Corporate citizenship activities		Expanding ties with NGOs and local communities to help build a sustainable society
Sustainable Business Models		
⓲ Creation of sustainable business models		Product recycling systems, expansion of leasing and rental business
⓳ Expansion of sustainable society-oriented business		Expanding environmental solutions model projects, and promoting their spread in society

2004 Annual Action Plan and Results

Goals in each category, 2004 results, performance with respect to target figures, and plans for the future.

Eco-mind & Management
❶ Promoting Environmental Management

- We shall upgrade and strengthen our environmental management system, aiming for consolidated environmental management
- We shall incorporate environmental management into our business strategy, and aim to become an enterprise that generates environmental value

FY2004 performance
Number of companies reporting environment impacts
Domestic: 239 Overseas: 36 Total: 275

FY2005 target
Strengthen global environmental management

PAGE P.46

Eco-mind & Management
❷ Enhancing Evaluation System

- GREEN 21ver.2
  Achievement of 533 green points (GP)

FY2004 performance
527 GPs

FY2005 target
640 GPs

PAGE P.42

Eco-mind & Management
❸ Environmental Education

- Encourage "eco-mind" attitudes among all employees and their families
- Boost employee education and number of licensed and certified personnel

FY2004 performance
GREEN 21 Award Program launched
Completed **Internet education for 32,000 persons**
Distributed English language pamphlets for employee families

FY2005 target
Further develop environmental education globally

PAGE P.42, 48

Eco-mind & Management

④ Establish Environmental Accounting

- Establish and promote environmental management also among Group companies
- Promote the use of environmental impact reduction indicators

FY2004 performance

FY2004 consolidated environmental accounting for **275 Group companies**

FY2005 target

Promotion of internal use of environmental accounting

PAGE P.47–48

Nature-friendly Products & Eco-factories

⑤ Expansion of Eco-Product Lineup

- Publication of Design for Environment (DfE) Assessment Guidelines incorporating environmental efficiency index
- Implementation of product environmental efficiency for key products of each business unit and company

FY2004 performance

Eco-products **72%**

Design for Environment (DfE) Assessment Guidelines revised

Calculation of environmental efficiency of **11 products**

FY2006 target

Achieve 80% eco-products

PAGE P.49–51

Nature-friendly Products & Eco-factories

⑥ Promotion of Product Chemicals Content Management

- Complete phasing out of hexavalent chromium, lead, cadmium, mercury, PBB, and PBDE, the six substances covered by RoHS Directive on electrical and electronic equipment

FY2004 performance

Technology for phasing out the six substances almost completed

Shipment of RoHS Directive-compliant new products commenced in April 2005

FY2006 target

Building of appropriate individual management systems for phasing out the six substances (June 2006)

PAGE P.49

Nature-friendly Products & Eco-factories

⑦ Promotion of Green Procurement

- Build environmental management support system for suppliers
- Investigate RoHS Directive six substance content in applicable products

FY2004 performance

An **environmental management support system for suppliers established**

Completed investigation of RoHS Directive six substance content in applicable products

FY2006 target

Achieve 100% green supplier ratio

FY2007 target

Survey to identify chemicals contained in products

PAGE P.30–31

Nature-friendly Products & Eco-factories

⑧ Improving Transport Efficiency

- Reduce environmental impact of product transport (CO_2, NO_x, PM emissions)
- Set transport impact targets, and implement measures

FY2004 performance

Total CO_2 emissions derived from transport: **453 kt-CO_2/year** (6% increase over FY2003)

FY2005 target

Reduce CO_2 emissions per unit derived from product transport (excluding on-premise transport) by at least 2% (compared to FY2000)

PAGE P.51

Nature-friendly Products & Eco-factories
[Prevention of Global Warming]

⑨ CO_2 Emissions

- Reduce CO_2 emissions in Japan

FY2004 performance

CO_2 emissions **reduced by 20%** (compared to FY1990)

FY2005 target

Reduce CO_2 emissions by 3% (compared to FY1990)

PAGE P.52–53

Nature-friendly Products & Eco-factories
[Prevention of Global Warming]

⑩ Per Production Unit CO_2 Emissions

- Reduce per production unit CO_2 emissions

FY2004 performance

Domestic per production unit CO_2 emissions **reduced by 24%** (compared to FY1990)

Overseas per production unit CO_2 emissions **increased by 1%** (compared to FY2003)

FY2005 target

Reduce domestic per production unit CO_2 emissions by 20% (compared to FY1990) or achieve targets based on individual targets set by industry organizations

PAGE P.52–53

Nature-friendly Products & Eco-factories
[Prevention of Global Warming]

⑪ Reduction of Greenhouse Gases

- Reduce greenhouse gases other than CO_2 (HFC, SF_6, PFC)

FY2004 performance

SF_6 emissions **reduced by 19%** (compared to FY2003)

PFC emissions **reduced by 7%** (compared to FY1995) [semiconductors]

FY2005 target

Reduce SF_6 emissions by 30% (compared to FY2003)

PAGE P.52–53

Nature-friendly Products & Eco-factories
[Chemicals Management]

⑫ Reduction of Emissions

- Manage chemicals rigorously, and reduce emissions, particularly of targeted substances

FY2004 performance

Targeted substances **reduced by 56%** (compared to FY2000)

FY2005 target

Completely phase out emissions of prohibited substances

Reduce targeted substances by 30% (compared to FY2000)

PAGE P.54–55

Nature-friendly Products & Eco-factories [Waste Reduction]

⑬ Reduction of Final-Disposal Waste

- Reduce final disposal site waste
- Promote zero emissions initiatives

FY2004 performance

Final disposal site waste **reduced to 62%** (compared to FY1998)

Zero emissions achieved at **71 sites**

FY2005 target

Reduce final disposal site waste to 80% or below (compared to FY1998)

PAGE P.56

Nature-friendly Products & Eco-factories [Waste Reduction]

⑭ Reduction of Amount of Waste Generated

- Reduce amount of waste generated

FY2004 performance

Waste generated **reduced to 93%** (compared to FY1998)

FY2005 target

Continued reduction of waste generated

Set reduction targets for each site, and implement planned reduction

PAGE P.56

Worldwide Stakeholder Collaboration [Environmental Communication]

⑮ Information Disclosure

- Disclose information through public relations, advertising, environmental reports, and Web site, etc.
- Actively participate in environmental activities of other organizations, including exhibitions, lectures, local community activities, etc.

FY2004 performance

35 environmental reports issued by Group companies and individual facilities

Information provided on 48 Web sites of Group companies and individual facilities

Booth at Eco-Products International Fair 2004 in Malaysia

Booth at Eco-Products 2004 exhibition in Japan

FY2005 target

Use various opportunities to disseminate information globally

PAGE P.57

Worldwide Stakeholder Collaboration [Environmental Communication]

⑯ Dialog

- Hold "Environmental Town Meetings" at individual company or community level for discussion of environmental issues with local communities
- Foster exchanges of opinion through questionnaire surveys, public comment sessions, and by accepting study tours, etc.

FY2004 performance

Environmental Town Meeting held at Mito Works

Received 25 responses to Hitachi environmental activities questionnaire

FY2005 target

Expand Environmental Town Meetings regionally

PAGE P.57

Worldwide Stakeholder Collaboration

⑰ Corporate Citizenship Activities

- Promote active participation in volunteer activities by employees
- Open facilities to the public
- Promote activities with local NGOs
- Conduct local tree-planting and cleanup activities

FY2004 performance

64 facilities participated in Ministry of the Environment Lights Down campaign

52 nature areas in Group company facilities were registered and opened to the public

Provided support for middle school and university classes, etc.

FY2005 target

Expand cooperation with local communities in environmental education activities

PAGE P.24–27, P.57

Sustainable Business Models

⑱ Creation of Sustainable Business Models

- Expand collection and recycling of used products

FY2004 performance

Tokyo Eco Recycle Co., Ltd.

Awarded Honda Prize for Development of Recycling Technology

FY2005 target

Expand product recycling, lease and rental business

PAGE P.58–60

Sustainable Business Models

⑲ Expansion of Businesses that Contribute to a Sustainable Society

- Create structure and develop strategy for sustainable business models
- Promote R&D that contributes to environmental protection
- Develop environmental solutions business
- Plan and implement environmental restoration* activities

FY2004 performance

Launched Sustainable Business Model committee under the Environmental Committee, and promoted the sharing of information

HDRIVE awarded Eco-Products Prize

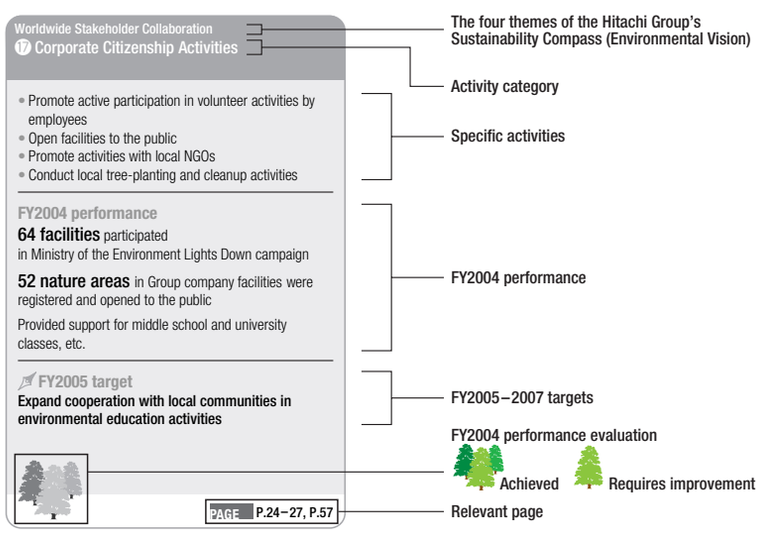
FY2005 target

Expand environmental solution model business
Promote the spread of sustainable businesses

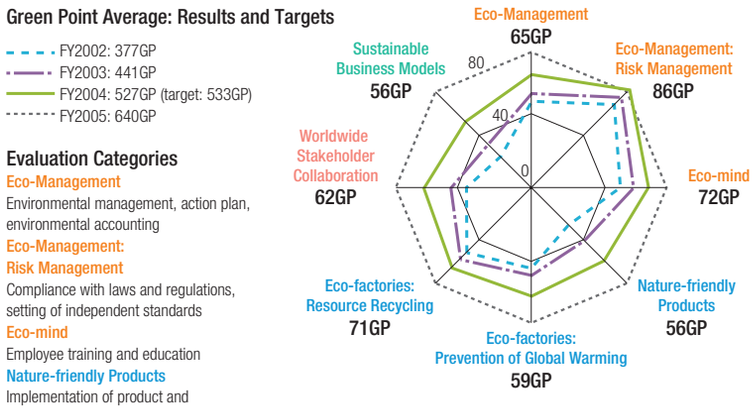
* Environmental restoration activities: ecosystem restoration, independent power production, investment in renewable energies, funding assistance, etc.

PAGE P.58–60

■ Card Legend



Green Point Average: Results and Targets



Evaluation Categories

Eco-Management
Environmental management, action plan, environmental accounting

Eco-Management: Risk Management
Compliance with laws and regulations, setting of independent standards

Eco-mind
Employee training and education

Nature-friendly Products
Implementation of product and service assessment, green procurement, distribution

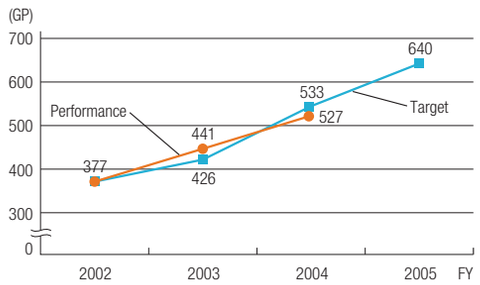
Eco-factories: Prevention of Global Warming
Energy saving at operation sites

Eco-factories: Resource Recycling
Waste reduction, chemical substance management

Worldwide Stakeholder Collaboration
Information disclosure, dialog and community activities

Sustainable Business Models
Management systems, planning, product recycling, environmental restoration activities

Green Point Results and Targets



Evaluation System

GREEN 21 (Version 2) Evaluation Criteria

To assure continuous improvements in our environmental management activities, Hitachi utilizes the GREEN 21 (Version 2) evaluation system to rate activities according to fixed criteria. In the system, for the fiscal year being evaluated, points are given for procedures put in place to achieve environmental targets, the details established for each target, and level of achievement. This system serves as a tool for making environmental activities more efficient and for assisting the implementation of environmental management within each operations unit.

The GREEN 21 system evaluates 53 distinct items in the following eight Sustainability Compass categories: Environmental Management, Risk Management, Eco-mind, Nature-friendly Products, Prevention of Global Warming (Eco-factories), Resource Recycling (Eco-factories), Worldwide Stakeholder Collaboration, and Sustainable Business Models. The period covered is fiscal 2002 to 2005. Progress is rated on a scale of 0 to 5; a rating of 2 is given for an average level of achievement, 4 for meeting the goal, and 5 for surpassing the goal. The ratings are then multiplied by weights, based on each item's relative importance. The maximum within each category is 100 "Green Points" (GPs), giving a maximum possible rating of 800 for all 8 categories. Adjustments are made in cases where certain items may not be applicable in a given business unit.

Starting in fiscal 2002, the Green Point scores were added as one of the criteria for evaluating business performance in the Hitachi Group. The results are used in evaluating appropriate performance for each business group, thus serving as an incentive for enhancing environmental activities, in addition to improving social contributions and profitability. Based on this system, the management team within each business group is able to check how it is doing, and this leads to further improvements and greater efforts to achieve the environmental targets.

A score of 527 GPs was achieved in fiscal 2004, a 24% increase over 2003, but 6 points short of the target of 533 GPs set for the year. The Sustainable Business Models† category showed major improvement, with progress made in sharing the concepts of risk management and sustainable business due to strengthened environmental management. To achieve our fiscal 2005 target, we will redouble our efforts in such categories as Eco-Products, where we aim to further expand eco-products and promote green procurement, and Eco-Factories, where we will carry out planned investment aimed at achieving global warming prevention targets.

2004 GREEN 21 Award Program: Prizewinners

Prize name	Prizewinning facility	Prizewinning activity
Grand Prize	Hitachi Cable, Ltd.	Creation and operation of a used cable recycling system, and development of RoHS-compliant cables
Prize for Excellence	Hitachi, Ltd. Mito Building Systems Division, Urban Planning and Development Systems	Environmental impact reduction activities based on eco-product development
Encouragement Prize	Hitachi Global Storage Technologies, Inc. (San Jose, USA)	Packaging reuse program
Encouragement Prize	Taoyuan Works, Taiwan-Hitachi	Social contribution activities in the local community, and facility waste reduction and recycling

PAGE
GREEN 21 Grand Prize: Prizewinning Activity Details
Hitachi Cable Group
(See p. 58)

Incentives for Promoting Environmental Activities

GREEN 21 Award Program

The Hitachi Group established its GREEN 21 Award Program in 2004 to pay recognition to progressive environmental conservation activities.

The aim of the GREEN 21 Award Program is to provide an incentive for top-level environmental activities, and serve as a tool for promoting GREEN 21 and other environmental activities through communications activities within the Group. Such items as flagship eco-friendly products and technology, progressive examples of energy- and resource-saving in facilities, and dialog with society through environmental activities will be assessed comprehensively on their novelty, impact, sustainability, external reputation, GP totals, improvement rates and so forth, and awarded accordingly.

GREEN 21 Award Program Ceremony

FY2004 Environmental Activities

Because the Hitachi Group's business covers such a diversity of fields with a great many categories requiring environmental management, we are implementing environmental activities aimed at reducing environmental impact over the entire Group. The Group drafts environmental policies which are shared by all of its 985 consolidated subsidiaries and 167 affiliated companies, and seeks to ensure and promote their implementation.
We established our Group-wide Environmental Management Operations Committee in 1999, and have since been building our environmental management system, putting particular emphasis on fostering a shared "eco-mind" approach. We are also implementing rigorous information management and sharing with respect to CO_2, waste and other environmental impact data aggregation and green procurement systems, and leveraging an original IT-based system to carry out speedy, effective and credible environmental management.
This report presents the results (as of March, 2005) of our evaluation of the environmental impacts and activities of 275 Group companies (Hitachi, Ltd., together with 238 domestic and 36 overseas subsidiaries) that account for about 90% of the environmental impacts of the Hitachi Group's 985 consolidated subsidiaries, based on such data as the number of employees and the amounts of energy consumed, waste generated, and chemical emissions etc.
Environmental activities in fiscal 2004 were focused mainly in the following categories.

Creation of rules for eco-friendly manufacturing (Environmental CSR-Compliant Monozukuri [PLM and Total SCM] Standards) and system for managing chemicals contained in products (Integrated Management System for Chemical Substances Contained in Products)

To ensure Group-wide application of eco-friendly manufacturing, we are pressing ahead with the restructuring of systems and processes related to the management of the chemical content of products. The Hitachi Group Environmental CSR-Compliant Monozukuri (PLM and Total SCM) Standards were established as common rules for Group companies, a system was created, and an Integrated Management System for Chemical Substances Contained in Products was introduced. Hitachi, Ltd.'s Disk Array Systems Division, Hitachi Home & Life Solutions, Inc., and Hitachi Maxell, Ltd. were chosen as model cases for implementation of the system.

PAGE
Integrated Management System for Chemical Substances Contained in Products
(See p. 14–15)

Expansion of eco-products

In fiscal 2004, we added a function for calculating environmental efficiency to our Design for Environment (DfE) evaluation system, making it easier to calculate environmental efficiency. The factor (a calculation of efficiency improvements),was calculated for 11 products, and the ratio of total products registered as eco-products rose to 72%.

Achievement of Group target for final disposal site waste

With respect to the Group target for final disposal site waste of reduction to 70% or below by fiscal 2010 (compared with fiscal 1998), reduction to 62% has been achieved for the Group as a whole, with about 76% of facilities reaching the target.

Environmental Town Meeting held by the Mito Building Systems Division of Hitachi Ltd.'s Urban Planning and Development Systems Group

This was the fourth Environmental Town Meeting† held for discussion of environmental issues with local community stakeholders. In fiscal 2004, the venue was switched from Tokyo, where previous meetings had been held, to Hitachinaka City in Ibaraki Prefecture, and featured a tour of Hitachi's Mito factory, during which time Hitachi personnel answered questions from participants and listened to their views. Hitachi is eager to engage local communities in which it has operations, and this meeting yielded the kind of results that could only be obtained from a local community event, results that will be put to good use in enhancing future communications with stakeholders.

Environmental Impact Data for Corporate Activities (FY2004)

This chart shows resource inputs and environmental impacts pertaining to the fiscal 2004 corporate activities of the 273 domestic and overseas Hitachi Group companies covered by this report. Input includes the total amount of energy, materials and chemicals, and water consumed in product manufacturing and other corporate activities. Output includes the total amount of products, CO_2, chemical substances, waste, and wastewater generated from corporate activities.

INPUT

Domestic Corporate activities

Total energy consumption (crude oil equivalent)		**1,551,000 kl**
	Electricity	**4.69 billion kWh** *0.54% (FY2004)
	Oil (crude oil equivalent)	**364,000 kl** *0.15% (FY2004)
New energy types	Electricity	**70 million kWh**
	Heat	**16,000 kl**

Total input of materials		
Metals 1,266 kt	Iron (including steel sheeting)	**722 kt**
	Stainless steel	**34 kt**
	Aluminum	**77 kt**
	Copper	**287 kt**
	Other nonferrous metals	**146 kt**
Plastics 191 kt	Thermoplastics	**155 kt**
	Thermohardened plastics	**36 kt**
Rubber		**5 kt**
Other materials		**350 kt**
Chemical substances	Handling volume for chemical substances covered under the PRTR law	**215 kt**
	Handling volume for ozone depleting substances	**27 t**
	Handling volume for greenhouse gases	**1,296 t**

Water consumption		**60.29 million m³**
	Surface water	**7.17 million m³**
	Industrial water	**27.70 million m³**
	Groundwater	**25.43 million m³**

Overseas Corporate activities

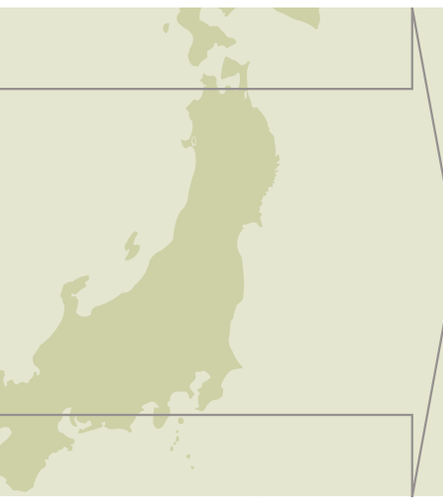
Total energy consumption (crude oil equivalent)		**455,000 kt**
	Electricity	**1.48 billion kWh**
	Oil (crude oil equivalent)	**77,000 kl**
New energy types	Electricity	**80 million kWh**

Total input of chemical substances		
Chemical substances	Handling volume for chemical substances covered under the PRTR law	**20.2 kt**

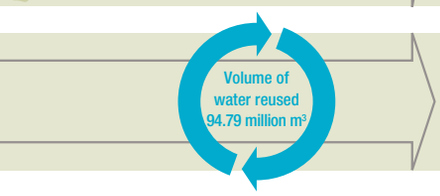
Water consumption		**8.35 million m³**
	Surface water	**2.93 million m³**
	Industrial water	**5.19 million m³**
	Groundwater	**230,000 m³**

OUTPUT

CO_2 emissions		2,586 kt (2,586kGWPt†) *0.2% (FY2004)



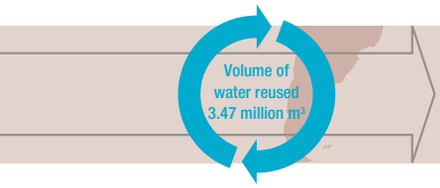
Total volume of products manufactured and sold		2,463 kt including packages
Volume of chemical substances discharged or transferred		
Discharge or transfer volume for chemical substances covered under the PRTR law		5.8 kt *1.1% (FY2003)
Volume of discharge for ozone depleting substances		6.5 t (0.4 ODPt†)
Greenhouse gas emissions 23 t (412 kGWPt)	SF_6	14 t (341 kGWPt)
	PFCs	9 t (71 kGWPt)
	HFCs	0.05 t (0.6 kGWPt)
Substances subject to emissions regulations	SO_x	548 t *0.05% (FY1999)
	NO_x	2,969 t *0.25% (FY1999)
Total volume of waste generated		561 kt
Waste generated		561 kt *0.09% (FY2001)
Waste reduction		45 kt *0.02% (FY2001)
Recycling (rate) 483 kt (93%)	Volume re-used	110 kt (23%)
	Volume of material recycled	336 kt (70%)
	Volume of thermal recycled	37 kt (7%)
Final disposal (rate)		33 kt (6%) *0.06% (FY2001)



Total volume of wastewater		52.35 million m³
Breakdown of wastewater by destination	Public waters	41.59 million m³
	Sewerage system	10.76 million m³
Water quality	BOD	384 t
	COD	266 t

CO_2 emission		1,346 kt (1,346 kGWPt)

Volume of chemical substances released or transferred		
	Discharge or transfer volume for chemical substances covered under the PRTR law	0.8 kt
	SO_x	126 t
	NO_x	109 t
Total volume of waste generated		150 kt
	Waste generated	150 kt
	Waste reduction	33 kt
	Recycling (rate)	58 kt (50%)
	Final disposal (rate)	59 kt (39%)



Total volume of wastewater		8.21 million m³
Breakdown of wastewater by destination	Public waters	3.63 million m3
	Sewerage system	4.57 million m3
Water quality	BOD	193 t
	COD	232 t

* Ratio of national total, and fiscal year used for comparison. Source for the total figures for Japan was the FY2003 PRTR results listed in the "Annual Report on the Environment in Japan 2004." (Ministry of the Environment)

Eco-mind & Management

**Eco-mind: The environmental awareness of each and every Hitachi employee.
Eco-management: The system for supporting the environmental activities of those employees.
The Hitachi Group implements environmental management
through solid teamwork linking the individual with the organization.**

Eco-Management

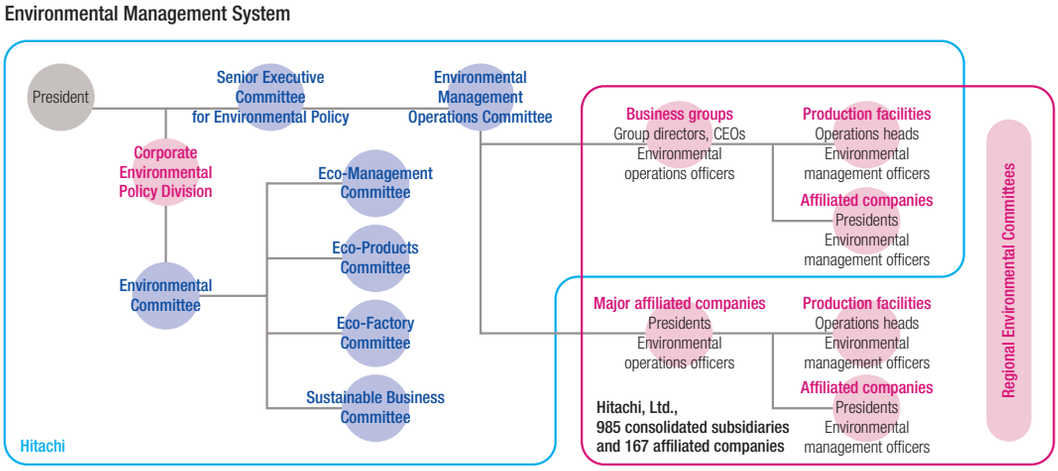
To promote environmental initiatives, the Hitachi Group has built an environmental management system for consolidated reporting. Hitachi's Senior Executive Committee for Environmental Policy, a managerial level committee chaired by the president, assesses and determines the environmental policies and strategies for the entire Hitachi Group.

The environmental policies adopted here are delegated to the Environmental Management Operations Committee to be implemented and communicated throughout the organization. The Environmental Committee (and each sub-committee) works to attain environmental goals and tasks, by conducting investigations and developing useful evaluation methodologies and techniques.

It also establishes the organizations required for implementing environmental activities in each business, and designates environmental operations officers within the Hitachi's Group's business groups, subsidiaries and affiliated companies who

Senior Executive Committee for Environmental Policy:
Assesses and sets environmental management policies at executive management level (annual).
Environmental Management Operations Committee:
Enforces environmental policies and develops environmental information and activities (semi-annual).
Environmental Committee:
Assesses environmental issues and draws up policies (semi-annual).
Sub-committees:
Discuss issues, draft policy (as required). Main themes: Eco-Management (environmental management, educational activities, dissemination of information), Eco-Products (promotion of eco-product development, reduction of harmful substances used in products), Eco-Factories (reduction of environmental impacts of production), Sustainable Business (support for the creation of sustainable business models, strengthening of related activities).

Environmental Management System



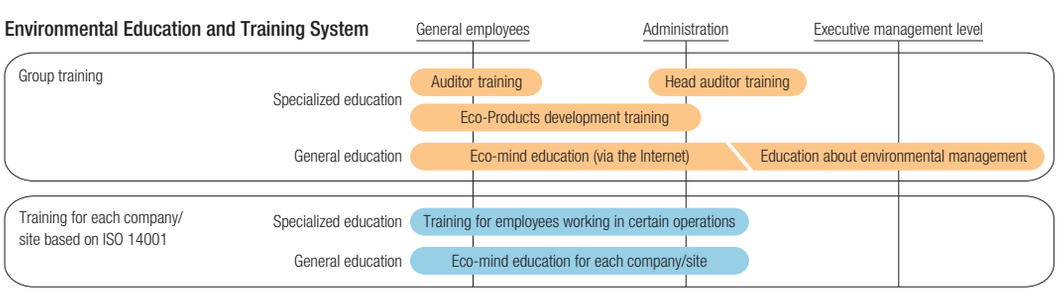
Status of ISO 14001 Certification

	Japan		Overseas		Total
	Production Sites	Non-production Sites	Production Sites	Non-production Sites	
No. of Certified Sites	155	63	55	4	277

Japan	
Hokkaido/Tohoku regions	20
Kanto/Koshinetsu regions	148
Hokuriku/Chubu regions	19
Kansai region	16
Chugoku/Shikoku/Kyushu regions	15
Total	218

Asia	40
America	14
Europe	5

Environmental Education and Training System



Environmental Accounting

Cost

(Unit: billion yen)

Item		Overview	Costs				
			FY2000	FY2001	FY2002	FY2003	FY2004
Expenses	Business area costs	Maintenance of equipment with low environmental impact, depreciation, etc.	35.96	38.21	35.00	29.02	31.82
	Upstream/downstream costs	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses	3.58	3.27	2.40	2.76	2.69
	Management activity costs	Labor costs of environmental management, implementation and maintenance of environmental management system	8.35	11.09	10.41	12.29	10.76
	Research and development costs	R&D for the reduction of environmental loads caused by products and production processes, product design expenses	30.03	34.36	38.21	35.48	39.51
	Social activity costs	Environmental improvements such as afforestation and beautification, PR and publicity expenses	3.23	0.53	0.52	0.37	0.61
	Environmental damage costs	Environment-related measures, contributions and levies	0.93	0.82	0.86	0.51	2.23
	Total expenditure		82.08	88.28	87.40	80.43	87.62
	Total investment	Investment in energy-saving equipment and equipment that directly reduces environmental loads	21.25	18.01	14.97	10.17	14.10

Depreciation expenses on equipment investments are calculated using the straight-line method over 5 years.

Effect

Economic Effect*

(Unit: billion yen)

Item	Overview	Effects				
		FY2000	FY2001	FY2002	FY2003	FY2004
Net income effect	Profit on sales of recycled waste	5.58	5.09	6.08	4.06	6.25
Reduced expenses effect	Reduction in material costs due to resource saving, reduction in waste treatment costs due to reduced waste, reduction in power expenses due to energy saving	12.03	13.56	12.11	11.67	12.77
Total		17.61	18.65	18.19	15.73	19.03

Physical Effect

Item	Overview	Amount reduced (parentheses: equivalent no. of households)				
		FY2000	FY2001	FY2002	FY2003	FY2004
Reduction in the amount of energy used during production	Decrease in amount of energy used due to installation of energy-saving equipment	169 million kWh (49,000)	331 million kWh (95,000)	189 million kWh (55,000)	127 million kWh (37,000)	125 million kWh (36,000)
Reduction in the amount of final waste disposal	Decrease in final waste output volumes due to separation and recycling activities	6,051 t (20,000)	7,369 t (25,000)	5,210 t (18,000)	5,612 t (19,000)	5,922 t (20,000)
Reduction in the amount of energy consumed during product usage	Decrease in energy requirements of Hitachi products	844 million kWh (243,000)	552 million kWh (159,000)	742 million kWh (214,000)	507 million kWh (146,000)	730 million kWh (210,000)

Benefits on equipment investment are calculated using the straight-line method over 5 years, as with costs

* Economic Effect includes the following items.

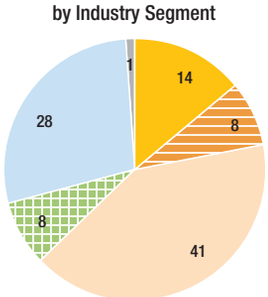
1. Net income effect: Benefits for which there is real income, including the sale of resalable material and income from environmental technology patents.
2. Reduced expenses effect: Reduction in electricity and waste treatment expenses arising from environmental impact reduction activities.

Efficiency of Environmental Impact Reduction*

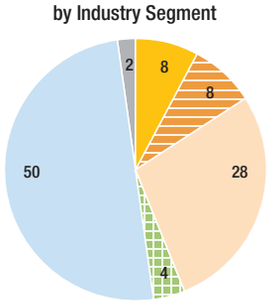
	FY2000	FY2001	FY2002	FY2003	FY2004
Reduction in energy used during production	41 million kWh/billion yen	66 million kWh/billion yen	53 million kWh/billion yen	44 million kWh/billion yen	33 million kWh/billion yen
Reduction in amount of waste for final disposal	1,170 t/billion yen	1,750 t/billion yen	1,200 t/billion yen	1,690 t/billion yen	1,690 t/billion yen

* This is an indicator of the efficiency of environmental impact reduction, calculated as the amount of environmental impact reduction divided by expenses needed for the reduction.

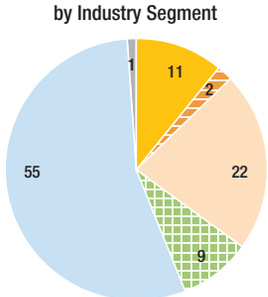
Cost Breakdown by Industry Segment



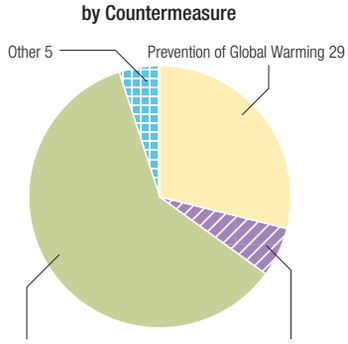
Investment Breakdown by Industry Segment



Economic Effect Breakdown by Industry Segment



Investment Breakdown by Countermeasure



Information & Telecommunication Systems
Electronic Devices
Power & Industrial Systems
Digital Media & Consumer Products
High Functional Materials & Components
Logistics, Services & Others

are responsible for managing environmental matters within each organization. Both within Japan and overseas, the Hitachi Group shares information about laws, regulations, market trends, and reports on relevant topics. From fiscal 2005, it has also been working to upgrade its environmental management system in its facilities in Europe and China to promote the sharing of information and enhancement of environmental activities within the Group in each location, and plans to implement the same measures in the United States and in other Asian locations.

ISO 14001 Environmental Management System

The Hitachi Group addresses environmental issues through its environmental management system, which is based on the internationally-recognized ISO 14001 standards.

We started obtaining ISO 14001 certification in July 1995, and all of our manufacturing operations had obtained it by the end of fiscal 1999. Our non-manufacturing operations, such as software and service companies, did likewise by the end of fiscal 2002. Because of changes in the companies covered under consolidated reporting and in activities covered, the number of ISO 14001-certified sites currently totals 277.

To further enhance environmental management within the Group, we are currently building a new environmental management system that includes environmental operations sections in each business group and Group company. Each site pursues continual improvements, undergoing internal audits to assess progress, and also receiving regular inspections by external certification bodies. Internal audits are conducted by approximately 2,000 accredited auditors who have undergone specialized training.

Since 1973, environmental audits have continually been included as a part of management auditing of business operations.

Environmental Education

We provide general education for all of our employees aimed at nurturing an eco-mind approach through raising their knowledge and awareness of environmental matters, and specialized education for the learning and implementation of specific environmental technology.

Management-level personnel are given more general learning opportunities than in the past, giving them a keen appreciation of the importance of environmental management which is then reflected in management policies. Training of general employees is being promoted through the Internet, with some 32,000 employees having completed training courses as of March 2005.

Specialized education is being offered to train environmental management system auditors, as well as design and manufacturing personnel, in areas useful for the development of Eco-Products. Training based on ISO 14001 is also offered in order to promote environmental activities and to reduce the use of resources and energy at our facilities.

Specialized trainings and emergency drills are also conducted for employees working in operations that have significant environmental impacts.

Our Approach to Environmental Accounting

To promote greater effectiveness and continual improvements in our environmental investments and activities, Hitachi introduced an environmental accounting system in 1999. Its purpose is to help people understand our corporate approach to the environment, by providing information on how we allocate management resources for environmental activities, and on the value created through environmental technologies and Eco-Products.

In addition to investments in plant and equipment for environmental purposes, which we have been reporting since fiscal 1997, the costs covered in our environmental accounting also include ordinary expenditures, such as for research and development, as well as the costs of operating and managing environmental equipment and facilities. Our activities can be understood both in terms of economic benefits, which can be evaluated in monetary terms, and material benefits, which can be evaluated based on the degree to which burdens on the environment are controlled. Economic benefits are calculated based on tangible data. Material benefits—which result from Hitachi's fundamental principle of contribution to society by developing superior technologies—are evaluated based not only on the lower environmental impacts during the manufacturing process but also during the use of our products. We strive for efficiency in reducing environmental impacts, using an "environmental burden reduction ratio" to evaluate the extent to which each type of environmental burden is reduced per unit of expenditure.

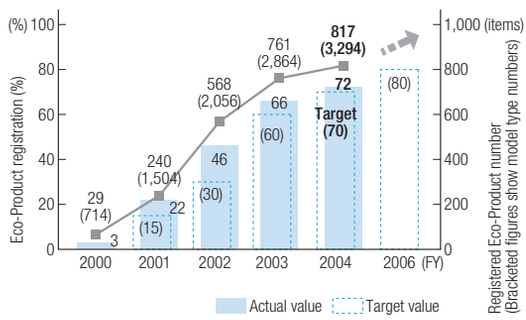
In fiscal 2004, environmental activity costs rose 9%, but the economic benefits yielded by them rose 21%. R&D costs related to research, development and design for reduction of the environmental impact of products accounted for 45% of total environmental activity costs, and yielded reductions, in terms of energy consumed in using products, of 730 million kWh.

Hitachi's Senior Executive Committee for Environmental Policy, a managerial level committee chaired by the president, assesses and determines the environmental policies and strategies for the entire Hitachi Group.

Nature-friendly Products & Eco-factories

The Hitachi Group estimates the environmental impact of its products over their entire lifecycles from the initial design stage, selecting the optimal methods based on such estimates to create environment-friendly "Eco-Products."
The Group's various sites (factories and offices) also base their operations on Hitachi's Eco-Factory concept, actively striving to contribute to reduce their overall environmental impact.

Eco-Product Registration Trends



Nature-friendly Products
Eco-Products

Expanding Eco-Products

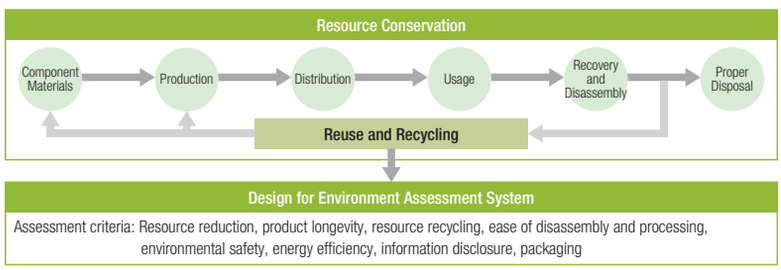
Design for Environment

To minimize the environmental burden at each stage of a product's life cycle,† the Hitachi Group develops products based on our Design for Environment Assessment System. This is an evaluation system we have applied since 1999 that incorporates Design for Environment (DfE) concepts. Products are assessed with respect to eight criteria. We define "Eco-Products" as those products that achieve at least 2 on a scale of 0 to 5 for each of these eight criteria, as well as an average score of 3 or higher.
As of March 2005, 817 products (3,294 different model types) qualified as Eco-Products, accounting for 72% of our overall sales volume. We identify our Eco-Products by affixing an "eco" symbol, and information about them is made available to customers through catalogs, Web site and so forth.

Environmental Efficiency

To utilize resources more effectively, we have introduced an "Environmental Efficiency" index that shows the value created while controlling environmental impacts and resource consumption. This index evaluates products by calculating two measures of efficiency with respect to a product's value in terms of its functioning and lifespan. The first measure is the ratio of the product's value to the amount of greenhouse gases released during the life cycle of the product (Prevention of Global Warming Efficiency); the second is the ratio of the product's value to the sum of the amount of new resources that are extracted from the Earth for its production and the amount of waste remaining when the product is disposed of (Resource Efficiency).
We also track product efficiency improvements, using as yardsticks two factors—the "Prevention of Global Warming Factor" and the "Resource Factor"—that measure improvements in efficiencies with respect to a reference year. In fiscal 2004, we added an Environmental Efficiency function to DfE assessment to enable the calculation of Environmental Efficiency when carrying out DfE assessment, and we have since been applying this function throughout the Group.

Approach to Complete Life Cycle Product Design



Definition of Environmental Efficiency

- Prevention of Global Warming Efficiency = Product lifespan*1 × Product function / Volume of greenhouse gas emissions throughout the lifecycle of a product
- Resource Efficiency = Product lifespan*1 × Product function / ∑ Resource value coefficients × (new resources used in lifecycle*2 + resources disposed in lifecycle*3)

Definition of Factors

- Prevention of Global Warming Factor = Prevention of global warming efficiency for the product being evaluated / Prevention of global warming efficiency for reference product
- Resource Factor = Resource efficiency of the product being evaluated / Resource efficiency of reference product

*1. The specified usage period for a product

*2. The volume of resources used to manufacture a product minus the volume of resources reused or recycled

*3. The volume of resources used to manufacture a product minus the volume of resources with the potential for reuse or recycling

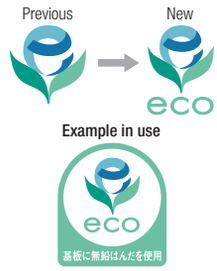
Progress in Management of Product Chemical Content

Compliance with the RoHS Directive

In line with the European Union's RoHS Directive† (on the restriction of the use of certain hazardous substances in electrical and electronic equipment), the Hitachi Group is working to completely eliminate six chemical substances (hexavalent chromium, lead, cadmium, mercury, PBB†, and PBDE†). As a result of the Group's technology development efforts and the cooperation of suppliers, lead- and hexavalent chromium-free parts are now used, and as of March 2005, most new products now comply with the RoHS Directive, with RoHS-compliant hard disk drives (HDDs) and other products already being shipped, and remaining non-compliant products slated to be replaced with new products in due course. As a supplier, we also ensure that the cables and other materials we supply are RoHS-compliant.

WEB
Hitachi Group's Eco-products
http://greenweb.hitachi.co.jp/ecoproducts/index.html
(Only in Japanese)

Our new "eco" symbol



Addition of the word "eco," and usage that clearly shows the product to be an Eco-Product

Examples of Our Eco-Products

Magnetocardiograph System MC-6400

This device safely examines heart activity without using X-rays, ultrasound or strong magnetic fields. It measures the faint magnetic fields generated naturally by the electrophysiological activity of the heart. It also reduces a patient's stress: a patient lies down on a bed fully-dressed, sensors are positioned above the chest, and the measurement is completed in approximately 30 seconds.

Key Environmental Features

By improving insulation to reduce helium evaporation, we have achieved a 50% reduction over earlier models in the amount of liquid helium required to cool the superconducting sensors, which accounts for the majority of running costs. Size and mass of the system were also reduced by 41% and 12%, respectively.

Hitachi High-Technologies Corporation
Magnetocardiograph System MC-6400

Degree of Improvement of Environmental Efficiency (Factors) (Reference product: prototype)

Prevention of Global Warming Factor	2.1
Resource Factor	2.4

Super-Compact 7.2 kV Switchgear

This is a high-voltage switchgear for the steady supply of electricity at 6,000 volts from power lines to offices and factories. Switchgear performs a similar role to the breakers found in ordinary households, but requires more space due to the large amount of electricity it handles. The key to boosting environmental performance is reduction of size.

Key Environmental Features

We succeeded in reducing installation space by one-third through employing advanced insulation technology, resulting in a lighter product (66% the weight of previous models) and concomitant resource savings. The use of a modular design also enables the sharing of materials, greater reusability, and greater transportability.

Degree of improvement of Environmental Efficiency (Factors) (Reference product: 1998)

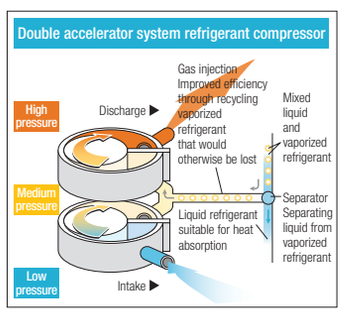
Prevention of Global Warming Factor	6.5
Resource Factor	8.3

"Fresh Kyu-Hai Shirokumakun" Room Air Conditioner RAS-S28T

This air conditioner won the Energy Conservation Center Chairman's Prize in 2004 for its energy efficiency and heating capabilities, which are among the highest in the industry.

Key Environmental Features

The double accelerator system (two-stage compression gas injection system) (a world first in inverter air conditioners as of November 16, 2004, developed jointly with Tohoku Electric Power Co., Inc.,) and PAM vector control system used in the compressor and refrigeration cycle at the heart of the air conditioner deliver dramatic energy efficiency and heating capabilities. The purification and deodorization of room air is realized through a combination of new technologies—the Kyu-Hai ventilation control system that adjusts the dampers in the ventilation unit, a newly developed nano-titanium catalyst air filter, and a nano-titanium deodorizing heat exchanger.



Degree of improvement of Environmental Efficiency (Factors) (Reference product: 1994)

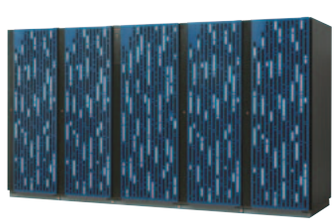
Prevention of Global Warming Factor	12.6
Resource Factor	4.0

Disk Array Subsystem SANRISE Universal Storage Platform (Overseas name TagmaStore Universal Storage Platform)

This system uses storage virtualization technology to integrate and centrally manage multiple storage devices of different types as a single virtual device, enabling speedier, safer, more reliable and efficient data management and utilization that reduces administrative burden and addresses the rapidly growing storage needs of our advanced information-based society.

Key Environmental Features

Hitachi's Integrated Management System for Chemical Substances Contained in Products (see p. 14) was applied to this product, which also features improved energy efficiency, Ni-H batteries, and lead-free production processes, and complies with the EU's RoHS Directive† (from April 2005).

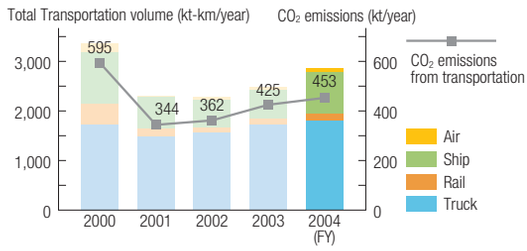


PAGE
Integrated Management System for Chemical Substances Contained in Products (see p. 14)

Degree of Improvement of Environmental Efficiency (Factors) (Reference product: 2000)

Prevention of Global Warming Factor	26.1
Resource Factor	25.8

CO_2 Emissions from Transportation



Improved outer box for HDD transport

PAGE
Universal Design (see p. 16)

Nature-friendly Products
Reduction of Transportation Impacts

Boosting Transportation Efficiency

Reducing CO_2 Emissions

Manufacturing inevitably involves the transportation of parts or raw materials to factories, as well as the transport of finished products—a flow of goods that results in CO_2 emissions. The Hitachi Group's CO_2 emissions generated from transportation in fiscal 2004 amounted to 453,000 tonnes. These emissions have risen constantly since fiscal 2001 due to a rise in the number of production sites (i.e., broader coverage of achievement data relating to the environment) stemming from the expansion of the hard disk drive business overseas and the automotive equipment business in Japan.

We are currently endeavoring to improve transportation efficiency through resource-efficient packaging designed to take up less space, and expansion of our modal shift in long-distance transport from road to a combination of rail and sea transport.[*1]

CO_2 Emissions Reduction through Modal Shift in Transportation

Hitachi Industrial Equipment Systems Co., Ltd. Narashino Division in October 2004 switched to shipping 60% of its products (motors and pumps) for our Kansai Logistics Center by rail, resulting in CO_2 emissions reductions of approximately 60 tonnes.

In efforts to promote a modal shift, it is essential to have accurate control of logistics—in order to achieve the optimal combination of road and rail transport, for example. We have developed tools to help visualize logistics information such as shipment and inventory status. We also analyze performance data to help optimize logistics.

Hitachi Maxell Ltd.'s Kyoto Works, which had already been shipping its video tapes, mini discs, computer tapes and other products to its Kanto region warehouses by rail, started doing likewise for shipments to Fukuoka. Rail shipments in fiscal 2004 grew by 40% over fiscal 2003, resulting in CO_2 emissions reductions of approximately 550 tonnes.

Reducing Packaging

Reducing the amount of packaging we use not only saves resources, but also enables more efficient transport, resulting in reduced CO_2 emissions. The Hitachi Group has reduced its total subcontracting costs for packaging under the Containers and Packaging Recycling Law by 28% from fiscal 1998 to fiscal 2004. Hitachi Ltd.'s Ubiquitous Platform Systems Group and Hitachi Transport System, Ltd. incorporated universal design concepts (see p. 16) into a resource-efficient design to develop a new outer box for Wooo DVD recorders.

Utilizing expertise developed in packing design for PCs, they succeeded in reducing cardboard surface area by 18% while retaining shockproof properties of boxes, which won a Good Packaging Award following a PC box the previous year.[*2]

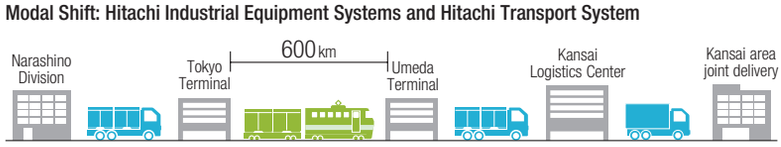
Hitachi Global Storage Technologies and Hitachi Transport System, Ltd. improved the durability of the outer boxes employed for transporting hard disk drives to overseas production sites by using reinforced cardboard and steel palettes, and affixing caps to the top and bottom of the boxes. As a result, outer boxes are now used four times instead of just once, reducing packaging waste by 80%. Changes made to the magazine case loading method and number of shock-proofing layers also improved loading efficiency and enabled the elimination of tape sealing.

*1. "Modal shift" refers to a shift in the modes of our cargo transport from trunk roads to rail and sea, which are more energy-efficient and low-pollution modes of transport. We are making greater use of rail and sea transport for trunk line transport in combination with trucks for transport to and from terminals.

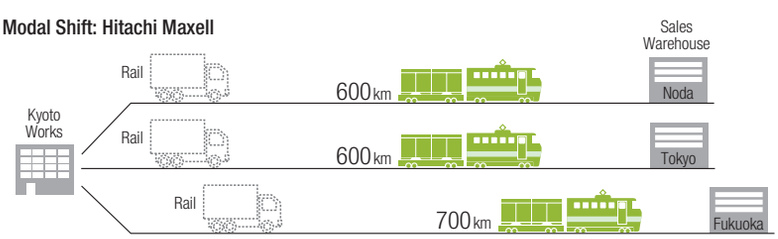
DVD recorder outer box

*2. Japan Packaging Institute Good Packaging Award winner (electronics and device packaging category)

Modal Shift: Hitachi Industrial Equipment Systems and Hitachi Transport System



Modal Shift: Hitachi Maxell



Eco-Factories
Global Warming Prevention

CO_2 Reduction Targets and Results

Japan

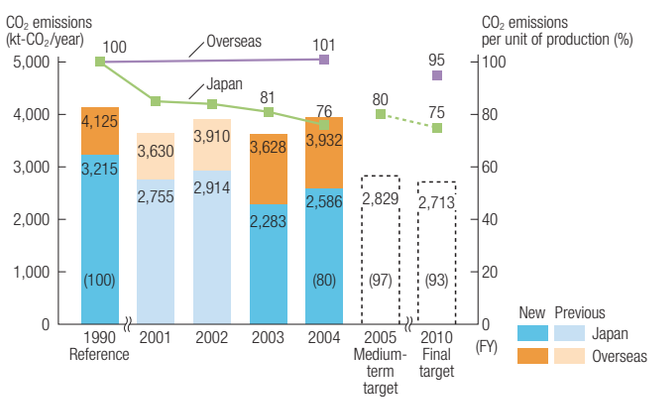
The Hitachi Group as a whole invested 5 billion yen in energy saving measures[*1] aimed at preventing global warming in fiscal 2004, resulting in energy consumption reduction equivalent to 260,000 kiloliters of crude oil.

The Hitachi Group's total emissions in Japan of CO_2—considered to be a major cause of global warming—amounted to 2,586 kt-CO_2 equivalent for fiscal 2004, a 20% reduction compared with the reference year of fiscal 1990, but 13% higher than the previous year's 2,283 kt-CO_2 equivalent, due to the addition of eight Type 1 Designated Energy Management factories as consolidated subsidiaries, a 13% increase in production volume, and the use of a different method of calculating the CO_2 equivalent of electric power. In the past we used a conversion factor calculated through linear extrapolation from the Federation of Electric Power Companies of Japan's projection for 2010, but from fiscal 2004, we are using the Ministry of Economy, Trade and Industry Industrial Structure Council's projection of 0.36t-CO_2/MWh, which provides a clearer picture of our efforts, and enables the calculation of CO_2 emissions without being influenced by yearly changes in conversion factor.

*1. Energy-saving investments: Costs of deployment of inverter-equipped pumps and fans, control devices for reducing the number of running devices, and control systems for monitoring electricity consumption and optimizing air conditioner operation.

*2. Industry organization targets: Voluntary CO2 emissions reduction plans of industry organizations to which Group companies belong.

Trends in CO_2 Emissions Per Unit of Production, and Total CO_2 Emissions



CO_2 emissions per unit of production have improved in Japan, dropping from 81% to 76% compared with the reference year.

The Hitachi Group has set the following two targets for fiscal 2010 in Japan.

1. A 7% reduction in total CO_2 emissions (compared to 1990)
2. A 25% reduction in CO_2 emissions per unit of production (compared to 1990)
   Plus achievement of industry organization targets.[*2]

To achieve these targets, we launched our CO_2 Emissions Reduction System in fiscal 2003. Under this system, we set annual emissions targets for all Type 1 Designated Energy Management factories, and rank the factories from A to D according to performance. This ranking serves as an objective indicator for the top management of Group companies, and has prompted an increasing number of companies to allocate more budget for energy-saving activities.

In fiscal 2004, the number of factories that achieved A rank increased from 26 to 32. These results are not only posted on the Group's intranet, but also reported to Group company management personnel. We have high hopes that this system will add momentum to CO_2 emissions reduction efforts.

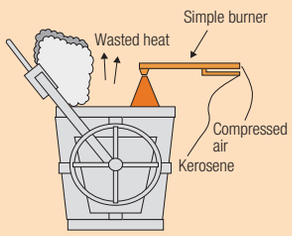
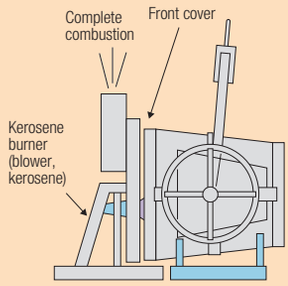
Overseas

Global warming is of course an issue that calls for a global response. Moreover with the migration of our production sites to overseas locations in recent years, our overseas CO_2 emissions have increased 1.3 times compared to fiscal 1990, prompting us to change overseas reduction targets as follows from fiscal 2004, using fiscal 2003 as a reference.

1. 5% reduction in CO_2 emissions per unit of production by 2010 (compared to fiscal 2003)

Due to expanded production and other factors, CO_2 emissions per unit of production for fiscal 2004 grew by 1% over the previous year.

Ladle Heating Device Compared with Earlier Methods

Type	Earlier (ladle heated from above)	Improved (ladle heated horizontally)
Heating method	Black smoke generated by incomplete combustion 	
Kerosene consumed (heating conditions)	100 liters per hour Heating time: 60 minutes per cycle	60 liters per hour Heating time: 20–60 minutes per cycle
Combustion status, work environment	Chance of accidental fires and black smoke due to incomplete combustion	Complete combustion

Examples of Energy Conservation

Improved Ladle Heating Method

Hitachi Metals Wakamatsu, Ltd. uses centrifugal and other casting methods to manufacture mill roll and injection molding machine parts.

The ladle, which is the container used in the process of manufacturing castings to carry molten iron with a temperature of at least 1,400°C, is usually lined with refractory (heat-resistant) bricks pre-heated to maintain product quality by preventing a loss of temperature by the molten iron. The versatility of simple manually operated kerosene burners makes them the usual choice for carrying out this preheating from above, but this method invariably results in energy losses from considerable wastage of heat, incomplete combustion, and excessive use of fuel. To resolve this issue, the Energy Conservation Subcommittee and other parties reconsidered the preheating process, and came up with an original design for devices that heat the ladle's brick lining from a horizontal position, and prevent incomplete combustion and overheating, resulting in a 56% reduction in kerosene consumption. The installation of seven such devices yielded total annual savings of 320 kiloliters of kerosene.

Energy Conservation Overseas

Hitachi Global Storage Technologies invested 180 million yen in energy conservation in fiscal 2004, resulting in energy savings equivalent to 3,100 kiloliters of crude oil. Of this, 600 kiloliters were saved by the Singapore plant raising the temperature of chiller water used in the clean room air conditioning system by 1°C without adverse impact on the clean room working environment.

Reducing Greenhouse Gases

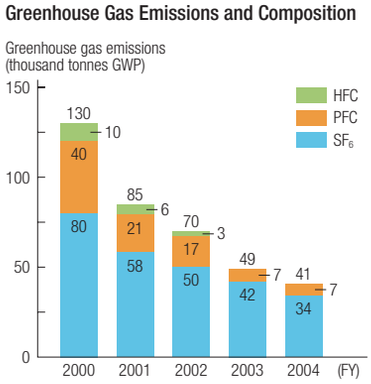
Manufacturing processes result in the discharge not only of CO_2 but also other greenhouse gases[*3] such as PFCs, HFCs, and SF_6. The Hitachi Group has eliminated the use of these three gases mainly from thin-film and high voltage breaker manufacturing processes, and continues to work on reduction of emission of such gases through using alternatives and installing abatement devices for converting these gases to less harmful substances.

In fiscal 2004, we installed five such devices and started using an alternative to SF_6, as a result of which we achieved the equivalent in CO_2 of 70,000 GWPt.[†] After considering the concept behind total emissions volume regulations, the Hitachi Group has established the following emissions reduction targets for SF_6:

1. Medium-term target: 30% reduction by fiscal 2005 (compared to fiscal 2003)
2. Long-term target: 35% reduction by fiscal 2010 (compared to 2003)

Ladle being heated by the new device

Greenhouse Gas Emissions and Composition



Use of Alternative Energy

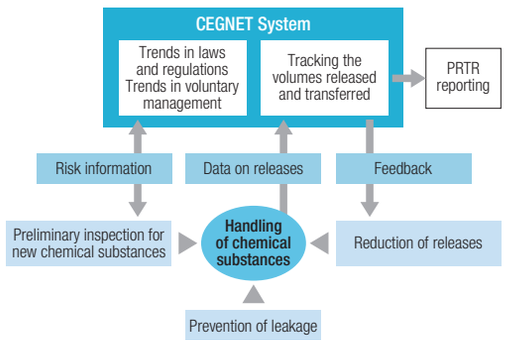
The Hitachi Group's use of solar and other alternative energy for fiscal 2004 amounted to 16,000 kiloliters (crude oil equivalent) in heating, and 74 million kWh of electricity, representing 4.3% of total heating, and 1.6% of total electricity consumed—about the same level as the previous year. We are also commissioning wind-generated electricity through the Japan Natural Energy Co., Ltd., and about 90% of the electricity consumed by the Hitachi Group's pavilion at the 2005 World Exposition Aichi is covered by this electricity.

みんなで止めよう温暖化
チーム・マイナス6%

Hitachi, Ltd. is participating in the "Team Minus 6%" nationwide citizens' campaign to prevent global warming.

*3. Greenhouse gases: CO_2, CH_4, N_2O, PFCs (perfluorocarbons), HFCs (hydrofluorocarbons, which are CFC alternatives), SF_6. The greenhouse effect of HFCs is 102 to 104 times that of CO_2.

Chemical Risk Management



Eco-Factories

Reduction of Chemicals

Chemical Risk Management

In 1998 we launched CEGNET (Chemical Environmental Global Network),[*1] an online system for the common management of chemicals by Group companies in Japan.

When considering the introduction of a new chemical, we collect information about its hazardous properties, as well as related laws and regulations, etc., and the Special Committee for Chemical Substances assesses the pros and cons of using the substance. When using hazardous chemicals controlled by laws and regulations, we also work closely with the related departments at each facility, including those in charge of design, manufacturing, and purchasing, to ensure proper management.

Survey of Substances Under the PRTR Law

The Hitachi Group collects data on all substances that it handles in amounts of 10 kilograms or more per year, even if the amount is below the minimum for mandatory reporting under Japan's Pollutant Release and Transfer Registers (PRTR) Law (known formally as the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of Improvement of Their Management), which entered into force in April 2001. We monitor all discharges into the atmosphere and public waters, as well as transfers such as removals in the form of waste from facilities, and as effluent into sewerage systems.

During fiscal 2004, we used a total volume of 230,000 tonnes of chemicals, comprised of 127 of the 354 groups subject to the PRTR Law. The amount released and transferred was 1.4% of the total amount handled, the top three substances in terms of emissions being toluene and xylene (components of paints), and ethylene glycol monoethyl ether (used as a plastic solvent). In total, 108 facilities submitted reports to local governments as required under the PRTR Law.

Voluntary Controls to Reduce Environmental Impacts

In addition to the above chemicals, we voluntarily control the release or transfer of 1,400 substances, classifying them as substances to "prohibit," "reduce," or "control." We set a target of reducing the total releases of the substances in the "reduce" category[*2] by 70% in fiscal 2005 compared to fiscal 2000, and have been working to achieve this target, our efforts resulting in reductions by 44% in fiscal 2004. In the future, we will work to reduce emissions of SPM[*3] and photochemical oxidants[*4] through extending voluntary control to alcohol and other VOCs (volatile organic compounds) not governed by the PRTR Law.

Preventing Pollution of Soil and Groundwater

We are working to improve controls to prevent the leakage of chemical substances by converting un-

*1. CEGNET: Chemical Environmental Global Network

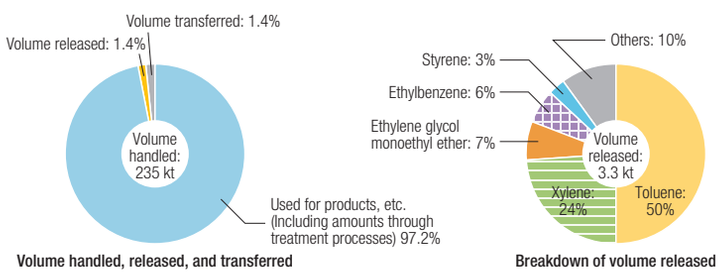
*2. "Reduce" category substances: Substances classified by the Hitachi Group as "prohibited" and "reduce," plus substances selected by individual facilities

*3. SPM: Suspended particulate matter—particles with a diameter of 10 microns or less that are suspended in the atmosphere

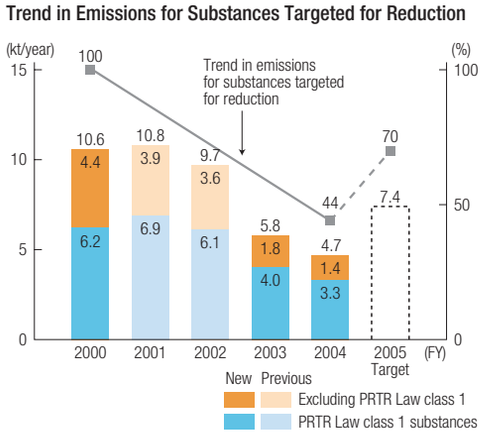
*4. Photochemical oxidants: Ozone, peroxyacetyl nitrate and other oxidants created from photochemical reactions (limited to substances that separate iodine from neutral potassium iodide, and excluding NO2)

*5. PRTR: Pollutant Release and Transfer Register. 354 groups of substances (Attached list 1 of related Cabinet Order) are subject to Japan's Pollutant Release and Transfer Registers (PRTR) Law (known formally as the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of Improvement of Their Management) established in 1999.

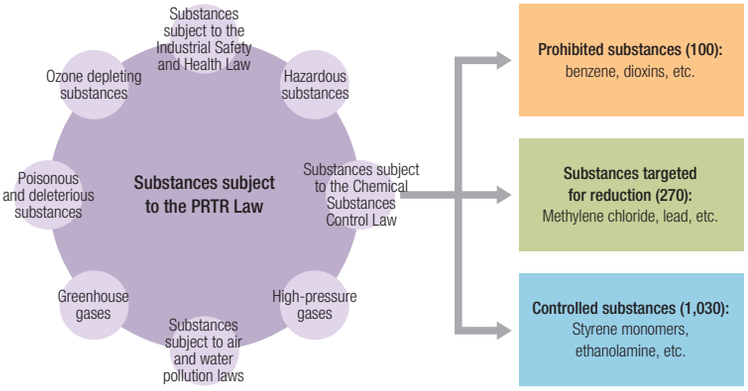
Survey Results for Substances Covered Under Japan's PRTR Law[*5] (Volume of releases and transfers in FY2004)



Trend in Emissions for Substances Targeted for Reduction



Substances Subject to Voluntary Control



PRTR Law: Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of Improvement of Their Management (Pollutant Release and Transfer Registers (PRTR) Law)
High-pressure gases: High-Pressure Gas Safety Law
Hazardous materials: Fire Service Law
Health and safety law: Industrial Safety and Health Law
Chemical Substances Control Law: Law Concerning Examination and Regulation of Manufacture and Handling of Chemical Substances
Air & water pollution laws: Air Pollution Prevention Law, Water Pollution Prevention Law
Poisonous and deleterious substances: Poisonous and Deleterious Substances Control Law
Ozone depleting substances: Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures (Ozone Layer Protection Law)
Greenhouse gases: Law Concerning the Promotion of the Measures to Cope with Global Warming

derground piping, pits and tanks to above-ground facilities, and conducting thorough inspections. For underground tanks that have still not been moved above-ground, we work to prevent leakage by performing thorough inspections, including ultrasonic tests and measures to prevent corrosion.
At about 90% of the approximately 200 sites that have been prohibited from use due to contamination, either clean-up operations have been completed or we have confirmed that no problems remain. At the remaining sites, we are continuing with clean-up measures, and at sites where clean-ups have been completed, we are continuing to monitor groundwater quality.

Storage of PCB-Containing Devices

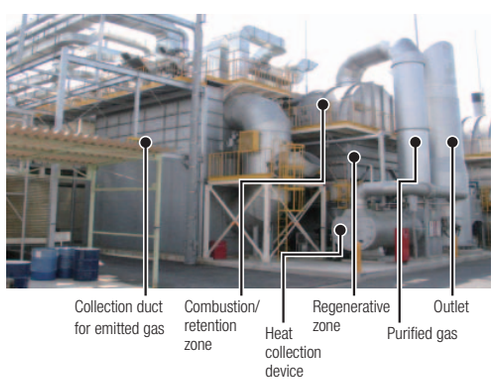
Japan's Law Concerning Special Measures Against PCB Waste stipulates that polychlorinated biphenyl (PCB)[*6] waste from used insulation oil, must be stored under strict control and properly disposed of by July 2016. The Hitachi Group will continue stringent PCB waste storage controls to prevent loss of any stored PCB waste during long-term storage by putting them under lock and key and by using individual identification of each unit. We also take preventive measures against leakage in the event of equipment breakage by creating berms and using special storage containers. Concurrently, we are developing proper disposal plans concerning such stored PCB waste.

Reduction of Released Chemicals (Hitachi Chemical Group)

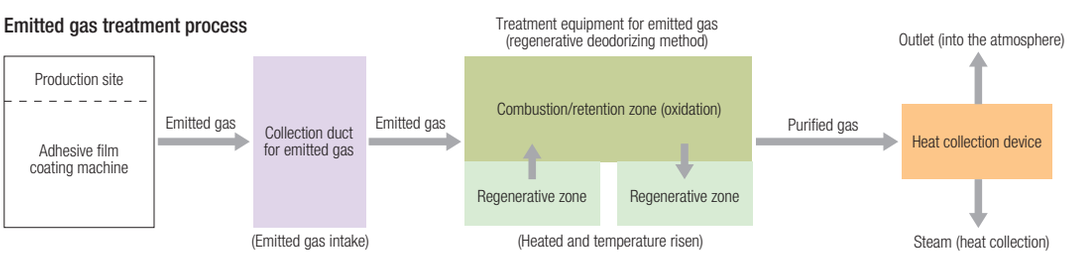
Hitachi Chemical Group is implementing sustained efforts to reduce the amount of chemicals released at Group facilities. The amount released into the atmosphere in fiscal 2004 was 2,400 tonnes, representing a 64% reduction over fiscal 2000. In fiscal 2005, the Group is aiming to increase this reduction to 70% of the fiscal 2000 total.
As one initiative aimed at reducing atmospheric emissions in fiscal 2004, Hitachi Chemical's Goshomiya Works installed a thermal storage burner for treating gaseous emissions of the toluene-based solvent from the adhesive film coating machines. This yielded a reduction in toluene emissions of 1,000 tonnes compared to fiscal 2003.

This treatment equipment for emitted gas collects all solvent gas from drying furnaces and local exhaust, feeding it through collection ducts into a thermal storage burner where it undergoes complete combustion at high temperature to create a clean non-hazardous discharge that is released from an outlet into the atmosphere. A heat collection device is used to recover the heat generated from combustion as steam.
To comply with VOC regulations in fiscal 2005, Hitachi Chemical will extend its use of treatment equipment for emitted gas, and implement further reductions through voluntary control efforts.

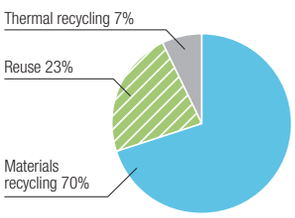
*6. PCBs: Oily substances whose manufacture and import is banned in Japan due to their toxicity. PCBs have been placed in long-term storage, but instances of PCBs in storage going missing have led to concerns about environmental pollution. A law that entered into force in July 2001 requires the proper disposal of these substances by June 2016.



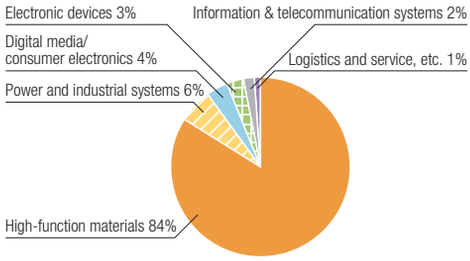
Emitted gas treatment process



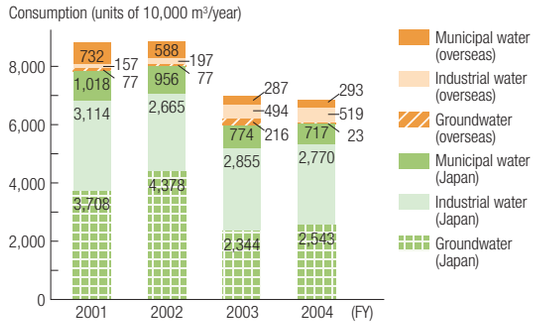
Breakdown of Recycling Methods



Breakdown of Final Disposal Volume by Type



Trend in Volume of Water Usage



Eco-Factories

Waste Reduction and Efficient Use of Water Resources

Reduction of Final-Disposal Waste

The Hitachi Group is working to reduce the amount of waste going to final disposal sites[*1] by promoting the "3Rs" of reduce, reuse and recycle. Our targets were to reduce waste volume to below 80% of fiscal 1998 levels by the end of fiscal 2005, and below 70% by the end of fiscal 2010. In fiscal 2004, we achieved a reduction to 62%, which means that from fiscal 2003, we have achieved the 2010 target two years in succession, and we are accordingly considering the setting of a new target.

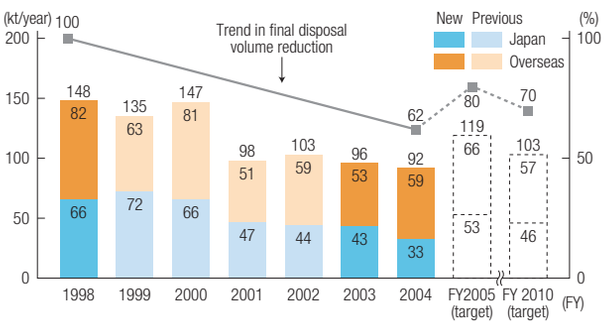
The Hitachi Group defines "zero emissions"[*2] as having "1% or less of the total waste generated in a given fiscal year going to final disposal sites, and the volume going to final disposal of less than 5 tonnes per year," and is working to achieve this objective. During fiscal 2004, the number of facilities achieving zero emissions rose by 29, making for a total of 71.

*1. Final disposal site waste: Waste disposed of through landfill after incineration and other treatment

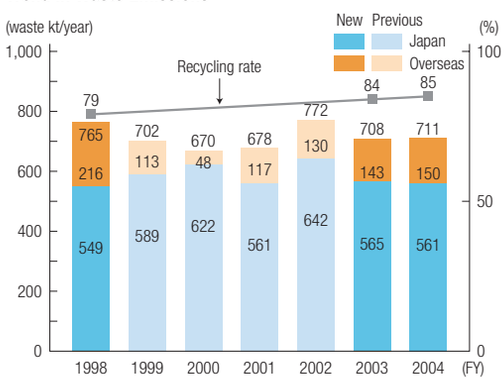
*2. Zero emissions: Recycling resources to reduce waste generated in the process of production to as close as possible to zero. Different companies might have differences in the exact definition.

Practical waste management education through small classes

Trend in Final Disposal Volume Reduction



Trend in Waste Emissions



Building a Recycling Network

Hitachi, Ltd.'s Industrial Systems and Power Systems groups have joined hands with Tokyo Eco Recycle Co., Ltd. to build a network for recycling electrical goods such as control panels that are generated by reconstruction work. Up to now most of such goods have been sold on both domestic and overseas markets as scrap metal, but Tokyo Eco-Recycle dismantles them by hand, and recycles 90% of the components. While this is costly, we feel that it is important from the viewpoint of reducing the risk of illegal disposal or resale.

Each and every facility is implementing waste reduction measures tailored to the nature of their business. Hitachi Metals, Ltd. has deployed equipment for recycling waste plastic, and is now recycling not only its own, but also customers' and other waste plastic to produce plastic raw materials. At Hitachi Global Storage Technologies Inc.'s Thailand plant, alcohol-impregnated cloth, a clean room waste product, is recycled as a fuel for a cement factory.

Education in Appropriate Waste Treatment

The Hitachi Group puts priority on education for managers to ensure that waste is treated appropriately and avoid the risk of involvement in illegal treatment or disposal. Particularly at Hitachi, Ltd.'s Hitachi Works, where much waste treatment is outsourced, practical training is given, followed by a test, and successful candidates are certified as Environmental Officers. In fiscal 2004, 90 personnel were certified in this way.

Efficient Use of Water Resources

We are making efforts to reduce our consumption of industrial water by such measures as recycling cooling water and improving production efficiency. Hitachi Displays, Ltd., for example, has introduced equipment for ion exchange, reverse osmosis, and ultrafiltration. Through such initiatives, water consumption by the Hitachi Group in fiscal 2004 was down to 78% of the level in fiscal 2001.

Worldwide Stakeholder Collaboration

Our stakeholders include not only the customers who constitute the basis for our activities, but also local communities in which our facilities are located, the shareholders and investors who help us to carry out our business, our suppliers who are equal partners in business, and our employees, without whom Hitachi can not function. The Hitachi Group aims to work with all of these stakeholders to create a sustainable society, and to build the partnership for such collaboration, we put priority on the disclosure of information, dialog, and activities as a global citizen.

From top:
Eco-Products International Fair 2004, elementary school tour to Hitachi Central Research Laboratory, Environmental Town Meeting

Global Information Disclosure

Booth at Eco-Products International Fair 2004

The Eco-Products International Fair 2004, the first Eco-Products Exhibition in an Asian country other than Japan was held from September 2 to 4, 2004, in Malaysia.[*1] Under the theme of "Next Eco—Together with Hitachi," the Hitachi Group participated along with about 80 other companies and organizations from throughout the world, introducing its Malaysian sites, and exhibiting such eco-products as printed-wiring board material adapted for the lead-free solder process, and amorphous materials.

*1. Eco-Products International Fair 2004 held in Malaysia by the Asian Productivity Organization (APO), Federation of Malaysian Manufacturers (FMM), and National Productivity Corporation (NPC), Malaysia

Dialog

Environmental Town Meetings

From fiscal 2001 we have held Environmental Town Meetings[†] as forums for dialog with stakeholders on environmental matters. In fiscal 2004, the venue was Hitachi, Ltd.'s manufacturing base in Ibaraki Prefecture. Participants from the local community were given a tour of Hitachi's Mito Works, while Hitachi personnel answered questions from participants and listened to their candid views on stakeholder collaboration.

This dialog made us realize that although we had long been operating on the large property for years, we had not done enough to inform the local community about the production and environmental management activities being carried out within the Mito Works.

In the future, we plan to take a long term view and develop closer communication with the local community.

Activities as a Global Citizen

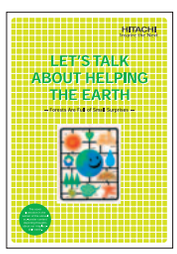
Local Community Access to Natural Spaces on Company Grounds

Hitachi founder Namihei Odaira was fond of saying, "Do not disturb good trees; build around them." In the spirit of those words, we do our utmost to conserve the natural environments of our facilities, and open them up to the local community.

For example, when Hitachi, Ltd. built its Central Research Laboratory in Tokyo, in 1942, it made every effort to conserve the natural environment within the premises, and about 27,000 trees and bushes now fill the gardens, which also boast a natural spring that feeds into the Nogawa River. Swans inhabit the large pond, and the woods support a rich diversity of birdlife. Opened to the public twice yearly, the gardens receive about 3,500 visitors a year, and are also used as a location for elementary school social studies tour groups.

Education—"Let's Talk About Helping the Earth"

In March 2004, we distributed "Let's Talk About Helping the Earth" to 200,000 households of Hitachi Group employees and local communities to communicate our "Eco-Mind" concept to children. In 2005, we issued "Let's Talk About Helping the Earth: Forests are Full of Small Surprises," which seeks to nurture interest in nature through describing the roles played by forests, and introducing the natural environments to be found in the Hitachi Group's properties and the means used to conserve them.



Educational booklet:
Let's Talk About Helping the Earth

WEB
http://greenweb.hitachi.co.jp/en/pdf/forests-surprise.pdf

Support for School Education

We feel that it is important for corporations to communicate how they are helping to protect the global environment to the younger generation. Hitachi, Ltd. supports the general studies curriculum of middle schools by opening its doors for visit from groups of middle school students. In fiscal 2004, six students from Itabashi Ward Shimura No. 4 Middle School in Tokyo visited the company, where they were introduced to Hitachi's key environmental policies, environmental measures related to manufacturing, technologies for preventing global warming, and also paper recycling methods.

WEB
Environmental Town Meeting
http://greenweb.hitachi.co.jp/stakeholder/townmeet04.html
(Only in Japanese)

Sustainable Business Models

The Hitachi Group is committed to the creation of sustainable business models—businesses with a good balance between economy, society and the environment. We have already created and are promoting business models for a recycling-oriented society, with a focus on the concepts of "reduce, re-use and recycle." We have also established a Sustainable Business Committee, and by sharing information among the affiliated companies of the Hitachi Group, we are pursuing new business models to lead the way to a sustainable society, including through technology, research and development.

Resource Recycling Models

95% PVC Recycling [Hitachi Cable Group]

WEB
Hitachi Cable
Discarded electric wire & cable collection network & recycling system
http://www.hitachi-cable.co.jp/eco/recycle.htm
(Only in Japanese)

WEB
Tokyo Eco Recycle Co., Ltd.
http://www.tokyo-eco.co.jp/
(Only in Japanese)

The Hitachi Cable Group has played a pioneering role in the establishment of a business model for the recovery and recycling of used electric wire and cable such as from construction sites.

The company first launched its recycling technology for discarded electric wire and cable in 1972, when it established a system for the recovery, pulverization and re-making of conductors from copper and remaking of pellets from insulation materials. The collection of discarded electric wire and cable was expanded across Japan in 2000, and today there are six collection points located throughout the nation from Hokkaido to Kyushu.

After the electric wire and cable is recovered, it is sorted, then thick cable is disassembled, thin wire is pulverized, and the scraps are then separated into copper and insulation materials.

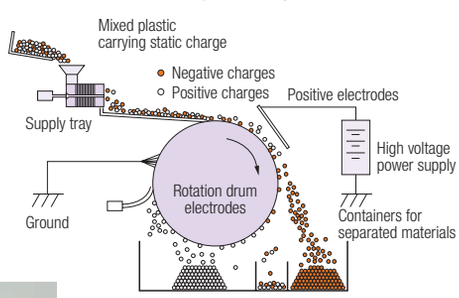
Methods used for separation of insulation material include the use of a gravity separation method that takes advantage of different material densities, and an innovative electrostatic separation method, the first in this industry, that exploits different electrostatic charges between different materials. With these methods, we have achieved a recycling rate of 95% for PVC material.

Computer Recycling Service Offers Information Security [Tokyo Eco Recycle Co., Ltd.]

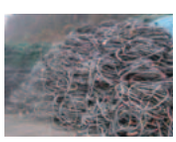
Tokyo Eco Recycle Co., Ltd. was established in 1999 as a corporate response to Japan's Law for Recycling of Specified Kinds of Home Appliances. In fiscal 2004, its rate of recycling for four consumer electronic goods of commercial value (televisions, refrigerators, washing machines and air conditioners) exceeded the government standards by a wide margin, and the company achieved zero emissions to the landfill for the third consecutive year. In 2005, the company won the 9th Honda Prize for Recycling Technology Development, for achieving zero emissions in the household electrical appliance recycling division.

In recent years, this company has been concentrat-

Electrostatic Separation System



Recycling Process of Discarded Electric Wire & Cable


Pile of recovered electric wire & cable


Disassembling of insulation materials

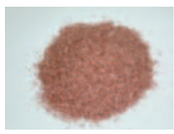

Nugget insulation materials

Discarded electric wire & cable → Collection → Sorting → Nugget → Insulation materials → Separate → Refine → Recycle
Sorting → Disassemble → Copper → Recycle

Features
Collection from typical construction sites:
Surplus electric wire & cable after new construction
Discarded wire & cable after demolition


Sorting electric wire & cable


Vibration-induced separation by density


Copper nuggets

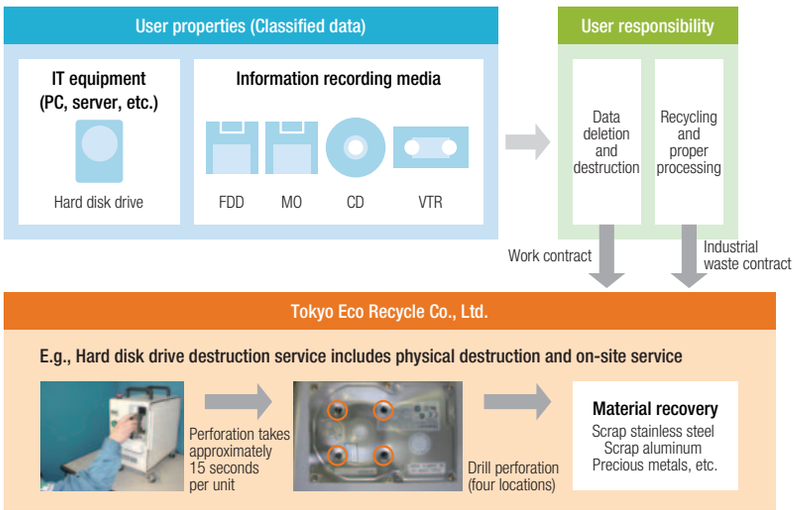
ing on the recycling of personal computers. Since it is critical to prevent the leakage of data that remains in hard disk drives, the company introduced a data leakage prevention service that uses secure methods to disassemble equipment. This service can also be offered directly at the customer's office. A special workroom was set up in the factory with a finger vein authentication system and other devices installed for security control, where personal computers are processed and recycled. After the processing stage, materials are recycled into metals and plastics, etc., by means of a recycling system similar to one used for household electrical appliances. Besides hard disk drives, a similar process is used for media such as floppy disks, electromagnetic tape and CD-ROMs.

Energy Circulation Model

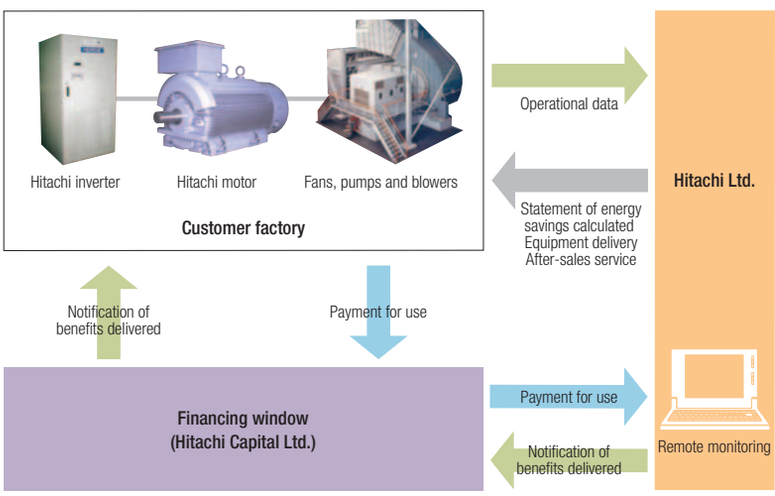
Energy-Saving Service Solution [HDRIVE]

Hitachi, Ltd. is building a business based on "HDRIVE," a service that helps industrial customers conserve energy without paying any initial costs. Hitachi offers to install inverters and high-voltage motors in fans, pumps and blowers at customer facilities free of charge, for equipment in which energy-saving can be expected. Under a ten-year contract, a fixed percentage of the cost savings generated from monthly energy savings is applied as a service charge. The amount of energy saved is calculated from the equipment's operating data, measured by monitoring device. HDRIVE also offers a new financing approach that emphasizes the customer's cash-flow and helps reduce investment risks when customers change their operations. At the Eco-Products 2004 Exhibition, the HDRIVE was awarded the Chairperson's Prize of Eco-Products Awards 2004 (in the services category) as an innovative and environmentally-conscious service. By the end of fiscal 2004, the HDRIVE service had been introduced in 50 cases.

Processing and Recycling Devices/Media Containing Confidential



Outline of "HDRIVE" System



Business Contributing to a Sustainable Society

Monorail Development [Chongqing City, China]

Many cities in the world need new transportation systems that can mitigate traffic congestion while also being environmentally friendly. As one answer, Hitachi has developed and constructed straddle-type monorail systems, and has accumulated about 40 years of experience since the opening of the Tokyo Monorail.

In the city of Chongqing in China 13.7 km of this type of system began operating in June 2005. Due to the rapid growth in automobile use, traffic jams and air pollution have worsened year-by-year in the city. The straddle-type monorail system helps to combat these problems, and is being considered an important new type of urban traffic system. Construction for a monorail is in progress on Sentosa Island in Singapore and slated for operation in 2006.

Straddle-type monorail (Chongqing City, China)

From Ubiquitous Technology and Clean Energy to Environmental Assessment (Environmental Technology Display in Hitachi Group Pavilion at the 2005 World Exposition)

WEB
EXPO 2005
"The Hitachi Group Pavilion"
http://hitachi-pavilion.com/index.html

At the 2005 World Exposition in Aichi, Japan (March 25–September 25, 2005), the Hitachi Group presented an exhibit at the Hitachi Group Pavilion. In line with the Exposition's main theme, "Nature's Wisdom" and Hitachi's concept in pursuit of "realizing a ubiquitous information society through the use of sophisticated IT," this pavilion introduces environmental solution technologies.

The Hitachi Group Pavilion Exterior

The theme of the Hitachi Group Pavilion's exhibition is "Nature Contact—Interacting with endangered animals brought back to life by Hitachi IT." It is an "experiential zone" where rare endangered animals on the verge of extinction are revived with images, and visitors can "interact" with these animals. The personal information viewer in the pre-show is equipped with fuel cells designed for mobile devices. The fuel cells use methanol as fuel and cause hydrogen ions to react with atmospheric oxygen to generate electricity. Quiet and vibration-free, they emit only carbon dioxide and water vapor. Hitachi is currently developing an electrolyte membrane that will prevent the release of water particles.

Bifacial photovoltaic solar modules were installed on the pavilion exterior. The pavilion's energy is partially sourced from the energy generated by the modules. Because light can be received efficiently from both sides, the amount of power generation is 1.3 times that of conventional modules.

Moreover, about 90% of the electric power used during the operation of the Hitachi Group Pavilion is sourced by wind power, utilizing "green power" procured through the Japan Natural Energy Company Limited.

We plan to recycle 100% of four of the pavilion materials (concrete, asphalt, structural wood, and steel) after the exposition closes. For other materials, we plan to recycle more than 95% of the material.

We predict that the environmental approach taken for this pavilion will result in a 441-tonne reduction in CO_2 emissions (about 60%) compared to the use of conventional methods.

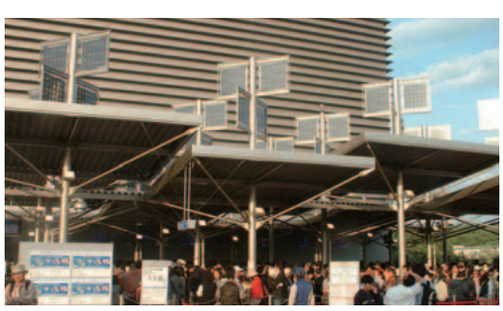
This estimate was done using an "assessment solution" for environmental impacts developed by Hitachi, Ltd. called SI-LCA. SILCA, or System Integration–Life Cycle Assessment, calculates and assesses the environmental load (CO_2 emissions) at each stage—covering all the service stages, from design and development until a product is recycled.

For example, the zone where visitors take rides was evaluated as follows. First of all, dioramas in most theme parks use FRP*1 in the background scenery and robots are made to move. The Hitachi pavilion had backgrounds molded from polyurethane and the images of animals were produced by computer graphics, with the images instantaneously synthesized into the diorama background based on sensor location information introduced through MR (Mixed Reality) technology.

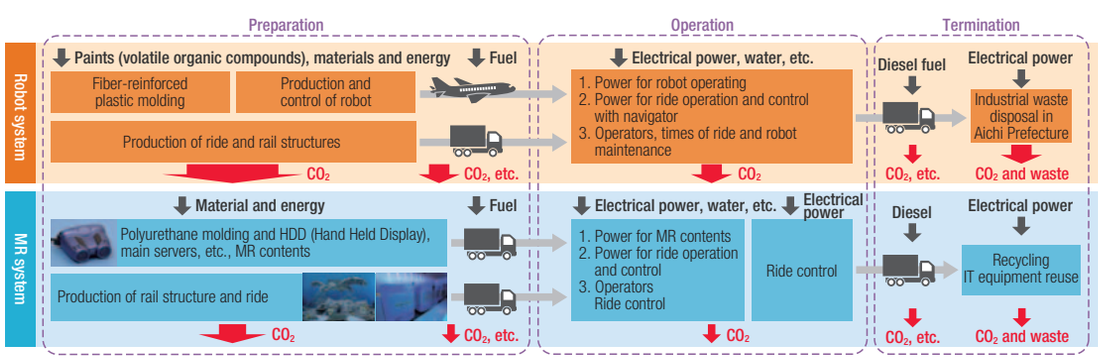
In other words, reproduction and recycling of the pavilion are facilitated because there is no need for the energy to power any robots or any need for maintenance. As a result, the CO_2 emissions were lower by 367 tonnes than had we used a conventional system. This is equal to the electrical power usage of 70,000 households in one day.

Finally, a 0.4-square-millimeter radio frequency identification (RFID) IC chip, known as the "μ-Chip," was used for the ticket admissions system at the EXPO 2005. When compared to the conventional system of tearing ticket stubs to track attendance, the SI-LCA assessment estimated a 27-tonne reduction in CO_2 emissions.

*1. Fiber-reinforced plastic. After being molded plastic is then strengthened using fiber and resin.


Bifacial Photovoltaic Solar Module


Personal Information Viewer equipped with fuel cells



Example of Environmental Assessment of the Hitachi Group Pavilion Using SI-LCA (System Integration–Life Cycle Assessment)

next **eco**

Action Plan for Fiscal 2005

Another Step toward Sustainable Society

Hitachi's Environmental Vision for 2015

Hitachi's present Environmental Vision (Sustainability Compass) is our vision for the year 2010. During fiscal 2005, we will be reviewing the scenarios of our Environmental Vision and considering concrete plans to accomplish our goals by 2010, as well as long-term plans for 2015.

Introducing an Environmental CSR-Compliant Monozukuri (PLM and Total SCM) System

Hitachi is developing the Integrated Management System for Chemical Substances Contained in Products based on the approaches in the Environmental CSR-Compliant Monozukuri Standards (see p. 14–15). We intend to completely introduce the system by June 2006 for products that must comply with the European Union's RoHS Directive,† and also aim to apply the system to other products during fiscal 2006, in an effort to achieve integrated management of chemical substances in Hitachi Group products.

Toward the Achievement of New Objectives

- **Improvement of Environmental Efficiency and the Expansion of Eco-Products**

  We have established concrete targets to be achieved by 2010 concerning the improvement of environmental efficiency of products and the expansion of Eco-Products. These objectives will be extended to cover all of the Hitachi Group's business groups and affiliated companies, and the scope will be will be expanded to 37 target products.

- **Support for the Environmental Initiatives of Suppliers**

  To help all of our main suppliers strengthen their environmental protection activities, we are supporting their efforts to acquire ISO 14001 and other third-party environmental certification by the end of fiscal 2006.

- **Improving the Efficiency of Product Delivery**

  We are promoting initiatives to improve transport efficiency and to implement modal shifting. We have set a target of reducing CO_2 emissions from the transporting of products by 10% from fiscal 2000 levels by fiscal 2010.

Third-Party Comment on the Hitachi Group CSR Report 2005

We encourage the Hitachi Group to make some improvements in the self-assessment system relating to corporate social responsibility (CSR), while continuing the various efforts covered in this report.

The Valdez Society
(From left: Mr. Kojiro Tanaka, Mr. Yasunobu Okada, Mr. Yoshiki Midorikawa and Mr. Tamio Yamaguchi)

• Hitachi's positive approach is evident in this first CSR Report, which evaluates the current status and indicates the Group's future orientation. The report attempts to refocus on the company's Fundamental Credo from the viewpoint of CSR, with a view to enhancing efforts to implement concrete actions. Through this, Hitachi demonstrates one possible approach to address CSR. Perhaps there is still room for progress, however, by more systematically linking together key components: the company's vision for the future, self-assessments relating to CSR, and the implementation of the eight points of the CSR Policy.

• What draws our attention in this report is the implementation and disclosure of CSR self-assessments at a level of excellence that we have not yet seen in other corporations. The results displayed on "radar charts" are high in most areas, but we wonder whether any Japanese corporation today can be rated so highly on CSR criteria. We encourage the Hitachi Group to increase the reliability of the evaluation by clarifying such aspects as the methodology of assessment and the evaluating team members, and continue their efforts while working to improve the CSR system.

•In regard to the Hitachi Group's environmental efforts, it is apparent that there are steady activities in accordance with the EcoValue Plan 2010. Moreover, "GREEN 21," a unique system that evaluates the Group's environmental performance, creates incentive and is strongly commended for its practical approach.

• For further progress, we urge the Hitachi Group to explore the issue of developing an eco-management index that combines "GREEN 21" with an environmental efficiency rating and a financial index.

• We commend the Group's proactive approach toward using information tools for handling chemical substances. Since a reduction in the amounts of chemicals used is the main issue here, however, in the future it will also be important to mention chemical-related policies and strategies, as well as achievements over time.

• We encourage the Hitachi Group to consider issues such as "Worldwide Stakeholder Collaboration" and "Sustainable Business Models" from a wide perspective, as concepts that involve all aspects of the environment, society and economy.

Response from Hitachi, Ltd.

We will clarify our collective CSR vision in terms our approach to the economy, environment and society, centering on the CSR Policy of the Hitachi Group. With regard to self-assessments, for the current report, we mainly covered the activities of Hitachi, Ltd., with consideration of survey results from third-party assessment organizations, in order to identify the areas where we should focus our attention. In the future, besides improving the accuracy of assessments, we will also make an effort to improve the coverage of all Group companies, and to raise the level of these activities for the entire Hitachi Group.

Regarding environmental aspects, we will consider compatibility with our overall CSR concepts as we review our Environmental Vision and long-term plan during fiscal 2005.

†Glossary

Nature-friendly Products & Eco-factories
One theme of the Hitachi Group's Environmental Vision relating to the manufacturing of environmentally friendly products.
→P. 38, 39, 40, 41, 42, 49

Eco-mind & Management
One theme of the Hitachi Group's Environmental Vision relating to environmental education and awareness-raising for employees and their family members, and environmental management activities.
→P. 38, 39, 40, 42, 46

Environmental Town Meeting
A meeting where the Hitachi Group and stakeholders exchange opinions regarding environmental activities.
→P. 39, 41, 43, 57

Sustainable Business Models
One theme of the Hitachi Group's Environmental Vision relating to the development of business models that help create a sustainable society through products and services for businesses that incorporate resource recycling, businesses that support the recycling industries, as well as systems that promote sustainable energy use.
→P. 38, 39, 41, 42, 58

Worldwide Stakeholder Collaboration
One theme of the Hitachi Group's Environmental Vision relating to the fostering of common values together with the creation of a sustainable society through communications with stakeholders.
→P. 38, 39, 41, 42, 57

Life Cycle
The planning of a product from manufacturing to utilization, and all stages in between until the item becomes disposed or recycled (materials, production, distribution, use, collection, disassembly and proper processing).
→P. 14, 21, 31, 38, 49

I look forward to seeing the results of Hitachi's commitment, particularly on the social dimension, to help build a sustainable society.

Reitaku University Professor
Iwao Taka

In this report, all activities of the Hitachi Group are organized and presented from the viewpoint of CSR.

The Hitachi Group will have a significant impact on the rest of the world when all 340,000 employees take an earnest approach toward CSR. In that sense, I feel that the management approach expressed in Hitachi's catchphrase—"Society Changes. Hitachi Transforms It."—is a concept of not only accomplishments in technology and product development, but also the building of a sustainable society itself.

This approach can be understood from the angle of the CSR Policy and implementation schemes, but what I notice the most is the practical approach of the Group in regard to compliance with laws and regulations. Because it does a large amount of work with the public—sector due to the nature of its business, Hitachi could face risks relating to antitrust violations. Also, because of the global scale of its operations, Hitachi could face other risks, involving kick-backs to government officials in developing countries, for example. The Hitachi Group strives to confront these issues directly, by implementing trainings and auditing with these risks in mind. This report shows the Group's commitment to these efforts.

The examples of activities, arranged according to stakeholder, are full of positive implications. Particularly, efforts to boost competitiveness by effectively utilizing information obtained through dialogue in product development are commendable. These appear to be indispensable for the continued implementation of CSR.

If I could suggest any possible improvements relating to social reporting, it would be to clarify Hitachi's intentions for future efforts. Because this report focuses on introducing the Hitachi Group's CSR activities to date, the future direction is not clearly mentioned. In future editions, while treating this as a status report on CSR activities, Hitachi could at the same time use it to express the Group's commitment to the future. For instance, the report could identify issues to take on as challenges, such as career development, diversity, green procurement, fund accumulation for future soil remediation, etc., and indicate target years and benchmarks. If each report then described progress in these endeavors, they would be more straightforward for readers to understand.

Response from Hitachi, Ltd.

For this first CSR report, we mainly focused on describing Hitachi's CSR concepts, which are based on the founding spirit of the company, and on describing our activities to date. From the next fiscal year onward, besides the historical reporting, we would like to increase the coverage of the various activities of our more than 1,100 Group companies, such as compliance and communications, and we would like to indicate the corporate direction more concretely. As we put the CSR Policy of the Hitachi Group into practice, we will clarify our plans to achieve objectives, while continuing our dialogue with various stakeholders.

GWPt
Global warming potential (global warming coefficient, in CO_2 equivalent tonnes). Converted to amount of CO_2 (t) by multiplying greenhouse gas emissions by the global warming coefficient. The global warming coefficient shows the extent of impact on global warming from a greenhouse gas, compared to the equivalent amount of CO_2.
→P. 45, 53

ODPt
Ozone depletion potential (ozone depletion coefficient in CFC equivalent, in tonnes)
→P. 45

PBB
Polybrominated biphenyl, a type of specified brominated fire retardant.
→P. 40, 49

PBDE
Polybrominated diphenyl ether, a type of specified brominated fire retardant.
→P. 40, 49

RoHS Directive
Directive of the European Union on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment. Targeting electrical and electronic equipment, it prohibits the use of six substances in any product sold in the EU on or after July 1, 2006. There are currently 25 member countries in the EU.
→P. 14, 31, 40, 42, 49, 50, 61

Data on hitachi green web

You can find more details are available on hitachi green web.
http://greenweb.hitachi.co.jp/en/data

Category		Activity	Related page	Data provided on hitachi green web
Company Profile			P. i	List of Companies Covered by Report (Environmental Impact Data Covered)
			P. 2–3	Overview of Financial Results in FY2004
next eco	Environmental Activities of the Hitachi Group		P. 39	History of Activities
			P. 39–40	Action Plan and Results of FY2004
			P. 42	Green Point Average: Results and Targets
			P. 44–45	Environmental Impact Data for Corporate Activities (FY2004)
	Eco-mind & Management	Environmental Management System based on ISO 14001 Certification	P. 46–48	Status of ISO 14001 Certification
				ISO 14001—accredited production site list
		Environmental Education	P. 48	Current and required numbers of legally qualified personnel
		Environmental Accounting	P. 47–48	Expenses, Investment, Effect, Efficiency of Environmental Impact Reduction
				Cost Breakdown Ratio by Industry Segment
				Investment Breakdown Ratio by Industry Segment
				Investment Breakdown Ratio by Industry Segment
				Economic Effect Breakdown Ratio by Industry Segment
	Nature-friendly Products & Eco-factories	Eco-Products	P. 49–50	Eco-Product Registration Trends
				List of Eco-Products and Data Sheets
				Environmental Efficiency of Products
				Analysis Guidelines on Substances covered by the EU's RoHS Directive
		Decrease in Transportation Load	P. 51	State of Transportation Load
				Ratio of Low-emission Vehicles for the Total Number of Company-owned cars
				Commission Volumes for Containers and Packaging
		Prevention of Global Warming	P. 52–53	Trends in CO_2 Emissions Per Unit of Production, and Total CO_2 Emissions
				CO_2 Emission by Industry Segment
				Trends in Composition of Energy Use
				Trends in Emissions and Composition of Greenhouse Gases
				Volume of New Energies
		Chemical Substance Risk Management	P. 54–55	Survey Results for Substances Covered Under Japan's PRTR Law
				Investigation Results of PRTR Law
				Ratio of Volume Handled, by Industry Segment
				Ratio of Emission and Transfer Volume, by Industry Segment
				Trend in Emissions for Substances Targeted for Reduction
		Waste Reduction	P. 56	Trends in Final Disposal Volume Reduction
				Breakdown of Final Disposal Volumes, by Industry Segment
				Breakdown of Final Disposal Volumes, by Type
				Trends in Waste Emissions (Recycled and Reduced Volume)
				Zero Emission Sites
				Flowchart for the Treatment of Waste and Reusable Waste Products
				Breakdown of Recycling Methods
	Worldwide Stakeholder Collaboration	Information Disclosure	P. 57	Issuance of Reports, by Site
				Information Disclosure via the Internet, by Site
				Contact Info to Request Reports of Companies/Sites
				Environmental Web Links of Companies/Sites
				Awards
				Eco-Products 2004 Exhibition
				International Eco-Products Exhibitions
		Dialogue		Status of Environmental Town Meetings
	Sustainable Business Models	Resource Recycling	P. 58–59	Number of Household Electrical Appliances Recycled and Product Recycling Ratio
				PC Take-back Results and Resource Reuse Ratio
		Energy Cycle		Energy Saving Solutions
		Contributing to a Sustainable Society through our Business Activities		Hitachi Environmental Group (Introduces Environmental Equipment Providers, etc.)
				Hitachi Environmental Information Solution (Introduces Environmental Solution Systems)

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On the cover:
The cover photo is from Moana Loa Garden Park (Monkey Pod tree), Oahu Island, Hawaii. This tree has become known as the "Hitachi Tree" through television commercials over many years. The tree represents an abundance of the qualities that we like to emphasize at Hitachi—Synergy, Growth, and Strength.

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September 2005
Hitachi, Ltd.
CSR Promotion Department

The Hitachi Group Corporate Social Responsibility Report 2005

To Our Questionnaire Participants,

Thank you for your interest in Hitachi.

We are pleased to present to you the *Hitachi Group CSR Report 2005*, our first report to cover our activities and initiatives from the perspective of corporate social responsibility.

This report is divided into two sections, with *"next society"* covering the Hitachi Group's activities from the perspective of social responsibility, and *"next eco"* from the environmental perspective. Each section describes the results of activities of the past fiscal year. Moreover, third-party comments were received from the Valdez Society on the CSR report's planning/preparation phase and the completion phase, and also from Professor Iwao Taka of Reitaku University, an authority on CSR who also expresses high expectations for the Hitachi Group.

For those who would like more details, besides this report, we also provide detailed information on our Web site. In the future we will work toward the continuous improvement of our CSR initiatives, and enhance our information disclosure, in order to promote support and understanding for our activities.

We invite you to read through this report and welcome your opinions and comments.

The Hitachi Group

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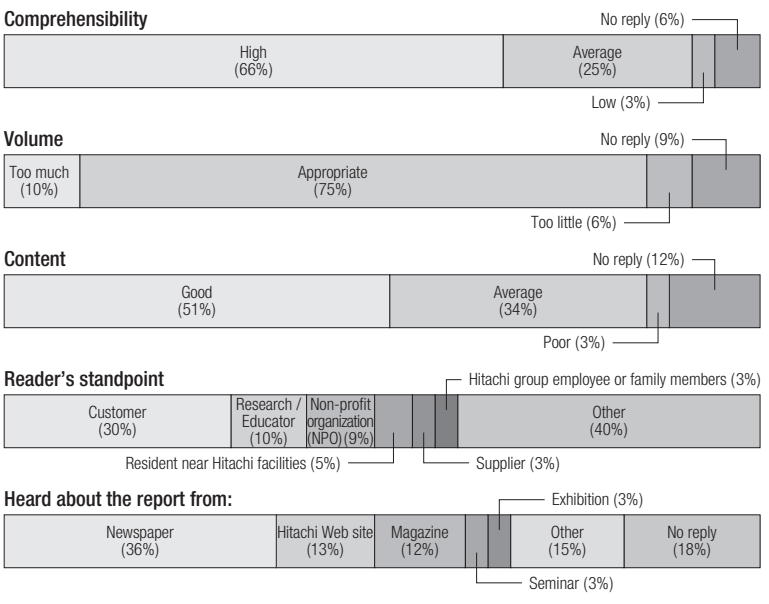
Results of Questionnaire on the Environmental Sustainability Report 2004 (Total respondents: 67)



Main Requests and Opinions

Praise

- "It was good to read the company president's overall perspective written in his own words."
- "The report was easy to read. The content was concisely expressed, and the glossary was helpful."
- "I got a sense that this is a progressive global corporation, because the reporting on environmental impacts separated out and provided clear information on overseas operations."

Room for improvement

- "The social report is limited. I would like to see more content."
- "I think too much of an effort was made to be comprehensive in coverage. I would have preferred to see more clearly what you wanted to emphasize in the 2004 report."

In response to comments, here are some of the changes we made in this year's report:

- We made an effort to express the key points more clearly, and included special feature sections to illustrate where we are implementing CSR.
- We enhanced the reporting on social aspects of our activities.

Readers' Survey

Hitachi Group CSR Report 2005

Please answer the questions below and mail or fax the completed survey.

Hitachi Ltd., CSR Promotion Department
1−6−6 Marunouchi, Chiyoda-ku, Tokyo 100−8280 Japan
Fax (81) 3−4564−1454

Q1. What did you think of the Hitachi Group CSR Report 2005? (Check one only.)

1) Comprehensibility	☐ High	☐ Average	☐ Low	
2) Volume	☐ Too much	☐ Appropriate	☐ Too little	
3) Content	☐ Good	☐ Average	☐ Poor	

✱ Please explain the reason(s) for your selections.

Q2. Which sections of the report did you find valuable? (You may select more than one.)

☐ Message from the President ☐ CSR Activities of the Hitachi Group ☐ Corporate Governance and Group Management
☐ Compliance ☐ Dialogue with Stakeholders ☐ Hitachi CSR Activities

Social Report (next society)

☐ Customer, Society and Hitachi ☐ Efforts for Shareholders and Investors ☐ Working with Our Suppliers
☐ The Employees that Sustain Hitachi ☐ Action Plan for Fiscal 2005

Environmental Report (next eco)

☐ Environmental Activities of the Hitachi Group ☐ Eco-mind & Management ☐ Nature-friendly Products & Eco-factories
☐ Worldwide Stakeholders Collaboration ☐ Sustainable Business Models ☐ Action Plan for Fiscal 2005

☐ Third-Party Comment

✱ If any of the selections above particularly interested you, please explain why.

Q3. From what standpoint did you read this report? (Check one only.)

☐ Customer ☐ Stockholder/Investor ☐ Supplier
☐ Government/Public Administration ☐ Researcher/Education-related field ☐ News/Media-related field
☐ NPO ☐ Resident near Hitachi facilities ☐ Hitachi Group employee/family member ☐ Other ( )

Q4. How did you find out about the report? (Check one only.)

☐ Newspaper ☐ Magazine ☐ Web site ☐ Seminar ☐ Exhibition ☐ Other ( )

Q5. In this report, the focus has been shifted from the environment to be more weighted on social considerations. If you have any suggestions regarding the content of the report, please kindly let us know.

Q6. If you have any requests or suggestions regarding the Hitachi Group's CSR activities, please let us know.

✱ Thank you for your cooperation. We invite you to provide us the following information (optional) if you agree to the conditions stated below.

Any personal information provided below will be used to help us better understand your comments regarding the Hitachi Group CSR Report 2005, and to respond to inquiries or requests for future editions, etc.

Name

Address

E-mail

Occupation & name of company

Message from Chief Executive for North America

Senior Vice President and
Executive Officer,
Chief Executive for North America,
Hitachi, Ltd.

Hiroaki Nakanishi

Hitachi has long been an advocate of deep involvement in the communities where it operates by employees who are engaged and committed to social responsibility. The company's heritage is based on the premise that its operations and employees have a responsibility to act in harmony with society and the environment.

Hitachi was one of the first Japanese companies in North America to get involved with large-scale philanthropic endeavors. Since 1986, Hitachi has created a giving program that combines employee volunteerism and in-kind donations and direct funding through employee-driven community action. Employees throughout North America are involved in innovative programs aimed at improving the quality of life in the communities where the company and its people live and work.

More than 70 Hitachi Group Companies in the U.S. and Canada are actively engaged in operating plants and facilities in harmony with solid environmental practices, including recycling programs and the elimination or minimization of the use of harmful substances. Each year thousands of employees participate in food and blood drives and spend hundreds of hours of volunteer time working with non-profit organizations to better their communities. Hitachi employees and group companies most recently were active in supporting the Tsunami disaster relief effort with fundraising and employee volunteerism. This effort mirrored the gratifying effort following the September 11 terrorist attacks, in which Hitachi companies donated more than $1 million in funds, as well as sophisticated equipment used in the recovery effort.

Rochester Hitachi Global Storage Technologies building a playground together 2004

Hitachi is also actively participating in the company's International Teacher Exchange Program in North America, which provides the opportunity to promote and support education infrastructure and the mutual understanding among different cultures. The Hitachi Group Companies and their people are also strongly engaged with the Hitachi Foundation in its many activities on behalf of underserved populations throughout the U.S., including its Yoshiyama Awards, which recognizes deserving community work by young people.

We welcome all Hitachi people to join with us in sustaining excellent relationships with all of our stakeholders and being active participants in our communities and society at large. Good corporate social responsibility is a critically important to our relationships, to our growth and to the Hitachi brand.

Message from Regional Executive for Asia

Managing Director
Hitachi Asia Ltd.
Shunsuke Ohtsu

Even before the "CSR" phrase was coined, Hitachi was already a strong contributor to society through its businesses since its foundation.

Let me give some recent examples in Asia. The Hitachi group of companies raised about US$160 million to bring relief and restoration in Asian regions caused by the Tsunami.

On the environmental aspect, Hitachi has been promoting "green procurement" in Asia which allows us to procure materials and components that are environmentally-friendly.

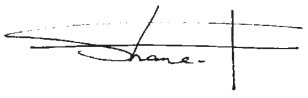
On the compliance aspect, as a result of Hitachi Asia's good export control system, we were invited to present at an export control seminar co-sponsored by the Singapore government and the Japanese government.

Christmas Light-Up activities (Singapore)

As for social contribution programmes, the Hitachi Group in Asia also supports the annual Christmas Light-Up (CLU) activities along Singapore's popular Orchard Road to boost tourism for the last fourteen years. In conjunction with the CLU activity, financial support is also provided to help over 360,000 beneficiaries through a national fund-raising body.

Hitachi Asia has also partnered with the Head Office of Hitachi, Ltd. which sponsors the Hitachi Young Leaders Initiative (HYLI) since 1996. The programme aims to groom potential Asian leaders through a forum to discuss regional issues with prominent Asian opinion leaders. HYLI also incorporates local community work to benefit charity organisations.

The activities above underscore our on-going commitment to CSR. It is an approach to make a sustainable impact on diverse cultures across Asia through our group synergy and localized efforts.



Message from Chief Executive for Europe

Chief Executive for Europe
Stephen Gomersall

The Hitachi Group in Europe has a strong commitment to both its stakeholders and the environment. In order to fulfil this commitment Hitachi strives to be a 'good corporate citizen' by using its technology to contribute to the economic and social development of European society. By working in partnership with our stakeholders and building long term mutually beneficial relationships, we aim to build awareness and trust in the Hitachi brand, helping us to grow our business in the European market.

Currently there are a number of CSR activities being carried out by the individual group companies across Europe. For example, The Maxell Educational Trust provides local schools with educational grants. Hitachi Software Engineering (UK) Ltd. also provides whiteboards to youth and educational initiatives. By supporting local educational bodies Hitachi can help ensure the development of suitable future employees, whilst simultaneously promoting our products and the benefits they can bring to the classroom.

Also four of Hitachi's group companies are involved in The Hitachi International School Teachers Exchange Program (HISTEP), promoting communication and cultural understanding amongst North American, European and Japanese teachers, by means of a cross-cultural educational exchange. HISTEP is an excellent example of a CSR activity which involves a number of the group companies, demonstrating a group wide commitment to CSR.

HISTEP - A Japanese teacher giving a lesson at school in Maidenhead, UK

The EU Science and Technology Forum is another Europe wide initiative, started in 1998 to investigate how science and technology can contribute to society, by the sharing of knowledge between Hitachi's scientists/researchers and leading experts from academia and industry.

Group companies across Europe are encouraged to support and build relationships with the local community. However, local initiatives should be backed up by Europe wide CSR activities, in order to fully demonstrate our commitment to society and the environment. If we want to maximise the potential of CSR for both Hitachi and our stakeholders we must unite in our activities and develop a group wide policy.

A strong commitment to European society is very important, however, we must not neglect our commitment to the environment. Many of our activities throughout our products life cycle impact on the environment; from the components/materials our products are made from, to production, distribution, usage, disassembly and disposal. Therefore, we must develop CSR guidelines to prevent, limit or counteract the impact of these activities, ensuring we help maintain a healthy environment for future generations.

CSR is an important tool for Hitachi in Europe as it enables us to demonstrate our long term commitment to our stakeholders, society and the environment, helping to build relationships, our brand and our business. Our aim for the future is to unite the European group companies in our mission to truly be a 'good corporate citizen' so that the company as a whole and society at large can benefit.

Stephen Gomersall