

To Our Stakeholders

Using the Corporate Credo “contributing to society through the development of superior original technology and products,” Hitachi has contributed to the resolution of various social problems—with the support of our stakeholders—from our foundation to the present. Now that social issues, like corporate activities, have become global, corporations are playing an increasingly important role in the realization of a sustainable society. Hitachi aims to bring about a society where people can live in comfort and safety within a better global environment. To realize this type of society, we will continue to take up the challenge of resolving the fundamental problems of a global society, making full use of the Hitachi Group’s knowledge, know-how, and experience.

This report provides our stakeholders with an account of the activities and initiatives that Hitachi considers most important for a company with a deep sense of social concern and responsibility. In particular, we focus on global environmental problems of great concern throughout the world, describing Hitachi’s initiatives and future direction. In addition to this report, we have posted more detailed information on the Web site to promote a deeper understanding of these issues and our role in their resolution.

Through this report and the Web site, we hope to engage in an ongoing dialogue with you.

July 2008



Etsuhiko Shoyama
Chairman of the Board



Kazuo Furukawa
President and Chief Executive Officer

Scope of This Report

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| Period: | The main period covered is fiscal 2007 (April 1, 2007 through March 31, 2008) |
| Companies: | Companies covered under consolidated reporting of the Hitachi Group |
| Scope of data: | |
| Financial data | Hitachi, Ltd. and 911 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies) and 171 affiliated companies that use the equity method |
| Social data | Scope of data indicated under each item |
| Environmental data | Hitachi, Ltd. and 249 consolidated subsidiaries (including companies outside Japan) |

Related Reports

We report on the financial performance of Hitachi, Ltd. in the “Financial Highlights” and Annual Report. Research and development and intellectual property (intellectual property rights and brands), which are major aspects of the technology management of Hitachi, Ltd. and its major subsidiaries, are covered in the “R&D and Intellectual Property Report.”

Twenty-one Hitachi Group companies and 13 business divisions and production facilities publish their own reports on environmental and social contribution activities. In addition, 44 Hitachi Group companies and 8 business divisions and production facilities provide information on their Web sites.

Guidelines Referred to in Preparing This Report

“Environmental Reporting Guidelines” (FY 2007 version), Ministry of the Environment, Japan
“Environmental Performance Indicators Guideline for Organizations” (FY 2002 version), Ministry of the Environment, Japan
“Environmental Reporting Guidelines 2001—With Focus on Stakeholders,” Ministry of Economy, Trade and Industry, Japan
GRI Sustainability Reporting Guidelines 2006, Global Reporting Initiative

* This CSR Report is published on an annual basis.

List of companies included in the scope of the environmental data

<http://www.hitachi.com/environment/activities/more/companylist.html>

Message from the President

Looking to Tomorrow, Hitachi Works to Address the Issues of Today

Some 40 years ago, when the telephone network in Japan was limited, I worked as a new Hitachi employee on developing the country's automated telephone switching systems. Installing automatic switchboards took me to places all over Japan, and waiting at the end of my stay at each job were the happy smiles of people who could now connect calls without a switchboard operator. This unforgettable experience was the starting point of my commitment to CSR.

Recently, I have made frequent visits to nations throughout Africa and Asia. Many times I have seen people suffering there because of poverty, especially the problems these communities face with the lack of food and water resources. Looking across the world, I see many regions that lack an adequate social infrastructure. When I remember those happy smiles some 40 years ago, I am committed now more than ever that in countries where Hitachi is expanding I would like to contribute—if only in a small way—to efforts that solve these problems. I firmly believe that our corporate management will enable us to pursue the sustainable development of society and our company as complementary goals.

Using Our Combined Resources to Lessen Environmental Problems

I believe that CSR has three core components: sustainable development, the environment, and human welfare. If problems associated with these three components are not solved in a balanced way, I think true happiness and sustainability for humankind as a whole cannot occur. As the world's population has grown dramatically over the past 100 years, the concentration of CO₂ in the atmosphere has similarly increased. I feel strongly that today—when it is clear that climate change resulting from increased CO₂ emissions presents serious challenges to sustainable social and economic development—the time has come for us to combine our resources to work for the protection of the global environment.

The Intergovernmental Panel on Climate Change (IPCC) has said that if global temperatures rise by 2050 to a level that exceeds temperatures in the pre-Industrial era by 2°C, there will be a profoundly negative impact on the Earth's climate. To prevent this, the IPCC believes it will be necessary by 2050 to stabilize CO₂ concentrations to below 450 ppm.

In December 2007, the Hitachi Group announced Environmental Vision 2025, a plan that set the ambitious goal of contributing to the IPCC target by helping to reduce CO₂ emissions from the use of Hitachi Group products worldwide by 100 million tons before 2025. Reaching this goal will require us to vigorously promote *monozukuri* (manufacturing that combines innovative technologies with experience gained over many years) and to convert—to a high degree—all of our products into solutions that are compatible with the environment and confront the greatest ecological challenge of our time.

The Hitachi Group has already provided the world with a large number of technologies that meet this standard, including technologies for nuclear power generation, as well as for supercritical pressure coal-fired power generation that is highly effective at reducing a coal power plant's negative environmental impact. Additional examples of environmental protection solutions from Hitachi include superconducting high-efficiency power transmission using amorphous

transformers, hybrid drive systems that reduce CO₂ emissions from diesel rail engines, lithium-ion batteries for hybrid cars, and power saving innovations for energy-intensive data centers.

The rate of increase for global warming is exceeding projections. To protect the environment, including reducing global warming, I would like, as quickly as possible, to execute our plan so that the world will say, "Hitachi's determination and actions have indeed positively altered the course of current trends."

Toward a Sustainable Society: Social Trends and Management Approach

As globalization progresses, there are many Group employees working in every region of the world. At the same time, the number of stakeholders has increased, making it more important than ever to have dialogues with them and to enhance management transparency. I will align the Group's management approach with social trends and stakeholder needs, and by doing this, build the foundation for both business and society to achieve sustainable development.

I would also like to work to ensure that Hitachi employees worldwide, who support both the company's businesses and their families, can lead happy lives now and in the future. To accomplish these goals, I hope to promote the creation of a workplace environment where every employee can be healthy in body and mind, make full use of their talents, and appreciate the challenges and rewards of social activities, such as work- and community-based volunteering.

History will come to recognize the value of what we do. It is with this sense of conviction and urgency that I wish to take on these challenges and enthusiastically move forward with my work, while cherishing the feeling of joy that comes from seeing the smiling faces of happy people.

July 2008



A handwritten signature in black ink, which appears to read "Kazuo Furukawa". The signature is fluid and cursive.

Kazuo Furukawa
President and Chief Executive Officer
Hitachi, Ltd.

Hitachi's CSR Vision

Hitachi is tackling the basic issues faced by global society, aiming to realize a sustainable world through innovation

The vision of the Hitachi Group is to realize a world that is safer and more comfortable to live in by harnessing our knowledge and technologies to resolve the basic issues facing global society, based on the Fundamental Credo.

In fiscal 2007, referring to the social issues being discussed in Japan and around the world, including the United Nations Millennium Development Goals and the World Business Council for Sustainable Development, we conducted a review of the relationship between the problems faced by global society and Hitachi's business and social contribution activities. We identified areas where our strengths could be fully utilized, including the global environment, safety, and health and medicine. In response to global environmental issues, we formulated Environmental Vision 2025, and members of the Hitachi Group resolved to work closely together to achieve our objectives.

In fiscal 2008, through dialogue with our diverse range of stakeholders, we will strive to have more stakeholders' voices reflected in our management approach and projects in order to promote CSR activities that accord with the best direction for society as a whole.

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)

Hitachi Group Vision

We will contribute to the solution of fundamental global issues, and pursue the realization of a better, more prosperous global society, in line with Hitachi's founding spirit, utilizing the Group's knowledge and technology.

(Adopted January 2006)

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

(For the specific plans and achievements of each policy, see page 22)

Hitachi's Response to a Third-Party Expert Opinion on Our CSR Activities

Third-Party Expert Opinion—Essential “Communication Reform”

First, as part of Hitachi's promotion of CSR communication, I appreciate the idea of dividing the information provided between the printed medium with a limited number of pages and the electronic medium, where more detailed information is provided. Furthermore, I enjoyed the organization of the printed report, which is simple and easy to understand and contains many officers' and stakeholders' opinions. While I also appreciate the description of how Hitachi is tackling its most important CSR tasks, I would like to know more about the actual investigation process and what role the opinions of stakeholders play in the identification of issues. I think Hitachi is required to show clearly how it views our greatly changing world, avoiding risks and turning them into business opportunities. I understand that this year's report is in the process of change, but I think more essential “communication reform” may be needed. If Hitachi adopts the approach of determining its methods based on each target, I believe the quality of its CSR communication will improve.



Peter D. Pedersen

Chief Executive, E-Square Incorporated

Peter D. Pedersen

Chief Executive of E-Square Incorporated, a CSR and environmental consulting firm, known for his pioneering role in bringing the Lifestyles of Health and Sustainability (LOHAS) movement to Japan. Born in Denmark, since graduating from the University of Copenhagen with a degree in cultural anthropology he has worked as a corporate consultant specializing in environmental and management consulting and international symposia aimed at small and medium-sized businesses. He became president and CEO of E-Square in 2000.

Hitachi's Response—Raising the Quality of Dialogue with Society

For last year's CSR Report we received various opinions from readers, saying that there were too many pages, that the important message was difficult to understand, or that the information disclosed was not enough. Based on this feedback, in addition to reducing the number of pages by half and making the report easier to understand, we produced this digest featuring the global environmental problems that Hitachi is particularly focusing on, while providing more detailed information in a PDF file. We are developing new systems that address these issues: the process for investigating important issues reflecting the opinions of stakeholders, as well as the risk avoidance and converting risk into business opportunities pointed out by Peter D. Pedersen. We hope to report the results from next year onwards. For example, we are promoting dialogues with society on a global level and investigating important issues that have a deep impact on society and management. We are also striving to have this information reflected in management decision making and to disclose related information.



Masahiro Hayashi

Executive Vice President and Executive Officer,
and Chair of the CSR Promotion Committee, Hitachi, Ltd.