

# Hitachi Group Corporate Social Responsibility Report 2009

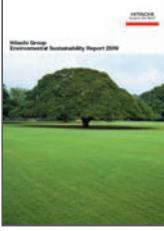


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## CSR Activity Reporting Policy

Reports on material issues	Reports on detailed activities	Latest information
 <p data-bbox="448 450 539 506">booklet</p> <p data-bbox="443 517 635 584">Hitachi Group Corporate Social Responsibility Report 2009 Digest</p>		
 <p data-bbox="448 719 539 775">PDF</p> <p data-bbox="443 831 635 898">Hitachi Group Corporate Social Responsibility Report 2009</p>	 <p data-bbox="767 763 858 819">booklet</p> <p data-bbox="762 831 954 898">Hitachi Group Environmental Sustainability Report 2009</p>	
<p data-bbox="284 1021 427 1043">On Hitachi, Ltd. Web site</p>  <p data-bbox="539 1021 762 1066">CSR (corporate social responsibility): <a href="http://www.hitachi.com/csr/">http://www.hitachi.com/csr/</a></p>	 <p data-bbox="850 1021 1074 1066">Environmental Activities: <a href="http://www.hitachi.com/environment/">http://www.hitachi.com/environment/</a></p>	

Information about the Hitachi Group's CSR activities is available in two formats: this PDF version, *Hitachi Group Corporate Social Responsibility Report 2009*, which can be accessed on the Web, and a shorter printed booklet called *Hitachi Group Corporate Social Responsibility Report 2009 Digest*. In Digest version, we focus on reporting areas of CSR activity that the Hitachi Group has particularly emphasized. In response to requests from stakeholders who are especially interested in the environmental field, we are publishing a new booklet, *the Hitachi Group Environmental Sustainability Report* from 2009, providing detailed environmental transparency and information (scheduled to be published at the end of July 2009). In addition to the online publication of these two booklets (*Hitachi Group Corporate Social Responsibility Report 2009 Digest* and *Hitachi Group Environmental Sustainability Report 2009*), we will report further details and the latest information on CSR activities and environmental activities on our Web site.

### 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*.

### Scope of This Report

Period: The main period covered is fiscal 2008 (April 1, 2008 through March 31, 2009)

Companies: Companies covered under consolidated reporting of the Hitachi Group

Scope of data:

- Financial data: Hitachi, Ltd. and 944 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies) and 166 affiliated companies that use the equity method
- Social data: Scope of data indicated under each item
- Environmental data: Hitachi, Ltd. and 241 consolidated subsidiaries (including companies outside Japan) (accounting for 90% of the environmental load of the Hitachi Group for the amount of electricity used and wastes generated)

### Guidelines Referred to in Preparing This Report

"Environmental Reporting Guidelines" (FY 2007 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.

## Message from the CEO

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Remaining true to Hitachi's founding spirit,  
the Hitachi Group will enter the next era through communication with society

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### **Communication with Stakeholders: Conducting Business with a New Sense of Values**

The global business environment slowed in fiscal 2008, making it an extremely difficult year for us. This situation, combined with such factors as global warming and wildly fluctuating resource prices, has shaken people's belief in the supremacy of science and technology, and the pursuit of economic gain. I believe that future economic activity must be conducted under the constraints imposed by the fact that the earth's environment has limits. I also believe that, if society as a whole adopts a new sense of values that recognize these additional constraints, we can look forward to a prosperous future. It will take more than the commitment of national governments, however, to nurture this sense of values. It is essential for us to reach a "grass roots" consensus—through communication—that also includes private corporations, NPOs, NGOs, educational and research institutions, and other stakeholders, who have a range of perspectives. At Hitachi, we are committed to integrating into our business decisions full communication with stakeholders.

### **Using Hitachi's Strengths to Pursue Social Innovation Businesses**

To overcome the current economic crisis, we are reforming the business structure of the Hitachi Group as a whole. Our strengths lie in two broad fields: social infrastructure such as power and industrial systems, and information and telecommunications systems, including financial systems and communications networks. By combining these two fields, we will dedicate the majority of our operating resources to "social innovation businesses."

Three areas in particular are important for improving our profit structure. The first is the fusion of our information and telecommunications systems with our power and electrical systems. We are working on several projects that combine the very latest technologies in information and telecommunications systems with the social infrastructure, including smart grids, smart transportation, smart logistics, and cloud computing for business applications.

The second area involves our transformation into a truly global corporation. This means connecting with local partners throughout the world and localizing our operations by employing people who are intimately familiar with local conditions. In February of this year, we became a participant in the UN Global Compact, whose Ten Principles (including respect for human rights) we view as highly significant for globalizing our operations.

The third area involves expanding our environmental business activities. We are accelerating research and development programs centered on nuclear power generation, high-efficiency coal-fired power generation, environmentally conscious data centers, and lithium-ion batteries, among other programs.

Working under the constraint of a limited global environment, and setting our sights on the sustainable development of society, we can create new value that has not existed before. Through our social innovation businesses, we are committed to contributing to happiness tomorrow. I believe this is our mission, and that an approach such as this will satisfy the demands of all stakeholders.

July 2009



*Takashi Kawamura*

Takashi Kawamura  
Chairman, President and Chief Executive Officer  
Hitachi, Ltd.

## Misleading Representations of Refrigerators and Our Response

On April 20, 2009, Hitachi Appliances, Inc. received a cease and desist order from the Japan Fair Trade Commission, based on the Act against Unjustifiable Premiums and Misleading Representations. Hitachi misled that effect of reducing CO<sub>2</sub> emission of refrigerators is better than they actually were. The items cited were representations in the Refrigerator General Catalog issued in November 2008 and February 2009, as well as on our Web site, in newspaper advertisements and posters. In addition, Hitachi Appliances returned the 2008 Energy Conservation Grand Prize (ECCJ Chairman's Prize) that was received for nine refrigerator products in February 2009.

This incident has greatly damaged the trust in, and expectations of, Hitachi, Ltd. and Hitachi Appliances among customers and everyone else concerned. We wish to express our deep apologies. We have conducted a thorough internal investigation to determine the causes and have taken measures to ensure that it never happens again. The following is an outline of the cease and desist order and our response.

### Contents of Cease and Desist Order Given to Hitachi Appliances

The Japan Fair Trade Commission, according to the cease and desist order, judged that customers might be misled into believing that the products were considerably better than they actually were. The Commission referred to two points:

- (1) In the winter 2008 and early spring 2009 editions of the Refrigerator General Catalog and on the Hitachi Web site (from around November 2008 to March 2009), it stated that the core material of the flexible vacuum insulation panels used in the Eiyo Ikiiki Shinku Chirudo V series refrigerators—on sale in September 2008—was recycled resin from discarded refrigerator shelves and other items. It was further stated that the amount of CO<sub>2</sub> emitted during the production of flexible vacuum insulation panels was reduced by 48%, compared with our conventional refrigerators. In fact, however, the use of recycled resin was limited to certain models and to refrigerators produced during a certain period, and the reduced amount of CO<sub>2</sub> emissions was much lower than indicated.
- (2) Newspaper advertisements and posters at retail outlets stated that recycled resin from discarded refrigerator shelves and other items was used as the core material for the flexible vacuum insulation panels in all nine refrigerator models in the Eiyo Ikiiki Shinku Chirudo V and the Big & Slim 60 series. In fact, it was only used in some of these models.

### Our Response

We take this matter, which has undermined the trust of our customers and many other stakeholders, very seriously. Accordingly, on April 27, 2009, we set up the Supervisory Office for Product Environmental Information under the direction of Takashi Hatchoji, Executive Vice President and Executive Officer. We have been investigating similar cases at Hitachi and Hitachi Group companies, identifying common issues, and working hard to prevent any reoccurrence. Hitachi Appliances has set up an Emergency Countermeasures Office to investigate the root causes, and has made and promoted measures to improve internal controls to prevent this from happening again. In addition, they are reinforcing employees' awareness to further strengthen compliance.

To investigate similar cases, we examined environmental information about our product in catalogs, Web sites, newspaper advertisements, and posters of Hitachi and Hitachi Group products other than those that received the cease and desist order. To date, no similar cases have been found. However, misprints and descriptions that might be inconsiderate of customers, as well as representations that might be misleading, were uncovered in certain products. In these cases, we took immediate steps to revise these representations to prevent any similar incidents that could be construed as misleading to our customers or other stakeholders.

To address this issue, we have analyzed the causes and problems and identified the following common issues for Hitachi Group companies.

1. In all business processes—technology development, product design, advertising, and applications for awards—there were systems for confirming the consistency of a product's environmental information at every stage. However, no system existed for overall confirmation.
2. For representations in advertising materials in general, Group-wide criteria had been set, but their application was left to the business group or Hitachi Group company in charge of each product, and there was no system for regularly reviewing or objectively verifying appropriate use.
3. Amid growing social concern about products that affect the environment, employees did not have enough understanding about representations that appeal to customers using environmental information about a product.

In view of these investigation results and common issues, we are implementing the following reoccurrence prevention and compliance measures, and we will do our best to restore trust.

(1) Preventing Reoccurrences	<ul style="list-style-type: none"> <li>• Revise the company regulations, clarify provisions for handling environmental product information, and clearly define responsibilities for this type of information during each business process and for applications for environment-related awards. In addition, thoroughly audit these responsibilities.</li> <li>• Improve the regulations and systems that each Group company must use and abide by.</li> <li>• Publish prevention measures for all Hitachi Group employees and incorporate this into employee education lectures on representing environmental information about products.</li> </ul>
(2) Improving Compliance Measures	<ul style="list-style-type: none"> <li>• Set up an advisory group—including outside experts—to provide guidance on whether or not representations of environmental information for products are appropriate, and implement regular checking.</li> <li>• Regularly audit whether the management of environmental product information is being properly implemented.</li> <li>• Return back to basics and Hitachi's founding spirit; further improve the education system and thoroughly implement education as part of Hitachi spirit reconfirmation activities—the main theme of the campaign "Strengthening The Base '08-'09" that is being promoted Group-wide from fiscal 2008—to ensure that all employees, from their viewpoint, consider how best to deliver information from the perspective of our customers and other stakeholders.</li> </ul>

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# Hitachi's CSR Vision

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Creating a sustainable world through innovation:  
Hitachi is tackling the basic issues faced by global society

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The Hitachi Group's CSR activities are based on the Fundamental Credo as well as the future of society that we pursue, as expressed in the Hitachi Group Vision. Since our founding, we have tackled and resolved the social issues that arose in each age. Recently, various global problems have emerged, such as climate change and energy resource scarcities. By fully utilizing the empirical knowledge and technologies accumulated over our almost one century, we will continue to solve global issues by optimizing group synergy.

## **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 pages 37 and 38)

## Exchanging Views on CSR and Corporate Management with BSR's<sup>†1</sup> President



(Left) Aron Cramer / President and CEO, Business for Social Responsibility (BSR)  
(Right) Kazuo Furukawa / Senior Corporate Adviser, Hitachi, Ltd.

### Global CSR management from a long-term perspective is more important than ever amid these challenging worldwide economic conditions

**Furukawa:** Since Hitachi was founded, we have pursued CSR according to our corporate credo of contributing to society through business, but initially we did not do much to promote a greater awareness of CSR in society at large. With the progress of globalization in recent years, I feel it has become important to conduct CSR activities not just by reflecting Japanese values but by positively incorporating a more global perspective.

**Cramer:** With the advance of globalization, transparency is expected of businesses worldwide, and as the points of connection between business and society change, many companies have begun doing business with CSR at the core of corporate management.

**Furukawa:** I think CSR is essentially a balance between sustainable development, the environment,

and human welfare. While worldwide concern was focused on the environment, the global economy faced an unprecedented crisis beginning in fiscal 2008. This is exactly the time when companies must reconsider CSR from a long-term perspective.

**Cramer:** I completely agree. The business environment is becoming more challenging worldwide and the balance of power among countries and regions is changing. At a time like this, we need to look at longer term trends and reconsider what kind of value CSR brings to a company. In this context, CSR can add significant value if integrated fully into business strategy.

**Furukawa:** At the same time, at Hitachi we continue to have strong concerns about human rights, and we are tackling these issues, but different countries or regions approach this in different ways. I feel that we need a global perspective that goes beyond national borders.

**Cramer:** Yes, human rights are becoming a fundamental issue for companies. The challenge ahead is for companies to decide how they should be incorporated into basic CSR concepts, and how they can be applied within business operations globally. A thorough and successful approach to CSR depends on this.

**Furukawa:** We have to recognize the differences first, and then the new steps that are required will become apparent. On my business trips overseas, I have talked with people working in Hitachi's local offices. To my surprise, they include people my age who have just started working. I don't think we can solve problems by simply imposing our way of thinking on them unilaterally.

**Cramer:** On the other hand, there are many global companies that are interested in making sure that they apply consistent policies and values worldwide.

**Furukawa:** At Hitachi too, we strive to share common ideals and values globally. Our aim is to be a company whose CSR activities are recognized throughout the world. We hope you will continue to give us various advice and support from a global perspective.

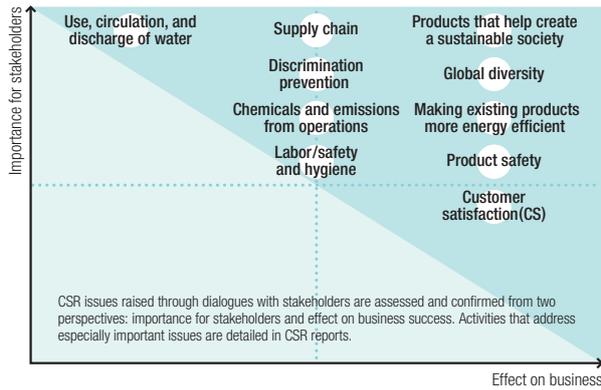
December 2008

†1 Business for Social Responsibility (BSR): Founded in the United States in 1992, BSR is a global network of member companies providing advice and solutions related to CSR.

### Method for Selecting Material Issues

At Hitachi, we view the participation of stakeholders as an essential part of the decision-making process for CSR materiality, in tandem with assessing the magnitude of issues from the viewpoints of management and social sustainability. In fiscal 2008, with the support of the global network BSR, we engaged in dialogues with stakeholders mainly on the themes of pressing global environmental problems and other issues that require high-level attention in our corporate business strategy. The chief executive officers of Hitachi and members of BSR also discussed global social issues and the long-term outlook of CSR activities. We report on the material issues defined through our analysis in our CSR reports and environmental reports. Various dialogues with external stakeholders are held regularly at a global level and, based on the deliberations of the CSR Promotion Committee—comprised of Hitachi executive officers—the most significant are then incorporated into CSR activities from the following fiscal year onward.

## Summary of Issues That Hitachi Considers Important



### Dialogue with Stakeholders in North America

Hitachi places environmental projects at the core of our business strategy. During dialogues with stakeholders on global environmental strategy held in New York in March 2009, a wide-ranging exchange of views was made on activities expected of Hitachi. We will use these views to refine our environmental vision, and the methods that we use to participate in global discussions. The issues emerging from these dialogues will be incorporated into future programs as vital issues in our CSR activities.

Participating stakeholders: Jason Morrison, Pacific Institute; Shin Furuya, Domini Social Investments; Peter Holzaepfel, The Climate Group; Leslie Cordes, The UN Foundation; Richard A. Liroff, Investor Environmental Health Network; Mark Cohen, Resources for the Future

Facilitators: Dunstan Hope, BSR; Raj Sapru, BSR

Main Hitachi Group participants: Tadahiko Ishigaki, Senior Vice President and Executive Officer, Chief Executive for the Americas; Takashi Hatchoji, Hitachi Group Chief Environmental Strategy Officer; Kiyoshi Kinugawa, President, Hitachi America, Ltd.

#### Key Suggestions from Stakeholder Dialogues

- Clearer explanations of criteria and measurement methods for environmentally conscious products, as well as environmental management
- Increasing transparency and full disclosure of globally integrated corporate environmental data
- Use of Hitachi's wide-ranging technologies and know-how for resolving high-priority sustainability challenges in regions throughout the world



# Toward a Sustainable Society

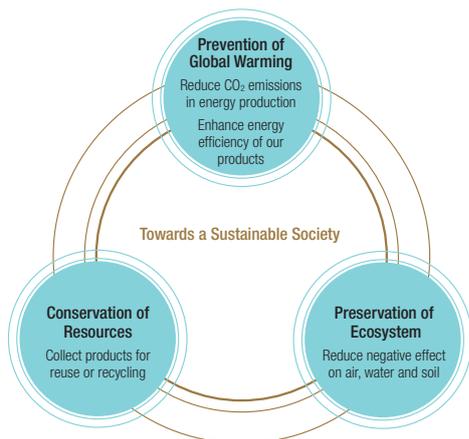
The Hitachi Group aims to realize a better global environment through innovation, business operations, and activities worldwide

## Hitachi's Environmental Vision

The quest for a comfortable existence has led humankind to create a highly convenient society. Today's society, however, requires a vast amount of energy, and is causing problems, such as global warming, resource depletion, and environmental damage. We should challenge these common issues if we are to maintain a comfortable existence into the future.

We are committed to the prevention of global warming, the conservation of resources, and the preservation of the ecosystem as the three pillars of our vision. Our goal is to achieve a more sustainable society by promoting global production that reduces the environmental burden of a product throughout its lifecycle. We are working toward this goal by setting progressive targets for fiscal 2010, 2015, and 2025.

### The Three Pillars of Hitachi's Environmental Vision



## Global Warming Prevention toward 2025

We are setting specific goals intended to prevent global warming, which we view as a particularly urgent mission in realizing a sustainable society.

**Fiscal 2010 Goal**

- **12 percent reduction** in Hitachi Group CO<sub>2</sub> emissions (from FY 1990 for Japan domestically)
- 5 percent reduction in CO<sub>2</sub> emissions per unit of production (from FY 2003 for outside Japan)

**Fiscal 2015 Goal: Medium-Term Environmental Vision 2015**

# 2015

**Achieve emission neutral**

**Fiscal 2025 Goal: Long-Term Environmental Vision 2025**

To help reduce annual CO<sub>2</sub> emissions by **100M tonnes** by 2025 through Hitachi products and services\*

\*With fiscal 2005 as the base year, Hitachi plans to produce more environmentally conscious products and services.

**Fiscal 2010 Goal**

- 12 percent reduction in Hitachi Group CO<sub>2</sub> emissions (from FY 1990 for Japan domestically)
- 5 percent reduction in CO<sub>2</sub> emissions per unit of production (from FY 2003 for outside Japan)

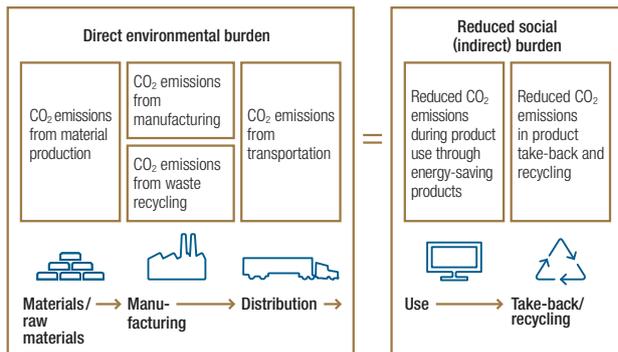
To meet Japan’s Kyoto Protocol commitment of a 6-percent reduction in greenhouse gases, the Japanese government has created the Kyoto Protocol Target Achievement Plan. In fiscal 2008, we raised our fiscal 2010 CO<sub>2</sub> emission reduction target from 7 to 12 percent. This is now in line with the industry target value laid out in the Achievement Plan that was revised in March 2008. For operations outside Japan, we are striving to achieve an annual reduction of 1 percent in CO<sub>2</sub> emissions per unit of production.

**Fiscal 2015 Goal: Medium-Term Environmental Vision 2015**

Achieve emission neutral

We are working to achieve emission neutral by fiscal 2015 in the pursuit of *monozukuri* that reduces the environmental burden of products throughout their lifecycle.

**The Emission Neutral Concept**



**The Emission Neutral Concept**

Emission neutral means reducing CO<sub>2</sub> emissions from material production, manufacturing and distribution (the direct burden) and also reducing CO<sub>2</sub> emissions by making energy- and resource-saving products (the social burden) to make the two environmental burdens equal.

**Fiscal 2025 Goal: Long-Term Environmental Vision 2025**

To help reduce annual CO<sub>2</sub> emissions by 100M tonnes through by 2025 Hitachi products and services\*

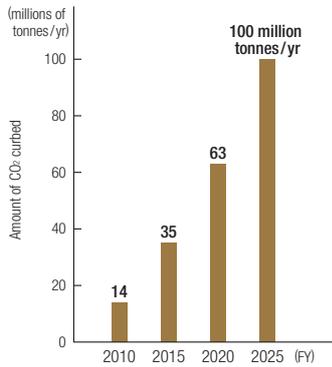
\* With fiscal 2005 as the base year, Hitachi plans to produce more environmentally conscious products and services.

In 2007, we set a goal to reduce annual CO<sub>2</sub> emissions by 100 million tonnes through Hitachi products by 2025. Seventy percent, or 70 million of that 100 million tonnes, comes from power generation and other aspects of energy supply, while 30 percent, or 30 million tonnes, is associated with energy consumption, including industry, transportation, commercial and residential use.

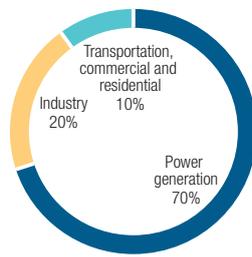
For power generation and energy supply, we will provide products that reduce CO<sub>2</sub> emissions by expanding the provision of nuclear power and renewable energy technologies, as well as further improving the efficiency of thermal power generation. For energy consumption, we are committed to pursuing high energy efficiency in industry, transportation and daily living, such as developing hybrid drive systems that use lithium-ion batteries and creating power-saving data centers that

integrate ICT (information and communication technology) with air conditioning technology.

### Plan for CO<sub>2</sub> Emission Reduction



### Breakdown of 2025 CO<sub>2</sub> Emission Reduction



### Specific Steps to Help Reduce CO<sub>2</sub> Emissions by 100 Million Tonnes

#### Make all of our products Eco-Products

Pursue environmental efficiency of products through technology.

Promote green technology, environmental business investment and collaborative projects in global markets.

### Product Development for a Sustainable Society

To reduce the environmental burden of CO<sub>2</sub>, we are building up the environmental efficiency of all products.

First, we intend to make all Hitachi Group products Eco-Products<sup>1</sup> by fiscal 2025. To achieve major improvements in environmental efficiency, we have also developed the Super Eco-Product classification. These are Eco-Products that have either an efficiency of global warming prevention<sup>2</sup> or a resource efficiency<sup>3</sup> at least 10 times greater than standard products (fiscal 2000 products), or when these products are industry leaders based on their achievement ratios of energy conservation standards<sup>4</sup> or other similar indicators, or are highly regarded outside the Hitachi Group. The intention is to boost the percentage of Super Eco-Products to Eco-Products to more than 30 percent by fiscal 2010.

We have identified the environment and energy as priority areas for channelling Group resources. We look forward to using our technology to meet the challenge of environmental protection, another step toward achieving a sustainable global environment.

### Hitachi's Eco-Product System



- †1 Eco-Products: Products that meet certain standards under the Assessment for DfE (Design for Environment) system, which uses criteria such as material reduction and longevity to provide a quantitative assessment of environmental burden.
- †2 Efficiency of global warming prevention: When evaluating a product's value for function and life span, the ratio of that product's value to the quantity of greenhouse gases generated during its lifecycle.
- †3 Resource efficiency: When evaluating a product's value for function and life span, the ratio of that product's value to the amount of resources used during the product's lifecycle.
- †4 Achievement ratios of energy conservation standards: Standard target values for energy efficiency have been established for home appliances and other products on the basis of the Law Regarding the Rationalization of Energy Use. The achievement ratio indicates the degree to which these standard target values have been met. The target values were determined with reference to the most energy-efficient products available in the market.

#### **Eco-Products**

<http://www.hitachi.com/environment/library/glossary/kj/ecoproduct.html>

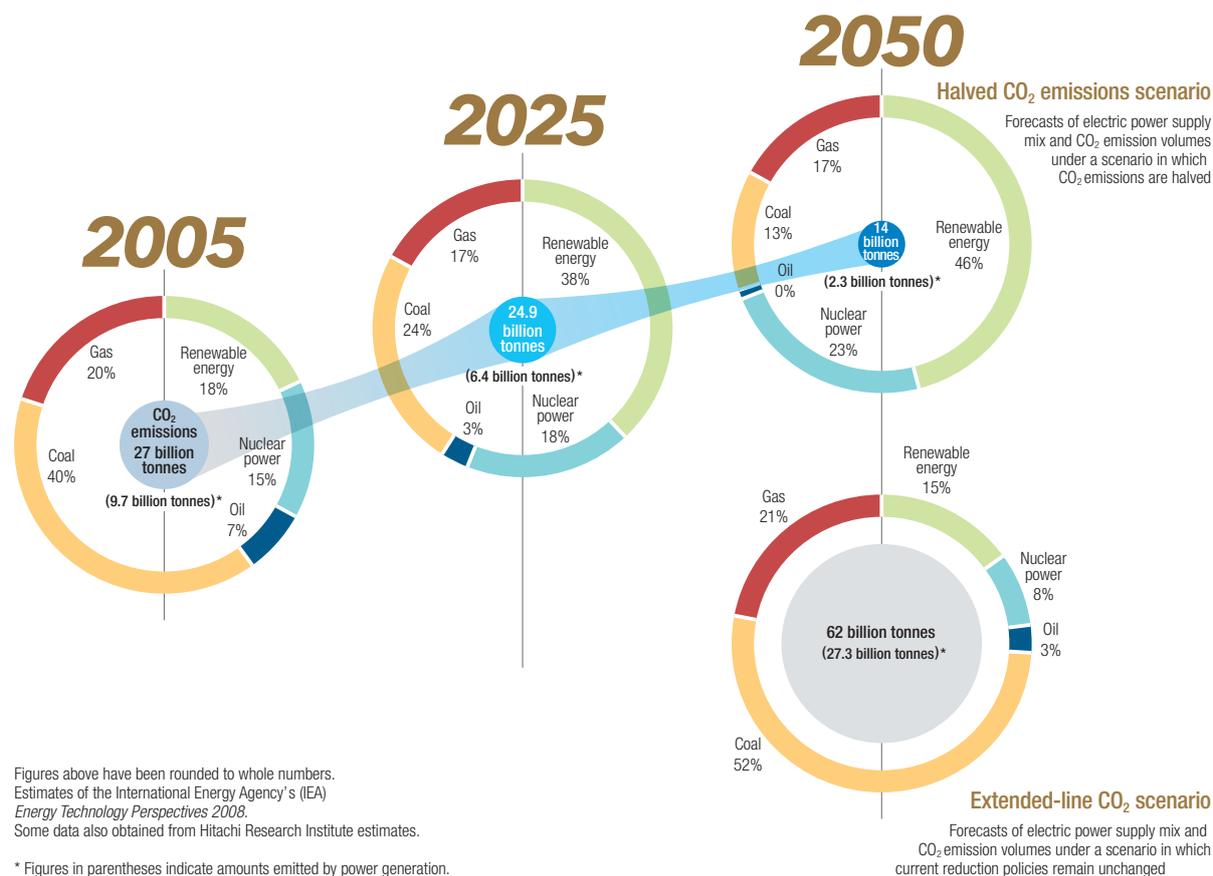
# Securing a Stable Electric Power Supply and Reducing CO<sub>2</sub> Emissions

We are developing a range of power generation technologies that will help reduce CO<sub>2</sub> emissions

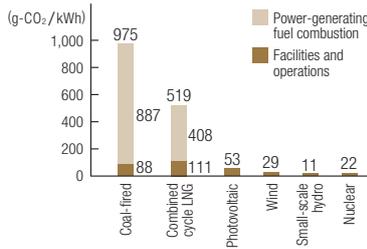
## Methods of power generation and CO<sub>2</sub> emission reduction toward 2050

Energy demand in developing countries is expected to increase rapidly and growth in the consumption of fossil fuels is anticipated. Therefore, achieving reduced CO<sub>2</sub> emissions—while maintaining a stable energy supply—is a social challenge requiring a worldwide solution. There is international consensus that CO<sub>2</sub> emission levels need to be halved by 2050 if we are to limit global warming. That will require securing a stable energy supply while developing and innovating power generation methods and technologies that greatly reduce CO<sub>2</sub> emissions.

### Changes in the Global Electric Power Supply Mix and CO<sub>2</sub> Emission Volumes



## CO<sub>2</sub> Emission Volumes by Main Power Generation Methods



Figures include CO<sub>2</sub> emissions not only from power-generating fuel combustion but from all the energy consumed in the electric power supply process—from the mining of raw materials to the construction of power generation plants, fuel transportation, operation, repairs and maintenance.  
The nuclear power figure includes domestic reprocessing of spent fuel currently being planned, "pluthermal" use (assuming plutonium is recycled once), and highly radioactive waste disposal.

Based on Research Report Y99009 and Research Report Y01006 (August 2001, Central Research Institute of Electric Power Industry).

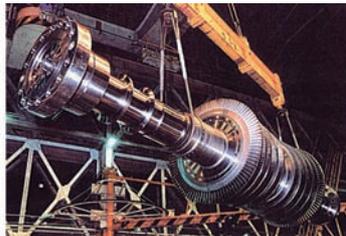
## The Hitachi Group's Power Generation Technologies

Current Group projects include cutting-edge nuclear power generation plants, more efficient coal-fired power generation, power systems using sources such as solar and wind power, grid connection control and battery storage technologies, as well as smart grids.<sup>†1</sup> We are also conducting joint R&D with research institutes, universities and other companies on technologies for the future, including IGCC,<sup>†2</sup> a promising candidate for next-generation high-efficiency power generation; CCS,<sup>†3</sup> which isolates and recovers the CO<sub>2</sub> emitted from sources such as thermal power plants for storage underground and elsewhere; and next-generation nuclear power plants with more effective resource use.

†1 Smart grids: Next-generation power grids to optimize power transmission by utilizing information technology

†2 IGCC: Integrated Gasification Combined Cycle (coal)

†3 CCS: Carbon (dioxide) Capture and Storage



(Left) 2,000 kW wind power generator developed jointly with Fuji Heavy Industries Ltd.  
(Right) High-efficiency 600°C-class high-pressure turbine for thermal power generation

### Main Power Generation Product and Technology Development Projects

CO <sub>2</sub> emission reduction	Renewable energy power generation systems Grid connection control Battery technologies Smart grids CCS
High efficiency/effective use of resources	Advanced boiling water reactors High-efficiency coal-fired power generation IGCC Fast reactors

### Enhancement in Next-Generation Power Generation Technologies

Yoichi Kaya

Director-General, Research Institute of Innovative Technology for the Earth

The keys to halving CO<sub>2</sub> emissions by 2050 are innovations and improvements in the supply of energy, which accounts for around 40 percent of CO<sub>2</sub> emissions and where demand will keep growing. While the base will be stable nuclear power plant operations, there are many areas where we can contribute, including improving the nuclear fuel cycle, using IGCC in particular to improve coal-fired power generation efficiency, and by creating battery technologies—vital in expanding renewable energy use. I strongly expect Hitachi to become even more involved in creating both a low-carbon society and greater power supply stability by developing practical, concrete, and innovative technologies from a long-term perspective.



### Hitachi's Nuclear Power Generation Technology: For High Reliability Responding to Global Nuclear Power Needs

Nuclear power generation is currently undergoing a renaissance. This is due partly to the wide distribution of uranium—used for fuel—across politically secure regions and its potential contribution to energy supply stabilization, as well as the fact that no CO<sub>2</sub> is emitted. Even in the United States, where no new nuclear power plant has been built since 1973, plans are currently under consideration to build more than 30 new nuclear power plants. Nuclear power generation is expected to play a major role in reducing CO<sub>2</sub> emissions in the years ahead.

Since putting the Tsuruga-1 nuclear power plant into operation in 1970, we have participated in the construction of 20 nuclear power plants in Japan, amassing technological know-how while maintaining and fostering expert human resources. In July 2007, Hitachi-GE Nuclear Energy was established as a nuclear power joint venture between Hitachi and General Electric, a company with extensive construction experience in the United States. This strategic move positions us in the North American market with the technical capabilities and human resources that we have nurtured to respond to the expected boom in nuclear power generation.

#### High Reliability

A key feature of our nuclear power business is that we handle the entire process from plant design through to manufacture, installation and pre-operation by having many Hitachi Group companies work in collaboration. We are striving to improve quality control by building a comprehensive engineering database for centralized information management—from the drawings produced by our 3D CAD system to manufacturing plans and installation plans to progress monitoring during construction.

We also attach ultra-small RFID (radio-frequency identification) chips called  $\mu$ -chips to pipes and cables shipped to construction sites, enabling detailed product and process management at

new nuclear power plants.

Our interest in enhancing manufacturing and installation efficiency has led to putting aside the traditional approach of installing machinery and laying pipes on-site during construction. Instead, we have created a proprietary large-block modular construction method where plant components, such as machinery and pipes, are assembled off-site and finished modules are then shipped to the construction site. Using this method for nuclear power plant construction makes it easy to build according to plan; it also ensures top-level quality and security control. Large-block modular construction will have a major impact on power plant construction in North America, as well as other regions.



(Left) Module assembly factory (Hitachi Works, Hitachi GE Nuclear Energy)

(Right) Nuclear reactor containment vessel being lifted into Unit No. 3 at Chugoku Electric Power Company's Shimane Nuclear Power Station in Japan

### Looking to Tomorrow

As a builder of power plants, we have constructed many boiling water reactors (BWRs), the most common type of nuclear power plant in Japan. Since 1995, we have also been building advanced boiling water reactors (ABWRs) which offer high reliability. Moreover, we are working with the Japanese government, electric power companies and other manufacturers on a national project to develop the next generation of light water reactors. These new reactors are intended to take advantage of the replacement reactor construction demand that will emerge around 2030, with an eye on the international market as well.

The reserves to production ratio for uranium is said to be around 85 years. To improve uranium use efficiency, we have been deeply involved in building a nuclear fuel reprocessing plant and in a government-led fast reactor development program.

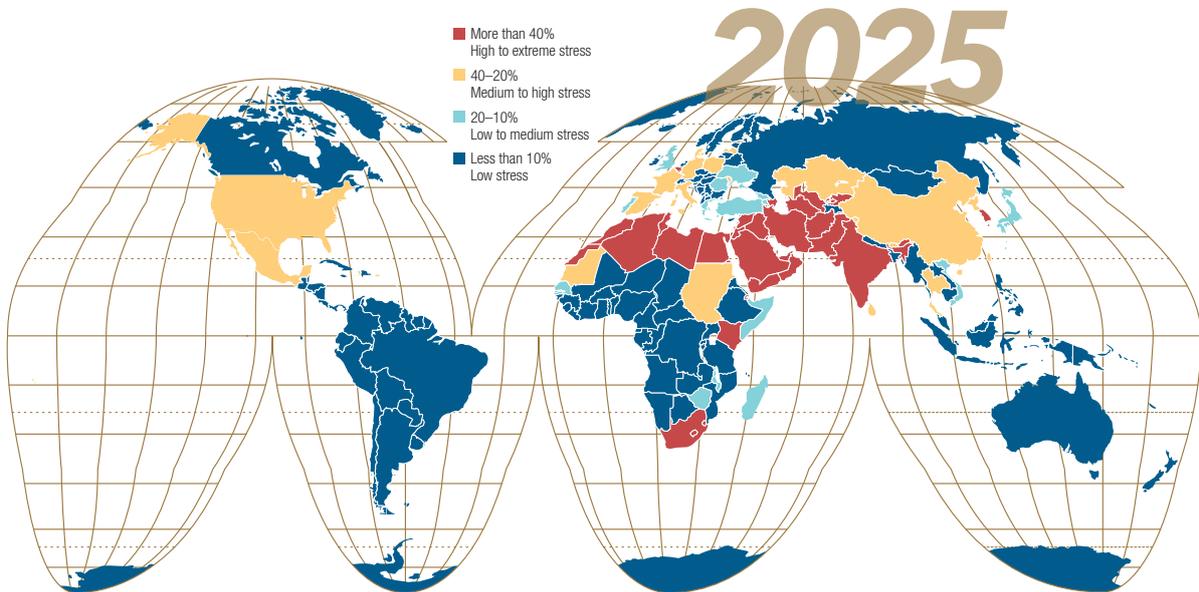
# Contributing to Water Treatment Operations

Hitachi's joint global R&D—researching the effective use of valuable water resources

## Worldwide Water Problems

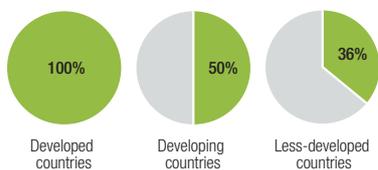
The 21st century has been called “the century of water,” with water shortages made worse by global warming. Around 1.1 billion of the world’s approximately 6.5 billion people (as of 2006) do not have access to safe drinking water. Some 2.4 billion people have to live without proper sanitation, including wastewater and sewage treatment. Regions lacking adequate sanitation also suffer from serious water contamination problems. Thus, water treatment technologies will soon be critical for global environmental conservation.

### World Water Stress in 2025\*



\* Water stress refers to the ratio of water demand to renewable water resources. When this ratio tops 40 percent, it is said to be high. According to *Vital Water Graphics* (United Nations Environment Programme), four billion people are expected to face high water stress by 2025.

### Ratio of People with Access to Good Sanitation (2004)



Source: Health indices, *The State of the World's Children 2008* (UNICEF)

## Hitachi Group Water Treatment Technologies

We contribute to global environmental conservation by offering water treatment systems and technologies for treating tap water and sewage, industrial wastewater and ship ballast water—for a safe and reliable water supply, the base of human existence.

### Hitachi's Main Water Treatment Technologies

Sewage treatment Industrial wastewater treatment	Technology using microorganisms to efficiently remove nitrogen from sewage and industrial wastewater
Sewage reclamation and recycling Industrial water reclamation and recycling	Water treatment technology combining membrane separations and biological treatments
Ship ballast water purification	Water treatment technology combining flocculation and magnetic separation that avoids the use of disinfectants and protects marine environments

#### Water Stress and Safe Water

Taikan Oki

Professor, Institute of Industrial Science  
The University of Tokyo



Pressure from population growth, economic development, urban concentration and climate change are squeezing world water supply and demand ever more tightly. This is less due to water shortages in arid areas than due to the lack of a social infrastructure for a stable supply. The Hitachi Group and other companies can contribute to solving the world's water problems in many ways, including creating the social mechanisms for maintaining a healthy water cycle and teaching skilful water use that minimizes water pollution, as well as the transfer of water treatment technologies and the supply of funds. Supporting access to water promotes good health, hygiene, and food production as well as energy, transportation, and education. This underpins sustained economic growth in the developing world and world stability; it also substantially contributes to Japan's national interests.

### Technologies Creating Safe and Reliable Water

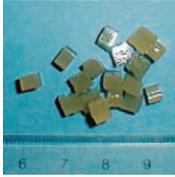
#### Solving Water Contamination

China's urbanization has gone hand in hand with severe water pollution. A prime example is TaiHu Lake, an area in the Yangtze River Delta known for its scenic beauty. Large amounts of blue-green algae now bloom there every summer, causing a strong odor in the tap water of coastal regions fed by the lake. This is thought to be due to nitrogen and other substances in domestic and industrial wastewater flowing into rivers, lakes, and marshes, causing eutrophication (when too many nutrients cause excess growth of plants and organisms).

To address this problem, we are looking to deploy a unique nitrogen removal system using immobilized microorganisms trapped in polymer gel cubes.

The most common sewage treatment method is the activated sludge process, where air bubbles are fed into a bioreactor, using the action of microorganisms for water purification. While this is an effective way to break down organic matter, it cannot completely remove contaminants such as nitrogen. With entrapped immobilized microorganism technology, microorganisms that can remove nitrogen are trapped in a polymer gel shaped into 3-mm cubic pellets. Injecting the pellets into the bioreactor substantially boosts the nitrogen removal rate. PEGASUS, a nitrogen

removal system jointly developed with the Japan Sewage Works Agency, uses this technology. It is already performing well in sewage in Japan and private-sector industrial wastewater treatment.



Gel containing highly concentrated microorganisms

### Joint Research Verifies Feasibility

To deploy this new technology in China, it was vital to use actual wastewater to verify the technology and win over the government and major design institutes that determine sewage plant specifications. We have demonstrated the effectiveness of entrapped immobilized microorganisms through joint research with a number of Chinese universities.

In conjunction with the Shanghai Jiao Tong University, under a joint research project, we set up a pilot plant for tests at a brewery in Guangdong Province. These tests produced good results and proved the effectiveness on wastewater containing high concentrations of ammonia. We also undertook on-site verification in sewage plants in cities in the TaiHu Lake area. In our research with Nanjing University, we made an on-campus evaluation of entrapped immobilized microorganisms and also performed demonstration experiments at sewage plants.



A PERSEUS system installed at a construction workers' housing complex in Dubai processes wastewater for about 1,500 people

### Reusing Water Resources

We have also developed a system for water recycling and reuse in regions with serious water shortages. The PERSEUS system produces treated water suitable for reuse with a membrane bioreactor where a membrane is submerged in a bioreactor for solid-liquid separation.

The PERSEUS system is already in commercial use. Units began operating in 2007, for example, in Dubai in the United Arab Emirates, a city that is attracting attention for its large-scale urban development. In September 2008, a new company was set up with local investors to gather domestic city wastewater in tank trucks for advanced treatment using the PERSEUS system, where the treated water is sold for use in industry, toilets, irrigation, and plantations.

At the same time, given that many areas with serious water shortages are in the developing world, increasing the market penetration of water recycling technologies will require a significant lowering of costs. We are jointly researching how to do this with leading universities around the world that have special technologies. In Singapore, which has the NEWater Plan for recycling

wastewater as a drinking water resource, we have begun working with Nanyang Technological University to apply the university's leading-edge technologies to develop a system that is driven by a small amount of energy. We are also collaborating with China's Sichuan University to create a low-cost hollow fiber membrane that combines the university's polymer material and spinning technologies with our membrane treatment technologies.

## Environmental Management in *Monozukuri*

We are set to reduce, from a long-term perspective, the environmental burden of products over the entire product lifecycle

### Environmental Action

We have written the Hitachi Action Guidelines for Environmental Conservation, which outline the Group's environmental management policy based on Hitachi, Ltd. Standards of Corporate Conduct. Using these guidelines, we have adopted three pillars for our environmental vision: the prevention of global warming, conservation of resources, and preservation of the ecosystem. The target in our medium-term plan, Environmental Vision 2015 is to achieve emission neutral by fiscal 2015. Drawing on the Sustainability Compass, which lays out directions for environmental activities, we have developed an Environmental Action Plan with specific targets for fiscal 2010. The GREEN 21 evaluation system is used to assess the progress of our activities, verify the results, and ensure continual improvement.

#### Hitachi Action Guidelines for Environmental Conservation (excerpt)

This document lays out 10 specific guidelines that include a statement on meeting our social responsibilities through environmental protection activities, relevant business activities, and forging cooperative relationships with stakeholders.

#### 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 lifecycle, ensuring environmental conservation.

#### Hitachi Action Guidelines for Environmental Conservation (full text):

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

#### Medium-Term Plan Environmental Vision 2015

To achieve emission neutral by fiscal 2015 (see pages 9 and 10)

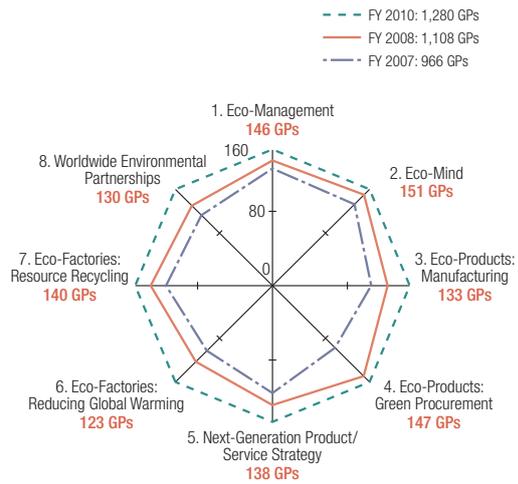
#### Environmental Action Plan

Action items and targets have been set for each of the four axes of our Sustainability Compass. Action items include expanding our Eco-Product lineup, steps to counter global warming, efficient use of resources, and proactive communication on environmental issues. Environmental Action Plan targets are reviewed and optimized to reflect, for example, the state of the global environment, requests from stakeholders, and early target achievement.



### The GREEN 21 Evaluation System

GREEN 21 is an evaluation system designed to ensure steady implementation of the Environmental Action Plan and continual improvements, and to raise the effectiveness of environmental activities. GREEN 21 is an evaluation tool that numerically assesses the degree to which that year's Environmental Action Plan goals have been achieved, then displays the results in radar charts for easy viewing and use in environmental management. Version 3 was created in line with the Action Plan and has 55 items in eight categories based on the four axes of the Sustainability Compass. Assessments are made for each plant and office, and the results are also reflected in the overall performance evaluation of each business group and company. This reveals weak points in environmental action and shows improvements needed in the next fiscal year. In fiscal 2008, a Group average score of 1,108 Green Points (GPs) was achieved, exceeding the target of 1,024 by 84 points. Regarding green procurement in particular, efforts are being made to improve GP scores by providing individualized, visiting advisors to the procurement divisions and environmental promotion divisions of group businesses and companies, coupled with support for the environmental activities of procurement transaction partners.



### Reducing Environmental Burden throughout the Product Lifecycle

Our goal is to achieve emission neutral (see pages 9 and 10) to help build a sustainable society. We are pursuing environmental protection based on actions designed to respond to environmental regulations and to reduce the environmental burden at all stages of the manufacturing process—from materials procurement, manufacturing, distribution, and product use, through to disposal.

#### Product Lifecycle



#### 1. Design

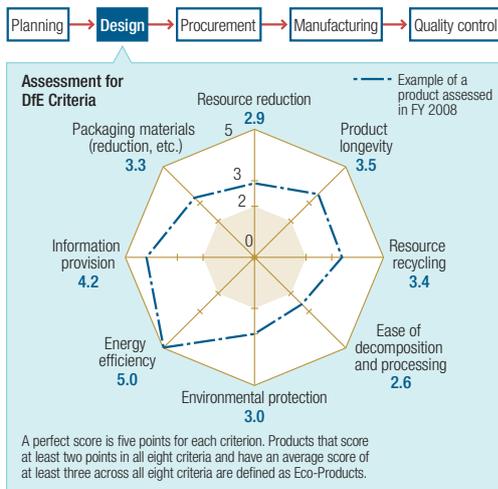
Develop and design products with a low environmental burden

#### Implementing Ecodesign

Minimizing the environmental burden of products to the greatest possible extent means focusing on

the impact at every stage of the product lifecycle. We have integrated Assessment for DfE (Design for Environment) into product development: We evaluate environmental burden using eight criteria, including resource reduction and product longevity. Based on these criteria, products having better environmental performance than previous models (before the latest major design change) are called Eco-Products. To implement proper and efficient Eco-Product development not only design divisions but also every operational unit, including planning, procurement, manufacturing and quality control, is required to integrate environmental consideration into their work. We will achieve this by incorporating ecodesign into our existing management system. The system will enable prompt responses to environmental laws and regulations, as well as environmental information disclosure requirements, to make products with outstanding environmental performance.

### Integrating Ecodesign into the Existing Management System



## 2. Procurement



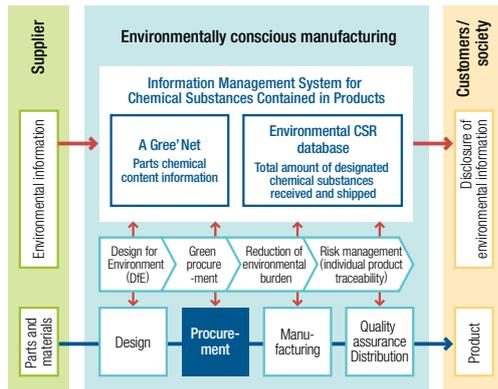
Procure materials and products with a low environmental burden, share environmental information across the supply chain, and promote environmental protection with suppliers

### Environmental CSR-Compliant *Monozukuri*

We have promoted environmentally conscious product manufacturing across the entire manufacturing process, through product design, parts/materials procurement, manufacturing, sales and providing service. Accordingly, we have developed common rules for environmental CSR-compliant *monozukuri* and a framework for managing chemical substances contained in products. Since 2005, we have employed the Information Management System for Chemical Substances Contained in Products. We now have information on the chemical composition of more than 624,000 parts (March 2009) to ensure green procurement. We are also improving our compliance with the REACH<sup>†1</sup> regulation, the compulsory registration and notification for chemical substances used in the European Union (EU).

†1 REACH: Registration, Evaluation, Authorisation, and Restriction of Chemicals (This EU regulation came into force on June 1, 2007.)

## Managing Chemical Content of Products



## 3. Production



Promote environmentally conscious manufacturing through energy saving, effective resource use, and management of chemical substances

### Super Eco-Factory & Office Certification

We internally give Super Eco-Factory & Offices certification to facilities that achieve outstanding results and take pioneering steps in environmental burden reduction. By highlighting the initiatives taken by certified factories and offices, we are encouraging environmental action across the whole Group.

Assessment is based on six criteria, including energy efficiency, improvements in resource recycling and VOC<sup>†2</sup> emission reduction to certify those facilities that achieve industry-leading environmental efficiency and a reduction in adverse environmental burden. Nine facilities have been certified as Super Eco-Factories & Offices up to fiscal 2008. Our goal is to raise this to 30 across the Hitachi Group by fiscal 2010.

†2 VOC: Volatile organic compounds

### Super Eco-Factory & Office Certification Criteria

1. Energy efficiency
2. Improvements in resource recycling
3. VOC emissions reduction
4. Water recycling
5. Renewable energy use
6. Other (special commendation or use of original technologies to meet targets)



#### 4. Distribution

Reduce the environmental burden of transportation with modal shifts and more efficient transportation

#### 5. Use

Popularize products with a low environmental burden

#### 6. Disposal and recycling

Resource recycling, proper treatment for disposal

## Environmental Activity Topics

Here we present some of our environmental activities during 2008 based on the four axes of the Sustainability Compass

### Eco-Mind & Global Environmental Management

#### Conferences of Staff in Charge of Environmental Issues in Four Key Regions

Outside of Japan, the Hitachi Group is organizing environmental activities in these regions: the Americas, Europe, China, and the rest of Asia. In 2008, management in charge of environmental activities gathered in each region to understand Hitachi's policy and the world's environmental regulations, and to share information on their environmental activities, such as energy conservation. Through these conferences, regional networks were developed to deepen collaboration, clarify issues and provide encouragement for further action. We will continue to hold these events to develop our global environmental activities while reflecting regional characteristics.



(Left) Chinese Regional Conference in Suzhou, March 2009,  
(Right) European Regional Conference in Brussels, January 2009

## Next-Generation Products and Services

### Forty-six Eco-Products Newly Registered

1,103 Hitachi Group products (6,961 models) were registered as Hitachi Eco-Products in 2008. These products have high external reputations.

#### Hitachi Energy Recovery System—Micro-Hydropower System

Hitachi Industrial Equipment Systems Co., Ltd.

- Winner of 2008 Promotion Council Chairman's Prize, 5th Eco-Products Award (2008)
- Winner of the Japan Machinery Federation Chairman's Prize, JMF Award for Energy-Conserving Machinery

Hitachi Industrial Equipment has developed a system that recovers surplus hydropower energy from buildings and factories as electrical energy. Optimizing rotation speed enables highly efficient energy recovery, and miniaturization increases the range of places where it can be installed.

#### Agricultural Information Management System: GeoMation Farm

Hitachi Software Engineering Co., Ltd.

- Winner of 2008 Promotion Council Chairman's Prize, 5th Eco-Products Awards (2008)
- Winner of Ministry of Internal Affairs and Communications Prize on Environment, u-Japan Award

A system adapting satellite image remote sensing technology and map information ensures crop quality through fertilizer management and reduces energy consumed in the drying process by optimizing the harvesting time of crops, such as wheat.

#### Hitachi Appliance's Drum-type washer-dryer (BD-V3100, BD-V2100)

Hitachi Appliances, Inc.

- Winner of METI Minister's award, Energy Conservation Grand Prize 2008

The product recovers heat emitted by the motor, etc., and reuses it to dry clothing. This energy-saving technology reduces power consumption.

#### Packaged Air Conditioner for Cold Regions (standard heating capacity of 8 kW–16 kW)

Hitachi Appliances, Inc.

- Winner of Environment Minister's Award for Activities to Fight Global Warming 2008 (Technology Development and Commercialization Category)

This product has a highly efficient inverter compressor and a heat exchanger for outdoor units that repel frost, improve heating capacity, and reduce energy consumption when the outside is cold. Individual operation of indoor units is also available for efficient air conditioning.



(Left) Micro-Hydropower System, (Left-Center) Satellite image—GeoMation Farm  
(Right-Center) BD-V3100, Drum-type washer-dryer, (Right) Packaged Air Conditioner for Cold Regions

## Super Eco-Factories & Offices

### Nine More Super Eco-Factories & Offices Certified

Based on their 2008 performance, nine more facilities have been certified as Super Eco-Factories & Offices. The performances of previously certified facilities are reassessed yearly to determine whether they will retain their certification. Up to now, 26 facilities are recognized as Super Eco-Factories or Offices. For example, Hitachi Industrial Equipment Systems' Narashino Division uses the business concept of "contributing to the environment and energy conservation." Accordingly, they develop and manufacture energy-saving products and actively implement energy saving at the plant. By introducing highly efficient amorphous transformers, inverter controls for production facilities, a power monitoring system, and ceramic metal halide lights, the Narashino Division has reduced annual CO<sub>2</sub> emissions by 1,720 tonnes. The plant exploits natural and renewable energies as well, including a photovoltaic power generation system and micro-hydropower generation that uses surplus energy.



Narashino Division, Hitachi Industrial Equipment Systems Co., Ltd.  
(Right) The new production building uses high-insulation glass and energy-saving equipment  
(Left) Solar panels installed on the roof of the production building

## Worldwide Environmental Partnerships

### Hitachi Booths at Eco-Products Exhibitions Attracted 34,000 Visitors

We introduced environmental activities and environmentally conscious technologies and products at exhibitions around the world. In 2008, we exhibited 31 products at Eco-Products 2008 in Tokyo—based on the theme of how Hitachi can contribute to protecting the earth. Outside of Japan, we showcased eight products, including home appliances and industrial machinery, at the Fifth Eco-Products International Exhibition in Manila, the Philippines. Visitors were invited to write messages about the global environment and Hitachi's environmental activities on cards, which were then pinned to a board to form an "eco tree." The Hitachi booths at these eco-products exhibitions in Japan and abroad attracted 34,000 visitors.

### Eco Badges for All 400,000 Hitachi Employees

To promote environmental awareness among Hitachi management and staff, in 2008 an eco badge displaying the Hitachi Tree was distributed to all of Hitachi's management and employees worldwide. Wearing these badges will encourage everyone to make the effort to achieve yearly targets based on Hitachi's Environmental Vision.



(Left) "Eco tree" covered with messages (Eco-Products International Exhibition)  
(Right) Eco Badges for All

## Extending Our Collaborative Projects Overseas

Our collaborative projects, where we join forces with our worldwide partner companies, government institutions, and universities to develop environmental technology, are contributing to environmental protection programs outside of Japan

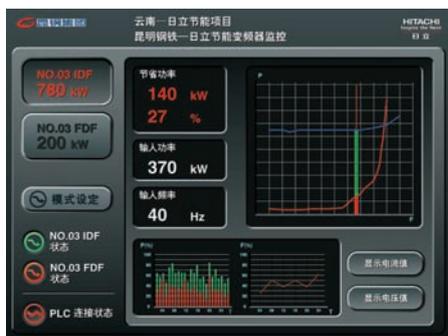
### **Project Japan-China Energy Conservation and Environmental Business Promotion Model Project**

In Yunnan Province, China, we are active in the Model Project for Energy Saving and Utilization of Waste Heat/Pressure through Electrical Systems. This is a collaborative effort between Hitachi, the Energy Conservation Office of the People's Government of Yunnan Province, and the China Center for Business Cooperation and Coordination of the National Development and Reform Commission. The first phase of the project: operations in April 2008 of two sets of Hitachi high-voltage inverters at Kunming Iron & Steel Co., Ltd., one of Yunnan's major steelmakers. The company was able to reduce energy consumption by an average of 26 percent.

In addition, the high-voltage inverter for intake pumps that Hitachi provided for Tianda Chemical Industries Co., Ltd. and the high-voltage inverter for slurry pumps that we provided for Yunnan Three Circles Chemical Co., Ltd. began operating in July and September 2008 respectively. As a result, the Hitachi inverters were able to help these companies achieve immediate initial energy savings of 25.7 percent.

Hitachi's inverter units were used as the base for the inverter systems, while Dongfang Hitachi (Chengdu) Electric Control Equipments Co., Ltd. assembled them. Using our patented energy monitoring technology, these inverter systems allow energy savings to be clearly viewed on monitors. This cutting edge technology is based on energy-saving evaluation and monitoring technologies from Hitachi's motor drive energy conservation service, HDRIVE. Collaborative creation between Hitachi (China) Research & Development Corporation and Dongfang Hitachi (Chengdu) Electric Control Equipments worked together to develop the system.

Following up on the projects in Yunnan Province, Hitachi joined forces with the China Center for Business Cooperation and Coordination and the Ningbo Municipal People's Government to launch a second national-level project: the Cooperation Project for Energy-saving and Emission Reduction among SMEs in Ningbo. Thirty SMEs in Ningbo were selected to serve as model companies for this project. Plans are to conduct trial energy audits and to expand eligibility for the project once the results have been confirmed.



A monitor showing how much energy is being saved



An energy audit of a model company in the city of Ningbo

### **Project Joint Research on Coal Combustion Technology for CO<sub>2</sub> Reduction**

The environmental burden of coal is not low, however it will not go away soon; it is an abundant and low cost source of energy, with infrastructure in place to support its use. Therefore Hitachi realizes the best course of action is to help clean up the process and reduce the negative impact of coal energy in the short to medium term, while in the long term investing in and enabling alternative energy technologies and products that support a sustainable future. Since conventional coal-fired thermal power plants burn coal with air, it is necessary to separate nitrogen and CO<sub>2</sub> in the flue gas to recover CO<sub>2</sub>. Using the oxygen-combustion method, the main components in the flue gas are water and CO<sub>2</sub>, making it easier to recover CO<sub>2</sub>. This system can be adapted to coal-fired power plants around the world by adding oxygen supply equipment. Requiring few major modifications, it is believed that practical application is close at hand. In Germany, in particular, there are plans to test oxy-fuel combustion technology. Hitachi companies, especially Hitachi Power Europe, are participating in European projects, working on system design.

For basic research, we have exchanged joint statements with the German state of North Rhine-Westphalia on technology for reducing CO<sub>2</sub> from coal-fired plants. We are jointly researching with leading universities, as well. Our research project with RWTH Aachen University uses the university's own oxy-fuel combustion test furnace to compile data on combustion, and we are using more sophisticated numerical analysis techniques to improve the reliability of oxy-fuel combustion furnaces.



Oxy-fuel combustion testing equipment at Aachen University (Germany)  
Photo courtesy of © Peter Winandy, RWTH Aachen University

### **Forum Ongoing Environmental Cooperation with the Chinese Government**

In 2006, Hitachi set up the China Energy Conservation and Environment Commercialization Promotion Project Team. Since then we have cooperated by touring projects in Japan with representatives of China's central and provincial governments, including a film project with the China Environmental Protection Ministry and China Central Television (CCTV).

Due to strong support from the National Development and Reform Commission, we have held three joint Energy Conservation and Environmental Protection Technology Exchange Conferences since 2007, bringing together Japanese and Chinese companies, research institutions, and universities to exchange ideas and create alliances on environmental research. These meetings are making a contribution to China's environmental protection programs. In October 2008, the China-Japan High Level Forum on Energy Saving and Environmental Protection Policies, sponsored by the Development and Research Center of the State Council, was held in Beijing, with Hitachi, Hitachi Research Institute, and Hitachi (China) as the supporting Japanese companies.

This forum had about 200 attendees from both countries' governments and industries, and featured four sessions: "Policies and Regulations for Energy Conservation and Reduction of Emissions," "Energy Conservation and Reduction of Emissions for Companies," "Societal Programs for Energy Conservation and Reduction of Emissions," and "Collaborations between Japan and China on Energy Conservation and Environmental Protection." Each session included lectures and discussions.



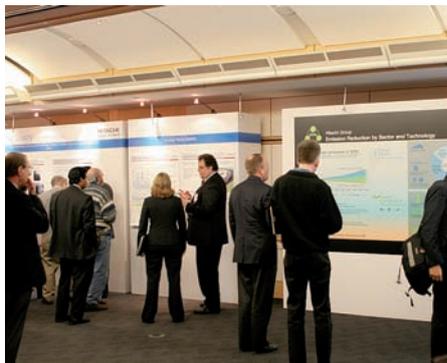
The China-Japan High-Level Forum on Energy Saving and Environmental Protection Policies

### Forum Environmental Events in the United States and Singapore

In March 2009, Hitachi held environmental seminars and exhibitions in the United States and Singapore, with government officials and other influential public figures as guests.

A climate change forum titled Meeting Energy Needs, Reducing Environmental Impact, attracting about 400 participants, was held in Washington, D.C. and was jointly organized by the American Association for the Advancement of Science and The Brookings Institution. In addition to a keynote address by U.S. Senator John Kerry, the forum featured panel discussions on climate change policy, research and development of the energy supply, and energy conservation, among other topics.

In Singapore, the Hitachi Eco Conference received the backing of the Singapore government, including the Ministry of the Environment and Water Resources and the Economic Development Board, and attracted about 280 government figures and other guests. Discussions covered energy and water resources, both pressing local issues.



Meeting Energy Needs, Reducing Environmental Impact, a forum held in the United States



The Hitachi Eco Conference held in Singapore

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# Hitachi's CSR Management

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Hitachi's CSR activities worldwide are following a roadmap to a better, more affluent society for all humankind



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# Corporate Governance

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By enhancing corporate governance, the Hitachi Group is promoting speedier, more efficient management and is meeting the expectations of stakeholders as a business that merits the public's trust

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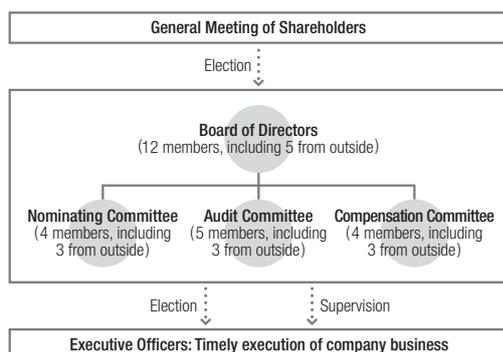
## Strengthening Governance

We operate on the committee system<sup>†1</sup> to more effectively manage oversight by bringing in outside directors and to speed up decision making by giving executive officers broader powers. We have also set up a Group-wide system of internal controls, strengthened governance and management efficiency, and have worked hard to earn the trust of all stakeholders.

To reinforce the role of the Group headquarters, we have established guidelines on the environment, compliance, risk management, and internal audits. As well, we have implemented internal audits of Group companies. We are striving to enhance corporate value through close communications with all stakeholders.

†1 Committee system: A corporate governance system where a board of directors makes basic policy decisions and oversees the execution of business by executive officers, while the executive officers, appointed by the board of directors, execute the company's business affairs

### Governance Structure of Hitachi, Ltd.



## Executive Compensation

Compensation for every director and executive officer is set by the Compensation Committee based on the Japanese corporate law governing companies with committees.

Compensation for directors and executive officers consists of monthly salaries together with year-end allowances for directors and performance-based bonuses for executive officers. While compensation for directors is generally fixed, performance-based bonuses for executive officers are determined individually according to business performance and the outcome of work carried out under the officers' management. Monetary compensation is the basis of the compensation system. Beginning with compensation for fiscal 2008, the scheme for directors and executive officers has been revised to eliminate retirement allowances. In fiscal 2008, executives were compensated as follows:

## Summary Compensation Table

Category	Salaries and year-end allowances or performance-based bonuses	
	Recipients (number)	Total amount (millions of yen)
Directors (outside directors)	13 (5)	408 (95)
Executive officers	26	1,133
Total	39	1,542

\* The number of Directors indicated excludes the two Directors who serve concurrently as Executive Officers.

\* The compensation to Directors includes the monthly salary of the two Directors, who retired due to expiration of their terms of office at the close of the 139th Ordinary General Meeting of Shareholders held on June 20, 2008, for their terms of office of this year.

## Internal Control

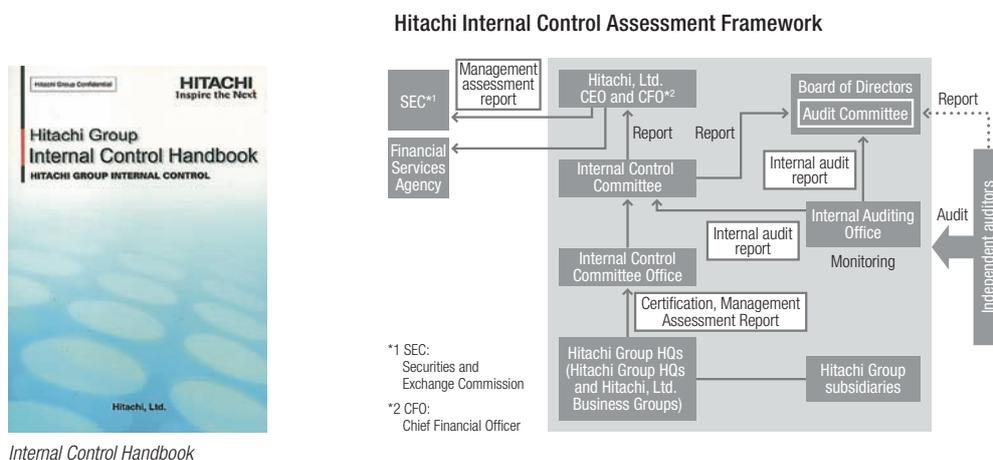
As a public company listed on the New York Stock Exchange, Hitachi, Ltd. is registered with the U.S. Securities and Exchange Commission and is subject to the Sarbanes-Oxley Act.<sup>†2</sup> A comparable internal control evaluation and reporting system (J-SOX<sup>†3</sup>) came into effect in Japan at the beginning of fiscal 2008. Accordingly, the Hitachi Group as a whole and all listed Group companies now evaluate internal control systems and report the results on a consolidated basis.

We are committed to full compliance with these and other applicable laws and regulations. Beyond that, we consider it an important social responsibility to re-engineer our internal control systems, to improve the transparency and credibility of our businesses, and to strengthen our management structure by clarifying, examining, and visualizing our management and operational frameworks.

As a conglomerate of many companies, we have adopted a framework that assigns accountability at the Group level, including responsibilities for the design and operation of internal controls. Accordingly, Hitachi Group companies are required to revise, document, and evaluate the effectiveness of their operations in line with guidelines determined by specific levels of corporate scale and business content. Management assessment of each company is collected at the Group level, and is reported to Hitachi, Ltd. along with the certification.

†2 Sarbanes-Oxley Act (SOX): Section 404 of this act, enacted in July 2002, mandates company management with the responsibility of establishing, maintaining, and evaluating internal control over financial reporting, and requires that control be assessed by independent auditors.

†3 J-SOX: A framework for evaluating and reporting internal control over financial reporting under the Japanese Financial Products Transaction Law. It came into effect with the promulgation of the Financial Instruments and Exchange Law in June 2006 and has been applied since April 2008.



Internal Control Handbook

## **Group Management**

In the Hitachi Group, we strive for a management approach that fosters synergy among companies by nurturing connections while respecting each company's independent creativity. In a quest for strategies to maximize Group synergy and make optimal use of Group management resources, we are currently developing whole Group management policies through the Group Strategy Committee established in April 2006.

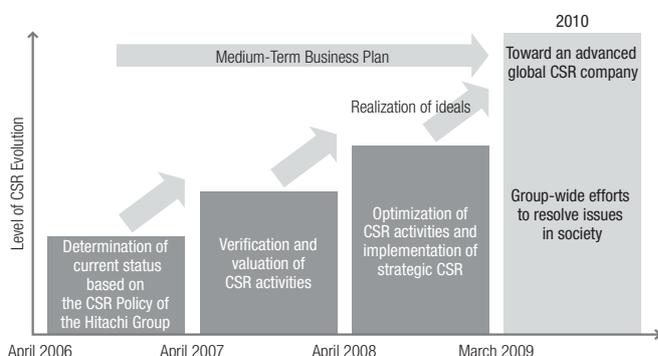
# CSR Promotion Activities

Objective view to strengthening CSR management

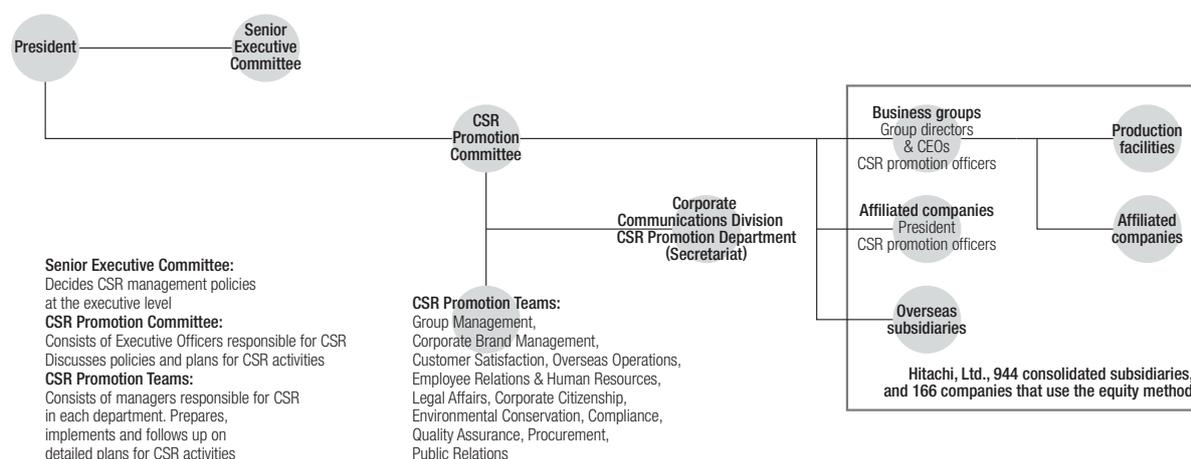
## Striving to Be a Global Leader in CSR

In 2006, we established the Three-Year CSR Roadmap, a medium-term plan for CSR activities. Based on this roadmap, we set fiscal year targets and activities that strengthen our CSR efforts over this period. Our objectives in fiscal 2008 were to optimize and carry out strategic CSR. Through dialogues with stakeholders, we prioritize material issues for the sustainable development of society and for business. We also applied CSR self-assessment tools to clarify challenges within each division. We are now incorporating these issues into our strategy, with the goal of becoming a global leader in CSR in 2010—the year of our company’s centennial.

### Three-Year Roadmap Concept



### Structure of Hitachi Group CSR Promotion



## Results of CSR Activities in Fiscal 2008 and Goals/Plans for Fiscal 2009

This table summarizes the main CSR activities and results based on the Hitachi Group Three-Year Roadmap in fiscal 2008, as well as plans for future activities.

CSR Policy of the Hitachi Group	Activities in Fiscal 2008	Results in Fiscal 2008	Achievement Level	Page(s)	Fiscal 2009 Goals/Plans
1. Commitment to corporate social responsibility	<ul style="list-style-type: none"> <li>Implement CSR e-learning courses in the Americas, and China and other Asian countries</li> <li>Continue holding CSR workshops and seminars overseas</li> </ul>	<ul style="list-style-type: none"> <li>Implemented CSR e-learning courses overseas (attendance rate: North and South America 70%, China 90%)</li> <li>Held CSR workshops (in five Asian countries)</li> <li>Held CSR working group sessions in Europe</li> </ul>	◆ ◆	P. 39	<ul style="list-style-type: none"> <li>Implement CSR e-learning courses in other Asian countries</li> </ul>
	<ul style="list-style-type: none"> <li>Engineer plan-do-check-act (PDCA) cycle through the adoption of Hitachi Group shared CSR visualization tools (tentative name)</li> </ul>	<ul style="list-style-type: none"> <li>Developed Hitachi Group CSR self-assessment tools and implemented them throughout the Group (used at 22 companies)</li> </ul>	◆ ◆ ◆	PP. 38–39	<ul style="list-style-type: none"> <li>Increase the number of companies where CSR self-assessment tools are applied, and implement tools overseas</li> </ul>
2. Contribution to society through our business	<ul style="list-style-type: none"> <li>Determine important themes for Hitachi Group CSR activities and have them reflect the concerns of society as well as management</li> </ul>	<ul style="list-style-type: none"> <li>Determined important CSR issues for the Hitachi Group and themes for CSR activities</li> <li>Assessed important issues and business operations beneficial to society from management and stakeholders' perspectives</li> </ul>	◆ ◆	PP. 7–8	<ul style="list-style-type: none"> <li>Introduce materiality process<sup>*1</sup> and incorporate it into corporate strategy, business operations, and management decision making</li> </ul>
	<ul style="list-style-type: none"> <li>Improve the PDCA cycle-driven work process</li> </ul>	<ul style="list-style-type: none"> <li>Implemented process improvement measures (strengthened management of change points, etc.) in business divisions prioritized by the need for quality improvement</li> </ul>	◆ ◆	P. 53	<ul style="list-style-type: none"> <li>Put a stop to serious accidents and foster global QA (quality assurance) leaders</li> </ul>
	<ul style="list-style-type: none"> <li>Develop skills of sales divisions in order to boost CS activities</li> </ul>	<ul style="list-style-type: none"> <li>Conducted exchanges of opinions with business groups and Group companies (in four locations) on CS activities from customers' perspective</li> </ul>	◆ ◆ ◆	PP. 57–58	<ul style="list-style-type: none"> <li>Strengthen Group network of Web sites for general customer inquiries</li> </ul>
3. Disclosure of information and stakeholder engagement	<ul style="list-style-type: none"> <li>Send out more, and disclose more completely, information on priority initiatives</li> <li>Conduct dialogues with stakeholders in Japan and overseas</li> <li>Refine CSR Web site and improve searches</li> </ul>	<ul style="list-style-type: none"> <li>Disclosed information two ways: through <i>CSR Report Digest</i> (booklet) and <i>CSR Report</i> (PDF) to provide more detailed information</li> <li>Conducted dialogues on environmental issues with stakeholders (in the U.S.) and held environmental forums, etc., (in China, the U.S., and Singapore)</li> <li>Improved both index for CSR Web site and Web page layout</li> </ul>	◆ ◆ ◆	P. 1, 8 P. 31	<ul style="list-style-type: none"> <li>Issue clear, concise <i>Environmental Report</i></li> <li>Conduct dialogues with stakeholders in all overseas regions</li> <li>Improve transparency and disclose more information on CSR Web site</li> </ul>
4. Corporate ethics and human rights	<ul style="list-style-type: none"> <li>Implement corporate ethics and compliance education programs based on the <i>Corporate Ethics and Compliance Handbook</i></li> <li>Continue implementing compliance education programs in Asia</li> </ul>	<ul style="list-style-type: none"> <li>Used the <i>Corporate Ethics and Compliance Handbook</i> (English edition, Chinese edition) throughout Hitachi Group companies</li> <li>Implemented compliance education programs in Asia (five countries) and revised the employee notification system in the Philippines</li> <li>Established company regulations regarding the prevention of bribery</li> <li>Joined the United Nations Global Compact</li> </ul>	◆ ◆ ◆	PP. 41–42	<ul style="list-style-type: none"> <li>Develop a global education program on human rights</li> <li>Implement e-learning compliance programs in Asian countries</li> </ul>
5. Environmental conservation	<ul style="list-style-type: none"> <li>Promote and expand integrated EMS certification program</li> <li>Boost Super Eco-Product ratio to 15%</li> <li>Register eight more Super Eco-Factories and Offices</li> </ul>	<ul style="list-style-type: none"> <li>Four Hitachi Group companies acquired integrated EMS certification: Hitachi Metals, Ltd., Hitachi Plant Technologies, Ltd., Hitachi Maxell, Ltd., and Hitachi Medical Corporation.</li> <li>Achieved Super Eco-Product ratio of 18%</li> <li>Registered nine more Super Eco-Factories and Offices (bringing the total to 26)</li> </ul>	◆ ◆ ◆	PP. 21–28	<ul style="list-style-type: none"> <li>Promote and expand integrated EMS certification</li> <li>Boost Super Eco-Product ratio to 22%</li> <li>Register eight more Super Eco-Factories and Offices</li> </ul>

6. Corporate citizenship activities	<ul style="list-style-type: none"> <li>• Implement programs on global environmental themes</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented programs in U.S.A., China, Singapore, Thailand, the Philippines, and Japan</li> </ul>	◆◆◆	PP. 66–74	<ul style="list-style-type: none"> <li>• Implement programs in emerging countries and markets</li> <li>• Continue implementing programs on global environmental themes</li> <li>• Expand educational support programs (further improve visiting lectures on Universal Design)</li> </ul>
	<ul style="list-style-type: none"> <li>• Plan and deploy new social contribution programs to satisfy needs in emerging countries</li> </ul>	<ul style="list-style-type: none"> <li>• Planned programs in India and South Africa</li> </ul>			
	<ul style="list-style-type: none"> <li>• Incorporate aging and other important social issues into existing social contribution programs and deploy them</li> </ul>	<ul style="list-style-type: none"> <li>• Held the EU-Hitachi Science and Technology Forum on the theme of the aging society</li> </ul>			
	<ul style="list-style-type: none"> <li>• Expand educational support programs (increase regions for visiting lectures on Universal Design)</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented educational support programs at 21 elementary schools, etc., mainly in the Tokyo metropolitan area</li> </ul>			
7. Working environment	<ul style="list-style-type: none"> <li>• Promote improved diversity awareness Group-wide</li> <li>• Continue encouraging appointment of female managers</li> <li>• Plan and deploy initiatives (development and trial implementation of training curriculum) to reaffirm Hitachi's founding spirit and ideals</li> </ul>	<ul style="list-style-type: none"> <li>• Held Women's Summit Tokyo 2008 (co-sponsored with other companies)</li> <li>• Promoted diversity awareness in each business group (holding work-life balance seminars, etc.)</li> <li>• Implemented community contribution activities (lectures on work-life balance in communities where business offices are located) and participated in the Ministry of Health, Labour and Welfare's Work-Life Balance Project</li> <li>• Set up a diversity promotion Web site</li> <li>• Implemented special executive and management training to reaffirm what Hitachi is</li> </ul>	◆◆	PP. 77–80	<ul style="list-style-type: none"> <li>• Promote diversity awareness in the Hitachi Group (encourage information exchange and development of shared tools through the Diversity Development Group Committee)</li> <li>• Develop a training curriculum for confirming and learning through experience the values and conduct shared by all Hitachi employees</li> </ul>
8. Responsible partnership with business partners	<ul style="list-style-type: none"> <li>• Information sharing about supplier monitoring results among Group companies</li> <li>• Provide assistance for small and medium-sized suppliers to improve environmental management systems through MMM Club<sup>2</sup> activities</li> </ul>	<ul style="list-style-type: none"> <li>• Disseminated within the Hitachi Group the results of a survey on CSR promotion at Hitachi, Ltd.'s main suppliers, and implemented CSR monitoring at Group companies</li> <li>• Conducted educational activities for suppliers (holding various lectures, etc.) through MMM Club activities</li> </ul>	◆◆◆	PP. 84–87	<ul style="list-style-type: none"> <li>• Revise the Guidelines for Procurement Activities and publish <i>Hitachi Group Supply-Chain CSR Deployment Guidebook</i> and implement it among suppliers</li> <li>• Expand the scope of monitoring of suppliers</li> </ul>

◆◆◆ : Achieved  
◆◆ : Partially achieved

\*1 Materiality process: Activities, with the participation of stakeholders, to clarify the important issues influencing society and management

\*2 MMM Club: Organization run primarily by suppliers who have acquired environmental certification through Hitachi's activities to support suppliers' environmental safety programs. The three Ms come from the first letter of *mottainai* in its use as an international environmental term.

## Self-Assessment of CSR Activities

### CSR Self-Assessment Tool

The CSR Self-Assessment Tool (“Tool”) developed in fiscal 2008, was created with the aim to examine our position and the direction that we should be taking. With outside experts, we referred to the indices used by major SRI<sup>†1</sup> and sustainability investor surveys, as well as global standards. We then summarized the elements required into 47 categories and set five levels to be reached for each category. Finally, by assembling and analyzing the results of self-assessments in eight policy areas that correspond to Hitachi's CSR policy, we clarified our strengths, weaknesses and where we need to be heading, as well as the results we hope to achieve.

To ensure that all companies in the Hitachi Group use this tool, discussions were held several times with major Hitachi Group companies during its development. Also, an application manual was created to demonstrate the effective use of the Tool. In addition, the manual lays out scoring criteria and explains how the Tool can be applied, depending on each individual Hitachi company's business area and scale of operations.

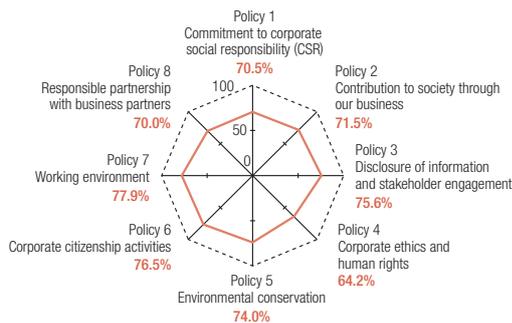
†1 SRI (Socially Responsible Investment): Investment activities by investment funds that assess companies from the viewpoint of CSR and select shares accordingly.

## Fiscal 2008 Self-Assessment Results

By using the Tool, we found that the structures and systems required for effective CSR are mostly in place. We also discovered areas that need improvement, including the link between CSR and the medium-term business plan, unified information disclosure within the Group, and the sharing of and education on global standards throughout the Group.

The Tool is being applied at 22 major Hitachi Group companies, including Hitachi, Ltd., and each company is drawing up an action plan that takes into account its industry, scale, management strategy, and other details.

## FY 2008 Self-Assessment Results (Hitachi, Ltd.)



### Main topics covered in each policy of the CSR Self-Assessment Tool

Policy 1: CSR vision; CSR education; risk management  
 Policy 2: Coordination with business strategies; sustainable designs; customer satisfaction  
 Policy 3: Information disclosure; dialogue with stakeholders  
 Policy 4: Corporate governance structure; awareness of ethics; compliance; and human rights  
 Policy 5: Carbon management strategies; resource recycling; ecosystem conservation  
 Policy 6: Strategic social contribution; participation in local communities; social enlightenment  
 Policy 7: Respecting diversity; fulfilling work environments; work-life balance  
 Policy 8: CSR procurement; communication with suppliers

## voices

### Enhancing CSR Management through Self-Assessment

Peter D. Pedersen  
 Chief Executive, E-Square Inc.

I find it extremely interesting and significant that the Hitachi Group has sketched out what it wants to do as a company and has developed and adopted self-assessment tools based on its eight CSR policies. I also think that it was excellent that even the process of deciding on the evaluation tools was itself carried out in participation with the main Group companies and entailed a thorough debate. In many cases, expanding CSR management to the group becomes an issue. It is not uncommon for this to reach an impasse because issues within individual group companies remain unresolved. The most effective aspect of Hitachi's CSR self-assessment tools is the common measure for the Hitachi Group as a whole. At the same time, it permits an evaluation that is appropriate to the unique business characteristics of each company within the Group.

I think we can expect to see in the future that each Hitachi Group company will no longer be "evaluating for the sake of evaluating," but will understand the direction for improvement indicated by these tools and will come up with their own ways to further enhance CSR management.



## European CSR Project

In order to implement CSR activities best suited for Europe, Hitachi's Regional Corporate Centre in Europe launched a CSR project that looked at what the Hitachi Group as a whole—as well as Hitachi Group businesses in Europe—must focus on, and the level of interest of stakeholders in the region. The main themes were promoting environmental projects, encouraging diversity, respecting human rights, and promoting CSR procurement. The project's working group pays close attention to trends in EU policy as it considers plans and measures for each theme. The European Corporate Office of Hitachi, Ltd., is also participating.

The focus in fiscal 2008 was on identifying common concerns of the Hitachi Group Europe, and identifying measures which the Group as a whole could implement. While working to develop these measures from fiscal 2009, we will also emphasize communications with European stakeholders.



A meeting on the European CSR Project

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# Respect for Human Rights

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“Cherish humanity”—a global approach to respecting human rights

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## Human Rights Policy

Basing our corporate activities on the concept of “cherishing humanity,” we respect stakeholders’ human rights throughout our business, including product safety, information disclosure, environmental conservation, and employment practices. We believe that new values are created by understanding and mutually recognizing the thinking and values of others. For the Hitachi Group, with our diverse businesses, our policy on human rights is a core management component that is directly tied to our Group synergy—given that we share new values that transcend our employees’ race and gender, or the company or division they work in.

Based on this view, in February 2009, we joined the United Nations Global Compact,<sup>†1</sup> declaring to the international community that we are committed to enhancing our corporate activities using the UN principles as guidelines. We will share these principles with the entire Hitachi Group, and they will be reflected in our daily work.

### The Ten Principles of the United Nations Global Compact

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



†1 The United Nations Global Compact is an international initiative first proposed by former UN Secretary-General Kofi Annan and formally launched at UN Headquarters in New York in July 2000. With the goal of constructing a sustainable society, the Global Compact calls for companies, along with UN agencies, NPOs, NGOs, and other civil society organizations, to follow 10 principles on human rights, labor standards, the environment, and anti-corruption. As of March 2009, approximately 6,700 organizations have joined.

## Raising Awareness of Human Rights

Our human rights code of conduct is in our *Corporate Ethics and Compliance Handbook*, which is distributed to all employees. To improve awareness of the need to consider human rights, training is given at every level. In addition, in Europe we use cultural awareness training to deepen understanding of the cultures, customs, and values of other countries, and to help our employees adopt better methods of communication.

In fiscal 2008, a European working group was launched to consider human rights initiatives. Since Europe has a diverse history, many cultures and societies, we believe that the activities there will be instrumental in promoting human rights in the entire Group.

Regarding procurement, in fiscal 2007 we conducted a survey focusing on CSR—including the handling of human rights—on approximately 100 of our largest suppliers, using the Japan Electronics and Information Technology Industries Association (JEITA) guidelines. In fiscal 2008, we analyzed the results, while in Asia, we held procurement training courses with a specific focus on human rights for Group companies.



Procurement training course held in Malaysia

## Hitachi and the United Nations Global Compact

Hitachi, Ltd. became a signatory of the United Nations Global Compact in February 2009, and we are now reviewing regulations, training, and other measures within the company.

We are carrying out surveys and supporting education on procurement based on our revised Guidelines for Procurement and Business Transactions. To ensure that our internal code of ethics permeates the entire Group, we are both clearly describing human rights issues and developing and reviewing training programs.

# Compliance and Risk Management

Raising employee awareness and understanding to strengthen compliance

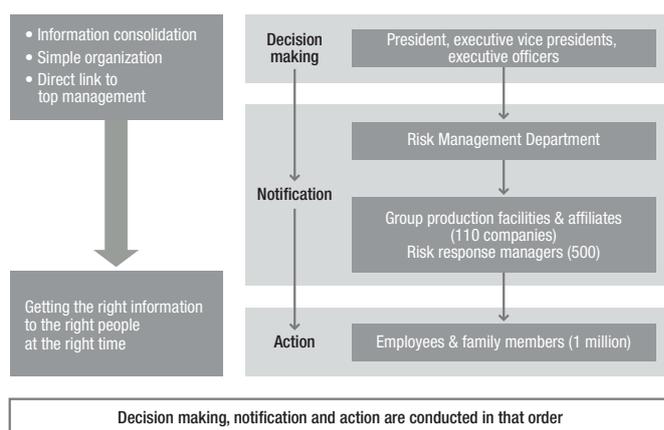
## Risk Management

We identify financial and nonfinancial risks assessing how the company and its business divisions may be affected. We make basic information—including environmental, social, governance, legal trends and know-how—available to every business and all employees. This information is shared to prevent and treat the problems from occurring or reoccurring. In addition, we audit areas of the business where problems have occurred in the past or where problems could occur, and divisions in charge use the information from the audits to improve their compliance and develop an emergency response, where appropriate.

### Major Risks and Divisions in Charge

Risk	Division Responsible
Content of sales contracts and transactions with customers	Legal Affairs, Compliance
Worksite safety and health, labor management	Human Resources, Employee Relations
Management of the procurement process	Procurement
Information security	IT
Appropriate accounting and assets	Finance
Export management rules	Export Management
Transactions with antisocial individuals and organizations	General Affairs (inquiry)
Environmental protection	Environment
Ensuring employee safety and business continuity during natural disasters, political conflicts, crimes, etc.	Risk Management

### Risk Management Framework



## Code of Conduct regarding Corporate Ethics and Compliance

In February 2008, we completely revised the *Business Ethics Handbook* to account for recent changes in the law, reissuing it as the *Corporate Ethics and Compliance Handbook*. The scope of action outlined in the revised handbook was approved by the Board of Directors in May 2008. It

has been distributed to all Group companies, including in Chinese and English editions. As well as continuing to use the handbook in training and education, Group companies confirm the status of training and education through compliance audits.

#### **The Corporate Ethics and Compliance Handbook Table of Contents**

##### **Sincere and Fair Business Activities**

- Sales Activities
- Provision of Safe High-Quality Products and Services
- Observance of Engineering Ethics
- Procurement Activities
- Respect for the Hitachi Brand

##### **Environmental Protection**

##### **Relations with Society**

- Disclosure of Company Information
- Use of Inside Information and Prevention of Insider Trading
- Contribution to Local Communities
- Relations with Politics and Government Administration
- Prevention of Anti-social Transactions
- Observance of Laws Governing Imports and Exports
- Observance of Laws and Respect for the Culture and Customs of Each Nation and Region
- Regarding Gifts, Business Entertainment, Etc.

##### **Respect for Human Rights**

##### **Management Foundations**

- Management and Use of Information
- Management and Preservation of Company Assets
- Arranging a Work Environment That Draws Out Employee Strengths

Revised February 2008

#### **The Corporate Ethics and Compliance Handbook Table of Contents**

[http://www.hitachi.com/csr/csr\\_images/handbook\\_en.pdf](http://www.hitachi.com/csr/csr_images/handbook_en.pdf)

### **Compliance Seminars in Asia**

Over 150 Hitachi Group companies are operating throughout Asia (in eight countries, excluding Japan and China). Every year, we conduct education programs on employee corporate ethics and compliance (compliance seminars in Asia). In fiscal 2008, around 80 managers participated in seminars held in the Philippines, Thailand, Malaysia, Indonesia, Singapore, and Vietnam. In tandem with these seminars, invited lecturers from CSR Asia—a provider of CSR education, surveys and consulting services—held workshops on joint CSR activities with suppliers.



Compliance seminar in Asia (Malaysia)

## Preventing Recurrences of Antimonopoly Law Violations

Since 2002, when we received administrative sanctions for bidding on government contracts, we have been working hard to improve compliance awareness.

From April 1999 to July 2003 we were involved in bid rigging on a Tokyo Bureau of Sewerage contract for a pump facility. In August 2008, we were ordered to pay an administrative fine, and in November 2008 we received a business suspension order. In addition, from April 2003 to December 2005 we were found to have violated the Antimonopoly Law when bidding on an electrical equipment construction project for a City of Sapporo sewage plant. Accordingly, in October 2008, we received an administrative fine order and a cease and desist order, and in March 2009 we received a business suspension order. We take these violations very seriously, and are engaging the entire company in complying with the Antimonopoly Law. When an issue arises, the Hitachi President and CEO will communicate with all employees, and the executive in charge will interview all the employees involved, asking them to submit a written oath to obey the law. In addition, we intend to strengthen compliance awareness—throughout the company—by enforcement through our audits and training.

### Violations on Bidding for Public Contracts and Initiatives for Prevention

Action (in Japan)	Period	Punishment	Steps for prevention
Bidding on contract for electrical instruments and construction of mechanical facilities for the Kohoku Water Supply Bureau's new Tamari waterworks	March 1999	Interference with competitive bidding. Court ruling: Sept. 2002 Business suspension order: Oct. 2002	Established Compliance Division / carry out audits and guidance on business activities / thorough sales education / improved work process / established advisory committee of outside members for oversight
Bidding on special pump facility construction for Tokyo Bureau of Sewerage	April 1999–July 2003	Violation of Antimonopoly Law. Order for payment of fine: Aug. 2008 Business suspension order: Nov. 2008	Established a compliance division within the Social Solutions Business Division to strengthen training and guidance
Bidding on construction of tunnel ventilation equipment on the Shinjuku route of the Metropolitan Expressway, Tokyo	2004	Violation of Antimonopoly Law. Order for payment of fine: Sept. 2006 Business suspension order: Feb. 2007	Expanded use of notebooks for recording compliance data,* strengthened training and audits
Bidding on a City of Sapporo contract for electrical equipment construction related to a sewage disposal facility	April 2003–Dec. 2005	Violation of Antimonopoly Law Order for payment of fine Cease and desist order: Oct. 2008 Business suspension order: March 2009	Interviews conducted by executives of all sales employees involved / request for signed pledges / additional expansion of training and audits

\* In these notebooks employees keep a record by themselves that they avoided situations that would have been illegal or that they suspected may have been illegal.

### We will observe the Antimonopoly Law (Japan) and the foreign competition laws

In accordance with the concerned laws and the Hitachi Code Standards of Corporate Conduct, we will observe the Antimonopoly Law as a matter of course and act under the basic principles of “conduct in accordance with the law and with the correct corporate ethicsact according to the rule of law and ethical corporate rectitude” and “fair and orderly competition.”

Quoting from the *Corporate Ethics and Compliance Handbook*

## Expert Opinion on Hitachi's CSR Activities and Hitachi's Response

### Third-Party Expert Opinion—A Constant Effort to Observe the Laws

I believe that Hitachi, Ltd. and the Hitachi Group are in the vanguard of compliance. For example, their understanding of the risks and their responses, their *Corporate Ethics and Compliance Handbook*, setting up a Compliance Division, and creating an internal whistle-blower system show a very solid approach to the issue. Many of these measures were in response to past incidents or problems, but whenever those issues arose, they dealt with them head on. I feel that these measures reflect the lessons they have learned.

However, it is a shame that incidents and issues have continued, even recently, suggesting that compliance is never ending and that observing laws and regulations requires a constant effort. I think that even stronger, steadier action is needed to improve compliance awareness through daily monitoring, regular training, and other means.

I look forward to seeing how Hitachi further improves compliance.



Hideaki Kobayashi  
Attorney  
Kobayashi & Associates Law Office

### **Hitachi's Response—Enhancing the Environment for Compliance**

It is extremely regrettable that, even recently, incidents and issues have arisen that have caused concern. As Mr. Kobayashi points out, we hope to use what we have learned from the past as we think about future measures. In particular, in order to respond to his indication that we must make a constant effort, we would like to systematically set the time and points at which we should reconfirm and reinforce our corporate ethics and compliance, and I hope to follow up on that.

In addition, we are trying to further improve our response to each type of risk and are systematically working to discover new risks and understand the risks throughout the entire Group. At the same time, we are devising ways to enhance the environment for compliance through such means as fostering the kind of legal mind that can constantly sense problems, and creating a system to check for risk.



Toshiaki Kuzuoka  
Vice President and Executive Officer in Charge of Legal & Corporate Communications,  
Corporate Brand Management, and Management Audit Hitachi, Ltd.

### **Global Push to Stop Corruption**

Controls on bribery by Japanese corporations abroad have been tightened, and more cases are being exposed through the U.S. Foreign Corrupt Practices Act. In August 2008, we created internal regulations for preventing corruption of public officials and others within and outside Japan. We also implemented detailed guidelines on entertaining and exchanging gifts. Every Group company set up similar regulations. In October 2008, an independent lawyer from the U.S. was invited to present on anticorruption policies, and 212 employees in charge of promoting compliance in Group companies attended. We will further bolster our policies through audits and training.



Lecture on global compliance

## voices

### Preventing Corruption through a High Standard of Corporate Regulations

Richard Dean  
Attorney,  
Baker & McKenzie LLP

In recent years, corruption has been increasing, especially in developing countries, and it has been defined as a crime in international conventions established by the United Nations, the OECD, and others.

Corruption wastes enormous resources, undermines the proper functioning of markets, and destroys confidence in legal systems. There is also evidence that corruption impacts national security interests.

The Hitachi Group is doing its part by providing training and monitoring systems to ensure compliance awareness, and by setting high standards for its employees in the areas of integrity, business conduct, and ethics.

The Hitachi Group has taken decisive steps to meet the challenge of global corruption, which is receiving increased attention from political and business leaders, as well as from law enforcement agencies. The anticorruption regulations that Hitachi enacted in 2008 are being extended to Hitachi Group companies on a global basis, and Hitachi is playing a leading role among major Japanese corporations in the fight against corruption.



## Compliance Reporting System

To prevent illegal or unethical behavior, to promptly address infractions, and to enhance the ability to self-regulate, we have instituted a company-wide Compliance Reporting system. Employees can now report directly to the division responsible at Hitachi (Compliance Division) or to an outside attorney. This system can be used not only by Hitachi Group employees and former employees, but

also by suppliers and temporary staff. Another system—Channel to the Board of Directors—has been introduced to allow employees to report problems anonymously straight to the directors.

#### Report Processing Flow



### Protecting Personal Information and Information Security

The Hitachi Group emphasizes two points in policies to protect personal information and information security:

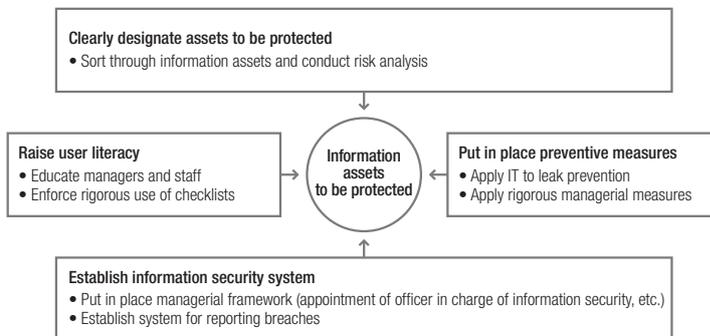
#### (1) Precautionary measures and prompt security responses

Hitachi clearly classifies information assets to be protected and takes safeguarding measures based on vulnerability and risk analysis. We also have an emergency manual for security breaches, based on the assumption that these are inevitable, not just possible.

#### (2) Promotion of stronger ethical and security awareness among data users

Hitachi has prepared a curriculum tailored to various personnel levels—staff, managers, etc.—and is working to raise the prevailing sense of ethics and security awareness through Group-wide education using e-learning. We are also working on the use of audits to identify and address problems early on.

#### Basic Approach to Information Security Governance



### Protecting Personal Information

Hitachi has established a personal information protection management system based on our Personal Information Protection Policy. With this system, we take effective measures and improve the protection and handling of personal information through e-learning courses for all employees and periodic audits.

In February 2009, we renewed the Privacy Mark<sup>+</sup> certifications earned in February 2007. As of March 2009, 62 Hitachi Group companies have received Privacy Mark certifications. Odaira Memorial Tokyo Hitachi Hospital, which earned Privacy Mark certification in July 2007, will renew this certification, and other Hitachi-affiliated hospitals are expected to receive this certification in fiscal 2009.

†1 Privacy Mark: Certification awarded by the Japan Information Processing Development Corporation (JIPDEC) to companies and organizations recognized for properly managing personal information



#### Personal Information Protection Policy

<http://www.hitachi.com/privacy-e/index.html>

### Efforts regarding Information Security

The rapid spread of digital information and computer networks has made information security crucial for businesses that keep the public's trust. We are constantly working to prevent security breaches by applying the Three Rules for Preventing Leakage of Confidential Information. Using this system to minimize damage in the event of a breach, we promptly contact customers, report to the government agency responsible, investigate the cause, and take steps to prevent a reoccurrence.

Measures are taken to prevent unauthorized information disclosure throughout the Group. These measures include: encryption software *Hibun*; security PCs that do not save data; document access control and data revocation software *Katsubun*; as well as filtering systems for unauthorized or malicious e-mail and/or Web sites.

In line with the Global Information Security Administration Standards, Group companies outside Japan are also making every effort to strengthen information security.

#### Three Rules for Preventing Leakage of Confidential Information

Rule 1.

In principle, confidential information cannot be taken from the workplace.

Rule 2.

Permission must be obtained from an immediate supervisor to take any confidential information from the workplace.

Rule 3.

Security precautions should always be taken when storing confidential data on a laptop computer, external storage device, etc., and when taking such a device out of the workplace.

### Export Control

For basic export control, we use the Hitachi Standards of Corporate Conduct, which states that we "shall help maintain international peace and security through compliance with trade laws and regulations." We adopted rules for controlling security exports based on this policy in 1987, and we continue to strive for the strictest possible export controls. This means investigating the destination, application, and buyers of all goods and technologies intended for export and promoting all legal compliance.

In addition, we are promoting Group-wide export controls by providing guidance to all Hitachi Group companies on rules and a framework for export control, as well as supporting education

and training to ensure that everyone follows the same policies and practices for export control. We also instruct all Hitachi Group companies outside Japan to comply with all applicable laws and regulations, including local export controls.

### **Respect for Intellectual Property**

Our basic policy on intellectual property rights (IPR) is that they are essential. We respect the intellectual property rights of other companies, just as we expect them to respect ours. To be certain of honoring other companies' IPR, we work hard to avoid patent infringements during product development, stipulating in Group regulations that preliminary surveys must be carried out to determine the coverage of other companies' patents. Before using another company's intellectual property, we negotiate and obtain a license.

For our own intellectual property, we provide licenses to businesses wishing to make use of these assets, operating on the principle of compensated sharing. If another business is found to have violated our IPR, we encourage that business to acquire the necessary licensing, and we will take legal action, if necessary.

We are also taking aggressive steps to stamp out counterfeit goods around the world, including those from China and other parts of East Asia, the Middle East, and Africa. We work with local authorities to protect the Hitachi brand by uncovering violations of business, trademarks, Web sites, and domain names, as well as other intellectual assets. Through these measures, we earn the confidence of markets, consumers, and government agencies, maintain order in markets where our products circulate, and protect consumer trust in the Hitachi brand.

### **Business Continuity Plans (BCP<sup>†2</sup>)**

Major natural disasters, epidemics, terrorist attacks, and other risks occurring throughout the world cannot be ignored by corporations doing business on a global scale. To guard against these risks, and being deeply committed to the social infrastructure, we are enhancing our BCPs to minimize the impact on society of any interruption to business operations.

### **Formulation of Novel Influenza Action Plan and BCPs**

Since December 2006, the Hitachi Group has disseminated the Guidelines for Formulation of BCPs to all Group companies in preparation for risks such as major natural disasters. In April 2008, as a precaution against novel strains of influenza that have given rise to fears of a pandemic<sup>†3</sup> in recent years, we set up a special organization called the Risk Management Headquarters, headed by the President. In the event of a pandemic, the Risk Management Headquarters will take the lead in securing the safety of all Hitachi Group employees and their families and measures will be taken to ensure that operations essential for maintaining social functions, such as medical services, public security, and lifelines, are continued without interruption.

As part of these preparations, Hitachi formulated the Guidelines for Pandemic Influenza Preparedness in June 2009 and distributed them to all Group companies. These guidelines incorporate the specific criteria for action in the event of a pandemic and the pilot BCPs regarding the maintenance of power plants, financial services, and elevators to ensure the continuity of essential social functions.

Based on the Guidelines for Formulation of BCPs and the Guidelines for Pandemic Influenza Preparedness, all Hitachi Group companies are formulating BCPs in accordance with their various operations so that they are fully prepared for emergencies.



Guidelines for Pandemic Influenza Preparedness

### Table Top Exercise to Prepare for Large-Scale Disaster

In February 2009, six major Group service companies<sup>†4</sup> held a table top exercise based on an earthquake in Tokyo. These six companies provide essential products and services, including water and sewage equipment, elevators, computers, electrical machinery, and consumer electronics. Strengthening cooperation among these companies, this exercise underscored the need to quickly restore the infrastructure, such as the machinery and equipment that would be damaged by a major earthquake. The roughly 100 employees who participated took requests for assistance, provided information, and came up with responses. Through this emergency simulation, they learned to make decisions calmly and to act quickly.

Disaster simulation exercises have been held annually since 1998, so far at 17 sites throughout Japan. As well, we use a satellite communications system, and a function check of the system has also been done every month.



The disaster simulation exercise

†2 Business Continuity Plan (BCP): A plan for ensuring the continuation of core operations and prompt restoring of operations to normal in the event of a disaster or accident

†3 Pandemic: The rapid spread of an infectious disease throughout the world

†4 Hitachi Appliances, Inc.; Hitachi Engineering and Services Co., Ltd.; Hitachi Industrial Equipment Systems Co., Ltd.; Hitachi Electronics Services Co., Ltd.; Hitachi Building Systems Co., Ltd.; and Hitachi Consumer Marketing, Inc.

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# Hitachi: Living Together with Society

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Working with customers, suppliers, employees, and local communities, our products and corporate activities help to create a better quality of life and a happy society



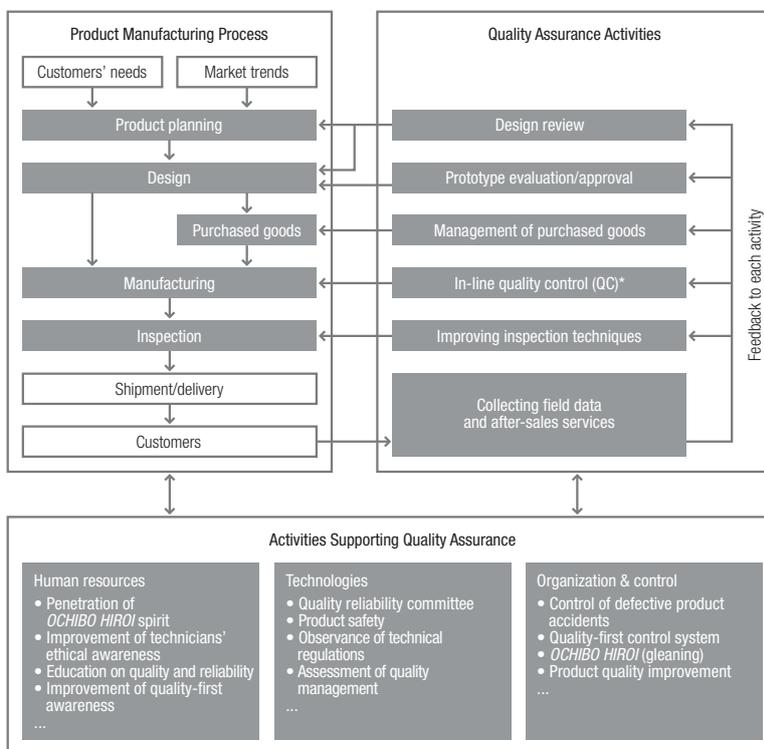
# Improving *Monozukuri* and Service

Protecting our tradition of *Monozukuri* craftsmanship while improving product and service quality worldwide

## Ensuring Product and Service Quality

Since we began, our tradition of *monozukuri* craftsmanship has placed top priority on quality first. Using the slogan, *providing customers with the highest quality products and services*, our whole Group is immersed in quality assurance (QA)—from product planning and delivery to after-sales service. We are now focused on improving the quality of products and services made outside Japan, especially in China and the rest of Asia.

### Quality Assurance Flow Chart



\* In-line QC: Review and verification for identifying potential defects at development and prototype stages of product lifecycle

## Strengthening Our Quality Assurance (QA) System in China

In China, Hitachi has about 80 subsidiaries, with a diverse array of products and services, working to train human resources and improve product quality. To add value and boost local production, we set up the Shanghai Product Quality Assurance Center in February 2007 to improve quality and create a unified QA system. Every year, the center holds the Conference for QA Managers at Hitachi Group Companies for quality awareness and to encourage information sharing. Also, to provide quality guidance, tough measures are being taken on approval systems for suppliers and other partners.



Conference for Quality Assurance Managers at Hitachi Group Companies (China)

### **OCHIBO HIROI: Human Resources / Organization & Control**

*OCHIBO HIROI* (gleaning) is Hitachi's program for adopting the customer's perspective when reflecting on past accidents and working to prevent reoccurrences. Started in 1951 as a council at the highest levels of company management for reviewing serious accidents, the credo of this program is "the spirit of *OCHIBO HIROI* is customer satisfaction" and "don't put a lid on mistakes or problems." The direct technical and motivational causes leading up to accidents are thoroughly investigated to ensure that there is no future reoccurrence. Similar products are also examined to prevent the same kind of accident.

### **Employee Training to Improve Quality and Reliability: Human Resources**

At the Hitachi Group, we develop courses tailored to every technical and skill level for divisions involved with design and quality assurance, including "Reliability: Fundamentals and Applications," "Product Safety," and "Engineering Ethics." Our "Engineering Ethics" course introduces managers to the views of experts and reviews examples of applied ethics. As well, discussions are held on real-life workplace issues, recognizing that it is vital for every engineer to think and act ethically as an individual. More than 50,000 employees have taken our general e-learning course "Introduction to Engineering Ethics."

Individual production facilities have also been implementing their own employee training programs for specialized skills. At our Hitachi Works, for example, we have set up a training center to upgrade manufacturing, inspection, and maintenance skills and also provide young quality assurance employees with practical training in QC seven tools.<sup>†1</sup> As well, lectures are given by experts on such topics as Attitude for Quality Assurance Personnel.

†1 QC (quality control) seven tools: Seven statistical methods needed to pursue quality control: (1) pareto diagram, (2) cause-and-effect diagram, (3) histogram, (4) checklist, (5) scatter diagram, (6) control chart, and (7) stratification (grouping of data by common factors)



QC training

### **Improving Product Safety: Technologies**

The Hitachi Group is dedicated to providing safe products and services by combining wide-ranging expertise with technologies covering planning, research, design, manufacturing, quality assurance and maintenance.

When developing products, our top design and verification priority is the safety of life, health and property. For example, we design consumer electronics with safety mechanisms to prevent, if a component fails, serious injury due to fire or electric shock. We also do forced ignition testing to confirm product safety in the unlikely event that a product catches on fire, and take other steps to ensure thorough safety precautions. Risk assessments are done based on broad-based cooperation among Hitachi divisions and research laboratories.

### **Promoting Compliance with Technical Laws: Technologies**

Amid widespread concern over product liability and the environment, laws that companies must observe regarding products have become increasingly complex. In view of this situation, we actively promote compliance with technical laws for *monozukuri*. In addition, we have established a compliance management system for production facilities based on three core themes: clarifying the laws corresponding to products; refining the *monozukuri* compliance processes<sup>†2</sup> which ensure products reflect legal and product regulation requirements; and raising overall compliance awareness. We also support compliance activities such as the development of a “legal map,” keeping track of and sharing information on legal amendments, and applying compliance diagnoses. In fiscal 2008, diagnoses were conducted at the 20 main divisions through self-evaluation and mutual division evaluation based on our own compliance guidelines. From now on, we will implement mutual evaluations based on new compliance guidelines in accordance with the 2008 edition of ISO 9001 standards.

†2 *Monozukuri* compliance processes: Work processes to ensure the compliance of each *monozukuri* phase based on ISO 9001 standards.

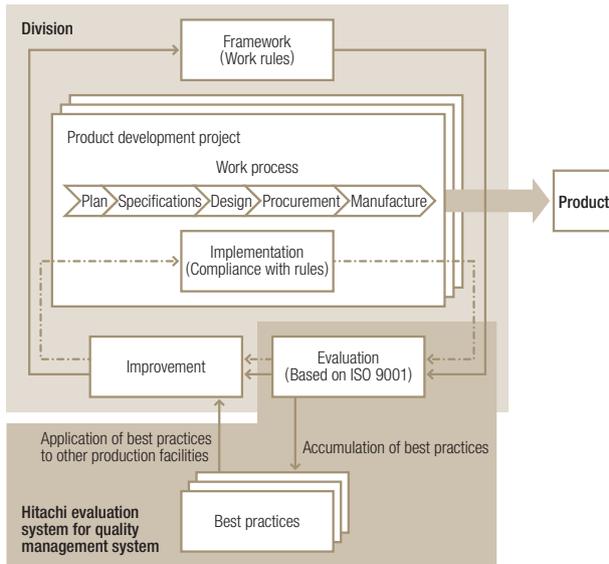
### **Hitachi-Quality *Monozukuri* through Improved Work Processes: Technologies**

To provide excellent products and services, it is necessary to improve the quality of individual work processes, such as planning, design, and manufacturing. For this reason, we constantly apply and continually improve the PDCA<sup>†3</sup> cycle during each process. At the Hitachi Group, we use the in-house developed Hitachi Evaluation System for Quality Management.

Through this system, the extent to which a project is following set processes and whether there are problems with those processes can be determined quantitatively. This makes it possible to use data on successful cases at other divisions stored within the system, and to deal with the problems that are uncovered. For business divisions requiring considerable improvement, a specialist team evaluates the quality of processes and focuses on eliminating weak points. As of March 2009, this system was being used at 45 divisions of Hitachi and 21 Hitachi Group companies. To promote its wider use among Group companies from fiscal 2009 onwards, we plan to improve the system's accuracy of evaluation and ease of use.

†3 PDCA (plan-do-check-act): Operating an organization taking these four steps as a single process.

## Hitachi Evaluation System for Quality Management

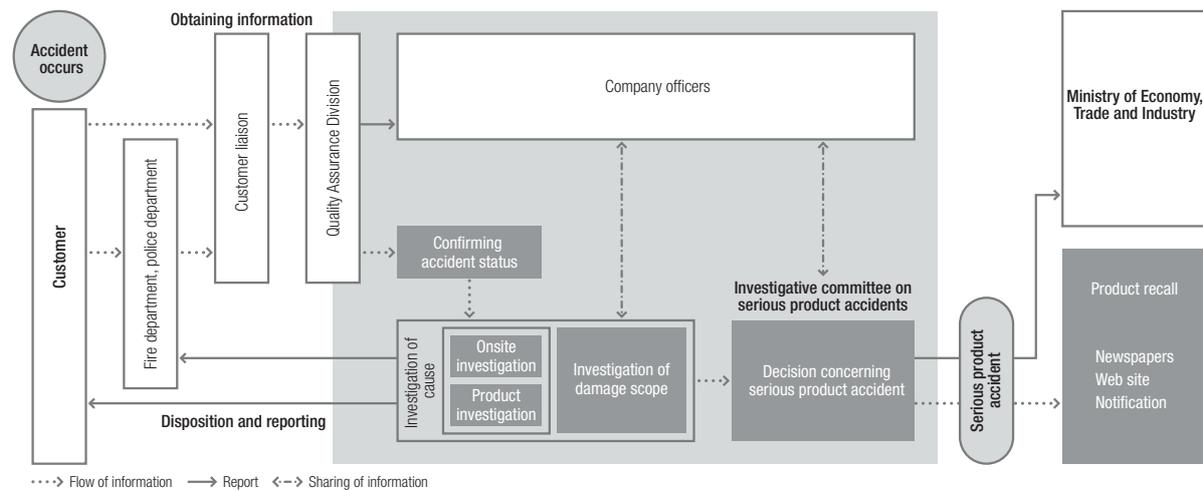


## Response in Case of Product Malfunction or Damage: Organization & Control

If any of our products malfunction, we work to minimize adverse effects for consumers, mobilizing all divisions affected to mount a rapid response. In serious cases, we assess the scope of damage and thoroughly investigate the cause of the accident. We then submit a status report to top management within 24 hours of the incident. Therefore, we strive to implement a quick, appropriate response, while simultaneously sending timely reports to the Ministry of Economy, Trade and Industry (METI) and publishing information about the incident on our Web site.

If necessary, we recall a product over concern about possible malfunctions or accident, then we make a public announcement through newspaper advertisements and/or Web site announcements to inform consumers about repairs or exchanges.

## Response Flow in the Event of Product Malfunction



## topics

### Providing High-Quality Elevators for the World's Highest Observatory

In October 2008, the Shanghai World Financial Center opened in the Pudong District of Shanghai, China. Featuring an observatory at 474 meters,\* this soaring tower uses Hitachi elevators. The setting required elevators that could safely and efficiently lift large numbers of people quickly and comfortably to the tower's upper floors. To answer this need, Hitachi's Mito Design & Production Division, research laboratories and Group companies worked together to develop vibration-dampening devices, as well as high-output, high-performance traction machines and control systems, and other innovations that enhance both comfort, energy efficiency, and safety. To increase capacity, a double-deck design was adopted, making it possible to transport 48 passengers at a time. In this way, Hitachi elevators are used every day by many people, providing support for this popular landmark.

\* Highest in the world in October 2008

Noboru Arahori

Division Manager, Mito Design & Production Div., Urban Planning and Development Systems, Hitachi, Ltd.



Shanghai World Financial Center



Double-deck elevator

## Building Customer Feedback into Our Products

We made our Customer Satisfaction (CS) Management Guidelines one of the pillars of Hitachi's business management, and we continue to improve CS with the goal of "creating innovation through collaboration with customers." We use CS surveys tailored to each business operation. In addition, we analyze customer opinions submitted to the Hitachi Customer Answer Center.

### Customer Satisfaction Management Guidelines

- Our customers determine the value of products and services
- Information from our customers is the source of improvement
- Offer prices and quality that are competitive
- Respond rapidly to keep our promises to our customers
- Adopt systems that prevent accidents and minimize their impact

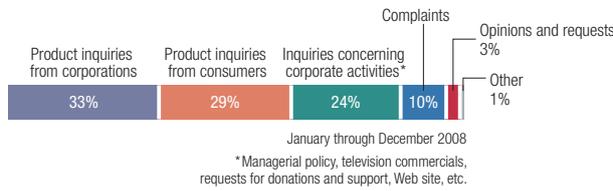
Formulated in 1994

## Web Site Customer Support

We established customer support on Hitachi's corporate Web site. From here, we are able to process information (customer inquiries, opinions, requests, complaints) and use it to improve products and services, through cooperation with customer support of relevant Hitachi Group companies. We will maintain and improve our Web site as an important point of contact, committing

to timely, reliable and more accurate responses to customers while strengthening collaboration among Hitachi Group companies.

### Breakdown of Inquiries Received from Hitachi Web Site Customer Support



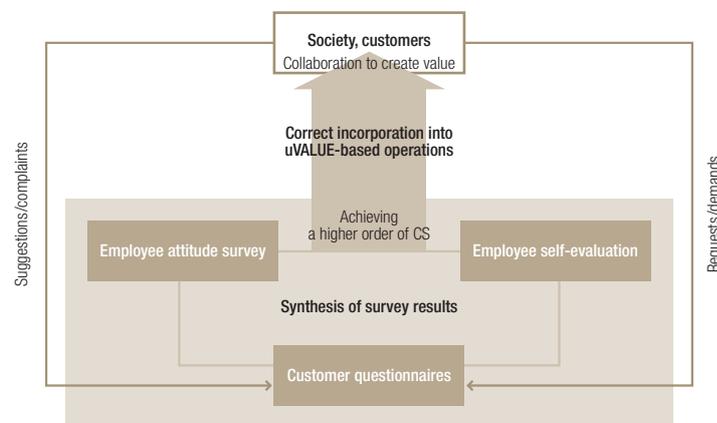
### CS Activities of the Information and Telecommunications Systems Group

Using the concept of uVALUE,<sup>†4</sup> the Information and Telecommunications Systems Group is working to bring about a people- and community-friendly intellectually creative society by “collaborating to create the best value for our customers.” This is based on the perspective of our customers, who evaluate our products and services through annual customer surveys. These questionnaire surveys provide us with customers’ opinions not only on Hitachi’s products, services and activities, but also on the vision and concepts of the Information and Telecommunications Systems Group and the policies on which the Hitachi Group is focusing. Furthermore, we are analyzing and evaluating the results, and are incorporating them into our CS activities to ensure that “collaborative creation,” one of the Hitachi Group’s management policies, is useful to customers and that they choose Hitachi as their partner. For the fiscal 2008 customer survey, as in fiscal 2007, we obtained customer understanding and cooperation for giving—in an amount equivalent to the compensation that would have gone to survey respondents—a donation to the non-profit organization Good Earth Japan.<sup>†5</sup>

†4 uVALUE is an operational concept that combines the Hitachi Group’s diverse business activities with IT. This approach—working toward the realization of a richer society—is intended to create value in a society characterized by ubiquitous IT.

†5 Good Earth Japan was established in March 2007 to support the independence of local residents in areas where landmines have been removed. In fiscal 2008, it established an elementary school in a Cambodian village that had been cleared of landmines, and implemented the Good Earth Japan Cambodia Study Tour.

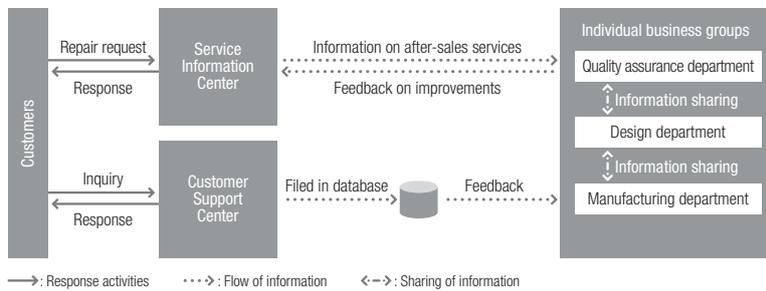
### CS Efforts in the Information and Telecommunications Systems Group



## CS Activities for Home Appliances

Hitachi receives various opinions, including questions and complaints, from customers regarding home appliances, such as plasma TVs and washing machines, via the Hitachi Customer Answer Center and a Web site. Hitachi Appliances, Inc., which handles Hitachi’s home appliance business, has developed a system for using these customers’ concerns in the development of new products and services. In particular, the Hitachi Customer Answer Center receives more than 600,000 phone calls and e-mails a year. Apart from cases where it is necessary to confirm the product used by the customer and the conditions of use, customer service employees respond to all telephone calls and e-mails on the spot. All communications from customers on product selection, repairs, questions, and complaints are kept in computer files as “customers’ voices” and can be searched and indexed as needed. In addition, consumer questionnaires are conducted on products, and the opinions received are used in the design of new products and services.

**Voice of Customer Flow Chart**



### How Customers’ Voices Are Reflected in Hitachi Appliances, Inc.

In products and services	E-wave (intranet)	Checking customer information on new products and complaints reported from various sections of the company and using this information for product planning and service improvement.
	Voice of Customer Solution (VCS) Meetings	Regular discussion meetings to respond to customer dissatisfaction. Chaired by the president and attended by the heads of business groups and executives responsible for design, manufacturing technology, and quality assurance, the meetings are held four times a year.
In creating easy-to-use products	Lifestyle Research Center	Ease-of-use and design of prototypes and production models are tested by consumers, and the information is used in creating future products.
In developing human resources	CS Dojo (training for improving customer satisfaction)	Employees are given an opportunity to directly hear the voices of consumers. For example, designers go to the Hitachi Customer Answer Center to listen to the voices of customers, and then incorporate their perspective into new designs.

## Universal Design

### The Hitachi Group’s Approach to Universal Design

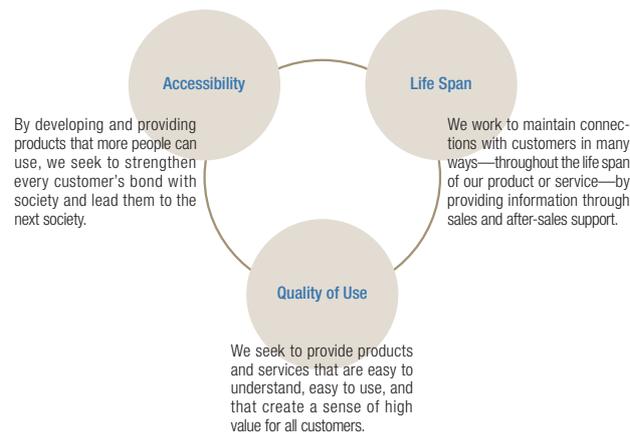
The Hitachi Group is involved in society and people’s lives in a variety of fields and activities. We believe Universal Design (UD) is one of our corporate social responsibilities for improving quality of use, accessibility, and product life span. UD is an approach that we believe can make products and services easy to use for everyone, regardless of age or ability.

Hitachi, Ltd., a founding member of the International Association for Universal Design,<sup>†6</sup> is committed to creating a society where more people can live with peace of mind. The Hitachi Escalator VX Series was awarded the Chairman’s Special Prize at the Kids Design Award 2008, sponsored by the Kids Design Association.<sup>†7</sup> Five Hitachi products and services, including our “power-assisted walking support system,” were recognized with awards.

Quality of use means product quality that makes the user feel easy and pleasant to use the product. Accessibility is an index of how many people can use the product or service. Life span refers to all the stages of the product from before purchase to disposal.

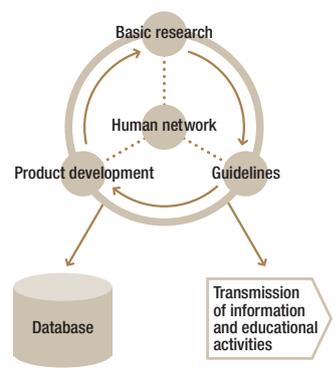
- †6 International Association for Universal Design: Founded in 2003, the International Association for Universal Design is dedicated to the healthy development of society and the enhancement of people’s lives through the dissemination and application of UD.
- †7 Kids Design Association: Founded in 2006, the Kids Design Association was started by companies and other organizations in Japan dedicated to creating and disseminating designs that promote the safe, secure and healthy development and growth of children.

### The Hitachi Group’s Approach to UD



### The Product Development Cycle and UD Guidelines

Through this fundamental approach, the Hitachi Group pursues an “upward spiraling” product development cycle—basic research, formulation of guidelines, and product development—involving a network of users and experts at every stage of product development. Based on research into the characteristics of user behavior and recognition, the requirements of products are formulated as guidelines and reflected in product development. The information obtained during product development is entered in a database and shared throughout the Hitachi Group. Information is also distributed outside the company to promote standardization and educational activities.



Product development cycle and UD Guidelines

## UD Concepts and Examples in Each Product Field

Those in charge of products formulate UD concepts in each field and develop products and services based on these concepts, sharing them with development staff. *Monozukuri* is promoted, taking into account a wide range of users, including the aged, people with disabilities, children, and foreigners.

## UD Concepts and Examples of Digital Home Appliances

Since we view customers as users from the moment they take an interest in a product, we see it as essential to consider every aspect of quality from pre-purchase to disposal of products, including ease of use, useful functions, environmental impact, safety, and maintenance. We also make products that match users' physical and mental condition and lifestyles so that they become strongly attached to them. Examples of these products are refrigerators with easy-to-use shelves, and freezer and vegetable compartment doors that open with electric power, and washing machines equipped with "teaching buttons" that provide verbal (voice) instructions not just on the various washing menus but also operating status and solutions to problems.

## UD Concepts and Examples of Public Equipment and Systems

Public equipment and systems must be designed so that all people, including children, can use them. Since they are to be used in public spaces, it is also necessary to consider more characteristics than usability, such as security, privacy, and safety. For example, escalators must not only be easy to get on and off but they require safety features that take all users into consideration, such as multi-sensors which give users verbal (voice) warnings if they lean too far over the handrail. At the Second Kids Design Awards held in 2008 by the Kids Design Association, Hitachi's VX-series escalators won the Chairman's Special Award, and four other Hitachi products and activities, including our Active Walking Support System, received awards.

## UD Concepts and Examples of Web and Information Systems

Since the Internet is used for communications, to retrieve information, and is a highly valued tool for the disabled, it must be easy to access, easy to use, and be highly secure. For these reasons, we provide software for viewing our Web sites that can be used like a TV remote control. The software also has features geared to users' individual needs, such as easy adjustment of the size and color of text and images, phonetic reading of Chinese characters, and text-to-speech conversion.



Products based on UD concepts

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# Communication with Shareholders and Investors

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To ensure that shareholders and investors can make sound investment decisions, we provide the information they need in a fair and appropriate way and strive to enhance communication with them

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## Policy on Information Disclosure

Hitachi, Ltd. communicates with shareholders and investors in accordance with the disclosure policy. We disclose not only information required by laws or regulations, but also information that promotes deeper stakeholder understanding of Hitachi management policies and business activities.

### Disclosure Policy

#### 1. Basic Policy

Hitachi's corporate credo is to contribute to society through the development of superior, original technology and products. With this in mind, Hitachi seeks to maintain and develop trust relationships with all stakeholders, including shareholders and other investors, customers, business partners, employees and regional communities. We will fulfill our responsibility to stakeholders by disclosing information in a fair and highly transparent manner, and by conducting various communication activities.

#### 2. Information Disclosure Standards

Hitachi discloses information as appropriate in a fair and highly transparent way, in compliance with the laws and regulations of the stock exchanges on which the Company is listed.

Hitachi discloses not only information required by laws and regulations, but also management and financial information that is regarded as useful in deepening stakeholder understanding of Hitachi management policy and business activities. Hitachi also discloses non-financial information on the social and environmental impact of Hitachi Group activities. Hitachi's stance on disclosure recognizes that society regards the above information as important.

#### 3. Disclosure Methods

Hitachi uses appropriate means to disclose the information required by laws and regulations of the stock exchanges on which the Company is listed. The Company also posts this information on Web sites immediately after it is disclosed.

Hitachi also discloses information not required by laws and regulations by distributing news releases, holding press conferences and presentations, posting information on Web sites, and conducting other disclosure activities in an appropriate, precise and timely manner.

#### 4. Quiet Period

Hitachi stipulates a quiet period of a certain length prior to earnings announcements to prevent information leaks and to maintain disclosure fairness. During this period, Hitachi refrains from answering inquiries about business performance and related matters.

#### 5. Forward-looking Statements

For disclosures, Hitachi may make statements that constitute forward-looking statements that reflect management's views with respect to certain future events and financial performance at the time of disclosure and include any statement that does not directly relate to any historical or current fact. Such statements are based on information available at the time of disclosure and are subject to various risks and uncertainties. Certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. Hitachi discloses the factors that could cause actual results to differ materially from those projected or implied in forward-looking statements.

## Proactive IR Approach

Hitachi conducts a wide range of IR activities including business strategy meetings for institutional investors and analysts, tours of production and R&D facilities, participation in investor meetings sponsored by securities companies, and one-on-one meetings with institutional investors and analysts.

In fiscal 2008, in addition to the financial information meetings for each fiscal quarter, we held three business strategy meetings on information and telecommunication systems, hard disk drives, and research and development. In May 2008, then-president, Kazuo Furukawa, held a progress report meeting on “collaborative creation and profits,” an important aspect of Hitachi’s management policy.

Our management executives held more than 60 meetings with institutional investors and analysts in and outside Japan, including two visits to investors in the United States and Europe. Also, IR divisions in Japan and overseas held one-on-one meetings with over 400 investors and analysts during the year. We are making every effort to communicate back within the Group the opinions that institutional investors and analysts voiced at these meetings and to ensure that their opinions are reflected in management and business policies.

In addition, we continue to disclose information in a timely manner, for example, by posting materials of various explanation meetings on the Web site that provides information for shareholders and investors. On our Web site for individual investors, we also provide information that promotes a deeper understanding of the Hitachi Group.



Business strategy meeting on the hard disk drive business

### Publications Providing Business Information

- Financial Statements
- Financial Reports
- Annual Reports
- R&D and Intellectual Property Report
- Business Reports
- Financial Highlights (main financial data)
- Hitachi Group CSR Reports
- Form 20-F filed with the U.S. SEC

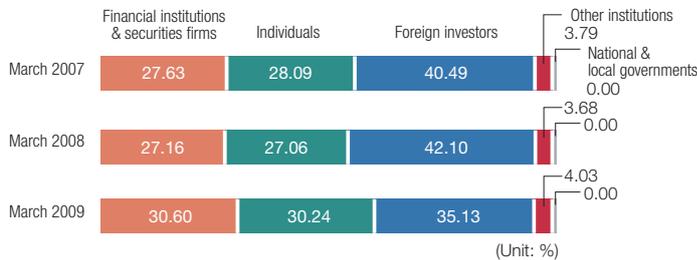
## General Meeting of Shareholders

At the ordinary general meeting of shareholders, we offer audio-visual reports designed to give shareholders a thorough understanding of our situation. The president and chief executive officer reports on management subjects, and some of this information is then posted on the Web site for shareholders and investors following the meeting. To ensure that shareholders and investors are able to study financial proposals in advance, in addition to sending written notices of the convening of meetings, this information is also posted on the Web site.

## Investors

<http://www.hitachi.com/IR-e/index.html>

### Trends in Shareholder Composition



### Basic Policy for Prevention of Takeovers

We invest considerable management resources in basic research for the future and for the development of pioneering products and businesses. To ensure that these management measures bear fruit, it is necessary to maintain the continuity of management policies over a certain period of time. To this end, we keep shareholders and investors informed not only about management results for each term but also management measures looking ahead to the future.

We do not deny the significance of stimulating corporate activities or the economy through the transfer of management control rights. However, regarding large purchases of Hitachi and Hitachi Group companies' shares, it is necessary to cautiously assess the impact that such a purchase or purchase proposal would have on our corporate value and shareholders' joint profits, based on considerations such as the purchaser's business profile, future plans, and past investment behavior.

At present there is no imminent concern that any particular party will acquire a large amount of Hitachi's shares, and we have not established any special measures (anti-takeover measures), should such a purchaser appear. Nevertheless, as a natural duty to our shareholders and investors, we constantly monitor Hitachi share transactions and movements, and if a party appears attempting to purchase large amounts of shares, we will immediately take the measures considered appropriate. Specifically, this will mean assessing the purchase proposal with the assistance of external experts, as well as negotiating with the purchaser. In addition, when such an acquisition does not contribute to our corporate value and the joint profits of shareholders, we will promptly determine the need for and contents of specific countermeasures, and set up a framework for their implementation. A similar response will be made in the event of any attempt to purchase large amounts of the shares of any Hitachi Group company.

## Results of External SRI†<sup>1</sup> Assessments in Fiscal 2008

Institution	Index	Companies selected
SAM	DJSI* <sup>1</sup> Asia Pacific Index	Hitachi, Ltd. / Hitachi Chemical Co., Ltd.
	DJSI Asia Pacific 40 Index	Hitachi, Ltd.
EIRIS	FTSE4Good Global Index* <sup>2</sup>	Hitachi Chemical Co., Ltd. / Hitachi Capital Corp. / Hitachi Metals, Ltd. / Hitachi Software Engineering Co., Ltd. / Hitachi High-Technologies Corp. / Hitachi Maxell, Ltd.
Morningstar	SRI Index	Hitachi, Ltd. / Hitachi Chemical Co., Ltd. / Hitachi Construction Machinery Co., Ltd. / Hitachi Information Systems, Ltd. / Hitachi High-Technologies Corp. / Hitachi Transport System, Ltd.

\*1 DJSI (Dow Jones Sustainability Index): A global SRI index that was developed by Dow Jones & Company (U.S.A.) and Sustainable Asset Management (SAM) Group (Switzerland). The Asia Pacific Index—covering Japan, Asia, and Australia—was launched in 2008.

\*2 FTSE4Good Global Index: An index developed in the UK by EIRIS, Ethical Investment Research Services, which evaluates corporations, apart from specific industries, based on their environmental, social, and human rights performance.

†1 SRI (Socially Responsible Investment): Investment activities by investment funds that assess companies from the viewpoint of CSR and select shares accordingly.

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# Working in Harmony with Local Communities

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Contributing to society through a broad range of activities and assistance for education, the environment, and social welfare

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## Finding Solutions for Social Issues

Grounded in the Hitachi Group's Social Contribution Philosophy and Policy, we are offering broad-based assistance in three prioritized fields: education, the environment, and social welfare. Making full use of human, material, financial and technological resources, we address social issues, including support for family education and the healthy growth of children and teens; fostering young researchers; sponsoring international student and teacher exchanges; educating people about the environment; assisting environmental NPOs; working to narrow the digital divide; and helping people with disabilities.

Hitachi, Ltd. and our five domestic foundations contributed about 1.5 billion yen for social contribution activities in fiscal 2007.

### Social Contribution Philosophy and Policy

#### Philosophy

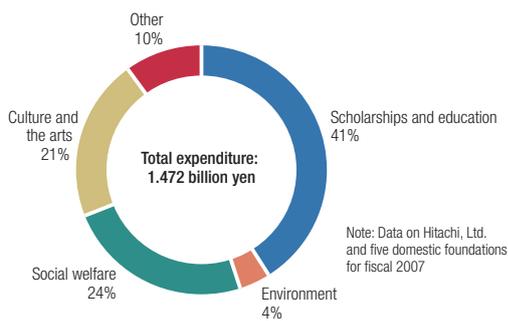
The Hitachi Group strives to demonstrate good corporate citizenship in response to social needs and expectations, while endeavoring to enrich the quality of life and realize a better society.

#### Policy

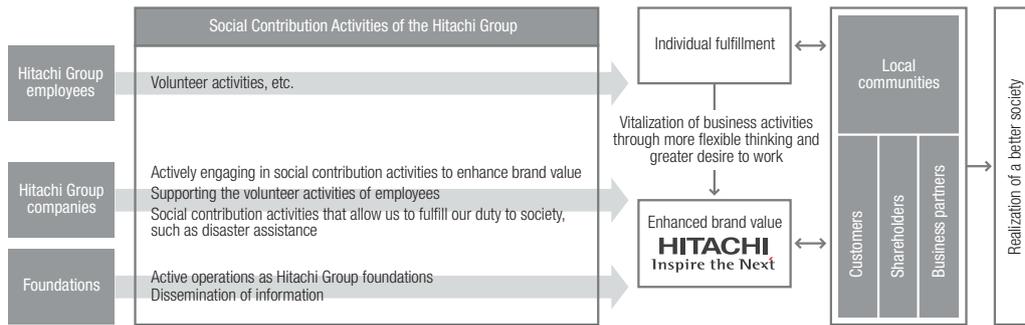
The Hitachi Group promotes various social contribution activities to build a vibrant society based on fostering leadership to implement reformation for the next era. This is achieved by making optimal use of our knowledge and information technology in three specific areas: education, the environment,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

Adopted February 2002

### Breakdown of Funding for Social Contribution Activities



## Approach to Social Contribution Activities



## Educational Initiatives

We run a teacher exchange program, accept international students and researchers, and conduct other initiatives on a global scale to help foster the next generation's leaders. We also devote much energy to science education, given that increasing numbers of young people are turning away from the sciences.

### Education Case Study 1: Hitachi–DST Scholarship Program for South African Engineers

Hitachi, Ltd. assists young South African engineers working in the field of power generation and utilities by inviting them to Japan for technical training.

South Africa, a strategic emerging market, has electric power shortages and urgently needs young technicians. To help, we have partnered with South Africa's Department of Science and Technology (DST) to create a training program for young people with engineering degrees and a minimum of three years' work experience in the energy industry. Beginning in fiscal 2009, these engineers will receive practical on-site training—and gain engineering expertise—at Hitachi's electric power plants. After training, they will apply what they have learned to electric power utilities in South Africa, contributing to the development of their country's social infrastructure.



South African engineers for the Hitachi-DST Scholarship Program

### Education Case Study 2: Promoting Science Education through the Community Partnership Academy of Wisdom

To contribute to society and provide children with opportunities to study science, Hitachi Plant Technologies, Ltd. (HPT) established the "We-Love-the-Earth Class" in 1998, based in Matsudo City, Chiba in Japan. Children participating in the program have fun learning about the importance of environmental conservation. In fiscal 2007, the program was renamed the Community Partnership Academy of Wisdom, accompanied by increasing the number of study themes and

learning locations so that these science courses can take advantage of the special characteristics of each business site.

In fiscal 2008, Academy programs were implemented in seven locations, including Toshima Ward in Tokyo and Matsudo City in Chiba, with about 680 children taking part. We also participated as a local company in the Science Festa<sup>†1</sup> held at Bunsei Elementary School, a school run by the Toshima Ward (Tokyo) government. During that event, we presented a program called Learning about the Buoyancy of Air with a Hot Air Balloon in the gymnasium, and gave children and their parents hands-on experience with a hot air balloon on the school's athletic field.

†1 Science Festa is a science event for children hosted by Bunsei Elementary School that was first held in fiscal 2007. Instructors included university students from near-by Rikkyo University as well as Hitachi Plant Technologies employees.



Science education event held by the HPT Academy

### Education Case Study 3: Educational Support for Indian Institutes of Technology

India is in the midst of an economic boom that is creating an urgent need for engineers and technicians. In fiscal 2008, Hitachi India Trading Pvt. Ltd. began providing educational support to students of Indian Institute of Technology Hyderabad (IIT-H). Beginning in October 2008, researchers from Hitachi, Ltd., who were dispatched from Japan, presented 10 lectures. To help the students experience first hand the joys and challenges of *monozukuri* craftsmanship, we donated three sets of power tools manufactured by Hitachi Koki India., Ltd. for them to use.

Professor Ravinder David Koilpillai of IIT-H spoke with gratitude about the Hitachi contribution, saying, "Hitachi's efforts to support development of IIT-H are very helpful and appreciated not only by the students but by IIT-H as a whole."



IIT-H students getting hands-on experience with power tools

## Environmental Initiatives

The Hitachi Group's social contribution activities protect the environment and foster an environmentally oriented mindset, with the aim of realizing a sustainable society.

### Environmental Case Study 1: Promoting Afforestation

In July 2008, Hitachi Group companies in Thailand took part in the opening ceremony and commemorative tree planting for the Billion Tree Campaign at Thailand's Sirindhorn International Environmental Park. The campaign, underway since 2007, is jointly run by the Sirindhorn International Environmental Park Foundation (under the Royal Patronage of Her Royal Highness Princess Maha Chakri Sirindhorn), the United Nations Environment Programme (UNEP), the Department of Environmental Quality Promotion of the Thai Ministry of Natural Resources and the Environment, and the Foundation for Global Peace and Environment. For the second year in a row, Hitachi has been a corporate sponsor. To date, Thai Hitachi Group companies have donated about 2.3 million baht (7.3 million yen), as well as two mini excavators from Hitachi Construction Machinery Co., Ltd.

In September 2008, working with the Green Network, a non-profit organization (NPO), Hitachi Group employees volunteered for an afforestation program in the Horqin Desert in China's Inner Mongolian Autonomous Region. In 2007, these volunteers, along with students from Inner Mongolia University for the Nationalities, planted 1,300 pine seedlings and cared for already planted shrubs and poplar trees.

Through these activities, we are deepening our friendships and relationships with other people and raising awareness among Hitachi employees of the importance of volunteer work that helps to improve the quality of life of people in rural communities.

#### Plant for the Planet! Plant for the Future!—The Billion Tree Campaign in Thailand

<http://www.hitachi.com/environment/showcase/employee/ex/plant01/index.html>

#### Volunteer Experience Tour to Horqin Desert Greening Project in China

<http://www.hitachi.com/environment/showcase/employee/ex/horqin/index.html>



Planting commemorative trees in Thailand

### Environmental Case Study 2: Kanagawa Children's Environmental Summit in Yokohama

In February 2009, the Yokohama branch of Hitachi, Ltd. joined *Kanagawa Shimbun* to sponsor the Kanagawa Children's Environmental Summit, raising children's awareness of energy and the environment. About 150 participants from eight elementary schools in Kanagawa Prefecture took part. Before the summit, the children visited production plants and environmental facilities to study

energy and ecology, including a bird sanctuary at Hitachi, Ltd. Enterprise Server Division, the home appliance recycling operations at Tokyo Eco Recycle Co., Ltd., and a district heating and cooling system built by Hitachi. At the summit, children reported on what they had learned, talking about, for instance, high-efficiency thermal power generation, living in harmony with habitats of animals such as wild birds, and protecting the environment by growing eelgrass (*amamo*).<sup>†2</sup> During the panel discussion, there was a lively exchange of ideas on what the children had learned and what they would like to see adults and corporations do. To build a better future, we will continue joining with children and our planet's future generations in thinking about local environmental activities.

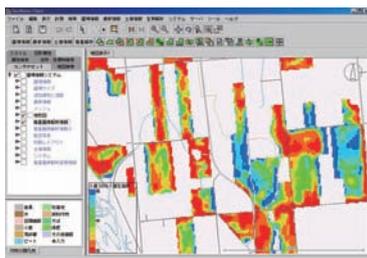
†2 Eelgrass (*amamo*): A marine plant, growing in shallow waters, that purifies the water and provides habitat.



Kanagawa Children's Environmental Summit

### Environmental Case Study 3: Developing EcoSoft Environmentally Friendly Software

Hitachi Software Engineering Co., Ltd. has developed an agro-information management system called GeoMation Farm that uses proprietary technology based on a geographic information system (GIS). This innovative system addresses the longitudinal management of crops and harvest planning. Traditionally, farmers harvest wheat by visually judging ripeness and then deciding on the order of harvesting. However, each farmer judges ripeness in a different way, and wheat that is harvested too early requires costly drying. In response to requests received from the Tokachi-Shimizu branch of the Japan Agricultural Cooperatives (JA) in Hokkaido, a software application was developed that analyzes the growth cycle of wheat. After on-site trials, the client improved harvesting efficiency and reduced the amount of energy required to dry the grain. Currently, the system is being used at ten locations in the Tokachi region, including the Shihoro JA branch. Koichi Nishida, section head of the Shihoro branch, said about the software, that “a unified harvest season reduces stress among farmers and eases the burden on the environment.” GeoMation Farm has also won accolades as a way to combat global warming, winning the 2008 Environment Category Awards of u-Japan Grand Prize sponsored by the Ministry of Internal Affairs and Communications, and the 2008 Green IT Award Chairman's Award sponsored by the Green IT Promotion Council.



Map of projected wheat growth



Award ceremony for the u-Japan Grand Prize

## Social Welfare Initiatives

The Hitachi Group engages in these activities to create a better society by enriching lives—through support for the healthy development of young people and activities that help the socially and economically disadvantaged reintegrate into society.

### Social Welfare Case Study 1: Healthier Menus for Third World Children

We are enriching the quality of life and building a better society through social activities, including fostering the healthy growth of children and teens, and supporting the reintegration into society of the socially or economically isolated.

Today, as millions in developing countries suffer from starvation and malnutrition, in developed countries obesity and related lifestyle illnesses have become endemic. The cafeterias on the main campus of Hitachi, Ltd. have been participating since June 2008 in the TABLE FOR TWO<sup>†3</sup> program, serving healthy meals to employees, with part of the savings going to developing countries. For example, when an employee has a smaller amount of rice—cutting calorie intake—the savings are passed on to children in developing countries for school lunches. In fiscal 2008, on average 55.5 percent of Hitachi, Ltd. main campus employees participated, as well as others from Hitachi Software Engineering Co., Ltd., Hitachi Construction Machinery Co., Ltd., and Nikkyo Create, Ltd. We will call on all employees to participate, broadening the reach as far as possible.

†3 TABLE FOR TWO: A program originating in Japan that addresses both hunger in the developing world, and obesity and other lifestyle-related diseases in the developed world.



Hitachi Software Engineering employees' cafeteria

### Social Welfare Case Study 2: Supporting the Development of Healthy Youth

The Hitachi Mirai Foundation is dedicated to nurturing healthy children and realizing a bright and happy society by supporting the Japan Federation of Big Brothers and Sisters (BBS).<sup>†4</sup> Each year, the foundation financially supports the Parent and Child Crafts Workshop: Kite Making and Flying program organized by the Hachioji branch (Tokyo) of BBS. In the workshop held in December 2008, 285 people took part, including 193 children and parents, as well as support staff. For many children and parents, this event was the first time they had made and flown kites. The serene, cheerful atmosphere was enjoyed by all.

The Hitachi Mirai Foundation also supports the Movement for a Brighter Society<sup>†5</sup> advocated by the Ministry of Justice. In December 2007, it received a commendation from the Minister of Justice for contributions to the movement.

†4 The Japan Federation of Big Brothers and Sisters (BBS) is a volunteer mentoring organization dedicated to preventing juvenile delinquency and helping youth who face an array of difficulties to develop in healthy ways.

†5 The Movement for a Brighter Society, which is promoted by the Ministry of Justice, focuses on establishing

vibrant regional communities in which children and adults can lead energetic lives. In fiscal 2008, the Hitachi Mirai Foundation provided financial support for activities in 10 locations.



Parent and Child Crafts Workshop

### Social Welfare Case Study 3: Developing and Distributing Sign Language Animation Technology

Since the end of the 1980s, there has been rising awareness and support for the elderly and people with disabilities—both inside and outside Hitachi. Against this background, we began developing a sign language translation system for the hearing impaired. As well, in 1996, we developed sign language animation software called Mimehand. Further improvements and practical applications followed, and the program was incorporated into the CommunityStation-EX system, a multifunctional system used by municipal governments for automatically issuing certificates. In 2000, we introduced an electronic Japanese/sign language dictionary (under the supervision of the Japanese Federation of the Deaf), and in 2006 we developed an information system for the hearing impaired to use when receiving stomach X-ray examinations (manufactured by Hitachi Medical Corporation). These applications have been warmly received. In July 2009, we provided technology to STARFISH-SD Inc., the maker of Sign Language Forest, a sign language learning game designed for the Nintendo DS. In this way, we are helping to create and distribute sign language animation programs for a variety of applications.

We will continue to develop applications for our sign-language animation technology in an ongoing effort to support sign language and to create a society where the hearing impaired can live in comfort and security.



Screen display showing the Mimehand program

## topics

### Assisting Dongfang Electric Corporation after the Sichuan Earthquake

For a speedy recovery and to provide emergency aid to the victims of the Sichuan Earthquake that occurred in China on May 12, 2008, Hitachi contributed 245 million yen in the form of relief donations, construction equipment and other items for reconstruction. Manufacturing plants of Dongfang Electric Corporation that make turbines for thermal power plants were hard hit. At the Hanwang plant, where 90 percent of the buildings were demolished, making key parts, such as turbine blades and rotors, became impossible.

So the Hitachi production plant in Hitachi City, Ibaraki Prefecture, Japan, made substitutes for these critically needed parts, keeping delays in shipping electrical power equipment to a minimum while continuing to ensure the high level of product reliability and safety that the Hanwang plant was known for. Electric power shortages are a serious problem in China, so Wen Shugang, president of Dongfang Electric, expressed his gratitude that delays in China's plans for construction of new power facilities had been avoided, saying, "Thanks to Hitachi's cooperation, recovery from the damage caused by the earthquake has been very smooth."



(Top) Hitachi Construction Machinery excavators, important for earthquake recovery  
(Bottom) Earthquake damage at Dongfang Electric Corporation's Hanwang plant

## Six Foundations Promote Diverse Activities

Hitachi has six foundations located both in Japan and the U.S. that are active in many areas, including promoting family and science education, inviting university teachers and researchers from Southeast Asia, protecting the environment, supporting the healthy development of young people, and working on corporate citizenship initiatives in the U.S.

### Hitachi's Foundations

The Odaira Memorial Hitachi Education Foundation  
The Hitachi Environment Foundation  
The Kurata Memorial Hitachi Science and Technology Foundation  
The Hitachi Mirai Foundation  
The Hitachi Scholarship Foundation  
The Hitachi Foundation (U.S.A.)

### Hitachi's Foundations

<http://www.hitachi-zaidan.org/global/index.html>

## Support for Volunteer Activities

Hitachi supports employees who volunteer by giving them information, time off, and financial assistance.

We disseminate information about volunteer activities through seminars, the company intranet, and other media. In fiscal 2008, we sponsored five seminars, including one held outdoors. To encourage people to donate their time, we have instituted special annual paid leaves (in addition to regular annual paid leaves) that may be used for volunteer activities or other forms of personal growth. Financially, we sponsor a semi-annual volunteer support program called The Growing Tree that provides financial assistance for non-profit organizations in which Hitachi employees are volunteering or actively participating. In fiscal 2008, assistance was given in 11 cases, for about 3 million yen.

### Seminar Example (Forest Growing Volunteer Activity)

<http://www.hitachi.com/environment/showcase/employee/ex/plant01/index.html>

## Social Contributions Made by Companies in the Hitachi Group

Category	Activity	Company
Education	Using their Tabletop Microscopes, this company provides elementary and junior high school students with the opportunity to explore the microscopic world through hands-on experience and experiments. In fiscal 2008, a microscope lending program was begun mainly for educational institutions in Japan, to promote scientific inquiry.	Hitachi High-Technologies Corporation
	Hitachi Group employees visit elementary schools, primarily in Tokyo, as volunteer teachers to talk about Universal Design (UD). In fiscal 2008, 1,585 students participated in 41 classes. The program was awarded the 2nd Kids' Design Award.	Hitachi, Ltd.
	We began the Tsinghua Information Forum—Hitachi Lecture in China during fiscal 2008 to encourage thinking about careers in science and engineering. Hitachi researchers and well-known scholars from around the world presented six lectures.	Hitachi, Ltd. Hitachi (China) Research & Development Corporation
Environment	Forty-four companies in the Hitachi Group participate in the Ecocap* program in many locations throughout Japan in an effort to raise employee awareness of environmental issues through daily activities.	Hitachi Group
	Since fiscal 2006, the company has provided volunteers who research, by survey, the Miyama shijimi butterfly, which is threatened with extinction. This program encourages participants to think about the preservation of ecosystems and biodiversity. In fiscal 2008, 11 employees and their family members took part.	Hitachi, Ltd.
	Since 1997, the company consistently participated in annual reforestation projects aimed at preserving the environment of the Silang Santa Rosa River (the Philippines). Six Hitachi employees volunteered in June 2008, planting about 300 saplings.	Hitachi Global Storage Technologies Philippines Corporation
Social welfare	In April 2008, the company established the Magokoro Fund which is a fund made up of monthly contributions of 100 yen deducted from the salaries of participating employees with matching funds from the company. The money raised goes toward transportation safety, environmental protection, and social welfare programs.	Hitachi Transport System, Ltd.
	Working with leading American foundations, as well as the U.S. Department of Labor and other entities, the foundation initiated a five-year program in 2007 designed for workforce development. This nationwide program provides grants to promote employment and technical training for low-wage workers, contributing to improvements in labor conditions in the U.S.	Hitachi Foundation (U.S.)
	In June 2008, extensive flooding in the Mississippi River basin inflicted heavy damage on homes in the U.S. Midwest. To help out, 60 company volunteers went to Winona, Minnesota to help repair 12 homes, remove rubble, and clean up the environment.	Hitachi Global Storage Technologies, Inc. (U.S.)
	This company was awarded the 5th Asahi Corporate Citizen Award by the Asahi Shimbun Company, a major Japanese newspaper, for their 2008 CSR activities. The award recognizes their long-term contributions to international society, including their development of landmine removal equipment and support for the restoration of regions damaged by landmines	Yamanashi Hitachi Construction Machinery Co., Ltd.

\* This program collects plastic bottle caps, sells them to recyclers, and uses the proceeds to provide vaccinations to children throughout the world.

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# Employees: The Key to Hitachi's Future

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Respecting employees' individuality and promoting activities to achieve work-life balance

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## Creating a Work-Friendly Corporate Culture

Hitachi, Ltd. is working hard to nurture human resources that can meet the requirements of the new age and to create a better work environment. This endeavor is guided by three key words: (1) *openness* to encourage frank communication and to provide employees with opportunities to express their full potential, (2) *challenge* to aspire to high goals and personal transformation, and (3) *diversity* to respect individuality.

## Openness: Promotes the Expression of Employees' Full Potential

The Hitachi Group has instituted a range of initiatives designed to encourage frank, open communication so that employees can achieve their full potential. These include personnel system reforms, an employee awareness survey, and the 360-Degree Feedback Program.

## Personnel Systems

At Hitachi, Ltd., our personnel system is designed to assess the strengths and achievements of employees fairly and transparently and to reflect these findings in salaries and bonuses. Elements, standards, and methods of evaluation are fully disclosed as employees meet their evaluators to arrive at a shared assessment. In the course of these discussions, employees receive feedback on their strengths and weaknesses as well as guidance on achievement of business goals and capacity building. An evaluation manual is used to minimize disparity. As a further step, employees are surveyed annually to review the evaluation process, and follow-up work is done to ensure proper management.

## Survey of All Employees

We conduct an annual survey of all 41,000 employees of Hitachi, Ltd. to check on items such as employee satisfaction, workplace culture, and views on management. Known as the Business Process and Opinion Survey, this survey is conducted through the Hitachi intranet. Results are analyzed for each workplace and are used for revising personnel policies and transforming the business culture.

## 360-Degree Feedback Program

In this program, about 10,000 managers attend workshops and engage in e-learning to understand feedback from their superiors, colleagues, subordinates, and junior staff, with the help of expert instructors. Understanding feedback in turn enables managers to reassess their own strong points and areas needing improvement, as a capacity-building exercise.

## Challenge: Supports Growth

Because we believe that maximizing employee potential is vital for continuing to provide new value, we work hard to improve employees' abilities and their careers.

## Employee Capacity Building

For capacity building, we supplement in-house education based on on-the-job training with

an elaborate training system. This training consists of six educational programs: “Management Development,” “Education for Engineers,” “Production Worker Training,” “Education for Internationalization,” “Sales Education,” and “Training by Job Function.” These programs are offered across the Hitachi Group in conjunction with educational institutions, such as the Hitachi Institute of Technology, the Hitachi Institute of MONOZUKURI Skills and Engineering, and the Hitachi Institute of Management Development. In addition, in order to expand educational opportunities for employees, Hitachi has also developed a unique e-learning system (in Japanese, English, and Chinese) for Group companies.

### **Supporting Career Development**

We work to create an environment where employees can discuss their careers with their supervisors to deepen mutual understanding between both parties and enable both to tackle their jobs with a clear vision.

We also operate the Career Development Workshop, a development support program designed to foster independent human resources. It helps participants achieve self-realization, enabling them to develop a deeper self-understanding, including their reasons for working, living and their work values, as well as how to set their personal career goals.

We have also established the Group Open-Placement System for employees in Japan to express their intentions and expectations through job transfers. As of March 2009, 20 Group companies were participating in this system; in fiscal 2008, there were 33 transfers. We have also adopted an Intra-company Free Agent (FA) System allowing employees to apply directly for transfers to other divisions. During fiscal 2008, 71 applications were received, leading to 10 transfers.

### **Global Manager Training**

With our operations taking on an increasingly global perspective, it is absolutely critical that our domestic and overseas managers working on the frontlines of global business understand our history, founding spirit, company operations, common values, corporate philosophy, and basic management skills. To instill this understanding, we operate a four-day course, Global Fundamental Course—Ready to Inspire, which offers the same training to all Hitachi managers around the world. Since fiscal 2006, when it was launched, the course has been taken by more than 1,000 people. From fiscal 2009 too, we plan to continue the course while broadening the regional and personnel scope, as well as training methods.

### **Reward System for Employee Inventions**

Many Hitachi employees are engaged in research and development, including some 1,200 with doctorates. We have developed the Reward System for Employee Inventions to stimulate research and encourage outstanding inventions.

Hitachi provides rewards for patent applications and registrations, as well as performance rewards given at the stage where revenues are drawn from patent use and/or patent licensing income. For performance rewards in particular, Hitachi works to ensure objective evaluations of the extent to which patents have contributed to Hitachi’s business and to provide equitable payment for patents that have made a “substantial contribution.”

To ensure fair and transparent operation of the system, Hitachi has developed invention reward criteria and made these known to employees. An Employee Invention Rewards Internal Arbitration Committee has also been set up to receive inventors’ claims and to determine the

amount of payment for invention rewards that are offered. Hitachi's Invention Information system promotes communication between inventors and business divisions, enabling inventors to make inquiries themselves to business divisions for information on internal or external use of patents and to confirm the basis for payment for invention reward calculations.

The Annual Top 100 Rewards for Use of Patents presidential award was launched in fiscal 2005. In addition, since 2006, the Top 50 Rewards for Patent Applications award has been given to inventors aged 35 years and younger based on their records during their first five years at Hitachi.

### **Diversity: A Base for the Healthy Expression of Individuality**

At Hitachi, we believe that respect for people in all their diversity, respecting their ways of working, builds synergy among employees and helps to create new value.

To realize this goal, we have been encouraging diversity awareness at all Group companies, mainly through the Diversity Development Project launched in August 2006, which reports directly to the President and CEO. From fiscal 2008, we also started promoting work-life balance as a key element of diversity. In "Strengthening The Base '08-'09 —For Sustainable Growth—,"<sup>†1</sup> a project for all employees, we have been reforming our ways of working based on the themes "lively work styles," "enhancing physical and mental health," and "support for enlivening workplace communication."

The results so far: many business groups have come up with their own activities, and awareness of diversity and work-life balance in and outside Japan has been gradually increasing. In fiscal 2009, we will continue these activities, based on the same themes, in cooperation with all Hitachi employees.

†1 Strengthening The Base '08-'09 —For Sustainable Growth—: Activities for all Hitachi Group employees to strengthen management foundations for future growth (April 2008–March 2010)

### **Co-sponsoring Women's Summit Tokyo 2008**

In October 2008, Hitachi co-sponsored Women's Summit Tokyo 2008 together with other companies that promote diversity, contributing to the creation of a network of women working in many business fields. Two hundred women from 20 companies in a variety of businesses took part, engaging in a lively exchange of opinions on the theme of pursuing a career.

### **Participation in the Work-Life Balance Promotion Project**

Hitachi is participating in the Work-Life Balance Promotion Project launched in 2008 by the Ministry of Health, Labour and Welfare. This project aims to foster a balance between work and life by publicizing specific activities and their results from 10 leading companies in different business fields based on the Charter for Work-Life Balance and the Action Policy for Promoting Work-Life Balance.

In July 2008, management executives of the participating companies issued the Declaration by Top Management, stating the aims of the project and implementation priorities. In March 2009, an action program was produced, outlining the results of implementations at each company, including Hitachi, and the activities that will be conducted from fiscal 2009 onward.

## commitment

### Individuals and the Team Create Dynamism Together

Kenji Ohno

Vice President and Executive Officer (Human Capital), Hitachi, Ltd.

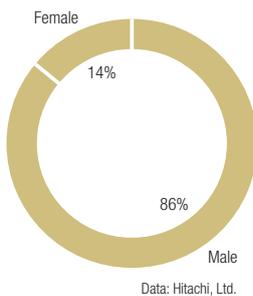
The most important management task is to enhance corporate value by creating a vibrant work environment, while fully harnessing the abilities of every employee. At Hitachi, we try to make full use of diverse human resources and to reduce long working hours to improve work efficiency and communications. We have also established systems that combine work with child rearing or nursing care, and have been striving in each business group to create an atmosphere where these systems can be easily used. As a result of our efforts to change our way of working—by cutting overtime and encouraging employees to take all vacations—we reduced the statistics for long working hours by half compared with the previous year. In employee surveys, the percentage of those who feel that they have too much work has also decreased.

To emphasize diversity as well as further enhance our organizational strength, we will continue to promote business innovation and to reform employees' awareness of the way they work.

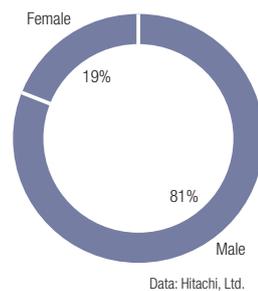


"Working well, leading a good life"—logo of the Work-Life Balance Promotion Project

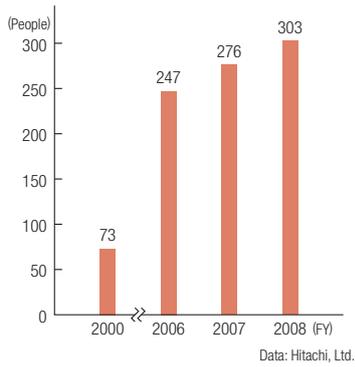
**Male/Female Employee Ratio**  
(March 2009)



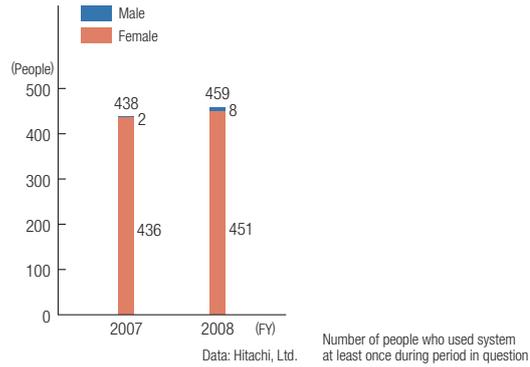
**Ratio of New Male/Female Graduate Recruits in Fiscal 2008**



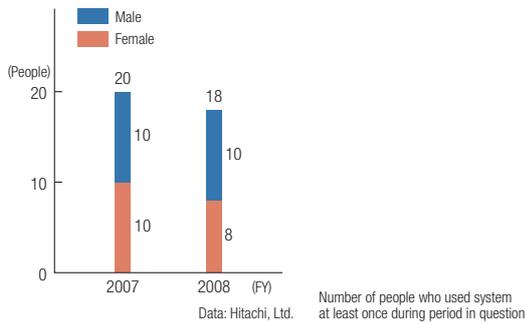
### Trend in the Number of Female Managers



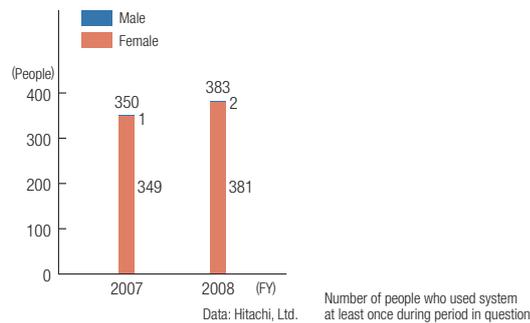
### Trend in the Number of Employees Taking Child Care Leave



### Trend in the Number of Employees Using Nursing Care Leave



### Trend in the Number of Employees Working Shorter Hours



## voices

### Taking Child Care Leave with Understanding and Support in the Workplace

Daisuke Komaki

Researcher, Information Service Research Center, System Development Research Center, Hitachi, Ltd.

In the 2nd Questionnaire Survey on Companies Facilitating Child-Rearing by Fathers, (by Fathering Japan and Daiichi Life Research Institute), Hitachi was the top company for the second consecutive year. According to our employee, Daisuke Komaki, who took six months' leave from July 2008, "The project I was in charge of was at a crucial stage, so I think everyone was surprised, but thanks to their understanding and support I was able to devote myself to looking after my child. The person who took over for me upgraded his skills, and I think the entire experience promoted understanding for men taking child care leave."

Hitachi gained high marks for not imposing any restrictions on how many times employees can take child care leave, for expanding the system's scope to three years up to the end of the first year of school, and for understanding the work-life balance.



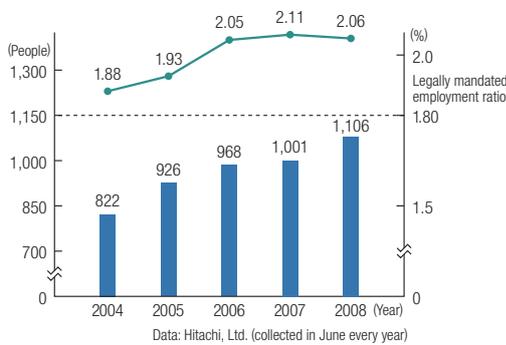
### Employing Retirees (Japan)

Hitachi and Hitachi Group companies have adopted a life plan selection framework, designed to re-employ people aged 60 who want to continue working and are suited to company-designated positions. We strive to make full use of older people with deep experience, technical expertise, and skills.

### Promoting Employment for the Physically and Mentally Disabled

We strive to meet the legally mandated ratio of physically and mentally disabled employees by holding employment fairs and consulting with Group companies. As of June 2008, 2,975 disabled people were employed in Japan, accounting for 2.06 percent of employees at Hitachi, Ltd. and 1.84 percent at Group companies. We will continue to create more opportunities for the disabled by improving the workplace and expanding the range of work.

Trend in the Employment Ratio for Physically and Mentally Disabled People



### Fostering Women's Leadership

Together with other companies in the San Francisco Bay Area, Hitachi Data Systems (HDS) supports the Women's Leadership Network. To promote the leadership of working women, this network was launched in November 2008. Two HDS executives, Susan Lynch, Senior Vice President and CFO, and Nancy Long, Senior Vice President for Global Human Resources, spoke as network executives at the event. The network's activities have been widely recognized, being shortlisted for the 2008 Stevie Awards for Women in Business, which honors the achievements and social contribution of people and organizations around the world.



Women's Leadership Network launch

## Employment

We believe that employment should be protected by government, employers, and employees. The continuation of employment is also an important management issue. In response to recent economic trends, and to ensure the most appropriate employment and allocation of personnel, we are striving to maintain and expand employment by transferring people from mature to growth businesses and by creating new businesses in environmental and other fields.

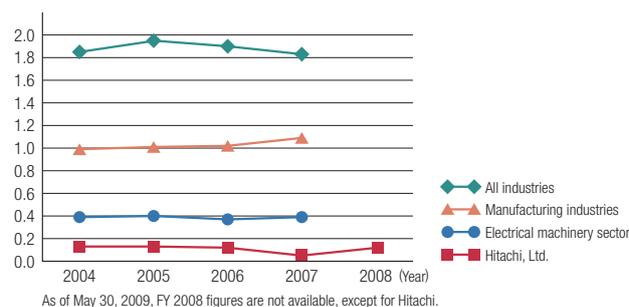
## A Safe, Pleasant Workplace

At Hitachi, ensuring the safety and health of employees is the highest priority of all. Aiming to reduce fires and accidents to zero, we do our best to maintain high health and safety standards and to make continual improvements.

## Employee Health and Safety

From many years of safeguarding employee safety and improving the work environment, we have acquired in-depth expertise on safety and health. We then apply this expertise to everyday operations, including health management, where employees are given guidance based on regular medical check-ups with company physicians.

### Trends in the Occupational Accident Rate



## Safety Policies of Hitachi Global Storage Technologies

Hitachi Global Storage Technologies (Hitachi GST) develops and implements worker safety and health policies, part of an action plan for all of its employees worldwide.

Programs are produced by an independent in-house team that takes into account divisional and regional effectiveness. Policies range from monitoring chemicals and machinery in factories to managing hygiene in dormitories and cafeterias at factory locations. We are ensuring safer environments for workers both on the job and in private life. Work safety and health teams include employees and experts who receive individual guidance and Internet-based training. They work together to improve their safety knowledge, through electronic discussions or via telephone, and through outside courses. As a result, Hitachi GST currently has OHSAS 18001<sup>†2</sup> certification at 10 global sites.

<sup>†2</sup> OHSAS (Occupational Health and Safety Assessment Series) 18001 is a certification based on a set of regulations and procedures for managing and controlling occupational health and safety risks.



Hitachi Global Storage Technologies (Thailand)  
 (Above) Members of the worker safety and health team  
 (Below, left) On-site interviews conducted by team members, (Below, right) On-site confirmation of safety and health

### Ensuring Better Work Hours

To improve productivity and operational efficiency, we return to the basics in our reviews of how managers and other employees work. We encourage employees to reduce overtime and take annual holidays. In this way, we try to ensure appropriate work hours and help employees maintain a good work-life balance, which ultimately strengthens them and the organization as a whole.

### Training for Strengthening Communication Skills

To revitalize workplace communications, we started a training program in 2008 for managers to strengthen their communication skills. To promote diversity and good interpersonal relations based on trust—as well as to achieve organizational goals—we stress respect for individuality and differences of opinion and culture, while seeking a full consensus. The hands-on training during the two-day program focuses on communication skills that are the basis for all interactive skills: active listening, essential for mutual understanding; and assertion, which allows people—after opinions and ideas are expressed—to reach a conclusion that all parties can accept.



A training session for strengthening communication skills (Photo courtesy of Nikkei Information Strategy)

### Promoting Mental Health

In recent years, maintaining the mental health of employees has emerged as a major social concern. We have put up a stress-level checklist on our intranet so that employees can easily rate themselves. We also address mental healthcare by providing access to specialists and counselors. In addition, an EAP<sup>3</sup> Center has been established to help employees resolve their worries and

concerns through person-to-person, telephone, and in-house online counseling. After ensuring privacy, findings from these programs are relayed to management for use in improving the work environment.

†3 EAP (Employee Assistance Program): Provides employees with psychological, physical, and social support

### **Basic Attitudes to HIV/AIDS**

Since 1995, Hitachi, Ltd. has promoted an understanding within the Hitachi Group of HIV/AIDS based on the following three points.

#### **Basic Attitudes Concerning HIV/AIDS**

(1) We will actively build AIDS awareness in keeping with the understanding that the most important thing is “to cultivate accurate knowledge and understanding of HIV/AIDS on the part of every 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 delay the onset of illness.

(3) With a view to protecting the privacy of individuals, no testing for HIV/AIDS will be conducted as a part of any routine physical examinations for employees done within the company, whether the physical examination is legally sanctioned or not (i.e., voluntary).

### **Enriching the Lives of Employees and Their Families**

Hitachi has instituted a range of measures designed to support richer, more stable lives for our employees and their families.

#### **Supporting Employee Self-Help Efforts and Independence**

We employ measures designed to support an employee’s self-reliance and independence. These include housing support such as dormitories, company housing, and a housing allowance system, as well as other measures such as an asset-building savings program, an employee stock ownership program, group insurance and consolation payments. In 2000, a new “cafeteria plan” system was introduced that allows employees to select the benefits they will receive. Choosing from a list of options, such as skills development, childcare, nursing care, health promotion and donations, allows employees to tailor a program to their individual lifestyles and needs. Employees can select the support that they need—when they need it—according to their “cafeteria points.”

#### **Employee Life-Planning Support through Corporate Pensions**

With Japan’s declining birth rate, the aging of society, and the growing diversity of post-retirement lifestyles, corporate pensions seem positioned to play an increasingly important role.

In response to the diversification of post-retirement lifestyles, changes in the employment system, and revisions to legal systems, the Hitachi Group has fundamentally revamped retirement allowances and pensions. Defined contribution and defined benefit plans have been introduced within the systemic infrastructure—across the Group—to provide life planning support for employees. For defined contribution plans, we encourage the active participation of employees in their post-retirement planning through, for example, education on asset management and investments. For defined benefit plans, we have boosted the number of benefit options in response to employees’ diverse needs.

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# Collaborative Creation with Suppliers

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Working with suppliers to promote CSR through guideline formulation, active communication through surveys, and information sharing

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## Sharing CSR Awareness

The Hitachi Group values partnership and openness with suppliers. We are committed to maintaining and improving the mutual understanding and trust of our suppliers from both the long term business relationship and sustainability point of view. While providing equal business opportunities, we select suppliers from around the globe based on the principle of open competition.

## Formulation of Supplier Guidelines

Hitachi, Ltd. formulates and publishes the *Hitachi Supply-Chain CSR Deployment Guidebook*, conforming to the guidelines of the Japan Electronics and Information Technology Industries Association (JEITA). We have asked our suppliers to use this guidebook for self-evaluations, a process that allows us to deepen understanding and communication for CSR. Also, in line with the United Nations Global Compact, we revised our Hitachi Guidelines for Procurement Activities, effective June 2009.

### Guidelines for Procurement Activities

These guidelines define business transaction standards which shall be applied to all HITACHI executives and employees in connection with their activities purchasing necessary materials, products, services, and information from outside sources.

1. Overall procurement activities of Hitachi shall adhere to the "HITACHI Company Conduct Standards."
2. HITACHI shall maintain proper partnerships, mutual understanding, and reliable relationships with suppliers with a view to the long term results.
  - (1) HITACHI shall treat all suppliers impartially and be prohibited from favoritism such as giving unfair priority to any specific suppliers.
  - (2) HITACHI respects fair business dealings with suppliers and will avoid any improper act which might cause a loss to a supplier apart from normal and customary business transactions.
  - (3) HITACHI shall keep suppliers' trade secrets strictly confidential and prevent them from being revealed or improperly used.
3. HITACHI develops suppliers to maintain competitiveness from a worldwide point of view.
  - (1) HITACHI responds to all suppliers' offers sincerely, and is always willing to offer the information necessary for suppliers to complete on an even playing field.
  - (2) HITACHI shall periodically check and review suppliers' performance and will consider offering more advantageous business opportunities when comparison with other resources allows.
4. Through a designated selection process, suppliers shall be evaluated by product quality, reliability, delivery, price, suppliers' business stability, technical development ability, fair and transparent information release, compliance with societies' rules, regulation compliance, respect for human rights, elimination of discrimination in respect of employment and occupation, elimination of all forms of forced and compulsory labor, environmental preservation activities, social contributions, good working environment, and recognition of social responsibilities with business partners.
  - (1) HITACHI shall not request quotations from suppliers with whom there is no intention to enter into a future business relationship.

(2) In accordance with specified internal procedures, the role and responsibility for specifications, terms and conditions, product acceptance and inspection belongs to each Requester, Procurement Department and Inspection Department.

(3) Procurement Departments shall be a representative of HITACHI when contracting with suppliers

Revised in 2009

\* All companies in the Hitachi Group act in accordance with these guidelines

### The Hitachi Supply-Chain CSR Deployment Guidebook

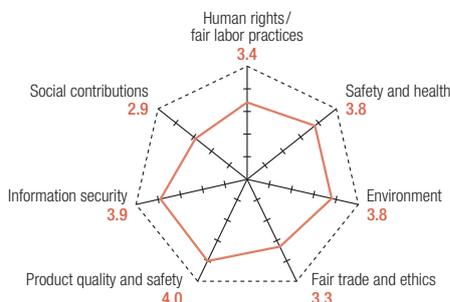
[http://www.hitachi.com/ICSFiles/afieldfile/2009/03/12/SC\\_CSR\\_E.pdf](http://www.hitachi.com/ICSFiles/afieldfile/2009/03/12/SC_CSR_E.pdf)

## Working with Suppliers to Promote CSR Activities

In fiscal 2008, we conducted surveys with more than 100 of Hitachi, Ltd.'s main suppliers, analyzed the results and provided them with feedback. The results showed that—compared with other categories, such as product quality and safety, and the environment—more attention needs to be paid to human rights, fair labor practices, fair trade and ethics, and social contributions. In this way, we are helping our suppliers to understand and improve their own performance. In addition, we are building a database of the survey results that will be shared throughout the Hitachi Group.

In fiscal 2009, we will add approximately 300 more suppliers to the number of suppliers whose self-evaluation results we have monitored using the guidebook. We will also start monitoring suppliers to other group companies to promote CSR throughout our supply chain.

### Results of Surveys Conducted to Promote CSR among Suppliers



Maximum score for each category: 5 points

## Promoting the Use of Environmental Management Systems by Suppliers

For green procurement,<sup>†1</sup> we ask all suppliers to promote environmental management systems (EMSs) by acquiring certifications. We actively support the acquisition of EMS certifications, such as KES,<sup>†2</sup> Eco Stage,<sup>†3</sup> and Eco-Action 21,<sup>†4</sup> mainly for small and medium-sized suppliers. We organized the MMM Club with those suppliers who have acquired certification as members, using information exchanges on activities and training courses to promote qualitative EMS improvement.

For handling chemicals, for which regulations are becoming stricter and chemical content management more complicated—throughout the world—we recommend that suppliers manage them based on the product chemical content management mechanisms drawn up by JAMP<sup>†5</sup> and promote the development of rational, efficient management systems.

We also accumulate information on chemicals in Hitachi Group products in every process of

corporate activities, ensuring that the product chemical content management system corresponds with the EU's REACH regulation, and that we are able to respond flexibly to suppliers' chemical information management methods.

- †1 Green procurement: The procuring of parts and materials with reduced environmental impact from suppliers that are actively protecting the environment
- †2 KES: A Japanese environmental certification system administered by the KES Environmental Organization, an NPO
- †3 Eco Stage: An assessment system being promoted by the Eco Stage Institute to support environmental management. Eco Stage is a registered trademark of Mitsubishi UFJ Research & Consulting Co., Ltd.
- †4 Eco-Action 21: An environmental certification system operated by the Institute for Global Environmental Strategies, based on the Eco-Action 21 Guidelines formulated by the Ministry of the Environment
- †5 JAMP (Joint Article Management Promotion-consortium): An entity to promote cross-industrial activities for the establishment and dissemination of specific mechanisms to manage appropriately and facilitate the disclosure and conveyance of information on chemicals contained in supply chain products

### Green Procurement Guidelines

[http://www.hitachi.com/environment/library/pdf/green\\_en.pdf](http://www.hitachi.com/environment/library/pdf/green_en.pdf)

## topics

### Green Procurement Overseas

Taking advantage of regular procurement division meetings, we are training our procurement managers outside Japan to implement the Group's green procurement policies. In April 2008, a North American Procurement Conference was held in Dallas, Texas, where chemical substance regulations—an issue for corporate procurement divisions worldwide—were discussed. European companies have led the way, as exemplified by the REACH regulation. However, North American companies are getting more involved in managing chemical substances in products, while maintaining relations with suppliers.

Participants receive more comprehensive information about environmental policies from the perspective of procurement management. In a practical sense, conferences are also an opportunity to explain registering and managing information on chemical substances using our Integrated Management System for Chemical Substances Contained in Products.



Participants at the North American Procurement Conference

## Partnerships

Collaborative creation (joint activities) with trustworthy, technologically advanced suppliers is essential for product development. Hitachi continuously strives to strengthen partnerships with sustainable suppliers. The Hitachi Partner Day is held once a year to promote Hitachi's business management policy and strategy. In fiscal 2008, about 170 executives from 74 suppliers took part in the Hitachi Partner Day.

### **Improving Supplier Relations with an Open-Door Policy**

We are creating opportunities to broaden our range of transactions with an open-door policy. We are striving to forge links with SMEs by cooperating with local government SME-assistance organizations and by holding product shows and business meetings for members of the Hitachi Group. In fiscal 2007, we held the Osaka Prefecture Hitachi Group Show and Business Meeting and in fiscal 2008, in collaboration with the Nagano Prefecture Small and Medium-sized Business Promotion Center and Tokyo Small and Medium-sized Business Promotion Corporation, we held the Nagano Prefecture New Technology and New Construction Method Show, and the Tokyo New Technology and Construction Method Show and Business Meeting. We are planning to work with various institutions to hold similar shows with local governments in fiscal 2009.

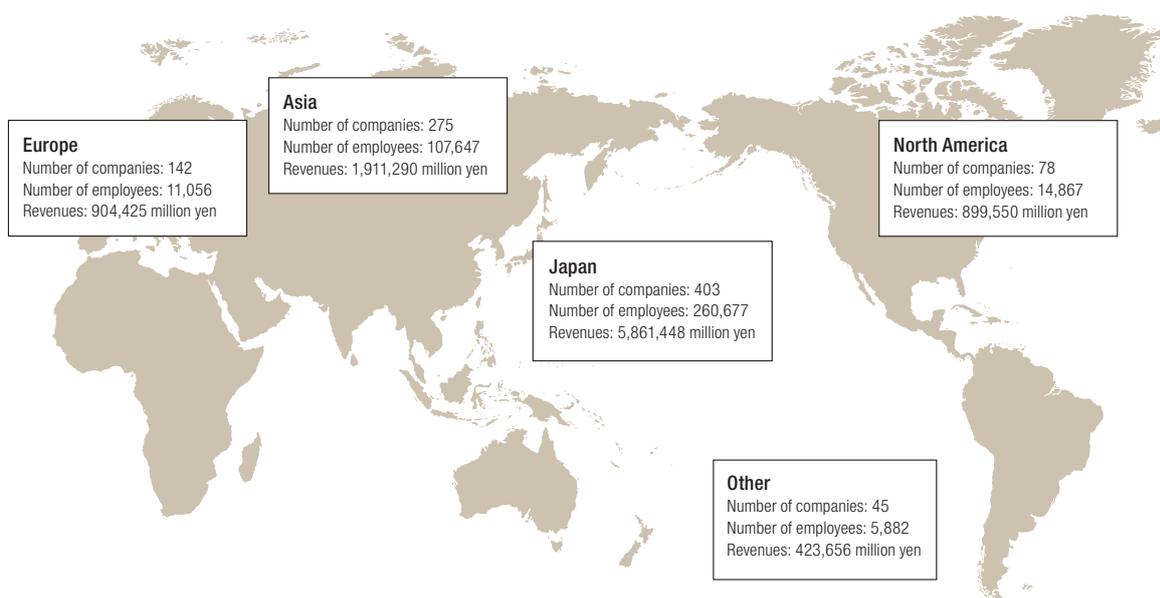
Among other countries, Hitachi is focusing on India and Vietnam in particular, both of which are undergoing rapid economic growth as emerging markets. We have been making every effort to cultivate and expand our business in these countries, for example, by participating in parts supply shows sponsored jointly by Japan External Trade Organization (JETRO) and local organizations.

## Company Profile

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

## Hitachi Group Profile

Hitachi, Ltd. and the Hitachi Group make up a corporate group consisting of 1,110 companies: 403 consolidated subsidiaries within Japan and 540 outside Japan, as well as 77 equity-method affiliates in Japan and 89 outside Japan. For business activities, there are seven business units, as indicated on the next page, with total revenues of about 10 trillion yen. The Group employs about 400,000 employees.



## Economic Performance

### As of March 31, 2009

Common Stock: 282,033 million yen  
Number of employees  
(unconsolidated basis): 40,549  
Number of employees  
(consolidated basis): 400,129  
Number of consolidated subsidiaries:  
943 (Japan: 403, outside Japan: 540)  
Number of equity-method affiliates:  
166 (Japan: 77, outside Japan: 89)

### Period: Fiscal year ending March 31, 2009

(consolidated basis)

Revenues:  
10,00.3 billion yen  
(89% compared with the previous year)  
Operating income:  
127.1 billion yen  
(37% compared with the previous year)  
Capital investment:  
788.4 billion yen  
(81% compared with the previous year)  
R&D expenditure:  
416.5 billion yen  
(97% compared with the previous year)

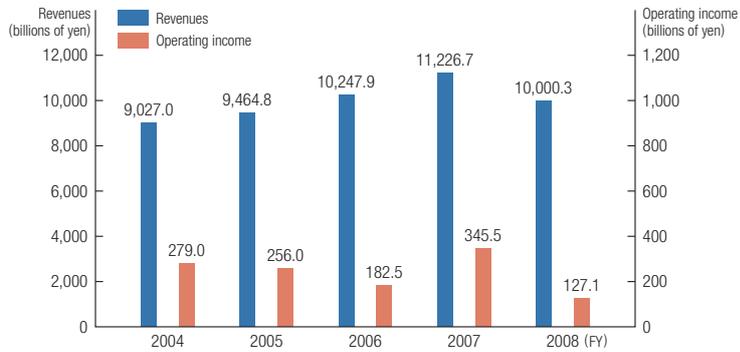
Overseas output as a percentage of consolidated net sales: 24%

See Web site for economic performance reports.

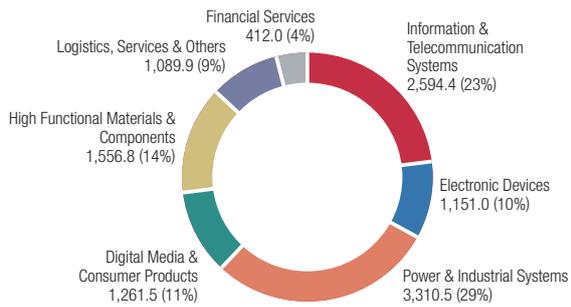
<http://www.hitachi.com/IR-e/>

## Financial Results (consolidated basis)

### Revenues and Operating Income



### Revenues by Industry Segment in Fiscal 2008 (billions of yen)



Total Sales by Industry: 11,376 billion yen  
Consolidated Net Sales: 10,000 billion yen

## Major Fields of Business and Products

### Information & Telecommunication Systems



Data center  
(unification control center)



Hitachi Global Storage Technologies' 500-gigabyte 2.5-inch hard disk drive



Large disk array subsystem

- Systems integration, outsourcing services, software, hard disk drives, disk array subsystems, servers, mainframes, PCs, telecommunication equipment, ATMs
- Hitachi Communication Technologies, Ltd., Hitachi Kokusai Electric Inc., 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 & Control Solutions, Ltd., Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Data Systems Corporation, Hitachi Information & Telecommunication Systems Global Holding Corporation

### Electronic Devices



Hitachi Displays' 3.2-inch wide and IPS LCD for "One-Seg" compatible mobile phones



Hitachi High-Technologies' scanning electron microscope



Hitachi Medical's superconducting high-field open MRI machine

- Liquid crystal displays (LCD), semiconductor manufacturing equipment, testing and measurement, medical electronics equipment, semiconductors
- Hitachi Displays, Ltd., Hitachi High-Technologies Corporation, Hitachi Medical Corporation, Hitachi Display Devices (Suzhou) Co., Ltd.

### Power & Industrial Systems



Monorail\* in Dubai, UAE



Hitachi Construction Machinery's hydraulic excavator



Hitachi Vehicle Energy's square lithium-ion battery for hybrid vehicles

- Nuclear power plants, thermal power plants, hydroelectric power plants, industrial machinery and plants, automotive products, construction machinery, elevators, escalators, railway vehicles, power tools
- Babcock-Hitachi K.K., Clarion Co., Ltd., Hitachi Construction Machinery Co., Ltd., Hitachi-GE Nuclear Energy, Ltd., Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Koki Co., Ltd., Hitachi Via Mechanics, Ltd., Hitachi Automotive Products (USA), Inc., Hitachi Elevator (China) Co., Ltd., Hitachi Building Systems Co., Ltd., Hitachi Engineering & Services Co., Ltd., Hitachi Mobile Co., Ltd., Hitachi Plant Technologies, Ltd., Hitachi Power Europe GmbH

### Digital Media & Consumer Products



UT (Ultra Thin) LCD TVs



Hitachi Appliances' Drum-type washer-dryer



Hitachi Maxell's prismatic lithium-ion rechargeable batteries featuring thin type and high capacity

- Optical disk drives, Plasma TVs, LCD TVs, LCD projectors, mobile phones, room air conditioners, refrigerators, washing machines, information storage media, batteries, air-conditioning equipment
- Hitachi Appliances, Inc., Hitachi Maxell, Ltd., Hitachi Media Electronics Co., Ltd., Hitachi Plasma Display Ltd., Hitachi Home Electronics (America), Inc., Shanghai Hitachi Household Appliances Co., Ltd.

### High Functional Materials & Components



Hitachi Chemical's adhesive film for protection of the surface of optical sheets



Hitachi Metal's neodymium magnet NEOMAX®



Hitachi Cable's halogen-free 150°C heat-resistant power supply harness for HEV

- Wires & cables, copper products, semiconductor materials, circuit boards and materials, organic/inorganic chemical products, synthetic resin products, display related materials, specialty steels, magnetic materials and components, high-grade casting components and materials
- Hitachi Cable, Ltd., Hitachi Chemical Co., Ltd., Hitachi Metals, Ltd.

### Logistics, Services & Others



Hitachi Transport System's Keihin Distribution Center, a distribution center equipped with security systems

- General trading, logistics, property management
- Chuo Shoji, Ltd., Hitachi Life, Ltd., Hitachi Transport System, Ltd., Nikkyo Create, Ltd., Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China) Ltd., Hitachi Europe Ltd.

### Financial Services



Multifunctional IC card and electronic toll collection auto card

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

● Major Products & Services ■ Major Consolidated Subsidiaries (As of March 31, 2009) The products marked with an asterisk in the above table are those of Hitachi, Ltd.  
 (Notes) 1 Hitachi Kokusai Electric Inc. has become a consolidated subsidiary of Hitachi, Ltd. through a take-over bid to acquire its shares.  
 2 Hitachi Data Systems Corporation merged with Hitachi Data Systems Holding Corporation on March 31, 2009.  
 3 Hitachi Information & Telecommunication Systems Global Holding Corporation was established on April 1, 2008 to oversee Hitachi Data Systems, etc.  
 4 Hitachi Koki Co., Ltd. has become a consolidated subsidiary of Hitachi, Ltd. through a takeover bid to acquire its shares.  
 5 Hitachi Mobile Co., Ltd. changed its name to Hitachi Auto Parts & Service Co., Ltd. on April 1, 2009.  
 6 Fujitsu Hitachi Plasma Display Limited changed its name to Hitachi Plasma Display Limited on April 1, 2008.

## Comparative Table with GRI Guidelines

In formulating the *Hitachi Group Corporate Social Responsibility Report 2009*, we referred to the GRI Sustainability Reporting Guidelines 2006 (Global Reporting Initiative).

The following is a comparative table with the GRI Guidelines.

\* Link to the pertinent sections of the CSR Report 2009 (PDF format) are provided.

Item	Index	Items Disclosed	Related Pages in This Report and Other References
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	Message from the CEO Message from the Chief Environmental Strategy Officer	pp. 2–3 <i>Environmental Sustainability Report 2009</i> : pp. 2–3
1.2	Description of key impacts, risks, and opportunities	Hitachi's CSR Vision CSR Promotion Activities > Results of CSR Activities in Fiscal 2008 and Goals/Plans for Fiscal 2009	pp. 5–8 pp. 37–38
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : pp. 6–7
		Environmental Vision 2015 Achieving the Long-Term Plan: Environmental Vision 2025	<i>Environmental Sustainability Report 2009</i> : pp. 8–9
<b>2. Organizational Profile</b>			
2.1	Name of the organization	Company Profile	pp. 88–90
2.2	Primary brands, products, and/or services	Company Profile	pp. 88–90
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Financial Section	Annual Report 2009
2.4	Location of organization's headquarters	Company Profile	pp. 88–90
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Company Profile	pp. 88–90
2.6	Nature of ownership and legal form	Financial Section	Annual Report 2009
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Financial Section	Annual Report 2009
2.8	Scale of the reporting organization, including:		
	- Number of employees	Company Profile	pp. 88–90
	- Net sales (for private sector organizations) or net revenues (for public sector organizations)	Financial Section	Annual Report 2009
	- Total capitalization broken down in terms of debt and equity (for private sector organizations)	Financial Section	Annual Report 2009
	- Quantity of products or services provided	Financial Section	Annual Report 2009
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:		
	- The location of, or changes in operations, including facility openings, closings, and expansions	Financial Section	Annual Report 2009
	- Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)	Financial Section	Annual Report 2009
2.10	Awards received in the reporting period	Toward a Sustainable Society > Environmental Activity Topics > Next-Generation Products and Services Communication with Shareholders and Investors > Results of External SRI Assessments in Fiscal 2008 Employees: The Key to Hitachi's Future > Diversity That Permits Individuality to Shine > Taking Child Care Leave with Understanding and Support in the Workplace	p. 27 pp. 64–65 p. 79
		Stakeholder Evaluations	<i>Environmental Sustainability Report 2009</i> : p. 43

<b>3. Report Parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	CSR Activity Reporting Policy	p. 1
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
3.2	Date of most recent previous report (if any)	CSR Activity Reporting Policy	p. 1
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
3.3	Reporting cycle (annual, biennial, etc)	CSR Activity Reporting Policy	p. 1
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
3.4	Contact point for questions regarding the report or its contents	Contact information	p. 103
<b>Report Scope and Boundary</b>			
3.5	Process for defining report content, including: - Determining materiality - Prioritizing topics within the report - Identifying stakeholders the organization expects to use the report	Hitachi's CSR Vision > Method for Selecting Material Issues	pp. 7–8
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : p. 6
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) See GRI Boundary Protocol for further guidance	CSR Activity Reporting Policy	p. 1
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
3.7	State any specific limitations on the scope or boundary of the report	CSR Activity Reporting Policy	p. 1
		Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Environmental Activity Reporting Policy	<i>Environmental Sustainability Report 2009</i> : cover 2
		Environmental Load Information Collection Methods	<i>Environmental Sustainability Report 2009</i> : p. 12
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Company Profile	pp. 88–90
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Environmental Load Information Collection Methods	<i>Environmental Sustainability Report 2009</i> : p. 12
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Explanation is given if necessary to complement data descriptions	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	—	—
3.12	Table identifying the location of the Standard Disclosures in the report	Comparative Table with GRI Guidelines	pp. 91–100
<b>Assurance</b>			
3.13	Policy and current practice with regard to seeking external assurance for the report If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided Also explain the relationship between the reporting organization and the assurance provider(s)	—	—
<b>4. Governance, Commitments, and Engagement</b>			
<b>Governance</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Corporate Governance > Strengthening Governance	p. 33
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	Corporate Governance > Strengthening Governance	p. 33
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance > Strengthening Governance	p. 33

4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Compliance and Risk Management > Compliance Reporting System Communication with Shareholders and Investors	pp. 47–48 pp. 62–65
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Corporate Governance > Strengthening Governance	p. 33
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance > Strengthening Governance Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	p. 33 p. 44
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	—	—
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Hitachi's CSR Vision Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	pp. 5–8 p. 44
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : p. 6
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Corporate Governance > Strengthening Governance; Internal Control CSR Promotion Activities > Striving to Be a Global Leader in CSR Respect for Human Rights	pp. 33–34 pp. 36–38 pp. 41–42
		Environmental Management Framework	<i>Environmental Sustainability Report 2009</i> : pp. 14–15
		Environmental Load Information Collection Methods	<i>Environmental Sustainability Report 2009</i> : p. 12
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	—	—
		Evaluating Environmental Activities	<i>Environmental Sustainability Report 2009</i> : p. 15
Commitments to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Compliance and Risk Management > Risk Management; Business Continuity Plans (BCP)	pp. 43, 50–51
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : pp. 6–7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Respect for Human Rights Environmental Efforts > Hitachi Group Team Minus 6% Campaign (Japanese only) Environmental Efforts > Hitachi Carries Out a Campaign to Support Green Electricity through 10,000-Person Commitment (Japanese only)	pp. 41–42 Hitachi, Ltd. Web site Hitachi, Ltd. Web site
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: - Has positions in governance bodies - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic	Involvement in International Standardization	<i>Environmental Sustainability Report 2009</i> : p. 24
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization	Worldwide Environmental Partnerships	<i>Environmental Sustainability Report 2009</i> : pp. 40–43
4.15	Basis for identification and selection of stakeholders with whom to engage	Worldwide Environmental Partnerships	<i>Environmental Sustainability Report 2009</i> : pp. 40–43

4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Hitachi's CSR Vision Toward a Sustainable Society > Hitachi's Environmental Technologies 1 & 2; Extending Our Collaborative Projects Overseas CSR Promotion Activities >Self-Assessment of CSR Activities Compliance and Risk Management > Expert Opinion on Hitachi's CSR Activities and Hitachi's Response; Preventing Corruption through a High Standard of Corporate Regulations Employees: The Key to Hitachi's Future > Diversity: A Base for the Healthy Expression of Individuality ; Women's Summit Tokyo 2008; Participation in the Work-Life Balance Promotion Project	pp. 5–8 pp. 13–20, pp. 29–31  pp. 38–39  pp. 45–47  p. 77
		Independent Experts Comment on Our Environmental Activities and Our Response	<i>Environmental Sustainability Report 2009</i> : p. 43
		Worldwide Environmental Partnerships	<i>Environmental Sustainability Report 2009</i> : pp. 40–43
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Hitachi's CSR Vision > Method for Selecting Material Issues	pp. 7–8
		Worldwide Environmental Partnerships	<i>Environmental Sustainability Report 2009</i> : pp. 40–43
<b>Management Approach and Performance Indicators</b>			
Item	<b>Performance Index: Core (C) / Add (A)</b>		
<b>Economic</b>			
Economic Performance Indicators			
C EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Company Profile Working in Harmony with Local Communities > Finding Solutions for Social Issues; Breakdown of Funding for Social Contribution Activities	pp. 88–90 p. 66
		Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
C EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Toward a Sustainable Society	pp. 9–31
		Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : pp. 6–7
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
C EC3	Coverage of the organization's defined benefit plan obligations	—	—
C EC4	Significant financial assistance received from government	—	—
Market presence			
A EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	—	—
C EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Collaborative Creation with Suppliers > Formulation of Supplier Guidelines > Guidelines for Procurement Activities > The Hitachi Supply-Chain CSR Deployment Guidebook	pp. 84–85
		Collaborative Creation with Suppliers > Promoting the Use of Environmental Management Systems by Suppliers > Green Procurement Guidelines	pp. 85–86
		Promotion of Green Procurement	<i>Environmental Sustainability Report 2009</i> : p. 24
C EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Promotion of Green Procurement	<i>Environmental Sustainability Report 2009</i> : p. 24

Indirect economic impacts			
<b>C</b> EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Working in Harmony with Local Communities	pp. 66–74
<b>A</b> EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
		Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : p. 6
		Message from the Chief Environmental Strategy Officer	<i>Environmental Sustainability Report 2009</i> : pp. 2–3
		Environmental Management Framework	<i>Environmental Sustainability Report 2009</i> : p. 14
<b>Environmental</b>			
Management Approach			
	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Toward a Sustainable Society > Hitachi's Environmental Vision; Global Warming Prevention toward 2025	pp. 9–11
	The most senior position with operational responsibility	Message from the CEO Executive Officer	pp. 2–3 Annual Report 2009
		Message from the Chief Environmental Strategy Officer	<i>Environmental Sustainability Report 2009</i> : pp. 2–3
		Environmental Management Framework	<i>Environmental Sustainability Report 2009</i> : p. 14
Materials			
<b>C</b> EN1	Materials used by weight or volume	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
<b>C</b> EN2	Percentage of materials used that are recycled input materials	—	—
Energy			
<b>C</b> EN3	Direct energy consumption by primary energy source	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
<b>C</b> EN4	Indirect energy consumption by primary source	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
<b>A</b> EN5	Energy saved due to conservation and efficiency improvements	Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
		Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
<b>A</b> EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Making Products More Energy Efficient	<i>Environmental Sustainability Report 2009</i> : p. 22
		Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
		Environmentally Conscious Manufacturing and Services: More Products	<i>Environmental Sustainability Report 2009</i> : pp. 25–30
<b>A</b> EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Achieve emission neutral	<i>Environmental Sustainability Report 2009</i> : p. 7
		Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
		Making Products More Energy Efficient	<i>Environmental Sustainability Report 2009</i> : p. 22
		Environmentally Conscious Manufacturing and Services: More Products	<i>Environmental Sustainability Report 2009</i> : pp. 25–30
Water			
<b>C</b> EN8	Total water withdrawal by source	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Water Resource Conservation	<i>Environmental Sustainability Report 2009</i> : p. 35

A EN9	Water sources significantly affected by withdrawal of water	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Water Resource Conservation	<i>Environmental Sustainability Report 2009</i> : p. 35
A EN10	Percentage and total volume of water recycled and reused	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Water Resource Conservation	<i>Environmental Sustainability Report 2009</i> : p. 35
Biodiversity			
C EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—	—
C EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Working in Harmony with Local Communities > Environmental Initiatives	pp. 69–70
		Regional Environmental Protection	<i>Environmental Sustainability Report 2009</i> : pp. 41–42
A EN13	Habitats protected or restored	Regional Environmental Protection	<i>Environmental Sustainability Report 2009</i> : pp. 41–42
A EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Hitachi Group Corporate Environmental Management	<i>Environmental Sustainability Report 2009</i> : pp. 6–7
		Regional Environmental Protection	<i>Environmental Sustainability Report 2009</i> : pp. 41–42
A EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	—	—
Emissions, Effluents, and Waste			
C EN16	Total direct and indirect greenhouse gas emissions by weight	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
C EN17	Other relevant indirect greenhouse gas emissions by weight	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
C EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
C EN19	Emissions of ozone-depleting substances by weight	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Preventing Global Warming	<i>Environmental Sustainability Report 2009</i> : pp. 32–33
C EN20	NO, SO, and other significant air emissions by type and weight	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Managing Chemical Substances	<i>Environmental Sustainability Report 2009</i> : pp. 35–36
C EN21	Total water discharge by quality and destination	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Water Resource Conservation	<i>Environmental Sustainability Report 2009</i> : p. 35
C EN22	Total weight of waste by type and disposal method	Environmental Load Data for Corporate Activities	<i>Environmental Sustainability Report 2009</i> : pp. 10–11
		Using Resources Efficiently	<i>Environmental Sustainability Report 2009</i> : p. 34–35
C EN23	Total number and volume of significant spills	Rigorous Pollution Control	<i>Environmental Sustainability Report 2009</i> : p. 37
A EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	—	—
A EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	—	—

Products and Services			
A EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Expanding Our Eco-Product Lineup	<i>Environmental Sustainability Report 2009</i> : pp. 20–24
		Environmentally Conscious Manufacturing and Services: More Products	<i>Environmental Sustainability Report 2009</i> : pp. 25–30
A EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Increase in Resource Recycling from Used Products	<i>Environmental Sustainability Report 2009</i> : p. 23
		Products and Packages Recycling	Hitachi, Ltd. Web site
Compliance			
C EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Rigorous Pollution Control	<i>Environmental Sustainability Report 2009</i> : p. 37
Transport			
A EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Reducing CO <sub>2</sub> Emissions from Transportation	<i>Environmental Sustainability Report 2009</i> : p. 33
Overall			
A EN30	Total environmental protection expenditures and investments by type	Environmental Accounting	<i>Environmental Sustainability Report 2009</i> : pp. 17–18
Labor Practices and Decent Work			
Management Approach			
	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Message from the CEO Hitachi's CSR Vision	pp. 2–3 pp. 5–8
	The most senior position with operational responsibility	Employees: The Key to Hitachi's Future > Individuals and the Team Create Dynamism Together Executive Officer	p. 78  Annual Report 2009
Employment			
C LA1	Total workforce by employment type, employment contract, and region	Company Profile	pp. 88–90
C LA2	Total number and rate of employee turnover by age group, gender, and region	—	—
A LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	—	—
Labor/Management Relations			
C LA4	Percentage of employees covered by collective bargaining agreements	—	—
C LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	—	—
Occupational Health and Safety			
A LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	—	—
C LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Employees: The Key to Hitachi's Future > Employee Health and Safety > Trends in the Occupational Accident Rate	p. 81
C LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Compliance and Risk Management > Business Continuity Plans (BCP) > Formulation of Novel Influenza Action Plan and BCPs Employees: The Key to Hitachi's Future > A Safe, Pleasant Workplace > Promoting Mental Health	pp. 50–51  pp. 82–83
C LA9	Health and safety topics covered in formal agreements with trade unions	—	—
Training and Education			
C LA10	Average hours of training per year per employee by employee category	Environmental Education	<i>Environmental Sustainability Report 2009</i> : p. 17
A LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employees: The Key to Hitachi's Future > Challenge: Supports Growth > Supporting Career Development	p. 76

<b>A</b> LA12	Percentage of employees receiving regular performance and career development reviews	Employees: The Key to Hitachi's Future > Challenge: Supports Growth	pp. 75–77
Diversity and Equal Opportunities			
<b>C</b> LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Employees: The Key to Hitachi's Future > Diversity: A Base for the Healthy Expression of Individuality	pp. 77–80
<b>C</b> LA14	Ratio of basic salary of men to women by employee category	—	—
<b>Human Rights</b>			
Management Approach			
	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Respect for Human Rights > Human Rights Policy Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	p. 41 pp. 43–44
	The most senior position with operational responsibility	Executive Officer	Annual Report 2009
Investment and Procurement Practices			
<b>C</b> HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	—	—
<b>C</b> HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Collaborative Creation with Suppliers	pp. 84–87
<b>A</b> HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Respect for Human Rights > Raising Awareness of Human Rights	p. 42
Non-Discrimination			
<b>C</b> HR4	Total number of incidents of discrimination and actions taken	—	—
Freedom of Association and Collective Bargaining			
<b>C</b> HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	—	—
Child Labor			
<b>C</b> HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	pp. 43–44
Forced and Compulsory Labor			
<b>C</b> HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	pp. 43–44
Security Practices			
<b>A</b> HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	—	—
Indigenous Rights			
<b>A</b> HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	—	—
<b>Society</b>			
Management Approach			
<b>C</b> SO	Brief, organization-wide policy (or policies) that define the organization's overall commitment	Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance Working in Harmony with Local Communities > Social Contribution Philosophy and Policy	pp. 43–44 p. 66
<b>C</b> SO	The most senior position with operational responsibility	Compliance and Risk Management > Expert Opinion on Hitachi's CSR Activities and Hitachi's Response Executive Officer	pp. 45–46 Annual Report 2009
Community			

<b>C</b> S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	—	—
Corruption			
<b>C</b> S02	Percentage and total number of business units analyzed for risks related to corruption	Compliance and Risk Management > Preventing Recurrences of Antimonopoly Law Violations	p. 45
<b>C</b> S03	Percentage of employees trained in organization's anti-corruption policies and procedures	Compliance and Risk Management > Global Push to Stop Corruption	p. 46–47
<b>C</b> S04	Actions taken in response to incidents of corruption	Compliance and Risk Management > Preventing Recurrences of Antimonopoly Law Violations	p. 45
Public Policy			
<b>C</b> S05	Public policy positions and participation in public policy development and lobbying	Environmental Efforts > Hitachi Group Team Minus 6% Campaign (Japanese only) Environmental Efforts > "One Kilogram Per Person Per Day CO <sub>2</sub> Reduction" Support Campaign (Japanese only)	Hitachi, Ltd. Web site  Hitachi, Ltd. Web site
<b>A</b> S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	—	—
Anti-Competitive Behavior			
<b>C</b> S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Compliance and Risk Management > Preventing Recurrences of Antimonopoly Law Violations	p. 45
Compliance			
<b>C</b> S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Compliance and Risk Management > Preventing Recurrences of Antimonopoly Law Violations	p. 45
		Rigorous Pollution Control	<i>Environmental Sustainability Report 2009</i> : p. 37
		Misleading Representations of Refrigerators and Our Response	p. 4
<b>Product Responsibility</b>			
Management Approach			
<b>C</b> PR	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Improving <i>Monozukuri</i> and Service > Ensuring Product and Service Quality	pp. 53–57
<b>C</b> PR	The most senior position with operational responsibility	Executive Officer	Annual Report 2009
Customer Health and Safety			
<b>C</b> PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Improving <i>Monozukuri</i> and Service > Ensuring Product and Service Quality > Improving Product Safety: Technologies	p. 55
<b>A</b> PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Improving <i>Monozukuri</i> and Service > Ensuring Product and Service Quality > Improving Product Safety: Technologies	p. 55
Product and Service Labeling			
<b>C</b> PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Expanding Our Eco-Product Lineup	<i>Environmental Sustainability Report 2009</i> : pp. 20–24
<b>A</b> PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Misleading Representations of Refrigerators and Our Response	p. 4
<b>A</b> PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Improving <i>Monozukuri</i> and Service > Building Customer Feedback into Our Products	pp. 57–59
Marketing Communications			
<b>C</b> PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Compliance and Risk Management > Code of Conduct regarding Corporate Ethics and Compliance	p. 43–44
<b>A</b> PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Misleading Representations of Refrigerators and Our Response	p. 4

Customer Privacy			
<b>A</b> PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—	—
Compliance			
<b>C</b> PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Misleading Representations of Refrigerators and Our Response	p. 4

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<http://www.hitachi.com/IR-e/library/annual/index.html>

***Hitachi Group Environmental Sustainability Report 2009***

**(scheduled to be published on September 17th, 2009)**

<http://www.hitachi.com/csr/download/index.html>

**Hitachi, Ltd. environmental activities**

<http://www.hitachi.com/environment/>

**Hitachi Appliances, Inc. environmental activities**

[http://www.hitachi-ap.com/env\\_report\\_e.pdf](http://www.hitachi-ap.com/env_report_e.pdf)

## Indexes by Category

To facilitate searching for information on CSR activities, indexes are provided according to the “Policy, Vision, and Guidelines” and “Result Data” categories.

### Policy, Vision, and Guidelines

Category	Title	Items Disclosed	Related Pages in This Report and Other References
Hitachi's CSR Vision		<a href="#">Fundamental Credo</a>	p. 5
		<a href="#">Hitachi Group Vision</a>	p. 5
		<a href="#">CSR Policy of the Hitachi Group</a>	pp. 5–6
Toward a Sustainable Society		<a href="#">Hitachi Action Guidelines for Environmental Conservation</a>	p. 21
CSR Management	Compliance and Risk Management	<a href="#">The Corporate Ethics and Compliance Handbook</a>	p. 44
		<a href="#">Basic Approach to Information Security Governance</a>	p. 48
		<a href="#">Personal Information Protection Policy</a>	pp. 48–49
		<a href="#">Three Rules for Preventing Leakage of Confidential Information</a>	p. 49
		<a href="#">Formulation of Novel Influenza Action Plan and BCPs</a>	pp. 50–51
Social Performance	Improving <i>Monozukuri</i> and Service	<a href="#">Customer Satisfaction Management Guidelines</a>	p. 57
		<a href="#">The Hitachi Group's Approach to Universal Design; UD Guidelines</a>	pp. 59–60
	Communication with Shareholders and Investors	<a href="#">Disclosure Policy</a>	p. 62
		<a href="#">Basic Policy for Prevention of Takeovers</a>	p. 64
	Working in Harmony with Local Communities	<a href="#">Social Contribution Philosophy and Policy</a>	p. 66
	Employees: The Key to Hitachi's Future	<a href="#">Basic Attitudes to HIV/AIDS</a>	p. 83
	Collaborative Creation with Suppliers	<a href="#">Guidelines for Procurement Activities</a>	pp. 84–85
		<a href="#">The Hitachi Supply-Chain CSR Deployment Guidebook</a>	p. 85
		<a href="#">Green Procurement Guidelines</a>	p. 86

## Result Data

Category	Title	Items Disclosed	Related Pages in This Report and Other References
CSR Management	Corporate Governance	Executive Compensation	pp. 33–34
	CSR Promotion Activities	Results of CSR Activities in Fiscal 2008 and Goals/Plans for Fiscal 2009	pp. 37–38
		Self-Assessment Results (Hitachi, Ltd.)	p. 39
Social Performance	Communication with Shareholders and Investors	Trends in Shareholder Composition	p. 64
		Results of External SRI Assessments in Fiscal 2008	p. 65
	Working in Harmony with Local Communities	Breakdown of Funding for Social Contribution Activities	p. 66
	Employees: The Key to Hitachi's Future	Male/Female Employee Ratio	p. 78
		Ratio of New Male/Female Graduate Recruits in Fiscal 2008	p. 78
		Trend in the Number of Female Managers	p. 79
		Trend in the Number of People Taking Child Care Leave	p. 79
		Trend in the Number of People Using Nursing Care Leave	p. 79
		Trend in the Number of People Working Shorter Hours	p. 79
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Collaborative Creation with Suppliers	Results of Surveys Conducted to Promote CSR among Suppliers	p. 85	

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On the cover: The cover photo is from Moanalua Garden Park (Monkey Pod tree), Oahu Island, Hawaii. This tree has become known as the "Hitachi Tree" through television commercials over many years. It represents the qualities that we like to emphasize at Hitachi—synergy, growth, and strength. (Photo: Tor Johnson)