

**Hitachi Group
Corporate Social Responsibility Report 2006**



About the Hitachi Group CSR Report 2006

This report describes the corporate social responsibility (CSR) activities of the Hitachi Group in order to explain to our many stakeholders the Group's philosophy and activities as clearly and accurately as possible.

In addition to outlining the framework, systems, and results, this year's report focuses on Hitachi's CSR activities through the implementation and the experience steadily accumulated since the company's foundation.

The first section summarizes the Hitachi Group's CSR activities and governance. In the second section, "Next Society," we report on the social dimension. In the third section, "Next Eco," we report on our environmental activities.

Of special note in fiscal 2005 was the fruition of efforts to develop environmentally friendly products and services, such as our energy-conservation service business (ESCO/Energy-Service Company) and the Eco Cute, a high-output integral natural refrigerant (CO₂) heat pump hot-water heater, both of which have won critical acclaim. Further details regarding these and other projects are contained within this report.

We hope this report will serve to further your understanding of the CSR efforts of the Hitachi Group, and facilitate our dialogue with you.

Scope of This Report

Period: The main period covered is fiscal 2005 (April 1, 2005 through March 31, 2006)

Companies: Companies covered under consolidated reporting of the Hitachi Group

Scope of data:

Financial data	Hitachi, Ltd. and 932 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies) and 158 affiliated companies that use the equity method
Social data	Scope of data indicated under each item
Environmental data	Hitachi, Ltd. and 274 consolidated subsidiaries (including companies outside Japan)

Related Reports

We report on the financial performance of Hitachi, Ltd. in the "Financial Highlights" and Annual Report. Thirty Hitachi Group companies and 10 production facilities publish their own reports on environmental activities and social dimensions. In addition, 44 Hitachi Group companies and three production facilities provide information on their websites. (For details, please visit "Information Disclosure via the Internet, by Site" on the "hitachi green web" site.)

Guidelines Referred to in Preparing This Report

"Environmental Reporting Guidelines" (FY 2003 version), Ministry of the Environment, Japan

"Environmental Performance Indicators Guideline for Organizations" (FY 2002 version), Ministry of the Environment, Japan

"Environmental Reporting Guidelines 2001—With Focus on Stakeholders," Ministry of Economy, Trade and Industry, Japan

"Sustainability Reporting Guidelines 2002," Global Reporting Initiative

* This CSR Report will be published on an annual basis.

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Symbols Used in This Report

For technical terms and proper nouns with a dagger (†), further explanations are given in side columns on the same or following pages.

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

Graphs and other visuals use universal design for readers with color-impaired vision. Customer and company names may be abbreviated or referred to without their titles in this report.

Company Profile

Corporate Name: Hitachi, Ltd.

Incorporated: Incorporated February 1, 1920 (founded in 1910)

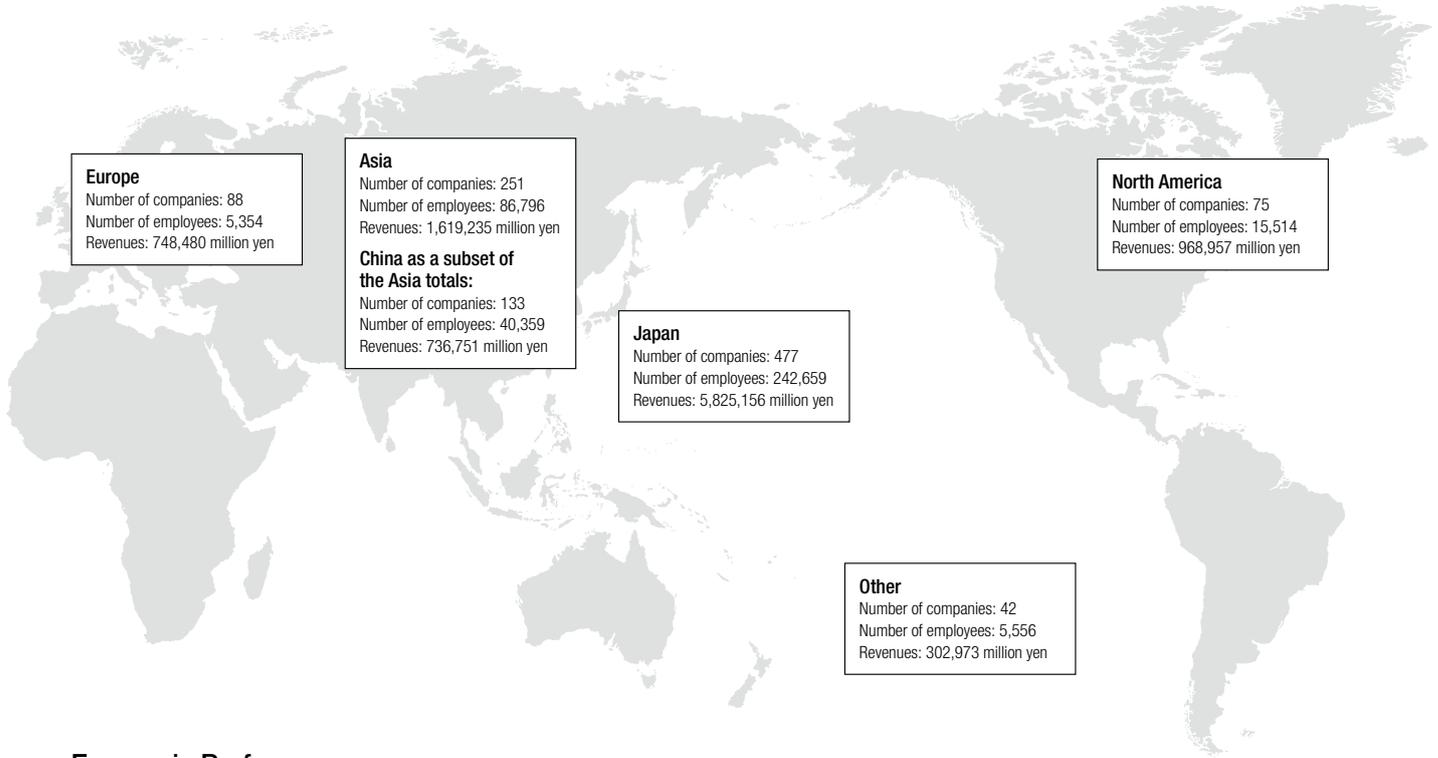
Head Office:

1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8280, Japan

Representative: Kazuo Furukawa, President and Director

Hitachi Group Profile

Hitachi, Ltd. and the Hitachi Group make up a corporate group consisting of a total of 1,091 companies, including 476 consolidated subsidiaries within Japan, and 456 overseas, and 80 affiliated companies in Japan that use the equity method and 78 overseas. In terms of business activities, there are seven business units, as indicated on Page 3, with revenues of about 9.5 trillion yen. The Group employs about 350,000 employees.



Economic Performance

As of March 31, 2006

Capital Stock: 282,033 million yen

Number of employees (unconsolidated basis): 41,157

Number of employees (consolidated basis): 355,879

Number of consolidated subsidiaries:

932 (Japan: 476, overseas: 456)

Number of affiliated companies that use the equity method:

158 companies (Japan: 80, overseas: 78)

Period: Fiscal year ending March 31, 2006 (consolidated basis)

Revenues:

9,464.8 billion yen (105% compared with the previous year)

Operating income (loss):

256.0 billion yen (92% compared with the previous year)

Capital investment:

954.7 billion yen (99% compared with the previous year)

R&D expenditure:

405.0 billion yen (104% compared with the previous year)

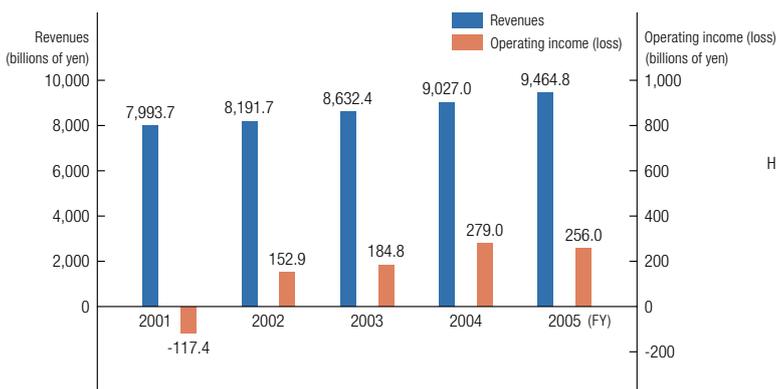
Overseas output as a percentage of consolidated net sales: 20%

See website for economic performance reports.

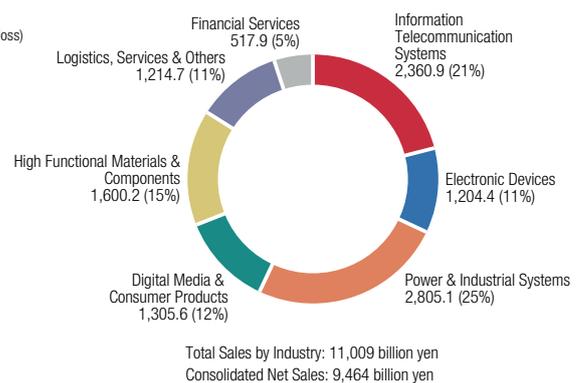
<http://www.hitachi.co.jp/IR/index.html>

Financial Results (consolidated basis)

Revenues and Operating Income (loss)



Revenues by Industry Segment in FY 2005 (billions of yen)



Information & Telecommunication Systems



Electronic paper display*



This security PC* has an in-built finger vein authentication system, but no internal HDD



This blade system* integrates server, communications, storage and management software functions

- Systems integration, outsourcing, software, hard disk drives, disk array subsystems, servers, mainframes, personal computers, telecommunication equipment, automatic teller machines (ATMs)
- Hitachi Communication Technologies, Ltd., Hitachi-Omron Terminal Solutions, Corp., Hitachi Computer Products (America), Inc., Hitachi Computer Products (Europe) S.A.S, Hitachi Global Storage Technologies Netherlands B.V., Hitachi Electronics Services Co., Ltd., Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Data Systems Holding Corp.

Electronic Devices



Small and medium-sized LCD by Hitachi Displays, Ltd.



Exposure system for large scale glass substrate by Hitachi High-Technologies Corporation



Open MRI system by Hitachi Medical Corp.

- Liquid crystal displays (LCD), semiconductor manufacturing equipment, testing and measurement, medical electronics equipment, semiconductors
- Hitachi Displays, Ltd., Hitachi High-Technologies Corporation, Hitachi Medical Corp., Hitachi Electronic Devices (USA), Inc., Hitachi Semiconductor Singapore Pte. Ltd.

Power & Industrial Systems



Train* supplied to TSUKUBA EXPRESS



Elevators* supplied to AKIHABARA UDX



Ultra-large hydraulic excavators by Hitachi Construction Machinery Co., Ltd.

- Nuclear power plants, thermal power plants, hydroelectric power plants, industrial machinery and plant construction, automotive products, construction machinery, elevators, escalators, rail vehicles, air-conditioning equipment
- Babcock-Hitachi K.K., Hitachi Air Conditioning Systems Co., Ltd.¹, Hitachi Construction Machinery Co., Ltd., Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Industries Co., Ltd.², Hitachi Kiden Kogyo, Ltd.³, Hitachi Via Mechanics, Ltd., Japan Servo Co., Ltd., Guangzhou Hitachi Elevator Co., Ltd., Hitachi Automotive Products (USA), Inc., Hitachi Building Systems Co., Ltd., Hitachi Engineering Co., Ltd.³, Hitachi Engineering & Services Co., Ltd.³, Hitachi Plant Engineering & Construction Co., Ltd.²

Digital Media & Consumer Products



Hi-Vision Plasma TV*



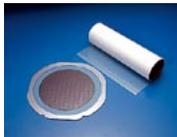
Refrigerator by Hitachi Home & Life Solutions, Inc.¹



Recordable DVD by Hitachi Maxell, Ltd.

- Optical disk drives, televisions, Plasma display, LCD projectors, mobile phones, room air conditioners, refrigerators, washing machines, information storage media, batteries
- Fujitsu Hitachi Plasma Display Limited, Hitachi Home & Life Solutions, Inc.¹, Hitachi Maxell, Ltd., Hitachi Media Electronics Co., Ltd., Hitachi Home Electronics (America), Inc., Shanghai Hitachi Household Appliances Co., Ltd.

High Functional Materials & Components



Die bonding materials for semiconductors by Hitachi Chemical Co., Ltd.



Amorphous alloys for transformers by Hitachi Metals, Ltd.



TAB tapes for high-density mounting of semiconductors by Hitachi Cable, Ltd.

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

Logistics, Services & Others



Hitachi Transport System, Ltd. operates a third-party logistics solutions business (see p. 64)

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

Financial Services



Multifunctional IC card and electronic tollcollection card by Hitachi Capital Corporation

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

● Major Products & Services ■ Major Consolidated Subsidiaries * in this table indicates Hitachi, Ltd. products.
¹: Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Home & Life Solutions, Inc. merged on April 1, 2006. The name of the newly merged company is Hitachi Appliances, Inc.
²: On April 1, 2006, Hitachi Plant Engineering & Construction Co., Ltd. took over part of the operations of Hitachi, Ltd.'s Industrial Systems Division through a corporate split agreement, merging with Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. The name of the newly merged company is Hitachi Plant Technologies, Ltd.
³: On April 1, 2006, Hitachi Engineering & Services Co., Ltd. took over the operations of the electrical engineering division of Hitachi Engineering Co., Ltd. through a corporate split agreement. On the same day, Hitachi Engineering Co., Ltd. merged with Hitachi Information & Control Systems, Inc.

Looking toward Our Centennial: Contributing to Society through Technology Based on the Hitachi Spirit

Etsuhiko Shoyama

Chairman and Director
Hitachi, Ltd.



Hitachi, Ltd. will celebrate its centennial in 2010. Since its establishment as an electrical repair shop, Hitachi, Ltd. has continued to pursue high ethics and its founding philosophy of “contributing to society through the development of superior, original technology and products.” We have constantly grappled with the social issues faced by Japan and the world and have worked to resolve them through our unique technology and businesses. We have been successful in gaining the confidence of society in every age precisely because we have steadily addressed issues based on Hitachi’s founding spirit which can be captured in the words: “harmony,” “sincerity,” and “pioneering spirit.”

Our philosophy will not change no matter how much the times or the social environment do. As we look toward our centennial, we will remember our roots and continue to be a company that provides new value by resolving fundamental issues faced by the global community based on our founding philosophy and spirit. This very stance is the basic thinking behind the Hitachi Group’s CSR.

“Contributing to society through the development of technology” is not simply conducting state-of-the-art R&D and delivering superior products and services. One of the missions of the Hitachi Group is to share with society the knowledge and experience we have gained through technology development.

It is of particular concern that children today are moving away from the sciences, and Hitachi feels a strong need to develop creative human resources and nurture a scientific spirit. Many people visited the Hitachi Group Pavilion at the 2005 World Exposition in Aichi, Japan. Through our main attraction on the theme of “Nature Contact—Interacting with endangered animals brought back to life by Hitachi IT,” we hope children had a chance to think about the importance of protecting biodiversity and the global environment and to further develop their sensibilities, curiosity, and spirit of inquiry.

Contributing to society in various ways for the promotion of science and technology will continue to be an important element in the Hitachi Group’s CSR activities in the future.

I believe CSR is the very essence of management and the embodiment of Hitachi’s founding philosophy. Through CSR activities, all employees share Hitachi’s noble spirit and sense of mission and raise the value of society by addressing issues one by one in a dedicated, steady, and consistent way.

In line with Hitachi’s founding spirit, the entire Hitachi Group will join hands to promote CSR activities together so that we can earn even greater trust from all our stakeholders in the future.

Etsuhiko Shoyama

Implementing CSR by Demonstrating Our “Truly Collective Strengths”

Since its founding, Hitachi has pioneered cutting-edge fields in step with the times while focusing on business that supports social infrastructure. Hitachi's founding philosophy of “contributing to society through the development of superior, original technology and products” and its founding spirit captured in the words “harmony,” “sincerity,” and “pioneering spirit” have been passed down to us as our corporate DNA and remain very important, even in this day and age.

To ascertain rapidly global changes and new social issues quickly from the stakeholders' standpoint and then spearhead social innovation, the CSR Policy of the Hitachi Group was established in March 2005 and full-scale CSR activities launched. In this first year, we focused on creating a group-wide framework to promote understanding of CSR and instill the CSR Policy among both management and employees. This report describes some of these activities.

It will still take some time before every employee can talk about CSR in his or her own words, but our CSR activities are not something transient; they are something that we are dedicated to promoting over time. We ask you to keep submitting your comments and suggestions regarding our activities in this area.

Today the world faces increasingly complex and diverse issues, including environmental conservation, physical security issues, and improvement of the quality of life, and fundamental solutions to these issues are called for. To this end, the Hitachi Group's mission is to demonstrate its truly collective strengths and develop its activities by bringing together its unique and wide-ranging operations and the technology and expertise developed over its long history.

Featured in this report are Hitachi's finger-vein authentication system and *Kokoro Gatari*, a communication device for patients suffering from severe amyotrophic lateral sclerosis (ALS; also known as Lou Gehrig's disease), which can judge whether someone wants to say yes or no by measuring changes in cerebral blood flow. These two devices represent the application of optical topography, one of the Hitachi Group's core technologies, to the fields of information security and social welfare and are good examples of Hitachi's creating new value by bringing our technological strengths to bear on social issues and needs and seeking solutions.

As we further enhance understanding of CSR throughout the Group and raise the level of our efforts, we will link our CSR activities to social contributions through our business by offering new proposals for safe and secure social infrastructure and environmental conservation.

When I was appointed president in April 2006, I proposed “trust, challenge, and leap forward” as catchwords that I would like to share with all our employees. These catchwords are my way of expressing the founding spirit of Hitachi in today's parlance. Each Hitachi Group employee is encouraged to tackle difficult “challenges” and “leap forward” with society as they earn the “trust” of stakeholders. I look forward to leading this effort.



Kazuo Furukawa

President and Director
Hitachi, Ltd.



Corporate Governance and Group Management

Hitachi, Ltd. and each company of the Hitachi Group are working to enhance corporate governance to improve management response time, increase transparency, and earn the trust of our stakeholders.

†1 Committee System

Corporate governance system in which executive officers, elected and monitored by the Board of Directors, execute corporate and business matters, while the Board of Directors determines basic management policies and oversees the conduct of business by executive officers. Hitachi switched to the system under the provisions of the new Corporation Law that goes into effect May 2006. A total of 18 Hitachi Group listed companies, including Hitachi, Ltd., had switched to the Committee System.

†2 SO Act (Sarbanes-Oxley Act)

U.S. legislation enacted in July 2002. Article 404 of the law mandates company management the responsibility of creating and maintaining internal controls related to financial reporting, and also requires that the controls be assessed by independent auditors. To assure the reliability of consolidated financial reporting, internal control must be applied group wide.

†3 COSO Framework

An internal control framework advocated by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and adopted by a majority of U.S. corporations.

Strengthening Governance

Since switching to a Committee System^{†1} of governance in June 2003, Hitachi, Ltd. has been working to enhance corporate governance and internal control to increase speed and flexibility of business operations and strengthen supervision. Now we are working even harder to earn the confidence of all our stakeholders by strengthening internal controls throughout the Group in compliance with Japan's new Corporation Law, while further improving governance and the efficiency of management.

Seeking to assume the role of Hitachi Group headquarters, we are promoting the compilation of guidelines for environmental compliance, risk management, and internal audits, encouraging internal audits of Group companies, and working to increase corporate value through ongoing dialogue with our shareholders and other stakeholders.

Internal Control

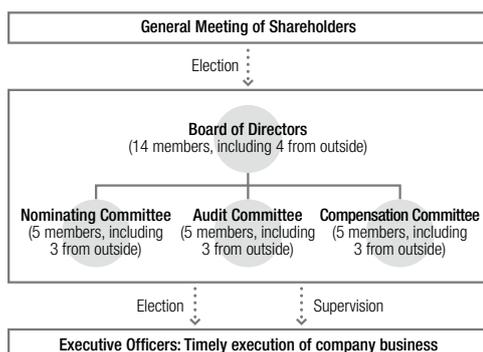
As a company registered with the U.S. Securities and Exchange Commission and subject to the Sarbanes-Oxley^{†2} (SO) Act, Hitachi, Ltd. adopted the COSO framework^{†3} for internal control in fiscal 2004. Since then we have been improving and reorganizing Hitachi group-wide internal control over financial reporting based on the

COSO framework. We have also gone beyond the legal requirements to enhance transparency and credibility and strengthen our management infrastructure. Besides our improvement of the quality of our internal controls, in fiscal 2005, we established internal control using a group standard checklist for all Hitachi Group's consolidated companies that are outside the scope of the fiscal 2004 documentation. (Approximately 230 companies are included in the fiscal 2004 documentation.) Fiscal 2006 is the actual SO Act compliance year, and we are actively involved in ensuring smoother operation, ongoing resolution of issues, and better understanding of internal control among all Hitachi Group employees.

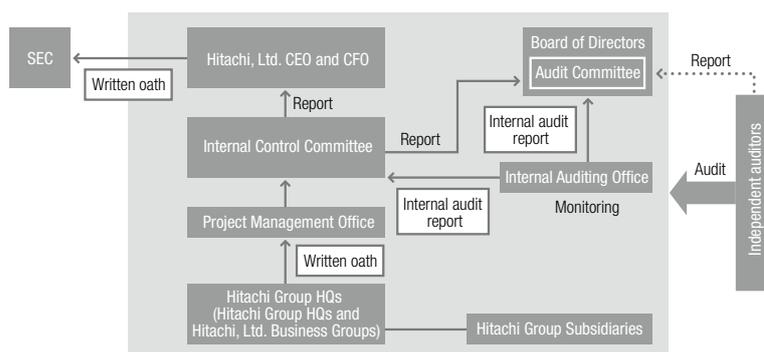
Group Management

The Hitachi Group spans many business types. We are making an effort to foster synergy among these businesses by nurturing partnerships while respecting each company's independent creativity. Hitachi Group Headquarters was established in April 2004 to develop and implement the Group business strategy that maximizes this synergy and makes optimum use of group management resources. Since April 2006, the Group Strategy Committee aimed at "integrated management with direction" has been deliberating management policies for the entire Group.

Governance Structure of Hitachi, Ltd.



Hitachi Internal Control Assessment Framework



Compliance and Risk Management

With its involvement in business activities that deal with public works and vital information, the Hitachi Group places top priority on compliance and ethical business behavior and is working continuously to strengthen protection of private information and enhance risk management.

Compliance Framework

The Hitachi Group operates on the principles of “conformance with the law and business ethics” and “fair and disciplined competition.”

In February 2002, Hitachi, Ltd. established the Compliance Division, directly reporting to the President, which has been carrying out compliance education and monitoring business activities of Hitachi Group companies.

Compliance Education

Responding to the recent amendment of Japan’s Antimonopoly Law, Hitachi provided education to familiarize the managers in charge of sales with the content of the new law in October 2005. We also have been providing education to all sales employees at each sales office. In addition, we have revised our *Antimonopoly Law Handbook* and distributed it to all sales employees of Hitachi, Ltd. and its Group companies, to ensure their understanding of the Antimonopoly Law.

In addition, beginning October 2004, in response to the Unfair Competition Prevention Law, compliance education, including that concerning a ban on gifts to foreign civil servants, was conducted at our global bases in Europe, the United States, China, and Southeast Asia.

Expanding the “Whistle-Blower” System

In April 2003, Hitachi instituted a “companywide whistle-blower system” with the aim of preventing illegal or unethical behavior, promptly addressing infractions, and enhancing self-governing capacity. In response to the enactment of the Whistle-Blower Protection Law, we extended the system to all present and former Group employees, employees of suppliers, and temporary staff in October 2004. We also adopted a system in December 2003 whereby employees can report any problems directly to the Directors, and in May 2004, we revised the system to accept anonymous report.

Information Security Governance Overview

The Hitachi Group’s approach for the protection of personal information and information security can be boiled down to the following two points.

(1) Precautionary measures and prompt response to security

Hitachi clearly classifies information assets to be protected and takes safeguarding measures based on vulnerability assessment and risk analysis. We also have an emergency manual for security breaches, written from the standpoint that they are inevitable, not potential.

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

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

Efforts to Protect Personal Information

In May 2001, Hitachi constituted a “preparatory committee on protection of personal information” within Hitachi’s Information and Telecommunication Systems Group, which often handles customers’ personal information and corporate secrets. In December of the same year, the aforesaid business group adopted rules for the protection of personal information, and in February 2003 the business group obtained the certification of the Japanese Privacy Mark program. In October 2004 Hitachi adopted the Personal Information Protection Rules and a Personal Information Protection Policy.

In April 2005, Hitachi established the Information Security Division to take charge of the protection of personal information and information security, and is working to ensure that the entire Hitachi Group complies with the Personal Information Protection Law.



Compliance lecture
In March 2006, a lecture for executives of departments in charge of sales to public organizations delivered by a professor specializing in compliance at a law school was attended by some 250 employees from about 50 Hitachi Group companies.

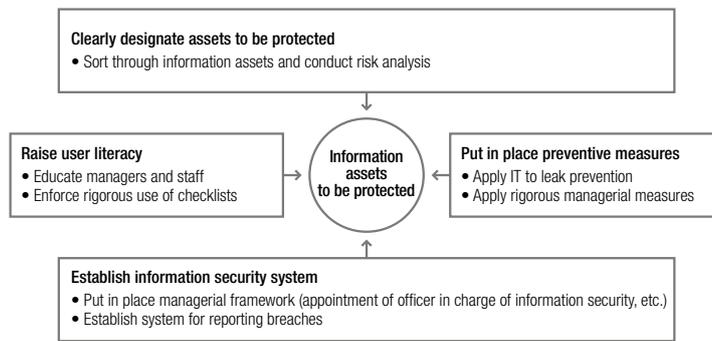


“Basics and Ethics Daily Calendar”
At Hitachi Building Systems Co., Ltd., a daily calendar featuring mottoes concerning “business basics and ethics” was compiled to instill consciousness of compliance issues. Distributed in the company and provided to other Hitachi Group companies, it is helping to promote complete employee awareness.



Personal information protection and information security cards

Basic Approach to Information Security Governance



Examples of personal information protection guidelines for employees

Collecting personal information: Never gather unnecessary information; specify purpose of information.

Using personal information: Information may not be used unless purpose is specified.

Storage and management of personal information: Never leave personal information out on your desk; avoid making copies.

Disposing of personal information: Dispose of hard copies in shredder and completely erase electronic data.

†1 BCP
Business Continuity Plan, a plan designed to ensure the continuity of basic business operations and the rapid return of business to normal in the event of a crisis such as a major earthquake.

WEB

For more on protection of personal information (Personal Information Privacy Policy), go to <http://www.hitachi.com/privacy-e/index.html>

Hitachi enhanced the level of protection in conformance with the Guidelines for Personal Information Protection Laws Concerning Fields of Economy and Industry published by the Ministry of Economy, Trade and Industry in Japan. Hitachi's actions are categorized in the following four groups:

- (1) Organizational security: Clearly designate responsibility and commission, maintain the security procedures, and audit the record.
- (2) Personal security: Make a nondisclosure agreement of "personal information classified as secret" and execute adequate education and training.
- (3) Physical and environmental security: Monitor people entering and exiting key buildings/rooms and take other steps to prevent theft of personal information.
- (4) Technological safeguards: Control access to information systems that handle personal data, take measures to prevent use of unauthorized software, and monitor use of information systems.

In April 2006, Hitachi adopted an Information Security Policy and distributed it to all employees in card form with the Personal Information Protection Policy to ensure that everyone is completely familiar with its content. We have also implemented proactive measures to prevent Internet-related breaches, including a ban on the use of individually owned computers for business use.

Basic Approach to Information Security

Information leakage is a serious problem that erodes public confidence. Hitachi, Ltd. has already instituted a complete, integrated package of security measures, including companywide identification management and authentication systems. Now we are conducting preparatory studies for the adoption of a unified groupwide system. The establishment and maintenance of information security requires a substantial investment, but we are creating the optimum security environment as efficiently as possible by consolidating all of the Group's information systems divisions.

Next Steps in the Protection of Personal Information and Reinforcement of Information Security

At Hitachi, we approach privacy and information security issues as an aspect of risk management, with the aim of creating corporate value and a corporate climate that inspires customers and clients with confidence. In fiscal 2006, we intend to go a step further with the following four improvements:

- (1) Institute a companywide personal information protection system that will earn the Japanese Privacy Mark for the entire company.
- (2) Enhance information security at the global level.
- (3) Establish procedures for swift response to breaches and build a powerful response apparatus.
- (4) Draw up a business continuity plan (BCP) to respond to possible cyber-terrorism.

BCP†1 Activities

Companies today need to prepare for the possibility of natural disasters, terrorist attacks, and other unforeseen events that could disrupt their business. It is particularly essential that the Hitachi Group create a mechanism for continuing operations, many of which are global and affect essential social infrastructure.

For example, taking into account the lessons learned from the response to disasters such as the Niigata Chuetsu Earthquake and the required response to a major earthquake occurring directly under Tokyo, we revised the 1993 Guidelines for Major Earthquake Countermeasures, the 2005 version being a model for manual revision in business divisions and Group companies.

In August 2005, we set up an Expert BCP Promotion Panel, centered on personnel from the Risk Management Department and the Information and Telecommunication Systems Group, to compile guidelines for drafting a Hitachi Group BCP scheduled for around September 2006.



Hitachi Group Guidelines for Major Earthquake Countermeasures (Revised in 2005)

CSR Promotion Activities of the Hitachi Group

Corporate social responsibility (CSR) is founded on the understanding and practice of each individual employee. Based on the “CSR Policy of the Hitachi Group” we are promoting a wide range of activities to nurture this spirit of CSR.

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)

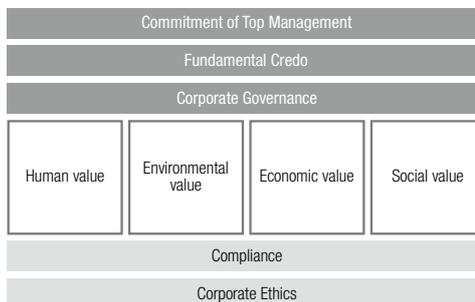
Hitachi's CSR Concept

Since its founding, Hitachi has endeavored to “contribute to society through the development of original technologies and products,” and we have long cherished our founding spirit of “harmony,” “sincerity,” and “pioneering spirit” in all of our business activities.

In response to the needs and expectations of society today, the Hitachi Group is expanding its CSR activities based on the fundamental credo and founding spirit. For Hitachi, CSR means engaging in activities to increase social, economic, environmental, and human value. We understand that such activities must be pursued within a framework of the clear commitment of top management and a policy of strengthening corporate governance, and rooted in a culture of compliance and high ethical standards. The Hitachi Group's mission is to “contribute to the solution of fundamental global issues, and to pursue the realization of a better, more prosperous global society, in line with the company's founding spirit, utilizing the true collective strengths of the group, characterized by its knowledge and technology.” This also defines our CSR vision.

In March 2005, we formulated the “CSR Policy of the Hitachi Group” aimed at translating these ideals and mission into action. This document sets forth policies for the entire Hitachi Group, to promote group-wide CSR activities.

Basic CSR Framework



CSR Policy of the Hitachi Group

1. Commitment to Corporate Social Responsibility (CSR)
2. Contribution to Society through our Business
3. Disclosure of Information and Stakeholder Engagement
4. Corporate Ethics and Human Rights
5. Environmental Conservation
6. Corporate Citizenship Activities
7. Working Environment
8. Responsible Partnership with Business Partners

(Adopted March 2005)

WEB

CSR Policy of the Hitachi Group
<http://www.hitachi.com/csr/group/promote/index.html>

CSR Promotion Activities in Fiscal 2005

The Hitachi Group consists of approximately 1,000 companies with a total of some 350,000 employees. During fiscal 2005, member companies worked to adopt and implement the CSR Policy of the Hitachi Group. The fiscal 2004 CSR self-evaluation pointed to “human rights” and “supply chain management” as priority issues. These were the focus of attention in fiscal 2005, together with a stronger program for communicating with stakeholders. Practical activities were implemented through the biannual meetings of the CSR Promotion Committee and meetings of the CSR promotion teams (28 meetings). In addition, to further enhance understanding of CSR and promote activities, CSR explanation meetings for managers were held both in Japan (15 meetings) and overseas (China; 3 meetings).

Creating CSR awareness and developing cooperative ties among Group companies are essential steps for accelerating the Hitachi Group’s

CSR activities. In the future, specific plans will be developed to enable all Group companies to work together on specific issues.

Creating a Network of Domestic and International Group Companies

The Hitachi Group is developing a group-wide platform for sharing CSR information and plans.

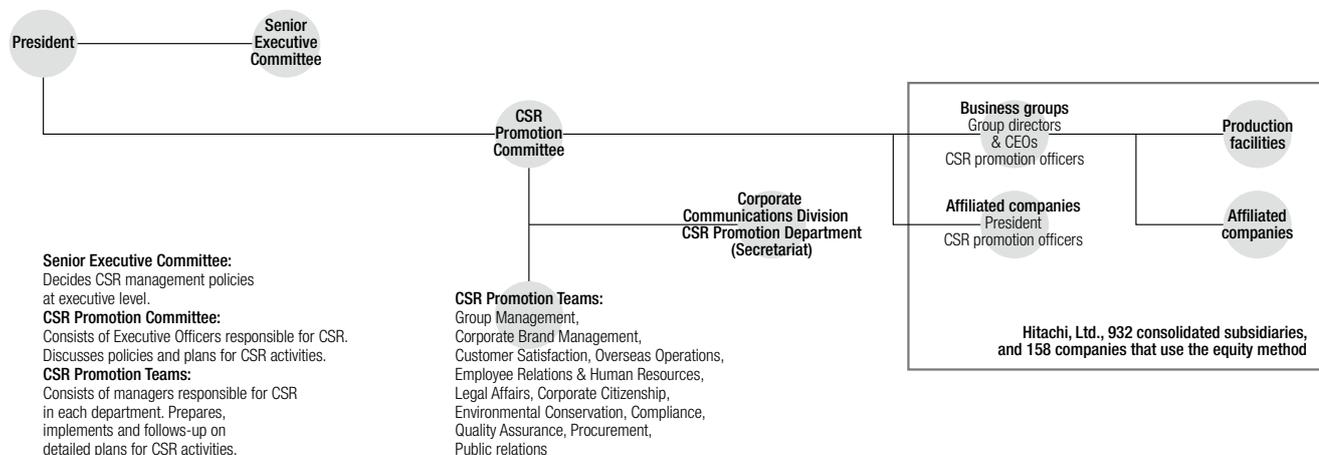
In June 2005, 151 major affiliated companies appointed directors and promotion officers in charge of CSR, and the “Hitachi Group CSR Promotion Officers’ Meeting” was launched. In September, a “CSR Workshop” for the CSR promotion officers of Hitachi, Ltd. and 11 Group companies (mainly listed companies) was held to discuss common CSR-related challenges facing the Hitachi Group.

A “CSR Global Meeting” was also held with the participation of CSR promotion officers from Group companies in North America, Europe, China, and other parts of Asia. Participants discussed partnership with overseas subsidiaries



Hitachi Group CSR Workshop.

Structure of Hitachi Group CSR Promotion





Dialogue with stakeholders
Hitachi took part in a project organized by a Japanese nonprofit organization, in which some 30 participants from stakeholders and Hitachi, Ltd. engaged in discussion.

and the pursuit of CSR activities suited to the particular needs of each region.

Hitachi is now looking to enhance its forums for discussing group-wide CSR issues, and working to develop more specific CSR initiatives.

Establishing “the CSR Policy of the Hitachi Group”

To promote better understanding of the CSR Policy of the Hitachi Group, in November 2005 the *Hitachi Group Corporate Social Responsibility Guidebook* was issued. Designed for corporate managers, this guidebook explains the basics of CSR, the current demands of society, and the CSR policy and initiatives of the Hitachi Group, under specific policy headings. The guidebook has been distributed to about 9,700 managers of Hitachi, Ltd. and is being used at 81 Group companies (as of March 2006). English and Chinese editions have also been produced and are being used in subsidiaries throughout the world.

The main points of the guidebook were summarized in an e-learning program made available to all employees in March 2006 through “Hitachi-LearningGate,” an e-learning system shared by members of the Hitachi Group. Sixty-eight Group companies are currently using this program (as of March 2006).

These educational materials are being used to re-examine daily operations from a CSR perspective.

Disclosure and Dialogue on CSR Activities

The Hitachi Group actively provides information on its CSR activities to the general public and is engaged in various forms of dialogue with stakeholders. Its aim here is to evaluate the CSR activities of the Hitachi Group from an external perspective and to incorporate the views and comments received

from stakeholders in future activities.

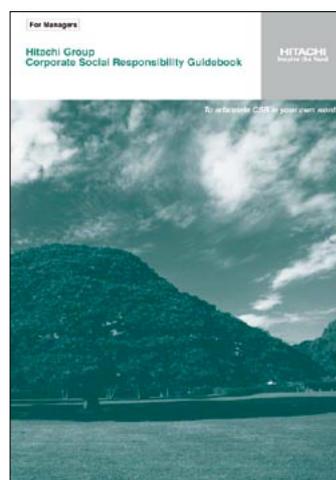
The Hitachi Group issued its first CSR Report in fiscal 2005, and a “Corporate Social Responsibility” page was added to the Hitachi, Ltd. website, to report CSR activities to stakeholders. Directors in charge of CSR have conducted dialogue and exchange with CSR experts in Japan and overseas, and details of the dialogue have been published in “Dialogue with Stakeholders” and made available to the executives of Hitachi, Ltd. and Group companies in Japan.

In November last year, we had an opportunity for public evaluation of our CSR activities and for a lively exchange with a broad range of stakeholders from the general public and academic communities through a project organized by a Japanese nonprofit organization.

The views and comments received from stakeholders participating in these activities will be put to use in future activities as the Hitachi Group continues to reach out with CSR information and dialogue.



CSR e-learning program
“Corporate Social Responsibility Activities of the Hitachi Group”



Hitachi Group Corporate Social Responsibility Guidebook

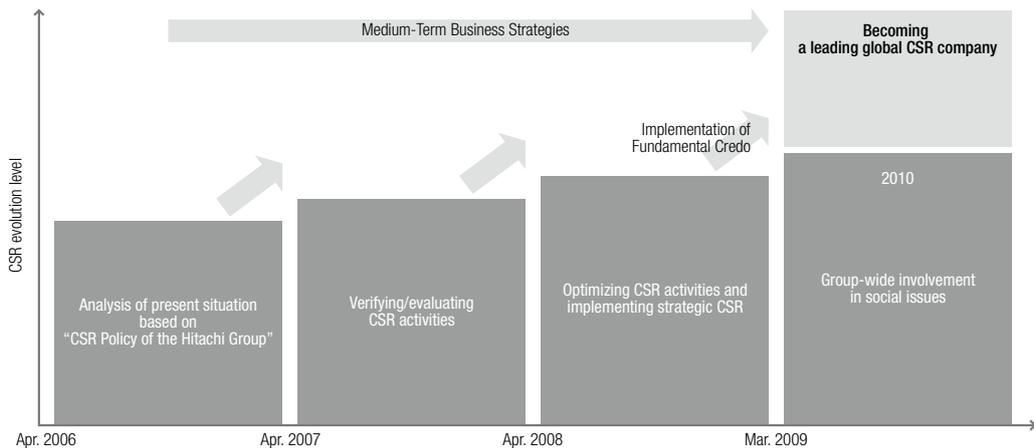
Hitachi Group Three-Year CSR Roadmap

The Hitachi Group believes CSR activities require long-term commitment and persistence from all employees. For the future development of society and the Hitachi Group, we believe we must become engaged in high-level social issues.

The “Hitachi Group Three-Year CSR Roadmap (fiscal 2006–2008)” was formulated with this

purpose in mind, to guide the Group’s efforts to implement more concrete activities. By determining the expectations and demands of society and reviewing the business strategies and past activities of the Hitachi Group, the Roadmap identifies a number of goals and challenges for each of the major items in the CSR Policy of the Hitachi Group. The major activities and initiatives scheduled for fiscal 2006 are outlined in the table below.

Basic Concept of Three-Year CSR Roadmap



Major Activities in Fiscal 2006

CSR Policy of the Hitachi Group	Description of Activities (excerpts)
1. Commitment to corporate social responsibility	Increase of the learning rate of the CSR e-learning program Employee survey of CSR awareness
2. Contribution to society through our business	Development of a group-wide system for Customer Satisfaction (CS) activities Strengthen the prevention of recurrence of serious product trouble
3. Disclosure of information and stakeholder engagement	Expansion of IR activities of business divisions Strengthen the prevention of information leakage
4. Corporate ethics and human rights	Review of ethics education Analysis of present status of ethics and compliance in all Group companies
5. Environmental conservation	Group-wide integration of environmental departments and acquisition of ISO 14001 environmental management system certification Introduction of Super-Eco Products and Super-Eco Factories
6. Corporate citizenship activities	Group-wide and worldwide implementation of social contribution activities Expansion of support programs in education (universal design, IT, environment)
7. Working environment	Survey of working environment on business process and opinion surveys Cultivating global managers and advancing diversity through global education programs
8. Responsible partnership with business partners	Ensure that overseas partners are completely familiar with the “Guidelines for Procurement and Business Transactions” (see page 32) Monitoring of the CSR activities of domestic and international partners



Douglass School students play on a giant world map created by the World Game Institute (WGI), a Hitachi Foundation grant recipient. The WGI is a U.S. research and education organization that provides materials through which children can learn while playing.

© Mitsuya Okumura

The Hitachi Foundation Marks Its 20th Anniversary

Established in 1985 in Washington, DC, the Hitachi Foundation aims to enhance the well-being of disadvantaged people and communities in North America and to create knowledge that advances good corporate citizenship.

In the 1980s, when the U.S.-Japan relationship was tense due to economic issues, Hitachi was not immune to the problem.

It became essential to consider the responsibilities that accompanied the growth of business in the United States. Thus, in 1985, proposed by

Katsushige Mita, the fifth president of Hitachi, Ltd., Hitachi established The Hitachi Foundation in Washington, DC to better fulfill its responsibilities as a good corporate citizen in the United States.

The Hitachi Foundation was established to contribute to American society. Governed by a Board of Directors composed of highly accomplished Americans, the Foundation's broad purpose is to enhance the well-being of disadvantaged people and communities in North America and to generate knowledge that defines and advances the practice of good corporate citizenship.

Mita served as Honorary Chairman and The Honorable Elliot Richardson, former U.S. Attorney General and Secretary of the U.S. Department of Commerce, became the Foundation's founding Chairman of the Board. Mita was succeeded by Tsutomu Kanai in 2004 and Richardson was succeeded by Joseph Kasputys in 1998. Dr. Kasputys, who served on the Foundation Board since its inception, had provided vision and inspiration for two decades. He stepped down in 2005. His successor, Dr. Bruce MacLaury, president emeritus of the Brookings Institution, follows in this tradition of accomplished leadership. The Foundation is managed by an American staff. Delwin Roy, the first president & CEO, was succeeded in 1998 by the current president & CEO, Barbara Dyer.

Three Key Programs

The founding chairman Richardson was convinced that local, national, and international problems could only be solved by partnerships among the government, private,



nonprofit, and community sectors. The Hitachi Foundation became a catalyst for creating and guiding such partnerships. The Foundation's three programs, in place by 1987, are: the Business & Community Grants Program; the Yoshiyama Award for Exemplary Service to the Community; and the Hitachi Community Action Partnership.

The Foundation's programs reflect a cross-section of ideas and practices that are at the center of the corporate citizenship field. Entering its 21st year, the Foundation intends to blend community strengthening with business' responsibility to society, generating practical knowledge and new approaches.

Hitachi views the Foundation as a pioneering and exemplary model for corporate social contributions. Today some Hitachi Group companies are trying to promote programs similar to those of the Foundation in regions around the world.

The Hitachi Foundation's Programs:

<p>Business & Communities Grants Program</p> <p>This program provides grants to business-community partnership programs addressing the issue of economically and socially isolated people. This program focuses, for example, on education and training programs that allow people with little employment opportunities to develop work skills and gain employment.</p>
<p>Yoshiyama Award for Exemplary Service to the Community</p> <p>This program honors high school seniors from across the United States for their outstanding service to their communities. This award was established with funds donated by Hirokichi Yoshiyama, the fourth president of Hitachi, Ltd., upon his retirement as Hitachi chairman. Since 1988, the Yoshiyama Award ceremony has been held 18 times and recognized 176 high school seniors. This program is intended to provide recognition and encouragement for the young award recipients and to inspire others to create a better society.</p>
<p>Hitachi Community Action Partnership</p> <p>This program provides a means for 21 Hitachi Group companies in North America to be actively engaged in their communities. Coordinated through Hitachi employee Community Action Committees (CACs), the Group companies plan donations and volunteer activities that help the communities where Hitachi employees live and work. The Foundation provides matching funds, and with Hitachi America, Ltd. provides guidance and technical support to the Group companies and their CACs.</p>

WEB
The Hitachi Foundation
<http://www.hitachifoundation.org>

message

Message from the Chairman
Bruce MacLaury,
 Chairman of
 The Hitachi Foundation Board



"Thanks to the generous support of Hitachi, Ltd., both through financial contributions and enthusiastic participation, The Hitachi Foundation continues the course set by its predecessors. Our future challenge is to develop and publicize actions and ideas that give context to the phrase 'corporate social responsibility.' In particular, showing new ways in which businesses can exercise their abilities and make a social contribution beyond the power of government and social organizations alone."

voices

Yoshiyama Alumni Today
Daphne Walker
 (currently Chief Magistrate Judge)
 Recipient of the 1990 Yoshiyama Award



"Of the various awards I've received, the Yoshiyama Award is still special to me. When we received the award, they told us we should start thinking about what people would remember us for. That's what I stay focused on." Daphne Walker keeps a picture of the Yoshiyama Awardees in her office to remind her of her purpose. Daphne promoted social exchange with children in disadvantaged communities. In 2004, she was elected Chief Magistrate Judge for Georgia's Clayton County—the first African-American to hold that post.



Hitachi Community Action Partnership Activities
 An employee of Hitachi America, Ltd. reads aloud to first-graders at a public elementary school. Story time is an opportunity not only to tell children tales but also to strengthen the ties between the children and adults.



Recipients of the 2005 Yoshiyama Award
 The young award recipients were lauded for their outstanding contributions to their communities, including the promotion of human rights. The 10 recipients stand with The Hitachi Foundation's former Board Chair Joseph E. Kasputys (front right) and President & CEO Barbara Dyer (front left).

Building a safe and secure society: a pressing need for today. To respond more effectively to security needs in business and daily life, Hitachi launched the “Hitachi Security Project” in April 2005, offering comprehensive security solutions from the three perspectives of “business information,” “daily living,” and “a safe society.”

Ensuring Safety and Security of Information

Leakage of personal and sensitive information is a serious social issue today. To enable real protection, securing information systems alone is not enough. A total approach is needed addressing from “where,” “who,” and “how” to handle information to document disposal. Given the huge volumes of information and funds being transferred over networks, technologies for highly reliable user authentication are of critical importance. For this, Hitachi has developed a biometric authentication system called the “finger vein authentication system” that reads the unique vein patterns in one’s finger using near-infrared light. Because this system uses characteristics hidden inside the body, it is difficult to forge and more secure than fingerprint, face, and voice au-

Ensuring Our Safety and Security through Information Security

Protecting personal information, guarding against crime, ensuring the food safety—these are just some examples of heightened security consciousness nowadays. The Hitachi Group utilizes all of its capabilities to provide solutions for keeping our society safe and secure.



ATM equipped with finger vein authentication unit.

thentication. This new technology is already widely in use in entrance control and automated teller machines (ATMs).

Hitachi has also developed a diskless “security PC” to prevent leakage of information from a lost or stolen computer. Security PCs are being deployed within Hitachi under our information security policy. Other technologies developed by Hitachi include encryption systems for data protection, and “digital wa-

termark print solution” to prevent reproduction and duplication of documents.

The Hitachi Group will continue to put all of its resources to work in helping build a safe and secure society.

report

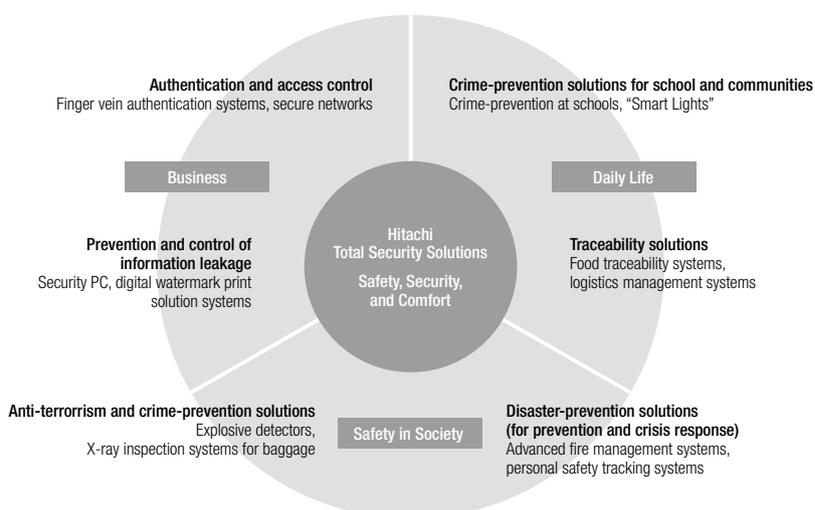
Disarming Anti-Personnel Mines in Cambodia and Sri Lanka

The anti-personnel mine remover developed by Yamanashi Hitachi Construction Machinery Co., Ltd. which was introduced in the 2005 CSR Report is being used in various sites of the world. During 2005, it delivered 14 units to Cambodia and one unit to a Japanese NGO operating in Sri Lanka. In January 2006, a new model equipped with a metal detector was delivered to Nicaragua.



The anti-personnel mine remover in use in Nicaragua. After mine removal, the land will be used for orchards, etc.

Hitachi's Safety and Security Solutions



In Japan, there is serious concern that children are losing touch with science. The Japanese government has formulated the Science and Technology Basic Plan with the intention of keeping Japan at the highest international level of scientific and technological creativ-

ity, and one of its major themes is nurturing creative human resources. This plan is implemented under the guidance of the Council for Science and Technology Policy^{†1}, which has as one of its expert members Hitachi Chairman Etsuhiko Shoyama, who has emphasized the importance of

active scientific minds. The Hitachi Group itself engages in various programs designed to spark interest in science and technology among young people.

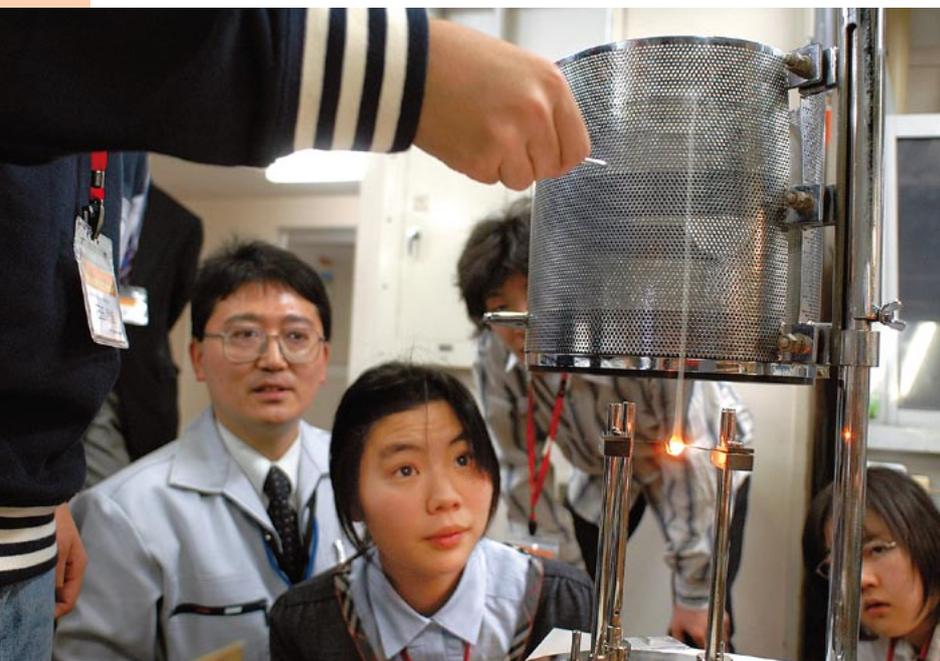
Developing the Next Generation of Scientists and Engineers

Programs that revolve around our research departments include many lectures and hands-on learning opportunities for elementary and high school students. Since 2003, for example, Hitachi, Ltd. has opened its research facilities to high school students as part of the Spring Science Camp program sponsored by the Japanese Ministry of Education, Culture, Sports, Science and Technology. A total of 40 students were given the opportunity to gain first-hand experience with such cutting-edge technologies as nanotechnology and future displays. In addition, Hitachi Research Laboratory (Ibaraki, Japan) has conducted Science Mini Seminars since 1995 for local elementary and junior high school children, with a total of more than 100 participants. Fifteen students participated in the Science Seminars, which the company's Mechanical Engineering Research Laboratory (Ibaraki, Japan) began conducting in 2005.

Other Hitachi Group companies also offer educational programs that take advantage of their

Developing Scientific Minds

Hitachi is implementing its founding mission, "to contribute to society through technology." This extends beyond product development to include the education of youth, the introduction of the fruits of innovation, and programs aimed at raising public interest in science and technology.



At Spring Science Camp 2006, students prepare samples for observation under an electron microscope.

report

Cooperation with the Spring Science Camp

For three days from March 21, 2006, Spring Science Camp 2006 was held at Hitachi, Ltd.'s Central Research Laboratory under the auspices of the Ministry of Education, Culture, Sports, Science and Technology.

Ten high school boys and girls who applied for the camp and were selected from all over Japan visited the facility and directly experienced such advanced

technologies as the electron microscope, three-dimensional imaging display, speech synthesis, and the μ -chip. Participant comments included: "It was exciting to use an electron microscope to see a sample I had prepared myself"; "It was really fruitful to talk directly with researchers"; and "I want to keep pursuing my dreams, too."

The Hitachi Group will continue to cooperate with the Spring Science Camp program.



Students operate the electron microscope.

respective fields of business and technical expertise. Hitachi High-Technologies Corporation and Hitachi Instruments Service Co., Ltd. have conducted hands-on experiential programs using electronic microscopes at several elementary schools in Japan since 2001. Similarly, Hitachi Plant Technologies, Ltd. has sponsored the “We Love the Earth Class” program each year for elementary school students in the Matsudo area in Japan since 1998, with a focus on water purification and sewage treatment technologies, which offers a fun way for children to learn about the importance of environmental conservation.

We are also active through an organization called Himawari (Sunflower), founded by and composed primarily of retirees from the Hitachi Group’s electric power divisions. This group is dedicated to disseminating understanding and knowledge of energy and global environmental problems among elementary and junior high school students by conducting classes and supporting experiments.

Exploiting Hitachi Expertise for the Benefit of the World

Since our inception, the Hitachi Group has disclosed the technologies it has developed and their results in an ongoing dialogue with the world. This open attitude is

exemplified by *Hitachi Hyoron*, (the Hitachi Review), which first came out in 1918. The 1000th edition of this publication, which makes the latest results Hitachi has achieved in cutting-edge technologies available to scholars, customers, and other interested parties, was published in May 2005, giving it the longest history of any publication by a private-sector manufacturing firm in Japan. For 88 years, in volume after volume, Hitachi has poured its passion for technology into these pages for others to share.

Another activity that has garnered public attention is the Hitachi Technical Forum, an annual event that was initiated in 2001. Operated by the Hitachi Henjinkai, or Henjin Association, which is comprised of researchers with advanced degrees, the forum invites Hitachi engineers and world-level figures of authority to present lectures with the aim of increasing exchange among customers, scholars, and students.

Young researchers working at Hitachi, Ltd.’s Central Research Laboratory and Advanced Research Laboratory are engaged in another unique activity, introducing advanced technologies to high school students, college students, and teachers, who in turn vote to recognize the presenter of their choice with the Best Presentation Award. Similarly, the Central Research Labo-



The “We-Love-the-Earth Class” sponsored by Hitachi Plant Technologies, Ltd.



Members of the volunteer group “Himawari” lead experiments evaluating the effects of CO₂ gas on global warming.

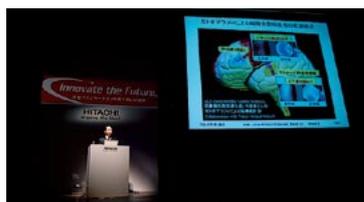
ratory and the Systems Development Laboratory present advanced technologies to customers twice a year at an event called “Technology Community.” In these and other ways, the Hitachi Group is actively engaged in promoting science and technology.

Hitachi will continue its commitment to creating new solutions through the fusion of wide-ranging technology and knowledge, and will put even more energy into widening its circle throughout the world to nurture future generations.

†1 Council for Science and Technology Policy (CSTP) is one of the four important policy councils of the Cabinet Office. The CSTP is made up of the prime minister, relevant ministers, and experts in Japan.

report

The 1000th Edition of *Hitachi Hyoron*



Hitachi Fellow Dr. Hideaki Koizumi gives the keynote address at the forum held to commemorate the 1000th edition of *Hitachi Hyoron*.

Hitachi Hyoron was launched in 1918. When it was founded, the general tendency was for companies to keep their technologies secret. But Hitachi decided to widely publish the results of its independently developed technologies with the aim of raising the technical level of Japanese industry, and thereby contributing to the development of society. For more than 80 years, we have done just that. In November 2005, a special forum was held to commemorate the 1000th edition, with the participation of

many distinguished scientists, including Dr. Charles M. Vest, president emeritus of MIT in the United States, and Hitachi Fellow Dr. Hideaki Koizumi. Lively discussions were held concerning the future of science and technology.



The 1000th edition of *Hitachi Hyoron*.

The WorldSkills Competition, Supporting Manufacturing



Since its founding, Hitachi has devoted itself to fostering young technicians and passing down skills within the organization. We have competed in the national championships for the WorldSkills Competitions since the first in 1963, with strong results at domestic and international competitions.

The WorldSkills Competitions are held every two years, with men and women age 22 and under representing their countries in 40 categories.

The 38th competition was held in Helsinki, Finland in May 2005.



Takayuki Akatsuka of Hitachi Plant Technologies, Ltd. took the gold medal in CNC Machining (above). Yoshihisa Mashiko of Hitachi, Ltd.'s Hitachi Works uses a lathe in preparation for the national championships (below).

Japan's contingent included five Hitachi Group employees who won in the national championships. Yoshiyuki Akatsuka of Hitachi Plant Technologies, Ltd. and Kazutoshi Onuki of Hitachi High-Technologies Corporation both won gold medals in the world competition, marking the fourth year in a row Hitachi has taken home the gold.

All five team members are graduates of Hitachi Senior Technical School, a fully accredited full-time vocational high school whose graduates are assigned to Hitachi Group companies, and represent the future of manufacturing at Hitachi.

One-on-One Interaction between Instructors and Team Members

Hitachi has sent more than 2,000 people to the WorldSkills Competition. We regard it as an important venue for developing both products and people. Winning requires the technical skill, broad creative thinking, and clear judgment connected to making high-quality, dependable products.

The Hitachi Group selects team members from new employees

Kazutoshi Onuki of Hitachi High-Technologies Corporation on his way to a gold medal in Mechanical Engineering CADD. He has also won the national championships two years running.



at each production facility and gives them two to three years of training. Members live together with instructors, mostly former participants themselves, and interact with them in practical sessions modeled on the actual competition. The training polishes the members' skills and spirit, and helps instructors improve their leadership skills.

The decline of skilled technicians in manufacturing is becoming a societal problem, but skills at Hitachi are passed down through this kind of training and generation-transcending teamwork. The same holds true for Group companies and overseas production facilities not participating in the WorldSkills Competition. Kazutoshi Onuki remarks, "Winning a gold medal was a major goal, and I want to make the most of this experience, keep studying, and help make great products for Hitachi." Hitachi, too, will continue to devote itself to the job of making things and training people, and ensuring the quality and dependability of all its products.

If documents are shredded too finely they are difficult to recycle; too coarsely, and information could be exposed. To address this, Hitachi Information Systems, Ltd. in 1999 became the first company in Japan to commercialize a closed-loop recycling system†2 using wet shredders to turn waste documents into pulp, which paper manufacturers use to make paper that is recycled back to the company in a closed loop. The system has won high marks for conservation and security, and many companies are adopting it. In partnership with HITACHI You and I Co., Ltd.†3, a special unit of Hitachi, Ltd., we have modified this system so that it may be operated by mentally challenged people. The system was first implemented in 2001 at Fancel Smile Co., Ltd., a special subsidiary of Fancel Corporation, and subsequently at a non-profit group, the city of Fujisawa in Kanagawa Prefecture (Japan), and four Hitachi Group companies. As of March 2006, this has led to the employment of 19 individuals at these seven locations.

Expanding Employment with Normalization

Hitachi, Ltd.'s Central Research Laboratory (HCRL) implemented the system in 2005.

HCRL worked with the Nakano Welfare Organization for the Challenged, and other organizations to create a safe, accessible environment for challenged people. HCRL



HCRL staff with three employees of Hitachi You and I Co., Ltd. (back row, center). A safe, accessible workplace was created with the help of various staff members.



Paper Recycling System Increases Employment of Mentally Challenged People

This combined recycling and information security system also helps in the process of normalization†1.

now has two mentally challenged people in charge of collecting and sorting documents, pulping them, and removing the pulp. Several creative ideas make it easy for employees to work safely and efficiently, including a message board listing work procedures. Hirokazu Aoyagi, general affairs unit manager, reports that the hard work of these employees has inspired the other staff, and

created employment opportunities for mentally challenged people at other workplaces.

It is our goal to create employment for some 100 mentally challenged people by packaging the business model we have established, extending it to other Hitachi Group facilities, other businesses, and governmental agencies, implementing at least 20 systems in the next few years.



HITACHI You and I Co., Ltd. is in charge of paper recycling (right). The system includes a message board (left) showing work procedures and safety measures.



†1 Normalization: The process of creating social infrastructure to ensure, as much as possible, the right of challenged people to live normal lives without perceiving them as special.

†2 This closed-loop system was awarded the Recycling Promotion Council Chairman's Prize in 2000.

†3 HITACHI You and I Co., Ltd. was established in 1999 as a special subsidiary of Hitachi, Ltd. to help mentally challenged people participate in society. The company employs 45 challenged people (as of March 2006) and handles cleaning, internal mail, recycling, moving equipment, and other tasks, primarily at Hitachi Group facilities in the Kanagawa area.



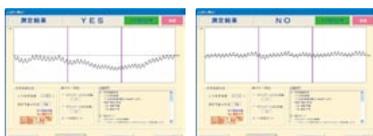
Kuniaki Ozawa, General Manager, Ubiquitous Systems Division, Ubiquitous Platform Systems, Hitachi, Ltd. talks about his experiences.

Kokoro Gatari —Connecting Patients and Families



ALS^{†1} is a disease that causes the muscles in a person's body to cease functioning properly. Hitachi has developed the communication devices "Den-no-shin^{†2}" and "Kokoro Gatari" to connect ALS patients with their families.

There are around 7,000 patients in Japan with ALS. I first learned about ALS when a fellow employee contracted the disease. I would visit and speak to him, but he was unable to respond because he could not move the muscles required to write or speak. As I was involved in developing information devices for ease of use by the elderly and physically challenged, I immediately began work on developing a communication device for ALS patients. In 1997, we developed Den-no-shin, a device using sensors to detect subtle movements, like those of an eyebrow, enabling ALS patients to construct sentences on a computer. It was commercialized by Hitachi



Cerebral blood flow data from Kokoro Gatari. Blood flow differs between "yes" (left) and "no" (right) responses. Precision was improved by developing a light source that accurately measures blood flow volume and a sensor that attaches firmly to the head, as well as by analyzing frequency in addition to volume of blood flow.

Keiyo Engineering & Systems, Ltd., and 3,300 total units have shipped as of March 2006. The comments of patients and families have been truly uplifting. A patient told us that being able to have conversations has renewed his will to live.

Helping Patients and Families Sustain the Will to Live

Development of Kokoro Gatari was inspired by a phone conversation with a family member of a completely immobilized patient. The family just wanted the patient to be able to say whether the care provided was adequate. How could patients who have lost complete control of their motor functions communicate? What I thought of was research on cerebral blood flow using an optical topography^{†3} system developed by Hitachi. I visited the research team and had them build a prototype that could detect changes in blood flow between resting and active states, like when doing math in one's head. I asked the patient to do math to

indicate a "yes" response, but it was a struggle at first because the rate at which the device was correct did not really improve.

To raise the rate, we elicited the cooperation of professors at Kagoshima University, former Hitachi researchers, our prototyper Excel of Mechatronix, and the Japan Amyotrophic Lateral Sclerosis Association. Students at the university discovered that cerebral blood flow increased when singing, providing a major clue. As a result of building several prototypes, we improved the rate to 80% and in December 2005 Excel commercialized the device under the name "Kokoro Gatari." The reception was outstanding, with inquiries from Japan, U.S., Norway, and Peru. We have since delivered 10 units in Japan and 3 units for trials in the U.S.

For Patients All Over the World

In an effort to create environments that provide information access for everyone, Hitachi has also commercialized sign language animation software called "Mimehand" and software for senior citizens and novice computer users called "Shinyu." I think support should be extended within the Hitachi Group to further promote these products. Regarding Kokoro Gatari, we plan to further improve its accuracy and shorten measurement time. We hope it will find use in the U.S., where there are 500,000 potential users (including ALS patients and others), and throughout the world.

^{†1} ALS stands for amyotrophic lateral sclerosis. It is a progressive, incurable disease affecting the motor nerves in the spinal cord and causing muscles throughout the body to stop functioning.

^{†2} Den-no-shin was jointly researched with Kitasato University East Hospital and commercialized by Hitachi Keiyo Engineering & Systems. It is a communication device to help people with spinal cord injuries and people dealing with the aftereffects of cerebrovascular accidents.

^{†3} Optical topography is a technology for mapping brain activity like a topographical map. It shines near-infrared light on a person's body and picks up blood flow based on whether the light passes through or is reflected back.



Noboru Matsuda, "Under a Big Tree"
(Grand Prize of photograph contest with the theme of "The Hitachi Tree,"
promoted by Hitachi, Ltd. in Japan)

Next Society

Creating the Future with Our Stakeholders

Customers and Hitachi

“Thinking and acting from the perspective of our customers.”

This is the basic philosophy behind all the corporate activities of the Hitachi Group. Customer satisfaction and creating products of genuine value are the highest objectives.

Hitachi Philosophy in Customer Satisfaction

Our Customer Satisfaction (CS) Management Guidelines constitute one of the pillars of Hitachi's business management. We pursue CS in line with such mottos as “reliability and speed,” “realizing the customers' dreams,” and “the best solutions partner.”

The “CS Improvement Committee,” consisting of Hitachi, Ltd. and three group companies in consumer fields, meets to review and discuss the CS activities of the Hitachi Group companies, based on reports of activities from each section, with the aim of improving CS level.

All business groups and Group companies have a “CS Improvement Section” dedicated to fine-tuning CS activities to customer needs and the characteristics of their particular businesses.

and Group companies. When necessary, staff members from the relevant business fields and CS offices visit customers to gather more detailed information to help improve our operations.

Hitachi Electronics Services Co., Ltd., which provides management service for information systems, holds monthly meetings of its Customer Satisfaction Improvement Committee, headed by the president of the company, and is actively implementing the three themes of “improving quality,” “enhancing service processes and infrastructure,” and “cultivating customer-oriented personnel.” The company uses customer satisfaction scores as a criterion for determining bonus payments, and it is also focusing on CE^{†1} education measures, such as introducing a self-evaluation system for measuring customer satisfaction. The company has also developed “ASSIST^{†2},” a support system for early detection of system troubles useful in improving on-site response.

CS Activities in the Consumer Appliances Division Carries the “Customers' Voice” into Product Development

Innovations in IT and other technologies are transforming our lifestyles and changing the functions and roles expected of consumer appliances. Hitachi Appliances, Inc., which handles Hitachi's consumer appliance business, has developed a system for carrying customers' voices into the development of new products and services. Hitachi Answer Center plays a central role in this system, receiving more than 400,000 calls and e-mails per year. All customer calls on product selection, repairs, questions, and complaints are kept in computer files and can be searched and indexed as needed.

Ensuring Product Safety and Responding to Accidents

In December 2005, faulty wiring was discovered in 238,872 washer-dryers manufactured between August 2001 and December 2002. It



Questionnaire booklet issued by the Information & Telecommunications Systems

†1 CE
Customer Engineer, engineers specializing in maintaining customers' computers and systems.

†2 ASSIST
Advanced Service Support Information System Technology
A foundational technology that enables appropriate preventive maintenance and the prompt response to system failures.

Customer Satisfaction Management Guidelines

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

CS Activities in the Information and Telecommunications Division Seeks to Share Values with Customers

Hitachi is working under the “uVALUE” concept of creating optimum value for customers by integrating customers' businesses with Hitachi's businesses and information technologies. To ensure the smooth progress of this work, we conduct a customer satisfaction questionnaire every year. We make every effort to incorporate the precious feedback of customers into our products and services. Survey results are summarized in a booklet made available to customers, and further analyzed and shared with branch offices

How the 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 representing manufacturing technologies and quality assurance departments. The meetings are convened eight 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 Hitachi Answer Center to listen to the voices of customers, and gain a better understanding of their perspective.

was determined that in a worst-case scenario, the faulty wiring in the heater unit could lead to smoke or fire during use. This problem was announced through advertisements placed in Japan's leading newspapers on December 21, 2005, and a "Washer-Dryer Smoke Accident Countermeasures Office" was established. All customer calls pertaining to the problem were collected at a special center, and Hitachi went to great length to ensure prompt inspection and repair at no charge to customers. Measures are being developed to prevent recurrence of incidents such as this, including changes in the product design and materials. Lessons from this accident were applied to other products as well, to ensure that customers could choose Hitachi products with full confidence. Safety protocols for new product development were strengthened, for example, with regard to review of materials, study of product construction, and verification of overall product safety.

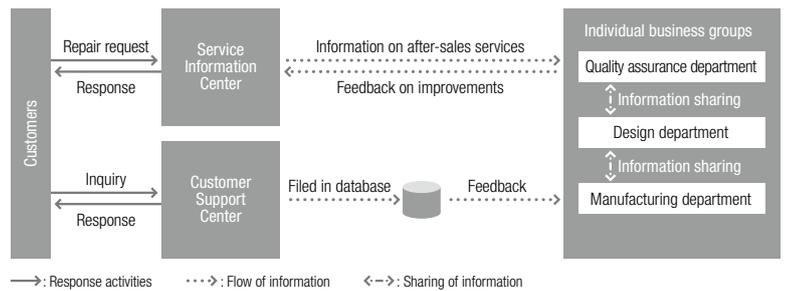
Quality Assurance

Ever since its inception, the credo of the Hitachi Group has been "Quality First." To this end, the best traditions of "MONOZUKURI" (manufacturing) have been passed from one generation to the next. The entire Hitachi Group is striving to improve quality, under the quality assurance slogan "Giving our customers the best quality in products and services."

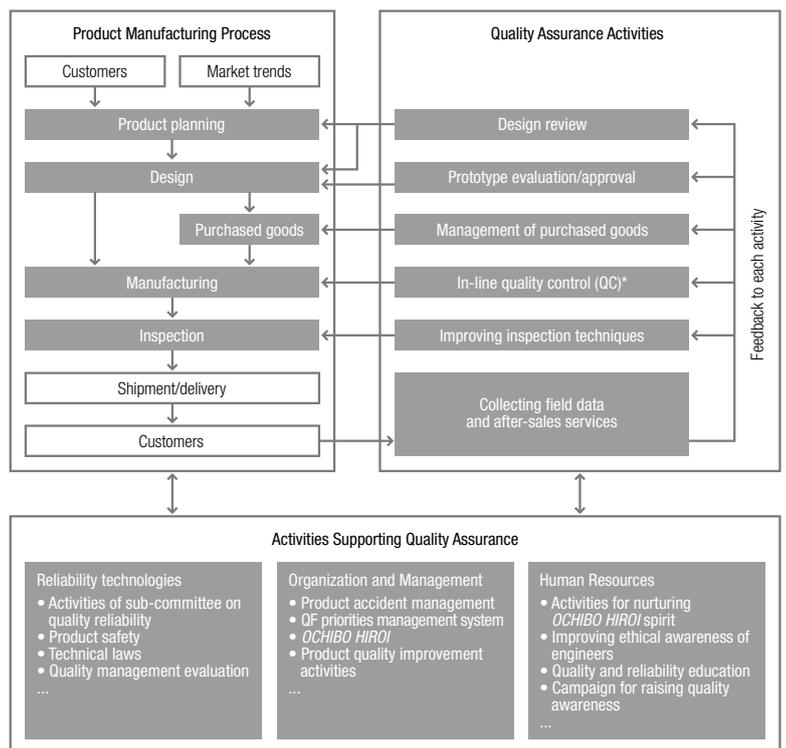
Hitachi is engaged in quality assurance activity at all stages—from product planning to shipment, we place special emphasis on the planning and design phases in particular, because improvements in these upstream processes do the most to improve product quality.

The 34 divisions of Hitachi, Ltd. and 70 Hitachi Group companies have been participating in the implementation of the Hitachi Group Quality First 21 Movement since fiscal 2003. In April 2005, 10 production facilities that had achieved conspicuous results in this regard were

Voice of Customer Flow Chart



Quality Assurance Flow Chart



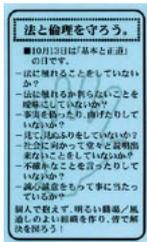
* In-line QC: Review and verification for identifying potential defects at development and prototype stages of product lifecycle.

selected to report on their activities as a means to raise consciousness and motivate action throughout the Group's production facilities. For example, the Disk Array Systems Division of Hitachi, Ltd. made extensive use of testing tools developed in-house in order to thoroughly inspect and evaluate embedded software†1 at

†1 **Embedded software**
Software utilizing microprocessors built into automotive, portable terminals, smart appliances, etc. to control their communication with the device as a whole or with external devices.



Accident simulation conducted for product safety training purposes, in which smoke is emitted from an improperly connected condenser.



Ethics Awareness Card

11
On October 13, 1997, Hitachi received a warning from the then Ministry of International Trade and Industry concerning false records on annealing of pipes in nuclear power plants, and was ordered to prevent recurrences. Since then, the nuclear power division of the Hitachi Group, pledging never to repeat this error, has designated the 13th of every month "back to basics and the right path day."

the design stage, thereby drastically reducing the number of production defects.

Product Safety Activities

Hitachi aims to prevent product-safety accidents so customers can use our products with full confidence. In our pursuit of zero accidents, we keep a close eye on any accidents, or risks, that might be exposed by the Product Liability Law of Japan, and we engage a panel of experts to review our performance. Also, divisional meetings have been established throughout the Hitachi Group to raise safety awareness through the sharing of information and mutual product safety diagnostics. In fiscal 2005 product safety activities were further augmented by additional evaluation and testing facilities, accident simulations, and lectures.

Promoting Compliance with Technical Laws

Amid widespread concern over product liability and the environment, relevant laws have become increasingly complex. The Hitachi Group is actively engaged in promoting compliance with technical laws covering manufacture. Based on the three core themes of understanding legal trends, developing Quality Management System compliance, and raising compliance awareness, Hitachi has developed a "legal map" linking its

products with the applicable laws, and is working to keep all of its production facilities fully informed and up-to-date on changes in the legal environment. In fiscal 2005, a compliance-diagnosis system was developed, and some production facilities began to implement self-evaluation and diagnosis. This system is slated to be expanded to all Group production facilities.

OCHIBO HIROI

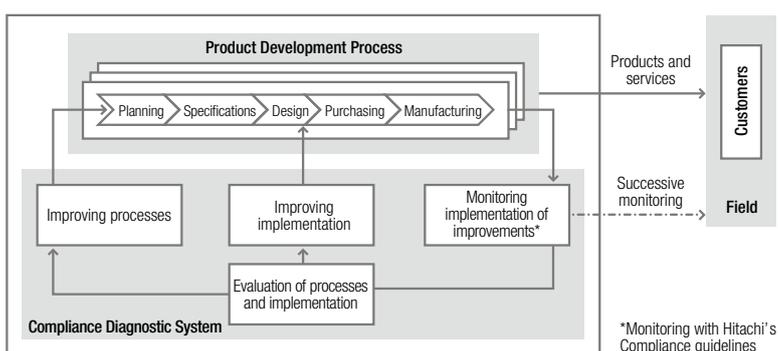
OCHIBO HIROI (gleaning) is Hitachi's program for adopting the customers' perspective in reflecting on past accidents and working to prevent recurrences. Started in 1951 as a council for reviewing serious accidents at the highest levels of company management, the credo of this program is "The soul of *OCHIBO HIROI* is customer satisfaction," and "Don't put a lid on mistakes or problems." The conscious and unconscious causes leading to an accident, as well as the direct technical causes of it, are thoroughly investigated to ensure there is no future recurrence. Similar products are also examined to prevent similar accidents.

Quality Assurance Efforts in the Nuclear Power Division

In the Nuclear Power Division, "safety first" and "quality" are the watchwords of our operations. Hitachi distributes its "Ethics Awareness Card" to some 3,800 employees in this division, as well as to about 12,500 employees of cooperating companies, to drive home this message. The 13th of every month is designated "Back to Basics and the Right Path Day,"¹¹ and features lectures, primarily for young technicians, on ethics and case studies from both Japan and abroad.

Information technologies are used extensively in accident prevention. In an ongoing research and development (R&D) project, Hitachi is conducting R&D on a work history management system, in which IC chips fitted to workers and equipment automatically generate chronologi-

Outline of Compliance Diagnostic System



cal records of “what work was performed when, where and by whom.”

Universal Design

Standing in the Shoes of Users

The concept of universal design is to create products and services that are accessible to as many people as possible of all ages, both sexes, and any physical condition. The Hitachi Group stands in the shoes of users to pursue universal designs in a wide range of its products, including consumer electronics and information systems, as well as public facilities like railway vehicles, and elevators and escalators.

For instance, development engineers experience what it is like to use a wheelchair and go on outings with physically challenged, so they can learn first-hand the obstacles to users. The knowledge gained from these experiences is put directly to use in developing new products and services. Products brought to market in this way offer advantages to various users. One example is easy-to-push elevator buttons, operable using the elbow or the fist. Such buttons are also easy to operate when the arms are full. Another example is remote controls for air conditioners, with specially designed sound signals. This feature helps visually impaired users, as well as people using the remote control in a dark room.

Web Accessibility

Hitachi is actively engaged in creating information-friendly environments, for easy access to information. As part of this endeavor, Hitachi researched font sizes, color use, and page layout for creating accessible web sites. The results were compiled in 2000 as Web Universal Design Guidelines. We have continued to improve on these guidelines, which are reflected in the web sites of the Hitachi Group companies. Hitachi Government and Public Corporation System Engineering, Ltd. has developed and marketed “ZoomSight,” a tool for rendering highly accessible web sites with such features as “text-to-speech functions,” “adding phonetic alphabet to Chinese characters,” “enlargement of text and images,” and “color modification.” “ZoomSight” is currently being used by the Hitachi Group as well as by a wide range of local government organizations and companies.

Promoting Use and Understanding of Universal Design

Hitachi has been a member of the International Association for Universal Design, an organization dedicated to spreading and developing universal design, since its inception in November 2003. Hitachi is also engaged in furthering understanding of universal design among children.



Easy-to-use and easy-to-understand remote control unit for air conditioners. Users can directly choose the operation mode and find temperature settings with the guidance of sound signals. The remote comes with a strap for hanging from a bedpost.



Testing a public information terminal. Many different types of people were enlisted to test the terminal from early in the development stage. The views of experts were also incorporated into the design.



Testing of a vacuum cleaner by the visually impaired. Workshops are conducted in which people use products in order to test usability and find unnoticed problems.



Web site, created by “ZoomSight,” with roman characters to show the readings of Chinese characters.

report

Volunteer Staff Teach Classes on Universal Design

Hitachi has developed a participatory program aimed at promoting deeper understanding with regard to universal design. During fiscal 2005, six classes were held in elementary schools and as part of community events.

In November, a class was held at an elementary school in Nakano Ward, Tokyo. The 49 participating sixth graders were given a talk

on the basics of universal design, followed by a workshop on “how to design a TV remote control for the visually impaired.” The pupils also engaged in discussions with a visually impaired guest speaker living near the school and considered some of the common problems faced by the visually impaired, such as guide markers and the elevation of sidewalks from the road. These educational activities are contributing to a better appreciation of universal design inside the company.



Working in Harmony with Society

Nurturing People, Connecting to the Future
Committed to this statement,
Hitachi undertakes social contribution activities

Social Contribution Philosophy and Policy

Philosophy

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

Policy

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

Hitachi's Social Contribution Activities

In 2002, Hitachi adopted social contribution activities as a major corporate endeavor and formulated a social contribution philosophy and policy that are commonly pursued by all Hitachi Group members. Corporate citizenship activities have been established as one of the items in the CSR Policy of the Hitachi Group.

Our commitment to social contribution stems not only from a sense of duty to the society that supports our business, but also from our belief that it will help Hitachi to grow and bring out our latent strengths. Hitachi's business is intimately connected with society, and globalization continues unabated. To ensure smooth operations, it is essential for us to share the values of the countries and regions in which we operate and establish relationships of mutual trust with them. By actively dealing with social issues while engaging in an ongoing dialogue with people, we build good relations with our stakeholders, including customers and local communities, and earn their complete trust.

“Individual Fulfillment” as a Member of Society

We at Hitachi encourage our employees to participate in volunteer activities. We want every

employee to find fulfillment by listening to society and developing cognitive flexibility and desire, as well as the strength to forge ahead. In this way, they will become the force behind Hitachi's future.

Hitachi places priority on activities in the fields of education, the environment, and welfare, with a commitment to making maximum use of our resources. We engage in numerous educational activities ranging from support for family education and the sound development of young people to scholarships for young researchers and internationally oriented faculty members and teacher exchange programs. To work for a recycling society, we apply the environmental technologies and expertise we have acquired through our business operations to promote environmental education and assist NPOs. In the field of welfare, we have worked to reduce the digital divide and provide support to help the physically challenged people participate in society.

This is the kind of company Hitachi seeks to be: one that nurtures people and connects with the future.

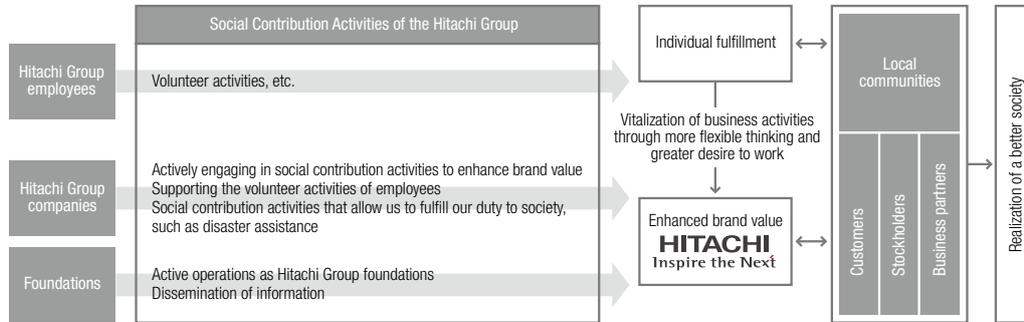
Support for Volunteer Activities

To give our employees the freedom to volunteer whenever they want to, we are creating a volunteer support system centered on Hitachi, Ltd. that offers assistance in three areas: providing information; helping employees obtain leave time; and providing funding.

Information: Providing Volunteer Information and Seminars

Using our corporate intranet, we not only supply all Hitachi Group employees with information about volunteering but also hold such events as the Hitachi Volunteer Seminars and Corporate Citizenship Evening Seminars, which provide volunteer opportunities.

Approach to Social Contribution Activities



Time: Leave System

In 1993, we established a special annual paid leave system to support social contribution activities and self-enrichment. We have also created a cumulative annual paid leave system that allows employees to save four unused paid-leave days per year, up to a maximum of 20 days.

Funding: Hitachi Volunteer Support Program

For social contribution activities conducted by NPOs in which Hitachi Group employees participate, Hitachi provides funding of up to 300,000 yen per project. Projects are selected within the

company on the basis of applications received. In fiscal 2005, seven projects were funded.

Six Foundations in the Hitachi Group

Since 1967, Hitachi has established six foundations in Japan and abroad that are engaged in social contribution activities. With the aim of connecting humanity to a brighter future, these organizations are involved in a wide spectrum of activities in such fields as science and technology, education, the environment, and international exchange.

Six Foundations of the Hitachi Group

Name	Date Founded	Main Activities
The Hitachi Mirai Foundation	1967	This foundation supports activities to prevent juvenile crime and delinquency and promote healthy youth development. It also supports various corrective education and welfare provided by correctional institutions. In fiscal 2005, 1,261 elementary school children took part in the 28th Youth Sports Promotion Meet.
The Kurata Memorial Hitachi Science and Technology Foundation	1967	This foundation conducts promotional activities and provides research grants including the "Kurata Grants" for young researchers conducting basic or applied research in fields of science and technology such as physics, chemistry, electricity and electronics, mechanical engineering, and information science. In fiscal 2005, a total amount of 50 million yen was granted to 38 researchers.
The Odaira Memorial Hitachi Education Foundation	1971	This foundation promotes family education and school education, awarding commendations for distinguished services in these fields. In fiscal 2005, 335 mother-and-child pairs took part in the Mother and Child Classes held by Hitachi Family Education Center (Hitachi City) and Hitachi Family Education Research Institute (Yokohama), which conduct this foundation's child rearing support activities.
The Hitachi Environment Foundation	1972	This foundation promotes and encourages studies and research on environmental issues and environmental preservation activities. In fiscal 2005, it held the "Citizens Taking the Initiative in Environmental Education Symposium" in four cities—Yokohama, Sapporo, Hiroshima, and Nara.
The Hitachi Scholarship Foundation	1984	Through support for academic exchange and joint research among universities in Southeast Asia and Japan, this foundation promotes the development of human resources that can contribute to the development of science and technology in Asia and the mutual understanding among the countries. (see p. 29)
The Hitachi Foundation	1985	Programs supported by this foundation include: projects aimed at improving the lives of Americans who are economically and socially isolated; matching fund programs linked to the Hitachi Group companies in North America; and awards for high school students in recognition of their community service activities. (see p. 13)



The Hitachi Mirai Foundation implements the Children and Future Support Project in conjunction with Japan Federation of Big Brothers and Sisters. Last year, the tenth year since the Great Hanshin Earthquake struck in Hyogo Prefecture, 54 elementary school children living in western Japan learned about the importance of interpersonal relationships under the guidance of young volunteers.



Wheelchair Basketball Experience Workshop: Children watch a fast-paced game and then practice passing and shooting in wheelchairs themselves and play a short game.



Hitachi Business Lecture Series at Waseda University: 12 executives of Hitachi, Ltd. give lectures.



As part of their disaster response volunteers workshop, participants divide up into groups and walk through the streets to make maps for use in emergencies.

Examples of Activities Pursued in Fiscal 2005

Wheelchair Basketball Experience Workshop

In December 2005, Hitachi partnered with the Japan Paralympic Caravan Executive Committee (a non profit organization supported by our volunteer support program) to host the first Hitachi Group wheelchair basketball experience workshop in Chiba, Japan. Local elementary and junior high school students participated by first watching a game played by wheelchair athletes and then trying the wheelchairs themselves and playing a game with the athletes and the Hitachi employees who served as supporting staff. We hope that this experience will encourage children to think about creating a society in which everyone finds it easy to live. Plans call for the workshop to be held once a year in various locations throughout Japan.

Disaster Response Volunteers Workshop in Japan

The importance of volunteer action during disasters is now widely recognized. In response, Hitachi holds workshops for employees and their families to prepare them for action as volunteers

in emergencies and for disaster prevention. The first workshop session was held in Yokohama in November 2005, with a total of 77 people (Hitachi Group employees and their family members) participating. Under the guidance of experts from NGOs and local authorities, participants learned how to provide emergency first aid and walked through the streets making emergency maps showing the locations of evacuation routes, public telephones, fire hydrants, and other key facilities. These workshop sessions will continue to be held in different locations.

Hitachi Business Lecture Series at Waseda University

For six months beginning in September 2005, the Hitachi Business Lecture Series was presented at Waseda University School of International Liberal Studies. The series featured Hitachi executives who gave lectures in English on Hitachi's business in the global market to an audience of 70 students, including overseas students. Intended to help foster future international leaders, the lectures were based on concrete cases related to the international business environment, research and development, M&A, and brand strategies.

voices

Receiving Training in Disaster Response

Yoshiko Shibato,
Brand Management Department, Hitachi, Ltd.



We were interested in volunteer activities, so I participated with my family. We learned how important it is for volunteers both to create and maintain a network of mutual assistance and to gain the trust of disaster victims through empathy. We also learned about how prefectural authorities deal with disasters, and how to provide victims with assistance

using materials close to hand. By walking through the streets and drawing emergency maps, we identified dangerous locations and confirmed useful facilities, making the whole experience very meaningful.

Participating in the Hitachi-CFR Fellowship Program

Jennifer Amyx,
Assistant Professor, Department of Politics,
Pennsylvania State University

For six months starting in September 2005, I worked on a project at the Institute for International Monetary Affairs (IIMA) that was commis-

sioned by Japan's Ministry of Finance. I researched Japan's relationship with the rest of Asia, with an emphasis on the financial strategies of Japanese companies and their relationships with financial institutions. Through this, I was able to deepen my understanding of Japanese policy issues. Currently I'm working on a project at the U.S. Treasury Department concerning Japanese and East Asian policy. As a specialist in Japanese policy research, I found the half year I experienced in Japan to be extremely informative and useful. (see p. 29)





Participating in the 2006 Turin Paralympics
 The Hitachi Systems & Services ski group. Miyuki Kobayashi (left photo, right) won the gold medal in the 12.5 kilometer biathlon and the bronze medal in the 7.5 kilometer biathlon. Shoko Ota (left photo, left) won the bronze medal in the 12.5 kilometer biathlon.
 The Japanese ice sledge hockey team with coach Nakakita (right photo, second from right)

The lecture series was part of a comprehensive cooperative framework established between Hitachi and Waseda University in 2004.

The Hitachi Scholarship

The Hitachi Scholarship Foundation was established in 1984 out of the founders' belief that for the sake of cooperation and progress among Japan and other Asian nations we must not neglect the fostering of Asia's talented young people. Through the Hitachi Scholarship, one of the Foundation's principal activities, about five

young instructors in natural sciences fields related mainly to science and technology at universities in Southeast Asian countries are invited to Japan every year. As of March 2006, 21 of these scholarship students are currently studying at leading universities in Japan (the total number of scholarship students including graduates is 128). After completing doctoral or masters courses, they return to their countries and foster future generations in their specialist fields as instructors at their respective universities.

Examples of Social Contributions Made by Hitachi Group Companies

Activity	Promoting Company	Activity Content
Japan-U.S.-Europe School Teachers Exchange Program	Hitachi, Ltd.	This exchange program was established to promote mutual understanding among Japan, the U.S., and Europe in cultural, social, and educational fields. In fiscal 2005, nine participants from six countries came to Ibaraki Prefecture in Japan, where they visited schools and enjoyed a home-stay experience.
Hitachi-CFR Fellowship Program	Hitachi, Ltd.	Established in cooperation with the American think tank CFR (Council on Foreign Relations), this program invites young leaders from governments, corporations, and universities to Japan to conduct research on the Japanese economy and society. Since 1997, 25 people have participated in the program.
Support for Nittoho* Tatara (*The shortened Japanese name for the Society for Preservation of Japanese Art Swords)	Hitachi Metals, Ltd. and HMY, Ltd.	This project ¹ provides technical support for the recreation of <i>tatara</i> , an ancient Japanese steelmaking process for Japanese sword making that uses foot-operated bellows. In addition to providing for the ongoing training of technicians, it provides mining concession rights and support for the maintenance of furnaces.
Hitachi Capital Forest	Hitachi Capital Corporation	This was the first project to get underway through the Corporate Forest system established in 1992. The Hitachi Capital Forest is located in the city of Shizuoka Prefecture in Japan. Every year, the growth of the planted trees is checked, the forest is cleaned, and people are provided with environmental educational opportunities.
Water Purification Activities in Kasumigaura	Hitachi Construction Machinery Co., Ltd.	Company employees participated in Kasumigaura Citizen's Association (Japan) and helped to implement a broad range of environmental programs aimed at purifying water quality, including: tree planting; forest thinning; reconstitution of woodlands around water sources.
Hitachi High-Technologies Yasato Forest Planting Festival	Hitachi High-Technologies Corporation	As part of our environmental conservation activities, we have begun a forestation program that will continue for 60 years. In April 2005, a forestation festival was held in which 150 employees and family members participated.
Participation in the Turin Winter Paralympics (March 2006)	Hitachi Systems & Services, Ltd.	Support was provided for the establishment and activities of a ski group for the physically challenged. The group sent a coach and four skiers to take part in the Paralympics in Turin.
	Hitachi, Ltd. and other Hitachi Group companies	The coach for Japan's national ice sledge hockey team was dispatched from Hitachi, Ltd.'s Electric Group. Seventeen Hitachi Group companies provided financial support.
Assistance for the Visually Impaired and Guide-Dog Training	Hitachi Building Systems Co., Ltd.	As part of efforts to assist the visually impaired, this program has contributed to the Japan Guide Dog Association since 1993 and established a matching gift program in 1997 to support the training of guide dogs.
Participation in Red Nose Day	Hitachi Europe, Ltd.	Employees of Hitachi Europe, Ltd. participate in "Red Nose Day," during which they dress up in red suits like clowns and raise funds for disadvantaged children.
Support for Shanghai Hitachi Hope Primary School	Shanghai Hitachi Household Appliances Co., Ltd.	This project provides support for the reconstruction of schools devastated by the flooding of the Yangtze River, and ongoing provision of funding, school supplies, and goods for daily life. In fiscal 2005, the program was awarded a commendation by the Shanghai Chamber of Commerce.
Support for Affected Areas and Victims of the U.S. Hurricane Disaster	Hitachi Group (North America)	A donation of one million dollars was provided to assist with rehabilitation. A Hitachi Cable Group company ² conducted support activities in the affected area and Hitachi Data Systems Senior Vice President Rod McCowan was appointed CEO of a recovery corps ³ by the governor of Louisiana.

*1: In the 1970s, a group of people involved in traditional Japanese sword making established the Society for Preservation of Japanese Art Swords.

*2: Oxford Wire & Cable Services, Inc. (OWCS) (U.S.A.)

*3: The Louisiana Family Recovery Corps

Striving for Coexistence of People and All Other Living Things

—Contact with Endangered Species through IT



The barrier-free design included deep counters and other amenities to ensure that patrons in wheelchairs could comfortably enjoy the activities.

1.7 Million Visitors

At the 2005 World Exposition held in Aichi, Japan from March 25 through September 25, 2005, the Hitachi Group sponsored the “Nature Contact—Hitachi Group Pavilion’s Ubiquitous Entertainment Ride,” which drew more than 1.7 million visitors.

The Hitachi Group Pavilion utilized advanced information technologies to create an unprecedented attraction that “revived” endangered species and allowed visitors to interact with them as if they were really there. Visitors also received special simulation software that enabled them to meet again with endangered-species characters that they had “raised” at home on their own PCs, and could download to their own computers photos of themselves taken inside the pavilion. In these and other ways, Hitachi presented proposals for realizing a ubiquitous information society.

Through their contact with simulated endangered species, visitors were able to experience the wonder of humans coexisting peacefully with other living creatures.

Concern for the Environment

The Hitachi Group Pavilion was constructed and operated with new technologies to reduce the burden imposed on the natural environment, with an emphasis on new energy sources and recycling. Bifacial photovoltaic solar modules developed by Hitachi were installed on the outside to power some of the building using sunlight, the cleanest and most environmentally friendly power source available. In addition, with the target of 100% of the concrete, asphalt, wood, and steel being recycled, we achieved the overall recycling rate of more than 98% for all the materials used to make the pavilion.

Pavilion Concepts Moved to the Science Museum

The concepts behind the Hitachi Group Pavilion have been reinstalled at the Hitachi Booth in the Science Museum (Tokyo, Japan). This attraction offers new virtual experiences for visitors who seek contact with nature and animals.



Attendants and service crew members bid farewell to the last visitors as they leave the pavilion.

voices

Comments from Visitors

“This is the most fun I’ve ever had in my life.” “I was really surprised when I saw the animal I had raised through the binoculars.” “I’m grateful that my oldest son said that his dream was to find work to help protect wild animals.”

These are just some of the enthusiastic comments Hitachi received in response to the “Nature Contact” attraction. Now that the expo is over,

we continue our commitment to conveying the importance of harmonious coexistence between humans and all other living creatures.



“I didn’t just see him—I met him.” This advertisement thanking the public came out on September 26, 2005, the day after the 2005 World Exposition, Aichi, Japan closed.



The Hitachi Booth at the Science Museum has a table display that gives visitors the virtual experience of interacting with nature and animals.

Partnership with Shareholders and Investors

Timely, fair and unbiased, and accurate—these are the watchwords of the Hitachi Group as it responds to the needs of shareholders and investors by making management as transparent and information as widely available as possible.

Disclosure: Accurate Information in a Timely Fashion

The Hitachi Group places importance on informing stakeholders of its current business conditions and future outlook in a fair, unbiased, accurate, and timely fashion. Hitachi led the industry in releasing its consolidated financial statement back in 1959, and since 1963 we have been compiling consolidated financial tables using U.S. accounting standards to enable assessment and comparison of Hitachi Group performance by international criteria. We have also released financial statements every quarter since fiscal 2002. In these and other ways, we are striving to enhance the transparency of management and promote full disclosure of information.

Investor Relations

In the Hitachi Group, investor relations are founded on ongoing disclosure of information in compliance with all relevant laws and regulations. At Hitachi, Ltd., top executives, the financial, legal, and corporate communications divisions, and each business division work together to hold a wide range of meetings for this purpose, including business briefings and tours of our manufacturing and research facilities for investors and analysts, as well as investor meetings sponsored by securities firms. We seek feedback from shareholders and investors and work hard to incorporate it in our management and business operations.

General Meeting of Shareholders

At Hitachi's Ordinary General Meeting of Shareholders, we offer audio-visual reports designed to give shareholders a thorough understanding of the company's situation. Management matters are presented by the President and Chief Executive Officer, and much of the information is posted on the Hitachi website following the meeting.

Advance notification of the meeting is usu-

ally given on June 1 each year and posted on our website, to ensure that shareholders have adequate time to study all motions on the agenda.

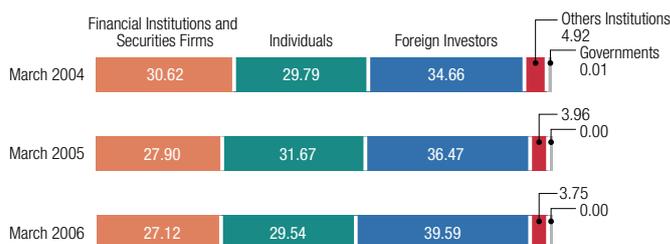
Results of External SRI^{†1} Assessments in Fiscal 2005

The Hitachi Group is eager to cooperate in the external assessments required for inclusion in the major SRI (socially responsible investment) indexes, and we have received high marks in those evaluations.

In fiscal 2005, Hitachi, Ltd. was selected for the sixth straight year as a recommended stock by the Dow Jones Sustainability Index^{†2} compiled by SAM Group. In addition, a large number of Hitachi Group companies were included in EIRIS's FTSE4Good Global Index^{†3} and the Morningstar SRI Index.

Significantly, Hitachi was named the number one ranked company in the 2006 Roberts Environmental Center Sustainability Index Scores for the "Electronics, Semiconductor, and Peripherals Sector."

Trends in Shareholder Composition (%)



An "R&D Information Meeting" held in April 2006 for analysts and institutional investors

†1 Socially Responsible Investment (SRI)

An approach to investing in which stocks are selected partly on the basis of criteria relating to corporate social responsibility (CSR).

†2 DJSI

The Dow Jones Sustainability Index, developed by the Dow Jones Corporation (U.S.) and SAM Group (Switzerland), evaluates companies based on economic, environmental, and social performance.

†3 The FTSE4Good Global Index

An index developed by EIRIS (U.K.), which evaluates corporations based on their environmental, social, and human rights performance.

WEB

2006 Roberts Environmental Center Pacific Sustainability Index Scores <http://www.roberts.mckenna.edu/PSI/pdf/Electronics2006.pdf>

Results of External SRI Assessments in Fiscal 2005

Institution	SAM	EIRIS	Morningstar
Index	DJSI	FTSE4Good Global Index	SRI Index
Companies selected	Hitachi, Ltd. / Hitachi Chemical Co., Ltd.	Hitachi Metals, Ltd. / Hitachi Maxell, Ltd. / Hitachi High-Technologies Corp. / Hitachi Chemical Co., Ltd. / Hitachi Capital Corp. / Hitachi Software Engineering Co., Ltd.	Hitachi, Ltd. / Hitachi Metals, Ltd. / Hitachi Construction Machinery Co., Ltd. / Hitachi Maxell, Ltd. / Hitachi High-Technologies Corp. / Hitachi Transport System, Ltd. / Hitachi Information Systems, Ltd.

Working Together with Suppliers

The Hitachi Group procures raw materials, parts, and services from companies around the world.

We are committed to building partnerships with our suppliers to provide highly reliable products and services.

WEB

Hitachi Group Procurement
<http://www.hitachi.com/procurement/>



High-performance, energy-efficient refrigerator developed jointly with Okura Industrial (R-SF42VM)

Basic Procurement Policies

Hitachi, Ltd. has established the "Guidelines for Procurement Activities" to serve as the basis of all transactions. The basic policies include:

- (1) Respecting the principle of fair competition and guarantee equal business opportunities for companies around the world;
- (2) Choosing suppliers on the basis of appropriate procedures by evaluating the quality of the materials, prices, delivery time, the reliability of management and technical development capacities as well as whether the supplier is fulfilling its corporate social responsibilities; and
- (3) Promoting long-term, trust-based relations with suppliers by sharing CSR philosophy and creating positive partnerships.

Sharing Our CSR Philosophy with Suppliers

Sharing information on CSR activities is essential to building a business model in which our suppliers develop as we develop. The CSR Policy of the Hitachi Group sets forth the principle "Responsible Partnership with Business Partners," and we convey the importance of CSR to suppliers at policy presentations.

Added to the criteria for selecting suppliers in the Guidelines for Procurement Activities in April 2005 were respect for human rights, environmental protection activities, social contribution, and the creation of good working conditions. We communicated these criteria to our approximately 4,700 Japanese suppliers and requested that they promote CSR together with Hitachi. We are currently developing similar activities for suppliers outside Japan and those of our Group companies.

Looking ahead, we plan to monitor the progress of suppliers in promoting CSR and then consider how to ensure corporate social

responsibilities are fulfilled throughout the supply chain.

Hitachi is also participating in the creation of guidelines for promoting CSR throughout the supply chain, a project being undertaken by Japan Electronics and Information Technology Industries Association.

Collaborations with Good Partners

The Hitachi Group partners with suppliers to conduct "Value Engineering for Customers," or VEC activities. These activities are aimed at improving design, materials, processing, and other areas in order to provide customers with high performance products and services.

In developing a compact, large-capacity refrigerator with outstanding energy efficiency, one issue we faced was the development of vacuum insulation with exceptional insulating performance. We worked with Okura Industrial Co., Ltd., a company with advanced technical capacities in the field, to develop the vacuum maintenance film (the most important part in vacuum insulation). We succeeded in making a film that reduced energy consumption by some 25%. The manager of the Technology Department at Okura Industrial Co., Ltd. remarked, "Creating a high value-added product by working with Hitachi to fuse new technology with a material we developed was a very significant endeavor."

Green Procurement

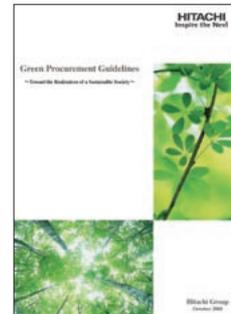
The Hitachi Group encompasses a wide variety of business sectors, and we manufacture and sell a large range of products for each industry and service. In order to promote more widespread green procurement, we issued the Green Procurement Guidelines in July 1998. The Guidelines were written to share awareness regarding environmental conservation activities with suppliers so that our Monozukuri (PLM and

WEB

Green Procurement
<http://greenweb.hitachi.co.jp/en/ecoproducts/green/index.html>

WEB

Green Procurement Guidelines
<http://greenweb.hitachi.co.jp/en/ecoproducts/green/guideline.html>



Green Procurement Guidelines

Total SCM) manufacturing processes comply with environmental CSR policies. In addition to working to procure parts (products) and services that incorporate environmental impact reduction measures, we are also asking more of our suppliers inside and outside Japan to actively participate in green procurement. As a part of this effort, as outlined below, we are expanding our network of green suppliers and providing support for them.

Expanding Green Suppliers

While ISO 14001 certification serves as proof of a supplier's active commitment to environmental conservation, we also encourage suppliers to adopt simpler approaches, such as registering under the Hitachi Environmental Certification Scheme. Small and medium-sized suppliers who have acquired certification in an environmental management system, either KES^{†1}, Eco Action 21^{†2}, or Eco Stage^{†3}, and who agree with Hitachi's approach to green procurement, are registered as "green suppliers." This system started in October 2003.

One of the indicators we use to track progress in environmental conservation at each production facility is the green supplier ratio. We recorded a green supplier ratio of 70% in fiscal 2005 and are targeting 100% by the end of fiscal 2006.

Hitachi requests that suppliers disclose information on environmental compliance on delivered materials in order to facilitate procurement of parts (products) and services with low environmental impact. We also have them register this information along with information on their environmental conservation initiatives in our green procurement system, "A Gree' Net"^{†4}. Presentations and lectures are held inside and outside Japan in order to encourage use of this system among greater numbers of suppliers.

Support for Green Suppliers

The Hitachi Group is promoting HI-KES through a collaboration with the KES Certification Division. HI-KES is a program for promoting environmental conservation activities together with suppliers who have not acquired ISO14001 certification. Suppliers that have acquired KES certification attend a Hitachi environmental seminar and join the HI-KES Club, which provides opportunities to share information on environmental initiatives that contribute to member companies' operations.

In addition, with a view to reducing the environmental impact of products throughout their lifecycles, we updated and published our Green Procurement Guidelines in October 2005, incorporating mechanisms for managing chemical substances contained in procured products. These guidelines were provided to suppliers and efforts were made to unify awareness of this issue.

†1 KES

"KES Environmental Management System Standard" promoted under the "Miyako Agenda 21 Forum" program.

†2 Eco Action 21

System to evaluate environmental activities created by Japan's Ministry of the Environment.

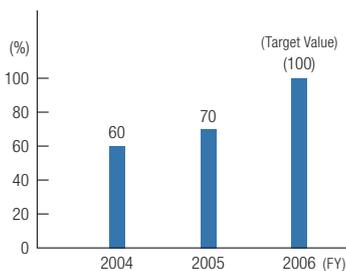
†3 Eco Stage

Evaluation system for supporting environmental management promoted by the Eco Stage Institute.

†4 A Gree' Net

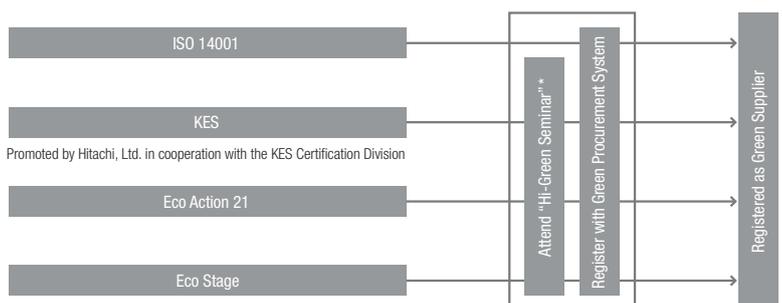
An Internet-based system developed by the Hitachi Group for collecting information on supplier environmental activities and chemical substances in procured products.

Green Supplier Ratio



*Data from 47 Hitachi Group manufacturing companies, including Hitachi, Ltd. (as of March 2006).

Hitachi Environmental Certification Scheme



*Hi-Green seminars facilitate understanding of Hitachi's approach to green procurement

Employees Make Hitachi What It Is

Motivating employees to put forth their best efforts.

Hitachi is what it is today because of the day-in, day-out efforts of its employees. Hitachi is committed to human resources development and creating a better work environment.

Creating a Work-Friendly Corporate Culture

Hitachi is transforming its corporate culture, guided by three key words. “Openness” to encourage frank communication and to provide employees with opportunities to express their full potential. “Challenge” to aspire to high goals and transformation. “Diversity” to respect individuality. Through this approach, Hitachi is endeavoring to nurture human resources that meet the requirements of the age and to create a better work environment in which outstanding human resources can give full expression to their individual capabilities.

“Openness” Promotes Capacity-Building 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 its proper management.

Survey of All Employees

Hitachi, Ltd. conducts an annual survey of all of its 41,000 employees to check on such matters as employee satisfaction, workplace culture, and views on management. Known as the “Business Process and Opinion Survey” (B.O. Survey), the survey is conducted through the Intranet. Results are analyzed for each workplace and are used in personnel policies and business culture transformation.

“360-Degree Feedback Program”

In this program, about 10,000 managers attend workshops to understand feedback from their superiors, colleagues, subordinates, and junior staff members, with the help of expert instructors. It helps managers have a new understanding of their strong points and weak points, and develop their capability.

“Challenge” Nurtures Positive Attitude Human Resources Development

We pay close attention to capacity-building and the career development of our employees. In addition to on-the-job capacity building, Hitachi operates the following six educational programs: “Management Development,” “Education for Engineers,” “Production Worker Training,” “Education for Internationalization,” “Sales Education,” and “Training by Job Function.” Furthermore, group-wide training and education is conducted at the Hitachi Institute of Technology, the Hitachi Institute of MONOZUKURI Skills and Engineering, and the Hitachi Institute of Management Development.

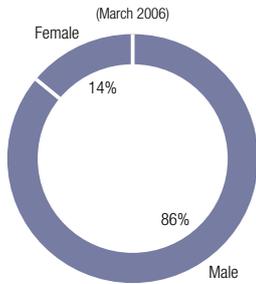
In career development, we believe growth is realized through mutual understanding of the individual’s wishes and goals and the company’s expectations. For this purpose, Hitachi provides various types of opportunities for self-realization and personal growth through work.

Engineer Education: ACE Training^{†1}

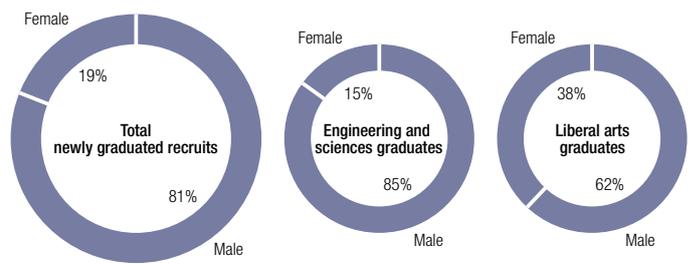
Launched in 2001 by the Hitachi Group, this training program is geared to educating business-development integrators. The aim here is to hone the conceptualization and management skills required for proposing new businesses and acting as its development leader. Trainees receive instruction from executives, superiors, and institute staff over around nine months while formulating medium-term business plans and the technical vision and action plans needed for their realization.

^{†1} ACE Training
Advanced Course for Creative
Engineers aims to train business
integrators.

Male/Female Employee Ratio



Number of Newly Graduated Recruits in Fiscal 2005



*Data: Hitachi, Ltd.

Training Hitachi Group Managers for the Global Scene

The Hitachi Group is engaged in training managers for work on the global scene by offering the Global Strategy Course (GSC) and International Management Course (IMC) to managers in Hitachi's overseas subsidiaries. GSC features joint discussions of group management issues by domestic and overseas managers. In IMC, young managers from all parts of the world come together to learn intercultural management skills and to discuss related case studies. While nurturing a global perspective, these courses contribute to group unity by sharing the corporate philosophy of the Hitachi Group and exchanging information on group businesses.

Establishing a Unified Learning Platform for the Hitachi Group

"Hitachi-LearningGate" was introduced as a group-wide e-learning platform to expand the range of learning opportunities for employees and has some 260,000 users. In this learning environment, courses required for all employees as well as a wide selection of elective courses can be taken. In particular, law-related courses are widely used by group companies to speedily develop a shared understanding of newly enforced legislation. Overseas group companies are also promoting the use of this platform, including a trial course on brand education that was introduced in fiscal 2005 by Hitachi's North American affiliates.

Supporting Career Development

The "Career Development Workshop" ^{t2} is the core component of the "Career Development Support Program" of Hitachi, Ltd. Primarily aimed at employees in their thirties, the workshop is designed to help participants deepen career understanding, engage in career planning for the future, and promote self-realization through work.

Energizing Human Resources

Hitachi, Ltd. and the Hitachi Group companies have adopted an open approach to personnel placement. Established to enable employees to apply for job openings and transfers, the "Group Open-Placement System" ^{t3} received a total of 440 applications during fiscal 2005, resulting in the transfer of 58 employees to jobs of their choice.

Hitachi, Ltd. has also created an "Intra-company Free Agent (FA) System" allowing employees to apply directly for transfers to other divisions. During fiscal 2005, a total of 100 applications were received, leading to 22 transfers.

"Diversity" Respects Individuality

Responding to Declining Birth Rates and the Aging Society

In 2000, Hitachi, Ltd. introduced the "Gender-Free and Family-Friendly Plan" (F.F. Plan), creating a better work environment by eliminating gender considerations from personnel assignment and by striving to maintain a balance between work and family life. Hitachi employees are entitled to maternity leave extending to the end of March following the first birthday of the child. ^{t4} They can also opt for shorter working hours until the child reaches the third grade. Hitachi has adopted a re-employment system allowing persons to resume their jobs after retiring for such reasons as childrearing, long-term care of family members, and transfers of spouse.

The Hitachi, Ltd. Labor Union operates a day-care center for Group employees known as "Genki Club." Located in the Labor Hall of the Union's Software Division, the day-care center has the full support of Hitachi, Ltd. and 20 Group companies. The facility provides full-time care for 23 children and temporary care for 2 children (as of March 2006).

In response to the aging of society, a "life-plan selection system" was introduced in April 2001. By offering re-employment after age 60, the plan aims to provide post-retirement work



Hitachi Group e-Learning System
Hitachi-LearningGate

^{t2} **Career Development Workshop**
A total of about 2,000 employees have participated in workshops since October 2002 (as of March 2006).

^{t3} **Group Open-Placement System**
Originating in Hitachi, Ltd., the system was expanded in March 2004 to cover other companies in the Hitachi Group, with 20 participating companies as of March 2006. More than 380 employees have transferred using this system since its inception in 1991.

^{t4} **Extension of maternity leave**
Maternity leave can be extended by a maximum of six months from the end of the maternity leave period (end of March following the first birthday of the child).

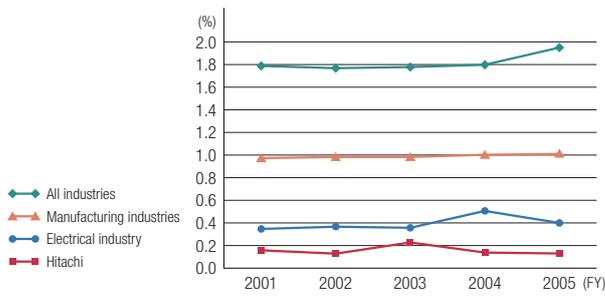
Number of People Using Maternity and Long-Term Care Leaves and Shortened Working Hours

April 2005–March 2006

Maternity leave
Male 6; Female 183
Long-term care
Male 2; Female 5
Shortened hours
Male 2; Female 94

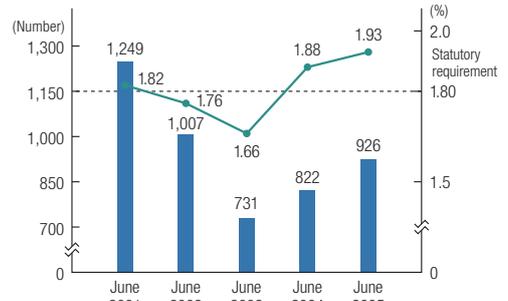
*Data: Hitachi, Ltd.

Labor Accident Rates (per million hours)



*Rates for all industries, manufacturing industries, and electrical industry reflect accidents resulting in four or more days of absence. Rates for Hitachi, Ltd. and Hitachi Group reflect accidents resulting in one or more days of absence.

Ratio of the Physically Challenged



*Data: Hitachi, Ltd.

opportunities to willing employees and to thereby contribute to maintaining a vital company. The system offers reemployment opportunities in specified jobs at Hitachi, Ltd. and Group companies to interested employees who have reached the age of 60.

Promoting Employment for the Physically Challenged

Having actively promoted employment and creation of job opportunities for physically challenged persons, Hitachi, Ltd. has achieved an employment ratio for them of 1.93%, exceeding the level required by law. But the ratio for the entire major affiliated companies stands at 1.69%, falling short of the statutory requirement. The resources of the Hitachi Group are being brought to bear to promote employment and to rectify this situation. For instance, Group companies participate in joint interviews of challenged persons, and the relevant staff provide advice and information on successful cases to Group companies that have yet to reach the required level. Efforts are also being made to improve the work environment for challenged employees, including creation of an Intranet-based counseling service.

Review of Corporate Pensions

Responding to changes in employment patterns and the legal system, Hitachi, Ltd. has thoroughly reviewed its retirement allowances and pensions, and introduced a defined-contribution pension plan at an early stage. In addition to encouraging the active involvement of employees in their own post-retirement planning, this system is aimed at promoting self-reliance. A cash balance plan was introduced in 2003 to raise on-the-job awareness of the pension plan by giving employees a clear picture of their pension-fund balance.

Securing the Safety of Employees

We endeavor to maintain and improve safety and hygiene standards under the motto, "Protecting the safety and health of employees comes before all else." Experiences accumulated over long years are put to effective use as part of our "safety and hygiene knowledge."

In the area of employee health, a health counseling office provides support, while a specialist team of physicians and industrial health staff works to promote health. An EAP^{†5} Center has also been established within the company and an EAP counseling service helps resolve problems through face-to-face, telephone, and online counseling. While giving due consideration to protection of privacy, findings from these programs are relayed to management for use in improving the work environment.

The Hitachi Group is working together to cope with asbestos-related health problems. To alleviate any health concerns, the Group companies pay for and provide medical examinations to all current and former employees who have worked with asbestos. In case the decline or damage of the buildings or facilities in which asbestos was used may cause exposure to the dust, we take steps such as removal, containment, and enclosure.

†5 EAP

Employee Assistance Program providing employees with psychological, physical, and social support.

WEB

The basic policies of Hitachi, Ltd. on HIV/AIDS have been applied to the Hitachi Group since 1995.
<http://www.hitachi.com/csr/society/member/safety/index.html>

voices

"It's comforting that it's so close to work."

Kumiko Saito
Software Division, Hitachi, Ltd.



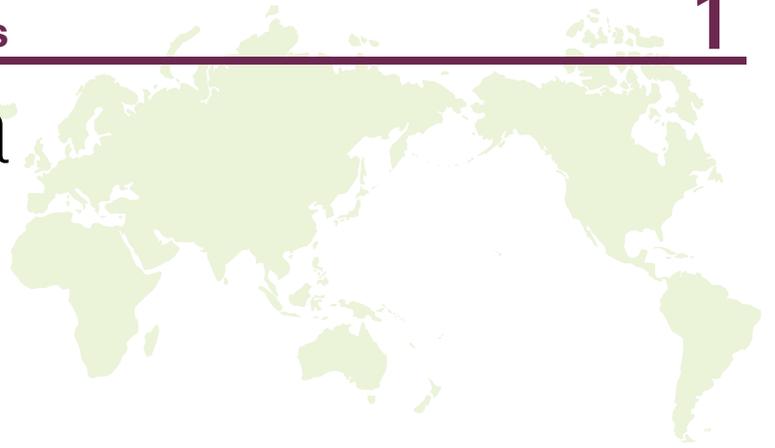
"We have been using Genki Club for a year now, since I got back to work after maternity leave. It's in the building where I work, and it is comforting to know that I can be with my daughter immediately if there is ever any problem. I guess most parents see their children off every morning, but my daughter shares

the commute, and sends me off to my job with a big smile. She has a lot of friends there, and enjoys herself. I really like it, too, since it allows me to work without worries."



Genki Club

North America



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

message

Corporate social responsibility (CSR) is no longer just a buzzword. Being highly responsible partners in the communities in which we operate is a given. Being intensely sensitive to our environment is how we must operate to be a successful global company. I am proud of the performance of the Hitachi Group of companies in North America as active participants in conservation efforts and in helping the needy in our communities.

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

Grassroots Activity by Community Action Committees (CAC)

Reading to schoolchildren, feeding the hungry, comforting the elderly, mentoring high school students, donating blood, and participating in disaster relief efforts are just a few of the many ways that Hitachi companies and employees in North America connect with their communities.

The Hitachi Community Action Partnership, a collaboration of Hitachi North America companies and The Hitachi Foundation, promotes community involvement and corporate social responsibility through a network of employee-driven Community Action Committees, numbering 30 throughout North America, with several thousand Hitachi Group employees participating as volunteers.



CAC activity: The "North American Food Drive" is one CAC activity. Hitachi Group employees deliver foodstuffs by car to underprivileged people in a number of places in North America.

Hitachi Production Affiliates Receive Environmental Awards from California

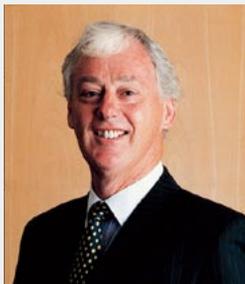
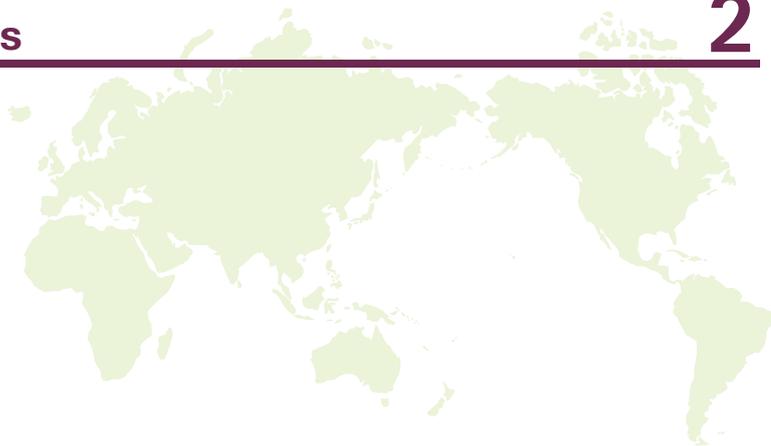
For outstanding achievement in environmental protection and waste reduction, two Hitachi companies have been recognized by the California Integrated Waste Management Board through its Waste Reduction Awards Program (WRAP). Each business is judged based upon its own accomplishments. Hitachi Automotive Products (USA), Inc. in Torrance, and Hitachi Global Storage Technologies (Hitachi GST) in San Jose, were honored as two of the state's top winners of the WRAP for the Year for 2005.

In 2004, Hitachi Automotive Products (USA), Inc. diverted more than 1.8 million pounds (869.5 tons) of materials from disposal and saved 720,000 dollars by utilizing used cores instead of new product for manufacturing. In 2004, Hitachi GST recycled about 72% of the solid waste generated at the site, diverted 1,750 tons of material in 2004, and saved an estimated 20,000 dollars thanks to the resale value of the materials.



California Environmental Award (WRAP) received: A member of the California Integrated Waste Management Board visits a plant of Hitachi Automotive Products (USA).

Europe



Sir Stephen Gomersall
Chief Executive for Europe

message

In today's competitive business environment, companies need closer relationships with their stakeholders and communities to achieve long-term success. Hitachi in Europe works in partnership with our stakeholders to ensure we meet their business expectations, whilst also building trust and awareness in the Hitachi brand.

Hitachi's mission is to act as a good corporate citizen by contributing technology for the economic, social, and environmental benefit of society. To strengthen our CSR activities in Europe we are uniting the efforts of our Group companies to build Hitachi's reputation as a responsible company, partner, and contributor to European society.



The eighth EU Hitachi Science and Technology Forum: Professor Alessandrini of the University of Rome addresses the Forum.

WEB

EU Hitachi Science and Technology Forum
<http://www.hitachiforum.com>



Hitachi Software Engineering Europe (UK) Ltd.'s educational support project. Japanese Minister of Education, Culture, Sports, Science and Technology Kenji Kosaka listens to an explanation of the School Twinning Project, which makes use of an interactive whiteboard.

WEB

The School Twinning Project (London Grid for Learning)
<http://www.japan.lgfl.net/>



Christmas Shopmobility: A Hitachi Europe employee helps a senior citizen in a wheelchair as part of the Christmas Shopmobility program.

The EU Science and Technology Forum

The EU Science and Technology Forum was founded in 1998 as a realization of Hitachi's founder Namihei Odaira's commitment to "Contribute to society through technology." The objective of the Forum is to contribute to public policies that will improve the daily life of EU citizens, by creating a platform for the sharing of knowledge among Hitachi's scientists and researchers and leading experts from academia and industry.

The eighth Forum was held in Athens, Greece from the 20th to 22nd of May, 2005. It brought together around 130 technologists, executives, and policy-makers on the theme "Technology and Its Impact on the City of the Future." After the forum a summary of the findings was widely distributed to officials of the European Commission, members of the European Parliament, academia, business partners, and opinion leaders, as a contribution to the EU public policy debate.

Education Support Program — School Twinning Project

Hitachi Software Engineering Europe (UK) Ltd. recently launched a School Twinning Project in conjunction with the London Grid for Learning (LGfL).

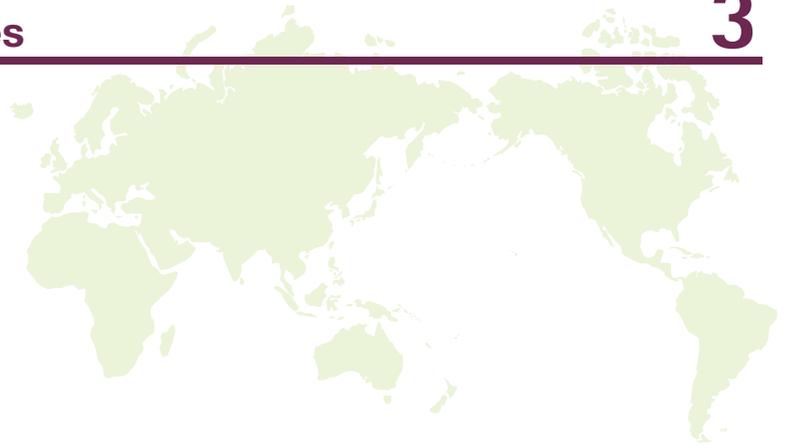
The Twinning Project uses the information and communication technologies (ICT) of Hitachi's interactive whiteboards to enable English and Japanese schools to share in each others' culture, whilst enhancing curriculum offerings by increasing student interest in foreign languages and understanding of ICT.

The project forms part of a wider campaign developed by the Department for Education Services to prepare schoolchildren and young people for working with different cultures and nationalities. This is achieved by twinning schools across the globe, enabling children in different countries to share information.

Volunteer Activities — The Maidenhead Christmas Shopmobility

The Maidenhead Christmas Shopmobility (U.K.) was started in 1995 to help local elderly and disabled people to do their Christmas shopping. In order to achieve this Hitachi Europe Ltd. works with NPO, Maidenhead Shopmobility. The event for 2005 was held with the help of volunteers from Hitachi Europe Ltd. who helped: push wheelchairs, carry shopping bags, and escort their elderly or physically challenged partners around town to enjoy the Christmas entertainment provided by the shops.

Asia



Shunsuke Ohtsu
Managing Director
Hitachi Asia Ltd.

message

For many years, the Hitachi Group has responded to the economic, social, and environmental needs of Asia. Such responsiveness is based on Hitachi's founding ethos of "harmony," "sincerity," and "pioneering spirit," and the fact that we have emphasized on building relations of trust with local communities and governments.

Our social contribution projects and programs have provided technology, know-how, funding, and manpower to countries throughout Asia, fostering beneficial changes in Asia's economies, societies, and environment, while building a foundation for Hitachi Group operations in the region.

Our task is to pass on the founding spirit of Hitachi to the next generation, while working in harmony with communities in Asia.

Singapore: Christmas Light-Up 2005

Hitachi continued its support of the Orchard Road Christmas Light-Up for the 15th year. Since 1991, we have helped to brighten Singapore's tourist belt while contributing to 146 social service programs.

Through the Christmas Light-Up, the Hitachi Group of companies in Singapore raised funds to support social service programs under four areas: Nurturing Children to Succeed, Dignifying the Lives of the Elderly, Keeping Families Together, and Helping People with Disabilities Lead Independent Lives.

As a result of Hitachi's unwavering support of the Christmas Light-Up, we were conferred the Special Recognition Award by the Singapore Tourism Board (STB) on March 2, 2006.

Hitachi Young Leaders Initiative

The Hitachi Young Leaders Initiative (HYLI) is a community relations program developed by Hitachi in Asia in 1996. Reflecting Hitachi's long-term commitment to Asia, HYLI aims to identify and groom potential Asian leaders. The one-week program comprises a forum, student

workshops, and community work. The seventh HYLI was held from July 11 to 16, 2005 in Kuala Lumpur, Malaysia on the theme "Balancing People, Planet, and Profit in Asia's Future."

Thailand: Hitachi Library Project

Since 1993, Hitachi Asia (Thailand) Co., Ltd. has been providing school books and educational materials to elementary and junior high schools in Thailand's remote areas through the Hitachi Library Project. The Hitachi Library Project aims to enhance students' knowledge and reading skills. To date, 160 schools in rural Thailand have benefited from the project.

Thailand: "White Factory"

Hitachi Chemical Automotive Products (Thailand) Co., Ltd. (HCAP) is one of five companies in Rayong invited to participate in the nation's anti-drug exhibition promoting drug-free workplaces. Initiated by the Department of Labour Protection and Welfare under the Ministry of Labor and Social Welfare of Thailand, the project provides employers and workers with information on drug prevention and supports internal policies for drug prevention in factories.



Singapore's Orchard Road Christmas Light-Up: Funds raised through this event contribute to 146 social service programs.

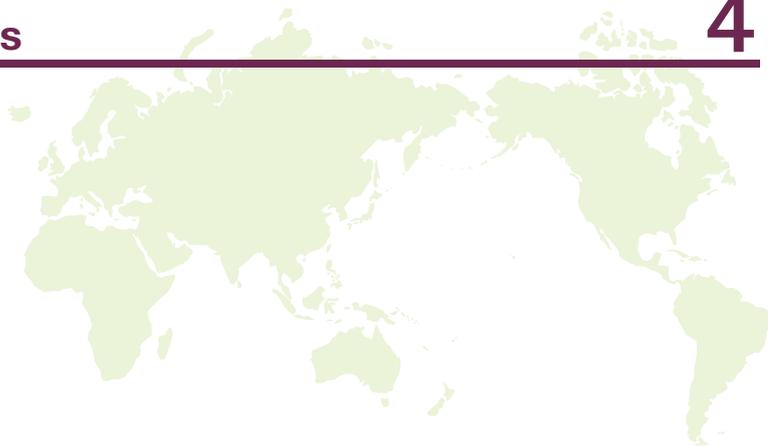


Hitachi Young Leaders Initiative: The seventh HYLI was held from July 11 to 16, 2005 in Kuala Lumpur, Malaysia, bringing together 24 university students selected from Singapore, Indonesia, Japan, Malaysia, the Philippines, and Thailand to discuss the theme "Balancing People, Planet and Profit in Asia's Future".



Hitachi Library Project: Children at Ban Nam Om-Noi School (Thailand), recipient of book donations from the project.

China



Minoru Tsukada
Vice President and
Executive Officer of Hitachi, Ltd.
Chief Executive for China

message

The Hitachi Group believes that making a positive contribution to the resolution of the issues faced by society is an important corporate responsibility. As a member of Chinese society, our company not only provides products and services to satisfy the needs of the customers, but also maintains open and transparent operations as we fulfill our social responsibilities to preserve the environment, to ensure ethical behavior and respect for the law, to achieve harmony with local communities, and to meet the needs of our employees.

We aim to achieve a richer and more vibrant society, hoping to provide new values and dreams. We are aiming to become “The Most Trusted Partner in China” to all Chinese people, and will continue our efforts to earn that trust.



Planting trees: A reforestation project in the Horqin Desert of China's Inner Mongolia Autonomous Region commissioned by Hitachi Construction Machinery (Shanghai) Co., Ltd. from the environmental NGO Green Network. The project is not only expected to help arrest desertification, but also to contribute to the vitality of the region by creating local employment opportunities.



China Fellowship Program Research Seminar: Mr. Liejun Wang, Development Research Center of the State Council of P.R. China, giving a report at the seminar.

†1 **Academy of Macroeconomic Research, National Development and Reform Commission**

Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce of the People's Republic of China; Development Research Center of the State Council; Chinese Academy of Social Sciences.

Promoting Corporate Social Responsibility (CSR)

In fiscal 2005 Hitachi (China) Ltd. prepared a Chinese edition of the Hitachi CSR Report and Guidebook for distribution to Hitachi Group companies in China, and in December established a CSR Implementation Committee within Hitachi (China) Ltd., with the goal of instilling awareness of CSR, sharing information, and considering courses for action in this regard. In March and April 2006, CSR seminars were held in Beijing, Shanghai, and Guangdong for the representatives of local Hitachi Group companies, with the aim of raising consciousness regarding this issue.

Other group training sessions were convened in various locations, including combined training for new employees of Hitachi Group companies, and other training sessions devoted to CSR-related themes such as compliance, procurement, and environmental management.

Contributing to Society

The Hitachi Group sees the environment and education as two significant areas in which it can contribute to Chinese society. Examples of this are the support by Hitachi Construction

Machinery (Shanghai) Co., Ltd. of a reforestation project in the Horqin Desert in the Inner Mongolia Autonomous Region, and the establishment by Shanghai Hitachi Household Appliances Co., Ltd. of the Shanghai Hitachi Hope Primary School in Jiangxi province.

In addition, Hitachi sponsors the Hitachi Cup Chinese Celebrated Universities Debate Invitation Game (2005 was the 11th), bringing together college students from all over China. In fiscal 2005 a China Fellowship Program was also initiated, inviting researchers from China's top research institutes†1 to come to Japan, where they not only participate in seminars, but also have the opportunity to learn more about Japanese culture and make contacts with colleagues. Activities such as these can serve as a bridge between our two countries, building a foundation for future-oriented cooperation.



The Hitachi Cup Chinese Celebrated Universities Debate Invitation Game: The 11th of this series was held in December 2005 in Shanghai.



Yasuo Hatano, "Surrounded by Colors"
(Public Voting Prize of photograph contest with the theme of "The Hitachi Tree,"
promoted by Hitachi, Ltd. in Japan)

Next Eco

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

Hitachi Group's Environmental Action Plan

To realize our environmental management objectives, we have formulated a long-term plan, or "Environmental Vision," based on our Hitachi Action Guidelines for Environmental Conservation. We then create yearly action plans, guided by our Sustainability Compass, verifying and improving our environmental performance along the way using our GREEN 21 program.

Hitachi Action Guidelines for Environmental Conservation

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

Purpose

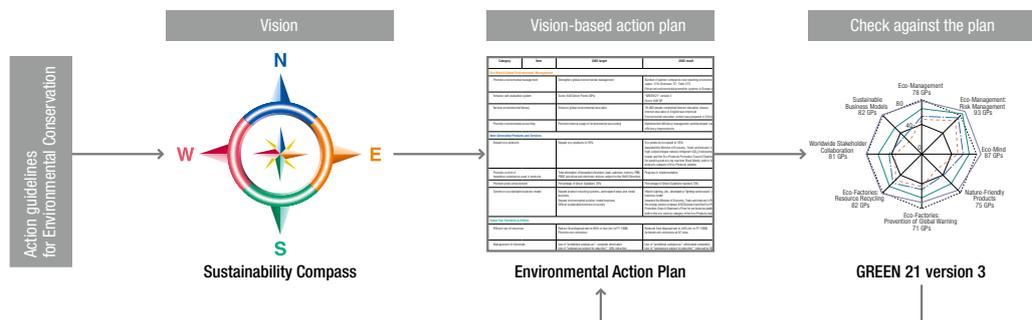
In order to realize an environmentally harmonious and sustainable society through products and services, Hitachi is committed to meeting its social responsibilities by promoting globally-applicable "MONOZUKURI" (designing, manufacturing, or repairing of products), which is aimed at reducing environmental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

Action Guidelines

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

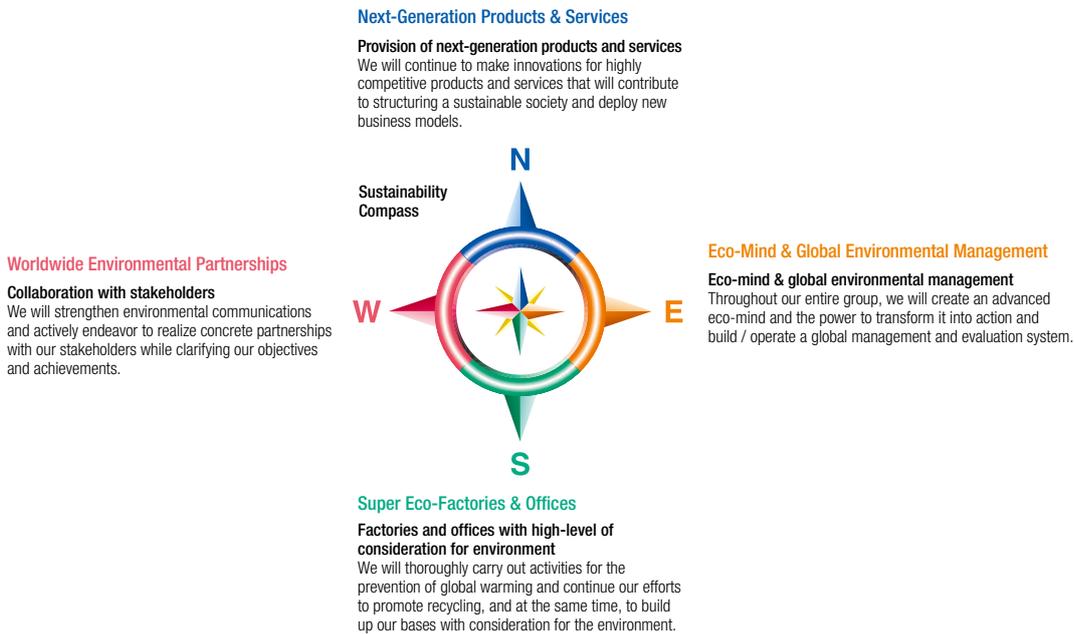
(Adopted March 1993)
(Revised November 2004)

Flow of Hitachi Group's Environmental Activities



Environmental Vision 2015

As a global citizen, we will promote innovation throughout the world while developing the potentials of the future generation to pioneer next-generation products and services.



Hitachi Group's Environmental Vision 2015 and Stage 2 Environmental Strategy

In fiscal 2001, the Hitachi Group formulated its Environmental Vision 2010, which looked ahead as far as fiscal 2010. As part of this vision, we promoted the Stage 1 Environmental Strategy for the period ending in fiscal 2005. The strategy has steadily delivered results. Now, building on this first stage of work, we are putting into effect a new medium-term plan with more ambitious goals, Environmental Vision 2015.

Two key concepts of Environmental Vision 2015 are "Pioneering Sustainability" and "Emission-Neutral." Our "Sustainability Compass" indicates that we must progress along four particular paths, the specific action plan for which is provided in our second five-year plan to fiscal 2010—the Stage 2 Environmental Strategy.

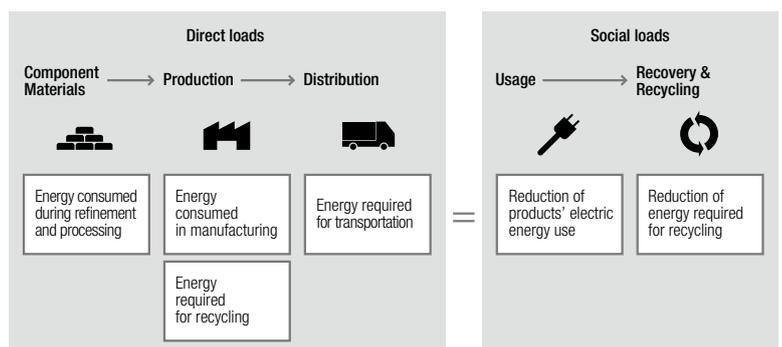
Emission Neutral

In addition to the "direct impact" imposed by the procurement of raw materials, their processing, production, and distribution, there is also

a "social impact" created by finished products after they are in the hands of the user. "Emission Neutral" aims to reduce both types of impacts by equivalent amounts.

Calculations based on our domestic operations for fiscal 2004 indicate that in fiscal 2015 the "direct impact" of our activities will be reduced to approximately 7 million tons of CO₂ equivalent, while, through energy-saving products and other means, we will reduce the "social impact" by approximately seven million tons of CO₂ equivalent as well.

The Concept of Emission Neutral



Roadmap ahead to fiscal 2015

The table presents the roadmap ahead to fiscal 2015 for each "Sustainability Compass" category of Environmental Vision 2015.

Category	Item	2010	2015
Eco-Mind & Global Environmental Management			
Promote environmental management	Create integrated environmental management system, by business group/group companies		Consolidate management of supply chain data source control
Enhance self-evaluation system	Incorporate "GREEN 21" activities and performance appraisals		
Nurture environmental literacy	Establish environmental skill standards and a qualification treatment system		Implement group environmental education for each global region
Promote environmental accounting	Establish environmental accounting that takes into account external economic effects		Utilize sustainability accounting as a management indicator
Next-Generation Products and Services			
Expand eco-products	Increase percentage of Super Eco-Products to 30% 100% development of eco-products		Expand scope of environmental assessment ("social lifecycle assessment")
	Global warming prevention factor: 50% ^{*1} or 20% ^{*2} improvement (rel. to FY 2000) Resource efficiency factor: 70% ^{*1} or 20% ^{*2} improvement (rel. to FY 2000) Use of recycled plastic: 20% increase per product (rel. to FY 2000) Use of packaging material: 10% reduction per product (rel. to FY 2000)		
Promote control of hazardous chemical substances used in products	Take the initiative to set product lifecycle specifications and standards		
Promote green procurement	Give awards to green procurement partners (total 100 companies)		Develop environmental partnerships with a global perspective
Construct a sustainable business model	Expand environmental solution-model business, and diffuse in the company		Improve infrastructure for new energy business
Super Eco-Factories & Offices			
Overall	Increase number of "Super Eco-Factories" to 30		Develop "Emission Neutral Factories"
Efficient use of resources	Waste emissions: 20% reduction (rel. to FY 2000) Resource recycling rate [Japan]: 10% increase (rel. to FY 2005) Water usage [overseas]: 10% reduction (rel. to FY 2005)		Expand recycling system
	Management of chemicals	VOC emissions to the atmosphere [Japan]: 45% reduction (rel. to FY 2000) VOC emissions rate to the atmosphere [overseas]: 10% reduction (rel. to FY 2005)	
Reduce CO ₂ emissions	Achieve specific targets established by the industry group, or: CO ₂ emissions per unit of production [Japan]: 25% reduction (rel. to FY 1990) CO ₂ emissions per unit of production [overseas]: 5% reduction (rel. to FY 2003) Total CO ₂ emissions [Japan]: 7% reduction (rel. to FY 1990)		Adopt measures based on a post-Kyoto Protocol concept
Increase transport efficiency	Energy use per unit of production [Japan]: 4% reduction (rel. to FY 2006)		
Worldwide Environmental Partnerships			
Information disclosure and dialogue	Exchange opinions with environment experts [both in Japan and overseas]		Personnel exchange with environmental organizations
Global citizenship activities	Offer tours of Super Eco-Factories to local communities Develop the Group's environmental programs among social contribution activities		Initiatives for environmental partnerships with stakeholders

*1: Information & Telecommunication Systems, Digital Media & Consumer Products

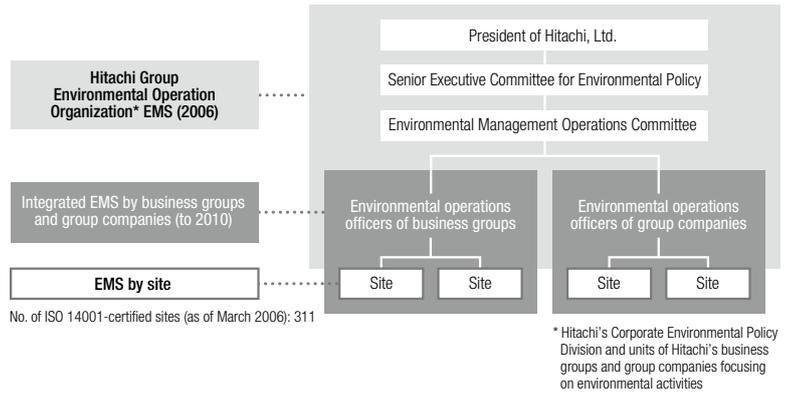
*2: Electronic Devices, Power & Industrial Systems, High Functional Materials & Components, Logistics, Services & Others

Consolidation of Hitachi Group's Environmental Management

In fiscal 2006, Corporate Environmental Policy Division and the environmental management divisions of the individual Group companies will receive integrated ISO 14001 Environmental Management System certification. (Our bases of operation have already earned this certification individual sites.) Moreover, an integrated

certification of ISO 14001 in the business groups and the group companies will be carried out by fiscal 2010. In this way, through a management system Hitachi Group that retains the flexibility to deal with the diversity of the group's fields of business, we plan to execute PDCA (plan-do-check-act) cycles and improve our environmental management continuously.

Application of ISO 14001 to Hitachi Group Environmental Operation Organization



Super Eco-Products

To date we have been developing products based on Design for Environment further, expanding our range of Eco-Products, and working to decrease the environmental impact and increase the Environmental Efficiency Factor, an evaluative tool for improving quality of life.

In our product development, we are defining the products that have an Environmental Efficiency Factor of 10 or more, are industry leaders, and are highly regarded outside the company, as "Super Eco-Products." Looking ahead to fiscal 2010, we intend to expand sales of such products to more than 30% of total sales.

Furthermore, in order to make the Environmental Efficiency Factor an indicator that is easy for consumers to understand, we are collaborating with independent organizations to formulate and standardize guidelines. At the same time, we are also making advances in information disclosure

and taking advantage of customer feedback to help us in development of environmentally-friendly products.

Super Eco-Factories

From fiscal 2006 on, the Hitachi Group will work to achieve further improvements in energy saving, reduce emissions of hazardous substances, and expand resource recycling. There are 300 of the Group's operations sites around the world, that impose a particularly substantial burden on the environment, and we aim to convert 30 of these sites into Super Eco-Factories by fiscal 2010. Standards for the Super Eco-Factories are now being formulated. We plan to certify that these production plants represent the cutting edge in environmental efficiency, in aspects such as use of renewable energy, and minimization of wastewater, chemical emissions, and other waste products.

†1 Carbon offset
The concept of offsetting CO₂ emissions by equivalent contributions in such areas as reforestation.

message

Comment by a Consultant Who Assisted with Environmental Vision 2015

To formulate Environmental Vision 2015, 22 people from the Operations Strategy Department, the Business Department, Group companies, and the Environment Division participated in a two-day retreat. The vision was finalized later, after further study and deliberation in the Group Environment Committee and



Scene at the two-day retreat to draft Environmental Vision 2015

department meetings. Also at the retreat was Peter D. Pedersen, CEO of E-Square, Ltd., who participated as a consultant, offering information and progressive ideas, and guiding the structure of the meeting. We asked Mr. Pedersen to comment on the completed Environmental Vision 2015.

Expectation of Stronger Leadership

The Hitachi Group's Environmental Vision 2015 and its Stage 2 Environmental Strategy convey a clear message and offer concrete goals and targets. They are easy for stakeholders to understand, and progress is easy to verify.

The message of "Pioneering Sustainability" and the ambitious goal of "Emission Neutral" are very interesting to me. The presentation of the roadmap based on "Sustainability Compass" and the maintenance and continuous improvement of the GREEN 21 appraisal system are also very impressive.

One question in my mind relates to

"Emission Neutral." It's not clear whether this big target is a commitment to society (a goal that must be achieved), or more like a wish or desire. I hope to see the kind of enthusiasm and leadership that will really strive to reach this goal, making extensive use of carbon offset †1 methods as far as necessary, on top of promoting energy conservation and improving product efficiency.

Hitachi's Reply to the Comment

We will be implementing "Emission Neutral" as a genuine commitment involving a global collection of data, including data from our suppliers, and be linked with our business strategies.

Peter D. Pedersen
Born 1967 in Denmark. CEO of the CSR and environmental consultancy firm E-Square. He is also known for bringing the "Lifestyle of Health and Sustainability" (LOHAS) movement to Japan.



FY 2005 Action Plan and Achievements

For each item of the FY 2005 Action Plan, the planned actions and actual results compared with targets.

Targets for FY 2006 were formulated based on this information and the newly drafted Stage 2 Environmental Strategy.

Category	Item	2005 target	2005 result	Achievement level
Eco-Mind & Global Environmental Management				
Promote environmental management	Strengthen global environmental management		Number of partner companies now reporting environmental impacts Japan: 218; Overseas: 57; Total: 275 Enhanced environmental promotion systems in Europe and China	◆◆◆
Enhance self-evaluation system	Score: 640 Green Points (GPs)		"GREEN 21" version 2 Score: 649 GPs	◆◆◆
Nurture environmental literacy	Enhance global environmental education		76,000 people completed Internet education classes Internet education in English was improved Environmental education content was prepared in Chinese	◆◆◆
Promote environmental accounting	Promote internal usage of environmental accounting		Implemented efficiency management and developed case studies of efficiency improvements	◆◆◆
Next-Generation Products and Services				
Expand eco-products	Expand eco-products to 76%		Eco-products increased to 76% Awarded the Minister of Economy, Trade and Industry's Prize for high-output integral natural-refrigerant (CO ₂) heat pump water heater and the Eco-Products Promotion Council Chairman's Prize for washing and dry-ing machine (Beat Wash), both in the eco-products category of Eco-Products Awards	◆◆◆
Promote control of hazardous substances used in products	Total elimination of hexavalent chromium, lead, cadmium, mercury, PBB, PBDE (electrical and electronic devices subject to the RoHS Directive)		Progress in implementation	◆◆◆
Promote green procurement	Percentage of Green Suppliers 70%		Percentage of Green Suppliers reached 70%	◆◆◆
Construct a sustainable business model	Expand product recycling systems, and expand lease and rental business Expand environmental solution-model business Diffuse sustainable business to society		Hitachi Lighting, Ltd., developed a "lighting service pack" as a new business model Awarded the Minister of Economy, Trade and Industry's Prize for the energy service company (ESCO) project and the Eco-Products Promotion Council Chairman's Prize for our business platform project, both in the eco-services category of the Eco-Products Awards	◆◆◆
Super Eco-Factories & Offices				
Efficient use of resources	Reduce final disposal rate to 80% or less (rel. to FY 1998) Promote zero emissions		Reduced final disposal rate to 44% (rel. to FY 1998) Achieved zero emissions at 97 sites	◆◆◆
Management of chemicals	Use of "prohibited substances": complete elimination Use of "substances subject to reduction": 30% reduction (rel. to FY 2000)		Use of "prohibited substances": eliminated completely Use of "substances subject to reduction": reduced by 60% (rel. to FY 2000)	◆◆◆
Reduce CO ₂ emissions	Progress toward achievement of specific targets established by the industry organization (FY 2010), or: CO ₂ per unit of production [Japan]: 20% reduction (rel. to FY 1990) Total CO ₂ emissions [Japan]: 3% reduction (rel. to FY 1990)		CO ₂ per unit of real production: reduced by 55% (rel. to FY 1990) [production facilities belonging to the electrical and electronic industries] CO ₂ per unit of production [overseas]: reduced by 0.5% (rel. to FY 2003) Total CO ₂ emissions [Japan]: reduced by 19% (rel. to FY 1990)	◆◆◆
Increase transport efficiency	CO ₂ emissions for transport of products (outside sites): at least 2% reduction (rel. to FY 2000)		CO ₂ emissions for transport of products: reduced by 30%	◆◆◆
Worldwide Environmental Partnerships				
Information disclosure and dialogue	Disclose information through diverse channels worldwide Expand environmental town meetings with local communities		Conducted a Group advertising campaign, "Create the Next Eco" Exhibited at the International Eco-Products Exhibition and Eco-Products 2005 Exhibition Conducted dialogues with local communities at Hitachi Joeli Tech and Hitachi Chemicals Shimodate Office	◆◆◆
Global citizenship activities	Enhance environmental education activities in association with local communities		97 companies participated in activities of a national environmental campaign "Team Minus 6%" 87 facilities participated in Ministry of the Environment-sponsored "Lights Down" campaign Provided educational support for 4 events at Wada Junior High School in Tokyo's Suginami ward, Waseda University, and other venues	◆◆◆

◆: Requires effort for improvement
◆◆◆: Achieved

Targets for 2006	Corresponding page
Obtain certification for environmental management system, under the Hitachi Group Environmental Promotion Mechanism	P. 44 – 45, 48 – 49
Upgrade "GREEN 21" to version 3 and enhance score to 768 GPs	P. 49
Promote Internet education classes	P. 48
Promote internal use of indicators for efficiency in environmental impact reduction and other parameters	P. 50 – 51
Percentage of eco-products: increase to 80% Introduce Super Eco-Products Global warming prevention factor: 17% ^{*1} or 7% ^{*2} increase (rel. to FY 2000) Resource use factor: 24% ^{*1} or 7% ^{*2} increase (rel. to FY 2000) Use of recycled plastic per product: 7% increase (rel. to FY 2000) Use of packaging per product: 4% reduction (rel. to FY 2000)	P. 54
Establish suitable control systems of individual parts to eliminate use of six specific substances in products (June 2006)	P. 55
Increase rate of Green Suppliers to 100%	P. 34
Construct the development plan and sales expansion plan until 2010 for the sustainable business model and devise strategies	P. 57 – 58
Resource recycling rate [Japan]: 2% increase (rel. to FY 2005) Waste generation: 12% reduction (rel. to FY 2000) Water use [overseas]: 2% reduction (rel. to FY 2005)	P. 59
VOC emissions to the atmosphere [Japan]: 41% reduction (rel. to FY 2000) VOC emission rate to the total consumption [overseas]: 2% reduction (rel. to FY 2005)	P. 60
CO ₂ emissions per unit of real production: 21% reduction (rel. to FY 1990) [production facilities belonging to the electrical and electronic industries] CO ₂ emissions per unit of production [overseas]: 2% reduction (rel. to FY 2003) Total CO ₂ emissions [Japan]: 7% reduction (rel. to FY 1990)	P. 62 – 63
Determine the volume of energy used in transport (of products, waste materials) and formulate energy conservation plans	P. 64
Participate proactively in environmental activities organized by various organizations Exchange opinions with environment experts, local residents, and other stakeholders	P. 65
Participate in the "Environment Minister of Our Home" program Add an environmental field to the educational support program conducted by our volunteer employees Implement environmental programs for social contribution by the Group	P. 65

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

Eco-Mind & Global Environmental Management

From firmly establishing the Eco-Mind vision as a part of its corporate culture to building a systematic environmental management system—Hitachi is striving to improve and enhance its system to continually promote efficient environmental management and activities.



The Hitachi Environmental Conference in Asia held in Bangkok, Thailand

Environmental Management System

The Hitachi Group has built a consolidated environmental management system. Hitachi's Senior Executive Committee for Environmental Policy, chaired by the president of Hitachi, Ltd., assesses and determines the environmental policies and strategies of the entire Hitachi Group. These policies are then delegated to the Environmental Management Operations Committee to be communicated throughout the Hitachi Group.

The Environmental Committee and each sub-committee work to achieve goals and resolve problems by conducting investigations and developing technologies and evaluation meth-

odologies. Organizations are set up to promote environmental activities in each business, and environmental operations officers are appointed to manage matters within the business groups of Hitachi, Ltd. and its Group companies, subsidiaries, and affiliated companies.

The Hitachi Group's global activities in 2005 included hosting meetings of environmental committees in various regions of Asia and China, as well as meetings of regional Eco-Factory Committees in China for persons in charge of implementing of activities to exchange opinions and views. In addition, an Environmental Management Center was established in Hitachi (China) Ltd. (Shanghai Office), and a person dedicated

Environmental Management System

Senior Executive Committee for Environmental Policy:

Assesses and sets environmental management policies at executive management level (semi-annual).

Environmental Management Operations Committee:

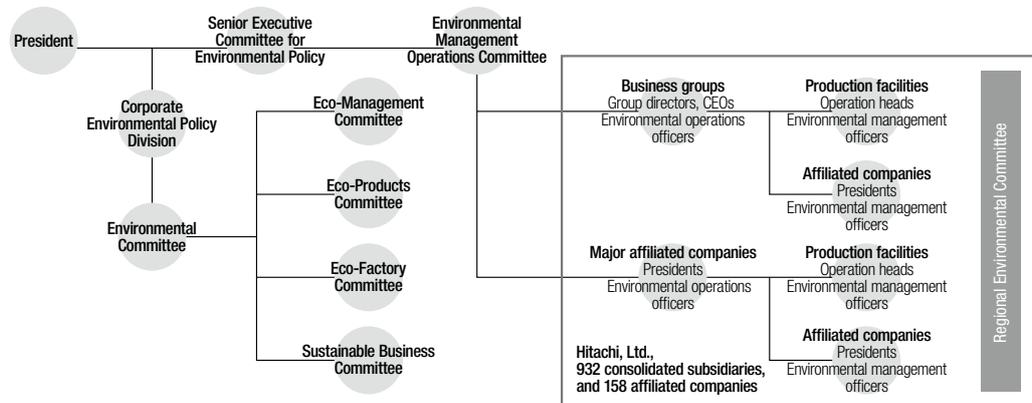
Enforces environmental policies and develops environmental information and activities (semi-annual).

Environmental Committee: Assesses environmental issues and draws up policies (semi-annual).

Sub-Committees:

Discuss issues, draft policy (as required).

Main themes: Eco-Management (environmental management, educational activities, dissemination of information), Eco-Products (promotion of eco-product development, reduction of harmful substances used in products), Eco-Factories (reduction of environmental impacts of production), Sustainable Business (support for the creation of sustainable business models, strengthening of related activities)



Status of ISO 14001 Certification (as of March 2006)

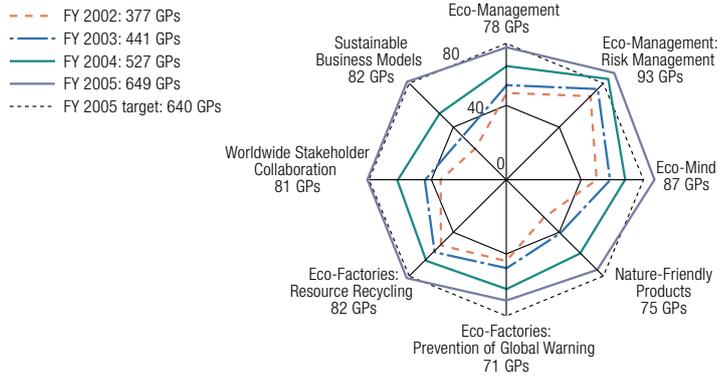
	Japan		Overseas		Total
	Production Sites	Non-Production Sites	Production Sites	Non-Production Sites	
No. of certified sites	176	64	65	6	311

Japan	Asia	49
Hokkaido/Tohoku regions	America	15
Kanto/Koshinetsu regions	Europe	7
Hokuriku/Chubu regions		
Kansai region		
Chugoku/Shikoku/Kyushu regions		
Total		240

Environmental Education and Training System

	General employees	Administration	Executive management level
Group training	Specialized education	Auditor training	Auditor training
		Eco-Products development training	
	General education	Eco-Mind education (via the Internet)	
Training for each company/site based on ISO 14001	Specialized education	Training for employees working in certain operations	
	General education	Eco-Mind education for each company/site	
		Education about environmental management	

Green Point Average: Results and Targets



to environmental matters was appointed in the European Corporate Office.

Environmental Management System Based on ISO 14001

Hitachi has established an environmental management system based on the internationally-recognized ISO 14001 standards. All of our manufacturing operations obtained ISO 14001 certification by 1999, and our non-manufacturing operations were certified by the end of fiscal 2002. (There are currently 311 ISO 14001-certified sites.) To consolidate and enhance environmental activities within the Group, we are currently building an environmental management system with the environmental operations sections of each site playing a central role in management consolidation.

Each site continually improves its operations, undertaking self-assessment by means of internal audits, and receives regular inspections by external certification bodies. Internal audits are conducted by approximately 2,000 auditors who have undergone specialized training and received certification within the Group. Since 1973, each site has carried out environmental audits within its business operations in parallel with its managerial audits.

Environmental Education

All of the employees of the Hitachi Group are given general training to raise their knowledge and awareness of environmental matters, and specialized training how to implement environmental technologies.

General education programs provide management-level personnel with opportunities to obtain a better education in environmental matters, while Internet-based educational programs are being promoted for other employees. (As of March 2006, some 76,000 employees have attended courses given in Japanese and English.) Environmental management system auditors

receive specialized education and design and manufacturing personnel are trained to develop Eco-Products. Specialized training and emergency drills are conducted at the job sites that have a significant impact on the environment.

GREEN 21 Activities

In order to ensure that we continually make improvements and raise the level of our environmental activities, all our work is evaluated by the GREEN 21 (Version 2) system, a set of specific evaluation standards used for measuring environmental activities. Because this system assesses the degree of progress we make towards achieving goals set for a particular fiscal year, based on the mechanism of the activities or specifics of the goals being set, it serves as a vital environmental management tool for promoting environmental activities efficiently.

To rate an activity, the GREEN 21 system evaluates 53 distinct items spread over eight Sustainability Compass categories. The period covered is fiscal 2002 to 2005.

The evaluation is rated on a scale of 0 to 5. A rating of 4 shows the goal has been achieved, while a rating of 5 shows the activity has exceeded the goal. The ratings are then multiplied by a weighting coefficient, with a maximum of 100 "Green Points" ("GPs") being awarded within each category, giving a maximum possible rating of 800 for all eight categories. In fiscal 2005, a score of 649 GPs was achieved, a 29% improvement over the previous year and 9 GPs over the target of 640 GPs. It is particularly remarkable that a 26-GP improvement was achieved in the category Sustainable Business Models as a result of reexamining the business activities of the Group on the basis of shared information. Reinforced environmental efforts raised the overall level.

The GREEN 21 evaluation standards have been upgraded to version 3 from fiscal 2006 to promote active efforts to enhance environmental management activities further.

Evaluation Categories

Eco-Management
Environmental management, action plan, environmental accounting

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

Eco-Mind
Employee training and education

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

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

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

Worldwide Stakeholder Collaboration
Information disclosure, dialog, and community activities

Sustainable Business Models
Development of management systems, planning, product recycling, environmental restoration activities

†1 RoHS Directive

The EU's Reduction on Use of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive will ban the use of six chemical substances in electrical and electronics products sold in the EU member countries from July 1, 2006.

Incentives to Promote Activities

The GREEN 21 Award program has been established to offer incentives for advanced environmental activities to encourage and promote GREEN 21 activities. Based on an assessment of the overall performance of an activity, including the total GREEN 21 score and the rate of improvement, the GREEN 21 Award is conferred on top environmental friendly products and technologies, facilities engaged in groundbreaking energy and resource savings or recycling and reuse activities, or programs achieving outstanding communication with society (information disclosure, cultural exchange, or social contributions). Six activities earned a GREEN 21 Award in fiscal 2005.

Environmental Accounting

Purpose of the System

The Hitachi Group has employed an environmental accounting system since 1999 to promote continual improvements in our environmental investments and activities. The system has also helped people understand our corporate approach to the environment by providing information on how we allocate management resources for environmental activities, and on the value created through environmental technologies and Eco-Products.

While the costs covered in our environmental accounting include depreciation, the effectiveness of our activities is evaluated in terms of both "economic effects," evaluated in monetary terms, and "physical effects," based

on the degree to which environmental impacts are controlled. Economic effects are calculated in terms of numerical values based on clear, precise data. Evaluation of physical effects is based on the effectiveness of reducing environmental impacts not only during the manufacturing process, but also during the use of our products. We are trying to reduce environmental impacts, utilizing an "environmental impact reduction ratio" as an index for evaluating the extent to which each type of environmental impact is reduced per unit of expenditure.

2005 Results

Compliance with the RoHS Directive^{†1} and implementing measures to reduce the environmental impacts of our products has resulted in an increase in R&D costs of 2.7 billion yen, and a 3% increase (2.2 billion yen) in total expenditure. However, as a result of complying with the Directive, the energy consumed through use of our products has been reduced by 720 million kWh.

An increase of 6 billion yen in economic effects was realized through the sale of materials separated out from waste, promoting the reduction of resource use in our products, and from an increase in the price of materials.

With the aim of reducing the environmental impacts and costs, we have introduced "material flow cost accounting" as a trial, assessing the values of the material inputs and material losses (wastes) involved in the manufacturing process.

Final Results

Prize	Business site	Award-winning activity
Grand Prize	Hitachi Appliances, Inc.	Development of the world's first super-energy-saving domestic air conditioner with a "double acceleration system" and of "Beatwash," a super-water-saving washer-dryer
Eco-Mind & Management Sector Prize	Hitachi Transport System, Ltd.	Law-abiding waste management and promotion of the "3 Rs"
Eco-Factory Sector Prize	Hitachi Haramachi Electronics Co., Ltd.	Elimination of SF ₆ use and achievement of zero emissions in the high-pressure diode production process
Sustainable Business Sector Prize	Hitachi Information & Control Systems Division	Promotion of "HDRIVE" (Hitachi motor drive conservation of energy service)
Encouragement Prize	Hitachi Displays, Ltd.	Green Point improvement in overseas operations
Encouragement Prize	Hitachi Global Storage Technologies (Thailand) Ltd.	Energy conservation

Costs

Item	Overview	Costs (Unit: billion yen)				
		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Expenses	Business area costs	Costs of maintenance of equipment with low environmental impact, depreciation, etc.				
	Upstream/downstream costs	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses				
	Management activities costs	Labor costs of environmental management, implementation and maintenance of environmental management system				
	Research and development costs	R&D for the reduction of environmental impacts caused by products and production processes, product design expenses				
	Social activity costs	Environmental improvements such as afforestation and beautification, PR and publicity expenses				
	Environmental damage costs	Environment-related measures, contributions, and levies				
Total		88.28	87.40	80.43	87.62	89.84
Total investment	Investment in energy-saving equipment and equipment that directly reduces environmental impacts	18.01	14.97	10.17	14.10	13.80

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

Effects

Economic Effects*

Item	Overview	Effects (Unit: billion yen)				
		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Net income effects	Profit on sales of recycled waste	5.09	6.08	4.06	6.25	7.72
Reduced expenses effects	Reduction in material costs due to resource saving, reduction in waste treatment costs due to reduced waste, reduction in power expenses due to energy saving	13.56	12.11	11.67	12.77	17.29
Total		18.65	18.19	15.73	19.02	25.01

Physical Effect

Item	Overview	Amount Reduced (parentheses: equivalent no. of households)				
		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Reduction in the amount of energy used during production	Decrease in amount of energy used due to installation of energy-saving equipment	331 million kWh (95,000)	189 million kWh (55,000)	127 million kWh (37,000)	125 million kWh (36,000)	157 million kWh (45,000)
Reduction in the amount of final waste disposal	Decrease in final waste output volumes due to separation and recycling activities	7,369 t (25,000)	5,210 t (18,000)	5,612 t (19,000)	5,922 t (20,000)	5,254 t (18,000)
Reduction in the amount of energy consumed during product usage	Decrease in energy requirements of Hitachi products	552 million kWh (159,000)	742 million kWh (214,000)	507 million kWh (146,000)	730 million kWh (210,000)	723 million kWh (208,000)

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

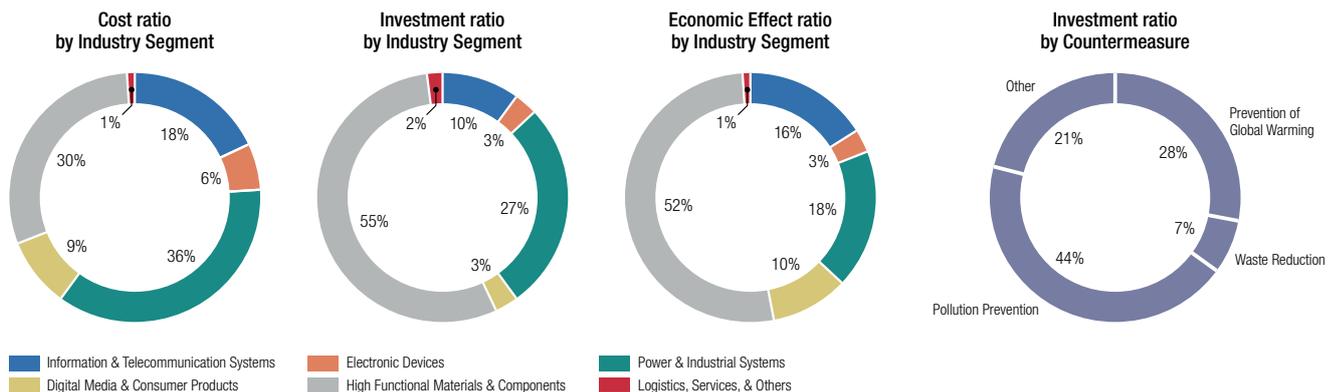
* Economic Effect includes the following items.

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

Efficiency of Environmental Impact Reduction*

Category	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Reduction in energy used during production (million kWh/billion yen)	66	53	44	33	36
Reduction in amount of waste for final disposal (t/billion yen)	1,750	1,200	1,690	1,690	1,6200

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



Environmental Impact Data for Corporate Activities (FY 2005)

This chart shows resource inputs and environmental impacts pertaining to the fiscal 2005 corporate activities of the 275 Hitachi Group companies covered by this report.

Input and Output

Input represents the total volume of energy, materials (raw materials, chemicals, etc.), and water used in manufacturing of products and other business operations. Output represents the products themselves, as well as the environmental impacts caused in the course of business operations, including CO₂ and other chemicals, waste products, and wastewater.

Corporate Activities (Japan)



Total energy consumption (crude oil equivalent)		1,600,000 kℓ
	Electricity	4.81 billion kWh
	Oil (crude oil equivalent)	384,000 kℓ
New energy types		
	Electricity	80 million kWh
	Heat	19,000 kℓ



Total input of materials		
Metals 1,266 kt	Iron (including steel sheeting)	794 kt
	Stainless steel	41 kt
	Aluminum	93 kt
	Copper	300 kt
	Other nonferrous metals	118 kt
Plastics 191 kt	Thermoplastics	170 kt
	Thermohardened plastics	35 kt
Rubber		8 kt
Other materials		356 kt
Chemical substances	Handling volume for chemical substances covered under the PRTR law	203 kt
	Handling volume for ozone-depleting substances	24 t
	Handling volume for greenhouse gases	725 t



Water consumption		59.98 million m³
	Surface water	7.14 million m ³
	Industrial water	26.26 million m ³
	Groundwater	26.48 million m ³

Corporate Activities (Overseas)



Total energy consumption (crude oil equivalent)		617,000 kℓ
	Electricity	1.83 billion kWh
	Oil (crude oil equivalent)	146,000 kℓ



Total input of chemical substances		
Chemical substances	Handling volume for chemical substances covered under the PRTR law	12 kt



Water consumption		14.22 million m³
	Surface water	5.27 million m ³
	Industrial water	6.35 million m ³
	Groundwater	260,000 m ³

OUTPUT



CO ₂ emissions	2,680 kt (2,680 kWGPt†) *0.2% (FY 2005)
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* Ratio of national total, and fiscal year used for comparison. Source for the total figures for Japan was the FY 2004 PRTR results listed in the *Annual Report on the Environment in Japan 2005*. (Ministry of the Environment)

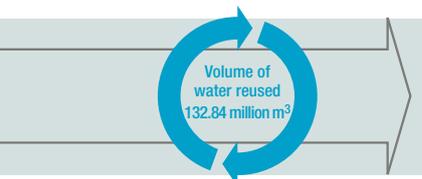


Total volume of products manufactured and sold	2,814 kt including packages	
Volume of chemical substances discharged or transferred		
Discharge or transfer volume for chemical substances covered under the PRTR law	5.6 kt *0.01% (FY 2004)	
Volume of discharge for ozone-depleting substances	4.4 t (0.3 ODPt‡)	
Greenhouse gas emissions 23 t (412 kWGPt)	SF ₆	7 t (168 kWGPt)
	PFCs	6 t (68 kWGPt)
	HFCs	0.05 t (0.6 kWGPt)
Substances subject to emissions regulations	SO _x	583 t *0.0009% (FY 2002)
	NO _x	1,841 t *0.03% (FY 2002)
Total volume of waste generated	592 kt	
Waste generated	592 kt *0.0009% (FY 2002)	
Waste reduction	50 kt *0.0001% (FY 2002)	
Recycling (rate) 524 kt (97%)	Volume re-used	110 kt (20%)
	Volume of material recycled	375 kt (73%)
	Volume of thermal recycled	39 kt (7%)
Final disposal (rate)	18 kt (3.3%) *0.0003% (FY 2002)	



†1 kWGPt
Global warming potential (global warming coefficient, in CO₂ equivalent tonnes). Converted to amount of CO₂ (t) by multiplying greenhouse gas emissions by the global warming coefficient. The global warming coefficient shows the extent of impact on global warming from a greenhouse gas, compared to the equivalent amount of CO₂.

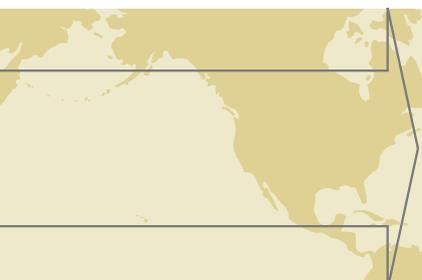
‡2 ODPt
Ozone depletion potential (ozone depletion coefficient in CFC equivalent, in tonnes)



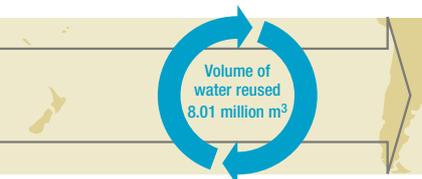
Total volume of wastewater	50.40 million m ³	
Breakdown of wastewater by destination	Public waters	41.24 million m ³
	Sewerage system	9.16 million m ³
Water quality	BOD	327 t
	COD	249 t



CO ₂ emission	1,656 kt (1,656 kWGPt)
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Volume of chemical substances released or transferred		
Discharge or transfer volume for chemical substances covered under the PRTR law	0.6 kt	
SO _x	128 t	
NO _x	88 t	
Total volume of waste generated	179 kt	
Waste generated	179 kt	
Waste reduction	20 kt	
Recycling (rate)	109 kt (69%)	
Final disposal (rate)	50 kt (28%)	



Total volume of wastewater	11.06 million m ³	
Breakdown of wastewater by destination	Public waters	3.18 million m ³
	Sewerage system	7.88 million m ³
Water quality	BOD	133 t
	COD	373 t



Next-Generation Products and Services

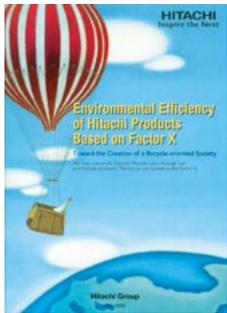
The Hitachi Group is committed to contributing to a sustainable, recycling-oriented society by offering products and services that reduce the burden on the environment by conserving energy and natural resources, preventing global warming, and reducing the use of hazardous chemicals.



Eco-Products

Expanding Eco-Products

In 1999, the Hitachi Group introduced its Assessment for DfE (Design for Environment) to help reduce the environmental burden imposed at each stage of a product's lifecycle. Under this scheme, products are assessed with respect to eight criteria, including resource reduction, product longevity, resource recycling, and ease of decomposition. Products that score at least 2 on a scale of 0 to 5 for all criteria and earn an average score of 3 or higher are designated "Eco-Products." These products are listed in catalogs and websites with an "eco" symbol. As of March 2006, a total of 940 products (4,506 models) were certified as Eco-Products, accounting for 76% of Hitachi's total net sales.



Environmental Efficiency of Hitachi Products Based on Factor X

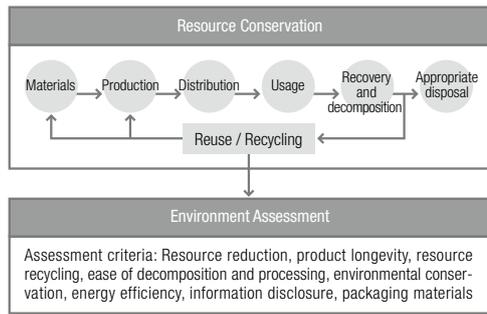
WEB

<http://greenweb.hitachi.co.jp/en/pdf/en-kouritsu.pdf>

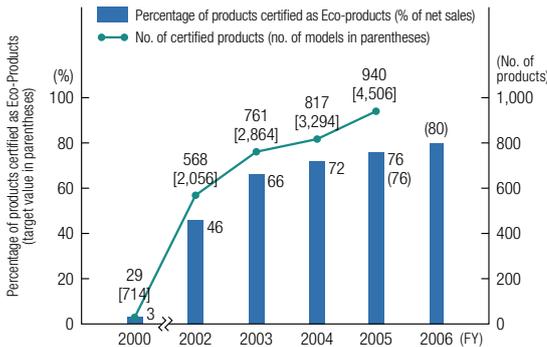
Environmental Efficiency

To utilize natural resources more effectively, Hitachi has introduced an "Environmental Efficiency" index to control environmental impact and resource consumption. The index is used to evaluate products by calculating two measures of efficiency with respect to a product's value in terms of its function and lifespan. The first

Approach to Complete Lifecycle Product Design



Eco-Products Certification Trends



Definition of Environmental Efficiency

Prevention of Global Warming Efficiency = $\frac{\text{Product lifespan}^1 \times \text{Product function}}{\text{Volume of greenhouse gas emissions throughout the product lifecycle}}$

Resource Efficiency = $\frac{\text{Product lifespan}^1 \times \text{Product function}}{\sum \text{Resource value coefficients} \times (\text{new resources used in lifecycle}^2 + \text{resources disposed of in lifecycle}^3)}$

Definition of Factors

Prevention of Global Warming Factor = $\frac{\text{Efficiency in prevention of global warming of evaluated product}}{\text{Prevention of global warming efficiency of reference product}}$

Resource Factor = $\frac{\text{Resource efficiency of evaluated product}}{\text{Resource efficiency of reference product}}$

*1: The specified usage period of a product

*2: The quantity of resources used to manufacture a product, minus the quantity of resources reused or recycled

*3: The quantity of resources used to manufacture a product, minus the quantity of reusable or recyclable resources

FY 2005 Awards

Award name	Initiative	Company name*
Second Eco-Products Awards (sponsored by the Eco-Products Awards Promotion Council)		
Minister of Economy, Trade and Industry Prize (Eco-Products category)	High-Output Integral Natural Refrigerant (CO ₂) Heat Pump Hot Water Heater	Hitachi Appliances, Inc.
Minister of Economy, Trade and Industry Prize (Eco-Services category)	ESCO Project	Hitachi, Ltd.
Promotion Council Chairman's Prize (Eco-Products category)	Washer-dryer (Beat Wash)	Hitachi Appliances, Inc.
Promotion Council Chairman's Prize (Eco-Services category)	Industry Platform Operations (Consolidated Logistics)	Hitachi Transport System, Ltd.
Environmental Efficiency Awards 2005 (sponsored by the Japan Environmental Efficiency Forum)		
Japan Environmental Efficiency Forum Chairman's Prize (Product Performance category)	Environmental efficiency of the Hitachi Group	Hitachi, Ltd.

* Company names are given as of April 1, 2006



External DVD camera packaging
Before (left) and after (right)

measure is the ratio of the product's value to the total raw materials used in its production and the amount of waste remaining when the product is disposed of (resource efficiency); the second is the ratio of a product's value to the quantity of greenhouse gases generated during its lifecycle (prevention of global warming efficiency). We have also devised another measure, or factor, which expresses the improvement in a product's environmental efficiency relative to a reference year.

In 2005, we calculated the environmental efficiency of Hitachi Group products, and compiled representative examples in a leaflet entitled *Environmental Efficiency of Hitachi Products Based on Factor X*. In recognition of this initiative, the Group received the Japan Environmental Efficiency Forum Chairman's Prize at the Environmental Efficiency Awards 2005.

Management of Product Chemical Content

Compliance with the RoHS Directive

To comply with the European Union's RoHS Directive, we are working toward the complete elimination of the six chemicals specified in the directive—lead, hexavalent chromium, cadmium, mercury, PBB, and PBDE. By working in cooperation with its suppliers and through its own engineering development efforts, Hitachi has taken significant strides, including adopting lead-free and hexavalent chromium-free parts.

Development of a Chemical Management System

We have been working since fiscal 2005 to familiarize Group companies and their suppliers with our Environmental CSR-Compliant Monozukuri Standards, formulated in 2004. Hitachi has held 58 briefings, both in Japan and overseas, to educate more than 3,000 people who will be involved in promoting the standards.

As part of our Unified Management System for Products Containing Hazardous Substances, we

have enhanced the function of "A Gree'Net," our database system of environmental information, including chemical composition of procurement materials and parts. As of March 2006, the database had a total of about 14,000 users and 160,000 registered parts.

Preparation for Enactment of REACH^{†1} Regulations

To promote safety evaluation of existing chemicals, the EU is currently deliberating on enacting the REACH regulations. These regulations would cover the vast range of existing chemicals and make it obligatory to control and register the chemical substances contained in products. The Hitachi Group is currently investigating more efficient management methods to ready itself for this eventuality.

†1 REACH

Registration, Evaluation, Authorization, and Restrictions of Chemicals
Under this proposed EU regulatory initiative, all businesses within the EU zone that manufacture chemicals governed by the regulations, or products containing the chemicals, as well as all manufacturers and sellers that export the chemicals to the EU zone, will be obligated to keep records of and file reports on the chemicals they handle. The date of implementation is not yet decided.

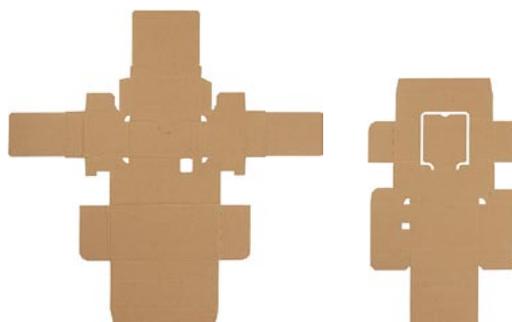
Total Elimination of Asbestos in Products

In order to completely eliminate asbestos use in products, the Hitachi Group is working to develop suitable alternative materials, even for applications that fall outside current asbestos regulations. The use of asbestos for consumer products was totally discontinued in October 2005.

Resource Conservation Initiatives

Improved Packaging for DVD Cameras

The Hitachi, Ltd. Ubiquitous Platform Systems Group and Hitachi Transport System, Ltd. have worked to improve the packaging used for DVD cameras. By devising ways to store the product



Comparison of unfolded cushioning materials for cardboard DVD camera packaging
Before (left) and after (right)

†1 COP

(Coefficient of Performance)

A measure of heating ability relative to electric power consumption. The higher its value, the higher the efficiency.

†2 PAM

(Pulse Amplitude Modulation)

A method of transforming the amplitude of voltage or current to control the output of a signal.

†3 PFC (perfluorocarbon)

A type of greenhouse gas. Although these gases are not considered harmful to the ozone layer, they have an extremely powerful effect on global warming (thousands of times greater than CO₂). For this reason, the Kyoto Protocol calls for emissions of PFCs to be cut. PFCs are used mainly in cleaning processes in semiconductor manufacturing.

†4 HICDS

Abbreviation for HITACHI Catalytic Decomposition System

†5 Catalysis

Catalysis enables the decomposition of PFC gases with an effectiveness of more than 99%, using relatively little energy.

†6 Thermal NOx

One of the nitrogen oxides (NOx) formed in thermal combustion processes. When the N₂ and O₂ contained in combustion air react at high temperature, they form NO (thermal NOx).

†7 Lumen (lm)

A unit of brightness. This is the average value for the Wooo PJ-TX200J at the time of shipping. This figure is in accordance with JIS (Japan Industrial Standard) JIS X 6911 (2003, Project Manual Format).

†8 Eco Leaf Environmental Label

Type III label from system administered by the Japan Environmental Management Association for Industry (JEMAI). Shows quantitative environmental information pertaining to all stages of a product's life—from the extraction of natural resources, to manufacture, distribution, usage, and disposal and recycling, utilizing LCA (lifecycle assessment) techniques.

Some of Our Eco-Products

High-Output Integral Natural Refrigerant (CO₂) Heat Pump Hot-Water Heater—“Eco Cute”

(Hitachi Appliances, Inc.)

The industry's first direct-heating domestic hot-water heater efficiently absorbs heat from the atmosphere to instantaneously and continuously heat water. Does not require a storage tank and greatly reduces energy consumption and CO₂ emissions compared to gas and oil devices. Winner of the Second Eco-Products Awards' Minister of Economy, Trade and Industry Prize and the Second Grand Energy Conservation Prize's ECCJ (Energy Conservation Center, Japan) Chairman's Award.

Prevention of global warming factor: 1.4 / Resource factor: 1.3

Eco-friendly features • Compact, space-saving hot water heater that does not require a large volume of water storage • Achieves a COP^{†1} rating of 4.6 due to original PAM^{†2} technology • Uses a natural refrigerant, CO₂ • Lowest CO₂ emissions of any heat pump-type hot water heater (as of April 2005)



Catalytic PFC Decomposition System (Hitachi, Ltd.)

Greenhouse gas PFC^{†3} is released in the manufacturing process of semiconductors and liquid crystals, and it is necessary to limit its emission as much as possible. The Hitachi Catalytic PFC Decomposition System (HICDS^{†4}) was developed to efficiently convert the PFC gases emitted from etching processes. As of the end of 2005, 300 HICDS systems had been shipped. The technology used in this system earned the Minister of Education and Science Invention Encouragement Prize and the Practical Merit Prize at the 2005 Kanto Region Invention Awards, and the Climate Protection Award for 2002 from the U.S. Environment Protection Agency.

Prevention of global warming factor: 27 / Resource factor: 13

Eco-friendly features • Utilizes catalysis^{†5} to reduce energy consumption to 75% of that for plain combustion • Inhibits generation of thermal NOx^{†6} by catalytic reaction • Utilizes recycled water to cool decomposed gas • Integrated heater elements reduce number of parts in construction by 10%



Commercial Package-Type Air Conditioner Inverter (Hitachi Appliances, Inc.)

The industry's first side-flow blower, package-type commercial air conditioner with a heat output of 22.4 to 33.5 kW. Its superior energy-saving performance cuts annual electric power charges by half compared to conventional devices. Won the fiscal 2005 Grand Energy Conservation Prize's Minister of Economy, Trade and Industry Award.

Prevention of global warming factor: 2.6 (NP280) / Resource factor: 2.0 (NP280)

Eco-friendly features • Industry-best COP 4.24 (22.4 kW) thanks to a high-efficiency DC inverter compressor and heat-exchanger optimization technology, reducing annual CO₂ emissions of 2.2 tons • World's lightest and most compact unit due to use of a narrow-diameter heat exchanger and world-first external side flow blower • World's quietest device (52 dB at 22.4 kW) due to new-type large-diameter propeller fan (as of April 2006)



LCD Projector—Wooo PJ-TX200J (Hitachi, Ltd.)

A high-definition (HD) LCD projector for home theater systems, featuring both high contrast and high brightness (1200 lm^{†7}), utilizing a new “Wooo HD lens” and a twin iris mechanism. In January 2006 earned “Eco Leaf” environment label^{†8} certification.

Prevention of global warming factor: 24 / Resource factor: 19

Eco-friendly features • Total elimination of PVC in device parts • Uses non-halogen flame-retardant for casing • Uses pulp mold instead of polystyrene foam for packaging





The Beat Wash washer-dryer (BW-DV9F) features a stand frame and other parts made of recycled plastics.

and its accessories and reviewing the use of cushioning materials, they managed to reduce the external volume of the package by 35% and the quantity of cardboard used by 17%. They also simplified the packaging procedure and increased truck-loading efficiency by 26%, thereby achieving a reduction in CO₂ emissions during transport.

Use of Recycled Plastics

A major issue with recycled plastics has been the deterioration in quality that occurs with long-term use of products. As part of the New Energy and Industrial Technology Development Organization's (NEDO) Practical Application of Technologies for a Recycling-Based Society in fiscal 2001, Hitachi pursued the development of renewable technology for plastics recovered using the Group's domestic appliance recycling plant, and in April 2002 a project plant was established in Hitachi Taga Technology, Ltd. Using recovered plastics, functional polypropylene (PP)

resins were produced for use in the frames and outer tanks of washer-dryers and fully automatic washing machines.

Sustainable Business Model

What Is a Sustainable Business Model?

To help realize a sustainable recycling-oriented society that balances economic, social, and environmental needs, the Hitachi Group has worked hard to build a sustainable business model. As part of this effort, Group companies are working together to share information, create synergies, and to pursue initiatives on new Group projects in energy conservation, GHG^{†9} decomposition and recovery, and the Clean Development Mechanism (CDM)^{†10}.

†9 GHG (Greenhouse Gas)

GHGs are gases dispersed in the atmosphere that contribute to the greenhouse effect. The Kyoto Protocol calls for the reduction of six types of GHGs to prevent global warming—carbon dioxide, methane, nitrous oxide, HFCs, PFCs, and SF₆.

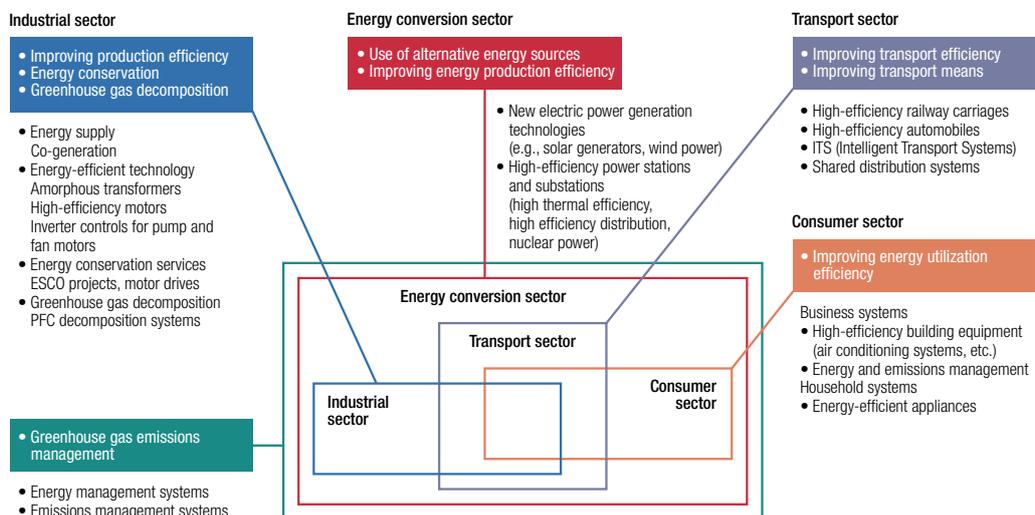
†10 CDM (Clean Development Mechanism)

A mechanism that enables industrialized countries to jointly undertake greenhouse gas reduction projects in industrializing countries, and allows the achieved increases in GHG absorption capacity or reductions in GHG emissions to be credited to the investing countries, and counted towards their own GHG reductions.

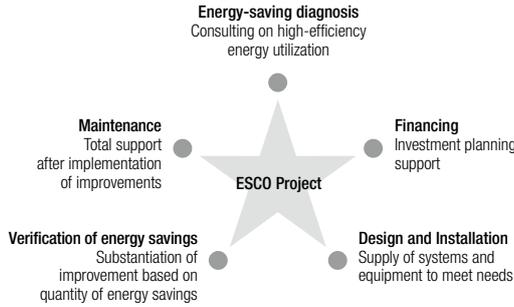
Global Warming Countermeasures Business

The Hitachi Group is committed to developing solutions to support the battle against global warming in the fields of energy conversion and in the industrial, consumer, and transport sectors.

Global Warming-related Business Fields and Initiatives



ESCO Projects



†1 JI

(Joint Implementation)
Under this mechanism, industrialized countries that ratified the Kyoto Protocol can work together to help meet their own emission reduction targets by undertaking joint projects to reduce greenhouse gas emissions or increase absorption capacity. The emission reduction units they earn can be shared as credits by the investing countries. Legal entities are permitted to participate in this mechanism.

†2 ESCO Project

(Energy Service Company)
A new form of business in which the cost of investing in energy-saving technology is covered by the energy reductions achieved. In an ESCO project, a factory or building is provided with comprehensive energy conservation services, with a guarantee that it will save energy without the environmental harm previously caused. In return, the ESCO is compensated by the cost reductions achieved by the investment. The user benefits from a long-term reduction in energy consumption and CO₂ emissions.

†3 Manifest

This is a document used when a company contracts out the disposal and processing of the industrial waste it generates. The manifest confirms the entire flow of processes as the waste passes from one operator to another, by requiring documentation of details, such as the type of industrial waste, the quantity, the transport company, and treatment company. Manifest management of subcontracted industrial waste handling is required by law.

Already it is delivering products and services in a broad range of technological fields such as energy conservation, decomposition and recovery of greenhouse gases, and information systems to support the reporting of greenhouse gas emissions and emissions trading.

The Group is also actively tackling overseas projects aimed at global warming prevention and energy conservation, including CDM projects, to address the need for the global-scale environmental measures required under the Kyoto Protocol. As a pioneer in this field, Hitachi Production Systems' high-efficiency amorphous transformer CDM project was adopted by NEDO (an independent organization) for use in the fiscal 2005 CDM/JI †1 Feasibility Study Project.

ESCO (Energy Service Company) Project

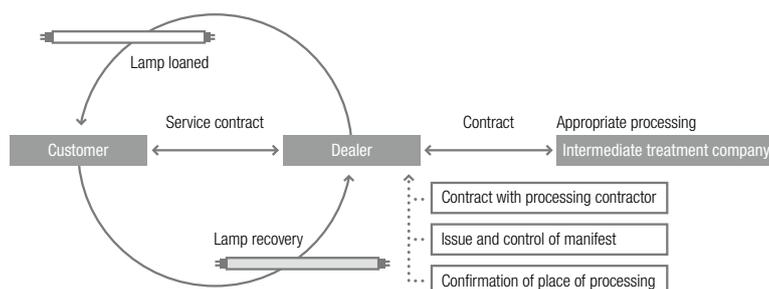
Hitachi's ESCO Project †2 is designed to provide comprehensive energy conservation services, involving not only the introduction of energy-saving equipment, but also the utilization of exhaust heat with consideration to balancing electric and thermal energy. The project aims to substantially reduce electrical energy consumption and CO₂ emissions. Taking advantage of the Group's collective strengths, Hitachi has already achieved remarkable success in a wide variety of sites, including factories, hospitals, office buildings,

and research facilities. In projects undertaken between 2000 and 2005, it has achieved an aggregate reduction of approximately 120,000 tons per year of CO₂ emissions, and approximately 48,000 kl per year in energy savings through conversions from oil. In recognition of these efforts, Hitachi won the Second Eco-Products Awards' Minister of Economy, Trade and Industry Prize (Dec. 2005), as well as a Gold Medal at the First ESCO Excellence Awards (sponsored by the Energy Conservation Center, Japan) (Feb. 2006).

Lighting Service Pack

Hitachi Lighting, Ltd. has launched a Lighting Service Pack that, in cooperation with agents, provides businesses with total support, from the supply of lamps through to their final disposal. Under the system, lamps are lent to the businesses, who then return the lamps after use. The system reduces the cost to businesses of disposing of used lamps and other expenses such as the administration costs related to manifests †3. It also enables the achievement of zero net emissions for lamps. Glass, mercury, and other materials are recovered from the fluorescent lamps collected by dealers, resulting in a recycling rate of approximately 98%.

Flow of the Hitachi Lighting Service Pack Initiative



Super Eco-Factories & Offices

Efficient use of resources, management of chemical substances, and prevention of global warming—

The Hitachi Group has embarked on an ambitious program to reduce the environmental impact of its production facilities and offices, and is committed to quickly reaching its targets.

Efficient Use of Resources

Reduction of Final Waste Disposal

To reduce the environmental impact of its production activities on the environment, the Hitachi Group is working to reduce the amount of waste going to final disposal sites by promoting the “3Rs”—reduce, reuse, and recycle. In view of the shortage of waste disposal sites in Japan, the Group is committed to cutting its final waste to 70% of the fiscal 1998 (reference year) level by fiscal 2010. In fiscal 2005 total waste fell to 44% of the fiscal 1998 level, making it the third year in succession that the target was exceeded. 97 facilities have achieved zero emissions^{†1} (up 26 from the year before). We are working to further promote zero emissions and reduce the quantity of generated waste.

Recycling

Hitachi, Ltd.’s Hitachi Works has commenced a total uniform recycling system. Using a three-step process, some 5,000 uniforms are recycled each year, resulting in energy saving equivalent to approximately two tons of oil. In step 1, a used uniform is recovered. In step 2, the recovered uniform is recycled and re-made into a new one in cooperation with a recycling company, and in step 3, the re-made uniform is purchased back. This initiative is now being extended as an autonomous recycling project to other facilities,

including the Hitachi Research Laboratory and Hitachi Engineering & Services Co., Ltd.

Improving Resource Productivity

Material flow cost accounting enables identification of factors leading to material loss in production processes and subsequent improvements to reduce waste and costs. This method was introduced as a trial by Hitachi Maxell, Ltd. for its minidisc manufacturing process. The flow of resources is tracked for each material, and measures are implemented to reduce wastage. As a result, spending on resources and the quantity of generated waste have both fallen. From now on, resource productivity improvement initiatives will be applied to all kinds of processes, and Hitachi will strive to cut wastage as far as possible throughout its production operations.

Efficient Use of Water Resources

Hitachi is making efforts to reduce its industrial water consumption by recycling cooling water. In Japan, Hitachi Joei Tech Co., Ltd. has adopted a cooling-water recycling system for plasma TV cabinet injection molding machines, thereby reducing consumption by 20 km³ per year. Overseas, Hitachi Semiconductor Singapore Pte. Ltd. has reduced its water usage by 110 km³ per year, using of an ion exchange-based wastewater recycling system.



Uniform collection box at Hitachi Works

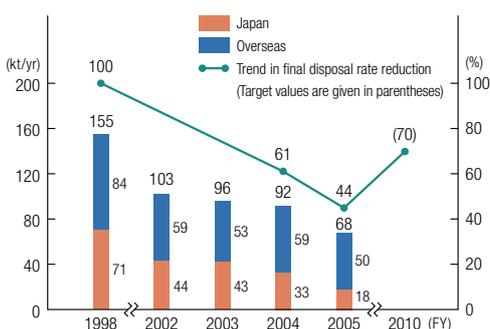
†1 Zero emissions

The Hitachi Group defines “zero emissions” as “no more than 1% of total generated waste, and less than 5 tons of total waste going to final disposal sites per year”

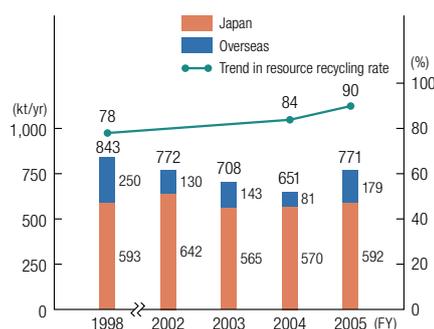
How to read the graphs

(applies to pp. 59 to 64)
The number of Group companies contributing to the aggregate environmental impacts varies according to changes in Group companies. When a target reference year is given, figures refer to fiscal 2005 aggregates for 275 group companies, to show the extent of progress toward meeting the target as of 2005. In other cases, the data shown is the aggregate for the number of companies applicable for the corresponding fiscal year.

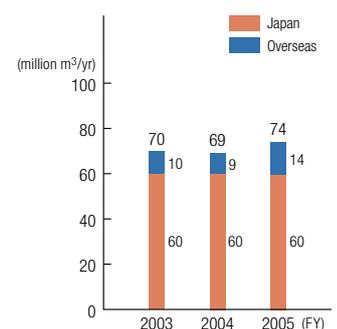
Final Waste Disposal Reduction



Waste Generated



Water Usage



†1 CEGNET

Chemical Environmental Global Network

†2 VOC

Volatile Organic Compounds
A generic name for organic compounds that evaporate easily and linger in the atmosphere as gases.

†3 PRTR

Pollutant Release and Transfer Register
There are 354 groups of substances (Appendix 1 of Cabinet Order) that are subject to control under the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of Improvement of Their Management, enacted in 1999 in Japan.

Management of Chemicals

Chemical Risk Management

In 1998 Hitachi launched CEGNET (Chemical Environmental Global Network) †1, an online system for the group-wide management of chemicals in Japan. When the introduction of a new chemical is considered, information is collected on its hazardous properties as well as relevant laws and regulations, and the Special Committee for Chemical Substances assesses the pros and cons of using the substance. To ensure proper management of any controlled hazardous chemicals, handling is closely coordinated with the departments at each facility that are responsible for design, manufacturing, and purchasing.

Reducing VOC†2 emissions

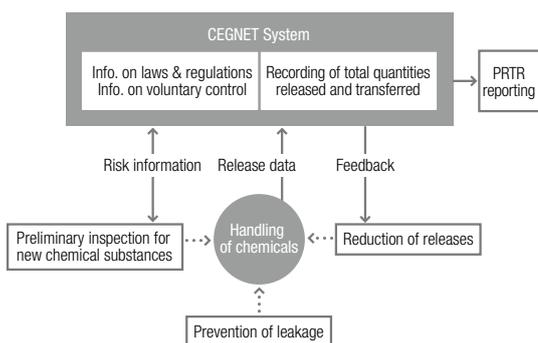
In response to an amendment to the Air Pollution Control Law in Japan in April 2005, Hitachi worked to reduce VOC emissions in all facilities subject to the provisions of the law. At the same time, even at facilities not covered by these provisions, voluntary measures were taken to cut VOC emissions. The national reduction target is 30% by fiscal 2010, and Hitachi is committed to cutting its VOC emissions by 45% within the same time frame.

Survey of Substances Covered by the PRTR Law†3

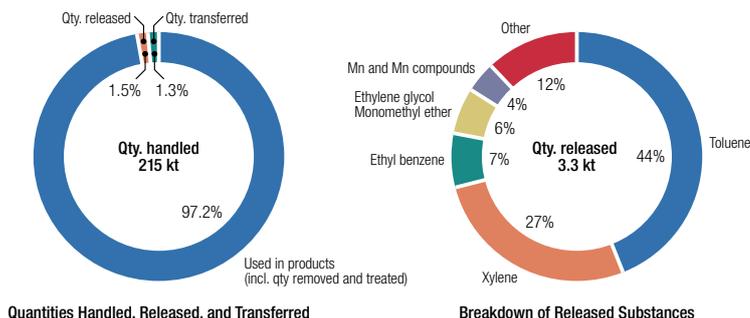
The Hitachi Group collects data on all substances governed by Japan's Pollutant Release and Transfer Registers (PRTR) Law (formally the Law Concerning Reporting, etc., of Release of Specific Chemical Substances to the Environment and Promotion of Improvement of Their Management). Data is collected on all substances handled in quantities of 10 kilograms or more per year, even when such an amount is below the minimum for mandatory reporting under the law. In addition, Hitachi monitors all discharges into the atmosphere and public waters, as well as transfers such as removals in the form of waste from facilities or as effluent released into sewerage systems.

During fiscal 2005, the Group used approximately 200,000 tons of chemicals, including 114 of the 354 varieties covered by the PRTR Law. Of the total amount handled, 1.5% was released and 1.3% transferred. The three most used substances in terms of emissions were toluene and xylene (included in paints), ethylene glycol, and monomethyl ether (used as a plastics solvent). In total, 110 facilities submitted reports to the relevant local governments as required under the PRTR Law.

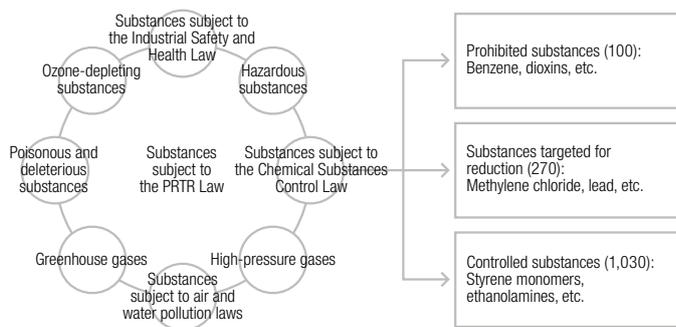
Chemical Risk Management



Survey Results for Substances Covered by Japan's PRTR Law
(Reported release and transfer quantities for fiscal 2005)



Substances Subject to Voluntary Control



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

Voluntary Controls to Reduce Environmental Impacts

Besides controlling substances under the PRTR Law, Hitachi voluntarily controls the amounts of release or transfer of approximately 1,400 substances (including substances not controlled by the PRTR Law), classifying them into one of three categories: “prohibit,” “reduce,” or “control.” Hitachi set itself the target of reducing the total release of substances in the “reduce” category to 70% of the fiscal 2000 figure by fiscal 2005. Through its efforts, chemical releases in fiscal 2005 were down to 40% of the fiscal 2000 level.

Practical Examples of Reduction and Control of Released Chemicals

The Hitachi Chemical Group is making sustained efforts to reduce the quantity of chemicals released at Group facilities. A total of 2,000 tons were released into the atmosphere in fiscal 2005—a 70% reduction of the fiscal 2000 level. To comply with the new VOC regulations that take effect in fiscal 2006, Hitachi Chemical is extending its use of treatment equipment for gas emissions and making further cuts through voluntary control efforts. Other initiatives to control VOC emissions include checking surrounding soil for VOC pollution using a bioassay^{†4} evaluation system, as well

as more established analysis methods.

The Hitachi Group is also offering a service that provides gas emissions treatment systems both within and outside the Group. For example, Babcock-Hitachi, Ltd. provides VOC treatment equipment that uses a thermal storage medium combustion method to support efforts to reduce atmospheric pollution.

Preventing Pollution of Soil and Groundwater

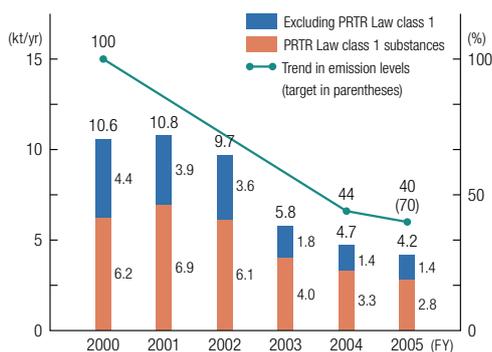
Hitachi is working to prevent leakage of chemical substances by converting underground piping, pits, and tanks to above-ground facilities, thereby making inspections easier. To avoid leakage from underground tanks that are not yet converted, the tanks are inspected rigorously using techniques such as ultrasonic testing, and tested for corrosion. Hitachi Kyowa Engineering Co., Ltd. conducts speedy analysis using a mobile soil analysis laboratory, and traditional analysis methods, to support the numerous site management and survey systems that are being implemented.

†4 Bioassay evaluation system
 A system for directly evaluating the chemical risk to living things in the environment



Use of bioassay evaluation system

Trend in Emissions of Substances Targeted for Reduction



Mobile soil analysis lab

†1 Specific emissions targets set by industry groups

The target for the electrical and electronics industry is reducing CO₂ emissions per real production unit to 25% below the fiscal 1990 level.

†2 Per real production unit

CO₂ emission (t-CO₂) ÷ production output (100 million yen) ÷ domestic corporate price index (electrical equipment) determined by the Bank of Japan

Prevention of Global Warming

CO₂ Reduction—Japan

The Hitachi Group has committed itself to two essential CO₂ emission reduction targets—cutting its total CO₂ emissions by 7% below the 1990 level by fiscal 2010, and in the same period either meeting specific emissions targets set by industry groups ^{†1}, or reducing CO₂ emissions per unit of production to 25% below the fiscal 1990 level. In fiscal 2005, the Hitachi Group invested 5.1 billion yen in energy conservation measures, resulting in energy savings equivalent to 250 million liters of crude oil and reducing CO₂ emissions by 45 kt per year. Total CO₂ emissions for the year amounted to 2,680 kt-CO₂, or 81% of the fiscal 1990 level. The specific target for sites belonging to the Electric, Electronic Industries Association was a decrease of 45% in CO₂ emissions per real production unit ^{†2} from the 1990 levels.

In 2003, Hitachi launched its CO₂ emissions reduction system, which ranks designated production facilities according to their progress in meeting reduction targets. In the past year, the number of plants meeting the system's targets rose from 32 to 48 (out of 77). Currently, efforts are focusing on cutting emissions by adopting of energy-saving Hitachi products. Examples include converting to metal halide lamps, which consume only half as much energy as mercury lamps, and upgrading to high-efficiency amorphous transformers.

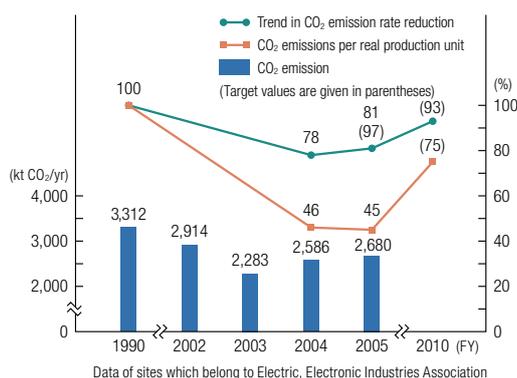
CO₂ Reduction—Overseas

The Hitachi Group has resolved to cut total CO₂ emissions at its overseas facilities to 5% below the 2003 level by 2010. Total CO₂ emissions for 2005 were 0.5% lower than in fiscal 2003. With the expansion of Hitachi production facilities overseas, the number of production bases now subject to energy conservation management has risen from 31 to 56. To promote more effective energy saving measures, the environmental issues faced in Hitachi's many Chinese facilities have been investigated, and from fiscal 2006 these will be reflected in the evaluation criteria of the GREEN 21 (Version 3) environmental assessment system.

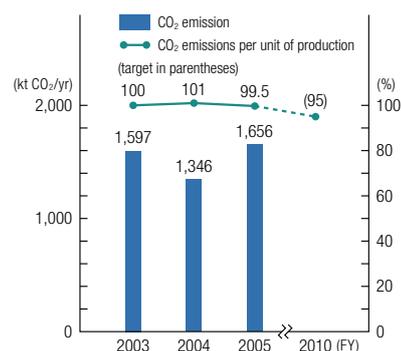
Improved Air Conditioning Systems

At the Nakajo Plant of Hitachi Industrial Equipment Systems Co., Ltd., the electric heater used for temperature and humidity control was eliminated from the air conditioning system through the reutilization of waste heat from the system and exhaust heat from the steam dryer. This measure resulted in a reduction of 312 MWh per year of electricity. In addition, Hitachi was recognized for a wide range of other meticulous energy efficiency measures, winning the Ministry of Economy, Trade and Industry Prize at the 2005 Energy Management Excellence Award.

Trend in CO₂ Emissions in Japan



CO₂ Emissions Overseas



Energy Conservation Overseas

For eight consecutive years since 1998, the Hitachi Global Storage Technologies (Thailand), Ltd. has managed to cut its energy usage by 3% to 4% per year through building with thermal insulation, etc. In total it has reduced its energy needs by 9.66 MWh per day. The facility was awarded the Prime Minister's Prize for this outstanding energy conservation achievement.

Reducing Greenhouse Gas Emissions

Hitachi continues striving to reduce emissions of greenhouse gases^{†3} other than CO₂ (PFCs, HFCs, and SF₆) by switching to substitutes and introducing technology to neutralize them. Attention is particularly focused on SF₆ due to its high global warming potential (GWP) and the large quantities in which it is used, and Hitachi is pursuing a Group-wide reduction target for the gas.

As a result of large-scale adoption of neutralizing systems at LCD manufacturing facilities and the promotion of gas substitution, We achieved the target of fiscal 2005 (30% reduction compared with fiscal 2003).

Use of Alternative Energy Sources

The installation of a solar power generation system (168 generator modules with a total output of 30 kW) at Hitachi Industrial Equipment Systems Co., Ltd.'s Narashino plant has achieved a CO₂ emissions reduction of 10.6 tons per year. The Hitachi Group is also contracting out wind power generation projects. In fiscal 2005 it earned "green power certificates" corresponding to a total of 930 MWh. Part of this energy was used to power the Hitachi Group pavilion at the 2005 World Expo (Aichi, Japan)—90% of the pavilion's energy needs were met by wind power.

†3 Greenhouse gases

Six type of gases known to cause the greenhouse effect: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), which are used as CFC substitutes, and SF₆ (sulfur hexafluoride). CFC substitutes are said to be tens of thousands to millions of times more powerful than CO₂ as greenhouse gases.

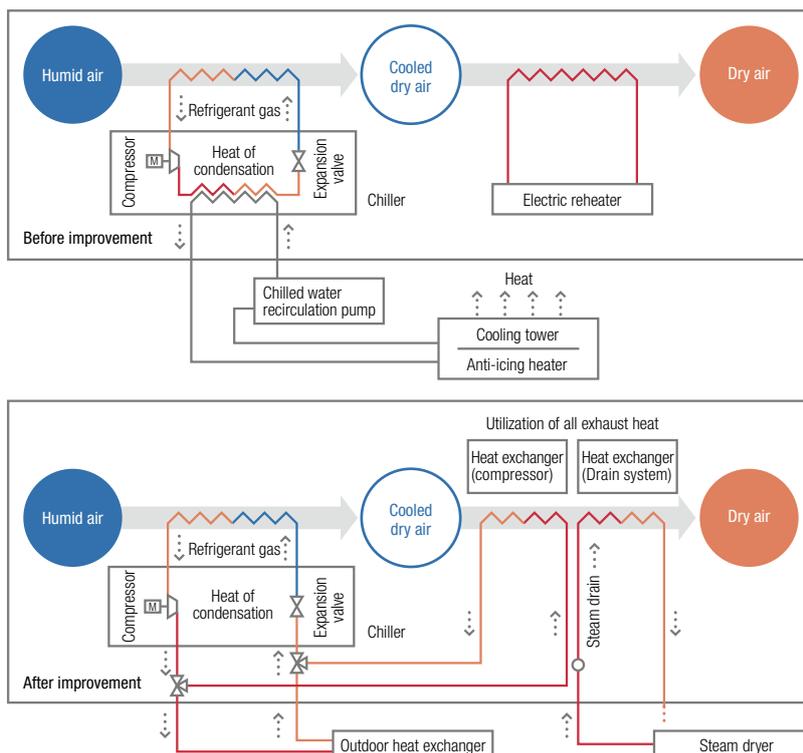


The roof of the production facility at Hitachi Global Storage Technologies (Thailand), Ltd. features a coating of insulating paint.

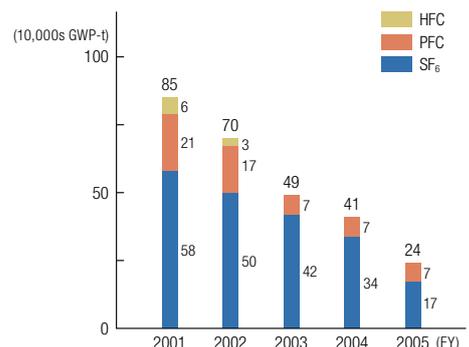


A solar electric power generation system at the Narashino Plant of Hitachi Industrial Equipment Systems Co., Ltd.

Improved Temperature Control System of Air Conditioning at the Nakajo Plant of Hitachi Industrial Equipment System Co., Ltd.



Greenhouse Gas Emissions and Their Composition



Boosting Transportation Efficiency

Reducing CO₂ Emissions

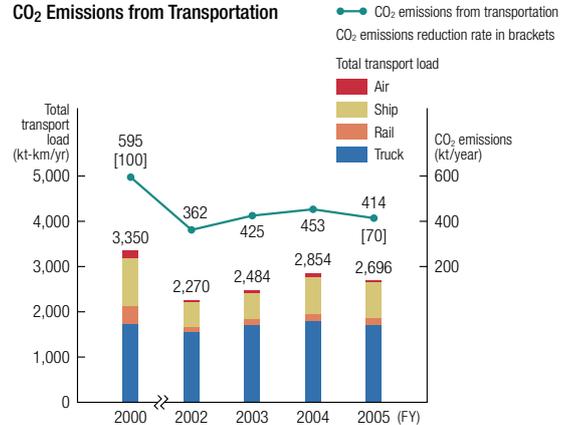
In fiscal 2005, Hitachi Group's total emissions from transportation amounted to about 2.7 billion ton-kms, down 6% from the year before. As a result of continued expansion in the modal shift strategy, CO₂ emissions dropped to 30% below the fiscal 2000 level—well in excess of the 10% target originally set for 2010.

Total CO₂ emissions from transportation in Japan in 2004 were 20.6% above the 1990 level. In response to this general trend, new transport energy conservation measures were introduced with the enactment of the revised Energy Conservation Law in April 2006. Welcoming this initiative, Hitachi has redoubled its efforts. From fiscal 2006, Hitachi is formulating new targets that take into account data such as quantity of transported waste and use of road routes, in addition to product transport, and it is developing detailed energy-saving measures. This opportunity will also be used to issue new guidelines and to communicate these extensively to work sites. Initiatives to increase transport efficiency include, for example, a modal shift^{†1} away from the use of trucks, used for meeting delivery deadlines, toward regularly-scheduled services such as RORO ships^{†2}, and the promotion of 3PL^{†3} services.

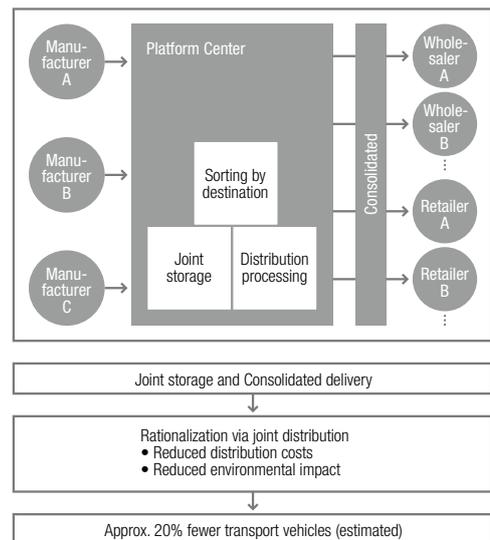
Industry Platform for Joint Distribution

The idea of Hitachi Transport System, Ltd.'s "Industry Platform Operations" is to construct a standardized infrastructure (platform) for a specific industry, consisting of information systems, a distribution center, and delivery network. This is intended to provide industry customers with consistent, joint distribution services such as storage and delivery. This service is able to offer customers the benefits of lower distribution costs and better distribution services. At the same time, consolidated delivery enables higher loading efficiency and use of fewer transport

CO₂ Emissions from Transportation



Platform Operations for the Toiletries Industry



vehicles, and it leads to reduced CO₂ emissions and easing of traffic congestion. In April 2005 Hitachi launched its East Japan PFC (platform center), a joint distribution center for the toiletries industry. The distribution center features human-sensing illumination, vehicle tracking through use of digital tachographs^{†4} and GPS^{†5}, requiring significantly fewer vehicles than conventional distribution systems, and contributing to transport energy conservation. In recognition of this innovation, Hitachi was awarded the Promotion Council Chairman's Prize at the Second Eco-Products Awards. The prize was conferred at the "Eco-Products 2005" environment exhibition late last year at Tokyo Big Sight.

†1 Modal shift

"Modal shift" refers to a shift in modes of cargo transport from trunk roads to rail and sea, which offer greater energy-efficiency and less pollution. Hitachi is making greater use of rail and sea transport for trunk line transport in combination with road transport to and from terminals.

†2 RORO ships Roll-on, roll-off ships

Ships constructed so that trailers can be driven on and off, enabling direct loading and offloading of cargo without the use of cranes.

†3 3PL Third party logistics

A type of outsourcing service in which a company's distribution functions are collectively contracted out to a third party.

†4 Digital tachograph

A device that records digital data on vehicle speed, travel distance, travel time, etc. to magnetic media.

†5 GPS

Global Positioning System



"East Japan PFC," a joint distribution center for the toiletries industry

Worldwide Environmental Partnerships

The starting point of all Hitachi activities is our stakeholders —customers, local community members, shareholders, investors, and suppliers. We work hard to disclose pertinent information and engage in dialogue with stakeholders, including employees, to create a sustainable society together.

Exhibiting at Eco-Products 2005 and Reaching Out to Students

Eco-Products 2005, one of Japan's largest environmental exhibitions, was held in December 2005. The Hitachi Group introduced products and services designed to help control global warming and conserve energy under the theme "Next Eco—Together with Hitachi: Tackling Global Warming."

As a part of their integrated learning activities, students from Wada Junior High School in Tokyo, Japan visited the Hitachi booth. In March, based on the things they learned at the exhibition and in class, information provided by participating companies, including Hitachi, and responses to questionnaires they had prepared, the students held the Wada Junior High School Eco-Products Fair and presented the initiatives of a number of companies.

Hitachi intends to continue providing support for the education of children, who will lead the next generation.

Participating in "Team Minus 6%" and the "Light Down" Campaign

There are 97 companies of the Hitachi Group participating in the national campaign to fight global warming "Team Minus 6%"^{†1} in Japan. We introduced environmental activities in an advertisement—based campaign on the concept "Let's Create the Next Eco—The Future of the Environment Created by the 300,000 Members of the Hitachi Group." In addition, the air-conditioning inside the company was set to

the appropriate temperature, and in June 2005 we developed a poster featuring the president of Hitachi, Ltd. encouraging company members in "cool biz" attire. Further, we participated in Black Illumination 2006, which involved having Group companies in Japan with neon signs and billboards completely cut off the electricity to 87 sites. In collaboration with Tsutenkaku Kanko Co., Ltd., we held the Hitachi Light Down Campaign in Tsutenkaku, which consisted of the "Tsutenkaku Candle Illumination" and "Light Down Jazz in Tsutenkaku" events.

Communication with Local Communities

The Hitachi Group has conducted dialogue since fiscal 2004 with local communities for the purpose of introducing the activities of production facilities and deepening mutual understanding. In fiscal 2005 dialogues were held at Hitachi Joie Tech Co., Ltd. in Gifu and Shimodate Works of Hitachi Chemical Co., Ltd. in Ibaraki, Japan.

At Hitachi Joie Tech, the dialogue was held as a part of the "environmental risk communication" being promoted by Gifu Prefecture's Chuno Regional Promotion Office. We listened carefully to the views of local community members, who wanted to confirm their safety and security and to continue direct dialogue with us in order to reduce the risk to their community. We gave the community assurances that this type of dialogue would continue in the future.

By continuing with these initiatives, we will work to protect local environments and extend the scope of our activities.



"Let's Create the Next Eco"—Hitachi Group newspaper advertisement for eco-appliances in Japan



Turning off the lights at Tsutenkaku (Osaka, Japan).



Hitachi Group's booth at Eco-Products 2005



Wada Junior High School's Eco-Products Fair



Environmental risk communication at Hitachi Joie Tech

^{†1} "Team Minus 6%" is a national campaign to fight global warming emissions by 6%, which is the target for Japan established in the Kyoto Protocol.

Dialogue with the Experts

Hiroji Tanaka and Mizue Unno, two leading CSR specialists, were invited to speak with the Hitachi Corporate Communication Division's CSR Promotion Department to give us their views on Hitachi's CSR activities in fiscal 2005 as well as suggestions for our CSR efforts in fiscal 2006 and beyond.

Consolidate CSR Activities, Create Strategy, and Clarify Relation between CSR and Business Strategy

Hitachi: The Hitachi Group launched CSR activities in a full-fledged manner in April 2005. For the first fiscal year, our aim was to spread the CSR Policy throughout the entire Group. We also tackled priority issues identified in the Self-Evaluation of CSR Activities we conducted in fiscal 2004, including the review of our Guidelines for Procurement Activities from the perspective of CSR. We have just begun, however, and many issues remain, including expanding CSR to our operations overseas.



Hiroji Tanaka

Professor, Graduate School of Economics, Rikkyo University
Senior Chief Researcher, Business Ethics Research Center

TANAKA: My impression is that Hitachi is taking the steps that need to be taken to lay the foundation for CSR. The CSR Policy of the Hitachi Group, which provides the base of the Group's CSR efforts, is being communicated throughout the Group, and the Guidelines for Procurement Activities are being revised, a key task in regard to the supply chain. In the case of a large organization like the Hitachi Group, however, you need to fully explain, especially to your subsidiaries overseas, the reason why you adopted the CSR Policy's Eight Principles (see page 9 of this report). At the same time, you must be flexible enough to leave fine-tuning up to the local area, respecting the unique characteristics of each region.

UNNO: It is important how you link CSR to the Group's business strategy. The Hitachi Group integrates various businesses, including infrastructure and industrial and consumer goods, and then each business group takes a different approach according to the business feature. It would not be reasonable for varied business units to take the same CSR measure. While maintaining recognition of CSR in each business, it is necessary to clarify how they come together

overall based on the CSR Policy of the Hitachi Group. In order to establish an awareness of CSR, it is crucial that it be spread throughout the Group via the individual businesses.

TANAKA: The CSR philosophy is not something that Hitachi has just started. CSR must have often been part of regular work in the past. It is important for Hitachi as a Group to consolidate the activities that it has been conducting separately in the past and create an overall strategy. Hitachi needs to confirm as a company the degree of priority placed on the various CSR measures and tasks.

UNNO: Looking at the business groups and the Group companies, it seems that there are those aspects of the CSR Policy's Eight Principles that have already been accomplished to a certain degree and those that are yet to be addressed. In regard the supply chain issue too, it is difficult in actual practice to address social consideration equally in all industries. It would be best to clarify priority issues to a certain degree and allow your CSR activities to focus on relevant issues.

Actively Promoting CSR that Underlies All Hitachi Businesses While Valuing the Independence of Group Companies

Hitachi: With the aim of creating an action plan for fiscal 2006 and beyond based on a broad vision, Hitachi formulated the Three-Year Corporate Social Responsibility Roadmap. In line with the overall orientation of the Hitachi Group's business, the Group companies will use this Roadmap to reduce the gap between operations and CSR. Hitachi will celebrate its corporate centennial in 2010, and we look forward to welcoming that important milestone with this Roadmap as the real-life expression of the founding philosophy of Hitachi.



Our conversation with Mr. Tanaka and Ms. Unno

UNNO: Based on Hitachi's corporate culture of valuing the independence of its Group companies, the Group companies conduct a variety of businesses on their own. Considering that fact and the differing regional characteristics of the U.S., Europe, Asia, and China, it would be sensible to distinguish those aspects of CSR to be shared by the entire Group from those aspects to be decided by the individual companies and then implement a framework that will serve as the core for promoting CSR among the Group companies.

Hitachi: All members of the Group share in common the fact that they operate under the Hitachi brand. Hitachi thinks it is important that we make maximum use of our brand to ensure that we send out a unified comprehensive message regarding CSR.

UNNO: To date, the Hitachi Group has conducted CSR activities via its businesses as well. The Group is engaged in a variety of sectors, and it should systematically send out the message that it has collective strengths as a "social infrastructure corporation," which is the cornerstone of its various businesses, and that CSR underlies all Hitachi businesses without exception.

TANAKA: In the implementation of its Roadmap, it is important that Hitachi secure compliance and governance which are prerequisites for CSR. Hitachi needs to thoroughly discuss how it will incorporate compliance and governance in its Roadmap. Moreover, discussions regarding the creation of CSR standards are gaining strength at international institutes. We must continue to carefully monitor the content of this debate and world trends in this area.

Hope for True Dialogue with Stakeholders

Hitachi: What level of communication with stakeholders should Hitachi strive for? We had difficulty setting objectives in this area.

UNNO: There are various ways of stakeholder communication. "Stakeholder engagement" places the involvement of stakeholders in regular and daily business activities. Moreover, the type of stakeholder varies by business and region as well. It is important not to lump them all together into one, but to identify them into categories, and to be aware of the key stakeholders in each business.

TANAKA: In the discussions about SR standards, you frequently hear the term "stakeholder engagement." This designates a closer relationship than "dialogue." In other words, it is desirable for companies to build deeper relationships than in the past. I look forward to seeing Hitachi create more opportunities for true dialogue with stakeholders from the stage of the exchange of views.

Hitachi: Thank you for the valuable insights you shared with us today. We look forward to applying them in our CSR activities in fiscal 2006 and beyond. Thank you.



Mizue Unno
Managing Director,
So-Tech Consulting, Inc.

Message from the CSR Promotion Committee Chair

The Hitachi Group's CSR activities bring our founding philosophy alive in our work today. This is why our CSR efforts must be ever-present in the minds of all our employees, while allowing the unique characteristics of each of our businesses and of each region where we do business to shine through.

We will incorporate your valuable

suggestions in our activities in 2006 and further develop our CSR activities while placing emphasis on dialogue with stakeholders.

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



More details on the environmental activities of the Hitachi Group are available on hitachi green web.

<http://greenweb.hitachi.co.jp/en/data/>

Category	Activity	Related page	Data provided on hitachi green web	
Company Profile		Inner front cover	List of companies covered by report (environmental impact data covered)	
		P. 2–3	Overview of financial results for FY 2005	
NEXT ECO	Environmental Activities of the Hitachi Group		P. 42	History of activities
			P. 46–47	Action plan and results for FY 2005
	Eco-Mind & Global Environmental Management	Environmental Management System Based on ISO 14001 Certification	P. 48–49	Status of ISO 14001 certification List of ISO 14001-accredited production sites
		Environmental Education	P. 49	Current and required numbers of legally qualified personnel
		GREEN 21 Activities	P. 49	Green Point average: targets and results
		Environmental Accounting	P. 50–51	Costs, investment, effects, and efficiency in environmental impact reduction Cost ratio by industry segment Investment ratio by industry segment Investment ratio by countermeasure Economic effect ratio by industry segment
	Environmental Impact Data for Corporate Activities		P. 52–53	Environmental Impact Data for Corporate Activities (FY 2005)
	Next-Generation Products and Services	Eco-Products	P. 54–56	Eco-product registration trends List and data-sheets for eco-products Environmental efficiency of products J-Moss* and Green Mark products Guidelines for analysis of substances specified in the EU's RoHS Directive Volume of subcontracted containers and packaging
		Green Procurement	P. 32–33	Green Procurement Guidelines Green Supplier ratio
		Building a Sustainable Business Model	P. 57–58	Energy-saving solutions Number of household electrical appliances recycled and product recycling ratio Number of collected used PCs and ratio of material reusing
	Super Eco-Factories & Offices	Efficient Use of Resources	P. 59	Final waste disposal reduction Final waste disposal volumes by industry segment and type Waste generated Zero emission sites Flowchart for treatment of waste and reusable waste products Breakdown of recycling methods Water usage
		Management of Chemicals	P. 60–61	Survey results for substances covered by Japan's PRTR law PRTR investigation results Percentage of PRTR chemicals handled, by industry segment Emission and transfer volumes of PRTR chemicals by industry segment Trends in emissions of substances targeted for reduction
		Prevention of Global Warming	P. 62–63	Trends in CO ₂ emissions in Japan Trends in CO ₂ emissions overseas Trends in composition of energy use Volume and composition of greenhouse gas emissions Greenhouse gas emissions and their composition Volume of new energies
		Increase Transport Efficiency	P. 64	CO ₂ emissions from transportation Ratio of low-emission vehicles to total owned by company
	Worldwide Environmental Partnerships	Information Disclosure and Dialogue	P. 65	Publication of reports and information disclosure via the Internet, by company and facility Contact information to request reports of companies/sites Environmental web links of companies/sites Awards Eco-Products 2005 Exhibition Status of environmental town meetings

*J-Moss: The marking of presence of specific chemical substances for electrical and electronic equipment. Revision of the Law for Promotion of Effective Utilization of Resources has mandated application of a J-Moss content label for seven product categories when they contain any of the six chemical substances designated in the RoHS Directive. An optional Green Mark may be applied to products that do not contain these substances.

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On the cover:

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

HITACHI

Inspire the Next



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The Hitachi Group Corporate Social Responsibility Report 2006

To Our Questionnaire Participants:

Thank you for your interest in Hitachi.

We are pleased to present you with our Hitachi Group CSR Report 2006, covering our activities and initiatives with regard to corporate social responsibility.

This report is divided into two sections, with "Next Society" covering the Hitachi Group's activities from the perspective of social responsibility, and "Next Eco" covering the environmental perspective. The contents of this report will also be made available on our Web site.

In addition to redoubling our efforts to continually enhance our CSR activities, the Hitachi Group will also strive to publish ample information concerning the details of these efforts, so that they may be better understood by the public.

We invite you to read the report, and provide us with your opinions, using the questionnaire printed on the reverse side of this letter.

Many thanks for your cooperation.

The Hitachi Group

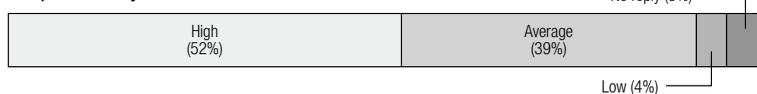
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Results of Questionnaire on the Hitachi Group CSR Report 2005 (Total respondents: 222)

Comprehensibility



Volume



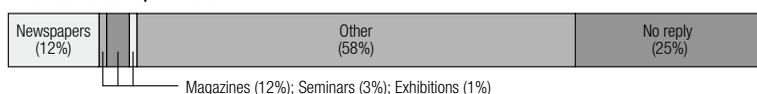
Content



Reader's standpoint



Heard about the report from:



Main Requests and Opinions

Praise

- "I discovered the passion with which you are engaging in these activities across a broad range of fields."
- "Hitachi CSR Activities" was very interesting to read. The activities of Yamanashi Hitachi Construction Machinery Co., Ltd. (in the removal of land mines) was particularly impressive."
- "The fact that the Hitachi Group is looking carefully and objectively at its own corporate activities came across quite clearly."

Room for improvement

- "I would have liked to have seen a bit more discussion of how the CSR perspective is going to shape future corporate activity."
- "Hitachi should clarify what it is thinking about the type of activities it is conducting in response to the issues and demands of society."
- "I would like you to make it a bit easier to read."

Changes we made in this year's report in response to comments such as these:

- In the first half of the report we clarify the orientation of our future CSR activities, including those concerned with the environment.
- We have explained more clearly the policies and thinking upon which our various activities are based.
- We have worked to make the report easier to read, providing definitions for technical terms on the same page they appear.

