

# Hitachi Group Corporate Social Responsibility Report 2008





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### Reporting the CSR Activities of the Hitachi Group

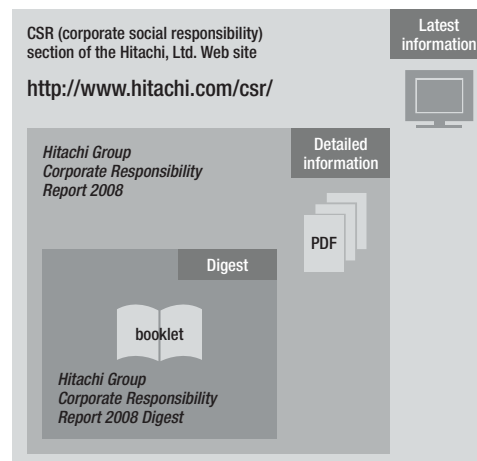
Information about CSR activities in fiscal 2007 (April 2007–March 2008) is available in two formats: *Hitachi Group Corporate Social Responsibility Report 2008*, a PDF that can be accessed on the Web, and *Hitachi Group Corporate Social Responsibility Report 2008 Digest*. The PDF edition contains comprehensive information on policies, actual programs, and quantifiable results. The digest focuses on reporting areas of activity the Hitachi Group has particularly emphasized.

The address of the CSR section of the Hitachi, Ltd. Web site is [www.hitachi.com/csr/](http://www.hitachi.com/csr/)

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Charts, graphs, and other illustrative materials have, based on the concept of Universal Design, been presented for optimum legibility for people who have difficulty with color perception.

### Reporting the CSR Activities of the Hitachi Group



# To Our Stakeholders

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

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

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

July 2008



Etsuhiko Shoyama  
Chairman of the Board



Kazuo Furukawa  
President and Chief Executive Officer

## Scope of This Report

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

## Related Reports

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

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

## Guidelines Referred to in Preparing This Report

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

\* This CSR Report is published on an annual basis.

## List of companies included in the scope of the environmental data

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



## Message from the President

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

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

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

### Using Our Combined Resources to Lessen Environmental Problems

I believe that CSR has three core components: sustainable development, the environment, and human welfare. If problems associated with these three components are not solved in a balanced way, I think true happiness and sustainability for humankind as a whole cannot occur. As the world's population has grown dramatically over the past 100 years, the concentration of CO<sub>2</sub> in the atmosphere has similarly increased. I feel strongly that today—when it is clear that climate change resulting from increased CO<sub>2</sub> emissions presents serious challenges to sustainable social and economic development—the time has come for us to combine our resources to work for the protection of the global environment.

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

In December 2007, the Hitachi Group announced Environmental Vision 2025, a plan that set the ambitious goal of contributing to the IPCC target by helping to reduce CO<sub>2</sub> emissions from the use of Hitachi Group products worldwide by 100 million tons before 2025. Reaching this goal will require us to vigorously promote *monozukuri* (manufacturing that combines innovative technologies with experience gained over many years) and to convert—to a high degree—all of our products into solutions that are compatible with the environment and confront the greatest ecological challenge of our time.

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

transformers, hybrid drive systems that reduce CO<sub>2</sub> emissions from diesel rail engines, lithium-ion batteries for hybrid cars, and power saving innovations for energy-intensive data centers.

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

### **Toward a Sustainable Society: Social Trends and Management Approach**

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

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

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

July 2008



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

Kazuo Furukawa  
President and Chief Executive Officer  
Hitachi, Ltd.

# Hitachi's CSR Vision

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

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

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

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

## **Fundamental Credo**

The basic credo of Hitachi is to further elevate its founding concepts of harmony, sincerity and pioneering spirit, to instill a resolute pride in being a member of Hitachi, and thereby to contribute to society through the development of superior, original technology and products.

Deeply aware that a business enterprise is itself a member of society, Hitachi is also resolved to strive as a good citizen of the community towards the realization of a truly prosperous society and, to this end, to conduct its corporate activities in a fair and open manner, promote harmony with the natural environment, and engage vigorously in activities that contribute to social progress.

(Adopted June 1983, revised September 1996)

## **Hitachi Group Vision**

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

(Adopted January 2006)

## **CSR Policy of the Hitachi Group**

### **1. Commitment to Corporate Social Responsibility (CSR)**

The Hitachi Group, including all its executives and employees, recognizes CSR as a vital part of corporate activity and is therefore committed to a course of social responsibility in accordance with this CSR policy for the sustainable development of society and business.

### **2. Contribution to Society through Our Business**

The Hitachi Group will contribute to the building of a prosperous and vibrant society by providing safe, high-quality products and services through business activities based on its excellent research, technology and product development.



### 3. Disclosure of Information and Stakeholder Engagement

The Hitachi Group will disclose information openly and transparently in order to maintain and develop a relationship of trust with its various stakeholders, and act responsibly towards them through various means of communication.

### 4. Corporate Ethics and Human Rights

The Hitachi Group will undertake its business based on the principles of fairness and sincerity, act with the utmost respect for human rights and pursue a high sense of corporate ethics in the global business market which encompasses diverse cultures, morals, ethics, and legal systems.

### 5. Environmental Conservation

The Hitachi Group will strive to minimize environmental effects and utilize resources towards the development of a sustainable society that is in harmony with the environment.

### 6. Corporate Citizenship Activities

The Hitachi Group will promote social contribution activities as a good corporate citizen in order to realize a better society.

### 7. Working Environment

The Hitachi Group will make every effort to create a pleasant and motivating working environment for all its employees and to fully support those employees who desire self-fulfillment and self-development through their work.

### 8. Responsible Partnership with Business Partners

The Hitachi Group will make every effort to promote fair and sound business practices among our business partners by fostering a common awareness of social responsibility.

Adopted March 2005

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

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

### Third-Party Expert Opinion—Essential “Communication Reform”

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



Peter D. Pedersen

Chief Executive, E-Square Incorporated

### Peter D. Pedersen

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

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

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



**Masahiro Hayashi**

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

# Hitachi's Environmental Strategy

**Thinking about the future of the environment—  
Hitachi contributes to reducing CO<sub>2</sub> emissions  
by 100 million tons in at least one year by 2025**

## From Environmental Vision 2015 to Environmental Vision 2025

In December 2007, we set out our environmental management and business strategies in Environmental Vision 2025. Through Environmental Vision 2015, formulated in 2006, we have promoted activities aimed at becoming “emission neutral”—balancing the direct environmental impact with a lower indirect social environmental impact—by fiscal 2015. (See page 79.)

Environmental Vision 2025 was formulated with the aim of further lessening the social environmental impact that contributes to reducing CO<sub>2</sub> emissions from Hitachi Group products by 100 million tonnes in at least one year by 2025.

### Key Points of Environmental Vision 2025

#### Strengthening Measures to Counter Global Warming

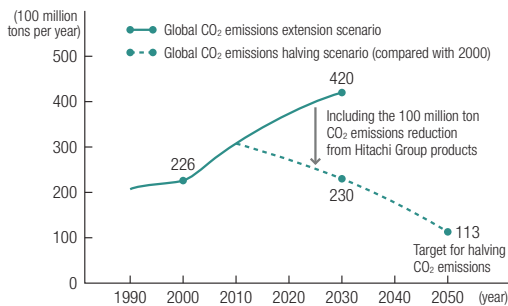
- Reduce CO<sub>2</sub> emissions from the use of Hitachi products by 100 million tons in at least one year before 2025

#### Strengthening Hitachi's Environmental Businesses

- Work to make all Hitachi Group products Eco-Products by 2025
- Use the Hitachi Group's total technological strengths to pursue environmental efficiency for all aspects of our business, including materials, parts, components, products, systems, services and solutions
- With the global market in mind, develop global warming prevention technologies, invest to strengthen businesses, and promote collaborative projects with other organizations

**Reinforce overall CSR activities by integrating environmental efforts with other aspects of social contribution activities**

## Hitachi's Approach to Achieving the 2025 Emissions Reduction Target



Source: IEA (International Energy Agency), World Energy Outlook 2007



## dialogue

Takashi Hatchoji, Chief Environmental Strategy Officer of the Hitachi Group, asked Junko Edahiro, President of e's Inc., about her expectations regarding corporate engagement with environmental issues.



**Photo right:** Junko Edahiro is an environmental journalist and translator engaged in speaking, writing and translating on environmental issues. Ms. Edahiro is a member of the Cabinet Secretariat's Council on the Global Warming Issue and a visiting researcher at the University of Tokyo's Research into Artifacts, Center for Engineering (RACE).

**Photo left:** Takashi Hatchoji is Chief Environmental Strategy Officer of Hitachi, Ltd. and President of the Hitachi Research Institute.

### Bringing Environmental Vision 2025 into the Actions of Every Hitachi Employee

**Hatchoji:** Ms. Edahiro, you are well known as the Japanese translator of Al Gore's *An Inconvenient Truth*, and you have consistently offered proposals to address global environmental problems from the citizens' perspective. To begin with, please tell us what is expected of corporations.

**Edahiro:** I see the global environmental problem as a problem of human happiness. Our way of life has been to work at companies, receive money for our labor, and use this to buy things to realize happiness. But today, the more we buy the worse the global environment becomes, and that leads to unhappiness for ourselves and for our descendants. I want enterprises to deeply consider what actions they should take to create happiness for both present and future generations. In that sense, Environmental Vision 2025 draws my attention as a longer-term plan for the Hitachi Group.

**Hatchoji:** The Japanese government is advocating the Cool Earth 50 initiative to halve CO<sub>2</sub> emissions and other greenhouse gases by 2050. From the perspective of corporate activities, however, nearly 50 years is too long a time. So Hitachi prepared Environmental Vision 2025 to set interim goals for the year 2025, focusing on three approaches: First, we want to contribute to society through our business activities. Specifically, Hitachi contributes to reducing CO<sub>2</sub> emissions from the use of our products by 100 million tons a year. Next, we intend to strengthen management to build more harmonious relations with society. Finally, we want to share our environmental understanding through active communications.

**Edahiro:** Reducing CO<sub>2</sub> emissions by 100 million tons a year is symbolically important, but that figure is difficult for the average person to grasp. Also, to really establish your plan as a vision shared throughout your organization you may find it necessary to speed up building a framework for every employee to adopt CO<sub>2</sub> reductions as their own issue.

### **Hitachi Should Take the Position of Going beyond Technology**

**Hatchoji:** The Japanese government has made innovation one of the main pillars for addressing global environmental problems, and has identified 21 revolutionary technologies required to achieve CO<sub>2</sub> emission targets. Hitachi has experience and knowledge in most of these technologies. I am always keenly aware that, in addition to technological progress, the most important thing is to have new technologies adopted by society.

**Edahiro:** The first point I want to make is that there are limits to what technology can do to solve environmental problems. People's expectations for technology have been growing every year, but it is important to explain the distinction between what technology can and cannot accomplish. Otherwise, there is a real risk that people will eventually lose their trust in corporations pursuing technological development. From now on, companies should work to accurately convey both the potential and the limits of technology. What's more, from the perspective of spreading technology, it will become necessary to change the assumptions that technologies are based on.

**Hatchoji:** What do you mean by changing the assumptions?

**Edahiro:** One example is viewing carbon emissions as liabilities, which began as a proposal by European financial institutions. Japanese enterprises often say "the customer is king," but in some cases seeing only from the customer's viewpoint results in a short-term perspective that will not move society forward. I think we need to make an effort to change the viewpoint of society itself by asking such questions as, "What do we want for the future of the earth?" and "What must we do now to achieve it?"

**Hatchoji:** Given the demands for greater corporate interaction with society, we need to view and promote our corporate statement "Inspire the Next" with renewed feeling. I also think that "co-creative partnerships," in other words collaboration across organizations, will become immensely important in the future. It should be possible to accomplish a great deal through collaboration that transcends enterprise boundaries. I expect breakthroughs by working together with external research institutes and rival companies, as well as the spread of technology through teamwork with customers and research centers.

**Edahiro:** Yes, there are times when one times one equals three or even four. I expect Hitachi to continue building up such strategic relationships.

### ***After the Dialogue***

**Hatchoji:** I found Ms. Edahiro's opinions on what the public expects from corporations to be very helpful. I was reminded of our responsibility as a global corporation to propose new business models in line with our vision for the future of society, and the importance of broadly conveying our corporate approach from the perspectives of our stakeholders. Hitachi will continue pursuing ideal environmental management while advancing our environmental strategies.

## Generating Electricity

Clean coal-fired thermal power generation to support tomorrow's electricity supply



R&D staff at the integrated research facility for combustion and flue gas treatment research, Babcock-Hitachi K.K. Kure Division, Akitsu Works, Hiroshima Prefecture, Japan

### Coal Attracts Renewed Interest as an Energy Resource

The IEA (International Energy Agency) estimates that about 1.6 billion people still live without electricity. Total electricity consumption is projected to rise sharply with the economic growth and insatiable demand of developing nations.

So, what types of energy will support this increase in global energy consumption? The IEA, estimating future electric power generation by energy source, projects that coal-fired thermal power generation will continue to rise and reach 46 percent of total electric power generation in 2030.

The greatest reason for this growth is that coal is a resource with a stable supply. Coal reserves are plentiful and distributed across many regions. If resource extraction continues at today's rate, we may run out of oil in 41 years and natural gas in 61 years, but there are coal reserves for 155 more years, providing a stable supply into the future. With advances in denitrification and desulfurization technologies, which remove the nitrogen oxides (NO<sub>x</sub>) and sulfur oxides (SO<sub>x</sub>) that cause acid rain, coal has been attracting renewed attention as a resource for the stable supply of comparatively low-priced electricity.

### Toward More Efficient Coal-Fired Electric Power Generation

It is, however, also essential to address the emissions issue because large quantities of CO<sub>2</sub> are released when generating electric power from coal, which is a fossil fuel. Hitachi has been working to improve the efficiency of coal-fired thermal power, seeking to reduce CO<sub>2</sub> emissions by generating more electricity from a smaller amount of coal.

Coal-fired thermal power plants burn pulverized coal inside boilers to generate steam, providing pressure to rotate steam turbine generators. In this process, the electricity generation efficiency increases as the steam temperature and pressure rises. The technology called supercritical pressure thermal power generation is based on this fact. Hitachi has succeeded in commercializing ultra-supercritical pressure thermal power generation with steam at a world-record temperature and pressure of 620°C and 25 MPa (250 times atmospheric pressure).

This technology has improved transmission end (net) efficiency (an indicator of the percentage



of input energy converted into electric power) from 30 percent to 42 percent, reducing CO<sub>2</sub> emissions by approximately 20 percent compared with conventional power plants. Hitachi is now working to further increase the steam temperature to 700°C to achieve a transmission end efficiency of 48 percent.

### Analysis Technologies Support Reliability

It normally takes 36 months from the start of construction to completing a thermal power plant. In other words, three years is needed to prove new technologies. To overcome this limitation, Hitachi has been developing analysis technologies for computer simulations of the combustion conditions inside boilers. Hitachi's simulations showing the combustion of pulverized coal are among the most precise in the world. Extremely reliable boilers that can withstand ultra-high pressures are a key component for ultra-supercritical pressure steam power generation. These analysis technologies have made Hitachi a pioneer in this field.

Since the early 1980s, Hitachi has been accumulating technologies for future coal-fired thermal power generation. Hitachi's 40 percent market share for denitrification and desulfurization equipment demonstrates this. The Hitachi Group has constructed eight ultra-supercritical pressure thermal power generation plants in Japan and 21 overseas, including the Walter Scott, Jr. Energy Center Unit 4 in the U.S., making Hitachi a world leader.

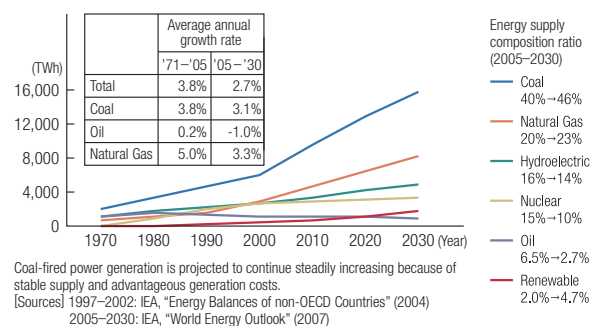
Together with J-POWER and the Chugoku Electric Power Co., Inc., we have begun working on the commercialization of integrated coal gasification combined-cycle power generation, which gasifies coal as a fuel to turn gas turbines but also turns steam turbines using exhaust heat. We are also working to develop exhaust gas CO<sub>2</sub> recovery technologies through this joint project.

Coal burning technologies brought about the Industrial Revolution and remain indispensable for our daily lives. Hitachi will continue striving to develop innovative technologies for the future, sustainable use of coal consistent with the needs and expectations of our stakeholders.

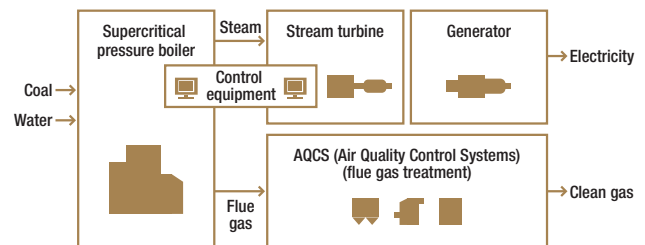


Walter Scott, Jr. Energy Center Unit 4

### Electric Power Generation Plants (1970–2030)



### High Efficiency Coal Thermal Power Plant



The basic process of coal-fired thermal power generation is to burn pulverized coal inside a boiler and generate the steam to rotate a turbine. The combustion exhaust gas is eliminated after cleaning using desulfurization and desulfurization equipment. Hitachi has developed all of the technologies needed for more environmentally friendly coal-fired thermal power plants.

## Using Electricity

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Greatly reducing electric power consumption  
at data centers by completely redesigning facilities



Katsuya Koda (General Manager, Strategy Planning & Development Office, Information and Telecommunications Systems Group, Hitachi, Ltd.) is in charge of the data center energy reduction project

While the IT revolution is improving efficiencies in such diverse areas as production, distribution and communications, increasing electric consumption by IT equipment is emerging as a new energy problem. This is most conspicuous at data centers, which house company servers<sup>†1</sup> and storage devices, and provide maintenance and operation services. In recent years, along with the dramatic advances in IT equipment integration and performance, the heat generated by servers and storage devices is sharply up. Consequently, data centers now need a great deal of energy to reduce the heat from IT equipment.

To address this problem, in October 2007 Hitachi launched the Cool Center 50 data center energy reduction project, with the goal of reducing data center electricity consumption by up to 50 percent over the next five years. Hitachi will also build a world-class environmentally friendly data center fully adopting state-of-the-art green IT technology<sup>†2</sup> in 2009.

Investigation of the electricity consumed at data centers tells us that the IT equipment itself consumes less than half of the total power. Most of the rest is used by facilities such as air conditioning, power supply units, and other peripheral equipment. The Hitachi Group has accumulated broad know-how about power-saving IT equipment, highly efficient air conditioning especially designed for data centers, uninterruptible power supplies (UPSs), electric power transformers, and large-scale plant construction. Making use of all this expertise, we are aggressively going ahead with the Cool Center 50 project.

To achieve the goal of up to a 50 percent reduction in data center electric power consumption, Hitachi is going to introduce highly efficient air conditioners and electrical equipment that Hitachi has developed, and will optimize the placement of IT devices and air conditioners. These activities

are expected to achieve a 20 percent reduction in electric power consumption. We will realize the full 50 percent reduction by introducing servers and other IT equipment that conserve energy, and by using other energy conservation operating technologies.

Our new data center will also function as a prototype test bed. We intend to broadly disseminate the technologies developed by the Cool Center 50 project to the world at large as one of our contributions to global environmental conservation.

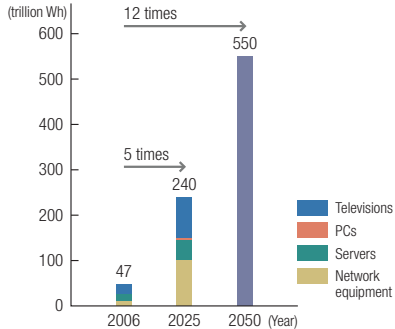
†1 Servers: Computers for business use

†2 Green IT Technology: Reduction of the environmental load from IT equipment, and IT use linked to environmental conservation



Hitachi Universal Storage Platform

**Estimated IT Equipment Electric Power Consumption**



\* The Ministry of Economy, Trade and Industry projects that electric power consumption from IT equipment will increase to five times the 2006 level by 2025 and 12 times by 2050.



## Controlling Electricity

### Commercialization of Hybrid Drive Ecology Trains



Staff of the Hitachi, Ltd. Industrial Systems Group, Transportation Systems Division who developed the hybrid drive technology (standing in front of the first electric locomotive manufactured in Japan).

Today, railroads are considered to be very energy efficient transportation systems. However, compared with electric trains, the diesel trains that run on non-electrified lines have low energy efficiency, and their exhaust gases contain large quantities of nitrogen oxides (NO<sub>x</sub>) and other hazardous substances. Nevertheless, considering the construction costs of electric lines and other above-ground equipment, in practical terms it would be difficult to electrify the non-electrified segments of the Japanese railway network, which are mostly local branch lines. Presently, there are approximately 3,000 diesel railcars running in Japan, and they account for less than 6 percent of the nation's total rolling stock.

The energy efficiency of electric trains has been greatly increased through the introduction of electrical regenerative brakes, which feed energy generated from braking back into the electric lines for use by other trains. Capturing the braking energy generated by diesel trains—which run on engine power—is more difficult, and that has been one of the main reasons for their relatively poor energy efficiency.

To solve this problem, Hitachi has been jointly working, since 2001, on the commercialization of a hybrid drive system with the East Japan Railway Co. (JR East). One easy way to understand this approach is to imagine trains that carry their own electric power plants. The system's basic configuration is to use the diesel engine to produce electricity and then use that electricity to drive the motor. Lithium-ion batteries are placed in between the generator and the motor, enabling the reuse of energy generated from braking, just as in hybrid cars.

Of course, this configuration has different problems than those associated with hybrid cars. To eliminate noise inside train stations, the engines are stopped and the motor runs on batteries alone until a speed of 25 km per hour is reached. For that reason, the batteries must be charged when

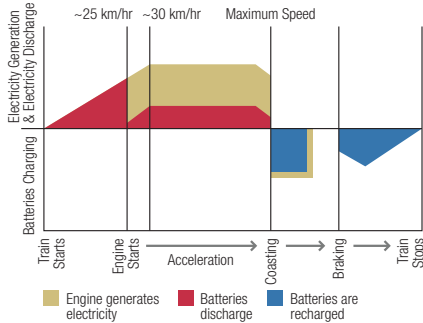
the trains arrive at train stations. To make this possible, Hitachi has developed battery charge management control technologies that make detailed assessments based on such factors as train running speed and the slope of the railway tracks.

JR East's Kiha E200 hybrid railcar series, the world's first in commercial use, have been in operation on the Koumi Line in Nagano Prefecture, Japan since the summer of 2007. Compared with conventional diesel trains running on the same line, the Kiha E200 railcars reduce fuel consumption by 10 percent and emissions of harmful substances by 60 percent. Hitachi will continue striving to improve efficient electricity control technologies to further reduce the environmental impact from railways.



Kiha E200 operating on the Koumi Line

**Hybrid Drive System Electricity Control**



\* The hybrid drive system starts the train using batteries, and recharges the batteries using electricity from braking and from the engine while the train is running.

## CSR Management

The CSR activities of the Hitachi Group are following a roadmap to a better, more affluent society for all humankind



A CSR group meeting

### Message from Executive in Charge

#### Achieving Conscientious Corporate Management Backed by Transparency

One of Hitachi's founding spirits is sincerity. From our earliest days, we highly valued strong ethics. Yet, the standards and norms expected of us today are undergoing major changes—against a backdrop of increasingly global enterprise, coupled with more diverse stakeholders. To adapt, we must not only adhere to international standards and guidelines, but ensure management transparency and find mutual understanding with stakeholders. In addition, we will take the initiative to set new social norms and standards of expectation. As a global corporation, we want to boost every employee's ethical awareness while respecting human rights, cultural diversity and values. In addition, our other activities need to be socially beneficial and build stronger ties of trust with society as a whole.

Toshiaki Kuzuoka

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



# Corporate Governance

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

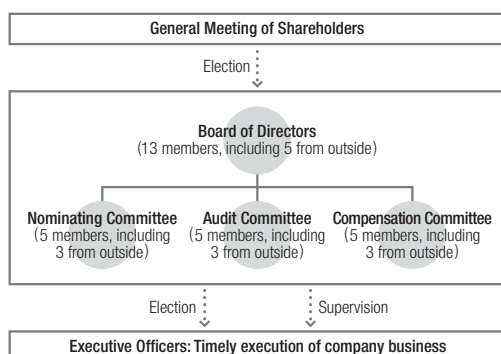
## Strengthening Governance

Hitachi, Ltd., a company that operates on the committee system,<sup>†1</sup> endeavors to boost the efficiency of management oversight by bringing in outside directors and speeding up decision making by giving executive officers broader powers. We have also set up a Group-wide system of internal controls, strengthened governance and management efficiency, and have worked hard to earn the trust of all stakeholders.

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

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

### Governance Structure of Hitachi, Ltd.



## Executive Compensation

At Hitachi, Ltd., compensation for each director and executive officer is set by the Compensation Committee in accordance with Japanese corporate law governing companies with committees.

Compensation for directors and executive officers consists of monthly salaries and retirement allowances, together with year-end allowances for directors and performance-based bonuses for executive officers. While compensation for directors is generally fixed, performance-based bonuses for executive officers are determined individually according to business performance and the outcome of work carried out under the officers' management. Monetary compensation is the basis of the compensation system. Beginning with compensation for fiscal 2008, the compensation scheme for directors and executive officers has been revised to eliminate retirement allowances. In fiscal 2007, executives were compensated as follows:



### Summary Compensation Table

Category	Salaries and year-end allowances or performance-based bonuses		Retirement allowances	
	Recipients (number)	Total amount (millions of yen)	Recipients (number)	Total amount (millions of yen)
Directors (outside directors)	11 (5)	266 (66)	2 (-)	245 (-)
Executive officers	29	861	3	165
Total	40	1,127	5	411

\* The number of directors receiving salaries and year-end allowances does not include two who served concurrently as executive officers.

\* The retirement allowances for directors were paid to the two directors who resigned at the expiration of their terms of office at the conclusion of the 139th ordinary general meeting of shareholders held on June 20, 2008.

\* Of the three executive officers listed as receiving retirement allowances, two resigned on March 31, 2008, and one resigned on March 31, 2007.

### Internal Control

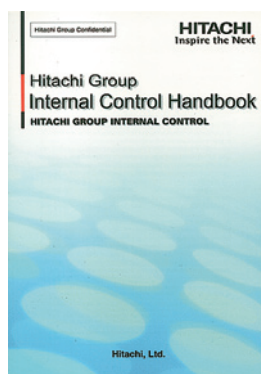
As a public company listed on the New York Stock Exchange, Hitachi, Ltd. is registered with the U.S. Securities and Exchange Commission and is subject to the Sarbanes-Oxley Act.<sup>†2</sup> A comparable internal control evaluation and reporting system (J-SOX<sup>†3</sup>) came into effect in Japan at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

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

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

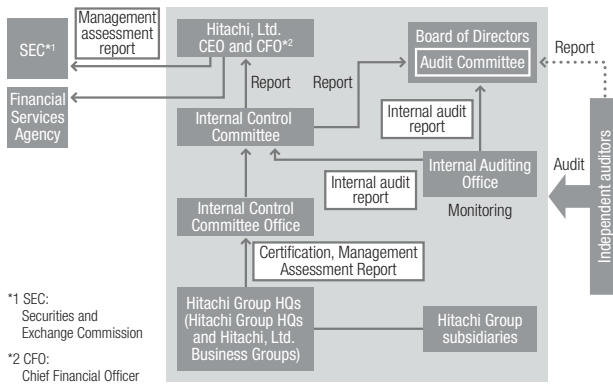
†2 Sarbanes-Oxley Act (SOX): Section 404 of this act, enacted in July 2002, mandates company management with the responsibility of establishing, maintaining, and evaluating internal control over financial reporting, and requires that control be assessed by independent auditors.

†3 J-SOX: A framework for evaluating and reporting internal control over financial reporting under the Japanese Financial Products Transaction Law, which came into effect in April 2008



Internal Control Handbook

## Hitachi Internal Control Assessment Framework



## Group Management

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

# CSR Promotion Activities

Corporate social responsibility (CSR) is founded on the understanding and practice of each individual employee.

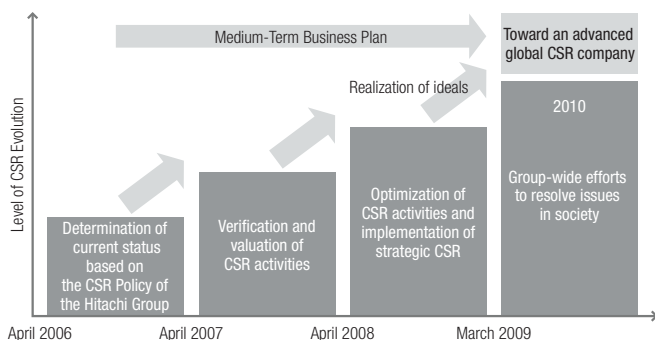
Based on the CSR Policy of the Hitachi Group, we have formulated a Three-Year CSR Roadmap and are promoting a wide range of activities to nurture this spirit of CSR

## Toward Realization of the Three-Year Roadmap

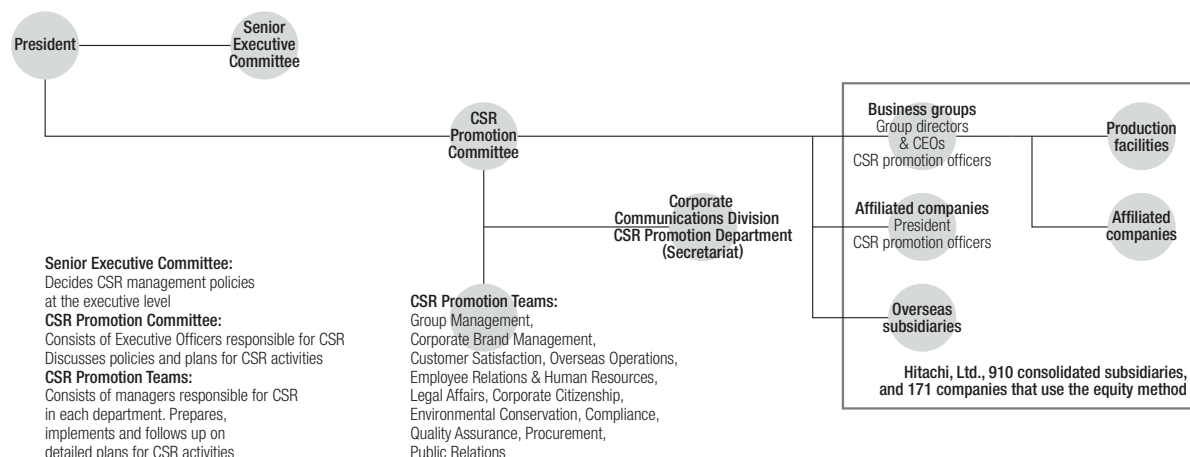
In 2006, the Hitachi Group created the Three-Year CSR Roadmap, a medium-term plan for CSR activities that reflects stakeholders' expectations and requirements, and aims to make Hitachi an advanced global CSR company. In line with that roadmap, Hitachi has been pursuing CSR activities with goals set in a variety of fields.

In fiscal 2007, we prepared the *Corporate Ethics and Compliance Handbook* and took steps to strengthen compliance. Also, we sought to have Group companies around the world cultivate a heightened awareness of CSR. To launch an array of strategic CSR activities in fiscal 2008, we selected themes common throughout the Hitachi Group, as well as evaluation criteria tools for visualizing CSR activities.

### Three-Year Roadmap Concept



### Structure of Hitachi Group CSR Promotion



## Results of CSR Activities in Fiscal 2007 and Goals/Plans for Fiscal 2008

This table summarizes the main CSR activities and results based on the Hitachi Group Three-Year Roadmap in fiscal 2007, as well as plans for future activities.

CSR Policy of the Hitachi Group	Activities in Fiscal 2007	Results in Fiscal 2007	Achievement Level	Page(s)	Fiscal 2008 Goals/Plans
1. Commitment to corporate social responsibility	<ul style="list-style-type: none"> <li>Ensure that all employees of overseas Group companies are familiar with the CSR Policy of the Hitachi Group</li> </ul>	<ul style="list-style-type: none"> <li>Prepared CSR e-learning courses (in 12 languages) for use overseas and implemented them first in Europe</li> <li>Held CSR workshops and seminars overseas (in North America and seven Asian countries)</li> <li>Incorporated CSR training into the education curriculum for new company employees (in China)</li> </ul>	◆◆◆	pp. 22–23	<ul style="list-style-type: none"> <li>Implement CSR e-learning courses in the Americas as well as China and other Asian countries</li> <li>Continue holding CSR workshops and seminars overseas</li> </ul>
	<ul style="list-style-type: none"> <li>Visualize CSR activities (development and use of evaluation tools)</li> </ul>	<ul style="list-style-type: none"> <li>Organized social expectations by CSR focus and prepared (draft) evaluation tools for CSR activities</li> </ul>	◆◆	p. 20	<ul style="list-style-type: none"> <li>Engineer plan-do-check-act (PDCA) cycle through the adoption of Group-shared CSR visualization tools (tentative name)</li> </ul>
2. Contribution to society through our business	<ul style="list-style-type: none"> <li>Select Hitachi Group's CSR activities</li> </ul>	<ul style="list-style-type: none"> <li>Focused on social issues in relation to Hitachi business operations and selected the environment as a common theme</li> </ul>	◆◆◆	p. 20	<ul style="list-style-type: none"> <li>Incorporate materiality process and define the material issues</li> </ul>
	<ul style="list-style-type: none"> <li>Steadily implement various measures by Supervisory Office for Monozukuri</li> <li>Conduct Group-wide sharing of in-house good practices of PS risk assessment*<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Re-implemented exhaustive quality and reliability education through, for example, training for general managers to further strengthen <i>monozukuri</i> (manufacturing)</li> <li>Reorganized quality control benchmarks and standards, and promoted full compliance</li> </ul>	◆◆◆	pp. 33–39	<ul style="list-style-type: none"> <li>PDCA cycle-driven work process improvement and full compliance</li> </ul>
	<ul style="list-style-type: none"> <li>Identify themes for CS activities in each business and promote activities to improve CS</li> </ul>	<ul style="list-style-type: none"> <li>Conducted field surveys of CS (customer satisfaction) activities by three business groups and two Group companies, and identified issues for attention</li> </ul>	◆◆	pp. 40–42	<ul style="list-style-type: none"> <li>Skills development of sales divisions aimed at boosting CS activities</li> </ul>
3. Disclosure of information and stakeholder engagement	<ul style="list-style-type: none"> <li>Formulate Global Security Guidelines</li> <li>Determine appropriate contents and scope of information disclosed to the media and investors</li> <li>Hold regular progress reports on structural reform of business, based on management policies and improvement of IR activities</li> </ul>	<ul style="list-style-type: none"> <li>Formulated Global Security Guidelines</li> <li>Clearly documented and implemented disclosure policies</li> <li>Held five business group IR presentations during the year</li> <li>Publicized management policies using a variety of opportunities</li> </ul>	◆◆◆	pp. 45–48	<ul style="list-style-type: none"> <li>Expand the dissemination and disclosure of information highlighting priority initiatives</li> <li>Expand communication with stakeholders in Japan and overseas</li> <li>Refine CSR Web site and improve search facility</li> </ul>
4. Corporate ethics and human rights	<ul style="list-style-type: none"> <li>Review <i>Business Ethics Handbook</i> and promote education</li> </ul>	<ul style="list-style-type: none"> <li>Revised as <i>Corporate Ethics and Compliance Handbook</i> and distributed it to employees in Japan</li> <li>Implemented compliance education in three Asian countries</li> </ul>	◆◆	pp. 24–31	<ul style="list-style-type: none"> <li>Implement corporate ethics and compliance education programs that utilize the <i>Corporate Ethics and Compliance Handbook</i></li> <li>Continue implementing compliance education programs in Asia</li> </ul>
5. Environmental conservation	<ul style="list-style-type: none"> <li>Formulate separate integrated environmental management system (EMS) plans for business groups and for Group companies</li> </ul>	<ul style="list-style-type: none"> <li>Drafted outlook and plans for the creation of an integrated environmental management system (EMS) for business groups and Group companies</li> <li>Hitachi Global Storage Technologies earned integrated EMS certification (for integrating 10 plants: two domestic, eight overseas)</li> </ul>	◆◆◆	pp. 80–81	<ul style="list-style-type: none"> <li>Earn integrated EMS certification for four Group companies</li> </ul>
	<ul style="list-style-type: none"> <li>Increase Super Eco-Product registration ratio to 8%</li> <li>Register 8 Super Eco-Factories</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 8% Super Eco-Product registration ratio</li> <li>Registered eight Super Eco-Factories</li> </ul>	◆◆◆	pp. 90–108	<ul style="list-style-type: none"> <li>Boost Super Eco-Product registration ratio to 15%</li> <li>Register 16 Super Eco-Factories</li> </ul>



6. Corporate citizenship activities	<ul style="list-style-type: none"> <li>• Implement programs using the global environment as a theme</li> <li>• Expand support programs in education (expansion of regions for promoting Universal Design)</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented overseas programs on environmental themes (EU-Hitachi Science and Technology Forum, China Fellowship Program)</li> <li>• Planned and implemented a reforestation volunteer tour to China</li> <li>• Extended and implemented educational assistance programs (Universal Design) in Nagoya and Yokohama. Implemented 19 elementary school programs, including in Tokyo</li> </ul>	◆◆	pp. 49–60	<ul style="list-style-type: none"> <li>• Commence alignment of charitable activities with business objectives</li> <li>• Implement programs on global environmental themes</li> <li>• Plan and pursue new social contribution programs to satisfy needs in emerging countries</li> <li>• Plan and pursue existing social contribution programs for aging and other social issues</li> <li>• Expand educational programs (for example, Universal Design in new regions)</li> </ul>
7. Working environment	<ul style="list-style-type: none"> <li>• Promote HR diversification</li> <li>• Enhance activities for diversity (Group-wide information sharing, hiring female managers)</li> <li>• Continue implementation of global manager training (1,000 trainees)</li> </ul>	<ul style="list-style-type: none"> <li>• Encouraged diversity awareness at all Group companies, hosted forums for managers and HR administrators and disseminated information through Web sites and other channels</li> <li>• Promoted active appointment of female managers</li> <li>• 800 personnel had global manager training</li> </ul>	◆◆◆	pp. 65–74	<ul style="list-style-type: none"> <li>• Promote improved diversity awareness Group-wide</li> <li>• Continue encouraging active appointments of female managers</li> <li>• Plan and pursue initiatives (develop and implement trial training curriculum) for reaffirming Hitachi founding spirit and ideals</li> </ul>
8. Responsible partnership with business partners	<ul style="list-style-type: none"> <li>• Monitor CSR activities of business partners and establish evaluation method</li> <li>• Qualitatively improve the environmental management systems of green suppliers through HI-KES<sup>2</sup></li> <li>• Develop environmental procurement courses</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented substantive monitoring of major suppliers (140 companies) using checklists prepared by the Japan Electronics and Information Technology Industries Association (JEITA)</li> <li>• Assorted education courses (once a month), aided small and medium-size suppliers to develop environmental management systems</li> </ul>	◆◆◆	pp. 61–64	<ul style="list-style-type: none"> <li>• Have Group companies implement CSR monitoring of suppliers and share supplier information</li> <li>• Assist small and mid-size suppliers to improve environmental management systems through MMM Club<sup>3</sup> activities</li> </ul>

◆◆◆ : Achieved

◆◆ : Partially achieved

\*1 PS (product safety) risk assessment: The process of assessing the extent of risk to product safety and determining whether that risk can be tolerated

\*2 HI-KES: Activities implemented by Hitachi to support the environmental safety programs of suppliers based on the Kyoto Environmental Management System Standards (KES; see page 62), a specified non-profit organization

\*3 MMM Club: An organization run primarily by suppliers who have acquired KES environmental certification through HI-KES activities. The three Ms come from the first letter of *mottainai* (reducing wastefulness)

## Full Implementation of the CSR Policy

In 2006, Hitachi prepared the CSR Policy of the Hitachi Group Guidebook and distributed it to about 9,700 managers. English and Chinese language versions were also prepared and are now being used by 90 Hitachi Group companies around the world. Furthermore, CSR e-learning classes have been set up and are now in use by 68 Group companies in Japan.

For overseas Group companies, we hold workshops designed to instill a better understanding of CSR fundamentals, local social issues, and Group CSR policies. In fiscal 2007, we held workshops and seminars for more than 150 managers in seven Asian countries, as well as in North America. In China, we integrated CSR lectures into our Group-wide training programs for new employees in an effort to ensure that they get a solid understanding of CSR from their first day. In Europe, we held “Ideas Competition” to solicit innovative ideas on CSR activities from employees and reward those who share ideas that we can use. We produced e-learning content for new ideas and drew as many as 135 candidates.

Starting in fiscal 2008, we will develop new e-learning courses in 12 languages, including English, Chinese, German, and French, and will distribute them to overseas Group companies. We have also expanded the range of our workshops and are striving to improve Group employee awareness of CSR.

Every year, Hitachi gauges employees’ CSR awareness with the Business Process and Opinion Survey. In fiscal 2007, about 80 percent of surveyed employees of Hitachi, Ltd. responded that they “think Hitachi is engaged in CSR-related activities,” essentially the same percentage as 2006. This

indicates that Hitachi has cultivated fairly complete, widespread awareness and understanding by employees of CSR-related activities by distributing CSR reports and by publishing CSR information on internal and external Web sites. We will continue to promote awareness through ongoing employee education programs and the dissemination of extensive CSR information related to our business operations from a global perspective.



A sample e-learning screen used for "Ideas Competition" in Europe

## Topics

### Hitachi Earns Excellent Corporate Citizen in China and The Most Responsible Company Awards

Hitachi (China) Ltd. and Hitachi Elevators (China) Co., Ltd. (see page 84) won the Excellent Corporate Citizen in China Award, sponsored by China's Ministry of Civil Affairs, the Committee of Corporate Citizenship, and the China Central Television Business Channel. Chosen by experts and private citizens, companies receive this award for corporate performance and social responsibility. In fiscal 2007, about 50 companies from China and abroad were selected.

Hitachi (China) Ltd. won the third Most Responsible Company Award, becoming the first Japanese company to do so. This award is sponsored by the Chinese News Weekly, the Chinese Red Cross Foundation, and the China Consumers' Association.

**Photo:** Winners of the China Excellent Corporate Citizen Award (at center, Minoru Tsukada, Senior Vice President and Executive Officer of Hitachi, Ltd., who at the time held the positions of Chief Executive and Chief Information Officer for China)



# Compliance and Risk Management

The Hitachi Group, with involvement in businesses that impact public welfare and operations that handle vital information, places top priority on compliance and ethical business conduct and is committed to every category of risk management, including protection of personal information and Business Continuity Planning (BCP)

## 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, reporting directly to the president, which carries out compliance education and audits of the business activities of Hitachi, Ltd. and other Group companies.

## Expanding the Whistleblower System

In April 2003, Hitachi instituted a “companywide whistleblower system” with the aim of preventing illegal or unethical behavior, promptly addressing infractions, and enhancing the ability to self-govern. In response to the enactment of the Whistleblower Protection Law, we extended the system in October 2004 to include all present and former Group employees, employees of suppliers, and temporary staff. We also adopted a system in December 2003 for employees to report any problems straight to the directors, and in May 2004, we revised the system to accept anonymous reports.

### Report Processing Flow



## Compliance Education

### Raising Compliance Awareness

To have a stronger CSR focus and to account for recent changes in the law, Hitachi, Ltd. has completely revised the *Business Ethics Handbook* that all employees—including temporary staff—relied on as a code of conduct and reissued it as the *Corporate Ethics and Compliance Handbook*. Specifically, we expanded the sections on human rights, information disclosure, and contributions to local societies, and made other subjects easier to understand. In fiscal 2008, we will use this revised handbook for training and education programs and will have all Group companies strive for heightened ethical awareness and a renewed commitment to total compliance.

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

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

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

### **Environmental Protection**

#### **Relations with Society**

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

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

#### **Management Foundations**

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

Revised February 2008

## **The Corporate Ethics and Compliance Handbook Table of Contents (excerpt)**

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

### **Antimonopoly Compliance Education**

In 2006, it was determined that violations of the Japanese Antimonopoly Law had occurred during contract bidding solicited by the Metropolitan Expressway Public Corporation (now Metropolitan Expressway Co., Ltd.). The Hitachi Group responded by carrying out Group-wide training from August through October 2007 to thoroughly familiarize all sales managers with the amended Antimonopoly Law. In October 2007, we also invited a visiting researcher from the Fair Trade Institute to speak before the Group's compliance officers, and in March 2008 we brought in an outside attorney to speak to compliance officers about the whistleblower system. In these and other ways, we are working hard to raise awareness of compliance issues throughout the Group.

### **Seminars in Asia**

Over 100 Hitachi Group companies are operating throughout Asia (in seven countries, excluding Japan and China). Ensuring that every employee has strong ethical standards requires special emphasis on local laws and regulations. Hitachi Asia, responsible for operations in the Asian region, has been holding Corporate Ethics and Compliance Seminars for Group companies. In fiscal 2007, around 100 managers participated in seminars held in the Philippines, Indonesia, and India. In fiscal 2008, we plan to increase education by holding seminars in more Asian countries. While respecting the local laws and regulations, we will strive to develop employees with high ethical standards.





A corporate ethics and compliance seminar in Asia

## Protecting Personal Information and Information Security

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

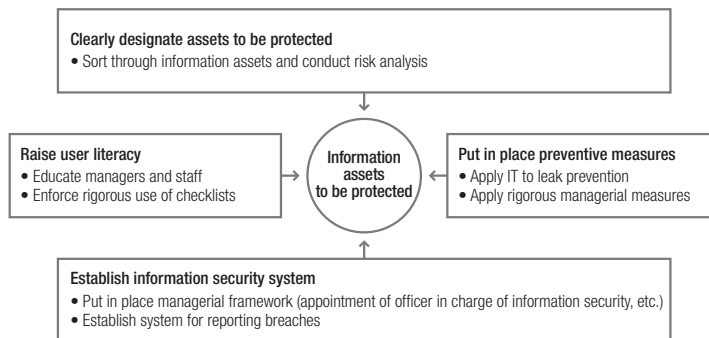
### (1) Precautionary measures and prompt security responses

Hitachi clearly classifies information assets to be protected and takes safeguarding measures based on vulnerability and risk analysis. We also have an emergency manual for security breaches, 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 personnel levels—staff, managers, etc.—and is working to raise the prevailing sense of ethics and security awareness through Group-wide education using e-learning. We are also working on the use of audits to identify and address problems early on.

### Basic Approach to Information Security Governance



### Protecting Personal Information

In line with our Policy for Information Security and Standards on Information Security Measures, we have worked hard to prevent information leaks and unauthorized disclosure of information by holding e-learning courses for all employees, including temporary workers, and by implementing periodic audits. In February 2007, we earned Japan's Privacy Mark certification.<sup>†1</sup> In July 2007, Odaira Memorial Tokyo Hitachi Hospital became the first corporate-affiliated hospital in Japan to obtain that certification, following an examination by a screening organization specialized in healthcare.

In 2007 alone, 17 Hitachi Group companies earned Privacy Mark certifications, and as of

March 2008, the total rose to 58. Additional Hitachi-affiliated hospitals are seeking certification in fiscal 2008 and will reinforce personal information management as they prepare for the scheduled renewal of the Privacy Mark in February 2009.

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

#### **Personal Information Protection Policy**

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

#### **Efforts toward Information Security**

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

In fiscal 2007, the Hitachi Group moved to guard against information leaks associated with the Winny file-sharing program by prohibiting the use of privately owned computers for work-related purposes, distributing copies of a checking tool to all Group employees, and having employees delete all previously saved work-related data.

In July 2007, we also compiled a set of Global Security Guidelines for Group companies overseas, and we are instructing them in the prevention of information leaks by conforming to these guidelines.

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

##### **Rule 1.**

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

##### **Rule 2.**

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

##### **Rule 3.**

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

#### **Export Control**

As a matter of basic export-control policy, Hitachi, Ltd. upholds the Hitachi Standards of Corporate Conduct, which state that the company "shall help maintain international peace and security through compliance with trade laws and regulations." We adopted rules for control of security exports on the basis of this policy in 1987, and we continue to strive for the strictest possible export controls. This means investigating the destination, application, and buyers of all goods and technologies intended for export and promoting all legal procedures.

In addition, Hitachi, Ltd. is taking steps to promote Group-wide export controls by providing guidance on rules and a framework for export control, as well as supporting education and training to ensure that all Hitachi Group companies follow similar policies and practices for export control. We are also committed to ensuring that Hitachi Group companies doing business in countries

around the world comply fully with local export laws and regulations.

## Risk Management

With major earthquakes, epidemics, terrorist attacks, and other disasters occurring throughout the world, we are committed to business continuity plans (BCPs)<sup>†2</sup> as an important element of risk management. Because our operations are so widespread and play such an important role in society in Japan and overseas, we are working to enhance our BCPs to minimize the impact on society of any interruption in business operations.

### Business Continuity Plans (BCPs)

In August 2005, Hitachi set up an Expert BCP Promotion Panel, which in December 2006 completed the Guidelines for Developing Business Continuity Plans. Using the example of an electronic components plant hit by an earthquake, the guidelines clearly prioritize the operations that should be restored, depending on estimated risk and impact of interruptions. Using the BCP guidelines, all production plants and offices can operate more efficiently and employ level-headed risk management procedures following an emergency.

In February 2007, representatives from 110 Group companies got a detailed briefing on BCP policy. By March 2008, major Group companies had formulated BCPs.

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



Guidelines for Developing Business Continuity Plans

### Emergency Simulation Exercises

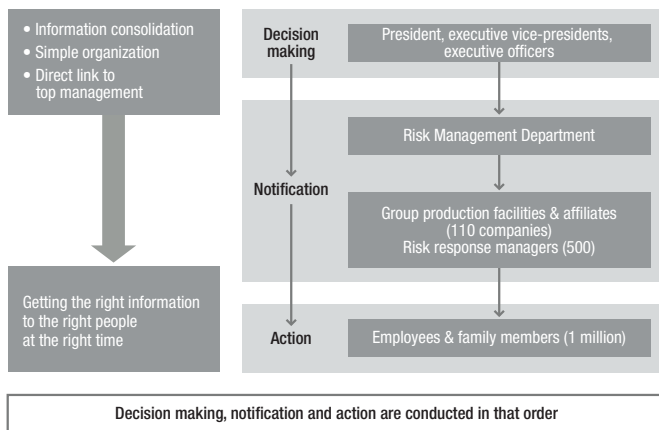
In March 2008, Hitachi, Ltd. Hokkaido Area Operation in Sapporo conducted a simulation exercise modeling an earthquake with a seismic intensity in the upper 6 range. Simulating a wide range of adverse circumstances triggered by such a disaster, the exercise provided practice for rescue operations, community volunteer activities, equipment inspection, evacuation, and other activities. About fifty employees split into two teams, one to take requests for assistance and provide information, and another to respond to requests. Through this lifelike experience, they learned to exercise calm judgment and act quickly in a tense emergency situation.

Each year since 1998, the Hitachi Group has held a similar drill at a designated production facility, and it has now completed exercises at ten facilities in eight prefectures. We are also holding monthly drills using a satellite communication system.

## Risk Response for Employees and Families

In April 2008, for a global outbreak of avian (bird) flu and other strains of influenza, we set up a special organization called the Risk Management Headquarters. With the president serving as CEO, this organization plays a central role in ensuring the safety of Group employees and their loved ones. We are adding resources to the development of BCPs for a range of socially indispensable Group operations, including those for healthcare, security, and social emergencies.

### Risk Management Framework



## Protecting Intellectual Property

### Basic Policy on Protection of Intellectual Property

The basic policy of Hitachi, Ltd. regarding intellectual property rights (IPR) is that these rights must be respected. Hitachi respects the intellectual property rights of other companies and expects other companies to respect Hitachi's.

To be certain of honoring other companies' IPR, Hitachi, Ltd. works hard to avoid patent infringements during product development, stipulating in Group regulations that preliminary surveys must be carried out to determine the coverage of other companies' patents. Before making use of another company's intellectual property, we negotiate with the company and obtain a license for that purpose.

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

Hitachi is also taking aggressive measures to stamp out counterfeit goods around the world, including those from China and other parts of East Asia, the Middle East, and Africa. This means working with local authorities to protect the Hitachi brand by uncovering violations of Hitachi's overall business, as well as to various trademarks, Web sites and domain names, and other intellectual assets. Through these measures, Hitachi is bolstering the confidence of markets, consumers, and government agencies in Hitachi, maintaining order in markets where Hitachi products circulate, and protecting consumers who trust the Hitachi brand and purchase the products.



# Respect for Human Rights

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The Hitachi founding spirit of harmony, sincerity, and pioneering spirit is fundamentally rooted in a humanitarian philosophy, and in all business operations we respect the human rights of all of our stakeholders

## Human Rights Policy

In the global business arena, it is vital that companies respect cultural diversity and conduct themselves with integrity and honesty, backed by a strong respect for human rights. Supported by a humanitarian philosophy, Hitachi respects the human rights of all stakeholders. We also respect the international ideals of the Universal Declaration of Human Rights, the International Covenants on Human Rights, and the United Nations Global Compact<sup>†1</sup> and we are striving to improve the general level of awareness with all Hitachi stakeholders.

†1 Global Compact: Universal principles relating to human rights, labor, and the environment proposed by then-UN Secretary-General Kofi Annan at the World Economic Forum in January 1999.

## A Total Commitment to Human Rights Awareness

We link awareness of human rights to actions by highlighting human rights in the *Corporate Ethics and Compliance Handbook* of Hitachi (see page 25), making certain that all employees are aware of these issues.

To assess how far awareness of human rights has spread, we conduct internal audits of Hitachi Group companies throughout the world, verify education programs, and monitor complaints and requests for counseling. In fiscal 2007, we sought the views and recommendations of human rights experts. In the future, we will act on these views and publish the progress made on respect for human rights.

### Provisions declaring respect for human rights

#### **(1) We will respect every person's character and individuality**

We will respect every person's character and individuality in the recruitment and treatment of employees, the conduct of commercial transactions, and all other company activities, and not engage in any acts that impair individual dignity or discriminate on the basis of sex, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease, disability, etc.

#### **(2) We will establish information ethics**

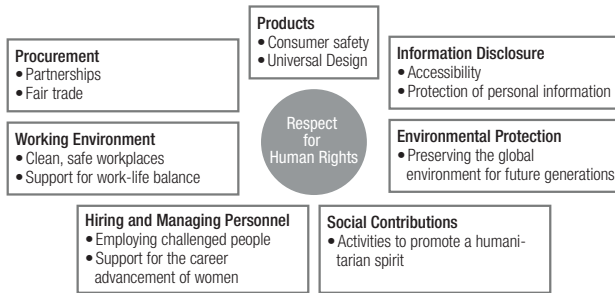
We will establish information ethics for the respect of human rights and the maintenance of security in information handling, to prevent in advance the emergence of problems from personal information leaks, computer viruses, and unauthorized access.

#### **(3) We will advance employment and commercial transactions with proper consideration to corporate social responsibility**

We will hire employees in accordance with the governing domestic, foreign and local laws in each country and region. For example, we will not use child labor which employs children below the minimum working age or coerced labor that is against the will of the workers. Moreover, we will not procure goods or services from enterprises that utilize child labor or forced labor.

Excerpted from the *Corporate Ethics and Compliance Handbook*

## Respect for Human Rights in the Pursuit of Business



## Voices

### Human Rights at the Core of CSR

Makoto Teranaka

Secretary-General, Amnesty International Japan

To date, corporate violations of human rights have been seen in many areas of Africa, Asia, and elsewhere. Moreover, with globalization, the human rights gap between companies and society has widened. To close this gap, it is crucial to make respect for human rights a core part of corporate social responsibility. Many companies have been urged to show more consideration for human rights during procurement. I urge you, instead of viewing it as a procurement issue, to consider respect for human rights as a management policy.

Hitachi's CSR reports address the issue of human rights. However, they should detail specific efforts, along with progress. It is necessary also to measure the effectiveness of those efforts through dialogues with independent organizations and to put their conclusions and recommendations into action. In particular, I would like to see Hitachi disclose more information about how it addresses human rights issues as they relate to employees, suppliers, and regions of operation.



# Next Society

Hitachi's innovations and activities are creating a rich society together with our customers, suppliers, employees and local communities



Genki Club—an in-company day care center supporting a balance between work and family

## Message from Executive in Charge

### Building a Corporate Culture of Tackling Problems

Hitachi is engaged in a wide range of projects and activities throughout the world. Therefore, I believe it is Hitachi's responsibility to contribute to local communities—around the globe—by responding to the problems faced by all regions, countries, and people. As a corporation that pursues *monozukuri*, we have an immense responsibility for the quality and reliability of our products and services.

It is Hitachi's mission to create new value by providing innovative products and services intended to help realize a sustainable society. To fulfill this mission, we must reconsider the origins of *monozukuri* and further promote initiatives for the diversification of employees and ways of working. This will enable us to build a corporate culture where all employees can create new value, as well as tackle difficult problems facing current and future generations.

#### Masahiro Hayashi

Executive Vice President and Executive Officer of Hitachi, Ltd.,  
and Chair of the CSR Promotion Committee  
(in charge of sales and global business management)



# *Monozukuri* and Services from the Customer's Perspective

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From the beginning, Hitachi has placed the highest priority on quality.  
We believe in always acting from the customer's perspective

## Toward the Strengthening of *Monozukuri*

At Hitachi, we approach *monozukuri* from the customer's perspective, holistically applying a wide range of technologies, know-how, and management skills to the total process—from product development and design to production, sales, and services. While striving to improve designs, production technology, and quality control, we are also focusing on nurturing outstanding technicians and passing on the technologies that we have developed.

## Six Committees Dedicated to Strengthening Core Technologies

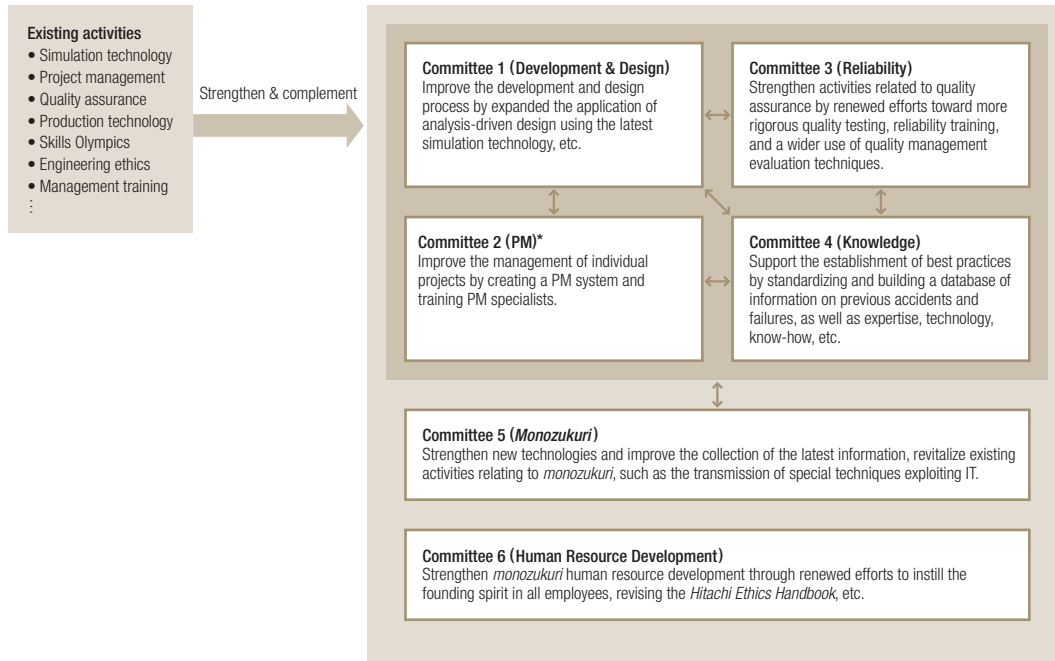
When broken turbine blades were discovered in two nuclear power stations in Japan in June 2006, we established the Supervisory Office for *Monozukuri* under the president the following September to further strengthen *monozukuri* capabilities, improve customer confidence, and to hand down Hitachi's founding spirit.

Recognizing that it is Hitachi's mission to respond to the expectations of society through *monozukuri*, we have set up six committees to investigate challenges, such as strengthening project management, improving quality and reliability, and standardizing and sharing knowledge (examples of accidents and lessons learned, specialist knowledge, know-how, etc.). The goal is to further improve *monozukuri*. Executive officers from the head office serve as chairpersons of these committees, supervising and promoting their activities.

In fiscal 2007, the committees' activities included promoting innovation in the development, design and production processes; taking various initiatives to strengthen project management; clearly defining the development processes that improve quality; standardizing and sharing knowledge about *monozukuri*; and publishing and distributing to employees *HITACHI no Kokoro*, a booklet that strengthens awareness of Hitachi's basic philosophy.

Through these activities, as well as enhancing our high-quality *monozukuri* and ability to solve problems on the production front lines, we will continue to respond to the expectations of customers and all our diversity of stakeholders.

## Committees of the Supervisory Office for Monozukuri and Their Activities



\* PM (project management): A method of managing the progress of a project as a whole while coordinating staff, funds, equipment, materials, scheduling, etc.



The *HITACHI no Kokoro* booklet, used for Hitachi Group employee training

## Successful Participation of Hitachi Group Employees in the International Skills Festival for All, Japan 2007

In November 2007, seven Hitachi Group employees in seven occupations took part in the International Skills Festival for All, Japan 2007 (ISF2007).<sup>†1</sup> Four of them won gold medals and one received a bronze medal. About 800 people from 46 countries and regions took part in competitions in 47 occupations including CNC turning, welding, sheet metal work, and electronic device assembly. Hitachi employees have now won gold medals in five consecutive WorldSkills Competitions (WSCs) and, including those at ISF2007, have won 37 gold medals in total.

At Hitachi, we believe that “making things makes people.” Ever since the founder of Hitachi, Namihei Odaira, set up a school for apprentices, we have placed great importance on human resource development. Hitachi employees have taken part in every tournament since the first WSC national tournament in 1963, making participation in the WSCs a part of our development of human resources that foster core technicians.

The highly skilled technicians who participate in the WSCs are the nucleus of Hitachi’s staff on



the production front lines. Through these activities, we are striving to improve the level of skills and pass them on at all of our production sites in order to provide the highest quality products in the world.

†1 World Skills Competition: An international tournament held, in principle, once every two years to promote professional training, improve skill levels, and encourage international exchanges among skilled workers. Hitachi provided support as an official sponsor of this year’s tournament. Since the event has been combined with the International Abilympics (for physically challenged technicians), it was renamed the International Skills Festival for All.



The five participants who won medals at ISF2007

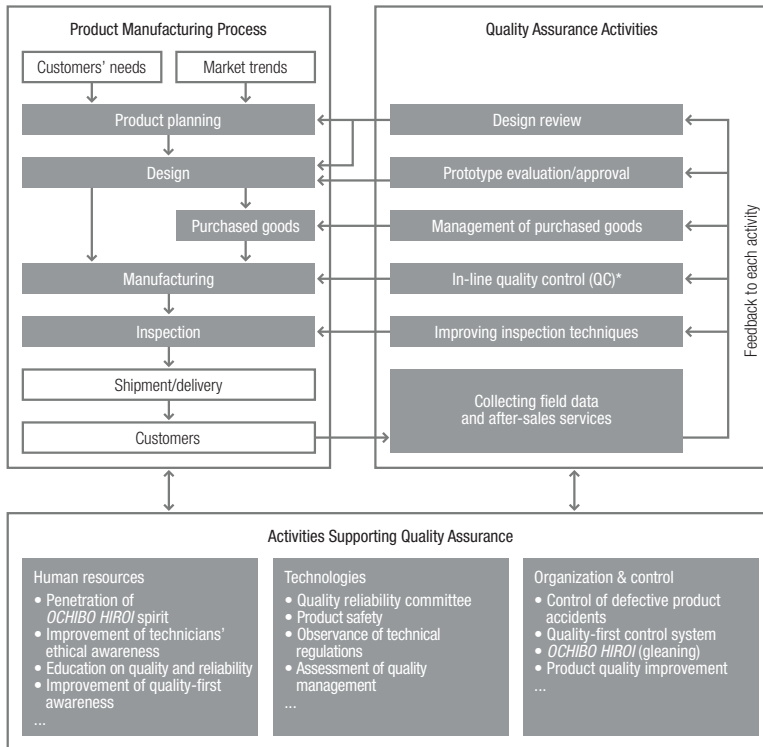
#### ISF2007: Hitachi Group Results by Occupation

Occupation	Division	Name	Result
Welding	Hitachi Works, Hitachi, Ltd.	Masaki Kobayashi	Gold medal
Construction Metal Works	Hitachi Works, Hitachi, Ltd.	Akihito Sakamoto	Gold medal
Industrial Control	Information System Control Division, Hitachi, Ltd.	Katsuya Nakui	Medallion For Excellence
CNC Turning	Nanotechnology Product Business Group, Hitachi High-Technologies Corporation	Akira Fujimoto	Gold medal
CNC Milling	Nanotechnology Product Business Group, Hitachi High-Technologies Corporation	Akitomo Ebine	Gold medal
Mechanical Engineering CAD	Nanotechnology Product Business Group, Hitachi High-Technologies Corporation	Komei Osuga	Bronze medal
Refrigeration	Shimizu Works, Hitachi Appliances, Inc.	Yuhei Konagai	11th place

### Quality Assurance (QA) Activities

The Hitachi Group has passed on the quality-first *monozukuri* tradition ever since the beginning. Quality assurance (QA) activities are performed throughout the Group at every stage—from product planning to delivery and services—based on our unifying slogan “providing customers with the highest quality products and services.” The following are examples of QA under the headings of human resources, technologies, and organization & control.

## Quality Assurance Flow Chart



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

## OCHIBO HIROI: Human Resources / Organization & Control

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

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

At the Hitachi Group, we develop courses tailored to every technical and skill level for divisions involved with design and quality assurance, including "Reliability: Fundamentals and Applications," "Product Safety," and "Engineering Ethics." Our "Engineering Ethics" course introduces managers to the views of experts and reviews examples of applied ethics. As well, discussions are held on real-life workplace issues, recognizing that it is vital for every engineer to think and act ethically as an individual. More than 40,000 employees have taken our general e-learning course "Introduction to Engineering Ethics."

Individual production facilities have also been implementing their own employee training programs for specialized skills. At Hitachi Ltd., Hitachi Works, for example, we have set up a training center to upgrade manufacturing, inspection, and maintenance skills and also provide young quality assurance employees with practical training in "QC seven tools."<sup>†2</sup> As well, lectures are given by experts on such topics as "Attitude for Quality Assurance Personnel."

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

(7) stratification (grouping of data by common factors)



QC training

### Improving Product Safety: Technologies

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

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

### Topics

#### Hitachi Appliances Wins METI First-Place Award for Companies That Have Contributed to Product Safety

Hitachi Appliances, Inc., a Group company that makes home electronics, won METI's first Award for Companies That Have Contributed to Product Safety, placing first in the Large Manufacturers and Large Importers Division. This award, established during 2007, was presented by METI Minister Akira Amari last November. It encourages independent action that promotes product safety, fostering a safer, more secure society.

Hitachi Appliances received the award for many safety-related activities, including using systems that gauge acceptable levels of risk and systems that recognize employees who discover faulty products, as well as educational programs that help employees identify, assess and experience incidents related to product safety.

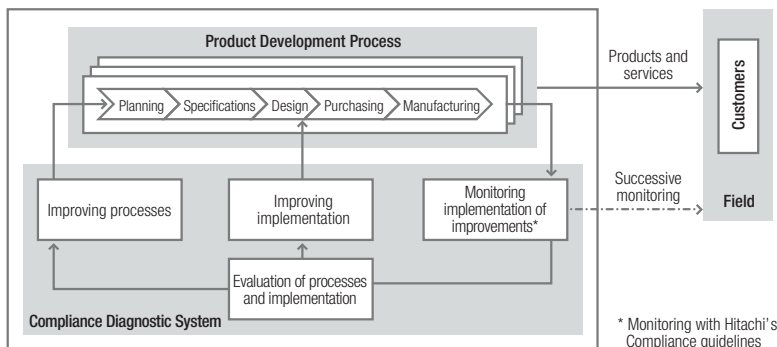
**Photo:** Award ceremony **Image:** Logo mark for "companies that have contributed to product safety"



## Promoting Compliance with Technical Laws: Technologies

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 for manufacturing. Based on the three core themes of understanding legal trends, developing quality management systems compliance, and raising compliance awareness, Hitachi has developed a “legal map” linking products with the applicable laws, and is working to keep all production facilities fully informed and up to date on changes in the legal environment. In fiscal 2005, a compliance diagnosis system was developed, and by fiscal 2007, 17 offices had implemented this system for self-evaluation and diagnosis. We plan to use this system in all Group production facilities.

### Outline of Compliance Diagnostic System



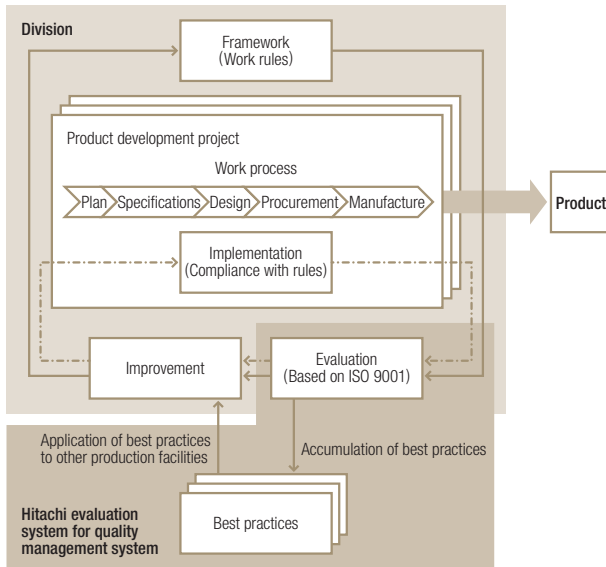
## Hitachi-Quality *Monozukuri* through Improved Work Processes: Technologies

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

Through this system, the extent to which a project is following set processes and whether there are problems with those processes can be determined quantitatively. This makes it possible to use data on successful cases at other offices stored within the system, and to deal with the problems that are uncovered. For business divisions requiring considerable improvement, a specialist team evaluates the quality of processes and focuses on eliminating weak points. As of March 2008, this system was being used at 28 Hitachi offices and will be implemented at every Group company in fiscal 2008.

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

## Hitachi Evaluation System for Quality Management

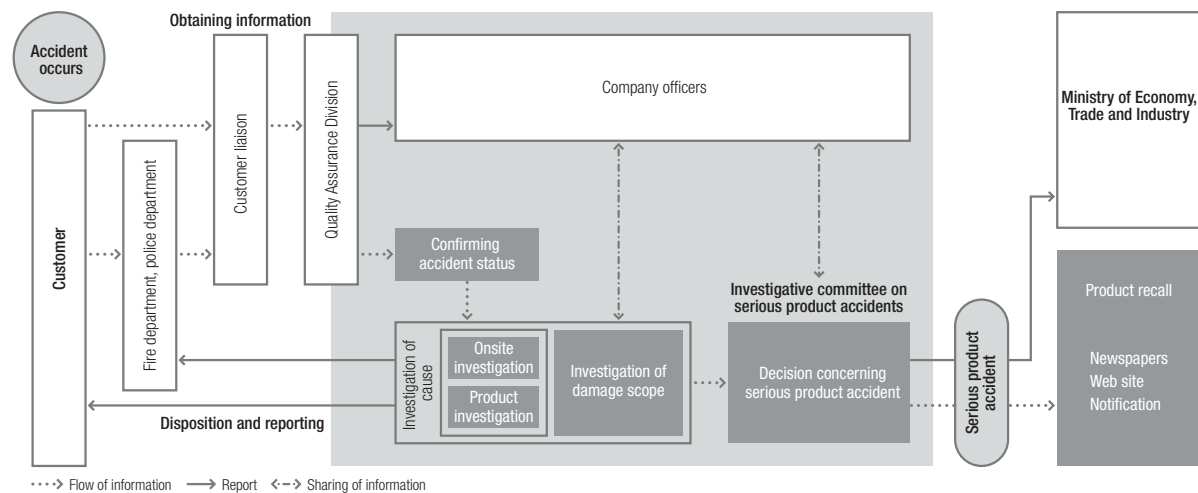


## Response in Case of Product Malfunction or Damage: Organization & Control

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

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

## Response Flow in the Event of Product Malfunction





## Building Customer Feedback into Our Products

We made our Customer Satisfaction (CS) Management Guidelines one of the pillars of business management, and we continue to improve CS, with the goal of “creating innovation through collaboration with customers.” We use customer satisfaction surveys tailored to each business operation, then analyze the opinions submitted, and incorporate this information into product development and business activities.

### Customer Satisfaction Management Guidelines

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

Formulated in 1994

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

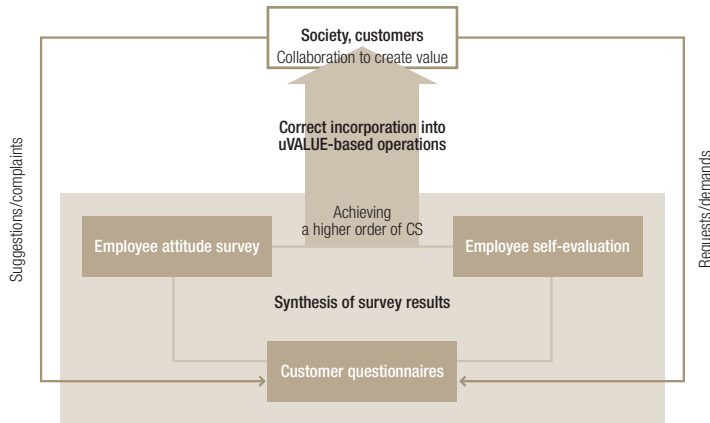
Using the concept of uVALUE,<sup>†4</sup> the Information and Telecommunications Systems Group is working to bring about a more prosperous society by “collaborating to create the best value for our customers.” Beginning with the customer’s perspective, we take annual surveys to evaluate our products and services. Within the company, employees make evaluations to better understand customer needs and issues, as well as the quality and speed of our response to requests. We also survey employee opinions on the workplace environment, which includes internal communications and decision-making speed. The results are combined with the customer surveys and analyzed from many perspectives to assess how Hitachi’s activities are reflected in customer satisfaction, with the goal of making improvements.

The customer surveys for fiscal 2007 were reorganized to help customers respond more easily to the Information & Telecommunications Systems Group, and we have begun to send to customers any findings that they might find interesting or useful. Through these efforts, we are raising employee awareness, promoting communication within the Hitachi Group, and incorporating the customer’s viewpoint into our operations.

For the fiscal 2007 customer survey, we obtained customer understanding and cooperation for giving, in an amount equivalent to the compensation that would have gone to survey respondents, a donation to the non-profit organization Good Earth Japan (see page 59).

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

## CS Efforts in the Information & Telecommunications Systems Group

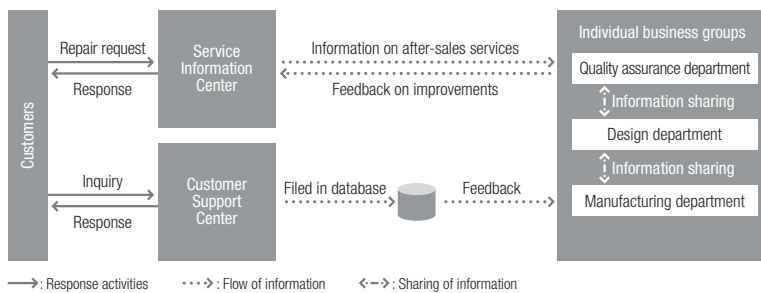


## CS Activities for Home Appliances

Hitachi receives various opinions, including questions and complaints, from customers regarding home appliances, such as plasma TVs and washing machines, via Hitachi Answer Center and a Web site. Hitachi Appliances, Inc., which handles Hitachi's home appliance business, has developed a system for carrying customers' voices into the development of new products and services. Hitachi Answer Center receives more than 530,000 emails a year. All customer calls on product selection, repairs, questions, and complaints are kept in computer files and can be searched and indexed as needed.

In addition, consumer questionnaires are conducted on products in use, and the opinions received are incorporated into the design of new products and services.

## Voice of Customer Flow Chart



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

<b>In products and services</b>	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 design, manufacturing technology and quality assurance departments. The meetings are convened four times a year.
<b>In creating easy-to-use products</b>	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.
<b>In developing human resources</b>	CS Dojo (training for improving customer satisfaction)	Employees are given an opportunity to directly hear the voices of consumers. For example, designers go to the Hitachi Answer Center to listen to the voices of customers, and then incorporate their perspective into new designs.

#### Response to Product Defects: Free Repair of Electric Heating Coils

Some of the 177,073 single and multiple electric heating coils that Hitachi manufactured from 1984 through 2004 unintentionally caused fires. The fires were caused because the ON switch protruded from the coil body, and therefore was prone to inadvertent contact with objects and people. The coils turned on accidentally, and in some cases, ignited material placed on top of them.

In response, Hitachi Appliances and Hitachi Housitech, both manufacturers and sellers of the coils, set up an electric heating coil countermeasures headquarters, and, through TV and newspaper ads, gathered information from consumers and are now making improvements in the switch design.

In addition, 13 companies in the electric heating coil industry (including the two Hitachi companies) established the Council on Electric Heating Coils for Small Kitchen Units in June 2007, which jointly published newspaper ads, and investigated and implemented measures to prevent a reoccurrence. As of January 2008, 61.2 percent of the Hitachi-manufactured units had been repaired or recalled. To prevent further accidents and strengthen product safety, these efforts will continue.

#### Universal Design

Universal Design (UD) is the concept that all products and services should be useable by anyone, regardless of age, gender, nationality, or disability.

The UD perspective is essential because Hitachi is deeply involved in society and in people's daily lives in wide-ranging ways: consumer electronics, information services and public systems. In order to offer better products and services, we continually make improvements through a three-step process of basic research, product development, and information/educational programs.

#### Universal Design Processes for Elevators

During basic research, we began by establishing a research objective based on what people are looking for in an elevator, considered within the context of society and our business operations. Then we went out into the community accompanied by people who have vision or hearing disabilities, or those in wheelchairs, to observe and study firsthand how they use elevators.

We also surveyed 358 people by questionnaire, including the elderly, wheelchair users, and foreigners living in Japan. We then analyzed the results to pinpoint the problems that these people were experiencing.

During product development, we prioritized the problems that were revealed and began studying and proposing specific solutions. Focusing on the solutions with the most promise, we created prototypes (full-scale test models) and had them evaluated by 120 subjects, including people in wheelchairs, the elderly, the vision or hearing impaired, and healthy people. On the basis of these evaluations, we adopted a number of ideas to be applied to product development, such as a flashing destination floor button and a color LCD (liquid crystal display) indicator.

To inform and educate, we launched PR activities, such as product announcements, and held presentations for customers and sales units to promote understanding of UD and to gather feedback. At the same time, to spread the acquired knowledge about UD activities throughout the company, we are standardizing the results of these efforts, creating “tools,” such as design guidelines and a database.

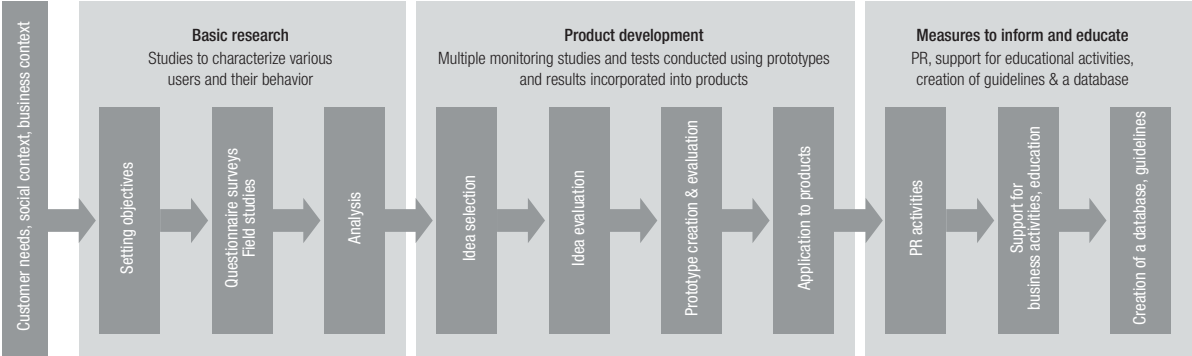


Investigating how elevators are actually used



Studying elevator prototypes

**Process of Universal Design Activities**



## Topics

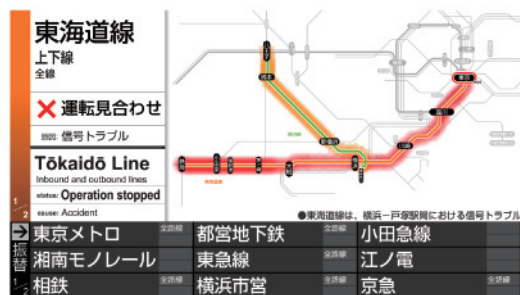
### Status Display System for Train Stations That Monitors Operational Anomalies

Universal Design is being used in many ways, including in foreign languages and Braille in ticket machines at railway stations.

When an accident or delay occurs in the railway system, information is usually given out only through PA announcements or in written messages. To convey this information in an easier way to understand, Hitachi has developed a status display system that converts written information into graphic form, showing information on train delays on a map. This system was designed through repeated experiments based on opinions received from station employees and train passengers, with the goal of making it as convenient as possible. A glance at the display provides accurate information about train locations and delays, helping non-Japanese speakers, the hearing impaired and others to grasp the situation—even if they cannot understand or hear public announcements. By March 2008, 150 systems had been installed in 27 East Japan Railway stations. Plans are to install systems in all Tokyo metropolitan stations that have 50,000 or more passengers a day.

**Image:** Transport information screen of emergency display system

**Photo:** Emergency display system in Tokyo Station





# Communication with Shareholders and Investors

**The Hitachi Group is dedicated to enhancing communication with shareholders and investors while providing them, in a fair and appropriate way, with the information they need to make sound investment decisions**

## Policy on Information Disclosure

Hitachi, Ltd. communicates with shareholders and investors in accord with a disclosure policy that sets the following basic policy: Hitachi seeks to maintain and develop trust relationships with its stakeholders, including shareholders and other investors, customers, business partners, employees and regional communities. It will fulfill its responsibility to stakeholders by disclosing information in a fair and highly transparent manner, and by conducting various communication activities.

Hitachi discloses not only information required by laws or regulations, but also management and financial information it regards as useful in deepening stakeholder understanding of Hitachi management policy and business activities.

### Disclosure Policy

#### 1. Basic Policy

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

#### 2. Information Disclosure Standards

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

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

#### 3. Disclosure Methods

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

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

#### 4. Quiet Period

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

## 5. Forward-looking Statements

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

## Proactive IR Approach

Hitachi, Ltd. conducts a wide range of IR activities including corporate strategy briefings for institutional investors and analysts, tours of production and R&D facilities, participation in investor meetings sponsored by securities firms, and holding explanation meetings for individual investors.

In fiscal 2007, in addition to the financial information meetings for each fiscal quarter, Hitachi held five business strategy explanation meetings in business fields such as electric power, information and telecommunications, and flat-screen TVs. In May 2007, President Furukawa held a progress report meeting on "management of collaborative creation and profits" as an important aspect of Hitachi's management policy.

Hitachi management executives held more than 70 meetings with institutional investors and analysts in Japan and overseas, including two visits to investors in the United States and Europe. As well, IR divisions in Japan and overseas held over 300 meetings during the year. Hitachi is making every effort to feed back within the Group the opinions of institutional investors and analysts voiced at these meetings and to ensure that they are reflected in management and business administration.

In January 2007, Hitachi revised the Web site that provides information for shareholders and investors. We continue to disclose information in a timely manner, for example, by posting materials used in various explanation meetings. On our exclusive Web site for individual investors, we also endeavor to provide information that promotes a deeper understanding of the Hitachi Group.



Business strategy explanation meeting on information and telecommunications

### Publications Providing Business Information

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

## General Meeting of Shareholders

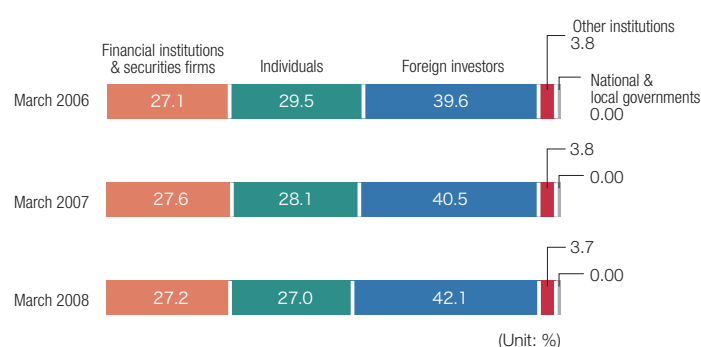
At Hitachi's Ordinary General Meeting of Shareholders, we offer audio-visual reports designed to give shareholders a thorough understanding of our situation. The President and Chief Executive Officer reports on management matters and some of this information is posted on the Hitachi Web site for shareholders and investors following the meeting.

To ensure that shareholders are able to study financial proposals far in advance, in addition to sending written notices of the convening of meetings, this information is also posted on the Web site for shareholders and investors.

### Investors

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

### Trends in Shareholder Composition



## Basic Policy for Prevention of Takeovers

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

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

At present there is no imminent concern that any particular party will acquire a large amount of Hitachi's shares, and Hitachi has not established any special measures ("anti-takeover measures"), should such a purchaser appear. Nevertheless, as a natural duty to our shareholders and investors, we constantly monitor Hitachi share transactions and movements, and if a party appears attempting to purchase large amounts of shares, Hitachi will immediately take the measures considered most appropriate. Specifically, this will involve assessing the purchase proposal with the assistance of external experts, negotiating with the purchaser and, in the event that such an acquisition does not contribute to the corporate value and joint profits of shareholders, to promptly

determine the need for and contents of specific countermeasures and set up a framework for their implementation. A similar response will be made in the event of any attempt to purchase large amounts of the shares of any Hitachi Group company.

### Results of External SRI†1 Assessments in Fiscal 2007

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

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

†1 SRI (Socially Responsible Investment): An approach to investing where shares are selected partly on the basis of criteria relating to corporate social responsibility (CSR)

# Working in Harmony with Local Communities

**Nurturing People, Connecting to the Future: Based on these commitments, the Hitachi Group engages in social contribution activities in the areas of education, the environment and social welfare**

## Awareness of Social Issues

From global warming—and other environmental problems—to poverty and hunger, social issues are intensifying. As a good corporate citizen, Hitachi looks for ways to help and take action. Using our Social Contribution Philosophy and Policy, we have prioritized education, the environment, and social welfare. Making full use of human and physical resources, finances, and technology, we take wide-reaching action: fostering family education and the healthy growth of children and teens; fostering young researchers; sponsoring international student and teacher exchanges; educating people about the environment; assisting environmental NGOs; narrowing the digital divide; and helping people with disabilities.

Hitachi, Ltd. and five domestic foundations have donated over 1.4 billion yen to fund these social programs. Hitachi is committed to a broad range of initiatives that build a brighter future, while developing our enterprise in harmony with society.

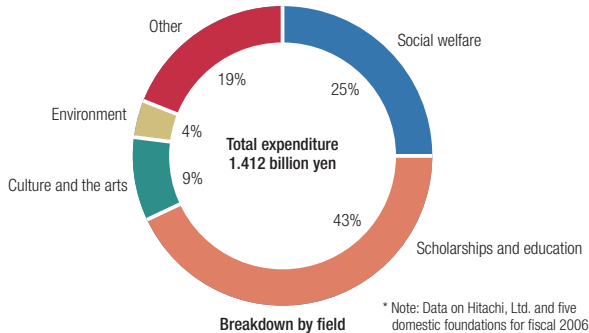
**Social Contribution Philosophy and Policy**

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

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

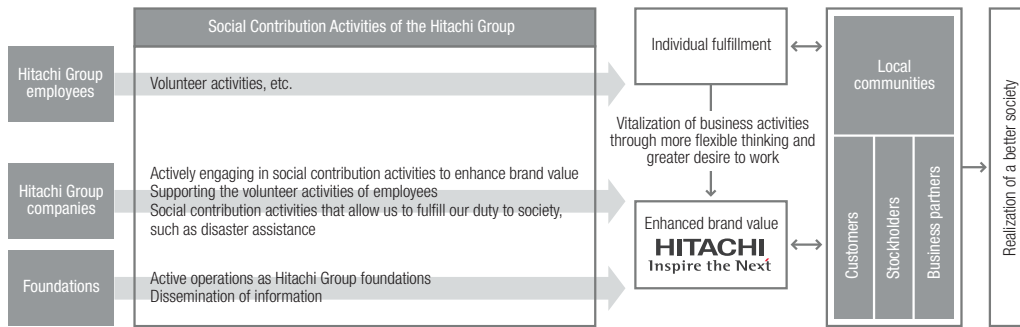
Adopted February 2002

**Breakdown of Funding for Social Contribution Activities**





## Approach to Social Contribution Activities



## Educational Initiatives

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

### Education Case Study 1:

#### Hitachi Volunteers Implement Educational Support Program

Since 2005, the Hitachi Group has been conducting an educational outreach program on Universal Design staffed by employee volunteers. Aimed at students in the higher grades of elementary school, in 2007 the program was delivered 38 times in 19 locations in Tokyo, Nagoya, and Yokohama. Hitachi president Furukawa participated in an outreach class at Komagome Public Elementary School in Tokyo's Toshima Ward on October 12, speaking to the children about the importance of Universal Design. Plans are underway to both expand the program geographically and to take up a variety of other themes.

## Voices

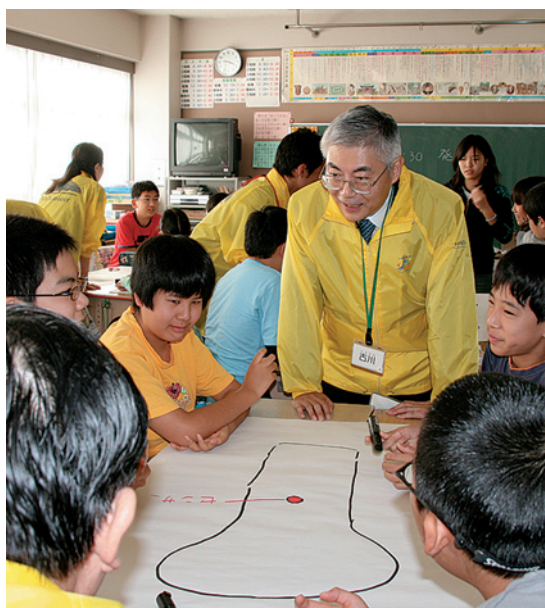
### President Furukawa Joins Volunteer Classes

Kazuo Furukawa

President and CEO of Hitachi, Ltd.

Participating in actual classes in this way, I was excited by the flexibility and richness of the children's imaginations. I hope they will learn the importance of looking at things from the users' point of view, and of being considerate to others. Participating in a volunteer activity, I also felt that it is becoming increasingly important to contribute to society and local communities using Hitachi's strengths in technology, services, and design. As a global corporation, we must understand that it is already a given that we need to contribute to the creation of a more prosperous society. Our ongoing participation in classes such as these has deep significance because it not only contributes to the education of the next generation, but also communicates to them the passion that we at Hitachi put into making things.

**Photo:** President Furukawa with students



### Education Case Study 2:

#### Supporting Children's Studies with a Web Site and Events

Since October 2000, Hitachi Maxell, Ltd. has operated Maxell Kids Wonder Library, a Web site devoted to providing information and support for elementary and middle school children in their studies and in their daily lives, as well as publicizing various events sponsored by the company. In addition, Hitachi Maxell has created an exhibit called Kids Wonder Rally at the Science Museum in Tokyo's Chiyoda Ward that gives elementary and middle school students a chance to have fun while they learn about the company's products.

All of these activities are intended to support education that nourishes children's sensibilities and the richness of their imaginations, and to counteract the recently observed trend towards declining interest in the sciences.

#### Events Sponsored by Hitachi Maxell

Event	Purpose	Results
Battery-Powered Craft Competition	Learning the joy of making things and the proper use of batteries through construction of craft projects using batteries	The 2007 competition had 119 entries, and the winning projects were featured on the Web site
Mediapost Competition	Encouraging freedom of expression through using information technology	A winner of the 2007 Minister of Education, Culture, Sports, Science and Technology Award of Encouragement
Campaign to Check and Replace Batteries in Emergency Alarms	Increasing the awareness of emergency alarms and instilling the habit of checking batteries	In three campaigns so far, replacement batteries have been provided to 18,300 first graders in 271 elementary schools



Maxell Kids Wonder Library educational Web site



Kids Wonder Rally exhibit at the Science Museum

### Education Case Study 3:

#### “Science Kids”: A Radio Program Encouraging Children’s Interest in Science

To bring science education to children and youth, Hitachi High-Technologies is sponsoring “Science Kids,” a radio program (on Nippon Cultural Broadcasting, or NCB, a Japanese radio station) aimed at elementary school students. The concept is to present science as “an exciting field, rich in new discoveries and the appeal of mystery solving,” encouraging children to experience and learn the wonders of science. During the 2007 summer school vacation, a special event was held at NCB’s event hall where about 40 elementary school students were invited to watch the taping of a broadcast, take part in a science experiment show, and have some hands-on experience with the Miniscope,<sup>®</sup> a desktop electron microscope developed by Hitachi High-Technologies. It is hoped that these experiences of Hitachi Group technology will stimulate the younger generation’s budding interest in science.



Hands-on experience with the Miniscope,<sup>®</sup> a desktop-size electron microscope

### Education Case Study 4:

#### Hitachi International School Teachers Exchange Program (HISTEP)

The Hitachi Group has been actively implementing HISTEP, a cross-cultural teacher exchange and educational project intended to promote communication and cultural understanding among North American, European and Japanese teachers. The goal is to create deeper relationships between Hitachi and local communities. The HISTEP program facilitates cross-cultural communication by having Japanese, European, and North American teachers visit each another’s classrooms, talk with one another, and participate in special classes. In the 21 years since this program began, 261 teachers from Japan, North America, and Europe have participated.

Part of HISTEP is an educational forum sponsored by Hitachi, which was held in July 2007 at the Keidanren Kaikan in Tokyo's Chiyoda Ward. The forum was attended not only by European and North American teachers participating in HISTEP, but also by some 130 representatives of the Ministry of Education, Culture, Sports, Science and Technology, the National Institute for Educational Policy Research, education-related NGOs, and academics. The theme of the forum was "How Can Education Increase Communication?" The keynote speech was delivered by Kazuhiro Fujiwara, then principal of Wada Junior High School in Tokyo's Sugunami Ward, while Mayumi Ujioka of the editorial board of the newspaper *Asahi Shimbun* served as the facilitator of the forum's discussions, which ranged from issues of communication in the IT era to the roles of schools, communities, and families in improving communication through education.



A HISTEP special class

### Education Case Study 5:

#### The 10th EU Hitachi Science & Technology Forum on the Theme of "Environment"

The tenth EU Hitachi Science & Technology Forum was held in Paris in May 2007. This was a venue for experts from government, the private sector, and academia to debate and propose ways for science and technology to help resolve European issues. Each year there is a different theme in a different country. This tenth anniversary forum, for about 150 people, had the theme "Energy, Environment, and Sustainable Society." Presenters included Neil Hirst, director of Energy Technology and R&D at the International Energy Agency; Kathryn S. Fuller, chair of the Ford Foundation Board of Trustees; and the University of Tokyo's Professor Ryoichi Yamamoto. The proceedings report was distributed to the European Commission and the European Parliament.



A photograph of the forum

### Environmental Initiatives

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

#### The Environmental Case Study 1:

##### Promoting Afforestation around the Globe

In September 2007, in cooperation with Green Network, a non-profit organization (NPO), 19 Group

employees and family members volunteered for an afforestation project in the Horqin Desert in China's Inner Mongolian Autonomous Region. They learned about desertification there—thought to be one of the sources for dust and sand blown as far as Japan—and about the importance of restoring desert plant life. Then, cooperating with Japanese language students from the Inner Mongolian University for the Nationalities, they planted poplar and elm trees and cared for trees that had been planted before. Together, they deepened communication and friendship with the local people, and raised awareness among Hitachi employees about the value of volunteering.

Hitachi, Ltd. is a special sponsor of the Forests for the Future Project in Thailand organized by the Foundation for Global Peace and Environment. This project, part of the Billion Tree Campaign, is a global initiative proposed by the UN Environment Programme (UNEP). During 2008, employees and family members of local Hitachi Group companies will plant trees in Thailand's Sirindhorn International Environmental Park.



Afforestation project in China's Horqin Desert

### **Environmental Case Study 2: Tree Planting in the “Forest of Ease”**

Hitachi Engineering and Services Co., Ltd. has responded to the Forestry Agency's Corporate Forests program by leasing 2.1 hectares of nationally owned forest in Ibaraki Prefecture. Beginning in fiscal 2007, trees were planted on this property, dubbed the “Forest of Ease.” Already, in the course of the past fiscal year, 300 employees and family members have planted some 6,200 cryptomeria and cypress trees. This project is intended to continue for the next 60 years, contributing to the preservation of the local environment.



Planting trees in the “Forest of Ease”

### **Environmental Case Study 3: Green Curtain Project**

Hitachi Chemical Co., Ltd. has adopted the Green Curtain Project as the centerpiece of its efforts to contribute to society, and is expanding this participation throughout the Hitachi Chemical Group.

The green curtain concept uses vines and other climbing plants to cover windows and walls of



buildings, cutting exposure to direct sunlight and at the same time using the natural transpiration<sup>†1</sup> from the leaves as a coolant. When it was initiated on an experimental basis at Namie Hitachi Chemical Co., Ltd. in the summer of 2005, it reduced the building's expenditure for electricity by 20% from the same period the previous year. In fiscal 2007, this project was expanded to nine worksites of five Group companies. In fiscal 2008, the number of sites is expected to double. With the cooperation of the NPO Green Curtain Support Group and government agencies, plans are to broaden the concept to employees' homes and to schools, to raise eco-consciousness, and broaden the project's scope.

†1 Transpiration: the evaporation of water from the aerial parts of plants, such as the leaves, after it has been drawn into the plant from the roots. When a green curtain is in place, the heat-absorbing effect of transpiration lowers the temperature in the vicinity of the leaves, producing a pleasant coolness.



Example of a green curtain in place

#### **Environmental Case Study 4: Beautification Activities by Employees near Their Workplaces**

In May 2007, Hitachi Capital Corporation began a campaign of volunteer environmental activities by the employees of all Hitachi Capital Group companies. September and February are designated beautification months to clean up near workplaces, collect cardboard and plastic bottle caps for recycling, and to donate to charity any proceeds from recycling.

In fiscal 2007, about 1,000 employees from 20 sales offices and Group companies across Japan participated in this program, organized by the environmental activities leaders at each workplace.

The motto for Hitachi Capital's social contribution activities is "Once you've made a start, no matter how small, never quit. There's value in sticking with something." And that is what they intend to do in the future.



Volunteers taking part in beautification activities near their workplace

#### **Social Welfare Initiatives**

Hitachi engages in these activities to create a better society by enriching lives—through support



for the healthy development of young people and activities that help the socially and economically disadvantaged reintegrate into society.

**Social Welfare Case Study:  
Wheelchair Basketball Workshop**

Since 2005, the Hitachi Group and the Japan Paralympics Caravan Executive Committee have jointly sponsored the Hitachi Group Wheelchair Basketball Experience Workshop. This program is intended to nurture a richer sense of humanity and raise awareness of participation in sports by physically challenged people. It gives participants the opportunity to both watch and play wheelchair basketball and to meet and talk with wheelchair basketball athletes.

The third of these events, held in the city of Sendai in February 2008, was attended by about 100 local elementary school students and 10 Hitachi Group employees and family members. Everyone got a good workout, as they were amazed and impressed by the difficulties of this sport, such as passing and shooting using only the upper body.



The Hitachi Group Wheelchair Basketball Experience Workshop

**Six Foundations Promote Diverse Activities**

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

**Hitachi's Foundations**

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

**Hitachi's Foundations**

<http://www.hitachi.com/Int-e/skk/hsk10000.html>

**Foundation Case Study 1:**

**The Hitachi Environment Foundation:  
A Forum for Activity Reports by Assisted Environmental NPOs**

In 2002, The Hitachi Environment Foundation initiated an Environmental NPO Assistance Program to provide financial assistance to NPOs, NGOs, and other voluntary organizations whose activities

correspond to the foundation’s focus on “harmonizing the environment and the economy” and “harmonizing the environment with science and technology.” In December 2007, organizations receiving financial assistance in the first through fifth years (2002–2006) of the program convened a forum to report on their activities. The keynote address, given by Junko Edahiro, Co-Chief Executive of Japan for Sustainability, was followed by activity reports from 14 NPOs receiving Hitachi Environment Foundation assistance. A poster-making session after the presentations was another way to raise awareness and share information among the participants.



Forum for Activity Reports by Assisted Environmental NPOs

## Foundation Case Study 2:

### The Hitachi Scholarship Foundation:

#### Support for Human Resource Development in Southeast Asia

The Hitachi Scholarship Foundation, established to support training for those who will create the future of Southeast Asia, sponsors a variety of programs: scholarship support enabling university faculty members from six Southeast Asian countries to study in Japanese postgraduate programs; the invitation of researchers in the natural, human, and social sciences to come to Japan as visiting research fellows; financial assistance to recent graduates; and others. From its establishment in 1984 through the end of fiscal 2007, the foundation has invited 138 Southeast Asian university faculty members to Japan. Of these, 123 have returned to their countries and their faculty positions, and in addition to their teaching and research duties, are active in promoting academic communication and cooperative research with Japanese universities. The graduation ceremonies held each year for the scholarship students also provide a venue where the students, their faculty advisors, embassy personnel from the home countries, representatives and employees of the Hitachi Group, and student’s host families in Japan can all meet and get a chance to know one another.



President Furukawa chats with scholarship students at the graduation ceremony

## Voices

### Supplementing Research by Learning about Japanese Traditions and Culture

Tanyanubab Anantana

Faculty member, Chiang Mai University, Thailand  
Enrolled in the doctoral program in the Department  
of Industrial Engineering and Management,  
Tokyo Institute of Technology

My research topic is Empirical Analysis of New Product Development and Its Effectiveness, and I am currently collecting survey data on the Japanese manufacturing industry. One of the attractive aspects of this activity is that I get to meet and work with a lot of different people. I have been in Japan for a year and three months, and have been learning not just about my research topic but also about Japanese traditions and culture. When I first got here, I was a bit confused by the Japanese working style and communication with Japanese people, but in the course of my daily life and studies, it has all become more familiar to me. When I return to my university in Thailand, I hope to be able to pass on to my students what I have experienced and learned here.



## Partnerships with NPOs

### Participation in the NPO-IT Promotion Council

The Information and Telecommunications Systems Group of Hitachi, Ltd. is participating in the NPO-IT Promotion Council, created at the instigation of Microsoft Corporation and the NPO C's (Coalition for Legislation to Support Citizens' Organizations).<sup>†2</sup> The council, with participants from IT companies, NPO support organizations, and the community of IT engineers, assists in the effective use of information technology by NPOs, and is sponsoring a variety of events and seminars for that purpose.

<sup>†2</sup> C's (Coalition for Legislation to Support Citizens' Organizations): An independent non-profit organization established in 1994, C's was instrumental in passing, and have played a main role in revising, the NPO Law and the system for certified non-profit organizations. C's has continued to play a key role promoting the creation of institutional support for civic action.

## Voices

### Supporting NPO Activities with Information Technology

According to Masaatsu Takehara of Microsoft, “As part of our global CSR activities, we’ve begun to give assistance with information technology to NPOs, which tend to have meager operational bases and IT infrastructures. By pooling the resources of a lot of organizations and results, we hope to expand our partnership and give employees of our member companies an opportunity to get involved with NPOs.”

Akira Matsubara of C’s had this to say: “NPOs in general are not strong in disseminating information, so they have high hopes for contacting people from the corporate world and getting some advice at seminars and at other venues. In order to create new relations for cooperation and mutual benefit among the member companies and participating NPOs, we are asking everyone to keep cooperating by sharing their know-how and experience by taking the opportunity to pass on information.”

Through these activities, we are studying the best ways for us to connect and cooperate with NPOs.

Masaatsu Takehara (right)

Manager, Corporate Social Responsibility Office  
Strategic Planning Department  
Legal Affairs and Strategic Planning Headquarters, Microsoft Japan

Akira Matsubara (left)

Executive Director  
C’s (Coalition for Legislation to Support Citizens’ Organizations)



### Hitachi Construction Machinery Fully Supports Good Earth Japan

Hitachi Construction Machinery and Yamanashi Hitachi Construction Machinery have been manufacturing anti-personnel land mine clearance equipment. Simply clearing land mines does not help the living conditions of local people in developing countries. From the years of civil war, land mines still buried under the ground, together with the poor agricultural environment, have destroyed the lives of local people throughout Cambodia. Hitachi’s goal is to make ex-minefields safe so children can play with happy smiles. In March 2007, the NGO Good Earth Japan was established to help Cambodian people achieve self-reliance. Hitachi Construction Machinery gives great support to Good Earth Japan. Good Earth Japan started with agricultural training and built schools at Slab Pang village, Battambang Province.



Mine-clearing machinery at work in Cambodia



An agricultural training class

## Support for Volunteer Activities

Hitachi supports employees taking the initiative to engage in volunteer activities by giving them information, their time, and financial assistance.

Hitachi provides information about volunteer activities through seminars, the company intranet, and other media. In fiscal 2007, we sponsored seven seminars. Hitachi has instituted special annual paid vacation time (in addition to regular annual paid vacations) that may be used for volunteer activities or other forms of personal growth. Financially, there is a twice-annual volunteer support program called “The Growing Tree” that provides financial assistance for the activities of non-profit organizations in which Hitachi employees are volunteering or actively participating. In fiscal 2007, assistance was given in 21 cases, for a total of 4 million yen.

### Overseas Social Contribution Activities

Activity	Promoting Company	Activity Content
Hitachi Community Action Partnership Day designated by city of Tarrytown, NY	Hitachi Group (North America)	The city designated May 11 as Hitachi Community Action Partnership Day in recognition of years of social contribution activities by CAC.*
Wearing jeans and pink clothing, employees collected money for charities	Hitachi Europe Ltd.	Fundraising for a variety of causes has been carried out: “Jeans for Genes Day” for children suffering from genetic diseases; “Wear Pink Day” for the elimination of breast cancer; and “Movember” for raising awareness of prostate cancer. Employees participated wearing jeans or pink clothing, growing beards, etc., seeking to expand the circle of charitable involvement. In fiscal 2007, they raised £1,060 (about 230,000 yen).
Recipient of the Investment in People Award	Hitachi Asia Ltd	Received the Investment in People Award intended to encourage the entrepreneurial spirit. This award was given by the Foreign Minister of Malaysia in recognition of the scholarship program for overseas exchange students, the program for nurturing the next generation of Asian leaders, and other contributions.
Support for education in Thailand	Hitachi Group (Thailand)	A donation of 200,000 baht (about 750,000 yen) was made to Thai-Nichi Institute of Technology in Bangkok to contribute to the fostering of Thai human resources and the development of the Thai and Japanese economies.
Given an award by Singapore’s National Council of Social Services	Hitachi Group (Singapore)	In recognition of many years of support (beginning in 1991) for the Orchard Road Christmas Light-up, a Community Chest award was received from the National Council of Social Services of Singapore. Donations raised from the public during the light-up event and contributions from the Hitachi Group are supporting more than 150 welfare programs, including support programs for children, physically challenged people, and elderly citizens.
Donation of a dormitory to the Hitachi Hope Elementary School	Hitachi (China) Ltd.	A dormitory building for students from distant locations was completed in November 2007 and donated to this Hitachi-supported school in the suburbs of Shanghai.
Assistance for Chinese university students	Hitachi Chemical Co., Ltd.	Scholarships were awarded to students at Shanghai Jiao Tong University with outstanding academic records and whose families’ economic situation made it difficult to meet tuition and other costs. In fiscal 2007, scholarships were given to five students. In fiscal 2008, the amount of the scholarship awards is expected to double, and the program is to be extended to students at Tsinghua University, as well.
Donations for blizzard relief in China	Hitachi Group (China)	To provide relief from the disastrous blizzard of January and February 2008, 500,000 yuan (about 7,500,000 yen) was donated through China’s Ministry of Commerce.

\* CAC: Community Action Committees formed by North American employees of Hitachi Group companies



# Collaborative Creation with Suppliers

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

By forging strong partnerships with these suppliers, we aim to provide highly reliable products and services

## Sharing CSR Awareness

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

## Implementation of Survey of Suppliers' CSR Promotion

In 2005, we revised the Guidelines for Procurement and Business Transactions—the basis of our business transactions—and asked about 5,000 suppliers worldwide to conduct CSR activities in line with these guidelines. In 2007, using the *Supply Chain CSR Deployment Guidebook* created by Japan Electronic and Information Technology Industries Association (JEITA), we issued a questionnaire on CSR promotion by our main suppliers (about 140, including global corporations). We will build a database of the results of this survey and share this information throughout the Group. We have also asked our suppliers to perform information security audits.

### Guidelines for Procurement Activities

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

1. Overall procurement activities of Hitachi shall adhere to the "HITACHI Company Conduct Standards."
2. HITACHI shall maintain proper partnerships, mutual understanding, and reliable relationships with suppliers with a view to the long term results.
  - (1) HITACHI shall treat all suppliers impartially and be prohibited from favoritism such as giving unfair priority to any specific suppliers.
  - (2) HITACHI respects fair business dealings with suppliers and will avoid any improper act which might cause a loss to a supplier apart from normal and customary business transactions
  - (3) HITACHI shall keep suppliers' trade secrets strictly confidential and prevent them from being revealed or improperly used.
3. HITACHI develops suppliers to maintain competitiveness from a worldwide point of view.
  - (1) HITACHI responds to all suppliers' offers sincerely, and is always willing to offer the information necessary for suppliers to complete on an even playing field.
  - (2) HITACHI shall periodically check and review suppliers' performance and will consider offering more advantageous business opportunities when comparison with other resources allows.



4. Through a designated selection process, suppliers shall be evaluated by product quality, reliability, delivery, price, suppliers' business stability, technical development ability, fair and transparent information release, compliance with societies' rules, regulation compliance, respect for human rights, environmental preservation activities, social contributions, good working environment, and recognition of social responsibilities with business partners.

(1) HITACHI shall not request quotations from a supplier with whom there is no intention to enter into a future business relationship.

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

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

5. HITACHI members are prohibited from receiving any personal gifts or offers from suppliers.

Revised in April 2005

\* All companies in the Hitachi Group act in accordance with these guidelines. In the *Corporate Ethics and Compliance Handbook*, revised in February 2008, we state that we will not procure from suppliers that use child labor or forced labor, and this has been disseminated throughout the Group.

## Promoting the Use of Environmental Management Systems by Suppliers

For green procurement,<sup>†1</sup> we encourage all suppliers that are using environment management systems (EMSs) to acquire certifications. For small and medium-sized suppliers using EMSs, we support the acquisition of simpler EMS certification, such as KES,<sup>†2</sup> Eco Stage<sup>†3</sup> and Eco-Action 21.<sup>†4</sup> In partnership with suppliers, we organized the MMM Club<sup>†5</sup> with these suppliers as members, using information exchanges and training courses to promote qualitative EMSs improvement.

For handling chemicals, for which regulations, etc., are becoming stricter throughout the world, we require suppliers to manage them meticulously, to accumulate information on chemicals in Hitachi Group products in every process of corporate activities, and to record all this information in the product chemical content management system. This information is shared and used within the Group.

†1 Green procurement: The procuring of parts and materials with reduced environmental impact from suppliers that are actively protecting the environment.

†2 KES: A Japanese environmental certification system administered by the KES Environmental Organization, an NPO.

†3 Eco Stage: An assessment system being promoted by the Eco Stage Institute to support environmental management. Eco Stage is a registered trademark of Mitsubishi UFJ Research & Consulting Co., Ltd.

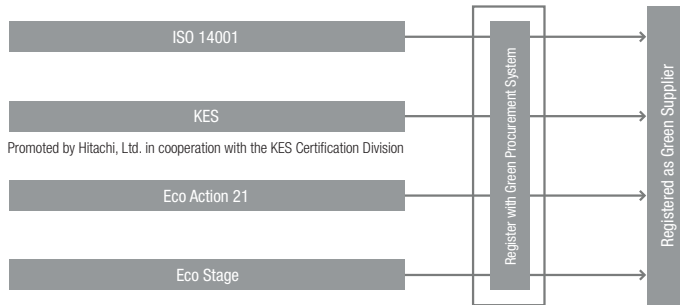
†4 Eco-Action 21: An environmental certification system operated by the Institute for Global Environmental Strategies, based on the Eco-Action 21 Guideline formulated by the Ministry of the Environment.

†5 MMM Club: An organization run primarily by suppliers who have acquired KES environmental certification through Hi-KES activities. The three Ms come from the first letter of *mottainai* (reducing wastefulness).

### Green Procurement Guidelines

<http://www.hitachi.com/environment/library/pdf/en/pdf/green5.0pg.pdf>

## Hitachi Environmental Certification Scheme



## Voices

### Employees' Environmental Awareness Improved by KES Acquisition

Kazufumi Watanabe

President and CEO, Taiyo Kogyo Co., Ltd

Based in Ibaraki Prefecture, Japan, Taiyo Kogyo uses precision sheet metal processing technology to produce enclosures for large-capacity data storage devices and automotive devices. The company had been promoting environmental activities since the 1990s. After taking part in a Hitachi environmental seminar for suppliers, the company applied for KES Step 2 and obtained certification in 2005.

President and CEO Kazufumi Watanabe commented: "With improving employee awareness as our theme, we have been using employees' ideas and steadily working toward our goal as an extension of the small-scale group activities we have been conducting for the past 40 years. These activities include saving energy by having each division draw up an electricity management chart and sorting trash using colored labels. We have always engaged in dialogue with Hitachi and they have advised us on how to conduct environmental activities. I gave a report on these achievements at an MMM Club meeting."

**Photo below:** Trash boxes with colored labels



## Partnerships

Collaborative creation (joint activities) with trustworthy, technologically advanced suppliers is essential for product development. Hitachi strengthens partnerships with suppliers through technology exchange meetings and meetings on business plans and supply policies in each business group. The Hitachi Partner Day is held once a year to promote policy and strategy sharing, as well as mutual understanding between the president and top executives of Hitachi's business groups and top executives of our main suppliers. In fiscal 2007, about 160 executives from 69 suppliers took part in the Hitachi Partner Day.

The Hitachi Group carries out joint development with suppliers that possess cutting-edge

technologies. We also provide guidance and support to a large number of suppliers, both in Japan and overseas, to ensure that their technology and quality meet Hitachi standards. For example, we provided SJJ Railway Materials & Supply, a specialized Chinese manufacturer of parts for railroad cars, with guidance on railroad car welding technologies and helped them improve their quality and production management. After doing this, we began full-fledged transactions with the company in the second half of fiscal 2006, and have steadily continued these relations ever since.

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

Hitachi is proactively creating opportunities to broaden our transactions through an open-door policy. We are striving to forge links with SMEs by cooperating with local government SME-assistance organizations and by holding product shows and business meetings for members of the Hitachi Group. In response to the Chuetsu earthquake in Niigata Prefecture, we held the Niigata New Technology and Construction Method Show and Business Meeting in fiscal 2005. In fiscal 2007, we held the Osaka Prefecture Hitachi Group Show and Business Meeting together with the Osaka Industrial Promotion Organization and the Osaka SME Support Center. Hitachi is planning to hold similar shows for local governments in fiscal 2008.

Among overseas countries, Hitachi is focusing on India, which is undergoing rapid economic growth as an emerging market. In fiscal 2007, with the aim of procuring software, we organized delegations of Hitachi Group members that visited India three times in order to cultivate and increase the number of suppliers there.

# Employees: The Key to Hitachi's Future

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**Hitachi is committed to creating a work environment that respects diversity, enabling employees to harness their full potential and aspire to high goals**

## Creating a Work-Friendly Corporate Culture

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

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

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

## Personnel Systems

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

## Survey of All Employees

Hitachi, Ltd. conducts an annual survey of all 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 Hitachi 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 and engage in e-learning to understand feedback from their superiors, colleagues, subordinates, and junior staff members, with the help of expert instructors. Understanding feedback in turn enables managers to reassess their own strong points and areas needing improvement, as a capacity-building exercise.

## Challenge: Supports Growth

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

### **Employee Capacity Building**

For capacity building, Hitachi supplements in-house education—based on on-the-job training—with group education. This group education has six educational programs: “Management Development,” “Education for Engineers,” “Production Worker Training,” “Education for Internationalization,” “Sales Education,” and “Training by Job Function.” These programs are offered across the Hitachi Group in conjunction with educational institutions, such as the Hitachi Institute of Technology, the Hitachi Institute of MONOZUKURI Skills and Engineering, and the Hitachi Institute of Management Development. In addition, in order to expand educational opportunities for employees, Hitachi has also developed a unique e-learning system (Japanese, English, and Chinese), enabling Group companies to use it.

### **Supporting Career Development**

Hitachi works to create an environment in which employees can discuss their careers with their supervisors to deepen mutual understanding between both parties and enable both to tackle their jobs with a clear vision.

Hitachi also operates the “Career Development Workshop,” a development support program designed to foster independent human resources. It helps participants achieve self-realization, enabling them to develop a deeper self-understanding, including their reasons for working and living and their values in relation to work, and to set their personal career goals accordingly.

Hitachi has established a “Group Open-Placement System” for employees in Japan to express their will and desires through job transfers. As of March 2008, 21 Group companies were participating in this system; in fiscal 2007, there were 35 transfers.

Hitachi has also adopted an “Intracompany Free Agent (FA) System” allowing employees to apply directly for transfers to other divisions. During fiscal 2007, 80 applications were received, leading to 19 transfers.

### **Global Manager Training**

With Hitachi’s operations taking on an increasingly global perspective, it is absolutely critical that the various Hitachi domestic and offshore managers working on the front line of global business understand our history, founding spirit, company operations, common values, corporate philosophy, and basic management skills. To instill this understanding, Hitachi operates the four-day course “Global Fundamental Course—Ready to Inspire,” which offers the same training to all Hitachi managers around the world.

Since fiscal 2006, when it was launched, the course has been attended by more than 800 people. In the years ahead too, we plan to enhance the course content while broadening the regional and personnel scope, and training methods.

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

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

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

To ensure fair and transparent operation of the system, Hitachi has developed invention reward criteria and made these known to employees. An Employee Invention Rewards Internal Arbitration Committee has also been set up to receive inventors' claims and to determine the amount of payment for invention rewards that are offered. Hitachi's Invention Information system promotes communication between inventors and business divisions, enabling inventors to make inquiries themselves to business divisions for information on internal or external use of patents and to confirm the basis for payment for invention reward calculations.

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

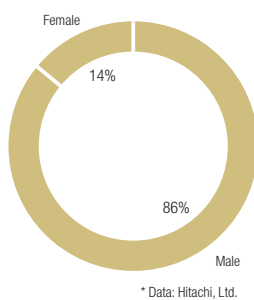
### Diversity: A Base for the Healthy Expression of Individuality

We believe that people are our most important resource, and therefore we respect individuality and embrace diverse values to let employees harness their abilities as well as build on the synergistic benefits that this creates. We pursue a range of activities that promote diversity, and aim to capitalize on the proven increased effectiveness of diverse teams in the achievement of business goals.

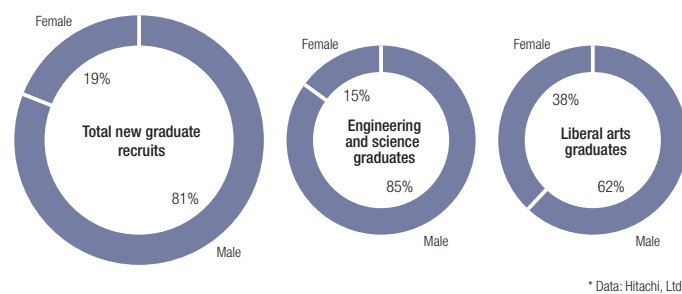
### Work-Life Balance and Support for the Career Advancement of Women

Since 2000, Hitachi has hired more female employees and expanded assistance for child and nursing care. We encourage and assist female employees with their career development and support the balancing of demands at work and home. In 2006, we launched the Diversity Promotion Project, reporting directly to the President and CEO, and began building a workplace where everyone can fully apply their skills. One outcome of the Diversity Promotion Project was the promotion of more women into management positions, and as a result, by the end of fiscal 2007, Hitachi, Ltd. had 276 female managers—almost a fourfold increase from fiscal 2000. While the percentage increase is large, the number of female managers needs to continuously grow. We also explored ways to develop a workplace that empowers women who are mothers and are raising children. In essence, we have embarked on a quest to create energetic and fulfilling workplaces for all employees, both male and female.

**Male/Female Employee Ratio**  
As of March 2008

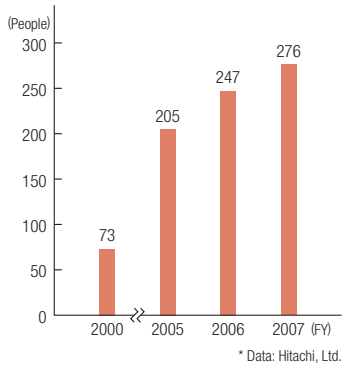


**Number of New Graduate Recruits in Fiscal 2007**

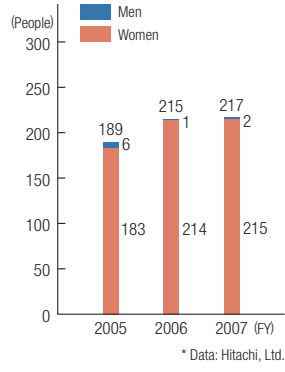




### Trend in the Number of Female Managers



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



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



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



## Voices

### Workplace Improvements through Peer Networking by Women

Masayo Fujimoto

Senior Manager, Financial Information Systems Dept. I,  
Financial Information Systems Division, Hitachi, Ltd.

In fiscal 2006, the Information and Telecommunications Systems Group organized the Women's Council (ITWC), and since then has been pursuing a diversity promotion project. I participated from the beginning, and have been involved mainly in building awareness and creating female peer networks.

Like many workplaces, we had only a few women, but in the process of seeking their participation, we began to hear from more and more of them that they wanted access to female counselors. This led to the creation of a peer network that links female employees. We began using email magazines and internal social networking services for more interaction and to share experiences. Through our activities, women's voices are being more clearly heard, helping us to improve the workplace.

My participation over the past two years has shown me the diversity of needs that employees have. To ensure that the benefits of networking are substantial and long-lasting, we will keep at it. The goal is to create a workplace where all employees accept one another and achieve a balance between their jobs and private lives, regardless of gender, and I want to help sustain our efforts with that in mind.



### Employing Retirees (Japan)

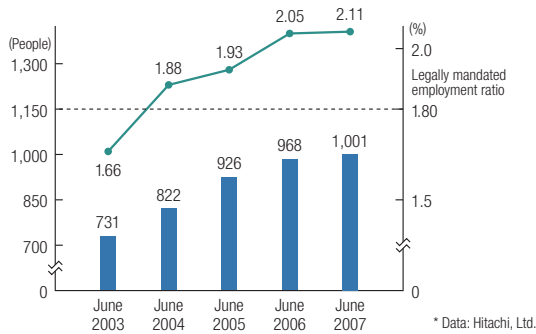
To be a company that employees find appealing and worth working for, Hitachi chooses people with deep experience, technical expertise, and skill. All Group companies have adopted a “life plan selection framework,” designed to re-employ people aged 60 who want to continue working, and are suited to company-designated positions.

### Promoting the Employment of the Physically and Mentally Challenged

As of June 2007, 2,981 physically and mentally challenged people were employed by the Hitachi Group. Workplace improvements have been made so that they are able to apply their skills to the maximum. Having the physically challenged work with other employees builds mutual understanding and a wider acceptance of diversity.

While the ratio of people with physical challenges has risen to 2.11 percent of the workforce at Hitachi, Ltd., it averages 1.76 percent at Group companies in Japan—lower than the legally mandated ratio. So, Hitachi will continue to hold joint interviews and consultations, striving to create more employment opportunities for the physically challenged.

### Trend in the Employment Ratio for Physically Challenged People



### Hitachi You and I Activities

Established as a special subsidiary in Yokohama in October 1999, Hitachi You and I Co., Ltd. has entered its ninth year of operation. Initially, 10 mentally impaired employees cleaned offices and dormitories in and around Totsuka Ward. Today, there are 73 challenged employees (as of April 2008) working at 30 locations in Kanagawa, Tokyo, and Ibaraki prefectures performing a range of duties, from cleaning and on-site mail delivery to paper shredding/recycling, text processing, and cafeteria services. The following are two accounts provided by employees of the company.

To foster both employees' joy in work and social independence, Hitachi staff visit work locations to offer detailed guidance, as well as to hold monthly group education sessions that provide simple explanations of job basics and problems that have occurred.

### Voices

#### Friends Working Together for a Happier Workplace

Tomomichi Takahashi (left)

Yoshiyuki Yamada (right)  
Hitachi You and I Co., Ltd.

The following are two accounts provided by Hitachi You and I employees.

"I perform cleaning duties at employee dormitories. For operational safety, I recommended that we always carry work gloves, and was delighted that the company agreed to that idea." (Takahashi)

"I handle shredder operations at a company located in Shinagawa Ward. I set aside colored wastepaper, sorting the remainder by size, and removing staples and so forth. It's a demanding job but seeing a happy customer always gives me a lift." (Yamada)

Many workers feel that their own workplaces are happier and healthier thanks to the friendly demeanor and hard work of the Hitachi You and I employees.



## Diversity Training in Europe

Believing that it is critically important to have an open corporate culture that embraces diversity, Hitachi Europe Ltd. has introduced a diversity training program with compulsory participation for all Hitachi Europe directors and employees working in the United Kingdom.

Working to deepen employee awareness, this program teaches that diversity includes not just differences in gender, ethnicity, and ability levels, but other attributes as well, such as age, sexual orientation, and religion. Participants also learn about issues such as the UK's age discrimination prevention regulations, workplace harassment, and bullying. In addition, Hitachi Europe Ltd. has developed in-house regulations to cover these issues.

We believe that diversity in human resources and employment strengthens the company-employee relationship and lowers employee turnover, making it a critical issue for the sustainability of Hitachi's business operations.

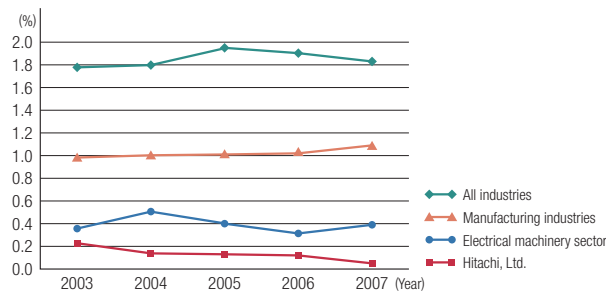
## Securing the Health and Safety of Employees

At Hitachi, ensuring the safety and health of employees is a top priority. We strive to maintain high health and safety standards and to make continual improvements.

### Worker Health and Safety

After many years ensuring health and safety, Hitachi has accumulated much knowledge and experience on management, education, maintenance, and the environment. It is now possible to apply the Group's "safety and hygiene knowledge" every day. For health management, we help employees maintain good health. Employees that work extended overtime, for example, are interviewed and examined by company physicians and given guidance.

Trends in the Occupational Accident Rate



## Topics

### Maxell Hokuriku Seiki Earns Prime Minister's Commendation on Contributors to Public Safety

In July 2007, the Yatsuo Plant in Toyama Prefecture (Japan) owned by Maxell Hokuriku Seiki, Ltd., a member of the Hitachi Maxell Group, received one of the Prime Minister's Commendations on Contributors to Public Safety to recognize outstanding industrial safety, including an accident-free record since startup. The Yatsuo Plant began operating in March 1981 to make videotapes and other magnetic recording media. As of June 2007, it had achieved a record 26 years and three months accident free—a cumulative 6.2 million operating hours. Labor and management have united to promote safe, healthy working conditions.

**Photo:** Award ceremony



## Topics

### Hitachi Communication Technologies, Ltd. Carrier Network Division Achieves Top Japanese Zero-Accident Record

In July 2007, the Carrier Network Division of Hitachi Communication Technologies, Ltd. (located in Totsuka Ward, Yokohama City) was recognized by the Japan Industrial Safety and Health Association for their eighteenth consecutive year of zero workplace accidents—the longest record in their industrial category. The Totsuka division has sustained its zero-accident record from August 1978, racking up 134,290,243 hours as of January 2008, topping all others in Japan. The Carrier Network Division works constantly to boost safety awareness and institute preventive measures through an ongoing program that includes a safety and hygiene committee, safety education and training, safety and hygiene enhancement months, and safety patrols.

**Photo left:** The "safety tower" within the compound shows the zero-accident level

**Photo right:** Award ceremony for the zero-accident record by industrial category



## Promoting Mental Health

In recent years, maintaining the mental health of employees has emerged as a major social concern. We have put up a stress-level checklist on our intranet so that employees can easily rate themselves. We also address mental healthcare by providing access to specialists and counselors. In addition, an EAP<sup>†1</sup> Center has been established to help employees resolve their worries and concerns through person-to-person, telephone, and in-house online counseling. After ensuring privacy, findings from these programs are relayed to management for use in improving the work environment.

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

## Basic Attitudes to HIV/AIDS

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

### Basic Attitudes Concerning HIV/AIDS

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

(2) We will respond to known cases of infection by giving the highest consideration to respecting the human rights of those infected, and consider how to delay the onset of illness.

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

## Supporting Enriched Lives for Employees and Their Families

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

### Supporting Employee Self-Help Efforts and Independence

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

### Employee Life-Planning Support through Corporate Pensions

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

In response to the diversification of post-retirement lifestyles, changes in the employment system, and revisions to legal systems, the Hitachi Group has fundamentally revamped retirement allowances and pensions. Defined contribution and defined benefit plans have been introduced within the systemic infrastructure—across the Group—to provide life planning support



for employees. For defined contribution plans, Hitachi encourages the active participation of employees in their post-retirement planning through, for example, education on asset management and investments. For defined benefit plans, Hitachi has boosted the number of benefit options in response to employees' diverse needs.

## Next Eco

The Hitachi Group aims to reduce the environmental impact over the entire product lifecycle from a long-term perspective, based on the four points of our Sustainability Compass



The thousands of trees around the Hitachi Central Research Laboratory create a rich, natural environment.

### Message from Executive in Charge

#### Realizing a Sustainable Society

Climate change is most clear in the polar regions: Arctic Sea ice is shrinking to historic lows and the Antarctic had a massive outbreak of “snow algae,” the result of rising temperatures. While humanity enjoys the benefits of the global environment, phenomena like these must be seen as warning signs.

To leave a magnificent global environment for future generations, we aspire to create an environmentally harmonious society through products and services, and to contribute to environmental conservation as a global citizen.

To achieve these goals, environmental action has been made one of the pillars of our corporate management. The Environmental Vision (p.77) lays out the “blueprint” for a future society, while the Sustainability Compass (p.77) directs our activities toward the specific targets outlined in the Environmental Action Plan (p.79). We will also use information disclosure and dialogue to continue working with our stakeholders toward a sustainable future.

Shozo Saito

Senior Vice President and Executive Officer in charge of Quality Assurance, Production Technology and Power Technology, Hitachi, Ltd.



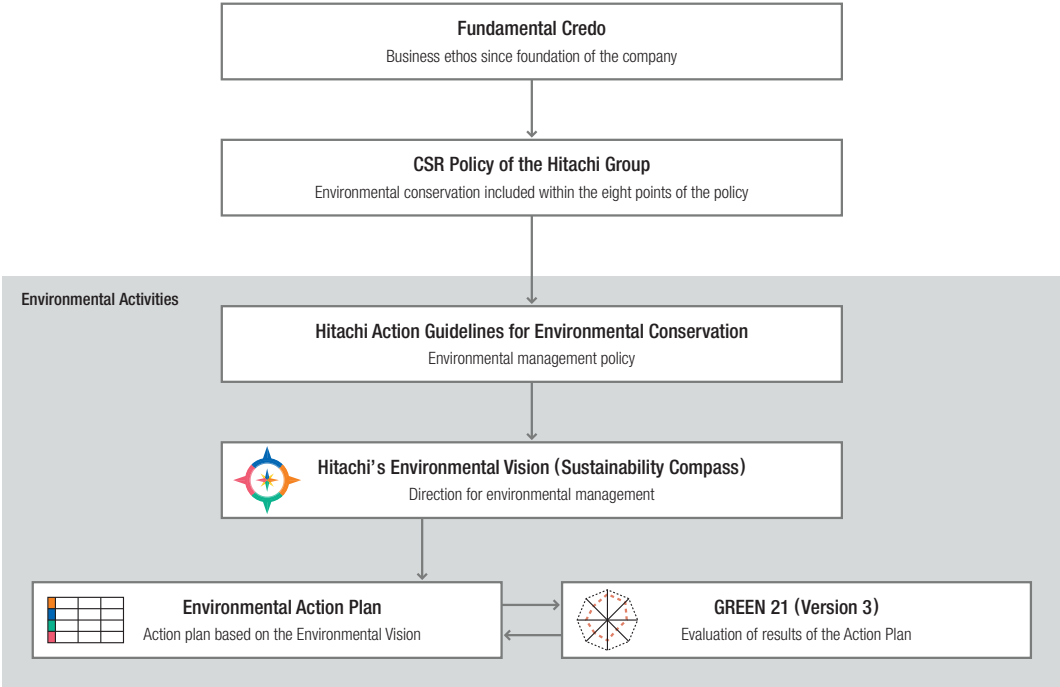
# Eco-Mind & Global Environmental Management

From instilling Eco-Mind into our corporate culture to building a systematic environmental management system, we constantly strive for improvements and enhancements that support efficient environmental management and activities

## Environmental Awareness and Action

The Hitachi Group considers the reduction of global warming, resource recycling, and conservation of ecosystems to be especially important. That is why we have established the Hitachi Action Guidelines for Environmental Conservation, which outline the Group's environmental management policy, the basis of the Hitachi, Ltd. Standards of Corporate Conduct. Using these guidelines, we have formulated the medium-term Environmental Vision 2015 (Sustainability Compass), used to develop a concrete Environmental Action Plan with specific targets for the year 2010. We are now implementing these actions to help us meet our environmental targets. The action plan covers a range of measures, including steps to counter global warming, efficient use of resources, expanding the lineup of Eco-Products, and proactive communication on environmental issues. Finally, to verify the results of our activities and to ensure continual improvement, we have prepared radar charts that show the outcome of evaluations carried out in relation to 56 items in eight categories.

### Flow of Hitachi Group's Environmental Activities



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

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.

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

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

### Environmental Vision 2015

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

#### Eco-Mind & Global Environmental Management

##### Eco-mind & global environmental management

Throughout our entire group, we will create an advanced eco-mind and the power to transform it into action and build/operate a global management and evaluation system.

#### Next-Generation Products & Services

##### Provision of next-generation products and services

We will continue to make innovations for highly competitive products and services that will contribute to structuring a sustainable society and deploy new business models.

#### Super Eco-Factories & Offices

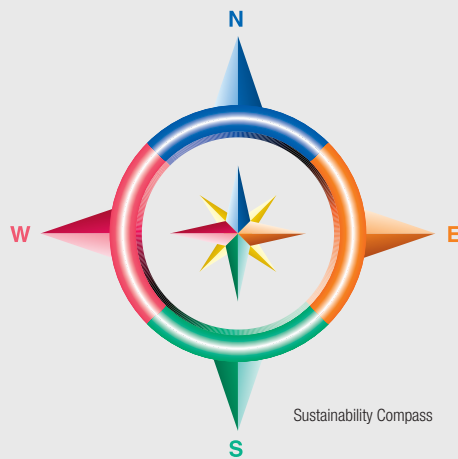
##### Factories and offices with a high-level of consideration for the environment

We will thoroughly carry out activities for the prevention of global warming and continue our efforts to promote recycling, and at the same time, to build up our bases with consideration for the environment.

#### Worldwide Environmental Partnerships

##### Collaboration with stakeholders

We will strengthen environmental communications and actively endeavor to realize concrete partnerships with our stakeholders, while clarifying our objectives and achievements.

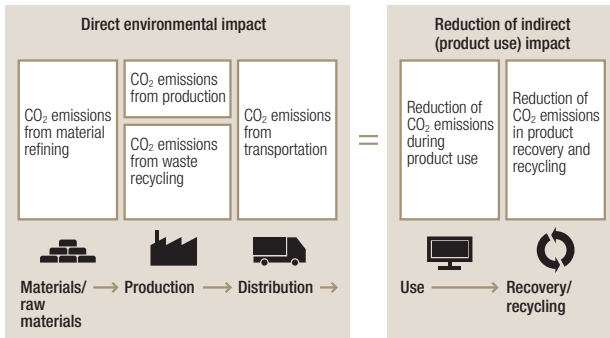


\* See pages 7–9 for information on Environmental Vision 2015, released in December 2007.

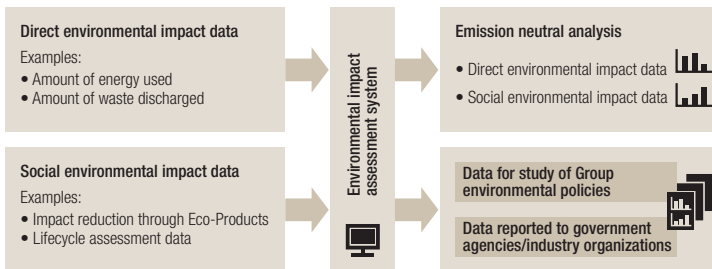
### Emission Neutral

Hitachi's "emission neutral" concept was developed to promote *monozukuri* (manufacturing) that reduces the environmental impact of products during their lifecycle. We intend to be emission neutral by fiscal 2015. Emission neutral means balancing the *direct* environmental impact and suppressing the *indirect* impact. Here, *direct* environmental impact covers material production, manufacturing and distribution, while *indirect* impact covers finished products after they are sold (product use). In fiscal 2007, we introduced systems for analyzing and evaluating our progress toward becoming emission neutral.

## The Emission Neutral Philosophy



## Outline of Environmental Impact Assessment System



## Environmental Action Plan and Achievements

For each evaluation item, this chart indicates the results for fiscal 2007 and the achievement level relative to the target, together with the new target for fiscal 2010.

Category/Item	Corresponding page	Action goal	Fiscal 2007 target	Fiscal 2007 results	Achievement level	Fiscal 2010 target
<b>Eco-Mind &amp; Global Environmental Management</b>						
Establish an environmental management system	p. 80	Establish and deploy integrated environmental management system	Complete EMS plan	1 ISO certification: 1 business group Plan completed: 12 business groups	◆◆◆	Obtain integrated EMS certification for each business group / Group company
Raise level of environmental activities (GPs = green points)	p. 81	Raise GPs of GREEN 21 activities	896 GPs	966 GPs	◆◆◆	1,280 GPs
Nurture environmental literacy	p. 85	Boost percentage of employees receiving Hitachi group-wide training (Internet-based)	55%	77%	◆◆◆	90%
Integrate environmental activities into management practices	pp. 85–87	Promote environmental accounting	Internal use of indicators for efficiency in environmental impact reduction and other parameters	Reduction in energy used in production: 2.8 million kWh/100 million yen Reduction in final disposal of waste generated during production: 284 t / 100 million yen	◆◆◆	Internal use of indicators for efficiency in environmental impact reduction and other parameters
<b>Next-Generation Products &amp; Services</b>						
Expand Eco-Products	pp. 90–96	Increase percentage of registered Eco-Products (acceptance rate) Increase percentage of registered Eco-Products (registration rate)	85% <sup>*1</sup> /over 60% <sup>*2</sup> 8%	97% <sup>*1</sup> /over 84% <sup>*2</sup> 12%	◆◆◆	100% <sup>*1</sup> / over 80% <sup>*2</sup> 30%
Enhance environmental efficiency of products (for each targeted product; basis: FY 2000)		Improve global warming prevention factor Improve resource factor	25% <sup>*1</sup> /10% <sup>*2</sup> 35% <sup>*1</sup> /10% <sup>*2</sup>	60% <sup>*1</sup> /10% <sup>*2</sup> 70% <sup>*1</sup> /10% <sup>*2</sup>	◆◆◆	50% <sup>*1</sup> /20% <sup>*2</sup> 70% <sup>*1</sup> /20% <sup>*2</sup>
Use resources effectively (for each targeted product; basis: FY 2000)		Increase use of recycled plastic Reduce volume of packaging used	10% 5%	12% 24%	◆◆◆	20% 10%
Promote control of hazardous substances used in products		Establish comprehensive definitions and data for hazardous substance control	Conduct full survey of hazardous substances used in products (25 substance groups controlled by the Hitachi Group)	100% (Hitachi controlled substances)	◆◆◆	Establish data management system compliant with EU's REACH regulation
Develop sustainable business models	pp. 96–98	Systematically promote business models that will reduce the environmental burden for the next generation	Complete work on development/sales expansion plans	Drafting of plans completed	◆◆◆	100% achievement of development and sales expansion plans
<b>Super Eco-Factories &amp; Offices</b>						
Build industry's most advanced factories	pp. 99–104	Certify Super Eco-Factories & Offices	8 production facilities	9 production facilities	◆◆◆	30 production facilities
Reduce CO <sub>2</sub> emissions from energy sources		Reduce CO <sub>2</sub> emissions (basis: FY 1990) [Japan] Achieve specific industry targets or reduce CO <sub>2</sub> per unit of production (basis: FY 1990) [Japan] Reduce CO <sub>2</sub> per unit of production (basis: FY 2003) [outside Japan]	7% Achieve specific industry targets or reduce CO <sub>2</sub> per unit of production by 21% 2%	14% Targets achieved 3%	◆◆◆	7% Achieve specific industry targets or reduce CO <sub>2</sub> per unit of production by 25% 5%
Reduce emissions of greenhouse gases other than CO <sub>2</sub>		Reduce SF <sub>6</sub> (basis: FY 2003) Reduce PFCs (basis: FY 1995) [semiconductors] Reduce PFCs (basis: FY 2000) [LCDs]	50% 7% 8%	70% 54% 100%	◆◆◆	— — —
Reduce energy used in transportation		Reduce transport energy per unit of real production (basis: FY 2006) [Japan]	1%	9.7%	◆◆◆	4%
Pursue rigorous management of hazardous substances and reduce emissions	pp. 104–106	Reduce VOC emissions into the atmosphere (basis: FY 2000) [Japan] Reduce ratio of VOC emissions to total consumption (basis: FY 2005) [outside Japan]	42% 4%	49% 4%	◆◆◆	45% 10%
Use resources efficiently	pp. 106–108	Reduce volume of waste (basis: FY 2000) Increase resource recycling rate (basis: FY 2005) [Japan] Reduce volume of water used (basis: FY 2005) [outside Japan]	14% 4% 4%	22% (total reduction) 24% (per-unit reduction) 5% 7.6%	◆◆◆	20% 10% 10%
<b>Worldwide Environmental Partnerships</b>						
Information disclosure and dialogue	pp. 109–111	Targeted environmental PR	Enhance PR targeted to married women, younger people	Developed new Web content	◆◆◆	Continue PR efforts
Global citizenship activities	pp. 53–55	Promote environmental CSR activities	Sponsor educational activities to raise eco-awareness	Conducted environmental classes at elementary schools (Japan, China) Sponsored planting & cleanup activities	◆◆◆	Continue sponsorship of activities

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

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

◆◆◆ : Achieved

◆◆ : Partially achieved



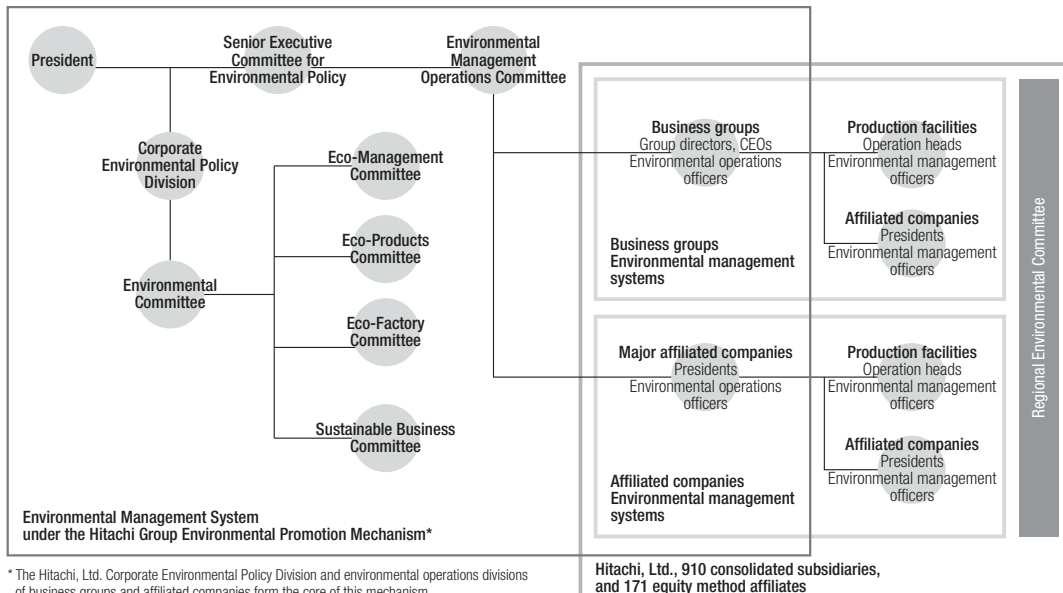
## Environmental Management System

The Hitachi Group has developed an Environmental Management System for the Group's 1,082 consolidated subsidiaries. Under this system, the Senior Executive Committee for Environmental Policy, chaired by the president of Hitachi, Ltd., deliberates and sets environmental policies and strategies for the entire Hitachi Group, which are then disseminated throughout the Group via the Environmental Management Operations Committee. The Environmental Committee and its subcommittees conduct investigations and develop the technologies and evaluation methods needed to achieve goals and resolve problems. Organizations are set up to carry out various environmental activities, and environmental operations officers are appointed to head environmental operations units in each of the business groups and Group companies.

To promote the PDCA (plan-do-check-act) cycle for environmental activities, Hitachi Group companies have individually obtained 345 ISO 14001 certifications (as of March 2008). In addition, the Hitachi Group Environmental Promotion Mechanism obtained ISO 14001 certification in September 2006 for the Hitachi Group Environmental Promotion Mechanism, adopted with the aim of leveraging the Group's combined resources in the pursuit of environmental goals. This mechanism is centered on Hitachi, Ltd.'s R&D group, the six business groups, as well as environmental operations officers and environmental operations units in 17 Hitachi Group companies. It oversees environmental activities in 249 Group companies that together account for 90% of the Hitachi Group's environmental impact.

To strengthen environmental management, by 2010, we will develop an integrated EMS for each business group and Group company. In fiscal 2007, Hitachi Global Storage Technologies received worldwide integrated ISO 14001 certification for its 10 locations (two domestic, eight overseas) across seven countries—marking the completion of integrated certification by seven of Hitachi's business groups and Group companies.

### Environmental Management System



\* The Hitachi, Ltd. Corporate Environmental Policy Division and environmental operations divisions of business groups and affiliated companies form the core of this mechanism.

**Status of ISO 14001 Certifications**  
(as of March 2008)

	Japan		Outside Japan		Total
	Production Sites	Non-Production Sites	Production Sites	Non-Production Sites	
No. of certified sites	183	77	80	5	345



**List of ISO 14001-certified sites**

<http://www.hitachi.com/environment/activities/more/iso14001.html>

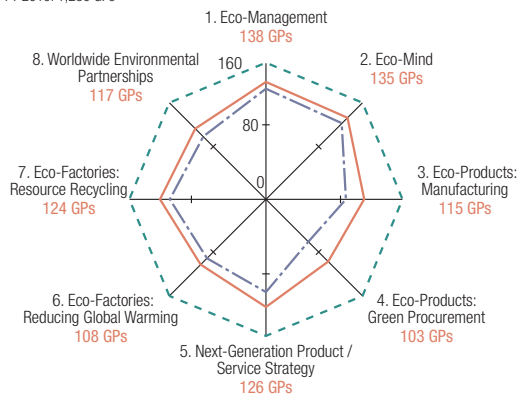
**GREEN 21 Evaluation System Activities**

To ensure ongoing improvements and to raise the level of environmental activities, we numerically quantify evaluations on 56 items in eight categories, assessing the degree to which that year's goals have been achieved. The results are made into radar charts for each business group and Group company for management decision making. GREEN 21 assessment results are used to evaluate each group's business performance and as an incentive to raise the level of environmental activities.

While the green procurement category scored poorly in 2006, a better score was achieved in fiscal 2007 thanks to green procurement liaison meetings to increase understanding of procurement operations.

**Green Point Average: Results and Targets**

- FY 2007: 966 GPs
- - - FY 2006: 845 GPs
- - - FY 2010: 1,280 GPs



**Categories and Evaluation Items**

1. Action plan, environmental accounting, risk management
2. Employee training and education
3. Ecodesign management system, Eco-Products, control of hazardous substances contained in products
4. Green procurement, green purchasing
5. Business and product strategy, sustainable business, publicity
6. Energy saving at production facilities, environmentally responsible distribution
7. Waste reduction, chemical substance management
8. Information disclosure, communication activities, global citizen activities

## GREEN 21 Awards

The GREEN 21 Award program was established to energize environmental activities and encourage the dissemination of best practices throughout the Hitachi Group by honoring cutting-edge environmental activities, products, and services within the Group. Leading eco-friendly products and technologies, as well as ground-breaking initiatives for saving energy, conserving resources, and recycling, are judged on overall merit, with GREEN 21 green points (GPs) taken into consideration. Eight GREEN 21 Awards were given in fiscal 2007.

### Fiscal 2007 GREEN 21 Awards

Category		Achievement	Recipient unit
Grand Prize		Developing and delivering main power converters for Kiha E200 hybrid railcar	Transportation Systems Division, Industrial Systems Group, Hitachi, Ltd.
Division Awards	Eco-Mind & Global Environmental Management	Slashing environmental impact from chemical and water use through process innovation	Hitachi Global Storage Technologies (Shenzhen)
	Next-Generation Products & Services	Developing eco-friendly refrigerators, room air conditioners and washer-dryers	Hitachi Appliances
	Super Eco-Factories & Offices	Improving efficiency of energy use, winning China Excellent Corporate Citizen Award	Hitachi Elevator (China) Dashi plant
	Worldwide Environmental Partnerships	Promoting science education through the Community Partnership Academy of Wisdom	Hitachi Plant Technologies
Honorable Mention	Eco-Mind & Global Environmental Management	Promoting global environmental management Obtaining integrated ISO 14001 certification Redevelopment of San Jose district	Hitachi Global Storage Technologies
	Super Eco-Factories & Offices	Improving efficiency of energy use Reducing final waste disposal ratio	Hitachi Metals Tottori Works
	Worldwide Environmental Partnerships	Promoting tree planting and Eco-Mind education	Hitachi Engineering & Services

### Grand Prize:

#### Developing and delivering main power converter for Kiha E200 hybrid railcar

The Kiha E200, a hybrid diesel railcar equipped with a hybrid control system developed jointly with East Japan Railway Co., began commercial operation on the Koumi Line in July 2007. The Kiha E200 was developed with the goal of reducing the environmental impact of diesel trains that run on non-electrified lines and is the first diesel train that produces electricity using regenerative energy.<sup>†1</sup> The regenerative energy produced during braking is converted by a motor into electricity, which charges a battery that powers acceleration as well as air conditioning and lighting in the cars. By reusing energy in this way, the hybrid configuration—along with other technologies such as an idling stop system—improves fuel consumption by 10 percent.<sup>†2</sup> It also reduces nitrogen oxides and particulate matter in exhaust gases by 60 percent<sup>†2</sup> and station noise by about 30 decibels.<sup>†2</sup> The Kiha E200 has received honors from outside the Hitachi Group as well, winning the Ministry of the Environment Prize for eco-products in the 2007 Eco Products Awards.

†1 Energy generated by the change in the motor's RPMs when the train's brakes are applied. In electric trains, this electricity is usually transmitted to other trains along the overhead line and reused. With conventional diesel trains, which are not equipped with electric motors, it was difficult to capture braking energy. However, hybrid technology uses the regenerative energy, raising energy efficiency.

†2 Compared with conventional diesel trains on the Koumi Line.



Kiha E200 hybrid railcar

### **Eco-Mind & Global Environmental Management Award: Slashing environmental impact from chemical and water use**

Hitachi Global Storage Technologies (Shenzhen) Co. is a mass-production plant in China that makes disks used in hard disk drives. The disk-manufacturing process typically requires a large number of chemicals and generates exhaust gases and waste products that contain chemical substances. In addition, a large volume of wastewater is discharged in the cleaning process. To address these issues, the plant drew up and implemented an environmental impact mitigation plan aimed at cutting consumption of chemicals and water resources and limiting the discharge of volatile compounds that pollute the atmosphere. Typically isopropyl alcohol (IPA) is used in disk drying following cleaning with distilled water, but the plant developed a warm-water drying process and reduced the use of IPA by 1,600 liters per day. It also installed a system for recycling wastewater discharged in the cleaning process that conserves 1,500 tons of water each day. In 2007, the City of Shenzhen designated this recycling system a Shenzhen Model Water Conservation Project and refunded one third of the company's investment.



Wastewater recycling system (Shenzhen Waterworks Model Project, 2007)

### **Next-Generation Products & Services: Developing eco-friendly refrigerators, room air conditioners, and washer-dryers**

Hitachi Appliances was honored for aiding in the fight against global warming through the development of energy-saving products (refrigerators, room air conditioners, and washer-dryers).

Both the next-generation refrigerators and air conditioners feature energy-saving innovations. The refrigerators have the freezer in the middle to minimize exposure to heat from the compressor and use a vacuum insulation material that is molded to the shape of the insulation panels, dramatically improving the effectiveness of keeping out heat. The air conditioner boosts efficiency with an optimally positioned high-density heat exchanger that has an expanded surface area and a highly efficient scroll compressor that reduces energy loss during operation.

The washer-dryer also saves energy with a "blow iron" feature that smoothes wrinkles by blowing air at 360 km/h, while saving substantially on water and detergent with a "nano-micelle shower" that sprays the laundry all over with highly concentrated nano micelles of activated

cleaning solution and by making maximum use of leftover bath water in the washing and drying process.

The refrigerator and air conditioner both received high marks from outside the Hitachi Group as well, winning the ECCJ (Energy Conservation Center, Japan) Chairman's Prize in the 2007 Energy Conservation Grand Awards (see pages 93).

### **Super Eco-Factories & Offices: Convergence of Eco-Friendly Actions**

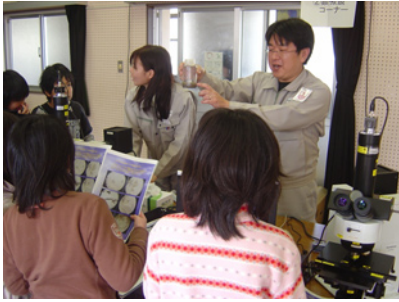
Hitachi Elevator (China) Co., Ltd. has a factory in Guangzhou, China that handles everything related to escalators and elevators—from R&D through to maintenance. A river, surrounded by lawns and mango trees, runs close by the factory. The company and the employees have taken the following steps to maintain the natural environment: the production process and factory have been improved to reduce CO<sub>2</sub> emissions, including converting from liquefied petroleum gas (LPG) to natural gas as the fuel for paint sprayers; energy-saving fluorescent lights are now used for factory illumination; and employees commute on 21 company buses to cut down on using private vehicles. The company also supports NPO-backed desert greening (afforestation) and releases a CSR report. In fiscal 2007, Hitachi Elevator (China) won an Excellent Corporate Citizen in China Award (see page 23).



Hitachi Elevator (China) plant in Dashi Town, Guangzhou

### **Worldwide Environmental Partnerships: Promoting science education through the HPT Academy**

As a corporation that combines eco-friendly and energy-saving technology to support society's infrastructure, Hitachi makes maximum use of resources to convey to children the joy of science and the importance of the environment through classes offered at business sites, known collectively as the Community Partnership Academy of Wisdom. In fiscal 2007, classes were offered at five production facilities and two Group companies—with about 560 children participating altogether. The programs sought to promote friendly relations with local children and to make the most of each facility's unique features, while covering topics like water treatment, *monozukuri*, and recycling. Employees were responsible for the preparation. With school officials informing us that they are eager to see more of these classes, we intend to continue the program in cooperation with local communities.



Community Partnership Academy of Wisdom class

## Environmental Education

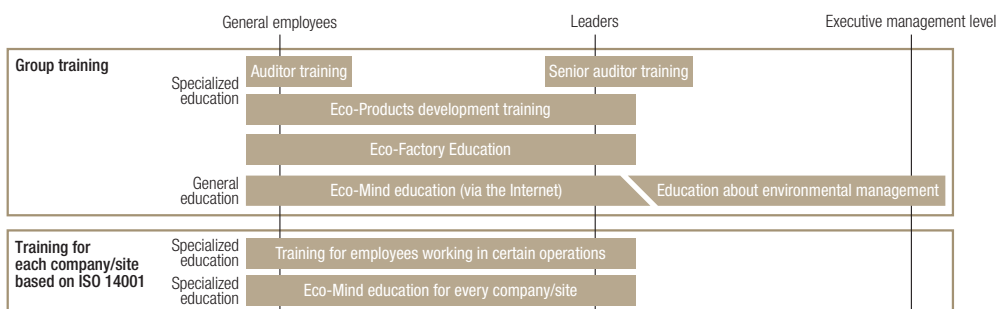
To foster Eco-Mind, the Hitachi Group provides general training to all employees to raise their knowledge and awareness of environmental activities, as well as specialized training geared to acquiring and applying environmental technology.

General training is offered via the Internet in Japanese and English, and 97,880 employees have taken these courses (as of March 2008). We also give our managers the environmental training they need to raise their awareness and understanding of environmental management, while working to ensure that this knowledge is reflected in management practices.

Specialized training includes EMS auditor training courses, Eco-Product education for designers and manufacturing units, and Eco-Factory training for environmental management units.

Training is also provided to support Group companies and production sites that carry out energy-saving or resource-saving environmental activities under ISO 14001. In addition, designated personnel involved in environmentally sensitive work are instructed in work processes to reduce environmental impact and are given training in emergency procedures.

### Environmental Education and Training System



### Required and actual numbers of legally certified staff

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

## Environmental Accounting

The Hitachi Group has used an environmental accounting system since fiscal 1999 to promote efficiency and continual improvements in environmental investments and activities. This system has also helped stakeholders to gain a deeper understanding of our corporate approach to the environment. It provides them with information on how we allocate management resources for



environmental activities and on the value created by environmental technologies and Eco-Products. Our environmental accounting includes depreciation costs.

The effectiveness of our activities is evaluated for both economic and physical effects, which are based on the degree that environmental impacts are reduced. Economic effects are calculated based on solid financial data. Physical effects—applying Hitachi’s fundamental philosophy of contributing to society by developing our own advanced technologies and products—are calculated based on the reduction of environmental impact, not only during the manufacturing process, but also during use of our products. Moreover, we are reducing environmental impact by using an “environmental impact reduction ratio” to assess how much each type of environmental impact is reduced per unit of expenditure.

In fiscal 2007, we invested aggressively in anti-global warming strategies to reduce our environmental impact. As a result, our costs rose by 4 percent over the previous year, and the economic effects from reduced energy and resource consumption increased 13 percent. A full 46 percent of our total costs consisted of “research and development costs” for development and design to reduce the environmental impact of our products. Thanks to these efforts, we were able to reduce the amount of energy used during production by 720 million kWh.

## Costs

Item		Overview	Costs (Unit: billion yen)		
			FY 2005	FY 2006	FY 2007
Expenses	Business area costs	Costs of maintenance of equipment with low environmental impact, depreciation, etc.	32.46	39.24	39.72
	Upstream/downstream costs	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses	2.59	2.89	2.79
	Management activities costs	Labor costs of environmental management, implementation and maintenance of environmental management system	9.76	10.31	11.30
	Research and development costs	R&D for the reduction of environmental impacts caused by products and production processes, product design expenses	42.16	41.66	46.63
	Social activity costs	Environmental improvements such as afforestation and beautification, PR and publicity expenses	0.38	1.20	0.48
	Environmental damage costs	Environment-related measures, contributions, and levies	2.49	2.89	0.80
	Total		89.84	98.18	101.72
Total investment		Investment in energy-saving equipment and equipment that directly reduces environmental impacts	13.80	15.48	15.38

## Effects

### Economic Effects<sup>\*1</sup>

Item		Overview	Effects (Unit: billion yen)		
			FY 2005	FY 2006	FY 2007
Net income effects		Profit on sales of recycled waste	7.72	12.28	14.50
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	17.29	20.15	22.02
Total			25.01	32.43	36.52

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

\*1 Economic effects includes the following items:

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

Physical Effects<sup>\*1</sup>

Item	Overview	Amount Reduced (parentheses: equivalent number of households)		
		FY 2005	FY 2006	FY 2007
Reduction in the amount of energy used during production	Decrease in amount of energy used due to installation of energy-saving equipment	157 million kW (45,000)	159 million kW (46,000)	161 million kW (46,000)
Reduction in the amount of final waste disposal	Decrease in final waste output volumes due to separation and recycling activities	5,254t (18,000)	6,375t (22,000)	10,476t (35,000)
Reduction in the amount of energy consumed during product usage	Decrease in energy requirements of Hitachi products	723 million kWh (208,000)	813 million kWh (234,000)	723 million kWh (208,000)

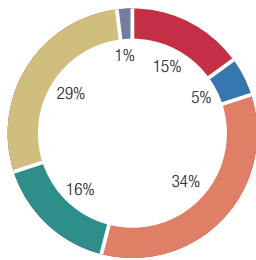
Benefits on equipment investment are calculated using the straight-line method over five years, as with costs.

Efficiency of Environmental Impact Reduction<sup>\*2</sup>

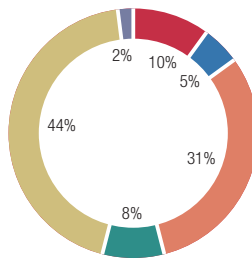
Category	FY 2005	FY 2006	FY 2007
Reduction in energy used during production (million kWh/billion yen)	36	30	28
Reduction in amount of waste for final disposal (t/billion yen)	1,620	1,800	2,840

\*2 This is an indicator of the efficiency of environmental impact reduction, calculated as the amount of environmental impact reduction divided by expenses needed for the reduction.

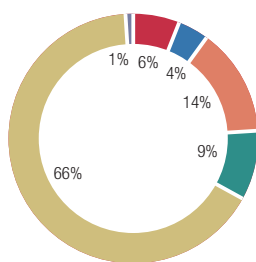
Cost Ratio by Industry Segment



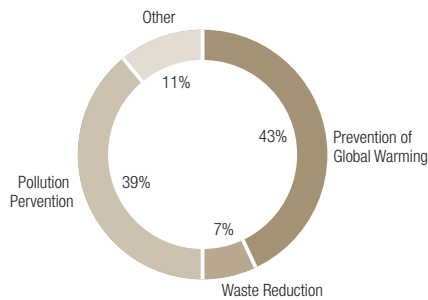
Investment Ratio by Industry Segment



Economic Effect Ratio by Industry Segment



Investment Ratio by Countermeasure



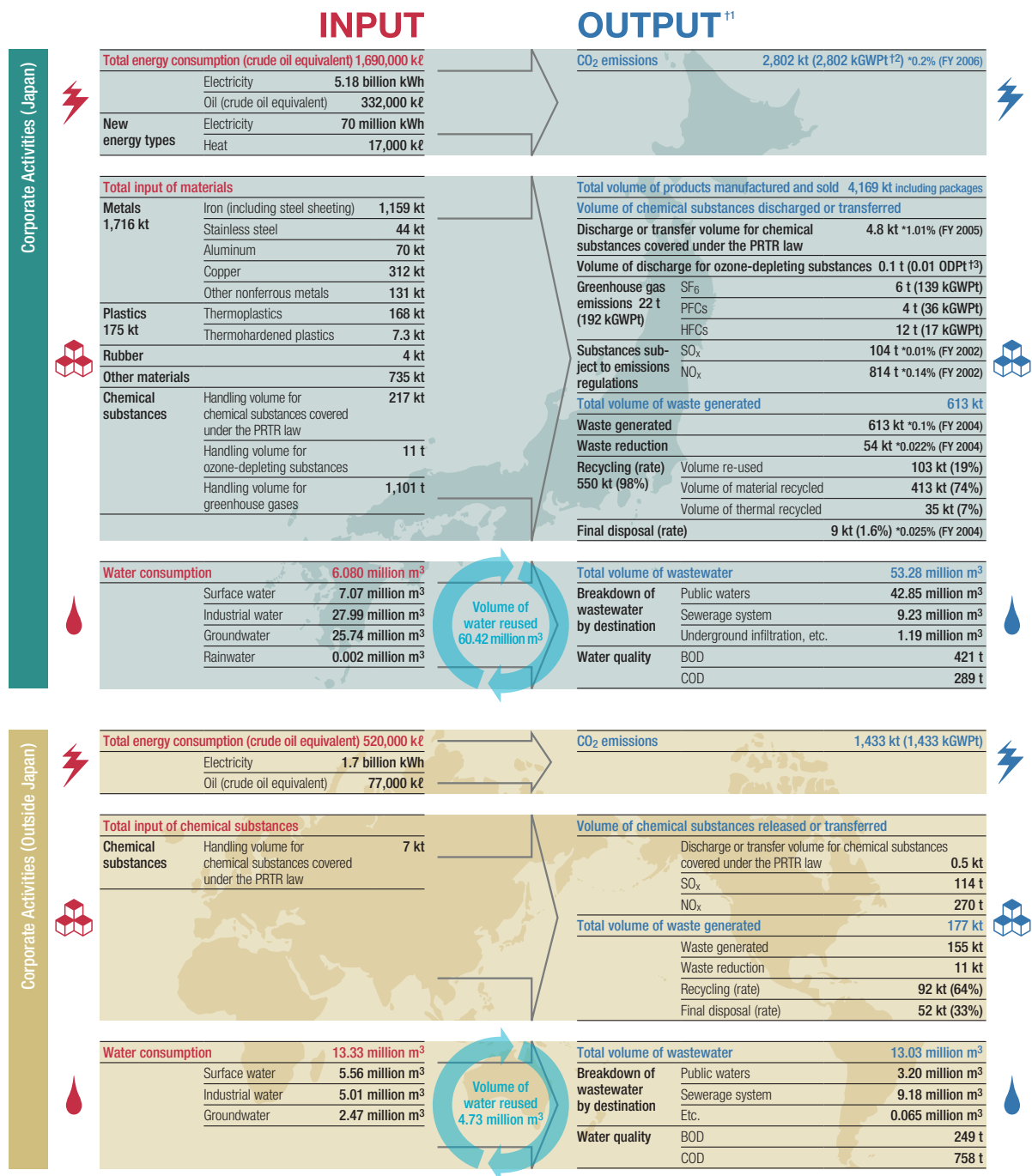
■ Information & Telecommunication Systems   
 ■ Electronic Devices   
 ■ Power & Industrial Systems  
■ Digital Media & Consumer Products   
 ■ High Functional & Components   
 ■ Logistics, Services & Others

### **Legal Compliance**

The Hitachi Group sets voluntary standards that are stricter than those imposed by law. Information on major regulatory changes and new legislative trends is shared within the Group in an effort to reduce environmental risk. In fiscal 2007, the pH value of water discharged from one of our Chinese plants temporarily surpassed the legal limit, resulting in the imposition of fines, but prompt measures were taken to neutralize the effluent, and there was no impact on the aquatic environment. There were no other environmental incidents that resulted in the imposition of fines or penalties.

# Environmental Impact Data for Corporate Activities (Fiscal 2007)

This chart shows resource inputs and environmental impacts pertaining to the fiscal 2007 corporate activities of the 249 Hitachi Group companies covered by this report



\* Ratio of national total, and fiscal year used for comparison. Source for the total figures for Japan was the fiscal 2006 PRTR results listed in the Annual Report on the Environment in Japan 2007. (Ministry of the Environment)

†1 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 CO<sub>2</sub> and other chemicals, waste products, and wastewater.

†2 kWGP: Global warming potential (global warming coefficient, in CO<sub>2</sub> equivalent tonnes). Converted to amount of CO<sub>2</sub> (t) by multiplying greenhouse gas emissions by the global warming coefficient. The global warming coefficient shows the extent of impact on global warming from a greenhouse gas, compared to the equivalent amount of CO<sub>2</sub>.

†3 ODPt: Ozone depletion potential converted to CFC equivalent tonnes by multiplying ozone depletion emissions by the ozone depletion coefficient.

# Next-Generation Products & Services

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

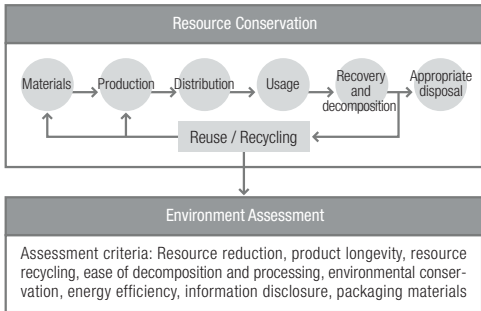
## Expanding Lineup of Eco-Products

### Expanding Lineup of Eco-Products and Super Eco-Products

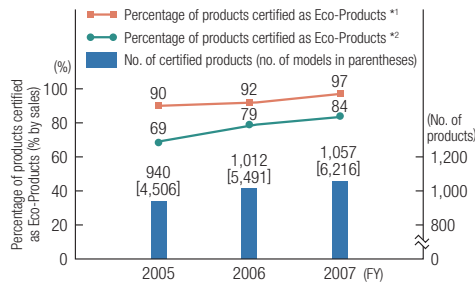
Hitachi introduced Assessment for DfE (Design for Environment) into product development as a way to reduce the environmental impact at every stage of the product lifecycle. The assessment looks at eight criteria, including resource reduction, product longevity, resource recycling, and ease of decomposition. New products that outperform existing products in these criteria are called Eco-Products.

Some Eco-Products are designated as Super Eco-Products when they achieve an environmental efficiency at least 10 times greater than existing products, or when they are industry leaders or highly regarded. Environmental efficiency is an index of reducing greenhouse gas emissions, resource use and boosting product or service value. Hitachi is working to expand its Super Eco-Product lineup. As of March 2008, 1,057 Hitachi Group products (6,216 models) were certified as Eco-Products. The certification rates were 97 percent for Hitachi’s information and telecommunications systems, digital media and consumer products, and 84 percent for electronic devices, power and industrial systems, high functional materials and components, logistics, services and others. Of these, 74 products and 184 models are Super Eco-Products, or about 12 percent of Eco-Products by sales. The intention is to boost this ratio to more than 30 percent by fiscal 2010.

### Approach to Complete Lifecycle Product Design



## Eco-Product Certification Trends



\*1 Product categories: Information and telecommunications systems, digital media and consumer products  
 \*2 Product categories: Electronic devices, power and industrial systems, high functional materials and components, logistics, services and others

## Boosting Environmental Efficiency

Hitachi has introduced the concept of “environmental efficiency” as a way of quantitatively evaluating actions that combat global warming and conserve resources. This product evaluation index is used to calculate two measures of efficiency of a product’s value for function and lifespan. The first measure is the ratio of the product’s value to the raw materials used in its production and the amount of waste remaining when it is disposed (resource efficiency); the second is the ratio of a product’s value to the quantity of greenhouse gases generated during its lifecycle (efficiency of global warming prevention). We have also adopted “factors” to express improvements in environmental efficiency relative to a base year. We calculated the environmental efficiency of representative Hitachi Group products and published the information in a brochure titled *Environmental Efficiency of Hitachi Products Based on Factor X*.

### Definition of Environmental Efficiency and Factors

#### Definition of Environmental Efficiency

- Efficiency of Global Warming Prevention =  $\frac{\text{Product lifespan}^*1 \times \text{Product function}}{\text{Volume of greenhouse gas emissions throughout the product lifecycle}}$
- Resource Efficiency =  $\frac{\text{Product lifespan}^*1 \times \text{Product function}}{\sum \text{Resource value coefficients} \times (\text{new resources used in lifecycle}^*2 + \text{resources disposed of in lifecycle}^*3)}$

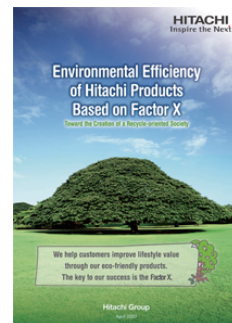
#### Definition of Factors

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



*Environmental Efficiency of Hitachi Products Based on Factor X*

### ***Environmental Efficiency of Hitachi Products Based on Factor X, FY 2007 (English)***

[http://www.hitachi.com/environment/library/pdf/facterx07\\_e.pdf](http://www.hitachi.com/environment/library/pdf/facterx07_e.pdf)

### ***Environmental Efficiency of Hitachi Products Based on Factor X, FY 2007 (Japanese)***

[http://www.hitachi.com/environment/library/pdf/facterx07\\_403p.pdf](http://www.hitachi.com/environment/library/pdf/facterx07_403p.pdf)

### ***Environmental Efficiency of Hitachi Products Based on Factor X, FY 2005 (English)***

[http://www.hitachi.com/environment/library/pdf/facterx05\\_e.pdf](http://www.hitachi.com/environment/library/pdf/facterx05_e.pdf)

### ***Environmental Efficiency of Hitachi Products Based on Factor X, FY 2005 (Chinese)***

[http://www.hitachi.com/environment/library/pdf/facterx05\\_c.pdf](http://www.hitachi.com/environment/library/pdf/facterx05_c.pdf)

### ***Environmental Efficiency of Hitachi Products Based on Factor X, FY 2005 (Japanese)***

<http://www.hitachi.com/environment/library/pdf/facterx05.pdf>




## Product and package recycling

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

### Super Eco-Products

#### (1) LCD Television—Wooo UT Series

Hitachi, Ltd.

<b>Environmentally conscious features</b>	
Annual power consumption cut by around 38%*1 Lightweight construction boosts transportation efficiency by 20%*2 Housing made with environmentally conscious halogen-free flame retardant Compliant with RoHS directive, J-Moss*3 /Green Mark standards	
<b>Environmental efficiency</b>	
Factor of global warming prevention: 2.3 Resource factor: 2.7	
<b>Product features</b>	
Slim and lightweight breathtaking design for 360-degree around Wide viewing angle HD IPS Alpha panel	


\*1 Comparison between UT32-HV700B and 2004 models from the same category

\*2 Comparison between UT32-HV700B and the Hitachi L32-H01 model from the same category

\*3 J-Moss (JIS C 0950): Abbreviation for "Japanese Industrial Standard for Marking the presence of the Specific chemical Substances for electrical and electronic equipment." This regulation, established under Japan's amended Law for Promotion of Effective Utilization of Resources, requires manufacturers to use J-Moss content labeling on all articles in the seven designated product categories that contain any of the six RoHS substances in significant concentrations. A Green Mark may be voluntarily applied to articles for which the content of these substances falls below the designated threshold.

#### (2) Blu-ray Disc Camcorder—Wooo


Hitachi, Ltd.

<b>Environmentally conscious features</b>	
One Blu-ray disc holds as much recorded video as four DVDs,*1 for resource conservation No styrene foam in packaging Manual printed on paper made from recycled shipping boxes Housing made with environmentally conscious halogen-free flame retardant Compliant with RoHS and WEEE*2 directives	
<b>Environmental efficiency</b>	
Factor of global warming prevention: 25.5 Resource factor: 41.3	
<b>Product features</b>	
Total system, including lens, image sensor, and processing engine, supports 1920 × 1080 full HD video Advanced 5.3 megapixel CMOS sensor	

\*1 Compared with an AVCHD-recorded DVD


\*2 WEEE directive: Waste Electrical and Electronic Equipment Directive 2002/96/EC, which requires companies to create mechanisms for recovery and disposal of waste electrical and electronic equipment

### (3) Refrigerator—Featuring a Mid-freezer Layout and Vacuum Compartment Hitachi Appliances

<p><b>Environmentally conscious features</b></p> <p>Cuts annual power consumption by about 20%* with such features as flexible vacuum insulation, a new compact, high-performance compressor, and Pulse-Amplitude Modulation (PAM) &amp; low-speed control Uses non-fluorocarbon (HFC) refrigerant R600a (isobutane) with an extremely low global warming potential (GWP) Recycled plastic used for circuit board cases, etc. Compliant with RoHS directive, J-Moss/Green Mark standards Winner of the ECCJ (Energy Conservation Center, Japan) Chairman's Prize at the 2007 Energy Conservation Grand Awards Prize winner at Energy Conservation Grand Awards for two consecutive years (FY 2006, FY 2007)</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 3.0 Resource factor: 2.1</p>	
<p><b>Product features</b></p>	
<p>Vacuum compartment uses vacuum storage to protect nutrients, preserve freshness, and prevent deterioration of easily oxidized foods Unique thin-walled construction boosts storage capacity by about 150 liters over refrigerators made 10 years earlier—without taking up more space</p>	


\* Comparison between the new R-X6000 and the R-W5700, Hitachi's model from the same category one year ago

### (4) Room Air Conditioner—Moisturizing with Ion Mist (S series) Hitachi Appliances

<p><b>Environmentally conscious features</b></p> <p>Annual performance factor (APF) improved by about 50%* with high-density heat exchanger, high-efficiency scroll compressor, and IQ-PAM engine Recycled plastic used for fan of outdoor unit and cabinet of indoor unit Compliant with RoHS directive, J-Moss/Green Mark standards Winner of the ECCJ (Energy Conservation Center, Japan) Chairman's Prize at the 2007 Energy Conservation Grand Awards</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 1.8 Resource factor: 1.9</p>	
<p><b>Product features</b></p>	
<p>Stainless steel air ducts and louvers eliminate bacteria inside unit; features self-cleaning stainless steel filter Ion mist fights airborne viruses, bacteria, and mold spores; breaks down and neutralizes odors in the air and in fabric</p>	


\* Comparison between RAS-S40X2 and RAS-401HX2, Hitachi's model from the same category 11 years ago. Achieved industry-leading APF 5.8 in size category; below cooling capacity 4kW/ indoor unit width is 800 mm.

### (5) Washer-Dryer—Blow Iron Big Drum Hitachi Appliances


<p><b>Environmentally conscious features</b></p> <p>"Blow iron" and high-speed spin-dry promote fast, low-energy drying; Energy-efficient drying system reuses heat from the jet fan motor to cut power consumption by about one-half Washer-dryer bath-water pump, 2-way circulating pump, and "nano micelle shower" cut detergent use by about 40% and water use by about 90% Recycled plastic used in frame and outer tub Compliant with RoHS directive, J-Moss/Green Mark standards</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 6.9 Resource factor: 4.0</p>	
<p><b>Product features</b></p>	
<p>"Blow iron" smoothes wrinkles while gently drying laundry by blowing air at 360 km/h Large-capacity, 60-cm-diameter drum creates strong beating action for high cleaning performance and spreads clothing out during drying to keep it fluffy and unwrinkled</p>	

\* Compared with FY 2002 Hitachi Appliances model

## (6) Vacuum Cleaner—Robot Cyclone RS1 Hitachi Appliances


<p><b>Environmentally conscious features</b></p> <p>Triple-flow high-compression cyclone system and Plasma ULPA Construction enable 99.999% dust removal and make ventilation unnecessary during use for savings on heating and cooling energy Dirt-sensing head saves energy by detecting floor texture for optimal control of suction, brush rotation speed, and propulsion RoHS compliant</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 1.1 Resource factor: 1.5</p>	
<p><b>Product features</b></p> <p>Power Spiral dust removal mechanism cleans filter automatically during each use, allowing a single filter to be used for about 10 years Dust case automatically shifts position for easy removal during dust disposal</p>	

## (7) Air Purifier—Clear Hitachi Appliances

<p><b>Environmentally conscious features</b></p> <p>Uses artificial zeolite made from coal ash, a byproduct of thermoelectric power generation, as a deodorizing agent Uses inverter motor for 6% reduction in power consumption during standard operation, 25% reduction at lowest airflow setting* RoHS compliant</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 18.8 Resource factor: 5.8</p>	
<p><b>Product features</b></p> <p>Powerful double deodorizing action using Big HEPA nanotech filter and ion mist for 99% deodorization High-performance evaporative filter and wing turbofan for humidifying capacity of approximately 600 mL/h</p>	


\* Compared with FY 2006 Hitachi Appliances model

## (8) Hard Disk Drive—Deskstar P7K500 Hitachi Global Storage Technologies

<p><b>Environmentally conscious features</b></p> <p>By adoption of innovative technologies in regulator, LSI and power management, achieved 40%* reduction of power consumption at idle time By significant improvement of recording density through advanced magnetic technology, achieved 14%* resource saving by the reduction of magnetic heads and disks</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 26.8 Resource factor: 31.3</p>	
<p><b>Product features</b></p> <p>Energy efficient 3.5-inch hard disk drive for desktop computers Second-generation perpendicular magnetic recording technology provides superior reliability with large 250 GB-per-platter capacity</p>	

\* Compared with prior HGST model

## (9) Amorphous Core Transformer—Super Amorphous XMC Hitachi Industrial Equipment Systems

<p><b>Environmentally conscious features</b></p> <p>Amorphous alloy<sup>*1</sup> used for core, yielding 30% reduction in standby power consumption<sup>*2</sup>          Energy conservation standard achievement ratio<sup>*3</sup> of 140% for FY 2007          Dry-type (not oil-filled) transformer using epoxy resin-encapsulated coils for lower environmental impact          UN-approved technology for use in Clean Development Mechanism (CDM) energy-conservation projects          Winner of Governor of Tokyo Prize in the 2007 Japan Electrical Construction Association Products Contest</p>	
<p><b>Environmental efficiency</b></p> <p>Factor of global warming prevention: 1.3          Resource factor: 2.1</p>	
<p><b>Product features</b></p>	
<p>Fire-resistant transformer made with self-extinguishing materials          Improved, wound coil shape for 10% smaller,<sup>*4</sup> lighter transformer that fits into a standard case</p>	

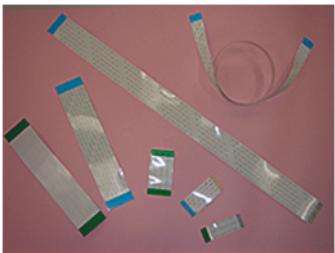
\*1 Use of non-crystalline metal alloy with an amorphous molecular structure makes for low power loss when flux passes through the core; the amorphous alloy can also be rolled thinner than silicon steel plates, reducing no-load loss

\*2 Compared with company's standard transformers

\*3 Value expressing the percentage of the target value that a product achieves under Japan's Energy-Saving Labeling Program, which sets quantitative energy-saving standards for various categories of electrical equipment according to capacity, function, size, etc.

\*4 Compared with company's earlier amorphous transformers

## (10) Flexible Flat Cable—Modified II Tin-Plated FFC Hitachi Cable Fine-Tech

<p><b>Environmentally conscious features</b></p> <p>Thin tape cable facilitates denser wiring in limited spaces          RoHS-compliant lead-free plating has nano-thin zinc coating to solve problem of "whisker" formation on lead-free tin-plated surfaces          Replaces gold plating, eliminating need for hazardous substances in manufacturing process and reducing environmental impact          Winner of Electric/Electronic Component prize in Fourth Monozukuri Parts Awards (sponsored by Nikkan Kogyo Shimbun)</p>	
<p><b>Product features</b></p> <p>Perfect for wiring between circuit boards and between components of electronic devices (computers, printers, copiers, flat-panel TVs, etc.)          Parallel array of multiple Modified II electrical conductors on a flat plane, separated from one another by insulating film, allows for a larger number of wires arrayed more closely</p>	

\* Whiskers: Hair- or needle-like crystalline structures that grow from the surface during tin plating—a result of external or internal stresses—that can cause short circuits

## Managing Chemical Content of Products

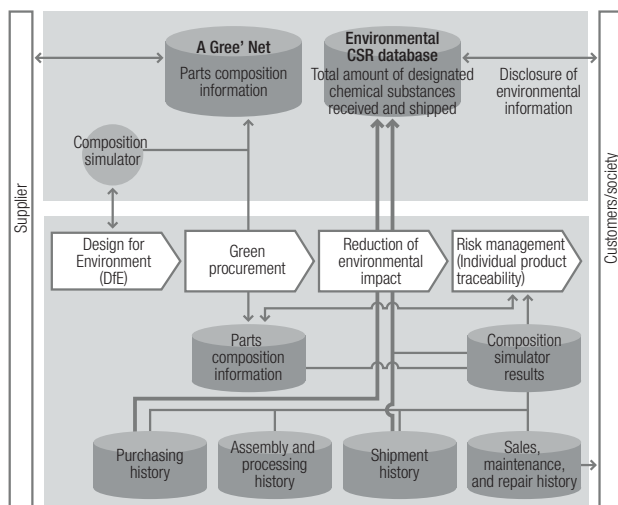
### Compliance with REACH Regulation

To use chemicals safely, we comply with the REACH regulation,<sup>†1</sup> which promotes the safe use of chemicals. REACH compliance means registering chemical substances exported to the European Union (EU), as well as notifying and providing information on substances contained in products covering thousands of chemical types. Because we see registration and notification under the REACH regulation as a task for the whole supply chain, we are using our participation in JAMP<sup>†2</sup> to develop a more effective information exchange system. For even better communications, we will link REACH compliance with the Group's Integrated Management System for Chemical Substances Contained in Products, which contains information on 480,000 parts (March 2008).

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

†2 JAMP: Joint Article Management Promotion-consortium

## Integrated Management System for Chemical Substances Contained in Products



### J-Moss Compliance

The Hitachi Group applies the Green Mark label to products that contain specified chemical substances that are within established thresholds, in accordance with J-Moss (JIS C 0950), the Japanese industrial standard for “the marking of the presence of the specific chemical substances for electrical and electronic equipment” formulated in compliance with the amended Law for the Promotion of Effective Utilization of Resources.

#### About J-Moss Green Mark labeling guidelines

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

### Supporting Global Ecodesign

In April 2008, we compiled ecodesign management guidelines in line with Europe’s EuP Directive,<sup>†3</sup> used for assessing product designs from an environmental perspective. To minimize the environmental impact, Hitachi product guidelines require every operational unit to design products with less environmental impact in all phases—including planning, design, procurement, manufacturing and quality control—and to maintain clear design records. Based on these new guidelines, we will both meet regulatory requirements and lead the industry in lowering product environmental impact.

†3 EuP Directive: Directive on Ecodesign of Energy-using Products

### Sustainable Business Model

To help realize a sustainable society, the Hitachi Group is committed to building a sustainable business model. We have defined a sustainable business as “a business that reduces the environmental burden or otherwise contributes to a sustainable society.” We are working to develop businesses and solutions that help counter global warming or promote effective use of resources.

## Businesses that Help Counter Global Warming

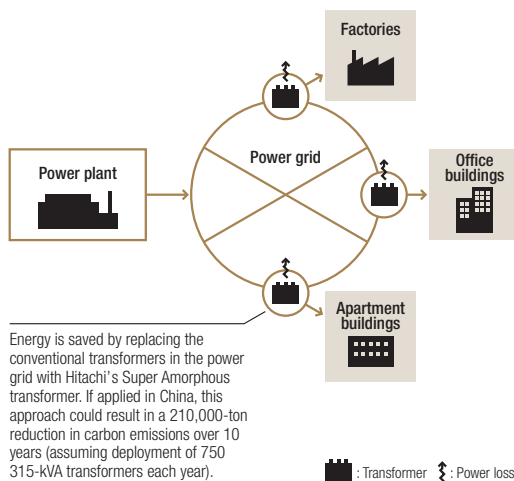
The Hitachi Group developed a methodology for reducing CO<sub>2</sub> emissions by using energy-efficient transformers such as the amorphous transformer made by Hitachi Industrial Equipment Systems Co., Ltd. In March 2008, this methodology was approved by the United Nations Framework Convention on Climate Change (UNFCCC) as the first Clean Development Mechanism (CDM)<sup>†4</sup> methodology in the energy distribution sector.

When electric power is distributed to where it is consumed, a certain amount of power is lost in the process, and the quality of a transformer core can affect how much is lost. The cores of the transformers used in the Hitachi methodology are made from an amorphous metal alloy, which reduces standby power loss by one-third over conventional transformers (using Hitachi products for comparison), helping to cut CO<sub>2</sub> emissions.

This methodology can be used by any of the developed countries that have ratified the Kyoto Protocol. In this way Japan's advanced energy-saving technology is poised to play a significant role in the fight against global warming.

†4 Clean Development Mechanism (CDM): System established by the Kyoto Protocol under which developed countries can earn carbon credits applicable to their own emission reduction targets by transferring funds and technology to developing nations in the form of projects to reduce greenhouse gas emissions. Projects must receive approval from the Secretariat for the UNFCCC

### Amorphous Transformers and the Clean Development Mechanism



## Businesses that Promote the Effective Use of Resources

Hitachi Capital Group, which leases business computers, has developed a system for reusing and recycling computers returned at the end of their leases. After erasing all data to eliminate the risk of information leakage, the equipment is sold second-hand.





Recycling previously leased business computers

### Support System for Building a Sustainable Society

Working on the premise that the creation of a sustainable society requires individual consumers to change their behavior, the Information and Telecommunications Systems Group of Hitachi, Ltd., carried out a food navigation demonstration experiment. Smart cards, and other Hitachi ubiquitous information technology, were used to provide consumers with information for making environment- and health-conscious lifestyle decisions at supermarkets and other stores, as well as through online food retailers. The results were analyzed to determine whether the information caused them to change their food-buying behavior. The analysis showed that the information did indeed have an effect; it encouraged environmentally sound buying behavior. This experiment was carried out as part of a research project, “Development of Core Technologies for Sustainable Ubiquitous Society,” supported by a grant from the Japan Science and Technology Agency.

### Support System for Building a Sustainable Society

(1) Consumer touches the smart card to the panel

(2) Based on the consumer's preferences, information appears on an LCD monitor on environmental, health, and safety issues, promoting environment- and health-conscious buying

小嶋食品 C/COMAG 株式会社 環境人財育成事業  
**のびんEco**  
**Eat Naviシステム ICカード**  
 株式会社 C/COMAG 環境人財育成事業 小嶋食品株式会社  
 東京都中央区新富1丁目1番1号 小嶋ビル11F  
 03-5561-1111  
 03-5561-1111  
 03-5561-1111

大豆タンパク質、リノール酸が  
 血圧、コレステロールを下げ  
 大豆イソフラボンが  
 骨粗しょう症の予防や更年期障害  
 の軽減等に有用とされています。

# Super Eco-Factories & Offices

Super Eco-Factories are designed for the prevention of global warming, efficient use of resources, and management of chemical substances. To reduce the environmental impact of production facilities and offices, the Hitachi Group is setting ambitious goals, such as striving to achieve certification of Super Eco-Factories as quickly as possible

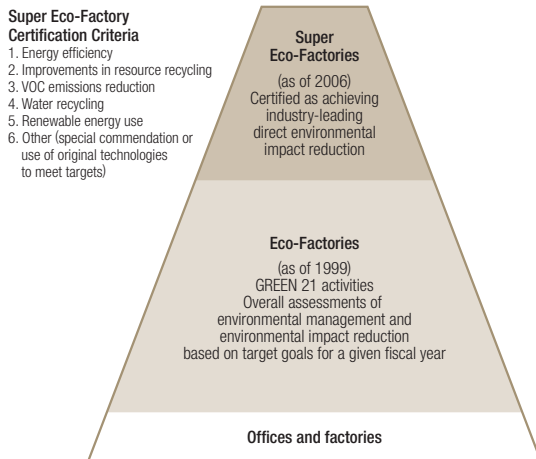
## Super Eco-Factories and Offices

### Promoting Super Eco-Factories

The Hitachi Group has introduced Super Eco-Factory Certification as a way to promote industry-leading environmental action and develop pioneering best practices.

In fiscal 2007, eight factories and one office were certified Super Eco-Factories. Hitachi aims to raise the total to 30 by fiscal 2010.

### Super Eco-Factory System



### Super Eco-Factories for LCD Panels

Hitachi Displays and IPS Alpha Technology, which manufacture LCD panels, have a high impact on the environment compared with other Hitachi Group plants because of their use of energy, water, and chemicals. To lessen this impact, plants are now using the latest energy-saving equipment and have adopted energy management systems. Hitachi Displays cut energy consumption by about 15 percent by installing a natural gas cogeneration system and an ice thermal storage system. IPS Alpha Technology has achieved energy savings of 40 percent through measures such as replacing a 200-volt power distribution system with a 400-volt system to reduce power loss. In addition, 60 percent of the distilled water is reused in production, thanks to a new advanced water treatment system.



Advanced water treatment system (IPS Alpha Technology)

## CO<sub>2</sub> Reduction in Production Processes

We are taking a global approach to reduce the amount of energy used and greenhouse gases produced in the production process, as well as transportation-related energy.

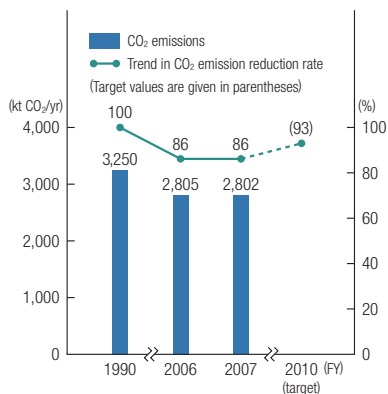
### Domestic Reduction of CO<sub>2</sub> Emissions

The Hitachi Group is striving to achieve two CO<sub>2</sub> emission reduction targets: cutting total CO<sub>2</sub> emissions to 7 percent below the 1990 level by fiscal 2010; and in the same period, either meeting specific emission targets set by industry groups, or reducing CO<sub>2</sub> emissions per unit of production by 25 percent (in offices, hospitals, etc.).

In fiscal 2007, as a result of investing 6.4 billion yen in energy saving, Hitachi reduced CO<sub>2</sub> emissions by 102,000 tonnes. The Group's total CO<sub>2</sub> emissions fell to 2.802 million tonnes, or 86 percent of the 1990 level.

Alongside energy saving, we are using energy conversion as a way to cut CO<sub>2</sub> emissions, including reducing the use of heavy oil by converting to natural gas as a fuel. Hitachi Cable has installed a natural gas pipeline at the Tsuchiura Works, reducing CO<sub>2</sub> emissions by 5,000 tonnes per year.

### Trends in CO<sub>2</sub> Emissions in Japan

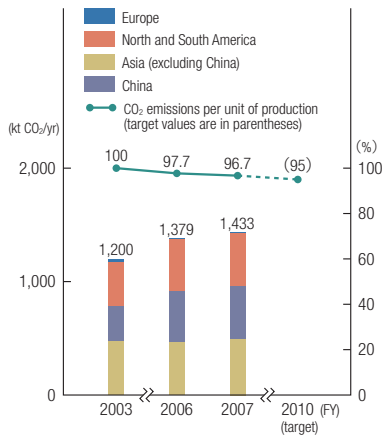


Emissions were calculated using CO<sub>2</sub> emission coefficients for each electric power company, as published by the Ministry of the Environment

### CO<sub>2</sub> Emission Reduction outside Japan

With greater production volume, the construction of new factories, and other changes in the business environment, the Hitachi Group has set the target of reducing CO<sub>2</sub> emissions per unit of production to 5 percent below the 2003 level by 2010. In fiscal 2007, we cut total CO<sub>2</sub> emissions per unit of production by 3.3 percent over the 2003 level.

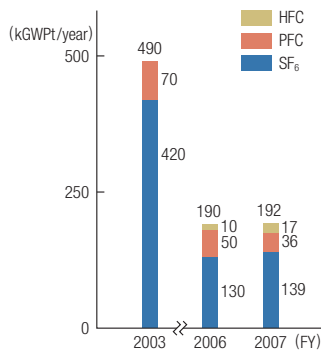
### Trends in CO<sub>2</sub> Emissions outside Japan



### Reduction of Other Greenhouse Gases

The Hitachi Group is working to reduce emissions of greenhouse gases other than CO<sub>2</sub> (specifically PFCs, HFCs, and SF<sub>6</sub>), and has already met the targets set by industry associations. Concerned, however, about the relatively large volume of SF<sub>6</sub> emissions, the Group as a whole has been working toward the goal of cutting those emissions in half (from the fiscal 2003 level) by fiscal 2010. Switching to alternative gases, installing gas scrubbers, and boosting recycling, enabled us to slash SF<sub>6</sub> emissions by 67 percent (from fiscal 2003), far surpassing our target (see page 81 for more information).

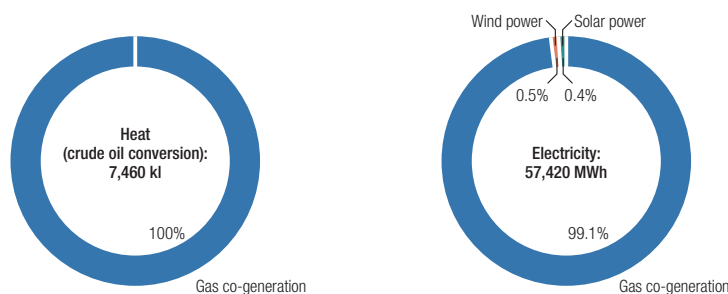
### Greenhouse Gas Emissions and Breakdown



### Using Alternative Energy Sources

The Hitachi Group has been examining production sites for potential use of alternative energy sources. In fiscal 2007, the Group relied on alternative energy sources for 7,460 kcal of the heat consumed (44 percent of the previous year) and 57,400 MWh of electricity (79 percent), thanks to the adoption of new gas cogeneration systems and other measures. In addition, we have invested in, and contracted with, Japan Natural Energy Co. to generate 500 MWh from wind power to supply all the electricity needs of the Hitachi Group expo “uVALUE Convention” and 60 percent of the power for our corporate headquarters.

### Volume of New Energies (Fiscal 2007)



### CO<sub>2</sub> Reduction in Offices and Other Buildings

In fiscal 2006, Japan's manufacturing sector achieved a 5 percent decrease in CO<sub>2</sub> emissions from the baseline year of 1990. However, more vigorous energy saving is needed in the commercial sector (including offices and service businesses, where CO<sub>2</sub> emissions have increased 40 percent over the same period). The Hitachi Group is actively promoting energy conservation in offices and service businesses, working toward the goal of a 25 percent cut in CO<sub>2</sub> emissions per unit of output, compared with 1990.

### Boosting a Hospital's Total Thermal Efficiency

Unlike offices, hospitals need to maintain an optimum indoor environment around the clock. As a result, they consume enormous amounts of thermal energy from steam, hot water, air conditioning, and other sources. And because energy consumption fluctuates according to the time of day, day of the week, and season, hospitals need an efficient energy-management system that can adapt to variable energy use.

For total energy efficiency, Hitachi General Hospital, a division of Hitachi, Ltd., has adopted a gas cogeneration system centered on two gas-engine generators that run on city gas or LPG and provide both regular and emergency power. The recovered steam and water from the generators provide a priority heat source for absorption chillers, air conditioners (via heat exchange) and the hot water supply. Fluctuations in steam pressure are moderated by three quantity-controlled, compact, once-through boilers. Air-conditioning heat pumps cope with fluctuations in the supply of cold and warm water, and overall operation is synchronized and coordinated by inverters and an intelligent control system.

The hospital has also saved energy by replacing four conventional chillers with two energy-efficient centrifugal chillers and one brine centrifugal chiller, switching the energy source from city gas to electricity, and adopting an ice thermal storage system using nighttime power. The result has been annual energy savings equivalent to 1,000 tons of CO<sub>2</sub>.



### Energy Conservation in Office Buildings

At Chuo Shoji's Hitachi-Omori 2nd Building, efforts to conserve energy, including switching to energy-efficient cooling units, have been going on for some time, but further savings were realized recently with the installation of an optimal control system. This system controls the pump speed and adjusts the flow of coolant and cold water in response to variations in air temperature and cold-water temperature. The result has been a 12 percent drop in the amount of electricity consumed by the air-conditioning system as a whole.

At the same time, Hitachi's Information & Telecommunication Systems Group headquarters installed constant-voltage devices on motors and fluorescent lamps—without inverters—to reduce electricity used when converting electricity from the primary voltage (6,000V) supplied by the power company to working voltage (200V or 100V). This is a simple energy-saving system for apartment buildings where electrical equipment cannot be altered, since the constant-voltage transformer can simply be connected to the breaker box.

We will continue to pursue energy conservation in our offices by applying these practices to other locations.

### Increasing Transportation Efficiency

The Hitachi Group is lowering the amount of resources used in product packaging and reducing transportation CO<sub>2</sub> by improving load efficiencies. A modal shift to more efficient rail transport increased the rate of rail shipments from 3 percent in fiscal 2006 to 16 percent in fiscal 2007.

### A Modal Shift for Shipping Elevators and Escalators

The Urban Planning and Development Systems Group is promoting a modal shift to rail transport to reduce the environmental impact of shipping elevators, escalators and components. Elevators and escalators have long been shipped to buildings and commercial sites by truck. What is more, the number of trucks was increasing every year, partly because the varied shapes of the products made them difficult to stack, but also because shipping had to be coordinated with installation. To address these problems, stackable packaging was used and the production schedule adjusted to the delivery date to allow the products to be shipped by rail. At first restricted to Kyushu, the rail-transport area has gradually expanded, spreading as far as the Kansai region near the end of fiscal 2007. At freight rail yards, the products are loaded into large containers, and the result is that the volume of rail transport for the group has doubled to 360,000 ton-kilometers. These measures have reduced annual CO<sub>2</sub> emissions by 12 tonnes, while helping to alleviate traffic congestion.



## A Modal Shift for Shipping Household Appliances

In the past, Hitachi Appliances' Tochigi Works used marine containers to ship household appliances produced overseas from the Port of Tokyo to Tochigi by tractor-trailer and by rail (40-foot containers only). In fiscal 2007, however, the company began a drive to accelerate this modal shift by using trailers with extendable chassis and devising a way to ship 20-foot containers together with the 40-foot containers by rail transport, resulting in an annual 61.7-ton reduction in CO<sub>2</sub> emissions. This undertaking was part of the fiscal 2007 Green Logistics Partnership promotion program.<sup>†1</sup>

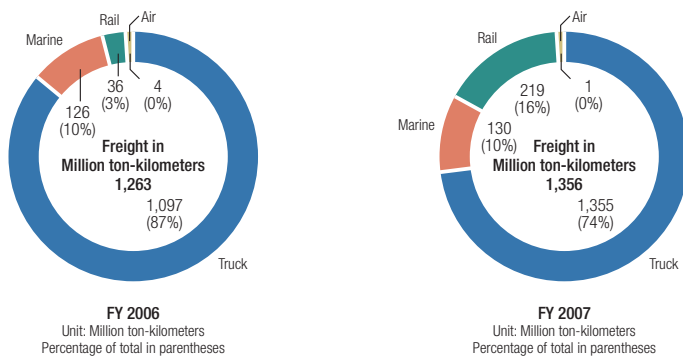
The Tochigi Works has also been shifting to rail transport, using large 31-foot containers that can be loaded onto 10-ton trucks for daily shipments of home air-conditioning equipment sent to Fukuoka and Sapporo. In fiscal 2007, use of rail freight increased by 12 percent.

†1 A program to support, promote, and expand cutting-edge, inter-industry efforts to improve distribution systems through cooperation between shippers and businesses in the logistics industry. (Sponsored jointly by the Japan Institute of Logistics Systems; the Japan Federation of Freight Industries; the Ministry of Economy, Trade and Industry; and the Ministry of Land, Infrastructure and Transport; with the cooperation of Nippon Keidanren.)



Rail transportation of household appliances in special containers

### Domestic Freight by Mode



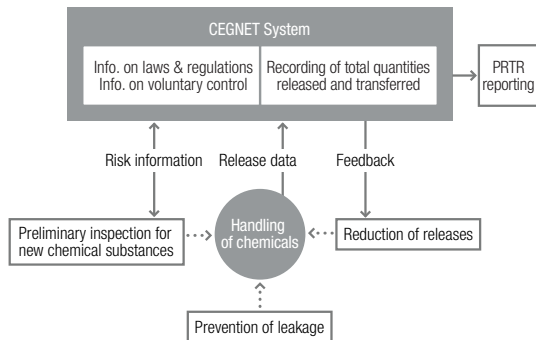
## Management of Chemicals

### Chemical Risk Management

In 1998, Hitachi introduced an on-line system in Japan for the Group-wide management of chemical substances, CEGNET (Chemical Environment Global Network), and began chemical risk management. When introducing a new chemical, information is collected on hazardous properties and applicable laws. The Special Committee for Chemical Substances then decides whether to use this substance. For proper management of any controlled hazardous chemicals, handling is

closely coordinated with all departments at every facility responsible for design, manufacturing, or purchasing.

### Chemical Risk Management

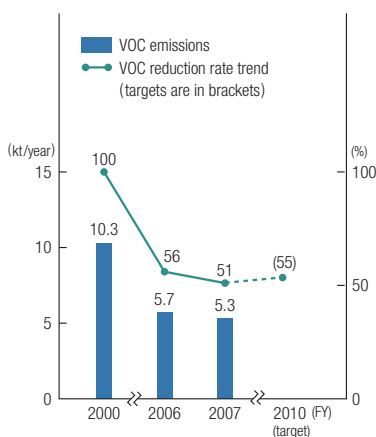


### Reducing VOC Emissions

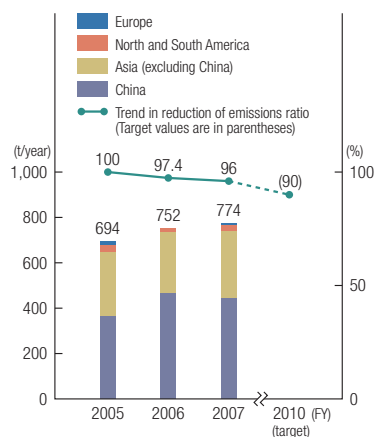
Building on a program initiated by the Ministry of the Environment to reduce emissions of volatile organic compounds (VOCs) by 2010, we have adopted our own emissions reduction plan targeting 41 VOCs. We are currently working toward the goal of reducing emissions at Japanese facilities by 45 percent (from fiscal 2000). In fiscal 2007, our domestic VOC emissions totaled 5.3 kt, 49 percent below the 2000 level.

At our overseas facilities, where increased production is expected to lead to higher levels of VOC being used, we are working toward the goal of a 10-percent reduction in the ratio of VOC emissions to the quantity used (from fiscal 2005). In fiscal 2007, total emissions from our overseas facilities was 774 t, representing a 4-point reduction in the percent emitted, compared with the baseline year of 2005.

Trend in VOC Emissions (Japan)



Trend in VOC Emissions (outside Japan)



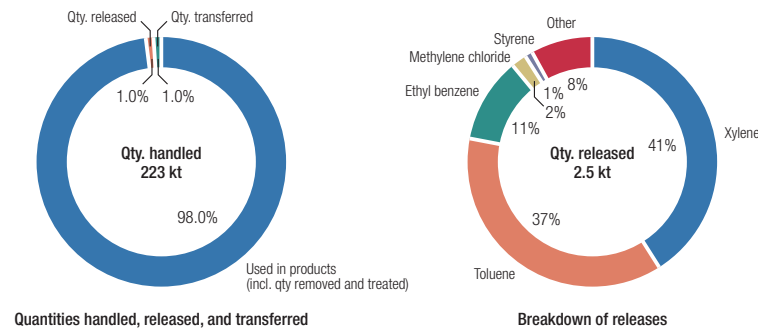
### Survey of Chemicals Covered by PRTR Law

According to Japan's Pollutant Release and Transfer Registers (PRTR) Law, introduced in April 2001, Hitachi must control all releases of PRTR substances into the atmosphere and public waters, and all solid-waste transfers or liquid discharge into sewage systems.

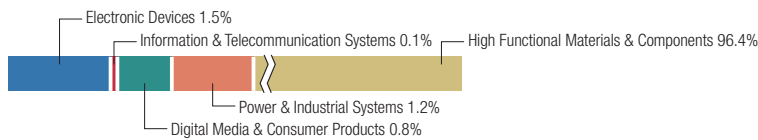
Data is collected on all substances handled (10 kilograms or more per year), even when the

amount is below the minimum for mandatory reporting. In fiscal 2007, Hitachi handled 121 of the 354 substance groups covered by PRTR for a total volume of approximately 223,000 tons, of which 1 percent was released and 1 percent was transferred. In fiscal 2007, 116 facilities submitted PRTR reports to local governments.

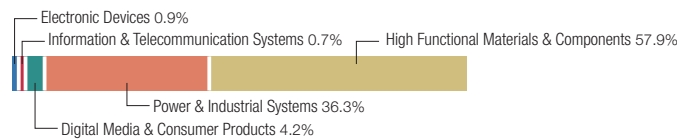
### Survey Results for Substances Covered by Japan's PRTR Law (Fiscal 2007)



### Percentage of PRTR Chemicals Handled by Industry Segment (Fiscal 2007)



### Emission and Transfer Volumes of PRTR Chemicals by Industry Segment (Fiscal 2007)



## Preventing Pollution of Soil and Groundwater

Hitachi is working to prevent leaks of chemical substances into the soil or groundwater by converting underground piping, pits, and tanks to above the ground, making inspections easier. To prevent leaks, underground tanks not yet converted are rigorously tested for corrosion and inspected using such techniques as ultrasonic testing. A full 90 percent of facilities that have used chemicals confirmed that they have completed groundwater and soil decontamination, or that there is no contamination. The remaining facilities are taking countermeasures and monitoring groundwater.

## Efficient Use of Resources

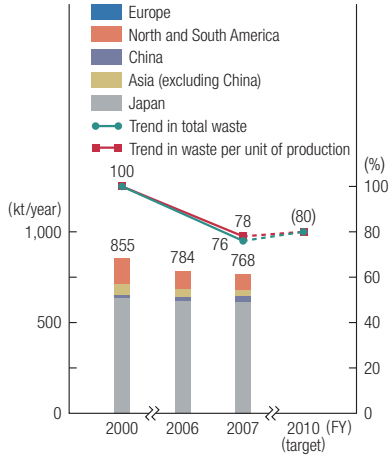
### Reduction of Generated Waste

The Hitachi Group promotes *monozukuri* (manufacturing) that does not use unnecessary resources and generates little waste. As part of this effort, we are taking measures to meet the goal of cutting total waste to 20 percent below the 2000 level by fiscal 2010. In connection with this, Hitachi has classified facilities into two groups, according to the characteristics of their operations. One group aims to reduce the total amount of generated waste, while the other strives to cut waste per unit of production, with each group working to meet its particular reduction target. In fiscal 2006, the first group managed to cut total emissions by 22 percent; the second cut its total waste per unit of

production by 24 percent. Through these measures, total waste fell by 10 percent.

Note that from the viewpoint of resource recycling, materials such as scrap metal, which can be a valuable resource, are counted as generated waste.

**Reduction in Waste Generation**

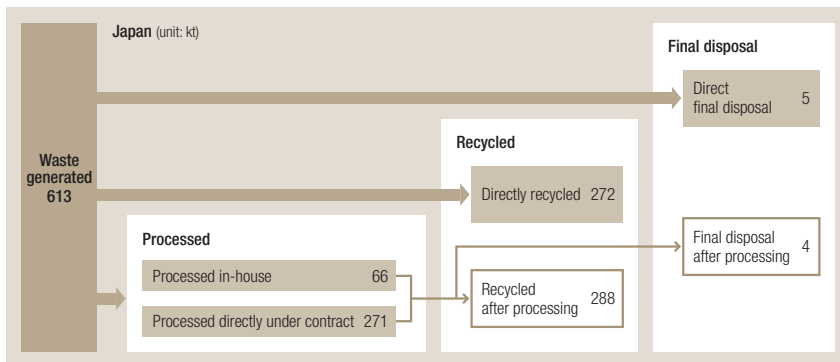


**Improvement of the Resource Recycling Rate**

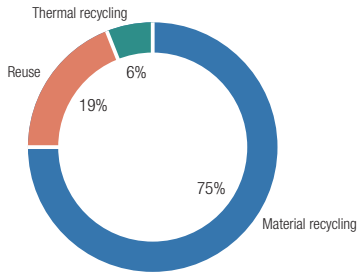
By exploring methods and applications for effectively using waste as a new resource (“reuse,” “recycle”), in addition to reducing waste generation (“reduce”), the number of Hitachi facilities that achieved “zero emission”†2 at final waste disposal reached 136 sites (up 17 over the previous year). In addition, the Group is also improving methods for reducing final waste disposal, shifting from thermal recycling and materials recycling to reuse. Through this approach, Hitachi is hoping to increase the resource recycling rate by 10 percent over the level of 2005 by fiscal 2010. To quantify resource recycling, recycling rates are calculated by coefficients according to type of waste and waste processing methods, based on the environmental impact from an LCA†3 perspective. Using this method, we improved our resource recycling rate by 5 percent in fiscal 2007.

†2 Zero emission: The Hitachi Group defines “zero emission” as “reducing final disposal to no more than 1 percent of total generated waste and less than 5 tons per year.”  
 †3 Lifecycle Assessment: A method for evaluating the environmental impact of a product throughout all stages of its life—from manufacturing and use to disposal and recycling

**Flowchart for the Treatment of Waste and Reusable Waste Products (Fiscal 2007)**



### Breakdown of Recycling Methods (Fiscal 2007)



### Minimizing Final Waste Disposal

Employees of the Odawara Works of Hitachi Global Storage Technologies have been working hard to reduce the final amount of waste at their plant. They succeeded in cutting the final disposal rate from 0.42 percent in fiscal 2003 to 0.063 percent in fiscal 2007. To accomplish this, an electric furnace was installed that reaches 2,000°C and melts glass and ceramic waste (head wafers) that had previously proved difficult to process for recycling. The ash is then used as paving material and landfill.

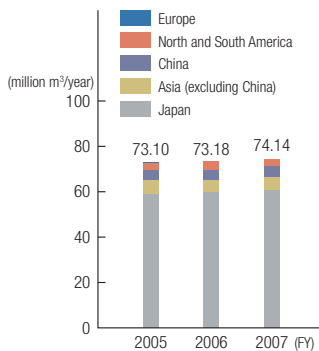
#### Zero emissions sites

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

### Efficient Use of Water Resources

To cut water use at overseas facilities to 10 percent below the 2005 level by fiscal 2010, Hitachi is striving to reduce industrial water consumption by recycling cooling water. In fiscal 2007, water use at overseas facilities fell from 14,280 kt to 13,190 kt, for an 8 percent reduction from the 2005 level.

### Trends in Water Use



# Worldwide Environmental Partnerships

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The starting point of all Hitachi Group activities is creating a sustainable society together with our stakeholders—customers, local community members, shareholders, investors, suppliers, and employees.

For this reason, we engage in dialogues with our stakeholders and work hard to disclose various forms of information

## Environmental Communication

The Hitachi Group actively communicates with stakeholders, using opinions expressed to improve environmental activities and to deepen the understanding of what is being done.

### Dialogue with Stakeholders

Hitachi Plasma Display Ltd., which produces panels for plasma TVs, invited people from the local community to a production site for an informal exchange. The company outlined energy-saving innovations introduced into the production process and the rigorous standards applied to water management. Questions and comments from the invitees about environmental activities followed. The local community admired the environmental concern and action, but requested that more information be made available to the public. Factory tours, such as this one, and other events have been featured on Hitachi's Web site in a series entitled "From the Forefront of Eco-Friendly Production" to promote public awareness about how we are reducing the environmental impact of our factories, as well as the eco-friendly features built into Hitachi home appliances.



Explaining the energy management system at the factory (Hitachi Plasma Display Ltd.)

### International Contribution through Energy-Saving Technology

Hitachi Industrial Equipment Systems was pleased to receive 25 trainees from Thailand visiting Japan under the Japan External Trade Organization (JETRO) overseas technical scholarship program. The trainees were briefed on energy-saving measures used at plants, and were trained to use the energy-saving inverters that Hitachi makes. Coming from the Thailand government, universities, and companies, the trainees are using the knowledge gained to promote energy saving throughout Thailand.





Learning to use an energy-saving inverter  
(Narashino Works, Hitachi Industrial Equipment Systems Co., Ltd.)

### Joint Research with European Universities

Hitachi Europe has launched a joint research project exploring carbon sequestration technologies through strategic partnerships with Darmstadt University of Technology, the Research and Testing Establishment for Materials and Structures at the University of Stuttgart, Aachen University of Technology, the University of Dortmund, and Ruhr University (all in Germany). The project is investigating such topics as microstructure simulations and the thermal decomposition of carbon. Hitachi Europe hopes to develop energy-efficient carbon sequestration technology to contribute to environmental protection in Europe and around the world.

### Topics

#### Environmental Collaboration with the Chinese Government

Hitachi launched the China Energy Conservation and Environment Commercialization Promotion Project Team to support environmental protection and energy conservation in China, identified as priorities in the 11th Five-Year Plan. In 2007, Hitachi co-hosted the Hitachi Energy Conservation and Environmental Protection Technology Exchange Conference with China's National Development and Reform Commission. This event contributes to conservation in China by encouraging environment-related exchanges and partnerships. In May 2007, under the theme "water," Hitachi and Sichuan University agreed to share water treatment technologies.

In January 2008, a presentation on Hitachi environmental technology, with "eco-cities" as the theme, was followed by a spirited exchange of views with more than 300 participants from 160 Chinese government organizations and companies.

**Photo:** Hitachi Energy Conservation and Environmental Protection Technology Exchange Conference



### Participation in Exhibitions

The Hitachi Group participates in exhibitions in Japan and around the world to publicize the Group's environmental activities and the strong eco-friendliness of Hitachi technologies and products.

In Japan, Hitachi took part in Eco-Products 2007, displaying 35 products and services contributing to the realization of a sustainable society based on the theme “Realizing Next Eco: Creating Eco-Cities.”

Hitachi’s leading-edge technology and techniques were commended at the fair, where Hitachi exhibited a hybrid railcar, winner of the Environment Minister’s Prize at the Eco-Products Awards, and the “Developing and Sustaining a Middle-Distance Modal Shift” concept, winner of the Eco-Products Awards Steering Committee Chairperson’s Award.

Outside of Japan, Hitachi showcased 15 products, including home appliances and industrial machinery, at the International Eco-Products Exhibition in Hanoi, Vietnam. Hitachi demonstrated innovative communication methods as well, such as having visitors write messages about the global environment and Hitachi’s environmental activities on cards, which were then pinned on a board to form an “eco tree.”



Environmental message board or “eco tree” (International Eco-Products Exhibition)

## External Environmental Commendations

### Fiscal 2007 Honors

Award Program (Sponsor)	Award	Product/Achievement	Recipient(s)
Eco-Products Awards (4th) (Eco-Products Award Promotion Council)	Environment Minister’s Prize (Eco-Products division)	Hybrid railcar	East Japan Railway Co. Hitachi, Ltd.
	Chairman’s Prize (Eco-Services division)	Developing and Sustaining a Middle-Distance Modal Shift	Hitachi Transport System
Energy Conservation Grand Awards (18th) (METI)	Energy Conservation Center Chairman’s Prize	Refrigerators Featuring a Mid-freezer Layout and Vacuum Compartment (8 models, excluding R-X6000)	Hitachi Appliances
		Moisturizing with Ion Mist (s series) room air conditioners (4 models, excluding RAS-S40X2)	Hitachi Appliances
LCA Japan Forum Awards (4th) (LCA Japan Forum)	Chairman’s Prize	Application of “SI-LCA,” an LCA approach for ICT systems, to product development in the Hitachi Group	Hitachi, Ltd.

#### External environmental commendations

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

#### Environmental reports published by Hitachi Group companies and production facilities

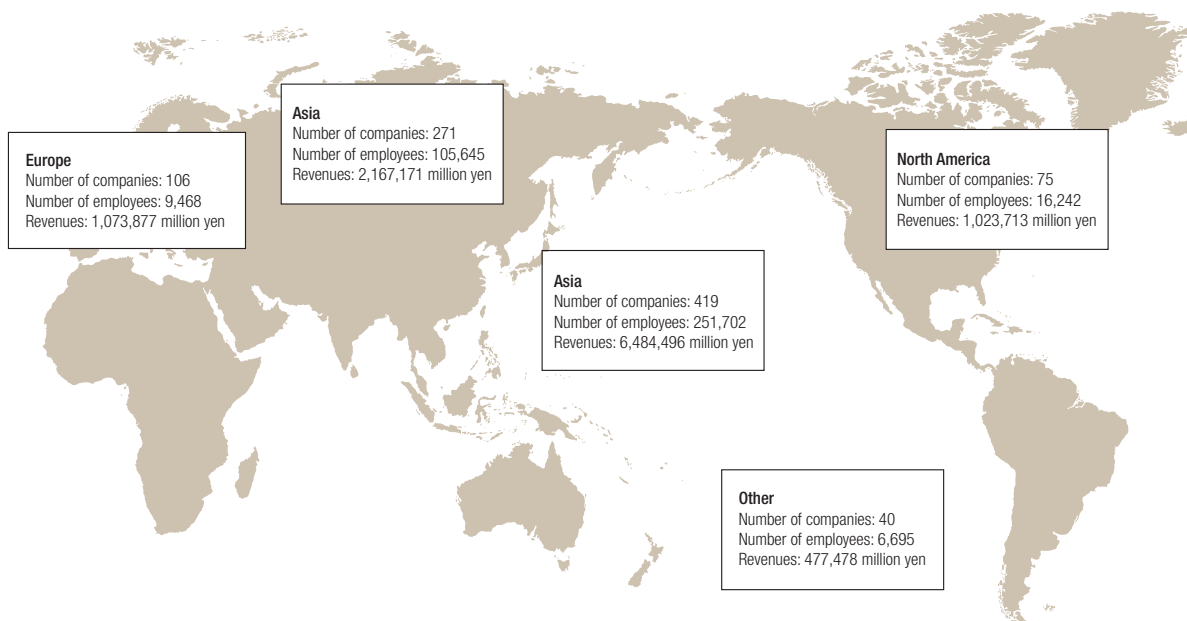
[http://www.hitachi.com/environment/activities/more/rpt\\_open.html](http://www.hitachi.com/environment/activities/more/rpt_open.html)

## Company Profile

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

## Hitachi Group Profile

Hitachi, Ltd. and the Hitachi Group make up a corporate group consisting of 1,082 companies: 418 consolidated subsidiaries within Japan and 492 overseas, as well as 83 equity-method affiliates in Japan and 88 overseas. For business activities, there are seven business units, as indicated on the next page, with total revenues of about 11.2 trillion yen. The Group employs about 390,000 employees.



## Economic Performance

### As of March 31, 2008

Common Stock: 282,033 million yen  
Number of employees (unconsolidated basis): 40,223  
Number of employees (consolidated basis): 389,752  
Number of consolidated subsidiaries: 910 (Japan: 418, outside Japan: 492)  
Number of equity-method affiliates: 171 (Japan: 83, outside Japan: 88)

### Period: Fiscal year ending March 31, 2008 (consolidated basis)

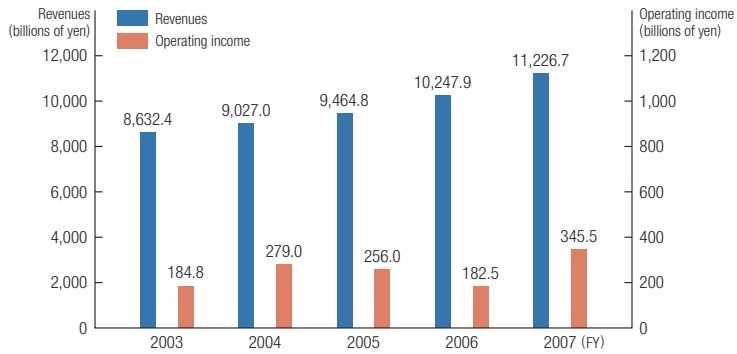
Revenues: 11,226.7 billion yen (110% compared with the previous year)  
Operating income: 345.5 billion yen (189% compared with the previous year)  
Capital investment: 969.0 billion yen (92% compared with the previous year)  
R&D expenditure: 428.1 billion yen (104% compared with the previous year)  
Overseas output as a percentage of consolidated net sales: 24%

See Web site for economic performance reports

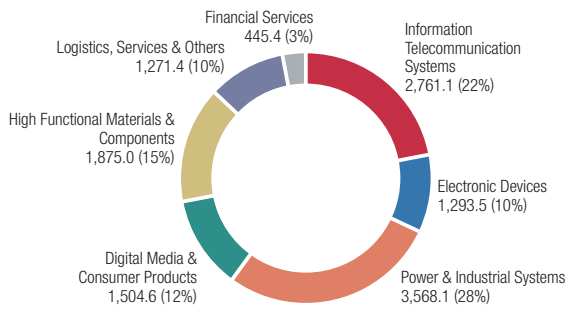
<http://www.hitachi.com/IR-e/>

## Financial Results (consolidated basis)

### Revenues and Operating Income



### Revenues by Industry Segment in Fiscal 2007 (billions of yen)



Total Sales by Industry: 12,719 billion yen  
Consolidated Net Sales: 11,226 billion yen

## Information & Telecommunication Systems



Data center  
(unification control center)



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



Large disk array  
subsystem

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

## Electronic Devices



Hitachi Displays' 2.9-inch  
wide and high definition (WVGA)  
IPS LCD for mobile phones



Hitachi High-Technologies'  
Focused Ion &  
Electron Beam System



Hitachi Medical's  
fluoroscopic X-ray system

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

## Power & Industrial Systems



Ashford Train  
Maintenance Centre



Hitachi Construction  
Machinery's  
hydraulic excavator



Hitachi Vehicle Energy's  
lithium-ion battery

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

## Digital Media & Consumer Products



UT (Ultra Thin) LCD TVs



Hitachi Appliances'  
washer-dryer



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

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

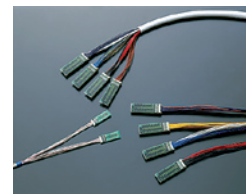
## High Functional Materials & Components



Hitachi Chemical's  
molded plastic rear  
hatch door



Hitachi Metals'  
amorphous alloys  
for transformers



Hitachi Cable's  
probe cables for  
medical applications

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

## Logistics, Services & Others



Hitachi Transport System has opened a joint  
distribution center for the medical industry,  
Kansai Medical Distribution Center

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

## Financial Services



Multifunctional IC card and  
electronic toll collection auto card

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

● Major Products & Services ■ Major Consolidated Subsidiaries (As of March 31, 2008)

\*1 Hitachi-GE Nuclear Energy, Ltd. acquired the nuclear power-related business of the company through a corporate split on July 1, 2007.

\*2 Guangzhou Hitachi Elevator Co., Ltd. changed its name to Hitachi Elevator (China) Co., Ltd. on June 29, 2007.

\*3 Fujitsu Hitachi Plasma Display Limited changed its name to Hitachi Plasma Display Limited on April 1, 2008.

## Comparative Table with GRI Guidelines

In formulating the *Hitachi Group Corporate Social Responsibility Report 2008*, we referred to the GRI Sustainability Reporting Guidelines 2006 (Global Reporting Initiative).

The following is a comparative table with the GRI Guidelines.

Item	Index	Items Disclosed	Related Pages in This Report and Other References
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	Message from the President	pp. 2–3
1.2	Description of key impacts, risks, and opportunities	Hitachi's CSR Vision CSR Promotion Activities > Results of CSR Activities in Fiscal 2007 and Goals/Plans for Fiscal 2008	pp. 4–6 pp. 21–22
<b>2. Organizational Profile</b>			
2.1	Name of the organization	Company Profile	pp. 112–114
2.2	Primary brands, products, and/or services	Company Profile	pp. 112–114
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Financial Section	Annual Report 2008
2.4	Location of organization's headquarters	Company Profile	pp. 112–114
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Company Profile	pp. 112–114
2.6	Nature of ownership and legal form	Financial Section	Annual Report 2008
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Financial Section	Annual Report 2008
2.8	Scale of the reporting organization, including:		
	- Number of employees	Company Profile	pp. 112–114
	- Net sales (for private sector organizations) or net revenues (for public sector organizations)	Financial Section	Annual Report 2008
	- Total capitalization broken down in terms of debt and equity (for private sector organizations)	Financial Section	Annual Report 2008
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:		
	- The location of, or changes in operations, including facility openings, closings, and expansions	Financial Section	Annual Report 2008
	- Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)	Financial Section	Annual Report 2008
2.10	Awards received in the reporting period	Hitachi Earns Excellent Corporate Citizen in China and the Most Responsible Company Awards	p. 23
		Hitachi Appliances Wins METI First-Place Award for Companies That Have Contributed to Product Safety	p. 37
		Maxell Hokuriku Seiki Earns the Prime Minister's Commendations on Contributors to Public Safety	p. 72
		External Environmental Commendations	p. 111
<b>3. Report Parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	Scope of This Report	p. 1
3.2	Date of most recent previous report (if any)	To Our Stakeholders	p. 1
3.3	Reporting cycle (annual, biennial, etc.)	To Our Stakeholders	p. 1
3.4	Contact point for questions regarding the report or its contents	Inquiries	p. 129
Report Scope and Boundary			



3.5	Process for defining report content, including:		
	- Determining materiality	Hitachi's CSR Vision	pp. 4–6
	- Prioritizing topics within the report	Hitachi's CSR Vision	pp. 4–6
	- Identifying stakeholders the organization expects to use the report	To Our Stakeholders	p. 1
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) See GRI Boundary Protocol for further guidance	Scope of This Report	p. 1
3.7	State any specific limitations on the scope or boundary of the report	Scope of This Report	p. 1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Company Profile	pp. 112–114
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Bases of calculations are described if necessary	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Explanation is given if necessary to complement data descriptions	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	None	—
3.12	Table identifying the location of the Standard Disclosures in the report	Comparative Table with GRI Guidelines	pp. 115–122
<b>Assurance</b>			
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	Hitachi's CSR Vision > Hitachi's Response to a Third-Party Expert Opinion on Our CSR Activities	pp. 5–6
<b>4. Governance, Commitments, and Engagement</b>			
<b>Governance</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Corporate Governance > Strengthening Governance	pp. 17–18
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	Corporate Governance > Strengthening Governance	pp. 17–18
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance > Strengthening Governance	pp. 17–18
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Compliance and Risk Management > Compliance Framework Communication with Shareholders and Investors	p. 24 pp. 45–48
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Corporate Governance > Strengthening Governance	pp. 17–18
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance > Strengthening Governance	pp. 17–18
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	None	—
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Hitachi's CSR Vision Compliance and Risk Management > Raising Compliance Awareness > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt)	pp. 4–6 pp. 24–25

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Corporate Governance > Strengthening Governance; Internal Control CSR Promotion Activities > Toward Realization of the Three-Year Roadmap Compliance and Risk Management > Raising Compliance Awareness Respect for Human Rights > Human Rights Policy Eco-Mind & Global Environmental Management > Environmental Management System	pp. 18–19 pp. 20–22 pp. 24–25 p. 30 p. 80
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	None	—
<b>Commitments to External Initiatives</b>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Compliance and Risk Management > Risk Management	p. 28
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Environmental Activities > Hitachi Group Team Minus 6% Campaign (Japanese only) Environmental Activities > Hitachi Carries Out a Campaign to Support Green Electricity through 10,000-Person Commitment (Japanese only)	Hitachi, Ltd. Web site (Japanese site) Hitachi, Ltd. Web site (Japanese site)
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:		
	- Has positions in governance bodies	None	—
	- Participates in projects or committees	None	—
	- Provides substantive funding beyond routine membership dues	None	—
	- Views membership as strategic	None	—
<b>Stakeholder Engagement</b>			
4.14	List of stakeholder groups engaged by the organization	None	—
4.15	Basis for identification and selection of stakeholders with whom to engage	None	—
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Hitachi's Environmental Strategy Respect for Human Rights > Human Rights at the Core of CSR Working in Harmony with Local Communities > Supporting NPO Activities with Information Technology Collaborative Creation with Suppliers > Employees' Environmental Awareness Improved by KES Acquisition	pp. 7–9 p. 31 p. 59 p. 63
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	None	—
<b>Management Approach and Performance Indicators</b>			
<b>Item</b>	<b>Performance Index: Core (C) / Add (A)</b>		
<b>Economic</b>			
Economic Performance Indicators			
<b>C</b> EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Company Profile Working in Harmony with Local Communities > Awareness of Social Issues; Breakdown of Funding for Social Contribution Activities	pp. 112–114 p. 49
<b>C</b> EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Hitachi Embraces the Challenge of Reducing CO <sub>2</sub> Emissions	pp. 10–15
<b>C</b> EC3	Coverage of the organization's defined benefit plan obligations	None	—
<b>C</b> EC4	Significant financial assistance received from government	None	—
<b>Market presence</b>			
<b>A</b> EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	None	—

<b>C</b> EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Collaborative Creation with Suppliers > Guidelines for Procurement Activities; Green Procurement Guidelines	pp. 61–62
<b>C</b> EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	None	—
Indirect economic impacts			
<b>C</b> EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Working in Harmony with Local Communities	pp. 49–60
<b>A</b> EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Eco-Mind & Global Environmental Management > Environmental Accounting	pp. 85–87
<b>Environmental</b>			
Management Approach			
	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Hitachi's Environmental Strategy > From Environmental Vision 2015 to Environmental Vision 2025 Eco-Mind & Global Environmental Management > Hitachi Action Guidelines for Environmental Conservation; Environmental Vision 2015	p. 7  p. 77
	The most senior position with operational responsibility	Message from the President Hitachi's Environmental Strategy Next Eco: Message from Executive in Charge Executive Officer	pp. 2–3 pp. 7–9 p. 75  Annual Report 2008
Materials			
<b>C</b> EN1	Materials used by weight or volume	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>C</b> EN2	Percentage of materials used that are recycled input materials	None	—
Energy			
<b>C</b> EN3	Direct energy consumption by primary energy source	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>C</b> EN4	Indirect energy consumption by primary source	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>A</b> EN5	Energy saved due to conservation and efficiency improvements	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>A</b> EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Eco-Mind & Global Environmental Management > Environmental Accounting Next-Generation Products & Services > Expanding Lineup of Eco-Products; Boosting Environmental Efficiency Super Eco-Factories & Offices > Using Alternative Energy Sources	pp. 85–87  pp. 90–98  pp. 101–102
<b>A</b> EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Super Eco-Factories & Offices > Super Eco-Factories and Offices; CO <sub>2</sub> Reduction in Production Processes	pp. 99–102
Water			
<b>C</b> EN8	Total water withdrawal by source	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>A</b> EN9	Water sources significantly affected by withdrawal of water	None	—
<b>A</b> EN10	Percentage and total volume of water recycled and reused	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
Biodiversity			
<b>C</b> EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	—

<b>C</b> EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Working in Harmony with Local Communities > Environmental Initiatives > Promoting Afforestation around the Globe	pp. 53–54
<b>A</b> EN13	Habitats protected or restored	None	—
<b>A</b> EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None	—
<b>A</b> EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	None	—
Emissions, Effluents, and Waste			
<b>C</b> EN16	Total direct and indirect greenhouse gas emissions by weight	Super Eco-Factories & Offices > CO <sub>2</sub> Reduction in Production Processes; Trends in CO <sub>2</sub> Emissions in Japan; Trends in CO <sub>2</sub> Emissions outside Japan	pp. 100–101
<b>C</b> EN17	Other relevant indirect greenhouse gas emissions by weight	Super Eco-Factories & Offices > CO <sub>2</sub> Reduction in Production Processes; Greenhouse Gas Emissions and Breakdown	pp. 100–101
<b>C</b> EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Super Eco-Factories & Offices > CO <sub>2</sub> Reduction in Production Processes; CO <sub>2</sub> Reduction in Offices and Other Buildings; Increasing Transportation Efficiency	pp. 100–104
<b>C</b> EN19	Emissions of ozone-depleting substances by weight	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>C</b> EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>C</b> EN21	Total water discharge by quality and destination	Eco-Mind & Global Environmental Management > Environmental Impact Data for Corporate Activities	p. 89
<b>C</b> EN22	Total weight of waste by type and disposal method	Super Eco-Factories & Offices > Efficient Use of Resources > Flowchart for the Treatment of Waste and Reusable Waste Products; Breakdown of Recycling Methods	pp. 107–108
<b>C</b> EN23	Total number and volume of significant spills	Super Eco-Factories & Offices > Management of Chemicals > Preventing Pollution of Soil and Groundwater	p. 106
<b>A</b> EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	None	—
<b>A</b> EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	None	—
Products and Services			
<b>A</b> EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Next-Generation Products & Services > Expanding Lineup of Eco-Products	pp. 90–95
<b>A</b> EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Hitachi Appliances' Environmental Efforts > Recycling	Hitachi Appliances, Inc. Web site
Compliance			
<b>C</b> EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Eco-Mind & Global Environmental Management > Legal Compliance	p. 88
Transport			
<b>A</b> EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Super Eco-Factories & Offices > Increasing Transportation Efficiency > Domestic Freight by Mode	p. 104
Overall			
<b>A</b> EN30	Total environmental protection expenditures and investments by type	Eco-Mind & Global Environmental Management > Environmental Accounting	pp. 85–87
Labor Practices and Decent Work			
Management Approach			

	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Message from the President Compliance and Risk Management > Compliance Education > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt) Employees: The Key to Hitachi's Future > Creating a Work-Friendly Corporate Culture	pp. 2–3 pp. 24–25  p. 65
	The most senior position with operational responsibility	Executive Officer	Annual Report 2008
<b>Employment</b>			
<b>C</b> LA1	Total workforce by employment type, employment contract, and region	Company Profile	pp. 112–114
<b>C</b> LA2	Total number and rate of employee turnover by age group, gender, and region	None	—
<b>A</b> LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	None	—
<b>Labor/Management Relations</b>			
<b>C</b> LA4	Percentage of employees covered by collective bargaining agreements	None	—
<b>C</b> LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	None	—
<b>Occupational Health and Safety</b>			
<b>A</b> LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	None	—
<b>C</b> LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Employees: The Key to Hitachi's Future > Securing the Health and Safety of Employees > Trends in the Occupational Accident Rate	pp. 71
<b>C</b> LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Employees: The Key to Hitachi's Future > Securing the Health and Safety of Employees > Promoting Mental Health	p. 73
<b>C</b> LA9	Health and safety topics covered in formal agreements with trade unions	None	—
<b>Training and Education</b>			
<b>C</b> LA10	Average hours of training per year per employee by employee category	None	—
<b>A</b> LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employees: The Key to Hitachi's Future > Challenge Supports Growth > Supporting Career Development	p. 66
<b>A</b> LA12	Percentage of employees receiving regular performance and career development reviews	Employees: The Key to Hitachi's Future > Openness: Promotes the Expression of Employees' Full Potential	p. 65
<b>Diversity and Equal Opportunities</b>			
<b>C</b> LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Employees: The Key to Hitachi's Future > Diversity: A Base for the Healthy Expression of Individuality	pp. 67–70
<b>C</b> LA14	Ratio of basic salary of men to women by employee category	None	—
<b>Human Rights</b>			
<b>Management Approach</b>			
	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	Compliance and Risk Management > Compliance Education > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt) Respect for Human Rights > A Total Commitment to Human Rights Awareness	pp. 24–25  pp. 30–31
	The most senior position with operational responsibility	Executive Officer	Annual Report 2008
<b>Investment and Procurement Practices</b>			
<b>C</b> HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	None	—
<b>C</b> HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Collaborative Creation with Suppliers	pp. 61–64

<b>A</b> HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Respect for Human Rights > A Total Commitment to Human Rights Awareness	pp. 30–31
Non-Discrimination			
<b>C</b> HR4	Total number of incidents of discrimination and actions taken	None	—
Freedom of Association and Collective Bargaining			
<b>C</b> HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	None	—
Child Labor			
<b>C</b> HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Compliance and Risk Management > Compliance Education > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt)	pp. 24–25
Forced and Compulsory Labor			
<b>C</b> HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	Compliance and Risk Management > Compliance Education > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt)	pp. 24–25
Security Practices			
<b>A</b> HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	None	—
Indigenous Rights			
<b>A</b> HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	None	—
<b>Society</b>			
Management Approach			
<b>C</b> S0	Brief, organization-wide policy (or policies) that define the organization's overall commitment	Compliance and Risk Management Working in Harmony with Local Communities > Social Contribution Philosophy and Policy	p. 24 p. 49
<b>C</b> S0	The most senior position with operational responsibility	CSR Management: Message from Executive in Charge Next Society: Message from Executive in Charge Executive Officer	p. 16 p. 32 Annual Report 2008
Community			
<b>C</b> S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Super Eco-Factories & Offices > Management of Chemicals > Preventing Pollution of Soil and Groundwater	p. 106
Corruption			
<b>C</b> S02	Percentage and total number of business units analyzed for risks related to corruption	Compliance and Risk Management > Compliance Education	pp. 24–25
<b>C</b> S03	Percentage of employees trained in organization's anti-corruption policies and procedures	Compliance and Risk Management > Compliance Education > Raising Compliance Awareness	pp. 24–25
<b>C</b> S04	Actions taken in response to incidents of corruption	Compliance and Risk Management > Compliance Education > Antimonopoly Compliance Education	p. 25
Public Policy			
<b>C</b> S05	Public policy positions and participation in public policy development and lobbying	Environmental Activities > Hitachi Group Team Minus 6% Campaign (Japanese only)	Hitachi, Ltd. Web site (Japanese site)
<b>A</b> S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	None	—
Anti-Competitive Behavior			
<b>C</b> S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Compliance and Risk Management > Compliance Education > Antimonopoly Compliance Education	p. 25
Compliance			



C SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Compliance and Risk Management > Compliance Education > Antimonopoly Compliance Education	p. 25
<b>Product Responsibility</b>			
Management Approach			
C PR	Brief, organization-wide policy (or policies) that defines the organization's overall commitment	<i>Monozukuri</i> and Services from the Customer's Perspective > Quality Assurance (QA) Activities	pp. 35–39
C PR	The most senior position with operational responsibility	Next Society: Message from Executive in Charge Executive Officer	p. 32 Annual Report 2008
Customer Health and Safety			
C PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	<i>Monozukuri</i> and Services from the Customer's Perspective > Quality Assurance (QA) Activities > Hitachi-Quality <i>Monozukuri</i> through Improved Work Processes	pp.38–39
A PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	<i>Monozukuri</i> and Services from the Customer's Perspective > Quality Assurance (QA) Activities > Response in Case of Product Malfunction or Damage	p. 39
Product and Service Labeling			
C PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Next-Generation Products & Services > Expanding Lineup of Eco-Products	pp. 90–91
A PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None	—
A PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	<i>Monozukuri</i> and Services from the Customer's Perspective > Building Customer Feedback into Our Products	pp. 40–42
Marketing Communications			
C PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Compliance and Risk Management > Compliance Education > The <i>Corporate Ethics and Compliance Handbook</i> (excerpt)	p. 24–25
A PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None	—
Customer Privacy			
A PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	—
Compliance			
C PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	—

### Hitachi, Ltd. annual report

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

### Hitachi, Ltd. environmental activities

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

### Hitachi Appliances, Inc. environmental activities

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

## Indexes by Category

To facilitate searching for information on CSR activities, indexes are provided according to the following sections: Policy, Vision, and Guidelines; Organization and Management; Systems; Educational and Awareness-Raising Activities; Result Data; and Stakeholder Feedback.

### Policy, Vision, and Guidelines

Category	Title	Items Disclosed	Related Pages in This Report
Hitachi's CSR Vision		<a href="#">Fundamental Credo</a>	p. 4
		<a href="#">Hitachi Group Vision</a>	p. 4
		<a href="#">CSR Policy of the Hitachi Group</a>	pp. 4–5
Hitachi's Environmental Strategy		<a href="#">Environmental Vision 2025</a>	p. 7
CSR Management	Compliance and Risk Management	<a href="#">The Corporate Ethics and Compliance Handbook (Excerpt) (PDF file: 77KB)</a>	p. 25
	Respect for Human Rights	<a href="#">Provisions Declaring Respect for Human Rights</a>	p. 30
		<a href="#">Basic Approach to Information Security Governance</a>	p. 26
		<a href="#">Personal Information Protection Policy</a>	p. 27
		<a href="#">Three Rules for Preventing Leakage of Confidential Information</a>	p. 27
		<a href="#">Guidelines for Developing Business Continuity Plans</a>	p. 28
		<a href="#">Basic Policy on Protection of Intellectual Property</a>	p. 29
Social Performance	<i>Monozukuri</i> and Services from the Customer's Perspective	<a href="#">Customer Satisfaction Management Guidelines</a>	p. 40
	Communication with Shareholders and Investors	<a href="#">Disclosure Policy</a>	pp. 45–46
		<a href="#">Basic Policy for Prevention of Takeovers</a>	pp. 47–48
	Working in Harmony with Local Communities	<a href="#">Social Contribution Philosophy and Policy</a>	p. 49
	Collaborative Creation with Suppliers	<a href="#">Guidelines for Procurement Activities</a>	pp. 61–62
		<a href="#">Green Procurement Guidelines Ver. 5.0 (in English) (PDF file: 469KB)</a>	p. 62
Employees: The Key to Hitachi's Future	<a href="#">Basic Attitudes Concerning HIV/AIDS</a>	p. 73	
Environmental Performance	Hitachi Group's Environmental Activities	<a href="#">Hitachi Action Guidelines for Environmental Conservation</a>	p. 77
		<a href="#">Environmental Vision 2015</a>	p. 77

## Organization and Management

Category	Title	Items Disclosed	Related Pages in This Report
CSR Management	Corporate Governance	<a href="#">Governance Structure of Hitachi, Ltd.</a>	p. 17
		<a href="#">Hitachi Internal Control Assessment Framework</a>	p. 19
		<a href="#">Group Management</a>	p. 19
	CSR Promotion Activities	<a href="#">Structure of Hitachi Group CSR Promotion</a>	p. 20
	Compliance and Risk Management	<a href="#">Risk Management Framework</a>	p. 29
Social Performance	<i>Monozukuri</i> and Services from the Customer's Perspective	<a href="#">Committees of the Supervisory Office for Monozukuri and Their Activities</a>	p. 34
		<a href="#">Quality Assurance Flow Chart</a>	p. 36
		<a href="#">Improving Product Safety</a>	p. 37
		<a href="#">OCHIBO HIROI</a>	p. 36
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Environmental Performance	Hitachi Group's Environmental Activities	<a href="#">Emission Neutral</a>	pp. 77–78
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	Eco-Mind & Global Environmental Management	<a href="#">Environmental Management System</a>	p. 80
		<a href="#">GREEN 21 Evaluation System Activities</a>	p. 81
	Super Eco-Factories & Offices	<a href="#">Chemical Risk Management</a>	pp. 104–105

## Systems

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Social Performance	Working in Harmony with Local Communities	<a href="#">"The Growing Tree" Volunteer Support Program</a>	p. 60
	Collaborative Creation with Suppliers	<a href="#">Hitachi Environmental Certification Scheme</a>	p. 63
	Employees: The Key to Hitachi's Future	<a href="#">Personnel Systems</a>	p. 65
		<a href="#">Survey of All Employees</a>	p. 65
		<a href="#">360-Degree Feedback Program</a>	p. 65
		<a href="#">Supporting Career Development</a>	p. 66
		<a href="#">Reward System for Employee Inventions</a>	pp. 66–67
		<a href="#">Life Plan Selection Framework</a>	p. 69
		<a href="#">Cafeteria Plan System</a>	p. 73
<a href="#">Defined Contribution and Defined Benefit Pension Plans</a>	pp. 73–74		
Environmental Performance	Eco-Mind & Global Environmental	<a href="#">GREEN 21 Awards</a>	p. 82
		<a href="#">Environmental Accounting</a>	pp. 85–87
	Next-Generation Products & Services	<a href="#">Super Eco-Products</a>	pp. 90–95
	Super Eco-Factories & Offices	<a href="#">Super Eco-Factories</a>	p. 99

## Educational and Awareness-Raising Activities

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	Compliance and Risk Management	<a href="#">Compliance Education</a>	pp. 24–25
		<a href="#">A Total Commitment to Human Rights Awareness</a>	p. 30
Social Performance	<i>Monozukuri</i> and Services from the Customer's Perspective	<a href="#">Employee Training to Improve Quality and Reliability</a>	pp. 36–37
	Working in Harmony with Local Communities	<a href="#">Support for Volunteer Activities</a>	p. 60
	Collaborative Creation with Suppliers	<a href="#">The MMM Club</a>	pp. 62–63
	Employees: The Key to Hitachi's Future	<a href="#">Employee Capacity Building</a>	p. 66
		<a href="#">Global Manager Training</a>	p. 66
		<a href="#">Diversity Training in Europe</a>	p. 71
Environmental Performance	Eco-Mind & Global Environmental Management	<a href="#">Environmental Education and Training System</a>	p. 85

## Result Data

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	CSR Promotion Activities	<a href="#">Results of CSR Activities in Fiscal 2007 and Goals/Plans for Fiscal 2008</a>	pp. 21–22
Social Performance	<i>Monozukuri</i> and Services from the Customer's Perspective	<a href="#">International Skills Festival for All, Japan 2007: Hitachi Group Results by Occupation</a>	p. 35
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	Employees: The Key to Hitachi's Future	<a href="#">Male/Female Employee Ratio</a>	p. 67
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Environmental Performance	Eco-Mind & Global Environmental	<a href="#">Environmental Action Plan and Achievements</a>	p. 79
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		<a href="#">Environmental Impact Data for Corporate Activities</a>	p. 89
	Next-Generation Products & Services	<a href="#">Eco-Products Certification Trends</a>	p. 91
	Super Eco-Factories & Offices	<a href="#">Trends in CO<sub>2</sub> Emissions in Japan</a>	p. 100
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## Stakeholder Feedback

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		<a href="#">Supporting NPO Activities with Information Technology</a>	p. 59
	Collaborative Creation with Suppliers	<a href="#">Employees' Environmental Awareness Improved by KES Acquisition</a>	p. 63
	Employees: The Key to Hitachi's Future	<a href="#">Workplace Improvements through Peer Networking by Women</a>	p. 69
		<a href="#">Friends Working Together for a Happier Workplace</a>	p. 70

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**On the cover:** The cover photo shows a bird perched on a branch of the "Hitachi Tree," a monkey pod tree (also in the photo above) in Moana Loa Garden Park, Oahu Island, Hawaii.