

We are involved in an endeavor to continuously improve our environmental activities and to enhance the activity level.

Each employee of the company observes laws and is making every effort to contribute to the society in line with the corporate standard of conduct "to do the rate thing".

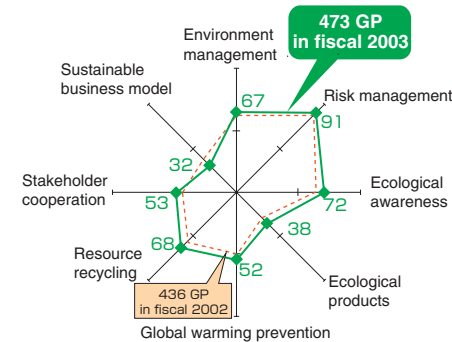
1 GREEN 21 operation (Ver. 2)

GREEN 21 operation is the activity to continuously improve the environmental activities as Hitachi group and to enhance the activity level, based on certain evaluation criteria. We evaluate 53 items in 8 categories and distribute in order for the perfect score of each category to become 100 green points (hereinafter called GP), 800 GP in total.

● Target points :

Fiscal year	2002	2003	2004	2005
Green point	436	473	533	640

(Note 1) Achieved points are listed for fiscal 2002 and 2003.



■ Evaluation items (53 items in 8 categories)

No	Category	Main evaluation item
1	Environment management	Environment management, environment activity planning, and environmental accounting
2	Risk management	Strict observance of laws and ordinances, setting of independent standards, strict observance of independent standards
3	Ecological awareness	General training of employees, specialized training, education, and training of internal monitors
4	Ecological products	Creating environment-friendly products, and planning and achieving green procurement
5	Global warming prevention	Achieving energy conservation
6	Resource recycling	Reducing waste production and managing chemicals
7	Stakeholder cooperation	Information disclosure, communication activities, and community activities
8	Sustainable business model	System and planning, recovery of products, recycling, and environmental restoration activities

■ Result report The average green point for fiscal 2003 reached 473 GP, advancing by 37 GP from 436 GP of the benchmark year. In the category of Ecological products, environment-conscious designing made progress, but low evaluation was received due to the delay in green procurement. We will further make continuous improvement together with other improvement items.

2 Environmental accounting

Based on "Hitachi environmental accounting guidelines", we have engaged in developing the system to make quantitative assessment of costs and effects related to environmental activities since fiscal 2000. As for costs, in addition to the capital investment connected with environmental activities, research and development costs, and operation and administration costs of maintenance equipment are also covered. Further, in the aspect of effects, we compute economic effects recognized by substantiated basis.

■ Costs

Item	Cost (in million yen)			Main content
	Fiscal 2001	Fiscal 2002	Fiscal 2003	
1. Costs within the factory area	134.6	144.3	153.1	Costs for maintenance and management of environmental load reduction facilities
2. Upstream and downstream costs	0.1	0.3	0.3	Costs for green procurement and recycling
3. Management activity costs	137.9	104.8	76.3	Personnel expenditures for environment management and maintenance costs for environment management system
4. Research and development costs	348.3	447.3	3803.8	Costs for research, development, and design of products that reduce the environmental load
5. Social activity costs	4.1	3.9	1.7	Costs for environment improvements (e.g., greening and landscaping), PR, and publicity
6. Costs related to environmental damage	0	0.2	0.2	Environment-related compensation, contributory money, and surcharges
Total cost	625.0	700.8	4035.4	
Total investment	64.6	254.6	63.7	Investments in direct environmental load reduction facilities (e.g., energy conservation facilities)

■ Effects

Item	Value of effect (in million yen)			Main content
	Fiscal 2001	Fiscal 2002	Fiscal 2003	
1. Effect on real income	0.8	0.4	1.0	Profit on sale of recycled waste, etc
2. Expenditure reduction	1.4	1.9	3.4	Power cost reduction due to energy conservation, etc.
3. Material cost reduction	59.1	52.0	43.0	Resource cost reduction due to resource saving, etc.
Total	61.3	54.3	47.4	

■ Result report The total cost went up 476% year-on-year in fiscal 2003 due to the increase of development cost for environment-friendly products, while the reduction of resource cost by resource conservation did not make good progress, and the result of economic effect slipped down by 13%.

1 Compliance

The company deeply recognizes to be a member of the society and has the basic philosophy of continuing the progress together with the society. In this endeavor, the management and all employees of the company have been taking the initiative in complying with laws and in promoting fair business operation.

● Establishment of compliance division

For the purpose of promoting compliance with laws, Compliance Division was set up in June 2002. The division engages in activities around the committee composed of directors of all divisions as committee members. In order to fulfill compliance with laws and to act conforming to the corporate ethics, it is essential to realize right knowledge and social obligations of the company. Compliance Division is working on providing education, training and information for that purpose. Training is conducted as an institutional program for management executives and all employees. Also, compliance auditing has been implemented to verify if laws and internal basic rules are strictly observed at all workplaces. We are carrying out our endeavor to build the workplace with the strong awareness of strict observation of laws and internal rules set up by the company, and further according to our conscience not to do any act contradicting conventional wisdom.

● Adopt committee system

In June 2003, we transferred the committee, etc. to a created company and introduced the business administration organization composed of the Board of Directors that executes basic decisions related to business administration, directs operations and conducts auditing, and operating officers executing business and affairs. With the aim of fair business operations as well as management efficiency, we are advancing above all fair business management by the commission system mainly composed of outside directors. To execute business and affairs, by appointing an operating officer in charge of ethics and by making the internal control organizations such as Compliance Division work, we are proceeding in an endeavor to comply with laws and execute business and affairs.

● Establishment of internal reporting system

To keep fairness and transparency, we considered it essential for the management and employees to build communications based on much deeper trust. For that purpose, "Hitachi Kokusai Electric Group Helpline" was opened in October 2003 as the internal reporting system. In the committee operating this helpline system, an attorney from outside plays the role as a committee member to define fair and transparent tasks. This system quickly responds to any problem suspected of contradicting laws or conventional wisdom.

