

Evaluation of environmental activities

We monitor and analyze environmental activities based on quantitative evaluation criteria in order to improve the level of environmental management, reduce the environmental risk, and continuously promote the efficiency of environmental investment and environmental activities.

Green 21 operation (Ver. 2)

The Green 21 operation works to continuously improve the environmental activities as the Hitachi group and to enhance them, based on certain evaluation criteria. We evaluate 53 items in 8 categories on a scale of 100 green points (GP) as the full mark, with a maximum total of 800 GP.

■ Operation period: FY 2002 - FY 2005

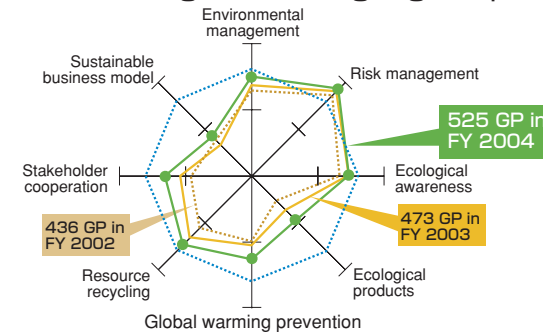
■ Trends of green points

Fiscal year	2002	2003	2004	2005
Target point	320	420	533	640
Obtained point	436	473	525	—

■ Evaluation items (53 items in 8 categories)

No	Category	Main evaluation items
1	Environmental management	Environmental management related, environment activity planning, environmental accounting
2	Risk management	Strict observance of laws and regulations, voluntary standards of establishment, strict observance of voluntary standards
3	Ecological awareness	General training of employees, specialized training, education, training of internal auditors
4	Ecological products	Achievement level of environment-friendly products, plan and achievement level of green procurement
5	Global warming prevention	Achievement level of energy conservation
6	Resource recycling	Achievement level of waste reduction, management of chemicals
7	Stakeholder cooperation	Information disclosure, communication activities, community activities
8	Sustainable business model	Systems and plans, recovery and recycle of products, environmental restoration activities

■ Results and targets of averaged green points



■ Results report

The average green points for FY 2004 reached 525 GP, resulting in an advance of 89 GP from 436 GP in the benchmark year. However, the target of 533 GP was not achieved. The points regarding the sustainable business model were as low as 42 GP because the system, vision, and strategy were still under consideration. The evaluation of ecological products was low due to incomplete elimination of RoHS Directive 6 resulting from delayed green procurement. We will work on these as well as other improvements from now on in order to achieve our final target point of 640 GP.

Environmental accounting

Based on the Hitachi Environmental Accounting Guidelines, we have engaged in developing a system to quantitatively assess costs and effects related to environmental activities since FY 2000. As for costs, in addition to the capital investment connected with

environmental activities, also counted are research and development costs as well as operation and administration costs of maintenance equipment. On the other hand, in the aspect of effects, we compute economic effects recognized by a firmly substantiated basis.

■ Costs

Cost	Item	Cost (in millions of yen)			Main contents
		FY 2002	FY 2003	FY 2004	
Cost	1. Costs within factory area	144.3	153.1	178.3	Costs for maintenance and management of environmental load reduction facilities
	2. Upstream and downstream costs	0.3	0.3	0.3	Costs for green procurement and recycling
	3. Management activity costs	104.8	76.3	81.2	Personnel expenditures for environmental management, maintenance costs for environmental management system
	4. R&D costs	447.3	3803.8	2165.2	Costs for R&D and design of products to reduce environmental load
	5. Social activity costs	3.9	1.7	2.1	Costs for environment improvements such as greening and landscaping, PR, and publicity
	6. Costs related to environmental damage	0.2	0.2	0.2	Environment-related compensation, contributory money, and surcharges
	Total cost	700.8	4035.4	2427.3	
	Investment effect	254.6	63.7	51.5	Investments in direct environmental load reduction facilities such as energy conservation facilities

■ Economic effect

Economic effect	Item	Effect value (in millions of yen)			Main contents
		FY 2002	FY 2003	FY 2004	
Economic effect	1. Effect on real income	0.4	1.0	1.0	Profit on sale of recycled waste, etc.
	2. Expenditure reduction	1.9	3.4	4.8	Power cost reduction due to energy conservation, etc.
	3. Material cost reduction	52.0	43.0	39.0	Resource cost reduction due to resource saving, etc.
	Total amount	54.3	47.4	44.8	

■ Results report The total cost of FY 2004 decreased by 40% compared with FY 2003 thanks to reducing development costs for environment-friendly products. Although the environmental investment decreased compared with last fiscal year, investment in upgrading air-conditioning equipment and shifting to LCDs for PCs are still continuing. Major economic effects were resource conservation designs and reduction in material and energy costs resulting from energy-saving activities. We will attempt to improve investment effectiveness by referring environmental accounting as a tool for continuous improvement.

Corporate governance

We work on enhancing corporate governance under an administration system where management and supervision are separate. For example, our in-company checking has been improved by establishing Compliance Office and providing a channel for employees to make internal reports.

Management system

We have introduced business administration under the Committee System. The board of directors composed of outside directors as the majority supervises and audits the operating officers' business and the affairs of the company, as well as making basic decisions related to business management. We strive for efficient

management and fair business operation by using this system. To conduct the business and affairs of the company, we are advancing the compliance of laws, fair business and affairs by appointing an executive officer in charge of ethics, and by activating internal control system such as the Compliance Office, etc.

Promotion of compliance with laws

● Compliance Office

We have established Compliance Office to ensure that laws and regulations are observed and daily work is conducted. This office, with the cooperation of the general managers of all divisions, conduct audit and education. Education and training provided through various opportunities focus on compliance with laws and employer and employee awareness that they work as a corporation with social responsibility. To verify that laws and in-company basic rules are observed on site, we promote creating a workplace with the awareness that the observation of laws and in-company rules is the first step to act within common sense, such as by conducting regular audits.

● Hitachi Kokusai Electric Group Helpline (for internal reporting)

The Hitachi Kokusai Electric Group Helpline (for internal reporting), which started in FY 2003, is one activity for maintaining fair management. The purpose of this helpline is for everyone to perform their tasks properly by building communications based on deeper trust between employer and employees. The committee, including an outside lawyer independent of corporate organizations, operates the helpline. The committee can deal quickly and fairly with all problems including legal violations and steps that go against common sense.

Communication

We are offering various communication opportunities because we would like more people to understand our business.

Information disclosure

We hold financial briefings quarterly to disclose corporate information to investors appropriately and positively. In addition, we have many participants in our subject-specific meetings and

specific reporting sessions. We conduct IR activities for people to understand our business more and more in diverse ways including hosting factory tours.



Medium-term management plan meeting



Company brochure

2004 Report on the Environment



Company introduction video (in Chinese)