

## Environmental Report

# Evaluation of Environmental Activities



The Hitachi Group's environmental activities, [GREEN 21] activities

<http://greenweb.hitachi.co.jp/en/csr/ecomind/green21/index.html>

## "GREEN 21" Ver. 3 activities and fiscal 2006 evaluation results

The Hitachi Group launched the "GREEN 21" Ver. 1 activities in fiscal 1998 and "GREEN 21" Ver. 2 in fiscal 2002 to improve its environmental activities and level of activity on a continuous basis. In fiscal 2006, the Group introduced "GREEN 21" Ver. 3 to continue upgrading its environmental activities and has since been working on it. This activity divides environmental activities into eight categories, and urges the Group to evaluate its own performance based on a certain criteria of evaluation and improve its environmental activities on a continuous basis. Here, 200 GP (green points) represent the highest rating in each category. For a grand total, 1,600 GP represent the highest rating. The target for fiscal 2010 - the final fiscal year - is set to 1,280 GP.

### Result reporting

Our performance in fiscal 2006 averaged 721 GP, falling short of the 768 GP targeted for fiscal 2006. We also had low scores in eco-friendly products (Eco-products) and green procurement. In the future, we will focus on improving these items, along with others.

### Environmental accounting

According to the Hitachi Environmental Accounting Guidelines, we monitor the costs and effects of environmental activities quantitatively. Costs are considered to comprise plant investments in environmental activities, along with expenses for developing and designing eco-friendly products, and expenses for the operation management of environmental conservation equipment. The effects determined involve economic effects monitored based on secure grounds.

### Result reporting

Fiscal 2006 saw a 4% rise in costs (expenses) due to a rise in the design expenses of eco-friendly products from the preceding year. The environmental investments made covered the introduction of efficient transformers and other efforts to upgrade existing equipment with energy-saving models.

The economic effects consisted of cuts in materials and parts expenses due to resource-saving design, the expenses for which marked a rise from the preceding year. We will continue using environmental accounting as a tool for ongoing improvements in order to increase the return on investment.



GREEN 21 evaluation items

Category	Main evaluation items
1 Eco-management	Environmental action plan, environmental accounting, risk management
2 Eco-mind	Environmental education for employees
3 Eco-products (eco-friendly products)	Eco-friendly products, control of chemical substances contained in products
4 Eco-products (green procurement)	Green procurement, green purchase
5 Next products, service strategy	Business/product strategy, sustainable business model, external publicity
6 Eco-factories (global warming)	Energy-saving in places of business, environmental response in physical distribution
7 Eco-factories (resource circulation)	Waste reduction, management of chemical substances
8 Environmental collaboration with stakeholders	Information disclosure, communication activities, global citizen activities

Costs (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Costs within factory areas	178.3	180.6	163.9	Costs for maintenance and management of environmental load reduction facilities
Upstream and downstream costs	0.3	0.3	0.2	Costs for green procurement and recycling
Management activity costs	81.2	76.8	89.3	Personnel expenditures for environmental management, maintenance costs for environmental management system
Design costs	204.4	168.0	191.0	Expenses for developing and designing eco-friendly products
Social activity costs	2.1	3.0	2.1	Costs for environment improvements such as greening and landscaping, PR, and publicity
Costs related to environmental damage	0.2	0	1.2	Environment-related compensation, contributory money, and surcharges
Total cost	466.5	428.8	447.8	—

Investments (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Investments in environmental conservation	51.5	169.2	31.0	Investments in environmental load reduction facilities such as energy conservation facilities

Economic effects (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Effects on real income	1.0	4.3	9.9	Profit on sale of recycled waste, etc.
Expenditure reduction	4.8	6.2	17.5	Cost-saving effects, etc. by saving energy
Material cost reduction	39.0	4.0	61.6	Reducing materials and parts expenses, etc. by resource-saving design, etc.
	44.8	14.5	89.0	

\* Both previous years' data were restated by the revised method of tabulating design costs.

### Glossary

\*1 RoHS Directive: The RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) Directive prohibits the inclusion of hexavalent chromium, lead, cadmium, silver, or bromine-based flame retardants (PBBs and PBDEs) in products to be marketed in the EU (in and after July 2006).