

# Hitachi Group Sustainability Report 2011 Digest

VALUE CREATION  
FOR A SUSTAINABLE  
SOCIETY



# Effect of the Great East Japan Earthquake and Hitachi's Response

We wish to express our deepest condolences to all those affected by the earthquake that occurred off the Pacific coast of northeastern Japan on March 11, 2011 and the subsequent tsunami and aftershocks. We sincerely hope for the fastest possible recovery in all regions.

The March disaster heavily impacted the Hitachi Group too, particularly our production plants in the Tohoku and Kanto regions. The disaster brought fiscal 2010 sales down by 130 billion yen and operation income fell by 75 billion yen. Given the current economic trends, we expect that fiscal 2011 sales will drop by around 350 billion yen and operation income by around 110 billion yen. Damage to production equipment and disruptions to materials and resource procurement and logistics have also resulted in delivery delays, causing our customers anxiety and inconvenience.

Immediately after the disaster, according to our business continuity plan (BCP), we established an Emergency Headquarters for Response to the Large-Scale Earthquake (as of March 23, the Hitachi Group Headquarters for Post-earthquake Reconstruction and Redevelopment), headed by Hitachi, Ltd. President Hiroaki Nakanishi. The Headquarters was tasked with providing support for affected areas and customers, as well as gathering information on losses and damage suffered by employees and their families and our plants, including launching emergency measures.

The recovery proceeded much faster than anticipated, despite the enormous damage, propelled by the development of BCPs since December 2006, as well as regular tabletop exercises for an earthquake, setting up satellite phones, and the cooperation of many people concerned. Drawing on our experiences following the March disaster, we will build greater disaster resilience into our corporate structure and lend our weight as a company involved in the Social Infrastructure Business to the recovery of not only Hitachi but also of Japan.

After the disaster, we took the following steps:

## 1. Support for Affected Regions

Up to June 2011, Hitachi Group companies worldwide have together provided support totaling 940 million yen. We have also given support to employees who volunteer and have opened up company housing in Tokyo to disaster victims. For recovery support for affected customers, we have set up a dedicated Damage Response Reception Center and are providing IT systems for local governments and companies at no charge for a certain period.

## 2. Fukushima Daiichi Nuclear Power Station and Resolving Power Shortages

We established the 24-hour Emergency Response Center for Nuclear Power immediately after the earthquake struck, and have collaborated with GE-Hitachi Nuclear Energy to help improve the situation at the power plant. About 2,200 employees of the Hitachi Group have been providing support and assistance, with around 1,200 dispatched to the site. Also, immediately after the earthquake, the Emergency Response Center for Thermal Power was established and 140 employees were deployed to provide an immediate response to requests for resumption of operations at the various power companies' thermal power plants. We will continue to extend our cooperation in response to requests from the government and power companies to maintain the social infrastructure.

## 3. Summer Electricity Conservation Activities

Based on the Japanese government's energy conservation action plan, as well as discussions with customers and various industry organizations, we will reduce power use by at least 15 percent in regions where power is supplied by the Tokyo Electric Power Company and the Tohoku Electric Power Company. In other regions too, we will actively promote various measures, making every possible effort to reduce power consumption. Specifically, in May 2011, we launched the Hitachi Group Summer Energy Conservation Campaign, which includes raising awareness and energy savings measures such as growing Green Curtains<sup>†1</sup> to reduce the amount of power for air conditioning and using real-time electric power monitoring systems. To equalize power use on summer weekdays, we have added rolling holidays and spread out summer vacations.

<sup>†1</sup> **Green Curtains:** When climbing vines are grown in front of windows or on walls, the effects of transpiration and sunlight blocking by the leaves can reduce room temperatures by 3–5°C.

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**Symbol Marks Used in This Booklet**

- † Technical terms, proper nouns, etc., in the text requiring explanation
- \* Additional explanation of terms, etc., in tables or diagrams
- WEB** Indicates the title and URL of the Web page related to the article  
The Environmental Report (pages 16–19) can be accessed from <http://www.hitachi.com/environment/data/>

**Scope of Reporting**

**[Period]**

The main period covered is fiscal 2010 (April 1, 2010, to March 31, 2011)

**[Companies]**

Hitachi, Ltd. and 913 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies): total 914 companies

**[Scope of data]**

**Financial data** Hitachi, Ltd. and 913 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies) and 164 affiliated companies that use the equity method

**Social data** Scope of data indicated under each item

**Environmental data** Hitachi, Ltd. and 913 consolidated subsidiaries (including modified entities to which the equity method of consolidated reporting applies): total 914 companies. However, for environmental load data generated through business operations, companies that cover 90% of

**Items Included in the Hitachi Group Sustainability Report 2011 (PDF)**

The following items can be viewed on the Web site:  
<http://www.hitachi.com/csr/download/>

**Hitachi's Management Strategies and CSR**

**Management Report**

Corporate Governance / CSR Management / Risk Management / Compliance / Innovation Management / Intellectual Property (IP) / Brand Management

**Environmental Report**

Corporate Environmental Management Strategies and Initiatives / Activities to Preserve Ecosystems / Environmentally Conscious Products and Services / Environmentally Conscious Production / Environmental Management Framework and Communication

**Social Report**

Quality Assurance and Customer Satisfaction / Public Policy Initiatives / Communication with Shareholders and Investors / Social Contribution Activities / Respect for Human Rights / Supply Chain Management / Diversity Management / Global Human Capital Development / Employee Health and Safety

Comparative Table with GRI Guidelines

Comparative Table with ISO 26000 Core Subjects

Comparative Table with the UN Global Compact

**Initiatives That We Participate in**

We have been a member of the United Nations Global Compact since February 2009.



We have been a member of the World Business Council for Sustainable Development since 1995.



**External Evaluations**

We were selected in September 2010 for the Dow Jones Sustainability World Indexes (DJSI World), one of the world's leading sustainability investment fund indexes. We were also awarded the Silver Class in the Sustainable Asset Management (SAM) *Sustainability Yearbook 2011* (February 2011 issue).



the load (based on Hitachi calculations) are included. The data for each fiscal year indicates the results according to the scope of data in that fiscal year. The base fiscal year data have been revised in accordance with the scope of data for fiscal 2010.

**Guidelines Referred to in Preparing This Report**

"Environmental Reporting Guidelines" (FY 2007 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 (G3.1), Global Reporting Initiative

\*This sustainability report is published annually.

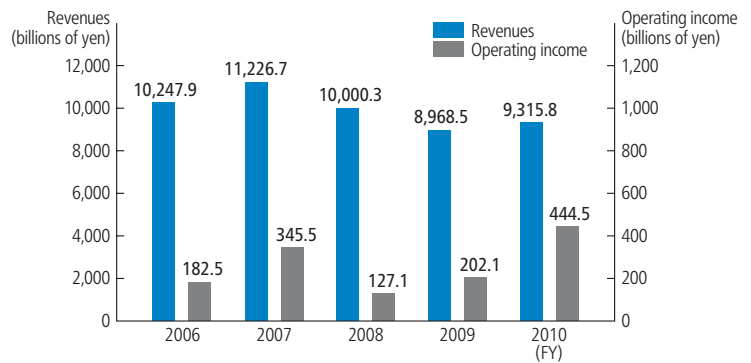
**Company Profile (as of March 31, 2011)**

<i>Corporate Name</i>	Hitachi, Ltd.	<i>Capital</i>	409,129 million yen
<i>Incorporated</i>	February 1, 1920 (founded in 1910)	<i>Number of employees (unconsolidated basis)</i>	32,926
<i>Head Office</i>	1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8280, Japan	<i>Number of employees (consolidated basis)</i>	361,745
<i>Representative</i>	Hiroaki Nakanishi, Representative Executive Officer and President	<i>Number of consolidated subsidiaries</i>	913 (Japan: 351, outside Japan: 562)
		<i>Number of equity-method affiliates</i>	164 (Japan: 72, outside Japan: 92)

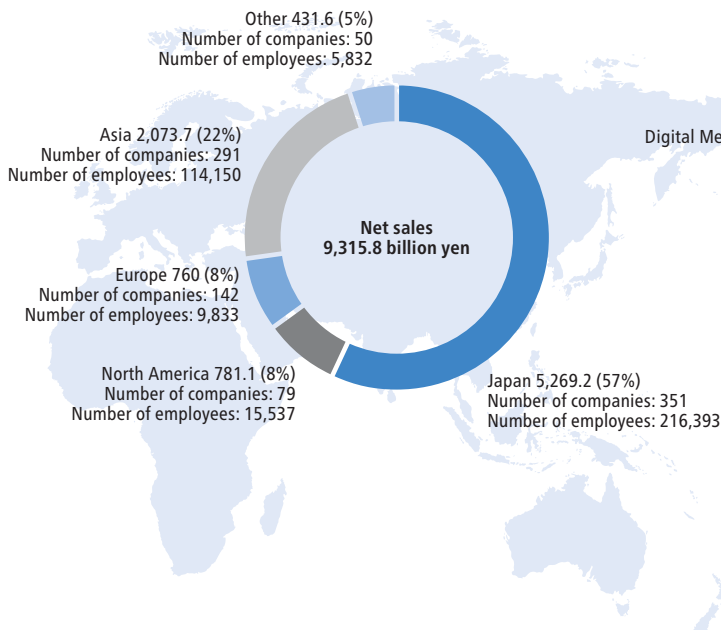
**Consolidated Business Overview and Results for Fiscal 2010**

<i>Revenues</i>	9,315.8 billion yen (104% compared with the previous year)
<i>Operating income</i>	444.5 billion yen (220% compared with the previous year)
<i>Capital investment</i>	556.8 billion yen (102% compared with the previous year)
<i>R&amp;D expenditures</i>	395.1 billion yen (106% compared with the previous year)
<i>Overseas output as a percentage of consolidated net sales</i>	27%

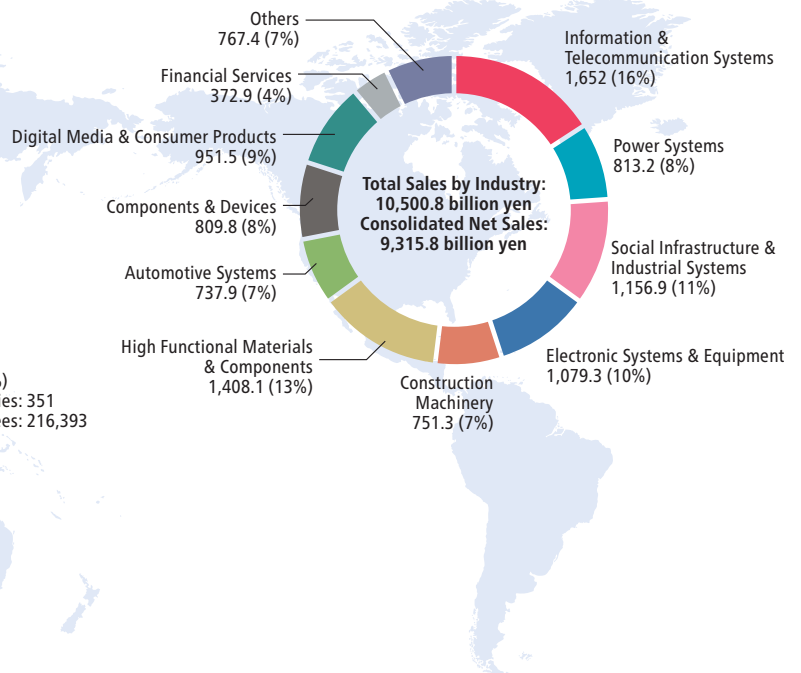
**Revenues and Operating Income**



**Sales Revenue by Geographic Region (billions of yen)**



**Revenues by Industry Segment (billions of yen)**





## Major Fields of Business and Products

### Information & Telecommunication Systems

- Systems integration, outsourcing services, software, disk array subsystems, servers, mainframes, telecommunications equipment, ATMs
- Hitachi-Omron Terminal Solutions, Corp., Hitachi Computer Products (America), Inc., Hitachi Computer Products (Europe) S.A.S., Hitachi Electronics Services Co., Ltd., Hitachi Information & Control Solutions, Ltd., Hitachi Information Systems, Ltd., Hitachi Solutions, Ltd., Hitachi Consulting Corporation, Hitachi Data Systems Corporation, Hitachi Information & Telecommunication Systems Global Holding Corporation



Enterprise storage platform

### Power Systems

- Thermal, nuclear, hydroelectric, and wind power generation systems
- Babcock-Hitachi K.K., Hitachi-GE Nuclear Energy, Ltd., Hitachi Engineering & Services Co., Ltd., Hitachi Power Europe GmbH, Hitachi Power Systems America, Ltd.



Ultra supercritical steam turbine

### Social Infrastructure & Industrial Systems

- Industrial machinery and plants, elevators, escalators, railway vehicles and systems
- Hitachi Industrial Equipment Systems Co., Ltd., Hitachi Elevator (China) Co., Ltd., Hitachi Building Systems Co., Ltd., Hitachi Plant Technologies, Ltd.



Sewage treatment plant built by Hitachi Plant Technologies, Ltd. in Malaysia

### Electronic Systems & Equipment

- Semiconductor and LCDs manufacturing equipment, test and measurement equipment, medical electronics equipment, power tools, electronic part processing equipment
- Hitachi High-Technologies Corporation, Hitachi Koki Co., Ltd., Hitachi Kokusai Electric Inc., Hitachi Medical Corporation, Hitachi Via Mechanics, Ltd.



Hitachi High-Technologies' device characterization system

### Construction Machinery

- Hydraulic excavators, wheel loaders, mining dump trucks
- Hitachi Construction Machinery Co., Ltd.



Hitachi Construction Machinery's hydraulic excavator

### High Functional Materials & Components

- Wires and cables, copper products, semiconductor and display-related materials, circuit boards and materials, specialty steels, magnetic materials and components, high-grade casting components and materials
- Hitachi Cable, Ltd., Hitachi Chemical Co., Ltd., Hitachi Metals, Ltd.



Hitachi Chemical's carbon anode materials for lithium-ion batteries

### Automotive Systems

- Engine management systems, electric powertrain systems, drive control systems, car information systems
- Clarion Co., Ltd., Hitachi Automotive systems, Ltd., Hitachi Automotive Systems Americas, Inc.



Hitachi Automotive Systems' stereo camera

### Components & Devices

- Hard disk drives, LCDs, information storage media, batteries
- Hitachi Displays, Ltd., Hitachi Maxell, Ltd., Hitachi Display Device (Suzhou) Co., Ltd., Viviti Technologies Ltd.



2.5-inch hard disk drive by Hitachi Global Storage Technologies

### Digital Media & Consumer Products

- Optical disk drives, flat-panel TVs, LCD projectors, room air conditioners, refrigerators, washing machines, air-conditioning equipment
- Hitachi Appliances, Inc., Hitachi Consumer Electronics Co., Ltd., Hitachi Media Electronics Co., Ltd., Hitachi Consumer Products (Thailand) Ltd., Hitachi-LG Data Storage, Inc.



Syo-ene No Tatsujin PREMIUM, Hitachi Appliance's Air Conditioners for use in shops and offices

### Financial Services

- Leasing, loan guarantees
- Hitachi Capital Corporation



Hitachi Capital's multifunctional IC card

### Others

- Logistics, property management
- Chuo Shoji, Ltd., Hitachi Life, Ltd., Hitachi Transport System, Ltd., Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China) Ltd., Hitachi Europe Ltd.



Hitachi Transport System's Keihin Distribution Center, a distribution center equipped with security systems

- Major Products & Services ■ Major Consolidated Subsidiaries (as of March 31, 2011) The products marked with an asterisk (\*) in the table above are those of Hitachi, Ltd. (Notes.) 1. Hitachi Solutions, Ltd. was formed through a merger between Hitachi Software Engineering Co., and Hitachi Systems & Services, Ltd. as of October 1, 2010.
- 2. Hitachi Automotive Products (USA), Inc. changed its name to Hitachi Automotive Systems Americas, Inc. as of January 1, 2011.
- 3. Viviti Technologies Ltd. is a holding company whose operating companies include Hitachi Global Storage Technologies, Inc., a company engaged in the manufacture and sale of hard disk drives, and was established on October 5, 2010.

# Creating social and economic value at the same time to contribute to realizing a sustainable society

I would like to begin my message by offering the deepest condolences of everyone in the Hitachi Group to the victims of the Great East Japan Earthquake on March 11. I'm afraid some of our customers experienced disruptions due to Hitachi's supply chain in the affected disaster areas. Although the earthquake damaged several Hitachi Group plants, we restored most of the affected manufacturing operations through concerted companywide efforts.

Hitachi was established a century ago in Hitachi City, Ibaraki Prefecture, northeast of Tokyo, and just south of the accident at the Fukushima Nuclear Power Station. Hitachi has since grown within the community of Ibaraki as well as the region as a whole. We believe that it is our responsibility to give back to the city and the region that nurtured our business, as well as to help eastern Japan recover from the earthquake by rebuilding devastated towns in safer and more sustainable ways. To that end, we are focusing our energies to use our technologies and expertise in a concerted effort to help deal with and overcome the accidents at the Fukushima Daiichi Nuclear Power Station.

## Changing Perceptions of Value Following the Great East Japan Earthquake

The earthquake damage temporarily halted production at many plants across Japan, while it deeply affected the global value chain, and has cast doubt on the business continuity planning of Japanese manufacturers. As part of Japan's social infrastructure, we are reinforcing our risk and

crisis management policies for business continuity planning and the entire value chain.

The earthquake caused temporary shutdowns of electricity, telecommunications, water, and sewage, as well as other parts of the infrastructure that people take for granted. It highlighted many risks for a secure and reliable infrastructure, including the possibility of major power shortages. Today, as I write this, I feel that this disaster forces us to reprioritize our commitments for the social infrastructure. Accordingly, I now believe that our mission is to help create safe, secure, and vibrant communities, and that we contribute to building a social, industrial, and daily life infrastructure that can better withstand disasters. We will continue striving to create a sustainable society that conserves resources and energy. We will fulfill this mission by focusing on our Social Innovation Business.

## Pursuing Further Growth

Despite the impact of the earthquake, our 2012 Mid-Term Management Plan has borne fruit in several respects during fiscal 2010, the first year of the plan. For example, while all business segments were profitable, we re-engineered our in-house company system and began other internal reforms.

I'm firmly committed to position Hitachi to lead the drive toward creating a sustainable society, amid economic globalization, by devising and implementing growth strategies centered on Social Innovation Business. We will therefore concentrate investments in eleven key regions, such as the Asian Belt Zone<sup>\*1</sup> where economic

growth is remarkable, South America, and Central and Eastern Europe. We will achieve true global and transnational management by positioning Japan as one of the key areas, and by strengthening local leadership. We will recruit globally and employ the right people in the right places.

### CSR: the Foundation of Global Management

I believe that CSR is the foundation of global management and, indeed, any management. The world faces such global problems as climate change and ecosystem destruction, as well as energy depletion, human rights abuse, and other issues. I think that in order to resolve these fundamental social issues in line with Hitachi's corporate credo, it is important to create value that can be handed down 10 to 20 years in the future by collaborating with partners and stakeholders. We will contribute to building a sustainable society by simultaneously creating social and economic value and by integrating CSR with management and strategy. We aim to become the world's most trustworthy and reliable enterprise.

July 2011

<sup>†1</sup> Asian Belt Zone consists of countries and areas, 24 in all, such as China, the ASEAN countries, India, Middle Eastern countries and other countries located within those territories.



Hiroaki Nakanishi  
President, Hitachi, Ltd.



# Hitachi's Management Strategies and CSR

We have integrated management strategies and CSR as part of our goal to transform into a truly global enterprise that shares society's values

## Corporate Credo and Management Plan

The Hitachi Group formulated a Group Vision to help resolve fundamental issues facing a global society and to pursue a safer, more comfortable society in line with the Corporate Credo which is Hitachi Founding Spirit. We also created the Hitachi Group Codes of Conduct, which apply to all Hitachi Group employees worldwide.

Based on the 2012 Mid-Term Management Plan, produced in fiscal 2010, we deployed management policies to pursue growth through our Social Innovation Business, to solidify our financial position, and to help resolve global social issues.

### Corporate Credo

Adopted June 1983

<http://www.hitachi.com/about/vision/credo/>

### 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 November 2006

### Hitachi Group Codes of Conduct

Adopted August 2010

<http://www.hitachi.com/about/vision/conduct/>

## 2012 Mid-Term Management Plan

Growth driven by Social Innovation Business  
Solid financial base

Formulated May 2010

### Social Innovation Business Focus

We intend to strengthen our Social Innovation Business by focusing on global, fusion, and environmental issues.

#### Three Focuses of Social Innovation Business

##### Global

Leverage the Group's knowhow, experience, as well as the trust of our regional customers and partners, to become a truly global enterprise.

##### Fusion

Address every nation's need for Social Innovation Business by integrating our social infrastructure and IT expertise to produce unique value.

##### Environment

Draw on a wide range of environmental technologies and accumulated experience to build better environmental systems, helping to resolve global environmental issues.

### Management Goals

We intend to generate revenues of 10 trillion yen and an operating margin of more than 5 percent by fiscal 2012. We will drive growth through the Social Innovation Business, which is around 60 percent of revenues.

We will reinforce our financial position by improving operating income while steadily increasing net income to consistently secure earnings of around 200 billion yen from fiscal 2012.

	Fiscal 2010 results	Fiscal 2012 targets
Revenues	¥9,315.8 billion	<b>¥10 trillion</b>
Operating income	4.8%	<b>Over 5%</b>
Net income attributable to Hitachi, Ltd.	¥238.8 billion	<b>Consistently generate at least ¥200 billion</b>
*Debt-to-equity ratio	1.03	<b>0.8 times or below</b>
Total Hitachi, Ltd. stockholders' equity ratio	15.7%	<b>20%</b>

\*Including the non-controlling interests and liabilities associated with the consolidation of securitized entities



## Three Key Management Policies in the 2012 Mid-Term Management Plan

### I. Global Growth Strategies to Harness Hitachi's Strengths

	Fiscal 2010 results	Fiscal 2012 targets
Outside Japan revenue ratio	43%	<b>More than 50%</b>
Percentage of employees outside Japan	33%*	<b>36%</b>

\* Reflecting HDD business transfer

We will boost revenues from outside Japan to more than 50 percent of net sales, partly through employing more local people.

The prime focus of our global growth strategy is to localize and expand worldwide. Based on our New Globalization Plan, we chose 11 key regions

and strengthened the six-part global framework close to markets to speed up strategies that use local leadership.

The second focus is to collaborate with partners for more opportunities, working with government agencies and other partners, particularly in fast-growing emerging nations, to increase opportunities for Social Innovation Business.

The third focus is to use our strengths to create business, employing our technologies and experience to build environmentally conscious cities and other next-generation urban areas, suggesting a new lifestyle as a total solution.

### II. Focusing Business Resources on the Social Innovation Business

	Investments from fiscal 2010 to 2012
Investment	<b>¥1,100 billion</b>
R&D investment	<b>¥670 billion</b>

From fiscal 2010 through 2012, we will invest over 1,700 billion yen in Social Innovation Business, up 170 billion yen from our target. We intend to generate growth as well as medium- and long-term expansion. From the total, we are allocating 1,100 billion yen to investment, including data center operations and high-efficiency thermal power systems, and 670 billion yen to R&D for smart grids, lithium-ion batteries, and other technologies.

### III. Strengthening the Business Structure to Secure Profitability

**We will reinforce our business structure and stabilize earnings by pursuing speedy operational management and by bolstering our financial position**

#### 1. Cost-structure reform

- Transform cost structure to be cost competitive globally
- Conduct companywide projects, while strengthening individual businesses by promoting the in-house company system

#### 2. Reinforce financial position

- Reduce total assets and improve asset efficiency
- Reduce interest-bearing debt by pooling funds

#### 3. Global human capital

- Talent management to realize Hitachi's targeted value
- Rebuild the Hitachi Group's entire human capital platform

#### 4. Value creation and CSR

- Create both social and economic value at the same time and contribute to the creation of a sustainable society

## Creating a Sustainable Society

### CSR Management

For us, CSR means making our Corporate Credo and Group Vision a reality. Our 2012 Mid-Term Management Plan will help us to tackle global issues and create a sustainable society based on the Social Innovation Business. The CSR Promotion Committee, promotion teams, and CSR officers at regional headquarters lead our global CSR activities. We apply our CSR Policy throughout the Group, and employ the CSR Self-Assessment Tool as well as stakeholder dialogues to improve our CSR activities, reflecting emerging global social issues in our approach. We intend to use dialogues with society to integrate management and CSR, and to become a truly global company.

### Five-Year CSR Roadmap

We created a Five-Year CSR Roadmap, a medium-term plan for CSR that we have linked to our 2012 Mid-Term Management Plan. Hitachi, Ltd. corporate divisions and regional headquarters outside Japan have formulated action plans and set assessment targets based on this roadmap. To make our activities more effective, we will strive, under these initiatives, to strengthen Group business structures, quantitatively assess our CSR programs, and improve more transparently.

#### CSR Policy of the Hitachi Group

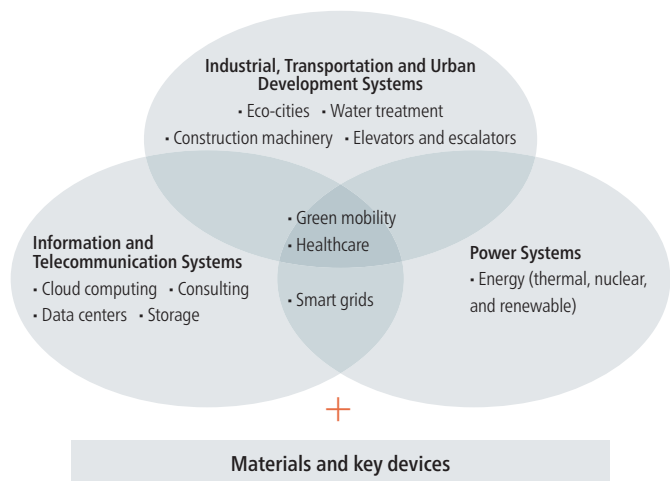
1. Commitment to Corporate Social Responsibility (CSR)
2. Contribution to Society through Our Business
3. Disclosure of Information and Stakeholder Engagement
4. Corporate Ethics and Human Rights
5. Environmental Conservation
6. Corporate Citizenship Activities
7. Working Environment
8. Responsible Partnership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

Adopted March 2005

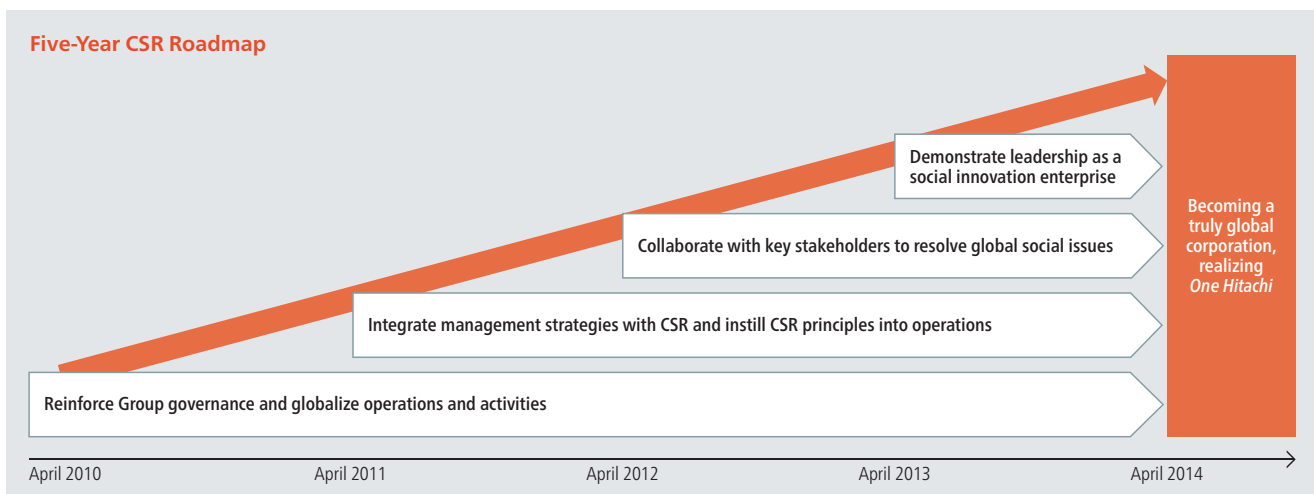
**WEB** CSR Policy of the Hitachi Group

<http://www.hitachi.com/csr/introduction/hitachi-csr/>

#### Social Innovation Business Framework



#### Five-Year CSR Roadmap

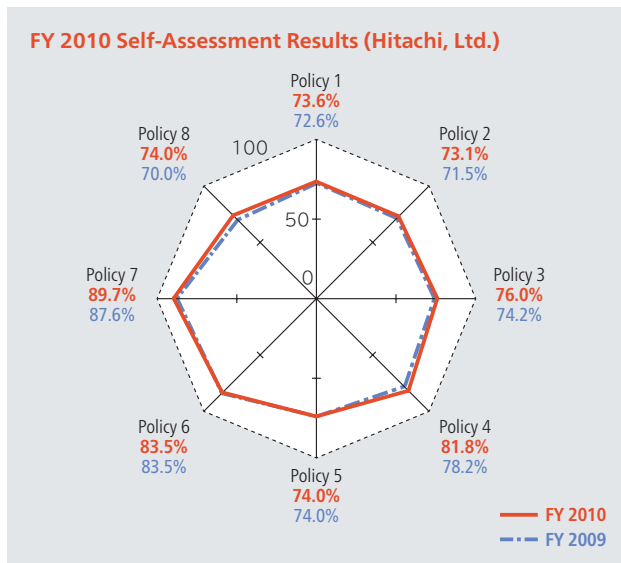


### CSR Self-Assessment Tool

The Hitachi Group CSR Self-Assessment Tool, developed in fiscal 2008, benchmarks us against leading global companies. The goal is to tackle issues and clarify initiatives based on our policies for pursuing CSR and continuously improving performance.

We scored higher in fiscal 2010 than 2009 in our self-assessment, a reflection of such factors as raising awareness of CSR, and formulating the Hitachi Group Codes of Conduct and the Hitachi Group Safety and Health Policy.

35 Group companies use this tool: Hitachi, Ltd. and 23 others in Japan and 11 in North America and Asia.



## Material Issues for Hitachi

Hitachi includes the participation of stakeholders in the decision-making process for CSR activities. We select material issues that we identify through stakeholder dialogue and from public policy trends around the world from the perspectives of importance for stakeholders and influence on business.

Important issues for stakeholders include human rights, international development, the environment, reporting, ethics, and regional and international requirements. Impact on management includes the global view, fusion, and environment focuses of our 2012 Mid-Term Management Plan, as well as views on innovation, risks, reputation, and cost efficiency.

### 1. Products That Create a Sustainable Society (Sustainable Business)

Developing innovative technologies and products is vital for growing our business and realizing a sustainable society. We are developing products that both lower environmental burden and improve the quality of life so that we can contribute to a prosperous, safe, and secure society.

### 2. Protecting the Environment

We feel that we can help protect the environment by reducing the environmental burden of products throughout their life cycles. We have created our Environmental Vision with three pillars: prevention of global warming, conservation of resources, and preservation of ecosystems. Under this vision, we provide environmentally conscious products and services by reducing the environmental burden from operations and improving their energy efficiency.

### 3. Public Policy Initiatives

Our Social Innovation Business is subject to the policies of national governments, therefore we assess policy trends while engaging in dialogue with stakeholders who influence public policy and regulations. As a result, we can propose technologies and solutions that benefit society and contribute to better policies.

### 4. Respect for Human Rights

As a global enterprise, we face risks because we operate under different national laws, cultures and business practices. We respect the laws and ordinances of every country, and we act with respect for international norms to prevent human rights violations.

### 5. Supply Chain Management

Supply chain risks are gradually increasing with the globalization of business, especially for the environment and human rights. We openly share our procurement policies with suppliers and reduce supply chain risk through ongoing surveys of CSR practices with our suppliers.

### 6. Diversity Management

We believe that diversity is much more than the human rights issue of gender equality. It is a fundamental challenge for sustainable management, generating synergies beyond the Hitachi Group, business fields, and globalization. We therefore have initiated worldwide programs that maintain personnel systems while respecting diversity, by improving workplace environments, and by cultivating human capital that can accelerate the globalization of Hitachi and contribute to market-based sustainability needs.

# Next-Generation Smart Cities by Hitachi

We offer comprehensive solutions combining social infrastructure systems for energy, transportation, and water with Intelligent IT to build next-generation cities—safe, convenient, comfortable living spaces that are environmentally conscious and address issues such as an aging society

## The start of a comfortable day

Room temperatures and lighting adjust automatically according to the season, weather, and lifestyle requirements. A day in a next-generation smart city starts in comfort.

## Smart commuting to work and school

An information terminal suggests the safest, easiest, and most ecologically conscious transportation route for the day. People could choose from public transportation, car pools, or rental bicycles.

## Eco-offices

Offices would run on natural energy and recycle heat, water, and other resources. Air conditioners and elevators would be environmentally conscious. Recycled water would feed Green Curtains.

## Lively communities

The community would connect schools and public centers in various towns and countries to provide life-long learning and remote learning. Senior citizens would safely and easily go out in their electric carts.

Using information technology to link energy, transportation, and water

Energy

Transportation

## New Cities That the World Desires

Since we entered the 21st century, such issues as global warming, resource depletion, urban crowding, economic disparities, and aging have come to the fore. The common need of all nations is to resolve these issues to ensure social sustainability. In cities around the world, people want their cities to overcome all these challenges.

## Hitachi's Vision for Next-Generation Smart Cities

In April 2010, Hitachi established the Smart City Business Management Division for proposing new

cities that will be comfortable and environmentally conscious. These cities would mainly be in emerging economies that are continuing to invest heavily in infrastructure. Hitachi designs cities with a vision giving consideration to lifestyles and values. These cities would efficiently and stably supply electricity and sewage systems as well as provide and treat water, enabling balanced demand and supply. They would also deliver safe, convenient, and energy-saving transportation, advanced medicine and education, and government services. All these services would be part of a comprehensive social infrastructure package that

### Parks abundant with water and greenery

Cities would be green and care for their water resources. They would purify water discharged from households and factories, collecting rainwater and recycling it for park fountains and greenery.

### 24/7 health care

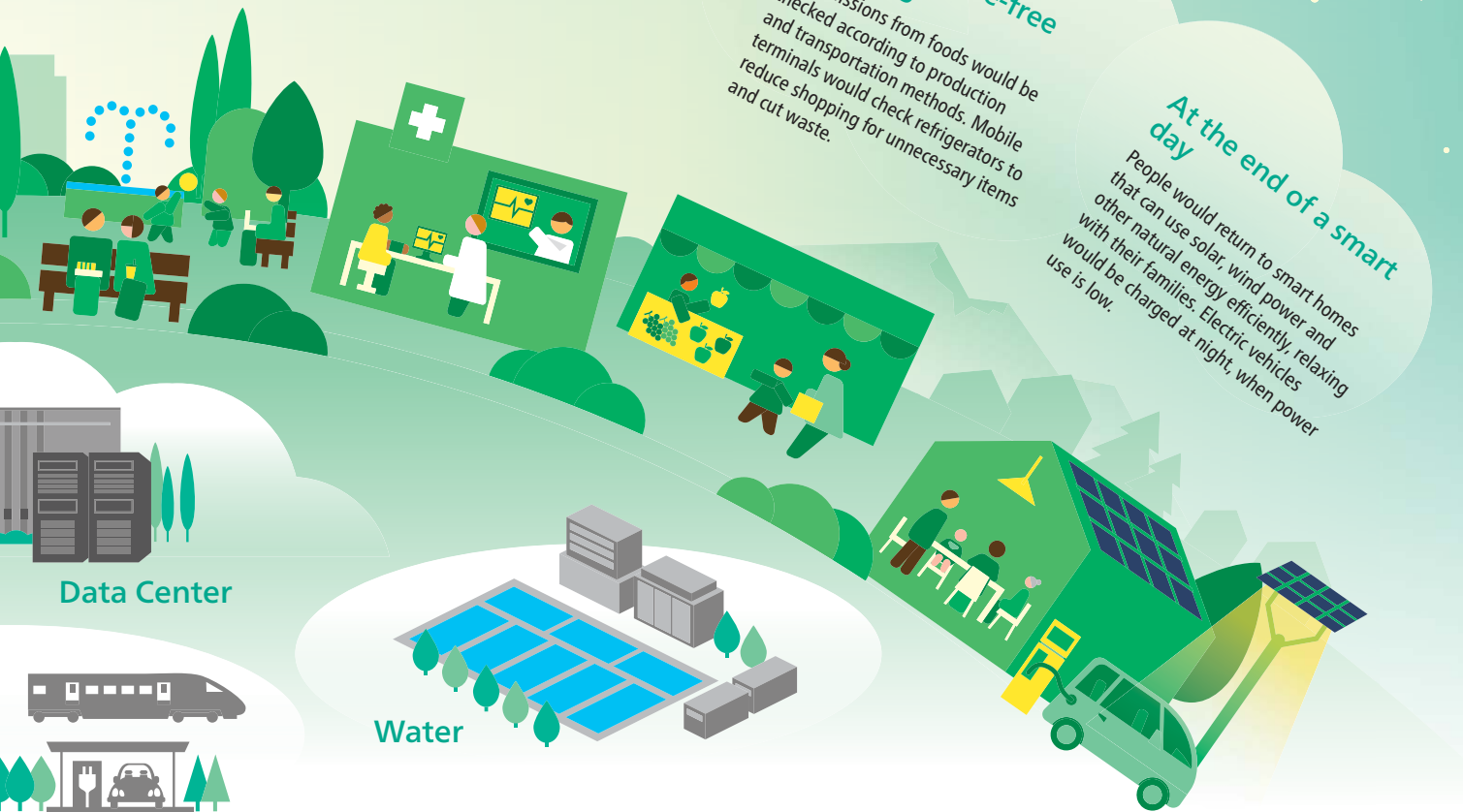
Wristband monitors would check health daily. Telemedicine would provide access to specialists at local hospitals. People would enjoy healthy and secure lives.

### Safe and waste-free shopping

CO<sub>2</sub> emissions from foods would be checked according to production and transportation methods. Mobile terminals would check refrigerators to reduce shopping for unnecessary items and cut waste.

### At the end of a smart day

People would return to smart homes that can use solar, wind power and other natural energy efficiently, relaxing with their families. Electric vehicles would be charged at night, when power use is low.



is linked and managed by safe, high-capacity information and telecommunications systems using cloud technology and eco-conscious data centers. Hitachi's vision for next-generation smart cities: ensuring comfortable living spaces while reducing the environmental burden. Cities would grow and develop sustainably and be distinctively attractive for citizens.

### Drawing on Our Expertise in Social Infrastructure to Build Next-Generation Cities

To support lifestyles, Hitachi has long been

an innovator of such social infrastructure systems as energy, transportation, water, and telecommunications. We believe our mission is to bring to the world our Corporate Credo: "contribute to society through the development of superior, original technology and products."

We propose solutions that link infrastructural components by integrating social infrastructure systems with IT and telecommunications. The Hitachi Group contributes to create a sustainable society by building next-generation smart cities that maintain an effective relationship between people and the earth.



## Urban Planning for Tianjin Eco-City

Hitachi is helping to construct Sino-Singapore Tianjin Eco-City, a joint project between the Chinese and Singaporean governments, by providing smart grid technologies and solutions



### Hitachi's Involvement in Tianjin Eco-City

- Providing advanced energy and mobility technologies required for eco-conscious cities and supplying information control platform solutions.
- Helping construct the Eco Central Business District.
- Participating in the Eco-City New Electric Vehicle Alliance.
- Deploying our home energy management systems for high-rise residential buildings under construction.

### Harnessing Our Smart City Business to Participate in an Eco-Conscious Urban Development that Has Captured Worldwide Attention

We are capitalizing on our global smart city expertise to participate in China's Sino-Singapore Tianjin Eco-City Project, an initiative capturing worldwide attention.

Sino-Singapore Tianjin Eco-City is a large model eco-city that is a joint venture between Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC), and the Chinese and Singaporean governments. The goal is to build a city of 350,000 with 110,000 houses by around

2020 on a 30-square-kilometer salt evaporation pond on the outskirts of Tianjin.

The new city will use 26 KPIs to minimize the environmental burden of housing, energy, and transportation. As well, it will recycle resources, including renewable energy for 20 percent of total energy, make all tap water 100 percent drinkable, and recycle 60 percent of waste. The city will have 90 percent green transportation and 100 percent green buildings.

### Leveraging Our Expertise from Tianjin Eco-City to Contribute to Environmentally Conscious Urban Planning in China

The project heads of Sino-Singapore Tianjin Eco-City want energy-saving technologies, new energy and storage battery technologies, and information control platforms from Japanese companies. In May 2010, Hitachi and SSTEC agreed to evaluate and use Hitachi's technologies and solutions. We intend to help develop environmentally conscious cities by setting up a smart city R&D center in Sino-Singapore Tianjin Eco-City to create advanced solutions for further progress in this field in China.



Specifically, we will help build the Eco Central Business District that minimizes CO<sub>2</sub> emissions and enhances worker convenience. Our wide-ranging business contributions include solar power and other new energy technologies and solutions; efficient community, building, and home energy management systems; and charging systems for electric vehicles, as part of the Eco-City New Energy Vehicle Alliance. We also will collaborate on building data centers and other IT infrastructure.

The smart city business is pivotal to our Social Innovation Business. Through our involvement in Sino-Singapore Tianjin Eco-City, we will contribute to lower environmental burden urban development in China, reinforcing the development of our own smart city business.

## VOICES

### Solid Collaboration in Low Environmental Burden Urban Development



**Lim Kingboon**  
General Manager,  
Economic Promotion,  
Sino-Singapore Tianjin  
Eco-City Investment and  
Development Co., Ltd.  
(SSTEC)

SSTEC and Hitachi have cooperated since signing an agreement in May 2010 to develop Sino-Singapore Tianjin Eco-City. Hitachi is unique, offering all parts of information control and IT, including products and solutions. This is China's first large urban development that cuts environmental burden by conserving and recycling. We plan to try many new ideas, and believe that Hitachi's expertise will be essential. I look for Hitachi to showcase itself at this city, and I hope to build stronger ties in the years ahead.

# Hitachi Projects Extending around the World

We have undertaken feasibility studies and experiments worldwide for building next-generation cities as part of our Social Innovation Business. We have also started projects in health care—essential in an aging Japan.



## Supplying Charging Management Systems for Rental Electric Vehicles in Japan

- Providing Infrastructure to Aid in the Spread of Electric Vehicles in Okinawa
- Yokohama Smart City Project

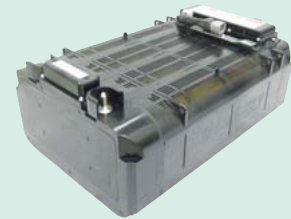
The Advanced Energy Company (AEC) adopted Hitachi’s electric vehicle (EV) charging system as part of Okinawa Prefecture’s plan to install a rapid and medium-speed charger infrastructure for EVs rented to tourists. That program began in February 2011.

Hitachi’s solution is a system that processes information and monitors user authentication, fees, and payments for chargers in tourist and commercial areas. AEC plans to install 50 rental EV charging stations on Okinawa’s main island by 2014. The company intends to eventually set up stations throughout the main island so residents can use rental cars once they have finished service. We will therefore continue to provide our charging management solution.

Kanagawa Prefecture chose our energy management system for recharging electric vehicles for the Yokohama Smart City Project, and we are pushing ahead with other experiments.



Charger for rental electric vehicles in Okinawa



Storage battery from Hitachi Group company Shin-Kobe Electric Machinery Co., Ltd., that was adopted for the Yokohama Smart City Project



## Contributing to the Development of a Low-Carbon Economy by Building a Low-Carbon Metropolis in China

- Building Guangzhou Knowledge City
- Dalian Eco-Science and Technology City

Hitachi is the first Japanese company to participate in Guangzhou Knowledge City, a next-generation city being built by the governments of Guangdong Province and Singapore. When completed in 2030, the city—on 123 square kilometers outside Guangzhou—will house around 500,000.

For this city, we launched a development center and are conducting a feasibility study for energy management, renewable energy, IT platforms, and next-generation transportation.

Hitachi is also collaborating with the city of Dalian on smart grids, water treatment, and appliance recycling. We will supply technologies, products, and solutions.



## Verifying Environmentally Conscious Package Infrastructure

- Helping Set Up a Low-Carbon, Environmentally Conscious Infrastructure for India

Delhi-Mumbai Industrial Corridor, a joint Japan-India project, is a 1,500 km high-speed freight line between New Delhi, India’s capital, and Mumbai, its largest city, with industrial sites, roads, ports, and other infrastructure over 300 km from south to north. In Dahej in Gujarat, a petrochemical zone, we made a study for a smart community in 2010. In 2011, Japan’s METI commissioned us to explore a low-carbon infrastructure there. We will help create the infrastructures for urban and regional communities.



## ⚡ Natural Energy Control Technologies in Smart Housing in Japan

### ■ Smart Grid Experiment in Rokkasho Village

In September 2010, we jointly launched Japan's first smart grid in Rokkasho, Aomori Prefecture, a project for wind, solar, and other energy, with our partners, Japan Wind Development, Toyota Motor Corporation, and Panasonic Electric Works. We are testing energy applications between users and suppliers with energy storage equipment and management. For wind and solar, as well as smart meters for electricity generation and consumption in houses, we provide the demand and supply controls, including HUB batteries. We also monitor EcoCute water heaters and ensure efficiency of surplus electricity from solar power.



Rokkashomura-Futamata Wind Power Station



Hitachinaka Hospital, the focus of the Health & Vitality Development Project



## Participating in a Consortium: Industry, Academia, and Government in Urban Planning for a Graying Society in Japan

- Health & Vitality Urban Development Project in Hitachinaka
- Gerontology Consortium, the University of Tokyo Industry-Academia Collaboration\*

Believing that next-generation cities should be safe, secure and foster physical and mental health, we participate in graying society projects. We collaborate on the Health & Vitality project in a company hospital in Hitachinaka, Ibaraki. In the Gerontology Consortium, we propose solutions and roadmaps, together with various member companies, toward realizing an ideal graying society. We will continue helping with rural and urban revitalization through industry-academia-government collaboration, contributing with the realization of next-generation cities for a graying society.

\*This initiative continued from June 2011 as the University of Tokyo Industry-Academia Collaboration Gerontology Network

## 💧 Improving Water Environments with Intelligent Water Systems

- Water and Sewage Management in the Maldives
- Waste Water Recycling in Dubai

Since June 2010, the Water Environment Solution Division has provided "intelligent" water solutions—cycling water more efficiently with improved processing, information control and energy conservation. In the Republic of Maldives, we digitalized water distribution information, downsized purification plants and streamlined water and sewage systems. In Dubai, the UAE, our advanced waste water treatment helps with water shortages by recycling water and desalinating seawater as well as treating ballast water to preserve the environment. With "intelligent" water systems, we are increasing water cycle efficiency.

Building a water and sewage management facility in the Maldives



# Caring for the Environment

Corporate environmental management is one focus of our 2012 Mid-Term Management Plan, looking ahead to fiscal 2012 (see pages 06–07). Based on this plan, and guided by the Environmental Vision for achieving a sustainable society, Hitachi Group environmental management sets out to achieve the long-term plan Environmental Vision 2025 and our Environmental Action Plan.

## The Hitachi Environmental Vision

We have drawn up our Environmental Vision that describes the aims of our corporate environmental management to achieve a sustainable society. As the world population is expected to exceed 9 billion in 2050,<sup>11</sup> growth in worldwide GDP has averaged more than 3 percent for at least the past 20 years except 2009.<sup>12</sup> Along with the expansion of economic and social activities, the demands for energy, water, minerals and other resources are growing and causing the entire world's environmental problems from resource depletion to climate change. The Hitachi Environmental Vision gives priority to global warming, conservation of resources, and preservation of ecosystems, showing our commitment to reducing the environmental burden and helping solve environmental problems. Looking ahead to fiscal 2025, we drew up the long-term plan Environmental Vision 2025 as a milestone on the road to realizing this environmental vision.

### Hitachi's Environmental Vision

Reduce CO<sub>2</sub> emissions in energy production  
Enhance energy efficiency of our products



Collect products for reuse or recycling

Reduce negative effects on air, water and soil

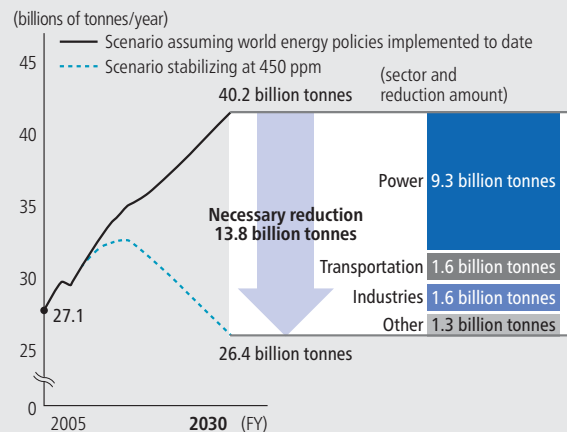
## Towards a Sustainable Society

## Long-Term Plan Environmental Vision 2025

In 2007, the IPCC<sup>13</sup> Fourth Assessment Report concluded that CO<sub>2</sub> emissions will need to be reduced by 50 to 85 percent of 2000 levels by 2050 to meet the minimum stabilized density scenario for greenhouse gases (450 ppm). In order to realize this scenario, the International Energy Agency (IEA) identified the power generation, transportation, and industrial sectors as areas where potential CO<sub>2</sub> reduction is expected. The Hitachi Group is going to expand businesses in those areas.

By focusing on the prevention of global warming, an important international issue, the long-term Environmental Vision 2025 has the goal of helping reduce annual CO<sub>2</sub> emissions by 100 million tonnes by 2025 through our products. The 100-million-tonne target is based on growth strategies in each business sector. By improving efficiency and other measures, we plan to further reduce CO<sub>2</sub> emissions for each product: 70 million tonnes in the power sector, 20 million in

### World Outlook for Energy-Related CO<sub>2</sub> Emissions and Reduction Scenarios



Based on energy-related CO<sub>2</sub> emissions in IEA World Energy Outlook 2009

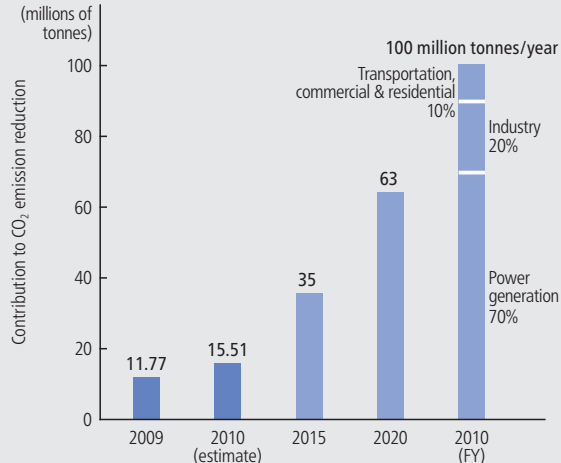
### Initiatives in Each Sector toward Achieving Targets

Power sector*	<ul style="list-style-type: none"> <li>Building nuclear power plants</li> <li>Delivering high-efficiency coal-fired thermal power plants and gas turbines</li> <li>Providing equipment for renewable energy</li> </ul>
Industrial sector	<ul style="list-style-type: none"> <li>Providing high-efficiency inverters and transformers</li> <li>Providing high-efficiency information equipment and energy-saving solutions for data centers, etc.</li> </ul>
Transportation, commercial, and residential sectors	<ul style="list-style-type: none"> <li>Providing lithium-ion batteries for industrial and automotive use</li> <li>Making home appliances more energy efficient</li> </ul>

\*The accident at the Fukushima Daiichi Nuclear Power Station, due to the Great East Japan Earthquake, is expected to prompt a global review of and changes in energy policies, including plans for new installation and operation of nuclear and thermal power plants. In case this review results in major changes to the business plans of the Hitachi Group power sector, the effects of the changes on the long-term plan Environmental Vision 2025 will be assessed and goal achievement strategies or targets may be revised.



### Contributions to CO<sub>2</sub> Emission Reduction (Base: FY 2005)



\*The 2008 figures in the IEA's *CO<sub>2</sub> Emissions from Fuel Combustion Highlights* (2010 Edition) were used for CO<sub>2</sub> emission coefficients.

the industrial sector, and 10 million in transportation, commercial, and residential sectors. In fiscal 2010, our performance for helping reduce CO<sub>2</sub> was 15.51 million tonnes, exceeding the target of 14 million tonnes.

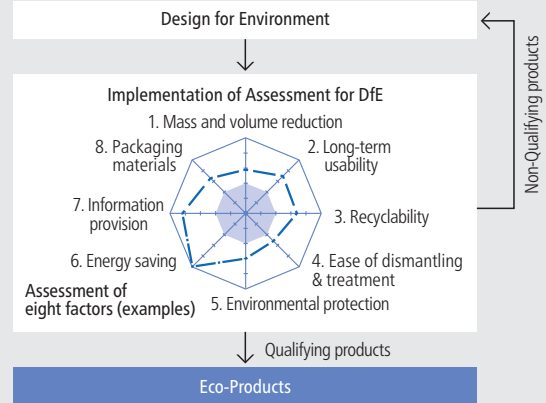
### Increasing the Ratio of Eco-Products

Since 1999, we have been evaluating our products based on Assessment for DfE (Design for Environment), which is a methodology that specifies the development and design elements for minimizing the environmental burden of our products and services.

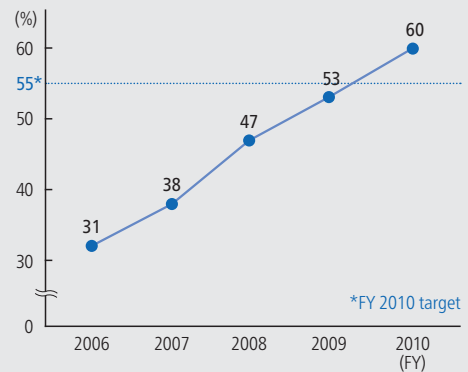
The Assessment for DfE gives a rating (1 to 5) for eight environmental impact factors, such as environmental protection and energy saving, at each stage of the product life cycle from materials procurement to production, distribution, use, and disposal. Products that meet the assessment criteria are certified as Hitachi Eco-Products. We are working to raise the percentage of Eco-Product sales within overall sales.

In fiscal 2010, Eco-Product models increased by 1,069 to 9,456 from the previous year, a 60 percent ratio to overall sales. The target in the third Environmental Action Plan (FY 2011–2015) is to further raise this percentage, to 65 percent by 2015.

### How Assessment for DfE is performed



### Trend in Eco-Products Sales Ratio



<sup>†1</sup> According to the United Nations report, *World Population Prospects, the 2010 Revision*

<sup>†2</sup> According to the World Bank, *World Development Indicators*

<sup>†3</sup> IPCC: Intergovernmental Panel on Climate Change

### Main Products Contributing to CO<sub>2</sub> Reductions in Fiscal 2010

#### Gas turbines

Power Systems Company, Hitachi, Ltd.



1.55 million tonnes

Cogeneration power plant: Jingyuan Redian in China adopting the H-25

Thirty units of 30MW-class H-25 and 80MW-class H-80, the reliable and highly efficient gas turbines, went into operation in fiscal 2010. These along with the 89 units already in operation contributed to a reduction in CO<sub>2</sub> emissions of 1.55 million tonnes in fiscal 2010.

#### Servers

Information & Telecommunication Systems Company, Hitachi, Ltd.



0.42 million tonnes

Blade Server BladeSymphony 2000

Power savings were realized by controlling power consumption while improving information processing capacity. High-efficiency, energy-saving servers reduced CO<sub>2</sub> emissions by 0.42 million tonnes in fiscal 2010.

#### Distribution transformers

Hitachi Industrial Equipment Systems Co., Ltd.



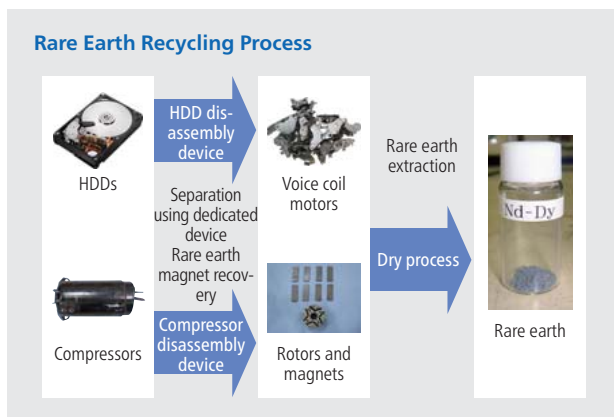
0.28 million tonnes

Amorphous transformers

High efficiency by greatly reducing electrical loss. The number of units shipped since fiscal 2006, approximately 124,000, led to a reduction in CO<sub>2</sub> emissions by 0.28 million tonnes in fiscal 2010.

## Developing Rare Earth Recycling Technologies

Demand for rare earth<sup>+1</sup> magnets is growing as a material that can improve energy savings in products. However, the uneven global distribution of rare earths makes it vital for us to develop alternative materials, as well as to secure a stable rare earths supply by, for example, recovering these resources from products. Hitachi has been developing technology since fiscal 2008 for recycling rare earths from end-of-life hard disk drives and compressors. In fiscal 2010, we developed specialized equipment for recovering rare earth magnets and conducted successful experiments (dry process) on extracting them.<sup>+2</sup> Besides shortening the amount of time to separate and recover rare earth magnets from end-of-life products to around a tenth that of conventional methods (recovery by hand), this new recovery method uses no chemicals, hence is less expensive and has less burden on the environment. We plan to begin full-scale rare earth recycling in fiscal 2013.



## Promotion of Global Energy Conservation Diagnoses

We conduct energy conservation diagnoses at sites around the world. To reduce CO<sub>2</sub> emissions, our engineers are making proposals to improve energy use in equipment using their advanced knowledge. In Southeast Asia, where we have many production sites, we are achieving steady results—in addition to energy



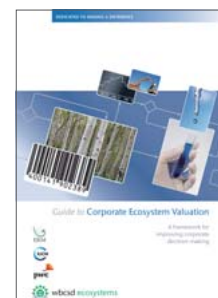
On-site energy conservation diagnosis

conservation diagnoses—through assistance programs for energy saving, encouraging self-improvement, and upgrading to high-efficiency equipment. In fiscal 2010, we conducted energy conservation diagnoses at 12 sites in Japan and 4 in Thailand. Other initiatives include widely spreading knowhow on energy conservation diagnoses and training people capable of promoting energy savings.

## Ecosystem Preservation Initiatives

We have included consideration for ecosystems in our Action Guidelines for Environmental Conservation and have defined specific measures in the Hitachi Group Ecosystems Preservation Guidelines.

In fiscal 2010, the Hitachi Group, as a member of the World Business Council for Sustainable Development (WBCSD), assisted in preparing and translating the *Guide to Corporate Ecosystem Valuation* (CEV) into Japanese. We are using the CEV methodology within the Hitachi Group on a trial basis and are helping promote recognition of CEV outside the Group.



Guide to Corporate Ecosystem Valuation (CEV)

## Participation at Exhibitions

During fiscal 2010, we exhibited in Japan at Messe Nagoya 2010 and Eco-Products 2010, and outside Japan at the Hitachi Eco Conference 2010 (Singapore), the 2010 International Greentech & Eco Products Exhibition (IGEM) (Malaysia), and Eco-Products International Fair 2011 (India). At these exhibitions we displayed Hitachi's environmentally conscious products and services, receiving favorable comments from stakeholders.

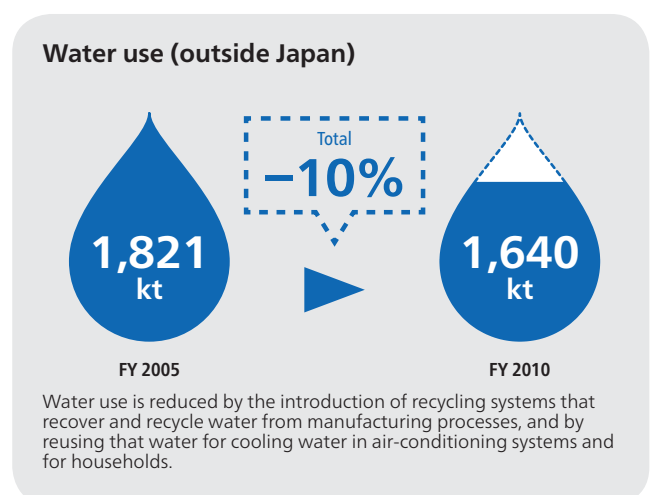
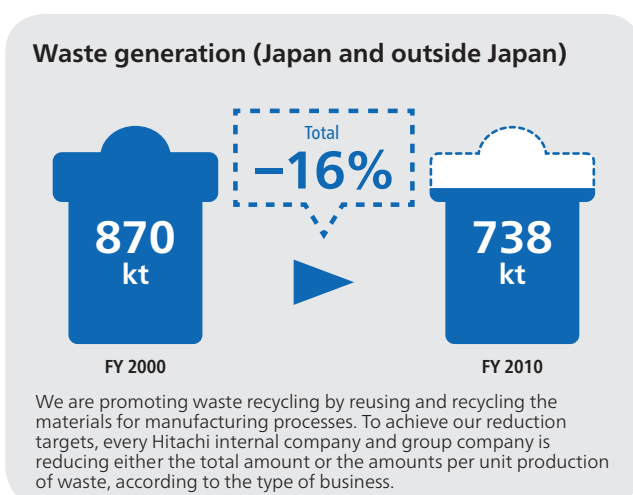
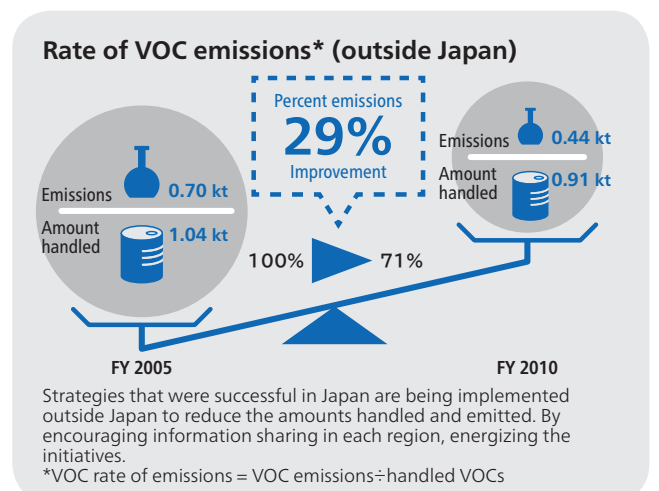
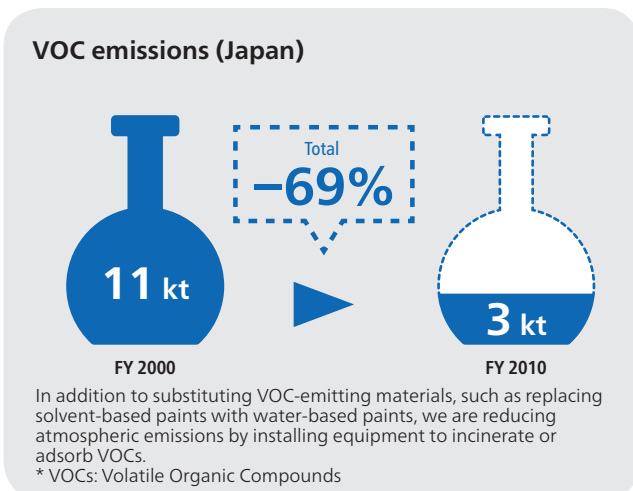
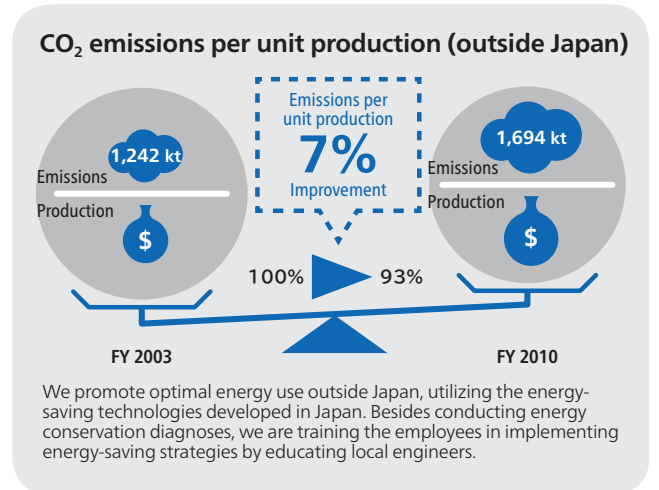
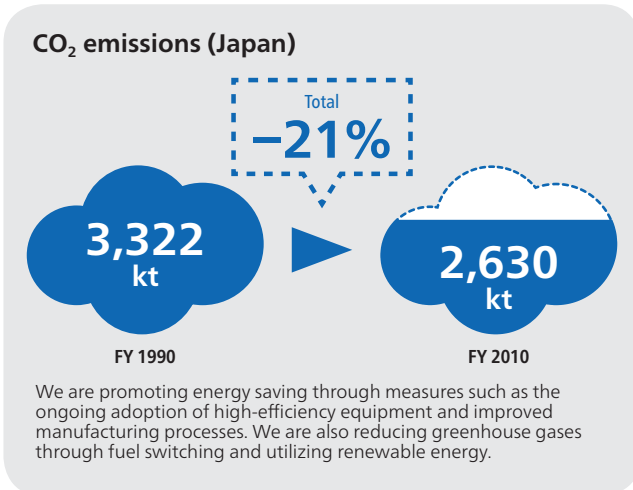


Eco-Products International Fair in India

<sup>+1</sup> **Rare earths:** Any of 17 elements including lanthanum (La) and scandium. Rare earth magnets are magnetic alloys of rare earth elements such as neodymium and dysprosium.  
<sup>+2</sup> Undertaken using a FY 2009 New Resource Recycling Promotion Project Subsidy (Urban Resource Recycling Promotion Project: Development of technologies for recycling rare earths from high-performance magnetic motors, etc.)

# Reducing Environmental Load Generated through Business Operations

We are setting targets and taking steps to reduce greenhouse gases, chemical substance emissions, waste materials, and water use. In fiscal 2010, the final year of our second Environmental Action Plan (FY 2006–2010), these initiatives to reduce the environmental loads were successful, exceeding the targets in each category. For the third Environmental Action Plan, starting in fiscal 2011 (FY 2011–2015), we are setting even higher targets than those achieved during the second plan.



# Respect for Human Rights

**Cherishing humanity is fundamental to management at Hitachi. In operating globally, we respect human rights of all stakeholders, appreciating the cultures of every country and region to enhance our understanding of their values.**

## Human Rights Policies and Promotional Framework

We established the Hitachi Group Codes of Conduct in 2010. Central to these rules are respect for local laws as well as universal human rights based on international norms. Our codes clearly require respect for the individuality and personalities of everyone related to our business, the elimination of discrimination in recruitment and employment, and respect for basic human rights in workplaces. We have translated the codes into 17 languages to improve human rights awareness among all Group employees worldwide.

Hitachi, Ltd. established the Central Human Rights Promotion Committee to deliberate on mechanisms and policies to prevent human rights violations. A Hitachi, Ltd. executive officer chairs this body and representatives from corporate divisions attend. We share information from deliberations with all employees through company and business site committees, led by company and division executives.

We watch carefully to swiftly detect and resolve internal and external human rights violations. To do this, we use the Compliance Reporting System, and a sexual harassment consultation system and employee awareness surveys. We globally identify human rights risks through regular management risk assessments.

## Raising Awareness of Human Rights

We augment business units' regular group training, seminars, and video education with the human rights e-learning course that the 260,000 employees of all 440 Group companies in Japan take once every three years.

We have developed educational programs and management best practices in Europe, which we believe is the most advanced in addressing human rights and business. We intend to apply these programs and practices worldwide as a global enterprise. We follow the work of Professor John Ruggie, Special Representative of the Secretary-

General of the UN on business and human rights, and support his framework, Protect, Respect and Remedy. To implement the framework across its business, our European CSR team ensures that all relevant standards and policies are up to date, and establishes business specific action plans.

## Stakeholder Dialogue on Human Rights

In March 2011, Hitachi Europe, Ltd. conducted a stakeholder dialogue on human rights with representatives from the European Commission, international bodies, national governments, and nongovernment organizations. Executives from Hitachi, Ltd. attended this gathering. We gained valuable insights into Hitachi's human rights activities.



Stakeholder Dialogue in Europe

## VOICES

### Acting with a Sense of Global Responsibility



**Richard Howitt MEP**  
European Parliament Rapporteur  
on Corporate Social Responsibility

I welcome Hitachi's journey to move beyond being a Japanese headquartered company to being a truly global company. With this global status also comes a global responsibility. It is vital that as a leading player in sustainability that Hitachi continues to take a leadership role on CSR. Your focus on Social Innovation Business marks a step forward in promoting measurable advances on sustainability.

Hitachi has also been one of the few companies who commit publicly to a human rights approach. Your objective is clear, to foster a culture where there is awareness, understanding and appreciation of human rights at all employee levels, and to ensure that international human rights standards are understood and met across your business. I hope Hitachi will actively take a leading role in promoting both the UN Guidelines on Business and Human Rights as well as increased transparency in one integrated report.



# Supply Chain Management

**We are expanding our global procurement ratio, particularly by stepping up purchasing in emerging nations, to reinforce our global competitiveness and operational foundation. For global procurement, we respect the basic human and work rights of everyone in the supply chain. We collaborate with suppliers in promoting CSR by sharing procurement policy and guidelines, and by communicating proactively.**

## Promoting Globalization

Under the 2012 Mid-Term Management Plan, we intend to raise the Group's global procurement ratio from 36 to 50 percent by fiscal 2012. We therefore formulated the Hitachi Group Medium-Term Procurement Strategic Plan. The key aims are to establish global partnerships to create Group procurement strategies, to stabilize the supply of materials, and to reinforce CSR and sustainability within the supply chain. We also set up the Global Procurement Promotion Department within the Corporate Procurement Division to boost the global procurement ratio. We are continuing to reinforce our responsiveness to CSR risks, a growing concern as the global supply chain expands.

## Helping Create International Guidelines

As a founding member of the UN Global Compact<sup>t1</sup> Advisory Group on Sustainable Supply Chain, we support initiatives to build and foster sustainable supply chains that follow UN principles on human rights, labor, the environment, and anti-corruption. In fiscal 2010, we helped formulate guidelines on supply chain sustainability, supply chain Web sites, and on-line assessment and study tools for organizations participating in the UN Global Compact. We will keep serving as an opinion leader by supporting these UN

activities, drawing on our expertise from our global operations in dealing with sustainability issues, such as human rights and the environment.



*Guidelines on Supply Chain Sustainability*

## Sharing CSR Awareness

In fiscal 2009, we produced the *Hitachi Group Supply-Chain CSR Deployment Guidebook*, which conforms to the guidelines of the Japan Electronics and Information Technology Industries Association. We distributed this publication both throughout the Group and to our suppliers. We plan to evaluate CSR progress among suppliers worldwide to reinforce mutual understanding and communication about social issues.

## Response to Conflict Minerals<sup>t2</sup> Issue

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in the U.S. in July 2010. This law includes a provision that requires companies with securities registered in the U.S. to file reports with the Securities and Exchange Commission (SEC) when using in their products any conflict minerals produced in the Democratic Republic of the Congo (the "DRC") and adjoining countries (together the "DRC countries"). The aim of the provision is to cut off revenues from armed groups that are engaged in violence and other serious breaches of human rights in the DRC countries. Pursuant to the Act, the SEC plans to promulgate regulations requiring companies to disclose in their annual reports whether any of these minerals originated in the DRC countries.

Hitachi has no intention, directly or indirectly, of abetting the human rights violations identified in the DRC countries. We will continue responsible procurement practices through collaborations with Group companies and suppliers to improve supply chain transparency while ensuring that we source minerals that do not benefit armed groups committing human rights violations.

**t1 UN Global Compact:** An international accord that Kofi Annan, the former Secretary-General of the United Nations, proposed and which was adopted in 2000. This compact's 10 principles on human rights, labor, the environment, and anti-corruption encourage the building of a sustainable society.

**t2 Conflict minerals:** "Conflict minerals" are defined under the Dodd-Frank Act as the following minerals or their derivatives:

- Columbite-tantalite, also known as coltan (the metal ore from which tantalum is extracted);
- Cassiterite (the metal ore from which tin is extracted);
- Gold;
- Wolframite (the metal ore from which tungsten is extracted); and
- Any other mineral or its derivatives determined by the U.S. Secretary of State to be financing conflicts in the DRC countries.

**WEB** UN Global Compact  
<http://www.unglobalcompact.org/>

**WEB** *Hitachi Group Supply-Chain CSR Deployment Guidebook*  
[http://www.hitachi.com/procurement/policy/\\_icsFiles/afieldfile/2010/08/30/SC\\_CSR\\_E\\_2.pdf](http://www.hitachi.com/procurement/policy/_icsFiles/afieldfile/2010/08/30/SC_CSR_E_2.pdf)

**WEB** *Guidelines for Procurement Activities*  
[http://www.hitachi.com/procurement/policy/\\_icsFiles/afieldfile/2010/08/30/guidelines.pdf](http://www.hitachi.com/procurement/policy/_icsFiles/afieldfile/2010/08/30/guidelines.pdf)



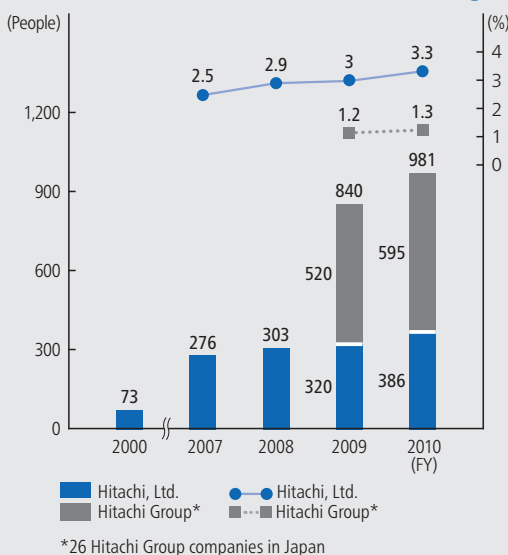
# Diversity Management

We have a range of initiatives that develop employees' abilities or ideas and empower them to realize their potential. We are creating an attractive workplace by, for example, appointing more female managers and improving child and nursing care support.

## Diversity Development Project

Initiatives within the Diversity & Inclusion Development Project—launched in fiscal 2006—include developing and enhancing support for employees who balance work with child or nursing care for family members. We also advance women in the workplace through strategic development, in line with our goal of ultimately achieving an equal ratio of males and females in key management positions. Also, we use education and awareness training, and are expanding our training options to include courses that deepen understanding of diversity management, as well as courses that employ lectures and World Café-style dialogues.

Trend in the Number and Ratio of Female Managers



## Work-Life Balance-up! Month

To improve employees' work-life balance, we held the Work-Life Balance-up! (WLB-up) Month throughout the company in November 2010. A message from the president was sent out and a pamphlet was distributed on child and nursing



WLB-up! Logo

care support programs and how to use them. We also delivered a mail magazine, called for *senryu* (satirical poetry), and released the WLB-up! Declaration.<sup>11</sup>

Companies and offices also had their own campaigns.

We heard that the campaign was easy to understand, and that employees want it to continue. We will maintain programs that meet employee expectations.

## Family Day

One workplace event during WLB-up Month was a family day held at Hitachi, Ltd. headquarters in December 2010. Employees' families were invited to the headquarters on a holiday to explore Hitachi's history and see where family members work. The goal was to deepen the families' understanding of our work and to encourage a sense of pride and satisfaction for working at Hitachi. On that day, 180 people from 56 families visited the office.



Employee family members looking around the workplace

## External Evaluation of Hitachi's Initiatives

In February 2011, we acquired "Kurumin" certification under the Act on Advancement of Measures to Support Raising Next-Generation Children. This is granted to companies that create action plans for child care support in line with the act and meet performance requirements. We were recognized by the media, for example, receiving 4th place in *Nihon Keizai Shimbun's* 2010 Ranking of Companies with the Best Working Conditions and 12th place in Nikkei Business Publications, Inc.'s 2011 Ranking of Companies that Encourage Working Women.



"Kurumin" Mark

## European Diversity Project

Hitachi Group companies in Europe have undertaken the European Diversity Project to promote equal opportunity and eliminate all forms of discrimination.

In a fiscal 2010 survey, the ratio of Group female managers and employees was below the average for Europe. To boost diversity awareness among all employees at Hitachi Group companies in Europe, the project team developed an e-learning program in English, French, German and Italian, and distributed it to all Group companies in Europe. The aim is to educate 80 percent of employees by the end of fiscal 2011.

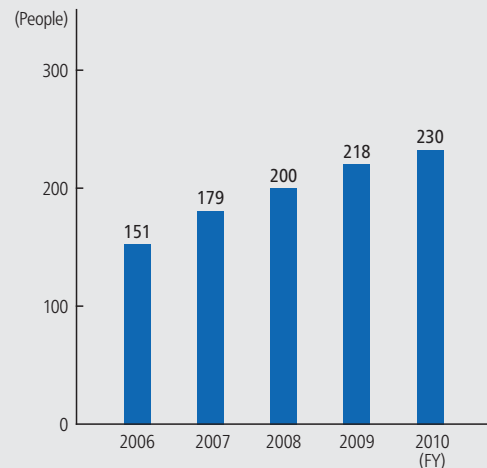
For the future, Group companies are examining the goals and initiatives for gender ratios in employment and management positions. Hitachi Europe Ltd. is looking at appointing female executives by the end of fiscal 2013. These activities have been presented at the Enterprise 2020 Market Place of CSR Europe and other international conferences.

## Hiring and Human Resource Development for Global Business

Because we believe that maximizing employee potential is vital for creating new value, we work hard to improve employees' abilities and to develop their careers. With the accelerating pace of globalization, we urgently need to develop leaders capable of competing in the global arena. We are pushing ahead with a range of initiatives to enhance and expand our global business.

For globalization, we have identified eight key qualities for global HR, including the ability to see from another's perspective and to communicate clearly. These are criteria we use for selecting employees from the 2012 graduate pool. We hire with the goal of having all new graduates hired in Japan for office jobs and 50 percent of those hired for engineering jobs move into global business sometime in the future. We intend to have non-Japanese make up 10 percent of our new graduate intake. In addition, we are considering programs for strategically securing and training people who will thrive globally. From fiscal 2011, particularly for sending young employees outside Japan, we created programs designed to equip them not just with language skills but also work experience with a variety of people. Our goal is for them to gain a firsthand understanding of local cultures and lifestyles, along with business experience. We plan to send 2,000 employees outside Japan through these programs by the end of fiscal 2012.

## Trend in the Number of Non-Japanese Employees



Note: Number of non-Japanese staff within Hitachi, Ltd.

**†1 WLB-up! Declaration:** An initiative where all employees outline their own work and life goals, which are shared in the workplace

## VOICES



### Balancing a Fulfilling Job and Family

**Ms. Hua Ping**  
Chief Representative / Shared Services / Human Resources  
Hitachi GST China Operations

As a woman leader, especially an Asian woman, I think family is in equal importance with career. How to balance our work and life is usually one of the biggest challenges women leaders have.

I would say Hitachi GST does a good job at diversity. There are a number of excellent women leaders in our company who are making important business decisions and who are involved in the company's strategic planning and development. At our China sites, nearly half of our management teams are women. We do not feel any gender barriers in promotions nor other career advancement opportunities. Flexible working schedules and locations in some positions which do not impact business delivery will further support women's career development by providing them more flexibility in arranging job and family issues.

Bearing a positive mindset, maintaining our professionalism and try as much as we can to manage self-emotions at all times, especially when handling tough situations, can always help us mitigate the stress from work and achieve success. Enjoy your work and enjoy your life as well.

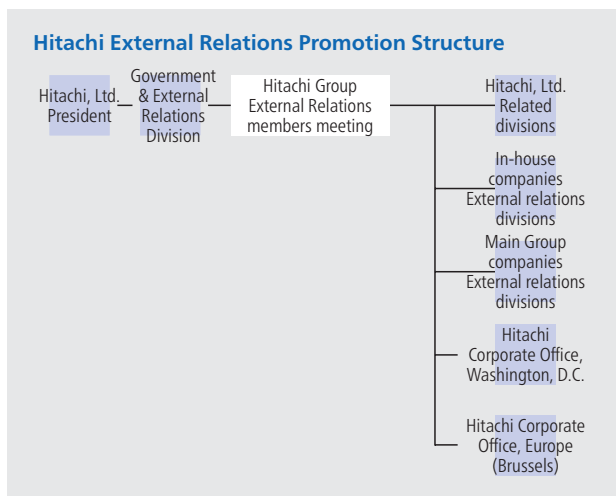
# Public Policy Initiatives

**Partnerships with governments and policymakers worldwide are vital for our Social Innovation Business and to create a sustainable society. Through external relations, we hold dialogues on optimal solutions with governments and groups around the world.**

## External Relations Policy and Promotion Structure

Our basic plan is to participate in decision making globally and to contribute to developing a sustainable social infrastructure. Through dialogues, we respond to social expectations by identifying early-stage risk within the Group and by making policy recommendations, focusing on the environment and “smart cities” as our particular areas of expertise.

For information and global business, we integrated external relations and established the Government & External Relations Division (originally the Government & External Relations Office) within our headquarters in fiscal 2009. Outside Japan, offices in Washington, D.C., and Brussels monitor policy trends in North America and Europe. Key external relations initiatives are to lobby and communicate with governments; participate in government-led study groups and councils; and contribute to policymaking by sending people to international institutions, public offices and external groups. These activities are reported to the Group as a whole through the Hitachi Group External Relations members meeting.



## Stakeholder Engagement

To help resolve sustainability issues around the world, we invite local policymakers for wide-ranging dialogues on issues such as public-private cooperation and corporate involvement in policymaking. The increasingly globalized and complex nature of social and environmental issues requires partnerships beyond the boundaries of governments, international institutions, NGOs and companies. We continue to identify areas where we can contribute, taking a multi-sided approach to sustainability issues, while ensuring transparency in policy participation.



Stakeholder Dialogue in Asia

## The 12th EU Hitachi Science and Technology Forum

Since fiscal 1998, Hitachi Europe and Hitachi, Ltd. have organized the EU Hitachi Science and Technology Forum to discuss how science and technology can contribute to solving Europe’s social issues.

In fiscal 2010, 140 people, including key figures from academia, government and industry, as well as NGOs, took part in lectures and panel discussions on Smart Energy Usage for a Sustainable Society. In lectures, we introduced technologies for a low-carbon society, such as hybrid trains and environmentally conscious data centers. Vigorous panel discussions covered energy efficient end-use and energy-efficient technologies. Forum results were shared with the European Commission, officials in the various European governments, and our business partners.



Panel discussion at the EU Hitachi Science and Technology Forum

## Management Information Disclosure

We disclose non-financial information, mainly our activities in fiscal 2010, ended March 31, in the *Hitachi Group Sustainability Report 2011*. Operating and financial information for shareholders and other investors is in the *Annual Report 2011*. Our Web site provides the latest information on these and other topics.

### Non-financial information reports



*Hitachi Group Sustainability Report 2011*



**WEB** CSR (Corporate Social Responsibility)  
<http://www.hitachi.com/csr/index.html>



**WEB** Environmental Activities  
<http://www.hitachi.com/environment/index.html>



**WEB** Global Community Relations and Activities (Social Contribution Activities)  
<http://www.hitachi.com/Int-e/skk/index.html>

### Financial information reports



*Annual Report 2011*

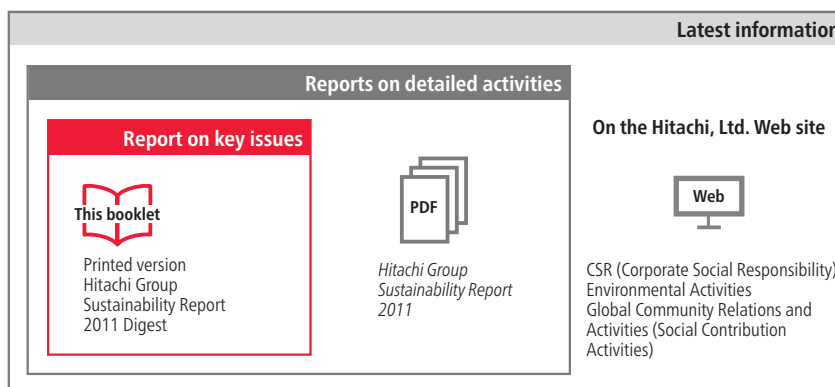


**WEB** Investor Relations  
<http://www.hitachi.com/IR-e/index.html>

Note: We also disclose operating and financial information on Hitachi, Ltd. in the Form 20-F filing with the United States Securities and Exchange Commission.

## Sustainability Report Editorial Policy

We publish the *Hitachi Group Sustainability Report 2011 Digest* (A4, 24 pages), which summarizes areas of special social interest and reports on key management issues from the *Hitachi Group Sustainability Report 2011* (A4, 149 pages), which is issued as a PDF. Our Web site also reports on detailed activity, as well as news releases and other up-to-date information. The *Hitachi Group Sustainability Report 2011* (PDF) integrates the *Hitachi Group Corporate Sustainability Report* and the *Hitachi Group Environmental Sustainability Report*, which we published through fiscal 2010.



# HITACHI

Inspire the Next

**Inquiries:**

 **Hitachi, Ltd.**

CSR Promotion Department, CSR Division (For inquiries on this report or CSR activities overall)

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

Tel: +81-3-3258-1111 Fax: +81-3-4564-1454 <http://www.hitachi.com/csr/>

Environmental Strategy Office (For inquiries on environmental activities)

1-6-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8220, Japan

Tel: +81-3-3258-1111 Fax: +81-3-4235-5835 <http://www.hitachi.com/environment/>



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Printed with 100% vegetable oil ink containing no VOCs (volatile organic compounds)



# Hitachi Group Sustainability Report 2011 Digest Request for Cooperation by Questionnaire

**HITACHI**  
Inspire the Next

What were your impressions when reading the report on the Hitachi Group's CSR activities, *Hitachi Group Sustainability Report 2011 Digest*? Please answer the questionnaire on the other side of this page. We consider readers' opinions very important and want to ensure that this feedback is reflected in our various CSR activities. From fiscal 2011, the Sustainability Report combines the Corporate Sustainability Report and the Environmental Sustainability Report.

Contact:

CSR Promotion Department  
CSR Division

 Hitachi, Ltd.

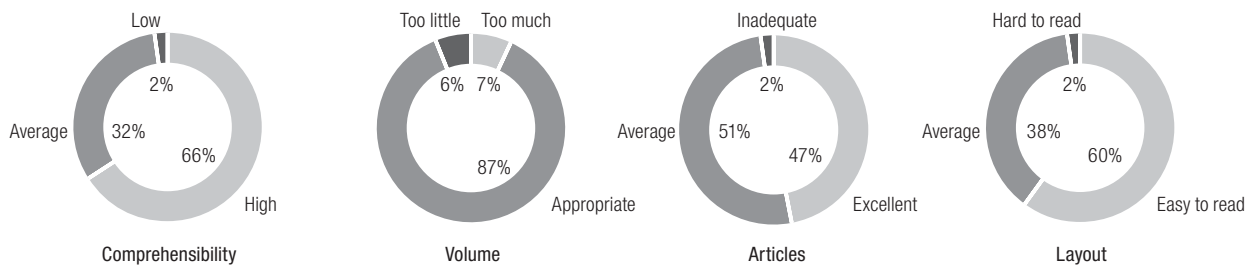
1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8280 Japan

Tel: +81-3-3258-1111 Fax: +81-3-4564-1454

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

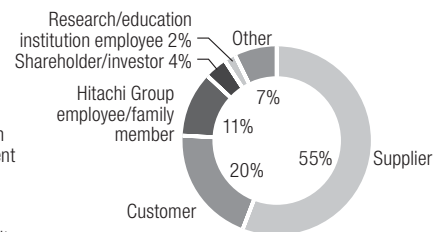
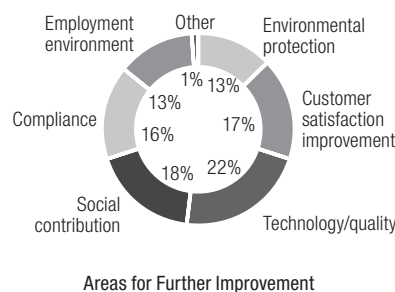
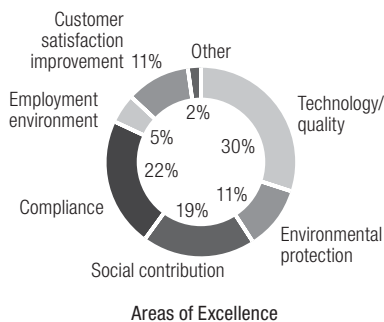
## Results of Responses to Questionnaire on *Hitachi Group CSR Report 2010 Digest* (Total respondents: 53)

### CSR Report 2010



### CSR Activities

### Breakdown of Responses



## Main Feedback and Our Responses

### Encouragement

- By reading "Hitachi's Worldwide Business Operations," I was able to understand the company's current status of global development and its future efforts and policies.
- Every year, it is becoming easier to read due to the photos and illustrations and the use of color and other techniques.
- Since the digest version describes only essential points, I was able to read it in one sitting.

### Suggestions

- I would like Hitachi to show the role of CSR in management strategy.
- It was difficult to understand the respective roles of the contents of the PDF version, the CSR Report Digest, and the Environmental Sustainability Report.
- I would like Hitachi to include more opinions of stakeholders.

### Our Responses

- Based on Hitachi's 2012 Medium-Term Management Plan, we described how we see opportunities and risks in social issues and how we plan to promote CSR efforts.
- In the Sustainability Report, which combining the CSR Report and the Environmental Sustainability Report, we described the overall structure of CSR and then presented each report.
- Focusing on matters that are considered to be important for Hitachi, we collected opinions from stakeholders.

Please answer the questionnaire overleaf

# Questionnaire on *Hitachi Group Sustainability Report 2011 Digest*

Please complete the questionnaire and mail or fax it to the address below:

CSR Promotion Department, CSR Division, Hitachi, Ltd.  
1-6-6 Marunouchi, Chiyoda-ku, Tokyo 100-8280 Japan

**Fax: +81-3-4564-1454**

## Q1. What were your impressions of *Hitachi Group Sustainability Report 2011 Digest*?

(Please select one only in each of the following)

- |                       |                                       |                                      |                                       |
|-----------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| (1) Comprehensibility | <input type="checkbox"/> High         | <input type="checkbox"/> Average     | <input type="checkbox"/> Low          |
| (2) Volume            | <input type="checkbox"/> Too much     | <input type="checkbox"/> Appropriate | <input type="checkbox"/> Too little   |
| (3) Layout            | <input type="checkbox"/> Easy to read | <input type="checkbox"/> Average     | <input type="checkbox"/> Hard to read |
| (4) Articles          | <input type="checkbox"/> Excellent    | <input type="checkbox"/> Average     | <input type="checkbox"/> Inadequate   |

- Please explain the reasons for your selections

## Q2. Which articles in the report did you find valuable? (You may select more than one)

- Effect of the Great East Japan Earthquake and Hitachi's Response
- Hitachi Group Profile
- TOP COMMITMENT
- VISION: Hitachi's Management Strategies and CSR
- FEATURE: Next-Generation Smart Cities by Hitachi
- Caring for the Environment
- Respect for Human Rights
- Supply Chain Management
- Diversity Management
- Public Policy Initiatives

- If any of the above articles particularly interested you, please explain why

## Q3. What is your opinion of the Hitachi Group's CSR activities and initiatives?

(You may select more than one in each of the following)

- |                                   |   |  |   |
|-----------------------------------|---|--|---|
| (1) Areas of Excellence           | <input type="checkbox"/> Compliance               | <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Product/technology/quality     |
|                                   | <input type="checkbox"/> Customer satisfaction    | <input type="checkbox"/> Public policy initiatives | <input type="checkbox"/> Social contribution activities |
|                                   | <input type="checkbox"/> Respect for human rights | <input type="checkbox"/> Supply chain management   | <input type="checkbox"/> Employment environment         |
|                                   | <input type="checkbox"/> Other ( )                |  |   |
| (2) Areas for Further Improvement | <input type="checkbox"/> Compliance               | <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Product/technology/quality     |
|                                   | <input type="checkbox"/> Customer satisfaction    | <input type="checkbox"/> Public policy initiatives | <input type="checkbox"/> Social contribution activities |
|                                   | <input type="checkbox"/> Respect for human rights | <input type="checkbox"/> Supply chain management   | <input type="checkbox"/> Employment environment         |
|                                   | <input type="checkbox"/> Other ( )                |  |   |

- Please write below any other comments you have regarding the Hitachi Group's CSR activities

## Q4. Which of the following best describes you or your relationship to Hitachi? (Please select one only)

- |  |   |                                    |  |
|--|---|------------------------------------|--|
| <input type="checkbox"/> Customer                                | <input type="checkbox"/> Shareholder/investor                 | <input type="checkbox"/> Supplier  | <input type="checkbox"/> Government/public administration employee |
| <input type="checkbox"/> Research/education institution employee | <input type="checkbox"/> News/media employee                  | <input type="checkbox"/> Student   | <input type="checkbox"/> NPO/NGO representative                    |
| <input type="checkbox"/> Resident near Hitachi Group facility    | <input type="checkbox"/> Hitachi Group employee/family member | <input type="checkbox"/> Other ( ) |  |

## Q5. How did you find out about this CSR report? (Please select one only)

- |                                    |                                   |                                   |                                  |                                     |  |
|------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------------------------|--|
| <input type="checkbox"/> Newspaper | <input type="checkbox"/> Magazine | <input type="checkbox"/> Web site | <input type="checkbox"/> Seminar | <input type="checkbox"/> Exhibition | <input type="checkbox"/> From a Hitachi employee |
| <input type="checkbox"/> Other ( ) |                                   |                                   |                                  |                                     |  |

## Q6. Please write below any other comments or requests you have regarding the Hitachi Group Sustainability Report or the Group's CSR activities.

**Thank you for your cooperation**

We will use your feedback to improve the *Hitachi Group Sustainability Report* and our CSR activities.