

# For the raise of Environmental Investment Efficiency and Continuous Improvements in Environmental Conservation Activities

Our group performed environmental accounting at 13 business establishments of nine companies in fiscal 2007. We analyze the cost efficiency of environmental conservation activities based on environmental investment and environmental conservation cost, and raise the level of the activities.

## Environmental accounting for fiscal 2007

Our group performs environmental accounting in accordance with the Environmental Accounting Guidelines 2005 of the Ministry of the Environment to continuously improve environmental activities through a clear understanding of environmental conservation cost and environmental investment.

Environmental conservation cost is the total cost of operating facilities and management, research and development and investment for environmental activities. Environmental conservation effects comprise economic effects in terms of money and quantitative effects evaluated based on the amount of reduction in environmental impact. The latter is divided into two stages: manufacture of the product and use of the product. Concerning quantitative effects in the product use stage, the quantity of goods recycled by environmental conservation products is calculated to show the contribution towards materialization of a sustainable society.

In fiscal 2007 we performed environmental accounting at nine group companies, which was two more than the previous year. Environmental conservation cost excluding environmental investment rose by 10 percent. Business

area cost is increasing because of the strengthening of measures to prevent global warming and pollution and due to production increases at plants. Research and development cost remained high, at the same level as that for the previous year. This is because new products are being developed to meet strict new exhaust emission regulations. Environmental investment rose threefold on the previous year, mainly because of investment to reduce energy consumption.

Concerning environmental conservation effects, real income effects were 1.5-fold of those of the previous year. This is because two more companies were included in environmental accounting and increased sales of metal scrap. Concerning quantitative effects, the reduction in energy consumption increased by 22 percent comparing with the previous year, which means that the effect of the investments made to reduce energy consumption started appearing. Reduction in disposal waste were 1.5-fold of those of the previous year. Despite the fact that waste is increasing because production is increasing, the amount of final disposal waste is being steadily reduced. Our group will continue to conduct rational environmental management.

## ◆ Environmental conservation cost

(unit: million yen)

Classification	FY2006	FY2007	Major points for FY2007	
● Business area cost	1,855	2,041	Maintenance and depreciation costs of facilities to reduce environmental impact	
● Breakdown	(1) Pollution prevention	965	1,142	Maintenance and management of drainage and painting facilities
	(2) Global environmental conservation	158	440	Changes of fuel and depreciation of energy-saving facilities
	(3) Resource Circulation	732	459	Waste reduction and recycling
● Upstream and downstream costs	61	51	Recycling management costs of hydraulic equipment, etc.	
● Administration cost	328	357	Operation and personnel costs for the environmental management system and planting, beautification and other environmental improvements	
● Research and development cost	4,833	5,346	Costs of product research, development and design.	
● Social activity cost	0.7	1.5	Membership fees of environmental protection organizations	
● Environmental remediation cost	32.3	3.0	Compensation for suspending cultivation	
<b>Total</b>	<b>7,111</b>	<b>7,800</b>	—	
● Environmental investment	783	2,467	Measures to prevent global warming, improvements in environmental equipment	

## ◆ Environmental conservation effects

Classification	FY2006	FY2007	Major points for FY2007		
● Economic effects	Net income effect (unit: million yen)	1,376	2,066	Income from sales of recycled scrap metals, recycled hydraulic equipment, etc., and from patents	
	Cost reduction effect (unit: million yen)	207	150	Electricity-saving, reduced waste and direct product delivery, etc.	
	<b>Total</b>	<b>1,583</b>	<b>2,216</b>	—	
● Quantitative effects	Production stage	Energy saving amount (kt/year)	652	783	Reduced energy consumption by energy-saving facilities
		NO <sub>x</sub> reduction (t/year)	0.0	1.3	Renewal of furnace for dry painting and boiler
		Water use reduction (t/year)	67,489	80,901	Effluent reuse and renewal of painting equipment
	In-use stage	Reduction of disposed waste (t/year)	53	79	Reduction through recycling
		Asphalt, etc., recycled (10,000 t/year)*	1,190	1,250	Reduction through using products for recycling
		Wood waste recycled (10,000 t/year)*	744	766	
		Soil improved (10,000 t/year)*	1,240	1,277	Reduction by HN bush
Grease reduction (t/year)	4.9	9.6			
Lead solder reduction (t/year)	0.9	1.2	For hydraulic excavators and small excavators		

\*Estimated by operating hours of products.

## Third-party Comment on the "Hitachi Construction Machinery Group CSR Report 2008"

# I am expecting "Kenkijins" to make further progress in the second phase of CSR!



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Reviewing Hitachi Construction Machinery Group CSR Report 2008 ("the Report"), my comment as a third-party is below. My comment is not intended to state the view of a third-party investigator nor to convey any assurance or certification based on the generally accepted principle, on the accuracy of information stated in the report.

### ■ New phase of CSR activities

Three years have passed since the CSR committee was set up in April 2005, so this is the third CSR report. Hitachi Construction Machinery Group is making sound progress according to the new medium-term management plan and enjoyed significant increases in sales and profits, which enabled construction of Hitachinaka Works with the latest equipment. The group firmly maintains a position as one of the most internationally acclaimed comprehensive construction machinery manufacturers. Expectations of the stakeholders of Hitachi Construction Machinery Group all over the world are growing. The president repeatedly tells employees and people outside the company that operation of the company is itself CSR. I am convinced that his message and CSR have become rooted in the group after reading this report which was written in detail and faithfully. A PDCA cycle (Plan → Do → Check → Act) has become firmly embedded in the group. Now Hitachi Construction Machinery Group is required to further raise its level of CSR activities and energetically advance to a new phase.

### ■ CSR activities as the group and the global company

The notable articles in this report concern economic responsibility which the group soundly fulfills through its technology and product quality, and environmental responsibility which the group is trying to fulfill with emission neutral, a

new project incorporating LCA, and with Hi-OSS through collaboration with customers. Concerning social aspect, demining equipment, which have become a symbol of the group contribution to society through business, are now used in six countries, and demining projects are expanding to cooperation with NPOs and international friendship between children. Thoroughly applying the PDCA cycle to CSR activities at group companies in Japan and outside Japan will be an issue for the new phase of CSR activities. I want Hitachi Construction Machinery Group to further enhance CSR activities at all worksites by strengthening the meeting called Top Caravan and exchanges of employees as a global group.

### ■ "Kenkijin Spirit" supports the group social responsibility

Employees in the group appear in many places in this report, which goes to show that employees are promoting CSR activities together. Particularly effective was the preparation and distribution to employees worldwide of "Kenkijin Spirit", which guides how each employee should act in accordance with the corporate philosophy and the code of conduct. Also worthy of note were the survey of the employees and the improvements in training at the recently constructed Kasumigaura Institute. With the awareness that "Kenkijins" are important stakeholders who support the group social responsibility, Hitachi Construction Machinery Group is required to implement substantial measures to raise professionals, to establish thorough schemes for employment conditions, occupational health and safety, to promote diversity and enhance the work / life balance. I sincerely expect "Kenkijins" all over the world to take an active part in the second phase of CSR activities.