

Environmental Accounting

Expanding investment in reduction of environmental impact and development of environmentally friendly products

To seek effective improvement in environmental investment and activities and to reduce environmental impacts, the Hitachi Chemical Group introduced an environmental accounting system in 1999 in accordance with the guidelines prepared by the Ministry of the Environment.

Environment-related costs of the Group amounted to ¥10.67 billion in 2004. Approximately ¥100 million was added to each budget for pollution prevention, environmental preservation, and resource circulation to reduce environmental impacts. In addition, ¥2.52 billion was also spent

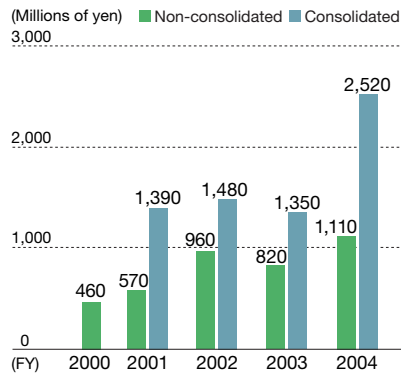
for solvent/effluent gas treatment, equipment of wastewater treatment, introduction of deodorizing equipment and resource saving in production.

In 2005, heavy investment will be made in equipment for effluent gas treatment to reduce emissions of VOC

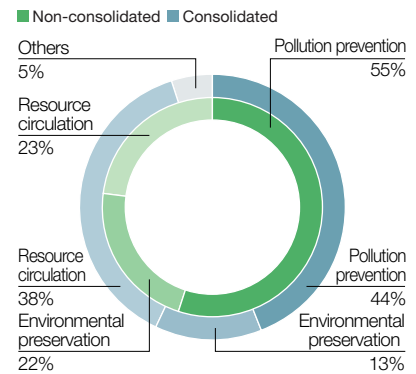
(volatile organic compounds).

The accumulated data from environmental accounting will be utilized in planning long-term environmental investment plans, analyzing costs for environmental activities, and improving their efficiency.

Environmental investments



Breakdown of environmental investment



(Millions of yen)

Item	Non-consolidated		Consolidated		Description	
	FY 2004	FY 2003	FY 2004	FY 2003		
Expenses	Direct costs for production	3,360	3,090	5,390	4,720	Running costs and depreciation of equipment for reducing environmental impact
	Upstream/downstream costs	20	20	80	40	Collection and recycling of packaging
	Management activity costs	370	390	890	830	Tree planting, cleaning, and environmental management
	Research and development costs	1,910	1,920	4,240	4,340	R&D and designing for reducing environmental impact
	Social activity costs	50	50	50	60	Social contribution programs and publicity
	Environmental damage costs	10	40	20	70	Remediation of contaminated soil and contributions
	Total costs	5,720	5,510	10,670	10,060	
Environmental investment	1,110	820	2,520	1,350		

Item	Non-consolidated		Consolidated		Description	
	FY 2004	FY 2003	FY 2004	FY 2003		
Economic effects	Net income effect (millions of yen)	160	50	1,010	80	Profit from selling wastes etc.
	Effect of reducing expense (millions of yen) *1	190	240	290	290	Reduction of energy cost
	Effect of reducing materials (millions of yen) *1	2,040	1,530	2,070	1,530	Saving of raw materials
	Total economic effects (millions of yen)	2,390	1,820	3,370	1,900	
Volume effects	Reduction of energy consumption (kℓ/year) *2	11,100	5,400	12,100	5,600	Reduction of energy consumption by energy saving
	Reduction of wastes landfilled (tons/year)	6.4	181	412	1,700	Reduction of wastes landfilled by separation or recycling
	Reduction of chemical substances impacting the environment (tons/year)	1,647	1,556	1,370	1,573	Reduction of chemical substances emitted

*1: Effect of reducing expense and materials are separately calculated from this year.
*2: Energy consumption is converted to crude oil consumption.