

Eco-Management—3

Environmental Accounting

Disclosure of environmental accounting

To effectively improve environmental investment and activities and to reduce environmental impact, the Hitachi Chemical Group introduced an environmental accounting system in 1999 in accordance with guidelines prepared by the Ministry of the Environment. Through the practice of environmental accounting, we determine the allocation of management resources to environmental activities, and review the value of environmental technologies and people-friendly, environmentally sound products that we offer. Furthermore, we will disclose this information to deepen stakeholders' understanding of our corporate stance.

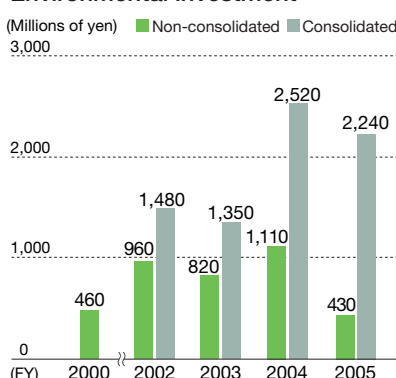
Results of 2005

Costs including running costs and depreciation of equipment for reducing environmental impact and the costs of

R&D and design of eco-friendly products in 2005 totaled ¥5.72 billion on a non-consolidated basis and ¥11.55 billion on a consolidated basis, an 8% year-on-year increase for the latter.

Investment in equipment for effluent gas treatment to reduce emissions of volatile organic compounds (VOC) totaled ¥430 million on a non-consolidated basis and ¥2,240 million on a consolidated basis.

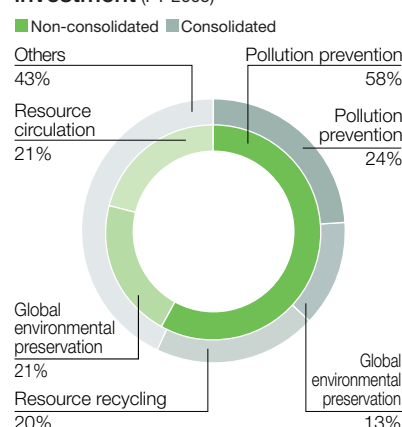
Environmental investment



We define the impact of our activities in monetary terms as economic effects and the reduced amount of environmental impact as volume effects. In 2005, economic effects increased 51% year-on-year on a non-consolidated basis and 23% on a consolidated basis.

In 2006 we will continue to develop eco-friendly products and focus our efforts on reducing environmental impact, including decreased VOC emissions.

Breakdown of environmental investment (FY 2005)



(Millions of yen)

Item	Non-consolidated		Consolidated		Description	
	FY 2005	FY 2004	FY 2005	FY 2004		
Expenses	Direct costs for production	3,230	3,360	5,360	5,390	Running costs and depreciation of equipment for reducing environmental impact
	Upstream/downstream costs	30	20	60	80	Collection and recycling of packaging
	Management activity costs	350	370	920	890	Tree planting, cleaning, and environmental management
	Research and development costs	2,050	1,910	5,000	4,240	R&D and designing for reducing environmental impact
	Social activity costs	50	50	50	50	Social contribution programs and publicity
	Environmental damage costs	10	10	160	20	Remediation of contaminated soil and contributions
	Total costs	5,720	5,720	11,550	10,670	
Environmental investment	430	1,110	2,240	2,520		

Item	Non-consolidated		Consolidated		Description	
	FY 2005	FY 2004	FY 2005	FY 2004		
Economic effects	Net income effect (millions of yen)	220	160	450	1,010	Profit from selling wastes, etc.
	Effect of reducing expense (millions of yen)	230	190	370	290	Reduction of energy cost
	Effect of reducing materials (millions of yen)	3,150	2,040	3,310	2,070	Saving of raw materials
	Total economic effects (millions of yen)	3,600	2,390	4,130	3,370	
Volume effects	Reduction of wastes landfilled (tons/year)	0.5	6.4	381	412	Reduction of wastes landfilled by separation or recycling
	Reduction of chemical substances impacting the environment (tons/year)	80	1,647	383	1,370	Reduction of chemical substances emitted

Environmental accounting data is compiled from 33 domestic sites.