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In last year's Comments from Stakeholders, I wrote that CSR reports should not only summarize overall corporate activities related to society, but should also express the company's commitment to serious goals (Plan) and authentic business processes (Do), as well as a genuine review (Check) of its past activities and a determined declaration for the future based on this review (Act). This year, I would like to comment from the perspective of serious commitment, authentic business processes, genuine review and determined declaration.

1. Strong points

First of all, as in the previous year, the report opens with the corporate vision (philosophy, mission and values), followed by a clear declaration by top management for "Achieving Corporate Social Responsibility through the Full Realization of Our Corporate Vision." This consistent corporate stance is commendable as an expression of determination. Furthermore, the company has not only declared its determination, but has also created a CSR roadmap for the medium term up to 2010 and is making a concerted effort to repeat the PDCA cycle each year based on this roadmap. This effort to match words with deeds demonstrates the company's serious commitment.

"Plans and Results of CSR Activities" provides examples that illustrate the results of actions taken towards achieving the action plans for fiscal 2006 based on CSR policies and a self-evaluation, along with the action plans for the next fiscal year. The company's PDCA efforts have been summarized in a single list that is easy to comprehend. Corresponding items under the CSR Policy are clearly indicated in every part of the report, enabling the reader to grasp the overall picture by returning to the list shown in the "Plans and Results of CSR Activities," and to understand that each activity is being pursued along the same direction.

It is also commendable that the company has provided a sincere report on information concerning accidents that it may not have wanted to freely disclose. Furthermore, the company's response to the accidents by making the "creation of a vibrant, safe and healthy working environment" its priority target for fiscal 2007 and striving toward that goal communicates the company's serious commitment.

2. Points where further efforts and improvements are needed

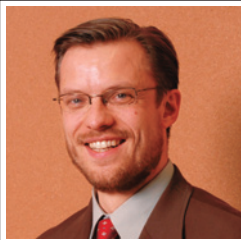
At the end of last year's comment, I wrote of my "high expectations that Hitachi Chemical will strive to further realize a sustainable society by pursuing its fiscal 2006 action goals of creating a comfortable workplace and implementing activities that contribute to sustainable development." With respect to the latter issue, the company's efforts on Environmental CSR-compliant *Monozukuri** in its main line of business have been expressed in an easy-to-understand manner, by showing concrete examples of products and evaluations, etc. Meanwhile, with respect to the former, while new measures such as the launch of the "Female Employee Encouragement Project," implementation of the "Employee Survey" and the "CSR Workshop Discussion with Future Leaders" have been undertaken, I would have liked to see a genuine and deeper analysis of the results. How are these activities enhancing employee enthusiasm and pride, and how are they contributing to the creation of a more comfortable workplace? It is unfortunate that there are far fewer entries than last year in the "Voices" column that offers employees' opinions.

With respect to social contribution activities, while the company's efforts to engage in various activities is itself commendable, an explanation on why these activities were chosen and how they relate to the realization of its corporate vision would have been more convincing.

3. Expectations

Looking ahead, current thinking is that business activities that contribute to a sustainable society will become important in themselves for the sustainability and competitiveness of the corporations that pursue them. As stated in "Stakeholders and the Hitachi Chemical Group," I expect Hitachi Chemical to undertake genuine business activities that pursue sustainability to pass on this beautiful global environment to the next generation, and to engage in efforts that contribute to addressing issues that are commonly shared across the world, such as global warming, with a clear focus on generations to come.

* Environmental CSR-Compliant *Monozukuri*: Please see at p. 16.



Peter David Pedersen
Chief Executive, E-Square Inc.

“CSR (corporate social responsibility) as practiced today will not take us into a sustainable future”—I have recently started feeling strongly about this. Global population growth by 2030 or 2050 (estimated to reach nine billion by 2050 according to the United Nations), multiplied by the desire for prosperity pursued by people emerging from poverty (and excessive consumption by advanced nations), present humankind with an extremely tough challenge. Over the next few decades, we are facing a squeeze on the demand and supply of resources, the expanding use of non-recyclable resources, a tighter demand and supply of energy, unsustainable patterns of energy usage—particularly the projected increase in fossil fuel consumption leading to a worsening of global warming—as well as an increase in waste and the growing commercial use of chemical substances. Although the industry’s conduct of CSR until now has been necessary and commendable, it is completely inadequate for building a sustainable global society, given the above megatrends.

Increasingly, stakeholders will demand that corporations pursue an extroverted, constructive CSR, not an introverted, self-defensive approach, and the standard for evaluating corporations will be how well they contribute to the development of a sound and sustainable future. I believe that accelerating the pace of innovation for achieving a sustainable society represents the best approach to managing CSR for the Hitachi Chemical Group.

1. Strong points

Hitachi Chemical Group’s Sustainability Report 2007 satisfies nearly all the basic elements of a CSR report submitted by a “Grade A” student. The business outline explanation is easier to understand than last year, and the report presents a medium-term CSR roadmap as well as an evaluation of its action plans. The content of each part of the report is accompanied by detailed explanation, and notes on reference pages and Web addresses are also very helpful. Disclosure of negative information and sharp self-evaluation on goals that could not be achieved are also good.

2. Points where further effort and improvement are needed

CSR activities and reporting in Japan have taken on a “serve-all” nature in an excessive pursuit of detail and

completeness. As a result, many CSR or sustainability reports try to include the same volume of content for every topic in a “carpet-bombing” style, as has been pointed out by UK think tank SustainAbility Ltd. My impression is that Hitachi Chemical Group’s Sustainability Report 2007 also falls into this category. From this perspective, there has been little progress since the 2006 report.

I would like to offer some concrete suggestions for future CSR reports:

(1) Growing out of extensive printed reports

First of all, is there really a clear target audience for the extensive, printed CSR report? If it is intended for professionals such as investors and non-profit organizations, Web-based reports are more effective. On the other hand, if the aim of the CSR report is corporate PR, this report does not serve the intended goal (general customers and individual investors are highly unlikely to read it. Likewise, I believe the reality is that employees will not, or cannot, read it either).

I think it would be better to clarify the target and present a detailed report via the Web. This will also reduce the consumption of paper. Other leading corporations are already switching to Web-based reporting.

(2) Clarify Hitachi Chemical’s priority domains (activities)

The priority domain of the Hitachi Chemical Group is unclear in this year’s report. The company’s characteristics as a chemical materials manufacturer are not clearly expressed in the report. It would make sense to summarize the priority values and domains of activities undertaken by the Hitachi Chemical Group—in other words, the corporate grand story that the Hitachi Chemical Group is trying to tell about the future—and express this on the Web as well as in a short, concise, printed medium in a style attractive to and easy to understand for employees, customers, business associates and individual investors.

(3) Reporting on activities in Asia and other regions

This year’s report strongly focuses on domestic activities. In view of the global reach of CSR activities expressed in the President’s Message, I would like to know more about the Group’s overseas presence and CSR-related activities.