

Hitachi Kokusai Electric Group CSR Report 2007

To discuss with our customers,



our business partners,



our colleagues, and...



our neighbors



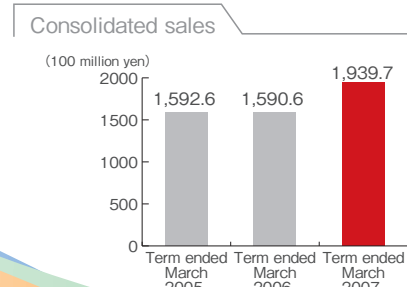
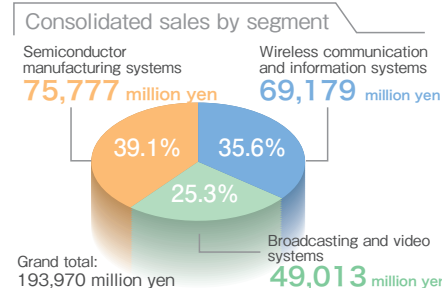
another step for us into the future...

Company Outline (as of March 31, 2007)

Name	Hitachi Kokusai Electric Inc.
Headquarters	4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-8980, Japan
Founded	November 17, 1949
Capital	10,058 million yen
Sales	193,970 million yen (consolidated)
Employees	4,789 (consolidated)



Headquarters
(Akihabara UDX Building
11th floor)



Domestic Places of Manufacturing and Main Group Companies

Toyama Works

Main products: Semiconductor manufacturing systems

Located in Yatsuo-machi, Toyama Prefecture, embraced by the Hida Highlands, this factory has a special-purpose clean room where semiconductor manufacturing equipment for the next-generation processes is developed, designed, and produced to meet the demanding needs of major users worldwide.



Hamura Works

Main products: Wireless communication and information systems

Located in Hamura, Tokyo, crossed by the nature-rich River Tama, this factory develops, designs, and manufactures wireless equipment mainly bound for governmental agencies.



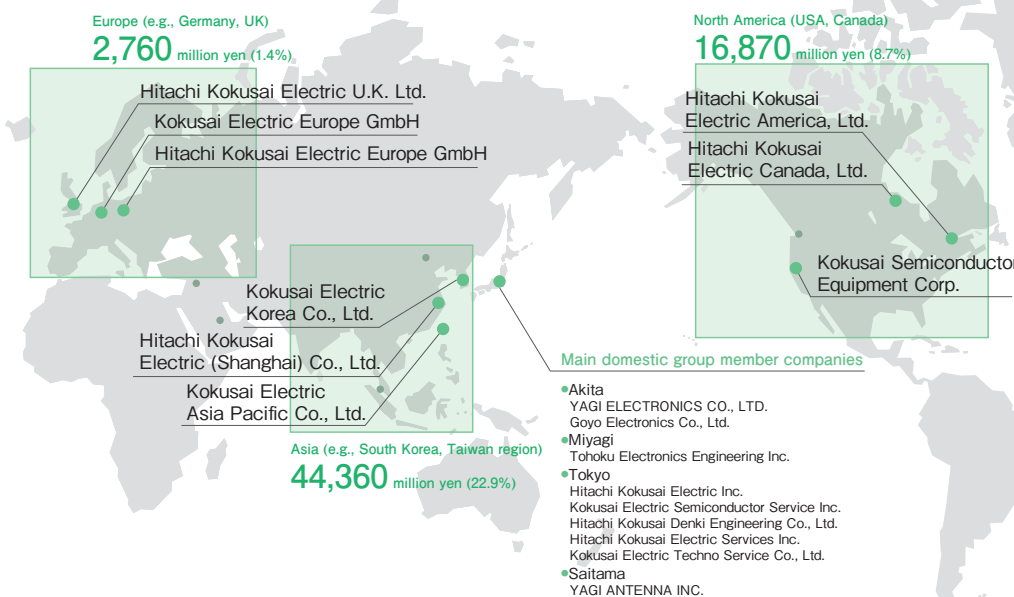
Koganei Works

Main products: Wireless communication and information systems, broadcasting and video systems

Located in Kodaira, Tokyo, and retaining the old image of Musashino, this factory develops, designs, and produces wireless communication and information systems, and broadcasting and video systems. Engineers engaged in the fields of communication, broadcasting, and video work here to create products befitting Hitachi Kokusai Electric.



Overseas Sales



With its main member companies - nine in Japan and nine abroad - the Hitachi Kokusai Electric Group conducts business throughout Japan, as well as in Asia, North America, Europe, and other parts of the world.

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Editorial Policy

This report describes the efforts of the Hitachi Kokusai Electric Group in fulfilling its corporate social responsibility (CSR), and is therefore used as a tool of communication with its stakeholders. We hope that the report will promote better understanding of the Group, and look forward to your frank comments and opinions.

Scope of this Report

Period

Fiscal 2006 (from April 2006 to March 2007)

Companies

Hitachi Kokusai Electric Inc. (the "Company" herein) and 8 domestic group companies

- Hitachi Kokusai Electric Inc.
- Toyama Works ○ Hamura Works ○ Koganei Works
- YAGI ANTENNA INC.
- YAGI ELECTRONICS CO., LTD.
- Kokusai Electric Semiconductor Service Inc.
- Hitachi Kokusai Denki Engineering Co., Ltd.
- Goyo Electronics Co., Ltd.
- Tohoku Electronics Engineering Inc.
- Hitachi Kokusai Electric Services Inc.
- Kokusai Electric Techno Service Co., Ltd.

* All the company names herein are shown retroactively reflecting our group reorganization as of the beginning of April 2007.

* The environmental loads and environmental accounting were complied with the data of the factories marked with ①.

Next Issue

We issued "Report on the Environment" annually from 2001 to 2004, "Environmental and Social Report" in June 2005, and "CSR Report 2006" in June 2006. The next report is planned to be issued in June 2008.

Main Products

Wireless Communication and Information Systems

Wireless communications and information processing equipment



[Emergency Communication System]



[Multi-Carrier Power Amplifiers for mobile phone base stations]



[Train Radio Communication Systems]



[Commercial Radio Equipment]



[Information Display Systems]

Broadcasting and Video Systems

Broadcasting equipment, receivers, monitors, and image processors



[Studio Cameras and Broadcasting Cameras]



[Small Industrial High-resolution Cameras]



[Digital TV Transmitter]



[Non-linear Transmission Systems]



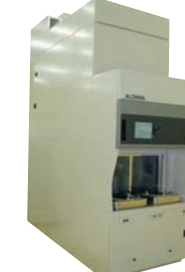
[Security and Surveillance Systems]

Semiconductor Manufacturing Systems

Semiconductor manufacturing equipment



[Vertical QTAT Equipment]



[Vertical ALD Equipment]



[Ashing Systems]



[Single Wafer MMT Plasma Nitridation Equipment]



[Single Wafer Integrators]

Glossary

*1 CSR Corporate Social Responsibility

*2 Stakeholders Customers, business partners, employees, community, stockholders, NPOs, and other individuals and organizations who interact with the company

We intend to become a corporation that continues into the future and lives up to the confidence placed in it by society.

Thank you very much for your usual great support of the Hitachi Kokusai Electric Group in its operations.

Here, we are pleased to provide you with the "Hitachi Kokusai Electric Group CSR Report 2007." This report is intended to explain the management and business progress of our Group from the standpoint of a member of society, and to become a medium for exchanging information with our stakeholders.

The Hitachi Kokusai Electric Group has defined its fundamental philosophy in the Hitachi Kokusai Electric Code of Conduct to the effect that the Group should manufacture products that contribute to a safe and affluent society, look to the future, never stop working for continuous improvement, observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct.

Under that fundamental philosophy, in 2005 we published our Medium-Term Plan - "HK2010 Vision (sales of 200 billion yen with a 10% operating profit rate for the term ending March 2010)." Under the slogans of "Leading company in wireless technology" and "Top global company in the semiconductor thermal process," we linked our three business groups (Wireless Communication and Information Systems, Broadcasting and Video Systems, and Semiconductor Manufacturing Systems) to pursue continued growth.

The Wireless Communication and Information Systems Group and Broadcasting and Video Systems Group support

people's lifelines by delivering products and services in order to help achieve a more affluent society. Both groups also help make a convenient and comfortable information society a reality in daily life, and strive to deliver reliability and security in inconspicuous yet important areas. Moreover, the Semiconductor Manufacturing Systems Group enjoys a clientele of the world's semiconductor manufacturers and helps them build a more affluent, vigorous society.

We promote quality assurance to earn better confidence from our customers, develop a closely cooperative relationship with our business partners in *Monozukuri*, build a worker-friendly workplace that takes advantage of employee diversity, ensure coexistence with the local community, and step up our other respective important managerial challenges. In the area of environmental conservation as well, we address the needs for managing chemical substances and global warming control (important issues of widespread concern today), combining the joint forces of the headquarters and factories as one unit to implement our new integrated environmental management system.

As we mentioned in our last issue, as an attempt to take advantage of the synergy of the three companies in 2000, we relocated the headquarters in the spring of 2006 and had a new building built at Koganei Works, thus integrating the sales force in one place and designing departments in the other, lifting the boundary of business segments. This year, in addition to these, we conducted a partial reorganization of the Group companies in the segments of Wireless Communication and Information Systems and Broadcasting and Video Systems. This has led to a system where Koganei Works and Hamura Works closely cooperates with the manufacturing and engineering group companies. The Yagi Antenna business, now in the second year as an independent subsidiary, is now enjoying certain effects of its linkage with the group companies, while releasing new characteristic original products.

While promoting overall structural optimization of organization and systems, we are also promoting reforms of the business process, improving business effectiveness and efficiency, and ensuring reliability in financial reporting through what is called the organizing of internal control.

We would appreciate receiving your honest opinions and advice regarding the efforts of the Hitachi Kokusai Electric Group, which we can utilize as material for further improvement of our future activities.

We sincerely hope for your continued understanding and cooperation.

Hitachi Kokusai Electric Code of Conduct

Hitachi Kokusai Electric, which respects human rights, observes the spirit as well as the letter of national and international laws and regulations, hereby adopts this Code of Conduct with a view to achieving continued growth and development while contributing to the creation of a sustainable society.

Fundamental Philosophy

- 1 Manufacture products that contribute to a safe and affluent society.
- 2 Looking to the future, never stop working for continuous improvement.
- 3 Observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct.

In accordance with the Fundamental Philosophy, Hitachi Kokusai Electric commits to the dissemination of this Code of Conduct with the following Guidelines and Commitments and to the maintenance of the related internal system.

Guidelines and Commitments

- 1 Obtain customers' trust and confidence by developing and providing products and services in which the emphasis is on safety, quality and environmental soundness.
- 2 Engage in fair and transparent competition and business activities, comply with laws and be ethical in one's corporate conduct.
- 3 Respect the diversity, character and individuality of all employees and provide a mentally and physically rewarding workplace environment.
- 4 Provide shareholders and other stakeholders with full and fair disclosure of corporate information.
- 5 Take a proactive, independent approach to protecting the global environment and improving local living environments.
- 6 As a good corporate citizen, engage proactively in philanthropic activities and other activities that benefit society.
- 7 Respect international rules and local laws, cultures, practices and customs and always strive to contribute to local progress and development.
- 8 Respect the value of other companies' business and technology information as well as our own, and implement proper controls regarding such information.
- 9 Comply with trade-related laws and regulations in order to contribute to the maintenance of international peace and security.
- 10 Should a situation arise that runs counter to this Code of Conduct, managers shall endeavor to resolve the matter, establish the cause and take steps to prevent a reoccurrence. They will also endeavor to provide a prompt and accurate disclosure and explanation of the facts of the matter, clarify where the responsibility lies and deal strictly with those concerned, including with respect to their own activities.

June 25, 2007



Kunio Hasegawa
President and Chief Executive Officer

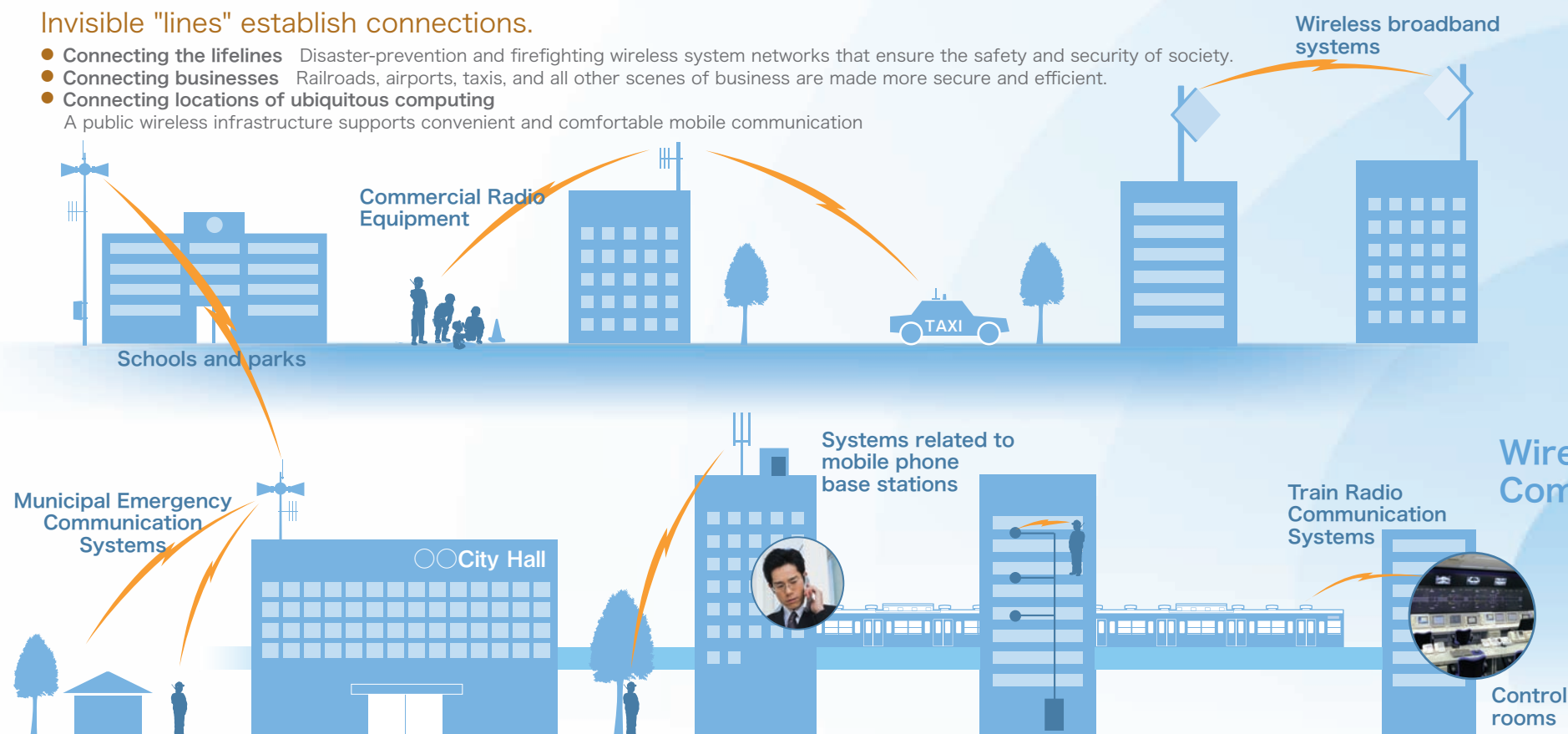


Contribution to society by Wireless Communication and Information Systems

Building a More Secure, Comfortable Society by Using Communication Technology

Invisible "lines" establish connections.

- **Connecting the lifelines** Disaster-prevention and firefighting wireless system networks that ensure the safety and security of society.
- **Connecting businesses** Railroads, airports, taxis, and all other scenes of business are made more secure and efficient.
- **Connecting locations of ubiquitous computing**
A public wireless infrastructure supports convenient and comfortable mobile communication



Product Profile

Digital Municipal Disaster Management Communication Systems

In the event of an earthquake, typhoon, or other natural disaster, these systems convey warnings and messages from municipal authorities. Under normal conditions, such systems are useful in public relations.



Commercial Radio Equipment

Commercial Radio Equipment is active on construction sites, in taxis, at airports, festivities, and other situations closely related to our daily lives.



Systems related to mobile phone base stations

Various kinds of infrastructural equipment for mobile phones are useful in making society more convenient and comfortable.



Wireless broadband systems

Wireless data communication systems can be used to easily build a fast communication system between locations even in areas where a cable line is difficult to lay.



Securities and financial solution systems

These systems establish a database of customer information to help conduct comprehensive analysis and solve problems involving trading errors and compliance.



RF-ID systems

These systems use shelf antenna control technology to be active in library book management and various other areas of commodity management.



Goyo Electronics Co., Ltd.

Goyo received an award for their urgent shipment for restoration purposes in response to Hurricane Katrina.

Goyo Electronics received an award bearing the official state stamps of four southern states in the USA from their customer in June 2006, for the company's urgent production and shipment of 10,000 critical communication radios for restoration purposes in response to devastating Hurricane Katrina. The award says, "Your exceptional dedication and service were invaluable in accomplishing the mission of supporting first responders in their rescue and recovery efforts."



Topics

Integrated Study for Akita Commercial High School

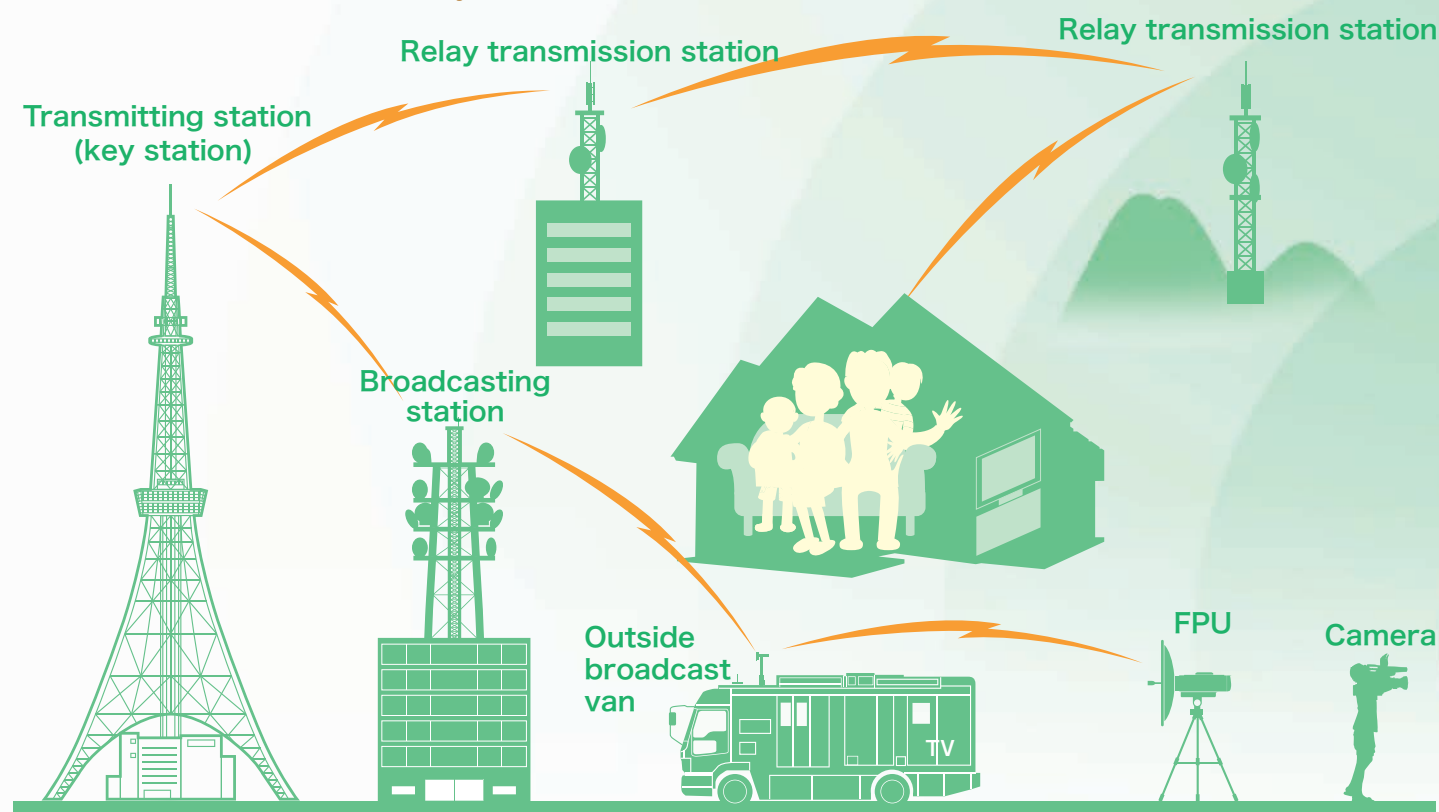
A total of 39 students and teachers from Akita Commercial High School visited the Tsurunumadai Works of Goyo Electronics Co., Ltd. The students were imaginary part of the "Intellectual Properties Section" of "Akisho Co., Ltd.," a simulated corporate organization used during hours of Integrated Study of the school. They listened attentively to explanations given by specialist personnel about how private companies use their patents and similar rights, the purpose of these patents and rights, the importance of intellectual property to a corporation, and other topics. We wish to continue contributing to society by emphasizing communications with our neighbors.



Contribution to Society by Broadcasting and Video Systems

Building a More Comfortable Society by Using Broadcasting Technology

We support behind-the-scenes resources for delivering well-ordered radio waves to all corners of the country.



Product Profile

Digital terrestrial broadcasting units

These units allow digital broadcasts to be stably received even in areas far away from broadcasting stations, mountainous areas, and other areas beyond the reach of radio waves.



Digital wireless transmitters

These units deliver crime scenes, marathon relays, and other impressive video signals to viewers at home on a real-time basis.



Broadcasting cameras

These units contribute to society by delivering news, reports, and entertainment programs from the street, studio, and other locations.



YAGI ANTENNA INC.

Want to watch digital terrestrial broadcasts?
Use a Yagi antenna.

Yagi Antenna provides antennas and other TV receiving equipment to make our lives affluent.

The company provides a series of easy-to-install "digital terrestrial antennas" and a complete lineup of TV receiving equipment, including digital terrestrial tuners that allow analog TVs to receive digital terrestrial broadcasts. In so doing, the company meets various receiving needs.

Antenna series for receiving digital terrestrial broadcasts

These antennas receive digital terrestrial broadcasts easily and simply.



TV receiving equipment

This equipment provides a comfortable TV receiving environment.



Digital terrestrial tuners

These tuners ensure a more effective use of analog TVs.



Building a More Secure, Comfortable Society by Using Video Technology

Camera technology is active in familiar daily life.

- Monitoring rivers and tsunami (tidal waves) to prevent disasters
 - Monitoring train traffic and platforms to ensure safety
 - Monitoring busy streets and school children's routes to protect local residents against crime, etc.
- The technology is active in a variety of situations.

Broadcasting

Hitachi Kokusai
Electric Group

Video

Ensuring
river
security

Ensuring
security
on trains

Ensuring
street
security

Product Profile

Wide-area monitoring solutions

Monitoring cameras to cover wide areas and systems to transmit such video images are provided and developed to ensure a stable supply of water, electricity, and other utilities that form the basis of everyday life.

Next-generation monitoring camera solutions

Next-generation monitoring camera solutions (ISnex™) are developed to ensure better security in society and communities by adopting leading-edge technology in monitoring cameras as in other equipment nowadays when information technology is being increasingly utilized.

*ISnex is a registered trademark or trademark of Hitachi Kokusai Electric Inc.

Integrated cameras

We provide cameras, video technology, and other products closely linked to workplaces, households, and our daily lives. We offer an integrated camera series (HC-40) designed to accommodate the diverse requirements of monitoring cameras.

Hitachi Kokusai Electric Services Inc.

Providing better customer support
in the event of a disaster

In charge of maintaining, inspecting, and other services of various wireless units and monitoring systems, Hitachi Kokusai Electric Services Inc. considers it important to maintain a system with which to promptly mobilize and properly respond to meet customer requirements, particularly when a major disaster occurs. The company periodically provides disaster restoration support training through joint operation with different divisions and branches to verify the smooth functioning of its ad hoc disaster control headquarters and emergency contact system.

Providing reliable services surely,
sincerely and speedily

Concerning services including the maintenance and inspection of wireless communication and information systems, and broadcasting and video systems, the call center established at Hitachi Kokusai Electric Services Inc. receives customer requirements and complaints. (For the contact for customer inquiries, see page 11.)



Topics Cooperation in a seminar sponsored by the city of Kodaira

A seminar was held at the Kodaira Citizen's Cultural Hall (Rune Kodaira) on February 12. The seminar was entitled "Denjiro Yonemura's Intriguing Science and Wonders of TV." An employee of our company gave a lecture on the mechanism of TV broadcasting.

This cooperative effort was made possible in response to the sponsor, who requested a company that develops unique products based in Kodaira to give a presentation where parents and their children would think about science together on the occasion of a presentation given by Mr. Denjiro Yonemura about the science of familiar phenomena. On that day, the lecturer from our company spoke about "The Wonders of TV" for about 30 minutes to 1,300 parents and children who filled the large hall, accompanied by demonstrations and video images.



Contribution to Society by Semiconductor Manufacturing Systems

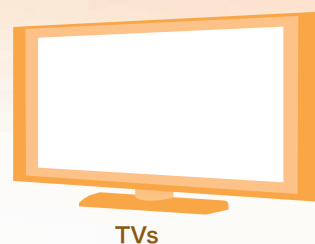
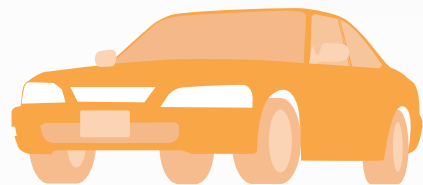
Establishment of an Affluent and Vigorous Society

Enhancement of electronic device by means of semiconductors helps establish an affluent and vigorous society.

The Hitachi Kokusai Electric Group manufactures, sells, and develops semiconductor-manufacturing equipment. These semiconductor manufacturing systems never take center stage in the world. You may therefore not clearly understand how such systems contribute to society. However, semiconductors are used in various products, covering wider range of applications, and beginning to be mounted on all kinds of products.

For example, such products include PCs, mobile phones, TVs, camcorders, game units, mobile music players, and automobiles. Semiconductors are the brain and heart of such products.

Automobiles



TVs



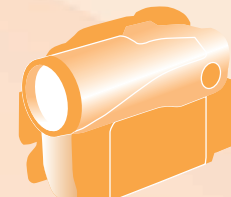
PCs



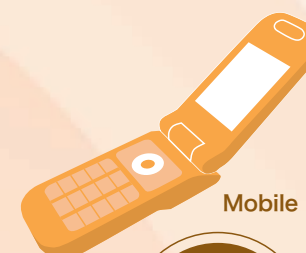
Mobile music players



Video games



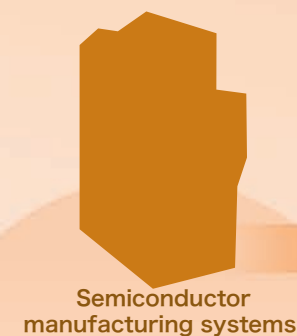
Camcorders



Mobile phones

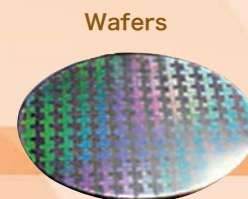


Semiconductors are familiar to us.

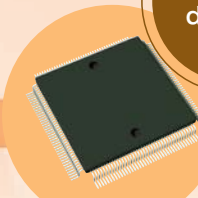


Hitachi Kokusai Electric Group

Toyama Works



Wafers



Semiconductors

Semiconductors are in various kinds of equipment

Semiconductor is produced by forming electric circuits on a substrate called a silicon wafer. We produce manufacturing equipment which is used in the semiconductor wafer process called "layer deposition" to form electric circuits on such a substrate.

Semiconductor technology continues to progress and electronic devices are getting more and more convenient and advanced. We conduct ongoing research, development, and production of equipment with excellent performance, and keep striving to realize an affluent and convenient society.

Product Profile

Vertical QTAT System

The vertical QTAT system (QUIXACE®) is a batch-type vertical diffusion/LP-CVD tool that achieves QTAT batch processing.



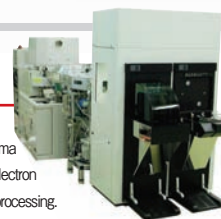
Vertical ALD system

The vertical ALD system (ALDINNA®) is a vertical furnace with high throughput by batch processing and ALD technology that achieves high-quality low temperature deposition.



Single-wafer MMT plasma oxinitridation system

The single-wafer MMT plasma oxinitridation system (MARORA®) uses a unique MMT plasma source which generates a soft plasma with a low electron temperature, and achieves a damage-free plasma processing.



Kokusai Electric Semiconductor Service Inc.

Service support system based on computer telephony integration (CTI)

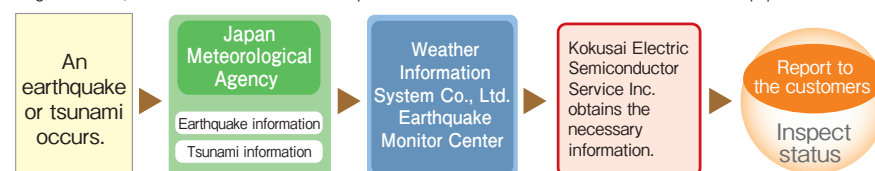
(technology for interlocking telephony with computers)

This technology responds to calls from customers experiencing trouble or other incidents 24 hours a day, 365 days a year, and thus protects their equipment.



Communication system for prompt earthquake information report (by e-mail)

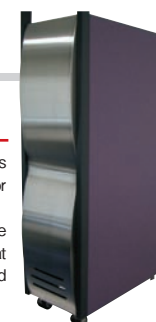
When an earthquake strikes, this system automatically forwards e-mail messages of earthquake information to the mobile PCs and mobile phones of field service engineers and persons responsible, so that field service engineers and/or other resources can be dispatched to disaster-affected areas to restore the equipment.



Product Profile

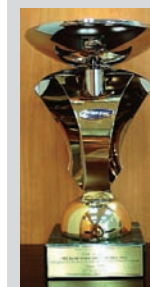
Energy-saving power supply

- (1)Cleared the Fiscal 1994 Harmonics Control Guidelines of the Agency for National Resources and Energy
- (2)Highly effective in achieving an average power factor of 0.99 or higher (up by at least 60%), reducing CO₂ emissions, and curtailing reactive power



Topics

Provide Support in Partnership with our customers for Technical Enhancement and Production in line with demand season



Won the "Best Supplier Award" from Asia's biggest semiconductor manufacturer in October, 2006

The Hitachi Kokusai Electric Group has won the Best Supplier Awards from its customers, who are among the world's leading semiconductor manufacturers. The Best Supplier Award is a program recognizing those suppliers who have significantly contributed to the early startup and stable operation of new mass-production lines.

For example, the Hitachi Kokusai Electric Group does business with the world's largest and famous semiconductor manufacturer, along with Asia's largest semiconductor manufacturer and world's largest memory supplier, major Asian manufacturers specializing in OEM business, and a top Japanese manufacturer. All these business relationships can probably be attributed to the Group's efforts in meeting customer requirements and its high reputation for product quality, product supply capacity, expertise, and support capability.

The Hitachi Kokusai Electric Group intends to continue meeting customer requirements ahead of the competition and promoting partnerships with its customers (semiconductor manufacturers) worldwide.

*1 Layer deposition: A process of forming an oxide film, nitride film, other dielectric thin film, or a metal film for electric wiring of semiconductor wafers.

*2 QTAT: Quick Turn Around Time; To reduce time needed to complete a semiconductor wafer process

*3 LP-CVD: Low Pressure Chemical Vapor Deposition

*4 Batch: To process multiple wafers in groups

*5 ALD: Atomic Layer Deposition

*6 Single-wafer: To process wafers one by one

*7 MMT: Stands for "Modified Magnetron Type."

With Our Customers



For general inquiries, contact

<http://www.h-kokusai.com/global/contact/index.html>

With "customer viewpoint" as our keywords, we think of things by putting ourselves in our customers' shoes and create things that please them. We then employ our checking function in an attempt to constantly pursue higher reliability.

1 Efforts to increase customer satisfaction

We commit ourselves thoroughly to *Monozukuri* with focus on quality first, provide products and services in which the emphasis is on safety, quality, and environmental soundness, and are so doing to obtain customer's satisfaction, trust and confidence.

2 Providing safe products and services

Several cases have recently occurred where certain corporations have lost customer confidence due to substandard safety issues that may greatly affect society. To provide our customers with safe products and services, we observe not only applicable domestic and international laws and safety standards, but also our internal standards established to ensure safety.

3 Efforts to enhance quality

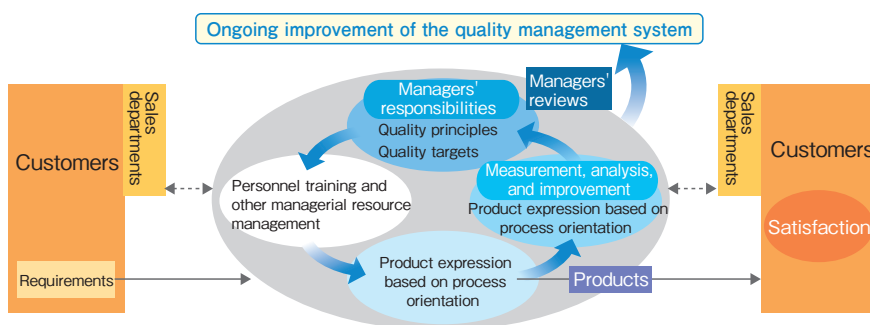
Based on the idea that quality should be built in at the stage of product planning and design, defects should not be overlooked in the manufacturing and inspection processes, and that good products result from good work processes, we have obtained certification under ISO9001^{*1} at all our

production sites, and are continuously enhancing our quality management system^{*2}. We will also strive to obtain certification under JIS Q9100^{*3} and TL9000^{*4}, which apply to specific product areas, in an attempt to provide products and services of higher quality that better meet customer requirements.

4 Efforts to address quality problems

It is important to promptly address any quality problem that may emerge, thus minimizing possible trouble to our customers. We have built up a mechanism and a system that, in case of a major quality problem, allow us to promptly report the problem to the president and top management so that these executives can promptly and thoroughly respond to quality issues. The series of efforts in examining quality problems and preventing the recurrence of such problems is called "gleaning." While validating the situation of similar products in an attempt to prevent similar incidents, we identify the direct technical causes of problems as well as motivational causes that led to the incident in order to prevent recurrence based on the basic principles of: "The key to gleaning is customer satisfaction" and "Do not keep problems hidden."

Flow of quality enhancement efforts



Gleaning

URLs to inquire about our products and services

Home Page of Hitachi Kokusai Electric Inc.

► <http://www.h-kokusai.com/global/>

- Inquiry on wireless communications and information systems
<http://www.h-kokusai.com/global/products/wireless/contact.html>
- Inquiry on broadcasting and video systems
<http://www.h-kokusai.com/global/products/video/contact.html>
- Inquiry on semiconductor manufacturing systems
<http://www.h-kokusai.com/global/products/semicon/contact.html>

Service Companies

- Home Page of Hitachi Kokusai Electric Services Inc.
<http://www.hs-web.jp/>
- Home Page of Kokusai Electric Semiconductor Service Inc.
<http://www.kss.h-kokusai.com/>

Usual inquiries concerning quality problems and repairs are undertaken by the relevant sales and service staff.

Glossary

- *1 ISO9001: International standards for management systems designed to continuously supply products and services satisfying customer requirements
- *2 Quality management system: A mechanism for maintaining and enhancing the business process of providing products and services, in order to improve the quality of those products and services
- *3 JIS Q9100: Quality management standards applicable to organizations that manufacture and supply aeronautical and astronautic products
- *4 TL9000: Quality management standards applicable to organizations and subcontractors that provide telecommunications products

Social Report

With Our Business Partners

Basic Principles for Procuring Materials at the Hitachi Kokusai Electric Group

The Hitachi Kokusai Electric Group procures materials, services, and other items necessary for production and supply in appropriate qualities, under specified delivery terms, and at reasonable prices from global markets to provide products that its customers will appreciate and be satisfied with. The Group also emphasizes the need to observe relevant laws, be eco-friendly, and engage in fair and open trading in order to form close partnerships with its business partners.

[Partnership] We forge better partnerships with all our business partners, and thus deepen our mutual understanding and maximize the effects of such relationships built based on confidence.

[Open door] We base ourselves on the principle of free competition, and therefore engage in fair and equal trading, whether at home or abroad.

[Choosing business partners] We choose business partners based on a sufficient evaluation and appropriate formalities regarding the qualities, delivery dates, and prices of procured products, management reliability, eco-friendliness, and expertise in technical development.

[Provision of information] We respond in good faith to the requirements of our business partners and provide them with information necessary for trading. We also seek useful information from our business partners.

[Protection of trade secrets] We will strictly control all trade secrets made available to us and strive to keep such secrets in strictest confidence.

Sharing of CSR in the supply chain

The Hitachi Kokusai Electric Group considers sharing CSR indispensable in order to build a business model with which to grow together with its business partners. More specifically, the Group positions the respect of human rights, environmental conservation, contributions to society, the building of worker-friendly workplaces, and similar factors as among the indicators with which to choose suppliers.

Collaboration with our business partners

The Hitachi Kokusai Electric Group is promoting **VEC**^{*1} (Value Engineering for Customers) activities designed to improve design, materials, processing, and other operations for providing its customers with high-performance products and services. The Group also responds positively to proposals from our business partners for creating high-quality products in collaboration with the business partners.

Green procurement

The Hitachi Kokusai Electric Group positively promotes the procurement of more eco-friendly materials and parts. More specifically, the Group regards business partners who have obtained certification under the **ISO14000** series and other specified environmental standards as "green suppliers," and as of April 2007 has registered more than 200 business partners as "green suppliers." For unregistered corporations, the Group provides assistance to help them obtain certification by using the Hitachi Group's assistance system.

BPM (Business Partner Meeting) activities

The Hitachi Kokusai Electric Group promotes **BPM**^{*3} activities on a factory-by-factory basis in promoting the various principles described thus far by joining forces with its business partners as a single unit. These activities offer an opportunity not only to promote the Group's business principles and offer various other kinds of information, but also to respond to the requirements of business partners and answer their questions in an effort to share information with our business partners.

The photos presented here show scenes from the BPM General Assembly held at the Toyama and Koganei Works in March this year.



Toyama Works: 130 representatives from 78 corporations



Koganei Works: 160 representatives from 110 corporations

Contacts for business partners

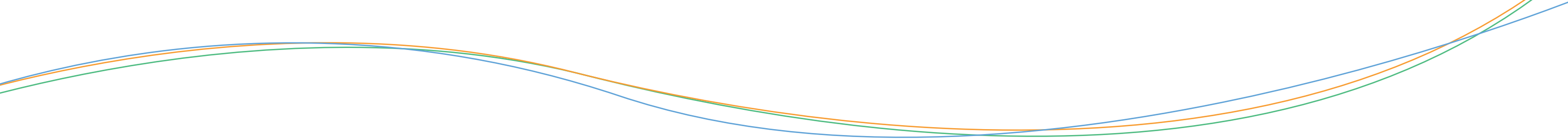
We make it a rule to interact with our business partners fairly and in good faith. Just in case anything happens that may cause any doubt, we have established the "Ethical Helpline of the Hitachi Kokusai Electric Group" to receive reports from our business partners. For the e-mail address, and geographical address of the contact, please refer to the "Ethical Helpline of the Hitachi Kokusai Electric Group" at the bottom of page 16 in this report.

Glossary

*1 **VEC**: Stands for "Value Engineering for Customers." Improvement activities for design, materials, processing, and other operations to match the functions of products and services meeting customer expectations

*2 **ISO14000**: International standards regarding management systems that allow corporations and other organizations to continue environmental improvement activities

*3 **BPM**: Stands for "Business Partner Meeting." A meeting at which the Group shares a variety of information with its business partners



Social Report

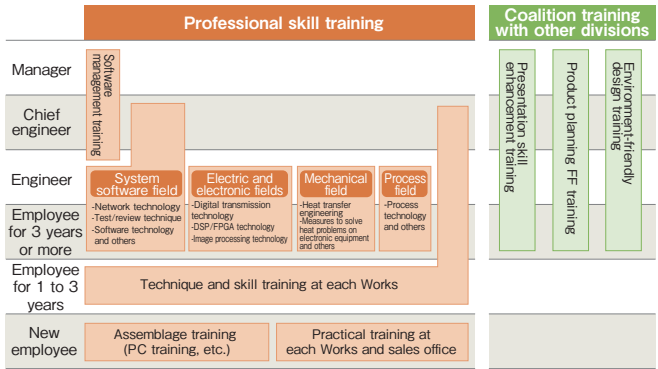
With Our Colleagues

In recent years, our company has been changing the structure of business departments, reorganizing its Group member companies, and conducting business structural reforms for "overall optimization" and "efficient management." We consider "people" to be the center of all these reforms and that our most important efforts lie in enabling outstanding personnel to display their full abilities without reservation. Under that concept, we have been revising various programs, training personnel, and organizing our workplace environment.

Assistance in career development

Our basic philosophy in developing personnel is to train our employees to "think for themselves and act on their own convictions." The basis lies in self-training where every employee sets and addresses their own goals and challenges, while we provide on-the-job training and training programs classified by rank and job category.

Among the representative seminars are "leadership development seminars" and "career development seminars" intended for employees with seven to ten years of service in the company. "Carrier development seminars" analyze the individual areas of strength and values among the trainees. By allowing them to discover the points that make their jobs and lives more fulfilling, these seminars provide opportunities for self-actualization and personal growth. The "management leader special program" seminars began at the beginning of the latter half of fiscal 2005. The half-year curriculum is organized so that trainees can debate themes with executives and train together in terms of the roles of business managers based on various issues, including engineer ethics and CSR.

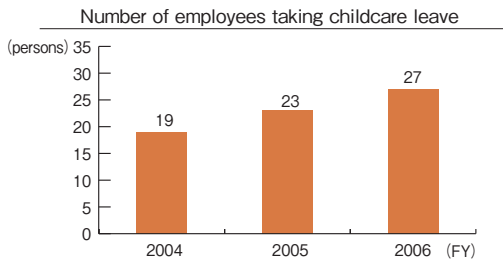


Ongoing human rights seminars

To prevent unscientific discrimination against people of certain domestic communities, races, nationalities, and sex, and for other reasons, human rights seminars are held companywide in a systematic manner. To prevent sexual harassment more effectively, fiscal 2006 saw about 30 sexual harassment advisors trained Group-wide by both labor and management. Moreover, a human rights seminar is repeated periodically in the Group member companies as a permanent seminar included in recruiting seminars, seminars for middle-rank employees, new salaried employee seminars, new general manager seminars, and other rank-specific seminars.

Assistance in rearing the next generation

As an assistance program for employees having and rearing children, we provide a childcare leave program as well as a program of shorter service hours geared for childcare. This program is available to parents until immediately before their children enter elementary school. It has been decided that from fiscal 2004 on, parents living in communities where no childcare program is available can continue using the corporate program until their children complete the third year at elementary school. From fiscal 2004 on, the number of employees taking advantage of the childcare leave program has increased every year. In fiscal 2006, 27 of the 28 applicable employees joined the program.



Promoting the employment of diverse personnel

According to the guideline of "Respect the diversity, character and individuality of all employees," we promote the employment of elderly citizens and persons with disabilities.

The rehiring program for retirees, which was introduced on a trial basis in fiscal 2005, was introduced on a full-scale basis in fiscal 2006, resulting in 25 employees being rehired as senior employees. We thus use the skills of experienced senior employees and provide a rewarding workplace. Moreover, Koganei Works recycles paper resources by using wet shredders. This is intended not only to "ensure information security" and "promote the buildup of a recycling society," but also to create more job opportunities for persons with disabilities. Fiscal 2007 will mark the start of collecting documents from all places of business in the Tokyo region, thus promoting recycling and expanding job opportunities for persons with disabilities.



Systematic implementation of safety and health activities

Our companywide basic policy is: "Urge all employees to re-recognize 'safety first' and 'mental and physical health first' in an effort to reduce risks within the workplace, and thus establish a workplace environment where people can work with peace of mind." With that policy in mind, each place of business has drafted its own safety hygiene activity plan and is striving to systematically maintain and improve its levels of safety and health. In fiscal 2007, we emphasize the following eight items:

- 1 Recheck the potential for disaster, then take and revise corrective action to ensure safety and health.
- 2 Examine and eliminate risks and hazards to ensure safety in terms of machinery, equipment, and work methods.
- 3 Implement safety activities to increase safety awareness and establish a flexible workplace culture.
- 4 Ensure mental and physical well-being, and establish a comfortable workplace.
- 5 Prevent health disorders due to overwork and work-induced stress.
- 6 Observe relevant laws and regulations.
- 7 Ensure that risk management is thoroughly conducted. (Continue to take actions against earthquakes, fires, explosions, and other accidents.)
- 8 Ensure that appropriate actions are taken thoroughly against asbestos hazards.

Providing even better mental health care

We had implemented the Employee Assistance Program (EAP) to help its employees solve their problems and concerns. Since fiscal 2006, we have been implementing the mental health care program for the entire Group with the three-year plan, aiming to reduce by half cases of mental disorder by collaborating with the Health Insurance Association. More specifically, we held mental health seminars at offices and factories nationwide for all employees. A total of 2,086 trainees attended the 23 seminars.

Moreover, opportunities were provided for individual interviewers with a specialist physician each month at an office or factory. A reinstatement program and other matters were also meticulously implemented as a case management.

Continued updates of zero-disasters records

Each place of business has been systematically promoting safety and health activities aimed at achieving the zero-disasters target.

Each month, safety and health representatives implement the 5 S's (*seiri, seiton, seiso, seiketsu, and shitsuke*; that is, "tidiness, orderliness, systematized cleanliness, standards," and "sustaining discipline"), conduct inspection tours, examine general cleaning of the workplace, and give suggestions to prevent *hiyari hatto* (discovery and improvement of unsafe situations), thus identifying risks carefully. As a result, each factory has achieved a record of zero disasters as shown in the table below.

Achievement status of zero-disasters records		
Place of business	Zero-disasters record	Date achieved
Hamura Works	Class 5 (35.5 million hours)	May 2004
Koganei Works	Class 2 (10.5 million hours)	January 2005
Toyama Works	Class 2 (10.5 million hours)	September 2006

* The Toyama Works obtained certification for its "Occupational Safety and Health Management System (OSHMS)" in June 2001.

Disaster prevention measures

For disaster prevention, we have long had a large-scale earthquake disaster manual for each factory and been providing general refuge training according to that manual. For fiscal 2007, we have raised the action level even more and are now committed to drafting a [Business Continuity Plan \(BCP\)](#).

The private firefighting team at each factory plays a central role in disaster prevention activities. In fact, the team undergoes periodic training every month to raise the skills of members relative to initial firefighting, refuge guidance, and other operations. As a result, the Operation Method Training Examination Meeting organized by competent local fire departments considers every factory as achieving good results. Moreover, under the agreement with the city of Kodaira and the Kodaira Fire Department, Koganei Works features a system where its firefighting squad is to be mobilized and dispatched in case of an earthquake-induced fire in the neighborhood, and thus contributes to community firefighting.



In fiscal 2006, the private firefighting team won at the Operation Method Training Examination Meeting organized by the Kodaira Fire Department.

Social Report

With Our Community

The Hitachi Kokusai Electric Group considers having each factory blend in and develop with the local community as being of the utmost importance. It therefore actively meets community requests for the factories to do such things as participate in various local events and festivities, and allow local residents to visit the factories.

Toyama Works

■To maintain harmony with the community, Toyama Works contributes donations to the "Hikiyama Festival" and the "Owara Kaze no Bon Festival."



■Toyama Works held social event to interact with members of the French Rotary Club and took them to a tour of Toyama Works.



■Agreeing to the gist of facility management, Toyama Works donated six wheelchairs to a nearby group home.

■Toyama Works contributed to a donation for Noto Peninsula earthquake disasters organized by the "Tsurugi Society" of the Hokuriku Branch of Hitachi, Ltd.

■Toyama Works invited pupils from local elementary school as a part of an educational program.



■Agreeing to the idea of a program for persons with disabilities to have work experience at corporations, Toyama Works invited those who wish to have work experience in the factory.

■Toyama Works joined a traffic safety exchange session linked with local corporations to promote elimination of traffic accidents.

Kokusai Electric Semiconductor Service Inc. (Toyama Works)

■Cleaning the riverbed of the Jintsu River

Before the opening of the *ayu* ("sweetfish") season, about 60 employees and their family members joined the activities. These activities were reported on a local TV and in newspapers as well.

■Reforestation

Roads to an afforestation area are often blocked by underbrush. We first cleared underbrush as the first step toward reforestation.

YAGI ANTENNA INC.

■The Omiya Works of YAGI ANTENNA INC. invited pupils from a nearby elementary school for extracurricular schooling.



■Reception of trainees for corporate practical training

The Omiya Works of YAGI ANTENNA INC. also invites two students from a nearby junior high school to allow them to experience the workplace, and two others from a senior high school to give them practical training at the factory. The trainees commented to the effect that "this proved a valuable experience because we had an opportunity to do some work that we otherwise could not experience during our school days," referring to such tasks as tightening screws and using meters to make adjustments.



Koganei Works

■The private firefighting team organized by employees of Koganei Works cooperates in firefighting in the local neighborhood as part of an agreement reached between the Works and the municipal government of Kodaira. Just in case, Koganei Works also introduced in March 2007 a new model fire engine with which it now conducts periodic training.



■In recognition of the efforts made by Koganei Works in preventing disasters and its contributions to the community through the Kodaira Firefighting and Disaster Prevention Association, the Superintendent-General of the Tokyo Fire Department wrote a thank-you letter to Koganei Works.

■In recognition of its efforts in activities of the Traffic Safety Association and its participation in activities on the streets during traffic safety week, along with other daily positive commitments to traffic safety activities, Koganei Works received a thank-you letter from the Kodaira police station of the Metropolitan Police Department.

Hamura Works

■To help the community reactivate itself, Hamura Works cooperates in various measures and activities organized by the municipal authorities of Hamura, the Hamura City Chamber of Commerce and Industry, Hamura Sightseeing Association, and other entities.

■In the city of Hamura, the Board of Education provides junior high school students with opportunities to learn from workplace experience in order to "train every student to acquire a voluntary sense of responsibility." In cooperating with those efforts in fiscal 2006, Hamura Works invited a total of six students from two schools in the city.

■Employees do volunteer work for the "Flower and Water Festival" (held in March and April), "Full Bloom Campaign" in May, "Summer Festival" in July, "Industrial Festival" in November, and other festivities designed to reactivate the community.



Cooperation in the "Flower and Water Festival"

○Furthermore, we are also active in other respects, such as cleaning the neighborhood around the factories and providing parking spaces for local festivities.

Social Report

With All Our Stakeholders

Internal Control

Based on the basics, we use the checking function. ———

Checking our management

As a committee system corporation, the Hitachi Kokusai Electric Group directs its Audit Committee that includes two outside directors to inspect whether the Group runs itself properly.

Through factory inspections and deliberations at monthly meetings of the Auditing Committee and the Board of Directors, we receive useful advice.

Observance of law

With the CSR Promotion Division at the center, the Group uses all its power to provide training and conduct periodic field audits designed to ensure that all personnel observe laws and regulations, such as the Export Control Law, the Anti-Monopoly Law, and Personal Information Protection Law.

Ensuring the reliability of financial information

While promoting reforms in its business process as a companywide project, we are preparing for a system in which where the top executive evaluates the Group's internal control related to the reliability of financial information. We are preparing for the implementation of law in fiscal 2008 when the evaluation of internal control is to be audited by accountants.

Internal reporting system: "Ethical Helpline of the Hitachi Kokusai Electric Group"

According to the legal advice of our attorney (an outside commissioner) urging us to "keep secrets," "not treat informants unfavorably," and "handle reports in good faith," we use all information given to the internal reporting system to improve the internal control and culture, and thus earn the confidence of informants.

Ethical Helpline of the Hitachi Kokusai Electric Group

e-mail rinri.helpline@h-kokusai.com

Postal mail Representatives of the Ethical Helpline of the Hitachi Kokusai Electric Group
AKIHABARA UDX Bldg. 11F
4-14-1, Sotokanda, Chiyoda-ku, Tokyo
101-8980, Japan

The Helpline accepts reports not only from employees of the entire Group but also from its business partners.

Public Relations

The Hitachi Kokusai Electric Group strives to make its business and social contributions known to wide-ranging segments of the public. ———

Briefings on closed accounts, etc.

The Group provides institutional investors and securities analysts with quarterly briefings on closed accounts, individual research, factory visits, and other operations in order to provide a deeper understanding of the Group.



A video of the company profile and TV commercial broadcasts of local stations are shown at a corner near the receptionist desk in the headquarters.

Newspaper ads

These ads explain where the Group's products are used.



Ads in a business magazine and at train stations

The roles of semiconductor manufacturing equipment are presented together with the traditional performing arts in the factory's neighboring region.



Eco-management (promoting environmental management)

Hitachi Kokusai Electric Action Guidelines for Environmental Conservation

Purpose

In order to realize an environmentally harmonious and sustainable society through products and services, Hitachi Kokusai Electric is committed to meeting its social responsibilities by promoting globally-applicable *Monozukuri* (designing, manufacturing or repairing of products), which is aimed at reducing environmental burdens of products throughout their entire life cycles, ensuring environmental conservation.

Action Guidelines

- Global environmental conservation is a critical challenge shared by all humans. Hitachi Kokusai Electric is committed, therefore, to fulfilling its responsibilities by assisting in the realization of an environmentally harmonious and sustainable society as one of its management priorities.
- Hitachi Kokusai Electric will make efforts to contribute to society by developing highly reliable technologies and production processes, while identifying needs considering concerns related to global environmental conservation and limited resources.
- Executive Officers in charge of environmental conservation and *Monozukuri* are responsible for facilitating appropriate environmental conservation activities. Through divisions responsible for environmental conservation they should endeavor to promote and ensure environmental conservation activities, including improving environment-related rules and regulations and setting goals for environmental burden reduction. They should also confirm that their environmental conservation activities are conducted in a proper manner and ensure that these activities are maintained and improved.
- Hitachi Kokusai Electric will promote globally applicable *Monozukuri* with the aim of reducing environmental burdens at every stage, including product research and development, design, production, distribution, sales, usage and final disposal.
- Hitachi Kokusai Electric will investigate and review the environmental impact caused in the course of its *Monozukuri* processes. Hitachi Kokusai Electric will also introduce excellent technologies and materials useful to safeguard the environment, in other words, to reduce environmental burdens through energy and resource saving, chemical substance management, recycling, and other measures.
- Hitachi Kokusai Electric's environmental conservation efforts are not only to be focused on observing international environmental regulations and those of national and local governments, but also on conserving the environment by implementing voluntary environmental standards when necessary.
- Regarding globally-applicable *Monozukuri* activities, impact on the local environment and community are to be considered. In addition, measures that meet local communities' requests should be implemented.
- Hitachi Kokusai Electric will educate its employees on the observance of environment-related laws, raise their environmental awareness and encourage their interest in society at large and broad-based environmental conservation activities.
- Hitachi Kokusai Electric will evaluate potential environmental problems and prevent them from occurring. In the event that any environmental problem occurs, Hitachi Kokusai Electric will take appropriate measures to minimize the impact on the environment.
- Hitachi Kokusai Electric will make efforts to disclose information on its environmental conservation activities to its relevant stakeholders. Hitachi Kokusai Electric will also actively communicate with these stakeholders so as to strengthen mutual understanding and forge cooperative relationships with them.

Status of acquiring certification under ISO14001

The Hitachi Kokusai Electric Group began to obtain certification under ISO14001 in fiscal 1996 and acquired certification under ISO14001 for all its manufacturing and service sites in fiscal 2006.

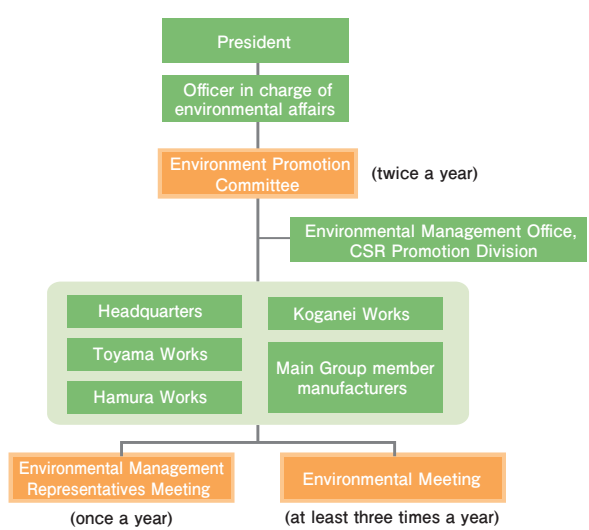
Fiscal 2007 is scheduled to see the Group acquire integrated certification under ISO14001, including the headquarters, which has yet to be certified under ISO14001.

Environmental management system for fiscal 2007

With the president at the top, the "Environment Promotion Committee" comprised of an officer in charge of environmental affairs, general managers of Works, and the environmental affairs officers of Main Group member manufacturers deliberates, determines, and implements a medium term environmental action plan, yearly targets, and important challenges for the entire Group.

The Environmental Management Office of the CSR Promotion Division, as one of the business support divisions, helps promote decisions made by the Environment Promotion Committee and performs follow-ups on the progress of such actions at the "Environmental Management Representatives Meeting."

At the "Environmental Meeting" attended by environmental practitioners, the Hitachi Kokusai Electric Group also implements its general principles and environmental action plan, and thus reports action results, exchanges information, extends its findings horizontally, and solves problems.



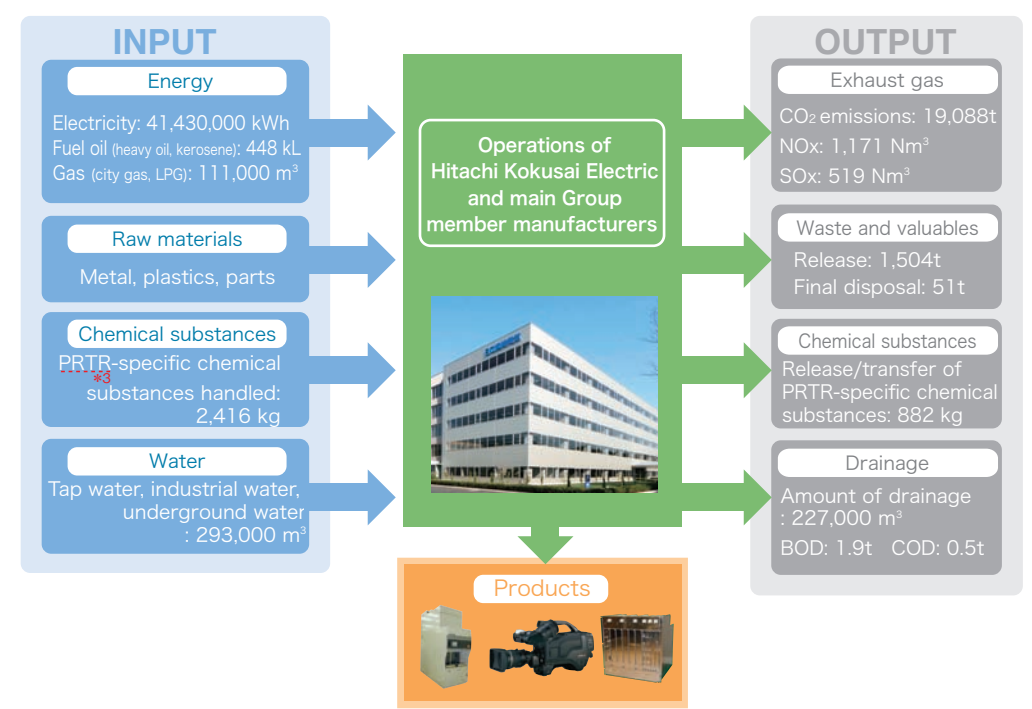
Targets and Results of Environmental Activities in Fiscal 2006

	Main item	Medium term plan	Fiscal 2006 targets	Fiscal 2006 results	Evaluation
Eco-management	Enhancing the environmental management system	Acquisition of certification under ISO 14001 at non-manufacturing sites	Integration of non-manufacturing departments relocated to Works into the ISO 14001 system	Koganei Works integration complete	100%
	Environmental operation auditing	Enhancement of environmental operation auditing including Group member companies	Inside Hitachi Kokusai Electric: 2 Works Group member companies: 7 sites	Inside Hitachi Kokusai Electric: 1 Works Group member companies: 6 sites	80%
Eco-products	Promoting Environmental CSR <i>Monozukuri</i>	Establishing product traceability	Implementing environmental CSR <i>Monozukuri</i> standards	Implementation complete as per corporate regulations and Works rules	100%
			Managing chemical substances contained in products	Registration of parts in some products, registration of information about receipts and shipments	80%
Eco-factories	Promoting eco-friendly products	Sales ratio of eco-friendly products: 100% in fiscal 2010	Sales ratio of eco-friendly products: 80%	Sales ratio of eco-friendly products: 88%	100%
	Prevention of global warming (energy-saving efforts)	25% reduction in basic unit of CO ₂ emissions in actual production by fiscal 2010 (from level in fiscal 1990) ^{*2}	21% reduction in basic unit of CO ₂ emissions in actual production (from level in fiscal 1990)	47% reduction in basic unit of CO ₂ emissions in actual production (from level in fiscal 1990)	100%
	Waste reduction	90% reduction in final disposal by fiscal 2010 (from level in fiscal 1998)	86% reduction in final disposal (from level in fiscal 1998)	93% reduction in final disposal (from level in fiscal 1998)	100%
		Final disposal rate: 1% or less	Final disposal rate: 3% or less	Final disposal rate: 3.4%	80%
	Chemical substances management	40% reduction in release of "reducible substances" by fiscal 2010 (from level in fiscal 2000)	32% reduction in release of "reducible substances" (from level in fiscal 2000)	79% reduction in release of "reducible substances" (from level in fiscal 2000)	100%

Evaluation standard: 100% : achieved 100% 80% : achieved 80% or more 80% : achieved less than 80%

Operations and environmental loads

In conducting its operations, the Hitachi Kokusai Electric Group expends resources and energy to provide products. At the same time, such operations discharge CO₂ and waste. Hitachi Kokusai Electric and its main Group member manufacturers monitor the inputs and outputs of such elements, and work to reduce hazardous chemical substances and increase energy efficiency.



Glossary *1 Main Group member manufacturers: YAGI ANTENNA INC., Hitachi Kokusai Denki Engineering Co., Ltd., Goyo Electronics Co., Ltd., and Tohoku Electronics Engineering Inc.

Glossary *2 Actual production: Nominal production / Bank of Japan's commodity price index of domestic corporations (of electrical appliances industry)
*3 PRT: Pollutant Release and Transfer Register

Environmental Report

Eco-factories (eco-friendliness in production activities)

Prevention of global warming(energy-saving efforts)

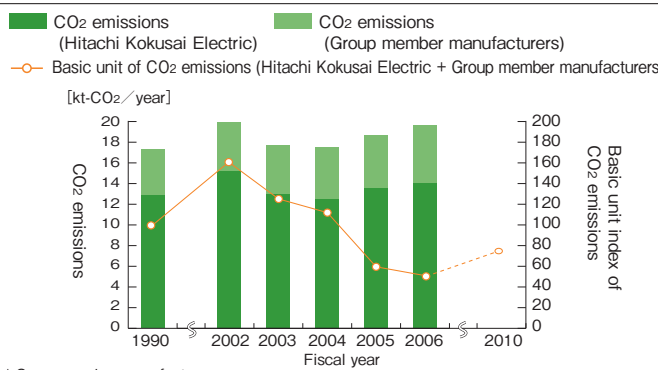
The Hitachi Kokusai Electric Group strives to prevent global warming by targeting a 25% cut in the basic unit of CO₂ emissions in actual production by fiscal 2010 from the level in fiscal 1990.

The basic unit of CO₂ emissions in actual production is the unit of measure for the uniform target of four associations of electrical and electronics manufacturers, and has been used as a control indicator since fiscal 2005. The basic unit of CO₂ emissions in actual production by Hitachi Kokusai Electric and Group member manufacturers in fiscal 2006 was reduced by 47% from the level in fiscal 1990.

Conversely, CO₂ emissions of Hitachi Kokusai Electric and the Group member manufacturers have risen 14% from the level in fiscal 1990 due to a rise in production and the building of add-ons. The Group will continue to take such energy-saving measures as upgrading the equipment into energy-saving types.

The Hitachi Kokusai Electric Group has supported the national campaign "Team Minus 6%" promoted by the Ministry of the Environment since fiscal 2005, reduced the use of air-conditioning at all places of business, and participated in the "black illumination" campaign (to reduce the use of illumination).

Changes in CO₂ emissions and the basic unit index of CO₂ emissions in actual production



* Group member manufacturers:
YAGI ANTENNA INC., Hitachi Kokusai Denki Engineering Co., Ltd., Goyo Electronics Co., Ltd., Tohoku Electronics Engineering Inc., YAGI ELECTRONICS CO., LTD.

The Group joined "Black Illumination 2006," a campaign intended to promote a reduction in CO₂ emissions, and curtail the use of illumination in order to slow the pace of global warming.

The Hitachi Kokusai Electric Group turned off the illumination and related equipment at four sites.



Toyama Works with its company name lamps turned off

"COOL BIZ" and "WARM BIZ"
(Reduced use of air-conditioning)

Employees as well as guests are urged to cooperate.



Energy-saving efforts in physical distribution

The energy-saving law which was amended in April 1, 2006, defines the companies who transport cargo more than 30 million ton-kilometers a year as the designated companies and obligates them to save energy. Our transport in fiscal 2006 totaled 5.99 million ton-kilometers which was one-fifth of the requirement by the energy-saving law. We make the following efforts to save energy in physical distribution.

Eco-friendly efforts in product transport

Semiconductor manufacturing equipment made at Toyama Works of Hitachi Kokusai Electric is used in clean rooms where there is very little dust or dirt. To keep the products clean, shipment requires much packing materials and wooden frame packing. Such heavily packaged products used to be loaded onto two trucks and delivered to customers. In cooperation with Kokusai Electric Semiconductor Service Inc., which is in charge of physical distribution, we introduced clean trailers with capability of keeping cleanliness during transport, and thereby eliminated the need for wooden packing and greatly reduced the amount of packing materials. Moreover, higher loading efficiency by these special-purpose trailers has made it possible to transport all products in a single trailer, thus significantly reducing the energy expended in transport.

- Reduction in packing materials:
66% reduction per product
- Reduction in transport energy:
40% reduction per product



Modal shift efforts

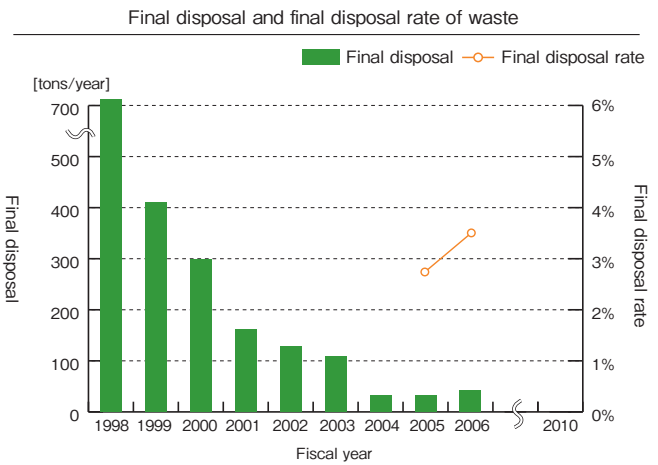
The company in charge of physical distribution for Koganei Works of Hitachi Kokusai Electric - Kokusai Electric Techno Service Co., Ltd. - has introduced a modal shift, from truck to railroad transport. In the railroad transport adopted thus far for certain products, they have managed to cut CO₂ emissions by 81% from the truck transport previously employed. They will continue extending this new means of transport to other products in promoting this modal shift.



Photo courtesy: Japan Freight Railway Company

Waste reduction

Hitachi Kokusai Electric and main Group member manufacturers are committed to make a 90% reduction in final disposal by the end of fiscal 2010 from the level in fiscal 1998. Fiscal 2006 saw Hitachi Kokusai Electric recycle its wrappings and packages for electronics parts, and thoroughly sort their waste, thus making a 93% cut from the level in fiscal 1998 and reaching the target. However, with regard to the 3% final disposal rate of waste, one of the targets since fiscal 2005, we achieved a rate of 3.4% in fiscal 2006, falling a bit short of the target. From now on, we will focus on reducing its final disposal rate down to zero emissions; that is, "a final disposal rate of 1% or less and final disposal of less than 5 tons."



Appropriate control of PCB-containing equipment

Entrepreneurs who own transformers, capacitors, fluorescent lamp stabilizers, and related equipment containing polychlorinated biphenyls (PCBs) are obligated to strictly store and control such equipment, and properly dispose of it by the end of 2016 as per the PCB Special Measures Law. To prevent PCB loss and leakage, the Hitachi Kokusai Electric Group properly controls its PCBs on a continuous basis in locked storage facilities. Moreover, the Group periodically investigates and confirms the storage level and other factors relative to PCB-containing electrical appliances, and reports its findings to the local governments concerned every year.

To properly dispose of PCB waste, the Group registered its applicable equipment with the Japan Environmental Safety Corporation (JESCO) in March 2006, and thereby began the systematic disposal of PCB waste.

Survey results of PRTR-specific chemical substances

According to the "Law concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management" (PRTR Law) that became effective in April 2001, places of business handling more than one ton of any such substances have been legally obligated to report the chemical substances ever since fiscal 2003. However, neither Hitachi Kokusai Electric nor its main Group member manufacturers have encountered any reportable substances exceeding the applicable quantity handled.

From this fiscal year on, the Group member companies to which we have commissioned part of its manufacturing operations are part of the tabulation.

PRTR-specific chemical substances actually released and transferred (in kilograms per year)					
(Sum of Hitachi Kokusai Electric and main Group member manufacturers)					
Chemical substance	Quantity handled	Consumption	Quantity recycled	Transfer	Release
Lead and its compounds	1,019	651	99	269	0
Hydrogen fluoride and its water-soluble salts	777	0	690	0	80
Toluene	299	41	0	6	249
Xylene	278	12	0	5	261

*Substances significantly handled are shown above.

Controlling contamination of soil and groundwater

According to the "Soil Contamination Countermeasures Law" which became effective in February 2003, the Hitachi Kokusai Electric Group conducts voluntary surveys of soil and underground water on its own properties.

Fiscal 2006 saw lead contamination found in the ruins of small incineration furnaces at two of the Group's sites. The Group then replaced the soil and finished purifying it.



Environmental Report

Evaluation of Environmental Activities

The Hitachi Group's environmental activities, [GREEN 21] activities
<http://greenweb.hitachi.co.jp/en/csr/ecomind/green21/index.html>

"GREEN 21" Ver. 3 activities and fiscal 2006 evaluation results

The Hitachi Group launched the "GREEN 21" Ver. 1 activities in fiscal 1998 and "GREEN 21" Ver. 2 in fiscal 2002 to improve its environmental activities and level of activity on a continuous basis. In fiscal 2006, the Group introduced "GREEN 21" Ver. 3 to continue upgrading its environmental activities and has since been working on it. This activity divides environmental activities into eight categories, and urges the Group to evaluate its own performance based on a certain criteria of evaluation and improve its environmental activities on a continuous basis. Here, 200 GP (green points) represent the highest rating in each category. For a grand total, 1,600 GP represent the highest rating. The target for fiscal 2010 - the final fiscal year - is set to 1,280 GP.

Result reporting

Our performance in fiscal 2006 averaged 721 GP, falling short of the 768 GP targeted for fiscal 2006. We also had low scores in eco-friendly products (Eco-products) and green procurement. In the future, we will focus on improving these items, along with others.

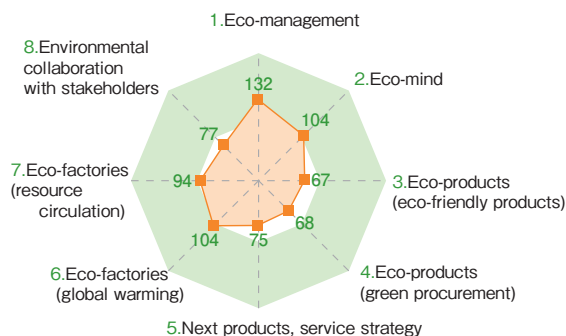
Environmental accounting

According to the Hitachi Environmental Accounting Guidelines, we monitor the costs and effects of environmental activities quantitatively. Costs are considered to comprise plant investments in environmental activities, along with expenses for developing and designing eco-friendly products, and expenses for the operation management of environmental conservation equipment. The effects determined involve economic effects monitored based on secure grounds.

Result reporting

Fiscal 2006 saw a 4% rise in costs (expenses) due to a rise in the design expenses of eco-friendly products from the preceding year. The environmental investments made covered the introduction of efficient transformers and other efforts to upgrade existing equipment with energy-saving models.

The economic effects consisted of cuts in materials and parts expenses due to resource-saving design, the expenses for which marked a rise from the preceding year. We will continue using environmental accounting as a tool for ongoing improvements in order to increase the return on investment.



GREEN 21 evaluation items

Category	Main evaluation items
1 Eco-management	Environmental action plan, environmental accounting, risk management
2 Eco-mind	Environmental education for employees
3 Eco-products (eco-friendly products)	Eco-friendly products, control of chemical substances contained in products
4 Eco-products (green procurement)	Green procurement, green purchase
5 Next products, service strategy	Business/product strategy, sustainable business model, external publicity
6 Eco-factories (global warming)	Energy-saving in places of business, environmental response in physical distribution
7 Eco-factories (resource circulation)	Waste reduction, management of chemical substances
8 Environmental collaboration with stakeholders	Information disclosure, communication activities, global citizen activities

Costs (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Costs within factory areas	178.3	180.6	163.9	Costs for maintenance and management of environmental load reduction facilities
Upstream and downstream costs	0.3	0.3	0.2	Costs for green procurement and recycling
Management activity costs	81.2	76.8	89.3	Personnel expenditures for environmental management, maintenance costs for environmental management system
Design costs	204.4	168.0	191.0	Expenses for developing and designing eco-friendly products
Social activity costs	2.1	3.0	2.1	Costs for environment improvements such as greening and landscaping, PR, and publicity
Costs related to environmental damage	0.2	0	1.2	Environment-related compensation, contributory money, and surcharges
Total cost	466.5	428.8	447.8	—

Investments (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Investments in environmental conservation	51.5	169.2	31.0	Investments in environmental load reduction facilities such as energy conservation facilities

Economic effects (in millions of yen)

	FY 2004	FY 2005	FY 2006	Main contents
Effects on real income	1.0	4.3	9.9	Profit on sale of recycled waste, etc.
Expenditure reduction	4.8	6.2	17.5	Cost-saving effects, etc. by saving energy
Material cost reduction	39.0	4.0	61.6	Reducing materials and parts expenses, etc. by resource-saving design, etc.
	44.8	14.5	89.0	

* Both previous years' data were restated by the revised method of tabulating design costs.

Glossary

*1 RoHS Directive: The RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) Directive prohibits the inclusion of hexavalent chromium, lead, cadmium, silver, or bromine-based flame retardants (PBBs and PBDEs) in products to be marketed in the EU (in and after July 2006).

Environmental Report

Eco-products (eco-friendly products)

Eco-friendly products of fiscal 2006

Vertical QTAT Diffusion/LPCVD System 「QUIXACE®」

- 1) Power consumption of the system was reduced by 13% by throughput enhancement through fast temperature recovery technology.
- 2) Weight of the system was reduced by 17% by a design optimization.
- 3) Less packing materials, electronic paperless operation manuals.



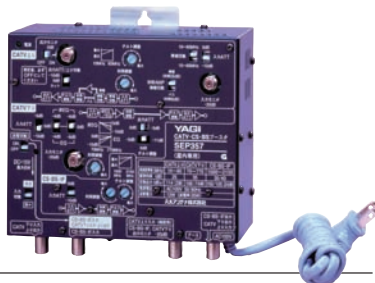
2-million-pixel industrial CCD camera 「KP-F230SCL」

- 1) Environmental conservation: Compliant with the RoHS Directive^{*1}
- 2) Smaller size: 80% smaller
- 3) Lighter weight : 75% lighter
- 4) Power consumption : 50% lower



CS·BS-IF/770 MHz bidirectional CATV booster 「SEP357」

- 1) Power consumption : 9% lower
- 2) Disassemblability/disposability: 12% higher



YAGI ANTENNA INC.

Ultrasonic Generator 「UO1200PMCX」

- 1) Environmental conservation: Compliant with the RoHS Directive
- 2) Power consumption : 25% lower
- 3) Lighter weight : 32% lighter
- 4) Smaller size : 30% smaller



Hitachi Kokusai Denki Engineering Co., Ltd.

* The changes in percentage are from conventional models.

The Hitachi Kokusai Electric Group develops products with its unique "eco-friendly design assessment" based on the concept of eco-friendly design in order to minimize the environmental loads of products in various stages of the product life cycle (materials → production → distribution → usage → recovery and disassembly → proper disposal).

The Group defines eco-friendly products as those that excel in eco-friendliness where each category of "eco-friendly products" scores at least 2 out of 5 points as standard, and with a total average of at least 3 points."

Category	Life cycle stage	Assessment criteria
Resource reduction	Selection of component materials, production, and distribution	Resource conservation, compactness, lightweight, conformity, high yield, standardization
Product longevity	Usage	Upgradability, ease of repair and maintenance, durability, reliability
Resource recycling	Reuse, distribution	Reusability, conformity/labeling of component materials, use of recycled materials, promotion of resource recycling
Ease of disassembly	Disassembly	Ease of disassembly, materials, ease of sorting, labeling of materials
Ease of processing	Production, distribution, disassembly	Crumbing, fragmentation, disassembly and separation, ease of processing
Environmental safety	Materials, production, distribution, usage, disassembly, disposal	Potential toxicity, potential harmfulness, explosiveness, potential hazard
Energy conservation	Usage, production	Energy conservation, longer durability, energy efficiency
Provision of information	Usage, disassembly, disposal	Provision of information regarding processing, provision of information regarding product disposal

Editor's postscript

Thank you very much for reading the Hitachi Kokusai Electric Group CSR Report 2007. We warmly welcome your comments and opinions by answering the specified questionnaire or sending us e-mail, telephoning directly, or otherwise contacting us. We wish to make this report even better by joining forces with all our stakeholders. We therefore hope for your continued support and attention.



Questionnaire for the CSR Report 2007

http://www.h-kokusai.com/global/corporate/er/quest_2007.html



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