

Hitachi Kokusai Electric Group  
CSR Report 2008



To discuss another step for us into the future....

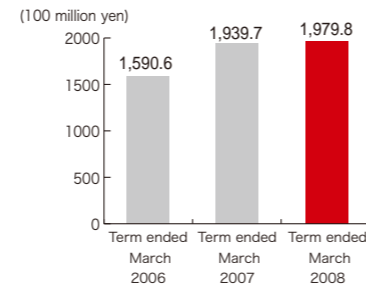
## Company Outline (as of March 31, 2008)

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	197,983 million yen (consolidated)
Employees	4,895 (consolidated)

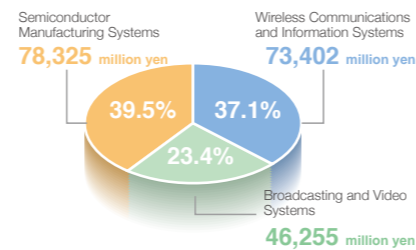


**Headquarters**  
(AKIHABARA UDX Building 11th floor)

### Consolidated Sales



### Consolidated Sales by Segment



Grand Total: 197,983 million yen

## Main Products

### Wireless Communications and Information Systems



### Broadcasting and Video Systems

#### Broadcasting Equipment, Receivers, Monitors, and Image Processors



### Semiconductor Manufacturing Systems

#### Semiconductor Manufacturing Equipment



### Glossary

- ※ 1 FPU ... Field Pick-up Unit
- ※ 2 Q/TAT ... Quick Turn Around Time
- ※ 3 ALD ... Atomic Layer Deposition
- ※ 4 MMT ... Modified Magnetron Type

## CONTENTS

<b>Company Outline and Main Products</b>	01
<b>Commitment of President and Chief Executive Officer</b>	03
<b>Special Report</b>	
<b>Creative Manufacturing That Helps Slow Down Global Warming</b>	05
<b>With Our Customers</b>	
Wireless Communications and Information Systems	07
Broadcasting and Video Systems	08
Semiconductor Manufacturing Systems	09
Group Companies	10
Quality Assurance	11
<b>With Our Business Partners</b>	12
<b>With Our Colleagues</b>	13
<b>With Our Community</b>	15
<b>With All Our Stakeholders</b>	16

### Eco-management

(promoting environmental management)	17
Targets and Results	18
<b>Eco-factories</b>	
(eco-friendliness in production activities)	19
Prevention of global warming and waste reduction	20
<b>Evaluation of Environmental Activities</b>	21
<b>Eco-products</b> (eco-friendly products)	22

### Editorial Policy

This report is intended to declare that the Hitachi Kokusai Electric Group considers earning the confidence and meeting the expectations of society through all its business activities as its corporate social responsibility (CSR), and to describe and report how it works to fulfill that responsibility.

At the Group, we wish to make this report an opportunity to communicate, deepen mutual understanding, share our ideas and exchange information with our customers, business partners, colleagues, neighbors, stockholders and many other stakeholders. To that end, we narrow it down to the essential contents and items, thereby striving to make the report more readable and understandable.

### Scope of this Report

**Period** Fiscal 2007 (from April 1, 2007 to March 31, 2008)

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

Scope of Data:

Indicated under each item (Environmental impact and environmental accounting were tabulated based on data from the production sites marked ⊙ below.)

- 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.

### Next Issue

The Company has issued an annual "Environmental Report" since October 2001. Renamed as the "CSR Report 2006" in June 2006, the report has been issued in its present form since 2007. The next report is planned to be issued in June 2009.

Cover photos : The photos shown are those of our colleagues receiving their customers and having meetings, and photos of festivities held in the vicinity of our production sites which we support.

## Factories of the Company

### •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 Communications 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.



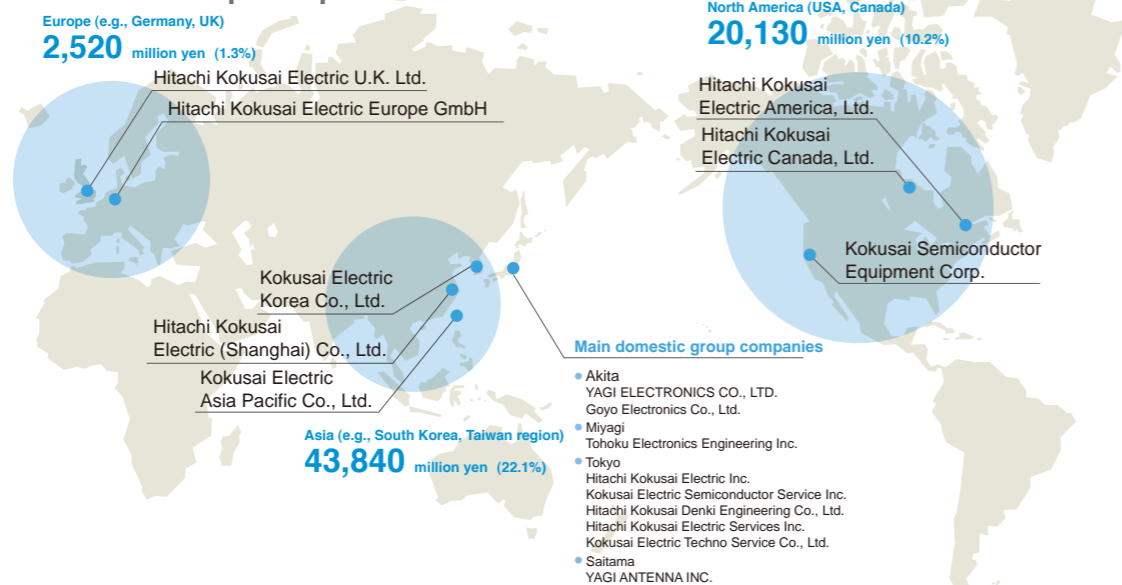
### •Koganei Works

#### Main products: Wireless Communications 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 communications 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 and Main Group Companies



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

\* The company names herein reflect the re-organization of the European operation as of the beginning of April 2008.

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 continued generous support of the Hitachi Kokusai Electric Group.

Here, we are pleased to provide you with the "Hitachi Kokusai Electric Group CSR Report 2008." We wish to report to our stakeholders how our Group has been running itself and promoting its business, and request your ongoing assistance and advice.

In our Hitachi Kokusai Electric Code of Conduct, we have defined our Fundamental Philosophy to manufacture products that contribute to a safe and affluent society, looking to the future never stop working for continuous improvement, and observe the fundamen-

tals, do things the right way and be fair and transparent in all aspects of corporate conduct.

Under this managerial philosophy, we direct our three business groups (the segments of Wireless Communication and Information Systems, Broadcasting and Video Systems, and Semiconductor Manufacturing Systems) to collaborate with one another toward helping build a safer, more secure, affluent and vigorous society. That is, we build a leading-edge infrastructure for mobile telephony and other mobile communications, public and disaster prevention radio communications, and broadcasting and monitoring systems in an attempt to become a "leading company in wireless technology." We also develop semiconductor-manufacturing equipment that continues becoming increasingly precise and advanced in an attempt to become the "top global company in the semiconductor thermal process." As for numerical targets, we aim at achieving consolidated sales of 200 billion yen with an operating profit rate of 10% by the term ending March 2010. Since publishing our medium-term plan in 2005, we have been working to achieve these targets.

To contribute to society through our business activities, we must achieve performance and quality assurance that will earn the confidence of our customers, cooperate with our suppliers as partners in manufacturing, and coexist with the regional community. All these are important managerial responsibilities. Considering that all colleagues of our Group will interact and communicate with society through their business activities, we work to provide a workplace where colleagues can work vigorously and healthily both in body and mind, and which makes good use of the diversity, personalities,

and individuality of our colleagues—something which is mentally and physically rewarding.

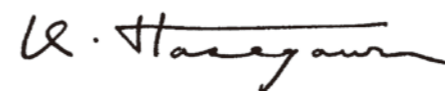
Recent years have witnessed a growing interest in global warming and other environmental issues. Our Group has been working to reduce CO<sub>2</sub> emissions and industrial waste. More positively than ever before, we will monitor the increasingly widespread needs of environmental conservation together with our customers, and devote ourselves to responding to those needs.

As a matter of course, we have been working to thoroughly engage in compliance and ethics by stepping up our education and internal audits, as well as maintaining our internal reporting system. As for an evaluation program for internal control, which entered the fiscal year of reporting and monitoring in April of this year due to the Financial Products Exchange Law, our buildup of the program has been progressing according to our earlier plan.

We would appreciate it if you read this report and contribute your frank comments and advice regarding the efforts of our Group toward becoming a group of companies that earns the confidence of society and continues into the future. It would provide us with hints on how to improve our future activities.

We sincerely request your continued support, interest and cooperation.

June 24, 2008



Kunio Hasegawa  
President and Chief Executive Officer

## 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.

## Cover Story

# Creative Manufacturing That Helps Slow Down Global Warming

The "Eco Products" section has regularly reported the energy-saving features of products of our Group.

In this issue, however, we take one step further: presenting a case study of certain customers using the products of our Group to help make their businesses more efficient, and adding trial calculations on how much our products help slow down the emissions of greenhouse gases.



## We Help Reduce CO<sub>2</sub> emissions by using the "Vehicle dispatch control system based on digital mobile radio equipment (GPS-AVM)."

Wireless Communications and Information Systems

Kokusai Motorcars Co., Ltd. introduced the "vehicle dispatch control system based on digital mobile radio equipment (GPS-AVM)" as early as 2003. The system increases vehicle dispatch efficiency, thereby shortening the travel distance and helping vehicles to reach customers soon, while at the same time reducing CO<sub>2</sub> emissions.

### The System Has Made Us More Efficient.

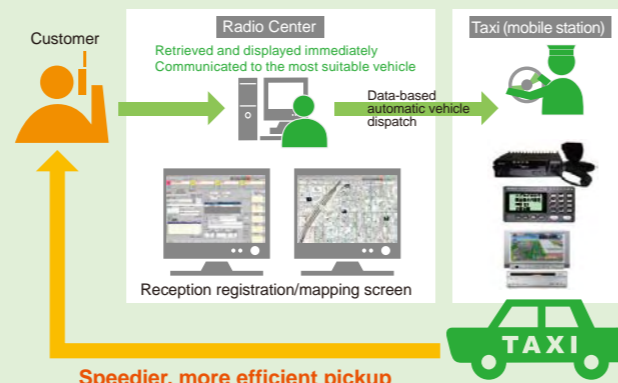
Kokusai Motorcars Co., Ltd. is the largest taxi company in Tokyo, owning 1,614 taxis, and operating as many as 2,591 vehicles when including those of its group companies. In the vehicle dispatch control system that we delivered, location information via GPS mounted in the taxis is displayed on maps at the vehicle dispatch center over a digital mobile radio line. This allows the system to automatically select the most appropriate vehicle and instruct the driver to meet a specific customer at the location from where the order was placed. At that company, this system is consequently called the "efficient vehicle dispatch system."

Since the company introduced the system, vehicle dispatch frequency has rapidly risen by as much as 25% from the vehicle dispatch frequency immediately prior to system introduction. The new system also shortens the time between order reception and vehicle dispatch, and has therefore earned a reputation for satisfaction among customers.

In line with that increased frequency, drivers are relieved of having to drive around without customers, resulting in less wasteful travel and significantly reducing CO<sub>2</sub> emissions.

When you use a taxi to travel a distance of 10-km and ride in one provided by a company with 25% higher vehicle dispatch efficiency, you will have chosen a vehicle with less wasteful travel in picking you up or looking for you. In such case, you are helping to reduce CO<sub>2</sub> emissions by 625 g.

### Efficient Vehicle Dispatch System



Speedier, more efficient pickup

Wasteful travel reduced by 2.5 km

CO<sub>2</sub> emissions reduced by 0.6 kg

Radio center at Kokusai Motorcars Co., Ltd.



### VOICE

A comment by a salesperson

Mr. I, Communication System Sales

"We had a very hard time in creative manufacturing relative to increasing the operability of operators and drivers. As the result, however, the system has successfully achieved a great increase in vehicle dispatch frequency and also played a role in reducing CO<sub>2</sub> emissions. Consequently, our customers are very satisfied."

**Glossary** ※1: GPS: Global Positioning System  
※2: AVM: Automatic Vehicle Monitoring System

## We Help Reduce CO<sub>2</sub> Emissions by Reducing Lighting Power

increasing the sensitivity of super-high-speed color cameras that "take pictures of the moment"

Broadcasting and Video Systems

Super-high-speed color cameras are made more sensitive, thereby reducing the lighting power supply, and in so doing reduce CO<sub>2</sub> emissions and help slow down global warming. Moreover, they take pictures at an instant (one millionth of a second) of such images as fuel injection, thus helping to devise new eco-friendly products.

### We Contribute to New "Environmental Measures" by Using Photographic Technology That Allows You to See The Moment.

This super-high-speed color camera is actively used in "taking pictures of the moment," such as in super-slow-motion videos employed in the relay broadcasting of sporting events and vehicle collision testing.

In conventional practice, taking photos of the moment required a very intense light applied to the object.

Given its enhanced sensitivity performance, the new camera model takes pictures under a light intensity about 60% of what was required conventionally. By inhibiting the lighting used when taking pictures, the product reduces the power consumption required, and therefore helps reduce CO<sub>2</sub> emissions.

Moreover, image analyses of the moment of fuel injection, explosion, liquid outflow and other phenomena photographed with this latest camera model are used in implementing disaster prevention measures against earthquakes, tsunami and other natural disasters, and in the development and research of new eco-friendly products geared toward slowing down global warming.



Super-high-speed Color Camera



Instantaneous picture of impact by a golf club

With a conventional camera, a customer required annual electrical energy of 10,000 kWh on average for photographic lighting. With our new camera model, however, the customer only needs annual electrical energy of 6,000 kWh. This means a decline from 3.6 t to 2.2 t (down 1.4 t) in equivalents of CO<sub>2</sub> emissions.

Lighting power requirement down 40%

CO<sub>2</sub> emissions reduced by 1,400 kg in one company per year from the conventional model

### VOICE

A comment by a developer

Mr. N, Camera System Design Engineering

"The 'images of the moment' not visible to the human eye always provide a surprise. This is a rewarding job if it helps improve the environment and contributes to society through TV relay broadcasting, or image analysis and research."

## We Help Reduce CO<sub>2</sub> Emissions of Semiconductor Production Sites

with our semiconductor manufacturing equipment corresponding to state-of-the-art technology.

Semiconductor Manufacturing Systems

Production technology to meet semiconductor demand is directly linked to energy-saving measures and also contributes to the environment by enhancing semiconductors.

### Consumption Energy Reduction of Semiconductor Manufacturing Equipment

Among all semiconductor manufacturing systems, our thermal processing equipment consumes energy including a high percentage of it wasted by thermal exhaust and cooling water. It is therefore important to take energy-saving measures for the equipment. Meanwhile, the market cycle of semiconductors is so quick that actions are constantly being taken to increase production efficiency. Such actions include the improvement of throughput, reduction of tact time and shortening the idle time of production lots between production stages (between systems). These measures are not originally designed to save energy, but an improvement of semiconductor competitiveness (i.e., shorter lead times, lower costs) eventually helps reduce the energy requirement per unit. Semiconductor advancement helps spread and advance electronics, and also contributes to environmental measures.



Semiconductor manufacturing equipment

High-speed and mass-productive semiconductor manufacturing equipment Our equipment allows the same number of semiconductor chips with less electric power.

Throughput 25% higher

CO<sub>2</sub> emissions reduced by 120 kg per million chips

Larger wafers 200mm 300mm

CO<sub>2</sub> emissions reduced by 450 kg (by half) per million chips

### VOICE

A comment by a customer

A Production Engineer, A Corporation

"There are various kinds of semiconductor manufacturing systems in a semiconductor production line including thermal processing equipment. The continuous efforts made through energy-saving measures for each unit will lead to overall energy-savings. Energy-saving measures for equipment will not work without the cooperation of equipment suppliers. We therefore request your continued proactive cooperation."

**Glossary** ※3: Throughput: Number of wafers processed per hour  
※4: Tact time: Time required for one process of the equipment

## With Our Customers - Contributing to Society through Business -

In our Group, the three business segments and group companies collaborate with one another, and through their products and services help build a society that is safer, more secure, affluent and vigorous.

### Wireless Communications and Information Systems

#### ▶ Digital Mobile Radio Systems for Business Communications to Support The Operational Control of Lifelines

The Company delivers "business-purpose digital mobile radio systems" to the operators of public sectors including electric power, gas, railroads and airports that are parts of the social infrastructure. This issue presents the case of Tokyo Gas Co., Ltd., which actively supplies energy in a stable manner as a leading comprehensive energy enterprise.

##### Digital Mobile Radio Systems Contributing Greatly to Emergency Communications

A stable supply of gas is the social mission of a gas operator. A safe and reliable system is established by using a complete set of equipment, including that used to perform automatic shutdown in case of a possible gas leak.

To restore a gas supply line that is temporarily shut down, personnel must be promptly dispatched to the problem site, ensure safety, and then restore the supply. Moreover, if a large earthquake or other major disaster occurs, a center is designed to inspect the site status subject to minute-by-minute changes and give work and assistance instructions.

Active in such scenes is the "digital mobile radio system" that enables broadcast communications.

##### How Digital Mobile Radio Systems Are Used in Daily Operations

In daily operations, these systems are used for communications on inspection tours, in equipment inspections, work on gas pipelines, and other in-house operations.

Unlike mobile phones, digital mobile radio systems can realize broadcast communications with all radio devices and display the full power in transmitting in-house business information. These excellent systems can even be used to page groups and individuals, and simultaneously transmit location information of work vehicles, work start/end times and other data during voice communications.

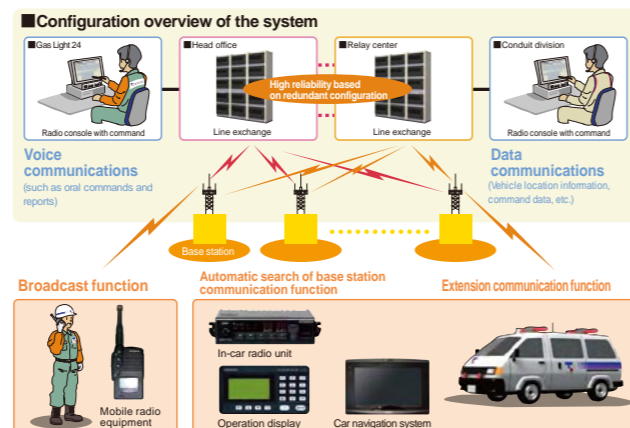
Presently, 28 radio stations, 800 in-car radio units and 500 mobile radio units are actively being used at Tokyo Gas Co., Ltd.



Center



Base station



#### VOICE A Comment by A Developer

"We have built two lines of the system to accommodate gas business operation, as well as to increase reliability and decentralize risks. The system also transmits voice and data simultaneously."

(Mr. H, Mobile Communication System Engineering)

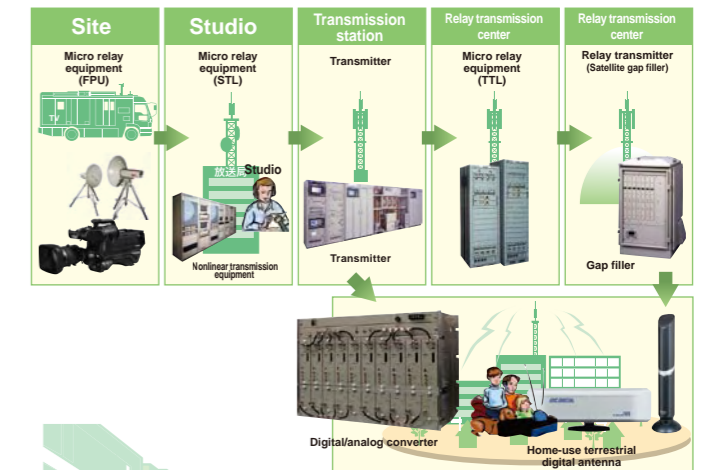
### Broadcasting and Video Systems

#### ▶ Building a Safe and Comfortable Society Through Broadcasting and Video Technologies

Through our camera technology as the eye that keeps society safe and secure, and through broadcast technology that transmits radio waves to all corners of the country, we help build a more comfortable social environment.

##### We Will Deliver Scenes of The Beijing Olympic Games

In August this year, the Beijing Olympic Games will be held and many dynamic, tense images of the sporting events will be caught by our cameras and delivered to households. The natural images that you can see when switching on the TV will be delivered to households via various devices in broadcast stations on radio waves in sequential order. These various devices that support behind-the-scenes, virtually 24-hour operations help keep your lives comfortable.



##### We Provide An Eye That Keeps Society Safe and Secure

We provide monitoring systems that keep society safe and secure. Our monitoring systems are active in stations, airports, office buildings, plants and various other facilities. We enhance our technologies, including camera systems that take motion pictures clearly even in an environment with moonlight that conventionally could not allow photographs to be taken, and thus contribute to society.



#### VOICE A Comment by A Planning Representative

"To ensure tighter security and to prevent crime, we started our development process with a proposal presenting the features of our camera technology. Our product is now used and welcomed by various customers."

(Mr. N, Broadcasting and Video Systems Planning)

# With Our Customers - Contributing to Society through Business -

In our Group, the three business segments and group companies collaborate with one another, and through their products and services help build a society that is safer, more secure, affluent and vigorous.

## Semiconductor Manufacturing Systems

### ▶ Collaborating with Our Customers in Semiconductor Manufacturing Equipment

Achieving the satisfaction and earning confidence of our customers require increased user-friendliness and enhanced support programs in order to improve equipment performance and productivity, and ensure stable equipment operation in line with the advances being made in semiconductors.

#### Expansion of The Product Line by Employing A Standard Platform

There is no end to development for achieving a higher integration of semiconductor chips. To stay abreast of leading-edge semiconductor technology, we must constantly work on the development and enhancement of our manufacturing equipment. Our newly developed QUIXACE® with functional advancement makes it possible to timely meet such customer needs as higher performance, user-friendliness, flexibility to meet specifications, and ease of expansion to new applications by employing standard platforms.

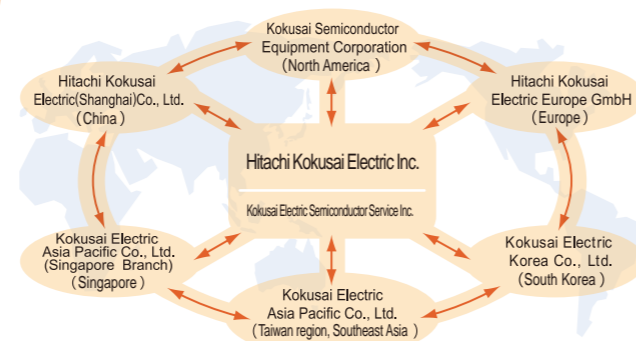
\* QUIXACE® is a registered trademark of Hitachi Kokusai Electric Inc.



QUIXACE® standard platform

Global service system

Collaborative global service system among overseas group companies



#### Enhancement of Global Support System

The semiconductor market is so intensely competitive that semiconductor manufacturers frequently tie up on a global basis. Therefore, customers' head offices, research and development centers, and production sites scatter throughout the world. Equipment manufacturers give collaborative supports to those worldwide research and development centers and production sites to ensure stable operation of their equipment. Our overseas group companies have also established a global service system which enables group companies to directly collaborate with one another beyond the regions for which they are responsible, in order to keep pace with the expansion of customers' operation sites, thereby improving the speed and quality of customer support.

#### VOICE A Comment by A Developer

"We used to deal with our business on a customer-by-customer basis. So, as the production of equipment increased, the number of drawings also quickly increased, affecting our design quality as well. The recent introduction of a standard platform with standardized electrical wiring and common body frame helped improve both equipment design and production quality as well as reduce lead time. As a result, we now can provide more satisfying products to our customers."

(Mr. O, Vertical Equipment Technology Development)

## Group Companies

### YAGI ANTENNA INC.

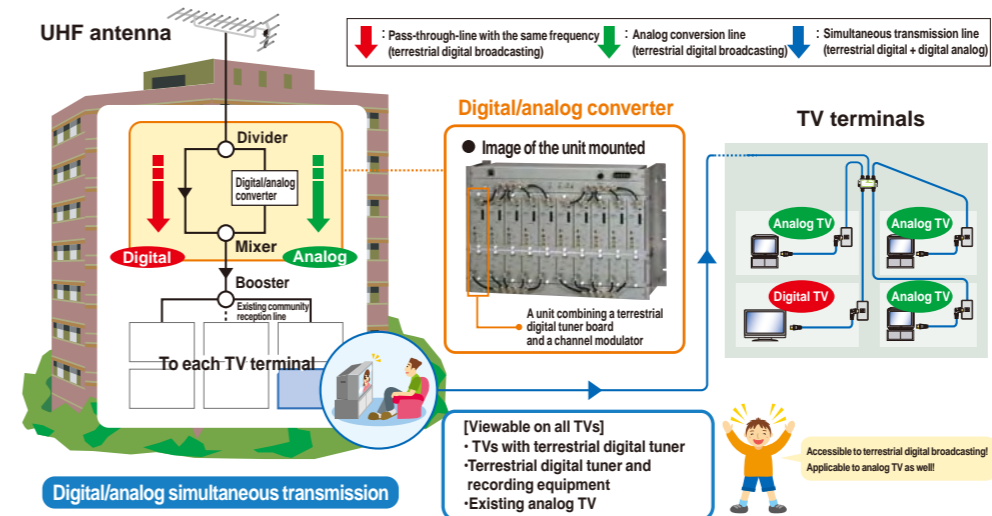
#### ▶ Digital/analog Converter for Terrestrial Digital Simultaneous Transmission—DAT10 A system That Collectively Rescues The Analog TVs Left After The Shift to Terrestrial Digital Broadcasting

#### DAT10 Contributes to Inhibiting The Mass Scrapping of Analog TVs.

There are two major issues to consider in shifting to terrestrial digital broadcasting: inhibiting the growing quantities of analog TVs to be scrapped after analog broadcasting terminates in July 2011, leveling off the volume of such scrapping along extended dates.

ing in community reception facilities located in residential buildings, hotels, hospitals and similar buildings. This will collectively make all TVs accessible to terrestrial digital broadcasting and rescue analog TVs in terms of inhibiting the mass scrapping of TVs, and is therefore eco-friendly in helping to completely shift to terrestrial digital broadcasting.

This product can be used in work to switch over to terrestrial digital broadcast-



#### VOICE A Comment by A Customer

"Although our hotel is planning to refurbish our facilities with terrestrial digital equipment, we must continue using our analog TVs for a long time given their lease contract. YAGI ANTENNA INC. has proposed this product to us and we can now make full-scale plans and budgets. We are glad to have found this epoch-making product."

(A representative of a hotel)

### Hitachi Kokusai Denki Engineering Co., Ltd.

#### ▶ Reducing The Environmental Impact of Precision Machine Cleaning

#### Introducing Ultrasonic Cleaning Equipment to Save Cleaning Agent and Shorten Cleaning Time

<A case of a sheet metal processor using this product>

In conventional practice, sheet metal processors, after plating on processed sheet metal products, used to add cleaning agent to tap water with a dilution ratio of 1 to 1 in the subsequent cleaning process. The recent introduction of this ultrasonic cleaning equipment has made it possible to perform cleaning with a 1 to 3 dilution ratio of cleaning agent to tap water and with a cleaning time of 30 minutes or less, thus reducing both the consumption of cleaning agent and time by half.

#### [Effects of one ultrasonic cleaning operation]



#### VOICE A Comment by A Customer

"With ultrasonic cleaning equipment, we have successfully shortened cleaning time and reduced cleaning agent consumption. Moreover, we can now clean even the smallest parts that we previously had a hard time cleaning."

(A representative of a sheet metal processor)

**Glossary** ※1: Standard platform: Portion of equipment commonly applicable to all products and which becomes the basis equipment consisting of a basic main body, transfer mechanism and controller, etc.

# With Our Customers - Quality Assurance -

To provide products and services that satisfy our customers, we constantly think and work on our customers' point of view for product development, design, manufacture, inspection, sales, service and all other business activities.

## Policy to Increase Customer Satisfaction

We thoroughly adhere to the principle of quality first, develop and provide products and services in which the emphasis is on safety, quality and environmental soundness, and aim to obtain customer satisfaction and confidence.

## Providing Safe Products and Services

There has been very high public interest in product safety in recent years. To prevent incidents relating product safety, we not only comply with the Product Liability (PL) Law, domestic and international laws, and safety standards, but also establish in-house standards for further safety in an attempt to improve the level of quality, thereby providing our customers with safe and high-quality products and services. Moreover, we hold the periodic "Product Safety Conference" meeting to share information concerning product safety and consider ways of preventing nonconformities based on case studies of failures both within our company and in other companies.

## Policy to Improve Quality

We have obtained certification of ISO 9001 for all our Works and are continuously improving our quality management system by using the PDCA cycle in the process approach. In order to further satisfy various requirements of customers on products and services, we have also obtained certifications of JIS Q 9100 and TL 9000 as applicable to specific product areas.

Moreover, all our efforts to improve business quality lead to higher quality in products and services. We therefore strive to improve quality continuously for the quality of all operations.

## Policy to Address Quality Problems

It is important for actions against quality problems to have the viewpoint of the customer and consider customer benefit as the first priority. In ourGroup, the series of soul-searching activities to prevent the recurrence of problems is called "Ochibo Hiroi." To prevent the recurrence of the problem, we thoroughly identify the direct technical and motivational causes of such problems, and extend the verifications to other similar products and services.

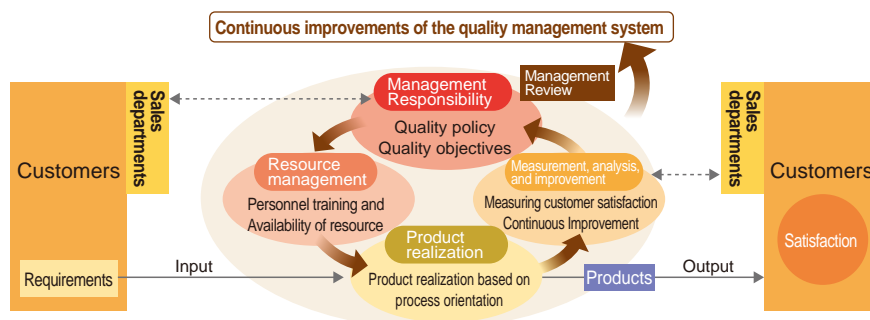
### URLs to inquire about our products and services

Home Page of Hitachi Kokusai Electric Inc.  
<http://www.hitachi-kokusai.co.jp/global/>

- ① Inquiry on wireless communications and information systems  
<http://www.hitachi-kokusai.co.jp/global/products/wireless/contact.html>
- ② Inquiry on broadcasting and video systems  
<http://www.hitachi-kokusai.co.jp/global/products/video/contact.html>
- ③ Inquiry on semiconductor manufacturing systems  
<http://www.hitachi-kokusai.co.jp/global/products/semicon/contact.html>

\*Usual inquiries concerning quality problems and repairs are supported by the relevant sales and service staff.

Flow of quality improvements



### Glossary

- \*1: Product Liability (PL) Law: A law established regarding the liabilities of manufacturers and distributors with regard to any damage suffered by the user of a product with defective design, manufacture or display, or with regard to damage suffered by a third party due to that defect
- \*2: ISO9001: International standards for management systems designed to continuously supply products and services satisfying customer requirements
- \*3: 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
- \*4: JIS Q9100: Quality management standards applicable to organizations that manufacture and supply aeronautical and astronautic products
- \*5: TL9000: Quality management standards applicable to organizations and subcontractors that provide telecommunications products (hardware, software and service)

# With Our Business Partners

Our Group will work to establish good partnerships with our business partners and continue to grow together in order to devise good products that satisfy our customers.

## Basic Principles for Procuring Materials

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, engage in fair and open trading and form close partnerships with its business partners.

## Collaboration with Our Business Partners

To provide products and services with high performance that our customers can use without worry, it is important to obtain various proposals, assistance and cooperation from our business partners. By building partnerships and stepping up our collaboration, we are establishing business models that will let us develop together with our business partners.

### 1 Sharing CSR

In selecting business partners, we ask for their understanding on CSR activities. More specifically, these include respect for human rights, environmental conservation activities, contributions to society, and building a comfortable workplace.

### 2 Activities for Value Engineering for Customers (VEC)

In VEC activities aiming to increase the value of design, materials, fabrication and other operations, we promote the manufacturing of high-quality products through a joint creation process by positively accepting proposals from our business partners.

### Building partnerships with our business partners



### 3 Eco-friendliness

This refers to promoting the procurement of raw materials and parts having low environmental impact. To devise products that reassure our customers, we identify as "green suppliers" our business partners who have obtained certification under ISO 14001 and/or various other environmental certification standards, and strive to gain more companies registered as such. Moreover, we provide uncertified companies with support for acquiring such certification.

## Business Partner Meeting (BPM) Activities

Our Group promotes BPM activities with our main business partners to promote the various principles stated thus far together with those business partners. These activities are designed to provide such varied information as the business principles of our Group and provide an opportunity for us to respond to requests, comments and questions raised by our business partners. We therefore promote these activities to share information.

At the general assembly, which meets twice a year, we also publicly recognize outstanding business partners that have particularly contributed to our company in a significant way.



BPM general assembly at the Toyama Works



BPM general assembly at the Koganei Works

**Glossary**

※1: ISO 14001: An international standard concerning management systems in order for corporations and their organizations to continuously help improve the environment



# With Our Colleagues

"People" are at the center of all business operations. An important element of corporate management is allowing its outstanding personnel to display their capabilities just as they like. To that end, we are actively committed to recruiting diverse human resources and taking measures for personnel training.

This chapter has an additional page next to these, entitled "Promoting the Employment of Diverse Personnel".

## Various Programs to Train Leaders

The basic philosophy of developing human resources is to train personnel who "think for themselves, and act on their own convictions." To that end, it is necessary to train personnel who can display their leadership at different hierarchical levels.

At our Company, we take measures to train various leaders as specified below.



### 1 Promoting the Acquisition of VE Leader Licenses

Since fiscal 2007, we have been working at a companywide level to acquire what is called a "VE Leader" license. VE stands for "Value Engineering" and the term "value" can be expressed as the quotient of function divided by cost. In our Group, 401 workers of the parent Company acquired this license in the last fiscal year, as did 517 colleagues throughout the entire Group. The VE Leader actively pursues ways to produce products with better functions (in terms of performance, environmental impact and safety) at lower cost. More specifically, the VE Leader program is used in developing new products and various business process improvements.

### 2 Training Project Leaders

More incidents in recent years have occurred in the manufacturing industry where product nonconformities cause tremendous damage to society. This is not merely a matter of technology. We believe that the way to perform work from order reception to shipment has room for improvement as well. Our Company trains project leaders as the organizers of product development.

### 3 Training Innovative Production Leaders

VE Leaders are mainly intended for the design department. For manufacturing scenes, we take measures to train personnel who can properly control production and quality, while aiming to increase production efficiency.

### 4 Special Program for Management Leaders

Even when the project leaders and innovative production leaders along with qualified VE Leaders are outstanding, we cannot fulfill our responsibility to the various stakeholders without well-trained management leaders who supervise those leaders. To train the next generation of managers, we therefore provide long-term training for management executive candidates.

## Ongoing Human Rights Seminars

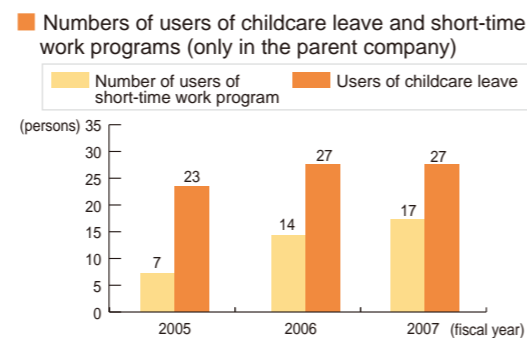
To prevent unscientific discrimination against people of certain domestic communities, races, nationalities, and sex, and for other reasons, human rights seminars are held companywide in a systematic manner.

Human rights seminars are also held periodically with the Group companies as a permanent seminar included in recruiting seminars, seminars for middle-rank employees, new 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. It has also been decided that, from fiscal 2008 on, these programs will be accessible until the children finish their third year of elementary school, regardless of the availability of governmental after-school care for children.

The childcare leave program is used by more than 20 colleagues every year and has been firmly established. More colleagues are using the short-time work program every year. There were 17 users in fiscal 2007.



Starting in fiscal 2008, we will also revise the programs specified below to promote support so that our colleagues can even better combine work with childcare.

- "Childcare" and "fertility treatment" added as applicable reasons for cumulative annual paid leave
- Flexible use of short-time work program

### 《A comment by a user of the short-time work program ①》

"I wanted to continue working after childbirth and also devote much of my energy to childcare as well, because now is the only chance for childcare. So I took this program that would help me combine both pursuits. At first I was quite ill at ease having to work while leaving my one-year-old child in the hands of another person. But the short-time work program alleviated my worry."

(Eiko Takami, Toyama Works)



### 《A comment by a user of the short-time work program ②》

"I like my present job very much and chose to keep it without hesitation upon learning that I was pregnant. I returned to the same job I had prior to childbirth, just as desired, and am now working on a short-time work program with my child in a nursery school. My husband takes our child to the nursery school in the morning, while I pick our child up on my way back home. This way I divide the work of childcare with my husband."



(Nana Suzuki, Information Technology Center)

## Proceeding with Safety and Health Activities

"Each worker will constantly act 'with safety and health as top priority' and assume leadership in showing an example of ensuring safety and reducing risks, and thereby establish a comfortable environment where everyone can work vigorously and with peace of mind." Under that slogan, each place of business has set up safety and health principles as well as the action plan, and is striving to achieve it.

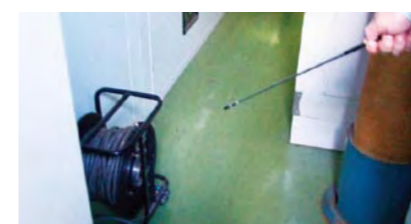
Under the leadership of the Safety and Health Committee at each place of business, we make monthly inspection tours to identify the potential for disaster, take corrective actions, clean the workplace, and plan and organize safety driving and various other training sessions.



A lifesaving seminar to save an injured person or a person suddenly become ill

In order to inspect all safety and health activities from the viewpoint of outside experts, we commission the Japan Industrial Safety & Health Association to diagnose safety and health conditions, identify problems from the status of safety and health control, the actual situation regarding equipment, work methods and other matters, and then take corrective action.

The Toyama Works acquired certification of its Occupational Safety and Health Management System (OSHMS) in June 2001. As the important items of safety



An example of a problem pointed out in the safety and health diagnosis by the Japan Industrial Safety & Health Association (a cord reel left in the corridor, posing the risk of causing workers to stumble and fall)

and health activities for fiscal 2008, we extend the efforts of the Toyama Works to the Hamura Works and Koganei Works in an attempt to reduce disaster risks.

## Efforts of Health Care and Disease Prevention

To curtail medical expenses in the future, we engage in a variety of efforts to encourage colleagues to change their behavior and improve their lifestyles by such means as:

- increasing the percentage of people receiving physical checks to detect lifestyle-related diseases, and
- reactivating activities to prevent lifestyle-related diseases and metabolic syndrome.

To reduce mental diseases, we provide:

- training for managers,
- training for colleagues, and
- case management (once a month).

In so doing, we work to take corrective action and prevent such diseases.



"From this year on, people with metabolic syndrome will receive our guidance to improve their eating habits and engage in physical exercise." (Ms. Morita and Ms. Ueno, the health experts in charge of guidance)

## Disaster Prevention

The private firefighting team of the works receives periodic training once a month and engages in training for initial firefighting, evacuation guidance, reporting and emergency rescue. They also attend private fire brigade training examination sessions sponsored by the local fire department to demonstrate the results of their training.

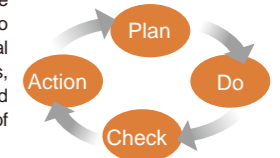


A firefighting scene where water is being poured, showing the private fire brigade engaged in excavation training.

At the Koganei Works, evacuation training is provided for the entire works in conjunction with the Kodaira Fire Department and plays a central role in disaster prevention activities. It also has an agreement with the city of Kodaira whereby, in the event of fire in the neighborhood, the private fire brigade will participate in firefighting activities.

### What is OSHMS?

- ① OSHMS stands for "Occupational Safety & Health Management System."
- ② This system is designed for the organization to identify risks to colleagues as related to occupational safety and health in their business, propose and implement actions, and thereby reduce the incidence of problems.



# With Our Colleagues - Promoting the Employment of Diverse Personnel -

(This is an additional page next to p.14)

## Promoting the Employment of Physically Challenged

Based on the guideline of "Respect the diversity, character and individuality of all employees," we promote the employment of the physically challenged.

In the fiscal 2006, the Koganei Works started recycling of waste paper by a wet type shredder, under the collaboration with Kokusai Electric Techno Service Co., Ltd. This is intended to "ensure the information security," to "help build up the recycling society"\* and to create a job opportunity for the physically challenged as well.

In the fiscal 2007, this program is enhanced and waste documents are collected from, in addition to the Koganei Works, Headquarters, Hamura Works and the Group companies in those areas.

Another program to provide the equal opportunity for the physically challenged is the adoption of the sign language translation, starting from the fiscal 2008, on the occasions of the orientation ceremony and seminars.

### \*How the Wet Type Shredder helps Reduce CO<sub>2</sub> Emissions:

Conventional, paper stripping type shredders cut paper fibers quite short, which means the recycled paper out of them, if any, will be of low quality and hard to recycle again. The step after the next disposal will naturally be the burning, or the emission of CO<sub>2</sub>.

On the contrary, the wet type shredders dissolve waste paper, keeping the fibers almost as they are, which will turn out as high quality paper, such as that for photocopying. This repeated recyclability functions for reduction of CO<sub>2</sub> emissions.

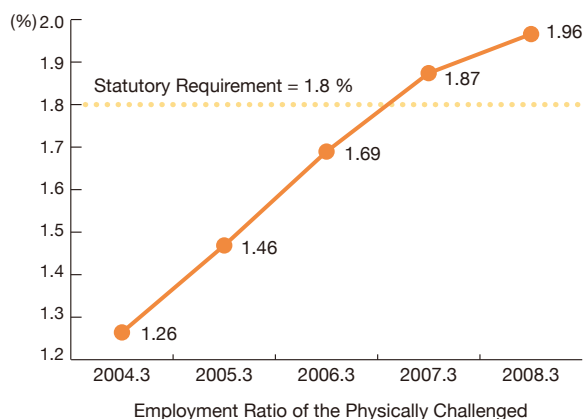
By saving the burning of 1t of paper, it is said that you could reduce the emission of 1.08t of CO<sub>2</sub>. Since the wet type shredder processes 41t per year, the annual CO<sub>2</sub> emission reduction is calculated to be 44t.

## Promoting Re-hiring of Retirees

The senior employee program was introduced in fiscal 2005, which allow the Company to use the accumulated skills of the retirees in their specialized areas, considering the variety of experience they must have had up until the retirement.

To make the program easy to accept, the workload is lightened and the type of job remains unchanged. To make it worthwhile and mentally rewarding, training of the successors is included. Through these measures, the Company has continuously achieved the high re-hiring ratio.

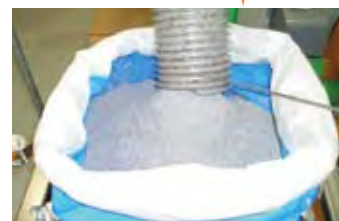
(The figures in this page are for the Company only.)



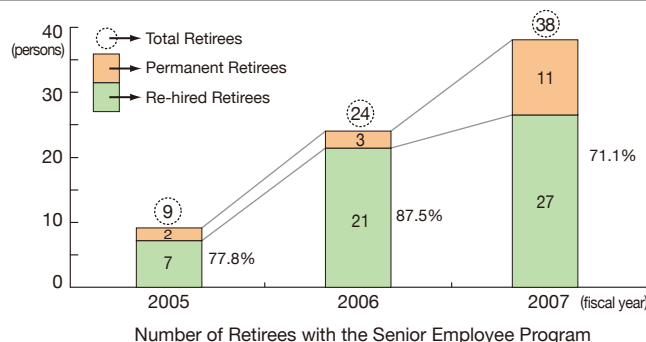
Wet Type Shredder



Documents Collection Boxes



Dissolved Fibers of Paper



# With Our Community

Our Group considers it of the utmost importance to have the local factories and places of business blend in and develop with the respective communities. It therefore works actively in participating various events and environmental conservation activities.

This chapter, reporting something new among the activities of fiscal 2007 in this page, has supplement -1, and -2 reporting other activities in the following additional pages.

## In various areas, we actively participate in events and festivities as members of the community.

### ● The Kansai Area Operation participating in the "Children Protection through Vehicles Campaign"

In various parts of the country, incidents of children being victimized never cease to occur. It is therefore an important issue to ensure children's safety. Osaka Prefecture and the Osaka Chamber of Commerce and Industry are sponsoring the "Children Protection Campaign" in various parts of the prefecture, consisting of "Children-protecting Families" and "Children Protection through Vehicles Campaign." Upon receiving a request in February 2008 for cooperation from that chamber of commerce, the Kansai Area Operation decided to join the "Children Protection through Vehicles Campaign" starting in March. All company-owned vehicles of the Kansai Area operation display a "Children Protection Campaign" sticker so that, should a child seek help, temporary protection can be provided, with the police and related authorities being contacted.



### ● Goyo Electronics Co., Ltd. dispatches a basketball player to the Akita Wakasugi Sports Games

Following the "Akita Wakasugi National Sports Festival," another event—the "Akita Wakasugi Sports Games"—was held. This event is a nationwide sporting festival for people with disabilities. The event allows people with disabilities to participate in sporting games, and thus gives them a chance to experience the joy of sports and promotes greater public understanding of the concept of disability, thereby helping to promote a wider participation of people with disabilities in society.



Goyo Electronics dispatched one wheelchair-bound basketball player and volunteers to assist in the event, so that the event ended up being very active.

### ● The Shikoku Area Operation and its Kochi Office joining a cleanup campaign

The Shikoku Area Operation dispatched two of its colleagues to the "Takamatsu Airport Cleanup Campaign" in January 2008 to collect and remove illegally dumped trash. In November 2007, one of the colleagues and the general manager of the Kochi Office joined a cleanup campaign for the Kochi Coast and picked up garbage. A total of about 90 members from various companies participated in the coastal cleanup.



### ● Kokusai Electric Semiconductor Service Inc. engages in green conservation

In May 2007, some residents of Hamura, town associations, corporations, and the city of Hamura formed a partnership and established the "Inari Greens Association." The association sponsors a volunteer campaign for conserving and improving citizens' green preservation areas. Kokusai Electric Semiconductor Service participated in the campaign.



### ● Kokusai Electric Techno Service Co., Ltd planting flowers.

The Toyama Works has long been engaged in cleaning river beds and restoring *satoyama* (a natural woodlot that exists with moderate human intervention) jointly with Kokusai Electric Semiconductor Service Inc. This company has now launched its own activities and was in charge of a flower garden to be developed in front of Kodaira railroad station with the assistance of the Hamura Works and Koganei Works in a greening and planting campaign known as "Kodaira Open Garden," organized by the city of Kodaira.



### ● Hitachi Kokusai Electric Services Inc. works on community activities

As part of activities to reduce its environmental impact, the company works actively on "community environmental activities." The efforts include community cleanup, weeding, river and seashore cleanup, waste collection and other community-oriented activities. Activity results are certified as environmental points and published on intranets and elsewhere as environmental records to allow many people to participate. In the future, the company will incorporate volunteer and communication activities into its community activities, and aim at activities even more friendly to the community and environment.

### ● Tohoku Electronics Engineering Inc. supports the "Shibata Municipal Great Chrysanthemum Exhibition"

To develop and improve the local culture, the company supports and contributes to the "Miyagi Great Chrysanthemum Exhibition, Shibata Contest" organized by Shibata-machi in Miyagi Prefecture. The "Shibata Chrysanthemum Festival" sponsored by the Shibata-machi Association was renamed in 2007 when community locals assumed primary sponsorship in a spirit of collaboration with the local administration and general public functioning as one unit. As part of its community contribution, the company gave a monetary donation and assisted in preparations for the exhibition hall.



### ● YAGI ELECTRONICS CO., LTD. joins the "Red Feather Joint Fund-raising Campaign" through automatic vendors

"Heartful Vendors" are automatic vendors for the "Red Feather Joint Fund-raising Campaign," and based on the top priority concept of planet-friendliness and contributions to society. These vendors have 10-yen and 100-yen "donation buttons" next to the coin slot. When a buyer presses a donation button on their own goodwill, the amount corresponding to the button pressed is collected as a monetary donation.



The company has installed these automatic vendors in the cafeteria, so that employees can join the "Red Feather Joint Fund-raising Campaign" at any time.



In various areas, we actively participate in events and festivities as members of the community

**Overseas Social Contribution**

**●Cooperation on the Production of Buddha Replica for Angkor Monument**

In November, 2007, a new museum opened in the outskirts of the Angkor Vat Monument. It has an exhibition with Buddha statue replicas, which were produced by the Stereo Lithography technology of Hitachi Group. We have financially supported the project as one of the 11 group companies related to the technology, and show the Company name on the tablet besides the exhibition.



**Toyama Works' Social Contribution**

**●Baseball School for Healthy Growth of Youth**

As one of the activities for employees' welfare and benefit as well as a contribution to the community, Toyama Works has presented a baseball session, with the coaching of "Toyama Pro BC League\* Baseball Team" and "Toyama Thunderbirds," contributing to the health and education of the local youth, including the employees' children.

\*BC League: Baseball Challenge League, an independent baseball league organized by 6 baseball teams in the Joshin'etsu and Hokuriku regions.



**●Pupils Visited the Factory**

Responding to the request of neighboring Yatsuo Elementary School, the Works received the visit of all the third grade pupils, as a part of the school's outdoor program. After the study tour of the production line of semiconductor manufacturing equipment, the pupils wrote their comment lines and signs on a fancy piece of cardboard.



**●Hosting "Hikiyama Festival" and "Owara Kaze no Bon Festival"**

To maintain harmony with the community and to reserve its tradition, the Works contribute donations to "Hikiyama Festival" and "Owara Kaze no Bon Festival."



Owara Kaze no Bon Festival

Hikiyama Festival

**●Rescue Drill of the Community**

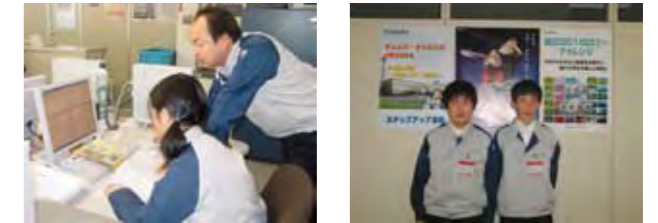
There has been a disaster-fighting drill as the collaboration with the local community, and the Works' brigade has attended the rescue simulation from a collective residential building and the subsequent life-saving trainings.



**Hamura Work's Social Contribution**

**●Middle School Internship Program**

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 positive sense of responsibility." In cooperating with the policy in fiscal 2007, the Hamura Works invited a total of 4 students from two schools in the city.



**●Community Reactivate Volunteer Activities**

To help reactivate the community, employees of the Works cooperate and participate in the volunteer work for "Hamura Flower and Water Festival (March and April)", "Full Bloom Campaign (May)", "Summer Festival (July)" and "Smoking Manner-up Campaign, Industrial Festival (November)."



Smoking Manner-up Campaign



Full Bloom Campaign



Hamura Flower and Water Festival (1)



Hamura Flower and Water Festival (2)

**●Municipal Firefighting Training Session on Our Site**

The Works have contributed their ground site to the training session for the neighboring companies' firefighting brigades for a month, as the cooperation with the Fussa Fire Department in preparing for the Operation Method Training Examination Meeting, in order for higher skills of those brigades in the community.



# With Our Community - Supplement 2 -

In various areas, we actively participate in events and festivities as members of the community

## Koganei Work's Social Contribution

### ●Supporting "Aozora Festival" of Aozora Welfare Center

In July 2007, there took place a local summer festivity, "Aozora Festival" at the Aozora Welfare Center of the city of Kodaira. The Koganei Works, as the neighboring company of the facility, have supported the event and help reactivate the community.



### ●Middle School Internship Program

In December 2007, the Works have accepted 2 students from Chuo Junior High School of the city of Higashi Kurume for 2 days, as the work place experience trainees.

They have chosen the Works' factory as the training work place, because they were "interested in *Monozukuri* (creative manufacturing)." After the Works' Production Control Center explained *Monozukuri*, therefore, the work place experience session took place at our Procurement Division, upstream division of *Monozukuri*. They learned procedures there, processed some administrative works such as PC data input, and experienced an actual operation in the warehouse.

Their comments after the 2 days session were, "It has been a fun studying under your friendly and thoughtful instructions." The Works desire to continue this program for communication with the community, or as a part of the CSR activities.



## Joint Activity by Kokusai Electric Techno Service Co., Ltd. and Kokusai Electric Semiconductor Service Inc.

### ●Volunteer Activities Restoring Woodlots in Yatsuo-machi

The two companies jointly promoted the volunteer activities for years, in restoring *satoyama* (a natural woodlot that exists with a moderate human intervention) in Yatsuo-machi of city of Toyama.

As a part of an occasion related to the municipal forestry project (10 years from 2007) of city of Toyama, Mr. Hirota from Toyama Agriculture and Forestry Administration Office has stated that he is grateful for our long lasting activities. The companies intend to further promote these activities and contribute to the local community.



## Tohoku Electronics Engineering Inc.

### ●Volunteer Activity Cleaning-up the City of Sendai

The volunteers from Tohoku Electronics Engineering Inc. living in the city of Sendai, among around 500 participants from 41 Hitachi group companies in the Tohoku region, joined the Activity arranged by "Hitachi Aoba Kai" of Tohoku Branch of the Hitachi, Ltd. and sorted out the trash or collected the PET bottles.

## Goyo Electronics Co., Ltd.

### ●Oga Kaiyo High School and Aikawa High School Visited the Factory

In November 2007, Goyo Electronics Co., Ltd. invited students from the two high schools of its vicinities for a study tour of the working place. This is arranged by Zaidan-hojin Furusato Teiju Kiko for the purpose to enlighten the students on job responsibilities, and the company accepted it as a part of its social contribution and public communication. The program of the day took about 70 minutes, consisting of a briefing of the company's profile, study tour of the factory and the subsequent Q and A session.



### ●Clean-up Contribution for the Community Environment

In May 2007, about 150 employees from the head office and Tsurunumadai Works of Goyo Electronics Co., Ltd. went out cleaning up the surrounding area. This clean-up activity for about 30 minutes collected four 40 litter bags full of Cans and Bottles. In future, they intend to further contribute to the community, considering the width of cleaning area and the frequency of the activity, or collaborating with the coordinators of the local community.



### ●Tenno Greenland Matsuri, Provision of Parking Place

"Tenno Greenland" is the *Michino-Eki*, or Road-side Station, at just 5 minutes' walking distance from the head office or Tsurunumadai Works of Goyo Electronics Co., Ltd. It is quite popular, furnished with the hot spring, restaurants and a wide playground, fitting to blossom watching or camping.

For two days in August 2007, an annual festivity, Tenno Greenland Matsuri took place on a grand scale successfully. The company has contributed to the festivity its employees' parking place, as a part of its cooperation with the community.



"Goyo Electronics Co., Ltd." and "Temporary Parking Place"

## Hitachi Kokusai Electric Services Inc.

### ●Communication on Environmental Activities

This company receives information from its branches all over the country with regard to the various environmental activities, and shares the information by listing on the intra-net site.

They update the knowledge on the environment, use it for the wide range of their activities, and make continuous efforts of daily activities, by openly sharing the skilful, inventive ideas and information, such as "No My-car Day", "How to Sort the Trash", "Recycle Notice Board", "Invitation to Eco-activity", "Ideas to Reduce Disposal", etc.

# With All Our Stakeholders

Observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct. We ensure that all managers and colleagues of the Group keep this principle in mind at all times, establish the organization and programs, and cultivate a flexible and open corporate culture.

## Internal Control

**We base ourselves on fundamentals and respond quickly to changes in society.**

### ● Increasing Managerial Sensitivity

We take advantage of the committee system corporate structure by having three outside directors among the five board directors, and thereby ensure the effective function of objective viewpoints in management. We receive much useful advice through factory inspections, monthly auditor committee meetings and the board of directors meetings.

### ● Observing Laws and Corporate Ethics

Centering on the CSR Promotion Division, we regard legal and societal requirements in a positive manner, such as export control, response to the antimonopoly law and the protection of private information. We therefore work positively in such areas as providing education and conducting periodic audits.

### ● Ensuring the Reliability of Financial Information

Through companywide projects, we have been promoting standardization and rationalization of the business process, and significantly reorganized and updated internal regulations. Managers have completed the trial evaluation of internal controls regarding the reliability of financial information prior to the newly regulated permanent audit in fiscal 2008 by accountants, and enhanced the programs.

### ● Internal Reporting System

#### "Ethical Helpline of the Hitachi Kokusai Electric Group"

While remembering to "keep secrets," "refrain from treating the informants unfavorably" and "handle the reports in good faith," the help line is operated by a committee including a lawyer serving as an outside committee member. With its appropriate response, the help line earns the confidence of informants.

## Public Relations

**The Group strives to make its business and social contributions known to wide-ranging segments of the public.**

### ● Briefings on Financial Reports

We hold briefings on quarterly financial reports, specific research and other meetings for institutional investors and securities analysts, and thus encourage them to better understand our Group.



Briefing on financial reports for the term ended March 2008

### ● Newspaper Ads

These ads present where our products and technologies are most useful.



### 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.

# Eco-Management (promoting environmental management)

Positively meeting global legal regulations and trends in environmental issues—the targets of our creative manufacturing

## 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.

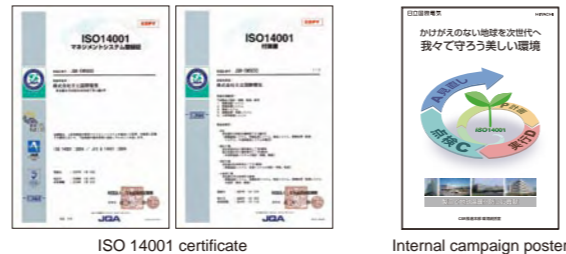
### Action Guidelines

- 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

Our Group began acquiring certification under ISO 14001 in fiscal 1996. By the end of fiscal 2006, we had acquired certification under ISO 14001 for all our manufacturing and service centers.

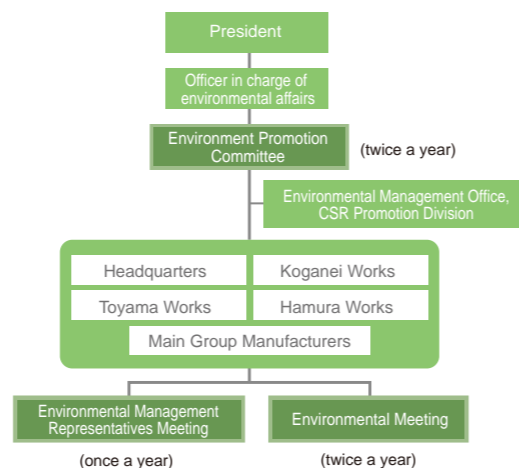
In fiscal 2007, we initiated our integrated ISO activities as Hitachi Kokusai Electric Inc. including the head office's sales department, which is our contact with our customers, and acquired certification under ISO 14001 from an outside examination agency in January 2008.



## Environmental Management System

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 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 management support divisions, helps promote the implementation of decisions made by the Environment Promotion Committee and performs follow-ups on the progress of such actions at the "Environmental Management Representatives Meeting."



## Targets and Results of Environmental Activities in Fiscal 2007

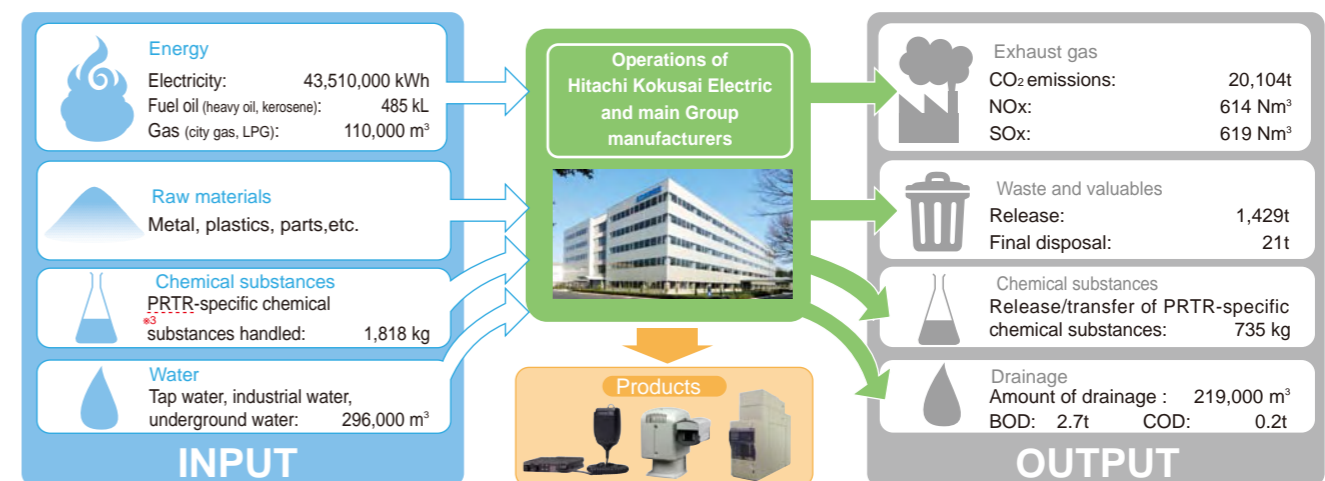
	Main item	Medium term plan	Fiscal 2007 targets	Fiscal 2007 results	Evaluation
Eco-management	Enhancing the environmental management system	Renewing certification for the integrated environmental management system	Obtaining certification for the integrated environmental management system	Obtaining certification for the integrated environmental management system	100% (3 trees)
	Encouraging colleagues to take environmental e-learning	70% attendance by fiscal 2010	55% attendance	55% attendance	80% (3 trees)
Eco-products	Promoting eco-friendly products	Sales ratio of eco-friendly products: 100% by fiscal 2010	Sales ratio of eco-friendly products: 85%	Sales ratio of eco-friendly products: 93%	100% (3 trees)
	Higher product environmental efficiency	Higher global warming factor Higher resource factor	Higher global warming and resource factors Promoting compliance with the Eco-friendly Design Assessment Standards Version 3.1	Some models have yet to be assessed for their global warming and resource factors	80% (1 tree)
	Reduced hazardous chemical substances	Completing compliance with the REACH rules	Completing identification of preliminarily registered substances and preparations for preliminary registration	Registered substances were investigated with no preliminarily registered substances confirmed	100% (3 trees)
Eco-factories	Prevention of global warming	35% reduction in basic unit of CO <sub>2</sub> emissions in actual production by fiscal 2010 (from level in fiscal 1990)	22% reduction in basic unit of CO <sub>2</sub> emissions in actual production (from level in fiscal 1990)	46% reduction in basic unit of CO <sub>2</sub> emissions in actual production (from level in fiscal 1990)	100% (3 trees)
		4% reduction in actual production transportation energy unit requirement by fiscal 2010 (from level in fiscal 2006)	1% reduction in actual production transportation energy unit requirement	9% reduction in actual production transportation energy unit requirement	80% (3 trees)
	Waste reduction	90% reduction in final disposal by fiscal 2010 (from level in fiscal 1998)	87% reduction in final disposal (from level in fiscal 1998)	97% reduction in final disposal (from level in fiscal 1998)	100% (3 trees)
Chemical substances management	Final disposal rate: 1% or less (in fiscal 2010)	40% reduction in release of "reducible substances" by fiscal 2010 (from level in fiscal 2000)	Final disposal rate: 3% or less	Final disposal rate: 1.4%	100% (3 trees)
			34% reduction in release of "reducible substances" (from level in fiscal 2000)	59% reduction in release of "reducible substances" (from level in fiscal 2000)	100% (3 trees)

Evaluation standard: 100% (3 trees), 80% or more (2 trees), less than 80% (1 tree)

## Operations and Environmental Loads

In conducting its operations, our Group expends resources and energy to provide products. At the same time, such operations discharge CO<sub>2</sub> and waste. Hitachi Kokusai Electric and its Main Group Manufacturers monitor the inputs and outputs of such elements, and work to reduce hazardous chemical substances and

increase energy efficiency. Regarding the procurement stage of raw materials and the reduction of environmental impact of products, see "With Our Business Partners" and "Special Report," respectively.



### Glossary

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

### Glossary

- \*1 Main Group Manufacturers: YAGI ANTENNA INC., Hitachi Kokusai Denki Engineering Co., Ltd., Goyo Electronics Co., Ltd., and Tohoku Electronics Engineering Inc.

# Eco-Factories (eco-friendliness in production activities)

We make efforts to slow down global warming by saving electric consumption and enhancing the facilities, reduce waste discharge toward the goal of zero emissions, and promote other programs in an attempt to reduce our environmental impact.

## Prevention of Global Warming (Energy-saving Efforts)

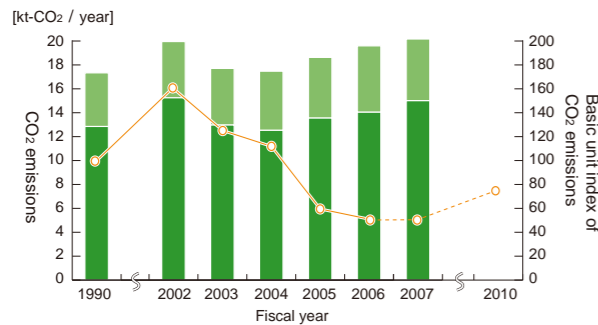
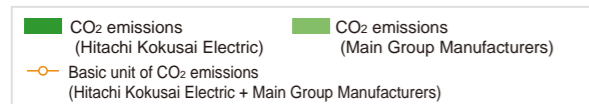
Our Group has set its fiscal 2010 energy reduction target in the manufacturing stage to making a 35% cut in the real production CO<sub>2</sub> unit requirement from the level in fiscal 1990, thereby working to slow down global warming. That target is shared with the rest of the electrical and electronics industry.

The basic unit of CO<sub>2</sub> emissions in actual production is the unit of measure for the uniform target of the electrical and electronics industry, and has been used as a control indicator since fiscal 2005. The basic unit of CO<sub>2</sub> emissions in actual production by Hitachi Kokusai Electric and Group member manufacturers in fiscal 2007 was reduced by 46% from the level in fiscal 1990.

Conversely, CO<sub>2</sub> emissions of Hitachi Kokusai Electric and the Group member manufacturers in fiscal 2007 have risen 18% 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 facilities into energy-saving types.

Our 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 CO<sub>2</sub> emissions and the basic unit index of CO<sub>2</sub> emissions in actual production



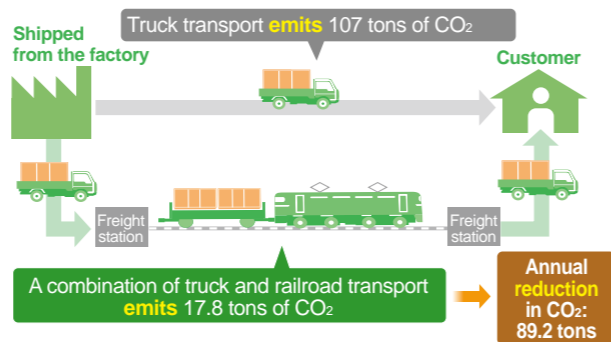
Our Group positively introduces energy-saving equipment when constructing a building or renewing facilities. In terms of operational control, we have also been improving methods of operating equipment that consumes much energy. In fiscal 2007, we reduced our CO<sub>2</sub> emissions by 272 tons.

## Main energy-saving examples

Main energy-saving measures	Cut in CO <sub>2</sub> emissions
Introducing high-efficiency equipment Introducing amorphous transformers Introducing Hf-type lighting equipment Switching to high-efficiency boilers	32t-CO <sub>2</sub> /year
Air conditioners Switching to inverter air conditioners Improving the method of operating clean room air conditioners	110t-CO <sub>2</sub> /year
Improving the operation of evaluators of semiconductor manufacturing equipment Lowering the temperature of evaluator heaters Lowering the rotating speed of evaluator pumps	130t-CO <sub>2</sub> /year

## Energy-saving Efforts in Physical Distribution

Kokusai Electric Techno Service Co., Ltd., which deals with physical distribution for the Group, is working on a modal shift for switching from conventional truck transport to railroad transport. In fiscal 2007, the company switched the transport of 81 railway containers through this modal shift, and consequently reduced annual CO<sub>2</sub> emissions by 89.2 tons.



## Controlling Contamination of Soil and Groundwater

In line with the Soil Contamination Countermeasures Law which became effective in February 2003, our Group conducts voluntary surveys of soil and underground water on its own properties.

In fiscal 2007, a soil survey accompanied by the demolition of a building revealed some contamination due to lead and dioxins. We therefore replaced the soil and completed the relevant measures to purify the ground.



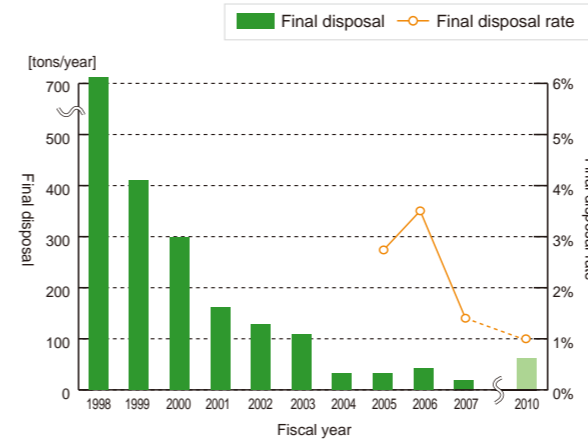
Replacement of soil

## Waste Reduction

Our Company and Main Group Manufacturers are working toward the target of reducing their final disposal of waste by 90% by fiscal 2010 from the levels in fiscal 1998. In fiscal 2007 we explored new recycling agents, enhanced recycling, thoroughly implemented the disposal of sorted garbage, and consequently made a 97% cut in disposable waste from 1998 levels to achieve the target. Moreover, regarding the targeted final waste disposal rate of 3% or less (as added for fiscal 2005 and onwards), we made some promising developments in disposing of wood chips that caused our failure to achieve the target last fiscal year, and achieved the target in fiscal 2007 at 1.4%.

From now on, each place of business will reduce 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."

## Final disposal and final disposal rate of waste



## 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,



PCB storage warehouse

our 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.

Fiscal 2007 saw that a survey accompanied by the demolition of a building that revealed electrical equipment containing PCBs at two places of business. We therefore store and control the equipment securely together with the existing equipment stored.

## 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 Manufacturers have encountered any reportable substances exceeding the applicable quantity handled.

## PRTR-specific chemical substances actually released and transferred (in kilograms per year)

(Sum of Hitachi Kokusai Electric and Main Group Manufacturers)

Chemical substance	Quantity handled	Consumption	Quantity recycled	Transfer	Release
Lead and its compounds	947	683	54	210	0
Toluene	317	28	0	9	281
Xylene	230	35	0	11	184
Hydrogen fluoride and its water-soluble salts	190	0	170	0	20

\* Substances significantly handled are shown above

## VOICE Comments by a stakeholder

"We are handling environmental measurement and analysis for the Hitachi Kokusai Electric Group."  
 "We carefully resolve our customers' issues and problems with our 'expertise' and 'in good faith'.  
 "Regarding environmental measurement and analysis, we hold careful advance meetings with our customers and, on that basis, conduct systematic analysis and work to feed back the results quickly."



Representatives of Shuwa Industry Corp. meeting with personnel of our Company



# Evaluation of Environmental Activities

By setting quantitative assessment standards for environmental activities, and monitoring and analyzing such activities, we work continuously to upgrade environmental management, reduce environmental risks, and increase efficiency in environmental investment and environmental activities.

Social Reports

Environmental Reports

## "GREEN 21" Ver. 3 Activities and Fiscal 2007 Evaluation Results

To continuously improve its environmental campaigns and upgrade its activities, the Hitachi Group uses its GREEN 21 assessment system to score the mechanism for its activities designed to achieve the targets of the Hitachi Group, as well as the contents and achievement rates of the targets set.

Although we have worked with version 2 from fiscal 2002 to fiscal 2005, since fiscal 2006 we upgraded to version 3. With our environmental activities classified into eight categories, we assess ourselves based on certain assessment criteria in an attempt to continuously improve and enhance our environmental activities. These categories are based on a scale of up to 200 GP (green points) and, for the grand total, are assessed on a scale of 1,600 GP. In contrast to the Hitachi Group's target of 1,280 GP for fiscal 2010, our company works with a target of 1,024 GP set for fiscal 2010.



### Result Reporting

Our green points for fiscal 2007 amounted to 818 GP on average, and therefore exceeded the 720 GP targeted for fiscal 2007. The reduction effects of the transport energy unit requirement increased the score of eco-factories (as pertaining to global warming). We will continue working on the item of eco-products, which obtain low scores.

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

## 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 facilities. The effects determined involve economic effects monitored based on secure grounds.

### Result Reporting

In fiscal 2007, we introduced high-efficiency, energy-saving equipment and pollution-preventing equipment, resulting in a growth in investments in environmental conservation. Integration of the environmental management system also helped to reduce management activity costs.

In terms of economic effects, high-efficiency equipment saved overhead, but the decline in material expenses stemming from resource-saving designs failed to match the level of the preceding fiscal year. The result was an overall decline in economic effects.

We will continue using environmental accounting as a tool for continuous improvement in an attempt to increase investment effects.

Costs (in millions of yen)

	FY 2005	FY 2006	FY 2007	Main contents
Costs within factory areas	180.6	163.9	248.8	Costs for maintenance and management of environmental load reduction facilities
Upstream and downstream costs	0.3	0.2	0.4	Costs for green procurement and recycling
Management activity costs	76.8	89.3	77.4	Personnel expenditures for environmental management, maintenance costs for environmental management system
Design costs	168.0	191.0	115.5	Expenses for developing and designing eco-friendly products
Social activity costs	3.0	2.1	2.0	Costs for environment improvements such as greening and landscaping, PR, and publicity
Costs related to environmental damage	0	1.2	0	Environment-related compensation, contributory money, and surcharges
Total cost	428.8	447.8	444.1	—

Investments (in millions of yen)

	FY 2005	FY 2006	FY 2007	Main contents
Investments in environmental conservation	169.2	31.0	341.3	Investments in environmental load reduction facilities such as energy conservation facilities

Economic effects (in millions of yen)

	FY 2005	FY 2006	FY 2007	Main contents
Effects on real income	4.3	9.9	13.6	Profit on sale of recycled waste, etc.
Expenditure reduction	6.2	17.5	5.5	Cost-saving effects, etc. by saving energy
Material cost reduction	4.0	61.6	10.2	Reducing materials and parts expenses, etc. by resource-saving design, etc.
Total cost	14.5	89.0	29.3	—

# Eco-Products (eco-friendly products)

To alleviate environmental impact of the product lifecycle at each stage as much as possible, we conduct "eco-friendly design assessment" based on the concept of eco-friendly design in order to develop products.

## Eco-friendly Products of Fiscal 2007

To alleviate as much as possible the environmental impact of a product in each stage of its lifecycle (raw material production distribution use collection and disassembly -- appropriate disposal), our Group proceeds with product development by using "eco-friendly design assessment" unique to our Company, based on the concept of eco-friendly design.

Our Group defines environmentally friendly products as those whose eight assessment items "score at least 2 on a scale of 5, with a total average of at least 3."

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 products handling, scrapping and disposal

### In-car radio unit "TR series"

- ① Environmental conservability: RoHS-compliant
- ② Compact: 28% smaller



### Pan-tilt-head-integrated camera for out-door use "HC-401 series"

- ① Environmental conservability: RoHS-compliant
- ② Compact: 67% smaller
- ③ Lightweight: 56% lighter
- ④ Power consumption: 58% lower



### Portable UHF antenna "FLEMO®"

- ① Compact: 56% smaller
- ② Recyclability: Up 11%



YAGI ANTENNA INC.

\* FLEMO® is a registered trademark of YAGI ANTENNA INC.

## Topics

### RoHS-compliant Semiconductor Manufacturing Equipment

The RoHS Directive of the EU regards semiconductor manufacturing equipment as non-applicable products because such equipment corresponds to large-scale stationary industrial tools.

However, we define reduced environmental impact as an important issue and promote advanced conformity, and as a voluntary response, will apply the applicable commercialization of equipment, in compliance with RoHS restrictions on the use of six hazardous substances, beginning with the shipment of the new model of QUIXACE® in August 2008.



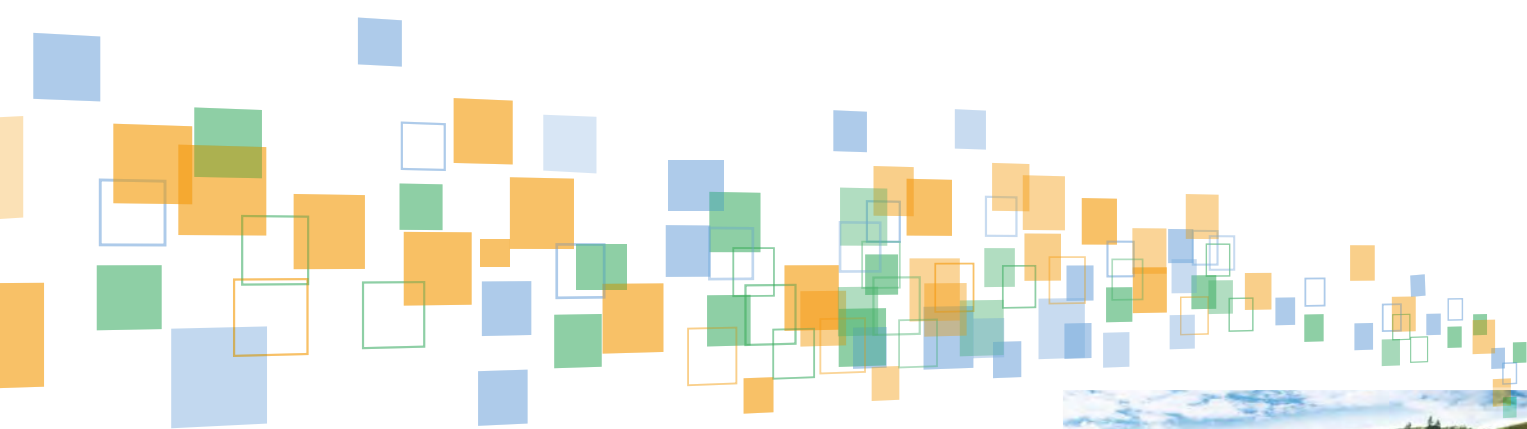
## Editor's Postscript

Thank you very much for reading the Hitachi Kokusai Electric Group CSR Report 2008. Having made step-by-step improvements based on comments raised in various forms, we are now issuing this report as the third annual report of its kind; that is, a report on the third year since CSR was included in the name of the report. Thanks to your cooperation, this report is also based

on the PDCA (Plan, Do, Check, Action) cycle. And that constitutes a check of the CSR activities in general, meaning our Group's business in general, and will presumably trigger further improvements and the promotion of said activities. We ask for your continued cooperation.

Questionnaire URL

<http://www.hitachi-kokusai.co.jp/global/corporate/er/index.html>



# Hitachi Kokusai Electric Inc.

CSR Promotion Division

AKIHABARA UDX Bldg. 11F  
4-14-1 Sotokanda, Chiyoda-ku, Tokyo 101-8980  
Tel: +81-3-6734-9401  
Fax: +81-3-5209-6160

Issued in June 2008  
(English version issued in August 2008)



This English version, only issued in a pdf file,  
is not printed and not available as a booklet.

<http://www.hitachi-kokusai.co.jp/>