

# Hitachi Kokusai Electric Group CSR Report 2009



To proceed with our customers,

our business partners,

our colleagues, and

our neighbors

to another step into the future....

# *Toward Becoming a Company Living Up to Society's Expectations in Changing Times*

Thank you very much for your usual generous support for the business of the Hitachi Kokusai Electric Group.

Through the Hitachi Kokusai Electric Group CSR Report 2009, we are reporting the status of our Group management and business promotion to our stakeholders. We thereby welcome your comments and advice.

The Hitachi Kokusai Electric Code of Conduct sets forth our fundamental philosophy as manufacturing products that contribute to a safe and affluent society, looking toward the future in working incessantly for continuous improvement, observing fundamentals, doing things the right way, and being fair and transparent in all aspects of corporate conduct.

In line with this fundamental philosophy, centering on the segments of Wireless Communication and Information Systems, Broadcasting and Video Systems, and Semiconductor Manufacturing Systems, we work toward becoming a "leading company in wireless technology" and a "top global company in the semiconductor thermal process." We have already seen steady progress toward achieving the numerical targets of 200 billion yen in consolidated sales with a 10% operating profit rate by the term ending March 2010. However, the rapidly deteriorating market situation since the latter half of 2008 has forced us into a major regression.

This was a direct result of an economic crisis considered to occur only once a century, and the effects of subsequent market decline. Our Group faces this situation by focusing attention on changes in human society on a global scale, or the rapid changes people expect from corporations. We believe that corporations must now think and act quickly by finding out what

should be changed and what should remain with us.

We also believe that now is the time to again ask ourselves whether we possess a good understanding of how to preserve the global environment, ensure security and safety, and meet the other needs and expectations of society, strive toward developing, designing and releasing acceptable products on an ongoing basis, as well as questioning whether we have a well-grounded focus on how to earn user trust, and asking whether we still maintain a sufficiently strong cooperative relationship with our business partners in creative manufacturing. Moreover, we believe it is time to again ask whether we provide our employees with a physically and mentally rewarding workplace environment which allows employees to work actively in a healthy manner, both in mind and body, making good use of the diversity, character and individuality of the employees. If necessary, we will repeatedly question ourselves, seek any room for improvement, and immediately tackle the challenges at hand.

In March 2009, our company became a consolidated subsidiary of Hitachi, Ltd., and stepped up in utilizing the collective strength as a member of Hitachi Group. Our commitment shown above can be attributed to the managerial principles of the Hitachi Group: "harmony," "sincerity," "pioneering spirit," and "the spirit of gleaning."

Fortunately for our Group, all business segments have been blessed with a unique history, expertise and clientele of which we should be proud. We believe that we can make good use of such assets and increase their value by not simply being content with those assets but by closely examining and flexibly coping with ongoing changes.

We think that presenting the efforts of our Group in this report, receiving frank comments and advice from the readers, and deepening our dialogue with them will prove an important step in responding to changes. We hope to receive your further understanding and cooperation regarding our path toward the future in an attempt to become a corporation that lives up to society's trust.

June 29, 2009



Manabu Shinomoto  
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.

## Company Outline (as of March 31, 2009)



Headquarters  
(AKIHABARA UDX Bldg. 11F)

**Name**  
Hitachi Kokusai Electric Inc.

**Headquarters**  
4-14-1, Sotokanda, Chiyoda-ku,  
Tokyo 101-8980, Japan

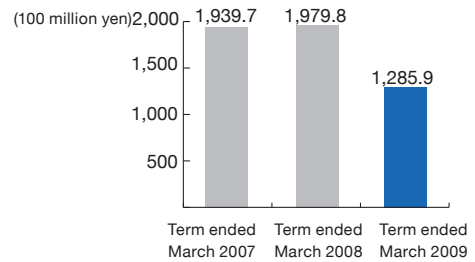
**Founded**  
November 17, 1949

**Capital**  
10,058 million yen

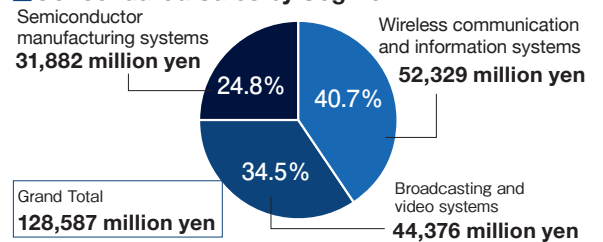
**Sales**  
128,587 million yen (consolidated)

**Employees**  
4,894 (consolidated)

### Consolidated Sales



### Consolidated Sales by Segment



## Factories of the Company



**Toyama Works**

**Main products: Semiconductor Manufacturing Systems**

Located in Yatsuo-machi, Toyama, 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 produces wireless equipment mainly bound for governmental agencies.

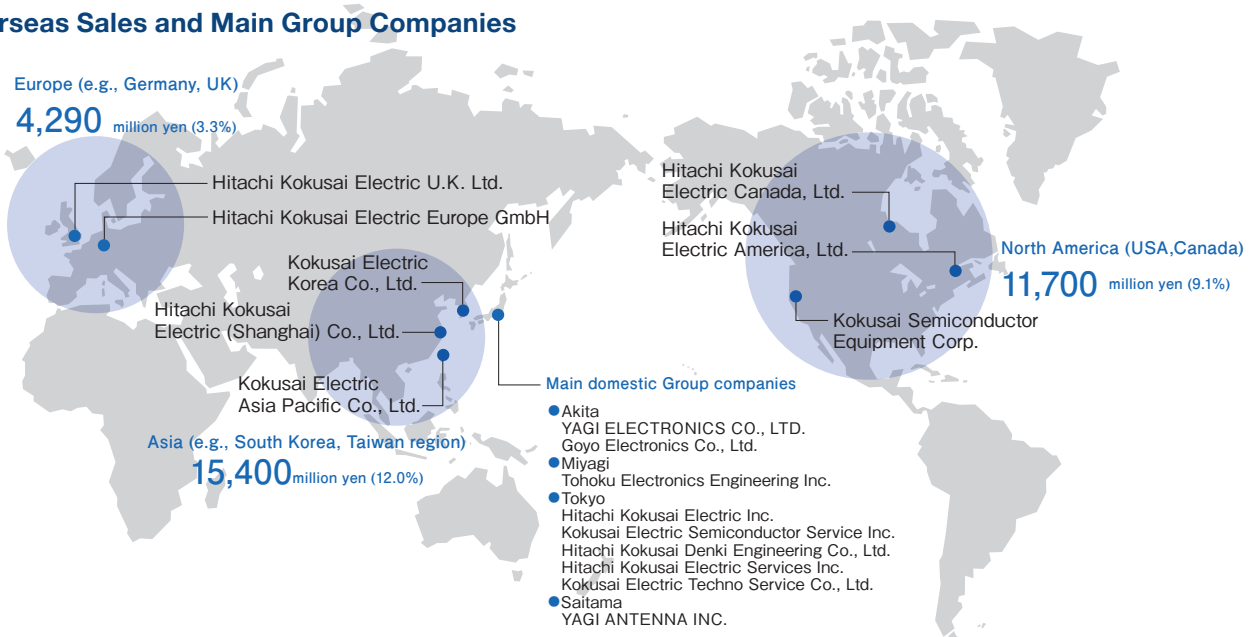


**Koganei Works**

**Main products: Wireless Communication and Information Systems, Broadcasting and Video Systems**

Located in Kodaira, Tokyo, 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.



## Main Products

### Wireless Communications and Information Systems

Wireless Communications and Information Processing Equipment



Radio Packet Communication Module



Digital In-car Radio Unit



High-speed Radio Repeater



Train Radio Communication Systems



Information Display System

### Broadcasting and Video Systems

Broadcasting Equipment, Receivers, Monitors, and Image Processors



Broadcasting Color Camera



Broadcasting Video Transmitter (FPU)  
※1



Industrial Digital Interface Camera



ISnex®  
Network-type Monitor Camera

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



PTZ camera for Outdoor Use

### Semiconductor Manufacturing Systems

Semiconductor Manufacturing Equipment



Oxidization and Diffusion CVD Equipment  
※2



Thin Film Deposition Equipment for Next-generation Process



Insulating Film Deposition Equipment



Resist Removal Equipment

#### Glossary

- ※ 1 FPU ..... Field Pick-up Unit  
 ※ 2 CVD ..... Chemical Vapor Deposition

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### 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 2008 (from April 1, 2008, to March 31, 2009)

**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 to "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 2010.

Cover photos : The cover shows photos of our employees presenting our products to users, meeting with business partners, engaging in debate at a "proposal meeting," and conducting a joint evacuation drill at a neighboring nursing care facility.

# Creative Manufacturing That Helps Slow Down Global Warming

## Increasing the performance of ashing devices to help reduce carbon dioxide emissions in semiconductor manufacturing

The advances and downsizing of electronic equipment are largely due to the improved performance and miniaturization of semiconductors. In promoting such improvements, the performance of semiconductor manufacturing systems leads to higher production efficiency, resulting in lower energy consumption. Our leading-edge semiconductor manufacturing systems represent a major step toward reducing carbon dioxide emissions.

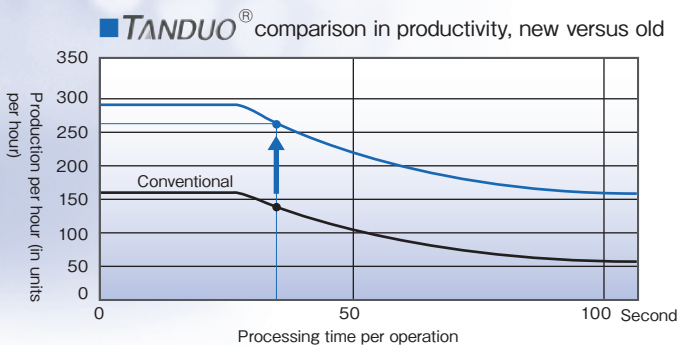
The new ashing device TANDUO® employs a new platform intended to double productivity, while suppressing the increase of power consumption to 1.5 times more than that of conventional equipment, thereby achieving a 20% cut in energy consumption per manufactured chip.

This lower consumption of energy reduces the annual power consumption per unit by 26 MWh. The reduction in carbon dioxide emissions (converted based on 1 kWh = 360 g of CO<sub>2</sub>) represents a decline in carbon dioxide emissions by about 9 tons per year.

About 70% of our semiconductor manufacturing systems are destined for overseas locations. As a major semiconductor manufacturer in the world, we help advance semiconductors, increase production efficiency, reduce manufacturing costs and energy consumption, and help alleviate global warming.



TANDUO®



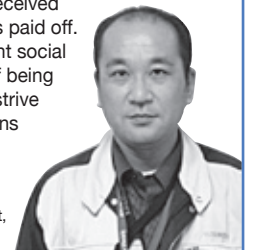
\*TANDUO® is one of our registered trademarks.

### Voice

We inherited as much of the concepts (design thinking) and strengths of conventional models as possible, and develop new models in a short time. After shipping our first model, the same user gave us a repeat order. I feel that our TANDUO® is being well-received and that our hard development work has paid off. Environmental measures are an important social contribution of a corporation. Instead of being content with current conditions, we will strive toward reducing carbon dioxide emissions even further.

#### Toshiya Shimada

Single-Wafer Equipment Engineering Department,  
Toyama Works



### Glossary

- ※1 Ashing ..... The name of a semiconductor-manufacturing process where the rough part called "resist" on a wafer is etched (baked) and then removed
- ※2 Platform ..... A part consisting of the basic cabinet, conveying mechanism, controller and other components that form the foundation of the equipment
- ※3 Conventional equipment ..... Our ashing device "λ (lambda) series" released in April 2003

## A major simplification in the entry/exit procedure eliminated the time for idling and waiting.

ETC technology has been applied to the entry/exit procedure, thereby contributing to a cut in carbon dioxide emissions.

One distribution center receives about 130 vehicles every day. Until recently, at the time of entry, drivers had to exit their vehicles in order to follow the entry procedure, sometimes forcing several vehicles behind them to wait in line. The introduction of our <sup>※4</sup>DSRC vehicle entry/exit system based on an ETC (electronic toll collection) terminal has now made entry possible in one stop from authenticating a registered vehicle to automatic opening and closing of the gate. This system has shortened the time needed to complete the entry procedure for vehicles from about three minutes per vehicle on average to only several seconds. This eliminated the need for idling while waiting to complete the procedure. Trial calculations based on the example of this user show that a contribution has been made to reduce carbon dioxide emissions by 1.4 tons per year.

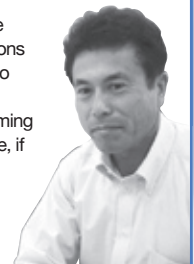


### Voice

This system has been built in an attempt to alleviate the user's burden and increase convenience. I feel that it is very worthwhile being able to help alleviate global warming by reducing carbon dioxide emissions by building a system based on our company's radio communication technology. I would like to continue to help alleviate global warming by selling more units of this system with my humble, if not quite large capacity.

#### Hideki Muroya

Planning Department,  
Wireless Communication Systems Division



## Standalone monitor with a photovoltaic microwave sensor

This "standalone monitor for detecting illegal entrants and radio communications" is operated by a microwave sensor using photovoltaic generation. This system constantly charges its internal battery with solar energy and works without discharging any carbon dioxide.

This unit only uses solar energy, and therefore does not discharge carbon dioxide. It consumes 6 W on average or 53 kWh annually, which can be converted to mean a cut in carbon dioxide emissions by 19 kg. This, together with the saving of wiring work and possible power loss (about 2% per 150 m) due to the laying of cable, will constitute a considerable additional reduction, such as when used to monitor remote facilities.

This standalone monitor is based on a microwave sensor and radio technology, and was designed along with the following environmental considerations:

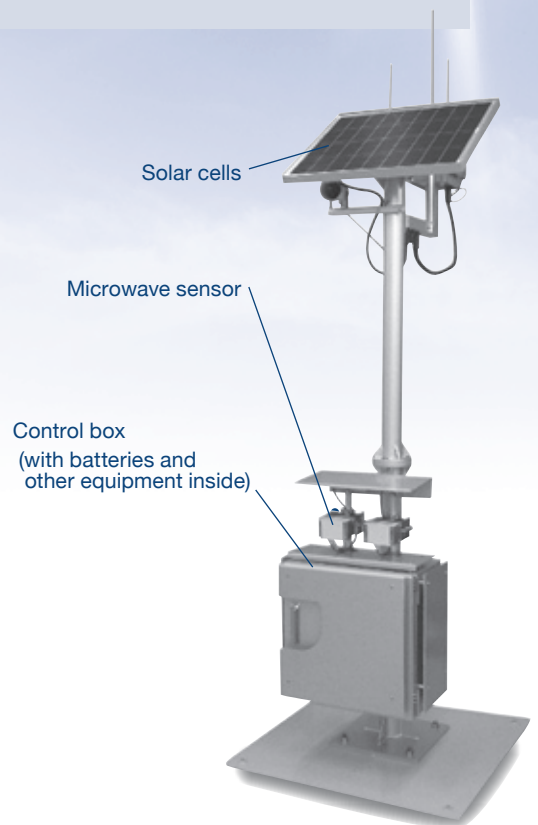
- 1) The energy-saving function in the internal unit contained in the control box curtails power consumption, thereby reducing the amount of heat generated.
- 2) This is compliant with the <sup>※5</sup>RoHS Directive, a European standard banning the use of certain chemical substances.

### Voice

We combined a monitoring device based on a microwave sensor with radio technology in an attempt to devise a design that meets the needs of users of our Group. We assumed applications for controlling regions with geographic features and places where a power supply and signal wiring are hard to secure, along with wide areas, and also paid attention to the demand from overseas. This helped reduce carbon dioxide emissions and increase the environmental safety of the substances used.

#### Koichi Miyashita

Wireless Communication System Engineering Department  
Hitachi Kokusai Denki Engineering Co., Ltd.



### Glossary

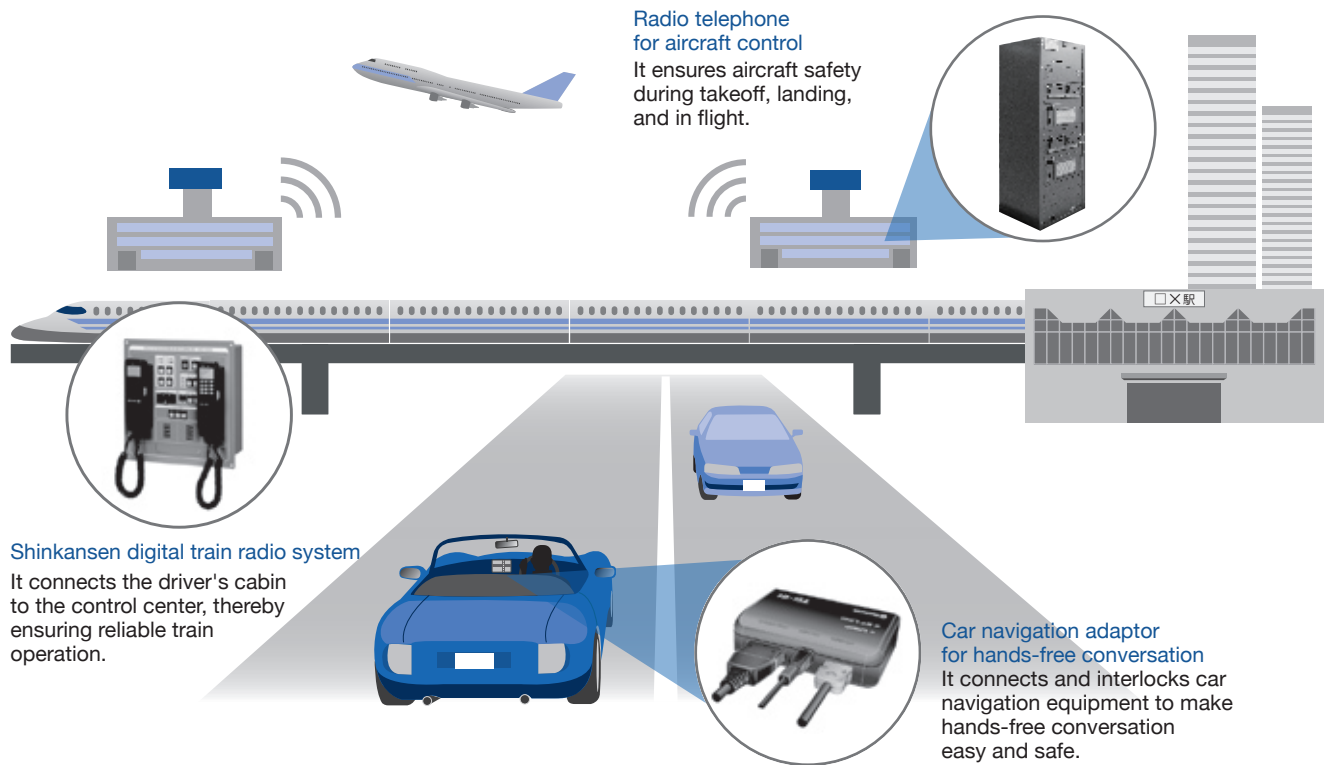
※4 DSRC(Dedicated Short-Range Communication) ..... Narrow-range communication – a radio communication system used in ETC.

※5 RoHS (Restriction of Hazardous Substances) Directive ..... A directive that prohibits the inclusion of certain harmful chemical substances in electrical and electronic products sold in the EU market.



# With Our Customers – Safety and Security –

The secure and smooth communication of information is essential to ensure the reliable use of speedy means of transport. The radio expertise of our Group will help you.



## The Shinkansen digital train radio system ensures the safety of 200 trains.

Communications in transport to connect Shinkansen trains to the control center is provided by train radio equipment. In order to increase service efficiency, Central Japan Railway Company and West Japan Railway Company have introduced a digital train radio system.

In cooperation with Hitachi, Ltd., we have delivered 200 units of radio equipment mainly for onboard train use (by drivers and conductors).

Central Japan Railway Company also employs a digital train radio system that allows passengers with PCs on N700 trains to connect to the Internet, thereby providing better user service.





## Radio telephone equipment that supports aircraft safety

Radio telephone equipment for aircraft control links the pilots aboard aircraft to ground-based controllers via voice communication. The processes from aircraft takeoff to landing are guided by commands and information provided by using this equipment. Safe transport requires high reliability. This equipment, based on our leading-edge software radio equipment, ensures reliability and safety.

At present, this equipment is being used at about 80 airports and airport offices nationwide.



Radio telephone equipment (before shipment)

### Voice

A jumbo jet flying in the wide sky carries children excited about their first-ever flight, couples discussing their dreams for the future, and elderly couples looking forward to meeting their grandchildren for the first time.

We are lucky to provide "safety" to the people onboard with various dreams in their minds. We feel the "joy and pride" of developers when watching users exit airplanes. I hope to see many other smiling faces.

#### Koichi Okabe

Engineering Department I,  
Hamura Works



## Interlocking with car navigation equipment provides easy and safe hands-free conversation.

It is prohibited to hold and handle a mobile telephone while driving in order to ensure safe driving. For that reason, the hands-free equipment in mobile telephones has seen some advances. Certain models are already connected to car navigation equipment in order to share speakers, a touch panel, and other features for enabling easy and safe hands-free conversation.

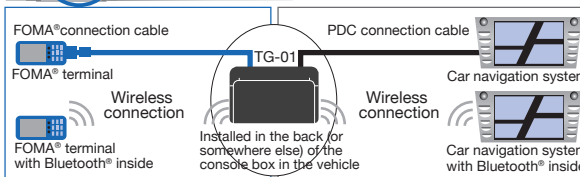
Goyo Electronic Co., Ltd. has even added wireless capability to eliminate the need for bothersome operations when entering and exiting a vehicle by interlocking with car navigation equipment, even with the mobile phone being carried in the driver's pocket, and also adapts easily to a new mobile phone model, when the user purchases one. The equipment is now more user-friendly and much more useful for safe and reliable driving.

### In-car communication adaptor Telema Gateway TG-01



\*FOMA® is a registered trademark of NTT DOCOMO, INC.  
\*Bluetooth® is a registered trademark of the Bluetooth SIG, Inc.

- Connect a hands-free car navigation system to a FOMA® terminal.
1. Engage in hands-free conversation.
  2. Transfer the telephone directory in the FOMA® terminal to car navigation equipment.
  3. Supply power to the FOMA® terminal.



### Voice

This product was developed based on the keyword "linkage." With a user focus, we are proud of accumulating real-vehicle verifications and successfully realizing a product that links required convenience with safety. We now seek further linkage and target powerful "creative manufacturing" that "links media," "links dreams," and links the truly creative "products" and "manufacturing."

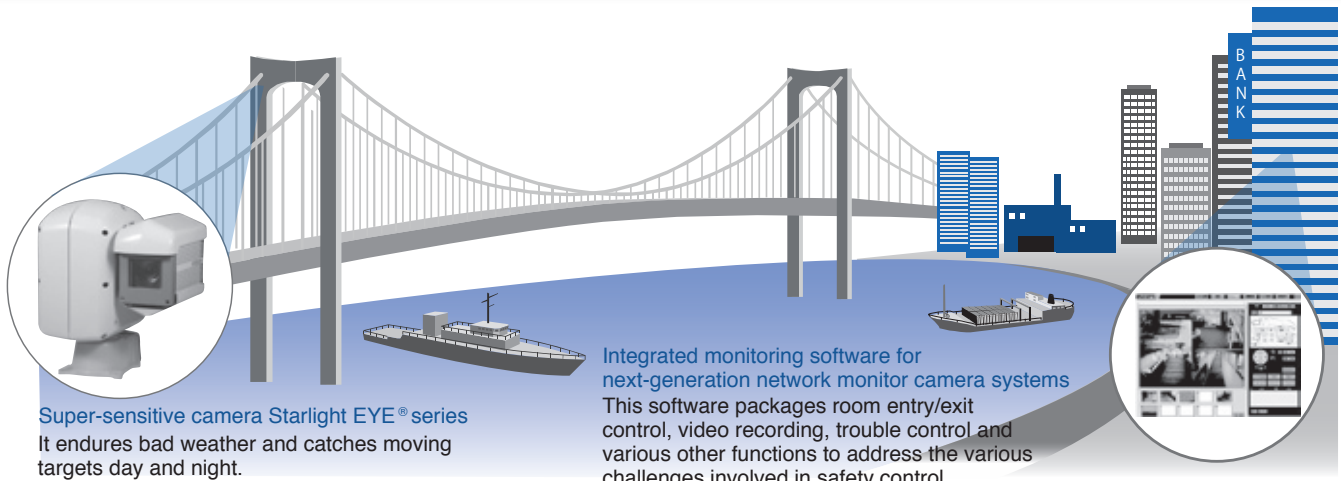
#### Shuheï Taguchi

Electronic Equipment Design Department  
Goyo Electronic Co., Ltd.



# With Our Customers – Safety and Security –

Surveillance cameras must endure bad weather day and night. These cameras can even observe a wide area simultaneously to ensure safety and security for users and society.



**Super-sensitive camera Starlight EYE® series**  
It endures bad weather and catches moving targets day and night.

**Integrated monitoring software for next-generation network monitor camera systems**  
This software packages room entry/exit control, video recording, trouble control and various other functions to address the various challenges involved in safety control.

## The super-sensitive camera offers improved performance to ensure "safety and security" in important facilities.

The HC-268 super-sensitive PTZ camera released in February 2009 provides much higher performance than the conventional HC-258 model in terms of such features as sensitivity, size and weight reduction, and environmental resistance.

This model is particularly better in sensitivity than the conventional one and can make video recordings of moving vehicles, people, and other objects, even at night. We sell this product with application emphasis on monitoring rivers, ports and harbors, airports and other important facilities, thereby helping to create a safer and more affluent society.

**Super-sensitive**  
More than 1,000 times as sensitive as ordinary cameras

**Resistant to adverse environments**

**Compact body**  
About a half the volume of the conventional model



HC-268

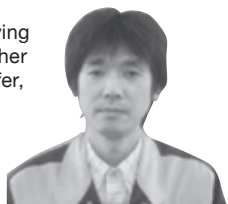
\*Starlight EYE® is a registered trademark of the Company.

### Voice

Along roads and in rivers, ports and harbors, important facilities and various other monitoring areas, we work to create highly functional and reliable products that meet user expectations. By increasing the sensitivity for obtaining clear monitoring images with little lighting, reducing power consumption, complying with the RoHS Directive and taking other measures, we hope to help build a safer, securer, and more affluent society.

#### Takashi Ito

CCTV Products Engineering Department  
Koganei Works



## Perfect security with cameras and a network

With growing interest in safety and security, "monitoring" is becoming increasingly important in various places, including banks with automatic teller machines (ATMs), airports, train stations, factories and agricultural fields. At the same time, it has become important not only to merely adopt some ingenious ideas in setting the number, performance and locations of monitor cameras, but also to conduct such monitoring efficiently without any trouble with limited personnel and labor.

To meet diversifying and increasingly complex needs, including those for displays of camera images required for monitoring, camera direction control, and other basic functions, along with the interlocking of various sensors and room entry/exit control devices that ensure efficient monitoring with several to several hundreds of cameras and recorders, trouble monitoring functions that examine whether each item of equipment and the network operates normally, and the needs for other functions, we have developed VMnex™ integrated monitoring software that packages various functions.

\*VMnex™ is a trademark or a registered trademark of the Company.

### Voice

Based on our experience of having delivered monitoring software to various users and based on the know-how accumulated through such experience, we have considered the new needs of our users and developed integrated monitoring software. The most-required trouble monitoring function has been designed to cope with trouble not only in core portions of the products, but also in network equipment. We will continue to incorporate measures to address more needs of our users and upgrade our products.

#### Eiki Konno

CCTV Control System Engineering Department  
Koganei Works



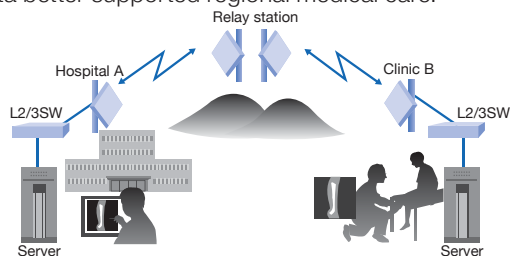
# With Our Customers – In Pursuit of Leading-edge Needs –

Ahead of all others, we tackle new requirements arising from advances made in video technology.

## Fast radio transmission realizes remote image reading and diagnosis on MRI.

We have realized a remote medical treatment relay line (with a wireless interval of about 8.5 km) by establishing a fast data transmission line with SINELINK® 25G between hospital A in Ichinoseki City, Iwate Prefecture, and clinic B about 10 km away.

The clinic B is equipped with MRI<sup>※1</sup> whereas the hospital A has a specialist physician who reads and diagnoses the images. This speedy transmitting of large quantities of image data better supported regional medical care.



## By eliminating the block noise generated during the reception of terrestrial digital broadcasting, the power-up booster<sup>※2</sup> produces clear images.

In the reception of terrestrial digital broadcasting, a terminal far away from the transmission station or radio waves blocked by nearby buildings may cause mosaic-shaped square image distortion (block noise) on the TV screen. To combat that problem, we developed a power-up booster used in combination with a terrestrial digital antenna to significantly increase the reception quality, thereby positively eliminating block noise.

※The images are produced for explanatory use.



### Voice

#### "Easy correction" is what users want.

Our conventional product required amplification adjustment and was not quite affordable. We tackled this challenge with the simple idea of seeking a booster specifically designed for terrestrial digital antennas. This entailed a long series of trial and error. For six months after we came up with the idea, we tackled the challenge from the perspective of an antenna engineer without being bound by established concepts, stuck to users' expectations, and targeted clear images until we finally succeeded in producing a product that makes a difference.

#### Atsushi Kaneko

Development Engineering Center  
YAGI ANTENNA INC.

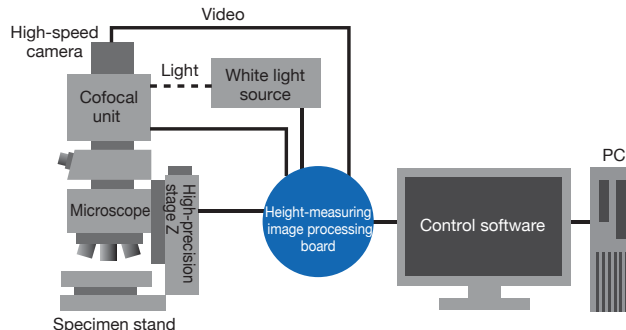


## Expectations for a height-measuring function based on video technology

"Height-measuring equipment" refers to semiconductor inspection equipment used in the back-end processing of semiconductors. It combines conventional "CD (Critical Dimension) measurement equipment" with a function for measuring micron order level differences.

In the conventional process of semiconductor inspection, it sufficed merely to measure the widths of patterns on the wafer by using "CD measurement equipment". In recent years, however, there has been growing demand for a function to measure differences simultaneously (height-measuring function).

Thanks to the cooperation of users, business partners, and many other knowledgeable persons, we were able to shorten the tact time with unrivaled fast processing. We were also able to obtain bright confocal images, thereby contributing significantly to enhanced product yield and quality assurance in the semiconductor manufacturing process.



### Voice

Users of our "height-measuring equipment" highly acclaim our equipment for its fast measurement and labor-saving effects in the inspection process. This equipment enhances the system by using a robot conveyor to convey wafers automatically and creates electronic files based on measuring conditions called "recipes," thereby conducting all processes from the unattended transfer of wafers to the output of inspection results. This has made it possible to save labor in the inspection process and consequently achieve user satisfaction. We will adopt a further series of ingenious ideas including parts in an attempt to further satisfy our users.

#### Takahiro Shimizu

Engineering Center  
Hitachi Kokusai Denki Engineering Co., Ltd.



### Glossary

- ※1 MRI ..... Acronym for "Magnetic Resonance Imaging." It displays videos of cross-sectional images of all parts of the human body including the heart, arteries and veins.
- ※2 Booster ..... A device for amplifying TV radio waves. TV radio waves are attenuated and become weak while being distributed through TV cables. These weakened waves are amplified and compensated for by using a booster.
- ※3 Tact time ..... Processing time per operation of a tact time device.
- ※4 Confocal ..... The ability to obtain a non-blurry image even with thick units having different focuses.



# With Our Customers – Pursue the Quality –

Our Group pursues constant improvement of the quality assurance system from a customers' point of view in all business activities including product order receipt, development, design, production, inspection, sales, and after-sales service.

## Providing Safe Products and Services

We not only comply with the Product Liability (PL) Law,<sup>※1</sup> 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 internally and externally.

## Policy to Improve Quality

We have 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.<sup>※2</sup> In order to further satisfy various requirements of customers on products and services, we have also certifications of JISQ9100 and TL9000 as applicable to specific product areas, and incorporated the sales departments into the quality management system.<sup>※3</sup><sup>※4</sup><sup>※5</sup><sup>※6</sup>

## Policy to Address Quality Problems

We always take all possible actions to ensure perfect product quality. However, should any accident or trouble occur, it would be necessary to promptly settle the incident and complete corrective action in order to minimize the trouble caused to users. Early settlement also leads to the prevention of similar incidents. In April 2008, we established an organization called the Field Support Group or FSG (run jointly with our service companies) for coping with and managing outside accidents involving products, thereby taking actions to make a quick response. In responding to quality problems, it is important to think and act from the viewpoint of a customer. A philosophy for review and recurrence prevention activities based on that thinking is called *Ochibo Hiroi* ("gleaning"). *Ochibo Hiroi* identifies both direct technical causes and motivational causes not only to prevent recurrence of the problem, but also to prevent similar problem on similar products.

### Topics

We received the Supplier Continuous Quality Improvement (SCQI) award<sup>※7</sup> 2008 from Intel Corporation. The year 2008 witnessed the selection of 14 corporations for this award, including ours. The fact that we received the SCQI award four times in five years reflects recognition of our efforts toward product and service improvements in contributing to Intel's business. This is a source of great joy and pride for us.



Intel executives, our president (at the time we received the award) and other representatives of both companies

### Voice

"This award is in recognition of Hitachi Kokusai for delivering results which exceeded Intel's goals and expectations," said Sandra Viarengo, Fab Capital Equipment Development director, Intel Corporation. "Kokusai consistently demonstrates outstanding support for Intel and a strong commitment to our Supplier Continuous Quality Improvement process." All members concerned will do our best to yet again receive the award in 2009, and continue to tackle the challenges at hand.

**Isao Wakabayashi** (left)

**Kazuhiro Shimoda** (center)  
Quality Assurance Department,  
Toyama Works

**Yutaka Nishino** (right)  
Production Planning & Management  
Department, Toyama Works



Home Page of Hitachi Kokusai Electric Inc. to inquire about our products and services:

<http://www.hitachi-kokusai.co.jp/global/> or [Hitachi Kokusai Electric Inc. Contact](#)

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

### 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 standard 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 PDCA ..... Plan-Do-Check-Action
- ※5 JISQ9100 ..... Quality management standard applicable to organizations that manufacture and supply aeronautical and astronautic products
- ※6 TL9000 ..... Quality management standard applicable to organizations and subcontractors that provide telecommunications products (hardware, software and service)
- ※7 SCQI Award ..... An award, a part of Intel's SCQI program, granted to a supplier who achieved the standard set for the year. Details are shown in Intel's website with the following URL: <http://supplier.intel.com/quality>.

# With Our Business Partners – Material Procurement –

We will work to establish good partnerships with our business partners and continue to grow together in order to create and manufacture 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 which are appropriate in terms of quality, delivery period, and price from global markets, in order to provide products that its customers will appreciate and be satisfied with. The Group also emphasizes the need to observe relevant laws and to be eco-friendly, engages in fair and open trading, and elaborates close partnerships with its business partners.

## Collaboration with Our Business Partners

To provide high-performance products and services that our customers can use without worry, it is important to establish a good partnership and step up our linkage with our business partners. Our Group has established as our business model the practice of continuously providing products that make our users happy by growing together with our business partners, and maintaining the best possible trading relationship.

### ■ Building partnerships with our business partners

#### Increasing business chances

1. Creating new business
2. Tackling new fields
3. Globalization

#### Stepping up our corporate strength

1. Promoting the use of information technology
2. Production reforms and quality enhancement
3. Promoting VEC effectiveness

#### Promoting our CSR activities

1. Contributing to society
2. Observing laws and taking eco-friendly measures

The support and cooperation of our business partners



### 1. Sharing CSR

In selecting our business partners, we request their understanding on our CSR activities. More specifically, we ask their understanding of, and seek their cooperation in connection with, our Group's concepts, including management philosophy, environmental concerns and information security.

### 2. Information security

We ask our business partners to control as confidential information the diverse information that we share with them. Moreover, we ask our business partners to whom we provide particularly important information to sign an "agreement for preventing information leakage," and work together in order to step up information security. (We have established such agreements with 323 corporations as of April 1, 2009.)

## 3. Eco-friendliness

This refers to promoting the procurement of raw materials and parts having low environmental impact. We identify as "green suppliers" our business partners who have obtained certifications such as ISO14001, and encourage more companies to acquire such certification. In fiscal 2008, we publicly recognized two business partners as "eco-friendly suppliers" for their excellent cooperation with us.

### Voice

#### Business partners who received Eco-friendliness Awards, and their comments

##### Wako Plating Industries Corporation

Thank you very much for this very honorable award. Under the concept that environmental actions lead to cost reduction, we are mainly committed to energy-saving and waste reduction. Though as a small corporation, or rather because of our small size, we consider it natural to pursue companywide efforts that consequently made us more environmentally conscious, and have managed to lead such efforts toward process improvements and the improvement of other production functions including quality

##### Murata Manufacturing Co., Ltd.

Thank you very much for the Eco-friendliness Award, indeed an honorable prize. We take our effects on the global environment seriously and regard actions to alleviate our environmental impact as a very important action challenge in line with our corporate philosophy established when our company was founded. We consider this award to be indicative of Hitachi Kokusai Electric's recognition of the results of our accumulated companywide efforts to alleviate our environmental impact. We intend to continue our companywide efforts and supply planet-friendly parts.



Recognition with thanks



Business partner meeting at the Koganei Works

**Glossary**

※1 ISO14001 ..... An international standard concerning management systems in order for corporations and their organizations to continuously help improve the environment.

# With Our Colleagues

"People" are the axis of all business operations.

We engage in various efforts to enable various personnel to fully demonstrate their abilities just as they like.

## Various Programs to Train Leaders

Our basic philosophy on personnel development is to train personnel who "learn on their own, think on their own, and act on their own." We take measures to train personnel who can assume leadership at their respective hierarchical levels.

### 1. Promoting the Acquisition of VE Leader Licenses

In our Group, a total of 1,851 persons have acquired the VE leader license as of the end of fiscal 2008. This makes us the top-ranking organization in terms of the number of VE license holders in Japan. Good use of this license is made in various business improvements.

### 2. Training Project Leaders

We believe that product nonconformities, which cause considerable damage to society, stem not only from technical problems but also from the way work is conducted from the receipt of orders to final shipment. We provide training for project leaders who serve as coordinators in product development.



Seminar for VE leader license trainees

## Companywide implementation of a technical personnel map

We began using a technical personnel map in fiscal 2008 to identify the technical areas and technical levels of each technical employee, use it for personnel training, and optimally assign personnel in research and product development. With this tool, we assist training in the workplace and self-education as well.

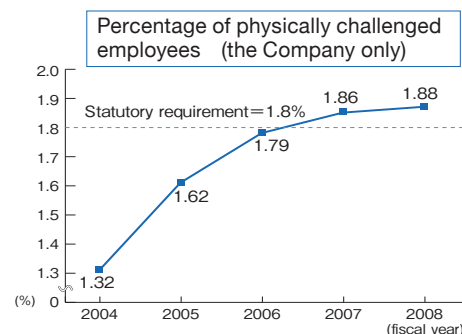
## Ongoing Human Rights Seminars

To prevent discrimination due to birthplace, race, nationality, sex and other reasons, we regularly hold a permanent set of rank-specific seminars for new recruits, mid-level employees, managers and executives. We also offer various curriculums concerning compliance in order to thoroughly implement the "CSR, fundamentals, and the right way."

## Promoting the employment of diverse personnel

In order to "respect human rights and develop while contributing to the creation of a sustainable society," we declare in our corporate code of conduct that "we respect the diversity, character, and individuality of all employees and provide a mentally and physically rewarding workplace environment." Based on that, we promote the employment of the physically challenged and persons with non-Japanese nationalities.

At the Koganei Works, we recycle the paper resource with a wet shredder in collaboration with Kokusai Electric Techno Service Co., Ltd. in order to "ensure information security" and "promote the buildup of a recycling society." At the same time, we lead this to increase more job offers for the physically challenged. We will continue our efforts to capitalize on the personality of each and every employee.



### Voice

Since 2007, I have been providing guidance on work in the shredder room. The members of the shredder room greet one another cheerfully and are enthusiastically committed to their work when collecting waste documents from the premises. I was very pleased when everyone understood what I told them and learned what to do at work, and when they assumed a leadership.

**Keiko Uo**

Kokusai Electric Techno Service Co., Ltd.



### Voice

Of all my duties involving the collection, sorting and shredding of documents, shredding with the machine is what I do best and like best. Sometimes I find it difficult when a lot of paper must be collected. But my supervisor, Ms. Uo, and other staff give us guidance kindly and sometimes strictly. I also enjoy talking with my colleagues during breaks and would like to continue working here.

**Takeaki Murai**

Human Resources & Corporate Administration Division



[Glossary](#)

※1 VE Leader (Value Engineering Leader) ..... A license accredited by the Society of Japanese Value Engineering

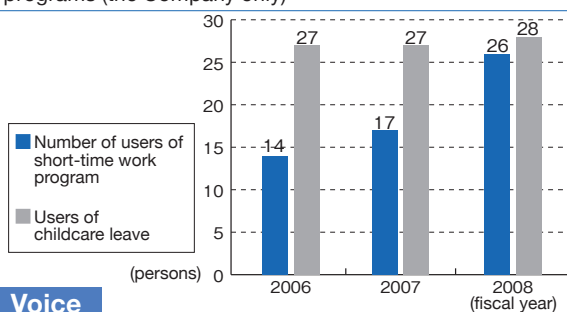


## Assistance in Rearing the Next Generation

As a support program for employees engaged in childbirth and childcare, we provide a childcare leave program and a short-term work program for alleviating the burdens of childcare and commuting. Childcare leave can be taken until March 31 after the child becomes one year old. (This can be further extended for another six months in case of special reasons.) For short-term work for childcare can be applied at most until the child completes the third year of elementary school.

These support programs are made known to the employees via the intranet and other means, and becoming common among them. The childcare leave program is used by more than 20 employees every year. More employees are also using the short-term work program every year, with 26 employees using it in fiscal 2008.

Numbers of users of childcare leave and short-time work programs (the Company only)



### Voice

Since I like to work, I decided to take childcare leave and stay with the company. The managers in the workplace are very understanding about childbirth and childcare leave, and let me take leave and return to work without any trouble. I feel it was a very good thing that I could dedicate myself to childcare during the 18-month leave period.

**Tomoko Toyozumi**  
Production Department, Hamura Works



### Voice

About two years ago, I returned from my childcare leave to rejoin the Finance & Accounting Division, where I had worked before my child was born. Ever since then, I have worked using the short-time work program. The Finance & Accounting Division is a very busy department, so I was anxious at first about whether I could manage the short-time work. But, given the time constraints, I am able to concentrate that much more on my work. In this way, I can combine my childcare with my work.

**Tae Ihara**  
Finance & Accounting Division



## Safety and health activities in action at the Koganei Works

The Koganei Works was granted a class-3 no-disaster record of achievement certificate in March 2009 by the Tachikawa Labor Standards Supervision Office. The class-3 no-disaster record was achieved because we have experienced no disasters resulting in leave for about 10 years (or 15,750,000 hours) from November 18, 1997, to July 20, 2007. We will continue to prevent disasters that would otherwise result in leave and promote safety and health activities toward achieving the (scheduled) class-4 record (23,700 hours) in March 2010.

### Disaster Prevention

Each factory has a self-defense fire-fighting team that conducts periodic training once a month. These fire-fighting teams also participate in the annual fire-fighting training competition sponsored by the local fire department and have achieved very high results.

In March, the month ending fiscal 2008, in lieu of its usual periodic training, the Koganei Works self-defense fire-fighting team conducted volunteer activities in picking up



waste along the roads while being split into three sub-teams; one around the Koganei Works, one at Kodaira Station, and the other around Musashi Koganei Station.

This became a reality at the request of team members asking for "training that will remain a good memory."

Moreover, as part of the events for the spring fire prevention campaign period, the Kodaira Fire Station and the Koganei Works self-defense fire-fighting team engaged in joint fire-fighting training with training sessions simulating actual disaster scenes.



Fire-extinguishing training was followed by an evacuation drill in a smoke experience house.

# With Our Community

We are working actively participating in various events and environmental conservation activities.

## We remitted a public donation by matching funds for victims of the disastrous earthquake in China's Sichuan Province.

For the sake of the victims of the major earthquake that struck China's Sichuan Province in May 2008, we sent a public donation by using the matching fund system, which involved combining the total amount donated by employees with the same amount granted by the company. In this project, our fund-raising campaign was on a Group-wide scale, partly through our "public donation system" assuring the free will and privacy of the donors.



A fund-raising scene at Tohoku Electronics Engineering Inc.

## Radio equipment provided in response to the Iwate and Miyagi inland earthquake

On June 27, 2008, the Tohoku Area Operation provided mobile station radio equipment including 20 sets of mobile types, 10 of in-car types, and two of AC power supplies for the Kurikoma and Hanayama districts of Kurihara City, Miyagi Prefecture which were most heavily damaged by the Iwate and Miyagi inland earthquake just two weeks before. Moreover, the Tohoku branch of Hitachi Kokusai Electric Services Inc. supplied and installed 10 sets of antennas.

As the supplier of the fixed disaster prevention administrative radio system for years, we entered the disaster area immediately and inspected the condition of the system.

In need of additional communication lines, we obtained an extraordinary permission from the Tohoku Comprehensive Communication Bureau of the Ministry of Internal Affairs and Communications. In order for restoration of power supply, water service and other aspects of infrastructure in some districts, the radio equipment provided was effectively used in activities, such as in communications between city officials and the sites of landslide disasters or water tankers.



Disaster prevention radio units being inspected one after another immediately after the disaster

## Contribution to peace activities in Israel and Palestine

As part of the peace activities, 40 olive farmers in both Israel and Palestine jointly produced olive oil for export as a specialty product. As the first purchaser abroad of such oil, the Company purchased 200 bottles (500 ml each) as prizes for company events. The Middle East situation remains uncertain, but the fact that we managed to cooperate in actual "grassroots" peace efforts between Israel and Palestine encourages us in some way.



"The Olive of Peace"

## Participation in Toyama City's "corporate forestry project"

Three companies (the Company, Kokusai Electric Semiconductor Service Inc., and Kokusai Electric Techno Service Co., Ltd.) located in the Toyama Yatsuo core industrial complex jointly signed an agreement to participate in the "Corporate Forestry Project" being promoted by Toyama City in February 2009. In the future, we will receive support from prefectural and city authorities and environmental protection associations, and engage in the cutting of weeds, arranging local green areas, and related activities on about two hectares of city-owned forest in the Yatsuo core industrial complex. In so doing, we will protect and nurture the forests of Toyama, which are indispensable to our lives.



Photo showing all the people together after work

## Briefing on the Bone Marrow Bank held

November 2008 saw us hold a briefing session on the Bone Marrow Bank that we voluntarily organized at the head office's conference room in the Akihabara UDX building in Tokyo. Once someone decides to donate their bone marrow and sets a date for surgery, all that cannot be changed. This means that understanding and cooperation of the donor's workplace staff are indispensable, in addition to the donor's health, confidence, etc. The volunteer seminar was impressive for the participants, including some from the neighboring Hitachi Group companies.



Volunteer seminar, "Briefing on the Bone Marrow Bank "

# With Our Community — Supplement —

To cooperate on and participate in the activities of the community is to let our Group known to the neighbors, which is another important step into the future.

## Middle School Internship Program

Hamura Works invited 2 middle school students in their second year, into the five day workplace experience program starting on November 10, 2008.

The program was initiated by the Board of Education, Hamura City four years ago, in order for the middle school students “to think on their career knowing variety of jobs, and to learn the importance of labor through workplace experiences.”

The Works has ever since accepted the interns every year.

They experienced cost calculations, computer inputs, and manufacturing at the production

site. They said that it was a precious experience, learning how difficult and tough working was.



## Cooperation to Municipal, Disaster Prevention Measures

Hamura Works cooperates to the municipal, disaster prevention measures in various activities. From June to July, 2008, its playground was provided as the drilling/coaching field of the fire-fighting assessment session by Fussa Fire Station. In September, the Works’ self-defense fire-fighting team attended the general disaster prevention drill by Hamura City, representing the companies of that district. These activities through close contact with the community were appraised and recognized publicly by the Tokyo Fire Fighting Bureau in November.



## The Tohoku Area Operation and Tohoku Branches of Hitachi Kokusai Electric Services Inc. and HS Services Inc. Attended the Cleaning Volunteer at Hirose-gawa, Sendai City.

In September, 2008, 15 volunteers from our Group attended the clean-up volunteer activities called “Hirose-gawa project by ten thousand (River-side sweeping clean-up 2008).” Total participants counted 987, including those from other companies and groups, and cleaned up the river side area.



## “Hamura Flower and Water Festival” Reactivates the Community

Hamura Works supports the land beautifying projects such as “Hamura Flower and Water Festival (March and April)”, “Full Bloom Campaign” and “City Clean-up Campaign” (May and November) which Hamura City plans and hosts as a part of its industry promotion and reactivation policy. The Works supports the “Tulip Ownership System” of “Hamura Flower Festival” and have the beautiful tulips bloom every year. This activity, utilizing the fallow period of rice crop field, is greatly efficient for the environmental preservation.

Additionally, the Works member participate in the management of various events during the festivity period as volunteers.



## Tohoku Area Operation Participates in Hitachi Aobakai Clean-up Volunteer

Hitachi Aobakai Clean-up Volunteer took place on November 8, 2008, which is already the fifth annual regular event. This time again, it attracted the attention of people in wide range, attended by 458 volunteers from 36 companies. From Tohoku Area Operation, 8 volunteers attended. They cleaned up areas from Nishi Park where they gathered, along Higashi Nibancho-tori to Kotodai Park.



## Kyushu Area Operation Participates in Sendai-gawa River-side and Bank Clean-up

On October 26, 2008, 6 volunteers from Tohoku Area Operation attended the “Sendai-gawa River-side and Bank Clean-up Activity in Kagoshima Prefecture” Just like that in last year, Video Sales Department and Video Service Group lead the activity in beautifying the Sendai-gawa River. For the good whether, 65 people altogether from the companies in and out of the prefecture attended the clean-up activity, enjoyed communication with the residents and spent a worthwhile day.

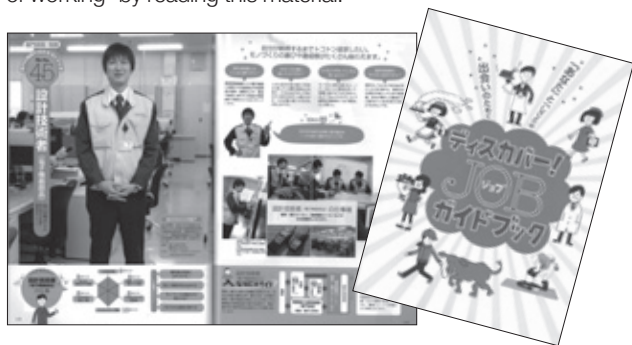




## Goyo Electronics Co., Ltd. Helps Edition of Middle School Tuition Material

Akita Prefecture, its Board of Education and Industry, Economy and Labor Department promote job education, in order for the elementary and middle school pupils to have a confidence in planning their own life and lead the next era. As a measure of it, they edited a supplementary tuition book to enlighten middle school students on the labor and professions.

An engineer of Goyo Electronics Co., Ltd. was introduced in the book, with an article of job to utilize the professional knowledge and technology. The students would hopefully find out the “joy of working” by reading this material.



## Elementary School Pupils Visited Tohoku Electronics Engineering Inc.

Tohoku Electronics Engineering Inc. invited 31 of fifth grade pupils in neighboring elementary school, Kadota City Kitasato Elementary School for a study tour of the factory on September 25, 2008.

They visited the factory as a part of social studies, observed assembly of printed circuit boards and procedures to complete products such as wireless equipment of monitoring camera, and had a good opportunity to learn how the electric appliances are manufactured. They were surprised to see the clear picture of the broadcasting camera, introduced to the monitoring system of tunnel or river and explained about the contribution to society through manufacturing of products.



## Supporting Evacuation Drill of Neighboring Care House

In October, 2008, 3 of the self-defense fire-fighting team of Goyo Electronics Co., Ltd. participated in the evacuation drill of “Shokei-en”, a care facility for the aged with which Goyo entered a “Treaty of Cooperation with Emergency Measures against Fire and Disaster”

They studied the handling of wheelchair beforehand, paid attention to the speed, slope or bump of the evacuation route, and finally completed the evacuation to the goal in the parking place of Goyo Electronics Co., Ltd.

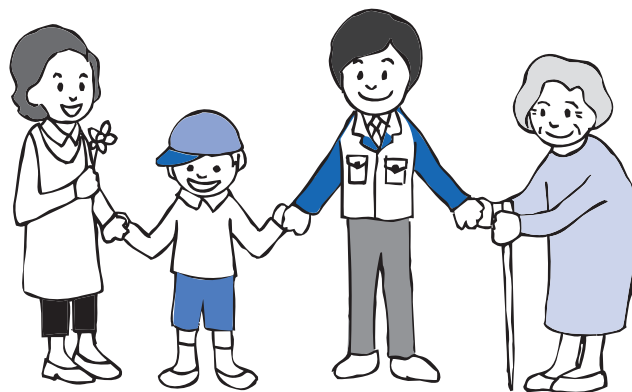
In the fiscal 2009, supporting function is scheduled to further enhanced, with attendance of entire member of the self-defense fire-fighting team, to the activities aiming “Community with Security”



## Participating in Regional Eco-forum Activity

In July, 2008, Tohoku Electronics Engineering Inc. and other companies in total of 7, Sen-nan Health Center, Ohgawara Industry Promotion Office established a meeting session for communication with regard to the regional environment under advice of Resource Recycling Promotion Department, Environment of Life Division of Miyagi Prefecture. It was named “Murata Ohgawara, Shibata Eco-forum” after the name of three towns where the companies are located.

For the time being, the forum targets the issues on 3R<sup>※1</sup> of waste and positively promotes the effective use of resources and the reduction of waste.



# To Live Up to Society's Trust

As society evolves, laws are established and then revised. We believe that complying with laws, international rules, and the "spirit" thereof is just the first step in recognizing the expectations and living up to the trust of a changing society.

## Identifying and properly coping with risks

### ■ Compliance and corporate ethics

There are growing social concerns about bid-rigging, the formation of cartels, bribery, and information security. Moreover, as a reflection of the international situation, export control is also becoming increasingly important. At our company, the CSR Promotion Division assumes leadership in conducting training and periodic auditing in an attempt to ensure that the strong intensions of top management concerning compliance (which means living up to society's trust) are thoroughly implemented at all corners of our Group.

### ■ Risk management

To be able to properly cope with various risks, we have established a reporting flow and confirmed the roles and responsibilities of the relevant sections. To combat new influenza outbreaks, in February 2009 we printed and distributed an instruction sheet for preventing flu infection in our Group. This proved unexpectedly useful in combating the spread of swine flu in and after April, this year. At the same time, in preparing for an outbreak of new stronger strains of influenza such as avian flu having a pathogenic effect, and considering the possible significant effects on human lives, we are making and arranging plans to suspend ordinary operations, except those related to our Group's corporate social responsibility.



Instruction sheet for preventing new influenza infection

### ■ Ensuring reliability in financial information

Regarding the assessment and auditing of internal control as pertaining to the reliability of financial information, we completed our preparations as per the provisions of the Financial Instruments and Exchange Act, and marked the end of fiscal 2008 as the year in which the Act first became fully effective. Moreover, in connection with the fact that Hitachi, Ltd. became a parent company owning a majority of our shares in March this year, we began applying the standards that are applicable to corporations listed in the US stock markets and their consolidated subsidiaries. While conforming to those provisions, we are making arrangements to realize an even more functional system in fiscal 2009.

## Disclosing information fairly and actively

### ■ Briefing on financial results and other sessions

For the sake of institutional investors and securities analysts, we organize quarterly briefings on financial results, meetings on individual matters, and other activities in an attempt to promote better understanding of our Group.



Briefing on financial results for the term ended March 2009

### ■ Internal reporting system, "Ethical Helpline of the Hitachi Kokusai Electric Group"

We ensure that the employees are informed through internal gazettes and seminars of the principles of "keeping secrets," "not mistreating informants," and "responding with good faith." This system is operated by a committee including a lawyer as an outside member in order to earn the trust of informants through appropriate response.

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

**mailto** rinri.helpline@h-kokusai.com

**Postal mail** Representatives of the Ethical Helpline,  
Hitachi Kokusai Electric Inc.  
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 the trends of global legal regulations in environmental issues—  
the targets of our Group's 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 products"), which is aimed at reducing the environmental impact of products throughout their entire life cycles, thereby ensuring environmental conservation.

### Action Guidelines

1. 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.
2. 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.
3. 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.
4. Hitachi Kokusai Electric will promote globally applicable Monozukuri with the aim of reducing environmental impact at every stage, including product research and development, design, production, distribution, sales, usage and final disposal.
5. 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 impact through energy and resource saving, chemical substance management, recycling, and other measures.
6. 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.
7. Regarding globally-applicable Monozukuri activities, their impact on the local environment and community will be considered. In addition, measures that meet local communities' requests should also be implemented.
8. 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.
9. 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 environmental impact.
10. 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.

From fiscal 2007, we are promoting our integrated ISO activities as Hitachi Kokusai Electric Inc. including the head office's sales department, which is our contact with our customers, and renewing certification under ISO 14001.

### Topics

Regarding the acquisition of integrated certification under ISO 14001, the people primarily involved in that process receive internal recognition and prize money. As employees in charge of environmental issues, we considered the most effective way of using the prize money and decided to donate the entire amount to the Japan Fund for Global Environment run by the Environmental Restoration and Conservation Agency (an independent administrative agency) as something helping to support environmental conservation activities.

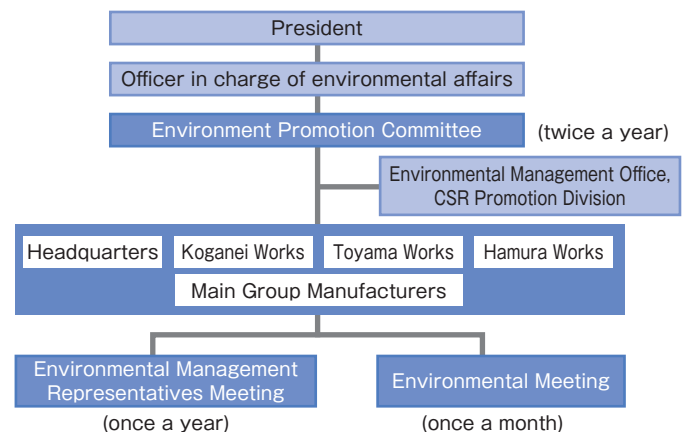


**Japan Fund for Global Environment**  
<http://www.erca.go.jp/jfge/english/index.html>

## Environmental Management System

With the president at the top, the "Environment Promotion Committee" including the environmental affairs officers of Main Group Manufacturers deliberates, determines, and implements a medium-term<sup>※1</sup> environmental action plan, yearly targets, and important challenges for the entire Group.

The Environmental Management Office of the CSR Promotion Division helps promote the implementation and performs follow-ups on the progress at the "Environmental Management Representatives Meeting."



### Glossary

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

## Targets and Results of Environmental Activities in Fiscal 2008

	Main item	Medium-term plan	Fiscal 2008 targets	Fiscal 2008 results	Evaluation
Eco-management	Constructing and developing the environmental management system	Renewing certification for the integrated environmental management system	Renewing certification for the integrated environmental management system, and one Group company to obtain expanded certification	Renewing certification and one Group company obtained expanded certification in December 2008	🌳 🌳 🌳
	Encouraging colleagues to take environmental e-learning	90% attendance by fiscal 2010	60% attendance	63% attendance	🌳 🌳 🌳
	Increasing the green procurement ratio	Green procurement ratio: 90% by fiscal 2010	Green procurement ratio: 82%	Green procurement ratio: 93%	🌳 🌳 🌳
Eco-products	Promoting eco-friendly products	Sales ratio of eco-friendly products: 100% by fiscal 2010	Sales ratio of eco-friendly products: 90%	Sales ratio of eco-friendly products: 89%	🌳 🌳
	Higher product environmental efficiency	Higher global warming factor Higher resource factor	One model per Works	Nine models conducted	🌳 🌳
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)	30% reduction in basic unit of CO <sub>2</sub> emissions in actual production (from level in fiscal 1990)	26% reduction in basic unit of CO <sub>2</sub> emissions in actual production (from level in fiscal 1990)	🌳 🌳
		11% reduction in actual production transportation energy unit requirement by fiscal 2010 (from level in fiscal 2006)	2% reduction in actual production transportation energy unit requirement	19% reduction in actual production transportation energy unit requirement	🌳 🌳 🌳
	Waste reduction	90% reduction in final disposal by fiscal 2010 (from level in fiscal 1998)	88% reduction in final disposal (from level in fiscal 1998)	98% reduction in final disposal (from level in fiscal 1998)	🌳 🌳 🌳
		Final disposal rate: 1% or less (in fiscal 2010)	Final disposal rate: 3% or less	Final disposal rate: 0.9%	🌳 🌳 🌳
	Chemical substances management	40% reduction in release of "reducible substances" by fiscal 2010 (from level in fiscal 2000)	36% reduction in release of "reducible substances" (from level in fiscal 2000)	62% reduction in release of "reducible substances" (from level in fiscal 2000)	🌳 🌳 🌳

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

## 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 by our products, see "With Our Business Partners" and "Special Report," respectively.

### INPUT

<b>Energy</b>	
Electricity	38,460,000 kWh
Fuel oil (heavy oil, kerosene)	306 kL
Gas (city gas, LPG)	110,000 m <sup>3</sup>
<b>Raw materials</b>	
Metal, plastics, parts, etc.	
Papers	118t
<b>Chemical substances</b>	
PRTR-specific chemical substances handled	1,640kg
<b>Water</b>	
Tap water, industrial water, underground water	257,000 m <sup>3</sup>

### Operations of Hitachi Kokusai Electric and main Group manufacturers



### OUTPUT

<b>Exhaust gas</b>	
CO <sub>2</sub> emissions	17,483t
NOx	244Nm <sup>3</sup>
SOx	482Nm <sup>3</sup>
<b>Waste and valuables</b>	
Release	1,355t
Final disposal	13t
<b>Chemical substances</b>	
Release/transfer of PRTR-specific chemical substances	637kg
<b>Drainage</b>	
Amount of drainage	257,000 m <sup>3</sup>
BOD	1.2t
COD	0.0t

### Glossary

- ※1 Actual production ..... Nominal production / Bank of Japan's commodity price index of domestic corporations (in the electrical appliances industry)  
 ※2 PRTR ..... Pollutant Release and Transfer Register



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

We make efforts to slow down global warming by saving electric power 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)

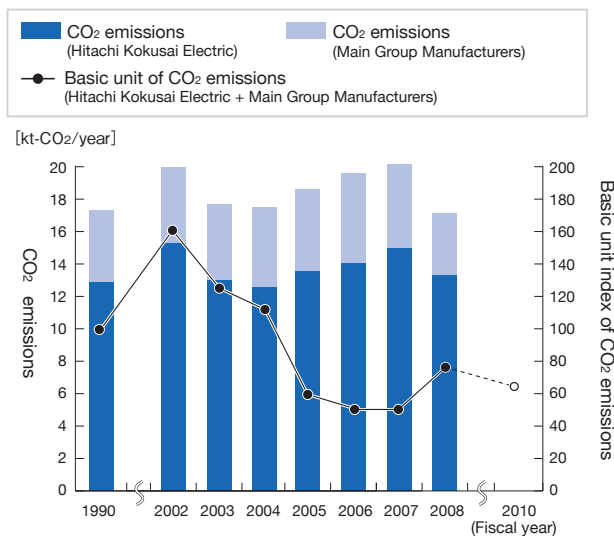
Our Group has set its fiscal 2010 energy reduction target in the manufacturing stage to making a 35% cut in the real production CO<sub>2</sub> unit requirement from the level in fiscal 1990, thereby working to slow down global warming. That target is shared with the rest of the electrical and electronics 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 2008 was reduced by 26%, which was short of our target value of a 30% reduction from the level in fiscal 1990.

CO<sub>2</sub> emissions by Hitachi Kokusai Electric and Group member manufacturers in fiscal 2008 was reduced by 13% from the level in fiscal 2007, but it was increased by 3% from the level in fiscal 1990.

The Group will continue to take such energy-saving measures as reexamining operation methods of the facilities and upgrading them 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



Black illumination sticker



Display of air-conditioner's setting

## Compliance with the Tokyo Ordinance on Global Warming Prevention

Our Koganei Works and Hamura Works have been presenting plans and making efforts since fiscal 2006, since both facilities are subject to the Tokyo program for global warming prevention plans as per an ordinance issued by the Tokyo Metropolitan Government (TMG). In its mid-term assessment of fiscal 2008, the TMG gave "AA" rankings to both the Koganei Works and Hamura Works. (The top ranking is AAA.)

Fiscal 2010 will witness a revision of the ordinance issued by the TMG, thereby mandating the obligation to reduce the total emission level of greenhouse effect gases and the program for trading emissions, for which we are preparing new systems.

### Topics

#### Controlling carbon dioxide emissions and contributing to society through efforts by the Ecocap Movement

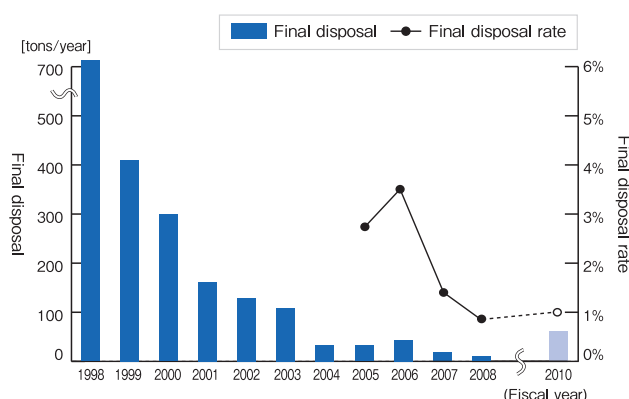
Since 2008, we have been participating in the Ecocap Movement, which involves the recycling of PET bottle caps. The collecting associations sell the caps to recycling agents and the money obtained from these sales is donated to the Ecocap Movement (a non-profit organization). By April 2009, we had collected about 90,000 caps, equivalent in value to the cost of polio vaccinations for about 120 patients. This means that we had reduced our carbon dioxide emissions by about 700 kg from the level if all the caps had been burned. The caps sold will be recycled for use in making automotive dashboards and other products, thereby contributing to a reduction in plastic refuse.



## 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 2008 we enhanced recycling, thoroughly implemented the disposal of sorted garbage, and consequently made a 98% 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 achieved the target in fiscal 2008 at 0.9%. 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



## Promoting the conversion of industrial waste manifestos into electronic form

※1

The Government of Japan is promoting the introduction of electronic manifestos instead of conventional paper-form industrial waste manifestos in order to "share information" and "transmit information efficiently."

Our Koganei Works has introduced the electronics manifesto system of the Hitachi Group and is switching from conventional paper manifestos to electronic manifestos. We will introduce this system to other factories as well.



Operation screen for electronic manifesto

## 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), an entity handling more than one ton of any such substances reports the substances. Neither the Company nor its Main Group Manufacturers have encountered the applicable quantity (1ton) in fiscal 2008.

### 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	778	587	48	143	0
Hydrogen fluoride and its water-soluble salts	333	0	229	0	44
Toluene	278	13	0	15	250
Xylene	200	16	0	0	184

\*Substances significantly handled are shown above

## Appropriate Control of PCB-containing Equipment

An entity who own 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, 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.

### Topics

#### Converting plastics to valuable matter

Goyo Electronic Co., Ltd. has begun finely sorting plastic materials (previously disposed of as industrial waste) into specific material categories, thereby making it possible to sell the waste as valuable matter. Moreover, this fine sorting has enabled the recycling of materials (for reuse), thereby helping to reduce environmental impact.



### Glossary

※1 Industrial waste manifesto ..... This is a control form to be issued for preventing illegal disposal and ensuring appropriate processing when the processing of industrial waste is commissioned to a disposal agent. The issuance of such a document is mandated under the Industrial Waste Disposal Law.

# 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.

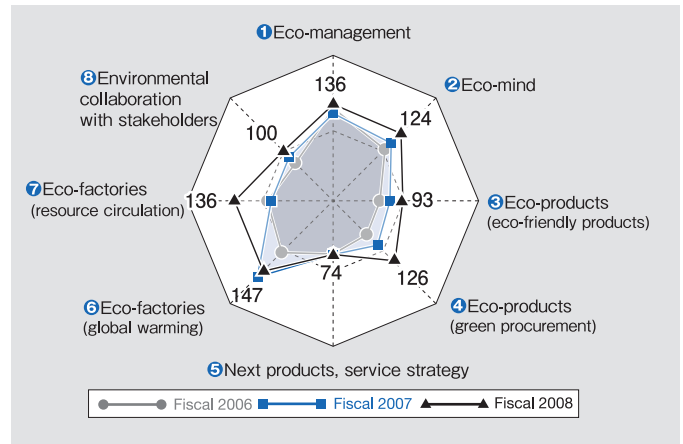
## "GREEN 21" Ver. 3 Activities and Fiscal 2008 Evaluation Results

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.

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. Our company works with a target of 1,024 GP set for fiscal 2010.

### Result Reporting

Our green points for fiscal 2008 amounted to 936 GP on average, and therefore exceeded the 820 GP targeted for fiscal 2008. The effects of reducing wastes generated in comparison with the base year increased the score of eco-factories (as pertaining to resource circulation). We will continue improving 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 calculated based on such secure grounds as the profits on sale for recycling and the reduction of material costs.

### Result Reporting

Fiscal 2008 saw lower investments being made in environmental preservation.

We devoted our energy to developing eco-friendly products, and consequently incurred higher research and development costs, though with lower material expenses.

We continue efforts to increase the return on investment.

#### Costs (in millions of yen)

	FY 2006	FY 2007	FY 2008	Main contents
Costs within factory areas	163.9	248.8	175.3	Costs for maintenance and management of environmental load reduction facilities
Upstream and downstream costs	0.2	0.4	0.4	Costs for green procurement and recycling Personnel expenditures for environmental management
Management activity costs	89.3	77.4	72.3	Maintenance costs for environmental management system
Design costs	191.0	115.5	188.6	Expenses for developing and designing eco-friendly products
Social activity costs	2.1	2.0	2.1	Costs for environment improvements such as greening and landscaping, PR, and publicity
Costs related to environmental damage	1.2	0	0	Environment-related compensation, contributory money and surcharges
<b>Total cost</b>	<b>447.8</b>	<b>444.1</b>	<b>438.7</b>	

#### Investments (in millions of yen)

	FY 2006	FY 2007	FY 2008	Main contents
Investments in environmental conservation	31.0	341.3	64.4	Investments in environmental load reduction facilities such as energy conservation facilities

#### Economic effects (in millions of yen)

	FY 2006	FY 2007	FY 2008	Main contents
Effects on real income	9.9	13.6	28.3	Profit on sale of recycled waste, etc.
Expenditure reduction	17.5	5.5	58.1	Cost-saving effects, etc. by saving energy
Material cost reduction	61.6	102.4	340.0	Reducing materials and parts expenses, etc. by resource-saving design, etc.
<b>Total cost</b>	<b>89.0</b>	<b>121.5</b>	<b>426.4</b>	

# Eco-Products (eco-friendly products)

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.

## Eco-friendly Products of Fiscal 2008

To alleviate as much as possible the environmental impact of a product in each stage of its life cycle (from procuring raw materials to production, distribution, use, collection and disassembly for appropriate disposal), our Group proceeds with product development by using an "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	Crumbling, 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 Model 25W"

- ① Environmental conservability: RoHS-compliant
- ② Compact: 30% smaller  
(Compared with the model released in 2000)
- \*This model is scheduled to be released in October 2009.



### Broadcasting-purpose HDTV camera "SK-HD1000"

- ① Environmental conservability: RoHS-compliant
- ② Compact: 13% smaller
- ③ Power consumption: 22% reduced  
(Compared with the model released in 2001)



## Implementation of Guidelines for Eco-friendly Design Assessment

We provided training for the designers at each place of engineering from October 2008 to January 2009 in order to implement Eco-friendly Design Assessment Version 4, which is an upgraded version of the Guidelines for Eco-friendly Design Assessment.

### Power-up booster "DPW02"

- ① Environmental conservability: RoHS-compliant
- ② Compact: 52% smaller
- ③ Light weight: 25% reduced  
(Compared with the model released in 2006)



\*This product is also introduced in "With Our Customers" on page 10.

## The Hitachi Group's environmental efforts—"Environmental Vision 2025"

The Hitachi Group has been promoting its "Environmental Vision 2025" that targets the annual reduction of carbon dioxide emissions by 100 million tons as pertaining to the use of Hitachi Group products by fiscal 2025.

As a member of the Hitachi Group, we wear environmental symbol badges in collective support of "Environmental Vision 2025" and engage actively in environmental activities.

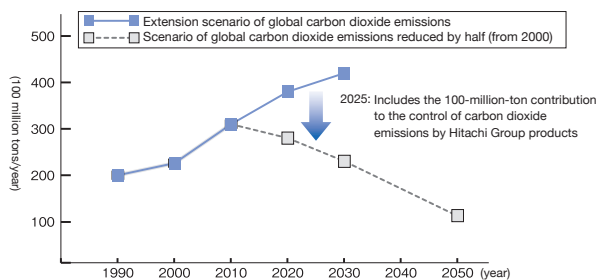
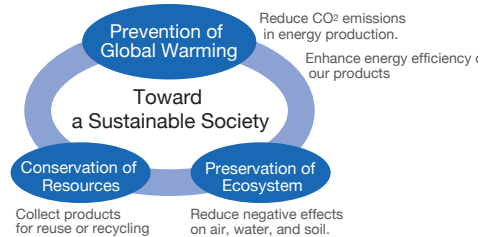


Environmental symbol badge



Campaign poster

### What is the Hitachi Group's "Environmental Vision 2025"?



Source: "World Energy Outlook 2007" by IEA (International Energy Agency)



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

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

or

### Editor's Postscript

This is the third year of the report with the name of "Hitachi Kokusai Electric Group CSR Report." This year's version comes in two colors inside, simpler than full colors up to the last version.

On the other hand, in terms of content, we do not intend to make any regression. We therefore emphasize social contribution through creative manufacturing more than ever before. As committed by our new president herein, it is important to understand society's needs and develop products accordingly during a severe situation like now. Thus, we believe that reaffirming that truth is one major role of this report.

We ask that readers submit their frank ideas and comments through the questionnaire form linked to this internet site, etc.