

Hitachi Kokusai Electric Group CSR Report 2011

HITACHI

Special Report Engage our customers in considering and responding to social issues



■ Company Outline (as of March 31, 2011)



Headquarters
(AKIHABARA UDX Bldg. 11F)

Name
Hitachi Kokusai Electric Inc.

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

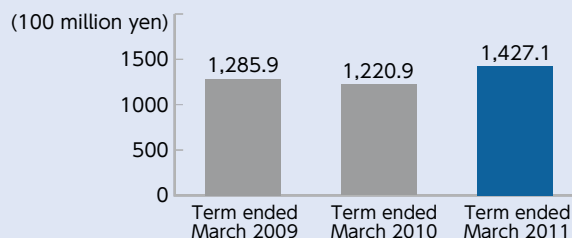
Founded
November 17, 1949

Capital
10,058 million yen

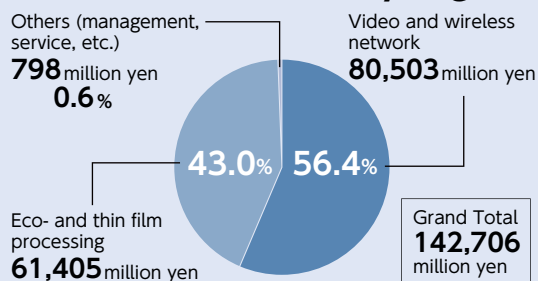
Sales
142,706 million yen
(consolidated)

Employees
5,280 (consolidated)

■ Consolidated Sales



■ Consolidated Sales by Segment



* The segmentation reflects our reorganization in April 2011.

■ Factories of the Company



Toyama Works

Main products: Eco- and Thin Film Processing Equipment

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 Communication Equipment

Located in Hamura, Tokyo, covered with the cherry trees of "Hamura-zeki" and green vegetation along the Tama River, this factory develops, designs, and manufactures mainly wireless communication systems for governments and agencies—and explores frontiers by using our long cultivated core technologies such as high-frequency, high-power wireless equipment.



Koganei Works

Main products: Video and Wireless Network Systems

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



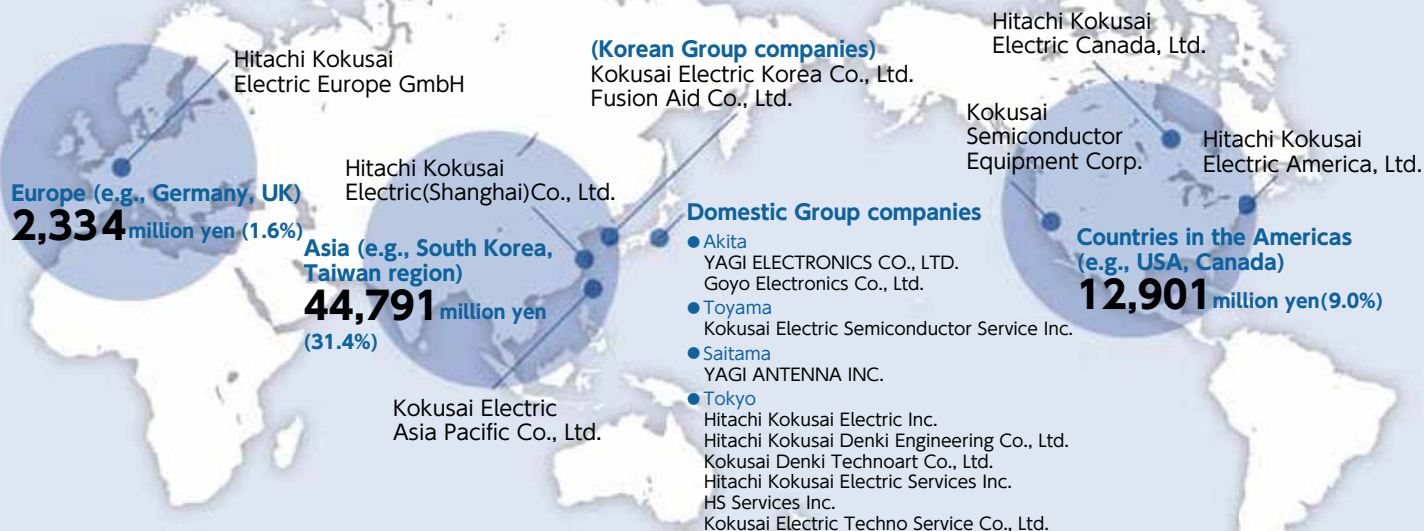
Sendai Branch Works

Main products: Video and Wireless Network Systems

The Shiroishi River originating in the Zao mountain range flows through Shibata-machi in Miyagi Prefecture on its way toward the Pacific Ocean. This is where we manufacture our video and wireless network systems.

■ Business Expansion of the Hitachi Kokusai Electric Group

With its Group companies—ten 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

- Video and Wireless Network

Wireless Communication, Information Processing, and Broadcasting Equipment, Receivers, Monitors, and Image Processors



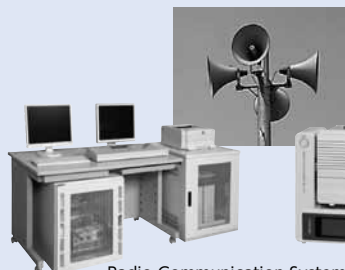
Radio Packet
Communication Module



In-car Digital Radio Unit



High-speed Radio
Repeater



Radio Communication System for
Disaster Preventive Administration



Securities Information
Display System



Broadcasting Color Camera



Tapeless System
(Server system for broadcasting
station operation)



Broadcasting Video Transmitter
(FPU: Field Pick-up Unit)



ISnex®

Network-type Monitor Camera

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



PTZ Camera for Outdoor Use

- Eco- and Thin Film Processing

Semiconductor Manufacturing Equipment



Batch Epi-SiGe Equipment



Batch Thermal Process Equipment



Single Wafer Plasma Nitridation/
Oxidation Equipment



Single Wafer Ashing Equipment

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Social Reports

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With Our Business Partners

With the Community

With Our Colleagues

To Live Up to Society's Trust

Environmental Reports

Eco-Management (promoting environmental management)

Eco-Factories (eco-friendliness in production activities)

Evaluation of Environmental Activities

Eco-Products (Hitachi Eco-Products)

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:	The main period covered is Fiscal 2010 (from April 1, 2010, to March 31, 2011)
Companies:	Hitachi Kokusai Electric Inc. (the "Company" herein) and Group companies
Scope of Data:	Indicated under each item. Environmental impact and environmental accounting were tabulated based on data from the headquarters and production sites of the following two companies: • Hitachi Kokusai Electric Inc. • YAGI ANTENNA INC.

Next Issue

The next report is planned to be issued in June 2012.

Cover photos: The photos show the facial expressions of determined employees "engaging our customers in considering and responding to social issues."

Toward becoming a social innovator trusted by customers, creating new value in the next era

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

I wish to express my heartfelt sympathy for the many people suffering from the Great East Japan Earthquake that struck in March of this year. I hope that the area affected will be restored soon.

On the day the earthquake struck, your group established the Company-wide Emergency Headquarters, and began confirming the safety of your group employees and their families, monitoring the extent of the damage, inquiring about the status of our affected customers, providing affected municipalities with simple wireless equipment and peripherals, and engaging in recovery and restoration of the disaster areas. In your group, the Sendai Branch Works in Miyagi Prefecture suffered some equipment damage, but the other works and offices suffered no major damage, such as human casualties or physical damage that might seriously affect the operation of your group. Even in the Sendai Branch Works, normal production has been resumed ahead of schedule in May, as the result of our companywide restoration activities.

Some of our products, however, failed to meet the delivery dates requested by the customers, and I cordially wish to express my regret for that delay and thank them for their exceptional consideration. I would also like to express my sincere thanks to our business partners who have provided us with related materials and components, along with tremendous efforts in this tough situation, in order to meet the urgent request from our group.

Our group supplies various wireless systems, monitoring systems and other equipment to support the social infrastructure, and considers the protection of our society, towns, and families to be a vital mission. We

will continue to join forces with our customers, business partners, and other stakeholders as "a social innovator trusted by customers, creating new value in the next era," thereby assisting the areas affected by the disaster in achieving recovery and restoration soon, as well as contributing to society. In enhancing our engineering, procurement, manufacture, and service for restoration, and in conducting our mission that entails overcoming this great hardship, we will proceed with further reforms and dynamic business management.

In fiscal 2010, toward achieving our new medium-term managerial plan "HK-AV10," we conducted "HiKQ innovation" activities to establish a new corporate culture and various other business process reforms, and took measures for stepping up our product competitiveness. We managed to increase both our sales and operating profits from those in fiscal 2009, thanks to the recovery of our eco- and thin film processing business. However, in the field of video and wireless network, the segment showed a decline in income and profits mainly due to the shrinking scale of public business, and a decreasing demand for capital renewal investments in the private sector. In fiscal 2011, we will contribute to recovery efforts regarding the Great East Japan Earthquake, step up our market-in approach to timely and properly understand the needs of our customers, work on early commercialization and enhanced service, as well as promoting the reinforcement of our engineering culture, globalization, and manufacturing capabilities.

In November 2010, ISO 26000 (Guidance on social responsibility) was released. Our group will consider the value of the next era, foresee the future with a truly global outlook, make use of the expertise and knowledge cultivated by our group, and, through further dialogue with our customers and other stakeholders, work to create new value necessary for the next era.

Through this report and our website, we will proactively disseminate information to our stakeholders, while modestly listening to your frank comments and advice. We thus sincerely request your continued instruction and support.

June 27, 2011

M. Shinomoto

Manabu Shinomoto
President and Chief Executive Officer



Hitachi Kokusai Electric Corporate Credo

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 Corporate Credo with a view to achieving continued growth and development while contributing to the creation of a sustainable society.

Fundamental Philosophy

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

Guidelines and Commitments

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

1. Obtain customers' trust and confidence by developing and providing products and services in which emphasis is placed 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 Corporate Credo, 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.

Special Report Engage our customers in considering

From the dialogue with our customers, we will identify their CSR requirements, including the creation of a and make use of such findings in our business activities.

Sharing spare parts information with our customers

The Customer Spare Parts Data Base (C-SPDB) is a Web-based system developed by Kokusai Semiconductor Equipment Corp. (KSEC) to meet customer requirements.

With an internet connection, customers can search KSEC C-SPDB from anywhere in the world, confirm the parts needed by image and part number, and check the inventories, prices and lead times of KSEC on a real-time basis.

Semiconductor-manufacturing equipment includes O-rings, controllers, a mass flow controller (MFC), and other spare parts that are abundant in varieties and much in demand, so that customers wishing to identify required parts to place orders quickly without mistake will wear out their nerves.

To alleviate such stress and allow our customers to identify parts to place their orders securely and reliably in any case, KSEC works to achieve an even more user-friendly system.

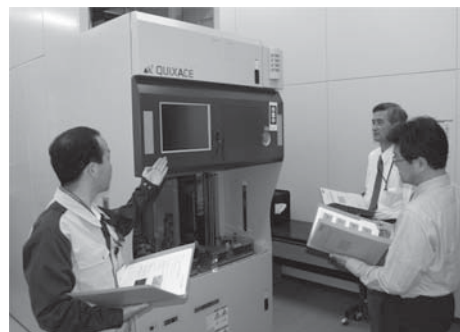
We remember to always listen to the requirements of our customers and engage in a dialogue with them and, for fiscal 2011, are prepared to develop search functions in relation to the data of equipment that we have already delivered in the past, thereby making a proposal on them.

We let our customers around the world know how to operate our equipment safely and securely.

Our Training Centers provide training on equipment operation so that our customers can safely and correctly operate our equipment, correctly perform necessary maintenance, and maintain high operation rates. Since many customers conduct their business globally, our training centers are established not only in Japan but also on the premises of our group companies in the USA and Asia. These facilities enable training by using training equipment based on real machinery and experienced instructors, and are thus highly evaluated by our customers in various locations.

Training is provided in three steps: self-teaching through e-learning (step 1), virtual operation training based on a simulation system (step 2), and practical training based on real machinery (step 3). Details of the curricula are combined,

thereby facilitating flexible training that meets the levels and requirements of our customers.



Practical training in front of real semiconductor manufacturing equipment (This is an image shot.)

Providing in-house receivers directly linked to safety and security for afflicted areas

The radio communication system for disaster preventive administration transmits disaster-prevention information, like administrative notices, weather and earthquake scale information, evacuation orders and alerts. It is from a master station installed at Disaster Control Headquarters (set up in municipal offices, etc.) to in-house receivers set up in individual houses and speaker receivers installed outdoors, thereby ensuring the safety and security of the local residents.

After this catastrophic earthquake, many municipalities requested the loaning of our products, because of the damages of the radio units for disaster prevention by tsunami and the requests to newly install an in-house receiver by some residents who had not had one.

In response to the requests, our Tohoku Area Operation and the Tohoku branch of Hitachi Kokusai Electric Services Inc. collected and organized the extent of damage, the degree of urgency, and other damage information about each municipality in cooperation with the local dealers, and Emergency Headquarters set up in the factory considered the contents of

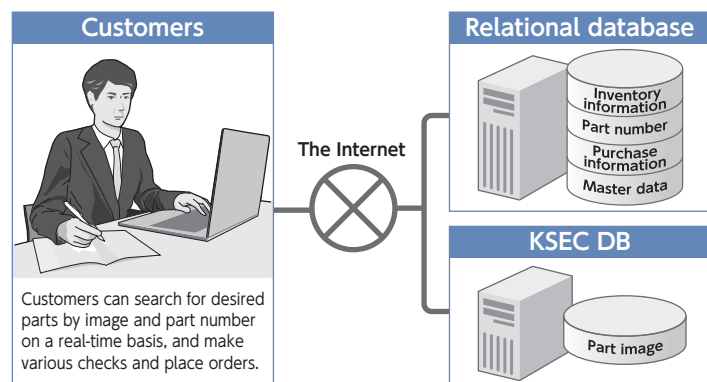
the requests. Then we provided our products in stock with the approval of the division's general manager. With only our stock, however, it was not enough to meet each request, so that we asked the other municipalities—our long-time customers—to lend us their spare in-house receivers. Then, the city of Azumino in Nagano Prefecture willingly lent us about 500 in-house receivers, Aisho-cho in Shiga Prefecture lent about 50 units, and Anan-cho in Nagano Prefecture lent about 20 units. Since all of these in-house receivers had already been used before, we cleaned and disinfected all units with alcohol, excluded the units in poor condition, and subjected them to operation checks at Koganei Works. As the result, we sent 470 in-house receivers to the afflicted areas.

In sending these in-house receivers, we considered the feelings of those who would actually use the units and attached a description to the receivers stating that the receivers were the reused and disinfected products provided by those municipalities

and responding to social issues

comfortable workplace,

■ Conceptual diagram of C-SPDB



Guest Voice

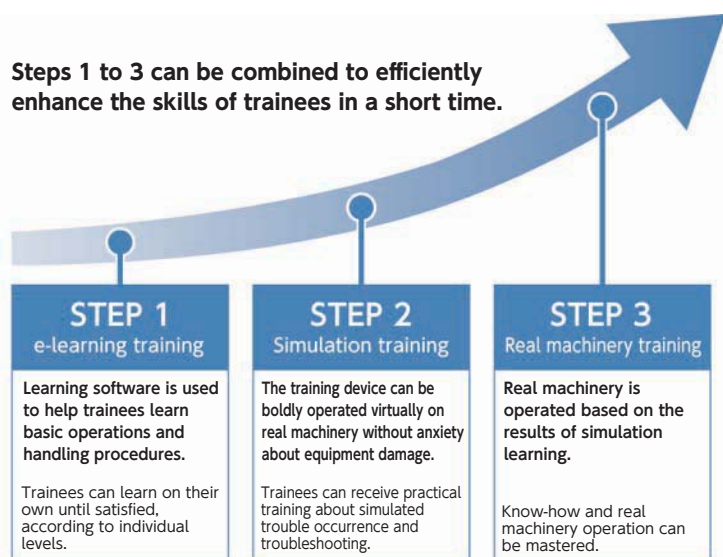


Ray McFarland
Purchasing & Materials
Manager
Kokusai Semiconductor
Equipment Corp.

I have received the following comments from customers:

"Our guys really appreciate this data base." "Excellent interface that I am using quite often to search parts. I like the option to search based on customer part number." (Company M)
"I have found it useful when searching for parts, getting a part number, looking it up and seeing if the picture resembles the part needed, or seeing if it is available nearby so that I can expect it in a few hours. Pictures, good idea!" (Company S)

Steps 1 to 3 can be combined to efficiently enhance the skills of trainees in a short time.



Guest Voice



Mr. Y
Manager of a leading
semiconductor
manufacturer in Asia
(at right in the photo)

I attended a training session designed specifically for equipment operation and maintenance. The instructors kindly and carefully answered my various questions, including those from the perspective of a shop-floor worker and those regarding function details. In particular, after hearing the explanations, I had a chance to make checks while actually operating the equipment, which proved to be a valuable experience not possible on the shop floor.



All provided in-house receivers were cleaned and disinfected with alcohol. After that, we tested the units on electricity and reception and entered the station data in them.
(Sign for the shelf says: Great East Japan Earthquake, Equipment for Reconstruction Assistance, In-house Receiver SER-686, kindly provided by the city of Azumino)



Voice



Yoshihisa Sasaki
Tohoku Area Operation

Miharu-machi in Fukushima Prefecture received urgent requests from some residents to newly install in-house receivers because of concerns over the nuclear reactor accident, but municipal's stock of spare units was not enough to manage their requests. In response to our appeal, our customers quickly lent us some units, and we were able to supply additional units by the end of March. On the day the granted supplies arrived, the person responsible gave us a thank-you call: "When our stocks of emergency supplies hit bottom, we had no additional budget and were unable to follow the formalities for making arrangements, but you kindly offered us your assistance. We appreciate it very much."

Creating a Safe and Secure Society

We share our customers' ideas and thoughts toward building a safe and secure society, and engage those ideas and thoughts in creating products befitting Hitachi Kokusai Electric.

A high-speed wireless long-distance system that connects afflicted districts

SINELINK®5G is a 5-GHz band wireless communication bilateral system that achieves maximum actual throughput of 35 Mbps + 35 Mbps.

The recent Great East Japan Earthquake and subsequent damage caused by tsunami resulted in damage to a number of base stations for mobile telephony and optical fiber lines connecting those stations, thereby disrupting communications.

Telecommunication carriers then requested our SINELINK®5G to quickly restore the communications infrastructure of the afflicted areas. In an urgent action, our relevant group members organized as one unit delivered the products to the afflicted areas. Our system relayed the communication lines from the undamaged base stations to particularly the refuge areas, thereby helping to restore the communication in the Tohoku coastal region. Establishing the broadband lines that use the features of wireless communications, we significantly contributed early restoration of the communications infrastructure to the afflicted areas.

* SINELINK® is a registered trademark of our company.



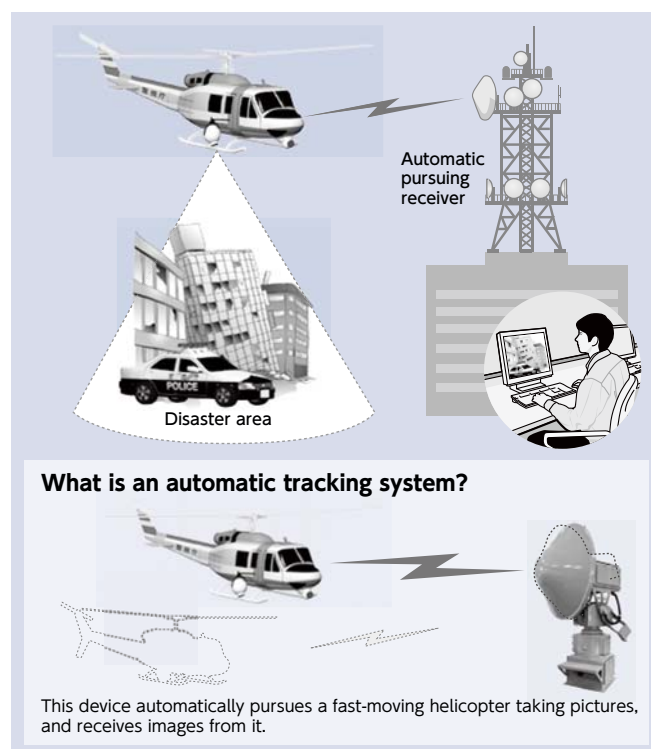
SINELINK®5G that connects the base stations
©Softbank Mobile Corp.



Support of afflicted areas by a helicopter TV system

The automatic tracking system for digital helicopter TV system that we delivered to each police headquarters through the National Police Agency is receiving clear images on the ground of the disaster as photographed from helicopters, thereby helping to monitor the extent of the disaster on a real-time basis and engage in rescue activities. Most conventional devices owned by the National Police Agency had been the analog systems, and the recent high definition digitalization made the images clearer. Our products that employ this automatic tracking system and digital modulation/demodulation system make it possible to produce stable high-definition images from fast-moving helicopters, thereby helping to properly monitor current conditions and engage in speedy rescue activities.

■ Outline structure of a typical helicopter TV system



Voice



Masaaki Inage

Communication Service Division
Hitachi Kokusai Electric Service Inc.

I saw residents at the refuge center in Onagawa, Miyagi Prefecture, waiting for the installation work to be completed, with their mobile phones in their hands.

Once the line was established, I then saw some of them talking with serious expressions, some with smiles, and others shedding tears. I had mixed feelings, but felt for the first time ever that my work had helped people so much.

Voice



Takeshi Sakuma

Sales Department III
Broadcasting & Video Systems
Sales Center

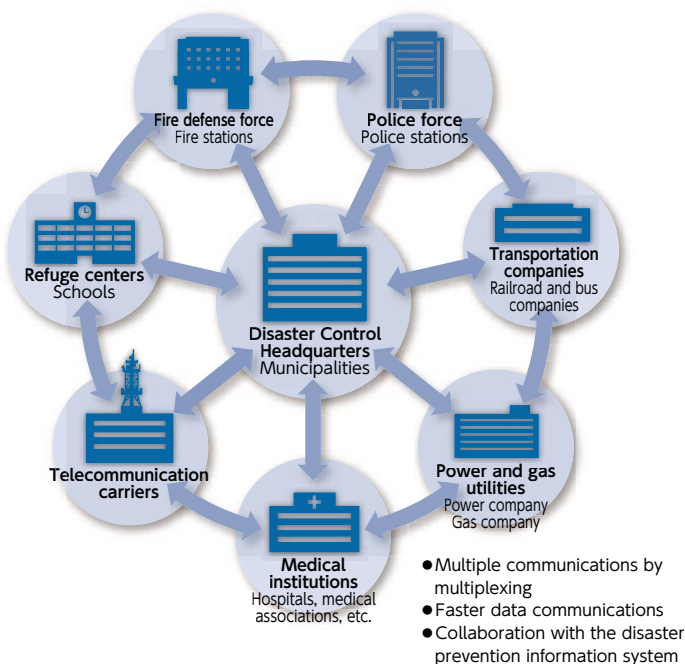
This product is suited to the initial year of police system digitization. I am very proud that the products we delivered are now being used in assistance provided for the afflicted areas. Since I come from Tohoku, the recent earthquake appeared very close to me. I intend to continue watching customer requirements promptly and engage in assistance activities.

Digital mobile system for disaster preventive administration suited to emergency communications

The digital mobile system is an advanced privately-operated wireless system that enables the disaster control headquarters to broadcast to whole, group, or to call individuals from its communication console located in a municipal building, as well as making connection to extension telephones, sending fax messages, and transmitting data. This system utilizes the advantage of the wireless license system and provides the common communication means among gas, railroad, school, hospital, and other public entities and utilities.

The great earthquake caused disconnections or restrictions on call connections on public telephone networks. However, our systems, accounting for a largest market share in terms of the number of projects since the age of analog products, helped to collect disaster information, report recovery urgently, and share those information among those responsible.

■ Digital mobile system for disaster preventive administration

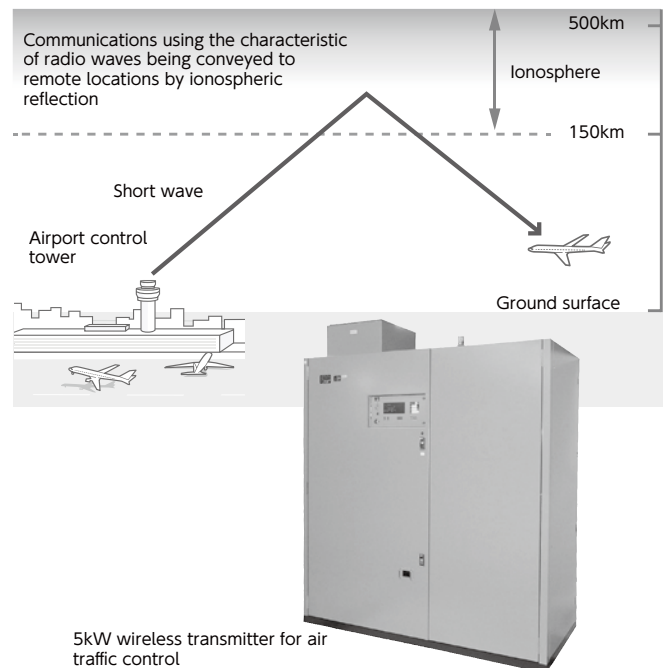


A 5kW wireless transmitter that supports safe aircraft navigation

Our 5kW wireless transmitters for air traffic control are installed around airports and other facilities, and connect aircraft flying in the Pacific Ocean area and the ground controllers at airports, Tokyo Area Control Center, and other facilities with voice communications by using short waves (HF) to support area control for aircraft flying above the sea. Short-wave communications are characterized by short waves being conveyed to remote areas by ionospheric reflection. This, together with VHF communications used for communication with aboveground aircraft and along coastal lines, is an indispensable means of communication for air traffic control.

Support for the safe navigation of aircraft requires high reliability. This device, which embodies our wireless expertise accumulated over many years, controls power consumption while increasing reliability, thereby helping to continue safe, reliable aircraft navigation.

■ Mechanism for short-wave communications



Voice



Kazuya Abe

Emergency Communication
Systems Engineering Department
Wireless Communication Systems
Engineering Center

I received a thank you call from Nakano-ku, Tokyo after the earthquake: "At the time when public phones do not work, the disaster preventive wireless system was useful and of a great help." I was impressed to realize that securing urgent communications in emergency was more helpful for municipal staff in charge than I had imagined.

Voice



Tsukasa Ishii

Engineering Department I
Hamura Works

Based on the high-power transmission technology that we had cultivated over many years, we developed a product that enhances the reliability of air traffic control and helps reduce carbon dioxide emissions by reducing standby electricity, in order to meet customer needs. To continue responding to customer needs, we intend to inherit our corporate expertise and create even better products.

Pursue the Quality

Observing the fundamentals, doing things the right way, we think and act on our own mind from a customer's point of view, and work hard to improve continuously for each business process.

HiKQ innovation activities

Our group launched a new campaign of innovation activity which is called "HiKQ innovation" in August 2009. In order to create a brand of confidence that satisfies our customers, we are further expanding the scope of activities in quality improvement campaigns and business process reforms, to which we have long been committed, and are also promoting reforms in all tasks. We will cultivate a corporate culture that reactivates internal and external communications and conducts its tasks on the basis of customer satisfaction first. The gist of our activities consists of top-down "business process reforms" for reviewing each job with from a customer's point of view (see [Table 1]), "Step-up Activities" that promote bottom-up, proposal-type business improvement activities, and "HiKQ Net" for activating internal communications, along with various other measures that allow our employees to proactively tackle their tasks. In July 2010, we established the HiKQ Innovation Promotion Division to accelerate and enrich our activities even further. Each employee is promoting business process reforms while thinking, "What is the true value that satisfies our customers?"

■[Table 1] Main themes of the business process reforms

Activity theme	Details
① Enhancing sales activities	<ul style="list-style-type: none"> Market-in-oriented sales activities Cultivation of a customer-oriented mindset among salespeople
② Job flow rectification	<ul style="list-style-type: none"> Quick at communication from sales to factories Buildup of quality in upper process and establishment of a basic design
③ Improvement of design quality	<ul style="list-style-type: none"> Risk management Establishment of design techniques for preventing nonconformities
④ Design process reforms	<ul style="list-style-type: none"> Pre-verification design of circuit simulation and other operations Realization by using design know-how and expanding the use of IT
⑤ Reinforcement of the Monozukuri	<ul style="list-style-type: none"> Improvement of production efficiency by developing Monozukuri craftsmanship Reinforcement of the value-added Monozukuri culture
⑥ Expansion of maintenance business	<ul style="list-style-type: none"> Establishment of maintenance agreements with selected customers Renewal of existing systems and addition of peripherals and functions
⑦ ES enhancement	<ul style="list-style-type: none"> Reactivation of step-up activities Reactivation of HiKQ Net use
⑧ Promotion of IT use	<ul style="list-style-type: none"> Improvement in the user-friendliness of the IT infrastructure

To inquire about our products and services:

Home Page of Hitachi Kokusai Electric Inc.

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

or **Hitachi Kokusai Electric Inc. Contact**

Search

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

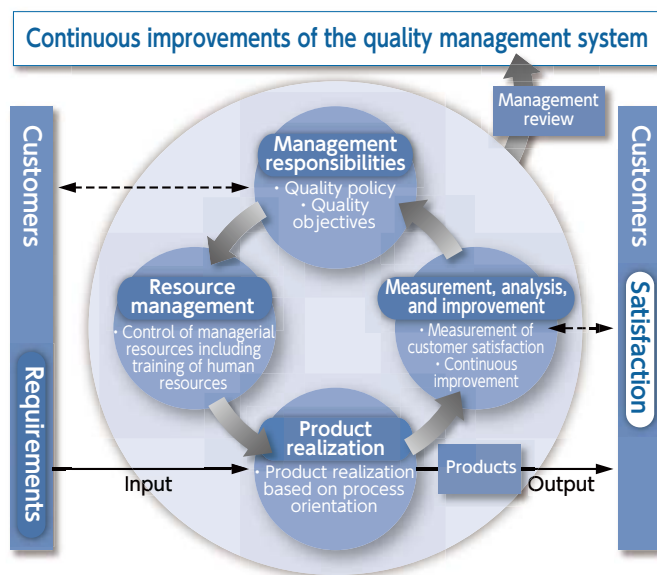
Policy to Improve Quality

We have certification of ISO 9001 (quality management systems) at 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 get certification of received JIS Q9100 and TL 9000 as applicable to certain product categories, and our sales departments are incorporated into the quality management system.

Policy to Address Quality Problems

A series of review and recurrence prevention activities based on thinking and acting from the customer's point of view is called *Ochibo Hiroi* (meaning "gleaning"), which identifies the direct technical causes of problems and the motivational problems that led to those causes, and involves working to prevent recurrence and verifying similar products in an attempt to prevent similar problems.

■Flows of quality improvements



This poster expresses the attitude of our younger group employees working on HiKQ innovation activities to raise the awareness of each employee.

Providing Safe Products and Services

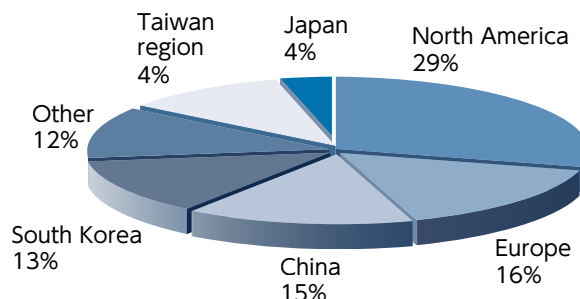
We comply not only with the Product Liability (PL) Law, domestic and international laws, and safety standards, but observe also internal standards for further safety in an attempt to improve the level of quality, thereby providing our customers with safe and high-quality products and services. Moreover, we hold the "Product Safety Conference" meeting to share information and consider ways of preventing nonconformities based on case studies of failure occurring both internally and externally.

Awards granted in a customer satisfaction survey by VLSI Research (a third-party organization) for 13 consecutive years

In an annual customer satisfaction (CS) survey conducted on semiconductor-manufacturing equipment by VLSI Research (a U.S. market survey company based in California), we were selected as one of the "10 Best." This year marks the 13th consecutive year of being selected as one of the "10 Best," and we were promoted in rank from fourth last year to second this year. This survey comprehensively evaluates customer comments about the targeted manufacturers in terms of user-friendliness, quality, performance, service support (parts supply, proposals for improvement, and after-sales service), and other factors, and has always evaluated us very highly.

To continue earning customer satisfaction, we will enrich the performance of our products and improve our quality and service. We will constantly set high goals, continue to tackle our challenges, and advance as a supplier of the best solutions.

Regional distribution of 1,290 replies to the 2010 questionnaire conducted by VLSI Research



The top 10 among 15 large suppliers of wafer processing equipment in overall rating

Rank	Company	Overall rating
1	Varian Semiconductor Equipment US	8.24
2	Hitachi Kokusai Electric Japan	7.86
3	Novellus Systems US	7.80
4	Dainippon Screen Mfg Japan	7.60
5	ASML Europe	7.49
6	Tokyo Electron Japan	7.46
7	Lam Research US	7.11
8	Nikon Japan	6.85
9	ASM International Europe	6.81
10	Canon Japan	6.61

(Results of the 2010 survey by VLSI Research)

Efforts to earn a high customer evaluation and the results

We continuously conduct various improvement activities to enable our customers to use our products long and effectively.

Some customers, particularly the world's leading semiconductor manufacturers, also encourage such efforts by periodically evaluating their clients and recognizing corporations that have achieved high results.

When we are highly evaluated and granted an award, we announce it as a news release and publish it on our website under the consent of the customer.

By modestly taking the award as encouragement and findings as a task, we will work toward further improvements and lessening our environmental impact.

Voice

We regard the results of the VLSI Research customer satisfaction survey as one element of the VOC*1 and will work toward improving quality to satisfy our customers even more. This customer satisfaction survey is designed for customers worldwide and offers a unique opportunity to hear frank comments of the numerous customers who use our products. Based on the survey's findings, we



Yasuhiro Matsuda, Akihiko Hongo, Yoshio Yokoi
Quality Assurance Department
Toyama Works

will continue our efforts to supply products offering high performance and quality, and which are safer and even more user-friendly.

*1 VOC: VOICE OF THE CUSTOMER

Website for publishing typical awards granted by customers:

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

or

Hitachi Kokusai Electric News Releases

Search

With Our Business Partners

We will work to establish good partnerships with our business partners and continue to grow together.

[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 earn customer confidence and satisfaction, it is important to get various suggestions, support, and cooperation from our business partners. By building up our partnerships and reinforcing collaboration with our business partners, we will establish a business model to grow together with them.

(1) Sharing CSR

In selecting our business partners, we request their understanding on CSR in terms of compliance, respect for human rights, environmental conservation, contributing to society, creating a comfortable workplace, and other issues, along with quality, pricing, and delivery date, thereby working to step up collaboration.

(2) Information security

We ask our business partners to control, as confidential information defined in a basic agreement concluded with them, the various kinds of information that we provide them. We also share teaching materials for information security training with our business partners, raise their awareness, and make ongoing efforts.

(3) Eco- friendliness

In order to promote the procurement of materials and parts with less environmental impact and provide our customers with secure products, we appraise as "green suppliers" those business partners who have acquired certification under ISO 14001 (Environmental Management System) and various other environmental certification standards. We thus encourage our business partners to acquire such certification and make ongoing environmental efforts together with them.

Website for our business partners:

Home Page of Hitachi Kokusai Electric Inc.

<http://www.hitachi-kokusai.co.jp/global/csr/procurement/index.html>

or

Hitachi Kokusai Electric Basic Principles for Procuring Materials

Search

Business Partner Meeting (BPM) activities

In order to promote these various principles with our business partners, we periodically hold a Business Partner Meeting (BPM). As specific activities, we present our group's business principles and various other items of information, and share the status of CSR efforts, our responses to requirements and questions raised by our business partners, and other information in an interactive manner.

We also recognize business partners who have contributed significantly throughout the year to reactivate their efforts.



Fiscal 2010 BPM



Recognition with thanks

Guest Voice

Business partner who received the supplier of the year award for the Toyama Works in fiscal 2010

HORIBA STEC Co., Ltd.

Thank you very much for the "supplier of the year" award that you gave us soon after the New Year holidays. We have always worked on quality improvement as a manufacturer of mass flow controllers. We heard that this recognition is the result of your particular evaluation of our production response to the quick launch of your production of equipment, emergency response, and maintenance of our product quality.

To live up to this honor of having been granted the highest evaluation among your suppliers, we will continue improving our production response, quality, expertise, and environmental efforts, and work to contribute to your further development.

With the Community

We understand the situation of the community, as well as the thoughts of the people there, raise our sensibility and think of their future needs.

Individual efforts into big power – addressing environmental issues

We pay attention to the environment of the community and actively participate in volunteer and other activities. Among our main activities are cleaning up public areas around our factories, engaging in corporate forestry and woodland nurturing activities in Toyama-shi, Toyama Prefecture, and planting trees around the neighboring public facilities. In May 2011, the governor of Toyama Prefecture named Kokusai Electric Semiconductor Service Inc. as "a party recognized for its forestry with water and greens," as reported in local papers and on TV. Through these activities for the community environment, we will combine the power of individuals toward becoming a great force that can address global environmental problems. To that end, we will continue to engage in various environmental activities.



Kokusai Electric Techno Service Co., Ltd. planting trees in the rotary in front of Hanakoganei Station, Kodaira-shi, Tokyo

Appearing in a job introducing booklet for middle school students

In order to reactivate the regional industries, Akita Prefecture launched its policy of "growing human resource to lead industries in Akita," and is now promoting the "training of personnel for creative manufacturing through collaboration of industry and academia." As part of such efforts, they have compiled a guidebook for creative manufacturing. It aims to (1) describe specific paths toward getting a job for students interested in "creative manufacturing", and (2) offer "creative manufacturing" as one possible career for students who do not have a career image yet for the future. From Goyo Electronics Co., Ltd., Miss. Omori of the Manufacturing Department of Tsurunumadai Works was interviewed and talked enthusiastically about her work and what makes it worthwhile. We hope that students will become interested in "creative manufacturing" and grow up to become human resources that will support Akita Prefecture for the next generation.

インタビュー
「電気・電子系ものづくり」から就職した人の声

大森 栄央 さん
出身校 東京工業大学
就職先 株式会社五洋電子 (東京都)

1 仕事の内容について
2 学校で学んだこととどのように仕事に生かしているか。
3 自身の生活について (休日の過ごし方や地域貢献等)

1 私の仕事は皆さんの目に触れることはなかなかないかもしれませんが、道路の照明や信号機などをつくるための部品や、家庭用電器を動かすための機械などをつくっています。しゅつ産の力の持ち主です。会社に入って1年目は研修としていろいろな部署を回らせてもらい、その中で自分がやってみたいと思ったところに2年目の配属となりました。

2 会社では電気の配線や、簡単な計算や検定ができることがプログラミングを学ばせました。あと配線や工場の設備なども学校で学んだことに増え、仕事も楽になりました。これはやはり仕事にも活かせることなので非常に役に立っています。また、先輩社員が教えてくれるようになったので、知識は吸収されています(笑)。研修の期間だけでなく、高いレベルのスキル、パワフルな雰囲気での上下関係や、チームプレーの大切さを感じられたのが大きかったです。小学校から部活でキャプテンだったのでよかったです。

3 私は元々勉強で楽しみたいというのが希望でした。生まれた場所も環境も好きでしたし、友人の中には海外で働いている人も多くいますが、私自身も海外移住の必要はないと思っています。親に今の仕事は夢の職業がいち早く分かるので、未来を伝えたいという気持ちで頑張っています。

Appearing in an interview article with smiles

Toyama Works certified as "Eco-Factory"

Toyama Prefecture certified our Toyama Works as an "Eco-Factory" for the first half of fiscal 2010.

Certification as an "Eco-Factory" is granted to factories that actively engaged in eco-friendly business activities.

Our Toyama Works achieved a final disposal rate of 1% or less out of the amount of waste generated, by recycling semiconductor wafers, quartz (glass dust), and hydrofluoric acid drainage, and other waste matter in an effort to manage the 3 Rs*1 for waste. We also set goals for each field (such as Eco-Factories and Eco-Products) for conducting activities and have achieved such results as a reduction in the basic unit of CO₂ emissions for actual production, our final waste disposal, and a reduction in CO₂ emissions for product use.

*1 3 Rs: Reduce, Reuse, and Recycle.



Symbol mark for recycling certification by Toyama Prefecture

Cooperation for combating and verifying metabolic syndrome in young people

Goyo Electronics Co., Ltd. had 91 employees cooperate in Akita Prefecture's "Combating and verifying metabolic syndrome in young people" program designed to establish healthy daily habits and prevent lifestyle-related diseases. Verification involved having each participant practice the "Guide to Preventing Metabolic Syndrome" that presents goals concerning "eating, exercise, and lifestyle" for six months, and then record the progress and measurement of the weight and waistline every week. The data were analyzed by the Akita University Hospital and utilized in preventing lifestyle-related diseases and promoting health.



Data recording tools

Together with the invigorated residents of Shimabara

The "planting of 22,000 moss phlox seedlings" was conducted in Shimabara-shi at the foot of Mt. Unzen-Fugen. Six employees of our Kyushu Area Operation participated. In 1991, Mt. Unzen-Fugen experienced a great eruption that caused major damage to its foot. Our CCTV*2 equipment was used in monitoring pyroclastic flows and mudslides. Even now we are installing CCTV equipment in the Unzen region, thereby contributing to regional safety.

On that day, we joined 50 of local volunteers and work contractors from the Unzen region in planting moss phlox of various colors. We wish to fill the community with flowers and continue to back up the invigorated people of Shimabara.



Planting moss phlox at the foot of Mt. Unzen-Fugen

*2 Closed-circuit Television

With Our Colleagues

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

We take measures to develop human resources who can realize "the heart of HiKQ."

1. Our basic philosophy on developing human resources and basic principle for the present fiscal year

Our basic philosophy is to train human resources who "learn on their own, think on their own, and act on their own." The basic principle for the present fiscal year presents the following four points in an attempt to realize HiKQ innovation:

- I. Training human resources able to create new business
- II. Training human resources with the ability of performance
- III. Training human resources able to activate the organization
- IV. Training human resources able to conduct their basic tasks securely

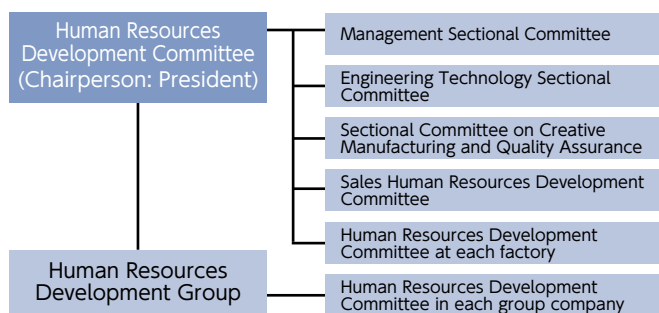
2. Training of global human resources

The training of human resources geared toward expanding global business is also urgent task for us. As a measure for that, we conduct overseas business training and overseas training of young people under a program of Hitachi, Ltd. We will also devote more energy to stepping up our employees' language abilities, including English.

3. Reinforcing of management abilities

For judging the ability to manage product development, we refer to the table of ability levels of project leaders (see [Table 2]). For example, the ability to engage stakeholders including customers achieved an overall average of 2.9 for managers and higher-level employees for fiscal 2010, marking a rise by about 0.1 from the preceding year. For fiscal 2011, we will target an even higher level.

■ Human resource development system



*Roles of the second tier committees of the Human Resources Development Committee
 - The sectional committees are for common or intersectional training measures to the whole corporation.
 - The Sales Human Resources Development Committee and those committees listed below are responsible for implementing training measures in the each section.

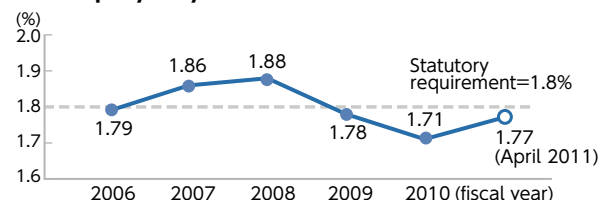
■[Table 2] Table of ability levels of project leaders (ability to engage stakeholders)

Description of indicators for evaluating ability to engage customers	
Level 5	Has a long-standing relationship with customers and can make continuous proposals for enhancing customer value.
⋮	⋮
Level 1	Has not analyzed customers and is passive.

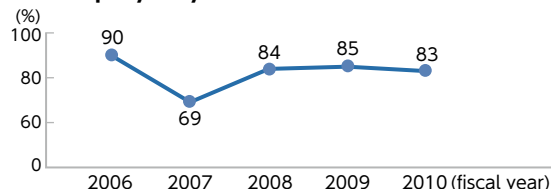
Employment of diverse human resources

In order to "respect human rights and develop while contributing to the creation of a sustainable society," we declare in our corporate credo 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 people with disabilities and the reemployment of elderly colleagues. Regarding the employment of the people with disabilities, we recruited six new employees in fiscal 2010 and are promoting positive employment. We work on an ongoing basis to increase employment opportunities toward achieving the legally mandated ratio of 1.8 percent. Regarding the employment of the elderly, we introduced a reemployment program that extends the employment of retired colleagues to 65 years old at most, starting in fiscal 2005. We convey the skills of experienced personnel to younger personnel while providing a rewarding workplace.

■ Employment ratio of people with disabilities (the Company only)



■ Employment ratio of elderly colleagues reemployed (the Company only)



Voice



Madoka Kubara
Sales Department III,
Broadcasting &
Video Systems Sales Center

I think that, for Japanese corporations, it is urgent task to train global human resources. I joined the "speaking ability enhancement program" organized by the company in fiscal 2010. At first, I had found this program to be a heavy burden, given my sales activities and preparation of a paper on the first year training. But I thought that this was "a skill necessary for me in the future" and tackled the challenge.

Voice



Yuki Takasugi
Quality Assurance
Department,
Hamura Works

I am in charge of the acceptance inspection of mechanical parts used in communication equipment. My senior employees are very kind and have taught me how to do my job, so I find my work very worthwhile and remain motivated. Therefore, I enjoy my work very much. I will learn my job as soon as possible and do my best to become a full-fledged worker.

Efforts for work-life balance

We have been working to enhance and expand our programs for assisting in child rearing and nursing care, including extended leave and short-time work programs. Moreover, we have been making various efforts since fiscal 2010, including review of working style and the reduction of long-time work, in an attempt to ensure harmony between work and life from even more diverse viewpoints.

The specific efforts are as follows:

- (1) Top messages about the work-life balance
- (2) Reforms in corporate culture (the "-san call campaign" addressing each other with "-san" instead of the job title)
- (3) Increasing business efficiency (promoting the conversion of PCs into multiple monitors)
- (4) Reducing work hours through encouraging to leave at closing time and setting a Sunday per month for contributing to one's family, community or oneself
- (5) Establishing "Life Revolution 17" (a working group for work-life balance promotion)
- (6) Encouraging taking leave for child rearing or nursing care by loaning notebook PCs
- (7) Organizing factory visits by families

Community contribution "the third Sunday contribution," a counseling session for terrestrial digital broadcasting, and a charity sales exhibition by YAGI ANTENNA INC.



■ Numbers of employees taking leave for child rearing and of participants in the short-time work program (our company only)



Safety and hygiene activities

Our safety and hygiene activities are based on the principle of "protecting safety and health comes before everything else," and involve taking efforts concerning safety and hygiene with all other members of the group as one unit. More specifically, we set a safety promotion month and educate each and every employee, including a "statement of one's own determination about safety" and "attaching a transport safety sticker."

We also conduct the "dispatch of employees to external training" and "exchange safety tours among factories" along with other sessions, in an attempt to enhance the "observant eye" level of safety and hygiene representatives.

With safety and hygiene remaining as one of our most important challenges in management, we will continue working to build a safe and healthy workplace.



Comment exchange session after an exchange tour among factories

Disaster prevention measures

The Great East Japan Earthquake of March 11 was an unprecedented earthquake. After the earthquake struck, we launched "Company-wide Emergency Headquarters" led by our president. We began by ensuring the safety of employees, gauging the extent of damage, and vigorously promoted measures to secure safety, the restoration of equipment, and customer support. We provided the particularly damaged Sendai Branch Works and Tohoku Branch with emergency goods support, personnel support, and other forms of assistance from works and offices to enable both facilities to restore their functions soon.



A thank-you note from employees of the Sendai Branch Works damaged by the Great East Japan Earthquake

Voice



Group discussion in progress

I serve as leader of "Life Revolution 17"—a working group for work-life balance promotion consisting of members collected from the entire company by public invitation. "Life Revolution 17" was launched in October 2010 to "propose a workplace and a life environment where employees can take 17 days of annual leave through reforms made in life (work and daily life)." These reform-minded members (as implied by the group's name) managed to propose four major themes and 13 specific measures. We will continue to work toward taking actions and achieving results. Moreover, we hope that many Iku-men (male employees positively participate in child rearing) come out from our company.

Tomoshi Taniyama (Leader of "Life Revolution 17")
Development Department I
Semiconductor Equipment System Laboratory

To Live Up to Society's Trust

An international standard on social responsibility has been created and many corporations and organizations have now begun referring to it. It is also becoming a common material for dialogue.

Issuance of ISO 26000 (Guidance on social responsibility)

After ten years of consideration and debate at multi-stakeholder meetings attended by the International Organization for Standardization (ISO) and more than 90 member nations, ISO 26000 (Guidance on social responsibility) was issued in November 2010. We incorporated CSR into a basic principle of management in 2005 and have been promoting CSR management while referring to the Charter for Corporate Behavior established by Nippon Keidanren (Japan Business Federation) and the United Nations Global Compact, along with other standards. And since 2010, we have been taking the contents of ISO 26000 into dialogue with our customers and other stakeholders, while tackling further reforms.

■ "The seven core subjects" of ISO 26000



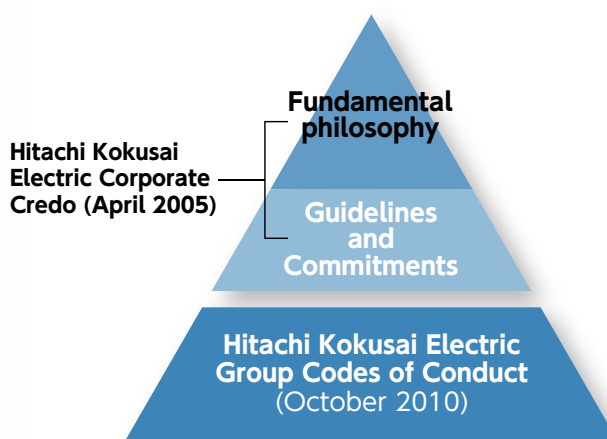
Establishment and dissemination of the Hitachi Kokusai Electric Group Codes of Conduct

As for the basic policy or principle of existence as a company, we already have Hitachi Kokusai Electric Corporate Credo. But there had been no specific standard of ethical actions to be observed daily by each officer and employee. A working group consisting of the main member corporations of the Hitachi Group, centering on Hitachi, Ltd., accumulated their considerations since fiscal 2009 and drafted a code of conduct suited for the global corporate group, under the name of "Hitachi Group Codes of Conduct." And our version including the contents of that standard is the "Hitachi Kokusai Electric Group Codes of Conduct." This group code of conduct has been made known among all members of our group, including our overseas group companies. It has been documented in each local language with training provided, so as to assure all members to observe it.



Kokusai Electric Korea Co., Ltd. has prepared a teaching material on Group Codes of Conduct in Korean and provides training for all its employees.

■ Our Corporate Credo and the Group Codes of Conduct



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.

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.

Identifying and properly coping with risks

● Compliance

Widespread criticism is being directed at bid-rigging, cartels, and other illegal acts perpetrated by corporations that significantly affect society and the economy. Moreover, there is growing social interest about protecting the information of both corporations and individuals. In reflecting such new elements of raising anxiety in the international arena as the issue of nuclear development, export control is also assuming greater importance. With our CSR Promotion Division taking the lead, we are implementing education and periodic audits, while making updates of their contents, and are working to ensure that the strong intensions of top management concerning compliance (which means living up to society's trust) are thoroughly implemented in all corners of our group.

● Risk management

We have designated a division in charge of each type of risk, and the division closely collaborates and communicates with the relevant works or office under the risk, so that the works or office will properly manage risks at their own responsibility.

In fiscal 2010, the Risk Management Committee (consisting of all the executive officers) approved the Business Continuity Plan (BCP) and approves principles concerning BCP, and is now promoting the enhancement of a risk management system.

As indicated on page 14 of this report under "Disaster prevention measures" concerning the recent earthquake, our companywide steering and the positive and bold efforts under the initiative of our factories proved effective and led to early restoration.

● Business Continuity Plan (BCP)

According to our basic principle of ensuring life safety for our employees and fulfilling our social responsibility as a corporation, we drafted a Business Continuity Plan in fiscal 2009 to respond to the outbreak of new influenza, and another BCP in fiscal 2010 to cope with major earthquakes. When the earthquake struck on March 11, 2011, the disaster control manuals of each factory and the emergency reporting system developed along with the BCP functioned quite well. However, other new considerations must be noted, including the extent of the earthquake, frequent occurrence of aftershocks, disruption of transport due to tsunami, and a deteriorating power situation. From now on, we will thus base ourselves on these experiences and periodically review our BCPs, expand the scope of business coverage, diversify the risk assumption, and promote continuous improvement efforts.

● Ensuring the reliability of financial information

Concerning the internal control system related to the reliability of financial information, we collaborate with our parent company Hitachi, Ltd., enhance it by using the framework and tools for internal control of the Hitachi Group, and make evaluations and improvements.

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 2011

● Disclosure of CSR information on the Internet

Detailed information uncovered in "Hitachi Kokusai Electric Group CSR Report 2011" and other details that we wish to disseminate on an ongoing basis are published on our website under "CSR Information." Therefore, please refer to it from time to time and give us your comments and impressions just as you do for this report.

■ Home Page

Hitachi Kokusai Electric Inc.

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

or



Eco-Management (promoting environmental management)

We work to cultivate an environmental mind establishing an environmental management system as a pillar for it, according to Hitachi Kokusai Electric Corporate Credo and Environmental Conservation Action Guidelines.

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 burdens of products throughout their entire life cycles, ensuring global environment conservation.

In August 2010, we added efforts for biodiversity to the Action Guidelines for Environmental Conservation, and thus revised those guidelines.

Home Page of Hitachi Kokusai Electric Inc.

<http://www.hitachi-kokusai.co.jp/global/csr/environment/earth.html>

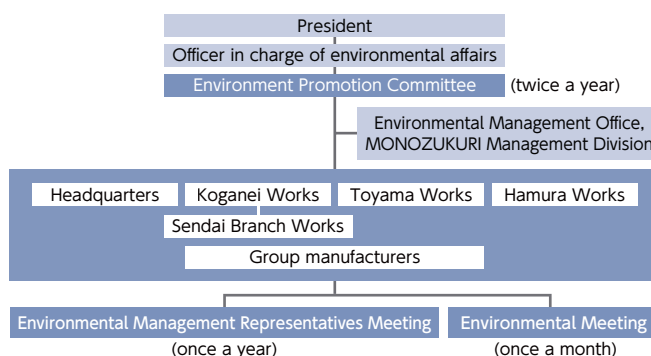
or **Hitachi Kokusai Electric Action Guidelines**

for Environmental Conservation

Search

Environmental Management System

The "Environment Promotion Committee" including the environmental affairs officers of Group manufacturers*1 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 MONOZUKURI Management Division helps promote the implementation and performs follow-ups on the progress at the "Environmental Management Representatives Meeting."



*1 Group manufacturers: YAGI ANTENNA INC., Hitachi Kokusai Denki Engineering Co., Ltd., and Goyo Electronics Co., Ltd.

Hitachi Group's environmental efforts [3rd Term Environmental Action Plan]

The Hitachi Group has thus far acted according to environmental action plans: 1st term (2000 to 2005) and 2nd term (2006 to 2010). The five years from fiscal 2011 to 2015 will be positioned as 3rd term for our activities. In order to accomplish the "prevention of global warming," "cyclic use of resources," and "conservation of ecosystems"—the three pillars of our "Environmental Vision 2025" announced

in December 2008—we aim to turn all products of the Hitachi Group into "eco-friendly products" that reflect an environmental awareness.

In response to the plans of the Hitachi Group, our own group has drafted its Phase 3 environmental action plan and will work on it.

■ Our group's Phase 3 environmental action plan

Category	Main item	Action goal	Target value	Fiscal 2011	Fiscal 2015
Eco-Mind & Global Environmental Management	Establishment of Environmental Management System	Improvement in environmental activity level (GP: Green Point)	GP of GREEN 21-2015	384 GP	640 GP
	Nurturing of Environmental Literacy	Fostering environmental minds by environmental e-learning	Participation ratio	90%	95%
Next Generation Products & Services	Promotion of Eco-Products	Increasing Hitachi Eco-Products	Ratio of Eco-Product sales to total sales	60%	65%
Super Eco-Factories & Offices	Preventing Global Warming	Improvement of CO ₂ emission intensity	Reduction of the basic unit of production CO ₂ emissions (reference year 2005)	Up 4%	10%
	Energy reduction during transportation	Improvement of transportation energy intensity	Reduction of the basic unit of production transportation energy (reference year 2006)	12%	15%
	Effective Use of Resources	Improvement of generation amount intensity of wastes, etc.	Reduction rate of the basic unit of the amount of production waste, etc. generated (reference year 2005)	16%	20%
		Promotion of electronic manifest	Increase of registration (issuance) ratio	70%	90% or more

Targets and Results of Environmental Activities in Fiscal 2010

	Main item	Fiscal 2010 targets	Fiscal 2010 results	Evaluation
Eco-Management	Constructing and developing the integrated environmental management system	Renewing certification for the integrated environmental management system	Renewing certification for the integrated environmental management system	🌳🌳🌳
	Encouraging colleagues to take environmental e-learning	Participation ratio : 90%	Participation ratio: 96%	🌳🌳🌳
	Promoting the purchase of eco-friendly office supplies and other products	Green procurement ratio: 90%	Green procurement ratio: 94%	🌳🌳🌳
Eco-Products	Increasing Hitachi Eco-Products	Sales ratio of Eco-Products: 57%	Sales ratio of Eco- Products: 62%	🌳🌳🌳
	Higher product environmental efficiency	Registration ratio of Super Eco- Products: 15%	Registration ratio of Super Eco- Products: 36%	🌳🌳🌳
Eco-Factories	Preventing Global Warming	35% reduction in basic unit of CO ₂ emissions in actual production* ² (from level in fiscal 1990)	45% reduction in basic unit of CO ₂ emissions in actual production (from level in fiscal 1990)	🌳🌳🌳
		11% reduction in actual production transportation energy unit requirement (from level in fiscal 2006)	25% reduction in actual production transportation energy unit requirement (from level in fiscal 2006)	🌳🌳🌳
	Waste reduction	90% reduction in final disposal (from level in fiscal 1998)	99% reduction in final disposal (from level in fiscal 1998)	🌳🌳🌳
		Final disposal rate: 1% or less	Final disposal rate: 0.5% or less	🌳🌳🌳
	Chemical substances management	40% reduction in release of "reducible substances" (from level in fiscal 2000)	57% reduction in release of "reducible substances" (from level in fiscal 2000)	🌳🌳🌳

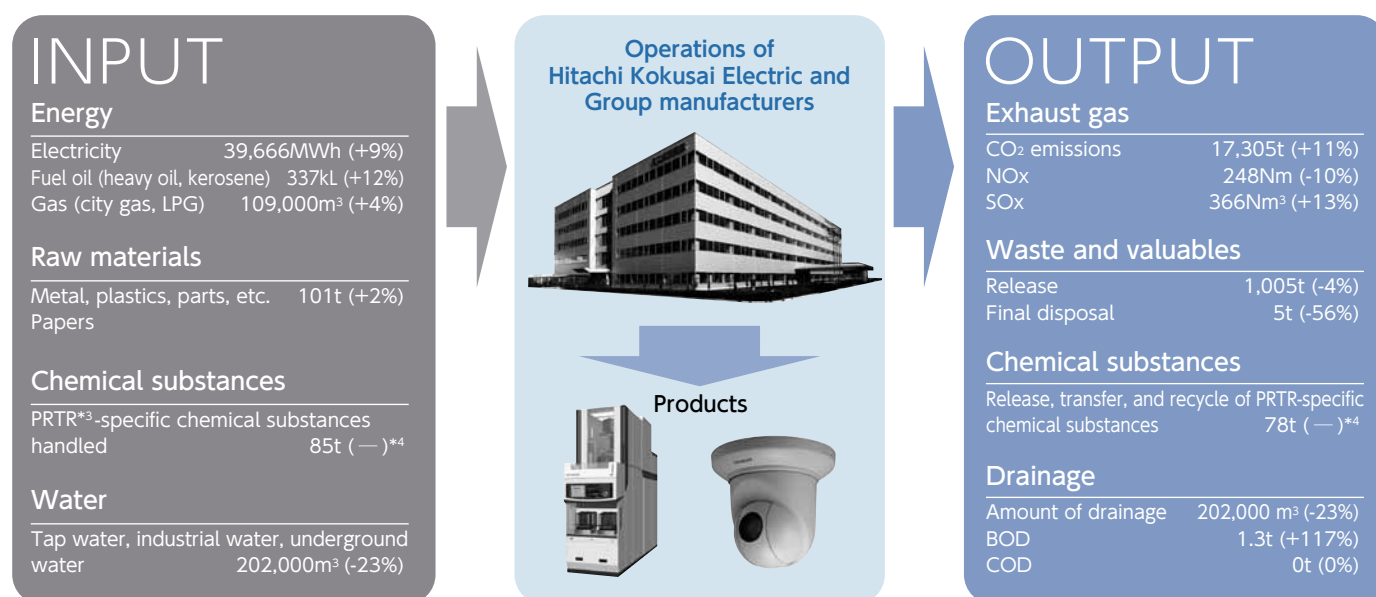
*2 Actual production: Nominal production ÷ Bank of Japan's commodity price index of domestic corporations (in the electrical appliances industry)

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 CO₂ and waste. Hitachi Kokusai Electric and its 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 "Eco-Products," respectively.



*3 PRTR: Pollutant Release and Transfer Register

*4 There has been a change in the targeted substances due to a revision of applicable laws, and thus the changes from the preceding year have yet to be calculated.

The values in parentheses show the changes from fiscal 2009.

Eco-Factories (eco-friendliness in production activities)

Through the entire production process of products, we work to save energy and enhance facilities in an attempt to prevent global warming, reduce industrial waste, and accomplish similar goals.

Prevention of Global Warming (Energy-saving Efforts)

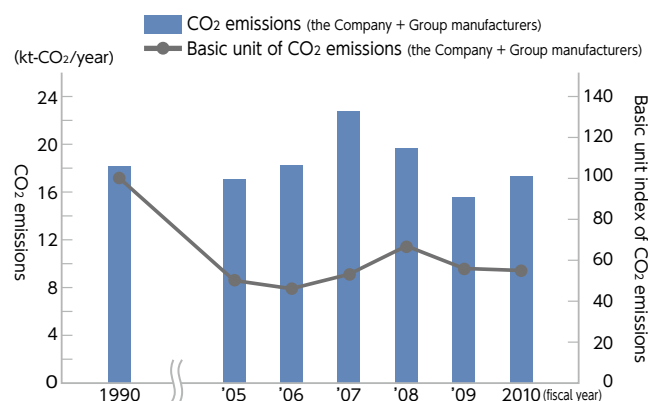
Hitachi Kokusai Electric and Group manufacturers have set a fiscal 2010 energy reduction target in the manufacturing stage to making a 35% cut in the real production CO₂ unit requirement from the level in fiscal 1990. That target is shared by the rest of the electrical and electronics industry. The basic unit of CO₂ emissions in actual production is the unit of measure for the uniform target of the industry, and has been used as a control indicator since fiscal 2005. The basic unit of CO₂ emissions in actual production by the Company and Group manufacturers in fiscal 2010 was reduced by 45% from the level in fiscal 1990, which cleared our target of a 35% reduction.

The CO₂ emissions of our company and our group member manufacturers in fiscal 2010 increased 11% from the levels in fiscal 2009 due to a rise in production. We will thus continue taking energy-saving measures including a review of the operation methods and an upgrade of equipment to energy-saving one.

Our Group has supported the national campaign against global warming as promoted by the Government from its initial stage, reduced the air-conditioning at all places of business, and participated in the "light-down campaign".

To cope with power shortages due to the Great East Japan Earthquake of March 11, the Hamura Works and Koganei Works with high power consumption introduced a unique summertime program (where work begins at eight o'clock) and plan to introduce rotating holidays and tabletop LED lamps, in addition to the already optimized operation of air-conditioning, thereby reducing peak power consumption in summer.

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



*For the carbon dioxide emission factor used in calculating carbon dioxide emissions, we used the factors employed by the various power companies as announced by the Ministry of the Environment.

TOPICS

Energy-saving consultation at the Koganei Works

Our Koganei Works is subject to the "Obligation to Reduce the Total Quantity of Greenhouse Gas Emissions and the Program for Emissions Trade," a Tokyo



environmental ordinance that came into effect in April 2010.

The main points of the ordinance are that it: (1) applies to each office or factory, (2) imposes the obligation to make reductions and achieve the targets shown; and (3) obligates any party failing to meet said obligation to make reductions and failing to procure rights of emissions to make an additional reduction of 30% with the instruction imposing said obligation. Any party failing to observe these will be fined 500,000 yen and its violation shall be published.

As a factory that acquired certification under ISO 14001, we have long been taking number of measures. Since even these measures are not enough to establish prospects for achieving our obligations, we received an energy-saving consultation from Hitachi, Ltd.

We reviewed methods of operation according to the consultation results, evaluated new efforts made after the earthquake. We are further considering additional measures and putting them into practice.

TOPICS

Efforts of Ecocap activities

Our group has been collecting PET bottle caps and delivering vaccines to the children of the world through the Ecocap Movement since fiscal 2008. A collection of 800 caps constitutes one patient's worth of polio vaccine, and we have donated a cumulative total of more than 700 patients' worth of vaccines up until now.

Note that should such caps be disposed as burnable garbage, 400 caps generate 3,150 grams of CO₂. Consequently, by collecting the caps, we have controlled more than 4,400 kg of CO₂.

In addition to direct collection through the Ecocap Movement, we supplied caps through associations and nursing homes near our workplaces, thereby also making indirect efforts, and constituting the overall activities of our group.

The caps collected are recycled into plant pots and other plastic products by recycling agents.



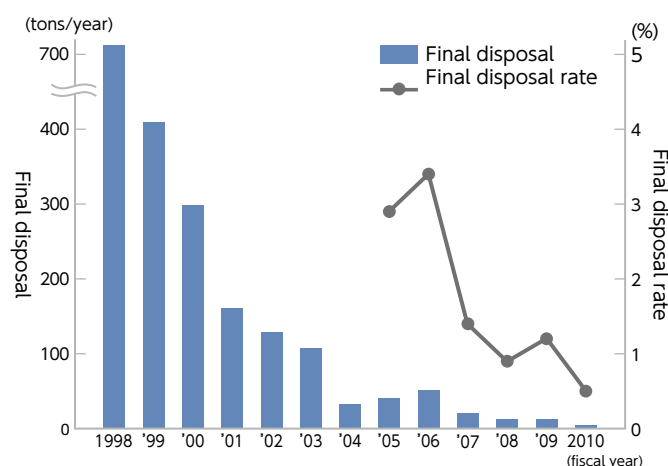
Ecocap activities

Waste Reduction

The Company and 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 2010 we enhanced recycling, thoroughly implemented the disposal of sorted garbage, and consequently made a 99% cut in disposable waste from 1998 levels to achieve the target. Moreover, regarding the targeted final waste disposal rate of 1% or less (as added for fiscal 2005 and onwards), we achieved the target in fiscal 2009 at 0.5%.

In and after fiscal 2011, we will work to control waste generation as a new effort.

Final disposal and final disposal rate of waste



Appropriate Control of PCB-containing Equipment

An entity who owns 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, 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. The Sendai Branch Works that was damaged by the Great East Japan Earthquake stores equipment containing trace quantities of PCBs. But it has been confirmed that the equipment is free of damage or leakage.



Storage state at the Sendai Branch Works

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, business establishments handling more than a certain amount of any such chemical substances are legally obligated to report the chemical substances. Fiscal 2010 saw the chemical substances targeted under the PRTR Law being revised. We therefore monitored and tabulated the data again.

For our company and our group manufacturers, the chemical substances used in the surface treatment of printed circuit boards and those contained in fuels have become subject to law. Therefore, our factories will make the necessary registration.

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

(Sum of the Company and Group manufacturers)

Chemical substance	Quantity handled	Release	Transfer	Consumption	Removal	Quantity recycled
Ferric chloride	77,320	0	0	0	0	77,320
Xylene	1,657	95	26	1,536	0	0
1,2,4-Trimethylbenzene	2,079	0	0	2,079	0	0
Toluene	143	108	14	21	0	0
Lead	546	0	17	515	0	14
Hydrogen fluoride and its water-soluble salts	558	170	388	0	0	0
Methylnaphthalene	2,095	0	0	2,095	0	0

* Substances significantly handled are shown above

TOPICS

Reinforcement of the antisocial transaction prevention system in commissioning industrial waste disposal

Our group has presented our managerial principle of not having any relationship whatsoever with any organized crime group or antisocial force. In order to promote efforts toward avoiding or terminating any possible relationship with antisocial forces, we added a "clause to exclude organized crime groups" in our agreement for commissioning industrial waste disposal. More specifically, we established or will add a "clause for excluding organized crime groups" in agreements concluded with all industrial waste disposal agents in relevant region commissioned by our group.

Evaluation of Environmental Activities

By setting quantitative assessment standards for environmental activities, and monitoring and analyzing such activities, we are working to upgrade environmental management and reduce environmental risks.

Evaluation results of fiscal 2010 for "GREEN21"

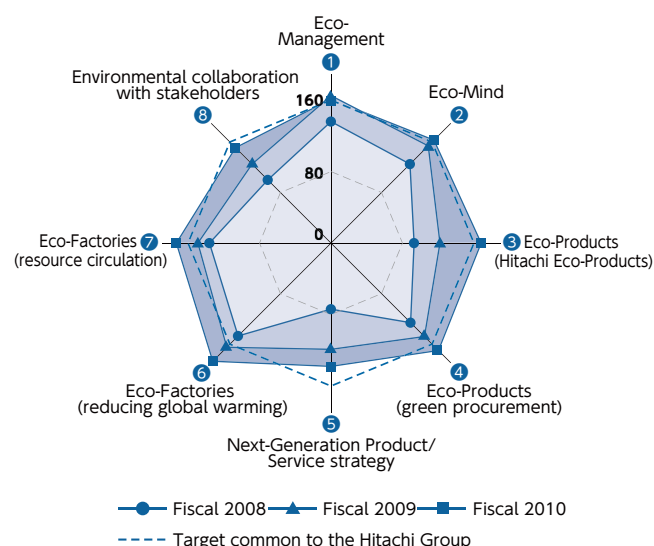
The Hitachi Group implements its self-evaluation system for "GREEN21" environmental activities, in order to carry out its environmental action plan securely, make continuous improvements, and upgrade its activity level. GREEN21 is a mechanism for quantitatively evaluating the degree to which the targets for environmental activities were achieved by a specific entity for each fiscal year, visualizing the results by radar chart, and reflecting the evaluation findings in subsequent environmental activities.

The system of evaluation consists of 55 items from eight categories, and is used to monitor the weaknesses in an activity and make improvements for the next fiscal year. Our result for fiscal 2010 was 1,311 GP (green points) as compared to 1,280 GP—the target common to the Hitachi Group. Expansion of eco-friendly products improved evaluation of Eco-Products.

GREEN 21 evaluation items

Category	Evaluation item for each category
① Eco-Management	Action plan, environmental accounting, risk management, compliance
② Eco-Mind	Education for employees (general education, professional education, auditor education)
③ Eco-Products (Hitachi Eco-Products)	Eco-design management system, Hitachi Eco-Products and management of chemical substances contained in products
④ Eco-Products (green procurement)	Green procurement, green purchase
⑤ Next-Generation Product/Service Strategy	Eco-products business strategy, sustainable business, external publicity
⑥ Eco-Factories (reducing global warming)	Business and product strategy, sustainable business and external advertisement
⑦ Eco-Factories (resource circulation)	Waste reducing and chemical substance management
⑧ Environmental collaboration with stakeholders	Information disclosure, communication activity and global citizen activity

Green point



Environmental Accounting

According to the Hitachi Environmental Accounting Guidelines, our environmental conservation cost was defined as investments and expenses related to environment. The environmental conservation effects were determined based on profits from the sales of recycled items, reductions in procurements, etc. Fiscal 2010 saw a decline in investments in energy-saving equipment and curtailed research and development costs, resulting in lower effects as well.

Costs (in millions of yen)

Item	FY 2008	FY 2009	FY 2010	Overview
Business area costs	175.3	188.1	197.0	Costs of maintenance of equipment with low environmental burden, depreciation, etc.
Upstream/downstream costs	0.4	0.1	0.2	Costs for green procurement and recycling
Management activity costs	72.3	75.9	67.3	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	188.6	310.8	166.7	R&D for the reduction of environmental burden caused by products and production processes, product design expenses
Social activity costs	2.1	1.7	2.0	Environmental improvements such as afforestation and beautification, PR, and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions, and levies
Total	438.7	576.7	433.1	—

Investments (in millions of yen)

Item	FY 2008	FY 2009	FY 2010	Overview
Investments in environmental conservation	64.4	42.3	9.2	Direct investments in environmental load reduction facilities such as energy conservation facilities

Economic effects (in millions of yen)

Item	FY 2008	FY 2009	FY 2010	Overview
Net income effects	28.3	2.2	8.3	Profit on sale of recycled waste, etc.
Expenditure reduction	58.1	85.9	10.0	Cost-saving effects, etc. by saving energy
Material cost reduction	340.4	1,485.4	77.5	Reducing materials and parts expenses, etc. by resource-saving design, etc.
Total	426.4	1,573.5	95.8	—

Control of chemical substances contained in products

Our group investigates and controls chemical substances contained in parts and other materials that constitute our products.

We ask our business partners' continuous cooperation on surveys by using AIS*2 and MSDSplus*3 (i.e., detailed descriptive formats for chemical substances contained) as pertaining to products for the REACH Regulation*1 and other standards.

*1: REACH Regulation: EU regulation on "Registration, Evaluation, Authorisation and Restriction of Chemicals."

*2: AIS: An information transmission sheet for conveying information about chemical substances contained in products.

*3: MSDSplus: An information transmission sheet for conveying information about chemical substances contained in materials and similar things.

Eco-Products [Hitachi Eco-Products]

Throughout the product lifecycle from manufacturing materials, production, and customer use to final disposal, we work to reduce the impact of products on the environment.

Hitachi Eco-Products for fiscal 2010

The new Hitachi Eco-Products registered by our group for fiscal 2010 totaled 36 models and four services.

HD head separation camera for the industry [HV-HD201]

- ① CO₂ emission
Material and product manufacturing: 65% down
Use (annual): 67% down
- ② New resource level: 85% down
- ③ Power consumption: 67% down
- ④ Resource factor: 497
(compared with DK-H2 marketed in 1996)



Three-step collinear antenna*2 [VCL3-3602A]

- ① CO₂ emission
Material and product manufacturing: 35% down
- ② New resource level: 72% down
- ③ Resource factor: 10
(compared with VCL3-4510 system marketed in 1991)

Batch thermal process equipment [DD/DJ-1236V*-DH]

- ① CO₂ emission
Use (annual): 14% down
- ② New resource level: 17% down
- ③ Power consumption: 14% down
- ④ Resource factor: 74
(compared with DJ-1223V marketed in 2000)



Resistivity test system [VR250]

- ① CO₂ emission
Material and product manufacturing: 4% down
Use (annual): 19% down
- ② New resource level: 38% down
- ③ Power consumption: 19% down
- ④ Resource factor: 12
(compared with VR200 system marketed in 2003)



News center video server and NC archive system [B008673]

- ① CO₂ emission
Material and product manufacturing: 95% down
Use (annual): 97% down
- ② New resource level: 99% down
- ③ Power consumption: 95% down
- ④ Resource factor: 766
(compared with B31F241000 system marketed in 2000*1)



PTZ network camera [VR250]

- ① CO₂ emission
Material and product manufacturing: 59% down
Use (annual): 17% down
- ② New resource level: 50% down
- ③ Power consumption: 17% down
- ④ Resource factor: 13
(compared with HC-IP350 system marketed in 2006)



Expanding Design for Environment (DfE) Assessment

DfE Assessment is intended to expand the scope of assessment from fiscal 2008 to fiscal 2010, resulting in a total of nine assessments.

The assessment added in fiscal 2010 is production by commissioning or contract.

■ Eco-friendly Design Assessment Guideline

Assessment scope	Models and services to be evaluated	LCA*3 evaluation
1. Eco-friendly Design Assessment Guideline Ver. 4	Products consisting mainly of hardware	Applicable
2. Eco-friendly Design Assessment Guideline Ver. 2	Products consisting mainly of software	N/A
3. Engineering (in maintenance, etc.)	Maintenance, periodic servicing, cleaning, etc.	N/A
4. Physical distribution	Transportation	N/A
5. Construction (installation)	Installation, setup, moving, etc.	N/A
6. Repairs	Repairs	N/A
7. Sales	Tasks consisting only of product trading	N/A
8. Software	Software not including hardware	N/A
9. Production by commissioning or contract	Assessment of production by commissioning or contract	N/A

Super Eco-Products

The Hitachi Group assumes that the condition for Super Eco-Products is that either the global warming prevention factor or the resource factor should be 10 or more. Among the eco-friendly products registered by our group in fiscal 2010, Super Eco-Products accounted for 15 of the total number. The evaluation of Super Eco-Products was completed in fiscal 2010, and fiscal 2011 will see that of Eco-Products Select with stricter judgment criteria.

*1: Since the scope of systems differs, operations on the same workload are compared.

*2: Colinear antenna: An antenna consisting of half-wavelength coaxial lines arranged linearly with internal conductors and external ones connected one after the other.

*3: Life Cycle Assessment (LCA): A technique consisting of quantitatively monitoring input resources, energy, and emissions on the entire product lifecycle ranging from manufacturing materials and production to use, disposal and recycling.

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

or **Hitachi Kokusai Electric CSR Report**

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Editor's Postscript

The cover shows the facial expressions of Hitachi Kokusai Electric Group employees that reflect determination and motivation. As reported in the special report, the photos express our attitude toward creating new products that will lead to the future, under the continuous, daily efforts geared to "engage our customers in considering and responding to the social issue." Have we managed to come up with a concise and spicy CSR Report? Please visit "CSR Information" on our website and give us your comments and impressions.