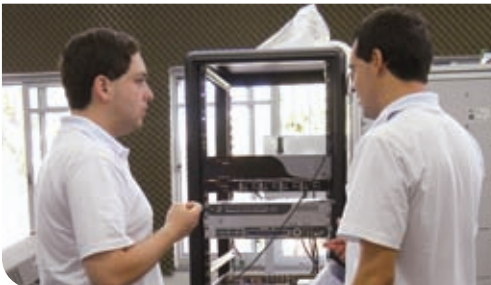


Hitachi Kokusai Electric Group
CSR Report 2012



Special Report

Accelerating Our Globalization to
Live Up to the Expectations of Society



Company Outline (as of March 31, 2012)



Headquarters
(AKIHABARA UDX Bldg. 11F)

Name
Hitachi Kokusai Electric Inc.

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

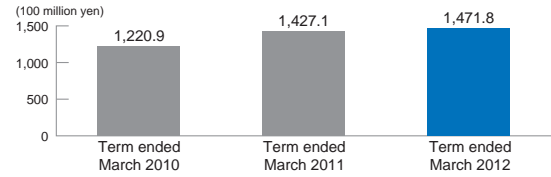
Established
November 17, 1949

Paid-in Capital
10,058 million yen

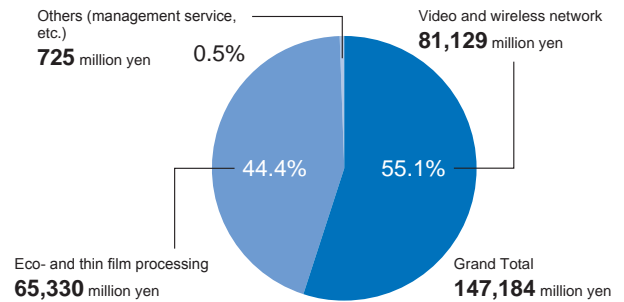
Net Sales
147,184 million yen
(consolidated)

Employees
5,477
(consolidated)

Consolidated Sales



Consolidated Sales by Segment



Factories of the Company



Toyama Works

Main products: Eco- and Thin Film Processing Equipment

Located in Yatsuo-machi, Toyama, viewing Tateyama mountain range, 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.



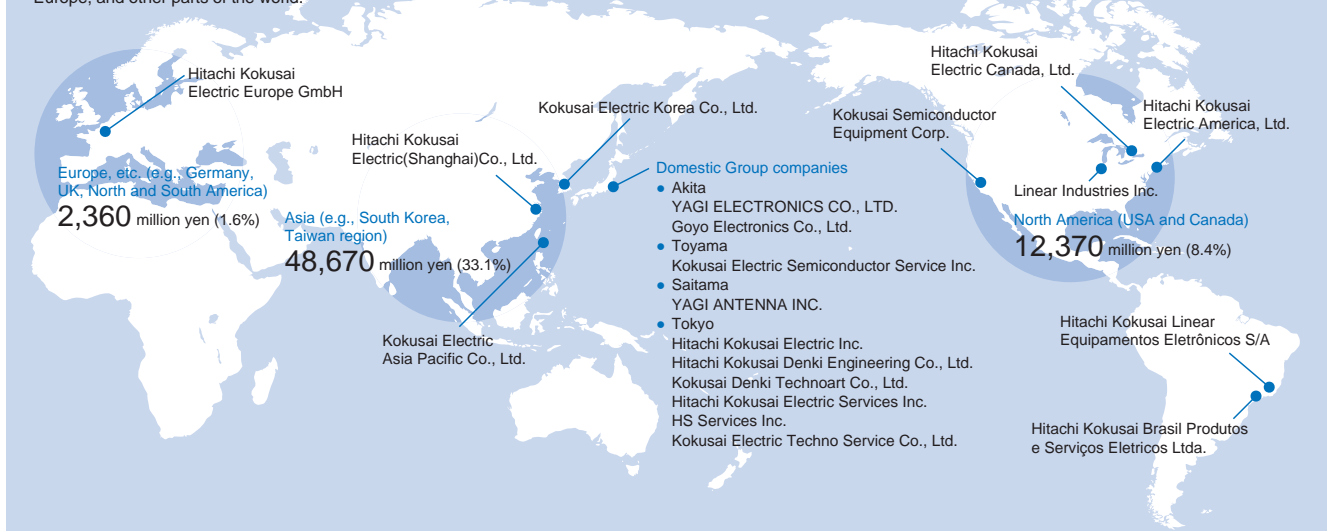
Sendai Branch Works

Main products: Video and Wireless Network Systems

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

Business Expansion and Overseas Sales of the Hitachi Kokusai Electric Group

With its Group companies including Hitachi Kokusai Electric Inc., nine domestic and ten overseas companies, 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 Systems, Financial and Securities Systems, Broadcasting Systems, CATV Equipment and Antenna, Monitoring Camera Systems, and Industrial Cameras



Wireless Packet Communication Unit for Cellular System



Land Mobile Radio Communication Product



High-speed Wireless Repeater



Radio Communication System for Disaster Preventive Administration



Securities Information Display System



Broadcasting Color Camera



PROGRADE[®]
Tapeless Servers System
(Server system for broadcasting station operation)



Industrial Video Camera



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



Starlight Eye[®]
Integrated Pan/tilt Camera
for Outdoor Use

ISnex²-HD
Network-type Monitor Camera

N.B. PROGRADE[®], ISnex[®], and StarlightEye[®] are registered trademarks of Hitachi Kokusai Electric Inc.

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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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 2011 (from April 1, 2011 to March 31, 2012)
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: <ul style="list-style-type: none"> • Hitachi Kokusai Electric Inc. • YAGI ANTENNA INC.

Indication of enumeration data:

In indicating financial figures and numeric values in the environmental report, fractions less than half a unit have rounded off, with the others counted as a full unit.

Next Issue

The next report is planned to be issued in June 2013.

Cover photos: Employees of our Group companies worldwide who live up to society's expectations in global business introduce their keywords of Happiness, Future, Quality, Human Asset and Technology.

We will create value and realize a society of security, safety and happiness.



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

Fiscal 2011 marked a year when the economy and industries in Japan were forced to face significant fluctuations caused by the impact of the Great East Japan Earthquake, uncertain financial conditions in Europe, and other factors. As a result, a severe overall business environment continued with regard to your whole Group business, despite some steady demand due to the launch of reconstruction efforts after the disaster and capital investments made by leading semiconductor manufacturers.

Under these circumstances, your Group has been addressing efforts to strengthen their business structure by driving forward such measures as expanding order receipts, implementing a structural reform of business, and reducing costs through strategic project activities. And as a concrete measure for promoting globalization, in October 2011 they acquired the stock of a leading Brazilian manufacturer of broadcast-use transmission equipment to make it their subsidiary. Through the efforts and measures described above, your Group was able to achieve significant increases in both revenue and profit for the fiscal year from those of the previous year.

Fiscal 2012 will see the drastic changes in our business environment due to the effects of the disaster and other factors, coupled with even more intense corporate competition than before.

Corporate Statement

Hitachi Kokusai Electric Group strives to realize a society of security, safety and happiness, creates value by applying advanced technologies and pushes the boundaries of tomorrow.

Hitachi Kokusai Electric Way

1. Customers First:
By pursuing *Monozukuri*,* Hitachi Kokusai Electric Group provides true value to the customers and society.
2. Global Leader:
It develops advanced technologies as a world pioneer with the aim of creating an affluent and sustainable future.
3. Human Assets:
It respects the diversity of its human resources and provides them with the opportunity and environment to enhance and perform their abilities.
4. Basics and Ethics:
It respects human rights, observes laws and ethics and establishes a clean corporate culture that is admired by society.
5. Harmony, Sincerity and Pioneering Spirit:
It esteems harmony, acts with sincerity and promotes business with a pioneering spirit.

* *Monozukuri* is defined as all creative activities carried out by the Hitachi Kokusai Electric Group, including the development and provision of products and services, among others.

In our Company's current medium-term plan "HK-AV10," we set the management target of achieving "10% profit rate in three-year moving average by the final fiscal year, fiscal 2015," and shall concentrate our efforts on achieving this target.

Specifically, under our vision "to be a social innovator trusted by customers and creating new value in the next era," we set the goals of becoming "a top global company in video and wireless network system solutions" and "a top global company in eco- and thin film processing solutions." We shall proceed with measures "to strengthen our business structure" so as to build up the most optimum and powerful operation system, as well as ensure a dynamic business deployment through such managerial measures as "strengthening strategic business expansion," "stepping up our market-in approach," and "promoting globalization," to a further extent on the basis of local production for local consumption in the global market.

Last year many employees in our Group participated in volunteer activities, thus raising awareness about contributing to communities. Our Group will continue supporting activities for recovery and restoration from the disaster, and also do our utmost to positively participate in various recovery efforts, including building up safe and secure communities as a corporate group supporting the social infrastructure.

In order to clarify what our Group should be toward the future and the significance of our existence, we recently revised the "Hitachi Kokusai Electric Corporate Credo" and newly established the "Corporate Statement,

Hitachi Kokusai Electric Way, and Guidelines and Commitments." As corporations supporting the social infrastructure, we have set our Corporate Statement, as follows: "The Hitachi Kokusai Electric Group strives to realize a society of security, safety and happiness, creates value by applying advanced technologies and pushes the boundaries of tomorrow." We have clarified Hitachi Kokusai Electric Way as the basics of the Group management.

Under the new Corporate Statement, toward the future, our Group will contemplate various risks facing corporations and reinforce such concrete countermeasures as the business continuity plan (BCP), maintain keen sensitivity and a broad perspective for the flow of society, and thereby endeavor to create value needed in 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 25, 2012



Manabu Shinomoto
President and Chief Executive Officer

Guidelines and Commitments

For the purpose of implementing the Corporate Statement, in accordance with the Hitachi Kokusai Electric Way, Hitachi Kokusai Electric Group pledges to the dissemination of the following Guidelines and Commitments and to the maintenance of its internal systems.

1. Obtain the trust and confidence of customers and society 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 that are based on a commitment to high ethical standards; observe the spirit as well as the letter of international norms of behavior, national laws and regulations; and implement appropriate internal controls that reflect these considerations.
3. Respect the diversity, character and individuality of all employees; provide a mentally and physically rewarding, safe and healthy work environment as well as opportunities for further training and growth.
4. Provide all the stakeholders including customers, employees, business partners, communities and shareholders with full and fair disclosure of corporate information.
5. Endeavor to protect the global environment, local living environments and biodiversity with a view toward realizing a sustainable society.
6. As a good corporate citizen, engage proactively in philanthropic activities and other activities that benefit society.
7. In global business activities, respect 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 confidential information, including individual and customer 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 these Guidelines and Commitments, managers shall endeavor to resolve the matter, establish the cause and take steps to prevent a reoccurrence. They shall 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.

1. Providing broadcast, video and communication solutions to the world from Brazil



Hitachi Kokusai Linear Equipamentos Eletrônicos S/A (hereinafter, "HKL") was established in October 2011 through the friendly acquisition of Linear Equipamentos Eletrônicos S/A, which had been a leading Brazilian manufacturer of broadcast equipment (established in 1977). Brazil is now entering an era of disseminating the digital terrestrial television broadcasting systems, and will host the FIFA* World Cup Brazil in 2014 and Rio de Janeiro Summer Olympics in 2016. The acquisition was made while many American

and European corporations were attempting to access the Brazilian market, and our new company is now playing a part in the Hitachi Kokusai Electric Group's growth strategy by becoming a base for the Group's globalization. This new company will endeavor to evolve as a Brazilian corporation while demonstrating the synergy effects of an amalgamation of human resources and technologies, know-how, corporate culture, management systems, and all other factors of Japan and Brazil. We are contemplating how to contribute to the evolution of both the local community and Brazilian society through our implementation of not only production activities but also research and development, design and other activities, by leveraging collaboration with an eminent local engineering college and the deployment of the sales activities based on trustful customer relations nurtured over a long time, so as to achieve continuous growth. In addition, we shall promote our global expansion including exports to Latin

American, African and other countries. We shall also aim to become a top global company in transmitters, as well as a corporation that proposes new solutions from Brazil to the world.

Shigeru Kimura
Chairman and CEO
Hitachi Kokusai Linear Equipamentos Eletrônicos S/A



Location of HKL



Broadcast-use transmitters made by HKL



HKL headquarters facility

* FIFA: Fédération Internationale de Football Association

Voice

Interviewer: How will you make the most of your characteristics and strong points in the new company?

V. Souza: I think I'm persistent as a character. The new company combines the two different corporate cultures of Japan and Brazil, and I will do my job responsibly as an officer in charge of design and development, in order to contribute to the company's evolution.

Interviewer: How do you perceive Hitachi Kokusai Electric's new access to Brazil, and what are your expectations?

E. Calil: I think the acquisition of Linear by Hitachi Kokusai Electric was a wonderful opportunity for the company to further evolve. In the beginning, I heard voices of anxiety from some employees, but now they are beginning to show pride as members of a global Hitachi Kokusai Electric Group company.

Interviewer: This question is for both of you. What do you think about the company's future potential?

Souza & Calil: In Brazil and other Latin American countries, a digital market will be launched within several years from now. HKL should also grow positively by leveraging this opportunity. To that end, we must apply the practice of Monozukuri in order to manufacture excellent products that will satisfy the needs of our customers.



Eduardo Calil
General Manager, Production
HKL



Vanessa Souza
General Manager, R&D
HKL

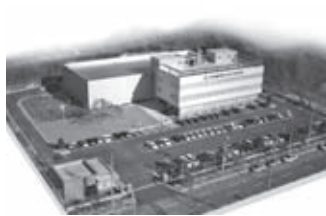


2. Capturing our customers' needs closely to respond faster than ever

In line with its motto of Customers First, Kokusai Electric Korea Co., Ltd. (hereinafter, "KEK") provides consistent services in research and development, production, remodeling and maintenance as the only company of its kind in the Hitachi Kokusai Electric Group's eco- and thin film processing business. All staff and employees of the company work together as a single body to capture customers' needs closely from the customers' perspective regarding the highest quality, shortest delivery term, and continuous investment for research and development, so that they can delight customers by offering proposals that go two steps ahead. Since nationalization and the shortest delivery term for products are the most important needs in Korea, KEK began constructing its Pyeontaek Works and extending its Cheonan



Clean room at the Cheonan Works



Pyeontaek Works (Research laboratory)

Works (where the company will develop new processes and conduct process demonstrations), and has completed the local responding system in October 2011. The company is now promoting accelerated design and procurement, cost reduction, and the operation of its newly structured Web system intended to centralize information.

Voice

The design team of KEK is endeavoring to make KEK a corporation that is trusted by its customers, giving top priority to the manufacture of quality products that are both attractive and competitive on the basis of Hitachi Kokusai Electric's production technologies. We aim to become a corporation that provides top world-class semiconductor manufacturing equipment by capturing our customers' needs and taking action before our competitors can respond.



A scene of design review



Y. S. Park
General Manager,
Design Office, KEK

3. Collaboration of our Group and agency staff reached the heart of a Mexican TV company

Our Company has made a significant sales achievement in Latin America by selling 38 units of our top of the line HD^{*1} Camera System to a major Mexican TV company. This achievement was attained through the close collaboration of our Group and the local agent.

The same camera systems were purchased by other countries like Panama for 22 units and Chile for 4 units and we believed that these HD camera systems will have significant contribution in the development of HD broadcast in Latin America.

Our main marketing strategy in Mexico was to convince the end user to switch from Triax system (i.e. transmission system that connects SD^{*2} cameras and a control device) to our more advanced and stable optical fiber camera systems which features the technology of the future. This task was not easy as the company has already existing Triax infrastructure installed in their facility used with their SD cameras.

After a thorough explanation, the customer having a clearer view of the advantages of optical camera systems – longer cable distance for transmission, larger bandwidth capacity for future technology like 1080p^{*3} or 3G, opted to adopt this system as a standard for their company.

Customer satisfactory experienced of local agent's service plus our product quality features and competitive pricing made decision making easy and decisively awarded the order to our Company.

Last November, a leading engineer of the TV company together with our local agent visited Japan. The purpose of the visit was to attend the 2011 International Broadcast Equipment Exhibition where the latest product and technology were exhibited. They were invited to our Koganei Works where they were shown advance manufacturing methods and new

broadcast products. Together, we discussed the application and potential of these products towards the future development of the broadcast industry in Mexico.



"High-vision" camera supplied to the Mexican TV company

*1 HD: High Definition (high definition broadcast-use camera system introduced with the digitalization of terrestrial TV broadcasting)

*2 SD: Standard Definition (conventional broadcast-use camera system)

*3 1080p: This refers to the Progressive Scanning method in terms of a digital broadcast standard. 1080p is a high-resolution system with 1920 x 1080 pixels and wide-screen images with an aspect ratio of 16:9.

Voice

Recognizing the competitive nature of the broadcast camera market, I worked hard to explain to the TV program producers and engineers our product advantages in terms of pricing and technology. Emphasizing our optical cable camera systems design for future expansion, combined commitment from our Group and local agent to provide after sales service and training enabled us to gain customer's confidence and trust.



P. Manalang (far right) and the personnel concerned from our Group and agency staff

P. Manalang
Manager, Latin America Sales
Hitachi Kokusai Electric America, Ltd.



Realizing a Society of Safety, Security and Happiness

We will share the wishes of our customers toward building up a safe and secure society, of which we maximize the effect for achieving *Monozukuri* befitting Hitachi Kokusai Electric.

We will support fire-fighting and rescue activities with our easy-to-operate, yet sophisticated digital wireless system.

As the license for the analog wireless system (150-MHz band) used for fire-fighting will expire in May 2016, establishing a digital wireless system has become imperative for fire-defense headquarters throughout Japan.

The digitalization of wireless fire-fighting equipment requires that all facilities made by different manufacturers must have a system capable of securing interactive communications in preparation for supporting activities, in case of a large-scale disaster.

Non-voice communications such as data communication will also be realized to effect assured communications as well as operations involving designated staff and vehicles in response to such incidents as fire, accidents, and sickness via group communication and other means.

By leveraging our long experience in industrial-use wireless communication systems, our company responds to the needs for such advanced applications, while also endeavoring to correctly ensure the confidentiality of communications, an issue specific to fire-fighting and rescue activities.

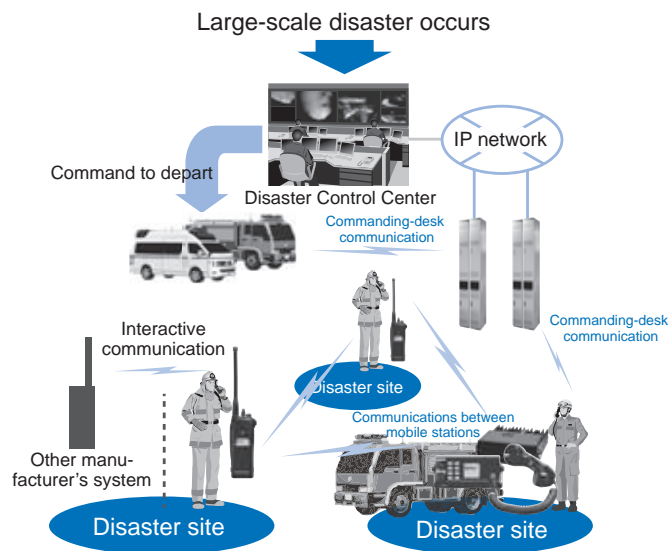


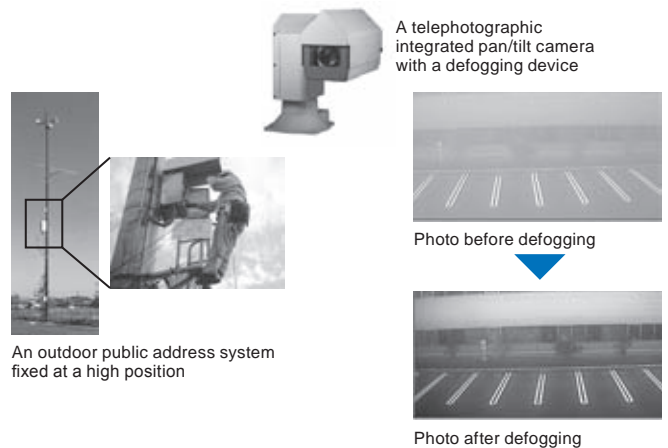
Image of Emergency and Fire-fighting Digital Radio System operation

Tohoku Region Reconstruction Project

We have organized the "Disaster Reconstruction Program" involving our Group companies for the purpose of quickly recovering and reconstructing various units of equipment and systems of our customers based in the Tohoku region who suffered greatly from the Great East Japan Earthquake.

Under the leadership of the "Disaster Reconstruction Program," we investigated the damage incurred by all our affected customers (e.g., communities, government offices, financial institutions, business operators) and checked their equipment and systems free of charge. Through these investigations, we were able to accurately comprehend the issues and requirements facing our customers, and thus successfully devised new products including an "outdoor public address system capable of continuous operation, even during a 120-hour blackout," and a "telephotographic camera with an integral motorized platform mounted with a defogging device." And as requested by our customers, we fixed outdoor public address systems at higher positions on poles for protection against being submerged by the rising waters of a tsunami or flood. In addition, by amalgamating not only our conventional single-function systems but also video, communications, information, and YAGI ANTENNA's products, we have build up a complex system that has been improved in terms of reliability and which is more enduring against disasters, thereby earning our customers' trust.

We have also been able to contribute to recovery and reconstruction activities, and achieve higher customer satisfaction through the renting of equipment, providing services for the emergency recovery of facilities, voluntary free-of-charge checkups, material support (e.g., food, clothing), and other forms of support.



Voice

As of fiscal 2010, all fire-fighting radio systems throughout Japan have been digitalized, and our Company supplied the first unit of equipment to Tamano-city Fire-Defense Headquarters in Okayama Prefecture, while demonstrating the system ordered by the Fire Defense Agency. When a bushfire broke out on the island of Ishima just offshore Tamano city in August 2011, shortly after the new system initiated full-fledged operation, we knew that the customer could "fully utilize the wireless system" and felt reassured, once the bushfire was extinguished after about 74 hours of fire fighting. Toward the future, we will continue listening to the voices of our customers who work at the risk of their lives, and provide them with more convenient and secure systems.



Takanobu Shimono
Chugoku Area Operation

Voice

For the purpose of accelerating recovery and reconstruction activities, we conducted investigation and hearings regarding the damage situation in cooperation with our Group companies, and endeavored to provide the equipment and materials necessary for recovery, and secure our support structure.



Ryutarō Nagai
Product Strategy and Planning Dept.
Video and Communication Systems Division

Voice

Through the bitter experience of the disaster and listening to the voices of our customers who experienced it, we were able to make such new proposals as securing the power sources for outdoor mobile units during a long-term blackout, fixing systems at a higher position, and other measures that were considered unprecedented until then.



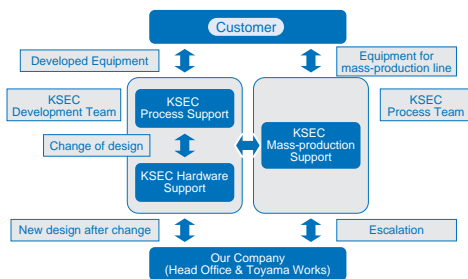
Fumihito Ito
Tohoku Area Operation

Quick and reliable response enabled by daily conversations with our customers

Hillsboro Design Center of Kokusai Semiconductor Equipment Corp. (hereinafter, "KSEC"), located several minutes by car at a place accessible from the development base of a top-line semiconductor manufacturer, supports the development activities of customers in terms of both hardware and process. The duration of customer development activities has become shorter each year, thereby requiring quicker and surer responses. When our Company communicated directly with a customer, a quick and reliable response was difficult due to time differences and a language barrier. The members of the Design Center are responsible for maintaining sufficient communications with customers on a routine basis, deciding on device specifications and evaluation conditions, sorting out customer requirements, having close contact with our Company's factory, and making "quick and reliable responses." By conducting our business with high awareness of this important mission, we supply our customers with a number of new technologies in a timely manner, enabling them to use many units of our equipment for their mass-production lines.



Hillsboro Design Center



Flowchart of Responses by Hillsboro Design Center



From left to right:
Jorge, leader of the KSEC Design Center
Ryan, responsible for mass-production support
Takada, in charge of hardware (at the time)
Bob, in charge of hardware
Kamakura, in charge of process (at the time)



From left to right:
Ueno, in charge of hardware
Moribayashi, in charge of hardware
Nishida, in charge of process
Greg, in charge of software

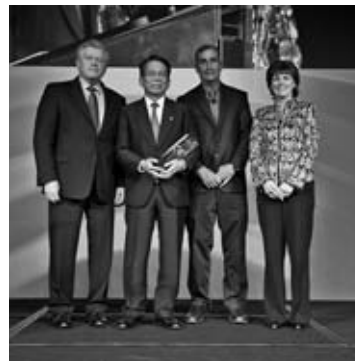
Received the SCQI Award from Intel Corporation for the fifth consecutive year

At "Intel Supplier Day 2012" held in Santa Clara, California, USA, on April 11, 2012, our company received the Supplier Continuous Quality Improvement (SCQI) Award, the highest award given at the event, from Intel Corporation. This marked the fifth consecutive time we have received this award in five years, and the eighth time overall.

The conditions for receiving the SCQI Award are set as achieving at least 95% of the targeted level covering cost, quality, supply structure, technical capability, and environmental/social/corporate governance program. In addition, 90% or more of the supplier's strict improvement plan must also be achieved.

At the award ceremony, a trophy was presented to our president from Mr. Bob Bruck, vice president and general manager of Intel Corporation's Technology, Manufacture and Engineering Division, in appreciation of our Company's technology development, economical efficiency, and reduced lead time for supporting Intel's development of cutting-edge technology.

The president of our Company expressed his delight and proudly commented as follows: "Having been again encouraged by this award granted by the world's top device manufacturer, we will continue our efforts to further improve our products, services and quality." Thus, all our staff members concerned renewed their determination to continue improvement activities this year.



Mr. Bob Bruck, vice president (far left), our president, and executives of Intel Corporation (Photo courtesy of Mr. Jeff Caroli)



2011 SCQI Award Trophy

Voice

When I took my post in the U.S. and became acquainted with our customers there, I was surprised to learn about the wide variety of their birthplaces. I always thought about how I could compile their varying opinions, while understanding and respecting their diverse cultures and customs. As the diligence and politeness of the Japanese people are widely recognized, I realized how important it is to understand different cultures and customs in foreign countries, while making the most of my Japanese characteristics.



Tsukasa Kamakura
Component Technology Development Dept.
Toyama Works

From left to right:
Nishida, Ueno, Kamakura,
Karasawa, in charge of process,
Sawada, in charge of hardware



Staff officers concerned of Intel Corporation and our Company (Photo courtesy of Mr. Jeff Caroli)



Pursuing the Quality

In accordance with Basics and Ethics, 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.

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, in the company-wide quality assurance meeting, we share information and consider ways of preventing nonconformities based on case studies of failure occurring both internally and externally.

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.

HiKQ innovation activities

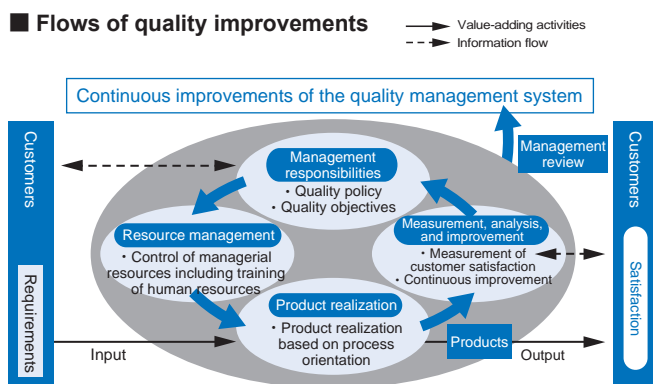
This spring marks two and a half years since the "HiKQ Innovation" activity began in August 2009.

Thus far, we have taken up and debated themes of quality improvement, business process reform, and Employees Satisfaction (ES) enhancement, and are gradually achieving results. In fiscal 2012, we will further raise the level of these themes and conduct activities for debating a more extensive range of themes. For the purpose of building up more vigorous workplaces, we started a new activity for revitalizing the entire company, in addition to the "step-up activity," which is a proposal-based business reform activity.

As a forum for reporting the results of our day-to-day activities and debating issues, we hold monthly HiKQ innovation meetings in which management officials also participate, and where a lively exchange of views takes place. We are also making the most of the "HiKQ Net," an in-house SNS,* in order to promote debates concerning wider-ranging matters. This was renewed last year, resulting in an easier-to-use environment. Various communities have been set up for different activity themes, and hold debates on business reform as well as extensive exchanges of views and related communications. Our president and other officers also participate in this forum, thereby deepening communications between employees and top management.

With the initiative taken by HiKQ Innovation Promotion Division established the year before last, communications inside and outside the Company will be further revitalized, thereby nurturing a corporate culture for conducting business in line with the motto of Customers First.

* SNS (Social Networking Service): A communication-type network site



For the purpose of raising employee awareness, a poster featuring younger employees has been prepared and distributed for display at all works and offices.

To inquire about our products and services:

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

or

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



Promoting CSR Activities in Our Supply Chain

We will extend our supply chain from a global perspective and strengthen partnerships with our business partners.

Basic policy for material procurement

The Hitachi Hokusai Electric Group procures materials, services, and other commodities necessary for production and supply from global markets with appropriate prices, delivery dates, and qualities in order to provide products that are valuable and satisfactory to its customers.

The group also emphasizes strict compliance with laws and environmental considerations, engages in fair and open transactions, and promotes the buildup of partnerships with its business partners.

Partnership

We will build even better partnerships with all our business partners, thereby deepening mutual understanding and fully utilizing relationships based on trust.

Open Door

We will base ourselves on the principles of free competition and engage in fair and just transactions with business partners both inside and outside the country.

Selection of Business Partners

Business partners will be selected based on a sufficient evaluation and appropriate procedures regarding material quality, prices, delivery dates, material reliability, environmental considerations, and technical development ability.

Supply of Information

We respond in good faith to business partners' requests and notify our business partners of any information required in transactions. At the same time, we seek useful information from our business partners as well.

Observation of Trade Secrets

All trade secrets provided by any business partner will be strictly controlled in an attempt to ensure confidentiality.

Promotion of globalization

We are trying to establish a global procurement partnership in order to enhance our global competitive power, by expanding the ratio of our overseas procurement, reinforcing collaboration with our overseas procurement bases (in Brazil and Korea) by sharing our Group procurement strategy, thoroughly implementing CSR in our supply chain, and so forth. From now on, we will further reinforce our procurement infrastructure by promoting the "local production for local consumption" type of global procurement and augmenting our procurement personnel overseas.

Addressing the CSR activity

As a means of thoroughly following the principle of the "basics and ethics" in procurement, we are attempting to comprehensively fulfill our CSR and increase the level of our divisions related to procurement by providing compliance education for such divisions and regularly checking the company's status of compliance.

Collaboration with our business partners

We share the procurement policy and Hitachi Group Guidelines with our business partners through our positive activities to strengthen communications with them, commencing with the business partner meeting (BPM) to promote CSR activities together with our business partners.

We are also attempting to revitalize our activities by continuously recognizing business partners who have positively made efforts during each year. During fiscal 2011, many of our business partners provided support for our reconstruction activities following the Great East Japan Earthquake.

Voice

Business partners who received the Fiscal 2011 Excellent Performance Award

Murata Manufacturing Co., Ltd.

Thank you for recently presenting us with this award. The Great East Japan Earthquake severely damaged our Tome plant. As the products manufactured there are adopted for your company's major models of equipment, we became anxious about the impact on your production activities immediately after the disaster, but were able to avoid the crisis thanks to close collaboration with your company, for which we are very grateful. I



Commendation by the Video and Communication Systems Division

also believe that we were able to supply the necessary products from our inventory, even when our company's production was shut down, as a direct result of your company's usual standardization promotion activity. From now on, we will continue our efforts to contribute to your company's business through our day-to-day sales activities.

Eagle Industry Co., Ltd.

We are very much honored to have recently received the award for Most Excellent Business Partner of the Year. Last year we were forced to face a situation in which we had difficulty continuing our usual production activities due to an indirect impact of the disaster, but thanks to the great support from your company and its affiliates, we were able to secure our regular production volume with our interim operational structure. We are very grateful to you because we never would have been able to manage such a difficult situation on our own. Toward the future, we will continue efforts to secure our production volume and improve quality under our cooperative structure with your Group companies.



Commendation by the Semiconductor Equipment Division



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 Inc. CSR information

Search



Respecting and Enhancing Human Assets

We engage in various efforts to enable diverse personnel to fully demonstrate their abilities in a relaxed way.

Support for balancing work and family life

We have launched a working group named "Life Revolution 17" that is intended to promote activities for establishing or expanding a program for supporting the realization of a good balance between work and child rearing/nursing care, as well as work-life balance from the perspective of a good balance between a "sound and comfortable life" and "rewarding and fulfilling work," with employees voluntarily addressing various related activities. By seeking harmony between work and private life from diversified viewpoints including a good balance between work and family, employees are working to build up workplaces where all employees can enjoy lively work and play active roles.

Expansion of a program for promoting the realization of a good balance between work and life (initiated on April 1, 2012)

- (1) Reemployment program for employees who retired to undertake child care or nursing care
- (2) Suspension of employment, short-time work, exemption from overtime work and midnight shifts
- (3) Program for flexible working time in order to undertake child rearing or nursing care

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



Acquisition of the Kurumin mark

Our Company was granted a certification (the "Kurumin" certification logo) under the "Act on Advancement of Measures to Support Raising Next-Generation Children" in April 2011. The Ministry of Health, Labor and Welfare grants the certification to corporations that have established an action plan having recognized results in support of child rearing by their employees under the "Act on Advancement of Measures to Support Raising Next-Generation Children." Our efforts in addressing measures to support the realization of a good balance between work and family have been evaluated by the outside institution.



Voice

I took leave for child rearing when my first child was born in May 2011. I think that people in my workplace were surprised, but I was able to dedicate myself to child rearing, thanks to the understanding and support of my boss and colleagues. Our Company has various programs in place for supporting a good balance between work and family. Through my experience of taking leave for child rearing, I feel confident in being able to practice a virtuous circle from "enriching private life and home" to "enriching work." I also feel that the understanding of people in the workplace of male employees taking leave for child rearing has been further deepened.



Shinobu Ohira
Human Capital Dept.
Human Resources & Corporate Administration Division

Employment of diverse human resources

The Hitachi Kokusai Electric Way prescribes that our Company "respects human rights" and establishes a "clean corporate culture that is admired by society," while our Guidelines and Commitments prescribe that we "respect the diversity, character, and individuality of all employees, provide a mentally and physically rewarding, safe and healthy work environment as well as opportunities for further training and growth."

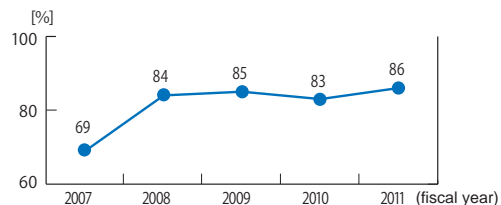
Based on those policies, we promote the employment of people with disabilities and the reemployment of elderly colleagues.

Regarding employment of the elderly, we introduced in fiscal 2005 a reemployment program that extends the employment of retiring colleagues to up to the age of 65. We thus convey the skills of experienced personnel to younger personnel, while providing a rewarding workplace.

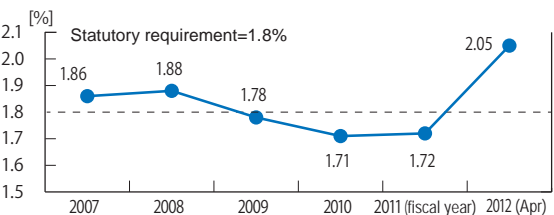
Regarding the employment of people with disabilities, we recruited six new employees last fiscal year, and are promoting positive employment. As a result, we achieved an employment rate of 2.05% as of April this year, well surpassing the legally mandated rate. We will work on an ongoing basis to further increase employment opportunities.

We intend to continue our efforts to arrange a lively workplace environment by making much of the personalities of individual workers in order to gain the satisfaction of each and every colleague.

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



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



Voice

Since being employed in 2011, I have been in charge of general affairs in the Quality Assurance Department. As I am handicapped in hearing, I communicate with other employees by using in-house e-mail, sign language, and lip reading. Thanks to the kind consideration of the people around me, I am working with pleasure. I also play futsal and softball games after working hours, so as to consciously enhance communications with others to improve my work.



Minami Aizu
Quality Assurance Dept.
Defense Electronics Division

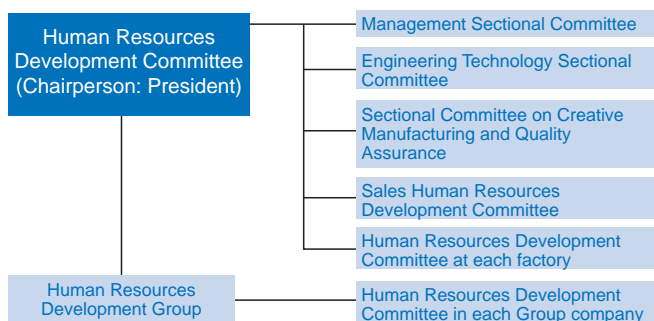
We take measures to develop human resources who can realize the "HiKQ Mind."

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

Human resource development system



N.B. 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.

2. Training of global human resources

We are implementing the full-scale training of human resources as geared toward expanding global business. We have set up the following four measures:

(1) Business training at an overseas subsidiary

For this program, in addition to the six trainees selected by the heads of divisions from among employees with over two years of service as in the past, we called for candidates from among the new employees in fiscal 2011 and selected a trainee. The trainee has begun training by undergoing "knight-errantry" in Frankfurt, Germany.

Voice

The work of our Corporate Communication and Legal Center includes assisting our Group in conducting businesses inside and outside Japan, and all such business assisting work requires knowledge about laws and basic knowledge on management, including knowledge about taxes and accounting. In supporting overseas business, good English ability and an understanding of each country's inherent culture are also important. Therefore, I participated in the "speaking ability enhancement program" organized by the Company to strengthen these abilities and knowledge.



Wakako Ono
Corporate Communication & Legal Center

(2) Overseas training for young people

We dispatched 13 employees as young overseas trainees to various worldwide locations in line with the overseas dispatch program of Hitachi, Ltd., in order to have them acquire various experiences.

(3) Enlightening employees of overseas subsidiaries with regard to compliance, etc.

During this fiscal year, we will reinforce the common enlightening courses for overseas subsidiaries including those acquired in Brazil last year, by making the most of e-learning and other means.

(4) Strengthening language ability

For the purpose of strengthening language ability, we are implementing an English speaking ability enhancement program in which 28 level-up steps are set up, in addition to a program focusing on TOEIC® tests. Furthermore, we have introduced a Portuguese course for supporting business promotion in Brazil.

N.B. TOEIC is a registered trademark of Educational Testing Service.

3. Reinforcing of management abilities

A table listing the ability levels of project leaders (shown below) that was introduced to groups ranging from managers to general managers last fiscal year has been established as a human resource training measure. This fiscal year, we intend to formulate and implement a measure focused on management for the managers of product development, so as to enhance product quality and customer satisfaction.

Table of ability levels of project leaders (ability to engage stakeholders)

Description of levels for evaluating ability to engage customers	
Level 5	Has built up a long-standing relationship with customers, makes proposals that will increase value for the customer toward the future on an ongoing basis, and can implement such proposals.
⋮	⋮
Level 1	Has not analyzed customers and is passive.

Safety and hygiene activities

Our Company has established a company-wide safety and health policy. In the policy for fiscal 2012, we have set the targets of "zero accidents causing a medical leave" and "eliminating careless mistakes and preventing the reoccurrence of similar accidents" under the basic principle of "protecting safety and health comes before everything else." And in order to reinforce



Safety education at a construction site office

preventive measures against mental and physical disorders, we have also increased the number of our public health nursing staff from two to four, thereby achieving the goal of providing health guidance to 100% of employees who have been given any remark as a result of a health checkup, no matter where they work.

As part of our disaster prevention measures, on the other hand, we have also improved our disaster prevention system, including reviewing the large-scale disaster countermeasure manual and the structure of our company-wide Emergency Headquarters for adding the persons responsible at all bases and Group companies to its membership, improving the company-side emergency network, reviewing each reconstruction headquarters, clarifying related roles and taking other measures, based on reflections over last year's Great East Japan Earthquake.

Lastly, with regard to work sites outside the premises, the staff members of the Construction Center assume responsibility as an original contractor and bear the task of ensuring the safety and health of all workers at such sites, by making monthly tours to inspect the sites, conducting various types of safety training programs, and so forth.



Living Together with Communities

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.

Efforts through Ecocap activities

Starting on April 2010, the Akita Works of Yagi Electronics Co., Ltd. placed a box for collecting PET bottle caps next to vending machines installed in its dining hall in cooperation with Tohoku Pepsi-Cola Ltd., so as to deliver vaccines to children of the world through the NPO Ecocap Movement. During the period from March to July 2011, a cumulative total of 3,325 caps were collected, equivalent to polio vaccines for 4.1 patients. This also means a reduction of 26 kg of CO₂ that would have otherwise been generated had such caps been disposed as burnable garbage.

Through the Ecocap activities addressed by our entire Group since fiscal 2008, we have donated a cumulative total equivalent to vaccines for more than 950 patients and reduced CO₂ emissions by more than 6,000 kg.



Collection box placed next to vending machines in the dining hall



Collection box provided by Tohoku Pepsi-Cola Ltd.



Participating in the "Joint comprehensive disaster prevention drill by Metropolitan Tokyo Kodaira, Nishi Tokyo, Musashino, and Koganei"

Six members selected from our Company, Hitachi Kokusai Electric Services Inc., and Kokusai Electric Techno Service Co., Ltd. joined the "Joint comprehensive disaster prevention drill by Metropolitan Tokyo and cities of Kodaira, Nishi Tokyo, Musashino and Koganei" held on Saturday, October 29, 2011.

The purpose of this residents participating type drill is to strengthen the cooperation between the governments of Metropolitan Tokyo and the cities therein and disaster prevention agencies in case of a disaster, and enhance the disaster prevention capability of communities based on self-help and mutual help activities. About 7,500 persons including the members

of those municipal bodies, police, fire-fighting and self-defense officials, and neighboring citizens participated in the drill. The employees of our Group also underwent training for carrying injured people by using blankets, rescuing people from collapsed houses, and other training. Through this drill, all participants recognized anew the importance of having the mindset of self-help and mutual help to help and rescue injured persons and others affected, while securing their own safety in case of an emergency.



Explaining how to carrying injured people, using a dummy



Intently listening to a fire-fighting official



Participants from our Group

Participating in a voluntary activity for preparing the site of the Miyagi Grand Chrysanthemums Exhibition in Shibata



Dazzling chrysanthemum flowers (Photo courtesy of the Shibata Chrysanthemum Festival Committee)

The "Chrysanthemum Festival," a traditional autumn event in Shibata-machi, Miyagi Prefecture, is held at Sannomaru Square in Funaoka Joshi Park from mid-October through mid-November every year. With devoted chrysanthemum growers acting as the core group, the local government and community jointly sponsor this event with the

participation by residents to promote local tourism and develop local culture.

Our Sendai Branch Works participates in a voluntary service for preparing the site for this event, in addition to its cooperation in funding. In fiscal 2011, as one of the local corporations, the Works performed a voluntary service on October 14 by carrying in and arranging chrysanthemums for display at the "Miyagi Grand Chrysanthemum Exhibition" and "Shibata-machi Chrysanthemum Flower Contest."

As this Chrysanthemum Festival is a big and traditional event for Shibata-machi, we will continue contributing to the community through such voluntary service in the future.



Traditional chrysanthemum dolls (Photo courtesy of the Shibata Chrysanthemum Festival Committee)

Raising relief funds for flood damage in Southeast Asia through a matching fund program

The heavy rainfall and high tides in Southeast Asia from July 2011 caused extensive flood damage over a widespread area, resulting in about eight million people being evacuated from the areas affected in Thailand, Vietnam, Laos, Cambodia, and the Philippines.

Our Group conducted a fund-raising activity by employees using the “public donation system” which had just been used in



A gathering to learn how to use the water filters supplied (Photo courtesy of Save the Children Japan)

response to the Great East Japan Earthquake in March 2011. This time the Company donated the same amount as that donated by the employees under a matching fund program. The total amount of donations was effectively used through the Japan Platform, a specified nonprofit corporation, for purchasing such emergency relief supplies as food, sanitation and survival kits, and school supplies for the affected areas, as well as supporting NPO activities for delivering supplies to the evacuees.

Conducting a reconstruction support activity in Rikuzen-Takata-shi, Iwate Prefecture

In October 2011, 31 persons from our Hamura Works conducted a volunteer activity to support reconstruction of the affected area in Rikuzen-Takata-shi, Iwate Prefecture, as an activity conducted by both workers and employer as one united body.

Reconstruction of the site had been delayed and the entire city, including houses and stores as well as roads, bridges, railroads, stations and other facilities, had been washed away by the tsunami, leaving a terrible scene of devastation beyond imagination.

Though bad weather curtailed the working time on that day, our volunteers entered a rice paddy damaged by the tsunami and removed debris by hand in the pouring rain.

Upon actually seeing the state of the damaged area, they considered the devastation their own problem that necessitated continuous support by the entire nation of Japan for reconstruction.



A heap of debris and garbage collected by our volunteers in the pouring rain

We sincerely hope that the day when people can again harvest rice from that rice paddy will come soon.

Participating in a volunteer cleanup activity by Hitachi Aoba-kai

The 8th Hitachi Aoba-kai Volunteers' Cleanup Activity was conducted as usual on Saturday, November 12, 2011.

This event attracted the interest of many people, resulting in the participation of 525 persons from 46 companies. A total of 15 persons participated from our Tohoku Area Operation, the Tohoku Branch of Hitachi Kokusai Electric Services Inc., and YAGI ANTENNA INC. The volunteers assembled first in Nishi Park and then cleaned up the area from the park to Omachi and Ichiban-cho (i.e., Hirose Avenue to Minamimachi Avenue).



Participants from our Group

Going to May Day mass, a local event of the season

On May 1, 2012, more than 10 employees of Hitachi Kokusai Linear Equipamentos Eletrônicos S/A, representing the company and clad in uniform, were invited to attend the annual mass at Santa Rita Church, the spiritual center for the citizens of Santa Rita, Brazil.

The event is a regularly observed May Day mass shortly before winter attended by about 1,000 people, including the representatives of 15 corporations in the city on this special occasion. Hitachi Kokusai Linear Equipamentos Eletrônicos S/A also donated blankets to the church.



Mingling with people gathering in the church



Focusing on the activities of the Hitachi Kokusai Electric Group



Governance and Risk Management

We have revised our Corporate Statement to make it easier to understand, and clarified its position along with its CSR aspect.

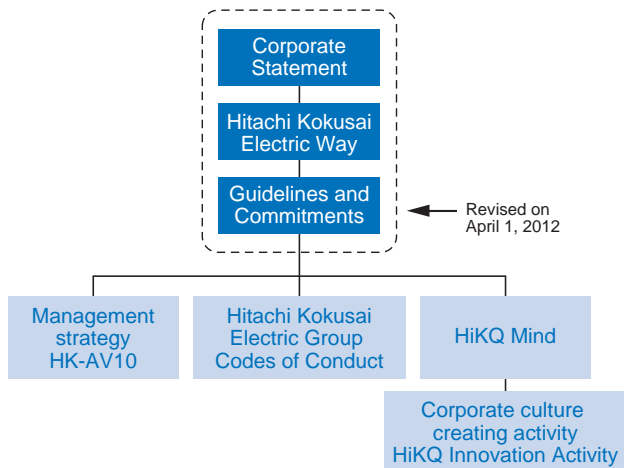
Revising our Corporate Statement, Hitachi Kokusai Electric Way, and Guidelines and Commitments

In 2005, our Company revised and publicized its Guidelines and Commitments, and clarified its management policy of attaching importance to CSR, and recently revised the same again in establishing the new “Corporate Statement, Hitachi Kokusai Electric Way, and Guidelines and Commitments.”

Pages 3 and 4 of this report show the full text of this document, along with the President’s Message. It sets forth that, by realizing the basic policy indicated in the “Corporate Statement” and “Hitachi Kokusai Electric Way” through activities indicated in “Guidelines and Commitments” and the “Hitachi Kokusai Electric Group Codes of Conduct” established in October 2010, we must respond to the expectations and confidence of society.

With these standards placed at the center, we are also working hard to revitalize the “HiKQ Innovation Activity,” which is a campaign to create corporate culture based on the “Customer First” principle, and realize the current medium-term plan “HK-AV10.”

■ Corporate Statement System and Management Policy



Corporate Statement: Prescribes how our Group should function and the significance of its existence.
Hitachi Kokusai Electric Way: Basics of the corporate management
Guidelines and Commitments: What is considered important in conducting business activities

See pages 3 and 4 in this report or visit our Internet website for the full text of the Corporate Statement, Hitachi Kokusai Electric Way, and Guidelines and Commitments.



Introductory website of Corporate Statement

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

or



CSR and its practice from our perspective

Following the issuance of ISO 26000 in November 2010, the OECD Guidelines for Multinational Enterprises were revised in May 2011, and the specific contents of diversified social responsibilities expected of corporations playing active roles in the world are gradually becoming clear.

The “Hitachi Kokusai Electric Group Codes of Conduct” includes contents corresponding to the above-mentioned international movements and current domestic issues such as promoting interactive communications with society, preventing anti-social transactions (as described in Chapter 3), considerations so that corporations including supply chains may not contribute to infringement of human rights, employment in line with the considerations for social responsibility (described in Chapter 4), and so forth. We have decided to disclose these provisions outside the company through the Internet, and practice the same through a dialogue with our stakeholders, and with their cooperation.

We are also continuing efforts regarding regular checking and improvements by using self-evaluation tools, as based on the “CSR Policy of the Hitachi Group.”

Group Codes of Conduct: Specific matters to be observed by management and employees

■ Composition of Hitachi Kokusai Electric Group Codes of Conduct

Chapter 1 Sincere and Fair Business Activities

- 1.1 Provision of Safe High-Quality Products and Services
- 1.2 Sales Activities
- 1.3 Procurement Activities
- 1.4 Respect of our corporate brand and the Hitachi Brand
- 1.5 Observance of Engineering Ethics

Chapter 2 Environmental Protection

- 2.1 Promoting Environmental Management
- 2.2 Environmentally Conscious Business Activities and Environmental Management
- 2.3 Communication with Stakeholders

Chapter 3 Relations with Society

- 3.1 Disclosure of Company Information
- 3.2 Contribution to Local Communities
- 3.3 Relations with Politics and Government Administration
- 3.4 Prevention of Anti-social Transactions
- 3.5 Regarding Gifts, Business Entertainment, Etc.
- 3.6 Observance of Laws and Regulations and Respect of the Culture and Customs of Each Nation and Region

Chapter 4 Respect of Human Rights

- 4.1 Promoting Respect of Human Rights
- 4.2 Eliminating Discrimination
- 4.3 Respect of Human Rights in Information Management
- 4.4 Respect of Basic Rights at Work

Chapter 5 Management Foundations

- 5.1 Management and Use of Information
- 5.2 Use of Inside Information and Related Considerations
- 5.3 Management and Preservation of Company Assets
- 5.4 Arranging a Work Environment That Draws Out Employee Strengths
- 5.5 Observance of Laws and Regulations Governing Imports and Exports

Chapter 6 Complete Observance of Codes of Conduct

- 6.1 Complete Observance of Rules
- 6.2 Implementation of Self-Audits
- 6.3 Internal Reporting System

Chapter 7 Responsibilities of Top Management

Chapter 8 Supplementary Provisions

For the full text on each item of the Group Codes of Conduct, please visit our Internet website.



Introductory website of Group Codes of Conduct

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

or



■ CSR Policy of the Hitachi Group

- 1 Commitment to Corporate Social Responsibility (CSR)
- 2 Contribution to Society through Our Business
- 3 Disclosure of Information and Stakeholder Engagement
- 4 Corporate Ethics and Human Rights
- 5 Environmental Conservation
- 6 Corporate Citizenship Activities
- 7 Working Environment
- 8 Responsible Partnership with Business Partners

Identifying and properly coping with risks

Compliance

Bid rigging and the formation of cartels are criminal acts committed by corporations against society, and brushing off all such affairs and endeavoring to strengthen one's own competitive power will lead to the reform of corporate structure and ultimately to the principle of "Customers First." Moreover, there is growing social interest in protecting the information of both corporations and individuals. In reflecting elements that raise anxiety in the international arena such 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 conducting periodic audits, while updating the contents thereof, and are working to ensure that the strong intentions of top management concerning compliance (which means living up to society's trust) are thoroughly implemented in all corners of our Group.

Business Continuity Plan (BCP)

We periodically review the BCP formulated in fiscal 2009 against a new strain of influenza H5N1, and that formulated in fiscal 2010 against a large-scale earthquake.

In fiscal 2011, based on the experience of the Great East Japan Earthquake, we reviewed and improved those plans based on new scenarios of damage and the actual situation at each division. We will continue efforts to debate and improve ways of addressing multi-faceted issues through a company-wide response.

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

We ensure that the employees including those of each Group company are informed through internal gazettes, seminars, and intranet of the principles of "keeping secrets," "not mistreating informants," and "responding with good faith." This system is

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

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

operated under advice of a lawyer as an outside committee member in order to earn the trust of informants through appropriate response.

Ensuring the reliability of financial information

Concerning the internal control system for the main purpose of securing the reliability of financial information, we collaborate with our parent company, Hitachi, Ltd., in order to maintain the system by using the framework and tools for internal control of the Hitachi Group, and make evaluations and improvements.

In and after fiscal 2011, the evaluations and operations also covered the three overseas companies that have newly joined our Group, and we make the most of the system by implementing well-scheduled improvements that focus on the aspects of governance, risk assessment, and core business processes, to the results of subsequently enhanced effectiveness and efficiency of our global business operations.

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 2012

Disclosure of CSR information on the Internet

Detailed information uncovered in "Hitachi Kokusai Electric Group CSR Report 2012" 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.

Introductory website of CSR information

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



or

Hitachi Kokusai Electric CSR information

Search



Eco-Mind & Global Environmental Management

We work to cultivate an eco-mind establishing an environmental management system as the major leverage for it, according to our Guidelines and Commitments and our 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.

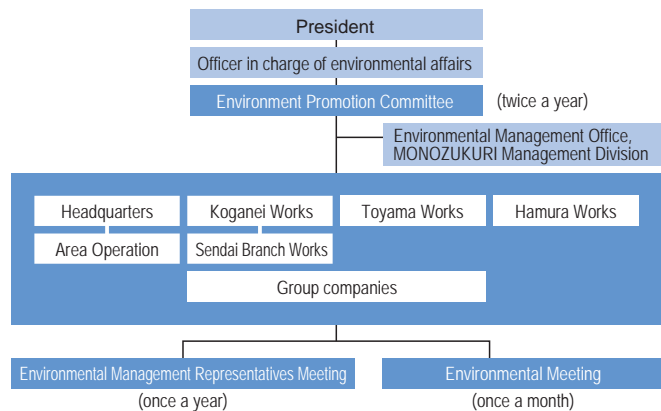
Introductory website of Action Guidelines for Environmental Conservation
Home Page of Hitachi Kokusai Electric Inc.
<http://www.hitachi-kokusai.co.jp/global/csr/environment/earth.html>

or

Environmental Management System

The "Environment Promotion Committee" including the environmental affairs officers of Group manufacturers deliberates, determines, and implements a medium-term environmental action plan, yearly targets, and important challenges for the entire Group. The Environmental Management Office of the MONOZUKURI Management Division helps promote the implementation plan based on the determination by the Environment Promotion Committee and performs follow-ups on the progress at the "Environmental Management Representatives Meeting" and "Environmental Meeting."

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 plan based on the determination by the Environment Promotion Committee and performs follow-ups on the progress at the "Environmental Management Representatives Meeting" and "Environmental Meeting."



■ Situation of acquiring ISO 14001 certification

In fiscal 1996, our corporate group began efforts to acquire ISO 14001 (environment management system) certification, and in 2006 acquired said certification for all our production and service bases at that time.

We expanded the scope of application in fiscal 2007 to include the sales division of our head office, which is a contact point with our customers, and in fiscal 2011 included the sales divisions of our branches and sales offices in pursuit of ISO 14001 certification.

Targets and Results of Environment Activities in Fiscal 2011

The results and evaluation of the major items of the Environmental Action Plan in fiscal 2011 are as follows:

Category	Main item	Action goal	Index	Final year (fiscal 2015) targets	Fiscal 2011 targets	Fiscal 2011 results	Evaluation
Eco-Mind & Global Environmental Management	Establishment of Environmental Management System	Improvement in environmental activity level (GP: Green Point)	GP of GREEN 21-2015	640 GP	384 GP	468 GP	🌳🌳🌳
	Nurturing of Environmental Literacy	Fostering environmental minds by environmental e-learning	Participation ratio	98 %	90 %	98 %	🌳🌳🌳
Next-Generation Products & Services	Promotion of Eco-Products	Increasing Hitachi Eco-Products	Ratio of Eco-Product sales to total sales	88 %	60 %	64 %	🌳🌳🌳
Super Eco-Factories & Offices	Preventing Global Warming	Improvement of CO ₂ emission intensity	Basic unit of production CO ₂ emissions (reference year 2005)	-10 %	+4 %	-14 %	🌳🌳🌳
	Energy Reduction during Transportation	Improvement of transportation energy intensity	Basic unit of production transportation energy (reference year 2006)	-15 %	-12 %	-20 %	🌳🌳🌳
	Effective Use of Resources	Improvement of generation amount intensity of wastes, etc.	Basic unit of the amount of production waste, etc. generated (reference year 2005)	-20 %	-16 %	-7 %	🌳
		Promotion of electronic manifest	Increase of registration (issuance) ratio	90% or more	70 %	83 %	🌳🌳🌳

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

Evaluation results of fiscal 2011 for "GREEN 21-2015"

The Hitachi Group implements "GREEN 21," a mechanism for self-evaluating its environmental activities in order to improve and upgrade the levels of such activities. GREEN 21 is a mechanism for classifying the areas of environmental activities into eight categories, evaluating the degree to which the targets of environmental activities were achieved and the contents of said activities, and visualizing the results in the form of radar charts.

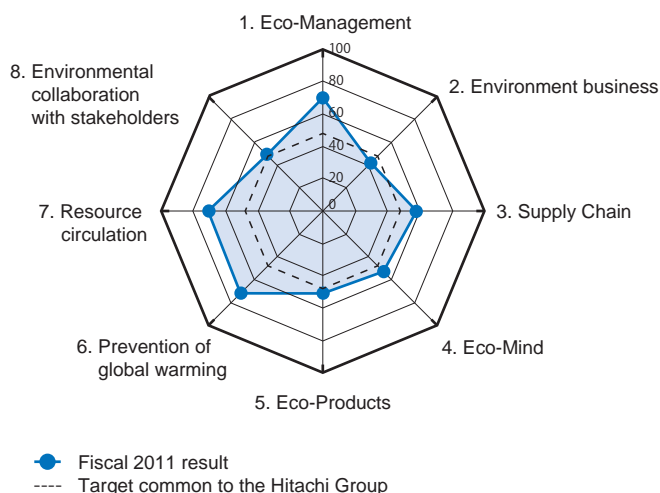
During the period from fiscal 2011 to 2015, we intend to add contributions to management by expanding environmental activities, preserving ecosystems, and conducting activities to collect and convey environmental information through the supply chain as pertaining to the evaluation items, and make efforts to raise the level of such activities, as "GREEN 21-2015."

In achieving the target, our result for fiscal 2011 was 468 GP as compared to 384 GP—the target common to Hitachi Group companies.

GREEN 21 evaluation items

	Category	Main Evaluation Indicators
1	Eco-Management	Environmental control, Environmental accounting, Observance of laws and regulations
2	Environment business	Reduction of annual CO ₂ emissions by 100M tons, Environment business strategy
3	Supply Chain	Collection and provision of environmental information through supply chain
4	Eco-Mind	Environmental education, Fostering of environmental expert
5	Eco-Products	Assessment of products and services
6	Prevention of global warming	Reduction of CO ₂ emissions, Energy-saving effort, Energy-saving in mobility
7	Resource circulation	Resource recycling, Control of chemical substances
8	Environmental collaboration with stakeholders	Information disclosure, Communications, Activities of global citizens, Ecosystem conservation

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, expenditure reduction due to investments in energy-saving equipment, etc. We will continue to improve the return on investment.

Environmental conservation cost

Expenses (in millions of yen)

Item	FY 2009	FY 2010	FY 2011	Overview
Business area costs	188.1	197.0	204.4	Costs of maintenance of equipment with low environmental burden, depreciation, etc.
Upstream/downstream costs	0.1	0.2	0.1	Costs for green procurement and recycling
Management activity costs	75.9	67.3	43.8	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	310.8	166.7	215.6	R&D for the reduction of environmental burden caused by products and production processes, product design expenses
Social activity costs	1.7	2.0	1.9	Environmental improvements such as afforestation and beautification, PR, and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions, and levies
Total	576.7	433.1	465.9	—

Investments (in millions of yen)

Item	FY 2009	FY 2010	FY 2011	Overview
Investments in environmental conservation	42.3	9.2	57.4	Direct investments in environmental load reduction facilities such as energy conservation facilities

Environmental conservation effects

Economic effects (in millions of yen)

Item	FY 2009	FY 2010	FY 2011	Overview
Net income effects	2.2	8.3	9.7	Profit on sale of recycled waste, etc.
Expenditure reduction	85.9	10.0	10.3	Cost-saving effects, etc. by saving energy
Total	88.1	18.3	20.0	—

Implementing an e-learning program for environmental education

Starting in fiscal 2007, our Group launched an environmental education program (e-learning) that was recommended to all employees by using the Hitachi Group's intranet system. The program covers a wide range of subjects for learning, ranging from the general basics on environment to the Hitachi Group's own measures for environment. During fiscal 2011, a total of about 4,600 persons in our Group took the course.

We will continue promoting environmental education through e-learning toward the future.



Super Eco-Factories & Offices

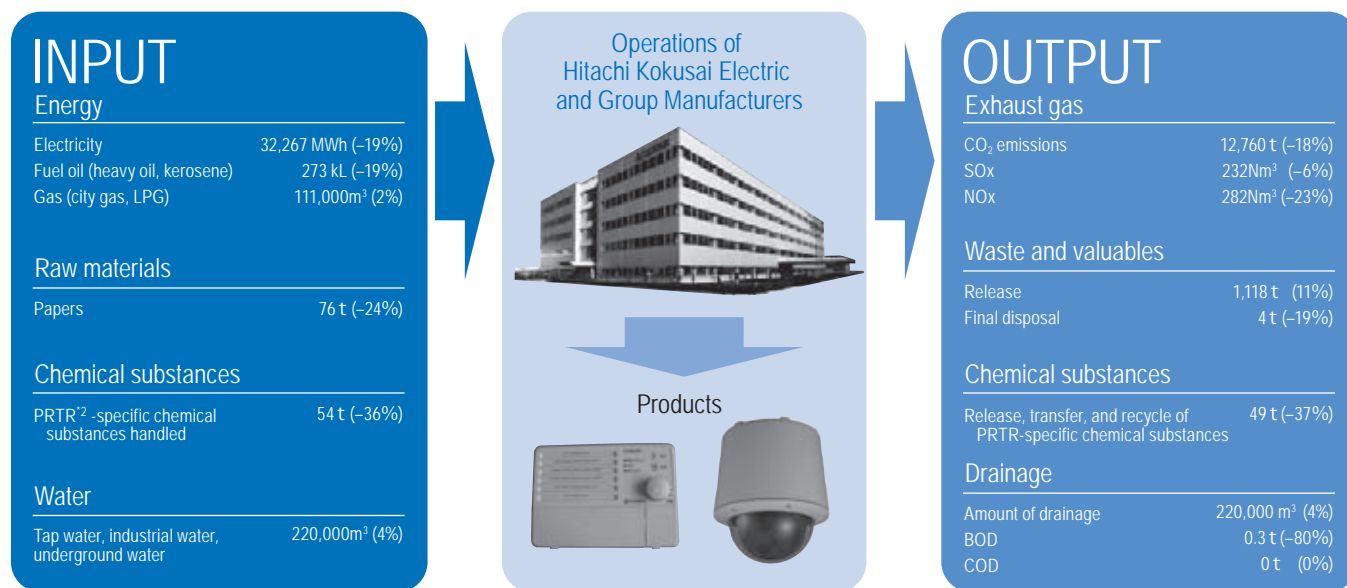
Through the entire production process of products, we work to save energy and enhance facilities in an attempt to prevent global warming and to reduce industrial waste.

Operations and Environmental Loads

In conducting its operations, our Group expends resources and energy to provide products and consequently discharges CO₂ and wastes. Hitachi Kokusai Electric and its Group Manufacturers*¹ 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 "Promoting CSR Activities in Our Supply Chain" and "Providing Next-Generation Products and Services," respectively.



*1 Group Manufacturers: YAGI ANTENNA INC., Hitachi Kokusai Denki Engineering Co., Ltd., and Goyo Electronics Co., Ltd.
 *2 PRTR: Pollutant Release and Transfer Register

The values in parentheses show the changes from fiscal 2010.

Reducing the Volume of Waste Generated

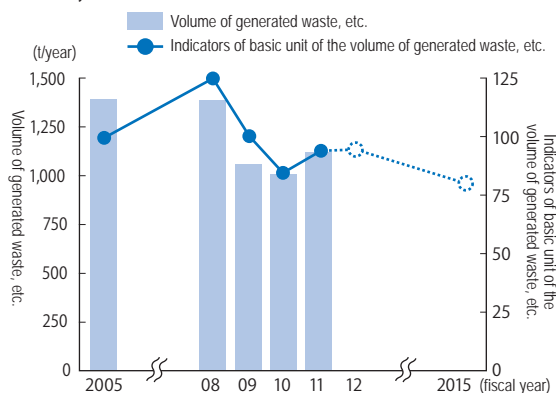
Hitachi Kokusai Electric and Group Manufacturers have set a fiscal 2015 target of suppressing the basic unit of the volume of waste generated by 20% as compared to fiscal 2005, in an effort to reduce the volume of waste, etc. generated as unnecessary products by our production activities that began in fiscal 2011.

Our result for fiscal 2011 was a 7% reduction as compared to the targeted 16% reduction of the basic unit of the volume of generated waste, etc., resulting in failure to achieve the target due to a greater volume of waste caused by the use of wooden crate

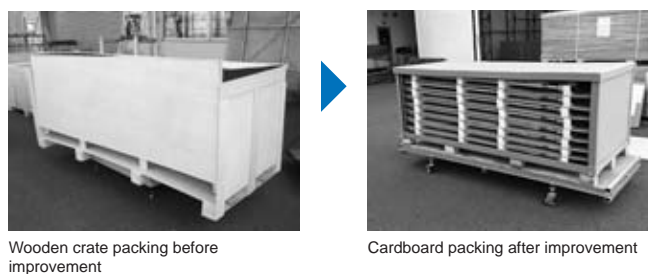
packing materials for products manufactured in countries abroad.

In order to improve the situation, we will implement countermeasures to reduce the weight of packing materials by 10% by switching from wooden crate packing materials to cardboard packing materials, and increase the number of products per finished packing unit by 50% from fiscal 2012, thereby continuing to address the suppression of the volume of waste and other matter generated.

Transition of the volume and basic unit of generated waste, etc.



An example of the suppression of the volume of generated waste, etc.



Prevention of Global Warming (Energy-saving Efforts)

Hitachi Kokusai Electric and Group Manufacturers have set a fiscal 2015 target of reducing the basic unit of CO₂ emissions in production by 10% compared to fiscal 2005, as a means to reduce the energy used at the product manufacturing stage. For fiscal 2011, we had set a target of suppressing the basic unit of CO₂ emissions in production to 4% increase based on the initial prospects for increased production, but actually reduced the basic unit of CO₂ emissions in production by 14%, thus far surpassing the target. This was achieved as a result of implementing our own daylight saving time (e.g., starting work at 8:00 a.m.) at the Hamura Works and Koganei Works, which consume large amounts of electricity, in response to a lack in power caused by the Great East Japan Earthquake, and for the effects afforded by taking holidays in rotation, reducing lighting power by using desktop LED light stands, and other measures.

As efforts regarding facilities in fiscal 2011, we implemented the renewal of high-efficiency air-conditioning equipment, switched to high-frequency lighting units, introduced a power monitoring system, and took other measures. With regard to operations, we sympathize with the National Campaign Against Global Warming promoted by the government from 2005, implemented “Cool Biz” and “Warm Biz” at all our business establishments, and continued our participation in the “Light Down Campaign.” And in order to enhance our awareness of saving power in fiscal 2011, we prepared and distributed a promotional poster for display at all our business establishments.

Case examples of power saving measures

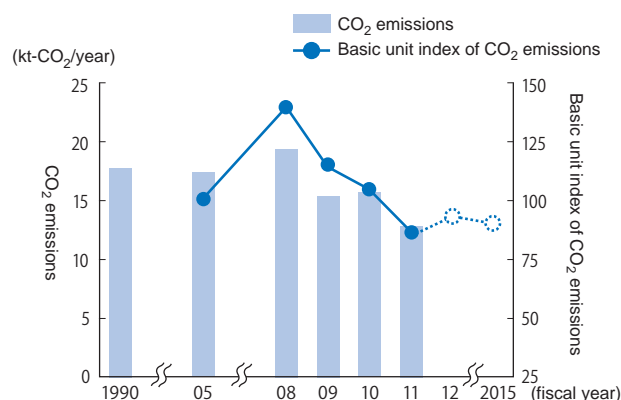


An office before introducing desktop LED light stands



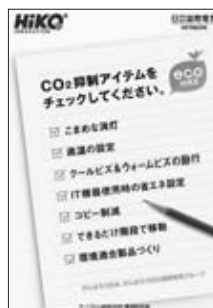
An office after introducing desktop LED light stands

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



N.B. For the CO₂ emission factor used in calculating CO₂ emissions, we used the factors employed by the various power companies as announced by the Ministry of the Environment. We used 0.36 as the CO₂ emission factor in and after fiscal 2010, as used by the Hitachi Group.

Power-saving promotional poster



PRTR-specific Chemical Substances

Under the “Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law)” enacted in April 2001, any establishments that handle a certain quantity of targeted chemicals or more must now report it to the authorities concerned. Along with the revision in fiscal 2010 of chemicals subject to the PRTR Law, the major chemicals subject to the law that are handled by our company and other Group Manufacturers are those used for the surface processing of printed substrates and those contained in fuels. Regarding such chemicals as related to our fiscal 2011 results, we have duly managed and reported the quantity of those chemicals handled.

PRTR-specific chemical substances actually released and transferred

(Sum of the Company and Group Manufacturers) (in kilograms per year)

Chemical substance	Quantity handled	Release	Transfer	Consumption	Removal	Quantity recycled
Ferric chloride	48,030	0	0	0	0	48,030
Xylene	1,436	28	11	1,398	0	0
1,2,4-Trimethyl benzene	1,901	0	0	1,901	0	0
Toluene	184	131	34	18	0	0
Lead	425	0	8	368	0	50
Hydrogen fluoride and its water-soluble salts	686	149	537	0	0	0
Methylnaphthalene	1,423	0	0	1,423	0	0

N.B. Substances significantly handled are shown above



Next-Generation Products and Services

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

Eco-Products (Hitachi Eco-Products)

Hitachi Eco-Products for fiscal 2011

Our Group adopts the "Design for Environment Assessment" and develops our products so as to minimize product impact on the environment at each stage of a product's life cycle.

In fiscal 2011, we newly registered Eco-Products in 36 models and six services.

Outdoor PTZ and electromotive dome-type network camera

HC-IP3100

- (1) CO₂ emission (life cycle)
0.4t-CO₂ : 68% down
 - (2) New resource level : 51% up
 - (3) Power consumption : 70% down
 - (4) Warming factor : 5.7
- (compared with HC-350 marketed in 2005)



Network digital recorder

SR-N5010

- (1) CO₂ emission (life cycle)
1.1t-CO₂ : 55% down
 - (2) New resource level : 41% down
 - (3) Power consumption : 56% down
 - (4) Warming factor : 5.0
- (compared with SR-N130B marketed in 2007)



Individual receiver for local broadcasting

ECF-5601

- (1) CO₂ emission (life cycle)
0.02t-CO₂ : 12% down
 - (2) New resource level : 3% down
 - (3) Power consumption : 20% down
 - (4) Warming factor : 2.8
- (compared with CF-1601 marketed in 2000)



Line test and switching equipment

ZC-1

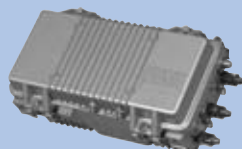
- (1) CO₂ emission (life cycle)
22t-CO₂ : 36% down
 - (2) New resource level : 53% down
 - (3) Power consumption : 9% down
 - (4) Resource factor : 2.8
- (compared with SW-1 marketed in 1992)



770MHz bidirectional amplifier

MTB40A-45

- (1) CO₂ emission (life cycle)
3.3t-CO₂ : 10% down
 - (2) New resource level : 0% down
 - (3) Power consumption : 20% down
 - (4) Warming factor : 1.3
- (compared with MT272-45 marketed in 2009)



1.5GHz/2.5GHz omni antenna

VCL16-192501

- (1) CO₂ emission (life cycle)
0.04t-CO₂ : 39% down
 - (2) New resource level : 80% down
 - (3) Power consumption : -
 - (4) Resource factor : 9.3
- (compared with VCL18-15002T marketed in 1996)



Eco-Products-Select

Eco-Products-Select refers to a product or service (falling under Hitachi Group Eco-Products) that offer particularly high environmental efficiency in terms of the extent of reducing greenhouse gases (e.g., CO₂) and the consumption of resources, thereby raising the value of said product or service.

Specifically, any product or service that satisfies at least one of items 1 to 4 below is designated an Eco-Product-Select. Higher criteria are set for Eco-Products-Select in terms of environmental performance as compared to those applicable to Super Eco-Products by 2010.

1. Global Warming Prevention Factor or Resource Factor of 10 or higher (The base year was changed from fiscal 2000 to fiscal 2005, and the function is strictly selected.)
2. Top class in the industry
3. Awarded an external commendation or public certification
4. CO₂ reduction ratio of 50% or higher as compared to products in fiscal 2005

In fiscal 2011, we conducted trials for creating Eco-Products-Select.

Expanding Design for Environment (DfE) Assessment

Although the nine categories of the Design for Environment Assessment remain unchanged, Life Cycle Assessment (LCA*) was added to Ver. 2, and together with Ver. 4., there are now two categories for better evaluating the CO₂ emissions of products.

■ Nine categories for assessment

	Name of DfE Assessment	LCA evaluation
1	Eco-friendly Design Assessment Guideline Ver. 4	Applicable
2	Eco-friendly Design Assessment Guideline Ver. 2	Applicable
3	Engineering (in maintenance, etc.)	N/A
4	Physical distribution	N/A
5	Construction (installation)	N/A
6	Repairs	N/A
7	Sales	N/A
8	Software	N/A
9	Production by commissioning or contract	N/A

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



Collaboration with Our Stakeholders for the Environment

We strive to disclose information to our stakeholders and communicate closely with them on environment.

GREEN 21 Commendation -- Hamura Works wins "Super Eco-Factory & Office" Division Award

The Hitachi Group has established an award-granting program (known as "GREEN 21 Commendation") by utilizing "GREEN 21" to revitalize its environmental activities and disseminate advanced case examples.

For the fiscal 2011 commendation, there were 30 applications from within the Hitachi Group, resulting in the granting of one Grand Prix, four Division Awards, four Encouragement Awards, and one Special Award. Of these awards, the Hamura Works received a Division Award for the "Eco-Factory & Office" category. The Hamura Works has been working to reduce its power consumption through improved work efficiency by implementing an efficient layout of the assembly site, integrating buildings, and jointly using facilities with another Group company located on the same premises. The Hamura Works has also introduced such energy-saving equipment and facilities as high-frequency inverter luminescent lights and air-conditioners. As a result, in fiscal 2010 (subject to this commendation), the Hamura Works improved its base unit of five-year average energy use efficiency by 8.2% per year. In addition, the Hamura Works implemented the comprehensive separation and recycling of paper



Former Deputy General Manager Nakamura (left) receiving the Award from Hitachi, Ltd.

waste, including specifications and other confidential documents that constitute more than 20% of the total volume of all waste generated, into copy paper and other forms by using the "wet shredder," and achieved a final disposition volume of 0% in fiscal 2010.

The Koganei Works and Sendai Branch Works host Family Day Environment Exhibitions

A Family Day event was held at the Koganei Works in December 2011, and one was held at the Sendai Branch Works in April 2012. On those occasions, our Group's efforts toward preserving the environment were exhibited, such as the Eco Badge, Eco-Products, and the preservation of eco-systems through our products.

At the Sendai Branch Works, an exhibition was also held regarding the separation of waste as positively addressed by the Works.

Both events provided good opportunities to introduce our Group's environmental activities to the family members of our employees. We will continue to introduce our environmental activities by utilizing various opportunities in the future.



A scene at the Koganei Works' exhibition

Summer Green Curtain Project

The Hitachi Group implemented the Green Curtain Project for growing bitter melon plants in the summer of 2011 as one of its power saving measures.

Some establishments had environments not conducive to growing the plants, but quite a few others in our Group addressed the project by taking such measures as improving the soil and installing windbreak nets for protection against cold salty winds. Daily observation reports on the stages from planting to harvesting and on dishes featuring bitter melon were posted on the intranet, and the harvested melons were cooked and served in the dining hall free of charge.

Those activities resulted not only in realizing a power-saving effect but also in raising awareness about saving power and closer communication among the employees.

The Hamura Works, which implemented the project on a large scale involving 420 young bitter melon plants grown to the curtain



Green Curtain at the Hamura Works

with the total width of 700 m², was granted an Encouragement Award of the Inspire Award in the Group category at the first "Hitachi Group Green Curtain Contest," upon being selected from among a total of 85 applicants.

Commendation for the Corporate Morizukuri (forestry) Project

Since 2006, our Group has been implementing activities for developing and improving walking trails, as well as weeding and foresting green spaces in a woodland (named Hitachi Kokusai Electric Forest) extending behind the premises of our Company in Toyama Prefecture, as the "Corporate Forestry Project" under the leadership of Kokusai Electric Semiconductor Service Inc.

The activity had continued for five consecutive years and was evaluated. At the "12th Toyama-no-Mori Festival" held on May 26, 2011, we were granted the "Water and Green Forest Award" from the Morizukuri chairman (the governor of Toyama Prefecture).

In fiscal 2011, we had been conducting the activity once a month since April as an effort by our Group companies in the Hokuriku region. Under the blue skies on October 16, 2011, we worked in a sweat in collaboration with NPO "Kintaro Club" to weed and create a tree-shaded promenade, and as the final result of our efforts, the long-sought, tree-



Developing a tree-shaded promenade in "Hitachi Kokusai Electric's forest"

shaded promenade stretching about 2 km from Hitachi Kokusai Electric's forest to the rear of the company premises was completely opened up.

The activity on that day was reported in the local paper (Kita-Nihon Shimbun).

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

or

Editor's Postscript

Along with the participation by a Brazilian broadcast equipment manufacturer in our Group, the scope of our social responsibility has been drastically extended. We have compiled this edition while wanting to ask our readers to judge whether our Group is endeavoring to rightly live up to the expectations of society in the light of our new corporate statement. We would also ask you to refer to "CSR Information" on our Internet website as well, and send us your opinions or impressions.