

Hitachi Kokusai Electric Group  
**CSR Report 2013**



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## Editorial Policy

### Basic Concept

This report is intended to declare that Hitachi Kokusai Electric Inc. (the "Company" herein) and its Group companies consider 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.

### Referenced Guidelines

#### ● Global Reporting Initiative (GRI\*) "Sustainability Reporting Guidelines Version 3.1"

The Company has been attentive to ISO 26000, a guidance standard issued by the International Organization for Standardization in November 2010, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises revised in May 2011, and other international developments in CSR standardization, and has thus reflected said developments in its CSR reports. In 2012, there was growing demand for the issuance of reports compliant with the GRI Guidelines on the background of said developments. Upon further consideration and assessment of their significance and validity, we decided to compile our CSR reports in reference to the GRI Guidelines, beginning with the present one. Our self-assessment and GRI Content Index as per the GRI Guidelines will be posted on our "CSR information" page on the Internet around the same time as the publication date of the English version of our CSR report (scheduled in September, this year).

\*GRI...A nonprofit organization (NPO) located in the Netherlands. Under a strategic partnership with the United Nations Environment Programme, GRI has been helping corporations and public organizations to prepare their environmental reports, and has been issuing its guidelines since 2000.

### Scope of this Report

Period	: The main period covered is Fiscal 2012 (from April 1, 2012 to March 31, 2013).
Companies	: The Company and its Group companies N.B. The Group companies are, as a rule, mentioned with their names after the reorganization effective on April 1, 2013. N.B. Important organizational changes during the target period are described for domestic and overseas organizations as notes to "Group network" on page 6.
Scope of Data	: Indicated under each item.
Indication of enumeration data	: Financial values are displayed as rounded down to the displayed unit as per the accepted practices of financial reporting. Environmental reports and other non-financial reporting portions are displayed as rounded to the nearest displayed unit as in conventional practice.

### Next Issue

The next report is planned to be issued in September 2014.

# Information Disclosure of the Hitachi Kokusai Electric Group

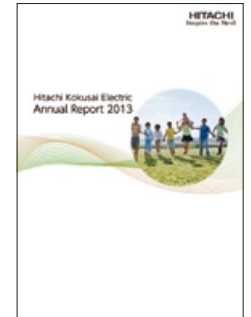
Information about our Group's business activities is regularly disclosed either in the business reports mainly focusing on financial information or CSR reports covering social issues, environmental preservation and other non-financial information.

Our internet website provides PDF files of these reports, along with detailed information not covered in the reports and the sort of information that we wish to provide on an ongoing basis.

## Annual Report

Financial and governance information is provided in the Annual Report which has been published in our global website as a PDF version. The global website also provides quarterly reports.

(Our Japanese website alternatively provides financial reports and interim reports in Japanese.)



## Our Website

Our website discloses the following varied information:



- Products & Systems
  - Wireless Communications and Information
  - Financial/Stock Exchange information Systems
  - Broadcasting and Video Systems
  - CATV Equipment and Antennas
  - Video Cameras for Inspecting Instruments
  - Video Cameras for Various Industries
  - Semiconductor Manufacturing Systems

- News releases
- Exhibition Information

about Hitachi Kokusai Electric

- Corporate Information
  - Presidential Greetings
  - Corporate Statement and Hitachi Kokusai Electric Way
  - Group Codes of Conduct
  - Corporate Data
  - Board of Directors and Executive Officers
  - Organization of Hitachi Kokusai Electric
  - History
  - Main Offices and Works
  - Major Subsidiaries
  - Corporate Profile (PDF format)



● Research & Development

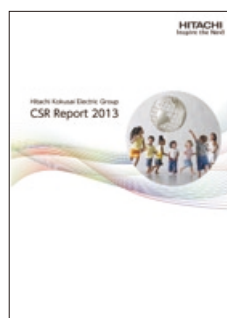
- CSR Information
  - an Action to the Environment
  - Procurement
  - CSR Report (PDF format)

● to Stockholders and Investors

- Top Message
- Financial Data
- IR Library
  - Financial Results (Quarterly Statements, etc.)
  - Annual Report (PDF format)
- Stock Information
- Analyst Coverage
- Disclaimer

## CSR Report

In view of concerns about conserving resources and protecting the environment, the "Hitachi Kokusai Electric Group CSR Report" is posted on our website in the form of a PDF file (including a Japanese version starting this year), without providing a printed booklet thereof.



**To search the Company's website:**  
 URL: <http://www.hitachi-kokusai.co.jp/global/>  
 or

# Commitment of the President and Chief Executive Officer

**We will create value with the aim of creating an affluent and sustainable future.**

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I thank all of you for your continuous support given to the business of your Hitachi Kokusai Electric Group.

Fiscal 2012 saw stagnant market conditions while the business recession continued due to the prolonged financial instability in Europe. Conversely, the domestic market saw steady demand in the public sector.

Under these circumstances, your Group has implemented measures both at home and abroad, such as actively increasing sales to meet new demand and strengthening its service and solution business. At the same time, the Group has conducted reforms in business structure, including the integration and consolidation of factory functions, and a rectification of the functions of its domestic group companies, in an attempt to build up the "optimal and strongest production system" designed to promote an offensive management strategy that copes with future market changes.

In the Video and Wireless Network segment, we pushed forward with vigorous sales initiatives such as a sales expansion project in response to steady demand in the public works sector, resulting in increased sales. However, sales in the Eco- and Thin Film Processing segment declined due to a tighter control on investments in plant and equipment among semiconductor manufacturers, resulting in an overall decline in sales of the Group for the first time in three years.

## 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.

Looking forward, a recovery trend in the financial market is observed reflecting the financial measures and other efforts being made by relevant countries, while the real global economy remains uncertain. In the domestic economy, a steady increase in investment is expected for the public works sector under the newly publicized plan to strengthen national land and a large supplementary budget. However, the economy has entered a period of reform in industrial structure, shifting from hardware to content and service, resulting in even more intense competition.

In such a business environment, your Group will promote the following measures in an attempt to achieve the goals of the Medium-term Management Plan "HK-AV10" ending in fiscal 2015.

- 1) Stepping up market-in approach
- 2) Enhancing global business capabilities
- 3) Strengthening the service business
- 4) Strengthening the business structure
- 5) Reorganizing the business portfolio
- 6) Promoting Hitachi Smart Transformation Project

On a segment basis, the Video and Wireless Network segment set up the Marketing Strategy Office to properly seek customer needs, including new business needs, and expand its small-scale community-based solution service business. In global business enhancement, we established the Global Business Strategy Office to promote closer collaboration with the sales agents, system integrators, and other partners in different regions, and actively promote the introduction of new products competitive and differentiated in the market, such as products using similar face search technologies.

In the Eco- and Thin Film Processing segment, we will strengthen its business portfolio from our conventional

memory-bound one to logic- and foundry-bound, thereby boldly moving forward to develop manufacturing equipment that supports next-generation devices. Moreover, we will expand our service business structure, including remodeling, used equipment, parts, and maintenance.

A broad outlook on the situation of society reveals economic gaps in various parts of the world, environmental problems leading to the climate change and a crisis in biodiversity, a growing worldwide awareness of respect for human rights, and various other streams of impacts, resulting in major changes in how corporations interact with society.

Under its Corporate Statement of "the Group strives to realize a society of security, safety and happiness, creates value by applying advanced technologies and pushes the boundaries of tomorrow," our Group is committed to having high sensitivity in responding to streams in society and a wide perspective in promptly responding to changes, thereby creating new value needed by customers and society with the aim of creating an affluent and sustainable future.

Further than this report, our Group will actively disclose its information to the stakeholders through its website and other means, and will listen closely to their frank opinions and advice. We thus request your continued guidance and support.

June 24, 2013



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.

■ **Company Outline** (as of March 31, 2013)



Headquarters (Akihabara UDX Building, 11th floor)

**Name**  
Hitachi Kokusai Electric Inc.  
**Address of Head office**  
4-14-1, Soto-kanda, Chiyoda-ku,  
Tokyo 101-8980, Japan

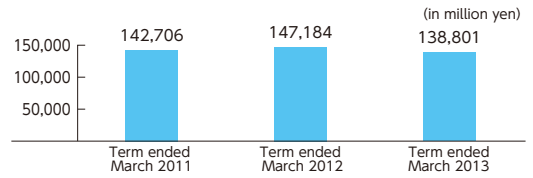
**Established**  
November 17, 1949

**Paid-in Capital**  
¥10,058 million

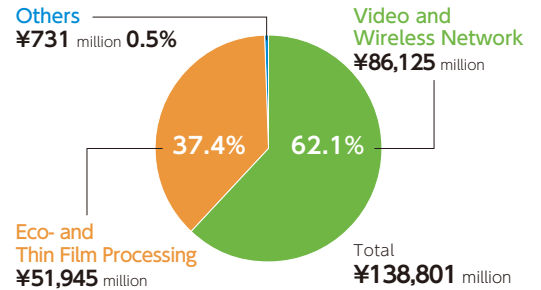
**Net Sales**  
¥138,801 million  
(consolidated)

**Employees**  
5,193  
(consolidated)

■ **Consolidated Sales**



■ **Consolidated Sales by Segment**



■ **Main Products**

**Video and Wireless Network**

Wireless Communication Systems, Information Solutions, Broadcasting Systems, Video Processing Systems and Cameras



Wireless Packet Communication Unit for Cellular System



Land Mobile Radio Communication Product



Securities Information Display System



High-speed Wireless Repeater



Radio Communication System for Disaster Preventive Administration



Tapeless Servers System (Server system for broadcasting station operation)



Broadcasting HD Video Camera



Industrial Video Camera



Broadcasting Video Transmitter (Microwave Link)



HD-SDI-type Monitor Camera



Network-type Monitor Camera



Integrated Pan/Tilt Camera for Outdoor Use

**Eco- and Thin Film Processing**

Semiconductor Manufacturing Equipment



Batch SiGe/Si Epitaxial Growth Equipment



Single Wafer Plasma Nitridation/Oxidation Equipment



Batch Thermal Process Equipment



Single Wafer Ashing Equipment

## ■ Main Centers for Development, Design and Production



Toyama Works

**Main products:**  
Semiconductor manufacturing 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.



Koganei Works

**Main products:**  
Video and Wireless Network Systems

Located in Kodaira, Tokyo, retaining the old image of Musashino, this factory is a core site for developing and designing 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.



Headquarters facility of Hitachi Kokusai Linear Equipamentos Eletrônicos S/A

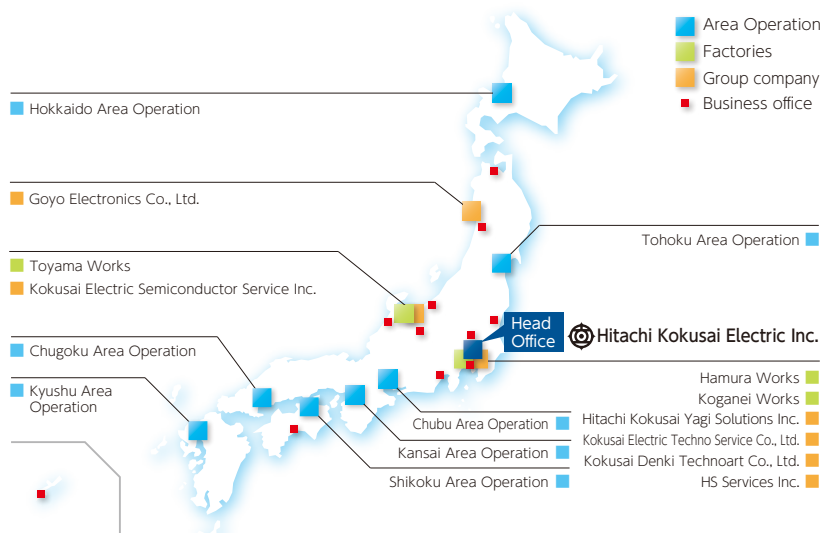
**Main products:**  
Broadcasting transmitters

The nature-rich city of Santa Rita do Sapucaí in the State of Minas Gerais is located in the middle of Brazil's two largest cities, Sao Paulo and Rio de Janeiro. The factory there develops, designs, and produces transmitters for terrestrial digital broadcasting, and provides solutions to South America, North America, Africa, and other parts of the world.

## ■ Group Network (as of April 1, 2013)

### Domestic Network

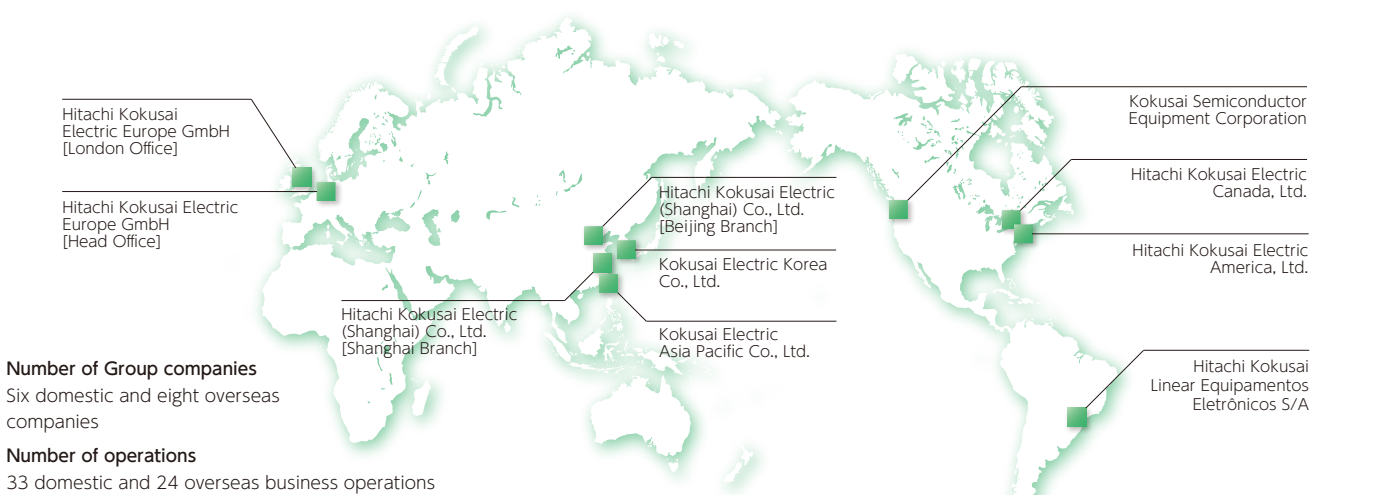
(Area operations, factories, group companies, etc.)



N.B. Hitachi Kokusai Electric Services Inc., a Group company as of March 31, 2013, merged with Hitachi Kokusai Denki Engineering Co., Ltd (a subsidiary of Hitachi Kokusai Electric Services Inc.), YAGI ANTENNA INC. (a Group company), and YAGI ELECTRONICS Co., Ltd. (the subsidiary of the previous) on April 1, 2013, and was renamed Hitachi Kokusai Yagi Solutions Inc. on the same day.

### Overseas Network

(Major business centers of Group companies)



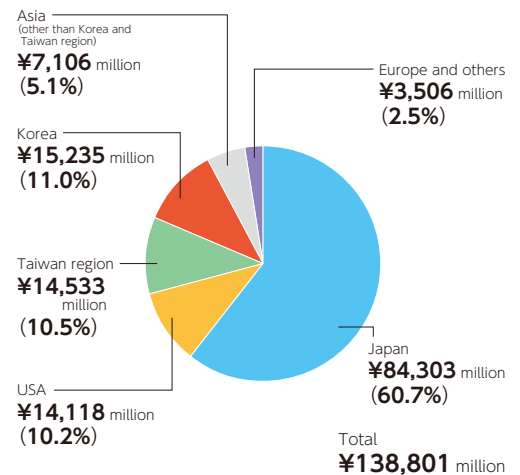
**Number of Group companies**  
Six domestic and eight overseas companies

**Number of operations**  
33 domestic and 24 overseas business operations

N.B. Hitachi Kokusai Brazil Electric Products and Services Ltda., a Group company as of March 31, 2012, was merged into Hitachi Kokusai Linear Equipamentos Eletrônicos S/A on November 1, 2012.

## ■ Sales by Area

(term ended March 2013)



N.B. The sales are calculated based on the customers' locations.

## 1 Digital Terrestrial Television Broadcast Testing in Mozambique

Japan's Ministry of Internal Affairs and Communications (MIC) conducted a research and investigation aiming to encourage adoption of a digital terrestrial broadcasting system in southern Africa. The Company was entrusted with a part of it and implemented a demonstration testing of the digital terrestrial broadcast in the Republic of Mozambique in March 2013.

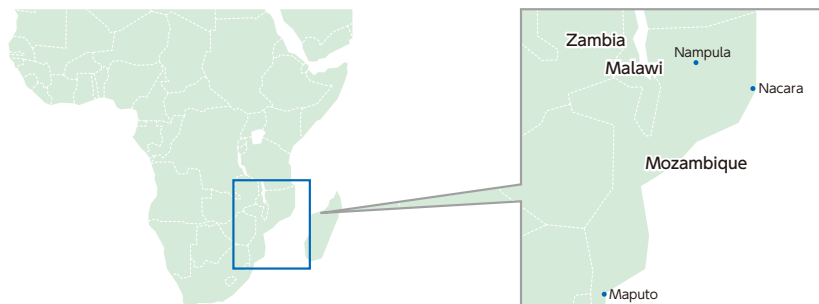
Considering the penetration of mobile telephone equipment, we designed the testing with number of One Seg mobile TV receivers. By focusing on the conditions of the region likewise, we were confident in explaining the advantage of the system adopted by Japan.

Along with the planning of the demonstration testing, our Koganei Works had a visit in honor of the Minister for Transport and Communications (MTC) of Mozambique during his business trip schedule in Japan. The Minister, staff of MTC and several other official guests had a factory viewing tour, attended our presentation on the Company's business activities and expressed their gratitude and impression.

Through these occasions, we could fortunately learned a lot about the region, including the sizable development projects along the Nacara Corridor,\* their expectation on the contribution of Hitachi Group, and so forth.

Leveraged by the strength of our Group with a manufacturing company in Brazil, it will keep developing a positive global business.

\*Nacara Corridor: A transportation channel leading from Nacala port in northeastern Mozambique through Nampula and Malawi to Zambia. Ports and bridges are being developed to promote the physical distribution of agricultural produce and other goods.



At our Koganei Works, in front of broadcasting transmitters waiting to be shipped to Mozambique (from the far left)  
 Mr. F. Albrinho, Director for International Relations and Cooperation, MTC  
 Mr. A. Muchanga, Director General, Instituto Nacional de Telecomunicacoes de Mocambique  
 H. E. Mr. P. F. Zucula, Minister for Transport and Communications  
 H. E. Mr. B. J. Malate, Mozambique Ambassador to Japan  
 Mr. A. A. Siteo, Director for Studies and Projects, MTC  
 Our President  
 Mr. M. Kondo, Director, International Economic Affairs Division, MIC  
 N.B. Titles and positions are those as of the time the picture was taken in February, 2013.

### Voice

For the broadcast testing we implemented with Hitachi Kokusai in March this year, TV receivers were placed at the airport and other major facilities in Maputo, the capital city, and demonstrated the advantage of the Japanese digital terrestrial broadcasting system publicly to the people in Mozambique. The seminar was attended by about a hundred guests concerned, quite successfully. I appreciate your diligent preparation, in spite of an unpredictable circumstance in Africa.

**Mr. Tatsuhiro Hisatsune**  
 Director for Digital Broadcasting Technology, MIC

### Voice

Mozambique sometimes has disasters by a heavy rainfall. If the adoption of digital terrestrial TV in Japan's system helps prevent damages for that, it would be worth evaluating.

**Mr. Keiji Hamada**  
 Counsellor, Embassy of Japan in Mozambique

### Voice

The entire program Hitachi Kokusai Electric has planned and carried out, including the preparation and the seminar session, showed the best performance comparing to that we had experienced in any preceding country. I'm sure it left a favorable impression in Mozambique.

**Mr. Takuya Nakagawa**  
 Deputy Director, International Economic Affairs Division, MIC

N.B. The titles and positions are those as of the date we received the messages in May, 2013.

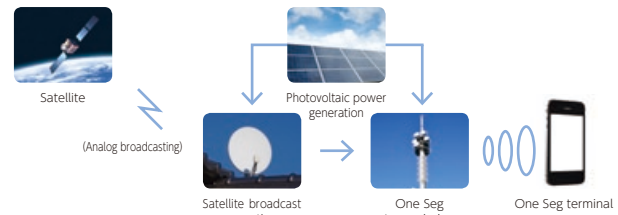


## 2 Efforts for Demonstrative Experiments for One Seg Broadcasting and Disaster Prevention Systems in Indonesia

Hitachi High-Technologies Corporation has been proceeding with social infrastructural projects such as disaster prevention systems based on One Seg broadcasting in Indonesia, in collaboration with other members of the Hitachi Group.

As part of these projects, we offered a photovoltaic One Seg transmitter on one isolated island for an "investigation to eliminate the digital divide" in fiscal 2011, and provided monitor cameras in the suburbs of Jakarta for the "experimental project for disaster prevention utilizing ICT." In fiscal 2012, we also participated in an "investigation of the effectiveness of transmitting information to inhabitants of depopulated areas" by using One Seg broadcasting on two isolated islands in Indonesia. We will collaborate with other members of the Hitachi Group in developing business that meets the needs of the community, and work to continue reaching demand for products that take advantage of our strengths and step up our service solution business.

### How One Seg broadcasting works



### How monitor camera images are conveyed



## 3 Cooperating with the Kingdom of Bhutan in Maintaining its Broadcasting Infrastructure

Located between China and India, the Kingdom of Bhutan is a country familiar to us given the recent visit to Japan by the King and Queen of Bhutan in 2011, and knowing that it has established an indicator called "Gross National Happiness."

The Japan International Cooperation Agency (JICA) has been giving assistance in Bhutan, resulting in the gradual spread of TV broadcasting since around 2005. There is also growing demand for the dissemination of information, for such reasons as the shift to a parliamentary democracy in 2008, the royal marriage in 2011, and holding of various sporting events. The year 2012 saw an expansion from one channel—previously the only channel—to two channels, which resulted in higher demand for the development and improvement of broadcasting equipment.

For the FPU\* that transmits broadcast waves, a total of five of our systems were used and taken good care of in all scenes. Then we recently undertook the inspection, repair, and development of system operating environments. In February 2013, several engineers of our Group, who are familiar with video and communication systems, conducted a careful on-site investigation and maintenance.

We then realized the great interest in Bhutan regarding the fair dissemination of information, and the prompt and accurate transmission of news to its citizens, and consequently recognized the important roles of development of broadcasting infrastructure here, and the gravity of society's expectations.

\*FPU:Field Pick-up Unit, Broadcasting Video Transmitter(Microwave Link)



Upon the completion of work, in front of Bhutan Broadcasting Service (from the far left):  
 Hiroyuki Takei, Senior Manager, Broadcast Equipment Engineering Department, Video & Communication Systems Division  
 Mr. Thinley Dorji, Managing Director, Bhutan Broadcasting Service  
 Kodai Hisanaga, Quality Assurance Center, Video & Communication Systems Division  
 Akinori Nishikawa, Production Center, Video & Communication Systems Division

### Voice

Although a small country in the size of Kyushu with a population of about 700,000, Bhutan is a unique country modernizing itself while protecting its traditional culture. TV broadcasting in this country only began in 1999, but plays a very important role. Bhutan Broadcasting Service (BBS), the country's only station, currently disseminates information to the entire nation through TV and radio, with each having two channels.

Live broadcasting became possible in 2005, with technical

assistance provided by JICA. Such live broadcasting utilizes Hitachi's FPU and cameras. Video images of the royal wedding ceremony in 2011 were broadcast live to the entire world through BBS. I hope that Japanese technology will help improve Bhutan's broadcasting culture and further deepen the friendship between both countries.

**Mr. Shinya Hirano**

JICA Senior Volunteer, Engineering Department, Bhutan Broadcasting Service



## 4 The Sixth Consecutive SCQI Award Granted by Intel Corporation

At "Intel Supplier Day 2012" held in San Jose, California on April 9, 2013, Intel Corporation granted us its Supplier Continuous Quality Improvement (SCQI) award, the highest award for excellence. This marked our sixth consecutive award, and the ninth overall that we have received.

SCQI awards are granted to companies that achieve a score of at least 95 percent for each of the goals set for cost, quality, supply structure, technology, and environmental/social/corporate governance programs. In addition, 90% or more of the supplier's strict improvement plan must also be achieved.

At the awards 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: "It is a great honor to have been granted this honorable SCQI award from Intel for six consecutive years, and I am confident that our company has managed to play an

important role in supporting Intel." Thus, all our staff members concerned reaffirmed their determination to continue improvement activities this year.



Personnel concerned of Intel Corporation and our Company  
Photo courtesy of Mr. Dan Agulian



"2012 SCQI award" trophy

## 5 Australian Open Tennis Broadcast Live with Our 62 Broadcasting Cameras

Our broadcasting cameras were active at the "Australian Open," a major international tennis event in January 2013.

Fifty-five sets of the Broadcasting HD Camera Systems and seven Slow Motion Cameras were used to broadcast the tennis matches live. Such live broadcasting of sporting events usually overstrains the nerves of camera personnel and forces them to feel extremely tense about taking unerring pictures of valuable moments. High expectations for product reliability and stable operation must definitely be met. Our cameras operate stably even in the severe heat of midsummer, and thus have been highly assessed by customers.

We sent one engineer to Australia to provide comprehensive technical support, and heard words of thanks from our partner.

We will continue to step up our relations with overseas partners and proceed to provide broadcasting service in general on a global scale.



Our broadcasting camera at the live tennis event

### Voice

During my local support that lasted about three weeks, I received technical improvement requests regarding camera image quality, conversation sound quality, and other aspects, and managed to promptly respond in collaboration with Japanese factory engineers, and successfully met those requests without fail before the actual live broadcasting of the tennis event. I also received valuable ideas from our

customers about operability of the camera and remote control unit. We will therefore continue our development efforts so as to devise with even better products.



**Akihiro Kato**  
Broadcast Equipment Engineering Department  
Video & Communication Systems Division

## 6 Safety Checking of Passengers Getting On and Off the Station Platform with a Full-HD Camera Solution

### Tokyu Corporation's "Shibuya Connection Project"

Our "full-HD camera featuring HD-SDeye" was introduced on the station platforms of the "Toyoko Line" and "Tokyo Metro Fukutoshin Line," which shared tracks from March 16, 2013, as a monitoring system for observing passengers getting on and off the train.

These cameras produce images having a resolution about six times higher than that of conventional analog cameras, and enable images to be clearly inspected in detail.

Monitors do not occupy a large space horizontally and are compact, so as not to pose an obstacle to people walking on the platform. Consequently, this system not only alleviates the burden on conductors in monitoring and assuring safety but also gives consideration to passenger safety.

Together with railroad operators, we will provide safety and reliability by taking advantage of this system's features.

compact, so as not to pose an obstacle to people walking on the platform. Consequently, this system not only alleviates the burden on conductors in monitoring and assuring safety but also gives consideration to passenger safety.



Full-HD Camera



Safety check with high-visibility monitors

### Voice

Full-HD cameras enable the monitoring of car doors and passengers with a wider scope and at a higher resolution than provided by conventional analog cameras. Our customers were thus pleased to be able to open and close doors with confidence. Moreover, monitors are lined upright together to form a very compact profile, even though four units are installed. This eliminates the need

for inspectors to swing their heads over a large angle from side to side, thus not only alleviating the burden in operation but also improving inspection precision. As a result, traffic operations with even a higher degree of user safety have been ensured.

**Sho Kato**  
Industrial/Surveillance Equipment Engineering Department  
Video & Communication Systems Division



## 7 Radio Communication System for Disaster Prevention Administration Delivered to Muroto City in Kochi Prefecture

Located in the southeastern part of Kochi Prefecture, Muroto City is known for the nature of Cape Muroto-misaki that extends out to the Pacific Ocean and its rich fishery resources. The shores of the cape have numerous fantastically shaped rocks formed amid crustal changes, and are recognized as a geo-scientifically important natural heritage. The entire region of the city is therefore one of the "Global Geoparks" that aim at preserving heritage and achieving sustainable economic development of the region.

This region, on the other hand, is also considered a first reaching point of a tsunami depending on the epicenter of a major earthquake, such as the Nankai Earthquake that is expected to strike in the near future. It is therefore necessary to make precise preparations to ensure the safety of both regional residents and visitors.

The city recently decided to install one of our radio communication systems for disaster prevention administration, and preparatory work is now under way. We hope that this system will make it possible to transmit necessary information in an emergency at the earliest possible time, thereby managing to make a contribution to ensuring safety and security in the region to any extent.



Cape Muroto-misaki (from the official website of Muroto City)



Fishing port of Muroto City

### Voice

We will install broadcasting radio equipment early in preparation for the Nankai Earthquake and other disasters, and work to use it effectively in order to ensure safety.

**Mr. Katsura Yamasaki**  
General Manager  
Disaster Prevention Measures Office  
General Affairs Section, Muroto City



### Voice

This region is a quasi-national park. We therefore listened attentively to the comments of the personnel concerned and remembered to ensure environmentally friendly designs and works, by using such means as choosing a natural color for the poles on which to install the speakers.

**Junichi Kojima** Emergency Communication  
Systems Engineering Department  
Video & Communication Systems Division



Kojima (right), our site manager and Hirata, from our Kochi Office (with a pole painted in a natural color)



# 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.

## Customer First

We will devote ourselves to creative manufacturing on a customer-first principle, and develop and provide products and services in which emphasis is placed on safety, quality, and environmental soundness, in order to earn the trust and confidence of our customers and society.

## 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 companywide 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.

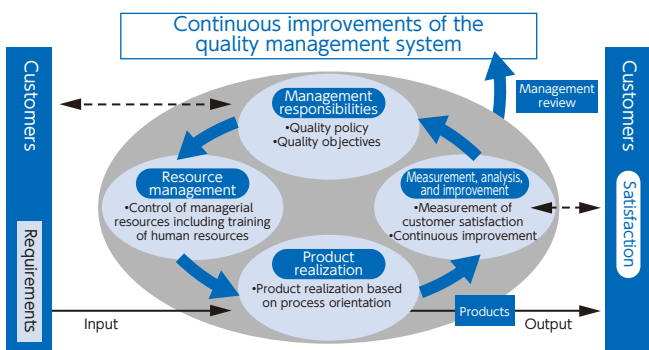
## Policy to Address Quality Problems

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.

## Globalization Efforts

We work to exchange human assets in charge of quality assurance, and further improve quality and service in accordance with our promotion of local production for local consumption in the global market.

■ Flows of quality improvements → Value-adding activities → Information flow



## HiKQ Innovation Activities

Launched in August 2009, "HiKQ Innovation" activities (as of this spring) have been under way for three and a half years. Last year we held discussions involving managerial executives and practical personnel regarding how to improve business quality under such themes as business process reforms, "step-up activities" (i.e., bottom-up business reform activities), and various other related activities that promote company-wide reactivation. Over the course of three and a half years, these activities are gradually bearing fruit.

In fiscal 2013, we will upgrade our efforts under conventional themes and address new themes as well. Under our Medium-term Management Plan, we are working to build up an "optimal and strongest production system" and achieve the goals of stepping up our production centers, expanding our operations globally, and increasing efficiency in our indirect operations. Our HiKQ innovation activities will also proceed according to these goals. We will also go back to the origin of the activities and spotlight our efforts to raise awareness among our employees as well.

Global expansion requires even more innovation in order to survive amid cutthroat competition. Both products and business quality must be based on global standards. We must also integrate the awareness of employees of the group companies both at home and abroad. We will globally implement "business reforms from the customers' point of view," the basis of our HiKQ activities, with our overseas Group companies. As part of such efforts, we intend to include the employees of overseas Group companies in the activities as well. In our internal network, we present our activities and have been deploying the "HiKQ Net" (i.e., an internal SNS\*) since the fiscal year before last, and intend to proceed toward gradually having overseas personnel participate in this network.

We will continue to have the HiKQ Innovation Promotion Division take the leadership in working to revitalize both our internal and external communication in order to nurture a corporate culture for conducting business with customer satisfaction being given top priority.



\* SNS (Social Networking Service):  
A community-based 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.

A few employees of overseas group companies appear as members of the model according to the state of activities from the year 2013 on.

## To inquire about our products and services:



Home Page of Hitachi Kokusai Electric Inc.

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

or

Hitachi Kokusai Electric Inc. Contact

Search

N.B. Usual inquiries concerning quality problems and repairs are handled 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 suppliers.

### Partnership

We will build even better partnerships with all our suppliers, 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 suppliers both inside and outside the country.

### Selection of Business Partners

Suppliers 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 supplier requests and notify our suppliers of any information required in transactions. At the same time, we seek useful information from our suppliers as well.

### Observation of Trade Secrets

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

## Promotion of Globalization

Our Group works to increase its overseas procurement ratio, share its group procurement strategy, collaborate with its overseas procurement bases (in Brazil and Korea), and establish a global procurement partnership. We will promote global procurement along with local production for local consumption at locations even closer to our customers, thereby increasing our global competitiveness.

## Addressing the CSR Activity

We cooperate with Hitachi, Ltd. to promote CSR reinforcement activities in our supply chain. We disseminate our "Hitachi Group Supply-Chain CSR Deployment Guidebook" compliant with the guidelines of the Japan Electronics and Information Technology Industries Association (JEITA) to our business partners in order to share our CSR awareness with the whole supply chain.

In 2012, we initiated a document survey of our main business partners in China and Asia with regard to CSR. This allowed us to evaluate the environment, safety and health, human rights and labor, conflict mineral problems, fair trade and ethics, quality and safety, information security, contribution to society, and the status of other CSR risks.

We will continue working to ensure common awareness with our business partners through our CSR survey, and continuously upgrade our CSR efforts throughout our supply chain.

## Collaboration with Our Business Partners

We work to collaborate closely with our business partners in order to create higher levels of value combined with compliance.

Through our business partner meetings (BPMs), we work to maintain fair trade relations and cultivate even better partnerships.

By sharing business principles and CSR efforts, we pursue a mutual win-win strategy and work to step up our supply chain.

We are also attempting to revitalize our activities by continuously recognizing business partners who have contributed greatly to stepping up our supply chain during each year.

### Voice Business partners who received the Fiscal 2012 Excellent Performance Award

#### ROHM Co., Ltd.

The recent flooding in Thailand damaged our main factory, which significantly affected your company. Despite all that, you have recognized us as a business partner with the award, which is a great honor for us.

The fact that we managed to minimize the adverse impact on your production in such a critical situation has been the result of your considerable support and cooperation.



Commendation by the Video & Communication Systems Division

We wish to share information closely with your company at BPM, and so forth, make various proposals in our sales activities, and work to be of some help to your business.

#### Tateyama Machine Co., Ltd.

All members of our company are surprised and impressed to have recognized as your most excellent business partner of the year.

We would like to express our hearty thanks for allowing us to engage in production activities with the assistance of other business partners under your guidance. Under the motto of "Quality is life," we intend to strive with all employees joining forces as one unit, thereby contributing further to the development of your business. We request your continued guidance and cooperation, and earnestly encourage your further development.



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



# Respecting and Enhancing Human Assets

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

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

## 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 measures:

### (1) Business training at an overseas Group company

The trainees were selected from employees with over three years of service. As of the end of fiscal 2012, five of them were receiving training at overseas Group companies.

### (2) Overseas training for young people

We dispatched 15 employees as young overseas trainees to various worldwide locations in line with the overseas dispatch program of Hitachi, Ltd.

Under this program, in addition to studying at overseas language schools and receiving training in accordance with business themes, training is also provided in the form of volunteer activities, in which course the trainees are dispatched to an overseas facility for people with disabilities. The course was chosen by self-recommendation and intended to develop extreme sensitivities for transnational social contributions.

Nihon Keizai Shimbun introduced the activity on September 11, 2012, as a corporate activity to support human resources who intend to train themselves by volunteering in the area without any help by those of the same nationality.

### (3) Strengthening language ability

In order to enhance our global communication skills, we are implementing an English speaking ability enhancement program, in which a total number of 106 trainees have participated as of fiscal 2012. We also support in-house learning sessions voluntarily implemented as self-enlightenment.

## Voice

In line with increasingly active social innovation, I thought that gaining experience in ever-growing India would be very valuable, so I applied for the job. I was the only Japanese to stay with volunteers in a home for children with disabilities. The shock I had received there remains my driving force and has led me to take action after returning home, such as giving me the "courage" and "a sense of crisis that compels me to change myself." Moreover, the employees dispatched to India after me came to visit the home, resulting in ongoing interpersonal exchange with the local people.



Miyoko Kakinuma  
Human Capital Group, Human Resources & Corporate Administration Division

## Opening of the Danger Experience Center (Toyama Works)

In April 2013, we opened the "Danger Experience Center" at our Toyama Works. This experience center allows you to have hands-on experience in "electric short-circuits and electric shock," "handling heavy objects," "hanging onto a safety belt," and other dangers directly related to daily operations. In so doing, you can actually gain experience (such as feeling the terror of accidents).

Reducing the risks of occupational accidents still has a long way to go. We opened this center to eliminate occupational accidents. Using it effectively will lead us to building safe workplaces and raising safety awareness among each and every worker.

We will integrate all aspects of safety training concerning the site work here, and make it useful as a training program for new recruits and on-the-job trainees in and after fiscal 2013.



Experiencing the terror of "handling heavy objects"

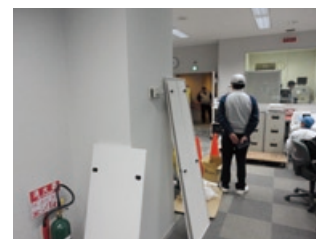


Experiencing "hanging on a safety belt"

## Health and Safety Activities

As a rule, we hold a "safety council meeting" every other month that includes Group companies. We ensure safety and improve the working environment and work standards mainly in regular work and site work, and remain committed to eliminating occupational accidents in regard to external work, equipment installation, terminal adjustment, site investigation, and maintenance.

As one of the main efforts made by the safety council, we conduct safety patrols at least once every term for worksites of the Group, so as to address the safety concerns of our customers and ensure safety for shop floor workers. We will continue aiming at zero accident under the Group's basic philosophy of "ensuring safety and health comes before everything else."



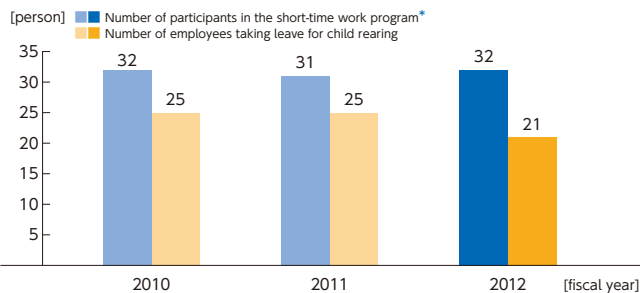
Safety patrol by the "safety council"

## Support for Balancing Work and Family Life

From the perspective of a good balance between "a sound and comfortable life" and "mentally and physically rewarding work," we have been promoting the development and enrichment of programs that help workers realize a good balance between work and child rearing/nursing care. In April 2012, our company was granted a certification mark (affectionately nicknamed "Kurumin") under the "Act on Advancement of Measures to Support Raising Next-Generation Children" by the Ministry of Health, Labour and Welfare.

At "Life Revolution 17," a working group organized by employees to autonomously promote a work-life balance, they have been striving to promote the concept of work-life balance in the Company by holding a midsummer festival, a family day (an event for families to visit the workplace), and other events.

We will continue helping workers to realize a good balance between their work and their family life, and aim to harmonize their work (job) with their personal life from various standpoints, thereby creating a workplace where all employees enjoy lively work and play active roles.



\* Participants in the short-time work program: People working shorter hours than usual for the sake of child-rearing, nursing care, or similar purposes

## Employment of Diverse Human Resources

The Hitachi Kokusai Electric Way prescribes that our Company "respects the diversity of its human resources and provides them with the opportunity and environment to enhance and perform their abilities," 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."

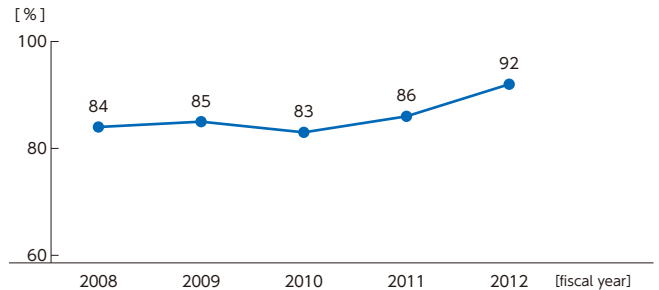
Based on those policies, we promote the employment of people with disabilities and the reemployment of elderly colleagues.

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

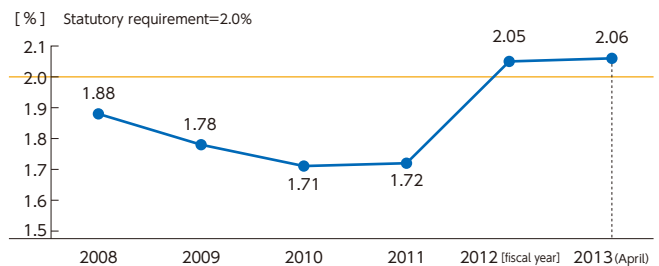
Regarding the employment of people with disabilities, we recruited one new employee last fiscal year. As a result, we achieved an employment rate of 2.06 % as of April this year, surpassing the legally mandated rate. We will work on an ongoing basis to further increase employment opportunities.

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

I joined the company in 2012 and have been in charge of receiving and distributing work instructions on the basis of knowledge that I acquired through on-the-job training after joining the company. The use of email and writing on a communication board allow me to compensate for my hearing handicap. And as part of the "Show up factory," I clean the factory to satisfy the visitors and enable all workers to work comfortably as well. Work input at the Manufacturing Department and receiving the visitors cheerfully are both important and challenging tasks. I intend to expand the range of my work and strive for improvement.



**Masayoshi Izumi**  
Production Department  
Toyama Works

## Voice

I am in charge of procuring parts at an engineering department of the Koganei Works. I still depend very much on my supervisors, but soon intend to do my work perfectly on my own. I use a wheelchair but do not feel uncomfortable in my corporate life. My hobby is visiting hot springs, usually by car. I refresh myself both physically and mentally in a hot spring, and thus prepare myself for work after the weekend.



**Fumio Morita**  
Mobile Engineering Department  
Video & Communication Systems Division



# 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.

## Korean university students received as interns (at the Toyama Works)

We received two students from Korea's College of Information Technology and Engineering, Inha University, as interns at our Toyama Works for five days from February 20 to 24, 2012.

During the internship period, the interns underwent practical training mainly on the structure of semiconductor-manufacturing equipment and process development, along with technical and cultural exchanges through roundtable talks held with executives and young employees. Before and after the internship period, the interns were given opportunities to participate in beach volleyball, sightseeing trips, and many other kinds of activities to learn Japanese culture and our state-of-the-art technology. We later received a letter of thanks from the university for having received the interns.

We intend to continue actively receiving foreign students as interns, thereby fostering an even friendlier relationship with the universities in related countries.



A letter of thanks (escutcheon)

## Participation in joint seashore cleaning by the Hitachi Group (Toyama region)

The joint cleaning of the Iwasehama seashore near Toyama City by the Hitachi Group (Toyama region) was conducted on Saturday, September 8, 2012. A total of 194 sweaty employees from 13 Hitachi Group companies participated in the cleaning project. Among the 194 participants, 92 were from our Group, including their family members.

The work took more than an hour, but resulted in a clean, nice beach and marine park.

This seashore cleaning volunteering project is scheduled to continue as a volunteer project of the Hitachi Group next year and onward.



Cleaning work conducted by employees scattered on the beach under intense sunshine in September



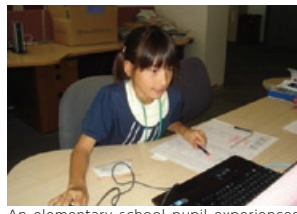
Participants in the seashore cleaning

## Cooperating with elementary school in social learning

Our Koganei Works cooperated with neighboring elementary schools in their "learning about work," and received pupils for "work experience" and "work interviews."

In October 2012, we received two sixth-year pupils for work experience and had them do PC input work, take inspection tours for workplace safety, and do other work for two days at the Administration Department.

In January 2013, we received work interviews and questions



An elementary school pupil experiences working

about "work and companies" from six second-year pupils.

By receiving these requests, we wanted the pupils to understand "the importance of work" and "the hardships endured by fathers and mothers." But we reaffirmed the difficulty of teaching children how to work, or giving them explanations, as having been fresh experiences that we usually cannot have. Conversely, it felt as if we adults had learned from them.

We will continue to cooperate for providing some help in training "human resources supporting the future."



Elementary school pupils visiting our premises for a work interview

## Basic life support learned from "Let's Learn Together: A Rescue and Life-saving Seminar (commonly known as "Minkyu")"

On March 19, 2013, through the intermediary of the industrial physician for our Koganei Works, we received members of the group "Let's Learn Together: The Rescue and Life-saving Organizing Committee (commonly known as "Minkyu")," a volunteer association consisting of medical students from Nippon Medical School serving as instructors at our Koganei Works. Then a total of 28 employees (health and safety committee members of each company) from our Company, Hitachi Kokusai Electric Services Inc. (today's Hitachi Kokusai Yagi Solutions Co., Ltd.), and Kokusai Electric Techno Service Co., Ltd. learned "Basic Life Support (BLS)" or primary cardiopulmonary resuscitation through ordinary rescue training.

On the day of the training, the trainees were divided into groups, each consisting of two or three members. By using dummies, the instructors from "Minkyu" taught the trainees how to perform heart massage and artificial respiration, and operate the AED. At the end of the training, all the participants received a certificate of completion.

With the present project as the turning point, we will systematically hold ordinary life-saving seminars centering on primary cardiopulmonary resuscitation throughout our Group to encourage employees to raise their awareness and improve their skills, so as to become able to volunteer and perform rescue and life-saving tasks not only for people in the company but also eventually for any citizen that may collapse on the street.



An employee of our Company experiencing heart massage

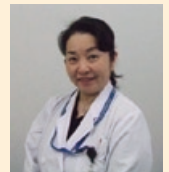


Medical students of Nippon Medical School with employees of our Company

## Voice

It was our first effort, but ended in a friendly manner among the juniors of my old school and the employees of our company, and thus I felt relieved. Everyone worked on it seriously and some people apparently had muscle pain the next day.

Statistics show that it takes about eight minutes from calling for an ambulance to its arrival at the scene. Should an ordinary citizen perform "BLS" in the meantime, the patient's chances for survival will rise remarkably. With this project as the turning point, I will give assistance so that every employee will become skilled at BLS, and that more employees will seek training as advanced trainees.



Dr. Harumi Akaishi  
Industrial physician,  
Koganei Works





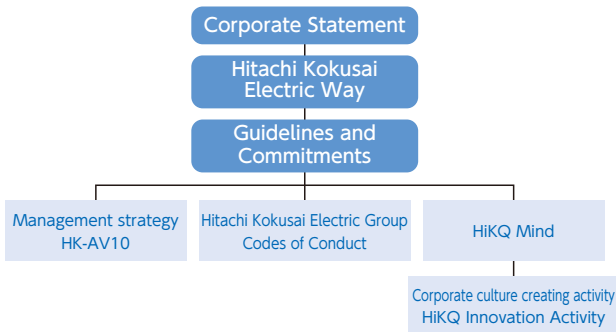
# Governance and Risk Management

We create value, push the boundaries of tomorrow, and establish a clean corporate culture that is admired by society.

## Corporate Statement, Hitachi Kokusai Electric Way, Guidelines and Commitments, and CSR

Our CSR principle is to continue activities specified in the "Guidelines and Commitments" and "Hitachi Kokusai Electric Group Codes of Conduct," in order to realize the basic policy indicated in the "Corporate Statement and Hitachi Kokusai Electric Way." We also refer to the "CSR Policy of the Hitachi Group" of Hitachi, Ltd. as a specific guideline for activities according to the CSR principle, as well as the standard for us to assess ourselves and make improvements.

### ■ 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

### Introductory website of Corporate Statement

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

### 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

## 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 Legal & CSR Center taking the lead, we are implementing education and conducting periodic audits, while updating the contents thereof, and are working to ensure that the strong intensions of top management concerning compliance (which means living up to society's trust) are thoroughly implemented in all corners of our Group.

### 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.

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

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

### Ethical Helpline of the Hitachi Kokusai Electric Group

e-mail to: [rinri.helpline@h-kokusai.com](mailto:rinri.helpline@h-kokusai.com)

Postal mail : Representatives of the Ethical Helpline

#### Hitachi Kokusai Electric Inc.

Akihabara UDX Building 11th floor, 4-14-1, Soto-kanda, 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.

## 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 2013

### Disclosure of CSR information on the Internet

Detailed information uncovered in "Hitachi Kokusai Electric Group CSR Report 2013" 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. (Also please see "Information Disclosure of the Hitachi Kokusai Electric Group" on page 2 of this Report.)

### Introductory website of CSR information

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

or



# 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>

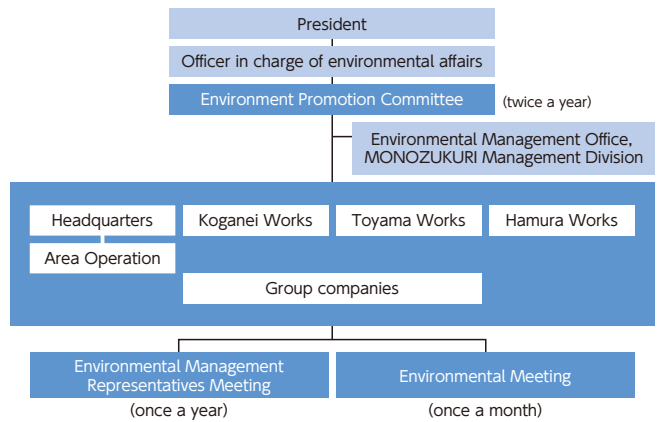
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Hitachi Kokusai Electric Action Guidelines for Environmental Conservation



## Environmental Management System

The "Environment Promotion Committee" comprised of the environmental affairs officer, general manager of the Works, and environmental affairs officers of the Group 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."



### Situation of acquiring ISO 14001 certification

In fiscal 1996, our Group began acquiring ISO 14001 (environment management system) certification, and in 2006 acquired said certification for all our domestic 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 area operations and sales offices of the Company. The expanded scope of ISO 14001 certification thus applies thereafter and at present.

## Targets and Results of Environment Activities in Fiscal 2012

The results and evaluation of the major items of the Environmental Action Plan in fiscal 2012 are as follows:

Category	Main item	Action goal	Index	Final year (fiscal 2015) targets	Fiscal 2012 targets	Fiscal 2012 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	448GP	475GP	
	Nurturing of Environmental Literacy	Fostering environmental minds by environmental e-learning	Participation ratio	98 %	98%	100%	
Next-Generation Products & Services	Promotion of Eco-Products	Increasing Hitachi Eco-Products	Ratio of Eco-Product sales to total sales	88 %	81%	85%	
Super Eco-Factories & Offices	Preventing Global Warming	Improvement of CO <sub>2</sub> emission intensity	Basic unit of production CO <sub>2</sub> emissions (reference year 2005)	-10 %	-7%	-5%	
	Energy Reduction during Transportation	Improvement of transportation energy intensity	Basic unit of production transportation energy (reference year 2006)	-15 %	-13%	-25%	
	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 %	-6%	-8%	
				Promotion of electronic manifest	Increase of registration (issuance) ratio	90% or more	75%

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

## Evaluation results of fiscal 2012 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.

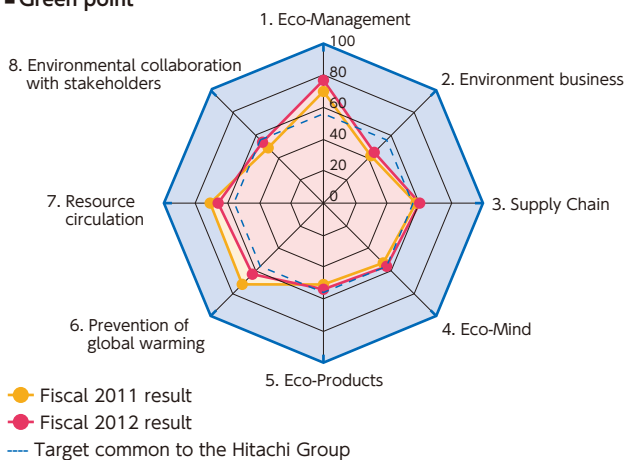
During the period from fiscal 2011 to 2015, we intend to add contributions to management by expanding environmental activities, preserving ecosystems, and conducting activities to collect and convey environmental information through the supply chain as pertaining to the evaluation items, and make efforts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

In achieving the target, our result for fiscal 2012 was 475 GP as compared to 448 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 <sub>2</sub> 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 <sub>2</sub> 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 Environmental Accounting Guidelines specified by the Ministry of the Environment, 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 2010	FY 2011	FY 2012	Overview
Business area costs	197.0	204.4	187.9	Costs of maintenance of equipment with low environmental burden, depreciation, etc.
Upstream/downstream costs	0.2	0.1	0.3	Costs for green procurement and recycling
Management activity costs	67.3	43.8	51.5	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	166.7	215.6	216.5	R&D for the reduction of environmental burden caused by products and production processes, product design expenses
Social activity costs	2.0	1.9	1.5	Environmental improvements such as afforestation and beautification, PR, and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions, and levies
Total	433.1	465.9	457.7	—

Investments (in millions of yen)

Item	FY 2010	FY 2011	FY 2012	Overview
Investments in environmental conservation	9.2	57.4	20.4	Direct investments in environmental load reduction facilities such as energy conservation facilities

### Environmental conservation effects

Economic effects (in millions of yen)

Item	FY 2010	FY 2011	FY 2012	Overview
Net income effects	8.3	9.7	9.0	Profit on sale of recycled waste, etc.
Expenditure reduction	10.0	10.3	0.6	Cost-saving effects, etc. by saving energy
Total	18.3	20.0	9.6	—

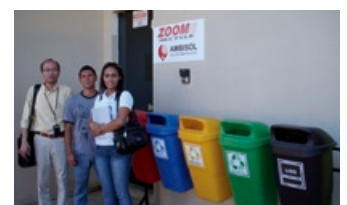
The scope of data tabulation covers our head office, factories, and group companies (e.g., Hitachi Kokusai Yagi Solutions Co., Ltd., Goyo Electronics Co., Ltd., Sendai Works) .

## Environmental governance of overseas centers

We visited Hitachi Kokusai Linear Equipamentos Eletrônicos S/A in Brazil to inspect the legal conformity of our overseas centers.

We conducted hearings involving the site representatives by referring to preliminary research documents, and inspected the operation management status of environmental facilities. We also accompanied the personnel visiting the disposal contractor of industrial waste and, in so doing, managed to monitor the local disposal system, such as the status of recycling and the barcode control of materials received for disposal.

From the Japanese side, we will continue giving assistance in order to improve the environmental governance of our local centers.



Local disposal contractor of industrial waste



# Eco-Factories & Offices

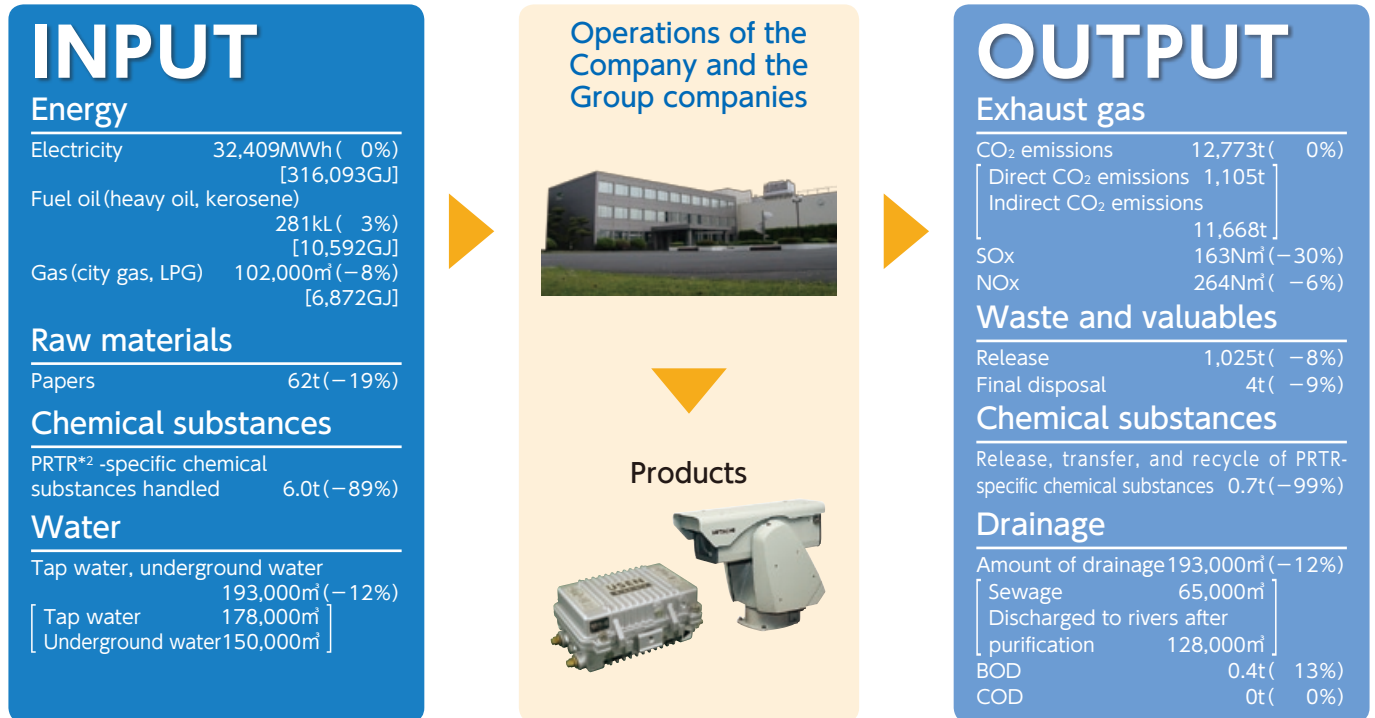
Through the entire production process of products, we work to save energy and enhance facilities in an attempt to prevent global warming and to reduce industrial waste.

## Operations and Environmental Loads

In conducting its operations, our Group expends resources and energy to provide products and consequently discharges CO<sub>2</sub> and wastes. The Company and its Group Manufacturers\*<sup>1</sup> 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: Hitachi Kokusai Yagi Solutions Inc., Kokusai Electric Semiconductor Service Inc., and Goyo Electronics Co., Ltd.  
\*2 PRTR: Pollutant Release and Transfer Register

The values in parentheses show the changes from fiscal 2011.

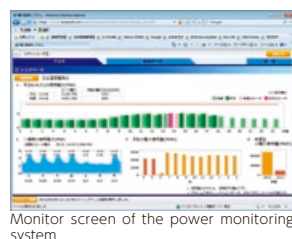
## Prevention of Global Warming (Energy-saving Efforts)

Production centers of the Company and Group Manufacturers have set a fiscal 2015 target of reducing the basic unit of CO<sub>2</sub> emissions in production by 10% compared to fiscal 2005, as a means to reduce the energy used at the product manufacturing stage. In fiscal 2012, we worked toward the goal of reducing our unit requirement for carbon dioxide emissions for production by 7%. However, a decline in production with regard to emissions actually resulted in a 5% cut, and thus we fell short of the goal.

As efforts regarding facilities in fiscal 2012, we implemented the renewal of high-efficiency air-conditioning equipment, switched mercury lamps to LED lamps, 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."

### Introducing a power visualization system

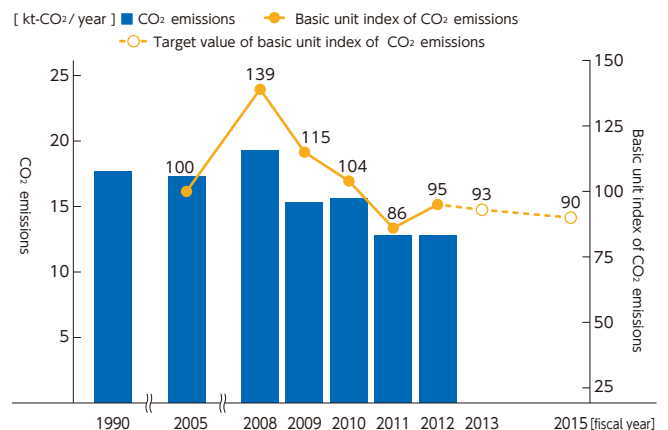
In fiscal 2012, the Hitachi Group introduced a power visualization system that monitors power consumption on



a real-time basis in order to control peak power.

In our Group, we also monitor the power consumption of five factories having a contracted power consumption of 500 kW or more on a real-time basis, and constantly monitor the leeway with regard to contracted power.

### ■ Changes in CO<sub>2</sub> emissions and the basic unit of CO<sub>2</sub> emissions in production



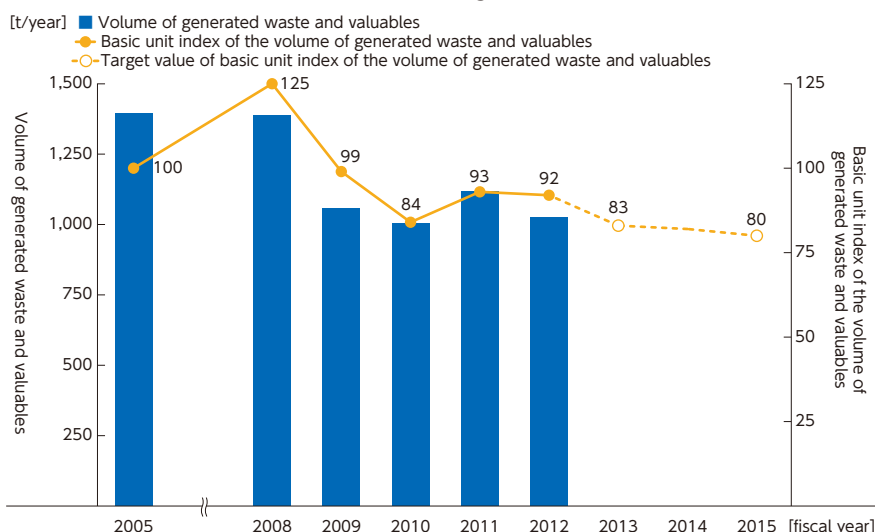
N.B. For the CO<sub>2</sub> emission factor used in calculating CO<sub>2</sub> emissions, we used the factors employed by the various power companies as announced by the Ministry of the Environment. We used 0.36 as the CO<sub>2</sub> emission factor in and after fiscal 2010, as used by the Hitachi Group.

## Reducing the Volume of Waste

The production centers of our Company and Group Manufacturers have set the target of improving the basic unit of the volume of generated waste and valuables by 20% in fiscal 2015 from the 2005 level, as one of the measures to control the volume of generated waste and valuables.

In fiscal 2012, we achieved our target by realizing an 8% cut as compared with our 6% cut target for the basic unit of the volume of generated waste and valuables, by shifting from wooden packing material to corrugated cardboard in packing products produced overseas, improving the packing style of delivered materials from our business partners, and making other efforts.

### ■ Transition of the volume and basic unit of generated waste and valuables



## 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 chemical substances or more must now report it to the authorities concerned. Since the revision of PRTR-specific chemical substances in fiscal 2010, the production centers of our Company and Group Manufacturers have been mainly engaged in chemicals used in the surface treatment of printed circuit boards and chemicals included in fuels, thereby monitoring and filing applications for the amounts handled. In fiscal 2012, however, with the closing of factories that manufacture printed circuit boards, the total amount of targeted chemical substances declined significantly.

### ■ PRTR-specific chemical substances actually released and transferred

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

Chemical substance	Quantity handled	Release	Transfer	Consumption	Removal	Quantity recycled
Xylene	1,509	55	24	1,430	0	0
1,2,4-Trimethyl benzene	1,947	0	0	1,947	0	0
Toluene	124	87	22	15	0	0
Lead	418	0	6	356	0	56
Hydrogen fluoride and its water-soluble salts	435	94	341	0	0	0
Methylnaphthalene	1,493	0	0	1,493	0	0

N.B. Substances significantly handled are shown above

## Proper control of PCB-incorporating equipment

Operators owning transformers, capacitors, fluorescent lamp stabilizers, or similar equipment containing polychlorinated biphenyls (PCBs) are obligated to strictly store and control such items, and properly dispose of them by fiscal 2026 as per the Act for Special Measures for PCBs.

Our Group properly performs continuous control in locked storage facilities and conducts periodic inspection, in order to prevent loss and leakage.

In fiscal 2012, equipment containing a high concentration of PCBs stored at our Koganei Works was commissioned to Japan Environmental Safety Corporation (JESCO) for disposal, thereby completing the process of making the equipment harmless.



PCB-containing equipment being carried out



# 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 2012

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 2012, we newly registered Eco-Products in 26 models and eight services.

#### Outdoor platform-integrated camera

HC-242A

Eco-Products-Select

- (1) CO<sub>2</sub> emission (whole life cycle)  
1.6t-CO<sub>2</sub> : 64% down
- (2) New resource level : 1% up
- (3) Max. power consumption  
: 33% down
- (4) Warming prevention factor  
: 14.1
- (5) Recyclability factor : 5.0  
(compared with HC-242 marketed in 2002)



#### Outdoor loudspeaker receiver

ER-R069

- (1) CO<sub>2</sub> emission (whole life cycle)  
71kg-CO<sub>2</sub> : 61% down
- (2) New resource level : 33% down
- (3) Max. power consumption  
: 62% down
- (4) Warming prevention factor  
: 10.3
- (5) Recyclability factor : 5.7  
(compared with TR-R067 marketed in 2003)



#### Two-divider with short protection circuit

S-AC-072

- (1) CO<sub>2</sub> emission (whole life cycle)  
215kg-CO<sub>2</sub> : 14% down
- (2) New resource level : 10% up
- (3) Power consumption  
: 17% down
- (4) Warming prevention factor  
: 4.7
- (5) Recyclability factor : 4.7  
(compared with EA-EQ6 marketed in 2003)



#### Terrestrial digital UHF antenna

U26-W, B

- (1) CO<sub>2</sub> emission (whole life cycle)  
20kg-CO<sub>2</sub> : 23% down
- (2) New resource level : 12% up
- (3) Warming prevention factor  
: 4.0
- (4) Recyclability factor : 2.6  
(compared with CLUS-W20CR marketed in 2002)



#### Vertical oxidation and dispersion/LPCVD unit

DD-812V

- (1) CO<sub>2</sub> emission (whole life cycle)  
1.128t-CO<sub>2</sub> : 33% down
- (2) New resource level : 35% down
- (3) Max. power consumption  
: 40% down
- (4) Warming prevention factor  
: 2.3
- (5) Recyclability factor : 2.7  
(compared with DD-853V-8BL marketed in 2004)



#### HD-SDI HDTV color camera

KP-HD20A

- (1) CO<sub>2</sub> emission (whole life cycle)  
157kg-CO<sub>2</sub> : 79% up
- (2) New resource level : 30% up
- (3) Power consumption  
: 85% up
- (4) Warming prevention factor  
: 3.1
- (5) Recyclability factor : 4.1  
(compared with KP-D20A marketed in 2001)



### 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 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.

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. CO<sub>2</sub> reduction ratio of 50% or higher as compared to products in fiscal 2005

In fiscal 2012, we certified one model (HC-242A) as Eco-Products-Select.



# Collaboration with Our Stakeholders for the Environment

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

## Environmental concerns (preservation of ruins) in constructing a new building for the Koganei Works

Our Koganei Works demolished its aged factory building and began constructing a new building. Since the proposed site for the new building is within the range of the Suzuki ruins, which is an area containing buried cultural assets of Kodaira City, we conducted excavation and research at the Suzuki ruins under the management and guidance of the Agency for Cultural Affairs, Management Section of the Regional Education Assistance Department of the Tokyo Metropolitan Board of Education, and Kodaira City Cultural Assets Protection Council.

The Suzuki ruins date back to the Upper Paleolithic (i.e., Later Stone Age) about 30,000 to 12,000 years ago. These ruins are considered not to have housed a settlement, but were used as a place for hunting and gathering. In fact, stone tools and many stone artifacts used for hunting have been excavated.

During the construction of an add-on to the factory in 1982, and also at the time of constructing a new building on the premises in 2006, we conducted excavation and research and other operations at the Suzuki ruins. The recent investigation apparently revealed no new academic discoveries that may redefine the value of the ruins, but managed to present a more elaborate view of extended ruins nearby that originated during the Paleolithic age.

We wish to pay continued attention to the local culture and environment, and develop together with the locals.



Range of the Suzuki ruins and its locational relation to our Koganei Works

## The Hamura Works receives inspection visitors for environmental and social studies.

On February 27, 2013, a total of 14 fourth-grade pupils from Hamura City Sakae Elementary School visited our Company under the theme of "Thinking about environmental issues." We gave them a lecture and a tour of the factory, including the efforts of the Hitachi Group and our Hamura Works in addressing environmental issues.

During the lecture, the students listened attentively to our instructor while taking notes, and asked many questions. They seemed to have gained a deeper understanding of our wide-ranging efforts.

During the factory tour, students with their eyes shining had the hands-on experience of actually observing products being manufactured, waste materials being sorted, and other operations with large machine tools that they usually could not see.

We considered the occasion to be a very good opportunity for presenting our environmental efforts to some of the local inhabitants.



Presentation of our environmental efforts



Touring of the manufacturing shop floor

## Toyama Works recognized for GREEN 21 with an "Eco-factories and Offices" encouragement award

The Hitachi Group has earned "GREEN 21 recognition," a recognition program for encouraging environmental activities and extending advanced practices to

other entities.

The recognition in fiscal 2012 attracted a total of 21 applications from the entire Hitachi Group, including one from our Group. The highest awards for excellence, outstanding achievement awards, and encouragement awards were given to each department for the following categories: "Environmental Management and Communication," "Eco-business and Eco-Products," and "Eco-factories and Offices." Of these, our Toyama Works was granted an encouragement award for "Eco-factories and Offices."

The Toyama Works was given this award for taking energy conservation measures, reducing waste mainly from packing materials, reducing transport energy by making a modal shift to marine transportation, and other steady activities and external recognition results as part of "promoting reductions in environmental impact in factory production activities."



Our staff in charge (left) received the award from Hitachi, Ltd.

## Continued participation in Toyama City's "Corporate Forestry Project"

For Toyama City's "Corporate Forestry Project," with joint participation by our Toyama Works, Kokusai Electric Semiconductor Service Inc., and Kokusai Electric Techno Service Co., Ltd. since fiscal 2009, the initially planned walking path was opened in fiscal 2011. The project thus made one of its most important marks.

In fiscal 2012, we were active under the leadership of work group leaders in an attempt to turn the forest into a forest of "health," "healing" and "harvest."

We remain committed to building forests in order to help the community to improve its environment and raise the awareness of environmental conservation among our employees.



Forestry project participants

## Toyama Works certified (recognized) as an excellent operator for its Eco Ship modal shift project

Our Toyama Works was recognized by the director-general of the Maritime Bureau, Ministry of Land, Infrastructure, Transport and Tourism as an excellent operator certified for the Eco Ship Mark in fiscal 2012. This award is given to corporations that have contributed to planet-friendly marine transport. The Toyama Works was thus recognized as the result of active efforts by our employees to address environmental issues in daily operations with the cooperation of sales sections, physical distributors, and Group companies.

The award-giving ceremony was held in Tokyo on February 6, 2013, and was attended by the representatives of 22 corporations, including cargo owners and physical distributors. Those being recognized ranged widely from corporations engaged in food, automotive, and housing related industries, and we consider it a great honor to have won the award among all of them. The active promotion of marine transport is an important effort in view of the need to reduce carbon dioxide emissions in environmental terms, and to ensure safety for transporters. Now that environmental issues are in the spotlight, one corporate responsibility is to maintain the global environment and build a sustainable society. Being aware of all these, all members of our Company intend to address the issues so as to help reduce our environmental impact.



Eco Ship Mark certificate

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

or

## Editor's Postscript

Although this report is only published on the website without issuing a printout, its importance as a periodical disclosure report remains unchanged. We have edited this issue without changing its overall size, so that readers can assess what our Group considers most important, and how it has been working on that mainly in fiscal 2012, regardless of whether the readers are our usual devoted readers or first-time readers. Some contents of the report repeated from last year have also been included here, of which we consider such continuation or repetition as being significant or effective. With our website, "CSR information" pages are up for your reference as well if you are interested. We would appreciate you sharing your views and comments with us.