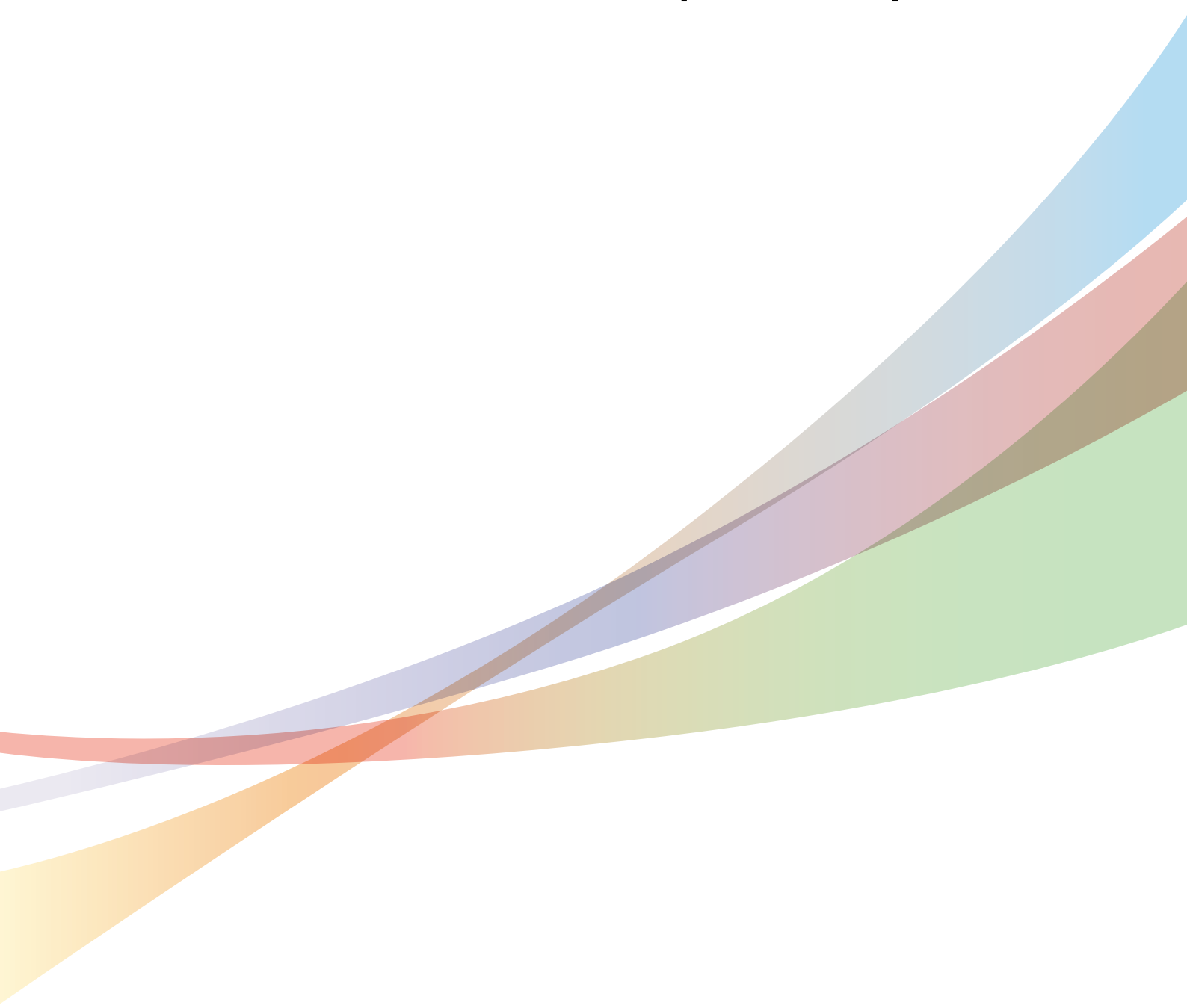


Hitachi Kokusai Electric

HITACHI
Inspire the Next

Hitachi Kokusai Electric Group CSR Report 2015



Commitment of the President and Chief Executive Officer

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

In fiscal 2014, the global economy on the whole remained unsteady, with continued slow growth in developed countries and economic slowdown in emerging markets. In contrast, Japan recorded robust demand in the public works sector due to the government's continued economic stimulus measures.

Under these circumstances, in addition to strengthening the competitiveness of existing businesses, the Group implemented various measures to expand its global business and launch new businesses. Specifically, the Video and Wireless Network segment conducted vigorous sales activities to capture the robust demand from increased investment in public works. The segment also actively worked to expand its global business, and successfully received an order for broadcasting transmitters from a state-run broadcasting station in the Republic of Botswana. The Eco- and Thin Film Processing segment, meanwhile, vigorously promoted sales activities by proposing products and services that meet customer needs, against a backdrop of robust capital investment by semiconductor manufacturers in Asia. As a result, the segment achieved record-high sales and operating income.

Combined with the progress of cost structure reform, which has been promoted across the entire Hitachi Group, these sales expansion efforts have helped our Group make steady progress toward the targets of its Medium-term

Management Plan, "HK-AV10," the final year of which will be fiscal 2015. The achievement of the HK-AV10 targets, including operating income margin (a key performance indicator) of 10%, seems within reach, for which we owe thanks to all our stakeholders for their strong support.

In fiscal 2015, toward achieving the final targets of HK-AV10, the Group will implement the measures set out below while at the same time working to improve cash flow and secure funds to achieve sustainable business growth through the "Hitachi Smart Transformation Project." In addition, the Group will work on the formulation of the next Medium-term Management Plan, which will start from fiscal 2016.

In the Video and Wireless Network segment, to further strengthen the Company's competitive businesses, such as the disaster-preventive administration radio systems business, we will strengthen cooperation within the Group and with the Hitachi Group to develop products that stay ahead of ever-changing market needs for further downsizing and sophistication, among others, and to provide high added-value solution services, thereby strengthening the core domestic business. In addition, with the aim of establishing the foundation for future developments, the Video and Wireless Network segment will strive to expand its global business—and thereby increase its overseas sales ratio—firstly, by strengthening the business structure in Asia through the establishment of a local subsidiary; secondly, by increasing the production capacity of the subsidiary in South America for serving the global market; and, thirdly, by reinforcing cooperation with subsidiaries in North America and business partners in the Middle East. In the areas of Internet of Things (IoT)-related systems and advanced wide-area security systems, the segment will develop projects to launch next-generation businesses to drive future growth. In the field of solution services, as part of efforts to broaden its social innovation business, the segment will work to expand the business of systems for civilian demands and the community-based small-scale solutions business by reinforcing cooperation within the Group and with the Hitachi Group.

The Eco- and Thin Film Processing segment will, by taking advantage of the superior characteristics of its vertical equipment, pursue aggressive business expansion through promoting proposal-based sales activities that anticipate customer needs and strengthening joint development with customers. Also, to maintain and increase the market share of its vertical equipment, the segment plans to release high-productivity, next-generation products onto the market. Furthermore, the segment aims to establish a new business that will be the next pillar in the new process field by strengthening efforts to meet customer demands for new process solutions such as miniaturization and three-dimensional structure associated with rapid advances in semiconductor



manufacturing process. The segment will also upgrade its quality management system and increase production capacity to ensure a quick response to customer demands. Through the optimization of raw material procurement and rationalization of design, it will maintain a flexible production system capable of withstanding rapid changes in the market environment. The subsidiary in South Korea, for which the Company conducted a tender offer with the aim of making it a wholly owned subsidiary, will work to strengthen its production, procurement and service capacities to be able to respond quickly and accurately to customer demands, aiming to enhance customer satisfaction and achieve steady business expansion. In addition to all these measures, the segment will work to further strengthen its product life cycle business, which has experienced steady growth. It will also strive to further expand sales by taking advantage of increased business opportunities associated with an increase in the already delivered equipment.

In its Corporate Statement, the Group stipulates the role it should play to realize a sustainable society as follows: "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." Realizing a safe and secure society by responding to natural disasters, crime, the threat of terrorism, and increased risks associated with transportation and industrial development and pursuing technological innovation to that end, as well as supporting enriched and happier lives of people everywhere—the Group considers these to be the major issues that it should address.

From a medium- to long-term perspective that seeks to achieve a sustainable society, in addition to implementing the business strategies mentioned above, the Group will continue its efforts to: reduce environmental burdens resulting from production activities, respect human rights, employ and train diverse personnel, observe laws and regulations, and foster a clean corporate culture, as set out in the Hitachi Kokusai Electric Way and the Guidelines and Commitments. The Group has thereby communicated these efforts to all directors and employees, as well as established an internal control system.

Despite such efforts, however, in November 2014, the Company was subject to an on-site inspection by the Japan Fair Trade Commission concerning a suspected violation of the Antimonopoly Act with regard to tenders for digital firefighting emergency radio systems. The Company is fully cooperating with the Commission's investigations. The Group will further strengthen its compliance management system and continue to uphold its "Basics and Ethics," aiming to foster a clean corporate culture that is admired by society.

We sincerely ask for your continued guidance and support.

June 29, 2015

M. Shinomoto

Manabu Shinomoto
President and Chief Executive Officer

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Value Created through Dialogue with Customers

We develop advanced technologies as a world pioneer with the aim of creating an affluent and sustainable future. 7

By pursuing *Monozukuri*, we provide true value to the customers and society. 9

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What Hitachi Kokusai Electric considers important

Hitachi Kokusai Electric Inc. (the “Company”) and its Group companies consider earning the confidence and meeting the expectations of society through all business activities to be its corporate social responsibility (CSR).

■ Our business management and CSR

In defining the Corporate Statement and Hitachi Kokusai Electric Way, which form the basis of its business management and CSR, the Company thoroughly considered and discussed both aspects of the expectations of society toward the Group and the important management-related issues.

In addition to the Corporate Statement, the Hitachi Kokusai Electric Way, and the Guidelines and Commitments, we disclose specific management visions and strategies to provide a basis for the broad promotion of dialogue concerning our Group’s management. Such strategies can be found in, among others, our Medium-term Management Plan, the Group Codes of Conduct (as global standards of behavior), and the progress reports on the HIKQ innovation activities for the creation of a vibrant corporate culture. When evaluating and improving our overall CSR promotion efforts, we work in cooperation with our parent company, Hitachi, Ltd., while also referring to its CSR management framework.

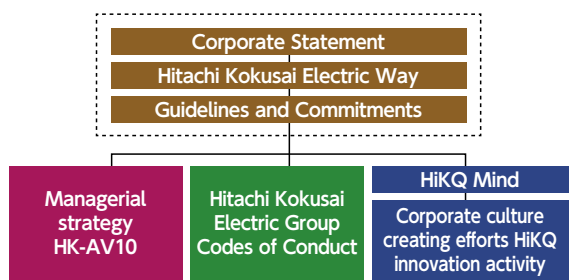
Corporate Statement and Management Policy

Corporate Statement : How our Group should function and significance of its existence

Hitachi Kokusai Electric Way : Basics of the corporate management, the will and value of the Group

Guidelines and Commitments : What is considered important in conducting business activities

Hitachi Kokusai Electric Group Codes of Conduct : Specific standards of behavior that should be observed by officers and employees to realize the Corporate Statement



 **Introductory website of Corporate Statement**
<http://www.hitachi-kokusai.co.jp/global/corporate/standard.html>

OR

 **Introductory website of Group Codes of Conduct**
<http://www.hitachi-kokusai.co.jp/global/corporate/action.html>

OR

Corporate Statement, Hitachi Kokusai Electric Way and Guidelines and Commitments

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.

Note : *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.

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.

Our communication tools

On our website, information about our Group's business activities is regularly disclosed either in our annual reports, focusing on financial information, or CSR reports, covering non-financial information such as details on our social and environmental conservation activities.

The Company's website provides detailed information that cannot be included in the reports mentioned above, as well as information that we wish to provide on an ongoing basis.

■ Business reports

As for information on corporate finance and governance, we post the PDF version of our Annual Report to our global site, on which we also disclose quarterly reports on a quarterly basis.

Our Japanese website alternatively provides equivalent financial and other reports and interim reports in Japanese.



Annual report



Website

■ Website

In addition to offering information useful to our customers, our website makes available financial and non-financial information, including the reports mentioned above, in the "About Hitachi Kokusai Electric" section.

■ Fair and active disclosure of Group information Briefing on financial results and other sessions

For institutional investors and security analysts, we organize quarterly briefings on financial results, meetings on individual matters, and other sessions to increase their understanding of our Group.



Briefing on the financial results for the term ended March 2015

Editorial Policy

■ Basic Concept

We wish to make this report an opportunity to communicate and deepen mutual understanding with—and encourage the participation of—our customers, business partners, colleagues, neighbors, stockholders and many other stakeholders. To that end, we selectively determine the contents and topics for inclusion so as to ensure the report remains readable and easy to understand.

■ Referenced Guidelines

- Global Reporting Initiative (GRI)* Sustainability Reporting Guidelines Version 3.1

Our self-assessment and content index as per the GRI Guidelines will be posted on the "CSR information" page on our website at around the same time as the publication of the English version of our CSR report (scheduled for September).

- Other
 - ISO (International Organization for Standardization) 26000 (issued in November 2010)
 - Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (revised in May 2011)
 - IR Framework of IIRC (International Integrated Reporting Council) (issued in December 2013)

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

■ Scope of this Report

Period: The main period covered is fiscal 2014 (from April 1, 2014 to March 31, 2015)

Companies: The Company and its Group companies

Note: Important organizational changes during the period covered are described in footnotes in the section on Group Network on page 6 of this report.

Scope of Data: Indicated under each item

Note on figures:

Financial values are rounded down to the unit indicated as per the accepted practices of financial reporting. Figures for environmental and other non-financial data are rounded to the nearest unit indicated.

Note: Sales figures shown in the next two pages are based on Japanese Accounting Standards. The equivalent data based on International Financial Reporting Standards ("IFRS") are disclosed by Annual Report 2015, since the Company adopts IFRS for the consolidated financial statements from the fiscal year ended March 31, 2015 onward.

■ Next Issue

The next report is planned to be issued in September 2016.

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

OR

■ Company Outline (as of March 31, 2015)



Head Office (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

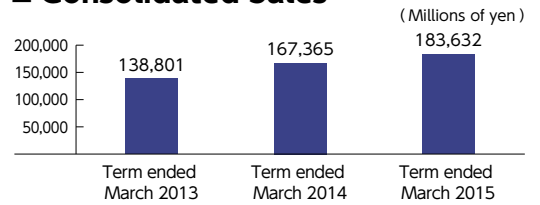
Established
November 17, 1949

Paid-in Capital
¥10,058 million

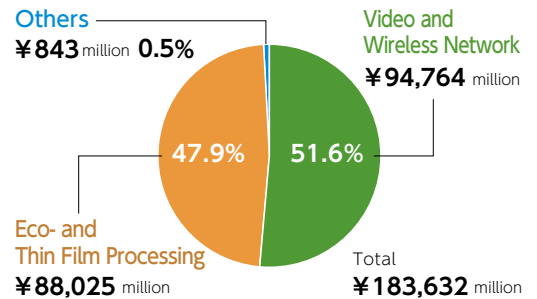
Net Sales
¥183,632 million (consolidated)

Employees
4,943 (consolidated)

■ Consolidated Sales



■ Consolidated Sales by Segment



■ Main Products

Video and Wireless Network

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



Wireless Packet Communication Unit for Cellular System



Land Mobile Radio Communication Product



Broadcasting Camera



High-speed Wireless Repeater



Radio Communication System for Disaster Preventive Administration



Tapeless Servers System (Server system for broadcasting station operation)



Broadcast Transmitter produced by Hitachi Kokusai Linear Equipamentos Eletrônicos S/A



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.



Tokyo 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. It provides solutions for developing a secure, safe, comfortable society through the technologies for the video and wireless network.



Headquarters facility of Hitachi Kokusai Linear Equipamentos Eletrônicos S/A

Main products:

Broadcasting transmitters

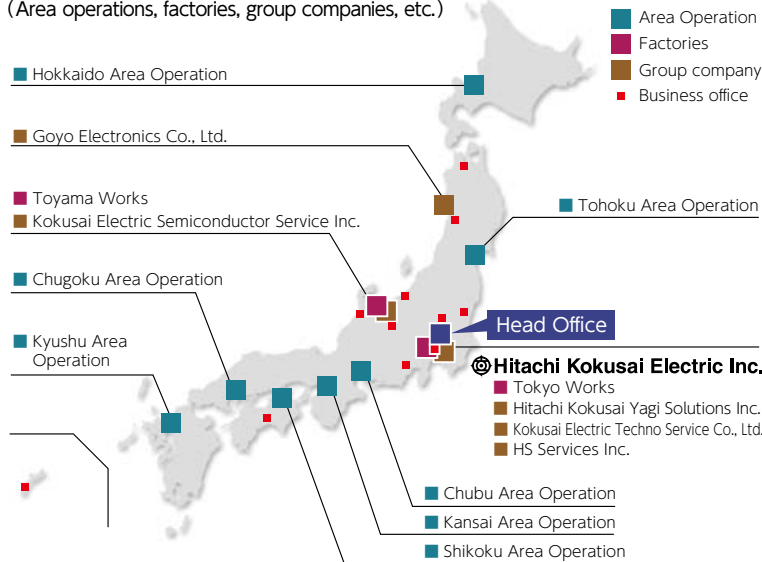
The nature-rich city of Santa Rita do Sapucaí in the State of Minas Gerais is located in the middle of Brazil's two largest cities, São Paulo and Rio de Janeiro. The factory there develops, designs, and produces transmitters for terrestrial digital broadcasting, and provides solutions to South America,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



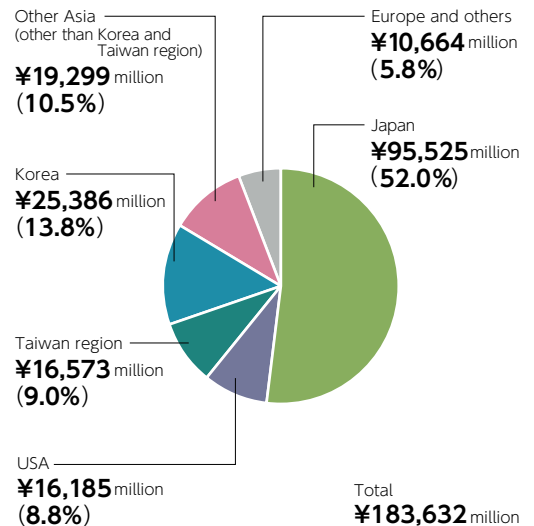
■ Group Network (as of April 1, 2015)

Domestic Network

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



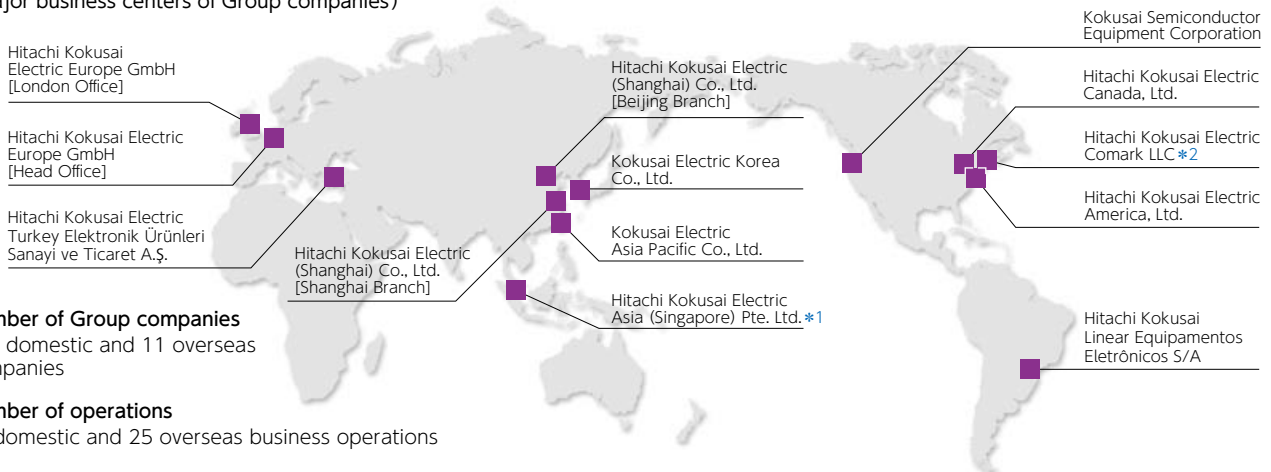
■ Sales by Area (term ended March 2015)



Note: The sales are calculated based on the customers' locations.

Overseas Network

(Major business centers of Group companies)



Number of Group companies

Five domestic and 11 overseas companies

Number of operations

30 domestic and 25 overseas business operations

*1 On April 1, 2015, Hitachi Kokusai Electric Asia (Singapore) Pte. Ltd. was established as a consolidated subsidiary.

*2 Comark Communications LLC, in which the Company invested as of April 1, 2015, was converted into a consolidated subsidiary of Hitachi Kokusai Electric America, Ltd. as of April 27, 2015, on which date the name of the said consolidated subsidiary was changed to Hitachi Kokusai Electric Comark LLC. The said company in which the Company invested as of April 1, 2015 is included in the "Number of Group companies" and in the "Number of operations" indicated above (counted as one company and one operation). The name as of April 27, 2015 is indicated on the Overseas Network map.

Value Created through Dialogue with Customers

We develop advanced technologies as a world pioneer with the aim of creating an affluent and sustainable future.

1 Creating an environment for viewing digital terrestrial television broadcasting in Botswana

In May 2014, a tender was conducted for the supply of digital terrestrial television broadcasting transmitters for the entire Republic of Botswana. After a review by state-run broadcaster Botswana TV, the name of Hitachi Kokusai Linear Equipamentos Eletrônicos S/A (“Hitachi Kokusai Linear”) was announced as the chosen supplier in an official gazette in September. A formal contract was signed between the parties in October. Botswana is the first country on the African continent to adopt Japan’s ISDB-T (Integrated Services Digital Broadcasting – Terrestrial) standard as its digital terrestrial television broadcasting standard.

Since April 2015, digital transmitters manufactured and shipped by Hitachi Kokusai Linear have been installed in transmitting stations in Botswana. Hitachi Kokusai Linear

has also sent engineers from Brazil to Botswana to provide technical instruction. ISDB-T allows users to obtain useful information such as local weather forecasts by pressing the “d” button on the remote control. In Botswana, it is expected to provide a variety of unique contents such as, “How to breed cows efficiently.” The Company will contribute to the popularization of terrestrial digital broadcasting equipment to help people all over the world access essential information through TV broadcasting.



A representative of the Company shaking hands with Mr. Calvin Goiletswe of Botswana TV (Photo taken at Botswana TV in February 2014)

Note: From the Hitachi Kokusai Electric version of Hitachi Group’s “1/Hitachi” commercial series

VOICE

I was very fortunate to have the opportunity to visit Hitachi Kokusai Linear’s factory. Thanks to this visit, I was able to deepen my understanding of the products and systems of the Hitachi Kokusai Electric Group. I sincerely ask for your continued support and cooperation for the development of Botswana.

Mr. Calvin Goiletswe

Project Manager, Department of Broadcast Services

Mr. Calvin Goiletswe (center) and our personnel (at our booth at the African Fair, held in Yokohama City, Kanagawa Prefecture, in May 2013)



2 Our cameras contribute to TV broadcasting of the Asian Games in Incheon

About 150 cameras made by the Company were used at the 17th Asian Games Incheon, held in South Korea from September to October 2014. The vivid images produced by the cameras, which give viewers the feeling of being right there among the action, were broadcast in various countries, including Japan.

In addition to conventional HD cameras, various other types of broadcast cameras were used, including special high-speed cameras and compact box cameras for shooting goal post areas. In addition, our new 4K camera was also used for broadcasting live.



Our cameras used extensively in the Games

We provided technical support to broadcasting stations as well as camera operators and relay broadcast staff. From setup to rehearsal through to the actual telecast, all parties involved worked together as a single team to broadcast the Games successfully. In the future, we will continue striving to support on-site filming operations at various events, including international sporting events, and to develop innovative cameras capable of capturing beautiful and vivid images that let viewers share in the emotion and excitement, thereby contributing to the development of the broadcasting industry.

VOICE

It was the first time we have had so many cameras—about 150—produced by our Company used simultaneously in a large-scale event like these Games. It was a challenging experience for us, as our overall capabilities including our product power, technical expertise and support capability were tested through our performance and contribution to the broadcasting of the event. In the future, we would like to contribute to providing even more beautiful images through the development of innovative cameras for the 4K/8K era.

Min Hwangsoo

Global Business Management Division,
Video & Communication Systems Division



3 SCQI Award received from Intel Corporation

On March 5, 2015, in the U.S. city of Santa Clara, California, the Company became one of 11 companies to receive Intel Corporation's most prestigious Supplier Continuous Quality Improvement (SCQI) Award for its performance in 2014. This award was given in recognition of the industry-leading results and commitment demonstrated across all critical focus areas: quality, cost, availability, technology, customer service, labor and ethics systems, and environmental sustainability. Representing Intel's highest honor, the SCQI Award is bestowed on suppliers who have demonstrated exceptional performance.

"We are truly honored to receive Intel's SCQI Award for

2014," said the general manager of our Semiconductor Equipment Division. "We believe that this award was presented in recognition of our commitment to quality and the close partnership we have nurtured with Intel to enable continual advances in semiconductor manufacturing technology."

All related personnel have renewed their determination to continue to implement vigorous improvement activities this year also.



Delegates from the Company posing with representatives from Intel Corporation
Photo provided by Mr. Chip Holley

4 Promoting dialogue with customers as well as local production for local consumption

In fiscal 2014, the Company made a tender offer to make its consolidated subsidiary Kokusai Electric Korea Co., Ltd. ("KEK") a wholly owned subsidiary in order to further strengthen cooperation and synergies with KEK as a member of our Group. Since its establishment in May 1993, KEK has developed and produced the Company's semiconductor manufacturing equipment in Korea and provided after-delivery maintenance and services. Under the strengthened cooperation framework, we plan to promote the division of functions as well as personnel exchange within the Group.

Also, based on the concept of "local production for local consumption," we will expand design, production and procurement activities in Korea and step up our service improvement efforts to further increase customer satisfaction and contribute to the development of the region.



Head Office, Main Factory (Cheonan-si, Chungnam)



Pyeongtaek Factory (Pyeongtaek-si, Gyeonggi-do)

5 Film-forming process technology leads to a new future for the semiconductor

The demand for semiconductor devices, mainly for smartphones and data centers, is expected to continue to grow.

With the drive toward miniaturization, these devices have become more highly integrated and sophisticated. But miniaturization is expected to reach physical limits in the near future, making the production of a semiconductor device with a three-dimensional structure a critical task. In the case of such a three-dimensional semiconductor device, however, irregularities on the wafer surface are significantly more pronounced than those on a semiconductor device with a conventional two-dimensional structure. This makes it difficult to secure sufficient high step coverage and film thickness uniformity in the film-forming process, which may in turn lead to reduced device reliability and deterioration of manufacturing yield.

To overcome these challenges, our R&D team sought to develop a new film-forming technology and, as a result, has

successfully developed a process for forming high-quality insulating film with good step coverage and film thickness uniformity.

This technology was born in Toyama City's Yatsuo Town, the historically and culturally rich area in which the Toyama Works is located. The Toyama Works will continue striving to develop device technologies and thereby contribute to a better world through technological innovation.

VOICE

We engineers identify problems with current products as well as figure out what kinds of devices and processes customers will need and want in the future. We do this by talking directly with customers and reflecting their feedback in our development. Thanks to the concerted efforts of all staff members, the Toyama Works, located in Yatsuo Town in Toyama City, was able to ship the 10,000th unit of our vertical film-forming system this year. We will continue to strive to develop products that satisfy our customers, while at the same time actively contributing to our local community through activities such as forest development.

Masato Terasaki

Volume Equipment Engineering Center, Toyama Works



Inspection of the batch-type vertical film-forming system

Value Created through Dialogue with Customers

By pursuing *Monozukuri*, we provide true value to the customers and society.

6 Defense Structure Improvement Foundation Award granted

On November 25, 2014, the Company's Defense Electronics Division received the Defense Structure Improvement Foundation Award for its development of the ORQ-2 Series marine wireless router.*1

This Award is to recognize the outstanding achievements of voluntary research & development and production technology improvement related to defense equipment. Winners are selected by a screening committee comprised of external experts.

By leveraging the Company's long-accumulated know-how in wireless and defense communication systems, we developed this award-winning product as a piece of communication equipment suitable for use in operations undertaken by Minesweeping Units*2 of the Japan Maritime Self-Defense Force. It has been delivered for use in

minesweepers, minesweeper tenders and minesweeping helicopters. We believe that this award was presented in recognition of the new value this product offers to customers, namely, its broadband-based high-speed, high-capacity communication capability, and added convenience such as the automatic relay function. Winning the award has given us renewed confidence to move forward.



Defense Structure Improvement Foundation Award

*1 ORQ-2 Series marine wireless router : Device for enabling communication over a wireless network between minesweepers, minesweeper tenders and minesweeping helicopters of the Maritime Self-Defense Force.

*2 Minesweeping : The detection and disposal of marine mines that have been placed in important harbors, straits, etc. Minesweeping is necessary to secure the safety of marine vessels.

VOICE

We would like to express our thanks to our customers and other concerned parties who gave us extended support and cooperation throughout the project, from the proposal and development to delivery, tests and operation. Particularly in the sea tests, thanks to the kind support of Minesweeping Unit personnel, we were able to achieve results despite suffering intense seasickness of a kind we had never experienced before. We will continue working hard to develop equipment suitable for the operations of the Minesweeping Units, thereby contributing to creating a safe and secure society.

Hiroshi Nakano
Engineering Center,
Defense Electronics Division



At the award ceremony
(From left : Shoji, Nakano,
and Yamamoto)

7 Achievement of safe and secure road traffic by radio unit with ITS*1 technology

Autobobiles have become an essential means of transportation. They do cause, however, various road traffic problems such as traffic accidents, congestion, and environmental pollution. One of the solutions is to apply the route information collection system (DSRC*2 radio unit).

The DSRC radio unit, which uses the 5.8-GHz frequency band, enables communications between road users and the information collection server. It provides information to support safe driving for drivers. The information includes sudden braking operations, obstacles, the tail end of

congestion, other hazardous conditions, etc. At the same time, it accumulates traffic data that can be used to achieve optimal road development and improvement.

In addition to expressways, we installed our DSRC Roadside radio units on major national highways in fiscal 2014. We will install more units and improve their functions so as to contribute to "safety and security," "ecology and efficiency," and "comfort and convenience."

*1 ITS : Intelligent Transport Systems

*2 DSRC : Dedicated Short-Range Communication

■ Communication between a vehicle and unit



VOICE

In fiscal 2010, the first roadside radio units were installed along expressways nationwide. In fiscal 2014, our units were installed along major national highways around the country. We have delivered more than 200 units. Currently, these units mainly support safe driving. We believe that providing more attractive services for users such as helping them to avoid congestion will lead the units to more widespread use. We will continue to do our best to ensure the system enhances the convenience of users in avoiding and alleviating traffic jams and thereby reducing fuel consumption.

Ryoki Haramoto
Transportation Systems Engineering Department,
Video & Communication Systems Division

8 Solutions of video and audio communication with wireless broadband technology

In the field of public communications, important information used to be mainly transmitted through voice communication. Now the needs to transmit visual information are increasing rapidly to grasp the condition of disaster sites and to promptly control emergency.

The Wireless Broadband System for Public Safety utilizes the frequency characteristics of the VHF band that went unused due to the digitalization of terrestrial TV broadcasting. The system transmits video in real time from non-line-of-sight areas and mobile stations where video transmission is difficult generally.

We have developed those kinds of mobile radio equipment to realize a safe and secure society. We are marketing our

products both in Japan and overseas focusing on the digital divide.

■ Use scenario of the mobile wireless device



VOICE

In fiscal 2014, we delivered the first model of the mobile broadband system to the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. The equipment is expected to be a means to transmit video promptly in case of a disaster or accident involving dams, rivers, or roads. We will strive to realize a safe and secure society through our systems.



Yuki Haruta

Mobile Communication Products Sales Department,
Video & Communication Systems Division

VOICE

In order to demonstrate the maximum capabilities of the system under harsh conditions of a disaster site, we conducted a series of field tests. With these experiences, we will design the systems speedy and securely.



Yoshihiro Kawashima

Communication Systems Engineering Department,
Video & Communication Systems Division

9 Development and proposal for a Wi-Fi station for tourism and disaster prevention

Distributing local tourism and disaster information via smartphones

With the increasing number in recent years of major disasters, such as large-scale earthquakes and so-called “guerilla” torrential rains, there has been an increasing demand for a system that can transmit disaster information to local residents. In response, Hitachi Kokusai Yagi Solutions Inc. has developed an easy-to-use community-based public wireless LAN system in close collaboration with Tatsuno Town in Nagano Prefecture, which is famous for its fireflies. Known as the “Wi-Fi Station for Tourism and Disaster Prevention,” the system was adopted in December 2014. It comprises a wireless LAN (Wi-Fi) connected to an emergency power supply, disaster monitor cameras, and weather-monitoring units (measuring wind speed, wind direction, temperature and rainfall amount) installed at the town’s 11 designated emergency evacuation centers. The central device collects and edits information sent from each node in the network and retransmits the edited information. It also records announcements broadcast over the community wireless system. The system enables local residents to receive disaster information on their smartphones in the form of images, sound and text, thus helping them to get much-needed information in a timely manner.

In the future, we will enhance the functions that can be used by tourists in normal times, thereby contributing to the development of the community.

VOICE

This system enables people to see, hear and read information about their local community in real time on their smartphones. In normal times, the system provides local tourist information; in the event of a disaster, it transmits accurate information about the disaster and as well as evacuation guidance, thereby contributing to disaster mitigation.



Kazuo Shimazu

Solution Engineering Department, Hitachi Kokusai Yagi Solutions, Inc.

■ Example of smartphone display

(Images and data that were actually transmitted to residents’ smartphones are shown under the consent of the Tatsuno municipal government.)





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 Monozukuri 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 promote activities 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 JIS Q9100 as applicable to certain product categories, and have our sales departments incorporated into the quality management system.

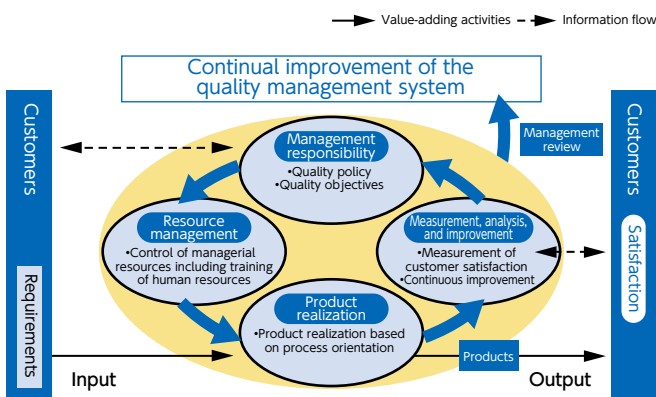
Policy to Address Quality Problems

A series of review and recurrence prevention activities based on thinking and acting from the customer's point of view is called *Ochibo Hiroi* (i.e. "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



HiKQ Innovation Activities

HiKQ stands for Hitachi Kokusai Electric (HiKE) Quality. HiKQ does not only refer to the quality of products. It also means the overall quality of work that will lead to a high level of customer satisfaction.

It has been over five years since we started the "HiKQ innovation activities," which aim to create a new corporate culture that pursues the improvement of the quality of work. In fiscal 2014, we worked on measures to raise employee awareness, in addition to the continued themes from the previous fiscal year, including innovation of work processes and improvement of work quality, mainly in development and production operations.

Under the "Work-Life Revolution 2014" (WLR2014) initiative, we reviewed our past working style and discussed how to ensure a better work-life balance, based on proposals submitted by (mostly younger) employees. Measures implemented during fiscal 2014 include the introduction of out-of-hours working in the morning to improve efficiency (to reduce overtime), provision of stand-up meeting places (to discourage lengthy meetings), and support for parents of young children, and good results were achieved. We will continue WLR activities in fiscal 2015 as well. As an effort to improve job satisfaction, we also plan to discuss measures to promote diversity and support volunteer activities.

We will strive to strengthen HiKQ innovation activities through employees' voluntary involvement and to nurture a corporate culture that places the utmost value on customer satisfaction.



Poster for fiscal 2014

For the purpose of raising employee awareness, a poster featuring employees, including those from Group companies, has been created and distributed for display at all Works and offices.

The poster for fiscal 2014 features workplaces that are actively pursuing reform efforts.

To inquire about our products and services:
<http://www.hitachi-kokusai.co.jp/global/contact/>
 OR Hitachi Kokusai Electric Inc. Contact

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



Promoting CSR Activities in Our Supply Chain

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

Basic Policy for Material Procurement

The Hitachi Kokusai 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.

Promotion of Globalization

The Company is promoting the establishment of a global-network-driven business model, in which manufacturing is performed at appropriate locations around the world and sales are promoted in cooperation with each region. In line with this, we expanded our operation to Turkey in 2013, to the U.S. in 2014, and to Singapore in 2015. With our global network including Brazil and Korea, we are working to reinforce our global competitiveness.

As global procurement measures, we share global procurement strategies, assist overseas procurement sites in procurement, glean and share information on global suppliers, and establish and strengthen our global partnerships for procurement.

Deployment of procurement BCP

If a business partner is affected by a natural disaster such as a large-scale earthquake, it may have an impact on the business operations of the Company and other business partners.

To minimize such an impact, we have formulated a procurement BCP* (thorough standardization, promotion of multi-sourcing, consideration of alternatives, etc.). We also conducted a desktop exercise (in which participants estimate the extent of damage and discuss in groups the actions they should take in a particular emergency situation) to verify the effectiveness of the procurement BCP, which was developed in cooperation with Hitachi, Ltd.

In fiscal 2015, we will roll out our procurement BCP to overseas Group companies and work to enhance our procurement BCP to enable an effective global response to emergency situations.

*BCP : Business continuity plan

Addressing the CSR Activity

As a member of the Hitachi Group, we distribute the "Hitachi Group Supply-Chain CSR Deployment Guidebook" (which conforms to the guidelines of the Japan Electronics and Information Technology Industries Association [JEITA]) to our business partners in order to share CSR awareness and ensure effective risk management across the supply chain.

We conducted a written survey regarding CSR activities with our major business partners in China and Asia in 2012, and with those in Japan in 2013.

Furthermore, with the support of Hitachi, Ltd. and an external auditing organization, we are examining the two business partners in China and Asia upon which we conducted the written survey, focusing on their practices in regard to human rights and labor, the environment, safety and health, fair trade, ethics, quality, safety, information security, and social contribution.

Measures against the problem of conflict minerals

We are committed to the responsible sourcing of minerals (conflict minerals) from the Democratic Republic of the Congo (DRC) and nine adjoining countries.

We will continue striving to enhance the transparency of supply chains and conduct procurement activities that do not benefit armed groups encroaching on human rights.

Collaboration with Our Business Partners

The Company promotes the development of the reciprocal relationship with business partners.

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

We will strengthen the mutually beneficial, "win-win" relations with business partners, through proactive communication efforts with regard to our business policy, CSR activities, etc.

VOICE

Business partners who received the Fiscal 2014 Excellent Performance Award

We are honored to receive a commendation as the most excellent business partner. Through business partner meetings (BPMs), you clearly communicate the direction of your business and promote QCD (quality, cost and delivery) improvement activities. We believe that sectional meetings and related activities are also very constructive and help improve the overall level of BPMs.

As a manufacturer specializing in high-frequency and optical transmission technologies, we will continue efforts to contribute to the growth of your business.

We would appreciate your continued guidance and advice.

Stack Electronics Co., Ltd.



Commendation by the Video & Communication Systems Division

It is both an honor and a surprise to receive the Fiscal 2014 Excellent Performance Award. Now that the pressure is on, we are determined to remain your most reliable business partner. Your guidance and support over the years has enabled us to win this award. Thank you very much.

Recognizing this commendation as vigorous encouragement, we will continue efforts to improve QCD in close cooperation with you, so as to meet and exceed customer expectations in this age of globalization. We ask for your continued advice and guidance. We wish for the further development of your company.

Oriental Kikoh Co., Ltd.



Commendation by the Semiconductor Equipment Division



Website for our business partners:

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



Respecting and Enhancing Human Assets

We respect the diversity of human resources, and provide them with the opportunity and environment to enhance and perform their abilities.

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

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) Training of new employees to nurture a global mindset

In order to foster a global mindset among new employees, we carry out various types of training, including English speech contests, sessions for learning about different cultures, TOEIC® tests, and support for personal development. Under the overseas dispatch program, we also send employees with a certain level of English skills overseas.

Note : TOEIC® is a registered trade mark of Educational Testing Service (ETS).

(2) Overseas dispatch program for young employees

We are developing global personnel by utilizing the overseas dispatch program of Hitachi, Ltd., mostly targeting young employees. Under the program, employees are sent overseas for training for a short period of one to three months. The program includes study at overseas language schools, the opportunity to work in local firms, and volunteer activities at educational facilities. In four years from 2011, our Group dispatched a total of about 50 employees. It is our hope that these employees will invigorate our organization by helping to instill a global mindset in their workplaces.

VOICE

I participated in a three-month dispatch program to Singapore. For the first month, I attended a local language school and visited local companies. For the remaining two months, I underwent practical training at the local branch of one of our Group companies. I worked hard at this training with the objective of becoming able to communicate smoothly with overseas customers and local staff. Through this program, I was not only able to improve my language skills, but also to understand local business practices and situations. My experience in Singapore has broadened my thinking and horizons, and I became able to better communicate with overseas customers.



Keita Miyoshi
Asia Sales Department
Semiconductor Equipment Division

Mr. Miyoshi making a presentation at the in-house briefing session after returning to Japan

(3) Introduction of the Global Selection (GS) system

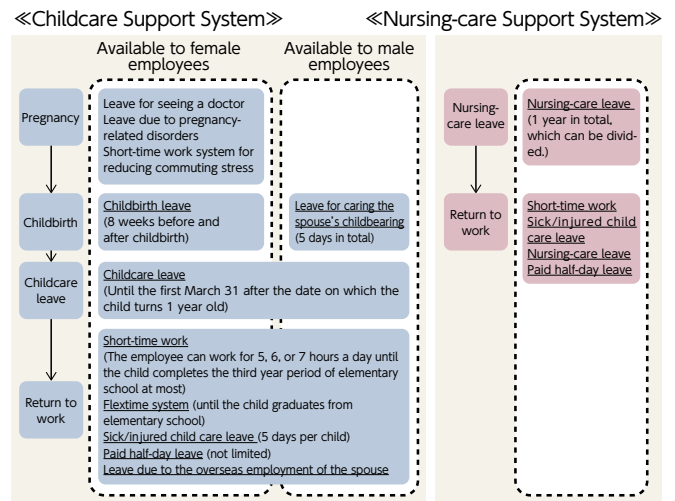
In 2014, we introduced the Global Selection (GS) system, under which talented young employees are selected and trained to serve as the core leadership team in the future. We will develop competent global leaders by providing selected employees not only with knowledge and skills education, but also with the opportunity to work overseas from an early stage.

Work-life balance

Support for balancing work and family life

Recognizing the importance of achieving a good balance between "a sound and comfortable life" and "rewarding and fulfilling work," we have been working to develop and enrich programs that help workers realize a good balance between work and family responsibilities such as child rearing and nursing care.

Systems for supporting child care and nursing care



(The underline represents the contents of the system or the system itself that exceeds the provisions of law.)

Working group to make work and life worthwhile

In fiscal 2010, we organized a working group to promote work-life balance, seeking members through open recruitment. In fiscal 2013, the working group sought new members and started anew with the mission of pursuing "job satisfaction" and a "fulfilling life." In fiscal 2014, the working group developed and executed more than 10 specific proposals. In fiscal 2015, the working group, with a new set of members, will work to develop new proposals and put them into action.

The numbers of employees who took a childcare leave and employees who used the short-time work system* (the Company only)



* Employees who used the short-time work system: Those working shorter hours than normal in order to fulfill parental, nursing care or similar responsibilities

Anti-disaster measures

The Group holds a Group-wide simultaneous disaster simulation drill once a year based on a scenario of an earthquake occurring directly beneath the Greater Tokyo metropolitan area. This drill aims to strengthen information sharing and coordination between the companywide anti-disaster headquarters (led by the President) to be set up at the Head Office and the anti-disaster headquarters to be set up at each operation base. In the event of an earthquake, anti-disaster headquarters will be set up and confirmation of the safety of employees will be carried out as a top priority. The Group-wide drill is conducted in three phases: (1) emergency phase (one day after), (2) business resumption phase (three days after), and (3) business recovery phase (one week after), by incorporating a wide variety of elements, including roles of headquarters staff, response to stranded persons, personnel support, restoration of business, and business continuity activities. We will conduct the drill periodically to verify our BCP* and improve its effectiveness. We will also maintain and continuously improve our BCP.

Each Works also holds an evacuation drill in autumn of every year. The self-defense firefighting squad of each site practices the drill together with local firefighters under the assumption of an actual disaster. Each employee also takes part in the drill, playing an appropriate role according to his or her function. Thus, each Works is making efforts to further improve its fire and disaster prevention system.

* BCP (business continuity plan) : An action plan that provides procedures and systems for response and recovery in the event of an emergency such as infectious disease outbreak, earthquake, or other disaster



Self-defense firefighting squad of the Toyama Works, which won three consecutive championships at a firefighting operations contest



Joint firefighting training at the Tokyo Works with the Kodaira Fire Station

Safety and Hygiene

In fiscal 2014, the Hitachi Kokusai Electric Group conducted the following safety and health activities.

1. In the area of safety activities, we promoted compliance with rules and reduced the number of lost-time incidents.

Achieved zero lost-time incidents.

2. In the area of health activities, we worked to prevent employees from developing physical and mental problems.

In addition to the existing mental health training, a physical health training course was newly established, in which Dr. Akaishi, Deputy Senior Manager of the Health Care Center was invited to give three lectures.



Physical health training "Do you take advantage of health check-ups?"

3. In the area of traffic safety activities, we worked to eradicate traffic accidents

The number of work-related traffic accidents in fiscal 2014 increased compared to fiscal 2013. Given this fact, in fiscal 2015 we will implement the following new measures:

- (1) Implement the Group's own Safe Driving Month.
- (2) Perform driving skill assessments.
- (3) Introduce smart drive recorders.

Employment of Diverse Human Resources

We promote the employment of people with disabilities and the reemployment of older employees.

We have adopted a reemployment system for older workers that allows employees who have reached retirement age to extend their employment to age 65. Many employees choose to utilize this system, which enables them to pass on their long-accumulated experience and professional skills to younger workers.

To promote the employment of people with disabilities, we operate an internship program for disabled job candidates that allows the Company to assess the intern's work skills and abilities while giving the intern the chance to try out the working environment, etc. We hire interns for more permanent roles after the internship is complete. At present, disabled employees make up 2.14% of our workforce, exceeding the mandated employment quota.

VOICE

I am working in the Quality Assurance Department. I organize data and create documents such as monthly departmental reports on the computer. I use a wheelchair to get around at work, but thanks to the support and consideration of my colleagues, I experience no inconvenience. I am working in a pleasant work environment. I want to learn many things as early as possible in order to perform my tasks better. On holidays, I enjoy watching baseball games with my friends and relaxing.

Yu Katagiri
Quality Assurance Department
Defense Electronics Division





**SOCIAL
REPORTS**

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.

Participation in Kurume Clean Partner and Kurume Flower Road Supporter Programs

Fukuoka Service Station of Kokusai Electric Semiconductor Service Inc. participated in the "Kurume Clean Partner" and "Kurume Flower Road Supporter" programs. These programs are organized by Kurume City, in which the Service Station is based, with the aim of making Kurume a city where people want to visit and enjoy walking around. Under these programs, employees from Fukuoka Service Station conduct various activities at the rate of once every two months, including cleanups around the office and planting flower seedlings and watering them. (November 18, 2014)



Planting flower seedlings in the flowerbeds along Meiji-dori Street in front of the office

Participation in the Osaka Marathon Clean-up Operation

Hitachi Kokusai Yagi Solutions Inc. and HS Services Inc. participated in the volunteer cleanup activity known as the "Osaka Marathon Clean-Up Operation." To welcome marathon runners and spectators to a clean city, employees from these companies picked up cigarette butts and trash for 30 minutes before starting work, mainly from sidewalks, around shrubbery and around vending machines near their offices. (October 21, 2014)



Our Group members who participated in cleanup activities

Overseas Group company welcomes high school students sent for overseas training from Toyama Prefecture

High school students from Toyama Prefecture visited the Vancouver Office (Washington State, U.S.) of Kokusai Semiconductor Equipment Corp. (KSEC), which sells and offers maintenance services for semiconductor manufacturing equipment.

This visit was held as part of the High School Students Overseas Dispatch Program organized by the Toyama Prefecture General Education Center. This year, the West Coast of the United States was selected as the training site.

After the KSEC President's welcome speech, the high school students enjoyed lunch with employees while conversing in English. After that, they were given an opportunity to operate a training machine for semiconductor manufacturing equipment. The visit to KSEC proved to be a valuable chance for the students to gain firsthand experience in handling silicon wafers and learning the basics of semiconductors. (March 9, 2015)



High school students and their teachers photographed with the KSEC President and an employee



A student making a speech to the KSEC President (second from the right) and employees

Chubu Area Operation and Hokuriku Office hold volunteer cleanup events

In partnership with other Hitachi Group companies, Hitachi Kokusai Electric Chubu Area Operation and Hitachi Kokusai Yagi Solutions Inc. conduct volunteer cleanup events in Yaba Park in Nagoya City on the fourth Wednesday of each month, with employees picking up trash, empty cans and cigarette butts. (February 25, 2015)

Chubu Area Operation's Hokuriku Office, Hitachi Kokusai Yagi Solutions and HS Services also participated in the "Komatsu City Kibagata Cleanup Campaign," which was organized to clean the venue in preparation for the "Ishikawa National Tree-Planting Festival 2015," scheduled to be held in May, 2015. (April 18, 2015)



Employees participating in a volunteer cleanup event in the Nagoya City's Yaba Park



Komatsu City Kibagata Cleanup Campaign

Tokyo Works welcomes elementary school students for workplace experience

The Tokyo Works accepted two six graders from a nearby elementary school for workplace experience.

In addition to working on computers, the students also got to experience working in the company store and mail room, through the cooperation of Kokusai Electric Techno Service Co., Ltd. (October 16-17, 2014)



Students displaying goods on store shelves



A student learns about mail sorting in the mail room

Participation in the autumn volunteer flower-planting event, Machinnaka Flower Park 2014

Our Group employees participated in volunteer activities for Autumn Flower Week, organized by Miyazaki City. The employees planted flowers and tidied up planters. (October 18, 2014)



Three employees from the Group, including two installation representatives, participated in the autumn flower planting activities

VOICE

Amid wonderful sunny weather, we had a fulfilling day pleasantly working up a sweat alongside lots of other local volunteers.

Isao Takeuchi
Kyushu Area
Operation



Ongoing participation in Toyama City's "Corporate Forestry Project"

Since fiscal 2009, Hitachi Kokusai Electric's Toyama Works, Kokusai Electric Semiconductor Service Inc. and Kokusai Electric Techno Service Co., Ltd. have been jointly participating in Toyama City's "Corporate Forestry Project," in which employees from the three companies perform maintenance and conservation of satoyama forests (2 hectares) located in the Toyama Yatsuo Chukaku Industrial Park.

In fiscal 2014, they performed various activities, including development and maintenance of a new trail route, cutting grass and planting seedlings. (October 25, 2014)



Heading off to perform maintenance work on trails



Employees posing after completing their volunteer work in front of the Kokusai Electric Techno Service building, which faces the entrance to "Hitachi Kokusai Electric Forest"

Cleanup activities and tulip-planting by employees and their families

The Company conducts volunteer activities called "the third Sunday contribution" with the cooperation of its labor union. This time, the employees and their families picked up trash on the streets from Kodaira or Musashi-Koganei Stations to the Tokyo Works and planted tulips. Events for children were added this year to enable them to enjoy volunteer activities with their families. After the work was done, participants enjoyed a relaxing meal of miso soup with pork and vegetables. (November 15, 2014)



Participants picking up trash on the streets along which they walk to work, which are suffused with light filtering through the trees



Participants who cleaned the streets from Kodaira Station

Planning and conducting a cleanup climb to Kurikoma Mountain

Goyo Electronics Co., Ltd. organized a cleanup climb to Kurikoma Mountain, which stretches over three prefectures in the Tohoku region. Employees from the Head Office and the Tenno Works in Akita Prefecture and from the Sendai Works participated in the event. On the day of the climb, the weather was nice, which meant the views from Tengu-daira just before the mountain top were breathtaking, with a clear sky on the north side of Kurikoma Mountain and a sea of clouds spreading out over the south side. (October 12, 2014)



Participants posing after the cleanup climb at the entrance to a mountain path in the Sukawa-Kogen Hot Spring area on the Akita-Iwate prefectural border



Picking up trash discarded in bushes along the mountain path

Presentations on the Group's environmental activities at the Toyama District Summer Festival and the Goyo Electronics Akita District Summer Festival

As part of its environmental social contribution activities, presentations were made on the Group's environmental activities at the Toyama District Summer Festival (August 23, 2014) and Goyo Electronics Akita District Summer Festival (July 26, 2014), which were held to enable employees and their families to enjoy a cool summer evening out. Both events were blessed with wonderful weather. Participants enjoyed various games and activities and had a great time with their family members and colleagues on a lovely summer evening.

In the environmental booth, various events were staged, including a panel exhibition on the Group's environmental activities, a quiz session on environmental activities to get children interested in environmental protection, and a coloring event in which children colored in pictures of Kinopon, a mascot character of the Hitachi Kids Site "Kinopon Town."

We will continue to make use of various events to promote public understanding of our environmental protection efforts.



Environmental booths set up in the Toyama District Summer Festival and Goyo Electronics Akita District Summer Festival

Fiscal 2014 green curtain campaign

As part of the Hitachi Group Summer Power-Saving Campaign, since fiscal 2011 our Group has been engaged in "green curtain activities." In fiscal 2014, the Group worked as one to further improve green curtain activities. Our activities included cultivating more varieties of plants, publishing the growth status of plants on the intranet, and donating goya seedlings to local preschools.

The Toyama Works, the Tokyo Works, and six bases of our Group companies created green curtains of about 960 m² in total. The Toyama Works donated goya seedlings and planters to local preschools and employees planted goya seedlings in the planters together with children.



Planting goya seedlings with children at a local preschool (June 20, 2014)



Green curtain within the Tokyo Works (August 6, 2014)

Respect for Human Rights, Basics and Ethics

We respect human rights, observe laws and ethics, and establish a clean corporate culture that is admired by society.

Respect for Human Rights

Our commitment to human rights is clearly stated in Hitachi Kokusai Electric Group Codes of Conduct. To complement the Group Codes of Conduct, we established the Hitachi Kokusai Electric Group Human Rights Policy in fiscal 2013.

The basic concept of our Human Rights Policy and detailed information on our related activities, including human rights seminars, are available on our website.



Website including the details of the respect for human rights

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

Identifying and addressing risks

Compliance

Bid rigging and the formation of cartels are criminal acts against society, and brushing off all such affairs and endeavoring to strengthen one's own competitive power will lead to the reform of corporate culture and ultimately to the principle of customers first. Moreover, there is growing social interest in the prevention of bribery to public officials, etc. inside and outside Japan. In reflecting elements that raise anxiety in the international arena such as the issue of the nuclear development, export control is also assuming greater importance. For these risks, with the Legal Center of the Company taking the lead, we are implementing education and conducting periodic audits targeted at the entire Group while updating the contents thereof, and we maintain a system in which any incidents incurring risk are reported to the top management swiftly. Through all these, we are working to ensure that the strong interests of top management concerning compliance, that is, to live up to society's trust are thoroughly implemented in all corners of the Group, with both top-down and bottom-up measures.

As for the proper management and handling of confidential information of the Company and other firms, the protection of personal information, etc., the Company's Information Security Committee educates and enlightens employees regularly and when necessary. As for the observance of other laws and company rules and the prevention of disgraceful affairs, the relevant sections, the legal affairs section and the Human Resources & Corporate Administration Division jointly educate and enlighten employees regularly and when necessary. Meanwhile, the Internal Auditing Office audits the entire Group on a regular basis.

On-site inspection by the Fair Trade Commission

In November 2014, the Company was subject to an on-site inspection by the Japan Fair Trade Commission concerning a suspected violation of the Antimonopoly Act with regard to tenders for digital firefighting emergency radio systems. The President immediately sent out a message to all employees about the Company's commitment to compliance. The Company is fully cooperating with the Commission's investigation. As measures to further strengthen compliance, we have worked to increase the specificity of the rules governing the business conduct of sales personnel and to improve reporting methods. In addition to these measures, from fiscal 2015 we have designated a person in charge of compliance management at each sales department to strengthen our compliance management system.

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 have an internal reporting system so that an employee or a business partner of the Group can report the incident, when discovering any illegal acts related to our businesses, any improper acts violating our company rules, or any problems regarding human rights, and finding these cannot be solved by ordinary methods. When a report is received, the fact will be investigated and necessary corrective measures are implemented.



We ensure that the employees including those of each Group company are informed of this reporting system as well as the principles of "keeping secrets,"

"not mistreating informants," and "responding with good faith" through internal gazettes, seminars and intranet. This system is operated under 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

Postal mail : Representatives of the Ethical Helpline

Hitachi Kokusai Electric Inc.

Akihabara UDX Building 11th floor, 4-14-1, Soto-kan-da, Chiyoda-ku, Tokyo 101-8980, Japan

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



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.

Web Introductory website of Action Guidelines for Environmental Conservation

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

Fostering of an environmental mindset

In order to nurture an environmental mindset within the Group, we produce posters and display them at 62 domestic sites and nine overseas sites.



Poster for fiscal 2014



Poster for fiscal 2015

Targets and Results of Environment Activities in Fiscal 2014

The results and evaluation of the Environmental Action Plan in fiscal 2014 are as follows:

Category	Main item	Action goal	Index	Final year (fiscal 2015) targets	Fiscal 2014 targets	Fiscal 2014 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	640GP	576GP	604GP	🌳🌳🌳
	Nurturing of Environmental Literacy	Fostering environmental minds by environmental e-learning	Participation ratio	99%	99%	100%	🌳🌳🌳
Next-Generation Products & Services	Promotion of Eco-Products	Increasing Hitachi Eco-Products	Ratio of Eco-Product sales to total sales	95%	93%	95%	🌳🌳🌳
Super Eco-Factories & Offices	Preventing Global Warming	Improvement of Energy Use per Unit	Improvement rate of Energy Use per Unit (reference year 2005)	17%	16%	19%	🌳🌳🌳
		Energy Reduction during Transportation	Reduction of transportation energy per unit	Reduction rate (reference year 2006)	15%	14%	27%
	Effective Use of Resources	Improvement of waste and valuables generated per unit	Improvement rate (reference year 2005)	38%	36%	48%	🌳🌳🌳
		Promotion of electronic manifest	Increase of registration (issuance) ratio	100%	92%	94%	🌳🌳🌳

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

Training for internal environmental auditors

The Group started obtaining ISO 14001 (environmental management system) certification for each office back in fiscal 1996. In fiscal 2013, we completed the integration of ISO 14001 certification to carry out environment activities in a more efficient and unified manner across the entire Group.

Since fiscal 2013, we have conducted a Group-wide training program for internal environmental auditors, inviting an external lecturer, to improve their competencies and unify their perspectives.

In fiscal 2014, in addition to a classroom lecture, a group work session was conducted to help our internal environmental auditors brush up their knowledge and skills.



Group work session



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.

Evaluation results of fiscal 2014 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."

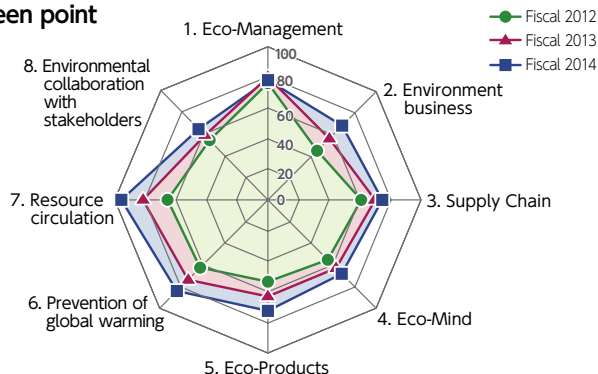
In achieving the target, our results for fiscal 2014 was 604GP as compared to 576GP, the target common to Hitachi Group companies.

In the future, to improve the evaluation of environmental collaboration with stakeholders, we will enhance our activities to preserve ecosystems.

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 CO2 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 CO2 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



Ecosystem preservation assessment

In the ecosystem preservation assessment, which was conducted at Hitachi Group companies in fiscal 2014, our Group assessed its contribution to the ecosystem through its business and social contribution activities relating to nature conservation.

We will work to continuously improve our ecosystem preservation activities.

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 2012	FY 2013	FY 2014	Overview
Business area costs	187.9	141.7	239.5	Costs of maintenance of equipment with low environmental burden, depreciation, etc.
Upstream/downstream costs	0.3	0.0	0.0	Costs for greenprocurement and recycling
Management activity costs	51.5	68.0	78.1	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	216.5	205.4	183.9	R&D for the reduction of environmental burden caused by products and production processes, product design expenses
Social activity costs	1.5	1.0	1.1	Environmental improvements such as afforestation and beautification, PR, and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions, and levies
Total	457.7	416.1	502.6	—

Investments (in millions of yen)

Item	FY 2012	FY 2013	FY 2014	Overview
Investments in environmental conservation	20.4	131.1	150.9	Direct investments in environmental load reduction facilities such as energy conservation facilities

Economic effects of environmental conservation

Economic effects (in millions of yen)

Item	FY 2012	FY 2013	FY 2014	Overview
Net income effects	9.0	12.7	8.4	Profit on sale of recycled waste, etc.
Expenditure reduction	0.6	4.9	4.0	Cost-saving effects, etc. by saving energy
Total	9.6	17.6	12.4	—

Participation in the Hitachi Global Lights-Off Campaign

The Group participates each year in the Light Down Campaign hosted by the Ministry of the Environment, turning off the lights on signboards, etc. at all business sites in Japan on the nights of the summer solstice and the night of July 7, (the Tanabata festival).

On March 28, 2015, as part of the "Hitachi Global Lights-Off Campaign," the Hitachi Group participated in Earth Hour, organized by the WWF*. As a member of the Hitachi Group, our Group also participated in this initiative and turned off lights not only at our domestic sites, but also at our overseas production sites.

* WWF : World Wide Fund for Nature

Turning off the signboard illumination at Kokusai Electric Korea Co., Ltd.



Before lights-out



After lights-out



Eco-Factories & Offices

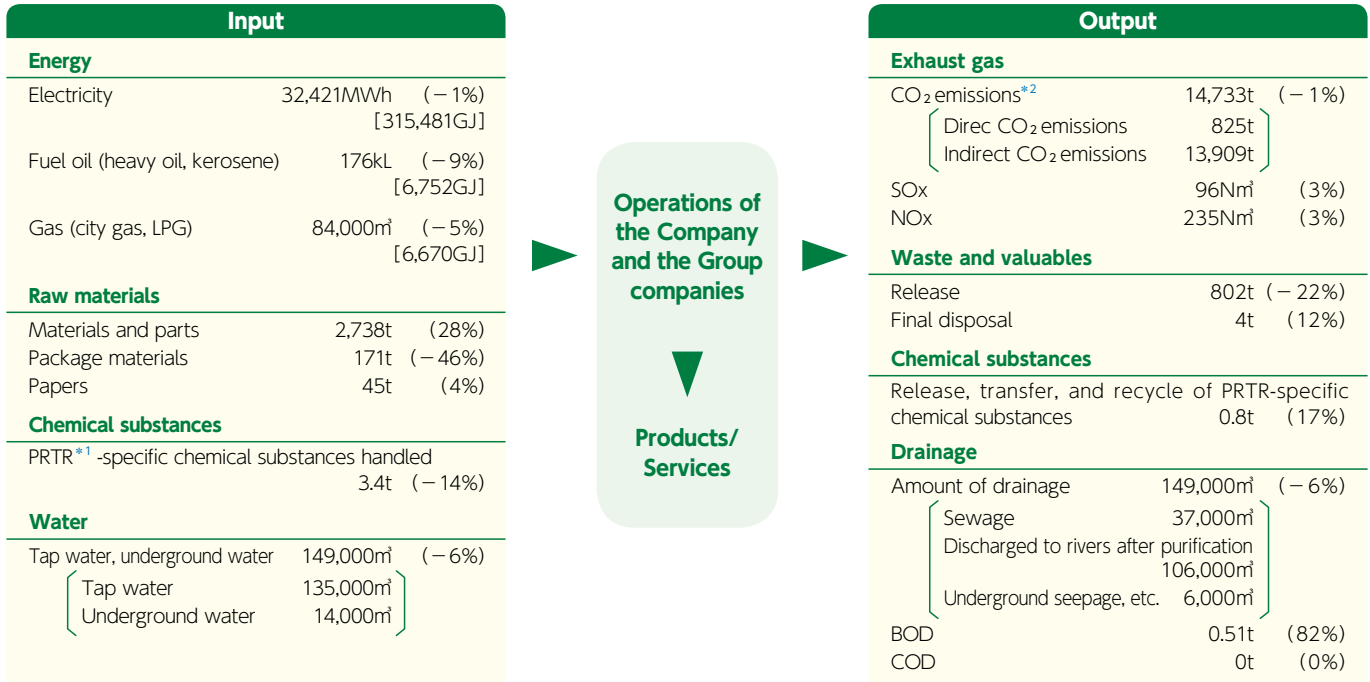
Through the entire production process of products, we work to save energy and enhance facilities in an attempt to prevent global warming and to reduce industrial waste.

Operations and Environmental Loads

In conducting its operations, our Group expends resources and energy to provide products and consequently discharges CO₂ and wastes. The production sites of the Company and the Group monitor the inputs and outputs of such elements, and work to reduce hazardous chemical

substances and increase energy efficiency.

For information on the procurement of raw materials and the reduction of environmental impact by our products, see "Promoting CSR Activities in Our Supply Chain," and "Eco-Friendly, Next-Generation Products," respectively.



*1 PRTR : Pollutant Release and Transfer Register

*2 CO₂ emissions : Emissions were calculated based on the 2005 emission coefficients for electric power by country published by IEA.

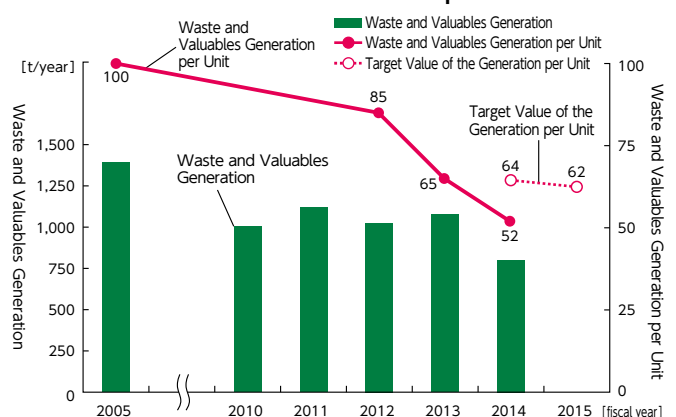
The values in parentheses show the changes from fiscal 2013.

Reduction of wastes

At production sites of the Company and the Group companies, we have strived to reduce Waste and Valuables Generation per Unit since fiscal 2011, one of the revised indices according to the activities of the Hitachi Group in fiscal 2013, and set a goal of improving it by 38% in fiscal 2015 comparing to that in fiscal 2005.

While we had the goal of improving the value for Waste and Valuables Generation per Unit between fiscal 2005 and 2014 by 36%, we actually improved it by 48%, through recycling paper and magazines, providing e-learning on waste segregation, and reducing the amount of packing materials used for transporting overseas products, thus achieving the goal.

Improvement in the amount of Waste and Valuables Generation and that per Unit



Introduction of integrated waste management service

To ensure efficient waste management at factories and offices and to reduce compliance risk, we have promoted the introduction of an electronic manifest and the expansion of its application. In fiscal 2014, as the next step, in order to strengthen the management of waste generated from equipment installation work we perform around

the country, we introduced an integrated management service for industrial waste. This enables us to visualize the entire process of industrial waste management (consignment contract for waste disposal → discharge of wastes → confirmation of proper disposal → payment), thereby improving our compliance level.



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.

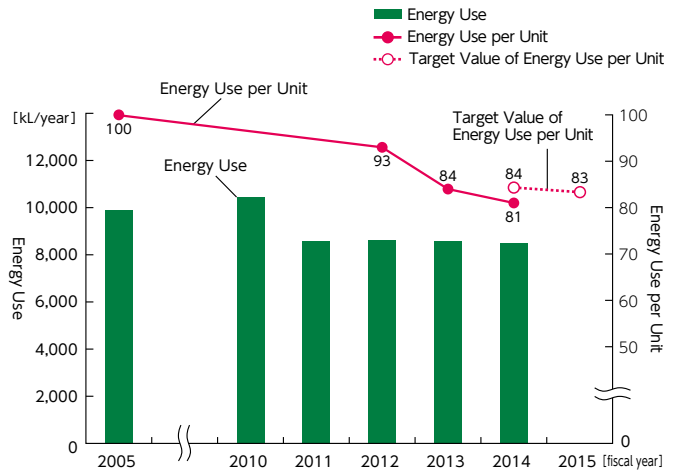
Prevention of Global Warming (Energy-saving Efforts)

The production sites of the Company and the Group companies conduct activities to reduce the energy used at the product manufacturing stage. In fiscal 2013, we revised indices according to the activities of the Hitachi Group, and set a goal of improving Energy Use per Unit by 17% in 2015 comparing to that in fiscal 2005.

In fiscal 2014, we made efforts to attain a goal of improving Energy Use per Unit by 16% from fiscal 2005, and succeeded in improving it by 19%.

As efforts regarding facilities in fiscal 2014, in addition to the existing 100-kW solar power generation equipment installed at the Tokyo Works during the previous fiscal year, we installed another photovoltaic power generation system (6 kW) on the arcade on the south side of the West-Wing building. We also upgraded to high-efficiency air-conditioning equipment and switched to LED lighting. With regard to operations, supporting the National Campaign Against Global Warming promoted by the government since 2005, we implemented "Cool Biz" and "Warm Biz" at all our business establishments, and continued our participation in the "Light Down Campaign."

Improvement in Energy Use and that per Unit



Tokyo Works receives Hitachi Group "Eco-Factory Select" certification

The Hitachi Group certifies factories and offices that meet the prescribed certification criteria as "Eco-Factory & Office Select." By commending advanced environmental activities and products/services, the Eco-Factories & Offices Select certification aims to kickstart environmental activities, improve the level of environmental activities through the roll-out of advanced practices, and enhance environmental brand value. In fiscal 2014, our Tokyo Works received the Hitachi Group "Eco-Factory Select" certification.

This certification was awarded in recognition of the Tokyo Works having met the criteria for renewable energy use (introduction of over 100 kW of renewable energy) and for recycling of waste and other resources (a final disposal rate of less than 0.1% and a 100% registration rate in electronic manifests).

The West-Wing building, which was newly constructed in the Tokyo Works in fiscal 2013, is an environmentally friendly building with (1) LED lighting throughout and (2) 100-kW solar power generation equipment on the rooftop. The operating

status of the solar power generation equipment is displayed on monitors installed at three locations within the site to appeal to visitors as a green company using renewable energy and help raise employee awareness of environmental activities. As for recycling of waste and other resources, the Tokyo Works has continued to achieve zero-emissions since fiscal 2008.



Overall view of the Tokyo Works



Eco-Factory Select certificate

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 2014, we entrusted a low-concentration PCB detoxification facility authorized by the Ministry of the Environment with the processing of high-pressure transformers containing low-concentration PCB, which had been stored by the Tokyo Works of the Company, Hitachi Kokusai Yagi Solutions Inc. and the Sendai Works of Goyo Electronics Co., Ltd. The detoxification processing was completed by the facility.

Detoxification processing was thus completed for all the low-concentration-PCB-containing devices that had been stored by the Group.



Devices containing low concentrations of PCBs being carried out of the factory



Eco-Friendly, Next-Generation Products

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

Eco-Products (Hitachi Eco-Products)

As part of our initiative to minimize the environmental burden of our products and services, the Group conducts "Assessment for Design for Environment" at the design and development stage in order to manufacture products with superior power-saving and resource-saving characteristics as compared to existing products.

In providing products and services to customers, we try to contribute to building a low-carbon society by proposing environmentally conscious products.

Major Eco-Products in fiscal 2014

■ SK-UHD4000 broadcast 4K ultra-HDTV camera system



SK-UHD4000

The SK-UHD4000 is capable of directly mounting standard HD lenses (conforming to BTA S-1005-A standards) without using high-resolution lenses or special conversion adapters. This feature allows broadcasters to effectively use their existing lenses and shoot video in 4K (3840 × 2160) resolution, while at the same time retaining the easy handling and operability of conventional HD broadcast cameras (1920 × 1080). The SK-UHD4000 is a revolutionary broadcast 4K camera system that enables effective use and efficient operation of existing assets.

Equipped with the Company's original technologies for digital video signal processing, optical transmission, and high-efficiency power supply, the SK-UHD4000 produces images with high sensitivity and high resolution, and achieves reduced power consumption as well as a smaller size and reduced weight.

Compared with the conventional HD camera (SK-3200P marketed in 2001), the SK-UHD4000 reduces CO₂ emissions by 29% and new resource inputs by 10% through its life cycle.

The SK-UHD4000 won the "Best of Show" award for the TVBEurope category at the IBC 2014 broadcasting equipment trade show, held in Amsterdam, the Netherlands in September 2014.

■ "iMH-1000" Docomo Business Transceiver-compatible in-vehicle terminal



iMH-1000

The iMH-1000 is a transceiver terminal (radio for business use) that utilizes FOMA[®] packet communication provided by NTT DOCOMO, Inc. Unlike conventional business-use radios, the iMH-1000, which utilizes the FOMA[®] network, does not require dedicated base station equipment and application for radio license, which is necessary to set up base stations, thereby reducing costs and resources associated with construction of radio equipment.

In the case of conventional business-use radios, to expand the communication area, it is necessary to increase radio output power (increase power consumption). However, the iMH-1000, by utilizing the FOMA[®] network, enables users to call from anywhere within the FOMA[®] area, with power consumption on a par with mobile phones. It secures an extensive phone communication area with low power consumption.

Compared with the conventional business-use radio (MR radio marketed in 1998), the iMH-1000 reduces CO₂ emissions by 42% and new resource inputs by 32% through its life cycle.

Note : FOMA[®] is a registered trademark of NTT DOCOMO, Inc.

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

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Hitachi Kokusai Electric CSR Report

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Editor's Postscript

We revised the content of the questionnaire about our CSR report last year and made an earnest request to readers to respond to the questionnaire to give us feedback. As a result, in June and July alone of the same year, we received 140 responses. The survey results and our responses to the comments provided in the open-ended section are available in the CSR information page of our Japan Site. Based on feedback obtained from the questionnaire, we made partial changes to the layout to improve readability.

We invite you to read through this English version of the CSR report and fill in and send back the questionnaire to help us understand your opinions and suggestions.

As part of improvements to increase readability, some of the detailed information about our CSR activities has been transferred to our website, where the latest and basic information of the Group is also available. We hope that you will use the links in each section of this report and feel free to visit our website.