

Hitachi Kokusai Electric

HITACHI
Inspire the Next

Hitachi Kokusai Electric Group CSR Report 2017





Commitment of the President and Chief Executive Officer

We will create true value for customers and society with the aim of creating an affluent and sustainable future.

I thank you for the ongoing support you have given to the business of the Hitachi Kokusai Electric Group.

In fiscal 2016, the global economy on the whole remained uncertain due to the prolonged economic stagnation and slowdown in emerging markets and uncertain economic prospects in the U.S. In the Japanese economy, relevant markets have been shrinking due to sluggish demand in the public works sector.

Under these circumstances, the Video and Communication Solutions Segment saw a year-on-year increase in adjusted operating income, although its revenues decreased due to increasingly fierce competition in the domestic market and political uncertainty and economic slowdown in emerging economies. Meanwhile, the Thin Film Process Solutions Segment broke the previous year's record for revenues thanks to robust capital investment by semiconductor manufacturers in Asia. However, adjusted operating income in the segment decreased due to increased capital investment for strengthening R&D capabilities and increased costs resulting from increased production levels.

As for the future outlook of the business environment



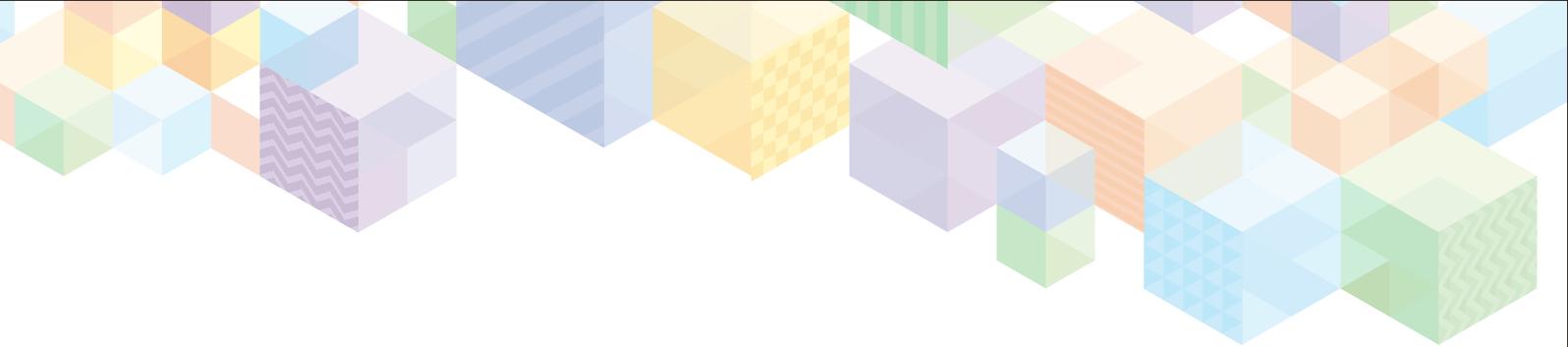
surrounding the Group, it is expected that the global economy on the whole will remain unpredictable, but there are some positive signs, such as continued strong demand for semiconductors. In Japan, competition is expected to continue to intensify due to the shrinkage of the size of the relevant markets.

In such a business environment, the Group will implement the measures set out as follows. In the Video and Communication Solutions Segment, we will accelerate the concentration of management resources in solution businesses in new fields centered on video and wireless technologies and products, and vigorously promote changes in our business portfolio.

In the Thin Film Process Solutions Segment, we will work to expand the market share of vertical semiconductor manufacturing systems by expanding the mass production of new products and further promoting sophistication. We also seek to achieve further growth and expansion of our service businesses through the evolution of product life cycle business.

In its Corporate Statement, the Group stipulates the role it seeks to play to help realize a sustainable society as follows: "The Hitachi Kokusai Electric Group strives to realize a society of security, safety and happiness, creates value by applying advanced technologies, and pushes the boundaries of tomorrow." 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 people everywhere in their pursuit of happy and affluent lives are the major issues the Group seeks to address.

From a medium- to long-term perspective focused on achieving a sustainable society, the Group will, in accordance with the internationally recognized ISO 26000 guidelines, continue its efforts to: reduce environmental impacts resulting from production activities undertaken in implementing the business strategies mentioned above, respect human rights, pursue diversity in regard to employment and training, observe laws and regulations, and foster an upright corporate culture, as set out in the Hitachi Kokusai Electric Way and the Guidelines and Commitments. The Group has communicated these norms to all directors and employees, as well as established a



relevant internal control system as required. The Group will also deepen dialogues with stakeholders in each region and promote "collaborative creation" to realize a sustainable future.

Regrettably, however, in February 2017, our Company was issued with a cease and desist order by the Fair Trade Commission, which found us in violation of the Antimonopoly Act with regard to our supply of fire rescue digital radio equipment. We are keenly aware of the gravity of this situation and hereby pledge to strengthen initiatives related to legal compliance to prevent and eradicate any and all violations of laws and regulations, thereby regaining the trust of our stakeholders.

As announced on April 26, 2017, a tender offer (the "Tender Offer") is scheduled to be conducted by the special-purpose company of U.S. investment fund Kohlberg Kravis Roberts & Co. L.P. for the common shares of the Company, and our Company confirmed that it would support the Tender Offer if it were commenced.* If the Tender Offer is successfully completed, the two segments of the Company will be independent by early January 2018. While accelerating the resolution of issues under their respective new capital partners, both the video and communication solutions business and the thin film process solutions business will strive to respond to the qualitative changes occurring in social infrastructure, as well as the innovations in the semiconductor industry brought about by the arrival of the smart society, by leveraging the technologies that our Group has accumulated over the years, working in collaboration with the Hitachi Group or engaging in collaborative creation projects with customers, thereby aiming to further improve their corporate value.

We sincerely ask for your continued guidance and support.

June 28, 2017

Kaichiro Sakuma
President and Chief Executive Officer

CONTENTS

Commitment of the President and Chief Executive Officer	1
What Hitachi Kokusai Electric Considers Important	3
Our Communication Tools, Editorial Policy	4
Company Outline, Main Products	5
Main Centers for Development, Design and Production, Group Network	6
Special Reports	
Value Created through Dialogue with Customers	
We pursue <i>Monozukuri</i> to provide true value to the customers and society.	7
Social Reports	
Pursuing Quality	9
Promoting Responsible Procurement Activities	10
Respect for Human Rights, Basics and Ethics	11
Corporate Governance	12
Respecting and Enhancing Human Assets	13
Living Together with Communities	16
Environmental Reports	
Eco-Mind & Global Environmental Management	18
Eco-Factories & Offices	20
Eco-Friendly, Next-Generation Products	22

* For details of the Company's stance regarding the Tender Offer and other related matters, see the Company's news release dated April 26, 2017.

What Hitachi Kokusai Electric Considers Important

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.

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, the Hitachi Kokusai Electric Way, and the Guidelines and Commitments, which collectively form the basis of its business management and CSR, the Company thoroughly discussed and considered both the expectations of society toward the Group and important management-related issues.

Corporate Statement and Management Policy

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

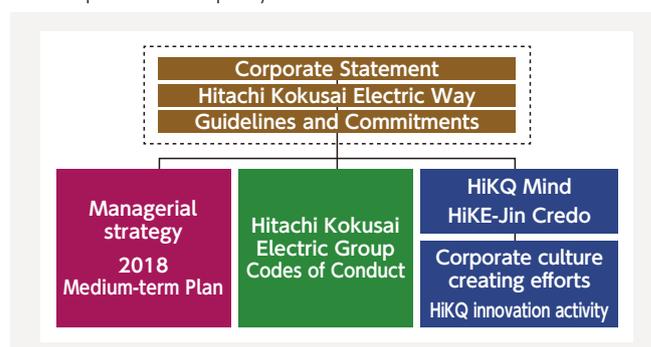
Hitachi Kokusai Electric Way : Basics of the corporate management, the will and value of the Group

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

Our CSR policy is to realize the basic principles set out in the Corporate Statement and Hitachi Kokusai Electric Way by ensuring that all officers and employees recognize and act on the Guidelines and Commitments and Hitachi Kokusai Electric Group Codes of Conduct.

In addition to our specific management visions and strategies, which are found, among others, in our Medium-term Management Plan, we disclose information on the status and progress of the CSR activities undertaken in accordance with our CSR policy so as to provide a basis for the broad promotion of dialogue with stakeholders concerning the management of our Group. Our Group aims to grow as a corporate group by improving the overall quality of work to achieve a higher level of customer satisfaction, promoting HiKQ (pronounced "high-K-Q") innovation activities for the creation of a vibrant corporate culture, and encouraging all employees to act on the HiKE (pronounced "high-K-E") -Jin Credo, which outlines the behaviors and attitudes expected of all Group employees. When self-evaluating and improving specific activities implemented in accordance with our CSR policy, we refer to the CSR Management Framework of our parent company, Hitachi, Ltd.



Web Corporate Statement online
<http://www.hitachi-kokusai.co.jp/global/en/corporate/standard.html>
 or

Web Group Codes of Conduct online
<http://www.hitachi-kokusai.co.jp/global/en/corporate/action.html>
 or

■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.

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

Our Communication Tools

On our website, information about our Group's business activities is regularly disclosed either in the form of our annual reports, which focus on providing a business overview and financial information, or our CSR reports, which cover non-financial information such as details of 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.

■Annual Report

To provide a business overview and corporate financial information as well as details of our corporate governance, we offer a PDF version of our Annual Report on our global site, where we also disclose quarterly reports on a quarterly basis.

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



Website



Annual report

■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 information sessions to increase their understanding of our Group.



Briefing on the financial results for the term ended March 2017

Editorial Policy

■Basic Concept

We want this report to serve as 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 4

Our contents index as per the GRI Guidelines is posted on the "CSR information" page of our website at the same time as the publication of this English version of our CSR report.

■ 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 2016 (from April 1, 2016 to March 31, 2017)

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 accepted financial reporting practice. Figures for environmental and other non-financial data are rounded to the nearest unit indicated.

■Next Issue

The next report is planned to be issued in September 2018.

■Company Outline (as of March 31, 2017)



Name
Hitachi Kokusai Electric Inc.

Address of Head office
2-15-12, Nishi-shimbashi,
Minato-ku, Tokyo
105-8039, Japan

Established
November 17, 1949

Paid-in Capital
¥10,058 million

Revenues
¥171,857 million
(consolidated)

Employees
4,962 (consolidated)

Head Office (Hitachi Atago Bldg. 6F)

Note : Our Head Office was relocated from Soto-kanda, Chiyoda-ku, Tokyo to the above address on October 1, 2016

■Main Products

Video and Communication Solutions

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)



Digital TV Transmitter



Industrial Video Camera



Digital FPU* System
*FPU: Field Pick-up Unit



HD-SDI-type Monitor Camera



Full-HD Monitor Camera



Full-HD Integrated Pan-Tilt Camera

Thin Film Process Solutions

Semiconductor Manufacturing Equipment



Batch SiGe/Si Epitaxial Growth Equipment



Single Wafer Plasma Nitridation/Oxidation Equipment

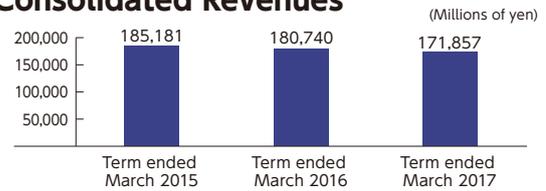


Batch Thermal Process Equipment

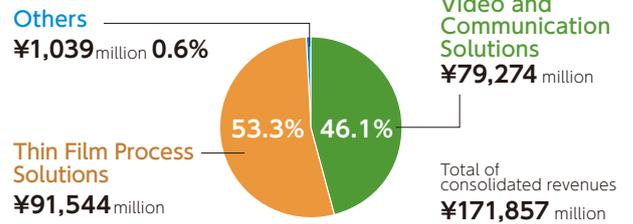


Single Wafer Ashing Equipment

■Consolidated Revenues



■Consolidated Revenues by Segment



■ Main Centers for Development, Design and Production



Toyama Technology & Manufacturing Center
Main products : Semiconductor manufacturing equipment

Located in Yatsuo-machi, Toyama, with a view of the Tateyama mountain range, this factory has a special-purpose clean room where semiconductor manufacturing equipment for next-generation processes is developed, designed and produced to meet the demanding needs of major users worldwide.



Tokyo Works
Main products : Video and communications solutions

Located in Kodaira, Tokyo, a district that retains the character of old Musashino, this factory is a core site for developing and designing wireless communication and information systems as well as broadcasting and video systems. It provides solutions for a secure, safe and comfortable society through video and radio communication technologies.



Head Office, Main Factory of Kook Je Electric Korea Co., Ltd.
Main products : Semiconductor manufacturing equipment

Located in Cheonan-si, Chungnam, about 100 km south of Seoul, the capital of South Korea, Kook Je Electric Korea Co., Ltd. designs, produces and retrofits semiconductor manufacturing systems, supplying products mainly to users in South Korea. Also, the Pyeongtaek Factory in Pyeongtaek-si, Gyeonggi-do is located close to major users and provides services such as process evaluation, improvement and repair of parts, and equipment operation training while cultivating deeper relationships with customers.



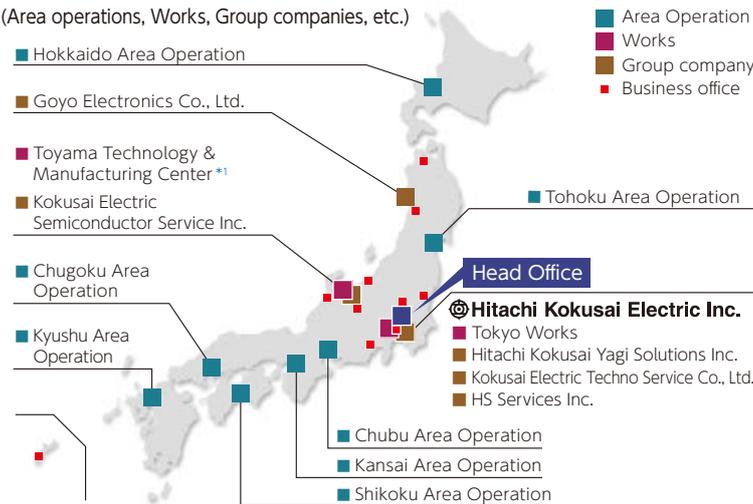
Headquarters facility of Hitachi Kokusai Linear Equipamentos Eletrônicos S/A
Main products : Broadcasting transmitters

The nature-rich city of Santa Rita do Sapucaí in the State of Minas Gerais is located between 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.

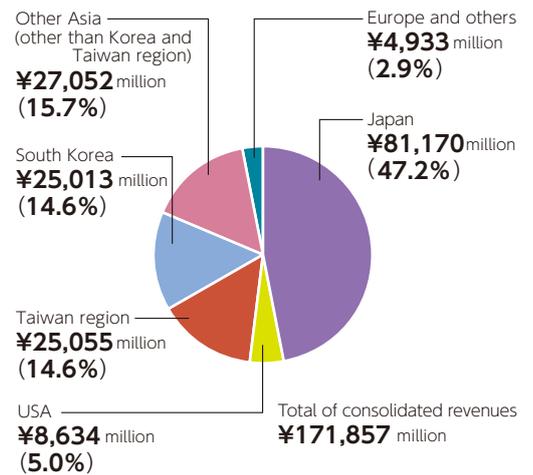
■ Group Network (as of April 1, 2017)

Domestic Network

(Area operations, Works, Group companies, etc.)



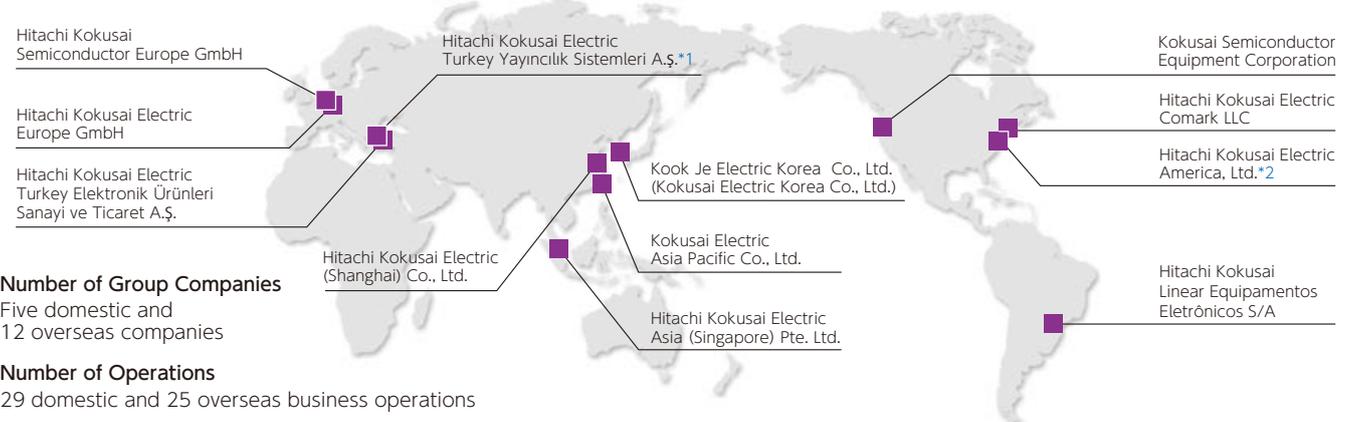
■ Revenues by Region (Term ended March 2017)



Note : The revenues are calculated based on the customer locations.

Overseas Network

(Major business centers of Group companies)



Number of Group Companies

Five domestic and 12 overseas companies

Number of Operations

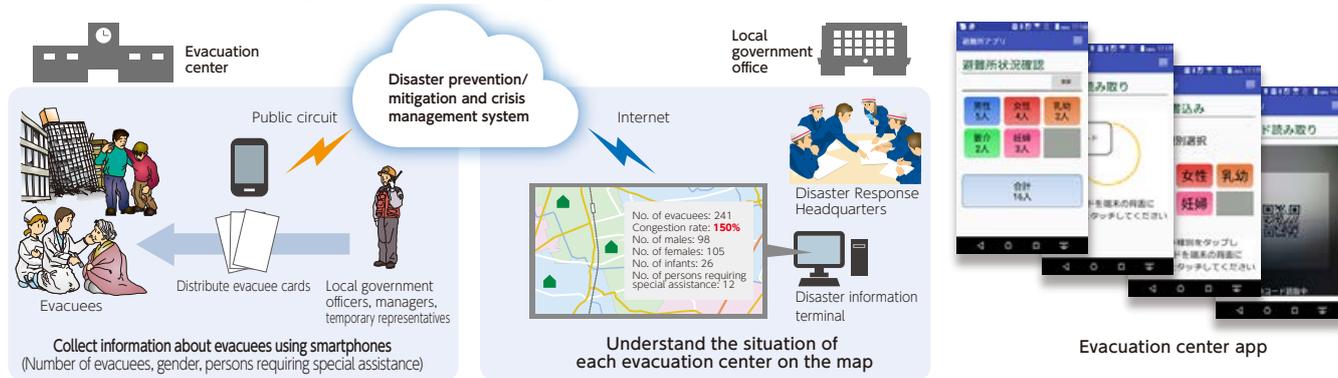
29 domestic and 25 overseas business operations

*1 On June 30, 2016, BCS Teknoloji Yayıncılık ve Haberleşme Sistemleri Sanayi ve Ticaret A.Ş. was converted into a consolidated subsidiary of Hitachi Kokusai Electric Turkey Elektronik Ürünleri Sanayi ve Ticaret A.Ş., and in July of the same year the name of the said consolidated subsidiary was changed to Hitachi Kokusai Electric Turkey Yayıncılık Sistemleri A.Ş.

*2 Hitachi Kokusai Electric Canada, Ltd., a member of the Hitachi Kokusai Electric Group as of April 1, 2016, was absorbed by Hitachi Kokusai Electric America, Ltd. and all businesses of the absorbed company were succeeded from the said day by the absorbing company.

1 Providing Disaster Prevention/Mitigation and Crisis Management Solutions in the IoT* Era

■ Evacuation center management service using IC cards



In preparation for natural disasters that threaten the lives and property of local residents (such as earthquakes, tsunami, tornados, typhoons, landslides), the Company provides Public Protection and Disaster-Relief (PPDR) Systems, which provide a means of grasping a disaster situation and transmitting information before and after a disaster.

From the lessons learned from the Great East Japan Earthquake and Kumamoto Earthquakes, there has been an increasing need for the diversification of means of transmitting disaster information to local residents. We have visited disaster-hit areas a number of times and listened to the affected residents, and municipal government officers and volunteer workers engaged in disaster response operations to understand their needs. Through these activities, we have come up with the idea of using IoT for automatic counting of evacuees and information transmission in the immediate post-disaster phase to enable the smooth distribution of relief supplies. We are working on the development of a new disaster information system that is superior not only in functionality but also in ease of use to ensure municipal government officers and local residents get much-needed information in a smooth and timely manner.

We will create and deliver innovative disaster prevention/mitigation and crisis management solutions that help protect the lives and livelihoods of local residents by combining a PPDR system and an IoT-based disaster information system through highly reliable wireless communication to collect, visualize and analyze information for more accurate disaster prediction and forecasting.

*IoT : Internet of Things

VOICE

The disaster prevention/mitigation and crisis management system is an important tool for local government officers and local residents. When a disaster strikes, response operations are often conducted in a state of confusion. It therefore becomes important to grasp a disaster situation quickly.

We will actively integrate new technologies (highly reliable wireless communication technology, artificial intelligence) into disaster information systems to create and offer innovative solutions that provide safety and peace of mind.

Koji Ogata

IoT Project, Video & Communication Systems Business Unit

2 Upgraded Shortwave International Radio Broadcasting Systems Contribute to the Transmission of Information throughout the World

Since fiscal 2012, the Company has promoted an upgrade of the aging shortwave international radio broadcasting systems at KDDI's Yamata Transmitting Station located in Koga City, Ibaraki Prefecture. We completed the replacement of all of the four sets of international radio broadcasting systems by the end of fiscal 2016.

The shortwave international radio broadcasting system is mainly used for radio broadcasting targeted at Japanese people living abroad. The upgraded shortwave broadcasting systems enable reliable and continuous broadcasting, to which the client places the greatest importance.

This is a joint project with a Swiss company that



High-power transmitter used for replacement

has deployed high-power transmitters worldwide. Our Company is in charge of servicing work for the entire broadcasting system. We perform servicing and maintenance by fully leveraging our superior high-power technology to ensure reliable and efficient operation.

VOICE

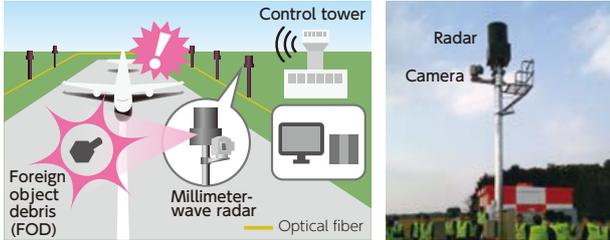
The successful completion of this project is attributable to our Company's superior high-power transmission technology that has been accumulated and passed on from generation to generation over many years. We will continue striving to nurture and advance technologies and propose innovative products that earn the satisfaction and trust of our customers, while listening carefully to their opinions.

Atsushi Kato

Engineering Center, Defense Electronics Division

3 Contributing to Airport Safety and Security through the Development of a High-Speed Light-Receiving Element

■ Use scenario of the runway FOD detection system



Airports are used by many travelers. With increasing demand for air transport, the needs for improved airport operational efficiency and safety are expected to increase considerably in the next few years.

The Company has developed a high-speed light-receiving element. This element eliminates the need for external power source to convert optical signals into millimeter-wave signals, making it easier to build a network system combining an optical fiber and a millimeter-wave radar. We are now promoting the commercialization of a runway foreign object debris (FOD)

detection system that uses 90GHz millimeter-wave radars.

Early detection of FOD on runways not only contributes to safe and on-time flight operations, but also helps reduce fuel consumption and CO₂ emissions by circling aircraft waiting to land. We will strive to help realize a safe and secure society together with our customers by creating and providing high value-added solutions on a continuous basis.

VOICE

By combining optical communications technology and millimeter-wave radar technology, it is possible to realize a runway FOD detection system with unprecedented accuracy for detecting objects on runways. Amid increasing global demand for air transportation, we will continue to do our utmost to contribute to safe and efficient airport operations.



Yosuke Sato
EHF Application Project
Video & Communication Systems Business Unit

4 PQS Award Received from Intel Corporation

The Company has been recognized by Intel Corporation as a 2016 Preferred Quality Supplier (PQS) award winner. "The focus and dedication of Hitachi Kokusai Electric Inc. to meet the highest quality standards is second to none," said Ms. Jacklyn Sturm, Vice President of Technology and Manufacturing Group and General Manager of Global Supply Management at Intel. "Intel works with thousands of suppliers around the world, and these select few suppliers have demonstrated leading-edge performance, making it possible for Intel to achieve the innovations of tomorrow."



VOICE

Our Company has won the PQS award for 13 consecutive years, with this being the 14th time we have won it overall since we started participating in Intel's SCQI program. We are very honored and proud to receive this prestigious award. We will continue our efforts to further enhance the value of our products.

Tsuyoshi Okamoto
North America & Europe Sales Department
Semiconductor Process Engineering Business Unit

5 Grand Prize Received at the Toyama Prefecture Monozukuri Grand Awards

On February 13, 2017 the Toyama Technology & Manufacturing Center won the Grand Prize for its "Advanced Thermal Processing System for Nanotechnology" at the Fifth Toyama Prefecture Monozukuri Grand Awards. The Monozukuri Grand Awards recognizes manufacturing companies that have contributed to the industrial and cultural development of Toyama Prefecture, and the Grand Prize is awarded to the best company among all entries.

The product that won the award this time is a thermal processing system capable of manufacturing nanometer-scale fine circuits by making use of cutting-edge technologies. This system has made it possible to produce semiconductors with far greater performance than existing models. Our Company's



Commendation by the Toyama Prefectural Governor

Batch Thermal Process Systems are expected to further expand their market shares and take the world's top position, a major factor in our receiving this award.

VOICE

Our cutting-edge technologies are created by combining our core technologies and innovative technologies to meet customers' needs. This award was presented to us in recognition of our contribution to the revitalization of regional industry through commercialization of this most advanced equipment.

We will meet the expectations of the regional community by developing new technologies and products.



Toshiyuki Kikuchi
Semiconductor Process Engineering Business Unit



Pursuing Quality

In accordance with the Basics and Ethics, we think and act from the customer's point of view, and work hard to continuously improve each business process.

Customer First

We 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 customers with safe and high-quality products and services. Moreover, in companywide quality assurance meetings, we share information and promote activities for preventing nonconformities based on case studies of failure occurring both internally and externally.

Policy to Improve Quality

We are certified under ISO 9001 (quality management systems) at all our production sites in Japan and at major production sites outside Japan and are continuously improving our quality management system by using the PDCA cycle in the process approach. We also work to further satisfy various requirements of customers for products and services, including acquisition of certifications applicable to specific product categories such as JIS Q 9100.

Policy to Address Quality Problems

We conduct a series of review and recurrence prevention activities based on thinking and acting from the customer's point of view. Called *Ochibo Hiroi* (i.e. "gleaning"), these activities help us identify the direct technical causes of problems and the motivational problems that led to those causes, and involve work to prevent recurrence and verify similar products in an attempt to prevent problems.

Globalization Efforts

Along with the promotion of a global-network-driven business model, we work to further improve the quality of products and services by exchanging personnel involved in quality assurance and supporting their activities.

Flows of Quality Improvements



TOPIC

Prizes in VLSI Research's Customer Satisfaction Survey for 20 consecutive years

In May 2017, the Company was awarded prizes in four categories—The "10 BEST,"^{*1} "THE BEST"^{*2} (two categories) and "RANKED 1st"^{*3}—in the annual customer satisfaction survey on semiconductor manufacturing systems conducted by U.S.-based market research company VLSI Research^{*4}.

This is the Company's 20th consecutive year winning the 10 BEST award and its second year earning the RANKED 1st award as a result of it having earned a high evaluation for technical leadership and the high levels of product performance and quality of its equipment.

This survey of customer satisfaction consists of 15 categories based on three key factors, namely, "Supplier Performance," "Customer Service" and "Product Performance." The survey was translated into five languages and sent to users of semiconductor equipment worldwide by VLSI Research, an independent third party.

Going forward, by constantly setting higher goals for ourselves, we will strive to become a corporation that provides optimal solutions to our customers.

*1 The "10 BEST" : The 10 BEST awards are for the top ten semiconductor equipment suppliers in terms of total revenues.

*2 "THE BEST" : THE BEST awards recognize more defined markets for each manufacturer. The Company was awarded in the "Suppliers of Fab Equipment" and "Suppliers of Wafer Fab Equipment to Foundation Chip Makers" categories.

*3 "RANKED 1st" : The RANKED 1st awards place a special distinction on suppliers that achieve the highest rating from customers in any survey category. The Company's award was earned in deposition equipment.

*4 VLSI Research : VLSI Research Inc., a provider of customer satisfaction surveys and market analysis in the areas of semiconductors, photovoltaics, LEDs, manufacturing, materials, critical subsystems, and related industries. VLSI Research has an established reputation for providing semiconductor industry analyses.



The official logos for the Awards won ©VLSI Research Inc.

To inquire about our products and services:

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

or

Note : Inquiries concerning quality problems and repairs are addressed by the relevant sales and service staff.



Promoting Responsible Procurement Activities

We will promote CSR procurement from a global perspective in cooperation with our business partners.

Basic Policy for Material Procurement

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

The Group also emphasizes strict compliance with laws and environmental considerations, engages in fair and open transactions, and promotes the cultivation of partnerships with its suppliers.

Promotion of Globalization

As global procurement measures, we share procurement strategies with overseas production, sales and service bases and assist them in procurement so as to strengthen our global partnerships for procurement. Procurement staff from the Company have been stationed in Brazil since 2015 and in South Korea since 2016 to promote local-production-for-local-consumption-oriented global procurement and develop and train local staff. Furthermore, to support procurement operations at business bases in the United States and Turkey, we have appointed dedicated staff members within the Company to work in close collaboration with local procurement staff.

We will work to further promote integrated global procurement.

Deployment of Procurement BCP

If a business partner with whom we cooperate is affected by a natural disaster, such as a large-scale earthquake, it could have a major impact not only on our own business operations and those of our partners, but also on the broader society.

To minimize such an impact, we have formulated a Procurement Business Continuity Plan ("BCP") (thorough standardization, promotion of multi-sourcing, consideration of alternative materials, etc.). We are now working to improve and strengthen the BCP by updating the registered information (including information at domestic Group companies) to keep it current and regularly verifying its effectiveness.

We also rolled out the BCP to our overseas procurement bases: to Brazil in fiscal 2015 and to South Korea in fiscal 2016.

Addressing CSR Activities

The Company is working in cooperation with Hitachi, Ltd. to promote CSR supply chain management. As part of such efforts, we distribute the "Hitachi Group Supply-Chain CSR Procurement Guidelines"*(which conform to the guidelines of the Japan Electronics and Information Technology Industries Association) to our business partners in order to share CSR awareness across the supply chain.

As business operations become increasingly global, potential procurement risks are increasing throughout the supply chain. We select suppliers in a fair manner through appropriate procedures, taking into consideration not only material quality, delivery dates and prices, and the technological development capabilities of the suppliers, but also examining their human rights and labor practices along with their status in terms of corporate ethics and legal compliance to determine whether they fulfill their social responsibility.

* Hitachi Group Supply-Chain CSR Procurement Guidelines : Formerly the Hitachi Supply-Chain CSR Deployment Guidebook, which was revised and renamed in January 2017.

Measures against the Issue of Conflict Minerals

As a member of the Hitachi Group, the Company is committed to the responsible sourcing of minerals (conflict minerals) from the Democratic Republic of the Congo (DRC) and adjoining countries.

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

Reinforcement of Partnerships

The Company promotes the development of reciprocal relationships with business partners. Through our business partner meetings (BPMs), we work to maintain fair trade relations and reinforce partnerships through information sharing.

We will strengthen mutually beneficial "win-win" relationships with business partners by pursuing proactive communication and interaction through business policy briefing sessions, CSR activities and technology exchanges.

VOICE

Business Partners who received the Fiscal 2016 Excellent Performance Award

We are honored to receive a commendation as the most excellent business partner in fiscal 2016. Our employees are very proud and pleased, not to mention greatly encouraged by this commendation. We would like to express our sincere thanks.

Specializing in high-mix low-volume cutting of plastic products, our company pursues monozukuri with an emphasis on "quality, management and speed," while incorporating innovative ideas from company employees. Being fully aware of upstream expectations for quality improvement, all our employees are determined to work as one to improve the quality of our products and services, thereby contributing to the further development of your company.

KANWA Industry Materials Co., Ltd.

Commendation by the Video & Communication Systems Business Unit



It is an honor to receive the Fiscal 2016 Best Business Partner Award, which we could not have won without your guidance and support over the years. We were able to respond to a rapid increase in production volume in fiscal 2016 by working in close coordination with your company. We were also able to successfully improve the quality of pipe surface treatment by conducting regular improvement activities with you. As a vacuum component manufacturer, we will make concerted efforts to meet increasing end-user demands for cleanliness.

MIRAPRO Co., Ltd.

Commendation by the Semiconductor Process Engineering Business Unit



 **Website for our business partners:**
<http://www.hitachi-kokusai.co.jp/global/en/csr/procurement/index.html>
 or



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 the 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 full text of our Human Rights Policy and detailed information on our related activities, including human rights seminars, are available on our website.

 Website including details of our respect for human rights
<http://www.hitachi-kokusai.co.jp/global/en/csr/respect/index.html>
 or

Identifying and addressing risks properly

Compliance

The Company was issued with a cease and desist order by the Japan Fair Trade Commission. Bid rigging and the formation of cartels are criminal acts against society. Efforts to eradicate these unlawful acts and enhance competitiveness will lead to improved corporate structures and customer-first operations. Furthermore, there is growing social interest in the prevention of bribery of public officials, etc. inside and outside Japan. Reflecting growing concerns in the international arena such as the issue of nuclear development, export control is also assuming greater importance. For these risks, with the Legal & CSR Division taking the lead, we are implementing education and conducting periodic audits targeted at the entire Group, updating their scope as necessary. Moreover, we maintain a system in which any risks are reported immediately to top management. Through all these, we are working to ensure that the strong interests of top management concerning compliance, that is, to live up to the trust and expectations of society, are thoroughly pursued throughout 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 as necessary. Regarding the observance of other laws and company rules and the prevention of disreputable incidents, the relevant sections, the legal affairs section and the Human Resources & Corporate Administration Division jointly educate and enlighten employees regularly and as necessary. Meanwhile, the Internal Auditing Office audits the entire Group on a regular basis.

We are keenly aware of the gravity of being issued with a cease and desist order. We are determined to strengthen initiatives related to legal compliance to prevent recurrence, and to do our utmost to regain the trust of our stakeholders.

Cease and Desist Order issued by the Japan Fair Trade Commission

In November 2014, we were subject to an on-site inspection by the Japan Fair Trade Commission with regard to our supply of fire rescue digital radio equipment. In February 2017, we were issued with a cease and desist order by the Commission, which has found us in violation of the Antimonopoly Act.

After becoming aware of this issue, we promptly applied for leniency, and implemented the following measures to ensure compliance with the Antimonopoly Act and prevent recurrence: 1) issuing a declaration of strict compliance in a message from the Company president; 2) raising awareness of compliance issues by revising our internal training program; 3) confirming the status of legal compliance by strengthening compliance audits; and 4) reinforcing management through preparation and revision of labor regulations and work-related rules. By sustaining these measures into the future, we will strictly comply with the Antimonopoly Act and eradicate all violations of this Act.

Ensuring the Reliability of Financial Information

Concerning the internal control system, which has 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.

Collaboration with Stakeholders

The Group promotes positive dialogue with all stakeholders, including customers, builds relationships based on mutual trust, and engages them in value creation.

Internal Reporting System: "The Compliance Reporting System of the Hitachi Kokusai Electric Group"

We have an internal reporting system that enables our employees or employees of our business partners to report any illegal act related to our business, any improper act in violation of our company rules, or any issue regarding human rights that cannot be addressed through ordinary methods. When a report is received, it is investigated to ascertain the facts and necessary corrective measures are implemented.

We ensure that all employees, including those at Group companies, are informed of this reporting system as well as the principles of "maintaining confidentiality," "not punishing whistle-blowers" and "responding in good faith" through internal gazettes, seminars and the intranet. To earn the trust of whistle-blowers through appropriate responses, this system is operated under the advice of a lawyer who serves as an outside committee member.

The Compliance Reporting System of the Hitachi Kokusai Electric Group

Email: compliance.hike@h-kokusai.com

Postal address : Person in charge of the Compliance Reporting System

Hitachi Kokusai Electric Inc.

Hitachi Atago Bldg. 6F,

2-15-12 Nishi-shimbashi,

Minato-ku, Tokyo 105-8039, Japan



Note : Our Compliance Reporting System accepts reports not only from employees of the entire Group but also from its business partners.

Corporate Governance

Corporate Governance Structure

The Company has adopted the "three committees" system to ensure timely decision-making and transparent management.

The Board of Directors, the members of which are predominantly externally appointed Outside Directors, determines the Company's basic management policies and delegates decision-making authority to Executive Officers to promote efficient operations. It also oversees and supervises the Company's operations in unison with the Nominating Committee, the Audit Committee and the Compensation Committee (hereinafter referred to as "each Committee"). In this way, the Company promotes management reform by placing emphasis on securing the adequacy of its operations. Within the above framework, Outside Directors remain independent from the Company, actively providing their opinions from an objective standpoint. In this regard, Outside Directors fulfill an important role and function in further enhancing the transparency and soundness of the Company's management.

Outline of Corporate Governance Structure

1. Execution of Business

Within the scope of statutory and regulatory requirements, considerable authority is delegated to Executive Officers with respect to matters related to management decisions in an effort to accelerate the decision-making process.

While individual Executive Officers are provided with decision-making authority and execute operations for their particular areas of responsibility in accordance with the segregation of duties determined by the Board of Directors, an Executive Officers' Meeting comprising all Executive Officers is held to deliberate matters of major importance from multifaceted perspectives, following which Executive Officers make decisions on specific matters in order to ensure the adequacy of decision-making.

All other operational matters for determination by Executive Officers are defined in the Company's internal rules and regulations by their type and content. All necessary procedures are taken in accordance with these internal rules and regulations.

2. Monitoring and Audit Functions

The Board of Directors monitors overall management including execution of business in collaboration with each Committee, with the Board forming the central organization.

In addition, the activities of the Board of Directors and each Committee are supported by the responsible departments. A designated specialist department has been established for the Audit Committee to ensure that audits are conducted in an appropriate and effective manner. Employees within this department are not subject to the directions and instructions of Executive Officers.

(1) Board of Directors

The Board of Directors monitors management by way of receiving reports from each Committee in connection with the status of each Committee's activities as well as receiving reports directly from each Executive Officer outlining details of the execution of their duties.

(2) Nominating Committee

The Nominating Committee determines candidates for the position of Director, who are then proposed at the Company's shareholder meetings for approval. In order to ensure better managerial judgments, the Nominating Committee selects Director candidates from both inside and outside the

Company based on comprehensive criteria that encompass personal disposition, experience, knowledge, ability and other factors, which are necessary for Directors of the Company to meet in order to contribute to its management.

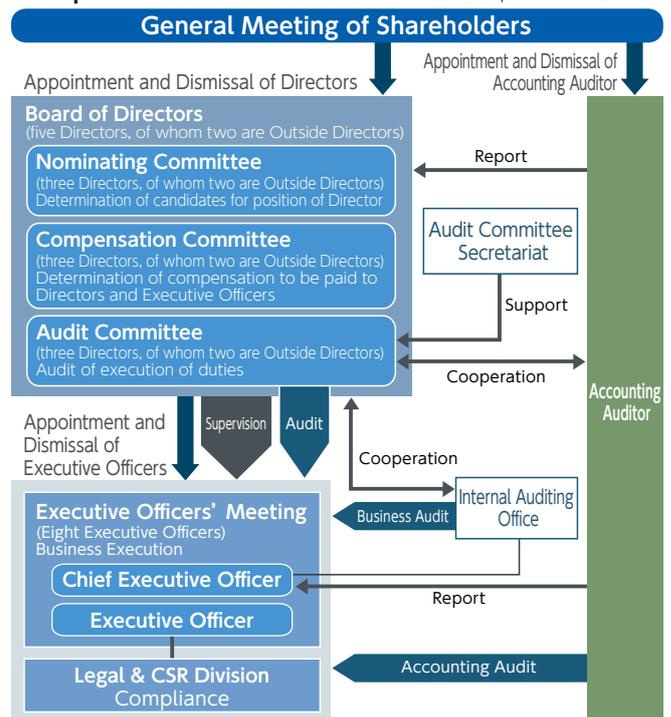
(3) Audit Committee

In addition to determining the Company's audit policies and plans, the Audit Committee engages in follow-up activities to ensure that a designated member of the Audit Committee has conducted each audit in accordance with such audit policies and plans. In order to complement the effectiveness of audits, the Audit Committee promotes the sharing of information and other collaborative measures regarding audits conducted by the Internal Audit Department, Accounting Auditor, and audit team members of Group companies.

(4) Compensation Committee

The Compensation Committee formulates the basic policy for determining the compensation to be paid to the Company's Directors and Executive Officers. At the same time, the Compensation Committee evaluates the performance of each Director and Executive Officer and determines the specific compensation amount.

■ Corporate Governance Structure (As of April 1, 2017)



Disclosure of Information on Corporate Governance

The "Corporate Governance Guidelines of Hitachi Kokusai Electric Inc." were established and published in December 2015. The Guidelines set out the Company's basic views on and framework of corporate governance to realize sustainable growth and increase the corporate value of the Group over the medium to long term. These Guidelines and other corporate governance-related information are available on the Company's website.


[Website for information on corporate governance](http://www.hitachi-kokusai.co.jp/global/en/csr/governance/)
<http://www.hitachi-kokusai.co.jp/global/en/csr/governance/>
 or



Respecting and Enhancing Human Assets

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

Measures to Develop Workers Who Practice the HiKE-Jin Credo

1. Our Basic Philosophy on Human Resources Development and Basic Policies for the Present Fiscal Year

Our basic philosophy is to train workers who "learn on their own, think on their own and act on their own." We aim to develop individuals who are always eager to explore and learn, enjoy overcoming challenges, and continue to evolve every day, in keeping with the principle, "We enjoy continuous growth," as set out in the HiKE-Jin Credo, which outlines the behaviors and attitudes expected of all employees.

With regard to human resources development, we have defined the following four basic policies for this fiscal year.

- I . Training workers able to create new business
- II . Training workers with the ability to perform
- III . Training workers able to vitalize the organization
- IV . Training workers able to conduct basic tasks in a secure manner

2. Training of Global Human Resources

With the aim of developing people who can contribute to expanding global business, we have continued to implement the following training programs.

(1) Training young employees to cultivate a global mindset

In order to foster a global mindset among new employees, we provide various types of training in our introductory training for new employees, including English speech contests, sessions for learning about different cultures, TOEIC® tests, and support for personal development.

For employees who have been with us for five years or less, we set target scores for TOEIC® and provide support to help them achieve their target scores in the form of seminars on how to study English and English learning tools such as correspondence and e-learning courses. We also place emphasis on improving employees' practical speaking skills, and we encourage those who get a high TOEIC® score to take speaking tests.

Note : TOEIC® is a registered trademark 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 the six years from 2011, our Group dispatched a total of around 70 employees. It is our hope that these employees will invigorate our organization by helping to bring a global mindset to their workplaces.

(3) Human resource development support for overseas Group companies

With the aim of training local employees of overseas Group companies, we implement a human resource development support program under which employees selected from overseas Group companies are invited to Japan to work in the Semiconductor Process Engineering Business Unit for one year as on-loan employees (for six months in the case of interns).

In fiscal 2016, three on-loan employees and three interns were invited to participate. This program aims to help

overseas employees improve their skills through on-the-job training, acquire knowledge on new equipment and cutting-edge technologies, and develop personal relationships with Japanese employees in related departments that they can make use of after returning to their own countries.

This program has helped develop employees who can contribute to expanding global business operations, including those of Group companies in and outside Japan. Furthermore, by providing opportunities for people with diverse backgrounds to mix and work together, this program has contributed to fostering diversity awareness among Japanese employees.

VOICE

I was working on loan at Hitachi Kokusai Electric for one year to September 2016. I was engaged in evaluation and improvement work to satisfy customer needs. It was a good experience for me to implement improvement activities by directly using state-of-the-art measurement and analysis equipment during the evaluation process.

To solve various problems, I often discussed issues face-to-face with people in the relevant departments and worked collaboratively with them. Through these opportunities, I was able to build personal connections with people in various departments.



Trying out rice-cake pounding at an international exchange event held at the Toyama Technology & Manufacturing Center (December 26, 2015)

By applying the knowledge and experiences gained in Japan to my future work, I will strive hard to become an engineer who is trusted by customers for his strong engineering skills.



M. K. Bu

Mass Production Process Team
Kook Je Electric Korea Co., Ltd.

Efforts to Promote Female Empowerment in the Workplace

With the aim of raising the motivation of female employees toward career development, the Company has been holding a two-day career seminar for female career-track employees. We created a three-year plan from fiscal 2014 to provide all female career-track employees with the opportunity to attend the seminar.

The seminar includes a lecture by an invited guest speaker on the environment surrounding working women, a panel discussion hosted by female managers at the Company, and group discussions to provide participants with the opportunity to think about their career development and medium- to long-term career path.

As part of our efforts to support the career advancement of women, we also dispatch female employees to various seminars organized by Hitachi, Ltd., such as the "Women Leaders' Meeting" for female employees at the senior manager level and above working at Hitachi Group companies, "Pre-Maternity Leave and Return-to-Work Support Seminars" for employees balancing work and child care and their supervisors, and the "Career Seminar for Young Women" for female career-track employees in their third or fourth year at the company.

Work-life Balance

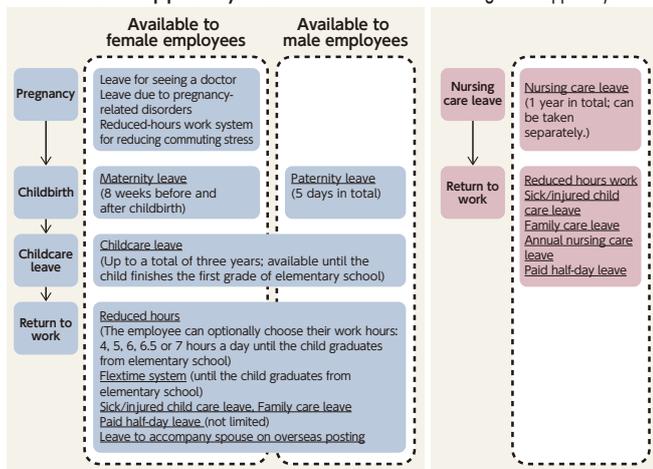
Support for Balancing Work and Family Life

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

«Childcare Support System»

«Nursing Care Support System»

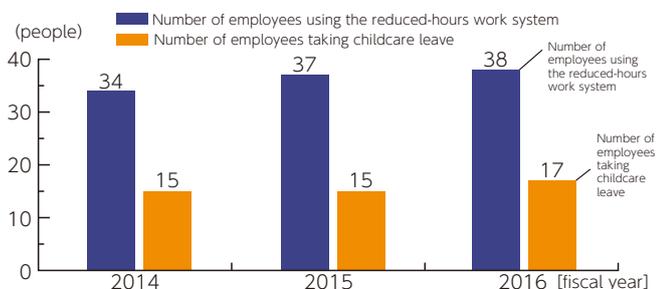


(Underlining indicates contents of a system or a system itself that exceeds the legal obligations.)

"Allowance for Balancing Child Care and Work" Program

As part of efforts to create an environment where employees rearing children can continue to make a full contribution at work, we introduced the "Allowance for Balancing Child Care and Work" program on April 1, 2017. This program provides employees who are raising a preschool-aged child or children, whether in a dual-income household or as a single parent, with financial assistance to cover child-rearing expenses, such as preschool fees and babysitting costs.

■ The number of employees who took childcare leave and those who used the reduced-hours work system* (the Company only)



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

■ Designation of No-Overtime Days and No-Working-on-Day-Off Days

As a joint labor-management initiative to promote no-overtime days, we designate the second Wednesday of each month as "Leave Early Day" (day on which employees are encouraged to leave work on time). We also designate the

third Sunday of each month as "Third Sunday Contribution Day" (day on which work is prohibited in principle) to encourage employees to spend time with their families, participate in local contribution activities, or engage in self-development activities.

Workplace Diversity

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. As of March 1, 2017, we satisfied the mandated employment quota (2.0%). The employment ratio has been calculated on a Group-wide basis according to methods prescribed in the relevant laws since 2016.

We will promote our Group-wide drive to further increase employment opportunities and hire more people with disabilities.

■ Consultation counters for persons with disabilities

Based on the Revised Act on the Promotion of the Employment of Disabled Persons, which took into effect in April 2016, we have established a system for supporting both employees with disabilities and their workplaces, setting up a consultation counter at each business site in order to respond appropriately to their needs and concerns.

Each consultation counter responds to both inquiries from employees with disabilities and inquiries from workplaces regarding issues associated with the employment of persons with disabilities. The consultation counter also provides advice and assistance to workplaces regarding reasonable accommodations.

VOICE

I have a disability in my leg. I therefore chose a clerical position because it involves little physical activity.

The reason I decided to join the company is because I thought I would be able to realize my desire to be of service to others and to grow professionally and personally through my work, because the scope of accounting work is very wide.

Since I joined the company, I have been performing tasks related to travel expenses (checking, processing, etc.) incurred by employees taking business trips abroad and those transferred overseas. Thanks to the guidance of experienced colleagues in the workplace, little by little I have become able to do more things. It has been a year since I joined the company. I have become able to perform my assigned tasks independently, and I feel I am growing. I still have many problems, but by solving these problems one by one, I hope to become an accounting clerk who is trusted by my colleagues.

Haruna Kobayashi
Business Service Department
Kokusai Electric Techno Service Co., Ltd.





Respecting and Enhancing Human Assets

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

Health and Safety

In fiscal 2016, the Company and its Group companies in Japan conducted the following health and safety activities.

1. Safety Activities, to Prevent Rule Breaches and Eliminate Peer Accidents

Despite vigorous efforts to eliminate lost time working accidents, such accidents did occur at some sites. We have continued our efforts to review safety standards and work procedures and to strengthen safety education.

2. Health Activities, to Promote Preventive Management of both Physical and Mental Health

In addition to the existing mental health training, we formulated a health promotion plan known as "(Hi)KE Health Promotion Activities 2018" to manage employees' physical health. In accordance with the plan, we will carry out activities in a systematic way to promote the health of employees and increase their health awareness.

3. Traffic Safety Activities, to Eradicate Traffic Accidents Resulting in Injury to Others

We instituted the Hitachi Kokusai Electric Group Safe Driving Month, during which we conducted various activities to eradicate traffic accidents resulting in injuries suffered by other parties, resulting in a 29% decrease compared to the previous year.

In recognition of its continuous implementation of the abovementioned activities, the Head Office received the "2016 Tokyo Labor Bureau Director's Encouragement Award for Safety and Health (Health Promotion)" in July. Following the receipt of this award, our Company's health nurse made a presentation titled, "About Mental Health Promotion Measures—From the standpoint of an occupational health nurse" at the Occupational Safety and Health Forum in Tokyo, organized by the Tokyo Labor Bureau.



A presentation Photo provided by the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare

Anti-disaster Measures

Our Group holds a Group-wide simultaneous disaster simulation drill once a year. In fiscal 2016, the Head Office and the Toyama Technology & Manufacturing Center implemented the following disaster-prevention activities.

(1) The Head Office was relocated to its current location in October. To ensure that the new Head Office can function effectively in the event of a disaster, an evacuation drill was conducted in November, with the participation of all employees working at the Head Office. In the drill, participants exited the building using the designated evacuation route for use during a disaster. The evacuation drill has increased the awareness of each and every employee toward disaster preparedness.



Evacuation drill

(2) The new production facility (whose construction was started in fiscal 2015 and completed in December 2016) at the Toyama Technology & Manufacturing Center commenced operation in January 2017. During the period between the completion

of construction and commencement of operation, the Center conducted a risk assessment to identify all safety and disaster risks and made necessary revisions to manuals, etc.

Dialogue with the Union

The Company has concluded an agreement with the Hitachi Kokusai Electric Group Labor Union, under which labor-management conferences are held regularly to discuss labor conditions and personnel systems. Through these conferences, labor and management work together to establish disciplinary rules for the workplace and maintain and improve the workplace environment.

In the labor agreement, it is specified that the Company and union hold such labor-management conferences regularly to facilitate two-way communication, ensure smooth business operations and growth, and improve the working conditions of employees. In this way, labor and management exchange constructive opinions regarding various issues such as management policies and business operations, thereby establishing healthy and stable relations between workers and management.

Makeup of Personnel (as of March 31, 2017)

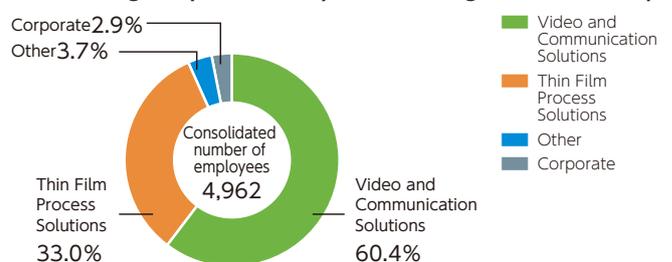
■ Makeup of personnel (the Company)

	Male	Female	Total
Number of employees	2,234	222	2,456
Number of managers	511	9	520
Number of senior managers and above	200	2	202
Directors/Executive Officers	13	0	13
Average age	44.4	42.0	44.2
Average years of service	19.9	17.4	19.7
Number of employees leaving the company	69	12	81

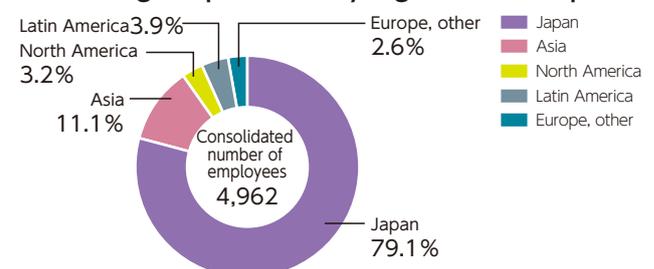
■ Number of labor union members (the Group in Japan)

Name of labor union	Number of members
Hitachi Kokusai Electric Group Labor Union	2,729

■ Percentage of personnel by business segment (the Group)



■ Percentage of personnel by region (the Group)





Living Together with Communities

We make efforts to understand the situation of each community, as well as the thinking of its people, to enhance our own awareness and think about future needs.—Support for disaster-affected areas, preservation of ecosystems and biodiversity—

Support for Recovery of the Areas Affected by the Kumamoto Earthquakes

On April 14 and 16, shortly after the start of the fiscal year to which this report relates, two consecutive earthquakes occurred with an intensity of 7 and an epicenter in the Kumamoto Region in Kumamoto Prefecture. Persistent aftershocks followed, causing significant damage in Kumamoto and other regions of Kyushu.

We immediately confirmed the safety of Group employees and their families. At the same time, we investigated the damage suffered by our business partners and customers, and provided support in cooperation with our Group companies to help affected business partners and customers recover from the disaster as soon as possible. We delivered a wireless image transmission system for monitoring a disaster-hit site to the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. We also provided support to repair and restore our customer's semiconductor production line, which had been damaged by the earthquakes. In both cases, due to a lack of accommodation, support staff from our Group had to travel taking quite a long time back and forth between their office and work site. Despite a difficult situation following the disaster, these projects were carried out successfully. We received letters of appreciation from the Kyushu Regional Development Bureau and the Kumamoto Technology Center of Sony Semiconductor Manufacturing Corporation.



A surveillance camera overlooking the collapsed Aso Ohashi Bridge



Heading to the site, driving in Kumamoto City

In addition to these support activities, our Company made monetary donations—five million yen donated by the Company plus two-odd million yen collected through Group-wide fundraising activities—to the Japanese Red Cross Society to help earthquake victims. Over one year has passed since the Kumamoto Earthquakes. We continue to pray for the souls of the people who lost their lives in the disaster and also for the early recovery of the affected areas.

Donating a Public Broadband Wireless Communication System to Nepal to Support Its Disaster Recovery

In April 2015, a magnitude 7.8 earthquake struck Nepal, taking many lives and destroying historic structures. As part of our support for Nepal's recovery from the disaster, in the autumn of 2015 we decided to donate a VHF broadband wireless system for Internet connection and carried out the necessary procedures with a local NGO. In November 2016 (although it was delayed considerably from



Recovery work around the antenna installed

the original schedule due to local circumstances), through the Nepal Support Project of the Asia Pacific Telecommunity (APT) we dispatched engineers to the local site to provide on-site training and support for local engineers during the installation of the donated system. Thanks to the installation of the broadband wireless system, the elementary school in Jholunge Village, which is inconveniently located and was severely damaged by the earthquake, has been connected to the Internet, and the local residents were very pleased. It is expected that our Company's system will contribute to reducing the digital divide in Nepal, even after it has recovered from the disaster.



View from the site of antenna installation

Exotic Plant Removal and Seedling Planting in Maruyama Park in Sapporo

A volunteer activity was organized jointly by the NPO Hokkaido Environmental Community Network and the Hokkaido Hitachi Group Shinsetsukai to remove exotic plants and plant trees at Sapporo Maruyama Zoo. A total of eight Group employees—from Hokkaido Area Operation and Hitachi Kokusai Yagi Solutions Inc.—participated in the activity.

At the beginning, participants had difficulty distinguishing between native and exotic plants and asked the park personnel each time they were uncertain, but they gradually became accustomed to the task. After the exotic plant removal was finished, participants planted the distributed seedlings.

(June 4, 2016)



Participants planting seedlings

Participation in the Fourth Tree-Planting Ceremony at the Hill of Thousand-Year Hope in Iwanuma City, Miyagi Prefecture

As part of the volunteer activities of Hitachi Aobakai, Hitachi Kokusai Electric Group employees participated in the 4th Hill of Thousand-Year Hope Tree-Planting Ceremony 2016. In this event, participants plant trees on a hill (the Hill of Thousand-Year Hope) constructed using rubble collected from the coastal areas affected by the Great East Japan Earthquake. The fourth tree-planting ceremony was held on the largest scale ever, attracting about 12,000 volunteers from around Japan to plant 100,000 seedlings.

A total of 114 employees from Hitachi Kokusai Electric's Tohoku Area Operation, Hitachi Kokusai Yagi Solutions Inc., HS Services Inc. and Goyo Electronics Co., Ltd. (including its Sendai Works) participated in the tree-planting activities.

(May 28, 2016)



Participants planting trees in the hope of returning the region to a people- and eco-friendly state



Living Together with Communities

We make efforts to understand the situation of each community, as well as the thinking of its people, to enhance our own awareness and think about future needs.
—Charity, human development support, sustainable cities and communities—

Year-end Volunteer Activities at a Facility for Disabled Children

The Xi'an Branch of Hitachi Kokusai Electric (Shanghai) Co., Ltd., which sells and offers maintenance services for semiconductor manufacturing equipment in China, participated in a volunteer project at a local facility for disabled children, the "Xi'an Xinxin Special Children Development Centre." Eight employees from the Xi'an Branch helped to clean and tidy up the facility. They also played with children and participated in the year-end party. The participating employees reported feeling strong bonds with many local people.



Xi'an Branch employees helping to carry things

(December 24, 2016)

Renewal of an Area for Young Scouts

Hitachi Kokusai Semiconductor Europe GmbH (HKSE) in Erkrath, Germany participated in an activity to extend and renovate an area used by local young scouts. The team of volunteers, including five from HKSE, helped the rangers to build a new fence and create three raised garden beds for the purpose of letting the children observe the growth of flowers and plants. The team worked together with the children and enjoyed a good and successful day.



HKSE volunteers getting into the spirit of young scouts

(September 16, 2016)

Support for Aged People Living Alone

Kook Je Electric Korea Co., Ltd. (KEK) participated in an activity to support aged members of the community living alone as part of volunteer activities planned with other companies housed in the same industrial complex. The eight volunteers from KEK visited the single-person households to provide goods such as food, bedding and sanitary items and perform housekeeping tasks. The volunteers then extended their efforts to a welfare facility in the community, performing cleaning there as well. The activity has helped the volunteers become aware of the necessity for ongoing concern and action with regard to social issues and they are now considering the planning of a regular commitment.

(December 26, 2016)



KEK volunteers cleaning up the house of an elderly person



Cleaning the welfare facility

Participation in Volunteer Activities at the Toyama Prefectural Welfare Park

Hitachi Kokusai Electric Toyama Technology & Manufacturing Center, Kokusai Electric Semiconductor Service Inc. and Kokusai Electric Techno Service Co., Ltd. participated in a volunteer project organized by the Toyama Prefectural Welfare Park to beautify the garden paths and tidy up flowerbeds in Taikoyama Land in Imizu City, Toyama Prefecture. Employees from these companies (21 people on November 6, 2016, and 15 people on December 4, 2016) cleaned up the garden paths, planted flower seedlings and bulbs in the flowerbeds and removed weeds.



Cleaning up garden paths



Planting flowerbeds

Early Morning Environmental Activities near the Office

Hitachi Kokusai Electric Kyushu Area Operation and the Kyushu Branch of Hitachi Kokusai Yagi Solutions Inc. planned a cleanup event in the park in front of the building in which their offices are situated. The event was scheduled for Monday morning before the beginning of work, rain or shine. Despite the drizzling rain, a total of 19 employees participated in the event, picking up trash including empty cans and cigarette butts, and collecting more trash than expected.

(June 13, 2016)



Participants posing with collected trash

Cleanup Activity in the Central Part of Sendai City

A total of 16 employees from Hitachi Kokusai Electric Tohoku Area Operation, the Tohoku Branch of Hitachi Kokusai Yagi Solutions, Inc. and the Tohoku Branch of HS Services Inc. participated in the 12th Hitachi Aobakai Volunteer Cleanup Activity. Participants gathered in the Cherry Blossom Viewing Square in Nishi Park, located in the central part of Sendai City, and picked up trash on the surrounding roads.

(November 12, 2016)



Group employees participating in the cleanup



Eco-Mind & Global Environmental Management

We have established an environmental management system in accordance with our Guidelines and Commitments and our Action Guidelines for Environmental Conservation, and work to cultivate an "eco-mindset."

Hitachi Kokusai Electric Action Guidelines for Environmental Conservation

[Purpose]

In order to realize an environmentally harmonious and sustainable society through the provision of products and services, Hitachi Kokusai Electric is committed to meeting its social responsibilities by promoting globally applicable Monozukuri (meaning the design, manufacture or repair of products) aimed at reducing the environmental impacts of products throughout their entire life cycles, thereby ensuring global environmental conservation.

 **Action Guidelines for Environmental Conservation online**
<http://www.hitachi-kokusai.co.jp/global/en/csr/environment/earth.html>
 or 

Establishment of an Overseas Group Company Management System and Provision of e-Learning to Environmental Personnel

To ensure quick and accurate conveyance of environmental information to overseas operation bases and establish prompt communication with them in the event of an environmental accident, we have appointed persons in charge of environmental management of overseas bases, as we do in Japan. In fiscal 2016, as the first phase of our basic environmental education program, we provided an e-learning environmental course common to all Hitachi Group companies, "Eco-Mind Education (General topics)," for the appointed staff in charge of environmental management.

In fiscal 2017, as the second phase, we plan to conduct "Eco-Mind Education (Hitachi Group topics)" to further enhance environmental awareness among staff in charge of environmental management.



Targets and Results of Environment Activities in Fiscal 2016

(Production sites of the Company and its Group companies in Japan)

The results and evaluation of the Environmental Action Plan in fiscal 2016 are as follows. As from fiscal 2016 onward, we are vigorously promoting environmental activities toward the targets set for 2018 under the new medium-term plan.

Category	Action goal	Index	Final fiscal year (2018) targets	Fiscal 2016		Evaluation		
				Targets	Results			
Management	Nurture an environmental mindset in all employees	Participation ratio	99% or higher	99% or higher	100%			
	Raise the level of environmental activities (Indicator of the level of environmental activities)	GP of GREEN 21-2018	480GP	240GP	265GP			
Products and Services	Improve environmental performance of products	Reduction rate in CO ₂ emissions	—	88%	91%			
Factories & Offices	Global Warming Prevention	Improve energy use per unit	Improvement rate of energy use per unit (reference year 2005)	25%	23%	24%		
		Reduce transportation energy per unit	Reduction rate (reference year 2006)	25%	20%	32%		
	Effective Use of Resources	Improve waste and valuables generation per unit	Improvement rate (reference year 2005)	54%	54%	58%		
Ecosystem Preservation	Contribute to ecosystem preservation (Number of ecosystem preservation activities implemented)	Number of discussions/surveys, plans, activities implemented	New	Discussion/survey	4	2	0	
				Planning	3	0	0	
			Implementation	2	0	6		
			Ongoing	Ongoing activities	205	205	207	
Partnership with Stakeholders	Make social contributions through environmental activities (Number of environment-related social contribution activities implemented)*	Number of activities implemented	Total : 210 (cumulative total)	Total : 70	Total : 83			

* Number of activities implemented in such areas as environmental education, information exchange, ecosystem preservation through afforestation, etc., community contribution through cleanup projects, etc., lights-off campaigns, and community energy-saving activities

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

Environmental Education at Overseas Sites

In order to nurture an environmental mindset in employees, we distribute the Hitachi Kokusai Electric Action Guidelines for Environmental Conservation to all Group employees. Each year we produce posters and display them at our business sites both in Japan and overseas.

We also provide basic environmental education to employees at overseas Group companies to foster their development of an environmental mindset.



Environmental education at an overseas Group company



Eco-Mind & Global Environmental Management

We have established an environmental management system in accordance with our Guidelines and Commitments and our Action Guidelines for Environmental Conservation, and work to cultivate an "eco-mindset."

"GREEN 21-2018" Evaluation Results (the Company)

The Hitachi Group implements "GREEN 21," a mechanism for the self-evaluation of its environmental activities in order to improve and upgrade the quality of such activities. More specifically, GREEN 21 is a mechanism for classifying environmental activities into six 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 2016 to 2018, under the "GREEN 21-2018 program," our Company is working to enhance the quality of environmental activities while evaluating achievements and progress toward Environmental Action Plan targets.

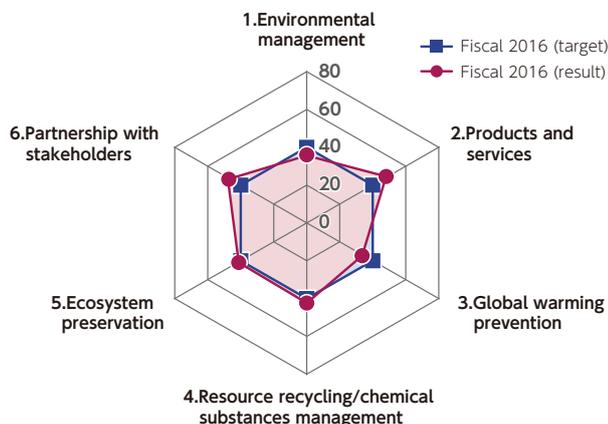
The Hitachi Group's common target for fiscal 2018 has been set at 480 green points (GPs).

In fiscal 2016, our Company surpassed the Hitachi Group's common target of 240 GPs with a score of 265. In fiscal 2016, our performance received a high evaluation, particularly in "Products and Services" and "Partnership with Stakeholders" categories.

GREEN 21 evaluation items

	Category	Main Evaluation Indicators
1	Environmental management	Environmental control, Observation of laws and regulations
2	Products and services	Improvement of environmental performance, Environmental design assessment
3	Global warming prevention	Improvement of energy use per unit, Reduction of energy use during transportation
4	Resource recycling/chemical substances management	Improvement of waste and valuables generation per unit, Reduction in water use per unit
5	Ecosystem preservation	Implementation of ecosystem preservation activities
6	Partnership with stakeholders	Environmental education, tree-planting, community cleanup activities

Green point



Environmental Accounting (the Company)

The Company calculates environmental conservation costs and environmental conservation effects with reference to the Japanese Ministry of the Environment's Environmental Accounting Guidelines. Environmental conservation costs include plant/equipment investments and R&D expenses related to the environment. Environmental conservation effects are determined based on profits from the sale of recycled items, expenditure reduction through investments in energy-saving equipment, etc. We use the results of environmental accounting to improve our environmental return on investment.

Environmental conservation cost

Expenses (in millions of yen)

Item	FY 2014	FY 2015	FY 2016	Overview
Business area costs	239.5	284.9	370.3	Costs of maintenance of equipment with low environmental impact, depreciation, etc.
Upstream/downstream costs	0	0	0	Costs for green procurement and recycling
Management activity costs	78.1	70.5	88.6	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	183.9	189.4	169.3	R&D for the reduction of environmental impact caused by products and production processes, product design expenses
Social activity costs	1.1	1.1	1.9	Environmental improvements such as afforestation and beautification, PR and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions and levies
Total	502.6	545.9	630.1	—

Investments (in millions of yen)

Item	FY 2014	FY 2015	FY 2016	Overview
Investments in environmental conservation	150.9	87.7	16.3	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 2014	FY 2015	FY 2016	Overview
Net income effects	8.4	8.8	9.8	Profit on sale of recycled waste, etc.
Expenditure reduction	4.0	3.6	1.2	Cost-saving effects, etc. by saving energy
Total	12.4	12.4	11.0	—

Nature Observation in Coppice Forest within the Tokyo Works premises

As part of ecosystem preservation activities, since April 2016, regular monthly nature observations are conducted in a coppice forest located within the premises of the Tokyo Works. Participants observe the flora and fauna of the forest and seasonal changes in the natural environment, and post photos and comments on the in-house SNS* to share information on the animals and plants with which they share the premises.

In fiscal 2017, it is planned to continue these activities. The Company's employees who have been registered as nature observation instructors at the Nature Conservation Society of Japan will conduct more detailed observations.

* SNS (social networking service) : a community-based membership service



A lizard in the forest



Eco-Factories & Offices

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

Operations and Environmental Loads (Production sites of the Company and its Group companies in Japan)

The production sites of the Company and its Group companies expend resources and energy in order to make and provide products and consequently discharge CO₂ and waste products. They 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 impacts caused by our products, see "Promoting Responsible Procurement Activities" and "Eco-Friendly, Next-Generation Products," respectively.

Input		
Energy		
Electricity	36,097MWh	(+6%) [351,228GJ]
Fuel oil (heavy oil, kerosene)	149kL	(+20%) [5,747GJ]
Gas (city gas, LPG)	99,000 m ³	(+3%) [7,645GJ]
Raw materials		
Materials and parts	3,026t	(+50%)
Packaging materials	267t	(+74%)
Papers	56t	(+10%)
Chemical substances		
PRTR ^{*1} -specified chemical substances handled	3.0t	(+17%)
Water		
Tap water, ground water	185,000 m ³	(+7%)
Tap water	170,000 m ³	
Ground water	15,000 m ³	



Output		
Exhaust gas		
CO ₂ emissions* ²	16,317t	(+6%)
Direct CO ₂ emissions	832t	
Indirect CO ₂ emissions	15,486t	
SOx 53Nm ³		(-44%)
NOx	157Nm ³	(-16%)
Waste and valuables		
Release	864t	(+5%)
Final disposal	2t	(-16%)
Chemical substances		
Release, transfer and recycling of PRTR-specified chemical substances	0.6t	(+41%)
Drainage		
Amount of drainage	185,000 m ³	(+7%)
Sewage	140,000 m ³	
Discharged to rivers after purification	44,000 m ³	
Underground seepage, etc.	1,000 m ³	
BOD	0.5t	(+47%)
COD	0t	(0%)

*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 the IEA.

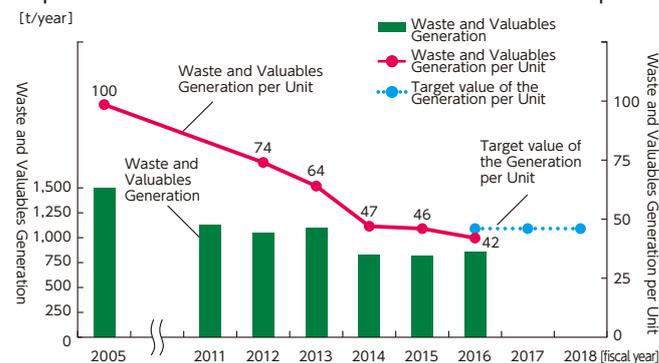
The values in parentheses show the change from fiscal 2015. Due to expansion of the scope of data compilation for fiscal 2016, the data of the previous fiscal year has also been revised.

Reduction of Waste (Production sites of the Company and its Group companies in Japan)

The production sites of the Company and its Group companies in Japan have since fiscal 2011 worked to reduce Waste and Valuables Generation per Unit. In fiscal 2016, we expanded waste reduction activities, revising the scope of data with a broader definition of production sites, and set a goal of improving Waste and Valuables Generation per Unit to 46 (an improvement of 54% compared with fiscal 2005) in fiscal 2018.

In fiscal 2016, due to vigorous efforts conducted at each production site, such as reuse of packing materials, provision of e-learning on waste segregation, and reduction of paper usage, we achieved a Waste and Valuables Generation per Unit rate of 42 (a 58% improvement), against the target of 46, thus meeting the set goal.

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



PR at the Toyama District Summer Festival on the Group's environmental activities and waste recycling

At the Toyama District Summer Festival (August 20, 2016) held for employees and their families, various events were staged to present and publicize the Group's environmental activities, including a panel exhibition on waste disposal and a display of actual recycled items (wafers for solar cells, etc.)

At the 2016 festival, a cardboard play house for kids made by a waste disposal company using recycled cardboard was placed at the venue and proved very popular with children.



Environmental booth set up at the Toyama District Summer Festival



Panel exhibition on the flow of waste processing, set up within the booth



Eco-Factories & Offices

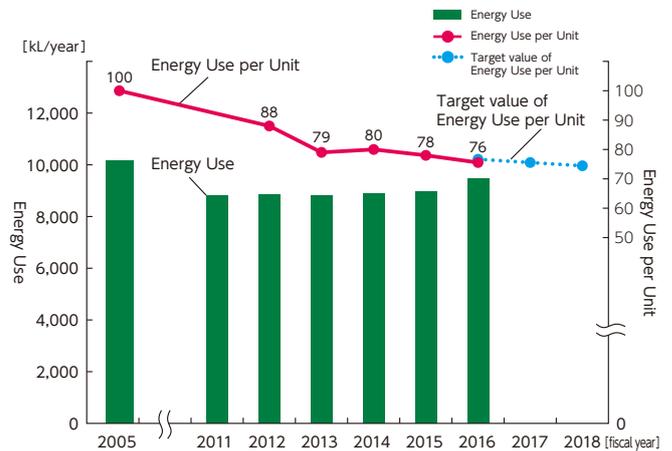
Throughout the entire production process, we work to save energy and enhance facilities in an attempt to prevent global warming and reduce industrial waste.

Prevention of Global Warming and Energy Saving (Production sites of the Company and its Group companies in Japan)

The production sites of the Company and its Group companies in Japan conduct activities to reduce the amount of energy used at the product manufacturing stage. In fiscal 2016, we expanded energy saving efforts, revising the scope of data with a broader definition of production sites, and set a goal of improving Energy Use per Unit to 75 (a 25% improvement compared to fiscal 2005) in fiscal 2018. Since then, we have made efforts toward achieving this goal. In fiscal 2016, our Energy Use per Unit was 76 against the goal of 77 (a 24% improvement from fiscal 2005).

As efforts regarding facilities in fiscal 2016, we upgraded to high-efficiency air-conditioning equipment and switched to LED lighting. With regard to operations, in support of the National Campaign Against Global Warming promoted by the government since 2005, we implemented "Cool Biz" and "Warm Biz" campaigns at all our business establishments and continued our participation in the "Lights Out Campaign."

Improvement in Energy Use and that per Unit



PCB Waste Disposal

Operators owning transformers, capacitors, fluorescent lamp stabilizers or similar equipment containing polychlorinated biphenyls (PCBs) are required by the Law Concerning Special Measures against PCB Waste to properly store, manage and dispose of PCB waste by the specified deadline for each region.

Our Group stored PCB-containing equipment in locked storage facilities and conducted periodic inspections to prevent loss and leakage.

In fiscal 2016, we entrusted Japan Environmental Storage & Safety Corporation (JESCO), which is wholly owned by the Japanese government, with detoxification treatment of PCB-containing fluorescent lamp stabilizers, which had been stored by the Company's Tokyo Works and Hitachi Kokusai Yagi Solutions Inc.

The treatment of all PCB waste held by the Group has been completed through this operation.



PCB-containing equipment being carried out from the storage facility

Receiving the Fiscal 2016 GREEN 21 Awards Excellence Prize in the Green Curtain Category

The Hitachi Group has established the GREEN 21 Awards program to encourage environmental activities in and outside Japan and disseminate best practices throughout the group. The awards honor advanced environmental initiatives, environmentally friendly products/services, and environmentally conscious business sites within the group.

As part of the Hitachi Group's Summer Energy Conservation Campaign, since fiscal 2011 our Group has promoted a green curtain project under which our business sites and Group companies worked independently on environmental "green curtain" activities. Since fiscal 2014, however, our Group has worked as one to further improve green curtain activities. Our activities include increasing the diversity of cultivated plants, publishing the growth status of plants via the in-house SNS, donating seedlings for green curtains to local preschools, and providing environmental education on goya plants to children. In recognition of our vigorous activities, we have been

awarded for two consecutive years in the Green Curtain Category, with the Excellence Prize in fiscal 2015 and the Best Prize in fiscal 2016.



Green curtain within the Toyama Technology & Manufacturing Center



Environmental education on goya plants for kindergarten children

Note : An outline of our Group's green curtain activities is provided at the bottom of the next page (p. 22).



Eco-Friendly, Next-Generation Products

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

Eco-Products (Environmentally Conscious Products)

As part of our initiative to minimize the environmental impacts of our products and services, the Group conducts "environmentally conscious design assessment" 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 creating a low-carbon society by proposing environmentally conscious products.

Major Eco-Products in fiscal 2016

Note : Specifications and appearance are subject to change for improvement purposes without notice.

Realizing full HD with low power consumption

■ HC-IP3050HD Electric Network Dome Camera for Outdoor Use (ONVIF^{*1}-compliant)

The HC-IP3050HD is a surveillance camera equipped with an electric zoom lens, an electric camera platform, and a live full-HD image transmission function compatible with ONVIF, which ensures interoperability between ONVIF-compliant products, to meet the needs of the surveillance video market for image signal digitization and full HD (1920 x 1080) compatibility.

While maintaining the size of the previous model, the HC-IP3050HD achieves high resolution by digital image processing. Moreover, thanks to the power-saving technology



HC-IP3050HD

incorporated into the electric camera platform, the HC-IP3050HD consumes less power so that it can be powered via a LAN cable with PoE⁺² technology (IEEE802.3at-compliant).

Compared with the conventional dome camera (HC-350, released in 2005), the HC-IP3050HD produces 58% CO₂ emissions.

*1 ONVIF : An acronym for Open Network Video Interface Forum. It refers to an open industry forum for development of global standards for the interface of network video products, or such global standards.

*2 PoE+ : Standards for PoE (Power over Ethernet, a technology that uses the power inside the LAN cable to power up the device) set by the Institute of Electrical and Electronics Engineers (IEEE)

Eco-Design (Environmentally conscious design)

In fiscal 2016, our Group introduced Environmentally Conscious Design, which is in compliance with International Standard IEC 62430,* with the aim of reducing environmental impacts not only by working to reduce our Group's environmental footprint, but also by providing eco-friendly products to customers.

To promote environmentally conscious design, we have introduced two types of assessments in the product development process: environmentally conscious design assessment and life cycle assessment.

In the environmentally conscious design assessment, environmental considerations incorporated in the design process to reduce the environmental load of a new product are evaluated. In the life cycle assessment, the potential

environmental impact of a new product is assessed throughout its life cycle, based on a comparison of the specifications of the new product with those of existing products.

We pursue environmentally conscious design by utilizing the results of assessment results.



* IEC62430 : International standard on environmentally conscious design for electrical and electronic products and systems, specified by the International Electrotechnical Commission (IEC)

Outline of our Group's Green Curtain Activities

This section summarizes "green curtain" activities undertaken each year by our Group as part of the Hitachi Group's Summer Energy Conservation Campaign.

No.	Item	Activities
1	Diversification of cultivated plants	Until fiscal 2013, we cultivated goya, loofa and morning glory. Since 2014, in addition to these, we have cultivated winged bean and snail flower.
2	Donation of seedlings to local preschools; holding of environmental education sessions	In the Toyama area, since fiscal 2014 we have donated seedlings to local preschools. In addition to this, since fiscal 2015 we have provided environmental lessons in which we explain the effects of green curtains and characteristics of each plant in a quiz format.
3	Installation of automatic sprinkler systems	In fiscal 2013, we installed automatic sprinkler systems with timers and hoses. Since then we have used systems for watering green curtains.
4	Free distribution of goya, free serving of goya dishes	We distribute harvested goya to employees for free, and serve goya dishes such as goya champuru in company canteens for free (around August each year.)



The bud of a snail flower, which has a unique snail-like shape

Hitachi Kokusai Electric Inc.

Contact

Corporate Communication Office, Legal & CSR Division,
Hitachi Kokusai Electric Inc.
Hitachi Atago Bldg. 6F
2-15-12, Nishi-shimbashi, Minato-ku, Tokyo 105-8039, Japan
TEL : +81-3-6734-9401 FAX : +81-3-3502-2507
Issued in June 2017 (English version issued in September 2017)

■ This report, issued only as a pdf file, is not printed or available as a booklet.

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

or

Editor's Postscript

As mentioned at the end of the President's message in the opening pages of this report, it is highly likely that by the end of fiscal 2017 our Company will undergo major changes and both segments will eventually operate as two separate companies.

The main period covered by this report is fiscal 2016, and our Company's CSR initiatives are underway at the time of publication of this report. Needless to say, CSR forms the basis of all aspects of our business. We believe that no matter what form the Company may convert into, the importance of ongoing dialogue with stakeholders will remain unchanged as long as our Company's businesses continue to be operated in a way that leverages their strengths. We will continue to disseminate information on our CSR activities through our website and other communication tools and create opportunities to engage in dialogue with stakeholders and reflect their opinions in our CSR activities. We invite you to read through this English version of the CSR report and fill in and send back the questionnaire to share with us your opinions and suggestions.