HITACHI

Hitachi High-Technologies

# Corporate Social Responsibility Report

2008

Hitachi High-Technologies Corporation

# Contents



## Editorial Policy

The CSR Report 2008 is published to update our stakeholders about our current CSR activities. The feature section, entitled "Contribution to Society through High-Tech Solutions," explains how the business of the Hitachi High-Technologies Group contributes to solving environmental problems, which are currently causing concern worldwide. This report also provides a comprehensive account of the Group's CSR-related activities, including achievements and future challenges in each area.

## Website

This booklet is an abridged and translated edition of our Japanese CSR report, which is available on our Japanese website. For more information on our general corporate activities, please visit our "Global Site" at:

**http://www.hitachi-hitec.com/global/**


## Scope of this Report

**Organizations Concerned:**

Hitachi High-Technologies Corporation and its affiliated companies

**Report Period:**

Primarily from April 2007 to March 2008

**Next Scheduled Publication:**

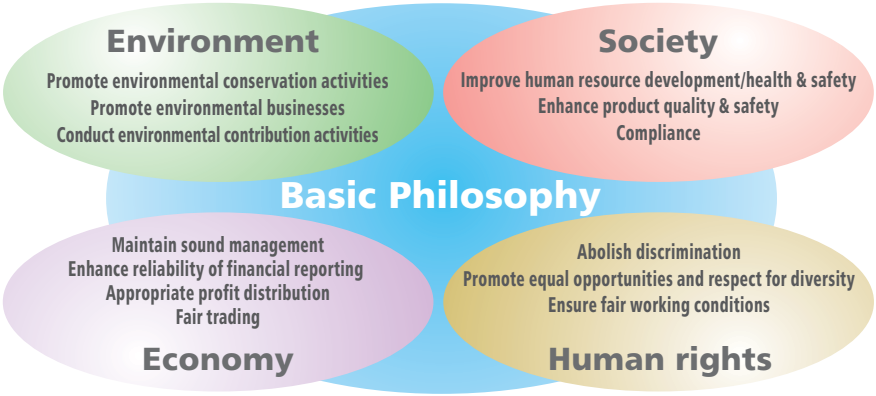
June 2009

**Reference Guides:**

"Environmental Reporting Guidelines 2007", Ministry of the Environment, Japan

# Hitachi High-Technologies' CSR Vision

To Hitachi High-Technologies, CSR means that all employees share the Group's Basic Philosophy, putting it into practice in their business activities. The philosophy advocates "contributing to social progress through business activities that emphasize value creation through high-tech solutions," and when putting it into practice, we will fulfill our corporate social responsibility with regard to the environment, society, human rights, and the economy, among other considerations.




## Basic Philosophy

Hitachi High-Technologies Corporation aims to be a successful enterprise trusted by all our stakeholders and contributing to social progress through business activities that emphasize value creation through high-tech solutions. We are committed to open, transparent, and reliable business practices. As we continue to grow, we will value the environment and strive to build a prosperous community, fulfilling our social responsibility and contributing as a corporate citizen with passion and pride in our work.

## Corporate Vision

To consistently aim to be Global Top in high-tech solutions

### Corporate Culture Policy

1. To respect the abilities of every employee and inspire confidence to tackle new challenges.
2. To build a vibrant, enterprising company that is open to new ideas.
3. To encourage speedy and efficient performance through teamwork.

### Business Policy

1. To place the customer first, growing with our customers by providing the best solutions, consistently a step ahead of market needs.
2. To contribute to value creation in the global community through synergies between our strengths in cutting-edge technologies and our capabilities as an established trading company.
3. To aim for reliability and excellence based on our core assets of talent and technical resources, and to maximize our corporate value.

### Management Policy

1. To aggressively disclose information and conduct business in a highly transparent manner.
2. To exercise social responsibility as an environmentally aware corporate citizen.
3. To conduct legally and ethically sound business activities.

# Contribution to Society through Employee Practices and High-Tech Solutions

## CSR for Hitachi High-Technologies

Our society currently faces various issues that need to be tackled, including globally worsening environmental problems and other issues affecting people on a day-to-day basis, the most notable being food safety-related. In this situation, the essential purpose of companies is being reexamined in light of the need for them to exist in harmony with society and contribute to its sustainable development.

Hitachi High-Technologies regards CSR as an important management issue and is implementing more rigorous corporate governance, while pursuing corporate activities based on a law-abiding spirit, and activities to conserve the global environment. At the same time, we are striving to contribute to society through business activities leveraging our competitive advantage in cutting-edge technologies.

The cornerstone of CSR at Hitachi High-Technologies is "contributing to social progress through business activities that emphasize value creation through high-tech solutions," as advocated in the Basic Philosophy. Each employee aims to practice CSR in their workplace with that philosophy in mind.

## Contribution to Social Progress through Business Activities

Hitachi High-Technologies combines design and manufacturing functions that leverage cutting-edge technologies with trading functions that provide leading-edge solutions. As a company that creates value in the high-tech sector, we intend to contribute to social progress by continuing to provide value added products and business models.

We will take into account the needs of society and the customer's perspective in promoting partnerships and alliances with customers and other companies. By sharing knowledge and information within the organization and moving proactively, we aim to propose timely solutions. For example, we are contributing to resolving environmental problems—an issue throughout the world—through our business activities. To this end, we are leveraging our competitive edge in the global development of environment-related businesses such as solar power generation systems and environmental measurement equipment. At the same time, we will continue implementing business activities aimed at ensuring harmony with the environment.

## Workplace-Oriented CSR

To become a company that is trusted with regard to CSR, we must avoid conducting activities aimed at best practice only on an individual and divisional basis. Instead it is essential to enable employees and organizational units to combine organically and establish close communication with all stakeholders inside and outside the company, so that our whole organization maintains best practice.

At the same time, we are aiming to achieve the goals set out in our Corporate Culture Policy: to respect the abilities of every employee and inspire confidence to tackle new challenges; to build a vibrant, enterprising company that is open to new ideas; and to encourage speedy and efficient performance through teamwork. To create rewarding working environments in line with this aim, we are motivating our staff by offering an improved training system and

conducting employee satisfaction and opinion surveys. The overall goal of all these measures is to support our staff in their efforts to promote CSR by enhancing awareness of the issues among individual employees and by inspiring them to contribute to society through their work. Our efforts to pass on and refine advanced skills at manufacturing sites led to our winning three medals at the international WorldSkills Competition held in November 2007.

In addition to contributing to society through business activities, we are also actively promoting initiatives that lead to the development and invigoration of regional communities. Each business location conducts a variety of initiatives including tree planting, supporting the community in raising the next generation, local clean-up activities and sponsoring public marathons.

## Ensuring Ethics and Integrity

Our efforts to promote CSR require us to control ourselves more rigorously than hitherto. With that objective, we intend to fulfill our responsibility as a corporate citizen through a well-developed sense of morality founded on prioritizing "Basics and Ethics" (conducting business based on fundamental principles and correctness) and "Integrity" (business based on honesty rather than gain) in every business situation. To this end, we took steps to instill an awareness of CSR by conducting a compliance survey targeting employees throughout the world. I believe that Hitachi High-Technologies will be known as a company with integrity as a result of each employee becoming trusted as a business person in the course of actual corporate activities. At the same time, we will practice management

H. Obayashi

**Hidehito Obayashi, Ph.D.**
President,
Chief Executive Officer and Director

that is based on a global standpoint, respects diversity, and considers human rights.

By maintaining a well-developed sense of morality and taking a proactive approach, we will create the Hitachi High-Technologies Group that values integrity. Our aim thereby is for the Group to be trusted by all stakeholders and to be considered a necessary part of society. To realize that objective, more than 10,000 group employees in 29 countries of the world will continue uniting their efforts to pursue our CSR activities.

June 2008

# Developing Measuring and Analytical Technologies to Deal w

## Constant PCB Monitoring at PCB Waste Disposal Facilities

### Measures to Deal with the PCB Waste Problem

Polychlorinated biphenyls (PCBs) are stable substances that have a wide range of applications. Everyday products where PCBs are used in large amounts include fluorescent light capacitors and various paints and inks. We now know that the high toxicity of PCBs means they are carcinogenic and have adverse affects on the entire ecosystem.

The former Japanese Ministry of International Trade and Industry ordered a halt to PCB manufacturing and a product recall in 1974, but PCB users had to store the products because no appropriate disposal method had been developed at that time. This situation went on for 30 years resulting in numerous incidents where PCBs leaked from aging consumer electronics or other products that had not been disposed of properly. In 2001, the Law Concerning Special Measures Against PCB Waste was enacted with the objective of preserving the health of the population and conserving the environment. The law mandated the disposal of PCB waste matter within 15 years, therefore, PCB waste disposal facilities were established across Japan. Appropriate disposal of PCBs is still conducted in these facilities.

The CP-2000P PCB monitor is fine-tuned at our plant test facility prior to shipment. Technicians work on individual units to fine-tune the devices.

External appearance of the CP-2000P PCB monitor. The front hose takes in gas from the test facility for measurements.


In 2006, the device was awarded the 33rd Environment Prize jointly sponsored by the Hitachi Environment Foundation and Nikkan Kogyo Shimbun Ltd.

### Safe PCB Disposal and Peace of Mind

Hitachi High-Technologies' PCB monitoring device, the CP-2000P, is used to monitor PCB generation and is currently in use at various PCB waste disposal facilities in Japan. Such monitoring confirms that the PCBs have been disposed of appropriately and identifies any leaks within or outside the facility, thereby contributing to the safety and peace of mind of residents living near disposal facilities or the workers within the facilities themselves.

The CP-2000P produces highly precise measurements. The system uses atmospheric pressure chemical ionization (APCI) and ion-trap method. The system can be operated continuously for several months due to its' low–maintenance design, which we developed in order to provide trouble-free operations at disposal facilities. This technology supports the safe disposal of PCBs by real-time online measurements of PCB generation.

### Performance Enhancements and Environmental Conservation

As well as PCBs, there are concerns that dioxins and many other chemical substances have adverse environmental effects and are a threat to ecosystems. We collect sample data, adjust the requirements to suit customers' needs, and work hard to enhance the performance of our devices in order to allow the measurement of highly concerned substances, without need for specialist expertise. In this way, we will continue to deliver safety and peace of mind to all.

# ith Hazardous Substances

## Hitachi Polarized Zeeman Atomic Absorption Spectrophotometer is able to Handle an Increasingly Wide Range of Analytical Targets

### Accurate Measurement of Trace Element Concentration

An atomic absorption spectrophotometer (AAS) measures concentration of trace elements in a sample. Hitachi polarized Zeeman AAS is easy to operate and can acquire the accurate value due to the polarized Zeeman method, which requires a strong and stable magnetic field.

The AAS is used in a wide range of analysis in the chemical, manufacturing, pharmaceutical and environmental fields as well as for food testing where content analyses have become important in recent years. The AAS can accurately measure a number of each element, and is used by a wide variety of customers.

### Environmental Applications

Environmental concerns are now global in scale and demand for elemental analysis has increased in recent years. Analysis of harmful heavy metals in the soil is necessary not only for agricultural land used to grow crops, but also for residential areas. Tests on river water and drinking water or analysis during the various processes carried out at water filtration plants are vital to ensure safe water supplies for residents and the surrounding ecosystem. Countries are now establishing regulations to govern the amounts of harmful chemical substances contained in electronic devices and other industrial products to control product safety. The European Union's (EU) RoHS directive is just one of the regulations with which countries and companies must now comply.

Demand for various environmental analyses has driven the use of our Zeeman AAS for accurate measurements of heavy metal elements that may have an adverse effect on our living environments.

When designing the instrument, we looked to improve performance and also build in environmental features such as energy-saving and low-weight designs. For future models, we plan to improve performance further and ensure ease of use while reducing any environmental burden as part of our efforts to conserve the environment.

Hitachi Z-2010 polarized Zeeman AAS can perform accurate measurements using both flame and graphite furnace methods.

VOICE

I think that accurate elemental analysis allows more people to lead a safer life. I work to provide easy-to-use devices and analytical technologies that meet our customers' need for accurate measurements. An example would be the measurement of trace amounts of zinc, which is important for environmental analysis, in rivers and seawater. I am glad I can contribute to society by working in this field.

**Takayuki Nabeshima**
Marketing Department
Bio & Analytical Systems Sales Division
Hitachi High-Technologies

VOICE

I provide operational training and perform analytical tests on request from customers. Improvements in instrument sensitivity mean we can now directly measure low concentration without the need for a concentration step using organic solvents, which has reduced the amount of solvents used. I want to make customers aware of the environmental aspects of our analytical operations.

**Kazuyo Miura**
Naka Application Center
Naka Division
Nanotechnology Products Business Group
Hitachi High-Technologies

# Providing Clean Energy Solutions

## Solar Cell Business Helps Resolve Global Warming

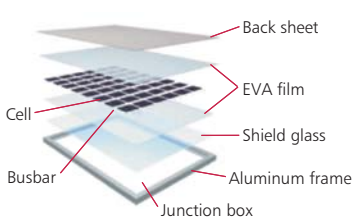
### Solar Cells under the Spotlight

Clean energy is currently attracting attention around the world as a means of reducing emissions of $CO_2$, the main cause of global warming. Electric power energy can be generated by many different methods, including power from the wind, sunlight, solar heat, terrestrial heat, tides and water. Hitachi High-Technologies' trading divisions are currently focusing their business on solar cells.

Demand for solar power generation is on the increase, especially in Japan and Europe. Solar power systems are in short supply because material procurement and panel manufacturing have been unable to keep pace with this jump in demand. We are using our trading function to help people around the world gain access to clean energy, by accelerating our global business development and providing quick deliveries of better quality products.

### Reliable Supply of Solar Panel Materials

Solar panels are made from seven different main materials, as shown in the drawing below. In collaboration with Hitachi High-Technologies Group companies in China region, we are securing quality supplies of these materials and ensuring a reliable supply of materials in China where much of the panel manufacturing is carried out. In this way, we are helping to meet demand for panels and supporting the manufacture of panels capable of highly efficient power generation.




Schematic drawing of a solar panel

Panel

VOICE


A flexible solar cell

**Seiji Seki**
New Business Development Department
Corporate Strategy Division
Hitachi High-Technologies

Solar cells as shown on the photograph above, have already been developed. These solar cells are light and highly portable, so they can be installed in existing buildings or even on dome-shaped roofs. They can also be used to generate power in mountainous or high-altitude regions where it is difficult to install power-generating facilities or power lines. I work in this business because I believe the greater use of solar cells can help to resolve global warming.

### Promoting Solar Panel Use in Japan and Overseas

We are working on product supplies in Japan and overseas, especially Europe. We purchase solar panels capable of efficient power generation and supply them to customers that provide solar power systems.

### Supplying Equipment Used in the Manufacture of Solar Panels

We purchase the production equipment needed to manufacture solar panels from Japanese manufacturers that have superior technologies and supply this production equipment to overseas manufacturers. We use our trading function to procure the assembly and testing equipment employed in back-end processes and also in response to customer requests to combine products from various different manufacturers in order to provide optimal solutions and improve panel manufacturing productivity.

# Addressing Environmental Issues through Manufacturing

## Developing Eco-Products and Super Eco-Products

### Expanding Our Eco-Product Portfolio

Hitachi High-Technologies is working to design, develop, and manufacture "Eco-Products" that have less environmental impact than conventional products, for example through reduced power consumption or compact design to reduce materials usage and energy usage during transportation.

### Eco-Product Designation

All Hitachi Group companies conduct an environmental design assessment in order to minimize the environmental impact of the product at all stages, from manufacturing to disposal. The assessment evaluates the products according to eight categories, including resource reduction, resource recycling, and ease of decomposition and processing. Products that meet a certain standard* are designated as Eco-Products.

We are also working to increase the proportion of in-house products division sales accounted for by Eco-Products as part of our efforts toward the global supply of products that produce a less environmental impact. In fiscal 2007, 24 products were registered as Eco-Products accounting for 74% of sales, beating our target of 72%. From fiscal 2008, we are targeting 80% or more of sales from Eco-Products.

*Products can score up to 5 points per category; Eco-Products need to achieve at least 2 out of the 5 available points for each category and a total average point score of 3 or more.

### Improving Environmental Efficiencies and Developing Super Eco-Products

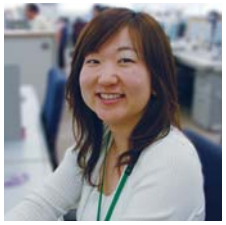
We are working to increase the environmental efficiency (efficiency of global warming prevention and resource efficiency) per unit of energy consumed or resources used, in a bid to improve performance and extend product life.

Super Eco-Products are Eco-Products where a marked improvement in environmental efficiency has been achieved and the product is either recognized as the industry leader or has an excellent reputation outside the company. We are working to increase the proportion of Super Eco-Products. In fiscal 2007, the Hitachi High-Technologies Group had seven products that met the Super Eco-Product criteria.

VOICE

#### The NanoFrontier LD liquid chromatograph mass spectrometer for protein analysis

We have designed this environmentally friendly equipment with the operator in mind, so it performs rapid protein-level analyses of high sensitivity, requires little maintenance, uses less organic solvent, and is easy to dispose of.



**Izumi Ogata**
Analytical Systems Design Department
Naka Division
Nanotechnology Products Business Group
Hitachi High-Technologies

VOICE

#### GXH-3 high-speed modular mounter

We worked to improve productivity and increase functionality in our electronic component module assembly systems and managed to reduce faulty circuit board production, reduce waste, and make effective use of material resources. Easier maintenance extended the lifespan and gave the product a better environmental profile.

**Hiroyuki Watanabe**
Jisso Systems Design Department 1
Design Division
Hitachi High-Tech Instruments Co., Ltd.

We want to help create a sustainable society by reducing the environmental burden of our products and to improve quality of life through the provision of products that are easy to use, can be used with confidence, and that have more convenient and optimal functionality.

# Environmental Activity

Evaluation of the Fiscal 2007 Environmental Action Plan and Environmental Accounting / Fiscal 2008 Environmental Action Plan

Evaluation of fiscal 2007 performance
●: Target achieved ▲: Needs improvement

| Category | Subcategory | Main initiatives and results in fiscal 2007 | Achievement Rating | Cost of Environmental Protection Activities | | | |
|---|---|---|---|---|---|---|---|
| | | | | Fiscal 2006 | | Fiscal 2007 | |
| | | | | Cost | Investment | Cost | Investment |
| Establishment of a corporation that creates environmental values | 1. Nikkei Environmental Management Survey | •Ranked first for five consecutive years in the trading company category of the Nikkei Environmental Management Survey conducted by Nihon Keizai Shimbun Inc. | ● | – | – | – | – |
| | 2. Environmental activities | •Green 21 result: 921 points, including affiliated companies (target: 896 points) | ● | | | | |
| Eco-mind & Global Environmental Management | 1. Environmental management | •Quarterly assessments of progress and implementation of improvement measures | ● | 398 | – | 502 | – |
| | 2. Environmental management system | •Improved management system based on the integrated environmental management system of the Hitachi Group<br>•Prepared for ISO14001 certification acquisition of overseas offices; collected environmental data from those offices | ● | | | | |
| | 3. Environmental accounting | •Implemented environmental accounting at main affiliated companies in Japan | ● | | | | |
| | 4. Environmental education | •Implemented environmental e-learning for entire group<br>•Implemented education according to rank-specific trainings | ● | 61 | – | 83 | – |
| Next generation Products & Services | 1. Eco-products | •Registered 24 new products and achieved Eco-Products ratio of 74% (target: 72%)<br>•Registered 7 Super Eco-Products | ● | 987 | – | 1,283 | – |
| | 2. Control of hazardous substances used in products and Environmentally CSR-compliant Monozukuri | •Initiated program to establish Environmentally CSR-compliant Monozukuri at overseas affiliated companies<br>•Established chemical substance information management system and promoted its use | ● | | | | |
| | 3. Sustainable business | •Promoted sales of Eco-Products<br>•Promoted Eco-Services (ex.Reuse business and Collection of $SF_6$) | ● | | | | |
| Super Eco-factories & Offices | 1. Global warming prevention | •Reduced $CO_2$ emissions per unit of domestic production by 34% from fiscal 1990 base level compared to target of 21% | ● | 190 | 86 | 134 | 472 |
| | 2. Resource recycling promotion | •Achieved zero emissions at total of 8 sites, including Headquarters and Saitama Division | ● | 152 | – | 159 | 22 |
| | 3. Chemical substances management | •Implemented plan to reduce VOC emissions | ● | | | | |
| | 4. Eco-factories & offices | •Implemented measures to reduce waste at "model worksites" (installed devices to indicate waste volumes, displayed trends, etc.) | ● | 543 | 23 | 149 | 32 |
| Worldwide Environmental Partnership | 1. Environmental communication | •Published CSR Report 2007 (Japanese/English/Chinese); distributed to all stockholders and employees<br>•Issued Naka Division Environmental Site Report<br>•Set up environmental corner at factory open days etc. | ● | 16 | – | 17 | – |
| | 2. Global citizenship activities | •Implemented environmental activities in local communities at each division & office<br>•Thinned the undergrowth in the Hitachi High-Tech Yasato Forest | ● | | | | |
| | | | Total | 2,347 | 109 | 2,327 | 526 |

● We incurred no violations of environmental laws and regulations. We responded appropriately to comments and complaints from outside the company.
● Environmental accounting tabulation standards
1) Scope: Hitachi High-Technologies Corporation (headquarters, domestic branch offices and divisions), domestic manufacturing companies and several sales companies.
2) Reporting period: April 1st, 2007 – March 31st, 2008
3) Costs: labor, R&D, depreciation etc. * Compound costs (combination costs for environmental protection and other purposes) are calculated on the basis of apportionment by extracting parts specific to the purpose of enviror
4) Results: Real income = income obtained through activities related to environmental protection; Cost reduction = cost reduction due to the environmental impact reduction plan (not including estimated reduction)

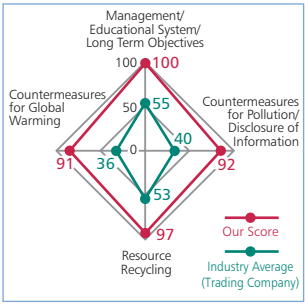
(Unit: million yen/year)

| Fiscal 2007 Results | | Main environmental initiatives in fiscal 2008 |
|---|---|---|
| Real Income | Cost Reduction | |
| – | – | •Maintain a high rank in the Nikkei Environmental Management Survey |
| | | •Achieve a Green 21 rating of 1,024 |
| – | – | •Complete implementation of environmental management system in line with tightened environmental regulations<br>•Proactively incorporate environmental management into business strategy |
| | | •Continue working towards the integrated environmental management system of the Hitachi Group<br>•Extend environmental management systems to overseas affiliated companies |
| | | •Expand scope of application for environmental accounting |
| – | – | •Enhance content of e-learning for sales group companies<br>•Increase use of Hitachi Group e-learning tools |
| – | – | •Achieve 80% or more application of Eco-products<br>•Achieve 10% or more registration raito of Super Eco-products |
| | | •Ensure management of harmful chemical substances is ongoing and rigorous<br>•Ensure compliance with laws and regulations of other countries such as the EU REACH regulations continuously |
| | | •Strategically promote business models to reduce environmental impact in the next generation |
| – | 456 | •Maintain or increase reductions in $CO_2$ emissions per unit of domestic production |
| 59 | 4 | •Reduce industrial waste by 16% (from fiscal 2000 base level)<br>•Increase ratio of recycled resources by 6% (from fiscal 2005 base level) |
| | | •Ensure full compliance with provisions of the Air Pollution Control Law regarding concentration levels of emissions at facilities already regulated by the law<br>•Reduce VOC emissions |
| – | 16 | •Promote Eco-Factories (industrial wastewater management, soil pollution countermeasures) |
| – | – | •Promote continuous communication with stakeholders<br>・Publish CSR Report and Environmental Site Report<br>・Explain environmental activities at factory open days, conduct surveys, site tours, etc.<br>・Consider exhibiting our products at "Eco-Products Tokyo" and other international exhibitions |
| | | •Contribute to environmental activities by planning and actively participating in volunteer activities in local communities |
| 59 | 476 | |

nmental protection.

## Environmental Activity Highlights

### Ranked first for fifth consecutive year in the trading company category of the 11th Environmental Management Survey




In the 11th Environmental Management Survey conducted by the Nihon Keizai Shimbun Inc., we again received the first prize in the trading company category. The efforts of the entire Hitachi High-Technologies Group were rated highly in areas such as the wide-ranging use of environmental accounting for Group companies and the improvement of environmental education for employees. We will continue making efforts to maintain and improve environmental activities throughout the entire Group.

### "Hitachi High-Technologies Yasato Forest": Undergrowth Thinned as Part of Tree-Planting Activity

Every year, we thin the undergrowth and weeds in the forest we planted in 2005. In 2007, 65 volunteers comprising employees and their family members took part in this activity. By cultivating the forest, we will continue contributing to the protection of the global environment.

"Yasato Forest": Environmental Conservation Effects in Fiscal 2006
(based on survey by Kanto Regional Forest Office)

(1) Absorption and storage of $CO_2$: 14.0 tons/year: equivalent to annual $CO_2$ emissions by 44 people
(2) Watershed protection (easing of floods and water shortages, purification of water quality):
151 $m^3$/year: equivalent to 75,000 2-liter PET bottles-full
(3) Soil loss prevention: 3 $m^3$/year: equivalent to one 10-ton truck-load

### Shonan Division Receives Award from Kanagawa Environmental Conservation Association


The Shonan Division received an environmental conservation award from Kanagawa Environmental Conservation Association. This award recognizes efforts to conserve the environment over many years and the achievement of excellent results. The Shonan Division will continue its efforts to promote environmental activities such as energy saving, resource saving and the reduction of hazardous chemical substances.

# CSR Mind of Employees

## Enhancing Safety and Comfort in Trains through Use of Railroad Inspection Equipment

**Keishin Hamaoka,**
**Hitoshi Matsuo**
(from left in photo)
Social Systems Department
Fine Technology Products Business Group
Hitachi High-Technologies

The safety, reliability and comfort of Japan's railroad transportation is at a world-class level, and is underpinned by inspection trains, the so-called "doctors of the railroad." Inspection trains incorporate many types of equipment, of which we manufacture equipments and devices for measuring the displacement in longitudinal level and undulation of rails, as well as the height and wearing-out of overhead contact wires (trolley wires). Bent rails affect passenger comfort, while abnormal wearing-out of contact wires hinders stability at high speed and, in some cases, can lead to accidents. Consequently, railway companies regularly carry out inspections, and conduct maintenance based on the data obtained.

The equipment we have developed enables inspection at operating speed. For example, our equipments for Shinkansen (bullet train) inspection trains can accurately and reliably measure a distortion of 0.3 mm in rails and contact wire wearing-out of 0.2 mm while running at 270 km per hour. They can do so even under other severe conditions such as vibration, noise, high voltage and bad weather. We are continuing to make further improvements in our equipment to support safe transportation on the railroads, which people entrust with their lives. In this we are guided by a conviction that our mission is to manufacture the most reliable products possible.

Inspection equipments and
Shinkansen (bullet train) inspection trains

## Making Life Safer and More Comfortable by Providing Maximum Security

**Alfred Duemlein**
Electronic Component Department
Munich Branch Office
Hitachi High-Technologies Europe GmbH

Hitachi High-Technologies Europe provides leading technology products of benefit to society, based on the slogan "Every day we strive to make life a bit more pleasurable." One business here at the Munich Branch Office in Germany is the supply of microcontrollers (IC chips), which are required in Smart card manufacturing. I have been responsible for sales in this business for 12 years.

Nowadays Smart cards are used in many applications worldwide; people use them in telecommunications, finance and many other fields of their daily life. Our company provides IC chips to card manufacturers in the communications (mobile phone) and finance sectors.

There are many ways we contribute to society through our IC chip business. For instance, users of our IC chips benefit from maximum security protection against fraud or forgery. In addition, IC chips are more reliable and stable than magnetic materials, therefore, through long-term use important resources can be saved.

I am proud of my work and I will continue doing my best to make people's lives safer and more comfortable through IC chips.


IC chips embedded in a Smart card
and a mobile phone SIM card

# Employee Practices Support CSR Activities

## Refining and Handing down of World-Class Skills Supporting Advanced Manufacturing Technologies

**Takeshi Seki**
Semiconductor Systems
Manufacturing Department
Naka Division
Nanotechnology Products Business Group
Hitachi High-Technologies

*CNC: Computerized Numerical Control

At the 39th international WorldSkills Competition held in 2007, all three employees sent by our company won medals. In the run-up to the competition I was responsible for instructing them in CNC* Turning and CNC Milling machines.

Combining cutting-edge technological development with the world-class skills that make such development possible is indispensable in manufacturing new electron microscopes, semiconductor inspection equipments and analyzers. That is why we are focused on handing down technical skills and set ourselves the challenge of competing in the WorldSkills Competition. I believe it is our role as a corporate citizen to maintain the traditions of manufacturing while creating new value for customers and society, by improving and passing on our skills to the younger generation.

### The three medalists and their aspirations

**Komei Osuga** (left) : In a contest where the time constraints are severe I am competing against myself. During training I cultivated the ability to stay humble, calm and collected, and I intend to apply that when I am working. (Mechanical Engineering/CADD: Bronze medal)

**Akira Fujimoto** (center) : The competition taught me the skill of efficiently identifying the best way to improve my performance, and I will use that in my job. (CNC Turning: Gold medal)

**Akitomo Ebine** (right) : In the competition I had to perform in terms of both speed and quality simultaneously, and that experience is something I can draw on back in the workplace. (CNC Milling machines: Gold medal)

## Responding Rapidly to Disasters and Helping to Ensure Peace-of-Mind at Home and at Work

**Nobuyuki Suguro, Ichiro Sato**
(from left in photo)
Customer Support Center
Hitachi High-Tech Fielding Corporation

*JWA: Japan Weather Association

Hitachi High-Tech Fielding provides maintenance services and sells component parts for industrial, scientific and medical instruments, as well as semiconductor equipments manufactured and sold by the Hitachi High-Technologies Group. Our Customer Support Center has established a fully-fledged global support system, which operates 24 hours a day, 365 days a year. The support we provide to our customers ensures the optimal running of our products with minimal or no down time.

Prompted by the Great Hanshin-Awaji earthquake in 1995, we have been focusing on earthquake disaster response. When an earthquake with a lower 5 or higher seismic intensity (on the Japanese scale) occurs, we receive information from JWA* and send automatic messages to the president and other staff responsibile for earthquake response. In the case of an earthquake with a lower 6 or higher seismic intensity, we set up a disaster countermeasure task force. In the Niigata Pref. Chuetsu earthquake in 2004, enormous damage was incurred at "lifeline" facilities, such as the water supply department and hospitals. Immediately after the earthquake, we initiated a companywide response, working to restore operation of water supply equipment and recommence testing at hospitals as soon as possible. We will continue working to provide services that support peace-of-mind for our customers and society.

A service engineer preparing to set off for a maintenance inspection

# Initiatives at Operating Bases and Group Companies

## Support for Science Education

Hitachinaka City, Ibaraki Prefecture, Japan

### Naka Division, Hitachi High-Technologies

#### Jointly Sponsored "SEMI® High Tech U™"

—Conveying the importance of the semiconductor industry to high school students—

In March 2008, the Naka Division sponsored SEMI®'s* "High Tech University" program in collaboration with the Renesas Technology Corporation. The objective of this program is to stimulate high school students' interest by explaining how interesting science and manufacturing can be as well conveying to them the importance of the semiconductor and microelectronics industries.

On the day, 36 students participated in the "High Tech University" event. They were able to see with their own eyes the advanced micro- to nano-level technologies used in semiconductors: in addition to the lecture-based explanation, they dismantled a mobile phone, taking out the semiconductors inside, and observing them through the company's electron microscope. Participants also witnessed part of the actual semiconductor manufacturing process by going inside a clean room and doing a tour around the factory.

Observing mobile phone semiconductors

Experiencing a clean room

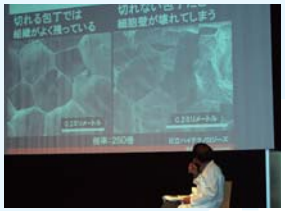
*SEMI® : Acronym for semiconductor industry organization "Semiconductor Equipment and Materials International"

Minato-ku, Tokyo, Japan

### Hitachi High-Technologies

#### Summer Holiday Event: "SCIENCE KIDS" Radio Program

As part of its activities to support science education, Hitachi High-Technologies conducts initiatives to stimulate children's curiosity in science. In one such initiative, the company offers the radio program "Science Kids" for elementary school students. In August 2007, we invited about 40 elementary students into the Nippon Cultural Broadcasting Inc. to record the program publicly as a summer event.



Special lecture by Hitachi, Ltd. Fellow Dr. Akira Tonomura

On the day, there was a scientific experiment show and a special lecture by Hitachi, Ltd. Fellow Dr. Akira Tonomura. In the hands-on experience area, which featured the company's Tabletop Microscope TM-1000, each participant observed the samples they had brought, and we held a photo contest on the website at a later date.

Observing familiar objects with the Tabletop Microscope

## Supporting Human Resource Development

Shanghai, China

### Hitachi High-Technologies (China) Co., Ltd.

Interns learn about leading-edge technology

Scholarship award ceremony

#### Supporting Human Resource Development in China through Intern System and Scholarships

Hitachi High-Technologies (China) Co., Ltd. started accepting Chinese university students as interns in 2007. The company provided students experience of a global business workplace, and with the cooperation of such companies as Hitachi (China) Research & Development Corporation and Hitachi Instrument (Suzhou), Ltd., it provided them an opportunity to come into direct contact with leading-edge technology. In addition, the company has conducted a scholarship system for universities since 2005.

By continuing these activities and supporting the development of highly competent personnel that will play a leading role in China's society in the future, we intend to contribute to the further development of the industry.

## Cooperation between Government, Industry and Academia

San Francisco, America

### San Francisco Office, Hitachi High Technologies America, Inc.

Dr. JoAn S. Hudson, senior scientist at Clemson University


Members of the partnership project

#### Partnership with Clemson University (U.S.)

The San Francisco Office started partnership with Clemson University in the field of electron microscopy since 2002 and has been holding nanotechnology seminars for researchers in the government, universities and companies. In 2007, together with the South Carolina Legislature, it participated in a joint grant program for Clemson University, providing approximately $3.3 million for the purchase of 3 electron microscopes. These electron microscopes are being used in the university's laboratories and research centers, and are contributing to the progress of scientific technologies through biomedical research, new materials research and the development of advanced materials. One specific example is their use in new materials research that will lead to enhanced automotive performance and safety, a field on which the university's Automotive Safety Research Institute is concentrating its efforts.

## Promoting Diversity

Nagoya City, Aichi Prefecture, Japan

### Chubu Branch Office, Hitachi High-Technologies

#### Hitachi High-Technologies Cooperates in "Universal Design*" Classes Held by Hitachi, Ltd.

The Chubu Branch Office employees volunteered in "Universal Design" classes that the Hitachi Group holds for elementary school students. The objective of this educational support program is to enable the Hitachi Group to give back to society through its knowledge and technology. These classes took a manufacturing-based approach to explain to children the concept of Universal Design, which is necessary to create a society where all people can live conveniently. In addition, the participants experienced a simulation of being visually impaired and designed a TV remote control device that anybody can use easily.

*Universal Design is the concept of taking a broad-based approach to designing products and services that are easy for anyone to use, regardless of age, gender or physical condition.

An employee volunteered as an instructor

Minato-ku, Tokyo, Japan

### Hitachi High-Tech Support Corporation

#### Promoting Employment of People with Disabilities

Hitachi High-Tech Support is a special subsidiary*1 where employees with disabilities are actively engaged in a wide range of work such as general office work, internal mail operations and business card printing, according to the type and degree of disability they have.

Based on the aim of creating an environment where it is easy to work, the company conducts sign language lessons and promotes information exchange among various workplaces. To expand the range of work for people with disabilities, the Hitachi High-Technologies Group has received authorization eligibility for the group as a whole under the system of employment ratios for people with disabilities*2. In addition, the company is carrying out activities aimed at the employment of intellectually challenged people, including a work experience program for students from special schools.

*1: A special subsidiary is a subsidiary that gives special consideration to the employment of people with disabilities.

*2: If eligibility for an entire corporate group is approved, a parent company can calculate the ratio for employment of people with disabilities for the corporate group as a whole, including affiliated subsidiaries.

Mail sorting, collection and delivery

# Management

To create a highly transparent management structure, we have adopted the "company with committees" system. We are striving to create a trusted company by further improving our compliance and risk management and our internal control system.

## Corporate Governance

Hitachi High-Technologies has adopted the style of corporate governance called "company with committees" system. In a committee-based company, authority for business execution can be largely delegated from the Board of Directors to the Executive Officers, enabling speedy management decision-making and implementation. On the other hand, it is also essential to reinforce the supervision of business execution.

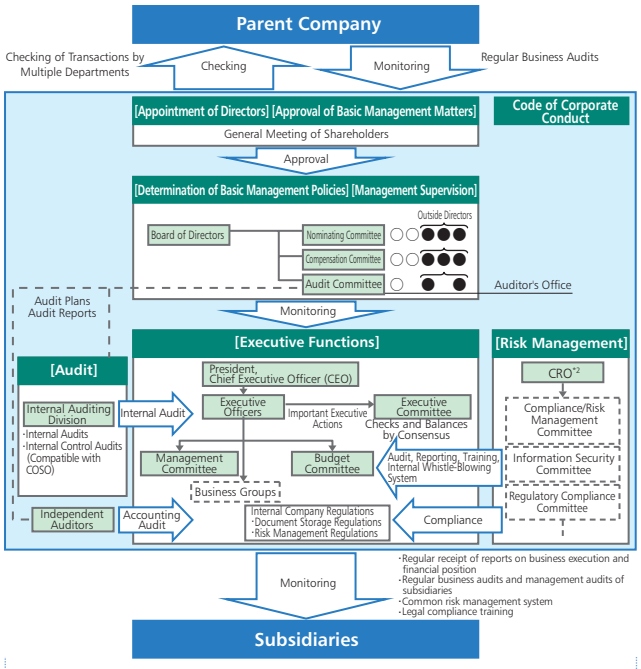
In Hitachi High-Technologies, the most important management issues are dealt with by the Executive Committee and Executive Officers are mutually responsible for the business execution. The role of the Board of Directors is to decide basic management policy and supervise the execution of business activities through receiving reports from the Nominating Committee, Audit Committee, Compensation Committee and the Executive Officers.

Moreover, based on the COSO*1 framework, we are taking measures to establish and maintain an internal control system aimed at reinforcing the Group's management base. The Audit Committee monitors the execution of business activities through this internal control system, performs audits according to its audit plans, and reports the results to the Board of Directors. Audit Committee closely cooperates with Independent Auditors in order to ensure proper accounting.

Furthermore, from fiscal 2008 we will endeavor to develop additional internal control systems to ensure the reliability of financial reporting in compliance with the enforcement of the Financial Instruments and Exchange Law.

*1: COSO: Acronym for the Committee of Sponsoring Organizations of the Treadway Commission, which publicized the internal governance framework in 1992.

Business Execution, Management Oversight and Internal Control System
(As of March 31st, 2008)




*2: CRO: The Chief Risk management Officer who is an executive officer responsible for compliance and risk management. The CRO is selected by the Board of Directors.

## Compliance / Risk Management

Since fiscal 2007, Hitachi High-Technologies' CRO has led the Compliance/Risk Management Committee in regularly investigating risks that affect the company as a whole. The committee formulates a priority activity plan for each fiscal year, and endeavors to revise and improve this plan. In particular, we are aware that information security is a high risk issue. To encourage information security awareness, we have taken relevant measures such as holding workshops to all Group employees and conducting audits.

In addition, we carried out the second compliance survey targeting all Group employees in order to check the extent of the compliance awareness, and to bring any latent problems to light. The survey results showed that awareness of compliance is steadily increasing and that communication within the workplace has also improved. On the other hand, we also identified issues that require further action.

In fiscal 2008 we intend to follow up survey results by organizing compliance training sessions for all managers.

# Relationship with Employees

One policy in our corporate vision is "to respect the abilities of every employee and inspire confidence to tackle new challenges." We are therefore striving to enhance the HR management systems and training programs and improve safety and health.

## Work Environment

### Main Achievements in fiscal 2007

- Conducted third employee satisfaction and opinion survey
- Decided to introduce 360° feedback program*

### Future Challenges

- Continue implementation of response measures based on results of the survey
- Implement 360° feedback program and improve management capabilities

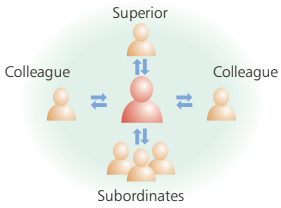
Every two years, Hitachi High-Technologies conducts a survey of all employees regarding issues such as their satisfaction with their work and working environment. In fiscal 2007, based on the results of the survey, we carried out initiatives such as enhancing education aimed at reinforcing the development of management-level personnel, and a review of the training system.

In addition, we decided to carry out a 360° feedback program targeting all managers at the level of general manager and above from fiscal 2008. We aim to make managers aware of their own strengths and points that need improvement by receiving feedback from their colleagues and subordinates, thereby enhancing their management capabilities. This measure will also help to create a work environment that draws out the motivation and ability of each employee to the maximum.

In human resource development, we actively support our employees' career advancement. To that end, we have created a range of educational programs based on four main themes: rank-specific training, internationalization, business and engineering.

*The 360° feedback program entails receiving feedback regarding management methods not only from superiors, but also from others in the same office including colleagues and subordinate staff.

360° feedback




Education System of Hitachi High-Technologies


## Safety and Health

### Main Achievements in fiscal 2007

- Promoted mental health measures based on introduction of EAP*1
- Installed AED*2 equipment and implemented operational training

### Future Challenges

- Improve measures for dealing with natural and other large-scale disasters

*1: EAP refers to the company's Employee Assistance Program.
*2: AED stands for automatic external defibrillator.

Based on the fundamental policy that safety and health should have the highest priority, we have been taking steps to prevent accidents at work and promoting good health of our employees. Our manufacturing divisions are leading efforts to enhance safety, striving to prevent accidents by ensuring manufacturing facilities are fundamentally safe. Initiatives to manage employees' health include measures to prevent illness such as installing AED equipment, requiring employees to have medical checkups of the brain, as well as measures to promote good mental health.

AED training session

# Relationship with Customers

Hitachi High-Technologies' quality policy calls for continuous improvements to its product quality assurance system, unstinting effort in ensuring product safety, and enhancing customer satisfaction. Based on this policy, we are enhancing quality and safety and undertaking customer support activities on a group-wide basis.

## Product Safety and Quality Assurance Systems

**Main Achievements in fiscal 2007**

- Improved management systems to ensure quality and safety
- Reinforced customer support in the event of accidents and natural disasters

**Future Challenges**

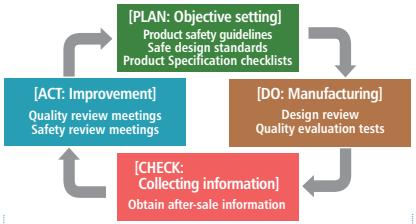
- Continuously reinforce quality management for procured products
- Further strengthen safety based on improvement of product risk assessment

The Hitachi High-Technologies Group's in-house products divisions have established quality assurance standards and are undertaking activities to improve product quality at each stage from product planning to manufacturing, shipment and after-service.

We have stipulated product safety guidelines aimed at producing safe products, and are engaged in activities to improve the safety of products throughout the Group. At the product design stage, we have stipulated detailed safety design standards that combine internal know-how with domestic and overseas legal requirements and safety standards. This way, we make sure to design products that show consideration for safety, including measures not to contain hazardous substances. We also have a system to check and confirm product's safety before shipment. After shipment, we collect and evaluate product safety information and then reflect them in designing highly reliable products.

In customer support, our group service companies have established systems to provide prompt and high-quality services. These systems are designed to enable customers to take full advantage of the functions and performance capabilities of our products, which are shipped all over the world.

Overview of Activities to Enhance Quality and Safety




## Acquisition of ISO 9001 (QMS: Quality Management Systems) Certification

**Main Achievements in fiscal 2007**

- Conducted questionnaire regarding customer satisfaction
- Extended scope of certification to Lexington Office in the U.S.

**Future Challenges**

- Promote acquisition of certification at group companies in China region

As part of its aim to enhance customer satisfaction, Hitachi High-Technologies has promoted the acquisition of QMS certification. In 2005, the headquarters acquired QMS certification, and our sales and corporate divisions throughout Japan, including branches, were certified in 2006. In 2007, the Lexington Office of Hitachi High Technologies America, Inc., followed by receiving an extension of our certification. As our manufacturing divisions Naka and Kasado together with a service affiliated company, Hitachi High-Tech Fielding were already certified in 1995, we have realized one integrated system which includes all aspects of our business: manufacturing, sales and service.

Furthermore, to evaluate and measure improvements in enhancing customer satisfaction, we have a system where each division listens to the opinions of customers and reports those opinions to top management. Every year, sales departments conduct a questionnaire, entrusted to a third party, that covers 30 evaluation points in order to measure customer satisfaction. This questionnaire obtains frank opinions regarding our customer service, and we reflect these opinions in sales activities. In this way, we are endeavoring to elevate the quality of business practices through continual improvement that utilizes customers' opinion.


Poster to raise employee awareness of QMS

# Corporate Profile

**Company Name**

Hitachi High-Technologies Corporation

**Headquarters Address**

24-14, Nishi-Shimbashi 1-chome, Minato-ku, Tokyo
105-8717, Japan

**Net Sales**

943.1 billion yen (fiscal 2007, consolidated)

**Number of Employees**

Entire Group: 10,477, Hitachi High-Technologies: 4,588

**Subsidiaries and Affiliates**

10 in Japan, 17 overseas

**Offices**

25 in Japan, 63 overseas in 29 countries, as of March 31st, 2008

# Financial Report (as of March 31st, 2008)

## Net Sales by Business Segment

### Advanced Industrial Products

Steel Products / Special Steel Products / Nonferrous Metals / Electronic Materials & Components for Semiconductors / Plastic Resins and Engineering Plastics / Electronic Materials / Optical Device & Materials / Raw Materials for Optical Disc / Construction Equipments / Automotive Components / Oil • Oil Products • Gas

Silicon

DVD materials

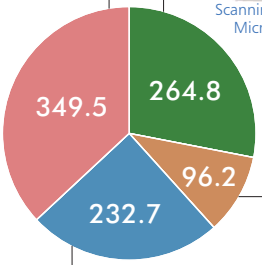
### Electronic Device Systems

Semiconductor Process Equipment(Etching Systems) / Semiconductor Metrology and Analysis Equipment / Electron Microscopes / Liquid Crystal Display-related Production Equipment / Hard Disk Drive-related Production Equipment / Railway Inspection Equipment

Scanning Electron Microscopes

Large Glass Substrate Exposure System

Advanced CD-Measurement SEM




(billion yen)

### Life Sciences

Mass Spectrometers / Nuclear Magnetic Resonance Equipment / Spectrophotometers / Chromatographs / Centrifuges / DNA Sequencers / General-Purpose Analysis Equipment / Automatic Clinical Chemistry and Immunodiagnostic Analyzers

Ultrahigh-speed Liquid Chromatograph

Automatic Clinical Chemistry Analyzer

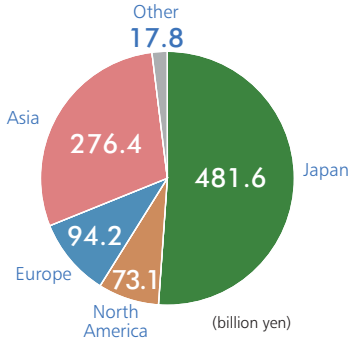
### Information Systems and Electronic Components

Measuring Equipment / Chip Mounters / Automated Assembly Systems / Vehicle Test Systems / Electric Power Systems / Advanced Reserch Facility for National Science Project / Computer Systems / Printer and Computer Peripherals / Semiconductor Products and Related Products / TFT Displays / Electronic Products and Devices

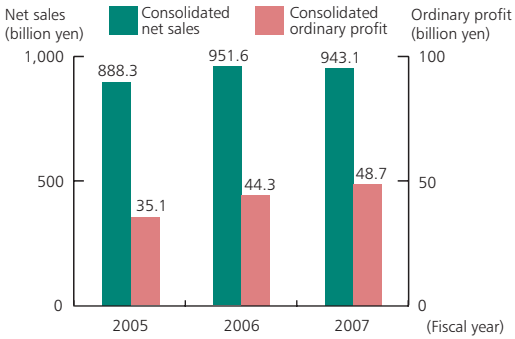
High Definition Video Conferencing System

Chip Mounters

## Net Sales by Region




## Net Sales and Ordinary Profit



**Cover Photo**

"Let Me Help Too" by Masako Hirano, winner of the Hitachi High-Technologies Award in the Earth Photo Contest 2008, sponsored by President Co., Ltd. Hitachi High-Technologies Corporation is among the contest's co-sponsors.
The photo was used on the cover of this report to express our desire to contribute to creating a sustainable society and to leave a rich natural legacy to the children who will be the citizens of the future.

**Publisher / Inquiries**

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