

Thank you for taking the time to look at the Hitachi Metals Group's 2008 CSR Report. This is our second CSR Report (following last year's report), which we believe is an important communication tool for Hitachi Metals for connecting with all stakeholders in our company. In this report, we present the policies and initiatives of the Hitachi Metals Group regarding corporate social responsibility (CSR), including our environmental and compliance measures.

A relationship of trust with stakeholders is the driving force for corporate development



President,
Chief Executive Officer and Director
Nobuo Mochida

We stand at a new starting point

The Hitachi Metals Group continued to work during this year to enhance its relationship of trust with stakeholders. As noted in last year's report, in November 2006 the Japan Fair Trade Commission conducted an on-site inspection of the Company on suspicion of violation of the Antimonopoly Act (unreasonable restraint of trade) regarding certain products. Following the inspection we conducted an emergency in-house inquiry regarding additional cases of violations of the Antimonopoly Act^①, and uncovered certain activities that ran counter to the law. To show our resolve to put an end to such behavior, the Hitachi Metals Group submitted a report to the Fair Trade Commission outlining the results of this internal investigation, along with a request for immunity from or reduction in surcharge payment under the Leniency Program. The Fair Trade Commission conducted an additional on-site inspection in March 2007 in response to this internal report. I apologize for all the trouble and concern this has caused. I am now able to report that in March 2008 the Fair Trade Commission decided that as we were no longer engaged in illicit activity at the time of the on-site inspection, it would not issue a cease and desist order, and exempted the Company from any surcharge. Internal actions we have taken include of course the dismissal or demotion of

persons responsible in the subject departments, the reassignment to other departments of any employees that may have been involved, as well as salary reductions or partial return of bonuses from management, including myself. We also conducted compliance training at all Group companies^②, and ensured strict observance of the minimum rules required of a company. As a result, I believe that the Hitachi Metals Group is now standing at a new starting point, from which we further fulfill our responsibilities in terms of social responsibility, and achieve management that realizes sound growth.

Instilling the Code of Conduct in all Group employees

The compliance training we conducted was not a transient reaction to this issue, but a regular program that we will continue into the future. We feel that in order to instill in all employees the basic principles to which a company must adhere, it is important for management to send a continual message. We utilized the Hitachi Metals Group CSR Guidebook^③ for the compliance training. This guidebook is intended to foster a sense of ethics in each employee while at the same time earning the trust of stakeholders through corporate activity founded on a CSR platform, and to reflect the Code of Conduct for Hitachi Metals Group Companies, established to achieve mutual, sustainable growth. The guidebook was distributed to all Group employees in December 2007. The directors in charge of sales and CSR

① Refer to P. 4 - 5, "Compliance Measures: Report of the Facts"
② Refer to P. 7, "Compliance Measures: Internal Training"
③ Refer to P. 14, "CSR at Hitachi Metals Group"
④ Refer to P. 36 - 39, "Eco-Products"
⑤ Refer to P. 44, "Reducing Waste"
⑥ Refer to P. 35, "Supervision of substance contained in product"

held explanatory meetings at all business locations, after which all employees signed a letter of consent to show that they understood the content. I also review the main tenets during my New Year address or at the general budget conference, continuing to reiterate the message to all employees.

Fulfilling our responsibilities to stakeholders means CSR

Stakeholders have recently begun to consistently monitor the status of corporations, and have demanded greater transparency through timely and proper disclosure. Managers have also sought to continue to enhance corporate performance by formulating business plans, strengthening corporate governance through the establishment of a committee structure, and other measure that provide rationality and intensity in management. In addition to increasing corporate value, however, managers have a certain responsibility to society, as well as the responsibility to clarify the status of management in general. The Hitachi Metals Group, as a materials producer, has the additional responsibility of a development-oriented company possessing distinctive, advanced technological capabilities, to create products that satisfy its customers.

We feel that management that fulfills the minimum responsibilities demanded of a company, and makes these a reality, means CSR. In this sense, "management" and "CSR" are indivisible, and practicing management that fulfills its responsibilities to stakeholders achieves CSR for the Hitachi Metals Group, and allows us to realize our corporate philosophy of "contributing to society as 'the best possible company.'"

Measures to prevent global warming, recycle resources and control chemical substances are our corporate responsibility

Environmental conservation is an

essential aspect of corporate activity. The Hitachi Metals Group pursues *monozukuri* ("manufacturing") as the central facet of its corporate management. First, to reduce its emissions of greenhouse gases, Hitachi Metals conserves energy to cut its CO₂ emissions through such means as introducing high-efficiency equipment, shortening production processes, and improving the precision of energy consumption management. At the same time, we also make a significant contribution to reducing CO₂ emissions during use by customers by providing environmentally conscious products that help lessen the social and environmental burden⁴. Examples of this include amorphous soft magnetic materials, magnets, automotive components and other products⁴ that lower power loss and improve automobile fuel efficiency. The energy efficiency of such products has been recognized around the world, and has earned Hitachi Metals large shares of such markets. The Hitachi Metals Group will continue to seek sustainable growth based on such environmentally conscious products.

Second, to help realize a recycling-oriented society we follow the principle of "reduce, reuse and recycle"⁵ with regard to raw materials and waste. We also work to reduce the amount of rare earths and rare metals used in many of the Group's products, and are formulating a plan for waste recycling aimed at achieving the "zero emissions" level. Third, we strictly control chemical substances in accordance with EU regulations⁶. As part of the necessary compliance with the EU Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), we have closely examined all products and identified those substances for pre-registration. We intend to continue pre-registration through our sales companies in the EU, and in the interest of product safety implement management with a minimal burden on our customers.

For the management of substances of environmental concern generated dur-



ing the manufacturing process, along with compliance with applicable laws and regulations, we have also put in place occupational health and safety controls during the manufacturing process in order to ensure the safety of community residents, employees, and workers at partner companies. We consider such environmental management, providing peace of mind to stakeholders, to be part of the CSR program for the Hitachi Metals Group, and will continue to pursue these activities.

About the CSR Report

The Hitachi Metals Group has weathered such crises as the business restructuring that followed the collapse of the IT bubble in 2001, and the violation of the Antimonopoly Act discussed previously. As we stand at this new starting point, we will work to prevent a recurrence of such crises, and based on management that adheres to the principle outlined in our Code of Conduct of "Obey the law and walk the path of virtue," seek to be a company that, in terms of its business results, product quality and future growth, provides trust and satisfaction to all stakeholders.

The Hitachi Metals Group's 2008 CSR Report is a tool for communication with stakeholders, and allows us to present an honest and open message. All Group employees are utilizing this tool to the fullest in an effort to earn trust. Thank you for your continued support of Hitachi Metals.