



Abundant Flower Campaign (page 17)



Making a Dry Battery with Your Child (page 16)



Kids Wonder Special Event (page 16)



maxell



Dry Battery Factory Tours (page 18)



Environmental Activities in Malaysia (page 17)

Things we will always hold dear:
Dreams, memories, people and the earth.



Cover photos

Niidome Elementary School in Kagoshima Prefecture's winning entry to the "Maxell DVD Time Capsule Project*." The recording of the school's 131st and final graduation ceremony on March 22, 2007, which was sent in by three participants, will appear in a Company TV commercial. Image showing scenes from the event.

* Maxell DVD Time Capsule Project: A Company TV commercial campaign, featuring memories captured on DVD.

Hitachi Maxell, Ltd.

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Maxell Worldwide: <http://www.maxell.com/>

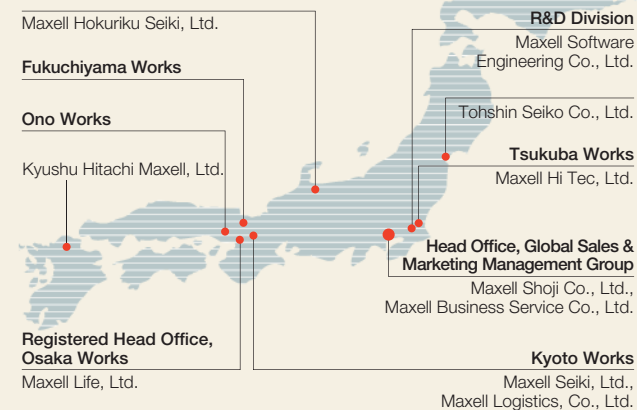


The Hitachi Maxell Group's Outline

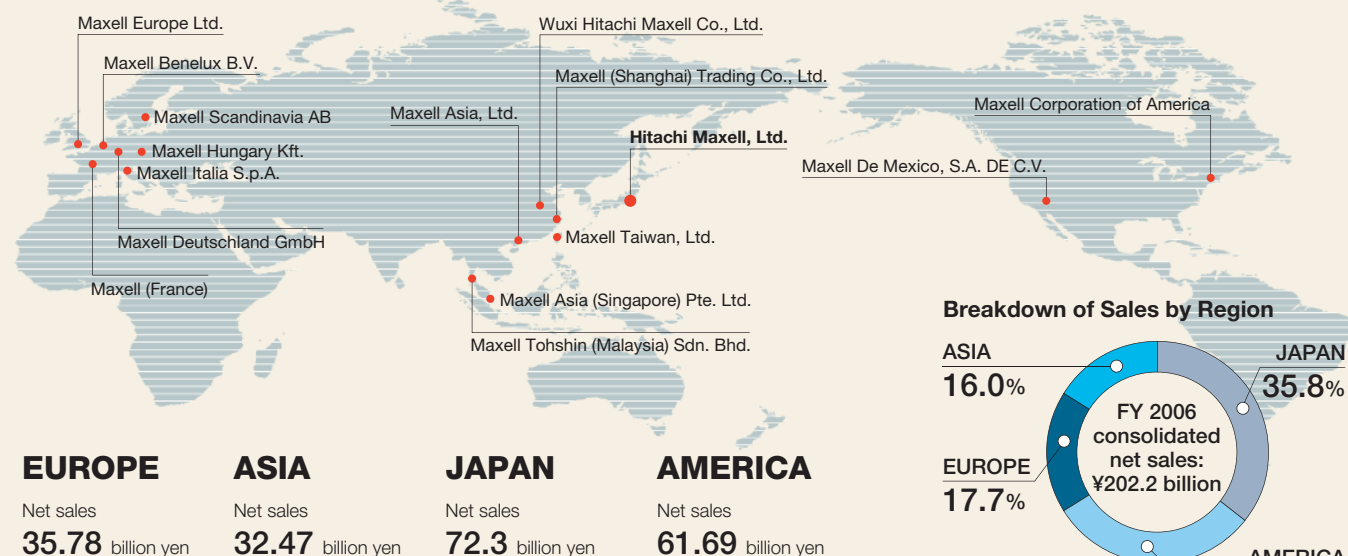
Corporate Profile

Corporate name: Hitachi Maxell, Ltd.
 Head Office: 2-18-2 Iidabashi, Chiyoda-ku, Tokyo 102-8521, Japan
 Established: September 1960
 Paid-in capital: ¥12,203 million (as of March 31, 2007)
 Consolidated net sales: ¥202.2 billion (for the year ended March 31, 2007)
 Number of employees (consolidated): 4,663 (as of March 31, 2007)

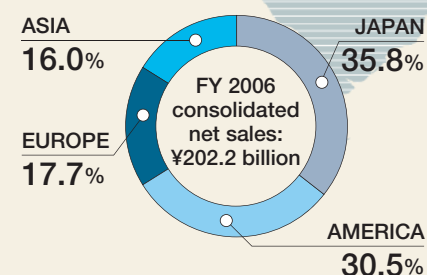
Operational Sites and Main Group Companies in Japan



Maxell Group Companies outside Japan

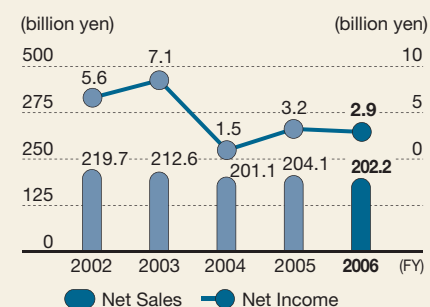


Breakdown of Sales by Region

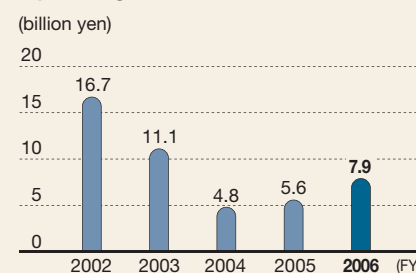


Financial Data (consolidated)

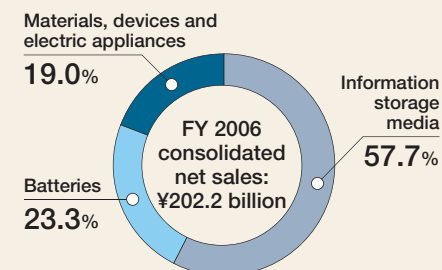
Net sales / Net income



Operating income



Sales by segment



Our Businesses



Information Storage Media

In 1984, we developed and marketed a pioneering write-once, read-many-times optical disk. This development formed the core technological base for our manufacture and sales of computer tapes, broadcasting video tapes, recordable DVDs and other products. These high-performance, quality product lines represent the Maxell brand, which supports our products in markets worldwide.

Computer tapes, professional-use video tapes
 HD DVDs, Blue-ray Discs,
 DVDs, CDs, MO disks, floppy disks
 Minidisks, audio tapes, video tapes



Batteries

We began producing alkaline batteries in 1963. Since then, the Company has recorded a string of industry firsts, such as launching a silver oxide battery on the Japanese market in 1976. In addition to manufacturing and selling lithium ion batteries, micro batteries and alkaline dry batteries and other products, we are involved in the development of fuel cells.

Lithium ion batteries, coin-type lithium secondary batteries, silver oxide batteries, lithium primary batteries, alkaline dry batteries



Materials, Devices and Electric Appliances

We are spawning successive new technologies that serve as Maxell's springboard to future growth. These include optical components, functional materials and RFID systems, as well as small electrical appliances.

Optical components, functional materials,
 RFID systems
 IC cards, small electrical appliances,
 electroforming and precision parts
 Metal molds, synthetic resin molded products



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Editorial Policy

This report is published with the objective of communicating to stakeholders the Maxell Group's CSR activities from environmental, social and economic perspectives in an easily understandable manner.

For the preparation of the 2006 CSR Report, we established the CSR Report Editorial Committee, made up from members responsible for conferring with various stakeholders. For in-depth information on environmental aspects of our activities, visit the Company website.



Editorial Committee

Scope of Companies Covered by this Report

(Environmental data are included in the underlined companies below)

Maxell Group

Maxell Group in Japan and overseas

Maxell Group in Japan

Maxell, Ltd.; Kyushu Hitachi Maxell, Ltd.; Maxell Hokuiku Seiki, Ltd.; Tohshin Seiko Co., Ltd.

Maxell Group Overseas

Maxell Corporation of America/Maxell Europe Ltd./
Maxell Deutschland GmbH/Maxell Scandinavia AB/Maxell Benelux B.V./
Maxell (France)/Maxell Italia S.p.A./Maxell Hungary Kft./
Maxell Asia, Ltd./Maxell (Shanghai) Trading Co., Ltd./Maxell Taiwan, Ltd./
Maxell Tohshin (Malaysia) Sdn. Bhd./Maxell Asia (Singapore) Pte. Ltd./
Wuxi Hitachi Maxell Co., Ltd./Maxell De Mexico, S.A. DE C.V.

Maxell

Hitachi Maxell, Ltd.: Kyoto Works (including Fukuchiyama Works);
Tsukuba Works; Osaka Works; Ono Works, R&D Division;
Sales & Marketing Management Group (Head Office)
Affiliated Companies that act with respective operational sites under the
environmental organization: Maxell Seiki, Ltd.; Maxell Hi Tec, Ltd.;
Maxell Life, Ltd.; Maxell Logistics Co., Ltd.; Maxell Shouji Co., Ltd.;
Maxell Business Service Co., Ltd.; Maxell Software Engineering Co., Ltd.

Period Covered by this Report

The period covered by this report is April 1, 2006 to March 31, 2007. In some places, however, the report also refers to matters relating to fiscal 2007.

Regarding Verification by a Third Party

Environmental reporting is subject to third-party verification. In the interval between the completion of this report and its issue, there were no subsequent events worthy of special mention. Quantified items that underwent third-party verification are marked. **JACO**

Reference Guidelines

Environmental promotion laws, Ministry of the Environment Guide to Entries in Environmental Reports (December 2005), GRI "Sustainability Reporting Guidelines 2002"

Date of Issue

June 21, 2007 (Our previous CSR report was issued on June 20, 2006, and the next is scheduled for June 2008.)

Message from Top Management

Implementing CSR management to contribute to the sustainable development of society

Toward the sustainable development of society

Accelerating globalization, the rapid development of an information-oriented society and heightened consumer awareness add impetus to the need to rethink corporate social responsibility (CSR) from a broader perspective.

For corporations, this is manifest in rigorous legal and ethical compliance and reinforced corporate governance, along with enhanced product liability and social contribution. In environmental terms, this translates to preventing global warming, managing chemical substances and addressing other issues.

The Maxell Group conducts its CSR activities with a constant profound sense of its social responsibilities under the banner of the globally renowned Maxell brand.

Paramount to our approach is thorough protection of product safety. We also implement environmental management, emphasizing consideration for environmental protection and aiming to construct a sustainable society modeled on resource recycling, and actively make social contributions targeting symbiosis with local regions. These and other initiatives, in hand with reinforcing our risk management system and improving our internal control system through thorough compliance management, enable us to contribute to sustainable development of society.

Review of fiscal 2006

During the year, we reworked the Hitachi Maxell Group Corporate Behavior Standards, to provide a more easily understandable directive in the missions and roles that we aim to fulfill. These standards will serve as a springboard to project us into even more vigorous CSR activities.

We continued to bolster our quality control and customer satisfaction activities: we expanded the Maxell Top Quality Campaign with the objective of reinforcing quality control and developed a broad range of CS Products that have been improved in response to customers' suggestions.

The Company largely achieved its targets under its environmental action plan. Steps forward during the year, in addition to energy and waste oriented measures, included the instigation of a chemical management system for substances included in products, participation in the Hitachi Group Environmental Promotion Organization's steps toward integrated certification and implementation of groundwater protection policy for the Osaka Works.

We are also aggressively pursuing an array of social contribution activities: donations to the Hitachi Environmental Foundation, supported by the Hitachi Group, and overseas funding activities; regional educational support; and a battery exchange campaign for portable security alarms for elementary school children.



Yoshihito Tsunoda

Yoshihito Tsunoda,
President and Chief Executive Officer

Entering a stage of unprecedented growth

Since its foundation in 1961, Maxell has spawned a succession of revolutionary products, led by recording media and batteries. This track record has established us as a leader in our market.

To project us into the next stage of intensified growth, we pursue a long-term vision that embraces emerging opportunities, spanning new products and technologies and different corporate forms. This is complemented by our medium-term mission to bolster profits and accelerate the transformation of our business portfolio to welcome new growth possibilities.

We will continue to position CSR as a key management issue as we strive to establish a high-profitability business structure and bolster corporate value for our shareholders, employees and other stakeholders.

Aiming to be a globally excellent company that works with society in a relationship of empathy and trust

In the future, the Maxell Group will continue to gain the trust of society and work in a spirit of empathy with communities, with each and every employee bearing in mind the watchwords "basics and rightness." We will strive to attain our vision of being a globally excellent company that promotes its business activities with sincerity and consideration for its corporate social responsibilities.

We hope this report provides an understanding of the Maxell Group's CSR endeavors. Readers are cordially invited to express their candid views on the report's content.

June 2007

Fulfilling our Social Responsibilities through Business Activities

Maxell Group CSR Basic Policy

The Maxell Group was founded on the principles of "harmony and cooperation, working with heart and soul, and being of service to society." Based on this creed, we strive to contribute to society and enhance lifestyles through excellence in our proprietary technologies and product development. As a member of the community, we are committed to honest and transparent corporate activities, harmony with the environment and proactive social contributions as the basis for our management.

To provide a systematic and continuous grounding for these CSR activities, we framed the Hitachi Maxell Group Corporate

Behavior Standards in 1983, setting forth clearly the missions and roles that we should fulfill. Further, in April 2005 we established our CSR Activity Policy. During fiscal 2006, we amended the Hitachi Maxell Group Corporate Behavior Standards through adjustments to regulations relating to compliance, establishment of regulations relating to respect for the Maxell brand, and revisions to overall terminology, with the aim of providing a more easily understandable directive for stakeholders.

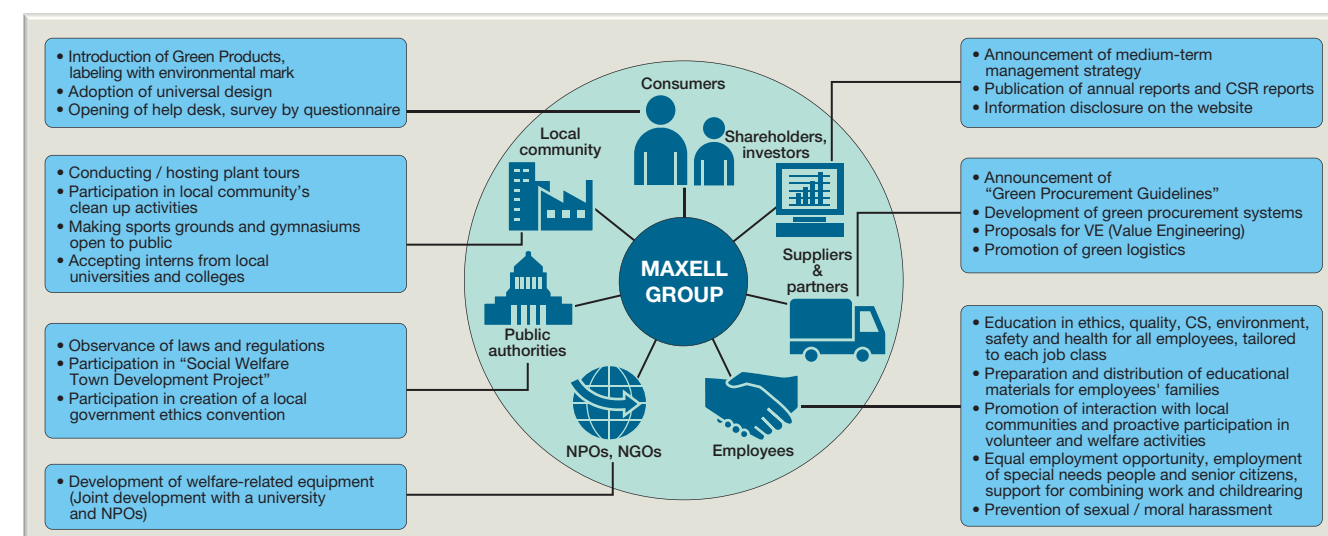
In the future, the Maxell Group will continue to gain the trust of society and work in harmony with communities, while promoting business activities based on the Hitachi Maxell Group Corporate Behavior Standards and CSR Activity Policy.

Hitachi Maxell Group Code of Corporate Conduct

1. We will always respect human rights. Members will endeavor to improve their own skills and competences by advising each other and working in a spirit of harmony, cooperation and consensus. We will enhance solidarity within the Company, the Maxell Group and the Hitachi Group and build cordial relationships of trust with our stakeholders.
2. We will strive accurately to identify new needs of the international community, to develop yet more advanced and reliable technology and products to satisfy those needs, and to offer our customers genuine service.
3. We will demonstrate a "pioneering spirit" and will work to consolidate the Group's status as a world leader in technology and business through investigation, research and development activities. We will accomplish this growth in harmony with society.
4. We will comply with all laws in Japan and overseas, in both public and private matters, including fairness in business transactions, competition, imports and exports, intellectual property rights, the environment, personal information protection and tax accounting, and will act in accordance with correct corporate ethics.
5. We are deeply conscious that we are members of society, and will strive for coexistence with our planet while contributing to the good of society.
6. We will respect the cultures, customs and history of the diverse countries and regions of the world in which we operate and work for the establishment of mutual understanding and harmonious relationships. Accordingly, we will conduct our activities as a global enterprise that is deeply rooted in regional communities.
7. We will gain society's trust in the Maxell brand and raise its value through high levels of product quality, reliability and services.
8. Hitachi Maxell Group senior management will take the lead in putting this Code of Conduct into practice and setting a model for their expectations. In accordance, they will provide appropriate management and guidance to enhance the smooth pursuit of work by employees, maintain necessary workplace discipline, and strive to boost morale through a brighter, safer and more comfortable workplace.

Established June 1983
Revised January 2007

Maxell Group's Relationship with Stakeholders



CSR Policy of the Maxell Group

- 1. Commitment to Corporate Social Responsibility (CSR)**
The Hitachi Maxell Group, including all its executives and employees, recognizes CSR as a vital part of corporate activity and is therefore committed to a course of social responsibility in accordance with this CSR policy for the sustainable development of society and business.
- 2. Contribution to Society through our Business**
The Hitachi Maxell Group will contribute to the building of a prosperous and vibrant society by providing safe, high-quality products and services through business activities based on its excellent research, technology and product development.
- 3. Disclosure of Information and Stakeholder Engagement**
The Hitachi Maxell Group will disclose information openly and transparently in order to maintain and develop a relationship of trust with its various stakeholders and will act responsibly towards them through various means of communication.
- 4. Corporate Ethics and Human Rights**
The Hitachi Maxell Group will undertake its business based on the principles of fairness and sincerity, act with the utmost respect for human rights and pursue a high sense of corporate ethics in the global business market which encompasses

diverse culture, morals, ethics and legal systems.

- 5. Environmental Conservation**
The Hitachi Maxell Group will strive to minimize environmental effects and utilize resources towards the development of a sustainable society that is in harmony with the environment.
- 6. Corporate Citizenship Activities**
The Hitachi Maxell Group will promote social contribution activities as a good corporate citizen in order to realize a better society.
- 7. Working Environment**
The Hitachi Maxell Group will make every effort to create a pleasant and motivating working environment for all its employees and to fully support those employees who desire self-fulfillment and self-development through their work.
- 8. Responsible Partnership with Business Partners**
The Hitachi Maxell Group will make every effort to promote fair and sound business practices among its business partners by fostering a common awareness of social responsibility.

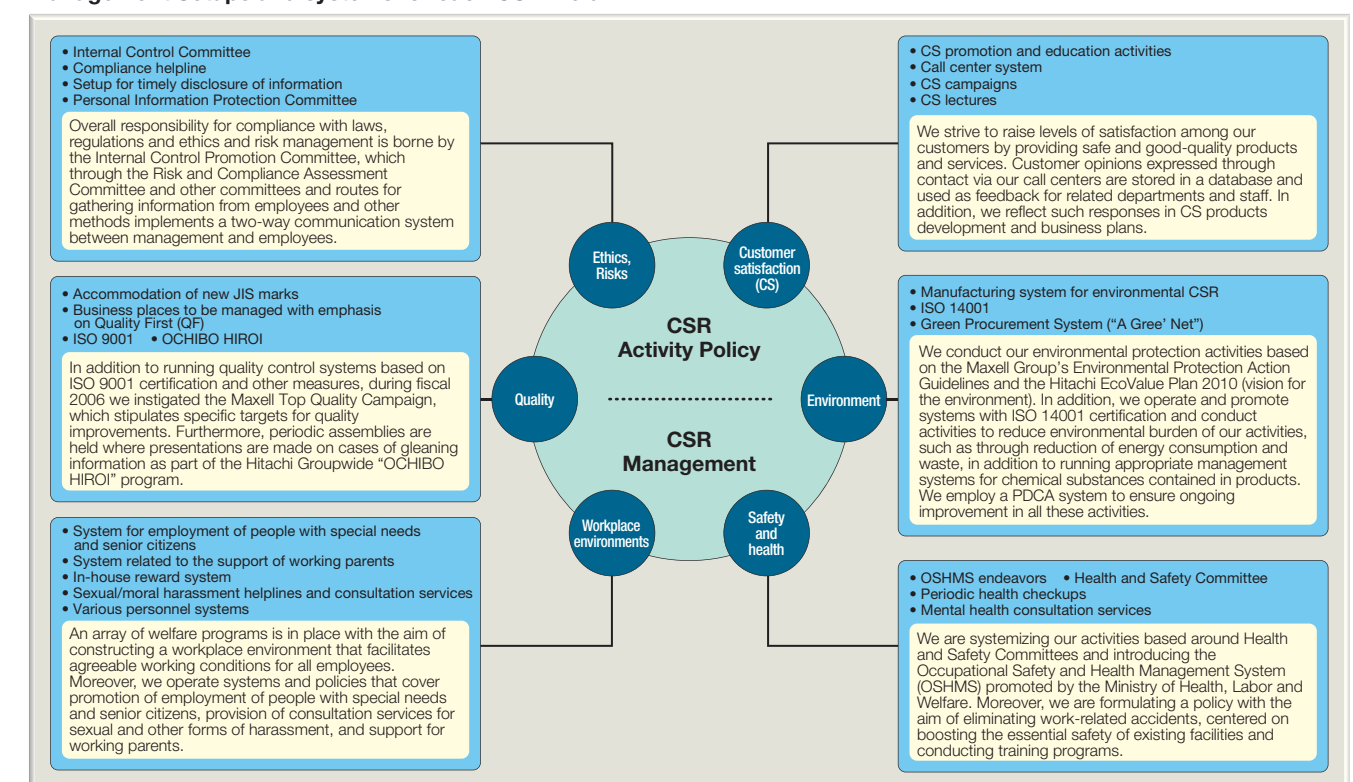
Established April 2005
Activities, Promotion Items and Measures

CSR Management

The Maxell Group's CSR activities can be broadly classified into five categories: Ethics abidance and risk management, quality control, improvement of customer satisfaction (CS), consideration for the environment, health and safety, and

enhancement of workplace environments. In accordance with the CSR Policy of the Maxell Group, established in fiscal 2005, we are promoting systemization and system improvements in each of these five categories of activities, and urging all employees aggressively to promote CSR activities in their daily work.

Management Setups and systems for each CSR Field



As part of its management basic policy, the Maxell Group executes its management strategies from the standpoint of its shareholders and investors, customers, suppliers, employees and other stakeholders. This policy enables us to speed up management decision-making and execution of duties and to improve the implementation of our supervision system. At the same time, we boost corporate value by pursuing compliance management.

In June 2003, Hitachi Maxell, Ltd., made the transition to a “company-with-committees, etc.” This rendered clear the separation of oversight functions from execution of business operations, speeded up decision-making, and enhanced auditing functions. In addition, to raise transparency of management the External Directors maintain an audit function on the Board of Directors, and we are stepping up auditing of the tasks of executive officers.

The diagram illustrates the Corporate Governance Framework of the Company, showing the relationships and interactions between various entities:

- General Shareholders' Meeting** (top): The highest authority, overseeing the entire framework.
- Board of Directors** (left): Composed of the **Nominating Committee**, **Compensation Committee**, and **Audit Committee**.
- Executive Officers** (center): Receive **Supervision** and **Selection and removal of directors** from the Board of Directors. They are responsible for **Determination of compensation** and **Audit**.
- Risk and Compliance Evaluation Committee** (top right): Oversees **Risk management** and **Command and instruction** to the **Each Business Section**.
- Each Business Section** (middle right): Reports to the **Internal Auditing Office** and receives **Internal audit** from the **Internal Auditing Office**.
- Internal Auditing Office** (bottom right): Reports to the **Internal Control Committee** and provides **Selection and removal of independent auditors** to the **Independent Auditors**.
- Internal Control Committee** (bottom center): Oversees the **Internal Auditing Office**.
- Independent Auditors** (bottom): Provide **Accounting Audit** to the **Internal Auditing Office** and **Liaison and reporting** to the **Audit Committee's Office**.
- Audit Committee's Office** (bottom left): Provides **Liaison and reporting** to the **Board of Directors** and the **Independent Auditors**.

The diagram shows a clear flow of authority and reporting, ensuring transparency and accountability in the company's operations.

In our PR and IR* activities, we use appropriate methods to disclose, in a timely and thorough manner, information relating to various measures, policies and outcomes arising from our business activities, thereby ensuring management transparency.

Internal Control

We recognize that internal control is the responsibility of management. Our internal control structure spans the Maxell Group through the “Internal Control Relating to Financial Reporting” guidelines, validity assessments and a supervision system.

Further, we have established an Internal Control Report System that responds to Japan’s Companies Act and the Law on Sales of Financial Products.

Hitachi Maxell has established an Internal Control Committee, comprising all executive officers, which aims for compliance in corporate ethics by all employees.

The committee conducts audits as supervision and validation for all departments from the standpoint of efficiency, rationality and compliance of business activities, and reports and suggests improvements to the Chief Executive Officer and the Audit Committee.

Compliance

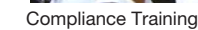
The Maxell Group prioritizes abidance by laws and regulations, together with rigorous compliance management through the establishment of corporate ethics, as indispensable elements for raising corporate value in the execution of business activities. The Hitachi Maxell Group Code of Ethics, formulated in March 1998, summarizes this approach in a bid to raise the awareness of all employees.

Hitachi Maxell Group Ethical Guidelines
<http://www.maxell.co.jp/jpn/corporate/ethic.html>

In January 2004, we introduced the Maxell Compliance Helpline System to facilitate reporting and consultation for employees relating to violations of laws or of such in-house regulations as the Hitachi Maxell Group Code of Conduct and the Hitachi Maxell Group Ethical Guidelines. Through the correct operation of this system, we strive for early detection and prevention of such misdemeanors.

In order to raise awareness of the importance of compliance with all Maxell Group employees in Japan and manifest this awareness in their daily work routines, we conduct training and e-learning programs tailored to each job class.

The aim was to reinforce a compliance-oriented mindset and enhance know-how through lectures punctuated with legal precedents presented by attorneys.



Hitachi Maxell formulated its Personal Information Protection Guidelines in February 2005, and works under the auspices of the Personal Information Protection Committee to pursue its goals. From fiscal 2004 through fiscal 2005, we promoted employee education through personal information protection explanatory meetings and e-learning programs. Further, in February 2006 managerial employees at the general manager level were issued a Personal Information Leakage Prevention Manual that urges vigilance and rigor in this regard.

We are promoting personal information protection throughout the Maxell Group through such advances as “Privacy Mark” acquisition by Maxell Software Engineering Co., Ltd., and Maxell Business Service Co., Ltd.

The organizational chart illustrates the hierarchy of the Personal Information Protection Committee (PIPC). At the top is the **Corporate Officer in Charge**, who is also the **President and CEO**. Below this is the **Personal Information Protection Committee Member**, who is supported by a **Secretariat**. The **Chief Personal Information Protection Officer** is concurrently the **Chief Managing Officer**. Reporting to the Chief are the **Chief Supervisory Officer**, **Chief Education Officer**, and **Chief Feedback Desk Officer**. The **Chief Feedback Desk Officer** is connected to **Customers**, **Business partners**, **Shareholders**, and **Employees**. The **Committee members (named by the Chief Personal Information Protection Officer)** are also shown. The PIPC oversees three main areas: **Headquarters, business groups** (which includes **Divisions, business sections**), **(Individual) business sections** (which includes **Departments**), and **Headquarters function** (which includes **Divisions and departments**).

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graph TD; COIC[Corporate Officer in Charge] --- CEO[President and CEO]; COIC --- PIPCM[Personal Information Protection Committee Member]; PIPCM --- Sec[Secretariat]; PIPCM --- CPIO[Chief Personal Information Protection Officer]; CPIO --- CSO[Chief Supervisory Officer]; CPIO --- CEO[Chief Education Officer]; CPIO --- CFDO[Chief Feedback Desk Officer]; CFDO --- CM[Committee members  
(named by the Chief Personal Information Protection Officer)]; CFDO --- C[Customers]; CFDO --- BP[Business partners]; CFDO --- S[Shareholders]; CFDO --- E[Employees]; CPIO --- HBG[Headquarters, business groups]; CPIO --- IBSS[(Individual) business sections]; CPIO --- HQF[Headquarters function]; HBG --- DBS[Divisions, business sections]; IBSS --- Dep[Departments]; HQF --- DD[Divisions and departments];
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Risk Management

Based on Company-wide guidelines determined by the Hitachi Maxell Risk and Compliance Assessment Committee, the Risk and Compliance Management Division has formulated an action plan. This directive implements a system to carry out risk control through cooperation between the risk compliance promotion organizations of each operational division and cross-sectoral Company committees.

During fiscal 2006, all identified risks, crisis occurrence frequency and scale of envisaged damage were quantified and analyzed. Results of analysis will be utilized during 2007, primarily in drafting countermeasures to anticipated major risks.

The diagram illustrates the Risk Compliance Management Framework. At the bottom, the **Risk Compliance Control Division** is responsible for preparing annual plans, accumulating and disseminating information. It reports to the **Risk Compliance Evaluation Committee** and implements its evaluations. The **Risk Compliance Evaluation Committee** then reports to the **Management Meeting** and provides input to the **Audit Committee**. A **Liaison** connects the Control Division to the **Risk Compliance Promotion Organization**, which includes the **Committee Organization** (QA, procurement, education, finance, environment, business reform, international control, information security, personal information protection).

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graph TD
    RCD[Risk Compliance Control Division] -- Report --> RCEC[Risk Compliance Evaluation Committee]
    RCEC -- Evaluate --> RCD
    RCEC --> MM[Management Meeting]
    RCEC --> AC[Audit Committee]
    RCD <-->|Liaison| RCP[Risk Compliance Promotion Organization]
    subgraph RCP_Box [Risk Compliance Promotion Organization]
        CO[Committee Organization]
        CO_List[QA, procurement, education, finance, environment, business reform, international control, information security, personal information protection]
    end

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During fiscal 2006, we commenced procedures to standardize formerly disparate rules across the Company's operating divisions regarding response to earthquakes, typhoons, fires and other natural disasters.

In fiscal 2007, in addition to updating a Company manual and carrying out training, we will distribute an "Action Card" to employees detailing prescribed procedures in the event of accidents. Such plans aim to familiarize staff with correct actions in such eventualities.

Protection from copying of the Maxell Group's unique technologies, the Maxell brand name and other intellectual property is a priority management issue, which is dealt with through countermeasures for counterfeit Maxell brand good formulated by the Intellectual Property Division. These activities are promoted in the countries responsible for the mass-production of counterfeit goods and their target export markets worldwide.

Furthermore, we offer incentives to encourage employees in pursuit of inventions and breakthroughs in their work based on the Compensation and Award Regulations Relating to Inventions. Through this scheme, ¥13 million was presented to 168 recipients during fiscal 2006.

In Pursuit of Safer, Higher Quality Products and Services

Measures to Enhance Customer Satisfaction

Incorporating Customer Opinions in Management —Passing the Benefits Back to Customers

One of the pillars of the Maxell Group's CSR activities is its support for customer satisfaction (CS) improvements. We create CS products and services by listening to customer opinions, incorporating them in management strategies and passing the benefits back to customers.

Bodies for CS Promotion

Under the Quality Assurance Division, the CS Promotion Center is dedicated to furthering CS activities; the Customer Service Center serves as a point for consultation for customers; and the QA Center controls overall Company quality assurance activities. These bodies collaborate with the operational divisions to build production processes geared to meet customer needs and to promote quality products that customers can use with peace of mind.

Fostering Employee Awareness through Campaigns and Lectures

In-house CS enhancement activities have included displaying posters featuring a CS Symbol Mark and CS Campaign Activities comprising training, lectures and other events.

During fiscal 2006, we held a lecture for managers addressing the question: "Why is now the right time for CS?"



CS lecture with external guest lecturer

Database of Customer Queries and Complaints

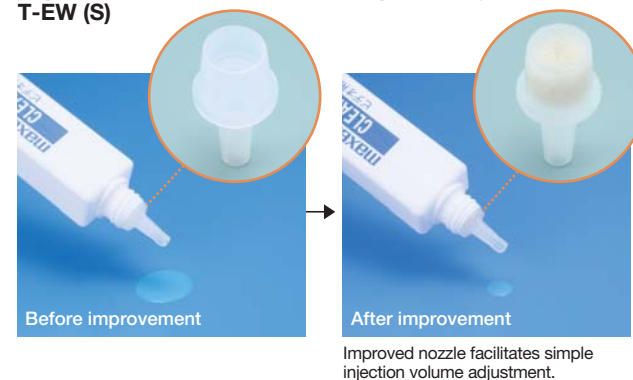
The Company has built a database of opinions expressed on products and services via its call centers and the Internet. We are implementing a system to ensure swift and sincere responses to all inquiries. The database also stores customer requests regarding products and services, which are fed back to the relevant departments and staff and incorporated in development of CS products and formulation of management plans.

CS Product Releases

Products that have been improved in response to customers' complaints or wishes are assigned the status of CS products in the Maxell Group.

During fiscal 2006, in response to criticism that our liquid video head cleaner over-dispenses cleaning fluid we redesigned the nozzle to allow the injected volume of cleaning fluid to be adjusted easily. This nozzle was mounted on one of the six CS products we released during the year.

Liquid video head cleaner with improved injection nozzle T-EW (S)



Safety and Reassurance through Universal Design

The Maxell Group established the Product Safety Committee to ensure the supply of safe products that can be used with peace of mind. The committee promotes improvements to product design and labeling and activities to produce appliances with attention to universal design that are easy to use for all customers.

To enable correct selection of DVDs, which sport notoriously complex specifications, we employ an easily understandable specification map (purchasing guide) and packaging to allow users to assess compatibility with the make of DVD player they are using.

Purchasing guide (Simple navigator)

簡単ナビ は本製品の仕様 Non-target items are shown in gray.

規格	記録速度	録画時間	デジタル放送	レーベル印刷
-R	1倍速	120分 (片面)	対応 (CPRM)	インクジェットプリンター対応
4倍速	4倍速	30分 (片面)	非対応	インクジェットプリンター非対応
8倍速	8倍速	15分 (片面)	非対応	インクジェットプリンター非対応
16倍速	16倍速	7分 (片面)	非対応	インクジェットプリンター非対応

Appropriate items are highlighted by color. Printed labels show new items.

DVD product packaging (shows the make and model being used)



Quality Control

Product Safety Voluntary Action Plan

In the belief that product safety is an issue that employees themselves should tackle, Hitachi Maxell established a Product

Safety Voluntary Action Plan to supplement national autonomous action guidelines.

Product Safety Voluntary Action Plan

1. Legal Compliance

Hitachi Maxell will abide by all laws and regulations regarding product safety, and will also carry out strict management to meet its own voluntary standards in its conscientious drive to ensure product safety.

2. Supplying Safe Products

At all stages of the product lifecycle, from the development and planning stages through shipment, distribution, use and disposal, Hitachi Maxell will endeavor to reduce risk. Further, we make every possible effort to use leading-edge technologies and safety evaluation trials to supply safe, trustworthy and satisfactory products. In the eventuality of product defects and resulting claims from customers, we will respond swiftly and in good faith, seek the cause of the fault, and take steps to prevent recurrence to ensure the safety of consumers.

3. Appropriate Notifications concerning Product Malfunctions

The Company will aggressively gather information about product malfunctions and other problems and cooperate with sales

operators and other external parties to provide accurate information in timely manner.

4. Thorough Dissemination regarding Related Laws and Regulations

We will carry out education programs for employees concerning laws and in-house regulations relating to product safety. As need arises, we will revise Company regulations in response to amendments to laws and notify employees of these changes.

5. Monitoring through Self-Auditing

As a check that we are in compliance with all laws and in-house regulations related to product safety in all relevant areas, we attach great importance to the function of self-auditing and conduct periodic self-audits accordingly. Moreover, this Self Action Plan will be periodically revised in response to changes in market and social consciousness and technological advances.

Established May 2007

Aiming for Optimal Product Quality and Services

The Maxell Group has earned ISO 9001 certification for quality management at 15 sites in Japan and overseas.

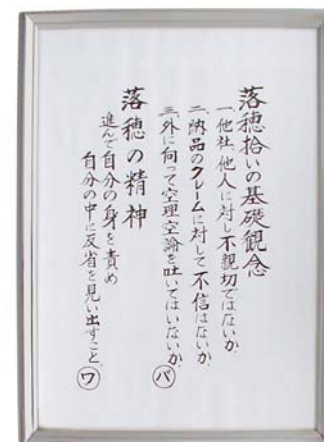
We operate the ongoing Maxell Top Quality Campaign with the objective of ensuring that customers receive optimal product quality and services and strive to further bolster quality management.

During fiscal 2006, we pushed the Product Claim Ratio* down 14% from fiscal 2005, and are targeting a reduction of 21% for fiscal 2007.

* Product Claim Ratio = Total number of claims/Unit sales

Bolstering Quality Control through "OCHIBO HIROI"

"OCHIBO HIROI" is a quality control initiative that spans the Hitachi Group, with the Maxell Group participating by hosting periodic evaluation meetings for the prevention of product malfunctions. These assemblies highlight case studies of quality failures and claims in addition to outstanding quality improvements, and act as a forum for the exchange of opinions that serves to foster awareness and raise consciousness of quality control issues.



Ensuring High Quality through Super ODM*

To ensure product and service quality throughout the supply chain, from product manufacture onwards, the Maxell Group dispatches inspectors to materials suppliers and contracted processors to supervise improvements through the introduction of new technologies and quality control systems.

During fiscal 2006, we transferred our recordable DVD production lines to overseas facilities, commencing a new style of strategic production consignment known as "Super ODM." This system involves marketing products of the same quality as existing products gaining high market acclaim.

* Original Design Manufacturing: A new production consignment method based on original Maxell technologies. Control for all aspects of production lines and processes is transferred to commissioned contractors, which conduct manufacturing using Maxell quality control and production methods.

Product Recall and Fault Notification

Related divisions promptly receive information about product failures by in-house e-mail, and the nature of response and origin of faults are stored in a database. If there is cause for concern that product malfunction may threaten lives, cause injury or damage property, information is released immediately via the Company website and other channels of communications, making every effort to minimize disadvantages to customers.

During fiscal 2006, seven notices of product faults were posted on the Company website. Of these, one case, involving smoke generation and combustion of a hairdryer manufactured by an affiliated company, necessitated reporting to the Ministry of Economy, Trade and Industry.

Creating a Comfortable Workplace and Cultivating Motivated Employees

Basic Philosophy on Human Resources and Employment

The Maxell Group's human resources and employment activities are conducted with consideration for human rights, placing high importance on individuality and motivation. We believe this approach fosters an enthusiastic workforce functioning as good corporate citizens.

Status of Employment (Hitachi Maxell, Ltd.)

	FY2002	FY2003	FY2004	FY2005	FY2006
Employees	2,209	2,178	2,151	2,054	2,024
Average age	38.1	38.8	40.0	39.9	40.6
Average years of service	15.2	15.9	16.9	17.5	18.0

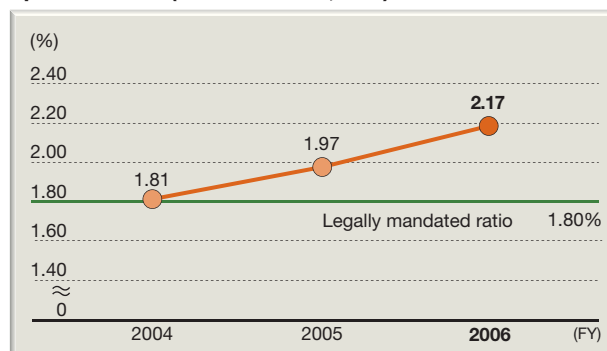
Ensuring Diversity in Employment

Equal Treatment Regardless of Special Needs

The Maxell Group treats employees fairly and equally, with no discrimination arising from special needs.

The employment ratio of people with special needs at Hitachi Maxell was 2.17% during fiscal 2006, a rise from fiscal 2005. We are working for a barrier-free workplace as part of our endeavors to boost this ratio, to create a workplace that facilitates friendly working conditions for employees with special needs.

Trends in Employment Ratio of People with Special Needs (Hitachi Maxell, Ltd.)



Examples of Barrier-free Workplace



R & D Division (Kyoto)



Kyushu Hitachi Maxell, Ltd.

Equal Treatment Regardless of Special Needs

Hitachi Maxell has introduced a system attuned to the aging of the population for the re-employment of personnel who have reached the mandatory retirement age and for the employment of senior citizens. As of March 31, 2006, 10 senior citizens were working under this scheme. Moreover, since fiscal 2006 we have hosted Career Selection Seminars, which aid the smooth deployment of systems and regulations relating to employment of senior citizens. These events project the image of the senior citizens sought by the Company and make the participants themselves think about what will be involved in terms of work and lifestyle, including influence on family relationships.

The seminars target, in order of age, employees who are approaching the age of 60. We plan to introduce such events for employees from their early 50s onward.



Career Selection Seminar

Creating a Comfortable Workplace Environment

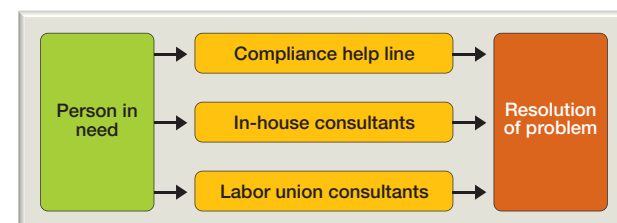
The Maxell Group will make every effort to create a pleasant and motivating working environment for all its employees. Hitachi Maxell's activities, including the establishment of specific targets and verification of results, are based on a five-point action plan, spanning personnel/treatment, placement of human resources, education, health and safety management, and thorough compliance with laws and in-house regulations.

Response to Harassment

Hitachi Maxell accepts that sexual harassment and moral harassment are grave problems that can violate an employee's dignity. Accordingly, we have established a triad of consultation channels: the Compliance Helpline, in-house consultants and labor union consultants.

Since fiscal 2005, we have carried out training programs to hone the skills of in-house consultants.

Sexual Harassment, Moral Harassment Consultation Process



System of Childcare and Nursing Support

In response to trends toward lower numbers of children in society, Hitachi Maxell operates a system to take into consideration the childcare and nursing needs of its employees. Since April 2004, we have deployed a revised system for leave of absence for child-raising, which grants employees maternity leave until the March 31 following the child's first birthday, exceeding the legally stipulated term of absence.

During fiscal 2006 we achieved targets for: 1) 87% or more of employees on maternity leave taking leave of absence for child-raising; and 2) one or more employees opting for paternity leave of absence for child-raising.

In future, we plan to make the system for leave of absence for child-raising, which has been primarily utilized by employees on maternity leave, more accessible for fathers.



List of Systems Related to the Support of Working Parents

Life stage	System
Enter company	Other leave
Marriage	Special leave
Pregnancy	Leave for pregnant mothers to visit hospital Relaxed working hours for pregnant mothers Maternity leave Leave for pregnant mothers with complicated pregnancies Other procedures for ailments Regulations for pregnant mothers and new mothers to work after-hours and on non-work days Transfer of pregnant mothers to light duties Restrictions on assignment of pregnant mothers and new mothers to hazardous duties
Birth	Leave before/after childbirth Special leave Leave of absence to raise child
Child rearing	Child rearing time Reduced working hours Restriction on after-hours work Restriction on late night working hours Family care leave
Child rearing, Care	Abolition of restriction on half-day paid holiday system
Care	Childcare leave of absence system Reduced working hours

Boosting Employee Motivation through the In-House Reward System

Hitachi Maxell introduced an in-house reward system in 1961 to bolster employee motivation. In addition to recognition for work achievements, the array of awards extends to social contribution activities attracting acclaim outside the company. These include an Award for Employee Social Contributions and an Award for Enhancing Environmental Improvement.

During fiscal 2006, a total of 83 awards were presented: 52 persons and one organization received President Awards, and 278 persons received Division General Manager Awards.



The Fiscal 2006 Foundation Anniversary President Award

Cultivation of Human Resources

Human Resource Cultivation through an Education Platform

As a basic policy, the Maxell Group defines its approach to employee education, training and capabilities development for the betterment of personal knowledge, the prosperity of the corporation and advancement of society as an educational platform. We conduct these employee education activities based on a long-term vision that centers on on-the-job induction and training.

In recent years, we have conducted frequent Companywide training tailored to each job class, which also helps reinforce in-house communications. In addition, we periodically host programs aiming to strengthen product quality control, which is fundamental for us as a manufacturer.

The Company also actively supports employees who seek to raise their capabilities through self-development by encouraging participation in distance learning programs and the pursuit of official qualifications.



Training new recruits

Principal Education and Training Programs

Program or Training Course	Trainees	Course Content	FY2006 Attendees
Department Manager training	New department managers	Creating the departmental vision	10
New manager training	New section chiefs	Gain management knowledge	30
Customer service enhancement course	Level 1 senior staffs	Cultivating an awareness of customer satisfaction	30
Comprehensive quality and reliability course	Level 1 assistant senior staffs	Training related to reliability	25

A Sense of Challenge and Fulfillment through Proper Assessment

In February 2002, Hitachi Maxell introduced a new objective and transparent assessment system for all employees, regardless of age or duration of service.

This system functions through two indicators: performance assessment as the measure of business results and behavioral assessment as an evaluation of business processes. This approach aims to stimulate employees to rise to the challenges of higher targets. By reflecting assessment results in remuneration and bonuses, we are building a workplace environment that spurs employees forward in their work with a sense of ambition.

Occupational Health and Safety

Basic Philosophy

The Maxell Group in Japan stipulates basic items regarding the running and management of occupational health and safety through the Hitachi Maxell Group Occupational Health and Safety Basic Policy. We actively promote occupational health and safety activities and establish policies for them on a yearly basis.

Under the Fiscal 2006 Hitachi Maxell Group Occupational Health and Safety Policy, we set targets for the construction and operation of an Occupational Safety and Health Management System^{*1} (OSHMS) promoted by the Ministry of Health, Labor and Welfare. We have instigated measures to achieve certification at our plants under this system.

Standard Hitachi Maxell Group Occupational Health and Safety Policy

Cognizant that employee health and safety are inseparable from business activity, we make it our standard policy to secure pleasant and safe working environments.



Ono Works Gains OSHMS Certification

We are working to gain OSHMS certification at Hitachi Maxell Group sites throughout Japan.

In January 2007, the Ono Works became the first plant in the Maxell Group to attain this goal. In the future, we will promote measures to enable other plants to follow suit in this key step toward improving occupational health and safety management.

Attaining Development through Education and Training

Occupational health and safety education and training during fiscal 2006 included training programs targeting new recruits and existing employees. Further, changes in work position and modifications to duties were punctuated by workplace safety education courses.

In April and September 2006, we conducted "traffic safety weeks" as part of our Traffic KYT activities to heighten risk prediction in drivers of vehicles for business and occupational use. We also invite external lecturers to deliver traffic safety seminars and host other such events.



Chubu Branch Traffic KYT training

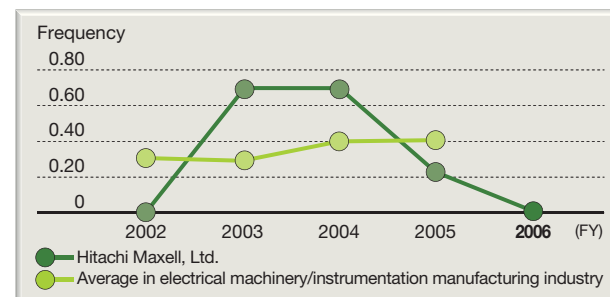
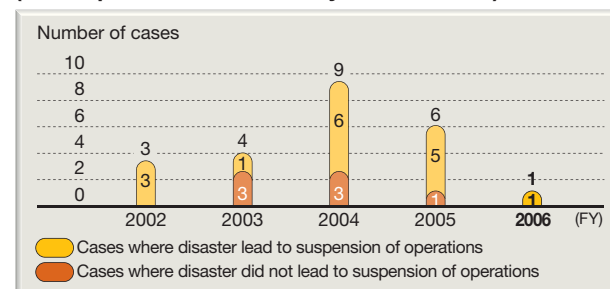
Activities to Reduce Work-Related Accidents to Zero

Based on the strategies and plans formulated in the Fiscal 2006 Hitachi Maxell Group Occupational Health and Safety Policy, we reduced the number of work-related accidents at operational sites by enhancing the safety of existing equipment

and carrying out KYT activities. We intend to pursue this course to its goal of zero incidents.

During fiscal 2006, we achieved zero days for stoppages due to work-related accidents, with just one accident that did not lead to suspension of operations. This resulted in a frequency rate^{*2} and severity rate^{*3} of 0%. Although incidence of accidents is on a downtrend and there were no work-related death or injuries nor days of suspension of operations, latent risk can still be considered to exist. For fiscal 2007, we are targeting zero risk by promoting the construction and operation of operational health and safety management systems.

Number, Frequency of Work-Related Accidents (* Each period is from January to December.)



Consideration for Employee Health

The Maxell Group, cognizant that employee health and safety are inseparable from business activity, strives to sustain and improve the mental and physical health of its employees.

During fiscal 2006, 100% of Hitachi Maxell employees underwent periodic health checks. We invite external specialists to our operational sites to deliver mental healthcare lectures and training. During the year, 199 division managers and general managers participated in this program.

During fiscal 2007, we plan to introduce EAP^{*4} at operational sites that do not have a registered psychiatrist.

^{*1} Occupational Safety and Health Management Systems are certified by the Japan Industrial Safety and Health Association. These systems serve as a basis for health and safety management activities in Japan and are implementing the requirements for risk assessment, system auditing, documentation and other measures that have met with success in the United States and Europe.

^{*2} Frequency rate: Death or injuries from work-related accidents per million hours worked.

^{*3} Severity rate: Days of suspension of operations per thousand hours worked

^{*4} Employee Assistance Program: A workplace mental health service provided by external specialist organizations.

Promoting Fair and Healthy Business Activities with Our Partners

Basic Philosophy on Business Partners

The Maxell Group's stance on common awareness of social responsibility is compiled and formulated in the CSR Policy of the Hitachi Maxell Group.

We expect cooperation from our business partners, including suppliers and sales companies. As we fulfill our social responsibilities, we strive to build fair and healthy business relationships based on trust cultivated from a long-term perspective.

Fair Transactions with Suppliers

Comprehensive Guidelines for Procurement Activities

Hitachi Maxell operates in accordance with the Hitachi Group's Guidelines for Procurement Activities in its procurement of materials, products, services and information from external sources

This directive stipulates "fair handling of all suppliers," "not disadvantaging suppliers through improper conduct," and "no acceptance of personal benefits from suppliers by Company representatives." These policies are stipulated in Company regulations, and steps are taken to thoroughly familiarize employees with their contents.

Measures for Fair and Impartial Procurement

We operate an open-door policy in selecting suppliers. Our Basic Policy of Procurement is posted on the Company website, and we deal with inquiries about materials in a simple and understandable fashion.

Basic Policy of Procurement

1. Partnership

We strive to deepen mutual understanding and build trust in our relationships with suppliers through better partnerships with all suppliers.

2. Open door policy

We choose suppliers based on the principle of free competition, regardless of the supplier's country.

3. Promotion of fair procedures

We always conduct fair and impartial dealings with all suppliers.

4. Selection of suppliers

Selection of suppliers is based on fair procedures that give due consideration to the quality of materials, prices and delivery, as well as to management reliability and technical capacities. Other selection criteria include adequate assessment and correct procedures from an environmental standpoint.

5. Provision of information and confidentiality

We respond sincerely to the requests of suppliers and provide them with all necessary information. Conversely, we request useful information from suppliers. Any trade secrets provided are rigorously managed with strict confidentiality.

Revisions to our Basic Contract

To reinforce the compliance of its suppliers, the Maxell Group revised its basic contract in fiscal 2006 from the standpoint of maintaining confidentiality, protecting personal information, reducing the environmental burden and eliminating violations of accepted standards of responsible social behavior. From April 2007, we will start to reconclude agreements with all suppliers using a new basic contract.

Compliance with Subcontract Law and Fair Transactions with Subcontractors

Japan's Subcontract Law applies to approximately 16% of Hitachi Maxell's suppliers.

We comply with Subcontract Law in transactions with these suppliers by strictly observing payment within 60 days of delivery through appropriate client management and materials systems operation.

Dialog with Suppliers

We believe that intensive communications are indispensable in building true partnerships with suppliers. Accordingly, once a year each Hitachi Maxell operating division holds an Business Policy Briefing Session. At these events, we make requests regarding new product developments, quality control and environmental activities, and explain our business development policies, including medium-term plans, for the next fiscal year and beyond.

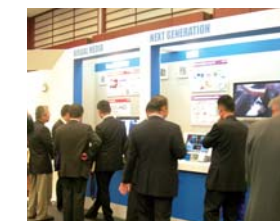
In future, we will continue to hold Business Policy Briefing Session with improved explanations of our management policies and plans.



Business Policy Briefing Session

Dialog with Sales Companies

Hitachi Maxell conducts sales negotiations with distributors concerning product introductions, including new products, and proposing year-end sales strategies. We also hold periodic new product launches for consumers. Such events were held at the Head Office on September 6 and 7, 2006, and were attended by 227 representatives of 124 sales companies.



New product launch

Striving for Higher Shareholder Value and Fair Disclosure

Efforts to Improve Shareholder Value

Under its new medium-term management strategy, which was launched in fiscal 2006, the Maxell Group is to plow management resources into potentially high-growth and profitable business areas, differentiate the Company from its competitors through proprietary technologies and promote its range of high-value-added products. The three years from fiscal 2007 to fiscal 2009 represent a period of aggressive investment to accelerate reweighting of our business portfolio and establish a high-profitability business structure. We are aiming for an operating profit margin of 6% by fiscal 2010—the 50th anniversary of Maxell's foundation.

In future, we shall continue our course of business management with emphasis on CSR activities, while aiming to raise corporate value through the instigation of action plans under the new medium-term management strategy.

Promoting Timely Disclosure

The Maxell Group carries out appropriate and timely disclosure to shareholders and investors as part of its basic policy. Since the third quarter of fiscal 2000, Hitachi Maxell has announced quarterly financial announcement to raise the transparency of its management.

Top management holds results briefings for investors and analysts each quarter, in addition to conducting small meetings and individual interviews. We also hold business briefings on specific themes and offer factory tours to bolster our aggressive IR drive.

We have also upgraded and expanded our Company website and issue annual reports in Japanese and English, as well as business reports and other publications.



2006 Annual Report

Intensifying Communications with Individual Investors

The Company participates in IR fairs to raise its profile with a broad range of individual investors. We also release company presentations and questionnaires, and actively seek other direct channels of communications with individual investors.

We mail a biannual questionnaire to shareholders, and strive to incorporate the opinions this generates into management and business operations.

Distribution of Profits through Dividends

Continuous return of profits to shareholders in a stable and appropriate manner is the foundation of our dividend policy. Specifically, we pay out dividends that reflect results, taking into account overall circumstances, including financial conditions and future investment.

During fiscal 2006, dividends per share, including the interim dividend, were ¥20.

More Accessible to the General Meeting of Shareholders

To facilitate participation by a greater number of shareholders, we schedule our ordinary general meeting of shareholders for a date that avoids the peak shareholders' meeting of other companies. Further, we present our business reports at these meetings using photographs, graphs and visual props that foster a deeper understanding of management policies and business conditions.

Since June 2003, we have conducted shareholder social gathering after the close of the ordinary general meeting of shareholders. These events aim to enhance understanding and promote friendly intercourse between management and shareholders.



Shareholder social gathering

Fiscal 2006 SRI External Assessment Results

Hitachi Maxell verifies and assesses how the corporation is fulfilling its social responsibilities in addition to its evaluating financial condition and growth potential. We also respond positively to external assessments, which are necessary for socially responsible investment (SRI) stock selection, and have to date earned favorable evaluations.

During fiscal 2006, we were listed as a target stock on the Morningstar SRI stock index. Since 2004, we have been incorporated as a target stock by the FTSE4 Good Global Index* for three consecutive years, and we were continuously ranked in May 2007.

We will continue to respond positively to SRI external assessments and make improvements Groupwide to meet the requirements of the evaluating organizations.

* FTSE4 Good Global Index: The world's representative SRI stock index, developed by FTSE International Limited of the UK. Corporations meeting criteria for social responsibility are selected.

Moving toward a "Society that Reaches out from the Heart"

Social Contribution Activities

In its CSR Activity Policy, the Maxell Group advocates the "positive promotion of social contribution activities as a good corporate citizen to realize a better society."

In accordance with this policy, we aim to build a "society that reaches out from the heart" through communications with our stakeholders and various social contribution activities.

Educational and Cultural Activities for Tomorrow's Leaders

Support for the Edison Program

The Kyoto Works is supporting the Kyoto Edison Program Promotion Association, which is backed by the Kyoto Industrial Association, to stimulate interest in science, technology and making things among children.

A workshop was held on theme of "Making a dry battery with your child" at local elementary schools in Oyamazaki-cho, where the Kyoto Works is located. This event attracted 20 groups of 50 participants.



Making a dry battery with your child

Media Post 2006

The 11th Media Post contest for the outcomes of Internet learning among elementary and junior high school students was held during fiscal 2006. Hitachi Maxell has supported this program since its inception. The winners of the fiscal 2006 Minister Award from the Ministry of Education, Culture, Sports, Science and Technology were 6th graders from Minami Komatsushima Elementary School in Tokushima Prefecture. Their "Project W" entry featured a production method for Japanese confectioneries, which they aimed to turn into a local specialty.



Winners of the Minister of Education Award

Kids Wonder Special Event

We held the Kids Wonder Special Event, which presents an opportunity for hands-on science study in an atmosphere of fun, at the Tokyo Science Museum from July 27 to August 1 in conjunction with the annual Science Festival.

Approximately 60,000 parents and children attended to enjoy the features, which included a rally game themed on batteries and DVDs.



Kids Wonder Special Event

Chinese University Campus Band Contest

During fiscal 2006, we held the Chinese University Campus Band Contest as a contribution to the robust development of music in China. Nine finalists from preliminary rounds in Shanghai, Beijing/Tianjin and Guangzhou battled it out at the December 2006 final in Shanghai. Despite inclement weather, more than 1,000 spectators filled the hall to watch the heated performances. The event made a successful contribution to both the development of the Chinese music scene and an exchange between young people through the medium of music.



Poster for the Chinese University Campus Band Contest

<http://www.maxell-music.com/>

Accepting Internees for Training Programs

Each year, Tohshin Seiko Co., Ltd., an affiliated manufacturer of such precision optical parts as lens units, offers internships to students of local universities and science colleges. This program provides hands-on experience in building appliances and instruction to raise awareness of internees as members of society.

Two internees were taken onboard during fiscal 2006, from August 21 for 11 days during the summer vacation. Skills acquired included simple assembly and product measurement techniques.



Internees on the job

Contributing to Valuable Cultural Development and Legacy

Kyushu Hitachi Maxell, Ltd., has restored the Akarenga memorial building, which was built in 1904 based on the design of a German engineer. Period photographs have been on exhibition since fiscal 2003 with free admission to the public. The building, with its beautiful redbrick walls redolent of the flourishing coalmining industry at the time, was assigned as a tangible cultural property in 1997.

Kyushu Hitachi Maxell maintains and preserves historically valuable buildings that stand within its grounds, carrying out reinforcement and refurbishment work. The company also conducts tours of these sites for local residents and visiting enthusiasts.



Akarenga memorial building

Promoting Environmental Protection and Beautification

Our Kyoto Works is participating in the Abundant Flower Campaign organized by the Oyamazaki-cho Promotion Association.

The activities of this operational site, which started in 2001, also include the efficient use of clipped branches and fallen leaves from its grounds in Oyamazaki-cho for the production of compost.

During fiscal 2006, the flowers grown along with Oyamazaki-cho Promotion Association members were used to decorate the environs of the station. Moreover, local elementary school students used the flowers they had planted to adorn the spectators' seats at their sports day events.

We intend to continue our full cooperation in the Abundant Flower Campaign as a means to bolster communications with the local community in the future.



Planting by Oyamazaki elementary school students

Cleanups in Tokyo (Head Office), Tsukuba and Osaka

The operational sites of the Maxell Group take part in periodic cleaning activities around their site locations in a bid to boost the beautification of the local environment.

For more than four years, employees at the Head Office Building have carried out cleanup activities at I-Garden South Street before work on the first Wednesday of each month in cooperation with workers from other neighborhood buildings. Furthermore, the Tsukuba Works carries out cleaning activities at nearby Harayama Park and the Osaka Works at Sanjo River, which flows past the site.



Cleaning activities at Sanjo River



Litter collecting at Harayama Park

Diverse Social Contribution Activities

Battery Exchange Campaign for Portable Security Alarms for Elementary School Children

We distributed replacement batteries to first graders at 226 elementary schools responding to a notice posted on the Company website from July 2006 to February 2007.

Information we provided included basic knowledge relating to periodic checks and battery replacement for portable security alarms. By building up interest in these devices among children, we aim to encourage them to think about safety issues.



Flier publicizing portable security alarms

Support for the Eco Bus Family Campaign

We support the OSAKA Eco Bus Family Campaign as a countermeasure to alleviate traffic congestion in the Osaka area. Through this initiative, we are promoting a shift from private cars to busses. To support this drive, the Osaka Works is providing a freebie pack of two AA size batteries to accompany distribution of Eco Bus Family Campaign leaflets.

Car-Share Commuting: "Day That Doesn't Commute Alone!"

Maxell Hokuriku Seiki, Ltd., where the vast majority of employees commute to work in their own car, has established one day a month designated as "Day that doesn't commute alone!" As a result of this autonomous environmental activity, which began in 2003, approximately half the staff share their ride to and from work on this day.

Further, in Toyama Prefecture the municipal and local authorities unite in advocating one day a year on which travel by private car is discouraged. The Company's works synchronize their "Day that doesn't commute alone!" activities with this broader reaching event in cooperation with local administration.

Overseas Social Contributions

Education Support Activities

Maxell Europe Ltd. established the Maxell Education Trust in 1990, and has subsequently provided £384,000 (approximately ¥92 million) in education funds to local schools.

During 2006, we provided £10,000 in financial assistance for the establishment of the Telford Sports Learning and Enterprise Foundation (UK), a regional organization in Telford, where the Telford Works of Maxell Europe is located. This money is earmarked for education support programs to promote the study of business through sports for children with inadequate educational provision.

We also donated a further £10,000 for the renovation of a local public hall.



Education support in the United Kingdom

Eco-Bag Distribution in Local Shopping Centers

Maxell Tohshin (Malaysia) Sdn. Bhd has designated one month a year for particular focus on environmental activities.

During July 2006, the company conducted a campaign to reduce consumption of disposable shopping bags at store checkouts through the distribution of 1,000 eco-bags. Each of these alternative carriers contains a pamphlet outlining suggestions on how to reduce garbage generated through shopping and a plea for cooperation in cutting waste.



Eco-bags in use at a store checkout

Economic Distribution throughout Society

The Maxell Group carries out its business operations for the generation of economic value against the background of its relationships with various stakeholders. During fiscal 2005, the economic value of these respective relationships was as follows.

Stakeholder	Ratio A (%)	Ratio B (%)	Content
Business partners	81	—	Materials costs, transportation costs, advertising costs, etc.
Employees, etc.	11	60	Costs for employees and corporate officers
Shareholders	1	5	Shareholders' dividend
Financial institutions, etc.	1	6	Interest expenses, etc.
Public sector (government)	1	7	Corporate taxes, etc.
Private sector	1	6	Dividends from net income, excluding directors' bonuses
Other	4	16	Nonoperating expenses, etc.
Total	100	100	

Ratio A is the relative share for each stakeholder type. Ratio B is the relative share calculated excluding business partners.

Dialog with Local Regions

Dry Battery Factory Tours for Elementary School Students

A social studies reader entitled Our Ibaraki for third and fourth graders in Ibaraki City depicts a factory manufacturing dry batteries in a feature on "People living and working." Accordingly, we invited groups of pupils for tours of our Osaka Works.

During fiscal 2006, 838 students from eight elementary schools participated, occasionally even taxing their guides with their disarmingly earnest questions.



Dry battery factory tour

Presentation Meetings on Groundwater Protection Work

We commenced groundwater protection work at the Osaka Works in October 2006, and have conducted seven presentation meetings to keep local community associations, residents and adjacent businesses au fait with these operations.

Communications Activities at Operational Sites

We invite various types of citizens' groups to tours around our Kyoto Works to foster mutual understanding. The gymnasium of the Tsukuba Works is open to the public, with a total of 2,385 local residents taking advantage of this opportunity to date. Tohshin Seiko Co., Ltd., invited the mayor of the district to look around its facilities in Miyagi Prefecture.



The Mayor viewing Company facilities

Donations to Various Organizations

As part of its social contribution activities, the Maxell Group makes financial donations to various organizations. During fiscal 2006, contributions of approximately ¥4.8 million were made primarily to the following five recipients.

Recipient organizations:

The Odaira Memorial Hitachi Educational Promotion Foundation
The Hitachi Environment Foundation
The Kurata Memorial Hitachi Science and Technology Foundation
The Hitachi Mirai Foundation
The Hitachi Foundation

Involvement in Politics

In accordance with the guidelines of the Japan Economic Federation (Nippon Keidanren), with which Hitachi Maxell is affiliated, the Maxell Group has no particular bias toward any political parties or groups regarding governmental activities and contributions and strives to maintain a neutral stance.

Involvement in Industry Bodies

As a member of the Japan Economic Federation (Nippon Keidanren), Hitachi Maxell reinforces its ties with other member corporations and contributes to the economic development of Japan and the world. In addition, we comply with Federation's Corporate Behavior Charter and Global Environmental Charter, and contribute to building free, transparent and fair markets and promoting global environmental protection.

Fiscal 2006 Awards and Accreditation

- Maxell's DVD advertising campaign gained a silver prize in the Media Division at the Cannes International Advertising Festival. (June 2006)
- Our Kyoto Works was acclaimed for top-level environmental impact reduction and social contribution measures, receiving Hitachi Group Super Eco-Factory certification. (March 2007)
- Wuxi Hitachi Maxell Co., Ltd., was praised for environmental impact reduction, and was accredited as a "Green Enterprise" by Wuxi City Environmental Protection Agency. (May 2006)
- Maxell De Mexico, S.A. DE C.V received a commendation from the Baja California State Governor for energy saving, recycling, water conservation and other environmental activities. (June 2006)



Groupwide Efforts Prioritizing Harmony with the Environment

Environmental Protection Action Guidelines

The Maxell Group established the Environmental Protection Action Guidelines as a directive in all its activities for environmental preservation. These guidelines adhere to the

Basic Policy of Procurement

1. Recognizing that problems affecting the global environment are serious matters for all humankind, harmony with the environment will be a top management priority throughout the Company.
2. Officers and sections in charge of responding to environmental problems will promote environmental preservation activities by establishing a structure to promote such activities, enacting regulations relating to the environment, setting environmental impact reduction targets and taking other related measures. Moreover, environmental audits will be used to confirm the efficacy of activities and measures to ensure constant improvement.
3. The Company will strive to gain an understanding of how best to respond to the various global environmental problems and make contributions to society through the conscientious development of highly reliable technologies and products.
4. The Company will give due consideration to reducing the impact that products have on the environment throughout their entire lifecycles, from the R&D and design stages through manufacturing, logistics, use and final disposal.
5. The Company will investigate and examine the effects of its

Japan Federation of Economic Organizations' Global Environmental Charter, and stipulate measures for tackling environmental problems that arise in the Group's business activities in accordance with the Hitachi Maxell Group Code of Conduct.

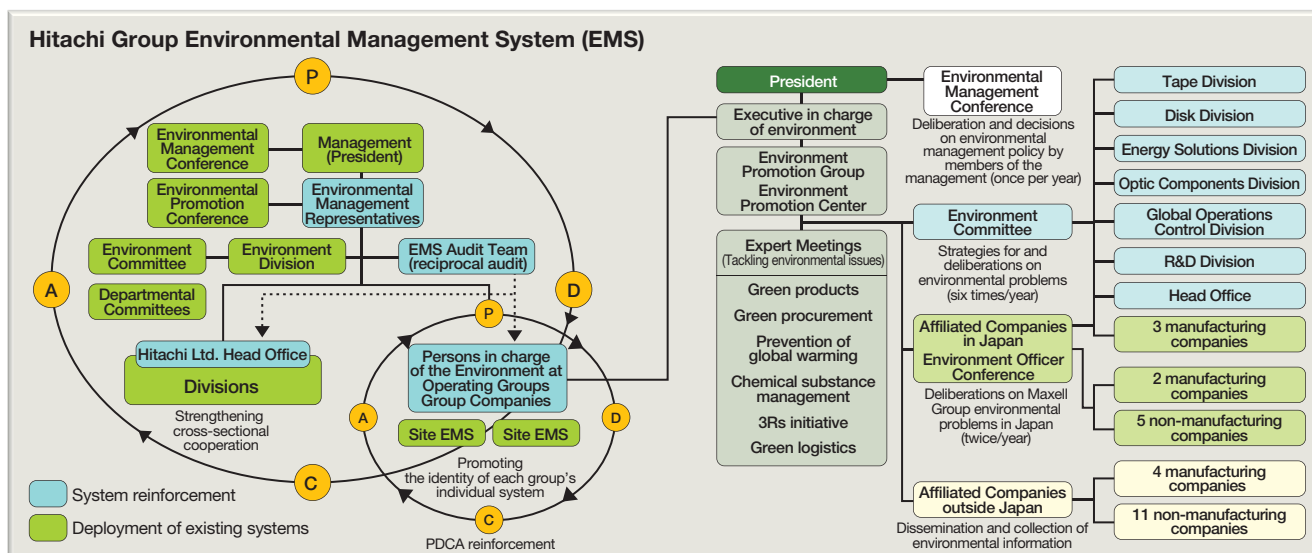
6. In addition to observing international, national and local regulations concerning the environment, the Company will develop its own standards where necessary to improve its contribution to environmental preservation.
7. The Company will give full consideration to the effects activities outside Japan and export products have on local environments and implement measures in response to the wishes of the respective local communities.
8. In addition to working to enhance the environmental awareness of its employees, the Company will expand the focus of such activities to include society at large and contribute to the communities of which Maxell is a part with environmental preservation activities originating from a broad perspective.
9. In the event that an environmental problem arises as a result of the Company's business activities, the Company will take appropriate steps to minimize such impact.

Integrating the Hitachi Group's Environmental Management System

The Hitachi Maxell Environmental Promotion Group participates in the Hitachi Group Environmental Promotion Organization and gained ISO14001 certification in September 2006. This organization integrates the independently functioning environmental promotion divisions of each Hitachi Ltd. operating site and Hitachi Group affiliated company to promote more effective environmental activities.

The major operating sites and affiliated companies of the Maxell Group are advancing their environmental promotion activities through independent regional ISO14001 accreditation. Groupwide measures are controlled through the operation of a group supervising type PDCA by the Environmental Protection Group at Head Office.

By fiscal 2009, we plan to gain integrated certification for the Maxell Group in Japan with the Environmental Promotion Group as a hub, thus reinforcing integration of the Hitachi Group's overall environmental activities.



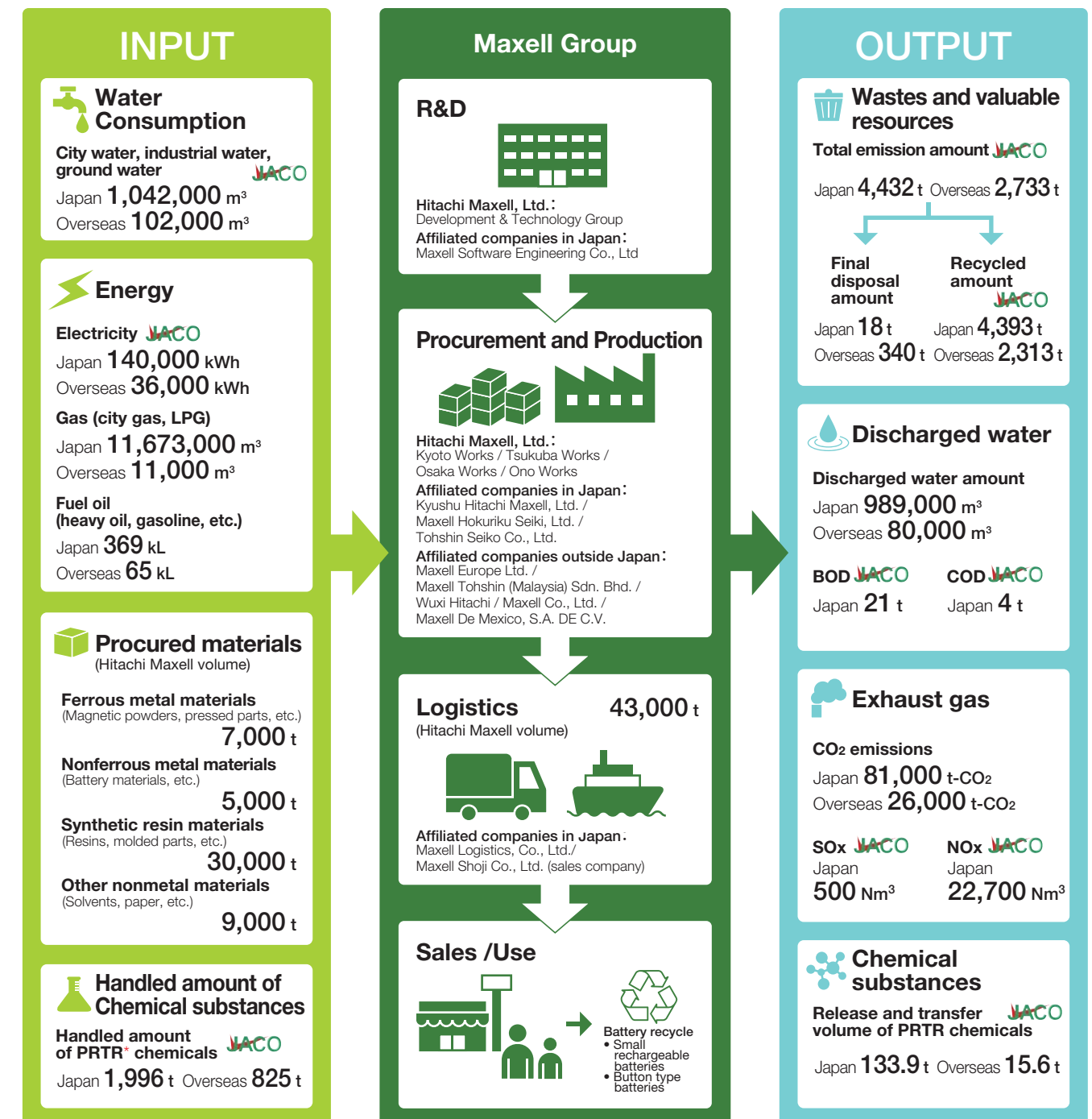
Creating Products with the Entire Lifecycle in Mind

The Maxell Group's Involvement with the Environment

The Maxell Group uses raw materials, including magnetic powders, pressed parts, battery materials, resins and molded parts, in addition to energy and water, to provide customers with useful products. However, these production processes impact the global environment by emitting CO₂ and other

exhaust gases, effluent water, chemical substances and other waste products.

In its drive for sustainable development as a corporation, the Maxell Group endeavors to reduce the environmental impact of its operations throughout the lifecycle of its products, from input of materials and energy through product use and disposal.



* Pollutant Release and Transfer Register

Working Steadily toward Environmental Burden Reduction Targets Established by the Whole Group



















Results of Fiscal 2006 Activities

The Maxell Group formulates a yearly environmental action plan based on the Hitachi EcoValue Plan 2010^{*1} as a directive for its ongoing activities.

During fiscal 2006, the Head Office Environment Promotion Group introduced Hitachi Group EMS^{*2}, and achieved all but two of its

targets through endeavors to expand green products, promote Manufacturing that accommodates environmental CSR, prevent global warming and other Groupwide measures.

Evaluation criteria :Target achieved :Not achieved

Category	Item	Environmental Action Targets	Targets by Fiscal 2010	Fiscal 2006 Targets	Fiscal 2006 Results	Self-evaluation	Reference
Ecological Mind and Global Environmental Management	Enhancement of self-evaluation system	GREEN21 ^{*3} activities promotion	GREEN21 ver. 3 continuation and expansion Japan and overseas: 1,280 GP (full score: 1,600 GP)	Japan: 770 GP (GP: Green Points) Overseas: 690 GP	908 GP 709 GP		P23
	Construction of an Environmental Management System (EMS)	Hitachi Group EMS accreditation	Establishment of EMS integrated throughout the Hitachi Group	Participation by the Environment Promotion Group in integrated EMS projects and accreditation (December 2006)	Environment Promotion Group accreditation (September 2006)		P19
		Maxell Group EMS accreditation	Maxell EMS accreditation (Fiscal 2008) Maxell Group EMS accreditation (Fiscal 2009 in Japan)	Formulation and promotion of Maxell Group integrated plan (Japan)	Integrated plan preparation (December 2008, Maxell Group in Japan integrated accreditation)		—
	Cultivation of Environmental Literacy	Cultivation of an ecological mind among all employees and their families	Improvement and continuation of environmental education	Promotion of participation to Ecological mind (e-learning) program Preparation and distribution of educational materials to all employees and their families	Participation ratio: 98% Environmental Notebook (No. 4) issued		P23
Provision of Next-Generation Products and Services		Expansion of green products	Ratio of sales: 100% Ratio of transactions: 50%	Ratio of sales: 80% Introduction of management indicators	90% Promotion of introduction (16%)		P25
		Development of Super Eco Products	Ratio of sales: 30%	One product registration	One product registration completed (silver oxide battery)		—
		Improvements in product eco-efficiency	Global warming prevention factor ^{*4} : 50% increase (compared with fiscal 2000)	17% increase	479% increase		P25
			Resource factor ^{*5} : 70% increase (compared with fiscal 2000)	24% increase	309% increase		P26
		Improvements in recycled plastics usage ratio	20% increase (compared with fiscal 2000)	7% increase	26% increase		P26
		Reduction in packaging volume	10% reduction (compared with fiscal 2000)	4% reduction	41% reduction		—
	Promotion of Environmental CSR Manufacturing	Construction of management system for chemical substances contained in products	Overseas development (March 2008)	Construction of management system (Japan)	Constructed by March 2007		P26
		Chemical substance management implementation data enhancement	Response to chemical substance regulations (REACH, etc.)	Formulation of management methods for substances to be eliminated and reduced Elimination of all six harmful substances in RoHS inapplicable products	Confirmation of shipment volumes for substances to be eliminated and reduced (June 2006) All eliminated June 2006		P27
		Prohibition of polystyrene foam and PVC as product packaging			Continued prohibition of use		—
		Promotion of green procurement	Continuation of green supplier percentage 100%	Green supplier percentage 100%	100%		P27
	Sustainable Business Model ^{*6}	Aggressive promotion of R&D for environmental business themes to reduce environmental impact in the next age			Development of fuel cells with water and aluminum as hydrogen generation sources		—
Sustainable works and offices	Global warming prevention	CO ₂ emission reduction (Japan)	7% reduction (compared with fiscal 1990)	7% reduction	23% reduction		P28
		Reduction in CO ₂ emission per unit production	Japan: 30% reduction (compared with fiscal 1990) Overseas: 5% reduction (compared with fiscal 2003)	25% reduction 2% reduction	46% reduction 18% reduction		
		Reduction in unit energy consumption during transportation (Japan)	10% reduction (compared with fiscal 2000)	5% reduction	26% reduction		P29
		Reduction of waste generation	Japan: 30% reduction (compared with fiscal 2000) Overseas: 20% reduction (compared with fiscal 2000)	Japan: 22% reduction Overseas: 12% reduction	Japan: 35% reduction Overseas: 4% reduction		P30
	Efficient Use of Resources	Continued achievement of zero waste emissions ^{*7} (Japan)	Continuation at all production sites		Continuation at all production sites		P32
		Efficient use of water resources	Overseas: 10% reduction (compared with fiscal 2005)	2% reduction	7% reduction		
		Strict management of chemical substances and emissions reduction	Japan: Completed emission concentration regulation countermeasures for equipment targeted by the Air Pollution Control Law (fiscal 2009) Japan: 30% reduction in VOC ^{*8} emissions (compared with fiscal 2000)	Registration of VOC-emitting equipment and determination VOC emission concentration 20% reduction	Registration of legally stipulated equipment and determination VOC emission concentration regulations 5% reduction		P31
	Chemical substance management	Strict control of storage of electrical equipment using PCB (transformers, condensers, stabilizers) (Japan)	Completion of detoxification treatment (end of fiscal 2015)	Inspection and notification of storage status twice a year	Carried out		P32
		Continued prohibition of chlorofluorocarbon (CFC, HFC, HCFC) and VOC use			Continuation of non-use		—
		Wastewater and water quality management at works	Symptomatic management through voluntary management	standards	Implementation of symptomatic management with no irregularities		P31-32
		Response to Soil Contamination Countermeasures Law	Carried out voluntary inspections for soil contamination when	implementing facilities layout modifications	Carried out inspection and groundwater protection works at the Osaka Works		
Environmental Cooperation with Stakeholders	Environmental communication	Communication with stakeholders (customers, public authorities, shareholders, business partners and the general public) (disclosure and communications)		Disclosure via CSR Report, news releases, environmental advertising, Company website			P14-18
	Global citizen activities	Efforts to social contribution activities through planning of volunteer activities and active participation of employees		Edison Program at the Kyoto Works, support for sports through educational funding in Europe			P16-18

^{*1} Hitachi EcoValue Plan 2010: The roadmap for implementation of the Hitachi Group's vision for environmental promotion extending up to 2010.

^{*2} EMS: Environmental Management System

^{*3} Hitachi Group's self-evaluation system to evaluate its environmental activities and identify the challenges for continuous improvement.

^{*4} Index of the degree by which a product's global warming prevention effect has improved. It expresses a product's "value" and the volume of global warming gas emitted over the product's life cycle as a percentage of those of a standard product.

^{*5} Index of the degree by which a product's resource utilization ratio has improved. It expresses the volume of resources used to make a product, and the volume of resources discarded, as a percentage of those of a standard product.

^{*6} Business model for building a sustainable society through products and services, incorporating global warming prevention and resource recycling in business operations.

^{*7} Zero emission: Initiative to bring the amount of waste generated infinitely close to zero. Within Maxell Group, zero emission refers to the condition in which the final disposal amount is below 5 tons per year and its ratio to total discharge is below 1%.

^{*8} VOC: Volatile organic compounds, which include toluene and methyl ethyl ketone.

Promoting Eco-Management as a United Group

Environmental Activity Assessment GREEN21

The Maxell Group employs the Hitachi Group common evaluation system, GREEN21, as a benchmark for the assessment of all environmental protection activities. To make continuous, effective improvements in environmental activities and upgrade activity levels, this system establishes assessment standards for various categories, with green points (GP) awarded for achievement in each.

During fiscal 2006, the upgraded GREEN21 Ver. 3 was introduced, with risk management absorbed into the environmental management category, and a new category added for green procurement. The existing full score of 800 GP has also been revised to 1,600 GP.

Fiscal 2006 Results

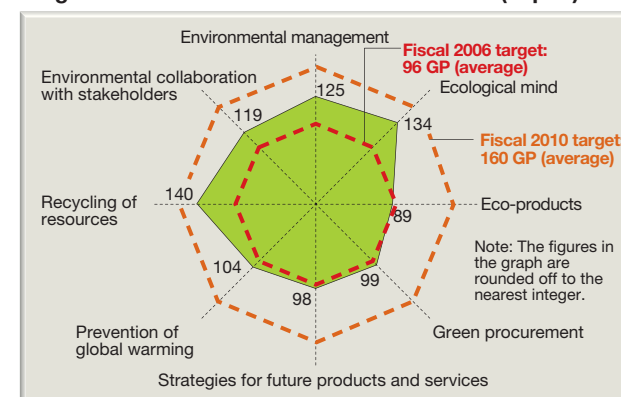
During fiscal 2006, the Maxell Group in Japan scored 908 GP, exceeding its target of 770 GP. We also excelled overseas, beating the average target of 690 GP with a score of 709 GP.

We plan to strengthen activities during fiscal 2007 in the categories where we did not reach target values during fiscal 2006.

GREEN21 Evaluation Items

番号	Category	Major evaluation items
1	Environmental management	Action plan, environmental accounting, risk management
2	Ecological mind	Employee education
3	Eco-products	Eco-Design Management System, green products, Management of chemical substances contained in products
4	Green procurement	Green procurement, Green procurement
5	Strategies for future products and services	Business and product strategies, Sustainable business model, External advertising
6	Prevention of global warming	Site-level energy conservation, Environmentally-friendly logistics
7	Recycling of resource	Waste reduction, chemical substance management
8	Environmental collaboration with stakeholders	Information disclosure, Communications activities, global citizen activities

Targets and Evaluation Results of GREEN21 (Japan)



Environmental Internal Audit

We conduct internal audits to verify that our environmental management system conforms to ISO 14001 standard requirements, is properly implemented and is functioning effectively.

We place great importance on the objectivity and fairness of the internal audit, which is conducted through a mutual audit conducted by auditors who are selected from areas not covered by the audit. Since 2005, affiliated companies in Japan have also been subject to mutual audits.

During fiscal 2006, a total of 53 items requiring improvement were identified, all of which were corrected before the regular fixed screening took place.

We aim to improve the environmental management system during fiscal 2007 by effectively utilizing the mutual internal audit program.



Mutual environmental internal audit

Environmental Education

General Education and Education Tailored to Each Job Class

The Maxell Group in Japan systematically conducts environmental education based on regional implementation of ISO14001 systems. In addition, we target all employees with environmental e-learning programs.

In March 2007, we commenced delivery of environmental education specifically for Hitachi Maxell management executives as part of our education tailored to each job class.



Education specifically for executives

Environmental Education to Employee's Families and Local Primary Schools

To promote eco-friendly activities easily accessible for employees' families in their home life, the Maxell Group in Japan has produced an environmental education pamphlet since fiscal 2003. This publication is distributed to employees and their families and to neighborhood elementary schools, and is also posted on the Company website.



Hitachi Maxell No. 4 Environmental Action Notebook

Environmental Accounting

Maxell Group quantitatively measures environmental activity related costs out of all the costs required for business operations, as well as the effects of such costs, and uses them as a guideline for its business activities.

Situation in Fiscal 2006

Environmental accounting covers the Maxell Group in Japan and uses calculation methods based on the Ministry of the Environment's Environmental Accounting Guidebook 2005. The primary contributor to costs during fiscal 2006 was a

Costs

(Millions of yen)

	FY2004	FY2005	FY2006	Major items
Business area cost	1,583	2,319	1,506	Cost for reducing environmental burdens at sites, maintenance costs and depreciation of equipment for environmental burden reduction
Upstream/downstream cost	47	105	92	Costs for collection, renewing and recycling of shipped products, containers and packages
Administration cost	500	460	442	Labor costs for environmental management, operation and maintenance costs of environmental management system, greenification cost, etc.
R&D cost	482	825	783	R&D and design expenditures for green products
Social activities cost	29	13	12	PR and advertising costs for environmental activities
Environmental remediation/other cost	0	0	202	Environment restoration costs, contributions, surcharges
Total cost	2,641	3,723	3,037	—

Upstream/downstream cost: Costs for reducing environmental burdens before and after production and shipment, expenditures made for green procurement and recovering products back to resources.

groundwater protection project at the Osaka Works (environmental damage costs). However, completion of disposal of land-filled objects found at the Osaka Works during the previous year constrained total environmental costs to 18% below fiscal 2005's value. Investment was approximately 2.5 times that of the previous fiscal year, representing continued renewal investments in energy-saving equipment and facilities refurbishment and new investment in groundwater protection facilities. Economic benefits remained at roughly the same level as during the previous year.

Investment

(Millions of yen)

	FY2004	FY2005	FY2006	Major items
Investment for environmental conservation	327	166	417	Groundwater protection facilities installation, Renewal of energy-saving molding machine

Environmental Conservation Benefit (Monetary Value)

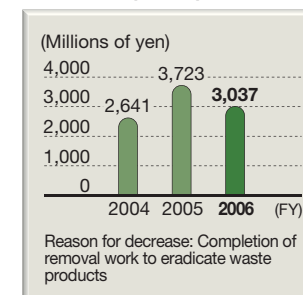
(Millions of yen)

	FY2004	FY2005	FY2006	Major items
Revenue	453	467	528	Sale of valuable resources, sale of recycled products
Cost Reduction Expense	198	218	109	Energy saved, reduction of waste disposal costs
Savings through Lower Resource	616	756	786	Yield improvement, reduction of number of parts, common use of parts
Total economic benefits	1,267	1,441	1,424	—

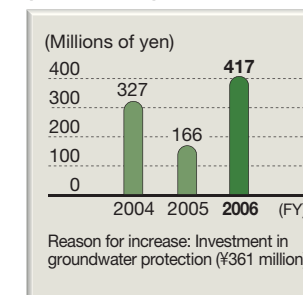
Environmental Conservation Benefit (Physical Unit)

	FY2004	FY2005	FY2006	Major items
Power purchased (million kWh/year)	149.94	146.03	139.50	Energy-saving effects of ESCO facilities introduction
Fuel oil consumed (kL/year)	775	688	369	Reduction in Bunker A heavy oil for heating
Fuel gas consumed (million m ³ /year)	14.38	14.09	11.68	Reduction from regenerative deodorization equipment operation
Total wastes generated (t/year)	5,723	4,932	4,432	Improvements in yield through "100% yield challenge activities"
Final disposal wastes (t/year)	32	26	18	Reduction accomplished by promotion of recycling

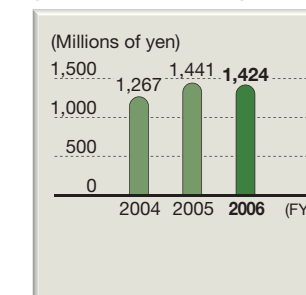
Summary of Environmental Accounts (costs)



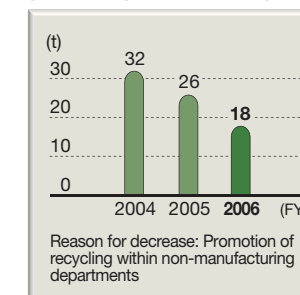
(Investment)



(Economic benefits)



(Final disposal wastes)

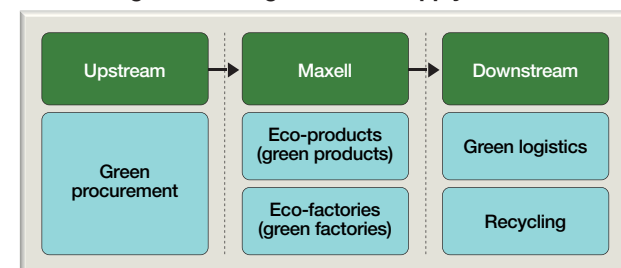


Measures to Reduce Environmental Impact over the Entire Product Lifecycle

Environmental Consideration throughout the Supply Chain

The Maxell Group seeks to reduce the environmental impact throughout products' lifecycles. Upstream in the supply chain, we employ the "A Gree' Net" database system of chemical substances to promote green procurement. In product design and manufacturing, we implement "green product design assessment." Passing further downstream, we enforce strict control of chemical substances using the "Unified Management System for Chemical Substances Contained in Products." In the downstream sections, we are promoting modal shifts to expand the scope of green shipments.

Eco-Management along the entire supply chain

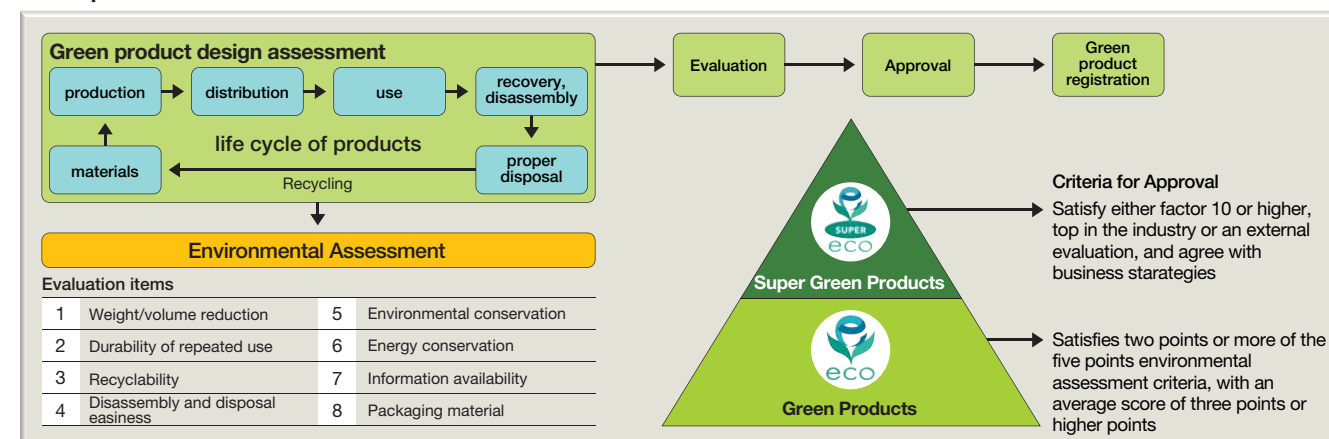


Green Products

We conduct a "green product assessment" based on Hitachi Group common evaluation standards supplemented by Maxell-specific evaluation criteria. This system evaluates the environmental impact of products at each stage of their lifecycles. Products that clear these standards are designated as "Green Products."

Of these Green Products, those that excel in environmental performance are further accredited as "Super Green Products."

Green product assessment and evaluation

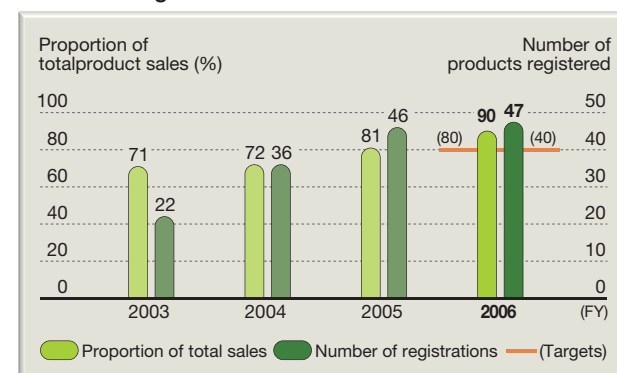


Expansion of Green Products

During fiscal 2006, we completed development on 47 new green products, bringing our lineup to 196 products. Moreover, green products accounted for 90% of domestic sales of consumer products.

We aim to have our entire portfolio registered as green products by fiscal 2010.

Trends in Registration of Green Products



Super Green Products

Silver Oxide Batteries with Zero Mercury and Lead

Conventional silver oxide batteries have small quantities of mercury and lead added to the anodal zinc to prevent emission of gasses. Through the development of original zinc-corrosion-prevention technologies, we have eliminated the use of mercury and lead. This initiative to reduce environmental impact has drawn enthusiastic acclaim from outside the Company.

Furthermore, lower materials consumption and higher productivity pulled back CO₂ emissions by 23%.

Global warming prevention factor: 1.3
Resource factor: 1.1



Green Products

DLTtape® S4 for Computers

We have commercialized new computer tape products boasting high storage capacity and low noise through new magnetic materials with greater microparticulation.

The effective use of resources facilitates 2.7 times the storage capacity of Super DLTtape® (from 300 to 800 gigabytes), approximately half the bulk of VHS cassettes, and storage capacity equivalent to 1,100 CDs. Furthermore, recycled paper is used for the index sheets and other supporting documentation.

Global warming prevention factor: 33
Resource factor: 25



The Super DLTtape, DLTtape and the DLTtape logos are trademarks or registered trademarks of Quantum in the United States and other countries.

Next-Generation DVD HD DVD-R

We have developed a next-generation DVD HD DVD-R product with a 15 gigabyte storage capacity, 3.2 times that of conventional DVD-Rs. Newly developed organic pigment recording film and a high-precision stamper (master) realize higher density and capacity. Efficient energy and resource utilization are also achieved. As a result, CO₂ emissions per unit capacity are reduced 70%.

Global warming prevention factor: 16
Resource factor: 10



HD-N1230 Negative Ion Dryer

This product features a new motor in addition to a conventional double negative ion generator, and an improved fan shape to boost airflow 45%. The consequent reduction in drying time translates directly into energy savings.

The plastic case of the dryer unit comprises approximately 23% recycled materials, and a more compact carrying case cuts use of materials and raises transportation efficiency.

Global warming prevention factor: 2.2
Resource factor: 2.3



Definitions of Environmental Efficiency

$$\text{Global warming Prevention efficiency} = \frac{\text{Product life} \times \text{Product function}}{\text{Amount of greenhouse gas emitted over life cycle}}$$

$$\text{Resource efficiency} = \frac{\text{Product life} \times \text{Product function}}{\sum \text{Value coefficient of resource in question X (quantity of resource newly used during life cycle + quality of resource disposal in life cycle)}}$$

Definition of Factors

$$\text{Global warming prevention factor} = \frac{\text{Global warming prevention efficiency of product evaluated}}{\text{Global warming prevention efficiency of reference product}}$$

$$\text{Resource factor} = \frac{\text{Resource efficiency of product evaluated}}{\text{Resource efficiency of reference product}}$$

Management of Chemical Substances Contained in Products

Activities for a Manufacturing System for Environmental CSR

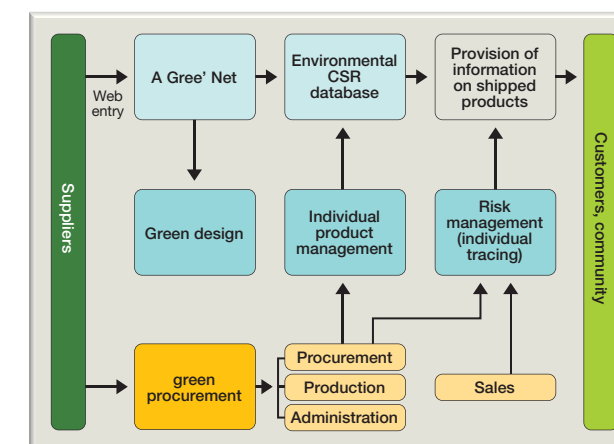
The Maxell Group has been conducting activities for a manufacturing system for environmental CSR since 2005 to reduce the environmental impact of products throughout their lifecycles. We are eliminating noxious chemicals from our products in accordance with global environmental regulations through the implementation of a unified management system for chemical substances contained in products.

Promotion of a Unified Management System for Chemical Substances Contained in Products

We are carrying out appropriate management of harmful chemical substances based on the "Standards for Chemical Substances Contained in Products" established under our Regulations for a Manufacturing System for Environmental CSR. Moreover, we have created and deployed Control Standards for Handling Chemical Substances in Products, Parts and Materials for our suppliers.

Data on chemical substances contained in procured parts and materials is registered on "A Gree' Net." Based on this information, we have operated a Unified Management System for Chemical Substances Contained in Products since 2006 to ensure that (1) no harmful substances are input to production (green procurement); (2) no products containing harmful substances are developed (green design); (3) no products containing harmful substances are shipped (individual product management); and (4) should a problem arise, the affected products are identified within 24 hours and the extent of any impact is determined within 48 hours (risk management).

Unified Management System for Chemical Substances Contained in Products



Chemical Substance Regulations

The market is accelerating toward international safety for chemical substances contained in products through such measures as the RoHS directive and REACH regulations.

The Maxell Group, based on legislation in Japan and overseas, has stipulated substances that are prohibited or subject to control in products, and is endeavoring to eliminate noxious chemical substances through its activities for a Manufacturing System for Environmental CSR.

Responses to the RoHS Directive

In 2003, the Maxell Group began formulating its responses to the EU's RoHS Directive (Restrictions of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment), which were implemented in July 2006. By fiscal 2005, we had eliminated six RoHS-stipulated harmful chemicals (lead, cadmium, mercury, hexavalent chromium and two bromine-based fire retardants, PBB and PBDE).

By June 2006, we had also eliminated these six harmful chemicals from products not covered by the RoHS Directive, such as audio and video tapes and information media products.

Responses to the China RoHS

On March 1, 2007, the Management Methods for Controlling Pollution Caused by Electronic Information Products Regulation, also known as the "China RoHS," took effect. This law targets the same six substances as the RoHS Directive in the EU.

Maxell products manufactured from March 1, 2007, that are subject to the stipulations of this law are legally obliged to bear a label when shipped to China to indicate the presence or absence of these six substances.



Label indicating absence of the six substances



Label indicating presence of the six substances

Responses to REACH

New EU chemical substance regulation REACH (Registration, Evaluation, Authorisation of Chemicals) was enacted on June 1, 2007. This new system obliges corporations manufacturing in or importing to the European Union to register information on the preparation of chemical substances or articles with known emissions prepared or supplied above 1 tonne a year.

As this necessitates the management of a broad range of chemical substances, the Maxell Group has begun investigating efficient management methods and target substances.

Green Procurement

To reduce environmental impact throughout the supply chain, the Maxell Group aggressively promotes the procurement of products and services from green suppliers.

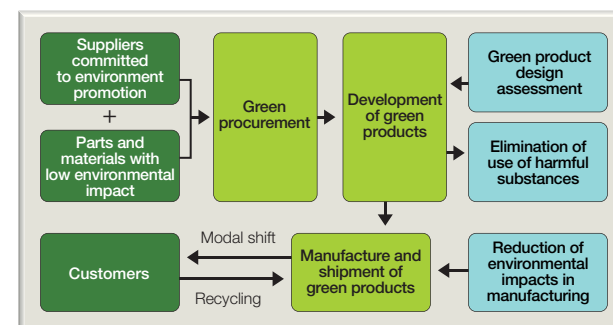
Maxell Group Green Procurement Results for Fiscal 2006

Green suppliers are defined as suppliers accredited by the Maxell Group that operates an EMS with ISO14001, KES*, Eco-Stage* or other such certification. To promote cooperative environmental protection activities, the Maxell Group recommends that suppliers register as green suppliers.

During fiscal 2006, green suppliers accounted for 100% of Hitachi Maxell's purchase transactions. In future, we will prioritize partnerships with green suppliers to promote ongoing environmentally considerate procurement.

* EMS specifications for small and medium-sized organizations. These are more comprehensible for small and medium-sized organizations than the fundamental sections of ISO14001 and are tailored for easy application. KES certification is issued by nonprofit organization KES Environment Agency; Eco-Stage is accredited by the Eco-Stage Institute.

Green Procurement Flow



Hitachi Group Green Procurement Guidelines

The Hitachi Group revised its Green Procurement Guidelines in October 2005. These guidelines outline the Hitachi Group's procurement basic policy and strategies and clearly state directives for suppliers.

Based on these guidelines, the Maxell Group enhances mutual awareness of and shares information on environmental protection activities with its suppliers.

<http://greenweb.hitach.co.jp/ecoproducts/green/guideline.html>



Green Procurement Guidelines

Manufacturing with Due Consideration for the Global Environment

Eco-Factories

The Maxell Group aims for all its manufacturing sites to be Eco-factories, with high levels of environmental consideration, implementing measures for global warming prevention, waste reduction and appropriate management of chemical substances. Furthermore, we are also striving for Hitachi Group "Super Eco-Factory" status, which is awarded for even more advanced levels of environmental consideration.

During fiscal 2006, the Kyoto Works was accredited as a Super Eco-Factory.

Criteria for the Kyoto Work's Super Eco-Factory accreditation

1. Green Point score of 1,206 GP in fiscal 2006
2. Industry—leading energy use efficiency levels
3. Six years' continuous zero emissions of waste
4. Aggressive participation in the Edison Project and other social contribution activities

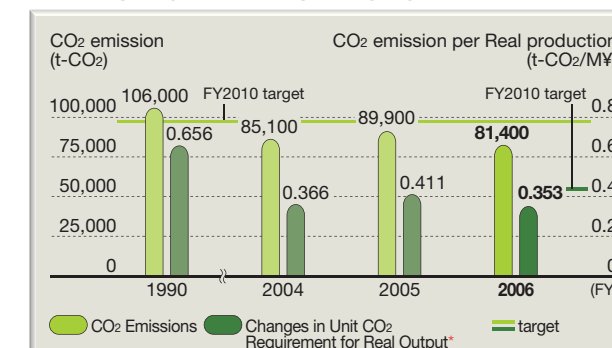


Global Warming Prevention Measures

The Maxell Group in Japan has set the target to reduce CO₂ generated from energy use 7% by fiscal 2010 in comparison to the fiscal 1990 level. During fiscal 2006, in Japan we introduced leading-edge energy-saving technologies, participated in the Team Minus 6% movement and deployed a "Cool Biz" drive and other campaigns.

Overseas, we installed energy-saving facilities, including high-efficiency air conditioners and compressors with inverter circuits.

CO₂ Emissions, Changes in Unit CO₂ Requirement for Real Output* (Maxell Group in Japan)



* (Real output) = (Nominal output) / (Bank of Japan's domestic corporate goods price index for electrical manufacturers), where the Bank of Japan's domestic corporate goods price index uses values for actual results.

Changes in CO₂ Emissions

Fiscal 2006 Results for the Maxell Group in Japan

Fiscal 2006 CO₂ emissions by the Maxell Group in Japan were 81,421 tons, down 23% compared to the fiscal 1990 level and 9.4% compared to the previous fiscal year. Furthermore, as the coefficient for calculating CO₂ equivalents of electric power, we used the conversion coefficient* of respective power companies announced by the Ministry of the Environment.

By fiscal 2010, we are aiming for a reduction of 30% in CO₂ emission per real production compared with fiscal 1990 values. During fiscal 2006, real output per unit production reached 0.353 t-CO₂/M¥, down 46% from fiscal 1990.

During fiscal 2007, we aim to progress with shared use of energy saving methods and technologies introduced at our various operational sites. Accordingly, we are planning a year of Companywide development.

* As the coefficient for calculating CO₂ equivalents of electric power, we used the average value of all power supply of 0.421 t-CO₂/MWh for fiscal 1990. For fiscal 2004 and 2005, we used the value published by the Federation of Electric Power Companies of Japan. For fiscal 2006, we used the value of respective power companies announced by the Ministry of Environment.

Fiscal 2006 Results for the Maxell Group Overseas

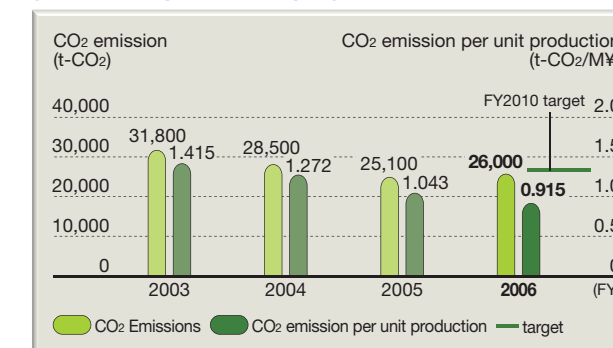
Fiscal 2006 CO₂ emissions by the Maxell Group overseas were 25,952 tons, down 18% compared with fiscal 2003 and up 3% from the previous fiscal year. CO₂ emission per unit production was 0.915 tons of CO₂ per million yen, representing a reduction of 35% compared to the fiscal 2003 level and a reduction of 12% from the previous fiscal year.

CO₂ emission volumes grew compared with the previous fiscal year as a result of increased production volumes, but we recorded energy savings through introduction of inverter circuits for air conditioners and compressors, resulting in a drastic reduction in CO₂ emission per unit production.

We have achieved all our targets in terms of a 5% cut in CO₂ emission per unit production from fiscal 2003 values by fiscal 2010. However, in the future we plan to implement further energy savings through promoting introduction of inverter circuits for air conditioners and compressors and other measures.

* As the coefficient for calculating CO₂ equivalents of electric power for overseas sites (units: tons of CO₂ per million yen), we use the Japan Electrical Manufacturers' Association, Report on Survey to Estimate Unit CO₂ Emissions for Power Generation in Various Countries, Ver.3.

CO₂ Emissions, CO₂ emission per unit production (Maxell Group outside Japan)



Efforts to Reduce CO₂ Emissions

Bolstering Energy Efficiency

At our Fukuchiyama Works, we have upgraded overall energy efficiency by deploying Energy Service Companies* (ESCOs) and other measures since fiscal 2006.

We have introduced a Regenerative Thermal Oxidizer (RTO), which reduces offensive smells by combusting organic solvent gases emitted during magnetic tape production and recovers heat energy.

Further, through the introduction of high-efficiency turbo coolers, cooling pumps with inverter circuits and high-efficiency air-conditioning equipment, we have reduced CO₂ emissions by 1,482 tons/year.



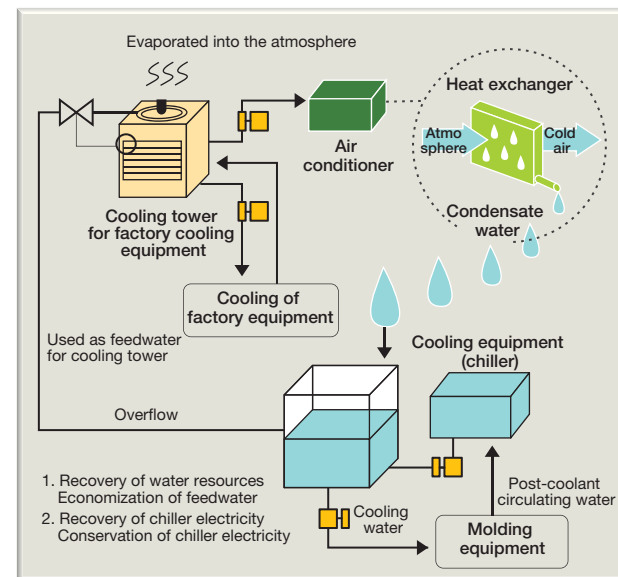
Regenerating deodorizing furnace

Recycling Air-Conditioner Condensation

Maxell Seiki, Ltd., is recovering the condensation generated by air-conditioning during the summer for reuse as mold-cooling water in molding machines.

Conventionally, this condensation was disposed of through the sewerage system as effluent. Now, by devising a method for cooling while in the piping, 300 tons/year of cooling water is salvaged for cooling the molds of machines. In addition to efficient use of water resources, air-conditioning condensation is approximately 15°C below the ambient temperature in summer, which reduces the power consumption of cooling water facilities and leads to a saving of five tons/year in CO₂ emissions.

Water Resource Cycle



*1 Energy Service Company: Generally a provider of comprehensive energy-conserving services that verifies energy saving effects.

Green Logistics (modal shift)

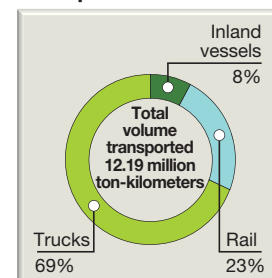
In fiscal 2005, Hitachi Maxell established a Green Logistics Committee to raise the efficiency of product transportation operations from the standpoint of environmental protection to conform to the April 2006 revision of the Rationalization in Energy Use Law. This committee has solved such problems as utilization of hub warehouses to reduce transportation distance and adjustments to factory shipment times and consignment delivery times. It also promotes transfer from trucking to rail transportation.

Fiscal 2006 Green Logistics Performance

As a result of endeavors to reduce the environmental impact of transportation operations, Hitachi Maxell reduced its volume of goods transported (weight x distance transported) by 5%, to 12.19 million ton-kilometers. Hitachi Maxell does not qualify as a specified goods owner, that is, a company with goods transported in quantities amounting to 30 million ton-kilometers or more annually.

The proportion of modally shifted transport in our total transport volume (the "modal shift percentage") was 31% during fiscal 2006. Compared to the case where all of our transport was by truck, this represents a reduction of 553 tons of CO₂ per year (26%).

Present State of Product Transport



Eco-Rail Mark*2 Certification

In September 2006, Hitachi Maxell's modal shift promotion measures gained it accreditation as an Eco-Rail Mark Corporation. Further, in March 2007, Maxell alkaline dry batteries became the first products in their field to acquire Eco-Rail Mark Product certification.

Emissions of CO₂ arising from rail freight transportation are said to be approximately one-eighth of those from trucking. Modal shift to rail transportation is therefore a most effective method in reducing CO₂ emissions during distribution.

In the future, we plan to bolster the volume of goods carried by rail to further our drive to reduce environmental impact.



Shipments of alkaline dry batteries

*2 The Eco Rail Mark system was established to reduce environmental impact by promoting rail freight transportation by the Ministry of Land, Infrastructure and Transport and the Railway Freight Association. As of March 2007, 32 corporations and 10 products qualified for certification, which stipulates that 15% or more of products are transported by rail for companies, and 30% or more shipments by rail for products.



3R Promotion and Waste Reduction

In line with the policy to vigorously promote 3Rs (reduce, reuse, recycle), the Maxell Group sets annual targets for reduction in the total discharge of wastes and final disposal (landfill).

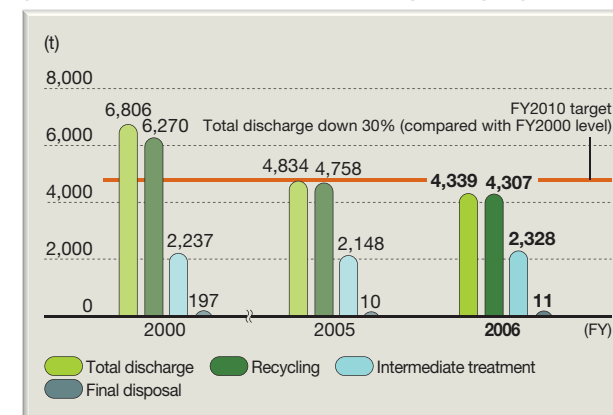
Moreover, we ensure proper disposal of waste by carrying out strict investigations of the status and sites of disposal operators.

Fiscal 2006 Waste Reduction Performance

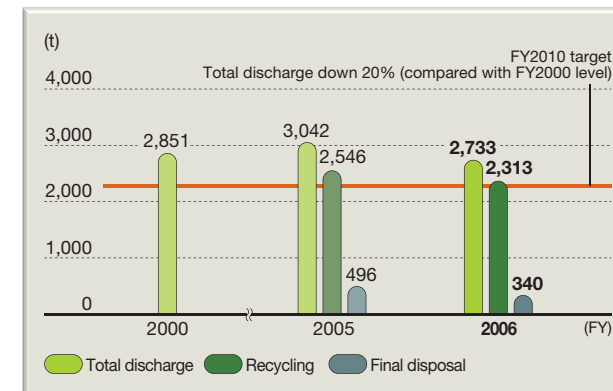
During fiscal 2006, the production sites of the Maxell Group in Japan reduced the total discharge of wastes and valuable resources by 10% over the previous fiscal year. Since fiscal 2004, all production sites of the Maxell Group in Japan have attained waste zero emission.

We intend to continue this record for zero emissions for fiscal 2007, while setting higher targets for our resource recycling ratio and reinforcing our 3R activities. Overseas, we will revise packaging specifications to reverse an uptrend in emissions from this source.

Waste situation (Production sites of the Maxell Group in Japan) JACO



Waste situation (Production sites of the Maxell Group Overseas)



Proper Disposal of Waste

In order to fulfill its responsibilities as producer of waste, the Maxell Group supervises proper disposal through regular on-site checks of disposal operators (waste collection operators, intermediate treatment operators and final disposal sites).

Formerly, each of our sites used a checklist of its own devising, but since fiscal 2005 we have used a Maxell Group unified checklist to raise investigation levels Groupwide and reduce risk arising from waste disposal.

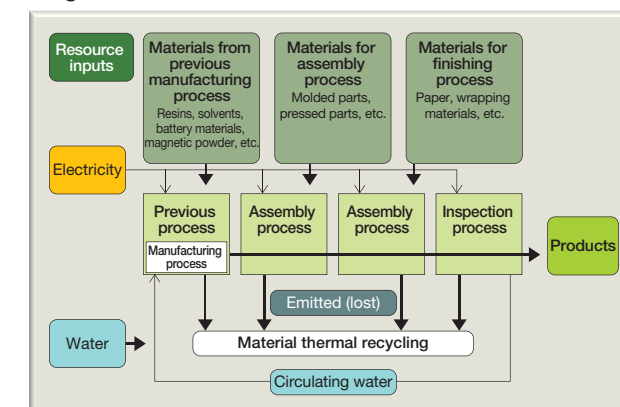
Effective Utilization of Resources through Material Flow Cost Accounting

To reduce waste in the production process, it is important effectively to use raw materials and reduce loss to zero. By ascertaining the waste products generated during the production process (unused or excess raw materials) and calculating the associated production costs, significant waste can be identified. We have introduced material flow cost accounting to reduce these expenses.

During fiscal 2005 and 2006, we introduced this system for minidisk manufacture at the Kyoto Works. As a result, we cut materials loss by three tons/month by halving waste generation during the production process.

We plan to apply the material flow cost accounting approach to other production processes during fiscal 2007 to reduce waste and effectively utilize resources.

Diagram of Material Flow



Examples of Reduce, Reuse, Recycle in Action

Maxell Tohshin (Malaysia) Sdn. Bhd has earmarked a month for focus on environmental issues during fiscal 2006. Activities conducted between July 1 and July 31 included a used newspaper collection campaign and an exhibition of flowers crafted from spent production materials.



Flowers fashioned from production waste

Proper Management of Chemical Substances

With the cooperation of related divisions at our operational sites and of suppliers, we carry out proper management of legally specified harmful chemical substances based on "Standards for Controlling Chemical Substances Included in Products" stipulated in the Environmental CSR-Compliant Monozukuri Standards.

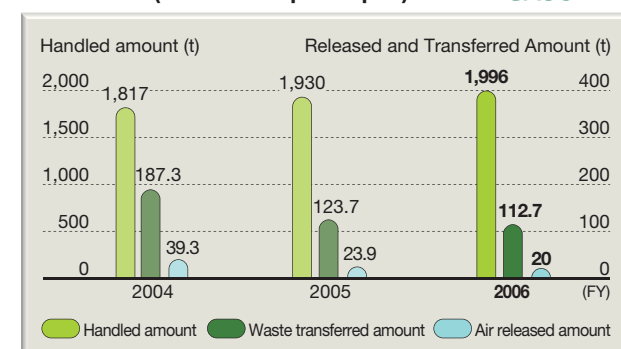
When using new chemical substances, we initially gather information on their toxicity and legality, and then deliberate with the Chemical Substance Management Committee and other bodies to determine their suitability for use.

Management of PRTR Substances

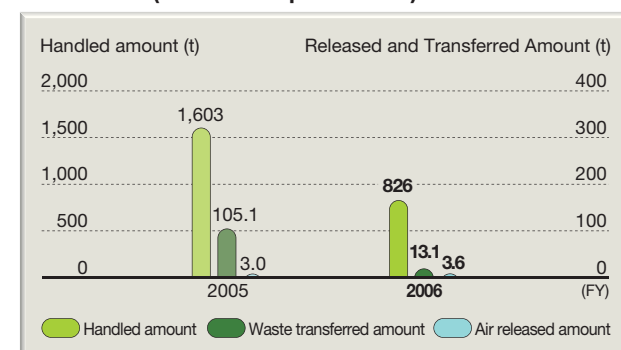
Maxell Group properly manages the emission, transfer and amounts of chemical substances handled based on the PRTR Law. Substances requiring notification to the PRTR that we handled in fiscal 2006 primarily comprised three types: toluene used in production of magnetic tape, manganese and its compounds and cobalt and its compounds used as battery materials.

Compared with the previous fiscal year, we reduced the amounts released into the atmosphere by 16% and the amounts transferred in the form of wastes by 9%. In particular, we reduced the volume of toluene released into the

Handled, Released and Transferred Amounts of PRTR Substances (Maxell Group in Japan)



Handled, Released and Transferred Amounts of PRTR Substances (Maxell Group Overseas)



atmosphere by rationalizing production equipment and curtailing use of magnetic coatings.

Overseas, we also manage PRTR substances, reducing atmospheric emissions by 20% and slashing the amounts transferred as waste by 88%. Although the amount of toluene released has grown as a result of its increased use, we plan reductions through replacement materials and usage volume reductions in future.

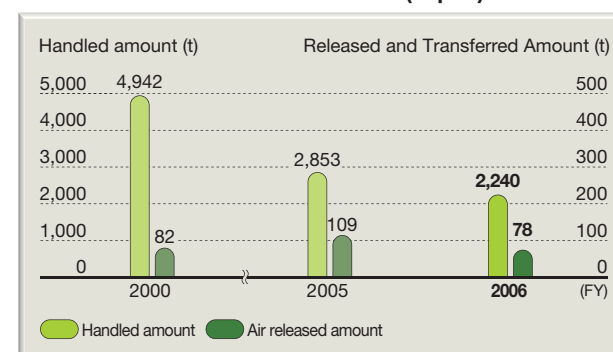
VOC Emission Reductions

VOC emission regulations have been in force since April 2006 in accordance with revisions to the Air Pollution Control Law. Maxell has formulated a voluntary plan for both targeted and non-targeted equipment with the objective of cutting VOC emissions 30% by fiscal 2010 from their fiscal 2000 levels.

Results for fiscal 2006 linger at 5% below fiscal 2000 as a result of delays in transfer to substitute components.

In future, we will advance with VOC emission reductions by introducing emission gas processing equipment and revising production processes.

VOC Volumes Handled and Emitted (Japan)



Groundwater Protection and Pollution Prevention

Legal Compliance

The Maxell Group is committed to publicizing and observing environment-related laws, emission standards for air and water pollution, the Waste Disposal and Public Cleaning Law and all other pertinent laws and regulations.

During fiscal 2006, there were no environment-related accidents, violations, fines or complaints at any Maxell Group works, R&D division and affiliated companies. Nor were there any law or ordinance violations concerning the seven typical pollution issues (air pollution, water contamination, soil pollution, malodor, noise, vibration and ground subsidence), or any operations that were subjected to administrative direction.

Reduction in Amount of Pumped Groundwater

Computer tape, professional-use videotape, recording DVDs and other recording media that account for the majority of the Maxell Group's business require large quantities of water during their manufacturing processes. Recognizing that water conservation is a major challenge in attaining a sustainable society, in each region of our operations we have installed water circulation facilities to promote repeated use of groundwater in an effort to conserve this natural resource.

Although our production volume's direct dependence on water consumption makes it difficult to adopt drastic conservation measures, in fiscal 2006 we achieved a reduction of 14% in water consumption compared to the previous fiscal year.

Measures to Recirculate Water

At our Kyoto Works, paint manufacturing processes use groundwater as a coolant. Since fiscal 2005, we have promoted the use of recirculated water and introduced measures to reduced water consumption.

As a result of these endeavors, the Kyoto Works has cut water consumption 31% compared with two years ago.



Water recirculation piping arrangement

Soil and Groundwater Protection Measures at the Osaka Works

The Osaka Works used trichloroethylene and other VOCs for cleaning parts for batteries and electrical equipment since its foundation in 1963 through 1993. We took the opportunity presented by the dismantling of factory facilities to carry out a voluntary soil and groundwater survey. Results detected levels of heavy metals (lead, mercury and cadmium) in excess of environmental standards in some parts of the ground.

Furthermore, groundwater contained excessive levels of VOCs (trichloroethylene and its breakdown product cis-1,2-dichloroethylene). Groundwater observation wells sunk at the site's periphery confirmed this conclusion. We took direction from Ibaraki City to prevent VOCs contained in the groundwater leaking outside the site, and in October 2006 commenced work to install submerged permeable reactive walls around the site perimeter. This process was completed in January 2007, and subsequent monitoring shows a downtrend in VOCs detected by peripheral groundwater observation wells.

We also plan to take appropriate action for the removal of the soil contaminated by heavy metals during the second half of fiscal 2007.



Installation of submerged permeable reactive walls

Management of PCB Waste

To prevent diffusion of PCB through proper detoxification treatment, the Maxell Group strictly controls the storage of previously used equipment that contains PCB, such as transformers, electric condensers and fluorescent lamp stabilizers. Moreover, we conduct periodic checks to confirm there are no abnormalities in storage conditions.

During fiscal 2006, transformers containing traces of PCB were uncovered during renewal of power equipment at the Osaka Works. These were properly stored in newly installed storage facilities. Treatment of this equipment containing PCB will be complete by fiscal 2015 based on treatment plans formulated by the Japan Environmental Safety Corporation (JESCO).



Storage of transformers containing traces of PCB (Osaka Works)


Main environmental impact by production sites JACO (see Company website for details)

Item	Unit	Fiscal Year	Kyoto Works	Tsukuba Works	Osaka Works	Ono Works	Kyushu Hitachi Maxell, Ltd.	Maxell Hokuriku Seiki, Ltd.	Tohshin Seiko Co., Ltd.	Four overseas plants	Total
Electricity purchased	MWh/year	2006	43,568	50,344	8,873	15,591	6,499	2,698	7,663	35,739	170,976
		2005	42,571	58,524	8,641	14,879	6,707	3,016	7,400	34,843	176,581
		2004	48,939	58,234	8,300	13,129	6,274	3,740	6,839	39,016	184,471
Discharged waste, etc.	t/year	2006	1,720	757	948	175	364	190	185	2,733	7,072
		2005	1,828	1,293	847	163	266	261	176	3,042	7,876
		2004	2,356	1,452	861	131	256	413	161	2,649	8,279
Water used	1,000m³/year	2006	646	180	24	25	87	53	14	102	1,131
		2005	659	264	23	25	70	140	11	98	1,290
		2004	933	283	25	16	64	79	9	105	1,514
NOx emissions	1,000Nm³/year	2006	21.4	1.3	—	—	—	—	—	—	22.7
		2005	22.7	1.1	—	—	—	—	—	—	23.8
		2004	18.2	1.0	—	—	—	—	—	—	19.2
SOx emissions	1,000Nm³/year	2006	0	0.5	—	—	—	—	—	—	0.5
		2005	0	0.2	—	—	—	—	—	—	0.2
		2004	0.3	0.3	—	—	—	—	—	—	0.6

1. Kyoto Works includes Fukuchiyama Works, Maxell Seiki, Ltd. and Maxell Logistics Co., Ltd.

2. Tsukuba Works includes Maxell Hi Tec, Ltd.

Verification by a Third Party



Third party verification report regarding the
"Hitachi Maxell Group Corporate Social Responsibility Report 2007"

June 7th, 2007

To: Hitachi Maxell, Ltd.
Dr. Yoshito Tsunoda, President & CEO

Japan Audit and Certification Organization
for Environment and Quality
Nobuhisa Itoh, President & CEO
N. Itoh

Hitachi Maxell, Ltd. (hereinafter referred to as Maxell) has prepared the "Hitachi Maxell Group Corporate Social Responsibility Report 2007" (hereinafter referred to as the report) on its own responsibility, and has requested Japan Audit and Certification Organization for Environment and Quality (hereinafter referred to as JACO) to implement independent third-party verification, based on JACO's verification criteria*, in accordance with a mutually agreed upon procedure. During the verification, JACO tried to minimize verification risk by confirming and utilizing the effectiveness of Environmental Management System (ISO 14001) at Maxell.

[Conclusion]

This is the second third-party verification report for Maxell following last year's report. As in the last year, we extracted representative data that made an impact on the environment from the environmental articles in the CSR Report. This year, we added two new sites to last year's verification target sites to expand the verification range, and verified credibility and validity by the confirmation of the sites and interviews.

Qualitative items, Environmental performance data and Environmental Accounting data comply with JACO's verification criteria.

[Purpose of Verification]

The purpose of verification is to verify the following Maxell activity performance of fiscal year 2006, and to improve reliability of the report.

- 1) Completeness and validity of contents of the report;
- 2) Reliability of environmental performance data (hereinafter referred to as the data) in processes including the necessary data, measurement, calculation, evaluation and reporting to the upper organization (division).

[Scope of Verification]

Classification	Items verified	Sites verified
Qualitative items	Environmental management principle, policy, organizations of verification, etc.	Environment Promotion Group
Environmental performance data**	Power consumption, discharges of wastes and valuable resources, industrial water consumption, discharges of harmful substances, PRTR chemical substances (volume handled, volume released and volume transferred)	Environment Promotion Group, Tsukuba Works, Kyoto Works, Osaka Works, Ono Works and Kyushu Hitachi Maxell Ltd.

**** JACO** has been added to the verified data

*JACO referred to the Ministry of Environment's "Law Concerning the Promotion of Business Activities with Environmental Consideration by Specified Corporations, etc. by Facilitating Access to Environmental Information, and Other Measures" and "Environmental Accounting Guidelines 2005".

Third-Party Opinion Comments on the Hitachi Maxell Group Corporate Social Responsibility Report 2007



The Maxell Group's Corporate Social Responsibility Report, which in fiscal 2006 changed its name from the Environmental Report, discloses a broad range of data for an extensive stakeholder base, which extends to interested parties overseas. This year's report is particularly replete in the disclosure of information relating to regional communications and compliance with corporate ethics and human rights, and issues are assessed with improved transparency.

CSR activities appear to have developed in line with various needs. Items that stand out are reports on the various systems to support the dual tasks of working and child-raising in response to the dwindling number of children in society; a re-employment system that caters to the aging of society; batteries for medical use that can be used in harsh in vivo environments; and the development of products that contribute to the needs of the elderly and to the medical field, such as automated analyzers that can be used in small clinics and by private practitioners for

speedy blood tests.

Reporting could benefit from the inclusion of the following:

- (1) Performance information representing the continuity of CSR activities and future directions, in addition to results, which are currently given;
- (2) Reports that consider the stakeholders' points of view regarding such product concepts as "CS Products."

Through the Company's CSR activities, I would like to see data from two-way communications with stakeholders optimally used for social contribution and heightened bilateral relations of trust.

Further, I have tried to improve credibility when expressing this Third-Party Opinion through adequate reading of the report and onsite discussions.

June 5, 2007

Masaru Kuramizu
CSR Project Manager
Japan Audit and Certification Organization for Environment and Quality

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☒ Mandatory ☐ Voluntary

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