

ENVIRONMENTAL SUSTAINABILITY REPORT 2005

Japan Servo Co., Ltd.

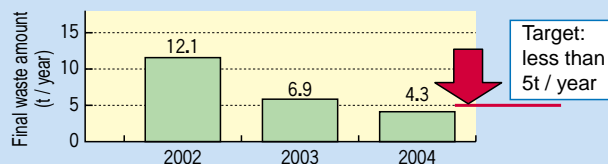
Environmental Activity Topics for Fiscal 2004

ISO 14001 Certification Status Achievement

Japan Servo group's two sales companies in Japan have newly acquired ISO 14001 certifications during fiscal year 2004. With the addition of these two offices to the nine ISO 14001 certified major business units, seven in Japan and two overseas, Japan Servo's all major business units became ISO 14001 certified.

Zero-emission Facility Statuses Achievement

The Kiryu Plant's goal of attaining a "Zero-Emission Facility" status (final waste amount: less than 5t / year) has successfully been achieved during fiscal year 2004 as a result of the various measures taken to reach the target.



President's Message

The social environment surrounding corporate activities has remarkably changed in recent years. CSR (Corporate Social Responsibility) has been focused on as a new evaluation criterion for corporate activities. There is no common definition for CSR. However, in short, the principle of CSR is that a corporation should not only focus on its profitability, but it should act as a member of society; paying attention to every stakeholder, maintaining fair and transparent corporate activities while carrying out its social responsibility regarding issues such as environment, ethics, compliance, human rights, co-existence with the local community and employee satisfaction.

Japan Servo is proactively facilitating social actions through our corporate activities while contributing to solving environmental problems, improving customer satisfaction, co-existing with local communities, etc, based on the principle philosophy "Contribute to society through development of our original technology and product." Japan Servo's CSR will be fulfilled through these activities so that we should be aware of their importance while always keeping fresh eyes on our responsibilities.

Especially in regards to environmental activities, "Environmental CSR-Compliant MONOZUKURI" should be considered our most important issue and we will put stress on minimizing environmental burden on each manufacturing process, from procurement of materials to product shipment.

The most significant achievement of fiscal year 2004 was that the Kiryu Plant had reached its goal of becoming the "Zero-Emission Facility." We achieved even more goals for other environmental activities related to prevention of global warming. We will continue our efforts in order to obtain more success during fiscal year 2005.



May 2005
Representative President

Noboru Horie

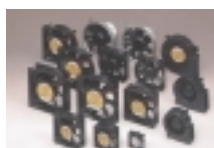
Company Outline

Company Name: Japan Servo Co., Ltd.
 Headquarters: 7 Kanda-mitoshicho, Chiyoda-ku, Tokyo 101-0053 Japan
 Established: April 19th, 1949
 Representative: Noboru Horie, Representative President
 Business: Development, manufacture and sales of consumer and industrial small motors, as fans, blowers and sensors, and motor application products

Major products

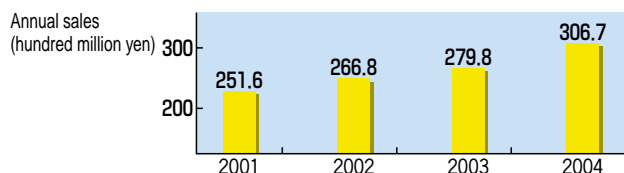


【Motors】



【Fans】

【Transition of consolidated sales】



Economic Performance

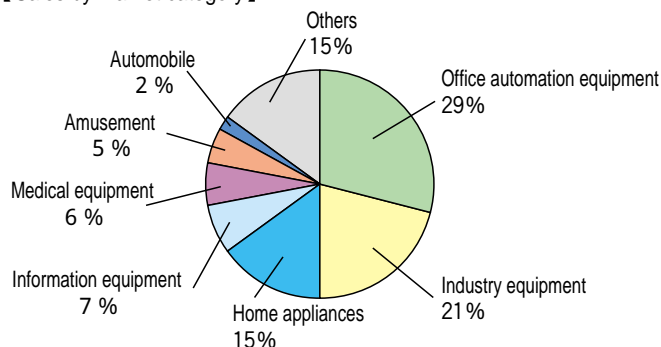
As of March 31, 2005

Capital: 2,547,750,000 yen
 Employees: 545 (consolidated 3,830)

For the period ending March 31, 2005 (consolidated)

Annual Sales (consolidated): 30.67 billion yen
 Capital investment: 1.6 billion yen
 R&D expenditure: 0.59 billion yen
 Rate of production in outside of Japan: 61%

【Sales by market category】



Environmental Vision

Basic Philosophy

Taking *"Motor Solutions for Partners"* as its slogan, Japan Servo aims to further combine its company credo, "commitment to future development, customer service and friendly relationships", with a basic philosophy of contributing to society through excellent original technology and products.

In addition, our company, fully understanding that businesses are part of society, will strive towards honest and transparent business practices, and conducting its operations in harmony with the environment. Furthermore, by making an active contribution to society, we will work as responsible corporate citizens to help bring about a way of life that is truly rich in the spiritual as well as the material sense.

Guide to Environmental Protection Activities

Philosophy

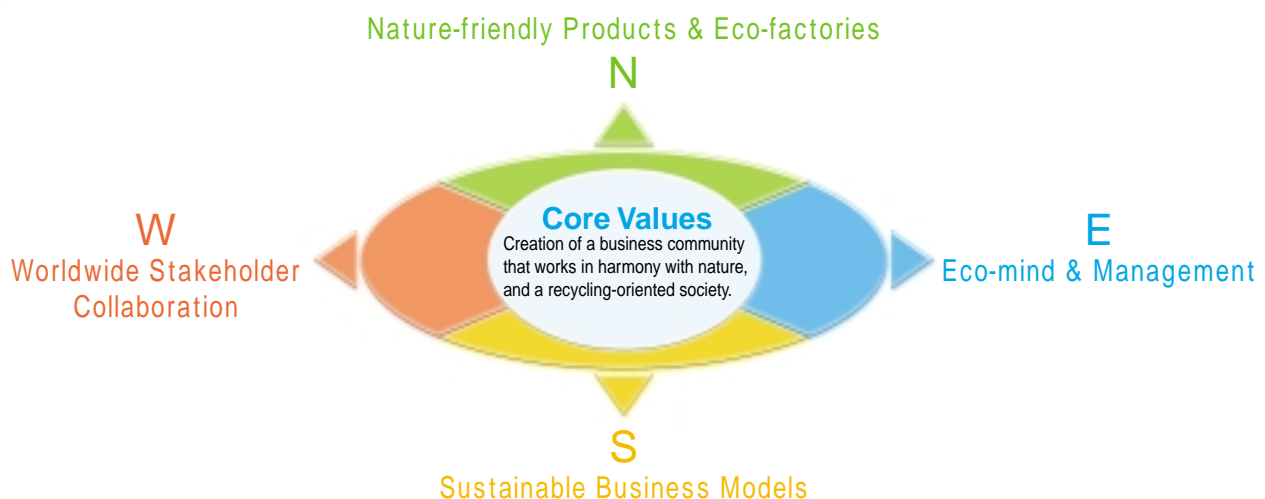
In order to realize an environmentally balanced and sustainable society through our products and services, we will promote a globally-applicable standard of Monozukuri designed for the reduction of environmental burdens from the products' entire lifecycles. Thus we will fulfill our social responsibilities through the implementation of our environmental conservation activities.

Major tasks

1. Maintain our environmental promotion stance, and develop our business, while attracting favorable attention for our environmental activities. We will continually improve our efforts in this direction through the application of evaluation systems such as "Green 21" and ISO14001.
2. We will observe all regulations, laws, other stipulations, agreements, and our own standards with regard to the environment.
3. We will be sparing in our use of limited natural resources, and will promote low-energy recycling together with reduction in waste generation.
4. When designing and developing new products, we will factor in measures to reduce environmental burden, and find environmentally friendly substitutes for potentially harmful substances.
5. We will promote environmental awareness among our employees and vigorously pursue a program of activities to help protect and improve our regional environment.

Green Compass

Japan Servo will help blaze a new trail towards a corporate community that is in harmony with nature, and a recycling-oriented society. And, for the benefit of upcoming generations, we will advocate society's adoption of a new business model, to be advanced on four fronts:



Environmental Activity Plans and Outline of Results

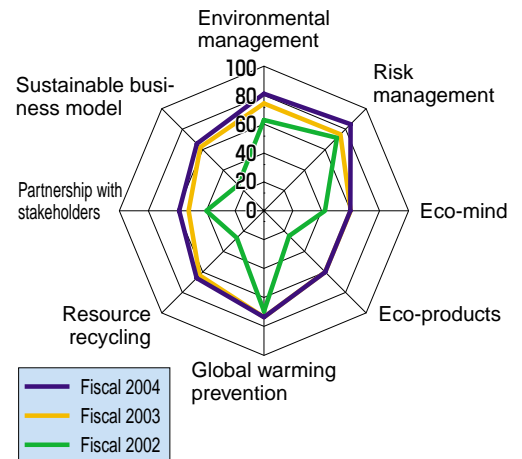
	Activity Headings	Target Levels	Target Year	Activity Situations and Outline of Results
Eco-mindset and Management	Environmental Management	Achievement of ISO14001 certification by major business units of Japan Servo Group (nine business units)	Fiscal 2004	In February 2005, two sales companies in Japan acquired ISO 14001 (As a result, all of the nine major business units have achieved certification.)
	「GREEN21」ver.2 * 1	Green point 640GP	Fiscal 2005	Results of Fiscal 2004: 560GP
	Environmental Accounting	Promotion of environmental management through the research of environmental costs including environmental investments	Annual research of environmental cost	Environmental cost research for fiscal year 2004
	Environmental Education	We will endeavor to instill a high level of "eco-awareness" in the minds of all our staff and their families.	Implemented on a steady basis	Initiation of e-learning (first plan completed)
Eco-product & factory	Environmentally Suitable Products * 2	Increase in the number of environmentally suitable products (over 80% of total)	Fiscal 2006	Results of fiscal 2004: 56%
		Improvement of product eco-efficiency (compared to 2000) Improvement of resources and preventive factors for global warming (+4%) +20%	(Fiscal 2005) Fiscal 2010	Initial year (fiscal 2005)
	RoHS compliance (abolish the use of hazardous chemicals: hexavalent chromium/lead/cadmium/mercury)		October 2005	Promotion of manufacturing design plans for fiscal year 2004
		Furthering of Green Procurement Participation of vendors in [A Gree'Net] system: 60 companies Green supplier rate: 60%	Fiscal 2004 Fiscal 2005	Performance of fiscal 2004: 45 companies Performance of fiscal 2004: 31%
	Transportation Efficiency	Reduction in transportation distance: -5% (compared to fiscal 2004)	Fiscal 2005	Performance of fiscal 2004: -17% (compared to previous year)
	Prevention of Global Warming * 3	Energy saving activity (compared to 2002) - Energy / labor hours ratio (-7.1%) (Equivalent crude oil value / total labor hours) -7.59%	Fiscal 2004 Fiscal 2005	Results of Fiscal 2004: -11.3%
		Reduction of Waste Materials * 4	Reduction of waste materials (compared to 2002) -57.3%	Fiscal 2007
	Promotion of "Zero-emission Facility" Kiryu Plant's final waste disposal amount: 4.8t/yr. Hotaka/Gunma plants' final waste disposal amount: 1% and less		Fiscal 2004 Fiscal 2006	Achieved 4.3t/yr. (356kg/mo.) Initial year (fiscal 2005)
	Control of Chemicals	Reduction of targeted materials Reduction ratio: 46% (compared to fiscal 2000)	Fiscal 2005	Results of Fiscal 2004: -57%
	Partnership with Stakeholders * 5	Work towards communication and release of information to stakeholders (customers, government, stockholders, business partners and the public)		Publish Environmental Report (May 2004) Participation in local volunteer activities
Sustainable Business Model	Promote the promulgation of a total solution, which incorporates technology to protect the environment, business activity that minimizes the ecological burden, and an environmental information package			

* 1. GREEN 21 ver. 2 activities (Period: fiscal 2002 to fiscal 2005)

Activity supportive of environmental management which includes self-evaluation that consolidates evaluation standards of all environmental activities, and continual improvement in the level of activity.

GP evaluated items

NO.	Category	Major evaluation points	2002	2003	2004
1	Environmental management	Environmental management, action plan, environmental accounting	64	76	82
2	Risk management	Compliance with laws and setting of company standards	72	76	88
3	Eco-mind	Employee education and enlightenment	43	60	60
4	Eco-products	Product, service assessment, green procurement, distribution	24	60	60
5	Global warming prevention	Energy saving at the site	72	75	75
6	Resource recycling	Reduction in waste, chemical substance control	27	65	67
7	Sustainable business model	Information disclosure, communication, community activities	38	54	60
8	Partnership with stakeholders	System, plan, product recycling, and environmental restoration activities	26	64	68
		Total	366	530	620



We have been participating in an environmental evaluation program [GREEN 21] ver.2 since fiscal year 2002 and continuously endeavoring to improve and upgrade our strategies for environmental management and reduction of environmental risk. We will further promote our environmental activities aiming to achieve the target of the evaluation program; obtain 640 Green Point by the end of fiscal year 2005.

* 2. Environmentally Suitable Products

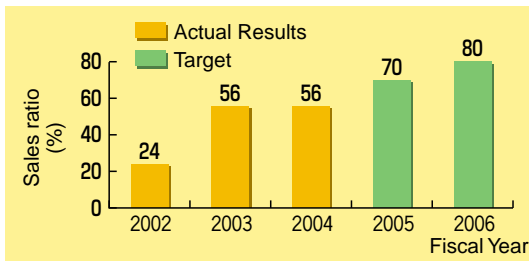
We develop products along with the "environmental applicability design assessment" that takes into account an environmentally-suitable design, in order to minimize the damage that a product causes to the environment and the burden it imposes on the environment at each stage of the product life cycle (raw material acquisition, manufacture, distribution, use, collection, break-down into components, and correct disposal). We evaluate each product, and if a product meets or exceeds the standard value, we register the product as an environmentally-suitable product.

In fiscal year 2004, the sales ratio of environmentally suitable products remained flat although the sales of conventional products increased.

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Representative example of an environmentally suitable product (New Products of FY2004)

Product name	Model	Green point
DC fan	D1350-23	Power consumption reduced by 15% / RoHS compliant
Gearred unit	DME25BA-168	Screwless (with improved easiness of disassembly and separation) / RoHS compliant
Fan units	SSP29	Power consumption reduced by 58% / RoHS compliant



【DC fan】



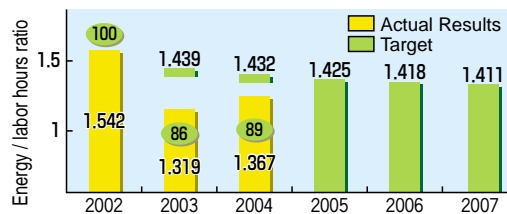
【Gearred unit】

* 3. Preventing Global Warming

[Energy / labor hours ratio = Equivalent crude oil value / total labor hours]

As for our energy-saving activities, we promoted the employment of (1) inverter-type compressors and (2) LCD displays. LCD displays have been fully replaced with others in fiscal year 2005. However, due to the high temperatures in the early summer, energy consumption increased from the use of air-conditioners which resulted in a higher energy per labor hours ratio compared to the previous year.

In fiscal 2005, we will continue and further our energy-saving activities through planned investment, in addition, we will implement, from time to time, "energy-saving patrols" to ensure that energy-saving practices are completely being followed.



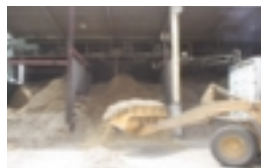
【Conversion to inverter-type compressor】

* 4. Waste Material Reduction

Promotion of "Zero-emission Initiatives"

In fiscal year 2004, our Kiryu Plant became a "Zero-emission Facility." Accordingly the amount of total waste from the site was remarkably below the target level. This success was achieved through the steady efforts of the Kiryu Plant for waste reduction which were implemented throughout the year. Their measures for zero-emission included; 1) contracting with new recycling companies in order to implement reuse of wooden chips and reproduction of plastics. 2) Introducing new recycling equipment (oil / water separator for recycling alkali cleaning agent, oil separator for reusing cleaning cloth). 3) Implementing measures such as the company cafeteria's waste reduction campaign. Kiryu Plant received an in-house award the "Environmental Prize" from the company for their achievement.

In fiscal year 2005, Japan Servo will continue to make efforts in order to attain more "Zero-emission Facility" statuses at other domestic plants.



【Chipping used pallets】



【Oil / water separator】



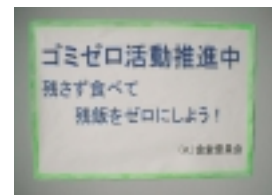
【Oil separator】

* 5. Partnership with stakeholders

Every year we publish an environmental report in order to improve communication with the local community. In fiscal 2004, we actively participated in volunteer activities, such as community gardening and cleanup, as part of our social action programs.



【Cleaning activity around the Kiryu Plant】



【Campaign poster at company cafeteria】

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