

ENVIRONMENTAL SUSTAINABILITY REPORT 2006

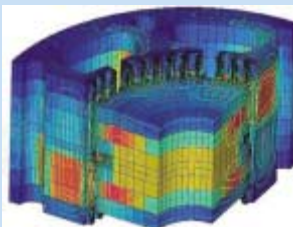
Japan Servo Co., Ltd.

Environmental Activity Topics for Fiscal 2005

Environmentally friendly products

Japan Servo is applying analysis lead design that utilizes Digital Engineering (DE) to maximize the features of newly developed products and actively promote the development of products that are friendly to the environment.

Three-dimensional electromagnetic field analysis is used in the stepping motor in the photograph, to reduce its mass by 25% (compared with previous Japan Servo models). Fluid analysis is used to achieve the optimum shape for propellers in fans, resulting in quiet operation and a 10% reduction in power consumption.



【Three-dimensional electromagnetic field analysis】



【Stepping motor】

President's Message

Recently, there has been a rapid increase in concern regarding corporate social responsibility (CSR). We believe that corporations have responsibilities regarding environmental preservation, corporate ethics, human rights, coexistence with local communities, and employee satisfaction, and that these social responsibilities contribute to the development of a healthy society.

In addition to maintaining fair and transparent business activities, we will emphasize CSR in corporate management to continue our relationship of trust with our stakeholders.

Regarding environmental preservation in particular, one of the primary pillars of CSR, we are promoting a variety of activities, such as environmental activities through ISO14001, toward the achievement of a sustainable society that exists in harmony with the environment. As a result of significant activities performed in the previous fiscal year, we maintained and improved the zero-emissions facilities at the Kiryu Plant, and also started these same activities at other companies within the Japan Servo group.

We have also achieved our goals regarding the prevention of global warming, through the promotion of systematic investments in the environment and activities that conserve energy. During this fiscal year we will commit ourselves to an environmental action plan with specific goals. One of the important themes we will promote is "manufacturing that complies with environmental CSR".

In the future we will continue to maintain an awareness of the importance of CSR, and take a serious approach to environmental activities and other concerns. We look forward to your support and assistance in these endeavors.

We welcome any comments, opinions, and requests regarding Japan Servo.



May 2006
Representative President

Noboru Horie

Company Outline

Company Name:	Japan Servo Co., Ltd.
Headquarters:	7 Kanda-mitoshirocho, 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

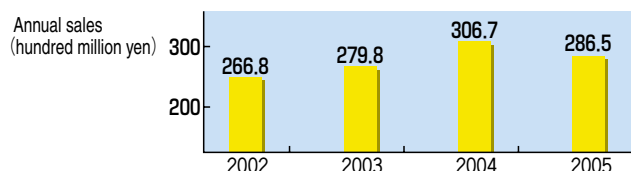


【Motors】



【Fans】

【Transition of consolidated sales】



Economic Performance

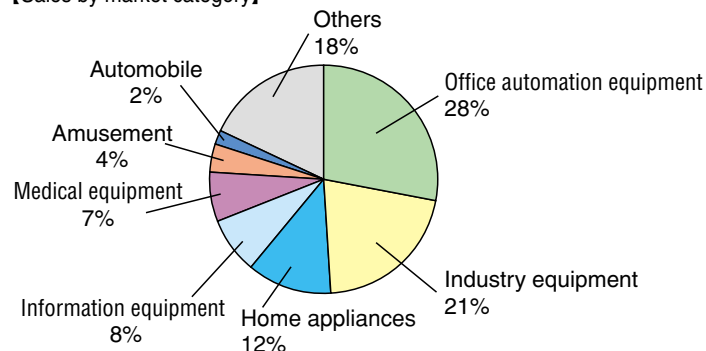
As of March 31, 2006

Capital:	2,547,750,000 yen
Employees:	560 (consolidated 3,822)

For the period ending March 31, 2005 (consolidated)

Annual Sales (consolidated):	28.65 billion yen
Capital investment:	1.43 billion yen
R&D expenditure:	0.59 billion yen
Rate of production in outside of Japan:	63%

【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

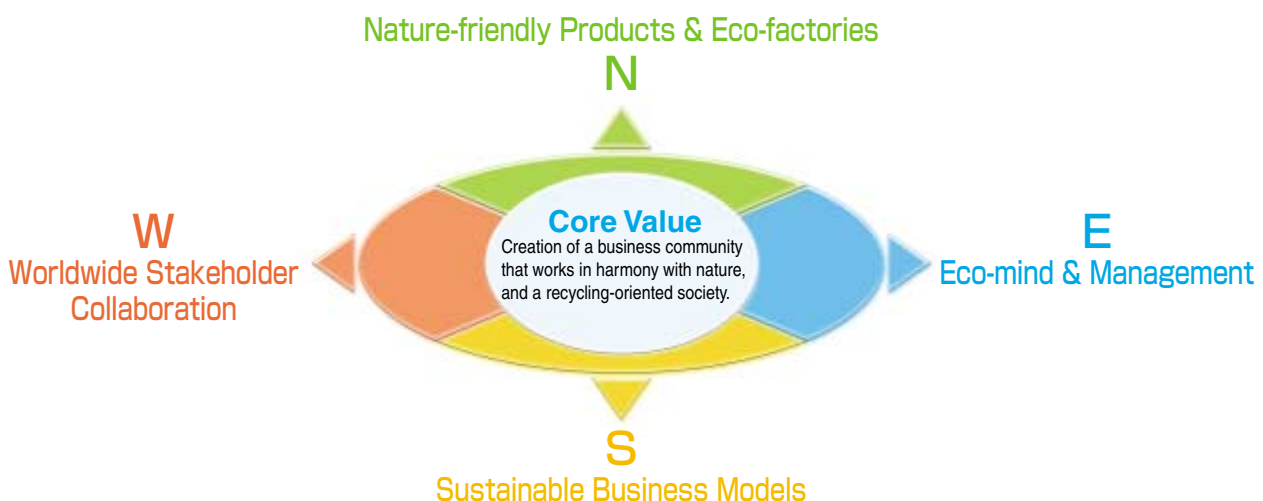
In order to realize an environmentally balanced and sustainable society through our products and services, we will promote a globally-applicable standard of Monozukuri designed for the reduction of environmental burdens from the products' entire lifecycles. Thus we will fulfill our social responsibilities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

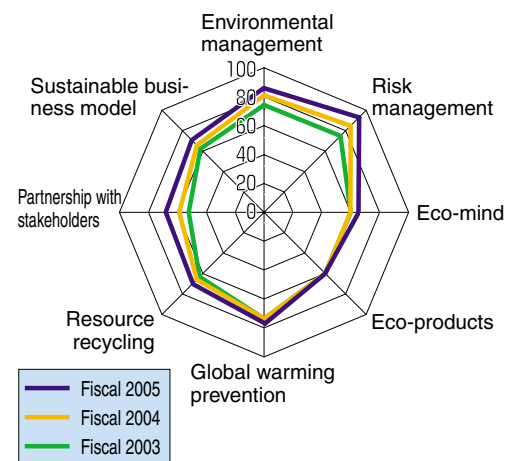
	Activity Headings	Target Levels	Target Year	Activity Situations and Outline of Results
Eco-mindset and Management	Thorough Environmental Management	Strengthening of group environmental management system, and acquisition of certification for Hitachi Group integrated environmental management system	Fiscal 2006	Establishment of Hitachi Group integrated environmental management system (Operation began in April 2006.)
	[GREEN21]ver.2 * 1 (Green Points)	Ver. 3 starts in FY2006. 768GP 1,280GP	Fiscal 2006 Fiscal 2010	Results of Fiscal 2005: 599GP (ver.2)
	Promotion of Environmental Accounting	Promotion of environmental management through the research of environmental costs including environmental investments	Annual research of environmental cost	Environmental investments; Results of Fiscal 2005: 110% (compared to previous year)
	Environmental Education	We will endeavor to instill a high level of "eco-awareness" in the minds of all our staff and their families. (environmental e-learning, PR activities, etc.)	Implemented on a steady basis	Training for the promotion of Warm/Cool Biz (for all employees)
Eco-product & factory	Environmentally Suitable Products * 2	Increase in the number of environmentally suitable products (over 70% of total)	Fiscal 2010	Results of Fiscal 2005: 53.2%
		Improvement of product eco-efficiency (compared to 2000)	Fiscal 2010	Results of Fiscal 2005: 0.24%
		Improvement of global warming prevention factor 20%	Fiscal 2010	Results of Fiscal 2005: 16%
		Improvement of resource factor 20%	Fiscal 2010	Results of Fiscal 2005: 16%
	Transportation Efficiency	RoHS compliance (abolish the use of hazardous chemicals: chromium/lead/cadmium/mercury)Continued management	Fiscal 2006	Use of targeted products prohibited starting in January 2006
		Furthering of Green Procurement Green supplier rate: 100%	Fiscal 2006	Results of Fiscal 2005: 54%
	Prevention of Global Warming * 3	Reduction in transportation distance: -4% (compared to fiscal 2000)	Fiscal 2006	Results of Fiscal 2005: -20% (compared to fiscal 2000)
		Energy saving activity (compared to 1990) [for the Kiryu Plant] Energy / labor hours ratio -21% (CO ₂ conversion value / total labor hours) -25%	Fiscal 2006 Fiscal 2010	Results of Fiscal 2005: -31.6% (compared to fiscal 1990)
	Reduction of Waste Materials * 4	Reduction of waste materials (compared to 2002) -65.3%	Fiscal 2008	Results of Fiscal 2005: -55.6% (compared to fiscal 2002)
		Promotion of "Zero-emission Facility" Kiryu Plant's final waste disposal amount: up to 5t/year Servo Techno System final waste disposal amount: 1% and less	Continued Fiscal 2006	Results of Fiscal 2005: target of 3.7t/year achieved Final processing rate: 1.4% (October 2005 to March 2006)
Control of Chemicals	Reduction of targeted materials: -41% (compared to 2000)	Fiscal 2006	Results of Fiscal 2005: -52% (compared to fiscal 2000)	
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 2005) 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	2003	2004	2005
1	Environmental management	Environmental management, action plan, environmental accounting	76	82	84
2	Risk management	Compliance with laws and setting of company standards	76	88	94
3	Eco-mind	Employee education and enlightenment	60	60	66
4	Eco-products	Product, service assessment, green procurement, distribution	60	60	60
5	Global warming prevention	Energy saving at the site	75	75	79
6	Resource recycling	Reduction in waste, chemical substance control	65	67	73
7	Sustainable business model	information disclosure, communication, community activities	54	60	72
8	Partnership with stakeholders	System, plan, product recycling, and environmental restoration activities	64	68	71
Total			530	560	599



In FY2005, we received 599GP in the final fiscal year for Green21 ver.2, a 39GP improvement over the previous year, through the expansion of zero-emissions facilities at all plants throughout Japan and the implementation of proactive local volunteer activities. Green21 ver.3 starts this fiscal year, and we will continue our efforts with improvement activities while promoting environmental activities toward the achievement of new goals.

* 2. Environmentally Suitable Products

● Percentage of sales of environmentally compliant products

We introduced an environmental compliance assessment system to assess environmentally compliant design, in order to develop products that have the least possible load on the environment throughout their life cycle. Each product is evaluated, and those that meet or exceed a certain standard are defined and registered as environmentally compliant products.

The percentage of sales of compliant products to the sales of all products (excluding products that cannot be modified, such as those with specified standards) is used as an indicator. The results show a slight decrease in FY2005 compared to the previous year, due to an increase in orders for conventional products through system products that make up 20% of all products.

● Representative example of an environmentally suitable product (New Products of FY2005)

Product name	Model	Green point
Stepping motor	KA50/KA60	25% reduction in product mass, RoHS compliant
Blood pump	MRP22	5% reduction in product mass, RoHS compliant



【Round stepping motor】



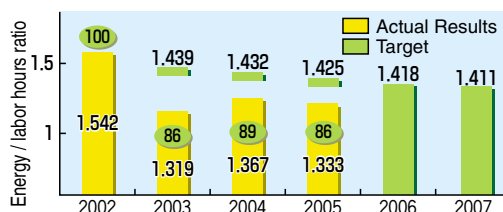
【Blood pump for dialysis machine】

* 3. Preventing Global Warming

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

We have made the following investments in energy conservation: (1) adding invertors to compressors, (2) adding invertors to fluorescent lighting, and (3) updating aluminum melting furnaces. In addition, we have achieved our goals in company-wide activities such as the implementation of warm biz/cool biz campaigns, thorough control of air conditioner temperature settings, and informal dress codes (cool biz).

We have set new goals for FY2006, and will revise the Servo Group environmental action plan to (1) change from a oil conversion value to a CO2 conversion value to calculate specific energy consumption during working hours, and (2) change the standard year to 1990. We will continue to implement energy conservation activities such as systematic investments and energy conservation patrols.



【Aluminum melting furnace】

* 4. Waste Material Reduction

Promotion of "Zero-emission Initiatives"

In FY2005, we continued the zero-emissions facilities at the Kiryu Plant. Reductions in absolute volume and thorough recycling efforts resulted in a final processing volume that was 87% that of FY2004, leading to the achievement of zero-emissions facilities.

In addition, we promoted horizontal development of the measures implemented at the Kiryu Plant and the creation of solid fuel from waste material, in order to create zero-emissions facilities at other manufacturing centers around the country, achieving our monthly target of a final processing rate of 1% or less since January 2006. We will continue to promote these measures to achieve zero-emissions facilities throughout Japan in FY2006.



【Solid fuel from waste material】

* 5. Partnership with stakeholders

We publish an annual environmental management report to disclose information to our stakeholders and ensure communication with local communities. In addition, during FY2005 we participated in landscaping activities and school route cleaning activities in local communities, as well as blood donation campaigns at the Kiryu Plant, to contribute to local society.



【Cleaning school routes】



【Blood donation campaign at the Kiryu Plant】

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