

IP Strategy of HITACHI

*IP: Intellectual Property

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Contents

- 1* Basic Policy & Organization of Hitachi's IP Strategy

- 2* Hitachi Group IP Scheme

- 3* Building a World-class Patent Network

- 4* Diversification of Patent Exploitation Strategy

- 5* Prevention of Technology Drain

- 6* Amendment of The Reward System

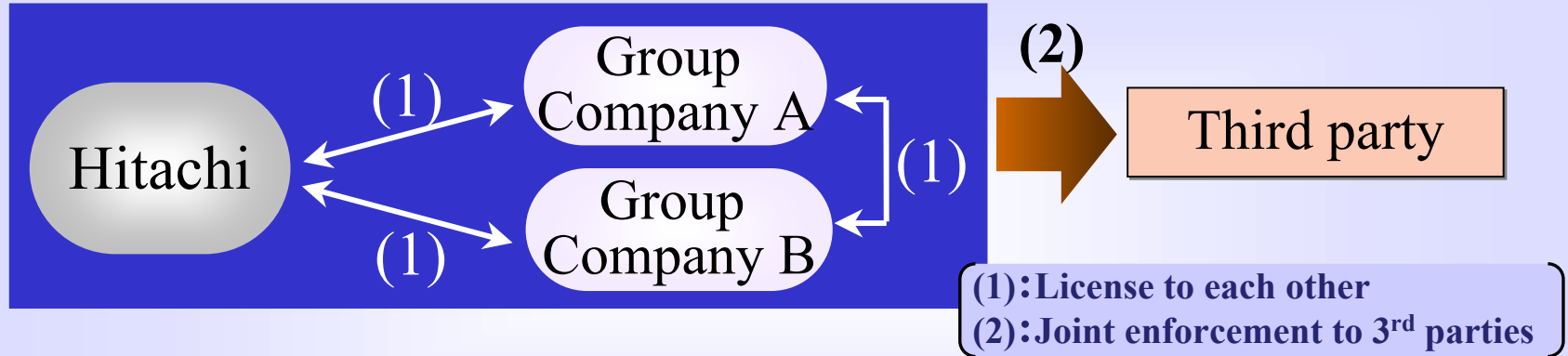
- 7* Fostering Human Resources

- 8* R&D and Intellectual Property Report 2005

■ Philosophy : Creating IP Value

- Basic Policy : Establish IP portfolio to back up “HITACHI, innovative technology company”





- Participation companies : In principle, in-house business groups, consolidated subsidiaries (companies participated in Hitachi Group Frontier / Platform Research System). Others considered on a case-by-case basis

Handling Laboratory Inventions

Category	Owner of Right	Licensing Rights
Sponsored Research	Sponsored business group / Sponsored Group companies	Hitachi holds license
Hitachi Group Frontier Research Hitachi Group Platform Research	Hitachi	Group Company have free license

3 -1. Building a World-class Patent Network

- IP Strategy integrated Business Strategy & R&D Strategy

Business Strategy

R&D Strategy

Triune activity

IP(Patent) Strategy

Creation

Development

Flagship Patent Activity

R&D

- Road map for developments
- Extraction core technology and differentiation technology

Patent Portfolio Management

Strategic patent activity
5FP according to rival for patent enforcement

Creation of unrivaled patent portfolio both in terms of quality and quantity

Mission of IP Group

5FP : Five Fighting Patents

3 -2. Building a World-class Patent Network

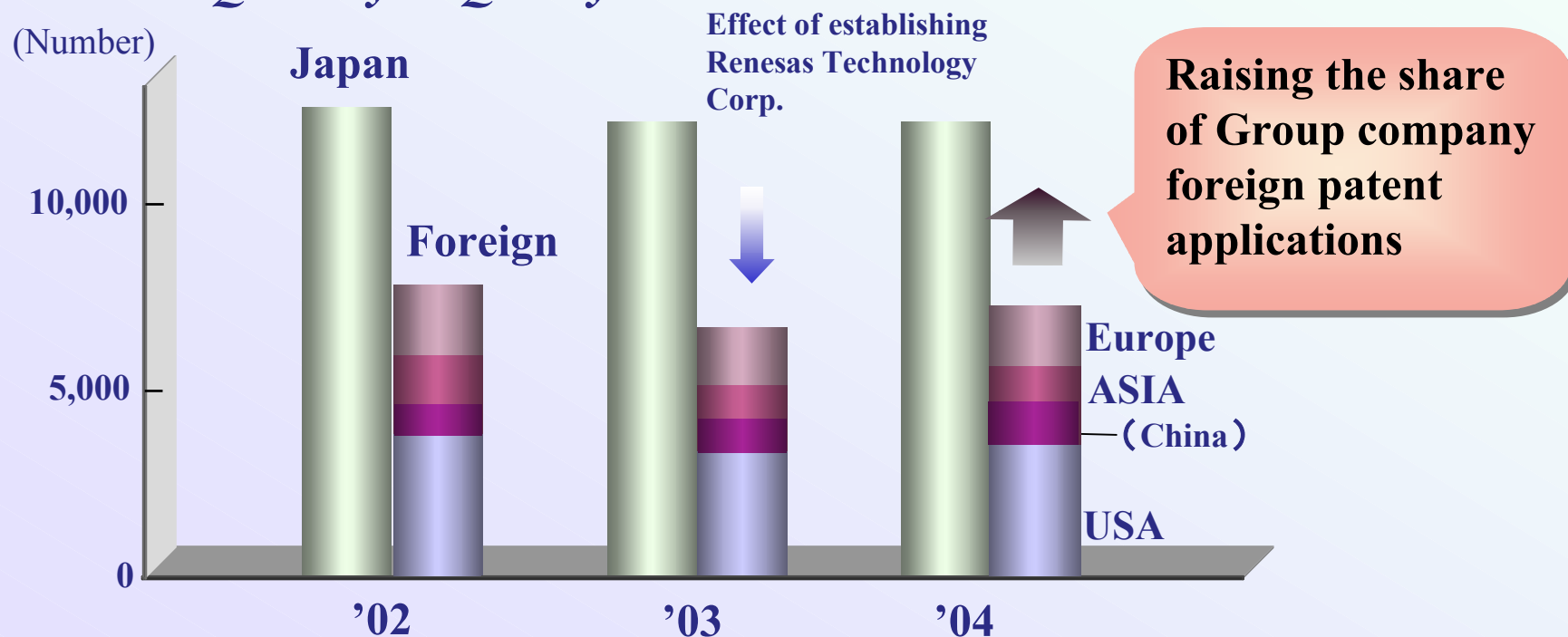
Examples of activity themes for building powerful patent portfolio

Theme	Business Segment
Storage system (SAN/NAS storage solutions, high-density HDDs)	Information & Telecommunication Systems
Proton beam cancer therapy systems	Power & Industrial Systems
Digital Media (Wooo)	Digital Media & Consumer Products
Optical topography System	Electronics Devices

Transition of Domestic/Foreign Patent applications

① *Shift Emphasis from Quantity to Quality*

② *Globalization*

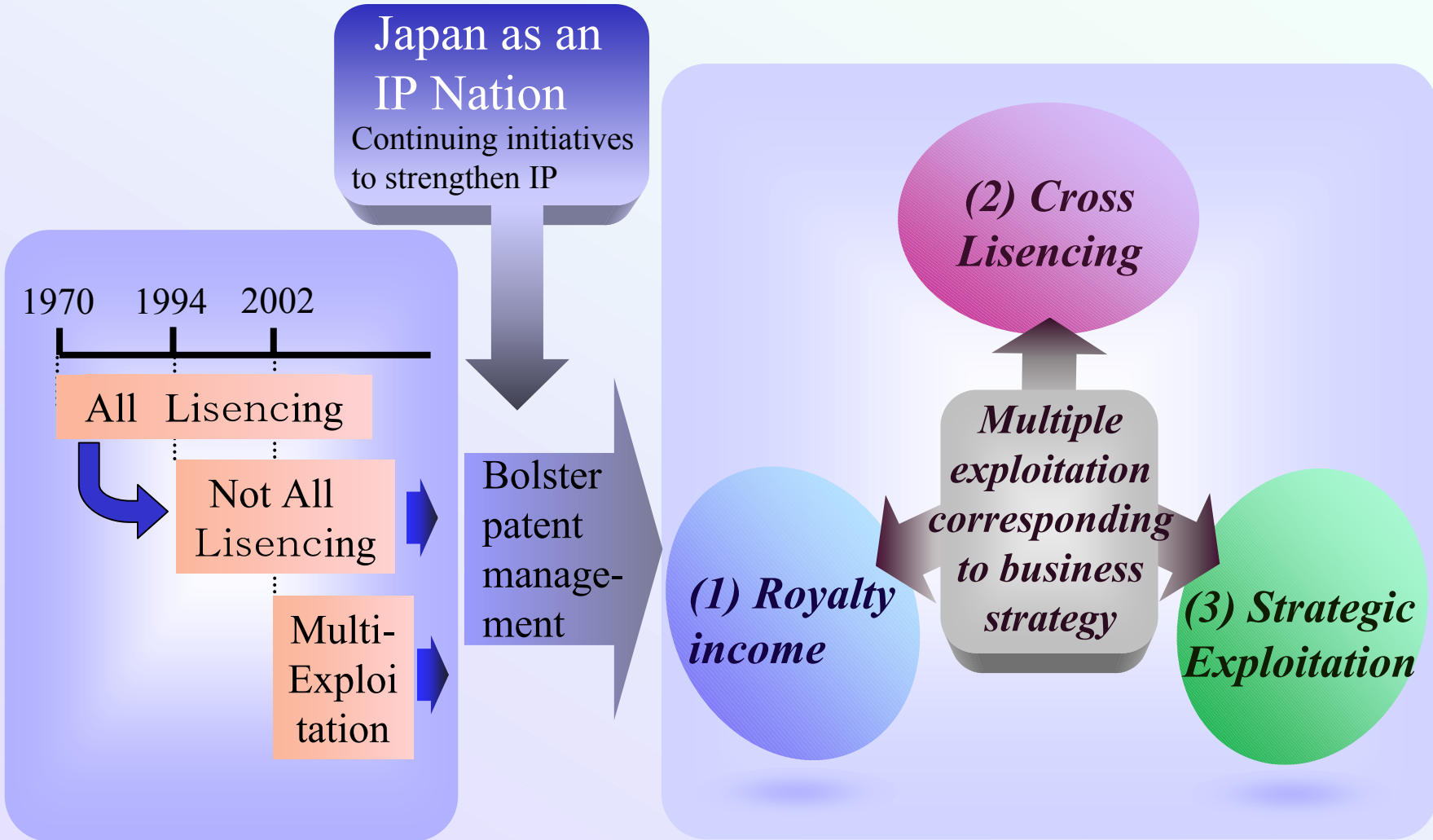


U.S. Patent ranking in 2004

Rank	Company	Number of patents
1	IBM	3,248
2	Hitachi Group (total)	1,993
3	Matsushita Electric Industrial Co., Ltd.	1,986
4	Canon Inc.	1,867
5	Hewlett-Packard	1,783

*Intellectual Property Owners Association data

Retain upper ranking on a consolidated basis from 2005 onward



Activities spearheaded by the cross-organizational Trade Secret management committee

(1) Formulation of a policy on the management of trade secrets, including the prevention of technology drain overseas, in accordance with policy directives of the Japanese Ministry of Economy, Trade and Industry. Now implementing the following initiatives:

- **Formulation of a basic policy for preventing technology drain**
Clarification of details and scope of technology transfers, and devising of a technology transfer strategy
- **Establishment of an in-house organizational structure**
Decide on a company-wide plan and verify propriety of technology transfers (clarification of roles and responsibilities)
- **Implementation of specific initiatives to prevent technology drain**
Preliminary checks by experts, non-disclosure agreements, post-transfer checks, etc.

(2) Dealing with the mobilization of human resources

- **Stricter confidentiality terms in employment agreements, labor agreements and written obligations when leaving a company**
- **Sending of a warning to the new employer (necessity decided on a case-by-case basis)**

■ Reward system

● Outline

- Patent Application Reward, Patent Issue Reward : fixed sum
- Implementation Reward : compensation based on contribution to operating results; no upper limit,
 - Sales contribution part (every year)
 - Licensing revenue part (including cross-licensing contributions) (every year)

- Recipients : Current and retired inventor employees (including their heirs)

■ Award system

- Superior Patent Award
- Strategic Patent Award
- Enforcement Contribution Award
- Patent Acquisition Award

Goal: Lead the way in creating a framework that employees regard as an effective means of generating many outstanding inventions

- Formulation and operation of “HOSHO” regulations in compliance with the amended Patent Law
 - In-house information meetings (180 times), agreement with labor unions
 - Disclosure of regulations and basis for calculating the reward
 - Self-assessment system (dialogue between inventor and business division)
 - Establishing an arbitration committee

- Initiatives to encourage inventions other than items stipulated in regulations
 - Announce internally the top 100 inventors every year.
 - Giving the US patent certificates to the inventor

■ Recruitment

- Hire new graduates
- Hire experienced people

(Patents: patent attorneys, people experienced in patent administration)

■ Fostering specialists

- Patent Specialist Training Patent Attorneys:54

(No. of patent attorneys obtaining qualifications in FY04: 7)

■ Training of people overseas

- Patent technical training in law firms
- Studying in U.S. law schools 5 U.S. attorneys

■ Objectives	<ul style="list-style-type: none">● Disclosure of IP strength with technical strength● Disclosure of consolidated IP strength
■ Main disclosure items	<ul style="list-style-type: none">● R&D (organization, strategy)● Intellectual Property (Patent, Brand, Trade Secret) <i>Status of patent acquisition in Japan and overseas</i> <i>Diversification of exploitation strategy for patents</i>● Recent activities (Revisions to job invention system, strengthening management of trade secrets)
■ Timing of disclosure	<ul style="list-style-type: none">● After the announcement of the full-year earnings release

■ R&D and Intellectual Property Report 2004:Hitachi Website
(<http://www.hitachi.co.jp/New/cnews/month/2004/06/0610a.html>)

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