

## TO OUR STAKEHOLDERS

In November 2006, the Hitachi Group announced a new corporate strategy based on a basic policy of profit creation and a rigorous market-oriented approach to achieve a stable and high profit structure (with a consolidated operating margin of 5%) by FY 2009. Through this new strategy, Hitachi will work to meet the expectations of all stakeholders.

Four key initiatives have been identified in the new strategy: high-profitability through rigorous FIV\*-based management; building a stable, high-profit structure; evolution of Group management for high profitability, and innovation through collaborative creation.

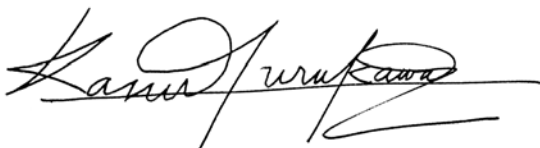
In 2010, the Hitachi Group will celebrate its 100<sup>th</sup> year since establishment. Over the past century, the Hitachi Group has grown under the corporate philosophy of “contributing to society through technology.” As we face this important anniversary, Hitachi will strive to become a value-added company appreciated by its customers, shareholders and society, through full use of its collective strength based on innovations resulting from the broad technical knowledge and expertise of the Hitachi Group and the collective awareness towards change by each and every employee.

The R&D and Intellectual Property Report, in its fourth year, summarizes Hitachi’s efforts in R&D needed to realize this high added-value, and Intellectual Property, which is the fruit of R&D.

We hope that this report will provide some insight into the Hitachi Group stance and initiatives in “R&D” and “Intellectual Property.”

Thank you for your continuing support.

June 2007



Kazuo Furukawa  
President, Chief Executive Officer, and Director

\* FIV: Future Inspiration Value FIV

Hitachi’s internal economic value-added evaluation index in which the cost of capital is deducted from after-tax operating profit.

\*\* [http://www.hitachi.co.jp/New/cnews/month/2006/11/1116/f\\_1116pre.pdf](http://www.hitachi.co.jp/New/cnews/month/2006/11/1116/f_1116pre.pdf)  
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