

# We intend to become a corporation that continues into the future and lives up to the confidence placed in it by society.

Thank you very much for your usual great support of the Hitachi Kokusai Electric Group in its operations.

Here, we are pleased to provide you with the "Hitachi Kokusai Electric Group CSR Report 2007." This report is intended to explain the management and business progress of our Group from the standpoint of a member of society, and to become a medium for exchanging information with our stakeholders.

The Hitachi Kokusai Electric Group has defined its fundamental philosophy in the Hitachi Kokusai Electric Code of Conduct to the effect that the Group should manufacture products that contribute to a safe and affluent society, look to the future, never stop working for continuous improvement, observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct.

Under that fundamental philosophy, in 2005 we published our Medium-Term Plan - "HK2010 Vision (sales of 200 billion yen with a 10% operating profit rate for the term ending March 2010)." Under the slogans of "Leading company in wireless technology" and "Top global company in the semiconductor thermal process," we linked our three business groups (Wireless Communication and Information Systems, Broadcasting and Video Systems, and Semiconductor Manufacturing Systems) to pursue continued growth.

The Wireless Communication and Information Systems Group and Broadcasting and Video Systems Group support

people's lifelines by delivering products and services in order to help achieve a more affluent society. Both groups also help make a convenient and comfortable information society a reality in daily life, and strive to deliver reliability and security in inconspicuous yet important areas. Moreover, the Semiconductor Manufacturing Systems Group enjoys a clientele of the world's semiconductor manufacturers and helps them build a more affluent, vigorous society.

We promote quality assurance to earn better confidence from our customers, develop a closely cooperative relationship with our business partners in *Monozukuri*, build a worker-friendly workplace that takes advantage of employee diversity, ensure coexistence with the local community, and step up our other respective important managerial challenges. In the area of environmental conservation as well, we address the needs for managing chemical substances and global warming control (important issues of widespread concern today), combining the joint forces of the headquarters and factories as one unit to implement our new integrated environmental management system.

As we mentioned in our last issue, as an attempt to take advantage of the synergy of the three companies in 2000, we relocated the headquarters in the spring of 2006 and had a new building built at Koganei Works, thus integrating the sales force in one place and designing departments in the other, lifting the boundary of business segments. This year, in addition to these, we conducted a partial reorganization of the Group companies in the segments of Wireless Communication and Information Systems and Broadcasting and Video Systems. This has led to a system where Koganei Works and Hamura Works closely cooperates with the manufacturing and engineering group companies. The Yagi Antenna business, now in the second year as an independent subsidiary, is now enjoying certain effects of its linkage with the group companies, while releasing new characteristic original products.

While promoting overall structural optimization of organization and systems, we are also promoting reforms of the business process, improving business effectiveness and efficiency, and ensuring reliability in financial reporting through what is called the organizing of internal control.

We would appreciate receiving your honest opinions and advice regarding the efforts of the Hitachi Kokusai Electric Group, which we can utilize as material for further improvement of our future activities.

We sincerely hope for your continued understanding and cooperation.

## Hitachi Kokusai Electric Code of Conduct

Hitachi Kokusai Electric, which respects human rights, observes the spirit as well as the letter of national and international laws and regulations, hereby adopts this Code of Conduct with a view to achieving continued growth and development while contributing to the creation of a sustainable society.

### Fundamental Philosophy

- 1 Manufacture products that contribute to a safe and affluent society.
- 2 Looking to the future, never stop working for continuous improvement.
- 3 Observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct.

In accordance with the Fundamental Philosophy, Hitachi Kokusai Electric commits to the dissemination of this Code of Conduct with the following Guidelines and Commitments and to the maintenance of the related internal system.

### Guidelines and Commitments

- 1 Obtain customers' trust and confidence by developing and providing products and services in which the emphasis is on safety, quality and environmental soundness.
- 2 Engage in fair and transparent competition and business activities, comply with laws and be ethical in one's corporate conduct.
- 3 Respect the diversity, character and individuality of all employees and provide a mentally and physically rewarding workplace environment.
- 4 Provide shareholders and other stakeholders with full and fair disclosure of corporate information.
- 5 Take a proactive, independent approach to protecting the global environment and improving local living environments.
- 6 As a good corporate citizen, engage proactively in philanthropic activities and other activities that benefit society.
- 7 Respect international rules and local laws, cultures, practices and customs and always strive to contribute to local progress and development.
- 8 Respect the value of other companies' business and technology information as well as our own, and implement proper controls regarding such information.
- 9 Comply with trade-related laws and regulations in order to contribute to the maintenance of international peace and security.
- 10 Should a situation arise that runs counter to this Code of Conduct, managers shall endeavor to resolve the matter, establish the cause and take steps to prevent a reoccurrence. They will also endeavor to provide a prompt and accurate disclosure and explanation of the facts of the matter, clarify where the responsibility lies and deal strictly with those concerned, including with respect to their own activities.

June 25, 2007



Kunio Hasegawa  
President and Chief Executive Officer

