

Information & Telecommunication Systems Strategy Briefing

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uVALUE



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2. Expanding High-Value-Added Businesses
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1

Business Overview and Medium-Term Goals



Basic Management Policy

Rigorous focus on market-oriented approach and profit creation

Goal

Establishment of stable, high profit structure

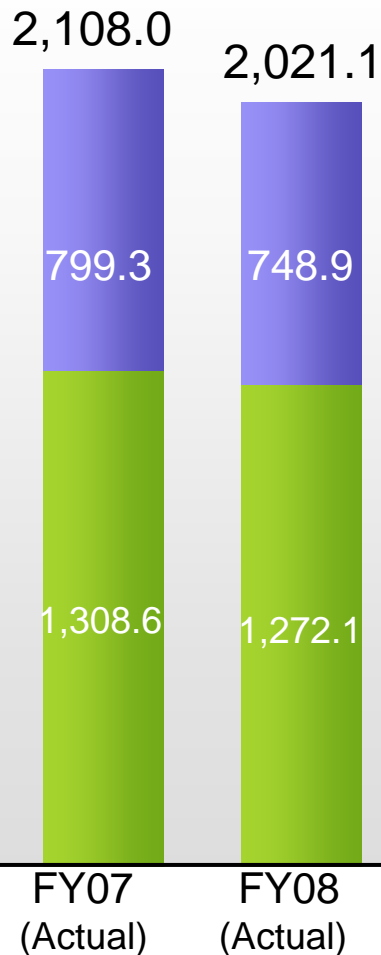
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Contribute to social innovation through collaborative creation with customers

1-2. Fiscal 2008 Results

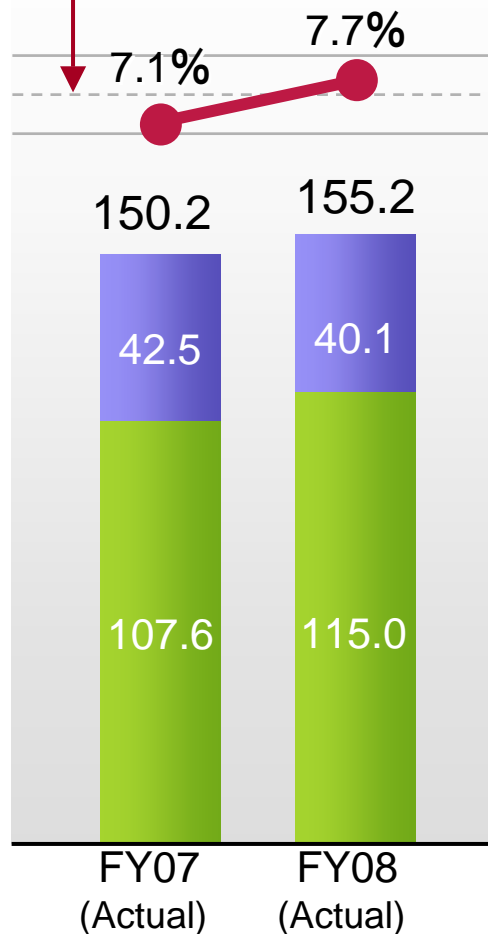
Revenues

2 trillion yen*



Operating Income

7%* (Operating margin)



Results Overview

Revenues (Decreased)

- Lower revenues in disk array subsystems due to foreign exchange impact
- Services revenues declined due to diminished IT investment, etc.
- Telecommunications networks revenues increased due to strong demand related to NGNs.

Operating Income (Increased)

- Services earnings rose due to increased profitability resulting from strengthened project management, etc.
- Earnings increased in line with higher sales in telecommunications networks

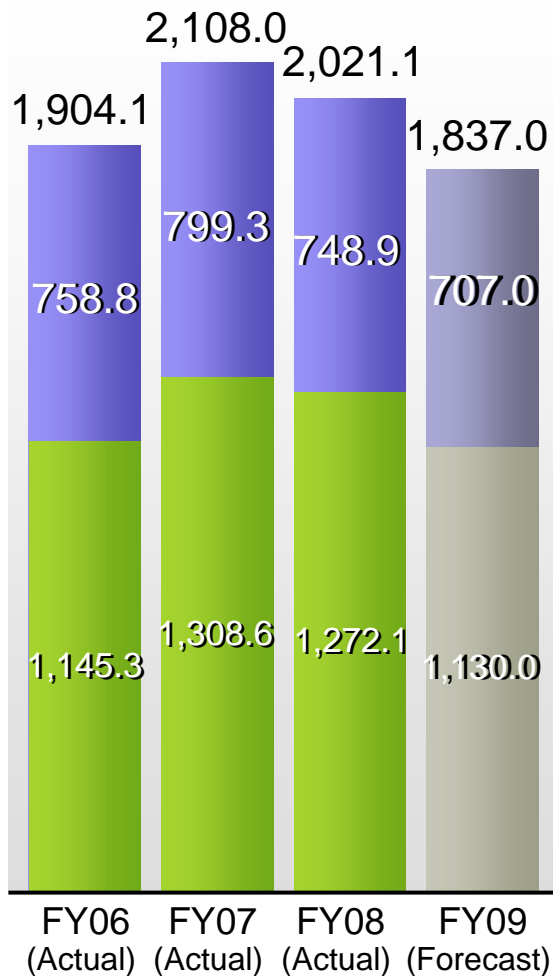
(billion yen) ■ Hardware ■ Software & services

*: Forecast at previous presentation (November 2007)

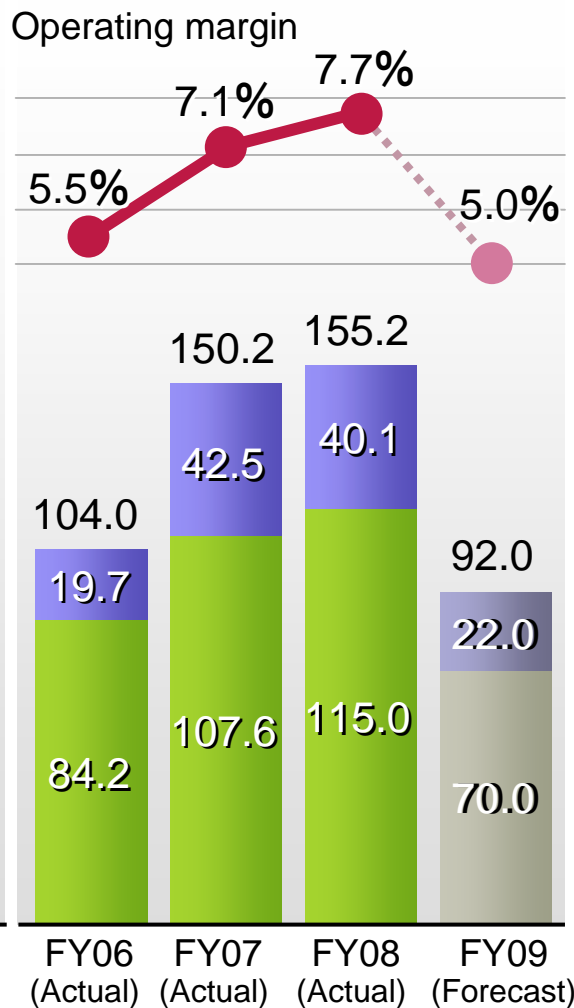
Note: The above results from FY 06 through FY 07 represent the operating results for the Information & Telecommunication Systems segment minus HDD operations

1-3. Fiscal 2009 Forecast

Revenues



Operating Income



FY09 Market Overview

Overseas Markets

(North America and Europe)
Economic slowdown and increased diminished investment in aftermath of financial crisis

(China)
Expected growth over medium and long term despite the impact of the financial crisis

Japanese Market

(Finance)
Partial freeze on new investment projects due to poor operating results caused by the financial crisis

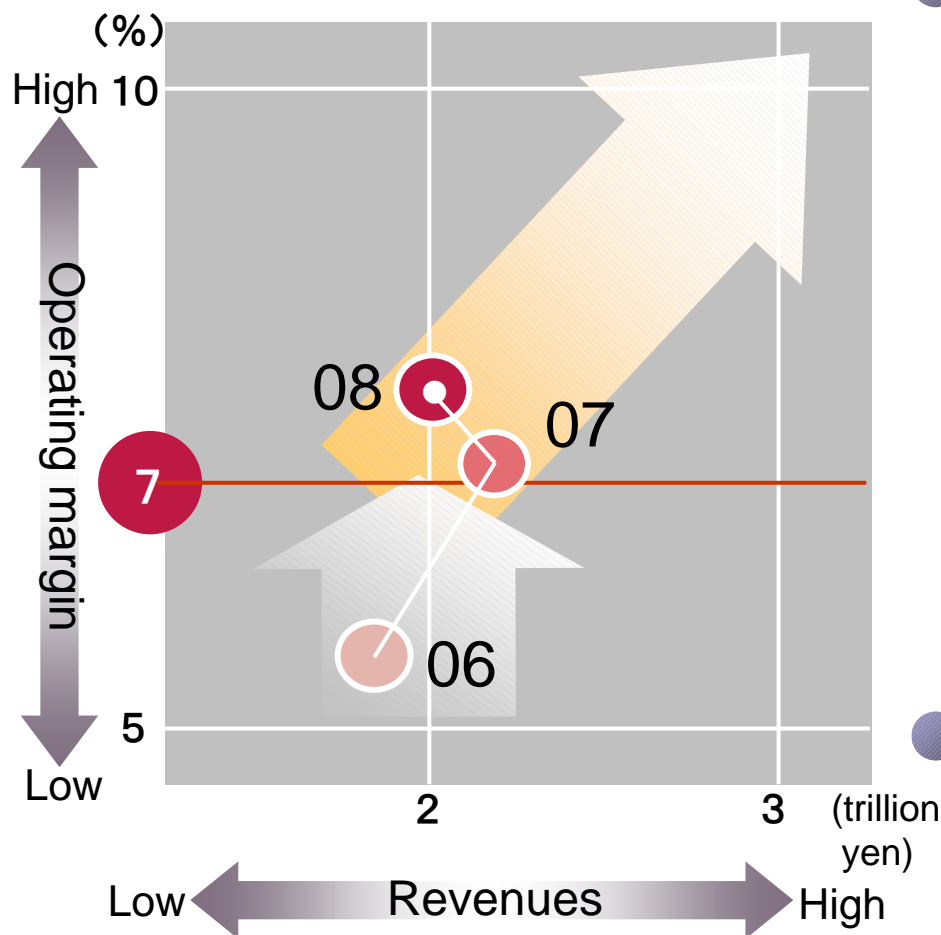
(Industry)
Deteriorating results and ongoing constraints on investment primarily on export industries such as electrical machineries and automobiles



Note: The results from FY 06 through FY 08 represent the operating results for the Information & Telecommunication Systems segment minus HDD operations

Note: The FY 09 forecasts represent the forecasts for the Information & Telecommunication Systems segment minus (HDD operations + Hitachi Kokusai Electric Inc.)

Actions to Create a High-Profit Business



- Steadily implemented measures to create a higher-profit business

(Hardware)

- Structural reforms of server and PC businesses (FY06 to FY07)
- Strengthen telecommunications networks business for NGN (FY06 to FY08)

(Software & Services)

- Increased productivity and quality through stronger MONOZUKURI (manufacturing capabilities)

- Increasing diminished IT investment due to rapid deterioration in economic environment during the second half of fiscal 2008

1-5. Medium-Term Goals and Areas to Strengthen

Aiming to achieve revenues of 2 trillion yen and operating margin of 7% in fiscal 2011 recovering from a cyclical bottom in fiscal 2009

Revenues and Operating Margin

Fields to Strengthen

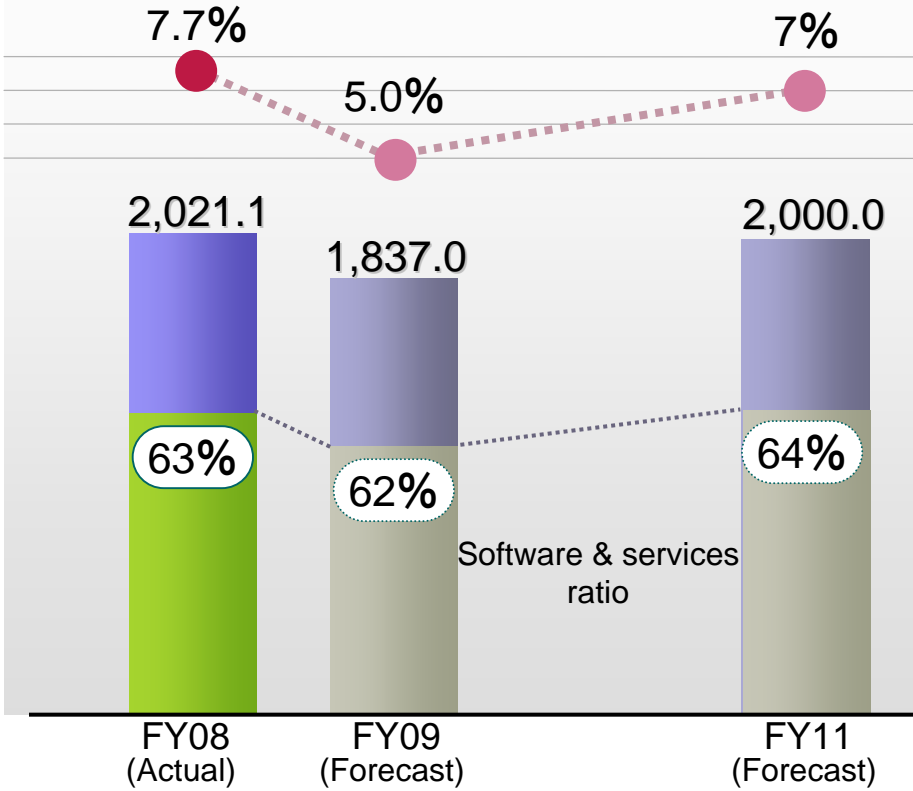
Expand high-value-added businesses

Expand global businesses

Strengthen management and business base

Greater Focus on the Social Innovation Business

(Operating margin)



(Ratio of Overseas Revenues)



Note: The results of FY 08 represent the operating results for the Information & Telecommunication Systems segment minus HDD operations

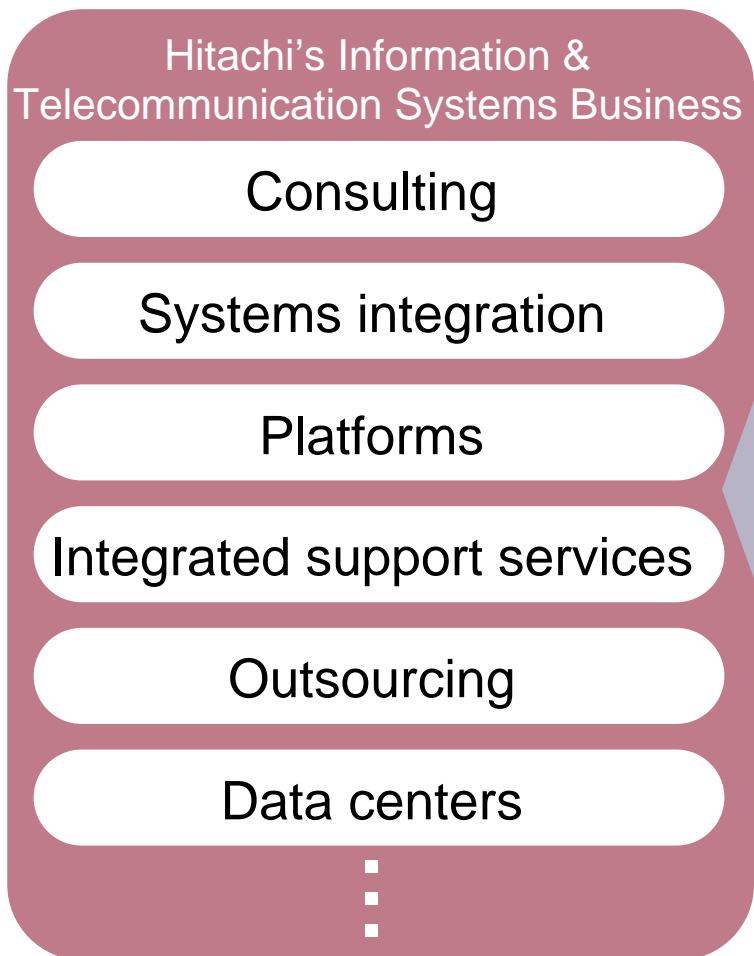
Note: The FY 09 forecasts represent the forecasts for the Information & Telecommunication Systems segment minus HDD operations + Hitachi Kokusai Electric Inc.) © Hitachi, Ltd. 2009. All rights reserved.

2

Expanding High-Value-Added Businesses

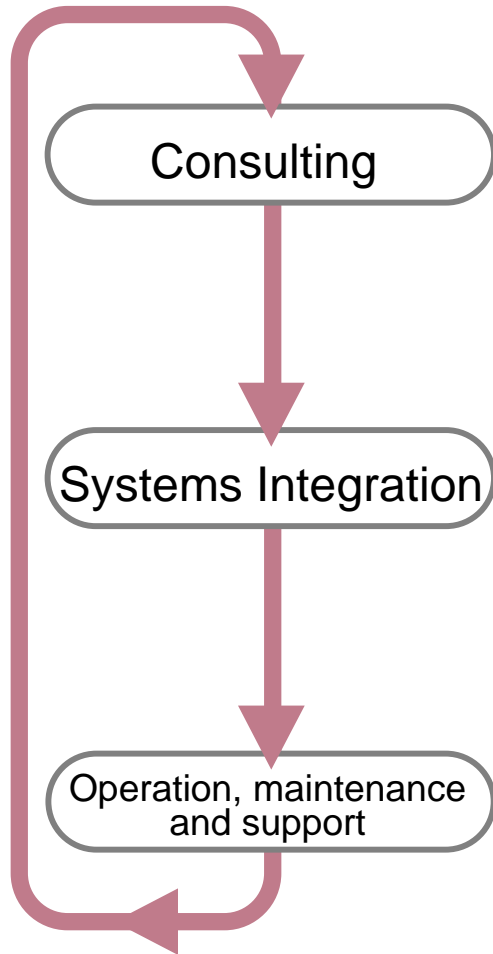


Provide valuable and best solutions for customers



- Add more value to the SI businesses
- Add More Value to the Services Businesses
- Greater Focus on the Social Innovation Businesses

Work to further increase customer satisfaction, supported by strong customer reputation in entire system lifecycle



- Expand global consulting network
 - Established business bases in 7 countries
U.S., U.K., Spain, Germany, Portugal, China, India
- Strengthen MONOZUKURI, vigorously pursue higher quality and increased productivity
 - No. 1 in customer satisfaction among big accounts*
*At least 1,000 employees
FY08 (13th) Customer Satisfaction Survey, Nikkei Computer System development-related service category (manufacturers)
 - Top in 5 of 13 categories in partner satisfaction rating
09 Partner Satisfaction Survey, Nikkei Solution Business
- Strengthen support services throughout entire system lifecycle
 - No. 1 in customer satisfaction rating (Hitachi Electronics Services Co., Ltd.)
FY08 (13th) Customer Satisfaction Survey, Nikkei Computer System operation-related service category (Information service companies)

2-3. Add More Value to the Services Businesses

Provide advanced service based on collaborative creation with customers and Hitachi Group's collective strengths

- Outsourcing for banking companies based on an impressive track record of integrating and operating highly reliable systems
 - “NEXTBASE”, joint outsourcing service targeting regional financial institutions
 - Largest in industry in terms of outsourcing for second-tier regional banks (Used by 7 banks)
 - “FINEMAX”, joint online banking ASP service
 - For individuals: 2.1 million accounts at 27 financial institutions
 - For companies: Approx. 10 trillion yen in annual monetary transactions at 17 financial institutions
- Wide-ranging outsourcing services for operation and management (One of the largest in Japan)
 - “Hitachi AMO* service for SAP”
 - FY08 (Actual): 54 companies
- Services through highly reliable and world-class eco-friendly data center
 - Plan to commence service at Yokohama 3rd Building (July 2009)
- “TWX-21”, Japan's largest inter-company e-marketplace (Provided services for 13 years)
 - Corporate members: Approx. ¥12 trillion/year in electronic transactions by 39,300 companies (as of May 31, 2009)
 - Provide business SaaS applications (Since June 2008)

* AMO: Application Management Outsourcing

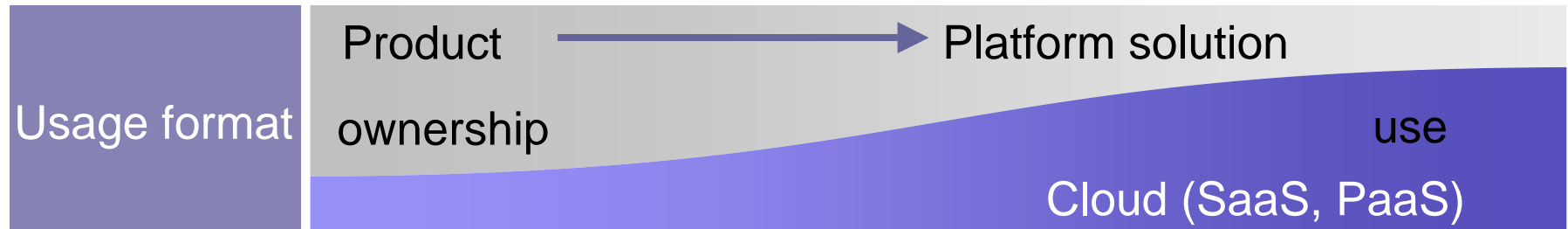
2-4. Hitachi's IT Service Platform Concept

Evolution for IT service platforms that can be leveraged and eliminate the need for additional IT resources

IT service platform concept

Harmonious Computing

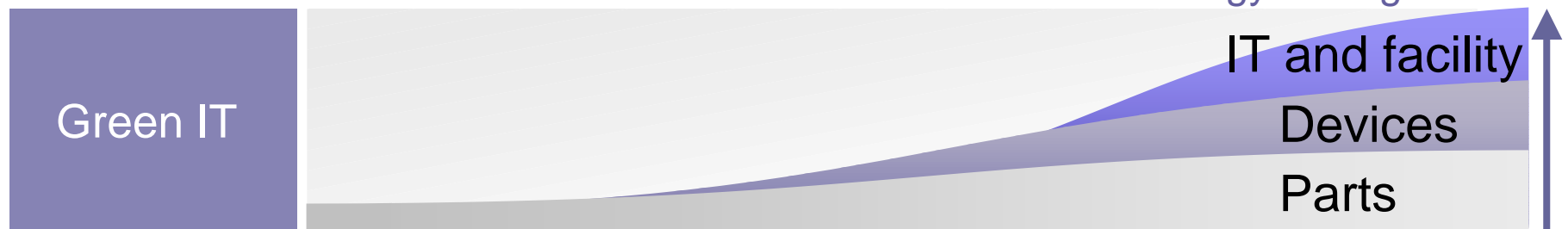
- From products themselves to solutions



- Strengthen system fusion and collaboration via networks



- From parts and devices to IT and facility linkage



IT platform products based on Harmonious Computing

Server Business

BladeSymphony

- Leading-edge integrated service platform
- *Virtage, Hitachi virtualization technology*
- High reliability and Green IT related performance



Storage Solutions Business

Hitachi Universal Storage Platform V

- World's first thin-provisioning for providing virtual storage capacity*¹ (2007)
- Worldwide No.1 share (Enterprise class: capacity basis)
- Expanded business into the file storage field (Mail archives, etc.)



Software Business

- Flexible resource management in IT systems (JP1: No. 1*² domestic share for 11 straight years)
- SOA platform that flexibly combines services



Telecommunications Networks Business

- Expanded edge nodes for NGN services
- Businesses outsourcing services for mobile WiMAX



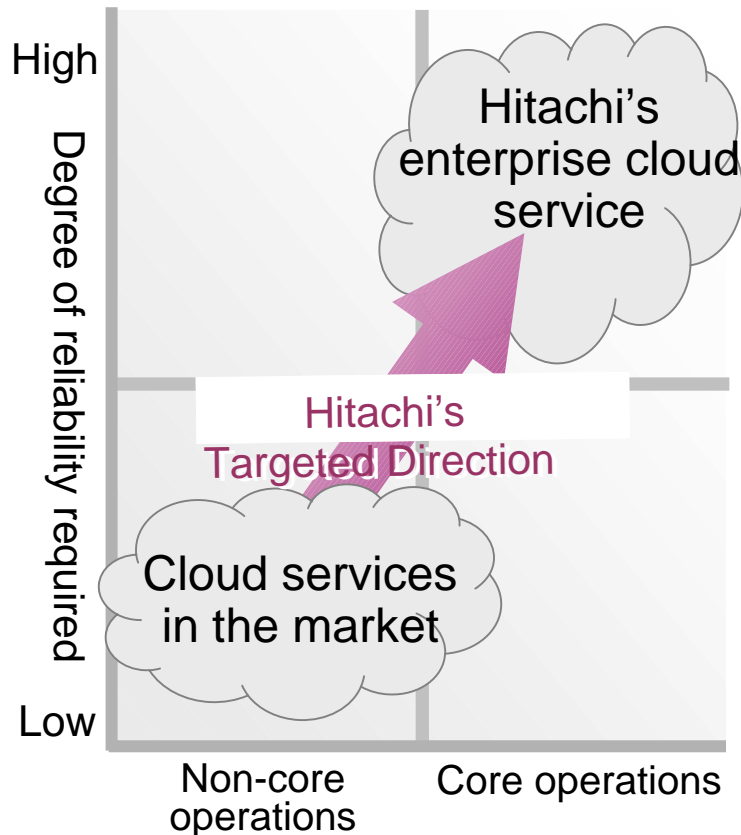
*1: Enterprise storage *2:capacity base, calculated by Hitachi

*3: Operations management software sector (1997 to 2007). Source: Fuji Chimera Research Institute, Inc., etc.

*4: Service Oriented Architecture

2-6. Hitachi's Enterprise Cloud Business

Aim to provide highly reliable cloud computing services to meet any demand of social infrastructure systems



- Provide highly reliable cloud service platforms
(Plan to begin providing in the second quarter of FY 2009)
- Expand business SaaS services
Add environment information exchange service to TWX-21 (July 2009)
- Build private cloud systems
 - Build client-dedicated cloud systems for each client
 - Build cloud platforms combining client-operation systems with Hitachi services

Related revenues

FY11: ¥100 billion (Incl. systems integration and platform product businesses)

3

Global Development Centered on Strong Products



Establish on a growth track by pursuing synergies focused on strong products.

- Storage solutions businesses

- Expand business leveraging No. 1 share* in the enterprise storage market and unrivaled virtualization technologies
-

- Consulting businesses

- Expand business in each region and cultivate our targeted markets
-

- Regional strategy

- Expand sales in Europe and the U.S., strengthen operations with strong products in emerging economies
-

Overseas revenues | FY08: ¥420.0 billion ➡ FY11: ¥480.0 billion

*1: capacity base, calculated by Hitachi

Expand businesses leveraging No. 1 share*¹ in the enterprise storage market and unrivaled virtualization technologies

- Achieved double-digit global growth in software & services revenues*² (FY08)
 - With rising demand for efficient systems operation, increased virtualization software and services significantly based on achievement and strong reputation for providing cutting-edge technology
 - Increased emphasis on virtualization technologies as a pioneer
 - Integration: Universal Volume Manager (external storage connection: 2004)
 - Virtualization: Hitachi Dynamic Provisioning (Thin-provisioning for providing virtual storage capacity: 2007)
- Growth of overseas market more than that of FY07
 - Developed business in more than 170 countries and regions worldwide
 - Achieved positive growth*³ in all regions overseas*⁴ in FY 2008 despite tough economic conditions

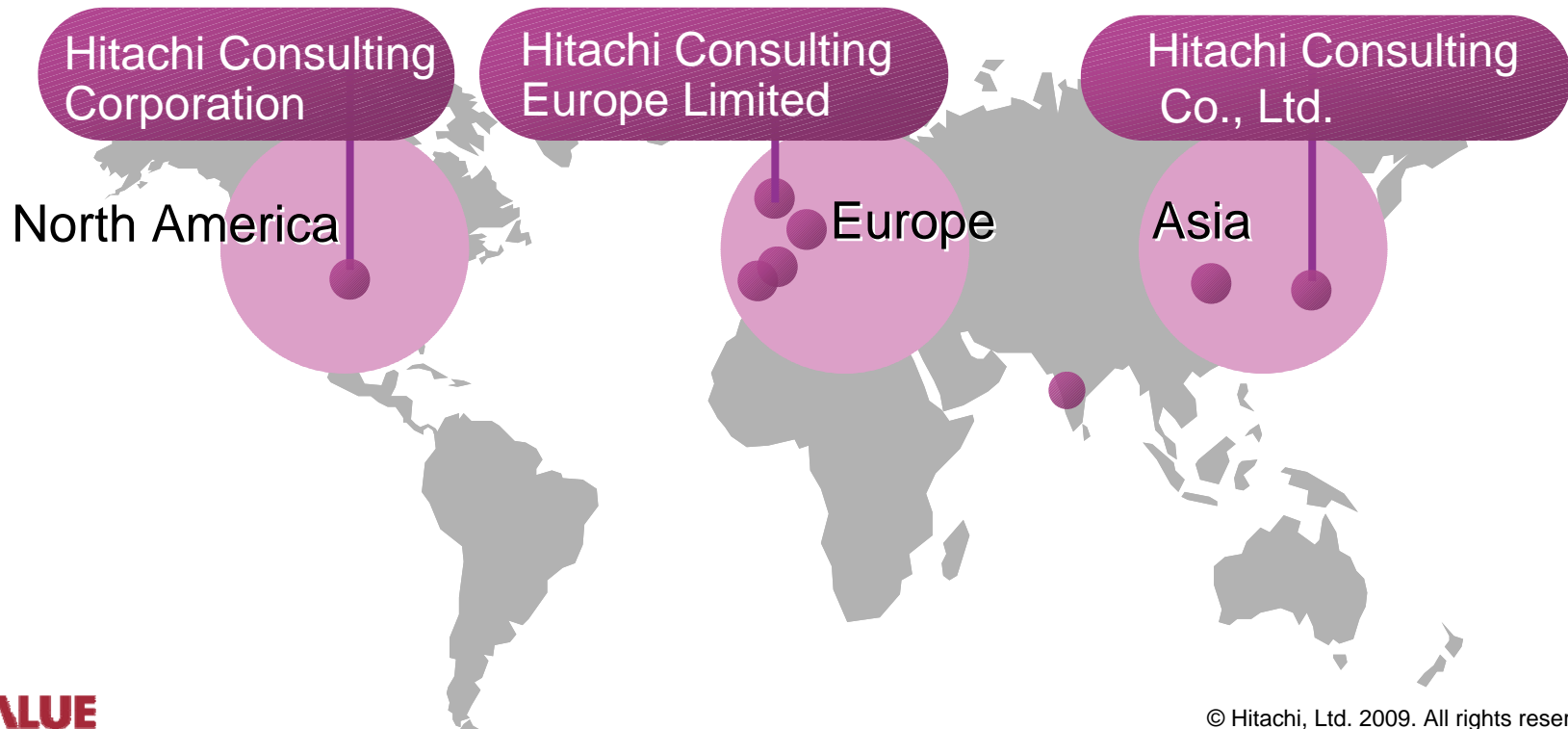
*1: capacity base, calculated by Hitachi

*2, *4: Year-over-year comparison on a US\$ basis

*3: North America; Europe, the Middle East and Africa; Asia & Oceania, etc.

Expand business in each region and cultivate targeted markets

- Expand business bases and establish an operation structure for providing services globally
 - Europe and the U.S.: Steadily expand business and establish global response capabilities by bolstering European bases
 - China: Expand the consulting and outsourcing businesses
- Expand managed services, in addition to business and IT consulting



Expand sales in Europe and the U.S., strengthen operations with strong products in emerging economies

Europe and the U.S.

- Expand sales centered on strong products
 - Storage solutions business: In addition to North America and Western Europe, strengthen operations in each region
 - Consulting business: Steadily expand business volume and bolster regional bases

Emerging Countries

- Strengthen with strong products
 - Storage solutions business: Strengthen sales expansion in key countries (China, India, Brazil, etc.)
 - ATM business – China: Expand sales of Hitachi brand ATMs and expand module supply business to ATM venders
 - Brazil: Demand stimulated with biometric authentication becoming compulsory
 - India: Develop partners, etc.
- Establish global business platform utilizing emerging countries resources
 - China: Strengthen sourcing capacity with Japanese companies
 - India: Strengthen sourcing capacity with English language

4

Strengthening the Management and Business Base

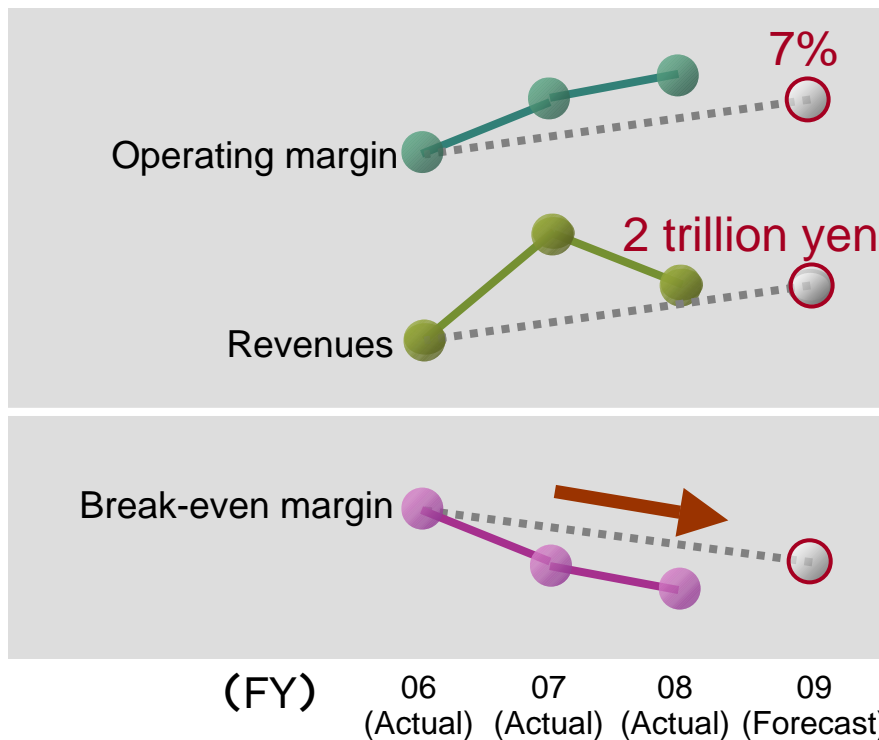


4-1. Strengthening the Business Structure

Create a leaner business structure

Approach From FY06 to 1H FY08

- Strengthen structure in line with business growth strategy
- Improve break-even margin



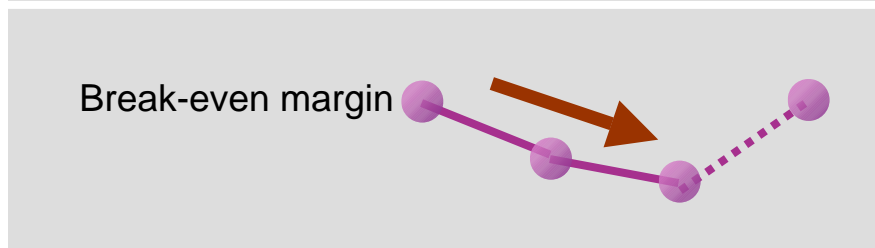
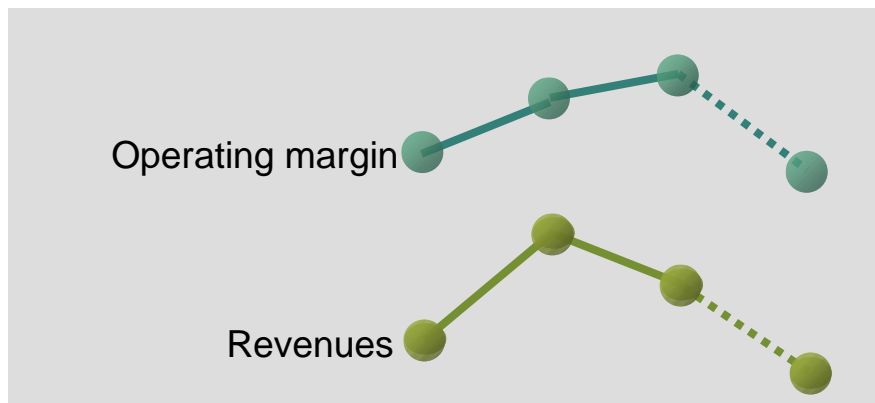
● Forecast at previous presentation (November 2007)

4-2. Strengthen Business Structure

Create a leaner business structure ⇒ achieve a V-shaped recovery from fiscal 2010

Approach From FY06 to 1H FY08

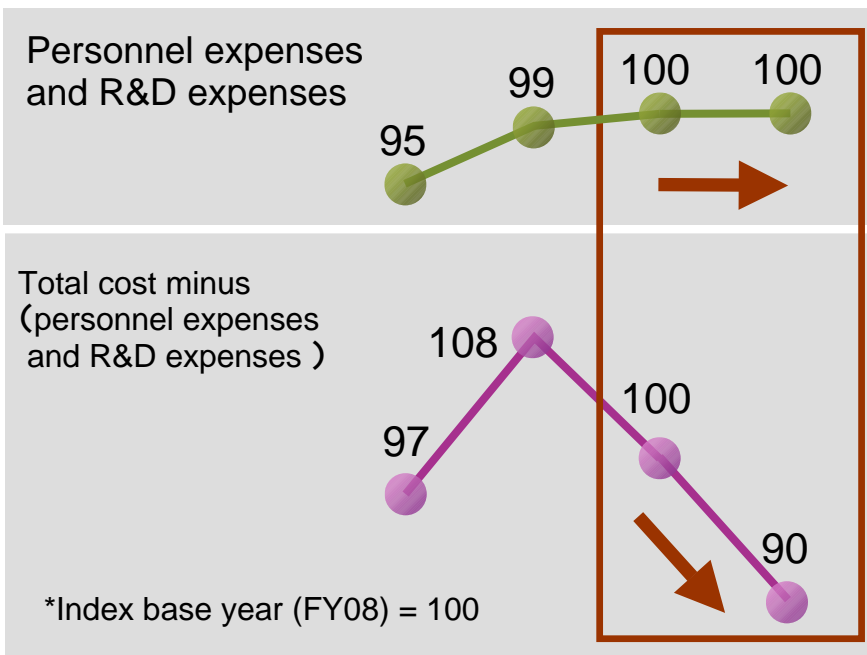
- Strengthen structure in line with business growth strategy
- Improve break-even margin



(FY) 06 (Actual) 07 (Actual) 08 (Actual) 09 (Forecast)

Management Policy From 2H FY08 to FY09

- Maintain workforces and R&D investment, towards V-shaped recovery
- Rigorously reduce procured costs for goods (Quantity and unit price)



*Index base year (FY08) = 100

(FY) 06 (Actual) 07 (Actual) 08 (Actual) 09 (Forecast)

4-3. Strengthen Consolidated Group Management

Increase value on a consolidated basis by leveraging business synergies

Reorganization

- Strengthen proposal capabilities and systems integration capabilities related to next-generation networks
 - Merger with Hitachi Communication Technologies, Ltd. to strengthen networking business (July 2009)
- Strengthen integrated support services business for the regional market
 - Hitachi Electronics Services Co., Ltd. established three regional solutions companies subsidiaries (April 2009)

Overall Optimization

- Share and collaborate strategy for big accounts
 - Develop centered on finance, government and social infrastructure market
- Optimized assignment depending on fields and applications
- Expand collaboration business model between Hitachi Consulting and business divisions
- Strengthen total procurement capabilities and rigorously reduce materials expenses by sharing information of procurement strategy and common initiatives

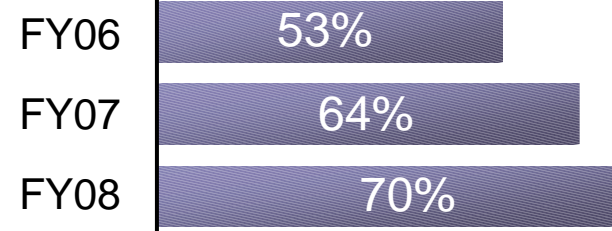
System Solutions

Earn customer trust and increase satisfaction by achieving the highest quality

● Reform project management to increase customer satisfaction

- Phase gate
decide whether to continue or discontinue based on strict decision-making standards
- Project support systems
Grasp actual progress

Project success rate
Hitachi standard: Maintain quality, cost and delivery timeframe according to plan for projects requiring close supervision



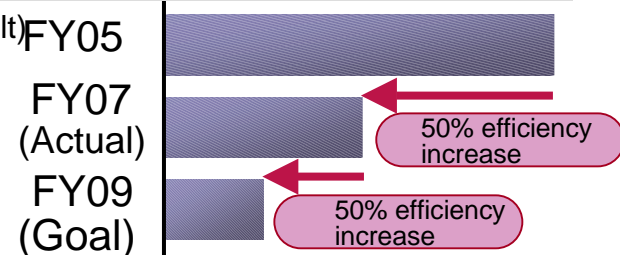
Hardware

Create a common global platform for MONOZUKURI

● Apply design automation tools (Common design platform)

- Fully adopted for LSI and printed circuit boards
Improved design efficiency: reduce 50% of number of process in 2 years (FY07 result)
Develop design platform for more 50% more reduction (FY09 target)
- Leverage power-saving technology built up in consumer electronics
Power saving in semiconductor products: improvement by 40% compared with fiscal 2007 (FY09 target)

Design Steps
Benefits from applying electronic design automation tools



4-5. Creating an Organization Where it Is Rewarding to Work

Workstyle Reform

- Change perspective, approach and mindset
 - Change way of working (work actively)

MONOZUKURI Reform in Production

- M³ (M cube) Innovation
「MONOZUKURI X Manufacture X Motivation」
 - Promote small group activities, share best practices across divisions

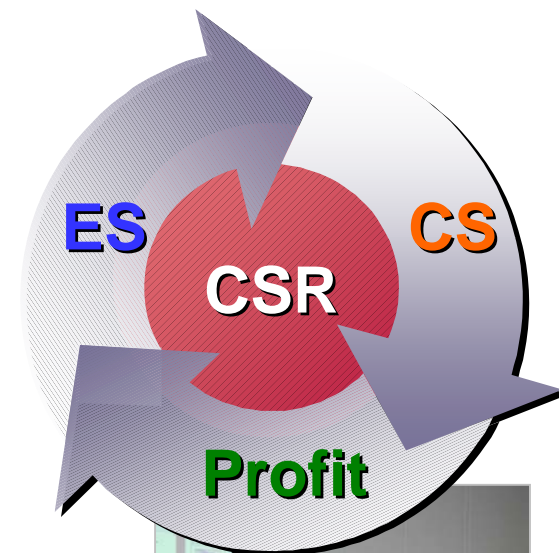
Diversity Management

- Information & Telecommunication Systems Group
Women's Council
 - Create an easy-to-work environment for women and other employees
 - Promote the participation of women in management

Create an easy-to-work office environment

- Hitachi Data Systems
 - Ranked 7th in “Best Places to Work in Bay Area” U.S *

* Online survey of employees in each company
400 companies surveyed, companies with 501 to 1,500 employees
Sponsored by *San Francisco Business Times* and *Silicon Valley Business Journal*



5

Targeting Future Growth

-Greater Focus on the Social Innovation Business



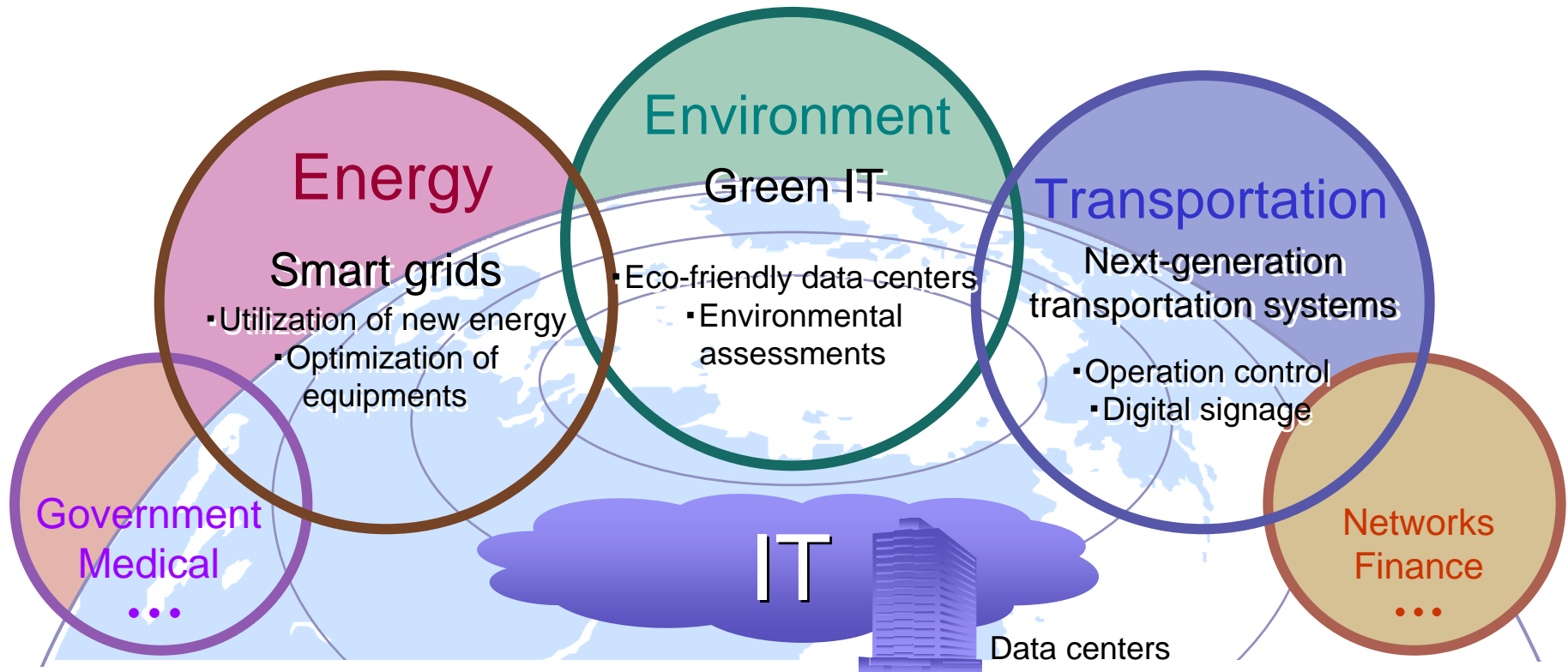
5-1. Heightened Focus on the Social Innovation Business

Hitachi will drive social innovation in the 21st century, “The century of the environment, information and energy”

Strengths

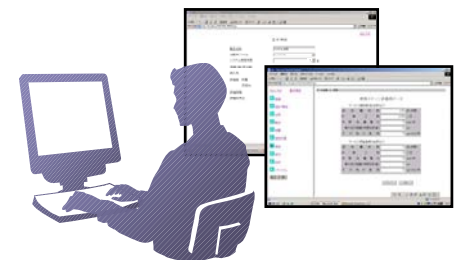
- Strong relationships with social infrastructure companies
- The ability to build mission-critical systems

➤ Established the Supervisory Office for Business Coordination (April 2009)



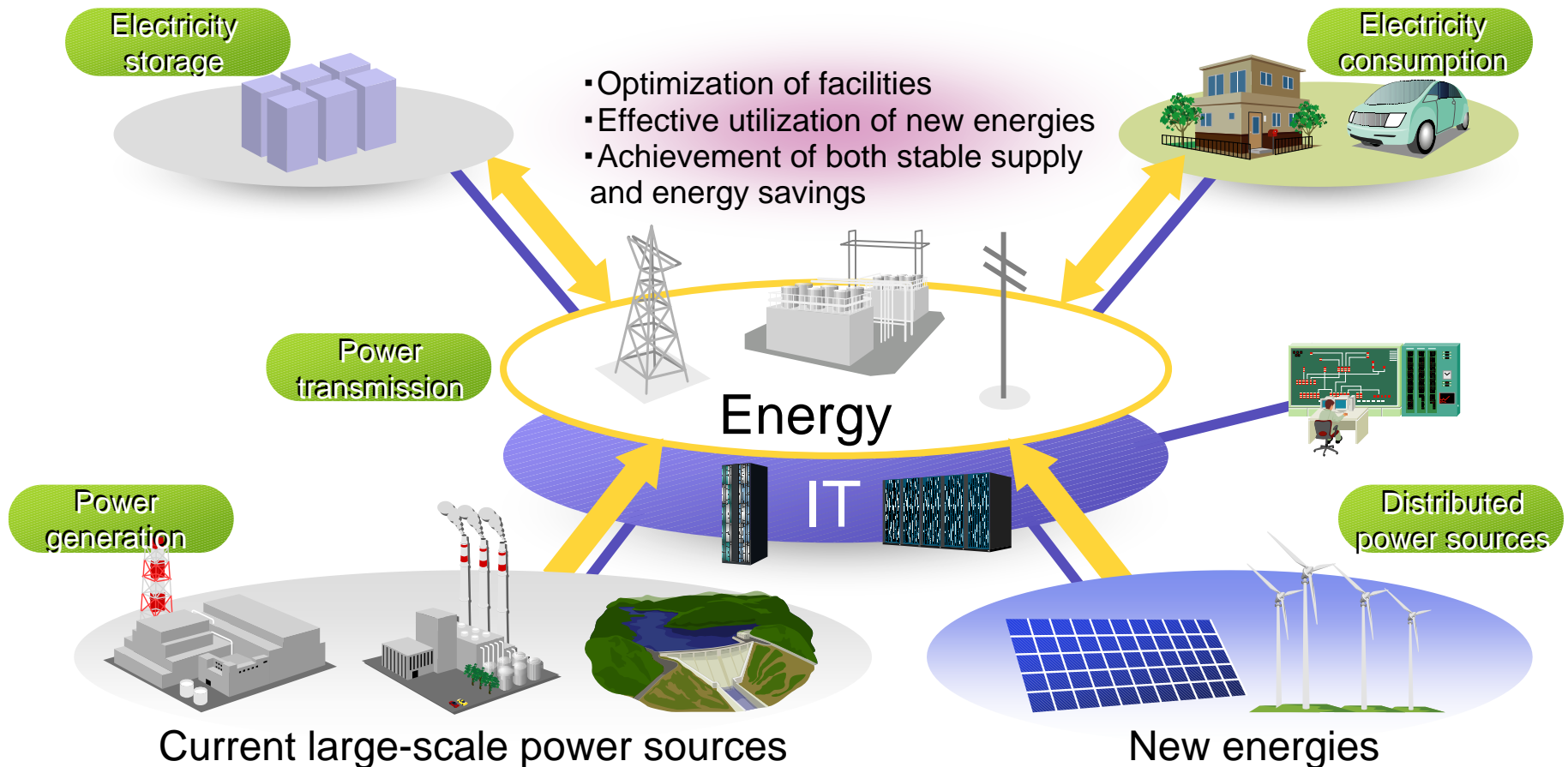
Power-saving of IT equipments, Eco-friendly datacenters and Green by IT, utilizing Hitachi Group's collective expertise

Green of IT IT Power-saving Plan	Eco-friendly Datacenter Project	Green by IT
<ul style="list-style-type: none">■ Power-savings at the components, system and operation levels	<ul style="list-style-type: none">■ Power-saving of the holistic datacenters including IT and facilities	<ul style="list-style-type: none">■ Visualization of environmental benefits (Expanded application of SI-LCA* assessment)
Decrease CO ₂ emissions of IT equipments by 330,000 t (Total reduction from FY2008 to FY2012)	Reduce electricity consumption up to 50% at datacenters by 2012 (compared to fiscal 2007)	Share of sales of eco-products 50% (FY2010) 100% (FY2025)



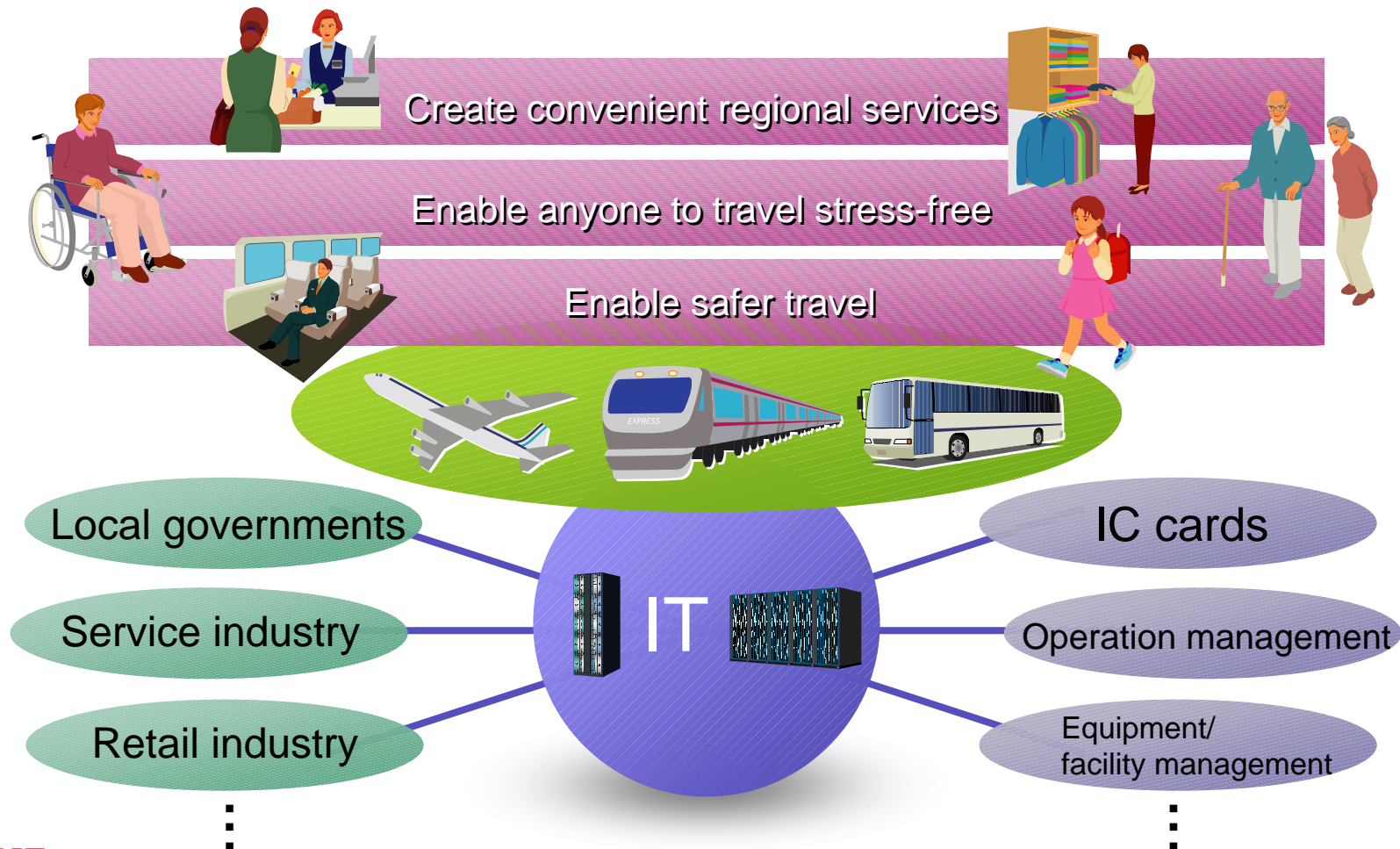
Promote R&D of IT platforms for supporting smart grids

- Contribute to the creation of an optimal electricity infrastructure in an age of diversification of electricity sources
- Build a platform for delivering new services utilizing information and network infrastructure, etc.



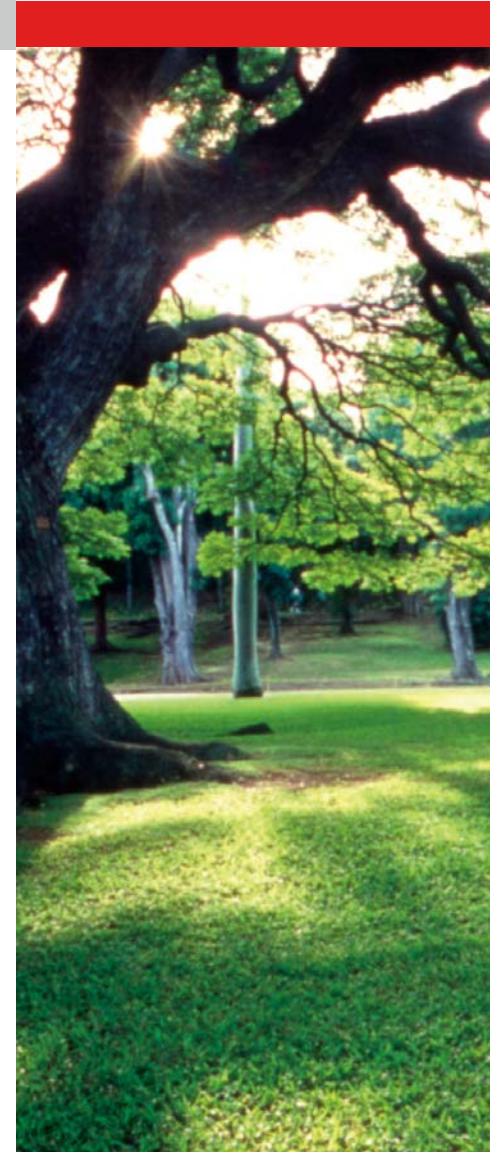
Promote R&D into IT platforms that help create customer services

- Pursue highly reliable systems for supporting safe, comfortable and convenient transportation systems
- Research IT platforms for creating more sophisticated services



6

Conclusion



Aiming to achieve revenues of 2 trillion yen and operating margin of 7% in fiscal 2011

Contribute to social innovation through collaborative creation with customers

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Expand high-value-added
businesses

Expand businesses globally

Strengthen the management
and business bases

Greater focus on the Social
Innovation Business

Cautionary Statement

Certain statements found in this document may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any "forward-looking statement" and from historical trends include, but are not limited to:

- economic conditions including consumer spending and plant and equipment investments in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors which Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- increased commoditization of information technology products and digital media related products and intensifying price competition for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technology on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- exchange rate fluctuation for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rate and/or the price of raw materials;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi's major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports, or differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing; and
- uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities it holds.

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