

Collaborative Creation and Profits —Progress with Corporate Strategy

Establishment of Stable, High Profit Structure

May 28, 2007

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Hitachi, Ltd.

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1. Overview of Progress in Establishing a Structure that Consistently Generates High Profits
2. Establishing a High-Profit Structure and Growth Strategies
3. Strengthening the Management Infrastructure
4. Summary

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● Building of Stable, High Profit Structure

Fiscal 2009: Consolidated Operating Margin of 5%

D/E Ratio: 0.8 or below
(including minority interests — FY2006: 0.76)

Basic Management Policy “Collaborative Creation and Profits”

Rigorous focus on market-oriented approach and profit creation

Goal

Establishment of stable, high profit structure

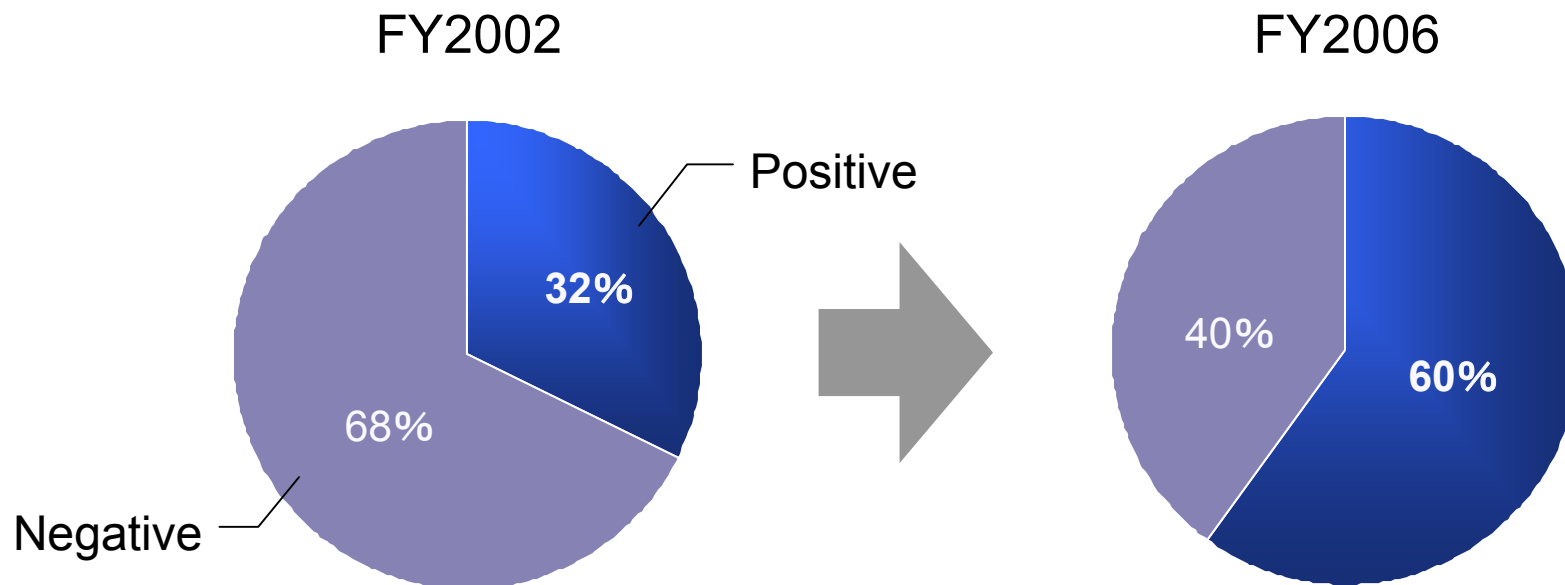
Key Initiatives

1. High profitability through rigorously FIV-based management
2. Building of stable, high profit structure
3. Evolution to group management for high profitability
4. Innovation by collaborative creation

1-3. Improvement of Main Businesses with Negative FIV

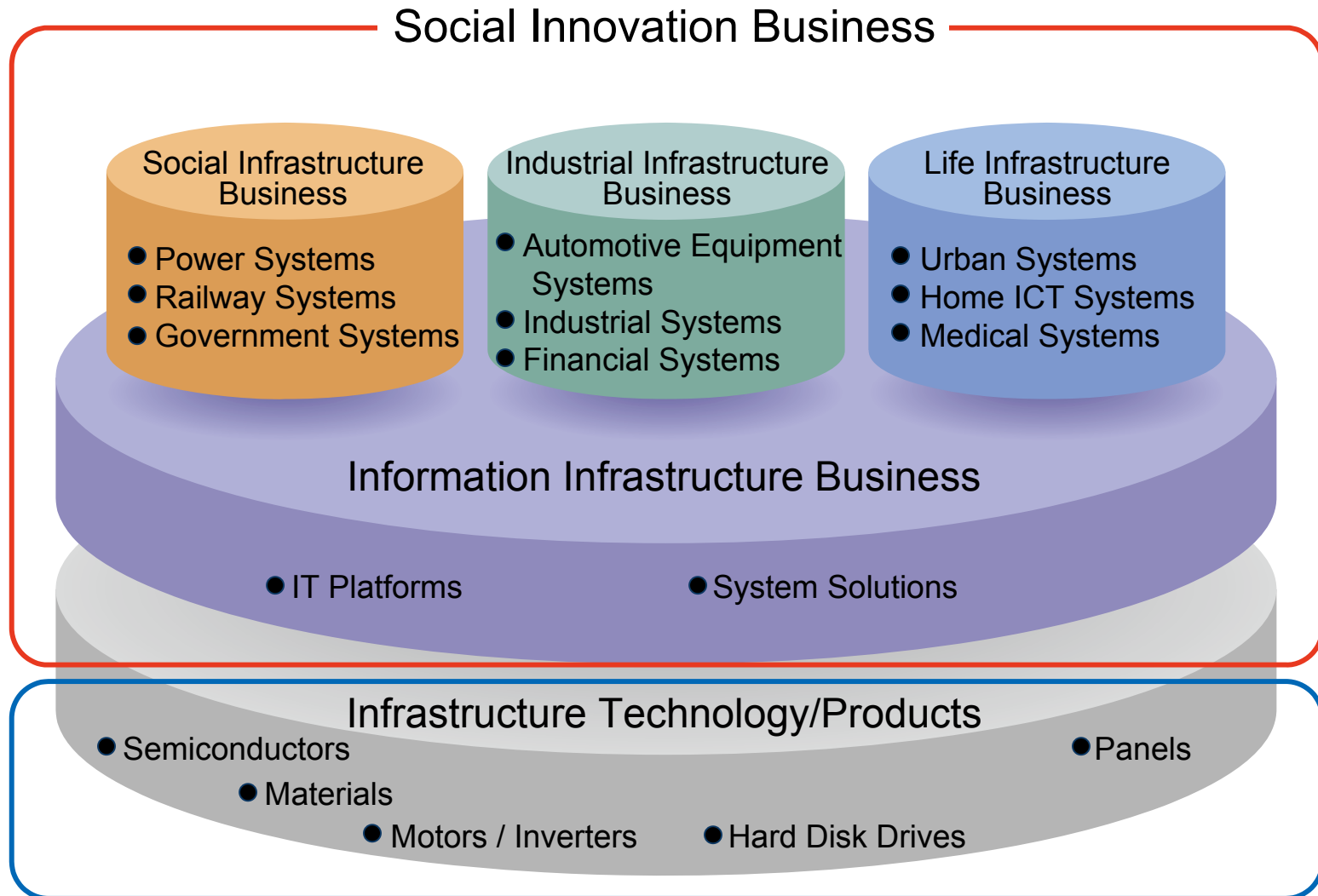
Business	Major Achievements	Ongoing Initiatives
Power Systems	Completed MidAmerican EPC (Engineering, Procurement, and Construction) Project in the U.S.; leveraging experience	<ul style="list-style-type: none"> • Strengthened business and practiced more stringent risk management spearheaded by Supervisory Office for Power Systems • Introduced advanced verification systems • Established framework to manage projects in each overseas region
Flat-panel TVs	Achieved profitability on operating income basis in FY2006 4Q	<ul style="list-style-type: none"> • Formulated investment strategy for focusing on large screens • Bolstered lineup of attractive products (including iVDR-compatible products, etc.) • Establishing 5-base global operating framework • Fostering collaborative creation with Matsushita Electric Industrial Co., Ltd.
Hard Disk Drives	Shipped industry's first 1.0TB 3.5-inch HDD	<ul style="list-style-type: none"> • Strengthening management further • Strengthening competitiveness with new technologies and products • Bolstering production capacity and competitiveness <ul style="list-style-type: none"> – Structural reforms accompanying large-scale operational integration • Expanding strategic alliances with partners

● Ratio of Positive FIV Business Groups and Companies



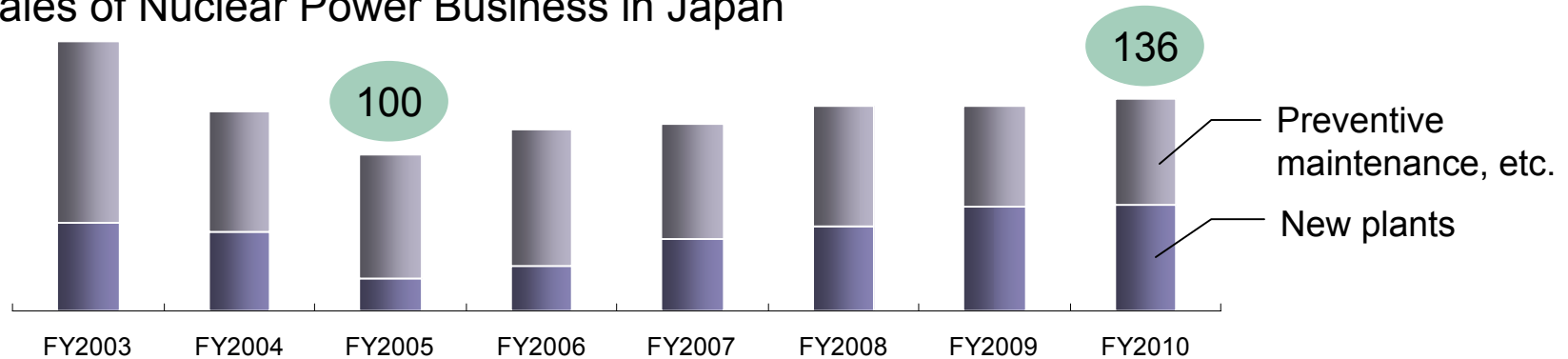
- Steady decrease in number of negative FIV business groups and companies in the 5-year period from FY2002 through FY2006
- April 2007: Appointed a Hitachi Executive Vice President responsible for monitoring and risk management for each infrastructure business

● Priority Areas



1-6. Growth of the Social Innovation Business (1)

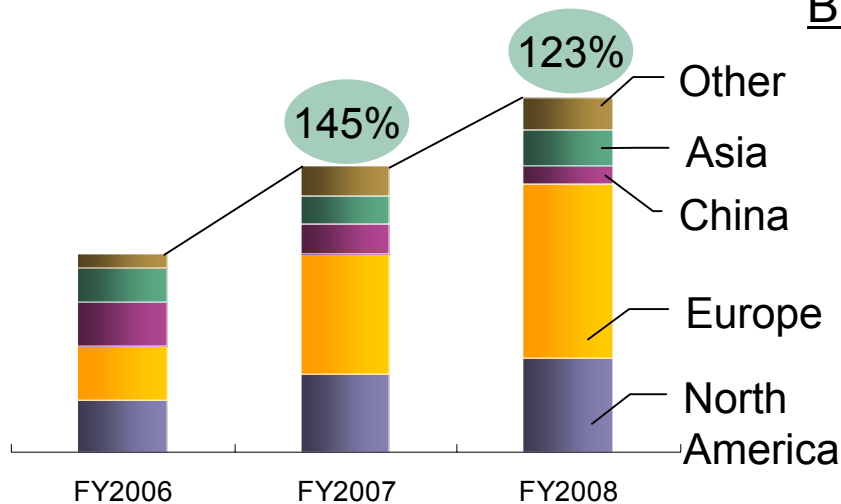
Sales of Nuclear Power Business in Japan



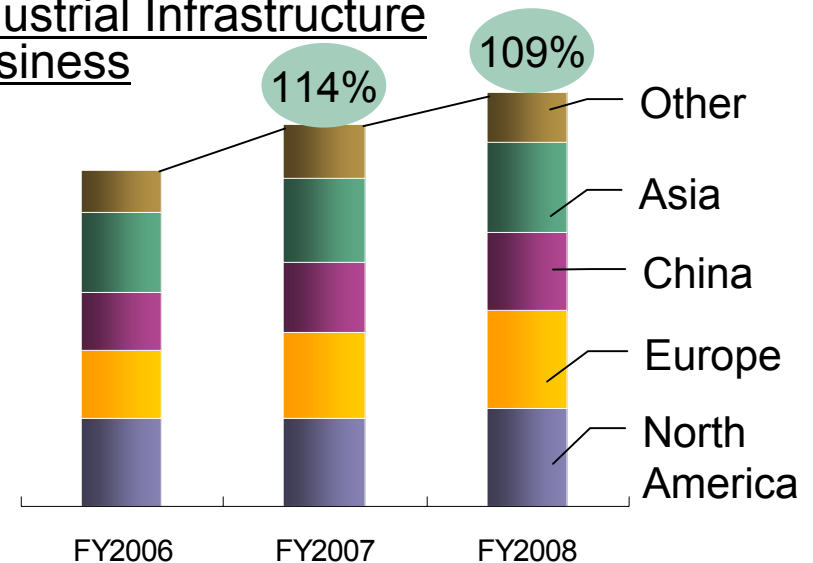
* Oval shows the index when sales in fiscal year 2005 are assumed to be 100.

Global Growth of the Social Infrastructure Business and Industrial Infrastructure Business

Social Infrastructure Business



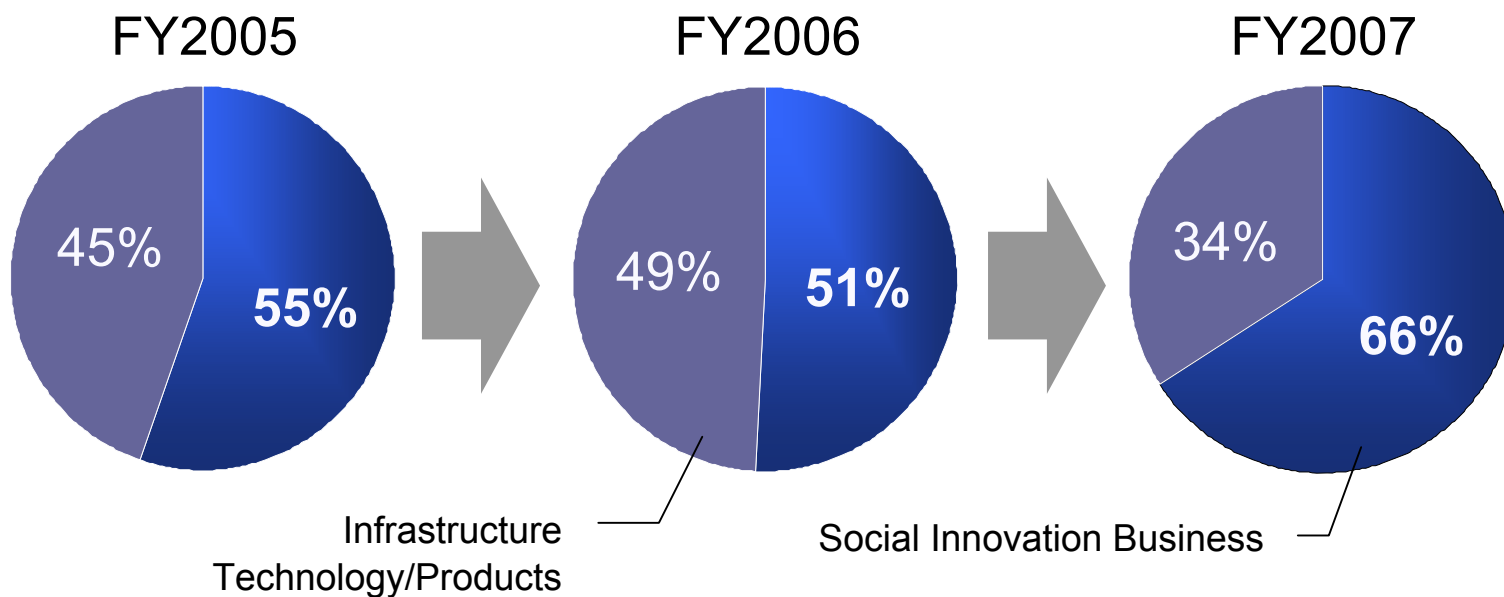
Industrial Infrastructure Business



* Oval shows YoY growth

● Shifting management resources

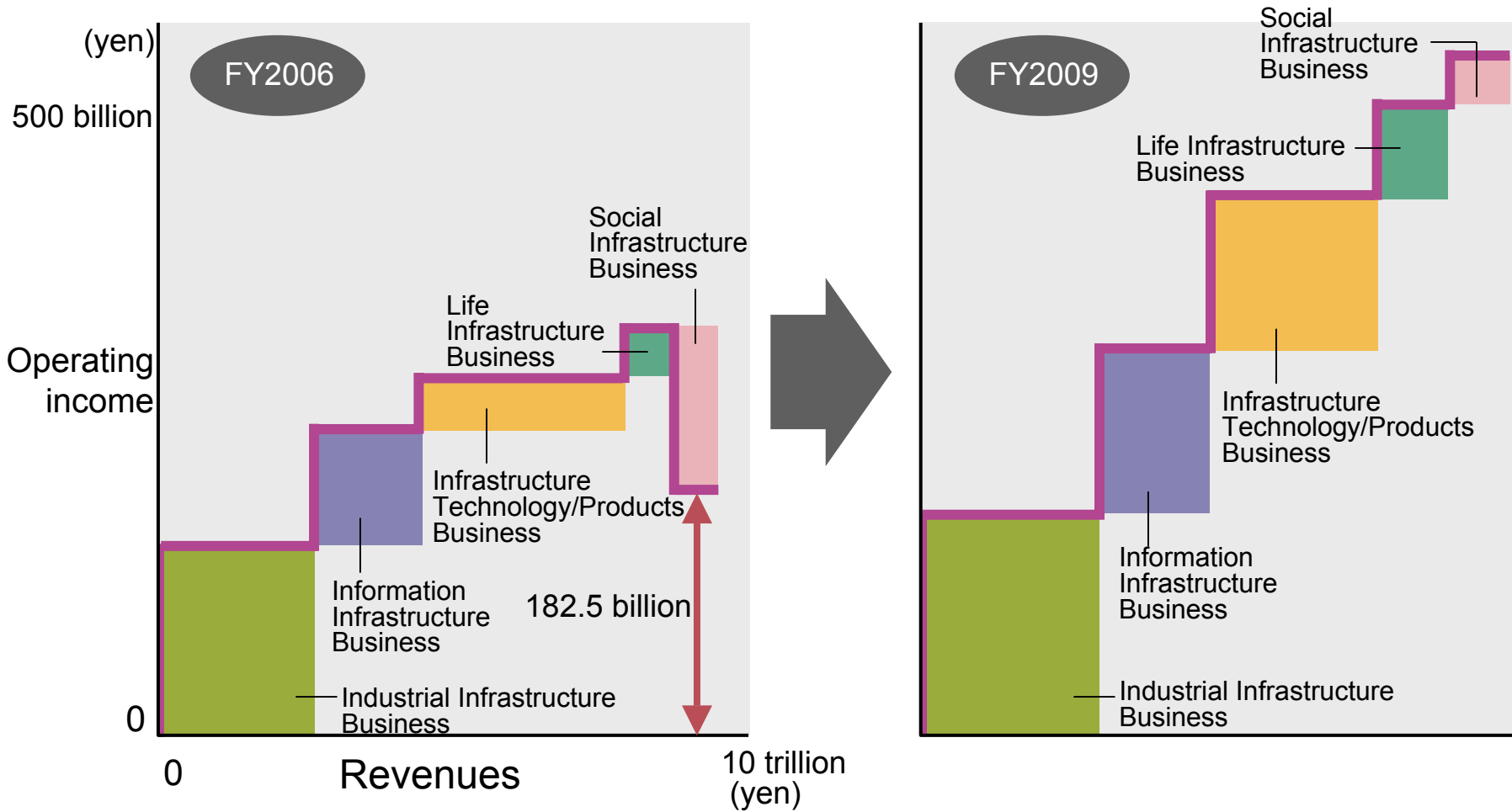
- Share of investing cash flows in Social Innovation Business field



51% (FY2006) → 66% (FY2007)

* Large investment projects:
Establishment of nuclear power companies with GE, etc.

1-7. Earnings structure in FY2006 and FY2009



* Each unit is posted in order of profitability

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Flat-panel TV Business (1)

- Operating income in fiscal 2007
- Positive FIV in fiscal 2008

Optimal business portfolio mix in terms of products and regions centered on plasma TVs

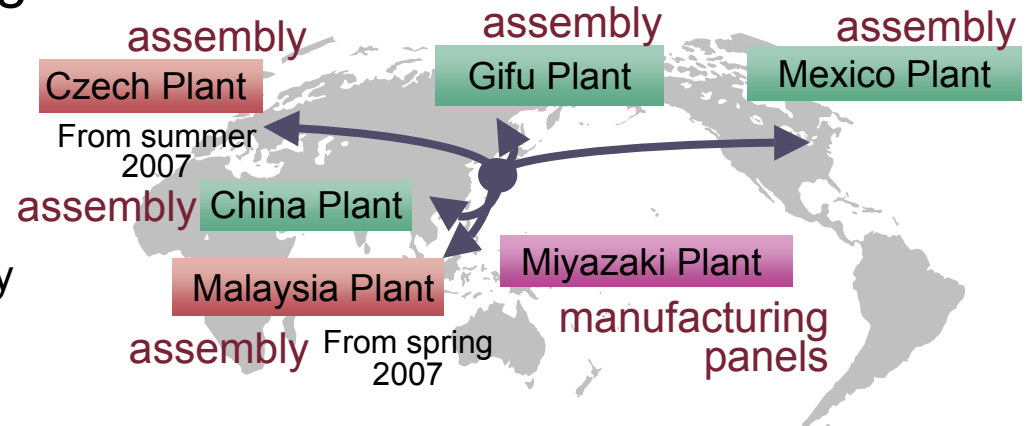
➔ Stabilize earnings in flat-panel TV business

● Product strategies

- Established investment strategy that focuses resources on high-profit large-screen products (50 inches and over)
- Released model compatible with iVDRs (removable HDDs), an evolutionary step in TVs with built-in HDDs (April 2007)
- Focusing investment on flat-panel TVs (Fine tune management resources)

● Building a global operating framework

- Complete 5-base worldwide production framework; previously 3 plants and promoting SCM built around these 5 bases
- Plasma panel production capacity (Establishment of 4.0 million unit/year framework)

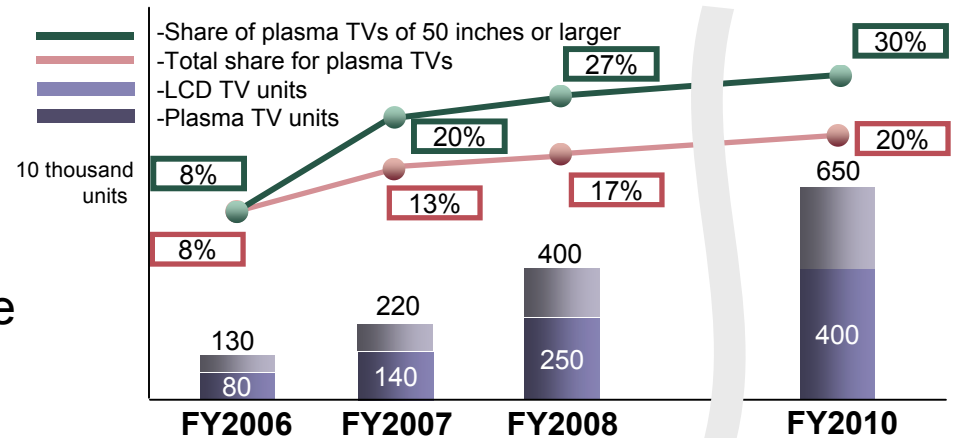


Flat-panel TV Business (2)

- Operating income in fiscal 2007
- Positive FIV in fiscal 2008

● Sales strategy

- Established policy that focuses on North America and Japan (FY2007)
- Target 20% global market share in plasma TVs (FY2010)



● Collaborative creation with partners

- Develop collaborative creation with Matsushita Electric Industrial Co., Ltd. in plasma TV business
 - Advancing comprehensive collaboration in R&D, production, marketing and intellectual property
 - Cross-supply of 103- and 85-inch plasma panels
- Global alliance with IPS Alpha Technology, Ltd.

Hard Disk Drive Business (1)

- Operating income in fiscal 2007
- Positive FIV in fiscal 2008

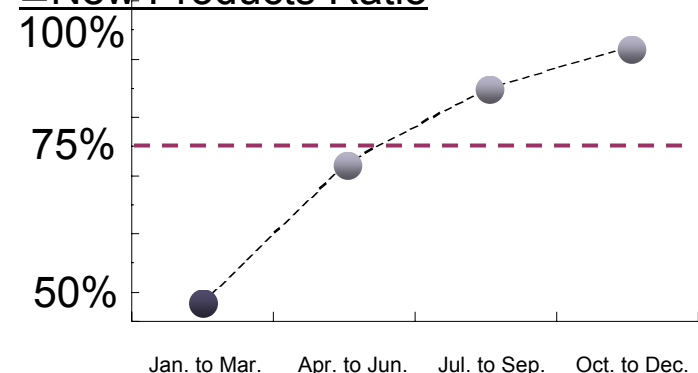
Strengthen competitiveness with new technologies and products

- Steadily launch new products with goal of generating 75% of new products ratio in fiscal 2007
 - New products in first half of 2007: Industry's first 1.0TB 3.5-inch HDD, industry-leading high-speed 2.5-inch HDD, highly reliable 3.5- and 2.5-inch HDDs for enterprise
- Develop new technologies and products that draw on the Hitachi Group's collective strengths
 - Drive the terabyte generation using perpendicular magnetic recording (PMR) technology and tunneling magneto-resistance (TMR) heads
 - "TOKKEN" special research project involving collaboration between research labs, and development and manufacturing divisions
 - Support from Hitachi Corporate Lab (From development of magnetic recording technology through production control and SCM)
- Improve quality
 - Implement Hitachi's "Ochibo" quality improving process
 - Raise quality evaluation ranking of Hitachi by major customers

■ Quality Evaluation Ranking of Hitachi
by Major Customers (from Jan. to Mar.)

2005	2006	2007
#3.0	#2.3	#1.3

■ New Products Ratio



Hard Disk Drive Business (2)

- Operating income in fiscal 2007
- Positive FIV in fiscal 2008

● Bolster head and media development and manufacturing systems

- Consolidate and integrate head and media operations
→ Direct benefits: approx. \$300 million (cumulative over 5 years)
- Launch special project in head area
→ Achieve significant head yield improvement

■ Restructuring head and media operations

	Media		Slider		HGA.*
	DEV.*	MFG.*	DEV.*	MFG.*	MFG.*
Current	U.S. Japan	U.S. Japan China	U.S. Japan	Mexico Philippines	China Thailand Philippines
Future	U.S.	U.S. China	Japan	Philippines	China Thailand

* HGA: Head Gimbal Assembly, * MFG.: Manufacturing
* DEV. : Development

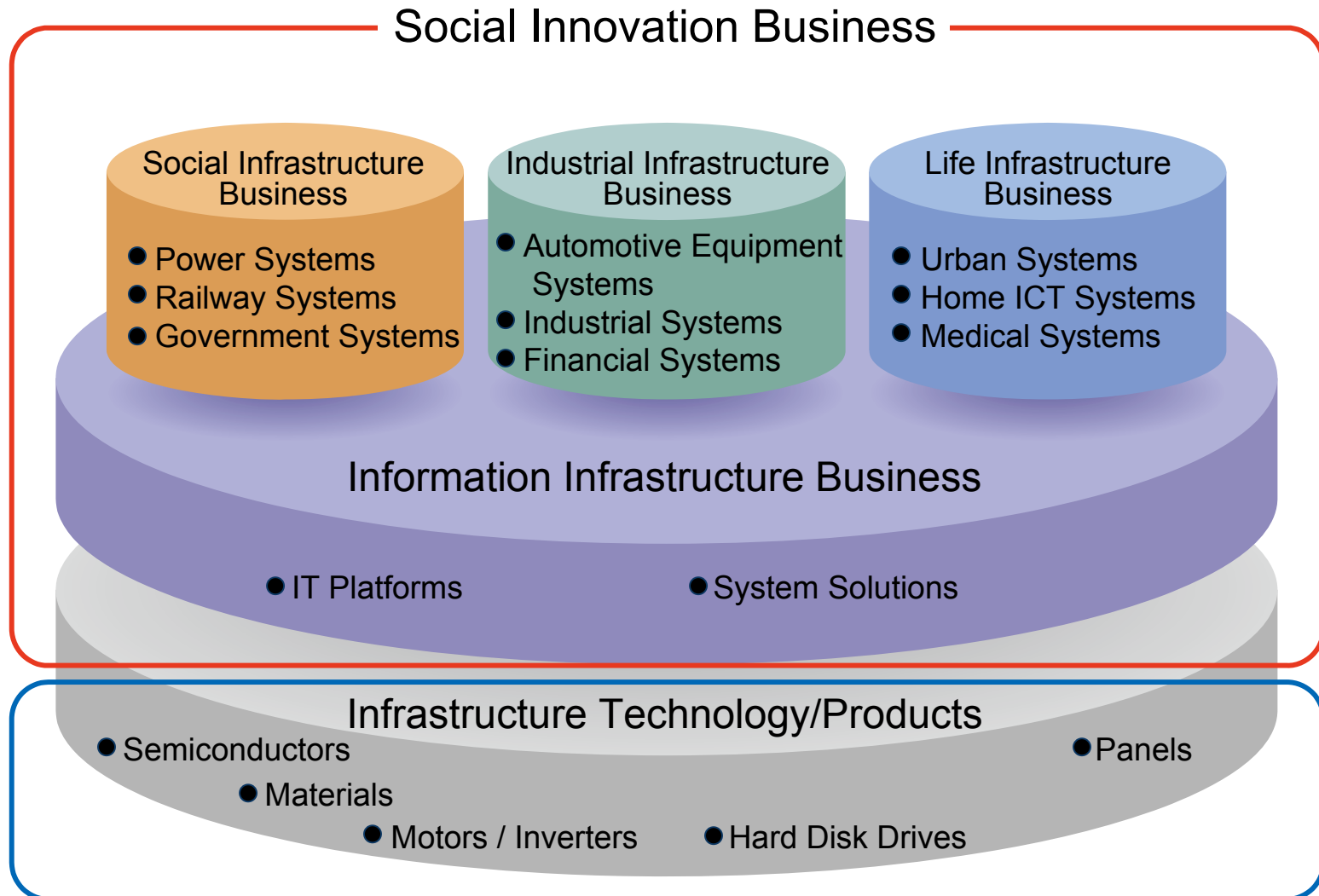
● Promote project to reduce fixed costs

- Cut indirect workforce (approx. 400 jobs): approx. \$75 million (over 2 years)
- Reducing general materials and product expenses (facilities, indirect materials, maintenance contracts, etc.): approx. \$70 million/year

● Thoroughly reduce costs and raise sales and manufacturing efficiency

- Shorten cycle time with new special SCM teams
- Material procurement re-engineering
 - Enhance cost reduction of commodity parts
 - Pursue strategic partnership with key components vendors
 - Worldwide total reduction of all cost by general procurement department

● Priority Areas



Power Systems Business

Overseas utilization of domestically honed
"Japanese quality" and greater localization

- Strengthen business and practice more stringent risk management spearheaded by Supervisory Office for Power Systems

[Nuclear Power Business]

- Participate as a key manufacturer in key new plants in Japan
- Develop business based on a global alliance framework between Hitachi and GE
 - Signed formation agreement for global alliance (May 2007), plan to establish companies in the U.S., and Canada in June and another company in Japan in July
 - Expand the order of next-generation nuclear reactor; Economic and Simplified Boiling Water Reactor (ESBWR)

[Thermal Power Business]

- Operations rooted in regions and markets
 - Business promotion and risk reduction led by Hitachi Power Systems America, Ltd. and Hitachi Power Europe GmbH that have experience and strong operating base
- Expansion of overseas coal-fired thermal power business
 - Order for installing coal-fired power plant from Canadian company EPCOR and TransAlta Power (worth approx. 50 billion yen; March 2007)
 - Received turnkey order for installation of 3 coal-fired power plants from Belgium company Electrabel (worth approx. 300 billion yen; May 2007)

Railway Systems Business

Overseas utilization of domestically honed
"Japanese quality" and greater localization

Expand development and production capabilities

- Substantially increase capacity at Kasado Works (FY2006)
- Established Tokyo Engineering Center (April 2007)

Expand railway systems business in Europe

- Conducted test runs of hybrid railcars in the U.K. (May 2007)
- Plan to ship first railcars for the Channel Tunnel Rail Link (CTRL), U.K. (June 2007, 180 cars)
- Plan to commence maintenance business for CTRL (June 2007)
 - Establish Hitachi Rail Maintenance
- Established sales base in Brussels Office (April 2007)



Test runs of hybrid railcars

Growing demand for monorail systems worldwide

- Commencement of operations of Sentosa Island monorail in Singapore (January 2007)
- Construction underway of monorail infrastructure on Palm Jumeirah Island, Dubai (scheduled to commence operating at the end of 2008)



Image at Dubai monorail system

Automotive Equipment Systems Business

Further strengthen advanced technology
to create and maintain products having
leading market share

● Development of hybrid car systems

- GM hybrid car, the Saturn VUE Green Line, features Hitachi motors and inverters
- To strengthen lithium-ion rechargeable battery business, raised stake in Hitachi Vehicle Energy, realize improvement in development term mainly lead by Hitachi



Saturn VUE Green Line

● Development of outside recognition technology to increase safety

- Established Automotive Systems R&D Laboratory to strengthen proposal capabilities through advanced-technology development system (April 2007)

● Use tie-up with Clarion to strengthen car information systems business

- Made Clarion a subsidiary (December 2006)
- Xanavi Informatics Corporation made a wholly owned subsidiary of Clarion (January 2007)

Industrial Systems Business

Further strengthen advanced technology
to create and maintain products having
leading market share

[Semiconductor, LCD, printed circuit board manufacturing equipment]

- Strengthening product competitiveness further with successive launch of new products and software for CD-SEM*, where the company commands the leading global share (Hitachi High-Technologies)



CD-SEM

[Construction Machinery]

- Increasing presence in global mining markets, including BRICs, VISTA** and other countries (Hitachi Construction Machinery)
Highly reliable super-jumbo excavators/loading shovels and new-type dump trucks applying bullet train technology
- New plant construction (Hitachi Construction Machinery)
 - 2 plants in Hitachinaka: component plant and large-scale machinery assembly plant



New-type dump trucks

* CD-SEM: Critical-dimension scanning electron microscopes, which measure the fine pattern dimensions on semiconductor wafers

** VISTA: Vietnam, Indonesia, South Africa, Turkey and Argentina

Urban Systems Business

Utilize collective strengths of the Hitachi Group
to provide secure, pleasant solutions

- Strengthen global elevator and escalator business by bolstering manufacturing operation and product competitiveness
 - Establishment of production base in Shanghai to expand capacity in China (May 2007)
 - Launched new standard elevators with enhanced safety features (December 2006)
- Strengthen and expand energy conservation business (ESCO, etc)
 - Cumulative orders for approximately 130 sites worldwide through March 2007
 - Introduced energy-saving equipment at customer sites in Southeast Asia, offering remote monitoring service through domestic control center
- Expand redevelopment solutions business (PFI, etc.)
 - Promote PFI business utilizing the Hitachi Group's collective strengths
(Opened JMSDF Kure Museum (April 2007))



Office building in
Guangzhou, China

Home ICT Systems Business

Utilize collective strengths of the Hitachi Group
to provide secure, pleasant solutions

[Broadcasting and telecommunication convergence Business]

- Established cross-company broadcasting and telecommunications convergence project
 - Accelerate strategy (including collaborative creation) to establish competitive edge in infrastructure, systems and services
- Developed next-generation optical networking technology to realize simultaneous transmission of high-definition video on 100 channels
 - Core technology for the era of broadcasting and telecommunications convergence using gigabit passive optical network
- Launched flat-panel TV featuring “iV Pocket,” compatible with iVDR (removable HDDs) (April 2007)
 - Compatible with SAFIA* copyright protection technology for the era of broadcasting and telecommunications convergence

* Security Architecture For Intelligent Attachment device
(content protection technology compatible with iVDR)

IT Platform Business

Use storage and consulting
to bolster profitability

[Storage Solutions Business]

- Captured No. 1 worldwide market share in disk array subsystems (28%, FY2006)
 - Announced and simultaneously launched worldwide the Hitachi Universal Storage Platform V, a new product that realizes the world's first enterprise-class implementation of virtualization with thin provisioning. (May 2007)
 - Aggressive business development by Hitachi Data Systems
 - Signed OEM agreement with BlueArc® Corporation for Hitachi high-performance NAS* platform (December 2006)
 - Announced acquisition of content archiving leader Archivas, Inc. (February 2007)



[Server Business]

- Strengthened virtualization environment of blade server BladeSymphony (February 2007)

[PC Business]

- Announced cooperation with Hewlett-Packard in business PC field (March 2007)
 - Strengthening collaborative creation in high-value-added field

* NAS: Network Attached Storage

System Solutions Business

Use storage and consulting
to bolster profitability

- **Strengthen consulting framework**
 - Hitachi Consulting reinforcing consultants (FY2005 1,200 people → FY2006 1,500 people)
 - U.S.-based Hitachi Consulting acquired U.K. company Impact Plus (April 2007)
- **Started providing new solutions to support corporate reform**
 - Began offering BCM* Solutions (March 2007)
 - Began providing “workstyle reform solutions” (April 2007)
- **Expanding installation of finger vein authentication systems**
 - ATMs featuring finger vein authentication technology in operation at 36 financial institutions in Japan, including Japan Post
- **Started introducing IC tag “μ-Chip Hibiki” based on international standard regulations****
 - Began product shipments (November 2006)
 - μ-Chip Hibiki RFIDs selected for use in cargo vehicle management and WMS* (logistics and IT) operations at Eco’s Co., Ltd.’s (food supermarket) Tokorozawa distribution center (February 2007)

* BCM: Business Continuity Management

** ISO/IEC 18000-6 Type C

*** WMS: Warehouse Management System

Materials Business

Expand top-share products and promote development of new materials, utilizing group synergies with social innovation business

[Enhance development of high-share products
and actively invest in areas of strength]

- Developed new ferrite magnet with world's highest magnetic strength
(Hitachi Metals)
 - Responds to trend toward automobiles, home appliances and other products that are more compact, lighter and conserve energy
- Announced plans to strengthen copper strip production facilities (Hitachi Cable)
 - Enhance production of copper alloy strip, which is used in lead frames and connectors

[Use group synergies to promote development]

- Hitachi Metals integrated NEOMAX
 - Provide wide-ranging magnetic material and other solutions such as amorphous metal materials and magnets for motors
 - Maximize group synergies, particularly in automotive, electronics and industrial equipment fields
- Raising production of anisotropic conductive film for displays (Hitachi Chemical)
 - Construction of new plant (announced November 2006) will raise capacity by 70% (from August 2007)
 - Use in group businesses

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Evolution to group management for high profitability

- Appointed a Hitachi Executive Vice President responsible for monitoring and risk management for each infrastructure business
- Developing concrete plans to reduce the number of consolidated subsidiaries to around 700 for more efficient management

Collaborative creation- and profitability-focused innovations

- Direct linkage between R&D and generating profits
 - Assign 15% of corporate researchers to business divisions, etc. (By March 2008)
 - Shorten R&D period by 30%: using analysis-led design
- Measures focused on fields that will lead to the creation of future profits
 - Advanced exhaust gas treatment in coal-fired thermal power
 - Succeeded in prototyping and operating spintronic memory device
 - Hybrid railcar drive systems
 - Silicon photonics
- Innovation through collaborative creation
 - GE, GM, HP, Unicharm, Kowa Real Estate, SAFIA (iVDR copyright protection), etc.
 - Appointed 6 Corporate Business Creators, leaders of new businesses emphasizing collaborative creation

Full emphasis on market-orientated approach
in the world's growing markets

- Overseas sales ratio FY2006 41% → FY2009 45%
- Enhance response to BRICs and other markets
 - [Cultivation of and Localization in the Chinese Market]
Formulated new Hitachi Group strategy for 2010 (November 2006)
 - [Advancing Into the Indian Market]
Began cross-group India strategy meetings (April 2007)
 - [Strengthened operations in Middle Eastern market]
Made the Middle East Office a branch (April 2007)
- Bolster global proposal capabilities
 - Strengthen “One Window sales”—unified sales activities representing the whole Hitachi Group to customers
 - Enhance cross-group proposal capabilities through global expansion of Hitachi Consulting Corporation

Accelerate capturing synergies

- Accelerate capturing synergies between businesses
 - [Motor and Inverter]
Synergies from integration of motor and inverter research, and through Motor Power Systems Division
 - [Batteries]
Accelerate development of batteries throughout Hitachi group in automotive, railcar and power tool fields
 - [Urban Planning and Development Project]
Provide group-unified total solutions from elevator/escalator, information systems to building maintenance service
- Use operational synergies to improve earnings
 - Further strengthen purchasing power of group as a whole: strengthen centralized purchasing and establish group procurement information system

Advancing CSR

- **Promote environmental protection activities**
 - Established an environmental management system for the Hitachi Group based on the ISO 14001 international standard (October 2006)
 - Launched certification system for Super Eco-Factories*
 - Registered 32 Super Eco-Products**
- **Foster CSR awareness with business partners**
 - Issued Guidelines for Procurement Activities to overseas suppliers
 - Achieved green supplier ratio of 100%
- **Promote social contribution activities**
 - Held classes on universal design at 10 elementary schools in Japan
- **Instill a CSR mindset**
 - Ran seminars at overseas subsidiaries in China (Beijing, Shanghai and Guangzhou) and in Asia (Singapore, Thailand, Malaysia)
 - Offered CSR e-learning program at 103 companies in Japan

* Super Eco-Factories: Factories realizing leading-edge environmental protection systems

** Super Eco-Products: Products evaluated from outside a company as products with high environmental efficiency



Enhance MONOZUKURI capabilities

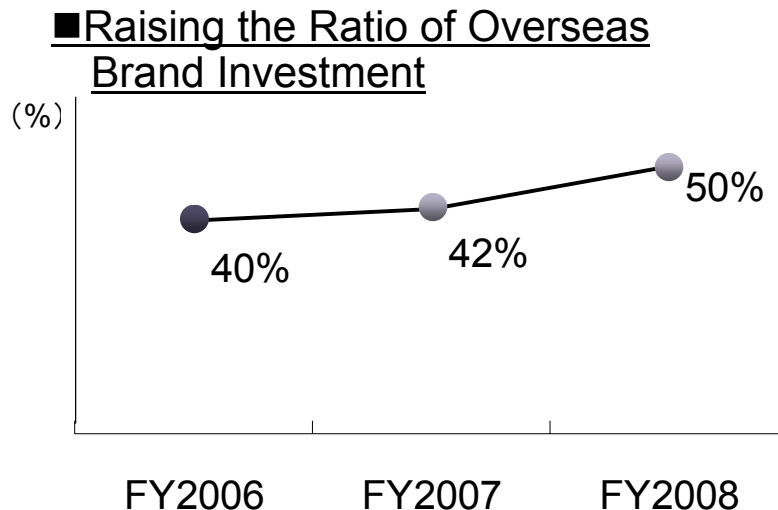
- Strengthen MONOZUKURI capabilities through Supervisory Office for MONOZUKURI (September 2006)
 - Develop initiatives to strengthen capabilities through 6 subcommittees, including Development, Design and Manufacturing Process Reform and Reliability Enhancement
- Promote integrated system reforms
- Cut losses by reforming total supply chain management (SCM) globally (reduced 16% YoY in FY2006)
- Globalizing e-Meister activities: passing on techniques of highly skilled veterans using latest digital media technologies

Enhance human resources capabilities

- Develop human resources who can act globally and assign and use the right people in optimal positions
 - Promote employee performance excellence in every countries, including Hitachi Global Leadership Program
 - Ready to Inspire, uniform education for managers worldwide
 - Greater use overseas of Hitachi Group joint recruitment (China, Singapore, Thailand, Malaysia)

Increase brand investment overseas

- Increase ratio of overseas investment to 50% (in FY2008) to strengthen the Hitachi brand value overseas
 - North America: “Hitachi True Stories” web documentary
 - Europe: Hitachi technology exhibition in the U.K. (planned for February 2008)
 - China: Run campaigns focused on the environment and energy conservation
 - Asia: Launched campaigns mainly in India
 - Middle East: Posted billboards in Dubai, and Cairo, Egypt



Hitachi True Stories

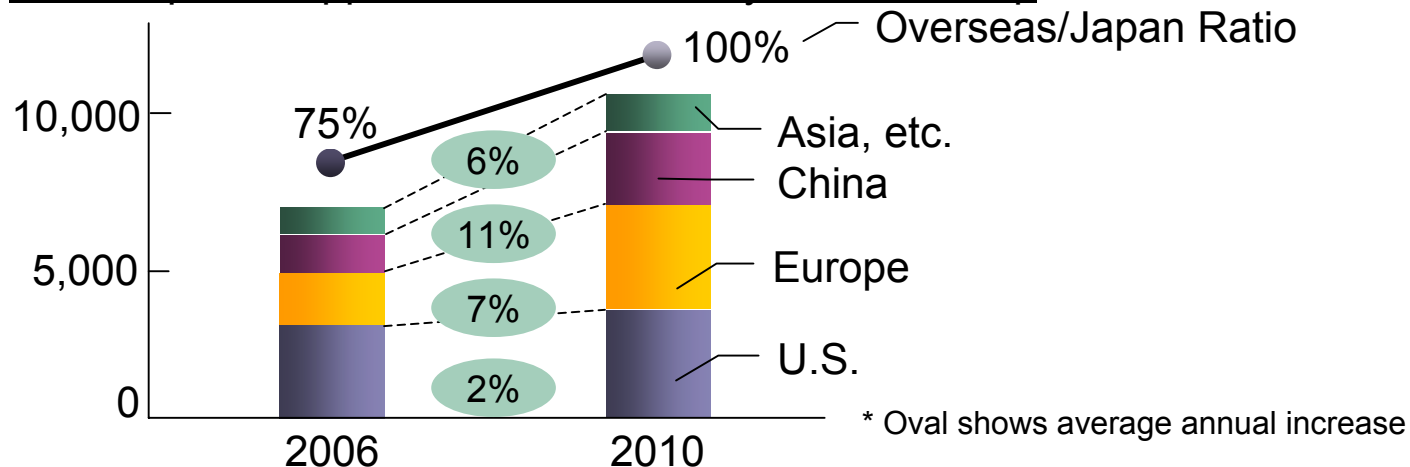
Strengthen global patent strategy

● Strengthen strategic use of global patents

- Strategically promote intellectual property rights (U.S., Europe, China, India; compliance with international standards)
- Expand income from emerging markets (China, India, etc.)
- Use to help win orders globally (Railway, etc.)
- Effectively utilize international standard patent pool (SAFIA ,Blu-ray Disc, Digital TV, etc.)

➔ Increase ratio of global patents to double value of intellectual property

■ No. of patent applications overseas by Hitachi Group



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Contribute to society
through the development
of superior technology and products

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:

- fluctuations in product demand and industry capacity, 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 change, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- increasing commoditization of information technology products, and intensifying price competition in the market for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- fluctuations in rates of exchange for the yen and other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly between the yen and the U.S. dollar;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand and/or exchange rates;
- general socio-economic and political conditions and the regulatory and trade environment of Hitachi’s major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, a return to stagnation or deterioration of the Japanese economy, or direct or indirect restriction by other nations on imports;
- 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 results of litigation and legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- 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.

The factors listed above are not all-inclusive and are in addition to other factors contained in Hitachi’s periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.

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Inspire the Next 