

FOR IMMEDIATE RELEASE

**Hitachi Unveils Next Medium-Term Management Plan  
“i.e.HITACHI Plan II”**

Tokyo, January 30, 2003 --- Hitachi, Ltd. (TSE:6501/NYSE:HIT) today unveiled its next medium-term management plan, “i.e.HITACHI Plan II.” The plan calls for Hitachi to fully leverage its greatest strength, namely its ability to create new businesses by fusing technologies and knowledge. Other imperatives include exiting certain businesses that currently account for approximately 20% of Hitachi’s net sales, and realigning its business portfolio to expand targeted business domains. FIV\* (Future Inspiration Value) will be used to make decisions to exit, strengthen or incubate various businesses.

\*FIV is Hitachi’s economic value-added evaluation index in which the cost of capital is deducted from after-tax operating profit. After-tax operating profit must exceed the cost of capital to achieve positive FIV.

The Hitachi Group has obtained a vast store of knowledge grounded on a variety of experiences and expertise gained through businesses with various customers. To sustain its business in the future, Hitachi must provide products and services in the form of solutions that satisfy customer requirements. Indeed, the provision of solutions that satisfy customers is the key to generating earnings. Hitachi’s realignment of its business portfolio using FIV is also a way of selecting and eliminating businesses from the standpoint of customers.

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Hitachi is positioning the three-year period that runs through fiscal 2005 (ending in March 2006) as a key juncture for pushing through major reforms of its operating framework and focusing on highly profitable businesses. Central to this aim is a renewed focus on generating a high level of earnings, rather than driving sales growth. Hitachi will exit businesses that now generate a combined 20% of current net sales, but expects net sales to remain largely flat through measures to expand targeted business domains and new businesses, as well as to achieve positive FIV in fiscal 2005.

Critical to achieving positive FIV in fiscal 2005 is following up on progress made towards the goals of the new medium-term management plan. Another imperative is annually updating actions prescribed by the plan. These processes will allow Hitachi to implement a variety of measures to achieve its goals, including additional measures as deemed necessary.

Hitachi will strengthen Group management. Key actions include the adoption of the Committee System at Hitachi and major Hitachi Group companies. This move is being made in accordance with recent revisions to Japan's Commercial Code. Under this system, Hitachi will invite outside directors. Also, Hitachi directors and executive officers will be represented on the boards of group companies as outside directors and group companies' directors will be represented on Hitachi's Board of Directors.

#### **1. Fiscal 2005 Goals of "i.e.HITACHI Plan II"**

- Achieving positive FIV
- Operating margin of at least 5% (Information & Telecommunications Systems: at least 7%; Power & Industrial Systems: at least 4%)
- ROE of at least 8%
- Maintain a single-A grade long-term credit rating

#### **2. Key Measures of "i.e.HITACHI Plan II"**

Hitachi will continue to realign its business portfolio using FIV as a benchmark, channeling more resources into targeted businesses. Hitachi will also implement group-wide measures that include promoting the creation of new businesses that capture synergies and strengthening its financial position.

■ **Realignment of Business Portfolio: Exit Businesses Totaling 20% of Net Sales, While Increasing Earnings by Bolstering Targeted Businesses and Creating New Businesses**

Hitachi will focus resources on “New Era Lifeline Support Solutions” and “Global Products Incorporating Advanced Technology” to strengthen targeted businesses.

Hitachi will transform budding ventures into future core businesses by fusing its superior technologies and knowledge to satisfy the demands of society. Hitachi is already focused on four targeted areas: “IT-Based Quality Lifestyle Solutions,” “Sustainable Environmental Solutions,” “Advanced Healthcare Solutions” and “Intelligent Management Solutions.”

Hitachi will exit certain businesses, together accounting for roughly 20% of net sales, as candidates for withdrawal, based on their lack of synergy with targeted business domains or the difficulty of achieving positive FIV. Hitachi will move to implement these actions in the early stages of the new plan. Details will be announced as soon as they are finalized.

■ **Accelerate Globalization: Identify Businesses Suitable for Globalization and Focus Resources on Strengthening Them**

Hitachi will identify businesses and products with the potential to rank among the top three in their global markets, treating them as businesses suitable for globalization. By channeling resources into these businesses, Hitachi will strengthen its global competitiveness and drive further growth.

In China, where continued high growth is expected, Hitachi will be shifting to a new operating framework that permits greater efficiency, after reviewing the current framework from the perspective of strengthening sales capabilities.

■ **CII (Corporate Innovation Initiative) II**

Emphasis on Frontline Operations: Hitachi will emphasize problem solving by vesting responsibility and authority closer to the frontline, while clarifying goals for each frontline, including marketing, product development and manufacturing.

“Inspire A Business”: Strategic businesses that Hitachi will reinforce will be designated as “Inspire A Business.” Hitachi will implement a diverse range of measures to strengthen these businesses including strategically allocating funds, as necessary, and establishing an operating framework that facilitates collaboration across many businesses.

Project C II: Hitachi will continue to strengthen cash-flow management by improving the efficiency of working capital while selectively making investments using FIV. The goal is to continuously improve free cash flow.

Project D: Hitachi will work to further reduce procurement costs, building on the results of its Procurement Renewal Project (PRP).

■ **Raise Motivation and Utilize Human Resources Effectively**

Hitachi will establish a framework that facilitates rapid execution of projects involving multiple departments and promote the dynamic allocation of human resources to wider fields of endeavor. In addition to a personnel database called the Human Capital Data Base, Hitachi will introduce the 360-degree Feedback Program to managers and higher posts, the Free Agent Policy (in-house job seeking policy), e-learning and e-communication systems. By utilizing these measures, Hitachi will change its corporate culture dynamically.

Hitachi is also concentrating efforts on fostering human resources that can succeed on the global stage, and developing future candidates for senior management posts, by supporting skill development programs and the exchange of personnel among Hitachi Group companies.

■ **Hitachi and Major Group Companies to Adopt the Committee System**

Hitachi and 18 publicly-held group companies will alter their corporate governance structure by adopting the Committee System, which will ensure effective supervision of management and transparency, while clarifying accountability and authority at the business execution level to run Hitachi’s businesses with greater agility. This measure is subject to approval at the Ordinary General Meeting of Shareholders of Hitachi and each group company and by their respective Board of Directors. Under this new system, certain group companies’ directors will be represented on Hitachi’s Board of Directors, and Hitachi directors and executive officers will be represented on the boards of group companies as outside directors. This will produce a corporate governance structure that will facilitate “strategically integrated management,” capture synergies at the consolidated level and promote innovation by fusing strengths.

### **3. Targeted Businesses in “i.e.HITACHI Plan II”**

#### **3-1. Vision for Hitachi: “Best Solution Partner”**

Under the incumbent “i.e. HITACHI Plan,” which runs through fiscal 2002, Hitachi provided information systems services and social infrastructure systems that fully leverage Hitachi’s IT and knowledge—plus the key hardware, software and highly functional materials and components—with efforts directed at becoming the “best solution partner.” Another initiative was structural reforms designed to transform Hitachi into a global supplier capable of providing total solutions in its targeted fields.

Building on this basic approach, the new “i.e.HITACHI Plan II” targets two primary business domains—“New Era Lifeline Support Solutions,” which further fuse and enhance information system services, such as systems integration and services, and social infrastructure systems, such as power systems; and “Global Products Incorporating Advanced Technology,” where Hitachi aims to achieve strong growth in global markets, focusing on technologies, as well as high performance hardware and software, that incorporate knowledge from several disciplines. Hitachi will work to differentiate itself from competitors by capturing synergies between these two business domains.

#### **3-2. “New Era Lifeline Support Solutions”**

In the course of its history, Hitachi has gained extensive experience and expertise in social infrastructure systems, as well as cutting-edge technologies and knowledge in information system services. “New Era Lifeline Support Solutions” encompass a wide range of fields, from traditional electricity, gas and water utilities to information domains, which are an emerging social infrastructure. In this rapidly growing field, Hitachi hopes to bring together its knowledge, technology and expertise to create new value. In this regard, fields that give full play to Hitachi’s strengths include existing SAN/NAS Storage Solutions as well as biomedical business fields and solutions that incorporate mu-chips, the world’s smallest, radio frequency identification (RFID) IC chips, which are set to give rise to a promising new business.

Looking ahead, Hitachi will flexibly initiate projects that span businesses in fields that transcend business group or company boundaries, to satisfy new market and customer demands. Hitachi is already on the move.

### <Examples of Targeted Businesses>

#### ■ SAN/NAS Storage Solutions

Hitachi will work to further enhance the high-performance functions of disk array sub systems, where Hitachi holds a high global market share. Also, Hitachi will further strengthen storage solutions, combining these systems with data storage management software employing system operations management technology. Hitachi has a leading track record in these technologies in Japan. Another priority will be to deepen strategic alliances with overseas partners to reinforce Hitachi's businesses on a global scale. Through these measures, Hitachi is targeting sales of approximately 400 billion yen in fiscal 2005, which corresponds to a 50% increase compared to fiscal 2002.

#### ■ Biomedical Business

The biomedical market is being reshaped by the growing reliance on advanced medical treatment, the advent of personalized medical services and medical applications of biotechnology. Opportunities for the Hitachi Group are clearly multiplying. Hitachi established the Medical Strategy Council in October 2002 to spearhead the formulation of Group-wide strategies aimed at increasing the profitability of the mainstay medical diagnostic systems business and rapidly developing new businesses with high-growth potential. Focusing resources on three strategic emerging domains will carry Hitachi to this goal. The first domain is Advanced Diagnosis and Therapy, which will provide diagnostic and therapeutic systems that employ cutting-edge technologies, such as Positron Emission Tomography (PET) cancer diagnosis, proton beam cancer therapy, intelligent operating rooms and robot-assisted surgery. The second is Applied Medical Biotechnology. Hitachi will break into the fields of DNA diagnosis and tissue engineering by fully capitalizing on technologies and expertise gained from experience in developing biotechnology research equipment, such as DNA sequencers, where Hitachi holds a high global market share, and in the outsourcing business of bio-analysis. The third domain is Medical Services, which involve sales of home diagnostic devices and related services. Demand is expected to grow rapidly in the diabetes prevention and treatment market and for management support systems for hospitals. Hitachi is targeting sales of 400 billion yen in fiscal 2005, which corresponds to an 80% increase compared to fiscal 2002.

■ **Urban Redevelopment Business**

Hitachi will develop comprehensive solutions that support the entire lifecycle of urban neighborhoods to meet emerging needs for urban redevelopment in Japan, a market that promises to grow rapidly in the future. Beginning with urban planning, Hitachi will perform many tasks: basic surveys, such as checking for soil contamination; total building facility solutions that cover earthquake-resistance systems, network and IT systems, elevators and air conditioning systems; total solutions relating to building management, which address everything from security to power-supply management; efficient building renewal solutions; and building material recycling services when the building is eventually torn down. Hitachi is targeting sales of approximately 300 billion yen in fiscal 2005, which corresponds to a 10% increase compared to fiscal 2002.

■ **Strategic Outsourcing Business**

Hitachi is focusing on the Strategic Outsourcing Business, which targets fields where Hitachi can deliver a comprehensive range of knowledge, expertise and technologies from experience in a diverse range of businesses to help customers run their businesses. These fields include IT systems operations, shared services and financial services. Under certain circumstances, Hitachi will form joint ventures with client companies to proactively initiate businesses. Hitachi projects sales of 130 billion yen in 2005, which corresponds to a 170% increase compared to fiscal 2002.

■ **Railway Systems Business**

The Railway Systems business is based on two main technological concepts. One is the B-System, which employs broadband networks to enable multimedia passenger services, remote maintenance and optimum total control of inverters. The other is the A-Train concept, which is a collection of advanced technologies that includes an aluminum double skin structure, Friction Stir Welding Technology and module interior. Hitachi targets sales of approximately 80 billion yen in fiscal 2005, which corresponds to a 10% increase compared to fiscal 2002. Key measures aimed at meeting this target include strengthening alliances with signal manufacturers, and entering into the lease businesses.

### ■ **Mu-Chip (World's Smallest RFID IC Chips) Solutions**

Mu solutions feature Hitachi's mu-chip—a key device for creating a safe and comfortable ubiquitous information society. These solutions are proving useful in a growing number of settings, such as management of steel products and tickets to the 2005 World Exposition, Aichi, Japan. The mu-chip is small enough to be embedded in paper and is equipped with advanced security functions. Leveraging these outstanding features, Hitachi is joining hands with customers and partners worldwide to build new business models in a variety of fields, ranging from product supply chains to quality assurance and authentication. Hitachi aims to create a new market and generate sales of approximately 15 billion yen from mu-chip solutions in fiscal 2005. Hitachi is aiming to achieve further growth in fiscal 2006 and thereafter.

### **3-3. Global Products Incorporating Advanced Technology**

Hitachi views the confidence placed in its products by its customers as an important source of trust in the entire organization. Since its establishment in 1910, Hitachi has been identified with the creation of reliable products incorporating advanced technology. Looking ahead, Hitachi will continue to pour its energy into “Global Products Incorporating Advanced Technology,” which mainly include hardware and software combining both highly competitive technologies and interdisciplinary knowledge. Developed to drive high growth in global markets, these products are designated “Businesses Suitable for Globalization” where Hitachi believes it can rise above global competition. Moving forward, Hitachi will strategically reinforce these businesses.

#### **<Examples of Targeted Businesses>**

### ■ **Hard Disk Drive (HDD) Business**

Hitachi will make capital investments totaling around 60 billion yen annually to enhance the world-class technological capabilities of Hitachi Global Storage Technologies, Inc. with the aim of developing and commercializing competitive products. The goal is to achieve positive operating income by fiscal 2004 and further improve profitability thereafter. Hard disk drives constitute key components of SAN/NAS Storage Solutions provided by Hitachi, and as such will also be applied in future to New Era Lifeline Support Solutions. HDDs are also finding new applications in the broadband market, such as in digital consumer electronics. Hitachi Global Storage Technologies is currently finalizing detailed business plans. Hitachi will strategically reinforce this HDD business, in view of the strategic importance of this product for the entire Group. Hitachi is targeting sales of 780 billion yen from the HDD business in fiscal 2005, including sales from operations acquired from IBM. This sales target is six times greater than sales for fiscal 2002.

#### ■ **Automotive Equipment Business**

In response to the projected enactment of new automobile-related environmental regulations, automotive devices such as electric-power trains, which are expected to become widely used starting from 2006, represent a business domain promising immense growth in the future. Hitachi has already made upfront investments in product development, with the goal of transforming this field into a future core business. Hitachi's efforts are not limited to the automotive components business. Group-wide initiatives will be taken to create such value-added businesses as car information system solutions, which include wide-area telematics services. Hitachi is targeting sales of 370 billion yen in fiscal 2005 from the Automotive Equipment Business, which represents 30% increase compared to fiscal 2002 sales. This target includes the sales contribution of Unisia JECs Corporation (now Hitachi Unisia Automotive, Ltd.), which became a wholly owned subsidiary of Hitachi in fiscal 2002 (Second-half sales included in fiscal 2002.) Hitachi is looking to spur further growth in anticipation of an expanding market in fiscal 2006 and beyond.

#### ■ **Semiconductor Production Equipment Business**

Hitachi will implement strategic investments in product development alongside group companies responsible for expanding this business. In addition, the Semiconductor Production Equipment Steering Committee has been established to ensure that this business is conducted efficiently from a group-wide perspective. Hitachi aims for sales of 300 billion yen in fiscal 2005, which corresponds to a 70% increase compared to fiscal 2002.

#### ■ **Battery Business**

Hitachi is pressing ahead with the development of various batteries such as lithium-ion batteries for automotive use and fuel cells for mobile devices. Hitachi is studying the feasibility of applying these technologies as key devices for home network systems and building facilities systems in the future. This will become a Group-wide project. These new battery and fuel cell products are projected to generate sales of 6 billion yen in fiscal 2005. Looking ahead to the emergence of new markets in fiscal 2006 and thereafter, Hitachi will endeavor to expand its business further.

#### **4. Conclusion**

Hitachi's business environment is expected to grow increasingly challenging over the next three years through fiscal 2005. In this climate, Hitachi will accelerate the creation of new businesses, drawing on Hitachi's wealth of accumulated technological capabilities, which is one of Hitachi's greatest strengths. Another key measure is structural reforms, which will entail exiting unprofitable businesses.

Under the “i.e.HITACHI Plan II,” Hitachi will establish a highly profitable earnings structure centered on its two primary business domains: “New Era Lifeline Support Solutions,” which will further strengthen and fuse information system services and social infrastructure systems; and “Global Products Incorporating Advanced Technology,” which combines highly competitive technologies with hardware and software that incorporate knowledge from diverse disciplines.

Hitachi, Ltd., headquartered in Tokyo, Japan, is a leading global electronics company, with approximately 320,000 employees worldwide. Fiscal 2001 (ended March 31, 2002) consolidated sales totaled 7,994 billion yen (\$60.1 billion). The company offers a wide range of systems, products and services in market sectors, including information systems, electronic devices, power and industrial systems, consumer products, materials and financial services. For more information on Hitachi, please visit the company's Web site at <http://global.hitachi.com>.

#### Cautionary Statement

This document contains forward-looking statements which reflect management's current views with respect to certain future events and financial performance. Words such as "anticipate," "believe," "expect," "estimate," "intend," "plan," "project" and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements and from historical trends. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements include, but are not limited to, rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices segment; uncertainty as to Hitachi's ability to continue to develop products and to market products that incorporate new technology on a timely and cost-effective basis and achieve market acceptance; fluctuations in product demand and industry capacity, 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; 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 access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in Japan; 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 economic conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, continued stagnation or deterioration of the Japanese economy, or direct or indirect restriction by other nations of imports; uncertainty as to Hitachi's access to, or protection for, certain intellectual property rights, particularly those related to electronics and data processing technologies; Hitachi's dependence on alliances with other corporations in designing or developing certain products; and the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.

These factors listed above are not exclusive and are in addition to other factors that are stated or indicated elsewhere in this document, or in other materials published by the Company.

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