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# Hitachi Announces Performance Improvement Measures

Tokyo, January 30, 2009 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced that it would rigorously pursue the following measures designed to improve profitability and spur future growth in the face of a rapidly changing operating environment. Hitachi is determined to implement far-reaching structural reforms while at the same time using its advanced technologies to address needs related to social, industrial, life and information infrastructure, fields that are expected to see growth over the medium and long terms worldwide.

## 1. Emergent Performance Improvement Measures

### (1) Thoroughly Execute Business Structural Reforms

Economic stagnation is expected to persist for the foreseeable future, making revenue expansion unlikely. Against this backdrop, Hitachi plans to execute the following business structural and cost-structure reforms that are designed to create a robust operating structure that can secure earnings and generate more.

#### 1) Accelerate Business Structural Reforms

Hitachi plans to cut fixed expenses in the order of approximately 200.0 billion yen by the end of fiscal 2009, the year ending March 31, 2010, centered on digital media and automotive systems-related businesses. This measure will be achieved by exiting unprofitable businesses and products with no hope for earnings improvement, conducting a sweeping review of investments, integrating and closing plants as well as rightsizing the workforce in Japan and overseas, among other actions.

Hitachi's Automotive Systems Group has been directly affected by the worldwide fall in auto sales. In this business group, Hitachi plans to optimize its product mix, shift focus to automotive-related systems that address environmental and safety demands, integrate plants worldwide and take other actions. Along with redeploying employees to other divisions within the Group, Hitachi plans to adjust the workforce by around 4,000 globally by the end of fiscal 2009. Subsidiaries such as Hitachi Metals, Ltd., Hitachi Cable, Ltd. and Hitachi Chemical Co., Ltd. with automobile-related businesses also intend to look at and implement drastic measures. Measures to be looked at by subsidiaries include restructuring plants across the globe, postponing the launch of operations at new overseas plants, freezing new investments and rightsizing the workforces at these and other subsidiaries.

The Consumer Business Group, meanwhile, is operating in a difficult business environment, especially for flat-panel TVs. Since last year it has been implementing structural reforms to achieve the right workforce size and these ongoing actions have already seen to adjust by 1,000, including reassignments to other divisions in the Group. Looking ahead, however, plans call for roughly another 3,000 rightsizing by the end of fiscal 2009 worldwide.

Furthermore, Hitachi is cutting back on overtime, suspending operations, redeploying personnel, reviewing the number of non-permanent employees and implementing other initiatives, or has plans to do so, according to changes in work and production volume in each business and division. These actions will be extended to other business fields.

At the same time, Hitachi Group’s business resources will be shifted to business fields harboring medium- and long-term growth prospects, such as social, industrial, life and information infrastructure and relevant service fields related to the environment and energy conservation. By mustering the Group’s human resources and technological capabilities, Hitachi hopes to strengthen and generate higher earnings in these fields as well as accelerate global development of these businesses in newly emerging nations and regions.

**(2) Cut Costs With the Help of All Employees**

Hitachi Group is presently pushing ahead with a Group Workforce Activity called “Strengthening The Base ’08-‘09”. Over the two-year period from April 2008 to March 2010, the Hitachi Group aims to strengthen operations, based on the assumption that business conditions will be worsened. Some of the themes of this Group-wide drive are capitalizing on Hitachi’s MONOZUKURI (manufacturing) expertise, strengthening development and purchasing power capabilities, and harnessing IT to innovate in businesses and administrative work. Hitachi now intends to step up these activities to achieve deeper cost reductions. As part of efforts, it will review all costs, as it works to create an improved cost structure.

**1) Reduce Operating Expenses**

Hitachi will comprehensively and thoroughly review all operating expenses in a bid to hold down expenses as a matter of priority. This will entail strictly screening advertising expenditures and reviewing participation and the staging of exhibitions and special events.

**2) Cut Procurement Expenses**

Hitachi will expand the scope of Group centralized purchasing worldwide, take advantage of the strong yen to make greater use of materials from overseas, and take other steps as it strives to reduce procurement expenses further. By implementing these measures, Hitachi will cut procurement expenses in the order of approximately 300.0 billion yen for fiscal 2009, year ending March 31, 2010.

**3) Promote Shared Services**

In a wide range of fields, extending from procurement and distribution to document services, cafeteria operations, security, personnel management and financial management, the Group is increasingly using shared services. Hitachi plans to accelerate this push as well as use shared services more for recycling industrial waste to play its part in addressing environmental problems.

**4) Bolster Project Management Capabilities**

Enforcing phase-gate management in every project should prevent unprofitable projects and reduce total costs.

**(3) Improve Group Management Efficiency to Generate Higher Earnings**

Raising Group management efficiency is another goal and efforts will be stepped up in this regard.

**1) Reduce the Number of Consolidated Subsidiaries**

Hitachi plans to reduce the number of consolidated subsidiaries in order to increase efficiency and enhance governance. To this end, it will consolidate overlapping business operations and integrate administrative divisions. The goal is to have fewer than 800 Group companies by the end of March 2010, compared with 910 at March 31, 2008.

**2) Improve Capital Structure within the Group**

In January 2009, Hitachi decided to make Hitachi Kokusai Electric Inc. and Hitachi Koki Co., Ltd. consolidated subsidiaries by way of tender offers in a bid to strengthen the Hitachi Group’s collective capabilities. It will continue to enhance capital structure and equity-based relationships within Hitachi Group.

**(4) Link Personnel Expenses to Performance**

Hitachi has paid bonuses up until now based on performance and this has functioned to control personnel expenses. Given its business results, Hitachi plans to reduce management bonuses accordingly. The Company will also aim to save costs across the board, including welfare-related expenses.

In light of the sharp deterioration in earnings, and to clarify their responsibility for ensuring measures are pushed through to turn results around, Hitachi plans to cut the bonuses and monthly remuneration of executive officers.

**(5) Secure and Generate Cash Flows**

Hitachi will secure cash flows by, as a rule, freezing investment, and reducing inventories and expediting the collection of accounts receivable to reduce working capital requirements.

**1) Thoroughly Reduce Investment Costs, Including Freezing Capital Expenditures**

Hitachi will rigorously scrutinize investments, including capital expenditures, and in principle freeze investments for ramping up output for the time being. It will also look very closely at other projects by evaluating the timing of investments as it works to keep a lid on expenditures.

**2) Reduce Working Capital Requirements**

With markets in a state of flux, Hitachi will shorten lead times by quickly assessing supply-demand conditions with the goal of reducing inventory levels. In addition, by reducing bad-debt cost, collecting receivables quicker and improving management of doubtful accounts, Hitachi aims to ensure sufficient cash flows.

**2. Future Initiatives in Core Businesses**

Although the operating environment is challenging, business fields such as those connected with the environment and energy conservation in social, industrial, and information infrastructure fields and related services around the world are relatively robust—and these fields promise considerable expansion when an economic recovery does arrive.

Leveraging the environmental and energy saving-related technologies it has built up to date, the Hitachi Group intends to concentrate management resources in fields where it excels in a drive to strengthen these fields and generate even higher earnings as well as to accelerate the pace of global business development in emerging nations and regions. Some of these fields where the Hitachi Group boasts a competitive advantage are nuclear power generation, highly efficient coal-fired thermal power generation, recyclable energies such as solar and wind power, eco-friendly railway systems and various industrial systems, hybrid construction machinery, urban energy-saving solutions, eco-conscious data centers and wide-ranging security-related fields. By developing these infrastructure-related businesses locally, Hitachi will mitigate forex and other risks. Moreover, Hitachi will urgently shift focus to hybrid and electric vehicles in automotive systems-related businesses.

High-performance motors and inverters, highly reliable lithium-ion industrial and automotive batteries, and other highly functional materials and components that help to powerfully differentiate products are key devices in the social infrastructure, industrial infrastructure, eco-friendly automotive products and other fields. With regard to these key devices, Hitachi will strengthen its activities in these fields to generate synergies and lay the foundations for future growth by continuously investing in research & development activities and establishing elemental technologies for the fields.

Hitachi plans to form a cross-business unit for highly reliable lithium-ion industrial and automotive batteries and a R&D unit for next-generation battery. In the field of recyclable energies such as solar and wind power, as of April 2009 Hitachi will launch a Power generation system promotion unit utilizing Power system control, storage and smart grid technology.

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**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:

- 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;

- 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 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;

- increases 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 fluctuation and/or increases in 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, a return to stagnation or a deterioration of the Japanese economy, 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.

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.

**About Hitachi, Ltd.**

Hitachi, Ltd., (NYSE: HIT / TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 390,000 employees worldwide. Fiscal 2007 (ended March 31, 2008) consolidated revenues totaled 11,226 billion yen ($112.3 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, logistics and financial services. For more information on Hitachi, please visit the company's website at http://www.hitachi.com.

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