

Hitachi Reorganizes the Group Companies to Strengthen its Outsourcing Business  
Hitachi Information Systems and Hitachi netBusiness to Merge

Tokyo, December 2, 2003 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) and Hitachi Information Systems, Ltd. announced today that they had agreed to merge its wholly owned subsidiary, Hitachi netBusiness, Ltd. with Hitachi Information Systems to strengthen the Hitachi Group's outsourcing business. Under the agreement, Hitachi Information Systems will succeed their businesses under a simplified merger arrangement. Hitachi will receive 161 shares of Hitachi Information Systems common stock for every 1 Hitachi netBusiness share held.

At this merger, which is scheduled to take place on April 1, 2004, Hitachi's operation and administration functions of its data center-based outsourcing business will be integrated into Hitachi Information Systems. Hitachi Information Systems is skilled in the implementation of IT systems, including networks, boasts comprehensive knowledge in IT services and has a strong sales force. Hitachi netBusiness' strong suit is its operational expertise of Internet Data Centers (iDCs) and security. By bringing personnel and technologies under one umbrella, the merger will strengthen the Hitachi Group's leadership in its outsourcing business.

Today, as most companies are trying to restructure their businesses and are cutting their fixed costs to survive under the severe competition, one of the most important

challenges is focusing its management resources into their core competence. At the same time, it is increasingly becoming one of the keys for success to utilize the latest, most suitable IT systems in such difficult conditions. More and more companies are outsourcing their IT systems in a bid to simultaneously solve these issues and the market is expected to spell more expansion.

Hitachi has positioned outsourcing business as a strategic area in its Medium-Term management plan, "i.e.HITACHI Plan II," as a means of promoting the growth of fee-based IT services to create a highly profitable earnings structure. The goal is to develop a Strategic Outsourcing Business that provides total customer support services, including shared services and financial services, in addition to the existing outsourcing services through data centers. Provision of this support services includes the establishment of joint ventures in partnership with customers. Already, Hitachi has been working side by side with such as UFJ Bank Limited and Nichirei Corporation.

Hitachi Information Systems, which is advocating the concept of The Best Application Solution, is well versed in the provision of total integrated IT services, including network technology, that extend from the implementation of application systems to performing operations for customers on a contract basis. In its outsourcing business, in particular, Hitachi Information Systems is stepping up efforts to deliver high value-added outsourcing and management services through data centers in line with its CBO (Center Based Operations) strategy, which was formulated this year. These services draw on system management expertise and IT services know-how gained since its establishment.

By gathering the human resources, skills and know-how of both companies under one organization and marrying their complementary strengths, the merger is intended to raise the standard of service and quality of operations. It will create a structure capable of delivering one-stop outsourcing solutions, ranging from operational development through preservation, operation and maintenance to be more competitive and better able to respond to customer needs. By integrating the management and operation of Hitachi's data centers with Hitachi Information Systems, the capacity and operating efficiency of data centers will be improved. The economies of scale yielded by this integration will allow Hitachi Information Systems to price its services even more competitively.

Looking ahead, other actions will be taken to integrate the strategies of the various outsourcing businesses in the Hitachi Group, tapping the strengths of each company and creating synergy to further expand its business.

■Profiles of the Companies to Be Merged (As of March 31, 2003)

Company name	Hitachi Information Systems, Ltd.	Hitachi netBusiness, Ltd.
Businesses	Outsourcing and network services System integration Software development Computer and supplies sales	Outsourcing services Internet data center services
Date of establishment	June 15, 1959	April 21, 2000
Head office	1-16-5, Dogenzaka, Shibuya-ku, Tokyo	World Trade Center Building, 2-4-1 Hamamatsucho, Minato-ku, Tokyo
President	Hisashi Horikoshi	Keiichi Nakane
Capital stock	¥13,162 million	¥3,000 million
No. of employees	5,098	94

■Corporate Profile (Post-Merger)

Company name	Hitachi Information Systems, Ltd.
Businesses	Outsourcing and network services System integration Software development Computers and supplies sales
Head office	1-16-5, Dogenzaka, Shibuya-ku, Tokyo
President	Hisashi Horikoshi
Capital stock	¥13,162 million
Fiscal year-end	March 31

**About Hitachi, Ltd.**

Hitachi, Ltd. (NYSE: HIT), headquartered in Tokyo, Japan, is a leading global electronics company, with approximately 340,000 employees worldwide. Fiscal 2002 (ended March 31, 2003) consolidated sales totaled 8,191.7 billion yen (\$68.3 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 and financial services. For more information on Hitachi, please visit the company's Web site at <http://www.hitachi.com>.

**About Hitachi Information Systems, Ltd.**

Hitachi Information Systems, Ltd. is one of leading IT companies of Hitachi Group. The company provides high-quality one-stop solutions which cover planning, installation, management, evaluation and maintenance of information systems to customers with "Think of customer satisfaction first".

For more Hitachi Information Systems, Ltd., Please visit the company's Web site at <http://www.hitachijoho.com/>.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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