

**HITACHI**  
Inspire the Next

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# Hitachi's Management Strategy

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**April 28, 2005**

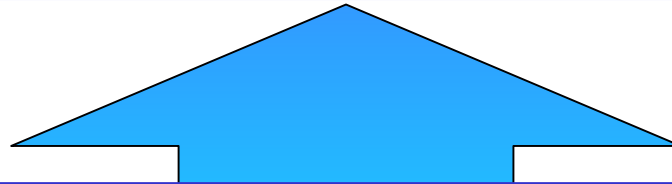
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**Hitachi, Ltd.**

# 01

## **Structural Reforms of “i.e.HITACHI Plan *II*”**

## Reforms to become the “Best Solutions Partner”



Goals	<p>Positive FIV in fiscal 2005          Projections announced on Feb. 2, 2004: Revenues of about 9 trillion yen,          Operating income of more than 400 billion yen</p>
Key initiatives	<p>Build a highly profitable earnings structure through business portfolio realignment          Accelerate globalization          Create new businesses (“Inspire A Businesses ”)</p>

“New Era Lifeline Support Solutions”

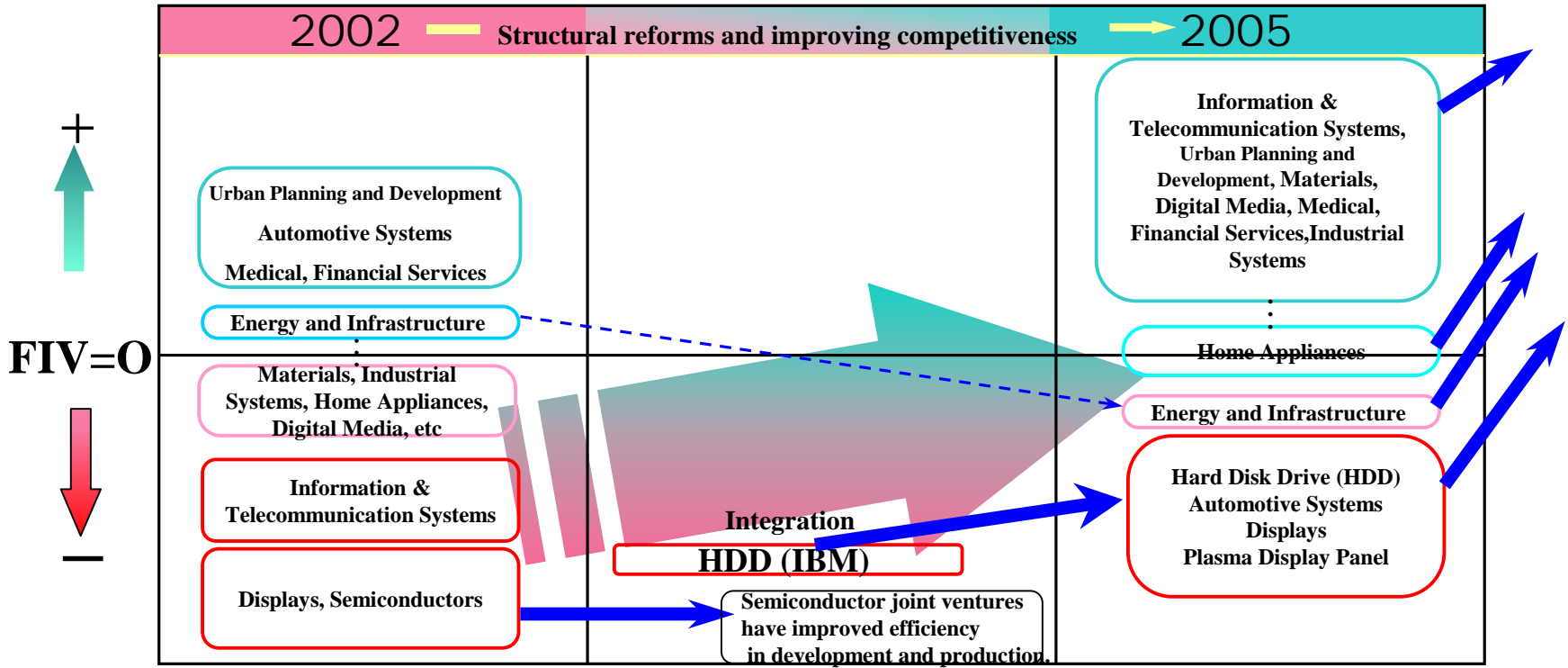
“Global Products Incorporating  
Advanced Technology”

### Mergers, acquisitions, sales and other actions

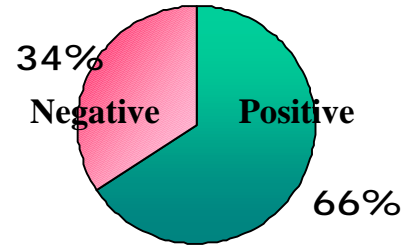
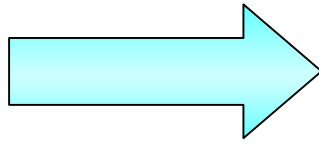
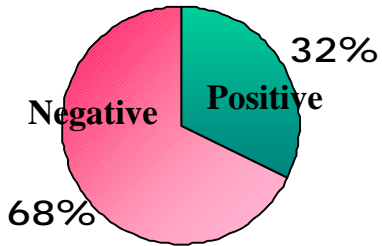
Time	Major actions	Results
1999-2002	Mitsubishi-Hitachi Metals Machinery (JV - equity-method affiliate) Elpida Memory (JV – equity-method affiliate – IPO ) Renesas Technology (JV – equity-method affiliate)	Improving profitability
2003-2005	NEOMAX (acquired) Hitachi Unisia Automotive, TOKICO (merged) Hitachi Omron Terminal Solutions (JV) Hitachi Global Storage Technologies (acquired) IPS Alpha Technology (JV – equity-method affiliate) Fujitsu Hitachi Plasma Display (acquired) Hitachi Printing Solutions (sold)	Made up-front investments to strengthen businesses that can become core operations in the future

### Reorganization of group companies

	Major actions	Results
Integrations and other actions concerning group companies	Hitachi Kokusai Electric Hitachi High-Technologies	Improving profitability
Spin-offs by Hitachi, Ltd.	Hitachi Air Conditioning Systems Hitachi Home & Life Solutions Hitachi Industrial Equipment Systems Hitachi Industries Hitachi Communication Technologies	

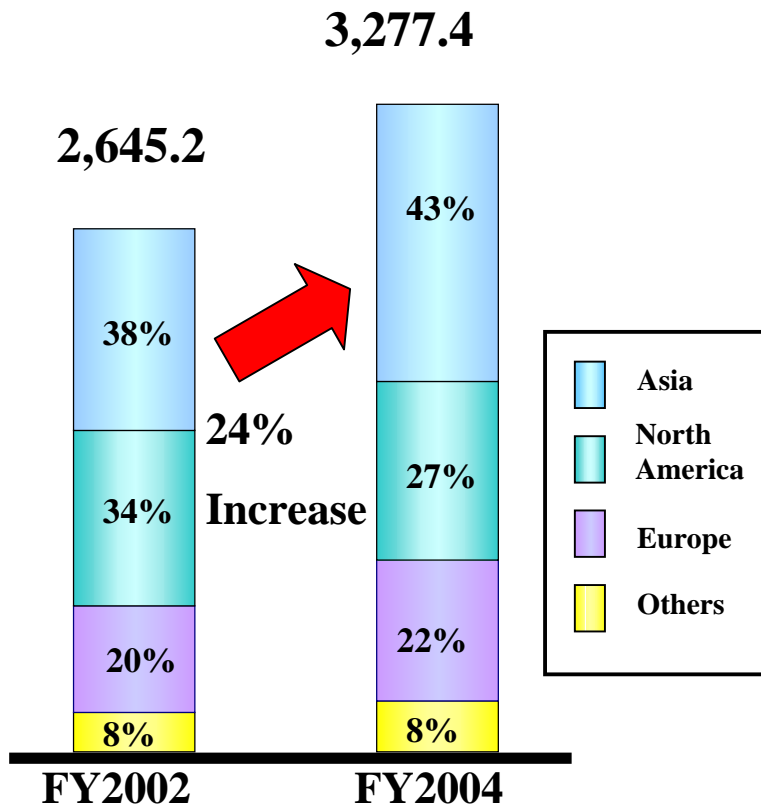


Share of business units with positive FIV



Based on plans of each business unit

Billions of Yen



### Overseas revenues as pct. of consolidated revenues

#Raised from 32%(FY2002) to 36%(FY2004)  
 #Raised Asian sales (mainly China) from 38% to 43%

### Main initiatives implemented since April 1, 2004

#Named Chief Executives for North America, Europe and China  
 #Held the “Hitachi Exhibition - China 2004”  
 #Increased overseas sales bases in storage  
 #Acquired Babcock Borsig Power Systems  
 #Established Hitachi (China) Research & Development Corporation

etc.

## &lt;8 Areas of Business&gt;

Business  
ExpansionAiming to be No. 1 in next  
generation backbone businessAreas to  
FosterPotential new  
backbone business areasAcross  
DivisionsTaking  
advantage of  
Hitachi  
GroupIndividual  
EffortPropelled  
by  
individual  
business  
groupsStorage

- Storage Solutions
- HDDs
- Ubiquitous HDD

Production  
& Testing  
Equipment

- Semiconductor  
& Liquid Crystal Display  
Manufacturing Equip.

Service &  
Solutions

- Outsourcing
- Security Solutions  
(Security PC, Finger  
Vein Personal  
Authentication etc.)
- E-government
- Network Solutions
- RFID Solutions(U Chip)
- **Broadband Access  
Equipment\***
- **System Logistics  
(3PL)\***

Medical & Bio

- Medical Diagnostic  
Systems
- Medical Support  
Systems
- Proton Beam Cancer  
Therapy Systems

Social  
Infrastructure  
Systems

- Urban renewal
- Transportation Systems
- **Coal Thermal Power  
Systems\***

Consumer

- Digital Media
- **PDPs\***
- **TFT LCDs for TV\***

Key Technologies,  
& Devices\*\*

- Nanotechnology & Materials
- Li Batteries
- Fuel Cells

Automotive

- CIS
- Electric
- Power Train
- **Cruise Control\***

**CIS: Car Information System**  
**PDP: Plasma Display Panels**  
**3PL: Third Party Logistics**

\* Newly added theme

\*\* Key Technologies &amp; Devices has merged with Batteries



## Corporate-led Management Reform Initiatives

Name	Initiative	Results
C Project <i>II</i>	Improve net working capital	Generated cash of 300.0 billion yen No. of days cash on hand 86.6 days(March 31, 2002) 74.4 days(March 31, 2005)
D Project	Reduce material procurement expenses, indirect expenses and other expenses	FY04 material procurement costs cut by 300 billion yen year on year FY04 indirect expenses 9.5 billion yen less than in FY02
E Project <i>II</i>	Establish IT infrastructure to raise operating efficiency	Constructed the “New Management Process” Shifted to the “New Working Style” “IT Infrastructure Integration” “Reinforcement and Reorganization of Worldwide Value Chain”
Strengthen Production ability	Develop people and pass down technology through Skill Olympics and other means	No. of entrants in WorldSkills Competition
Increase value of Hitachi brand to youth	Improve communication with younger generation	Improvement in Hitachi’s ranking among companies people most want to work for

# 02

## **Initiatives to Improve Business Results Further**

## ● Fiscal 2005 Forecast

Billions of Yen

	FY2005 forecast	FY2005 projection as of Feb. 2, 2004
Revenues	9,250.0	About 9,000
Operating income	300.0	More than 400.0

## ● Reasons for gap between forecast and Feb. 2004 projection

### Up-front investments to fuel growth in the future

Made Fujitsu Hitachi Plasma Display a subsidiary (Digital Media & Consumer Products)  
 Increased development investments to strengthen key businesses (HDD, LCD, Plasma Display, others)  
 Increased development investments to strengthen "Inspire A business"

### Shifts in market conditions

Falling prices of products and components associated with digital media  
 Higher cost of materials (HDD, Display, Plasma Display, DVD appliance)

### Need for more structural reforms , Improving "Production abilities"

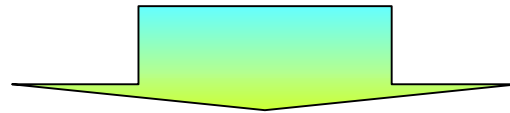
HDD, Display, Power & Industrial Systems, Plasma Display etc.

## Major initiatives to raise operating income above 300.0 billion yen forecast

Information & Telecommunication Systems	Reinforce core businesses, improve HDD earnings
Electronic Devices	Improve LCD earnings
Power & Industrial Systems	Increase orders, focus resources on growing businesses
Digital Media & Consumer Products	Reinforce plasma display business Execute structural reforms in home appliance business
High Functional Materials & Components	Expand business and improve earnings worldwide

## FY2005 – A year to lay the ground work for Hitachi's 100<sup>th</sup> anniversary (2010)

Assignment of action plans to each business group  
Step up efforts to create new businesses  
that capture synergies across the Hitachi Group



## Upcoming initiatives aimed at Hitachi's centenary year (2010)

Concrete actions to “use technology to contribute to society”  
Build business and technology portfolios that fully tap Hitachi's strengths

## 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:

- rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices 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;
- 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 ability to access, or access on favorable terms, liquidity or long-term financing;
- 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 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 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; 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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