

Hitachi to Reorganize Consumer Products and Industrial Components & Equipment Operation

Tokyo, Japan, September 27, 2001 -- Hitachi, Ltd. (TSE: 6501) today announced that it will split off the company's Consumer Products Group and Industrial Components & Equipment Group. The decision of the Board of Directors, reached today, calls for the two groups to be split off in April 2002.

In recent years, Hitachi has progressively put in place the legal systems and otherwise laid the groundwork for full-fledged consolidated management. As the company's worth increasingly came to be assessed in terms of consolidated value, Hitachi in November 1999 launched the i.e. Hitachi Plan, a medium-term management plan aimed at optimally restructuring every business operation for maximum competitive strength in the marketplace.

The rebuilding of businesses is being carried by a variety of methods including M&A, joint ventures and alliances with third parties, reorganization within Hitachi Group, and transfer of business units. Cases of restructuring involving split-offs include Hitachi Air Conditioning Systems Co., Ltd. (formed by splitting off the Air Conditioning Systems Division as an independent company and then merging it with Hitachi Air Conditioning & Refrigeration Co., Ltd., an unlisted subsidiary, in July 1999), Hitachi Industries Co., Ltd. (to be formed in October 2001 by consolidating the Industrial Machinery Systems Division and Hitachi Techno Engineering Co., Ltd., an unlisted subsidiary), and Hitachi High-Technologies Corporation (to be formed in October 2001 by consolidating the Instruments Division, Semiconductor Manufacturing Equipment Division and Nissei Sangyo Co., Ltd., a listed subsidiary).

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The newly announced reorganization involves Consumer Products Group, whose main products are refrigerators, air conditioners, washing machines, vacuum cleaners, microwave ovens and other white goods, and Industrial Components & Equipment Group, whose main products include low-voltage motors, transformers and air compressors. Both groups will be consolidated with their related manufacturing subsidiaries split off earlier, while Industrial Components & Equipment Group will also be merged with associated maintenance service companies, thus reorganizing each into an operation integrated end-to-end from R&D and manufacturing through marketing and after-sales services.

As a company specializing in home appliances, the new company will develop, manufacture and market white goods and will also market digital audio-visual equipments. It will help add momentum to the ongoing Home & Life Solutions initiative, focus its resources on the development of home network appliance systems and other new product sectors, and move forcefully ahead with the expansion of global operations and improvement of marketing and service capabilities. The new company is expected to earn steady profits and aims to post sales of 600 billion yen on consolidated basis in the fiscal year ending March 2004.

The new industrial components and equipment company will meld Hitachi's well-proven technologies in the areas of industrial machinery design and manufacture with top-level expertise and know-how in the provision of engineering and solutions. These capabilities will ensure the new company's ability to come quickly forward with high added-value equipment, services and solutions that reflect immediate market needs and offer customers maximum value for money. As the company capitalizes on its engineering prowess to develop new sectors of business and expand overall operations, it will also move ahead with base consolidation and organizational streamlining for speeding up decision-making and boosting profitability. The new company will aim to post sales of 158 billion yen on consolidated basis in the fiscal year ending March 2004.

1. Reorganization of Consumer Products Operation

The split-off of Consumer Products Group will be carried out under the corporate split provisions of the Japanese Commercial Code. Consumer Products Group will be split off as an independent company and it will take over all operations of its two manufacturing subsidiaries, Hitachi Tochigi Technology Co., Ltd. and Hitachi Taga Electronics Co., Ltd., both of which will then be dissolved. The new company will be a wholly owned subsidiary of Hitachi, Ltd.

Hitachi consolidated the consumer product operations from product planning to marketing through a merger of its consumer products marketing company, Hitachi Sales Corporation, in April 1995. Between 1998 and 1999, manufacturing divisions were reorganized as separate companies to strengthen cost competitiveness. In October 2000, the company concluded an agreement for broad-based cooperation in the field of home appliances with BSH Bosch und Siemens Hausgeräte GmbH of Germany. In May 2001, it entered a strategic partnership with Matsushita Electric Industrial Co., Ltd. that calls for extensive collaboration in the home-appliance sector, particularly in the development and application of eco-friendly technologies for home network appliances and white goods. Purpose of these moves is to add stronger customer-orientation to consumer product operations and to use alliances to expand the business domain and speed up the pace of business.

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In June this year, Hitachi's Consumer Products Group launched the Home & Life Solutions initiative as a new product development strategy to respond to the needs of the coming age of home network appliances.

The home appliance market environment is growing increasingly harsh. Although Hitachi is a particularly large presence in the Japanese market, it needs to put consumer product operations on the fast track if it expects to ensure continuing growth in its global consumer products operations. This means it has to develop the ability to move boldly and flexibly in every facet of the business from R&D and design to manufacturing and marketing.

Still, the market also has a bright side. In Japan, for example, consumer products market long considered to have reached maturity is seeing the emergence of new products with high growth-potential such as plasma TVs, washing-drying machines, induction heater and dish washer-driers. In addition, the home appliance business is expected to enter a new stage with the advent of the home network appliance era.

By integrating all functions from R&D to marketing for white goods operations as well as marketing of digital audio-visual products, the new company will be able to make a coordinated response to these changes hand in hand with regional sales and service companies.

The new company will be provided with a completely new management system. Currently, each of Consumer Products Group's three manufacturing divisions has its own development/design and manufacturing facilities. These will be consolidated to enable flexible utilization of their resources for timely development and production of new products. Specifically, the division system will be abandoned and a business unit headed by a unit chief established for each product. The unit chief will be responsible for effectively allocating the required development, design and production resources. Manufacturing will also be put under unified management, with emphasis on accruing and upgrading the quality of production technology and cutting costs.

Steps will also be taken to reinforce the global supply system and bolster cost competitiveness. These include the establishment of an overseas operations division for centralizing strategic management of overseas manufacturing subsidiaries coming under the new company's umbrella. By this the new company will be able to step up the expansion of overseas production of products for world markets, including Japan. Reorganization of the sales and services division is also under consideration, with the ultimate aim of intensifying the focus on improving customer satisfaction.

Hitachi believes these reforms will create a new consumer products company that will earn steady profits and is capable of making solid advances in the home appliance market.

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Outline of New Consumer Products Company

Company Name: Pending decision

President: Pending decision

Head Office: Tokyo, Japan

Split-off date: April 1, 2002 (provisional)

Capital: Pending decision

Employees: Approximately 18,000 (at time of split-off)

Business: Development, manufacture and sales of consumer products and peripheral systems

Sales: About 560 billion yen (The fiscal year ending March 31, 2002)

About 600 billion yen (The fiscal year ending March 31, 2004)

Outline of Manufacturing Subsidiaries

Hitachi Tochigi Technology Co., Ltd.

President: Mitsuru Murata

Head Office: Tochigi Prefecture, Japan

Established: July 1, 1998

Capital: 450 million yen(100% owned by Hitachi, Ltd.)

Employees: Approximately 2,300 (as of March 31, 2001)

Business: Design and manufacture of refrigerators, room air conditioners and related products

Hitachi Taga Electronics Co., Ltd.

President: Shinji Matsuoka

Head Office : Ibaraki Prefecture, Japan

Established: April 1, 1999

Capital: 450 million yen(100% owned by Hitachi, Ltd.)

Employees: Approximately 1,400 (as of March 31, 2001)

Business: Design and manufacture of washing machines, vacuum cleaners and related products

2. Reorganization of Industrial Components & Equipment Operation

The split-off of Industrial Components & Equipment Group will be carried out under the corporate split provisions of the Japanese Commercial Code. Industrial Components & Equipment Group and the sales divisions in charge of the group's products at area operation will be split off and consolidated with Hitachi Service & Engineering (EAST), Ltd., which will also merge Hitachi Service & Engineering (West) Ltd., Hitachi Drive Systems, Ltd. and Hitachi Nakajo Technology, Ltd. The name of the new company has not yet been decided.

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Industrial Components & Equipment currently has design, development and quality assurance divisions spread over three prefectures, Chiba, Niigata and Shizuoka. These and the group's Operations Administration Division will be consolidated under the new company to establish a more streamlined organization and speed up decision-making. The sales and service divisions will also be united to increase the benefit of their activities to customers.

Ongoing changes in the industrial components equipment market environment are making it imperative to accelerate the process of developing and offering high added-value products tailored to evolving user requirements, to offer consultation on ways to save energy, and to provide solutions such as in the building of systems that utilize highly energy-efficient industrial equipment.

Hitachi is responding to these market realities by reorganizing its industrial components equipment operations in a way that will permit the company to ascertain the overall equipment cycle. The new company will have a formidable lineup of strengths, including top market share in key products like aluminum alloy frame motors and amorphous transformers, advanced technologies in air compressors and the like, and industrial equipment engineering capability extending across the board from marketing and maintenance to the building of systems of every description. The integration of these strengths will put the new company in a position to grow its businesses by promptly responding to market needs and priorities with high added-value equipment and services. The new company will also move aggressively ahead with the application of Hitachi's accrued engineering skills to the development of new businesses in areas such as remote plant equipment monitoring services. An all-out effort will also be made to achieve a thorough improvement in operating efficiency by, for example, expanding the transfer of operations to Hitachi Industrial Technology (Thailand), Ltd., OEM supply of principal products to third parties, OEM purchasing, diversification through alliances, and organizational streamlining through consolidation of overlapping operations.

Outline of New Industrial Components & Equipment Company

Company Name: Pending decision

President: Pending decision

Head Office: Pending decision

Split-off date: April 1, 2002 (provisional)

Capital: Pending decision

Employees: Approximately 4,800 (at time of split-off)

Business: Manufacture, sales, and servicing of industrial components and equipment

Production bases: Chiba Prefecture, Niigata Prefecture and Shizuoka Prefecture

Sales: About 149 billion yen (The fiscal year ending March 31, 2002)

About 158 billion yen (The fiscal year ending March 31, 2004)

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Outline of Companies Involved

Hitachi Service & Engineering (EAST), Ltd.

President: Masanobu Yoshizaki
 Head Office: Tokyo, Japan
 Established: October 1, 1963
 Capital: 600 million yen (100% owned by Hitachi, Ltd.)
 Employees: Approximately 450 (as of March 31, 2001)
 Business: Industrial equipment maintenance services in eastern Japan

Hitachi Service & Engineering (West) Ltd.

President: Kunimoto Tomioka
 Head Office: Osaka, Japan
 Established: September 2, 1950
 Capital: 600 million yen (100% owned by Hitachi, Ltd.)
 Employees: Approximately 400 (as of March 31, 2001)
 Business: Industrial equipment maintenance services in western Japan

Hitachi Drive Systems, Ltd.

President: Takeshi Aso
 Head Office: Chiba Prefecture, Japan
 Established: April 1, 2000
 Capital: 480 million yen (100% owned by Hitachi, Ltd.)
 Employees: Approximately 700 (as of March 31, 2001)
 Business: Design and manufacture of motors, inverters, pneumatic and hydraulic machinery, and other industrial components

Hitachi Nakajo Technology, Ltd.

President: Akihiro Yamaguchi
 Head Office: Niigata Prefecture, Japan
 Established: April 1, 2000
 Capital: 320 million yen (100% owned by Hitachi, Ltd.)
 Employees: Approximately 600 (as of March 31, 2001)
 Business: Design and manufacture of transformers, power transmission equipment, air cleaners and other industrial components

About Hitachi

Hitachi, Ltd., headquartered in Tokyo, Japan, is one of the world's leading global electronics companies, with fiscal 2000 (ended March 31, 2001) consolidated sales of 8,417 billion yen (\$67.9 billion*). The company manufactures and markets a wide range of products, including computers, semiconductors, consumer products and power and industrial equipment. For more information on Hitachi, Ltd., please visit Hitachi's Web site at <http://global.hitachi.com>.

*At an exchange rate of 124 yen to the dollar.

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