FOR IMMEDIATE RELEASE

Hitachi Announces Plans for Completion of Emergency Management Measures and Initiatives to Enhance Its Competitiveness

- Toward Restoring Business Performance in Fiscal 2002 -

Tokyo, February 28, 2002 --- Hitachi, Ltd. (TSE:6501/NYSE:HIT) today announced plans for completion of its emergency measures and to strengthen its competitiveness.

Hitachi is making concerted efforts toward achieving a turnaround in business performance in fiscal 2002, the year ending March 31, 2003. To this end, Hitachi is stepping up the implementation of emergency management measures initiated in 2001. We will work to enhance our competitiveness on the global stage, set new evaluation standards for our businesses, and clearly define our strategic business domains. To stimulate greater demand, we will advance a new business development strategy designed to maximize the synergies generated across the Hitachi Group.

I. Emergency Management Measures

1. Effects of Business Restructuring

In fiscal 2002, Hitachi will cut fixed costs by approximately 200 billion yen year on year. This will be achieved through reducing personnel expenses and measures to accelerate business restructuring.

(1) Reducing Personnel Expenses

At the time of the interim earnings announcement in October 2001, we planned to reduce the number of employees by about 15,900 (11,100 in Japan and 4,800 overseas) on a consolidated basis. By the end of June 2002 we will lower our headcount by approximately 20,930 (15,100 in Japan and 5,830 overseas) following withdrawing from and downsizing of overseas businesses in unprofitable businesses, the introduction of an early retirement benefit system, and additional schemes.

Due to the deterioration in business performance in fiscal 2001, managers at the department-head level and above at the parent company will receive a lower June bonus in 2002. Given the need to restore Hitachi's competitiveness as early as possible, we also plan to reduce their salaries by an average of around 5%. From fiscal 2003 onward, the level of remuneration will be linked to the recovery in business performance. The above measures will also apply to fiscal 2002 remuneration at underperforming affiliates.

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Through these initiatives, we expect to reduce consolidated personnel expenses by 110 billion yen in fiscal 2002, including a 15% cut in total personnel expenses at the parent company.

(2) Businesses Restructuring Improvement Effect
In the current fiscal year, Hitachi will incur business restructuring costs of 134 billion yen. These costs are associated with various initiatives, including the consolidation and reorganization of production centers in semiconductor and consumer products businesses, withdrawal from color picture tube (CPT) for PC monitors business, and withdrawal from under-performing businesses at Hitachi Metals, Ltd. in the high functional materials business. Implementation of such initiatives is expected to have a beneficial earnings effect of 90 billion yen in fiscal 2002.

2. Boosting Management Efficiency
Hitachi will accelerate the pace of the Corporate Innovation Initiative (CII), which encompasses the following elements. We intend to accelerate the pace of CII as we work steadily toward its achievement.

(1) Procurement Renewal Project (PRP)
The procurement specifications and methods of the Hitachi Group are being reviewed to reduce consolidated procurement costs by a planned 20% over the two years through March 2003, by using such measures as net-based centralized purchasing and by making major reductions in distribution costs. The PRP is expected to lower procurement costs by around 260 billion yen in fiscal 2001. Adding further impetus to the project, we intend to reduce procurement costs by approximately 640 billion yen in fiscal 2002.

(2) Project C
Project C is a scheme designed to generate an additional 1 trillion yen cumulative improvement in cash flow through a 25% decrease (by March 31, 2003, compared with September 30, 2000) in the number of days it takes to turn over inventory and accounts receivable. As of March 31, 2002, we expect to have shortened inventory and accounts receivable turnover periods by approximately 15% since September 30, 2000, resulting in an 800 billion yen cumulative improvement in cash flow. We aim to continue generating positive cash flow.

(3) Project A
Hitachi is in the process of strategically promoting this project. Each business group and division is developing businesses and services aimed at securing world leadership positions within 2 to 3 years. We estimate that sales generated from the products and services targeted by the project will amount to 1,140 billion yen in fiscal 2001 and increase to 1,440 billion yen in fiscal 2002.

(4) Globalization Strategy
At present, around 30% of net sales are generated overseas. We intend to raise this percentage to 40% in fiscal 2002 and to roughly 45% in fiscal 2005. Our long-term goal is for overseas sales to account for half of net sales. To achieve these targets, our mainstay information businesses will focus on gaining top share in the SAN/NAS solutions market in Europe and North America. Another step will be to expand operations quickly by acquiring leading local companies engaged in various other solutions businesses. In China and Asia, we will help improve information systems infrastructure and promote e-government initiatives. Efforts will also be made to put in place social infrastructure in the electric power and industrial sectors.

(5) Project E
Launched in October 2001, Project E is designed to dramatically upgrade our operational structure by drawing on Hitachi's IT capabilities. The project will see Hitachi invest around 15 billion yen for the construction of a real-time administrative management system by March 2003. Centered on the creation of a total supply chain management system, we are also developing a more sophisticated in-house IT infrastructure to speed up IT-driven business processes. We also plan to have the Information Technology Strategy Office and business group CIOs work together in using IT to upgrade operations.

3. Business Alliances and Progress of Restructuring
Hitachi has entered into various business alliances and M&As, and taken a range of restructuring steps since fiscal 1999. Examples include our alliance with IBM Corporation in servers, and the establishment of a joint DRAM venture with NEC Corporation. These initiatives are expected to have a beneficial effect of 34 billion yen in fiscal 2001, and 95 billion yen in fiscal 2002. We will continue to actively pursue business alliances, including acquisitions, as we work to expand operations.

Major initiatives announced in fiscal 2001 are as follows:

-Semiconductors: Business restructuring measures, including selection and concentration of resources in key businesses, and streamlining production lines (October 2001); conversion of Trecenti Technologies, Inc. into a wholly owned subsidiary (April 2002)
-Displays: Withdrawal from CPTs for PC monitors business (fiscal 2001); withdrawal from cathode ray tubes for direct view color TV (CPT) business in North America (April 2002); split-off of Display Products Group as a separate company (October 2002)
-Industrial components and equipment: Split-off of the industrial components and equipment business as a separate company (April 1, 2002)
-Digital media: Termination of TV and audio equipment production in Singapore (September 2001); termination of TV production in the UK (December 2001)
-Consumer products: Split-off of consumer products business as separate companies (April 1, 2002)
-Hitachi Transport System, Ltd.: Transfer of management of subsidiary Tokyo Monorail Co., Ltd., to East Japan Railway Company (February 22, 2002)

4. Cuts in Directors' Remuneration
Taking responsibility for Hitachi's poor business performance, Hitachi directors have been receiving lower monthly salaries since September 2001. In response to further deterioration in business results, further reductions will take place. From March 2002, the monthly salaries of the chairman and president will be reduced by 20%. Over the same period, executive vice presidents will receive monthly salaries that are 15% lower. Salary reductions of 10% will be newly applied to senior corporate officers, corporate officers and managing officers. In addition, there will be no bonus payments to members of the board.

II. Moves to Strengthen Competitiveness
1. Fundamental Strategy
We believe that society, businesses and households want Hitachi to become a source of solutions backed by the group's collective knowledge, experience and technology. We are dedicated to pioneering the changes demanded by society by optimally pooling and drawing on the resources of the Hitachi Group.

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To perform this role, we must be a source of information system services and social infrastructure systems embodying "IT and knowledge" and supply the key hardware, software, high functional materials and components needed to support these services. Our goal is to become a global supplier capable of offering comprehensive solutions. This basic philosophy is enshrined in the "i. e. HITACHI" medium-term management plan. We aim to maintain and further develop this philosophy into the future.

We will do so by creating safe, high-grade social systems that make extensive use of our pioneering IT expertise. These systems will be linked to core social infrastructure systems, a field in which Hitachi boasts far-reaching knowledge and experience. We will also draw on our technology and knowledge to develop the new information services demanded by today's "ubiquitous information society."

2. Establishing Evaluation Standards for Businesses

To re-evaluate business portfolios, selections will be made using FIV (Future Inspiration Value), Hitachi's own value-added evaluation index, which is based on cash flow projections for each business. Businesses will be periodically reviewed using this process to maintain the optimal mix of operations.

The FIV index has been applied to set clear standards for making investments and withdrawing from ongoing operations. For investments, two conditions must be met: profitability on a single-year basis within three years; and accumulated profits within five years. Regarding withdrawals, a business is classified as requiring scrutiny if its FIV index is negative for two consecutive years. If no rebuilding plan is approved at this time or the FIV does not become positive within two years, it will be recommended to shut down the business and necessary actions will be taken at the corporate level.

FIV will first be applied in the first half of fiscal 2002 to the business groups of Hitachi, Ltd. and subsidiaries operated as part of the parent company. Major group companies, most of which are listed, are to be added in the second half of fiscal 2002.

3. Policies Relating to Consolidated Management System

In line with the basic strategy to strengthen competitiveness outlined earlier, the Hitachi Group will speed up the business realignment process to build an optimal operating system.

This will involve the direct provision of solutions to society and customers. Our solution businesses will target information system services and social infrastructures that can interact with and alter components of society, and these solutions will be provided directly by Hitachi, Ltd. in its role as the operating holding company. Hardware, software and high-functional materials that underpin these solutions will be used to tap the unique strengths of each group company. Products and services of special significance will be handled by wholly owned subsidiaries to create a unified base of operations for each.

For this purpose, stockholdings of certain group companies will be changed and some companies will become wholly owned subsidiaries (including the delisting of publicly owned companies). We will strive to increase corporate value by implementing an effective group-wide management system. Special attention will be paid to periodic reviews of the roles of equity-method affiliates and group members where our ownership is below 20%.

The realignment, integration, closing and split-off of businesses will be conducted on an expedited basis. The goal is to complete the business realignment based on the above policy, during the next one to two years. Our plan is to reduce the number of affiliated companies by about 300 during the next three years.

4. Financial Strategy

Hitachi believes that its financial position must be strengthened even more to accommodate the growing risks created by intensifying mega-competition. Plans call for reducing the debt-equity ratio, including minority interests, which was 1.0 (0.64 - excluding financial services) at September 2001, to 0.8 (0.5 - excluding financial services) by March 2004. This will be achieved by bringing interest-bearing debt down from 3,550 billion yen to 3,000 billion yen during this period.

We aim to keep our long-term debt rating at A or higher. Due to the fact that risks associated with our businesses may increase at an unprecedented level, our goal is to achieve a level of financial soundness equivalent to an AA rating. To achieve this level, we will enact measures to streamline the balance sheet.

As a rule, capital expenditures and other investments will be less than the sum of earnings and depreciation and amortization. To ensure the availability of funds for large-scale projects, we will continue to implement Project C. We will also conduct strategic sales of assets and businesses when the timing is appropriate.

5. Personnel Policies

We firmly believe that Hitachi's strengths lie in its outstanding human resources. To further leverage these strengths, we are determined to make Hitachi an always-evolving company suffused with energy. This drive is based on three premises: promoting the best talent; promoting merit-based personnel policies; and respecting individuality.

Hitachi is currently implementing personnel reductions as part of its emergency management measures. The goal is twofold: streamlining overall personnel costs, and ensuring the optimal balance of personnel. We will further advance our policy of recruiting the best talent as we proceed with these initiatives.

Candidates for executive positions within the Hitachi Group will be rotated in a manner that extends beyond mere company frameworks. This will enable us to select higher quality prospective managers upon whom will rest the responsibility of group management as we proceed with corporate separation measures.

6. New Business Development Strategy

(1) Promoting the Development of "Inspire the Next" Businesses

We aim to expand existing businesses while promoting new "Inspire the Next" businesses driven by corporate leadership. To achieve this objective, Hitachi will focus resources on four business domains: Quality lifestyle solutions; Sustainable environmental solutions; Advanced healthcare solutions; and Intelligent management solutions.

Through these businesses, we want to provide a concrete vision for the word "next" contained in Hitachi's corporate statement "Inspire the Next." Basically, this statement expresses the desire of Hitachi to constantly play a part in shaping and breathing new life into the next era.

(2) Strategic Business Domains

“Quality Lifestyle Solutions” ---Using IT to build a ubiquitous information society

Recovery in the IT industry is expected to be driven by the three key next-generation IT sectors: broadband communications, Internet Protocol (IP) and data storage. These three technologies can all be used in mobile environments. As such, they will play an instrumental role in forming a ubiquitous information society. Hitachi is one of the few companies in the world with leading-edge technology in all three sectors: security (public key infrastructure encryption technology, individual IDS-MMC cards), high-speed IP routers, IPv6, large-capacity storage, “Mu-chip”, the world’s smallest RFID chip, and other areas. We are well positioned to supply the best solutions for society, businesses and households, thereby helping create a ubiquitous information society that maximizes convenience and comfort.

“Sustainable Environmental Solutions” --- Providing safe social infrastructure with energy and environmental technologies

Social and lifestyle changes have placed greater demands on energy and the environment in recent years. Demands are growing for more diverse energy sources, smaller (micro) power generation facilities and distributed generation. Hitachi has a proven track record in thermal, hydroelectric and nuclear power generation systems. The company’s capabilities also extend to new energy-related equipment such as small turbines, high-efficiency generators, fuel cells and wind turbines, and technologies involving energy and environmental protection such as energy-efficient transformers and motors, multi-point power transmission systems. Backed by this technology, we will supply environmentally friendly and stable infrastructures.

“Advanced Healthcare Solutions” --- Commercializing healthcare services and biotechnology to bring assurance to people’s lives

In the 21st century, we believe that demand for advanced medical services will climb steadily as societies age and the public comes to expect higher quality healthcare services. Hitachi’s expertise includes MRI and other sophisticated diagnostic imaging equipment, surgical support robots, microscopic analysis techniques using micro-machines and nano-materials, and wet (molecular biology) and dry (bioinformatics) life science technology such as gene and protein mapping. By creating solutions where these and other technologies converge, we will help ensure that people have access to healthcare services of the highest quality.

“Intelligent Management Solutions” ---Drawing on our wealth of experience and technology to contribute to corporate innovation

Re-engineering management and operational systems is a pressing issue, particularly as Japan searches for a way to end its prolonged economic downturn. Creating such systems requires upstream consulting in a variety of industries along with outsourcing, advanced IT systems and other solutions for specific needs. Hitachi has considerable experience and expertise in manufacturing, logistics and distribution. We are also skilled in the creation and application of tools and systems that can spark innovation in business operations of all types. And we can manage businesses and operate them under consignment. Through this support, we intend to step up the pace of innovation to help our corporate clients create more value. In this process, we will play a part in fostering knowledge-driven management and stimulating economies.

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(3) Organization and Projected Benefits
The Corporate Technology Office is in charge of overseeing all “Inspire the Next” businesses. Application of specific themes within each business field will be the responsibility of project teams, each of which brings together people from R&D and business operations.

A Chief Technology Officer will be assigned in each Hitachi, Ltd. business group to facilitate the operation of “Inspire the Next” businesses, from April this year. Project themes are chosen by the Corporate Technology Committee, a body overseen by the Corporate Technology Office and composed of the business group CTOs. Themes of particular importance, which involve group-wide projects, will be submitted to the Corporate Management Council for approval. Business units unable to fund their shares of these projects can receive a grant from Hitachi’s Incubation Fund, under obligation to earn back these grants through subsequent business activities.

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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