

Information & Telecommunication Systems Strategy Briefing

November 19, 2007

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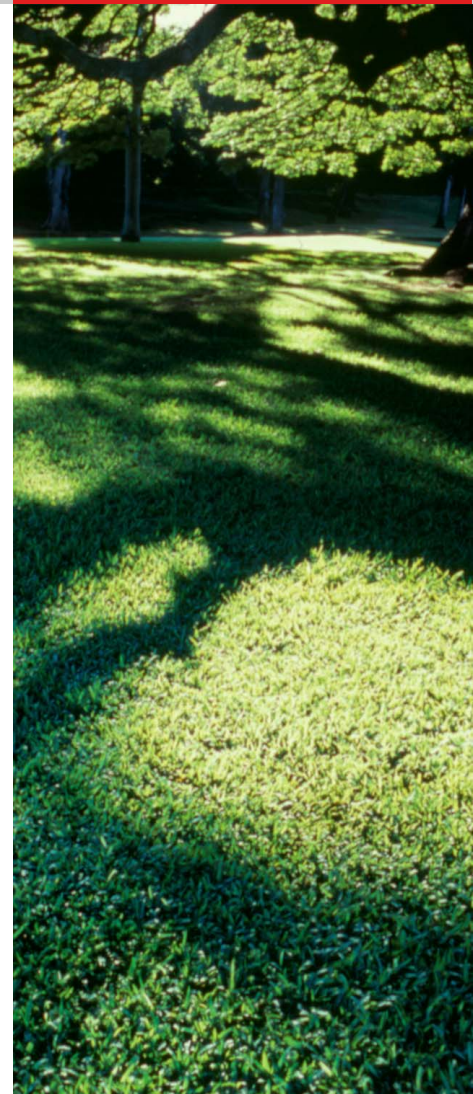
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6. Global Development Centered on Strong Products and Services
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1

Business Overview



Basic Management Policy: “Collaborative Creation and Profits”

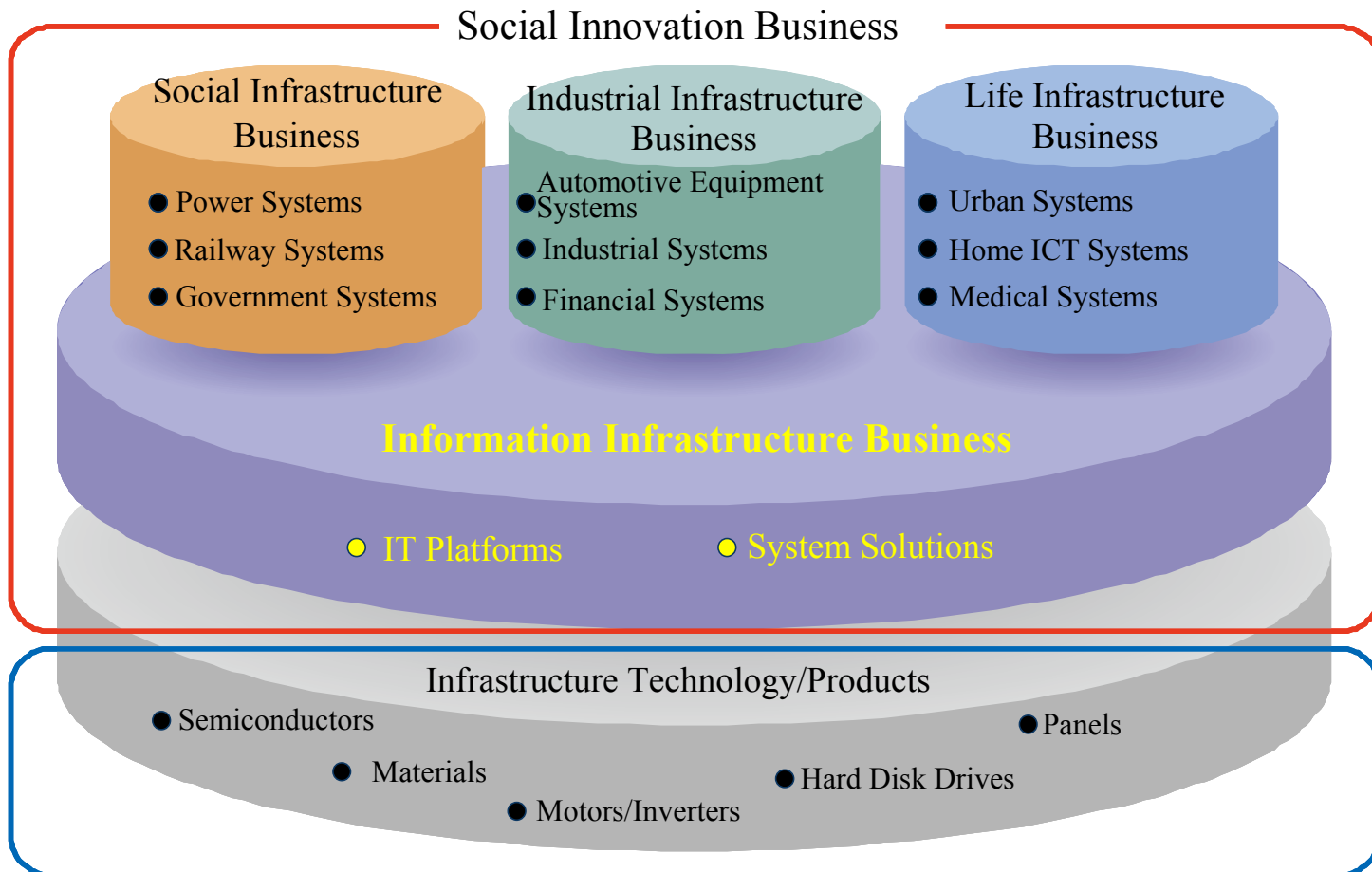
Rigorous focus on market-oriented approach and profit creation

Goal

Establishment of stable, high profit structure

Key Initiatives

1. High profitability through rigorously FIV-based management
2. Building of stable, high profit structure
3. Evolution to group management for high profitability
4. Innovation by collaborative creation



1-3. Major Initiatives Since Fiscal 2006

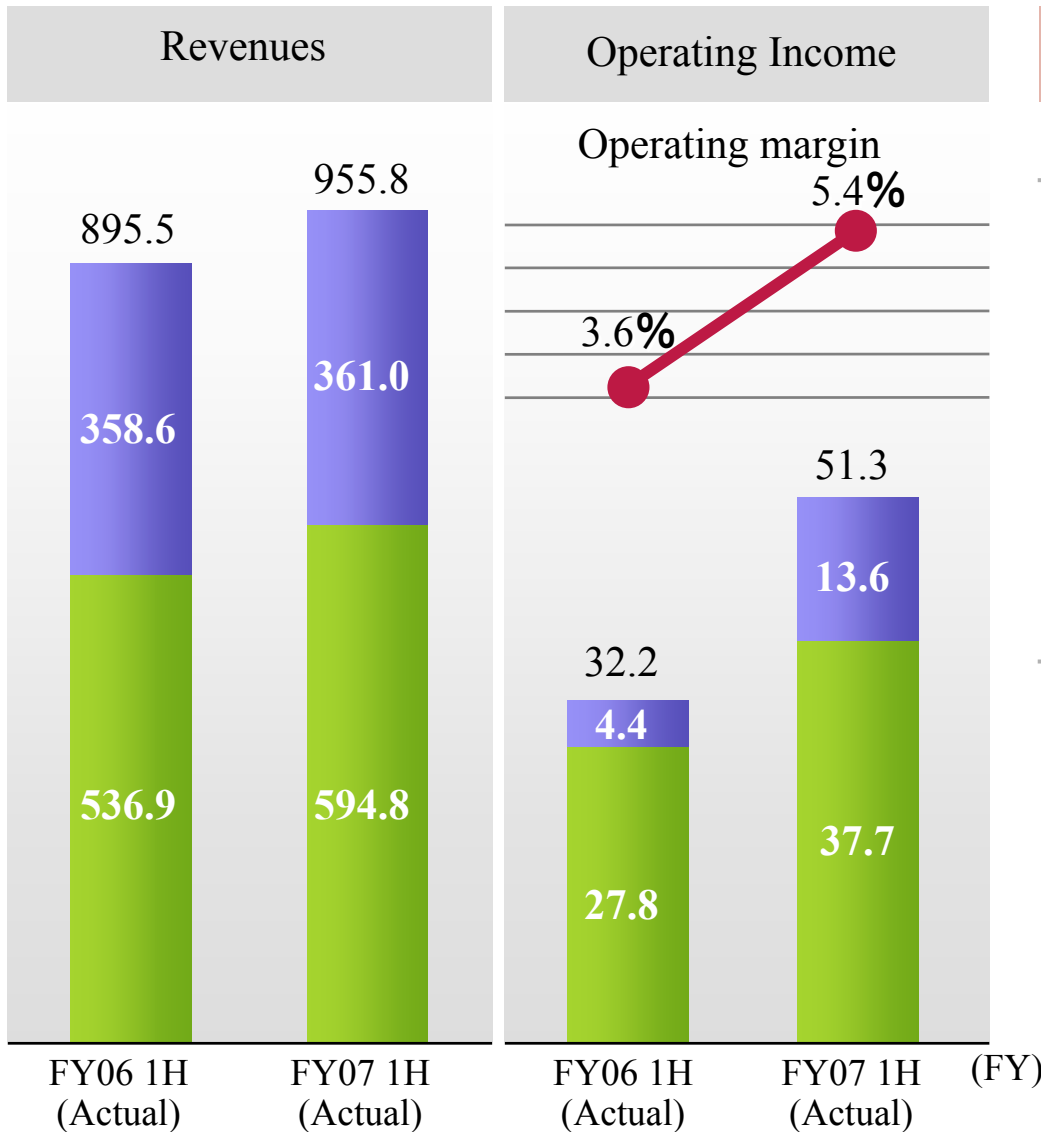
Software & services

- Ongoing strengthening of consulting business on worldwide level
 - Formed Hitachi Consulting Co., Ltd. (April 2006)
 - Business Solution Systems Division consolidated in Hitachi Consulting (October 2006)
- Established Service & Global Business within Information & Telecommunication Systems to accelerate global provision of services (April 2007)
- Established Project Management Coordination Promotion Division to rigorously execute strategies aimed at further improving quality and productivity of system solutions (April 2007)

Hardware

- Faster development of strong products and strengthening of cutting-edge virtualization function
 - Integrated service platform BladeSymphony
 - BS320 compact high-integration model (June 2006), Virtage, an embedded virtualization feature for servers (February 2007)
 - Enterprise disk array subsystems
 - Hitachi Universal Storage Platform V for volume virtualization (May 2007)
 - Established Hardware MONOZUKURI Division with aim of raising quality further and reducing costs (February 2007)
 - Advanced Harmonious Computing, an IT service platform concept for a knowledge-based society (July 2007)
 - Promoted power saving
 - Launched CoolCenter50 project (October 2007) and formulated Harmonious Green Plan (November 2007)

1-4. Fiscal 2007 Interim Segment Results



Overview

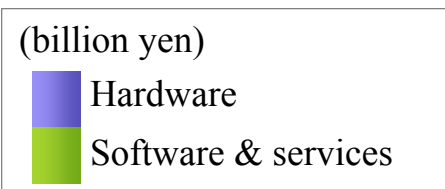
Revenues (Increased)

- Firm middleware sales
- Strong performance in SI* to financial institutions
- Growth in outsourcing business, consulting business and other services
- Growth in disk array subsystems and ATMs

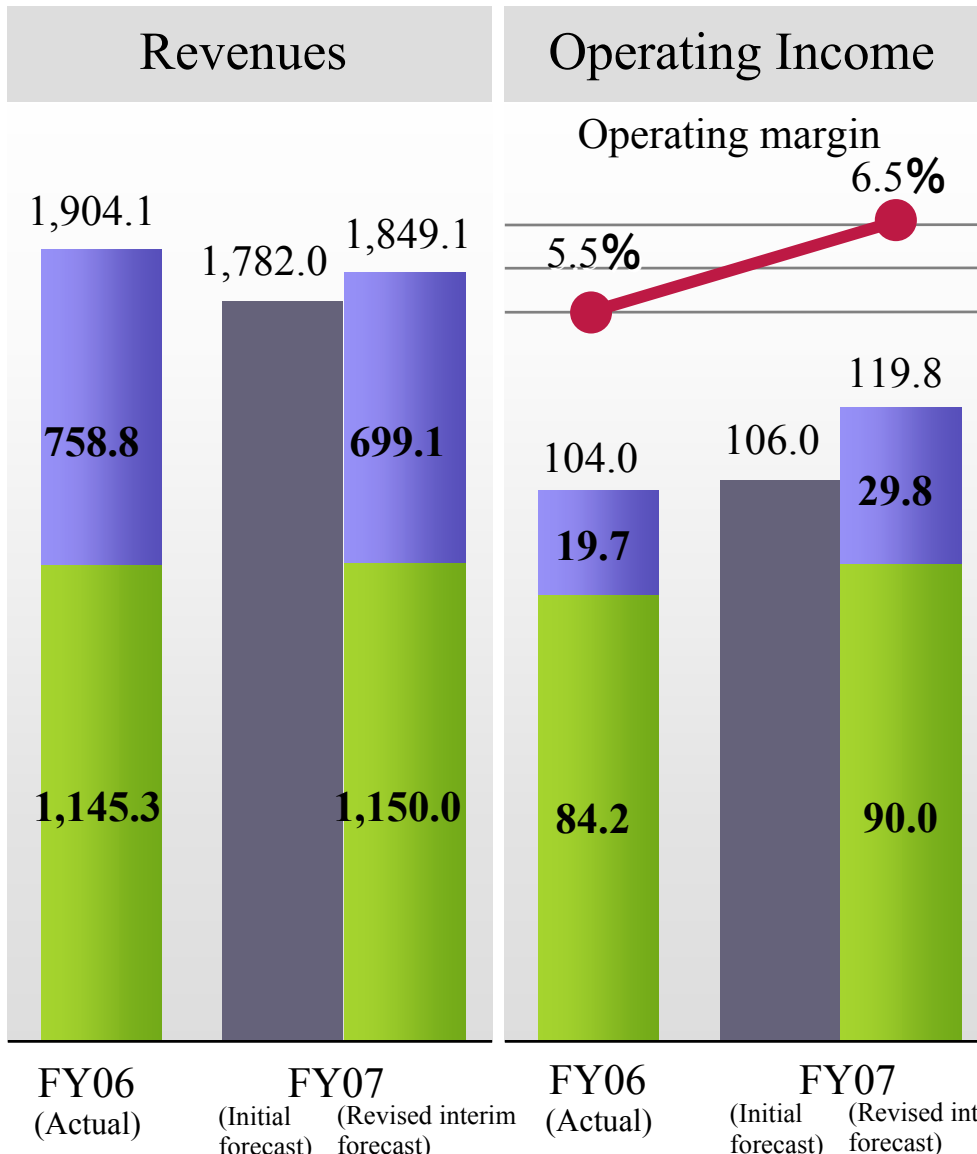
*SI: Systems Integration

Operating Income (Increased)

- Solid earnings from software
- Stronger project management
- Firm earnings from disk array subsystems
- Improvement in ATMs



1-5. Fiscal 2007 Segment Forecast



Overview

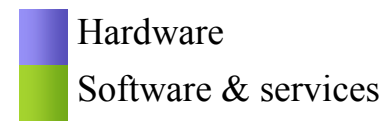
Vs. Initial Forecast
(Higher Revenues and Earnings)

- Strong performance in SI to financial institutions and outsourcing business
- Growth in disk array subsystems

YoY (Lower Revenues, Higher Earnings)

- Lower revenues but higher earnings in Hardware, reflecting conversion of Opnext, Inc. to equity-method affiliate and decline due to cooperation in business PCs
- Higher earnings in Software & services on only slight rise in revenues, due to profitability focus in project management

(billion yen)

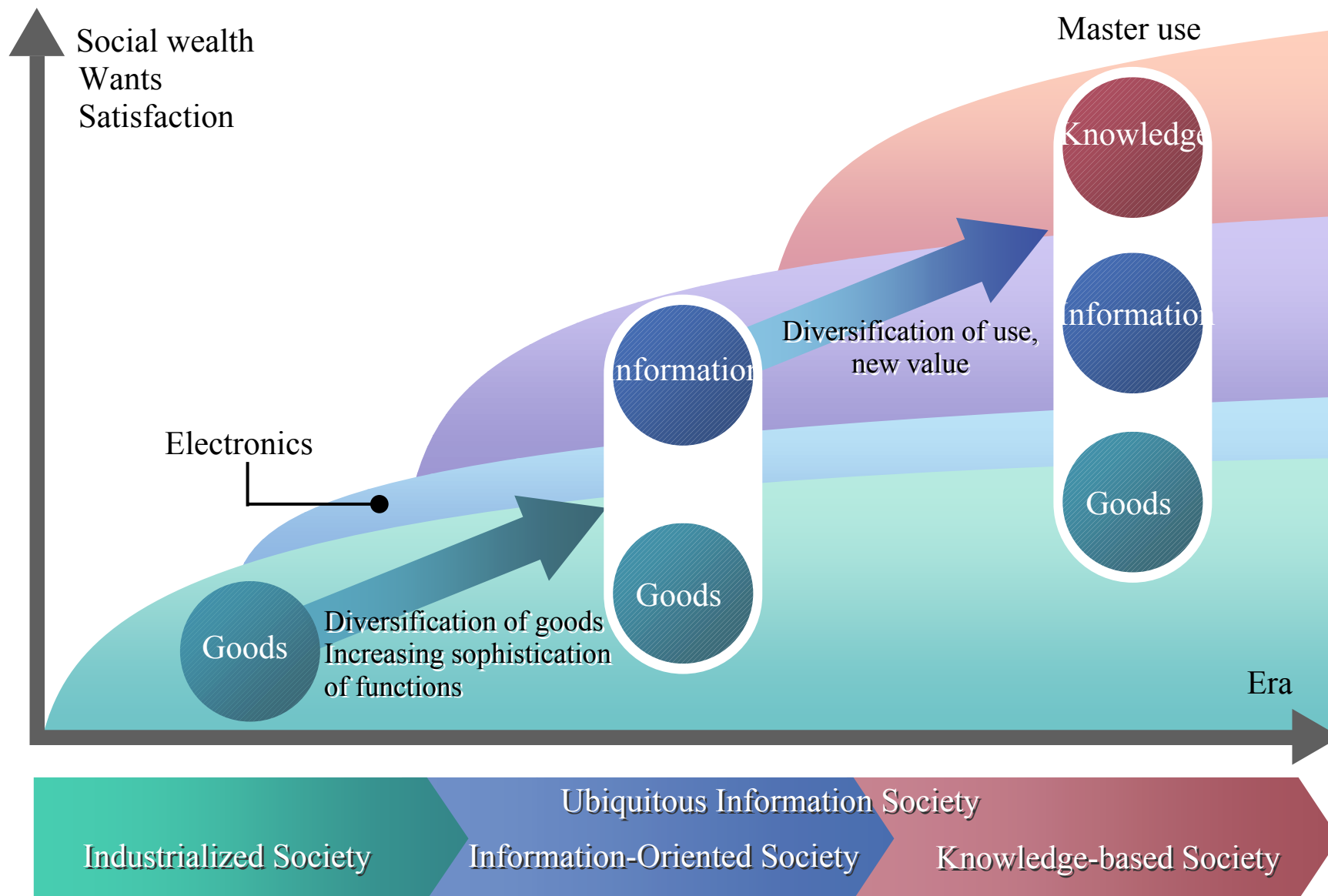


2

Business Policy



2-1. Societal Change and Changing Source of Value



2-2. Problem Solving by Fusing Goods, Information and Knowledge

Promote the fusion of goods, information and knowledge to solve global problems



FY2009 performance targets
Revenues: ¥2 trillion, Operating Margin: 7%

Contribute to social innovation by fusing goods, information and knowledge

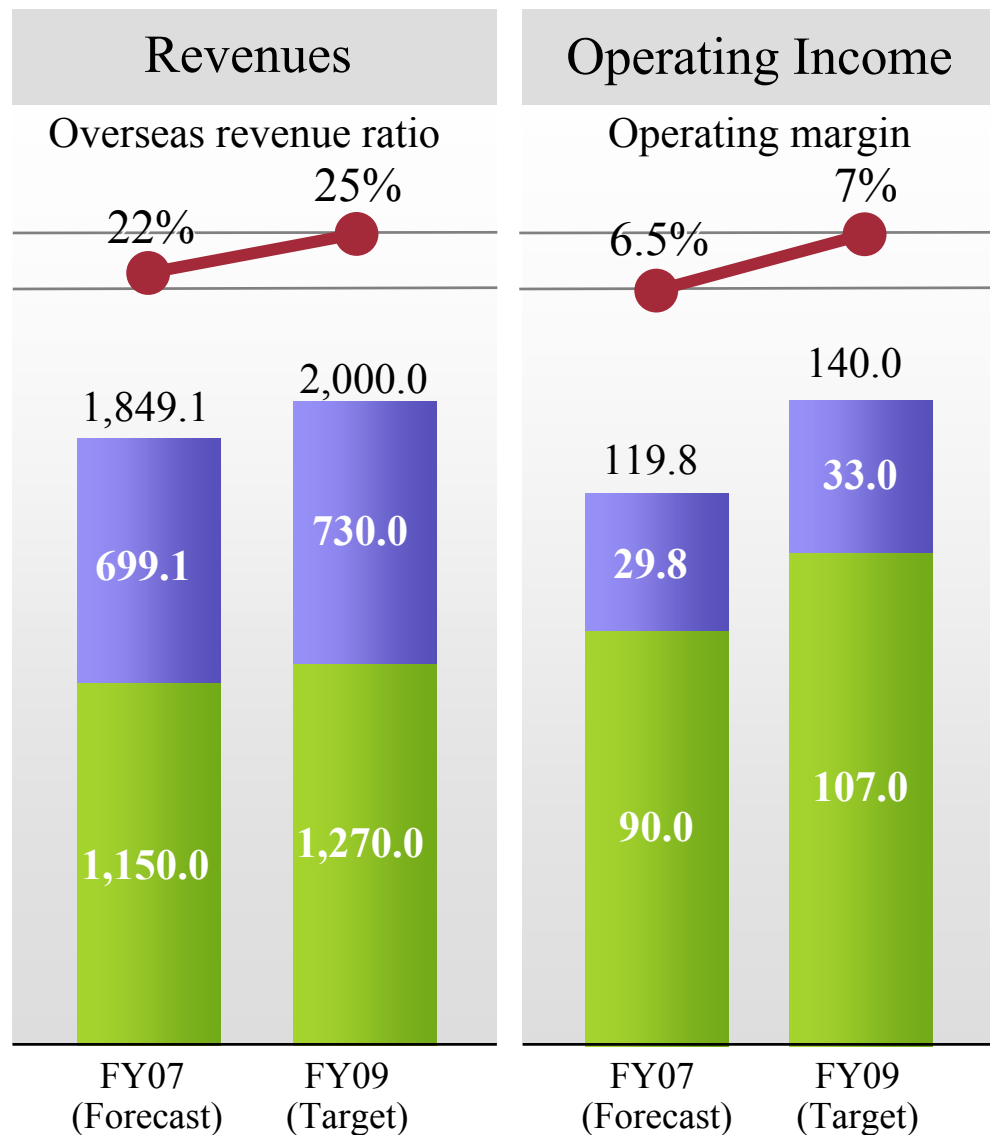
Strengthen MONOZUKURI to create
a high earnings structure

uVALUE

Create high-value-added businesses
for a knowledge-based society

Develop globally, centered on
strong products and services

2-4. FY2009 Performance Targets



(billion)
■ Hardware
■ Software & services

Note: The above forecasts and targets represent the forecasts and targets for the Information & Telecommunication Systems segment minus HDD operations

3

Strengthen MONOZUKURI
to Create a High Earnings Structure

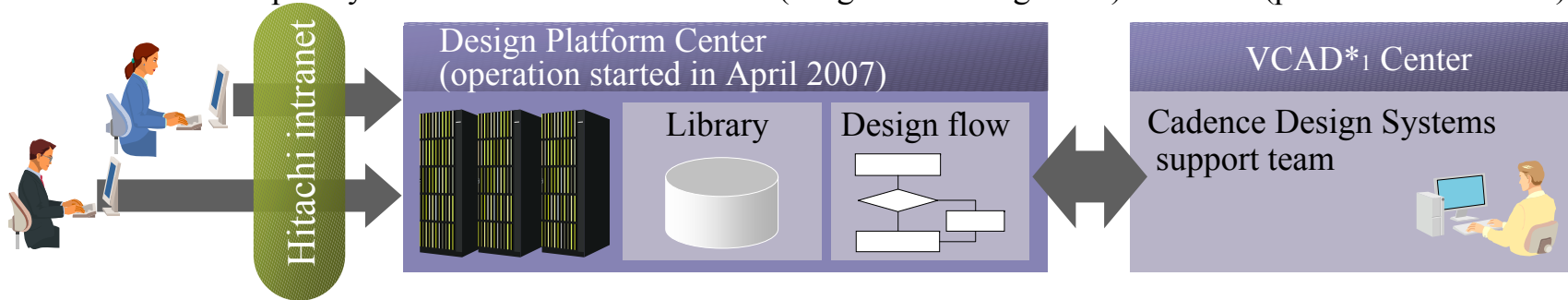


● Top-down initiative: Establishment of common, global MONOZUKURI infrastructures

Common design infrastructure

FY2007 goal: Design efficiency 2x, Design TAT 40% reduction
(compared with FY2005)

- Cadence EDA (Electronic design automation) tools are fully adopted to the design infrastructure, which has been co-developed by Hitachi and Cadence for LSI (Large-scale-integration) and PCB (printed circuit board).



WW-TSCM*2 FY2007 target

Days to sell inventory: 5% reduction (compared with FY2006)

- Daily performance visualization, weekly decision-making (shipment plans/results, production plans/results...)

● Bottom-up initiative: M³ (M-cube) innovation

- Voluntary innovation program at manufacturing worksites (MONOZUKURI x Manufacture x Motivation)

FY2007 target:
30% reduction in manufacturing lead time
(compared with FY2005)

● Strengthen engineering power for service platform development

- Established Hitachi Information & Communication Engineering, Ltd., one of the largest IT engineering firms in Japan (October 2006)

*1 VCAD: Virtual Computer-Aided Design *2 TSCM: Total Supply Chain Management

- Strengthen development of environmentally friendly products

Harmonious Green Plan



Application

Develop power-saving technology for IT products

- Operational level
(Optimization of resource usage through virtualization)
- Device level (MAID*₁ technology for HDDs...)
- Parts level (LSI power-saving technologies...)

Cut CO₂ emissions by 330,000 tons in total over 5 years
(Equivalent to a forested area 1.2 times the size of Tokyo's 23 wards)

- Reduce power consumption in entire data center

CoolCenter50

Reduce electricity consumption by up to 50% over next 5 years



Air conditioners UPS*₂ Transformers

Measures across the Hitachi Group

- Power Systems
- Urban Planning and Development Systems
- Hitachi Appliances, Inc.
- Hitachi Industrial Equipment Systems Co., Ltd.
- Hitachi Plant Technologies, Ltd.



*1 MAID: Massive Array of Idle Disks

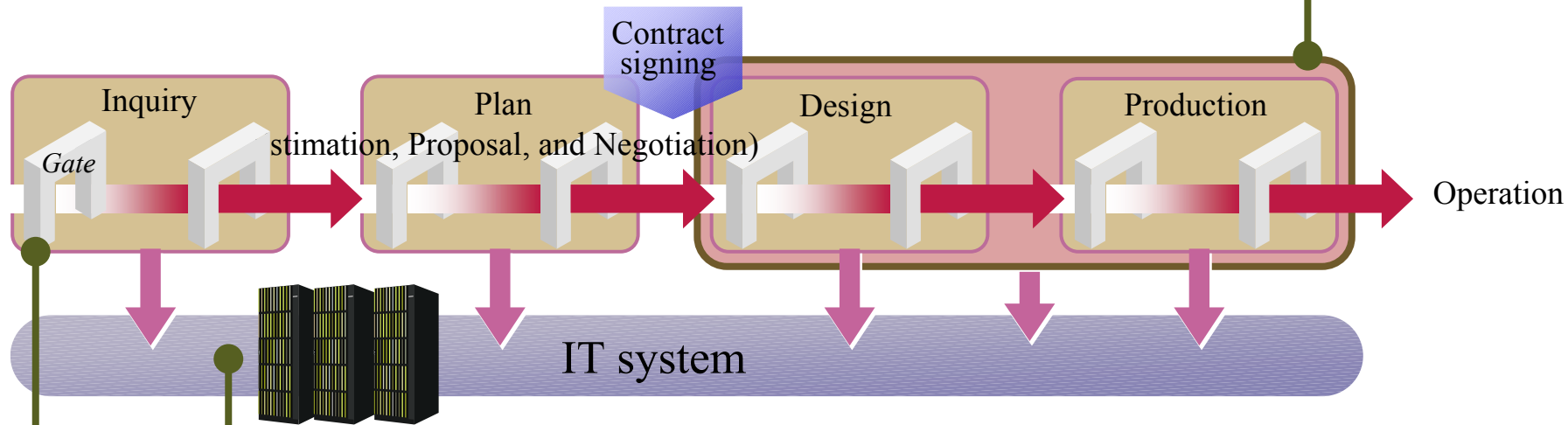
*2: Uninterruptible Power Supply

- High-quality MONOZUKURI through scientific methods and stronger processes

Automated production tools for applications

- Improve quality and productivity in application development

Productivity
50-90%



Project support system: grasp actual progress

- Use tools to quantify progress (degree of specification requirements, quality situation, risk evaluation)
- Constantly monitor 150 projects on “special watch list”, mainly large-scale systems

Control projects
and
Ensure profits

Phase gate: Decide whether to continue or discontinue based on strict decision-making standards

- Rigorously evaluate risks through multiple approaches within processes and at every phase

3-4. Hitachi Workstyle Reformation



Thin client

Blade PC

IP phone

● u-Japan Best Practice Award 2007
(Ministry of Internal Affairs and Communications, Japan),
Best Business Solution Award Winner
Thin client-based free address, high-security
new workstyle system

● The Chairman's Award Winner
(in a category of implementation and promotion)
of the 8th Telework Promotion Award 2007
by the Japan Telework Association

● Improve productivity and quality

Frequent communication

Speedy decision-making

Advanced information security



Increase (work) time for customers:
Up to 30%

Effective use of office space
(Free address/ Satellite Office)



Save office space:
Up to 30% cut back
(Two times larger free shared space)

3-5. Provision of Solutions Based on Practical Know-how

- Turn the Hitachi Group's practical know-how into services and offer as solutions
- Provide solutions from high level consulting

Corporate reform solutions Revenue target: ¥60 billion (total for FY07-FY09)

Internal control
re-establishment solutions

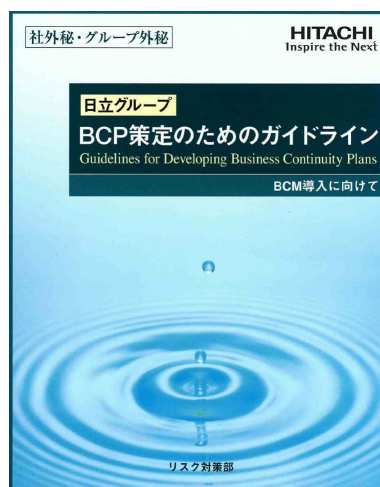
BCM* solutions

Workstyle reform solutions

Announced April 2006



Announced March 2007



Announced April 2007

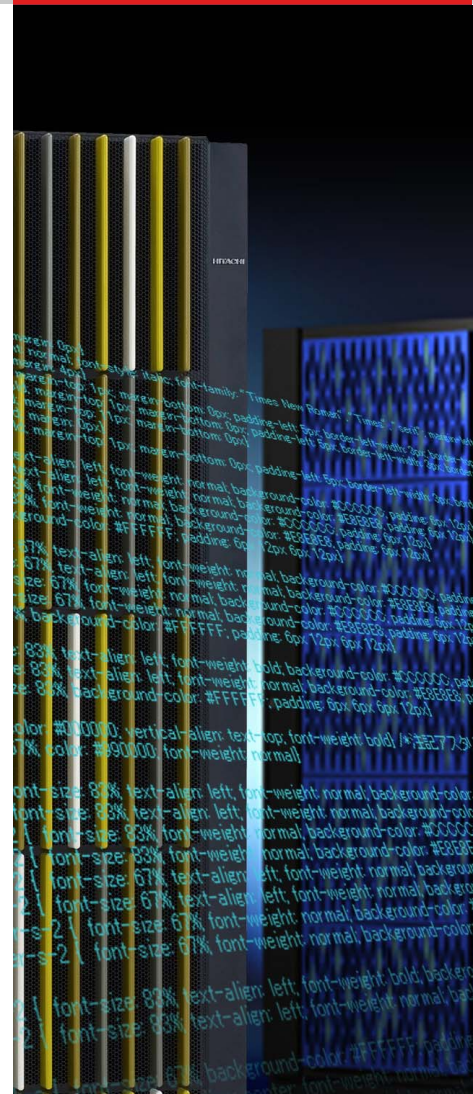


*Business Continuity Management

4

Create High-Value-Added Businesses for a Knowledge-based Society

--Expand High-Value-Added Service Businesses



4-1. Expand High-Value-Added Service Businesses

Revenues

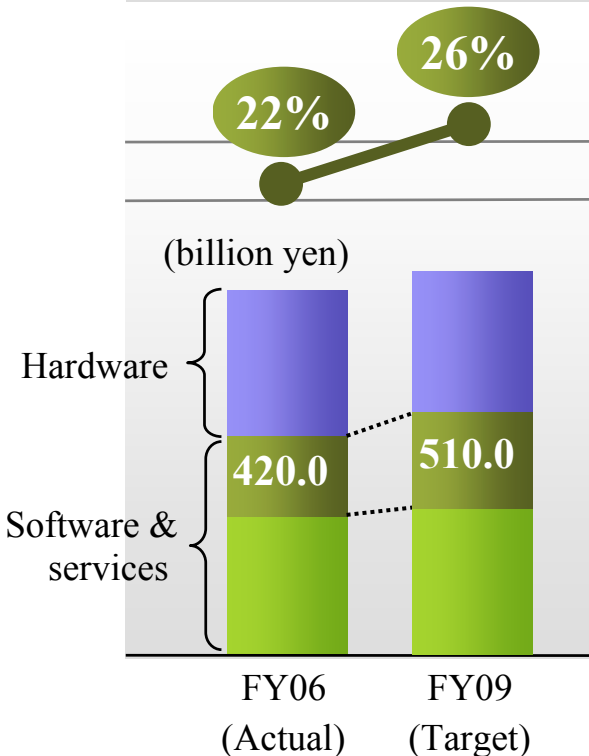
FY2009: ¥510.0 billion

FY2006: ¥420.0 billion

Expand service businesses offering even higher added value

FY2009
operating margin:
over 10%

Share of Revenues of High-Value-Added Services

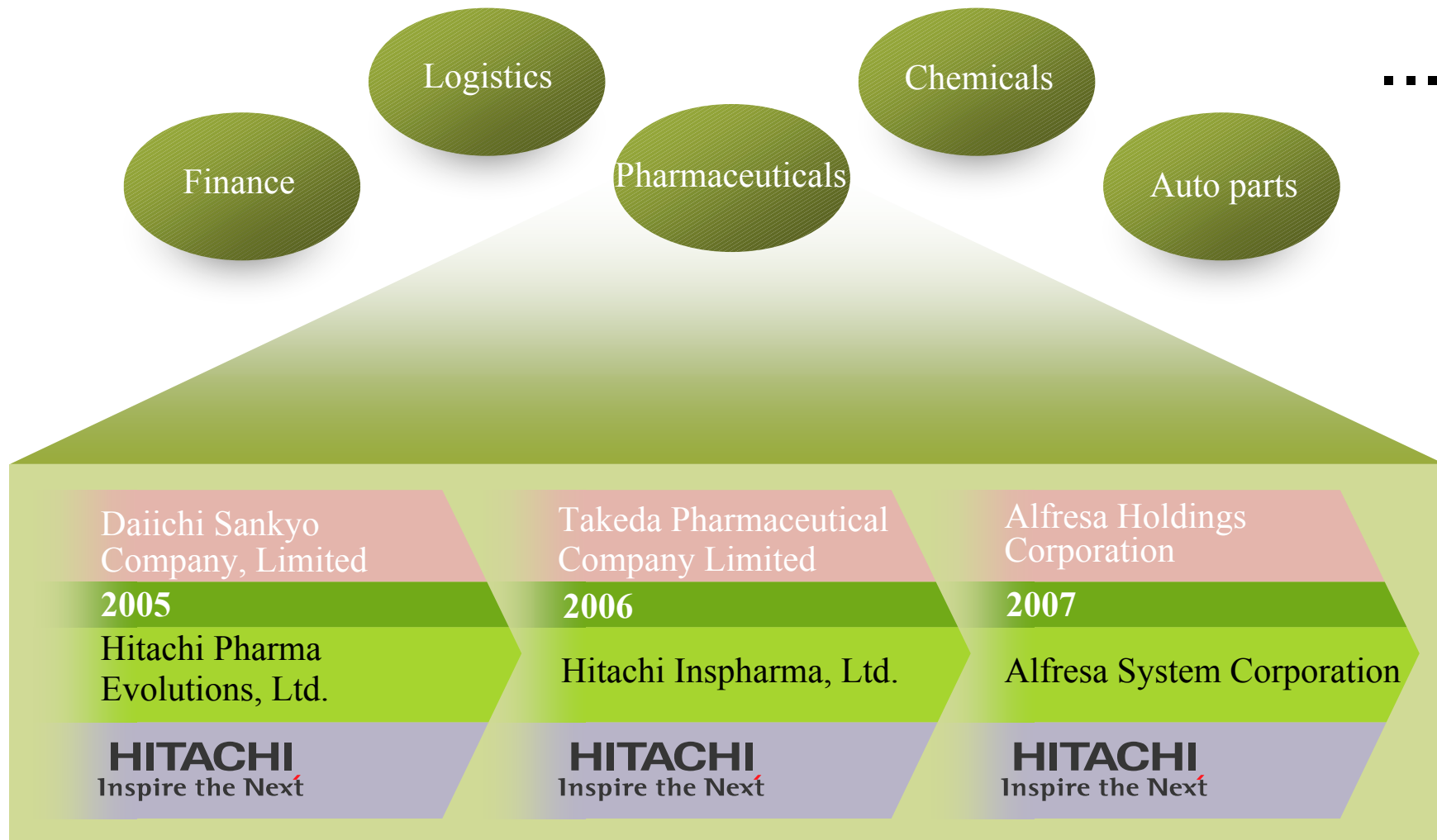


- Expand consulting business
 - Develop worldwide
- Strengthen outsourcing business
 - Outsourcing through collaborative creation with industry-leading companies
 - Data center business, BPO*₁ business
 - Financial outsourcing
- Expand integrated support services business
 - IT management services, etc.
- Develop new fields and new business models such as SaaS*₂
 - Collaborate with Hitachi Group companies

*1 BPO: Business Process Outsourcing *2 SaaS: Software as a Service

4-2. Outsourcing Business: Strategic Outsourcing

● Expand business using collaborative creation with leading pharmaceutical companies



- Expand business leveraging extensive track record in creating highly reliable systems

NEXTBASE joint outsourcing service targeting regional financial institutions

- Largest in industry in terms of outsourcing for second-tier regional banks
 - Used by 5 banks: Tokushima Bank, The Kagawa Bank, The Kita-Nippon Bank, Tomato Bank, and The Bank of Kochi (Already operational in 2 banks)
 - Target: 10 bank customers by 2009

FINEMAX joint online banking ASP service targeting individuals

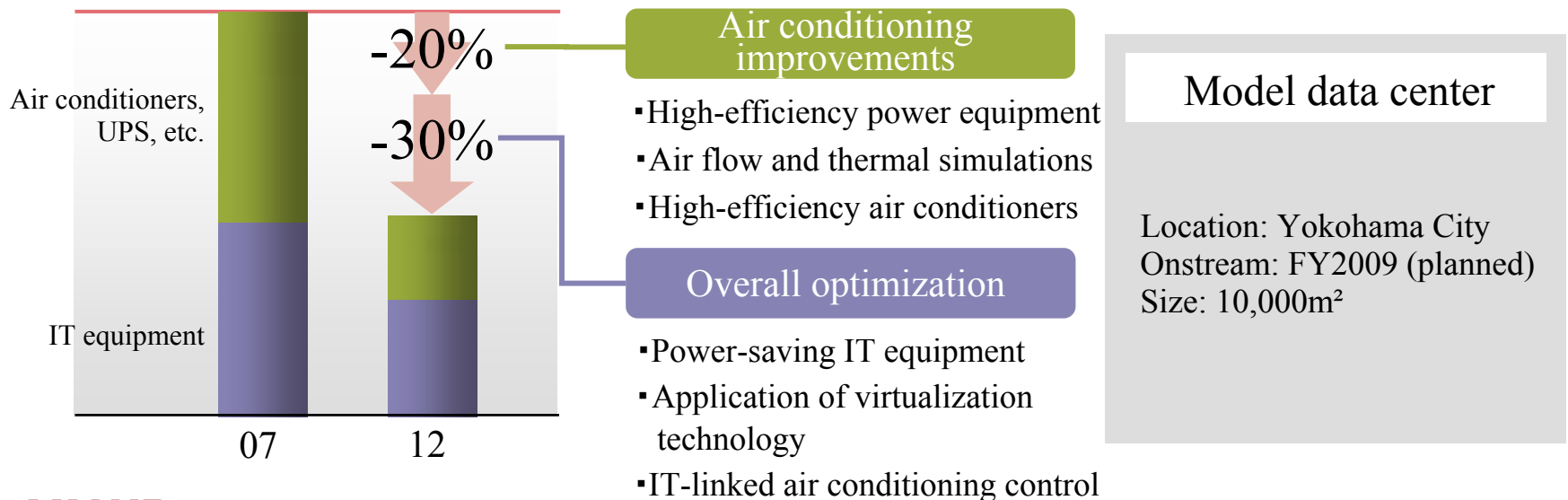
- Industry leading service that has been adopted by 23 financial institutions, including major regional banks
 - Reliable service rooted in 8 years' of proven stable operations
 - Began online Edy charge service (June 2007)
 - Used by North Pacific Bank, The Hiroshima Bank and Fukuoka Bank

4-4. Outsourcing Business—Data Center

- Expand and enhance data center in response to increasing demand, mainly in major metropolitan areas
 - Active customers: 1,330 companies Bases: 20
 - Increase floor space of highly reliable center and construct new building
34,000m² (October 2007) ⇒ 45,000m² (2009)
- Launched project to create energy-conserving data center (October 2007)

CoolCenter50

Reduce electricity consumption by up to 50% over next 5 years

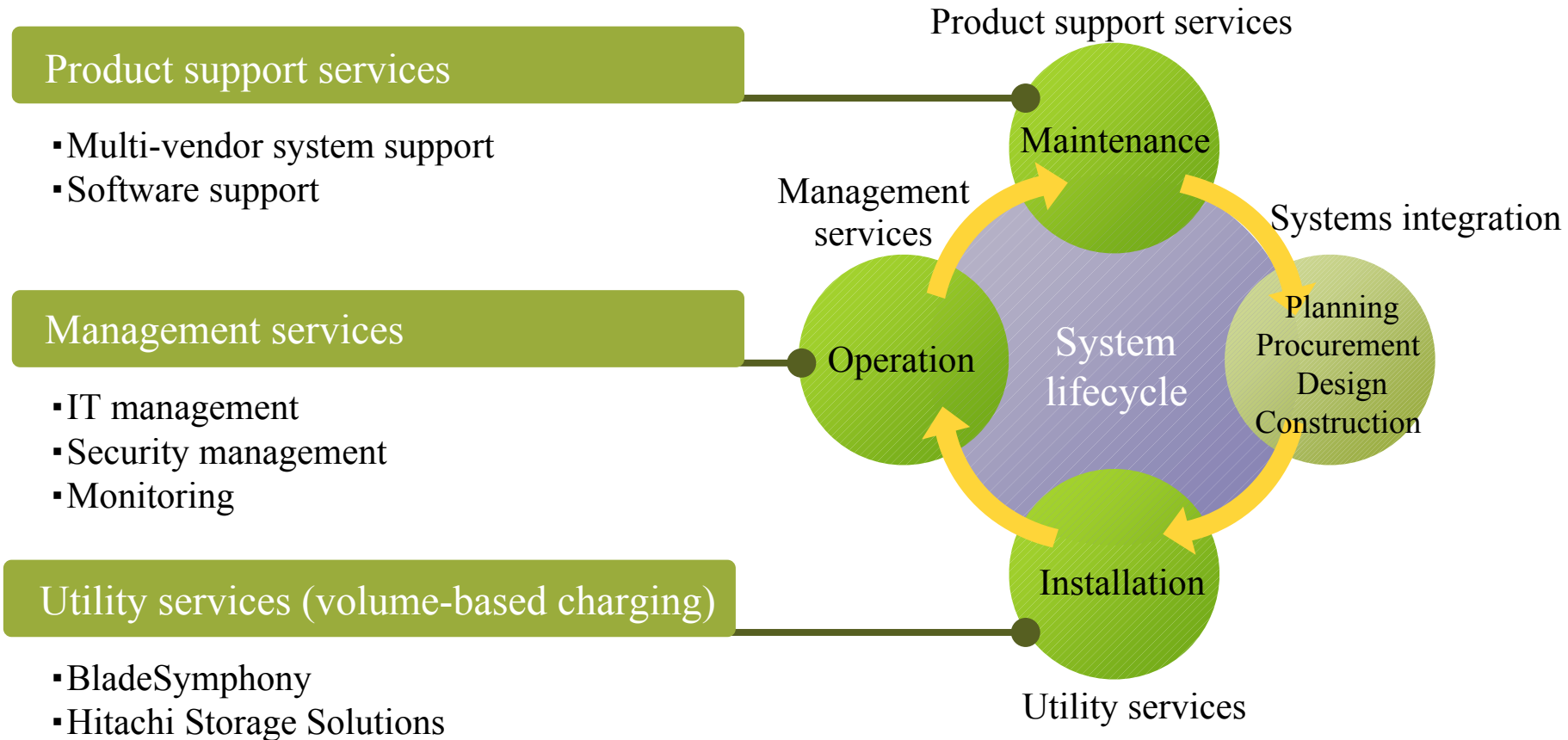


4-5. Integrated Support Service Business

● Increase earnings by strengthening support service throughout a system's entire lifecycle

- Began offering office IT platform management service (July 2007)
- Hitachi Electronics Services Co., Ltd.: 320 service sites in Japan and 11 overseas

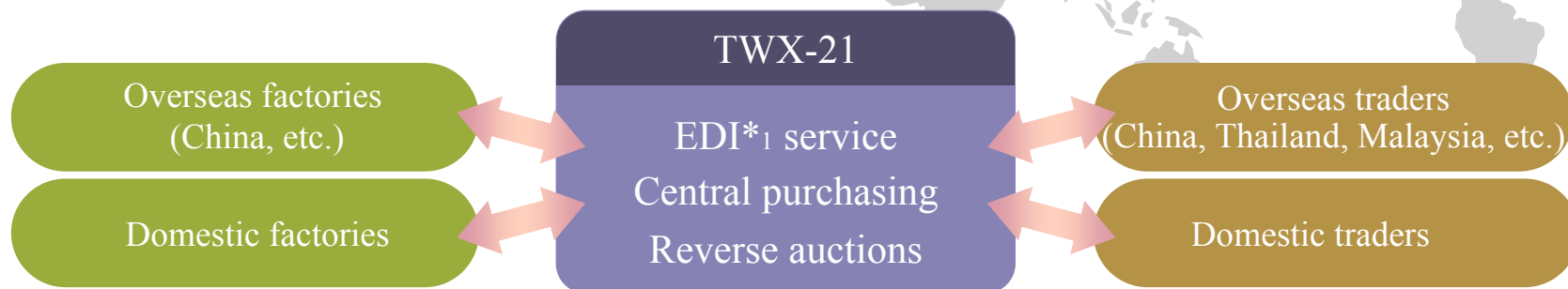
Consistently high customer satisfaction rating



4-6. Further Expansion of Service Businesses

● TWX-21—Japan's largest inter-company e-marketplace

- Corporate members: 38,300 companies (October 31, 2007)
- Electronic transactions via TWX-21: approx. ¥7 trillion/year



● Hitachi AMO*2 service for SAP—One of the largest in Japan

- Provision of wide-ranging operation, management and outsourcing services (Operation and maintenance, malfunction response, specification changes, additions and development, comprehensive systems diagnosis, etc.)
2006 (actual): 48 companies ⇒ 2009 (target): 60 companies

● Active development of new fields and new business models such as SaaS, etc.

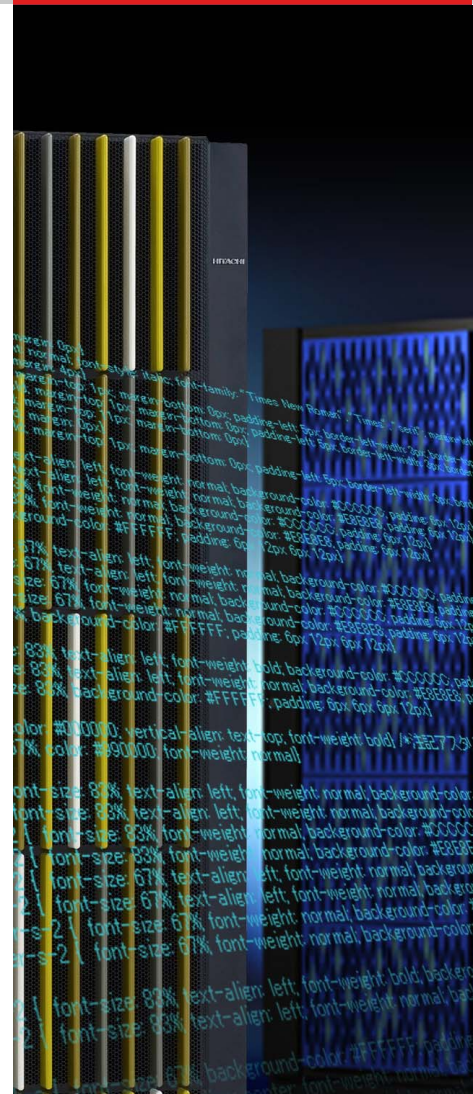
- Hitachi Software Engineering Co., Ltd.:
Provision of Salesforce.com platform to approximately 40,000 users at Japan Post

*1 EDI: Electronic Data Interchange *2 AMO: Application Management Outsourcing

5

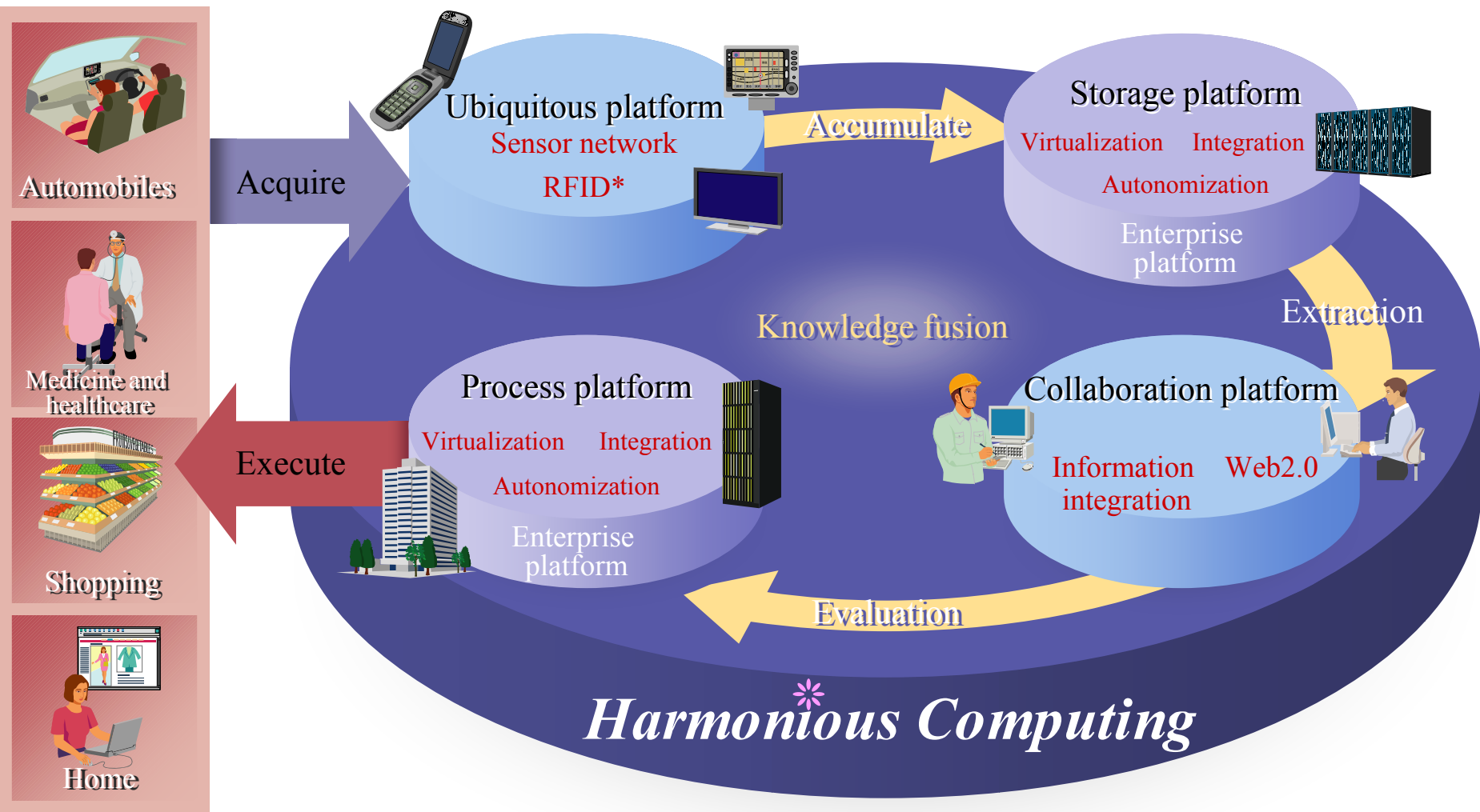
Create High-Value-Added Businesses for a Knowledge-based Society

--Integrated IT Platform
for Fusing Knowledge



5-1. Evolving Harmonious Computing Concept

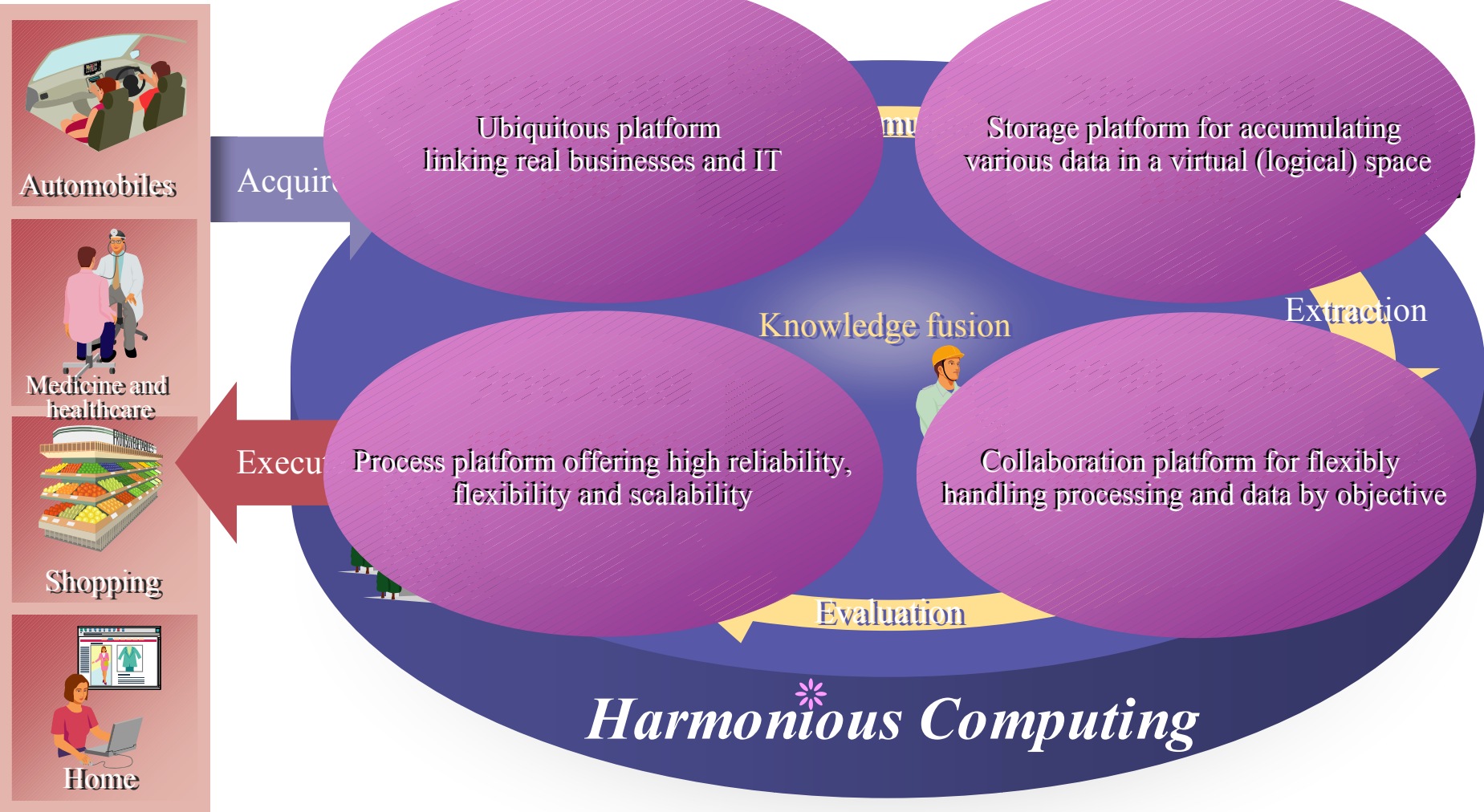
Eco system platform for linking real business practices and IT, and fusing knowledge



*RFID: Radio Frequency Identification (wireless IC tags)

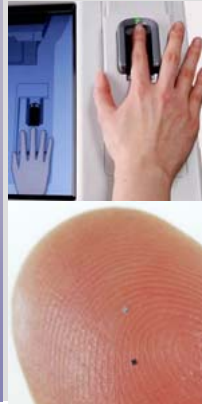
5-1. Evolving Harmonious Computing Concept

Eco system platform for linking real business practices and IT, and fusing knowledge



5-2. Relationship Between Harmonious Computing and Business

Ubiquitous platform



Finger vein authentication system business

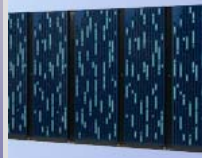
ATM business

Traceability and RFID business

Telecommunication and network systems business

Enterprise platform

Storage platform



Storage solutions business

Collaboration platform



Software business

Enterprise platform

Process platform



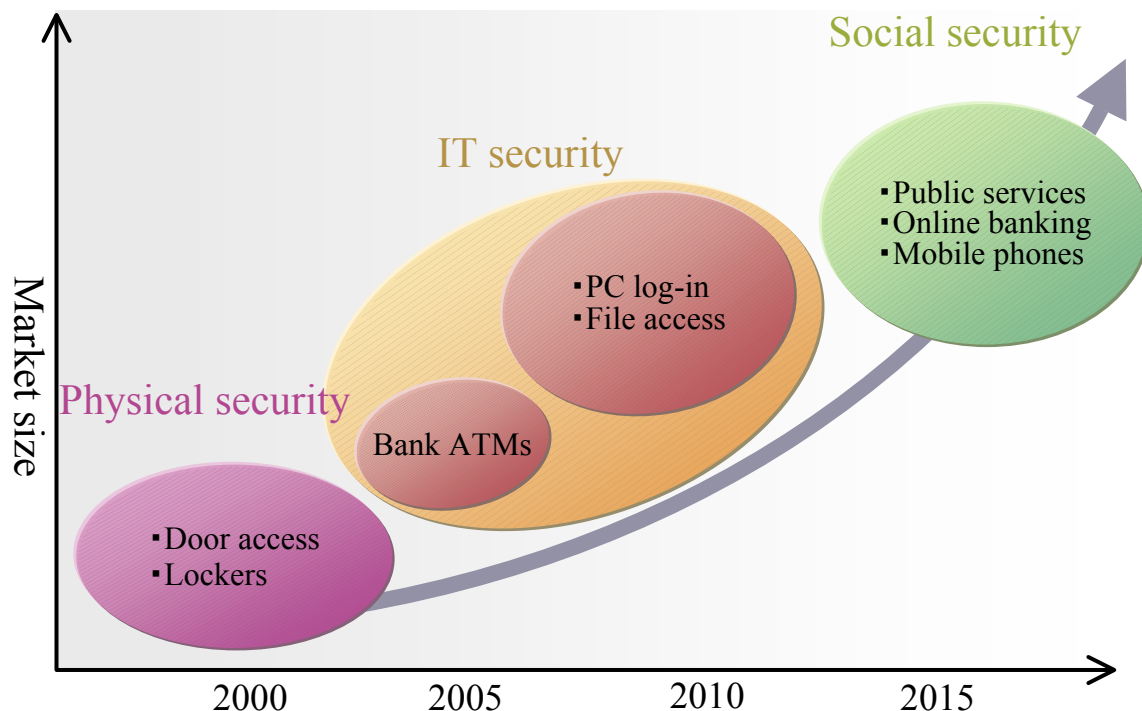
Server business

5-3. Finger Vein Authentication System Business

Related revenues*	FY2009: ¥50.0 billion	To be the next de facto products in worldwide biometric authentication market, replacing fingerprint authentication
	FY2006: ¥20.0 billion	

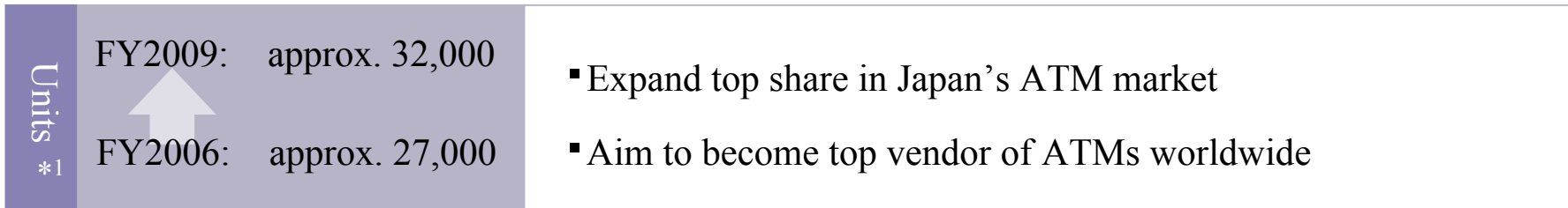
*Finger vein authentication system-related revenues

- Provide total security solutions for enterprise platforms and social infrastructures
- Expand global business through partnering with building and urban development developers



Main Achievements

- Approx. 80% share of biometric authentication-enabled ATMs among Japanese financial institutions (based on number of institutions using biometric authentication)
- Credit authentication using only finger: “Finger vein money”
- Release the compact type of finger vein products in Asia, Europe and the U.S. (July 2007)
- Release the facility access control system in Asia (October 2007)

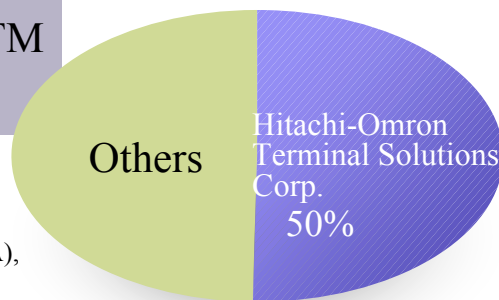


*1 Worldwide shipments including cash recycle modules

● Expand top share in Japan's ATM market

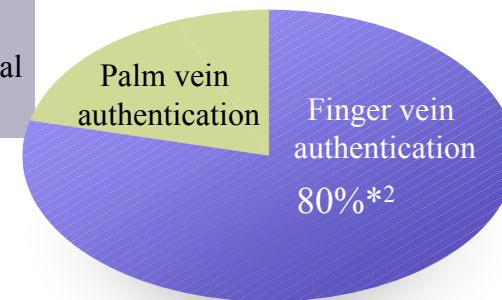
Share of Japan ATM shipments

Source: Japan Electronics and Information Technology Industries Association (JEITA), Fiscal 2006 survey



Share of biometric ATMs in Japanese financial institutions

Source: Hitachi-Omron Terminal Solutions, Corp. April 2007 survey



*2 Based on number of institutions using biometric authentication used in banks

● Expand global business centered on China

- No. 1 share in recycling ATMs in China (FY2009 target: approx. 7,000 units)
- Global cash recycle modules (FY2009 target: approx. 12,000 units)

5-5. Traceability and RFID Business

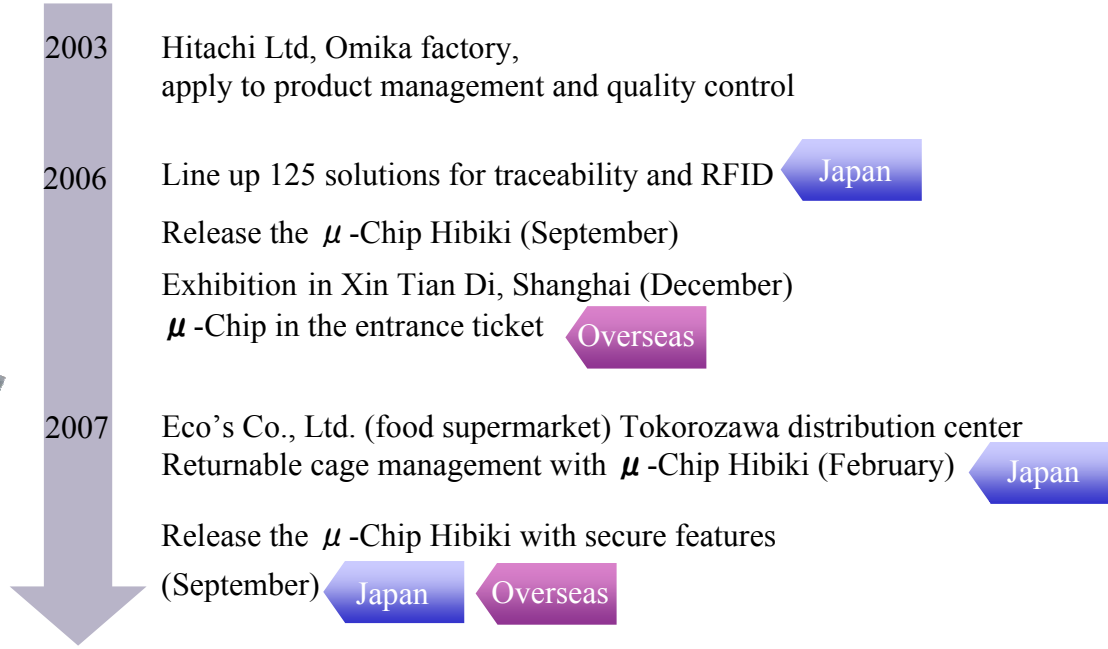
Related revenues*

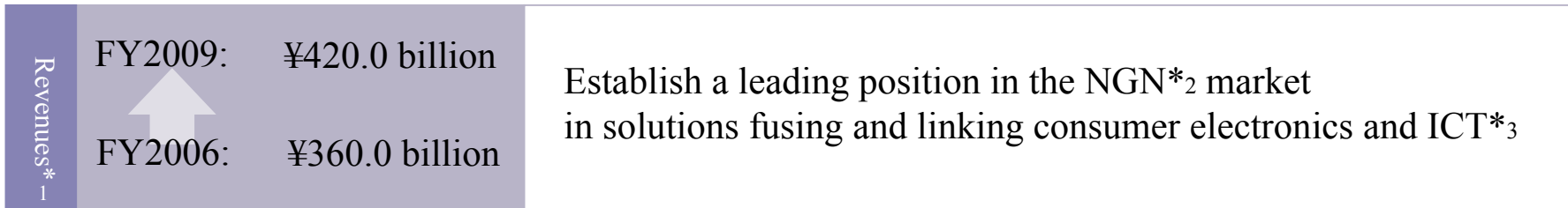
FY2009:	¥55.0 billion
FY2006:	¥5.0 billion

To be the de facto RFID products worldwide

*Traceability/RFID-related system revenues

- Global business development of μ -Chip and μ -Chip Hibiki (with secure features)
- Expansion of security/traceability solutions business





*1 Hitachi Group telecommunication and network systems-related revenues
*2 Next Generation Network
*3 Information and Communication Technology

Carriers

Concentrate business resources on mobile and optical network markets, and sell strong products globally

EV-DO	Expand introduction of EV-DO Rev.A high-speed mobile base stations to KDDI
Gigabit switch [GS4000]	Install more than 1,000 units compatible with South Korean KT Corporation's IPTV service (November 2007)
Triple-play optical access network [G-PON]	Leverage proven results in four North American cities to develop business
Videonet.tv series video distribution system	Distributes video to Internet TV, mobile phones, and within companies


Enterprise networks

Expand sales of CommuniMax series products and solutions business
—that fuse telecommunication and information systems

- Free address-based workstyle reform solutions (Applied to more than 8,000 Hitachi Group employees)
- Active expansion of sales of the power-saving CommuniMax AX series (in use at a total of approx. 130 companies, as of April 2006)

5-7. Storage Solutions Business

Revenues

FY2009: ¥390.0 billion

 FY2006: ¥348.0 billion

Aim to be the worldwide leader
as an integrated storage vendor

FY2009
operating margin:
approx. 8%

Enterprise



USP V

Mid-range



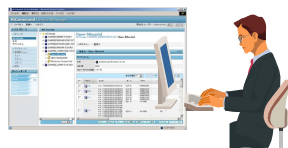
Adaptive Modular Storage

Low-end array



Simple Modular Storage

Storage management
software



File storage



HCAP

- Bolster competitiveness by expanding lineup and further enhancing virtualization feature
 - Hitachi Universal Storage Platform V [USP V] (May 2007)
Support for Hitachi Dynamic Provisioning with first-in-class thin provisioning for providing virtual storage capacity
 - Entry model USP VM (September 2007)
- Develop file storage field through launch of content archive products
 - Hitachi Content Archive Platform [HCAP] (May 2007)
 - Strengthened archiving solutions (October 2007)

Revenues

FY2009: ¥163.0 billion

FY2006: ¥154.0 billion

Strengthen middleware for achieving virtualization and knowledge creation by fusing entire IT systems

FY2009
operating margin:
over 10%

● Integrated system management middleware JP1

Expand No. 1*₁ share in Japan (FY2009: over 30%)

- Strengthen function for server/storage virtualization
- Strengthen function for IT compliance
- Development of system management technologies for power-saving

*1 Source: No. 1 share in Japanese operations management software sector for 10 consecutive years (FY1997 to FY2006); Fuji Chimera Research Institute, Inc.



● Universal Application platform middleware Cosminexus

Expand share*₂ leveraging strength regarding ease-of-use

- Strengthen function for SOA platform
- Improve development efficiency by using system integration guideline based on business know-how

*2 Source: Fiscal 2006, No. 2 share in application server platforms in Japan; Fuji Chimera Research Institute, Inc.

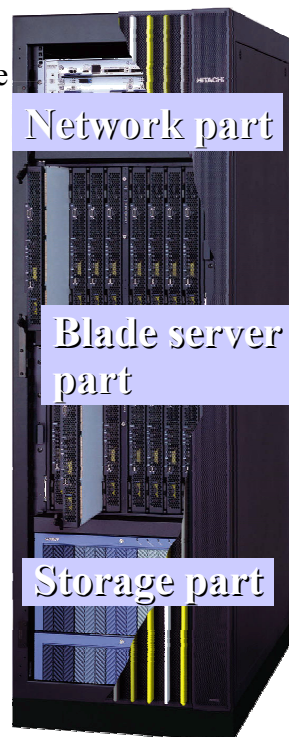
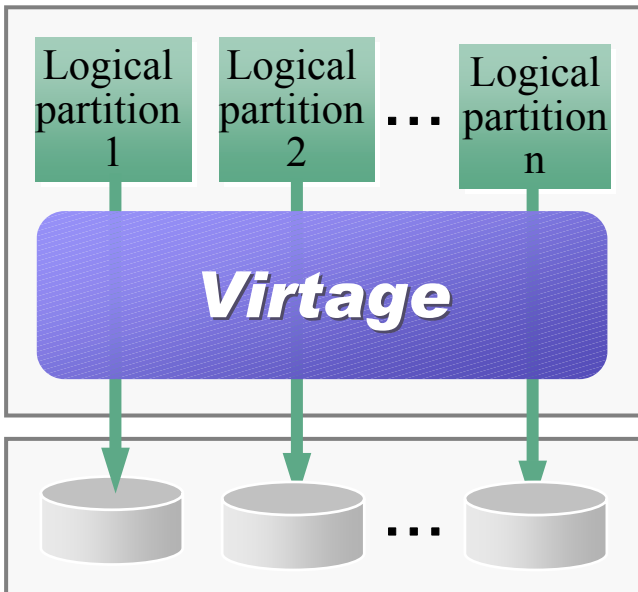
5-9. Server Business (BladeSymphony-related Business)

Related revenues*
 FY2009: ¥130.0 billion
 ↑
 FY2006: ¥60.0 billion

Realize next-generation integrated service platform

*BladeSymphony-related servers, storage, software and SI business revenues

Hitachi's proprietary server virtualization structure



- Expand share of sales in Japan with cutting-edge virtualization technology (Virtage)

Top share for 2 quarters running
(FY2007 1Q: 26.4%)

Source: IDC Japan, Japan Server Quarterly Model Analysis, Q2 2007
(Analysis of Japanese Blade server market in FY2006 4Q and FY2007 1Q)

- Develop worldwide utilizing Hitachi Data Systems' partners
- Develop data center, SMB* markets
 - Entry storage products (July 2007)
 - Power-saving model (November 2007)

*SMB: Small/Medium Business

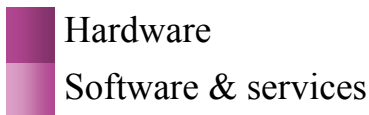
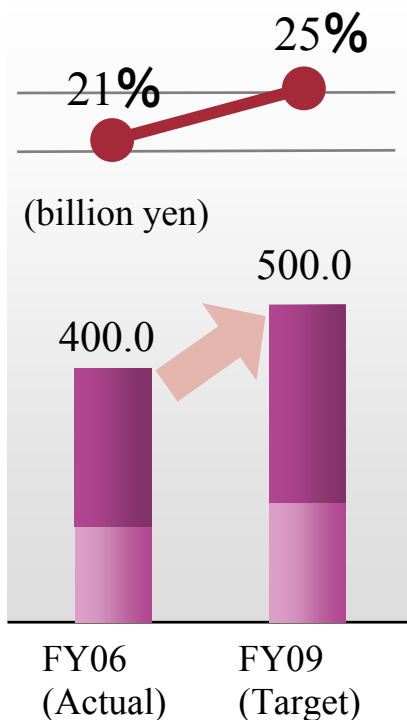
- Promoting cooperation with Hewlett-Packard in business PC field (announced March 2007)

6

Global Development Centered on Strong Products and Services



Overseas revenue ratio




Expand platform business

- Expand storage solutions business
 - Strengthen products and enter new markets/fields
- Grow world-leading niche businesses
 - No. 1 share in recycling ATMs (China)
 - 4 companies using optical access system (G-PON) (U.S.)
 - Expanding sales of operations management middleware JP1 (Asia)
 - Expansion of sales of BladeSymphony by partners (U.S.)

Launch service and solutions businesses

- Expand consulting business
- Expand SI business and offshoring centered on consulting

6-2. Storage Solutions Business

Revenues		FY2009: ¥390.0 billion	To be the worldwide leader as an integrated storage vendor
	FY2006: ¥348.0 billion		

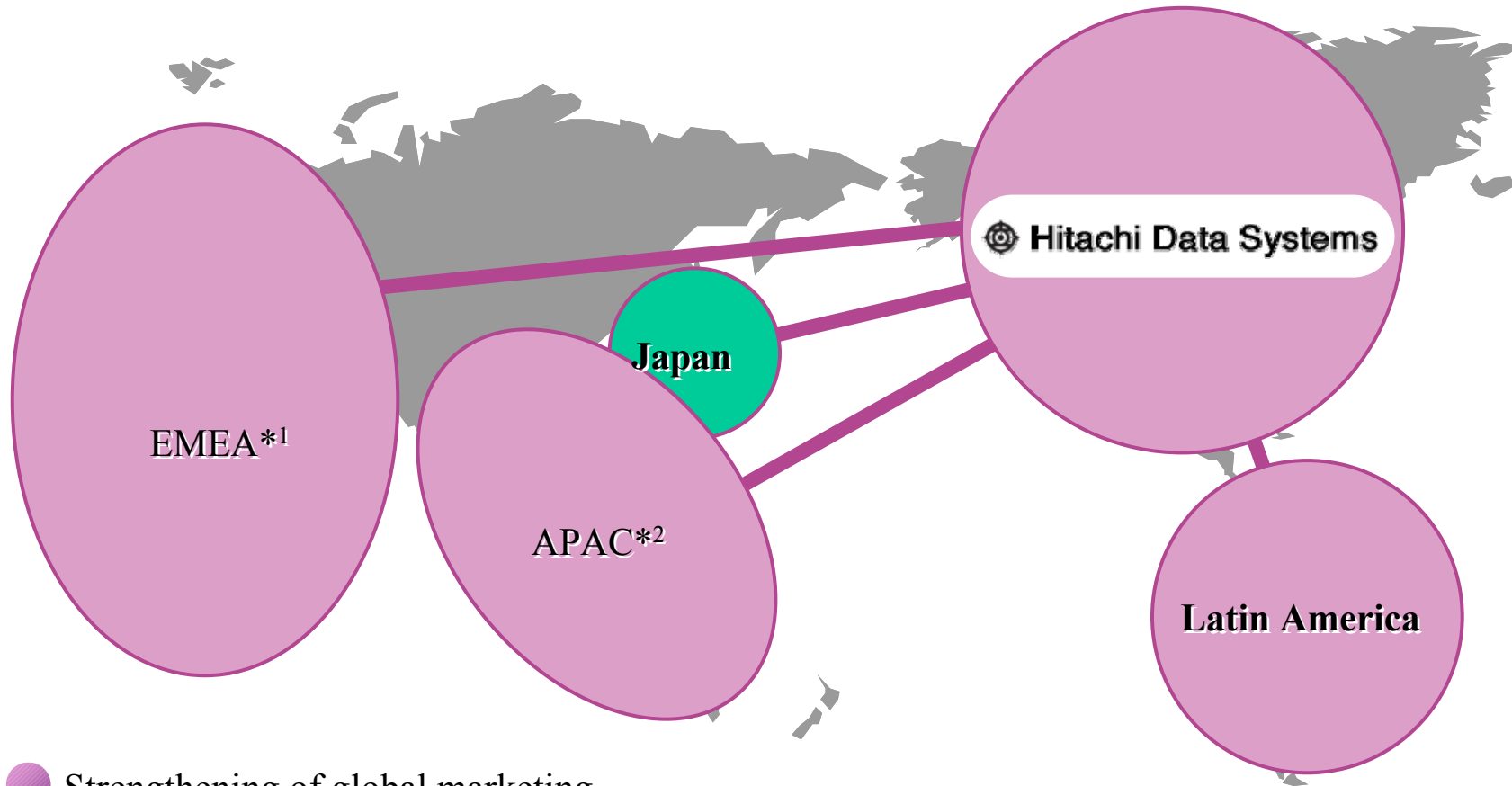
Strengthen existing product lineup		Worldwide share	
		FY06 (Actual)	FY09 (Target)
Enterprise disk array subsystems	Bolster virtualization function (USP V series, VM series)	1st	1st <small>Capacity base</small>
Mid-range disk array subsystems	Power-saving function (HDD power supply control)	5th	3rd <small>Capacity base</small>
Storage management software	Strengthen integrated operation function	5th	4th <small>Monetary base</small>

Enter new markets/fields	
Low-end array market	<ul style="list-style-type: none"> ▪ Launched new array products (October 2007)
File storage business	<ul style="list-style-type: none"> ▪ Launched content archive products (May 2007) ▪ Expanded and enhanced NAS* product lineup (November 2007)

*NAS: Network Attached Storage

6-3. Global Development of Storage Solutions Business

- Hitachi Data Systems conducts sales in more than 170 countries and regions worldwide



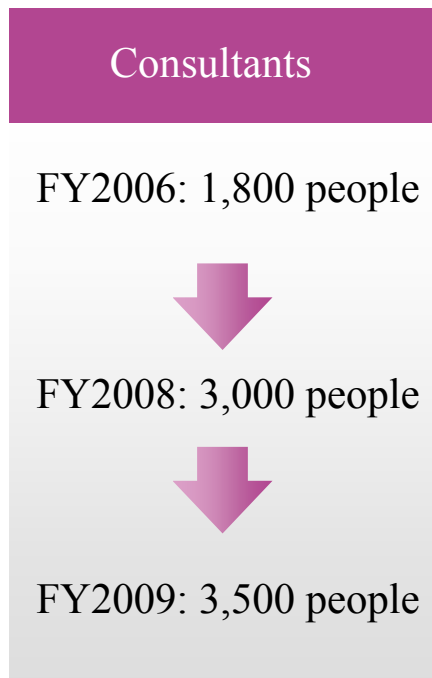
- Strengthening of global marketing
 - Unified integrated storage solutions brand worldwide (May 2007)

Hitachi Storage Solutions

*1 EMEA: Europe, Middle East and Africa *2 APAC: Asia Pacific

6-4. Expansion of Consulting Business

- Quickly establish global consulting business via M&As and other means



2000	U.S. : Established Hitachi Consulting Corporation
2004	U.S. : Acquired Aspurity LLC. (BI*1 consulting)
2005	U.S. : Acquired Dove Consulting Group, Inc. (Business strategy and organization effectiveness consulting firm) Europe: Established Hitachi Consulting Europe Limited
2006	U.S. : Acquired Navigator Systems, Inc. (BI and CPM*2 solutions provider) Japan: Formed Hitachi Consulting Co., Ltd.
2007	U.K. : Acquired Impact Plus (consulting firm specializing in public sector and financial services sector)

- Expand SI business centered on consulting

2007	U.S. : Acquired Iteration2 (Microsoft ERP*3 solutions)
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*1 BI: Business Intelligence *2 CPM: Corporate Performance Management *3 ERP: Enterprise Resource Planning

6-5. Expansion of Global Solutions Business

● Establish global solutions business anchored by Hitachi Consulting

- Strengthen SI and support structure based on alliances with local partners

Expand consulting + SI business (BSI)

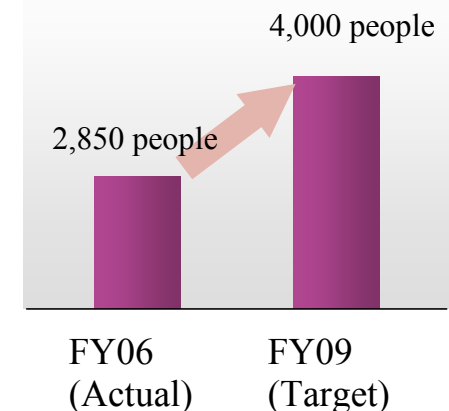
- SI centered on packaged software (ERP solutions, etc.)
- Expansion of security/traceability business based on powerful technologies

Global support

- Expansion of global sourcing through partnerships in India, Vietnam, China and South Korea

- Development of middleware
- AMO (Business application development, support and maintenance)
- Global rollout (System development, rebuilding)
- BPO (Non-IT business process outsourcing)

Software IP



6-6. Global Consulting Business Framework

- Built a strong global network of 3 companies (in Japan, U.S. and Europe) and global support centers in India



7

Conclusion



FY2009 performance targets
Revenues: ¥2 trillion, Operating Margin: 7%

Contribute to social innovation by fusing goods, information and knowledge

Strengthen MONOZUKURI
to create a high earnings structure

uVALUE

Create high-value-added businesses
for a knowledge-based society

Develop globally, centered on
strong products and services

uVALUE

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:

- 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 change, 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, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
- 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 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 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 results of litigation and legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- 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.

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