

HITACHI AND IBM AGREE TO STRATEGIC STORAGE ALLIANCE
Plans Call for Combined HDD Operations, Collaboration on Systems Interoperability

TOKYO, Japan and ARMONK, New York -- April 17, 2002 -- Hitachi, Ltd. (NYSE:HIT, TSE: 6501) and IBM today announced plans to form a strategic business alliance designed to accelerate the delivery of advanced storage technologies and products to market.

Under the terms of the preliminary agreement, the companies plan a multi-year alliance to research and develop new open standards-based technologies for next-generation storage networks, systems and solutions.

In addition to, and separate from, the systems alliance, the two companies intend to combine various hard disk drive (HDD) operations into a new standalone, joint venture company, integrating their world-class research, development and manufacturing operations, as well as related sales and marketing teams. Upon completion of negotiations, Hitachi is expected to hold 70 percent of the joint venture and make a payment to IBM for its HDD assets.

“Strong hardware is essential to our company-wide efforts to enhance solutions operations,” said Yoshiro Kuwata, Executive Vice President and Director, Hitachi, Ltd. “Now, with the top-quality hard-disk drive and RAID hardware made possible through this alliance with IBM, we will strive to be a world leader in this increasingly competitive industry. Use of HDDs is expanding, not only in PCs, servers and RAID systems, but also in a wide range of emerging digital appliances. As such, it is a critical component in a broad range of important current and next-generation Hitachi products.”

“Our two companies believe that the evolving nature of the storage industry is creating tremendous opportunity,” said Nicholas Donofrio, IBM senior vice president, corporate technology and manufacturing. “On the high end, customers of storage systems are increasingly demanding interoperability, ease of storage management, and better

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cost/performance. Our commitment to promote open standards will speed the pace of innovation and each company's ability to deliver powerful, cost-effective storage systems and networking technology to the enterprise. Vendors that stay on the proprietary path risk being left behind.

"On the other hand, the disk drive industry is extremely competitive and coping with many issues," said Donofrio. "There, the winners will be companies that can combine true technical leadership with global economies of scale. That's what this joint venture is intended to accomplish."

Central to the storage systems alliance, the two companies plan a common approach to virtualization, based on IBM technology, that will allow users to more easily manage all their networked storage systems as a single resource. In addition, Hitachi and IBM intend to jointly develop high-performance technologies and functionality for next-generation high-end storage systems and solutions.

Hitachi and IBM will continue to drive interoperability and open standards for the management of multi-vendor networks. In conjunction with existing standards body initiatives, the companies intend to deploy the emerging Common Information Model (CIM) standard for better storage management.

Separately, and subject to the successful completion of negotiations and applicable regulatory processes, the joint venture will combine selected Hitachi and IBM disk drive assets, including employees, facilities and intellectual property. Both Hitachi and IBM expect to source a major portion of their HDD supply from the joint venture. The joint venture will be based in San Jose, California. The new company's management team is expected to include executives from both companies.

"By bringing together the world-class HDD research and development capabilities of Hitachi and IBM, the joint venture should expand the market for new digital appliances and more quickly bring to market advanced product offerings," said Kuwata. "We also expect customers will benefit from the improved efficiencies of our combined business operations."

Hitachi and IBM expect to announce further details of the alliance at a later date.

Hitachi and IBM have an established history of business cooperation. Most recently, the two companies have conducted joint development and manufacturing activities in server operations.

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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.
