

Hitachi to Pursue Further Structural Reforms

Tokyo, October 31, 2002 --- Hitachi, Ltd. (TSE:6501 / NYSE:HIT) today announced that it intends to pursue further structural reforms to increase competitiveness through highly efficient management.

Moving forward, Hitachi will allocate more resources to “i.e. Social Systems*,” which wed information system services and social infrastructure systems, in a bid to create new businesses that stimulate new demand.

Concurrently, Hitachi is to reexamine and reshape its business portfolio using its proprietary value-added evaluation index, FIV** (Future Inspiration Value), as well as advance a new Group management drive to raise efficiency and accelerate its transformation into a highly profitable company.

A new medium-term management plan is currently being drawn up based on these policies. Running from the start of next fiscal year through fiscal 2005, the new plan aims to achieve positive FIV as soon as possible. Hitachi is ironing out details of the plan, including concrete action plans for the parent company’s business groups and Group companies.

* The "i.e." stands for information electronics.

** FIV is a proprietary value-added evaluation index based on economic value added in which the cost of capital is deducted from after-tax operating profit.

- more -

Direction of Structural Reforms

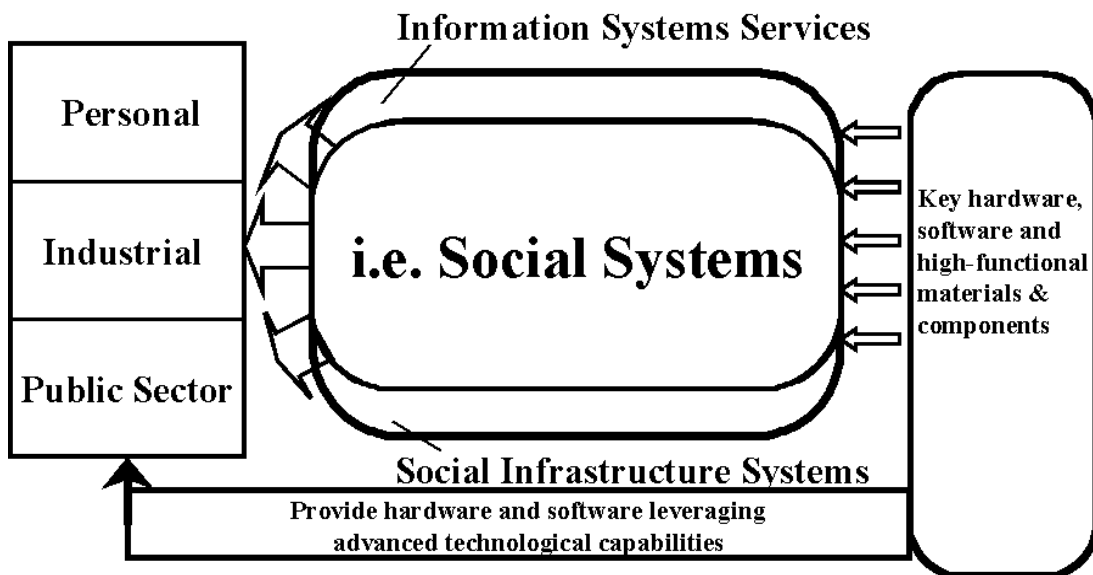
There are no prospects in sight for a full-fledged economic recovery in Japan in the medium term, and competition is intensifying on a global scale. Given this increasingly difficult operating environment, Hitachi believes that there is little expectation of expanding operations and raising its profitability with a portfolio focused on existing businesses.

Hitachi has been proceeding with structural reforms based on the “i.e. HITACHI Plan,” the Company’s current medium-term business plan running through fiscal 2002. Under the plan, the Company has been endeavoring to become a global supplier that offers total solutions in IT- and knowledge-based information systems services and social infrastructure systems, as well as the key hardware, software and highly functional materials and components needed to support these solutions.

While adhering to this basic mantra, Hitachi will pour its energies into “i.e. Social Systems” that support new-era lifelines, including information systems, as well as existing infrastructure such as electricity, gas and water supply. This business domain fuses two strategic fields, social infrastructure systems and information system services. More than ever, Hitachi will bring together its wealth of experience and know-how in the former and its cutting-edge technologies and knowledge in the latter. And by also promoting the selection of mainstay businesses and creation of new ones, Hitachi will take maximum advantage of its strengths.

Furthermore, to generate high profits, Hitachi will step up the pace of its transformation into a highly efficient group by thoroughly reviewing its businesses. In providing solutions, the Company will enhance its powerful hardware and software lineup, which is a key factor in differentiating Hitachi from competitors. It will also continue to exit fields that are becoming increasingly commoditized, as well as make further advances on the global stage, led by competitive businesses. Full use of FIV will be made in this selection process.

Progress as a result of the reforms is to be assessed on a regular basis. The Company will consider revising its medium-term management strategy to take into account the results of this assessment, changes in markets and competitive environments, and the competitiveness of Hitachi itself. This process should ensure that the Company, more than ever, is managed flexibly.



Corporate Action Plan for Realizing Structural Reforms

2-1. Reexamining and Realigning the Business Portfolio

Accelerating the reexamination and realignment of the Company's business portfolio is crucial to become a highly profitable company. Since 1999, Hitachi has dealt with around 80 businesses through alliances, joint ventures, M&As and internal Group restructuring.

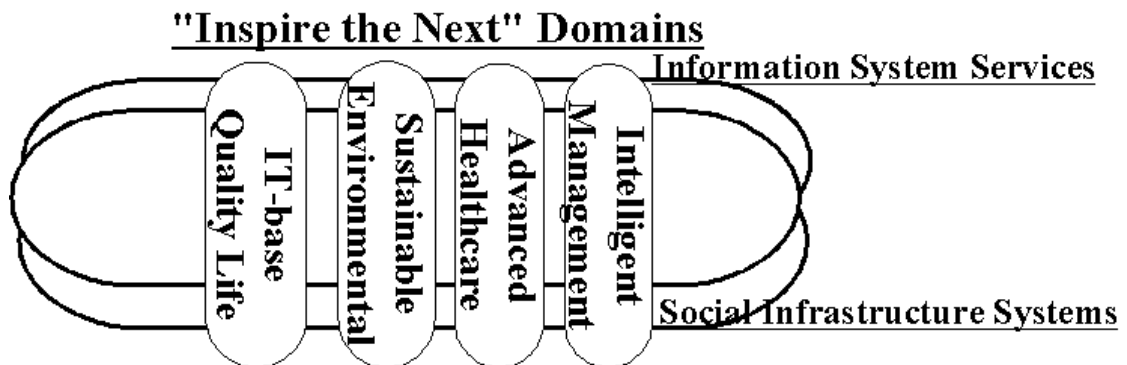
Recently, the Company reached agreement with Mitsubishi Electric Corporation on the integration of their respective semiconductor businesses with the view to creating the world's most powerful company in the system LSI field. In hard disk drive operations, which span an expanding range of applications, from PCs, servers and storage equipment to digital consumer electronics, Hitachi has decided to purchase IBM Corporation's hard disk drive operations to enhance its technological edge and expand the scale of its business. Furthermore, as part of the Company's efforts to bolster its automotive products business, a field where modularization and greater use of electronics are two key themes, Hitachi made Unisia JECS Corporation (now Hitachi Unisia Automotive, Ltd.) a subsidiary. Moreover, through separation and other internal Group restructuring, the Company has sped up decision-making and integrated manufacturing, sales and services, as well as consolidated resources in home appliances, industrial components and equipment, display devices, telecommunications infrastructure equipment and printer businesses.

Hitachi expects to gradually reap the fruits of these actions. But to quicken its progress toward becoming a highly profitable company, Hitachi is to promote further reexamination and realignment of its business portfolio.

In this effort, Hitachi will apply FIV-based investment and exit standards announced in February this year. Essentially, the Company will only invest where a business is expected to deliver positive FIV on a single-year basis within three years and to have positive FIV over five years. Where a business has negative FIV for two consecutive years, it will be placed on a “watch list” and exited or sold if no rebuilding plan is approved or it is decided that FIV will not become positive within two years.

2-2. Creating Businesses That Stimulate New Demand

Hitachi wants to open up potential markets by mustering the collective strengths of Hitachi DNA, its technologies. These include cutting-edge technologies like IT, biotechnology and nanotechnology. This drive extends beyond merely meeting emerging needs to targeting the creation of new businesses capable of spurring new demand. Hitachi is formulating specific business strategies for four key “Inspire the Next” domains: “IT-Based Quality Lifestyle Solutions,” “Sustainable Environmental Solutions,” “Advanced Healthcare Solutions” and “Intelligent Management Solutions.”



IT-Based Quality Lifestyle Solutions include the **hard disk drive business** to be acquired from IBM, a step aimed at expanding applications to digital consumer electronics and mobile products; **SAN/NAS storage solutions** that couple storage management software and other products with Hitachi’s highly competitive, world-class disk array subsystems; **total security solutions**, whereby Hitachi delivers reliable, safe social systems drawing on both physical and network security technologies; **plasma** and **projection TVs**, which are set to be information gateways in the ubiquitous information society and are based on industry-leading, high-resolution technologies; and **broadband-based train control systems** that facilitate ultra-high-speed railways.

In Sustainable Environmental Solutions, Hitachi will strengthen various businesses in addition to the energy field, where the Company has a proven track record. Examples include **electric power-trains** fusing systems technology and core motor, control and other technologies; and **lithium ion rechargeable batteries for vehicles**, a field where Hitachi is concentrating development resources to help make electric vehicles viable.

In Advanced Healthcare Solutions, Hitachi established the Medical Strategy Council in October 2002 to spearhead the formulation of strategy for the Hitachi Group in this domain. The taskforce will consider strategies for beefing up activities in growth fields such as the **outsourcing of bio analysis** and **cutting-edge medical equipment**, including **proton beam therapy systems** and **DNA sequencers**, in addition to exploring ways to strengthen **imaging, noninvasive diagnostics** and other existing businesses. Furthermore, the taskforce will examine the development of next-generation technologies, including **tissue engineering, surgery-support technologies** that apply robotics, and **imaging technology for human brain functions using optical topography systems**, as well as examine the commercialization of new solutions, such as medical services that include home-based examination solutions for diabetes and nursing care. The taskforce is effectively charged with formulating and executing growth strategies for Hitachi's entire medical business.

In the Intelligent Management Solutions field, Hitachi will offer **comprehensive IT outsourcing solutions** that support the business models of client companies by tapping its wide-ranging business portfolio; **urban redevelopment solutions** centered on facility management, such as building management, to revitalize cities; and **management reform solutions with financial services**, whereby Hitachi will couple the Group's expertise in financial services with its experience in developing businesses for a broad range of customers.

To make these solutions a reality, the Company will make greater use of **system LSIs**, which it is enhancing through the integration of operations with Mitsubishi Electric.

What's more, Hitachi plans to continue establishing new business models leveraging its technology. One example is Hitachi's "**mu-chip**," one of the world's smallest RFID IC chips. Already slated for use in steel products management, the "mu-chip" is being considered for use in a wide variety of applications. Meanwhile, resources will be channeled into the creation of new businesses rooted in nanotechnologies. **Semiconductor manufacturing equipment** that uses scanning electron microscopes is one illustration.

2-3. Working Toward New Group Management

While respecting the self-management of Group companies, Hitachi is to promote integrated management of the Hitachi Group. Specifically, Hitachi will manage the Group, comprising about 1,200 subsidiaries and affiliates, in terms of 3 categories: Consolidated Group Management (M), Consolidated Vision and Brand (V), and Consolidated Finances (F).

Companies in the Consolidated Group Management category function both strategically and operationally in step with the Hitachi Group. Ties are to be strengthened with the parent company with the aim of capturing greater synergies. This category included the parent company and approximately 60% of the Group's 1,200 subsidiaries and affiliates, and accounted for around 70% of gross sales in fiscal 2001.

Consolidated Vision and Brand companies share a common management vision and brand with members of the Hitachi Group, but have a high degree of independence in running their own operations. This category accounted for approximately 40% of the Group companies and generated roughly 30% of sales.

Consolidated Finances companies are managed autonomously and consolidated only in financial terms. This category represented only several percent of the total, both in terms of the number of companies and sales.

Hitachi's plans call for reducing the number of subsidiaries and affiliates by around 300 over the next 3 years through realignment, integration and other means.

Hitachi, Ltd., headquartered in Tokyo, Japan, is a leading global electronics company, with approximately 320,000 employees worldwide. Fiscal 2001 (ended March 31, 2002) consolidated sales totaled 7,994 billion yen (\$60.1 billion). The company offers a wide range of systems, products and services in market sectors, including information systems, electronic devices, power and industrial systems, consumer products, materials and financial services. For more information on Hitachi, please visit the company's Web site at <http://global.hitachi.com>.

#

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.
