

HITACHI
Inspire the Next 

“ i.e.HITACHI Plan // ”
Medium-Term Management Plan

January 30, 2003

Hitachi, Ltd.

1 The Vision Behind “ i.e.HITACHI Plan II ”

2 The Goals of “ i.e.HITACHI Plan II ”

3 Key Measures of “ i.e.HITACHI Plan II ”

4 Specific Actions of “ i.e.HITACHI Plan II ”

5 Examples of Targeted Businesses

6 Conclusion

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Advancing from the “i.e.HITACHI Plan” to “ i.e.HITACHI Plan // ”

Overview of “i.e.HITACHI Plan”

- Hitachi’s basic strategy is in the right direction :
Become a global supplier able to offer “information systems services”, “social infrastructure systems” together with “the key hardware, software and highly functional materials and components”
- However, Hitachi was insufficient in responding to drastic changes in the operating environment that were not foreseen when the plan was formulated.



To achieve the goals of “ i.e.HITACHI Plan // ” :

- Concentrate resources on “New Era Lifeline Support Solutions” and “Global Products Incorporating Advanced Technology”
- Follow up on progress annually and take additional actions and other measures necessary to accomplish the plan’s goals

Advancing from the “i.e.HITACHI Plan” to “ i.e.HITACHI Plan II ”

- More innovations to become customers’ “best solutions partner”

Basic Aim of
“i.e.HITACHI Plan”

Targeted Domains of
“ i.e.HITACHI Plan II ”

Fuse Technologies & Knowledge

Become a global supplier
able to offer
“information systems services”,
“social infrastructure systems”
together with
“the key hardware, software
and highly functional materials
and components”

“New Era Lifeline Support Solutions”
“Global Products Incorporating
Advanced Technology”

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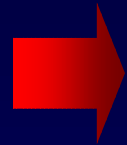
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Goal: Achieve positive FIV* in fiscal 2005



Fiscal 2005 Net Sales and Earnings

	(Forecasts for FY2002)
■ Net Sales: current level	(8,050 billion yen)
■ Operating Margin: at least 5%	(approximately 2%)
■ ROE: at least 8%	(approximately 2%)

*FIV is Hitachi's economic value-added evaluation index in which the cost of capital is deducted from after-tax operating profit. After-tax operating profit must exceed the cost of capital to achieve positive FIV.

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● Establish a Highly Profitable Structure Through Realignment of Business Portfolio

- Hitachi has already designated certain businesses as candidates for withdrawal based on their lack of synergy with targeted business domains or the difficulty of achieving positive FIV.
 - Exit certain businesses currently accounting for approximately 20% of net sales
- Bolster targeted businesses, create new businesses
- Allocate proceeds from withdrawal of businesses to additional investments in targeted businesses, investment in new businesses or reductions in interest-bearing debt

● Accelerate Globalization

- Identify businesses suitable for globalization to spur further growth in the global market

● CII (Corporate Innovation Initiative) II

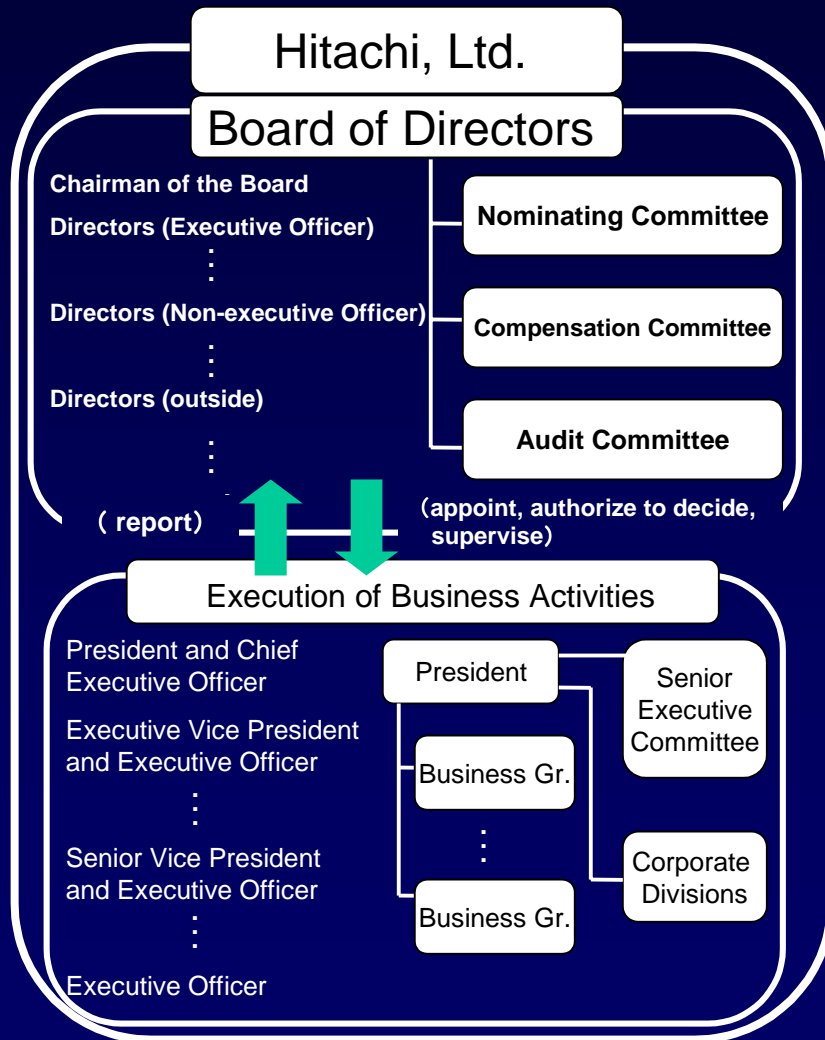
- Emphasize problem solving on the frontline operations by vesting responsibility and authority
- Bolster targeted businesses, create new businesses in the “Inspire A Business” domain
- “ Project C II ” : Further improve free cash flows
- “ Project D ” : Continuous effort to reduce procurement costs

● Raise Motivation and Utilize Human Resources Effectively

- Utilization of the personnel database
- Introduce the Free Agent Policy (in-house job seeking policy)
- Introduce the 360-degree Feedback Program to managers and higher posts

3. Key Measures of “ i.e.HITACHI Plan II ”

- **Reinforce Group Management and Introduce New Corporate Governance Structure**
Build a structure that promotes integrated management and increases the transparency of management.



- Hitachi directors and executive officers will be represented on the boards of group companies as outside directors.
- Certain group companies' directors will be represented on Hitachi's Board of Directors.

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4. Specific Actions of “ i.e.HITACHI Plan II ”

● Focus on “New Era Lifeline Support Solutions”

- SAN/NAS storage solutions,
Biomedical business,
Urban redevelopment business,
Strategic outsourcing business,
Mu-Chip* solutions, etc.

* World’s smallest RFID IC chips

● Focus on “Global Products Incorporating Advanced Technology”

- Hard disk drive business,
Automotive equipment business,
Semiconductor production equipment business,
Battery business (lithium-ion batteries, fuel cells), etc.

● Accelerate Globalization

- Identify businesses suitable for globalization to spur further growth in the global market

“New Era Lifeline Support Solutions”

- **Reinforce targeted businesses**
 - **SAN/NAS storage solutions,
Strategic outsourcing business, etc.**

- **Launch new businesses that can serve as
core growth drivers**
 - **Biomedical business,
Urban redevelopment business,
Mu-chip solutions, etc.**

“Global Products Incorporating Advanced Technology”

● Reinforce Targeted Businesses

- Hard disk drive business,
Semiconductor production equipment business, etc.

● Launch new businesses that can serve as core growth drivers

- Automotive equipment business,
Battery business (lithium-ion batteries, fuel cells), etc.

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SAN/NAS Storage Solutions

● Guide global markets as the leading company in this field

“True North”

By fusing hardware and software,
“enable strategic use of any kind of data
at any time, by anybody, from anywhere
in a secure manner”

- **Maintain the top position in hardware by providing the world’s highest performance and scalability**
- **Expand the storage management software business**
- **Establish de-facto standards in this area for closer connections with software/hardware provided by other companies**

Biomedical Business

- **Establishment of the Medical Strategy Council**
 - **Formulate comprehensive medical business strategy for the Hitachi Group**

Growing business domains

- **Advanced Diagnosis and Therapy :**
PET cancer diagnosis, proton beam cancer therapy, intelligent operating rooms, robot-assisted surgery, etc.
- **Applied Medical Biotechnology:**
DNA diagnosis, tissue engineering, etc.
- **Medical Services:**
Home diagnostic business of diabetes and other diseases, management support systems for hospitals, etc.

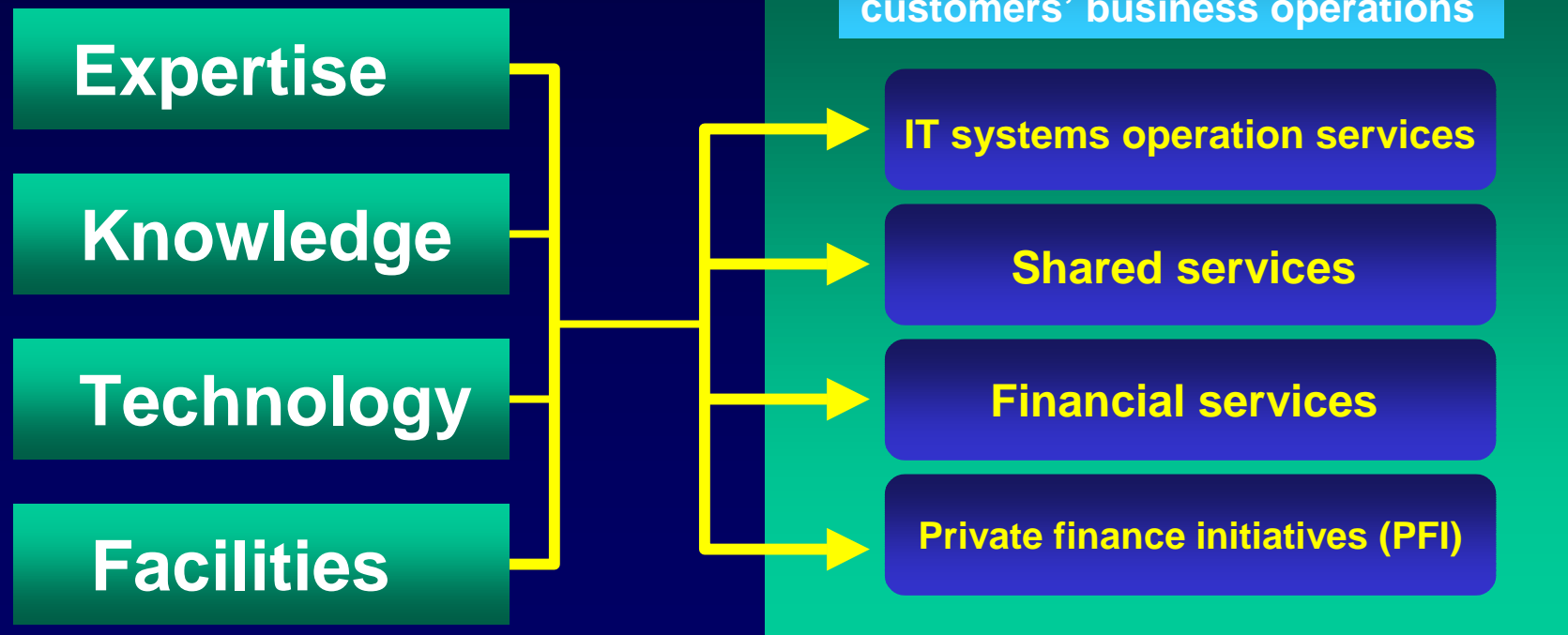
Urban Redevelopment Business

Provision of total solutions aimed at urban area redevelopment, as part of urban renewal projects

- **Join forces with partners to advance businesses that add value to urban areas**
- **Optimize energy provision for entire urban districts and provide hardware, software, services, networks, IT systems and other building-related requirements**
- **Examine the establishment of a group specialized in this field**

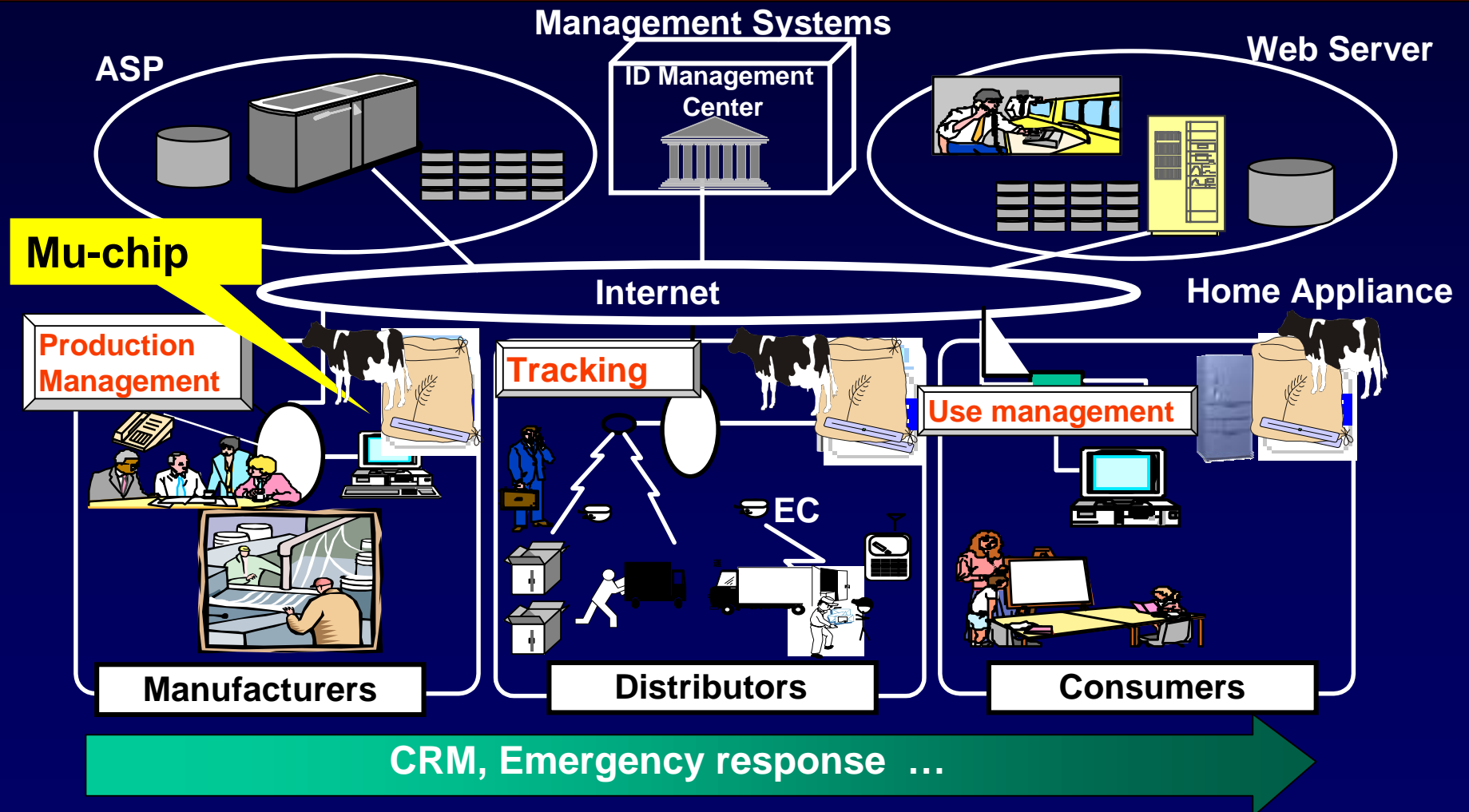
Strategic Outsourcing Business

- Leverage expertise in information systems and social infrastructures



5. Example of "New Era Lifeline Support Solutions" (5)

Mu-chip (the world's smallest RFID IC) Solutions (Tracking capability)

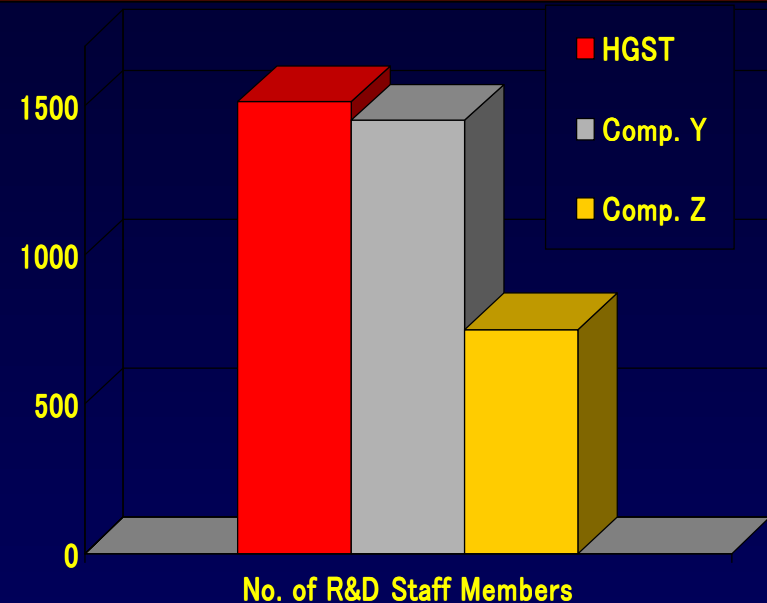


Hard Disk Drive Business

Unrivaled R&D Capabilities

- A strong R&D team
- Ownership of roughly 40% of all HDD-related patents in the U.S.
- Promoting use of next-generation technologies (perpendicular magnetic recording, etc.)

A Full-Lineup of HDDs



	HGST	Companies A and B	Company C	Company D	Company E
3.5”(for servers)	○	○	×	×	○
3.5”(for desktop PCs)	○	○	○	×	×
2.5”	○	×	×	○	○
1.8”	○	×	×	○	×
1.0”	○	×	×	×	×

HGST: Hitachi Global Storage Technologies, Inc.

Automotive Equipment Business

● Engine Management System Business

- Reinforce the advanced engine management system business, leveraging strengths in engine combustion analysis and simulation technologies, as well as in system development capabilities made available in partnership with Hitachi Unisia Automotive, Ltd., in order to alleviate environmental problems through better fuel economy and lower emissions

● Electric Powertrain Management System Business (motors, inverters, batteries, etc.)

- Steady launch of business activities to meet the forecasted take-off of this market in 2006 and thereafter

● Driving Control System Business (Brakes, Electric Power Steering systems, etc.)

- Reinforce businesses in conjunction with Hitachi Unisia Automotive, Ltd. in the field of total vehicle driving control technology, including brakes and electric power steering systems

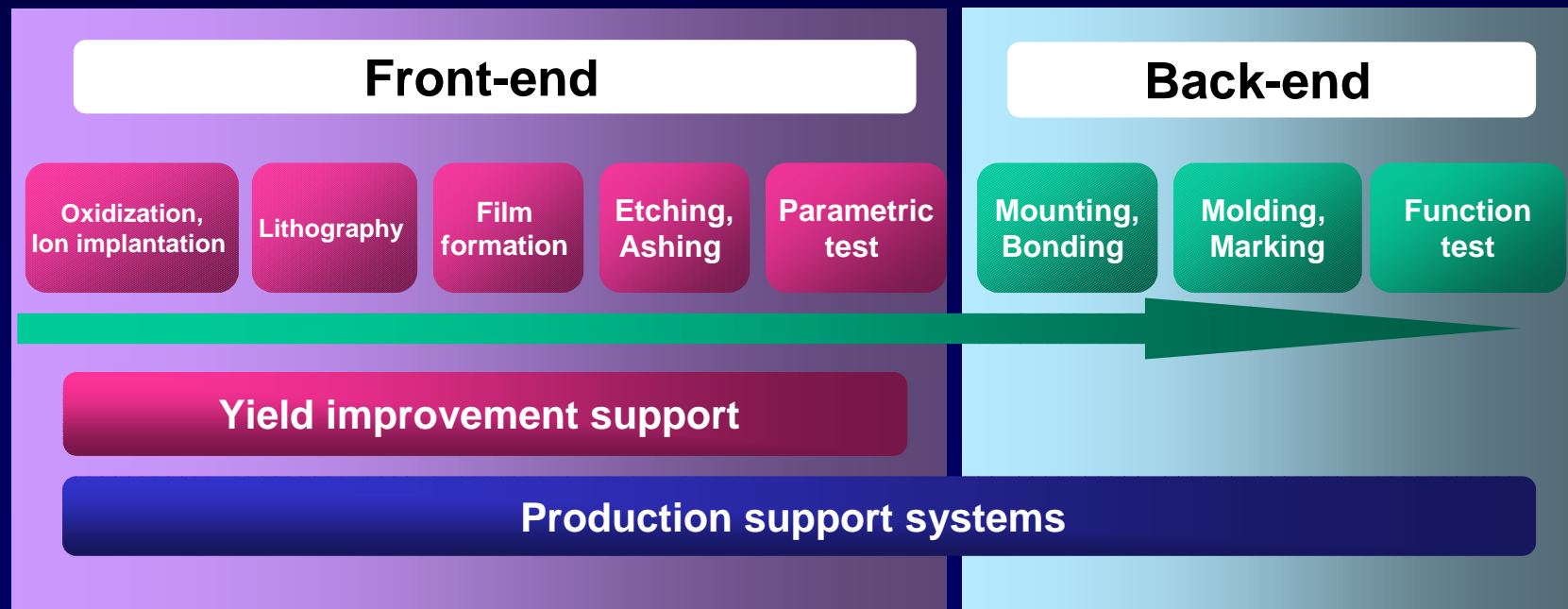
● Car Information System Business

- Provide total solutions ranging from hardware to services, including wide-area telematics

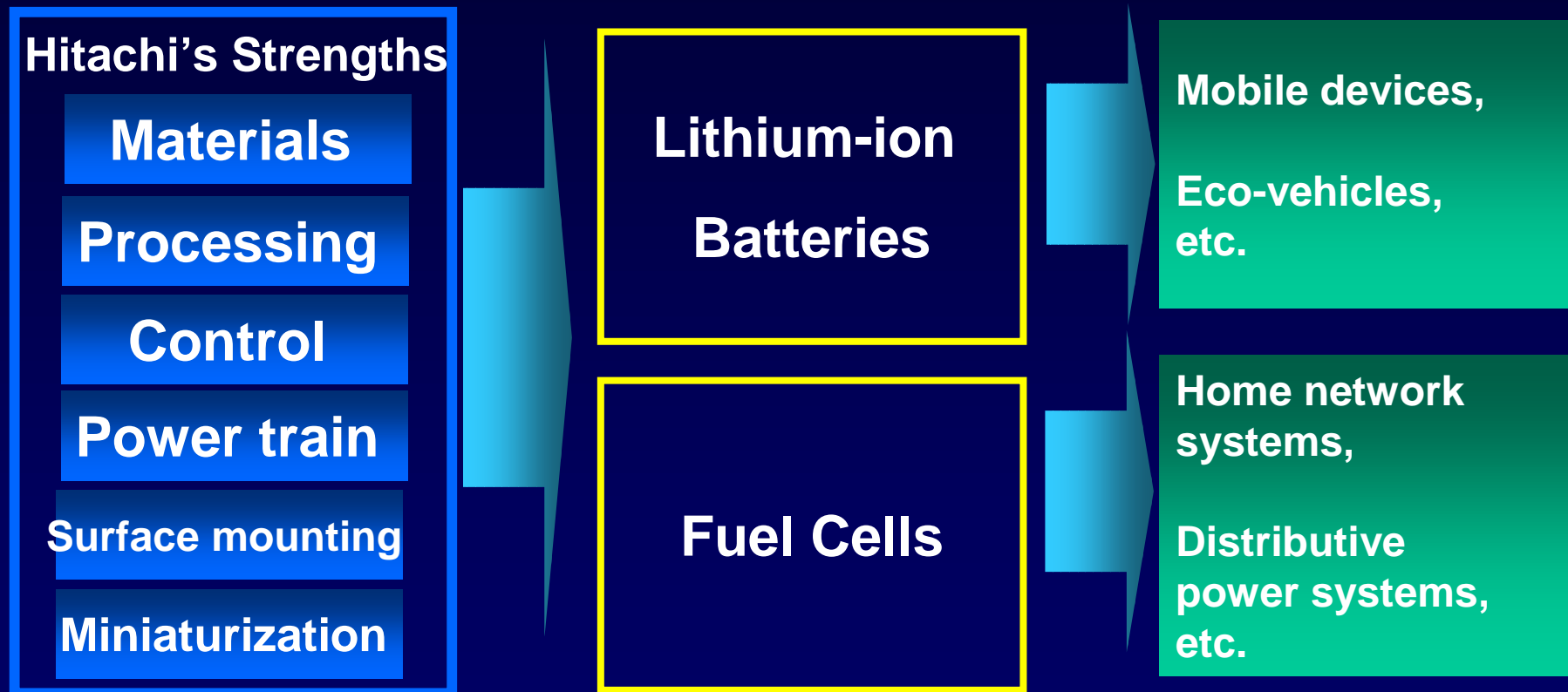
Semiconductor Production Equipment Business

- Adopt a comprehensive approach that taps the technological strengths of all Hitachi Group companies

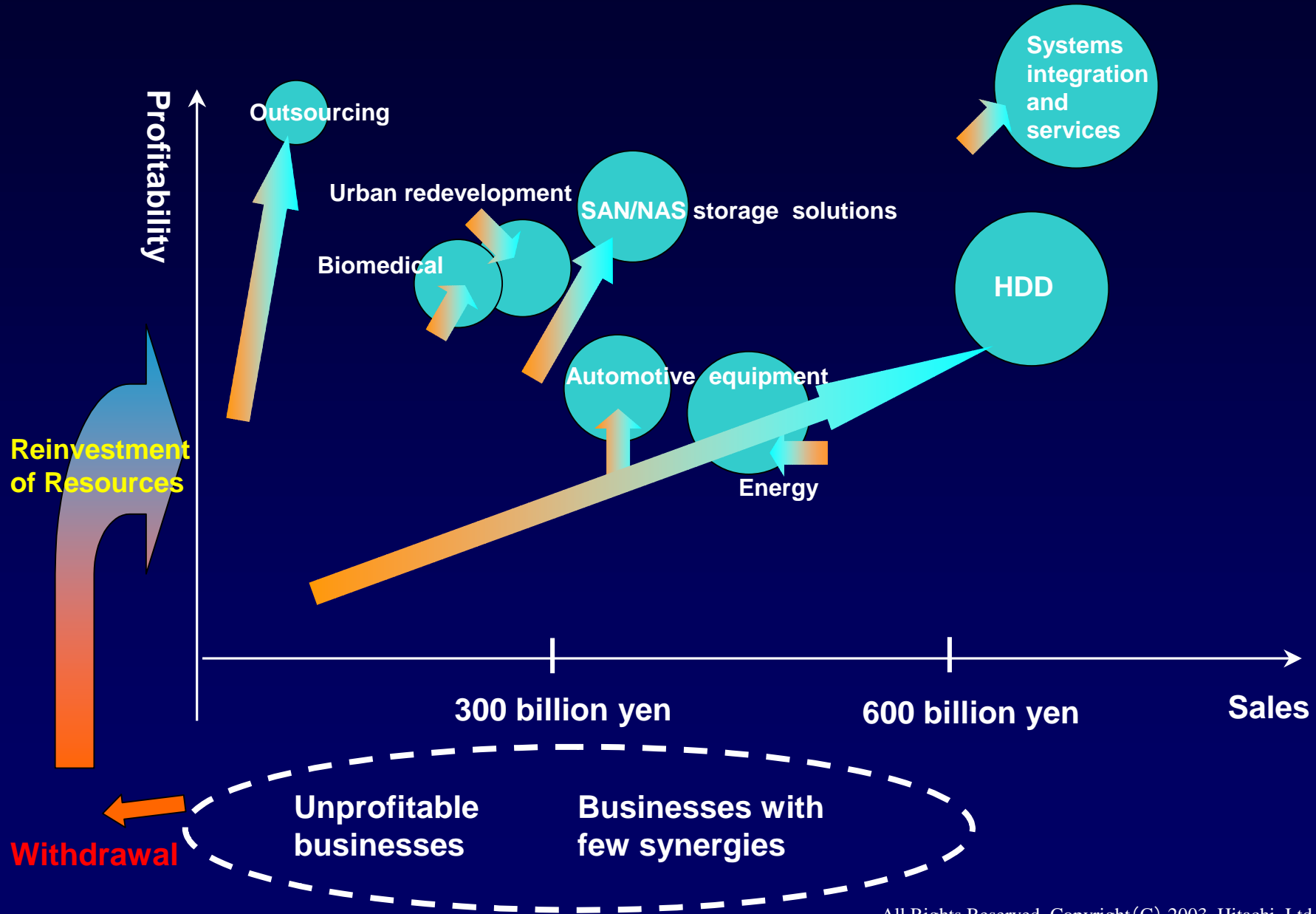
Semiconductor Production Equipment Steering Committee



Battery Business



5. Approximate Outlook for Growth in Targeted and New Businesses



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**Additional Reforms Directed at Transforming Hitachi
Into the “Best Solution Partner”**



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**“New Era Lifeline
Support Solutions”**

**“Global Products Incorporating
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Cautionary Statement

This document contains forward-looking statements which reflect management's current views with respect to certain future events and financial performance. Words such as "anticipate," "believe," "expect," "estimate," "intend," "plan," "project" and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements and from historical trends. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate.

Factors that could cause actual results to differ materially from those projected or implied in any forward-looking statements include, but are not limited to, rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices segment; uncertainty as to Hitachi's ability to continue to develop products and to market products that incorporate new technology on a timely and cost-effective basis and achieve market acceptance; fluctuations in product demand and industry capacity, 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; 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 access to liquidity or long-term financing, particularly in the context of restrictions on availability of credit prevailing in Japan; 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 economic conditions and the regulatory and trade environment of Hitachi's major markets, particularly, the United States, Japan and elsewhere in Asia, including, without limitation, continued stagnation or deterioration of the Japanese economy, or direct or indirect restriction by other nations of imports; uncertainty as to Hitachi's access to, or protection for, certain intellectual property rights, particularly those related to electronics and data processing technologies; Hitachi's dependence on alliances with other corporations in designing or developing certain products; and the market prices of equity securities in Japan, declines in which may result in write-downs of equity securities Hitachi holds.

These factors listed above are not exclusive and are in addition to other factors that are stated or indicated elsewhere in this document, or in other materials published by the Company.