

Progress on the “i.e. HITACHI Plan *II*” Medium-Term Management Plan

February 4, 2004

Hitachi, Ltd.

Activities to Realign Business Portfolio and Improve Profitability

- The Goal and Initiatives in “i.e.HITACHI Plan II”
- Major Acquisitions, Reorganizations and Alliances to Date
- Reform of Internal Systems
- Global Business
- Measures to Improve Profitability Toward Positive FIV
- Measures to Improve Profitability in Display Business
- Establishment of Consumer Business Strategy Division
- Making Headway Toward Positive FIV
- Progress on “i.e.HITACHI Plan II”

Measures to Realize Continuous Growth

- Creation of New Businesses (“Inspire A Businesses”)
- Main Measures for Medium- and Long-term Growth
- Shifting from the Digital Era to the Ubiquitous Era

Conclusions

- “Next Made in Japan”:

Reaffirming Hitachi’s Reputation as a Technological Leader

● Goal : Achieve positive FIV* in FY 2005

FY2005 net sales and earnings (expected as of Jan. 2003)

Net sales : 8 trillion yen level

Operating margin : At least 5%

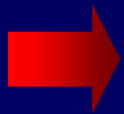
ROE : At least 8%

*** 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.**

● Key Initiatives :

- Realize a highly profitable earnings structure through business portfolio realignment
- Accelerate globalization
- Create new businesses (“Inspire A Businesses”)

- Transferred semiconductor operations to Renesas Technology Corp.
- Acquired IBM Corporation's HDD operations
- Sold shares of Nitto Denko Corporation (equity-method affiliate) and SLIONTEC Corporation
- Sumitomo Special Metals Co., Ltd. becomes subsidiary of Hitachi Metals, Ltd.
- Babcock-Hitachi K.K. acquired Germany's Babcock Borsig Power Systems GmbH
- Hitachi High-Technologies Corporation to make Hitachi Electronics Engineering Co., Ltd. a subsidiary
- Merger of Hitachi Information Systems, Ltd. and Hitachi net Business, Ltd.
- Joint venture to be established with Casio Computer Co., Ltd. for joint development of mobile phone handsets
- Agreed with Omron Corporation to integrate ATM and other information equipment businesses
- Listing of Hitachi Systems & Services, Ltd.



Expected impact on FY2005 consolidated net sales:

Increase : Approx. 650 billion yen

Decrease : Approx. 540 billion yen

- Strengthen corporate governance
 - Ensure the Committee System firmly in place (at Hitachi Ltd. and 19 Group companies)
 - Established Group Management Committee

- Reform compensation system for non-manager staff
 - Further progress toward performance-based compensation system (ex. Hitachi, Ltd. Hitachi Capital Corporation)

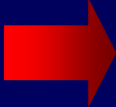
- Expansion of key materials and components used in PCs and digital appliances
HDDs, optical storage devices, recordable media, high-functional materials, etc.

- Driving growth in Digital Consumer products
- Plasma TVs, LCD projectors, etc.

- Rapid business expansion in China by Hitachi Construction Co., Ltd.
and other companies

- Steady expansion in Storage Solutions and Telecommunications businesses

- Expanding power systems business in U.S. market
ex. Order from MidAmerican Energy Company for Supercritical coal-fired power
plant

 Overseas sales accounted for 36% of consolidated net sales
for the first nine months of fiscal 2003
(34% in the same period of fiscal 2002)

- Semiconductor business
 - Established joint venture companies (equity-method affiliates) to improve competitiveness based on integration
- Display business
 - Improved profitability by changing the product mix
 - Decided to make investment to increase production capacity for small and medium-size LCDs
- Digital media
 - Withdrew from CRT TV production, concentrating on flat panel TVs
- Telecommunication System business
 - Improved profitability through “Selection & Concentration” and globalization of business

- Dramatically improved the product mix: focusing on small and medium-size LCDs, particularly for mobile phones with color screens, and LCDs for large TVs
 - In order to meet the growing demand, decided to make investment to increase production capacity of low-temperature polysilicon TFT LCDs for mobile phones, digitals cameras, etc.
 - Considering procuring LCDs for large TVs from a foundry to promote IPS(In Plane Switching) technology
 - Developing new type of display device that realizes high resolution and low power consumption
- ➔ Turned into the black in August 2003
Secure stable earnings in fiscal 2004 onwards



● Establishment of Consumer Business Strategy Division

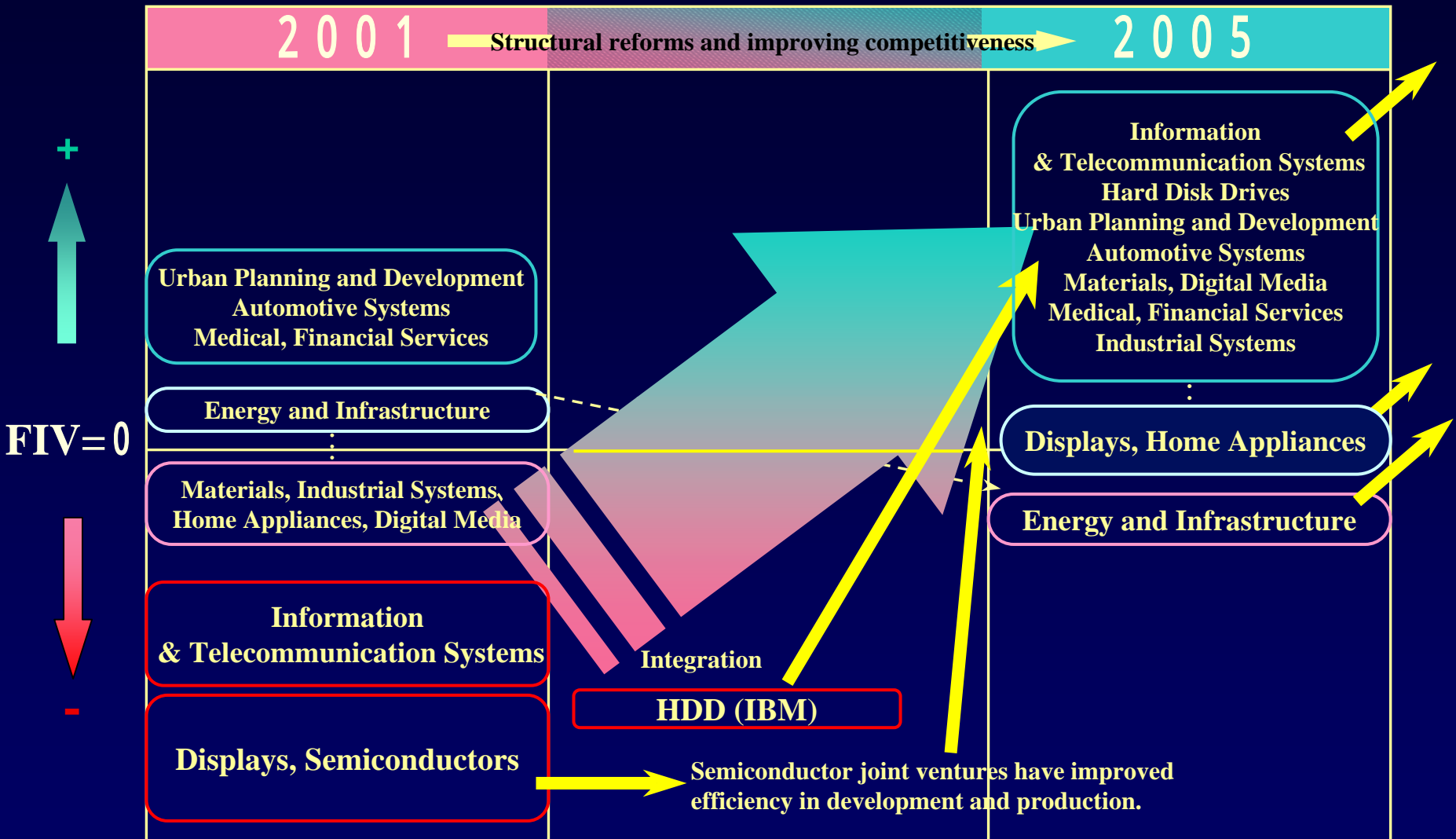
(Led by Etsuhiko Shoyama, President and CEO)

- Offering secure, safe and user-friendly products and services to meet individual needs

● Basic Stance on Rebuilding the Consumer Business

- Focus on high-value-added product fields underpinned by advanced technologies
- Improve management efficiency through more effective use of Group management resources
- Centered on the Ubiquitous Platform Systems Group and Hitachi Home & Life Solutions, as well as Hitachi Industrial Equipment Systems and Hitachi Air Conditioning Systems due to technological synergies, increase cooperation with the Information and Telecommunications Group responsible for information lifelines, and other areas of Hitachi

Making Headway Toward Positive FIV



Achieve positive FIV in FY2005

- Current FY2005 net sales and earnings (Current projections)

Net Sales : 9 trillion yen level

Operating Income : More than 400 billion yen

- Initiatives to reach the goal

Further progress with structural reforms

Push ahead with Corporate Innovation Initiative *II* (CII *II*)

(C Project *II*, D Project, E Project *II*, etc)

Selected Around 30 “Inspire A Businesses”

[Examples of “Inspire A Businesses”]

Expansionary Phase

Incubation Phase

Inter-division Business

Individual Business

<p>Medical diagnostic systems Semiconductors/LCD production equipment, etc.</p>	<p>Ubiquitous HDDs On-board car information systems Advanced medical treatment and services RFID solutions Fuel cells, Lithium-ion batteries Urban planning and development solutions Wireless information systems, etc.</p>
<p>Storage solutions Hard disk drives Outsourcing e-government “Wooo-World” (Plasma TV, etc.) Total railway systems, etc.</p>	<p>Electric powertrains New energy business Next-generation displays device Physical security, etc.</p>

“Next MADE IN JAPAN”
Reaffirm Japan’s Reputation as Technological Leader

- IT Solutions
 - Security services, “Harmonious Computing”
 - Drive forward new businesses related to e-Japan II Strategy to realize vibrant, reassuring, exciting and convenient society
- Automotive products
 - Promote increased cooperation between automotive-related businesses in the Hitachi Group
 - Strengthen the electric powertrain business
- Batteries and fuel cells
 - Target fuel cells for mobile applications, rechargeable lithium-ion batteries for the automotive field, etc
- Biotechnology and medical systems
 - Strengthen diagnostic devices and analytic equipment businesses such as DNA sequencers
- Ubiquitous application products
 - Ubiquitous HDDs / networks, etc.

“The Winner in the Ubiquitous Era”

A company capable of offering a comprehensive lineup of products and services: from key technologies, devices and components to products and infrastructure

● Key Technologies, Key Devices and Key Components

- Security technology, HDDs, flat panel displays, etc.

● Products

- Large screen TVs (plasma TVs, projection TVs, LCD projectors, etc.),
Digital products with HDDs, mobile applications for broadband networks (mobile phones, PCs, etc.)

● Social Infrastructure

- High-speed broadband networks (routers, switches, EV-DO, IT solutions, etc.)

Continuing Reforms Aimed at Transforming Hitachi
into a “Best Solutions Partner”



“i.e. **HITACHI** Plan *II*”

“New Era Lifeline
Support Solutions”

“ Global Products Incorporating
Advanced Technology”

Nex't MADE IN JAPAN.

HITACHI
Inspire the Next

HITACHI
Inspire the Next

Cautionary Statement

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,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends are used to assist readers in identifying these “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 on 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:

- rapid technological change, particularly in the Information & Telecommunication Systems segment and Electronic Devices 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;
- 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 ability to access, or access on favorable terms, liquidity or long-term financing, particularly in the context of limited credit availability currently 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 on imports;
- uncertainty as to Hitachi’s access to, and ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- 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; 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.