

**FOR IMMEDIATE RELEASE**

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

Tokyo, February 4, 2004 --- Hitachi, Ltd. (NYSE:HIT / TSE:6501) today announced progress with initiatives designed to achieve positive FIV\* (Future Inspiration Value) in fiscal 2005, a goal of its current medium-term management plan, "i.e.HITACHI Plan II."

Hitachi is realigning its business portfolio based on reviews of the activities and growth potential of all businesses. With many of the acquisitions and joint ventures conducted thus far having proven successful, targeted businesses are expected to grow between now and fiscal 2005.

Moreover, Hitachi is actively making investments in R&D in the ubiquitous application products, the automotive equipment, biomedical and other businesses, all of which are expected to expand from fiscal 2006 onward. Advanced research, the wellspring of future growth, is another area where Hitachi is bolstering R&D.

At present, Hitachi expects it will be capable of generating consolidated operating income in excess of 400 billion yen on net sales in the order of 9 trillion yen in fiscal 2005. Based on this assumption, Hitachi expects to generate positive FIV that year.

\* 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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## **1. Progress With Realigning the Business Portfolio and Measures to Increase Profitability**

Hitachi is projecting that consolidated net sales in fiscal 2005 will be approximately 650 billion yen higher than in fiscal 2002 due to the acquisition of IBM Corporation's hard disk drive (HDD) operations, the acquisition of Sumitomo Special Metals Co., Ltd. by Hitachi Metals, Ltd. and other business portfolio realignment actions. Conversely, the transfer of Hitachi, Ltd.'s semiconductor operations to joint venture Renesas Technology Corp. and other developments are expected to lower net sales over the same period by approximately 540 billion yen.

The integration of semiconductor operations in joint ventures, which are accounted for as equity-method affiliates, has bolstered competitiveness and improved earnings.

In the display business, earnings have improved significantly by changing the product mix. The focus in this business has shifted from the highly volatile notebook PC market to small and medium-size LCD panels, particularly for the expanding market in Japan for mobile phones featuring color screens. Growth in LCD panels for flat panel TVs is another factor behind the improvement in earnings. At this time, Hitachi has decided to invest an additional 12 billion yen in a production line for low-temperature polysilicon TFT LCDs in response to increasing demand for mobile phones equipped with high-resolution color displays.

In the consumer business, Hitachi Home & Life Solutions, Inc. has initiated structural reforms, mainly focused on reducing fixed expenses. Initiatives such as expanding sales in Japan of home appliances manufactured overseas are intended to give the company a more competitive structure, particularly regarding fixed costs, with which it can expand its business going forward. Meanwhile, Hitachi, Ltd.'s Ubiquitous Platform Systems Group has reorganized and integrated bases producing CRT TVs, VTRs and other existing audio-visual products in Japan and overseas, while refocusing on digital consumer electronics, a category which includes plasma TVs, projection TVs and optical storage drives.

In addition to these initiatives, Hitachi has been pushing ahead with Corporate Innovation Initiative II to improve profitability. Measures include upgrading cash flow management and initiatives to reduce expenses. Moreover, Hitachi is continuing with measures designed to nurture employees and create new businesses, including the establishment of virtual venture companies by "corporate senior staff." The objective is to turn venture companies into full-fledged businesses much in the same manner as Hitachi has done with Mu-Solutions. With FIV as its key management benchmark, Hitachi is thus working on many fronts to

improve profitability while creating attractive products and services that dovetail with customer needs.

## **2. Measures for Continuous Growth**

In tandem with business portfolio realignment, Hitachi is pushing ahead with measures to ensure growth over the medium and long terms. Investments are being made in R&D in the automotive equipment, battery, biomedical and other businesses, all of which are expected to grow significantly going forward. An example is a pilot production line for rechargeable lithium-ion batteries.

Businesses where Hitachi can best leverage its strengths, in an environment where elemental technologies and markets now cut across several different business groups, will be designated as “Inspire A Businesses.” Hitachi is prepared to take whatever steps are necessary to strengthen these businesses, including strategically allocating funds and establishing an operating framework that facilitates collaboration across many businesses in the Hitachi Group.

In Information & Telecommunication Systems, efforts are being made to upgrade Hitachi’s development capabilities with respect to disk array subsystems, HDDs and other hardware, as well as middleware and other software. Hitachi will explore alliances with other companies and conduct M&As, as required, to better facilitate the provision of total solutions in this field, which is a key component of a ubiquitous information society.

In Power & Industrial Systems, structural reforms are being implemented to Hitachi, Ltd.’s Power & Industrial Systems Group to improve earnings.

In the display business, Hitachi is continuing with the development of a next-generation display device that achieves high picture quality and low power consumption.

Hitachi has positioned the consumer market as an important market for providing “New Era Lifeline Support Solutions.” At the heart of this stance is establishment of the Consumer Business Strategy Division to open up new markets through a business model transformation—switching from a household appliance business operated along individual product lines to a consumer products business that directly supports individuals’ lifestyles as a vital part of the social infrastructure. Headed by President and CEO Etsuhiko Shoyama, this new body’s activities will extend beyond the scope of the current consumer field. It will capitalize fully on the resources of Hitachi’s consumer products business as well as the involvement Hitachi Air Conditioning Systems Co., Ltd. and Hitachi Industrial Equipment

Systems Co., Ltd. have in the technology and business spheres. The goal is to create viable consumer business models for the ubiquitous era.

Moreover, Hitachi is actively investing in advanced research fields that are of common interest to the Group. These are fields in which the Hitachi Group can give full play to its strengths from a long-term perspective.

Together, these investments, including ongoing investments in IT to facilitate faster decision-making, are intended to support consistent growth.

Hitachi is accelerating the pace of its transformation into a highly profitable organization as it aims to expand and achieve positive FIV in fiscal 2005, a goal of "i.e.HITACHI Plan II," and generate consistent growth afterward.

#### 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.

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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.

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