

January 4, 2005

2005 New Year Message by President

Aiming for Further Expansion of the Hitachi High-Technologies Group

Masaaki Hayashi, President

A Happy New Year to you all.

I would like to offer my warm wishes for the New Year to all employees of Hitachi High-Technologies Group companies around the world.

I intend this to be a fruitful year, as we move towards clarification and realization of the medium to long-term shape of the future of the Hitachi High-Technologies Group. I ask you to step up to the challenge, focusing on our common Group goal of "Aiming to be Global Top in high-tech solutions". We must give due consideration to client issues and needs with regard to products and services, providing solutions based on our leading-edge technology and information. In other words, enacting our 'customer first' philosophy is the cornerstone of Hitachi High-Technologies' development.

As our next goal, I would like to propose consolidated sales of one trillion yen by fiscal 2006, targeting high growth levels that outstrip the market and creating a highly profitable company. I hope that all of you will work together to achieve this goal.

As we start the new year, I have four requests for you all.

First, we must promote development.

We will need to further fortify partnerships with suppliers and customers to enable us to make the transition to a business model based on creating added value. Specifically, taking responsibility for some of the financing and development costs, investment in manufacturing plant and equipment, and providing small-scale manufacturing functions using technical support and outsourcing to promote the development of business will lead to recognition of Hitachi by our partners as a company that creates value.

With regard to our own product divisions, it is naturally important that we give the world products that are superior both technically and in terms of quality, are competitively priced, and released in a timely manner. The biggest issue we need to address is to strengthen our marketing and development capabilities from a medium to long-term perspective. We must move quickly to concentrate our resources on our core products through selective and focused management decision-making. I request that you review the product groups handled by each Group company, avoid scattering our limited resources, and devise measures that will enable the entire group to support and strengthen our main products.

My second request is that you seek to optimize our entire Group, to maximize our corporate value.

Our management reform project is aimed at every area of our corporate activities. Regardless of past practices, I request that you thoroughly examine administrative posts and duties in each company and each division to detect any doubling up, any workload that can be reduced, and any tasks that can be outsourced. This will be a lean organization with little fat and lots of muscle. We must seek optimal solutions for the Hitachi High-Technologies Group as a whole. We are looking for cooperative systems and work processes that will provide the optimum impetus to achieve our common goals across all areas.

Thirdly, I request that you further promote globalization.

To expand the types of business, we need to become even more global. Promotion of globalization in the true sense will not require all Japanese head offices to think the same, but rather to localize to suit local conditions. Be active in appointing and promoting local staff who know the local situation, and educate them about transfer of authority, movement of employees between head office and local entities, and other aspects of our system.

Fourthly, I request that you reduce general costs across the board, including fixed costs.

I have repeatedly asked that you promote far-reaching cost reductions and minimization of excess weight. At this point in time, I must say that our progress in these areas leaves much to be desired. To improve our profit-and-loss break even point, now is the time that top management should be strengthening its resolve to promote overall cost cuts.

To continue to develop into the future, the Hitachi High-Technologies Group must improve quality through management reform, and all employees must set their own lofty goals and then take on the challenge of achieving those goals. As corporate structure, we must comply with laws and regulations, fulfill obligations for legal compliance and dealing with environmental issues, and properly satisfy our social responsibilities, which we have been expanding for some time in response to the changing climate. We are steadily implementing more comprehensive systems and organizational structures for fairer and more transparent company management. I have said this before, but here I will hark back to the basics, asking you to always take 'right and wrong' rather than 'profit and loss' as the yardstick by which you evaluate your decisions and behavior, checking your compliance with the systems and rules of the country in which you do business.

Finally, for all of you and your families, as well as for the Hitachi High-Technologies Group, I pray that 2005 will be an excellent year, and with this thought I wish you all a Happy New Year!