

Urban Planning and Development Systems Business Strategy

Hitachi IR Day 2012

June 14, 2012

Toshio Ikemura

Vice President and Executive Officer

Infrastructure Systems Group

President & CEO

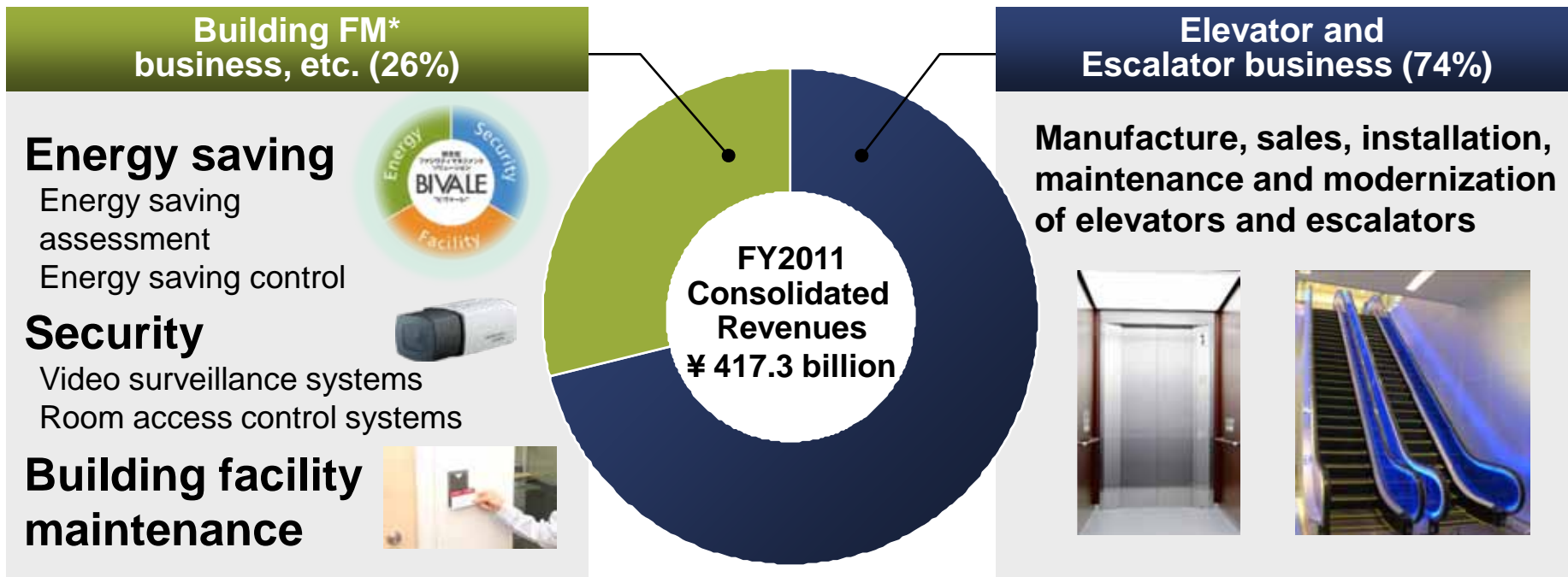
Urban Planning and Development Systems Company

Hitachi, Ltd.

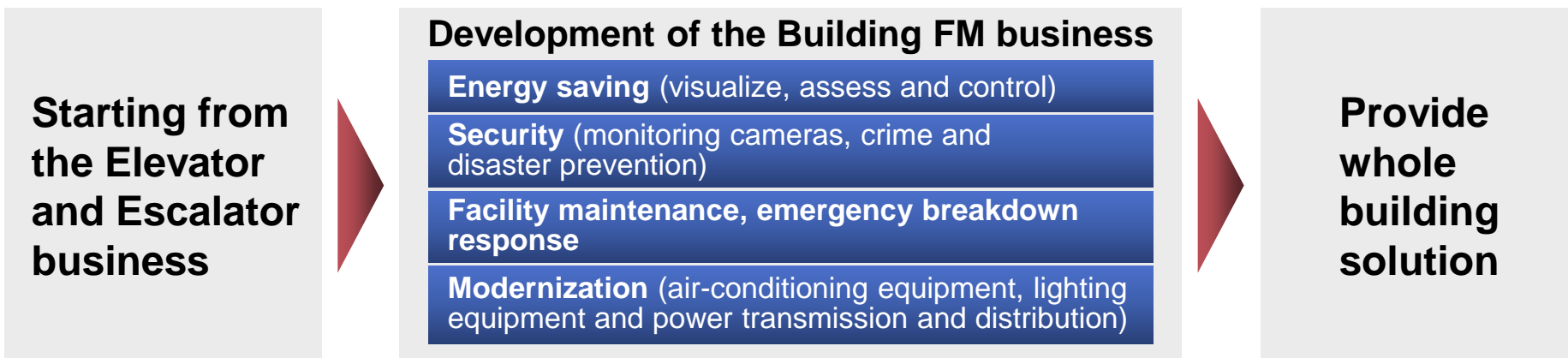
Urban Planning and Development Systems Business Strategy

Contents

- 1. Business Overview**
2. Global Position and Growth
3. Business Strategy
4. Business Performance Outlook and Targets



*FM: Facility Management



Value Chain of Urban Planning and Development Systems Company



Three Core Values

Development

- **High-performance product development capabilities**
(Develop unrivaled products)

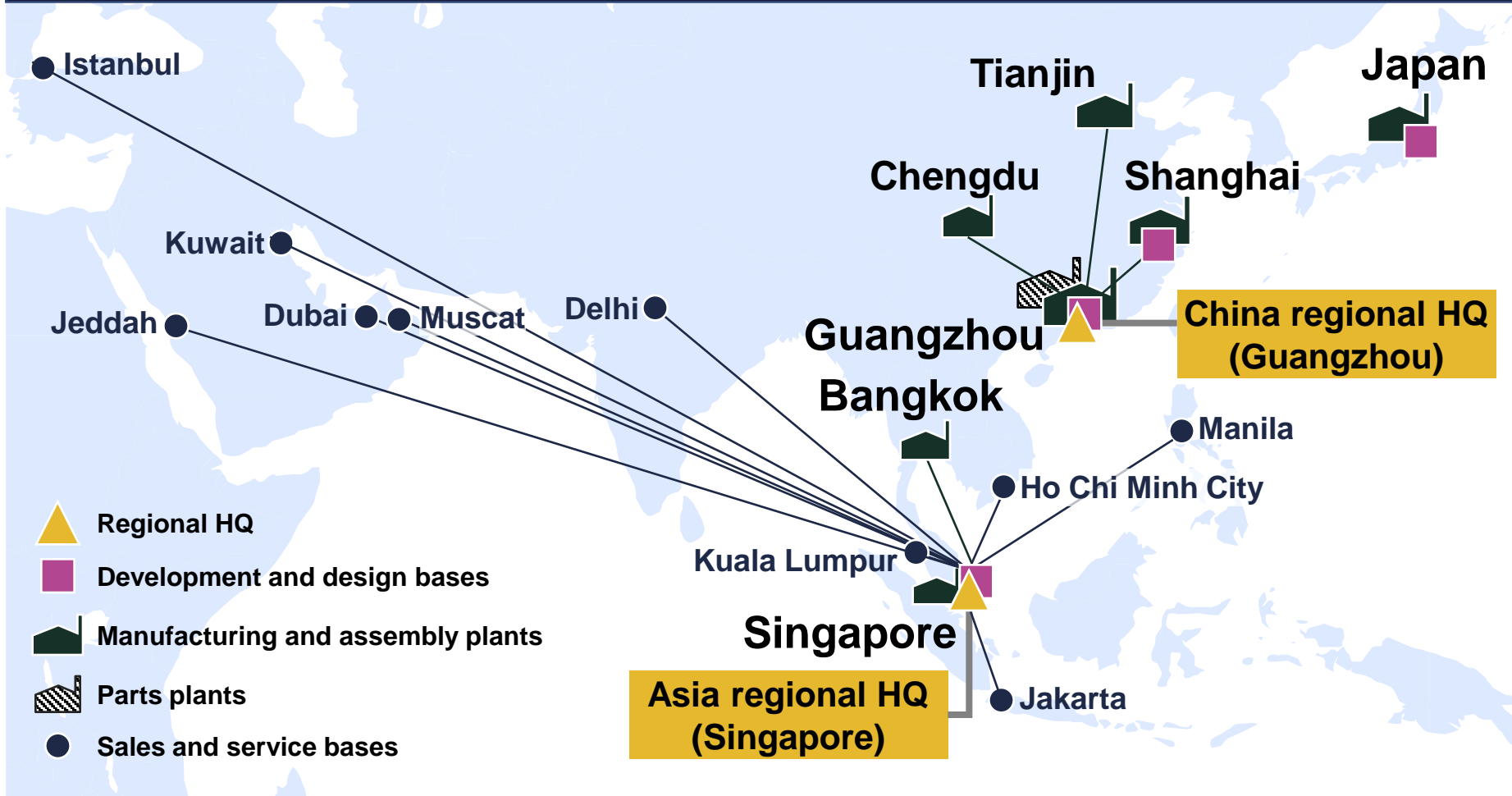
Manufacture

- **Globally developed production system**
(Supply products from optimal locations to global markets based on local production for local consumption)

Maintenance

- **Industry-leading service infrastructure and high-value-added services**
(remote monitoring, diagnosis and control using predictive diagnosis technology)

Main development, manufacturing sales and service bases



Promote globalization of value chain

Japan

Shiodome City Center

Height: 215 m (43 floors)



Ultra-high-speed elevators
(Speed: 540 m/min)

Roppongi Hills

Height: 238 m
(54 floors)



Double-deck,
ultra-high-speed,
large capacity
elevators

(Speed: 300 m/min,
capacity 44 persons)

Overseas

Al Hamra Mixed-Use Complex(Kuwait)

Height: 412 m (77 floors)



Ultra-high-speed elevators
(Speed: 600 m/min :
Fastest in the Middle East)

Shanghai World
Financial Center (China)
Height: 492 m(101 floors)



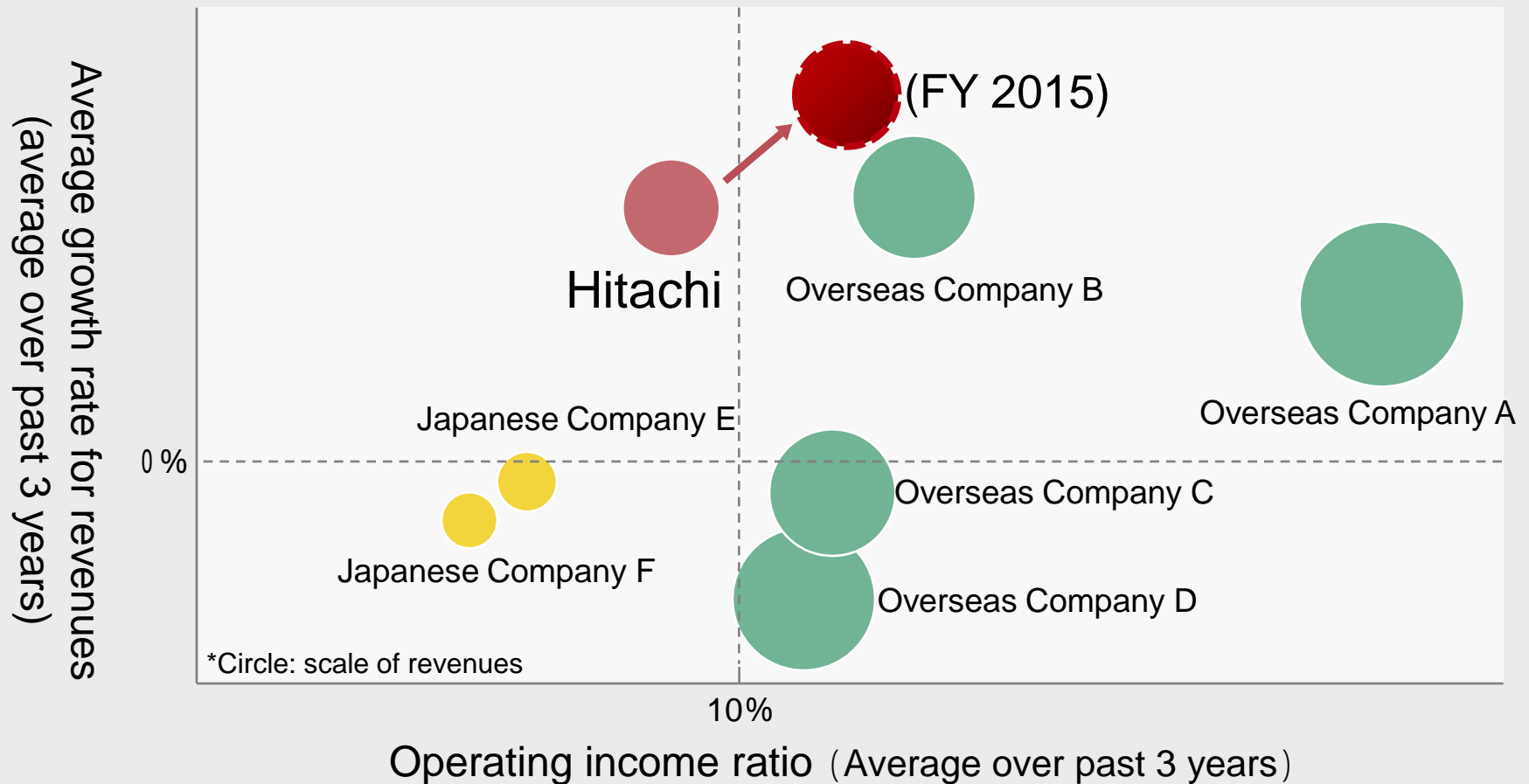
Double-deck,
ultra-high-speed,
large capacity elevators
(Speed: 480 m/min,
capacity 48 persons)

Urban Planning and Development Systems Business Strategy

Contents

1. Business Overview
- 2. Global Position and Growth**
3. Business Strategy
4. Business Performance Outlook and Targets

Hitachi's Positioning (Elevators and Escalators) and Targets



Become one of the world's top 3 in FY2015

Growth Strategy

- Expand business in China, the world’s largest market (aim to be No. 1 elevator and escalator manufacturer)
- Develop competitive products in global markets
- Strengthen links with distributors and partners around the world

Cost Structure Reforms

Production cost

- Localize production, allocate operations globally
- Promote less engineering

Direct materials cost

- Expand global procurement
- Develop products less susceptible to rising price of raw materials

Indirect Cost

- Integrate core systems globally
- Reallocate business resources to growth fields

Build strong earnings base

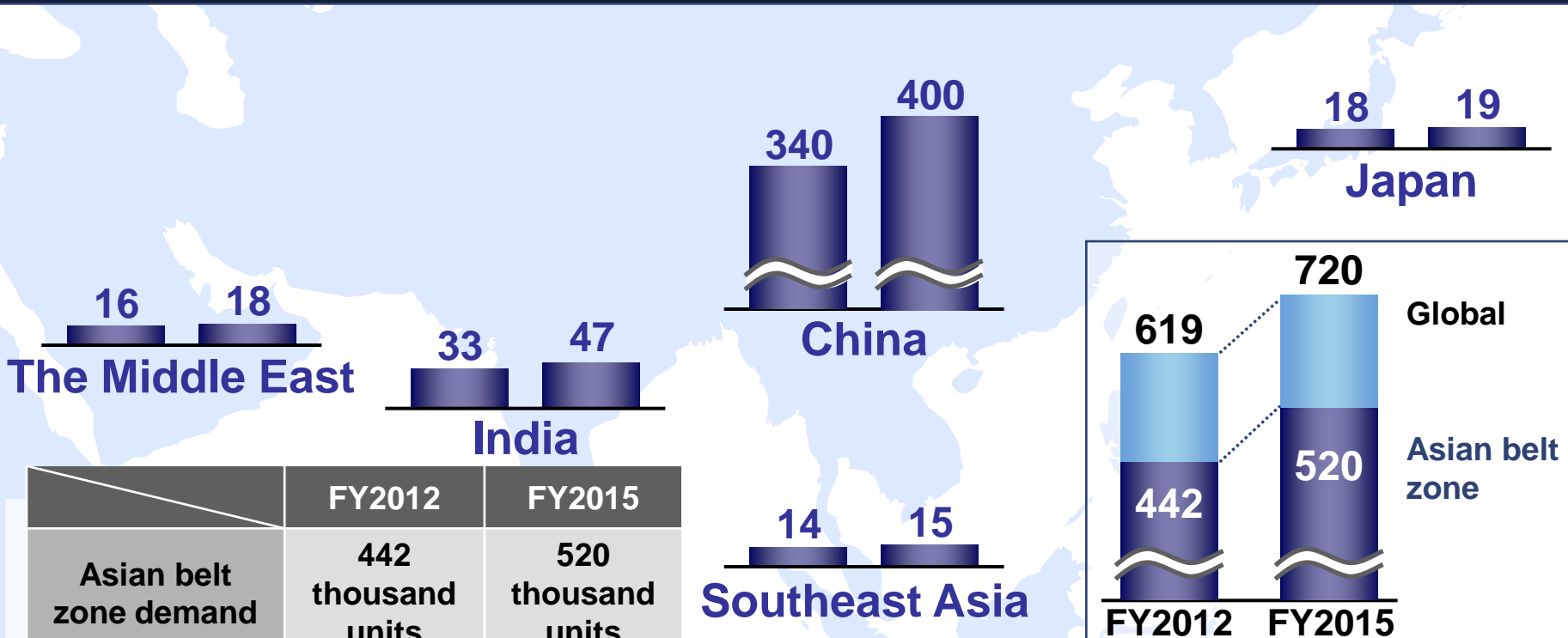
Urban Planning and Development Systems Business Strategy

Contents

1. Business Overview
2. Global Position and Growth
- 3. Business Strategy**
4. Business Performance Outlook and Targets

3-1 Market Trends (Elevators and Escalators)

FY2012→FY2015 New Installation Market Trends (Thousand units, Hitachi estimates)



	FY2012	FY2015
Asian belt zone demand units	442 thousand units <100>	520 thousand units <118>
Hitachi order received units	<100>	<140>

Global

Asian belt zone

619 (FY2012) / **720** (FY2015)

442 (FY2012) / **520** (FY2015)

Asian belt zone
accounts for around
72% of world demand

* < >: Base year of FY2012=100

Focus on business expansion in Asian belt zone

FY2015 target: 12% global share

China

- **Aim to be No. 1 in China** (No. 1 in terms of market share, brand value and customer satisfaction)
 - **Achieve top share in the new installation market by strengthening sales, service and manufacturing frameworks**
 - **Raise brand value by developing and introducing the world's No. 1 products**

Southeast Asia, India and the Middle East

- **Expand orders by expanding and enhancing product lineup**

New Regions

- **Penetrate new markets by cooperating with distributors and partners**

Japan

- **Expand elevator and escalator modernization business**

Expand business to achieve No. 1 share in the new installation market

■ Strengthen sales and service capabilities

▫ Expand and upgrade sales and service bases

(No. of bases: As of March 31, 2012: 65 bases
→ As of March 31, 2013: 79 bases)

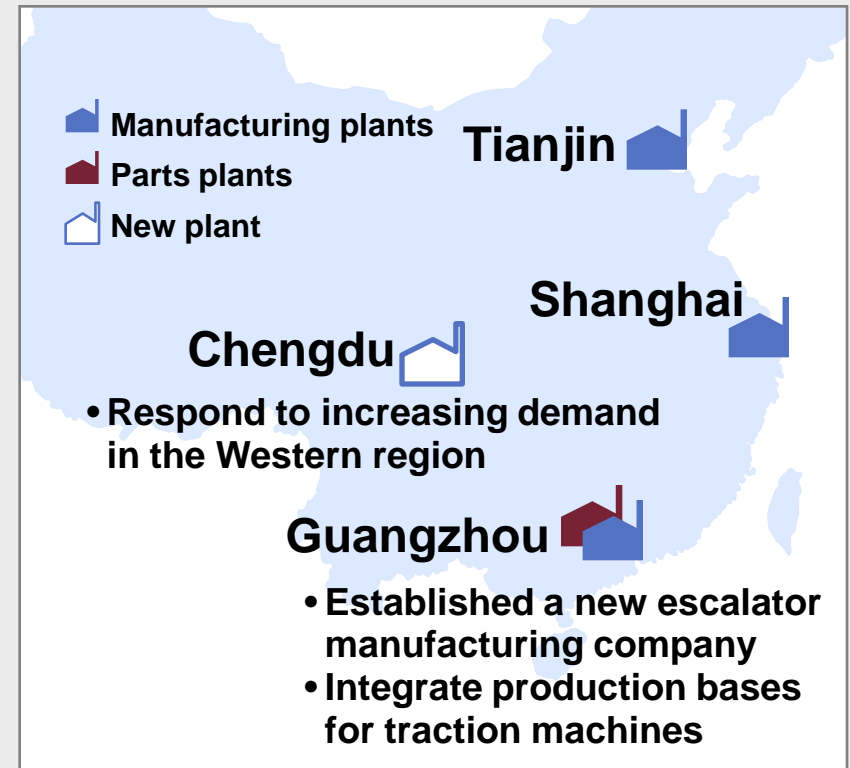
▫ Introduce elevators in for low income housing

▫ Secure stable earnings by enhancing the maintenance business

■ Enhance production system

▫ Expand production capabilities by strengthening networks among 4 bases (Guangzhou, Shanghai, Tianjin and Chengdu)

▫ Increase local production of high-speed and ultra-high-speed elevators



New installation order received units: FY2012 50,000 units → FY2015 69,000 units

Production capacity: FY2012 50,000 units → FY2015 74,000 units

Raise brand value by developing and introducing the world's No. 1 products

- **Develop faster elevators in response to demand for the construction of higher and larger buildings**

Develop and launch the world's fastest elevators (1,000 m/min class)

Change of Elevator Speed in Major Projects



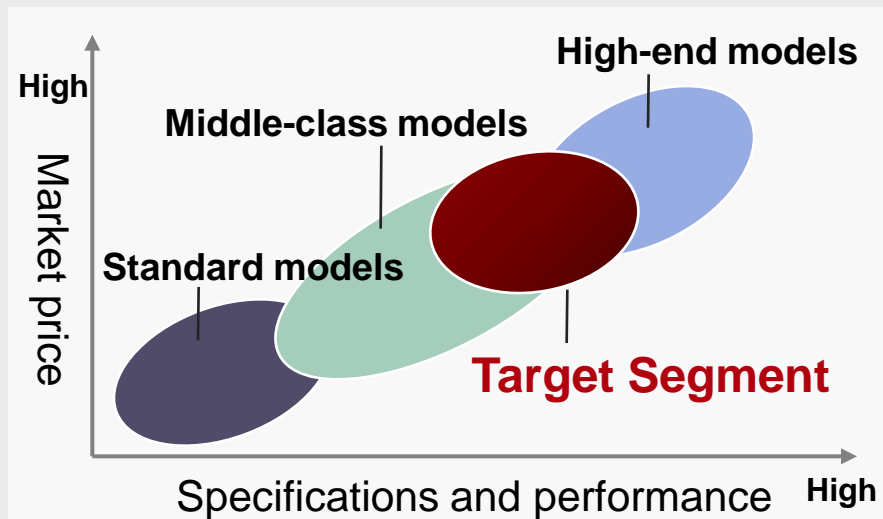
Increase presence and expand business in the Chinese market

Expand orders by expanding and enhancing product lineup

■ Expand and enhance product portfolio

▫ Launch standard-model medium speed elevators

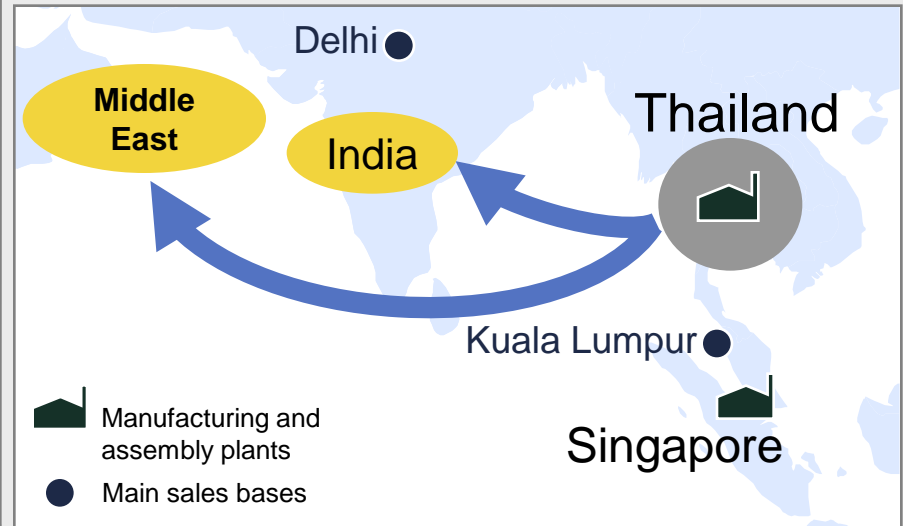
→ Produce at new Thailand plant, supply to each region



■ Enhance production system

▫ Make the new Thailand plant an Asian core plant
→ Expand production capacity to 5,000 units (FY2013)

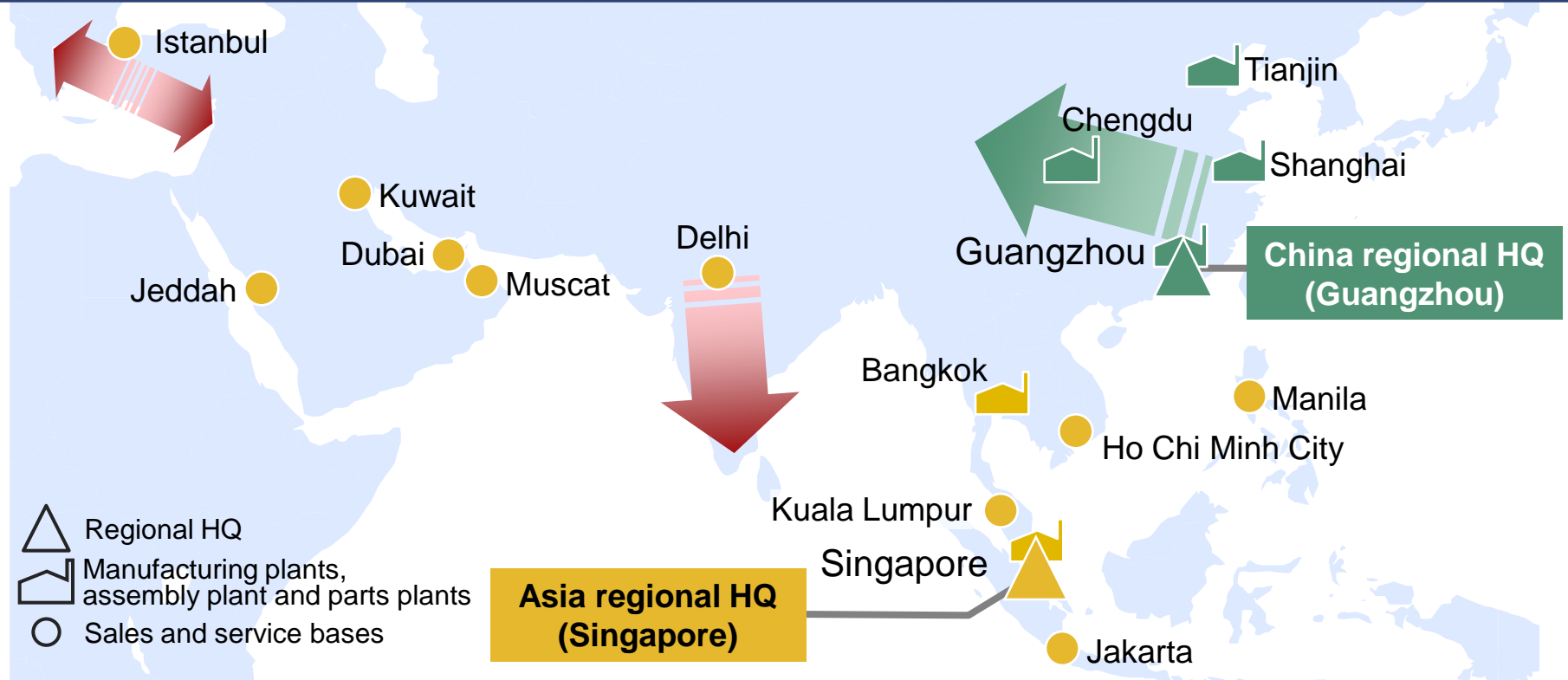
■ Cooperate with distributors worldwide and establish JVs



Expand new installation orders in Southeast Asia, India and the Middle East

(FY2012 2,000 units FY2015 5,600 units)

Penetrate the new equipment market by cooperating with distributors and partners



Direction of business expansion

- **China:** Expand from coastal regions to inland areas
- **India:** Expand from northern region to southern coastal region
- **New regions:** Consider advancing into Central and Eastern Europe and Central Asia

Market Environment

- Modernization market is expanding due to increased number of aging elevators
- New installation market is flat

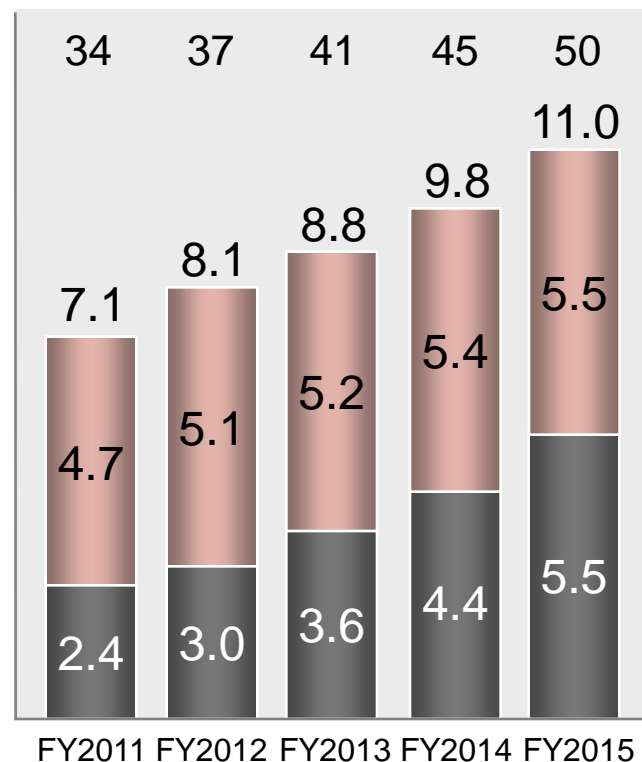


Business Strategy

- Strengthen modernization business
 - Launch models specifically for modernization
 - Develop the fastest method for the modernizing elevator control systems
- Enhance the maintenance business
 - Refine preventive maintenance by improving predictive diagnosis precision, etc.

Hitachi's Elevators and Escalators Comparison of Modernization and new installation order received units

New installation < > Modernization ratio
 Modernization
 (Thousand units)



Expand orders for modernization (FY2012 3,000 units FY2015 5,500 units)

Energy-saving market trends

- Increased demand for energy and power saving due to tight electricity supplies after the Great East Japan Earthquake

▫ Energy-saving framework by user size

User	Framework for energy saving
Large scale	<ul style="list-style-type: none"> • Usage regulations imposed by the revised Energy Conservation Law (Since April 2010)
Small and medium scale	<ul style="list-style-type: none"> • Subsidized project for promoting introduction of BEMS*1 (Since April 2012)

For small to medium-sized buildings
Expand energy-saving market

Business Strategy

- Develop energy-saving business for whole buildings by offering a cloud type integrated building control system BIVALE*2 targeting small to medium-sized buildings

▫ Participate in BEMS aggregator business (Cooperate with Infrastructure Systems Company)

FY2015 energy-saving business scale: At least ¥30.0 billion in revenues

*1 BEMS: Building Energy Management System

*2 BIVALE: Building Value Leader

Urban Planning and Development Systems Business Strategy

Contents

1. Business Overview
2. Global Position and Growth
3. Business Strategy
- 4. Business Performance Outlook and Targets**

4-1 FY2011 Actual / FY2012 Forecast

(Billion yen)

	FY2011			FY2012		
	Previous forecast	Actual	YoY	Previous target	Forecast	YoY
Revenues (Overseas revenue ratio)	407.0 (34%)	417.3 (34%)	103% -	420.0 (36%)	425.0 (36%)	102% -
Operating income (Operating income ratio)	31.0 (7.6%)	31.8 (7.6%)	106% -	- (8.0%)	34.0 (8.0%)	107% -



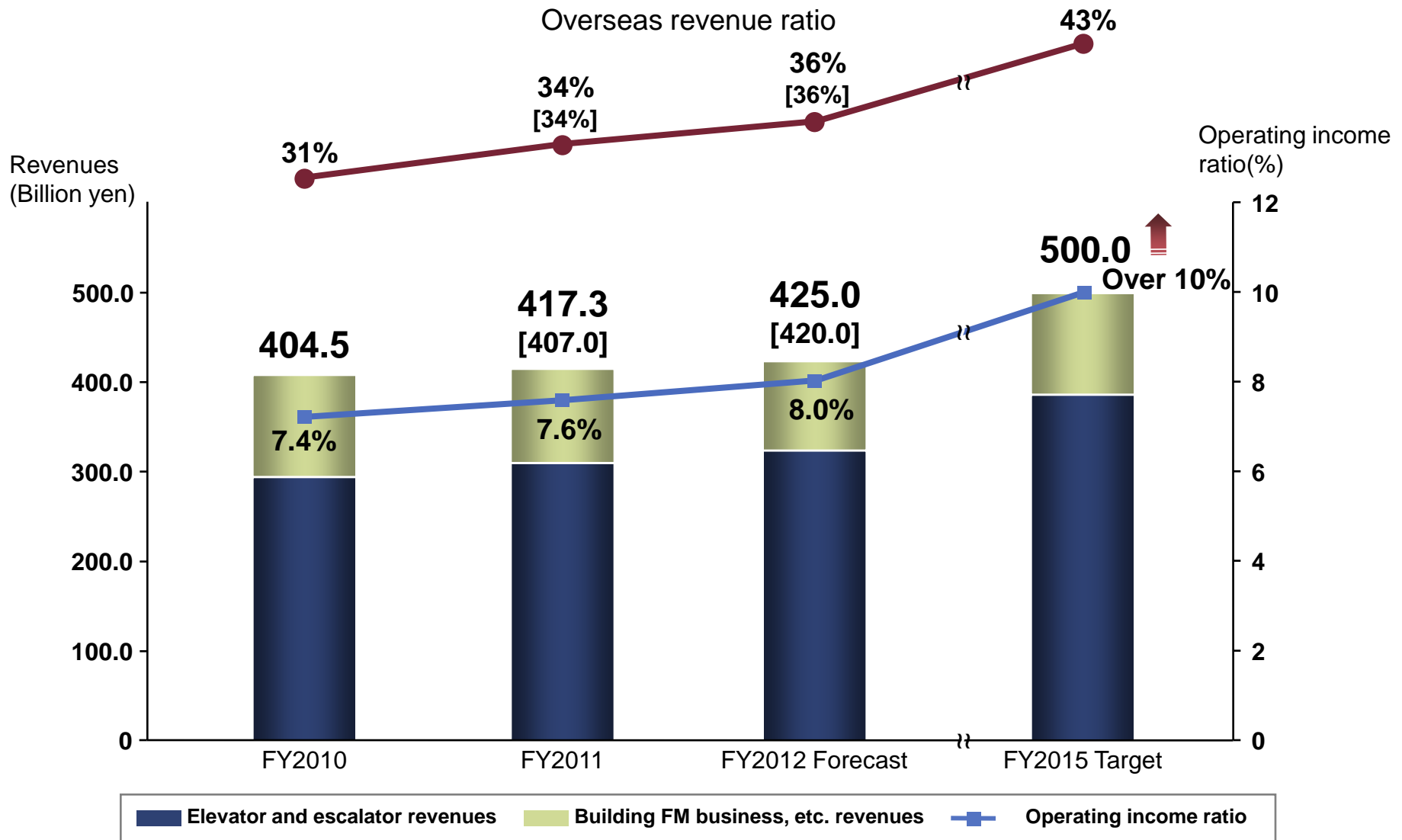
Revenues

- Generated higher revenues in FY2011 as a whole due to strong performance of overseas elevator and escalator business, particularly in China.
- Projecting higher revenues for FY2012

Operating income

- Despite the negative impact due to much higher rare earth prices, Thailand floods and yen's appreciation, higher operating income was achieved in FY2011 as a whole with high increase of elevators and escalator revenues and reduced operating expenses.
- Projecting higher operating income for FY2012

4-2 Business Performance Trends



*[]: Previous forecasts or targets announced on June 16, 2011

FY2015 Targets

- **Revenues: ¥500.0 billion**
- **Overseas revenue ratio: 43%**
- **Operating income ratio: Over10%**

Aim to expand business further, centered on overseas business, and actively promote the “Hitachi Smart Transformation Project.”

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,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “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 upon 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:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- the potential for significant losses on Hitachi’s investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Digital Media & Consumer Products segments;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness and other cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- 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;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi’s operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.

HITACHI
Inspire the Next