

Urban Planning and Development Systems Business Strategy

Hitachi IR Day 2011

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Hitachi, Ltd.

Urban Planning and Development Systems Business Strategy

Contents

- 1. Business Overview and Market Trends**
2. Business Strategy (Japan)
3. Business Strategy (Overseas)
4. Business Performance Trends and Targets

Building FM* business, etc. (28%)

Security

Video surveillance systems
Room access control systems

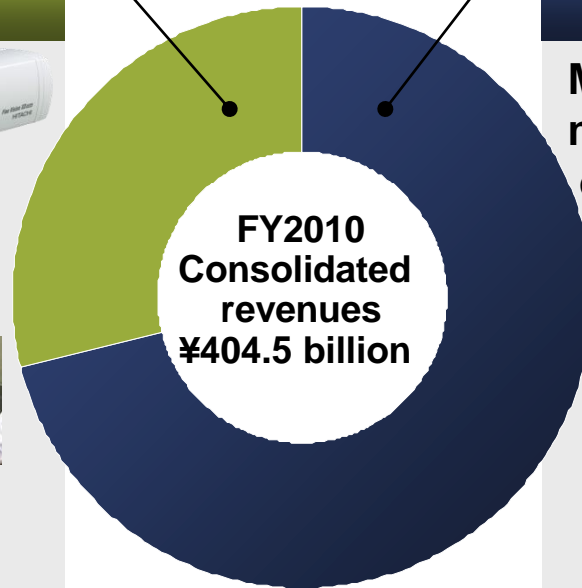


Energy saving

Energy saving assessment
Energy saving control



Building facility maintenance



Elevator and Escalator business (72%)

Manufacture, sales, installation,
maintenance and modernization
of elevators and escalators



* FM: Facility Management

Value Chain of Urban Planning and Development Systems Company

Development

Order

Design

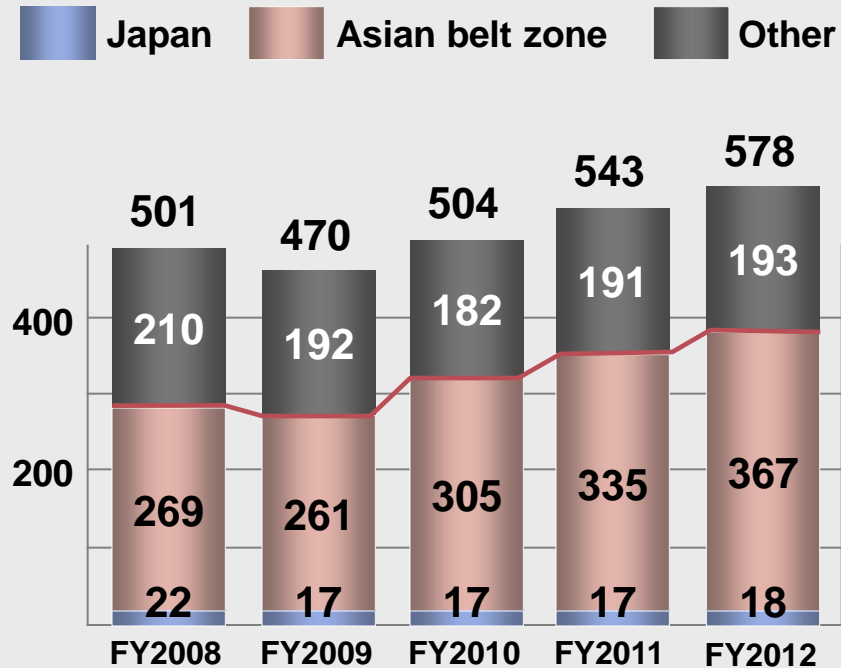
Manufacture

Installation

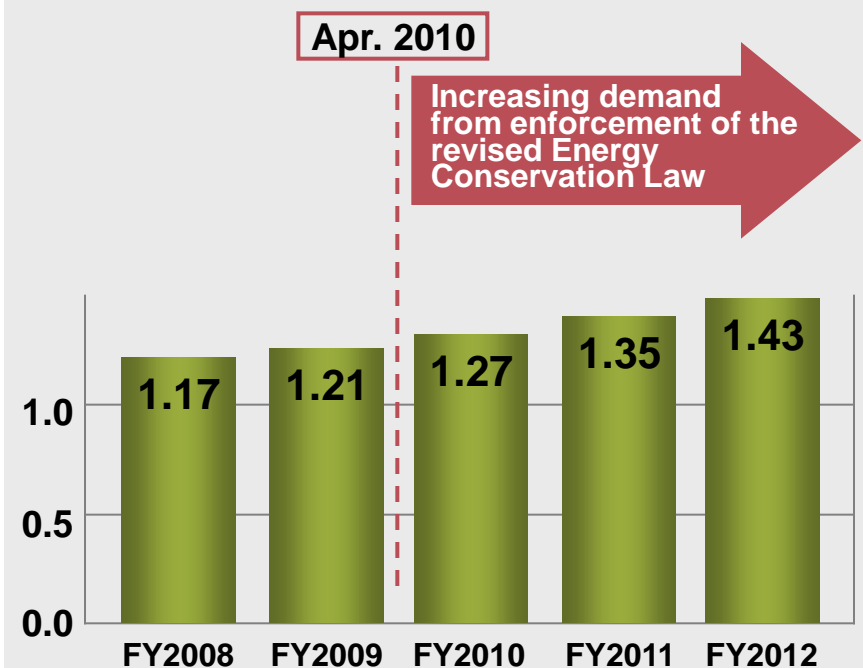
Maintenance

Modernization

Elevator and Escalator Market Size (Thousand units)



Building FM Market Size (Japan, Trillion yen)



- Elevators and escalators business:
 - Expansion in the Asian belt zone
 - Flat or slight growth in Japan, Europe, the U.S. and elsewhere
- Building FM business:
 - Increasing energy-saving needs
 - (Visualization of energy usage, need for energy usage reduction)

Japan

■ Elevators and Escalators

Strengthen and expand elevator and escalator modernization business to meet growing refurbishment demand.

■ Building FM

Provide high-value-added services for whole buildings linked to products of energy saving and security.

Overseas

■ Elevators and Escalators

Focus on the Asian belt zone where market growth is expected

Expand business for new elevators and escalators by strengthening regional HQ framework

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Elevator and Escalator Business

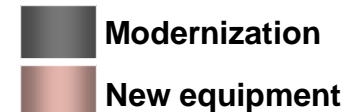
- Demand associated with restoration and rebuilding after the Great East Japan Earthquake**
 Respond quickly to restoration and rebuilding demand in disaster-stricken areas, particularly the Tohoku region
- Strengthen Modernization business**
 Expand sales of renewal products that respond to demand for greater energy conservation
 Strengthen sales and engineering structure

Building FM Business

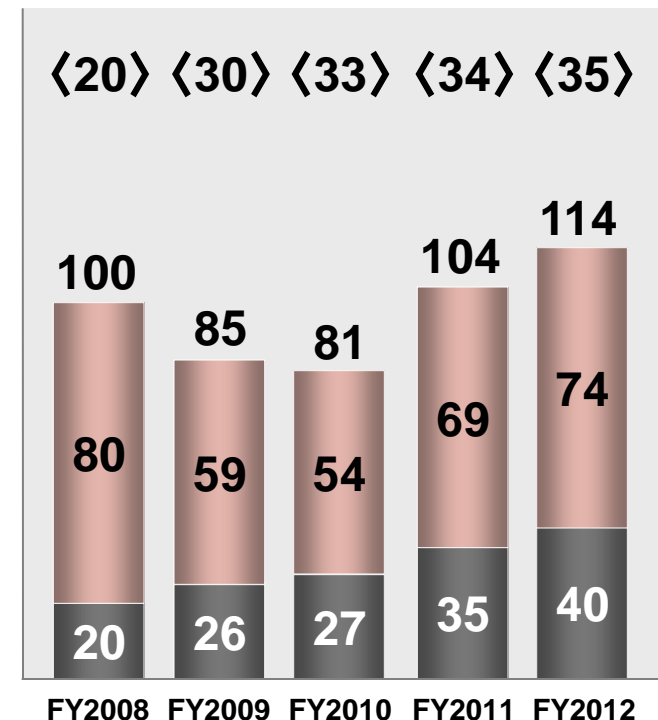
- Provide products and services to respond to energy-saving demand**
 Expand existing business by launching BIVALE, a cloud type integrated building control system

Hitachi's elevators and escalators Comparison of Modernization Orders and New Equipment Orders

*Unit base year FY2008=100



< > Modernization ratio



Providing rapid and ongoing support for restoration and rebuilding efforts

■ Rapid initial response

Leveraged benefits of nationwide disaster response drills to send 118 support personnel to disaster-stricken areas on March 11.
(A total of 2,000 people provided support in the month after the disaster)

■ Ongoing support for restoration and rebuilding efforts

Take the lead in responding quickly to projects with a highly public aspect such as airports, hospitals, government offices and commercial facilities

Strengthen modernization Business aligned to energy saving needs

■ Reinforce lineup for reducing power consumption

Elevators: Install inverter and LED ceiling lights

Escalators: Control operating speed by installing inverter

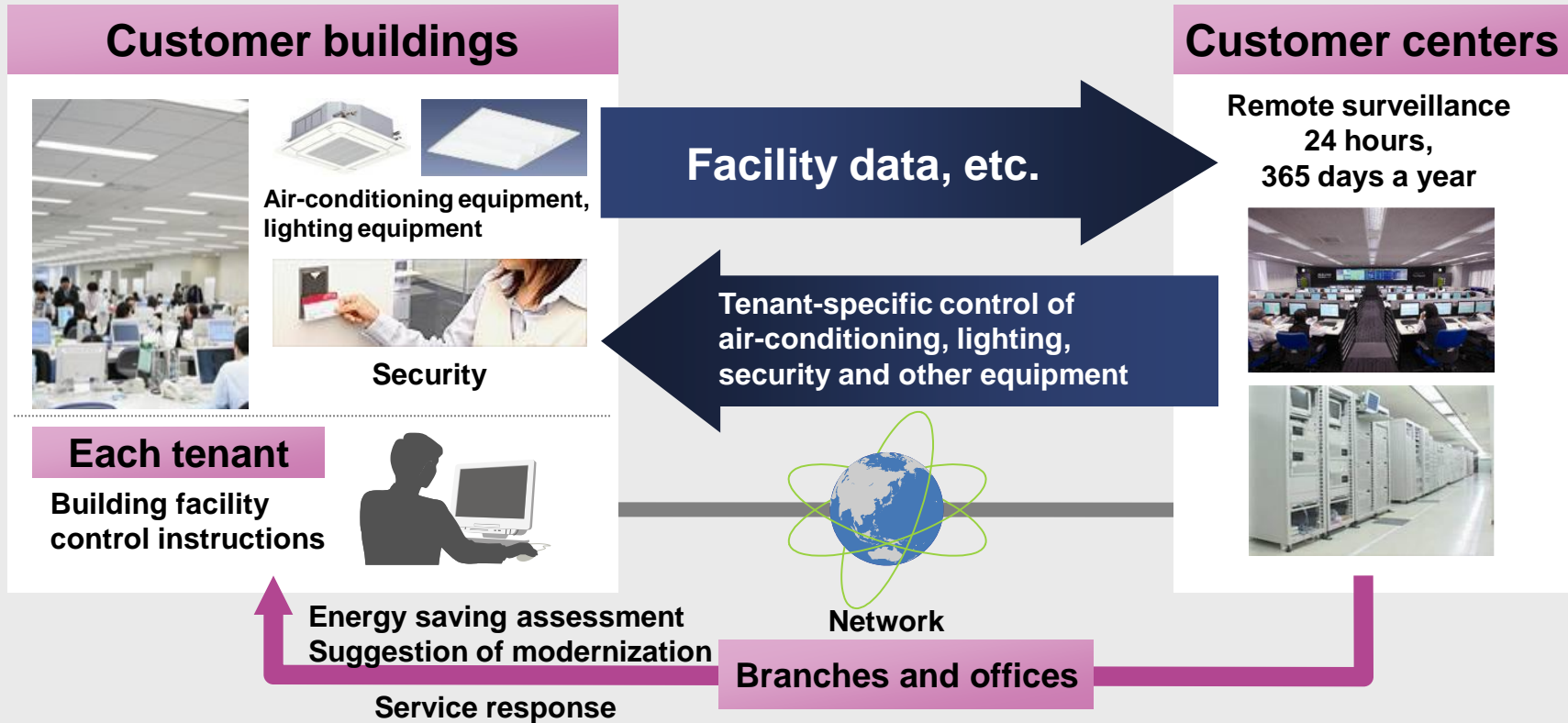


Strengthen response to energy-reduction and energy-saving demand.

- Offer support for saving energy via the BIVALE, a cloud type Integrated building control system

Build cloud systems utilizing existing service infrastructure

Remotely control energy use for each tenant from control centers

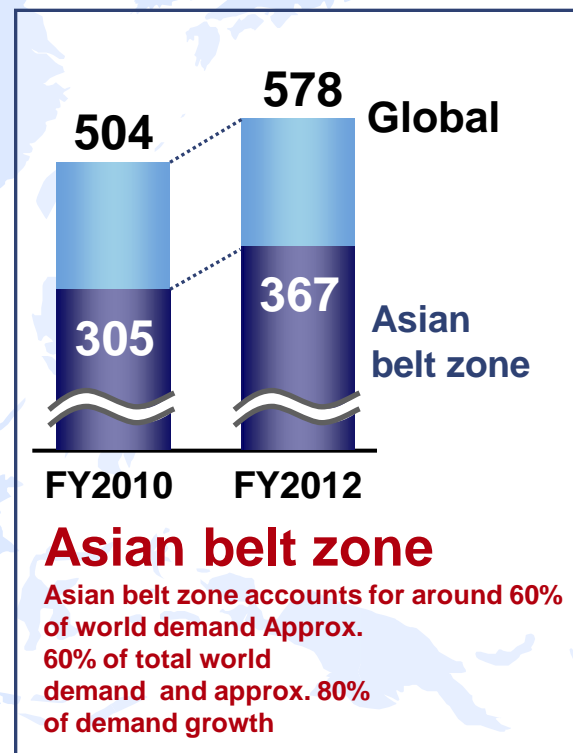
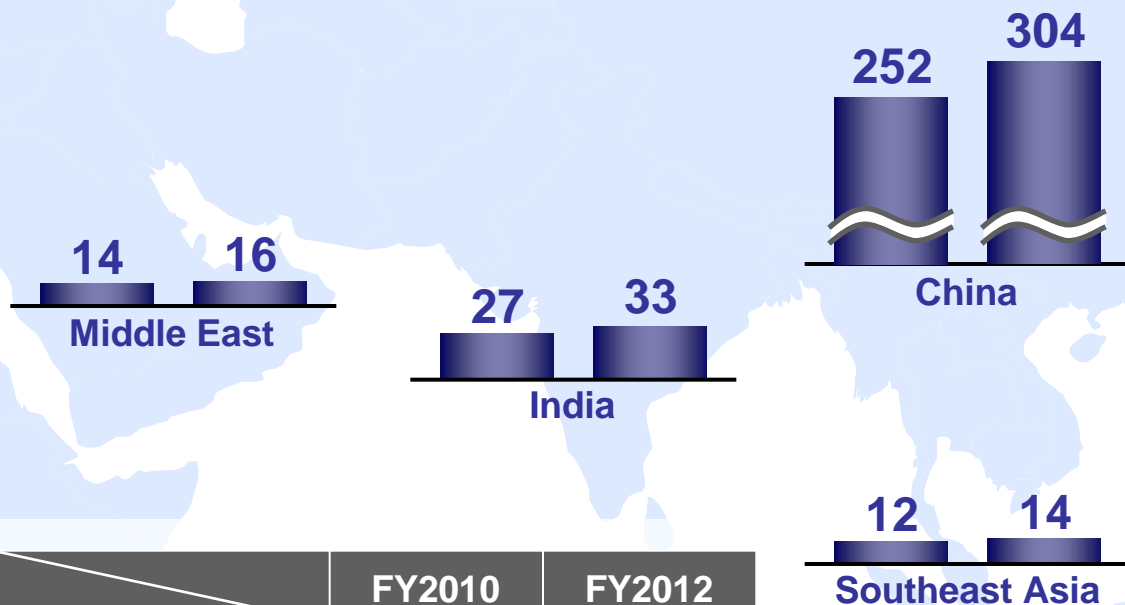


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FY2010→FY2012 New Equipment Market Trends (Thousand units, Hitachi estimates)



	FY2010	FY2012
Asia belt zone demand	305 thousand units<100>	367 thousand units<120>
Hitachi orders	<100>	<137>

*< >: Base year of FY2010=100

Expand business in Asian belt zone by concentrating resources

China

- Bolster production system further in line with order expansion
- Expand and upgrade sales and service bases with an eye on expanding the maintenance business.

Southeast Asia, India and Middle East

- Strengthen business structure led by Asia regional HQ (Hitachi Elevator Asia Pte. Ltd.); since October 2010
- Expand business in India, Saudi Arabia and elsewhere, where demand growth is expected.

Development, manufacturing and supply systems

- Bring industry-leading products to market.
- Achieve higher supply chain efficiency through base collaboration

Achieve locally led, speedy management and build a highly efficient business framework.

Increase production capacity and expand and upgrade sales and service bases to respond to market needs.

Production system

Increase output further by lifting production capacity at existing bases and through construction of a new plant



Bases	Details
Guangzhou Shanghai Tianjin	Raise production capacity of finished products in FY2012 FY2010 plan: 45,000 units/year →Current plan: 50,000 units/year
Guangzhou (Parts)	Bolster cost-competitiveness through integrated production of traction machines. (Commenced operations in May 2011)
Western region	Scheduled to commence operations in 2012

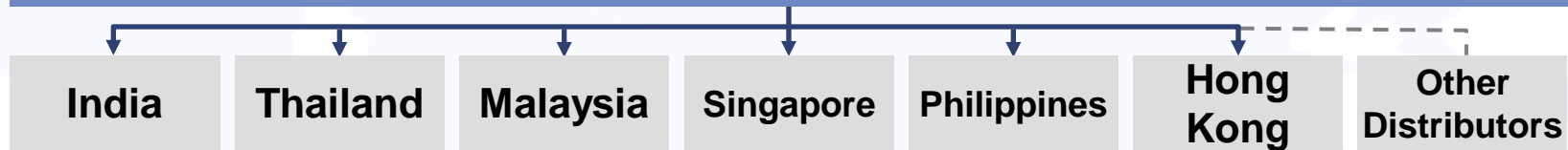
Sales, construction and service bases

Strengthen business framework further through a sales and service network that responds to demand and by raising maintenance contract rate.

FY2010 year-end 57 bases
→ **FY2011 year-end 69 bases**

Expand business by strengthening local project control centers

Hitachi Elevator Asia Pte. Ltd.



Participation of regional HQ staffs in management of subsidiaries (Since April 2011)



Develop personnel
Strengthen governance

Southeast Asia

Construct new factory in Thailand according to demand growth
(Production capacity in 2012: 5,000 units)

Strengthen business by taking majority stake in a distributor (Philippines in March 2011).

India

Strengthen sales system by expanding bases in cities.

Existing bases (Delhi, Mumbai, Chennai) + new bases (Pune, Bangalore, Hyderabad)

Middle East

Strengthen sales system through stronger links with distributors (Saudi Arabia, etc.)

Strengthen framework through cooperation among Japan, China and Southeast Asia bases

- Create highly efficient development / manufacturing and delivery framework aligned to market characteristics



Type	Location	Main roles
Development	Japan	Develop flagship products Develop world's fastest elevators (1,080 m/minute) Provide technologies to each base
	China	Develop high-speed elevators for China (-600m/minute)
	Singapore	Develop products for Asia and the Middle East Low-cost elevators for new markets
Manufacturing	Japan	Elevators and escalators for Japan Traction machines, control panels for high-speed, large-capacity elevators
	China	Elevators and Escalators for China Escalators for Asia and the Middle East
	Thailand Singapore	Elevators for Asia and the Middle East

3-6 Large Orders Awarded

DONGGUAN TBA TOWER

70-floor, 290 m-tall building
A total of 60 elevators and escalators,
including 39 ultra-high-speed and high-speed
elevators, and 8 escalators

Wuxi Guolian Financial Building

High-speed elevators: 22 units

Al Hikmah Tower

61-floor, 231 m-tall building
12 ultra-high-speed and
high-speed elevators

Dubai
(UAE)

Mumbai
(India)

Wuxi, Jiangsu
(China)

Dongguan,
Guangdong
(China)

Manila
(Philippines)

Vivarea

44-floor, luxury condominium
A total of 15 elevators and
escalators, including
12 high-speed elevators

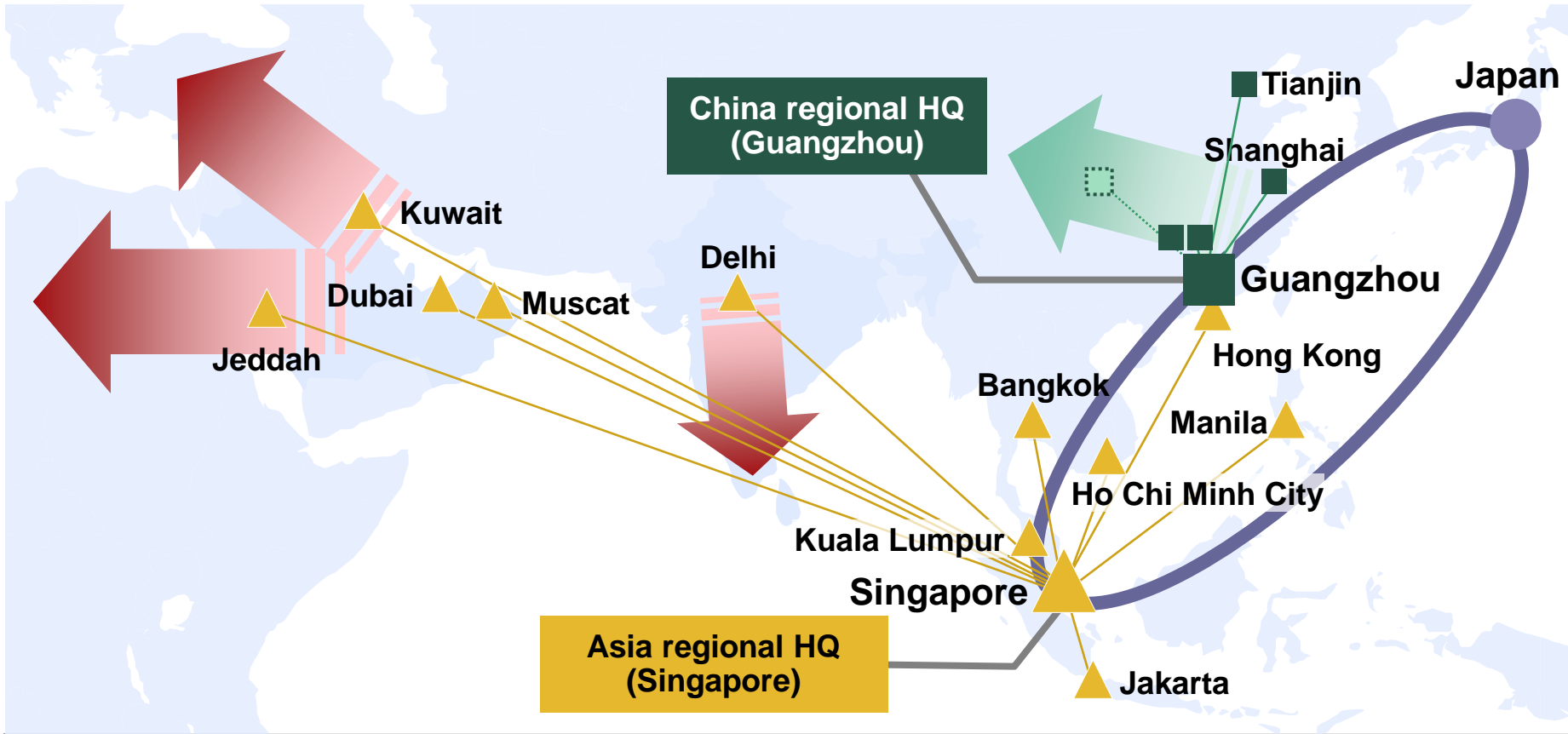


Gramercy Residences

75-floor, 302 m-tall building
(Tallest in Philippines)
10 ultra-high-speed and
high-speed elevators



3-7 Future Business Development (Global Elevator and Escalator Market)



Direction of business expansion

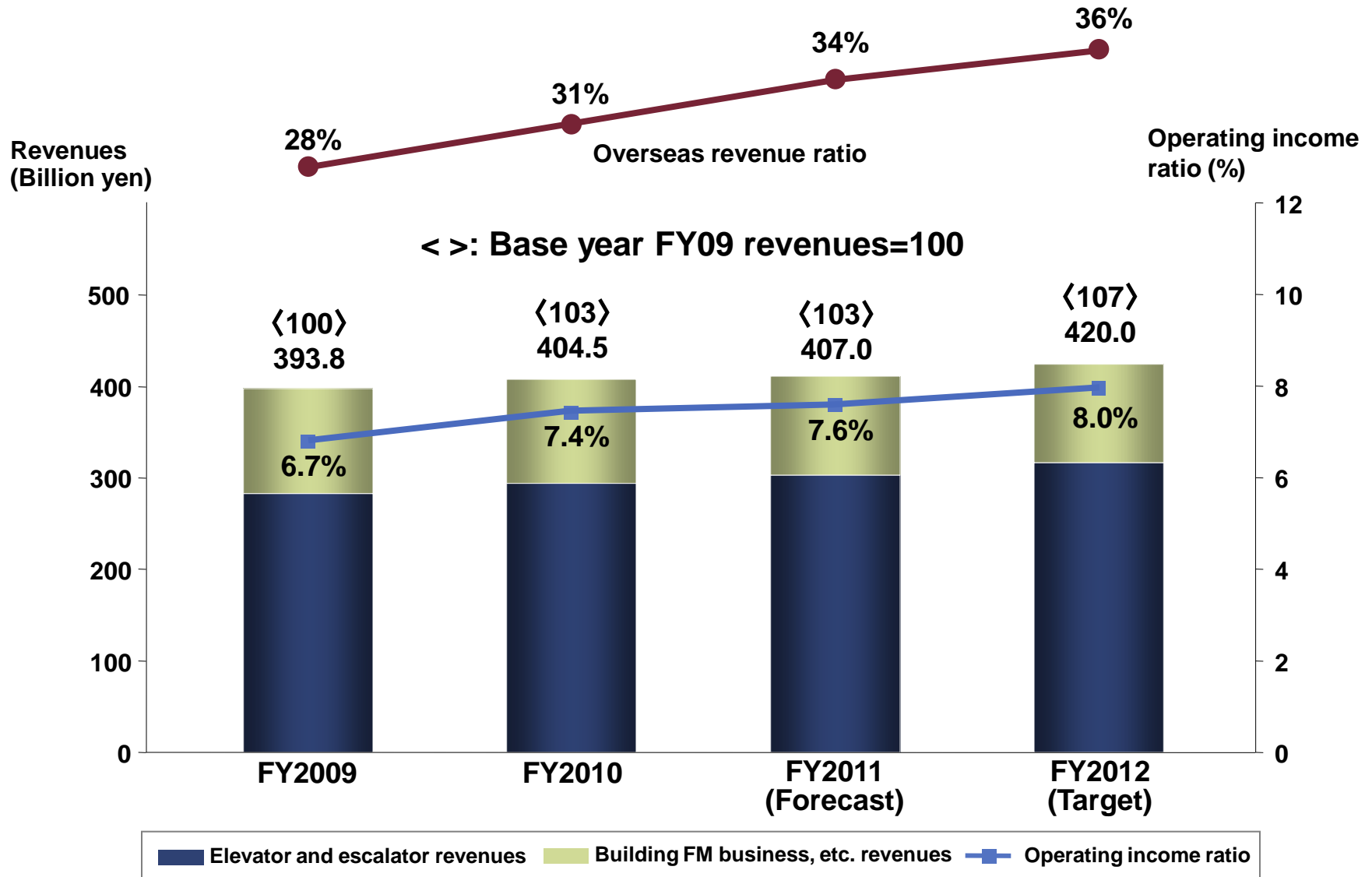
- China: Expand from coastal regions to inland areas
- India: Expand from northern region to southern coastal region
- New regions: Consider advancing into Turkey and North Africa

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4-1 Business Performance Trends



4-2 FY2010 Financial Results (Actual)

FY2010 Financial Results (Actual)

(Billion yen)

	FY2009 (Actual)	YoY	FY2010 (Actual)	YoY
Revenues	393.8	95%	404.5	103%
Elevator and escalator business	280.3	97%	291.6	104%
Building FM business, etc.	113.5	91%	112.9	99%
Operating income	26.4	90%	30.0	114%



Revenues

Overall revenues were better year on year despite lower revenues caused by the Great East Japan Earthquake. This decrease was offset by the overseas elevator and escalator business, particularly in China, and other factors.

Operating income

Operating income rose year on year. Higher earnings from increased revenues in the Chinese elevator and escalator business, cost cutting and operating expense reductions offset lower earnings due to the impact of the natural disaster.

4-3 FY2011 Financial Forecasts

FY2011 Financial Forecasts

(Billion yen)

	FY2010 (Actual)	YoY	FY2011 (Forecasts)	YoY
Revenues	404.5	103%	407.0	101%
Elevator and escalator business	291.6	104%	300.0	103%
Building FM business, etc.	112.9	99%	107.0	95%
Operating income	30.0	114%	31.0	103%



Revenues

Revenues are expected to rise slightly from FY2010. The decrease in revenues caused by the impact of the Great East Japan Earthquake should be offset by revenues from overseas elevators and escalators, particularly in China.

Operating income

Operating income is expected to rise slightly from FY2010. Lower earnings caused by the Great East Japan Earthquake should be offset by higher earnings from increased revenues from overseas elevators and escalators, as well as cost cutting and operating expense reductions.

FY2012 Targets

- **Revenues: ¥420 billion**
- **Overseas revenue ratio: 36%**
- **Operating income ratio: 8%**

Aim to expand business further, centered on overseas business, to achieve FY2012 targets.

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 and 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 in Japan, 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 Components & Devices and 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 and synthetic resins 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 in Japan by earthquakes, tsunamis or other natural disasters, including the possibility of continuing adverse effects on Hitachi’s operations as a result of the earthquake and tsunami that struck northeastern Japan on March 11, 2011;
- 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 Hitachi’s periodic filings with the U.S. Securities and Exchange Commission and in other materials published by Hitachi.

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