

Urban Planning and Development Systems Business Strategy

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Urban Planning and Development Systems Business Strategy

Contents

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

Building FM*¹ business, etc.(29%)

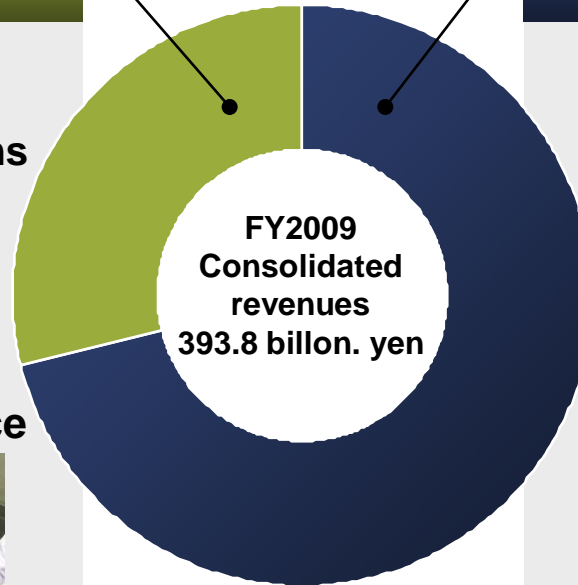
Security

- Video surveillance systems
- Room access control systems

Energy saving

- Energy saving assessment
- Energy saving control
- ESCO*² business

Building Facility Maintenance



Elevator and Escalator business (71%)

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



*1 FM: Facility Management *2 ESCO: Energy Service Company

Business Lifecycle of Building Facility Products

Development

Order

Design

Manufacture

Installation

Maintenance

Modernization

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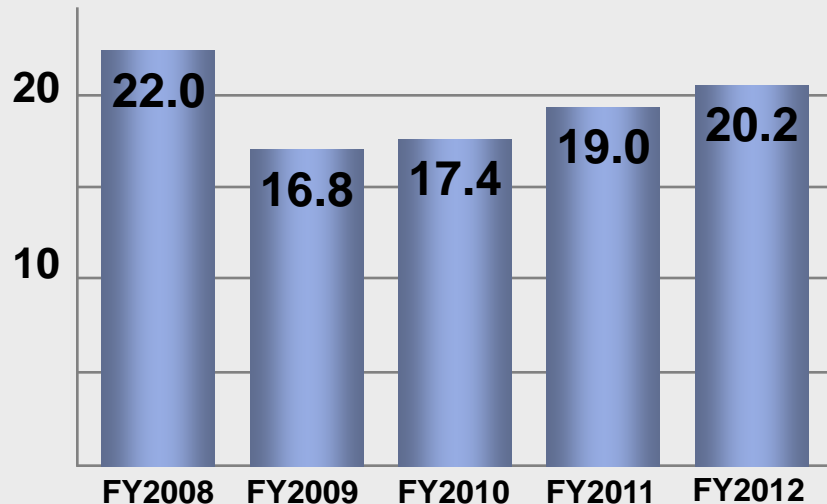
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2-1. Market Trends (Japan)

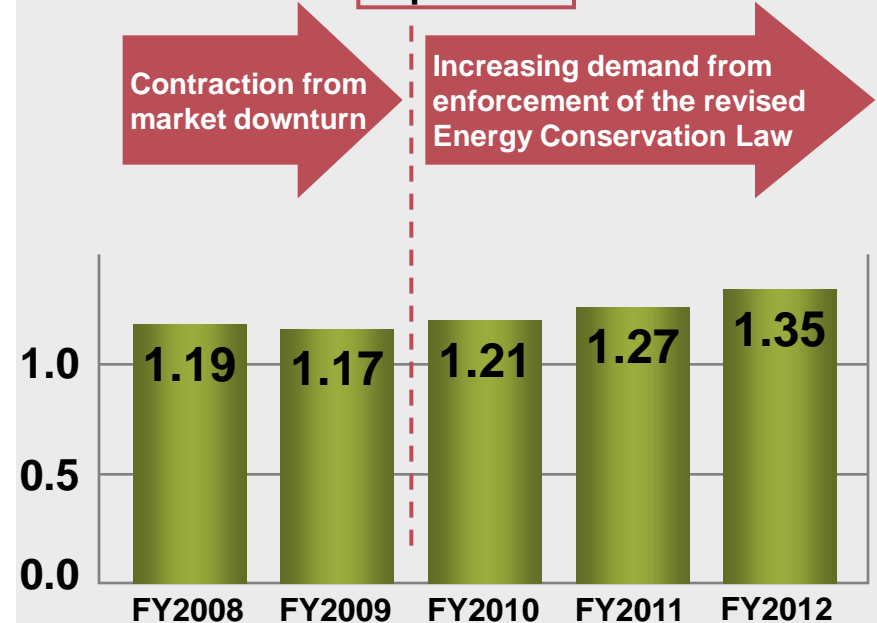
Elevator and Escalator Market Size (Thousand units)

*Hitachi estimates



Building FM Market Size (Trillion yen)

*Hitachi estimates **Apr. 2010**



■ **Elevator and Escalator Business:** Strengthen and expand modernization business, strengthen maintenance business

■ **Building FM Business** : Strengthen and expand high-value-added services for whole buildings leveraging elevator and escalator service infrastructure

Elevator and Escalator Business

- **Continue securing new equipment orders**
 - Secure top share in orders for large projects
- **Strengthen modernization business to counter falling new equipment demand**
 - Launch a method to shorten modernization time
- **Generate stable earnings by strengthening maintenance business**
 - Maintained units: Approx. 188,000 (FY2010 target)

Building FM Business

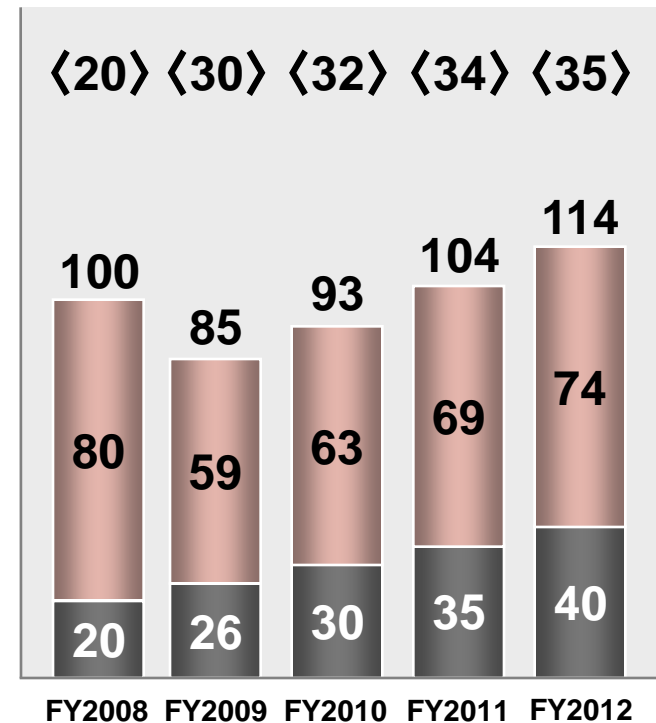
- **Provide services for whole buildings with environmental consideration**
 - Develop energy-saving services (assessment, control, renovation and maintenance)
 - Offer high-value-added services (room access control systems, video surveillance systems, etc.)

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

*Unit base year FY2008=100

■ Modernization ■ New equipment

< > Modernization ratio



2-3. Large Orders Awarded (Japan: Elevators and Escalators)

Nakanoshima Festival Tower



[Owners]

The Asahi Shimbun
Company

Asahi Building Co., Ltd.

[Building Height]

200m

39 floors above ground
and 3 underground floors

[Total floor area]

Approx. 146,000m²

[Uses]

Offices, hall, etc.

[Scheduled completion]

Fall of 2012

28 elevators, 11 escalators

Yokohama Mitsui Building



[Owner]

Mitsui Fudosan Co., Ltd.

[Building height]

153m

30 floors above ground
and 2 underground floors

[Total floor area]

Approx. 90,187m²

[Uses]

Offices, museum,
commercial facilities, etc.

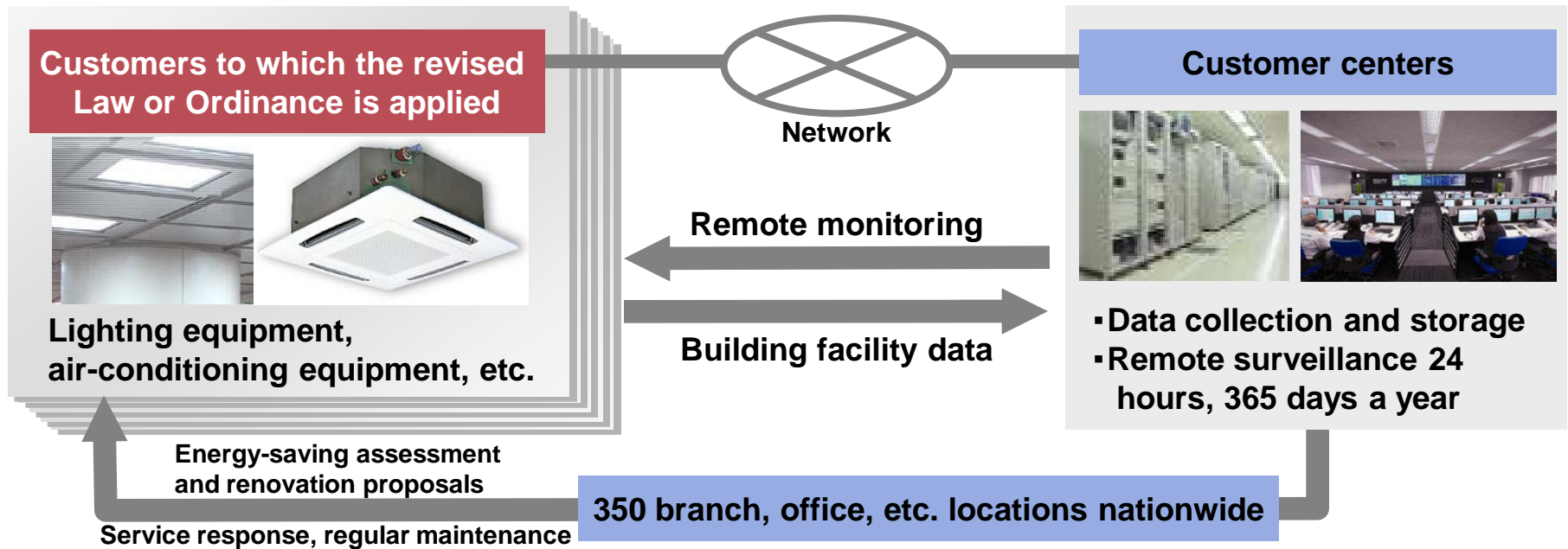
[Scheduled completion]

End of 2011

30 elevators, 2 escalators

Expand service business for whole buildings centered on energy saving

- Expand and strengthen sales to customers to which the revised Energy Conservation Law or the revised Tokyo Metropolitan Environment Security Ordinance is applied
- Make full use of existing service infrastructure (Customer centers, service network)



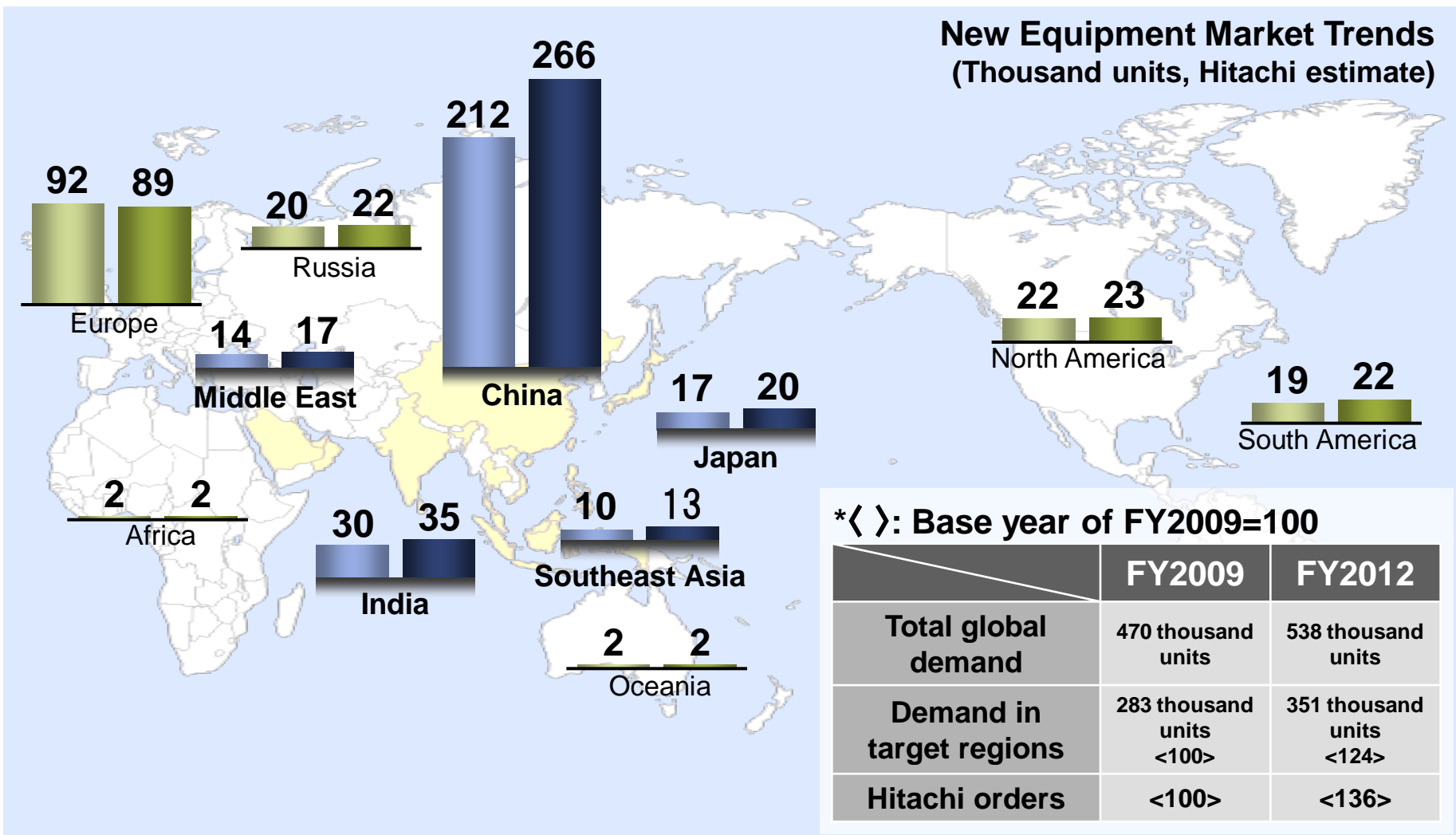
Strengthen and expand FM business for whole buildings including elevators & escalators and security systems from an energy-saving angle

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3-1. Market Trends (Global Elevator and Escalator Market)



Aiming to expand orders at higher rate than growth in demand in “the Asian Belt Zone”

China: Growth strategy that considers risk

- Strengthen business by regional HQ system, Hitachi Elevator (China)
- Enhance order handling and manufacturing system from coastal to inland China and expand maintenance business

Southeast Asia, India and Middle East: Growth strategy emphasizing profitability

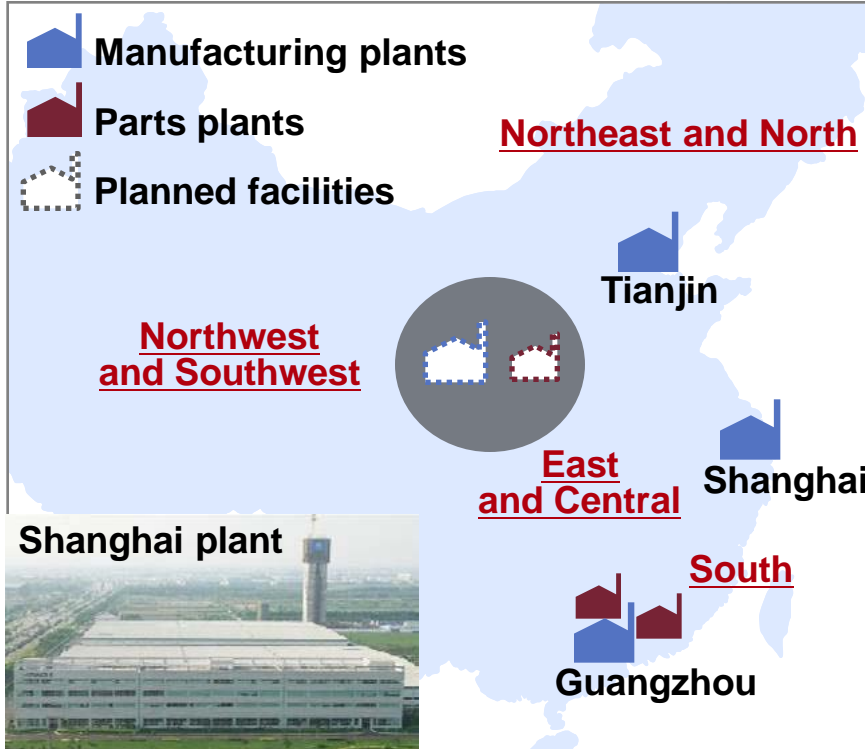
- Strengthen and expand business by establishing Asia regional HQ

Development, manufacturing and supply systems

- Build a highly efficient global business framework

**Promptly meet local needs and raise profitability
by enhancing regional HQ systems in China and Asia**

Expand business in China



Sales, installation and maintenance bases

Region	No. of Bases
Northeast and North	16
East and Central	16
South	19
Northwest and Southwest	12
Hong Kong and Macau	3

FY2009 48 bases → FY2010 66 bases

Reinforce production capacity to respond to demand growth

New plants planned for inland China in FY2012 (FY2009 35,000 units → FY2012 45,000 units)

Strengthen maintenance business

(Maintained units: FY2009 70,000 units → FY2012 125,000 units)

Implementing Measures to expand business by Asia regional HQ

■ Southeast Asia

Strengthen modernization business in regions with aging elevators (Singapore)
Reinforce sales capabilities by taking major stakes in agencies (Philippines, Indonesia and Vietnam)

■ India

Expand orders in already entered regions (Delhi, Mumbai and Chennai)

■ Middle East

Shift regional focus to Saudi Arabia and UAE (Abu Dhabi) where demand is strong
Expand orders through stronger tie-ups with agencies in UAE, Saudi Arabia and Kuwait

■ North Africa (Maghreb* nations)

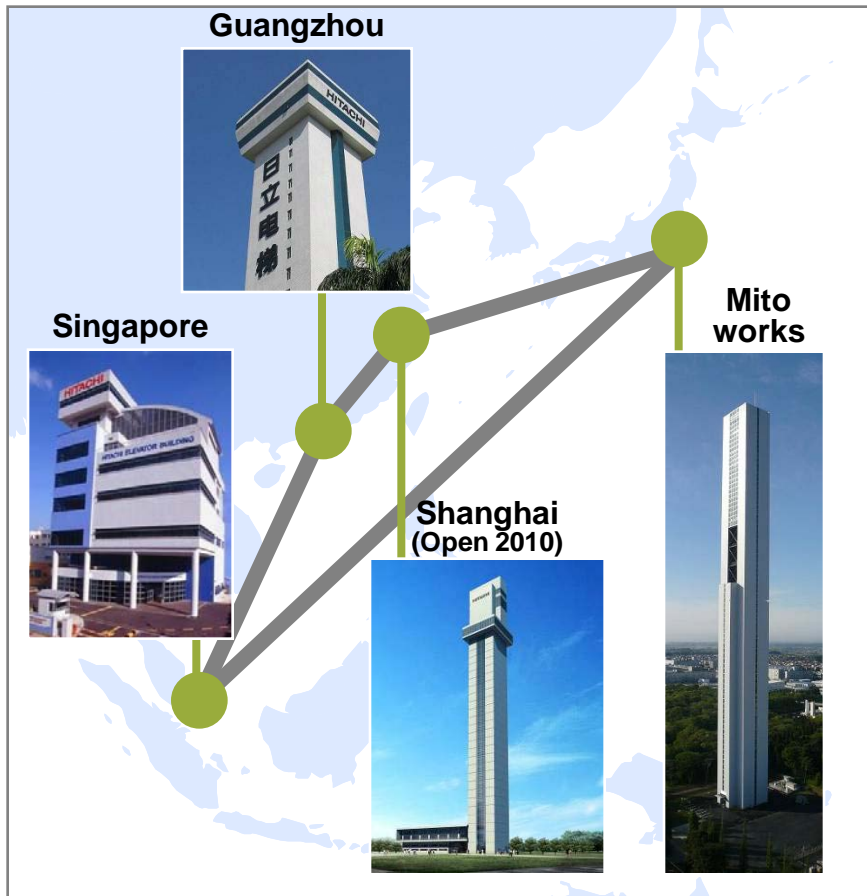
FY2010—Begin examining market entry

*Maghreb: Northwest African region, including Algeria, Morocco, and Tunisia

3-5. Business Strategy (Global Development)

Highly efficient development framework in 4 locations (Japan, China and Singapore)

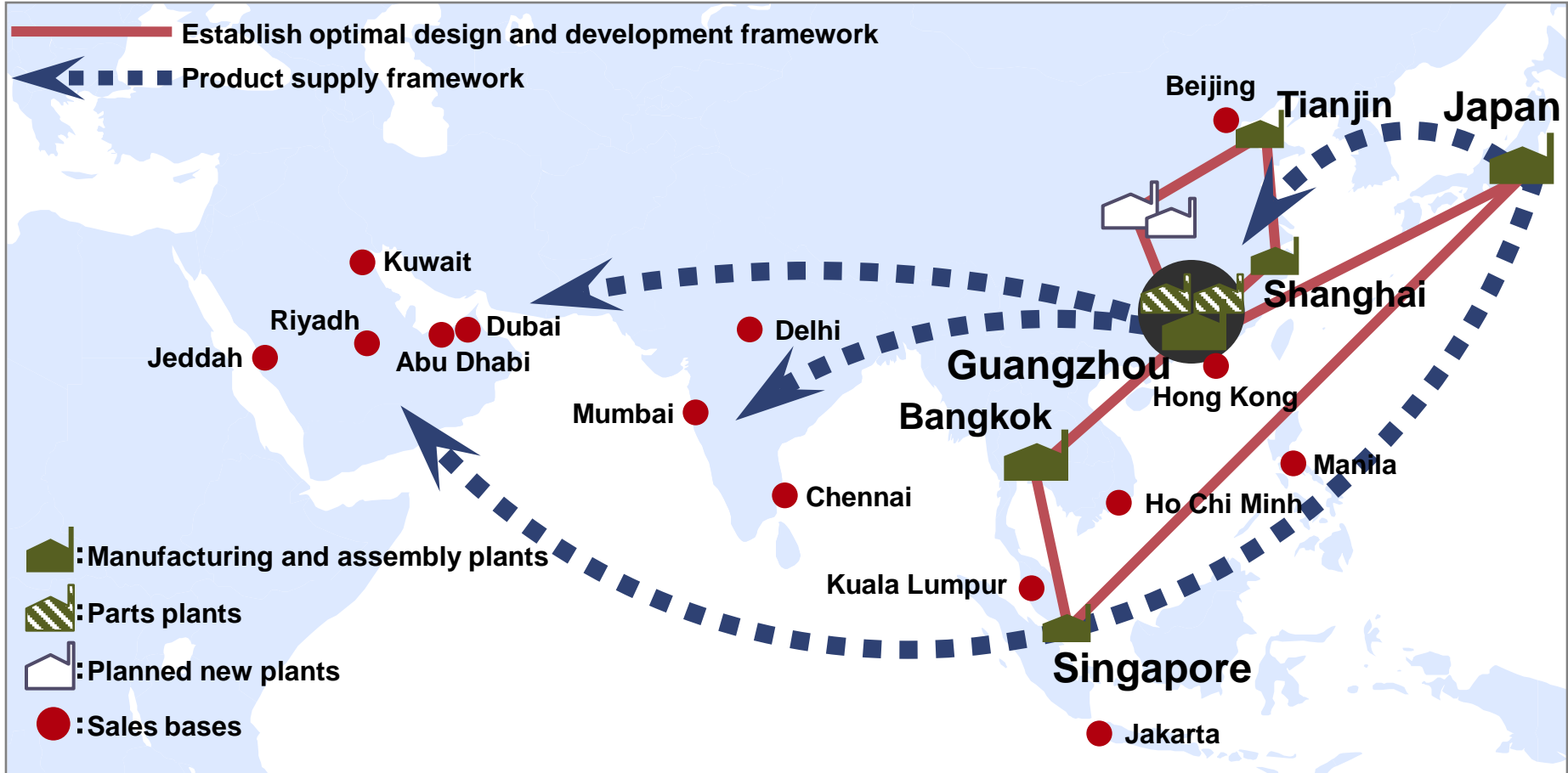
Accelerate development of world's No. 1 products and cost-competitive products



Location	Role
Japan	<ul style="list-style-type: none"> ■ Develop world's No. 1 Products <ul style="list-style-type: none"> • World's fastest elevators • High-speed and large-capacity elevators
China	<ul style="list-style-type: none"> ■ Develop mass produced products <ul style="list-style-type: none"> • Cost-competitive products ■ Develop high-speed elevators <ul style="list-style-type: none"> • Develop for Chinese market
Singapore	<ul style="list-style-type: none"> ■ Develop products for Southeast Asia, Middle East and India <ul style="list-style-type: none"> • Develop products catering to each country's market

3-6. Business Strategy (Global Manufacturing and Supply Framework)

Build a highly efficient global manufacturing and supply framework



**Expand businesses in India and Middle East
by cooperation among Japan, China and Singapore**

3-7. Large Orders Awarded (Overseas: Elevators and Escalators)

New Countryside Building in the Sky



- 600m/min Elevators: 3 units
 - 480m/min Elevators: 2 units
- A total of 33 elevators and escalators

Abu Dhabi
(UAE)



Wuxi (China)

ADIC HEAD QUARTERS

- Elevators: 25 units
- Escalators: 4 units

MRCB LOT348 LOT-A

- Elevators: 44 units



Kuala Lumpur
(Malaysia)

Shenzhen Stock Exchange

- Elevators: 54 units



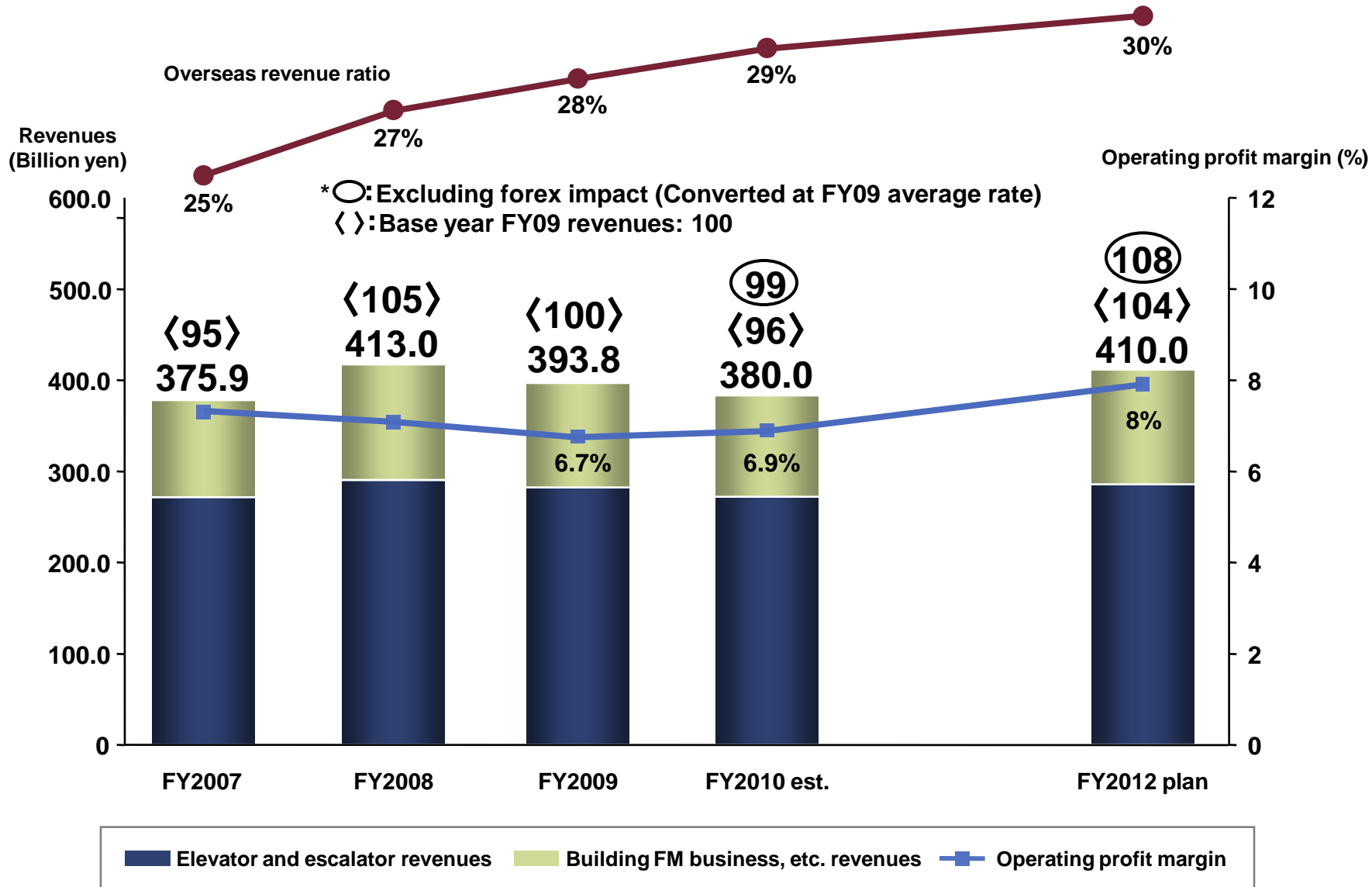
Shenzhen
(China)

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4-1. Business Performance Trends



FY2009 Financial Results

	FY2008 (Actual) (Billion yen)	YoY	FY2009 (Actual) (Billion yen)	YoY
Revenues	413.0	110%	393.8	95%
Elevator and escalator business	287.6	106%	280.3	97%
Building FM business, etc.	125.4	119%	113.5	91%
Operating income	29.2	106%	26.4	90%



Revenues

Revenues fell year over year as a whole due to the impact of a market downturn on the Japanese elevator & escalator business and building FM business despite firm revenues in the Chinese elevator & escalator business.

operating income

Operating income declined overall due to lower earnings because of lower revenues in the Japanese elevator & escalator business and building FM business despite sales growth in China and implementing measures to improve profits, such as cost reduction.

FY2010 Financial Forecast

	FY2009 (Billion yen)	YoY	FY2010 (Est.) (Billion yen)	YoY
Revenues	393.8	95%	380.0	96%
Elevator and escalator business	280.3	97%	270.0	96%
Building FM business, etc.	113.5	91%	110.0	97%
Operating income	26.4	90%	26.4	100%



Revenues

Revenues are likely to fall year over year due to the impact of market downturn on the Japanese elevator & escalator business and building FM business despite firm revenues in the Chinese Elevator & escalator business.

operating income

Work to generate earnings on a par with FY2009 by reducing costs and other actions even though lower volumes and falling prices in both the elevator & escalator and building FM businesses are expected.

FY2012 Targets

- Revenues 410.0 billion yen
- Overseas revenue ratio 30%
- Operating profit margin 8%

Strengthen and expand the FM business for whole buildings in Japan, including elevators and escalators.
Reinforce the overseas elevator and escalator business in the “Asian Belt Zone,” especially in China.

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 investments in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors which Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations for 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 technology 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;
- 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;
- 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 socio-economic and political conditions and the regulatory and trade environment of Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports, or 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 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 and that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to value 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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