

Social Infrastructure & Industrial Systems Business Strategy

Industrial & Social Infrastructure Systems Company

Hitachi Plant Technologies, Ltd.

Hitachi Industrial Equipment Systems Co., Ltd.

Hitachi IR Day 2011

June 16, 2011

Toshiaki Higashihara

Vice President and Executive Officer, Hitachi, Ltd.

President and Representative Director

Hitachi Plant Technologies, Ltd.

Social Infrastructure & Industrial Systems Business Strategy

Contents

- 1. Business Overview**
2. Market Trends
3. Business Policy and Growth Strategy
4. Business Performance Trends and Targets
5. Conclusion

*Industrial & Social Infrastructure Systems Company



*Former Social Infrastructure Systems Company was divided to "Social Infrastructure Systems Company" and "Transportation Systems Company", effective by April 1, 2011.

**Industrial & Social Infrastructure
Systems Company**

**Overall coordination of system engineering
services, and solutions sales**

**Innovate by fusing IT and technologies supporting
social infrastructure and industrial systems**

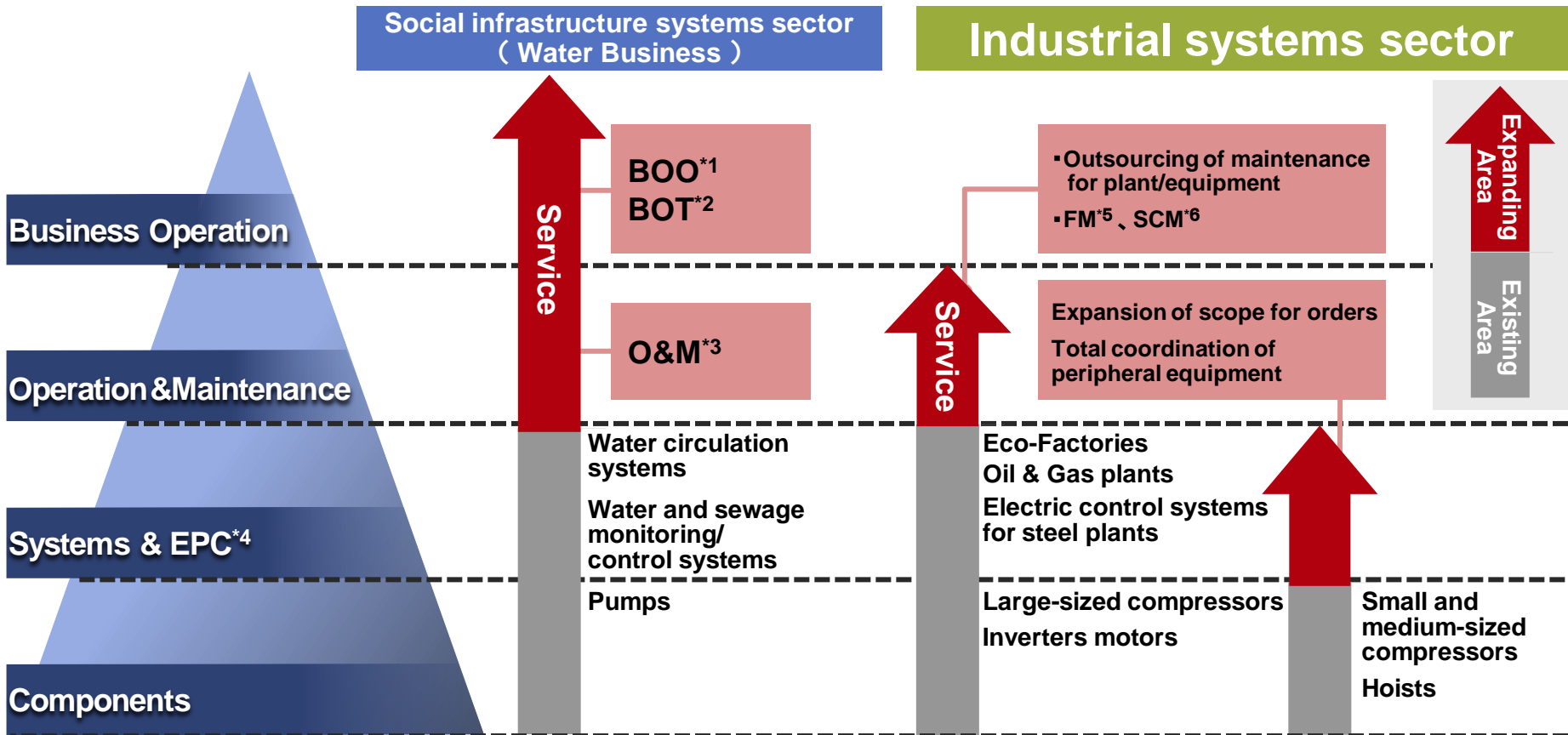
**Hitachi Industrial Equipment
Systems Co., Ltd.**

**Small & medium-sized
components/ services**

Hitachi Plant Technologies, Ltd.

**Large-sized components/
engineering/construction/
services**

1-3 Business Overview (3) Basic Growth Strategy Policies



*1 BOO: Build Own & Operate *2 BOT: Build Operate & Transfer *3 O&M: Operation & Maintenance
 *4 EPC: Engineering Procurement & Construction *5 FM: Facility Management *6 SCM: Supply Chain Management

1-4 Business Overview (4) Business Features

Various, high-value-added key component groups

- **Water treatment equipment, industrial machinery**
[Pumps, compressors, ink-jet printers, etc.]
- **Industrial-use components**
[Drives: inverters, motors, PLCs*1, etc.]
- **Power receiving equipment**
[Transformers, switches, etc.]

*1 Programmable Logic Controller

Fusion of highly reliable control systems and IT

- **Energy control and management systems**
[EnMS*2, HVAC control system for energy saving]
- **Monitoring and control systems**
[Plant, electric-motor-driven mid-scale LNG plant*3, sewage, manufacturing process, steel control systems, etc.]
- **Simulation technologies**
[Forecasting, evaluation, analysis]

*2 Energy Management System

*3 0.5 million to 2.0 million tons/year class

Components

Systems

Provide total solutions fusing core products and systems as well as IT

- **Water supply and sewage operation business**
- **Comprehensive maintenance and management**
- **Measurement and diagnostics business**
- **Remote monitoring and energy-saving services**

Full support through to operation, maintenance and management

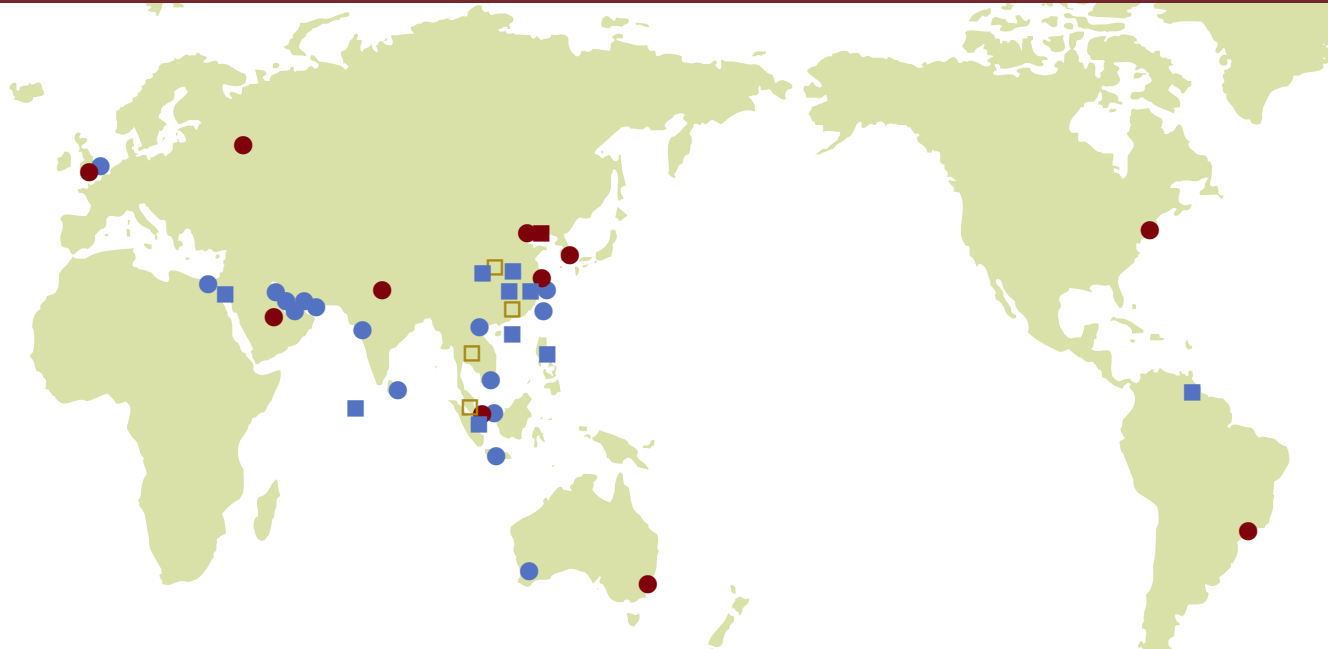
Services

Engineering
And
construction

- **Water circulation and reuse systems**
- **Air-conditioning systems and clean rooms**
- **Chemical plants (Process license)**
- **Project management capabilities**
- **Global construction capabilities**
- **Proprietary techniques**
(Sophisticated modularization construction techniques, etc.)

Proud EPC track record

Overseas Manufacturing/Servicing/Sales



■ Overseas Manufacturing/Servicing Bases

Industrial & Social Infrastructure Systems Company	■	1	(1)
Hitachi Plant Technologies, Ltd.	■	10	(5)
Hitachi Industrial Equipment Systems Co., Ltd.	■	4	(3)

* Figures in brackets indicate joint ventures with local partners and investments

● Overseas Businesses/Sales Bases

	China	Asia	Americas	Europe and others	Total
Hitachi Plant Technologies, Ltd.	3	7	2	7	19
Hitachi Industrial Equipment Systems Co., Ltd.	59	88	50	87	284

● Overseas sales bases for Hitachi Plant Technologies, Ltd.

● Overseas sales bases for Hitachi, Ltd.

Overseas sales bases for Hitachi Industrial Equipment Systems Co., Ltd. are omitted

Expand and upgrade overseas production bases

□ Hitachi Industrial Equipment (Nanjing) Co., Ltd. (Joint venture)

Reinforcement and expansion of supply capacity for China

- Compressors: launched large models (2010)
- Increase and expand inverter production (2011)

■ Hitachi Pump Manufacture (Wuxi) Co., Ltd. (Joint venture)

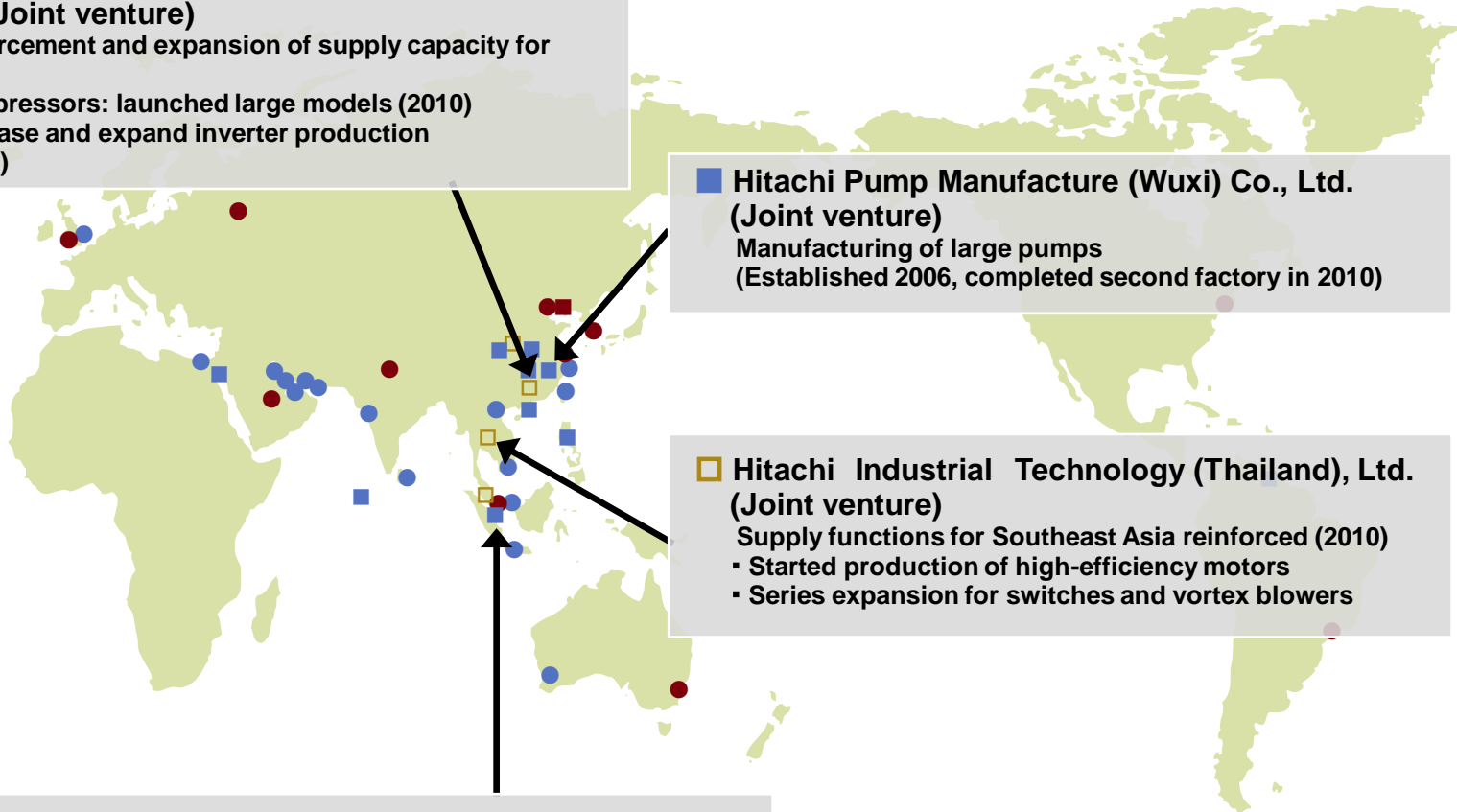
Manufacturing of large pumps
(Established 2006, completed second factory in 2010)

□ Hitachi Industrial Technology (Thailand), Ltd. (Joint venture)

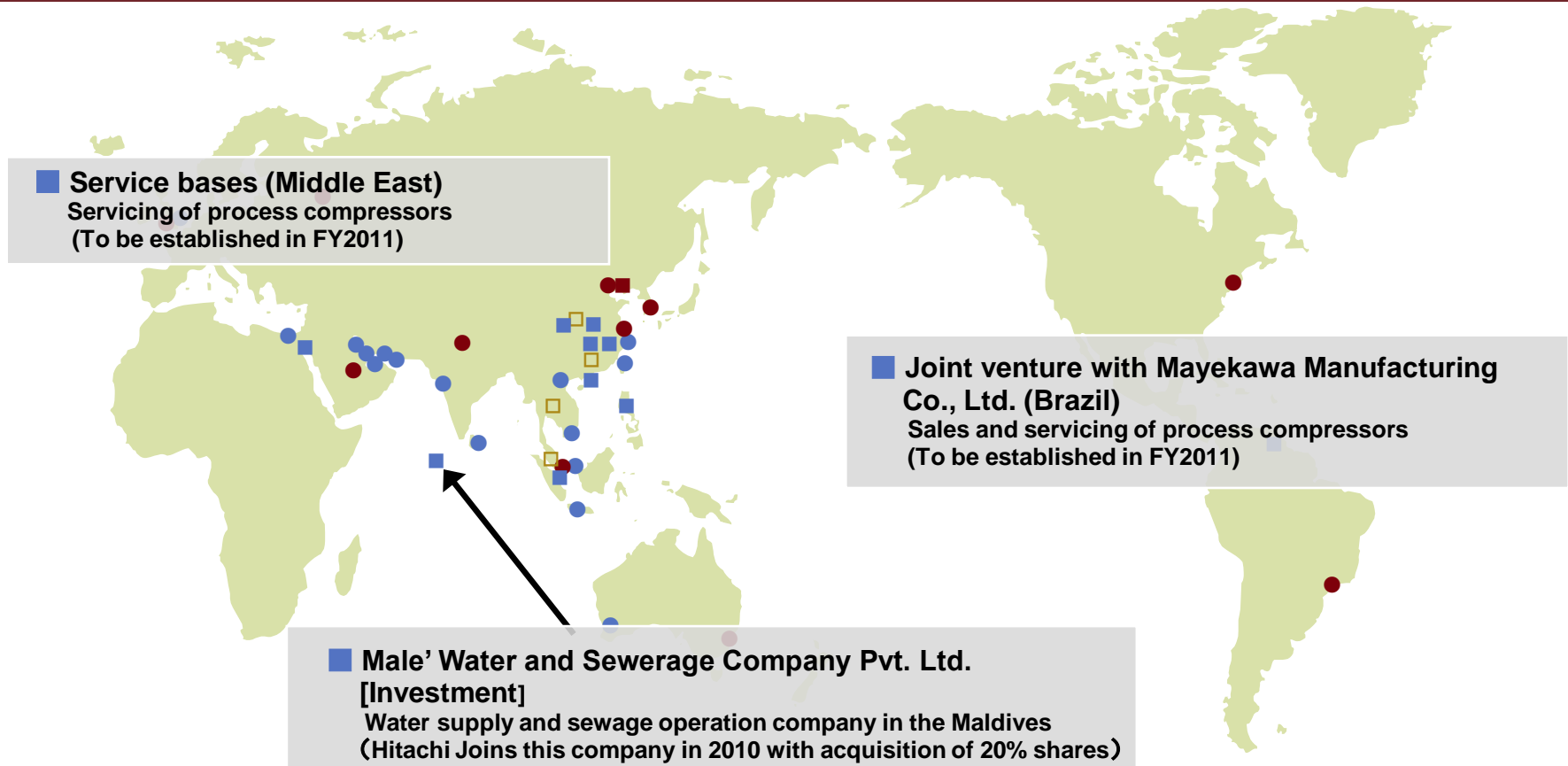
Supply functions for Southeast Asia reinforced (2010)

- Started production of high-efficiency motors
- Series expansion for switches and vortex blowers

■ Hitachi Aqua-Tech Engineering Pte. Ltd.
Production, sales, and servicing of reverse osmosis systems
(Became a holly-owned Subsidiary in 2009
Expand its operation base and change the name in 2010)



Expand Service business through the strengthening collaborations with customers and local business partners



Social Infrastructure & Industrial Systems Business Strategy

Contents

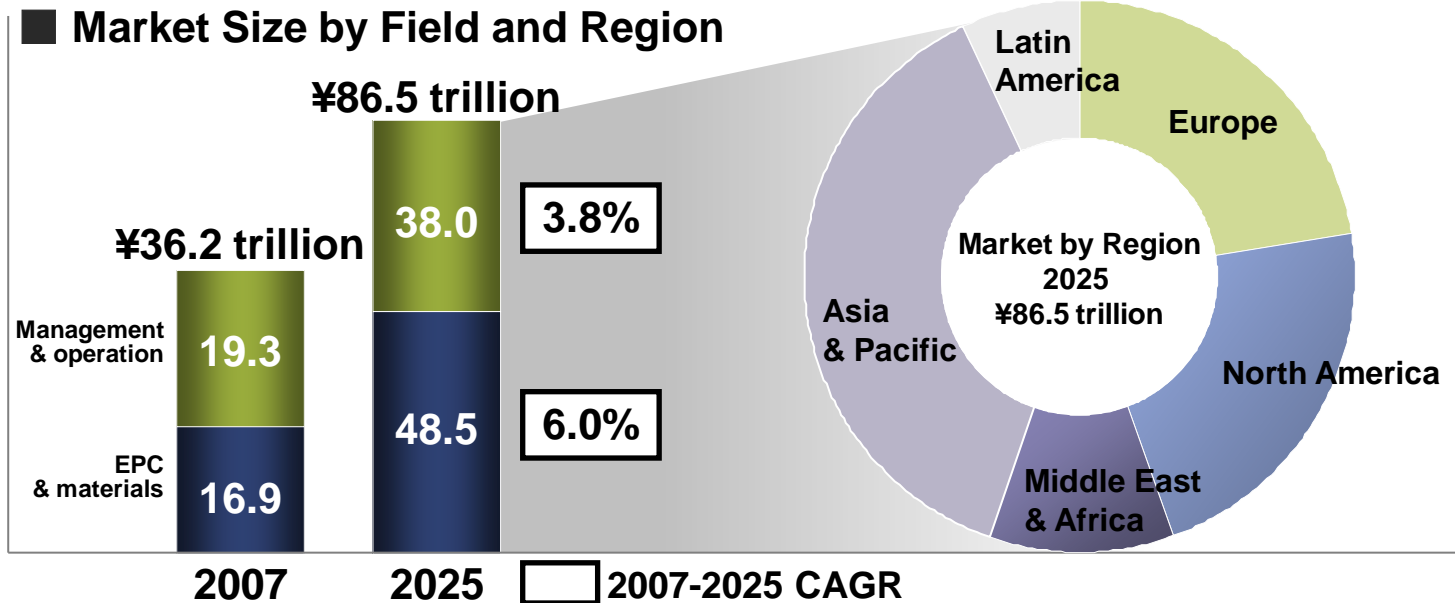
1. Business Overview
- 2. Market Trends**
3. Business Policy and Growth Strategy
4. Business Performance Trends and Targets
5. Conclusion

Market Trends in Japan

- Maturity of equipment market, decrease of investment in construction
- Increase of upgrade demand as facilities become superannuated

Global Market Trends

- High growth rate in management and operation, as well as EPC
- Asia and Middle East becoming largest markets in the world

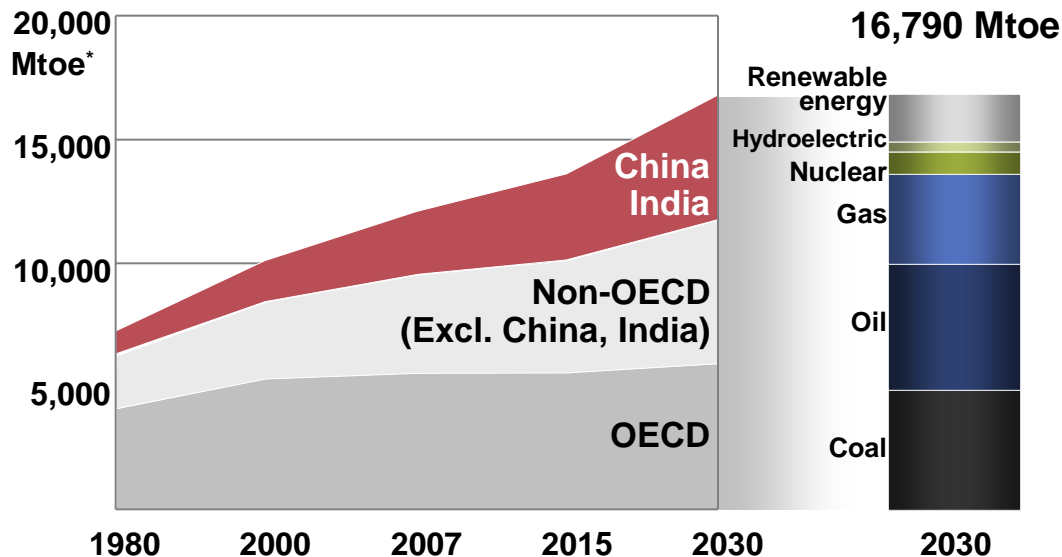


* Source for by-market information: Global Water Market 2008, Ministry of Economy, Trade and Industry calculations; by-region information: prepared based on the same materials

Increasing energy demand centered on emerging economies → pressing need to improve energy efficiency

- China and India account for most of the rise in global energy demand
- This is spurring the oil and gas markets to find supply sources (increasing demand for natural gas as a source of clean energy)
- Conversion from resource countries to product export countries (Iron ore → steel products)

Primary Energy Demand



Projected Steel Field Capex in Emerging Economies

	Capital Expenditures (Nominal)		CAGR %/year (2010-2015)
	2010	2015	
China	47,785	78,026	10.3
India	7,505	19,697	21.3
Brazil	13,644	35,858	21.3

* Mtoe: 1 million tons of oil equivalent, source: Energy Demand-IEA World Energy Outlook 2009
Steel capex - Prepared by Hitachi Research Institute based on Global Insight database

Social Infrastructure & Industrial Systems Business Strategy

Contents

1. Business Overview
2. Market Trends
- 3. Business Policy and Growth Strategy**
4. Business Performance Trends and Targets
5. Conclusion

Innovate by fusing IT and technologies supporting social infrastructure and industrial systems

Social infrastructure	Achieve full-scale entry into global markets by expanding the Hitachi Group's water business	<ul style="list-style-type: none"> ■ Expand service businesses in Japan ■ Fortify and expand overseas water business
Industrial systems	Expand solutions business to address global needs	<ul style="list-style-type: none"> ■ Expand highly efficient, environmentally friendly components, systems, and servicing businesses (Eco factories, oil & gas, steel plant control systems)
Recovery Support	Concentrate management resources on the recovery and restoration of infrastructure	<ul style="list-style-type: none"> ■ Provide support for the recovery and restoration of water infrastructure ■ Provide support for the recovery and restoration of factories and production lines
Overseas Expansion Support	Provide full support for Japanese companies expanding production bases overseas	<ul style="list-style-type: none"> ■ Supply total systems for components, systems, and engineering/construction

FY2010 Results

- Revenues: **¥543.3 billion**
- Overseas revenue ratio: **21%**

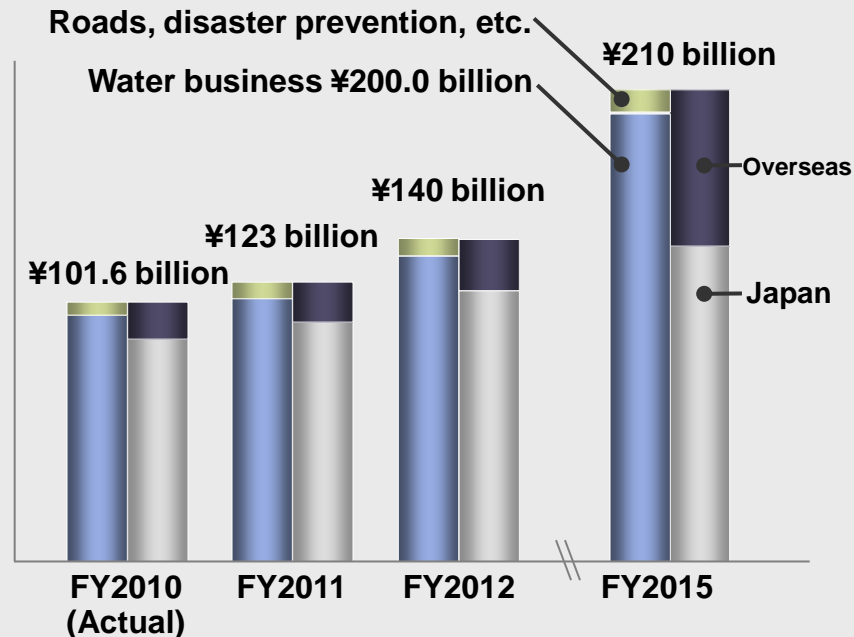
FY2015 Targets

- Revenues: **¥830 billion**
- Overseas revenue ratio: **40%**

Achieve full-scale entry into global markets by expanding the Hitachi Group's water business

Revenue Target

- Revenue: ¥210 billion
- Overseas revenue ratio: Over 35%
- Operating income ratio: 6%



Business Expansion Measures

- Expand service businesses in Japan
 - Strengthen product competitiveness
 - ➔ Strengthen equipment renewal
 - Expand O&M*1 comprehensive contracts
- Fortify and expand overseas water business
 - Provide water environment solutions in emerging economies
 - Strengthen cooperation with local partners
 - Expand business in operation and management domain
 - ➔ Use experience in Maldives
 - Provide total solutions fusing water treatment systems and IT
 - ➔ Intelligent water systems
 - Develop greater cooperation with central and local governments
 - Use experience in GWRA*2 and GWSTA*3

*1: Operation & Maintenance *2: Limited Liability Partnership (LLP) Global Water Recycling and Reuse System Association, JAPAN

*3: Global Water Recycling and Reuse Solution Technology Research Association

Develop the water business globally as a "Japanese water major"

■ Provide total solutions

- Water supply and sewage field (EPC, business operation and management) [Volume zone]
- Reuse water, sea water desalination, industrial-use water and wastewater fields (EPC, operation and management) [Growth zone]
- Regional water infrastructure construction (Hitachi's proposed concept: Intelligent water systems)
- Cultivate new area (Oil & Gas wastewater treatment and ballast water treatment, etc.)

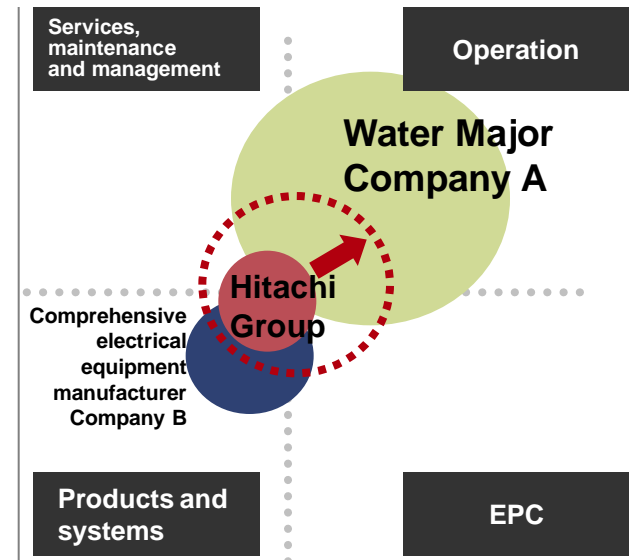
■ Hitachi Group strengths

- Advanced water circulation systems (Membrane processing, microorganism treatment, pumps, etc.)
- Advanced information systems (Monitoring, control, simulation, etc.)

■ Regions targeted for sales expansion

- Middle East, Southeast Asia, China, India, South America

Hitachi Group's Vision



Provide total solutions

Japan

Expand service businesses in Japan

- Formed an alliance with DK Corporation regarding water business services



(March 2011)

- Combining knowledge resources regarding provision of comprehensive water services

Hitachi : maintenance and management of water supply facilities
DK Corporation : water charge collection business

Strengthen product lineup

- New water supply pump with variable speed control motor



- Enables energy-saving operation via automatic pressure control
- Provides clean water direct from the water supply

(October 2010)

China

Strengthening and expanding overseas water business: cooperation with local partners

- Agreed on cooperation in the water environment solutions business with Chengdu Xingrong Group Co., Ltd.*1



(November 2010)

- Joint participation (BOT/TOT^{*2}) in construction and refurbishment of water and sewage facilities
- Application of Intelligent Water System

- Agreed on cooperation with Dongda Group, Dalian



(May 2011)

- Areas of cooperation include Intelligent Water Systems, water/waste water/reused water/water distribution management, sea water desalination, and urban infrastructure

* 1: Major water business groups in 12 western regions (Gansu, Guizhou, Ningxia Hui, Qinghai, Shaanxi, Tibet, Xinjiang Uygur, Yunnan, Chongqing, Inner Mongolia, Guangxi Zhuang)

*2: Build Operate Transfer, Transfer Operate Transfer

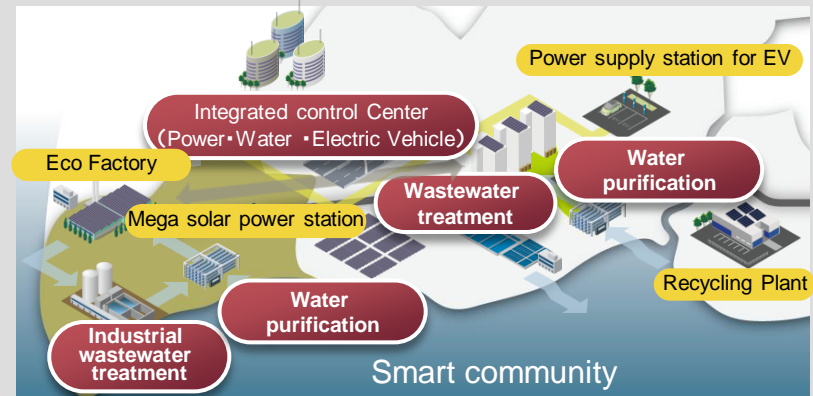
Provide total solutions

India

■ Undertaking two feasibility studies for water circulation systems for Japan's Ministry of Economy, Trade and Industry(May2011)

■ Participate in project on export of environmentally friendly infrastructure, improve total solution proposals for industrial complexes

- ⇒ Recycling of factory wastewater (Sumitomo Corporation, Kansai Electric Power Co., Ltd., Hitachi, Nippon Express Co., Ltd.)
- ⇒ Smart community centered on desalination of sea water (Hitachi, ITOCHU Corporation, KYOCERA Corporation, and others)

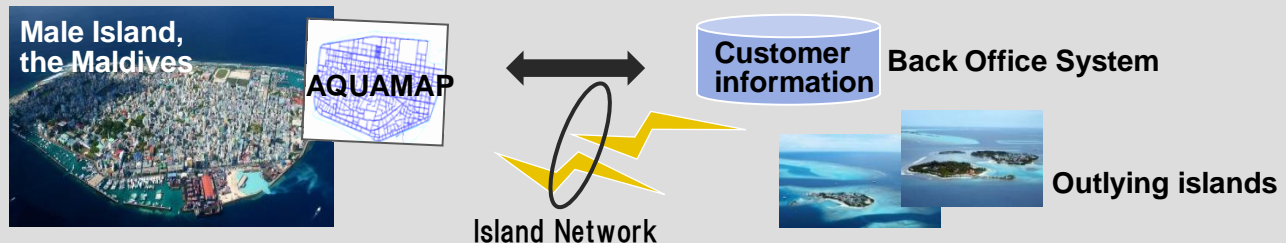


South east Asia

■ Phased introduction of Intelligent Water Systems into water management business in the Maldives

■ Integration of customer data with Male Island facilities using AQUAMAP*

- ⇒ Network technologies leveraged to monitor and operate facilities on multiple islands



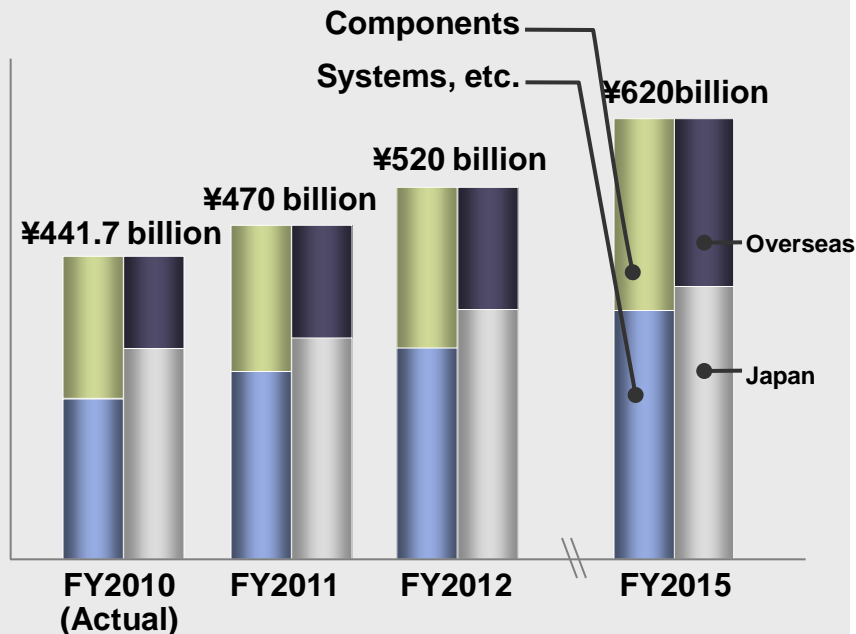
Middle East

■ Active participation in sewage system construction project in Middle-East

Expand solutions business to address global needs

Revenue Target

- Revenues: ¥620.0 billion
- Overseas revenue ratio: Over 40%
- Operating income ratio: 5%



Business Expansion Measures

- Expand highly efficient, environmentally friendly components, systems and services businesses
 - Eco factory solutions
 - Drive systems
 - Energy-saving systems (EnMS*)
 - Oil & Gas
 - Expand electric-motor-driven mid-scale LNG plant business through order for basic design received from Australia's Eastern Star Gas Limited
 - Expand sales of process compressors (Strengthen service system)
 - Electric control systems for steel plants
 - Expand orders in emerging economies by strengthening local engineering capabilities: China, India, etc.
 - Regions targeted for sales expansion
 - China, Southeast Asia, India, Middle East, South America, Australia

Eco factory solutions

Wide-ranging solutions from consulting to products, systems and services help reduce CO₂

Management support with IT/consulting

Utility area

Optimal energy-saving and CO₂ reduction solutions

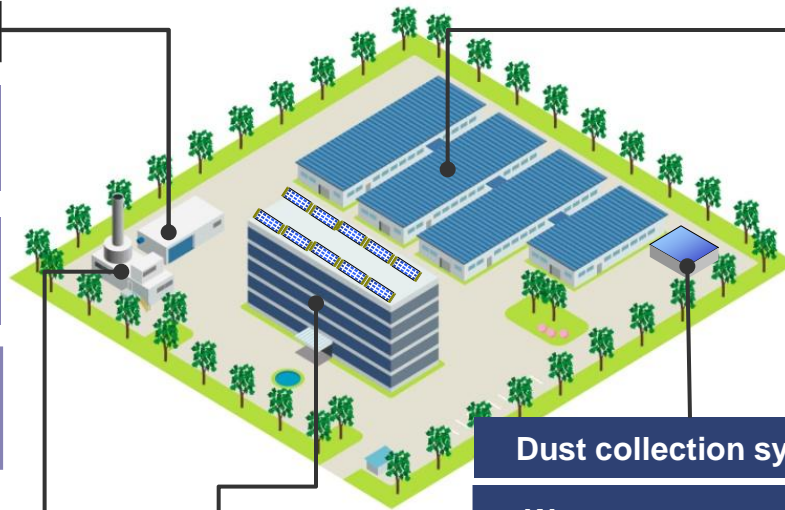
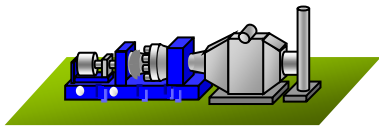
Pumps, Chillers and Compressors

Power receiving equipment

■ Amorphous transformer

Private electric power generator

Cogeneration system



Plant & Factory

crane

Factory process & equipment

UPS (Uninterrupted Power Supply)

Air conditioning system

High-voltage direct inverter

Monitoring and control system

■ Power monitoring system (H-NET)

Components for Factory Automation

■ inverters
■ motors
■ Ink-jet printers

Office

Solar power generation

Energy-saving solution for offices

Unutilized hydro-energy

Lightning prevention system

Dust collection system

Wastewater treatment



Soil & groundwater cleanup

Wind power generation facility



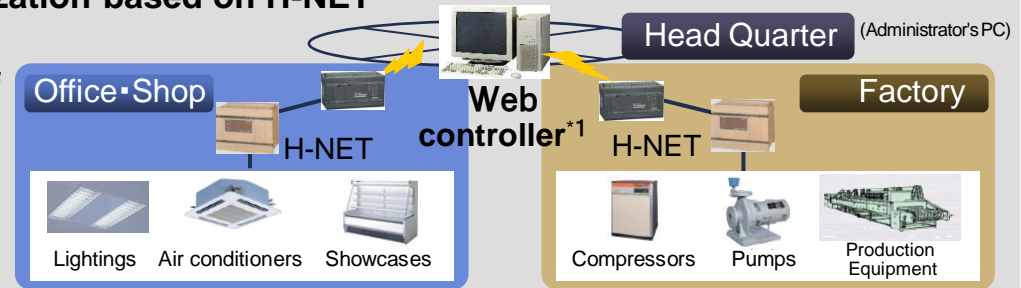
Eco factory solutions

Japan

Develop EnMS

■ Control system for energy optimization based on H-NET (power monitoring system)

• Monitoring and control in a range of applications, from factories (manufacturing) to buildings, multi-store complexes, and large-scale office operations



China / Southeast Asia

■ Target growth markets with high-value-added key components [Inverters, compressors, ink-jet printers, amorphous transformers]

■ Cater to demand from power grid facilities, applications in the food, beverage, and medicine sectors etc., and compliance with energy-saving regulations

■ China/Southeast Asia: Strengthen further manufacturing/sales/service networks

■ Provide full support for Japanese companies expanding production bases overseas

■ Plant-related orders from Japanese companies in the Asian belt zone*1



*1: Controller with communications interface

*2: Refers to 24 coastal countries and regions, extending from Japan to the Arabian Peninsula, including China, ASEAN countries, India and the Middle East.

Oil & Gas

Middle East & South America

- **Expand service business for process compressors through collaboration with partners**
 - **Alliance with Mayekawa Manufacturing Co., Ltd. in Brazil (March, 2011)**
 - ⇒ Jointly Establish a Sales and Maintenance service base for process compressors in Brazil (FY2011)
 - ⇒ Exploring the South America Market
 - **Plan to establish a maintenance base in Middle East (To be established FY2011)**
 - ⇒ Expand maintenance services business



Process compressor

↓

**Product life cycle support
(Handle outsourced maintenance operations)**

Australia

- Feasibility study (Plant)

FEED (basic design)

Receipt of EPC order
- **Electric-motor-driven mid-scale LNG plant: display total engineering (electrical) strengths at the feasibility study stage**
 - Hitachi Group's integrated control technology for mechanical and electrical equipment
 - Order for FEED* from Australia's Eastern Star Gas received jointly with Toyo Engineering Corporation (March 2011)

Electric control systems for steel plants

India

- **Strengthening sales operations Leveraging collaborations with Mitsubishi-Hitachi Metals Machinery, Inc. and trading companies**
 - Ordered by Tata Steel Limited, India with Sojitsu and Mitsubishi-Hitachi Metals
 - ⇒ Remodeling for Pickling Line - Tandem Cold Mill of Jamshedpur steel plant (October, 2010)
 - ⇒ Hot Strip Mill for Kalinganagar plant in Orissa (June, 2011)

*: Front-end Engineering Design

Leverage closely collaborations with Industrial & Social Infrastructure Systems Company, Hitachi Plant technologies and Hitachi Industrial Equipment Systems, and Realizing collective strength

Total solutions provision

Overall coordination of components, systems, EPC, construction

Service business expansion

Expand business scope(Lifecycle support) to maintenance for products and plants

Acceleration of global expansion

Strengthening of cooperation with local partners and Localizing of production and service bases' operation

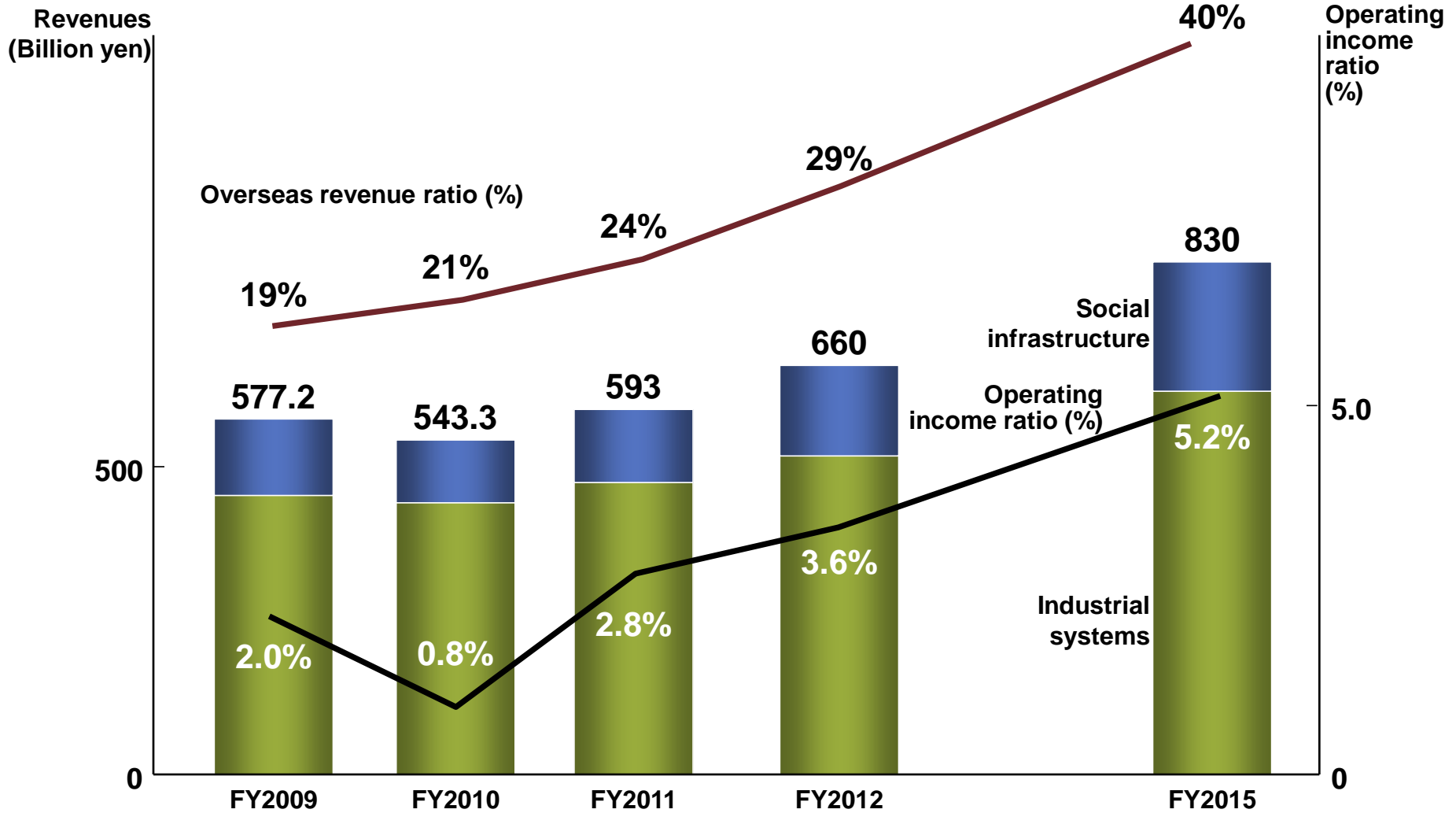
One-stop full support

Social Infrastructure & Industrial Systems Business Strategy

Contents

1. Business Overview
2. Market Trends
3. Business Policy and Growth Strategy
- 4. Business Performance Trends and Targets**
5. Conclusion

4 Business Performance Trends and Targets



Social Infrastructure & Industrial Systems Business Strategy

Contents

1. Business Overview
2. Market Trends
3. Business Policy and Growth Strategy
4. Business Performance Trends and Targets
- 5. Conclusion**

FY2015 Targets

- **Revenues: ¥830 billion**
- **Overseas revenue ratio: 40%**
- **Operating income ratio: 5%**

Innovate by fusing IT and technologies supporting social infrastructure and industrial systems

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.

HITACHI
Inspire the Next 