

2012 Mid-term Management Plan

“Growth Driven by Social Innovation Business”
& “Solid Financial Base”

May 31, 2010

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President
Hitachi, Ltd.

2012 Mid-term Management Plan

“Growth Driven by Social Innovation Business” & “Solid Financial Base”

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1. Key Strategy
2. Global Growth Strategy
3. Focusing Business Resources on the Social Innovation Business
4. Strengthening the Business Structure to Stabilize Profitability
5. FY2012 Targets

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1-1. Key Strategy [Financial Results]

	FY2008	FY2009
Revenues	¥ 10,000.3 billion	¥ 8,968.5 billion
Operating income	(1.3%) ¥ 127.1 billion	(2.3%) ¥ 202.1 billion
Net loss attributable to Hitachi, Ltd.	(¥ 787.3 billion)	(¥ 106.9 billion)
D/E Ratio*	1.29 times	1.04 times
Total Hitachi, Ltd. Stockholders' equity	11.2%	14.4%

* Including noncontrolling interests

1-2. Key Strategy [FY2012 Financial Targets]

FY2012 Targets	
Revenues	¥ 10,500 billion
Operating income	Over 5%
Net income attributable to Hitachi, Ltd.	Consistently generate at least ¥ 200 billion
D/E Ratio*	0.8 times or below
Total Hitachi, Ltd. Stockholders' equity	20%

* Including noncontrolling interests

“Growth Driven by Social Innovation Business” & “Solid Financial Base”

The Social Innovation Business is made up of:
Fusion of social infrastructure and IT , and materials
and key devices

1. Leverage Hitachi’s strengths to promote a global growth strategy

- Strengthen locally led project control centers, develop detailed strategies in each region

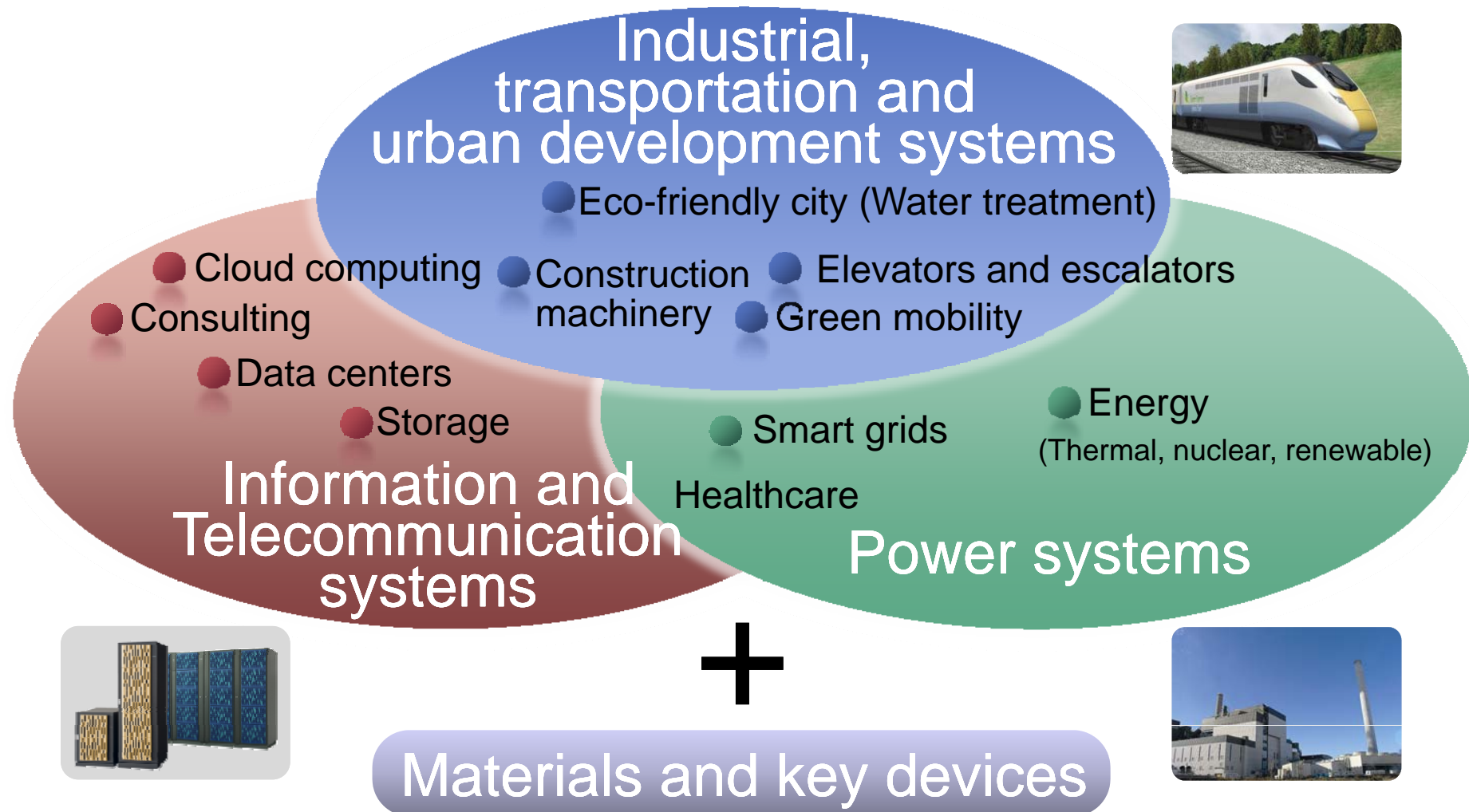
2. Focus business resources on the Social Innovation Business

- Invest ¥1 trillion in the FY2010 to FY2012 period, spend ¥ 600 billion on R&D expenses

3. Strengthen the business structure to stabilize profitability

- Rigorously cut costs, improve net other deductions, etc., become a global CSR leader

Social Innovation Business



Global

Leverage Information, Experience and Trust of Hitachi to develop globally

Fusion

Address social innovation needs by synergistic integration of social infrastructure and IT

Environment

Refine ability to build environmental systems by drawing on advanced environmental technologies and experience

FY2010-FY2012: From “Defense” to “Offense”

“Offense”

- Concentrate investment on key business fields
- Strengthen cooperation with leading Japanese and overseas partners
- Accelerate locally-led business to expand globally
- Embrace Hitachi’s pioneering venture spirit
 - Return to our roots on our 100th anniversary —

“Defense”

- Strengthen cost competitiveness
- Reinforce financial position
- Continue realigning business portfolio

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(1) Promote and expand global localization

Strengthen project control center via local leadership

- Rigorously develop a more market-centric approach through leadership by local companies
- Grasp local values, standards and risks under local leadership

Accelerate development of a detailed strategy in each region

Maintain Japan as a strong business base

Emerging markets	● Tap into robust social innovation demand, cooperate with partners
Industrialized countries	● Make environmental and integrated technology proposals to address demand to upgrade social infrastructure
Japan	● Develop environmental and integrated services leveraging a strong business base

(2) Expand business opportunities in collaboration with partners

	Project name	Partner
China	Cooperative projects in low-carbon society building and resource recycling fields	● National Development and Reform Commission
	Sino-Singapore Tianjin Eco-City project	● Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.
India	Delhi Mumbai Industrial Corridor (Dahej)	● Delhi Mumbai Industrial Corridor Development Corporation Limited
Singapore	Strengthening of Social Innovation Business in the “Asian belt” zone	● Singapore/ Economic Development Board

(3) Expand new businesses leveraging Hitachi’s strengths

- Eco-friendly city
- Eco-friendly data centers
- Water and sewage operation and management
- Energy-saving systems for LNG plants

Market features

- Rapidly growing social innovation market
- Requires partnerships with local partners

Hitachi's achievements

1980s-
1990s

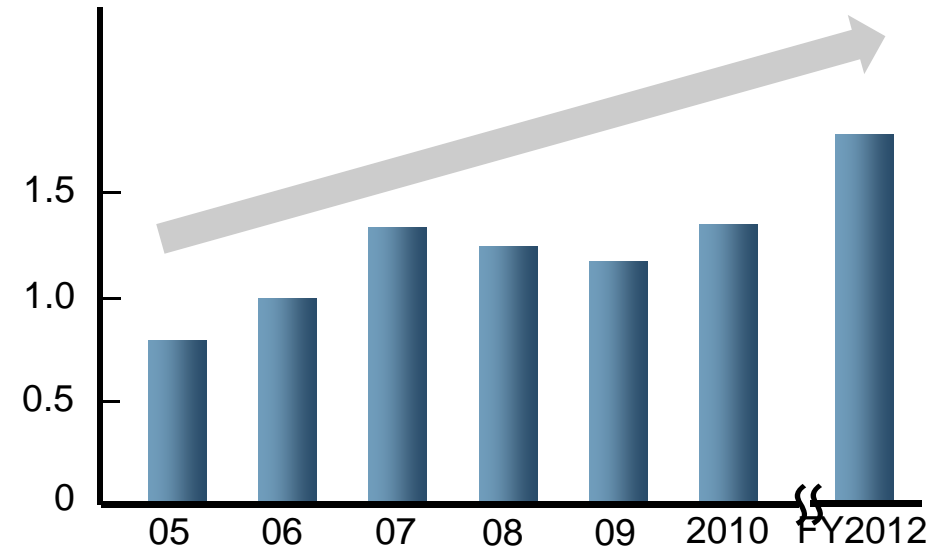
- Developed bases for construction machinery, elevators and escalators, home appliances, etc.

2000s

- Achieved consolidated revenues of over ¥1 trillion

The Most Trusted Partner in China

Hitachi's China Revenues
(Trillion yen)



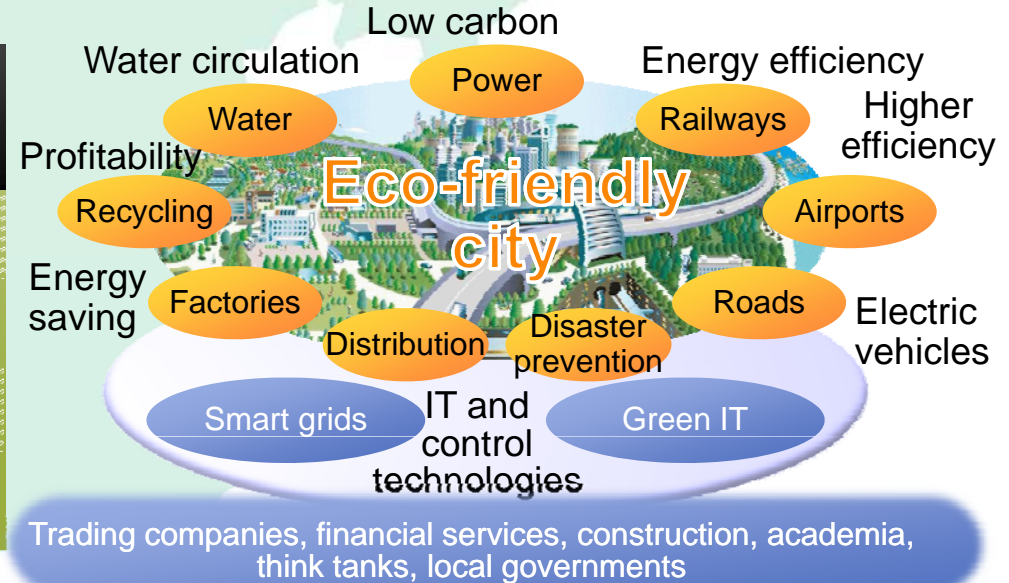
Future strategy

- Strengthen competitiveness of individual businesses
 - ➔ Construction machinery, elevators and escalators, turbines, pumps, industrial machinery, ATMs, railway systems, IT solutions, high functional materials and components
- Grow environmental systems business ➔ Differentiate with environmental and energy-saving technologies

- China: Focus on creating a low-carbon society and eco-friendly cities

Cooperative project fields

- Highly efficient power generation and smart grids
- Water treatment system
- Home appliance recycling
- Urban transportation (Subways)



- Develop in Asian belt zone (India to Southeast Asia)
 - Package environmental systems
 - Utilize Hitachi brand strength in home appliances
 - Progressively utilize existing local production and maintenance systems
 - Accelerate investment in and alliances with local partners (E.g. Maldives water and sewage operation and management)

2-5. Global Growth Strategy [Industrialized Countries (1): Europe]

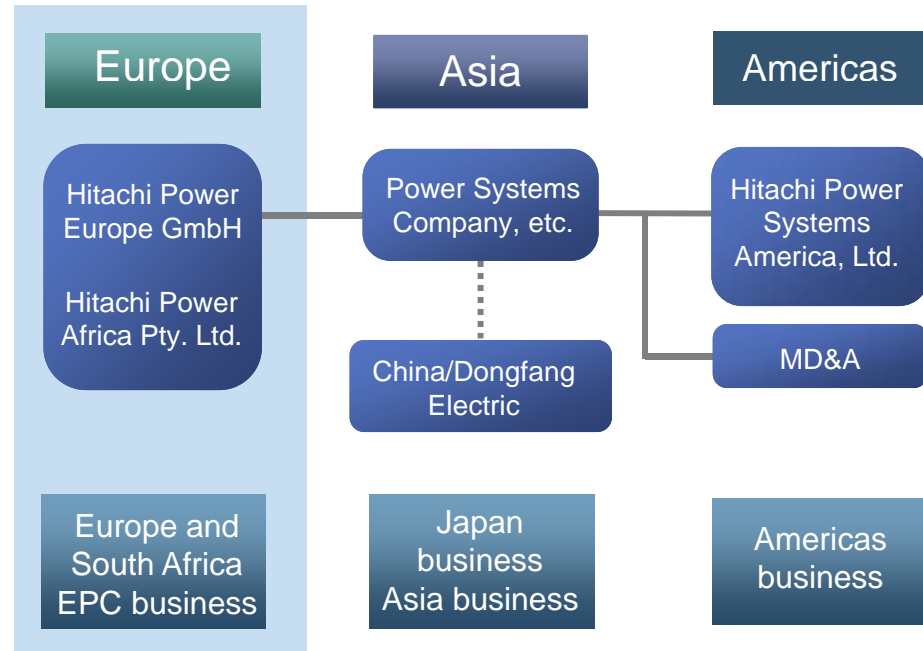
Market features

- Strict environmental regulations
- Increasing demand for renewing aging infrastructure

Hitachi's achievements

- Built thermal power plant project control center locally to respond to Europe's needs
- U.K./High-speed railway started operation, establish maintenance base

[Thermal power plants: Tri-polar local business framework]



Future strategy

- Expand locally led thermal power plant business
- Build an integrated formation from rolling stock manufacture to maintenance
- Expand eco-friendly data center business

Europe,
South Africa

U.K.

Europe

2-6. Global Growth Strategy [E.g. Strengthen Europe Project Control Center]

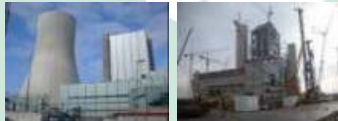
[Europe Project Control Center]



➔ Include India in the future

● Hitachi Power Europe [Germany] (1,000 people)

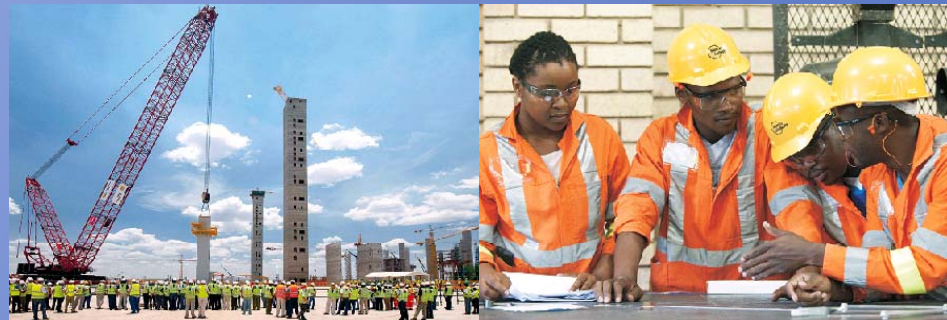
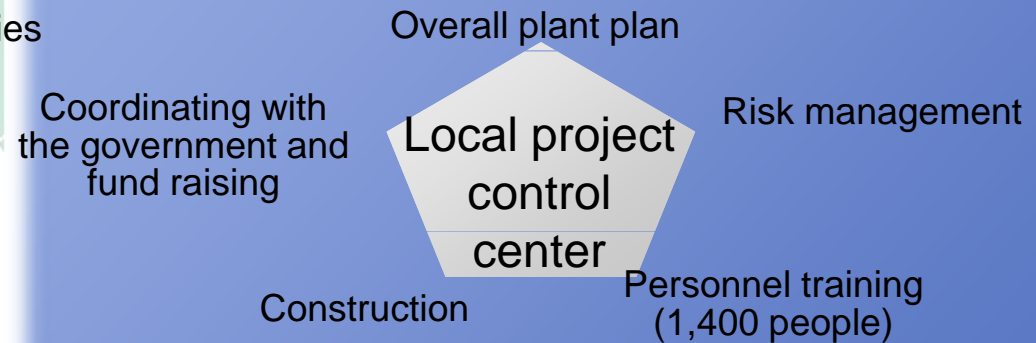
Under construction in Europe: 10 plants
R&D: Development of CCS and A-USC with local universities



● Hitachi Power Africa [South Africa] (100 people)
Under construction in South Africa: 12 plants

CCS: Carbon Dioxide Capture and Storage
A-USC: Advanced Ultra Super Critical

South Africa—Medupi-Kusile Commencement of operation of first plant beginning of 2012: Approx. ¥ 570 billion.



2-7. Global Growth Strategy [Industrialized Countries (2): North America]

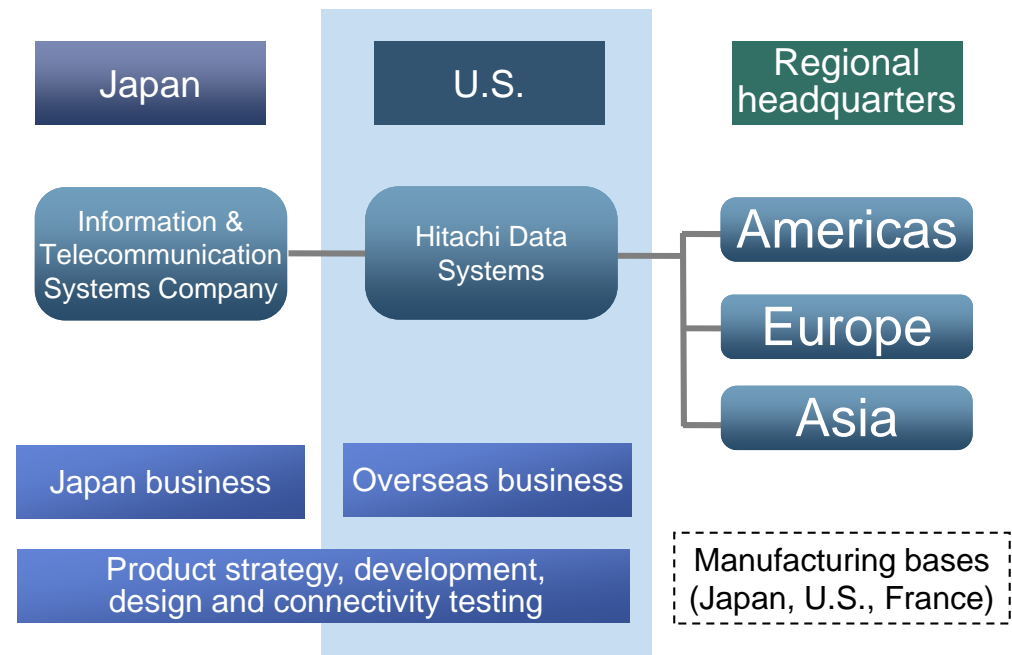
Market features

-New IT and standards set in Silicon Valley

Hitachi's achievements

- Product and sales strategy led by U.S. side
- World-leading share in enterprise class storage systems (Hitachi estimate, monetary basis)
- Established U.S. consulting business platform (10-year history)

[Storage, etc.: Global business led by U.S. control center]

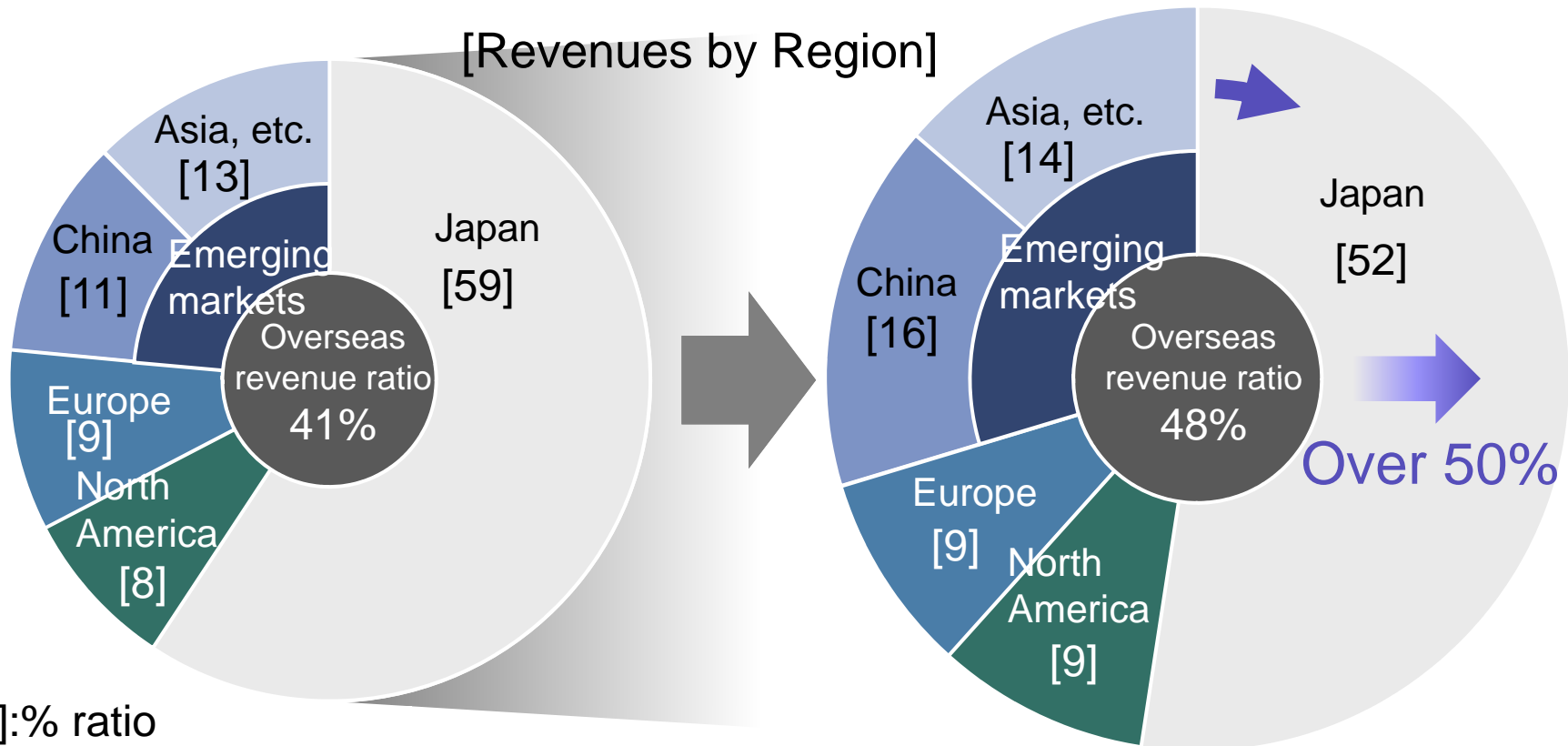


Future strategy

- Expand globally distinctive solutions centered on storage
- Extend consulting business developed in the U.S. to Asia and elsewhere

2-8. Global Growth Strategy [Overseas Revenues]

Aim to achieve an overseas revenue ratio of more than 50% in FY2012



Head Count FY2009

231 k

In Japan

FY2012

217 k

129 k

Overseas

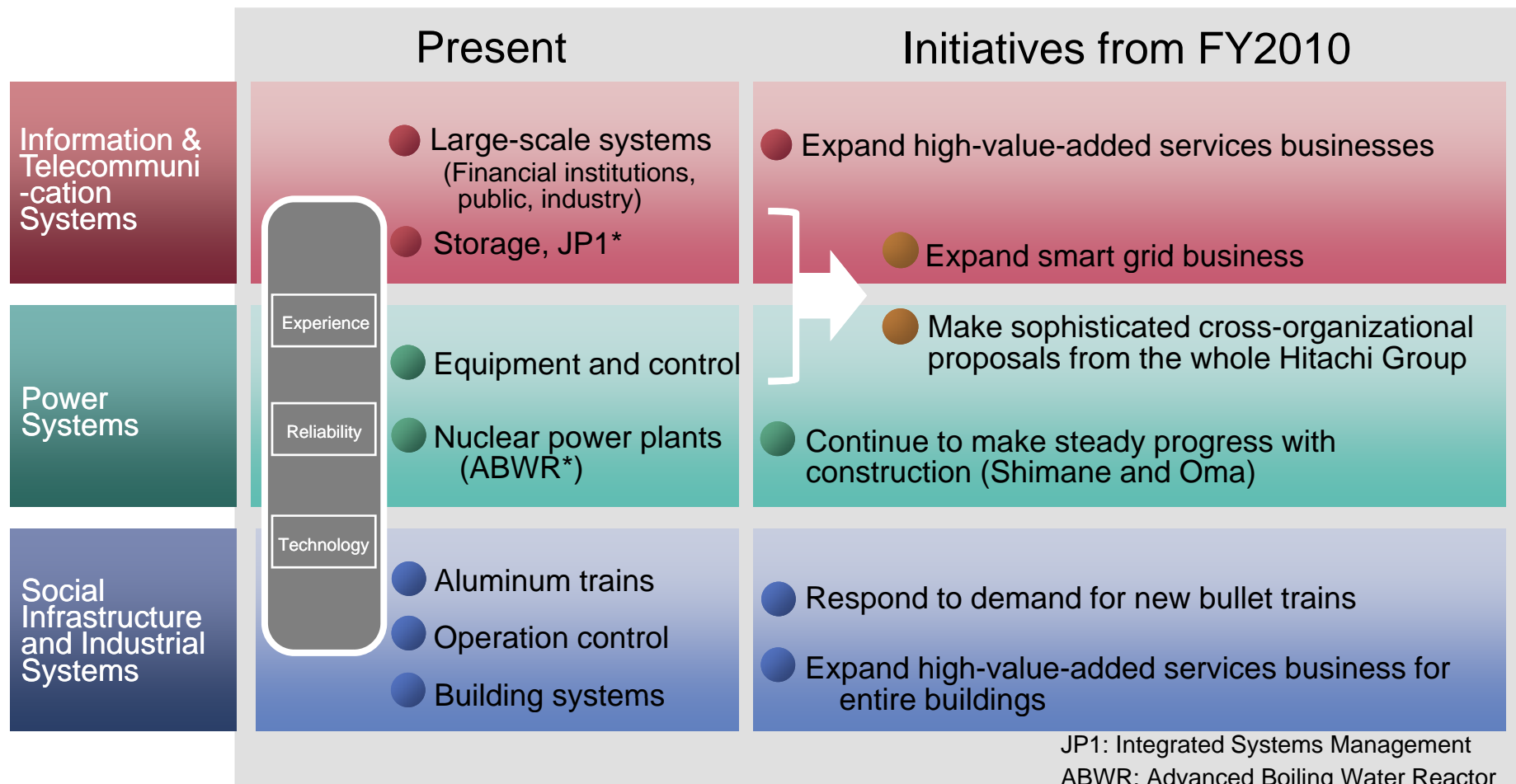
161 k

2-9. Global Growth Strategy [Japan]

- Technologies and experience built up with customers
- Top-class market shares



Challenge further as an important base market
- Support customers expanding overseas -



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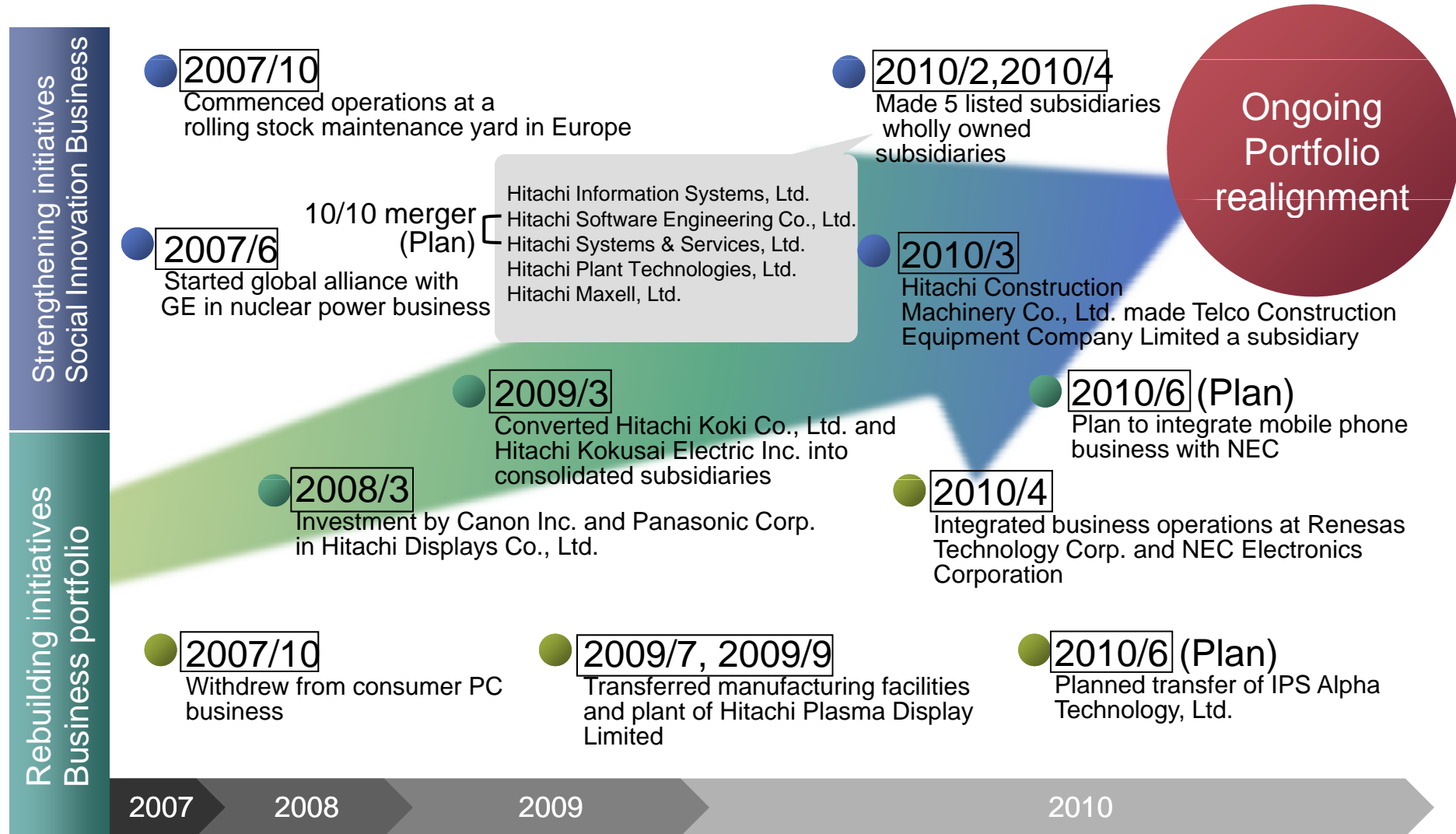
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3-1. Focusing Business Resources [Portfolio Realignment]

Realigned the equivalent of 30% of revenue portfolio (Strengthening, rebuilding)



Concentrate investment on the Social Innovation Business

Global

Fusion

Environment

(1) Concentrate investments in FY2010-FY2012

- Allocated 70% of total amount (¥ 1.4 trillion) for capital expenditures and strategic investments in this business

FY2010-FY2012 total investment ¥ 1 trillion

- Conduct M&As

■ Examples of main investments:

Focus on strengthening large-scale systems globally

	Investment purpose	Timing
Information & Telecommunication Systems	● Expand data center business	FY2010~12
Power Systems	● Strengthen competitiveness in highly efficient thermal power, and nuclear power systems	
Social Infrastructure & Industrial Systems	● Establish rolling stock manufacturing and maintenance functions in the U.K.	FY2011~

Concentrate investment on the Social Innovation Business



(2) Strategically allocate R&D investment

- Allocate 50% of total amount(¥ 1.2 trillion)

FY2010-FY2012 R&D investment ¥ 600 billion

■ Examples of main investments:

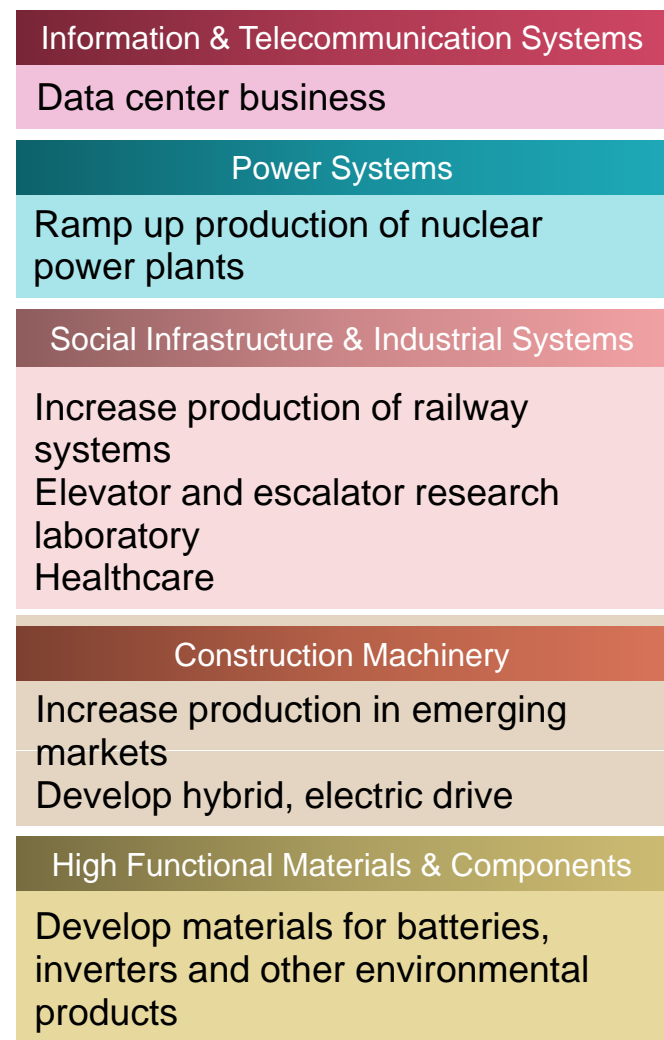
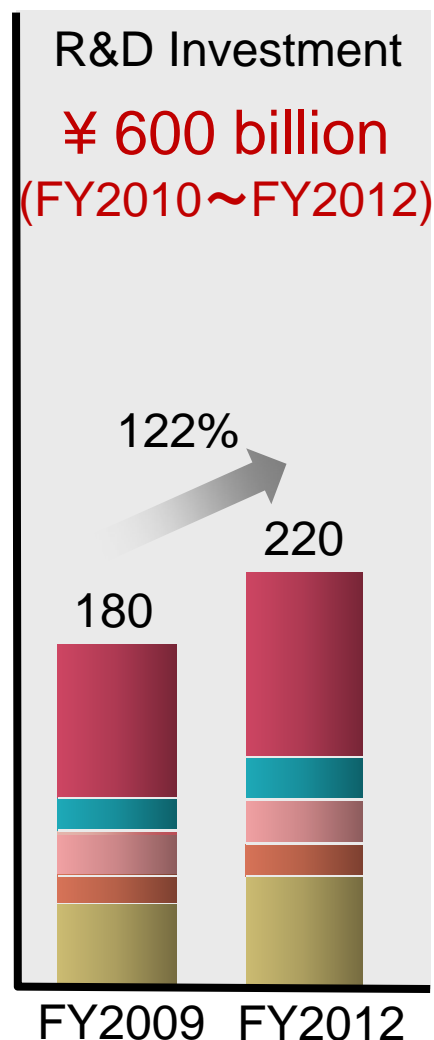
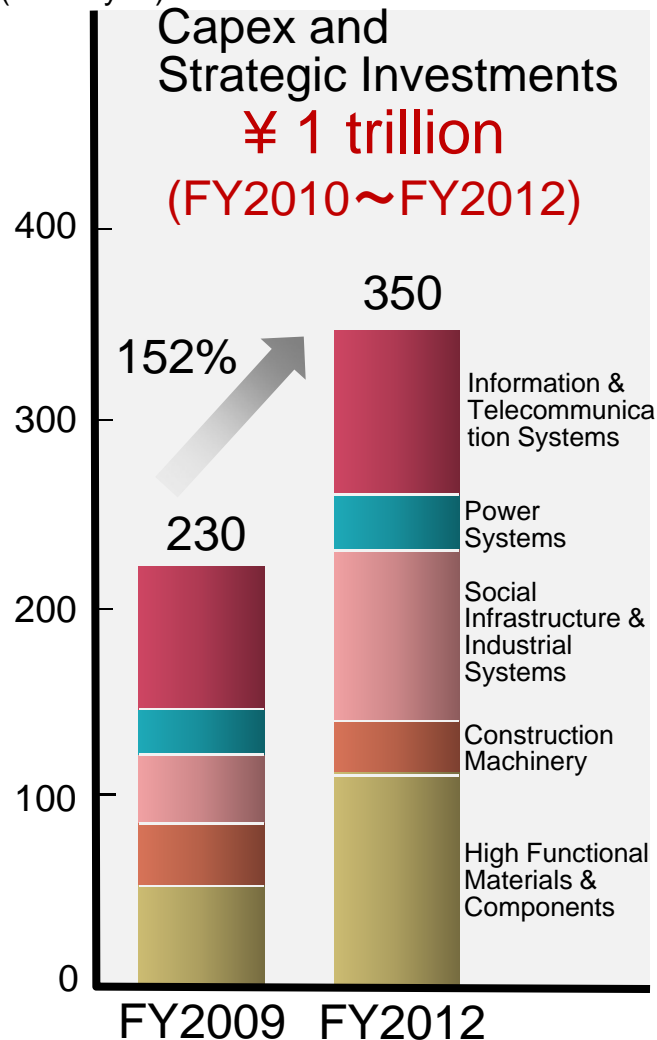
Establish an R&D framework according to region

Global	Regional R&D for Social Innovation Business	<ul style="list-style-type: none"> ● North America: Storage systems ● China: Smart grids
Fusion	Information platforms for social infrastructure	● Large capacity, real time, highly reliable, knowledge extraction
Environment	New electronics research	<ul style="list-style-type: none"> ● New power devices, inverters ● Lithium-ion batteries
Core and platform	Efficient design based on analysis technology	<ul style="list-style-type: none"> ● Increase and strengthen super computers strengthen analysis technologies <p style="text-align: center;">➔ Slash design time</p>

3-4. Focusing Business Resources [¥ 1.6 trillion Investment]






Concentrate investment on the Social Innovation Business

(Billion yen)



3-5. Focusing Business Resources [High Functional Materials & Components, etc.]

Focus on advanced technologies for supporting the Social Innovation Business

Metals	● Environmental and energy-saving materials (Rare-earth magnets, amorphous)	
Cables	● Power, railway and communications materials (Radiation-resistant cables for nuclear power plants, cables for railways)	
Chemicals	● Environmental and energy materials (High thermal conductive materials, battery electrode materials, solar cell components)	
Batteries	● Eco-car and railway key components (Standard-type lithium-ion batteries for social infrastructure and industrial systems)	
Key devices	● Energy-saving equipment and devices (Inverters, high-efficiency motors, power devices, transformers)	

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4-1. Strengthening the Business Structure

[Status of Improvement in
“Underperforming” Businesses]

HITACHI
Inspire the Next

Flat-panel TV business

- Ceased in-house production of panels and TVs overseas
- ➔ Using OEM and production outsourcing

Automotive systems-related business

- Structural reforms (Cost cutting, site realignment, workforce reductions)
- ➔ Respond to hybrid and electric vehicles, and high-efficiency engine needs

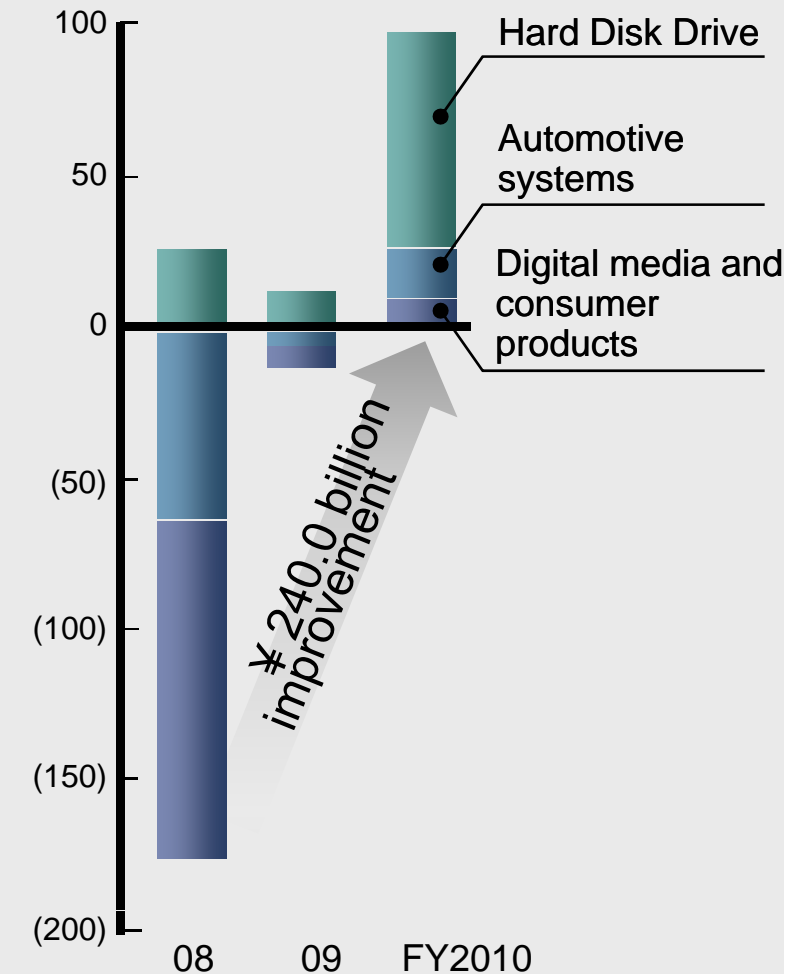
Hard disk drive business

- Profitable for past two years, posted record earnings in January-March 2010 quarter
- ➔ Grow new business such as SSD and external HDDs

SSD: Solid State Drive

Operating income (loss):

Billion yen



Reduce procurement costs

- (1) Expand centralized purchasing
 - Extend to 35% of total procurements
- (2) Expand global procurement
 - Increase to 50% of total procurements
- (3) Save resources, strengthen Value Engineering activities
 - Replace materials, design change, etc.
- (4) Expand procurement from emerging markets
 - Open new offices (Brazil, China)
 - Strengthen functions (India, Vietnam)

Continue reducing fixed cost

- (1) Continue lowering fixed cost ratio
- (2) Promote Corporate-led cost cutting
 - Project to reduce indirect materials costs
(Use economies of scale)
 - Expand shared services
(IFRS adoption, etc.)

Strengthen cost competitiveness to prevail against global competition

Improve profitability

- Expand strong products to improve operating income ratio
- Solid asset management
- Expand scope of consolidated tax filing



Consistently generate Net income attributable to Hitachi, Ltd. of at least ¥ 200 billion

Strengthen financial position

- Raise Net income attributable to Hitachi, Ltd. to strengthen total Hitachi, Ltd. stockholders' equity
- Reduce total assets
- Reduce interest-bearing debt
- Continuously generate positive free cash flows



D/E ratio* to 0.8 times or below
Total Hitachi, Ltd. Stockholders' equity ratio 20%

* Including noncontrolling interests

4-4. Strengthening the Business Structure [Promote In-house Company System]

In-house Company

Strengthen ability to quickly respond to change

- Delegation of authority by internal ratings
 - ➔ Speedy, autonomous management
- In-house Company evaluations based on FIV*, operating income and cash flows

* FIV: Future Inspiration Value

Corporate

Promote Hitachi Group management focused on generating synergies

- Share global advanced IT platform, manufacturing, procurement and brand
 - ➔ Lead the improvement of in-house companies competitiveness
- In-house Capture faster synergies in in-house Corporate marketing, R&D and engineering divisions
 - ➔ Expand business coordination fields across in-house companies

Group vision

- Contribute to the solution of fundamental global issues, and pursue the realization of a better, more prosperous global society

CSR policy

- Commitment to Corporate Social Responsibility, Corporate ethics and human rights
- Contribution to society through business
- Environmental conservation and corporate citizenship activities, etc.

Contribution to Environment

Targets by FY2025

- Reduce annual CO₂ emissions by 100 million tons through Hitachi products and services
- Make all Hitachi Group products Eco-Products*

Eco-Products: Products that meet certain standards under the Assessment for DfE (Design for Environment) system

Integrate CSR with management and business strategy

➔ Transform into a truly global company with the same values as society



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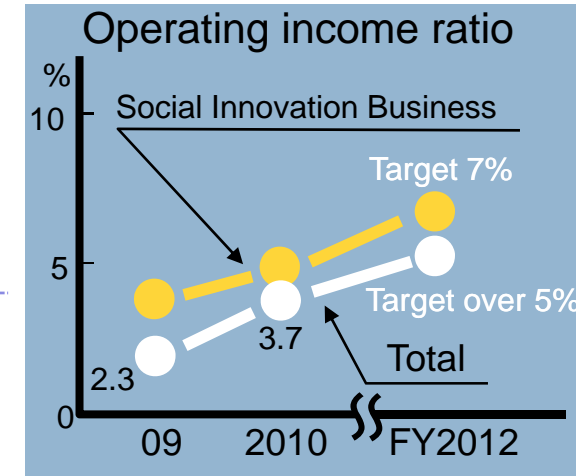
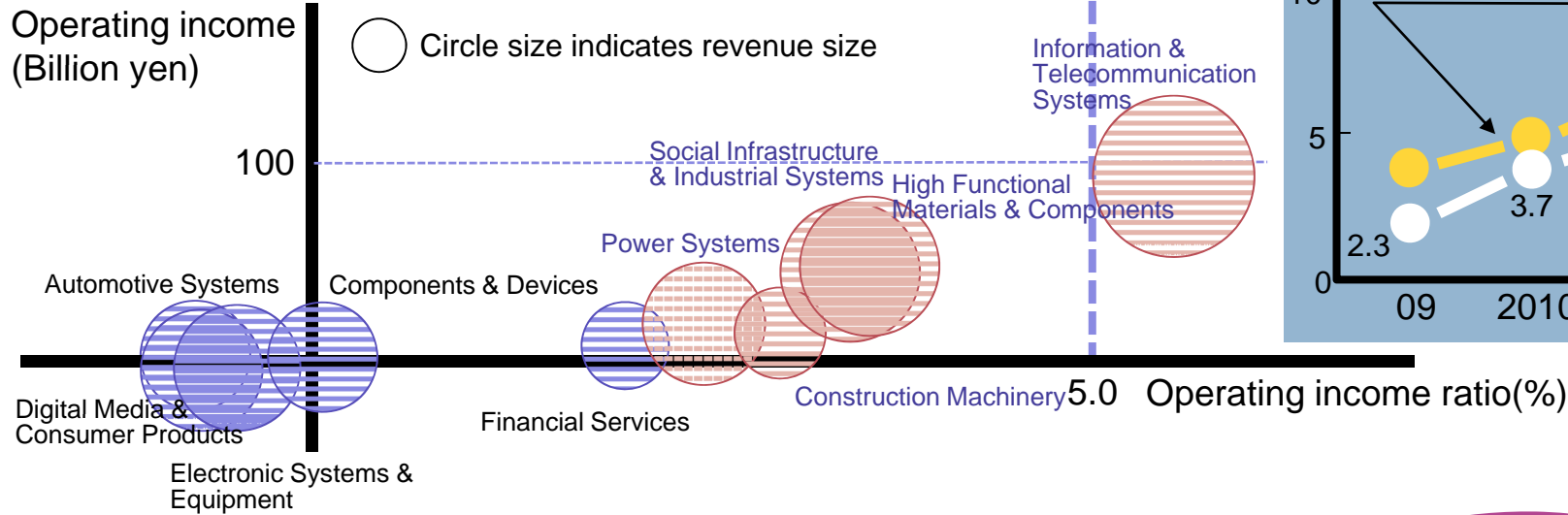
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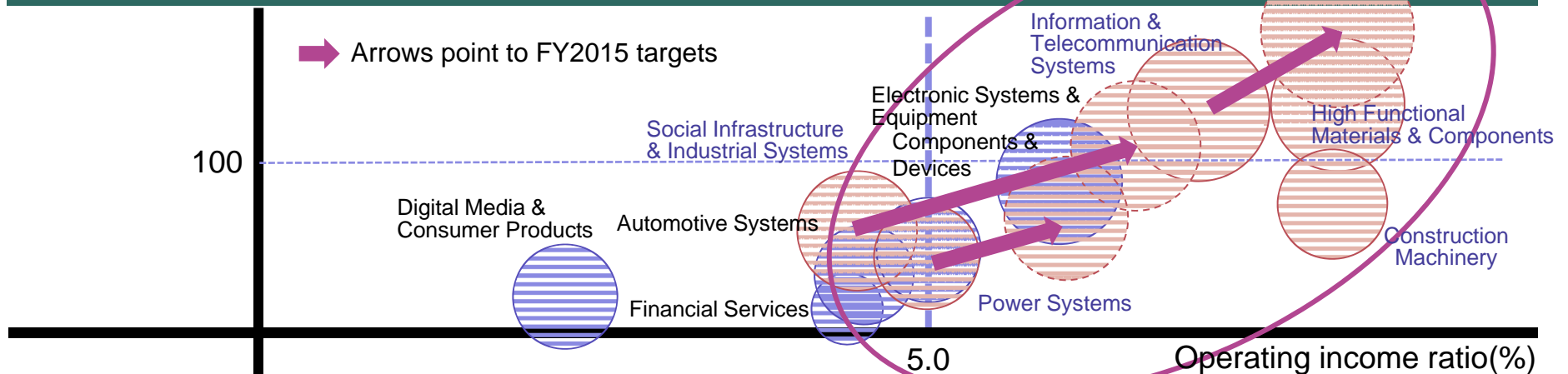
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5-1. FY2012 Targets [Position Chart by Segment]

FY2009 Results

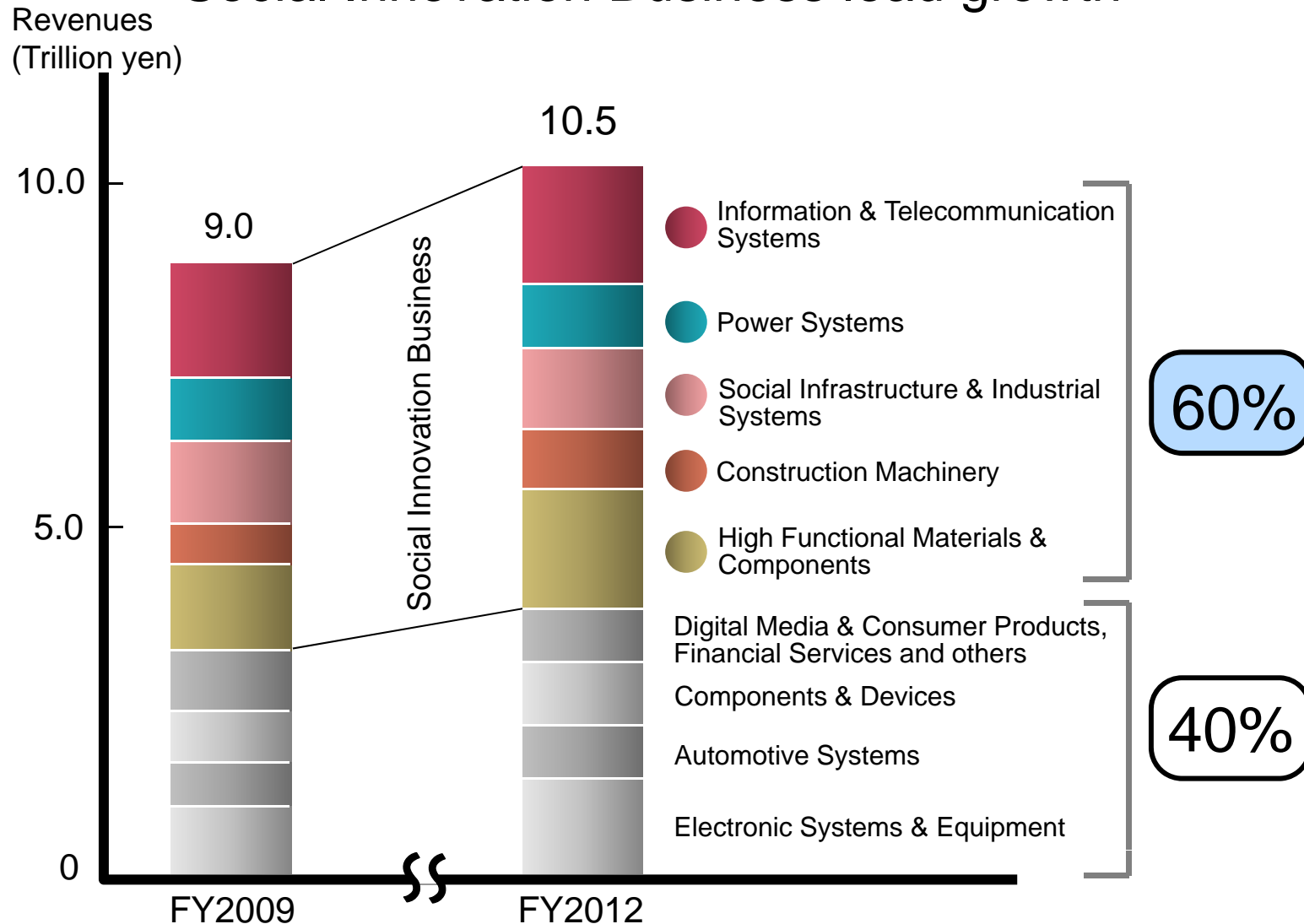


FY2012 Targets



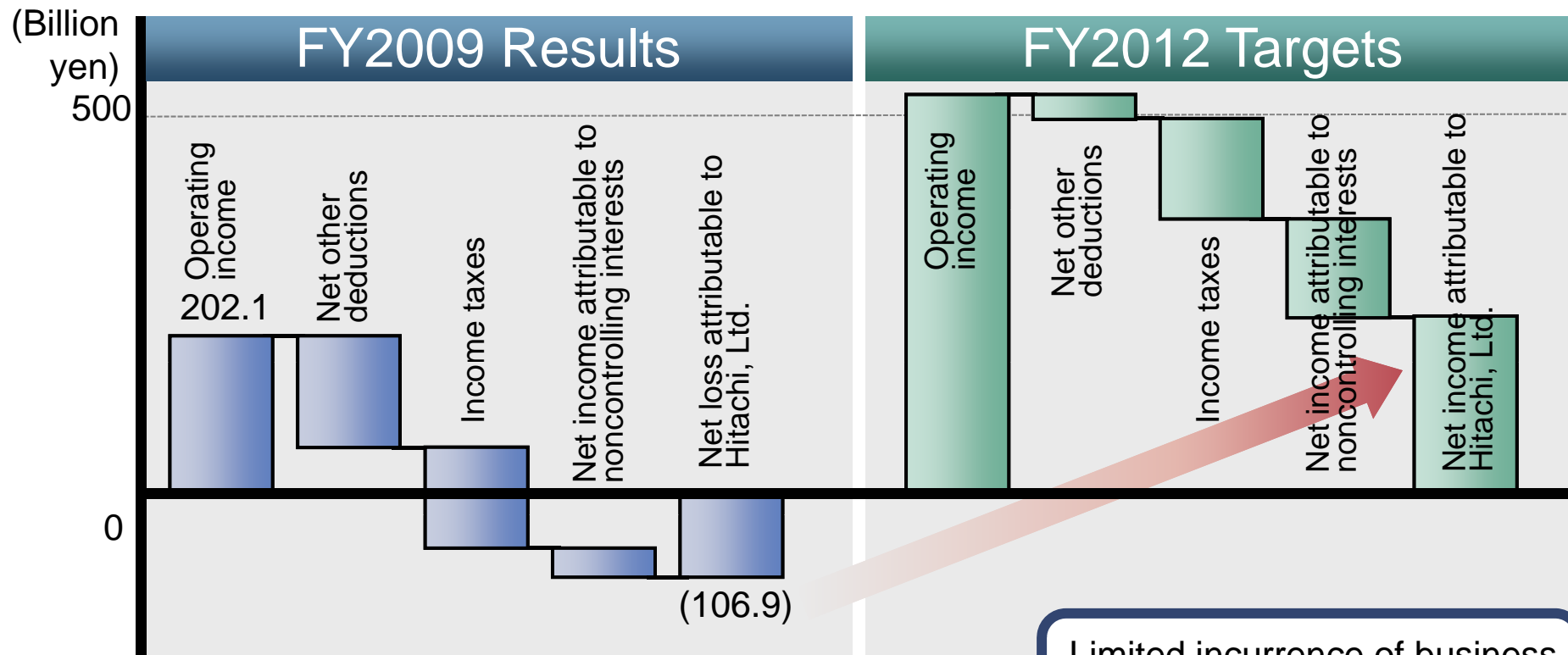
5-2. FY2012 Targets [Revenues by Segment]

Social Innovation Business lead growth



5-2. FY2012 Targets [Expand Operating Income and Improve Net Other Deductions]

Change company's structure to generate consolidated net income



- Reduce business structural reform expenses, improve net equity in losses of affiliated companies
- Reduce tax expenses through expanding scope of consolidated tax filing
- Reduce outflows attributable to noncontrolling interests

- Limited incurrence of business structural reform expenses
- Integration in Renesas and NEC Electronics
- 5 listed subsidiaries converted to wholly owned subsidiaries

5-4. FY2012 Targets

	FY2009 Results	FY2012 Targets
Revenues	¥ 8,968.5 billion	¥ 10,500 billion
Operating income	(2.3%) ¥ 202.1 billion	Over 5%
Net income attributable to Hitachi, Ltd.	(¥ 106.9 billion)	Consistently generate at least ¥ 200 billion
D/E Ratio*	1.04 times	0.8 times or below
Total Hitachi, Ltd. Stockholders' equity	14.4%	20%

* Including noncontrolling interests



- FY2010-FY2012: From “Defense” to “Offense”
- Focus on Global, Fusion, Environment

Venture into the next 100 years
Respond to society’s needs in the Social Innovation Business

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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