Power Systems Business Strategy
Hitachi IR Day 2012

June 14, 2012
Tatsuro Ishizuka
Vice President and Executive Officer,
President & CEO
Power Systems Group,
President & CEO
Power Systems Company,
Hitachi, Ltd.
Power Systems Business Strategy

Contents

1. Business Overview and Market Environment
2. Business Policy and Growth Strategy
3. Thermal Power Business
4. Nuclear Power Business
5. Transmission & Distribution, Renewable Energy and Other Businesses
6. Business Performance Trends and Targets
7. Conclusion
1-1 Business Overview

Thermal Power Business
- Coal-fired thermal power plants
- Gas turbines
- Steam turbines
- Boilers
- AQCS

Nuclear Power Business
- Boiling water reactor nuclear power plants (ABWR, ESBWR)
- Preventive maintenance, nuclear fuel cycle, etc.

Major equipment of nuclear power plants
- Reactor pressure vessel
- Reactor component
- Main Control Room Panel

Transmission & Distribution, Renewable Energy and Other Businesses
- Transmission & distribution systems
- Wind power Generation systems
- Photovoltaic power generation systems
- Proton beam therapy systems

Hydroelectric power generation systems, drive systems, smart grids, power semiconductor, etc.

ABWR: Advanced Boiling Water Reactor
ESBWR: Economic and Simplified Boiling Water Reactor
AQCS: Air Quality Control System

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1-2 Market Trends

World electricity generation is expected to grow by approx. 1.7 times (from 2008 to 2030)

Market trends
- Steady growth in coal-fired thermal power plants
- Increasing demand for AQCS due to national regulation
- Many countries going ahead with nuclear power plans
- Accelerated adoption of renewable energy
- Expansion of power transmission and distribution market

Shift in demand for new coal-fired thermal power plants from Western to Eastern Europe (Including rehabilitation demand)

Increased planning of new supercritical coal-fired thermal power plants
- Stricter environmental regulations in China, increasing demand for gas turbine (GT) systems for distributed power sources

GTCC market expansion due to increase shale gas production
- More stringent environmental regulations in the U.S.

GTCC: Gas Turbine Combined Cycle
## 1-3 FY2011 Results

### FY2010-FY2011 Results

<table>
<thead>
<tr>
<th></th>
<th>FY2010 (Actual)</th>
<th>FY2011 (Actual)</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>813.2</td>
<td>832.4</td>
<td>102%</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>22.0</td>
<td>33.9</td>
<td>56.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>(Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Slight increase in revenues mainly due to steady growth in the thermal power generation systems business in Japan, despite a decline in nuclear power generation systems due to sales to the impact of the Great East Japan Earthquake.</td>
</tr>
<tr>
<td>Operating income</td>
<td>Deterioration primarily reflected additional expenses and delays related to difficulties experienced with some boiler materials in European thermal power generation systems projects.</td>
</tr>
</tbody>
</table>

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1-4 Acceleration of Global Business Development

**Lithuania**
Signed Concession Agreement for new nuclear power plant

**South Korea**
Received order for No. 9 and No. 10 units at the Taean Thermal Power Plant

Two 1,050 MW-class systems, the largest thermal power generation equipment in terms of power generation capacity in South Korea

**U.S.**
No. 1 proton beam therapy (PBT) systems order share (FY2011)

3 systems ordered in FY2011

**China**
Began operations at new DeNOx catalyst factory

**Indonesia**
Received order for super critical coal-fired thermal power projects

**Americas**
Received order for H-25 gas turbines

PBT: Proton Beam Therapy
1-5 Target

Target
- Establishment of the stable profit base
- Acceleration of the global management

Revenues (1 trillion yen)

Company A
Company B
Company C
Company D
Company E
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2-1 Key Policies

Move from recovery to growth

- Strengthen business base
- Establish high-profit structure
- Build optimal business structure
- Grow in global markets
- Expand in strategic business fields
- Gas turbines, renewable energy, AQCS, etc.
- Bolster global R&D
- Accelerate development of next-generation products
2-2 Strengthen Business Base

Fundamentally review cost structure

Powerfully execute “Hitachi Smart Transformation Project”

Direct materials

Expand overseas procurement and engineering

Production

Globalize value chain
Increase utilization of overseas production bases (China, India, etc.)

Indirect

Eliminate overlapping, distributed common tasks

Double global procurement ratio at FY2015 (to over 70% in the thermal power business)

Restore trust, strengthen project management

- Bolster MONOZUKURI (manufacturing) capabilities and enhance training for engineering by developing and utilizing human resources
- Enforce risk management by using people with experience in EPC

Quick resolution on boiler material issues
Identified cause of welding cracks in boiler materials developed on a German national project; completed tests on improvement methods (currently implementing improvements in actual plants)

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2-3 Build Optimal Global Business Structure

Provide solutions to target markets by expanding and enhancing global bases

- Expand and enhance sales functions of overseas bases (India, South Africa, Dubai, etc.)
- Make integrated proposals from power generation to transmission & distribution
- Expand and enhance overseas procurement, overseas production and overseas engineering

<table>
<thead>
<tr>
<th>Core Group companies</th>
<th>Manufacturing and engineering bases</th>
<th>Procurement bases</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGR Turbines Company Private Ltd.</td>
<td>Hitachi Power Europe GmbH</td>
<td>BGR Boilers Private Ltd.</td>
</tr>
</tbody>
</table>
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3-1 Thermal Power Business Basic Policy

Revenues

FY2011: 490 billion yen → FY2015: 500 billion yen

Accelerate global business development

- Focus on coal-fired thermal power in Asia and Eastern Europe
- Expand gas turbine sales globally
- Expand service maintenance business globally

Expand businesses with strategic products

- Gas turbines
- Air Quality Control Systems, DeNOx catalysts
- Development of coal-fired, IGCC and CCS technologies

IGCC : Integrated Gasification Combined Cycle
CCS : Carbon Dioxide Capture and Storage
3-2 Accelerate Global Business Development (1)

**New markets**
- Expand in emerging markets, particularly in Asia
- Coal-fired systems expand in emerging markets, and gas-fired systems in all regions

**Service Maintenance Market**
- Renewal of aging thermal power systems and increasing demand for large-scale refurbishment, especially in Europe and the U.S.

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**Estimation on Thermal Power Generation Capacity**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>GW</td>
<td>3,310</td>
<td>4,401</td>
<td>5,142</td>
<td>5,628</td>
</tr>
</tbody>
</table>

Source: IEA WEO 2011

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**Aging Status of Thermal Power Plants**

- **Europe**
  - 25 years or older: 47%
  - Under 25 years: 53%

- **Asia**
  - 25 years or older: 15%
  - Under 25 years: 85%

- **North America**
  - 25 years or older: 44%
  - Under 25 years: 56%

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**Worldwide total**

- (25 years or older: 38%)

Source: Hitachi estimation based on UDI data

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**3-2 Accelerate Global Business Development (1)**

- Expand in emerging markets, particularly in Asia
- Coal-fired systems expand in emerging markets, and gas-fired systems in all regions

**Service Maintenance Market**

- Renewal of aging thermal power systems and increasing demand for large-scale refurbishment, especially in Europe and the U.S.
## 3-3 Accelerate Global Business Development (2)

### Expand business through three core bases (Japan, Europe and the Americas) and India

<table>
<thead>
<tr>
<th>Europe, South Africa</th>
<th>Asia</th>
<th>Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moorburg (Under construction) B [820MW]</td>
<td>&lt;H-25 gas turbines&gt; 6 orders from China, India, etc.</td>
<td>Recent orders</td>
</tr>
<tr>
<td>Wilhelmshaven (Under construction) BTG [790MW]</td>
<td>South Korea/ Yonghun Thermal Power Plant No. 5 and No. 6 unit (Under construction) TG [870MW]</td>
<td>Recent orders</td>
</tr>
<tr>
<td>Medupi-1〜6 (Under construction) B [800MW]</td>
<td>South Korea/ Taean Thermal Power Plant, Units No. 9 and No. 10 units [1050MW] BTG</td>
<td>• U.S./ KCP&amp;L AQCS 2</td>
</tr>
<tr>
<td>Kusile-1〜6 (Under construction) B [800MW]</td>
<td>South Korea/Yonghung Thermal Power Plant No. 9 and No. 10 unit (Preparing for construction) B [1000MW]</td>
<td>• U.S./ KCP&amp;L AQCS 2</td>
</tr>
</tbody>
</table>

Recent orders

- South Korea/ Taean Thermal Power Plant, Units No. 9 and No. 10 units [1050MW] BTG
- India/ NTPC [660MW □ 6]B
- India/ NTPC [800MW □ 4] (First refusal right) TG

Recent orders

- South Korea/ Yonghun Thermal Power Plant No. 5 and No. 6 unit (Under construction) TG [870MW □ 2]
- South Korea/Dangjin Thermal Power Plant No. 9 and No. 10 unit (Preparing for construction) B [1000MW □ 2]

B: Boilers, TG: Steam Turbine and Generator AQCS: Air Quality Control System *: Including plants preparing for construction or under commissioning

Constructing highly efficient coal-fired thermal power plants: 30 plants (26.4 GW)* under construction

Constructing highly efficient coal-fired thermal power plants: 30 plants (26.4 GW)* under construction

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Expand and enhance global production bases

- Dalian Hitachi Machinery & Equipment Co., Ltd.
  - Bolster gas turbine production base
  - Begin operations at a casting shop
    (Scheduled for July 2012)

- Babcock-Hitachi (Hangzhou) Environmental Equipment Co., Ltd.
  - Cope with market expansion for DeNOx catalysts in China
  - Constructed local production facility
    (Start of production in June 2012)

- India/ BGR-T and BGR-B
  - Bolster production bases
  - Strengthen business in Indian market

Strengthen plant business

- Cooperate with local partners
- Strengthen overseas engineering functions

Strengthen service maintenance business globally

- Strengthen service maintenance business in North America
- Expand business through M&As

BGR-T : BGR Turbines Company Private Ltd. BGR-B : BGR Boilers Private Ltd.
3-5 Expand Businesses with Strategic Products (1)

Gas turbines

- **H-25 gas turbine order track record:**
  - 151 units
  - **Fuel diversification (Develop fuel combustors)**
  - **Strengthen business on distributed power source market**

**Market size**

- **2010:** approx. 5 trillion yen
- **2015:** approx. 11 trillion yen

*Hitachi estimation (Including renewable energy)*

- **H-80 gas turbine**
  - **Develop new markets in Japan**
  - **Actively develop overseas markets (Start of order-winning activities)**

AQCS, DeNOx catalysts

- **AQCS**
  - **Cope with stricter environmental regulations in the U.S. and Europe**

- **DeNOx catalysts (No. 1 world share*)**
  - **Cope with stricter NOx emission regulations in China**

*2011 order share: 18% (Hitachi estimation)
### IGCC (Oxygen-blown IGCC)

**Early commercialization with accelerated demonstration test**

<table>
<thead>
<tr>
<th>2012</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGCC (Oxygen-blown)</td>
<td>Carbon capture</td>
<td>Osaki CoolGen Project (Ministry of Economy, Trade and Industry Subsidy Project)</td>
<td>IGCC (Oxygen-blown)/IGFC+Carbon capture</td>
</tr>
<tr>
<td>IGCC (Oxygen-blown)/IGFC+Carbon capture</td>
<td>IGCC (Oxygen-blown) commercial system</td>
<td>IGCC (Oxygen-blown)+CCS commercial system</td>
<td></td>
</tr>
</tbody>
</table>

- **Gasifier**: 1,100 tons/day
- **Combined cycle**: 170 MW class

Scheduled to begin construction in March 2013 (Currently conducting environmental assessment)

### CCS (Carbon Dioxide Separation Capture)

**Accelerate Commercialization**

- Signed an agreement with Canada’s Saskatchewan Power Corporation to jointly construct a Carbon Capture Test Facility (March 2012)
  - [Chemical scrubbing; amount of carbon to be captured: 120 tons/day]

[Chemical scrubbing; amount of carbon to be captured: 120 tons/day]

- Signing ceremony
- Image of CCTF

**Abbreviations**

- IGCC: Integrated Gasification Combined Cycle
- CCS: Carbon Dioxide Capture and Storage
- IGFC: Integrated Coal Gasification Fuel Cell Combined Cycle

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4-1 Nuclear Power Business Basic Policy

Raise the safety of nuclear power generation as an effective source of energy for curbing CO₂ emissions to meet continuing global demand.

**Revenues**

- FY2011: 160 billion yen → FY2020: 360 billion yen

Lend support for medium- to long-term countermeasures related to the Fukushima Nuclear Power Station

- Remove fuel from spent fuel storage pool in Unit No. 4
- Offer interim storage, eventual reactor decommissioning

Offer services for the nuclear power sector in Japan and develop next-generation reactors

- Promote enhanced safety (existing and new power plants), offer interim storage facilities
- Develop even safer ABWR, next-generation reactor technologies

Step up development of overseas business

- Work on Lithuania Visaginas Nuclear Power Plant contract
- Focus on expanding sales to countries moving forward with plans to construct new nuclear power station

**ABWR**: Advanced Boiling Water Reactor
Offer interim storage, eventual reactor decommissioning

- Survey rubble and remove fuel in Unit No. 4 spent fuel storage pool

Promote development of technologies for removing damaged fuel
(Participate in national project)
- Remote decontamination inside building
- Identification of leaks, repair and internal survey in primary containment vessel
- Evaluate soundness of reactor pressure vessel and primary containment vessel

Monitoring in decontamination and measurement of radiation dose distribution
- Development for gamma radiation distribution measuring system
4-3  Offer Services for the Nuclear Power Sector in Japan and Develop Next-generation Reactors

Propose safety-enhancement countermeasures

- Emergency safety countermeasures (Medium to long term)
- Severe accident countermeasures

- Air-cooled emergency diesel power generator, filter vent system, upgrade cooling function, instrumentation system, etc.

Develop safety technologies

- Safety meets regulation requirements of international marketplace

  Reflect proven latest ABWR and Fukushima countermeasures in development

- World-class safety (Next-generation ABWR)
  
  Strengthen ability to handle external events

  Hybrid safety
  Safe system separate layout
  Seismic isolation system
  Spent fuel storage pool located underground

Interim storage

- Produce casks* for spent fuel storage
  * 50 casks have been delivered to Recyclable-Fuel Storage Company

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4-4  Step Up Development of Overseas Business

Accelerate overseas development of the nuclear power systems business under the “One Team” framework with GE

- Lithuania Visaginas Nuclear Power Plant
  - Signed Concession Agreement for constructing the plant
    - Enhanced-safety ABWR
    - Scheduled to commercial operation in 2021

- Focus on countries pushing ahead with the construction of new nuclear power plants

- Promote global maintenance and service business
  - Jointly develop small reactors with thermal use with Canada’s Saskatchewan Province

HPSA : Hitachi Power Systems America.Ltd.
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Transmission & Distribution, Renewable Energy and Other Businesses Basic Policy

5-1

**Revenues**

FY2011: 180 billion yen → FY2015: 270 billion yen

**Transmission & Distribution Business**

- Offer everything from components to systems
- Expand systems integration business

**Renewable energy business**

- Expand orders for wind and photovoltaic power generation systems
- Develop power grid connection and output power stabilization technologies

**Particle beam therapy business**

- Expand business through leading edge technologies such as spot scanning technology*, and outstanding operational track records in Japan and the U.S.

* Compatible with beam scanning system
5-2 Transmission & Distribution Business (1)

Market trends

- Increased construction of grids in emerging markets and renewal of aging systems in industrialized nations
- Long-distance power transmission and HVDC (High-voltage direct current) due to enhanced wide-area grids
- Needs to strengthen power grids due to the increased introduction of renewable energy
- Acceleration in use of smart grids

Business strategy

- Established Transmission & Distribution Systems Division to spearhead systems integration business expansion
- Strengthen and accelerate ultra-high voltage, HVDC and smart grid businesses
- Established Transmission & Distribution Division at Hitachi Research Laboratory to strengthen technology and product development

HVDC : High Voltage Direct Current

HITACHI High Power Laboratory
(Resumed experiments in May 2012)
5-3 Transmission & Distribution Business (2)

Develop from a power transmission & transforming equipment business to a systems business

Wide-area grid power transmission
Existing business

Renewable energy grid

UHV
Ultra-high-voltage

Power transmission & Transforming

Power station transformer

Intelligent protection and control systems

HVDC systems

Optimal control of power grids

Transmission grid

Transformer substation

Distribution grid

Power plant
Wind power

Solar power

Storage batteries

EV charging management system

AMI
BEMS/HEMS

User services

5-4 Transmission & Distribution Business (3)

800 kV GCB for the U.S.

UHV (1,100 kV) GCB for China

Transformers for Saudi Arabia

Comprehensive agreement signed with Russia’s Federal Grid Company

- Promote demonstration trials relating to power transmission & distribution
  - Improve energy efficiency at EMS and load dispatch center
  - Remote monitoring and diagnosis of transformer substations and improvement of safety and reliability of large power grids

GCB : Gas Circuit Breaker  UHV : Ultra High Voltage  GIS : Gas Insulated Switch
EMS : Energy Management System
5-5 Renewable Energy Business

Wind power systems
- Business transfer from Fuji Heavy Industries
- Integrated business from EPC to maintenance
- Development next-generation systems and step up sales expansion
  - 2 MW system for low wind speeds, large system for offshore use

Target: No. 1 share in Japan (100 units/year) at FY2015

Photovoltaic power systems
- Integrate systems in step with needs
  - Large-project coordination
  - Highly efficient, highly profitable systems
  - Mega solar grid interconnection technology

Output stabilization systems for system promotion
- Output power stabilization technologies
  (Storage battery system)

Characteristic of the downwind-type wind turbines
(vs. upwind-type wind turbines)
- 8% increase in electricity generation (Updraft)
- Reduction in foundation construction

Japan’s largest class mega-solar systems (13 MW-class)

EPC : Engineering, Procurement and Construction (Turn-key solution for system construction)
**Market trends**
- Number of patients treated by particle beam therapy increasing around the world

**Business policy**
- Promote the advanced particle beam technology in global markets
- Achieve high system availability through long term maintenance contracts.
- Targets: 3 system orders per year, 30% market share

**Increase new orders**
- High system availability in Japan and the U.S.
- Hitachi leading edge technologies including spot scanning technology are highly appreciated by prominent universities and hospitals
  - University of Tsukuba
  - The University of Texas: M.D. Anderson Cancer Center
  - Nagoya City
  - Mayo Clinic, U.S.
  - Hokkaido University
  - Prominent child cancer treatment center in U.S.
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6-1 Business Performance

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

<table>
<thead>
<tr>
<th>Revenues (Billion yen)</th>
<th>Overseas revenue ratio</th>
<th>Operating income ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>40%</td>
<td>2.5%</td>
</tr>
<tr>
<td>FY2010</td>
<td>39%</td>
<td>2.7%</td>
</tr>
<tr>
<td>FY2011</td>
<td>34% [41%]</td>
<td>4.1%</td>
</tr>
<tr>
<td>FY2012 Forecast</td>
<td>39% [45%]</td>
<td>2.6% [3.5%]</td>
</tr>
<tr>
<td>FY2015 Target</td>
<td>50% [50%]</td>
<td>6.0% [6.0%]</td>
</tr>
</tbody>
</table>

Thermal power business revenues
Nuclear power business revenues
Transmission & Distribution, renewable energy and other business revenues
Operating income ratio

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## 6-2 Differences From Previous Forecast

<table>
<thead>
<tr>
<th>FY2011 (Actual)</th>
<th>FY2012 (Forecast)</th>
<th>FY2015 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous forecast</td>
<td>810.0</td>
<td>870.0</td>
</tr>
<tr>
<td>Actual and revised forecast</td>
<td>832.4</td>
<td>840.0</td>
</tr>
<tr>
<td><strong>Operating income ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous forecast</td>
<td>1.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Actual and revised forecast</td>
<td>▮ 4.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Overseas revenue ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous forecast</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td>Actual and revised forecast</td>
<td>34%</td>
<td>39%</td>
</tr>
</tbody>
</table>

### Main differences

<table>
<thead>
<tr>
<th>FY2012 (Forecast)</th>
<th>FY2015 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>Revised targets due to change in overseas thermal power systems markets such as Europe</td>
</tr>
<tr>
<td><strong>Operating income ratio</strong></td>
<td>Lower revenues, etc.</td>
</tr>
</tbody>
</table>
### FY2011 Results and FY2012 Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY2011 (Actual)</th>
<th>FY2012 (Forecast)</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>832.4</td>
<td>840.0</td>
<td>101%</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>□ 33.9</td>
<td>22.0</td>
<td>+55.9</td>
</tr>
</tbody>
</table>

Forecasting a 1% YoY increase in revenues, with lower sales from nuclear power generation systems, and thermal power generation systems in Japan offset by robust growth for thermal power generation systems, especially in emerging countries, in addition to high sales from the renewable energy business, etc.

Expect to see a return to pre-disaster-level earnings due to the absence of one-time expenses incurred in FY2011, stronger project management, and cost-cutting programs.
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7 Conclusion

Establish a stable earnings structure

FY2015 targets

- Revenues: 950 billion yen
- Overseas revenue ratio: 50%
- Operating income ratio: 6%
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.