

Hitachi Appliances, Inc. Business Strategy

June 9, 2010

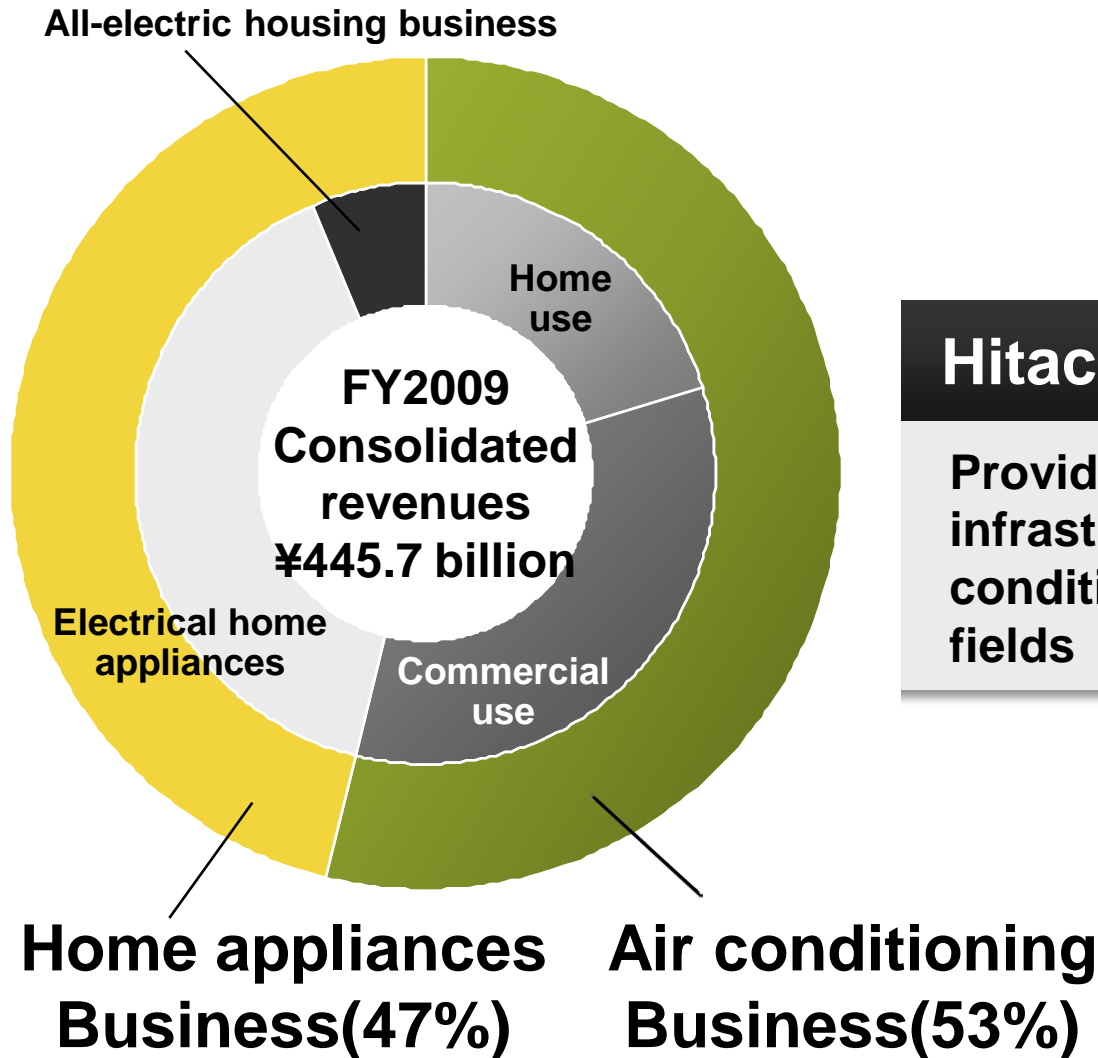
Takazumi Ishizu
President and Director
Hitachi Appliances, Inc.

Hitachi Appliances, Inc. Business Strategy

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- 1. Business Overview**
2. Management Policy
3. Home Appliances Business
4. Air Conditioning Business
5. Conclusion

1-1. Revenues by Major Businesses



Hitachi Appliances' Mission

Provide social and lifestyle infrastructure in the air conditioning and home appliances fields

1-2. Air Conditioning Business Product Lineup

A broad product lineup from home air conditioning systems to industrial air-conditioning systems.

Industrial use

Commercial use (Shops, buildings, etc.)

Home use

Room air conditioners



ionmist
イオンミスト
ステンレス・クリーン
白くま
日立PAMエアコン

Room air
conditioners



Heat pump air
conditioners



Ceiling cassette
type

Packaged air conditioning systems



HIインバーター
IVX
アイビックス
省エネの達人

Packaged air
conditioners



FLEXMULTI

Multi-split air
conditioners



適温適所DX

Air conditioning
management
system

Absorption & centrifugal chillers



Absorption chillers



Centrifugal
chillers

Energy-efficient home appliances to support customers' lifestyles

Refrigerators



フ rostリ サイクル 冷却
真空チルドS
日立|更んはが冷凍|冷蔵庫

Washing machines



ヒートリサイクル 風アイロン
ビッグドラム
日立ドラム式洗濯乾燥機

Vacuum cleaners



2段ブーストサイクロン
RS

Microwave ovens



クリスタルテール
ヘルシーシェフ
日立|過熱水蒸気オーブンレンジ

Pressurized IH jar rice cookers



圧カスチーム 極上炊き
蒸気リサイクル
日立|IH|ジャー炊飯器

Air cleaners



除湿 & 加湿
クリアエア7
CLEAR
日立|多機能|空気清浄機

IH cooking heaters



Eco Cute heat pump water heaters



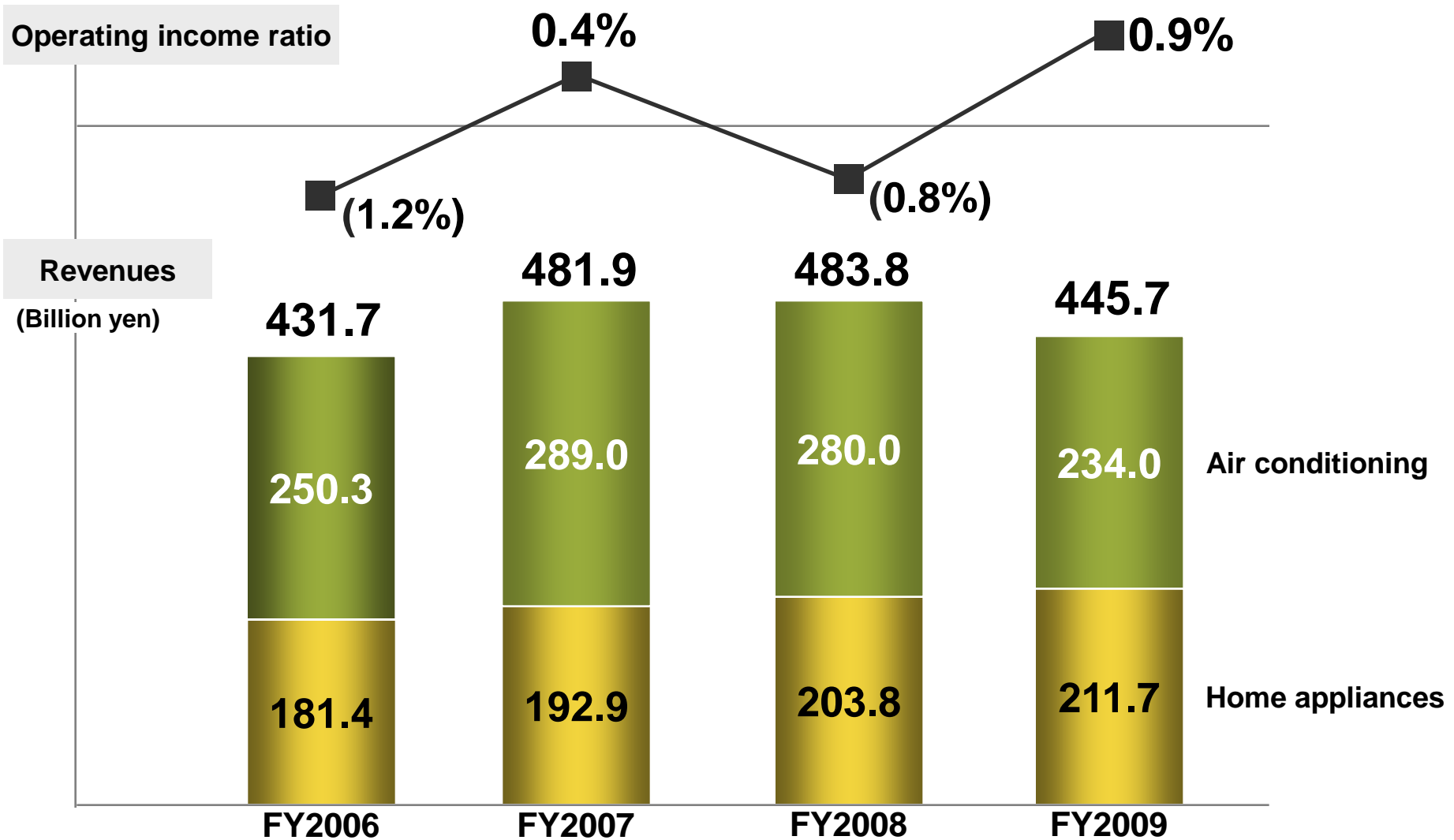
日立エコキュート
ナイアガラ出湯
水道直圧タイプ

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2-1. Consolidated Operating Results



Returned to profitability in fiscal 2009

FY2006-FY2009

Promote structural reforms to restore profitability

- Return domestic electrical home appliances to profitability

Moved back into the black in fiscal 2009

- Launch an all-electric housing business
- Expand the air-conditioning business globally by capturing merger synergies

FY2010-FY2012

Accelerate strategies to create new growth

- Speed up efforts targeting the environmental field (LED, photovoltaic solar power generation)
- Develop second and third home appliances markets overseas after Japan
- Further expand global air conditioning business

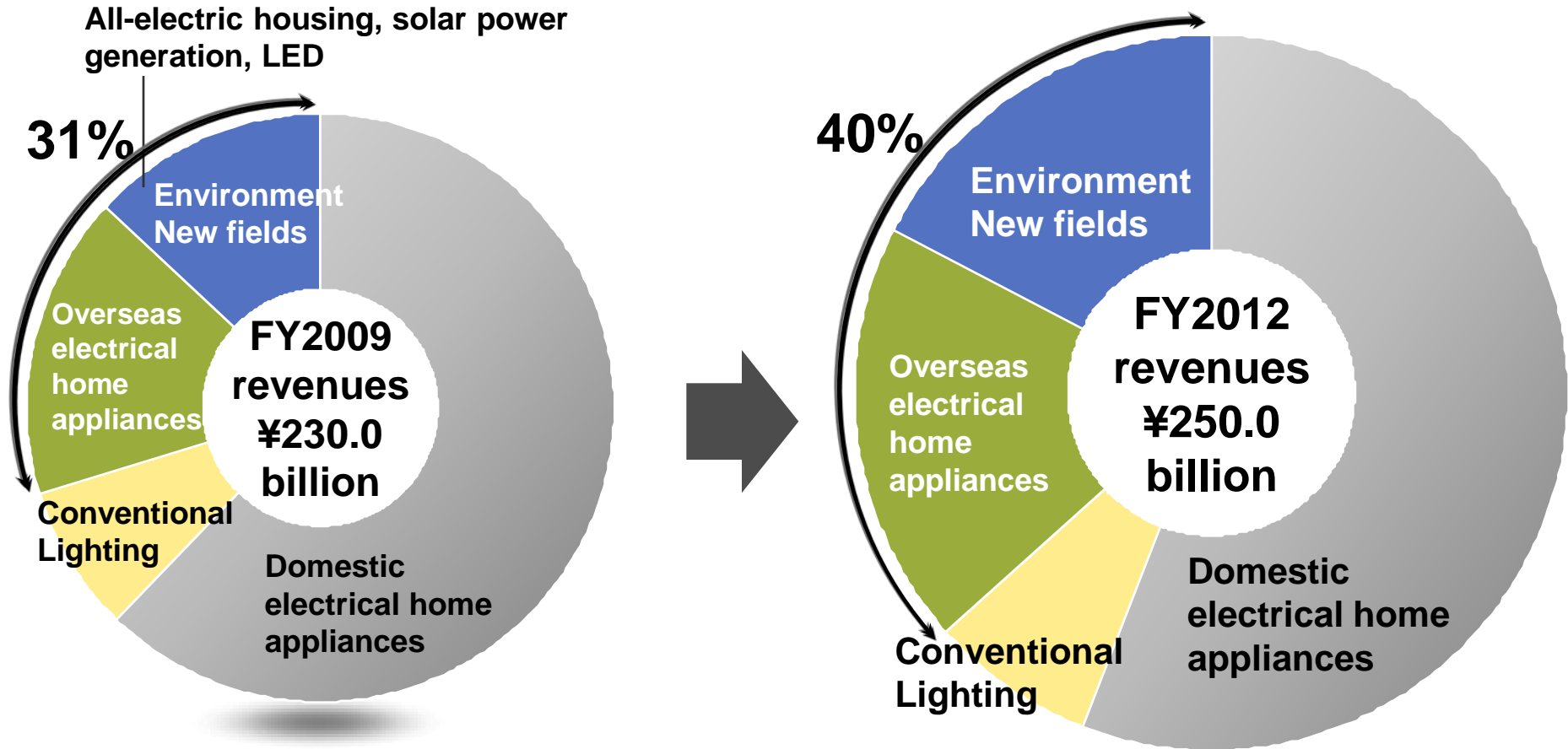
Cooperate with the Hitachi Group to expand social and lifestyle infrastructure businesses.

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3-1. Home Appliances Business Management Plan



*Hitachi Appliances plans to absorb Hitachi Lighting, Ltd. (¥10.0 billion) in October 2010

*The figures include revenues of Hitachi Lighting, Ltd. and Solar power generation business and the other business of Hitachi Consumer Marketing, Inc.

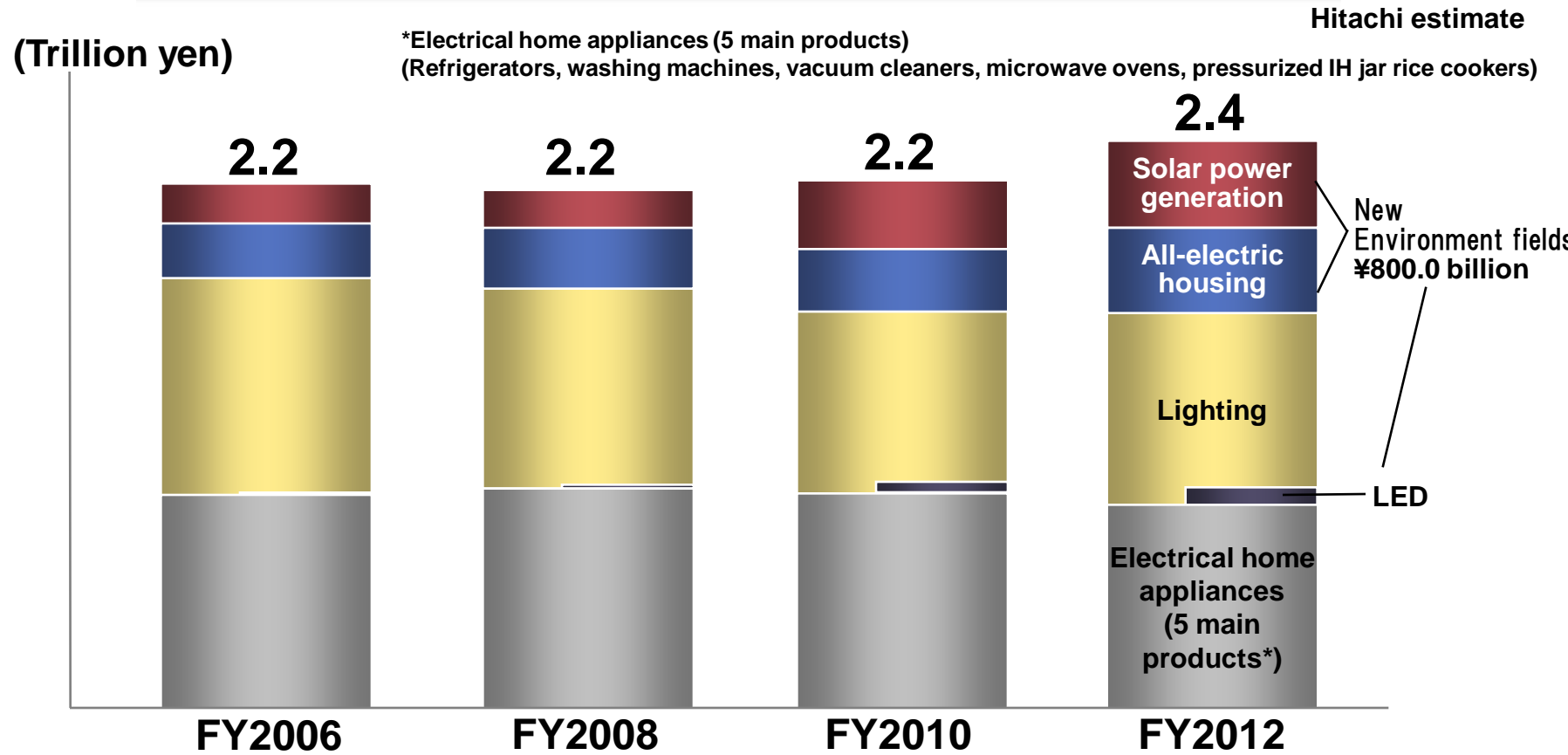
Raise the share of total revenues from new environment fields and overseas electrical home appliances to 40% in fiscal 2012.

3-2. Key Initiatives for Emerging Business in Environment Fields

(1) Japanese Market

New environment fields are driving ongoing market expansion.

New environment fields (All-electric housing, solar power, LED)
 FY2009 ¥510.0 billion. → FY2012 ¥800.0 billion.



Energy-conserving electrical home appliances

- Expand market share by promoting energy-saving performance and ease-of-use

New environment fields

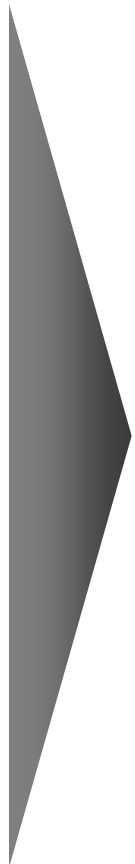
- Expand LED lighting business

Plan to absorb Hitachi Lighting in October 2010

- Solar power generation
Expand business through procurement from Solar Frontier*

* The wholly owned subsidiary of Showa Shell Sekiyu K.K.

- Expand all-electric housing business



Strengthen ability to propose systems for "Smart houses"



New Environment fields revenues



*The above figures include revenues of Hitachi Consumer Marketing, Inc (Solar power generation business etc.)

3-4. Overseas Home Appliance Market* in Asia

* 3 main electrical home appliances

The electrical home appliances market continues to grow steadily in Asia.

Asia electrical home appliances market

2009
¥1.4 trillion

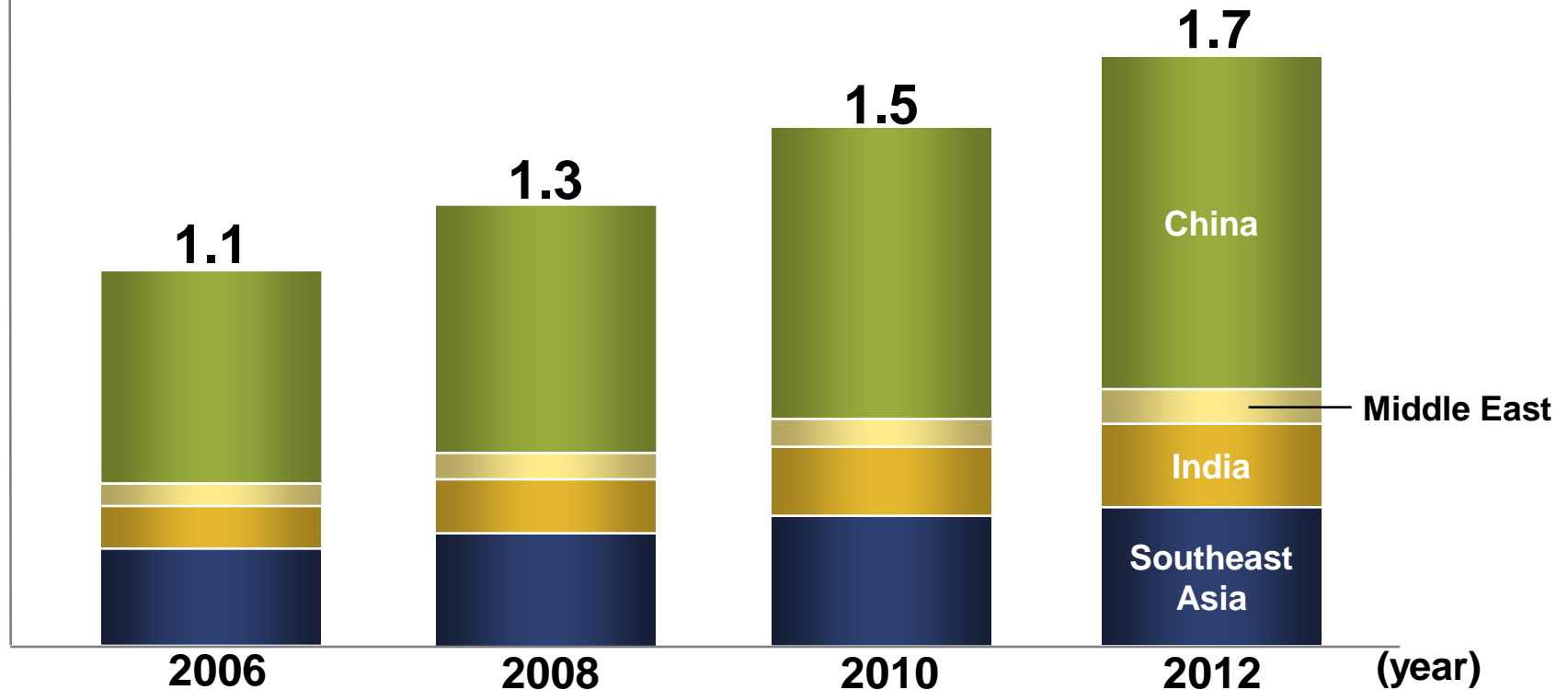


2012
¥1.7 trillion

(Trillion yen)

Hitachi estimate

*Electrical home appliances (3 main products) (Refrigerators, washing machines, vacuum cleaners)



Market environment

- Major market expansion in Asia due to future economic development
- Increasing demand for high-end products as incomes rise
- Rising need for energy-saving performance

Hitachi today

- Large production bases in Thailand + sales bases in major Asian countries
- Strong brand image in ASEAN and India
- Sophisticated energy-saving technologies

Hitachi's strategy

- Promote a strategy of adding value with core energy-saving and environmental technologies
- Incorporate local needs to create a business model where products produced locally are consumed locally
- Expand overseas, centered on Asia and the Middle East

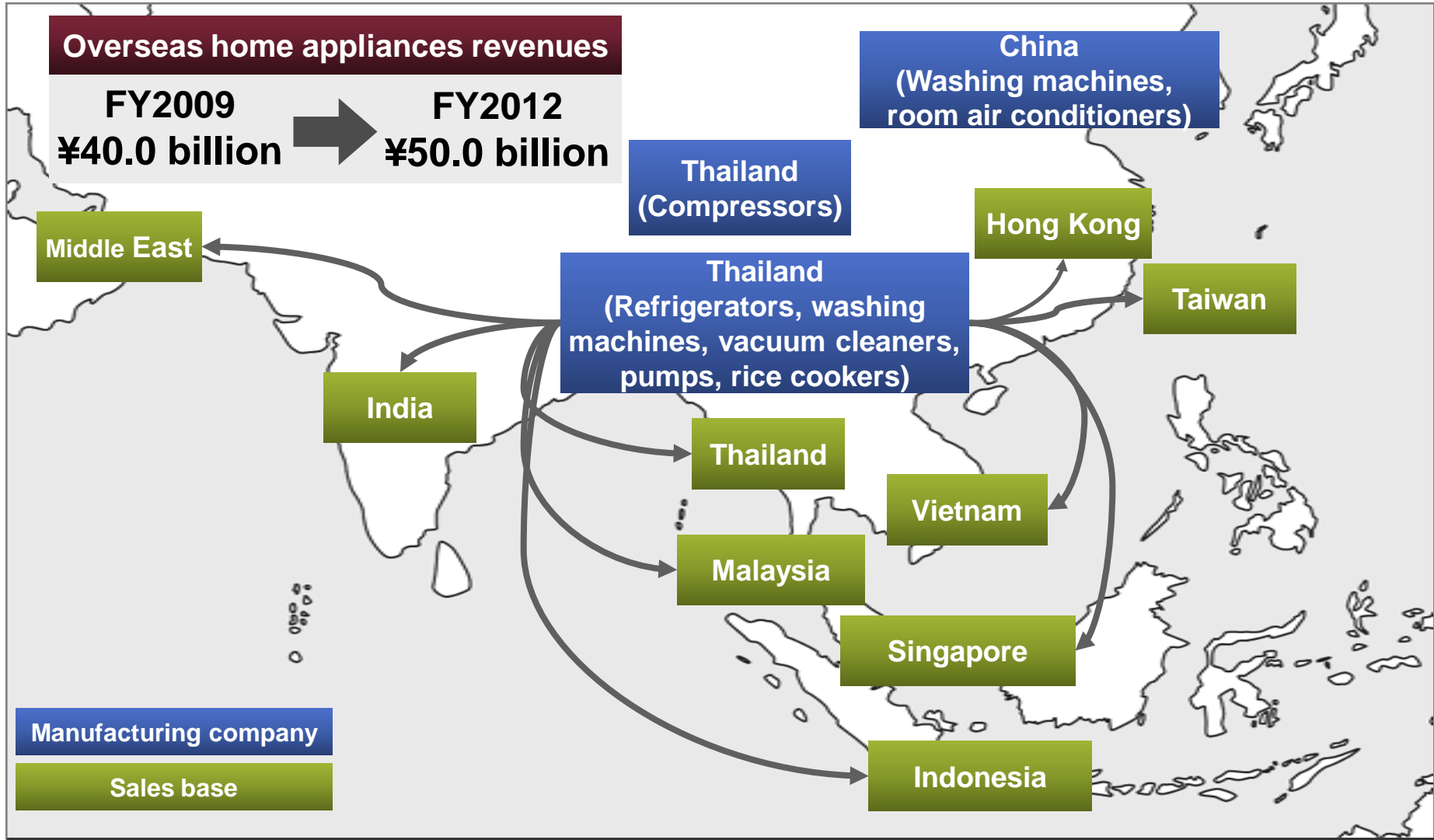
Overseas home appliances revenues

FY2009
¥40.0 billion



FY2012
¥50.0 billion

3-6. Key Initiatives of Global Growth in Home Appliances Business



Expand business leveraging infrastructure in Asia and the Middle East.

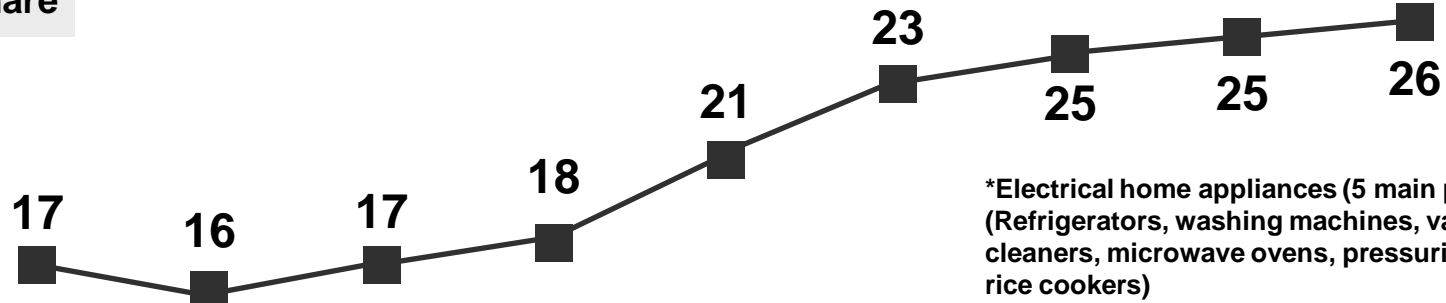
3-7. Key Initiatives for Japanese Home Appliances Market

*Electrical home appliances (5 main products)

Source: JEMA (Hitachi forecasts from FY2010)

Hitachi's share

(%)



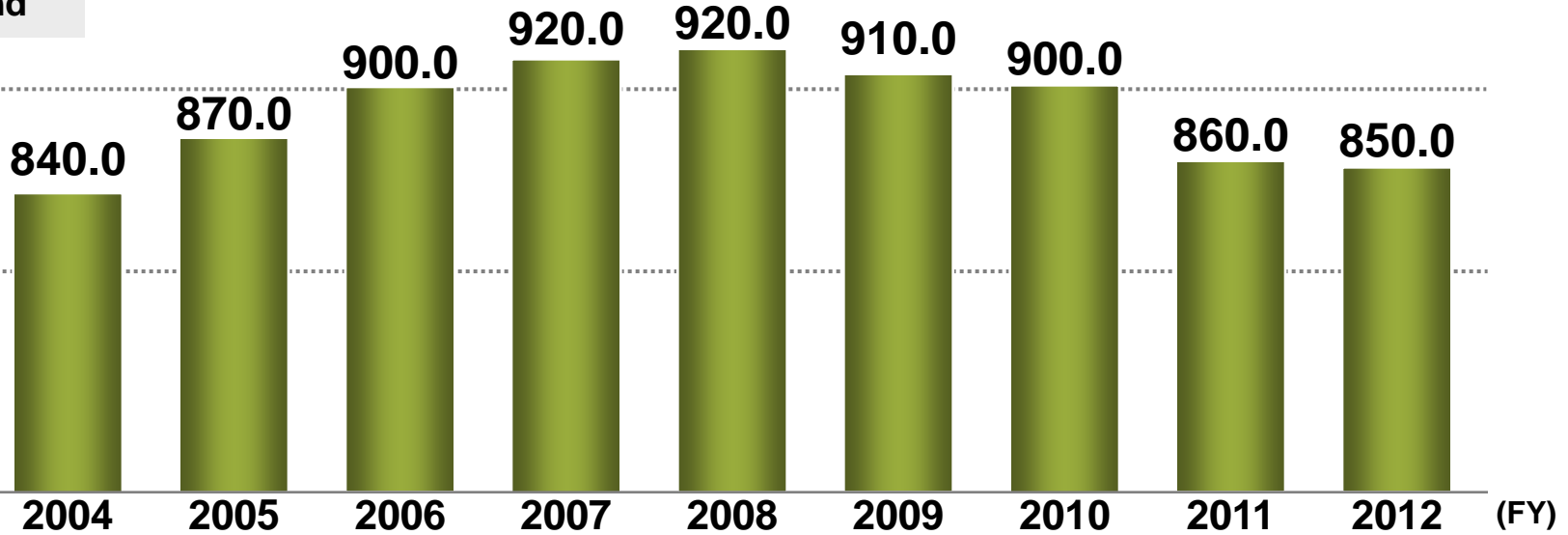
*Electrical home appliances (5 main products)
(Refrigerators, washing machines, vacuum cleaners, microwave ovens, pressurized IH jar rice cookers)

Demand

900

800

(Billion yen)

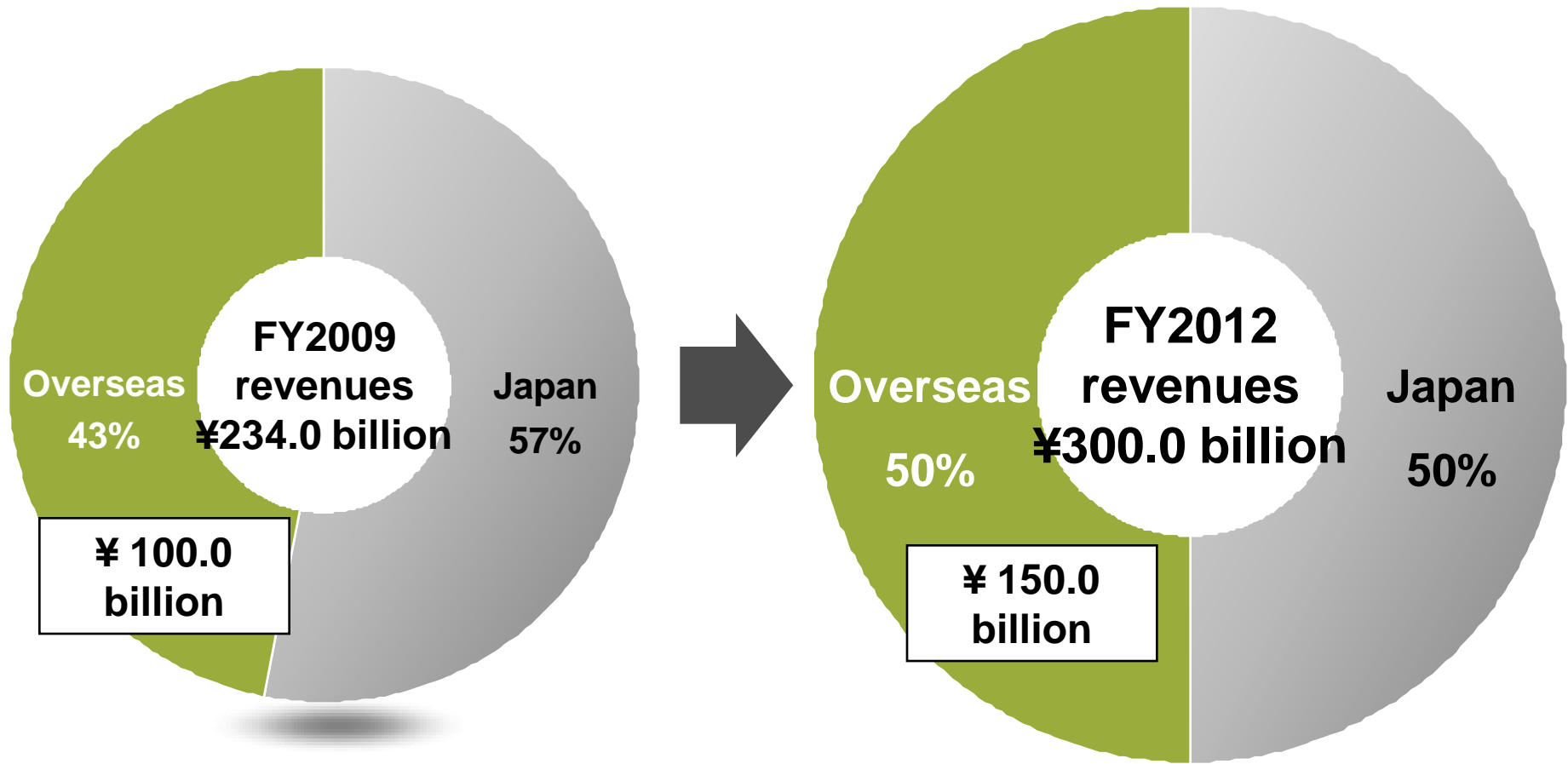


The Japanese electrical home appliances market (5 main products) is forecast to contract slightly, but Hitachi aims to raise its share by proposing products that promote energy-savings and ease-of-use.

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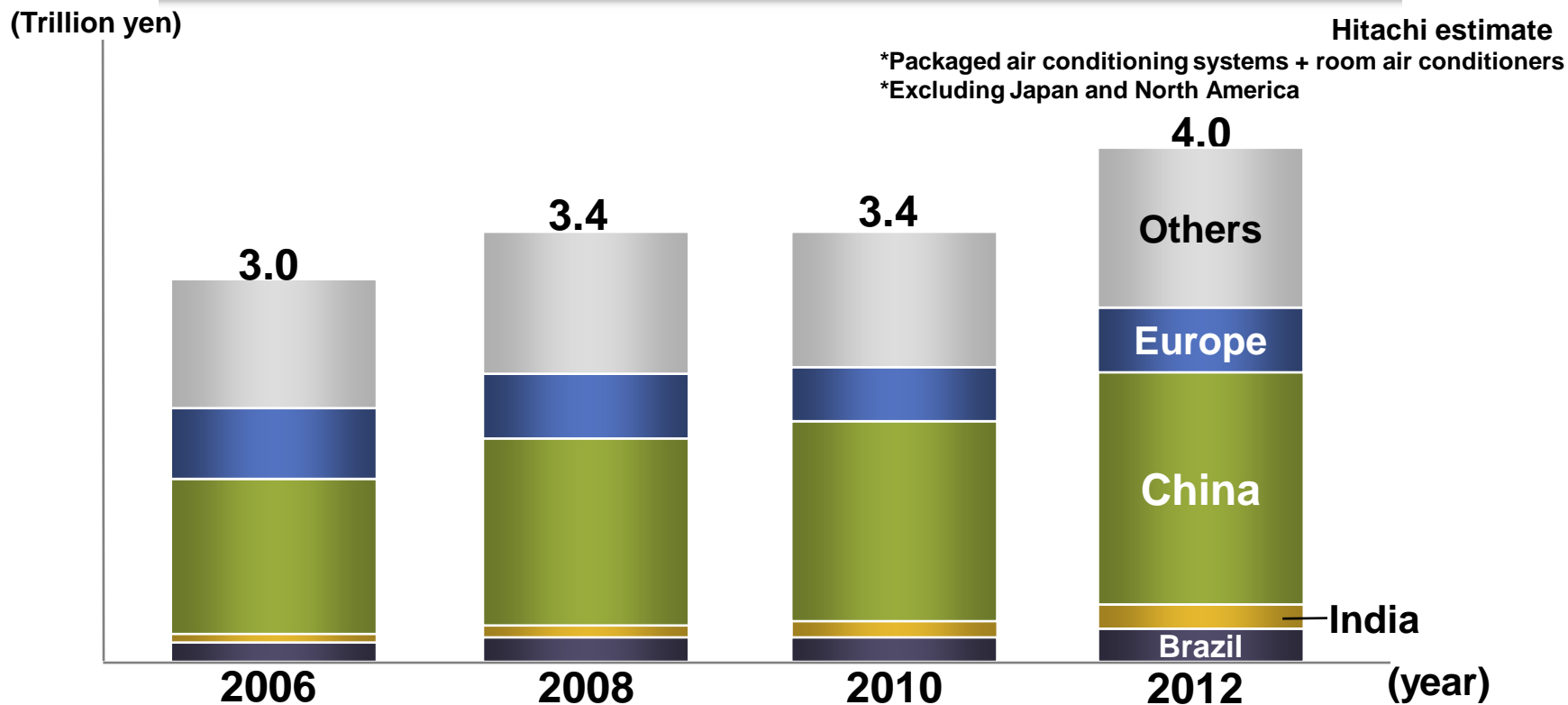
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Aim to increase the overseas revenues in fiscal 2012
▪ 1.5 times compared with fiscal 2009
▪ overseas revenue ratio : 50% in fiscal 2012

4-2. Overseas Air Conditioning Market

Although prevailing market conditions are sluggish, expansion is expected over the medium and long terms, with growth especially striking in the emerging economies and Europe.



Market environment

- Growing emerging economy markets
- Increasing environmental regulations (High COP*, inverter expansion)
- Emerging heat pump market in Europe (Fuel-type → heat pumps)

* COP...Coefficient Of Performance

Hitachi today

[Strengths]

- Environmental technologies
- Presence already in India and Brazil

[Weaknesses]

- Slow to enter Europe
- Lackluster Japanese business performance

Hitachi's strategies

- Expand environmentally friendly products based on core heat pump technologies
- Expand global business further
 - Maintain and build on competitive advantage in India and Brazil
 - Make up for lost time in Europe and China

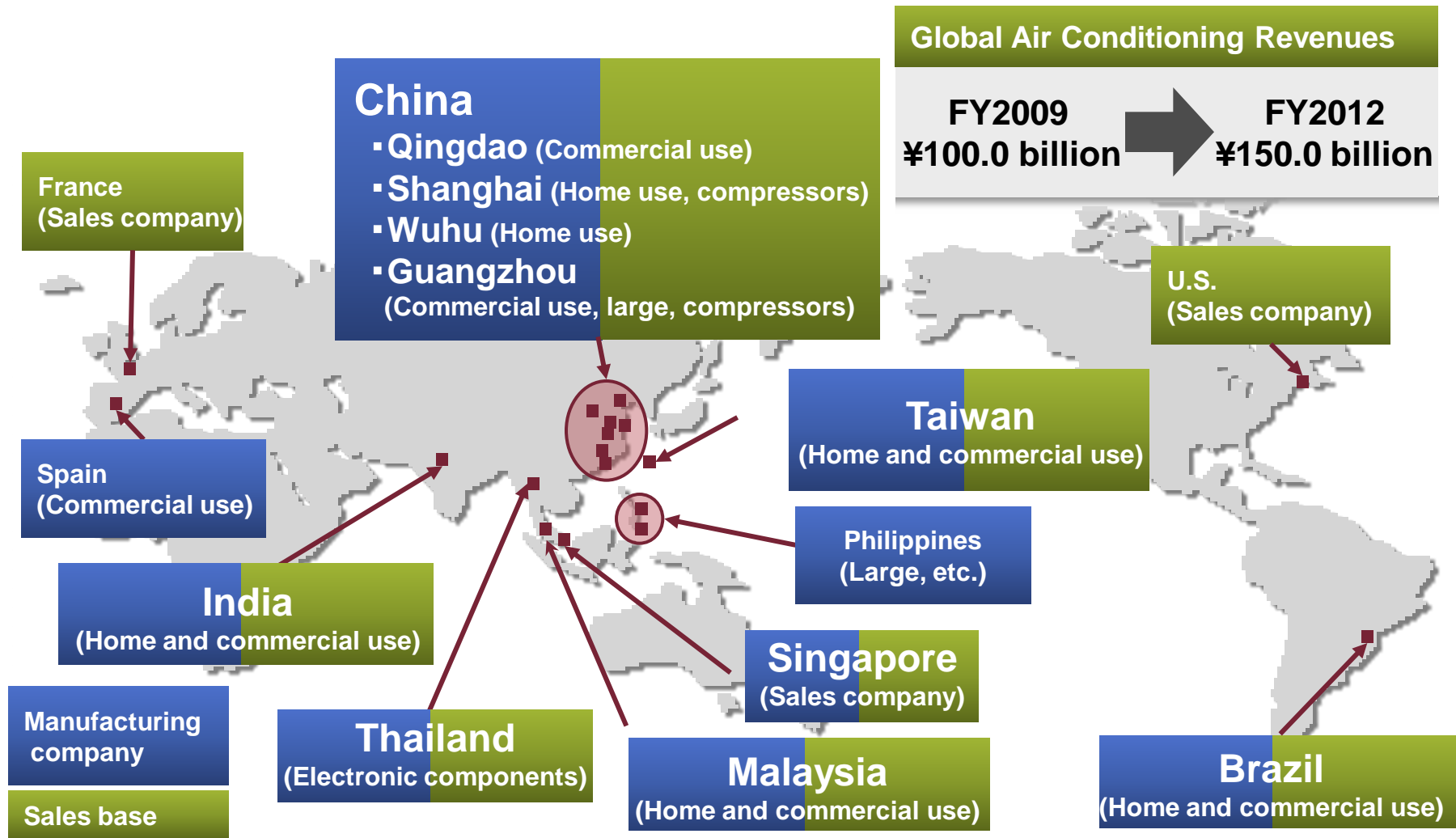
Global air conditioning revenues

FY2009
¥100.0 billion

➔

FY2012
¥150.0 billion

4-4. Deployment Strategy for Overseas Air Conditioning Market



Expand global business utilizing production and sales bases worldwide

Regional strategies

Europe

- Expand environmentally friendly products
(High-efficiency multi-split air conditioning systems, data center air conditioning systems, heat pumps)
- Strengthen sales capabilities
- Launch heat pump business

China

- Expand sales of energy-saving products
(High-efficiency multi-split air conditioning systems, inverter air conditioners, chillers)
- Refine and strengthen sales framework

India

- Begin chiller production at a new plant (July 2010)

Brazil

- Began room air conditioner production at a new plant (October 2009)

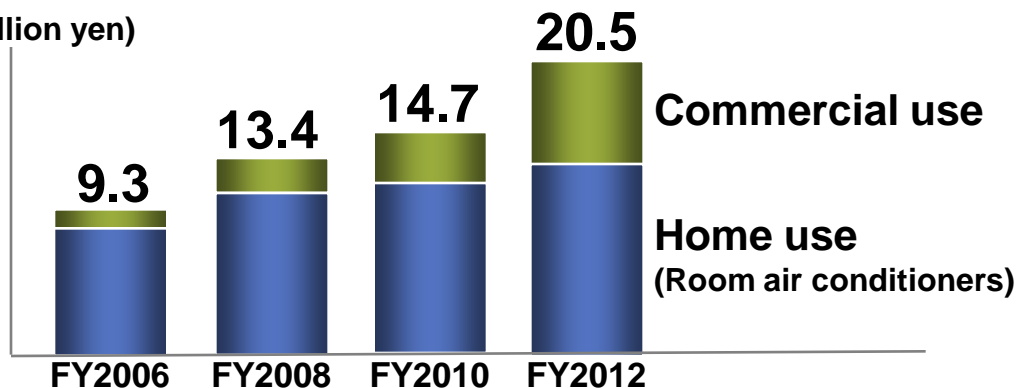
Others

- Accelerate business development in the Middle East, Russia, Eastern Europe and North America

Expand business in India

[Revenues]

(Billion yen)



Hitachi Home & Life Solutions (India) Ltd. (Ahmedabad, Gujarat)

- 1999 Hitachi purchased an equity interest
- 2003 Hitachi acquired a majority stake (presently 68%)

Hitachi's India strategy

- Centered on room air conditioners
 - Shift to comprehensive air conditioning strategy after launch of commercial air conditioning
- Solidify the brand by maintaining No.1 share in high-end products
- Differentiate through powerful sales and service network

[High-end room air conditioners]



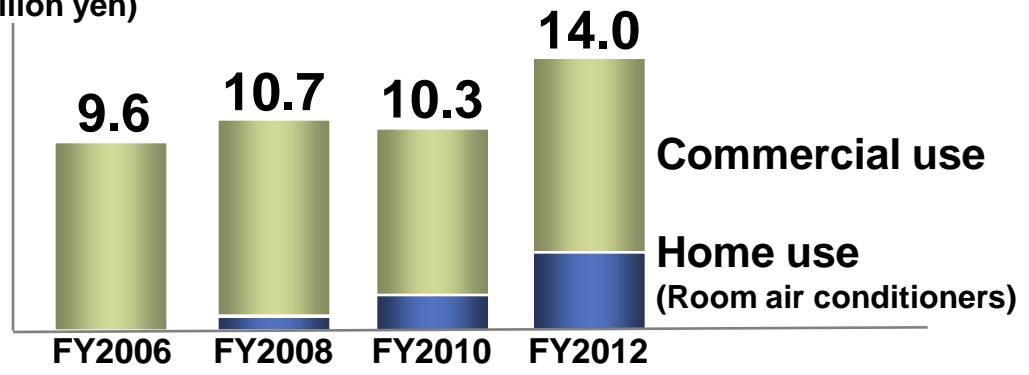
No.1 share in fiscal 2009
in high-end products (22%)

[New chiller plant opening ceremony
in August, 2009]



Expand business in Brazil

[Revenues]
(Billion yen)



Hitachi Air Conditioning Products Brazil, Ltd.
(Headquarters: Sao Paulo)
1972 Hitachi investment (Presently 100%)

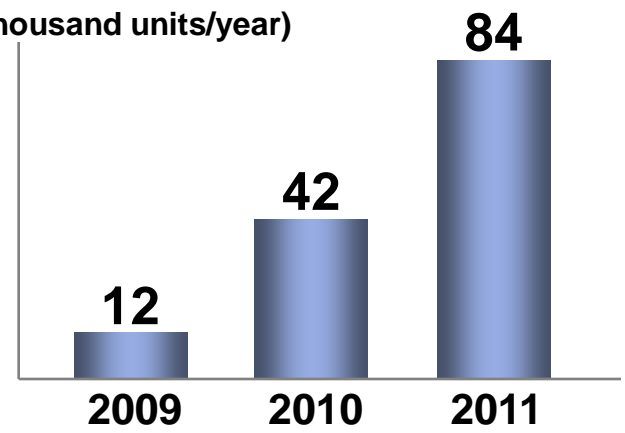
Hitachi's Brazil strategy

- Centered on commercial-use air conditioning
 - Shift to comprehensive air conditioning strategy after launch of room air conditioners
- Leverage the only production base of a Japanese air conditioner manufacturer in Brazil
- Differentiate through powerful sales and service network

[New room air conditioner plant in Manaus]



[Room air conditioner expansion plan]
(Thousand units/year)



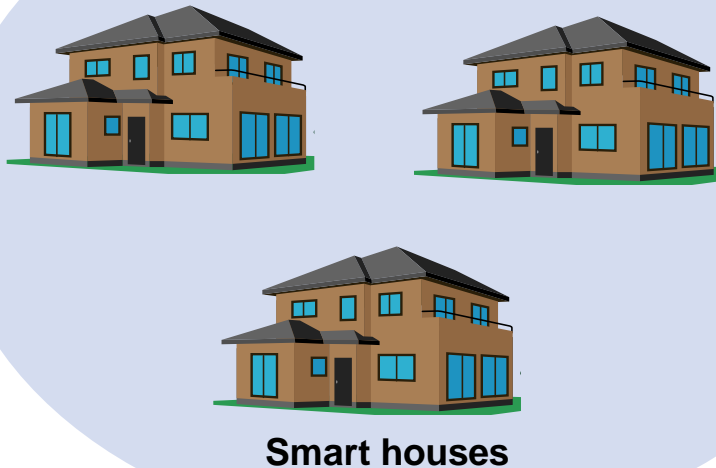
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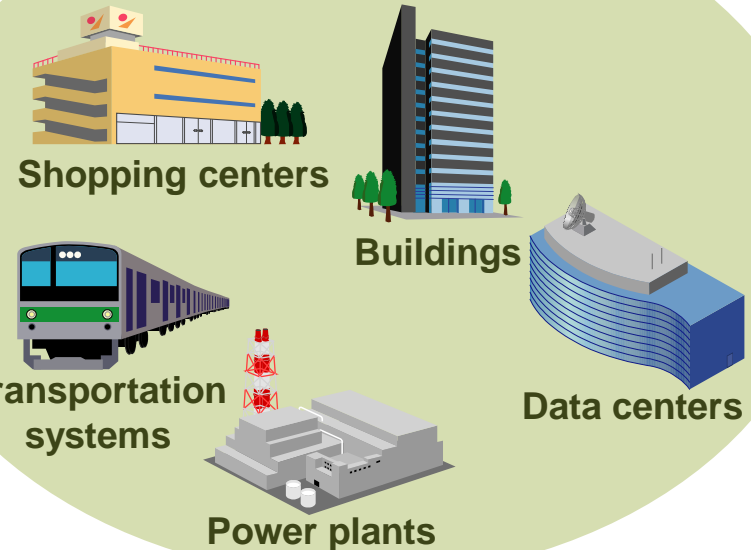
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(1) Provide social and lifestyle infrastructure

Lifestyle infrastructure



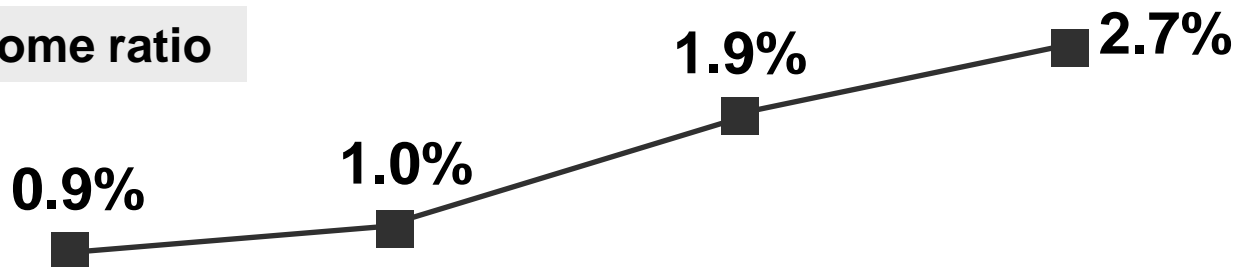
Social and infrastructure



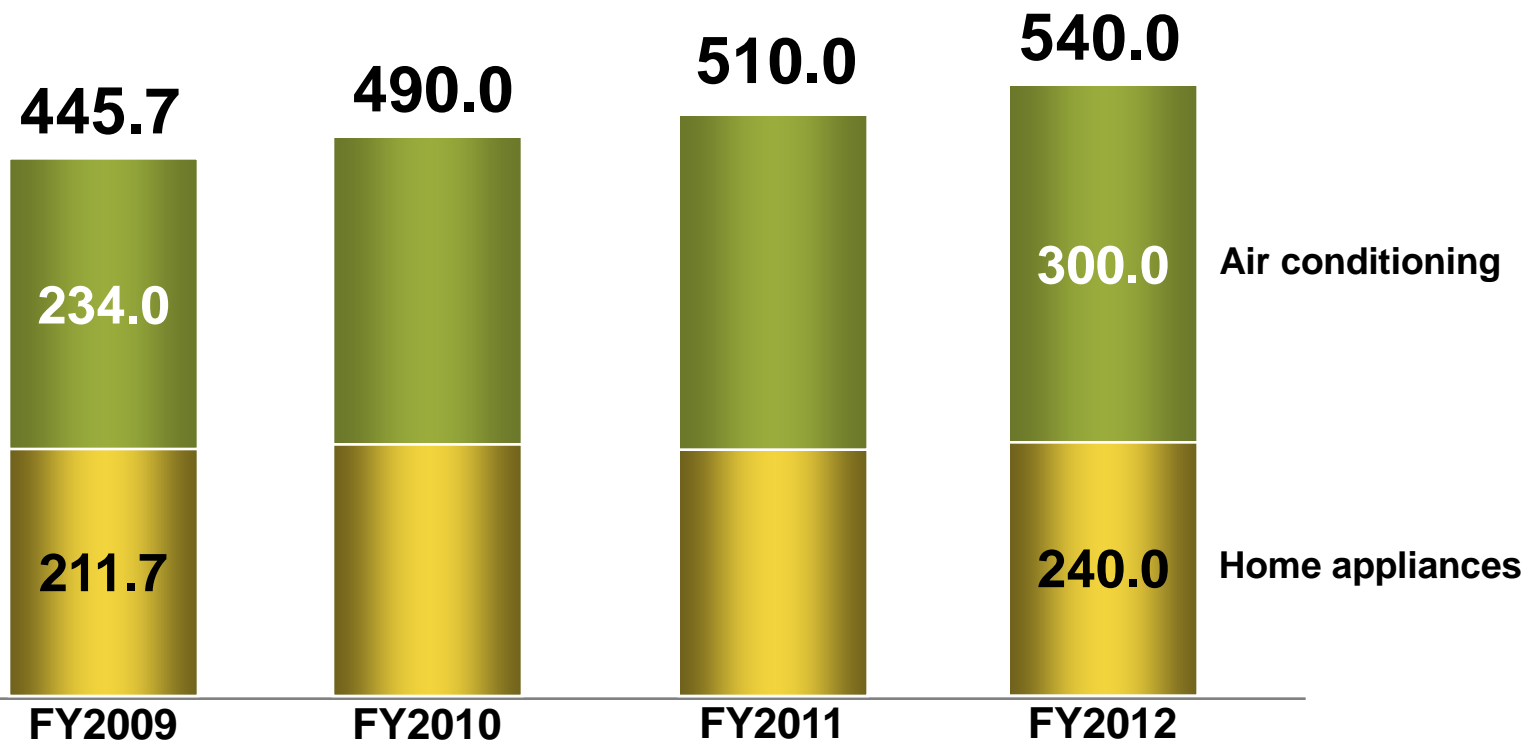
(2) Actively expand overseas as the Hitachi brand spearhead
➔ Contribute to Hitachi's global business expansion

5-2. Medium-term Plan

Operating income ratio



Revenues (Billion yen)



Aim for revenues exceeding ¥540.0 billion and an operating income ratio exceeding 2.7%.

5-3. Conclusion (3) FY2012 Targets

	Revenues	Overseas sales ratio	Operating income ratio
FY2009	¥445.7 billion	33%	0.9%



FY2012	¥540.0 billion	37%	2.7%
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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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