

**FOR IMMEDIATE RELEASE**

## **Hitachi Group China Business Strategy 2015**

*Consolidated revenues for China in fiscal 2015 to expand to 160 billion yuan,  
about 1.6 times the fiscal 2010 level*

Tokyo, February 09, 2012 – Hitachi, Ltd. (NYSE: HIT / TSE: 6501, “Hitachi”) and the Group’s regional HQ in China, Hitachi (China) Co., Ltd., (“Hitachi (China)”) today announced the formulation of the China Business Strategy 2015. The strategy aims to achieve consolidated revenues of 160 billion yuan (approximately 1,920 billion yen\*) in fiscal 2015, expanding by a factor of about 1.6 from the fiscal 2010 level. The expansion will be driven by further localization of operations and realization of Group synergies.

China has been enjoying remarkable economic growth with an average annual GDP growth rate of over 10% for the five years from 2006 through 2010. The growth is expected to continue at close to 10% for fiscal 2011 and 2012 also. As the country continues to develop, construction of social infrastructure will accelerate, not only in the coastal regions, but also over a wider area including the northeast and the interior. Continued expansion in Chinese internal demand for electric power, transportation, water and IT infrastructure is widely expected.

Under its 12th Five-Year Plan announced in March 2011, China aims not only to achieve economic growth driven mainly by urbanization and expanding internal demand, but also to realize an environmental society, such as a low-carbon society with a green economy. The plan also lays out expectations for innovation in nurturing advanced industries and adding higher value.

Hitachi currently employs over 60,000 people at over 140 group companies in China. The Group’s diverse businesses in China include ATMs, thermal power systems, railway systems, elevators and escalators, construction machinery, high functional materials and components, and medical equipment. In fiscal 2004 Hitachi’s consolidated revenues from sales to China were 597.5 billion yen, rising to 1,188 billion yen in fiscal 2010. Today, China is the biggest overseas market for the Hitachi Group, accounting for 13% of the group’s consolidated revenues.

As the Chinese market continues its remarkable growth, Hitachi aims to contribute to the development of Chinese society in line with the 12th Five-Year Plan. To this end, the Group has formulated the China Business Strategy 2015 based on further localization of operations and realization of Group synergies. Specific steps to deepen the level of localization include strengthening partnerships with local

governments and companies in the energy saving and environment fields, and expanding local production in power systems and railway systems. The Group will also foster greater internal synergies by drawing on its combined strength to bolster its management base in China by rolling out the Hitachi Smart Transformation Project, a global project for overhauling cost structures. Another step to increase synergies will involve expanding the current 12 sales bases to 16, and holding combined Group exhibitions 2 or 3 times per year in each of the 12 main cities as a way of increasing Hitachi's presence in China.

By implementing these measures throughout the Group, Hitachi aims to expand the Social Innovation Business as the main means of contributing to the development of Chinese society. In doing so, Hitachi plans to grow its consolidated revenues in China to 160 billion yuan (approximately 1,920 billion yen<sup>\*</sup>) by fiscal 2015, 1.6 times the level in fiscal 2010.

Details of the China Business Strategy 2015 are as follows.

\* Calculated based on a rate of 1 yuan=12 yen

### China Business Strategy 2015 Main Points

#### 1. FY2015 targets 1.6 times higher than FY2010 results

|          | FY2010 results   | FY2015 targets  |
|----------|--|---|
| Revenues | 99 billion yuan<br>(Approximately 1,188 billion yen <sup>*</sup> ) | 160 billion yuan<br>(Approximately 1,920 billion yen <sup>*</sup> ) |

\* Calculated based on a rate of 1 yuan=12 yen

#### 2. Further localization of operations

##### (1) Specific measures

##### (i) Strengthen partnerships

Strengthen ties with governments and leading Chinese companies for cooperation in markets in and outside of China.

##### (ii) Promote and expand localization (accelerate local value-chain development)

Localize activities relating to procurement, human resources and financing, in addition to business functions such as R&D, design, manufacturing, engineering, sales, and maintenance services.

##### (iii) Respond to growth fields

Develop businesses in the fields of environment and energy conservation, as well as social infrastructure- and service-related business in line with increasing urbanization.

(iv) Regional strategy

Promote business with a focus on regions experiencing strong economic growth, regions where the Hitachi Group has a strong presence, and regions with potential for developing alliances with prominent partners.

(2) Main business strategies

Hitachi will take the following measures in line with China's development policy:

| Field                         | Segment                                    | Main measures  |
|-------------------------------|--|--|
| Environment and energy saving | Power Systems                              | <ul style="list-style-type: none"> <li>- Expand functions at the Dalian manufacturing facility</li> <li>- Expand business through local production of DeNOx catalysts (Hangzhou)</li> <li>- Expand gas turbine business to meet demand for distributed power sources</li> </ul>  |
|                               | Social Infrastructure & Industrial Systems | <ul style="list-style-type: none"> <li>- Supply technologies and products to support the environment and energy saving (Industrial equipment and systems)</li> <li>- Cooperate in the water environment solutions business with the Dalian Dongda Group, Ltd. and the Chengdu Xingrong Group Co., Ltd.</li> </ul>  |
|                               | Information & Control Systems              | <ul style="list-style-type: none"> <li>- Develop new business in growth fields by entering the market for smart cities and smart grids</li> </ul>  |
| IT innovation                 | Information & Telecommunication Systems    | <ul style="list-style-type: none"> <li>- Develop the cloud and SaaS business with the Founder Group</li> <li>- Expand data center business in Dalian</li> <li>- Meet needs for development of smart cities by leveraging Hitachi's combined capabilities in energy, cloud, data centers, and other fields</li> <li>- Expand business for products with strong competitive platforms, such as storage systems and ATMs</li> <li>- Develop finance, manufacturing, distribution and public-sector solutions for Chinese companies</li> </ul> |
| Industrial innovation         | Railway Systems                            | <ul style="list-style-type: none"> <li>- Further strengthen alliances with partners to expand business</li> <li>- Expand manufacturing capacity for Rolling Stock electrical components</li> </ul>   |
|                               | Construction Machinery                     | <ul style="list-style-type: none"> <li>- Increase agency sales and service support capabilities</li> <li>- Boost sales by launching new models</li> </ul>  |
|                               | High Functional Materials & Components     | <ul style="list-style-type: none"> <li>- Develop the base in China as the global production base for the steel mill roll business (Hitachi Metals, Ltd.)</li> <li>- Full fledged entry into the industrial infrastructure market (Hitachi Cable, Ltd.)</li> <li>- Expand business by establishing a regional HQ (Hitachi Chemical Co., Ltd.)</li> </ul>  |
|                               | Automotive Systems                         | <ul style="list-style-type: none"> <li>- Accelerate speedy management centred on the regional HQ</li> <li>- Establish a new development, design and manufacturing base in Guangzhou</li> </ul>   |

|   |  |  |
|---|--|--|
| Improving quality of life for the people of China | Urban Planning and Development Systems | - Increase production capacity for escalators and elevators<br>- Strengthen development system   |
|   | Electronic Systems & Equipment         | - Strengthen response to business driven by internal demand (Hitachi High-Technologies Corporation)<br>- Establish a new plant in Suzhou (Hitachi Medical Corporation)   |
|   | Digital Media & Consumer Products      | - Maintain the top market share in LCD Projectors by strengthening relationships with sales agents (Hitachi Consumer Electronics Co., Ltd.)<br>- Increase sales by expanding line up of inverter products (Hitachi Appliances, Inc.)                                       |
|   | Financial Services and Others          | - Build a country-wide delivery network through alliances with capable partners (Hitachi Transport System, Ltd.)<br>- Expand the medical equipment and construction machinery lease business and develop it in the interior regions of China (Hitachi Capital Corporation) |

### 3. Realize Group Synergies

The Hitachi Group will accelerate the development of Group synergies by strengthening the Group's management base and its systems for Group operations, finance, and R&D and design. Specific measures are as follows.

#### (1) Strengthen the Group's management base

Promote cost reductions initiated by Hitachi (China) as part of the Hitachi Smart Transformation Project, a global project for overhauling the Hitachi Group's cost structures. Also, expand shared services such as investment, human resources, CSR, environment, intellectual property, and legal services.

#### (2) Strengthen Group sales activities

- (i) Cross-group response to large-scale projects
- (ii) Expand the current 12 sales bases to 16 bases by fiscal 2015 (establish new companies in Wuhan and Jinan during 2012).
- (iii) Hold combined Group exhibitions in each of the 12 main cities 2 or 3 times per year.

#### (3) Expand Group finance operations

Expand fund procurement mainly through Hitachi (China) Finance Co., Ltd and extend operations to Group companies.

#### (4) Strengthen innovation

Expand the Hitachi Group's design and R&D human resources in China to 3,000 employees by fiscal 2015.

(Hitachi (China) Research & Development Corporation: 200 employees; design and other: 2,800 employees)

#### 4. Establish Chief Executive Officer for Asia Pacific

To strengthen local leadership functions in the Asian belt zone Hitachi Group will create the post of Chief Executive Officer for Asia Pacific in Beijing on April 1, 2012. Executive Vice President Kazuhiro Mori will assume the post, taking responsibility for formulating regional strategy, procurement management functions, and setting regional management policy. The Chief Executive Officer for Asia Pacific will also help to expand the Group's business by reflecting an Asian/Pacific perspective on the Hitachi Group's management.

#### **Hitachi Group's Track Record in China**

Since the normalization of relations between China and Japan in 1972, the Hitachi Group has developed business in the Chinese market in earnest, beginning that same year with delivery of a turbine generator unit to the Tangshan Power Plant. Since then, Hitachi has contributed to the development of Chinese society with a host of products and services including TVs and other home appliances, construction machinery, elevators and escalators, electrical components for Beijing and Shanghai subway vehicles, a monorail for Chongqing city, ATMs for financial institutions, and more. These products and services have won Hitachi a strong reputation among its customers.

Recently, the Hitachi Group has been using its strengths in fusing social infrastructure with IT, and its wealth of technology and experience in energy saving and environmental fields, to participate actively in a range of China's environmental city projects. Activities include providing smart city technologies for the Sino-Singapore Tianjin Eco-City project under construction on the outskirts of Tianjin, cooperating in the construction of the Sino-Singapore Guangzhou Knowledge City planned for development in the suburbs of Guangzhou, and collaborating with Dalian City in the water treatment and home appliance recycling fields as part of efforts to build a smart city. In October 2011, Hitachi signed an agreement with Chongqing City to cooperate in the fields of energy saving and environmental protection, as well as the development of a low-carbon economy, by creating model businesses, exchanging technologies, and promoting joint ventures in related industries.

**About the Hitachi Group in China**

China is one of the Hitachi Group's most important markets. The Group has 141 Group companies and approximately 60,000 employees (as of March 31, 2011) in China. Hitachi Group's revenues in China for fiscal 2010 (the fiscal year ended March 31, 2011) reached 99 billion yuan (approximately 1,188 billion yen), accounting for about 13% of the Hitachi Group's global revenues. The Hitachi Group's operations in China cover a wide variety of fields, including information and telecommunications systems, power systems, and social infrastructure and industrial systems. The Group will continue to contribute to China's resource recycling and its development of a low-carbon economy through the Social Innovation Business. For more information on the Hitachi Group in China, please visit the company's website at <http://www.hitachi.com.cn>.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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