

Strategy to Strengthen the Social Innovation Business

— Plans to Wholly Own Five Publicly Listed Companies —

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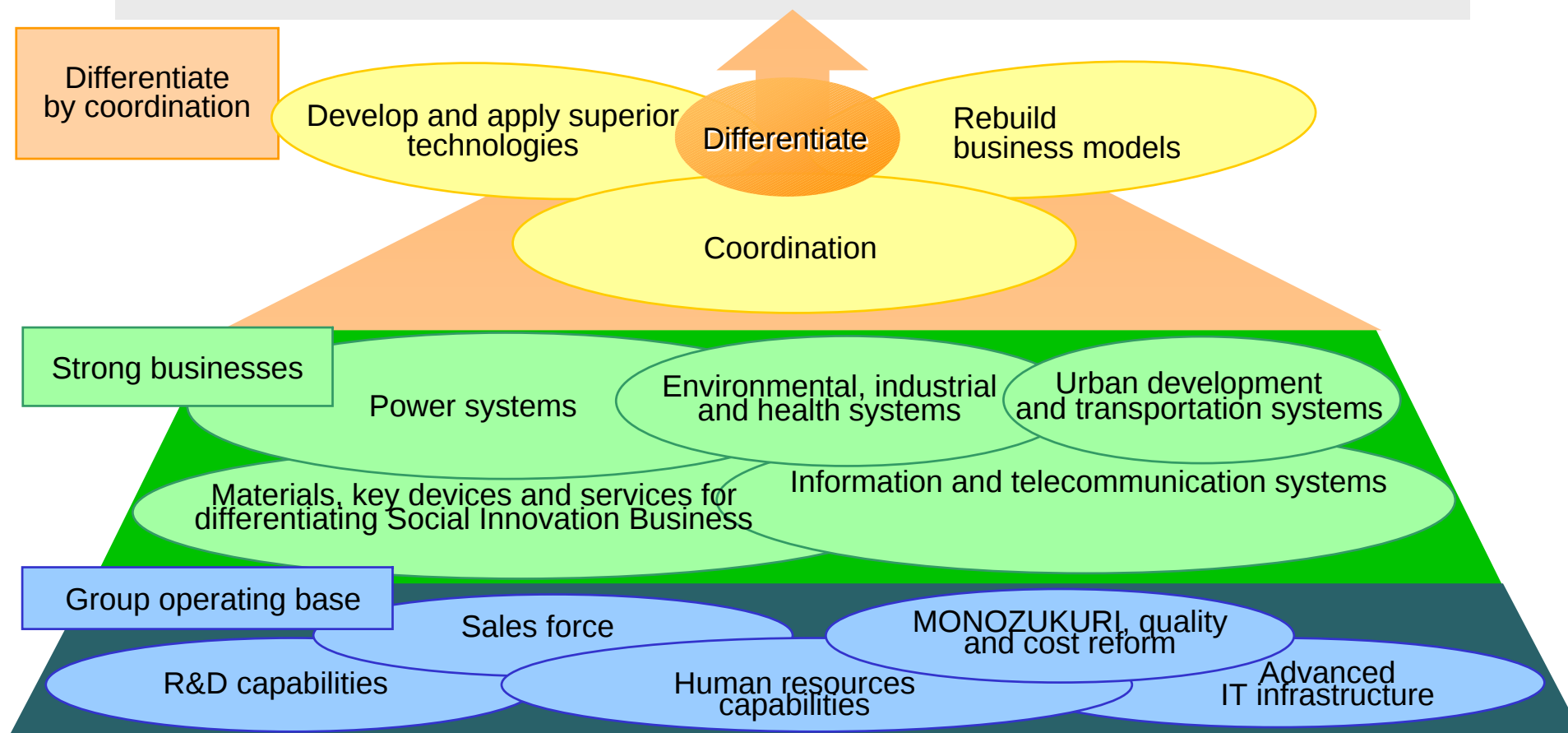
Hitachi, Ltd.

July 28, 2009

1.1 Hitachi's Social Innovation Business

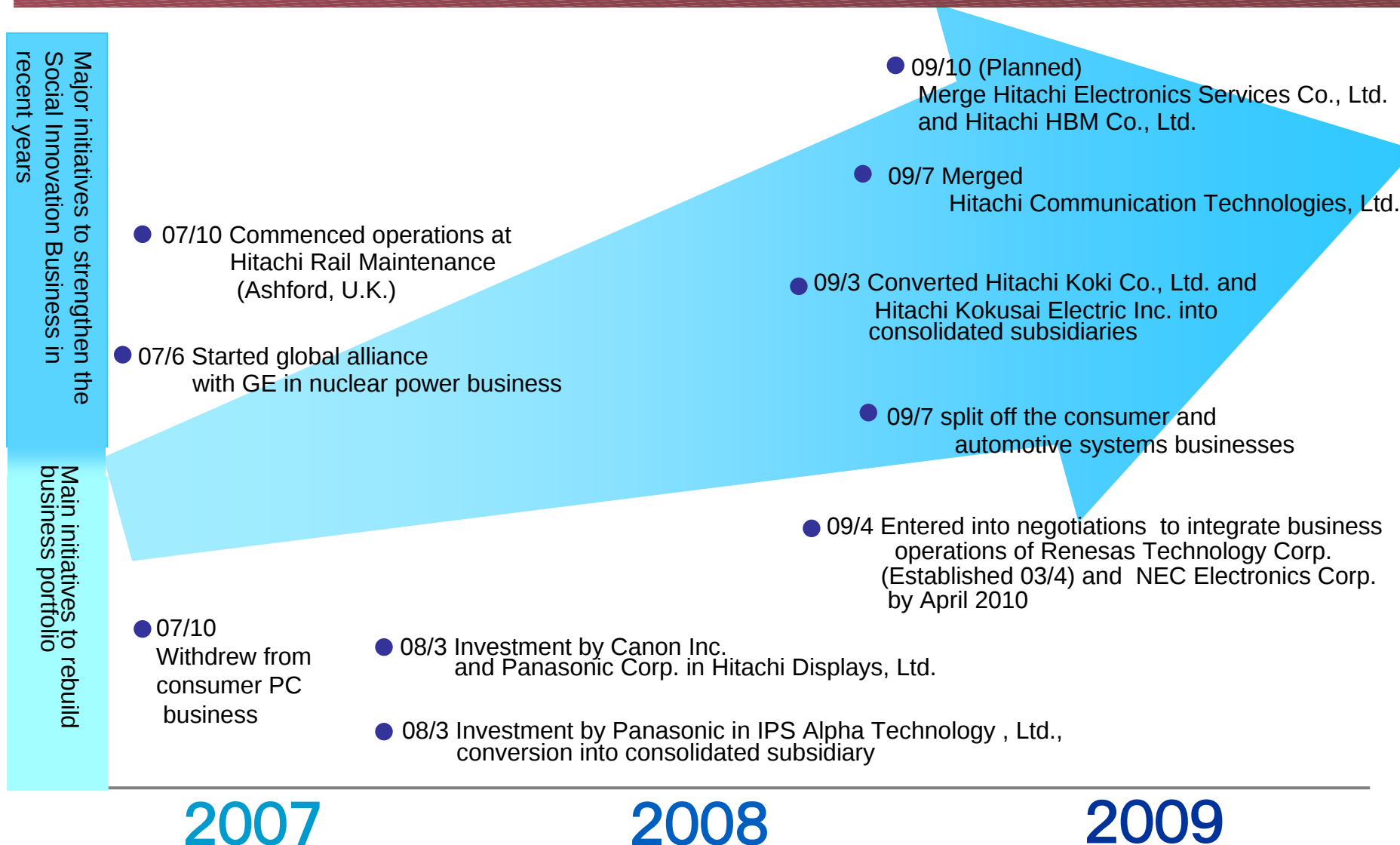
Establish a Stable, High Profit Structure

- Create environmental value with Group's collective strengths
- Develop highly reliable social infrastructure and related service globally
- Create safe and secure social infrastructure using IT



1.2 Initiatives to Strengthen the Social Innovation Business

Steadily implementing measures to strengthen the Social Innovation Business



Designed to strengthen the Social Innovation Business

Strengthen integrated management by making
core Group companies in the Social Innovation Business
wholly owned subsidiaries

- Integrated response to rapid and dynamic change in global business environment
 - ▶ Cutting-edge response with collective strengths to global environmental issues
 - ▶ Coordinated response to building all types of infrastructure in emerging nations
 - ▶ Rebuild business model ahead of changes in information and telecommunication systems market
- Accelerate business coordination for creating a Social Innovation Business for a new era
 - ▶ Create high-value-added social infrastructure underpinned by secure information systems
 - ▶ Innovate using batteries and other key devices in Social Innovation Business
- Promote optimal utilization of R&D, personnel and other resources
- Improve cost competitiveness through integrated management

2.2 Outline of Group Restructuring

- Conduct public tender offers for the stock of five publicly listed companies that play central roles in the Social Innovation Business to turn into wholly owned subsidiaries before the end of March 2010.

Target Companies	Established	Fiscal 2008 Results (Million yen)		
		Revenues	Operating Income(loss)	Hitachi, Ltd. shares
Hitachi Information Systems, Ltd. (TSE, 1st Section)	1959.6	192,007	11,606	51.98%
Hitachi Software Engineering Co., Ltd. (TSE, 1st Section)	1970.9	165,820	12,358	51.55%
Hitachi Systems & Services, Ltd. (TSE, 2nd Section)	1978.9	126,203	7,300	51.20%
Hitachi Plant Technologies, Ltd. (TSE, 1st Section)	1929.6	395,693	7,361	68.88%
Hitachi Maxell, Ltd. (TSE, 1st Section)	1960.9	172,652	(2,336)	51.67%

2.3 Strengthening the Information and Telecommunication Systems

- Aim to turn Hitachi Information Systems, Hitachi Software Engineering, and Hitachi Systems & Services into wholly owned subsidiaries

- ▶ Strengthen capabilities of system integration and reform its business model, to meet customers' demand for efficient system use and operation including outsourcing, SaaS , etc.
- ▶ Provide valuable one-stop services throughout the entire lifecycle of IT systems

- Main strategies for strengthening business

- ▶ Develop “green” data center operations using state-of-the-art “green” IT
- ▶ Develop outsourcing and cloud computing-related businesses using networking and security technologies
- ▶ Expand businesses globally, particularly consulting and data center operations
- ▶ Strengthen system integration response structures and proposal capabilities, for financial institution mission-critical systems, public-sector optimization systems, and information systems for Small and Medium Businesses in industrial and logistics fields
- ▶ Expand structural development for embedded software, and middle software

2.4 Strengthening the Social Infrastructure Systems Business

● Aim to make Hitachi Plant Technologies a wholly owned subsidiary

- ▶ Strengthen integrated response using Group's collective strengths to cater to expanding industrial systems market, including power, transportation, road, water and other public systems, particularly in emerging countries, and demand in developed countries for renovation, supported by advanced information and telecommunications technologies, which should have a smaller impact on the global environment going forward.

● Main strategies for strengthening business

- ▶ Promote rationalization of plant construction in globally developing the power plant business
- ▶ Provide total solutions, ranging from the supply of water circulation-related equipment and systems to the management and operation of facilities
- ▶ Propose energy-conservation solutions for data centers
- ▶ Offer full turn-key services overseas, from the delivery of railway vehicles to the laying of tracks and the building of assembly, inspection and repair facilities in the transportation systems business

2.5 Strengthening Lithium-ion Battery Business

● Aim to convert Hitachi Maxell into a wholly owned subsidiary

- ▶ To expand the Lithium-ion and other types batteries business that are essential to lower environmental impact, by strengthening development capabilities and cost competitiveness, as well as accelerate development of social and industrial system applications with the Group's collective strengths.

● Main strategies for strengthening business

- ▶ Strengthen and differentiate highly reliable lithium-ion battery-related business by fostering strong collaboration among Hitachi Group Companies
- ▶ Propose solutions that integrate the Hitachi Group's social and industrial system integration capabilities and key devices such as lithium-ion batteries, motors and inverters.
- ▶ Build strong relationships for collaborative creation with customers in the automotive, railway and industrial sectors
- ▶ Speed up R&D, reduce total investment burden and accelerate business development, all by sharing R&D, production lines and other resources

3.1 Promote Management Reforms (1) Accelerate Global Development ①

Simultaneously promote various initiatives to strengthen the Social Innovation Business

Strengthen Global Sales Capabilities

(Established Supervisory Office for Sales and Promotion 09/4)

- ▶ Strengthen global marketing in the Social Innovation Business, identify market trends and potential projects in each region
- ▶ Accelerate efforts to enhance regional sales base to strengthen sales in emerging countries and regions using the Hitachi Group's collective strengths (Middle East, Latin America, Inland China, etc.)
- ▶ Strengthen response to major economic stimulus measures in various countries by drawing on the Hitachi Group's collective strengths

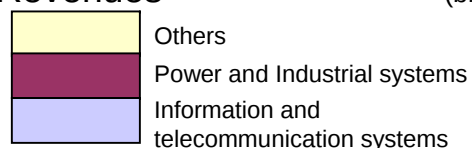
Strengthen Overseas Plant Business

(Established Supervisory Office for Overseas Plant Construction Business 09/4)

- ▶ Bolster risk control and project management to generate high earnings and accelerate global development of businesses constructing nuclear power plants, highly efficient coal-fired thermal power plants, railway systems and other plants and systems
- ▶ Build strong relationships for collaborative creation based on mutual understanding and trust with outstanding local partners

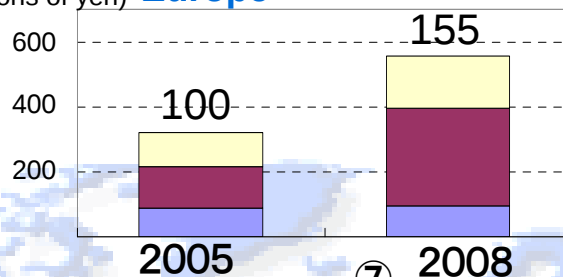
3.2 Promote Management Reforms (2) Accelerate Global Development ②

Revenues

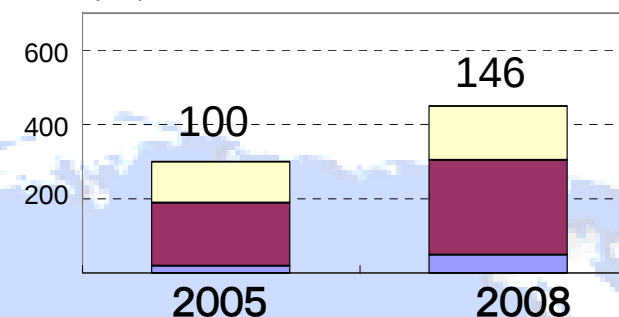


★ Recent Major Projects in field of the Social Innovation Business (Refer to Next page)

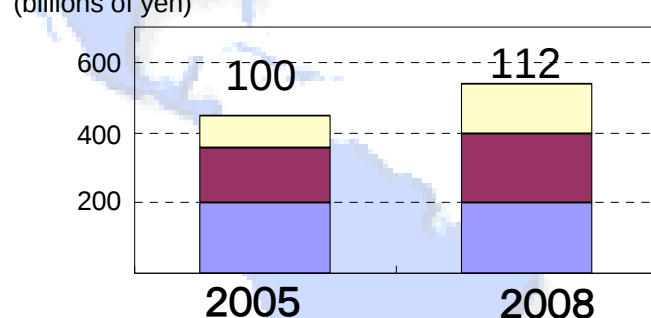
(billions of yen) Europe



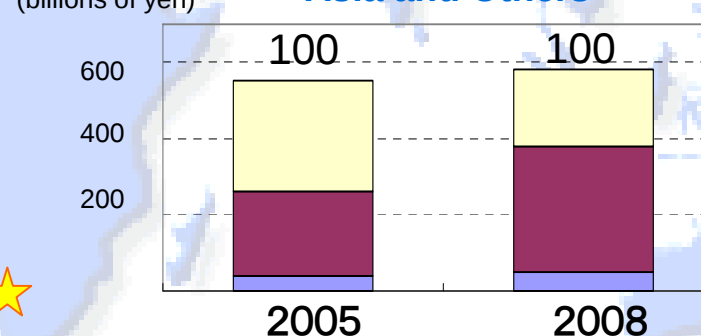
(billions of yen) China



(billions of yen) North America



(billions of yen) Asia and Others



FY2008 Revenues (Billion yen)

	Revenues (Billion yen) *	Employees	Companies
Japan	5,861.4 (59%)	260, 677	404
Overseas	4,138.9 (41%)	139, 452	540
Total	10,000.3 (100%)	400, 129	944

* Breakdown of Overseas Revenues

Asia (excluding China) 8%, China 11%, North America 9%, Europe 9%, Others 4%, Total 41%

3.3 Promote Management Reforms (3) Accelerate Global Development ③

[North America]

- ①2003~2007: Super-critical coal-fired thermal power plants for MidAmerican Energy
- ②2007: Super-critical coal-fired thermal power plants for EPCOR and TransAlta, Canada (Under Construction)
- ③2007~2008: Strengthening global consulting business (Purchase 2 companies)
- ④2006~: Provided inverters for GM's Hybrid car
2008: Awarded orders from GM for lithium-ion batteries
- ⑤2009: Awarded orders from American Municipal Power for Super-critical coal-fired thermal power plants
- ⑥2009: Hitachi construction Machinery makes Wenco, Canadian mine operating management system company to its consolidated subsidiary.

[Europe]

- ⑦2005 Awarded orders for 174 railcars and maintenance service for CTRL(*1), England
- ⑧2006 Super-critical coal-fired thermal power plants for STEAG and EVN (Walsum, Germany) (Under Construction)
- ⑨2007 3 Coal-fired thermal power plants for Electrabel (Holland, Germany) (Under Construction)
- ⑩2007~2009 Strengthening global consulting business (Purchase 2 companies in England)
- ⑪2009 Preferred bidder for IEP(*2) high speed railcar

(*1) Channel Tunnel Rail Link (*2) Intercity Express Programme

[China]

- ⑫2007~: Energy conservation project in Yunnan Province
- ⑬2008: 6 Double decked elevator and Working management system with finger vain certification for the Shanghai Global Finance Center
- ⑭2008 Awarded orders for Train control system of High speed line through Guangzhou to Shenzhen
- ⑮2009 Established Data center operating company in China (Service will start at 2010. (Planned))

[Asia, Japan and others]

- ⑯1998~2003 Constructed Mubarak Pumping Station/Egypt
- ⑰2006 Awarded order from L&T(*3), India for H-25 Gas turbine
- ⑱2007 Awarded orders for 39 elevator s and 8 escalators from Al Hamra, Kuwait
- ⑲2007~2008 Awarded order Boiler for Super-critical coal-fired thermal power plants from Eskom, South Africa (Under Construction)
- ⑳• Shinkansen (Bullet train): Cumulative deliveries of over 2,000 railcars
 - No.1 share in ABWRs in Japan
 - 2009 Established Eco-friendly data center "the Yokohama 3rd Center"

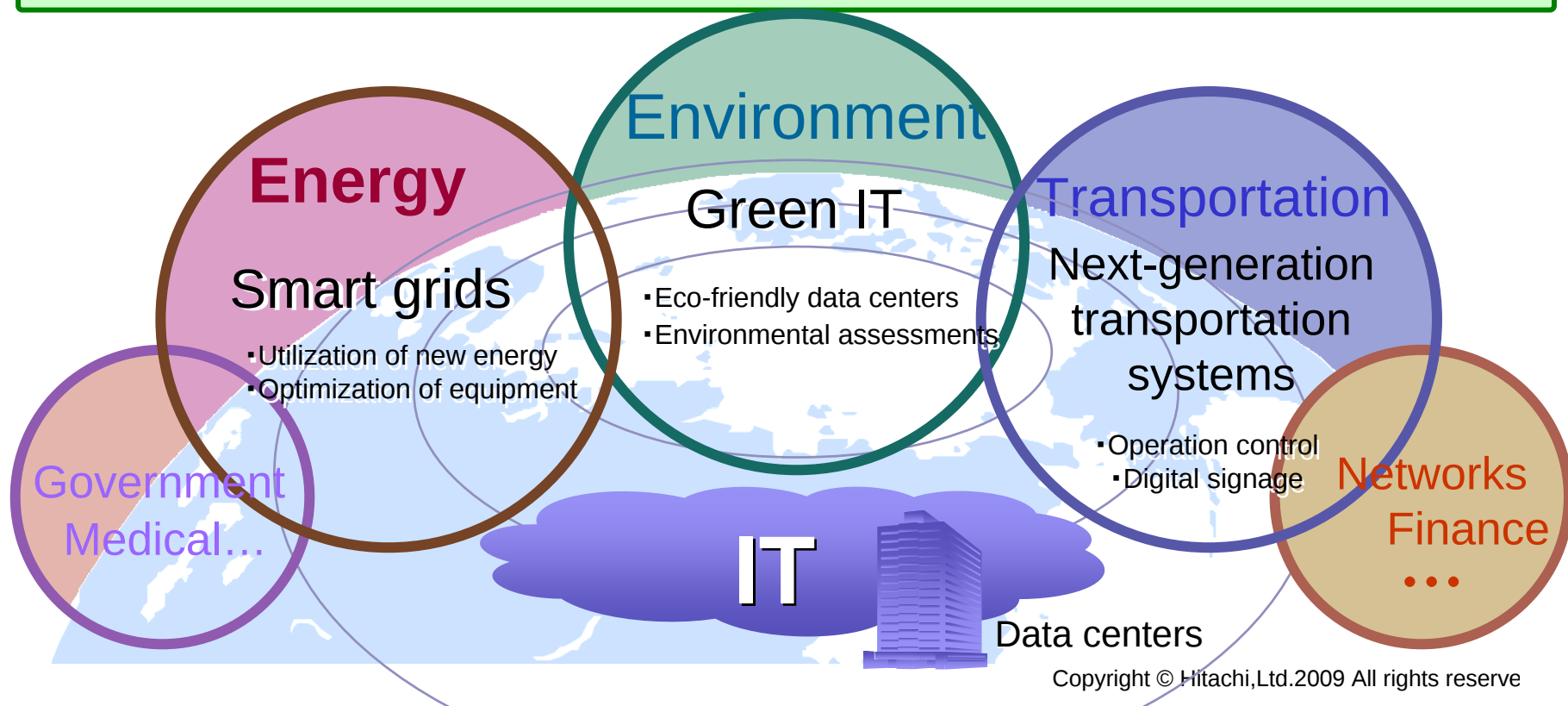
(*3) Larsen & Toubro Limited

3.4

Promote Management Reforms (4) Innovation Through Business Coordination

- Promote coordination of information, power and industrial system businesses
(Established Supervisory Office for Business Coordination 09/4)

- Innovate in social infrastructure through business coordination for creating the added value and reducing the environmental impact demanded by society
- Promote advanced R&D and early commercialization of coordinated businesses in markets that are expected to expand globally, including eco-friendly data centers, next-generation transportation information systems and smart grid-related businesses



3.5 Promote Management Reforms (5) Strengthen Environmental Management and Operating Base

- Draw on the Hitachi Group's collective strengths to expand environmental-related businesses and reduce environmental impact

- ▶ Mutually utilize the Group's technologies to make all products Eco-Products by 2025
- ▶ Systematically promote plan to reduce annual CO2 emissions by 100 million tons through Hitachi products (2025 compared with 2005)

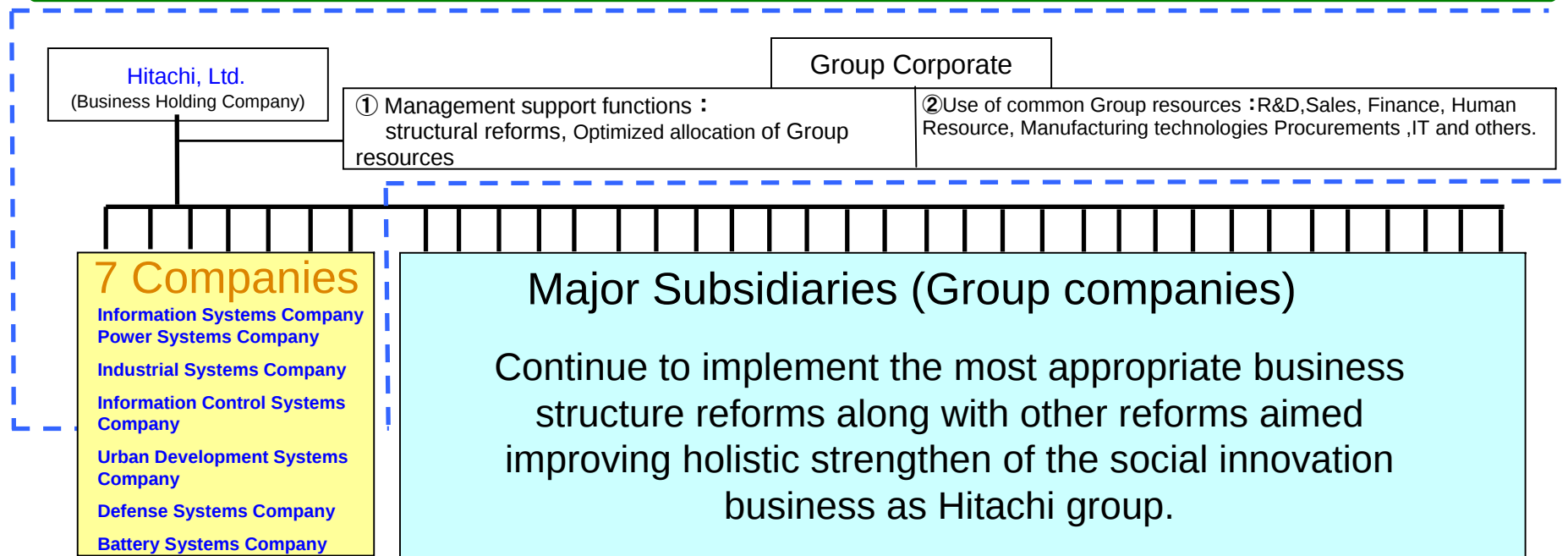
- Strengthen Operating Base—Steadily Promote
“Strengthening The Base '08'-09”-A Group Workforce Activity

- ▶ Draw on the Group's collective strengths to bolster cost competitiveness to become globally competitive
 - Achieve Fiscal 2009 targets of reducing fixed costs by approx. 200.0 billion yen and materials costs by approx. 300.0 billion yen
 - Rigorously execute Group-wide measures to meet cost challenges
 - Strengthen development and purchasing power capabilities, including global sourcing plan from development stage
 - Expanding centralized and collective purchasing globally
 - Rigorously decide whether to produce in-house or outside to differentiate, and strengthen cooperation with leading EMSs
 - Optimize role and deployment between domestic “Mother” bases, which are key for differentiation, and local bases
 - Strengthen highly efficient IT platform, including global SCM
 - Pursue profit maximization over entire lifecycle by drawing on the Group's collective strengths
- ▶ Develop and optimally deploy human resources that will spearhead global businesses

3.6 Promote Management Reforms (6) Enhance Group Consolidated Management

● Bolster Group consolidated management

- ▶ Reexamine and reinforce the in-house company system:
 - Clarify targets and responsibilities of each business division, speed up decision-making and business operations
 - Manage approx. 40 companies (including in-house companies) in parallel
 - Create high-value-added value chains through closer cooperation, especially in the Social Innovation Business



Approximately 40 “Companies”

3.7 Targeting a New Growth Trajectory

Fiscal 2009

Revitalize through intensive reforms



Fiscal 2010

Capture the benefits of reforms



Move onto a new growth trajectory by taking the lead in the Social Innovation Business globally with high-value-added and highly reliable 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 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;
 - fluctuations in product demand and industry capacity, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
 - increased commoditization of information technology products and digital media related products and intensifying price competition for such products, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
 - 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, particularly in the Information & Telecommunication Systems segment, Electronic Devices segment and Digital Media & Consumer Products segment;
 - exchange rate fluctuation 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;
 - fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum and synthetic resins;
 - uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rate and/or the price of raw materials;
 - 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 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;
 - uncertainty as to the success of restructuring efforts to improve management efficiency and to strengthen competitiveness;
 - 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 ability to access, or access on favorable terms, liquidity or long-term financing; and
 - uncertainty as to general market price levels for equity securities in Japan, declines in which may require Hitachi to write down equity securities it holds.
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