
Urban Solutions Business Unit Business Strategy

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“Urban Solutions Business Unit” contributes to solving business issues and increasing the value of business operators in urban field.

1 Established “Urban Solutions Business Unit”

- Aimed at Expanding service businesses that accelerate the Social Innovation Business in urban fields: real estate, stations & cities and life & social infrastructure.

2 Contributing to solving issues and increasing the values of business operators using digital technologies

- Using digital technologies including the urban service platform (“Lumada”) to promote the service businesses that contribute to solving business issues and increasing the values of business operators in urban field through collaborating with partners.

3 Developing into a total solution provider of the Hitachi Group's products and services

- Starting as a service provider for operators in urban field, Urban Solutions Business Unit will integrate multiple solutions and provide them as a total solution, and develop into a business that increases the values of business operators.

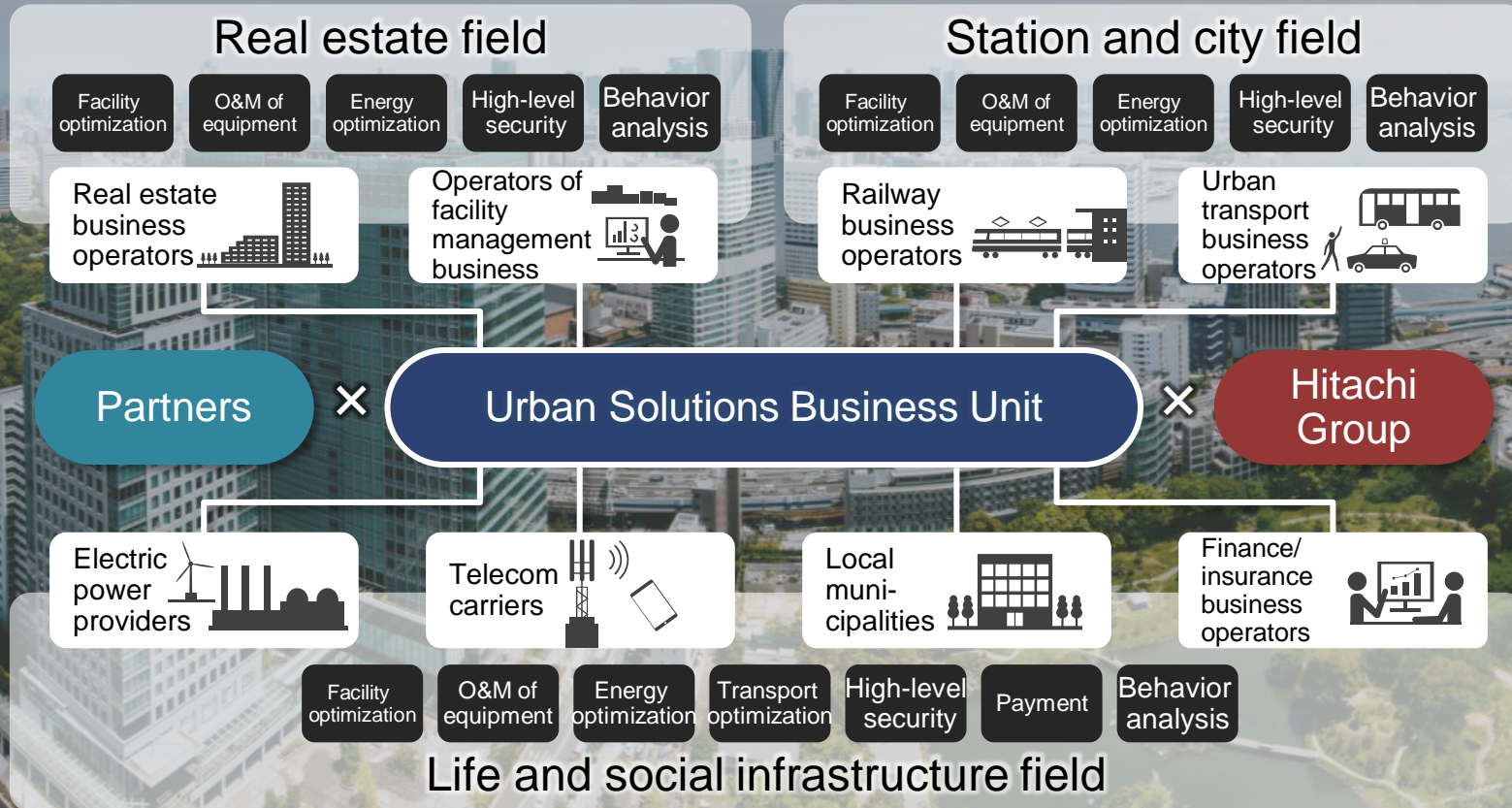
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2. Business Overview

Contributing to solving issues and increasing the values of the services provided to end users by business operators in urban field.



In April 2016, the “Urban Solutions Business Unit” was established under the “Social Innovation Business Division”, which is in charge of developing businesses for accelerating social innovations through collaborative creation with customers.

Urban Solutions Business Unit Business Strategy

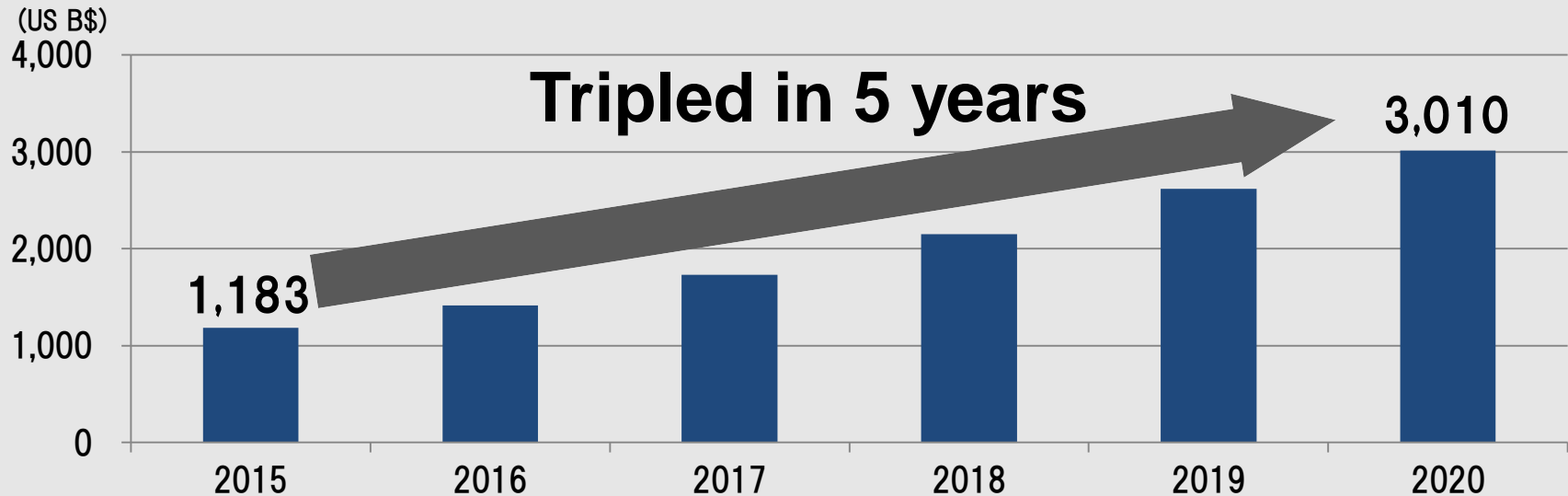
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3-1. Market Environment: New Trends in urban field

Acceleration of urbanization in both developed and emerging countries
Growth of market of IoT, which realizes safety, security, comfort, and low cost demanded by users.

Forecast of the world IoT market (Hardware)



Source: Gartner "Forecast: Internet of Things — Endpoints and Associated Services, Worldwide, 2015" 29 October 2015, IoT Endpoints Hardware Spending, sum of Hardware Revenue.
Graph created by Hitachi Ltd. based on Gartner research

Estimates of real estate related fields (US B\$)

159

514

Expectations for IoT are high due to:

- Building owners' needs for cost reduction and increase of real estate values
- End users' needs for high value-added services

IoT: Internet of Things

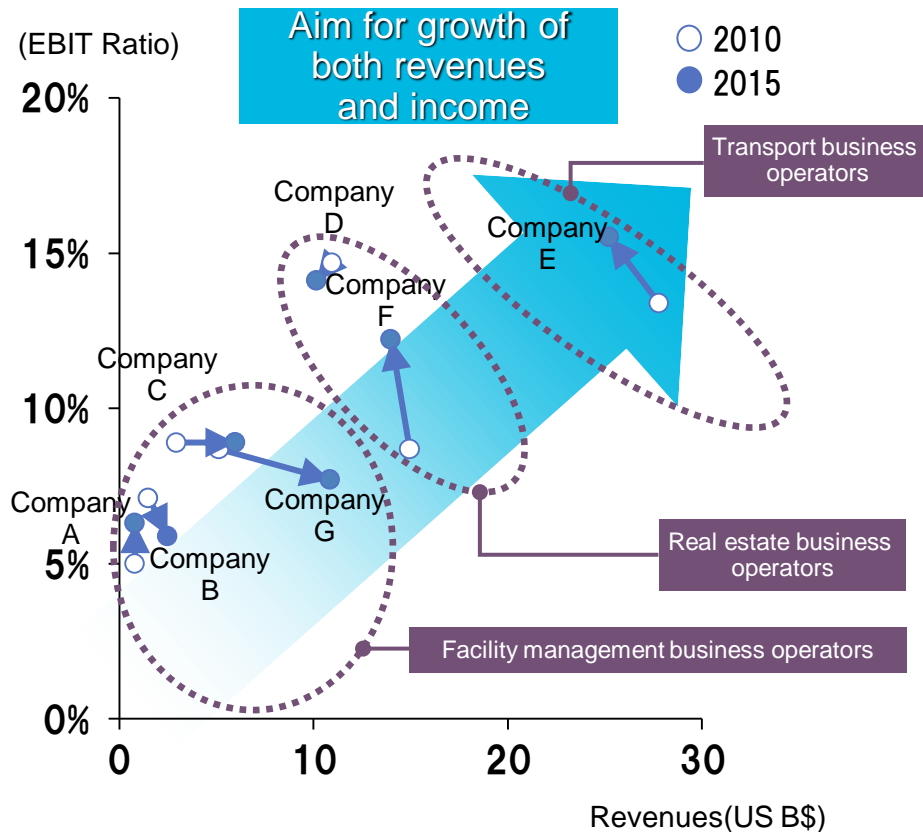
Disclaimer of graph numeric :

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3-2. Market Environment: Situations of Business Operators in Urban-Related Fields

Business operators in urban-related fields are facing fierce competition and are therefore studying effective measures to cope with the situation with service improvement.

Situations of business operators



Source: IR information from each company

EBIT: Earnings Before Interest and Taxes

Needs and issues of operators of each business

Facility management business operators

- Improve the efficiency of asset management, etc.
- Avoid service outage caused by breakdown
- Reduce maintenance and management costs

Transport business operators

- Attract customers to in-station shopping areas and areas around the station
- Improve the convenience and safety of station users
- Reduce maintenance and management costs

Real estate business operators

- Improve the earning rate by improving real estate values
- Retain contracts with tenants who remain stable in the long term
- Reduce management costs

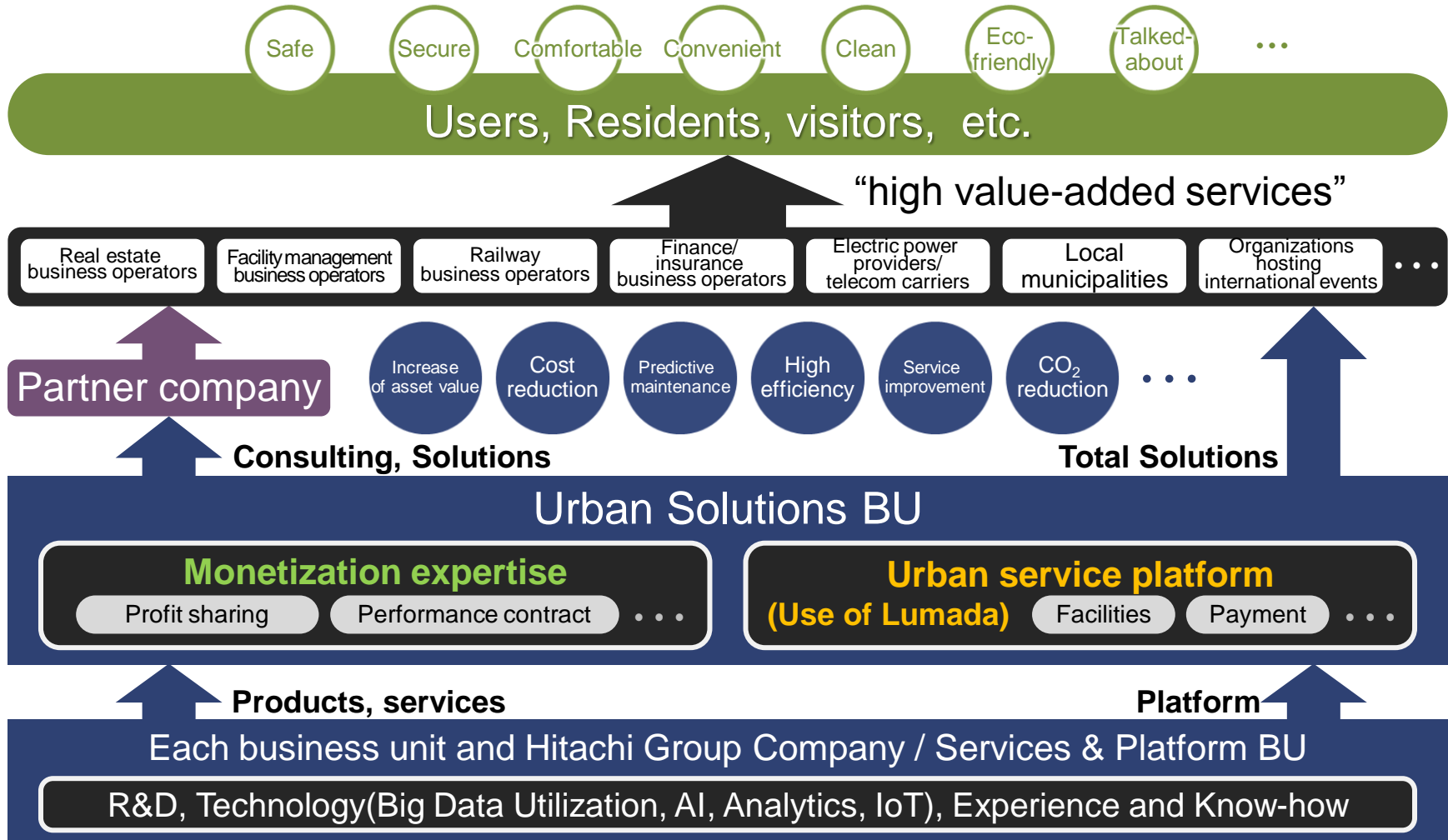
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4-1. Business Strategy

Contributing to the realization of high value-added services that satisfy user needs



4-2. Priority Strategy: Services to Provide in the Three Fields of Focus

Through collaborative creation with customers, we will provide our partners with digital solutions that will help to increase the value of each business operator in the fields of real estate, stations & cities, and life & social infrastructure.

Real estate field

Collaborative creation of services that realize safe, secure, comfortable offices

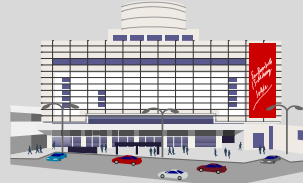


Building districts

- LCC optimization services
 - Predictive failure diagnosis
 - Repair plan optimization
 - Equipment operation optimization
- New services for building owners
 - Improvement of tenant productivity
 - Providing the advanced Information services for building users

Station and city field

Collaborative creation of services that respond to the needs of users of stations & cities



Areas around stations

- User-oriented services
 - Reducing congestion in crowded stations
 - Attracting customers to commercial facilities
 - Multimodal
- Services for optimizing stations' LCC
 - Energy optimization
 - Optimization of maintenance and management

Life and social infrastructure field

Collaborative creation of services that optimize the operation of cities and improve the level of resident satisfaction



Residential districts

- Urban infrastructure O&M services
 - Area energy optimization
 - Optimization of infrastructure maintenance cost
- Urban enhancement services
 - Local payment
 - Hospitality improvement

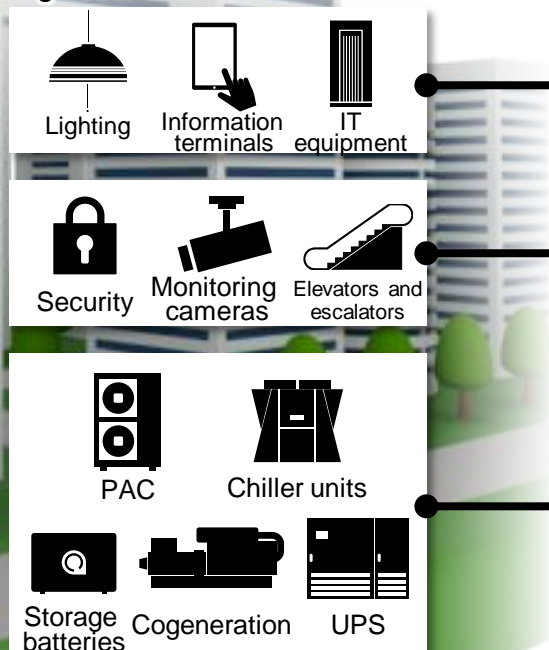
Urban service platform (Use of Lumada)

4-3. Priority Strategy: Real Estate Field

Thoroughly analyzing big data collected via IoT
→ Maximize the values of real estate

●Needs and issues

- Improving the efficiency of operations management
- Avoiding service outages caused by breakdowns
- Reducing congestion
- Increasing revenues and income and reducing costs



PAC: Package Air Conditioner UPS: Uninterruptible Power Supply

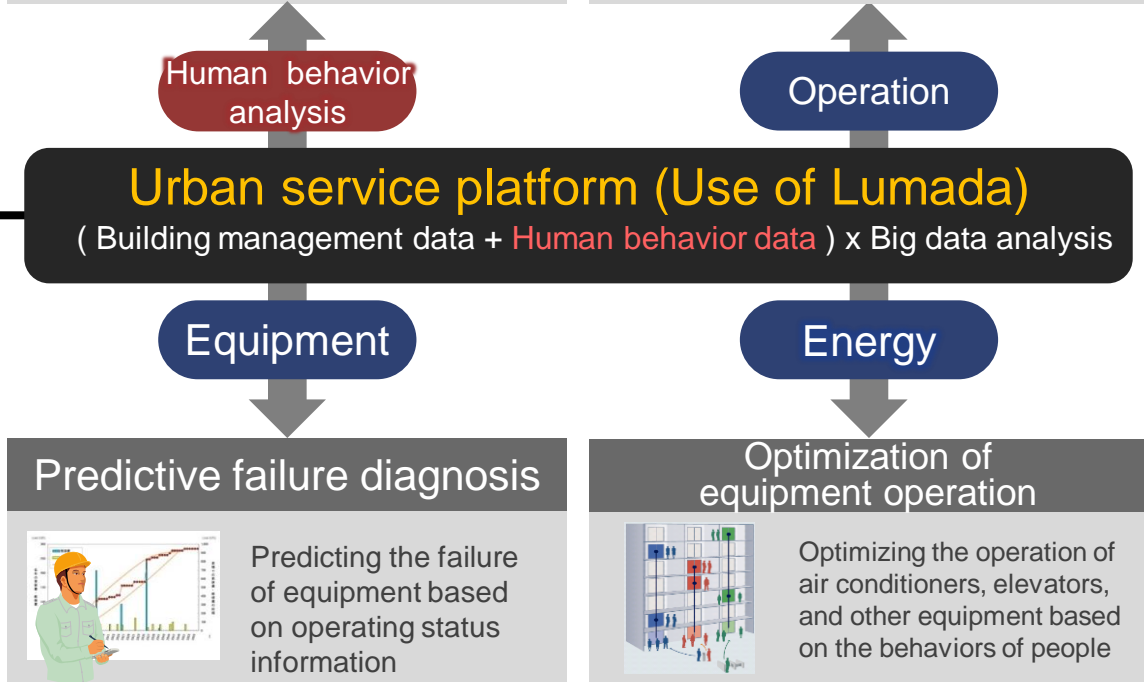
●Example of Solutions

Support for the improvement of tenant productivity

Improving tenant productivity with human behavior analysis

Service for building users

Providing the advanced information services for building users



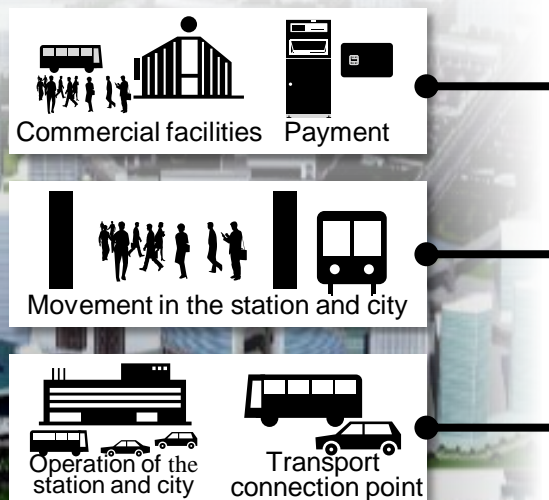
4-4. Priority Strategy: Station and City Field

Maximizing movement of people and visualizing & navigating the lean operation of city resources by means of IoT
 → Maximize the values of the area

●Needs and issues

- Reducing congestion
- Revitalizing the in-station shopping area and the area around the station
- Improving the convenience of station users
- Enriching payment services

●Example of Solutions

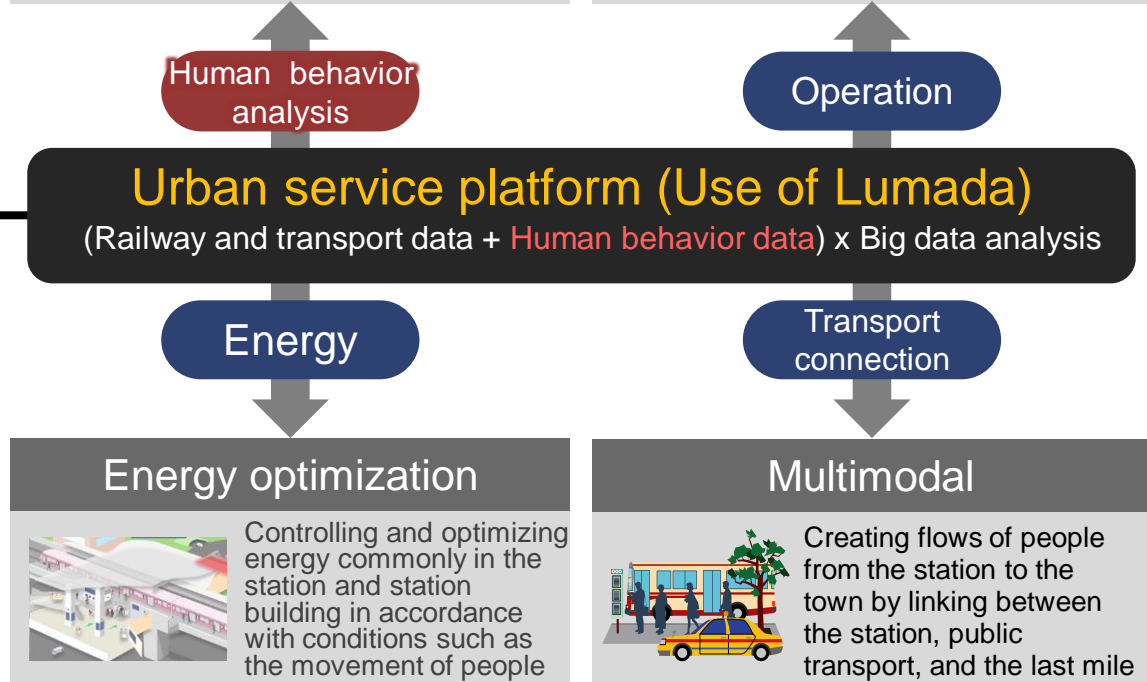


Reducing congestion in the station

Reducing congestion by checking the passenger flow and guiding passengers based on operation data analysis

Attracting customers to commercial facilities

Attracting customers to shops and stores by guiding them based on passenger flow analysis and linking between payment infrastructures, etc.



4-5. Priority Strategy: Life and Social Infrastructure Field

Visualizing the improvement of the convenience of life and industrial revitalization by making use of IoT
→ Maximize the values of the local area

●Needs and issues

- Realizing an efficient, comfortable cities
- Benefiting from demand from inbound tourists
- Revitalizing local industries
- Cost reductions that support the local communities

●Example of Solutions

Services for improving hospitality



Services for inbound tourists that are provided based on behavior analysis

Linkage with local payment



Local revitalization services linked with transport IC cards, etc.

Tourism

Life

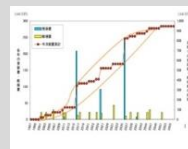
Urban service platform (Use of Lumada)

(Urban data + Human behavior data) × Big data analysis

Infra-structure

Energy

Optimization of infrastructure maintenance cost

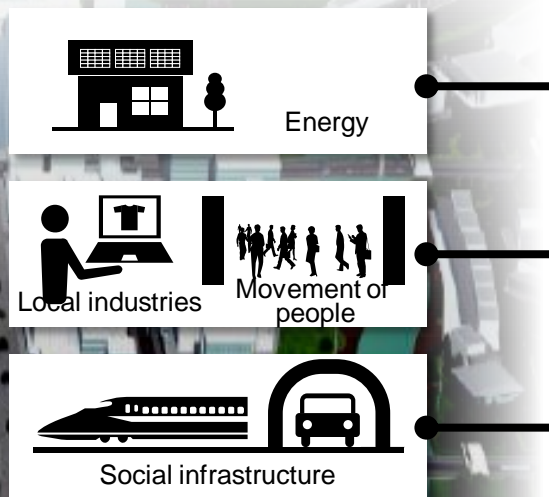


Optimizing the maintenance and management of social infrastructure with monitoring and predictive diagnosis

Optimization of area energy



Management of area energy through optimization of demand and supply



4-6. Priority Strategy: “Total Solutions” in urban field

Developing into a total solution provider of the Hitachi Group's products and services for urban field.

Buildings

Control elevator operation based on crowd flow

Improvement of tenant productivity

- Record**
- Building/elevator management (Japan)
 - Human behavior analysis (Japan)
 - Energy-saving services (Asia)

Railway, Mobility

Flexible operation diagram in response to change in passengers

Minimize the impact of traffic congestion

- Record**
- Traffic control of railway (Japan)
 - Traffic amount analysis (Vietnam)
 - Crowd flow analysis (Japan)

City, Developers

Select store locations that contribute to increased sales

Ensure the high-level security

- Record**
- Store operation utilizing AI (Japan)
 - Video surveillance (U.S.)
 - Area energy management (Japan)

Local governments, Financial

Area energy supply and disaster prevention

Settlement by digital network

- Record**
- Smart grid (Hawaii)
 - Total disaster prevention system (Japan)
 - Settlement solution (India)



4-7. Priority Strategy: Target Markets

Expand the business by partnership with local partners in the markets of Japan, Asia, and North America & Europe.

Asia

- Promoting the service business by cooperating with major Asian companies

- Real estate and station & city fields
- Cooperating with the government and Japanese companies

Japan

- Open innovation through collaborative creation with customers

- Real estate, station & city and life & social infrastructure fields

North America and Europe

- Promoting the service business by cooperating with major North American companies

- Real estate field
- Using the Hitachi Consulting channel

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5. Business Performance Trends: Sales orders goal

Developing into a total solution provider
of the Hitachi Group's products and services.

(Billion Yen)

100

50

0

33

100

FY2018

FY2020

Orders goal of the Urban
Solutions business areas

33 billion yen

100 billion yen

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- 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;
- 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;
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- 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;
- increased commoditization of and intensifying price competition for products;
- 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 acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of 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 associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- the possibility of disruption of Hitachi’s operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- 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.

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