

Hitachi Consumer Electronics Co., Ltd. Business Strategy

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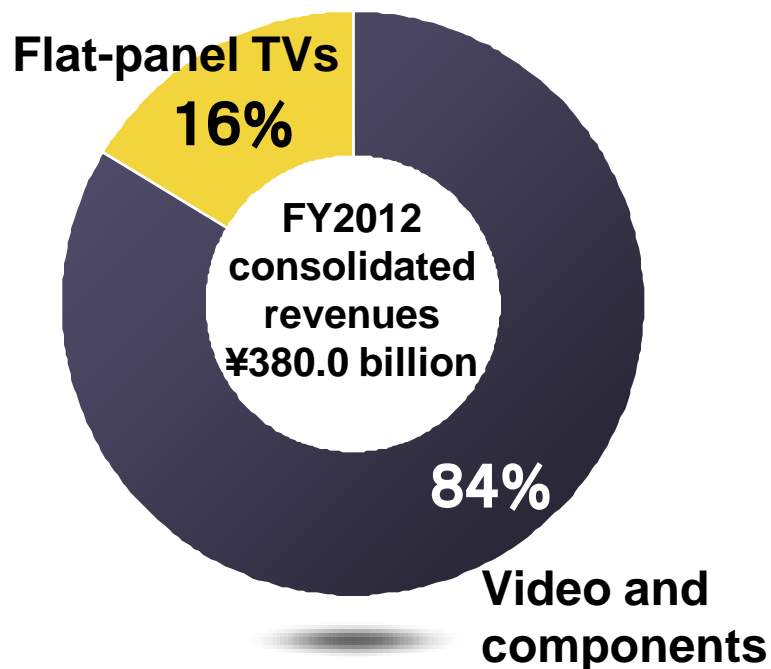
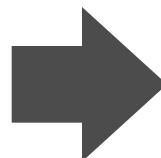
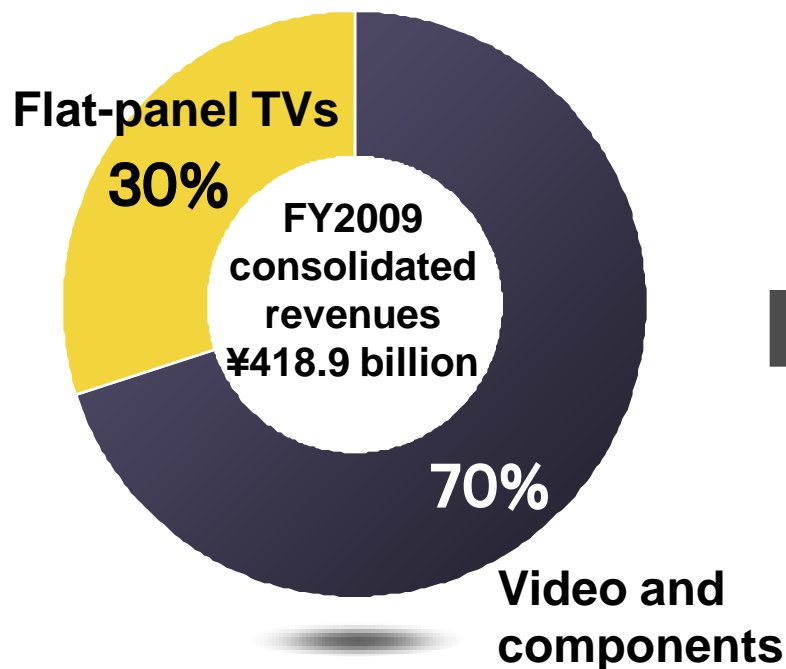
**President and Representative Director
Hitachi Consumer Electronics Co., Ltd.**

Hitachi Consumer Electronics Co., Ltd. Business Strategy

Contents

- 1. Business Overview**
2. Business Policy-Growth Strategy
3. Profit Target

Transform the business structure
from flat-panel TVs to video and components.



Flat-panel TVs



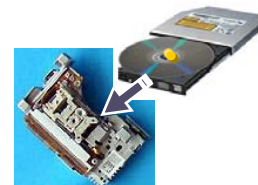
Video and components



LCD projectors



Optical storage



Optical pickups



Mobile phones

Products

- **FY2008**
 - Withdrew from consumer-use PCs
 - Stopped producing video cameras for consumers in-house
- **FY2009**
 - In-house plasma panel production → Procurement
 - In-house production of TVs for Europe and the U.S. → Procurement
 - Stopped in-house production of TVs for China
→ Considering procurement

Base realignment

- **TVs**
 - Closed Czech Republic/Mexico
 - China: Making it worldwide production base for LCD projectors
- **Panels**
 - Sold Hitachi Plasma Display's Miyazaki Works to Solar Frontier K.K.

1-2. Structural Reforms Centered on Flat-panel TVs (2)

Revenues and operating income			
	2007	2008	2009
Revenues (Billion yen)	758.2	543.4	418.9
Operating loss (Billion yen)	(120.2)	(109.8)	(12.0)
Operating loss ratio	(15.9%)	(20.2%)	(2.9%)
Employees (People)	11,100	8,700	5,500

Main product sales index			
	2007	2008	2009
Flat-panel TVs (Japan)	100	102	113
Flat-panel TVs (Overseas)	100	45	26
Video cameras/PCs	100	17	0
LCD projectors /optical storage	100	83	76

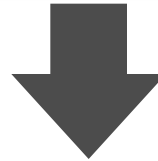
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Create a continuously profitable structure centered on the video and components business.

Strengthen key components and products aiming to be the top runner in video technology.



FY2010: Return to profitability; FY2012: Target operating income ratio: 1.8%

LCD projectors

Secure No.1 share worldwide (FY2011) and increase earnings

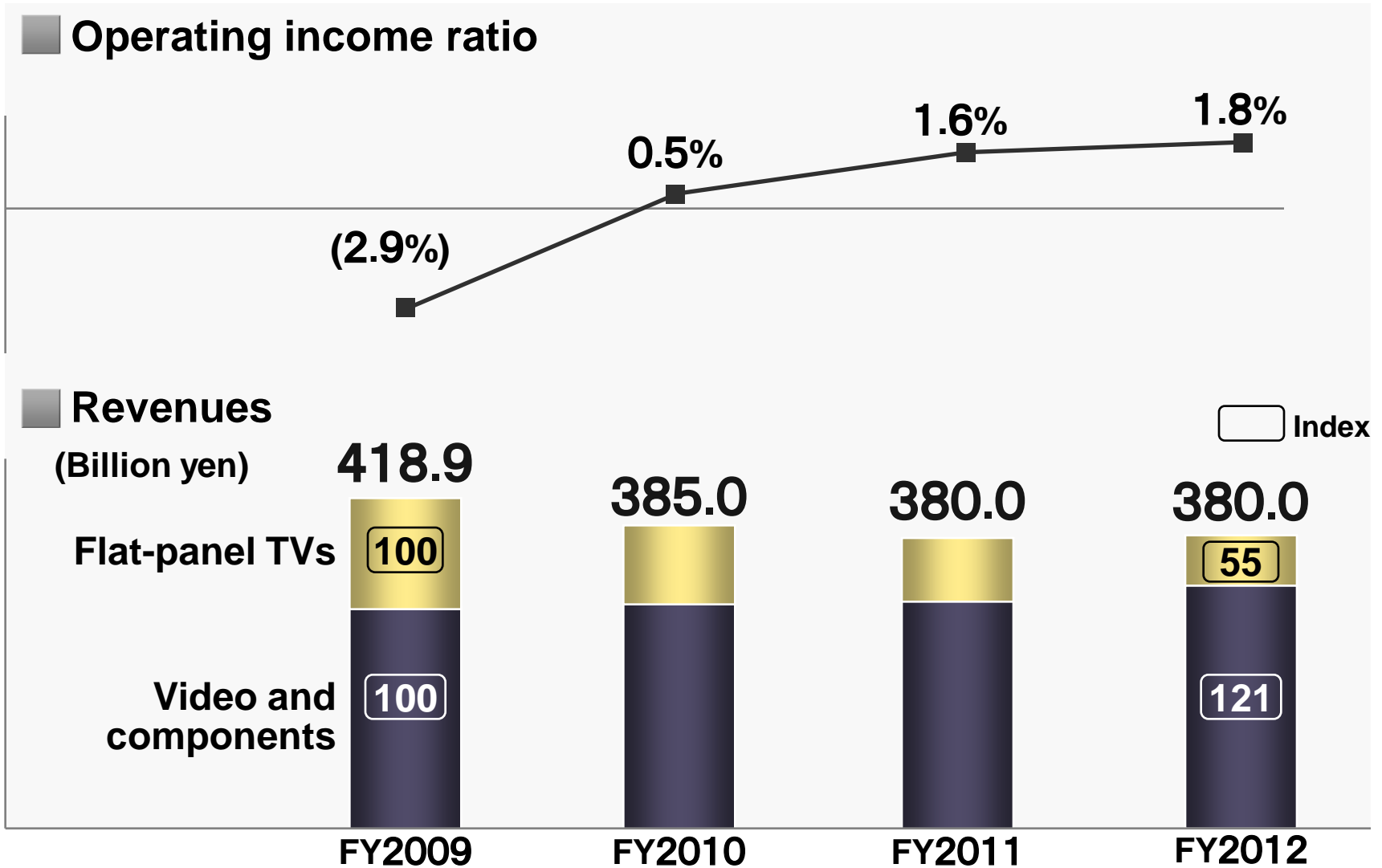
Optical storage

Maintain No.1 share worldwide and increase earnings

Flat-panel TVs

Achieve stable profitability

2-2. Revenues and Operating Income Ratio



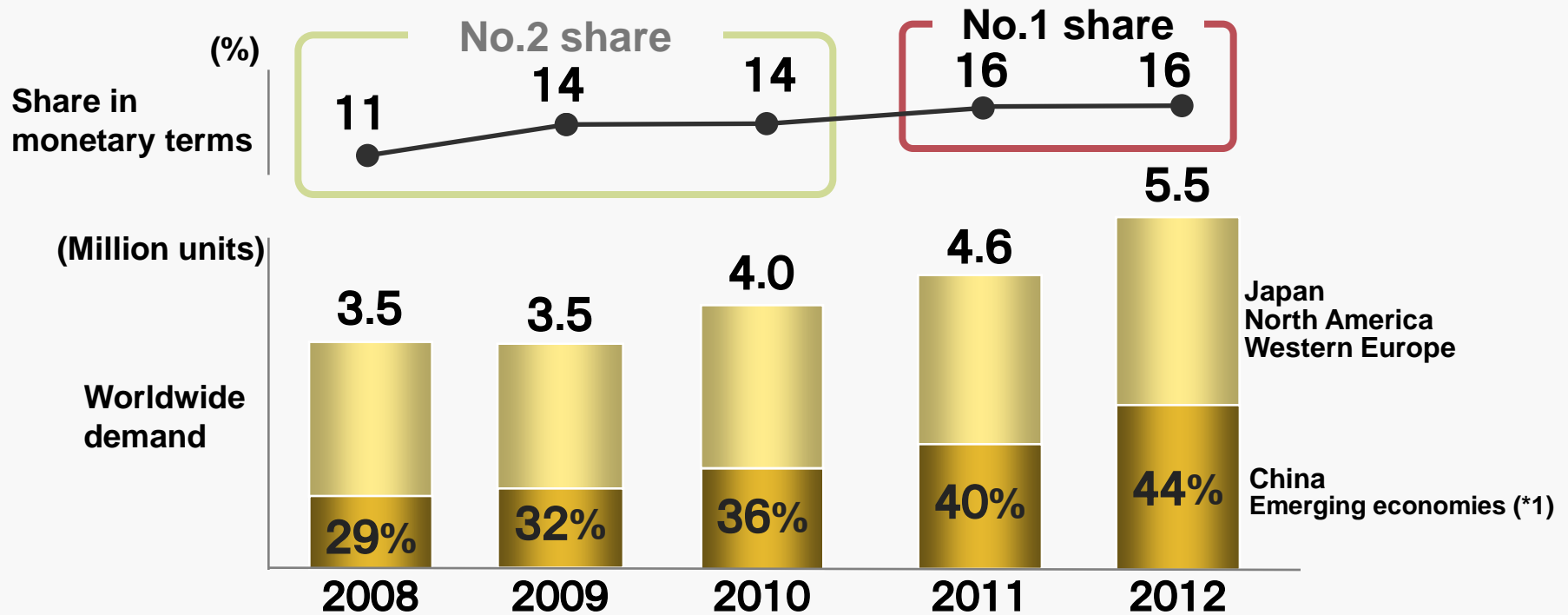
2-3. Video and Components Business: LCD Projectors (1)

Target

Aim to secure No.1 share worldwide

Market and Hitachi's position

Target worldwide share: Over 16% in FY2011



*1 Emerging economies: India, Central and Middle East, Eastern Europe, Russia, Central and South America
(Note) Demand source: Hitachi (Calculated from PMA and Projector Window data) ; excludes home use and SVGA

2-4. Video and Components Business: LCD Projectors (2)

Product strategy	Establish Hitachi brand, develop full lineup	Demand (2009→2012) CAGR
High-end	Differentiate with Hitachi's proprietary technologies (Ultra Short Throw technology, lighter weight, networking) → Establish brand	170%
Standard range	Develop affordable models and expand sales channels	93%

High-end



Ultra Short Throw (Space saving)



**High brightness
(7500 Lumens)
(For halls)**



**High brightness
(4000 Lumens)
(For large meeting rooms)**

Standard range



**Brightness
(3000 Lumens)**
▪ Classrooms
▪ Small and medium-sized meeting rooms

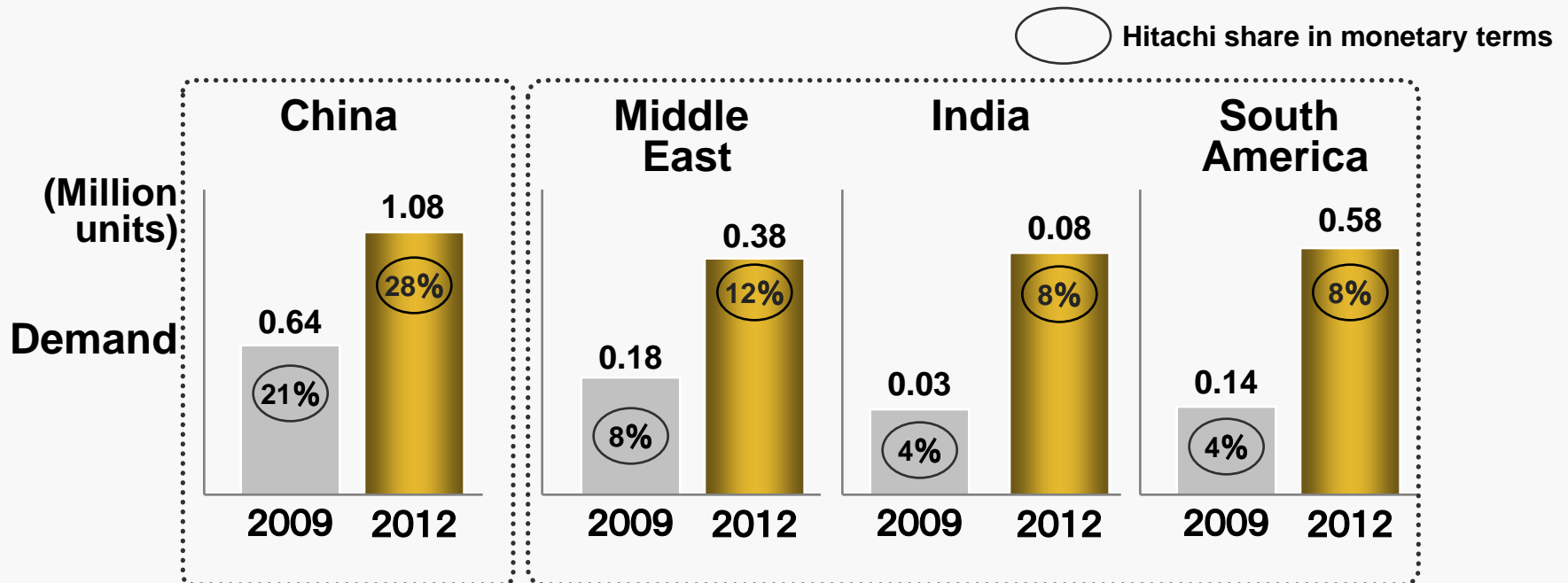


**Small (A4 file size)
(Mobile use)**

Sales strategy

- Focus on developing markets in China and other emerging economies
- Expand market share in Japan, North America and Europe by strengthening lineup

- **China:** Expand agencies targeting educational demand
- **Other emerging economies:** Strengthen sales with dedicated sales forces



(Note) Demand source: Hitachi (Calculated from PMA and Projector Window data) ; excludes home use and SVGA

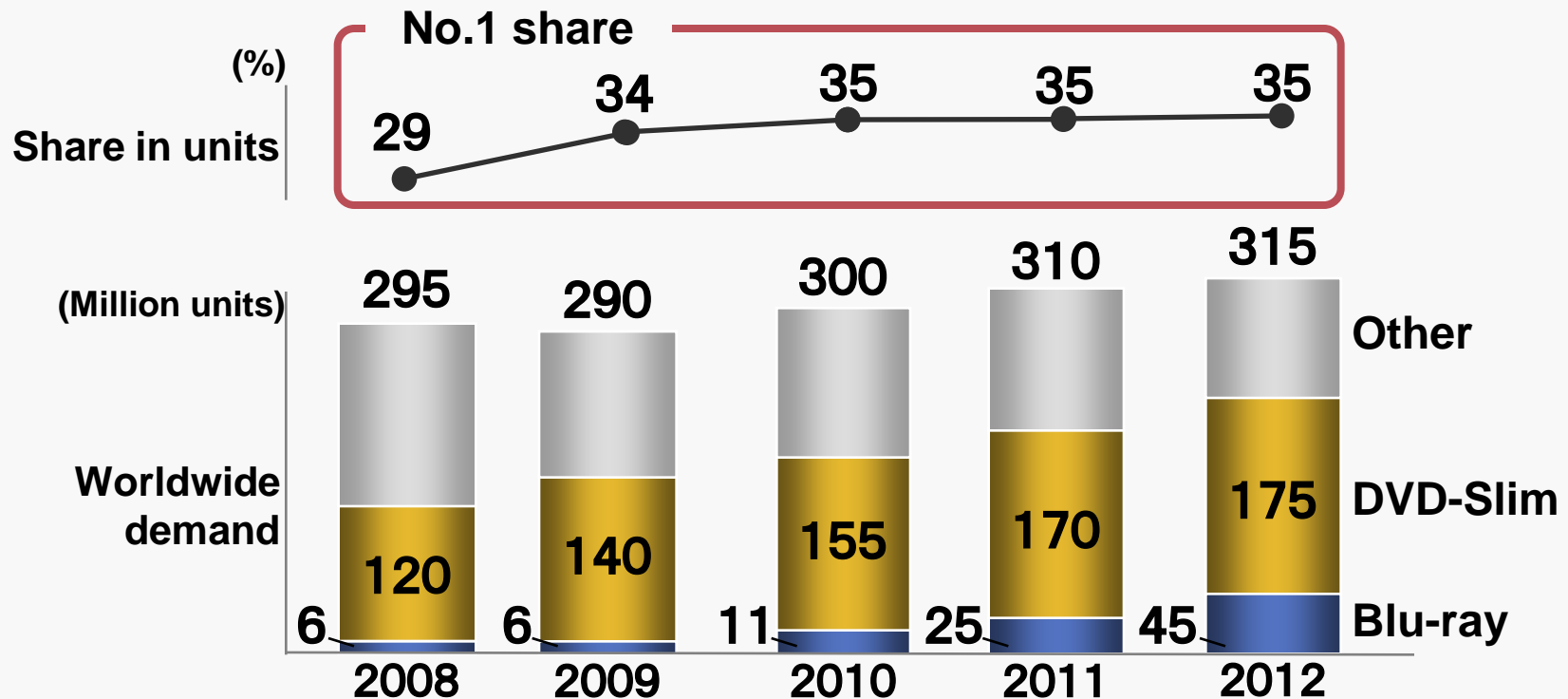
2-6. Video and Components Business: Optical Storage (1)

Target

Maintain and expand No.1 share (35% in FY2010)

Market and Hitachi's position

Target worldwide share: Over 35% in FY2010



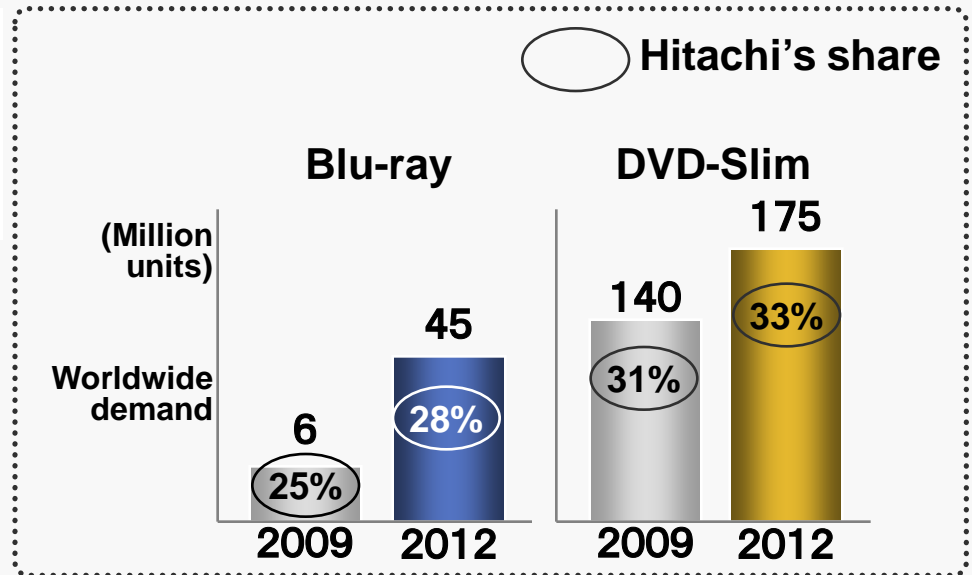
(Note) Share source: HLDS

Business strategy

- Increase share in the growing value-added zone
- Create new businesses

Optical drives

Maintain No.1 share by expanding sales of high-value-added products (Blu-ray, DVD-Slim)



(Note) Share source: HLDS

New businesses

Develop products combining optical drives and HDDs

2-8. Flat-panel TV Business (1)

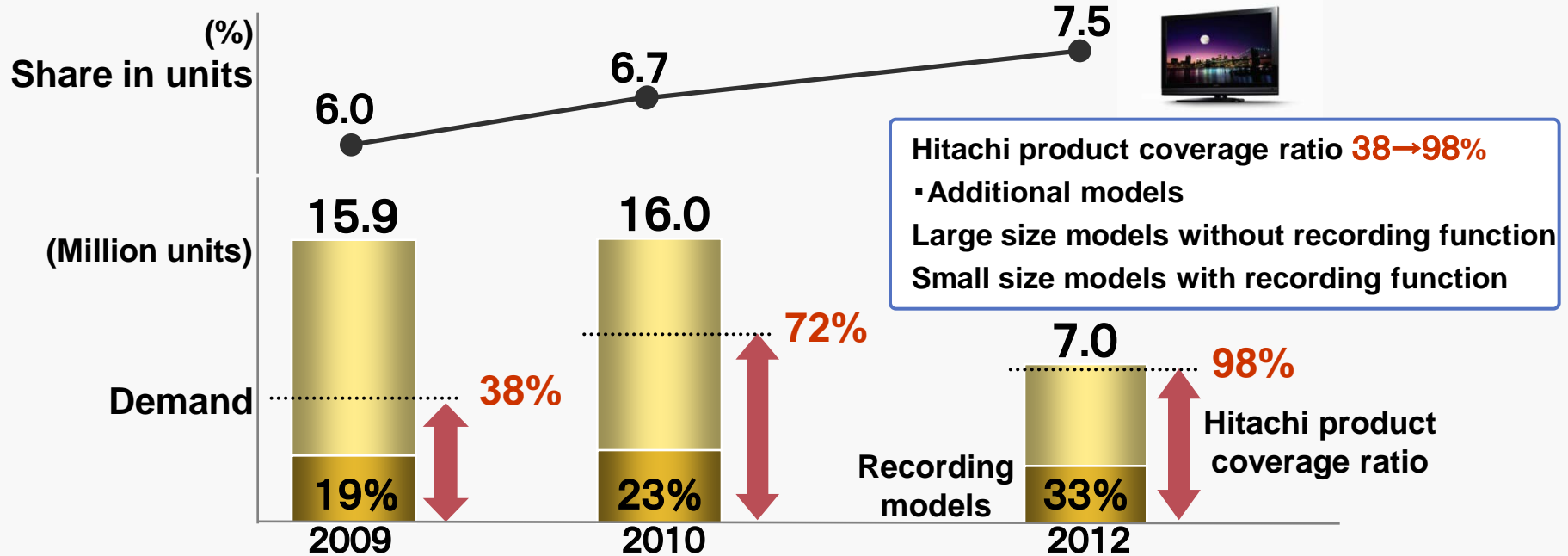
Strengthen Japanese business

- Concentrate development resources for Japan market to stabilize profitability
- Expand the lineup by utilizing procured products and cut fixed expenses

Restructure overseas operations

- Shift from in-house production to procurement/focus more on sales channels

Japan market and share



(Note) Demand source: FY2009 JEITA; FY2010 onwards: Hitachi prediction

Important Development Themes

	Important Development Themes	Main Points
Picture quality	Rigorously pursue energy efficiency and high picture quality	<ul style="list-style-type: none"> ▪ Resolution enhancement technologies (RET) ▪ High picture quality 3D
Energy saving		<ul style="list-style-type: none"> ▪ New format LED backlighting technologies
Internet enabled	IP home networking	<ul style="list-style-type: none"> ▪ Woonet + DLNA ▪ Advanced user interface
Recording	Enhance ease of use	<ul style="list-style-type: none"> ▪ HDD + iVDR

DLNA (Digital Living Network Alliance): A standard that allows digital AV equipment and PCs to share content across a home network.
iVDR (Information Versatile Disk for Removable usage): A cassette-type removable hard disk drive.

Progressive TV technologies

Video, networking, user interface

■ Energy saving, high picture quality

- New format LED backlighting technologies



■ Camera and sensor technologies

- Presence detection



- Gesture remote control



■ Network technologies

- Ultra-high definition

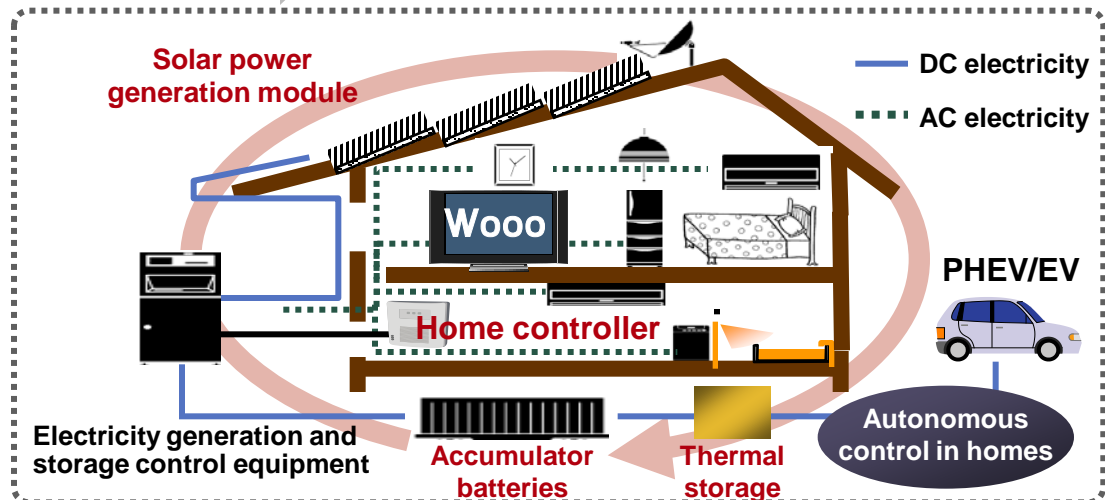


■ TV technologies for the environment

- Networks (IP, home networks)
- Data security management
- Advanced user interfaces
- People detection, face recognition
- LED applications
- Energy saving

■ Develop an eco-friendly lifestyle infrastructure business

- System integration
- Power control and information networks
- Knowledge extraction
- Data security management
- Energy management (Integrated control)
- Improved LEDs (Lighting, backlights)



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3-1. FY2012 Management Targets

	Revenues	Overseas revenue ratio	Operating income (loss) ratio
FY2009	¥418.9 billion	65%	(2.9%)
			
FY2012	¥380.0 billion	77%	1.8%

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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