Hitachi Appliances
Business Strategy
Hitachi IR Day 2013

June 13, 2013
Takanori Ninomiya
President and Director
Hitachi Appliances, Inc.
Hitachi Appliances Business Strategy

Contents
1. Position of Hitachi Appliances, Business Overview and FY2012 Business Performance
2. Growth Strategy
3. Business Performance Plan
1-1. Position within Hitachi Group

FY2012 consolidated revenues
9,041 billion yen

[ ]:Composition ratio(%) 

- Financial Services [3]
- Digital Media & Consumer Products 818.5 billion yen [8]
- Automotive Systems [8]
- Construction Machinery [7]
- Electronic Systems & Equipment [10]
- Social Infrastructure & Industrial Systems [13]
- Information & Telecommunication Systems [18]
- Power Systems [9]
- Others [11]

Hitachi Appliances, Inc.  569.9 billion yen
--- Accounts for 70% of entire Digital Media & Consumer Products Segment

Hitachi Appliances, Inc. 

[ Value Chain ]

- R&D and manufacturing
- Sales and services
- Customers

B to B  B to C

Hitachi, Ltd. laboratories, etc.
Others

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Supply eco-friendly, comfortable home appliances and air-conditioning products based on cutting-edge technologies to the world.

A key element of the Social Innovation Business through social and home infrastructure products.

Spread the Hitachi brand to the world.

A corporation that contributes to the global environment.

* LED lighting, Solar power generation systems, IH cooking heaters, Heat-pump water heaters, fluorescent lamps, etc.
### FY 2012 Business Performance (Vs. Previous forecast and FY2011)

<table>
<thead>
<tr>
<th></th>
<th>FY2011 (Results)</th>
<th>FY2012 (Previous forecast)</th>
<th>FY2012 (Results)</th>
<th>YoY</th>
<th>Compared to previous forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>546.1</td>
<td>560.0</td>
<td>569.9</td>
<td>104%</td>
<td>102%</td>
</tr>
<tr>
<td>Air conditioning business</td>
<td>291.5</td>
<td>290.0</td>
<td>288.8</td>
<td>99%</td>
<td>100%</td>
</tr>
<tr>
<td>Home appliances business</td>
<td>254.6</td>
<td>270.0</td>
<td>281.1</td>
<td>110%</td>
<td>104%</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>32%</td>
<td>31%</td>
<td>32%</td>
<td>±0</td>
<td>+1point</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>1.0%</td>
<td>2.5%</td>
<td>1.3%</td>
<td>+ 0.3point</td>
<td>-1.2point</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>1.7%</td>
<td>2.7%</td>
<td>2.2%</td>
<td>+ 0.5point</td>
<td>-0.5point</td>
</tr>
</tbody>
</table>

Achieved initial plans for revenues and overseas revenue ratio, but the operating income ratio was lower than forecast due mainly to fiercer electrical home appliance competition in Japan and the impact of a fire in India.

EBIT: Earnings before Interest and Taxes
Hitachi Appliances Business Strategy

Contents

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2-1. Market Trends

**Market Trends**

Over the next 3 years

Market *1 expansion of more than 1 trillion yen

- **Growing emerging nations markets**
  - Emerging nations economic growth
  - Growing middle-income group

- **Rising environmental consciousness**
  - Expanding lower power consumption needs
  - Widening global application of energy-saving and refrigerant regulations

[Global Air Conditioning and Home Appliance Demand]*1

Trillion yen

<table>
<thead>
<tr>
<th>Year</th>
<th>Air conditioning</th>
<th>Home appliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10.4</td>
<td>5.9</td>
</tr>
<tr>
<td>2015</td>
<td>11.6 +1.2</td>
<td>6.9</td>
</tr>
</tbody>
</table>

**Emerging nations markets**
- China
- India
- Southeast Asia
- Middle East
- Brazil

[Growing Middle-income Group*2 in Asian Belt Zone]

Approx. 100 million household increase over the next 3 years

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>Status</th>
</tr>
</thead>
</table>
| Malaysia          | More stringent energy-saving regulations (2013~)
|                   | Prohibits production and import of HCFC equipment (2015~) |
| Thailand          | More stringent energy-saving regulations (2013~) |
| India             | Energy-saving regulations (2010~) |
| Saudi Arabia      | More stringent energy-saving regulations (2013~)
|                   | Prohibits production and import of HCFC equipment (2015~) |
| Brazil            | More stringent energy-saving regulations (2012~) |

HCFC: Hydro Chloro Fluoro Carbon

*1 Target markets (Air conditioning (worldwide); home appliances (total of Japan, China, India, Southeast Asia, Middle East)) Hitachi Appliances estimate

*2 No. of households earning at least US$10,000 a year
Source: IMF, United Nations

*3 Middle East: total of Saudi Arabia, UAE, Egypt, and Israel

*4 ASEAN: total of Thailand, Vietnam, Malaysia, Indonesia, the Philippines and Singapore

Source: IMF, United Nations

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2-2. Hitachi Appliances Strategy

Growth Strategy

Actively business expansion in emerging nations markets

Invest a further 24 billion yen over the next 3 years mainly in existing production and sales infrastructure

Promote environmental technology

Promote local production for local consumption with cutting-edge environmental technologies originating in Japan, in association with laboratories, in line with individual country needs and regulations

Expand business by at least 100 billion yen, mainly in emerging nations markets

Develop and use resources

Promote sales strategy together with Hitachi Consumer Marketing

Utilize Hitachi’s collective capabilities, including Infrastructure Systems Group

Explore use of outside resources

Promote Social Innovation Business by providing competitive products

Solutions  Services  Products

Strengthen earnings base

Hitachi Smart Transformation Project

Cost structure reform  Global business reform  Improve cash flows
Promoting Japan-originated Cutting-edge Energy-saving Technologies Worldwide

Won the FY 2012 “Energy Conservation Grand Prize” for two products

Large-capacity refrigerator

Approx. 12% reduction*2 in annual power consumption with Hitachi’s own energy-saving technologies

R-C6700

Multi-split air conditioners

Approx. 19% reduction*5 in annual power consumption thanks to industry-leading*4 APF (Annual Performance Factor) in Japan

RAS-AP280DG1

*1 Of the 14 models in the Shinku-chilled SL series, 11 models, including R-C6700, won awards.
*2 R-C6700 compared with R-B6700, the company’s previous model (FY2011 model)
*3 All 17 high-efficiency models, including RAS-AP280DG1, won awards
*4 As of January 24, 2013. For models eligible to display APF.
Company high-efficiency models eligible to display APF:
System capacity: 14 kW, 16 kW, 22.4 kW, 28 kW, 33.5 kW
*5 Comparison with RAS-AP280GS, the company’s previous model (FY2008 high-efficiency model)
Sales Strategy: Targeting the Asian Belt Zone Through Cooperation Between Manufacturing and Sales

**Hitachi Consumer Marketing, Inc.**
- Strengthen sales capabilities by bolstering sales team
- Established sales company in Dubai: Step up sales in UAE and Saudi Arabia
- Step up market presence with sales base expansion (Indonesia, Vietnam, Myanmar, etc.)
- Shift TV sales resources to electrical home appliances and air conditioning business

**Hitachi Appliances, Inc.**
- Establish development system and ramp up production of premium products
- Develop products for local consumption using Japanese technologies (refrigerators, washing machines, vacuum cleaners, room air conditioners, packaged air conditioners, and chillers)
- Ramp up production (India, Thailand, Malaysia, etc.)

**Middle East**
- Accelerate sales expansion centered on Hitachi Sales Middle East FZE (established in April 2013)
- Established sales company in Dubai
- Step up sales in UAE and Saudi Arabia
- Step up market presence with sales base expansion (Indonesia, Vietnam, Myanmar, etc.)

**Southeast Asia**
- Strengthen sales company network (Branches established in Bandung and Makassar in March 2013)
- Use home appliance sales channels to expand commercial packaged air conditioners

**China**
- Expand leveraging “Made in Japan” premium products
- Drive further expansion of the sales and service networks for commercial packaged air conditioners

**India**
- Establish and bolster sales and service network covering the whole of India
- Use air conditioner sales channels to expand the refrigerator business

**Asian belt zone revenues**: increase from 140.0 billion yen (FY2012) to 210.0 billion yen (FY2015)
2-5. Strategy by Business / Air Conditioning (1)

### Basic Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive air conditioning strategy</strong></td>
<td>Support customers with a broad lineup ranging from home-use air conditioners to building- and industrial-use air conditioners</td>
</tr>
<tr>
<td><strong>Product Strategy</strong></td>
<td>Launch No.1 energy-saving products compliant with environmental regulations in each area</td>
</tr>
</tbody>
</table>
| **Regional Strategy**           | Concentrate investments into manufacturing and sales channel in emerging nations markets  
• Invested 13 billion yen during FY2010-FY2012 period and plan to reap the benefits going forward  
• Plan to invest a further 14 billion yen in FY2013-FY2015 period |

### Comprehensive air conditioning strategy

- **Outstanding technological capabilities and a broad lineup**
  - **Home use**
  - **Commercial use (Shops, Buildings, etc)**
  - **Industrial use**
  - **Room air conditioners**
  - **Packaged air conditioners**
  - **Absorption & Centrifugal chillers**

- **Respond to various air conditioning needs**
  - Provide air conditioning solutions compliant with environmental regulations and other requirements in each area

- **Procurement, manufacturing and sales synergies**
2-6. Strategy by Business / Air Conditioning (2)

**Product Strategy**

- **Japan**
  - Develop high-performance, energy-saving products
  - R134a Chiller units for air conditioning
  - Large, highly efficient chillers (Absorption/Centrifugal)

- **Overseas**
  - Launch No.1 energy-saving products compliant with environmental regulations in each area

**Regional Strategy**

- **India**
  - Aggressively target emerging nations markets leveraging existing manufacturing and sales infrastructure
  - [Examples of Initiatives in Key Countries]
    - Expand commercial-use air conditioner business leveraging existing sales and service networks
      - **M** Successively launch new commercial-use products
      - **S** Establish and bolster sales and service network covering the whole of India
      - January 2013 commence operations at new plant

  - **Invest 2 billion yen (FY2013-2015)**
    - **M** : Manufacturing  **S** : Sales

- **Brazil**
  - Accelerate growth with a broad lineup ranging from home-use air conditioners to industrial-use air conditioners
    - **M** Commence operations at Manaus factory
    - **S** Target new sales channels with a broad lineup
    - June 2013 commence operations at new plant

  - **Invest 3 billion yen (FY2013-2015)**
    - **M** : Manufacturing  **S** : Sales

2-7. Strategy by Business / Home appliances business

**Target Asian belt zone leveraging the domestic business**
- Increase production capacity of core Thai manufacturing bases
  - Toward FY2015: refrigerators 1.4 times, washing machines 1.3 times (Vs. FY2012), etc.

**Product Strategy**
- Promote project-based development for producing a string of hit products
- Provide premium products matching market characteristics and preferences in each region

**Basic Strategy**
- Develop premium strategy according to the market
- Target Asian belt zone leveraging the domestic business
- Increase production capacity of core Thai manufacturing bases
  - Toward FY2015: refrigerators 1.4 times, washing machines 1.3 times (Vs. FY2012), etc.
- Strengthen LED lighting and solar power generation systems business

**Product Strategy**
- Electrical home appliances
  - Overseas revenue ratio (%)
  - Growth rate with FY2012 as the base year of 100

**Targets**
- FY2012
  - Electrical home appliances
    - Japan: 100 billion yen
    - Overseas: 281.1 billion yen
- FY2015
  - Electrical home appliances
    - Japan: 114 billion yen
    - Overseas: 320.0 billion yen

**New environmental technologies**
- Electrical home appliances
  - FY2012: 100 billion yen
  - FY2015: 150 billion yen

**Overseas**
- Semi-globalization
  - Asia
  - Middle East
  - China
  - Hong Kong
  - Taiwan area

**Unique Flagship**
- Japan Quality
- Made in Japan

*2 Premium strategy: create a high-end brand by developing premium products in each region that are fun to use and offer high energy-saving performance

*3 Electrical home appliances (5 main products)
Refrigerators, washing machines, vacuum cleaners, microwave ovens, and rice cookers

Source: JEMA (Terms of monetary shipping amounts)
2-8. Strengthening New Environmental Technologies business

**LED lighting**

**Premium LED ceiling lights**
- Creates a quality ambiance with top-class brightness

**LED light bulbs**
- Achieves brightness equivalent to 100 W incandescent bulbs with Hitachi’s unique brightness technology

**Facility-use LED lighting**
- Broad lineup ranging from high brightness to energy-saving products

<table>
<thead>
<tr>
<th>No. of LED models</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>For homes lightbulbs</td>
<td>124</td>
<td>153</td>
</tr>
<tr>
<td>Facility-use</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>453</td>
<td>989</td>
</tr>
</tbody>
</table>

**Solar power generation systems**

**Power conditioners**
- Proprietary control for minimizing the impact of partial shading
- Top-class power conversion ratio of 96%

**Solar cell modules**
- High output, high efficiency

**Installation**
- Install on roofs of any shape

**Solar power generation systems**
- that can provide customers with even more electricity

**[Full Utilization of Sales Resources]**
- BtoC: Integrated sales expansion with electrical home appliances
- BtoB: Sales promotion of air conditioning and lighting together

Expand sales by fully utilizing sales and business resources cooperation with Hitachi Consumer Marketing

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2-9. Initiatives for Expanding Solutions and Services Business

Provide solutions and services integrated with the Hitachi group companies in Infrastructure Systems Group

Infrastructure Systems Group

Solutions and Services
- Building energy-saving systems, Transportation systems, Urban systems...

Engineering
- Create environmentally friendly and comfortable spaces with control
- Standard interface
- Equipment control knowhow

Components

Hitachi Appliances, Inc.

Solutions and Services
- Maintenance
- Energy-saving support
- Operation

Components
- Absorption chillers
- Centrifugal chillers
- Packaged air conditioners
- Chiller units for air conditioning
- Multi-split air conditioners
- Facility-use LED lighting
- IH cooking heaters
- Solar power generation systems
- Heat-pump water heaters

Components
- Refrigerators
- Room air conditioners
- LED ceiling lights
- Vacuum cleaners
- Washing machines
- Microwaves
c

Infrastructure Systems Group

Infrastructure Systems Company
- Rail Systems Company
- Urban Planning and Development Systems Company

Information & Telecommunication Systems Group

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2-10. Strengthening the Earnings Base - FY2015 Targets

Aim to achieve targets by strengthening the earnings base through the Hitachi Smart Transformation Project.

Operating Income Ratio Comparison

*From each company's earnings releases

Company A

Company B

Company C

Company D

Hitachi Appliances

FY2015
Revenues: 700 billion yen
EBIT ratio: over 5%
(Operating income ratio: over 5%)
Overseas revenue ratio: over 40%

(EBIT ratio 2.2%)
2-11. Hitachi Smart Transformation Project

<table>
<thead>
<tr>
<th>Cost structure reform</th>
<th>[Main Initiatives]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Promoted VEC and global procurement</td>
</tr>
<tr>
<td></td>
<td>Developed technologies for using no or less rare earths</td>
</tr>
<tr>
<td></td>
<td>Reduced indirect expenses</td>
</tr>
<tr>
<td></td>
<td>Promoted modular design</td>
</tr>
<tr>
<td>Implementation centered on mother factories</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Global business reform</th>
<th>[Main Initiatives]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Promote business reforms with Hitachi Consumer Marketing (orders, logistics, services, etc.)</td>
</tr>
<tr>
<td></td>
<td>Promote measures to expand the services business</td>
</tr>
<tr>
<td></td>
<td>Utilize procurement schemes linked with Hitachi Transport System, Ltd. and other Hitachi Group companies</td>
</tr>
<tr>
<td></td>
<td>Standardize and centralize IT and business systems, utilize shared services</td>
</tr>
<tr>
<td></td>
<td>Visualized global human resources, and strategically assign and develop</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improve cash flows</th>
<th>[Main Initiatives]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduce inventories through global TSCM reform</td>
</tr>
<tr>
<td></td>
<td>Introduce trade finance linked with Hitachi Capital Corporation and other Hitachi Group companies</td>
</tr>
</tbody>
</table>

VEC : Value Engineering for Customers
MODAPTS : Modular Arrangement of Predetermined Time Standards
TSCM : Total Supply Chain Management

FY2015 total benefits: 27 billion yen
Hitachi Appliances Business Strategy

Contents
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Aim for global growth and a stronger earnings base

**Revenues (Billion yen)**

- FY2010: 502.6
- FY2011: 546.1
- FY2012: 569.9
- FY2013 Forecast: 610.0
- FY2015 Target: 700.0

**EBIT (Billion yen)**

- FY2010: 12.6
- FY2011: 9.3
- FY2012: 12.5
- FY2013 Forecast: 19.5
- FY2015 Target: Over 5%

**EBIT Home appliances**

- FY2010: 2.5%
- FY2011: 1.7%
- FY2012: 2.2%
- FY2013 Forecast: 3.2%
- FY2015 Target: Over 5%

**EBIT Air conditioning**

- FY2010: 10%
- FY2011: 10%
- FY2012: 10%
- FY2013 Forecast: 10%
- FY2015 Target: 10%

**Overseas revenue ratio**

- FY2010: 32%
- FY2011: 32%
- FY2012: 32%
- FY2013 Forecast: 34%
- Over 40%

**Aim for global growth and a stronger earnings base**
## 3-2. FY2013 Business Performance Forecast

### FY2013 Business Performance Forecast

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2012 (Results)</th>
<th>FY2013 (Forecast)</th>
<th>YoY</th>
</tr>
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<tr>
<td>Revenues</td>
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<tr>
<td>Overseas revenue ratio</td>
<td>32%</td>
<td>34%</td>
<td>+ 2point</td>
</tr>
<tr>
<td>EBIT ratio</td>
<td>2.2%</td>
<td>3.2%</td>
<td>+ 1point</td>
</tr>
</tbody>
</table>

### Notes
- **Seize opportunities to expand business globally**
- **Risk factor**
  - Higher procurement costs due to a weaker yen

### Summary
- Reap benefits through the Hitachi Smart Transformation Project
- Overcome with higher exports of “Made in Japan” products

### Steadily achieve targets in first year of 2015 Mid-term Management Plan
3-3. Conclusion

FY2015 Targets

- Revenues: 700 billion yen
  (overseas revenue ratio: over 40%)
- EBIT (operating income) ratio: over 5%
- Gross margin 2.4 point improvement (Vs. FY2012)
- SG&A expense ratio 1.3 point improvement (Vs. FY2012)

A corporation that contributes to the global environment

Growing emerging nations markets

Rising environmental consciousness
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 any “forward-looking statement” 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 investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- 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;
- 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 Digital Media & Consumer Products segments;
- 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;
- 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, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- 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;
- 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;
- 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 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 by earthquakes, tsunamis 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 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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