

Hitachi Appliances Business Strategy

Hitachi IR Day 2013

June 13, 2013

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Hitachi Appliances, Inc.**

Hitachi Appliances Business Strategy

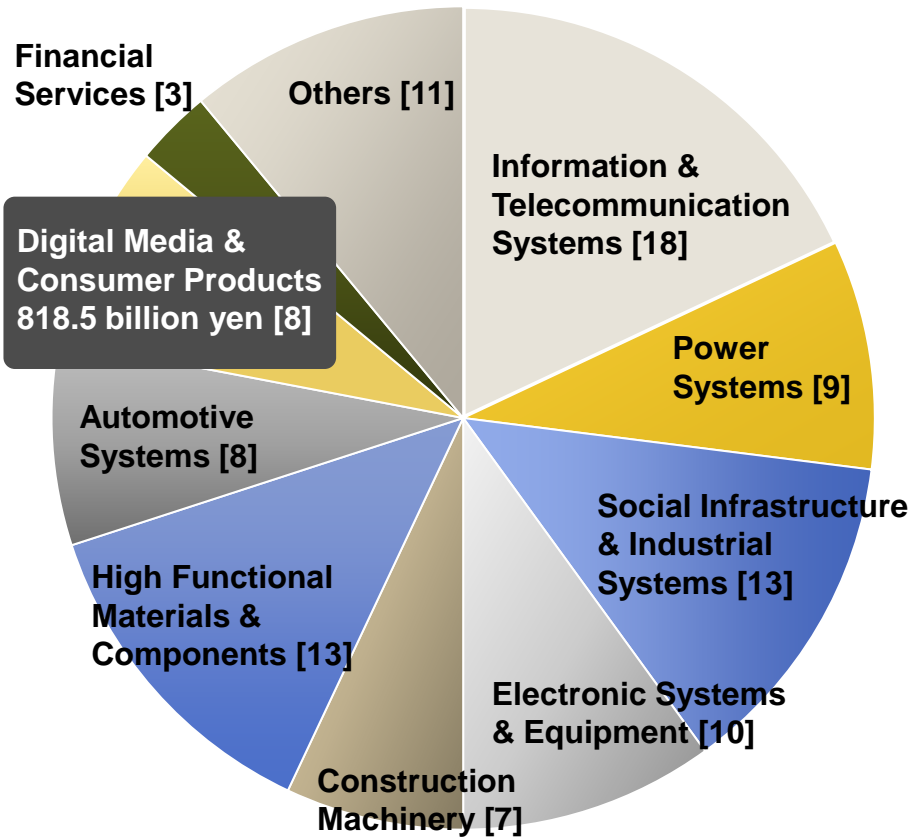
Contents

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

1-1. Position within Hitachi Group

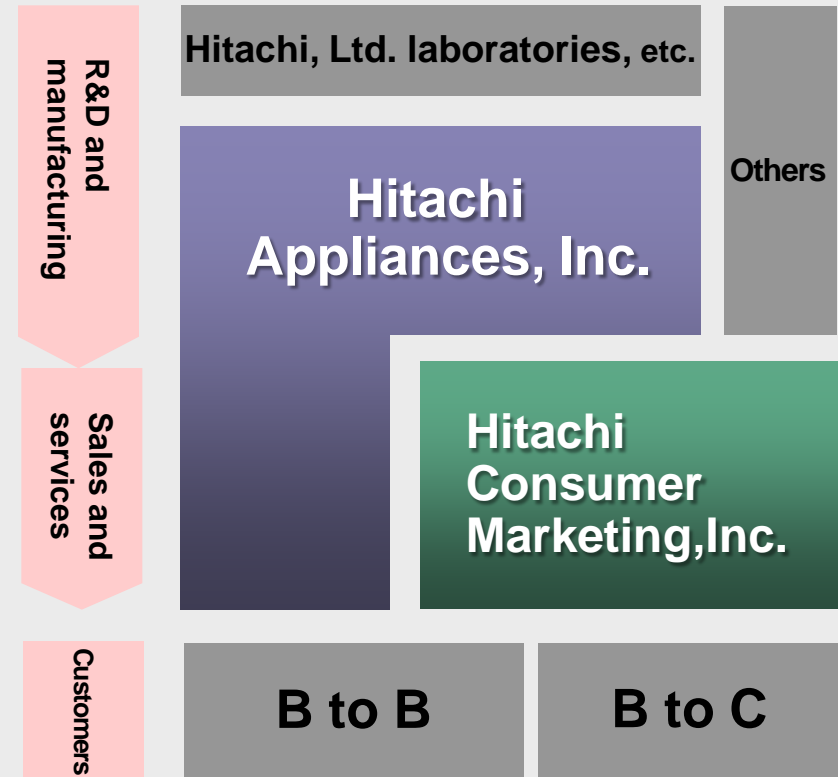
FY2012 consolidated revenues
9,041 billion yen

[]:Composition ratio(%)



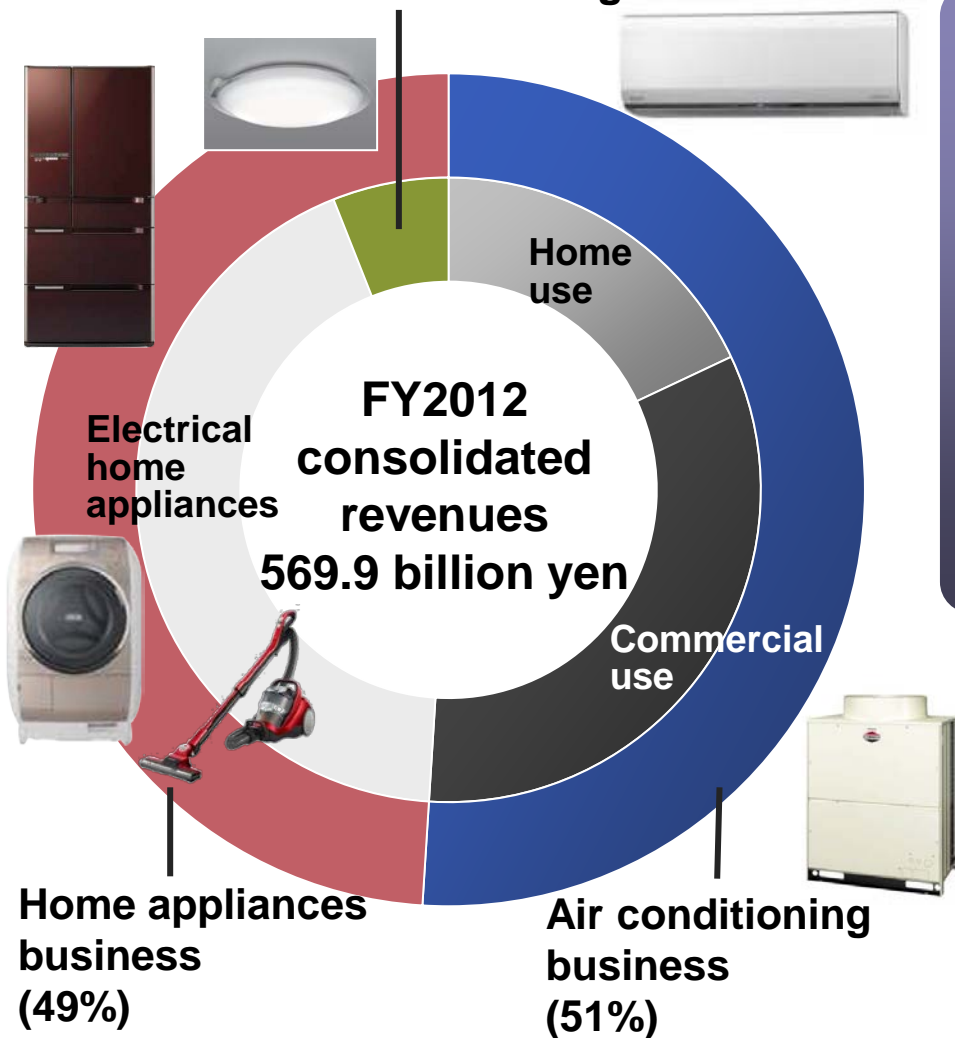
Hitachi Appliances, Inc. 569.9 billion yen
--- Accounts for 70% of entire Digital Media & Consumer Products Segment

[Value Chain]



1-2. Hitachi Appliances Business Overview

New environmental technologies*



Hitachi Appliances, Inc.

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

Growing emerging nations markets



A corporation that contributes to the global environment

Rising environmental consciousness

* LED lighting, Solar power generation systems, IH cooking heaters, Heat-pump water heaters, fluorescent lamps, etc.

1-3. FY2012 Business Performance

FY 2012 Business Performance (Vs. Previous forecast and FY2011)

(Billion yen)

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

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

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Market Trends

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

Over the next 3 years

Market *1 expansion of more than 1 trillion yen

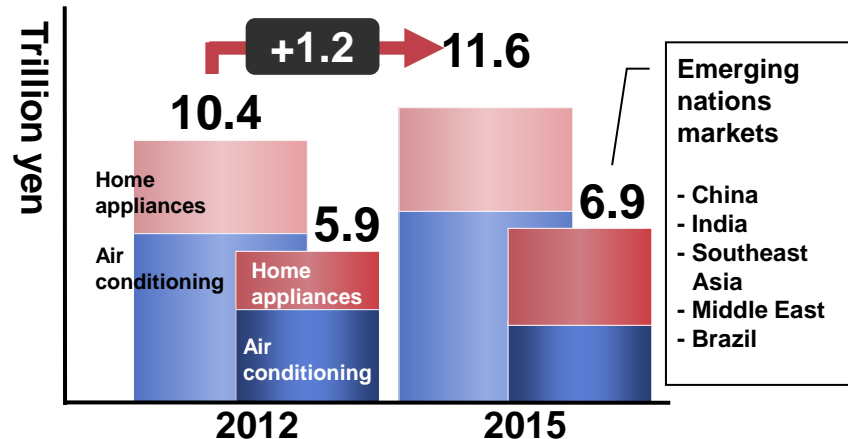
Growing emerging nations markets

- Emerging nations economic growth
- Growing middle-income group

Rising environmental consciousness

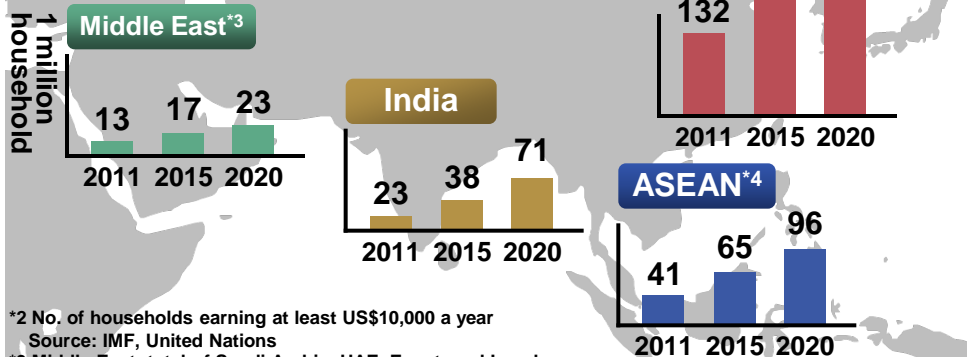
- Expanding lower power consumption needs
- Widening global application of energy-saving and refrigerant regulations

[Global Air Conditioning and Home Appliance Demand]*1



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

Approx. 100 million household increase over the next 3 years



*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

[Widening Application of Energy-saving and Refrigerant Regulations in Emerging Nations Markets]

HCFC: Hydro Chloro Fluoro Carbon

Country or Region	Status
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~)

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**

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

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

**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

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

Large-capacity refrigerator

スリープ保存
真空チルドSL^{*1}
日立冷蔵庫

Approx. 12% reduction^{*2}
in annual power consumption
with Hitachi's own energy-
saving technologies



R-C6700



*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)

Multi-split air conditioners

FLEXMULTI^{*3}

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



RAS-AP280DG1



*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)

Promoting Cutting-edge Energy-saving Technologies Worldwide

2-4. Sales Strategy: Targeting the Asian Belt Zone Through Cooperation Between Manufacturing and Sales

Hitachi Consumer Marketing, Inc.

- Strengthen sales capabilities by bolstering sales team

Middle East Established sales company in Dubai
Step up sales in UAE and Saudi Arabia

Southeast Asia 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

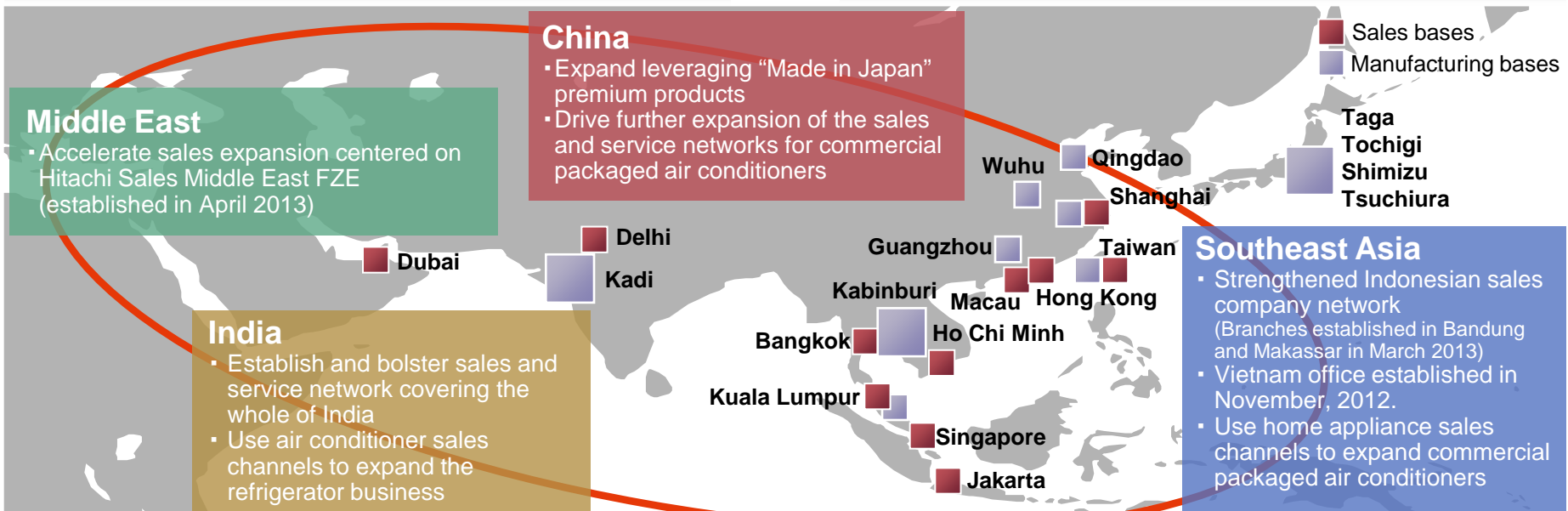
Development Develop products for local consumption using **Japanese technologies** (refrigerators, washing machines, vacuum cleaners, room air conditioners, packaged air conditioners, and chillers)

Production Ramp up production
(India, Thailand, Malaysia, etc.)



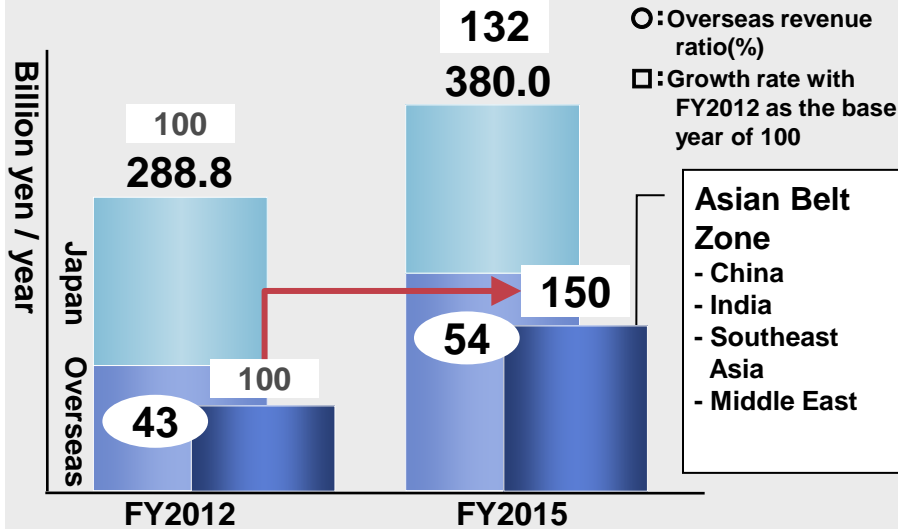
Advertising

Asia and Middle East campaign
Promote Hitachi brand strategy



Asian belt zone revenues: increase from 140.0 billion yen (FY2012) to 210.0 billion yen (FY2015)

Targets



Basic Strategy

Comprehensive air conditioning strategy	Support customers with a broad lineup ranging from home-use air conditioners to building- and industrial-use air conditioners
Product Strategy	Launch No.1 energy-saving products compliant with environmental regulations in each area
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

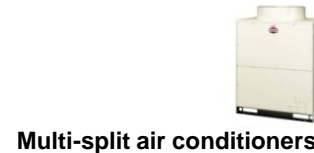
Outstanding technological capabilities and a broad lineup

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

Product Strategy

Japan

Develop high-performance, energy-saving products



Industry-leading APF (Annual Performance Factor) in Japan*

Overseas

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

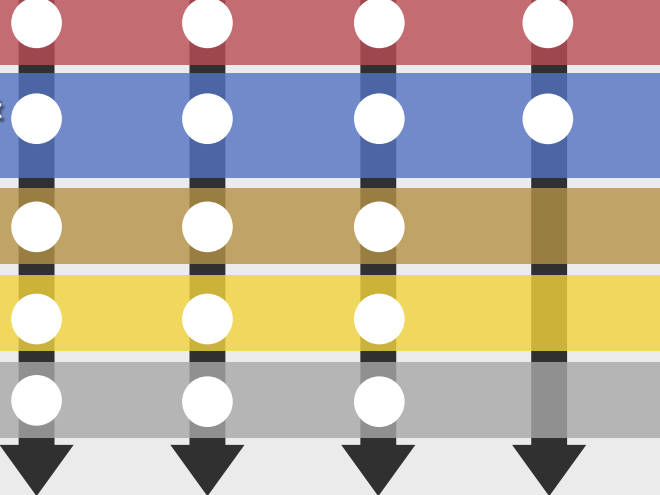
China

Southeast Asia

India

Brazil

Europe



Regional Strategy

Aggressively target emerging nations markets leveraging existing manufacturing and sales infrastructure

[Examples of Initiatives in Key Countries]

India

■ 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

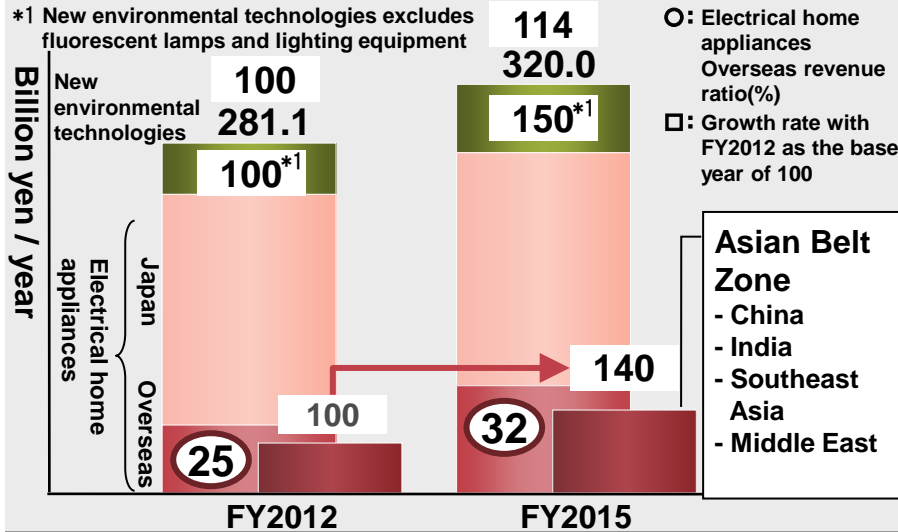
S Target new sales channels with a broad lineup

June 2013 commence operations at new plant

Invest 3 billion yen (FY2013-2015)

*Packaged Air Conditioning System for Stores and Offices: as of March 27, 2013.
High-efficiency multi-split air conditioners: as of January 24, 2013. In some products.

Targets



Basic Strategy

*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

Product Strategy	Develop premium strategy ^{*2} according to the market
Regional Strategy	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.
New environmental technologies	Strengthen LED lighting and solar power generation systems business

Product Strategy

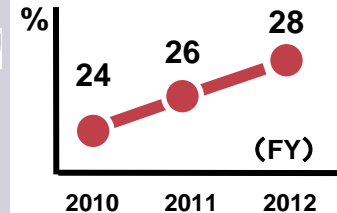
Japan

Promote project-based development for producing a string of hit products

日立はエコにたし算



[Electrical home appliances share]^{*3}



Source: JEMA (Terms of monetary shipping amounts)

*3 Electrical home appliances(5 main products)

Refrigerators, washing machines, vacuum cleaners, microwave ovens, and rice cookers

Overseas

Provide premium products matching market characteristics and preferences in each region

Semi-globalization

Asia

Middle East

Unique Flagship



China

Hong Kong

Japan Quality



Taiwan area

Made in Japan



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

No. of LED models
FY2012 ⇒
FY2013

For homes	lightbulbs	Facility-use
124 → 153	17 → 24	453 → 989

600 ⇒ 1,200 models (Forecast)

[Full Utilization of Sales Resources]

- BtoC : Integrated sales expansion with electrical home appliances
- BtoB : Sales promotion of air conditioning and lighting together

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

日立はエコに 日ざし見はり発電 をたし算

[Maintain installation quality and expand sales with installation certification system]

- HSS* Adviser...Store staffs:2,563
- HSS Installation certifiers...Installers:1,043
- HSS Master...Hitachi staffs:650

as of April 30, 2013
* HSS:Hitachi Solar Systems

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

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

Building energy-saving systems, Transportation systems, Urban systems ...

Maintenance

Energy-saving support

Operation

Create environmentally friendly and comfortable spaces with control

Standard interface

Equipment control knowhow

Information & Telecommunication Systems Group

Infrastructure Systems Company

Rail Systems Company

Urban Planning and Development Systems Company

.....



Hitachi Appliances, Inc.

Social infrastructure Industry, buildings, stores

Homes and living infrastructure



Absorption chillers



Centrifugal chillers



Packaged air conditioners



Chiller units for air conditioning



Multi-split air conditioners

New environmental technologies



Facility-use LED lighting



LED ceiling lights



Heat-pump water heaters (Commercial use, Home use)

IH cooking heaters



Solar power generation systems



Room air conditioners



Refrigerators



Microwave ovens



Vacuum cleaners



Washing machines

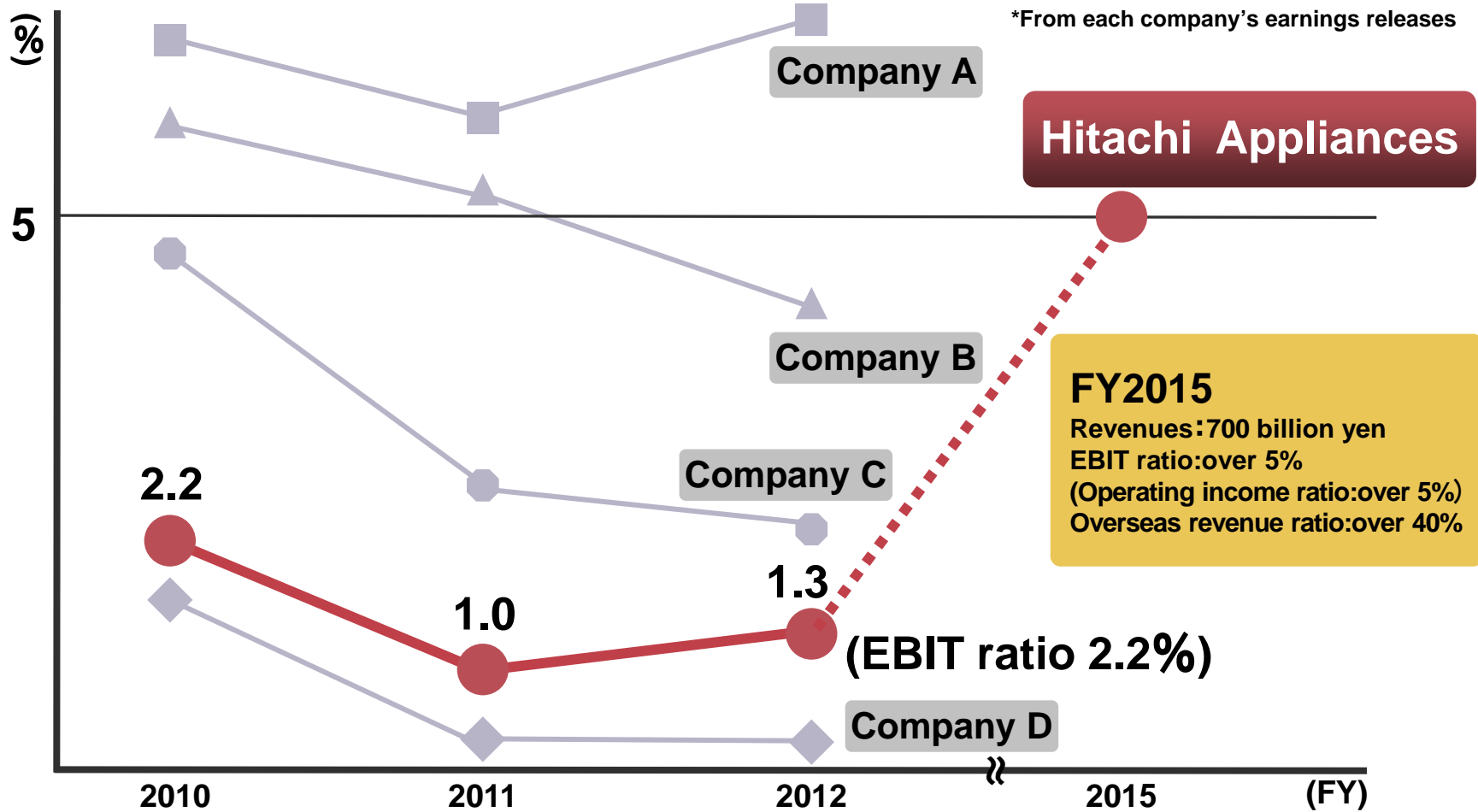
Solutions and Services

Engineering

Components

2-10. Strengthening the Earnings Base - FY2015 Targets

Operating Income Ratio Comparison



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

2-11. Hitachi Smart Transformation Project

2012 Mid-term Management Plan

2015 Mid-term Management Plan

FY2015 total benefits: 27 billion yen

Cost structure reform

[Main Initiatives]

- Promoted VEC and global procurement
- Developed technologies for using no or less rare earths
- Reduced indirect expenses
- Promoted modular design

Implementation centered on mother factories

[Main Initiatives]---In addition to existing initiatives

- Produce more key components internally, reduce costs
- Centralize purchasing to achieve lowest cost procurement worldwide
- Improve production efficiency by utilizing MODAPTS

Expand measures globally

Global business reform

[Main Initiatives]

- Promote business reforms with Hitachi Consumer Marketing (orders, logistics, services, etc.)
- Promote measures to expand the services business
- Utilize procurement schemes linked with Hitachi Transport System, Ltd. and other Hitachi Group companies
- Standardize and centralize IT and business systems, utilize shared services
- Visualized global human resources, and strategically assign and develop

Improve cash flows

[Main Initiatives]

- Reduce inventories through global TSCM reform
- Introduce trade finance linked with Hitachi Capital Corporation and other Hitachi Group companies

VEC : Value Engineering for Customers

MODAPTS : Modular Arrangement of Predetermined Time Standards

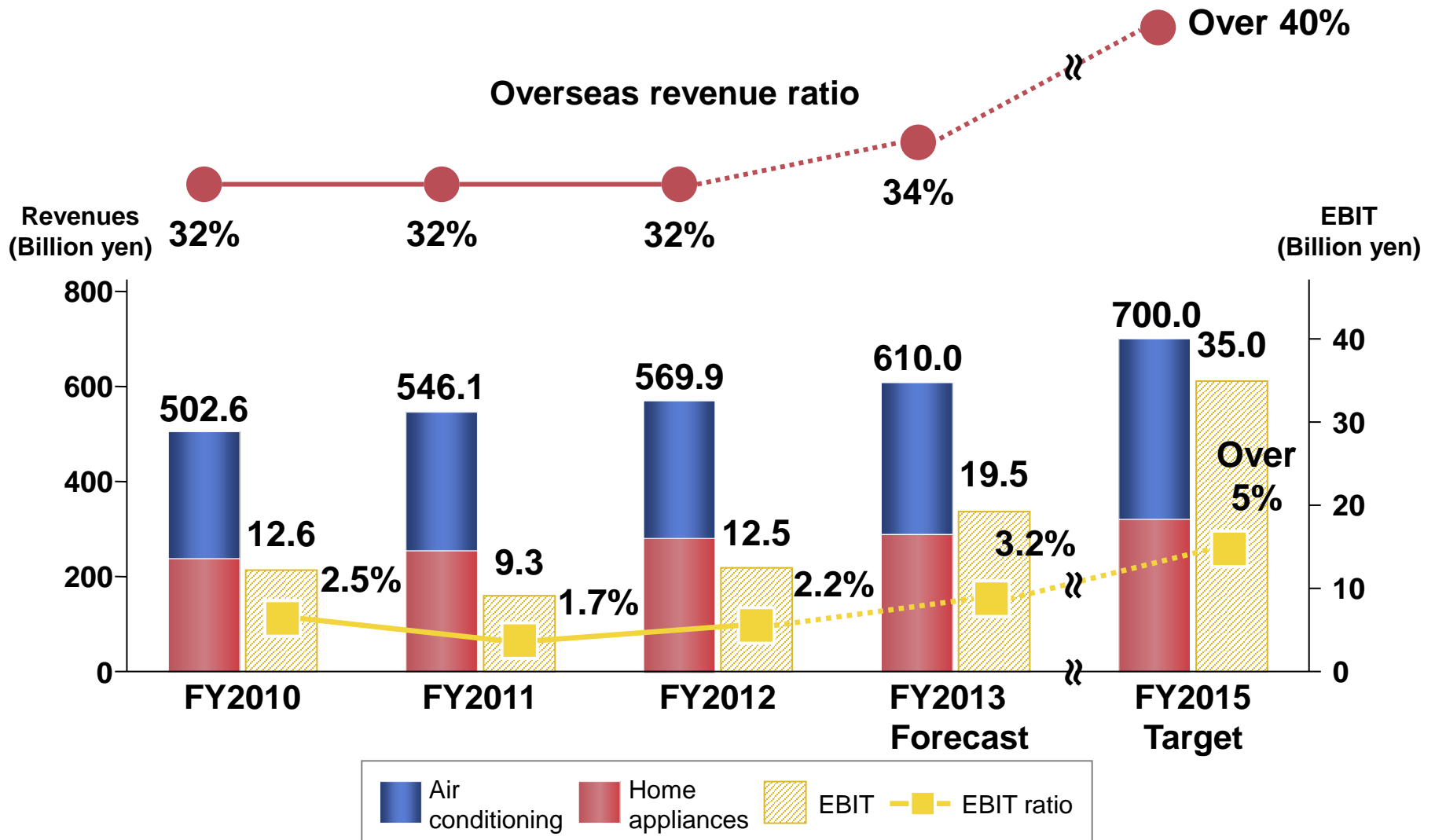
TSCM : Total Supply Chain Management

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3-1. Business Performance Plan Overview



Aim for global growth and a stronger earnings base

3-2. FY2013 Business Performance Forecast

FY2013 Business Performance Forecast

(Billion yen)

	FY2012 (Results)	FY2013 (Forecast)	YoY
Revenues	569.9	610.0	107%
Air conditioning business	288.8	320.0	111%
Home appliances business	281.1	290.0	103%
Overseas revenue ratio	32%	34%	+ 2point
EBIT ratio	2.2%	3.2%	+ 1point

Seize opportunities to expand business globally

Risk factor
Higher procurement costs due to a weaker yen

- 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

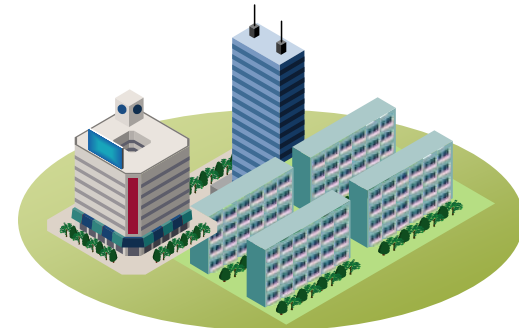
FY2015 Targets

- 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)

Growing
emerging
nations markets

A corporation that contributes
to the global environment

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 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 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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