

# Hitachi Appliances Business Strategy

Hitachi IR Day 2012

**June 14, 2012**

**Haruki Yamamoto**  
President and Director  
Hitachi Appliances, Inc.

# Hitachi Appliances Business Strategy

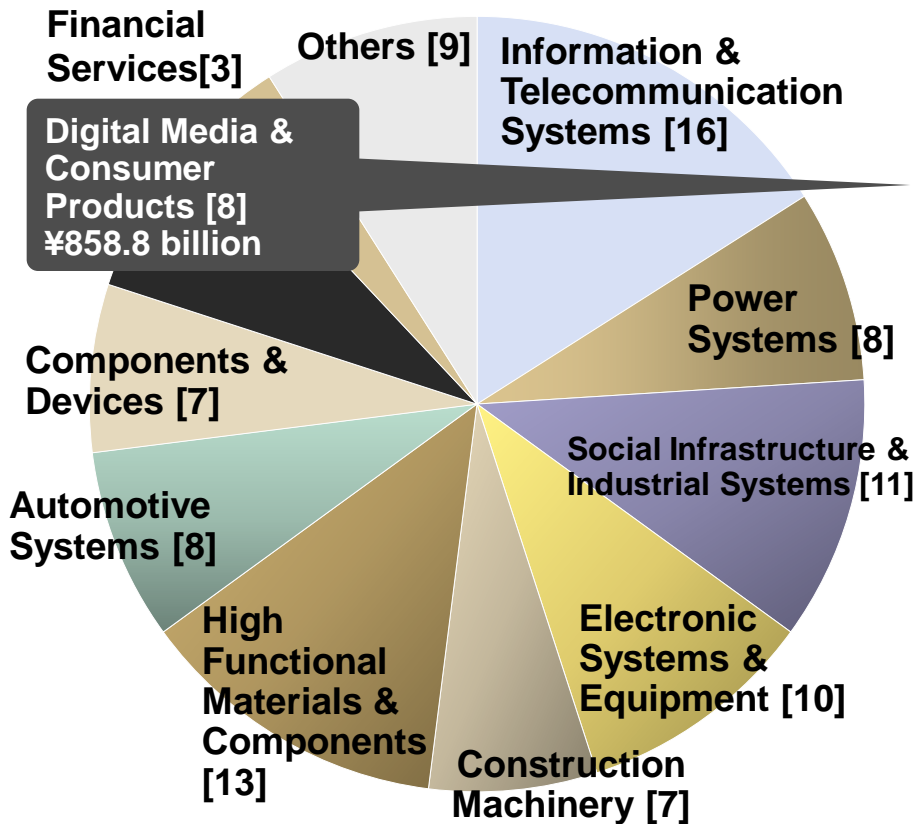
## Contents

- 1. Outline of Digital Media & Consumer Products Segment**
2. Hitachi Appliances Business Overview
3. FY2011 Business Performance
4. Growth Strategy
5. Business Performance Plan

# 1-1 Position of the Digital Media & Consumer Products Segment in the Hitachi Group

FY2011 consolidated revenues  
**¥9,665.8 billion\***

[ ]: Composition ratio (%)



## Main Companies in the Digital Media & Consumer Products Segment

Development and manufacturing

### Hitachi Appliances, Inc.

Home appliances

Air conditioning

### Hitachi Consumer Electronics Co., Ltd.

Flat-panel TVs

Video related products and components

Sales and services

### Hitachi Consumer Marketing, Inc.

Home appliances

Air conditioning

Flat-panel TVs

\*Mainly consumer route

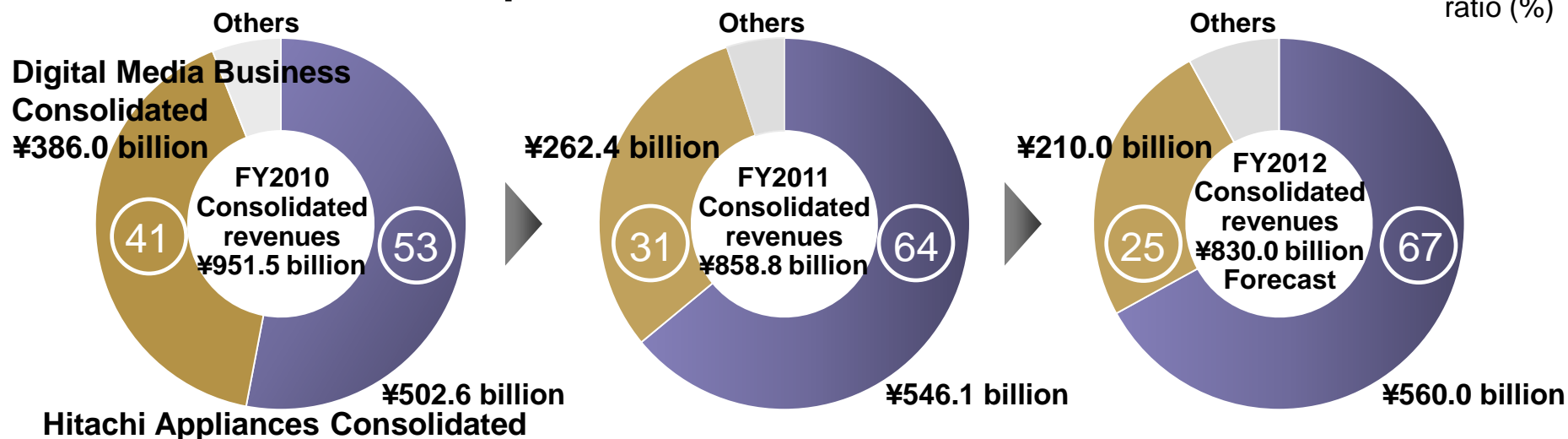
\*Total consolidated revenues of ¥9,665.8 billion includes eliminations and corporate items

# 1-2 Segment Revenue Composition

## Segment Revenue Composition (FY2011)

Breakdown	Revenues	Composition ratio
<b>Hitachi Appliances Consolidated</b> •Air conditioning business (Home use and commercial use) •Home appliances business (Electrical home appliances and new environment fields)	<b>¥546.1 billion</b>	<b>64%</b>
<b>Digital Media Business Consolidated</b> •Video related products and components •Flat-panel TVs	<b>¥262.4 billion</b>	<b>31%</b>

## Trend in Revenue Composition

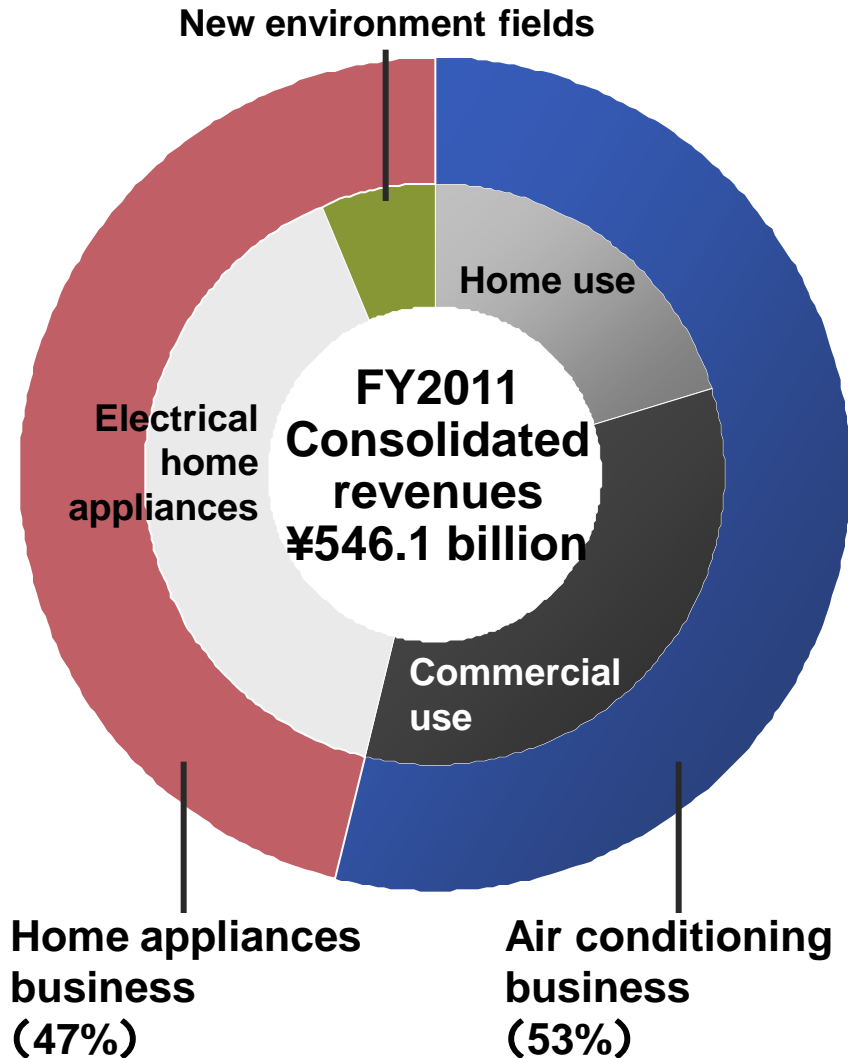


\*Flat-panel TVs will be reclassified from Digital Media Business Consolidated to Other from October 2012

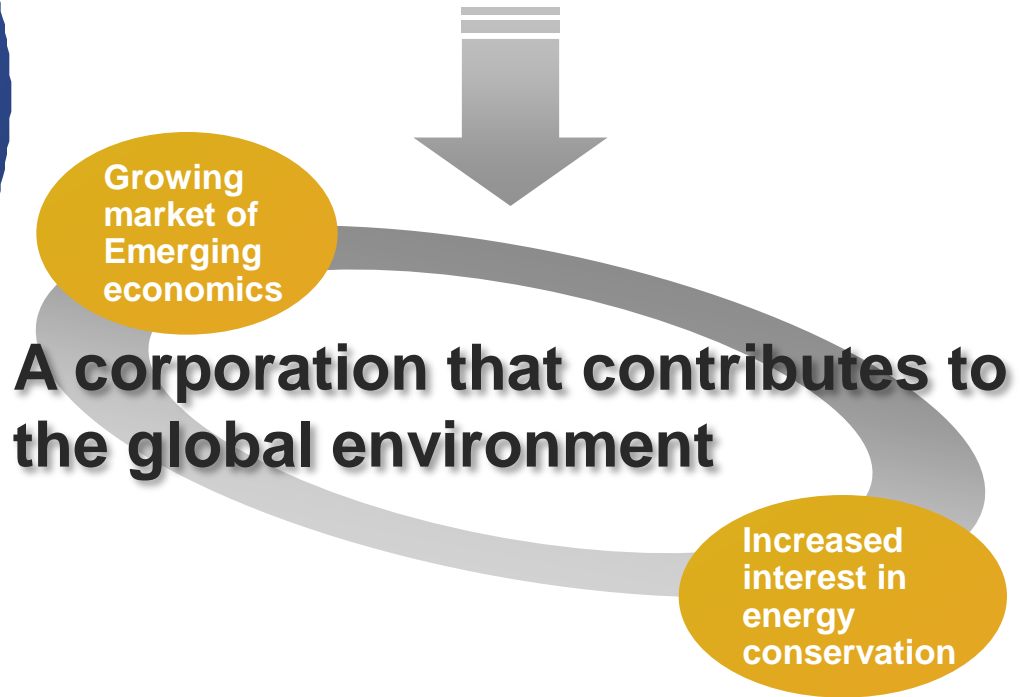
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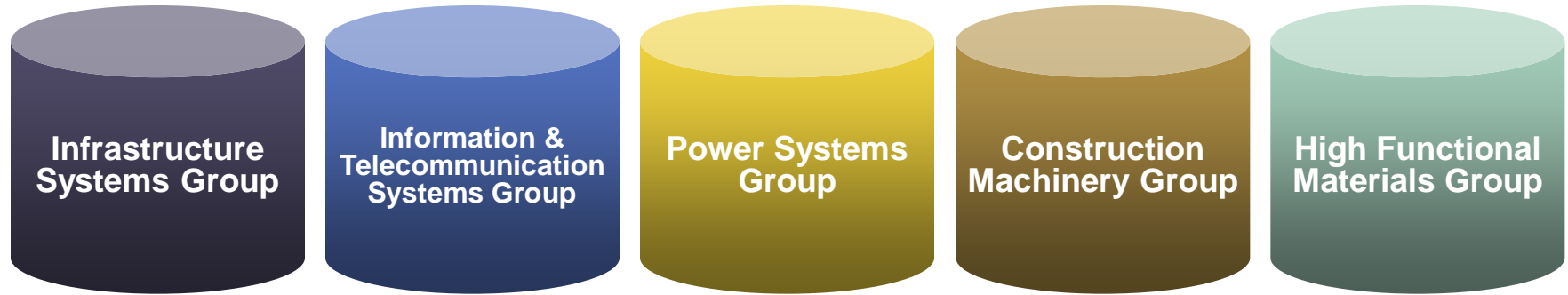
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**Hitachi Appliances is the corporations of Home Appliances and Air Conditioning**  
**Responsible for social and living infrastructure in the Hitachi Group**



## 2-2 Position of Hitachi Appliances within Hitachi Group



**Hitachi  
Appliances, Inc.**

**Hitachi Consumer  
Electronics Co., Ltd.**

**Hitachi Consumer  
Marketing, Inc.**

**The Digital Media & Consumer Products segments**

**Accelerate business expansion in support for social and living infrastructure**

# 2-3 Product Lineup(Air Conditioning)

Answer energy-saving needs and create comfortable air-conditioned environments in fields ranging from home use to industrial use

Industrial use

Commercial use (Shops, buildings, etc.)

Home use

## Room air conditioners



Room air conditioners

## Packaged air conditioners



Packaged air conditioners

## Absorption & centrifugal chillers



Absorption chillers



Air conditioners with powerful heating



Ceiling cassette type



Multi-split air conditioners



Air conditioning management system



Centrifugal chillers



# 2-4 Product Lineup(Home Appliances)

support people's lives, guided by the slogan "eco + α = Hitachi"

## Electrical home appliances

## New environment fields

### Refrigerators

インテリジェント真空保存  
**真空チルド**  
日立冷蔵庫



### Washing machines



### Vacuum cleaners



### LED lamps



### LED lighting

**LED ceiling light**



Merged in October 2010

### Microwave ovens

大火力 焼き蒸し調理  
**ヘルシーシェフ**  
日立過熱水蒸気オーブンレンジ



### Rice cookers

圧力蒸気  
**真空熱封**  
日立 IH ジャー炊飯器



### Air cleaners

プロアクティブ  
**クリアエア**  
日立 加湿空気清浄機



### IH cooking heaters

3口がすべて大火力IH  
**ダブルオールメタル対応(左右IH)**  
日立 IH クッキングヒーター



### EcoCute heat pump water heaters

日立エコキュート  
**ナイアガラ出湯**  
水道直圧給湯



Solar power generation systems  
Plan to sell under the Hitachi brand in  
summer 2012

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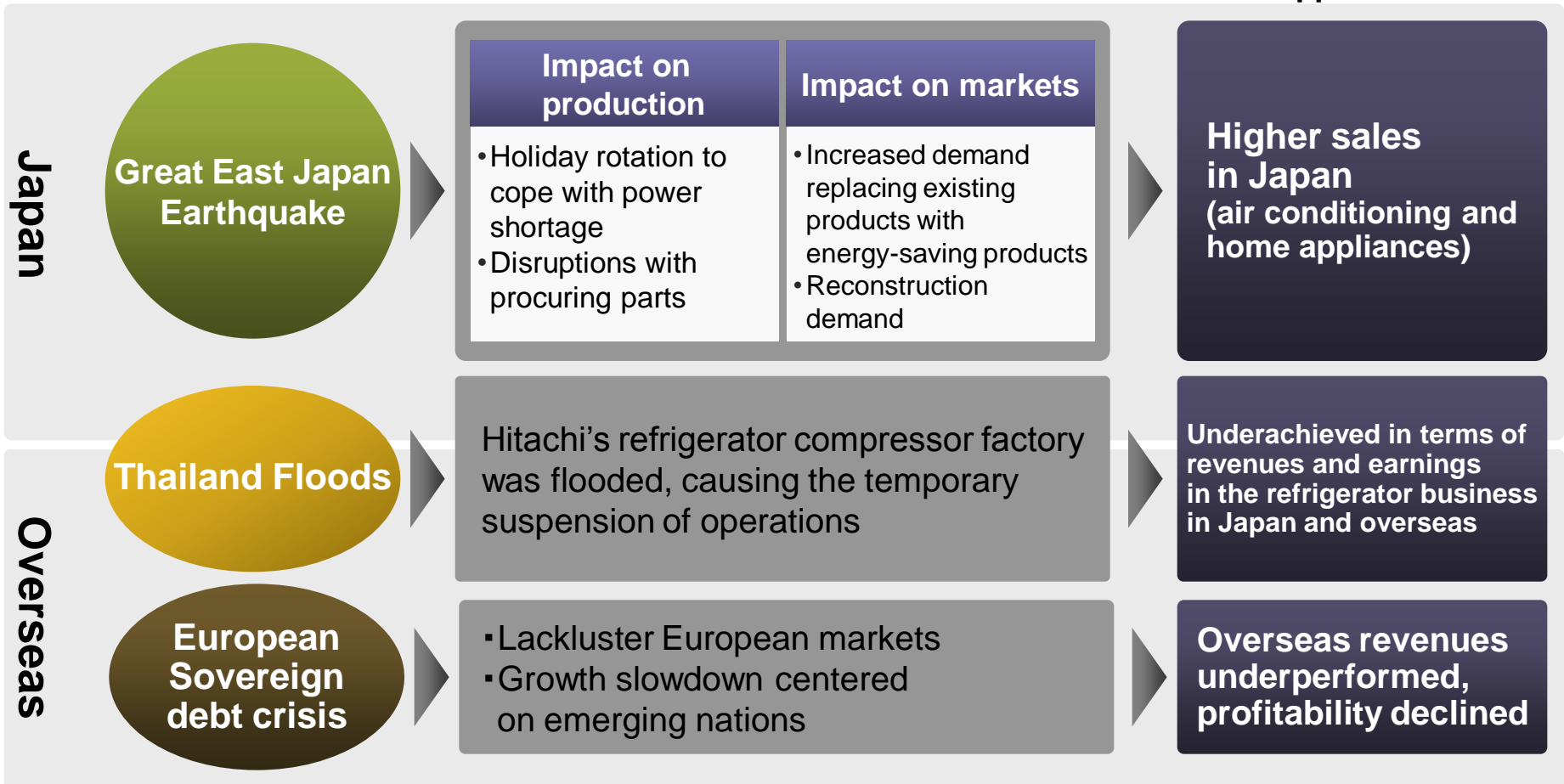
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**FY2011 was a year of events that had a major social impact  
⇒ Affected the markets and Hitachi Appliances' results**

## Events

## Impact

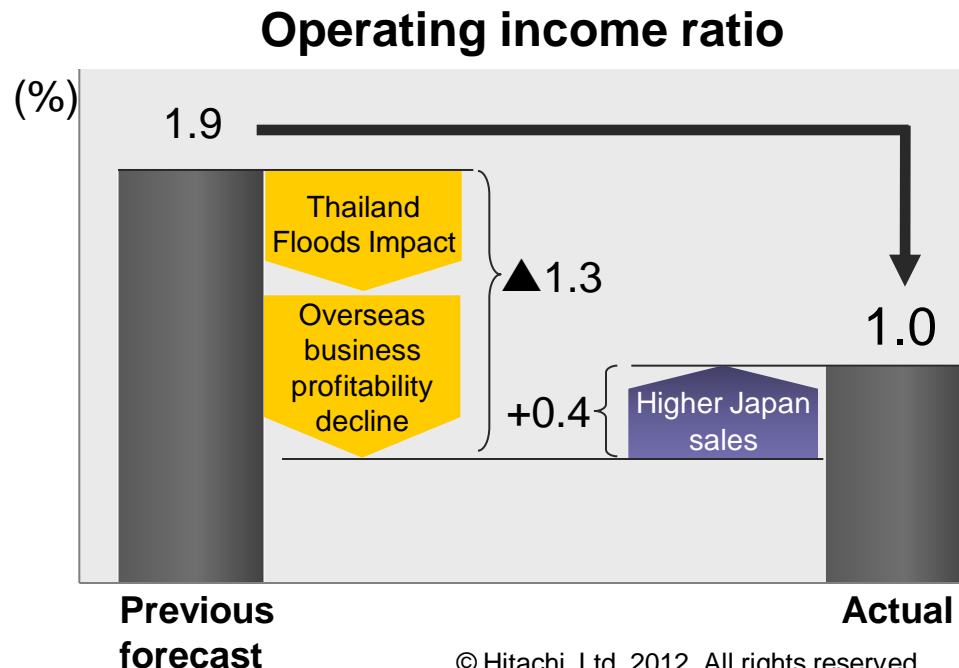
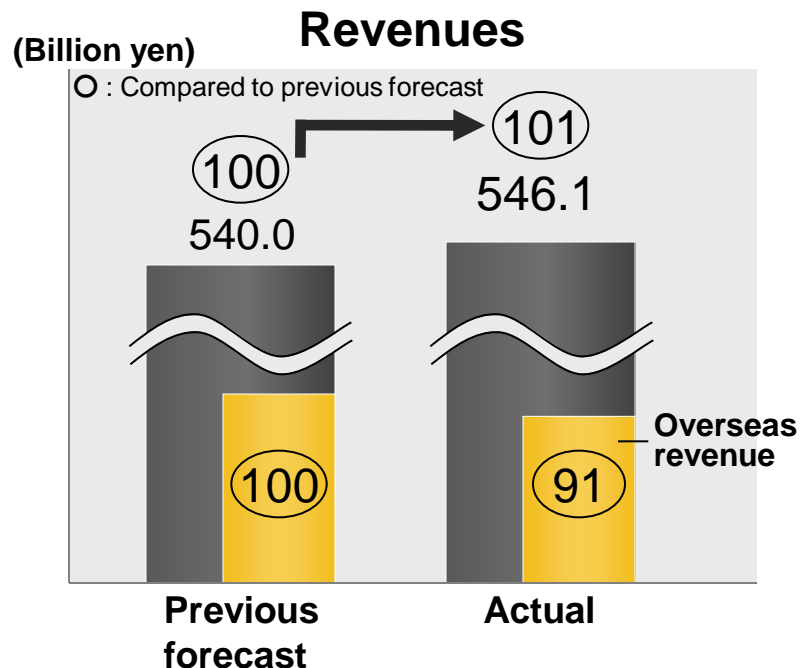
## Impact on Hitachi Appliances' Results



## FY 2011 Business Performance

(Billion yen)

	FY2010 (Actual)	FY2011 (Previous forecast)	FY2011 (Actual)	YoY	Compared to previous forecast
Revenues	502.6	540.0	546.1	109%	101%
Air conditioning business	266.6	290.0	291.5	109%	101%
Home appliances business	236.0	250.0	254.6	108%	102%
Overseas revenue ratio	32%	35%	32%	±0%	-3%
Operating income ratio	2.2%	1.9%	1.0%	-1.2%	-0.9%



## Flood Damage

Hitachi Compressor (Thailand), Ltd.  
Compressors for refrigerators factory  
(Rojana Industrial Park, Ayutthaya)

- Inundated with flood waters for 49 days from October 10 to November 27, 2011
- Highest water level: approx. 2 m
- Damage: approx. ¥6.7 billion (Buildings and facilities)

Highest water level



Photo taken on November 22

## Restoration

Started full-scale restoration efforts on November 28 after all water had been drained

Local staff

+

Support from all Hitachi Group  
Engineers from all Hitachi Appliances factories  
Engineers from facility manufacturers, etc.

[At the peak] 750 + 360 = 1,110

Mass production resumed on January 25, 2012  
All production lines restored by end of March 2012



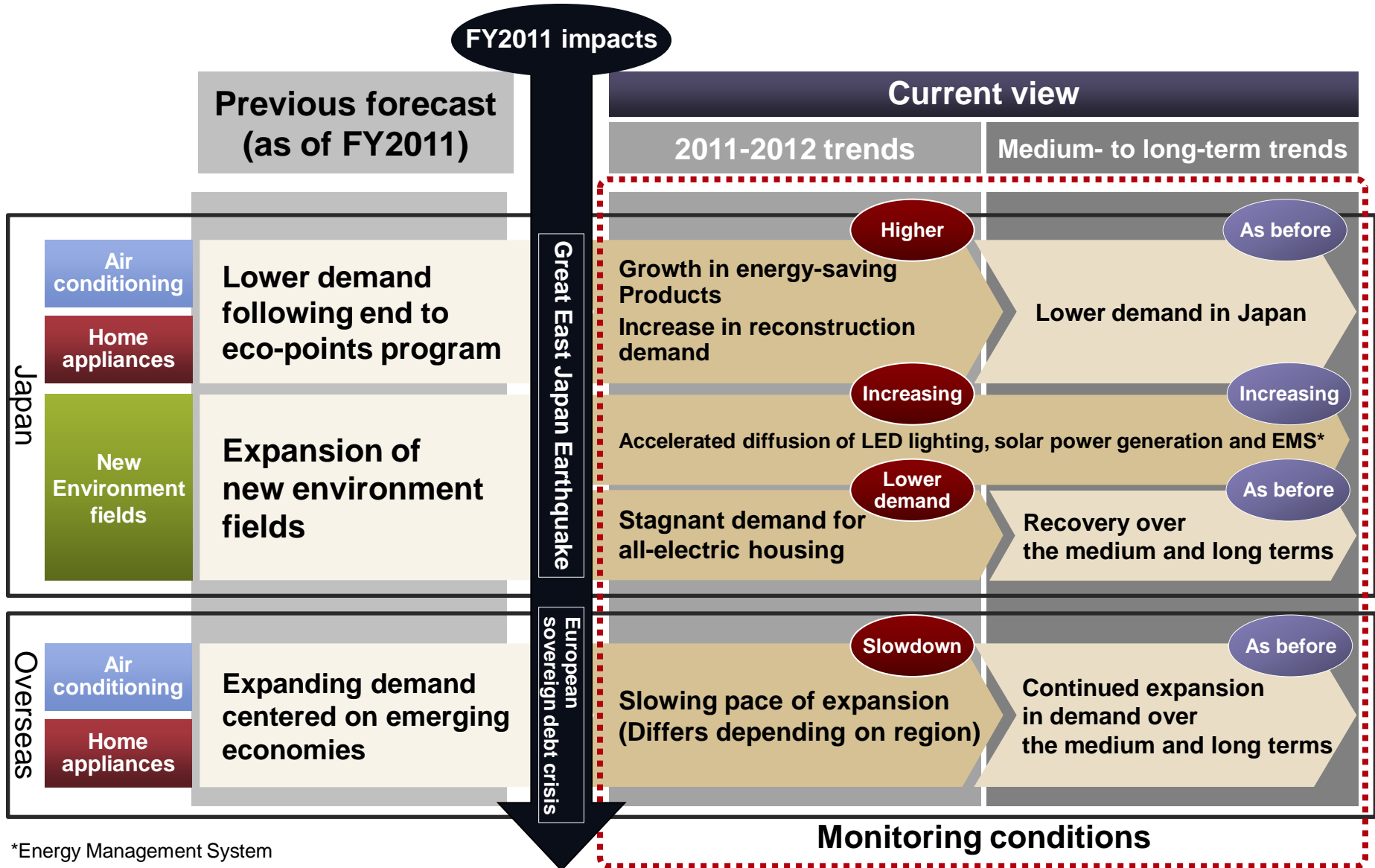
Photo taken on January 25

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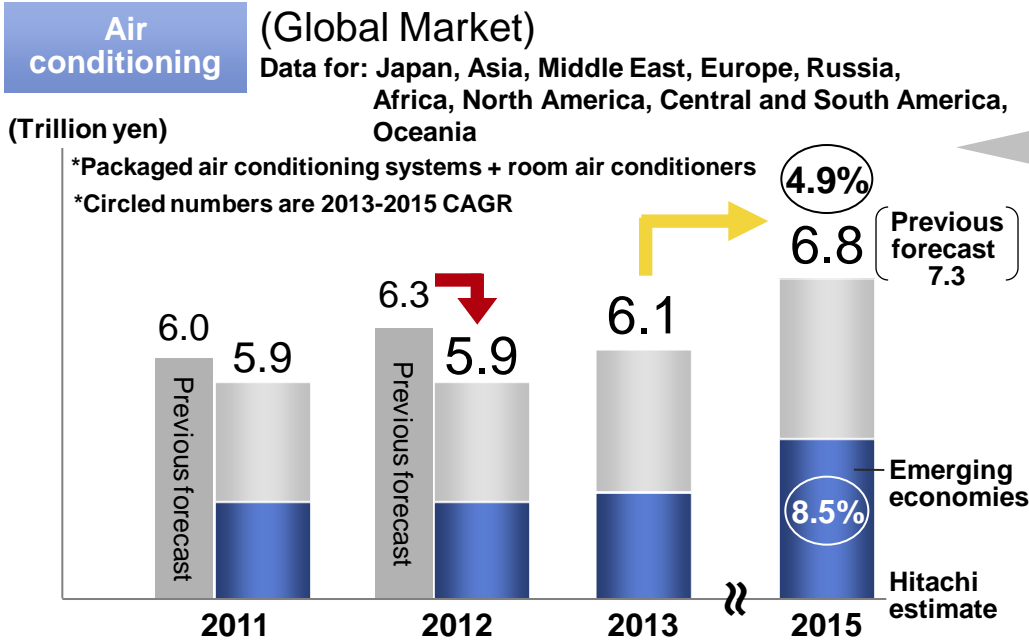
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# 4-1 Market Trends (1)



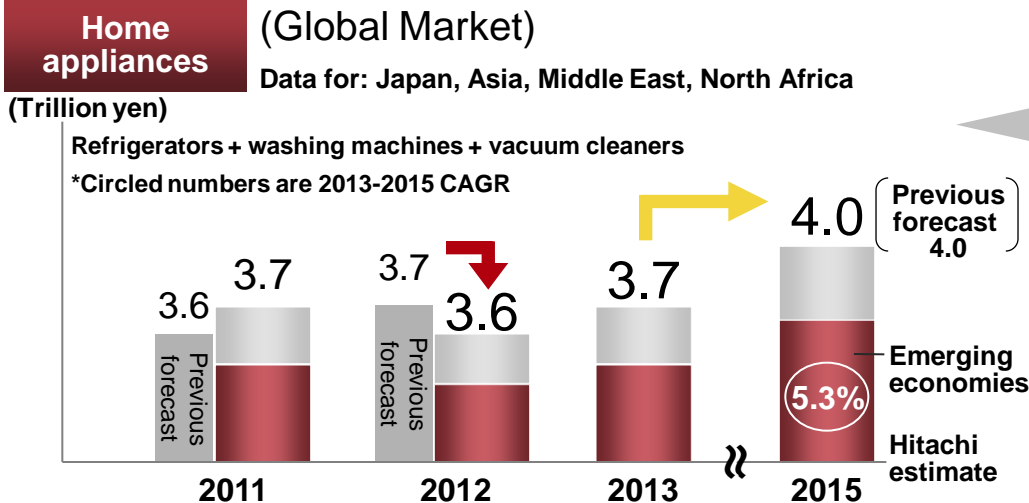
\*Energy Management System

# 4-2 Market Trends (2)



### Market Growth by Area

Area		Hitachi estimate 2013-2015 CAGR
Japan		0.0%
Europe		4.2%
Emerging economies	China	7.6%
	Southeast Asia	8.2%
	India	14.7%
	Brazil	14.8%



### Market Growth by Area

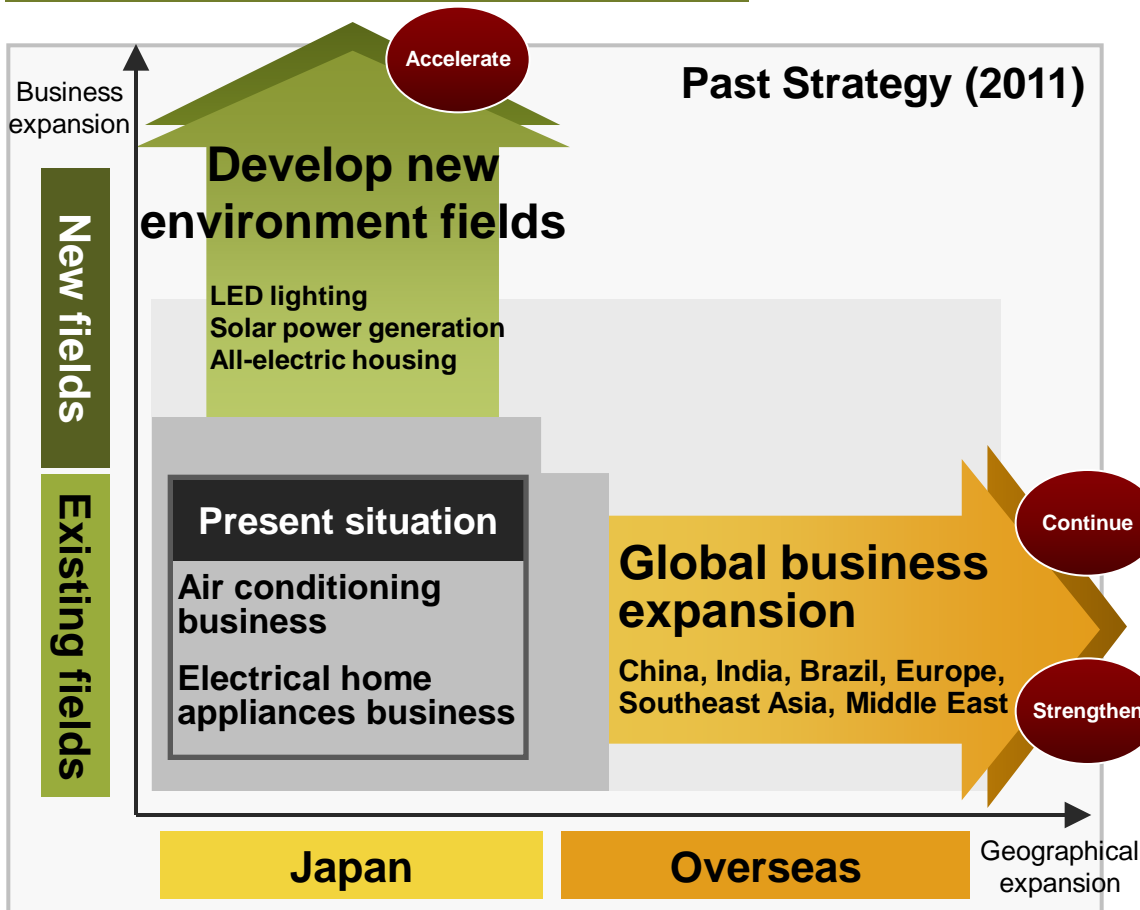
Area		Hitachi estimate 2013-2015 CAGR
Japan		-0.9%
Emerging economies	China	4.9%
	Southeast Asia	7.0%
	Middle East and North Africa	4.4%

Medium- to long-term outlook hasn't changed



## Revamped Strategy Based on FY2011 Changes

(3) Accelerated expansion of LED lighting, solar power generation and EMS businesses



### Basic policies

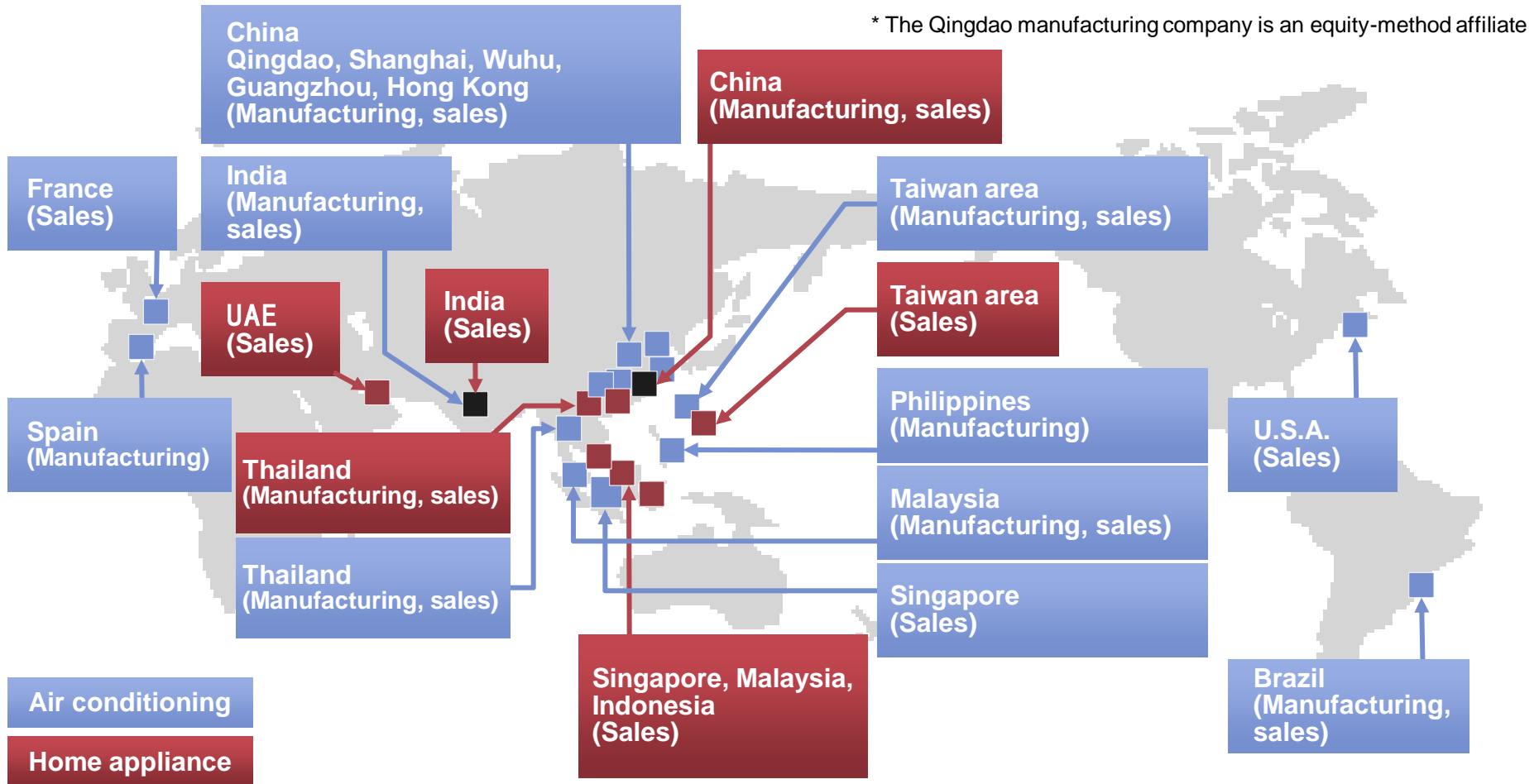
- Promote local production for local consumption
- Execute premium strategy

(1) Continue to expand business globally  
(However, must monitor conditions)

+

(2) Accelerate efforts to strengthen global business base with an aggressive cost strategy

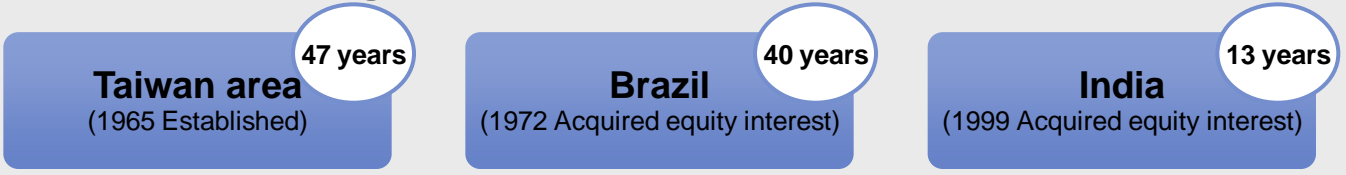
# 4-4 Global Business Expansion (1) [Locations]



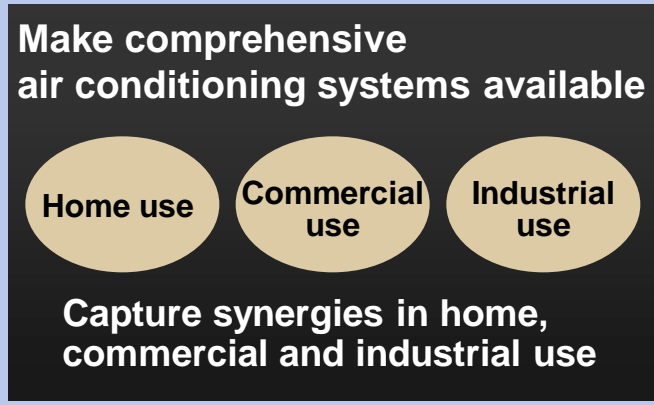
**29 bases worldwide**  
**<Air conditioning: 20; home appliances: 9>**

**20 bases  
worldwide**

**Enter emerging nations from an early stage, develop business through local production for local consumption**



**Make comprehensive air conditioning systems available + Integrated manufacturing, sales and services at all bases**



**Utilize existing bases to expand business, particularly in emerging nations**

## Past Strategy

(1) Expand business leveraging existing base infrastructure

India : Home use + **Commercial use**  
 Brazil : Commercial use + **Home use**  
 China : Home use + commercial use + absorption and centrifugal chillers

(2) Expand business leveraging home appliances sales infrastructure

Southeast Asia: Electrical home appliances + **Home-use air conditioners**

(3) Enhancing in core markets

Increase of products that comply with environmental regulations in Europe

Plan to invest ¥24.0 billion by 2015

Continue basic strategy (Must monitor conditions)

## Future Initiatives

### Continue (Must monitor)

India : **Maintain competitiveness of home-use air conditioners**  
 Speed up launch of commercial-use air conditioners (Begin producing packaged air-conditioning systems in June 2012)  
 Brazil : **Strengthen profitability of commercial-use air conditioners**  
 Expand home-use business, carefully select timing for investment  
 China : **Monitor inventory adjustment phase**

### Continue

Southeast Asia: **Focus on promoting sales of inverter driven room air conditioners**  
 Bolster sales ability by working with home appliance sales companies

### Continue (Must monitor)

Europe: **Established new company (April 2012)**  
**Promote measures for raising market share, strengthen operations**  
 Accelerate localization of production

Same as on left

**Product development targeting for No.1 Share in Japan**

**Across-the-board backup from Hitachi, Ltd. laboratories**



- Front loading washing Machine
- Inverter technology

**Cutting-edge technology development**



- Inverter technologies
- Highly efficient refrigerating cycle

**Product strategy matched to local needs**



- Big Drum 510 series Front-loading WM
- Power Boost Inverter

**Local production for local consumption Premium strategy**



- Inverter Side-by-Side
- Eco Thermo-Sensor

**Thailand**

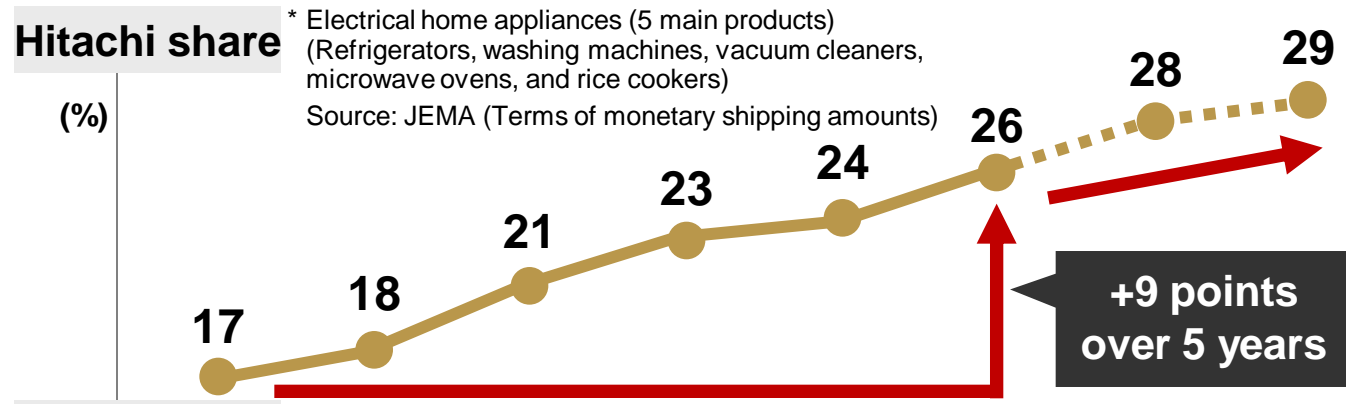
- Kabinburi** (1970 Established) - 42 years
- Ayutthaya** (1993 Established) - 19 years

**China**

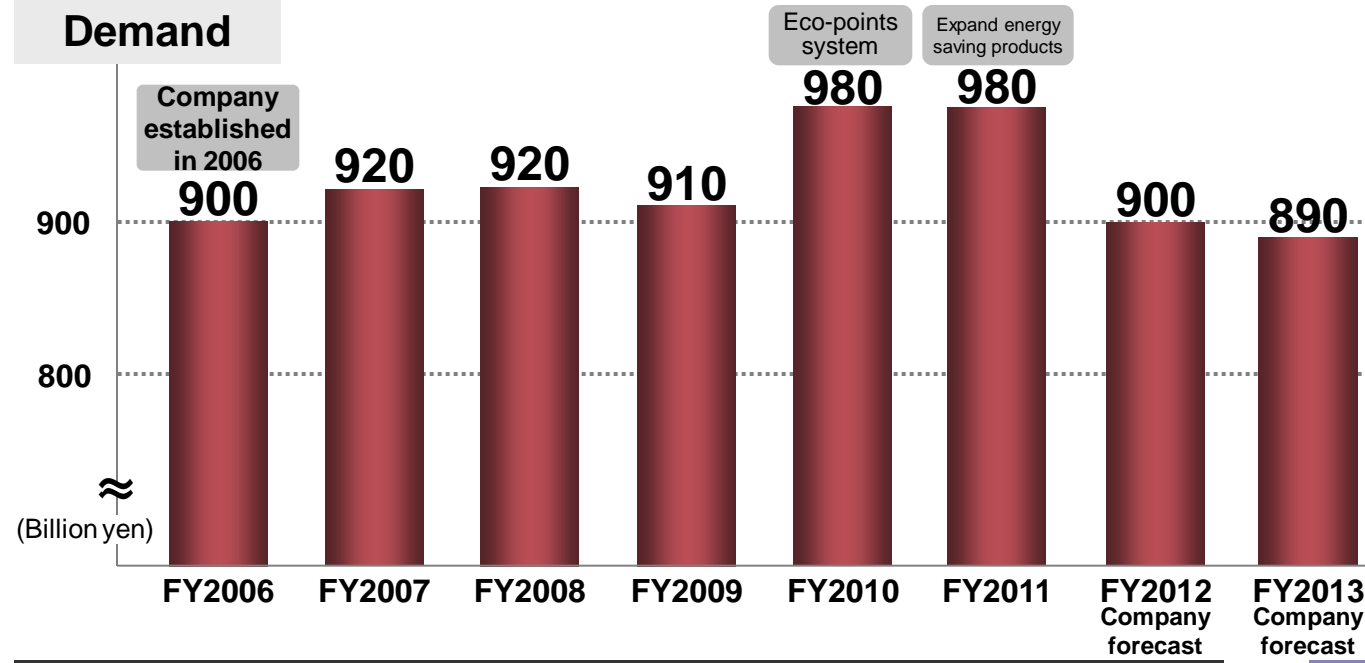
- Shanghai** (1994 Established) - 18 years

**Expand sales centered on Southeast Asia and the Middle East, where Hitachi's brand is strong**

# 4-8 Global Business Expansion (5) [Home Appliance Business in Japan Initiatives]



Continue using the pop idol group *Arashi*  
Run commercials using the catchphrase "eco + α = Hitachi"



Expand share in Japan by providing energy savings and feeling of reality value

Develop globally

## Past Strategy

**(1) Expand business mainly using manufacturing bases in Thailand**  
Aggressively expand business in Southeast Asia, Middle East, and North Africa

**(2) Increase premium home appliances made in Japan**  
Expand sales in major cities of China and Asia

**(3) Expand key components business**  
Increase production of compressors to support refrigerator business expansion

Plan to invest ¥17.0 billion by 2015

Continue basic strategy (Quickly recover from Thailand floods)

## Future Initiatives

### Continue

**Southeast Asia:** Strengthen sales in Indonesia and Vietnam  
**Middle East and North Africa:**  
Expand sales of large-capacity refrigerators

### Continue

Expand sales routes for premium products in major cities of China and Asia

### Restoration

- **Completely recover from the floods**
- **Expand production of High value added compressors**

Same as on left

## Basic Stance

Global business expansion

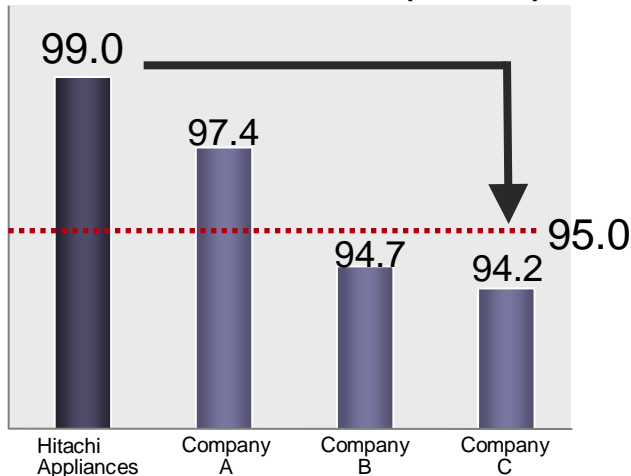
Intensifying competition

Create a competitive cost structure for establishing a global position.

### Target

Reduce the total cost to revenues by 4 percentage points by FY2015

Total cost to revenues(FY2011)



## Hitachi Appliances

Hitachi Group collaboration

Stronger

## Promote Hitachi Smart Transformation Project

Reduce production cost

- Reform global TSCM (Europe, Brazil, etc.)

Reduce direct materials cost

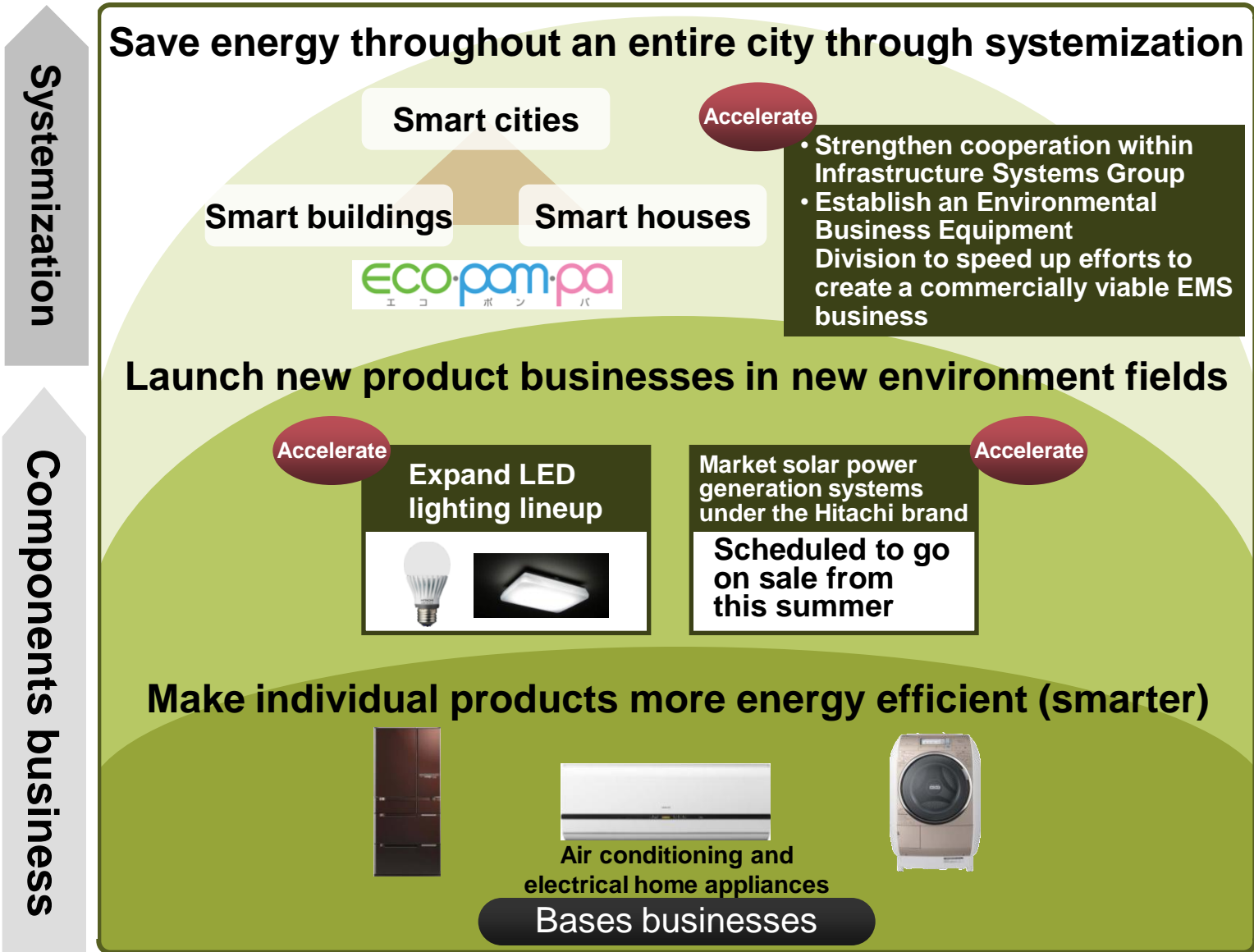
- Promote global VEC
- Promote global procurement

Reduce indirect cost

- Centralize administrative operations
- Use shared services

Appoint executives in charge to promote on a project basis





**FY2015**  
¥75.0 billion

**FY2012**  
¥50.0 billion

**FY2011**  
¥38.6 billion

**New environment fields Revenues\***

Revenues include revenues of Hitachi Consumer Marketing (solar power generation systems, etc.)

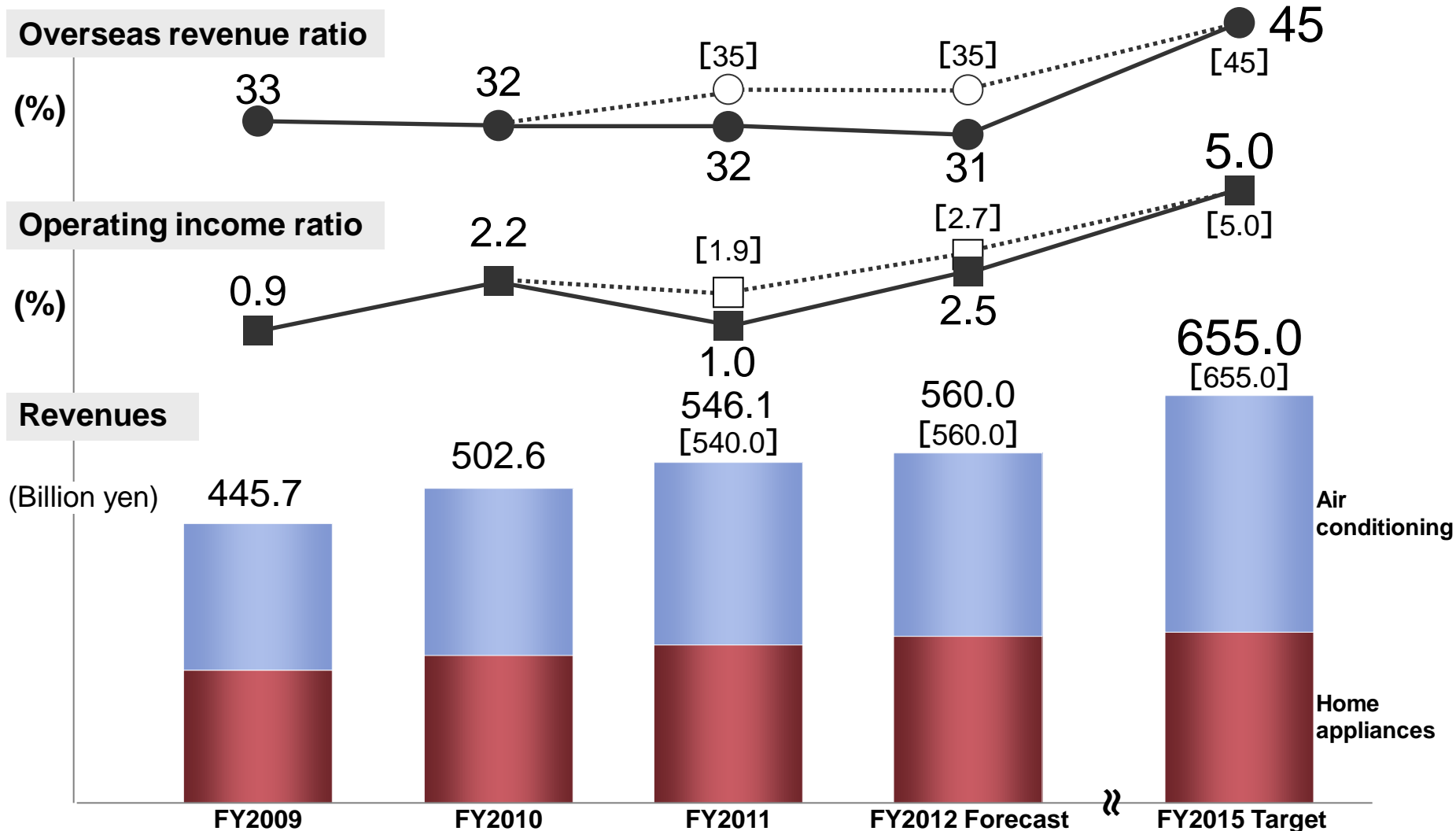
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# 5-1 Business Performance Trends

\*[ ]: Previous forecasts or targets announced on June 16, 2011



**Aiming to achieve plan targets in FY2015**

# 5-2 FY2012 Business Performance forecast

## FY2012 Business Performance forecast

(Billion yen)

	FY2011 (Actual)	FY2012(Forecast)	YoY
Revenues	546.1	560.0	103%
Air conditioning business	291.5	290.0	99%
Home appliances business	254.6	270.0	106%
Overseas revenue ratio	32%	31%	-1%
Operating income ratio	1.0%	2.5%	+1.5%

**Steadily capture demand in Japan**

**Implement timely measures to respond to changing conditions overseas**

Strengthen the earnings base in Europe and emerging nations

+

Open up new markets

**Strengthen cost competitiveness Through the Hitachi Smart Transformation Project**

**Generate revenues of ¥560 billion and achieve an operating income ratio of 2.5%**

## FY2012 Forecasts

- Revenues: ¥ 560 billion
- Overseas revenue ratio: 31%
- Operating income ratio: 2.5%

## FY2015 Targets

- Revenues: ¥ 655 billion
- Overseas revenue ratio: 45%
- Operating income ratio: 5.0%

Growing market of  
emerging economies

**A corporation that  
contributes to the  
global environment**

Increased interest  
in energy conservation

# 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 and other 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.

**HITACHI**  
**Inspire the Next**