Hitachi High-Tech Medium-term Management Plan 2013
To consistently aim to be Global Top in high-tech solutions

October 25, 2011
Hitachi High-Technologies Corporation
President, Chief Executive Officer
Masao Hisada
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Hitachi High-Tech Medium-term Management Plan 2013

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Long-term Management Strategy (CS11: Corporate Strategy 2011)

**Corporate Vision**

**Becoming a Global Top in high-tech solutions**

- Present a clear roadmap of business progress over the next decade in order to achieve our corporate vision. (A guide to decision-making in the course of advancing business.)
- Formulated as the Company’s top policy in the milestone year of its 10th founding anniversary.

**CS11 Strategy Statement**

**Leading the way**

1. **Scope of activities**

2. **Target**

3. **Core competence**

**For our customers’ future**

**As a fast moving creator**

Foster a shared understanding of our long-term strategy to realize our ideals for the Company in 2020.

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1-2. CS11 (1) Scope of activity: “Leading the way”

Selected four cutting-edge target fields

Own strengths x Growth markets ⇒ Promising business fields

- **Next-generation Electronics**
  - From nanotechnology to semiconductor manufacturing process
  - HDI

- **Life Sciences**
  - Industrial reagents and equipment
  - Nucleic acid analysis equipment
  - Sequencers

- **Environment and New Energy**
  - Solar cells
  - Thermal insulation membranes
  - Fuel cells

- **Social Innovation**
  - Global sales and procurement
  - Manufacturing and services
  - Optical/electron beam manufacturing and inspection

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1-2. CS11 (1) Scope of activity: “Leading the way”

Continuously addressing tomorrow’s needs in fresh growth domains by anticipating shifts in the market.

1. Business Field

Expanding business by shifting resources to innovation-driven fields

2. Strengthening the business portfolio

Developing future core businesses in the life sciences, environment and new energy, and social innovation fields.

Note: Above four business fields differ from accounting report based segmentations.
1-2. CS11 (1) Scope of activity: “Leading the way”

Use our global network of bases as a starting point to respond to growing global markets.

Moving from 56 sites in 27 overseas countries to the front-line.

Accelerate overseas business development focusing on the Asian belt zone.

Complete the launch of projects under development in emerging nations. (Brazil, Russia, India, Vietnam, Indonesia, Saudi Arabia)

Overseas sales ratio

FY2010: 55%
FY2020 Target: 67%

Generate 10% of overseas sales from business in emerging markets.
1-3. CS11 (2) Core competence: “As a fast moving creator”

[Fusion of strengths as a trading company and manufacturer] ×
[the overall strength of the Hitachi Group] = [Business creation expertise]

Develop a business model unique to Hitachi High-Tech as a company possessing functional capabilities as both a trading company and a manufacturer.
1-3. CS11 (2) Core competence: “As a fast moving creator”

Example of initiatives in cutting-edge (new fields/next-generation) manufacturing processes

(1) Strengthen equipment lineups spanning multiple processes

Optimal combinations of own equipment and trading items (equipment)

(2) Collaboration between materials and equipment to develop a new manufacturing process

Joint development of trading item (material) and own equipment

(3) Manufacturing process control to optimally utilize equipment and processes

Surveillance and control through own sensing technology and IT

Sell products manufactured by customers worldwide

Provide optimal solutions

Strengthen equipment lineups

Develop new manufacturing processes

Control manufacturing processes
1-4. CS11 (3) Target: “For our customers’ future”

Pursue added value from the customer’s perspective.

Focus mainly on development.

Promote highly profitable business
Continue to embrace challenges, while establishing high medium-term earnings targets.

Execute active, sustained investments

**Capital investment**
- Establish optimal global production systems worldwide
- Strengthen global IT infrastructure

**Research and development investment**
- Continue to invest the equivalent of 10% of own product sales (approx 30 billion yen/year)
- Of this, allocate 10% to new business development (approx 3 billion yen/year)

**Business investment (M&As/Investments)**
- Accelerate growth of priority businesses, invest actively to launch new businesses
- Focus on life sciences and environment and new energy fields in particular
1-5. Hitachi High-Tech WAY

To realize true CSR as a corporation

Environment & new energy
Life science
Next-generation electronics
Social innovation

Business creation

Challenge
Open

Speed
Teamwork

Stakeholders

Value

Philosophy, values and strategies to be shared and implemented

“The soil” = our corporate vision

“The roots” = our corporate culture

“The trunk” = our existing businesses and CS11

“The fruit” = value we create

Creative Minds.
Innovative Solutions.

(Corporate Vision)
The Hitachi High-Tech Group

(Corporate Vision)
The Hitachi Group

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Medium-term Management Plan — Business Policies and Targets

(Note) YY/M denotes the year and month of the accounting period-end.
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<th></th>
<th>Business Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Establish a stable earnings base (Maintain and strengthen core businesses, reduce costs)</td>
</tr>
<tr>
<td>2</td>
<td>Strengthen business portfolio by investing resources in growth fields</td>
</tr>
<tr>
<td>3</td>
<td>Increase profitability by promoting solutions business</td>
</tr>
<tr>
<td>4</td>
<td>Promote environment-related business</td>
</tr>
<tr>
<td>5</td>
<td>Promote social innovation business in emerging markets</td>
</tr>
</tbody>
</table>
2-2. Initiatives for Realizing the “Hitachi High-Tech Medium-term Management Plan 2013” (Optimal Global Business Management)

Establish an optimal global business management structure.

Realize speedier business management by having each business division assume full responsibility for business operations.

A structure comprising four Business Groups (from April 2011)

- Corporate Strategy Group
  - Business Strategies
- Corporate Marketing Group
  - Sales
- Research & Development Group
  - R&D
- Corporate Manufacturing Strategy Group
  - Production

- Corporate

Accelerate global development of sales and manufacturing.
- Sales bases: established overseas subsidiary in Indonesia (Oct 2011), and systematically increased personnel (in Brazil and other countries).
- Overseas production: secured land in China (Suzhou) for new manufacturing plants → plan to expand the line-up of production items and production capacity.

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2-2. Initiatives for Realizing the “Hitachi High-Tech Medium-term Management Plan 2013” (New Business Creation)

Accelerate new business creation activities

(1) New business creation scheme

Core Technologies  Marketing
Select themes  Feasibility Study
C Project (*)  Commercialization

(*)Corporate Challenge Project

New business creation activities (started 2009)

- Total No. of themes submitted: 162
- Total No. of feasibility studies of themes: 16
- Total No. of C project themes: 3

(2) Progress on C projects

<table>
<thead>
<tr>
<th>(1) Drug manufacturing research support</th>
<th>(2) Social infrastructure analysis solutions</th>
<th>(3) Coating and deposition solutions</th>
</tr>
</thead>
</table>

Target the best operating income in FY2013 even if the market environment is expected to stay unclear.

(100 million yen/year)

Sales

Operating Income

Graduations are 10 times greater

FY

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<table>
<thead>
<tr>
<th></th>
<th>FY2011 Forecast (a)</th>
<th>FY2013 Target (b)</th>
<th>Increase/ Decrease (b-a)</th>
<th>Increase/ Decrease Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6,500</td>
<td>8,000</td>
<td>+1,500</td>
<td>+23%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>280</td>
<td>500</td>
<td>+220</td>
<td>+79%</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>4.3%</td>
<td>6.3%</td>
<td>+2.0%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>180</td>
<td>310</td>
<td>+130</td>
<td>+72%</td>
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<tr>
<td>ROE</td>
<td>7.2%</td>
<td>10.7%</td>
<td></td>
<td>+3.5%</td>
</tr>
</tbody>
</table>

(100 million yen)

Note: FX Rate Estimate: 1USD=80 yen
     1EUR=110 yen

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Medium-term Management Plan — Business Strategies by Segment

(Note) YY/M denotes the year and month of the accounting period-end.
3-1. Electronic Device Systems

Basic Medium-term Plan Policies

- Actively roll out new products in the cutting-edge semiconductor equipment business.
- Upgrade and expand ultra-fine 3D processing and nano-scale metrology and inspection solutions.
- Promote the high-precision mounting business addressing mobile electronics.
- Enhance product variations and address new materials and 450 mm wafers.

Business Environment

- Semiconductor production has been increasing, along with progress on the construction of new semiconductor fabrication plants and the adoption of large-diameter wafers.
- Investment in front-end semiconductor process equipment has been concentrated on miniaturization and cutting-edge fields (see chart on the right).
- In cutting-edge fields, mass production of 3D devices and next-generation memory has commenced.
- New mounting technologies have been rolled out, such as 3D packages for mobile applications.

Source: Own estimation based on Gartner 3Q11
3-1. Electronic Device Systems

Business Strategies and Strategic Products

- Enhance high-productivity plasma solutions for next-generation applications.
  - High-precision gate etching module system
  - Non-volatile material etching for next-generation memory
  - Dry cleaning addressing ultra-low dust scattering

- Upgrade and expand solutions for ramping up mass production in cutting-edge fields.
  - Ultra-high precision metrology technology addressing the 1 X nm generation
  - Review and analysis systems incorporating design information
  - High-sensitivity inspection system for ultra-small defects

- Develop new package and mounting businesses for mobile devices
  - High-speed bonder for multilayering, FC*1, and TSV*2
  - High-speed, high-precision mounters for smartphones
  - Modular mounters optimized to production format

※1 FC: Flip Chip  ※2 TSV: Through-Silicon Via

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3-2. Fine Technology Systems

Basic Medium-term Plan Policies

- Strengthen current businesses in response to the changing market.
- Shift businesses to growth fields.
  - OLED-related equipment business
  - Printable electronics business
- Promoting manufacturing reforms

Business Environment

- Investment in large-scale LCD panels has been concentrated on China, but growth is slowing.
- Demand has been increasing for small and medium-sized high-definition LCDs and OLEDs, as well as touchpanel displays, for smartphones and tablet computers.
- Growth rates for HDs will decline due to expanding demand for tablet computers, but will continue to grow in step with burgeoning data volumes.

Source: Prepared by the Company based on data from DisplaySearch.
3-2. Fine Technology Systems ②

Business Strategies

- Enhancing core businesses
  - LCD-related products
    Proximity exposure systems: Develop business in growth fields (high-definition) based on new concepts (direct patterning exposure systems).
    Mounting equipment: Upgrade and expand product line-up to swiftly fulfill market demand.
  - HD-related products
    Continuously launch new products with the view to capturing a greater share of overseas customers.

- Initiatives in growth fields
  - Launch the OLED manufacturing equipment business.
    Push forward with the development of inspection and repair equipment in the panel and lighting fields in addition to manufacturing equipments.
  - Enter the printable electronics business.
    Develop applications in growth fields, namely printing, and coating and deposition processes.

- Bolster product competitiveness by promoting manufacturing reforms.
  - Promote overseas procurement and lead time reductions.
3-3. Science & Medical Systems 

Basic Medium-term Plan Policies

- Maintain and expand stable earnings in core businesses.
- Actively develop business in growth fields.
- Deepen and promote SCB* with prominent reagent manufacturers in Japan and overseas.

*SCB: System Collaboration Business

Business Environment

- The analytical instrument market has expanded gradually. Sales to China and other emerging countries have increased.
- The electron microscope market has expanded gradually. Demand has risen for analyzers for new energy and new materials, among other areas.
- In the clinical chemistry and immunodiagnostic analyzer market, government policies to curb medical expenditures have gathered pace, leading to a decrease in the number of facilities using this equipment. Legislation is being tightened in various countries.
- In the DNA sequencer market, growth has been driven by second-generation DNA sequencers.
3-3. Science & Medical Systems ②

**Business Strategies**

- **Strengthen core businesses**
  - Continuously launch new leading products in the market.
  - Expand sales and enhance profitability of analytical instruments and electron microscopes in China and other emerging countries.
    ① Establish an integrated business structure for analyzers for emerging countries (China).
    ② Enhance presence in China.
      Actively promote products at academic conferences, exhibitions, new product seminars and other events.
  - Improve consulting-based sales and strengthen ties with academia by establishing the Tokyo Solution Lab (planned for December 2011).

- **Initiatives in growth fields**
  - Address new businesses
    ① Enter the second-generation DNA sequencer market.
    ② Promote the commercialization of molecular diagnostic instruments
  - Expand business in growth fields by strengthening applications
  - Promote business continuity planning (BCP) (biotechnology and medical business)
    - Bi-polarize important consumable supplies and product manufacturing bases at two sites.
3-4. Trading Divisions
(Industrial & IT Systems / Advanced Industrial Products)

Basic Medium-term Plan Policies

- Shift to priority business fields.
  - Environment and new energy
  - Automobiles
  - LIB
  - Social/industrial innovation
- Strengthen business promotion in key emerging countries.
  - China, Indonesia, India, Thailand and Brazil
- Actively promote close coordination and collaboration with the Hitachi Group.
  - Contribute to the Hitachi Group’s procurement business
  - Promote global business development in priority business fields

Business Environment

- New energy .............. Expansion in the renewable energy market
- Automobiles ............. Growth in the automobile market driven primarily by hybrid vehicles.
- LIB........................ Expansion in the market for lithium-ion batteries for automotive and industrial use
- Social/industrial innovation.... Burgeoning demand for social and industrial infrastructure in emerging countries.
- Others ..................... The Japanese manufacturing sector is shifting production to overseas sites due to the yen’s appreciation, leading to an increase in overseas production ratios.
Focus on growth fields, bolster businesses.

- Environment and new energy
  ① Drive global business expansion by harnessing the Hitachi Group’s collective engineering capabilities.
  ② Promote businesses through investment and collaboration with local partners in each emerging country.

- Automobiles
  ① Spur global business expansion in unique automotive materials, components and component assembly equipment.
  ② Establish a production system in emerging countries through collaboration with the Hitachi Group and prominent suppliers.

- LIB
  ① Bolster automotive lithium-ion battery-related businesses (parts and materials, manufacturing equipment, protection circuit chips)
  ② Market competitive South Korean lithium-ion battery parts and materials globally.

- Social/industrial innovation
  ① Establish businesses in response to social and industrial needs (power, water, communications, security) in Indonesia, and expand business to other emerging countries.
3-4. Trading Divisions
(Industrial & IT Systems / Advanced Industrial Products) ③

Global strategies

- Strengthen business promotion in key emerging countries
  China, Indonesia, India, Thailand, Brazil

- Net sales target
  ① Overseas sales ratio: FY2013 60%
  ② Overseas sales ratio for the key countries:
    FY2011 21% ⇒ FY2013 32%

- Shift personnel to the key emerging countries
  FY2011 125 individuals ⇒ FY2013 160 individuals

Solar power generation evaluation system
(On the island of Sumbawa, Indonesia)

Automotive components
(Various sensors and turbo charger components)
Becoming a global top in high-tech solutions

Creative Minds. Innovative Solutions.
References: Medium-term Management Plan by Segment
(Sales/Operating Income)
<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2011 Forecast</th>
<th>FY2013 Target</th>
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</thead>
<tbody>
<tr>
<td><strong>Electronic Device Systems</strong></td>
<td>Sales</td>
<td>1,095</td>
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<tr>
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<td>Operating Income</td>
<td>115</td>
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<tr>
<td><strong>Fine Technology Systems</strong></td>
<td>Sales</td>
<td>262</td>
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<tr>
<td></td>
<td>Operating Income</td>
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<tr>
<td><strong>Science &amp; Medical Systems</strong></td>
<td>Sales</td>
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<td><strong>Advanced Industrial Products</strong></td>
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<td><strong>Others &amp; Elimination</strong></td>
<td>Sales</td>
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<td>Operating Income</td>
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<tr>
<td><strong>Total</strong></td>
<td>Sales</td>
<td>6,500</td>
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<tr>
<td></td>
<td>Operating Income</td>
<td>280</td>
</tr>
</tbody>
</table>
Notes on the data
1. All financial statement summaries and results predictions included in this presentation are on a consolidated basis unless otherwise stated. Numerical data is rounded off to the nearest 100 million yen.
2. In its disclosures, Hitachi High-Technologies may make statements that constitute forward-looking statements that reflect management’s views with respect to certain future events and financial performance at the time of disclosure. Such statements are based on information available at the time of disclosure and may differ from actual results due to various external factors, both direct and indirect. In the event of a major discrepancy with the items disclosed, the Company will disclose on a case-by-case basis based on the law and/or the timely disclosure rules and regulations of the stock exchanges on which the Company is listed.

The information included in this material is for reference when investing, and not a canvass to invest. Brand selection and the final decision is at your own judgment.
Hitachi High-Tech Medium-term Management Plan 2013

To consistently aim to be Global Top in high-tech solutions

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