



Mid-Term Management Strategy and FY16 Outlook

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Mid-Term Management Strategy and FY16 Outlook

1. Mid-Term Management Strategy
2. FY16 Outlook
3. Business Strategy and FY16 Outlook by Segment

1. Mid-Term Management Strategy

Corporate vision

Becoming a Global Top in high-tech solutions

Mission

To turn our customers into fast-moving, cutting-edge businesses **“Challenge to Change”**

Business portfolio strategy

Cutting-edge and frontline
Global customers and markets

Biotechnology
and Healthcare

Advanced
Industrial Systems

Social and Industrial
Infrastructure

Provide high-tech solutions

Core competence
Business creation expertise

Global sales and
procurement capabilities

(Trading functions)

Technology development,
manufacturing and
service capabilities

(Manufacturing functions)

Biotechnology
and
Healthcare

Social and
Industrial
Infrastructure

Advanced
Industrial
Systems

Invest intensively in this top priority field

- Expand existing businesses :
Clinical chemistry and immunodiagnostics analyzer, pre-analytical process automation system
- Develop new businesses :
Gene testing, microbiology, blood coagulation

Strengthen as Company's core competence

- Make further use of infrastructure solutions
Scientific systems and trading business underpinning industry and society, social infrastructure business, narrowly defined as energy and railway certain other fields

Specialize in cutting-edge, growing domains

- Maximize profitability in semiconductor miniaturization field(existing area)
- Develop adjacent market as IoT, and advance into further new fields

Draw up concrete actions under the formulated business portfolio strategy

Mid-Term Management Strategy ①

Basic Policy

“Move forward with the Courage to Change and Be Changed”

Transform to more customer-centric organization

Respond in detail to individualized needs, and provide solutions with highly expertise

Transform to autonomous and decentralized organization

Promote changing awareness to “Think, Decide and Act Autonomously” with the perspective of total optimization

Mid-Term Management Strategy Policy

Keep profits by main business, and promote resource strengthening & investments

~FY15

- Recover from earthquake devastation
- Structural reform (OLED, chip mounter, etc.)

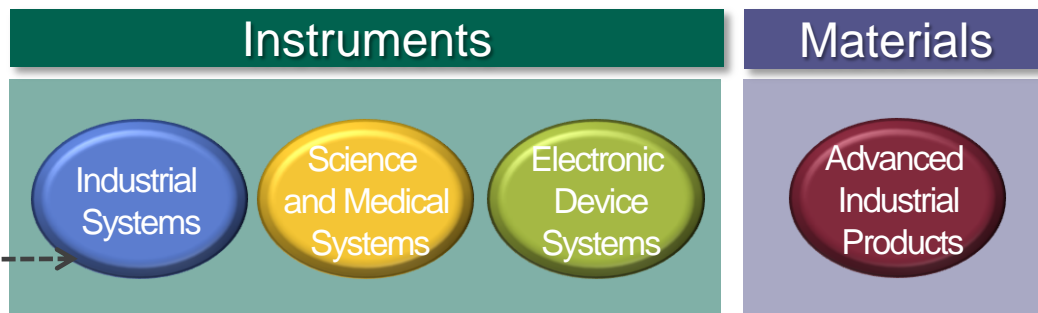
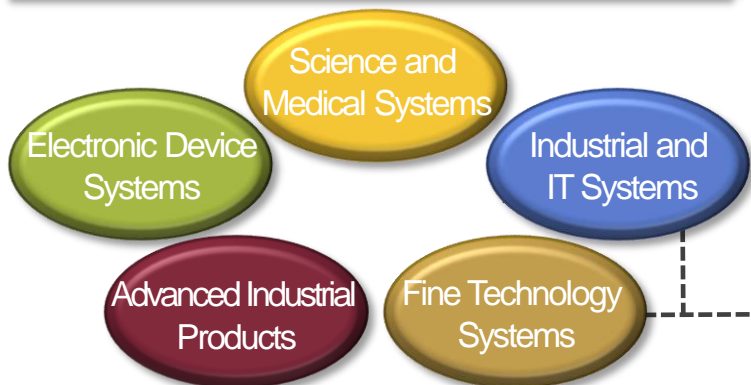
~FY18

- Form growth cycle for 2020 (R&D, IT/service, in-organic investments)

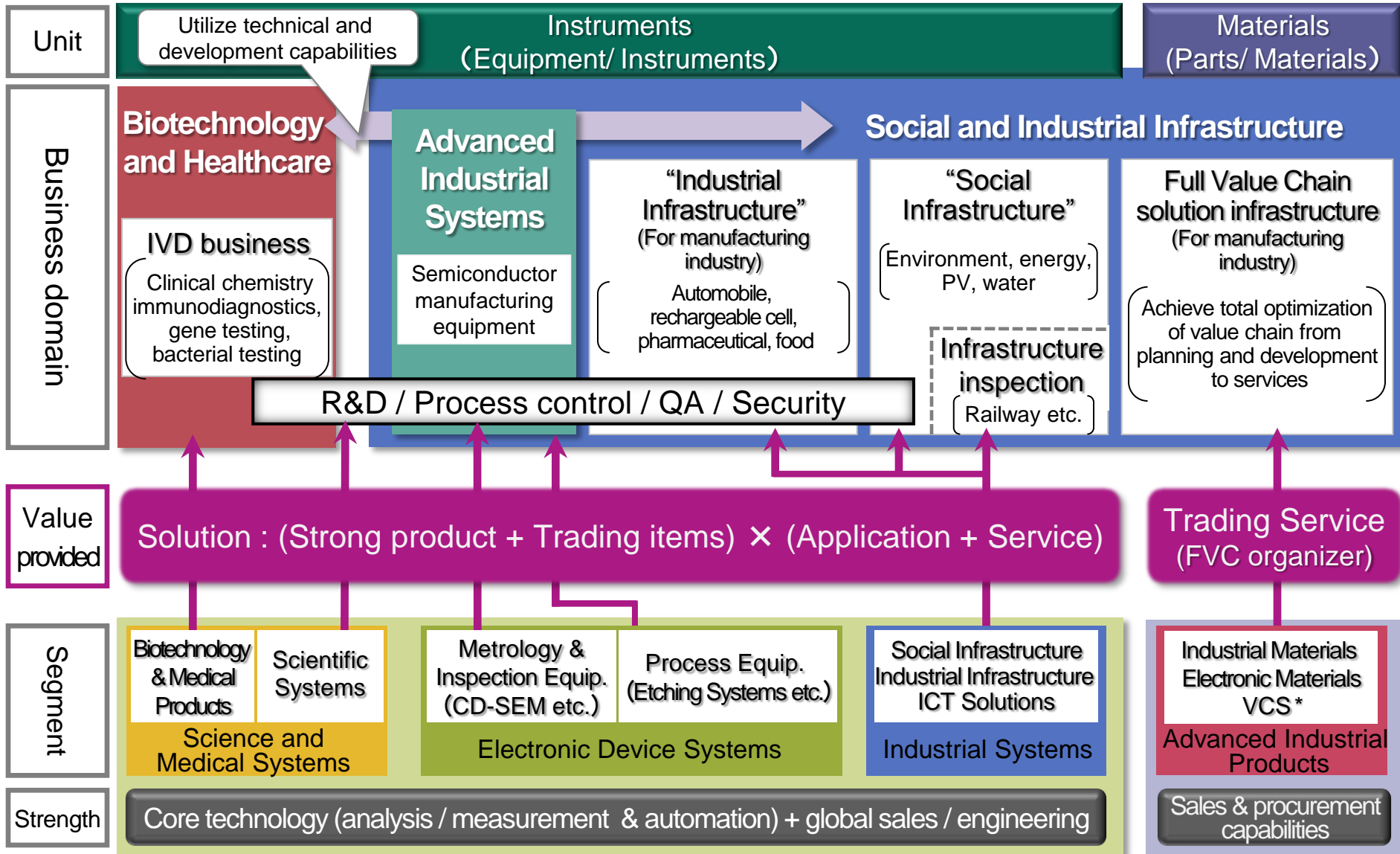
Split businesses into “Instruments” & “Materials” to achieve growth strategies

Currently: Management by segment

Split business into “Instruments” & “Materials”
in accord with business model
Establish value propositions and targets



Mid-Term Management Strategy ②



Mid-Term Management Strategy ③

KPI

Formulate and execute growth strategies to achieve targets

Revenues Achieve progress beyond market growth \gg Revenues CAGR by business > Market growth rate

Profitability (FY18) **Instruments** EBIT margin of 10% or more

Materials Absolute EBIT of ¥5 billion or more

Service ratio Ratio of EBIT from service business* to overall EBIT: maintain at 50% or more

Investment strategy

Proactively make investments to execute growth strategies

Size of Investment

(FY2016-FY2018 cumulative)

R&D **¥80 billion** Increase investments centered on the biotechnology and medical products business (Increase by 30% versus FY2013-FY2015)

Capital investment **¥40 billion**
 • Manufacturing ability expansion, and technology strengthening to support business
 • Strengthening collaboration with customers through demonstration facilities expansion

Business investment **¥30 billion**
 Biotechnology and Healthcare **Social and Industrial Infrastructure** **+** **Make additional business investments using cash on hand**

Shareholder returns

Maintain a stable dividend, targeting a dividend payout ratio of 30%

* Service business: product maintenance services, IT solutions, trading services, and others



2. FY16 Outlook

Note: YY/M denotes the year and month of the accounting period end

FY16 Outlook (Highlights)

(100 million yen)

	FY16 Outlook	FY15 Results	YoY	
			Increase/Decrease	Ratio
Revenues	6,600	6,290	+310	+5%
Adjusted Operating Income*1	400	470	−70	−15%
EBIT*2	397	482	−85	−18%
Income before Income Taxes	400	486	−86	−18%
Net Income	315	360	−45	−12%
Net Income per Share	229.04 yen	261.68 yen	−32.64 yen	
Cash Dividend per Share	65.00 yen	65.00 yen	±0.00 yen	
ROE	9.5%	11.6%	−2.1%	
FCF	+35	+246	−211	

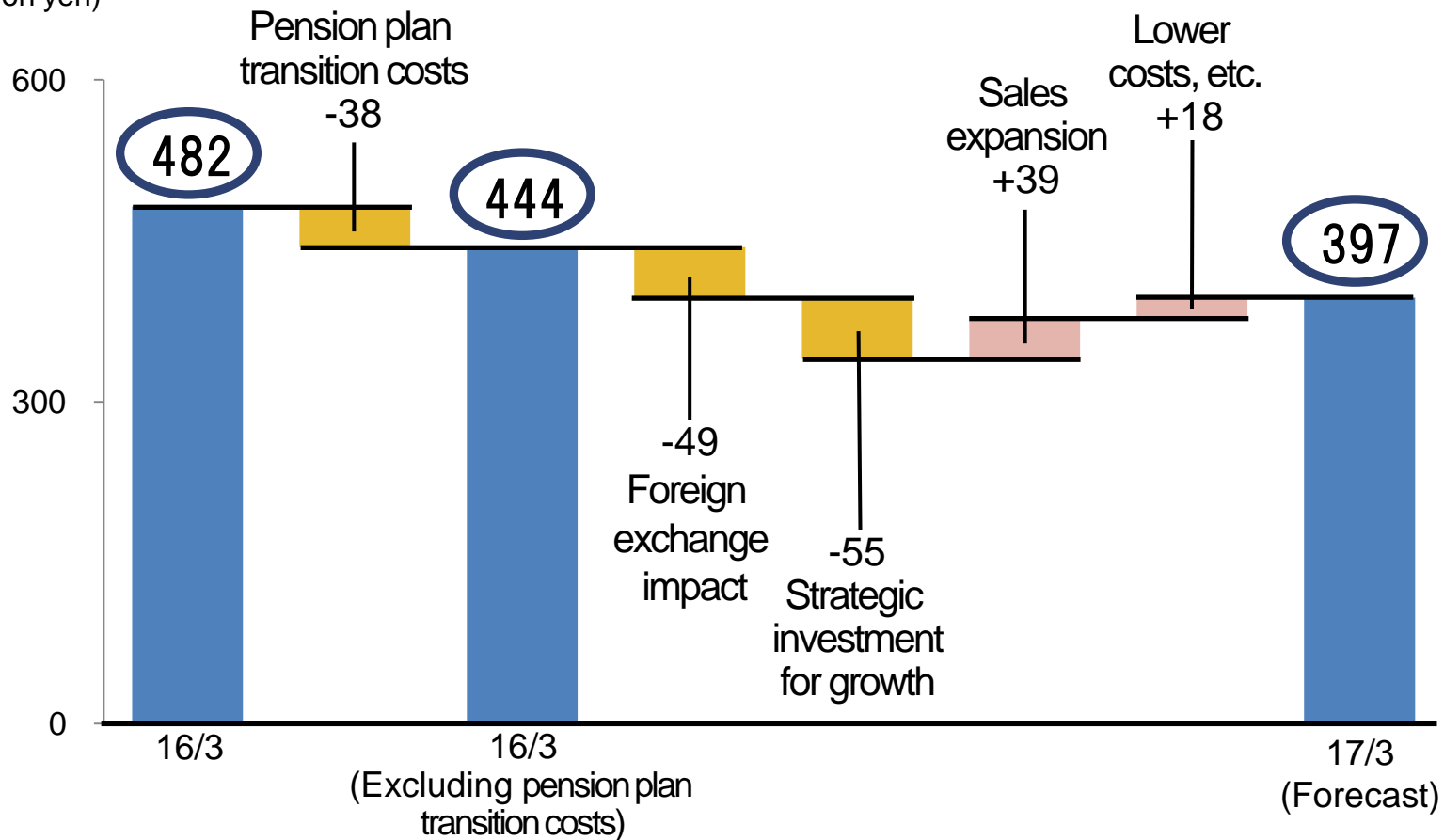
Notes : • FX rate estimate: 1USD=110 yen, 1EUR=120 yen

*1 Adjusted Operating Income: A performance indicator calculated by subtracting cost of sales, and selling, general and administrative expenses from revenue

*2 EBIT (Earnings before interest and taxes): Earnings after the subtraction of interest income and interest expense from income before income taxes

- Real EBIT was 44.4 Ybn in FY15
(48.2 Ybn – 3.8 Ybn in pension plan transition costs)
- Proactive strategic growth investments for further accelerating growth in FY16

(100 million yen)





3. Business Strategy and FY16 Outlook by Segment

(Note) YY/M denotes the year and month of the accounting period-end
(e) denotes the current forecast (April 2016)

- Mid-Term Market Environment and Business Strategy -

Vision Aim to be global player in all IVD market

Market Environment

【C&I*1Market (Equip.+ reagent)】

- Mature market (2015-2018 CAGR)
 - Biochemical testing 2% • Immunodiagnosics 5%

■ Stable growth (particularly in immunodiagnosics) seen in China and the emerging countries in contrast to substantial pressure to reduce medical expenditures in advanced countries

■ Investments in reagents and equipment tended to be held back in contrast to an increase in testing volume

【Genetic and bacterial testing market (Equip.+ reagent)】

- Stable growth market (2015-2018 CAGR)
 - Genetic testing 10% • Bacterial testing 7%
 (Business field with the highest growth in the in-vitro diagnostics market)

■ Negative growth in CE*2 sequencers forecast in the genetic research and diagnostic field. In contrast, double-digit growth is forecast for next-generation sequencers (NGS) centered on clinical research (cancer panel, etc.)

*1 C&I : Clinical chemistry & Immunodiagnosics

*2 CE : Capillary Electrophoresis

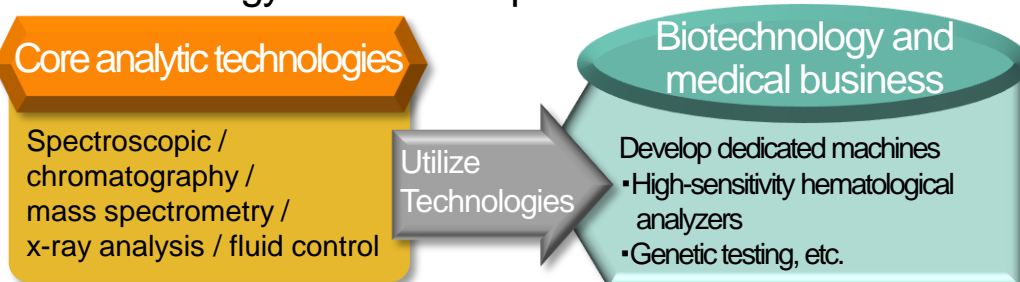
Business Strategy

Investments for realizing growth in 2020

Prioritized investments in existing and new businesses

Business Unit	Strategy
Existing	<ul style="list-style-type: none"> ▪ Further cultivate SCB*3 in the C&I market ▪ Continue investments for strengthening the manufacturing platform
New	<ul style="list-style-type: none"> ▪ Investment for developing a SCB with a competitive reagent company ▪ Start up a genetic and bacterial testing business

Leverage core analytic technologies to strengthen the biotechnology and medical products business



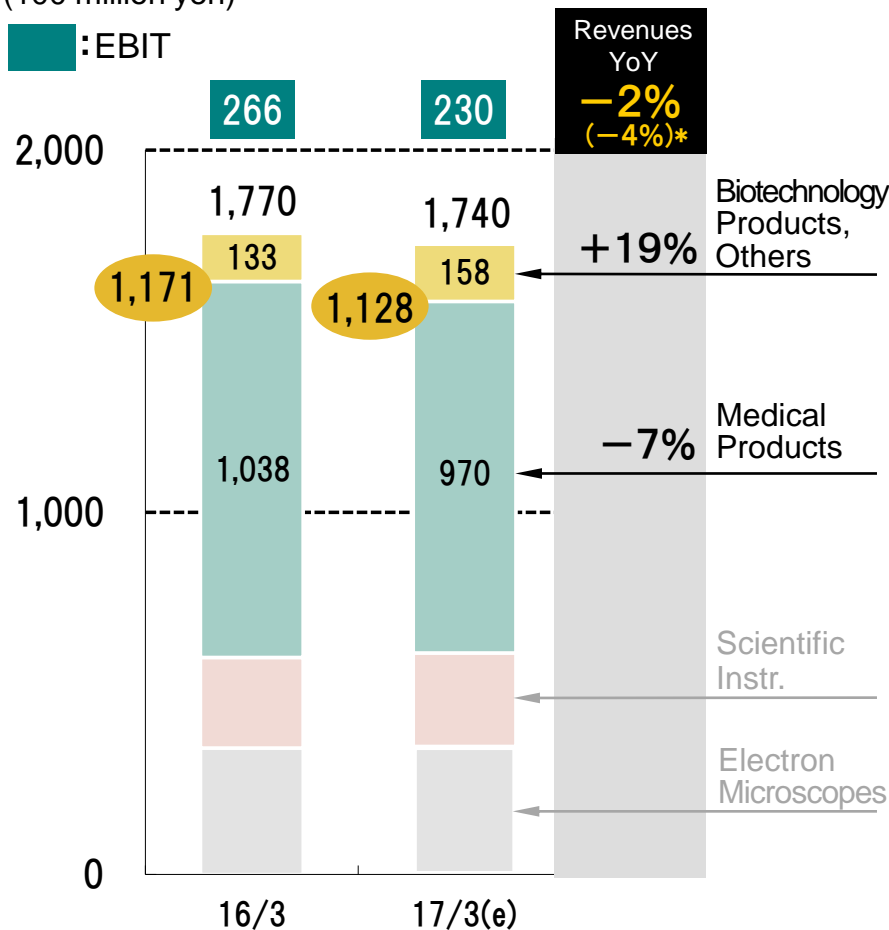
Create new businesses and solution businesses leveraging synergies between biochemistry and medical products and core analytic technologies

*3 SCB : System Collaboration Business

Revenues / EBIT Trend

(100 million yen)

■ : EBIT



*YoY change for the biotechnology & medical products

Issues and Initiatives in FY16

Strengthen competitiveness of existing businesses

- Promote model change from existing products in conjunction with launching sales of the e801 high-speed immunodiagnostics module to the cobas 8000 series in Europe
- Expand sales of the cobas c513 dedicated diabetes (HbA1c) analyzer
- Strengthen the solutions business through reagent rentals in the clinical chemistry and immunodiagnostics business in China

Proactive investments for strengthening the business base

- Strengthen manufacturing capability through the establishment of Hitachi High-Tech Kyushu Corporation

Early startup of new businesses

- Launch sales in Japan of rapid bacterial testing systems (septicemia panel in-vitro pharmaceutical reagent) made by Nanosphere, Inc. of the U.S.



- Simultaneous multiple testing
- Simple, automated operation
- High-precision testing

Verigene rapid bacterial testing systems by Nanosphere

- Mid-Term Market Environment and Business Strategy -

Vision Aim to be a global major player in analytical instruments market

Market Environment

Business Strategy

【 Electron Microscopes 】

- Market growth of 2-3% (2015-2018 CAGR)
- Market composition by region (FY2014) :
Japan 17%, EU 24%, US 14%, China 20%,
Asia & Others 25%

- Increasing following observation needs in E.&E.*1
(High resolution, high precision, reaction
process analysis)
- Increasing 3D analysis needs from
advanced materials to bio-sample

【 Scientific Instruments 】

- Market growth of 2-3% (2015-2018 CAGR)
- Demand for high-precision, high-throughput dedicated
machines is forecast to rise in cutting-edge fields such
as life science, environment and energy, and new
materials

*1 E.&E.: Environment & Energy *2 SEM: Scanning Electronic Microscope
*3 SPM: Scanning Probe Microscope *4 LiB: Lithium-ion Battery

- Become a global leader in electron microscopes by 2020
- Leverage in-house development, alliances and M&As to
strengthen technologies, products and sales networks,
and provide solutions

- Expand the electron microscopes and scientific instruments business by
completing the product lineup and strategically moving into each field

Step1

Complete strategic product line up

- Continuously introduce competitive,
new products to the market

Step2

Strengthen W/W structure

- Develop the sales network ▪ Strengthen global marketing

Step3

Strategically move into each field

- Provide solution ▪ App.& dedicated machine

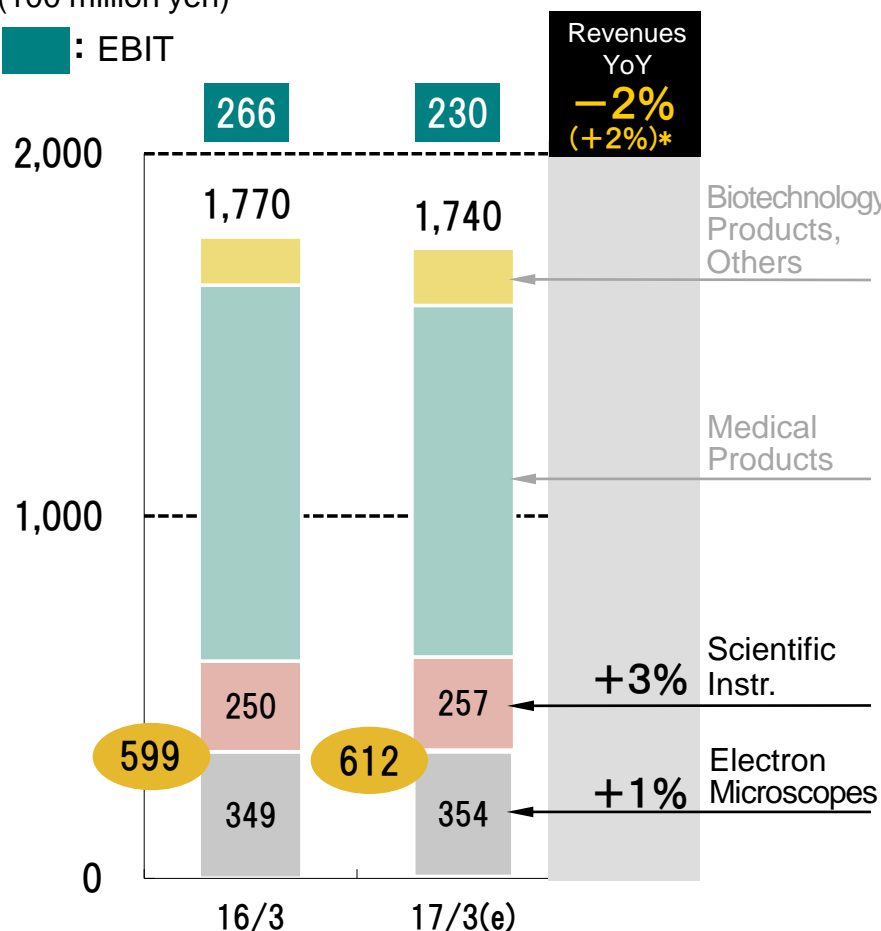
- Promote to provide solution to each field

Electron Microscopes	<ul style="list-style-type: none"> ● In-situ observation for automobile (Atmospheric gas / heating) ● Positive electrode material evaluation in battery (SEM*2 / SPM*3 synergy) ● Minerals evaluation for natural resources (Particle analysis)
Scientific Instruments	<ul style="list-style-type: none"> ● Dedicated metal particle contamination inspection equipment for fuel cells and LiBs*4 ● Develop dedicated machines centered on mass spectrometers

Revenues / EBIT Trend

(100 million yen)

■ : EBIT



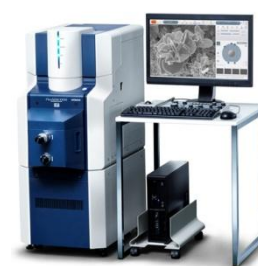
*YoY change for the scientific systems business

Issues and Initiatives in FY16

Strengthen the global sales network and marketing functions

- Strengthen the sales network, particularly in Europe and South Korea (electron microscopes)
- Strengthen the sales agent network, particularly in China and ASEAN (scientific instruments)

Continuously introduce new products for the volume zone



FlexSEM1000 (SEM)

- Minimize / Weight reduction
- Enhancing the resolution in low acceleration region
- High quality observation

- Enhancing measurement accuracy
- Improving usability
- SEM/SPM shared alignment holder



AFM5500M (SPM)

Provide solutions and expand sales of dedicated machines

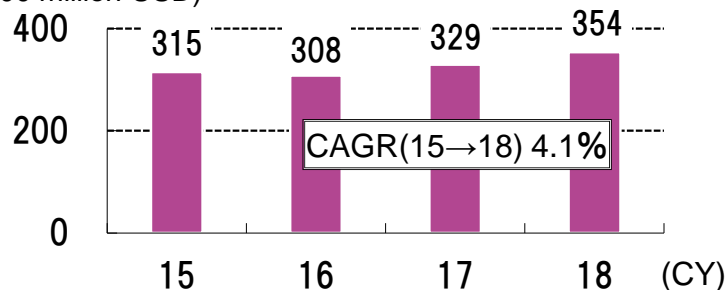
- Strengthen sales of SEM/SPM as systems
- Sell liquid chromatography and mass spectrometry equipment as systems
- Sell in-line metal particle contamination inspection equipment for fuel cells and LiBs

Vision

Pursuit and creation of new value in partnership with customers

Market Environment

Semiconductor Manufacturing Equipment Market (Front End)
(100 million USD)



Source: Gartner (April 2016) / Company's estimation

Trend among major customers

- Logic devices: MPU and the major foundry will begin developing the 5nm generation of miniaturization
- Memory chips: Investment is focused on 3D-NAND

Trend in the Chinese market

Chinese investment funds and major overseas semiconductor manufacturers are expanding investment

Trend in the IoT market

Strong trend in the small-diameter wafer market for products such as sensors, MEMS, and power devices

Business Strategy

Promote business development
in response to new needs and new markets

Item \ FY	2016	2017	2018
Business expansion in semiconductor miniaturization	◆ Etching systems: Strengthen local development structures to boost customer response capabilities ◆ Measurement and inspection systems: Supply products in a timely manner through development in close contact with customers		
Respond to diverse needs such as new structures and materials	◆ Strengthen the new product lineup in response to new needs: Leverage platform-compatible products to provide solutions responding to diverse needs		
Business development into peripheral markets (IoT/WLP*1, etc.)	◆ Respond to new market needs with a dedicated organization*2 Small-diameter SEMs, etc. Model expansion of IoT/WLP systems		
Expand service businesses	◆ Expand the W/W business with a dedicated organization*2 Expand the CIP*3 and other service menus		

*1 WLP: Wafer Level Package

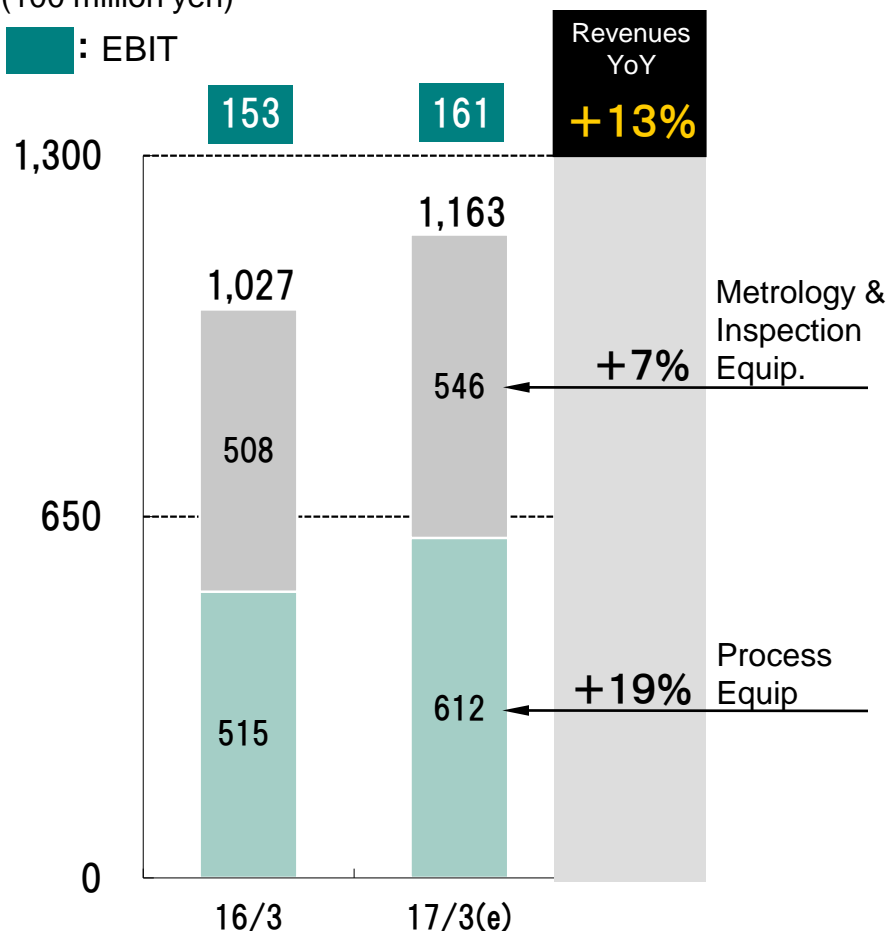
*2 Establishment of a new Customer Solutions Division

*3 CIP: Continued Improvement Plan

Revenues / EBIT Trend

(100 million yen)

■ : EBIT



Issues and Initiatives in FY16

Expand and enhance the functions of R&D bases around the world to deepen early collaboration

- Reinforce the facilities of engineering sites around the world
- Increase the headcount of product designers at overseas sites to strengthen development in close contact with customers



High Resolution CD-SEM CG6300

Accelerate growth by launching new businesses and expanding the service business

- Service Solution Business Promotion Div. was established as a new organization for responding to changing customer needs

- Successively develop IoT, automotive, power device, and WLP products
- Enhance and expand the CIP and other service menus to expand the service business



CD-SEM CS4800 for small-diameter wafers

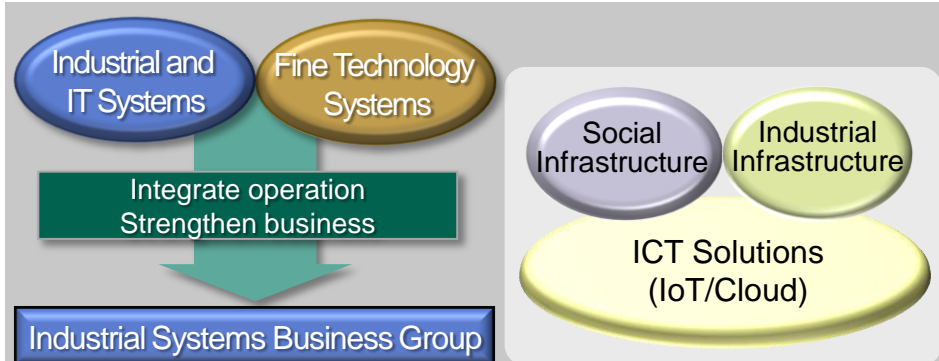
Vision

Aim to be only one solution provider in industrial field

Business Strategy

Strengthen business by integration of
social & industrial infrastructure business operation

New business operation system



Strengthen and deepen the cultivation of a business platform in Social and Industrial Infrastructure by integrating management of the Industrial & IT Systems and Fine Technology Systems businesses

- Optimize the mix of technological and marketing capabilities by integrating management in each business domain
- Provide optimal solutions that help maximize customers' value creation

Social Infrastructure

Railway inspections	<ul style="list-style-type: none"> ● Expand the inspection equipment business and develop peripheral railway facilities inspection equipment ● Develop business overseas
Control systems	<ul style="list-style-type: none"> ● Strengthen product development of general control systems and industrial instruments ● Strengthen business overseas, particularly in Asia
E.&E.	<ul style="list-style-type: none"> ● Renewable energy business expansion ● Strengthen the power systems business targeting emerging countries

Industrial Infrastructure

Automobiles	<ul style="list-style-type: none"> ● Strengthen dedicated marketing to expand sales of automobile component assembly systems
LiBs	<ul style="list-style-type: none"> ● Provide LiB manufacturing solutions
Thin-films	<ul style="list-style-type: none"> ● Develop new products and engineering methods in thin-film manufacturing systems
IJP for industry	<ul style="list-style-type: none"> ● Start up businesses in collaboration with strategic partners

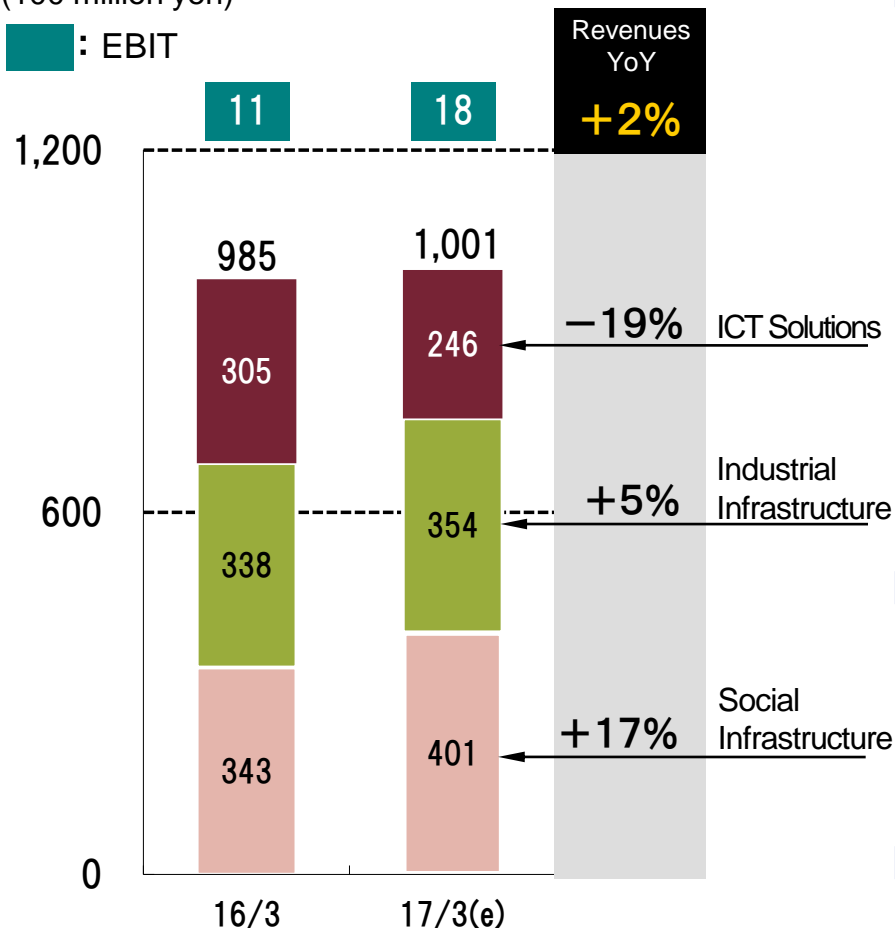
ICT Solutions

IoT	<ul style="list-style-type: none"> ● Strengthen business platforms in collaboration with business partners
Cloud	<ul style="list-style-type: none"> ● Continue to strengthen as a service platform

Revenues / EBIT Trend

(100 million yen)

■ : EBIT



Issues and Initiatives in FY16

Social Infrastructure

- Expand business in railway inspection equipment mounted on operating railcars
- Promote product development of general control systems and industrial instruments
- Promote joint mega-solar businesses (EPC*) (Komatsu-shi Ishikawa pref., Misawa-shi Aomori pref., etc.)
- Reenter the power systems business targeting Cuba



General Control System
EX-N01

Industrial Infrastructure

- Expand the business in automobile component assembly systems
- Expand sales of LiB manufacturing equipment in collaboration with business partners
- Start up new businesses, including in thin-film systems and industrial ink-jet printers

ICT Solutions

- Create value-added solutions for issues confronting customers
- Provide IoT solutions in collaboration with the Hitachi Group

* EPC : Engineering, Procurement and Construction

Vision

Become a business organizer of Full Value Chain as a product, for manufacturers

Business Strategy

Establish & expand Full Value Chain (FVC) infra.

Business strategies by major business

Expand business in fields that can leverage the Company's procurement and marketing capabilities

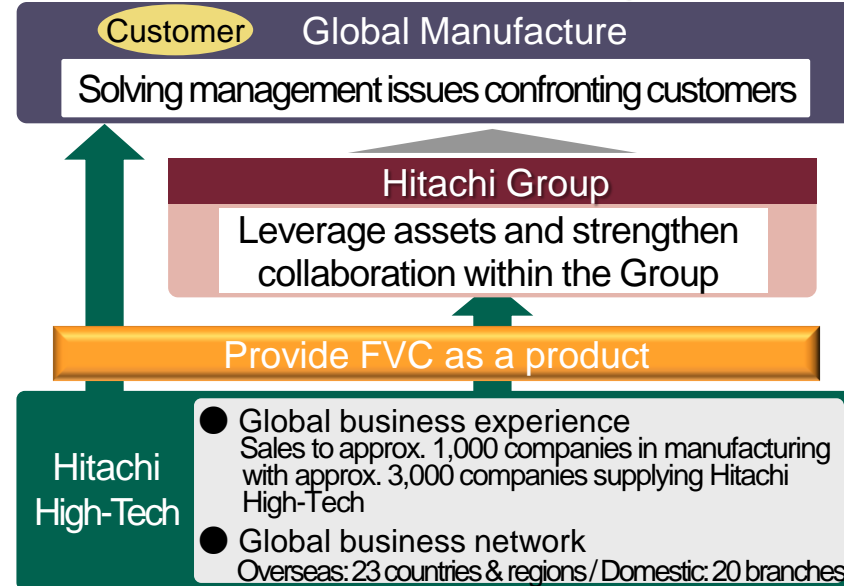
Sub-segment	Field	Initiatives
Industrial Materials	Functional Materials	Expand businesses targeting automobiles, construction machinery, and home appliances
	Transport Systems	Expand the value chain business in sensors, commercial vehicles, and turbocharger components
Electronics Materials	Electronics	Promote businesses in the semiconductor and automobile field, IC card components, and security solutions
	Communications	Cultivate value chains and promote collaboration with suppliers in the field of smartphones
VCS*	VCS	Establish a FVC platform for manufacturers and expand it exponentially by increasing sales to business partners

* VCS : Value Chain Solution

Execute FVC with one window service

Planning & development → Procurement → Manufacturing → Sales → Service

Co-creation with Hitachi Group



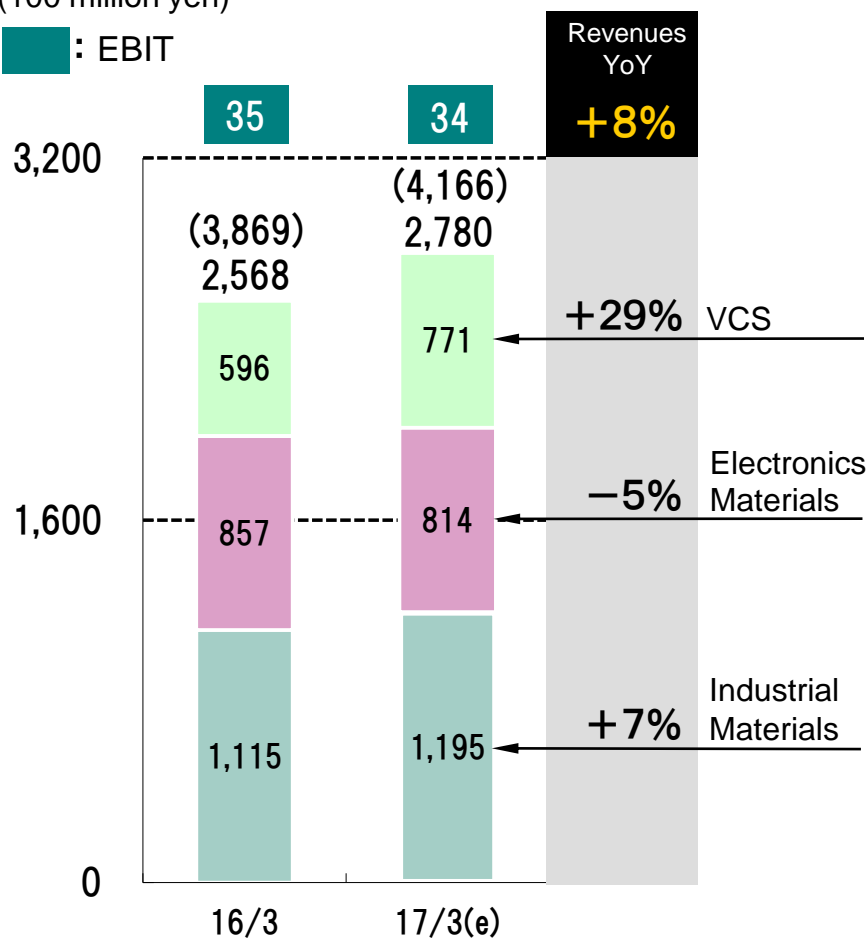
Promote business investment

- Cultivate new businesses in the automobile and rail transportation fields
 - Enter the repair and maintenance business
 - Invest in plastic molding businesses in the emerging markets
- Support overseas development of business partners
 - Support the development of smart factories and the like

Revenues / EBIT Trend

(100 million yen)

■ : EBIT



* Figures in parenthesis are transaction amounts that include net transaction amounts

** Conventional sub-segments are changed to new one

Issues and Initiatives in FY16

Prompt strategic investment decisions and executions for realizing inorganic growth

Industrial Materials

- Promote collaboration in plastic molding businesses in Latin America
- Expand sales of special steel sheets made in India to the ASEAN market
- Start up the LNG tank business and strengthen collaboration with the manufacturer

Electronics Materials

- Strengthen the earnings platform through collaboration with business partners in the semiconductor and automobile field
- Deepen the development of one-stop solutions by cultivating and supporting suppliers in the optical telecommunications field

VCS

- Build a dedicated FCV platform and provide services in each business field (automobile, rail transportation, home appliance, ICT, etc.)

Mid-Term Management Strategy and FY16 Outlook

“Move forward with the Courage to Change and Be Changed”

Change to customer focus

Respond in detail to individualized needs, and provide solutions with highly expertise

Change to autonomous-decentralized organization

Promote changing awareness to “Think, Decide and Act Autonomously” with the perspective of total optimization

END

■ FY16 Outlook by Segment

(100 million yen)

	FY16 Outlook		FY15 Results		YoY	
	Revenues	EBIT	Revenues	EBIT	Revenues	EBIT
Science & Medical Systems	1,740	230	1,770	266	-2%	-36
Electronic Device Systems	1,163	161	1,027	153	+13%	+8
Industrial Systems	1,001	18	985	11	+2%	+7
Advanced Industrial Products	2,780	34	2,568	35	+8%	-1
Total	6,600	397	6,290	482	+5%	-85

■ Capital Expenditure / Depreciation Costs / R&D

(100 million yen)

	FY15 Results	FY16 Outlook	YoY
Capital Expenditure	120	141	+17%
Depreciation Costs	105	121	+16%
R&D	202	239	+19%

Notes: • Elimination such as subtractions in intersegment transactions, etc., are included in the totals
 • In FY15 EBIT, impacts have been 3.8 Ybn due to partial transition from a defined benefit pension plan to a defined contribution pension plan

■ Changes in Orders Received (Electronic Device Systems)

	15/1H	15/2H	FY15	16/1H	16/2H	FY16
Previous Announcement (Jan.) (YoY)	456 (+14%)	614 (+16%)	1,070 (+15%)	—	—	—
Current Announcement (Apr.) (YoY)	456 (+14%)	726 (+38%)	1,182 (+27%)	506 (+11%)	505 (-30%)	1,011 (-14%)

□ : Results □ : Previous Forecast □ : Current Forecast

Mid-Term Management Strategy and FY16 Outlook

For further information

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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.

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