

10-year Strategy and 2018 Medium-term Management Plan

In order to realize the Hitachi Chemical Group Vision, we conceived a hypothetical future with a long-term outlook in our “where we want to be in ten years’ time,” then formulated the 10-year Strategy for its actualization and the 2018 Medium-term Management Plan for efforts to be made in the first three-year period, based on which various measures are being taken to achieve the targets from fiscal year 2016 to fiscal year 2018.



For materials explaining our 10-year Strategy, refer to [Hitachi Chemical's website](#) ▶ [Investor Relations](#) ▶ [IR Library](#) ▶ [Presentation Materials](#) ▶ [FY2015: Medium-Term Management Plan and Consolidated Results for the Fiscal Year Ended March 31, 2016](#). Information on the following is available.

1. Key Businesses Going Forward
2. Long-term Growth Milestones
3. Change How We Compete, Reflecting Changes in Business Climate
4. Promotion of ESG Management

10-year Strategy

Where We Want to Be in Ten Years' Time

A globally developing innovative solutions beyond the boundaries of chemistry, with advanced functional materials as core and extending to devices, systems and services

2015 → 2025 Growth Target

A globally active innovator providing high value-added solutions unattainable by other companies, demonstrating performance that will prevail in global competition

Operating margin: 14%+



2018 Medium-term Management Plan



For materials explaining and progress on our “2018 Medium-term Management Plan,” refer to [Hitachi Chemical's website](#) ▶ [Investor Relations](#) ▶ [IR Library](#) ▶ [Presentation Materials](#) ▶ [FY2016: Medium-Term Management Plan Progress Report and Consolidated Results for the Fiscal Year Ended March 31, 2017](#).

Basic Policies

Strengthen Global Business

- Cultivate top share business by changing method of competition
- Accelerate commercialization through Open Innovation

Strengthen Management Base

- Build global management infrastructure
- Establish cost structure as a global business leader



For information on ESG management efforts, refer to [P.37-48](#).



For detailed information on ESG management, refer to [Hitachi Chemical's website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#).

Key Measures

- Expansion of global top share business through reforms to niche and cluster business structures
- Accelerate commercialization by “Collaborative Creation” using outside resources
- Acquire technologies and business platforms from outside the company and accelerate growth

Promotion of ESG management

2018 Medium-term Management Plan Targets

	FY2015	FY2016	FY2017 Forecast	FY2018 Target
Revenue	546.5 billion yen CAGR 5.6% (FY2012 → FY2015)	554.1 billion yen +1.4% from previous year	610 billion yen	CAGR 7-8% (FY2015 → FY2018)
Operating margin	9.7% (9.1%)* ¹	9.6% (9.7%)* ¹	9.5% (10.0%)* ¹	11%
Return on invested capital (ROIC)	12.7%	12.3%		15%
	Functional Materials: 28.3%	30.1%		27%
	Automotive Products: 6.6%	7.0%		10%
	Energy Storage Devices: 8.2%	6.0%	10%	
Return on equity (ROE)	10.9%	11.1%		12%
CO₂ emissions*²	99%	101%		96%
Proportion of female managerial positions*³	10.4%	11.6%		12.0%

***1: Operating margin:**

Operating margin without other income and expenses.

***2: CO₂ emissions:**

Per unit of sales compared to the FY2014 results (major domestic production sites)

***3 Proportion of female managerial positions:**

Non-consolidated, under age of 45

Reflections on FY2016 and Initiatives for FY2017

FY2016 Progress

Outcomes	■ Increased sales due to new competitive strategies in growth fields
	■ Better promotion of, and enhanced systems for, <u>Open Innovation</u>
	■ M&A (FIAMM Energy Technology S.p.A.)
	■ Discontinuation of non-core products (Fineset, Copper foil business, etc.)
Issues	■ Delays in the launch of new business
	■ Slow in responding to commoditization of some products

External Environment in FY2017

- Surge in raw materials prices (copper, lead, naphtha)
- Related market trends*⁴

Semiconductors Displays	<ul style="list-style-type: none"> • Spread of smartphones reaches saturation point • Growth driven by progress in Internet of Things (IoT) and demand for vehicle-mounted applications
Automobiles	<ul style="list-style-type: none"> • Japanese and North American markets slow down but demand in India and ASEAN region increases

Key Initiatives for FY2017

- Reap results from Niche and Cluster businesses in growth fields
- Speed up commercialization process in new businesses
- Accelerate alliances in High Functional Materials businesses
- Swiftly leverage synergies with newly consolidated companies
- Promote work process reform and continue improving productivity



For information on Open Innovation, refer to **P.06, 41**.



For information on M&A of FIAMM Energy Technology S.p.A., refer to **P.06, 31-32**.

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Survey by Hitachi Chemical based on research company's materials

Niche

Businesses that should be sustained even if small in scale due to high profitability and strategic significance

Cluster

Business groups that can be implemented by sharing strategies for global success through grouping



For the progress of strategies for key businesses and the focus of efforts in fiscal year 2017, refer to the following pages.

Functional materials: **P.29-30.**
 Automotive Products: **P.31-32.**
 Energy Storage Devices and Systems: **P.33-34.**
 Life Sciences: **P.35-36.**

ISOLITE GmbH

ISOLITE GmbH is a manufacturer/distributor of thermal insulation parts for automobiles, aircraft and other industrial applications that has a wide sales network in Europe. also refer to **P.06, 31-32**, for information on ISOLITE GmbH.

FIAMM Energy Technology S.p.A.

FIAMM Energy Technology S.p.A. is a company that operates an automotive and industrial lead-acid battery business worldwide, and has a high market share especially in Europe.

Please also refer to **P.06, 31-32**, for information on FIAMM Energy Technology S.p.A.

PCT, Cell Therapy Services, LLC

PCT Cell Therapy Services, LLC has technologies and advanced business operation capabilities relating to the development of techniques, manufacturing and testing of regenerative medicine cells, etc.

For information on PCT Cell Therapy Services, LLC, refer to **P.05, 35**.



For information on Open Laboratory for Semiconductor Packaging Materials, refer to **P.06**.

HCEN

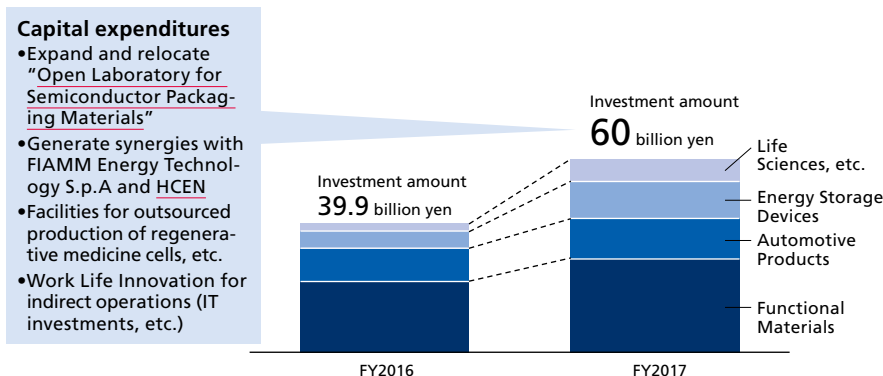
Hitachi Chemical Energy Technology Co., Ltd.
 (Former CBS Battery Co., Ltd.)

Strategies for Key Businesses

Functional Materials	Automotive Products
Strengthen key businesses through Niche and Cluster Strategies	Strengthen base to become a global top supplier
Energy Storage Devices and Systems	Life Sciences
Establish presence in global markets through increased scale	Cultivate future foundation business based on materials technology and diagnostic medicine business

Investment Strategy

FY2016 Progress	Initiatives for FY2017
<p>Functional Materials</p> <p>Prepared for alliances based on growth strategy</p> <p>Automotive Products</p> <p>Negotiated with <u>ISOLITE GmbH</u> for acquiring the stock</p> <p>Energy Storage Devices and Systems</p> <p><u>FIAMM Energy Technology S.p.A.</u> became a consolidated subsidiary</p> <p>Life Sciences</p> <p>Decided to acquire 100% stake in <u>PCT Cell Therapy Services, LLC</u></p>	<ul style="list-style-type: none"> •Accelerate alliances/M&A •Generate synergies with newly consolidated companies without fail



Accelerate investments in growth fields and cost structure improvements

Strengthening Our Management Base

Build global management infrastructure	
FY2016 Progress	Initiatives for FY2017
<p>Education programs</p> <p>Introduced orientation program (for M&A and mid-career recruits)</p>	<p>Develop and implement common level-specific educational programs</p>
<p>Talent management</p> <p>Developed and operated consistent management grading system to ensure optimal assignment of personnel</p>	<p>Introduce IT systems aimed at visualization of HR information</p>

Reinforce management infrastructure to suit diversification of human resources

Strengthening Our Management Base

Establish a cost structure as a global leader

FY2016 Progress	Initiatives for FY2017
Manufacturing division	
Decided to make major investment in streamlining production at overseas bases (robotics, automation, etc.)	Reap benefits Examine investment in further streamlining
Back-office division	
Implemented Business Process Engineering Cycle (BPEC) in some departments	Expand application of BPEC Start to reap benefits in frontrunner departments (automation of operations, cessation of non-core operations, etc.)

Achieve optimal fixed cost ratio through united efforts by all Group companies

BPEC

Business Processing Engineering Cycle (BPEC) refers to a method of making operational improvements in a continuous and effective manner by efficiently identifying operations and making them clearly visible.

Promotion of ESG Management

	FY2016 Progress	Initiatives for FY2017
Environment (E)	Reducing of CO₂ emissions in the Group CO ₂ emissions per unit of sales deteriorated, increase in conjunction with expansion of business activities, etc.	Reinforce energy-saving measures in facilities where emissions per unit of sales deteriorated •Stimulate Energy Conservation Committee activities through greater visualization of emissions per unit of sales •Raise awareness of CO ₂ costs
	Reducing environmental load through LCA Initiated life cycle assessments on some of the major products	Expand scope of life cycle assessments and take measures to reduce environmental load
Social (S)	Promoting career opportunities for women •Conducted career interviews with women, clarified issues •Selected for the first time in the index of "Nadeshiko Brands," which awards companies that excel in career opportunities for women	•Secure pool of human resources, train and produce candidates for management positions •Create an environment where women can play active roles (further encourage flexible working styles, continue training to raise awareness and change behavior of male managers)
	Work Life Innovation •Introduced discretionary working system •Visualized indirect operation processes and problem analysis	•Reform indirect operations (cessation/simplification of non-core operations, automation of routine work, etc.) •Enhance remote office environment (increase number of mobile PCs, etc.)
Governance (G)	Upgrading and implementing Corporate Governance Guidelines •Appointed diverse outside directors (2 non-Japanese, 1 woman) •Evaluation of Effectiveness of the Board of Directors (self-evaluation) with assistance of outside organization •Audit of Group companies by outside directors (auditors)	Establish processes for selection and training of candidates for next-term successors by the Board of Directors



For information on ESG management, refer to [P.37-48](#).



For information on efforts to reduce CO₂ emissions, refer to [P.37](#).

LCA (Life Cycle Assessment)

Life cycle assessment is conducted with respect to major products to identify and reduce the environmental burden in the value chain as a whole.

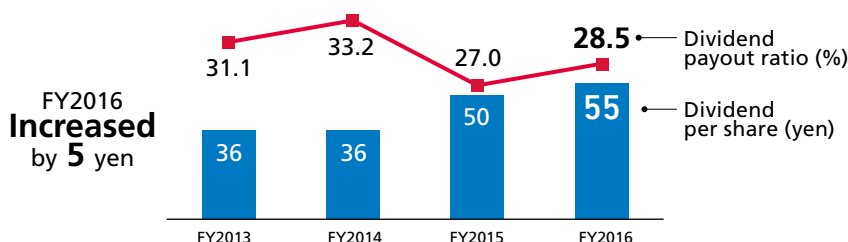


For detailed information on the Promoting career opportunities for women, and Work Life Innovation refer to [P.38](#).



For detailed information on evaluation of effectiveness of the Board of Directors, refer to [P.44](#).

Dividends



Continue policy to pay stable dividends targeting dividend payout ratio of around 30%