

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](#) ▶ [FY2017](#) ▶ [Medium-term Management Plan Progress Report and Consolidated Results for the Fiscal Year Ended March 31, 2018](#).

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

2018 Medium-term Management Plan

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

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 Group and accelerate growth

Promotion of ESG management

- | | |
|---------------|---|
| Environmental | ■ Reducing CO ₂ emissions in the Group |
| Social | ■ Promoting career opportunities for female employees |
| Governance | ■ Reinforcing corporate governance based on efficacy evaluations |
| | ■ Rebuilding compliance structures and thoroughly implementing training in order to prevent recurrence of cartel issues |

Outcomes and Forecasts of the 2018 Medium-term Management Plan

	FY2016	FY2017	FY2018 Target	FY2018 Forecast
Revenue	554.1 billion yen +1.4% from previous year	669.2 billion yen +20.8% from previous year	CAGR7-8% (FY2015→FY2018)	710 billion yen +6.1% from previous year
Operating margin	9.6% (9.8%)* ³	6.9% (8.5%)* ³	11%	8.3% (9.2%)* ³
ROIC	12.3%	7.7%	15%	
	Functional Materials: 30.1%	29.8%	27%	
	Automotive Products: 7.0%	5.8%	10%	
Energy Storage Devices and Systems: 6.0%	1.5%	10%		
ROE	11.1%	9.4%	12%	
CO ₂ emissions* ¹	101%	96%	96%	
Proportion of female managerial positions* ²	11.6%	7.9%	12.0%	

*1: CO₂ emissions:

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

*2: Proportion of female managerial positions:

Non-consolidated, under age of 45

*3: Operating margin:

Operating margin without other income and expenses

Reflections on FY2017 and Initiatives for FY2018

FY2017 Progress

Outputs

- Acquired global business bases and increased the scale through M&A
- Expanded sales of Niche products (anode material, CMP slurry)
- Proposed and adopted new packages for the packaging material cluster
- Expanded the mass production of formed resin for molded exterior products
- Started the mass production of copper-free disk brake pad
- Entered agreements on the contracted manufacturing of regenerative medicine products

Issues

- Failure to respond in a timely fashion to the rapid decline in demand for mobile devices
- Deterioration of the product line due to delays in launching new products and withdrawing non-core products
- Delay in responding to the rapid increase in raw material prices
- Insufficient synergy with merged and acquired companies
- Fines and compensations paid (approximately 10 billion yen) over capacitor cartel



Initiatives for FY2018

- Reap results from Niche and Cluster businesses
- New businesses and new products to contribute to profitability
- Make a comprehensive, bold shakeup of the product line
- Secure profitability through synergy generated with new consolidated subsidiaries
- Improve productivity globally
- Build a global management infrastructure

Strategies for Key Businesses

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



For the progress of strategies for key businesses and the focus of efforts in fiscal year 2018, 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](#).

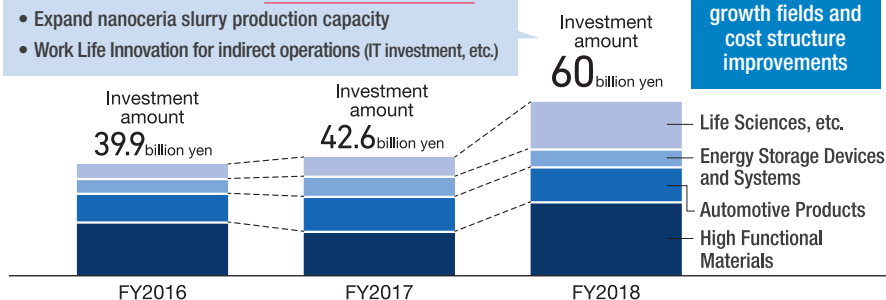
Investment Strategy

Basic Policy

Invest in growth areas as much as 1.5 times the previous Medium-term Plan

- Relocation and expansion of Packaging Solution Center
- Expand nanoceria slurry production capacity
- Work Life Innovation for indirect operations (IT investment, etc.)

Accelerate investment in growth fields and cost structure improvements



For detailed information, refer to [Hitachi Chemicals Website](#) ▶ [About Hitachi Chemical](#) ▶ [News release](#).
Jan.12, 2017: Relocating and Upgrading the Open Laboratory that Promotes Open Innovation for Semiconductor Packaging Materials and Processes

Top Message

At a Glance

Our Strategy

Our Initiatives

Strengthening Our Management Base

Accelerate action in line with the business development on a global basis

Global improvements in productivity

FY2017 Progress

Initiatives for FY2018

Promote advanced manufacturing processes leveraging IoT and AI

Used an IoT system to ensure appropriate inventory levels for automotive batteries

Use AI to automate parts of the production process

Building global management infrastructure

FY2017 Progress

Initiatives for FY2018

Increase the speed of decision making, reinforce corporate governance

Built up the coordination capabilities of our regional headquarters in North America

Further develop businesses in Greater China and the ASEAN region

Promotion of ESG Management

FY2017 Progress

Initiatives for FY2018

Reducing CO₂ emissions in the Group

96%*1

Focused on energy-saving measures in facilities where emissions per unit of production deteriorated

- Simulated the activities of the Energy Conservation Committee
- Moved forward with steady "Carbon Management Strategy"

Target: 96%

Further strengthen energy conservation activities

- Continue the activities of the Energy Conservation Committee
- Further energize the respective activities of sales / operations offices
- Promote the awareness of 'CO₂ = Cost'
- Overseas Carbon Management Strategy

Environment (E)

Promoting career opportunities for female employees

7.9%*2

Secured and trained candidates for management positions

Created an environment where female employees can play active roles

- Further promoted flexible working styles including teleworking and discretionary working systems
- Continued training to raise awareness, and changed behavior of female managers

Target: 12.0%

Accelerate the retention and training of candidates for management positions

Further accelerate the creation of an environment where female employees can play active roles

- Increase training opportunities regarding raising of awareness

Social (S)

Reinforcing corporate governance based on efficacy evaluations

Efficacy evaluation of Board of Directors

Held interviews, particularly with Outside Directors

Continue implementation

Holding off-site meetings

All Directors and Executive Officers took part in meetings for the first time

Hold meetings related to the next medium-term management plan

Selecting and developing candidates for next-term successors by Board of Directors

Began implementing the selection / development process

Upgrade corporate governance on the basis of the results of the efficacy evaluation

Governance (G)

Audit of Group companies by Outside Directors

Continued to visit and inspect business sites in Japan and abroad

Rebuilding compliance structures and thoroughly implementing training in order to prevent recurrence of cartel issues

IoT

Internet of Things

AI

Artificial Intelligence



For information on ESG management, refer to [Hitachi Chemicals Website](#) ▶ [About Hitachi Chemical](#) ▶ [CSR](#).



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

*1: CO₂ emissions:

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



For detailed information on the Promoting career opportunities for female employees, refer to [P.38](#).

*2: Proportion of female managerial positions:

Non-consolidated, under age of 45



For detailed information on our governance efforts, refer to [P.39-44](#).

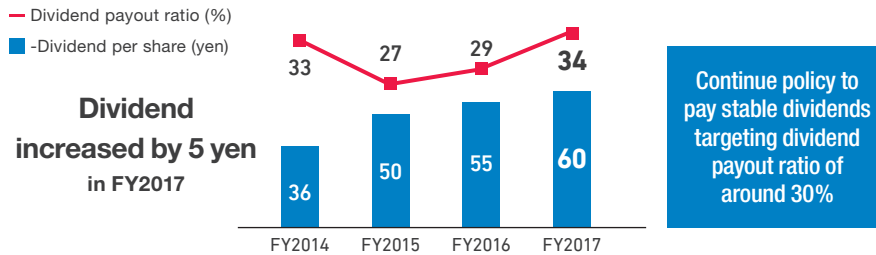


For detailed information on evaluation of effectiveness of the Board of Directors, refer to [P.41](#).



For detailed information on our selection and training of candidates for next-term successors, refer to [P.42](#).

Dividends



Approach for 2021 Medium-term Management Plan

External Environmental Changes

- Changes in market structure through artificial intelligence, digitalization, automated driving
- Coordination between different industries through growth of ICT (business ecosystems)
- Creation of Society 5.0 (supply necessary services/items only when needed, as needed)
- Promotion of SDGs globally, accelerating the realization of a sustainable society

Impact on Our Company

QOL improvements	<ul style="list-style-type: none"> ■ Automated driving / progress on <u>ADAS</u> ■ Greater use of IoT, AI ■ Introduction of high-speed communications (5G) ■ Development of preventative / advanced medical treatment
+	
Realization of a sustainable environment	<ul style="list-style-type: none"> ■ Further improvements in fuel efficiency ■ Shift to <u>EVs</u> ■ Reduced burden on environment (greenhouse gases / reduce contaminants, renewable energy)

Our Contribution

	Environmental changes	Issues	Required characteristics	Our technologies / products	
Contributions to QOL improvements	Automated driving ADAS	Sensor diversification	Next generation semiconductors, displays, packaging materials	Technology for packaging materials	
	Greater use of IoT, AI	High-speed communications (5G)		Large capacity storage	Technology for packaging processes
		Improved quality of medical services			Enhanced preventative medicine
		Expanded regenerative medicine	Stable cell supply	Cell cultivation	
Shift to EVs	Shift to EVs	Safety, longer continuous driving distance	Improved performance of storage batteries	Anode materials / electrolytes	
		Further fuel efficiency improvements	Heat management	Thermal insulation material	
			Electronic control	Power semiconductor material	
	Lower environmental burden	Weight saving	Plastic molding	Adhesives	
			Lightweight metals		
	Greater use of renewable energy	Improved efficiency of energy usage	Energy management systems		

ICT
Information and Communication Technology

Society 5.0
Refers to a human-centered society that supports economic development and the solution of social issues at the same time, based on a system that closely integrates a virtual space with a physical space (the Cabinet Office).

ADAS
Advanced Driver Assistance Systems

EV
Electric Vehicle