Hitachi Metals
FY2018 Medium-Term Management Plan

May 10, 2016
Hitachi Metals
FY2018 Medium-Term Management Plan

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1. Overview of Operating Results for FY2015
   (Fiscal Year Ended Mar. 31, 2016)
2. Overview of FY2018 Medium-Term Management Plan
3. Action Plan
4. Conclusion
1-1. FY2015 Medium-Term Management Plan: Overview of Operating Results

Shifted to profit-generating segments and built a structure targeted at sustainable growth

Operating margin

<table>
<thead>
<tr>
<th>Sphere size = Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012 ⇒ FY2015</td>
</tr>
</tbody>
</table>

- **Magnetic Materials and Applications**
  - Accelerated global expansion.
  - Secured competitive superiority in technology.

- **High-Grade Metal Products and Materials**
  - Implemented major investments and realized results quickly.
  - Configured a sales structure for Europe and Americas.

- **High-Grade Functional Components and Equipment**
  - Strengthened the Americas business.
  - Accelerated global expansion.

- **Wires, Cables, and Related Products**
  - Completed restructuring.
  - Implemented a global growth strategy.

FY2012: Operating income according to Japanese GAAP; FY2015: Adjusted operating income (IFRS)
### High-Grade Metal Products and Materials

| Expanding the aircraft and energy segment business domains | • Acquired MMC Superalloy Corporation shares (boosting holdings from zero to 51%) and consolidated the company. (Consolidated in July 2014)  
• Hitachi Metals MMC Superalloy, Ltd. made a major investment in an 840-ton large ring mill. (Began operation in November 2015) |
| Made large-scale investments in upstream operations (all of specialty steel) | • Invested in a 24-ton vacuum induction melting and casting furnace, the largest in the world. (Began operation in March 2015)  
• Invested in a 10,000-ton class free forging press, high speed radial forging machine. (Scheduled for completion and launch of operation in FY2017) |
| Established a structure for expanding global sales (tool steel) | • Reconfigured the brand due to expand global sales. (October 2015)  
• Began mass production of SLD-i™, a new type of cold-rolled tool steel produced with a new melting equipment. (April 2016)  
• Expanded distribution network in North America with the acquisition of Diehl Tool Steel. (November 2015) |
| Reinforced the business base for cemented carbide tools | • Transferred shares held in Hitachi Tool Engineering, Ltd. (100%→49%). (April 2015) |

### Magnetic Materials and Applications

| Established a production location in China | • Concluded a joint venture agreement with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. (June 2015) |
| Increased production capacity at locations in Japan | • Increased production capacity for rare-earth magnets used in HEV (by over 10%). (2H of FY2014) |
| Reinforced the business base for ferrite magnets | • Developed ferrite magnets with the most distinctive qualities in the world (NMFTM-15 series). (July 2014)  
• Expanded production capacity at the plant in South Korea (by over 20%). (2H of FY2014) |
1-3. FY2015 Medium-Term Management Plan: Overview of Initiatives (2)

The business portfolio was restructured with the goal of achieving sustainable growth

**High-Grade Functional Components and Equipment**

- **Expanded the automotive casting component business on a global basis**
  - Acquired Waupaca Foundry, Inc. (November 2014).
  - Merged Waupaca Foundry, Inc. and Hitachi Metals Automotive Components. (April 2016)
  - Increased production capacity of heat-resistant cast steel for turbo (by over 60%).
    (Scheduled to begin operation in the 2H of FY2016)

- **Sold shares in Hitachi Metals Techno, Ltd.**
  - Sold all shares held by Hitachi Metals through a public tender offer. (March 2015)

**Wires, Cables, and Related Products**

- **Achieved structural reform**
  - Sold shares in J-Power Systems Corporation (high-voltage cables), cutting holdings from 50% to zero. (April 2014)
  - Reduced equity stake in Sumiden Hitachi Cable Ltd. (low-voltage cables) from 50% to 34%. (November 2014)
  - Sold the compound semiconductor business. (April 2015)
  - Decreased stake in Shanghai Hitachi Metals Cable Materials Co., Ltd. (wire coils) from 100% to 10%. (November 2015)

- **Reinforced the business base**
  - Decided to invest in continuous casting and rolling line equipment.
    (Scheduled to begin operation in April 2018)

- **Expanded business in growth segments**
  - [Medical] Acquired the HTP-Meds Group, a manufacturer of medical tubing in North America. (February 2016)
  - [Electronic components] Configured global production structure for EPB harnesses and sensors. (October 2015)
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Change to be a competitive business; Challenge ourselves to meet new targets
Achieving our goal of becoming the world’s leading high-performance materials company

Key Policies of the FY2018 Medium-Term Management Plan

1. Accelerate the creation and execution of growth strategies.
2. Achieve a robust business structure and highly efficient business management.
3. Strive to establish a business base that is sustainable over the long-term.
Our vision

Expand the business globally while improving profitability.

Management driven by both the growth strategy and a stronger business base

- Continuous portfolio remodeling
- Organic growth (from capital investment & R&D)
- Growth through M&A
- Strengthen the business base
## 2-3. FY2018 Medium-Term Management Plan: Main Numerical Goals for Management

<table>
<thead>
<tr>
<th>FY2015 business performance (US$1 = ¥120)</th>
<th>FY2018 Plan (Target) (US1 = ¥115)</th>
<th>% Change vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong> 1,017.6</td>
<td>1,120.0</td>
<td>110%</td>
</tr>
<tr>
<td><strong>Adjusted operating income [7.5%]</strong> 76.1</td>
<td>120.0</td>
<td>+43.9</td>
</tr>
<tr>
<td><strong>IFRS operating income</strong> 100.0</td>
<td>112.0</td>
<td>+12.0</td>
</tr>
<tr>
<td><strong>EBIT</strong> 99.1</td>
<td>112.0</td>
<td>+12.9</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong> 96.2</td>
<td>107.5</td>
<td>+11.3</td>
</tr>
<tr>
<td><strong>Net income</strong> 69.1</td>
<td>75.0</td>
<td>+5.9</td>
</tr>
<tr>
<td><strong>Total assets</strong> 1,033.3</td>
<td>1,250.0</td>
<td>+216.7</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong> 495.9</td>
<td>645.0</td>
<td>+149.1</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong> 220.4</td>
<td>246.0</td>
<td>+25.6</td>
</tr>
<tr>
<td><strong>D/E ratio (times)</strong> 0.44</td>
<td>0.38</td>
<td>-0.06</td>
</tr>
<tr>
<td><strong>ROA</strong> 6.5%</td>
<td>6.4%</td>
<td>-0.1%</td>
</tr>
<tr>
<td><strong>ROE</strong> 14.4%</td>
<td>12.2%</td>
<td>-2.2%</td>
</tr>
<tr>
<td><strong>Percentage of revenues from overseas markets</strong> 56%</td>
<td>58%</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Overseas production as % of total</strong> 44%</td>
<td>45%</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Number of employees</strong> 29,157</td>
<td>29,400</td>
<td>243</td>
</tr>
</tbody>
</table>
## 2-4. Investment Cash Flow

### Make strategic investments aimed at expanding global business domains and strengthening the business base

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Medium-Term Plan Cumulative Results</th>
<th>FY2018 Medium-Term Cumulative Plan</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>¥323.9 billion</td>
<td>¥340.0 billion</td>
<td>+ ¥16.1 billion</td>
</tr>
<tr>
<td>Investment amount</td>
<td>¥313.5 billion</td>
<td>¥340.0 billion</td>
<td>+ ¥26.5 billion</td>
</tr>
<tr>
<td>(including M&amp;A)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Medium-Term Plan Cumulative Results</th>
<th>FY2018 Medium-Term Cumulative Plan</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and Amortization</td>
<td>¥116.6 billion</td>
<td>¥155.5 billion</td>
<td>+ ¥38.9 billion</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>¥56.8 billion</td>
<td>¥70.0 billion</td>
<td>+ ¥13.2 billion</td>
</tr>
</tbody>
</table>
### 2-5. Policy on Shareholder Return

#### Dividends

<table>
<thead>
<tr>
<th></th>
<th>Interim Dividends</th>
<th>Year-end Dividends</th>
<th>Annual Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>¥7</td>
<td>¥10</td>
<td>¥17</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥10</td>
<td>¥13</td>
<td>¥23</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥13</td>
<td>¥13 (Forecast)</td>
<td>¥26 (Forecast)</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥13 (Forecast)</td>
<td>¥13 (Forecast)</td>
<td>¥26 (Forecast)</td>
</tr>
</tbody>
</table>

#### Policy on Shareholder Return in the FY2018 Medium-Term Management Plan

- **Active investment in growth strategy**
- **Business growth & expansion**
- **Further investment in growth strategy**

Achieve shareholder return that reflects high growth
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### 3-1. Action Plan

<table>
<thead>
<tr>
<th>Continuous portfolio remodeling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentrate on high-profit, high-growth segments.</td>
</tr>
<tr>
<td>Use management resources efficiently.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organic growth (from capital investment and R&amp;D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen &amp; accelerate the pace of R&amp;D.</td>
</tr>
<tr>
<td>Advance the Corporate Monozukuri Innovation Project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth through M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate synergistic benefits.</td>
</tr>
<tr>
<td>Acquire human resources &amp; achieve rapid commercialization.</td>
</tr>
</tbody>
</table>
3-2. Organizational Structure Aimed at Improving Corporate Value

Strengthen cross-organizational functions to achieve business management having a directional focus that surpasses vertical organizational confines.

**Corporate**

Efficient utilization of management resources from the perspective of what is optimal overall.

**Internal company**

Greater speed in making business decisions

**Global regional headquarters**

Formulation and implementation of regional business strategy

Strengthen the business base to achieve sustainable growth.
3-3. Continuous Portfolio Remodeling (1)

Enhance profitability while expanding business scale and domains

Concentrate on high-profit, high-growth segments.

Utilize management resources efficiently.

Business domains

- High-Grade Metal Products and Materials
  - Invest management resources in the aircraft and energy segments.

- Magnetic Materials and Applications
  - Expand business domains through joint ventures in China. (Europe & Asia)

- High-Grade Functional Components and Equipment
  - Expand the agriculture and construction machinery segments and expand to Central and South America.

- Wires, Cables, and Related Products
  - Shrink business in segments with low profitability and expand it in highly profitable segments.

Key segments

Business structure

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### Concentrate on high-profit, high growth segments

<table>
<thead>
<tr>
<th>Market Segment (% of sales in FY2015)</th>
<th>Automotive (% of sales: Approx. 50%)</th>
<th>Industrial Infrastructure (% of sales: Approx. 30%)</th>
<th>Electronics (% of sales: Approx. 20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key segments</td>
<td>HEV/EV</td>
<td>Railway</td>
<td>Medical</td>
</tr>
<tr>
<td>Specialty Steel</td>
<td>Automotive components</td>
<td>Construction and agricultural machinery</td>
<td>Batteries</td>
</tr>
<tr>
<td>Soft Magnetic Components and Materials</td>
<td>Construction and agricultural machinery</td>
<td>Aircraft</td>
<td></td>
</tr>
<tr>
<td>Magnets and Applied Products</td>
<td></td>
<td>Energy</td>
<td></td>
</tr>
<tr>
<td>Casting Components</td>
<td></td>
<td>Medical</td>
<td></td>
</tr>
<tr>
<td>Wires and Cables</td>
<td></td>
<td>Batteries</td>
<td></td>
</tr>
</tbody>
</table>

Concentrate on high-profit, high growth segments

- **Specialty Steel**
- **Soft Magnetic Components and Materials**
- **Magnets and Applied Products**
- **Casting Components**
- **Wires and Cables**
3-5. Strengthening and Accelerating the Pace of R&D

Achieve reform from the medium- to long-term and cross-organizational business perspectives

- Build a corporate lab and pursue work on new business creation.

Corporate lab (Scheduled for establishment in April 2017)

- Leading-edge research
  - Medium- to long-term research concentrated on threats and opportunities

Cross-organizational research

- Metal materials
- Composite materials
- High-performance materials
- Plastic materials

Create new businesses in growth markets

R&D Costs ¥12 billion

R&D costs

¥57 billion (FY2015 Medium-Term Plan, cumulative)

⇒ ¥70 billion (FY2018 Medium-Term Plan, cumulative)
Advancing the Corporate Monozukuri Innovation Project to achieve our goal of becoming the world’s leading high-performance materials company

Achieve innovative monozukuri through IoT.
- Monitoring of indicators
- Traceability
- Improved maintenance function

Achieve innovation in manufacturing technology in overall material flow.
- Refining technology
- CAE technology
- Surface treating
- Recycling technology

Accelerate global expansion of innovation

Generate ¥20 billion more in profit (compared to FY2015)
3-7. High-Grade Metals Company: Tool Steel Business

Accelerate global expansion

- Achieve global expansion of SLD-i™, the new cold-rolled mold steel.

<table>
<thead>
<tr>
<th>SLD-i™ characteristics</th>
<th>Same composition as ordinary steel, but offers</th>
<th>Dramatic improvement in mold lifes-pan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Restrained to change dimensions over hot-rolled process</td>
<td>improved abrasion resistance</td>
</tr>
</tbody>
</table>

- Achieve greater brand diffusion and promote the solutions business.

**Brand diffusion**

**Solutions business promotion**

Development of local human resources as a strategic force

Establishment of new locations

**Accelerate expansion of overseas sales**

- Europe: Strengthen distribution through M&A
- China: Fortify the sales structure
- Americas: Expand sales in Americas market, mainly driven by Diehl Tool Steel
- Asia: Increase capacity of processing locations

**Sales plan for tool steel business**

¥60.5 billion (FY2015) ⇒ ¥79 billion (FY2018)
Strengthen and expand the aircraft and energy businesses

Expand business through integrated production of large casting components

- Melting: Large VIM (Yasugi Works)
- Hot processing: 10,000 ton press (Yasugi Works)
- Forging: 50,000 ton press (JForge)
- Rolling: Large ring mill (HMSA)

Acquire melting certification from European engine manufacturers

Begin delivery of developed products at the end of FY2016

Target aircraft engines of the Hitachi Metals Group for sales expansion:
- Fan cases
- Combustors
- High & low pressure turbines
- Shafts
- High pressure compressors

Sales plan for the aircraft and energy businesses:

¥33.5 billion (FY2015) ⇒ ¥37 billion (FY2018) ⇒ ¥60 billion (FY2025)

Accept the challenge of becoming one of the top four manufacturers of aircraft components and materials

VIM: Vacuum induction melting and casting (furnace)
JForge: Japan Aeroforge, Ltd.
HMSA: Hitachi Metals MMC Superalloy, Ltd.
Launch the rare-earth magnet business in China & improve competitiveness

- Establish optimal global production locations.

Forecast demand for high-performance rare-earth magnets (weight basis)

The Chinese market will be approximately five times the size of the Japanese market in FY2025.

Main uses

- Vehicles
- Industrial & consumer electronics

China (JV)

- Gain access to Chinese customers
- Increase share in Europe and Asia
- Achieve stable procurement of inexpensive raw materials

Japan

- Consolidate production and development locations
- Improve material flow
- Build innovative production lines

Innovative production lines

Achieve high productivity through fully automated production lines.

- Improve forming
- Enhance diffusion technology for heavy rare-earth metals
- Procure Chinese materials

Sales plan for the Magnetic Materials Company

¥106 billion (FY2015) ⇒ ¥132 billion (FY2018)

Source: Company projections based on various data.

Europe

North America

Asia

China

Japan

2015 2020 2025

Vehicles

Industrial & consumer electronics
3-10. High-Grade Functional Components Company: Cast Iron Business

Maintain a firm hold on the No. 1 rank in the world through global expansion

- Establish a business model based on local production and local consumption.

<table>
<thead>
<tr>
<th>Waupaca Foundry, Inc.</th>
<th>Japan &amp; South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter the European &amp; Central &amp; South American markets.</td>
<td>Work to expand sales in Asian markets.</td>
</tr>
<tr>
<td>Expand sales to the construction &amp; agricultural machinery segments (by 30% or more).</td>
<td></td>
</tr>
</tbody>
</table>

- Improve cost competitiveness through innovations in manufacturing technology.

<table>
<thead>
<tr>
<th>Waupaca Foundry, Inc.</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Install of horizontal casting line (at the 5th plant) and dedicate a plant to ductile cast iron (the 6th plant).</td>
<td>Roll out the manufacturing and processing technology in Japan to elsewhere in Asia (South Korea).</td>
</tr>
</tbody>
</table>

Sales plan for cast iron business

¥250 billion (FY2015) ⇒ ¥260 billion (FY2018)
3-11. High-Grade Functional Components Company: Heat-Resistant Cast Steel Business

Strengthen business targeting the growing turbo market

- Configure an integrated production structure for materials and processing.

Forecast of Vehicle Production Volume by Powertrain

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>EV/HEV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diesel vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles with turbo engines (gasoline-powered)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline-powered vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company forecast based on various data.

Heat-resistant cast steel business: 1.6x increase in sales volume for FY2018 (compared to FY2015)

Japan

- Increase production capacity (Bring online in 2H of FY2016)
- Enhance processing technology
Put a high-profit structure into place and strengthen the overseas business

- Concentrate resources in high-profit segments.

<table>
<thead>
<tr>
<th></th>
<th>Railway segment</th>
<th>Medical segment</th>
<th>Automotive electronic components</th>
</tr>
</thead>
</table>

- Develop new medical products (that integrate diagnosis and treatment)
  - Cables for diagnostic purposes
  - Tubing for therapeutic uses

- Build a new location for supplying harnesses for rolling stock

- Fortify Mexico location
  - Increase capacity in 2H of FY2015

Sales plan for growth segments

¥44.5 billion (FY2015) ⇒ ¥59 billion (FY2018)
Achieve sustainable growth driven by organic growth and M&A

Operating margin

FY2012 ⇒ FY2015 ⇒ FY2018

Sphere size = Sales

Magnetic Materials and Applications

Wires, Cables, and Related Products

High-Grade Metal Products and Materials

High-Grade Functional Components and Equipment

Operating income (¥billions)

FY2012: Operating income according to Japanese GAAP; FY2015 and FY2018: Adjusted operating income (IFRS)
### 3-14. Revenues & Adjusted Operating Income by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2015 Results (US$1 = ¥120)</th>
<th>FY2018 Plan (US$1 = ¥115)</th>
<th>vs. FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($billions, %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Grade Metal Products and Materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>256.7</td>
<td>310.0</td>
<td>121%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>27.0</td>
<td>41.0</td>
<td>+14.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>10.5%</td>
<td>13.2%</td>
<td>+2.7%</td>
</tr>
<tr>
<td>Magnetic Materials and Applications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>105.3</td>
<td>132.0</td>
<td>125%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>6.9</td>
<td>17.0</td>
<td>+10.1</td>
</tr>
<tr>
<td>Operating margin</td>
<td>6.6%</td>
<td>12.9%</td>
<td>+6.3%</td>
</tr>
<tr>
<td>High-Grade Functional Components and Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>365.1</td>
<td>375.0</td>
<td>103%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>26.1</td>
<td>37.5</td>
<td>+11.4</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.1%</td>
<td>10.0%</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Wires, Cables, and Related Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>288.2</td>
<td>290.0</td>
<td>101%</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>15.0</td>
<td>26.0</td>
<td>+11.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>5.2%</td>
<td>9.0%</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Other &amp; Adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>2.3</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>1.1</td>
<td>-1.5</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,017.6</td>
<td>1,120.0</td>
<td>110%</td>
</tr>
<tr>
<td>Revenues</td>
<td>76.1</td>
<td>120.0</td>
<td>+43.9</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td></td>
<td>10.7%</td>
<td>+3.2%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- FY2015: 2015 Fiscal Year
- FY2018 Plan: 2018 Fiscal Year Plan
- vs. FY2015: Percentage change from FY2015 to FY2018 Plan
- US$1 = ¥120/Y115

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3-15. Global Sales Composition by Region (FY2015 ⇒ FY2018)

Europe
¥51 billion ⇒ ¥63 billion
% of Global: 6%

China
¥83 billion ⇒ ¥85 billion
% of Global: 7%

Japan
¥454 billion ⇒ ¥472 billion
% of Global: 36%

Americas
¥327 billion ⇒ ¥368 billion
% of Global: 33%

Other Asia
¥109 billion ⇒ ¥132 billion
% of Global: 24%

Manage operations via global regional headquarters
- Formulate and execute regional strategies
- Localize operations with regional management committees
- Promote local personnel to executive management

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Hitachi Metals
FY2018 Medium-Term Management Plan

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   (Fiscal Year Ended Mar. 31, 2016)
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Conclusion

Change to be a competitive business; Challenge ourselves to meet new targets

Achieving our goal of becoming the world’s leading high-performance materials company

FY2018 Plan

Revenues: ¥1,120 billion
Adjusted Operating Income: ¥ 120 billion (P: 10.7%)

Strive for sustainable growth by executing global growth strategies and strengthening the business base.
## Business Operations

<table>
<thead>
<tr>
<th>Business segments</th>
<th>Business Categories</th>
<th>Principal Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-Grade Metals Company</strong></td>
<td>Specialty steel</td>
<td>YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other packaging materials, and battery-related materials], materials for industrial equipment [automotive materials, razor and blade materials], aircraft-, and energy-related materials, and precision cast components)</td>
</tr>
<tr>
<td></td>
<td>Rolls</td>
<td>Rolls for steel mills, injection molding machine parts, structural ceramic products, and steel-frame joints for construction</td>
</tr>
<tr>
<td></td>
<td>Soft magnetic components and materials</td>
<td>Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic materials; and soft ferrite) and applied products</td>
</tr>
<tr>
<td><strong>Magnetic Materials Company</strong></td>
<td>Magnets and applied products</td>
<td>Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) Ceramic products</td>
</tr>
<tr>
<td><strong>High-Grade Functional Components Company</strong></td>
<td>Casting components for automobiles</td>
<td>Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components), SCUBA™ aluminum wheels and other aluminum components, Forged components for automobiles</td>
</tr>
<tr>
<td></td>
<td>Piping components</td>
<td>Piping and infrastructure components (Gourd brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</td>
</tr>
<tr>
<td><strong>Cable Materials Company</strong></td>
<td>Electric wires and cables</td>
<td>Industrial cables, electronic wires, electric equipment materials, and industrial rubber products</td>
</tr>
<tr>
<td></td>
<td>High performance components</td>
<td>Cable assemblies, electronic automotive components, brake hoses, and wireless systems</td>
</tr>
<tr>
<td></td>
<td>Information systems</td>
<td>APRESIA™ Information networks products</td>
</tr>
</tbody>
</table>
This document contains forward-looking statements—such as results forecasts and management plans—that are not historical facts. All such forward-looking statements are based upon all available information and upon assumptions and projections that were deemed reasonable at the time the Company prepared this document. Changes to the underlying assumptions or circumstances could cause the actual results to differ substantially. The factors causing such differences include, but are not limited to, the following:

• Changes in economic conditions and regulations in the main markets where the Company operates, particularly Japan, the United States, Asia and Europe
• Sudden changes in technological trends
• Changes in competitive advantage and the capabilities of the Company and its subsidiaries and affiliates to develop and commercialize new products and businesses
• Fluctuations in the status of product markets, exchange rates and international commodity markets
• Changes in financing environment
• The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, the status of product markets, exchange rates and international commodity markets
• Protection of the Company’s intellectual property, and securing of licenses to use the intellectual property of other parties
• Changes in the status of alliances with other parties for product development, etc.
• Fluctuations in Japanese stock markets