Hitachi Metals, Ltd.
Fiscal Year 2021 Medium-term Management Plan

[Table of Contents]
1. Summary of FY2018 Medium-term Management Plan
2. Overview of FY2021 Medium-term Management Plan
3. Key measures
4. Conclusion

April 25, 2019
1-1. Vision in FY2018 Medium-term Management Plan

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
### Implementation of the growth strategy and building a stronger business base

<table>
<thead>
<tr>
<th>Organic growth (from capital investment &amp; R&amp;D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established Corporate Research Lab, “GRIT*1” (Investment: approx. ¥10 billion)</td>
</tr>
<tr>
<td>(Opened in April 2017; new building opened in April 2018)</td>
</tr>
<tr>
<td>• Enhanced open innovation</td>
</tr>
<tr>
<td>Established the NIMS-Hitachi Metals Next-Generation Materials Development Center (July 2016)</td>
</tr>
<tr>
<td>Selected as business eligible for grant from the grant program for creation of regional universities and industries (FY2018)</td>
</tr>
<tr>
<td>Developed OBC*2 jointly with Fraunhofer IISB in Germany (April 2019)</td>
</tr>
<tr>
<td>• Integrated SH Copper Products and Hitachi Metals Neomaterial (April 2018)</td>
</tr>
<tr>
<td>• Expanded production capacity for clad metals at Tsuchiura Works (Investment: approx. ¥7.5 billion)</td>
</tr>
<tr>
<td>(Started operation in 2H, FY2018)</td>
</tr>
<tr>
<td>• Boosted production capacity for rolls for steel mills and structural cast steel products (Investment: approx. ¥3 billion)</td>
</tr>
<tr>
<td>(Started operation in 2H FY2018)</td>
</tr>
<tr>
<td>• Introduced innovative production lines for magnetic materials (Total investment amount: approx. ¥18 billion)</td>
</tr>
<tr>
<td>(Started operation in 1H FY2018)</td>
</tr>
<tr>
<td>• Established Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd. (September 2016)</td>
</tr>
<tr>
<td>• Boosted production capacity for piping components, improved production efficiency (Investment: approx. ¥3 billion)</td>
</tr>
<tr>
<td>(April 2017)</td>
</tr>
<tr>
<td>• Updated the continuous casting &amp; rolling line in the Wires, Cables, and Related Products (Investment amount: approx. ¥5 billion)</td>
</tr>
<tr>
<td>(Started operation in FY2018)</td>
</tr>
</tbody>
</table>

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*1 GRIT: Global Research & Innovative Technology Center  *2 OBC: On Board Charger for xEV
## Implementation of the growth strategy and building a stronger business base

### Continuous portfolio remodeling
- Concentrated and enhanced rolls production in Japan and discontinued production at production sites in China *(September 2016)*
- Transferred the shares of a U.S. subsidiary *(December 2016)*
- Transferred the information system business *(December 2016)*
- Sold the lead frame business *(January 2017)*
- Decided to withdraw from the aluminum wheels business
  - Transferred the shares of U.S. subsidiary *(March 2019)*
  - Discontinue production in Japan *(Scheduled for September 2020)*

### Growth through M&A
- Made Hitachi Metals MMC Superalloy, Ltd. a wholly-owned subsidiary and consolidated the company, and established the Okegawa Works *(October 2017 and April 2018)*
- Acquired Santoku Corporation *(April 2018)*

### Strengthen the business base
- Extended the scope of application of the sliding-scale raw material price system
- Reduced the number of subsidiaries: 89 *(the end of FY2015)* → 63 *(the end of FY2018)*
Although the company worked on making up for long-term under-investment and strengthening corporate-wide functions, there was a delay in reaping the benefits of the investments.

1. Dispersion of resources

2. Lower cash flows: increased inventories and capital expenditure

3. Surfacing “businesses with issues” and delay in taking actions

4. Insufficient improvement in *Monozukuri* and sales capabilities

5. Corporate culture with a tendency towards specific optimization still lingers

The Company has lagged significantly behind the profit target
Magnetic Materials and Applications
- Depreciation burden was prioritized
- Demand for FA/robots decreased

Specialty Steel Products
- Made large-scale investments
- Responded to a surge in raw material and sub-material prices

Wires, Cables, and Related Products
- Effect of a decline in demand in China
- Completed the structural reforms

Functional Components and Equipment
- Appropriately dealt with the heat-resistant exhaust casting components and aluminum wheels businesses
- Responded to the human resource shortage in the U.S.

Income decreased across all internal companies
(vs. the final year of the previous Medium-term Management Plan)
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[Table of Contents]
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2-1. Vision in FY2021 Medium-term Management Plan

Building the Future
Being the Best Enterprise

Building Innovation
“Only 1, No. 1” monozukuri and new products

Building People:
One step ahead tomorrow of where you are today
Experience a true sense of personal growth through the work style reform project
Monozukuri that considers of safety, environment, and quality

ONE FORCE FOR CHANGE
A High-performance Materials Company
Supporting Sustainable Societies
– Building People, Building Innovation, and Building the Future –

Expand “Only 1, No. 1” businesses and products

(1) Concentrate resources on high-growth and high-profit areas

(2) Maximize the synergy derived from organizational reforms

(3) Take the best advantage of large-scale capital investment

(4) Strengthen front-line operations and collaborative creation with customers

(5) Structural reforms and measures to build a stronger business base
2-3. FY2021 Medium-term Management Plan: Main Managerial Indicators

<table>
<thead>
<tr>
<th>¥ billions</th>
<th>FY2018 Actual</th>
<th>FY2021 Plan (targets)</th>
<th>vs. FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$1 = ¥111</td>
<td>US$1 = ¥105</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 euro = ¥128</td>
<td>1 yuan = ¥16.5</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>1,023.4</td>
<td>960.0</td>
<td>-6%</td>
</tr>
<tr>
<td>Adjusted operating income*1</td>
<td>[5.0%] 51.4</td>
<td>[8.3%] 80.0</td>
<td>+28.6</td>
</tr>
<tr>
<td>IFRS operating income</td>
<td>42.4</td>
<td>76.0</td>
<td>+33.6</td>
</tr>
<tr>
<td>EBIT</td>
<td>45.3</td>
<td>77.0</td>
<td>+31.7</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>43.0</td>
<td>74.0</td>
<td>+31.0</td>
</tr>
<tr>
<td>Net income attributable to shareholders of the parent company</td>
<td>31.4</td>
<td>55.5</td>
<td>+24.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,099.3</td>
<td>1,030.0</td>
<td>-69.3</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the parent company</td>
<td>588.0</td>
<td>655.0</td>
<td>+67.0</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>202.1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>D/E ratio (times)</td>
<td>0.34</td>
<td>0.5 or less</td>
<td>—</td>
</tr>
<tr>
<td>ROIC*2</td>
<td>4.1%</td>
<td>7.7%</td>
<td>+3.6%</td>
</tr>
<tr>
<td>ROE*3</td>
<td>5.5%</td>
<td>8.9%</td>
<td>+3.4%</td>
</tr>
<tr>
<td>CCC*4</td>
<td>90.7 days</td>
<td>81.9 days</td>
<td>-8.8 days</td>
</tr>
<tr>
<td>Overseas sales ratio</td>
<td>56%</td>
<td>57%</td>
<td>+1%</td>
</tr>
<tr>
<td>Employees</td>
<td>30,304</td>
<td>28,500</td>
<td>-1,804</td>
</tr>
</tbody>
</table>

*1 Adjusted operating income = Revenues – Sales cost – Selling, general, & administrative expenses
*2 Return on Invested Capital (ROIC) = Net income attributable to shareholders of the parent company / (Average of beginning and end-year interest-bearing debt + Average of beginning and end-year equity attributable to the parent company)
*3 Return on equity attributable to shareholders of the parent company (ROE) = Net income attributable to shareholders of the parent company / Average of beginning and end-year equity attributable to shareholders of the parent company *100
*4 Cash Conversion Cycle (CCC) = Working capital (Trade receivables + Inventories – Trade payables) / Daily average revenues

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## 2-4. Revenues, Adjusted Operating Income, and ROIC by Segment

<table>
<thead>
<tr>
<th>¥ billions</th>
<th>FY2018 Actual</th>
<th>FY2021 Plan (targets)</th>
<th>vs. FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$1 = ¥111</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 euro = ¥128</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 yuan = ¥16.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROIC</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Specialty Steel Products</strong></td>
<td>276.9 22.4 6.3%</td>
<td>320.0 33.0 8.6%</td>
<td>+16%</td>
</tr>
<tr>
<td><strong>Functional Components and Equipment</strong></td>
<td>367.6 10.5 -0.6%</td>
<td>350.0 24.0 6.8%</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>644.5 32.9 2.7%</td>
<td>670.0 57.0 7.8%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Magnetic Materials and Applications / Power Electronics</strong></td>
<td>137.0 4.0 3.9%</td>
<td>175.0 22.0 8.2%</td>
<td>+28%</td>
</tr>
<tr>
<td><strong>Wires, Cables, and Related Products</strong></td>
<td>240.1 12.5 8.2%</td>
<td>245.0 19.0 11.3%</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>377.1 16.5 5.5%</td>
<td>420.0 41.0 9.3%</td>
<td>+11%</td>
</tr>
<tr>
<td><strong>Others/Adjustments</strong></td>
<td>1.8 2.0</td>
<td>-130.0 —</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,023.4 51.4 4.1%</td>
<td>960.0 80.0 7.7%</td>
<td>-6%</td>
</tr>
</tbody>
</table>

### Notes:
- Simple sum before eliminating intersegment revenues.
- ROIC by segment = IFRS operating income * (1 – Tax rate of 30%) / (Average of beginning-and-end-year working capital + Average of beginning- and end-year fixed assets)

**Remarks:** As of April 2019, soft magnetic materials and applied products were transferred from the Specialty Steel Products segment to the Magnetic Materials and Applications / Power Electronics segment. The FY2018 actual results show the figures after the segment change.
## 2-5. Cash Flow / Capital Efficiency

### Operating CF

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Medium-term Plan YTD Actual</th>
<th>FY2018 Medium-term Plan YTD Actual</th>
<th>FY2021 Medium-term Plan YTD Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure</td>
<td>-¥142.1 billion</td>
<td>-¥251.0 billion</td>
<td>-¥186.0 billion</td>
</tr>
<tr>
<td>M&amp;A and others</td>
<td>-¥13.6 billion</td>
<td>+¥43.8 billion</td>
<td>+¥51.5 billion</td>
</tr>
<tr>
<td>Total investing CF</td>
<td>-¥155.7 billion</td>
<td>-¥207.2 billion</td>
<td>-¥134.5 billion</td>
</tr>
<tr>
<td>Depreciation</td>
<td>¥116.6 billion</td>
<td>¥140.0 billion</td>
<td>¥182.5 billion</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>¥56.8 billion</td>
<td>¥54.3 billion</td>
<td>¥59.0 billion</td>
</tr>
</tbody>
</table>

### ROIC

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2018</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>9.6%</td>
<td>4.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

- Reduce inventories
- Complete reaping the benefits of investments;
  Carefully select investments in high-growth and high-profit areas
- Introduce ROIC management per business unit
- Enhance business management to improve capital efficiency

Capital efficiency exceeding capital cost (7.5%)
## Dividends

<table>
<thead>
<tr>
<th>Year</th>
<th>Interim Dividends</th>
<th>Year-end Dividends</th>
<th>Annual Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>¥13</td>
<td>¥13</td>
<td>¥26</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥13</td>
<td>¥13</td>
<td>¥26</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥17 (Forecast)</td>
<td>¥17 (Forecast)</td>
<td>¥34 (Forecast)</td>
</tr>
<tr>
<td>FY2019</td>
<td>¥17 (Forecast)</td>
<td>¥17 (Forecast)</td>
<td>¥34 (Forecast)</td>
</tr>
</tbody>
</table>

### Policy on Shareholder Return in the FY2021 Medium-term Management Plan

- Concentrate resources on high-profit and high-growth areas
- Implement structural reforms and measures to build a stronger business base

**Improve profit margin**
**Target a dividend payout ratio of 30%**
Hitachi Metals, Ltd.
Fiscal Year 2021 Medium-term
Management Plan

[Table of Contents]
1. Summary of FY2018 Medium-term Management Plan
2. Overview of FY2021 Medium-term Management Plan
3. Key measures
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3-1. Key measure 1: Concentration of resources on high-growth and high-profit areas

Address the trends of market and technology and the needs for materials
Bring “Only 1, No. 1” products to the market through collaborative creation with customers

- High-efficiency combustion engine
  - CVT belt materials
  - Piston ring materials

- Cast iron for automobiles

- Aircraft
  - Heat-resistant superalloy components and materials
  - Amorphous metals for motors
  - 3D additive manufacturing

- Electrification and motorization
  - Electrical sensors
  - Magnet wires
  - Rare earth magnets
  - Clad metals

- Power electronics
  - SiC substrate
  - SiN substrate
  - Soft magnetic components and materials

- Corporate Research Lab, GRiT
- Sales Project NAC PJ*1
- PEC PJ*2

*1: NAC PJ: Next Generation Automotive Components Project: collaboration with Sales & Marketing Dept., for next-generation automobiles

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3-2. Key measure 2
Maximization of the synergy derived from organizational reforms

Shift from four-company organization to two-divisional organization

- Commonality among markets / customer needs / elemental technologies → maximize the synergy between segments
- Effective use of resources, enhance strategy function & governance

Before organizational restructuring

Specialty Steel Company
- Specialty Steel
- Rolls
- Soft Magnetic Components and Materials

Functional Components Company
- Functional Components and Equipment

Magnetic Materials Company
- Magnetic Materials and Applications

Cable Materials Company
- Wires, Cables, and Related Materials

After organizational restructuring

Advanced Metals Division
- Advanced microstructure control technology
- Automobile, aircraft, and electronics / battery markets

Advanced Components & Materials Division
- Design technology for advanced components and materials
- xEV / electronic components and industrial infrastructure markets

Shift from four-company organization to two-divisional organization

Maximization of the synergy derived from organizational reforms

- Commonality among markets / customer needs / elemental technologies → maximize the synergy between segments
- Effective use of resources, enhance strategy function & governance

Before organizational restructuring

Specialty Steel Company
- Specialty Steel
- Rolls
- Soft Magnetic Components and Materials

Functional Components Company
- Functional Components and Equipment

Magnetic Materials Company
- Magnetic Materials and Applications

Cable Materials Company
- Wires, Cables, and Related Materials

After organizational restructuring

Advanced Metals Division
- Advanced microstructure control technology
- Automobile, aircraft, and electronics / battery markets

Advanced Components & Materials Division
- Design technology for advanced components and materials
- xEV / electronic components and industrial infrastructure markets
3-3. Key measure 2: Maximization of the synergy derived from organizational reforms

Accelerate the growth strategy under the division system!

- Restructuring of portfolio
  [Promote structural reforms]
  - Promote sound management by introducing multilateral KPIs
  - Downsize and withdraw from low-profit and low-growth businesses and products

  [Drastic buildup of Monozukuri]
  - Utilize cross-functional team

- Promote the unity of “sales and marketing,” “R&D,” and “Monozukuri”
  “Go beyond customer needs!”

- Talent development
  - Thoroughly pursue diversity management
  - Promote work style reforms
  “One step ahead tomorrow of where you are today!”

Create innovation by three organizations working as a unit to strengthen the management and collaborative creation with customers
Realize “Only 1, No.1” Monozukuri by creating synergy between segments

Create synergy

- Accelerate technology fusion between each production site
- Implement a cross-selling approach for overlapping markets
- Improve management efficiency through strategic allocation of resources

“Only 1, No. 1” Monozukuri

- Seek distinctiveness through materials and process innovation
- Reap the benefits of investments and ongoing restructuring of the business portfolio through selection, concentration, and fusion
- Create “new core businesses” with an eye to the future

Sales ratio

- Industrial infrastructure: 30%
- Automobiles: 50%
- Electronics: 20%

(Passenger vehicles: 35%, transportation equipment including commercial vehicles: 15%)
### 3-5. Key measure 2: The Specialty Steel Products Segment - Action Plan

#### Tool Steel & Roll
- Molds and tool steel
  - Bring new products to the market
  - Improve solutions
- Rolls
  - Reaping the benefits of investment

#### Industrial, Aerospace & Energy Materials
- Industrial equipment
  - Acquire the largest market share of niche products
- Aircraft
  - Strengthen the alliance with “Engine Primes” and promote melting certification

#### Electronic Materials
- Develop battery components and materials business
  - (Clad metals)
- Maintain market supremacy with technical competence
  - (Organic EL components and materials)
- Aim for the top global company with a lineup of Ni & Copper based materials
  - (Lead frame materials)

### Segment Sales Plan

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual Sales</th>
<th>Plan Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018</td>
<td>¥276.9 billion</td>
<td></td>
</tr>
<tr>
<td>FY2021</td>
<td>¥320.0 billion</td>
<td></td>
</tr>
</tbody>
</table>

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**Automotive Casting Products**

- **Shift portfolio to Growth Markets**
  - Commercial vehicles: An increase in demand for transportation
  - Farming and construction machinery: Population growth ⇒ an increase in crop yield
  - Railway: Demand rises around the world
  - Industrial equipment: An increase in demand for complicated shaped products

**Expand the heavy-duty areas**
(commercial vehicles, farming machinery, construction machinery, railways, and industrial equipment)

- **Address the needs for high added value**

**Piping Components**

- Develop distribution channels for flexible piping components in Europe and China
- Develop new products to meet the needs of customers
  - High corrosion resistant valves with additive manufacturing of high corrosion resistant nickel base alloy MAT21®

**Segment Sales Plan**

- ¥367.6 billion (FY2018 Actual) ⇒ ¥350.0 billion (FY2021 Plan)

**Waupaca's sales portfolio**

- FY2015: Passenger vehicles 68%, Heavy-duty 32%
- FY2018: Passenger vehicles 58%, Heavy-duty 42%
- FY2021: Passenger vehicles 46%, Heavy-duty 54%
Create synergy among Magnets / Power Electronics / Wires, Cables, and Related Products

- Feed Assy
- Amorphous metals
- Magnet wires
- Magnets

Deeply cultivate the automotive and industrial infrastructure markets with the design technology of advanced components and materials at the core.
### 3-8. Key measure 2: Magnetic Materials and Applications / Power Electronics Segment - Action Plan

Increase production capacity of the power electronics materials and improve the profitability of the magnets materials business

#### Expand the power electronics materials business

<table>
<thead>
<tr>
<th>FINEMET® Ribbon</th>
<th>• Launch full-scale operation of new facility</th>
</tr>
</thead>
</table>
| Soft Magnetic Components and Materials and Applied Products | • Expand production sites in Thailand  
• Launch production in Philippines |
| Ceramic components | • Increase production capacity of SiN substrate |

Contribute to increasing efficiency of in-vehicle parts

- Develop highly-efficient (3.8 kW/L) OBC jointly with Fraunhofer IISB
- Develop high thermal conductive (130 W/m-K) SiN substrate for power module

#### Improve the profitability of the magnets business

- Magnetic materials
  - Increase production efficiency of new line
  - Optimize the global production system

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**Segment Sales Plan**

¥137.0 billion (FY2018 Actual)  ⇒  ¥175.0 billion (FY2021 Plan)

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### Expand the businesses in the five growth areas

<table>
<thead>
<tr>
<th>Growth area</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive electronic components</td>
<td>Develop and expand sales of electronic components and xEV-related products</td>
</tr>
<tr>
<td>Magnet wires</td>
<td>Boost the competitiveness of xEV using HiFC® and high-speed production line</td>
</tr>
<tr>
<td>Medical devices</td>
<td>Expand sales of complex tube and cable products</td>
</tr>
<tr>
<td>Rolling stock</td>
<td>Expand sales in Europe and open a new market in the Southeast Asia in addition to China</td>
</tr>
<tr>
<td>Wires/cables for FA/robots</td>
<td>Increase market share with technology, featuring thinner and lighter design and longer-life performance</td>
</tr>
</tbody>
</table>

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### Segment Sales Plan

<table>
<thead>
<tr>
<th>FY2018 Actual</th>
<th>FY2021 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥240.1 billion</td>
<td>¥245.0 billion</td>
</tr>
</tbody>
</table>

Sales ratio of the growth areas 40% ⇒ 50% (FY2018 Actual ⇒ FY2021 Plan)
### Main capital investment projects in the FY2018 Medium-term Management Plan

<table>
<thead>
<tr>
<th>No</th>
<th>Investment project</th>
<th>Total investment</th>
<th>Mass production/ Operation started</th>
<th>Current conditions</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yasugi Works large-scale operation</td>
<td>¥38.0 billion</td>
<td>2017 to 2020 / first half</td>
<td>• Launch of the facility is on schedule</td>
<td>• Reap the benefits of the investment with “Only 1” product group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• A decline in demand; ingot casting volume has not been achieved</td>
<td>• Secure orders with new specifications</td>
</tr>
<tr>
<td>2</td>
<td>Alloys for electronic products Clad metals production line with increased capacity</td>
<td>¥7.5 billion</td>
<td>2018 / second half</td>
<td>• Launch of the facility is on schedule</td>
<td>• Growing demand for in-vehicle batteries &amp; acquire the customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• A significant decline in demand for smartphone use</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Wires, Cables, and Related Products Continuous casting &amp; rolling line</td>
<td>¥5.0 billion</td>
<td>2018 / first half</td>
<td>• Semi-mass production</td>
<td>• Promptly acquire customer certification</td>
</tr>
<tr>
<td>4</td>
<td>New magnets production line</td>
<td>¥18.0 billion</td>
<td>2018 / first half</td>
<td>• Improving the profitability</td>
<td>• Improve profitability</td>
</tr>
</tbody>
</table>

### Shift to carefully selected investments in high-growth and high-profit areas
3-11. Key measure 4: Strengthen front-line operations and create collaboratively with customers

Corporate-wide function between “sales and marketing,” “R&D,” and “Monozukuri”
Collaboration with customers by strengthening front-line operations and realization of Monozukuri that supports this collaboration

Sales and marketing

- Enhance cross-divisional collaboration
  - NAC Project
  - PEC Project
- Establish an account sales system

R&D

- Integrate a material development team and a process development team
  - Develop into a production process using cutting-edge technology
- Promote collaborative creation with research institutions, universities, and companies

Monozukuri

- **Monozukuri** buildup project
  - Improve quality with a focus on key areas
    - Utilization of “Lumada,” which is an IoT platform built by Hitachi Ltd.: Automation of production plan → man-hour reduction
    - Optimization of production conditions → Improvement in yield ratio
  - **Pursue Monozukuri with safety as the first priority**
    - Investment to ensure intrinsic safety ¥2.0 billion/year

Advanced Metals

- Master advanced microstructure control technology
- Master advanced components and materials design technology

Advanced Components & Materials

- Creation of new businesses: Advanced Materials Development Department
- Research of production system: Advanced Process Development Department
- Metallurgy Research Lab.
- Materials Research Lab.
- Wires, Cables, and Related Products Research Lab.
- Magnetic Materials and Applications Research Lab.
Restructuring a profitable portfolio by accomplishing “Only 1, No. 1”

¥1,022.5 billion [5.0%]  ¥960.0 billion [8.3%]  [10%]

Withdrawal and disinvestment  Clad metals  Components and materials for aircraft
Growing businesses  EPB harness  Power electronics materials
Core businesses  Torque sensor

Lead frame materials  Molds and tool steel
Piston ring materials  Rolls
CVT belt materials  Piping components
Cast iron  Rolling stock
Ferrite magnets

3-12. Key measure 5: Implementation of structural reforms and measures to build a stronger business base

FY2018  FY2021  FY2025

the largest share in world-wide  the largest share in Japan

Hitachi Metals’ estimation
Hitachi Metals, Ltd.
Fiscal Year 2021 Medium-term Management Plan

[Table of Contents]
1. Summary of FY2018 Medium-term Management Plan
2. Overview of FY2021 Medium-term Management Plan
3. Key measures
4. Conclusion
Improvement of profitability through synergy among segments

Adjusted operating margin

Advanced Metals Division
“Only 1, No.1” Monozukuri by creating synergy
- Strengthen the profitable structure by reaping the benefits of investments
- Shift portfolio to growth markets

Advanced Components & Materials Division
Create synergy among Magnets / Power electronics / Wires, Cables, and Related Products
- Increase production capability of the power electronics-related products
- Improve the profitability of the magnets business
- Expand the five growth areas

Revenues (¥ billion)

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A High-performance Materials Company
Supporting Sustainable Societies
– Building People, Building Innovation, and Building the Future –

Expand “Only 1, No. 1” businesses and products

Financial Targets in FY2021
Revenues: ¥960.0 billion
Adjusted operating income: ¥80.0 billion (8.3%)
ROIC: 7.7%
This document contains forward-looking statements, such as results forecasts, management plans and dividend forecasts, 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:

- Risks associated with market conditions related to product demand
- Risks associated with changes in raw material prices
- Risks associated with financing activities
- Risks associated with changes in foreign exchange rates
- Risks associated with changes in the value of securities
- Risks associated with the global expansion of businesses
- Risks associated with competitiveness and development and commercialization of new technologies and products
- Risks associated with intellectual property rights
- Risks associated with environmental regulations
- Risks associated with product defects
- Risks associated with laws and regulations, and official regulations
- Risks associated with earthquakes and other natural disasters
- Risks associated with information security
- Risks associated with retirement benefit obligations
- Risks associated with relationship with the parent company
- Risks associated with M&A
- Risks associated with securing talent