

FY2015 Medium-Term Management Plan (ending March 31, 2016)

Fiscal 2015 Medium-Term Management Plan Philosophy

2015 Plan Orientation

Working from our base in materials development, Hitachi Metals has contributed to society by insisting on quality as we supply markets with distinctive products. Turbulent changes are continuing amidst increasing uncertainty in markets whose structures are global in scale. To achieve sustained growth in this environment, we will need to develop operations that are focused on quality and attuned to changing market needs, and to bolster our corporate organization through accelerated restructuring.

Basic 2015 Plan Positions

By comparing the materials development and technical proposal capabilities that we have developed up to now with what markets now require, we will transform ourselves into an organization that manufactures and supplies top products globally. Rejecting the usual lines of thinking, we will build a robust organization and capabilities, establishing the foundations for our company's sustained growth. Hitachi Metals will have a presence that will be indispensable to markets and customers.

Fiscal 2015 Medium-Term Management Plan Basic Policies

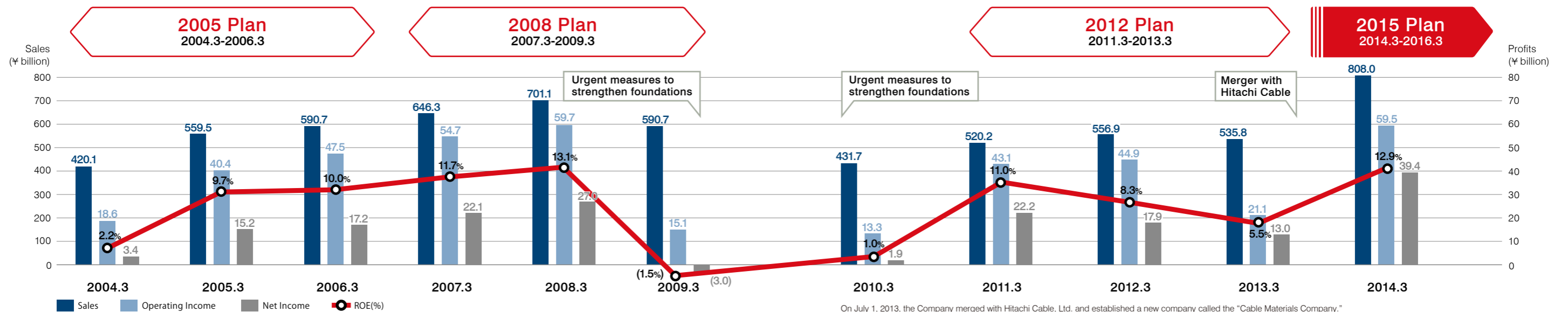
Putting in place the foundations for sustained growth by establishing robust corporate foundations and implementing growth strategies

Overall Basic Policies	<ul style="list-style-type: none"> Strengthen and accelerate global growth strategies Strengthen capabilities to create new products and develop new technologies Use selectivity in domestic operations and cut fixed costs Quickly achieve corporate merger benefits
Priority 2015 Medium-Term Plan Items	<ol style="list-style-type: none"> Be more selective regarding products manufactured in Japan and increase our overseas manufacturing ratio Increase shares of new products and expand business domains Cut costs in response to shrinking domestic markets Minimize fluctuating costs by improving our manufacturing and technological capabilities and promoting global procurement Improve cash flow

Fiscal 2015 Medium-Term Management Plan—Pan-Corporate Action Plan

Strengthen and Accelerate Global Growth Strategies	Review sales organization Overseas sales ratio of over 45% <ul style="list-style-type: none"> Cut sales costs by reorganizing our domestic sales organization and commercial distribution Build a sales organization that can accelerate global growth strategies 	Establish the foundations for sustained growth
	Global expansion Overseas manufacturing ratio of over 30% <ul style="list-style-type: none"> Draft overall global strategies (establish dedicated departments, conduct semiannual reviews) Accelerate profit-generating overseas expansion and expand business domains, including M&A 	
	Global procurement Boost the share of items procured overseas <ul style="list-style-type: none"> Implement multi-source, optimized centralized purchasing and reinforce cost-competitiveness 	
	Human resource training and development <ul style="list-style-type: none"> Accelerate local hiring overseas Train personnel to maintain a global outlook and strengthen training 	
Expand New Products' Share and Increase Business Domains	Firmly maintain sustained growth by continuously creating new products Strengthen the global competitiveness of new core products	
	Create new products and businesses that will be mainstays for succeeding generations	
Improve and Generate Cash Flow	Manufacturing reforms Cut fluctuating costs and improve productivity <ul style="list-style-type: none"> Strengthen global competitiveness through innovations in core technologies Reap reliable benefits from unit cost cuts 	
	Slash fixed costs <ul style="list-style-type: none"> Implement unceasing measures to cut absolute fixed costs 	

Performance Trends



On July 1, 2013, the Company merged with Hitachi Cable, Ltd. and established a new company called the "Cable Materials Company." The operating results of the Group include those of the new company in the "Wires, Cables, and Related Products" segment starting from the second quarter ended September 30, 2013.

Accelerating and Strengthening Our Global Growth Strategy

The Hitachi Metals Group can only progress by continuously creating internationally competitive businesses and products. Our approaches to addressing global needs for resource and energy conservation will present new growth opportunities for the Group. We have to broaden our customer base to expand in the global marketplace. We must therefore increase our overseas production ratio while cultivating international demand, including among local companies.

Under the fiscal 2012 plan, we consolidated several operations at Hitachi Metals (Suzhou) Technology, Ltd. and Hitachi Metals (Thailand) Ltd. to get closer to local markets and customers. The suspension and other automotive castings operations of our High-Grade Functional Components Company maintain works in Japan, South Korea, and the United States. Korea-based Namyang Metals Co., Ltd. plays a vital role in serving the Asian and North American markets.

Under the fiscal 2015 plan as well, we will actively promote agile investments, endeavor to strengthen our global production system, and pursue continuous growth.

Making Our Domestic Production Sites More Competitive

Our operations in Japan are the wellspring of our technologies and competitiveness, and we will further reinforce them to support our globalization.

As a materials producer, the Hitachi Metals Group derives its competitiveness from devising new materials and processes. We cannot succeed globally without competitive front-end processes. We are reviewing the roles of our domestic and overseas sites for each business, determining which operations should stay in Japan and which should shift abroad in view of a competitive landscape that includes foreign rivals.

While markets are growing worldwide, it is extremely difficult to decide the extent to which we should manufacture overseas. Still, as a materials manufacturer we will safeguard the expertise we have accumulated by retaining the front-end process capabilities that are pivotal to our know-how. This will enable us to engineer processes in Japan that we cannot yet handle overseas.

At the same time, we will harness the capabilities of our foreign operations, transferring the manufacture of mass-produced offerings overseas to expand sales and cut lead times for customers. In Japan, we will again refine our component technologies in manufacturing and establish comprehensive capabilities that encompass distribution networks. We believe we can deliver added value to our customers by constantly perfecting our capabilities. I am convinced that we can generate new growth by catering to the needs of our customers while honing our strengths as a materials manufacturer.

Increase the New Product Ratio

We aim to have new offerings represent more than 30 percent of our product lineup. Under the fiscal 2012 plan, we created and commercialized neodymium magnets that require less dysprosium, a rare earth used in magnets. We are enjoying growth with high-performance ferrite magnets that we succeeded in mass-producing. In addition, more customers are employing our high-performance amorphous metals in transformers. Our offerings have considerable growth potential as part of energy investments.

As a materials manufacturer, we recognize that lead times for development through commercialization can be extremely long. We also realize applications that developers never envisioned can suddenly emerge. That is why we concentrate on materials technologies instead of focusing on explicit fields. We created the Materials Magic slogan to communicate that mindset.

We plan to actively make investments using a long-term perspective under the fiscal 2015 plan. We need to invest to strengthen our overseas manufacturing organizations and upgrade to efficient, state-of-the-art facilities that will yield increased competitiveness in Japan. Keeping an eye on the business environment and our cash flow situation, we will adeptly make strategic investments.

Investment, Depreciation, and Development Costs and Cash Flow

Carry out investments to strengthen global competitiveness, create new products, and expand business domains

Investment Policies

- ① Accelerate global expansion
- ② Carry out active investments, mainly in the high-grade metal products and materials segment, based on the policy to prioritize investments in growth sectors

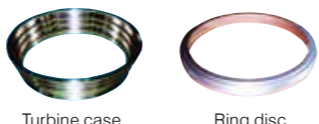
Customer needs have also become complex, so Hitachi Metals needs to consider overall what it can do for markets and customers. We must maintain very diverse product mixes and technological alternatives in our businesses. We must also use limited operational resources more effectively to compete successfully in the global marketplace. In individual businesses, we have often made narrow approaches and responses to our markets and customer bases. We will broaden our perspectives while enhancing management efficiency. We recognize that looking beyond individual operational frameworks in training tomorrow's global business leaders will generate various growth opportunities.

We will strengthen our individual businesses while optimizing our overall operations, organically coordinating our management resources, including across markets and product ranges and in terms of technologies and human resources.

Summaries by Segment

High-Grade Metal Products and Materials

Basic Policies	<ul style="list-style-type: none"> Shift from maintaining the status quo to developing new markets, technologies, and products Promote manufacturing that conforms to market pricing Bolster cost-competitiveness by reviewing and restructuring logistics capabilities
Specialty steel	<ul style="list-style-type: none"> Revitalize specialty steel operations and implement new growth strategies
Rolls	<ul style="list-style-type: none"> Main domestic manufacturing sites engage in R&D, and overseas manufacturing sites focus on increasing their profits
Amorphous metals	<ul style="list-style-type: none"> Achieve sustained growth in global markets by expanding sales of our products that best conform to environmental standards
Cutting tools	<ul style="list-style-type: none"> Carry out "top-of-niche" strategies in global markets for dies and processing involving difficult types of cutting

Topics	Specialty Steel Operations
Striving for new growth by concentrating corporate resources on environmentally friendly products and specializing in specialty steel	<ol style="list-style-type: none"> Build foundations for new industrial equipment materials growth against the backdrop of demand from the environmental and energy sectors Bolster competitiveness by strengthening upstream processes for the tool steel and industrial equipment materials that are essential to work at manufacturing sites Build an organization that can respond flexibly to business environment changes
	<p>Tool steel</p> <ul style="list-style-type: none"> Strengthen the competitiveness of our main cold work die steel (SLD) and die casting steel (DAC) products Accelerate global sales expansion by providing solutions and other innovative sales methods
	<p>Industrial equipment materials</p> <ul style="list-style-type: none"> Strengthen the competitiveness of four products for which worldwide growth can be anticipated, and make them the engines of real growth Use Japan Aeroforge, Ltd.—a joint venture launched with Kobe Steel, Ltd. and others that has a 50,000-ton forging press—to expand our business Promising products: Energy-efficient aerospace components, piston ring materials, CVT belt materials, razor blades  <p>Turbine case Ring disc</p>
Electronic components	<ul style="list-style-type: none"> Maintain our high lead frame materials share and pursue profits as the last competitor standing Ensure economies of scale for target materials by increasing the use of smartphone applications and investing to turn new alloys into products

Installation of Innovative, Large Vacuum Induction Melting (VIM) Furnace		VIM: Vacuum Induction Melting and Casting
Overview	<p>Yasugi Works has invested a total of ¥7 billion to install a 20-ton VIM furnace—Japan's largest—and also concentrating special primary and secondary melting facilities in a new building on the plant site to devise an efficient production system. The facilities will be completed in FY2014 and begin full operations in FY2015. This project was selected for subsidies under the Ministry of Economy, Trade and Industry's program to promote investments in cutting-edge facilities in response to the yen's strength and limits on energy use.</p> <p>The new 20-ton VIM furnace will be one of the world's largest for high-grade metal materials. Its efficiency will be boosted by the inclusion of unique capabilities developed at Hitachi Metals.</p>	
Aims	<p>The furnace is meant to boost productivity and handle increased production of continuously variable transmission (CVT) belt materials and other environmentally friendly products. The new VIM furnace will be used primarily for large-lot production while the existing six-ton VIM furnace will handle small lots of products under development, thereby creating a highly efficient production system.</p>	

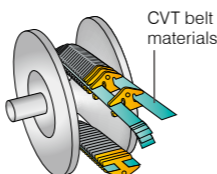
High-Grade Specialty Steel for Automotive Components That Contribute to Increased Combustion Efficiency

High combustion efficiency requires enhanced engine seals and sophisticated capabilities in fuel injection, admission and emission technologies. Utilizing proprietary alloy designs and processing technologies, the Hitachi Metals Group provides high-performance materials and solutions to customer issues.



Metal Belt Materials Play a Role in Increased Use of CVTs and Help Cut CO₂ Emissions



Continuously variable transmissions (CVTs) offer the benefits of superior fuel efficiency. The metal belt materials we have developed for CVTs have excellent fatigue endurance. Using melting and cold-rolling techniques designed to guard against nonmetallic inclusions that can lead to failures, we have contributed to improvements in transmissions' performance and reliability. (Specialty Steel)



CVT: Continuously variable transmission

Magnetic Materials and Applications

Basic Policies	<ul style="list-style-type: none"> Ensure competitive superiority Accelerate global expansion Establish the shortest, fastest supply chains
	<ul style="list-style-type: none"> Number one share in target sectors, products, and regions Overseas sales ratio of 60% and a manufacturing share of 50% Establish solid corporate foundations
Magnets	<ul style="list-style-type: none"> Expand sales with new technologies and expand our share of production in local markets
Soft magnetic materials and applications	<ul style="list-style-type: none"> Create core technologies and products that combine technologies in three areas—materials, processes, and design

Topics	Magnet Operations
Rare earth magnets	<p>Ensure competitive superiority</p> <ul style="list-style-type: none"> Develop and mass produce magnets using less or no dysprosium (Dy) and strengthen cost-competitiveness related to HEVs, EPS, FA, and other applications Develop and mass-produce high-performance magnets that combine Dy diffusion and new Dy conserving technologies (and expand our share of HEV applications that call for high performance) Diversify raw material procurement and build supply chains outside China Develop patent strategies (and submit patent complaint to the U.S. ITC*) <p>*International Trade Commission</p>  <p>NEOMAX® rare-earth magnets</p>
	<p>Accelerate global expansion</p> <ul style="list-style-type: none"> Rare-earth magnets: Bring U.S. magnet production plant up to full capacity
Ferrite magnets	<p>Ensure competitive superiority</p> <ul style="list-style-type: none"> Mass-produce and expand sales of high-performance materials Develop and enable mass production of next-generation high-performance materials Expand sales by coming up with mass-production technologies for products for new applications  <p>NMF™ series high-performance ferrite magnets</p>
	<p>Accelerate global expansion</p> <ul style="list-style-type: none"> Promote production, primarily of high value-added products, in optimum locations—expanding production at overseas sites (to handle increasing demand in the Chinese and Indian markets)

NEOMAX® Nd-Fe-B Sintered Magnets

We are leading the way globally in manufacturing Nd-Fe-B sintered magnets, which have optimum magnetic properties for use in the drive motors of electric and hybrid vehicles. The NEOMAX®, which we developed and mass produce, can be used in a broad spectrum of applications and in environments that range from room temperature to the mercilessly high temperatures around engines.

DDMagic™ (Dy Vapor Deposition and Diffusion Technology)

Dysprosium (Dy) is a rare metal that is used as an additive to increase the heat resistance of magnets in the drive motors of electric and hybrid vehicles. However, the supply of Dy is limited. We have therefore developed techniques that not only reduce the amount of Dy used in these vehicles but also contribute to augmenting the functionality of their motors and making those motors smaller by increasing magnetism and maintaining heat resistance.




NMF™ Series Sintered Ferrite Magnets

Ferrite magnets—the principal component of which is iron oxide—have excellent cost performance and are most widely used in motors found in automotive electrical equipment. The excellent magnetic properties of ferrite magnets and their ability to withstand temperature variations can be put to use in a broad range of applications, including starter motors, power window motors, cooling fan motors, electric power steering motors, and windshield wiper motors. Further, within our NMF™ series, the 12 series has the most advanced properties worldwide among mass-produced ferrite magnets. They are widely employed, not just for automotive electronics, but also in the home appliance sector.



Summaries by Segment

High-Grade Functional Components and Equipment

Basic Policies	<ul style="list-style-type: none"> • Grow by accelerating expansion into overseas markets • Cut fixed costs at domestic production sites and take on challenges to manufacture the finest products • Use corporate resources effectively to strengthen corporate foundations and improve efficiency
Automotive castings	<ul style="list-style-type: none"> • Promote ventures in growth markets and boost overseas production's share to 50%
Piping components	<ul style="list-style-type: none"> • Successfully complete structural reforms and achieve growth in global markets
Construction components	<ul style="list-style-type: none"> • Establish worldwide sales promotion organization, and develop and promote sales of high value-added, low-cost products

Topics	Automotive Castings Operations
<p>HERCUNITE™</p> <p>Grow steadily by firmly maintaining the top share in the expanding market for heat-resistant turbo castings</p> <ul style="list-style-type: none"> • Improve profitability by cutting production costs at domestic manufacturing sites and bringing new materials and technologies to market • Promote global manufacturing and sales expansion strategies with a view to post-FY2015 growth 	
<p>HNM™ (high-grade ductile cast-iron products)</p> <p>Achieve global growth by focusing on overseas markets and deploying our distinctive materials and development capabilities</p> <ul style="list-style-type: none"> • Build an organization that enables domestic production bases to flexibly handle fluctuating demand and strengthen cost competitiveness • Firm up U.S. manufacturing sites' profitability by striving for optimal production volumes • Quickly bring the Korean manufacturing plant's new production line up to its full 8,500-ton monthly capacity. Investigate the Indian market, forming technical tie-ups with a local Indian firm that was acquired through M&A 	
<p>Aluminum wheels</p> <p>Strive for sustained growth by expanding into growth markets around the world</p> <ul style="list-style-type: none"> • Expand sales targeting U.S. and European high-grade product markets • Deploy efforts to strengthen foundation for domestic manufacturing sites • Consider investing in increased, streamlined production for U.S. manufacturing sites 	

Pipe Fittings for Safe and Comfortable Living Spaces

Since registering the  (Gourd brand) as a trademark in 1912, Hitachi Metals'  (Gourd brand) pipe fittings are trusted as the top brand around the world. In response to diversifying customer needs, we are complementing our array of fittings by developing a comprehensive lineup, from castings through stainless steel and plastic piping components to support safer, more comfortable living.



Pipe fittings for general use (Piping Components)







Stainless steel piping for gas (Piping Components)



Polyethylene gas piping systems (Piping Components)

Wires, Cables, and Related Products

Basic Policies	<ul style="list-style-type: none"> • Restructure operations for improved profitability and devise new business models • Quickly achieve benefits from the corporate merger and strengthen our corporate foundations
	<ul style="list-style-type: none"> • Merge or eliminate domestic and overseas business locations, combine operations, and standardize IT systems to improve efficiency in procurement, sales, and administrative operations
	<ul style="list-style-type: none"> • Reshuffle our product portfolio for improved profitability
	<ul style="list-style-type: none"> • Strengthen operational competitiveness by developing products with sophisticated functions
	<ul style="list-style-type: none"> • Strengthen cost-competitiveness by manufacturing in optimal locations worldwide

Topics
<p>Produce synergies through new ideas and efforts, striving for genuine number one products</p>
<p>Automotive</p> <p>Enameled wire for high-efficiency motors</p> <p>Enameled wire for high-efficiency motors enables the miniaturization and high power output required in electric and hybrid vehicle motors. Playing a role in reducing environmental impact and saving energy, it contributes to higher performance in electric and hybrid vehicles.</p> 
<p>Torque sensors</p> <p>Delivering high performance and reliability, our torque sensors are just right for electric power steering and contribute to more finely tuned controls.</p> 
<p>Harnesses for electric parking brakes</p> <p>Highly elastic, durable harnesses for electric parking brakes contribute to space savings inside car bodies and improve vehicle safety and convenience.</p> 
<p>Energy</p> <p>Magnet wires for wind power generation</p> <p>Magnet wires used in wind power generators convert the motion of the wind turbine's blades into electricity. We provide wires fitted with specialized insulating materials able to withstand harsh environmental conditions.</p> 
<p>Medical care</p> <p>Probe cables for ultrasound diagnostic equipment</p> <p>Our light and highly elastic cables that connect the ultrasound diagnostic devices used for ultrasound scans and their probes are also equipped with superior electrical properties. Easy to handle, they also play a role in achieving higher-resolution imaging.</p> 