

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



- 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

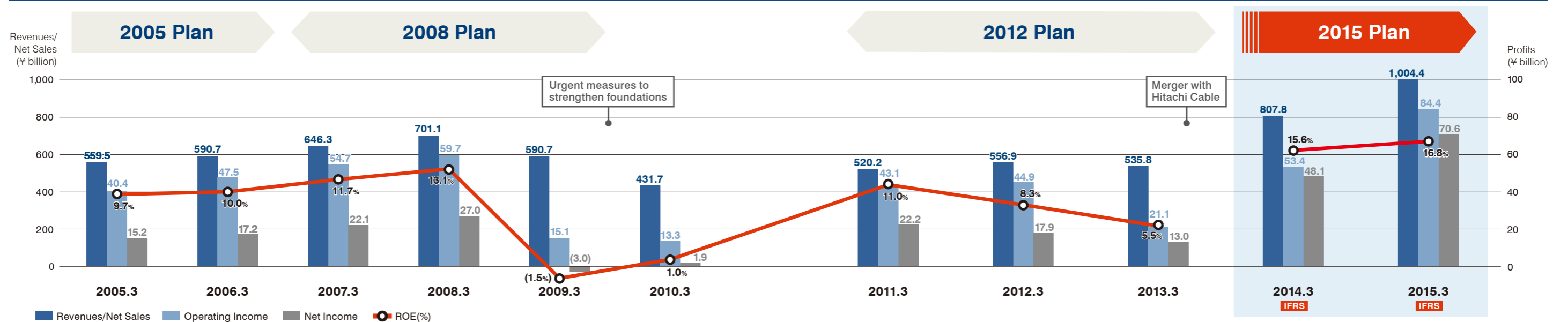


- Be more selective regarding products manufactured in Japan and increase our overseas manufacturing ratio
- Increase shares of new products and expand business domains
- Cut costs in response to shrinking domestic markets
- Minimize fluctuating costs by improving our manufacturing and technological capabilities and promoting global procurement
- Improve cash flow

Fiscal 2015 Medium-Term Management Plan

Strengthen and Accelerate Global Growth Strategies	<b>Review sales organization Overseas sales ratio of over 45%</b> · 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
	<b>Global expansion Overseas manufacturing ratio of over 30%</b> · Draft overall global strategies (establish dedicated departments, conduct semiannual reviews) · Accelerate profit-generating overseas expansion and expand business domains, including M&A	
	<b>Global procurement Boost the share of items procured overseas</b> · Implement multi-source, optimized centralized purchasing and reinforce cost-competitiveness	
Expand New Products' Share and Increase Business Domains	<b>Human resource training and development</b> · Accelerate local hiring overseas · Train personnel to maintain a global outlook and strengthen training	Establish the foundations for sustained growth
	<b>Firmly maintain sustained growth by continuously creating new products</b> <b>Strengthen the global competitiveness of new core products</b> Create new products and businesses that will be mainstays for succeeding generations	
Improve and Generate Cash Flow	<b>Manufacturing reforms</b> <b>Cut fluctuating costs and improve productivity</b> · Strengthen global competitiveness through innovations in core technologies · Reap reliable benefits from unit cost cuts	Establish the foundations for sustained growth
	<b>Slash fixed costs</b> · 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.

Specialty Steels

## Achieve new business and growth through major investments

- Establish the tool steel business as a cash cow
- Position specialty steels as the growth driver for the next generation
  - Enhance competitiveness of automotive materials (piston ring materials, CVT belt materials).
  - Expand the business domains of the aircraft and energy segments.
- Accelerate expansion in the U.S. and European markets

### 1 Grow sales and profits from tool steel products

#### Bolster key steels by installing innovative large equipment

Cold rolled (SLD series) and hot rolled (DAC series) tool steel

#### Strengthen the sales structure

Build a network to expand sales in the U.S. and European markets in addition to Japan and Asia

#### Expand global branding

### 2 Position specialty steels as a future growth driver for Hitachi Metals

#### Enhance competitiveness in the production of premium quality Steels for the industrial markets

- Install a large vacuum induction melting and casting furnace (VIM). Move CVT belt materials into mass production.

VIM: Vacuum Induction Melting & Casting

- Generate synergistic benefits by using the same pre-process for tool steel as for aircraft and energy materials.

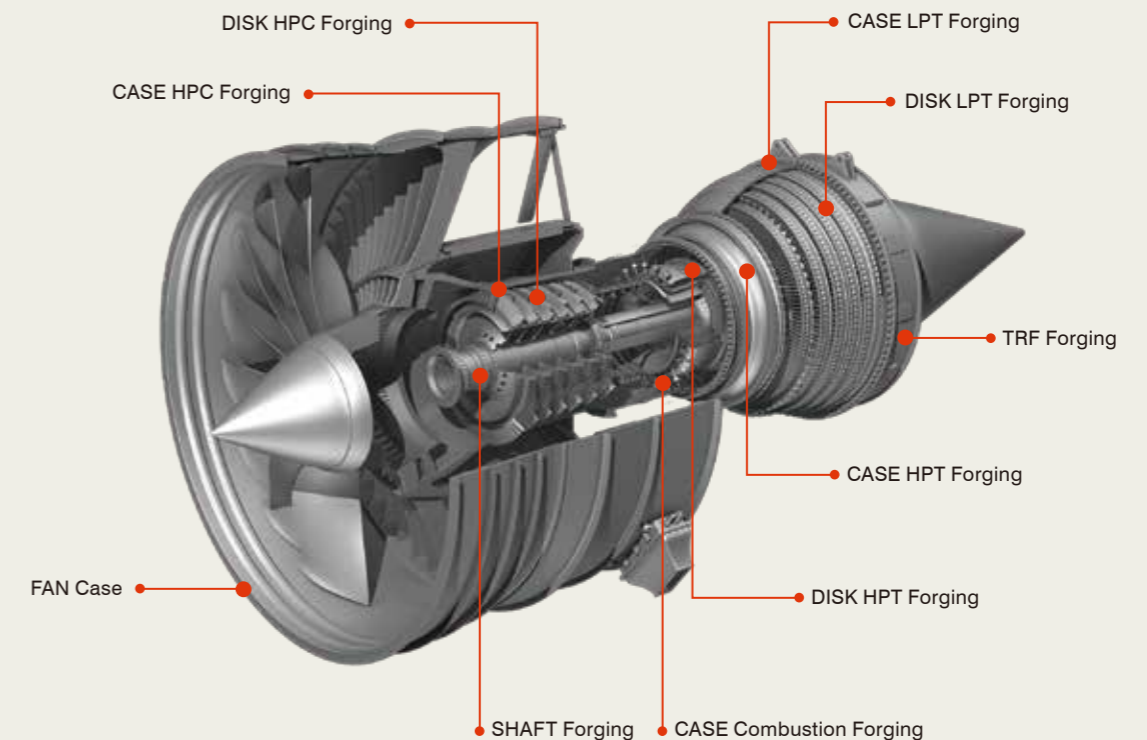


CVT belt materials

#### Expand products offerings and grow sales into the aircraft and energy segments

- Enhance competitiveness through increased product offerings by Hitachi Metals MMC Superalloy, Ltd. (HMSA) and Hitachi Metals Ltd.
- Add human resources overseas and build a network to grow global sales.
- Explore opportunities for further investment to drive growth.

### Grow sales of products into the aircraft and energy market with the consolidation of HMSA



**Major Investments**

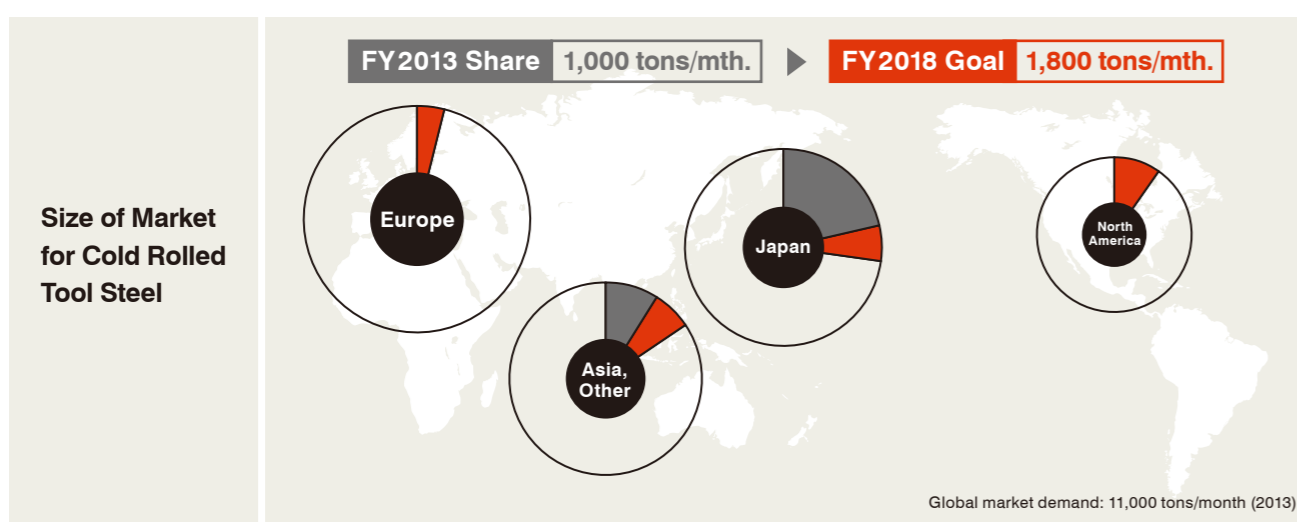
- 10,000-ton class free forging press (scheduled for completion in FY2017)
- High speed four-surface forging machine (scheduled for completion in FY2017), etc.

**Investment ▶ More than ¥15 billion over three years**

**Specialize in high grade steel. Engage in strategic investments directed at global growth.**

YSS SLD-MAGIC™  
cold-working Tool Steel

YSS Advanced Die Steel  
for Die Casting  
DAC-MAGIC™



Magnets

## Establish a structure to expand global sales of rare-earth magnets

- **Establish local production facility in China**
  - Consider establishing a joint venture with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. of China.
- **Establish technological superiority**
  - Develop high-performance Dy-free materials and expand mass production.
  - Develop new technology (Tb diffusion) for mass production. Dy: Dysprosium Tb: Terbiium
- **Strengthen cost-competitiveness**

### 1 Establish a local production facility in China

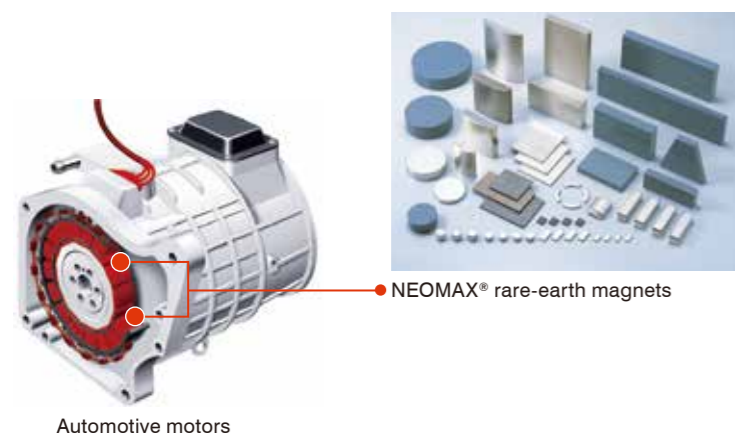
#### Establish a joint venture with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.

- Position the company as an integrated producer of neodymium magnets in the Chinese market, handling everything from material supply to manufacturing and sales.
- Expand market territory and business scale through steady efforts to achieve market growth and building a global production and sales structure.
- Establish a stable supply structure for materials.

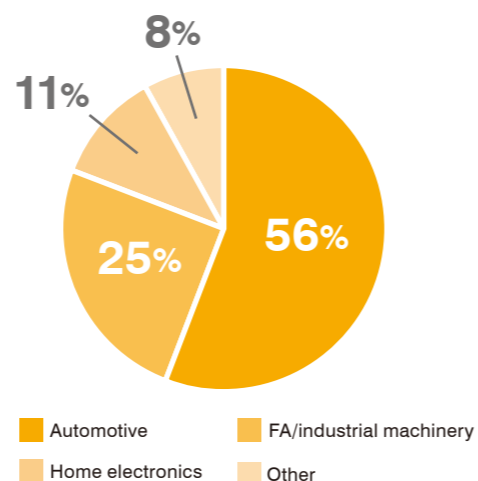
#### Overview of Zhong Ke San Huan Hi-Tech

#### Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.

- Established in July 1999. Top manufacturer of neodymium magnets in China.
- Expand sales to the U.S. and Europe in addition to China and Asia, based on advanced technical capabilities and a track record in supply.
- Hitachi Metals has long had a licensing agreement with the company.



Rare-earth Magnet Sales by Use



(Actual results for FY2014, excluding VCM)

### 2 Establish technological superiority

#### Develop high performance Dy-free materials and expand mass production

- Develop Dy-free materials with even higher performance.
- Improve cost competitiveness by reducing the amount of Dy used.

#### Develop new technology (Tb diffusion) for mass production

### NMF™-15 Series Features the World's Best Magnetic Characteristics for Ferrite Magnets Mass Production to Commence in FY2015

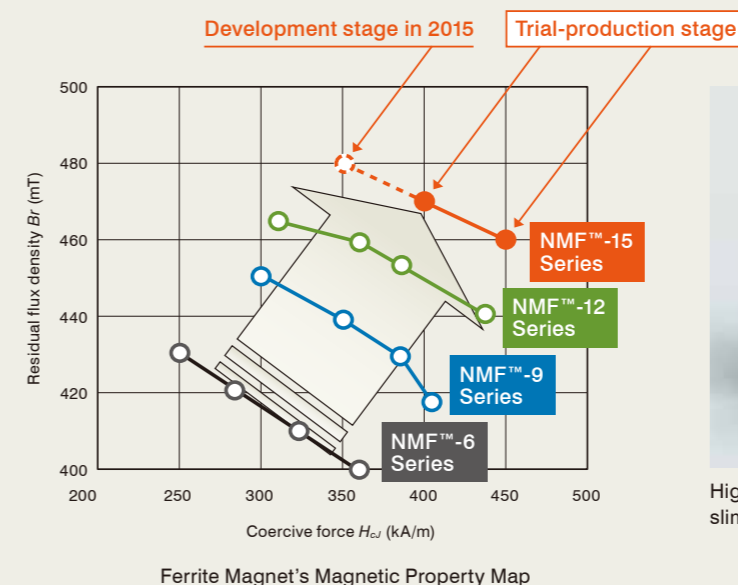
The Magnetic Materials Company recently announced its pioneering development of the NMF™-15 series—a high-performance ferrite-15 material that delivers the best magnetic characteristics of any ferrite magnet in the world.

The company is currently mass-producing the NMF™-12 series, a ferrite magnet line that boasts the world's highest-grade magnetic characteristics. The NMF™-12 series is a new composition ferrite magnet notably superior to the NMF™-9 series, the NMF™-6 series and other previously developed ferrite magnets. With the NMF™-15 series, however, magnetic characteristics have been carried to even greater heights to clearly eclipse the levels the NMF™-12 series has achieved.

The NMF™-15 series also has the advantage of outstanding temperature characteristics, rendering it more resistant to magnetic loss at low temperatures than any ferrite magnet offered to date.

Backed by such outstanding traits, expectations are high that the new NMF™-15 series will make an impressive contribution to lowering the size and boosting the energy efficiency of all types of different motors, while excelling as a pivotal driver in expanding the overall ferrite magnet market.

Trial production of the NMF™-15 series is currently being pursued in collaboration with customers, along with studies aimed at mapping out specific routes for commercialization. The current schedule calls for mass-production of the series to get under way sometime during FY2015.



Higher performance enables smaller, slimmer ferrite magnets

**Casting components for automobiles**

**Enhance global competitiveness and make effective use of management resources**

- **Realize synergistic benefits stemming from Waupaca Foundry, Inc.**
  - Improve productivity at other locations through use of production technology.
  - Improve efficiency in procurement and logistics.
  - Improve management efficiency of Americas locations through consolidation of functions.
  - Develop new products and new materials, and expand the customer base.
- **Reinforce the product base with products having growth potential**

**1 Early synergies: Generate benefits in management efficiency**

**Improve efficiency in procurement and logistics**

- Make use of joint purchasing and logistics for casting locations in the Americas.

**Improve management efficiency at locations in the Americas through consolidation of functions**

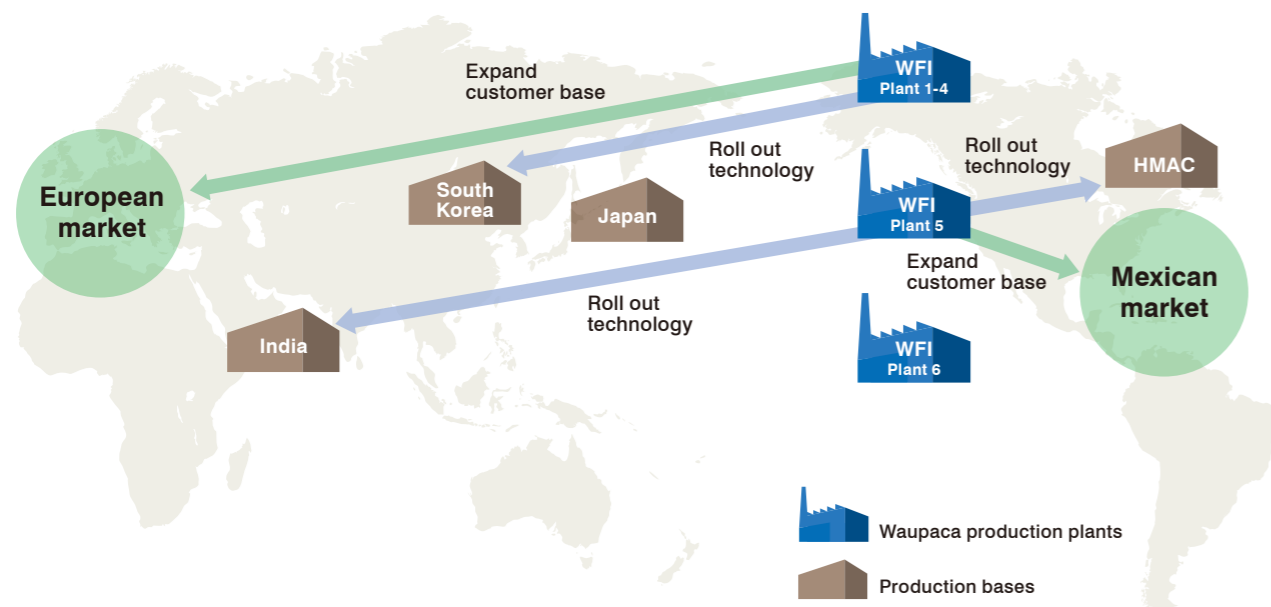
- Reduce management costs.

**2 Medium to long-term targets: Enhance competitiveness and expand market scale**

**Roll out the superior production technology of Waupaca Foundry, Inc.**

- Hitachi Metals Automotive Components USA, LLC
- Locations in India and South Korea

**Develop new products and new materials, and expand the customer base**



**Electric wires and cables business**

**Review business portfolio**

- **Strengthen differentiable products and expand business globally**
  - Electrical wire for rolling stock
  - Medical wire (probe cables)
  - Automotive products (electronic products)
- **Complete structural reform**

**1 Electric wires and cables business**

**Electrical cables for rolling stock**

- Achieve full-scale entry into the Chinese, European, and the U.S. markets, and expand business scale.



Electrical cables for rolling stock



Probe cables

**Medical wire**

- Improve profitability of probe cables.
- Enter new medical segments and expand business domains.

**2 Automotive products**

**Electronic products**

- Expand line-up of torque sensors, EPB harnesses, and other products. Reinforce the global production structure and expand business scale.



Torque sensors



EPB harnesses

**Review business portfolio to pursue global growth**

