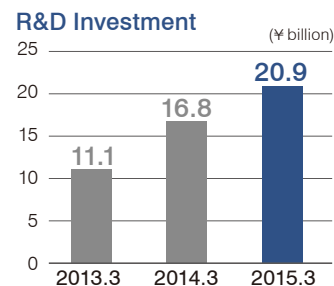


The fiscal 2015 Medium-Term Management Plan is targeting new product revenues of 30% or more of total revenues (in fiscal 2015), and we are strengthening our ability to generate new products and develop new technologies.

The basic policy on research and development

- ① Maintain a firm hold on sustainable growth through continual generation of new products
- ② Enhance the global competitiveness of new core products
- ③ Generate new products and new businesses that will form the pillars of the next generation



Hitachi Metals uses a divisional lab system with a market-in approach to research and development. Each Company (business) pursues development in that Company's R&D division according to its business strategy. Development of new products and technologies that are important to the entire corporation is pursued under a system that incorporates the participation of corporate top management as well.

Total group R&D expenses for fiscal 2014 were 20,903 million yen (2.1% of total revenues), and new product revenues comprised 27% of total revenues.

High-Grade Metal Products and Materials

This business segment develops molds and tools, high-grade specialty steel for industrial equipment, energy, and other sectors, amorphous metals and nanocrystalline soft magnetic materials, various kinds of rolls for steel mills, structural ceramic components and materials, and cutting tools, among other products. Main achievements during the current consolidated fiscal year include CVT belt materials with high fatigue endurance, materials for large forged turbine blades, high-performance molds and tool steel through innovative processes, sputtering target materials for FPD, and high-performance amorphous cores used in distribution transformers.

Magnetic Materials and Applications

This business segment develops high-performance magnets, high-frequency components and materials for information devices, and soft magnetic materials applied products. Main achievements during the current consolidated fiscal year include low-Dy rare earth sintered magnets (Low Dy Series), an environmentally friendly method of recycling rare earth magnet sludge, high-performance ferrite magnets, and high-performance soft ferrite material for conserving energy.

High-Grade Functional Components and Equipment

This business segment develops high-grade cast products for automotive use and systems to evaluate the manufacturing technologies and designs for those; total pipe systems and peripheral technologies, including pipe fittings and valves, other pipe components and materials, and manufacturing methods; and construction components. Main achievements for the current consolidated fiscal year include expansion of the line of heat-resistant cast steel products for downsizing engines for improved fuel consumption and ductile products for lightweight underbody components, and expansion of the Sof-Lex System piping components for emerging countries.

Wires, Cables, and Related Products

This business segment develops manufacturing technologies and connecting technologies for various kinds of electric wires, cables, and wire coils for industrial use, rolling stock, communications, machinery, and automotive use; electronic components and hoses for automotive use; industrial rubber; information network devices; antennas for broadcasting and cell phone stations; and compound semiconductor products. Main achievements during the current consolidated fiscal year include HiFC high-performance pure copper, composite harnesses for power parking brakes and wheel speed sensors, and piezoelectric sensors to prevent entrapment in power doors.

R&D by Business Segment

Years ended March 31	2014.3	2015.3
High-Grade Metal Products and Materials	5.7	5.9
Magnetic Materials and Applications	3.2	2.9
High-Grade Functional Components and Equipment	2.7	2.5
Wires, Cables, and Related Products	5.2	9.6
Total	16.8	20.9

(¥ billion)

The development of materials in the Hitachi Metals Group that drives industrial change and evolution is the source of Group contributions to society and the continuing existence of the Hitachi Metals Group. We will target new product revenues of 30% or more of total revenues and enhance our ability to generate new products and develop new technologies to secure our position as an innovative materials manufacturer.