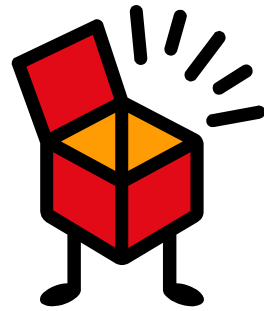


Hitachi Metals, Ltd.
Update of the Fiscal 2015 Medium-Term Management Plan



Materials Mag!c

October 27, 2014

 **Hitachi Metals, Ltd.**
<http://www.hitachi-metals.co.jp/e>

**Accelerate implementation of the action plans
of the Fiscal 2015 Medium-Term Management Plan**

Eliminate underperformance concealed by good performance

**Switch from
“Defense to Offense”**

- 1. Accelerate Global Strategy**
- 2. Expand and Create Our Business Domain**
- 3. Build a Strong Management Base**

Reallocate corporate resources toward medium- to long-term growth

Specialty steel (High-Grade Metal Products and Materials Segment)			Automotive casting components (High-Grade Functional Components and Equipment Segment)
Item	Expand the scope of aerospace equipment operations	Establish tool steel as a cash cow	Strengthen the foundations of cemented carbide tool steel operations
Overview	Acquired MMC Superalloy Corporation shares (boosting holdings from zero to 51%)	<ul style="list-style-type: none"> Reorganized domestic distribution network (reorganized subsidiaries) Revised prices 	Transferred Hitachi Tool Engineering, Ltd. shares (cutting holdings from 100 to 49%)
	<ul style="list-style-type: none"> Turned into a consolidated subsidiary in the second quarter of FY2014 Large facilities expenditures also undertaken 	<ul style="list-style-type: none"> Improved the efficiency of the sales system Boosted profitability by restructuring our product lineup 	Used Mitsubishi Materials Corporation's corporate resources to strengthen the company's technological foundations
			<ul style="list-style-type: none"> Expand the scope of iron casting operations Agreed to acquire Waupaca Foundry, Inc. (boosting holdings from zero to 100%) Took equity stake in a local Indian casting manufacturing company
			Established an overwhelming position in world markets in our castings business—where sustained growth is expected—with the Waupaca acquisition

Wire and cable (Wires, Cables, and Related Products Segment)				
Item	Reorganize wire and cable operations and strengthen their foundations			Expand the scope of operations in sectors where growth is anticipated
Overview	Transferred J-Power Systems Corporation shares (cutting holdings from 50% to zero)	Reduced equity stake in Sumiden Hitachi Cable Ltd. from 50 to 34%	Reduced equity stake in Shanghai Sunshine Copper Products Co., Ltd. from 49 to 13%	<ul style="list-style-type: none"> Expanded rolling stock cable operations in China, Europe and the U.S. Boosted medical cable operation's profitability by aggregating production Reinforced automotive components bases in Asia and Central America
	<ul style="list-style-type: none"> High-voltage power cables Converted into an organization that can promptly react to market environment changes Completed April 1, 2014 	<ul style="list-style-type: none"> Low-voltage power cables Clarified management responsibilities in the construction cable sales sector Scheduled for November 1, 2014 	<ul style="list-style-type: none"> Copper products (copper pipe) Transferred shares to a local Chinese company 	

Carried out growth investments for stronger global competitiveness and expansion of the scope of operations

(Unit: ¥ billion)

	FY2013			FY2014				FY2015				Grand total for FY2013–15		
	Initial projection	Actual results	Compared to projection	Initial projection	Latest projection	Compared to projection	Compared to previous year	Initial projection	Latest projection	Compared to projection	Comparison to previous year	Initial projection	Latest projection	Comparison to initial projection
Investment amount	42.0	32.0	(10.0)	62.0	201.0	+139.0	+169.0	70.0	115.0	+45.0	(86.0)	174.0	348.0	+174.0
FCF	49.0	69.7	+20.7	29.0	(25.0)	(54.0)	(94.7)	28.0	20.0	(8.0)	+45.0	106.0	64.7	(41.3)

FCF: Free cash flow

Initial projections: Announced August 6, 2013 in the Medium-Term Management Plan

Main investments in FY2014

- Installed an innovative large vacuum induction melting and casting furnace (High-Grade Metal Products and Materials Segment)
- Acquired MMC Superalloy Corporation shares (High-Grade Metal Products and Materials Segment)
- Invested in expanding and strengthening rare earth magnet production capacity (Magnetic Materials and Applications Segment)
- Acquired Waupaca Foundry (High-Grade Functional Components and Equipment Segment)

(Unit: ¥ billion)

	FY2013			FY2014				FY2015				Grand total for FY2013–15		
	Initial projection	Actual results	Compared to projection	Initial projection	Latest projection	Compared to projection	Compared to previous year	Initial projection	Latest projection	Compared to projection	Compared to previous year	Initial projection	Latest projection	Compared to initial projection
Depreciation costs	34.0	33.6	(0.4)	38.0	40.0	+2.0	+6.4	40.0	46.0	+6.0	+6.0	112.0	119.6	+7.6
R&D costs	17.0	16.8	(0.2)	18.5	20.0	+1.5	+3.2	19.0	20.0	+1.0	±0	54.5	56.8	+2.3

Initial projections: Announced August 6, 2013 in the Medium-Term Management Plan

Business performance forecast and projections reflecting the impact of our acquisition of Waupaca Foundry

(Unit: ¥ billion)

	FY2012 business performance <small>Based on simple totaling of Hitachi Metals and Hitachi Cable (Exchange rate of \$1 = ¥83.10)</small>	FY2013 business performance <small>After adding in Hitachi Cable's first-quarter FY2013 results (Exchange rate of \$1 = ¥100.24)</small>	FY2014 business performance forecast <small>(Exchange rate of \$1 = ¥104)</small>	FY2015 target after revisions to the Mid-Term Management Plan <small>(Projected exchange rate of \$1 = ¥100)</small>
Net sales	897.7	896.2	990.0	1,110.0
Operating income	(2.8%) 25.4	(7.0%) 62.8	(7.8%) 77.0	(8.1%) 90.0
Extraordinary income and losses	(19.3)	(7.8)	(5.5)	6.5
Income before income taxes	9.3	56.1	67.0	93.0
Net income	3.8	43.7	46.0	70.0
Net assets	799.9	840.7	1,040.0	1,060.0
Shareholders' equity	325.7	362.9	400.0	460.0
Interest-bearing debt	202.7	176.0	240.0	230.0
D/E ratio (times)	0.62	0.48	0.60	0.5
ROE	1.2%	12.7%	12.1%	16%
Overseas markets' share of sales	37%	41%	47%	52%
Ratio of overseas manufacturing	22%	25%	33%	40%
Employees	28,476	26,850	30,700	30,600

Note: Waupaca Foundry's business performance is reflected in our forecast and projection as shown below.

FY2014 forecast: Net sales of ¥77.5 billion and ¥3.5 billion in operating income reflect the five-month period from November 2014 to March 2015

FY2015 projection: Net sales of ¥187 billion and ¥13 billion in operating income reflect the twelve-month period from April 2015 to March 2016

Net Sales and Operating Income by Segment after Revisions to FY2015 Medium-Term Management Plan

Business performance forecast and projections reflecting the impact of our acquisition of Waupaca Foundry

(Unit: ¥ billion)

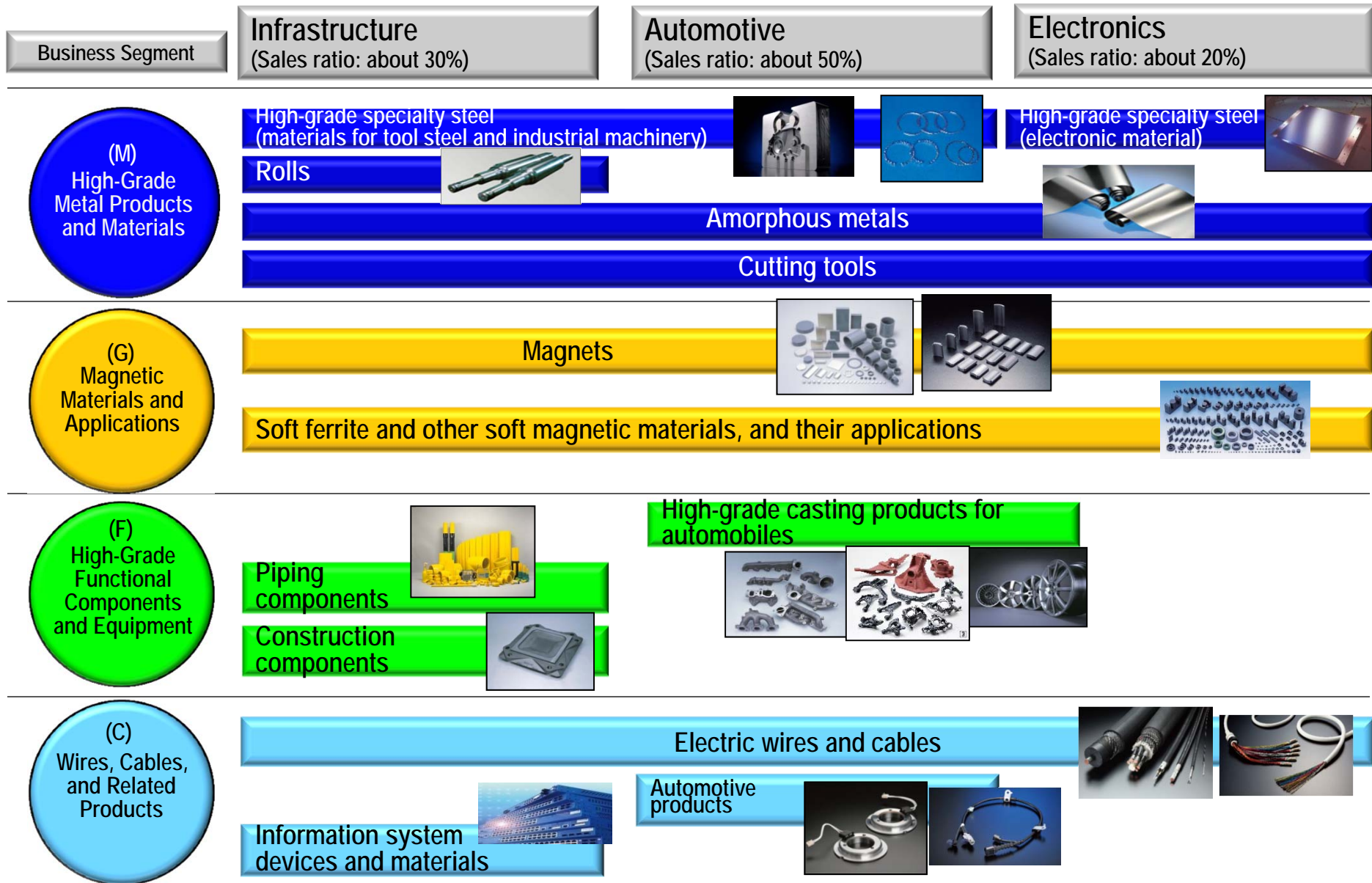
		FY2012 business performance <i>Based on simple totaling of Hitachi Metals and Hitachi Cable (Exchange rate of \$1 = ¥83.10)</i>	FY2013 business performance <i>After adding in Hitachi Cable's first-quarter FY2013 results (Exchange rate of \$1 = ¥100.24)</i>	FY2014 business performance forecast <i>(Exchange rate of \$1 = ¥104)</i>	FY2015 target after revisions to the Mid-Term Management Plan <i>(Projected exchange rate of \$1 = ¥100)</i>
High-Grade Metal Products and Materials	Net sales	222.9	237.7	259.0	269.0
	Operating income	17.7	25.4	32.0	31.5
	Operating income ratio	7.9%	10.7%	12.4%	11.7%
Magnetic Materials and Applications	Net sales	142.1	134.2	135.0	144.0
	Operating income	(0.9)	11.7	16.5	16.5
	Operating income ratio	(0.6%)	8.7%	12.2%	11.5%
High-Grade Functional Components and Equipment	Net sales	172.0	187.7	272.5	400.0
	Operating income	10.2	12.8	17.5	31.0
	Operating income ratio	5.9%	6.8%	6.4%	7.8%
Wires, Cables, and Related Products	Net sales	362.0	339.4	325.0	310.0
	Operating income	4.3	20.3	20.0	20.5
	Operating income ratio	1.2%	6.0%	6.2%	6.6%
Other Businesses and Adjustments	Net sales	(1.3)	(2.8)	(1.5)	(13.0)
	Operating income	(5.9)	(7.4)	(9.0)	(9.5)
Total	Net sales	897.7	896.2	990.0	1,110.0
	Operating income	25.4	62.8	77.0	90.0
	Operating income ratio	2.8%	7.0%	7.8%	8.1%

Notes: Waupaca Foundry's results are reflected in the High-Grade Functional Components and Equipment Segment
 FY2014 forecast: Net sales of ¥77.5 billion and ¥3.5 billion in operating income reflect the five-month period from November 2014 to March 2015
 FY2015 projection: Net sales of ¥187 billion and ¥13 billion in operating income reflect the twelve-month period from April 2015 to March 2016

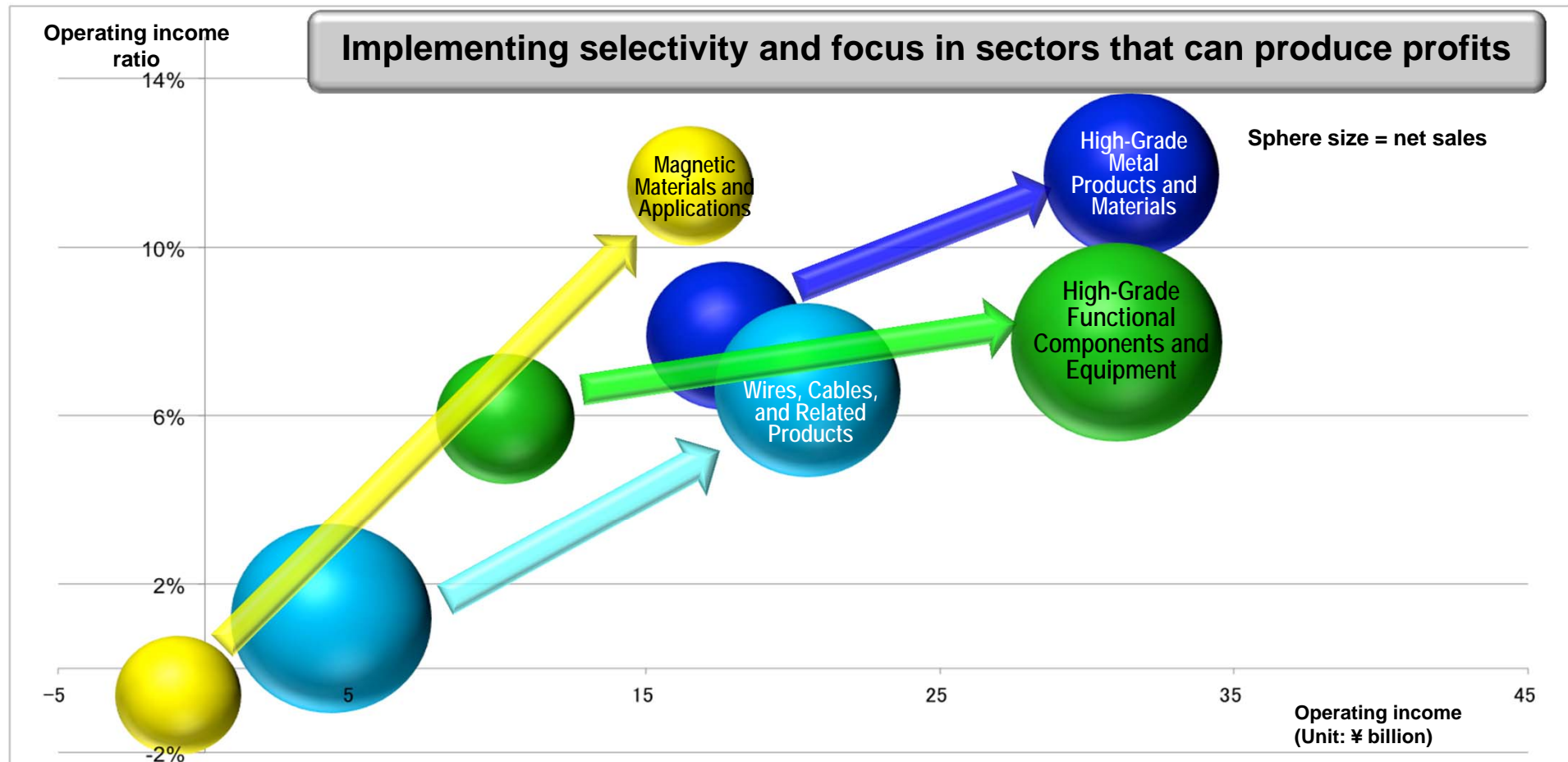
Overview by Segment

Business Operations by Market

Note: After acquisition of Waupaca Foundry



Business Portfolio and Our Current Status



	FY2012 performance		After FY15 Mid-Term Plan revisions		Future efforts
	Net sales	Operating income ratio	Net sales	Operating income ratio	
High-Grade Metal Product	222.9	7.9%	269.0	11.7%	Strengthen the competitiveness of our basic businesses and accelerate entry into the aerospace equipment and energy sectors
Magnetic Materials	142.1	(0.6%)	144.0	11.5%	Devote efforts to automotive and other growth sectors as special factors arising from raw materials costs are ameliorated
High-Grade Functional Components	172.0	5.9%	400.0	7.8%	Reap benefits from our Waupaca Foundry acquisition and expand our heat-resistant castings product lineup as environmental regulations are strengthened
Wires, Cables	362.0	1.2%	310.0	6.6%	Restructure the foundations of our cable operations and invest corporate resources in growth sectors

Specialty steel

Strengthen competitiveness in industrial machinery materials and reorganize our tool steel business

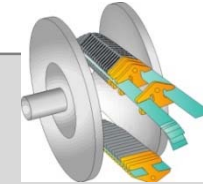
Strengthen competitiveness in industrial machinery materials

Expanded demand for automotive sector materials

- Piston ring materials: Strengthen overseas bases
- CVT belt materials: Large facilities (innovative large vacuum induction melting and casting furnace; VIM) investment and produce synergies with materials for aerospace equipment and the energy sector, as well as tool steel, whose upstream processes are the same



Piston ring materials



CVT belt materials

Net sales target: From ¥15 billion in FY2013 to ¥20 billion in FY2015 to ¥30 billion in FY2018

Reorganize tool steel business

Strengthen operations' foundations



DAC-MAGIC™ YSS for die-casting dies



SLD-MAGIC® YSS cold rolled die steel

•Bolster key steels

Reduce process costs and boost manufacturing efficiency for cold rolled (SLD series) and hot rolled (DAC series) tool steel with facilities investments and production technology

•Reorganize our domestic distribution network and reinforce strategic sales

Reorganize subsidiaries and focus corporate resources on Hitachi Metals Tool Steel, Ltd.

•Improve general purpose steel's earning power by revising prices and reviewing our product line-up

Expand market scope

Move into the American and European markets along with Asia

Expand solutions selling worldwide by working with our domestic sales organization

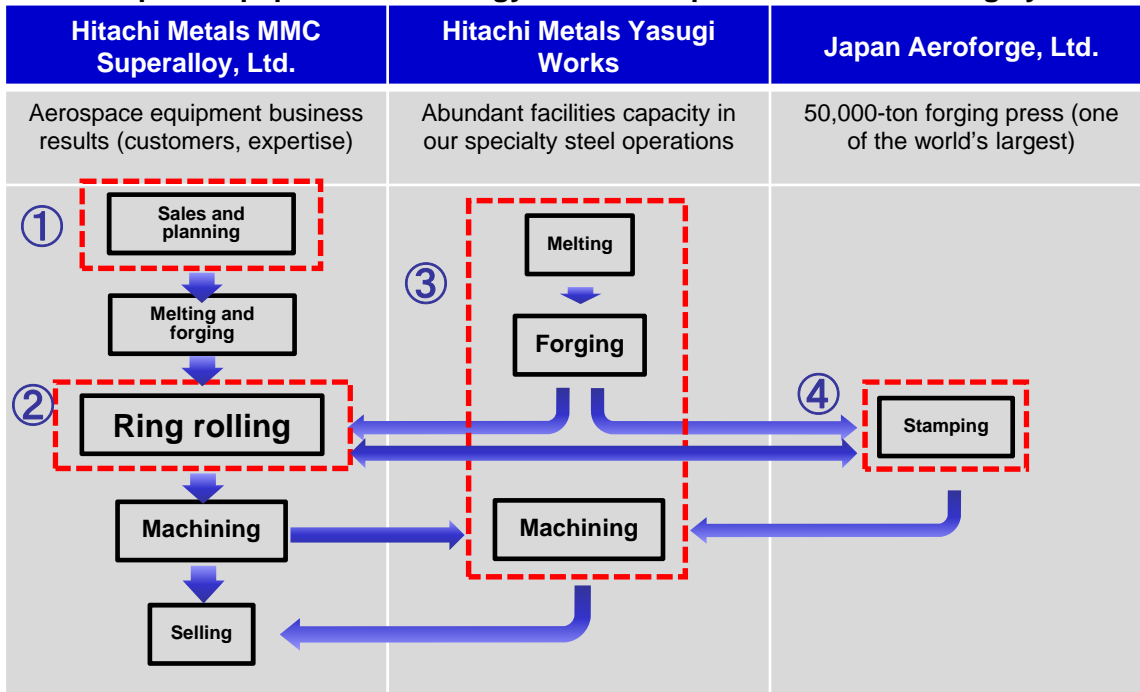
Net sales target: From ¥56 billion in FY2013 to ¥62 billion in FY2015 to ¥70 billion in FY2018

Strengthen the foundations for the next growth stage

Specialty steel

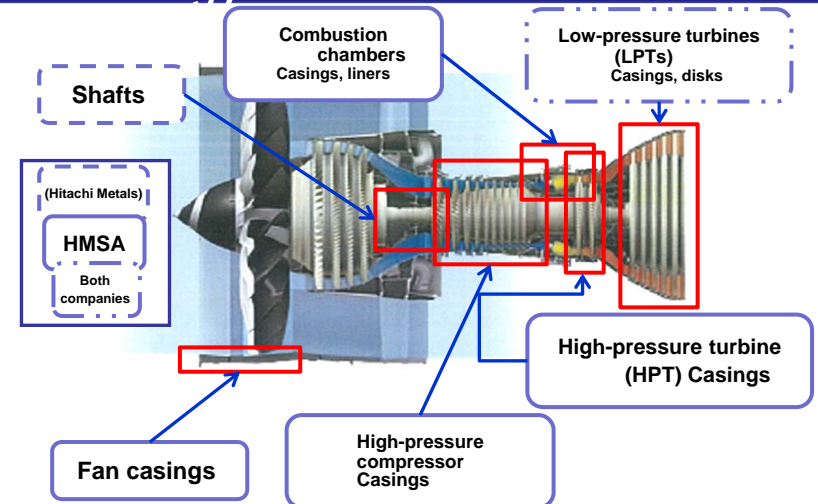
Expand the scope of our aerospace equipment and energy sector businesses

Aerospace equipment and energy sector component manufacturing system

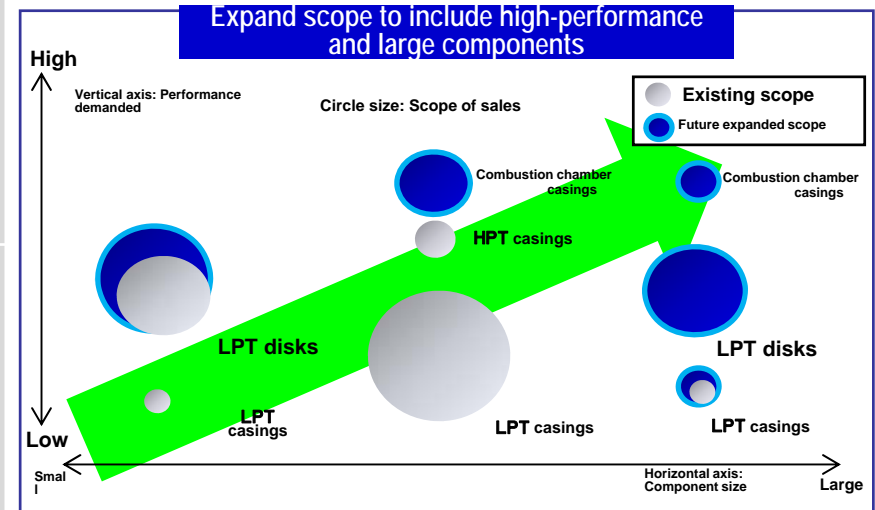


1. Use Superalloy's business results to expand our customer base and speed up acquisition of approvals
2. Invest Hitachi Metals equity in large ring mill (launching operations in April 2016)
3. Handle large components by utilizing the production facilities Hitachi Metals' Yasugi Works possesses
4. Provide high-quality products by using Japan Aeroforge's 50,000-ton forging press

Expand the scope of operations to include high-performance and large components



Expand scope to include high-performance and large components



Net sales target: From ¥14 billion in FY2013 to ¥25 billion in FY2015 to ¥50 billion in FY2025

Magnets

Realization of growth in the global market with a focus on the automotive sector

Rare earth magnets

10% annual growth, with a focus on the automotive sector

- Reallocate corporate resources
 - Establish manufacturing bases in China
 - Reorganize domestic bases
- Achieve differentiation through technological capabilities
 - Achieve high quality in magnets with Dy (Dysprosium) and Tb (Terbium) diffusion technology
 - Accelerate development of new technologies and produce them in volume
- Strengthen cost-competitiveness
 - Start producing and supplying Dy-free materials in volume



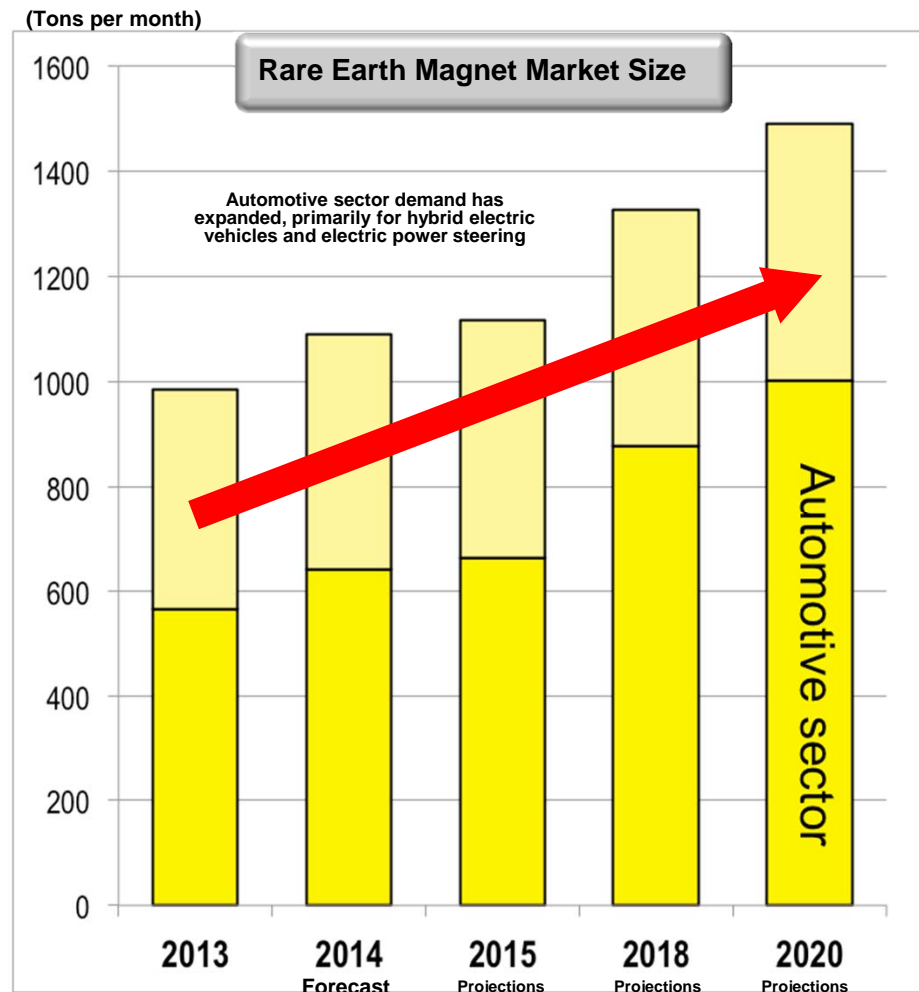
NEOMAX®
rare earth magnets

Ferrite magnets

- Japan: Develop and mass produce high-quality materials
 - Achieve differentiation with high-performance materials
- Overseas: Produce ordinary materials in volume
 - Global supply system



NMF® series
high-performance
ferrite magnets



Automotive casting components

Establish superior competitive position in global casting markets



Expand our scale of operations

⇒ Use Waupaca Foundry's overwhelming cost-competitiveness to develop European and Central and South American markets

Establish strong business foundations to enable sustained growth in global markets

⇒ Mutual use of both companies' technologies, manufacturing sites, and customer bases

Hitachi Metals

- Ductile cast iron: For suspension and steering components, luxury vehicles



- Strong materials development capabilities and product design abilities
- Four global bases in Japan, Korea, the U.S. and India

Waupaca Foundry

- Gray and ductile cast iron: For brakes, mid-range vehicles



Brake rotors

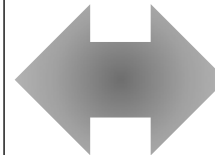
Brake calipers

Differential carriers

Differential cases

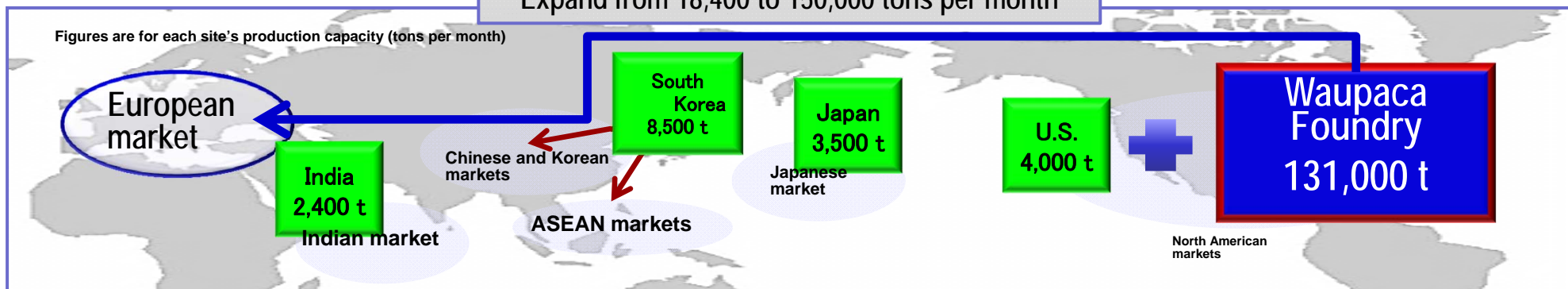
Crankshafts

- Strong production technology capabilities and cost-competitiveness
- Focused on North American markets, overwhelming production capacity



Casting operations: global production system
Expand from 18,400 to 150,000 tons per month

Figures are for each site's production capacity (tons per month)



Cable and wire

Expand operations in growth markets by bolstering technologies that set us apart

● Rolling stock cable

▪ Expand operations in China

Develop new products and shift to local production in China
Boost the production capacity of local manufacturing bases

▪ Enter North American markets



● Medical cable

Improve profitability of probe cables

Boost manufacturing efficiency at Chinese production bases

Promote automated assembly

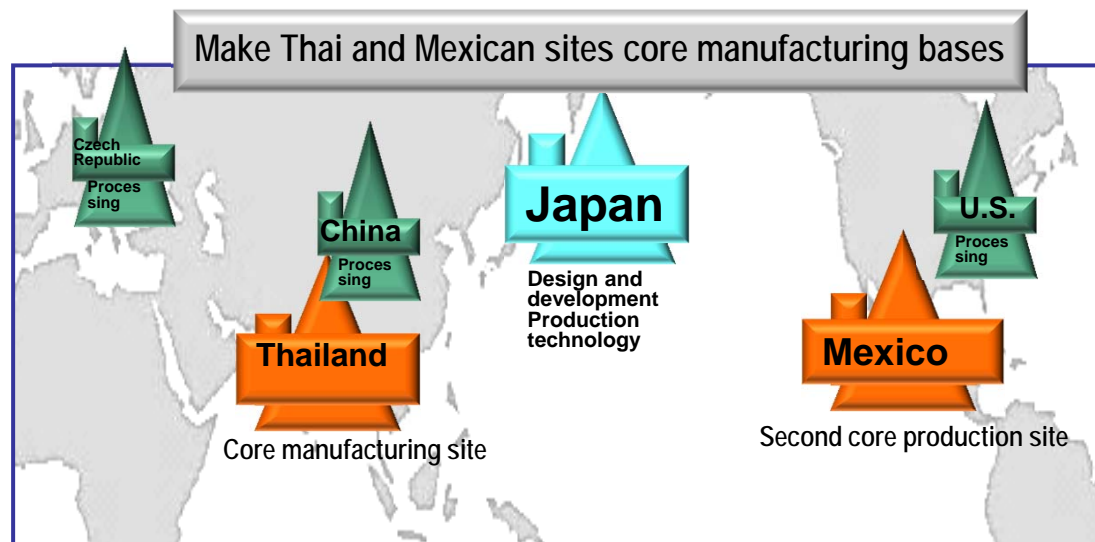


Net sales target:
From ¥3.7 billion in FY2013 to ¥16 billion in FY2018

Net sales target:
From ¥5.5 billion in FY2013 to ¥19 billion in FY2018

Automotive component

Expand electrical component operations worldwide



● Torque sensors

Begin volume production in Mexico and Thailand



● EPB harnesses

Begin volume production in Mexico and Thailand along with China and the Czech Republic

EPB: Electric parking brake

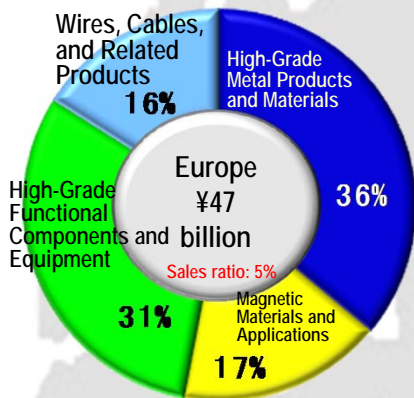


Net sales target:
From ¥20 billion in FY2013 to ¥26 billion in FY2015 to ¥39 billion in FY2018

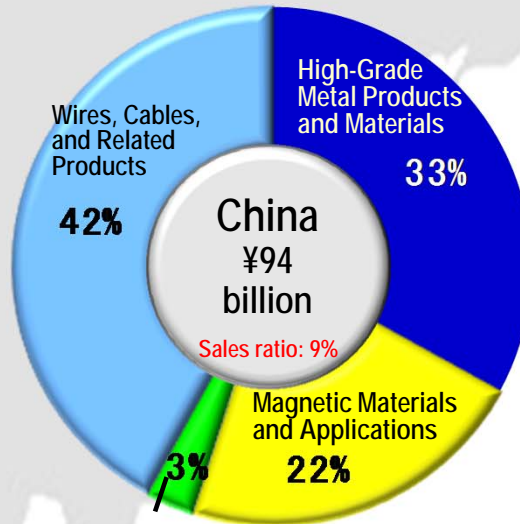
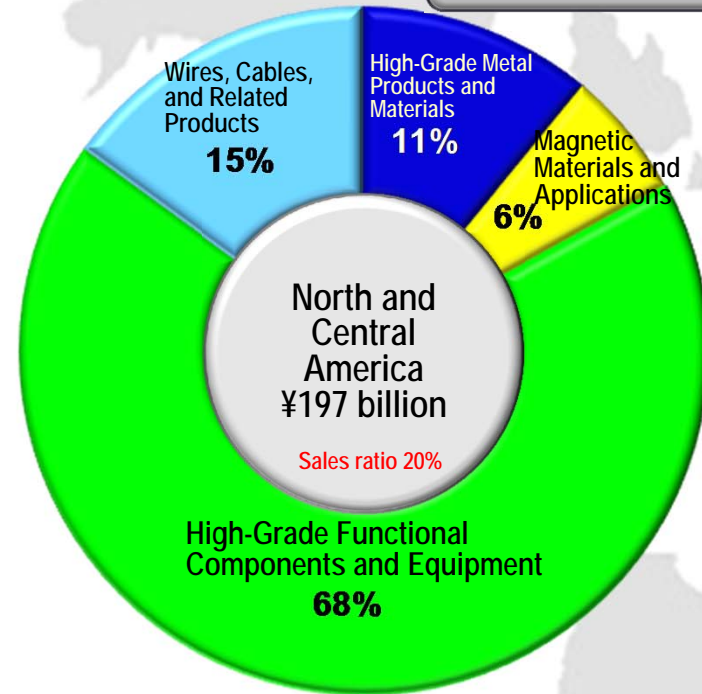
Expand net sales overseas

Implement global growth strategies while maintaining a balance between regional and product strategies

Europe Expand scale of operations

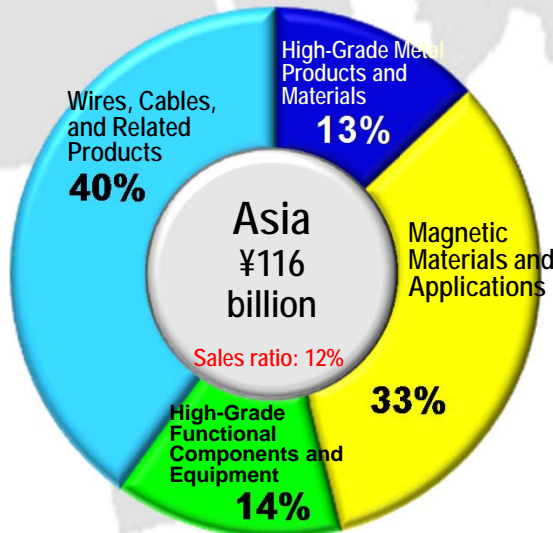


North and Central America Expand nonautomotive sector operations



High-Grade Functional Components and Equipment

China and the rest of Asia Expand scale of operations Expand automotive sector business



Figures are FY2014 forecasts

Overseas sales ratio:
From 47 percent in FY2014 (forecasted) to 53 percent in FY2015 (projected)



**Hitachi Metals Group will strive for
sustained growth by accelerating
global growth strategies**

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 rational 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 environments**
- 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 the Japanese stock markets**