

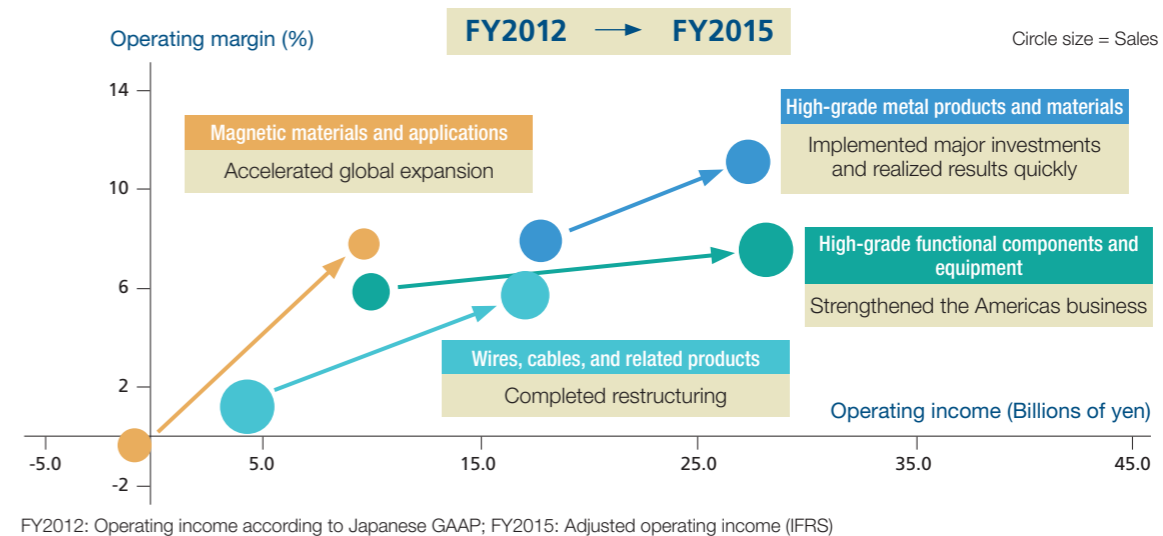
Medium-Term Management Plan
(Message from the CEO)

“Change to be a competitive business” and “challenge ourselves to meet new targets” in order to become the world’s leading high-performance materials company.

Review of Fiscal 2015 Medium-Term Management Plan

In this period of major transformation, the Hitachi Metals Group is aiming to become the world’s leading high-performance materials company, with “change” and “challenge” as its key words. The basic policies of our Fiscal 2015 Medium-Term Management Plan were to “build structures for sustainable growth” and “strengthen and accelerate global growth strategies.” Looking back at the plan, we completed multiple M&As and capital investments to successfully establish a foundation for sustainable growth. Following the merger of Hitachi Metals and Hitachi Cable in fiscal 2013, we acquired shares in MMC Superalloy Corporation (now Hitachi Metals MMC Superalloy, Ltd.) and U.S.-based Waupaca Foundry, Inc. in fiscal 2014, followed by Diehl Steel Company, Inc. (now Diehl Tool Steel Inc.) and HTP-Meds Group in fiscal 2015. We also made large-scale investments in growth businesses, discontinued low-growth businesses, and transitioned away from mature businesses. As a result of these initiatives, we achieved around two-fold growth in consolidated revenues and total assets and dramatically transformed our business portfolio over the three-year period of the plan.

Shift to profit-generating segments and build structures for sustainable growth



高橋秀明

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer

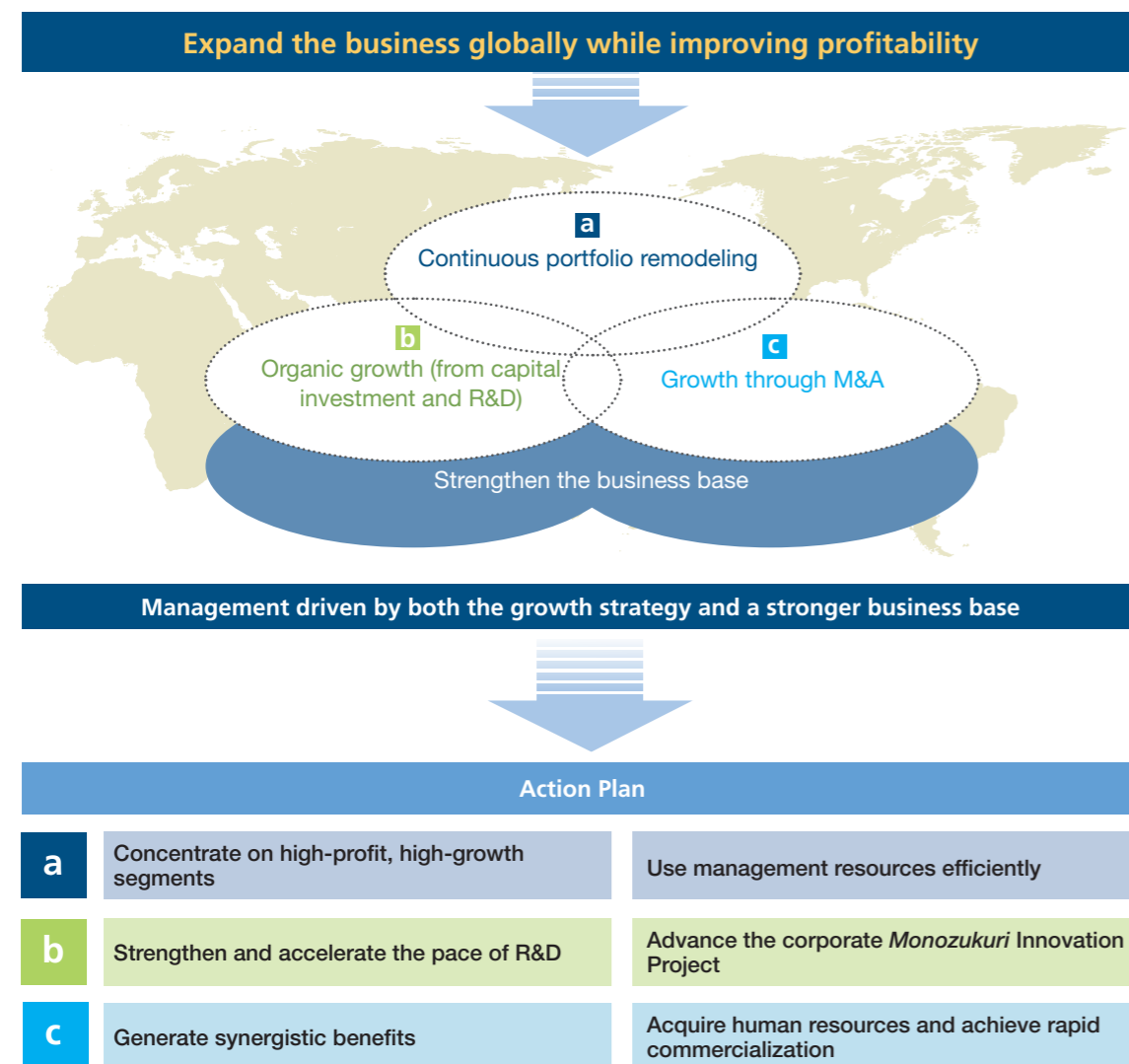
Looking at each business, however, we acknowledge that there are some inadequacies with respect to the level of problem solving.

Since fiscal 2015, we have sensed a slowdown in the world economy, especially in China. Nevertheless, the Hitachi Metals Group is responding to changes in the operating environment to solve various business issues. Meanwhile, we have started new reforms aimed at achieving renewed growth.

Fiscal 2018 Medium-Term Management Plan: Becoming the world's leading high-performance materials company

Under the basic policies of our Fiscal 2018 Medium-Term Management Plan, we will “change to be a competitive business” and “challenge ourselves to meet new targets” in order to become the world's leading high-performance materials company. To achieve growth in the global market, we aim to expand organic growth while making bold strategic investments for growth, including in M&As, and continuously remodeling our business portfolio. With a sense of speed, moreover, we will build a stronger business base by reinforcing materials and product development, strengthening and broadening our markets and customer base, and establishing global production and sales systems.

Our Vision



Action plan for Fiscal 2018 Medium-Term Management Plan

Under the new plan, we will emphasize management driven by both growth strategies and a stronger business base, with a view to expanding our business globally while improving profitability. To this end, we will carry out three specific actions: continuous portfolio remodeling, organic growth, and growth through M&As.

Continuous portfolio remodeling

The Hitachi Metals Group's target segments—automotive, industrial infrastructure, and electronics—account for around 50%, 30%, and 20% of overall revenues, respectively. In these target segments, we will renew our focus on high-profit, high-growth segments as we restructure our businesses to win in global markets.

We anticipate particularly solid growth in the aircraft, energy, agricultural and construction machinery, railway rolling stock, and medical segments. Focusing on these segments, we will expand our industrial infrastructure business to build a business portfolio that is resilient against changing market conditions.

Continuous Portfolio Remodeling

Concentrate on high-profit, high-growth segments								
Market segment (% of sales in FY2015)	Automotive (Approx. 50%)		Industrial infrastructure (Approx. 30%)			Electronics (Approx. 20%)		
Key segments	HEV/EV	Automotive components	Construction and agricultural machinery	Railway	Aircraft	Energy	Medical	Batteries
Specialty steel								
Soft magnetic components and materials								
Magnets and applied products								
Casting components								
Wires and cables								

Expansion of organic growth

Under our previous Medium-Term Management Plan, we prioritized growth through M&As, but under the new plan, we will expand organic growth by strengthening and improving our foundation and essential capabilities as a manufacturer. Our main strategies to achieve this are making innovations in *monozukuri* and reinforcing R&D.

With respect to *monozukuri*, we will promote innovations at all Group companies by deploying unprecedented perspectives and techniques to improve *monozukuri* quality and efficiency. We will also mobilize IoT* and other leading-edge technologies in a cross-organizational manner.

For R&D, we will target innovations and investments on a cross-organizational, Groupwide basis over the medium and long terms. In April 2017, we plan to establish a Corporate Research Lab to strengthen cross-organizational R&D.

In the Group's main business of high-performance materials, heightened dependence on a single material and/or technology increases the risk of sudden business slowdown when technologies are replaced. To hedge against such risk, we will seek to create new businesses by deploying synergies from our cross-organizational research and our leading-edge research. In the high-performance materials business, we will view risks as future business opportunities, and we will consider all possibilities as we forge ahead with R&D.

* IoT (Internet of things): Connecting various "things" (not just information/communications equipment) to the Internet to establish mutual communication and thus enable automatic recognition, automatic control, remote measurement, and other tasks to be performed.

Growth through M&As

With M&As, our aim is to comprehensively increase our potential as a manufacturer. Accordingly, our policy is to identify and target companies in growth segments, especially those with exceptional production capacity, human resources, and technologies.

Action plan based on cooperation between the corporate department, business companies, and global regional headquarters

We have undertaken an organizational restructuring to implement our action plan.

The Hitachi Metals Group adopts a system of business companies. By adding a cross-organizational approach while maintaining decision-making speed, we can deploy our managerial resources more efficiently. In January 2016, we introduced a corporate (head office) system to address themes shared by our business companies from the perspective of overall optimization. In these and other ways, we will work to maximize the effectiveness of management resource utilization.

With the acquisition of Waupaca Foundry, revenue from North America rose to more than 30% of consolidated revenues, and as of March 31, 2016, our overseas sales ratio was 56%. To further strengthen our global business going forward, it is essential to effectively mobilize corporate governance in each region while having a global regional headquarters function to formulate and implement business strategies that match the market needs and business customs of each region. At present, we are expanding and upgrading the functions of our global regional headquarters while reinforcing governance, formulating and implementing regional strategies, holding regional conferences, and appointing national staff to management positions. Our global regional headquarters work closely with our corporate organization to practice regional management with an emphasis on local discretion.

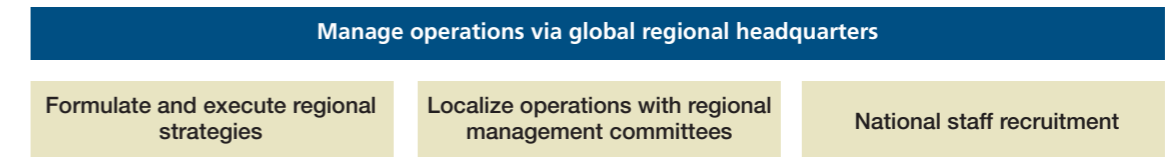
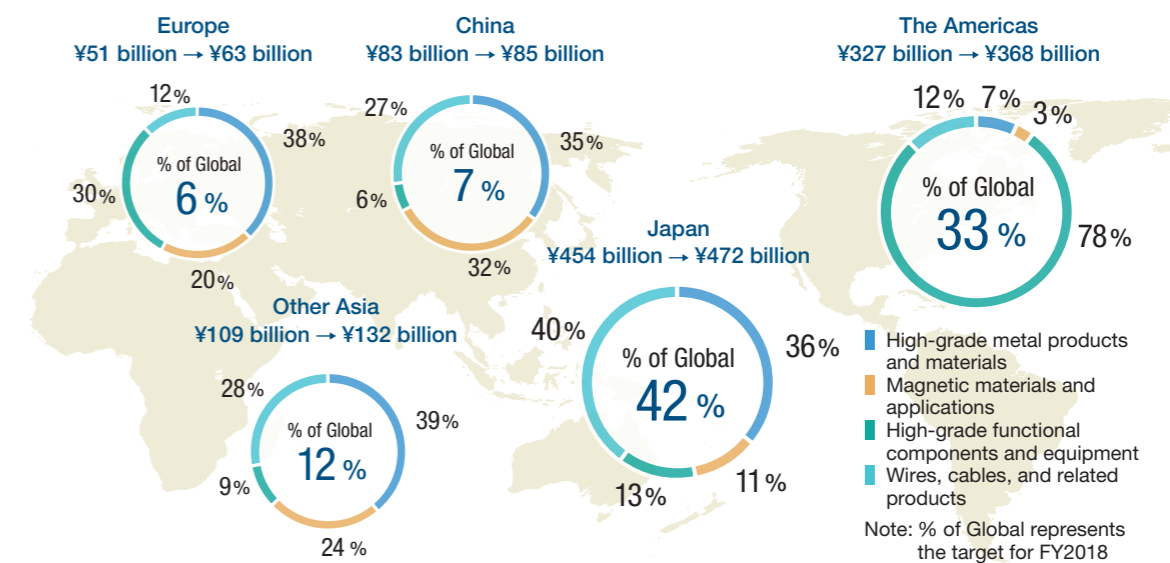
Meanwhile, each business company will incorporate cross-organizational perspectives and region-specific business strategies to further entrench management strategies for each business segment with a sense of speed.

By supporting this three-pronged system based on the corporate department, business companies, and our global regional headquarters, we will determinedly ensure fast-moving business operations that transcend traditional organizational structures.

New Organizational Structure



Global Sales Composition by Region (FY2015 ⇒ FY2018)



Capital strategies and shareholder returns

Under our new Medium-Term Management Plan, we expect to generate ¥340 billion in cash flows from operating activities over the next three years. Of this amount, we will allocate between ¥100–120 billion to M&As and around ¥210 billion to capital investments. Practically all of the cash flows from operating activities will be used for growth-oriented purposes.

Moreover, we will allocate ¥70 billion to R&D expenditures, compared with ¥57 billion under the previous Medium-Term Management Plan. Of this amount, we will allocate ¥12 billion to complement new business creation projects aimed at developing new businesses over the long term.

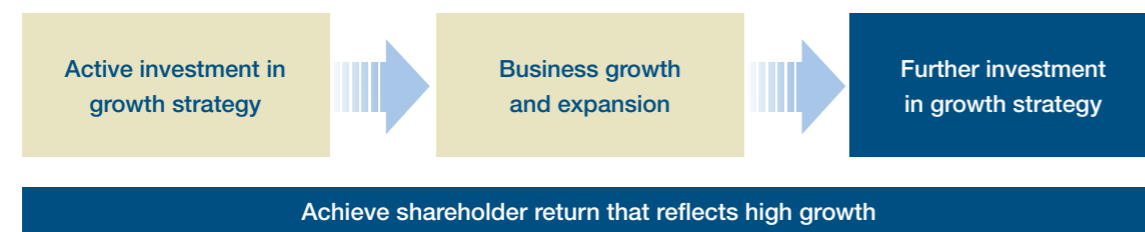
Despite making such proactive investments, we expect a debt-to-equity ratio of around 0.38 times in fiscal 2018, down from 0.44 times in fiscal 2015. Accordingly, we believe we have ample room to procure further funds to undertake large-scale M&As.

With respect to shareholder returns, our basic policy is to deliver appropriate returns of profits to shareholders over the long term by maximizing corporate value and increasing the amount of profits that can be paid as dividends. Moreover, we will make proactive investments based on our growth strategies to expand our business, and ensure that these results are reflected in returns to shareholders. In fiscal 2015, we paid annual dividends of ¥26.00 per share, and we currently plan to pay ¥26.00 again in fiscal 2016. With an ROE target of 12.2%, we will actively utilize cash to implement growth strategies while building a sound, optimal capital structure.

Dividends

	Interim dividends	Year-end dividends	Annual dividends
FY2013	¥ 7	¥10	¥17
FY2014	¥10	¥13	¥23
FY2015	¥13	¥13	¥26
FY2016	¥13 (Forecast)	¥13 (Forecast)	¥26 (Forecast)

Policy on Shareholder Return in the FY2018 Medium-Term Management Plan



Strengthening CSR activities

Over the past several years, we have been rapidly increasing the scope of the Group's operations, but we also recognize the importance of fulfilling our corporate social responsibility (CSR), which accompanies such growth. Based on our fundamental policy, which is to act according to the law and good corporate ethics, we have continued to instill compliance-oriented initiatives. In the future, as well, we will strengthen risk management in Japan and overseas, visualize risks to prevent illicit trading, clarify rules, strengthen auditing systems, and step up third-party checks and other support functions. In these and other ways, we will expand and upgrade our systems and frameworks as we target higher levels of corporate transparency.

CSR extends to all corporate activities and all employees involved in such activities. In all aspects of our operations—including quality assurance, safety assurance, environmental protection, information management, and respect for human rights—we are responsible for the impact of our activities on society. With this in mind, we will address the requests of various stakeholders and reaffirm our commitment to becoming society's "trustworthy partner."

Diversity in human resources is a very important catalyst for instituting organization reforms. Through its policy of diversity management, the Hitachi Metals Group will work to create an innovative corporate culture.

Toward a new Hitachi Metals Group

Seeking to become the world's leading high-performance materials company, we will unite and act swiftly to build a "new Hitachi Metals Group" by embracing changes and challenges. We will strive to create value that meets the expectations of stakeholders.

United as one, we will act swiftly to build a "new Hitachi Metals Group" by embracing changes and challenges.