

The Hitachi Metals Group Report 2016
Integrated Report

Hitachi Metals

Becoming the World's Leading High-Performance Materials Company

Editorial Policy

From 2016, we will release the Hitachi Metals Group Report (Integrated Report) for all stakeholders, including shareholders and other investors. The aim of the report is to deepen understanding among stakeholders about how the Group utilizes its strengths to create value for customers and achieve sustainable growth. In compiling the report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). In addition to the Hitachi Metals Group Report (Integrated Report), we provide information to our various stakeholders as indicated below. We also periodically update our corporate website with the latest information, including detailed information and news releases.

Review Period

Fiscal 2015 (April 1, 2015–March 31, 2016)

Note: Where possible, the latest information is used at the time of publication.

Relevant Entities

Hitachi Metals, Ltd. and its consolidated subsidiaries

Note: In cases where information contained herein refers to a review period and/or relevant entities different from those stated above, this is pointed out accordingly.



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Disclaimer regarding forward-looking statements

This report contains forward-looking statements about the Company and the Group, such as business plans, predictions, strategies, assumptions, and results forecasts. All such statements are based on analyses and judgments using information available when this report was prepared, and thus may include risks and uncertainties due to changing economic circumstances, market conditions, and the like. Please note the possibility that actual results may differ from the Company's forecasts. This report was compiled based on information deemed reliable by the Company. Accordingly, such information's accuracy and integrity cannot be guaranteed.

To Our Stakeholders

Based on its distinctive materials technologies, the Hitachi Metals Group manufactures a variety of products, centering on its targeted industrial infrastructure, automotive, and electronics segments. While most people rarely get to see these products, they are used widely around the world and support our social infrastructure.

Constantly monitoring the needs of the times, we act to solve the social issues that confront our customers. This approach forms the basis for our value creation.

Looking around the world, we are making good progress toward realizing a sustainable society that cares for the environment on a global scale. Our role is to use the earth's natural resources to develop and make materials that create new levels of social value, and this role is becoming more and more important. We are expected to provide new high-performance materials and products at the forefront of technology while anticipating future market needs.

Aware of these needs, the Hitachi Metals Group undertakes M&As globally. At the same time, we are making large-scale capital investments and reorganizing our operations to dramatically transform our business portfolio.

Today, we are embracing the challenge of making further major reforms to the Hitachi Metals Group in our quest to become the world's leading high-performance materials company. By identifying the needs of our global customers, we will help solve social issues to increase corporate value.

This report contains a selected compilation of information deemed important from the perspectives of stakeholders with respect to the Group's value creation commitment. It includes information about value creation processes, business strategies, corporate governance, CSR, and financial matters. Through this report, we hope that stakeholders will obtain a deeper understanding of the Hitachi Metals Group. We look forward to your ongoing support.

August 2016

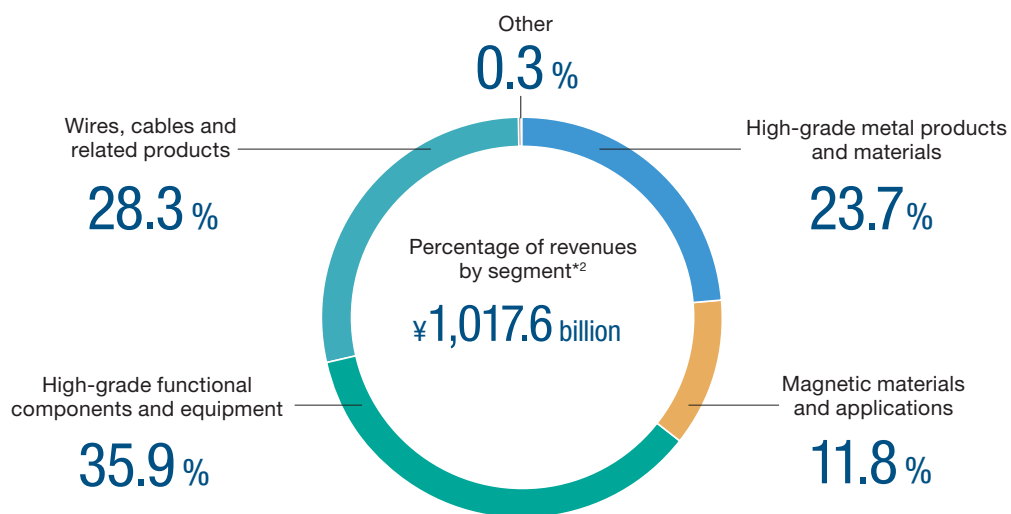
高橋秀明

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer

Overview of the Hitachi Metals Group
Hitachi Metals in Figures

In fiscal 2015, ended March 31, 2016, revenues totaled approximately ¥1 trillion, of which overseas sales accounted for 56%.

Revenues ¥1,017.6 billion	Adjusted operating income* ¹ ¥76.1 billion	Adjusted operating margin 7.5%
ROE 14.4%	ROA 9.1%	Overseas sales ratio 56%
EBIT ¥99.1 billion	R&D expenses ¥19.1 billion	Number of employees 29,157


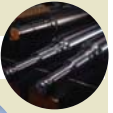


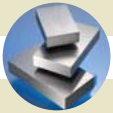
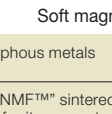








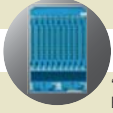
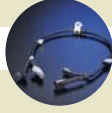
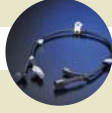
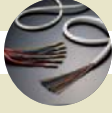


*¹ Adjusted operating income: Revenues – Cost of sales – Selling, general and administrative expenses

*² The percentage of revenues by segment is calculated based on sales to external customers.

Overview of the Hitachi Metals Group
Business Portfolio

The Hitachi Metals Group specializes in the development of high-performance materials. Leveraging this expertise, we supply materials and products mainly to customers in the industrial infrastructure-, automotive-, and electronics-related segments.

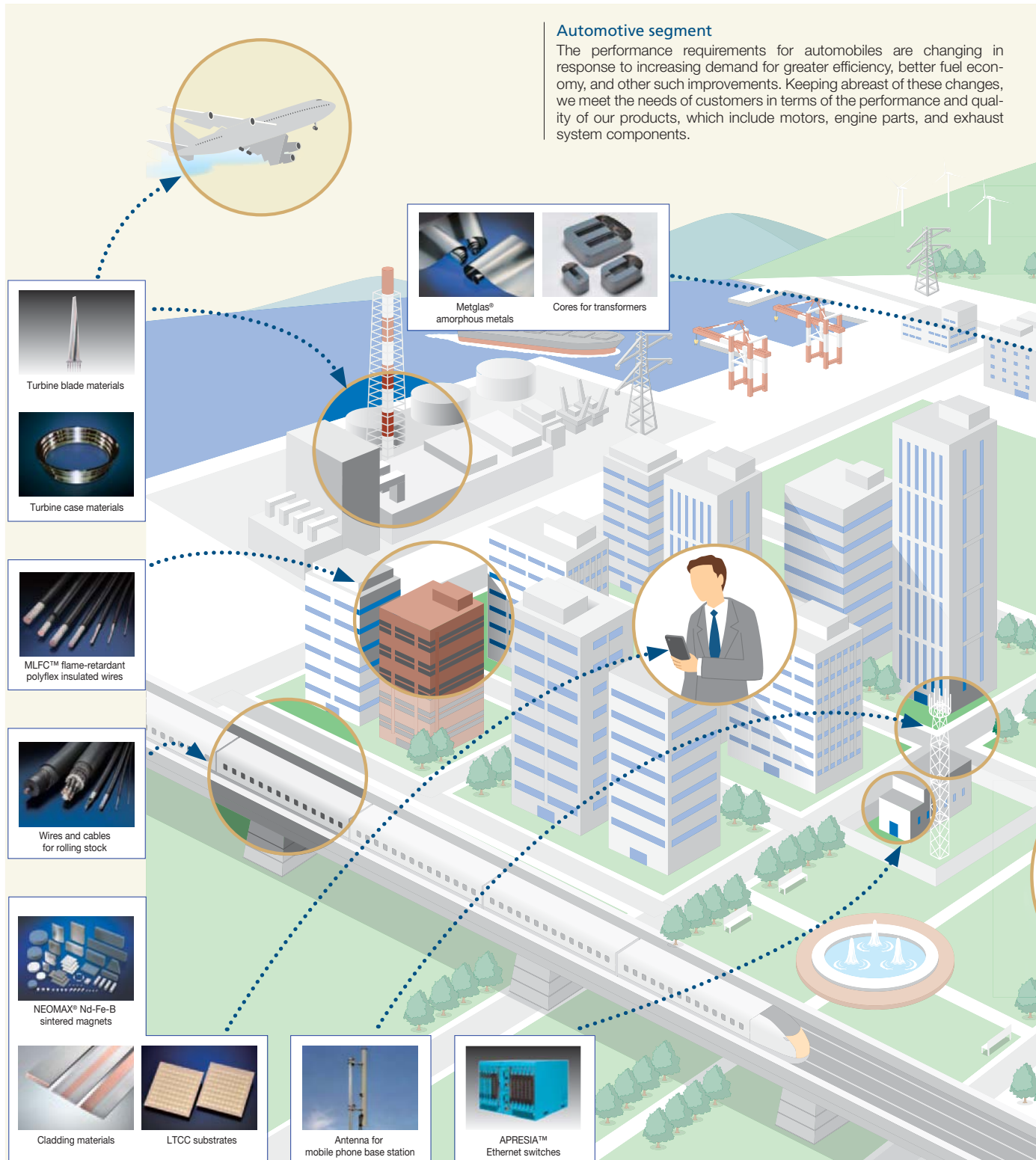
		Target segments		
		Industrial infrastructure-related	Automotive-related	Electronics-related
Company	High-grade metal products and materials	 Engine shafts  Specialty steel  Rolls  Rolls for mills	 "SLD-i™" mold steel  Soft magnetic materials "Metglas®" amorphous metals	 Sputtering target materials for LCD  High-frequency low-loss soft ferrites
	Magnetic materials and applications		"NMF™" sintered ferrite magnets  "NEOMAX®" Nd-Fe-B sintered magnets  Magnets and applied products	
			Ceramic products  Ceramic scintillator materials	
	High-grade functional components and equipment	Piping components  Polyethylene gas piping systems	Casting components for automobiles  "SCUBA™" fashionable aluminum road wheels  "HERCUNITE™" heat-resistant casting components	
	Wires, cables and related products	 Wires and cables for rolling stock  Information systems	Electric wires and cables  High-performance components  Harness for electric parking brake "APRESIA™" Ethernet* switch	 Probe cables for ultrasound diagnostic equipment

*Ethernet is a registered trademark of Fuji Xerox Co., Ltd.

Overview of the Hitachi Metals Group
Main Product Applications

Automotive segment

The performance requirements for automobiles are changing in response to increasing demand for greater efficiency, better fuel economy, and other such improvements. Keeping abreast of these changes, we meet the needs of customers in terms of the performance and quality of our products, which include motors, engine parts, and exhaust system components.



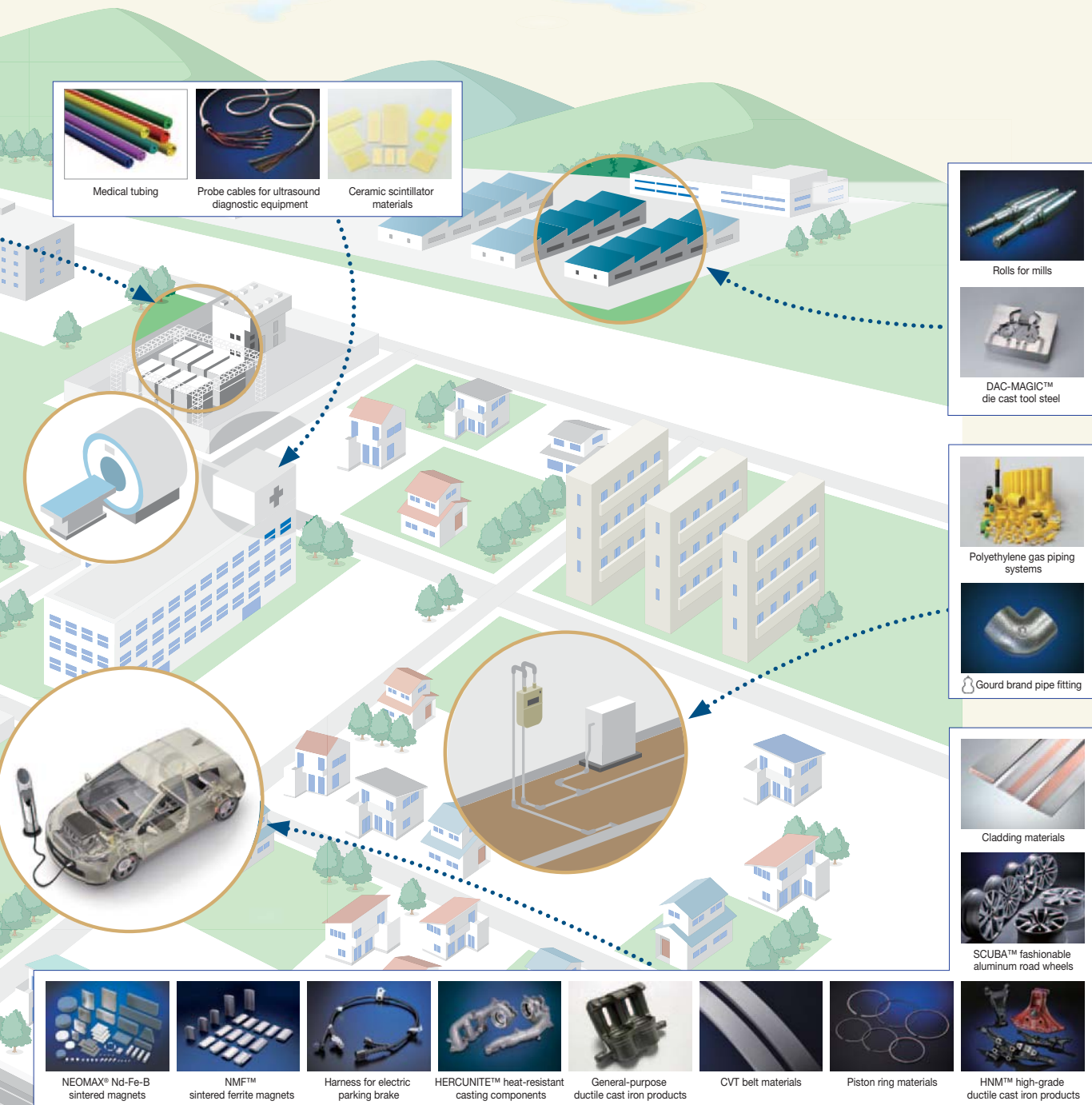
The Hitachi Metals Group's products are used in the industrial infrastructure, automotive, and electronics segments, to name just a few, and provide basic support for our social infrastructure. In recent years, our products have found applications in such segments as aircraft, energy, and medical equipment, and we see limitless possibilities before us.

Electronics segment

In the electronics segment we provide swift responses, from new product and prototype development to commercialization and mass production.

Industrial infrastructure segment

In the industrial infrastructure segment, we supply products and materials that improve product quality and productivity, and contribute to energy savings. Many of our products support the sustainable growth of society behind the scenes.



Medical tubing

Probe cables for ultrasound diagnostic equipment

Ceramic scintillator materials



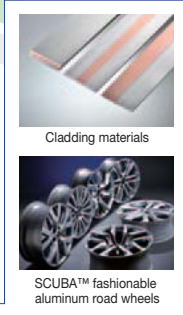
Rolls for mills

DAC-MAGIC™ die cast tool steel



Polyethylene gas piping systems

Gourd brand pipe fitting



Cladding materials

SCUBA™ fashionable aluminum road wheels



NEOMAX® Nd-Fe-B sintered magnets

NMF™ sintered ferrite magnets

Harness for electric parking brake

HERCUNITE™ heat-resistant casting components

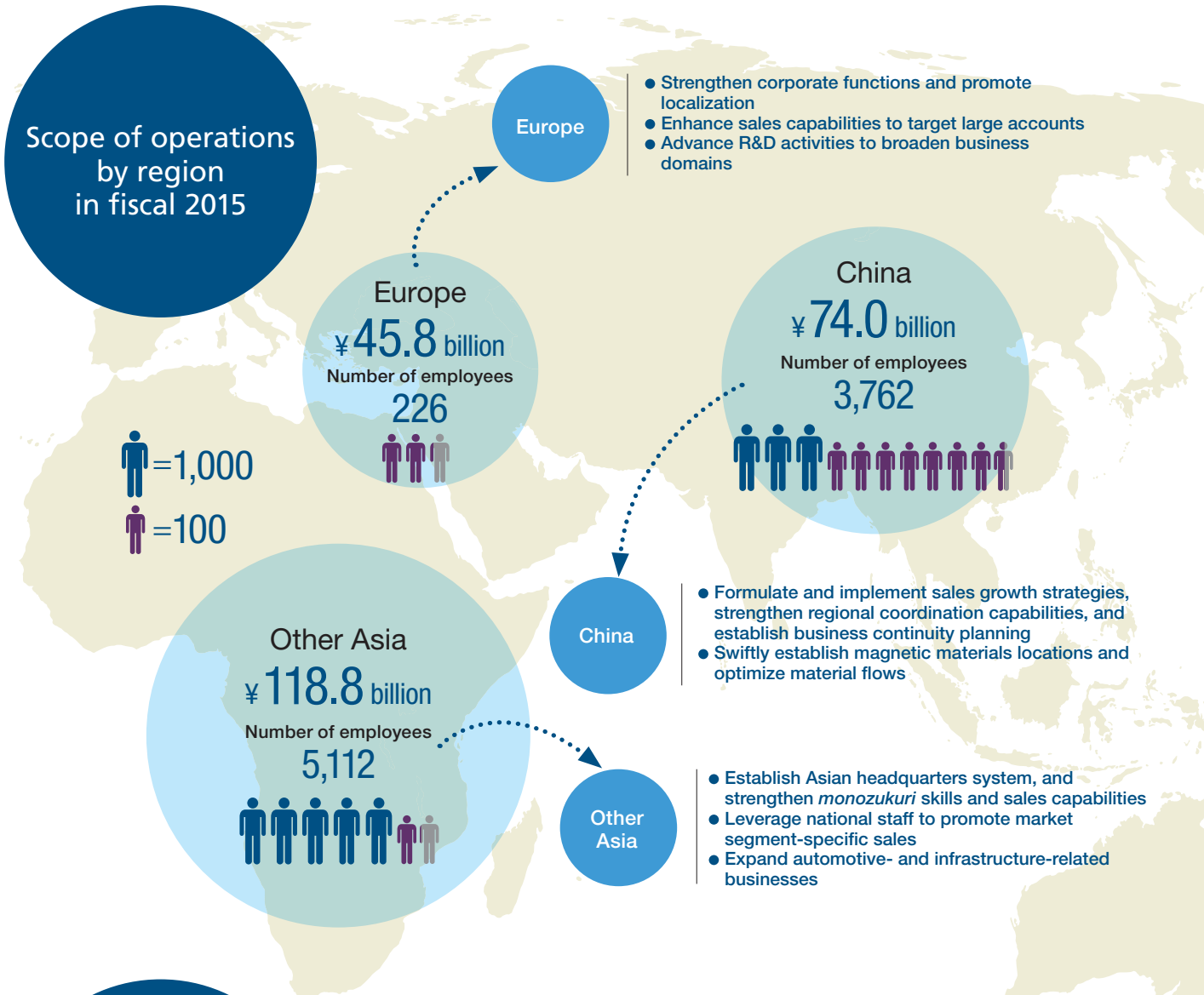
General-purpose ductile cast iron products

CVT belt materials

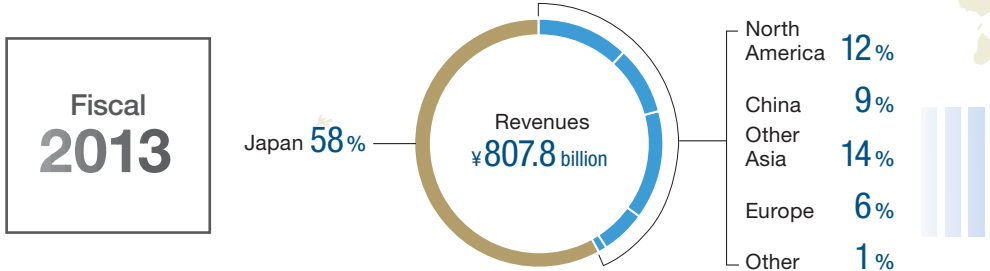
Piston ring materials

HNM™ high-grade ductile cast iron products

Global Expansion



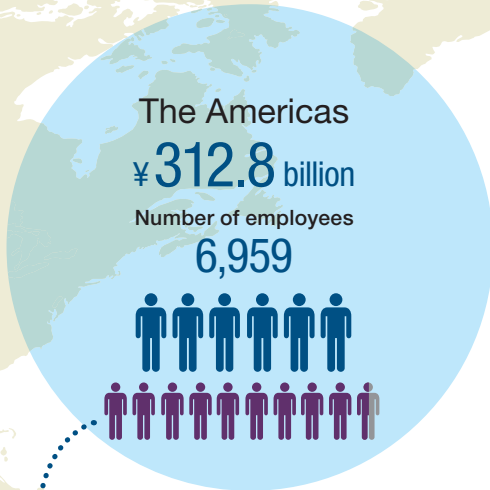
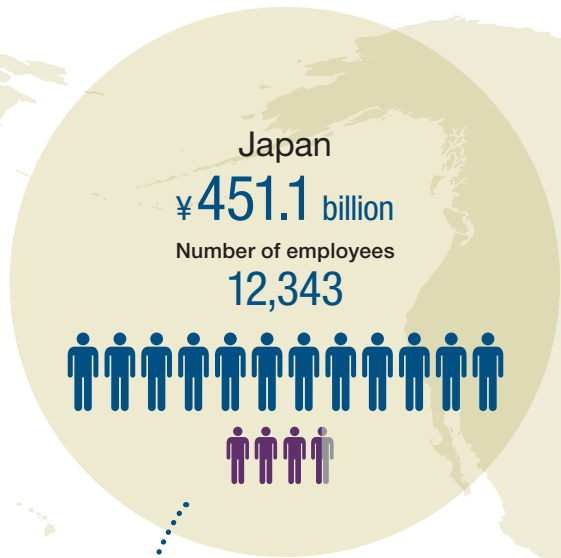
Fiscal 2013 and fiscal 2015 comparison (Breakdown of sales by region)



Overseas sales ratio 42%

Notes: 1. Figures for sales by region and percentage breakdown represent numerical amounts after elimination of interregional transactions.
 2. Revenues for fiscal 2013 do not include the pre-merger results of Hitachi Cable, Ltd.

The Hitachi Metals Group's global operations encompass Japan, North America, Asia, China, Europe, and other regions. We seize opportunities provided by stronger environmental regulations and infrastructural needs in various nations and regions to deliver products that excel globally. In the process, we target growth in various markets. With overseas sales accounting for 56% of total revenue, we are solidifying our position as a global high-performance materials company.



Japan

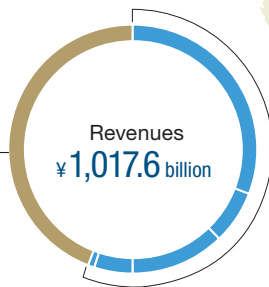
- Carry out *monozukuri* innovation to reinforce operations
- Strengthen R&D from a medium- to long-term perspective

The Americas

- Strengthen casting components for the automobile business, centered on Waupaca Foundry
- Allocate management resources to the tool steel, aircraft, energy, railway automotive, and medical segments
- Reinforce manufacturing locations through aggressive capital investment

Fiscal
2015

Japan 44%



North America	31%
China	7%
Other Asia	12%
Europe	5%
Other	1%

Overseas sales ratio **56%**



Hitachi Metals

Value Creation at Hitachi Metals

The Hitachi Metals Group helps solve social issues through its business activities, which involve the development and supply of high-performance materials and products.

For us, “value creation” means creating value for customers and, in the process, increasing corporate value by helping solve background social issues.

In this section, we describe the overall process for value creation, and then give several specific examples of our strengths and successful products.

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The Hitachi Metals Group's Value Creation Process

Leveraging its advanced technologies, intelligent human resources, and sound financial position, the Hitachi Metals Group demonstrates its ability to satisfy global customer needs. Supporting our uniqueness and competitive advantage are our core competencies, such as our expertise in design and planning consulting, ability to swiftly commercialize R&D successes, and capacity to launch new materials and products based on dialogue with customers.

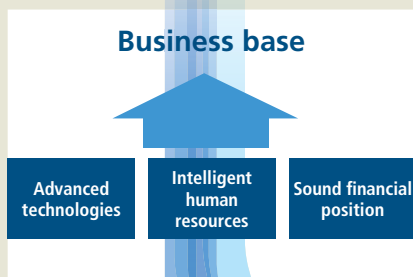
Market needs are becoming more diversified and sophisticated as customers demand greater levels of comfort, efficiency, and safety. In this context, we have a major role to play as a manufacturer of high-performance materials, and we have many opportunities to make a social contribution. In the industrial infrastructure, automotive, and electronics segments, we will continue advancing our R&D and business activities while monitoring ongoing market needs.

1.
Hitachi Metals' strengths
 Ability to satisfy global customer needs

- Expertise in design and planning consulting
- Ability to swiftly commercialize R&D successes
- Capacity to launch new materials and products based on dialogue with customers

2.
Ongoing market needs
 Energy saving, weight reduction, safety, etc.

- Industrial infrastructure
- Automobiles
- Electronics



Sustainable growth

In these ever-changing times, the Hitachi Metals Group constantly monitors the requirements of customers and markets and supplies advanced new products and technologies that are at the forefront of their era. For us, creating value for our customers means providing help to solve social issues in various fields and leads to enhanced corporate value. Through this process of value creation, we embrace the challenge of becoming the world's leading high-performance materials company.

The Hitachi Metals Group is pursuing three growth strategies: Expand organic growth; Embrace new needs, markets, and business domains; and Restructure businesses. We will also utilize our strength of satisfying global customer needs to promote our growth strategies in our quest to become a new Hitachi Metals that is stronger and more innovative.

By creating new levels of value for customers and helping solve background social issues, the Hitachi Metals Group is targeting improved corporate value. In the process, we will broaden and upgrade our business base by developing and accumulating technologies, raising the skills of employees, and optimizing capital and financial management. The permanent continuation of this cycle represents our value creation process.

Through such processes, the Hitachi Metals Group will help create value for customers. At the same time, we seek to realize sustainable growth and become the world's leading high-performance materials company.

3.

Growth strategies

For a new Hitachi Metals that is stronger and more innovative

- Expand organic growth
- Embrace new needs, markets, and business domains
- Restructure businesses

4.

Create value for customers

Solve social issues

Broaden and upgrade our business base

Develop and accumulate technologies

Raise the skills of employees

Optimize capital and financial management

5.

World's leading high-performance materials company

The Hitachi Metals Group's Strengths

Tackling challenges across customer-supplier lines

The Company's own specialty steel brand, Yasugi Specialty Steel (YSS),¹ is used in diverse markets, such as molds, automotive components, and aircraft and energy materials. It boasts a strong market share and has earned high acclaim.

Underpinning the strong market share and high acclaim of YSS are the Company's exceptional material technologies and product development capabilities, as well as its approach of addressing challenges together with customers based on two-way communication, akin to walking in a three-legged race.

A case in point is our Solution and Engineering Center (SEC), established in 2015.

The SEC is tasked with solving problems that customers face, including basic matters, in cooperation with those customers. In one project, for example, we established a system with participation from a customer's technicians, as well as our own. During the course of the project, we shared diverse information with the customer, including our metallurgical approach to improving metal structures—a Hitachi Metals strength—and the computer-aided engineering (CAE)² technologies of our Metallurgical Research Laboratory, which has extensive knowledge in high-grade specialty steel. In addition to simply solving customers' issues, we will promote research together with customers based on metallurgical principles and phenomena. By using this "three-legged race" approach to discover the essence of the problem, we provided added value to the customer by exceeding our responsibilities as a supplier.

Global advancement through three-pronged interaction

In the specialty steel business, in addition to the efforts of the SEC, which works in unison with customers, our technology division works jointly with our global sales division to target global expansion of the YSS brand.

Our technology division is tasked with establishing foundations for global expansion. Its duties include standardization of technical services at processing locations based overseas, training of national staff, reinforcement of branding, and production of sales tools that convey the brand's exceptional qualities. Meanwhile, our global sales division leverages these foundations to

Globally Advancing Solution-Driven Proposals Based on Deep Customer Understanding

Isao Tamura
General Manager, Solution and Engineering Center
High-Grade Metals Company



At the SEC, I frequently witness discussions between engineers from Hitachi Metals and their customers. In a recent project with a domestic automaker customer, for example, the participants together conducted research into extending the longevity of molds. The initial plan was to double the lifespan of molds, which was thought to be difficult, but finally we succeeded in extending mold life by three times—well exceeding our expectations. Thanks to these success stories, customers are increasingly turning to the SEC as a matter of course. The SEC truly is a place where no boundaries exist between supplier and customer.

It is a win-win for customers. In addition to product improvement, the relationship with

SEC enables customers to foster young human resources who will reap major benefits for their companies in the future. Our joint projects receive high acclaim because they not only advance customers' own research but also provide a forum for personnel development.

In these ways, we share common ground with customers on the front lines in terms of our approach to problem solving and thought processes. This is a strength of Hitachi Metals that helps customers create new value. Going forward, I would like to globally advance these initiatives, which reflect a deep understanding of our customers.

Showing the World Our Strengths by Selling Things

Kenichi Inoue
General Manager, Technology Department
High-Grade Metals Company

In the Technology Department where I work, we engage in product sales promotion plans and marketing activities. We have many people with vast experience, which we can draw on to propose optimal combinations and innovative concepts. In one project, for example, we devised a lineup of molds based on the customer's viewpoint, and we are developing tools enabling the differences and strong points of each product to be clearly understood. We are also playing a role by sharing information that is beneficial to the customer between the Group's technology, manufacturing, and sales divisions.

The Technology Department also supports the establishment of infrastructure and personnel development required to increase global sales of specialty steel. For example, tool steel is

Market needs are becoming more and more diversified and sophisticated as customers demand greater levels of comfort, efficiency, safety. In response, the Hitachi Metals Group unites with its customers to tackle problems and share results. In doing so, we consistently meet their expectations. Our capacity to launch new materials and products based on dialogue with customers is one of our competitive advantages, and also helps create value for our customers. In this section, we introduce our strengths, derived from our activities in the specialty steel business, that form the source of value creation.

expand and upgrade our service-related capabilities. At the same time, we make the SEC's leading-edge technologies available to customers. By promoting our business, these three entities, working as one, serve as the engine for our global expansion.

Looking at specific regions, we are already expanding our business in the priority North American and Asian markets while laying the groundwork in Europe.

In North America, we acquired Diehl Tool Steel Inc. in November 2015, and turned it into a consolidated subsidiary to serve as our distribution location there. Diehl Tool Steel will offer services such as cutting and processing, and solidify our tool steel sales network in the region. In April 2016, we started commercial production of SLD-i™, a new type of cold-rolled die steel with superior features—including reduced heat treatment dimensional change and improved abrasion resistance—while having a similar composition to Western standard steel.

In Asia, with the trend toward high-tensile automotive steel sheets, customers are demanding more functional dies, and we anticipate a heightened need for solution-based proposals covering not only materials but also processing and surface treatment. For this reason, in May 2016, we decided to install new cutting, processing, and surface treatment equipment at our sales locations throughout Asia, thus reinforcing our solutions business.

In Europe, the SEC and our sales division are teaming up in an effort to attract new customers by creating unique services, including mold deterioration diagnostics for local automakers using CAE technologies.

In these ways, the SEC, sales division, and technology division form one body tasked with strengthening our solutions business and expediting our global expansion by increasing sales of SLD-i™, a new type of cold-rolled die steel we recently developed.

*1 YSS is a registered trademark of Hitachi Metals, Ltd.

*2 A technique that uses computer-based simulations to determine whether or not a designed structure would meet its functional requirements prior to actually making it.



necessary to complete the final pre-delivery process in proximity to the customer, which requires infrastructure to cover distribution, as well as cutting, heat treatment, and other functions. The technical service level of employees is also extremely important. In these ways, we support both the "hard" (infrastructural) and "soft" (personnel development) aspects of the business.

For Hitachi Metals, selling things is synonymous with demonstrating our quality and strengths to the world. When our offerings contribute to customers' products in various parts of the world, our strengths will become more widely recognized, I believe.



YSS Also Highly Regarded in North America YASUGI SPECIALTY STEEL

Thomas Bell
Executive Director, Tool Steels
Hitachi Metals, America, LLC



Since joining Hitachi Metals in 2014, my impression of the Yasugi Specialty Steel products continue to be a quality advantage for our North American customers and their applications. Our product offering of DAC-types for die-casting and SLD-i™ for stamping dies are key to our growth plans. Together with our recent acquisition of Diehl Tool Steel Inc., specializing in machined tooling blanks 'Accu-Square™,' our sales team will pursue new customers with the Yasugi Specialty Steel brand name in Tool Steel market.

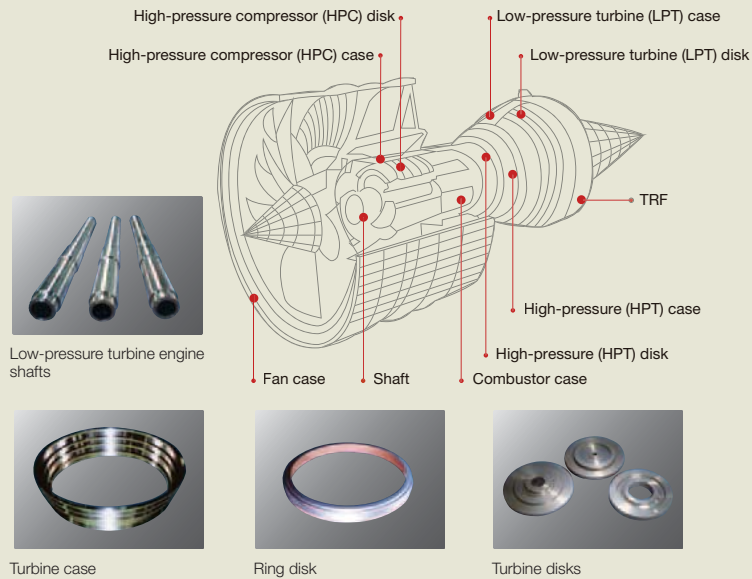
Achievements of Value Creation

Industrial infrastructure-related segment

Aircraft- and energy-related materials that exhibit high reliability and functionality in increasingly harsh operating environments amid further improvements in fuel efficiency and even higher output

Backed by our independently developed materials technologies and quality assurance and R&D systems, we have continued providing materials and services that are trusted by customers around the world. Through specialized melting technologies and advanced manufacturing processes, we will continue delivering valuable products while contributing to innovation in the world's aircraft and energy industries.

Aircraft jet engine



High-performance materials and products helping deliver excellent performance and reliability in harsh operating environments



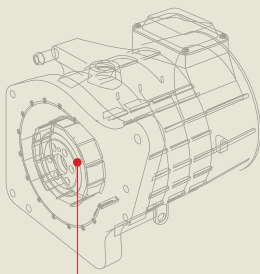
While the materials we make are rarely seen by end-users, they play a major role in the performance and quality of final products. The Hitachi Metals Group is constantly innovating its processes based on ideas and concepts that reflect customer needs. At the same time, we are refining the appeal of our products to help create value for the final products used by customers in wide-ranging segments.

Automotive-related segment

Magnetic materials with excellent magnetic properties that help realize highly energy-efficient automobiles

Our magnetic materials are used in drive motors and power generators that form the core of environment-friendly hybrid and electric vehicles. We led the world in launching mass production of NEOMAX® Nd-Fe-B sintered magnets that, despite being permanent magnets, display an unparalleled class of magnetic properties and contribute to advances in motor compactness and performance. Moreover, our use of DDMagic™ and other diffusion technologies for heavy rare earth metals helps reduce the volume of heavy rare earth metals used and facilitates the supply of magnets delivering even greater performance.

EV drive motor



NEOMAX®
Nd-Fe-B sintered magnets

Magnetic materials that contribute to advances in motor compactness and performance

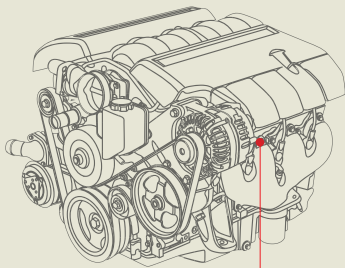


Automotive-related segment

Utilizing the Group's technological capabilities to supply high-performance components that are essential to the advancement of automobiles

In terms of performance, automobiles are advancing with each passing day. For many years, the Hitachi Metals Group has developed automotive components for a broad range of applications—including for engines, exhaust systems, steering, chassis, and electronic equipment—thus contributing to automotive advances. Our HERCUNITE™ heat-resistant casting components are used in the turbo systems of downsized engines to improve environmental performance. Thanks to these products, which deliver outstanding heat resistance and can accommodate complex forms, we are able to meet the needs of customers.

Automobile engine

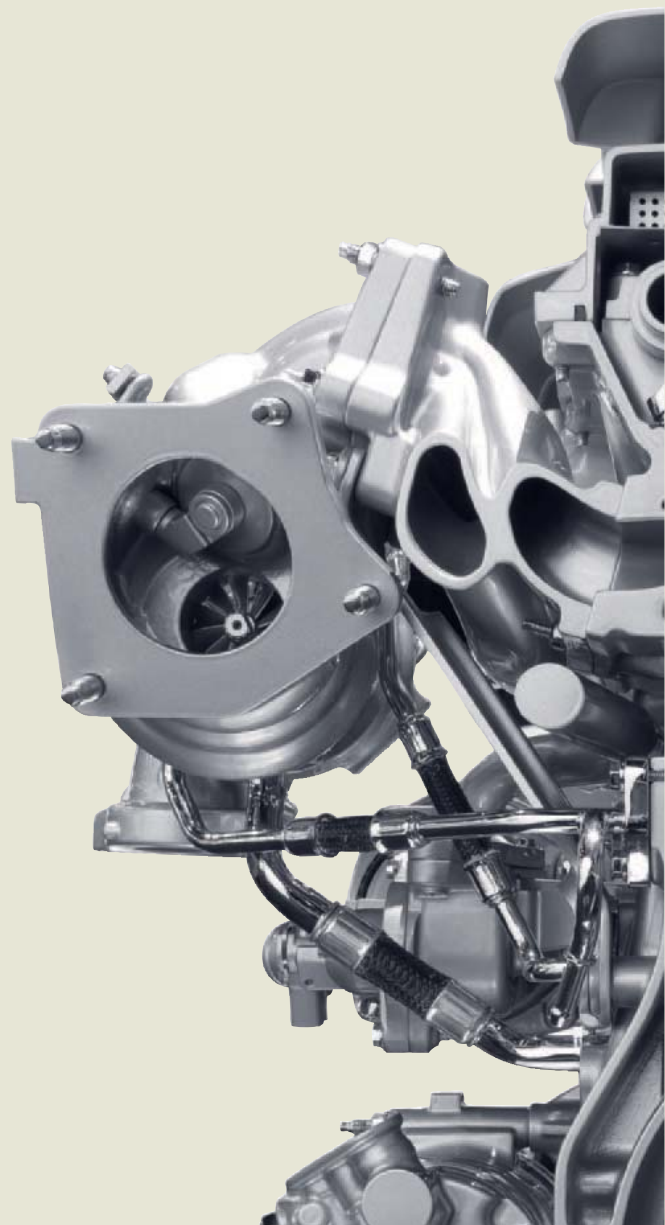


HERCUNITE™ heat-resistant casting components

Materials consulting expertise

Exceptional heat-resistance

Accommodate complex forms

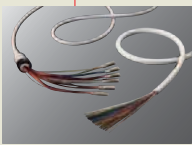
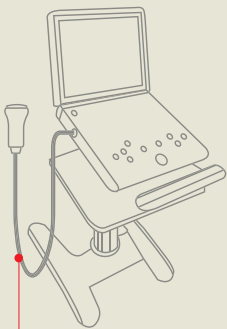


Electronics-related segment

Capitalizing on our technologies in cables and tubes to enter the segments of medical diagnostics, analysis, and treatment

The Hitachi Metals Group contributes to advances in medical technologies through its magnetic and electric cable materials technologies. Our probe cables for ultrasound medical diagnostic equipment used in echocardiography are light in weight and offer exceptional flexibility and durability. They also feature excellent electrical characteristics and operational ease, and deliver high-resolution images. In addition to medical diagnosis, we are active in medical treatment through our business in catheters and other medical tubing. In these ways, we contribute to improvements in medical technologies.

Ultrasound medical diagnostic equipment



Probe cables for ultrasound medical diagnostic equipment



Medical tubing



**Excellent elasticity,
flexibility, and
electrical properties**

**Fine porous
molding technology**

Hitachi Metals

**Strategies for Practicing
Value Creation**

The Hitachi Metals Group has formulated its Fiscal 2018 Medium-Term Management Plan, which covers the three-year period through March 2019. Under the plan's basic policies, 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. By implementing the new plan, we will create value for customers while also improving the corporate value of the Hitachi Metals Group.

In this section, we provide an overview of the new Medium-Term Management Plan, which sets "becoming the world's leading high-performance materials company" as its milestone. We also profile the business strategies of each Group business company—innovations in *monozukuri* (craftsmanship) and R&D—targeting the expansion of organic growth, which is the key to achieving the plan's objectives.

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Roadmap for Growth

July 2013

**Merger of
Hitachi Metals Ltd. and
Hitachi Cable, Ltd.**

**Effectively deployed
resources of both Hitachi
Metals and Hitachi Cable to
broaden business domains
and strengthen our
operational foundation**

Fiscal 2012 results

Net sales	¥897.7 billion
Operating income	¥25.4 billion
Net income	¥3.8 billion
D/E ratio	0.62 times
ROE	1.2%
Overseas sales ratio	37%
Overseas production ratio	22%

Note: Simple sum of results of Hitachi Metals and Hitachi Cable

Fiscal 2013–Fiscal 2015

**Fiscal 2015 Medium-Term
Management Plan**

**Shifted to profit-generating
segments and built structures for
sustainable growth**

- (1) Strengthened capabilities to create new products and develop new technologies
- (2) Strengthened and accelerated global growth strategies
- (3) Established a robust operational foundation

Fiscal 2015 results

(1USD=¥120)

Revenues	¥1,017.6 billion
Adjusted operating income*	¥76.1 billion
Net income attributable to owners of the parent company	¥69.1 billion
D/E ratio	0.44 times
ROE	14.4%
Overseas sales ratio	56%
Overseas production ratio	44%

Three-year cumulative

Operating cash flow	¥323.9 billion
Investment amount (including M&A)	¥313.5 billion
R&D expenses	¥56.8 billion

* Adjusted operating income: Revenues – Cost of sales – Selling, general and administrative expenses

Seeking to establish a new Hitachi Metals Group, we are working to further broaden our business domains and strengthening our operational foundation. With the global market in mind, we will continue implementing growth-oriented reforms built on improved profitability.

Fiscal 2016–Fiscal 2018

Fiscal 2018 Medium-Term Management Plan

Expand the business globally while improving profitability

Change to be a competitive business; Challenge ourselves to meet new targets
Achieving our goal of becoming the world's leading high-performance materials company

Action Plan

1. Continuous portfolio remodeling

- Concentrate on high-profit, high-growth segments
- Use management resources efficiently

2. Organic growth (from capital investment and R&D)

- Strengthen and accelerate the pace of R&D
- Advance the corporate *Monozukuri* Innovation Project

3. Growth through M&A

- Generate synergistic benefits
- Acquire human resources and achieve rapid commercialization

Fiscal 2018 Plan

(Projected exchange rate: 1USD=¥115)

Revenues	¥1,120.0 billion
Adjusted operating income	¥120.0 billion
EBIT	¥112.0 billion
Net income attributable to owners of the parent company	¥75.0 billion
D/E ratio	0.38 times
ROA	6.4%
ROE	12.2%
Overseas sales ratio	58%
Overseas production ratio	45%

Three-year cumulative targets

Operating cash flow	¥340.0 billion
Investment amount (including M&A)	¥340.0 billion
R&D expenses	¥70.0 billion

Medium-Term Management Plan

Hideaki Takahashi
Representative Executive Officer, President and Chief Executive Officer



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Innovations in Monozukuri and R&D

Akitoshi Hiraki
Representative Executive Officer, Vice President and Executive Officer



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Business Strategies

Takehisa Seo
Executive Officer, President of High-Grade Metals Company



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Ryoji Akada
Executive Officer, President of Magnetic Materials Company



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Executive Officer, President of High-Grade Functional Components Company



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Kazuya Murakami
Executive Officer, President of Cable Materials Company



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Medium-Term Management Plan
(Message from the CEO)



高橋秀明

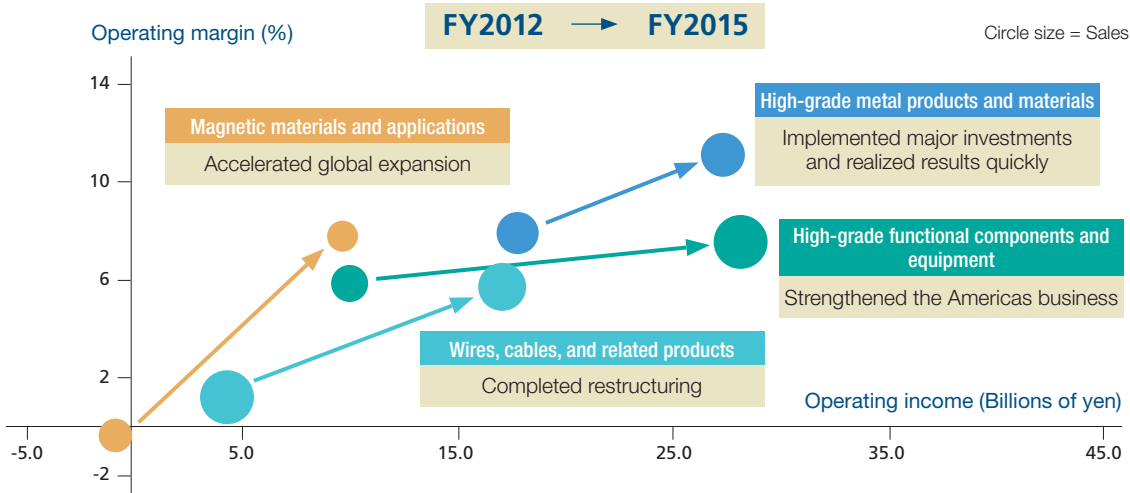
Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer

“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



FY2012: Operating income according to Japanese GAAP; FY2015: Adjusted operating income (IFRS)

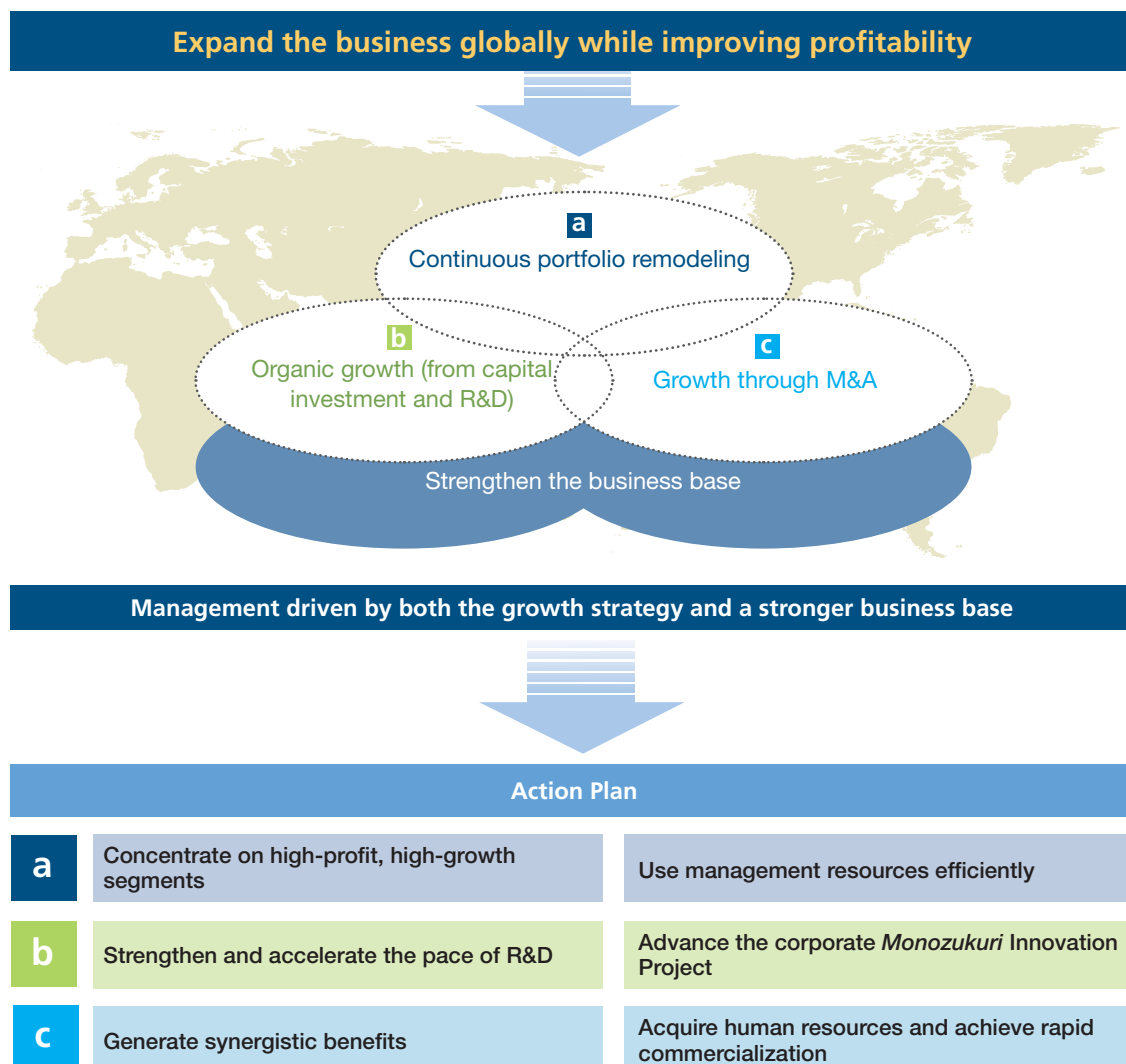
Looking at each business, however, we acknowledge that there are some inadequacies with respect to the level of problem solving.

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


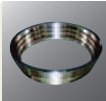










Under the new plan, we will emphasize management driven by both growth strategies and a stronger business base, with a view to expanding our business globally while improving profitability. To this end, we will carry out three specific actions: continuous portfolio remodeling, organic growth, and growth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

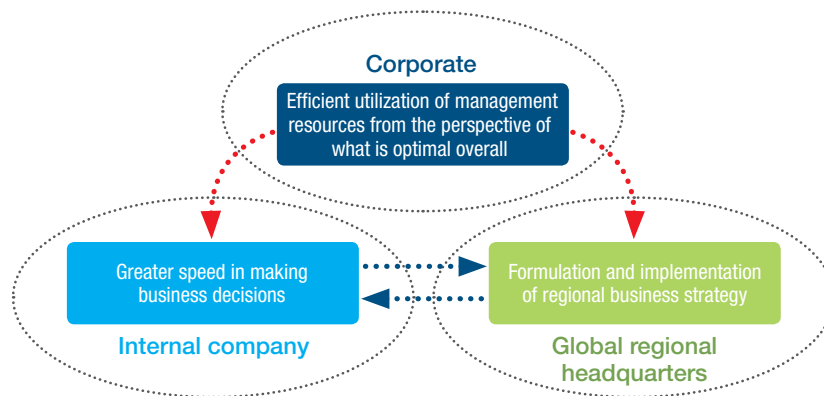
With the acquisition of Waupaca Foundry, revenue from North America rose to more than 30% of consolidated revenues, and as of March 31, 2016, our overseas sales ratio was 56%. To further strengthen our global business going forward, it is essential to effectively mobilize corporate governance in each 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.

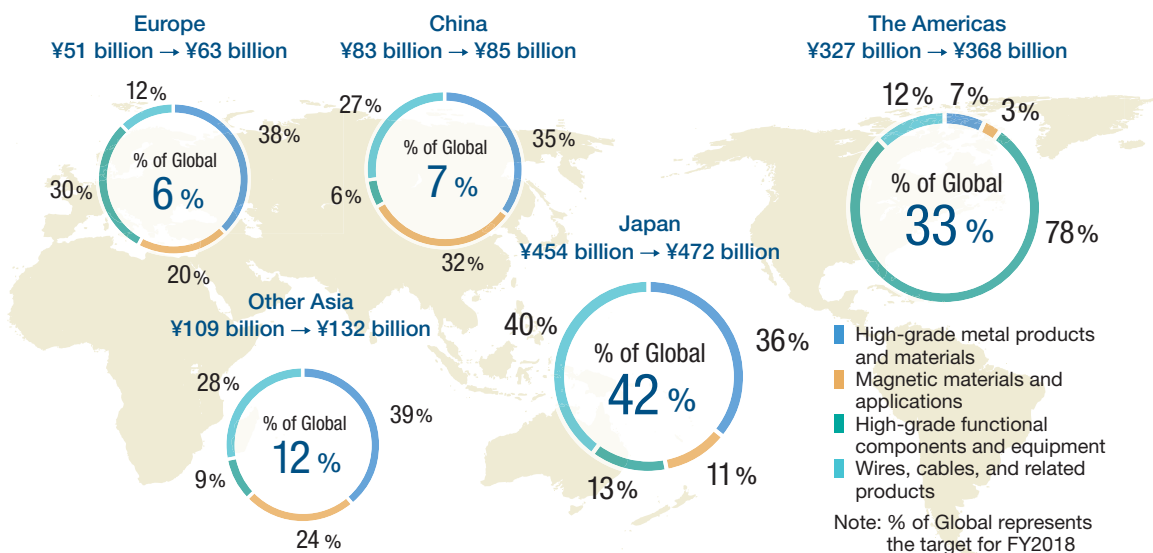
New Organizational Structure

Strengthen cross-organizational functions to achieve business management having a directional focus that surpasses vertical organizational confines



Strengthen the business base to achieve sustainable growth

Global Sales Composition by Region (FY2015 ⇒ FY2018)



Manage operations via global regional headquarters

Formulate and execute regional strategies

Localize operations with regional management committees

National staff recruitment

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.

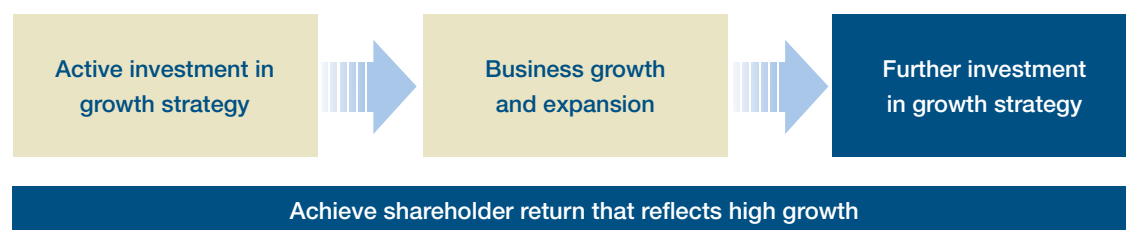
Despite making such proactive investments, we expect a debt-to-equity ratio of around 0.38 times in fiscal 2018, down from 0.44 times in fiscal 2015. Accordingly, we believe we have ample room to procure further funds to undertake large-scale M&As.

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.**

Innovations in *Monozukuri* and R&D
(Message from the CTO)



Akitoshi Hiraki
Representative Executive Officer,
Vice President and Executive Officer

**Promoting innovations in *monozukuri* and R&D aimed
at expanding organic growth**

Targeting expansion of organic growth

Innovations in *monozukuri* and R&D

The main theme of our Fiscal 2018 Medium-Term Management Plan is to expand the business globally while improving profitability. On the business expansion side, we are targeting revenues of ¥1,120 billion in fiscal 2018, and on the profitability improvement side, we are targeting an adjusted operating margin of 10.7%. These are very aggressive goals, and the key to reaching them is to expand organic growth. To achieve such expansion, we must solidify our base as a manufacturer and strengthen our ability to deliver sustainable growth.

Recognizing the challenges involved here, we will pursue dramatic innovations in *monozukuri* and R&D under the Medium-Term Management Plan. I regard innovations in *monozukuri* and R&D as an issue that should be addressed in a cross-organizational manner from a medium- to long-term perspective. As CTO, I will lead the project, and I hope to deliver swift results.

To become the world's leading high-performance materials company, we will steadily implement innovations in *monozukuri* and R&D.

Innovations spearheaded by our corporate department

During the period of the previous Medium-Term Management Plan, we expanded the scope of our operations through M&As, but some existing businesses started to languish. We believe one cause was a recent slight weakening of our *monozukuri* and technological development capabilities, which represent a key strength of the Group. For some time, we have managed our operations under the company system, and the company function (a vertically aligned function) became too strong. As such, problems related to *monozukuri* and R&D occurred.

On the *monozukuri* side, for example, human resources are stationary, which limits their horizons and causes technological innovation to languish. The impact of this extends to the pass rate of product quality inspections and production volume, both of which are important for us as a manufacturer. In particular, creating our products involves the use of high-quality materials and wide-ranging processes, so improving product quality and production volume has major positive repercussions.

Also, on the R&D side, we noticed shortcomings with respect to selecting research themes and building related systems from a medium- to long-term perspective. To dramatically solve such problems, we shifted from a traditional system spearheaded by our business companies to one in which the Technology, Research and Development Division, a corporate system, spearheads innovations in a cross-organizational manner.

Efforts aimed at ensuring world-class *monozukuri* skills and R&D capabilities also help energize employees. Moreover, cash generated from improvements in *monozukuri* efficiency and productivity can be invested in R&D and growth segments, the results of which can be used to further reinforce *monozukuri*. Creating this virtuous cycle to expand organic growth is a major objective of these initiatives.

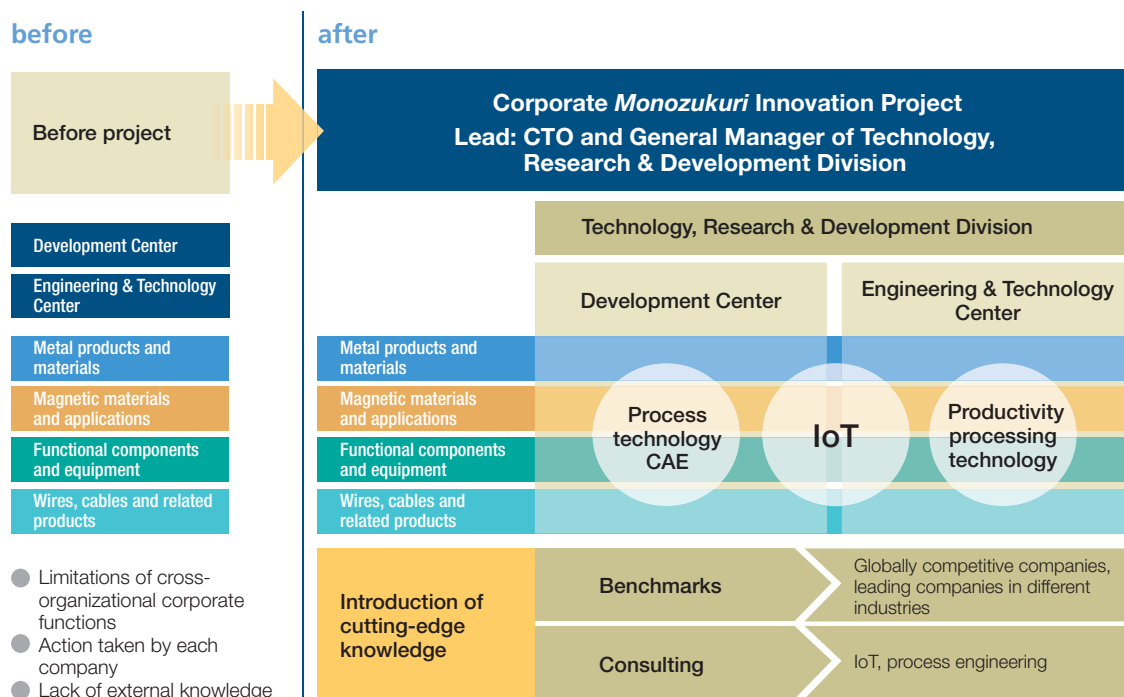
Corporate *Monozukuri* Innovation Project

Introducing innovative technologies; sharing issues and results

In October 2015, we began preparing for our Corporate *Monozukuri* Innovation Project, which began in earnest in April 2016. Spearheaded by the Technology, Research and Development Division, we are engaging in GEMBA (workplace) and manufacturing technology innovations based on cross-organizational and medium- to long-term perspectives. In addition to identifying latent technologies possessed by each of our internal companies that can be applied at other companies, we will build *monozukuri* skills that are among the best in the world by actively introducing innovative technologies in five segments: process technology, CAE^{*1}, IoT^{*2}, productivity, and processing technology.

^{*1} CAE (computer-aided engineering): Using computer-based simulations to verify whether or not a designed structure would meet performance requirements, even before it is built.

^{*2} IoT (Internet of Things): Connecting various “things” (not just IT devices) to the Internet to establish mutual communication and thus enable automatic recognition, automatic control, remote measurement, and other tasks to be performed.

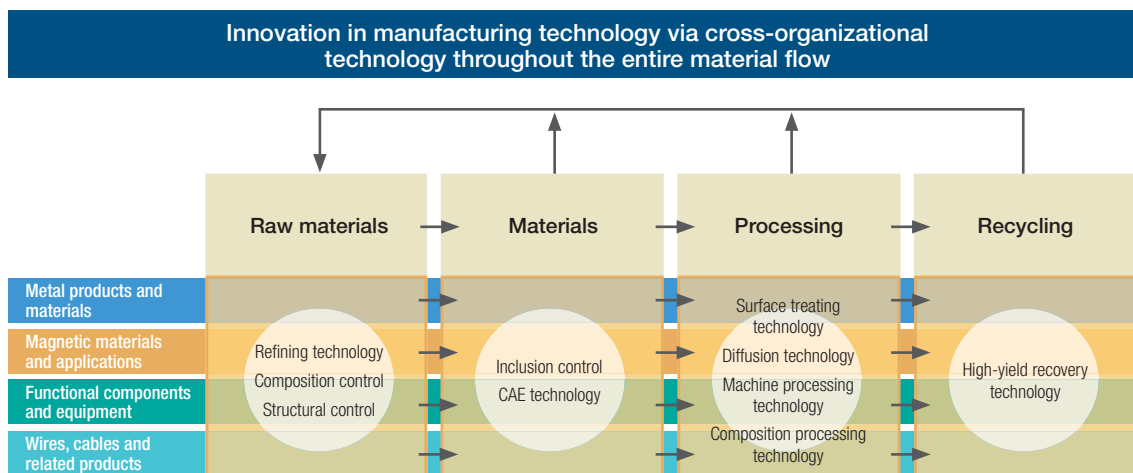


Specifically, we will promote the sharing of technologies, issues, and results between companies at the various material flow stages common to all of our business companies: raw materials, materials, processing, and recycling.

For example, casting components have become more and more complex in shape in recent years, so creating new models requires significant cost and time. By actively introducing CAE tools, however, we can make drastic improvements. Through analyses and simulations of casting requirements, we can shorten prototype production times and swiftly get new products up and running. We will share the results of these endeavors between business companies and convey them to our factories.

Moreover, with increasing numbers of high-performance products and specialty products, in-house machine processing of components becomes an important priority. We already make products requiring highly precise technologies in-house, including aircraft components and HERCUNITE™ components. Now, we will reassess machine processing for other products and rebuild our production systems and processes to further promote in-house manufacturing.

Aiming to expand organic growth,
we will make fundamental *monozukuri* innovations
and strengthen R&D with a sense of speed.



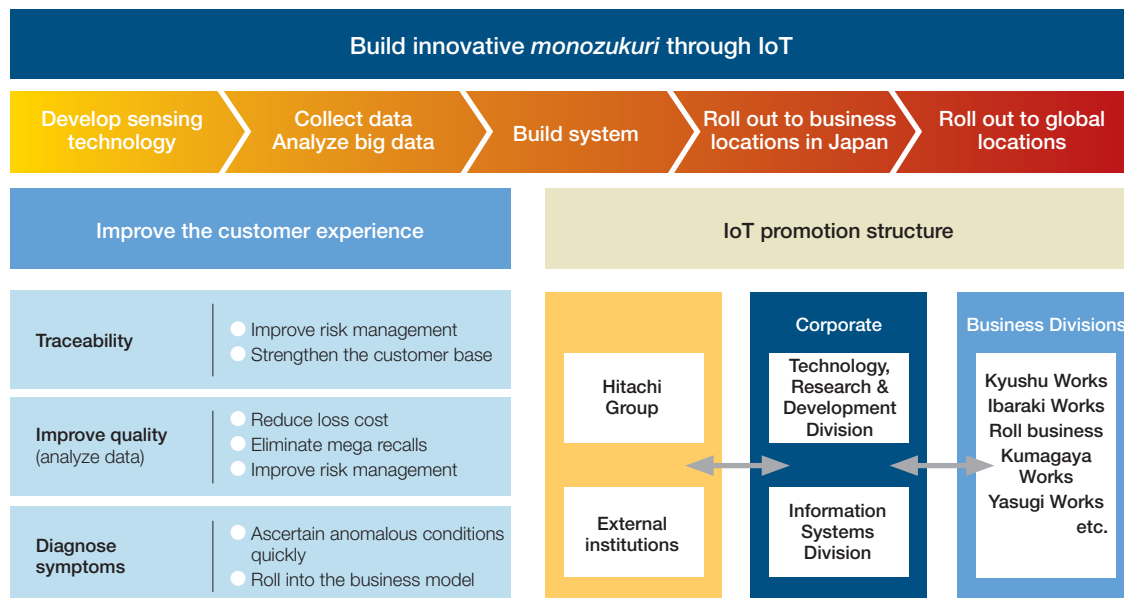
Stepping up recycling is also a pressing issue. For the Hitachi Metals Group, which handles large amounts of expensive raw materials, including rare metals and rare earth materials, recycling is an important way to reduce costs. We also have numerous engineers who are well versed in such processes as smelting and refining, so we are able to establish in-house technologies to recover high-quality materials efficiently. In October 2015, we launched a research project to promote in-house recycling at all four business companies. Through this project, we will reduce material costs while simultaneously addressing the risk of fluctuating supply volumes.

In addition to introducing innovative technologies, we will share the issues and results of technologies common to the four business companies, as we plan to dramatically solve issues related to *monozukuri*.

Seeking to establish innovative *monozukuri* with IoT technologies

In its manufacturing processes, the Hitachi Metals Group has traditionally tended to rely on the experience of its technicians to accumulate know-how. Accordingly, we were falling behind in some areas, such as data collection and automation. To solve these issues, in fiscal 2016, the Technology, Research and Development Division and the Information Systems Division launched an effort to promote interaction between the Group's business divisions and introduce knowledge and human resources from external entities, including the Hitachi Group. We also established an IoT promotion structure to promote the use of IoT in *monozukuri*.

IoT technologies are particularly valuable in the aircraft and energy segments, where risk management through traceability and investigation of malfunctions are required. We will introduce IoT technologies at all stages, including predictive diagnosis of product defects and management of component replacement periods. By visualizing a variety of scenarios in this manner, we will achieve innovative *monozukuri*.



Innovations in R&D

Aiming to become a true development-driven corporation

In addition to innovations in *monozukuri*, we are pursuing major innovations in our R&D. For high value-added products handled by the Group, there is always a threat that innovations in materials and technologies may lead to those products suddenly becoming superseded by next-generation offerings. To achieve sustainable growth, corporations that handle high-grade, highly functional materials must constantly envisage the future, accumulate technologies, and become development-driven corporations that spark their own innovations. For this reason, we launched new business creation tasks to envisage the next ten to twenty years and expedite R&D from a cross-organizational business perspective.

Through our new business creation tasks, we are currently looking for opportunities arising from various “threats” in each business segment.

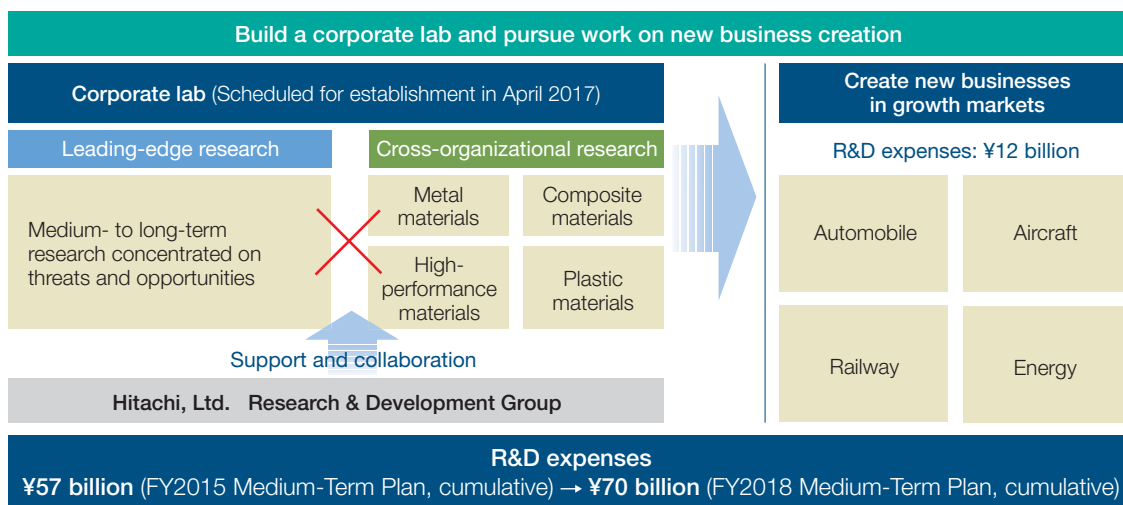
In the near future, for example, we need to monitor the emergence of additive manufacturing (3D printing) in the domain of molded materials. In the future, composite materials will also be deployed in ultra heat-resistant steel used in the aircraft and energy segments. We predict that rare earth magnets will be replaced by new magnets and, due to the need for weight reduction, iron castings will be replaced by composite materials and multiple materials. Even wires, cables and related products will undergo technological innovations, such as aluminum conductors and compound conductors.

With these medium-to long-term threats and opportunities on the horizon, our new business creation tasks have identified 15 product-development themes to be handled on a cross-organizational basis from now until 2025. Depending on the theme, we will bring together human resources, including from the Hitachi Group, to interact with the R&D divisions of each business company and with external institutions to establish an R&D system befitting a true development-driven corporation.

In April 2017, we will establish our Corporate Research Lab to further bolster R&D innovations.

Under the Fiscal 2018 Medium-Term Management Plan, we will raise R&D expenses to ¥70 billion, from ¥57 billion under the previous plan. Of the ¥13 billion increase, we will allocate ¥12 billion to new business creation tasks.

Achieve reform from the medium- to long-term and cross-organizational business perspectives



New, strong, world-leading *monozukuri*

Mission: Innovations in materials technologies and manufacturing process technologies

The Hitachi Metals Group has extensive know-how in developing original technologies and high value-added products, and by forging innovations in manufacturing technologies, it is laying the groundwork for the future. We are in a good position to drive innovations in materials technologies and manufacturing process technologies.

To become the world's leading high-performance materials company, our *monozukuri* itself must be at a world-leading standard. By pursuing innovations in *monozukuri* and R&D, we will reinforce the Hitachi Metals Group's operational foundation from its core.

Business Strategies High-Grade Metals Company



**Execute action plan
with the key term “speed up”**

Takehisa Seo

Executive Officer

President of High-Grade Metals Company

FY2015 Results

Revenues	¥256.7 billion	Adjusted operating margin	10.5%
Adjusted operating income	¥27.0 billion	Overseas sales ratio	44%

■ Achievements of the Fiscal 2015 Medium-Term Management Plan

Started remodeling our business portfolio to reduce our dependence on electronic materials and components

Expanded the aircraft and energy segment business domains

- Acquired MMC Superalloy Corporation shares (boosting holdings from zero to 51%) and consolidated the company. (Consolidated in July 2014)
- Hitachi Metals MMC Superalloy, Ltd. made a major investment in an 840-ton large ring mill. (Began operation in November 2015)

Made large-scale investments in upstream operations (all of specialty steel)

- Invested in a 24-ton vacuum induction melting (VIM) and casting furnace, the largest in the world. (Began operation in March 2015)
- Invested in a 10,000-ton class free forging press, high speed radial forging machine. (Scheduled for completion and launch of operation in FY2017)

Established a structure for expanding global sales (tool steel)

- Reconfigured the brand due to expand global sales. (October 2015)
- Began mass production of SLD-i™, a new type of cold-rolled die steel produced with a new melting equipment. (April 2016)
- Expanded distribution network in North America with the acquisition of Diehl Tool Steel. (November 2015)

Reinforced the business base for cemented carbide tools

- Transferred shares held in Hitachi Tool Engineering, Ltd. (100% → 49%). (April 2015)

Note: In fiscal 2016, we shifted the Soft Magnetic Components and Materials business, previously part of the Magnetic Materials and Applications segment, to the High-Grade Metal Products and Materials segment. Also, R&D expenses will be shifted from head office to the High-Grade Metals Company. Therefore, figures on this page for fiscal 2015 have been retrospectively revised to reflect this change.

The three-year period covered by our new Medium-Term Management Plan, ending in fiscal 2018, will reveal the true value of efforts to date with respect to major investments, M&As, and the like. In fiscal 2016, we will significantly increase the pace at which we execute our action plan, with “speed up” as the key term. First of all, we will more swiftly reap the rewards of our efforts—in such areas as major investments and the reinforcement of overseas sales locations. Regarding sales, we will shift to an aggressive approach to capture new global demand and maximize total marginal income. As for strengthening *monozukuri*, we will increase productivity and product competitiveness.

By embracing the challenges of the Fiscal 2018 Medium-Term Management Plan, as well as the Group’s 2025 vision beyond that, the High-Grade Metals Company will aim to use its strength in *monozukuri*, a source of pride in Japan, to make innovations on the world stage.

■ FY2018 Medium-Term Management Plan

Achieve growth globally by focusing on high-grade products

Basic policy

- Reap the benefits of major investment and strengthening overseas sales locations
- Grow through M&A (achieve consolidated synergies)

FY2018 Medium-Term Management Plan: Goals

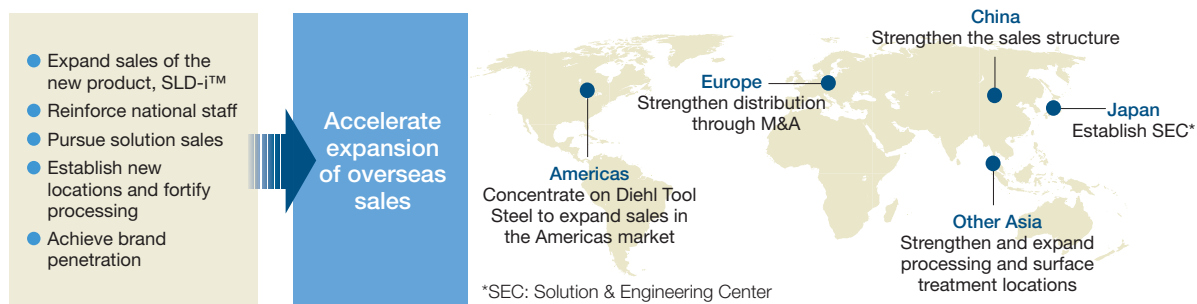
	FY2018 Goals (Projected exchange rate: 1USD=¥115)	Change vs. FY2015
Revenues	¥310.0 billion	+21%
Adjusted operating income	¥41.0 billion	+ ¥14.0 billion
Adjusted operating margin	13.2%	+2.7 ppt
Overseas sales ratio	47%	+3 ppt

Tool Steel: Work to Expand Global Sales

In the tool steel business, we will promote global sales expansion. The key point here is to bolster sales of SLD-i™, a new type of cold-rolled die steel that we started mass producing in April 2016. SLD-i™ is a revolutionary material used in cold-rolled molds. It has the same composition as standard steel but, thanks to our original manufacturing method, it is more resistant to dimensional changes from heat treatment and the passing of time, and also features improved abrasion resistance.

In region-specific strategies, we will establish a distribution location in the Americas through an M&A while strengthening and expanding our processing and surface treatment locations in Asia. By reinforcing and upgrading our overseas production and sales locations, we will raise the added value of Yasugi Specialty Steel and strengthen its appeal as an international brand.

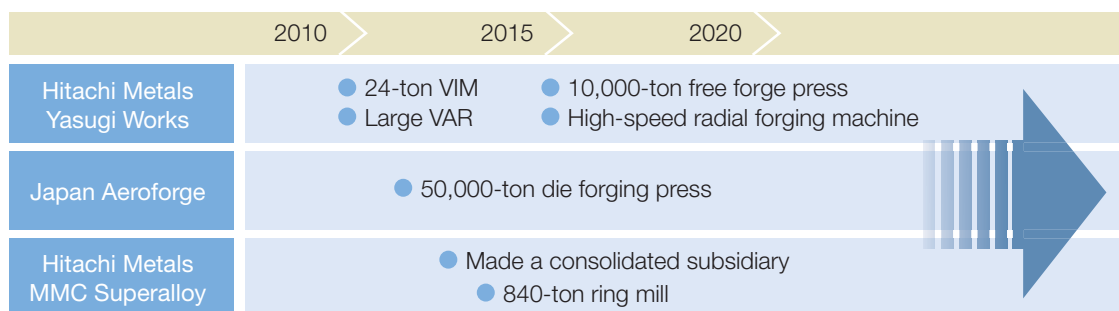
We will also promote a solutions business. In recent years, the High-Grade Metals Company has deployed its surface modification technologies and CAE analysis technologies to engage in joint development with domestic manufacturers and European auto manufacturers. Going forward, we will expedite this process to attract new orders.



Aircraft and Energy: Expand Businesses Through Synergies Among the Three Companies

In the aircraft and energy businesses, we have embraced the challenge of becoming one of the top four aircraft materials manufacturers in the world. At our Yasugi Works, in addition to a 24-ton vacuum induction melting and casting (VIM) furnace already in commission, we have made major investments, including in a 10,000-ton free forging press and a high-speed radial forging machine. At Hitachi Metals MMC Superalloy, Ltd., we have started operating a large 840-ton ring mill for manufacturing ring-shaped components. In addition to these successful investments, we have formed an alliance with Japan Aeroforge, Ltd, which has a 50,000-ton forging press—the world’s largest. Under the alliance, we are setting up a supply system that can handle large components. In fiscal 2015, we acquired certification from customers for our engine shaft materials and made good progress in acquiring certifications that are essential in the aircraft and energy businesses, and we will expedite this effort in the future. Going forward, we will create synergies among the three companies while making continuous capital investments and introducing CAE and other analysis technologies to accelerate the development of R&D and manufacturing technology.

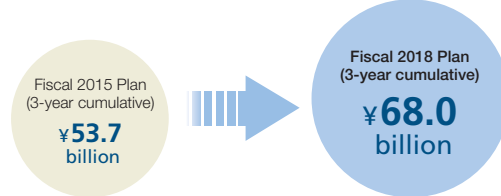
Our revenue targets for the aircraft and energy businesses are ¥37 billion in fiscal 2018 and over ¥60 billion in fiscal 2025, almost double the fiscal 2018 target.



Investment Plans

We will make priority investments in pre-processing, a key source of our competitiveness. Following the installation of our new casting equipment in 2016, we started mass production of SLD-i™, a new type of cold-rolled die steel, in April of the same year. With respect to the newly established 10,000-ton free forging press and increasing the size of the high-speed radial forging machine, we will invest with the aim of starting operations in 2017. To strengthen our overseas sales network, moreover, we will pursue M&As while expanding and reinforcing our processing locations in the Americas and Asia.

Capital Investment



Global Strategy

To promote its global strategy, the High-Grade Metals Company has rebuilt the Yasugi Specialty Steel brand of its specialty steel business and incorporated its desired mission and willpower into a Brand Statement. We will enhance the value of the brand by providing solutions to customers, and communicating the values and innovativeness of the brand as well as the value and potential that it offers to customers worldwide so that they will choose us as their “first partner.”

Brand Statement

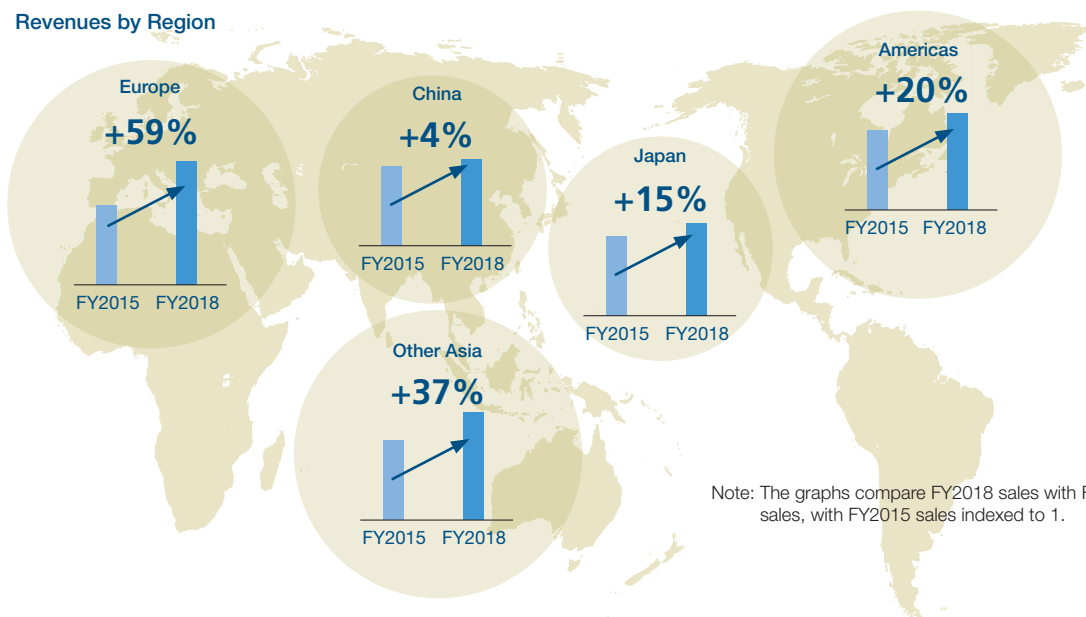
YASUGI SPECIALTY STEEL
OUR HERITAGE, YOUR ADVANTAGE

By OUR HERITAGE, we mean the unique manufacturing wisdom and technology that Yasugi Specialty Steel has inherited over many generations, and that is the basis on which we will develop into the future.

By YOUR ADVANTAGE, we mean our determination to use our technologies, products, and solutions to bring value, innovation, and growth to our customers all over the world.

Under the Fiscal 2018 Medium-Term Management Plan, we will work to increase sales of Yasugi Specialty Steel in Asia while reinforcing our systems for bolstering sales in Europe and the Americas to deliver renewed global growth. We plan to increase the overseas sales ratio from 44% in fiscal 2015 to 47% in fiscal 2018.

Revenues by Region



Note: The graphs compare FY2018 sales with FY2015 sales, with FY2015 sales indexed to 1.

Magnetic Materials Company



Become a leading magnet company that helps develop an ecologically minded society through innovations in *monozukuri*

Ryoji Akada
Executive Officer,
President of Magnetic Materials Company

FY2015 Results

Revenues	¥105.3 billion	Adjusted operating margin	6.6%
Adjusted operating income	¥6.9 billion	Overseas sales ratio	59%

■ Achievements of the Fiscal 2015 Medium-Term Management Plan

Established structure to globally expand sales of rare earth magnets

Established a production location in China

● Concluded a joint venture agreement with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. (June 2015)

Increased production capacity at locations in Japan

● Increased production capacity for rare earth magnets used in HEV (by over 10%). (2H of FY2014)

Reinforced the business base for ferrite magnets

● Developed ferrite magnets with the most distinctive qualities in the world (NMF™-15 series). (July 2014)
● Expanded production capacity at the plant in South Korea (by over 20%). (2H of FY2014)

Note: In fiscal 2016, we shifted the Soft Magnetic Components and Materials business, previously part of the Magnetic Materials and Applications segment, to the High-Grade Metal Products and Materials segment. Also, R&D expenses will be shifted from head office to the High-Grade Metals Company. Therefore, figures on this page for fiscal 2015 have been retrospectively revised to reflect this change.

We supply high-performance rare earth magnets and ferrite magnets used in the motors of equipment that require compactness and energy efficiency—such as industrial robots and electrical appliances—mainly to the automotive segment.

We expect that hybrid electric vehicles (HEVs) and electric vehicles (EVs) will become increasingly popular due to heightened environmental awareness engendered by regulations on CO₂ emissions and fuel efficiency in various countries and regions, with demand for high-performance magnets to increase sharply as a result.

To effectively address such demand, we will strengthen global production locations and build innovative production lines under the Fiscal 2018 Medium-Term Management Plan.

■ FY2018 Medium-Term Management Plan

Innovate *monozukuri* to pave the way for growth

Basic policy


- Strengthen global production sites
- Build innovative production lines

FY2018 Medium-Term Management Plan: Goals

	FY2018 Goals (Projected exchange rate: 1USD=¥115)	Change vs. FY2015
Revenues	¥ 132.0 billion	+25%
Adjusted operating income	¥ 17.0 billion	+ ¥10.1 billion
Adjusted operating margin	12.9%	+6.3 ppt
Overseas sales ratio	67%	+8 ppt

Strengthen Global Production Sites

In our rare earth magnet business, we established a joint venture with Zhong Ke San Huan, China's largest magnet manufacturer, in Jiangsu Province to build an integrated structure handling raw material procurement, production and sales. In entering China, our aim is to ensure stable procurement of rare earth-related materials and broaden our business scale in the global market. In fiscal 2018, we are targeting revenue of ¥10 billion for the joint venture.



Establish a joint venture in China
Build an integrated structure from procurement of raw materials to production and sales

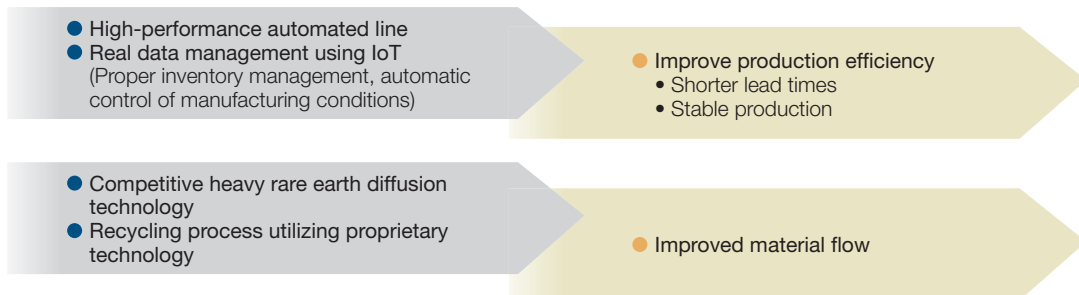
Company name: Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.
 Location: Nantong, Jiangsu Province, China
 Capital: RMB 450 million
 (Hitachi Metals: 51%; Zhong Ke San Huan: 49%)
 Production capacity: 1,000 tons/year (FY2017) ⇒ 2,000 tons/year
 Sales goal: ¥10 billion (FY2018)

Establish a new joint venture and start manufacturing quickly in China

Build Innovative Production Lines

In the automotive market, we expect demand for high-performance rare earth magnets to increase further amid tightening environmental regulations and calls for improved fuel efficiency. To ensure a reliable supply of high-quality magnet products under these conditions, we will automate our manufacturing and quality inspection lines and build innovative production lines incorporating IoT.

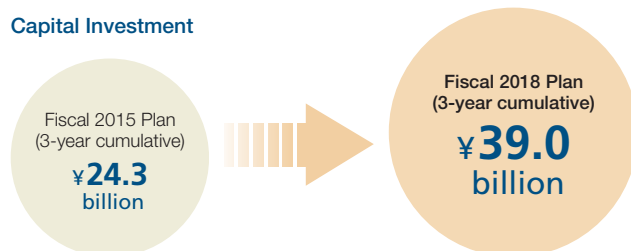
In the rare earth magnet business, we will work to optimize the overall material flow by introducing innovative production lines—including highly competitive heavy rare earth diffusion technology—as well as recycling processes using proprietary technologies.



In the ferrite magnet business, we will introduce innovative production lines to enhance production efficiency in Japan. At the same time, we will roll out these technologies at our overseas production locations and address customers' needs with respect to high product quality, shape specifications, and the like.

Investment Plans

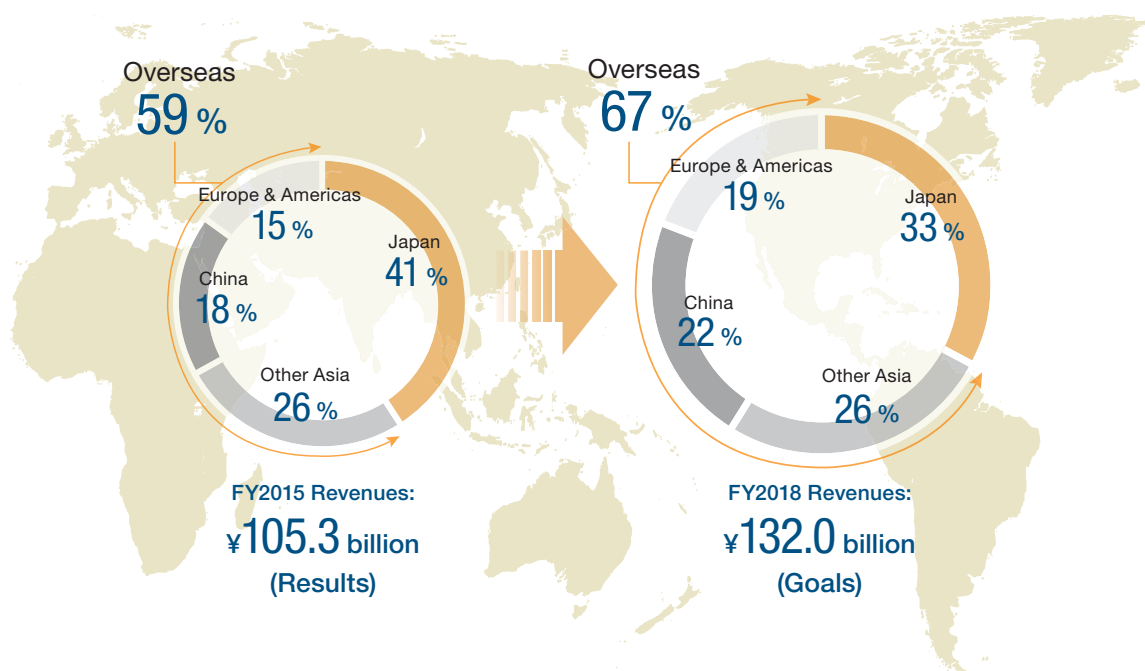
Under the Fiscal 2018 Medium-Term Management Plan, we plan to invest a total of ¥39 billion over the next three years to get the joint venture on stream, build innovative production lines, and advance our business globally.



Global Strategy

Regarding our regional strategies, although domestic demand will remain mostly unchanged, we look forward to growing demand in China, Europe, and the Americas. We will increase the overseas sales ratio to 67% by fiscal 2018 and realize growth.

Revenues by Region



High-Grade Functional Components Company



Deploy our strengths to create new levels of value and deliver sustainable global growth

Masato Hasegawa

Executive Officer,
President of High-Grade Functional Components Company

FY2015 Results

Revenues	¥365.1 billion	Adjusted operating margin	7.2%
Adjusted operating income	¥26.1 billion	Overseas sales ratio	80%

■ Achievements of the Fiscal 2015 Medium-Term Management Plan

Strengthened global competitiveness and restructured portfolio of the automotive casting components business

Improved competitiveness of the automotive casting component business on a global basis

- Acquired Waupaca Foundry, Inc. shares (boosting holdings from zero to 100%) and consolidated the company (November 2014)
- Merged Waupaca Foundry, Inc. and Hitachi Metals Automotive Components. (April 2016)
- Increased production capacity of heat-resistant cast steel for turbo (by over 60%). (Scheduled to begin operation in the 2H of FY2016)

Restructured business portfolio

- Sold all of our shares in Hitachi Metals Techno, Ltd. (March 2015)

Note: In fiscal 2016, R&D expenses will be shifted from head office to the High-Grade Functional Components Company. Figures on this page for fiscal 2015 have been adjusted to reflect the aforementioned change.

The High-Grade Functional Components Company uses its various strengths—including abundant materials technologies and overwhelming production volume—to create new levels of value and deliver sustainable global growth.

In fiscal 2014, U.S.-based Waupaca Foundry, Inc. became a member of the Hitachi Metals Group, which consequently became one of the world's largest manufacturers of casting components in terms of production capacity. However, our strengths are not limited to the scale of our business. We also provide value for customers in other ways, including materials capabilities to address the need for high heat resistance and mechanical strength, our design capabilities and production technologies for advances in thinness and weight reduction, and our relentless pursuit of improved production efficiency.

Under the Fiscal 2018 Medium-Term Management Plan, our basic policy is to strengthen our *monozukuri* foundation for achieving global growth. Guided by this policy, we will use technological innovation to strengthen product competitiveness while addressing growing demand and tapping new markets to create new levels of value.

■ FY2018 Medium-Term Management Plan

We aim for global growth by strengthening the foundation of *monozukuri* and creating new value.

Basic policy

- **Cast iron business:** Tap new markets and strengthen product competitiveness through technological innovation
- **HERCUNITE™ business:** Strengthen business targeting growing turbo engine market
- **Piping components business:** Expedite globalization and promote cost restructuring

FY2018 Medium-Term Management Plan: Goals

	FY2018 Goals (Projected exchange rate: 1USD=¥115)	Change vs. FY2015
Revenues	¥375.0 billion	+3%
Adjusted operating income	¥37.5 billion	+ ¥11.4 billion
Adjusted operating margin	10.0%	+2.8 ppt
Overseas sales ratio	84%	+4 ppt

Cast Iron Business

With the inclusion of Waupaca Foundry, Inc. in the Group, our business domains expanded from high-grade ductile cast iron to gray iron. We are already reaping the benefits of synergies across both companies. For example, we have started cross-selling via the sales networks of the two brands, and we have built a joint purchasing system. Going forward, we will target further synergistic benefits.

Under the Fiscal 2018 Medium-Term Management Plan, in the Americas, we will address the needs of auto manufacturers entering Latin America while expanding sales to makers of commercial trucks, construction equipment, and agricultural machinery. In Asia, we will exploit growing demand in the Indian and Southeast Asian markets. We will also develop innovative *monozukuri* and other technologies to strengthen product competitiveness.

As a leading company in the cast iron business, we will create new levels of value and thus contribute to social advancement.

Americas	Response to the movement of the auto manufacturers into the Central and South American markets <ul style="list-style-type: none"> ● Step up sales activities directed at auto manufacturers moving into the Central & South American markets ● Explore new supply structures for Central & South America
	Expand sales for commercial trucks, construction equipment, and agricultural machinery <ul style="list-style-type: none"> ● Expand production capacity for large components (for commercial trucks, construction equipment, and agricultural machinery) by introducing a horizontal casting line (30% increase in FY2018 revenues compared to FY2015)
	Add even higher value to products <ul style="list-style-type: none"> ● Improve quality and manufacturing efficiency by dedicating a plant exclusively to ductile cast iron and gray iron
Asia	Expand sales in growth markets (India and Southeast Asia) <ul style="list-style-type: none"> ● Utilize locations in Japan, South Korea, and India
	Develop leads into new markets <ul style="list-style-type: none"> ● Mine the agricultural and industrial machinery markets
Europe	Develop leads into the European market <ul style="list-style-type: none"> ● Engage in sales activities that utilize Japanese and U.S. planning and presentation skills and European locations ● Explore new supply structures for Europe

HERCUNITE™ Business

In the heat-resistant cast steel business, we will respond to the predicted growth of the turbo engine market by strengthening and expanding our HERCUNITE™ business. Specifically, we will increase the number of production lines of our core Kyushu Works by more than 60%. The expanded production lines will come on stream in the latter half of fiscal 2016 and be fully operational in fiscal 2017.

In recent years, turbo engines have become more complex in form, as reflected in the emergence of twin scroll systems, for example. Responding swiftly to such changes, we have developed our own technologies that other companies cannot imitate. In addition to these strengths, we have reduced raw material costs and introduced IoT technologies to deliver higher levels of product quality and performance. We will further reinforce our position as a top supplier, targeting a 30% share of the world market by fiscal 2025.

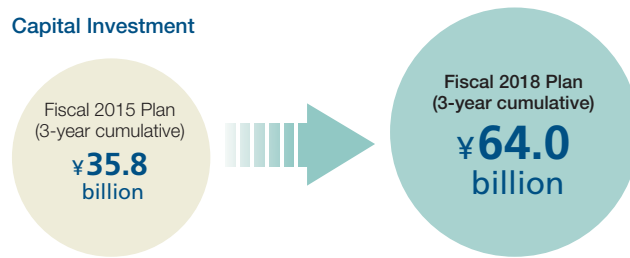
Kyushu Works: Increase production capacity by more than 60%

Increase production capacity	<ul style="list-style-type: none"> ● Increase capacity of the casting line and processing line
Optimize production technology (Achieve differentiation through technology that is difficult to duplicate)	<ul style="list-style-type: none"> ● Streamline casting by automating pouring of casting steel ● Achieve a high degree of efficiency in cutting hard-to-cut materials

Investment Plans

In the cast iron business, we will strengthen and expand production lines for large casting components, establish dedicated factories for ductile cast iron and gray iron, and introduce high-efficiency casting equipment. In the heat-resistant cast steel business, we will significantly increase the production capacity of our Kyushu Works. We will also make investments to streamline and enhance the productivity of our aluminum wheel and piping components businesses. We plan to invest ¥64.0 billion in these areas over the next three years.

Capital Investment

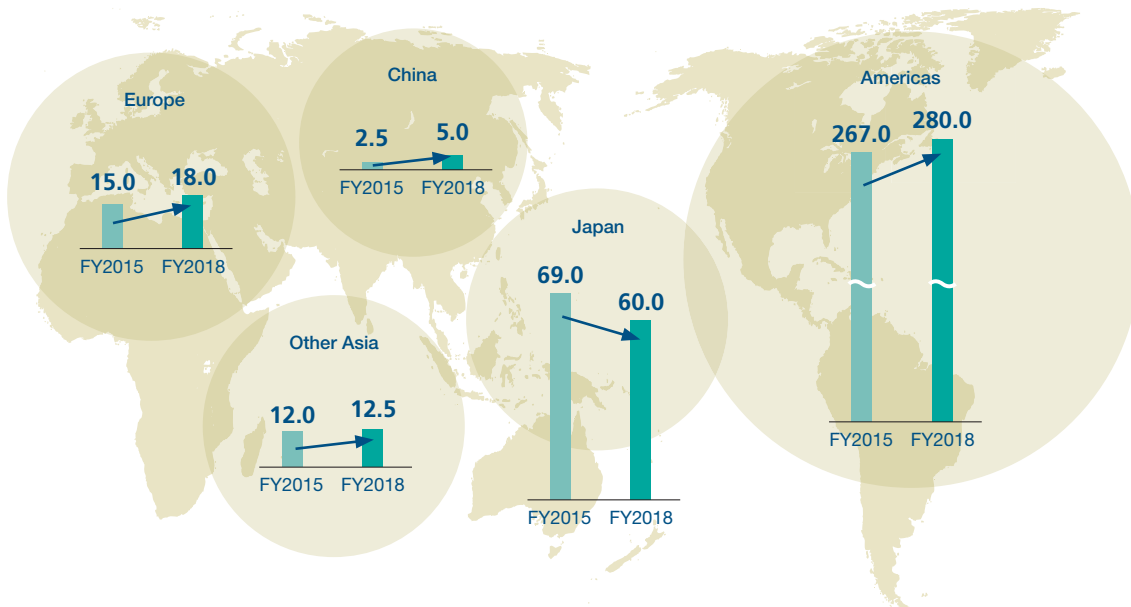


Global Strategy

Expecting the Japanese automobile market to contract, we will focus on growth at the global level. Leveraging growth in the Americas, where the scale of our business is overwhelming, we will target business expansion in Europe, China, and Asia.

Revenues by Region

(Billions of yen)



Cable Materials Company



Expand businesses in growth segments and strengthen the competitiveness of existing businesses

Kazuya Murakami

Executive Officer,
President of Cable Materials Company

FY2015 Results

Revenues	¥288.2 billion	Adjusted operating margin	5.2%
Adjusted operating income	¥15.0 billion	Overseas sales ratio	32%

■ Achievements of the Fiscal 2015 Medium-Term Management Plan

Restructured portfolio of the cable business

Achieved structural reform

- Sold shares in J-Power Systems Corporation (high-voltage cables), cutting holdings from 50% to zero. (April 2014)
- Reduced equity stake in Sumiden Hitachi Cable Ltd. (low-voltage cables) from 50% to 34%. (November 2014)
- Sold the compound semiconductor business. (April 2015)
- Decreased stake in Shanghai Hitachi Metals Cable Materials Co., Ltd. (wire coils) from 100% to 10%. (November 2015)

Reinforced the business base

- Decided to invest in continuous casting and rolling line equipment. (Scheduled to begin operation in April 2018)

Expanded business in growth segments

- Medical: Acquired the HTP-Meds Group, a manufacturer of medical tubing in North America. (February 2016)
- Electronic components: Configured global production structure for EPB harnesses and sensors. (October 2015)

Note: In fiscal 2016, R&D expenses will be shifted from head office to the High-Grade Functional Components Company. Figures on this page for fiscal 2015 have been adjusted to reflect the aforementioned change.

The Cable Materials Company is pursuing growth strategies according to its basic policy, “Reform to aim for high profitability: Let’s achieve true global growth!” In fiscal 2015, our overseas sales ratio was 32%, but we feel there is significant room for further overseas growth, and our target for fiscal 2018 is 38%. We have also set high profit growth targets for fiscal 2018, with an adjusted operating income target of ¥26.0 billion and an adjusted operating margin of 9%, which we will raise to 10% over time to strengthen our profit structure.

To achieve these targets, we will remodel our business portfolio. Specifically, we will focus on segments earmarked for future growth: rolling stock, medical devices, and automotive electronic components. In existing businesses, we will strengthen *monozukuri* through innovations in manufacturing processes as we continue our quest to reinforce the competitiveness of the entire Cable Materials Company.

■ FY2018 Medium-Term Management Plan

Reform to aim for high profitability: Let’s achieve true global growth!

Basic policy

- Implement a global growth strategy
- Strengthen the profit structure by restructuring the business portfolio
- Strengthen *monozukuri* through innovations in manufacturing processes

FY2018 Medium-Term Management Plan: Goals

	FY2018 Goals (Projected exchange rate: 1US=¥115)	Change vs. FY2015
Revenues	¥290.0 billion	+1%
Adjusted operating income	¥26.0 billion	+ ¥11.0 billion
Adjusted operating margin	9.0%	+3.8 ppt
Overseas sales ratio	38%	+6 ppt

Rolling Stock: Expand Business in the Chinese and European Markets

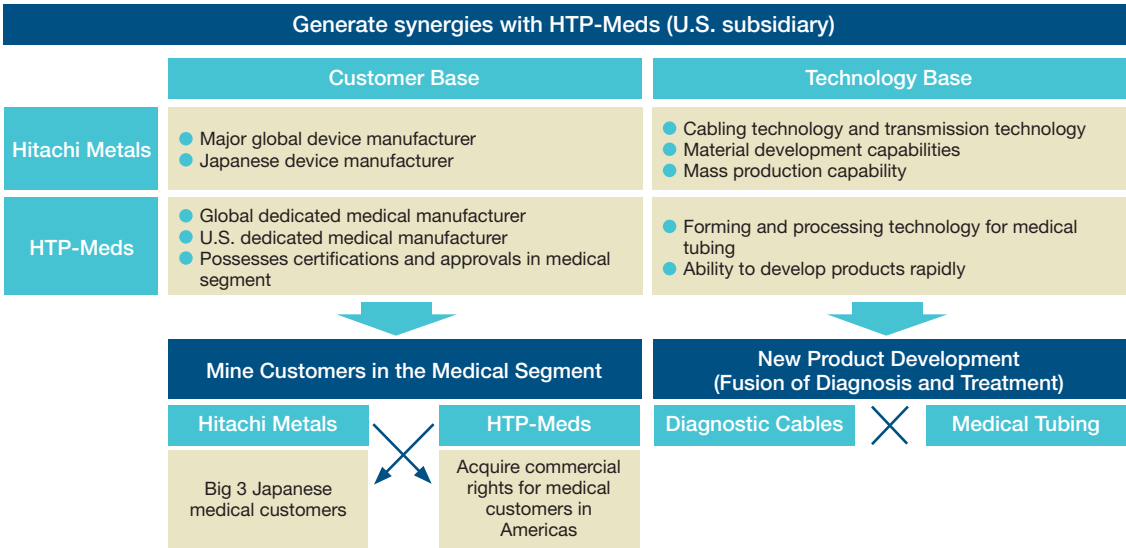
The Hitachi Metals Group has a long track record in rolling stock for Japan's *Shinkansen* (bullet train) lines, and we are leveraging this strength to enter China. The Chinese government has huge investment plans for high-speed railway lines. Over the five-year period from 2016 through 2020, it plans to invest a total of RMB 3.8 trillion, with high-speed railway lines to be extended from 20,000 (current length) to 30,000 kilometers. In response, the Cable Materials Company will strengthen its solutions business in China and increase the production capacity of its cable manufacturing location in Suzhou. We will also strengthen competitiveness by introducing new products that address the needs of customers demanding cables which use thin, lightweight products with long life spans, and aim to expand our market share in China.

In Europe, we newly established a rolling stock harness assembly location in the Czech Republic, and we are now positioned to swiftly address the needs of our European customers. From this location, we will start supplying products to the Hitachi Group's rolling stock factory in the United Kingdom, and also target European manufacturers of rolling stock.



Medical Devices: Enter Medical Treatment Segment and Expand Business Domains

To expedite growth in the medical devices segment, earmarked for major future expansion, we acquired the U.S.-based HTP-Meds Group, a manufacturer of catheters and other medical tubing, in February 2016. U.S. companies account for more than half of the world market for catheters, and establishing a foothold in the region is an important step toward tackling the global market. On both the sales and product fronts, we will target growth by fostering synergies with the HTP-Meds Group, which has a superior advantage thanks to its own forming and processing technologies and is also known for its ability to develop products rapidly. By adding our cable technologies and strength in materials, we will pursue various initiatives, including developing new medical devices based on a fusion of diagnosis and treatment.



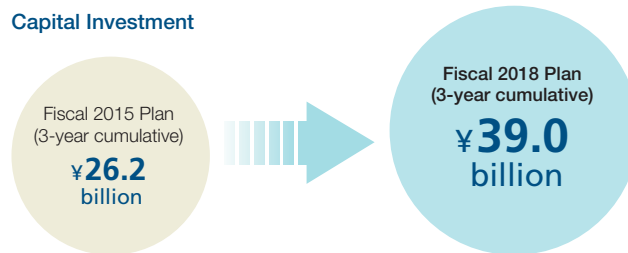
Strengthen Development of Automotive Electronic Components and Global Locations

In the automotive electronic components segment, we will strengthen our supply structure in growth markets and expand business domains by creating new products. Previously, our core manufacturing location for this segment was in Thailand, but in response to growing demand in the Americas, we began increasing the number of production lines at our location in Mexico in the latter half of fiscal 2015. We will use this as a springboard for business expansion in the Americas.

We are also developing new products, including harnesses for electric parking brakes with wheel speed sensors. In addition, we will continue developing technologies to meet demand for fuel efficiency and safety, and we will integrate these technologies to create future innovations.

Investment Plans

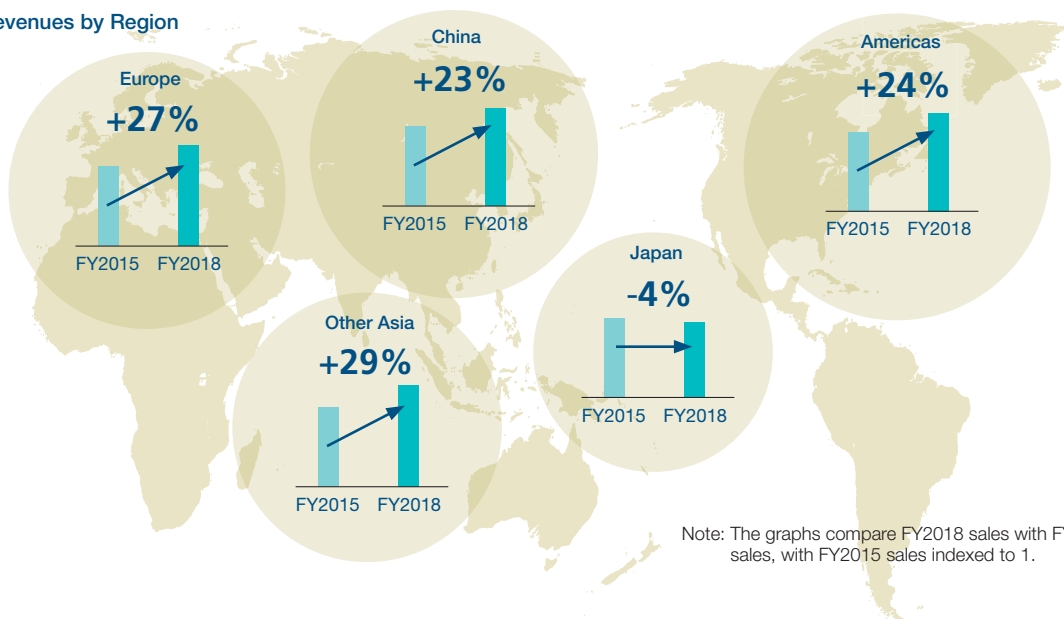
We will make planned investments to strengthen our profit structure by restructuring our business portfolio. With world growth segments in mind, we will invest in growth markets while considering M&As. In foundation businesses, as well, we will introduce innovative production lines and otherwise invest in process innovations. We plan to invest ¥39.0 billion in these areas over the next three years.



Global Strategy

Monitoring the world market, we will take up the challenge of capturing large global accounts from major companies. To drive future growth, we will focus on automobiles and medical devices in the Americas, rolling stock and medical devices in China, rolling stock in Europe, and the automotive electronics segment in Asia.

Revenues by Region



Hitachi Metals

Foundation Supporting
Value Creation

The Hitachi Metals Group aims to be recognized as a “trustworthy partner” for society by taking responsibility for the impact of corporate activities on society and meeting the various demands of stakeholders.

This section introduces our corporate governance structure, CSR activities, and environmental activities.

Corporate Governance	58
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CSR Initiative Results and Plans	70
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Corporate Governance

Governance Report

Toyoaki Nakamura

Chairman of the Board



Under the Company's Fiscal 2015 Medium-Term Management Plan (the period from fiscal 2013 to fiscal 2015), we remodeled our business portfolio aimed at sustainable growth through multiple M&As, major investments and business restructuring, and expanded the Company's scale and business domains in the global market. However, factors such as sluggish growth in the global economy and increasing geopolitical risks have fueled uncertainty in the Company's operating environment. To address these situations, under the leadership of our President and Chief Executive Officer, we have enhanced our risk management by increasing the flexibility of rules for convening and operating Executive Committee meetings and strengthening the governance functions of our global regional headquarters. The Board of Directors has also implemented measures that contribute to risk governance.

In December 2015, we formulated and released our "Corporate Governance Guidelines" associated with the "Corporate Governance Code," which went into effect in June 2015. As the

Guidelines stipulate, we disclose high-quality information to all of our stakeholders in a timely manner, and reflect the objective evaluations and perspectives that we receive through constructive dialogue in our corporate activities in our management to achieve sustainable growth and increase our corporate value.

In June 2016, the Board of Directors analyzed and evaluated its effectiveness as a board of directors in a company with nominating committee, etc., based on the evaluations and opinions of individual Directors concerning the composition of Directors, decision-making process, level of contribution, and operation and support systems. Accordingly, the Board of Directors is deemed to have open and vigorous discussions to ensure its effectiveness. The Company will operate the Board of Directors by making use of the broad knowledge and experience of three Independent Outside Directors (including one woman) to further improve its effectiveness by increasing contributions to strategies, risk management and compliance, and to promote the creation of long-term value.

Basic Views on Corporate Governance

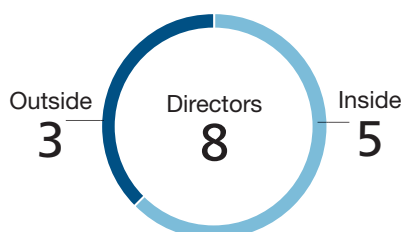
The underlying basis for corporate governance at the Company is to ensure transparent, sound and efficient management, meet the needs of our stakeholders, and increase corporate value. We believe this to be one of our most important management challenges. Accordingly, it is imperative that we create an organizational structure in which management oversight and business operations function effectively and in balance. We also believe that timely, high-quality information disclosure contributes to the improvement of corporate governance. In pursuit of this philosophy, we go beyond simple

financial disclosure, regularly publishing the details of individual business segments and medium-term management plans. We acknowledge that compliance is the linchpin of corporate governance. Consequently, our corporate activities go beyond mere compliance with laws and internal regulations: they are also based on laws and corporate ethics, and recognize our role as a member of society.

The Company established the Code of Conduct for actions that describe the above details as specific standards of conduct for company executives and employees.

Overview of the Governance Structure

Ratio of Inside Directors and Outside Directors



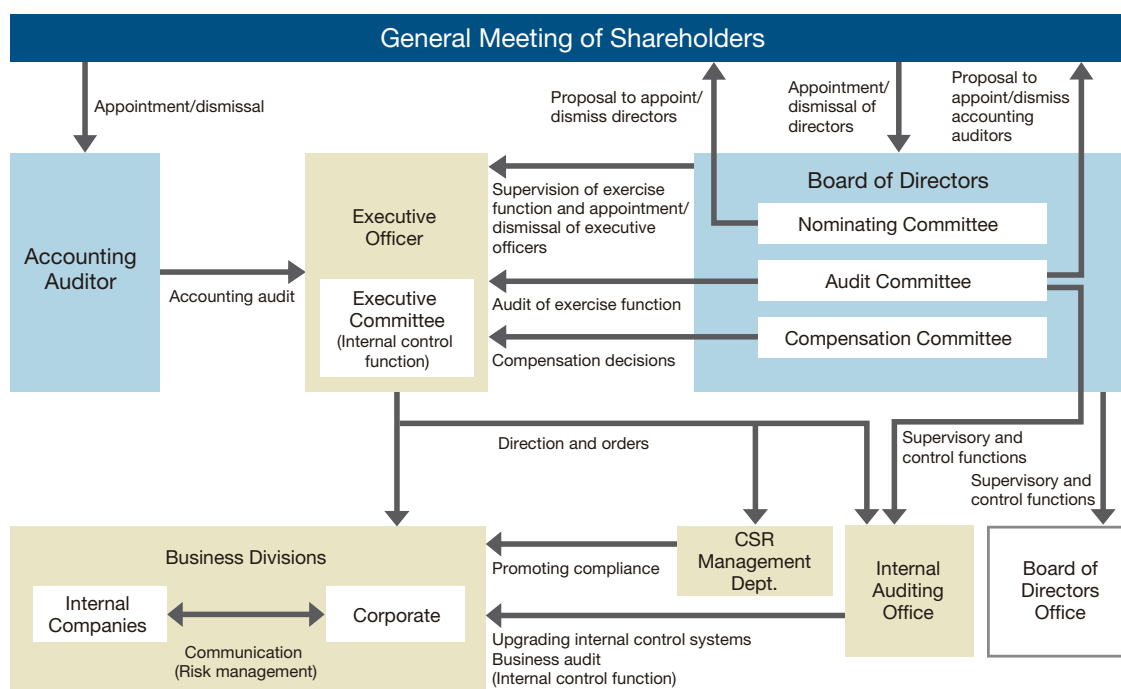
Organization System	
A Company with Nominating Committee, etc.	
Directors	
Number of Directors stipulated in the Articles of Incorporation	10
Term of office of Directors stipulated in the Articles of Incorporation	One year
Chairperson of the Board	Other Director
Number of Directors	Eight
Outside Directors	
Number of Outside Directors	Three
Number of Outside Directors designated as Independent Directors	Three
Committees	
Composition of Committees	The Nominating Committee, Compensation Committee, and Audit Committee
Number of Committee members	Four members on both the Nominating Committee and Compensation Committee, five members on the Audit Committee
Executive Officers	
Number of Executive Officers	12
Independent Directors	
Number of Independent Directors	Three

Measures aimed at the enhancement of corporate governance

- Transition to a “company with a committee, etc.,” as defined in the Commercial Code (June 2003)
- Increase in the number of Outside Directors serving as Independent Directors from two to three (June 2016)

Corporate Control System, etc., of the Company

Corporate Governance Structure



Membership composition of each committee and affiliations of chairpersons

Position	Name	Nominating Committee	Audit Committee	Compensation Committee
Chairman of the Board	Toyooki Nakamura			
Outside Director	Masaru Igarashi	○	○	○
Outside Director	Toshiko Oka	○	○	○
Outside Director	Takashi Shimada	○	○	○
Director	Junichi Kamata		○	
Director	Hideaki Takahashi	◎		◎
Director	Toshitake Hasunuma		◎	
Director	Akitoshi Hiraki			

Note: ◎ Chairperson ○ Committee member

The Company has adopted the system of a company with nominating committee, etc. Under this system, the Company elects eight Directors (one of whom is a woman) including three Outside Directors, and has established the Nominating Committee, Audit Committee, and Compensation Committee, in accordance with the provisions of the Companies Act. The Nominating Committee and Compensation Committee each comprise four members (three of whom are Outside Directors). The Audit Committee comprises five members (three of whom are Outside Directors). Each committee member is appointed by resolution of the Board of Directors.

The Nominating Committee is the body with the authority to determine the contents of proposals for the General Meeting of Shareholders regarding the appointment and dismissal of Directors.

The Audit Committee audits the execution of duties by Directors and Executive Officers, and also has the authority to determine the content of proposals for the General Meeting of Shareholders regarding the appointment and dismissal of Accounting Auditor.

The Compensation Committee has the authority to formulate policies to determine the content of compensation for Directors and Executive Officers, as well as the content of individual compensation based on policies.

In addition, the Board of Directors Office has been established to assist the Board of Directors and the committees in executing their duties, at which persons in charge of the Board of Directors and committees have been placed.

The Audit Committee as an Audit Organization

The Audit Committee is composed of five committee members. The Audit Committee is in charge of auditing violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers, the appropriateness of management's judgments, the adequacy of internal control systems, and auditing accounting. A person in charge of the Audit Committee at the Board of Directors Office assists the Audit Committee in the execution of its duties. To ensure his/her independence from Executive Officers, the person in charge of the Audit Committee shall not concurrently serve in any

position at any other business operating division. The Audit Committee formulates annual audit implementation plans and auditing policies, and performs audits based on said plans and policies by hearing reports on important items and having Audit Committee members visit each office, etc., and each Group company to conduct audits as regular audits. In addition, special audits are conducted when any likelihood exists of violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers.

Accounting Auditors

The certified public accountants named in the table below conducted accounting audits for the Company. Under the direction of said certified public accountants, as necessary, certified public accountants, certified public accountant assistants, and other personnel from Ernst & Young ShinNihon LLC

assisted with the execution of accounting audit duties.

Fifteen certified public accountants, one certified public accountant assistant, and 38 other personnel assisted with the Company's accounting audit duties.

Name of certified public accountant, etc.	Auditing firm of certified public accountant
Koichi Tsuji, Engagement partner	Ernst & Young ShinNihon LLC
Seiji Kuzunuki, Engagement partner	Ernst & Young ShinNihon LLC

Note: All members have conducted audits for seven or fewer consecutive years. Accordingly, the years are not listed.

Matters Relating to Directors and Executive Officers

Functions and Roles of Directors

The items to be resolved by the Board of Directors are defined by the Board of Directors Rules. They consist of items that are solely to be decided by the Board of Directors under the Companies Act (decisions regarding basic management policies, basic policies related to the maintenance of internal control systems and other policies, appointment and dismissal of Executive Officers, appointment and dismissal of the Representative Executive

Officer, etc.), as well as items concerning dividends from surplus, issuance of new shares and subscription rights to shares, the acquisition, loan, and disposal of assets in excess of a specified amount, debt guarantees, reorganization, etc. Decisions on items other than those mentioned above have been delegated to the President and Chief Executive Officer.

Outside Directors' Functions, Roles, and Their Relationship with the Company

Outside Directors act as members of the Board of Directors and members of the Nominating Committee, Audit Committee, and Compensation Committee. They possess extensive experience and advanced knowledge, are well-versed in the general norms of society, and use their broad perspectives to contribute to the enhancement of decision-making and auditing functions, and efficiency of the Company's management.

The Company considers each Outside Director to be fully independent from the Company, and has registered all of these Directors with the Tokyo Stock Exchange as Independent Directors.

The Company has business dealings with a company for which Outside Director Mr. Masaru Igarashi formerly worked. However, the scale of the business is extremely small, and has been deemed to present no risk of impacting his independence under the standards of the Criteria for Independence of Outside Directors set forth in the Company's Corporate Governance Guidelines.

There are no items of note regarding Outside Directors Ms. Toshiko Oka and Mr. Takashi Shimada.

With respect to relationships between each Outside Director and the Company, the independence of each Outside Director is judged according to the "Criteria for Independence of Outside Directors" described below.

Criteria for Independence of Outside Directors

The Nominating Committee judges an Outside Director to be independent if he or she does not fall under any of the following items:

- (1) a person who has received or who serves or has served within the last one year as an executing person (that is, an executive director, executive officer or employee; hereinafter the same) of a corporation that has received from the Company a payment of 2% or more of the entity's consolidated annual revenues for products or services in the most recent fiscal year;
- (2) a person who has paid the Company or who serves or has served within the last one year as an executing person of a corporation that has paid the Company 2% or more of its consolidated annual revenues for products or services in the most recent fiscal year;
- (3) an attorney, a certified public accountant, a licensed tax accountant or a consultant who has received from the Company an annual payment of ¥10 million or more of monetary or other property benefits other than compensation for Directors and Executive Officers within the last one year, or a person who is or has been within the last one year a member, a partner, an associate or an employee of a law firm, an auditing firm, a tax accountant corporation, a consulting firm or other professional advisory firm that has received from the Company a payment of 2% or more of the firm's consolidated annual revenues in the most recent fiscal year;
- (4) a person who serves or has served within the last one year as an officer of a not-for-profit organization that has received from the Company discretionary charitable contributions of monetary or other property benefits of ¥10 million or more, or 2% or more of that organization's annual gross revenues or ordinary income, whichever amount is higher, during the most recent fiscal year;
- (5) a person who serves or has served within the last one year as an executing person or a non-executive director of a parent company of the Company;
- (6) a person who serves or has served within the last one year as an executing person of a brother company of the Company;
- (7) a person who is a spouse or a relative within the second degree of kinship of a person (excluding a person who has or had no important position of the following) who falls under the items of the following:
 - (i) who falls under the items of the above (1) through (6);
 - (ii) who is, or has been within the last one year, an executing person of a subsidiary of the Company;
 - (iii) who is an executing person or non-executive director of a parent company of the Company;
 - (iv) who is an executing person of a brother company of the Company;
 - (v) who is, or has been within the last one year, an executing person of the Company; and
- (8) a person who has a risk of having material conflicts of interests with ordinary shareholders for reasons other than those stated above.

Career and Meeting Attendance of Directors

(as of June 23, 2016)

Note: Information regarding attendance at meetings held between June 2015 and May 2016 is provided.



Toyoaki Nakamura
Chairman of the Board

Attendance at meetings during fiscal 2015
Board of Directors: 14 out of 14 meetings

April 1975
Joined Hitachi, Ltd.
January 2006
General Manager of Finance Department I of Hitachi, Ltd.
April 2007
Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.
June 2007
Representative Executive Officer, Senior Vice President and Executive Officer, and Director of Hitachi, Ltd.
June 2009
Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.
June 2010
Outside Director of Hitachi Metals, Ltd. (resigned in June 2012)
June 2011
Outside Director of Hitachi High-Technologies Corporation (current position)

April 2012
Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.
June 2012
Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc. (current name: Sompo Japan Nipponkoa Insurance Inc.)
April 2013
Director of Hitachi Consumer Electronics Co., Ltd.
Director of Hitachi Appliances, Inc.
May 2013
Director of Hitachi Consumer Marketing, Inc.
June 2015
Outside Director of Hitachi Metals, Ltd.
December 2015
Board Director, Chairperson of Hitachi Metals, Ltd.
April 2016
Associate of Hitachi, Ltd.
June 2016
Director of Hitachi, Ltd. (current position)
Chairman of the Board of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Toyoaki Nakamura will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancement of their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi, Ltd. and its group companies, and working to build closer ties with other Hitachi Group companies; therefore, the Company appointed him as a Director.



Masaru Igarashi
Outside Director

Attendance at meetings during fiscal 2015
Board of Directors: —
(Appointed in June 2016)

April 1973
Joined Bridgestone Tire Co., Ltd. (current name: Bridgestone Corporation)
September 1981
Visiting Assistant Professor at the University of Utah
August 1982
Joined Suzuki Motor Co., Ltd. (current name: Suzuki Motor Corporation)
April 2003
General Manager, Automobile Engineering Administration Division II of Suzuki Motor Corporation
June 2003
Director of Suzuki Motor Corporation

December 2008
Director of Asanuma Giken Co, Ltd.
February 2009
Corporate Advisor of KPIT Cummins Infosystems Ltd. (current name: KPIT Technologies Ltd.) (current position)
July 2010
Representative of Global Dynamics Research Lab. (current position)
October 2010
Director of KPIT Infosystems Inc. (current position)
June 2016
Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Masaru Igarashi will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager of an international manufacturing company in the automotive industry from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.



Toshiko Oka
Outside Director

Attendance at meetings during fiscal 2015
Board of Directors: —
(Appointed in June 2016)

April 1986
Joined Tohmatsu Touche Ross Consulting (current name: ABeam Consulting Ltd.)
July 2000
Joined Asahi Arthur Andersen Ltd.
July 2002
Joined Deloitte Tohmatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.)
September 2002
Principal of Deloitte Tohmatsu Consulting Co., Ltd.
April 2005
President and Representative Director of ABeam M&A Consulting Ltd.

June 2008
Outside Director of Netyear Group Corporation
June 2014
Outside Audit & Supervisory Board Member of Astellas Pharma Inc. (current position)
June 2015
Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (current position)
April 2016
Partner of PwC Advisory LLC
June 2016
CEO of Oka & Company Ltd. (current position)
Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Ms. Toshiko Oka will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting her abundant experience and in-depth knowledge obtained as a corporate manager of major consulting firms from a more objective standpoint as Independent Director; therefore, the Company appointed her as an Outside Director.



Takashi Shimada
Outside Director

Attendance at meetings during fiscal 2015
Board of Directors: 14 out of 14 meetings
Nominating Committee: 5 out of 5 meetings
Audit Committee: 15 out of 15 meetings
Compensation Committee: 6 out of 6 meetings

April 1976
Joined The Boston Consulting Group
October 1987
Vice President of The Boston Consulting Group
January 1994
Vice President of Hilti Japan
November 1996
President of Walt Disney Television International Japan
July 1998
Vice President of A.T. Kearney
October 2005
Vice President of Medtronic, Inc. (current name: Medtronic plc) (current position)
Vice President of Medtronic Japan Co., Ltd.

May 2008
President of Medtronic Japan Co., Ltd. (current position)
President of Medtronic Sofamor Danek Co., Ltd. (current position)
May 2015
President of Covidien Japan Inc. (current position)
President of Nippon Covidien Inc. (current position)
June 2015
Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Takashi Shimada will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge gained as a corporate manager at international companies in the medical device industry and other fields from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.



Junichi Kamata
Director

Attendance at meetings during fiscal 2015
Board of Directors: 14 out of 14 meetings
Audit Committee: 15 out of 15 meetings

April 1978
Joined Hitachi Metals, Ltd.
January 2005
General Manager of Human Resources & General Administration Dept. of Corporate Business Center of Hitachi Metals, Ltd.
April 2008
Managing Officer, General Manager of Corporate Management Planning Office of Hitachi Metals, Ltd.
April 2011
Managing Officer, President of Piping Components Company of Hitachi Metals, Ltd.

April 2012
Managing Officer, General Manager of Piping Components Division of Hitachi Metals, Ltd.
April 2014
Vice President and Managing Officer of Hitachi Metals, Ltd.
President & CEO of Hitachi Metals America, Ltd.
April 2015
Vice President and Managing Officer, Assistant to President of Hitachi Metals, Ltd.
June 2015
Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Junichi Kamata will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the human resources, financing, and corporate management planning of the Company as well as the experience as a head of business divisions and president of U.S. subsidiaries; therefore, the Company appointed him as a Director.



Hideaki Takahashi
Director

Attendance at meetings during fiscal 2015
Board of Directors: 14 out of 14 meetings
Nominating Committee: 3 out of 3 meetings
Compensation Committee: 6 out of 6 meetings

April 1978
Joined Hitachi, Ltd.
April 2005
President and Representative Director of Hitachi Building System Co., Ltd.
April 2007
Vice President and Executive Officer of Hitachi, Ltd.
April 2011
Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.

June 2011
Representative Executive Officer, President and Chief Executive Officer, Director of Hitachi Cable, Ltd.
June 2013
Director of Hitachi Metals, Ltd.
July 2013
Representative Executive Officer and Executive Vice President, Director of Hitachi Metals, Ltd.
April 2014
Representative Executive Officer, President and Chief Executive Officer, Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Hideaki Takahashi will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, by sharing the information of business execution divisions at the Board of Directors as a Board member and reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi Ltd., a president of Hitachi Group companies, and since April 2014, as President and Chief Executive Officer of the Company; therefore, the Company appointed him as a Director.



Toshitake Hasunuma
Director

Attendance at meetings during fiscal 2015
Board of Directors: —
(Appointed in June 2016)

April 1977
Joined Hitachi, Ltd.
April 2004
General Manager of Finance Division of Information & Telecommunication Group of Hitachi, Ltd.
July 2006
Executive Audit Manager of Internal Auditing Office of Hitachi, Ltd.

April 2010
General Manager of Internal Auditing Office of Hitachi, Ltd.
April 2016
Corporate Chief Manager of Internal Auditing Office of Hitachi, Ltd. (current position)
June 2016
Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Toshitake Hasunuma will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the finance operations of Hitachi Ltd. over the years as well as the experience as a head of the Internal Auditing Office; therefore, the Company appointed him as a Director.



Akitoshi Hiraki
Director

Attendance at meetings during fiscal 2015
Board of Directors: 14 out of 14 meetings

April 1985
Joined Hitachi Metals, Ltd.
June 2008
President and Director of Hitachi Setsubi Engineering Co., Ltd.
April 2010
Managing Officer, President of Specialty Steel Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
April 2012
Vice President and Managing Officer, President of High-Grade Metals Company, General Manager of Specialty Steel Division, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.

April 2015
Vice President and Representative Executive Officer, President of High-Grade Metals Company, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
June 2015
Vice President and Representative Executive Officer, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office, and Director of Hitachi Metals, Ltd.
January 2016
Vice President and Representative Executive Officer, General Manager of Technology, Research & Development Division, General Manager of Corporate Quality Assurance Division, and Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Akitoshi Hiraki will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, by sharing the information of business execution divisions at the Board of Directors as a Board member and reflecting his abundant experience and in-depth knowledge obtained as a president of Hitachi Group companies and General Manager of the Company's business divisions, and since April 2015, as Vice President and Executive Officer responsible for the management of the Company; therefore, the Company appointed him as a Director.

Business Execution System

Regarding business execution, the Board of Directors delegates a great deal of decision-making authority concerning business execution to Executive Officers to achieve prompt decision making. With the aim of ensuring that Executive Officers execute their duties efficiently and in compliance with laws and regulations and the Articles of Incorporation, Executive Officers organize the Executive Committee. This committee holds

discussions on certain important management matters that impact on the Company or the Group, and Executive Officers with sufficient authority make decisions. The Company has adopted an internal company system based on the decision that such a system is a good fit for the particular nature of the Company, which engages in multiple businesses with diverse products and markets.

Executive Officers (As of June 1, 2016)

<p>Hideaki Takahashi Representative Executive Officer President and Chief Executive Officer Overall Operations General Management</p> <p>Akitoshi Hiraki Representative Executive Officer Vice President and Executive Officer Overall Operations General Manager of Technology, Research & Development Division General Manager of Corporate Quality Assurance Division</p> <p>Masahiro Otsuka Representative Executive Officer Executive Officer In charge of Corporate Administration General Manager of Corporate Management Planning Division General Manager of Corporate Export Regulation Office Chief Compliance Officer</p> <p>Hiroyuki Okada Vice President and Executive Officer In charge of Corporate Administration Chief Financial Officer General Manager of Finance Division General Manager of Information Systems Division</p>	<p>Kenichi Nishiie Vice President and Executive Officer In charge of Corporate Administration General Manager of Human Resources & General Administration Division General Manager of Procurement & Value Engineering for Customers Division</p> <p>Masashi Aisa Executive Officer In charge of Sales and Marketing General Manager of Corporate Sales & Marketing Division</p> <p>Ryoji Akada Executive Officer In charge of Business President of Magnetic Materials Company Deputy General Manager of Corporate Export Regulation Office</p> <p>Shigekazu Suwabe Executive Officer In charge of Technology Vice President of Technology, Research & Development Division</p>	<p>Takehisa Seo Executive Officer In charge of Business President of High-Grade Metals Company Deputy General Manager of Corporate Export Regulation Office</p> <p>Eiji Nakano Executive Officer In charge of Business Director & President & CEO of Hitachi Metals Foundry America, Inc. Director & Chairman & CEO of Ward Manufacturing, LLC</p> <p>Masato Hasegawa Executive Officer In charge of Business President of High-Grade Functional Components Company Deputy General Manager of Corporate Export Regulation Office</p> <p>Kazuya Murakami Executive Officer In charge of Business President of Cable Materials Company Deputy General Manager of Corporate Export Regulation Office</p>
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Compensation for Directors and Executive Officers, etc.

The policies concerning the determination of compensation, etc., for Directors and Executive Officers state that “(1) Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company’s corporate value and benefits stakeholders such as shareholders by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets; (2) To motivate Directors and Executive Officers to exercise their respective management capabilities, know-how and skills to achieve satisfactory results, the compensation system shall reflect the Company’s short-term and medium- to long-term business performance and appropriate compensation shall be paid for outstanding achievements; (3) Compensation paid by the Company consists of base compensation and a term-end bonus.” The policy on base compensation is that it is to be “Determined individually in consideration of the degree of responsibility for Company management as a Director and/or Executive Officer and for

the performance of duties utilizing their extensive experience, knowledge, insight, and specialized management skills, etc., acquired from past experience. To secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.” The policy on a term-end bonus is that it is to be “Linked to the business performance of the Company.” Pursuant to the stipulations of the Companies Act, the Compensation Committee has established a policy to determine the amount of compensation, etc., for Directors and Executive Officers, and the amount of compensation, etc., for Directors and Executive Officers shall be decided by resolution of the Compensation Committee.

The total amount of compensation, etc., for each category of Director or Executive Officer, the total amount of compensation, etc., by type, and the number of Directors and Executive Officers who received compensation, etc., are as indicated in the table below.

Compensation, etc., for Directors and Executive Officers

Director/Executive Officer category	Total amount of compensation, etc.	Total amount of compensation, etc., by type (millions of yen)			Number of Directors and Executive Officers who received compensation, etc.
		Base compensation	Term-end bonus	Retirement benefits	
Directors (excluding Outside Directors)	103	93	10	—	4
Executive Officers	472	335	137	—	15
Outside Directors and Officers	45	38	6	—	7

Notes: 1. Amounts of less than one million yen are rounded off to the nearest million.

2. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.

3. No Director or Executive Officer received a total of ¥100 million or more in consolidated compensation, etc., during this fiscal year.

Relationship with the Parent Company

In principle, the business operations and transactions of the Company are conducted on an autonomous basis and are independent of Hitachi, Ltd., the parent company, and its group companies. In the implementation of its business operations, however, and as a member of the Hitachi Group, the Company has a close collaborative relationship with Hitachi, Ltd. and its group companies through joint research and development and other initiatives. Based on the effective use of shared management resources, the Company aims to provide high-quality products and services.

As for personnel relationships with Hitachi, Ltd., two relevant personnel, including one Director of that company, also serve as Directors of the Company. Through its expression of opinions and its participation in voting at meetings of the Company’s Board of Directors, Hitachi, Ltd. could have an influence on the determination of the management policies and other aspects of the Company.

Nevertheless, three Outside Directors have been appointed as Independent Directors according to the rules of the stock exchange, diversifying the opinions expressed in the deliberations of the Board of Directors. Therefore, the Company perceives that it is in a position to be able to make independent management judgments. None of the 12 Executive Officers of the Company who perform executive duties are also Directors or Executive Officers of Hitachi, Ltd.

The Company also conducts a range of transactions with Hitachi, Ltd. based on the Hitachi Group’s pooling system. These include borrowing and lending as well as other activities. The Company remains convinced, however, that its business activities are not significantly dependent on transactions with Hitachi, Ltd. The Company has adopted a policy that regulates transactions with Hitachi, Ltd. so that they are carried out in a fair manner, based on market prices.

Internal Controls

Internal Audit Organization

The Company has an Internal Auditing Office that is in charge of internal audits. This Office formulates annual audit implementation plans and audit policies, and regularly conducts audits regarding the status of business execution and management of each office and Group company based on said plans and policies. Furthermore, it may conduct occasional audits when necessary, and issues recommendations

for improving operations, etc. It also notifies the President and Chief Executive Officer and the Audit Committee of audit implementation plans in advance, and reports the audit results to them. If necessary, it also carries out audits in collaboration with individual divisions in charge of the environment, safety, and systems within the Company.

Coordination among the Audit Committee, Accounting Auditor and Internal Audit Division

The Audit Committee (1) receives explanations from the Accounting Auditor regarding audit implementation plans, and engages in consultation and adjustments when necessary; (2) receives audit result reports and engages in an exchange of opinions; and (3) in the event that the Accounting Auditor, during the course of executing its duties, discovers misconduct or material facts in violation of laws and regulations or the Articles of Incorporation regarding the execution of duties by Executive Officers, receives reports on these matters. The Audit Committee receives reports from the Internal Audit division on its audit implementation plans and regularly examines monthly reports. Furthermore, to promote collaboration between the Internal Audit division and the Audit Committee in auditing, the committee can instruct the Internal Audit division to

(1) conduct a special audit of certain divisions deemed to be required by the Audit Committee, and (2) decide on critical audit items in audits conducted by the Internal Audit division. Regarding matters required for the Audit Committee to execute its duties, as specified by the Board of Directors, the Internal Auditing Office of the Internal Audit division assists audits by the Audit Committee in accordance with the committee's instructions and orders. The Internal Audit division is also in charge of maintaining and verifying internal controls, and reports the status of internal controls to the Audit Committee. Corporate divisions, etc., other than the Internal Audit division, in charge of finances, compliance, risk and other areas also play a certain role in the Company's internal controls, and report the status of the execution of their duties to the Audit Committee.

Risk Management

With respect to risk management, the Company prepared internal rules, guidelines, etc., for each corporate operating division regarding the risks related to compliance, antisocial forces, finance, procurement, environment, disasters, quality, information management, export control, etc. The Company also conducts education and enlightenment activities, audits on business operations, etc., and cooperates with the relevant internal company business divisions to avoid, prevent and manage these risks. A system has been established to minimize the impact of risks by having Directors and Executive Officers as well as relevant personnel quickly assess information and address emergencies based on the rules defined to convey such information to Executive Officers, Appointed Audit Committee Members and other relevant personnel in the event of an emergency situation that affects the Group. In fiscal 2015, the Company formulated a unified compliance program for the Hitachi Metals Group ("Hitachi Metals Global Compliance Program") which includes the provisions for not only the prohibition of bribery but also the compliance with competition acts and the prevention of antisocial transactions.

We have also prepared business continuity plans (BCPs) at domestic sites envisaging the risks of a major earthquake or new influenza pandemic. At sites outside Japan, we have prepared BCPs envisaging the risks that give most cause for concern. We regularly conduct BCP drills and check and update

BCPs to ensure ongoing increases in their effectiveness.

By developing its risk management organization, the Hitachi Metals Group strives to avoid risk incidents and mitigate the impact of incidents that do occur. Nevertheless, it is possible that we may not be able to fully avoid or mitigate risks, so there could be repercussions affecting management performance and financial status.

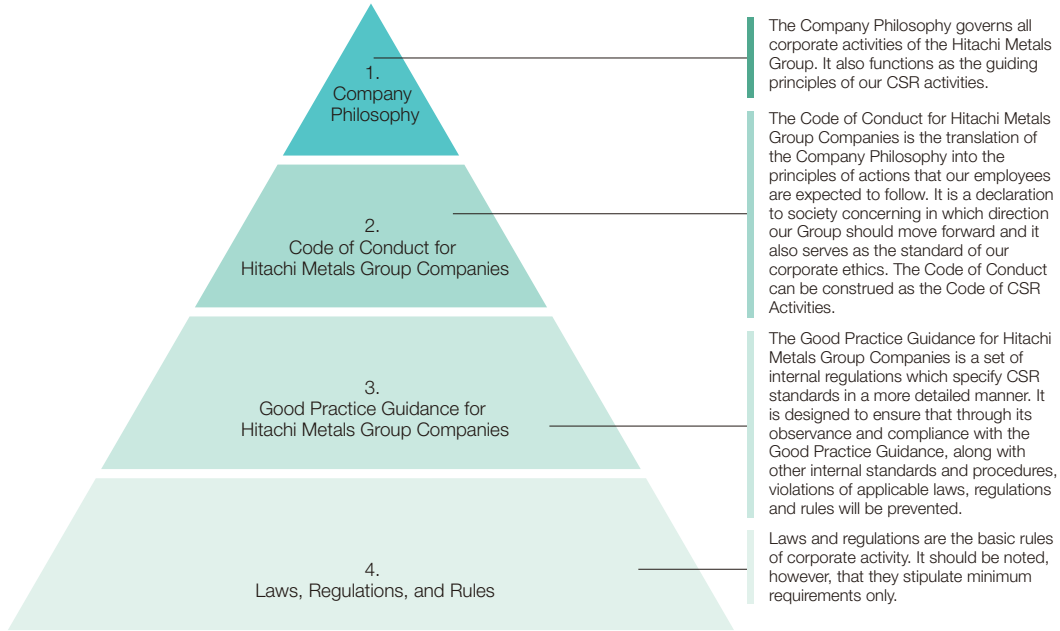
The main risks that could possibly impact the management performance and financial status of the Hitachi Metals Group are as follows:

- Risks involving economic circumstances in the market, related to product demand
- Risks involving fluctuations in raw material prices
- Risks involving financing
- Risks involving fluctuations in exchange rates
- Risks involving fluctuations in securities prices
- Risks involving business expansion outside Japan
- Risks involving competitive advantage and the development and commercialization of new technologies and products
- Risks involving intellectual property rights
- Risks involving environmental regulations, etc.
- Risks involving product defects
- Risks involving legal and official regulations
- Risks involving earthquakes and other natural disasters, etc.
- Risks involving information security
- Risks involving pension payment liabilities
- Risks involving relations with the parent company
- Risks involving M&A
- Risks involving the Medium-term Management Plan

CSR Basic Policy

Guidelines for CSR Activities

The Hitachi Metals Group systematically established guidelines for CSR activities as follows:



The Hitachi Metals Group aims to carry out its social responsibility and realize its management philosophy through the observance, by all directors and employees, of laws and regulations and the Hitachi Metals Group Code of Conduct, and their implementation of the Hitachi Metals Group Corporate Principles, in their daily duties.

Furthermore, the Company promotes CSR activities with the aim of contributing to society through its business operations, based on its belief of calling on corporations not only to pursue profitability but also to meet stakeholders' expectations and contribute to the development of society.

Outside Assessment

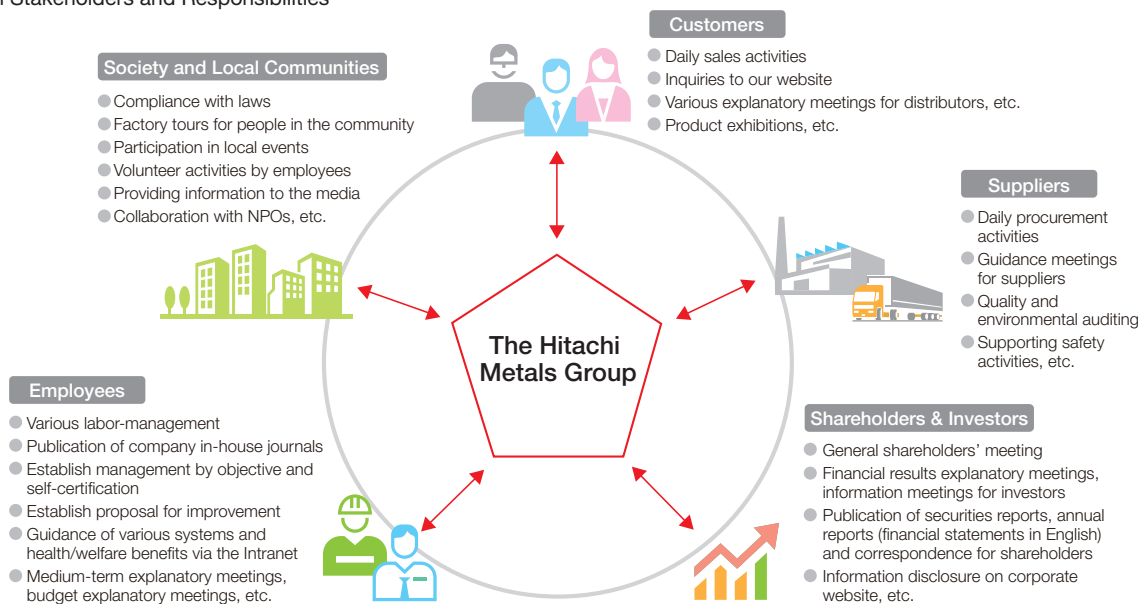
In September 2015, Hitachi Ltd. (Hitachi Metals is a consolidated subsidiary of Hitachi Ltd.) was added to the World Index, one of the Dow Jones Sustainability Indices, the world's leading social responsibility investment fund index.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Hitachi Metals Group Stakeholders

The business of the Hitachi Metals Group is materialized through engagement with stakeholders. The Hitachi Metals Group considers stakeholders strongly associated with its business activities as “customers,” “suppliers,” “shareholders and investors,” “employees” and “society and local communities,” and develops its CSR activities by continuously responding to requests and expectations from those stakeholders.

Main Stakeholders and Responsibilities



Framework for CSR Activities

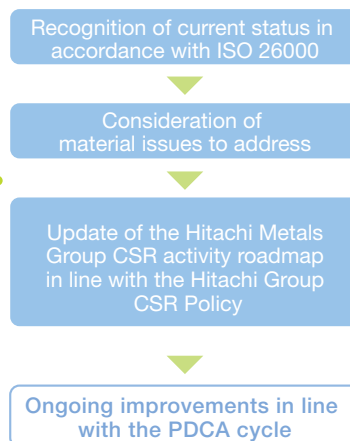
Ongoing management quality enhancements based on a framework in accordance with international standards

Every year since fiscal 2015, the Hitachi Metals Group has evaluated its activity results, set targets and measures for the upcoming fiscal year, and integrated the evaluation results into the roadmap in accordance with the “Hitachi Group CSR Policy” formulated based on ISO 26000, the global standard for corporate social responsibility. By repeating this cycle of roadmap-setting and implementation, the Group is continuously enhancing the quality of management.

CSR Management Framework for the Hitachi Group



Hitachi Metals Group Initiatives



CSR Initiative Results and Plans

CSR Initiative Results and Plans

FY2015 Measures (Planned)	FY2015 Measures (Results)	Self-assessment	Measures Planned for FY2016
1. Recognition of Social Responsibility			
<ul style="list-style-type: none"> Seek advice on/assessment of the company's CSR activities from outside experts (ongoing) 	<ul style="list-style-type: none"> Conducted lectures on the Company's CSR activities at Hosei University's Faculty of Sustainability Studies, and received advice and evaluation from a university professor regarding the Company's CSR activities 	★★★	<ul style="list-style-type: none"> Seek advice on/assessment of the company's CSR activities from outside experts (ongoing)
<ul style="list-style-type: none"> Begin review aimed at materiality analysis 	<ul style="list-style-type: none"> Attended workshops held by Hitachi, Ltd. as an observer. Learned about the objectives of materiality analysis and methods for identifying key issues (overview) 	★★	<ul style="list-style-type: none"> Perform materiality analysis, identify key issues specific to the Company's business from the perspectives of medium-term risk and opportunity, and begin to integrate CSR concepts into management
2. Organizational Governance			
<ul style="list-style-type: none"> Compliance Management Committee meets quarterly to analyze social and environmental risks, formulate preventative measures and share information 	<ul style="list-style-type: none"> Compliance Management Committee met quarterly to analyze social and environmental risks, formulated preventative measures and shared information 	★★★	<ul style="list-style-type: none"> Compliance Management Committee meet quarterly to analyze social and environmental risks, formulate preventative measures and share information (ongoing)
<ul style="list-style-type: none"> Conduct traveling CSR training at all business offices (ongoing) Conduct environmental education at the Head Office and each company (ongoing) 	<ul style="list-style-type: none"> Conducted traveling CSR training at all 181 business offices Conducted traveling environmental e-learning (100% of employees) and environmental auditor development training (once) 	★★★	<ul style="list-style-type: none"> Conduct traveling CSR training at all business offices (ongoing) Conduct environmental education at the Head Office and each company (ongoing)
<ul style="list-style-type: none"> Ongoing implementation of "Hitachi Insights" Hitachi Group employee satisfaction survey 	<ul style="list-style-type: none"> Conducted "Hitachi Insights" Hitachi Group employee satisfaction survey targeting all back office workers (6,249 employees on a consolidated basis) 	★★★	<ul style="list-style-type: none"> Ongoing implementation of "Hitachi Insights" Hitachi Group employee satisfaction survey targeting all back office workers
3. Human Rights			
<ul style="list-style-type: none"> Further inculcation of the "Hitachi Metals Group Human Rights Policy" among Group companies Standardize human rights due diligence according to Hitachi Group policies 	<ul style="list-style-type: none"> Made all employees aware of the "Hitachi Metals Group Human Rights Policy" through training, etc., held at Group companies Participated in human rights due diligence workshops of the Hitachi Group's procurement divisions, and began revising procurement CSR guidelines to reflect developments in human rights issues 	★★★	<ul style="list-style-type: none"> Carry out human rights due diligence according to Hitachi Group policies at the human resources & general administration division
<ul style="list-style-type: none"> Conduct human rights training systematically throughout the entire Hitachi Metals Group (ongoing) 	<ul style="list-style-type: none"> Systematically conducted human rights training throughout the entire Hitachi Metals Group (4,503 employees in total) 	★★★	<ul style="list-style-type: none"> Conduct human rights training systematically throughout the entire Hitachi Metals Group (ongoing)
4. Labor Practices			
<ul style="list-style-type: none"> Conduct diversity training (ongoing) Begin operation of a manager and professional evaluation system that incorporates diversity management as an assessment criterion 	<ul style="list-style-type: none"> Established the Diversity Promotion Department with dedicated staff members, and conducted interviews with women engaged in corporate planning and their superiors. Assessed company support needs and management initiative status Diversity-related measures and systems were integrated into the Human Resources & General Administration Division's medium-term plans, and defined individual indices Began operation of a manager evaluation system that incorporates diversity management as an assessment criterion 	★★★	<ul style="list-style-type: none"> Set KPIs and work to achieve them through the "workstyle reform" (reduction in total annual back office working hours) project, the foundation of the Company's diverse human resources Set the diversity employment rate and actively hire diverse human resources Establish an intranet dedicated to diversity promotion
<ul style="list-style-type: none"> Launch initiatives to acquire the "Kurumin" mark and other certifications Conduct review of systems promoting equal opportunities for women 	<ul style="list-style-type: none"> Prepared basic materials for acquiring the "Kurumin" mark Established a telecommuting system, leave program for spouse transfers abroad, etc. 	★★	<ul style="list-style-type: none"> Formulate an action plan integrating the Act for Measures to Support the Development of the Next Generation and the Act of Promotion of Women's Participation and Advancement in the Workplace, and announce the plan to the public. Also, disclose related figures Create opportunities for coordination and information exchange between women engaged in corporate planning
<ul style="list-style-type: none"> Aim to increase ratio of employees with disabilities above the legal rate to 2.2% 	<ul style="list-style-type: none"> Met our goal, with an actual figure of 2.3% for FY2015 	★★★	<ul style="list-style-type: none"> Exceed the legal employment rate of 2.0% and maintain the current employment rate of 2.3%
<ul style="list-style-type: none"> Review countermeasures based on risk assessment results focused on health and safety management in non-routine work In addition to annual safety education, conduct education focused particularly on foreman training and working with hazardous materials 	<ul style="list-style-type: none"> Reduced risk of 270 items out of the 334 level IV risk items in the risk evaluation results. Improvement rate of 83% Implemented health and safety training for foremen and supervisors; total of 664 people were trained (23 business offices) 	★★	<ul style="list-style-type: none"> Perform routine and non-routine risk assessments, including risk assessments that have not yet been performed, and continue to review improvements Continue implementing health and safety education. As the risk assessment of 640 chemical substances has been made mandatory, add health-related education
<ul style="list-style-type: none"> Begin sequential application of minimum safety standards at each business base, in line with Hitachi Group policies 	<ul style="list-style-type: none"> Introduced the Hitachi Group's minimum safety standards at 40 domestic and 32 overseas business offices and completed self-checking 	★★	<ul style="list-style-type: none"> Domestic business offices assess the application conditions of the Hitachi Group's minimum safety standards through health and safety audits, etc. Overseas business offices aim for three offices to assess the local application conditions of the Hitachi Group's minimum safety standards
<ul style="list-style-type: none"> Promote horizontal deployment of activities conducted in FY2014 (including education of next-generation leaders in Group companies outside Japan) 	<ul style="list-style-type: none"> Met with overseas Group company management candidates and considered training plans (dispatch of personnel for outside training, etc.) Conducted interviews regarding personnel labor management conditions at individual companies from the perspectives of the Hitachi Metals Group's overall management levels and efficiency improvement 	★★	<ul style="list-style-type: none"> Formulate a human resources development plan for employees representing the next-generation, and conduct systematic personnel rotation and training programs (including for overseas Group companies)

*1 For some business offices, the definition of a production unit was reviewed and revised, and target management scopes were expanded (including the companies Waupaca Foundry, Inc. and Hitachi Metals MMC Superalloy, Ltd. which merged during FY2014).

*2 Meetings conducted from the customers' perspective to determine the primary causes of product accidents and deliberate preventative measures.

*3 Project that works with institutional investors to disclose climate change of major corporations.

The Hitachi Group has defined the “Hitachi Group CSR Policy” based on ISO 26000, the global standard for corporate social responsibility, with the aim of furthering the integration of management and CSR. In accordance with this policy, the Company uses the PDCA cycle to further reinforce its activities, by steadily implementing CSR activities and continually improving its management quality.

★★★ Achieved ★★ 90% Achieved ★ Not Achieved

FY2015 Measures (Planned)	FY2015 Measures (Results)	Self-assessment	Measures Planned for FY2016
5. The Environment			
<ul style="list-style-type: none"> Control CO₂ emissions of applicable products (1.50 million tons) 	Controlled CO ₂ emissions of applicable products (1.52 million tons)	★★★	This activity ended in FY2015
<ul style="list-style-type: none"> Increase eco-product sales ratio (90%) 	Increased eco-product sales ratio (99%)	★★★	<ul style="list-style-type: none"> Increase the sales ratio (ratio of sales to consolidated revenue) of key products in harmony with the environment to 17% or more
<ul style="list-style-type: none"> Reduce active mass per production unit of energy consumed 10% (compared to base year FY2005) 	Reduced active mass per production unit of energy consumed 10.5% (compared to base year FY2005)	★★★	<ul style="list-style-type: none"> Improvement ratio of energy consumption per production unit of 10% (compared to base year)^{*1}
<ul style="list-style-type: none"> Reduce active mass per production unit of waste/valuable generation 18% (compared to base year FY2005) 	Reduced active mass per production unit of waste/valuable generation 27.8% (compared to base year FY2005)	★★★	<ul style="list-style-type: none"> Improvement ratio of waste generation per production unit of 7% (compared to base year)^{*1} Recycling rate of 70%^{*1}
<ul style="list-style-type: none"> Reduce active mass per production unit of VOC emissions 22% (compared to base year FY2006) 	Reduced active mass per production unit of VOC emissions 18.2% (compared to base year FY2006)	★	<ul style="list-style-type: none"> Reduce chemical substance emissions per production unit by 30% (compared to base year)
6. Fair Operating Practices			
<ul style="list-style-type: none"> Conduct extraordinary compliance (Anti-Monopoly Act) audit (ongoing) 	Conducted extraordinary compliance (Anti-Monopoly Act) audit (document review, hearing with all sales department managers)	★★★	<ul style="list-style-type: none"> Conduct extraordinary compliance (Anti-Monopoly Act) audit (ongoing)
<ul style="list-style-type: none"> Analyze results of FY2014 CSR survey administered to suppliers and conduct CSR survey among suppliers outside Japan 	Participated in human rights due diligence workshops of the Hitachi Group's procurement divisions, and began revising procurement CSR guidelines to reflect developments in human rights issues	★	<ul style="list-style-type: none"> Issue a revised version of the Hitachi Group's CSR procurement guidelines and plan to expand said guidelines to suppliers
<ul style="list-style-type: none"> Conduct Corporate Ethics Month in October (ongoing) Review audit of corruption-related laws and status of legal compliance 	<ul style="list-style-type: none"> Conducted various measures to ensure thorough legal compliance and ethical behavior during Corporate Ethics Month in October Confirmed corruption-related laws and the status of legal compliance during an internal audit. Revised “Rules on the Prevention of Corruption” by integrating the latest information into the rules at all domestic and international Group companies 	★★★	<ul style="list-style-type: none"> Conduct Corporate Ethics Month in October (ongoing) Conduct audit of corruption-related laws and status of legal compliance
<ul style="list-style-type: none"> Conduct information security education (ongoing) Conduct information security self audits (ongoing) Confirm that business information has been erased from privately-owned computers (ongoing) Conduct targeted e-mail attack simulations (ongoing) 	<ul style="list-style-type: none"> Conducted information security education among everyone with a company e-mail address Conducted information security self-audits to check status of compliance with rules at the Hitachi Metals Group business offices Confirmed that business information had been erased from privately-owned computers among everyone with a company e-mail address Conducted targeted e-mail attack simulations among everyone with a company e-mail address Revised rules on personal information protection and information security, and formulated detailed regulations and procedures for specified personal information 	★★	<ul style="list-style-type: none"> Conduct information security education (ongoing) Conduct information security self audits (ongoing) Confirm that business information has been erased from privately-owned computers (ongoing) Conduct targeted email attack simulations (ongoing) Consider measures against missent e-mails and expand said measures throughout the Group
7. Customers (Consumer Issues)			
<ul style="list-style-type: none"> Conduct gleaming meetings^{*2} at consolidated companies (ongoing) Expand company-sponsored mini gleaming meetings at business offices in Japan and overseas (ongoing) 	<ul style="list-style-type: none"> Conducted gleaming meetings at consolidated companies as planned Held company-sponsored mini gleaming meetings at 2 additional locations 	★★★	<ul style="list-style-type: none"> Conduct gleaming meetings at consolidated companies (ongoing) Expand company-sponsored mini gleaming meetings at business offices in Japan and overseas (ongoing)
<ul style="list-style-type: none"> Expand new product sales ratio and develop strategic new products (new product sales ratio: 30% or higher) Formulate technological development medium-term roadmap in light of technological mega trends 	<ul style="list-style-type: none"> Expanded new product sales ratio and developed strategic new products (new product sales ratio: 35%) Formulated technological development medium- to long-term roadmap in light of technological mega trends 	★★★	<ul style="list-style-type: none"> Implement tasks for the creation of new businesses Expand new product sales ratio and develop strategic new products (new product sales ratio: 30% or higher) (ongoing) Update our technological development medium- to long-term roadmap in light of technological mega trends
8. Community Involvement and Development			
<ul style="list-style-type: none"> Consider social contribution activities enabling a closer relationship with regional citizens and culture 	Conducted regional contribution activities mainly in regions where offices and factories are located (social contributions amounting to 350 million yen)	★★★	<ul style="list-style-type: none"> Consider social contribution activities enabling a closer relationship with regional citizens and culture (ongoing)
<ul style="list-style-type: none"> Support the Material Science Foundation research assistance fund (ongoing) Support “tatara” method of iron manufacture (ongoing) 	<ul style="list-style-type: none"> Contributed to material science technical research through support of the Material Science Foundation research assistance fund (4 million yen) Supported “tatara” method of iron manufacture (operations and personnel) conducted by The Society for Preservation of Japanese Art Swords at “Nittoho Tatara” in Okuzumo, Shimane Prefecture 	★★★	<ul style="list-style-type: none"> Support the Material Science Foundation research assistance fund (ongoing) Support “tatara” method of iron manufacture (ongoing)
9. Review and Improvement of CSR Activities			
<ul style="list-style-type: none"> Improve management quality using CSR research (ongoing) 	Conducted activities linked to next steps based on feedback from the CSR research results of relevant divisions (improved to 64th place)	★★★	<ul style="list-style-type: none"> Improve management quality using CSR research (ongoing)
<ul style="list-style-type: none"> Develop activities conforming to international standards for CSR and various research and assessment institutions (ongoing) Improve responses to carbon disclosure project (CDP)^{*3} 	<ul style="list-style-type: none"> Applied the PDCA cycle to CSR activity issues based on ISO 26000, social responsibility guidance of the International Standard for Organization (ISO) Improved scope of disclosure in accordance with sustainability reporting international guideline GRI-G4 Provided responses to carbon disclosure project (CDP) 	★★★	<ul style="list-style-type: none"> Develop activities conforming to international standards for CSR and various research and assessment institutions (ongoing) Improve responses to carbon disclosure project (CDP) (ongoing)

Environmental Activity Report and Results

1. Introducing New Products Contributing to the Reduction of Environmental Loads

● Branch jointing technique for use in polyethylene (PE) pipes of the same diameter

We developed the branch jointing technique for use in PE pipes of the same diameter, for which we were awarded the Technology Award by the Japan Gas Association in fiscal 2015.

This innovative construction technique makes it possible to separate existing PE pipes of the same diameter. Until now, when performing branching with the same diameter for buried PE pipes, the installation of a bypass pipe was necessary at the front and rear of the branching position, which required a large amount of the surrounding area to be excavated. The new technique uses special pipe fittings and tools which make it easier to perform branched PE piping. This reduces both the area that needs to be excavated and the number of parts used, greatly reducing the environmental burden, construction costs, and the amount of work involved.

High-Grade Functional Components Company

Pipe fittings used in branch jointing technique for use in PE pipes of the same diameter

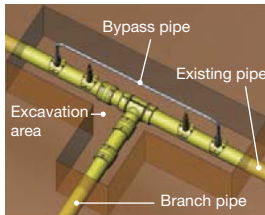


For narrow-rimmed piping

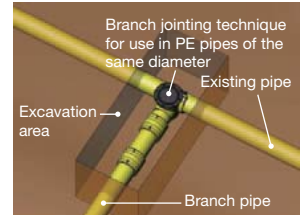


For wide-rimmed piping

Construction examples



Conventional method



Branch jointing technique for use in PE pipes of the same diameter

● “Tribec™ Kagari” PVD coating for high-tensile strength steel sheet molding dies

The Company developed the “Tribec™ Kagari” PVD* coating for high-tensile strength steel sheet molding dies, for which it was awarded the Sokeizai Center President’s Award at the 31st Sokeizai Industrial Technology Awards in fiscal 2015.

This coating is made by forming a film composed of AlCrV (aluminum, chrome, vanadium) nitride on the mold parent material. It improves both mold abrasion resistance and seizure resistance, and greatly extends mold lifespans.

*PVD: Physical Vapor Deposition

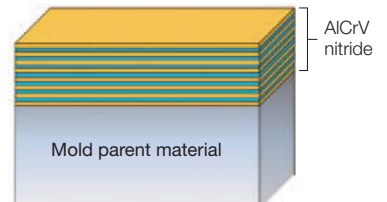
High-Grade Metals Company

Tribec™ Kagari



Exterior of PVD-coated die steel

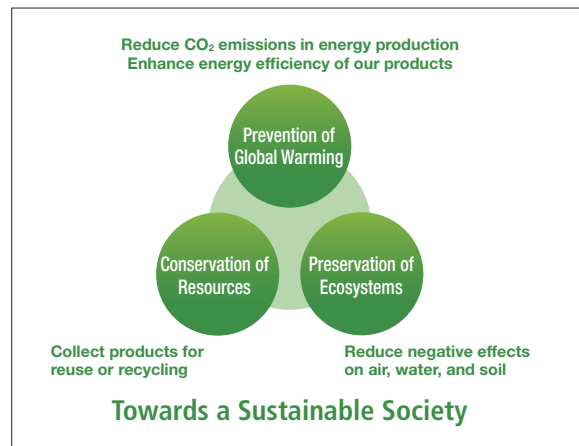
Tribec™ Kagari film structure



Multiple layers of nanoscale-level (1/1,000,000,000 m-level) thin film

The Hitachi Group’s Environmental Vision

The Hitachi Metals Group advances “Prevention of global warming,” “Conservation of resources,” and “Preservation of ecosystems” as the three key pillars of the Hitachi environmental vision. It promotes global *monozukuri* with the aim of reducing environmental loads through product lifecycles, to realize a sustainable society.



Recognizing the importance of protecting the environment, we will ensure effective and environmentally conscious utilization of limited natural resources in order to bestow a clean environment to the next generation. Through creation of new products and businesses that bring new value to society, we will base our sustainable growth on the provision of high quality products in harmony with the environment.

2. Waste Reduction and Resource Recycling Measures

● Lecture on examples of 3R measures

In August 2015, Kumagaya Works presented a lecture entitled “Examples of 3R Measures by Discharging Companies” at Saitama Prefecture’s Appropriate Industrial Waste Disposal Seminar. In addition to presenting the 3R (reduction, reuse, and recycling) measures used for the waste products generated by Kumagaya Works during the production of aluminum wheels for use in automobiles and introducing electronic manifests, it provided case studies of disassembly and processing of waste with low levels of PCB contamination (extra-high voltage transformers, etc.).



Lecture at Saitama Prefecture’s Appropriate Industrial Waste Disposal Seminar

3. Consideration for the Preservation of Ecosystems

The Hitachi Metals Group promotes ecosystem prevention measures that include tree planting and forest conservation activities, cleanup activities in areas surrounding factories, and environmental education.

● Examples of major tree planting and forest conservation activities

Hitachi Metals (India) Private Limited held the “Environment Function,” an environmental conservation awareness-raising event, performed tree planting, and provided environmental education. Other business bases also carried out tree planting and forest conservation activities.

● Ecosystem preservation activities

Until fiscal 2015, the Hitachi Group focused on assessments based on its “Ecosystem Preservation Guidelines.” Based on these assessments, from fiscal 2016 onwards, we will implement specific ecosystem preservation activities.



Carried out tree planting and provided environmental education at the “Environment Function,” an environmental conservation awareness-raising event (Hitachi Metals (India) Private Limited)



Participated in tree planting and growing activities at Mt. Malepunyo (Hitachi Cable Philippines, Inc.)



Participated in the Third Millennium Hope Hills Tree Planting Festival (Kitanihon Sales Office, Hitachi Metals Trading, Ltd.)

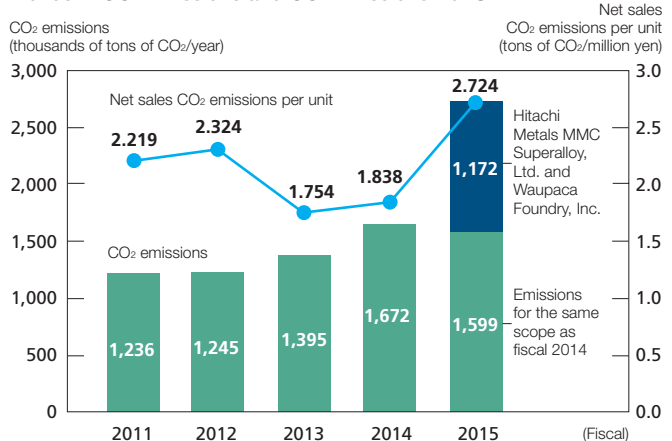
Prevention of Global Warming

In fiscal 2015, CO₂ emissions from the Hitachi Metals Group’s business activities increased year on year, to 2,771 thousand tons.* The primary reason for this increase was the addition of Waupaca Foundry, Inc. (United States) and Hitachi Metals MMC Superalloy, Ltd. to the Group. CO₂ emissions excluding these two companies fell by 73,000 tons year on year.

The Hitachi Metals Group carries out energy-saving activities coordinated with its *monozukuri* to reduce CO₂ emissions. Specifically, these activities include omitting excess processes, improving efficiency, obtaining higher yield rates, and introducing energy-saving equipment.

*Electricity accounts for 62% of the Hitachi Metals Group’s CO₂ emissions, followed by coke and town gas, respectively. In Japan, the power company CO₂ emissions coefficient is based on the “power supplier emissions coefficient” announced by the Ministry of the Environment; outside Japan, it is based on the 2008 IEA “country-specific conversion coefficient.”

Trends in CO₂ Emissions and CO₂ Emissions Per Unit



Financial/Non-Financial Highlights

1USD=¥112.68

1EUR=¥127.70

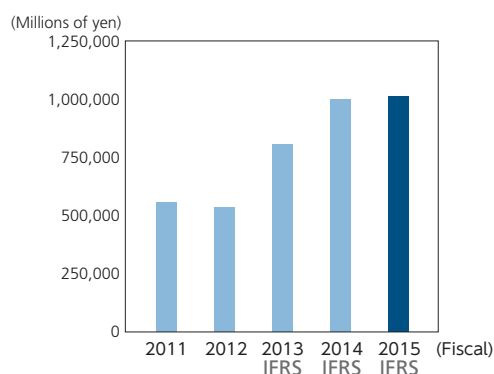
Fiscal	Millions of yen					Thousands of	Thousands of
	2015	2014	2013	2012	2011	U.S. dollars	Euros
	IFRS	IFRS	IFRS	J-GAAP	J-GAAP	IFRS	IFRS
For the period							
Operating results:							
Revenues	¥1,017,584	¥1,004,373	¥807,794	¥535,779	¥556,914	\$9,030,742	€7,968,551
Cost of sales	819,433	793,517	637,081	440,684	—	7,272,213	6,416,860
Selling, general and administrative expenses	122,090	126,446	106,851	74,016	—	1,083,511	956,069
Adjusted operating income	76,061	84,410	—	—	—	—	—
Other income	36,416	21,303	5,844	—	—	323,181	285,168
Other expenses	12,523	21,306	16,278	—	—	111,138	98,065
Operating income	99,954	84,407	53,428	21,079	44,867	887,061	782,725
Income before income taxes	96,233	86,391	55,820	17,230	36,414	854,038	753,587
Net income attributable to owners of the parent company	69,056	70,569	48,133	12,955	17,886	612,851	540,767
Cash flows:							
Cash flows from operating activities	115,742	108,983	99,171	62,975	3,008	1,027,174	906,359
Free cash flows	83,595	(4,767)	89,339	34,257	(18,761)	741,879	654,621
Increase (decrease) in cash and cash equivalents	41,271	(7,443)	61,765	6,136	(6,028)	366,267	323,187
Capital expenditure	59,602	51,474	31,987	26,688	24,300	528,949	466,735
Depreciation and amortization	42,927	39,917	33,762	24,219	27,544	380,964	336,155
Research and development	19,121	20,903	16,814	11,076	12,153	169,693	149,734
At the end of the period:							
Total assets	¥1,033,311	¥1,083,450	¥848,772	¥541,286	¥579,862	\$9,170,314	€8,091,707
Interest-bearing debt	220,376	255,350	177,195	145,935	169,232	1,955,769	1,725,732
Equity (net assets)	504,675	476,176	382,840	259,865	240,395	4,478,834	3,952,036
Number of shares outstanding (thousands of shares)	427,579	427,601	427,657	365,420	352,430	—	—
Earnings per share (yen)*1	¥ 161.50	¥ 165.02	¥ 116.79	¥ 36.20	¥ 50.75	\$ 1.43	€ 1.26
Dividends per share (yen)	26.00	23.00	17.00	14.00	12.00	0.23	0.20
Net assets per share (yen)*2	1,159.70	1,090.64	870.36	684.96	625.04	10.29	9.08

*1 Basic earnings per share

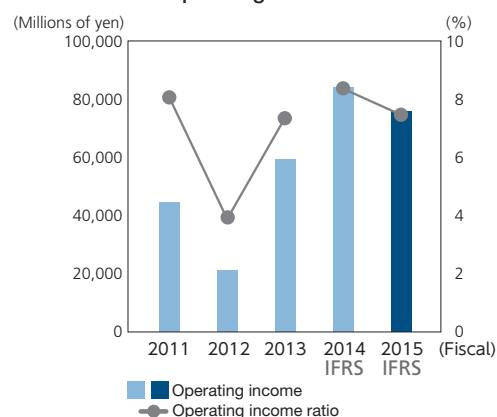
*2 Equity per share attributable to owners of the parent company

Fiscal	Millions of yen					Thousands of	Thousands of
	2015	2014	2013	2012	2011	U.S. dollars	Euros
	IFRS	IFRS	IFRS	J-GAAP	J-GAAP	IFRS	IFRS
Reference information:							
Total market value of stocks	¥496,420	¥788,924	¥628,228	¥321,935	¥362,298	\$4,405,576	€3,887,395
Enterprise value (EV)	596,496	965,245	712,512	433,768	503,564	5,293,719	4,671,075
EBITDA	141,644	128,436	90,968	42,818	65,390	1,257,047	1,109,193
EBITDA margin (%)	13.9	12.8	11.3	8.0	11.7	—	—
EV/EBITDA ratio (times)	4.21	7.52	7.83	10.13	7.70	—	—

Revenues



Operating Income/
Operating Income Ratio



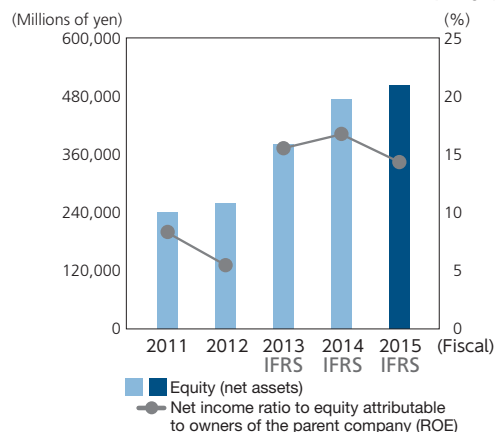
Notes: 1. For fiscal years 2011 through 2013, operating income based on the generally accepted accounting principles in Japan is provided.
2. For fiscal years 2014 and 2015, adjusted operating income is provided.

Fiscal	2015	2014	2013	2012	2011
	IFRS	IFRS	IFRS	J-GAAP	J-GAAP
Key financial indicators:					
Operating income ratio (%)	9.8	8.4	6.6	3.9	8.1
Operating cash flow margin (%)	11.4	10.9	12.3	11.8	0.5
ROS (%)	6.8	7.0	6.0	2.4	3.2
ROA (%)	9.1	8.9	8.0	3.1	6.6
ROIC (%)	8.3	8.0	6.8	3.2	7.2
ROE (%)	14.4	16.8	15.6	5.5	8.3
Total assets turnover (times)	0.98	0.93	0.95	0.99	0.96
Equity attributable to owners of the parent company ratio (%)	48.0	43.0	43.9	46.2	38.0
D/E ratio (times)	0.44	0.55	0.48	0.58	0.77
Ratio of operating cash flow to debt (times)	1.90	2.34	1.79	2.32	56.26

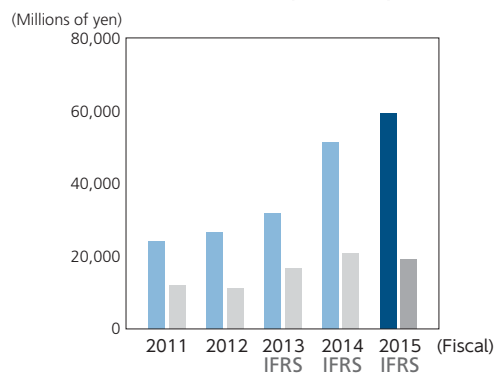
Fiscal	2015	2014	2013	2012	2011
Non-financial information:					
Net sales of eco-products	542,146	607,574	588,527	407,085	434,501
Overseas net sales (millions of yen)	246,839	261,257	244,239	175,413	180,752
Domestic net sales (millions of yen)	295,307	346,317	344,288	231,672	253,749
Percentage of net sales from eco-products (%)	99	98	92	90	92
Energy consumption converted into crude oil (kl/year)	1,091,936	705,808	707,640	588,834	583,027
Net sales energy consumption ratio per production unit (kl/million yen)	1.07	0.78	0.79	1.10	1.05
CO ₂ emissions (thousands of tons of CO ₂ /year)	2,771	1,672	1,572	1,245	1,236
Net sales CO ₂ emissions per production unit (thousands of tons of CO ₂ /million yen)	0.0027	0.0018	0.0018	0.0023	0.0022
Number of employees	29,157	30,278	26,850	17,308	18,056

- Notes: 1. The Company has adopted the International Financial Reporting Standards (IFRS) for the Consolidated Financial Statements in the Annual Securities Report since the fiscal year ended March 31, 2015. Accordingly, the amounts stated on pages 74 and 75 of this report were accounted for and presented in accordance with the generally accepted accounting principles in Japan for fiscal years 2011 and 2012, and in accordance with IFRS for fiscal years 2013 through 2015.
2. The translation of Japanese yen amounts into U.S. dollars and euros for the year ended March 31, 2016, has been made at the rates of ¥112.68=\$1 and ¥127.70=€1, the approximate exchange rates as of March 31, 2016.
3. Diluted earnings per share is not provided as Hitachi Metals, Ltd. had no dilutive common stock outstanding.
4. Interest-bearing debt represents the total of short-term debt, long-term debt and corporate bonds.
5. Earnings per share is calculated by dividing net income attributable to owners of the parent company (net income) by the average number of shares issued during the term, and equity per share attributable to owners of the parent company is calculated by dividing equity, which is total equity minus non-controlling interests/minority interests, by the number of shares outstanding at the end of the period.
6. Enterprise value (EV) represents the sum of total market value of stocks and net interest-bearing debt.
7. Earnings before interest, taxes, depreciation and amortization (EBITDA) refers to income before income taxes before deducting interest charges, depreciation and amortization.
8. EBITDA margin refers to EBITDA divided by revenues.
9. Return on sales (ROS) refers to net income attributable to shareholders of the parent company divided by revenues.
10. Return on assets (ROA) is computed as the income before income taxes divided by the average total assets (the average of the beginning and ending balance of the year).
11. Return on invested capital (ROIC) is computed as the net operating income after tax divided by the sum of the average total equity attributable to owners of the parent company, the average total other comprehensive income and the average total interest-bearing debt (the average of the beginning and ending balance of the year).
12. Return on equity (ROE) is computed as the net income attributable to owners of the parent company divided by the average total equity excluding non-controlling interests/minority interests (the average of the beginning and ending balance of the year).
13. In Japan, the power company CO₂ emissions coefficient is based on the "power supplier emissions coefficient" announced by the Ministry of the Environment; outside Japan, it is based on the 2008 IEA "country-specific conversion coefficient."

Equity (Net Assets)/Net Income Ratio to Equity Attributable to Owners of the Parent Company (ROE)



Capital Expenditure/Research and Development Expenses



Financial Management

1. Financial Policy

Hitachi Metals makes growth investments and delivers appropriate returns of profits to shareholders over a long-term period to generate sustainable long-term growth. Management maintains a financial policy that aims to ensure a healthy and firm financial platform.

The Company thus builds on the reach of its diverse and distinctive businesses across various industries to invest strategically and flexibly, and to enhance investment and financial efficiency as well as profitability. At the same time, the Company accords top priority to accelerating the cash generation cycle to ensure a balanced financial position.

2. Shareholder Returns Policy

The Company's basic dividend policy is to determine profit distributions to shareholders and internal reserves by comprehensively assessing the business environment, future business developments, and business performance. Management's primary commitment is to generate robust growth over a medium- to long-term period, by strengthening international competitiveness and enhancing the corporate value of the Company, to deliver appropriate returns of profits to shareholders over a long-term period in a business environment with evolving customer needs, technology, and globalization.

Furthermore, the Company's basic policy is to pay out dividends from retained earnings twice a year as interim dividends and year-end dividends. The Company's Board of Directors retains explicit decision-making control over dividend payments.

The internal reserves are to be used for the development and commercialization of new materials, incubation of new businesses, and expansion and streamlining of competitive product lines by examining future business developments. The Company purchases treasury stock as appropriate to

implement an agile capital policy in accordance with its needs, financial condition, stock price levels, and other factors.

In the fiscal year ended March 31, 2016, while the Company recorded an increase in earnings resulting from the effects of revising its business portfolio, income taxes increased. As a result, net income attributable to owners of the parent company remained flat as a whole year on year. In light of the above business performance, business developments, and outlook, the Company paid annual dividends of ¥26 per share.

Management currently plans to pay annual dividends of ¥26 per share in the fiscal year ending March 31, 2017.

In the years ahead, Hitachi Metals will endeavor to enhance earnings and profitability while deploying financial strategies to boost capital efficiency, thereby increasing shareholder value.

3. Funding

In principle, the Company covers funding for growth investments with operating cash flows generated during the normal course of business and liquid funds. For other financing on a larger scale, Hitachi Metals implements reliable and flexible methods to minimize opportunity losses for its growth, including accessing financial and capital markets.

In the fiscal year ended March 31, 2016, the funds generated by an increase in earnings or changes in working capital were primarily allocated to capital investments aimed at strengthening a platform to achieve further growth. During the fiscal year, the Company made certain repayments of long-term debt to ensure its funding stability.

4. Liquidity

Liquidity is a key component of Hitachi Metals' overall financial management policy. For short-term obligations that have maturities of 12 months or less,

Hitachi Metals maintains sufficient liquidity to flexibly address unforeseen circumstances.

As of March 31, 2016, total liquid funds of the Company stood at ¥120.3 billion.

5. Interest-Bearing Debt

As of March 31, 2016, interest-bearing debt stood at ¥220.4 billion, a decrease of ¥35.0 billion from the previous year. Short-term interest-bearing debt was ¥52.4 billion, a decrease of ¥9.0 billion from the previous year. Long-term interest-bearing debt was ¥168.0 billion, a decrease of ¥26.0 billion from the previous year. The debt-to-equity ratio fell by 0.11 percentage points from the previous year, to 0.44 percentage points, as of March 31, 2016.

6. Ratings

Hitachi Metals recognizes that maintaining a high, stable credit rating is essential for its management goal of maintaining adequate liquidity and flexibility in its financing policies and to reduce financing costs. Each year, the Company acquires a credit rating for long-term corporate bonds from Rating and Investment Information, Inc., a major credit agency in Japan. As of March 31, 2016, the Company received the rating “A+” for its long-term corporate bonds and unsecured corporate bonds.

7. Cash Flows

Hitachi Metals aims to generate cash by increasing operating income, enhancing the profit rate, and reducing working capital.

The Company pays particular attention to managing and reducing inventories. To that end, Hitachi Metals clarified responsibilities for each inventory category. While manufacturing departments and procurement divisions control materials, manufacturing departments and internal companies oversee manufactured products, including work-in-process

and finished products. Domestic and overseas sales companies collaborate with internal companies to look after transit inventories. Thus, the Company maintains a structure to optimally control and reduce inventories in consideration of future trends over the medium to long term. The Group strives to further cut back on inventories by properly and promptly managing inventories, based on accurate consolidated revenue forecasts, with the aim of reducing the number of working capital turnover days.

Hitachi Metals adopted a Group cash pooling system to help manage its own working capital and that of its subsidiaries. In principle, consolidated subsidiaries in Japan procure funds through this system, rather than taking on external debt. By consolidating surplus funds and debts across the Group, Hitachi Metals has better positioned itself to become more financially efficient. U.S. Group companies also use this cash pooling system, through which funds are centrally managed to enhance financial efficiency.

8. Investment Efficiency

Hitachi Metals invests flexibly in key businesses to drive sustainable growth. Activities include mergers and acquisitions, upgrading and streamlining of plants and equipment, increasing production capacity, establishing new bases, and investments in employee welfare benefits. In this context, Hitachi Metals differentiates between regular and strategic investments by taking investment decisions, returns, and other factors into account.

Hitachi Metals places emphasis on cash flow in formulating strategic investment proposals, making decisions by using the present value based on discounted cash flows method and internal rates of return.

Stock Information

Stock Status

(As of March 31, 2016)

Total number of shares issued	428,904,352
Total number of shares authorized	500,000,000
Number of shareholders	28,582 (including holders of shares less than one unit)

Shareholder Composition

(As of March 31, 2016)

Segment	Number of shareholders	Number of shares held (hundreds of shares)	Percentage of shares held
Financial institutions	66	568,172	13.27
Financial instruments business operators	59	41,411	0.97
Other domestic corporations	592	2,350,466	54.88
Foreign nationals	483	959,718	22.41
Individuals and others	24,308	362,659	8.47

Notes: 1. Not including shares representing less than one unit.
2. Treasury shares (13,244 hundred shares) are included in "Individuals and others."

Major Shareholders

(As of March 31, 2016)

Shareholders	Number of shares held (thousands of shares)	Percentage of shares held
Hitachi, Ltd.	226,233	52.75
Japan Trustee Services Bank, Ltd. (Trust Account)	14,174	3.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,099	2.35
JPMorgan Chase Bank 385078	5,320	1.24
State Street Bank and Trust Company 505225	3,753	0.88
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	3,549	0.83
JPMorgan Chase Bank 385632	3,213	0.75
MSCO CUSTOMER SECURITES	2,933	0.68
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,928	0.68
Nippon Life Insurance Company	2,801	0.65

Listed Stock Exchanges

(As of March 31, 2016)

Tokyo (First Section, Code 5486)

Credit Ratings

(As of July 2016)

Tokyo (First Section, Code 5486)	Long-term Debt A+
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Shareholders' Memo

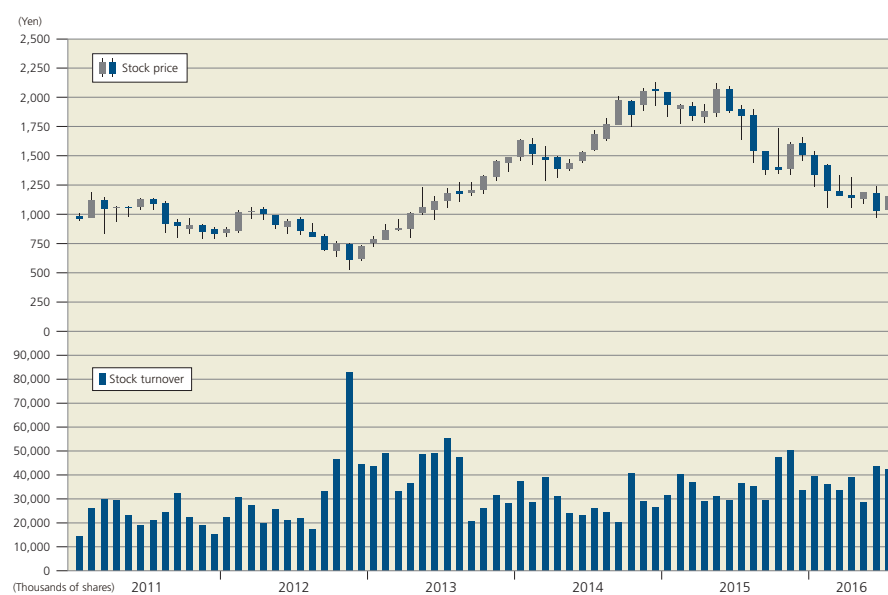
<ul style="list-style-type: none"> • Fiscal year-end: • Record date for the purpose of dividend of surplus: • Method of public notices: • Number of shares per one unit: • Administrator of shareholder registry: 	<p>March 31 March 31 and September 30 Electronic public notice 100 shares Tokyo Securities Transfer Agent Co., Ltd. (Head Office) Kanda Nishikicho Sanchome Building 6F, 3-11 Kanda Nishikicho, Chiyoda-ku, Tokyo, Japan</p>
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Corporate Data/Stock Price

Corporate Data

Company name	Hitachi Metals, Ltd.
Head office address	Shinagawa Season Terrace, 2-70, Konan 1-chome, Minato-ku Tokyo 108-8224, Japan Tel.: +81-3-6774-3001, Toll-free: 0800-500-5055 (in Japan)
Established	1956
Listed stock exchanges	Tokyo (First Section)
Securities code	5486
URL	http://www.hitachi-metals.co.jp/e/

Stock Price Chart



 **Hitachi Metals, Ltd.**