

Specialty Steel Company

Basic policy of medium-term management plan

Achieve growth internationally by focusing on "specialty steel"

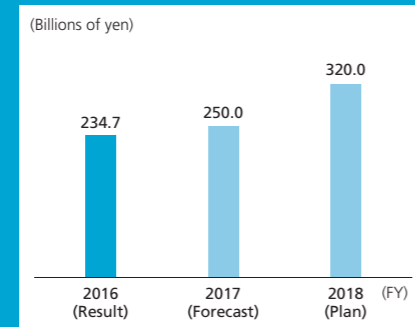
Monozukuri: Carry out "eye-opening" manufacturing

Sales abilities: Further enhance strength

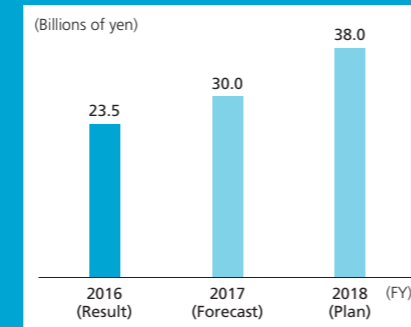
- Reap the benefits of major investments
- Strengthen international locations

Progress vis-à-vis numerical targets

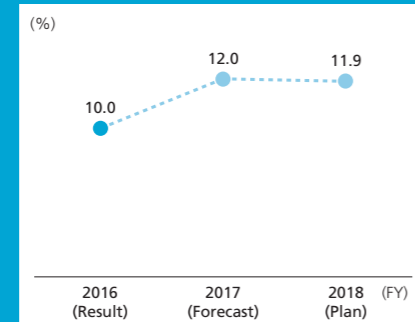
Revenues



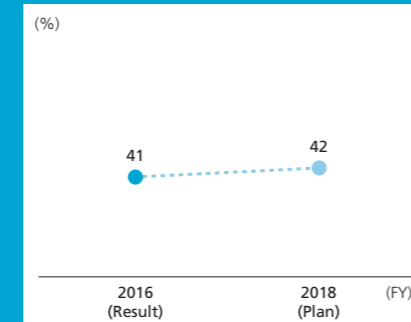
Adjusted operating income



Adjusted operating margin



Overseas sales ratio



Investment plans

Investment amount: ¥60.0 billion (cumulative total for FY2016–FY2018)

- Key investments in sources of competitiveness
- Strengthen the network for expanding international sales

Secure distribution location in Europe + Expand and strengthen processing locations in the U.S. and Asia



Koji Sato
President of the Specialty Steel Company

Progress of medium-term plan

Tool steel, aircraft-, and energy-related materials Progress

In tool steel, we acquired the U.S. firm Diehl Steel Company, Inc., centralized our operations, and expanded sales. We are also strongly promoting brand penetration and reinforcement of solution sales in the Americas, Europe, and across Asia, including China.

In aircraft- and energy-related materials, we made large-scale investments, including in a 10,000-ton free forging press and a high-speed radial forging machine. We also formed an alliance with Hitachi Metals MMC Superalloy, Ltd. and Japan Aeroforge, Ltd. Under the alliance, we are setting up a supply system that can handle large components.

Future priorities

In aircraft- and energy-related materials, we will promote acquisition of certification and mass production of aircraft engine large disk cases. We will also pursue development of ultra heat-resistant alloys as a new engine material. We have established a research center in collaboration with the National Institute for Materials Science (NIMS), which will work together with our Metallurgical Research Laboratory and GRIT in an organically coordinated manner to pursue R&D initiatives. In addition, we will develop state-of-the-art materials and explore specific applications for them.

Challenge the world's top three aircraft forging materials manufacturers, and establish a position as the fourth core

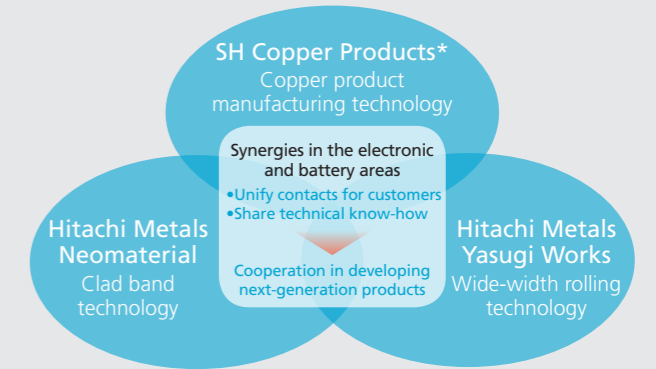
	2010	2015	2020
Generate synergy among three firms	Hitachi Metals Yasugi Works	▼24-ton VIM ▼Large VAR	▼10,000-ton free forging press ▼High-speed radial forging machine
	Japan Aeroforge	▼50,000-ton die forging press	
	Hitachi Metals MMC Superalloy	▼Made a consolidated subsidiary ▼840-ton ring mill	

xEV

Progress

To address the growing market for xEV, we shifted the business of SH Copper Products Co., Ltd. from the Cable Materials Company to the Specialty Steel Company. Through collaboration between our steel and copper operations, we accelerated development of thin foil, high-

Contribute to customers' increased trust in products and adding higher value



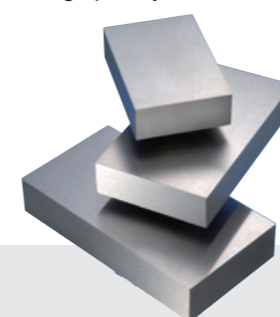
*SH Copper Products Co., Ltd. is scheduled to become Tsuchiura Works of Hitachi Metals Neomaterial, Ltd. in April 2018.

strength cladding materials for the battery components market. With respect to soft magnetic components and materials, such as ferrite core, FINEMET®, and Metglas®, we consolidated our materials and components businesses to promote development of xEV drive modules and other products to meet next-generation demand.

Future priorities

Seeking to become a core supplier to the xEV industry, we will focus on battery components, soft magnetic materials, and core materials. We will also invest around ¥7.5 billion in a new supply base for cladding materials at SH Copper Products (which will become the Tsuchiura Works of Hitachi Metals Neomaterial, Ltd. on April 1, 2018). We will also introduce an integrated product line covering everything from materials to processing. By fiscal 2020, we are targeting a threefold sales increase in our cladding materials business, compared with the fiscal 2016 level. To this end, we will implement various growth strategies, such as expanding our product lineup to meet customer needs, boosting production capacity, and strengthening our sales system. In addition, to meet demand for fuel savings in combustion engines, we will make large-scale capital expenditure in Japan and China aimed at increasing production of turbine wheels, piston ring materials, and CVT belt materials.

YSS
Yasugi Specialty Steel



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.

Note: YSS is a registered trademark of Hitachi Metals, Ltd.