

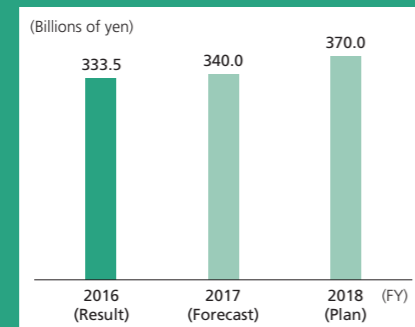
Functional Components Company

Basic policy of medium-term management plan

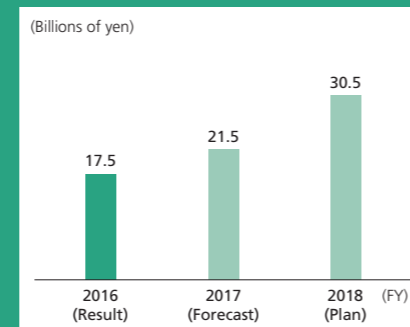
Accept the challenge of creating new value by improving the foundation of *monozukuri* to achieve global growth

Progress vis-à-vis numerical targets

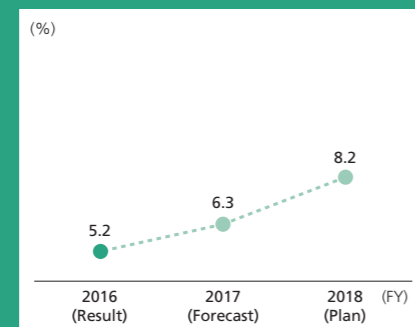
Revenues



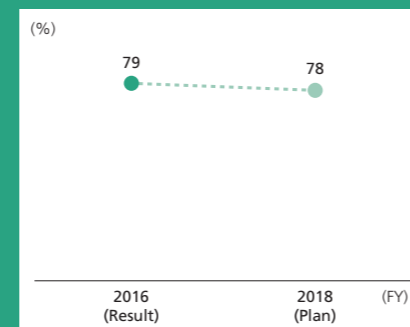
Adjusted operating income



Adjusted operating margin



Overseas sales ratio



Investment plans

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

Cast iron products

- North America (Waupaca Foundry, Inc.)
 - Horizontal Molding line for large-size cast iron
 - Ductile cast iron and gray iron
- Asia (Japan, South Korea, India)
 - Global rollout of high efficiency casting line technology

Heat-resistant cast components

- Japan (Kyushu Works)
 - New casting line
 - New concept machining line
- North America (Waupaca Foundry, Inc.)
 - New machining line

Aluminum products

- Japan, North America
 - Accommodate sophisticated design and large components
 - Improved productivity and efficiency

Piping components

- Japan, North America
 - Enhance flexible piping system capacity
- Japan
 - High efficiency production line



Masato Hasegawa

President of the Functional Components Company

Progress of medium-term plan

Cast iron products

Progress

In the high-grade ductile cast iron field, we are meeting the need for advances in thinness and lighter weights by deploying our lightweight design, materials, and casting technologies while communicating closely with customers.

In the fields of general-purpose ductile cast iron and gray iron, we have a streamlined production line, thanks to the advanced technological prowess of Waupaca Foundry, Inc., enabling us to utilize distinctive, unique casting equipment to demonstrate our strong competitive edge.

Future priorities

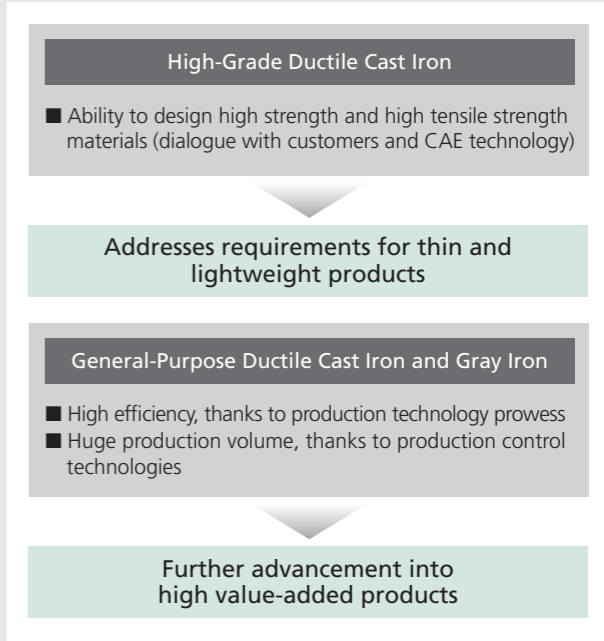
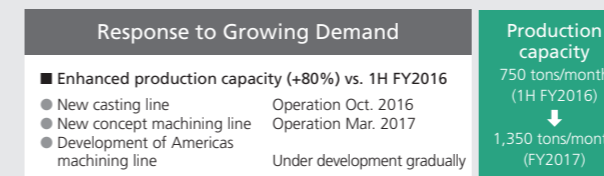
At Waupaca Foundry, Inc., we are reconfiguring our ductile cast iron and gray iron factories, transforming both into specialized facilities to achieve enhanced efficiency. We are also planning to introduce large-scale casting machines to strengthen our ability to address heavy-duty needs for commercial vehicles, construction machinery, and agricultural machinery. We will also expand our business domains to address the need for high value-added solutions.

Regarding machine processing technologies, in addition to our existing HERCUNITE™ heat-resistant cast components, we will address the need for materials other than cast iron to increase added value.

Heat-resistant cast components (HERCUNITE™)

Progress

Between 2017 and 2021, the global market for gasoline turbo-powered automobiles is expected to grow 10%, and we look forward to continued steady demand. To meet such



demand, we commissioned a new casting line at the Kyushu Works in October 2016. In March 2017, we commissioned a new-concept machining line to improve processing efficiency. We also started a machining line in the Americas.

Future priorities

Going forward, we will optimize casting conditions and deploy IoT-based analysis to enhance yields and product quality, targeting a 15% improvement in productivity and operating margin.

Aluminum products

Progress and future priorities

There is a growing need for aluminum components for use in xEV and other automobiles with exceptional environmental performance. To meet advanced market needs with respect to lighter weights, thinness, complex form, sophisticated design, high heat dissipation, and the like, we will focus on developing xEV components as part of a plan to expand our business. Here, we will deploy our high-precision CAE technologies and diverse casting methods, as well as our strengths in composite materials and bonding technologies derived through collaboration with GRIT.