



April 25, 2019

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Medium-term Management Plan for Fiscal 2021

-Becoming a High-Performance Materials Company That Supports a Sustainable Society-

Hitachi Metals, Ltd. (headquartered in Minato-ku, Tokyo; Koji Sato, President and Chief Executive Officer; hereinafter “Hitachi Metals”) is pleased to announce that it has developed a Medium-term Management Plan for fiscal 2021 (the fiscal year ending March 31, 2022) with fiscal 2021 as its final year (hereinafter “the 21 MMP”).

1. Concept of Medium-term Management Plan

Since starting a business, Hitachi Metals has contributed to society by delivering distinctive materials and products in diverse industries such as automobile, industrial infrastructure, and electronics.

In recent years, economic structures have changed dramatically on a global scale, and as society’s needs diversify, new technologies, products, and services are being generated. In addition, as represented by the Sustainable Development Goals (SDGs), there is an increasingly strong demand for each company, as a corporate citizen, to proactively work to help create a sustainable society. Moreover, in the materials industry, one of our business areas, customer needs are becoming more sophisticated and diversified in step with changes in society, and new materials are being developed at a faster pace with each year to meet these needs.

Under these circumstances, recognizing that our mission is “Being the best enterprise” included in our corporate creed, we have developed the 21 MMP to work toward achieving this mission. In the 21 MMP, Hitachi Metals aims to foster innovation in materials by providing opportunities to balance growth with an affluent social life through our business operations to our human resources, who form the foundation of Hitachi Metals. At the same time, Hitachi Metals aims to foster innovation in materials, by collaborating with our customers to enhance and expand our “Only 1, No. 1” business and products, leveraging our strengths. By accumulating the results of these innovations, Hitachi Metals will help create a sustainable society; that is, building the future of society as a whole.

2. Financial Targets (Consolidated Basis)

	FY2018 Results (Announced on April 25, 2019)	FY2021 Plan
Revenue	1,023.4 billion yen	960.0 billion yen
Adjusted Operating Income* ¹	51.4 billion yen	80.0 billion yen
Net Income Attributable to Shareholders of the Parent Company	31.4 billion yen	55.5 billion yen
ROIC* ²	4.1%	7.7%
ROE* ³	5.5%	8.9%

*1 Adjusted Operating Income = Revenue - Cost of sales - Selling, general and administrative expenses

*2 ROIC (Return on Invested Capital) = Net income attributable to shareholders of the parent company
/ (Average interest-bearing debt at end of fiscal year + Average parent equity at end of fiscal year)

*3 ROE (Return on Equity of the parent company) = Net income attributable to shareholders of the parent company
- Average equity attributable to shareholders of the parent company at end of fiscal year *100

3. Basic Policy of the Medium-term Management Plan

With a corporate vision of “Building People, Building Innovation, Building the Future” in the 21 MMP, Hitachi Metals will pursue its management strategy together with measures to further enhance “Only 1, No. 1” *monozukuri* (manufacturing) and new products” — one of its strengths, with the aim of becoming a high-performance materials company that supports a sustainable society.

The specific action plans are as follows:

(1) Concentrating resources on high-growth and high-revenue areas

Hitachi Metals will work to develop products and expand businesses in response to market and technological trends such as electrifying and motorizing automobiles, to concentrate our management resources on high-growth, high-revenue areas. Hitachi Metals will also promote the continuous renewal of our portfolio.

(2) Maximizing synergies through organizational reform

By shifting our company’s structure from the current four internal companies to two business divisions, Hitachi Metals will reorganize our organization to create synergies between our businesses, centered on the markets and businesses Hitachi Metals will focus on in the future. At the same time, Hitachi Metals will bolster our cross-sectional functions and strengthen both our strategic posture and governance.

(3) Strengthening the customer-facing functions and co-creating with customers

Hitachi Metals will respond to changing needs in market environments and of customers to achieve strong growth, by enhancing the customer-facing functions (sales department and R&D department) to more quickly bring to market our “Only 1, No. 1” products that are made by combining our creative technologies through co-creation with the customers.

(4) Making full use of large-scale capital investment

Hitachi Metals will make full use of the large-scale equipment investment undertaken in our previous Medium-term Management Plan, and will be sure to reap early effects. At the same time, Hitachi Metals will implement selective equipment investment focusing on high-growth, high-profit areas.

(5) Instituting a structural reform and measures to strengthen the management base

For businesses and products with low profitability that have little potential for improvement, Hitachi Metals will make effective use of our management resources by shrinking or withdrawing them. In addition, we will introduce management with ROIC (Return on Invested Capital) as a new indicator and seek to reduce invested capital such as shortening the CCC (Cash Conversion Cycle) or working capital days, in order to improve cash flow and asset efficiency.

Meanwhile, Hitachi Metals will create an innovative and challenging corporate culture by emphasizing diversity management and work-style reforms and maximizing their effectiveness.

(Note) The figures stated in the above business outlook were calculated based on certain premises and assumptions currently judged by the management of Hitachi Metals, except for actual figures. Please note that actual results may differ from forecasts due to underlying assumptions and changes in situations.