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Automotive Products

Basic Policies of the 2018 Medium-term Management Plan

Strengthen base to become a global top supplier

Strengths

- Ability to offer proposals by taking advantage of the compounding technologies of materials
- A rich insight into research data regarding material characteristics
- Production system to support the globalization of customers

Weaknesses

- Delay in launching of new products
- Delay in entry into the European market
- Shortage of human resources for entry into European and U.S. markets

Opportunities

- Fulfilling the needs for automotive electrification, reduced weight and automation
- Thermal management of automobiles (more fuel-efficient, less hazardous substances)
- Consumer needs toward environmental friendliness and lower fuel consumption

Threats

- Oligopolization of markets due to emerging mega suppliers
- Decrease in the sales volume of cars due to car sharing, etc.

M&A/Alliance strategies

The Automotive Products Business will focus on “creating new business with material technologies at its core” and “establishing European development and production sites with a view to expanding into new regions,” and acquire technologies and business platforms from outside the Group.

ROIC (FY2017)

5.8% (FY2018 Target: 10%)

The Automotive Products Business currently faces an important task of improving its operating margin.

Exterior plastic molded foam products

Creating a sponge-like foam inside of exterior plastic molded products can help reduce the weight and improve the mileage of automobiles.

ISOLITE

ISOLITE GmbH
ISOLITE’s strengths lie in its unique insulation technologies, as well as its sales network and manufacturing sites across Europe and the United States.

HCA

Hitachi Chemical Company America, Ltd

Fiscal Year 2017 Progress

A number of initiatives were taken under the slogan of “strengthen base to become a global top supplier.” The Company’s exterior plastic molded foam products were used in the new SUBARU XV SUV, expanding to mass production. In Thailand, the opening of a new design center for powder metal products helps secure new orders in India and Southeast Asia. For friction materials, the Group has established production and supply systems in Japan as well as China, Thailand and Mexico amid expectation of rising demand in the future, such as the copper-free friction materials being used in Ford Motors’ Fusion.

Additionally, by making ISOLITE GmbH a consolidated subsidiary, the Hitachi Chemical has strengthened the global expansion of insulation materials that address the needs to comply with environmental regulations, including the sale of ISOLITE products in Japan and the use of ISOLITE’s sales locations in Europe to expand sales of Hitachi Chemical products.

Key Measures for Fiscal Year 2018

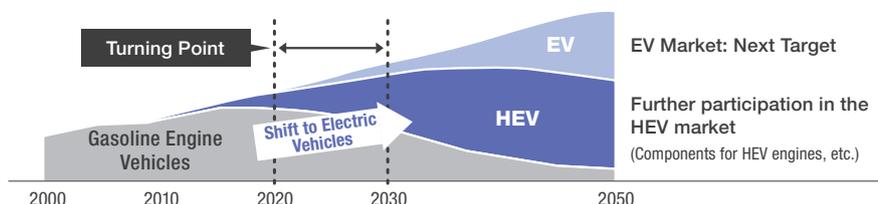
Active development of European markets

As an European regional strategy, the Group will leverage the European manufacturing and sales channels of ISOLITE in an effort to expand global sales of Hitachi Chemical products based on the insulating materials business, including friction materials, powder metal products and plastic gears. Additionally, the Group will augment its sales and marketing resources primarily through the Detroit office of HCA, and pursue its North American regional strategy with products such as friction materials, powder metal products, molded plastic, insulating materials.

Expanding the Automotive Business through a fusion with Functional Materials

With sights set on future automotive business trends, the Group will seek to expand the Automotive Business through a fusion with Functional Materials. To achieve this, Hitachi Chemical has launched a

Changes in the Global Market (2020 to 2030)



Outputs and Strategies of the 2018 Medium-term Management Plan

FY2017 Progress	Initiatives for FY2018	Goals for FY2018	
Strategies for environmentally friendly products at the world-class level			
Molded products			
<ul style="list-style-type: none"> Expand the mass production of Exterior plastic molded foam products 	<ul style="list-style-type: none"> Continue to respond to weight-saving needs 	<ul style="list-style-type: none"> To expand businesses, a system that will maintain Hitachi Chemical's competitive advantage is in place. The number of customers has increased due to the cultivation of new customers. Production has begun at alliance partners. 	
Powder Metal Products			
<ul style="list-style-type: none"> Established a design center in Thailand, received new local orders 	<ul style="list-style-type: none"> Successfully start up operations planned in FY2018 		
Friction materials			
<ul style="list-style-type: none"> Started the mass production of copper-free disk brake pads for U.S. auto manufacturers 	<ul style="list-style-type: none"> Continue to respond to market needs for copper-free disk brake pads 		
Globally extending sales, development and production sites			
M&A			
<ul style="list-style-type: none"> Made ISOLITE a consolidated subsidiary 	<ul style="list-style-type: none"> Expanding global sales of insulating materials in response to demands for environmental regulatory compliance 		

Goals for the 10-year Strategy

Become a global top 3 supplier

Top Message

At a Glance

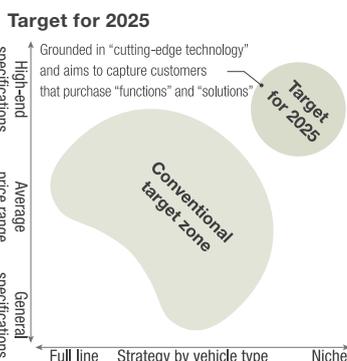
Our Strategy

Our Initiatives

marketing project spanning multiple divisions and is conducting market analysis and research. In fiscal year 2018, the Group will develop strategies and technologies aimed at further participation in the HEV market, and expand into EV market as its next target.

Strategies for environmentally friendly products at the world-class level

An automobile's environmental soundness, including lighter weight, restrictions on pollutant emissions and thermal management, is expected to become increasingly critical. Hitachi Chemical has a wide range of eco-friendly products in the molded plastic products, powder metal products and friction materials fields, and we will continue to focus on increasing sales of these products. Moreover, in the field of thermal management, we will focus on creating a synergy between the technologies of ISOLITE and Hitachi Chemical.



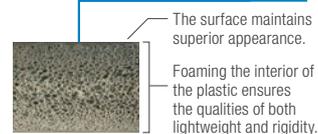
For detailed information, refer to [Hitachi Chemicals Website](#) ▶ [About Hitachi Chemical](#) ▶ [News release](#). Apr. 27, 2017: Notice Regarding the Share Acquisition of ISOLITE GmbH, a Thermal Insulation Manufacturer in Germany

- HEV**
Hybrid Electric Vehicle
- EV**
Electric Vehicle

Major Products

Exterior plastic molded foam products

In keeping with its goal of realizing a sustainable environment, Hitachi Chemical is pursuing the development of new products that can cater to the demand for lighter automobiles. As part of this effort, we succeeded in the development of exterior plastic molded foam products that are both rigid and lightweight. These products are being used by automobile manufacturers in an increasing number of projects and Hitachi Chemical will focus leveraging this technology as part of its global expansion efforts.



Examples of actual use: exterior plastic molded foam products (left: New Nissan Serena, right: New Subaru XV)

Product examples

ISOLITE Thermal Insulations

ISOLITE, which was made a consolidated subsidiary in fiscal year 2017, is engaged in the manufacturing and sale of insulating components for automobiles, aircraft and industrial applications and is highly regarded for its unique and highly effective insulating components. With demand for environmentally sound products on the increase, Hitachi Chemical will continue to expand the businesses of both companies through cross-selling, accelerate the development of eco-friendly products through synergies in insulating technologies, and strengthen its proposals for thermal management solutions for products such as engines and exhaust system components.



Exhaust manifold coated with ISOLITE insulating material



ISOLITE Akustop



ISOLITE Heatshield