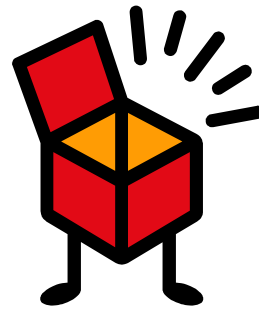


# Financial Highlights

the 6-month period ended September 30, 2013  
(Fiscal 2013)



Materials Mag!c

October 28, 2013

**Hitachi Metals, Ltd.**

<http://www.hitachi-metals.co.jp>

E-Mail : [hmir@hitachi-metals.co.jp](mailto:hmir@hitachi-metals.co.jp)

## ■ Demand trends

Automotive sector: Domestic production was on an upswing and demand increased overseas outside of Europe, including North America and Asia as well.

Electronics sector: Robust demand for smartphones and tablets has continued.

Infrastructure sector: Demand remained positive overseas and public and private sector facilities investments showed steady increases in Japan as well.

## ■ Sales: ¥350.5 billion (at 128% compared to the 1<sup>st</sup> half of FY2012, and at 134% compared to the 2<sup>nd</sup> half of FY2012)

**Operating income: ¥23.1 billion** (up ¥6.1 billion compared to the 1<sup>st</sup> half of FY2012, and up ¥19 billion compared to the 2<sup>nd</sup> half of FY2012)

- High-grade metal products and materials: Income and profits increased compared to both the same period (the 1<sup>st</sup> half of FY2012) the previous year and the preceding term (the 2<sup>nd</sup> half of FY2012) as the weaker yen led to better export conditions, demand for environmentally-friendly products rose, and benefits were obtained from expanded operations.
- Magnetic materials and applications: Automotive and solar power sector demand remained positive, but the lingering effects of the Q1 drop in raw materials prices meant that profits fell compared to the same period the year before, although they were substantially better than in the preceding term.
- High-grade functional components and equipment: Bolstered by automotive sector demand in Japan and overseas, as well as public and private sector capital expenditures, income and profits rose compared to both the same period the previous year and the preceding term.
- Wires, cables, and related products: Demand related to public works spending and the automotive, construction, and communications sectors remained positive and improved substantially in terms of profits profitability thanks to the positive results of restructuring.

Note: Overseas sales: ¥153.4 billion (accounting for 43.8% of sales)

North America: ¥42.9 billion (12.2% of total); Asia: ¥83.4 billion (23.8%); Europe: ¥21.7 billion (6.2%); other: ¥5.4 billion (1.6%)

## ■ Full-year performance outlook

**Sales ¥790 billion, operating income ¥56 billion, net income ¥35.5 billion**

Explanatory note: If Hitachi Cable's FY2013 Q1 performance were taken into account, FY2013 sales would be ¥878.3 billion and operating income would be ¥59.2 billion.

- The full-year performance forecast announced on July 26 has been revised upward.
- The full quantitative benefits of the merger should manifest themselves ahead of schedule from FY2014, and efforts related to that are ongoing.

# Consolidated Financial Highlights

(Unit: ¥ billion; [ ]: year-on-year)

	FY2012 (Actual)							FY2013				
	1Q	2Q	1H	3Q	4Q	2H	Full Year	1Q Actual	2Q Actual	1H Actual	2H Forecast	Full Year Forecast
Net sales	141.1	133.3	274.4	130.9	130.5	261.4	535.8	135.4	215.1	350.5	439.5	790.0
								Former Hitachi Cable 88.3	Note: After factoring in 1Q results of the former Hitachi Cable, the 1H results would be ¥438.8 billion.		Note: After factoring in 1Q results of the former Hitachi Cable, the full year forecast would be ¥878.3 billion.	
Operating income	10.3	6.7	17.0	0.4	3.7	4.1	21.1	8.7	14.4	23.1	32.9	56.0
								Former Hitachi Cable 3.2	Note: After factoring in 1Q results of the former Hitachi Cable, the 1H results would be ¥26.3 billion.		Note: After factoring in 1Q results of the former Hitachi Cable, the full year forecast would be ¥59.2 billion.	
Income before income taxes	11.7	6.0	17.7	(0.3)	(0.2)	(0.5)	17.2	7.5	10.5	18.0	31.0	49.0
Net income	7.3	3.6	10.9	(0.7)	2.8	2.1	13.0	3.7	5.9	9.6	25.9	35.5
ROE (%)	13.1	6.5	9.8	(1.2)	4.5	1.7	5.5	5.9	8.3	6.7	15.4	11.9
Capital investment	6.7	6.8	13.5	5.1	8.1	13.2	26.7	5.1	9.5	14.6	25.4	40.0
Depreciation and amortization	5.7	5.9	11.6	6.1	6.5	12.6	24.2	6.3	8.9	15.1	18.9	34.0
R&D expenses	2.8	2.7	5.5	2.8	2.8	5.6	11.1	2.7	4.6	7.3	9.7	17.0

# Sales Volume and Operating Income by Segment: High-Grade Metal Products and Materials

Unit: ¥ billion

## Sales: ¥117 billion

At 104% compared to the 1<sup>st</sup> half of FY2012 and at 106% compared to the 2<sup>nd</sup> half of FY2012

## Operating income: ¥12.3 billion

Up ¥4.1 billion compared to the 1<sup>st</sup> half of FY2012, and up ¥2.8 billion compared to the 2<sup>nd</sup> half of FY2012

Income and profits increased compared to both the same period (the 1<sup>st</sup> half of FY2012) the previous year and the preceding term (the 2<sup>nd</sup> half of FY2012) as the weaker yen led to better export conditions, demand for environmentally-friendly products rose, and benefits were obtained from expanded operations.

### ■ Specialty steel

#### ▪ Molds and tool steel

This product segment decreased compared to the same period the previous year despite an upswing in overseas demand and a shift to recovery mode in domestic demand in the latter half of the term as car production rebounded.

#### ▪ Electronics

Demand for display materials for small and mid-sized models remained positive and rebounded for semiconductor and other package materials.

#### ▪ Industrial equipment and energy sector

Demand for environmentally friendly automotive products stayed firm and expanded for aerospace materials in energy sector products.

### ■ Rolls

- Demand rose for all types of rolls overseas while gearing down in the domestic market.
- Demand for injection molding machine components rose slightly as both domestic and overseas markets rebounded.

### ■ Amorphous metals

Demand flourished and rose in China, a leading market, thanks to the government's policies to promote adoption of energy-conserving equipment.

### ■ Cutting tools

Although domestic demand for industrial machinery and other equipment had yet to recover, it continued firm and rose overseas against the backdrop of improving conditions for exports.

## FY2012 1<sup>st</sup> half

## FY2012 2<sup>nd</sup> half

## FY2013 1<sup>st</sup> half

FY2012 Q1  
(Apr.–Jun.)

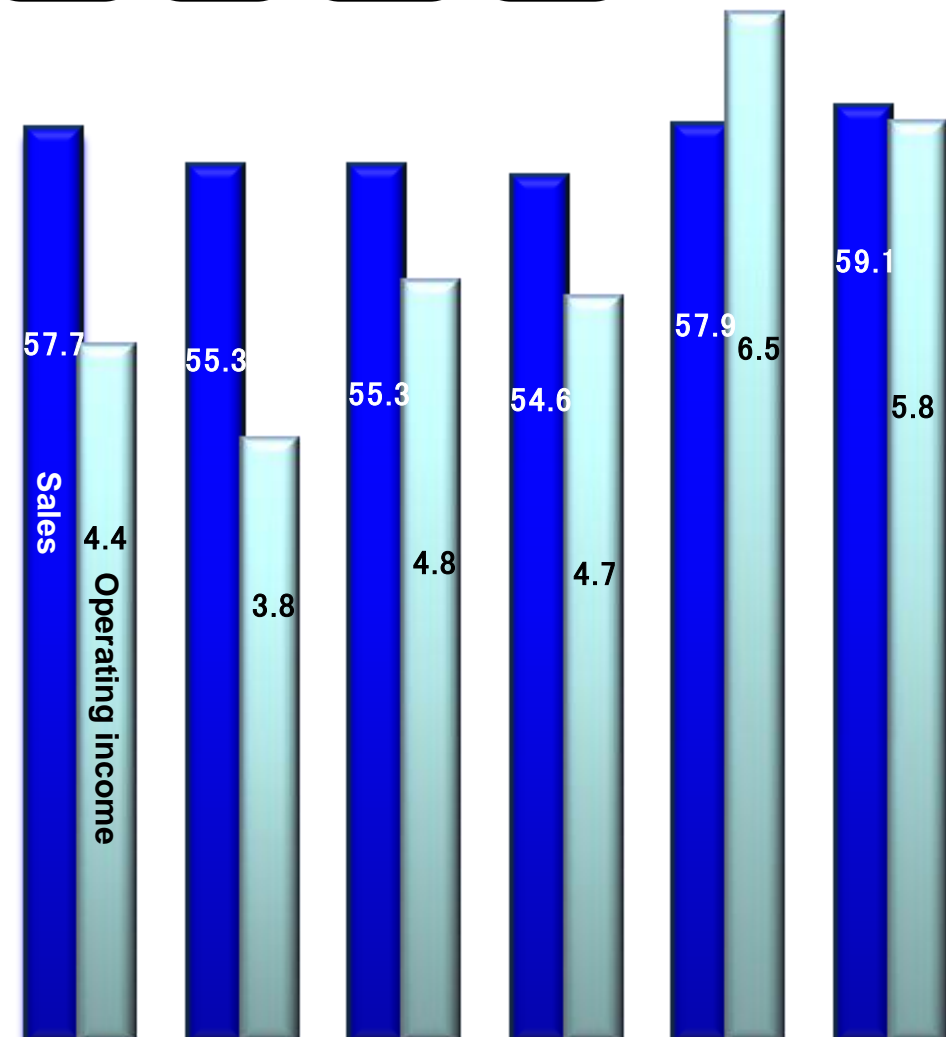
FY2012 Q2  
(Jul.–Sep.)

FY2012 Q3  
(Oct.–Dec.)

FY2012 Q4  
(Jan.–Mar.)

FY2013 Q1  
(Apr.–Jun.)

FY2013 Q2  
(Jul.–Sep.)



# Sales Volume and Operating Income by Segment: Magnetic Materials and Applications

Unit: ¥ billion

## Sales: ¥64.5 billion

At 83% compared to the 1<sup>st</sup> half of FY2012 and at 101% compared to the 2<sup>nd</sup> half of FY2012

## Operating income: ¥3.8 billion

Down ¥3.1 billion compared to the 1<sup>st</sup> half of FY2012, and up ¥11.6 billion compared to the 2<sup>nd</sup> half of FY2012

Automotive and solar power sector demand remained positive, but the lingering effects of the Q1 drop in raw materials prices meant that profits fell compared to the same period the year before (the 1<sup>st</sup> half of FY2012), although they were substantially better than in the preceding term (the 2<sup>nd</sup> half of FY2012).

### ■ Magnets

#### ▪ Rare earth magnets

Although there was an uptick in demand for electronics components used for hybrid vehicles and domestic cars and a recovery in FA-related demand, the hard disk drive market slump continued and the additional impact of falling raw materials prices resulted in a decline compared to the same period the previous year.

#### ▪ Ferrite magnets

Demand for automotive electronics parts and appliance components both in Japan and overseas remained favorable and even increased.

### ■ Soft magnetic materials and applications

Demand for soft ferrite for solar power generator parts and automotive electronics components remained positive, and European demand for FINEMET for solar power generator parts in the first half of the term also continued firm for an overall increase.

Note: This business segment's name was changed from the previous electronics and IT devices to magnetic materials and applications from the first quarter. This had no effect on business performance.

FY2012 1<sup>st</sup> half

FY2012 2<sup>nd</sup> half

FY2013 1<sup>st</sup> half

FY2012 Q1  
(Apr.–Jun.)

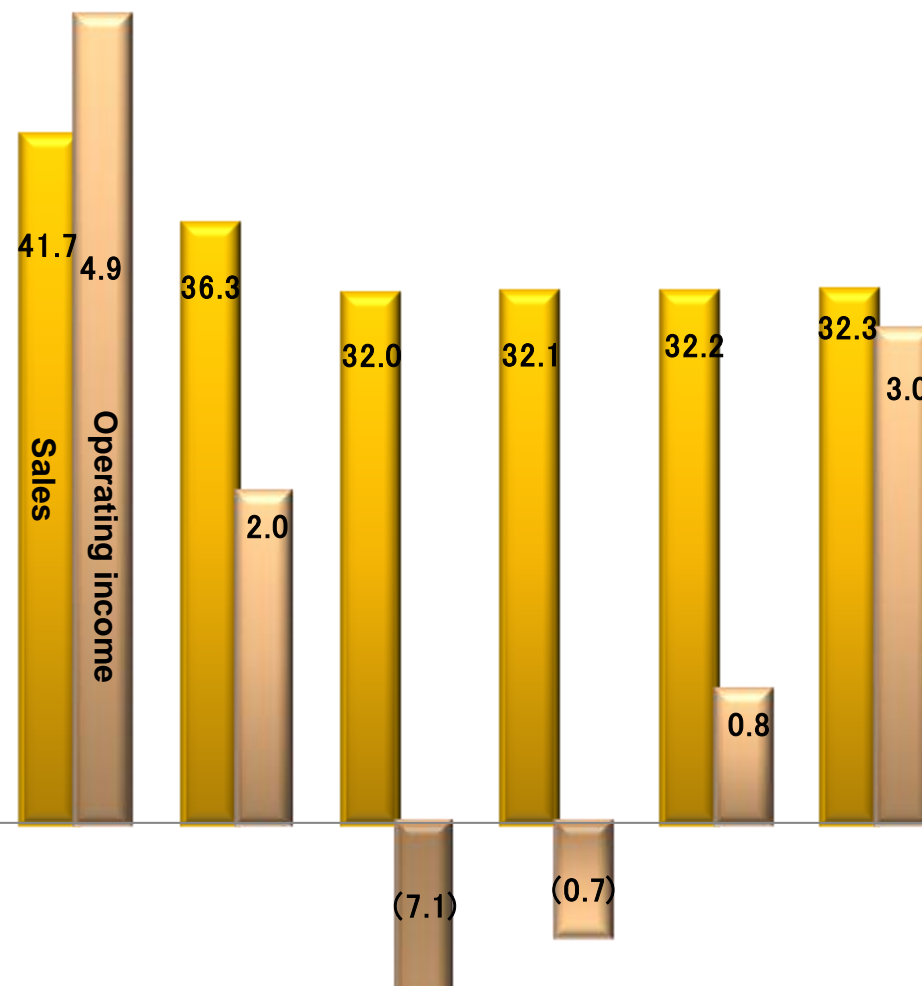
FY2012 Q2  
(Jul.–Sep.)

FY2012 Q3  
(Oct.–Dec.)

FY2012 Q4  
(Jan.–Mar.)

FY2013 Q1  
(Apr.–Jun.)

FY2013 Q2  
(Jul.–Sep.)



# Sales Volume and Operating Income by Segment: High-Grade Functional Components and Equipment

Unit: ¥ billion

## Sales: ¥91.1 billion

At 109% compared to the 1<sup>st</sup> half of FY2012 and at 103% compared to the 2<sup>nd</sup> half of FY2012

## Operating income: ¥6 billion

Up ¥1.5 billion compared to the 1<sup>st</sup> half of FY2012, and up ¥0.3 billion compared to the 2<sup>nd</sup> half of FY2012

Bolstered by automotive sector demand in Japan and overseas, as well as public and private sector capital expenditures, income and profits rose compared to both the same period the previous year (the 1<sup>st</sup> half of FY2012 ) and the preceding term (the 2<sup>nd</sup> half of FY2012).

### ■Automotive castings

#### • Heat-resistant cast components

Despite the continuing effects of the economic slowdown in major European markets, demand remained positive in connection with moves to make smaller car engines in the United States and Japan.

#### • High-grade ductile cast-iron products

Rose overall as overseas passenger vehicle demand continued to remain vigorous in the United States and elsewhere, as well as in Japan, where demand was mainly for commercial vehicles.

#### • Aluminum wheels

Fell below projections in both the United States and Japan, declining slightly compared to the same period the previous year.

### ■Piping and components

#### • Pipe fittings

Along with the rebound in housing starts in Japan, the steady recovery in the American housing market yielded an increase.

#### • Stainless steel and plastic pipe and fixtures

Positive demand continued thanks to the high ratings received for easy-to-install, earthquake-resistant products for gas-related applications.

### ■Construction materials

Sustained by domestic private-sector capital expenditures and public works spending, demand for construction of steel frame structures remained strong.

FY2012 1<sup>st</sup> half

FY2012 2<sup>nd</sup> half

FY2013 1<sup>st</sup> half

FY2012 Q1  
(Apr.–Jun.)

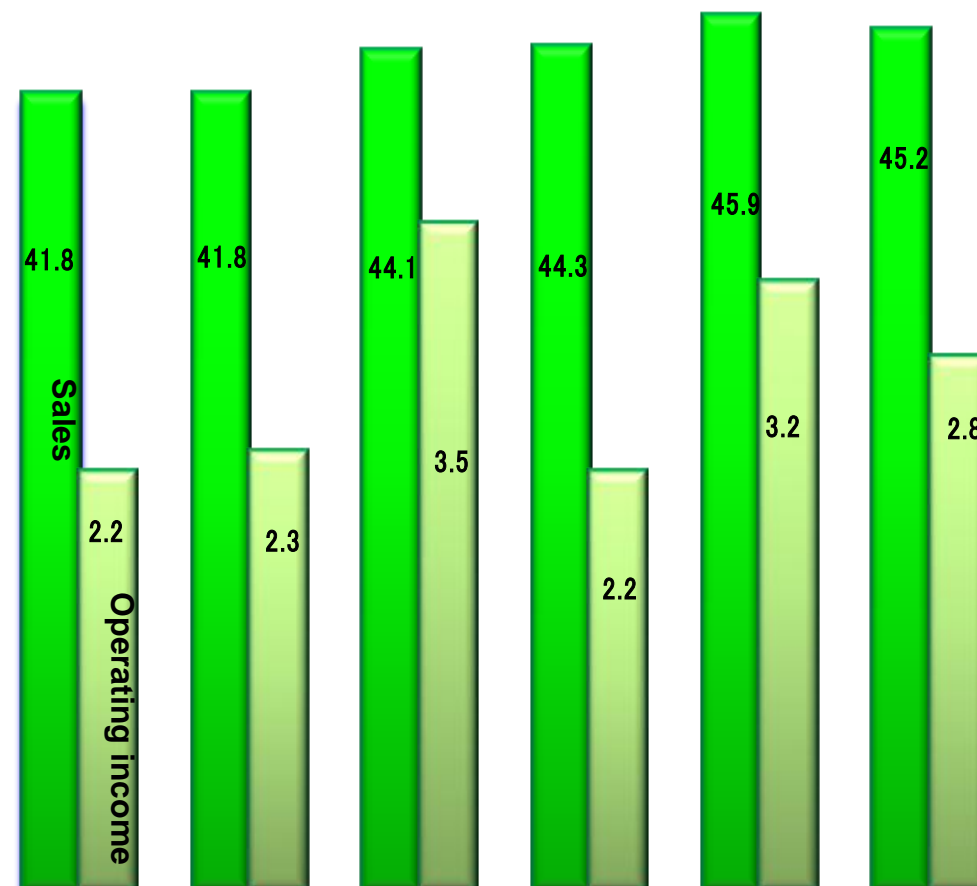
FY2012 Q2  
(Jul.–Sep.)

FY2012 Q3  
(Oct.–Dec.)

FY2012 Q4  
(Jan.–Mar.)

FY2013 Q1  
(Apr.–Jun.)

FY2013 Q2  
(Jul.–Sep.)



# Sales Volume and Operating Income by Segment: Wires, Cables, and Related Products

## Sales: ¥79.2 billion (Q2 only)

Explanatory note: If the former Hitachi Cable's ¥88.3 billion in FY2013 Q1 sales were taken into account, the 1<sup>st</sup> half of FY2013 total would be ¥167.5 billion.

## Operating income: ¥4.4 billion (Q2 only)

Explanatory note: If the former Hitachi Cable's ¥3.2 billion in FY2013 Q1 operating income were taken into account, the 1<sup>st</sup> half of FY2013 total would be ¥7.6 billion.

Demand related to public works spending and the automotive, construction and communications sectors remained positive, and profitability improved substantially thanks to the positive results of restructuring.

### ■ Electrical wire and cables

Along with demand related to public works spending and new rail construction projects, electrical power and industrial systems also continued to be buoyed by demand for the construction of facilities for solar power generation and other purposes. Demand for electronics and communications products—primarily for semiconductor manufacturing equipment—remained positive. Despite sluggish demand for magnet wire, demand for electronic devices related to photovoltaic cells remained positive.

### ■ Automotive components

Demand continued to be brisk, primarily for products in the core electrical components sector, and product launches for new vehicle models also contributed to growth.

### ■ IT devices

IT devices continued to do well thanks to increased sales of network equipment in connection with carriers' expenditures to augment their networks due to the widespread adoption of smartphones.

Note: This is a new business segment, created as a result of the July 1, 2013 merger with Hitachi Cable, Ltd. This segment's results are reflected in the Hitachi Metals Group's consolidated accounting period for the second quarter of this fiscal year.

FY2012 1<sup>st</sup> half

FY2012 2<sup>nd</sup> half

FY2013 1<sup>st</sup> half

FY2012 Q1  
(Apr.–Jun.)

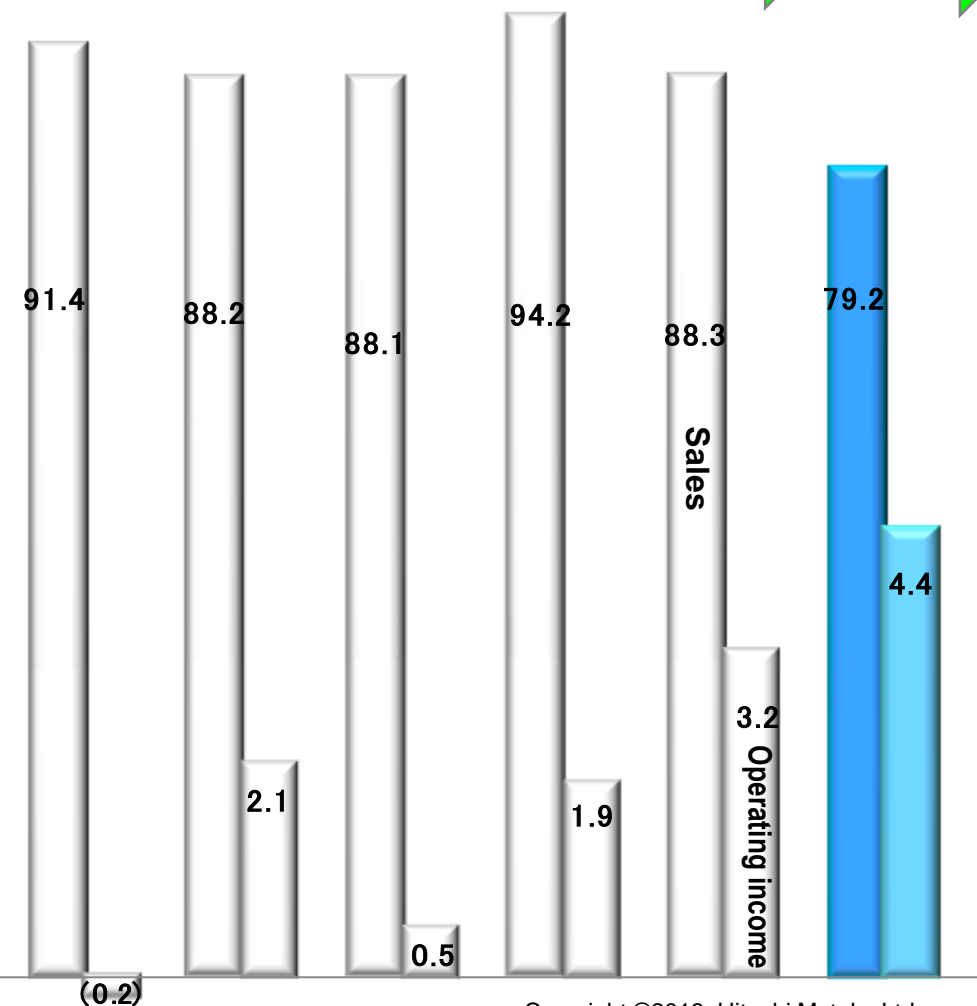
FY2012 Q2  
(Jul.–Sep.)

FY2012 Q3  
(Oct.–Dec.)

FY2012 Q4  
(Jan.–Mar.)

FY2013 Q1  
(Apr.–Jun.)

FY2013 Q2  
(Jul.–Sep.)



# Forecasts for Fiscal 2013

**Net Sales: ¥790.0 billion**  
**Operating Income: ¥56.0 billion**

The Company set up the Cable Materials Company in connection with a merger with Hitachi Cable, Ltd., as of July 1, 2013. The Company will reflect operating results from that company in the Cables and Related Products segment from the second quarter of FY2013.

Note: If Hitachi Cable's first-quarter sales of ¥88.3 billion and operating income of ¥3.2 billion were included, net sales for the first quarter of FY2013 would be ¥878.3 billion, while operating income would be ¥59.2 billion.

## ■ High-Grade Metal Products and Materials

Net Sales: ¥240.0 billion (up 8% from FY2012)  
 Operating Income: ¥27.0 billion (up ¥9.3 billion from FY2012)

## ■ Magnetic Materials and Applications

Net Sales: ¥132.5 billion (down 7% from FY2012)  
 Operating Income: ¥12.0 billion (up ¥12.9 billion from FY2012)

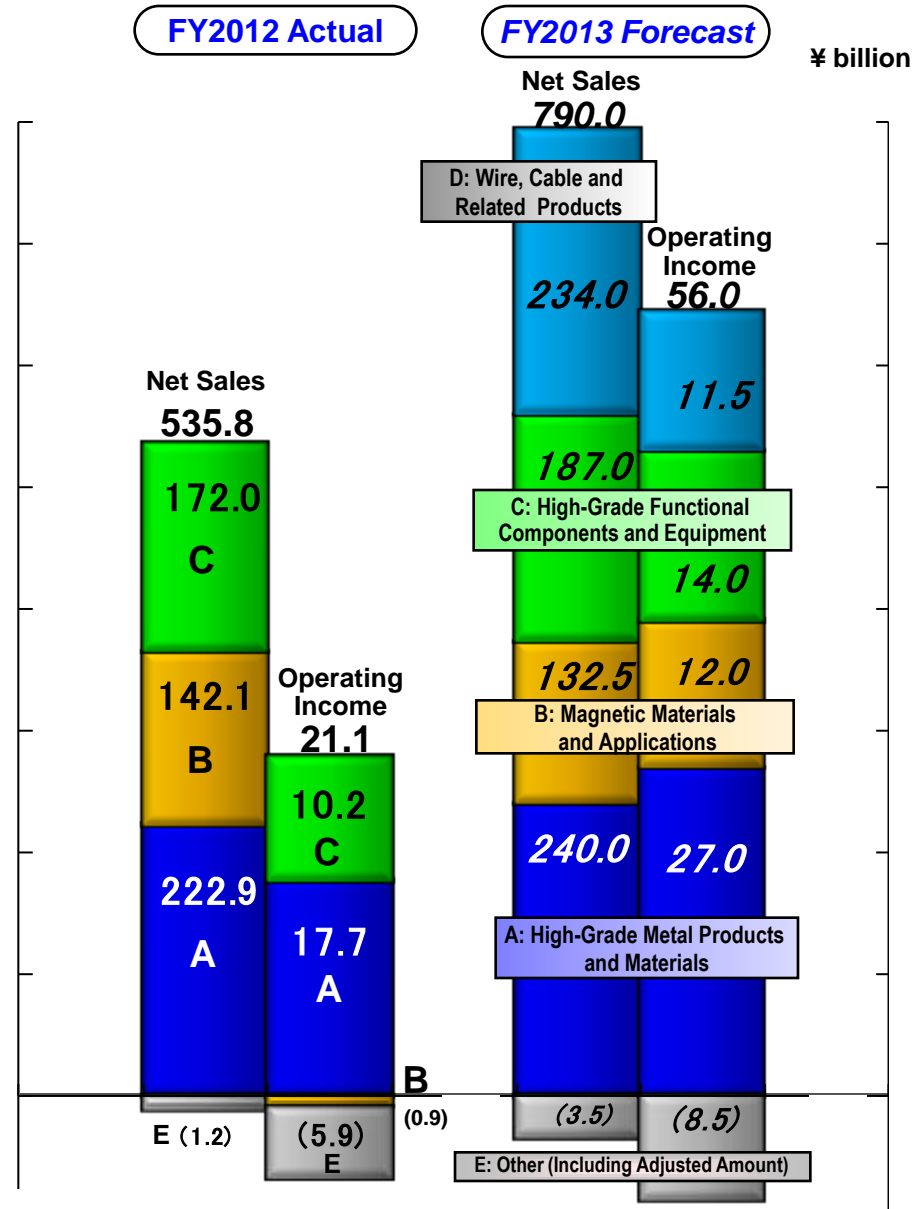
## ■ High-Grade Functional Components and Equipment

Net Sales: ¥187.0 billion (up 9% from FY2012)  
 Operating Income: ¥14.0 billion (up ¥3.8 billion from FY2012)

## ■ Wire, Cable and Related Products

Net Sales: ¥234.0 billion  
 Note: Factoring in first-quarter results, segment sales for fiscal 2013 would be ¥322.3 billion, down 11% from FY2012.

Operating Income: ¥11.5 billion  
 Note: Factoring in first-quarter results, segment operating income for FY2013 would be ¥14.7 billion, up ¥10.4 billion from FY2012.





# Sales Volume and Operating Income by Segment

		(¥billion)				
		FY2012 Performance based on simple totaling of Hitachi Metals and Hitachi Cable	FY2013 Forecast *announced July 26, 2013	FY2013 Forecast *announced October 28, 2013	(Reference) FY2013 Forecast after adding Hitachi Cable's FY2013 Q1 results	(Reference) FY2015 Targets hypothetical ¥90=\$1 exchange rate
High-grade metal products and materials	Sales	222.9	243.5	240.0	240.0	262.0
	Operating income	17.7	26.5	27.0	27.0	31.5
	Operating margin	7.9%	10.9%	11.3%	11.3%	12.0%
Magnetic materials and applications	Sales	142.1	130.0	132.5	132.5	139.0
	Operating income	(0.9)	12.0	12.0	12.0	16.0
	Operating margin	(0.6%)	9.2%	9.1%	9.1%	11.5%
High-grade functional components and equipment	Sales	172.0	187.0	187.0	187.0	202.0
	Operating income	10.2	14.5	14.0	14.0	18.5
	Operating margin	5.9%	7.8%	7.5%	7.5%	9.2%
Wires, cables, and related products	Sales	362.0	222.0	234.0	322.3	305.0
	Operating income	4.3	8.5	11.5	14.7	15.5
	Operating margin	1.2%	3.8%	4.9%	4.6%	5.1%
Other, adjusted figures	Sales	(1.2)	(2.5)	(3.5)	(3.5)	(28.0)
	Operating income	(5.9)	(8.5)	(8.5)	(8.5)	(6.5)
Total	Sales	897.8	780.0	790.0	878.3	880.0
	Operating income	25.4	53.0	56.0	59.2	75.0
	Operating margin	2.8%	6.8%	7.1%	6.7%	8.5%

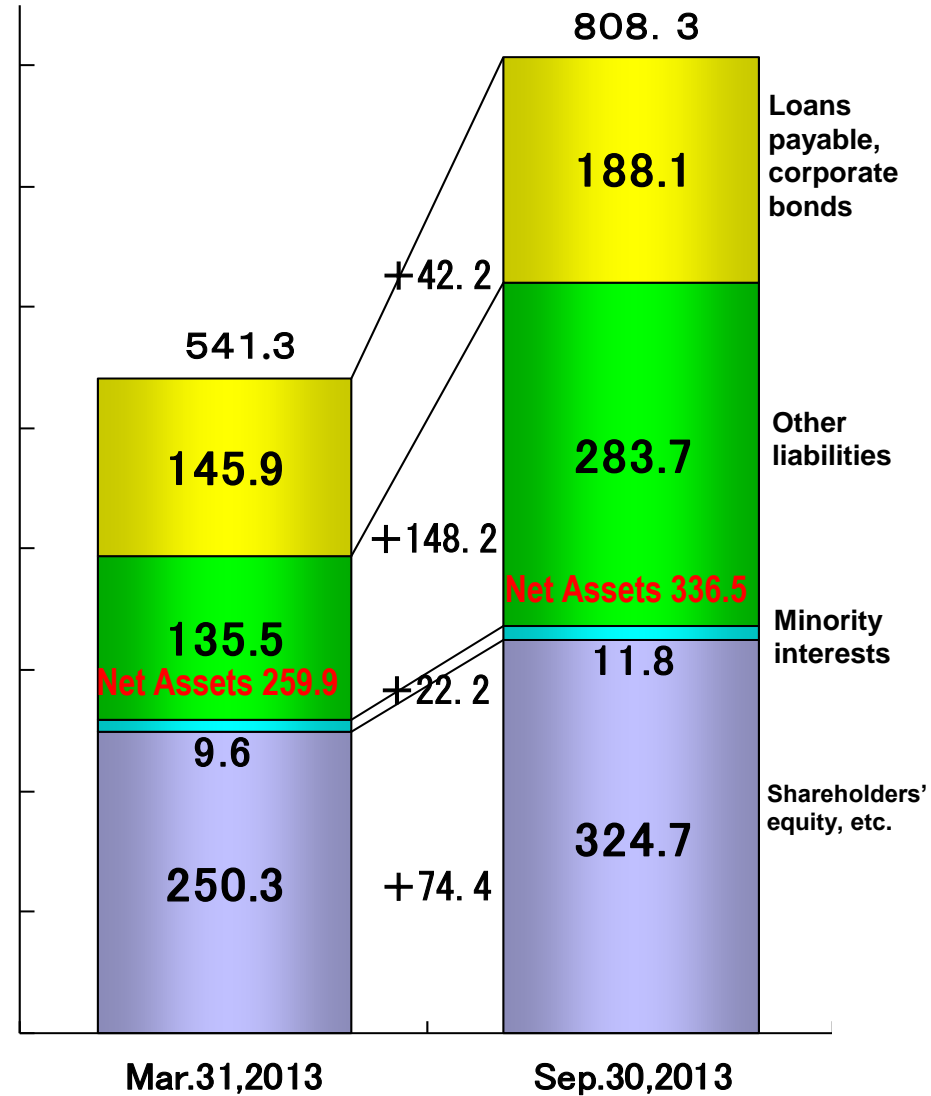
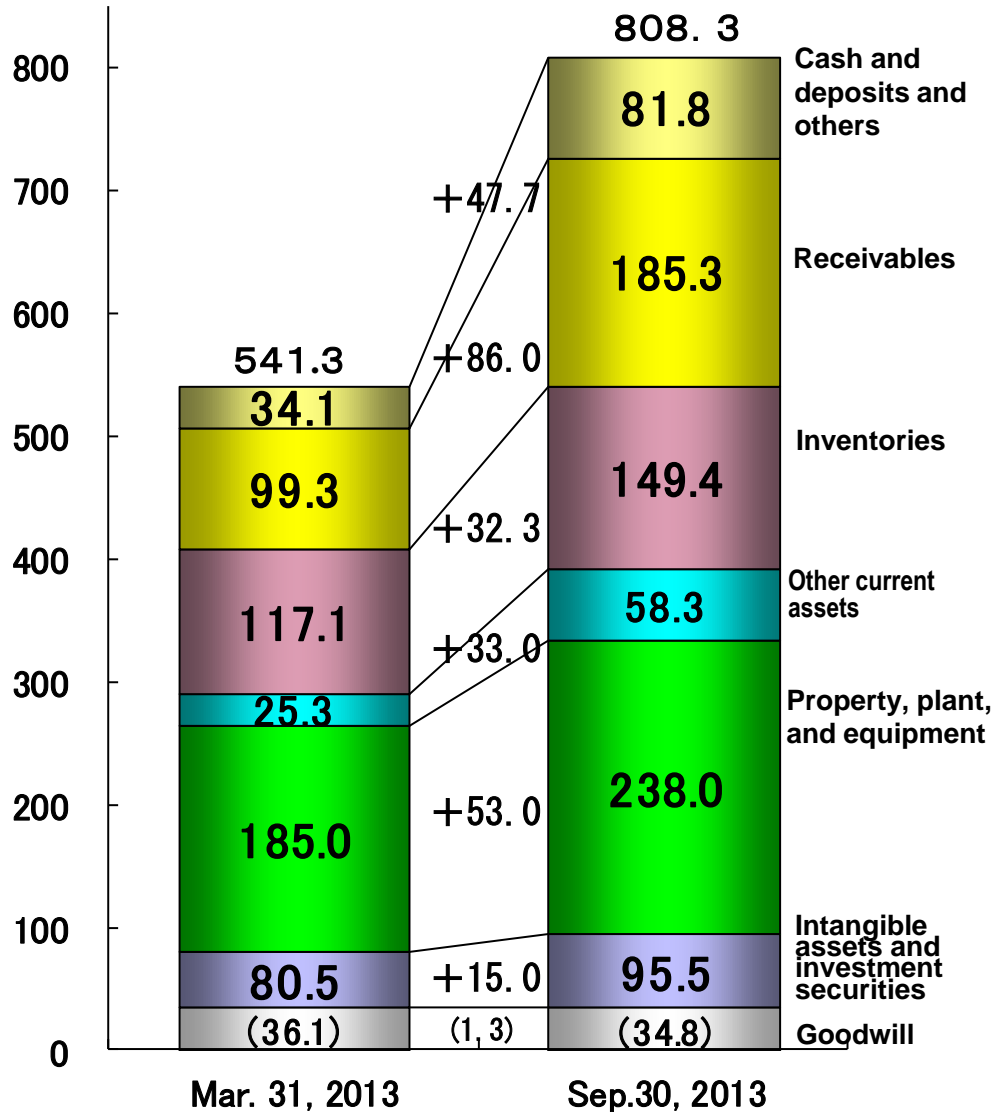
# Consolidated Balance Sheets

## Assets

D/E ratio 0.58

## Liabilities and Net Assets

¥ billion



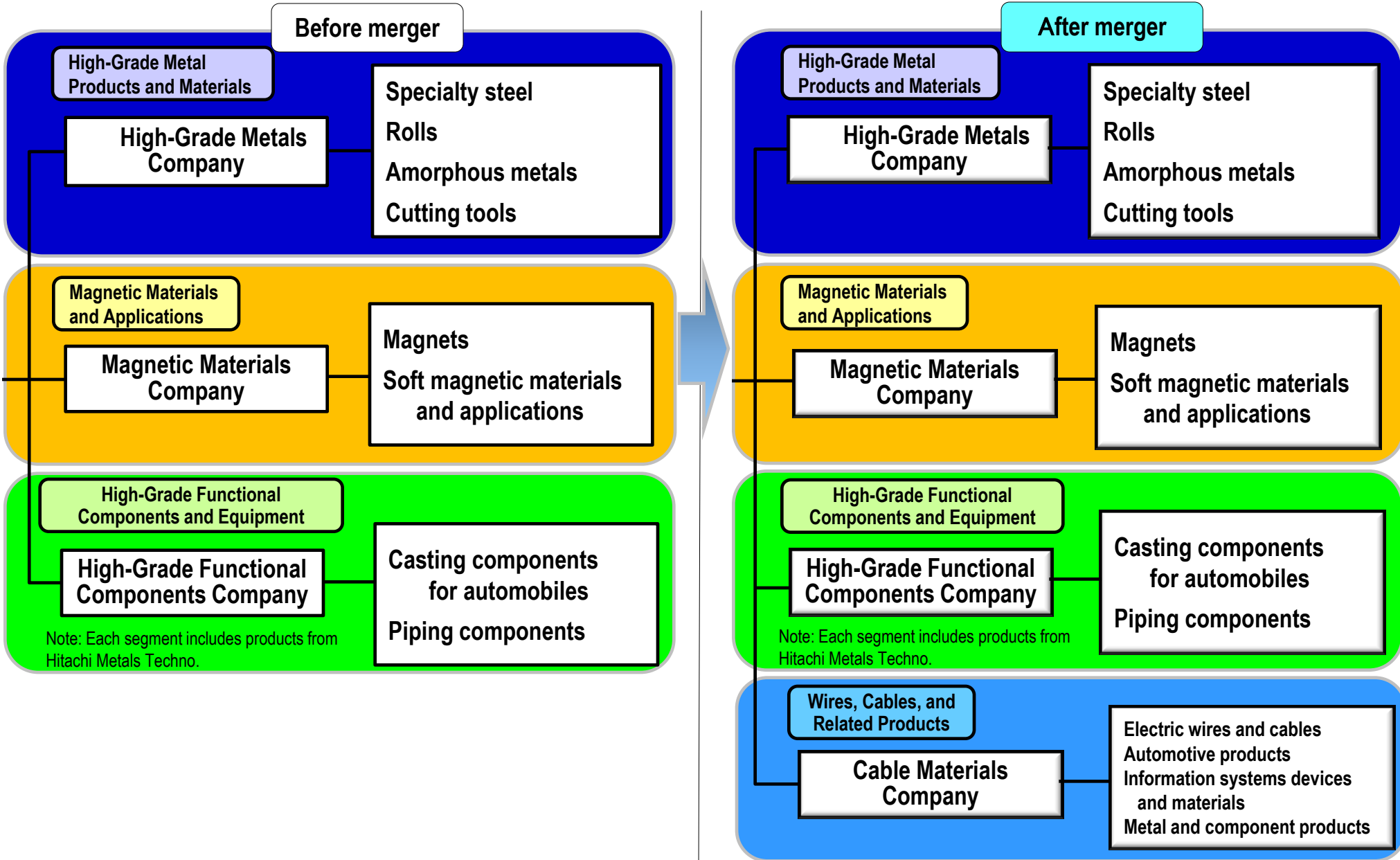
# Consolidated Cash Flows

(¥ billion)

Item	2Q FY2012	2Q FY2013
Cash and cash equivalents at beginning of year	28.0	34.1
Income before income taxes and minority interests	17.7	18.0
Depreciation and amortization	11.6	15.1
Decrease (increase) in inventories	11.5	5.4
Other	(4.3)	13.9
<b>Cash flows from operating activities</b>	<b>36.5</b>	<b>52.4</b>
Capital investment*	(16.6)	(14.8)
Other	0.8	1.1
<b>Free cash flow</b>	<b>20.7</b>	<b>38.7</b>
Decrease (increase) in borrowings and bonds	(20.9)	(8.0)
Dividend payments, etc.	(3.3)	(3.8)
<b>Net cash flow</b>	<b>(3.5)</b>	<b>26.9</b>
Effect of exchange rate changes, etc.	(1.2)	20.8
Net increase (decrease)	(4.7)	47.7
Cash and cash equivalents at end of year	23.3	81.8





\*On an accrual basis (i.e., expenditures are recognized upon receipt and inspection of items)

# Hitachi Metals' Corporate Structure (July 2013)



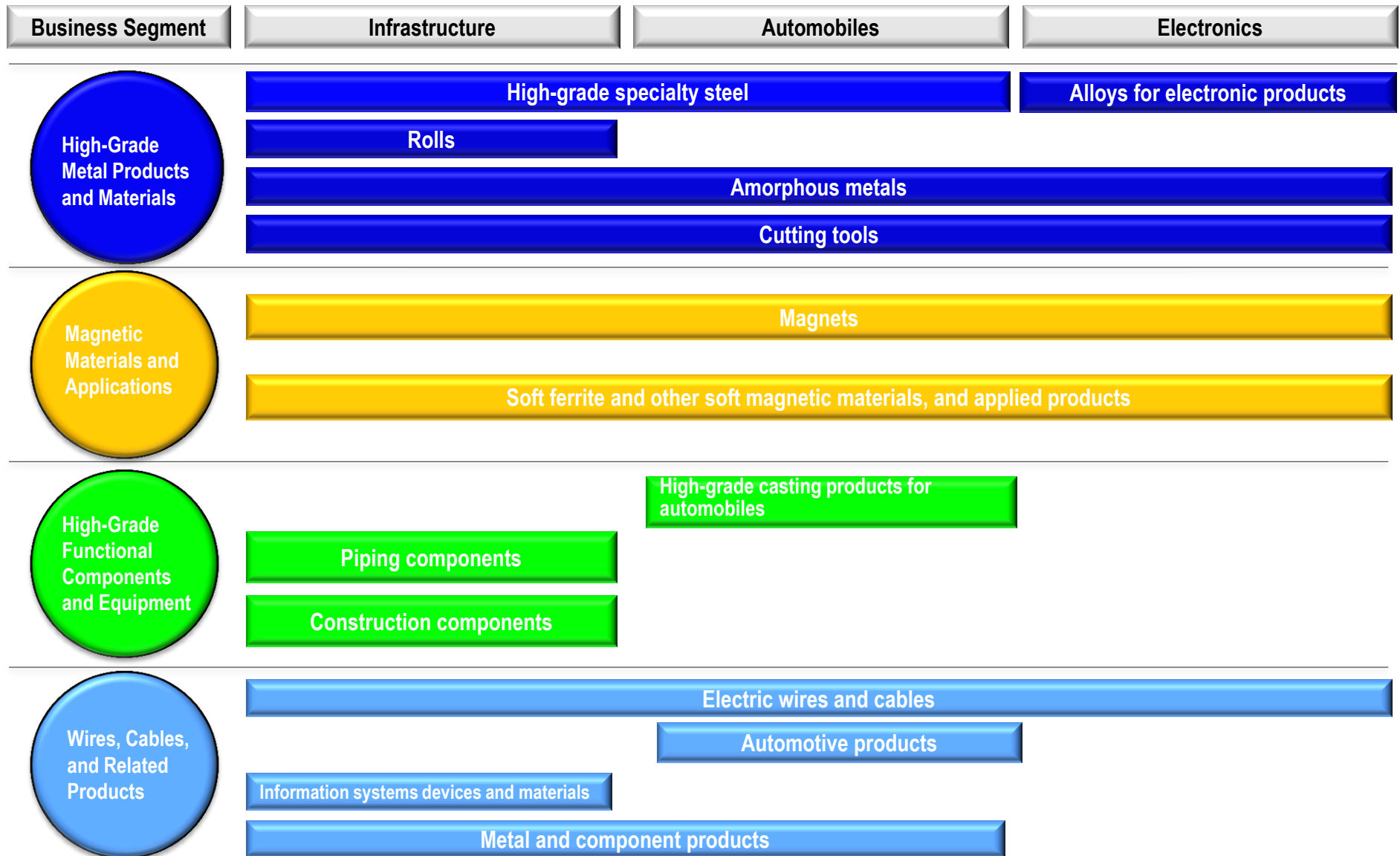
## Business Segment

## Principal Products

 <p>High-Grade Metal Products</p>	High-Grade Metals Company	Specialty Steel	YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment and energy-related materials, and razor and blade materials)
		Rolls	Rolls for steel mills, injection molding machine parts, structural ceramic products, steel-frame joints for construction
		Amorphous Metals	Metglas® amorphous metals
		Hitachi Tool Engineering, Ltd.	Cutting tools
 <p>Magnetic Materials and Applications</p>	Magnetic Materials Company	Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products), soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material; and Metglas® amorphous metals) and applied products, components for information and telecommunication equipment, IT materials and components, materials and components for medical equipment	
 <p>High-Grade Functional Components and Equipment</p>	High-Grade Functional Components Company	Casting Components for Automobiles	High-grade casting components for automobiles (HERCUNITE® heat-resistant exhaust casting components and HNM™ high-grade ductile cast iron products), SCUBA™ aluminum wheels and other aluminum components, forged components for automobiles
		Piping Components	Piping and infrastructure components (Gourd® brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
	Hitachi Metals Techno, Ltd.	Construction components (floor access systems, structural systems, and roofing systems), chain (for material handling systems)	
 <p>Wires, Cables, and Related Products</p>	Cable Materials Company	Electric power and industrial wires and cables; electronic wires, cables, and wiring devices; fiber optic and telecommunication cables; magnet wires; and industrial rubber products; electronic components and brake hoses for automobiles; information networks, wireless systems, compound semiconductor products, and other information systems devices and materials; brass and other metal products	

# Hitachi Metals' Corporate Structure by Market Sector

[A materials manufacturer that provides high quality in a broad spectrum of industry sectors based on materials development](#)



This document contains forward-looking statements, such as results forecasts and management plans, which are not historical facts. All such forward-looking statements were based upon all available information and upon assumptions and projections that were deemed rational at the time the Company prepared this document. Changes to the underlying assumptions or circumstances could cause actual results to differ substantially. Factors for causing such differences include, but are not limited to, the following:

- Changes in economic conditions and regulations in main markets where the Company operates, particularly Japan, the United States, Asia and Europe
- Sudden changes in technological trends
- Changes in competitive advantage and the capabilities of the Company and its subsidiaries and affiliates to develop and commercialize new products and businesses
- Fluctuation in status and conditions of product markets, exchange rates or international commodity markets
- Changes in financing environments
- Capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, status and conditions of product markets, exchange rates or international commodity markets
- Protection of the Company's intellectual property, and securing of licenses to use intellectual property of other parties
- Changes in status of alliances with other parties for product development, etc.
- Fluctuation of Japanese stock markets