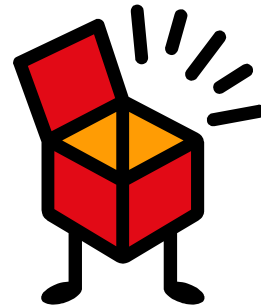


# Financial Highlights

the 3-month period ended December 31, 2013  
(Fiscal 2013)



Materials Mag!c

January 29, 2014

**Hitachi Metals, Ltd.**

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## ■ Demand trends

- Automobile-related : Domestic Japanese production strengthened against the backdrop of improved exports. Overseas, although European demand failed to rebound, demand in both North America and Asia increased.
- Electronics-related : Demand for smartphones, tablet terminals and other devices held steady.
- Infrastructure-related: Overseas demand was favorable, while in Japan both public and private capital investment turned in solid figures.

■ **Sales: ¥226.3 billion** (at 173% compared to the 3Q of FY2012, and at 105% compared to the 2Q of FY2013)

**Operating income: ¥18.0 billion** (up ¥17.6 billion compared to the 3Q of FY2012, and up ¥3.6 billion compared to the 2Q of FY2013)

- **High-grade metal products and materials:** Due to improvements in the export environment and strong demand for environmentally friendly products, income increased both from the 3Q of FY2012 and the 2Q of FY2013.
- **Magnetic materials and applications:** Automobile- and solar-related demand was solid, and improvements were recorded on the income front compared to both the 3Q of FY2012 and the 2Q of FY2013.
- **High-grade functional components and equipment:** Supported by domestic and overseas demand for automobiles and public and private capital investment, sales and operating income improved over both the 3Q of FY2012 and the 2Q of FY2013.
- **Wires, cables, and related products:** Public capital investment was strong, with demand in the automobile, construction and telecommunication sectors favorable as well. On the income front, the effects of structural reform supported major improvements in profitability.

Note: Overseas sales: ¥91.2 billion (accounting for 40.3% of sales)

North America: ¥25.8 billion (11.4% of total); Asia: ¥50.6 billion (22.4%); Europe: ¥12.0 billion (5.3%); other: ¥2.8 billion (1.2%)

## ■ Full-year performance outlook

There has been no revision in the outlook figures announced on October 28, 2013 (sales of ¥790 billion, operating income of ¥56 billion and net income of ¥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.

# Consolidated Financial Highlights

(Unit: ¥ billion;)

	FY2012 (Actual)							FY2013					
	1Q	2Q	1H	3Q	4Q	2H	Full Year	1Q Actual	2Q Actual	1H Actual	3Q 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	226.3	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	14.5	23.2	18.0	32.8	56.0
								Former Hitachi Cable 3.2	Note: After factoring in 1Q results of the former Hitachi Cable, the 1H results would be ¥26.4 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	17.7	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	13.5	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	16.0	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	6.5	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	9.2	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	4.5	9.7	17.0

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

(Unit: ¥billion)

## Net Sales: ¥59.6 billion

(Up 8 percent from the 3Q of FY2012; up 1 percent from the 2Q of FY2013)

## Operating Income: ¥6.8 billion

(Up ¥2.0 billion from the 3Q of FY2012, up ¥1.0 billion from the 2Q of FY2013)

Contributing factors included higher domestic automobile production due to improved exports and solid demand for environmentally friendly products, with both sales and income up from the 3Q of FY2012 and the 2Q of FY2013.

### ■ Specialty Steel

- Molds and tool steel : Overseas demand was strong, and domestic demand also recovered as a result of higher automobile production in the second half. This supported growth over both the 3Q of FY2012 and the 2Q of FY2013.
- Electronic-related products : Display-related materials demand was solid for both small- and medium-size models, with semiconductors and other package materials also in a recovery trend.
- Industrial equipment and energy-related materials : Automobile-related materials were supported by firm demand for environmentally friendly products, with energy-related materials charting growth in aircraft-related uses.

### ■ Rolls

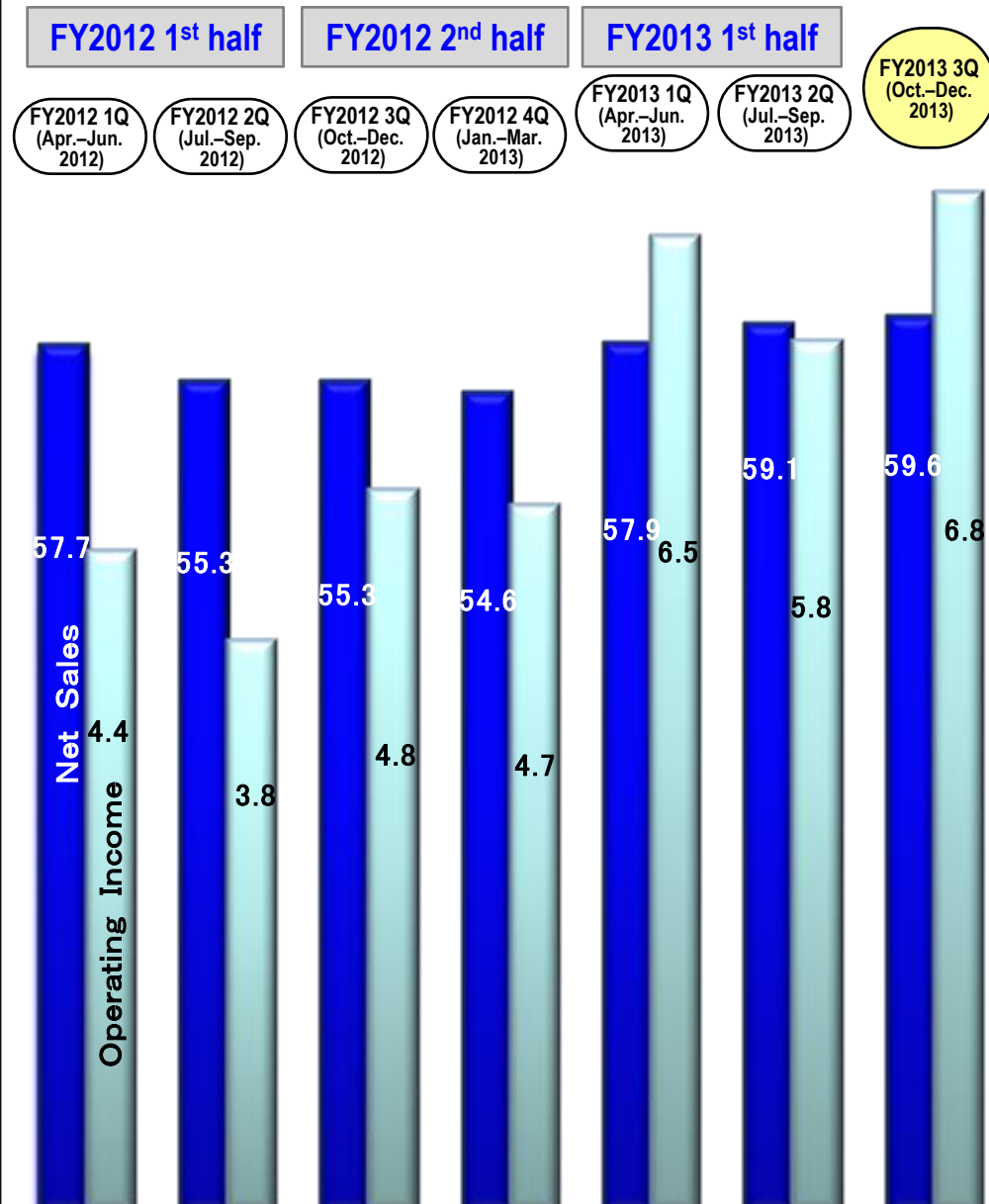
- Various types of rolls : While overseas demand was up, domestic demand remained low.
- Injection molding machine parts : Signs of recovery were evident in both domestic Japanese shipments and overseas demand.

### ■ Amorphous Metals

In the principal market of China, demand advanced on the strength of government policies promoting the introduction of energy-efficient machinery. Due to the move to temporary adjustment, however, performance finished below the previous quarter.

### ■ Cutting Tools

A recovery trend in demand for industrial machinery and other products characterized the domestic sector, while the overseas sector posted a solid increase against the backdrop of improved export performance.



# Net Sales and Operating Income Performance by Segment: Magnetic Materials and Applications



(Unit: ¥billion)

## Net Sales: ¥33.5 billion

(Up 5 percent from the 3Q of FY2012, up 4 percent from the 2Q of FY2013)

## Operating Income: ¥3.7 billion

(Up ¥10.8 billion from the 3Q of FY2012; up ¥700 million from the 2Q of FY2013)

In this segment as a whole, net sales grew over both the 3Q of FY2012 and the 2Q of FY2013 because automobile-related demand remained strong and FA-related demand also staged a rally. In income as well, we surpassed the total for both the 3Q of FY2012 and the 2Q of FY2013.

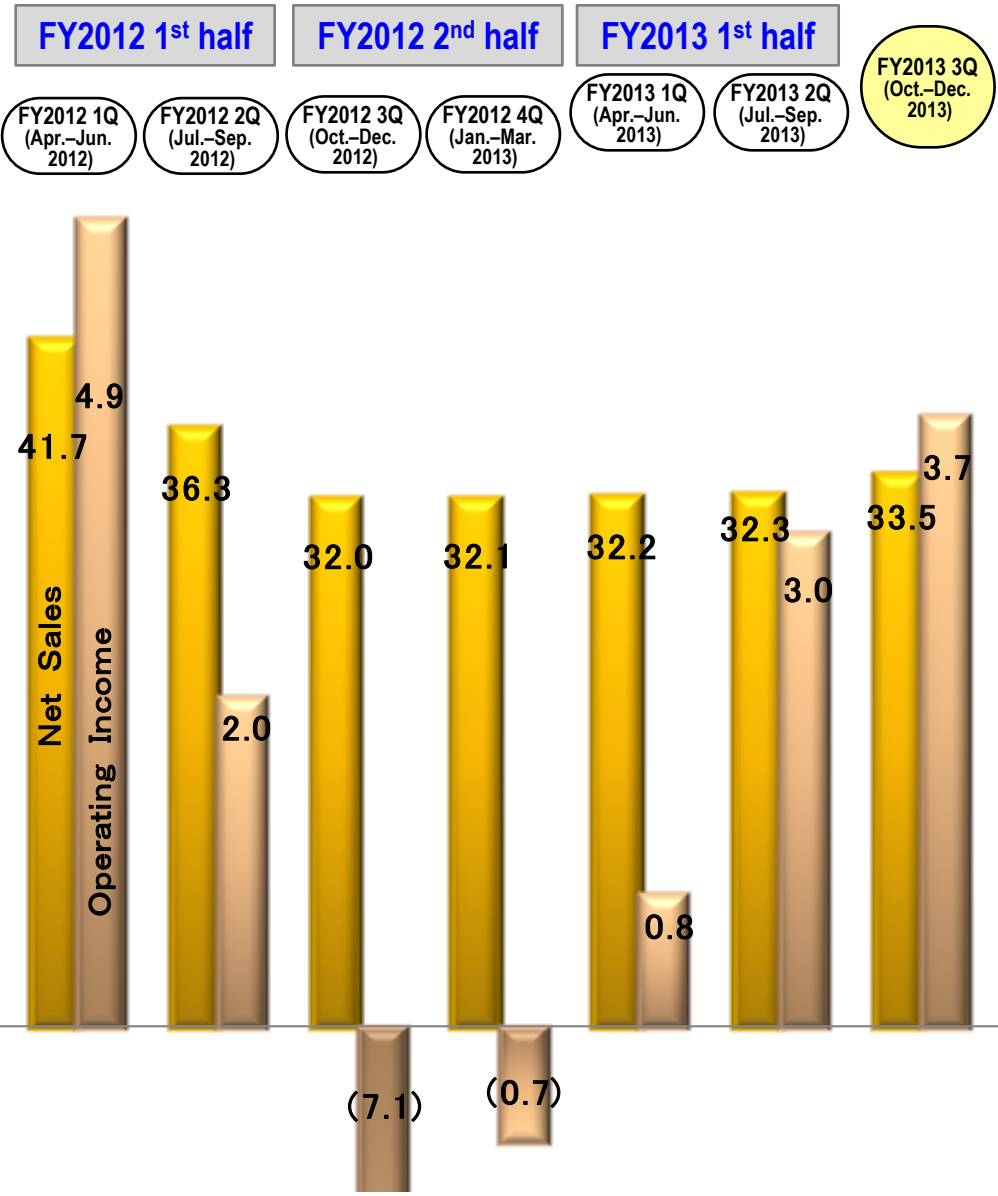
### ■ Magnets

- Rare-earth magnets : Demand was favorable for hybrid vehicles and domestic automobile electrical components, with FA-related demand also mounting a comeback. As for HDD-related demand, sluggish market conditions continued..
- Ferrite magnets : Demand rose for automobile electrical components and household appliance parts both in Japan and abroad, with ferrite magnets charting increases.

### ■ Soft Magnetic Materials and Applied Products

Soft ferrite demand was strong for use in solar power generation components, automobile electrical components and other applications. While FINEMET® demand fell compared to the 2Q of FY2013, demand for Europe-bound solar power generation components exceeded that of the 3Q of FY2012.

Note : From the first quarter of the current fiscal year, the former Electronics and IT Devices segment was renamed the Magnetic Materials and Applications segment. This change has had no impact on performance.



# High-Grade Functional Components and Equipment

(Unit: ¥billion)

## Net Sales: ¥49.4 billion

(Up 12 percent from the 3Q of FY2012; up 9 percent from the 2Q of FY2013)

## Operating Income: ¥4.0 billion

(Up ¥500 million from the 3Q of FY2012; up ¥1.2 billion from the 2Q of FY2013)

This segment was supported by such factors as domestic and overseas automobile demand and public and private sector capital investment, and both net sales and operating income rose over the 3Q of FY2012 and the 2Q of FY2013.

### ■ Automobile Castings

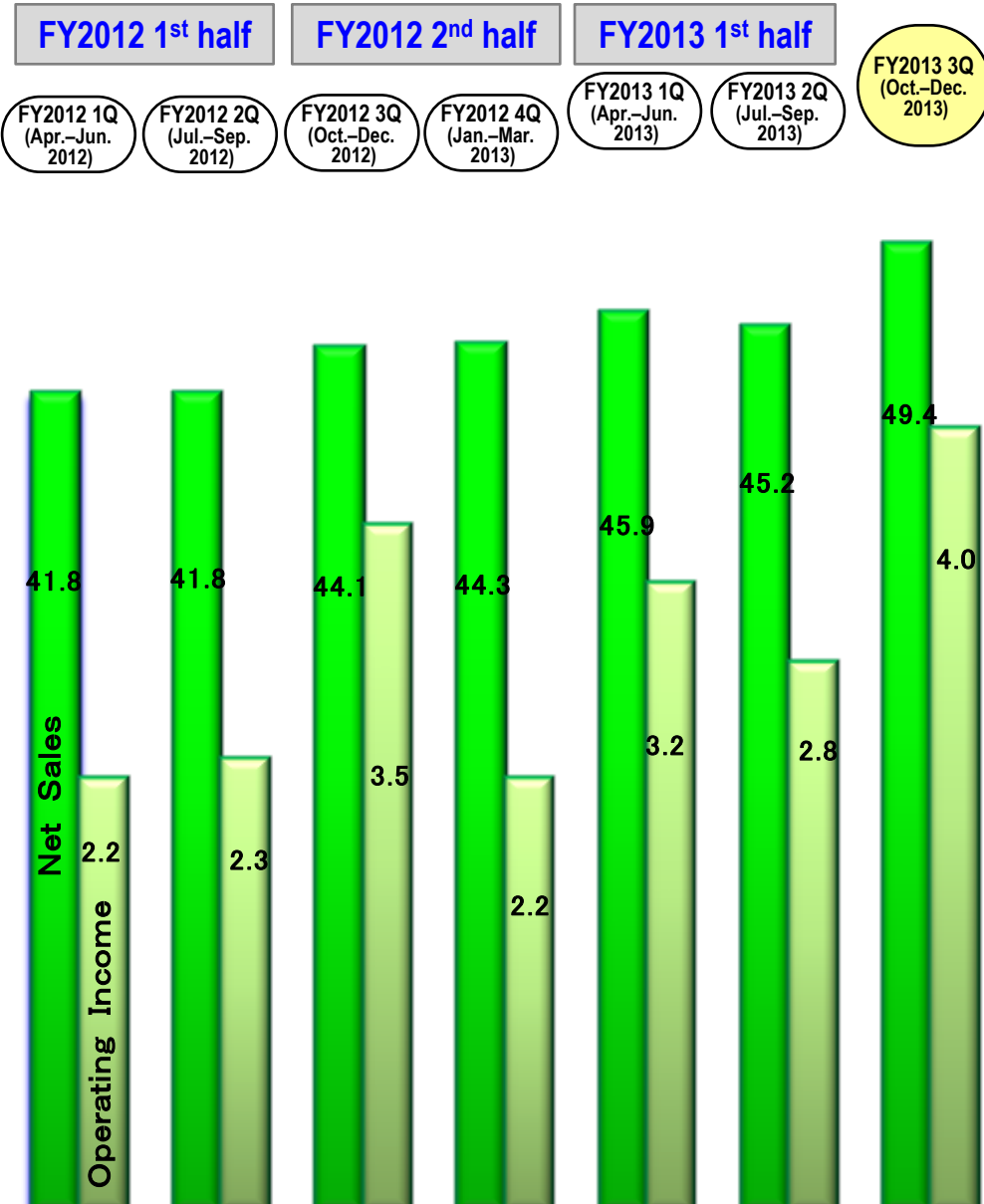
- Heat-resistant casting components : While the impact of the economic slump continued in Europe, the primary market for these products, demand accompanying automobile engine downsizing was strong in the United States and Japan.
- High-grade ductile cast-iron products : Demand for passenger cars remained robust in the United States and other overseas markets, while in Japan demand was strong with the focus on commercial vehicles. As a result, the quarterly performance for these products improved overall.
- Aluminum wheels : Demand for aluminum wheels in the United States and Japan rose compared to the 2Q of FY2013, while declining versus the 3Q of FY2012 performance level.

### ■ Piping Components

- Pipe fittings : In addition to a pickup in new housing starts in Japan, the U.S. housing market posted a gradual recovery, creating a solid demand base for these fittings.
- Stainless steel and plastic piping components : Demand in this category moved into solid territory due to high evaluations of the workability and earthquake resistance of these components when used in gas-related products.

### ■ Construction Components

These products were supported by higher private sector capital investment and public works spending in Japan, with demand for steel frame buildings strong throughout the quarter.



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

(Unit: ¥billion)

## Net Sales: ¥84.8 billion

(Reference: Compared to former Hitachi Cable, Ltd., down 4 percent from the 3Q of FY2012, but up 7 percent from the 2Q of FY2013)

## Operating Income: ¥6.0 billion

(Reference: Compared to former Hitachi Cable Ltd., up ¥5.5 billion from the 3Q of FY2012, and up ¥1.6 billion from the 2Q of FY2013)

Demand was favorable for public works spending projects, as well as orders related to the automobile, construction and telecommunications sectors. Under income, the segment posted a major advance in profitability fueled by the effects of structural reforms advanced to date.

### ■ Electric Wires and Cables

Electric power and industrial system cables were supported by demand for public works spending and new railroad construction projects, with demand for solar power generation facilities and other construction also running strong. Electronic and telecommunications materials likewise charted solid results, with the focus on semiconductor production systems. For electric machine materials, demand for magnet wires recovered mainly for automotive applications, while demand related to solar cells maintained a favorable trend.

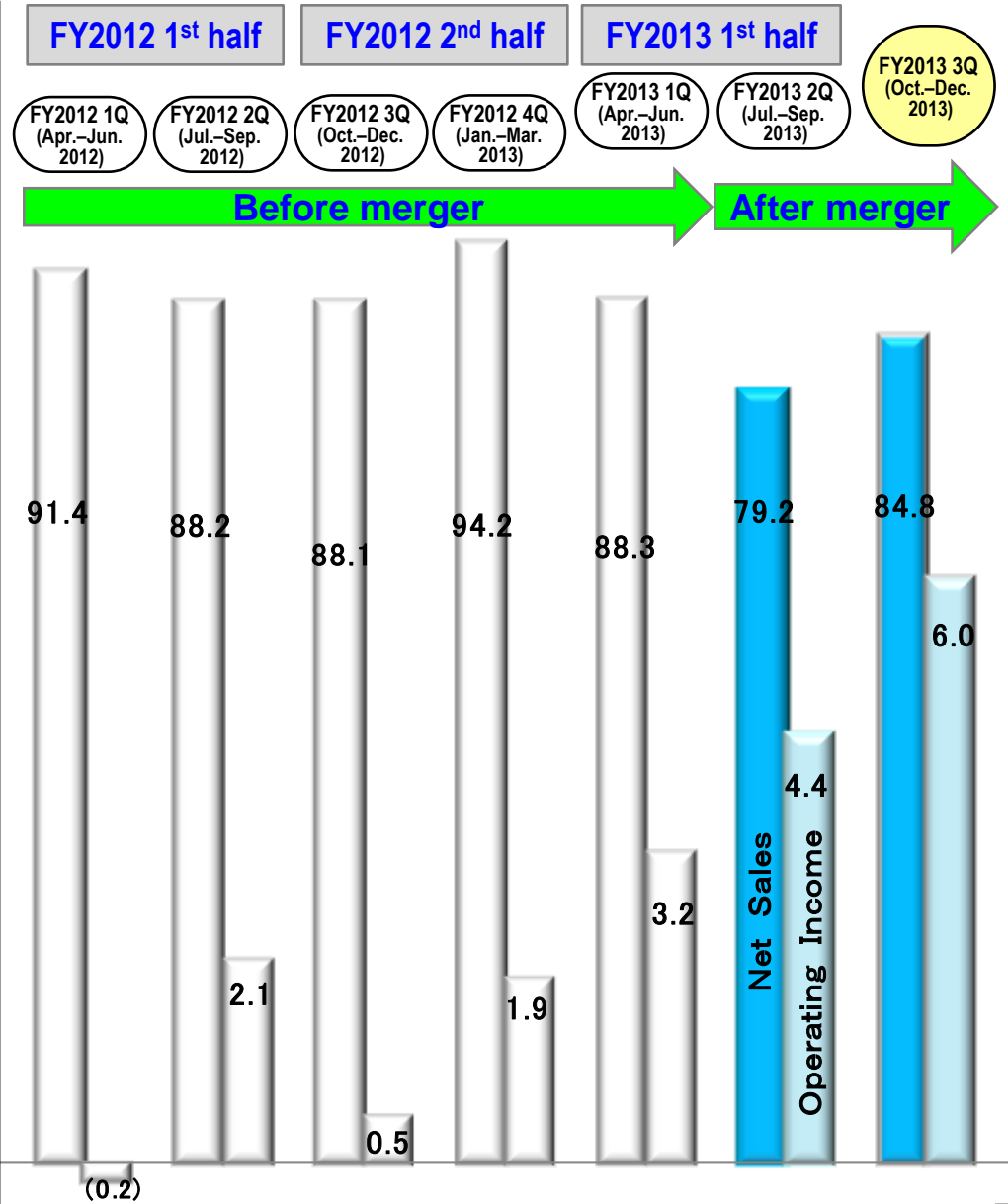
### ■ Automotive Products

Demand trends were firm with the focus on electrical components, the core products in this sector. Launches of components for use in new models and other progress also contributed to growth.

### ■ Information Systems Devices and Materials

These products recorded robust results for the quarter, driven by higher sales of network machinery accompanied by investment by telecommunications service providers to strengthen networks for the expanding use of smartphones.

Note: Wires, Cables, and Related Products segment is a new business segment established upon the July 1, 2013 merger with Hitachi Cable. The performance of this segment has been reflected in the Hitachi Metals Group consolidated accounting figures from the second quarter of the current fiscal year.





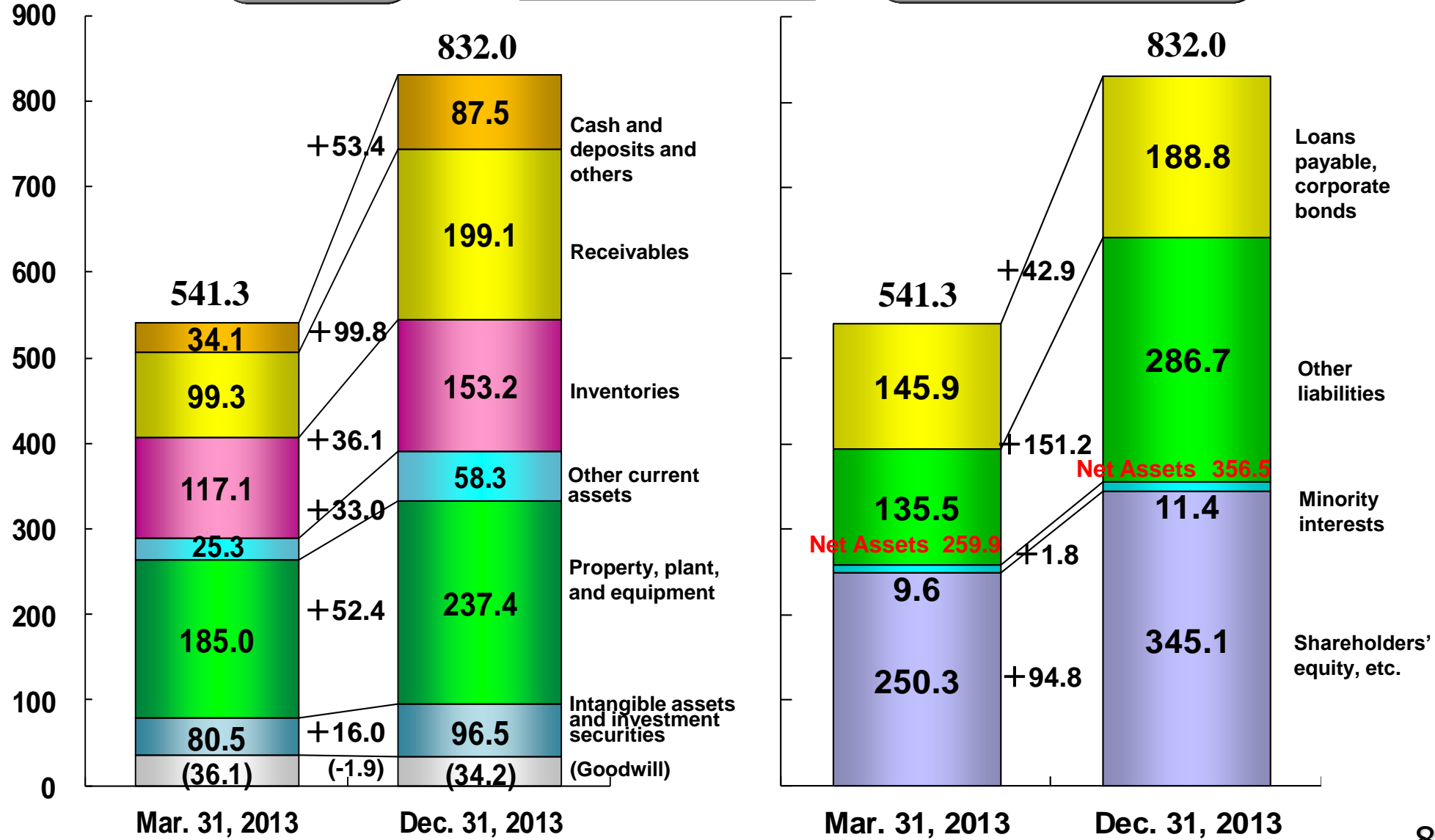
# Consolidated Balance Sheets

**D/E ratio**  
0.58 ⇒ 0.55

**Assets**

**Liabilities and Net Assets**

¥ billion





# Consolidated Cash Flows

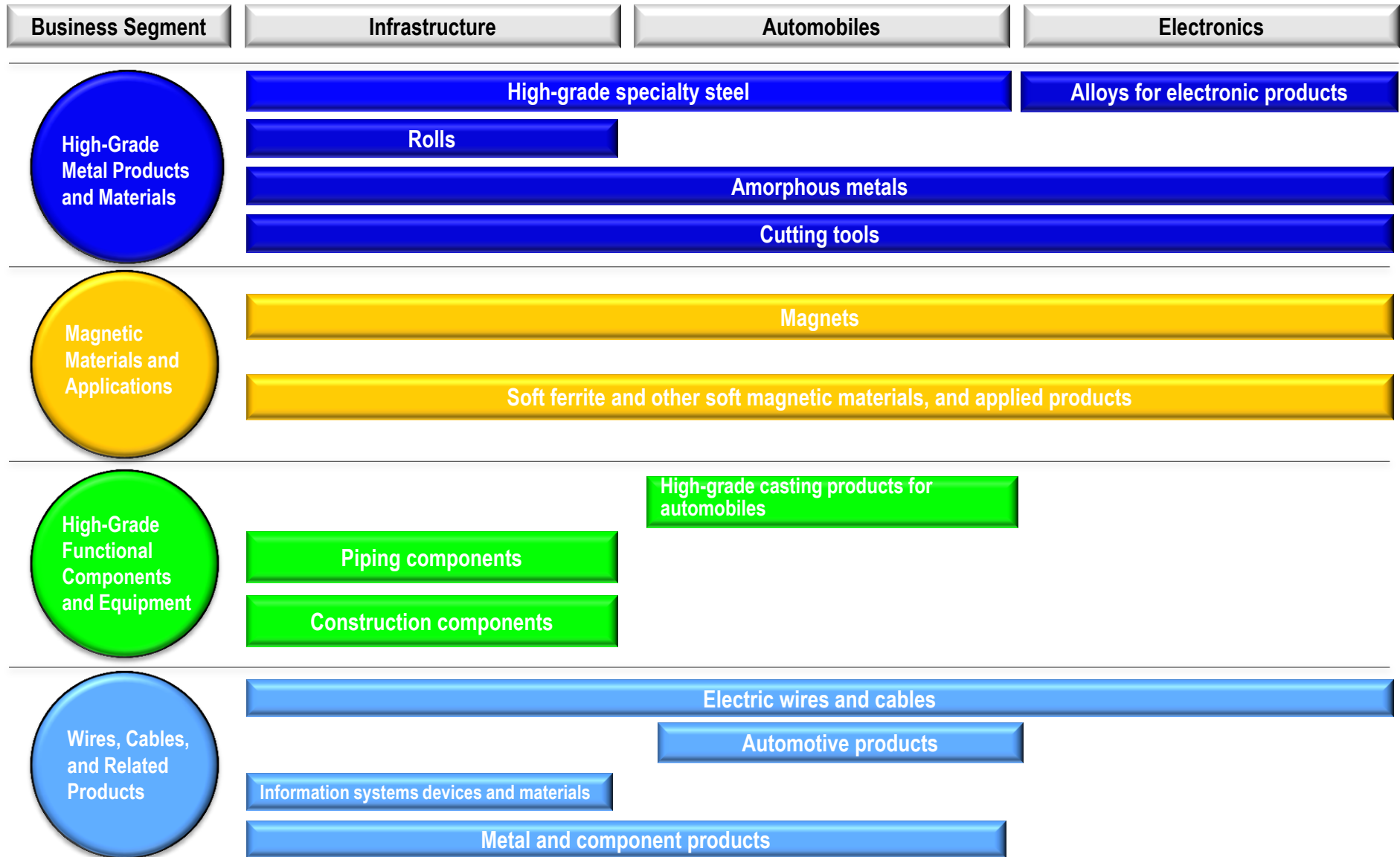
(¥ billion)

Item	FY2012 3Q	FY2013 3Q
Cash and cash equivalents at beginning of year	28.0	34.1
Income before income taxes and minority interests	17.5	35.7
Depreciation and amortization	17.7	24.3
Increase (decrease) in operating capital	26.4	8.0
Other	(14.6)	0.8
<b>Cash flows from operating activities</b>	<b>47.0</b>	<b>68.8</b>
Capital investment*	(22.0)	(21.8)
Other	0.4	0.7
<b>Free cash flow</b>	<b>25.4</b>	<b>47.7</b>
Decrease (increase) in borrowings and bonds	(19.7)	(10.5)
Dividend payments, etc.	(7.0)	(7.8)
<b>Net cash flow</b>	<b>(1.3)</b>	<b>29.4</b>
Effect of exchange rate changes, etc.	1.4	24.0
Net increase (decrease)	0.1	53.4
Cash and cash equivalents at end of year	28.1	87.5

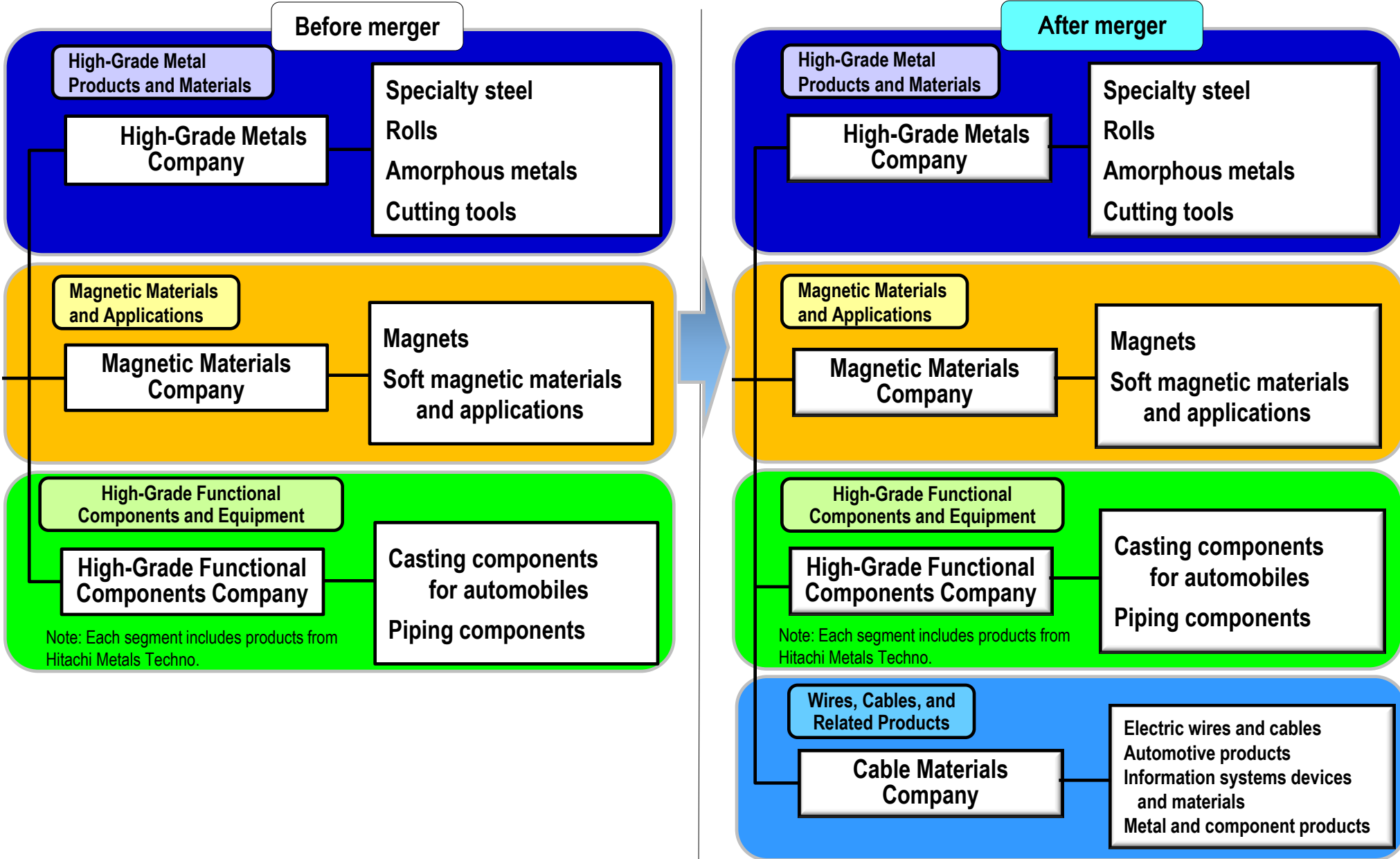
\*On an accrual basis

# Reference : 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







# 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	

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