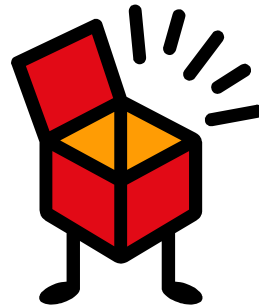


# Hitachi Metals

## FY2014 First Quarter Financial Results



Materials Mag!c

July 29, 2014

**Hitachi Metals, Ltd.**  
<http://www.hitachi-metals.co.jp>

Coupled with steady growth in demand, we achieved substantial earnings and profit growth due to the effects of the merger with Hitachi Cable.

Unit: ¥ billion

|                                   | FY2013 1Q Actual* | FY2014 1Q Actual | Year-on-Year Ratio |
|-----------------------------------|-------------------|------------------|--------------------|
| Net sales                         | 135.4             | <b>223.8</b>     | 165%               |
| Operating income                  | 8.7               | <b>17.8</b>      | +9.1               |
| Operating income ratio            | 6.4%              | <b>8.0%</b>      |                    |
| Non-operating income and expenses | 0.3               | <b>(0.1)</b>     | (0.4)              |
| Extraordinary income and losses   | (1.5)             | <b>4.0</b>       | +5.5               |
| Income before income taxes        | 7.5               | <b>21.7</b>      | +14.2              |
| Net income                        | 3.7               | <b>18.4</b>      | +14.7              |
| ROE                               | 5.9%              | <b>19.9%</b>     | +14.0 point        |
| Capital investment                | 5.1               | <b>7.8</b>       | +2.7               |
| Depreciation and amortization     | 6.3               | <b>8.6</b>       | +2.3               |
| R&D expenses                      | 2.7               | <b>4.9</b>       | +2.2               |
| Free cash flow                    | 10.6              | <b>18.3</b>      | +7.7               |

\*Since the first quarter of FY2013 was before the merger, amounts for the Wires, Cables, and Related Products segment are not included.

**Overseas sales ¥96.2 billion (year-on-year ratio 152%, overseas sales ratio 43.0%)**

North America ¥28.4 billion (composition ratio 12.7%), Asia ¥52.4 billion (composition ratio 23.4%), Europe ¥11.9 billion (composition ratio 5.3%), Other ¥3.5 billion (composition ratio 1.6%)

## ■ Demand Trends

- Automobile-related: Demand overseas, primarily in North America and China, remained strong.
- Electronics-related: This sector remained buoyant, with a focus on overseas demand for smartphones and tablets.
- Infrastructure- and energy-related: Although industrial machinery and public sector expenditures remained buoyant, demand in the construction materials sector declined compared to the same period the year before, when it rose substantially.

(Unit: ¥ billion)

|   | Net Sales            |                     |                        | Operating Income                         |   |                        |
|---|----------------------|---------------------|------------------------|--|---|------------------------|
|   | FY2013 1Q<br>Actual* | FY2014 1Q<br>Actual | Year-on-<br>Year Ratio | FY2013 1Q<br>Actual*                     | FY2014 1Q<br>Actual                             | Year-on-<br>Year Ratio |
| High-Grade Metal<br>Products and<br>Materials           | 57.9                 | <b>62.7</b>         | 108%                   | 6.5<br>Operating income<br>margin: 11.2% | <b>8.2</b><br>Operating income<br>margin: 13.1% | +1.7                   |
| Magnetic Materials<br>and Applications                  | 32.2                 | <b>34.4</b>         | 107%                   | 0.8<br>Operating income<br>margin: 2.5%  | <b>4.1</b><br>Operating income<br>margin: 11.9% | +3.3                   |
| High-Grade<br>Functional<br>Components and<br>Equipment | 45.9                 | <b>47.0</b>         | 102%                   | 3.2<br>Operating income<br>margin: 7.0%  | <b>3.0</b><br>Operating income<br>margin: 6.4%  | (0.2)                  |
| Wires, Cables, and<br>Related Products                  | —                    | <b>80.3</b>         | —                      | —  | <b>4.5</b><br>Operating income<br>margin: 5.6%  | —                      |
| Other Businesses<br>and Adjustments                     | (0.6)                | <b>(0.6)</b>        | —                      | (1.8)                                    | <b>(2.0)</b>                                    | (0.2)                  |
| <b>Total Consolidated</b>                               | 135.4                | <b>223.8</b>        | 165%                   | 8.7<br>Operating income<br>margin: 6.4%  | <b>17.8</b><br>Operating income<br>margin: 8.0% | +9.1                   |

\*Since the first quarter of FY2013 was before the merger, amounts for the Wires, Cables, and Related Products segment are not included.

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

## Net Sales: ¥62.7 billion

Up 8% from 1Q of FY2013; up 3% from 4Q of FY2013

## Operating Income: ¥8.2 billion

Up ¥1.7 billion from 1Q of FY2013; up ¥1.8 billion from 4Q of FY2013

Car production increased and demand for environmentally friendly products remained steady, so earnings and profits both increased compared to the same period the year before as well as the previous quarter.

### ■ Specialty Steel

- Tool steel: Sales increased compared to the first quarter of FY2013, mainly because of the rebound in automobile production in Japan, while the ASEAN market remained slightly weak.
- Alloys for electronic products: Sales increased, supported by strong demand for display-related materials in medium- to small-sized panels as well as for semiconductor and other package materials, mainly for smartphones and tablet devices.
- Materials for industrial equipment: Sales showed an overall increase: automobile-related materials were globally supported by steady demand in environmentally friendly products; and aircraft-related materials showed robust demand. Energy-related materials received less benefit from the weak yen, however.

### ■ Rolls

- Rolls: Sales increased due to domestic demand recovering and a rise in overseas demand.
- Injection molding machine parts: Sales remained flat despite favorable demand both in Japan and overseas for smartphones and tablet devices.

### ■ Amorphous Metals

Sales increased compared to the first quarter of FY2013, attributable to the following: market in North America was steady; customers expecting an increase in demand built up their stock levels in China, the major market; and the weak yen.

### ■ Cutting Tools

Sales increased because of recovering demand for industrial machinery in Japan as well as steady overseas markets, as shown by an increase in exports.

FY2013 1<sup>st</sup> half

13/1Q  
13/4-6

13/2Q  
13/7-9

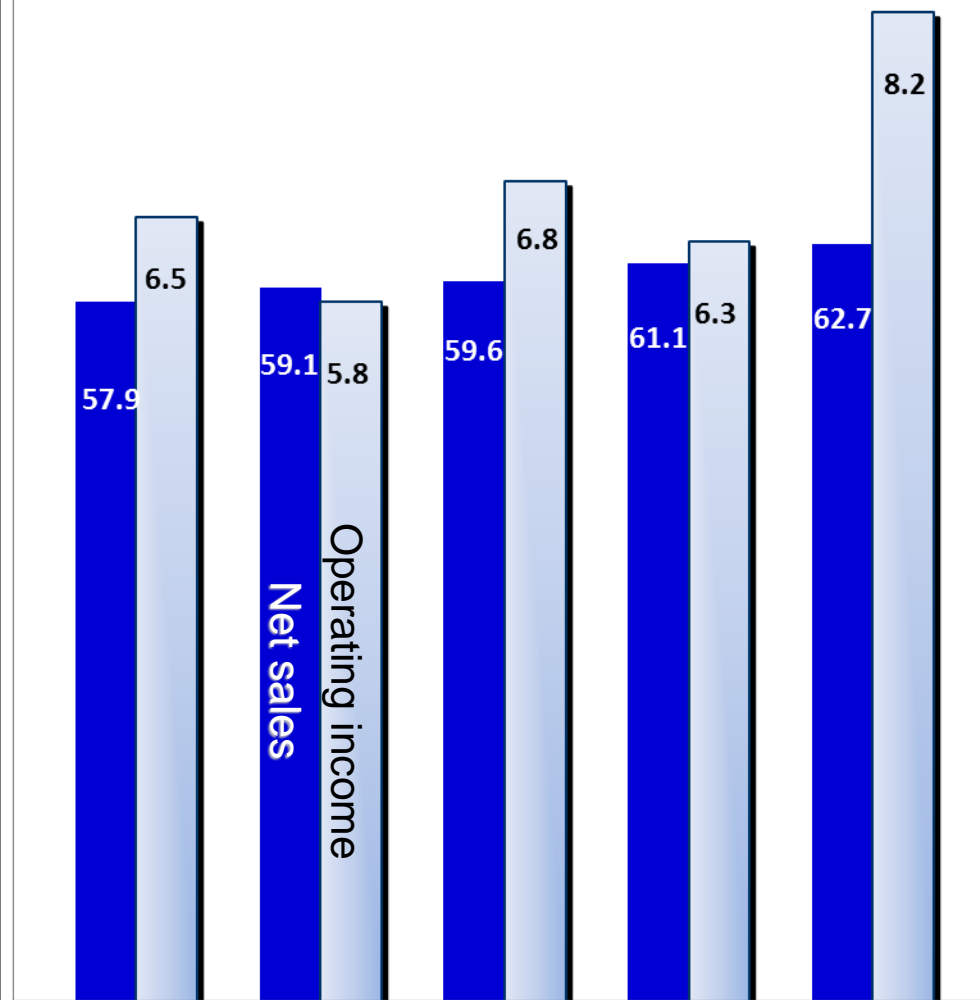
FY2013 2<sup>nd</sup> half

13/3Q  
13/10-12

14/4Q  
14/1-3

(Unit: ¥ billion)

14/1Q  
14/4-6



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

(Unit: ¥ billion)

## Net Sales: ¥34.4 billion

Up 7% from 1Q of FY2013; down 5% from 4Q of FY2013

## Operating Income: ¥4.1 billion

Up ¥3.3 billion from 1Q of FY2013; no change from 4Q of FY2013

Demand remained buoyant, primarily in the automotive and factory automation-related sectors, bringing increases in both earnings and profits compared to the same period the year before even though earnings were down compared to the previous quarter due to the impact of raw materials costs.

### ■ Magnets

- Rare-earth magnets

The increase in sales was supported by strong demand in automotive electronic components for hybrid cars and power steering as well as steady demand for household appliance and factory automation-related products.

- Ferrite magnets

Sales increased due to strong demand for automotive electronic components and household appliance parts, both in Japan and overseas markets.

### ■ Soft Magnetic Materials and Applied Products

Overall sales of ferrite applied products rose thanks to strong demand for parts for solar power generation systems. Sales of ferrite cores remained steady, mainly for automotive electronic components and smartphones. An increase in sales of FINEMET™ was largely attributable to steady demand for parts for solar power generation systems in European markets.

FY2013 1<sup>st</sup> half

13/1Q  
13/4-6

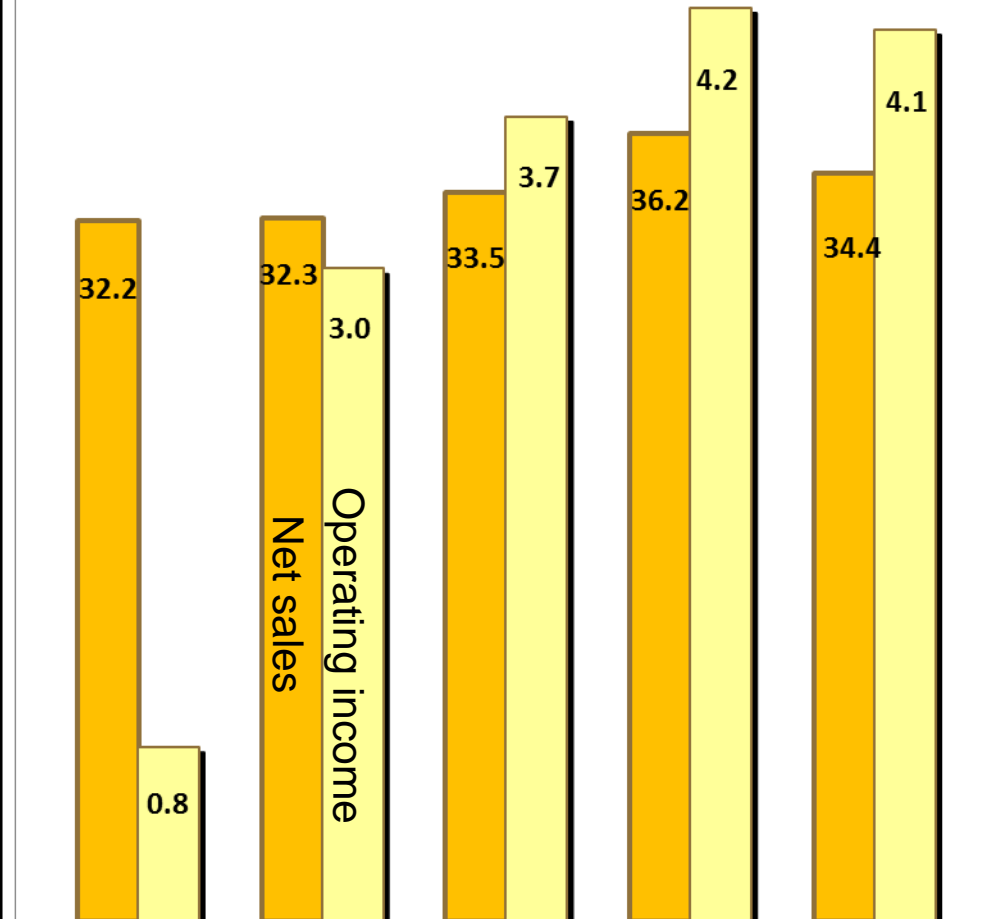
13/2Q  
13/7-9

FY2013 2<sup>nd</sup> half

13/3Q  
13/10-12

14/4Q  
14/1-3

14/1Q  
14/4-6



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

## Net Sales: ¥47.0 billion

Up 2% from 1Q of FY2013; no change from 4Q of FY2013

## Operating Income: ¥3.0 billion

Down ¥0.2 billion from 1Q of FY2013; up ¥0.2 billion from 4Q of FY2013

Demand remained favorable for automotive castings, particularly in the U.S. market, but construction materials earnings declined compared to the same period the year before, when demand for steel frame construction, which had been robust, increased. Both earnings and profits declined overall compared to the same period the year before as the pipe and plumbing materials segment felt the impact of the decline in housing starts.

### ■ Casting Components for Automobiles

- Heat-resistant exhaust casting components

Sales remained the same level compared to the first quarter of FY2013, supported by a recovery in the European market—the leading market for the products—and by strong demand in the U.S. market.

- High-grade ductile iron products

Sales increased due to favorable demand for automobiles in overseas markets—including the U.S.—and the impact of the consumption tax hike in Japan was limited.

- Aluminum wheels

Sales grew, supported by robust demand in the U.S. market and by a production increase of automobiles equipped with the products in Japan.

### ■ Piping Components

- Pipe fittings

Sales decreased as housing starts in Japan fell—the result of the consumption tax hike—despite robust demand in the U.S. market.

- Stainless steel and plastic piping components

Although our gas-related products earned positive feedback for their workability and earthquake resistance, sales decreased because of the drop in housing starts in Japan.

### ■ Construction Components

Although sales of construction components were supported by private capital expenditures and public investment in Japan, the sales amount decreased as compared to the first quarter of FY2013, when there was a large boost in steel construction.

(Unit: ¥ billion)

FY2013 1<sup>st</sup> half

FY2013 2<sup>nd</sup> half

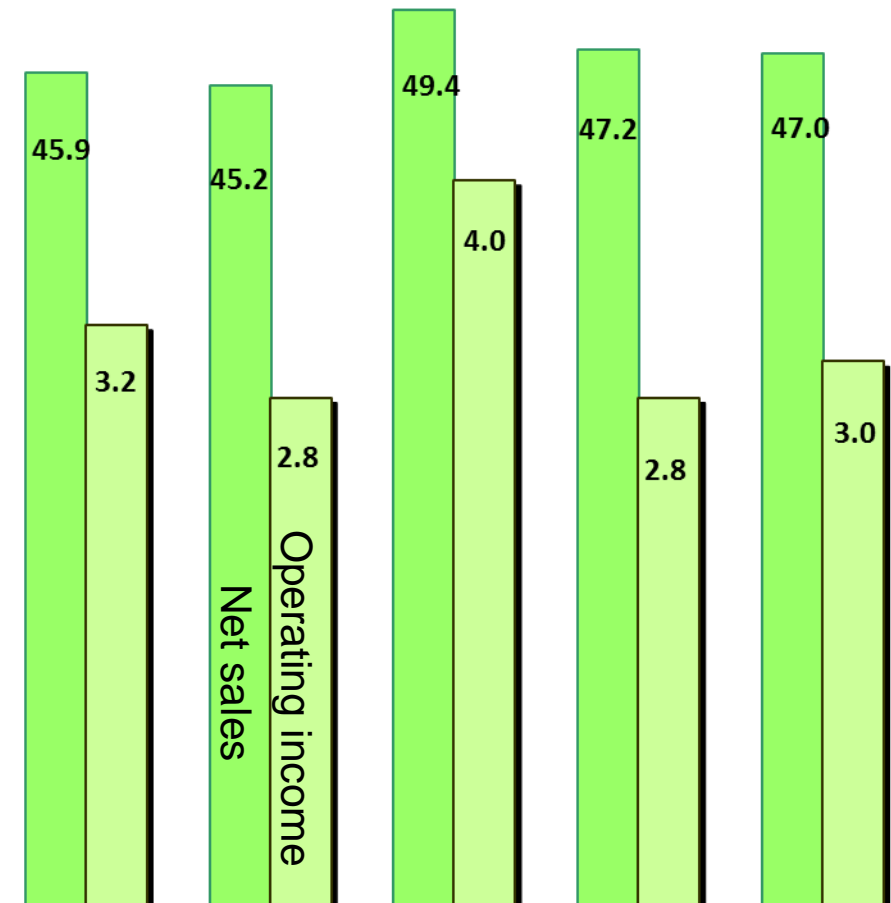
13/1Q  
13/4-6

13/2Q  
13/7-9

13/3Q  
13/10-12

14/4Q  
14/1-3

14/1Q  
14/4-6



## Net Sales: ¥80.3 billion

Down 9% from 1Q of FY2013 (Hitachi Cables; reference); down 8% from 4Q of FY2013

## Operating Income: ¥4.5 billion

Up ¥1.3 billion from 1Q of FY2013 (Hitachi Cables; reference); down ¥2.2 billion from 4Q of FY2013

The wire, automotive component, and IT device segments all remained favorable. There was growth in orders for overseas railway projects and medical probe cables in the wire segment and brisk demand for core automotive components was also sustained.

### ■ Electric Wires and Cables

Demand increased for construction investment and machine tools in Japan. Orders increased for overseas railway projects and probe cables for medical use.

In the area of materials for electronic devices, strong demand in Japan for magnet wires (such as for automobiles) were the main reason sales were robust.

### ■ Automotive Products

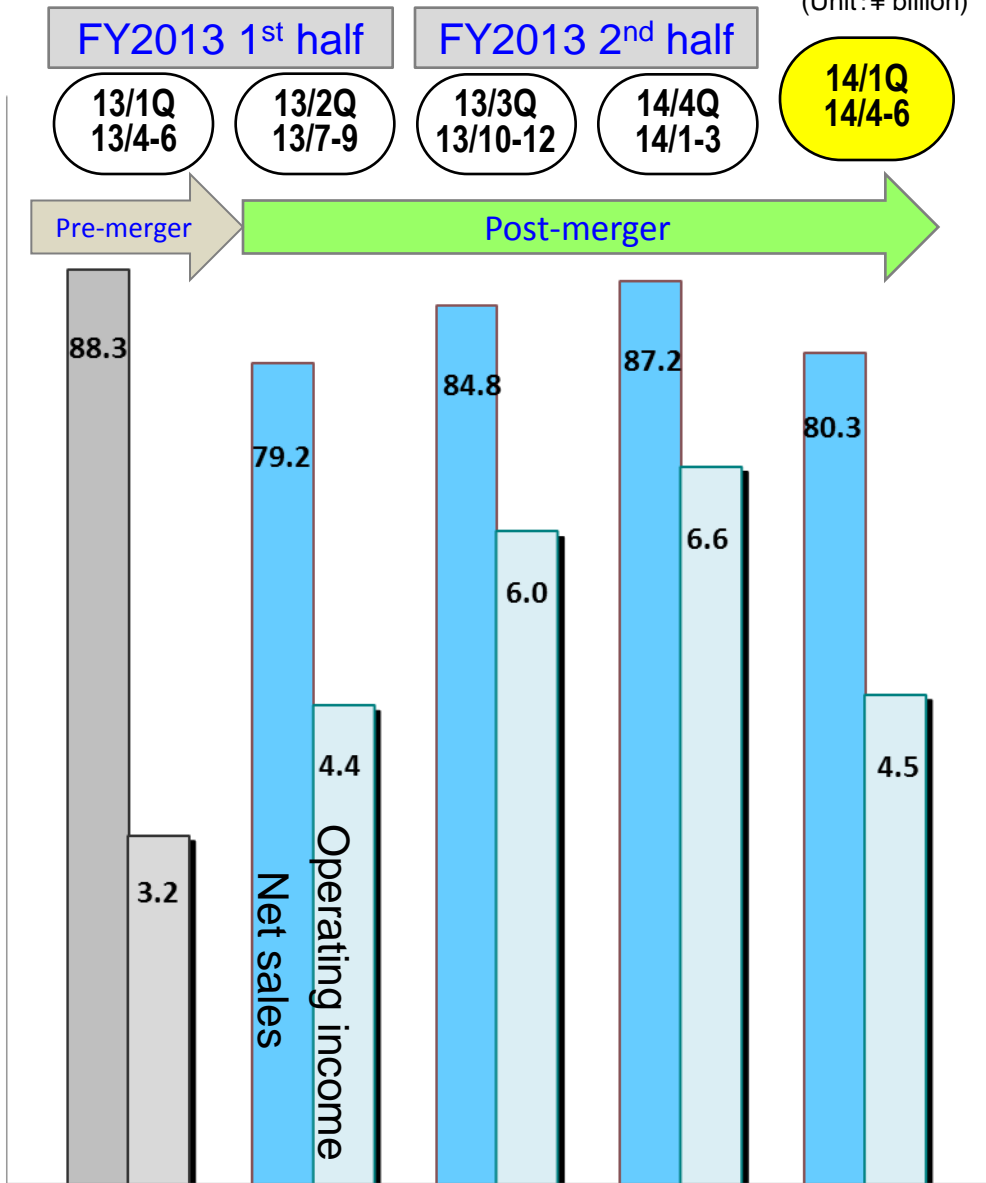
Sales continued to grow, supported by brisk demand for electronic components, a focused product of the Group.

### ■ Information System Devices and Materials

Sales remained solid as telecommunications carriers increased their capital investments and the use of smartphones continued to spread.

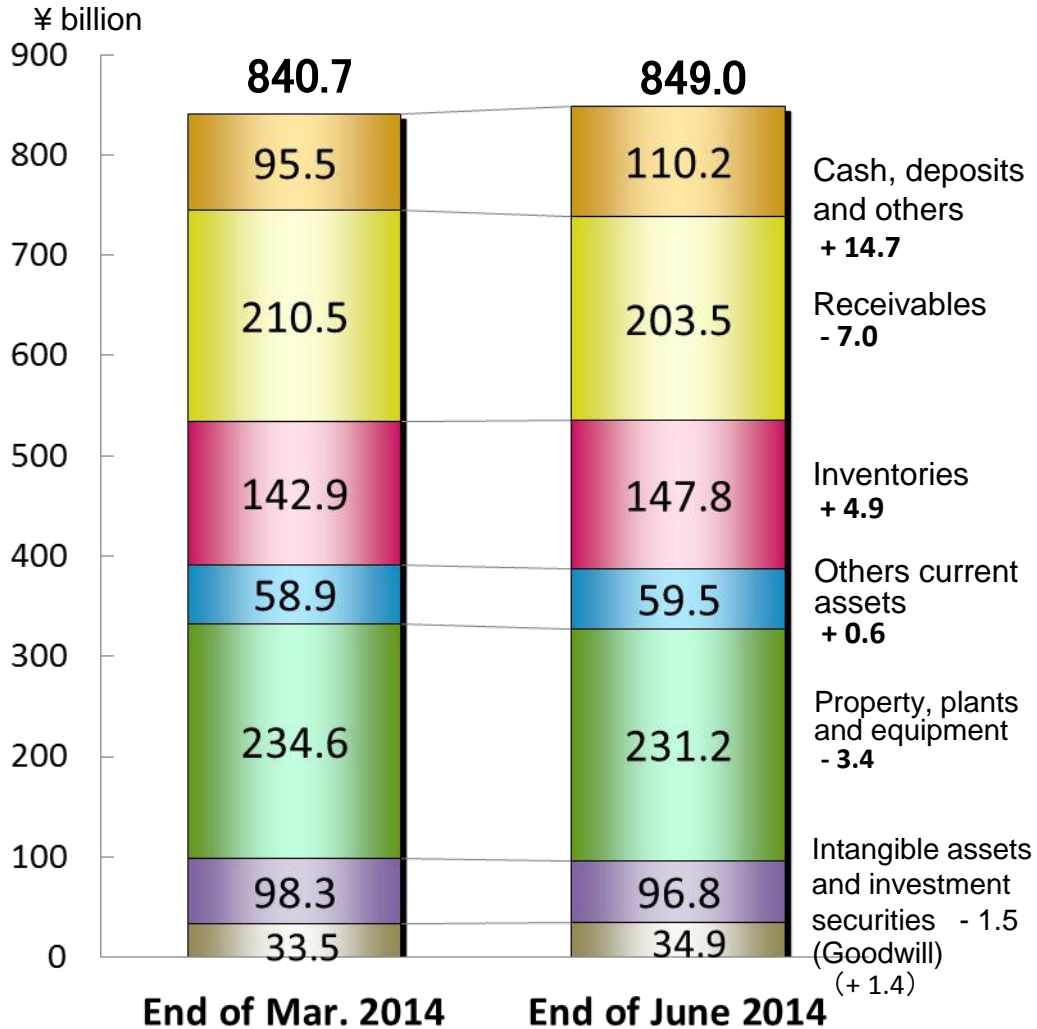
Note: This segment was established upon the merger with Hitachi Cable on July 1, 2013. The results of this segment have been reflected in the performance of the Hitachi Metals Group from the consolidated accounting figures for the second quarter of FY2013.

(Unit: ¥ billion)

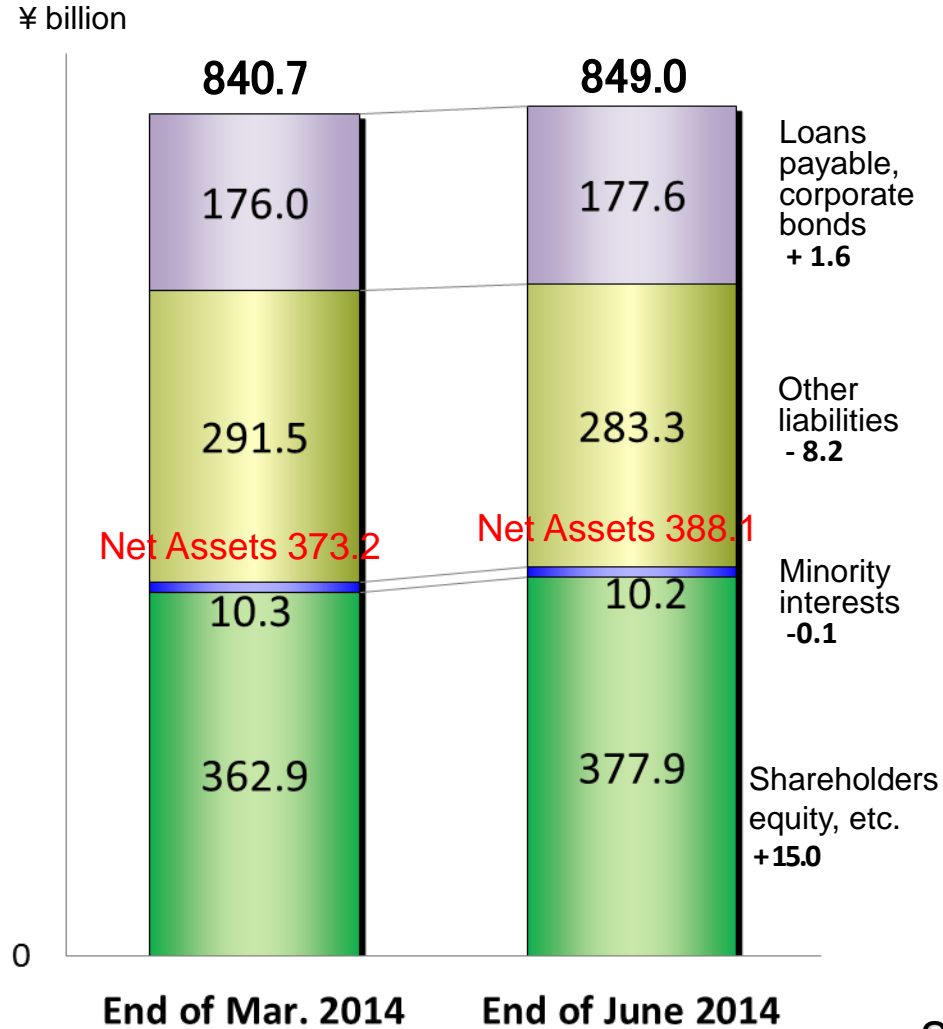


**Increase/Decrease ratio End of March**  
**2014 +¥8.3 billion**  
**D/E Ratio 0.48 → 0.47**

**Assets**



**Liabilities and Net Assets**





# Consolidated Cash Flows

(Unit: ¥ billion)

| Item  | 1Q of FY2013* | 1Q of FY2014 | Increase/Decrease |
|---|---------------|--------------|-------------------|
| Income before income taxes and minority interests     | 7.5           | 21.7         | +14.2             |
| Depreciation and amortization                         | 6.3           | 8.6          | +2.3              |
| Increase/Decrease in operating capital                | 9.6           | 4.9          | (4.7)             |
| Other   | (7.3)         | (17.0)       | (9.7)             |
| <b>Cash flows from operating activities</b>           | <b>16.1</b>   | <b>18.2</b>  | <b>+2.1</b>       |
| Capital investment                                    | (5.7)         | (8.5)        | (2.8)             |
| Other   | 0.2           | 8.6          | +8.4              |
| <b>Cash flows from investment activities</b>          | <b>(5.5)</b>  | <b>0.1</b>   | <b>+5.6</b>       |
| Free cash flow  | 10.6          | 18.3         | +7.7              |
| Increase/Decrease in borrowing and bonds              | (5.8)         | 1.6          | +7.4              |
| Dividend payments, etc.                               | (3.2)         | (5.1)        | (1.9)             |
| <b>Cash flows from financing activities</b>           | <b>(9.0)</b>  | <b>(3.5)</b> | <b>+5.5</b>       |
| Effect of exchange rate changes, etc.                 | 0.9           | (0.2)        | (1.1)             |
| <b>Increase/Decrease in cash and cash equivalents</b> | <b>2.4</b>    | <b>14.6</b>  | <b>+12.2</b>      |
| <b>Cash and cash equivalents at end of year</b>       | <b>36.5</b>   | <b>110.2</b> | <b>+73.7</b>      |

\*Since the first quarter of FY2013 was before the merger, amounts for the Wires, Cables, and Related Products segment are not included.

The healthy performance in the first quarter of FY2014 was mainly supported by steady demand for automotive and industrial infrastructure-related products. In such circumstances, we have revised the original consolidated business forecasts announced on April 24, 2014, expecting that both sales and income for the second quarter of FY2014 are likely to exceed the original forecasts.

## Consolidated operating forecasts for the six-month period ending September 30, 2014

|  | Net sales<br>(billion yen) | Operating income<br>(billion yen) | Net income before<br>income taxes and<br>minority interests<br>(billion yen) | Net income<br>(billion yen) | Net income per<br>share<br>(yen) |
|--|----------------------------|-----------------------------------|--|-----------------------------|----------------------------------|
| Forecasts announced on<br>April 24, 2014 (A)                                 | 443.0                      | 31.5                              | 30.0   | 19.5                        | 45.60                            |
| Revised forecasts (B)  | <b>447.0</b>               | <b>34.0</b>                       | <b>32.2</b>  | <b>25.0</b>                 | <b>58.46</b>                     |
| Differences (B) – (A)  | +4.0                       | +2.5                              | +2.2   | +5.5                        |                                  |
| Changes (%)  | +0.9%                      | +7.9%                             | +7.3%  | +28.2%                      |                                  |
| (Reference)<br>Results for the six-month period ended<br>September 30, 2013* | 350.5                      | 23.1                              | 22.7   | 9.6                         | 24.30                            |

\*Since the first quarter of FY2013 was before the merger, amounts for the Wires, Cables, and Related Products segment are not included.

We expect that the market in which the Group operates will remain strong throughout the fiscal year ending March 31, 2015 (April 1, 2014 through March 31, 2015). However, no revision is being made to the operating forecast for the fiscal year ending March 31, 2015, because uncertainty remains in the business environment for the second half of the fiscal year. The forecast for the fiscal year ending March 31, 2015 will be updated when the business environment becomes more stable and predictable.

# Performance Forecasts by Segment for 2Q of FY2014, including Consolidated Operating Forecasts

(Unit: ¥ billion)

|   | Net sales             |                                     |                                  |        | Operating income      |                                     |                                  |        |
|---|-----------------------|-------------------------------------|----------------------------------|--------|-----------------------|-------------------------------------|----------------------------------|--------|
|   | 2Q FY2013<br>Actual*1 | 2Q FY2014<br>Previous<br>Forecast*2 | 2Q FY2014<br>Current<br>Forecast | Change | 2Q FY2013<br>Actual*1 | 2Q FY2014<br>Previous<br>Forecast*2 | 2Q FY2014<br>Current<br>Forecast | Change |
| High-Grade<br>Metal Products<br>and Materials           | 117.0                 | 127.0                               | <b>128.0</b>                     | 101%   | 12.3                  | 14.5                                | <b>15.5</b>                      | +1.0   |
| Magnetic<br>Materials and<br>Applications               | 64.5                  | 70.0                                | <b>68.5</b>                      | 98%    | 3.8                   | 7.5                                 | <b>8.0</b>                       | +0.5   |
| High-Grade<br>Functional<br>Components<br>and Equipment | 91.1                  | 91.5                                | <b>92.5</b>                      | 101%   | 6.0                   | 6.5                                 | <b>6.5</b>                       | ±0.0   |
| Wires, Cables,<br>and Related<br>Products               | 79.2                  | 155.5                               | <b>159.0</b>                     | 102%   | 4.4                   | 7.0                                 | <b>8.7</b>                       | +1.7   |
| Other<br>Businesses and<br>Adjustments                  | (1.3)                 | (1.0)                               | <b>(1.0)</b>                     | —      | (3.4)                 | (4.0)                               | <b>(4.7)</b>                     | (0.7)  |
| <b>Total<br/>Consolidated</b>                           | 350.5                 | 443.0                               | <b>447.0</b>                     | 101%   | 23.1                  | 31.5                                | <b>34.0</b>                      | +2.5   |

\*1 Since the first quarter of FY2013 was before the merger, amounts for the Wires, Cables, and Related Products segment are not included.

\*2 Forecasts from April 24, 2014.

## Acquisition of MMC Superalloy Corporation shares completed on July 1, 2014, making it a subsidiary

|                       |   |
|-----------------------|---|
| Company name          | Hitachi Metals MMC Superalloy, Ltd.   |
| Location              | 1230 Kamihideya, Okegawa, Saitama Prefecture  |
| Date of incorporation | July 1, 2010  |
| Representative        | Tsutomu Oka, Representative Director and President  |
| Capitalization        | ¥3.8 billion  |
| Sales                 | ¥17.8 billion (results for fiscal year ended March 2014)  |
| Business lines        | Manufacture and sales of heat- and corrosion-resistant alloys, abrasion-resistant alloys, and special copper alloys |
| Number of employees   | 345 (as of March 31, 2014)  |
| Shareholders          | Hitachi Metals, Ltd. 51%, Mitsubishi Materials Corporation 49%  |





About the firm's impact on Hitachi Metals' business performance

- Joined the High-Grade Metal Products and Materials segment as of the second quarter of FY2014; its business results have been reflected accordingly
- ¥13 billion in sales and one billion yen in operating income factored into FY2014 forecasts

# Business Operation by Segment (Reference)

## Business Segment

## Principal Products

|  |  |                                    |   |
|--|--|------------------------------------|---|
|    | High-Grade Metals Company                | Specialty Steel                    | YSS™-brand high-grade specialty steel products: Tool steel, alloys for electronic products (display-related materials and semiconductor and other package materials), materials for industrial equipment (automobile-, aircraft-, and energy-related materials), and razor and blade materials , Precision cast components  |
|  |  | Rolls                              | Rolls for steel mills, injection molding machine parts, structural ceramic products, steel-frame joints for construction  |
|  |  | Soft magnetic materials            | Metglas® amorphous metals   |
|  |  | Hitachi Tool Engineering, Ltd.     | Cutting tools   |
|    | 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, materials and components for IT devices, materials and components for medical equipment  |
|   | 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)  |
|  | Cable Materials Company                  |                                    | <p>Electric wires and cables (electric power and industrial systems, electronic and telecommunication materials, electric equipment materials, and industrial rubber products), automotive products (electronic components and brake hoses), information system devices and materials (for information networks, wireless systems, and compound semiconductor products)</p> <p>Note: This segment was established upon the merger with Hitachi Cable on July 1, 2013.</p> |

## Developing and Manufacturing Top-Quality Materials for Diverse Industries

| Business Segment                               | Infrastructure   | Automobiles                                 | Electronics                    |
|--|--|---|--------------------------------|
| High-Grade Metal Products and Materials        | High-grade specialty steel   |   | Alloys for electronic products |
|  | Rolls  |   |                                |
|  | Amorphous metals   |   |                                |
|  | Cutting tools  |   |                                |
| Magnetic Materials and Applications            | Magnets  |   |                                |
|  | Soft ferrite and other soft magnetic materials, and their applications |   |                                |
| High-Grade Functional Components and Equipment |  | High-grade casting products for automobiles |                                |
|  | Piping components  |   |                                |
|  | Construction components  |   |                                |
| Wires, Cables, and Related Products            | Electric wires and cables  |   |                                |
|  |  | Automotive products                         |                                |
|  | Information system devices and materials                               |   |                                |

This document contains forward-looking statements—such as results forecasts and management plans—that are not historical facts. All such forward-looking statements are 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 the actual results to differ substantially. The factors causing such differences include, but are not limited to, the following:

- Changes in economic conditions and regulations in the 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
- Fluctuations in the status of product markets, exchange rates and international commodity markets
- Changes in financing environments
- The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, the status of product markets, exchange rates and international commodity markets
- Protection of the Company's intellectual property, and securing of licenses to use the intellectual property of other parties
- Changes in the status of alliances with other parties for product development, etc.
- Fluctuations in the Japanese stock markets