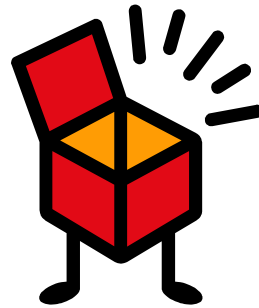


Hitachi Metals

FY2014 First-Half Financial Results



Materials Mag!c

October 27, 2014

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

FY2014 First-Half (April–September) Performance Overview

(Unit: ¥ billion)

	FY2013 First- Half Actual*	FY2014 First Half		Year-on-Year Ratio	Forecast-to- Actual Ratio
		Forecasts announced on July 29, 2014	Actual		
Net sales	350.5	447.0	450.5	129%	101%
Operating income	23.1	34.0	34.0	+10.9	±0.0
Operating income ratio	6.6%	7.6%	7.5%		
Non-operating income and expenses	(0.4)	(1.8)	0.1	+0.5	+1.9
Extraordinary income and losses	(4.7)	1.3	3.8	+8.5	+2.5
Income before income taxes	18.0	33.5	37.9	+19.9	+4.4
Net income	9.6	25.0	28.6	+19.0	+3.6
ROE	6.7%	13.4%	15.0%	+8.3	+1.6
Capital investment	14.6	25.0	19.0	+4.4	(6.0)
Depreciation and amortization	15.1	18.0	17.5	+2.4	(0.5)
R&D expenses	7.3	9.0	10.1	+2.8	+1.1
Free cash flow	38.7	—	35.9	(2.8)	—

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

Overseas sales: ¥190.5 billion (year-on-year ratio 124 %, overseas sales ratio 42.3 %)

North America: ¥55.3 billion (composition ratio 12.3 %), Asia: ¥104.7 billion (composition ratio 23.2 %)

Europe: ¥23.5 billion (composition ratio 5.2 %), Other: ¥7.0 billion (composition ratio 1.6 %)

FY2014 First-Half (April–September) Performance Overview by Segment

Demand trends

Automobile-related: Overseas demand has remained firm, primarily in North America and China

Electronics-related: Demand for smartphones and tablets has remained favorable, mainly overseas

Infrastructure- and energy- related: Demand for industrial machinery and public sector expenditures has remained steady

(Unit: ¥ billion)

	Net Sales					Operating Income, Operating Income Ratio				
	FY2013 First-Half Actual ^{*1}	FY2014 First-Half Forecast ^{*2}	FY2014 First-Half Actual	vs. Prev. Year	vs. Forecast	FY2013 First-Half Actual ^{*1}	FY2014 First-Half Forecast ^{*2}	FY2014 First- Half Actual	vs. Prev. Year	vs. Forecast
High-Grade Metal Products and Materials	117.0	128.0	127.5	109%	100%	12.3 10.5 %	15.5 12.1 %	14.8 11.6 %	+2.5	(0.7)
Magnetic Materials and Applications	64.5	68.5	68.4	106%	100%	3.8 5.9 %	8.0 11.7 %	7.5 11.0 %	+3.7	(0.5)
High-Grade Functional Components and Equipment	91.1	92.5	94.2	103%	102%	6.0 6.6 %	6.5 7.0 %	5.9 6.3 %	(0.1)	(0.6)
Wires, Cables, and Related Products*1	79.2	159.0	161.5	204%	102%	4.4 5.6 %	8.7 5.5 %	9.8 6.1 %	+5.4	+1.1
Other, Deletion	(1.3)	(1.0)	(1.1)	—	—	(3.4)	(4.7)	(4.0)	(0.6)	+0.7
Total Consolidated	350.5	447.0	450.5	129%	101%	23.1 6.6 %	34.0 7.6 %	34.0 7.5 %	+10.9	±0.0

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

*2 Forecast: Figures announced on July 29, 2014

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

(Unit: ¥ billion)

Net sales: ¥127.5 billion

Up 9 % from the first half of FY2013

Operating income: ¥14.8 billion

Up ¥2.5 billion from the first half of FY2013

Sales and income both grew compared to the same period the previous year as car production increased and demand for environmentally friendly products remained firm.

■ Special Steels

- Tool steels: Sales increased compared to the same period last year due to robust demand in Japan backed by strong capital investment and steady overseas markets.
- Alloys for electronic products: Sales increased, supported by strong demand for display-related materials as well as for semiconductor and other package materials, mainly for smartphones and tablet devices.
- Industrial equipment materials: Sales in automobile-related materials showed an overall increase in both Japanese and overseas markets, supported by steady demand in environment-friendly products. Sales of energy-related materials decreased, however, compared to the same period last year when there was a significant demand for the products. Sales of aircraft-related materials increased as well, not only because of continuing robust demand, but also reflecting the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group from the second quarter ended September 30, 2014.

■ Rolls

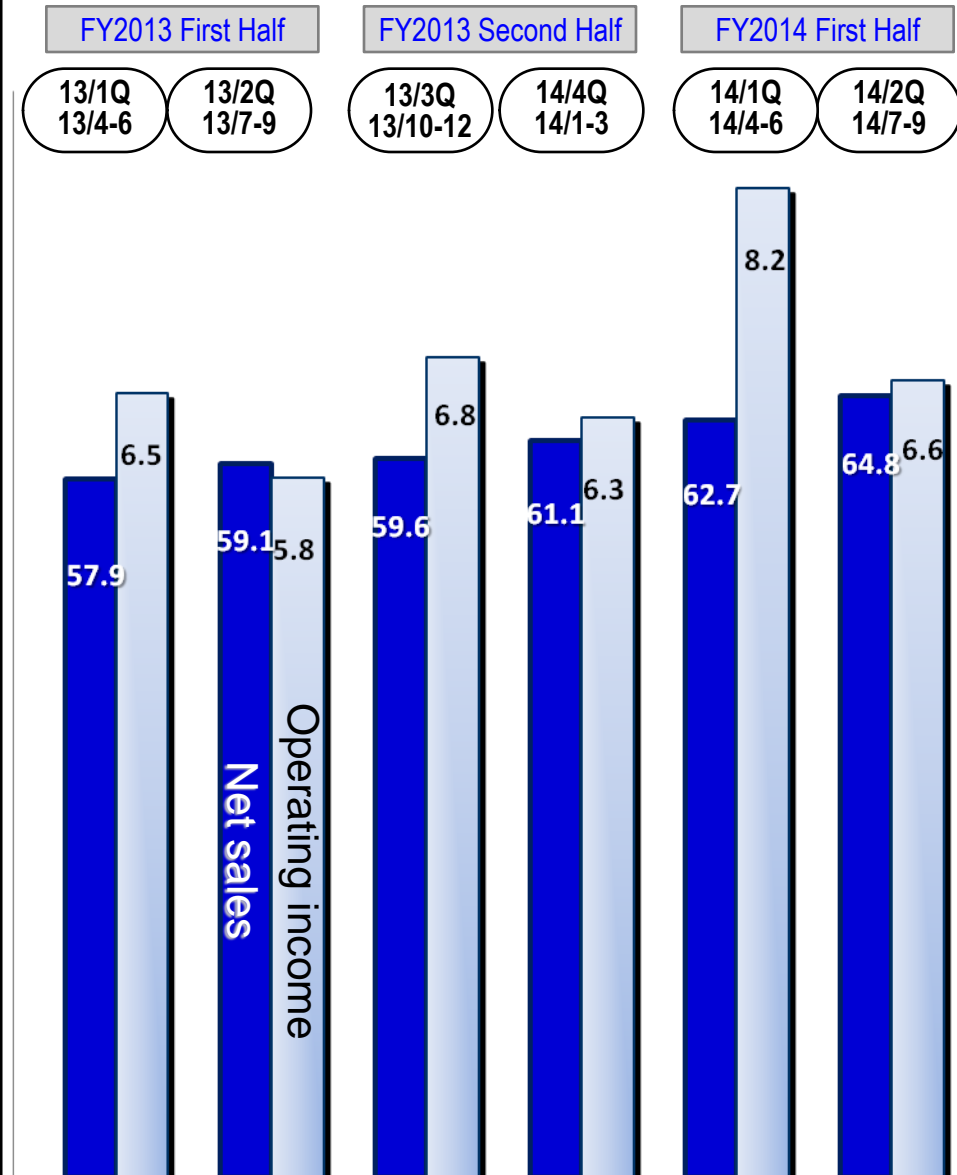
- Rolls: Sales increased compared to the same period last year, backed by a steady increase in demand in overseas markets.
- Injection molding machine parts: Sales increased, backed by favorable demand both in Japan and overseas for smartphones and tablet devices.

■ Amorphous Materials

Sales remained flat as compared to the same period last year. In spite of the steady market in North America and the weak yen during the period, demand adjustment was seen in China—the major market for the product—which caused a decrease in production in the latter half of the six-month period ending September 30, 2014.

■ Cutting Tools

Sales of cutting tools increased because of favorable demand for industrial machinery in Japan as well as steady overseas markets, as evidenced by an increase in exports.



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

(Unit: ¥ billion)

Net sales: ¥68.4 billion

Up 6 % from the first half of FY2013

Operating income: ¥7.5 billion

Up ¥3.7 billion from the first half of FY2013

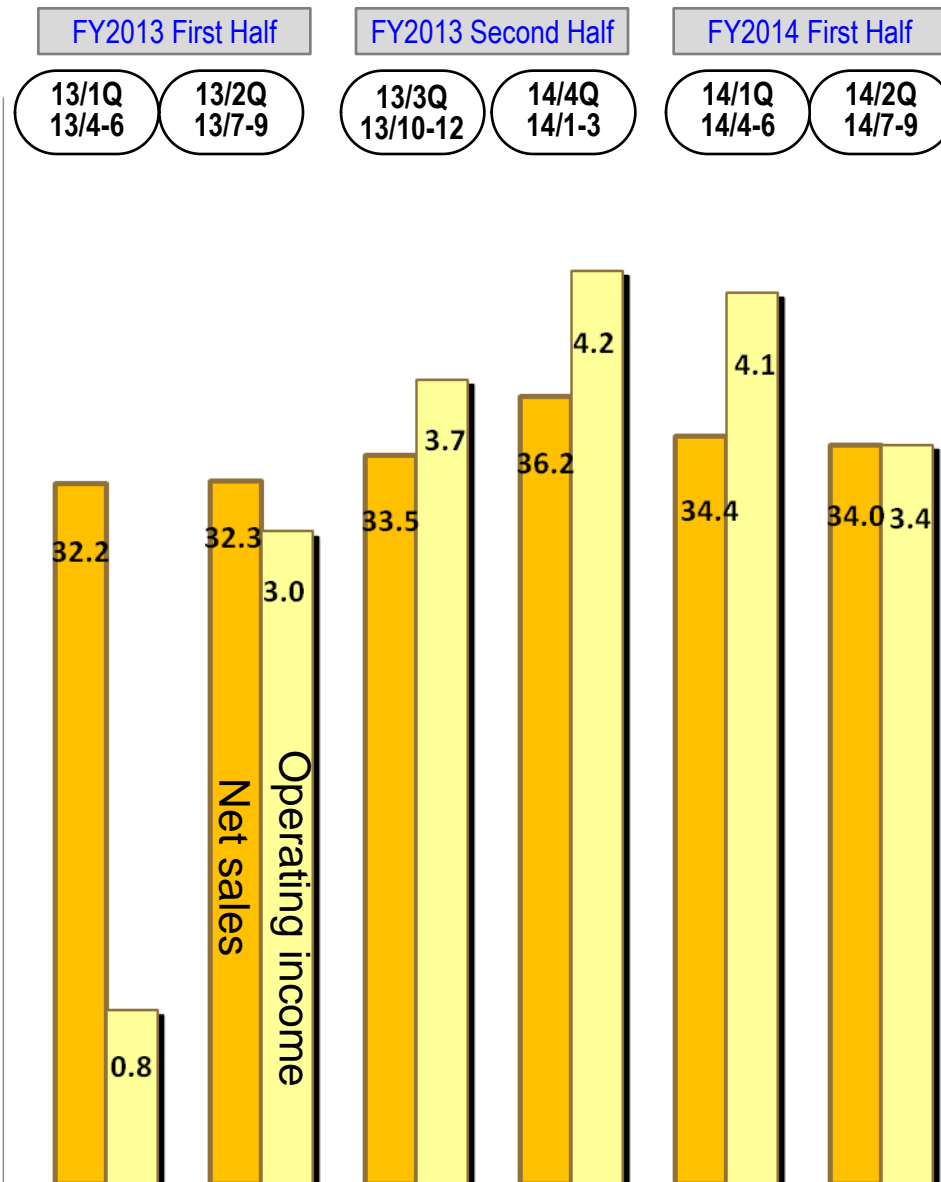
Sales and income both grew compared to the same period the previous year as demand remained strong, primarily in the automotive and factory automation sectors, and the impact from raw materials prices was ameliorated.

■ Magnets

- Rare earth magnets: Sales increased, supported not only by strong demand in automotive electronic components for hybrid cars and electric power steering, but also by 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 Japanese and overseas markets.

■ Soft Magnetic Materials and Applied Products

Overall sales of ferrite applied products increased with 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 general-purpose inverters and air conditioners.



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

(Unit: ¥ billion)

Net sales: ¥94.2 billion

Up 3% from the first half of FY2013

Operating income: ¥5.9 billion

Unchanged from the first half of FY2013

Although profits from piping and construction components declined compared to the same period the previous year, demand for automotive castings remained solid, mainly in the U.S. market, with sales increasing and income unchanged overall compared to the same period the year before.

■ Casting Components for Automobiles

- Heat-resistant exhaust casting components: Sales remained flat compared to the same period last year, 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 United States. In addition, the limited impact of the consumption tax hike in Japan contributed to the positive result.
- Aluminum wheels: Despite a decrease in production of certain automobiles types equipped with the products in Japan, sales increased as a result of robust demand in the U.S. market.

■ Piping Components

- Pipe fittings: Sales remained unchanged compared to the same period last year. Although demand was robust in the U.S. market, housing starts in Japan decreased after the last-minute surge in demand due to the consumption tax hike.
- Stainless steel and plastic piping components: Although the decrease in housing starts had some effect, sales remained flat due to proven advantages in constraints of construction and earthquake resistance of gas-related products, contributing to steady demand.

■ Construction Components

Although sales of construction components were supported by private capital expenditures and public investments in Japan, total sales decreased compared to the same period last year as a result of one-time events that increased the sales amount, such as extended scope of application of the Percentage of Completion Standards.

FY2013 First Half

FY2013 Second Half

FY2014 First Half

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13/4-6

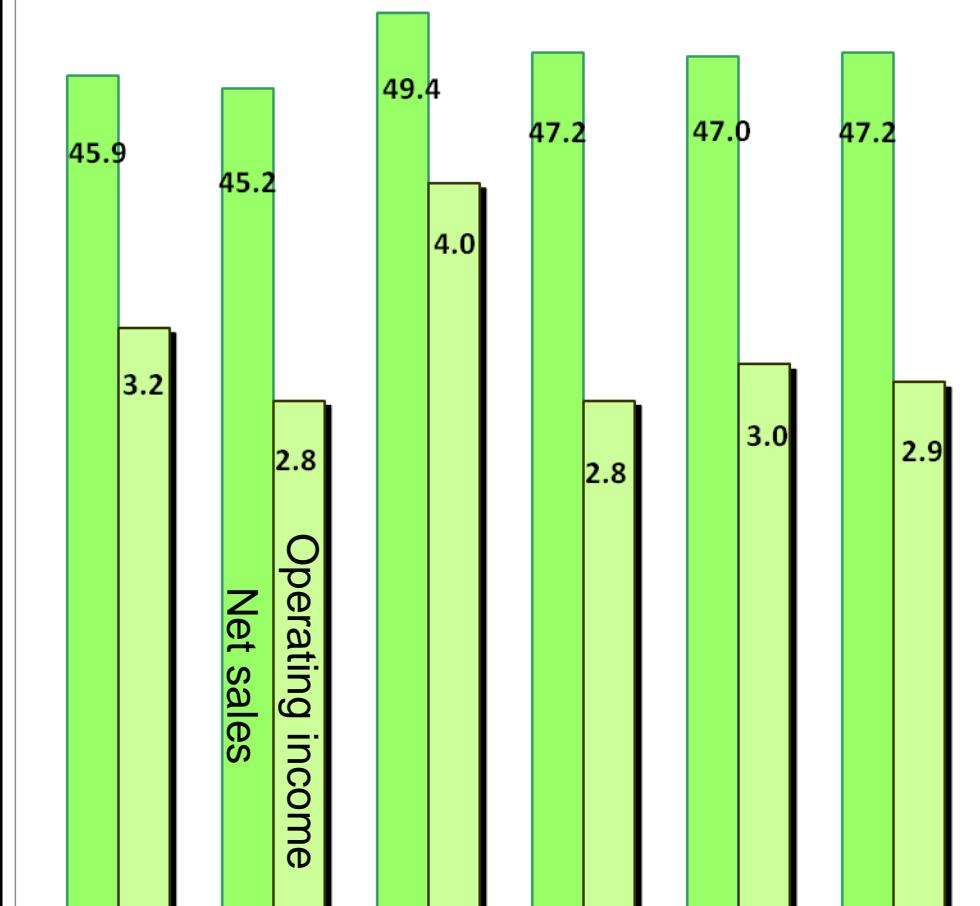
13/2Q
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14/4Q
14/1-3

14/1Q
14/4-6

14/2Q
14/7-9



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

(Unit: ¥ billion)

Net sales: ¥161.5 billion

Up 104 % from the first half of FY2013

Note: Does not include the premerger first quarter of FY2013
Reference: Down 4 % from the first half of FY2013 after adding in the former Hitachi Cable's first-quarter results

Operating income: ¥9.8 billion

Up ¥5.4 billion from the first half of FY2013

Note: Does not include the premerger first quarter of FY2013
Reference: Up ¥2.2 billion from the first half of FY2013 after adding in the former Hitachi Cable's first-quarter results

Electrical wires and cables, automotive products, and information system devices and materials all remained solid. There was sustained, vigorous demand in the core overseas rolling stock cable, medical device probe cable, and automotive product sectors.

■ Electric Wires and Cables

Sales of materials for electric power and industrial systems and electronic and telecommunication increased due to the rise in domestic demand for construction. Demand for machine tools also increased.

Demand for wires and cables for rolling stock increased both in Japan and overseas.

Demand also increased for probe cables in the area of medical equipment-related products.

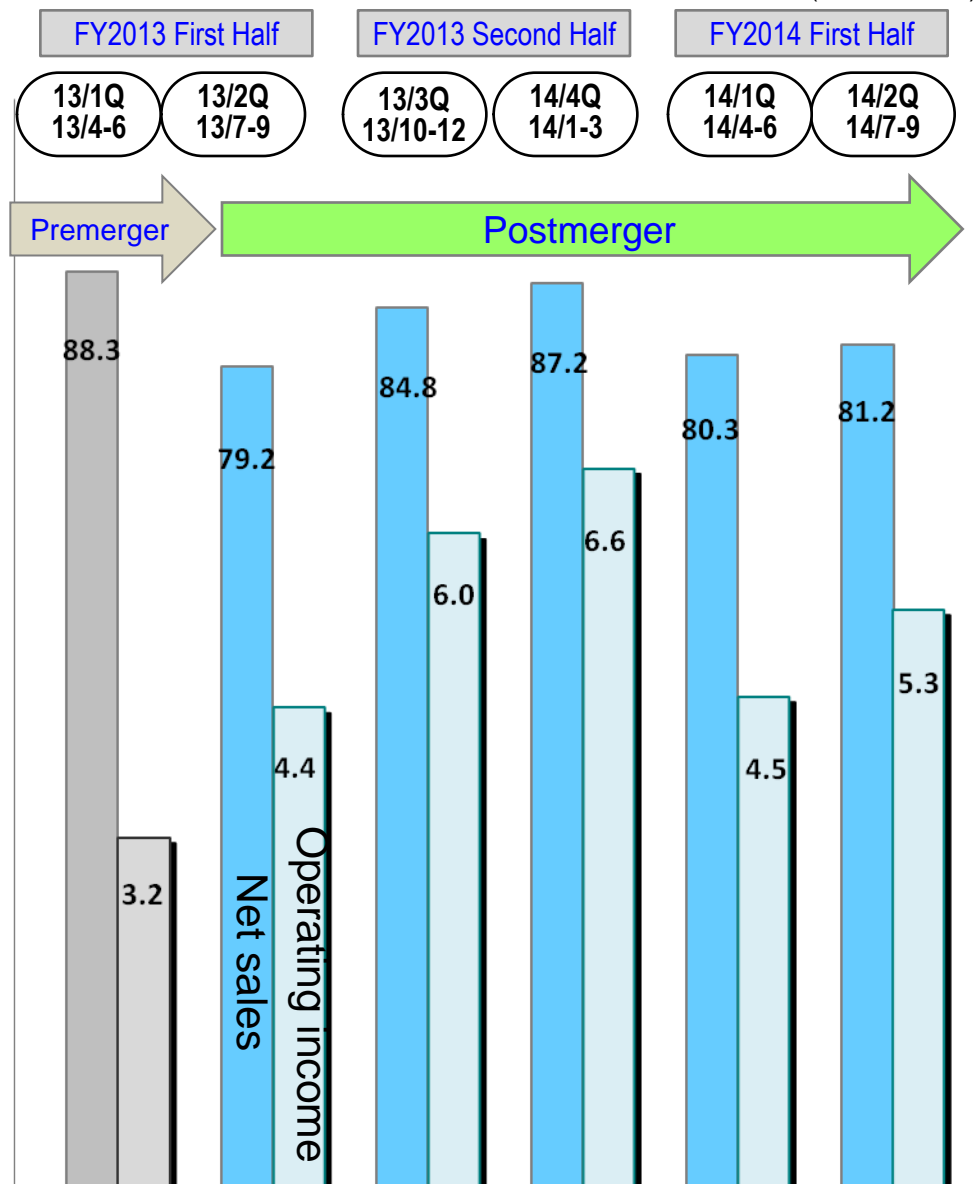
■ Automotive Products

Sales of automotive products continued to grow, supported by brisk demand for electronic components in both domestic and overseas markets, such as harnesses for use in in hybrid vehicles, harnesses for electric parking brakes, and vehicle-mounted sensors, which are all key products of the Group.

■ Information System Devices and Materials

Sales related to network devices and wireless systems remained solid as telecommunications carriers continued their strong capital investments in connection with the widespread use of smartphones.

Note: This segment was newly established after 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.

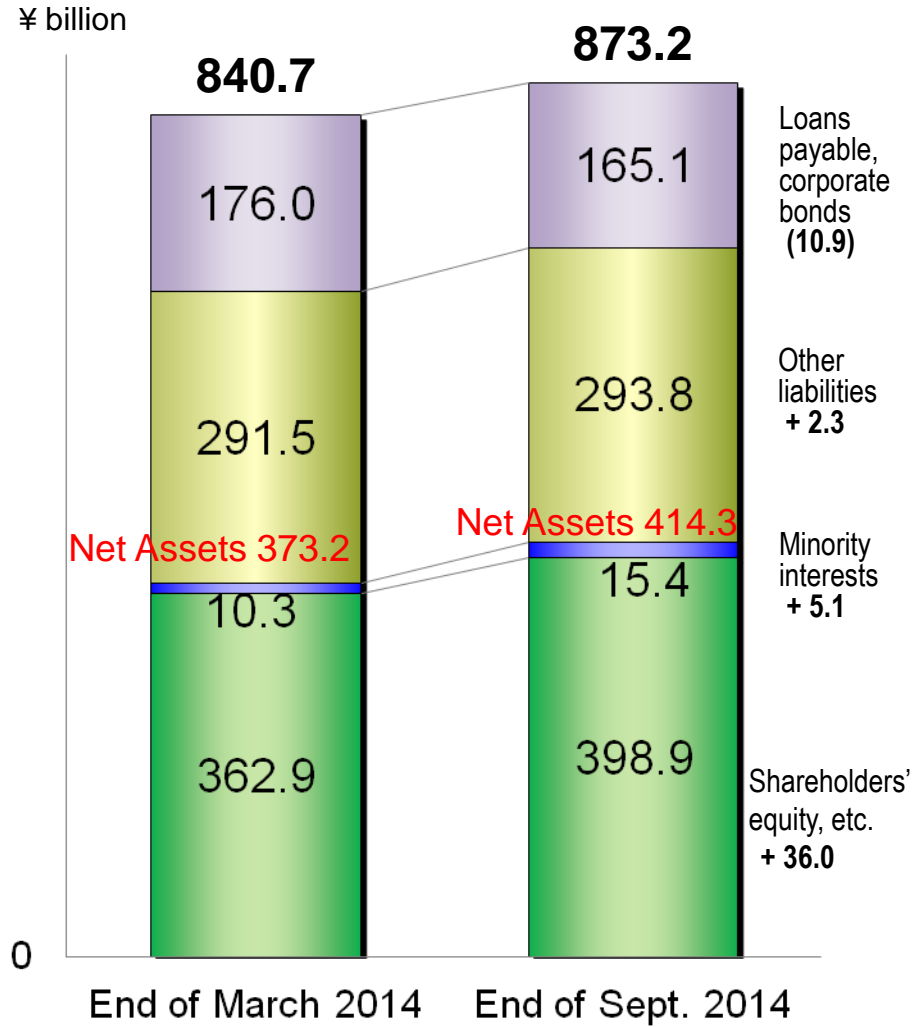
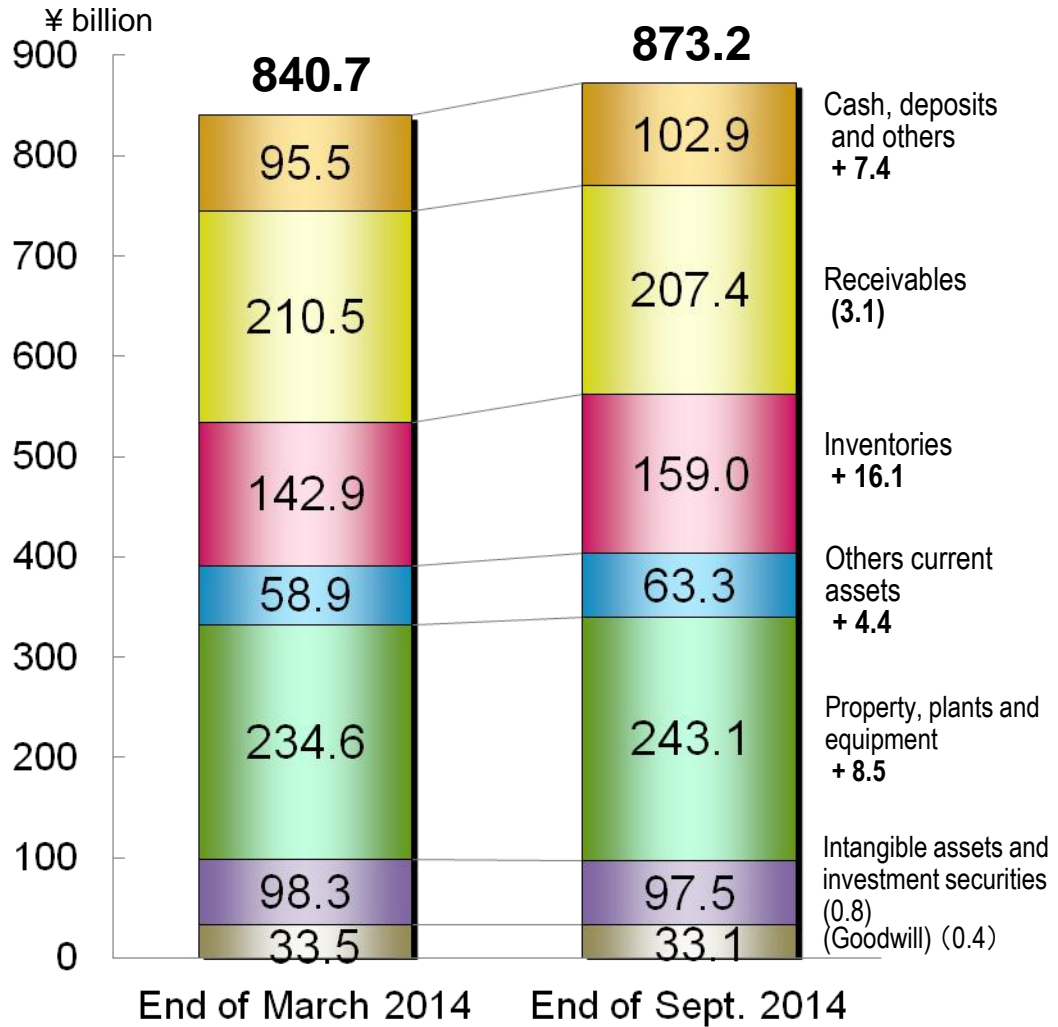


Assets, Liabilities, and Net Assets

Increase/Decrease Ratio End of March 2014
+¥32.5 billion
D/E Ratio 0.48 → 0.41

Assets

Liabilities and Net Assets



Consolidated Cash Flow

(Unit: ¥ billion)

Item	FY2013 First Half *	FY2014 First Half	Increase/Decrease
Income before income taxes and minority interests	18.0	37.9	+19.9
Depreciation and amortization	15.1	17.5	+2.4
Increase/Decrease in operating capital	16.4	4.9	(11.5)
Other	2.9	(12.4)	(15.3)
Cash flow from operating activities	52.4	47.9	(4.5)
Acquisition of fixed assets	(14.8)	(18.8)	(4.0)
Other	1.1	6.8	+5.7
Cash flow from investment activities	(13.7)	(12.0)	+1.7
Free cash flow	38.7	35.9	(2.8)
Increase/Decrease in borrowing and bonds	(8.0)	(24.4)	(16.4)
Dividend payments, etc.	(3.8)	(6.0)	(2.2)
Cash flow from financing activities	(11.8)	(30.4)	(18.6)
Effect of exchange rate changes, etc.	1.0	1.9	+0.9
Increase/Decrease in cash and cash equivalents	27.8	7.4	(20.4)
Cash and cash equivalents at end of year	81.8	102.9	+21.1

Note: Since the first quarter of FY2013 was before the merger with Hitachi Cable, amounts for the Wires, Cables, and Related Products segment are not included.

Revisions to FY2014 Business Performance Forecast

We anticipate that FY2014's full-year business performance will remain steady, primarily in the automotive and infrastructure product sectors, with net sales and income both exceeding our initial forecast. We will therefore be revising the consolidated full-year FY2014 forecast we released on April 24, 2014. Note that these forecast figures reflect the impact of our acquisition of Waupaca Foundry Inc.

Consolidated FY2014 business performance forecast (April 1, 2014 to March 31, 2015)

	Net sales (billions of yen)	Operating income (billions of yen)	Net income before income taxes and minority (billions of yen)	Net income (billions of yen)	Net income per share (yen)
Forecasts announced on April 24, 2014 (A)	910.0	68.0	57.0	42.0	98.21
Revised forecasts (B)	990.0	77.0	67.0	46.0	107.57
Differences (B) – (A)	+ 80.0	+ 9.0	+ 10.0	+ 4.0	
Changes (%)	8.8%	13.2%	17.5%	9.5%	
Reference: FY2013 full-year business performance*	808.0	59.5	50.8	39.4	95.65

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

FY2014 Full-Year Business Performance Forecast

Business performance forecast and projections reflecting the impact of our acquisition of Waupaca Foundry, Inc.

(Unit: ¥ billion)

	FY2012 business performance Based on simple totaling of Hitachi Metals and Hitachi Cable (Exchange rate of \$1 = ¥83.10)	FY2013 business performance After adding in Hitachi Cable's 1 st quarter FY2013 results (Exchange rate of \$1 = ¥100.24)	FY2014 business performance forecast (Exchange rate of \$1 = ¥104)	FY2015 target after revisions to Medium-Term Management Plan (Projected exchange rate of \$1 = ¥100)
Net sales	897.7	896.2	990.0	1,110.0
Operating income	(2.8%) 25.4	(7.0%) 62.8	(7.8%) 77.0	(8.1%) 90.0
Extraordinary income and losses	(19.3)	(7.8)	(5.5)	6.5
Income before income taxes	9.3	56.1	67.0	93.0
Net income	3.8	43.7	46.0	70.0
Net assets	799.9	840.7	1,040.0	1,060.0
Shareholders' equity	325.7	362.9	400.0	460.0
Interest-bearing debt	202.7	176.0	240.0	230.0
D/E ratio (times)	0.62	0.48	0.60	0.5
ROE	1.2%	12.7%	12.1%	16%
Overseas markets' share of sales	37%	41%	47%	52%
Ratio of overseas manufacturing	22%	25%	33%	40%
Employees	28,476	26,850	30,700	30,600

Note: Waupaca Foundry's business performance is reflected in our forecast and projection as shown below.

FY2014 forecast: Net sales of ¥77.5 billion and ¥3.5 billion in operating income reflect the five-month period from November 2014 to March 2015

FY2015 projection: Net sales of ¥187 billion and ¥13 billion in operating income reflect the twelve-month period from April 2015 to March 2016

Business Plan Following Acquisition of Waupaca Foundry, Inc.

Waupaca Foundry's business performance will be reflected in the High-Grade Functional Components And Equipment segment from November 2014

■ Second half of FY2014 (Exchange rate of \$1 = ¥105)

(Unit: ¥ billion)

Waupaca Foundry, Inc.	Net sales	77.5	FY2014 results will be based on the five-month period from November 2014 to March 2015
	Operating income Operating income ratio	6.5 8.4%	
Acquisition-related costs	Amortization of goodwill	(1.4)	USD 644 million amortized over twenty years
	Amortization of intangible assets	(0.8)	USD 240 million amortized over fourteen years
	Corporate and other expenses	(0.8)	
Operating income revision Operating income ratio		3.5 4.5%	

■ FY2015 (Exchange rate of \$1 = ¥100)

Waupaca Foundry, Inc.	Net sales	187.0	
	Operating income Operating income ratio	20.0 10.7%	
Acquisition-related costs	Amortization of goodwill	(3.2)	
	Amortization of intangible assets	(1.7)	
	Corporate and other expenses	(2.1)	
Operating income revision Operating income ratio		13.0 7.0%	

FY2014 Full-Year Business Performance Forecasts by Segment

(Unit: ¥ billion)

	Net sales				Operating income				Reference FY2015 target after revisions to Medium-Term Management Plan	
	FY2013 Actual ^{*1}	FY2014 Previous Forecast ^{*2}	FY2014 Current Forecast	Change	FY2013 Actual ^{*1} ratio	FY2014 Previous Forecast ^{*2} ratio	FY2014 Current Forecast ratio	Change	Net sales	Operating income
High-Grade Metal Products and Materials	237.7	262.5	259.0	109%	25.4 10.7%	30.0 11.4%	32.0 12.4%	+6.6	269.0	31.5 11.7%
Magnetic Materials and Applications	134.2	141.0	135.0	101%	11.7 8.7%	16.0 11.3%	16.5 12.2%	+4.8	144.0	16.5 11.5%
High-Grade Functional Components and Equipment	187.7	188.5	272.5	145%	12.8 6.8%	14.5 7.7%	17.5 6.4%	+4.7	400.0	31.0 7.8%
Wires, Cables, and Related Products	251.2	320.0	325.0	129%	17.0 6.8%	16.5 5.2%	20.0 6.2%	+3.0	310.0	20.5 6.6%
Other Businesses and Adjustments	(2.8)	(2.0)	(1.5)	—	(7.4)	(9.0)	(9.0)	(1.6)	(13.0)	(9.5)
Total Consolidated	808.0	910.0	990.0	123%	59.5 7.4%	68.0 7.5%	77.0 7.8%	+17.5	1,110.0	90.0 8.1%





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

*2 Forecast: Figures announced on April 24, 2014

Business Operations by Segment (Reference)

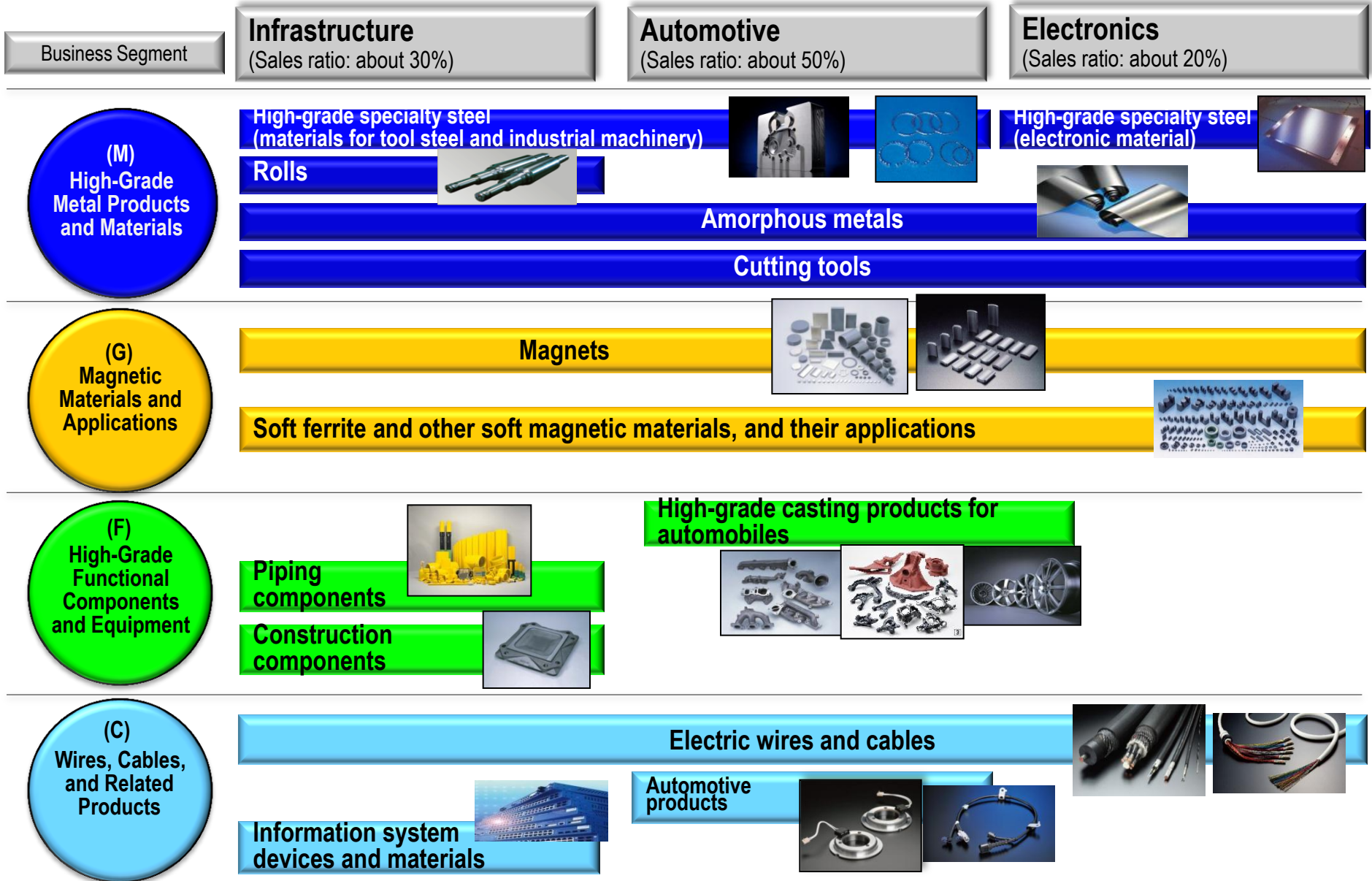
Business Segment

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 after the merger with Hitachi Cable on July 1, 2013.</p>

Business Operations by Market

Note: After acquisition of Waupaca Foundry



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