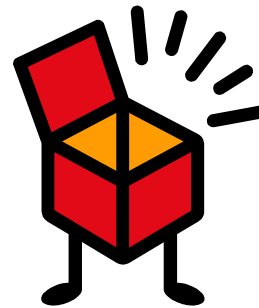


Hitachi Metals

FY2014 Third Quarter Financial Results



Materials Mag!c

February 3, 2015

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

FY2014 Third Quarter (October–December) Performance Overview

(Unit: ¥ billion, figures in brackets [] indicate YoY change)

	FY2013 3Q	FY2013 1Q-3Q*	FY2014 3Q	FY2014 1Q-3Q	Disclosed on Oct. 27, 2014	
					2H forecast	Full-year Forecast
Net sales	226.3	576.8	266.3 [+18%]	716.8 [+24%]	539.5 [+18%]	990.0 [+23%]
Operating income	18.0	41.2	20.0 [+2.0] 7.5%	54.0 [+12.8] 7.5%	43.0 [+6.6] 8.0%	77.0 [+17.5] 7.8%
Operating income ratio	8.0%	7.1%				
Non-operating income and expenses	1.9	1.4	0.6 [-1.3]	0.7 [-0.7]	(4.6) [-6.4]	(4.5) [-5.9]
Extraordinary income and losses	(2.2)	(6.9)	(1.7) [+0.5]	2.1 [+9.0]	(9.3) [-3.9]	(5.5) [+4.6]
Income before income taxes	17.7	35.7	18.9 [+1.2]	56.8 [+21.1]	29.1 [-3.7]	67.0 [+16.2]
Net income	13.4	23.1	14.7 [+1.3]	43.3 [+20.2]	17.4 [-12.4]	46.0 [+6.6]
ROE (%)	16.0	10.3	14.3 [-1.7]	14.7 [+4.4]	8.9 [-8.4]	12.1 [-0.8]
Capital investment	6.5	21.1	14.2 [+7.7]	33.2 [+12.1]	37.0 [+19.6]	56.0 [+24.0]
Depreciation and amortization	9.2	24.3	10.3 [+1.1]	27.8 [+3.5]	22.5 [+4.0]	40.0 [+6.4]
R&D expenses	4.5	11.8	5.2 [+0.7]	15.4 [+3.6]	9.9 [+0.4]	20.0 [+3.2]

* Results for the first nine months of FY2013 do not include the results for the first quarter of FY2013 of the former Hitachi Cable.

Demand Trends

Automobile-related: Overseas demand has remained firm, primarily in North America and China
Demand has partly dropped in Japan due to a decrease in car production

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, figures in brackets [] indicate YoY change)

	Net Sales						Operating Income, Operating Income Ratio					
	FY2013 3Q	FY2013 1Q-3Q*	FY2014 3Q	FY2014 1Q-3Q	Disclosed on Oct. 27, 2014		FY2013 3Q	FY2013 1Q-3Q*	FY2014 3Q	FY2014 1Q-3Q	Disclosed on Oct. 27, 2014	
					2H Forecast	Full-year Forecast					2H Forecast	Full-year Forecast
High-Grade Metal Products and Materials	59.6	176.6	67.0 [+12%]	194.5 [+10%]	131.5 [+9%]	259.0 [+9%]	6.8 11.4%	19.1 10.8%	8.3 [+1.5] 12.4%	23.1 [+4.0] 11.9%	17.2 [+4.1] 13.1%	32.0 [+6.6] 12.4%
Magnetic Materials and Applications	33.5	98.0	33.4 [±0%]	101.8 [+4%]	66.6 [-4%]	135.0 [+1%]	3.7 11.0%	7.5 7.7%	3.8 [+0.1] 11.4%	11.3 [+3.8] 11.1%	9.0 [+1.1] 13.5%	16.5 [+4.8] 12.2%
High-Grade Functional Components and Equipment	49.4	140.5	82.6 [+67%]	176.8 [+26%]	178.3 [+85%]	272.5 [+45%]	4.0 8.1%	10.0 7.1%	4.8 [+0.8] 5.8%	10.7 [+0.7] 6.1%	11.6 [+4.8] 6.5%	17.5 [+4.7] 6.4%
Wires, Cables, and Related Products	84.8	164.0	83.8 [-1%]	245.3 [+50%]	163.5 [-5%]	325.0 [+29%]	6.0 7.1%	10.4 6.3%	5.3 [-0.7] 6.3%	15.1 [+4.7] 6.2%	10.2 [-2.4] 6.2%	20.0 [+3.0] 6.2%
Other, Deletion	(1.0)	(2.3)	(0.5)	(1.6)	(0.4)	(1.5)	(2.5)	(5.8)	(2.2)	(6.2)	(5.0)	(9.0)
Total Consolidated	226.3	576.8	266.3 [+18%]	716.8 [+24%]	539.5 [+18%]	990.0 [+23%]	18.0 8.0%	41.2 7.1%	20.0 [+2.0] 7.5%	54.0 [+12.8] 7.5%	43.0 [+6.6] 8.0%	77.0 [+17.5] 7.8%

* Results for the first nine months of FY2013 do not include the results for the first quarter of FY2013 of the former Hitachi Cable.

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

(Unit: ¥ billion)

Net Sales: ¥ **67.0 billion** (3Q) Up 12% YoY
 ¥ **194.5 billion** (1Q-3Q) Up 10% YoY
Operating Income: ¥ **8.3 billion** (3Q) Up ¥1.5 billion YoY
 ¥ **23.1 billion** (1Q-3Q) Up ¥4.0 billion YoY

Sales and income both grew compared to the third quarter of FY2013 and the first nine months of FY2013, supported by strong demand for capital investment, in addition to favorable demand for smartphones and tablet devices, and aircraft-related materials, as well as robust demand for environment-friendly products of automobile-related materials.

■ Specialty 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 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

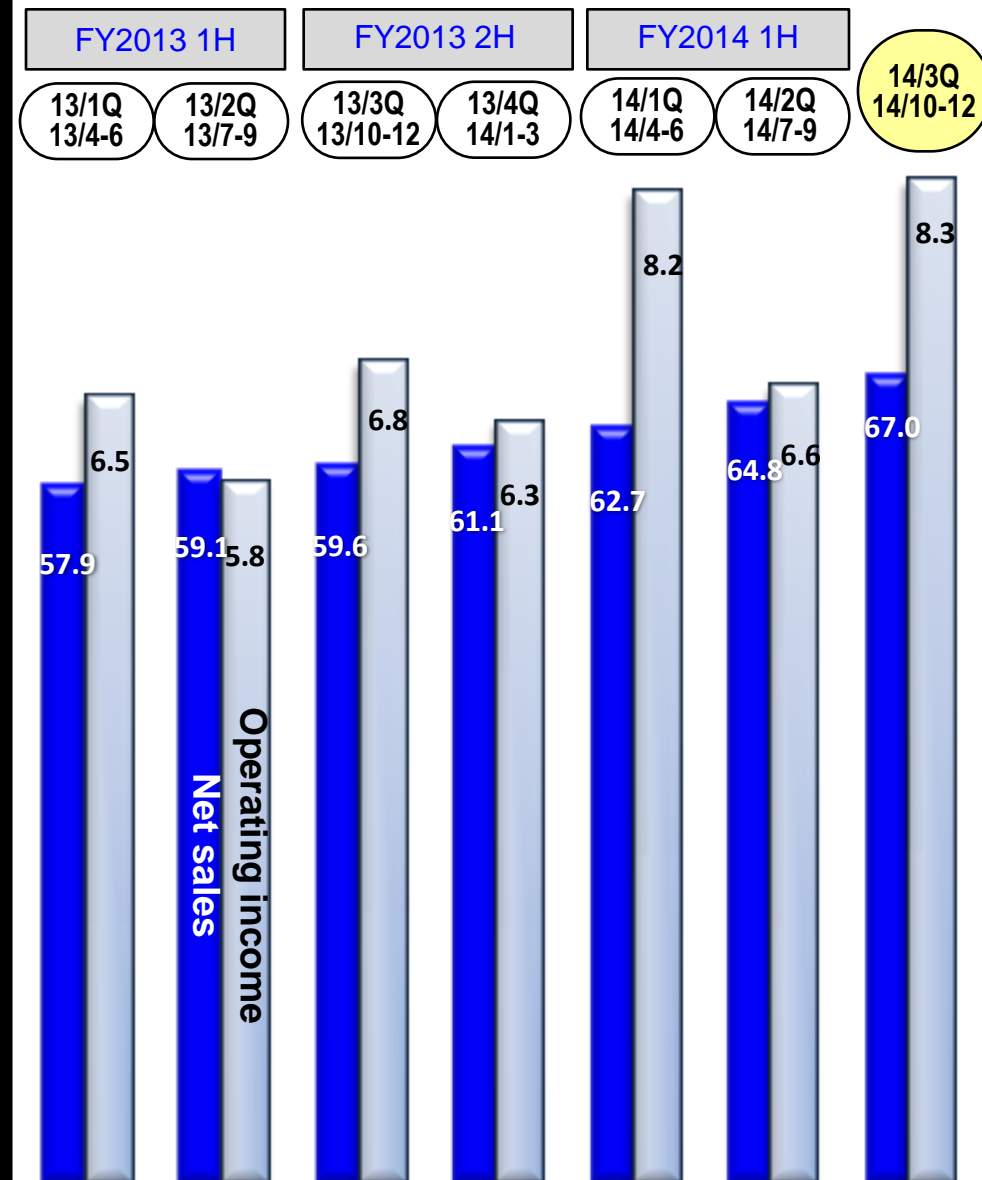
- Rolls: Sales increased compared to the same period last year, backed by a steady increase in demand in overseas markets.
- Injection molding machine parts: Sales increased, backed by favorable demand both in Japan and overseas for smartphones and tablet devices.

■ Amorphous Metals

Sales decreased due to demand adjustment in China—the major market for the product.

■ 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:	¥ 33.4 billion (3Q)	Unchanged
	¥ 101.8 billion (1Q-3Q)	Up 4% YoY
Operating Income:	¥ 3.8 billion (3Q)	Slight increase YoY
	¥ 11.3 billion (1Q-3Q)	Up ¥3.8 billion YoY

Sales and income both grew compared to the first nine months of FY2013 as demand remained strong in the factory automation sector, despite the effects of demand adjustment in the automotive sector including a decrease in car production in Japan.

■ Magnets

• Rare earth magnets:

Sales increased compared to the first nine months of FY2013, supported by strong demand in automotive electronic components for hybrid cars and electric power steering, as well as steady demand for household appliances and factory automation-related products, despite some demand adjustment including a decrease in car production in Japan.

• Ferrite magnets:

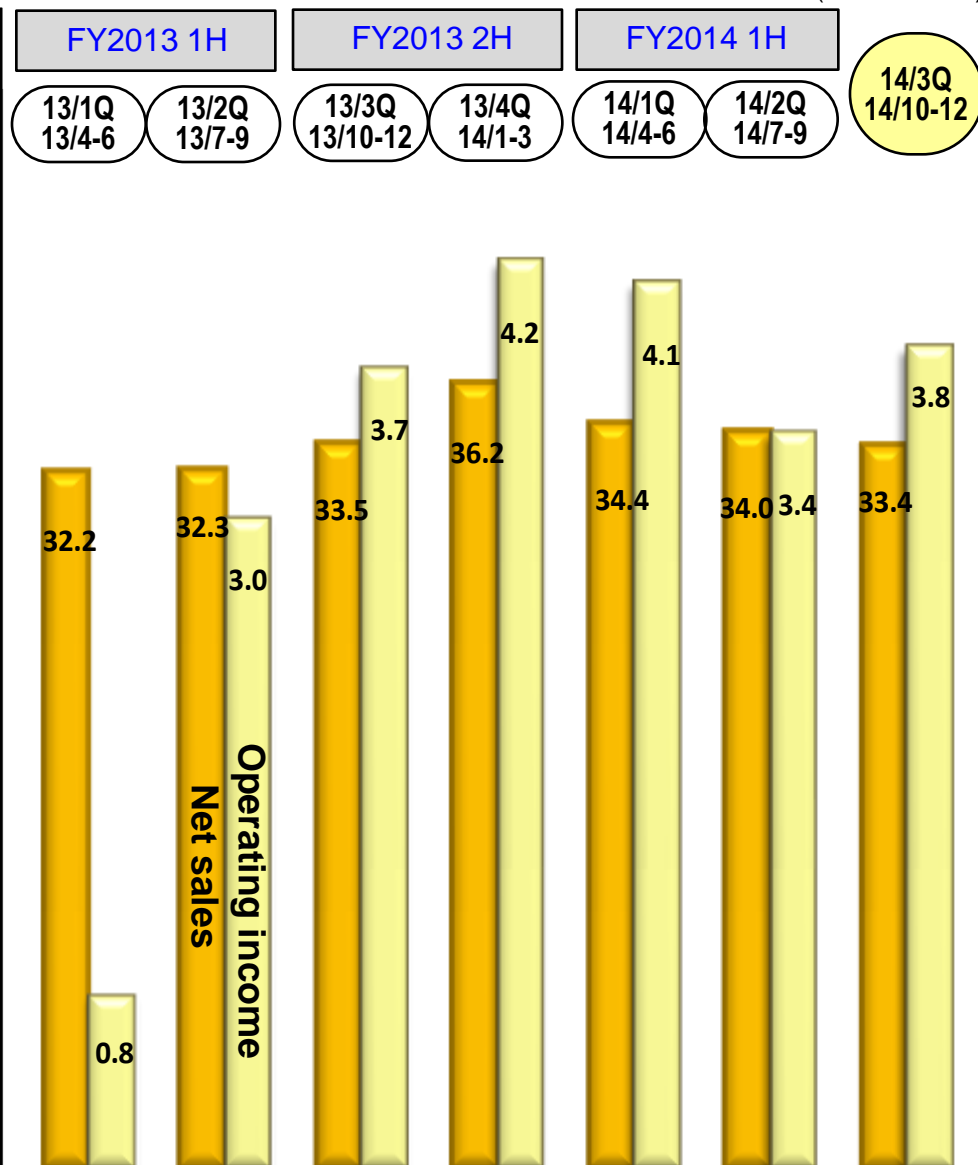
Sales increased due to strong demands for automotive electronic components and household appliance parts both in Japanese and overseas markets.

■ 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: ¥ **82.6 billion** (3Q) Up 67% YoY
 ¥ **176.8 billion** (1Q-3Q) Up 26% YoY

Operating Income: ¥ **4.8 billion** (3Q) Up ¥0.8 billion YoY
 ¥ **10.7 billion** (1Q-3Q) Up ¥0.7 billion YoY

Sales and income both grew compared to the third quarter of FY2013 and the first nine months of FY2013, not only because demand for automotive castings remained solid, mainly in the U.S. market, but also reflecting the performance of Waupaca Foundry, Inc., which became a consolidated subsidiary of the Group.

■ Casting Components for Automobiles

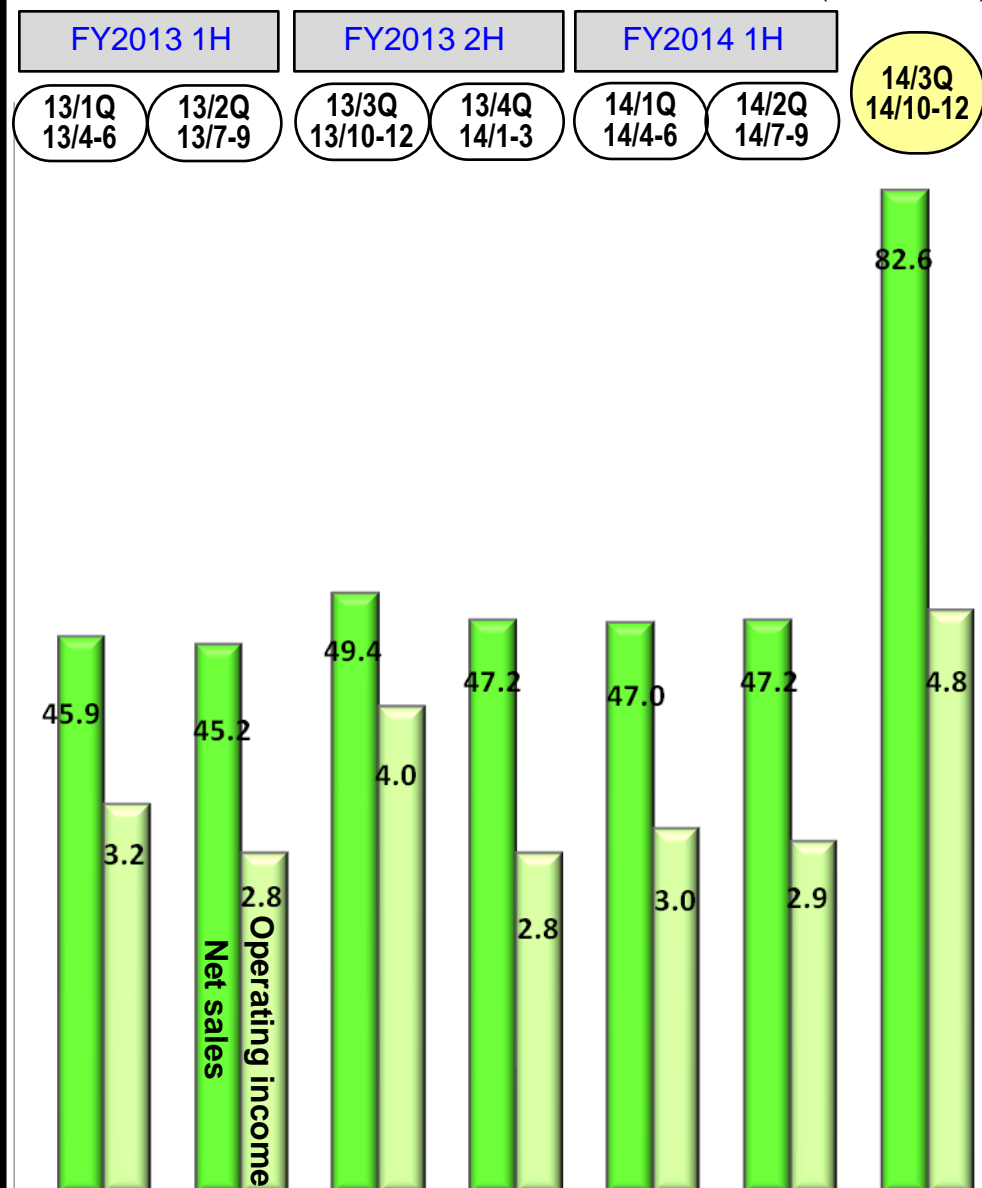
- Heat-resistant exhaust casting components: Sales remained flat compared to the same period last year, supported by a recovery in the European market—the leading market for the products—and by strong demand in the U.S. market.
- High-grade ductile cast-iron products: Sales increased due to favorable 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: Sales increased as a result of robust demand in the U.S. market.
- The performance of Waupaca Foundry, Inc., a newly consolidated subsidiary, contributed to the increases in sales and profit.

■ 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.



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

(Unit: ¥ billion)

Net Sales: **¥ 83.8 billion (3Q)** Down 1% YoY
 ¥ 245.3 billion (1Q-3Q) Up 50% YoY*
 *YoY excludes FY2013 1Q (before merger)

Reference: (1Q-3Q) Down 3% from the same period in the previous year after adding in the former Hitachi Cable's results for the first quarter of FY2013

Operating Income: **¥ 5.3 billion (3Q)** Down ¥0.7 billion YoY
 ¥ 15.1 billion (1Q-3Q) Up ¥4.7 billion YoY*
 *YoY excludes FY2013 1Q (before merger)

Reference: (1Q-3Q) Up ¥1.5 billion from the same period in the previous year after adding in the former Hitachi Cable's results for the first quarter of FY2013

Demand for electrical wires and cables, and automotive products remained solid. Demand for network devices and wireless systems remained strong, despite some adjustment to capital investments by telecommunications carriers.

■ Electric Wires and Cables

There was strong domestic demand for construction and equipment. Demand for machine tools was also robust. Demand remained solid for wires and cables for rolling stock, which are key products of the Group, mainly in the Chinese market, and demand was also strong for probe cables in the area of medical equipment-related products.

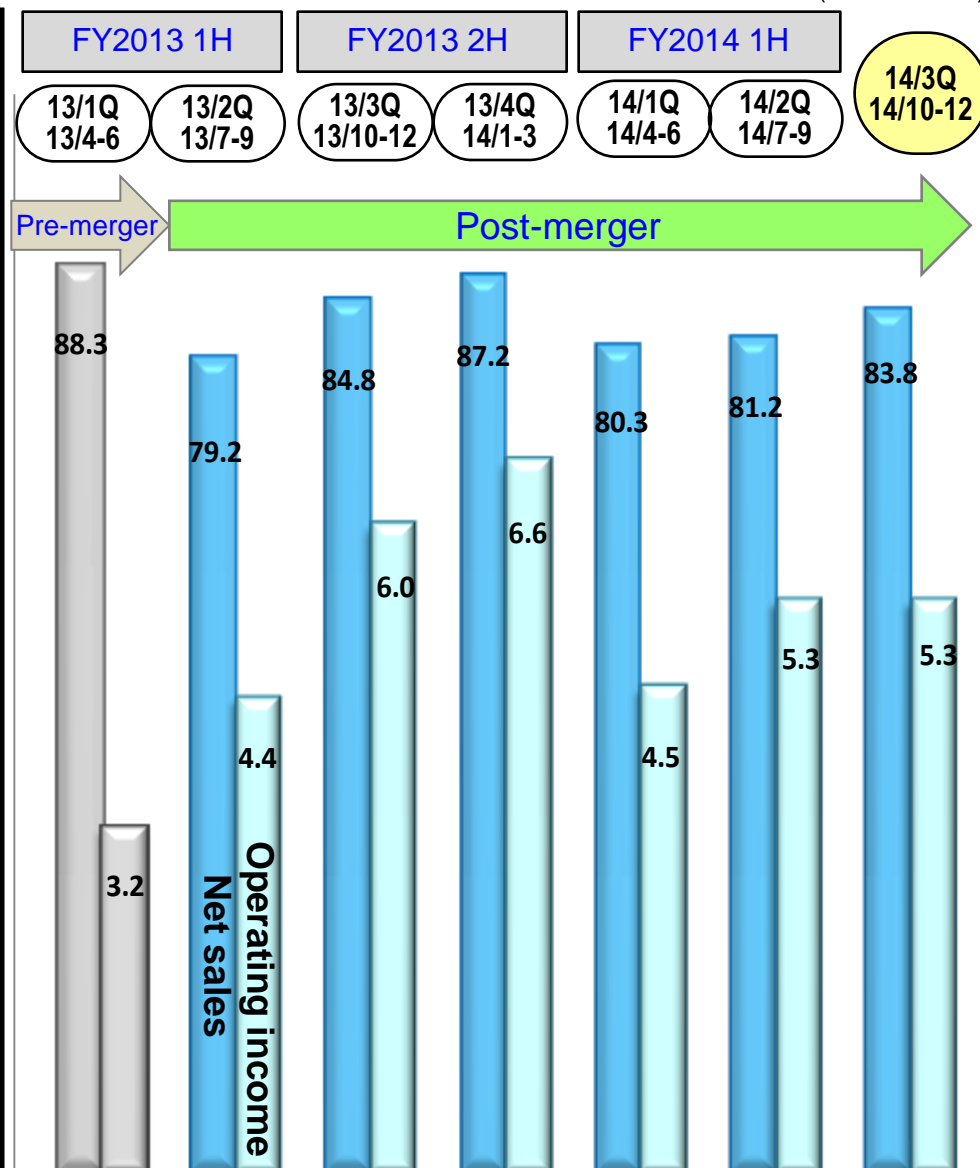
■ Automotive Products

Demand for such electronic components as vehicle-mounted sensors remained solid, mainly in North America.

■ Information System Devices and Materials

Demand for network devices and wireless systems remained solid for the first nine months of FY2014 due to boosted communication demand in connection with the widespread use of smartphones, despite some adjustment to capital investments by telecommunications carriers from the third quarter of FY2014.

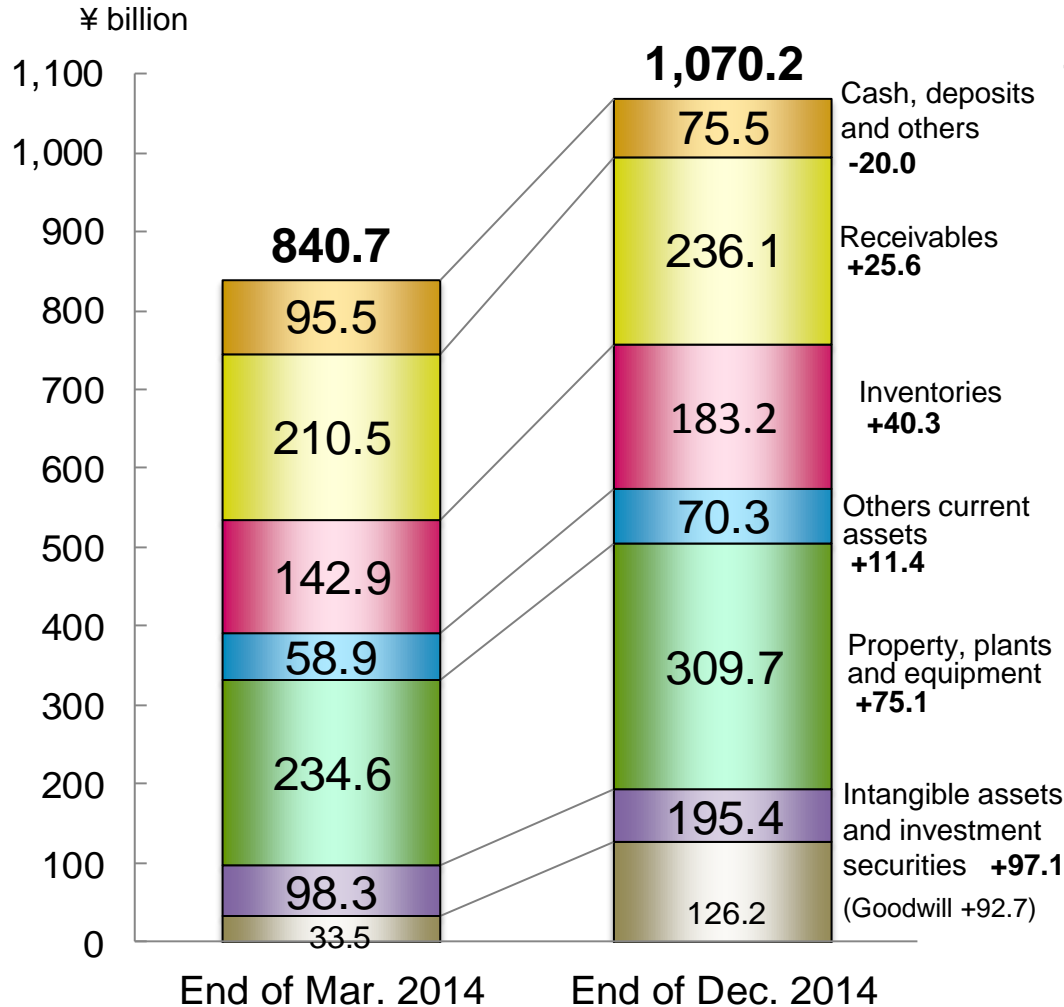
Note: This segment was newly established after the merger with Hitachi Cable on July 1, 2013. The results of this segment have been reflected in the performance of the Hitachi Metals Group from the consolidated accounting figures for the second quarter of FY2013.



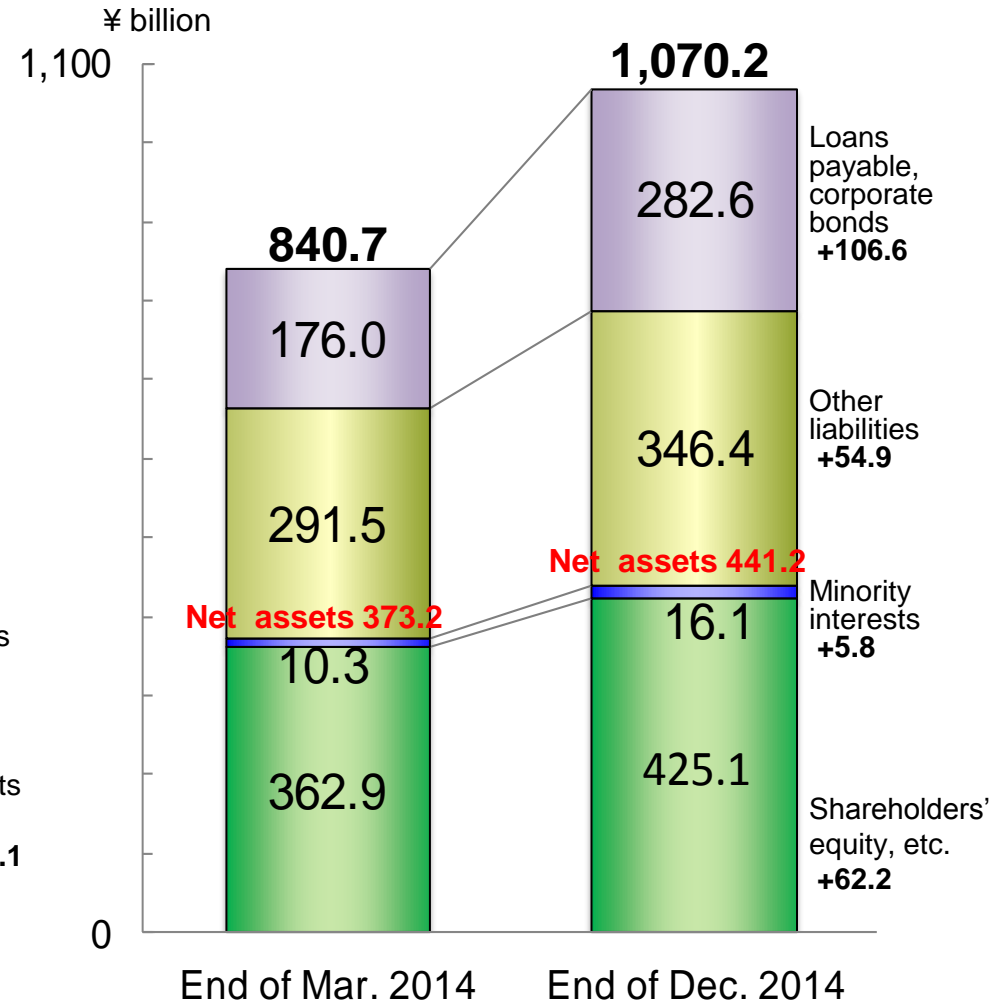
Assets, Liabilities, and Net Assets

Total Assets: +¥229.5 billion from the end of March 2014
D/E Ratio: 0.48 → 0.66

Assets



Liabilities and Net Assets



Consolidated Cash Flows

(Unit: ¥ billion)





Item	FY2013 1Q-3Q*	FY2014 1Q-3Q	Increase/ Decrease
Income before income taxes and minority interests	35.7	56.8	+21.1
Depreciation and amortization	24.3	27.8	+3.5
Increase/decrease in operating capital	8.0	(1.8)	-9.8
Other	0.8	(18.7)	-19.5
Cash flows from operating activities	68.8	64.1	-4.7
Acquisition of fixed assets and M&A	(21.8)	(118.6)	-96.8
Other	0.7	10.8	+10.1
Cash flows from investment activities	(21.1)	(107.8)	-86.7
Free cash flow	47.7	(43.7)	-91.4
Increase/decrease in borrowing and bonds	(10.5)	28.0	+38.5
Dividend payments, etc.	(7.8)	(11.5)	-3.7
Cash flows from financing activities	(18.3)	16.5	+34.8
Effect of exchange rate changes	4.1	7.1	+3.0
Increase/decrease in cash and cash equivalents	33.5	(20.1)	-53.6
Cash and cash equivalents at end of year	87.5	75.5	-12.0

* Results for the first nine months of FY2013 do not include the results for the first quarter of FY2013 of the former Hitachi Cable.




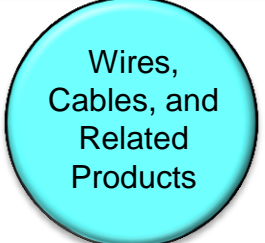
Business Operations by Segment (Reference)

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		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 and wireless systems) Note: This segment was established upon the merger with Hitachi Cable on July 1, 2013.

Developing and Manufacturing Top-Quality Materials for Diverse Industries

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

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