Hitachi Metals

Financial Results
for the Year Ended March 31, 2015

Management Policies & Operating Results Forecast
for the Year Ending March 31, 2016

May 12, 2015

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Hitachi Metals, Ltd.

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1-1. FY2014 Topics

Business in general was firm during the second half, despite an adjustment in domestic automotive-related demand.

- Specialty steel and automotive-related demand in the North American market was strong throughout the period, and the trend in demand for Waupaca Foundry, Inc., which was made a consolidated subsidiary in November, was favorable as well.
- Yen weakness was a positive for the business, however the beneficial impact on boosting operating results was limited, due in part to a decline in demand for products that are highly exchange rate-sensitive (amorphous metals, magnets, etc.).

Business portfolio restructuring directed at sustainable growth continued without pause.

- Both operating income and net income reached record highs, boosted in part by restructuring of the business portfolio and results achieved from growth strategies.

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1-2. FY2014 Initiatives

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A review of the business portfolio was conducted with the goal of achieving sustainable growth.

Business (Segment)	Measures	Overview
Specialty Steel (High-Grade Metal Products and Materials)	Expanded aircraft and energy segment business domains	• Acquired MMC Superalloy Corporation shares (boosting holdings from zero to 51%), and consolidated the company • Implemented strategic investment in Hitachi Metals MMC Superalloy, Ltd. (large ring mill).
	Restructured the tool steel business	• Reorganized domestic distribution network (reorganized subsidiaries) and improved the efficiency of the sales system • Boosted profitability by restructuring the product lineup and adjusting prices.
	Enhanced the competitiveness of industrial machinery materials	• Expanded demand for automotive materials (piston ring materials, CVT belt materials). • Started up a 24t vacuum induction melting and casting furnace, the largest in the world (CVT belt materials).
	Decided on major capital investment in casting, forging, etc.	• New casting equipment, 10,000-ton class free forging press, high speed four-surface forging machine, etc. • Invest will begin in FY2015 and commence in stages, with completion and start-up of operation scheduled for FY2017.
	Reinforced the business base for cemented carbide tools	Transferred 51% of shares held in Hitachi Tool Engineering, Ltd. to Mitsubishi Materials Corporation, strengthening the technology base.
Rare-earth Magnets (Magnetic Materials and Applications)	Increased production capacity at domestic locations	Increased production capacity for rare-earth magnets used in HEV (NEOMAX KINKI Co., Ltd.).
	Explored establishment of a production site in China	Explored establishment of a joint venture with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. of China.
Casting Components for Automobiles (High-Grade Functional Components and Equipment)	Strengthened the casting business in the Americas	Acquired Waupaca Foundry, Inc., establishing a commanding position in the ferrous casting for transport machinery business, and strengthened the business base by utilizing production technology, sales, procurement, and other management resources.
Construction Materials & Equipment-related (High-Grade Functional Components and Equipment)	Transferred shares in Hitachi Metals Techno, Ltd.	Accepted a tender offer and sold all shares held in Hitachi Metals Techno, Ltd., a listed company. The company is targeting growth based on the new structure.
Wire and Cables (Wires, Cables, and Related Products)	Reviewed business portfolio and reinforced the business base.	• Transferred J-Power Systems Corporation shares (cutting holdings from 50% to zero). • Reduced equity stake in Sumiden Hitachi Cable Ltd. from 50 to 34%. • Reduced equity stake in Shanghai Sunshine Copper Products Co., Ltd. from approx. 49 to approx. 13%. • Transferred the compound semiconductor business (completed transfer to Sumitomo Chemical Co., Ltd. on April 1).
	Shifted to areas of anticipated growth	• Rolling stock cable operations in China, Europe, and the U.S. • Medical wire (improved operational efficiency by consolidating production of probe cables) • Automotive products (expanded sensor cables, and strengthened locations in Asia and Central America)

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1-3. Fiscal 2014 Overview of Operating Results (Japanese GAAP)

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Japanese GAAP

(¥billions)	FY2013 business performance Not including 1Q 2013 operating results for the former Hitachi Cable, Ltd. (1$ = ¥100.24)	(Reference) FY2013 business performance After aggregation of 1Q 2013 operating results for the former Hitachi Cable, Ltd. (A) (1$ = ¥100.24)	FY2014 business performance (B) (1$ = ¥109.93)	Change B/A, B-A
Net sales	808.0	896.2	1,006.3	*112%*
Operating income	[7.4%] 59.5	[7.0%] 62.8	[7.8%] 78.2	*+15.4*
Non-operating income and expenses	1.4	1.1	(3.3)	*(4.4)*
Ordinary income	60.9	63.9	74.9	*+11.0*
Extraordinary income and losses	(10.1)	(7.8)	4.5	*+12.3*
Income before income taxes	50.8	56.1	79.3	*+23.2*
Net income	39.4	43.7	66.6	*+22.9*
Total assets	840.7	840.7	1,066.0	*+225.3*
Shareholders' equity	380.5	380.5	438.3	*+57.8*
Interest-bearing debt	176.0	176.0	254.4	*+78.4*
D/E ratio (times)	0.48	0.48	0.56	*+0.08*
ROE	12.9%	12.7%	16.4%	*+3.7%*
Overseas markets' share of sales	42%	41%	47%	*+6%*
Employees	26,850	26,850	30,254	*+3,404*

[Net sales]
Automotive saw an adjustment in domestic demand upon entering the 2nd half, but overseas demand remained strong. Infrastructure-related business remained strong for factory automation and machine tool-related business, and electronics-related business also saw firm demand relating to smartphones and tablet devices.

[Operating income]
There was substantial growth in operating income, which was boosted by growth in net sales and also benefited from cost reductions and the benefits of consolidation from portfolio restructuring.

[Extraordinary income and losses]
Business restructuring and reform led to the posting of losses, but gains were recorded on the sale of shares held in Hitachi Metals Techno, Ltd. and on the transfer of business, among other gains.

[Net income]
Net income increased, boosted by growth in net sales and the effects of new consolidation, as well as extraordinary income posted and a decline in income taxes-deferred in conjunction with reassessment of the potential for recovery of deferred tax assets.

[Total assets]
There was a substantial increase in total assets from investments and the acquisition of Waupaca Foundry, Inc., making it a consolidated subsidiary.

[Interest-bearing debt, D/E ratio]
The D/E ratio was 0.56 (+ 0.08) despite an increase in borrowing as a result of M&A activity.

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1-4. FY2014 Overview of Operating Results by Segment (Japanese GAAP)

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(¥billions)		FY2013 business performance Not including 1Q 2013 operating results for the former Hitachi Cable, Ltd. (1$ = ¥100.24)	(Reference) FY2013 business performance After aggregation of 1Q 2013 operating results for the former Hitachi Cable, Ltd. (A) (1$ = ¥100.24)	FY2014 business performance (B) (1$ = ¥109.93)	Change B/A, B-A	Topics
High-Grade Metal Products and Materials	Net sales	237.7	237.7	262.3	*110%*	Demand remained firm especially for specialty steel despite the continuing adjustment in demand for amorphous metals. The positive impact of the consolidation of Hitachi Metals MMC Superalloy, Ltd. from the 2nd quarter also contributed to growth in both net sales and operating income.
	Operating income	25.4	25.4	32.3	*+6.9*	
	Operating margin	10.7%	10.7%	12.3%	*+1.6%*	
Magnetic Materials and Applications	Net sales	134.2	134.2	135.5	*101%*	Demand related to factory automation, home electronics, and elevators was strong despite the adverse impact from the decline in domestic vehicle production during the 2nd half. Demand for smartphones also remained strong, contributing to growth in both net sales and operating income.
	Operating income	11.7	11.7	16.4	*+4.7*	
	Operating margin	8.7%	8.7%	12.1%	*+3.4%*	
High-Grade Functional Components and Equipment	Net sales	187.7	187.7	282.3	*150%*	Growth in both net sales and operating income was recorded despite the softening of capital investment demand in both the public and private sectors. Firm sales of casting components for automobiles, primarily in North America, and the positive effect of the consolidation of Waupaca Foundry, Inc. contributed to this.
	Operating income	12.8	12.8	17.9	*+5.1*	
	Operating margin	6.8%	6.8%	6.3%	*-0.5%*	
Wires, Cables, and Related Products	Net sales	251.2	339.4	328.4	*97%*	Demand related to domestic construction and equipment was strong, and automotive components were also firm, primarily in the North American market. Demand for information systems declined from the 3rd quarter onward, as telecommunications providers scaled back capital investments.
	Operating income	17.0	20.3	20.2	*(0.1)*	
	Operating margin	6.8%	6.0%	6.2%	*+0.2%*	
Other • Adjustments	Net sales	(2.8)	(2.8)	(2.2)	–	
	Operating income	(7.4)	(7.4)	(8.6)	*(1.2)*	
Total	Net sales	808.0	896.2	1,006.3	*112%*	
	Operating income	59.5	62.8	78.2	*+15.4*	
	Operating margin	7.4%	7.0%	7.8%	*+0.8%*	

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

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Net Sales: ¥262.3 bn — 110% of the previous year
Operating Income: ¥32.3 bn — + ¥6.9 bn YoY

Demand remained strong, primarily for specialty steel, despite the persistent sluggishness of amorphous metals in the Chinese market. Both net sales and operating income increased, due in part to the positive effect of the consolidation of Hitachi Metals MMC Superalloy, Ltd. from the 2nd quarter.

■ Specialty Steel

- Tool steel: Recorded YoY growth due to strong domestic sales, underpinned by strong demand for capital investment. Overseas demand also remained strong in general.
- Alloys for electronic products: Demand for display-related materials was firm, and packaging material for semiconductors and other products was strong overall, despite some adjustment in demand during the 2nd half, primarily for smartphone and tablet devices.
- Industrial equipment materials: Automotive materials saw strong demand for eco-friendly products. Energy-related materials trended on par with last year, supported by robust demand. Aircraft-related materials increased, benefiting from a trend of strong demand, and also from the consolidation of Hitachi Metals MMC Superalloy, Ltd. from the 2nd quarter of FY2014.

■ Rolls

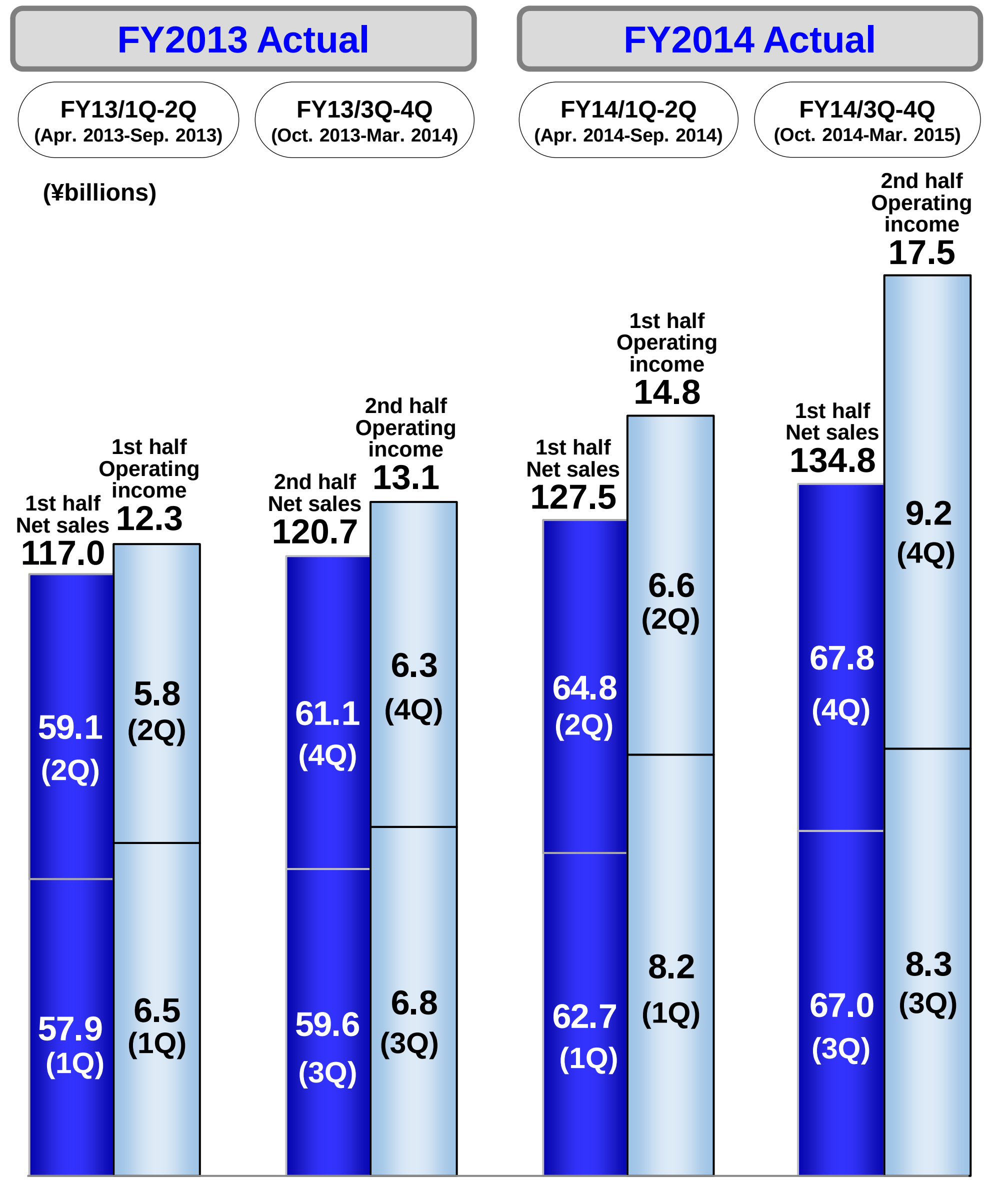
- Various types of rolls: Overseas demand was strong, and domestic demand also rebounded, resulting in growth over last year.
- Injection molding machine parts: Strong demand centered on smartphone and tablet devices led to favorable trends of growth in both domestic and overseas demand, resulting in growth.

■ Amorphous Metals

Declined due to an adjustment in demand in the main market, China, from the latter half of the 2nd quarter of FY2014 onward.

■ Cutting Tools

Increased due to firm domestic demand for industrial machinery, and improved exports overseas as well.



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(Reference) Net Sales and Operating Income by Segment: Magnetic Materials and Applications

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Net sales: ¥135.5 bn 101% of the previous year
Operating income: ¥16.4 bn + ¥4.7 bn YoY

Demand related to factory automation, home electronics and elevators was strong despite the adverse impact from the decline in domestic vehicle production during the 2nd half. Demand for smartphones also remained strong, contributing to growth in both net sales and operating income.

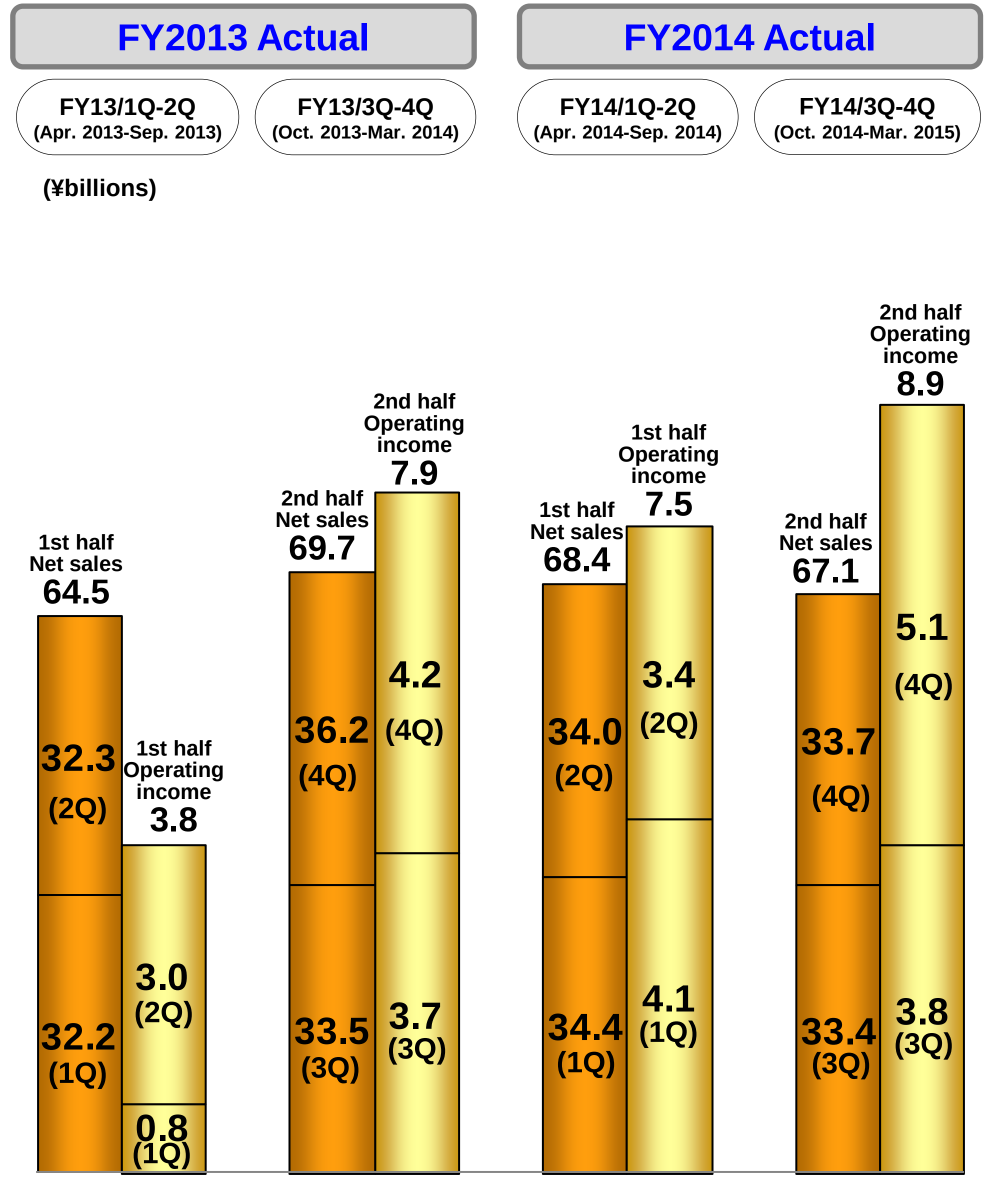
■ **Magnets**

- Rare-earth magnets:
  On par with the same period last year due to firm demand for hybrid vehicles, power steering, and other automotive electronic parts overseas and firm demand related to factory automation, home electronics, and elevators, despite an adjustment in demand for domestic autos.

- Ferrite magnets:
  Increased on the back of strong demand for automotive electronic parts and home electronic parts both domestically and overseas.

■ **Soft magnetic materials and applied products**

Ferrite applied products saw sluggish demand for use in parts for solar power generation from the 2nd half onward, but demand for ferrite core was firm, mainly for use in automotive electronic components and smartphones. FINEMET grew from firm demand for use in general purpose inverters and air conditioners.



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

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Net Sales: ¥282.3 bn 150% of the previous year
Operating Income: ¥17.9 bn + ¥5.1 bn YoY

Growth in both net sales and operating income was recorded despite the softening of capital investment demand in both the public and private sectors. Firm sales of casting components for automobiles, primarily in North America, and the positive effect of the consolidation of Waupaca Foundry, Inc. contributed to this.

■ Casting components for automobiles

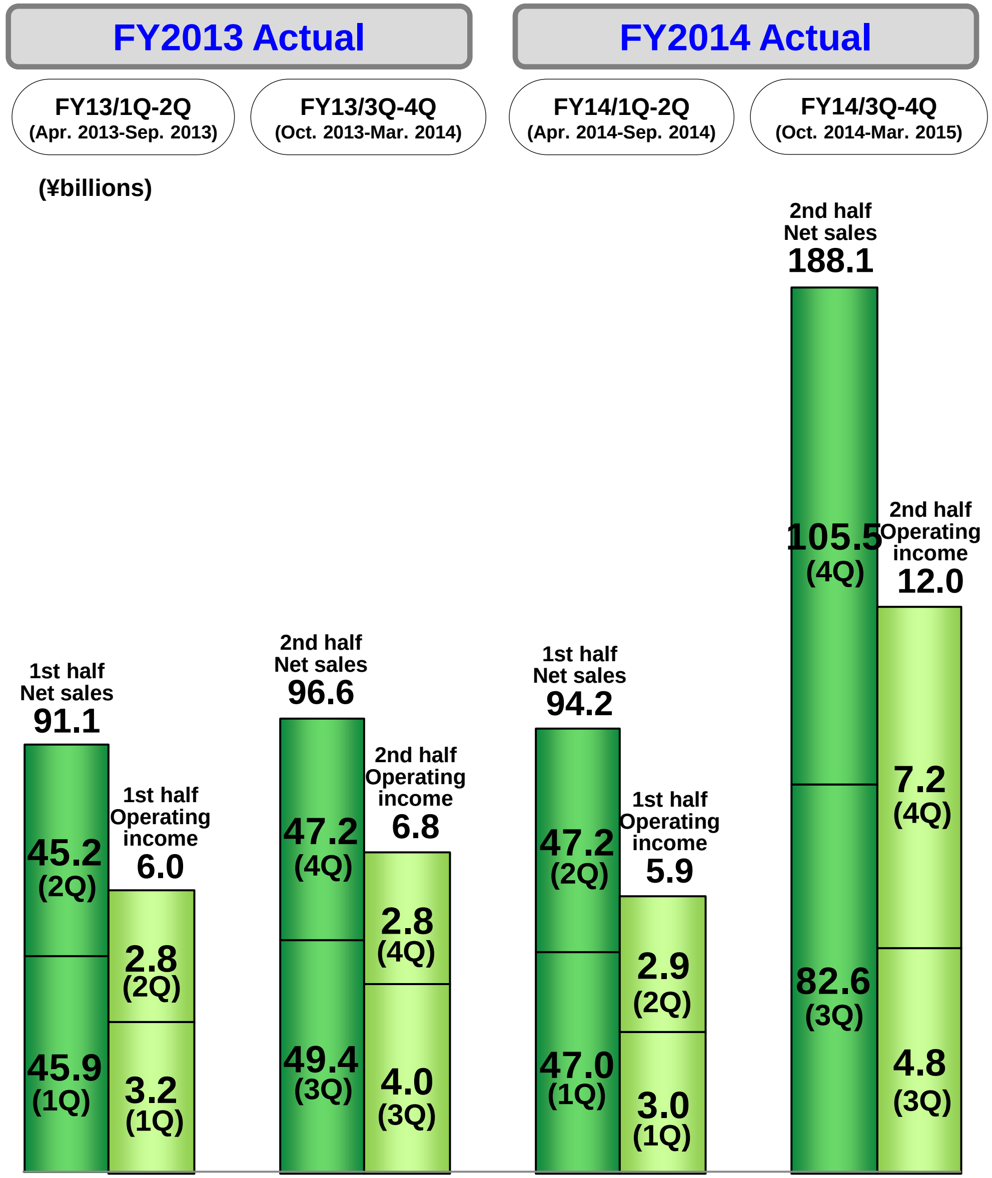
- Heat-resistant casting components: On par with last year due to firm demand in the U.S. in addition to signs of recovery seen in Europe, the main market.
- High-grade ductile cast iron products: The trend was favorable in general as robust demand for use in autos in the U.S. and other locations overseas persisted, and no clear negative impact of a decline in demand in reaction to the consumption tax rate hike was seen in Japan either.
- Aluminum wheels: Demand in the U.S. was firm, resulting in growth over last year.
- Waupaca Foundry, Inc. was made a consolidated subsidiary, contributing to an increase in net sales and income.

■ Piping components

- Pipe fittings: On par with last year due to firm demand in the U.S., despite the negative impact from the decline in housing starts resulting from the rush demand ahead of the implementation of the consumption tax rate hike in Japan.
- Stainless steel and plastic piping components: Flat compared to last year. The decline in housing starts had an impact, but demand remained firm as a result of the strong reputation for workability and earthquake resistance of products used for gas.

■ Construction components

Demand from private capital investment and public spending was firm domestically. The decline was caused by a temporary increase last year due to expansion of the scope of application of construction standards on percentage of completion, among other factors.



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

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Net Sales: ¥328.4 bn 131% of the previous year
* Excluding 1Q FY2013, prior to the merger

[Reference] After aggregation of the 1Q FY2013 performance for the former Hitachi Cable, Ltd.: 97% of the previous year

Operating Income: ¥20.2 bn + ¥3.2 bn YoY
* Excluding 1Q FY2013, prior to the merger

[Reference] After aggregation of the 1Q FY2013 performance for the former Hitachi Cable, Ltd.: Flat YoY

Machine tool-related demand was firm in addition to domestic construction and equipment-related demand, and automotive components also remained strong, particularly in the North American market. Demand for information system devices and materials declined under the impact of adjustments to capital spending by telecommunications providers from the 3rd quarter onward.

■ Electric wires and cables

Domestic construction and equipment-related demand was firm, demand for use primarily in machine tools was also firm, and rolling stock, the main segment, saw strong demand, mainly from the Chinese market. Demand for medical probe cables was also firm.

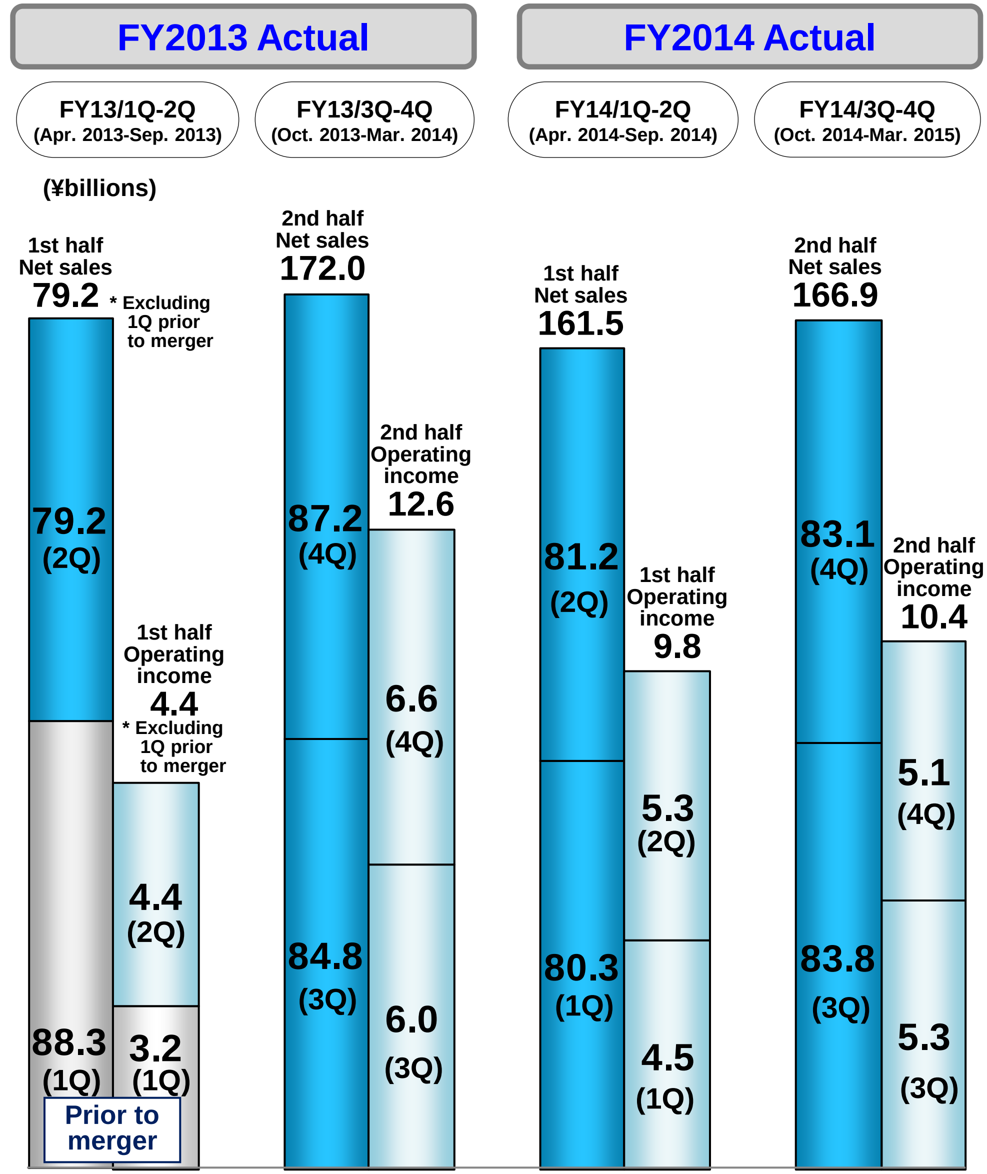
■ Automotive products

Demand was strong, primarily for electronic components such as vehicle sensors, mainly in North America.

■ Information system devices and materials

Telecommunications demand was strong due to the proliferation of smartphones, but was sluggish in the 2nd half as telecommunications providers cut back on capital spending.

* This segment was established as a new segment on July 1, 2013, in conjunction with the merger with Hitachi Cable, Ltd. Performance for this segment is reflected in Group performance from the 2Q FY2013 consolidated accounting period.



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1-5. Assets, Liabilities, and Net Assets

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(¥billions)

Item	March 31, 2014	March 31, 2015	Change
Cash and cash equivalents	95.5	88.2	*(7.3)*
Trade receivables	210.5	226.7	*+16.2*
Inventories	142.9	171.9	*+29.0*
Other current assets	58.9	60.9	*+2.0*
Property, plant, and equipment	234.7	306.8	*+72.1*
Intangible assets and investment securities	98.2	211.5	*+113.3*
[Goodwill]	[33.5]	[105]	*[+71.5]*
Total Assets	840.7	1,066.0	*+225.3*
Trade accounts payable	167.4	179.4	*+12.0*
Interest-bearing debt	176.0	254.4	*+78.4*
Other liabilities	124.1	172.5	*+48.4*
Total Liabilities	467.5	606.3	*+138.8*
Minority interests	10.3	9.5	*(0.8)*
Shareholders' equity	362.9	450.2	*+87.3*
Total Net Assets	373.2	459.7	*+86.5*
(**D**/**E** ratio)	0.48	0.56	*+0.08*

Change from end of FY2013: + ¥86.5 bn

D/E ratio 0.48 → 0.56

[Assets]
Compared to end of FY2013: + ¥225.3 bn

- The consolidation of Waupaca Foundry, Inc. increased working capital; property, plant, and equipment; and intangible assets (goodwill).
- Inventory increased due to the impact of the consolidation noted above and due to the impact of an increase in the operating rate. Greater efforts will be made to reduce inventory hereafter.

[Liabilities]
Compared to end of FY2013: + ¥138.8 bn

The D/E ratio only increased to 0.56 (+ 0.08) despite the increase in borrowing in conjunction with M&A.

[Net Assets]
Compared to end of FY2013: + ¥86.5 bn

The increase was also partially due to an exchange rate translation gain in addition to net income.

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1-6. Consolidated Cash Flows

(¥billions)

Item	FY2013*	FY2014	Increase (Decrease)
Income before income taxes and minority interests	50.8	79.3	+28.5
Depreciation and amortization	33.6	39.8	+6.2
Decrease in operating capital	9.4	2.2	(7.2)
Other	6.8	(10.2)	(17.0)
Cash flows from operating activities	100.6	111.1	+10.5
Acquisition of property, plant, and equipment	(31.2)	(48.2)	(17.0)
Other	0.3	(65.0)	(65.3)
Cash flows from investing activities	(30.9)	(113.2)	(82.3)
Free cash flow	69.7	(2.1)	(71.8)
Increase (Decrease) in borrowings and bonds	(22.4)	0.3	+22.7
Dividend payments, etc.	(8.6)	(12.0)	(3.4)
Cash flows from financing activities	(31.0)	(11.7)	+19.3
Effect of exchange rate changes, etc.	22.7	6.5	(16.2)
Increase (Decrease) in cash and cash equivalents	61.4	(7.3)	(68.7)
Cash and cash equivalents at end of year	95.5	88.2	(7.3)

* 1Q FY2013 does not contain the numbers for the Wires, Cables, and Related Products segment because it was before the merger.

Cash Flows Generated Covered Investment in Growth

[Cash flows from operating activities]
Net cash provided by operating activities increased by ¥10.5 billion over last year. This was mainly attributable to a substantial increase in income before income taxes and minority interests for the fiscal year, and an increase from a decrease in operating capital.

[Cash flows from investing activities]
Net cash used increased by ¥82.3 billion over last year. This was mainly attributable to an increase in capital investment to strengthen the basis for growth, and to the acquisition of subsidiary shares of Waupaca Foundry, Inc. and other subsidiaries subject to consolidation.

[Free cash flow]
Active investment in growth exceeding net cash provided by cash flows from operating activities resulted in a ¥2.1 billion deficit in free cash flow, but this was temporary and had no impact.

[Cash flows from financing activities]
Net cash provided by financing activities increased by ¥19.3 billion over last year despite an increase in cash used for redemption of borrowings and payment of dividends. This was attributable to proceeds from long-term loans used to cover the cost of M&A.

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2-1. Assumptions Underlying the Operating Results Forecast for FY2015

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- The general forecast is for business to remain firm overall as business rebounds from the 2nd half, despite a lingering impact expected from the adjustment experienced in the domestic automotive segment during the 1st half.
- The impact of the restructuring of the business portfolio in FY2014 is reflected.

	Segment	Details
Factors contributing to increase	High-Grade Metal Products and Materials	Hitachi Metals MMC Superalloy, Ltd. (FY2014: Reflects figures for a 9-month period → FY2015: Reflects figures for a 12-month period)
	High-Grade Functional Components and Equipment	Waupaca Foundry, Inc. (FY2014: Reflects figures for a 5-month period → FY2015: Reflects figures for a 12-month period)
Factors contributing to decrease	High-Grade Metal Products and Materials	Hitachi Tool Engineering, Ltd. (Excluded from consolidation)
	High-Grade Functional Components and Equipment	Hitachi Metals Techno, Ltd. (Excluded from consolidation)
	Wires, Cables, and Related Products	Compound semiconductor business (Business transfer))

- Voluntary Application of IFRS (International Financial Reporting Standards)

Impact from Application of IFRS

IFRS: International Financial Reporting Standards

- No regular amortization of goodwill arising from M&A
  ⇒ Contributing to an increase in income of approximately ¥6.4 billion
- No “Ordinary income” and “Extraordinary income and loss” items
  ⇒ Non-operating income excluding finance income and finance costs and Extraordinary income and losses are included in “Operating income under IFRS”

To make it easier to understand the trend in operating results by business segment, “Adjusted operating income” which does not reflect Non-operating income and Extraordinary income and losses in the entire company will also be disclosed.

The operating results forecast by business segment will indicate “Adjusted operating income.”
(Actual results will also indicate “Operating income under IFRS.”)

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2-2. Operating Results Forecast for FY2015

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Japanese GAAP

(¥billions)	(Reference) FY2013 business performance After aggregation of 1Q 2013 operating results for former Hitachi Cable, Ltd. (1$ = ¥100.24)	FY2014 business performance (1$ = ¥109.93)	FY2015 After revision of the Medium-term Management Plan (1$ = ¥100) Disclosed Oct. 27, 2014
Net sales	896.2	1,006.3	*1,110.0*
Operating income	[7.0%] 62.8	[7.8%] 78.2	*[8.1%] 90.0*
Non-operating income and losses	1.1	(3.3)	*(3.5)*
Ordinary income	63.9	74.9	*86.5*
Extraordinary income and losses	(7.8)	4.5	*6.5*
Income before income taxes	56.1	79.4	*93.0*
Net income	43.7	66.6	*70.0*
Total assets	840.7	1,066.0	*1,060.0*
Shareholders' equity	380.5	438.3	*460.0*
Interest-bearing debt	176.0	254.4	*230.0*
D/E ratio (times)	0.48	0.56	*0.5*
ROE	12.7%	16.4%	*16%*
Overseas markets' share of sales	41%	47%	*52%*
Employees	26,850	30,254	*30,600*

IFRS

(¥billions)	FY2015 Operating Results Forecast (Assuming 1$ = ¥115)	
Revenues	*1,100.0*	
(For reference) IFRS estimate for FY2014 actual	*1,004.0*	
Adjusted operating income	*[8.4%] 92.0*	*Non-amortized goodwill: +64*
(For reference) IFRS estimate for FY2014 actual	*[8.4%] 84.0*	
Operating income under IFRS	*[9.7%] 107.0*	*Related to affiliate shares: +260*
(For reference) IFRS estimate for FY2014 actual	*[8.4%] 84.0*	
Income before income taxes	*106.0*	
Net income	*73.0*	
Total assets	*1.150.0*	
Shareholders' equity	*482.0*	
Interest-bearing debt	*242.0*	
D/E ratio (times)	*0.46*	
ROE	*14.5%*	
Overseas markets' share of sales	*55%*	
Employees	*29,500*	

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2-3. FY2015 Net Sales and Operating Income by Segment

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(¥billions)		Japanese GAAP			IFRS		
		(Reference) FY2013 After aggregation of 1Q 2013 operating results for former Hitachi Cable, Ltd. (1$ = ¥100.24)	FY2014 (1$ = ¥109.93)	FY2015 After revision of the Medium-term Management Plan (Assumption of 1$ = ¥100) Disclosed Oct. 27, 2014	(¥billions)	FY2015 Operating Results Forecast (Assumption of 1$ = ¥115)	
High-Grade Metal Products and Materials	Net sales	237.7	262.3	269.0	Revenues	265.0	Affiliate exclusion from consolidation: -20.0
	Operating income	25.4	32.3	31.5	Adjusted operating income	32.5	Affiliate exclusion from consolidation: -3.5
	Operating margin	10.7%	12.3%	11.7%	Adjusted operating margin	12.3%	
Magnetic Materials and Applications	Net sales	134.2	135.5	144.0	Revenues	134.0	
	Operating income	11.7	16.4	16.5	Adjusted operating income	15.0	
	Operating margin	8.7%	12.1%	11.5%	Adjusted operating margin	11.2%	
High-Grade Functional Components and Equipment	Net sales	187.7	282.3	400.0	Revenues	394.0	Affiliate exclusion from consolidation: -26.0
	Operating income	12.8	17.9	31.0	Adjusted operating income	32.5	Non-amortized goodwill: +3.8 Affiliate exclusion from consolidation: -3.0
	Operating margin	6.8%	6.3%	7.8%	Adjusted operating margin	8.2%	
Wires, Cables, and Related Products	Net sales	339.4	328.4	310.0	Revenues	311.0	Business transfer: -3.0
	Operating income	20.3	20.2	20.5	Adjusted operating income	20.0	
	Operating margin	6.0%	6.2%	6.6%	Adjusted operating margin	6.4%	
Other Businesses and Adjustments	Net sales	(2.8)	(2.2)	(13.0)	Revenues	(4.0)	
	Operating income	(7.4)	(8.6)	(9.5)	Adjusted operating income	(8.0)	Non-amortized goodwill: +2.6
Total	Net sales	896.2	1,006.3	1,110.0	Revenues	1,100.0	
	Operating income	62.8	78.2	90.0	Adjusted operating income	92.0	
	Operating margin	7.0%	7.8%	8.1%	Adjusted operating margin	8.4%	

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(Reference) Description of Business Segments (April 1, 2015)

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Business Segments			Principal Products
High-Grade Metal Products and Materials	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 packaging materials], materials for industrial equipment [automobile-, aircraft-, and energy-related materials], razor and blade materials, precision cast components
		Rolls	Rolls for steel mills Injection molding machine parts Structural ceramic products Steel-frame joints for construction
		Amorphous metals	Metglas® amorphous metals
Magnetic Materials and Applications	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 applied products; and Metglas® amorphous metals) and applied products Materials and components for IT devices Materials and components for medical equipment
High-Grade Functional Components and Equipment	High-Grade Functional Components Company	Casting components for automobiles	Casting components for automobiles (HNM® high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE® heat-resistant exhaust casting components) 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)
Wires, Cables, and Related Products	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 systems (information networks, and wireless systems) * This segment was established as a new segment on July 1, 2013, in conjunction with the merger of Hitachi Cable, Ltd.

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1	Overview of Operating Results for FY2014
2	Operating Results Forecast for FY2015
3	**Overview of Management Policies and Action Plan for FY2015**
4	Global Growth Strategies
5	Conclusion

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Taking on "Change" and "Challenge" to be one of the top metal materials companies in the world

Priority Items

1. Increase percentage of new products and expand business domains.
2. Strengthen the local management structure to handle expansion of business overseas.
3. Establish a rock solid business base.

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3-2. Business Operations by Market

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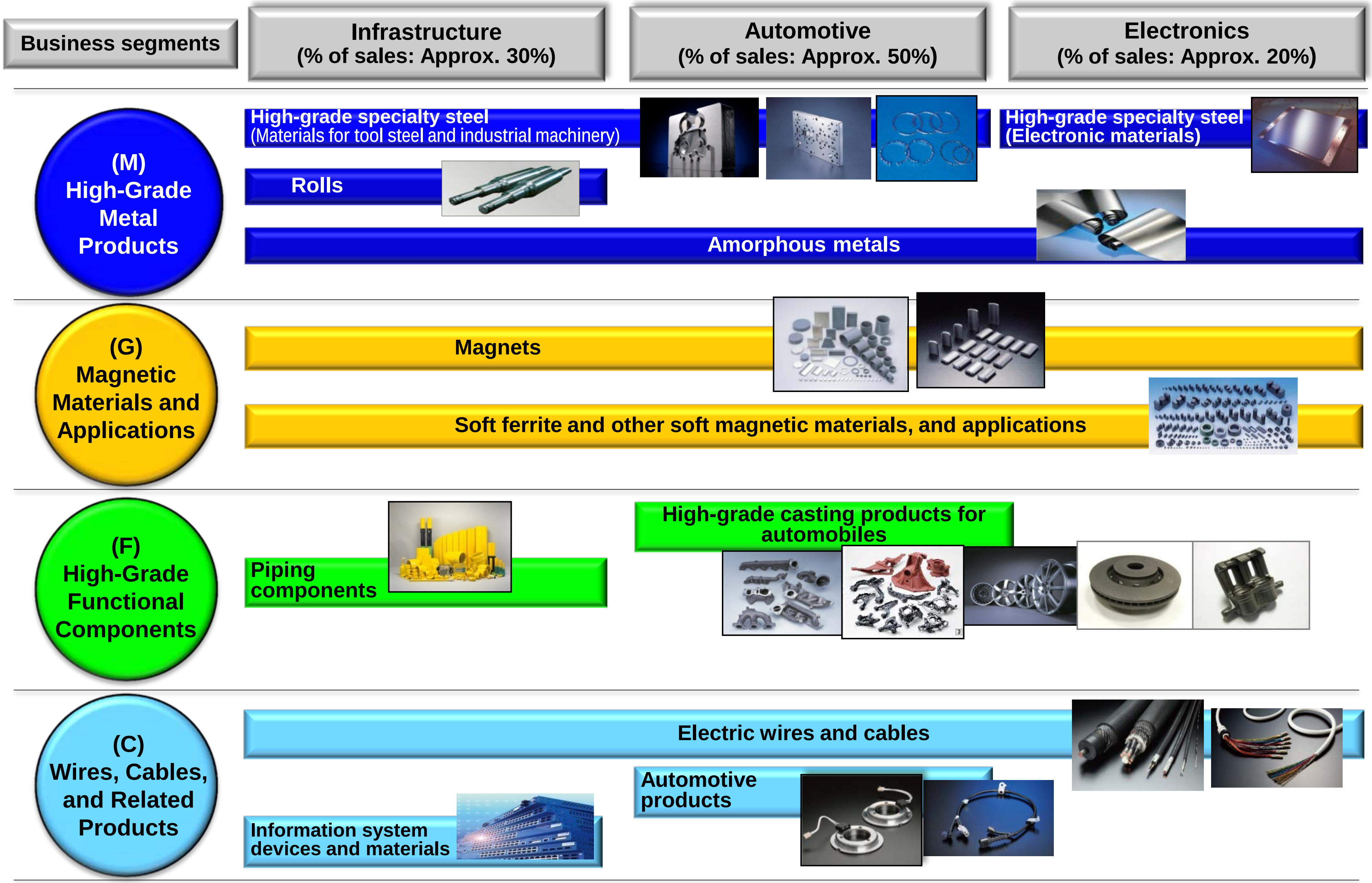
Note: After acquisition of Waupaca Foundry, Inc.



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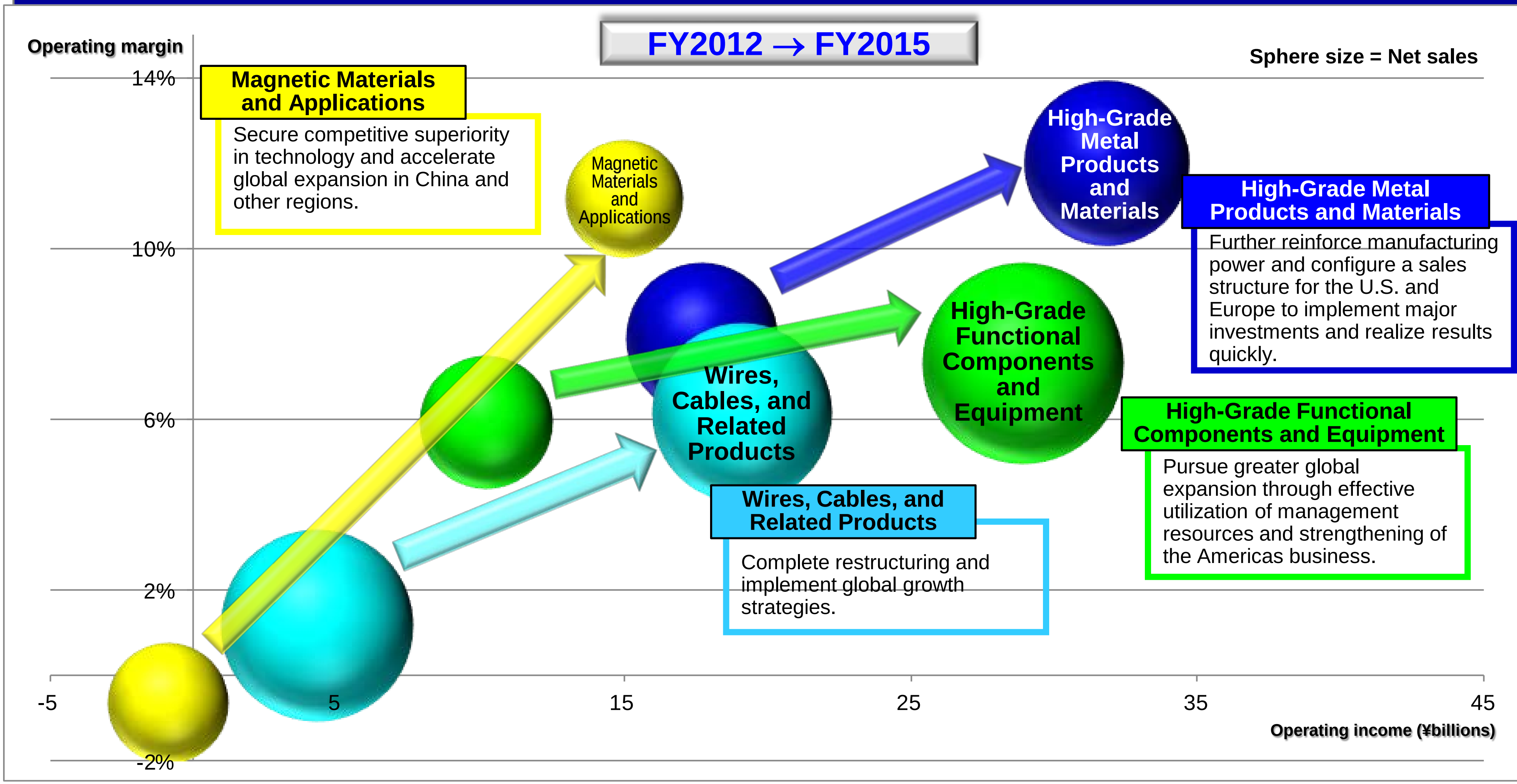
Shift to profit-generating segments and build a structure targeted at sustainable growth.



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3-4. Investments and Cash Flow

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Invest in growth without pause to achieve stronger global competitiveness and expand business domains

(¥billions)

	FY2013	FY2014				FY2015				Grand total for FY2013-15		
	Actual results	Forecast at end of 1st half	Actual results	Compared to forecast	Compared to previous year	After revision of Med.-term Management Plan	*Latest projection*	Compared to revised plan	Compared to previous year	After revision of Med.-term Management Plan	Latest projection	Compared to revised plan
Investment amount	32.0	201.0	210.8	*+9.8*	*+178.8*	*115.0*	*110.0*	*(5.0)*	*(100.8)*	*348.0*	*352.8*	*+4.8*
FCF	69.7	(25.0)	(2.1)	*+22.9*	*(71.8)*	*20.0*	*30.0*	*+10.0*	*+32.1*	*64.7*	*97.6*	*+32.9*

Main investments in FY2014
- Installed an innovative large vacuum induction melting furnace (High-Grade Metal Products and Materials Segment).
- Acquired MMC Superalloy Corporation shares (High-Grade Metal Products and Materials Segment).
- Invested in expanding and strengthening rare-earth magnet production capacity (Magnetic Materials and Applications Segment).
- Acquired Waupaca Foundry, Inc. (High-Grade Functional Components and Equipment Segment).

Investment plans for FY2015
- Enhance global competitiveness.
- Strengthen domestic competitiveness through major investments.
- Implement growth strategies through restructuring of the business portfolio.

(¥billions)

	FY2013	FY2014				FY2015				Grand total for FY2013-15		
	Actual results	Forecast at end of 1st half	Actual results	Compared to forecast	Compared to previous year	After revision of Med.-term Management Plan	*Latest projection*	Compared to revised plan	Compared to previous year	After revision of Med.-term Management Plan	Latest projection	Compared to revised plan
Depreciation costs	33.6	40.0	39.8	*(0.2)*	*+6.2*	*46.0*	*45.0*	*(1.0)*	*+5.2*	*119.6*	*118.4*	*(1.2)*
R&D costs	16.8	20.0	20.9	*+0.9*	*+4.1*	*20.0*	*22.0*	*+2.0*	*+1.1*	*56.8*	*59.7*	*+2.9*

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Action Plan Overview by Segment

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Specialty Steels:
Achieve new business and growth through major investments

- Establish the tool steel business as a cash cow.
- Position specialty steels as the growth driver for the next generation.
  - Enhance competitiveness of automotive materials (piston ring materials, CVT belt materials).
  - Expand the business domains of the aircraft and energy segments.
- Accelerate expansion in the U.S. and European markets.

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Materials Magic

Specialty Steels: Achieve new business and growth through major investments

1. Establish tool steel as a cash cow.

- **Bolster key steels by installing innovative large equipment.**
  - Cold rolled (SLD series) and hot rolled (DAC series) tool steel

    Reduce processing cost through investment in equipment and production technology.

- **Strengthen the sales structure**

  Build a network to expand sales in the U.S. and European markets in addition to Japan and Asia.

  - Actively recruit local human resources at local sales companies.
  - Gain access to and secure European sales channels.
  - Restructure and consolidate domestic sales subsidiaries.

- **Expand global branding**

  Differentiate from competitors on value
  = Yasugi Specialty Steel

Major Investments

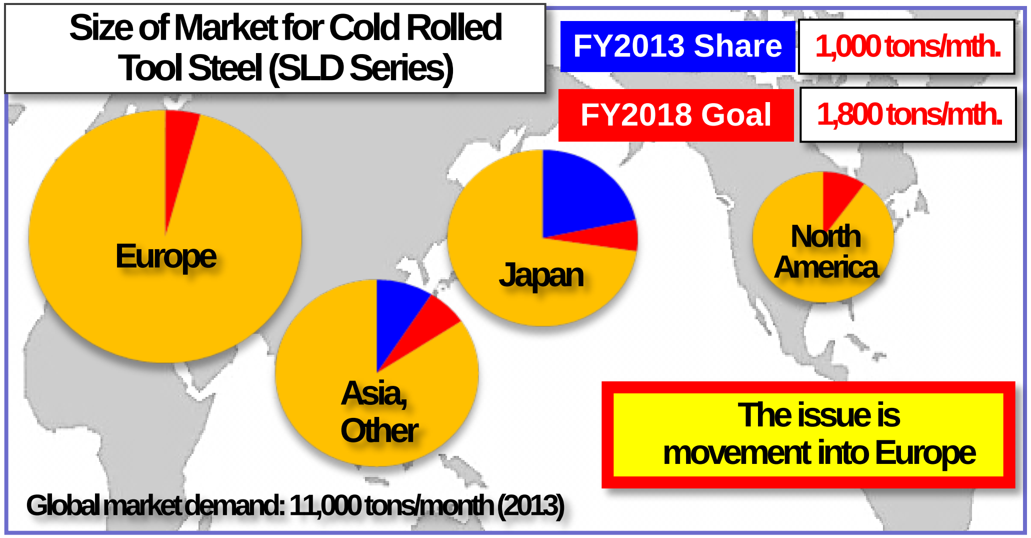
YSS Cold Work Die Steel SLD-MAGIC®

YSS Advanced Die Steel for Die Casting DAC-MAGIC®

- 10,000-ton class free forging press (scheduled for completion in FY2017)
- High speed four-surface forging machine (scheduled for completion in FY2017), etc.

Investment: More than ¥15 billion over three years

Specialize in high grade steel. Engage in strategic investments directed at global growth, without pause.



Tool steel net sales: ¥55.9 billion (FY2013) → ¥62.5 billion (FY2015)

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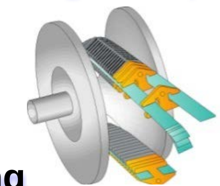
3-5-2. Action Plan Overview
Part 1 (High-Grade Metal Products and Materials)

Specialty Steels: Achieve new business and growth through major investments

2. Position specialty steels as the growth driver for the next generation.

- **Enhance competitiveness in industrial machinery materials (= Automotive segment).**
  - Install a large vacuum induction melting and casting furnace (VIM). Move CVT belt materials into mass production.
  - Generate synergistic benefits by using the same pre-process for tool steel as for aircraft and energy materials.

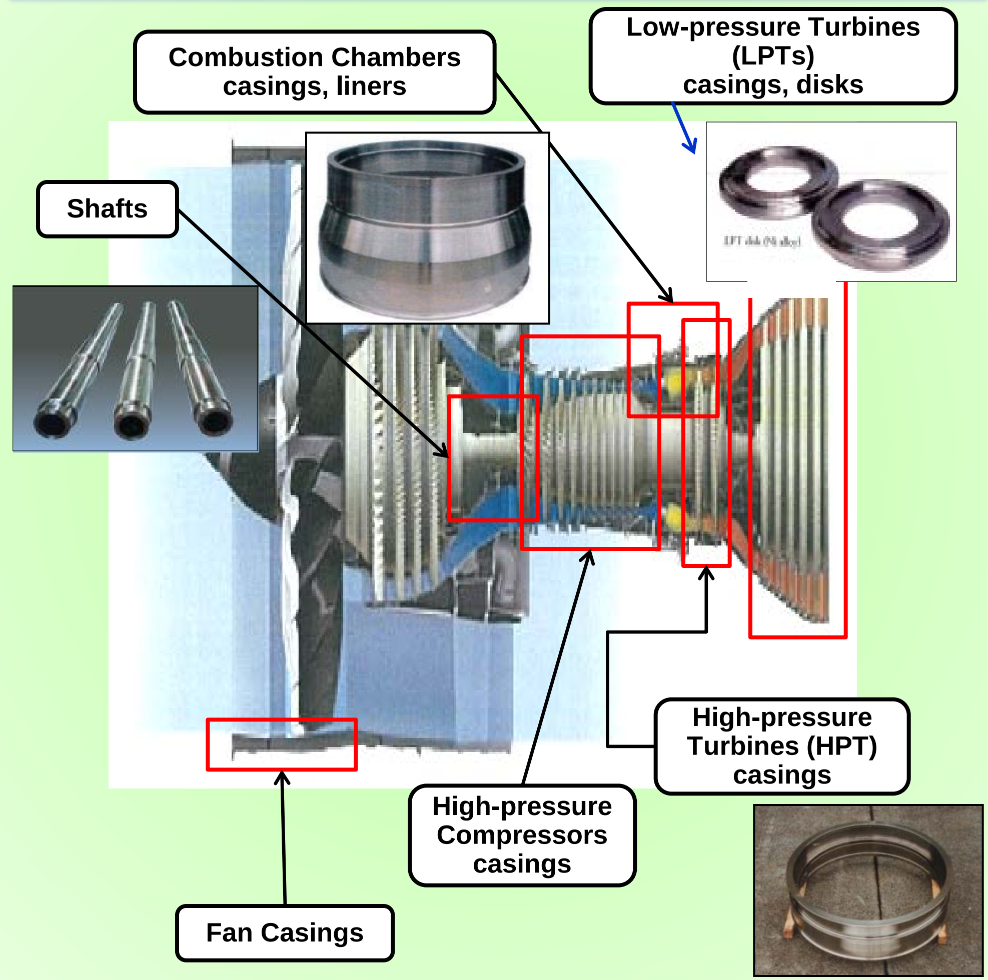

CVT belt materials

Industrial machinery materials net sales:
¥59.7 billion (FY2013) → ¥58.5 billion (FY2015)

- **Expand the aircraft and energy segment business domains.**
  - Enhance competitiveness in the melting through processing in a joint initiative with Hitachi Metals MMC Superalloy, Ltd. (HMSA).
  - Secure professional human resources overseas and build a network for expanding global sales early on.
  - Explore further investment directed at expanding business domains.

Aircraft and energy sector net sales:
¥30.5 billion (FY2015) → ¥50.0 billion (FY2025)

Expand the aircraft and energy product line-up with the consolidation of HMSA.



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Magnets: Establish a structure to expand global sales of rare-earth magnets.

- **Establish local production facility in China.**
  - Consider establishing a joint venture with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. of China.
- **Establish technological superiority.**
  - Develop high-performance Dy-free materials and expand mass production.
  - Develop new technology (Tb diffusion) for mass production.

Dy: Dysprosium Tb: Terbium

- **Strengthen cost-competitiveness.**

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Materials Mag!c

Magnets: Establish a global supply structure for rare-earth magnets

1. Establish a local production facility in China.

- **Establish a joint venture with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.**
  - Position the company as an integrated producer of neodymium magnets in the Chinese market, handling everything from material procurement to manufacturing and sales.
  - Expand market territory and business scale through steady efforts to achieve market growth and building a global production and sales structure.
  - Establish a stable procurement structure for materials.

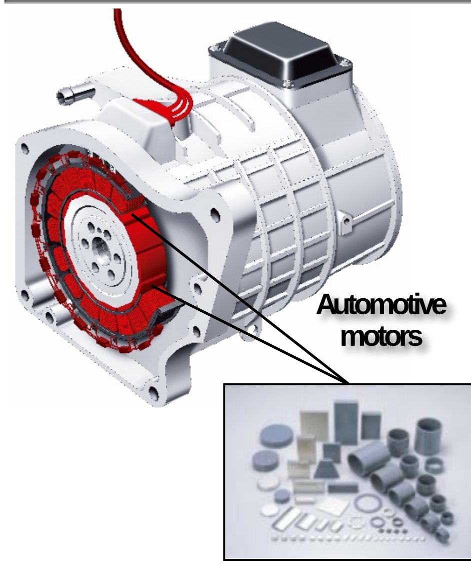
2. Establish technological superiority.

- **Develop high performance Dy-free materials and expand mass production.**
  - Develop Dy-free materials with even higher performance.
  - Improve cost competitiveness by reducing the amount of Dy used.
- **Develop new technology (Tb diffusion) for mass production.**

Overview of Zhong Ke San Huan Hi-Tech

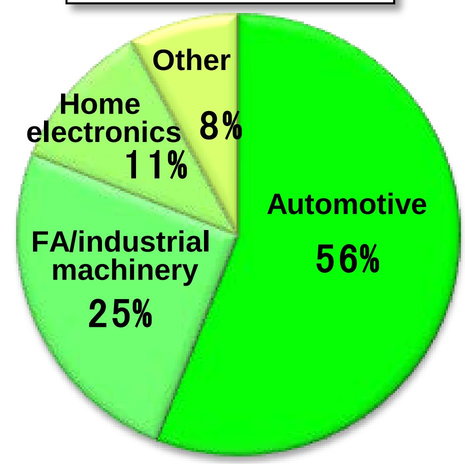
Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.

- Established in July 1999. Top manufacturer of neodymium magnets in China.
- Expand sales to the U.S. and Europe in addition to China and Asia, based on advanced technical capabilities and a track record in supply.
- Hitachi Metals has long had a licensing agreement with the company.



NEOMAX®
rare-earth magnets

Rare-earth Magnet Sales by Use



(Actual results for FY2014, excluding VCM)

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Casting components for automobiles: Enhance global competitiveness and make effective use of management resources

- **Realize synergistic benefits stemming from Waupaca Foundry, Inc.**
  - Improve productivity at other locations through use of production technology.
  - Improve efficiency in procurement and logistics.
  - Improve management efficiency of Americas locations through consolidation of functions.
  - Develop new products and new materials, and expand the customer base.

- **Reinforce the product base with products having growth potential.**
  - Hercunite®
  - Aluminum wheels

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Casting components for automobiles: Strengthen global competitiveness and utilize management resources effectively

Achieve synergistic benefits stemming from Waupaca Foundry, Inc.

Enhance competitiveness of the automotive casting business where the company can work to achieve "growth through scale" globally in the iron casting market for which ongoing growth is anticipated.

Early synergies: Generate benefits in management efficiency

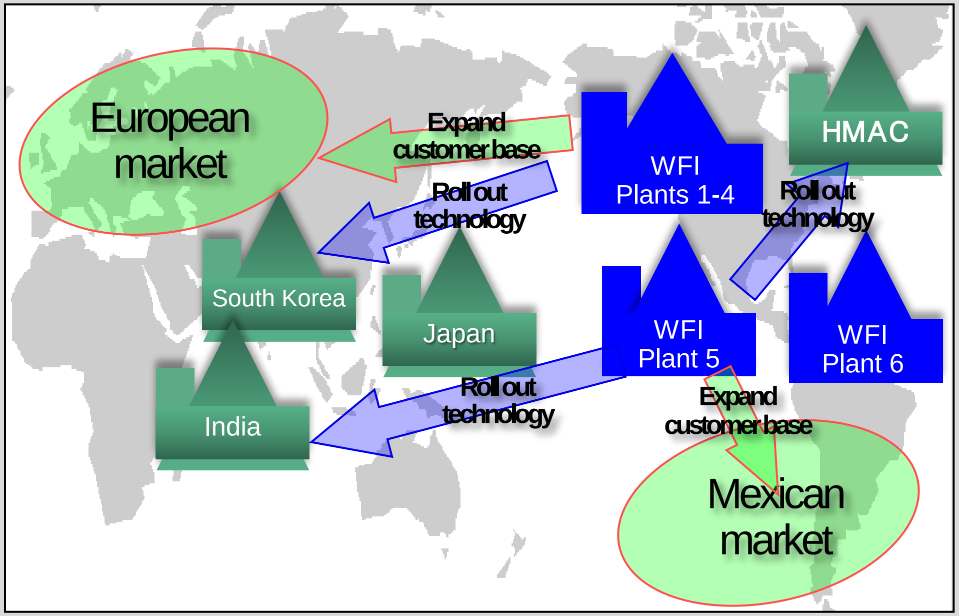
- **Improve efficiency in procurement and logistics.**
  - **Make use of joint purchasing and logistics for casting locations in the Americas.**
- **Improve management efficiency at locations in the Americas through consolidation of functions.**
  - **Reduce management costs.**

The North American organization was restructured on April 1, switching to an organizational structure revolving around Waupaca Foundry, Inc. at Americas locations affiliated with the High-Grade Functional Components Company. The goal is to achieve synergies early on.

Hitachi Metals Foundry America, Inc. (HMFA)
- **Waupaca Foundry, Inc. (WFI)**
- **AAP St. Mary's Corp. (AAP)**
- **Hitachi Metals Automotive Components USA, LLC (HMAC)**
- **Ward Manufacturing, LLC (WARD)**

Medium to long-term targets: Enhance competitiveness and expand market scale.

- **Roll out the superior production technology of Waupaca Foundry, Inc.**
  - **Hitachi Metals Automotive Components USA, LLC**
  - **Locations in India and South Korea**
- **Develop new products and new materials, and expand the customer base.**



Casting components for automobiles, net sales: ¥45.0 billion (FY2013) → ¥ 265.0 billion (FY2015)

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Electric wires and cables business: Review business portfolio

- **Strengthen differentiable products and expand business globally.**
  - **Electrical wire for rolling stock**
  - **Medical wire (probe cables)**
  - **Automotive products (electronic products)**
- **Complete structural reform.**

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Electric wires and cables business: Review business portfolio

Strengthen differentiable products and expand business globally.

1. Electric wires and cables business

- **Electrical cables for rolling stock**
  - Achieve full-scale entry into the Chinese, European, and the U.S. markets, and expand business scale.

Electrical cables for rolling stock

- **Medical wire**
  - Improve profitability of probe cables.
  - Enter new medical segments and expand business domains.

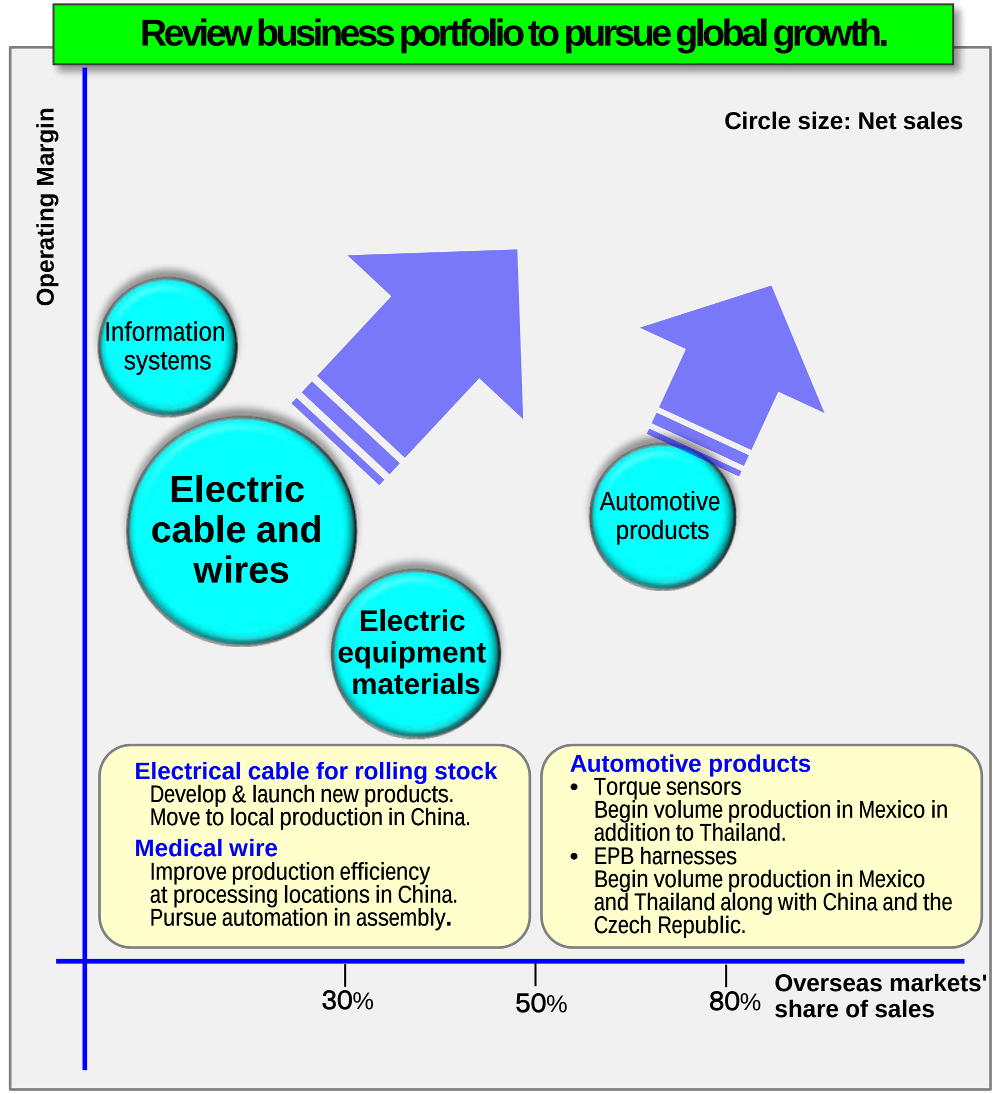
Probe cables

2. Automotive products

- **Electronic products**
  - Expand line-up of torque sensors, EPB harnesses, and other products. Reinforce the global production structure and expand business scale.

Torque sensors

EPB harnesses



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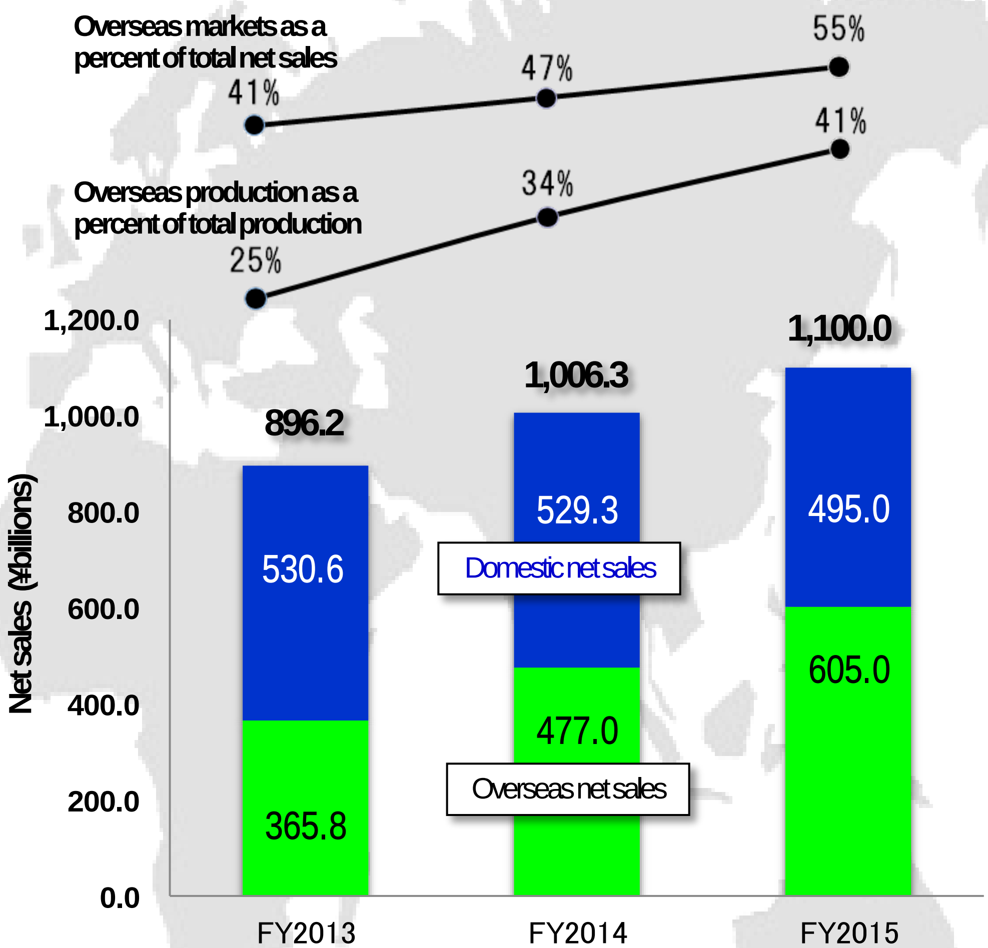
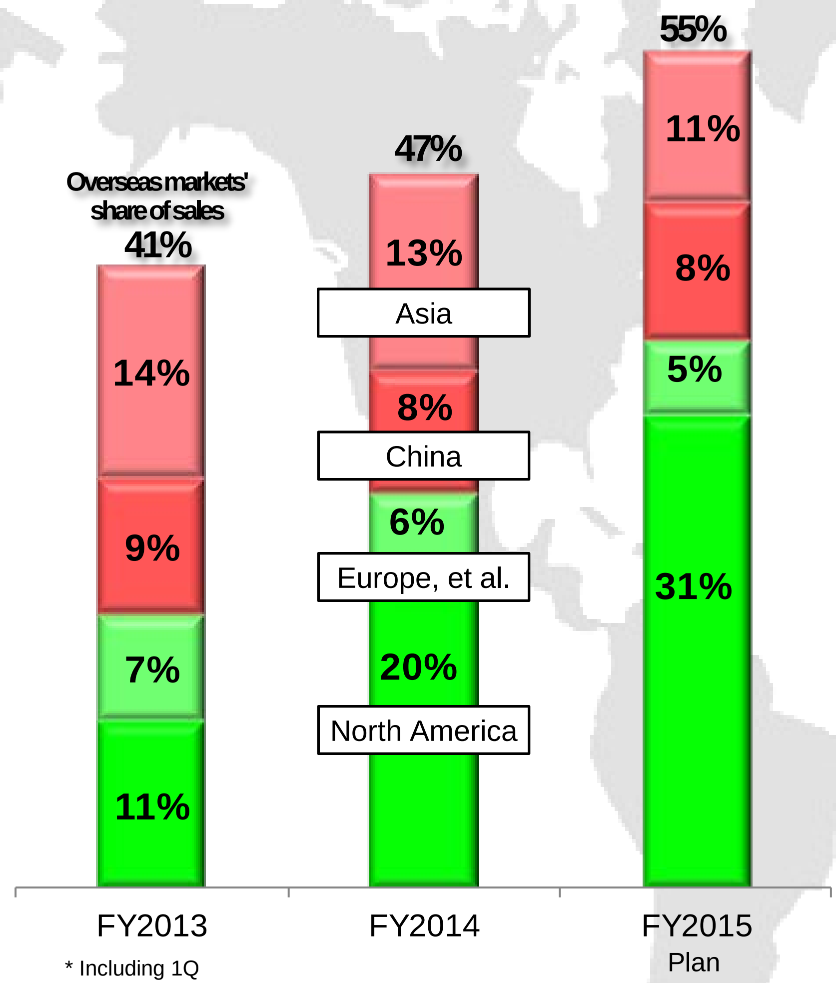
Pursue true global growth

Overseas Share of Net Sales and Production



* Including 1Q results of former Hitachi Cable, Ltd.

Share of Total Net Sales by Overseas Region



* Including 1Q results of former Hitachi Cable, Ltd.

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Measures to achieve global business growth

1. Strengthen governance by the regional headquarters.

- Strengthen regional headquarter functions by actively recruiting and securing local management level human resources.
- The four regional headquarters (Americas, Europe, China, and Asia) will devise and implement regional business strategies based on the market conditions and customer status in each region.
- Strengthen the CSR and compliance structure overseas.

2. Continue active investment directed at achieving global growth and work to expand business scale.

- Continue to implement investments targeted at growth in the tool steel and aircraft and energy segments.
  - ➢ Concentrate investment in upstream processes that are the source of competitiveness in Japan and localize processing.
- Establish a structure for expanding global sales in the automotive segment, the rolling stock and medical devices segments, and work to expand sales to achieve profit growth.

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4-3. Growth Strategies by Region

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Americas

Use the business scale acquired through the acquisition of Waupaca Foundry, Inc. as a tool to generate momentum and achieve new growth.

- **Expand the business domains, and invest in growth areas.**
  - Specialty steel (Tool steel, aircraft and energy-related materials)
    ⇒ Secure local professional human resources and build a structure to expand sales.
  - Rolling stock and medical devices and equipment
    ⇒ Build the sales infrastructure and expand business scale.
- **Strengthen core business platforms and improve profitability.**
  - Automotive business and energy-related business
- **Improve management efficiency at locations in the Americas.**

Europe

Expand business scale for high value-added products.

- **Expand the customer base for the automotive business.**
  - Expand sales of eco-friendly products (magnets, casting components for automobiles).
  - Develop new products and new materials for the next generation of eco-friendly automobiles.
- **Gain access to new business domains and expand business scale.**
  - Specialty steel (tool steel)
    ⇒ Accelerate sales expansion through a strategy of differentiation (specialize in high-grade steel).
    Use local professionals and expand branding.
  - Specialty steel (aircraft and energy-related materials) ⇒ Gain market access and enter the market.
  - Rolling stock-related, medical device-related ⇒ Expand business scale.

Overseas markets' share of sales: 55%
(FY2015 plan)

Asia

Strengthen ASEAN marketing functions.

- **Improve agility as a location for mass production across divisions.**
  - Strengthen the headquarters function for marketing activities in the ASEAN region.
  - Expand automotive and infrastructure-related business scale.
    - Tool steel, aircraft and energy-related components and materials, precision casting products
    - Magnets, soft magnetic materials, information components
    - Casting components for automobiles, piping components
    - Electric wires and cables, automotive products, cable for rolling stock
- **Strengthen the regional headquarters function, and improve management efficiency.**

China

Strengthen Greater China sales structure and regional headquarters functions.

- **Achieve new business and growth by incorporating growth markets.**
  - Specialty steel: Expand sales of tool steel, automotive materials, and electronic materials.
  - Roll steel: Improve cost competitiveness.
  - Amorphous metals: Roll out the sales strategy.
  - Rare-earth magnets: Consider establishing a local production site in China.
    Gain access to the automotive and industrial infrastructure-related markets.
  - Wires, Cables, and Related Products: Strengthen the rolling stock business.
  - Casting components for automobiles: Launch eco-friendly products in the market and expand sales.
- **Strengthen regional headquarters functions and strengthen the management structure.**

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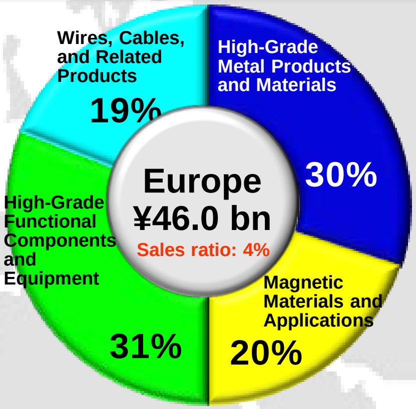
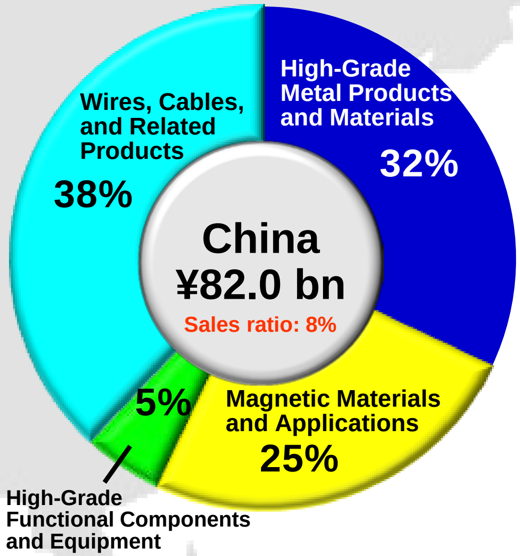
Expand business scale in global markets with regional strategy x product strategy

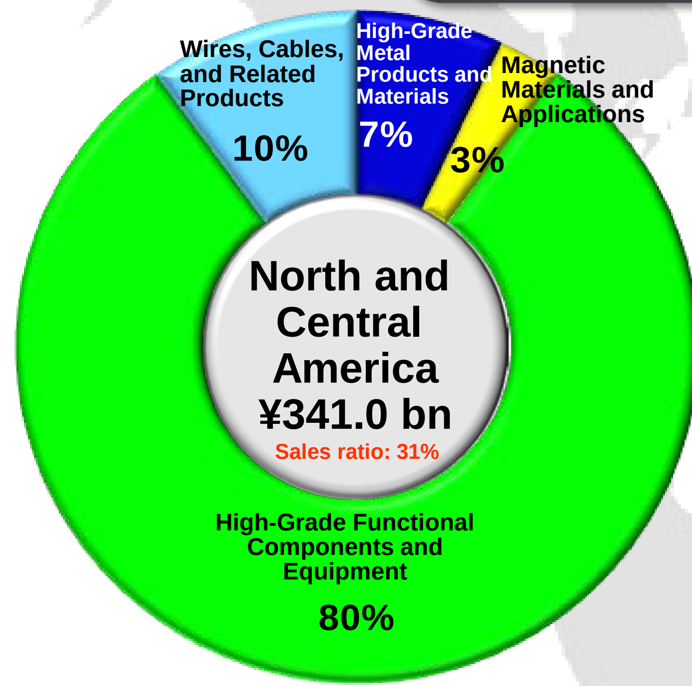
Europe:
Expand sales of automotive/eco-friendly products.
- Magnets, casting components for automobiles

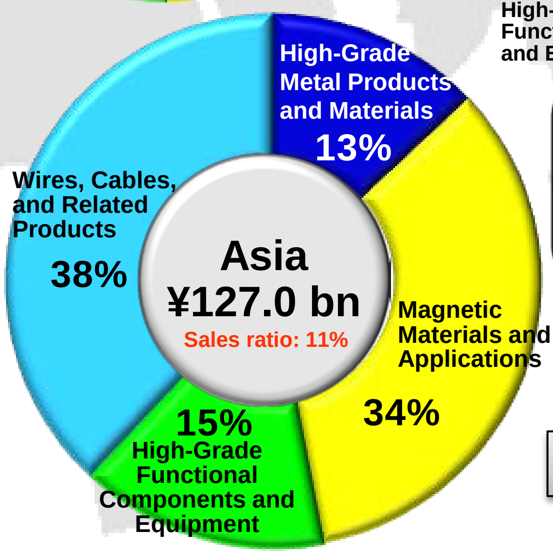
Expand business scale for infrastructure-related products.
- Tool steel, aircraft and energy-related materials, electrical cables and wires

North and Central America:
Expand nonautomotive sector operations.
- Tool steel
- Aircraft and energy-related materials
- Electrical cable for rolling stock
- Electrical wire for medical devices, etc.









China and the rest of Asia:
- Strengthen functions for local strategic locations
- Expand business scale in automotive and infrastructure-related segments.

* Figures show the FY2015 forecast.

Overseas sales ratio: From 42% in FY2013 to 55% in FY2015 (projected)

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Taking on "Change" and "Challenge" to be one of the top metal materials companies in the world

- Create an organization and structure that will enable sustainable growth.
- Shift business to growth markets and strive to be top in the world.

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- 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

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