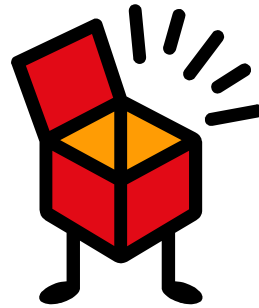


Hitachi Metals

Financial Results for the First Quarter of Fiscal Year 2015
(April 1, 2015 to June 30, 2015)



Materials Mag!c

July 28, 2015

 **Hitachi Metals, Ltd.**

<http://www.hitachi-metals.co.jp/e/>

Trended generally in line with expectations despite the lingering impact of a slowdown in demand, primarily in automotive-related demand in Japan

- Automotive-related demand in the U.S. market remained firm.
While there have been signs of improvement in the slow automotive-related demand in Japan, it has not yet reached the point of recovery, and is trending broadly according to expectations.
- Demand relating to industrial infrastructure remained firm overall.
- Adjustments to electronics/information systems-related demand continued.

One-time profits from reconfiguration of the business portfolio posted

- Related to the sale of shares in the the former Hitachi Tool Engineering, Ltd. (¥25.9 billion), etc.

2. Overview of the First Quarter of Fiscal Year 2015

(Reference) Japanese GAAP

(¥billions) Profit margin in brackets	1Q, FY2014 Business Performance US\$1 = ¥102.16
Net sales	223.8
Operating income under Japanese GAAP	[8.0%] 17.8
Non-operating income and expenses	(0.1)
Ordinary income	17.7
Extraordinary income and losses	4.0
Income before income taxes	21.7
Net income	18.4
Overseas markets' share of sales	43%
Employees	26,714

IFRS

(¥billions) Profit margin in brackets	1Q, FY2014 Business Performance 1\$ = ¥102.16	1Q, FY2015 Business Performance 1\$ = ¥121.36	Change	
Revenues	222.4	265.1	+19%	Increase in revenues from the consolidation of Waupaca Foundry, Inc., among other factors.
Adjusted operating income	[8.7%] 19.4	[7.5%] 19.8	+0.4	Increase over the first quarter of last fiscal year limited to ¥400 million due to the impact from the slowdown in demand, primarily in automotive-related demand in Japan.
Other income	5.3	30.3	+25.0	Income of ¥29.1 billion posted from business restructuring, etc. (¥25.9 billion of this was related to the sale of shares in the former Hitachi Tool Engineering, Ltd.)
Other expenses	(0.9)	(1.4)	(0.5)	
Operating income	[10.7%] 23.8	[18.4%] 48.7	+24.9	
Interest income/charges	(0.4)	(0.8)	(0.4)	
Other financial income/expenses	(0.3)	1.0	+1.3	¥800 million in foreign exchange gains posted.
Share of profits of investments accounted for using the equity method	0.3	0.6	+0.3	
Income before income taxes	23.4	49.5	+26.1	
Income taxes	(2.8)	(14.1)	(11.3)	
Net income attributable to owners of the parent company	20.4	35.2	+14.8	
Overseas markets' share of revenues ^{*1}	43%	57%	+14%	Increase from the consolidation of Waupaca Foundry, Inc., among other factors.
Employees	26,714	29,342	+2,628	Increase from the consolidation of Waupaca Foundry, Inc., among other factors.

^{*1} Overseas revenues by region:

1Q, FY2015: North America, 31%; Asia, 20%; Europe, 4%; Other, 2%

1Q, FY2014: North America, 13%; Asia, 24%; Europe, 5%; Other, 1%

3-1. Operating Results by Segment for the First Quarter of Fiscal Year 2015

(Reference) Japanese GAAP

		1Q, FY2014 Business Performance
		US\$1 = ¥102.16
		(¥billions)
High-Grade Metal Products and Materials	Net sales	62.7
	Operating income	8.2
	Operating margin	13.1%
Magnetic Materials and Applications	Net sales	34.4
	Operating income	4.1
	Operating margin	11.9%
High-Grade Functional Components and Equipment	Net sales	47.0
	Operating income	3.0
	Operating margin	6.4%
Wires, Cables, and Related Products	Net sales	80.3
	Operating income	4.5
	Operating margin	5.6%
Other Adjustments	Net sales	(0.6)
	Operating income	(2.0)
Total	Net sales	223.8
	Operating income	17.8
	Operating margin	8.0%

IFRS

		1Q, FY2014 Business Performance	1Q, FY2015 Business Performance	Change	
		US\$1 = ¥102.16	US\$1 = ¥121.36		
		(¥billions)			
		Profit margin in brackets			
	Revenues	62.0	63.6	+3%	Excluded from consolidation due to the sale of shares in the former Hitachi Tool Engineering, Ltd.
	Adjusted operating income	[13.4%] 8.3	[12.1%] 7.7	(0.6)	Decline in income, due in part to the exclusion from consolidation noted above.
	Operating income of the segment	[13.9%] 8.6	[54.9%] 34.9	+26.3	¥25.9 billion in income resulting from business restructuring accompanying the sale of shares, etc. posted.
	Revenues	34.3	31.7	-8%	
	Adjusted operating income	[12.5%] 4.3	[9.1%] 2.9	(1.4)	Decline in income due to a decline in revenues and to the impact of lower of cost or market accounting method for raw materials.
	Operating income of the segment	[12.2%] 4.2	[9.1%] 2.9	(1.3)	
	Revenues	47.0	95.5	+103%	Substantial increase in revenues due to firm demand and the consolidation of Waupaca Foundry, Inc., among other factors.
	Adjusted operating income	[7.0%] 3.3	[8.0%] 7.6	+4.3	Substantial increase in income due to the consolidation of Waupaca Foundry, Inc., among other factors.
	Operating income of the segment	[7.4%] 3.5	[8.0%] 7.6	+4.1	
	Revenues	79.8	73.3	-8%	Ongoing adjustments in demand related to information systems.
	Adjusted operating income	[6.0%] 4.8	[4.5%] 3.3	(1.5)	
	Operating income of the segment	[11.0%] 8.8	[6.8%] 5.0	(3.8)	Gain on business transfer posted in the first quarter of fiscal year 2014. (¥3.9 billion)
	Revenues	(0.7)	1.0	+1.7	
	Adjusted operating income	(1.3)	(1.7)	(0.4)	
	Operating income of the segment	(1.3)	(1.7)	(0.4)	
	Revenues	222.4	265.1	+19%	
	Adjusted operating income	[8.7%] 19.4	[7.5%] 19.8	+0.4	
	Operating income of the segment	[10.7%] 23.8	[18.4%] 48.7	+24.9	

3-2. Operating Results by Segment: High-Grade Metal Products and Materials

(¥billions) Profit margin in brackets	1Q FY2014	1Q FY2015	Change	Summary
Revenues	62.0	63.6	+3%	Increase in revenues as business remained firm, despite the exclusion of the former Hitachi Tool Engineering, Ltd. from consolidation.
Adjusted operating income	[13.4%] 8.3	[12.1%] 7.7	(0.6)	Former Hitachi Tool Engineering, Ltd. excluded from consolidation.
Operating income of the segment	[13.9%] 8.6	[54.9%] 34.9	+26.3	¥25.9 billion in income from business restructuring, etc. posted (related to the sales of shares in the former Hitachi Tool Engineering, Ltd.).

Overview of Revenues

■ Specialty steel

- Tool steel: Sales to the Japanese market increased over the first quarter of last fiscal year on strong demand backed by capital investment, and also due to the shift in product composition toward high value-added products, despite the slowdown seen in the sale of tool steel to China and ASEAN countries.
- Alloys for electronic products: Sales decreased compared to the first quarter of last fiscal year as demand for semiconductor and other packaging materials and display-related materials continued to decline, despite the strong demand for smartphone and tablet devices.
- Industrial equipment materials: Sales increased as sales of environmentally-friendly products remained firm and sales of other industrial components and materials to overseas markets remained firm, despite the slowdown in sales seen in some automotive-related materials. Sales of aircraft-related materials and energy-related materials increased due in part to the consolidation of Hitachi Metals MMC Superalloy, Ltd., in addition to firm demand.

■ Rolls

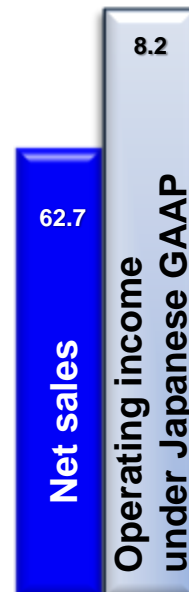
- Various types of rolls: Sales showed a steady increase, both in Japan and overseas markets.
- Injection molding machine parts: Sales remained steady year-on-year, thanks to a robust demand for smartphones and tablet devices.

■ Amorphous Metals

Uncertainty over demand persisted despite some signs of recovery seen in China, a major market, and sales decreased compared to the first quarter of last fiscal year.

(Reference)
Japanese GAAP

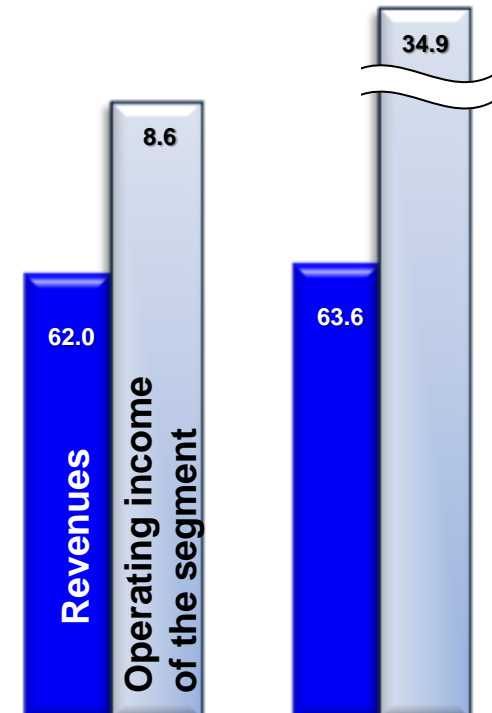
1Q, FY2014
(Apr.-Jun. 2014)



IFRS

1Q, FY2014
(Apr.-Jun. 2014)

1Q, FY2015
(Apr.-Jun. 2015)



3-3. Operating Results by Segment: Magnetic Materials and Applications

(¥billions) Profit margin in brackets	1Q FY2014	1Q FY2015	Change	Summary
Revenues	34.3	31.7	-8%	
Adjusted operating income	[12.5%] 4.3	[9.1%] 2.9	(1.4)	Decline in income due to a decline in revenues and to the impact of lower of cost or market accounting method for raw materials.
Operating income of the segment	[12.2%] 4.2	[9.1%] 2.9	(1.3)	

(¥billions)

Overview of Revenues

■ Magnets

- Rare-earth magnets:

Sales declined compared to the first quarter of last fiscal year due to the persistent effects from the slowdown in Japanese and U.S. demand for hybrid cars, despite continued strong demand for power steering and other automotive electronic components, and factory automation and smartphone-related products in Japan and overseas markets.

- Ferrite magnets:

Sales increased on the back of strong demand for automotive electronic components and home electronics parts both in Japan and overseas markets.

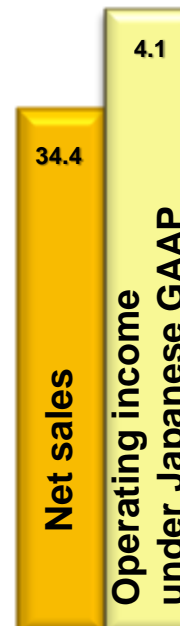
■ Soft magnetic materials and applied products

Sales of ferrite applied products experienced a slowdown in demand for solar power generation system parts. Sales of ferrite cores remained strong mainly for automotive electronic components and smartphones.

Sales of FINEMET® remained sluggish due to a decline in demand for automotive electronic components and cutbacks in the production of air conditioners.

(Reference)
Japanese GAAP

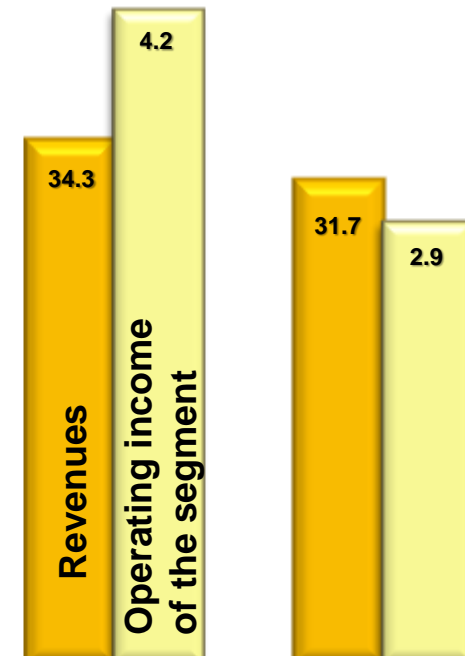
1Q, FY2014
(Apr.-Jun. 2014)



IFRS

1Q, FY2014
(Apr.-Jun. 2014)

1Q, FY2015
(Apr.-Jun. 2015)



3-4. Operating Results by Segment: High-Grade Functional Components and Equipment

(¥billions) Profit margin in brackets	1Q FY2014	1Q FY2015	Change	Summary
Revenues	47.0	95.5	+103%	Substantial increase in revenues from firm demand and the consolidation of Waupaca Foundry, Inc., among other factors.
Adjusted operating income	[7.0%] 3.3	[8.0%] 7.6	+4.3	Substantial increase in revenues from the consolidation of Waupaca Foundry, Inc., among other factors.
Operating income of the segment	[7.4%] 3.5	[8.0%] 7.6	+4.1	

Overview of Revenues

■ Casting components for automobiles

- High-grade ductile cast iron products:
Sales increased due to robust demand for automobiles in the U.S. and other overseas markets, as well as in Japan.
- Heat-resistant casting components:
Sales declined compared to the first quarter of last fiscal year due to a slowdown in demand in the European market, the leading market for the products, despite strong demand in the U.S. market.
- Aluminum wheels:
Sales increased compared to the first quarter of last fiscal year on the back of strong demand in the Japanese and U.S. markets.

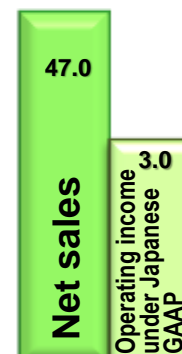
The consolidation of Waupaca Foundry, Inc. also resulted in a substantial increase in both sales and profits for automotive casting components in general, in addition to the above.

■ Piping components

- Pipe fittings:
Despite the rising trend in housing starts in the Japanese market, sales of pipe fittings remained flat year-on-year owing to delays in construction holding back the steady demand in the U.S. market.
- Stainless steel and plastic piping components:
Sales remained level with the first quarter of last fiscal year due to a slowdown in demand for construction to improve earthquake-resistance.

(Reference)
Japanese GAAP

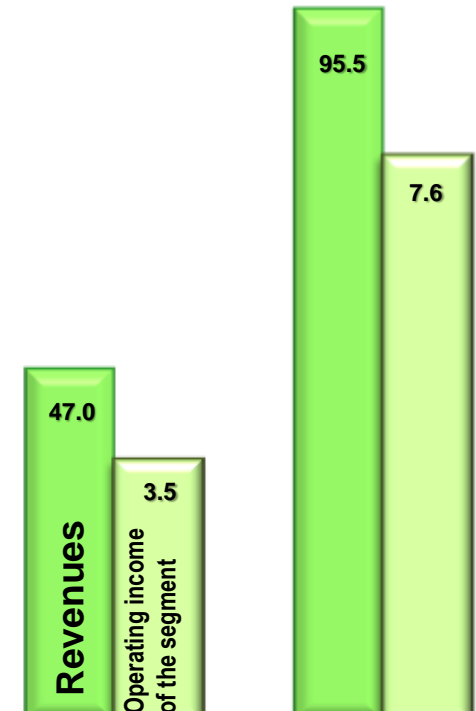
1Q, FY2014
(Apr.-Jun. 2014)



IFRS

1Q, FY2014
(Apr.-Jun. 2014)

1Q, FY2015
(Apr.-Jun. 2015)



3-5. Operating Results by Segment: Wires, Cables, and Related Products

(¥billions) Profit margin in brackets	1Q FY2014	1Q FY2015	Change	Summary
Revenues	79.8	73.3	-8%	Demand for information system-related products remained sluggish.
Adjusted operating income	[6.0%] 4.8	[4.5%] 3.3	(1.5)	
Operating income of the segment	[11.0%] 8.8	[6.8%] 5.0	(3.8)	Gain on business transfer posted during the first quarter of fiscal year 2014 (¥3.9 billion).

(¥billions)

Overview of Revenues

■ Electric wires and cables

While revenues decreased as a result of revisions made to the company's business portfolio, there was steady demand for wires and cables used in rolling stock, a core area of the Group, especially in the Chinese market, and an increase in sales of probe cables for medical use in the global market. Electric wires and cables for machine tools were also in a good demand.

■ Automotive products

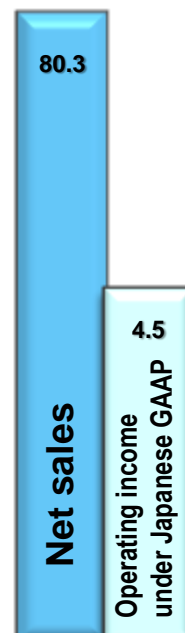
Sales of vehicle-mounted sensors and other electronic components, showed steady growth, supported by brisk demand for automobiles, especially in North America.

■ Information systems

Demand for network products and wireless systems was weak due to sluggish capital investment in infrastructure as telecommunications carriers began to cut back on investment.

(Reference)
Japanese GAAP

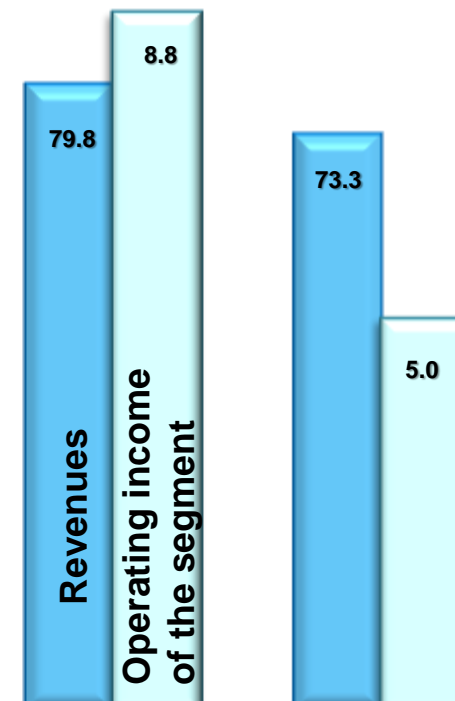
1Q, FY2014
(Apr.-Jun. 2014)



IFRS

1Q, FY2014
(Apr.-Jun. 2014)

1Q, FY2015
(Apr.-Jun. 2015)



4. Assets, Liabilities, and Net Assets

(¥billions)

Category	March 31, 2015	June 30, 2015	Change
Cash and cash equivalents	79.0	111.4	+32.4
Trade receivables	220.5	211.8	(8.7)
Inventories	166.5	168.7	+2.2
Other current assets	78.7	48.6	(30.1)
Non-current assets	538.8	558.2	+19.4
Total Assets	1,083.5	1,098.7	+15.2
Interest-bearing debt	255.4	253.1	(2.3)
Trade payables/other	181.1	180.6	(0.5)
Other current liabilities	170.8	154.9	(15.9)
Total Liabilities	607.3	588.6	(18.7)
Equity attributable to shareholders of the parent company	466.4	500.2	+33.8
Non-controlling interests	9.8	9.9	+0.1
Total Net Assets	476.2	510.1	+33.9
(D/E ratio)	0.55	0.51	(0.04)

5. Consolidated Cash Flows

(¥billions)

Category	1Q, FY2014 Actual	1Q, FY2015 Actual	Increase (Decrease)
Net income for the current quarter	20.6	35.4	+14.8
Depreciation and amortization	8.6	10.6	+2.0
Increase in operating capital	5.0	6.9	+1.9
Other	(16.4)	(29.1)	(12.7)
Cash flows from operating activities	17.8	23.8	+6.0
Purchase of property, plant, and equipment	(8.5)	(13.6)	(5.1)
Other	8.4	31.4	+23.0
Cash flows from investing activities	(0.1)	17.8	+17.9
Free cash flow	17.7	41.6	+23.9
Increase (decrease) in debt and bonds	1.6	(4.2)	(5.8)
Dividend payments, etc.	(4.4)	(5.7)	(1.3)
Cash flows from financing activities	(2.8)	(9.9)	(7.1)
Effect of exchange rate changes	(0.3)	0.7	+1.0
Increase in cash and cash equivalents	14.6	32.4	+17.8
Cash and cash equivalents at the end of period	107.5	111.4	+3.9

[\[Cash flows from operating activities\]](#)

Net cash provided by operating activities increased by ¥6.0 billion over the same period last year. This was mainly attributable to a substantial increase in net income for the current quarter.

[\[Cash flows from investing activities\]](#)

Net cash provided by investing activities increased by ¥17.9 billion from the same period last year. This was attributable to a ¥27.0 billion gain on the sale of shares in the former Hitachi Tool Engineering, Ltd., which exceeded an increase in expenditures for capital investment directed at strengthening the base for growth.





[\[Cash flows from financing activities\]](#)

Net cash expended in financing activities increased by ¥7.1 billion over the same period last year, due to expenditures for the redemption of long-term debt and an increase in the payment of dividends, among other factors.

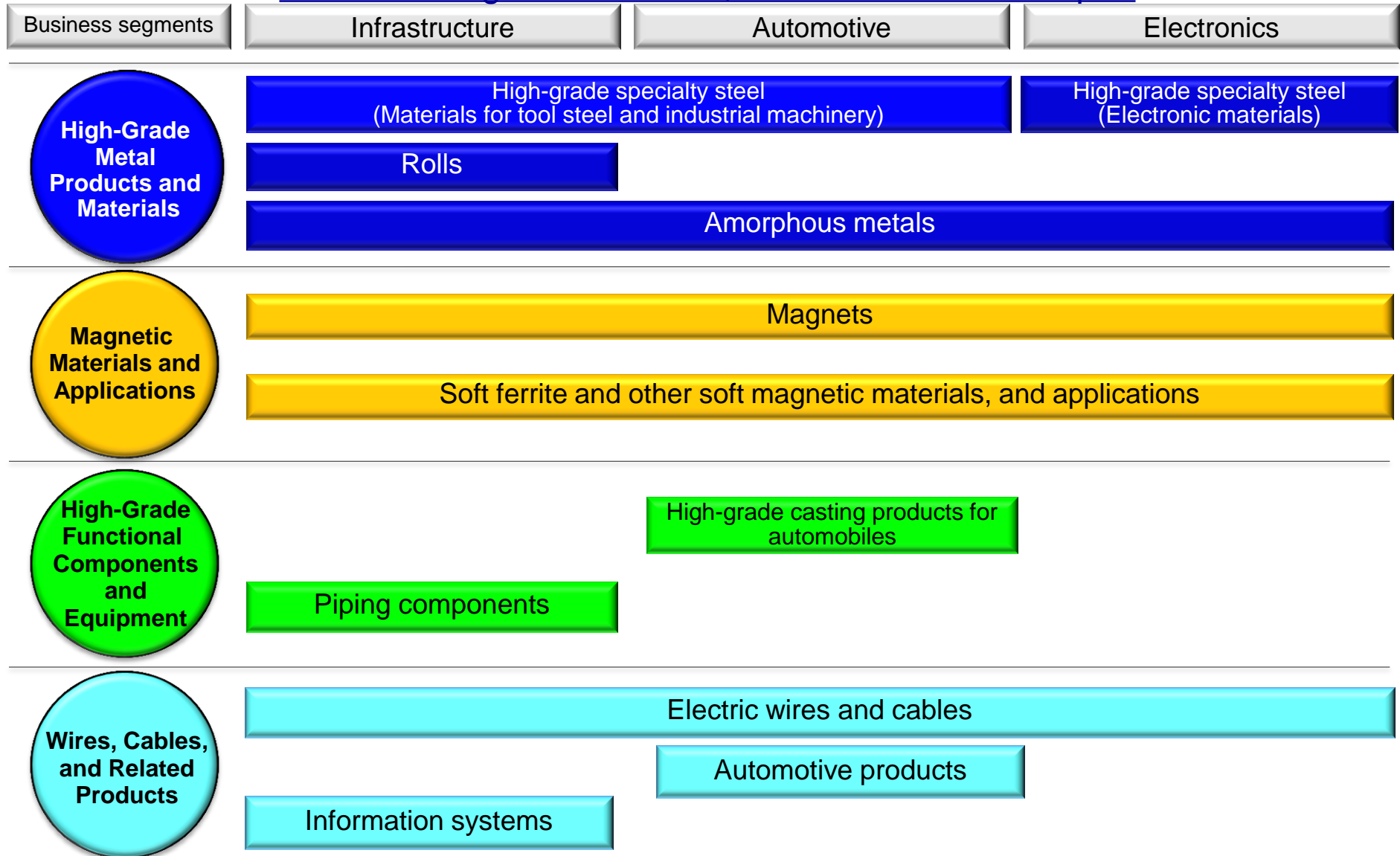
(Reference) Hitachi Metals: Description of Business Segments

Business Segments

Principal Products

	High-Grade Metals Company	Specialty steel	YSS™ brand high-grade specialty steel products: Molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], 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 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 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)
	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)

A materials manufacturer that offers “quality” in a wide range of industries, with materials developed



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**