

Hitachi Metals

Financial Results for the First Three Months of Fiscal Year 2017

(April 1, 2017 to June 30, 2017)

July 27, 2017

1. Overview of the First Three Months of Fiscal Year 2017

Trend in demand

The global economy remained on a modest rebound track primarily in advanced countries. The Japanese economy continued to recover gradually as a result of the ongoing improvement in the employment and income environment with increasing exports and capital investment supported by a steady recovery of the global economy.

- **In the automobile field, sales in Japan significantly increased, led by strong demand for new models; and Europe and China also showed steady demand, while sales of new vehicles decreased in the United States compared with those for the three months ended June 30, 2016.**
- **Industrial infrastructure-related demand for steel products increased mainly in the manufacturing sector, including automobiles and industrial machinery.**
The number of new housing starts remained at the same level.
- **In the electronics field, mobile device shipments significantly increased.**

2. Operating Results for the First Quarter of Fiscal Year 2017

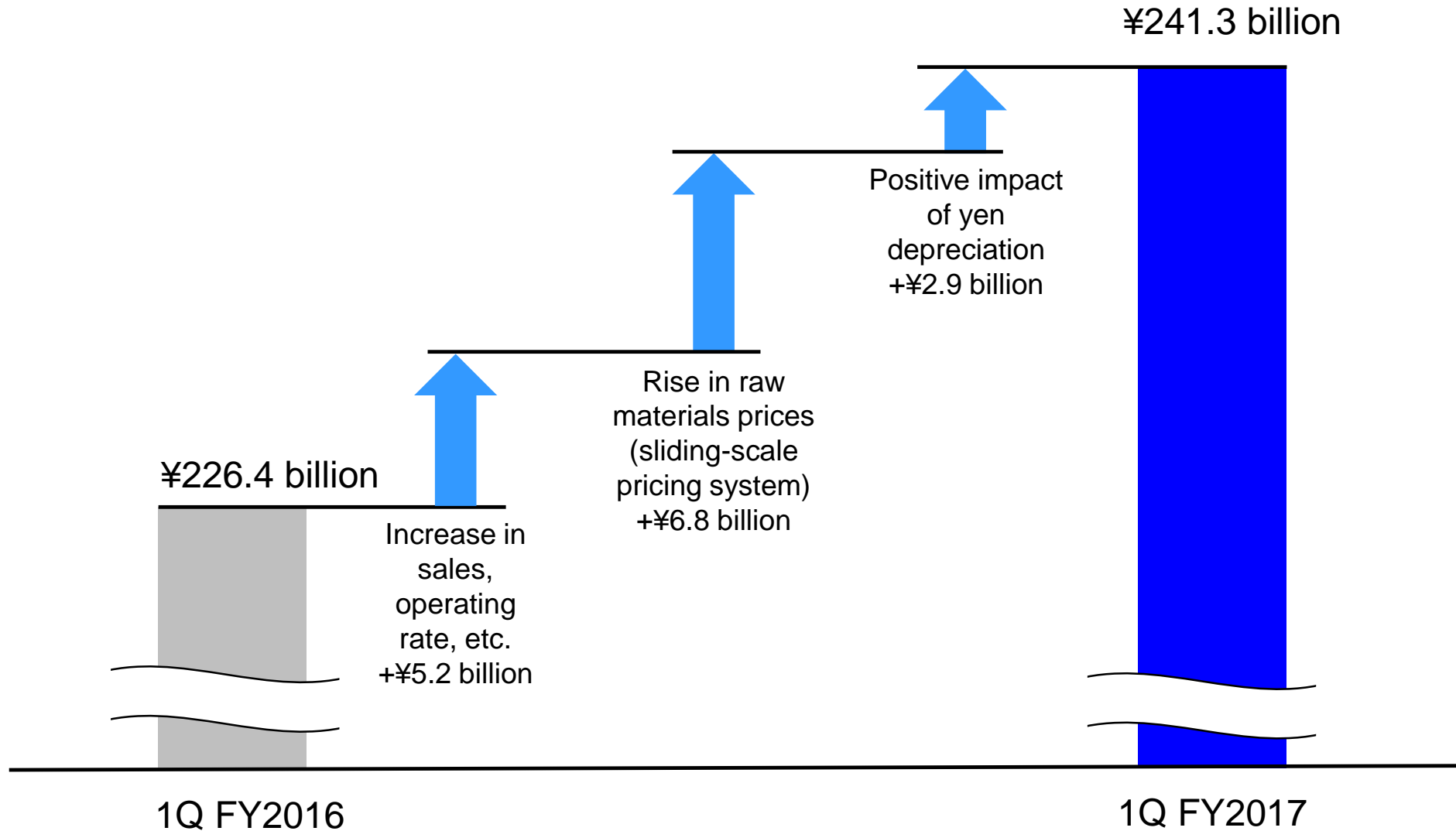
| (¥billions) Profit margin in brackets | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | Year-on- Year | Supplementary Note |
|---|--|--|------------------|---|
| Revenues | 226.4 | 241.3 | +7% | Increase in revenues year on year, influenced mainly by a rise in raw materials prices (a sliding-scale raw material price system) and the depreciation of the yen, in addition to an increase in demand for mainstay products. |
| Adjusted operating income ^{*1} | [7.2%] 16.3 | [7.3%] 17.7 | +1.4 | Increase in income year on year, mainly due to an increase in income associated with increased revenue and the effects of cost reduction activities. |
| Other income | 1.3 | 0.8 | -0.5 | |
| Other expenses | -2.3 | -1.4 | +0.9 | |
| IFRS operating income | [6.8%] 15.3 | [7.1%] 17.1 | +1.8 | |
| EBIT | 13.1 | 18.6 | +5.5 | Increase due to improvement in foreign exchange gain and increase in share of profit of entities accounted for using the equity method. |
| Income before income taxes | 12.4 | 18.1 | +5.7 | |
| Income taxes | -2.8 | -4.2 | -1.4 | |
| Net income attributable to shareholders of the parent company | 9.5 | 13.9 | +4.4 | |
| Percentage of revenues from overseas markets ^{*2} | 56% | 58% | +2% | |

*1 Adjusted operating income: (Revenues) – (Cost of sales) – (Selling, General, & Administrative expenses)

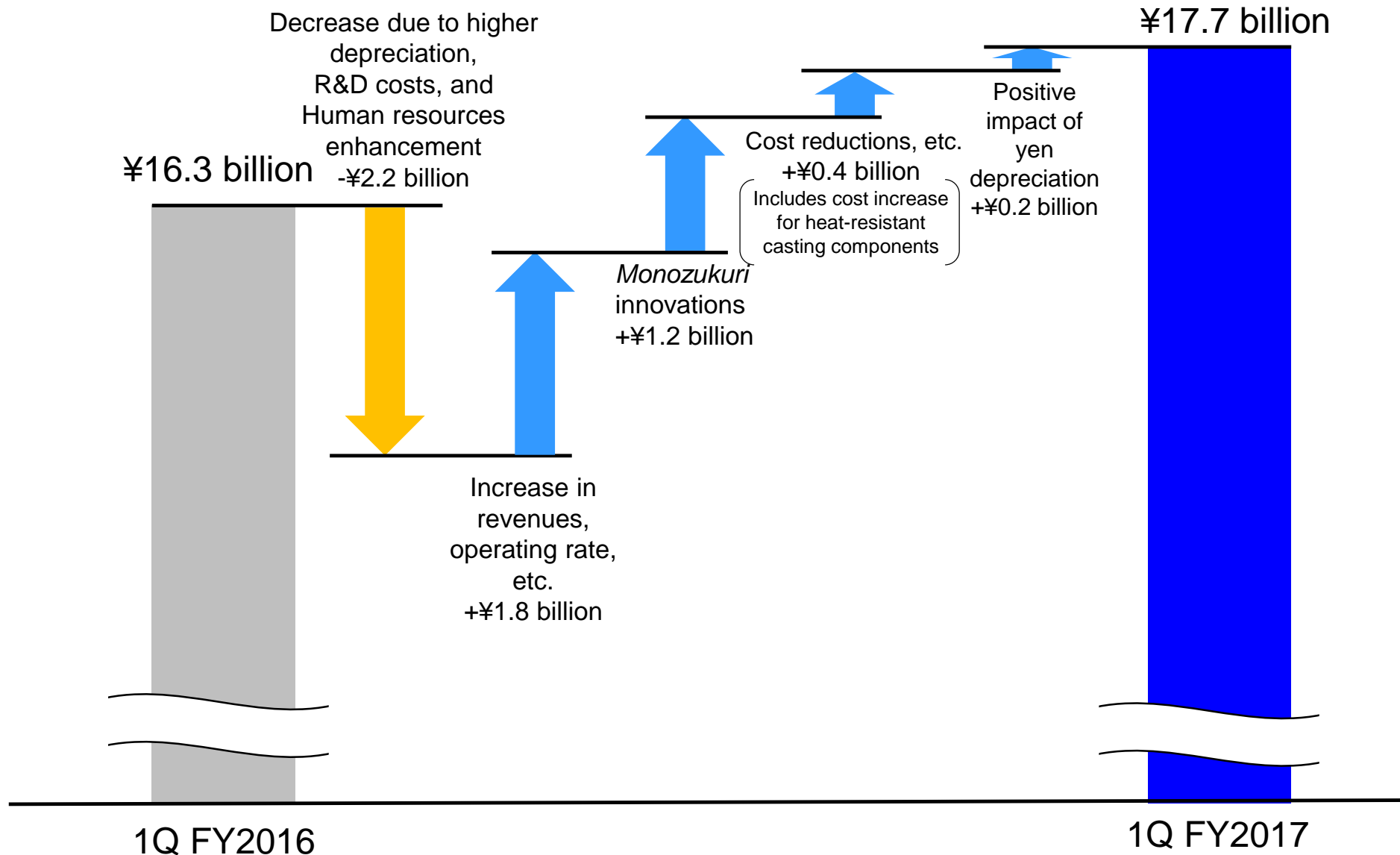
*2 Overseas revenues by region: 1Q, FY2017: North America, 32%; China, 7%; Asia (exc. China), 13%; Europe, 5%; Others, 1%

1Q, FY2016: North America, 31%; China, 7%; Asia (exc. China), 11%; Europe, 5%; Others, 2%

3. Factors Behind Increase/Decrease in Revenues (Year-on-Year)



4. Factors Behind Increase/Decrease in Adjusted Operating Income (Year-on-Year)



5. Operating Results by Segment for the First Quarter of Fiscal Year 2017

| (¥billions) Profit margin in brackets | | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | Year-on-Year |
|---|---------------------------------|--|--|--------------|
| Specialty Steel Products | Revenues | 58.6 | 61.3 | +5% |
| | Adjusted operating income | [10.8%] 6.3 | [11.4%] 7.0 | +0.7 |
| | Operating income of the segment | [10.6%] 6.2 | [11.3%] 6.9 | +0.7 |
| Magnetic Materials and Applications | Revenues | 23.9 | 25.3 | +6% |
| | Adjusted operating income | [5.4%] 1.3 | [7.9%] 2.0 | +0.7 |
| | Operating income of the segment | [5.4%] 1.3 | [8.3%] 2.1 | +0.8 |
| Functional Components and Equipment | Revenues | 83.9 | 91.2 | +9% |
| | Adjusted operating income | [6.2%] 5.2 | [4.3%] 3.9 | -1.3 |
| | Operating income of the segment | [6.2%] 5.2 | [3.9%] 3.6 | -1.6 |
| Wires, Cables, and Related Products | Revenues | 59.7 | 63.2 | +6% |
| | Adjusted operating income | [4.4%] 2.6 | [6.3%] 4.0 | +1.4 |
| | Operating income of the segment | [3.2%] 1.9 | [6.2%] 3.9 | +2.0 |
| Other Adjustments | Revenues | 0.3 | 0.3 | - |
| | Adjusted operating income | 0.9 | 0.8 | -0.1 |
| | Operating income of the segment | 0.7 | 0.6 | -0.1 |
| Total | Revenues | 226.4 | 241.3 | +7% |
| | Adjusted operating income | [7.2%] 16.3 | [7.3%] 17.7 | +1.4 |
| | Operating income | [6.8%] 15.3 | [7.1%] 17.1 | +1.8 |

6. Operating Results by Segment: Specialty Steel Products (1)

■ Overall Summary

[Revenues, adjusted operating income]

Both revenues and income increased, reflecting a rise in demand for molds and tool steel, industrial equipment materials and alloys for electronic products.

■ Overview by Product

[Specialty steel]

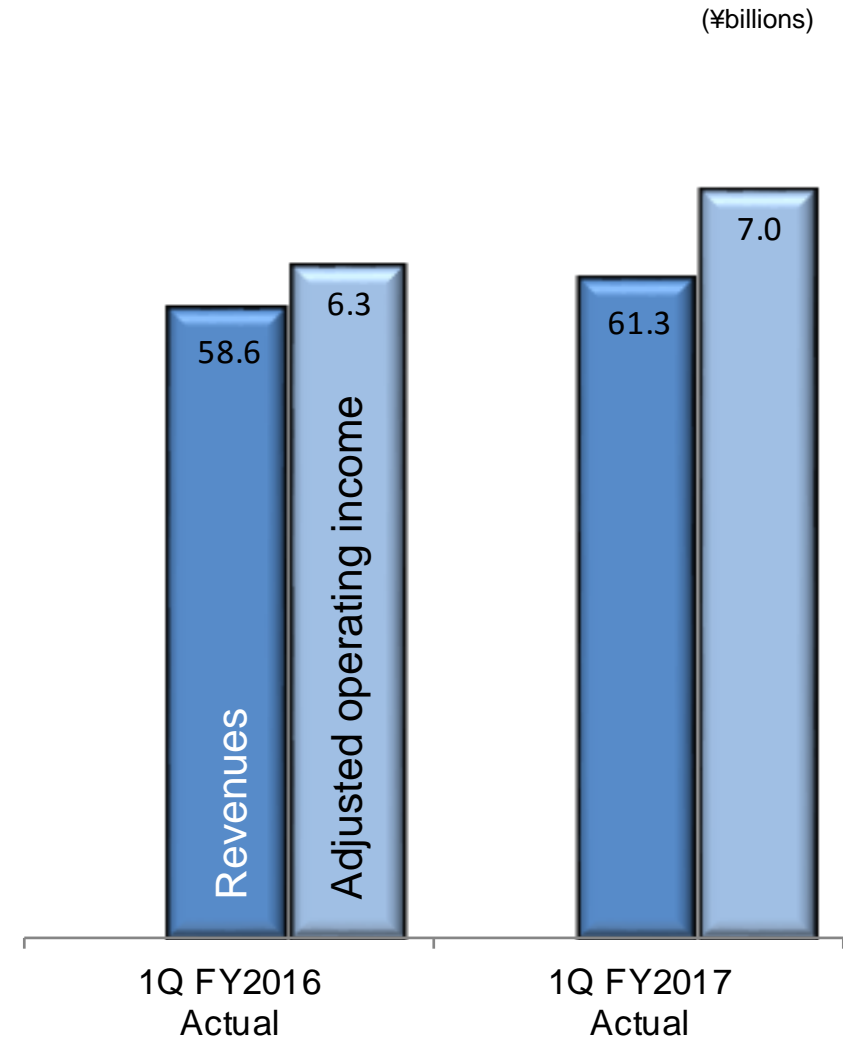
- Molds and tool steel: Sales exceeded those for the three months ended June 30, 2016, due to a recovery in demand in both Japan and Asia.
- Industrial equipment materials: Sales increased overall year on year, as sales of environmentally friendly products related to automobiles as well as other industrial components, in particular, components for semiconductor-related equipment, increased.
- Alloys for electronic products: Sales significantly increased year on year, due to strong sales of semiconductor package components and battery-related components.
- Aircraft-related and energy-related materials: The situation of the sales was weak.

[Rolls]

- Injection molding machine parts: Sales showed recovery resulting from an increase in demand for mobile devices.
- Other rolls: In September 2016, the Group discontinued production of rolls at a Chinese subsidiary to concentrate management resources on high value-added products. As a result, sales of rolls as a whole fell year on year.

[Soft magnetic components and materials]

Sales fell as a whole below those for the three months ended June 30, 2016, due to a drop in demand for amorphous metals, although sales of applied products for mobile devices and automobiles increased because of robust demand.



7. Operating Results by Segment: Specialty Steel Products (2)

| (¥billions) | | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | Year-on- Year |
|------------------------------------|---|--|--|------------------|
| Specialty Steel Products | Revenues | 58.6 | 61.3 | +5% |
| | Specialty steel [◎] | 45.3 | 49.6 | +9% |
| | Molds and tool steel [□] | | | +10% |
| | Industrial equipment materials [□] | | | +11% |
| | Aircraft-related and energy-related materials [□] | | | -12% |
| | Alloys for electronic products [□] | | | +21% |
| | Rolls [◎] | 5.5 | 5.1 | -7% |
| | Soft magnetic components and materials [◎] | 7.8 | 6.6 | -15% |
| | Adjusted operating income | 6.3 | 7.0 | +0.7 |
| | Adjusted operating margin | 10.8% | 11.4% | +0.6% |
| Operating income of the segment | 6.2 | 6.9 | +0.7 | |

◎ Simple sum before eliminating intersegment revenues.

□ Indicates the change in revenues calculated by a simplified method.

8. Operating Results by Segment: Magnetic Materials and Applications (1)

■ Overall Summary

[Revenues, adjusted operating income]

Both revenues and income increased, reflecting strong demand for automotive electronic components and industrial equipment.

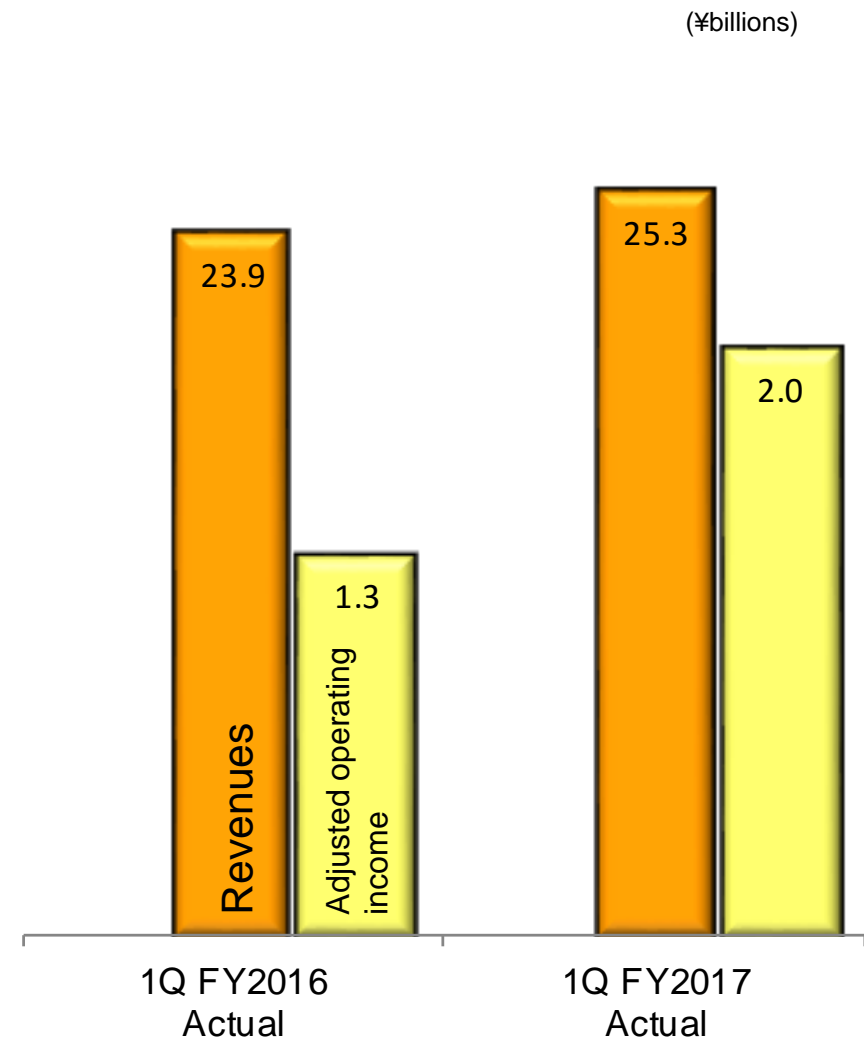
■ Overview by Product

[Rare earth magnets]

Demand for automotive electronic components for electric power steering and hybrid automobiles was strong. Sales of industrial equipment were also solid, supported by increased capital investment-related demand for flat-panel displays, mobile devices, and semiconductors. As a result, sales of rare earth magnets overall exceeded those for the three months ended June 30, 2016.

[Ferrite magnets]

Sales increased year on year due to strong demand for automotive electronic components, reflecting increased automobile production as well as firm demand for household appliance parts.



9. Operating Results by Segment: Magnetic Materials and Applications (2)

| (¥billions) | | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | Year-on- Year |
|---|------------------------------------|--|--|------------------|
| Magnetic Materials and Applications | Revenues | 23.9 | 25.3 | +6% |
| | Rare earth magnets (weight) | | | +15% |
| | Ferrite magnets (weight) | | | +3% |
| | Adjusted operating income | 1.3 | 2.0 | +0.7 |
| | Adjusted operating margin | 5.4% | 7.9% | +2.5% |
| | Operating income of the segment | 1.3 | 2.1 | +0.8 |

10. Operating Results by Segment: Functional Components and Equipment (1)

(¥billions)

■ Overall Summary

[Revenues]

Revenues increased due to increased demand for cast iron products and heat-resistant casting components.

[Adjusted operating income]

Income decreased mainly due to a rise in costs on the back of a surge in demand for heat-resistant casting components.

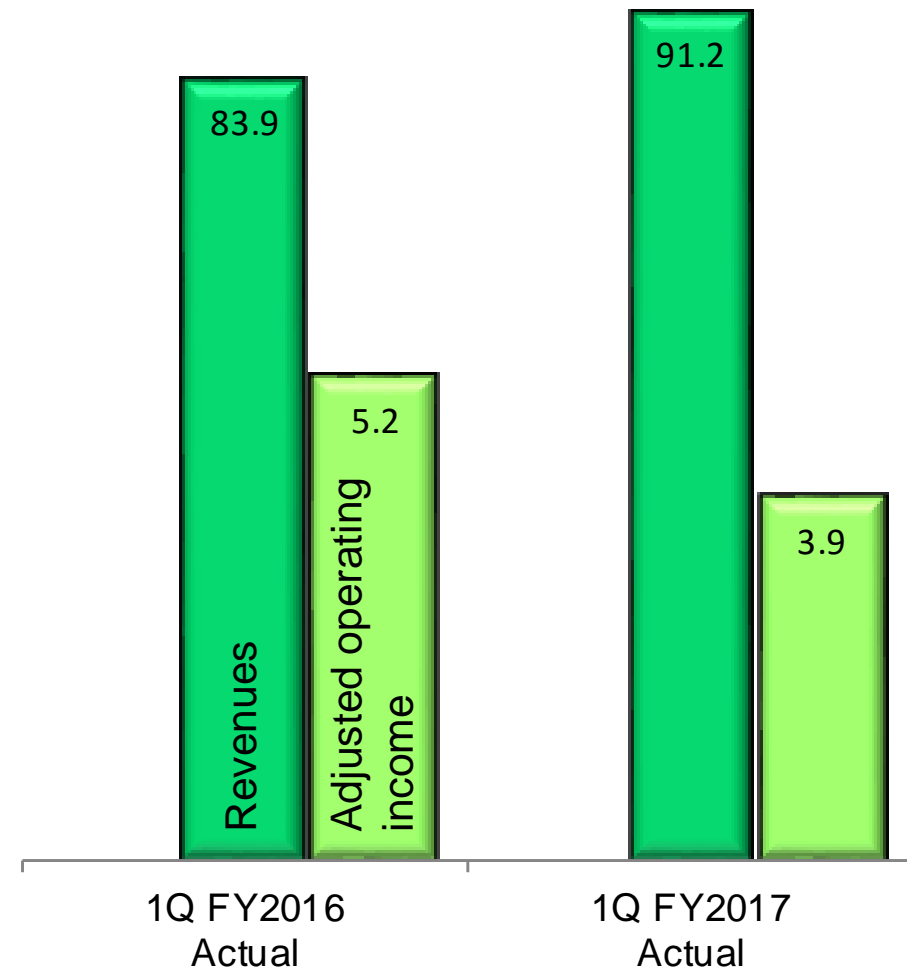
■ Overview by Product

[Casting components for automobiles]

- Cast iron products: Despite a slowdown in demand for casting components for pickup trucks and other light trucks as well as passenger vehicles in North America, sales of casting components for automobiles increased year on year as a whole. This is due to an increase in demand for casting components for commercial vehicles, farming machinery, and construction machinery in North America, and increased demand for automobiles in Japan and Asia.
- Heat-resistant casting components: Sales increased year on year due to an increase in demand in the American, European, and Asian markets.
- Aluminum wheels: Sales fell below those for the three months ended June 30, 2016, affected by decreased demand for passenger vehicles in North America.

[Piping components]

Sales of pipe fittings as a whole exceeded those for the three months ended June 30, 2016, due to solid demand overseas, offsetting decreased demand in Japan, and strong performance in devices for semiconductor manufacturing equipment, reflecting an increase in demand for semiconductor-related equipment.



11. Operating Results by Segment: Functional Components and Equipment (2)

| (¥billions) | | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | Year-on- Year |
|---|---|--|--|------------------|
| Functional Components and Equipment | Revenues | 83.9 | 91.2 | +9% |
| | Casting components for automobiles [©] | 72.4 | 79.0 | +9% |
| | Cast iron products (weight) | | | +3% |
| | Heat-resistant casting components (HERCUNITE™) (weight) | | | +57% |
| | Aluminum wheels (number) | | | -21% |
| | Piping components [©] | 11.5 | 12.3 | +7% |
| | Adjusted operating income | 5.2 | 3.9 | -1.3 |
| | Adjusted operating margin | 6.2% | 4.3% | -1.9% |
| | Operating income of the segment | 5.2 | 3.6 | -1.6 |

© Simple sum before eliminating intersegment revenues.

12. Operating Results by Segment: Wires, Cables, and Related Products (1)

■ Overall Summary

[Revenues, adjusted operating income]

Both revenues and income increased, reflecting a rise in demand for both electric wires and cables and high performance components.

■ Overview by Product

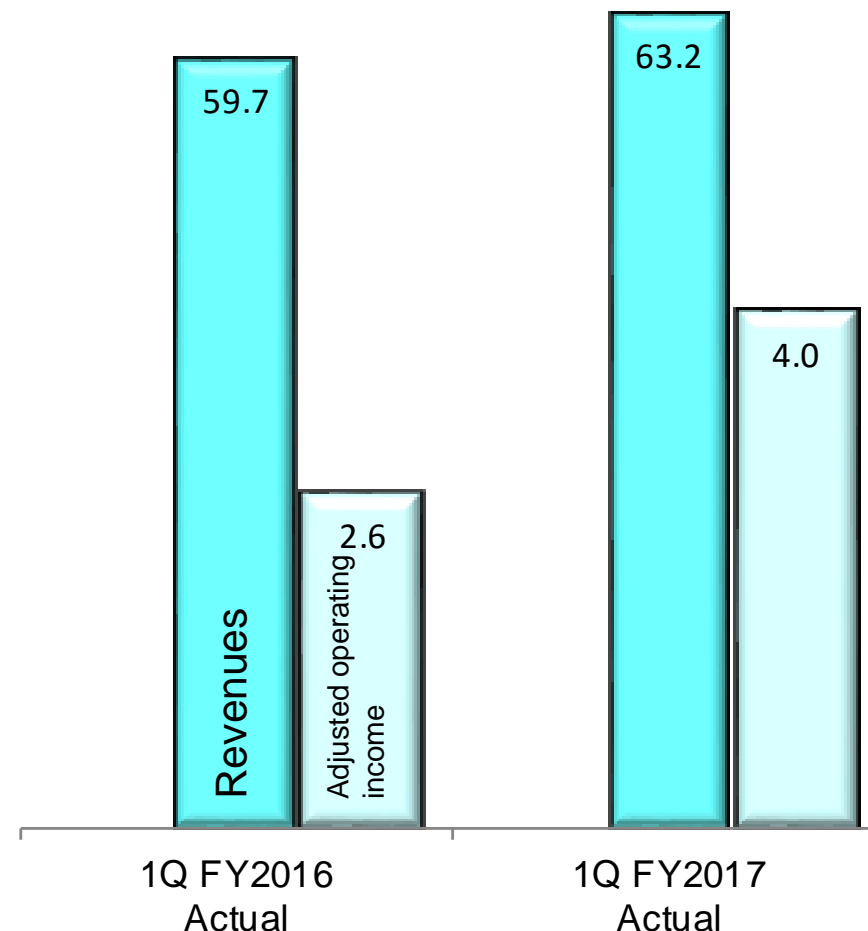
[Electric wires and cables]

Sales of wires and cables for rolling stock grew significantly, mainly in China. Sales of electric wires for semiconductor manufacturing equipment and working tools increased, and magnet wires for automobiles and industrial machinery also resulted in greater sales.

[High performance components]

- Automotive products: Demand for various sensors, harnesses for electric parking brakes and hybrid automobiles increased, and demand for brake hoses was also strong.
- Probe cables for medical use: Sales increased year on year due to increased demand in overseas countries.

(¥billions)



13. Operating Results by Segment: Wires, Cables, and Related Products (2)

| (¥billions) | | 1Q, FY2016 Business Performance <small>US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5</small> | 1Q, FY2017 Business Performance <small>US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2</small> | Year-on- Year |
|--|--|---|---|------------------|
| Wires, Cables, and Related Products | Revenues | 59.7 | 63.2 | +6% |
| | Rolling stocks [□] | | | +30% |
| | Medical devices [□] | | | +12% |
| | Automotive electronic components [□] | | | +15% |
| | Adjusted operating income | 2.6 | 4.0 | +1.4 |
| | Adjusted operating margin | 4.4% | 6.3% | +1.9% |
| | Operating income of the segment | 1.9 | 3.9 | +2.0 |

□ Indicates the change in revenues calculated by a simplified method.

14. Assets, Liabilities, and Net Assets

| (¥billions) | March 31, 2017 US\$1 = ¥112 1 euro = ¥120 1 yuan = ¥16.3 | June 30, 2017 US\$1 = ¥112 1 euro = ¥128 1 yuan = ¥16.5 | Change |
|---|---|--|--------|
| Total assets | 1,040.4 | 1,049.9 | +9.5 |
| Trade receivables and inventories | 329.1 | 354.0 | +24.9 |
| Total liabilities | 491.6 | 492.0 | +0.4 |
| Interest-bearing debt | 194.5 | 193.4 | -1.1 |
| Equity attributable to shareholders of the parent company | 536.6 | 545.7 | +9.1 |
| Non-controlling interests | 12.2 | 12.2 | 0 |
| Equity attributable to shareholders of the parent company ratio | 51.6% | 52.0% | +0.4% |
| D/E ratio (times) | 0.36 | 0.35 | -0.01 |

[Assets] Change from March 2017: +¥9.5 billion ⇒ Increase in trade receivables and inventories, etc.

[Liabilities] Change from March 2017: +¥0.4 billion

[D/E ratio] Largely flat

15. Consolidated Cash Flows

| (¥billions) | 1Q, FY2016 Business Performance | 1Q, FY2017 Business Performance | Year-on-Year |
|--------------------------------------|---------------------------------------|---------------------------------------|--------------|
| Cash flows from operating activities | 7.9 | 2.6 | -5.3 |
| Cash flows from investing activities | -10.9 | -16.8 | -5.9 |
| Free cash flows | -3.0 | -14.2 | -11.2 |
| Core free cash flows* | -5.0 | -15.1 | -10.1 |

[Cash flows from operating activities]

Increases in trade receivables and inventories, among other factors, despite an increase in net income, resulted in a net cash outflow of ¥5.3 billion compared to 1Q FY2016.

[Cash flows from investing activities]

Purchase of property, plant and equipment increased (1Q FY2016: ¥12.2 billion → 1Q FY2017: ¥17.5 billion), causing a net cash outflow of ¥5.9 billion compared to 1Q FY2016.

[Free cash flows]

Decreased by ¥11.2 billion due to a net cash outflow of cash flows from operating activities and an increase in investing activities.

*Core free cash flows: (Cash flows from operating activities) – (Capital expenditure)

Reference Data (1)

| (¥billions) | FY2015 Business Performance US\$1 = ¥120 | FY2016 Business Performance US\$1 = ¥108 1 euro = ¥119 1 yuan = ¥16.1 | 1Q, FY2016 Business Performance US\$1 = ¥108 1 euro = ¥122 1 yuan = ¥16.5 | 1Q, FY2017 Business Performance US\$1 = ¥111 1 euro = ¥122 1 yuan = ¥16.2 | FY2017 Forecast US\$1 = ¥110 |
|--|---|--|--|--|--|
| Revenues | 1,017.6 | 910.5 | 226.4 | 241.3 | 950.0 |
| Adjusted operating income | 76.1 | 66.0 | 16.3 | 17.7 | 80.0 |
| Adjusted operating income margin | 7.5% | 7.2% | 7.2% | 7.3% | 8.4% |
| Other income | 36.4 | 14.1 | 1.3 | 0.8 | |
| Other expenses | -12.5 | -11.8 | -2.3 | -1.4 | |
| IFRS operating income | 100.0 | 68.3 | 15.3 | 17.1 | |
| EBIT | 99.1 | 68.5 | 13.1 | 18.6 | 66.0 |
| Income before income taxes | 96.2 | 66.0 | 12.4 | 18.1 | 63.0 |
| Net income attributable to shareholders of the parent company | 69.1 | 50.6 | 9.5 | 13.9 | 45.0 |
| Interest-bearing debt | 220.4 | 194.5 | 213.6 | 193.4 | |
| Capital spending | 59.6 | 63.8 | 10.6 | 15.2 | 90.0 |
| Depreciation | 42.9 | 43.0 | 10.6 | 11.3 | 47.0 |
| R&D expenses | 19.1 | 18.0 | 4.5 | 3.9 | 20.0 |
| D/E ratio (times) | 0.44 | 0.36 | 0.45 | 0.35 | 0.30 |
| Earnings per share (yen) | 161.50 | 118.32 | 22.25 | 32.49 | 105.24 |
| Dividend per share (yen) | 26.0 | 26.0 | | | 26.0 |
| Equity per share attributable to shareholders of the company (yen) | 1,159.7 | 1,254.9 | 1,118.0 | 1,276.3 | 1,333.1 |
| Employees | 29,157 | 28,754 | 28,926 | 29,606 | 29,500 |
| ROE ^{*1} | 13.9% | 9.4% | | | 8.1% |
| ROA ^{*2} | 6.7% | 4.9% | | | 4.3% |
| Overseas sales ratio | 56% | 56% | 56% | 58% | 56% |

*1 Return on equity attributable to owners of the parent company ratio (ROE) = Net income attributable to owners of the parent company / Term-end equity attributable to owners of the parent company x 100

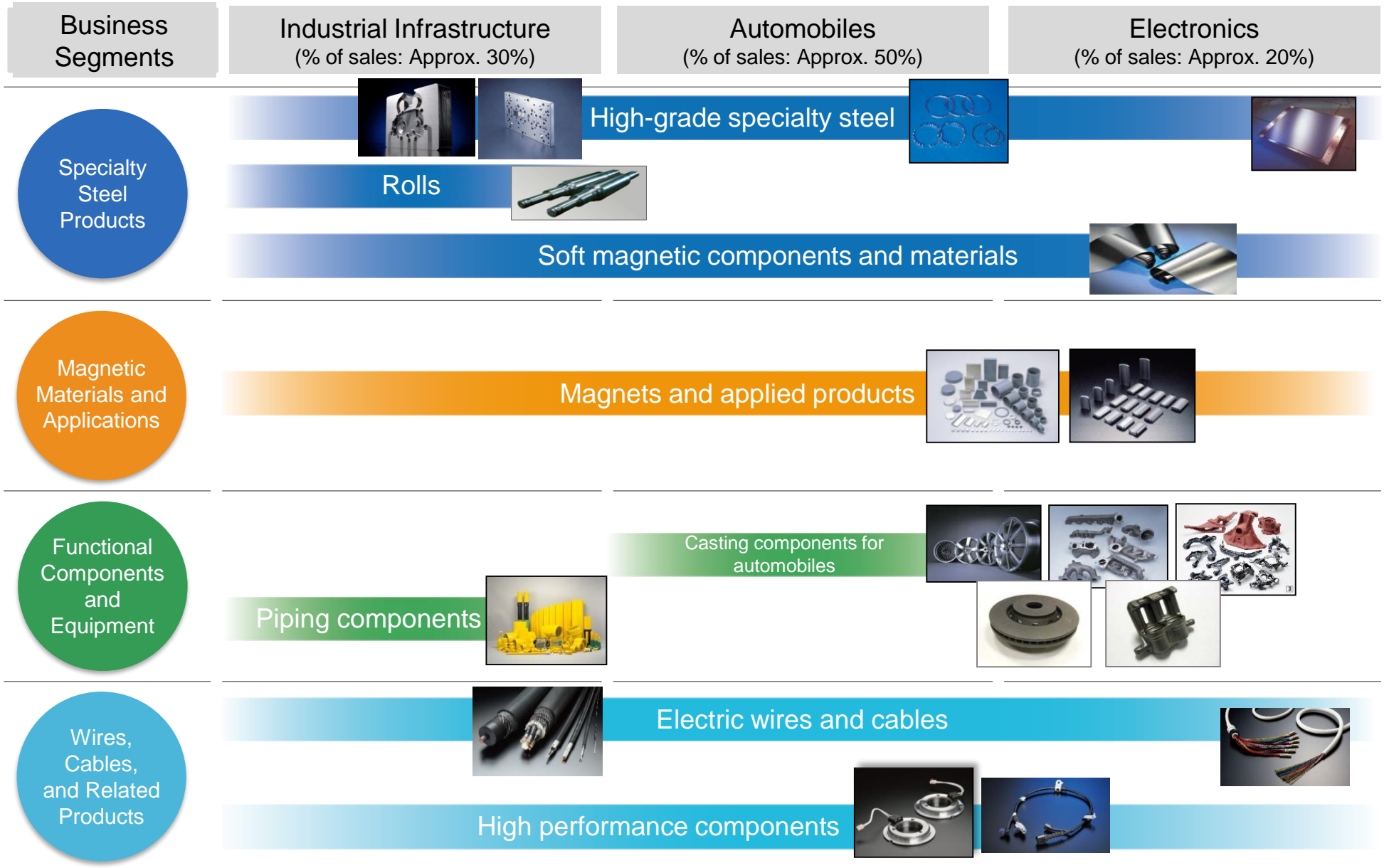
*2 Return on total assets (ROA) = Net income attributable to owners of the parent company / term-end total assets x 100

Reference Data (2)

Major products' volume trends (weight basis)


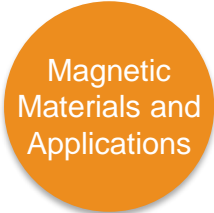


| Product | | 1Q FY2017 vs. 1Q FY2016 actual |
|-------------------------------------|--|-----------------------------------|
| Specialty Steel Products | Molds and tool steel | +14% |
| | CVT belt materials | +17% |
| | Piston ring materials | +16% |
| Magnetic Materials and Applications | Rare earth magnets | +15% |
| Functional Components and Equipment | Cast iron products | +3% |
| | Heat-resistant casting components (HERCUNITE™) | +57% |
| | Aluminum wheels (number) | -21% |

(For Reference) Business Operations by Market



(For reference) Hitachi Metals: Description of Business Segments (April 1, 2017 onward)

■ Business Operations

| Business segments | Business | Principal Products |
|--|--|--|
|  <p>Specialty Steel Products</p> | Specialty Steel Company | |
| | Specialty steel | YASUGI SPECIALTY STEEL brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile-related materials, and razor blade materials], aircraft- and energy-related materials, and precision cast components) |
| | Rolls | Rolls for steel mills, structural ceramic products, injection molding machine parts, and steel-frame joints for construction |
| | Soft magnetic components and materials | Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic materials; and soft ferrite) and applied products |
|  <p>Magnetic Materials and Applications</p> | Magnetic Materials Company | |
| | Magnets and applied products | Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) Ceramic components |
|  <p>Functional Components and Equipment</p> | 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) and SCUBA™ aluminum wheels and other aluminum components |
| | Piping components | Piping and infrastructure components (Gourd™ Gourd brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks) |
|  <p>Wires, Cables, and Related Products</p> | Cable Materials Company | |
| | Electric wires and cables | Industrial cables, electronic wires, electric equipment materials, and industrial rubber products |
| | High performance components | Cable assemblies, automotive electronic components, and brake hoses |

This document contains forward-looking statements, such as results forecasts, management plans and dividend forecasts, that are not historical facts.

All such forward-looking statements are based upon all available information and upon assumptions and projections that were deemed reasonable 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 Americas, 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 technologies**
- **Fluctuations in the status of product markets, exchange rates and international commodity markets**
- **Changes in the financing environment**
- **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 Japanese stock markets**