

Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2022

February 9, 2023

Proterial, Ltd.

On January 4, 2023, Hitachi Metals, Ltd. changed its corporate name to Proterial, Ltd. (hereinafter called Proterial)

On January 5, 2023, Proterial became a wholly owned subsidiary of K.K. BCJ-52, which is wholly owned by a consortium of companies led by Bain Capital, through a tender offer for the Company's common stock and a series of subsequent transactions following its completion.

1. Summary of Operating Results (1)

¥ billions (Italic letters indicate profit margin)	FY2021 3Q (Oct-Dec) US\$1 = ¥114 €1 = ¥130 1 yuan = ¥17.8		FY2021 1Q - 3Q (A) US\$1 = ¥111 €1 = ¥131 1 yuan = ¥17.3		FY2022 1Q (Apr-Jun) US\$1 = ¥130 €1 = ¥138 1 yuan = ¥19.6		FY2022 2Q (Jul-Sep) US\$1 = ¥138 €1 = ¥139 1 yuan = ¥20.2		FY2022 3Q (Oct-Dec) US\$1 = ¥142 €1 = ¥144 1 yuan = ¥19.9		FY2022 3Q cumulative total (B) US\$1 = ¥137 €1 = ¥141 1 yuan = ¥19.9		1Q - 3Q Year-on-Year (B/A-1)*100[%] or B-A
	Revenues	234.4		690.8		276.8		291.9		279.0		847.7	
Adjusted operating income*	2.3%	5.3	3.0%	20.6	4.3%	11.8	4.6%	13.3	3.9%	10.9	4.2%	36.0	+15.4
IFRS Operating Income	1.8%	4.2	2.8%	19.0	3.5%	9.8	3.9%	11.4	2.7%	7.6	3.4%	28.8	+9.8
Income (loss) before income taxes		5.2		20.5		19.9		18.5		-3.4		35.0	+14.5
Net income (loss) attribute of the parent company		2.2		13.5		15.1		14.2		-1.3		28.0	+14.5

*Adjusted operating income = Revenue - Sales cost - Selling, general & administrative expenses

■ Sales by Region

¥ billion		Japan	North America	China	Other Asia	Europe	Others	International Total
1Q - 3Q, FY2021	Revenues	298.8	197.3	64.0	86.7	30.6	13.4	392.0
	Sales ratio	43%	29%	9%	13%	4%	2%	57%
1Q - 3Q, FY2022	Revenues	323.2	283.6	73.1	108.2	41.5	18.1	524.5
	Sales ratio	38%	33%	9%	13%	5%	2%	62%
Revenues	Year-on-Year	+8%	+44%	+14%	+25%	+36%	+35%	+34%

2. Summary of Operating Results (2)

		¥ billions (Italici letters indicate profit margin)	FY2021	FY2022	1Q - 3Q Year-on-Year
			1Q - 3Q (A)	1Q - 3Q (B)	(B/A-1)*100[%] or B-A
Advanced Metals	Specialty Steel Products	Revenues	193.7	221.7	+14%
		Adjusted operating income	<i>6.4%</i> 12.4	<i>9.4%</i> 20.8	+8.4
		IFRS Operating Income	<i>6.0%</i> 11.7	<i>9.3%</i> 20.6	+8.9
	Functional Components and Equipment	Revenues	227.3	313.4	+38%
		Adjusted operating income (loss)	<i>-2.8%</i> -6.3	<i>0.5%</i> 1.7	+8.0
		IFRS Operating Income (loss)	<i>-3.2%</i> -7.3	<i>0.3%</i> 1.0	+8.3
	Subtotal*	Revenues	421.0	535.1	+27%
		Adjusted operating income	<i>1.4%</i> 6.1	<i>4.2%</i> 22.5	+16.4
		IFRS Operating Income	<i>1.0%</i> 4.4	<i>4.0%</i> 21.6	+17.2
Advanced components & Materials	Magnetic Materials and Applications / Power Electronics	Revenues	99.1	119.4	+20%
		Adjusted operating income	<i>9.3%</i> 9.2	<i>8.0%</i> 9.5	+0.3
		IFRS Operating Income	<i>9.9%</i> 9.8	<i>7.1%</i> 8.5	-1.3
	Wires, Cables, and Related Products	Revenues	170.4	193.4	+13%
		Adjusted operating income	<i>2.2%</i> 3.8	<i>0.2%</i> 0.4	-3.4
		IFRS Operating Income (loss)	<i>2.1%</i> 3.5	<i>-0.4%</i> -0.8	-4.3
	Subtotal*	Revenues	269.5	312.8	+16%
		Adjusted operating income	<i>4.8%</i> 13.0	<i>3.2%</i> 9.9	-3.1
		IFRS Operating Income	<i>4.9%</i> 13.3	<i>2.5%</i> 7.7	-5.6
Others/Adjustments	Revenues	0.3	-0.2	-	
	Adjusted operating income	1.5	3.6	+2.1	
	IFRS Operating Income (loss)	1.3	-0.5	-1.8	
Total	Revenues	690.8	847.7	+23%	
	Adjusted operating income	<i>3.0%</i> 20.6	<i>4.2%</i> 36.0	+15.4	
	IFRS Operating Income	<i>2.8%</i> 19.0	<i>3.4%</i> 28.8	+9.8	

*Simple sum before intersegment revenues

Revenues

- ✓ On the demand front, there were increases for automotive casting products and power electronics, despite declines for specialty steel products, rare earth magnets and ferrite magnets, etc.
- ✓ Rising raw material prices (sliding scale rate material price system) and the depreciation of the yen were also factors increasing revenue. As a result, total revenue rose 23% year on year to ¥847.7 billion.

Adjusted operating income

- ✓ In addition to higher raw material and energy costs, distribution costs increased, but the promotion of various cost reduction measures, sales price revisions, and the weaker yen boosted profits, resulting in a ¥15.4 billion year-on-year increase to ¥36.0 billion.
- ✓ By segment, Specialty Steel Products, Functional Components and Equipment, and Magnetic Materials and Applications/ Power Electronics each achieved increases, but the Wires, Cables and Related Products segment experienced a decrease, in part due to sluggish productivity in automotive components.

3. Financial Conditions

¥ billions	End of FY2021 US\$1 = ¥122 €1 = ¥137 1 yuan = ¥19.3	End of 3Q FY2022 US\$1 = ¥133 €1 = ¥141 1 yuan = ¥19.0	Fluctuation
Total Assets	1,069.7	1,100.6	+30.9
Trade Receivables	187.3	186.2	-1.1
Inventories	228.4	261.1	+32.7
Fixed assets	449.6	450.2	+0.6
Total liabilities	538.6	525.7	-12.9
Interest-bearing debt	196.9	179.2	-17.7
Equity attributable to shareholders of the parent company	527.6	571.4	+43.8
Non-controlling interests	3.5	3.5	0
Equity attributable to shareholders of the parent company ratio	49.3%	51.9%	+2.6pt
D/E ratio (times)	0.37	0.31	-0.06
NET interest-bearing debt*	72.3	60.6	-11.7

✓ Inventories increased due to yen depreciation and higher raw material prices

*NET interest-bearing debt = Interest-bearing debt - Cash and cash equivalents

4. Consolidated Cash Flows

¥ billions	1Q - 3Q, FY2021	1Q - 3Q, FY2022	Year-on-Year
Cash flows from operating activities (Operating CF)	-16.4	39.0	+55.4
Cash flows from investing activities (Investing CF)	-6.2	-21.0	-14.8
Free cash flow (FCF)	-22.6	18.0	+40.6

Operating CF: Increased ¥55.4 billion year-on-year due to improved working capital and increased net income.

Investing CF : Decreased ¥14.8 billion year-on-year due to proceeds from sales of assets in FY2021 and increased capital expenditure in FY2022, etc.

✓ Started as Proterial

On January 4, 2023, Hitachi Metals, Ltd. changed its name to Proterial, Ltd.

The new trade name, Proterial, reflects our essence of the Corporate Philosophy. It combines “pro-” with the word “material.”

“Pro-” represents our “three pros”:

- Professional – work that exceeds expectations
- Progressive – a spirit that keeps changing
- Proactive – an enterprising attitude

“Material” refers to the high-performance materials that our original technologies produce and underpinned by the three pros.

✓ Launch of proposals for high-performance ferrite magnets for xEV drive motors

By performing optimization design for motors using the Company’s NMF™15 high-performance ferrite magnets, Proterial has verified in simulations that equivalent output levels to xEV drive motors employing neodymium magnets can be obtained. Since the motor does not use expensive rare earths, it is expected to mitigate resource risks and reduce costs in response to growing xEV demand.

✓ Introduction of one of the largest self-consumption photovoltaic power generation facilities in Japan

In the Kumagaya area, Proterial has decided to install a solar power generating facility with total solar battery module output of approximately 10 megawatts (MW), making it one of the largest solar-power generating facilities for on-premise internal consumption in Japan.

Status: The facility is scheduled to start the operation in September 2023.

Generating electricity: approximately 11.5 million kWh/year

Reducing emissions of carbon dioxide (CO₂): 5,100 tons/year

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