

August 19, 2014

To whom it may concern

Company Name: Hitachi Metals, Ltd.
Name of Representative: Kazuyuki Konishi,
Chairman and Chief Executive Officer
(Code: 5486; First Section of the Tokyo Stock Exchange)
Contact: Kazutsugu Kamatani,
Division Head, Corporate Communications Division
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Notice Regarding Acquisition of Subsidiary (Waupaca Foundry Holdings, Inc.)

Hitachi Metals, Ltd. (“Hitachi Metals”) announces the signing of a definitive agreement with WF Global II B.V., an entity which is owned by private equity funds managed and controlled by KPS Capital Partners LP (“KPS”), to acquire all the shares of Waupaca Foundry Holdings, Inc. (“Waupaca HD”), which holds 100% stake of Waupaca Foundry, Inc. (“Waupaca”), which is engaged in the iron casting business for transportation machinery in the North America market and headquartered in the United States.

1. Background of the Acquisition

Hitachi Metals is focused on continued global growth. Under the current Medium-Term Management Plan, we are working to strengthen and expand our customer base globally while developing global production capabilities and sales networks.

The iron casting business has been a focus for many years, particularly in the automotive market. In high-grade ductile iron casting and other categories, we have been strengthening our global capacity through the construction of new production facilities in Japan, Korea and the United States as well as the acquisition of our Indian automotive casting subsidiary in April, 2014. We are expanding our business and building a foundation for future growth.

Waupaca, headquartered in Wisconsin, United States, is the largest worldwide supplier of iron castings, operating six plants in the United States. Waupaca serves the transport machinery market in North America and supplies a wide array of applications from automotive brake parts to industrial, agricultural and construction machinery. Utilizing excellent production technologies and production management, Waupaca has the world’s largest-scale production capacity. Since its establishment in 1955, Waupaca has forged strong customer relationships, which has driven a leading North American market share. Waupaca is expected to grow even further in the global market for iron casting in transport machinery, which is expected to see continued growth driven by demand for automobiles in emerging countries.

Under these circumstances, we consider it is tremendous opportunity to acquire overwhelmingly large production capacity, wide business domain and solid customer base of Waupaca, which will fuel the growth of our iron casting business in a medium and long term basis.

This acquisition will make us a unique supplier of iron castings, with the largest worldwide production capacity and a robust combination of Hitachi Metals’s existing high-value-added niche-zone business Waupaca’s cost-competitive volume zone business. Furthermore, Waupaca will enable us to expand revenue base dramatically and offer new products and service solutions to meet market and customer expectations with a focus on continued growth in the global market.

2. Outline of subsidiary to be acquired

① Waupaca Foundry Holdings, Inc.

(1) Company name	Waupaca Foundry Holdings, Inc.		
(2) Location	615 South DuPont Highway, Dover, Delaware 19901		
(3) Title and name of representative	President: Gary Gigante		
(4) Business details	Hold and manage interests in Waupaca Foundry, Inc.		
(5) Stated capital	USD 1		
(6) Date of incorporation	May 8, 2012		
(7) Major shareholders and shareholding ratio	WF Global II B.V. 100%		
(8) Relationship between Hitachi Metals and Waupaca Foundry, Inc.	There are no capital, personnel or business relationships to be noted between Hitachi Metals and Waupaca Foundry Holdings, Inc.		
(9) Historical operating results and financial position of Waupaca Foundry, Inc. (in millions of USD)			
Accounting Period	Fiscal year ended September 2011	Fiscal year ended September 2012*	Fiscal year ended September 2013
Net assets	--	212	(52)
Total assets	--	915	899
Net assets per share	--	2.12	(0.52)
Net sales	--	1,731	1,735
Operating income	--	72	127
Net Income	--	47	60
Net Income per share	--	0.47	0.60
Dividend per share	--	0.55	3.25

Note: The above financial indices are shown on a consolidated basis

* Waupaca Foundry Holdings, Inc. was established on May 8, 2014. The financials for fiscal year ended September 2012 were calculated based on financials of ThyssenKrupp Waupaca, Inc. for the period from October 1, 2011 to June 29, 2012 and Waupaca Foundry Holdings, Inc. for the period from June 30, 2012 to September 30, 2012. Net assets per share, net income per share and dividend per share were calculated based on number of shares outstanding at Waupaca Foundry Holdings, Inc. (100 shares outstanding).

② Waupaca Foundry, Inc.

(1) Company name	Waupaca Foundry, Inc.		
(2) Location	1955 Brunner Drive, Waupaca, Wisconsin		
(3) Title and name of representative	Chief Executive Officer: Gary Gigante		
(4) Business details	Business related to R&D, manufacturing, and sales of iron casting products for transportation machinery		
(5) Stated capital	USD 0		
(6) Date of incorporation	May 4, 1955		
(7) Major shareholders and shareholding ratio	Waupaca Foundry Holdings, Inc. 100%		
(8) Relationship between Hitachi Metals and Waupaca Foundry Holdings, Inc.	There are no capital, personnel or business relationships to be noted between Hitachi Metals and Waupaca Foundry, Inc.		
(9) Operating results and financial position of Waupaca Foundry, Inc.	ThyssenKrupp Waupaca, Inc. was renamed Waupaca Foundry when WF Global II, B.V. acquired the company in 2012. Please refer financials stated in the section of Waupaca Foundry Holdings, Inc., which owns 100% stake of Waupaca Foundry, Inc.		

3. Overview of the Transaction

Hitachi Metals intends to incorporate a SPC in the United States (Delaware) to acquire all of the outstanding shares of Waupaca HD, which owns a 100% stake of Waupaca, from WF Global II B.V., which is owned by private equity funds managed and controlled by KPS. Waupaca HD will become a wholly owned subsidiary of Hitachi Metals through a merger of the SPC and Waupaca HD. Total value of the acquisition is USD 1,300 million which is subject to customary price adjustment as of the closing date.

4. Number of shares acquired and number of shares to be held by “Hitachi Metals” before/after the acquisition

(1)	Number of shares held by Hitachi Metals” before acquisition	Common stock: 0 shares (Number of voting rights: 0) (Voting rights ratio: 0.0%)
(2)	Number of shares acquired	Common stock: 100 shares (Voting rights ratio: 100 shares)
(3)	Acquisition price	Waupaca Foundry Holdings, Inc. Common Stock USD 1,300 million Fees to be paid to advisors (Estimated) USD 14 million Total (Estimated) USD 1,314 million
(4)	Number of shares held by “Hitachi Metals” after acquisition	Common stock: 100 shares (Number of voting rights: 100) (Voting rights ratio: 100.0%)

5. Outline of company from which subsidiary is acquired (WF Global II B.V.)

(1)	Company name	WF Global II B.V.
(2)	Location	Prins Bernhardplein 200, 1097 JB, Amsterdam, The Netherlands
(3)	Title and name of representative	Representative of Director: David Shapiro
(4)	Business details	To hold and manage interests in Waupaca Foundry Holdings, Inc.
(5)	Date of incorporation	June 22, 2012
(6)	Major shareholders and shareholding ratio	WF Global I B.V. 100% (Ultimately controlled by private equity funds managed and controlled by KPS Capital Partners, LP)
(7)	Relationship between Hitachi Metals and WF Global II B.V.	There are no capital, personnel or business relationships to be noted between Hitachi Metals and WF Global II B.V.

Outline of KPS Capital Partners, LP

(1)	Company name	KPS Capital Partners, LP
(2)	Location	485 Lexington Avenue, 31st Floor, New York, NY 10017
(3)	Title and name of representative	Member of its general partner, KPS Capital Partners, LLC, David Shapiro
(4)	Business detail	Investment Manager to private pooled investment vehicles
(5)	Date of establishment	December 22, 2006
(6)	Relationship between Hitachi Metals and KPS	There are no capital, personnel or business relationships to be noted between Hitachi Metals and KPS

Note: The above information is provided by KPS for disclosure purpose.

6. Schedule

(1) Board resolution date	July 29, 2014
(2) Execution date of share purchase agreement	August 19, 2014
(3) Closing date	October 31, 2014 (scheduled)*

The board of directors of Hitachi Metals resolved at its meeting held on July 29, 2014 that Hitachi Metals 1) participate in a sale process to acquire Waupaca HD from KPS, 2) delegate its authority to the Representative Executive Officer to negotiate with KPS on terms and conditions and execute a definitive agreement to purchase all share Waupaca HD if both parties reach agreement. We have been discussing with KPS the details of the terms and conditions since then and we entered into a definitive agreement to purchase all shares of Waupaca HD with the approval of the Representative Executive Officer on August 19, 2014.

* The completion of the Acquisition is subject to approval from the relevant competition authorities including in the United States.

7. Future Outlook

We plan to disclose detailed effects of this transaction on Hitachi Metals's consolidated financial results for Fiscal Year 2014, ending March 2015, in the earnings release of 2nd quarter ending September 30, 2014.

(Reference)

Forecast of FY2014 ending March 31, 2015 (released on July 29, 2014) and Actual Consolidated Financial Results for FY2013

	(in millions of JPY)			
	Net Sales	Operating Income	Ordinary Income	Net Income
FY2014 ending March 31, 2015 (Forecast)	910,000	68,000	65,000	42,000
FY2013 ended March 31, 2014 (Actual)	807,952	59,536	60,898	39,417

Contact for inquiries on this matter:

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