

Acquisition of Waupaca Foundry Holdings, Inc.

August 19th, 2014

 **Hitachi Metals, Ltd.**

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

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1. Transaction Summary

- Hitachi Metals will acquire all the outstanding shares of Waupaca Foundry Holdings, Inc., which holds 100% stake of Waupaca Foundry, Inc. (“Waupaca”), headquartered in Wisconsin
 - Waupaca is engaged in the iron casting business for transportation machinery in the North America market
 - Hitachi Metals plans to enhance its iron casting business and medium-to-long-term growth globally through this transaction
 - Purchase Price: USD 1,300 million
- Transaction Schedule / Finance
 - Signing of Stock Purchase Agreement: August 19th, 2014 / Expected closing date: October, 2014
 - Plan to finance through cash-on-hand and debt with limited financial impact
 - 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
- This transaction enables Hitachi Metals to secure a competitive advantage in the global iron casting market through acquiring Waupaca’s large-scale production capacity, wide array of business fields and solid customer base. Through this transaction, Hitachi Metals is pursuing medium-to-long-term growth as the world largest supplier of iron castings driven by a robust combination of Hitachi Metals’s existing high-value-added niche-zone business and Waupaca’s competitive volume zone business

2. Waupaca Foundry, Inc. Overview

Corporate Name	Waupaca Foundry, Inc. (Non-listed)
Headquarters & Foundries	HQ: Waupaca, Wisconsin (United States) Foundries: 4 in Wisconsin, 2 in other states (Tennessee and Indiana)
Chief Executive Officer	Gary Gigante (Chief Executive Officer)
Established	May 4, 1955 (predecessors date back to 1871)
Net Sales	USD 1,735 million (as of FY2013/09)
# of Employees	Approx. 3,900 (as of May 31, 2015)
Business Summary	(1) Develop/manufacture/supply iron castings for transportation machinery (2) World's largest supplier of iron castings with casting capacity of 1,570,000 metric tons per annum
End Market	Automotive (light truck/heavy truck/passenger car), agriculture, industrial and construction machineries, etc.

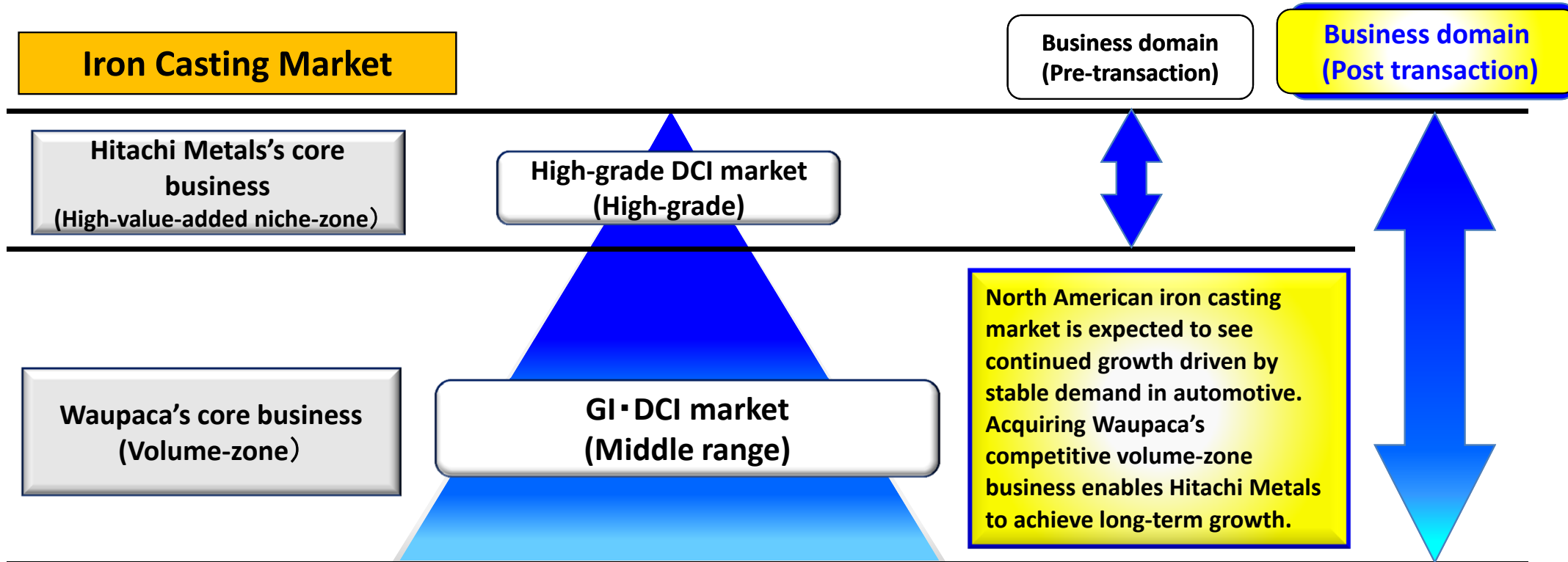
3. Business Overview: Hitachi Metals & Waupaca

	Hitachi Metals	Waupaca
Strengths	<ul style="list-style-type: none"> ▪ Manufacture and supply products driven by material development and original component design technology ▪ Focus on “High Value-Added Niche-Zone” business in which Hitachi Metals can leverage its strength and developing business, especially specific chassis & engine components 	<ul style="list-style-type: none"> ▪ Operate the world’s largest production scale flexibly through excellent manufacturing technology and production management ▪ Focus on “Volume Zone” business in which Waupaca can leverage its large production scale ▪ Forged strong customer relationships and a leading market share due to its wide array of business domain and stable supply capability
Main Products	Knuckle arm / Engine components	Brake / Engine / Driving components / Knuckle arm
Customer Base	Japan & Europe-based Automakers (direct dealings)	North American tier-1 manufacturers (commercial vehicle and passenger car), agriculture, industrial and construction machinery
Casting Capacity	192,000 metric tons per annum (16,000 per month) (aggregate 3 foundries in Japan, North America and Korea)	1,570,000 metric tons per annum (aggregate 6 foundries in North America)
Sales	45 bn yen (FY2014/03) *Sales of high-grade ductile iron casting business	USD 1,735 million (FY2013/09)

4. Strategic Rationale

Securing a competitive advantage in the global iron casting market

Large-scale production capacity / wide array of business fields / solid customer base



DCI: Ductile Casting Iron
GI: Gray Iron

5. Acquisition Scheme / Financial Impact

Purchase Price

USD 1,300 million

Acquisition Scheme

- Hitachi Metals intends to incorporate a SPC in the United States (Delaware) to acquire all of the outstanding shares of Waupaca Foundry Holdings, Inc. (“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.
- The transaction is expected to close by October 2014, subject to approval from the relevant competition authorities including in the United States
- The total consideration will be financed by cash-on-hand and debt

Financial Impact

- 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
- Pro forma D/E ratio will be approximately 0.6x, based on B/S figures at the end of FY2015/03

This document contains forward-looking statements, such as results forecasts and management plans, which are not historical facts. All such forward-looking statements were 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 actual results to differ substantially. Factors for causing such differences include, but are not limited to, the following:

- Changes in economic conditions and regulations in 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
- Fluctuation in status and conditions of product markets, exchange rates or international commodity markets
- Changes in financing environments
- Capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, status and conditions of product markets, exchange rates or international commodity markets
- Protection of the Company's intellectual property, and securing of licenses to use intellectual property of other parties
- Changes in status of alliances with other parties for product development, etc.
- Fluctuation of Japanese stock markets