

Hitachi Metals, Ltd. (Feb. 3, 2015)

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

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Consolidated Financial Report for the 9-month period ended December 31, 2014

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Listed Stock Exchanges: Tokyo (First Section, Code 5486)

1. Performance over the year, April 1, 2014 to December 31, 2014 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	12/2014(quarter)	12/2013(quarter)	Change (%)
Net sales (million yen)	716,750	576,796	24.3
Operating income (million yen)	54,013	41,164	31.2
Income before income taxes (million yen)	56,837	35,664	59.4
Net income (million yen)	43,317	23,059	87.9
Net income per share (yen)	101.30	56.67	
Diluted net income per share (yen)	—	—	

Note: Total Comprehensive Income (12/2014 : 72,214 million yen (107.5%) 12/2013 : 34,807 million yen (132.0%))

(2) Consolidated Financial Position	12/2014(quarter)	3/2014
Total assets (million yen)	1,070,229	840,742
Net assets (million yen)	441,241	373,198
Equity ratio (%)	39.7	43.2
Net assets per share (yen)	994.21	848.73

Note: Shareholders' equity (12/2014: 425,112 million yen 3/2014: 362,944 million yen)

2. Dividend per share	3/2014	3/2015	3/2015(Planned)
1st quarter (yen)	—	—	—
2nd quarter (yen)	7.00	10.00	—
3rd quarter (yen)	—	—	—
End of period (yen)	10.00	—	10.00
Fiscal year	17.00	—	20.00

Note: Revision of the latest forecast of dividend : None

3. Consolidated Financial Forecast for the term, April 1, 2014 to March 31, 2015

	Full-year	Year-on-year Change (%)
Net sales (million yen)	990,000	22.5
Operating income (million yen)	77,000	29.3
Income before income taxes (million yen)	67,000	31.9
Net income (million yen)	46,000	16.7
Net income per share (yen)	107.57	—

Note: Revision of the latest forecasts of results : None

4. Other

(1) Changes in major subsidiaries during the period under review: Yes

Newly included : Hitachi Metals MMC Superalloy, Ltd.

Excluded : —

(2) Application of special accounting methods for preparation for the consolidated financial statements: Yes

(3) Changes in accounting policies, accounting estimates and retrospective restatements in the consolidated financial statements

[1] Changes due to revisions in accounting standards: None

[2] Changes other than those in [1]: None

[3] Changes in accounting estimates: None

[4] Retrospective restatements: None

(4) Numbers of shares issued (Common stock)

Number of shares outstanding at end of period (including treasury stock) 12/2014 : 428,904,352 3/2014 : 428,904,352

Number of treasury stock outstanding at end of period 12/2014 : 1,315,148 3/2014 : 1,272,690

Average number of shares issued during the term 12/2014 : 427,613,061 12/2013 : 406,926,938

* This quarterly consolidated financial report is not subject to the quarterly review procedure by external auditors that are based on Financial Instruments and Exchange Act. The quarterly review procedure has not yet finished at the point of releasing this financial summary.

*The forecast figures, with the exception of actual results, are based on certain assumptions and predictions of the management at the time of preparation. Changes in business conditions or underlying assumptions may cause actual results to differ from those projected. Please refer to "Qualitative Information Regarding Consolidated Forecast" on page 4 for precondition and assumption as the basis of the above forecasts.

[Financial Performance]

1. Qualitative Information Regarding Financial Results for the Nine Months Ended December 31, 2014

(1) Information Regarding Operating Results

As for the global economy during the nine months ended December 31, 2014, the U.S. economy continued to experience upturns, whereas in Asia, the Chinese economy shifted to grow at a relatively slow pace, South Korea showed a slow recovery, and Taiwan continued to experience moderate upturns. A slow recovery continued in the European economy; however, concerns on geopolitical risks in the area increased, such as government obligations and political uncertainty.

As for the Japanese economy, despite a slowdown in consumer spending due to a subsequent drop-off following the last-minute demand in response to the consumption tax hike on April 1, 2014, the overall outcome showed steadiness due to the strong export environment and robust capital investments in Japan.

Among the industries in which the Hitachi Metals Group (the "Group") operates, the automobile market stayed relatively strong supported by steady overseas demand, especially in North America, despite the negative effect caused by the subsequent drop-off in response to the consumption tax hike in Japan and a decreased production level due to shortage of backlogs. The mobile phone industry enjoyed favorable demand for smartphones, especially overseas. The household appliance and personal computer industries stayed weak in Japan because of lower consumer spending, whereas the overseas market remained steady. Further, the Japanese housing construction market shrank, while public investments remained steady. Steel production decreased mainly due to weak automobile sales and low construction demand, although the production for industrial machinery remained steady.

In addition to the market environment as described above, Hitachi Metals, Ltd. (the "Company") acquired shares equivalent to 51% of issued shares in MMC Superalloy Corporation (currently named Hitachi Metals MMC Superalloy, Ltd.), a wholly owned subsidiary of Mitsubishi Materials Corporation, on July 1, 2014, for the purpose of reinforcing the aircraft and energy materials business. Following this transaction, Hitachi Metals MMC Superalloy, Ltd. is reported under the High-Grade Metal Products and Materials segment as a consolidated subsidiary of the Group, and its operating results are reflected in the segment starting from the second quarter ended September 30, 2014. Further, the Company acquired the entire ownership of Waupaca Foundry Holdings, Inc. on November 10, 2014, which is the company that holds the entire shares of Waupaca Foundry, Inc. engaged in the iron casting business for transportation machinery in the North America market. Accordingly, Waupaca Foundry, Inc. is reported under the High-Grade Functional Components and Equipment segment as a consolidated subsidiary of the Group, and its operating results are reflected in the segment starting from November 2014.

The merger with Hitachi Cable, Ltd. on July 1, 2013, contributed to the financial results of the Group for the nine months ended December 31, 2014. When compared with those for the nine months ended December 31, 2013, the period prior to the merger: net sales of the Group increased by 24.3% to ¥716,750 million; operating income increased by ¥12,849 million to ¥54,013 million; and income before income taxes and minority interests increased by ¥21,173 million to ¥56,837 million. Net income increased by ¥20,258 million to ¥43,317 million for the same period not only due to the boost in net sales and income, but also due to recognizing gain on transfer of business of ¥3,937 million under extraordinary income.

Results by business segment are as follows. Note that sales for each segment include intersegment sales and transfers.

High-Grade Metal Products and Materials

Sales in the High-Grade Metal Products and Materials segment for the nine months ended December 31, 2014, were ¥194,538 million, an increase of 10.1% as compared with those for the nine months ended December 31, 2013. Operating income increased by ¥4,059 million to ¥23,108 million for the same period.

<Special Steels>

Sales of tool steels increased as compared with those for the nine months ended December 31, 2013, due to robust demand in Japan backed by strong capital investment as well as steady overseas markets. Sales of alloys for electronic products also increased, supported by strong demand for display-related materials as well as semiconductor and other package materials mainly for smartphones and tablet devices. For industrial equipment materials, sales in automobile-related materials showed an overall increase in both Japanese and overseas markets, supported by steady demand in environment-friendly products; however, sales of energy-related materials decreased as compared with those for the nine months ended December 31, 2013, the period when there was a significant demand for the products. Sales of aircraft-related materials increased, not only because of continuing robust demand, but also due to reflecting the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group from the second quarter ended September 30, 2014.

<Rolls>

Sales of rolls showed a steady increase in overseas markets during the nine months ended December 31, 2014. Sales of injection molding machine parts showed favorable demand, both in Japan and overseas, for smartphones and tablet devices.

<Amorphous Materials>

Sales of amorphous materials decreased for the nine months ended December 31, 2014, due to the sluggish Chinese market, the major market for the product, from the second half of the six-month period ended September 30, 2014.

<Cutting Tools>

Sales of cutting tools increased because of favorable demand for industrial machinery in Japan as well as steady overseas markets proven by an increase in exports.

Magnetic Materials and Applications

Sales in the Magnetic Materials and Applications segment for the nine months ended December 31, 2014, were ¥101,752 million, an increase of 3.9% as compared with those for the nine months ended December 31, 2013. Operating income increased by ¥3,743 million to ¥11,305 million for the same period.

<Magnets>

The increase in sales of rare earth magnets was supported not only by strong demand in automotive electronic components for hybrid cars and electric power steering, but also by steady demand for household appliance and factory automation-related products, although weakness was seen in certain areas, such as decreasing automobile production in Japan. Sales of ferrite magnets increased due to strong demand for automotive electronic components and household appliance parts, both in Japanese and overseas markets.

<Soft Magnetic Materials and Applied Products>

Overall sales of ferrite applied products increased due to strong demand for parts for solar power generation systems. Sales of ferrite core remained steady mainly for automotive electronic components and smartphones. An increase in sales of FINEMET® was largely attributable to steady demand in general-purpose inverters and air conditioners.

High-Grade Functional Components and Equipment

Sales in the High-Grade Functional Components and Equipment segment for the nine months ended December 31, 2014, were ¥176,806 million, an increase of 25.8% as compared with those for the nine months ended December 31, 2013. Operating income increased by ¥729 million to ¥10,747 million for the same period.

<Casting Components for Automobiles>

Sales of heat-resistant exhaust casting components remained flat as compared with those for the nine months ended December 31, 2013, supported by a recovery in the European market, the leading market for the products, and by strong demand in the U.S. market. Overall increase in sales of high-grade ductile iron products was due to favorable demand for automobiles in overseas markets, including the United States, despite an adverse impact of the consumption tax hike in Japan. Despite a decrease in production of certain automobiles types equipped with the products in Japan, sales of aluminum wheels increased supported by robust demand in the U.S. market. Further, the operating results of the Group include those of Waupaca Foundry Inc. starting from November 2014, which significantly contributed to the overall increase in sales of Casting Components for Automobiles during the period as compared to those for the nine months ended December 31, 2013.

<Piping Components>

Sales of pipe fittings remained flat as compared with those for the nine months ended December 31, 2013. Although demand was robust in the U.S. market, the housing starts in Japan suffered from a decrease in demand caused by the consumption tax hike. Sales of stainless steel and plastic piping components also remained flat due to the following: proven advantages in light of construction and earthquake resistance contributed to steady demand for gas-related products; however, the decrease in the housing starts in Japan caused a negative effect on the sales.

<Construction Components>

Although sales of construction components were supported by private capital expenditures and public investments in Japan, the sales amount decreased as compared with those for the nine months ended December 31, 2013, the period when there was a one-time event increasing the sales amount, such as extended scope of application of the percentage of completion method.

Wires, Cables, and Related Products

Wires, Cables, and Related Products segment was newly established due to the merger with Hitachi Cable, Ltd. on July 1, 2013. The results of the segment are reflected in those of the Group starting from the second quarter ended September 30, 2014.

Sales in the segment for the nine months ended December 31, 2014, were ¥245,329 million, an increase of 49.6% as compared with those for the nine months ended December 31, 2013. Operating income increased by ¥4,689 million to ¥15,091 million for the same period.

<Electric Wires and Cables>

Sales of electric wires and cables were supported by the following: continuous demand for construction/capital investments and machine tools in Japan; steady demand in wires and cables for rolling stock, which is one of the focused areas of the Group, especially in the Chinese market; and an increase in sales of probe cables for medical use in the global market.

<Automotive Products>

Sales of electronic components, including vehicle-mounted sensors, showed a steady increase, supported by brisk demand for automobiles, especially in North America.

<Information System Devices and Materials>

Although weak signs were seen during the third quarter ended December 31, 2014, in capital investments made by telecommunications carriers, overall sales of network products and wireless systems remained solid during the nine months ended December 31, 2014, due to increasing demand in telecommunications backed by the widespread use of smartphones.

Other

Sales in the Other segment for the nine months ended December 31, 2014, were ¥3,427 million, an increase of 44.7% as compared with those for the nine months ended December 31, 2013. Operating income decreased by ¥149 million to ¥292 million for the same period.

(2) Analysis Regarding Consolidated Financial Condition

Cash and cash equivalents as of December 31, 2014, were ¥75,453 million, a decrease of ¥20,090 million from March 31, 2014, as a result of net cash provided by operating activities and financing activities being less than the cash used in investing activities.

The analysis for cash flows for each category as of December 31, 2014, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥64,120 million, which was mainly attributable to income before income taxes and minority interests of ¥56,837 million.

<Cash Flows from Investing Activities>

Net cash used by investing activities was ¥107,797 million mainly consisting of the following: proceeds of ¥9,678 million from transferring businesses; payments of ¥87,323 million for acquiring shares of subsidiaries subject to consolidation, including those of Waupaca Foundry Holdings, Inc.; and payments of ¥28,427 million for acquiring property, plant, and equipment.

<Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥16,529 million, which was mainly attributable to proceeds of ¥123,923 million from long-term loans, offset by ¥87,033 million of repayments of long-term loans and ¥9,059 million of dividend payments.

(3) Forecasts for the Fiscal Year Ending March 31, 2015, including Consolidated Operating Forecasts

The healthy performance for the nine months ended December 31, 2014, was mainly supported by steady demand for automotive and industrial infrastructure-related products. While the economic environment is still facing an uncertain outlook, the Group management expects robust demand to continue. Thus, there will be no change to the operating forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 through March 31, 2015), announced on October 27, 2014.

2. Matters Relating to Summary Information (Notes)

(1) Changes in Major Subsidiaries during the Nine Months Ended December 31, 2014

During the six-month period ended September 30, 2014, the Company acquired shares equivalent to 51% of issued shares in MMC Superalloy Corporation (currently named Hitachi Metals MMC Superalloy, Ltd.), the wholly owned subsidiary of Mitsubishi Materials Corporation, and consolidated the subsidiary on July 1, 2014.

(2) Application of Special Accounting Methods for Preparation for the Quarterly Consolidated Financial Statements

Income tax expenses are determined by reasonably estimating the effective tax rate after tax effect for the expected annual income before income taxes and minority interests for the consolidated fiscal year, including the nine months ended December 31, 2014. Such estimated effective tax rate will be applied to income before income taxes and minority interests for the pertaining period to calculate income tax expenses. When estimated effective tax rates cannot be determined, statutory effective tax rates are applied.

(3) Changes in Accounting Policies, Accounting Estimates, and Retrospective Restatements

There is no applicable information.

3. Significant Matters on Going Concern Assumptions

There is no applicable information.

Consolidated quarterly balance sheets

(Millions of Yen)

	End of 12/2014	End of 3/2014	(difference)
ASSETS			
Current assets			
Cash and deposits	73,744	45,289	28,455
Notes and accounts receivable-trade	236,067	210,503	25,564
Finished products	68,363	52,336	16,027
Work in process	61,568	45,007	16,561
Raw materials and supplies	53,271	45,547	7,724
Deposit paid in subsidiaries and associates	1,290	49,196	(47,906)
Other	71,568	60,581	10,987
Allowance for doubtful accounts	(814)	(681)	(133)
Total current assets	565,057	507,778	57,279
Fixed assets			
Tangible fixed assets			
Buildings and structures, net	90,597	71,076	19,521
Machinery, equipment and vehicles, net	126,706	87,475	39,231
Land	56,279	55,849	430
Other, net	36,161	20,266	15,895
Total tangible fixed assets	309,743	234,666	75,077
Intangible assets			
Goodwill	126,237	33,546	92,691
Other	18,028	12,579	5,449
Total intangible assets	144,265	46,125	98,140
Investments and other assets			
Investment securities	30,804	36,203	(5,399)
Other	20,947	16,660	4,287
Allowance for doubtful accounts	(587)	(690)	103
Total invests and other assets	51,164	52,173	(1,009)
Total fixed assets	505,172	332,964	172,208
Total assets	1,070,229	840,742	229,487
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	186,888	167,436	19,452
Short-term loans payable	48,528	42,949	5,579
Current portion of long-term loans payable	26,251	39,635	(13,384)
Income taxes payable	7,186	7,422	(236)
Allowance for directors' bonuses	241	686	(445)
Other	70,560	59,914	10,646
Total current liabilities	339,654	318,042	21,612
Fixed liabilities			
Bonds payable	35,000	35,000	—
Convertible bond-type bonds with subscription rights to shares	4,495	4,495	—
Long-term loans payable	168,310	53,879	114,431
Provision for directors' reirement benefits	1,802	1,103	699
Asset retirement obligations	999	194	805
Liability for retirement benefits	67,879	47,939	19,940
Other	10,849	6,892	3,957
Total fixed liabilities	289,334	149,502	139,832
Total liabilities	628,988	467,544	161,444
NET ASSETS			
Shareholders' equity			
Capital stock	26,284	26,284	—
Capital surplus	115,694	115,692	2
Retained earnings	274,276	239,530	34,746
Treasury stock	(1,091)	(1,010)	(81)
Total shareholders' equity	415,163	380,496	34,667
Accumulated other comprehensive income			
Net unrealized holding gains (losses) on available-for-sale securities	5,061	4,802	259
Gain (loss) on deferred hedge transactions	(40)	(876)	836
Foreign currency translation adjustments	17,939	(4,693)	22,632
Remeasurements of retirement benefits	(13,011)	(16,785)	3,774
Total valuation, translation adjustments	9,949	(17,552)	27,501
Minority interests	16,129	10,254	5,875
Total Net Assets	441,241	373,198	68,043
Total liabilities and net assets	1,070,229	840,742	229,487

Consolidated quarterly statements of income

(Millions of Yen)

	3rd quarter fiscal 2014 (Dec.31.14)	Ratio to Sales (%)	3rd quarter fiscal 2013 (Dec.31.13)	Ratio to Sales (%)	(difference) (%)
Net sales	716,750	100.0	576,796	100.0	124
Cost of sales	565,885	79.0	456,174	79.1	124
Gross profit	150,865	21.0	120,622	20.9	125
Selling, general and administrative expenses	96,852	13.5	79,458	13.8	122
Operating income (loss)	54,013	7.5	41,164	7.1	131
Non-operating income					
Interest income	664		464		143
Dividends income	238		175		136
Foreign exchange gains	4,075		2,154		189
Gain on sales of marketable securities	691		18		—
Equity in earnings of affiliated companies	1,001		622		161
Other	3,792		2,747		138
Total non-operating income	10,461	1.5	6,180	1.1	169
Non-operating expenses					
Interest expenses	2,028		1,694		120
Other	7,724		3,069		252
Total non-operating expenses	9,752	1.4	4,763	0.8	205
Extraordinary income					
Gain on transfer of business	3,937		—		—
Gain on sales of property and equipment	236		172		137
Gain on sales of stocks of subsidiaries and affiliated companies	90		129		70
Gain on change in equity	—		160		—
Gain on sales of patent rights	—		100		—
Foreign Value Added Taxes Refund	1,731		—		—
Total extraordinary income	5,994	0.8	561	0.1	—
Extraordinary losses					
Loss due to disaster	193		—		—
Loss on structural reform	540		3,312		16
Loss on revision of retirement benefit plan	2,367		—		—
Loss on sales of stocks of subsidiaries and affiliated companies	779		—		—
Litigation expenses	—		1,000		—
Foreign value added taxes	—		3,166		—
Total extraordinary losses	3,879	0.5	7,478	1.3	52
Income (loss) before income taxes and minority interests	56,837	7.9	35,664	6.2	159
Income taxes	12,712	1.8	12,606	2.2	101
Income before minority interests	44,125	6.2	23,058	4.0	191
Minority interests in income (loss)	808	0.1	(1)	—	—
Net income (loss)	43,317	6.0	23,059	4.0	188

Consolidated statements of comprehensive income

(Millions of Yen)

	3rd quarter fiscal 2014 (Dec.31.14)	3rd quarter fiscal 2013 (Dec.31.13)
Income before minority interests	44,125	23,058
Other comprehensive income:		
Net unrealized holding gains on available-for-sale securities	(606)	1,041
Deferred gains (losses) on hedges	(163)	81
Foreign currency translation adjustments	23,052	11,776
Remeasurements of retirement benefits, net of tax	3,768	(1,006)
Accounted for using equity method	2,038	(143)
<u>Total other comprehensive income (loss)</u>	<u>28,089</u>	<u>11,749</u>
Comprehensive income	72,214	34,807
Comprehensive income attributable to:		
Shareholders of the parent company	70,802	34,186
Minority shareholders	1,412	621

Consolidated quarterly statements of cash flows

(Millions of Yen)

	End of 12/2014	End of 12/2013
Cash flows from operating activities		
Income before income taxes	56,837	35,664
Depreciation and amortization	27,782	24,292
Amortization of goodwill and negative goodwill	2,957	2,033
Gain on transfer of business	(3,937)	—
Loss on impaired property and equipment	193	—
Loss on structural reform	540	3,312
Loss on revision of retirement benefit plan	2,367	—
Litigation expenses	—	1,000
Foreign value added taxes	—	3,166
Interest and dividends income	(902)	(639)
Interest expenses	2,028	1,694
Decrease (Increase) in notes and accounts receivable-trade	20,833	(5,584)
Decrease (Increase) in inventories	(14,051)	5,073
Increase (Decrease) in notes and accounts payable-trade	(8,572)	8,538
Increase (Decrease) in accrued expenses	(2,778)	(38)
Other	(6,405)	(8,021)
Subtotal	76,892	70,490
Amounts paid for structural reform	(1,048)	(2,100)
Payments for litigation expenses	—	(1,758)
Refund of foreign value added taxes	1,731	—
Income taxes paid	(13,455)	(3,726)
Refund of income taxes	—	5,897
Net cash provided by operating activities	64,120	68,803
Cash flows from investing activities		
Proceeds from sales of investment securities	2,756	326
Purchase of shares of subsidiaries and associates	—	(824)
Proceeds from sales of shares of subsidiaries and associates	598	—
Expenditures for acquisition of property, plant and equipment	(28,427)	(19,954)
Proceeds from sales of property, plant and equipment	1,155	476
Expenditures for acquisition of intangible assets	(2,884)	(1,879)
Proceeds from transfer of business	9,678	—
Payments for transfer of business	(1,900)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(87,323)	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(264)	—
Interest and dividends income received	937	643
Other	(2,123)	118
Net cash by used in investment activities	(107,797)	(21,094)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(8,900)	(8,496)
Proceeds from long-term loans payable	123,923	3,126
Repayment of long-term loans payable	(87,033)	(5,158)
Interest expenses paid	(2,323)	(1,795)
Purchase of treasury stock	(81)	(154)
Proceeds from sales of treasury stock	2	13
Cash dividends paid	(8,553)	(5,552)
Cash dividends paid to minority shareholders	(506)	(293)
Net cash used in financing activities	16,529	(18,309)
Effect of exchange rate change on cash and cash equivalents	7,058	4,115
Net increase (decrease) in cash and cash equivalents	(20,090)	33,515
Cash and cash equivalents at beginning of period	95,543	34,102
Increase in cash and cash equivalents resulting from merger	—	21,317
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	(1,466)
Cash and cash equivalents at end of period	75,453	87,468

Business segment information

1. Information with Regard to Amount of Net Sales as well as Income and Loss for Each Business Segment Reported

3rd quarter fiscal 2013 (Apr.1, 2013 - Dec. 31, 2013)

(Millions of Yen)

	Business Segments Reported					Subtotal	Other Businesses	Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products						
Sales:										
Unaffiliated customers	173,905	97,897	140,355	163,581	575,738	1,058	576,796	—	576,796	
Intersegment	2,708	44	141	371	3,264	1,311	4,575	(4,575)	—	
Total sales	176,613	97,941	140,496	163,952	579,002	2,369	581,371	(4,575)	576,796	
Operating Income	19,049	7,562	10,018	10,402	47,031	441	47,472	(6,308)	41,164	

3rd quarter fiscal 2014 (Apr.1, 2014 - Dec. 31, 2014)

(Millions of Yen)

	Business Segments Reported					Subtotal	Other Businesses	Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products						
Sales:										
Unaffiliated customer	191,982	101,695	176,512	245,052	715,241	1,509	716,750	—	716,750	
Intersegment	2,556	57	294	277	3,184	1,918	5,102	(5,102)	—	
Total sales	194,538	101,752	176,806	245,329	718,425	3,427	721,852	(5,102)	716,750	
Operating Income	23,108	11,305	10,747	15,091	60,251	292	60,543	(6,530)	54,013	

2. Overview of Business Segments Reported

High-Grade Metal Products and Materials	<ul style="list-style-type: none"> •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], and razor and blade materials) •Precision cast components •Rolls for steel mills •Injection molding machine parts •Structural ceramic products •Steel-frame joints for construction •Metglas® amorphous metals •Cutting tools
Magnetic Materials and Applications	<ul style="list-style-type: none"> •Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) •Soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material; and Metglas® amorphous metals) and applied products •Materials and components for IT devices •Materials and components for medical equipment
High-Grade Functional Components and Equipment	<ul style="list-style-type: none"> •High-grade casting components for automobiles (HERCUNITE™ heat-resistant exhaust casting components and HNM™ high-grade ductile cast iron products) •SCUBA™ aluminum wheels and other aluminum components •Forged components for automobiles •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) •Construction components (floor access systems, structural systems, and roofing systems) •Chain (for material handling systems)
Wires, Cables, and Related Products	<ul style="list-style-type: none"> •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 system devices and materials (information networks, wireless systems, and compound semiconductor products)

3. Significant changes in goodwill

The Company acquired the entire shares of Waupaca Foundry Holdings, Inc., which is consolidated as a subsidiary from the third quarter ended December 31, 2014.

The acquisition increased the balance of goodwill by ¥89,480 million in the High-Grade Functional Components and Equipment segment.

The amount of goodwill has been calculated tentatively based on the reasonable information available at this time since the Company has not completed the allocation of its acquisition cost.

Significant Subsequent Events

(Conclusion of a significant agreement)

February 3, 2015, Hitachi Metals, Ltd. (the “Company”), decided to accept a tender offer for the shares of Hitachi Metals Techno, Ltd., a consolidated subsidiary of the Company, (hereinafter called the “Target Company”) made by CK Holdings Ltd. (hereinafter called the “Tender Offeror”) and concluded a Tender Offer agreement.

1. Overview of Tender Offer bid

The Company accepts a tender offer (hereinafter called the “Tender Offer”) for shares of the Target Company by the Tender Offeror for the purpose of a privatization of the Target Company by Management Buy Out (MBO) which was announced today by the Offeror whose stocks are 100% owned by the investment fund affiliated with The Carlyle Group.

(1) Shares subject to application	Common shares of 11,863,875 shares (% of voting rights owned: 64.82%)
(2) Tender offer price	JPY 1,600 per share
(3) Tender offer period	Between February 4, 2015 and March 18, 2015 (if the Tender Offer Period is extended in accordance with laws and regulations, then until the end of extended period).
(4) Settlement start date	March 25, 2015 (if the Tender Offer Period is extended in accordance with laws and regulations, then the settlement start date after the change).

2. Reason for accepting Tender Offer

The Target Company is a company that develops parts and equipment in the area of materials and equipment for construction/industrial machinery, and engages in the sale and manufacture of Access Floor Systems (free access floors, seismic isolation floor systems, etc.), Structural Systems (joint members for building construction, reinforced members for building construction, members for vibration control, solar power systems, heat-insulating panels, etc.), and Material Handling Systems (roller chains for power transmission, various conveyor chains, and water treatment chain, etc.), as well as ancillary businesses such as construction work, etc. related to each business.

The Target Company has so far implemented measures to improve profit, such as carefully identifying less profitable businesses and products, while promoting a shift of management resources to the Structural System Business. Its business structure mainly consists of domestic businesses (Structural System Business, Access Floor System Business, and Material Handling System Business), with most demand linked to domestic construction investment and private capital investment. While domestic demand is expected to peak, its long-term outlook will be challenging if there continues to be insufficient expansion into overseas businesses.

Meanwhile, the Company, as a manufacturer of high functional materials, aims to achieve sustainable growth and maintain the fundamental policy of strengthen and accelerate global growth strategies, strengthen capabilities to create new products and develop new technologies, use selectivity in domestic operations and fixed costs, etc., as described in the medium-term management plan ending in FY2015. Based on this fundamental policy, the Company is reviewing its business portfolio from the perspective of the need to more effectively use limited management resources on important businesses with growth potential on a global platform. In the process, it was found the allocation of our Company Group’s management resources to the Target Company may no longer match the sustainable development strategy as a manufacturer of high functional materials.

Under these circumstances, options that are conducive to long-term growth and improvement of corporate value of the Target Company were proposed in the process of discussing capital strategy with The Carlyle Group: collaboration between The Carlyle Group and the Target Company or transfer of the Target Company shares by our Company. As a result of reviewing these options, the Company decided to accept the Tender Offer based on the grounds that privatization by MBO would lead to further growth of the Target Company and the Tender Offer Price turned out to add a significant premium to the current stock price.

3. Name of other party to an agreement

CK Holdings Ltd.

4. Date of conclusion of an agreement

February 3, 2015

5. Significant impacts of the execution of agreement on operating activities, etc.

When this Tender Offer is completed, the Target Company will be excluded from the scope of consolidation, and the gain or loss from the transfer will be recorded in our financial statements. The amount of the gain or loss is not known at this point.