

Hitachi Metals, Ltd. (July 26, 2013)

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Consolidated Financial Report for the first quarter of Fiscal 2013 (April 1, 2013 - June 30, 2013)

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Listed Stock Exchanges: Tokyo (First Section, Code 5486)(ISIN : JP3786200000)

1. Performance over the year, April 1, 2013 to June 30, 2013 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	6/2013(quarter)	6/2012(quarter)	(Change)
Net sales (million yen)	135,448	141,114	(4.0%)
Operating income (million yen)	8,730	10,250	(14.8%)
Income before income taxes (million yen)	7,485	11,691	(36.0%)
Net income (million yen)	3,690	7,262	(49.2%)
Net income per share (yen)	10.10	20.61	
Diluted net income per share (yen)	—	—	
Note: Total Comprehensive Income(6/2013 7,758 million yen	6/2012 3,555 million yen)		

(2) Consolidated Financial Position	6/2013(quarter)	3/2013
Total assets (million yen)	547,814	541,286
Net assets (million yen)	256,436	259,865
Equity ratio (%)	45.0	46.2
Net assets per share (yen)	675.09	684.96
Note: Shareholders' equity (6/2013: 246,685 million yen	3/2013: 250,298 million yen)	

2. Dividend	6/2013(quarter)	6/2012(quarter)	3/2014(Planned)	3/2013
Annual dividend per share (yen)	—	—	14.00	14.00
Interim (yen)	—	—	7.00	7.00
End of period (yen)	—	—	7.00	7.00

3. Forecasts of results for the term, April 1, 2013 to March 31, 2014

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	347,000	26.4%	780,000	45.6%
Operating income (million yen)	21,500	26.8%	53,000	151.4%
Income before income taxes	17,000	(4.1%)	46,000	167.0%
Net income (million yen)	8,000	(26.5%)	34,000	162.4%
Net income per share (yen)	20.17	—	82.49	—

4. Other

- (1) Changes in major subsidiaries during the period under review: None
- (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: No
 - [2] Changes other than those in [1]: Yes
 - [3] Changes in accounting estimates: No
 - [4] Retrospective restatements: No
- (4) Numbers of shares issued (Common stock)

Number of shares outstanding at end of term (including treasury stock) 6/2013: 366,557,889 3/2013: 366,557,889

Number of treasury stock outstanding at end of term 6/2013: 1,146,326 3/2013: 1,137,966

Number of shares average at end of term 6/2013: 365,414,511 6/2012: 352,428,383

* 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

*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 may differ from those projected. Please refer to "Qualitative Information Regarding Consolidated Forecast" on page 4 for precondition and assumption as

[Financial Performance]

1. Qualitative Information Regarding Financial Results for the First Quarter Ended June 30, 2013

(1) Qualitative Information Regarding Consolidated Operating Results

Despite various economic issues, the global economy experienced moderate upturns and showed some steadiness in the first quarter ended June 30, 2013. The U.S. economy continued to experience moderate upturns, while emerging nations, including China, showed signs of recovery. The European economy, on the other hand, showed weak movements in general due to impacts of the fiscal austerity measures in European nations. As for the Japanese economy, signs of recovery were observed, in both export and production, supported by the improved export environment and increase in domestic production because of the weak yen trend stemmed from expectations for the accommodative monetary policy.

Among the industries in which the Hitachi Metals Group (hereinafter referred to as the “Group”) operates, the domestic production of automotive was on a recovery trend backed by the improved export, and demand for automotive increased in various markets except for the European markets, including the North American and Asian markets. The mobile phone industry enjoyed favorable sales, especially in emerging nations because of growth of the smartphone market. The semiconductor industry experienced negative growth of the thin-screen television and personal computer markets, despite the brisk demand for smartphones and tablets. Domestic housing construction continued to rise and public investments remained steady. Steel production increased due to the improved demand in construction and the recovery in automotive production.

Under the market environment described above, net sales for the Group in the first quarter ended June 30, 2013, decreased by 4.0% to ¥135,448 million from the same period of the previous fiscal year. Operating income decreased by ¥1,520 million to ¥8,730 million principally due to write-offs associated with decrease in raw material prices. Income before income taxes and minority interests decreased by ¥4,206 million to ¥7,485 million. Net income decreased by ¥3,572 million to ¥3,690 million. This decrease reflected impacts of ¥1,000 million of litigation expenses and ¥503 million of restructuring-related expenses included in extraordinary losses.

Results by business segment are as follows. Note that sales include intersegment sales and transfers. Note that “Electronics and IT Devices” was renamed as “Magnetic Materials and Applications” effective from the first quarter ended June 30, 2013. This change in the segment name does not affect the segment information.

High-Grade Metal Products and Materials

Sales in the High-Grade Metal Products and Materials were ¥57,895 million, an increase of 0.3% as compared with the same period of previous fiscal year. Operating income increased by ¥2,044 million to ¥6,460 million.

<Specialty Steels>

Sales of molds and tool steels decreased as compared with the same period of the previous fiscal year. While a sign of recovery in domestic demand was seen, improved demand for foreign markets was not sufficient to increase overall sales of molds and tool steels. Sales of alloys for electronic products slightly decreased as compared with the same period of previous fiscal year. Moderate demand for display-related materials in medium- to small-sized panels and solar power generation systems as well as recovery trend in semiconductors and other package materials contributed to improve the sharp decrease in sales in the same period of the previous year. Sales of industrial equipment and energy-related materials increased as demands for fuel efficiency and other environment-friendly products were improved and remained strong. Brisk demand for materials for aircraft components also contributed to the increase in sales of energy-related materials.

<Rolls>

Sales of rolls decreased as low demand in the domestic market offset increased demand in overseas markets. Sales of injection molding machine parts also slightly decreased as compared with the same period of the previous fiscal year, although demands for both domestic and foreign markets recorded recovery.

<Amorphous Materials>

Sales of amorphous materials increased because of strong demand in the key Chinese market because of policies of the Chinese government to encourage the deployment of energy-saving equipment.

<Cutting Tools>

Sales of cutting tools increased due to steady demand in foreign markets supported by the improved export environment despite the fact that the domestic demand for industrial machinery remained low.

Magnetic Materials and Applications

Sales in the Magnetic Materials and Applications segment were ¥32,211 million, a decrease of 22.8% as compared with the same period of the previous fiscal year. Operating income decreased by ¥4,188 million to ¥760 million.

<Magnets>

Sales of rare earth magnets decreased as strong sales of automotive electronic components for hybrid cars and domestic cars were not sufficient to offset continued low demand for hard disk drive and the impact of fall in raw material prices. Sales of ferrite magnets increased with strong demand for automotive electronic components and household appliance parts in both domestic and overseas markets.

<Soft Magnetic Materials and Applied Products>

Sales of soft ferrite materials increased with strong demand for parts for solar power generation systems and automotive electronic components. Sales of FINEMET® also increased with robust demand for parts for solar power generation systems in the European markets.

High-Grade Functional Components and Equipment

Sales in the High-Grade Functional Components and Equipment segment were ¥45,936 million, an increase of 9.9% as compared with the same period of the previous fiscal year. Operating income increased by ¥1,066 million to ¥3,243 million.

<Casting Components for Automobiles>

Sales of high-grade ductile iron products increased with strong demand for passenger vehicles in foreign markets, including in the U.S. automotive market, and brisk demand mainly for commercial vehicles in the domestic automobile market. Sales of heat-resistant exhaust casting components increased. Despite the effects of the continued decline in demand in the leading market for this type of products under the economic downturn in Europe, overall sales increased due to strong demand in Japan and the United States, supported by the trend of engine downsizing. Sales of aluminum wheels remained steady as demand in the U.S. market remained strong, despite the decrease in sales in Japan as compared with the same period of the previous fiscal year.

<Piping Components>

Sales of pipe fittings increased mainly due to the continued improvement in the U.S. housing market, as well as the housing starts in Japan continuously showed a slight sign of recovery. Sales of stainless steel and plastic piping components also increased since proven advantages in light of construction and earthquake resistance triggered demand for the gas-related products.

<Construction Components>

Sales of construction components increased due to the strong demand for steel construction supported by private capital expenditures in the domestic market and robust public investments in Japan.

Other

Sales in the Other segment were ¥856 million, a decrease of 6.0% as compared with the same period of the previous fiscal year. Operating income increased by ¥30 million to ¥146 million.

(2) Qualitative Information Regarding Consolidated Financial Condition

At the end of the first quarter ended June 30, 2013, cash and cash equivalents were ¥36,477 million, an increase of ¥2,375 million as compared with the end of the previous fiscal year. This outcome was mainly attributable to the fact that net cash provided by operating activities was more than net cash used in financing activities and investing activities.

The status of cash flows at the end of the first quarter ended June 30, 2013, and the primary factors for those results are as follows:

Cash Flows from Operating Activities ;

Net cash provided by operating activities was ¥16,069 million. This was mainly attributable to consolidated income before income taxes for the quarter of ¥7,485 million, and an increase of ¥9,576 million mainly due to a decrease in working capital, such as inventories.

Cash Flows from Investing Activities ;

Net cash used in investing activities was ¥5,533 million. This was mainly attributable to an expenditure of ¥5,548 million on purchase of property, plant, and equipment.

Cash Flows from Financing Activities ;

Net cash used in financing activities was ¥9,032 million. This was mainly attributable to repayments of ¥5,826 million for interest-bearing debts and dividend payments of ¥2,672 million.

(3) Forecasts for the Fiscal Year Ending March 31, 2014, including Consolidated Operating Forecasts

The “Consolidated Financial Report for the 12-month period ended March 31, 2013,” released on April 25, 2013, did not include operating forecasts for the fiscal year ending March 31, 2014, as the effect of the merger with Hitachi Cable, Ltd. (effective on July 1, 2013), was to be determined. Management has developed the operating forecasts reflecting the effect of the merger as follows:

	Net sales (million yen)	Operating income (million yen)	Net income before income taxes and minority interests (million yen)	Net income (million yen)	Net income per share (yen)
Interim period	347,000	21,500	17,000	8,000	20.17
Full year	780,000	53,000	46,000	34,000	82.49

Cable Materials Company was newly established in connection with the merger with Hitachi Cable, Ltd., as of July 1, 2013, and its operating results will be reflected in those of the “Cables and Related Products” segment from the second quarter of the fiscal year ending March 31, 2014. The above forecasts include operating forecast for the Wires, Cables, and Related Products segment from the second quarter of the fiscal year ending March 31, 2014.

The “Consolidated Financial Report for the 12-month period ended March 31, 2013,” did not include dividend forecasts for the fiscal year ending March 31, 2014. During the course of developing operating forecasts, management has assessed the nature of the forecasts as well as business environment. Management forecasts an interim dividend of ¥7 per share (the dividend record date: the end of the second quarter) and a year-end dividend of ¥7 per share (the dividend record date: the end of the fiscal year), in total ¥14 per share for the fiscal year ending March 31, 2014.

	Annual dividend per share (yen)		
	Interim	End of the period	Total
Fiscal year ending March 31, 2014	7.00	7.00	14.00

Consolidated Quarterly Balance Sheets

(Millions of Yen)

	End of 6/2013	End of 3/2013	(difference)
ASSETS			
Current assets			
Cash and deposits	32,149	28,395	3,754
Notes and accounts receivable-trade	101,162	99,265	1,897
Finished products	43,527	43,953	(426)
Work in process	29,774	26,819	2,955
Raw materials	42,195	46,288	(4,093)
Group pooling cash deposits	4,036	5,658	(1,622)
Other	30,045	26,004	4,041
Allowance for doubtful accounts	(503)	(635)	132
Total current assets	282,385	275,747	6,638
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	48,409	48,536	(127)
Machinery, equipment and vehicles, net	70,982	71,455	(473)
Land	49,521	49,547	(26)
Other, net	16,274	15,489	785
Total property, plant and equipment	185,186	185,027	159
Intangible assets			
Goodwill	35,436	36,114	(678)
Other	5,639	5,624	15
Total intangible assets	41,075	41,738	(663)
Investments and other assets			
Investment securities	15,419	15,239	180
Other	26,329	25,982	347
Allowance for doubtful accounts	(2,580)	(2,447)	(133)
Total investments and other assets	39,168	38,774	394
Total noncurrent assets	265,429	265,539	(110)
Total assets	547,814	541,286	6,528
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	74,455	67,942	6,513
Short-term loans payable	33,869	38,085	(4,216)
Current portion of long-term loans payable	2,587	6,202	(3,615)
Income taxes payable	4,179	1,638	2,541
Allowance for directors' bonuses	107	314	(207)
Other	32,875	35,059	(2,184)
Total current liabilities	148,072	149,240	(1,168)
Noncurrent liabilities			
Bonds payable	30,000	30,000	0
Convertible bond-type bonds with subscription rights to shares	4,495	4,495	0
Long-term loans payable	70,034	67,153	2,881
Provision for retirement benefits	—	22,573	(22,573)
Other provision	1,142	1,250	(108)
Asset retirement obligations	203	170	33
Liability for retirement benefits	30,695	—	30,695
Other	6,737	6,540	197
Total noncurrent liabilities	143,306	132,181	11,125
Total liabilities	291,378	281,421	9,957
NET ASSETS			
Shareholders' equity			
Capital stock	26,284	26,284	0
Capital surplus	42,463	42,463	0
Retained earnings	193,207	192,500	707
Treasury stock	(842)	(833)	(9)
Total shareholders' equity	261,112	260,414	698
Accumulated other comprehensive income			
Net unrealized holding gains (losses) on available-for-sale	4,017	3,849	168
Gain (loss) on deferred hedge transactions	7	7	0
Foreign currency translation adjustments	(8,161)	(11,372)	3,211
Pension liability adjustment of foreign subsidiaries	—	(2,600)	2,600
Remeasurements of retirement benefits	(10,290)	—	(10,290)
Total accumulated other comprehensive income	(14,427)	(10,116)	(4,311)
Minority interests	9,751	9,567	184
Total Net Assets	256,436	259,865	(3,429)
Total liabilities and net assets	547,814	541,286	6,528

Consolidated Quarterly Statements of Income

(Millions of Yen)

	1st quarter fiscal 2013 (Jun.30.13)	Ratio to Sales (%)	1st quarter fiscal 2012 (Jun.30.12)	Ratio to Sales (%)	(difference) (%)
Net sales	135,448	100.0	141,114	100.0	96
Cost of sales	106,944	79.0	112,397	79.6	95
Gross profit	28,504	21.0	28,717	20.4	99
Selling, general and administrative expenses	19,774	14.6	18,467	13.1	107
Operating income	8,730	6.4	10,250	7.3	85
Non-operating income					
Interest income	82		74		111
Dividends income	55		75		73
Foreign exchange gains	664		—		—
Gain on sales of marketable securities	—		509		—
Other	837		537		156
Total non-operating income	1,638	1.2	1,195	0.8	137
Non-operating expenses					
Interest expenses	454		492		92
Exchange losses	—		998		—
Other	926		648		143
Total non-operating expenses	1,380	1.0	2,138	1.5	65
Extraordinary income					
Insurance income	—		3,177		—
Total extraordinary income	—	—	3,177	2.3	—
Extraordinary losses					
Loss on disaster	—		268		—
Loss on structural reform	503		525		96
Litigation expenses	1,000		—		—
Total extraordinary losses	1,503	1.1	793	0.6	190
Income (loss) before income taxes and minority interests	7,485	5.5	11,691	8.3	64
Income taxes	3,653	2.7	4,131	2.9	88
Income before minority interests	3,832	2.8	7,560	5.4	51
Minority interests in income (loss)	142	0.1	298	0.2	48
Net income (loss)	3,690	2.7	7,262	5.1	51

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	1st quarter fiscal 2013 (Jun.30.13)	1st quarter fiscal 2012 (Jun.30.12)
Income before minority interests	3,832	7,560
Other comprehensive income:		
Net unrealized holding gains on available-for-sale securities	272	(1,206)
Deferred gains on hedges	—	(5)
Foreign currency translation adjustments	3,331	(3,201)
Remeasurements of retirement benefits, net of tax	395	—
Share of other comprehensive income of affiliated companies	(72)	407
Total other comprehensive income (loss)	3,926	(4,005)
Comprehensive income	7,758	3,555
Comprehensive income attributable to:		
Shareholders of the parent company	7,447	3,514
Minority shareholders	311	41

Consolidated Quarterly Statements of Cash Flows

	(Millions of Yen)	
	End of 6/13	End of 6/12
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	7,485	11,691
Depreciation and amortization	6,276	5,692
Goodwill and negative goodwill amortization	670	667
Loss on disaster	—	268
Cost of structural reform	503	525
Litigation expenses	1,000	—
Interest and dividends received	(137)	(149)
Insurance income	—	(3,177)
Interest charges	454	492
Decrease (increase) in accounts receivable-trade	1,665	10,520
Decrease (increase) in inventories	3,122	1,737
Increase (decrease) in payables	4,789	(5,047)
Increase (decrease) in accrued expenses	(1,366)	(3,034)
Other, net	(5,120)	3,382
Subtotal	19,341	23,567
Proceeds from insurance income	—	861
Payments for loss on disaster	—	(268)
Amounts paid for structural reform	(214)	(703)
Payments for litigation expenses	(1,758)	—
Income taxes paid	(1,300)	(8,940)
Net cash provided by operating activities	16,069	14,517
Cash flows from investing activities		
Proceeds from sales of investment securities	1	655
Expenditures for acquisition of property, plant and equipment	(5,548)	(8,141)
Proceeds from sales of property, plant and equipment	81	112
Expenditures for acquisition of intangible assets	(130)	(70)
Interest and dividends income received	128	149
Other, net	(65)	(122)
Net cash used in investment activities	(5,533)	(7,417)
Cash flows from financing activities		
Net decrease in short-term loans payable	(4,736)	(64)
Net decrease in Commercial Paper	—	(1,000)
Proceeds from long-term loans payable	2,963	201
Repayment of long-term loans payable	(4,053)	(91)
Interest paid	(525)	(503)
Purchase of treasury stock	(9)	(4)
Proceeds from sale of treasury stock	—	1
Cash dividends paid	(2,558)	(2,115)
Cash dividends paid to minority shareholders	(114)	(326)
Net cash used in financing activities	(9,032)	(3,901)
Effect of exchange rate change in cash and cash equivalents	871	(1,031)
Net increase in cash and cash equivalents	2,375	2,168
Cash and cash equivalents at beginning of period	34,102	27,966
Cash and cash equivalents at end of period	36,477	30,134

Business Segment Information

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

First quarter fiscal 2012 (Apr. 1, 2012 - Jun. 30, 2012)

(Millions of Yen)

	Business Segments Reported					Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Subtotal	Other Businesses			
Sales:								
Unaffiliated customers	56,976	41,750	41,773	140,499	615	141,114	—	141,114
Intersegment	740	(4)	6	742	296	1,038	(1,038)	—
Total sales	57,716	41,746	41,779	141,241	911	142,152	(1,038)	141,114
Operating Income (Loss)	4,416	4,948	2,177	11,541	116	11,657	(1,407)	10,250

First quarter fiscal 2013 (Apr. 1, 2013 - Jun. 30, 2013)

(Millions of Yen)

	Business Segments Reported					Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Subtotal	Other Businesses			
Sales:								
Unaffiliated customers	56,965	32,204	45,921	135,090	358	135,448	—	135,448
Intersegment	930	7	15	952	498	1,450	(1,450)	—
Total sales	57,895	32,211	45,936	136,042	856	136,898	(1,450)	135,448
Operating Income (Loss)	6,460	760	3,243	10,463	146	10,609	(1,879)	8,730

Note: "Electronics and IT Devices" was renamed "Magnetic Materials and Applications" effective from the first quarter ended June 30, 2013.

This change in the segment name does not affect the segment information.

2. Overview of Business Segments Reported

High-Grade Metal Products and Materials	High-grade specialty steels (molds and tool steels, alloys for electronic products (display-related, semiconductor and other packages), industrial equipment and energy-related materials, mill rolls, injection molding machine parts, structural ceramic products, steel-frame joints for construction, amorphous metals [Metglas®], cutting tools)
Magnetic Materials and Applications	Magnets (rare-earth magnets [NEOMAX®], ferrite magnetic materials other magnets, and applied products), components for information and telecommunications equipment (multilayered devices, isolators), IT components and materials, soft magnetic materials (soft ferrite cores and applied products, nanocrystalline magnetic material [FINEMET®] and applied devices, amorphous metals [Metglas®] and applied products)
High-Grade Functional Components and Equipment	High-grade casting components for automobiles (ductile iron products, heat-resistant exhaust casting components, aluminum wheels, other aluminum components), forged components for automobiles piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices), construction components (floor access systems, structural systems, and roofing systems) chain (for material handling systems)

Overseas Sales

1st quarter fiscal 2012 (Apr. 1, 2012 - Jun. 30, 2012)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	15,848	33,176	9,819	2,122	60,965
Consolidated sales	—	—	—	—	141,114
Overseas sales as a share of consolidated sales	11.2%	23.5%	7.0%	1.5%	43.2%

1st quarter fiscal 2013 (Apr. 1, 2013 - Jun. 30, 2013)

(Millions of Yen)

Overseas sales	18,147	32,370	10,604	2,119	63,240
Consolidated sales	—	—	—	—	135,448
Overseas sales as a share of consolidated sales	13.4%	23.9%	7.8%	1.6%	46.7%

Note: Overseas sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.