

Financial Results

For the Year Ended March 31, 2013



Materials Mag!c

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Demand Trends

Automobile-related: Although North American demand remained favorable, European demand failed to recover, while Chinese demand declined.

Electronics-related: While demand for tablet terminals and other devices was steady, demand was sluggish for PCs and LCD-related products.

Industrial infrastructure-related: Adjustments continued for factory automation- and machine tool-related products, but overseas infrastructural demand remained solid.

Net Sales and Operating Income

Net Sales: ¥535.8 billion (down 4% from FY2011)

Operating Income: ¥21.1 billion (down ¥23.8 billion from FY2011)

●High-Grade Metal Products and Materials

There were adjustments ongoing in Chinese demand for tool steels and in electronic materials for LCDs and semiconductors.

●Electronics and IT Devices

* Will be renamed as Magnetic Materials and Applications segment in fiscal 2013

Management posted write-downs in light of declining raw materials prices, resulting in an impact on earnings.

●High-Grade Functional Components and Equipment

North American automobile-related demand remained strong, while domestic construction-related demand was solid.

Overseas Sales: ¥230.9 billion (accounting for 43.1% of net sales)

North America (¥63.9 billion, 11.9% of total); Asia (¥122.3 billion, 22.8%);

Europe (¥36.9 billion, 6.9%); and Other (¥7.8 billion, 1.5%)

Consolidated Financial Highlights



(Unit: ¥ billion; []: year-on-year)

	FY2010 (Actual)			FY2011 (Actual)			FY2012 (Actual)		
	1-2Q	3-4Q	Total	1-2Q	3-4Q	Total	1-2Q	3-4Q	Total
Net sales	254.2	266.0	520.2	261.7	295.2	556.9	274.4 [105%]	261.4 [89%]	535.8 [96%]
Overseas Sales Ratio	43.7%	42.7%	43.2%	43.7%	39.7%	41.5%	42.2%	44.0%	43.1%
Operating income	21.9	21.2	43.1	16.5 [(5.4)]	28.4 [+7.2]	44.9 [+1.8]	17.0 [+0.5]	4.1 [(24.3)]	21.1 [(23.8)]
Income before income taxes	18.6	17.5	36.1	15.3 [(3.3)]	21.1 [+3.6]	36.4 [+0.3]	17.7 [+2.4]	(0.5) [(21.6)]	17.2 [(19.2)]
Net income	10.3	11.9	22.2	6.8 [(3.5)]	11.1 [(0.8)]	17.9 [(4.3)]	10.9 [+4.1]	2.1 [(9.0)]	13.0 [(4.9)]
ROE	10.5%	11.8%	11.0%	6.5%	10.4%	8.3%	9.8%	1.7%	5.5%
Capital investment	8.2	12.2	20.4	10.1 [+1.9]	14.2 [+2.0]	24.3 [+3.9]	13.5 [+3.4]	13.2 [(1.0)]	26.7 [+2.4]
Depreciation and amortization	13.5	14.9	28.4	13.4 [(0.1)]	14.1 [(0.8)]	27.5 [(0.9)]	11.6 [(1.8)]	12.6 [(1.5)]	24.2 [(3.3)]
R&D expenses	5.7	6.5	12.2	5.8 [+0.1]	6.4 [(0.1)]	12.2 [±0]	5.5 [(0.3)]	5.6 [(0.8)]	11.1 [(1.1)]

Performance Overview by Segment for FY2012

Net Sales: ¥535.8 billion (down 4% from FY2011)

High-Grade Metal Products and Materials: ¥222.9 billion (down 4% from FY2011)
Electronics and IT Devices: ¥142.1 billion (down 9% from FY2011)
High-Grade Functional Components and Equipment: ¥172.0 billion (up 1% from FY2011)

High-Grade Metal Products and Materials

In specialty steels, demand for automobile-related materials was strong, but tool steel encountered ongoing adjustments in machine tool-related products and in China. In electronic materials, demand was sluggish for semiconductor package-and LCD-related fields. Despite solid overseas demand, domestic demand for rolls was weak. Amorphous materials demand remained strong throughout the year, particularly in China.

Electronics and IT Devices

Domestic automobile-related demand was favorable for neodymium magnets. Offsetting this was a downturn in production of vehicles for export and ongoing adjustments in factory automation and hard disc drive applications. Although automobile-related demand for ferrite magnets was steady, adjustments continued in household appliance applications. In IT devices, demand was firm for soft ferrite for automotive electrical parts and solar power generation applications.

High-Grade Functional Components and Equipment

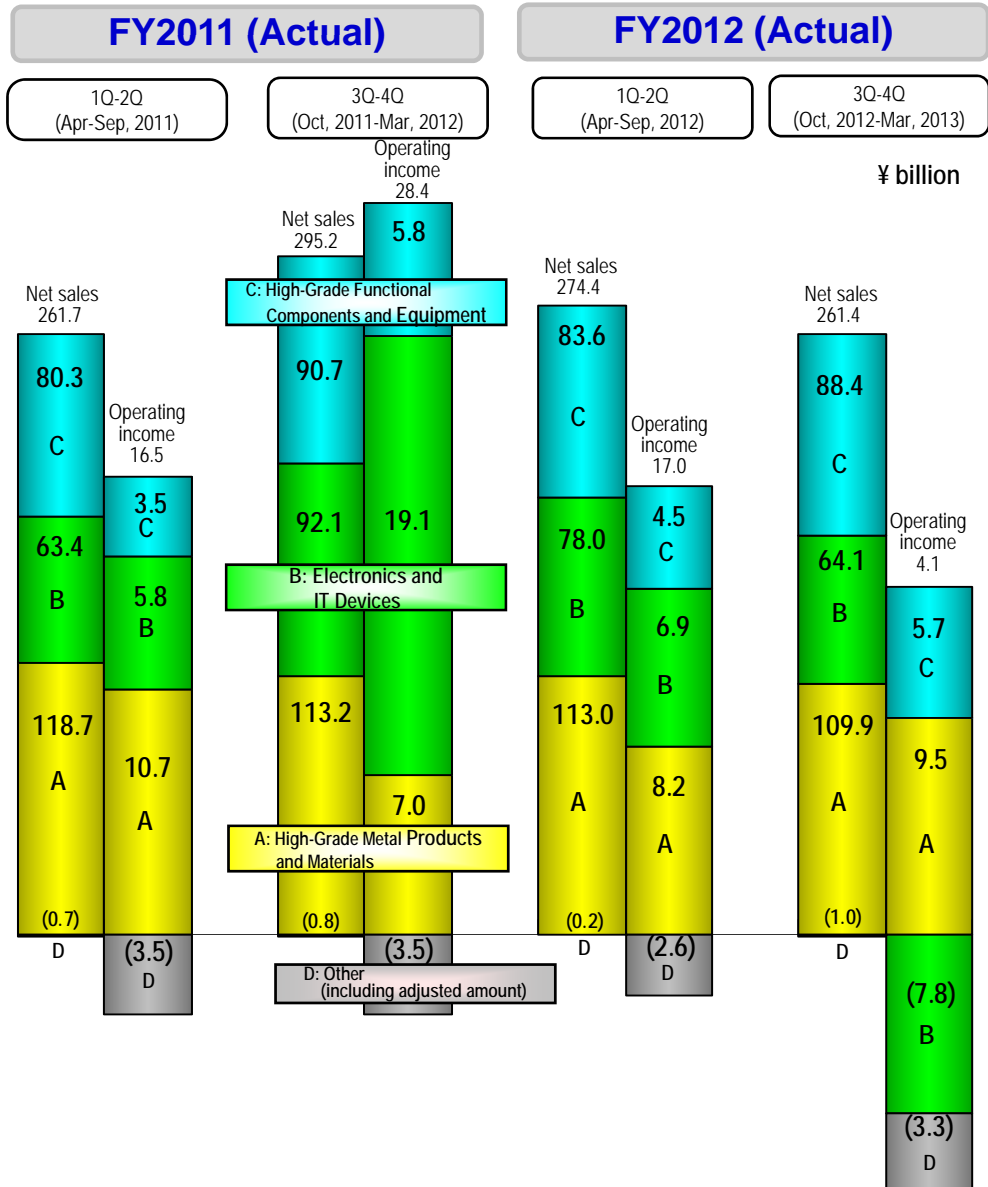
In casting components for automobiles, sales of ductile casting products remained favorable in North American and Asian markets. HERCUNITE benefited from strong domestic demand to accommodate engine downsizing requirements, although overall demand declined in Europe. Domestic and overseas demand was again strong for aluminum wheels. Domestic construction demand continued to pick up for piping components, and gas piping components enjoyed solid demand after scoring high marks from customers for their earthquake resistance.

Operating Income: ¥21.1 billion (down ¥23.8 billion from FY2011)

High-Grade Metal Products and Materials: ¥17.7 billion (no change from FY2011)
Electronics and IT Devices: ¥(0.9) billion (down ¥25.8 billion from FY2011)
High-Grade Functional Components and Equipment: ¥10.2 billion (up ¥0.9 billion from FY2011)

Production adjustments continued for electronics-, machine tool-, and factory automation-related products. Despite cost-cutting efforts, operating income was down ¥23.8 billion from the previous fiscal year (FY2011), when the Company benefited from the compression of a time lag in raw materials price transfers, reflecting the impact of extraordinary factors including notably lower raw materials prices.

From the current fiscal year, the Soft Magnetic Materials Division, which was part of Electronics and IT Devices, is now part of High-Grade Metal Products and Materials. Segment data for the previous fiscal year (FY2011) has been restated to reflect this segment change.

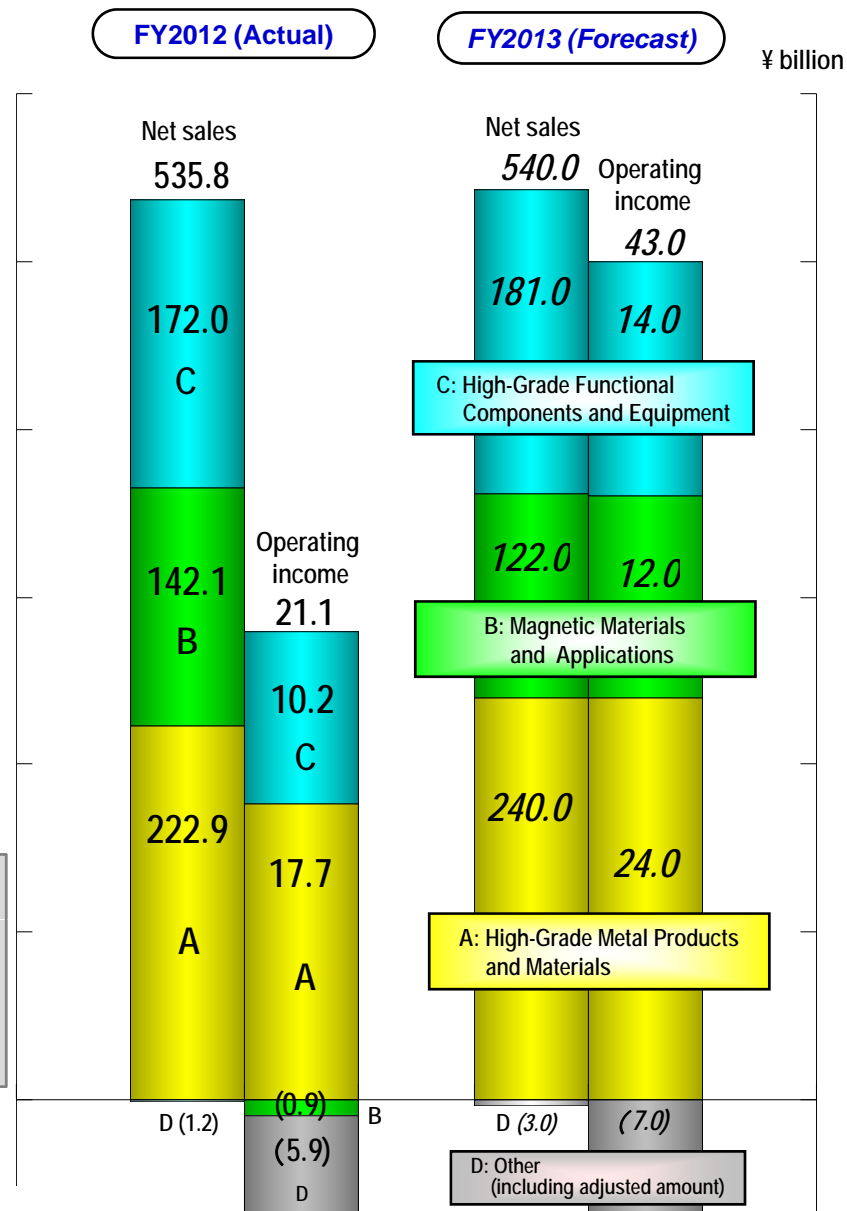


Fiscal 2013 Forecast Before Merger

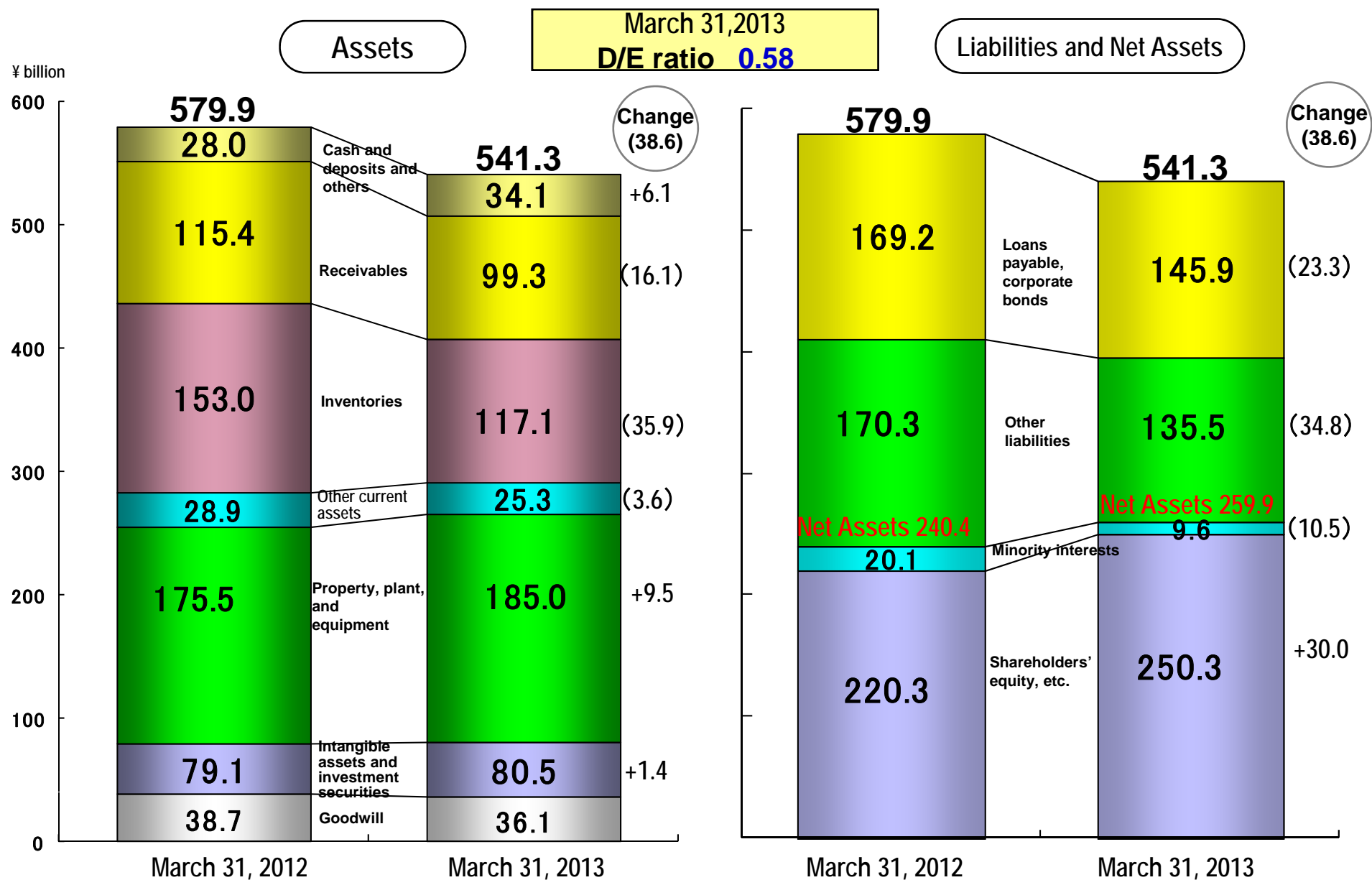
Net Sales: ¥540.0 billion (up 1% from FY2012)
Operating Income: ¥43.0 billion (up ¥21.9 billion from FY2012)

- **High-Grade Metal Products and Materials**
 Sales: ¥240.0 billion (up 8% from FY2012)
 Operating income: ¥24.0 billion (up ¥6.3 billion from FY2012)
- **Magnetic Materials and Applications**
* Renamed in FY2013 from Electronics and IT Devices segment
 Sales: ¥122.0 billion (down 14% from FY2012)
 Operating income: ¥12.0 billion (up ¥12.9 billion from FY2012)
- **High-Grade Functional Components and Equipment**
 Sales: ¥181.0 billion (up 5% from FY2012)
 Operating income: ¥14.0 billion (up ¥3.8 billion from FY2012)

As of before the merger, management projects ¥540.0 billion in consolidated net sales and ¥43.0 billion in operating income. Following the merger, management plans to swiftly disclose figures that reflect the impact of that integration.



Consolidated Balance Sheets



Consolidated Cash Flows

(¥ billion)

Item	FY2011	FY2012
Cash and cash equivalents at beginning of year	34.0	28.0
Income before income taxes and minority interests	36.4	17.2
Depreciation and amortization	27.5	24.2
Decrease (increase) in inventories	(45.3)	38.0
Other	(15.6)	(16.4)
Cash flows from operating activities	3.0	63.0
Capital investment*	(22.7)	(29.1)
Other	0.9	0.4
Free cash flow	(18.8)	34.3
Decrease (increase) in borrowings and bonds	19.6	(23.9)
Dividend payments, etc.	(6.5)	(7.4)
Net cash flow	(5.7)	3.0
Effect of exchange rate changes, etc.	(0.3)	3.1
Net increase (decrease)	(6.0)	6.1
Cash and cash equivalents at end of year	28.0	34.1

*On an accrual basis (i.e., expenditures are recognized upon receipt and inspection of items)

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