

# Hitachi Metals Financial Results for the First Nine Months of Fiscal Year 2018 (April 1, 2018 to December 31, 2018)

## [Table of Contents]

1. Overview

2. Results by Segment

3. Results Forecast Revision for FY2018

January 31, 2019

## **Overview: While revenues increased, income decreased year on year; the business environment changed rapidly during 3Q.**

- The Chinese market saw a rapid decline in demand.
  - Reduced demand in the FA/robots, semiconductor, and smartphone markets
  - A decline in demand for automobiles in China
  - Income decreased due to production adjustment (operation activities reduction) responding to the reduced demand.

## **Segments: From 3Q onwards, demand fell below assumptions across all internal companies.**

- Specialty steel: Alloys for electronic products (organic EL panel-related materials and lead frame materials)
  - Sales dropped sharply mainly due to inventory adjustments by customers
  - Molds and tool steel → Foreign demand declined mainly in China.
- Magnetic materials and applications:
  - For Industrial equipment applications
  - Sales dropped significantly due to reduced demand mainly in the semiconductor market.
- Functional components and equipment:
  - North America (Waupaca Foundry, Inc.)
  - Measures have been taken to address the difficulty in hiring (lower than initially planned).
  - Semiconductor manufacturing equipment → Sluggish demand was ongoing.
- Wires, cables, and related products: FA/robots → Showed a pronounced downward trend in volume of orders.

## “Businesses with issues”

### 1. Aluminum wheels: withdrawal from the business

- (1) Conclusion of a contract for transfer of the U.S. subsidiary's shares (the business has been excluded from the scope of consolidation since January 2019)  
Restructuring expenses of ¥2.9 billion were recorded in 3Q, FY2018.  
(A few hundred million yen is expected to be incurred as translation differences and others at the close of 4Q.)
- (2) Production sites in Japan: production is scheduled to end by the end of September 2020.

### 2. Heat-resistant exhaust casting components: an impairment loss of ¥7.0 billion was recorded in 3Q, FY2018

- (1) Improvement measures taken so far (are expected to improve adjusted operating income by ¥3.5 billion from FY2017 to 2018)  
Narrow down the number of orders (by price correction and exit from unprofitable products)  
Improve productivity through *Monozukuri* innovations (such as new casting method)
- (2) The impairment loss was recorded for the following reasons:  
A sharp decline in demand from China and Europe  
Customer authorization of new casting method has been delayed.
- (3) Review production and business structures in light of decreased volume

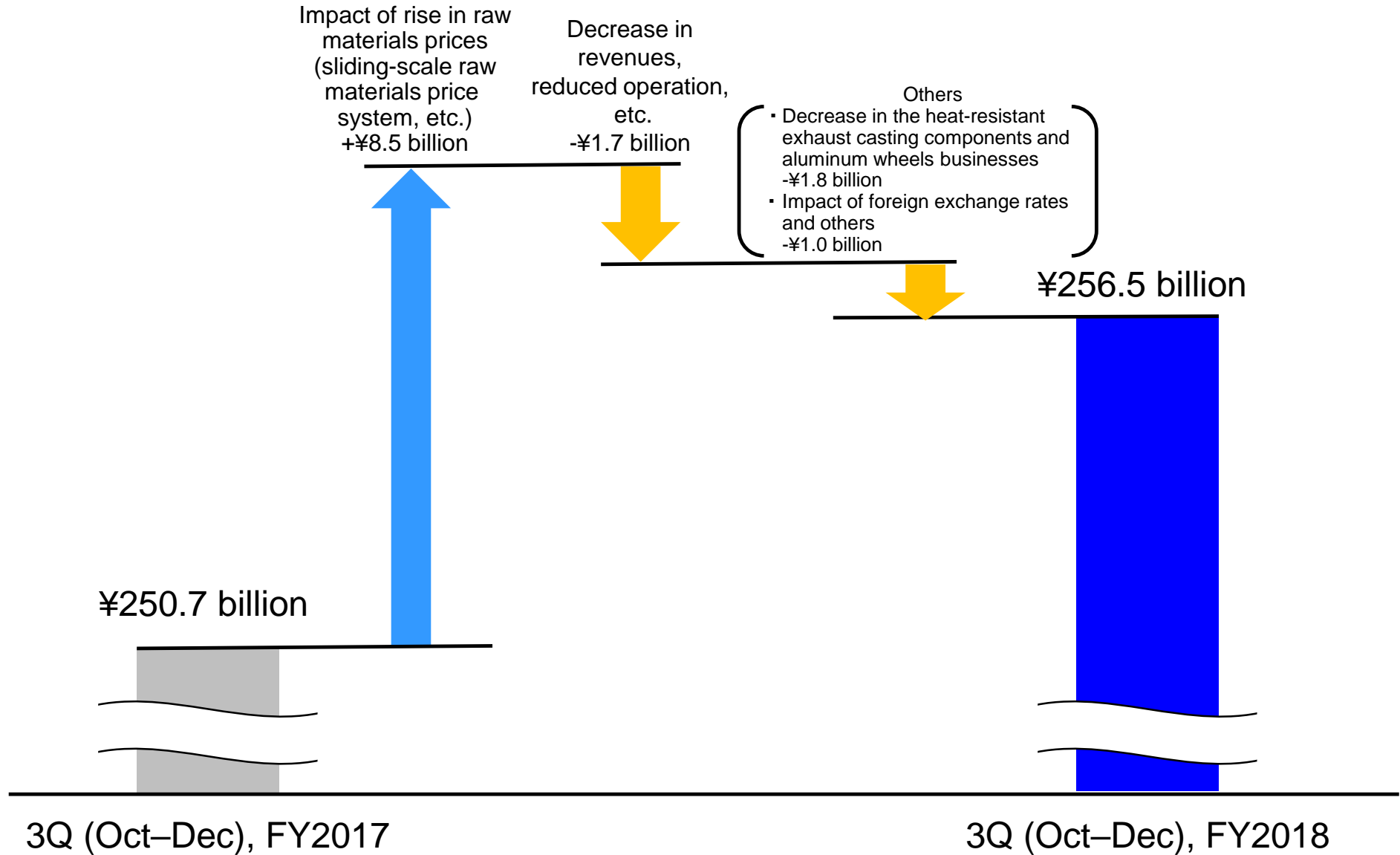
# 1-3. Operating Results for the First Nine Months of Fiscal Year 2018

¥ billions Profit margin in brackets	FY2017		FY2018				Year-on-Year		Quarter-on-Quarter
	3Q (Oct–Dec)	1Q–3Q	1Q (Apr–Jun)	2Q (Jul–Sep)	3Q (Oct–Dec)	1Q–3Q	3Q (Oct–Dec)	1Q–3Q	2Q vs. 3Q, FY2018
	US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	US\$1 = ¥109 € 1 = ¥130 1 yuan = ¥17.1	US\$1 = ¥111 € 1 = ¥130 1 yuan = ¥16.4	US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6			
Revenues	250.7	733.1	259.7	259.3	256.5	775.5	+2%	+6%	-1%
Adjusted operating income <sup>*1</sup>	[6.2%] 15.6	[6.5%] 47.8	[6.2%] 16.0	[6.6%] 17.1	[3.8%] 9.7	[5.5%] 42.8	-5.9	-5.0	-7.4
Other income	1.5	3.6	6.8	0.9	1.0	8.7	-0.5	+5.1	+0.1
Other expenses	-1.5	-9.0	-2.2	-2.8	-11.9	-16.9	-10.4	-7.9	-9.1
IFRS operating income	[6.2%] 15.6	[5.8%] 42.4	[7.9%] 20.6	[5.9%] 15.2	[-0.5%] -1.2	[4.5%] 34.6	-16.8	-7.8	-16.4
EBIT	16.5	45.6	21.9	16.3	-1.2	37.0	-17.7	-8.6	-17.5
Income before income taxes	16.1	44.1	21.4	15.8	-1.9	35.3	-18.0	-8.8	-17.7
Income taxes	-0.8	-9.2	-4.4	-4.8	0.9	-8.3	+1.7	+0.9	+5.7
Net income attributable to shareholders of the parent company	15.2	34.8	17.0	11.1	-1.1	27.0	-16.3	-7.8	-12.2
Overseas sales ratio <sup>*2</sup>	55%	56%	57%	56%	55%	56%	0%	0%	-1%

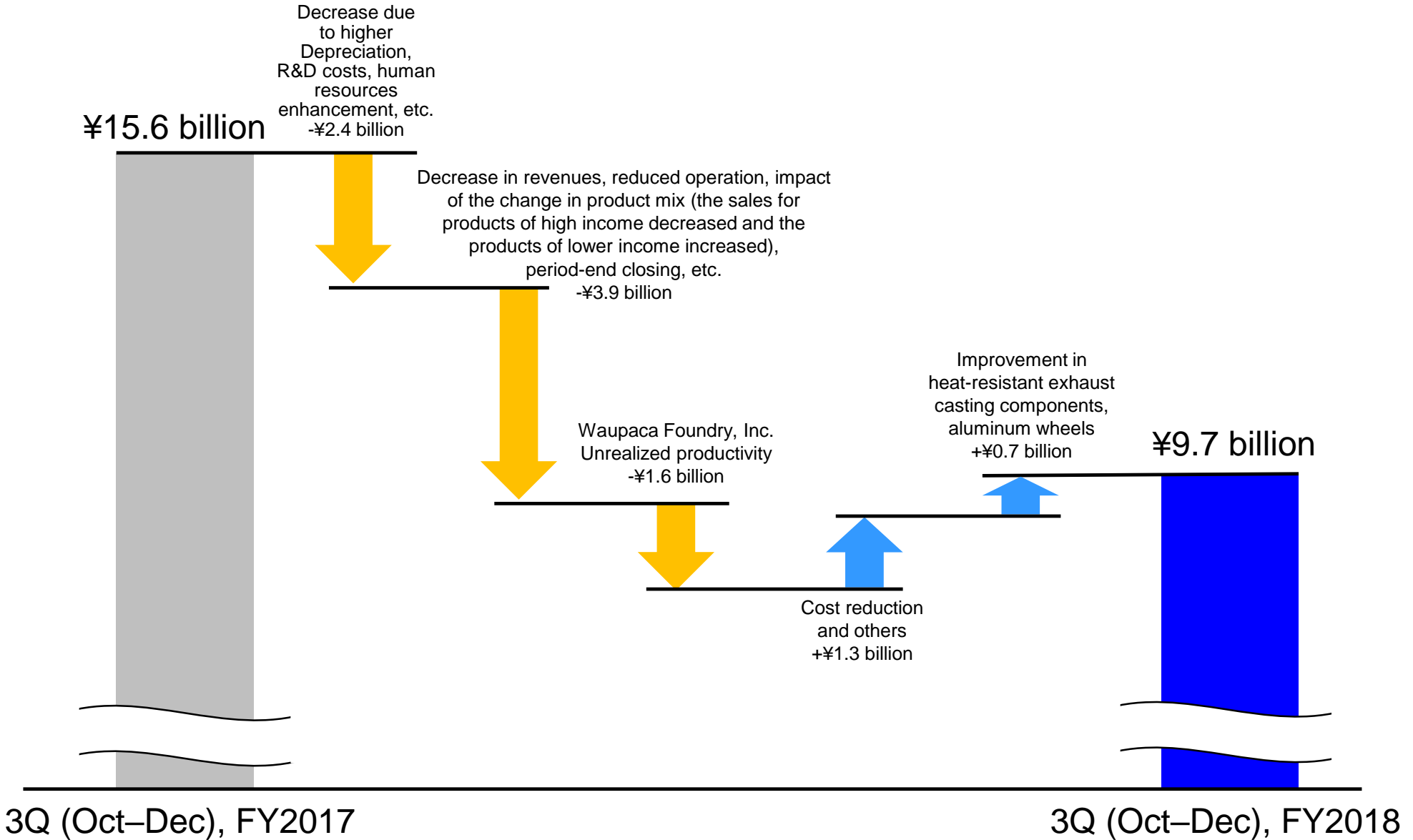
\*1 Adjusted operating income: (Revenues) – (Sales cost) – (Selling, general, & administrative expenses)

\*2 Overseas sales by region: 1Q–3Q, FY2018: North America, 30%; China, 8%; Asia (exc. China), 12%; Europe, 5%; Others, 1%  
1Q–3Q, FY2017: North America, 30%; China, 8%; Asia (exc. China), 12%; Europe, 5%; Others, 1%

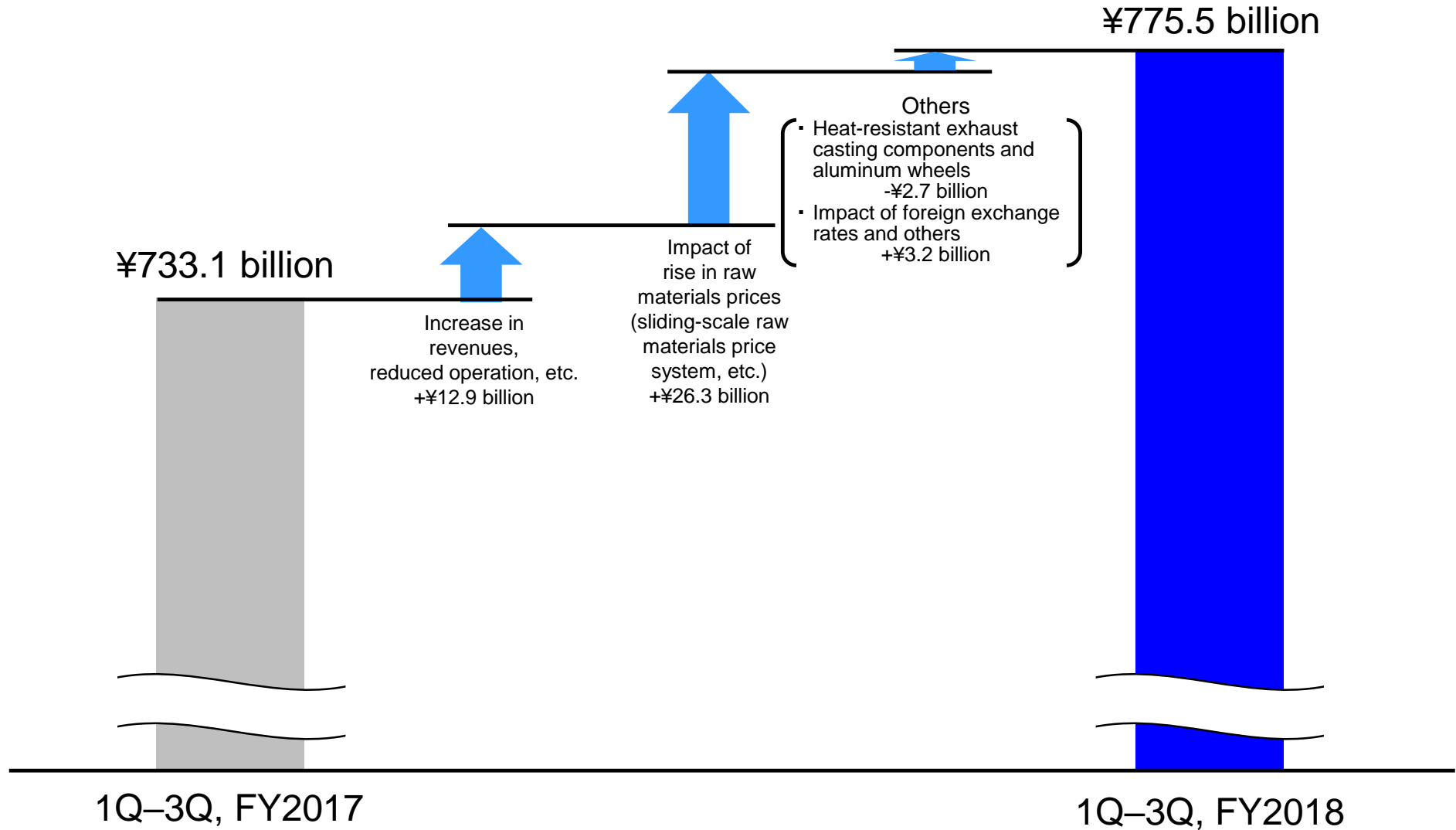
# 1-4. Factors Behind Increase/Decrease in Revenues (Year-on-Year) 3Q (Oct–Dec)



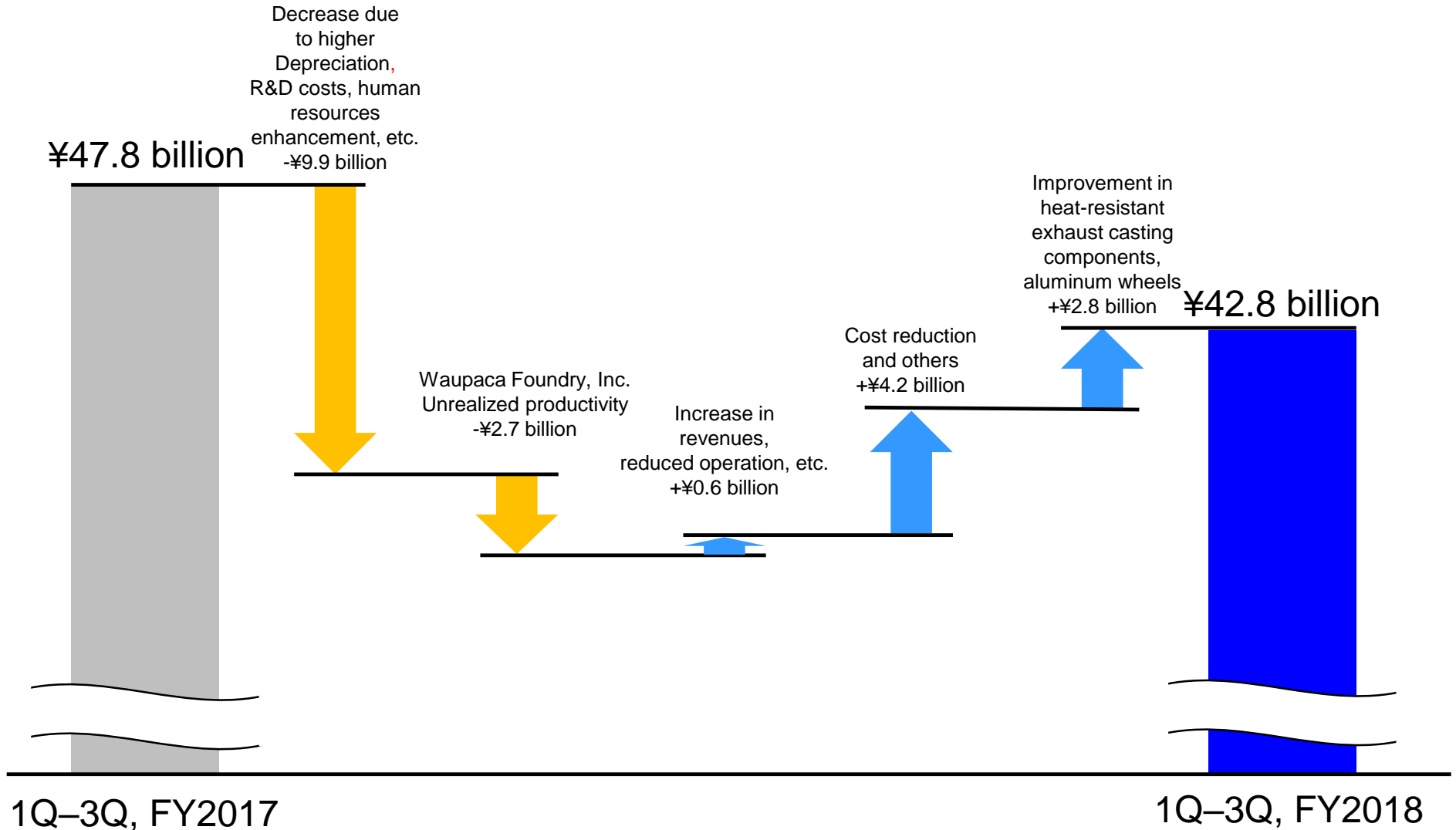
# 1-5. Factors Behind Increase/Decrease in Adjusted Operating Income (Year-on-Year) 3Q (Oct–Dec)



# 1-6. Factors Behind Increase/Decrease in Revenues (Year-on-Year) 1Q–3Q



# 1-7. Factors Behind Increase/Decrease in Adjusted Operating Income (Year-on-Year) 1Q–3Q





# Hitachi Metals Financial Results for the First Nine Months of Fiscal Year 2018 (April 1, 2018 to December 31, 2018)

## [Table of Contents]

1. Overview
- 2. Results by Segment**
3. Results Forecast Revision for FY2018

# 2-1. Operating Results by Segment for the First Nine Months of Fiscal Year 2018

¥ billions Profit margin in brackets		FY2017		FY2018		Year-on-Year	
		3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)	1Q–3Q
Specialty Steel Products	Revenues	74.3	215.3	76.3	230.6	+3%	+7%
	Adjusted operating income	[9.3%] 6.9	[9.5%] 20.4	[6.2%] 4.7	[8.8%] 20.2	-2.2	-0.2
	Operating income of the segment	[9.2%] 6.8	[9.3%] 20.0	[5.4%] 4.1	[8.2%] 18.9	-2.7	-1.1
Magnetic Materials and Applications	Revenues	27.1	79.2	26.0	84.4	-4%	+7%
	Adjusted operating income	[7.7%] 2.1	[8.7%] 6.9	[0.4%] 0.1	[3.6%] 3.0	-2.0	-3.9
	Operating income of the segment	[7.4%] 2.0	[8.6%] 6.8	[0.4%] 0.1	[10.2%] 8.6	-1.9	+1.8
Functional Components and Equipment	Revenues	88.2	266.6	91.7	276.1	+4%	+4%
	Adjusted operating income	[2.6%] 2.3	[3.2%] 8.5	[0.5%] 0.5	[2.7%] 7.4	-1.8	-1.1
	Operating income of the segment	[2.0%] 1.8	[2.7%] 7.3	[-10.5%] -9.6	[-1.7%] -4.7	-11.4	-12.0
Wires, Cables, and Related Products	Revenues	60.9	171.4	62.1	183.1	+2%	+7%
	Adjusted operating income	[6.6%] 4.0	[6.4%] 10.9	[5.5%] 3.4	[5.8%] 10.6	-0.6	-0.3
	Operating income of the segment	[7.6%] 4.6	[4.3%] 7.4	[5.2%] 3.2	[5.5%] 10.1	-1.4	+2.7
Others/ Adjustments	Revenues	0.2	0.6	0.4	1.3	—	—
	Adjusted operating income	0.3	1.1	1.0	1.6	+0.7	+0.5
	Operating income of the segment	0.4	0.9	1.0	1.7	+0.6	+0.8
Total	Revenues	250.7	733.1	256.5	775.5	+2%	+6%
	Adjusted operating income	[6.2%] 15.6	[6.5%] 47.8	[3.8%] 9.7	[5.5%] 42.8	-5.9	-5.0
	IFRS operating income	[6.2%] 15.6	[5.8%] 42.4	[-0.5%] -1.2	[4.5%] 34.6	-16.8	-7.8

# 2-2. Operating Results by Segment: Specialty Steel Products (1)

## Overall Summary

### [Revenues]

Revenues for 1Q–3Q increased, due to increased demand in the 1<sup>st</sup> half of the fiscal year as well as the effect of increased raw material prices.

### [Adjusted operating income]

Income slightly decreased mainly due to increased fixed costs despite the effect of the price revision.

## Overview by Product Category

### [Specialty steel]

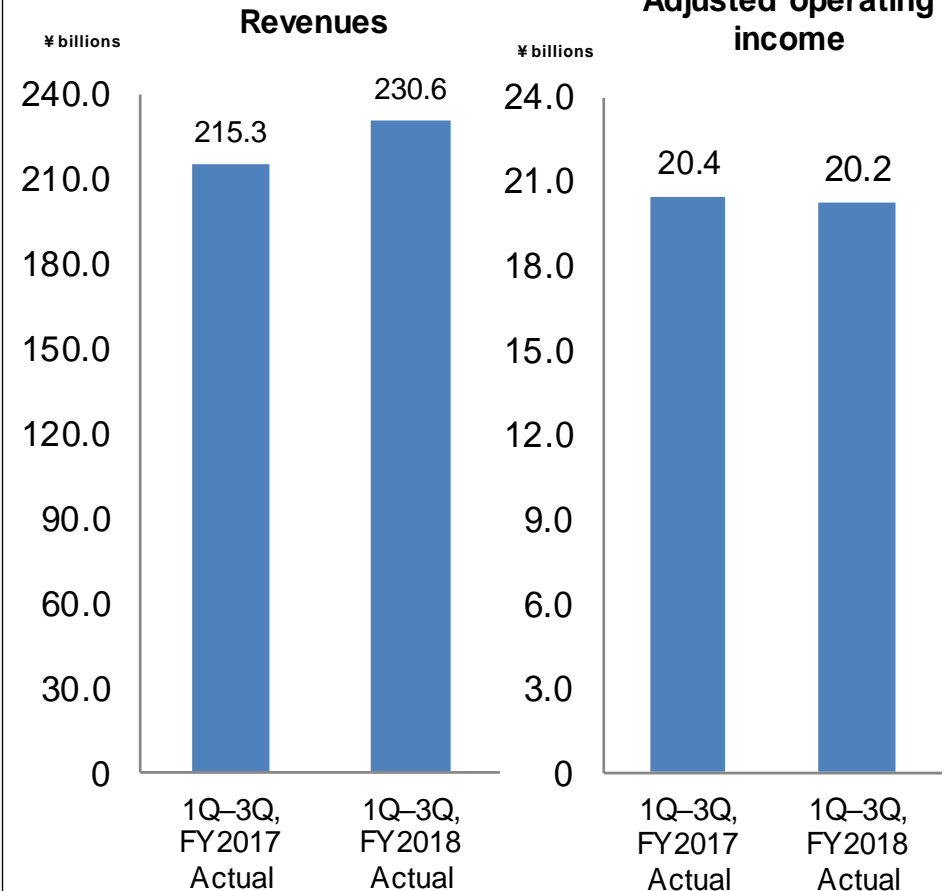
- **Molds and tool steel:** Sales increased year on year, led by the effect of higher raw material prices (sliding-scale raw materials price system), but demand decreased in international markets, especially in China.
- **Industrial equipment materials:** Sales for 1Q–3Q increased year on year due to an increase in sales of environment-conscious products related to automobiles.
- **Alloys for electronic products:** Sales for 1Q–3Q increased year on year as demand remained at a high level during the 1<sup>st</sup> half and sales of battery-related components remained steady throughout the period, but demand for organic EL panel-related and semiconductor package components slowed down rapidly during 3Q.
- **Aircraft-related and energy-related materials:** Sales increased year on year due to an increase in sales of aircraft-related materials, despite stagnant sales of energy-related materials.

### [Rolls]

Both domestic and export sales of various rolls were strong. Capital investment-related demand for injection molding machine parts also remained at a high level, resulting in a year-on-year increase in sales of rolls as a whole.

### [Soft magnetic components and materials]

Sales as a whole increased year on year, due to sales of amorphous metals being unchanged from those in 1Q–3Q and solid sales of applied products for automobiles on the back of increased demand.



## 2-3. Operating Results by Segment: Specialty Steel Products (2)

¥ billions		FY2017		FY2018		Year-on-Year	
		3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)	1Q–3Q
Specialty Steel Products	Revenues	74.3	215.3	76.3	230.6	+3%	+7%
	Specialty steel <sup>Ⓞ</sup>	62.4	180.7	63.1	192.2	+1%	+6%
	Molds and tool steel <sup>□</sup>					+5%	+9%
	Industrial equipment materials <sup>□</sup>					-1%	+7%
	Aircraft-related and energy-related materials <sup>□</sup>					+13%	+14%
	Alloys for electronic products <sup>□</sup>					-4%	+2%
	Rolls <sup>Ⓞ</sup>	5.5	15.6	6.3	17.8	+15%	+14%
	Soft magnetic components and materials <sup>Ⓞ</sup>	6.5	19.0	7.0	20.7	+8%	+9%
	Adjusted operating income	6.9	20.4	4.7	20.2	-2.2	-0.2
	Adjusted operating margin	9.3%	9.5%	6.2%	8.8%	-3.1%	-0.7%
Operating income of the segment	6.8	20.0	4.1	18.9	-2.7	-1.1	

Ⓞ Simple sum before eliminating intersegment revenues

□ Indicates the change in revenues calculated by a simplified method

# 2-4. Operating Results by Segment: Magnetic Materials and Applications (1)

## Overall Summary

### [Revenues]

Revenues increased due to the effects of making Santoku a consolidated subsidiary.

### [Adjusted operating income]

Income decreased due to a decrease in FA/robots-related and semiconductor-related demand in addition to increased costs as a result of capital investments and fluctuations in raw material prices.

### [Operating income of the segment]

Segment income increased due in part to gain on bargain purchase generated from making Santoku a consolidated subsidiary.

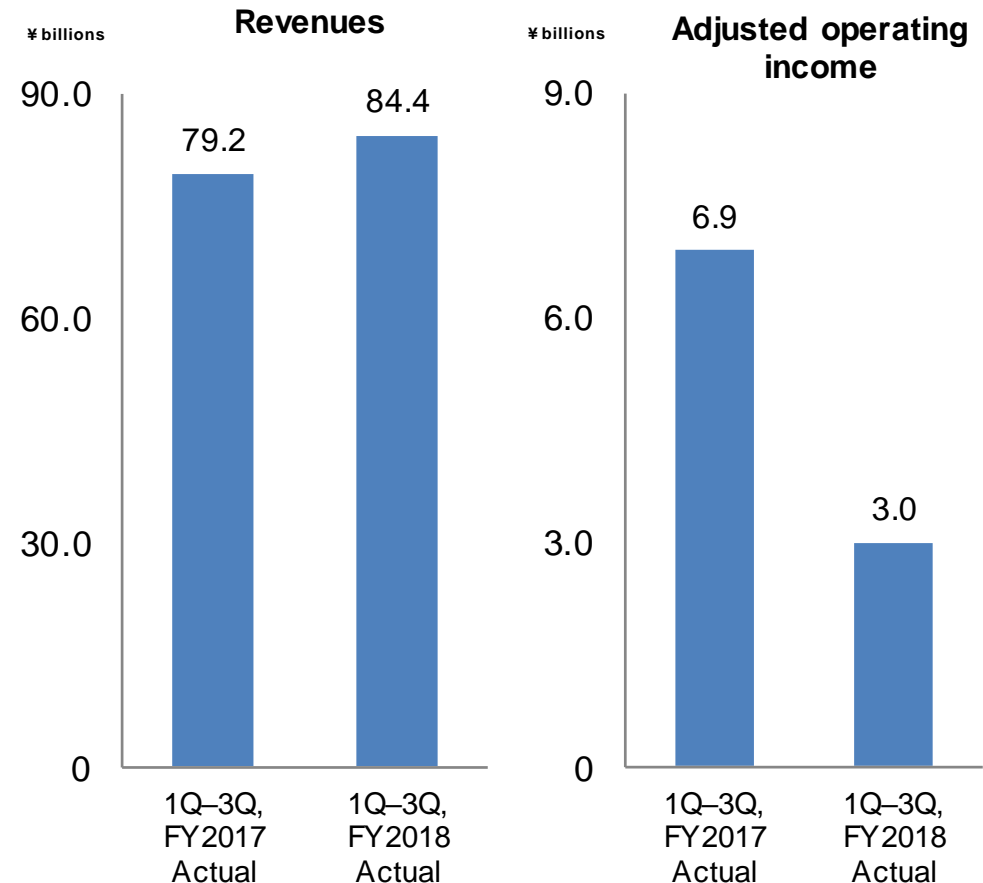
## Overview by Product Category

### [Rare earth magnets]

Sales increased year on year, resulting from robust demand from manufacturers of automotive electronic components mainly for electric power steering applications as well as the effects of making Santoku a consolidated subsidiary, while sales for industrial equipment-related applications decreased year on year, due to a drop in capital investment-related demand for semiconductor-related products.

### [Ferrite magnets]

Sales remained unchanged from 1Q–3Q in FY2017 on the back of strong demand for automotive electronic components, reflecting increased automobile production, despite a decrease in demand for household appliance parts.



## 2-5. Operating Results by Segment: Magnetic Materials and Applications (2)

¥ billions		FY2017		FY2018		Year-on-Year	
		3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)	1Q–3Q
Magnetic Materials and Applications	Revenues	27.1	79.2	26.0	84.4	-4%	+7%
	Rare earth magnets (weight)					-13%	-6%
	Ferrite magnets (weight)					-8%	-6%
	Adjusted operating income	2.1	6.9	0.1	3.0	-2.0	-3.9
	Adjusted operating margin	7.7%	8.7%	0.4%	3.6%	-7.3%	-5.1%
	Operating income of the segment	2.0	6.8	0.1	8.6	-1.9	+1.8

# 2-6. Operating Results by Segment: Functional Components and Equipment (1)

## ■ Overall Summary

### [Revenues]

Revenues increased due to increased demand for cast iron products as well as a rise in raw materials prices (sliding-scale raw materials price system).

### [Adjusted operating income]

Income decreased due to unrealized productivity resulting from the personnel shortage in the U.S., and the delay of semiconductor manufacturing equipment projects.

### [Operating income of the segment]

Impairment loss was recorded in connection with heat-resistant exhaust casting components. Restructuring expenses were recorded in light of the decision to sell the subsidiary and withdraw from the aluminum wheels business. (see p.2 “Businesses with issues”)

## ■ Overview by Product Category

### [Casting components for automobiles]

Sales of casting components for automobiles as a whole increased year on year.

#### ▪ Cast iron products:

[North America] Demand for commercial vehicles, farm machinery, and construction machinery increased.

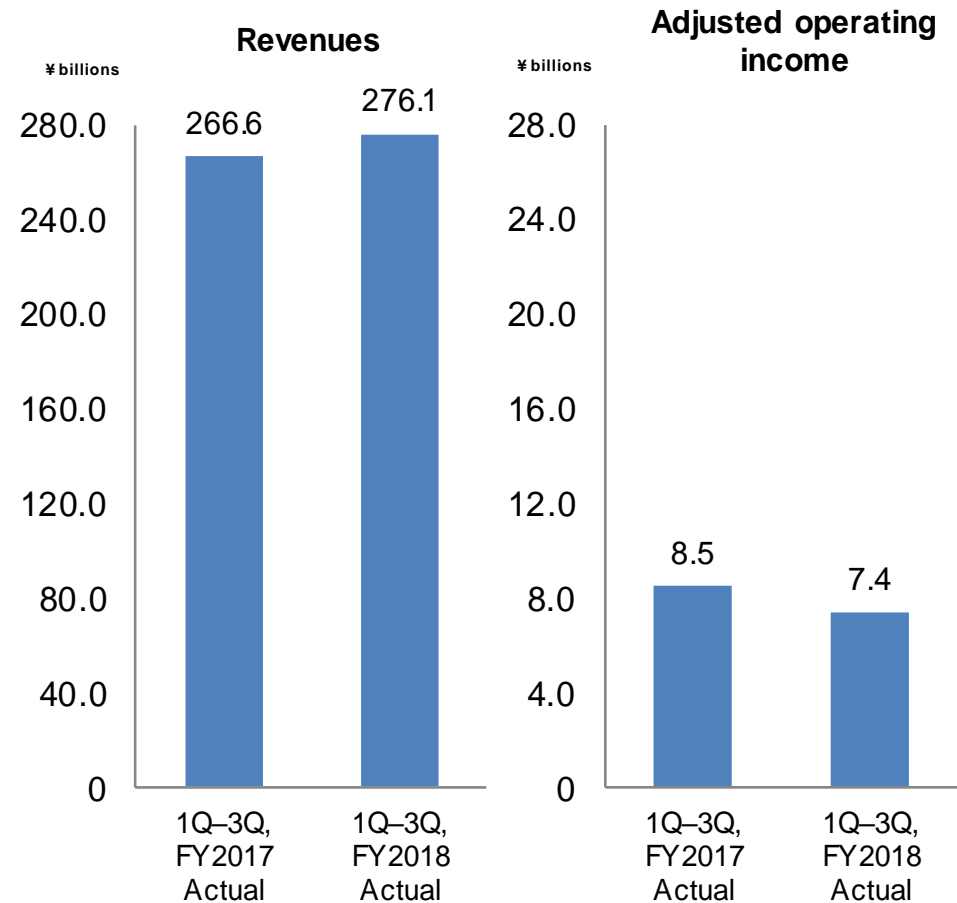
[Asia] Sales were robust due to increased demand for automobiles.

### [Piping components]

Sales of piping components as a whole decreased year on year.

▪ Pipe fittings: Sales of pipe fittings as a whole decreased year on year. This was attributable to reduced demand in Japan in reaction to the price revision made at the end of FY2017, although sales in the U.S. increased year on year.

▪ Other: Sales of semiconductor manufacturing equipment decreased year on year, driven by the delay of capital investment projects.



## 2-7. Operating Results by Segment: Functional Components and Equipment (2)

¥ billions		FY2017		FY2018		Year-on-Year	
		3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)	1Q–3Q
Functional Components and Equipment	Revenues	88.2	266.6	91.7	276.1	+4%	+4%
	Casting components for automobiles <sup>®</sup>	73.9	227.6	78.9	239.7	+7%	+5%
	Waupaca Foundry, Inc.	47.1	149.5	53.0	161.8	+13%	+8%
	Cast iron products (weight)					+6%	+4%
	Heat-resistant exhaust casting components (HERCUNITE™) (weight)					-21%	-10%
	Aluminum wheels (number)					-5%	-8%
	Piping components <sup>®</sup>	14.3	39.0	12.8	36.3	-10%	-7%
	Adjusted operating income	2.3	8.5	0.5	7.4	-1.8	-1.1
	Adjusted operating margin	2.6%	3.2%	0.5%	2.7%	-2.1%	-0.5%
	Operating income of the segment	1.8	7.3	- 9.6	- 4.7	-11.4	-12.0

© Simple sum before eliminating intersegment revenues



# 2-8. Operating Results by Segment: Wires, Cables, and Related Products (1)

## ■ Overall Summary

### [Revenues]

Revenues increased mainly due to increased sales in the focus sectors.

### [Adjusted operating income]

Income decreased slightly, mainly reflecting increased fixed costs driven by capital investments.

## ■ Overview by Product Category

### [Electric wires and cables]

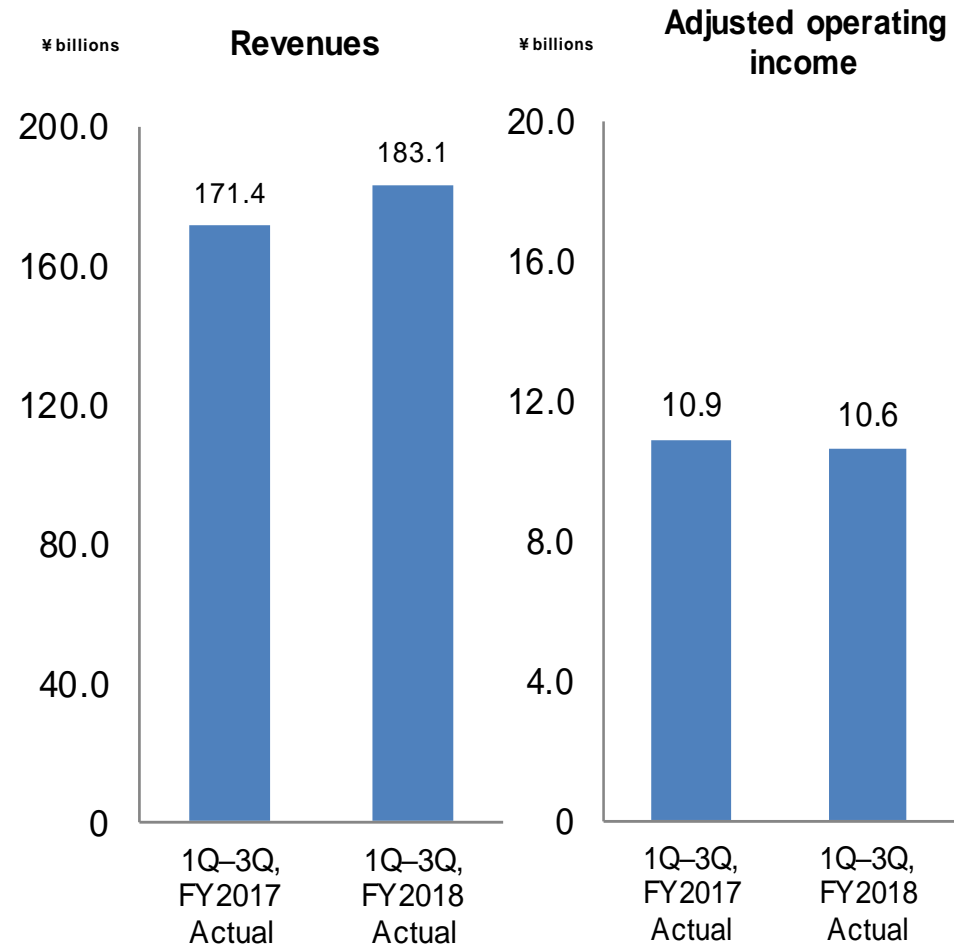
Sales of electric wires and cables as a whole increased year on year for 1Q–3Q, whereas demand for wires and cables mainly for rolling stock, FA/robots, and magnet wires declined in 3Q.

- Wires and cables for rolling stock: Sales grew mainly for China.
- Wires and cables for construction: Sales increased.
- Magnet wires: Sales were firm, mainly for automobile applications.
- FA/robots: Demand decreased in 3Q.

### [High performance components]

Sales of high performance components increased year on year as a whole.

- Automotive products: Demand for various sensors, harnesses for electric parking brakes and hybrid automobiles increased; demand for brake hoses was also firm.
- Products for medical use: Sales of both probe cables and tubes increased year on year, supported by solid demand.



## 2-9. Operating Results by Segment: Wires, Cables, and Related Products (2)

¥ billions		FY2017		FY2018		Year-on-Year	
		3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec) US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)	1Q–3Q
Wires, Cables, and Related Products	Revenues	60.9	171.4	62.1	183.1	+2%	+7%
	Focus sectors						
	Rolling stock <sup>□</sup>					-5%	+10%
	Medical devices <sup>□</sup>					+7%	+11%
	Automotive electronic components <sup>□</sup>					+12%	+14%
	FA, robots <sup>□</sup>					-12%	+18%
	Magnet wires <sup>□</sup>					-10%	+5%
	Adjusted operating income	4.0	10.9	3.4	10.6	-0.6	-0.3
	Adjusted operating margin	6.6%	6.4%	5.5%	5.8%	-1.1%	-0.6%
Operating income of the segment	4.6	7.4	3.2	10.1	-1.4	+2.7	

□ Indicates the change in revenues calculated by a simplified method

Sales proportion of the focus sectors: FY2017: 3Q, 42%; 1Q–3Q, 41%.  
FY2018: 3Q, 41%; 1Q–3Q, 42%.

## 2-10. Assets, Liabilities, and Net Assets

¥ billions	March 31, 2018 US\$1 = ¥106 € 1 = ¥131 1 yuan = ¥16.9	December 31, 2018 US\$1 = ¥111 € 1 = ¥127 1 yuan = ¥16.1	Change
Total assets	1,058.8	1,115.6	+56.8
Trade receivables and inventories	397.8	433.3	+35.5
Total liabilities	488.6	525.7	+37.1
Interest-bearing debt	160.8	218.3	+57.5
Equity attributable to shareholders of the parent company	562.7	582.7	+20.0
Non-controlling interests	7.5	7.2	-0.3
Equity attributable to shareholders of the parent company ratio	53.1%	52.2%	-0.9%
D/E ratio (times)	0.29	0.37	+0.08

<b>[Assets]</b>	Change from March 2018: +¥56.8 billion	⇒	Increases in inventories and property, plant and equipment, etc.
<b>[Liabilities]</b>	Change from March 2018: +¥37.1 billion	⇒	Increase in long-term debt (mainly straight bonds), etc.
<b>[D/E ratio]</b>	Change from March 2018: Rose by 0.08 points		

## 2-11. Consolidated Cash Flows

¥ billions	1Q–3Q, FY2017 Actual	1Q–3Q, FY2018 Actual	Year-on-Year
Cash flows from operating activities	12.6	27.8	+15.2
Cash flows from investing activities	-57.6	-74.3	-16.7
Free cash flows	-45.0	-46.5	-1.5
Core free cash flows*	-46.9	-49.4	-2.5

### [Cash flows from operating activities]

Among others, improved working capital of trade receivables and inventories, etc. resulted in a ¥15.2 billion improvement in net cash inflow compared to 1Q–3Q in FY2017.

### [Cash flows from investing activities]

Cash used in investing activities increased by ¥16.7 billion compared to 1Q–3Q in FY2017 due in part to the increase in purchases of property, plant and equipment (1Q–3Q, FY2017: ¥58.8 billion → 1Q–3Q, FY2018: ¥76.1 billion).

### [Free cash flows]

Decreased by ¥1.5 billion compared to 1Q–3Q in FY2017

\*Core free cash flows: (Cash flows from operating activities) – (Capital expenditure)

# Hitachi Metals Financial Results for the First Nine Months of Fiscal Year 2018 (April 1, 2018 to December 31, 2018)

## [Table of Contents]

1. Overview
2. Results by Segment
3. Results Forecast Revision for FY2018

# 3-1. FY2018 Results Forecast

¥ billions Profit margin in brackets	FY2017  US\$1 = ¥111 € 1 = ¥130 1 yuan = ¥16.8
Revenues	988.3
Adjusted operating income	[6.6%] 65.1
EBIT	48.9
Income before income taxes	47.0
Net income attributable to shareholders of the parent company	42.2

FY2018 Previous forecast  1H actual US\$1 = ¥110 2H assumption US\$1 = ¥105	FY2018 New forecast  1Q-3Q actual US\$1 = ¥111 4Q assumption US\$1 = ¥110	Comparison with the previous forecast
1,020.0	1,027.0	+1%
[7.2%] 73.0	[5.6%] 58.0	-15.0
67.0	50.5	-16.5
64.5	48.0	-16.5
48.0	37.0	-11.0

### Results Forecast Revision

**The business environment has changed rapidly since 3Q. Orders placed mainly for specialty steel and magnetic materials and applications dropped.**

- **FA/robots → A sharp drop in demand (It is difficult to expect that the market will recover within a short period.)**
- **The semiconductor/electronics markets**
  - **A sharp drop in demand (The market is expected to recover in the 2<sup>nd</sup> half of FY2019 through inventory adjustment.)**
- **Heat-resistant exhaust casting components**
  - **A sharp drop in demand from China and Europe. The expected timing when the new casting method will be authorized has been pushed back.**
- **North America (Waupaca Foundry, Inc.)**
  - **Unrealized productivity resulting from the personnel shortage (The effects of unrealized productivity continued in 3Q although measures had been taken.)**
- **Automobile-related markets**
  - **On a declining trend (Molds and tool steel, electronic components including various sensors and harnesses, etc.)**

**Revenues are expected to be in line with the previous forecast due to price correction and promotion of surcharge introduction, whereas income is expected to decrease for the forecasts above.**

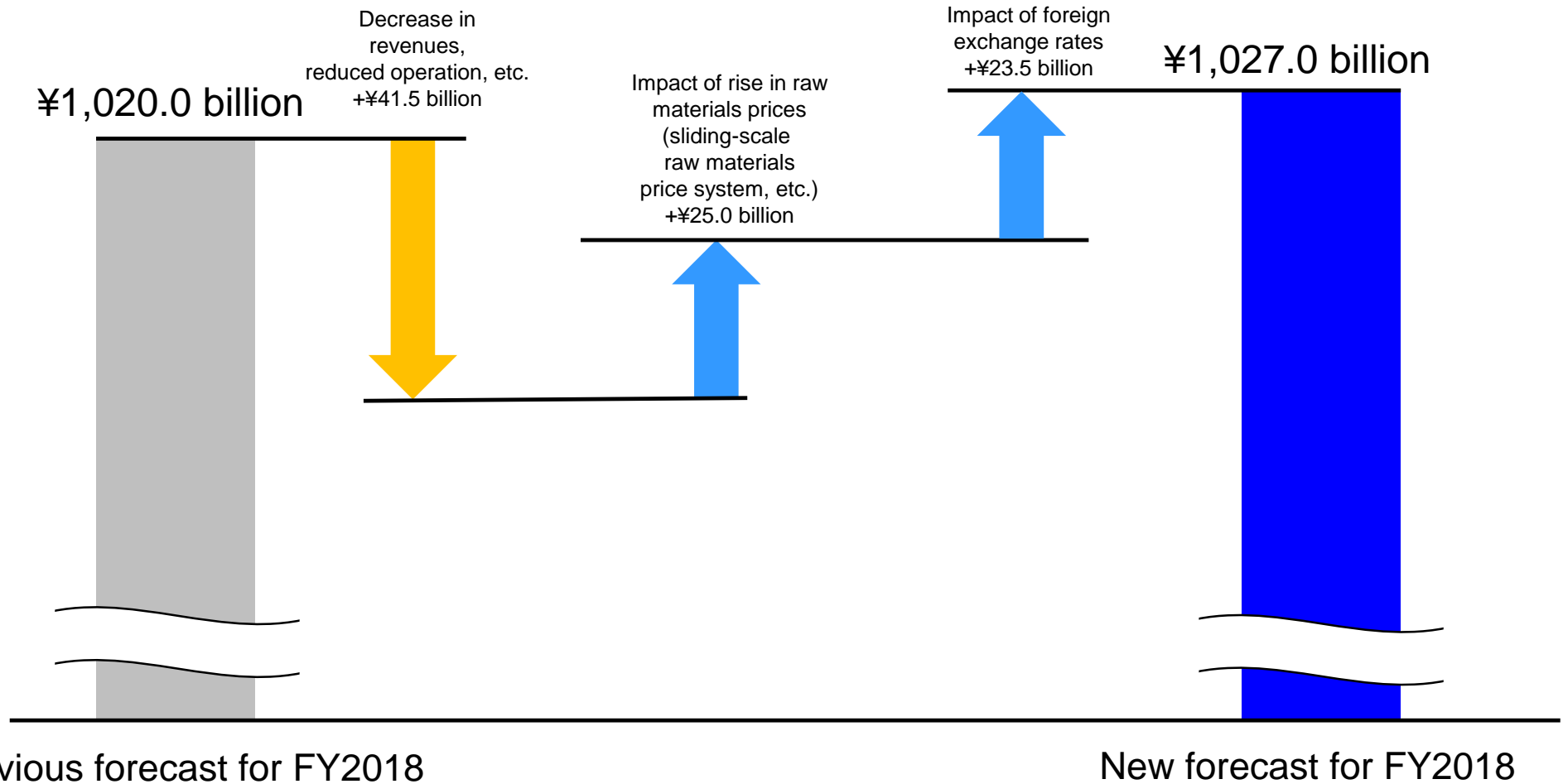
# 3-3. Revenues & Adjusted Operating Income Forecasts by Segment

¥ billions		FY2017 US\$1 = ¥111 € 1 = ¥130 1 yuan = ¥16.8
Specialty Steel Products	Revenues	290.6
	Adjusted operating income	27.9
	Adjusted operating margin	9.6%
Magnetic Materials and Applications	Revenues	106.1
	Adjusted operating income	9.6
	Adjusted operating margin	9.0%
Functional Components and Equipment	Revenues	360.1
	Adjusted operating income	11.8
	Adjusted operating margin	3.3%
Wires, Cables, and Related Products	Revenues	230.5
	Adjusted operating income	14.9
	Adjusted operating margin	6.5%
Others/ Adjustments	Revenues	1.0
	Adjusted operating income	0.9
Total	Revenues	988.3
	Adjusted operating income	65.1
	Adjusted operating margin	6.6%

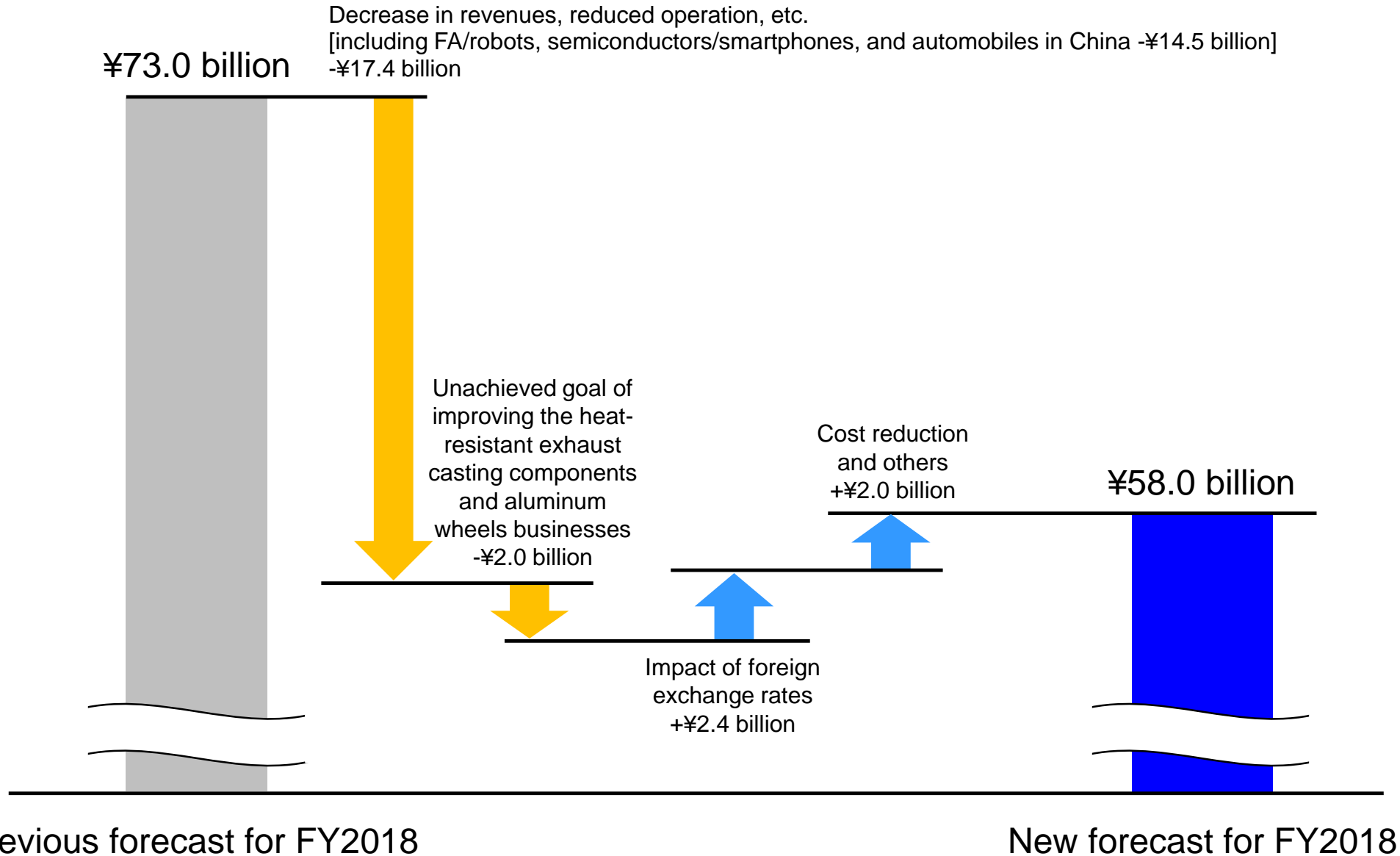
FY2018 Previous forecast 1H actual US\$1 = ¥110 2H assumption US\$1 = ¥105	FY2018 New forecast 1Q-3Q actual US\$1 = ¥111 4Q assumption US\$1 = ¥110	Comparison with the previous forecast
320.0	304.0	-5%
31.0	26.0	-5.0
9.7%	8.6%	-1%
115.0	110.0	-4%
7.5	4.5	-3.0
6.5%	4.1%	-2%
345.0	370.0	+7%
17.0	12.5	-4.5
4.9%	3.4%	-2%
240.0	242.0	+1%
17.0	14.5	-2.5
7.1%	6.0%	-1%
0	1.0	—
0.5	0.5	—
1,020.0	1,027.0	+1%
73.0	58.0	-15.0
7.2%	5.6%	-2%



# 3-4. Factors Behind Increase/Decrease in Revenues (Comparison with Previous Forecast)



# 3-5. Factors Behind Increase/Decrease in Adjusted Operating Income (Comparison with Previous Forecast)



### Results for 4Q in FY2018 (factors behind increase in income from 3Q to 4Q)

- **Seasonal factors:** Waupaca Foundry, Inc.  
(3Q: non-demand period → 4Q: normal sales volume)  
Magnetic materials and applications (royalty income)
- A decrease in adjusted operating loss for heat-resistant exhaust casting components and aluminum wheels
- Conduct additional measures for cost reduction and cost savings to respond to a sharp decline in demand

### Promote a plan to take improvement measures with an eye toward the medium to long-term

- The product range that caused the downward revision consists of focus products that are expected to grow in the medium- to long-term. Further improve these products during the slow demand period
  - More quickly reap the benefits of large investments
  - Enhance *Monozukuri* skills by accelerating IoT
  - Improve production system to minimize opportunity loss
- Enhance the ability to generate cash for stable businesses that support focus products
  - Look at which direction the casting components business should take
  - Transition to a new organizational framework to realize speedy management
  - Reform the management framework for small-scale Group companies

# Reference Data (1)

¥ billions	FY2017  US\$1 = ¥111 € 1 = ¥130 1 yuan = ¥16.8	FY2017		FY2018		FY2018	FY2018
		3Q (Oct–Dec)  US\$1 = ¥113 € 1 = ¥133 1 yuan = ¥17.1	1Q–3Q  US\$1 = ¥112 € 1 = ¥129 1 yuan = ¥16.6	3Q (Oct–Dec)  US\$1 = ¥113 € 1 = ¥129 1 yuan = ¥16.3	1Q–3Q  US\$1 = ¥111 € 1 = ¥129 1 yuan = ¥16.6	Previous forecast  1H actual US\$1 = ¥110 2H assumption US\$1 = ¥105	New forecast  1Q–3Q actual US\$1 = ¥111 4Q assumption US\$1 = ¥110
Revenues	988.3	250.7	733.1	256.5	775.5	1,020.0	1,027.0
Adjusted operating income	65.1	15.6	47.8	9.7	42.8	73.0	58.0
Adjusted operating margin	6.6%	6.2%	6.5%	3.8%	5.5%	7.2%	5.6%
Other income	5.4	1.5	3.6	1.0	8.7		
Other expenses	-24.2	-1.5	-9.0	-11.9	-16.9		
IFRS operating income	46.3	15.6	42.4	-1.2	34.6		
EBIT	48.9	16.5	45.6	-1.2	37.0	67.0	50.5
Income before income taxes	47.0	16.1	44.1	-1.9	35.3	64.5	48.0
Net income attributable to shareholders of the parent company	42.2	15.2	34.8	-1.1	27.0	48.0	37.0
Interest-bearing debt	160.8	168.5	168.5	218.3	218.3		
Capital expenditure	91.8	20.3	59.2	27.0	71.4	100.0	100.0
Depreciation	46.1	11.8	34.5	13.1	37.9	55.0	51.5
R&D expenses	17.7	4.5	12.5	4.6	13.9	21.0	19.0
D/E ratio (times)	0.29	0.30	0.30	0.37	0.37	0.35	
Earnings per share (basic) (yen)	98.72	35.47	81.41	-2.65	63.16	112.26	86.54
Dividend per share (yen)	26.0		13.0		17.0	34.0	34.0
Equity per share attributable to shareholders of the parent company (yen)	1,316.1	1,323.3	1,323.3	1,362.9	1,362.9	1,408.5	
Employees	30,390	30,390	30,390	31,173	31,173	31,300	30,600
ROE*1	7.5%					8.3%	
ROA*2	4.0%					4.5%	
Overseas sales ratio	56%	55%	56%	55%	56%	54%	

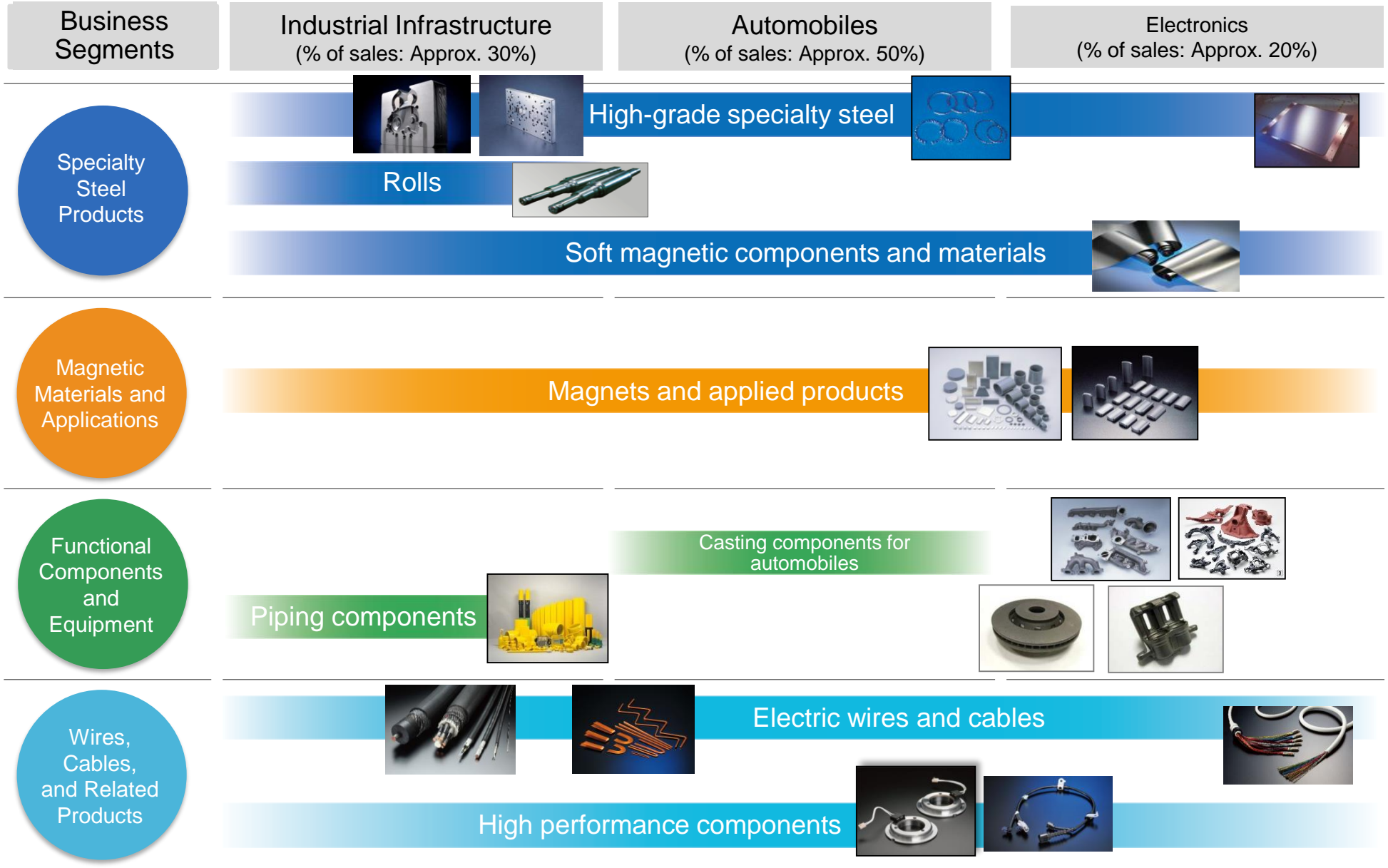
\*1 Return on equity of shareholders of the parent company (ROE) = Net income attributable to shareholders of the parent company / Term-end equity attributable to shareholders of the parent company x 100

\*2 Return on total assets (ROA) = Net income attributable to shareholders of the parent company / Term-end total assets x 100

## Major products' volume trends (weight basis)


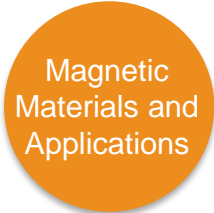


Product		FY2017				FY2018		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Specialty Steel Products	Molds and tool steel	100	93	91	98	99	98	86
	CVT belt materials	100	112	118	128	108	114	121
	Piston ring materials	100	93	92	98	102	97	99
	Organic EL-related materials	100	162	172	215	202	177	175
Magnetic Materials and Applications	Rare earth magnets	100	101	105	98	99	99	92
Functional Components and Equipment	Cast iron products	100	92	87	98	101	95	92
	Heat-resistant exhaust casting components (HERCUNITE™)	100	98	105	101	101	88	83
	Aluminum wheels (number basis)	100	88	88	93	91	80	84

# (For reference) Business Operations by Market



# (For reference) Hitachi Metals: Description of Business Segments (October 1, 2017 onward)

## ■ Business Operations

Business segments	Business	Principal Products
 <p>Specialty Steel Products</p>	Specialty Steel Company	
	Specialty steel	YASUGI SPECIALTY STEEL brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile-related materials, razor and blade materials], aircraft- and energy-related materials, and precision cast components)
	Rolls	Rolls for steel mills, injection molding machine parts, structural ceramic products, and steel-frame joints for construction
	Soft magnetic component and materials	Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic materials; and soft ferrite) and applied products
 <p>Magnetic Materials and Applications</p>	Magnetic Materials Company	
	Magnets and applied products	Magnets (NEOMAX® rare-earth magnets, ferrite magnets, and other magnets and applied products) and ceramic components
 <p>Functional Components and Equipment</p>	Functional Components Company	
	Casting components for automobiles	Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components) and SCUBA™ aluminum wheels and other aluminum components
	Piping components	Piping and infrastructure components (Gourd™ Gourd brand pipe fittings and valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
 <p>Wires, Cables, and Related Products</p>	Cable Materials Company	
	Electric wires and cables	Industrial cables, electronic wires, electric equipment materials, and industrial rubber products
	High performance components	Cable assemblies, automotive electronic components, and brake hoses

**This document contains forward-looking statements, such as results forecasts, management plans and dividend forecasts, that are not historical facts.**

**All such forward-looking statements are based upon all available information and upon assumptions and projections that were deemed reasonable at the time the Company prepared this document.**

**Changes to the underlying assumptions or circumstances could cause the actual results to differ substantially.**

**The factors causing such differences include, but are not limited to, the following:**

- **Changes in economic conditions and regulations in the main markets where the Company operates, particularly Japan, the Americas, 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 technologies**
- **Fluctuations in the status of product markets, exchange rates and international commodity markets**
- **Changes in the financing environment**
- **The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, the status of product markets, exchange rates and international commodity markets**
- **Protection of the Company's intellectual property, and securing of licenses to use the intellectual property of other parties**
- **Changes in the status of alliances with other parties for product development, etc.**
- **Fluctuations in Japanese stock markets**