To Our Shareholders and Investors

I worked in the automotive castings business after joining Hitachi Metals, gaining experience at both domestic and American manufacturing sites. As a technician, I've observed operations and products from what might be described as the places closest to customers: quality assurance and product technologies. Additionally, from the standpoint of management, I've also experienced missions involving restructuring and rebuilding. Reviving our loss-making American automotive castings manufacturing site and selling it was a particularly valuable experience, and an important opportunity to learn the importance of having your own proprietary technologies. Furthermore, serving not only in the automotive sector but also as the head of our amorphous metals business and Hitachi Metals America, Ltd.—our regional headquarters in the United States—proved to be valuable opportunities to gain experience in global business. The multiple experiences in different kinds of businesses have tied in with what I am today. Being able to accumulate experiences in a wide spectrum of business sectors and regions is what is good about Hitachi Metals, and I retain an unwavering commitment to pursuing the Hitachi Metals way that I learned in this environment.

Since the time of its founding, Hitachi Metals has operated its businesses as a materials manufacturer that offers quality in a wide range of industry sectors based on materials development. Our broad business foundations and our operational structure—which includes extensive domestic and overseas customer bases, materials development capabilities, and manufacturing technologies—are great assets in our pursuit of growth. Our corporate culture and style, which are based on working in unison to achieve our targets, are strengths as we strive for global growth.

We will be shifting gears from defense to offense as we seek additional growth, but will still retain the richly individualistic nature that characterizes the Hitachi Metals corporate group.

I will devote every effort to achieving sustained growth. Hitachi Metals looks forward to your continued support.

Kazuyuki Konishi
Chairman, CEO and Representative Executive Officer

Q1 **Please sum up FY2013, ended March 31, 2014, and describe the company's positioning for FY2014.**

A The Hitachi Metals Group embarked on a new course in FY2013. Hitachi Metals merged with Hitachi Cable, Ltd. on July 1, and we began executing our *Fiscal 2015 Medium-term Management Plan*, ending March 31, 2016, and developing and implementing strategies for our internal companies to achieve growth. Our performance has remained strong due to growth in environmentally friendly products coupled with the positive results that restructuring produced. However, it has become apparent that some operations are lagging and have been unable to surmount the ups and downs of market sentiment. We will need to reassess our strategies to help them catch up in FY2014 and accelerate the implementation of our action plans.

Q2 **What is the status of the Hitachi Cable merger?**

A In tandem with the domestic economic recovery and rising demand overseas, we succeeded in cutting fixed costs through restructuring, and our performance remained strong in FY2013. Nonetheless, we will need to carry out whatever measures are needed without resting on our laurels, changing our corporate portfolio to encourage growth. The cable materials operation must follow the Hitachi Metals style, making defensive moves in the form of building foundations but also going on the offensive.

Q3 **As you seek sustained growth, what are the main management issues for Hitachi Metals?**

A That we have operations and products whose slack growth is concealed by our otherwise fine performance. We need to reconfigure our strategies based on changes in the conditions our operations face, as well as uncovering these issues and dealing with them in the early stages. Furthermore, a certain degree of corporate size is needed to go on growing in worldwide markets, so we will endeavor to expand the scope of our operations as we pursue management efficiency.

Q4 **What is the status of progress on the Medium-term Management Plan, and what is your priority theme?**

A Strengthening and accelerated implementation of global growth strategies is our priority. We will be reassessing our action plans and the timeline for those plans to put us on track for worldwide growth so that we can start implementing them more quickly. The Hitachi Metals Group needs not just defense, but also offense. As we firm up our corporate foundations we will also be investing strategically to sow the seeds for growth while moving to bolster our global growth strategies and accelerate their implementation.

Q5 **Please tell us about your policies related to shareholder returns.**

A As we improve Hitachi Metals' overall profitability and increase our ability to produce cash, we will comprehensively assess and implement our growth investments, retained earnings and shareholder returns. We do not maintain a dividend payout ratio policy, but we will factor consolidated dividend payouts into our decisions as we move forward with our medium-term management plan. We will continue to produce earnings by achieving new growth, allocating the resulting cash to growth investments and generating returns for shareholders.

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Our business performance remained strong in FY2013 because of growth in environmentally friendly products for the automotive and infrastructure sectors. The fruits of restructuring up to that point were also vital, along with rebounding demand underpinned by the yen's weakness. Moreover, the Hitachi Metals Group's business scope expanded greatly with the launch of the Cable Materials Company on July 1.

Additionally, preparation of the 2015 Plan began in August 2013, and we are intensifying efforts on that plan's goals. Through the 2015 Plan, we are seeking to establish the foundations for sustained growth based on the lessons learned from the 2012 Plan and the outcomes of our efforts up to FY2012.

In this way, the Hitachi Metals Group took a big step during FY2013. On the other hand, there were operations and products here and there that lagged despite the favorable business climate. There were various reasons for this—perhaps the timing of the orders was when the yen was strong, or there were repercussions from market and customer production cuts—so we are checking the strategy scenarios that were sketched out. We will need to reassess our strategies to help them catch up in FY2014 and accelerate the implementation of our action plans.

Markets have become increasingly global in nature. Competition is growing fiercer in terms of quality, pricing and delivery deadlines. Having a solid understanding of the current situation while deciding what to do is vital.

During FY2014, we will position ourselves to boldly accelerate implementation of the 2015 Plan. Specifically, we have set three basic policies—accelerate global strategy, expand and create our business domain, and build strong corporate foundations. Regarding important issues for the company as a whole, we will implement pan-corporate projects the Corporate Division spearheads, as formulated in the 2015 Plan.

Fiscal 2013 Performance Highlights (April 2013–March 2014)

Net sales	**¥808 billion** (up 51% from FY2012) Note: ¥896.2 billion after adding first quarter results for former Hitachi Cable, Ltd. Key factors included robust demand for automobile-, infrastructure-, and energy-related products
Overseas sales	**¥335.7 billion** (up 45% from FY2012, overseas sales ratio 41.5%) North America ¥94.2 billion (11.7% share), Asia ¥183.2 billion (22.7%), Europe ¥46.9 billion (5.8%), Other regions ¥11.4 billion (1.3%)
Operating income	**¥59.5 billion** (up ¥38.4 billion from FY2012) Note: ¥62.8 billion after adding first quarter results for former Hitachi Cable, Ltd. In addition to the increase in net sales due to solid demand, cost-cutting efforts also contributed to higher operating income
Income before income taxes	**¥50.8 billion** (up ¥33.6 billion from FY2012) In addition to higher operating income, increases in foreign exchange gains and other factors contributed to higher Income before income taxes over FY2012
Net income	**¥39.4 billion** (up ¥26.4 billion from FY2012) Despite a listing of ¥10.1 billion in extraordinary losses from restructuring-related and other expenses, the impact of an increase in sales and profit led to a listing of the highest net income in the company's history
ROE	**12.9%** (up ¥26.4 billion from FY2012)
Capital investment	**¥32 billion** (up ¥5.3 billion from FY2012) In the United States, commencement of rare-earth magnet plant operation and strengthened ferrite magnet production capacity; in South Korea, increased production capacity for casting components for automobiles
Depreciation and amortization	**¥33.6 billion** (up ¥9.4 billion from FY2012)
R&D expenses	**¥16.8 billion** (up ¥5.7 billion from FY2012)
Free cash flow	**¥69.7 billion** (up ¥35.4 billion from the end of FY2012)

Q2 What is the status of the Hitachi Cable merger?

A In tandem with the domestic economic recovery and rising demand overseas, we succeeded in cutting fixed costs through restructuring, and our performance remained strong in FY2013, ended March 31, 2014. Nonetheless, we will need to carry out whatever measures are needed without resting on our laurels, changing our corporate portfolio to encourage growth. The cable materials operation must follow the Hitachi Metals style, making defensive moves in the form of building foundations but also going on the offensive.

Coupled with the successes we have generated through restructuring to date, profitability broadly rebounded in FY2013 due to the recovery in domestic demand and as well as growing demand related to infrastructure overseas. In terms of quantitative outcomes of our corporate merger, we are seeking to generate ¥12 billion in operating income in FY2015 (four billion yen as a result of expansion of our business territories and eight billion from improved corporate efficiency), and we have been steadily producing results related to corporate efficiency. We will be continuing our efforts so that we can generate results more quickly.

Additionally, we have steadily moved to restructure and merge domestic and overseas sales companies. Starting in FY2014, the overseas manufacturing sites of the Cable Materials Company are also being used effectively and other business divisions have started to use them. The synergies from speedier implementation of global strategies have begun to appear in these areas as well.

However, we are not satisfied with the status quo, and have been promoting programs necessary for the future as well, shuffling our corporate portfolio to orient it toward growth. The Hitachi Metals style will also be needed in cable materials operations, and we will seek out operations that by nature will generate profitability and growth. There are still many things that need to be done, of course, but the sectors for which we have positive expectations include automotive products, rail and rolling stock, and medical equipment. As we undertake defensive moves in the form of building our foundations, we will also be going on the offensive.

As we seek markets worldwide, increasing operational efficiency by effectively using corporate resources and achieving customer base growth will be indispensable if we are to sustain our growth as a manufacturer of high-function materials. One of those synergies will involve using the former Hitachi Cable's personnel and sites as we accelerate our global strategies and expand our business and development to achieve sustained growth in worldwide markets.

Deriving Corporate Merger Benefits

Accelerate global strategies and establish robust corporate foundations	
Sales synergies	**Use corporate resources effectively for sales and build a more efficient sales organization** · Provide combined sales support for shared customers and capture orders by expanding the scope of proposals · Use nonredundant overseas sales locations effectively (in South Korea, India, Indonesia, the Czech Republic, Mexico, Vietnam, and elsewhere) · Develop undeveloped areas and new customers
Technology synergies	**Implement process innovation and unit cost cuts by sharing manufacturing technologies that are our strengths** · Wire drawing, coiling, imaging inspection, continuous casting, rolling, and recycling technologies
Development synergies	**Develop and invest in new next-generation products** · Get Corporate Division backing for developing and investing in new next-generation products in the automotive, infrastructure, and other sectors
Cost synergies	**Use the business locations more efficiently and strengthen corporate administrative capabilities** · Use overseas production locations in Vietnam, Mexico, India, the Czech Republic, and elsewhere flexibly and effectively · Boost the cost-competitiveness of overseas locations by strengthening the management and administrative functions of regional oversight companies abroad · Strengthen global procurement and centralized purchasing · Merge or eliminate domestic administrative departments and cut IT costs · Pare logistics costs

Q3 As you seek sustained growth, what are the main management issues for Hitachi Metals?

A That we have operations and products whose slack growth is concealed by our otherwise fine performance. We need to reconfigure our strategies based on changes in the conditions our operations face, as well as uncovering these issues and dealing with them in the early stages. Furthermore, a certain degree of corporate size is needed to go on growing in worldwide markets, so we will endeavor to expand the scope of our operations as we pursue management efficiency.

I recognize that the changes we have begun to see with certain products represent an issue common to the Hitachi Metals Group. While markets are expanding on the one hand, they are shifting in makeup from premium to value market segments, and price competition is heating up as new players enter the market and the needs of markets and customers change.

Hitachi Metals is a group of manufacturers of high-function materials that specialize in high-value-added materials. Quality is the most significant element in ensuring competitive superiority. However, players have also spread worldwide as markets expand globally, so while quality is a given, we cannot win without demonstrating other strengths.

Fortunately, the economy improved more with each new quarter in FY2013, ended March 31, 2014, and demand remained steady. However, if we take a closer look, some operations and products were unable to take advantage of the environment. Though sales and profits grew if viewing the company's overall operation, a closer look revealed that some individual operations lacked growth. The scenarios constructed have begun to change in some operations and products.

We could view things differently, however, and say that if those issues exist a potential treasure trove also exists if we can overcome those issues. As usual, economic conditions change constantly. Rather than fluctuating between joy and sadness, we will elucidate the issues concealed by successful business performance precisely during times when market sentiment is buoyant and handle them during the early stages.

Furthermore, we will actively implement strategies for growth from the perspectives of expanding our customer base, creating opportunities to enter markets, and ensuring competitive superiority. Recently we have been implementing action plans from both mid-range and long-term perspectives. For example, in the high-grade metal products and materials segment, we acquired shares of MMC Superalloy Corporation, turning it into a consolidated subsidiary to strengthen our aerospace equipment and energy sector materials operations. In the high-grade functional components and equipment segment, we invested in India's Vikas Group, anticipating growing market requirements for lighter automotive castings. A certain degree of operational scale is also required for human resource training. It is precisely when businesses reach a certain size that what can be experienced also becomes more wide-ranging. We will continue our efforts to expand the scale of our businesses as we pursue greater management efficiency.

Accelerate Global Strategy

Shift focus of optimization from individual operations to the entire corporate group

· Strengthen and effectively utilize existing overseas bases
· Actively employ M&A and technological alliances

Europe	**Bearing more robust environmental regulations in mind, expand scope of operations, focusing on automotive and energy sectors** · In addition to automotive casting components, examine and promote expanded sales of specialty steel, amorphous metals, magnets, wire products, etc. · Create sales networks and structures based on a global perspective, and plant the seeds for a larger customer foundation
Asia	**Strengthen the foundations for integrated manufacturing sites and exploit market needs for emerging countries** · Use the recently introduced regional oversight functions to strive for overall optimization, in pursuit of regional management efficiency · Use and coordinate among former Hitachi Cable's overseas bases (such as in Thailand, Vietnam, India, and Indonesia), expanding the scale of operations while boosting synergies
North America	**Expand scope of operations in a market where local production is for local consumption and pursue increased profitability by reviewing cost structures** · Improve the profitability of traditional products such as automotive casting components, aluminum wheels, magnets, wire products, etc. · Strengthen collaboration with Europe, Japan, and the rest of Asia to provide customers global procurement capabilities
Japan	**Create a cost structure that will work worldwide and boost development of new materials and technologies that will contribute to the next growth phase** · Pursue overall optimization with a global perspective in both manufacturing and sales · Strengthen the company's foundations while implementing rationalization investments designed to reinforce the organizational structure

Expand and Create Our Business Domain

Actively execute growth investments to expand business areas by reaping the benefits of policies that have been implemented

· Expansion of customer bases and creation of new businesses
· Strive to develop new technologies in tandem with expansion into new business areas

Reaping benefits	■ **Expand scope of operations by implementing global strategies** ■ **Quickly generate effects of management integration** · Mutual sales support for shared customers and expansion of proposal scopes to acquire orders · Effective use of non-overlapping overseas bases in Korea, India, Indonesia, the Czech Republic, Mexico, Vietnam, and elsewhere
Sowing seeds	■ **Gain footholds in areas such as the aircraft and energy sectors to create a fourth pillar of growth** ■ **Promote the creation of sales organizations in untapped regions and markets, such as Europe and India** (FY2013 action plans) High-grade metal products and materials: Strengthen specialty steel business operations in the aircraft and energy sectors · Install innovative large vacuum induction melting and casting furnace · Conclude contract to acquire the shares of MMC Superalloy Corporation · Start mass production and shipment of 50-inch titanium turbine blades for steam turbines die forged using the 50,000-ton forging press at Japan Aeroforge, Ltd. High-grade functional components and materials: Further strengthen automotive casting component production and supply organization in India · Accelerate expansion of operations in India by taking an equity stake in a local automotive casting components manufacturer to create a manufacturing site, tentatively named HNV Castings Private Limited, for high-toughness ductile iron castings HNM™  High-toughness ductile iron castings HNM™

A Message from the CEO

Q4 What is the status of progress on the Medium-term Management Plan, and what is your priority theme?

A Strengthening and accelerated implementation of global growth strategies is our priority. We will be reassessing our action plans and the timeline for those plans to put us on track for worldwide growth so that we can start implementing them more quickly. The Hitachi Metals Group needs not just defense, but also offense. As we firm up our corporate foundations we will also be investing strategically to sow the seeds for growth while moving to bolster our global growth strategies and accelerate their implementation.

We kicked off our 2015 Plan, ending March 31, 2016, in August 2013. We are carrying out efforts on our consolidated performance targets for the fiscal year ending in March 2016—the plan's final year—which are ¥880 billion in net sales, ¥75 billion in operating income, and ¥54 billion in net income.

We drew up the 2015 Plan immediately after the merger with Hitachi Cable, but external conditions have changed greatly since then, as have the situations with the Hitachi Metals Group's various businesses. We will therefore be reassessing the plan's content during the first half of the fiscal year. This reappraisal will mean not just revising the target numbers, but also the content and timeline of the action plan for global growth according to current circumstances such as business environment, customer and technology trends, and competitive conditions.

The Hitachi Metals Group needs offense as well as defense. In terms of the composition of our sales by industry sector share, the automotive sector accounts for just under 40 percent, infrastructure just over 40 percent, and electronics about 20 percent following the merger with Hitachi Cable.

When we think about growth, we need to add a fourth pillar to those three. The top candidates would be the aerospace equipment and energy sectors. While they are currently grouped within the infrastructure sector, these are sectors on which we need to focus. Our company also has numerous automotive sector products for which we can anticipate growth against the backdrop of stricter environmental regulations, including automotive castings, magnetic materials and specialty steel. We also expect demand growth related to specialty steel, amorphous metals, piping components and cable materials for infrastructure. Focusing not just on numbers, but also quality aspects such as market growth prospects and the expansion of customer bases, we will steadily implement our action plans and make necessary investments. Although the effects will not immediately be reflected in our performance numbers, we will shift to offense and implement growth strategies with a view to the future.

Additionally, we will promote speedier production of the next generation of core products. The success or failure of development efforts is based on topics and speed. We will focus corporate resources on R&D topics that are pan-corporate initiatives, and speed up the development of products that can become assets.

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Corporate Policies

Accelerate implementation of the action plans of the
Fiscal 2015 Medium-Term Management Plan, ending March 31, 2016
Eliminate underperformance concealed by good performance

Switch from Defense to Offense

1. **Accelerate Global Strategy**
2. **Expand and Create Our Business Domain**
3. **Build a Strong Management Base**

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Regarding dividends, we paid an annual cash dividend of ¥17 per share in FY2013, ended March 31, 2014. We currently plan to pay an annual dividend of ¥20 per share in FY2014.

Our basic stance is to increase corporate value and distributable earnings to generate appropriate, long-term returns to shareholders. We therefore strive to maintain and strengthen our financial position to support our investments and manage our business so that we can consistently share the resulting growth over the long term with shareholders and other stakeholders.

Regarding shareholder returns, as we better and improve Hitachi Metals' overall profitability and increase our ability to produce cash, we will comprehensively assess and implement our growth investments, retained earnings, and shareholder returns. We do not maintain a dividend payout ratio policy, but we will factor consolidated dividend payouts into our decisions as we move forward with our Medium-term Management Plan. We will continue to produce earnings by achieving new growth, allocating the resulting cash to growth investments, and generating returns for shareholders.