

1. Financial Policy

Hitachi Metals makes growth investments and delivers consistently stable and appropriate returns to shareholders to generate sustainable, long-term growth. Management maintains a financial policy that aims to ensure a healthy financial platform.

The Company thus builds on the reach of its diverse businesses across various industries to invest strategically and flexibly to enhance financial efficiency and profitability. At the same time, the Company accords top priority to accelerating the cash generation cycle to ensure a balanced financial position.

2. Shareholder Returns Policy

The Company's basic dividend policy is to determine profit distributions to shareholders and internal reserves by comprehensively assessing business environment, business development, and business performance. Management's primary commitment is to generate robust growth over the medium- to long-term by strengthening international competitiveness and enhancing the corporate value of the Company, and to deliver appropriate returns of profits to shareholders in the long-term under a business environment with evolving customer needs and technology and globalization.

Further, the Company's basic policy is to pay out dividends from retained earnings twice a year as interim dividends and year-end dividends. The Company's board of directors retains explicit decision-making control over dividend payments.

The internal reserves are to be used for development and commercialization of new materials, incubation of new businesses, and expansion and streamlining of competitive product lines by considering future business development.

In the fiscal year ended March 31, 2015, the Company recorded an increase in earnings from continuing solid demand for automotive-, industrial

infrastructure-, and energy-related products, as well as results from efforts to revise the business portfolio. Consequently, the Company paid annual dividends of ¥23 per share.

Management plans to pay annual dividends of ¥26 per share in the fiscal year ending March 31, 2016.

In the years ahead, Hitachi Metals will endeavor to enhance earnings and profitability while deploying financial strategies to boost capital efficiency, thereby increasing shareholder value.

3. Funding

In principle, the Group covers funding for growth investments with operating cash flows generated in the normal course of business with cash and cash equivalents. For other financing, Hitachi Metals flexibly accesses financial and capital markets to minimize opportunity losses.

In the fiscal year ended March 31, 2015, the funds generated by an increase in earnings or changes in working capital were primarily allocated to capital investments aimed at strengthening a platform to achieve further growth. The Company financed the acquisition of shares of Waupaca Foundry, Inc. with available funds on hand, supplemented by long-term borrowings. During the fiscal year, the Company repaid certain long-term borrowings to ensure its funding stability.

4. Liquidity

Liquidity is a key component of Hitachi Metals' overall financial management policy. For short-term obligations that have maturities of less than 12 months, Hitachi Metals maintains sufficient liquidity to flexibly address unforeseen circumstances.

As of March 31, 2015, total liquid funds of the Company stood at ¥79.0 billion.

5. Interest-Bearing Debt

As of March 31, 2015, interest-bearing debts stood at ¥255.4 billion, an increase of ¥78.2 billion from the previous year. Short-term interest-bearing debts were ¥61.3 billion, a decrease of ¥21.7 billion from the previous year. Long-term interest-bearing debts were ¥194.1 billion, an increase of ¥100.0 billion from the previous year. The debt-to-equity ratio improved by 0.07 percentage points to 0.55 percentage points as of March 31, 2015.

6. Ratings

Hitachi Metals recognizes that a high and stable credit rating is essential to maintain adequate liquidity and selective flexibility in its financial policies. Each year, the Company acquires a credit rating from Rating and Investment Information, Inc., a major credit agency in Japan. As of March 31, 2015, the Company received the rating "A" for its long-term corporate bonds and unsecured corporate bonds. Subsequently, the Company's rating was upgraded to "A+" in June 2015 updates, reflecting the Company's financial soundness.

7. Cash Flows

Hitachi Metals aims to generate cash by increasing operating income, enhancing profitability, and reducing working capital.

The Company pays particular attention to managing and reducing inventories. To that end, Hitachi Metals clarified responsibilities for each inventory category. Production departments and internal companies oversee manufactured products, including work-in-process and finished goods. Domestic and overseas sales companies collaborate with internal companies to look after transit inventories. The Company thus maintains a structure to optimally control and streamline inventories, reducing them over the medium-to long-term. The Group aims to make consolidated net sales forecasts more accurate and implement timely related measures to properly

manage and rationalize inventories by reducing the number of working capital turnover days.

Hitachi Metals adopted a Group cash pooling system to help manage its own and subsidiaries' working capital. In principle, consolidated subsidiaries procure funds through this system rather than by taking on external debt. By consolidating surplus funds and financing requirements across the Group, Hitachi Metals has better positioned itself to become more financially efficient. U.S. subsidiaries also use the cash pooling system, through which they are enhancing financial efficiency.

8. Investment Efficiency

Hitachi Metals invests flexibly in key businesses to drive sustainable growth. Activities include mergers and acquisitions, plant and equipment upgrades, initiatives to streamline operations and set up units to increase production capacity, and investments in employee welfare benefits. In this context, Hitachi Metals differentiates between regular and strategic investments, taking returns and other factors into account.

Hitachi Metals formulates strategic investment proposals based on the present value of discounted cash flows and internal rates of return.