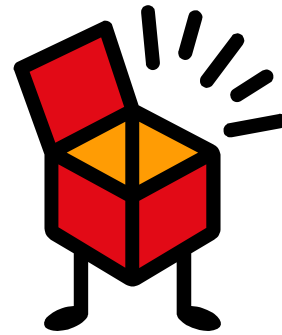


Hitachi Metals

Financial Results For the Year Ended March 31, 2014



Materials Mag!c

April 24, 2014

 **Hitachi Metals, Ltd.**
<http://www.hitachi-metals.co.jp>

Fiscal 2013 Performance Highlights (April 2013–March 2014)

Net sales	<p>¥808 billion (up 51% from FY2012)</p> <p>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</p>
Overseas sales	<p>¥335.7 billion (up 45% from FY2012, overseas sales ratio 41.5%)</p> <p>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%)</p>
Operating income	<p>¥59.5 billion (up ¥38.4 billion from FY2012)</p> <p>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.</p>
Income before income taxes	<p>¥50.8 billion (up ¥33.6 billion from FY2012)</p> <p>In addition to higher operating income, increases in foreign exchange gains and other factors contributed to higher Income before income taxes over FY2012.</p>
Net income	<p>¥39.4 billion (up ¥26.4 billion from FY2012)</p> <p>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.</p>
ROE	<p>12.9% (up 7.4 points from FY2012)</p>
Capital investment	<p>¥32 billion (up ¥5.3 billion from FY2012)</p> <p>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.</p>
Depreciation and amortization	<p>¥33.6 billion (up ¥9.4 billion from FY2012)</p>
R&D expenses	<p>¥16.8 billion (up ¥5.7 billion from FY2012)</p>
Free cash flow	<p>¥69.7 billion (up ¥35.4 billion from the end of FY2012)</p>

Fiscal 2013 Performance Overview (April 2013–March 2014)

(Unit: ¥ billion)

	FY2012	FY2013		Year-on-Year Ratio	Forecast-to-Actual Ratio
	Actual	Forecast (announced January 29, 2014)	Actual		
Net sales	535.8	790.0	808.0	151%	102%
Operating income Operating income ratio	21.1 3.9%	56.0 7.1%	59.5 7.4%	+38.4	+3.5
Non-operating income and expenses	0.1	(2.0)	1.4	+1.3	+3.4
Income before income taxes	17.2	49.0	50.8	+33.6	+1.8
Income taxes	(3.2)	(12.9)	(11.2)	(8.0)	+1.7
Minority interests	(1.0)	(0.6)	(0.2)	+0.8	+0.4
Net income	13.0	35.5	39.4	+26.4	+3.9
ROE	5.5%	11.9%	12.9%	+7.4	+1.0
Capital investment	26.7	40.0	32.0	+5.3	(8.0)
Depreciation and amortization	24.2	34.0	33.6	+9.4	(0.4)
R&D expenses	11.1	17.0	16.8	+5.7	(0.2)
Free cash flow	34.3		69.7	+35.4	

■ Demand Trends

- Automobile-related : Domestic production charted strong results against the backdrop of the improved export environment, with overseas demand also increasing in North America and Asia (although Europe failed to keep pace).
- Electronics-related : Demand for smartphones, tablets, and other devices remained steady.
- Infrastructure- and energy-related : Overseas demand held strong during the year under review, while in Japan both public- and private-sector capital investment turned in solid results.

(Unit: ¥ billion)

	Net Sales					Operating Income					
	FY2012 Actual	FY2013 Forecast	FY2013 Actual	vs. Previous Year	vs. Forecast	FY2012 Actual	FY2013 Forecast	FY2013 Actual	Profit Rate	vs. Previous Year	vs. Forecast
High-Grade Metal Products and Materials	222.9	240.0	237.7	107%	99%	17.7	27.0	25.4	10.7%	+7.7	(1.6)
Magnetic Materials and Applications	142.1	132.5	134.2	94%	101%	(0.9)	12.0	11.7	8.7%	+12.6	(0.3)
High-Grade Functional Components and Equipment	172.0	187.0	187.7	109%	100%	10.2	14.0	12.8	6.8%	+2.6	(1.2)
Wires, Cables, and Related Products	—	234.0	251.2	—	107%	—	11.5	17.0	6.8%	+17.0	+5.5
Other, Deletion	(1.2)	(3.5)	(2.8)	—	—	(5.9)	(8.5)	(7.4)	—	(1.5)	+1.1
Total Consolidated	535.8	790.0	808.0	151%	102%	21.1	56.0	59.5	7.4%	+38.4	+3.5

Forecast: Figures announced on January 29, 2014

(Unit: ¥ billion)

Reference: High-Grade Metal Products and Materials Segment

Net Sales: ¥237.7 billion (up 7% from FY2012)

Operating Income: ¥25.4 billion (up ¥7.7 billion from FY2012)

Automobile-related demand, which was supported by increased domestic automobile production in connection with improved exports, and strong demand for eco-friendly products contributed to increased sales and income in this segment.

■ Specialty Steel

- Molds and tool steel:

Overseas demand was strong throughout the year, with domestic demand also increasing in the second half accompanying the pickup in automobile production.

- Electronics-related products:

Demand was solid for small- and medium-size display materials, with the recovery tone in semiconductor and other package materials also supporting higher results for these materials.

- Industrial equipment and energy-related materials:

Automobile-related materials were characterized by solid demand for eco-friendly products, while energy-related materials benefiting from growth in demand for aircraft materials also contributed to growth in this category.

■ Rolls

- Various types of rolls:

While overseas demand increased, sluggish domestic demand pulled down the overall results for rolls.

- Injection molding machine parts

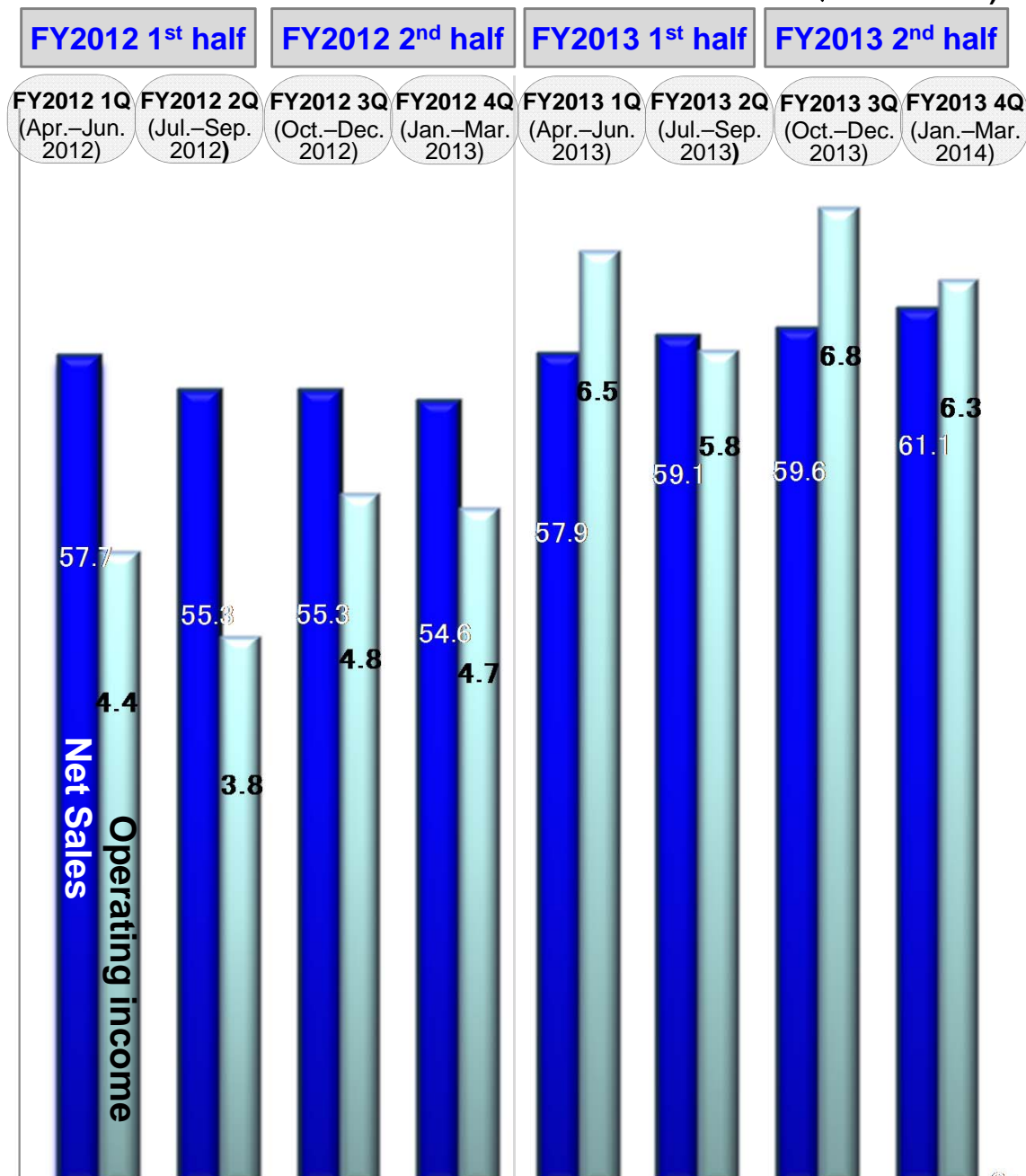
Demand upswings both in Japan and abroad supported growth in these parts over FY2012.

■ Amorphous Metals

In the principal market of China, government policies promoting introduction of energy-efficient machinery served to support robust demand. While an adjustment phase began in the second half of FY2013, the impact of the depreciated yen and other factors contributed to increased performance over the previous year.

■ Cutting Tools

Against the backdrop of a pickup in domestic demand for industrial machinery and improved exports in the overseas sector, FY2013 generated solid results for cutting tools.



Net Sales: ¥134.2 billion (down 6% from FY2012)
Operating Income: ¥11.7 billion (up ¥12.6 billion from FY2012)

For net sales, while demand held firm for automobile-related materials and picked up in FA-related products, the impact of the fall in raw materials prices was a key factor in dragging down results compared to FY2012.
 For income, a broad improvement over the previous year was seen while a special factor—valuation losses accompanying the decline in raw materials prices—emerged on a limited basis.

■ Magnets

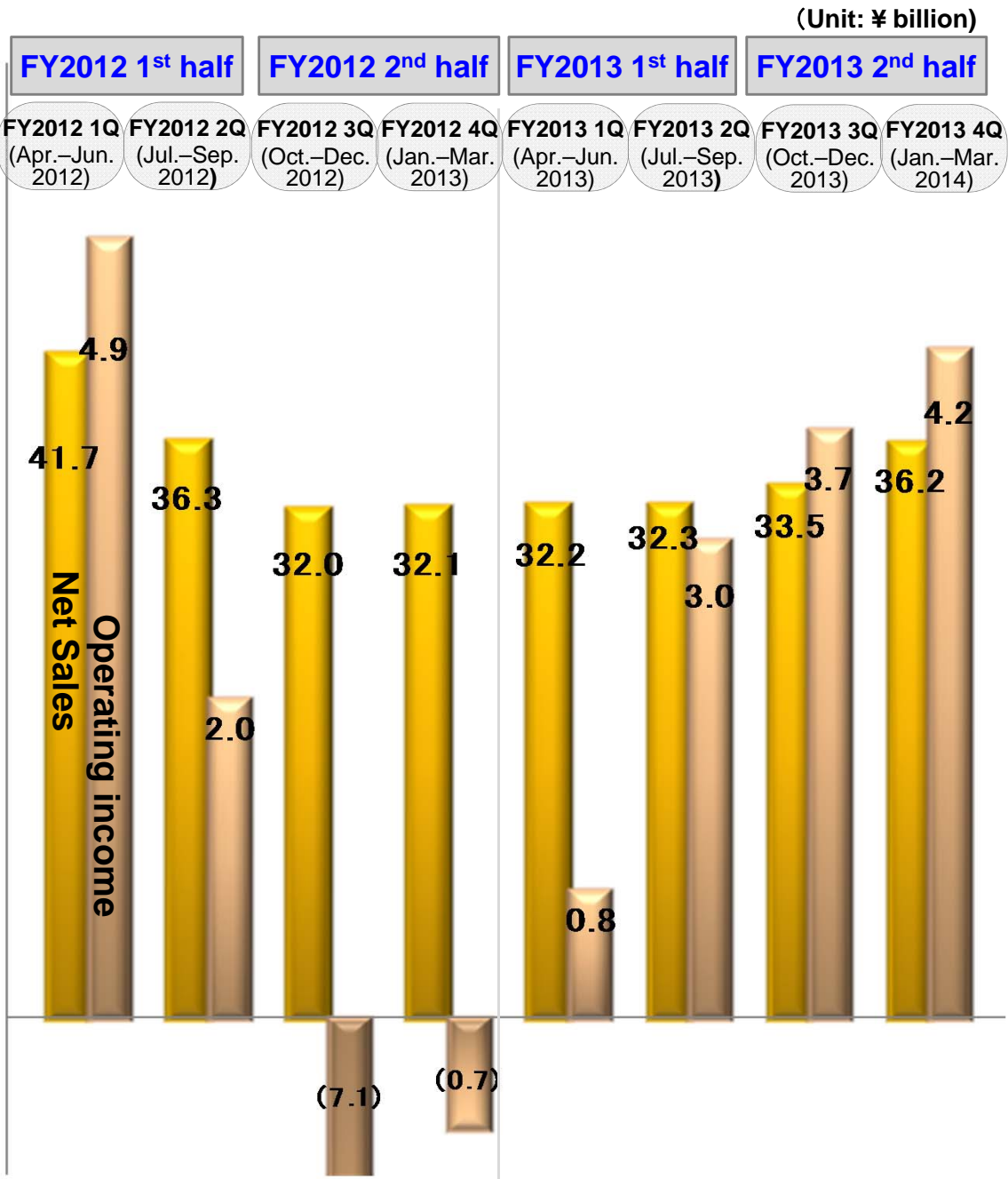
- Rare-earth magnets
 Demand was solid for hybrid vehicles and domestic automobile electrical components, with FA-related demand for these magnets also staging a recovery. For use in hard disc drives, however, sluggish market conditions prevailed. The impact of the decline in raw materials prices was also a factor, with net sales finishing below the FY2012 level.

- Ferrite magnets
 The results for these magnets increased both in Japan and overseas during the year under review, buoyed by solid demand for automobile electrical components and household appliance parts.

■ Soft Magnetic Materials and Applied Products

For soft ferrite, demand was robust for use in solar power generation components, automobile electrical components, and other applications.
 FINEMET also posted a gain for the year, largely on the strength of solid demand for solar power generation components in Europe during the first half.

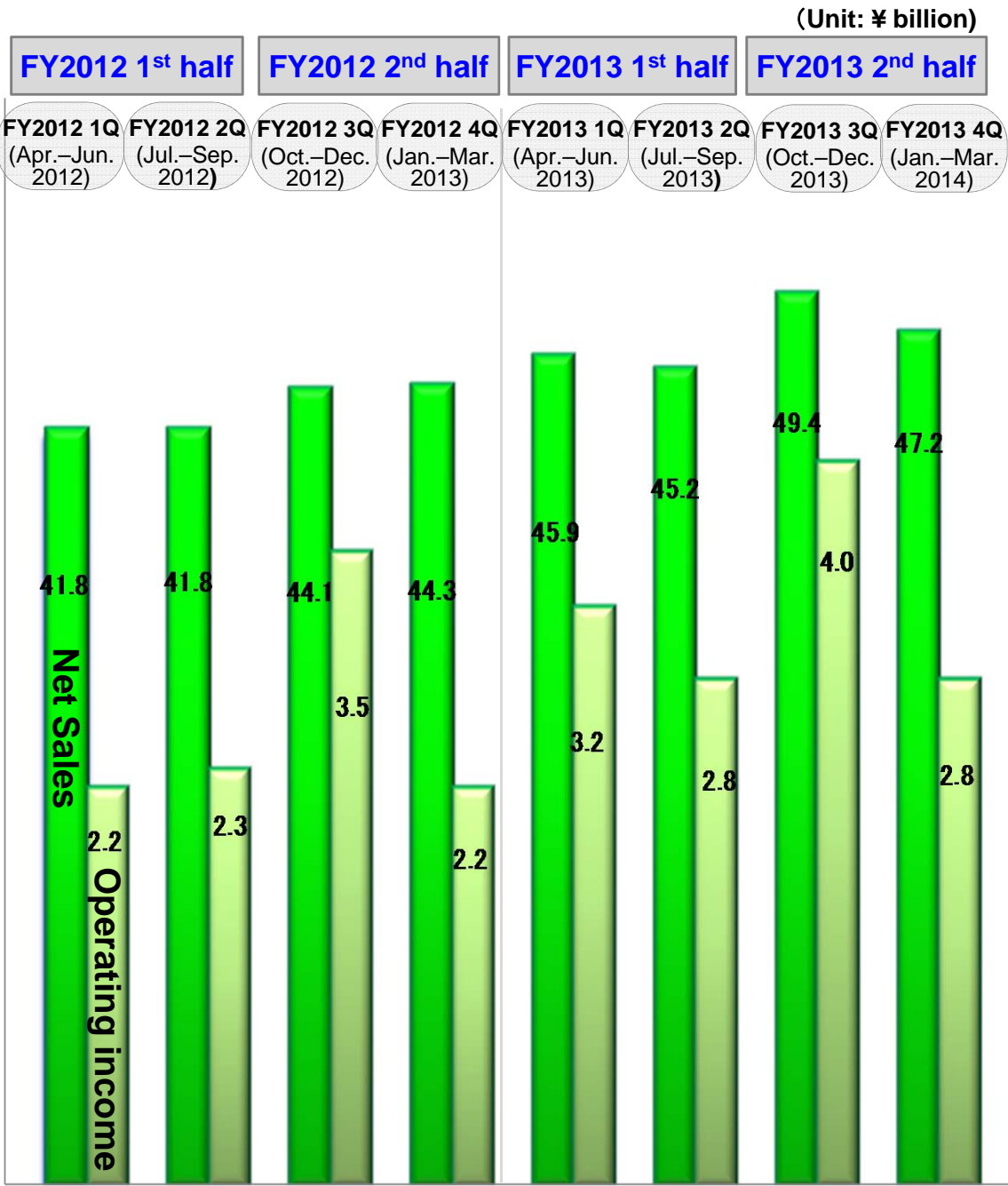
Note: From the first quarter of the year under review, the name of the “Electronics and IT Devices” segment was changed to “Magnetic Materials and Applications.” This shift has not impacted performance.



Net Sales: ¥187.7 billion (up 9% from FY2012)
Operating Income: ¥12.8 billion (up ¥2.6 billion from FY2012)

Though the impact of the economic slump in Europe was felt for casting components for automobiles, the overall segment was driven by automobile-related demand in North America and at home in Japan, as well as by public and private capital investment. As a result, both sales and income bettered their FY2012 levels.

- Casting Components for Automobiles**
 - Heat-resistant exhaust casting components
The continued economic slump in Europe, the primary market for these components, pulled results down from the previous year's performance.
 - High-grade ductile iron products
With solid demand for passenger cars in the U.S. and other overseas markets, and domestic demand also solid with a focus on commercial vehicles, these products posted a general increase for the year under review.
 - Aluminum wheels
Sales of these products finished below the previous year, reflecting the failure to achieve goals set for either the U.S. or domestic markets.
- Piping Components**
 - Pipe fittings
In addition to the upswing in domestic housing starts, the U.S. housing market also moved into recovery mode, supporting increased sales of these products.
 - Stainless steel and plastic piping components
Demand for these components was solid, fueled by high marks for outstanding workability and earthquake resistance when used in gas products. This helped push up their FY2013 performance.
- Construction Components**
 Supported by both robust domestic private sector capital investment and public works outlays, demand for steel-frame construction works was solid and contributed to increased sales of these components.



Net Sales: ¥251.2 billion
 Reference: ¥339.4 billion after adding first quarter results for former Hitachi Cable, Ltd. (down 6% from FY2012)

Operating Income: ¥17 billion
 Reference: ¥20.3 billion after adding first quarter results for former Hitachi Cable (up ¥16 billion from FY2012)

Strong results were recorded in public investment-related spending, while demand was likewise solid in the automobile, construction, and telecommunications fields. For income, the effects of restructuring implemented to date supported major improvements in profitability.

Electric Wires and Cables

For electric power and industrial system cables, demand proved strong for both construction investment and overseas railway projects, as well as for the building of solar power generation plants and other facilities. For electronic and telecommunications materials, performance was steady with a focus on semiconductor production equipment. For electric machine materials, magnet wires demand bounced back primarily for automobile applications, while solar cell-related demand was also firm.

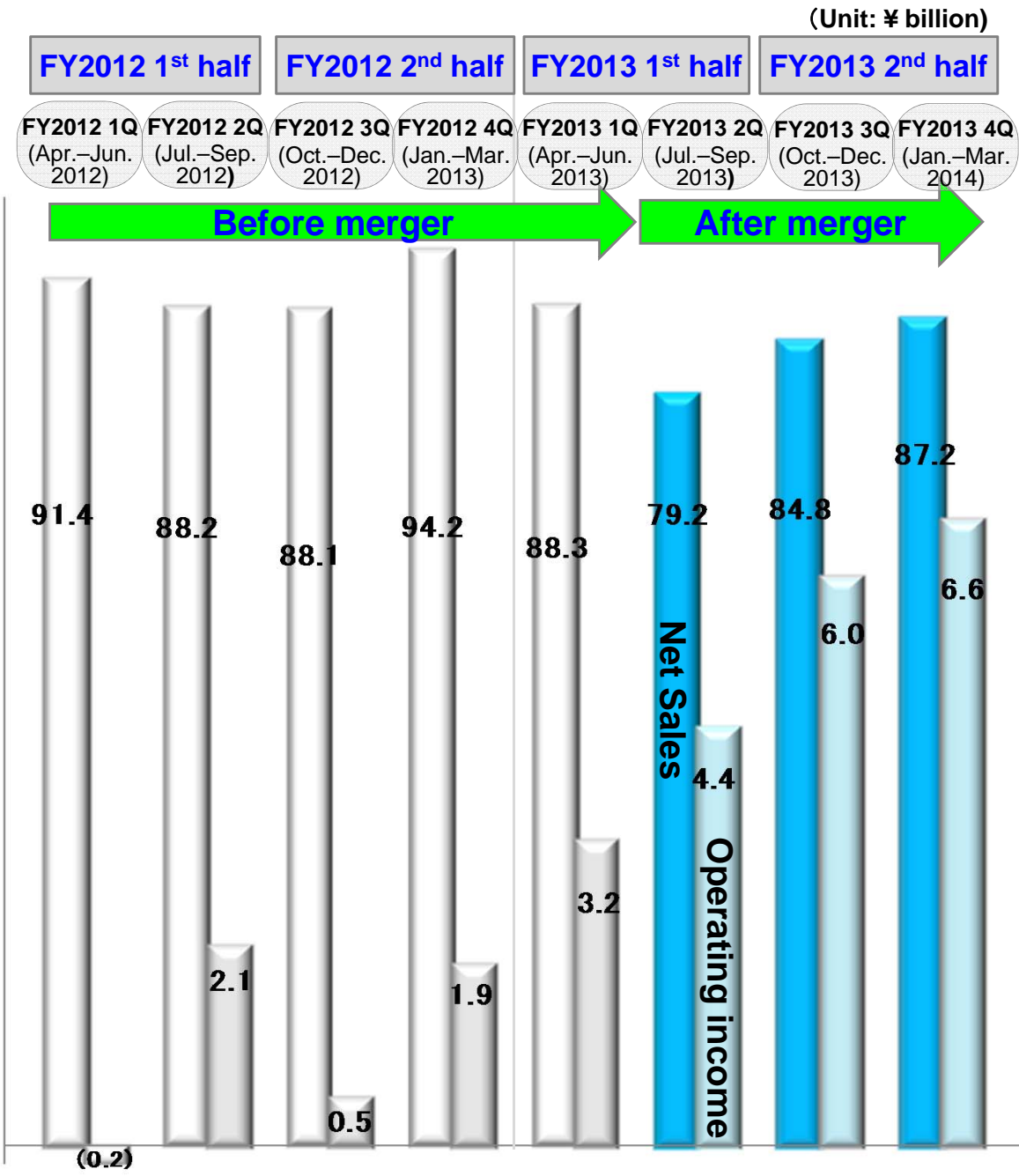
Automotive Products

Demand was solid in the principal sector of electrical components, with the strong performance in the North American market also instrumental in pushing up sales for these components.

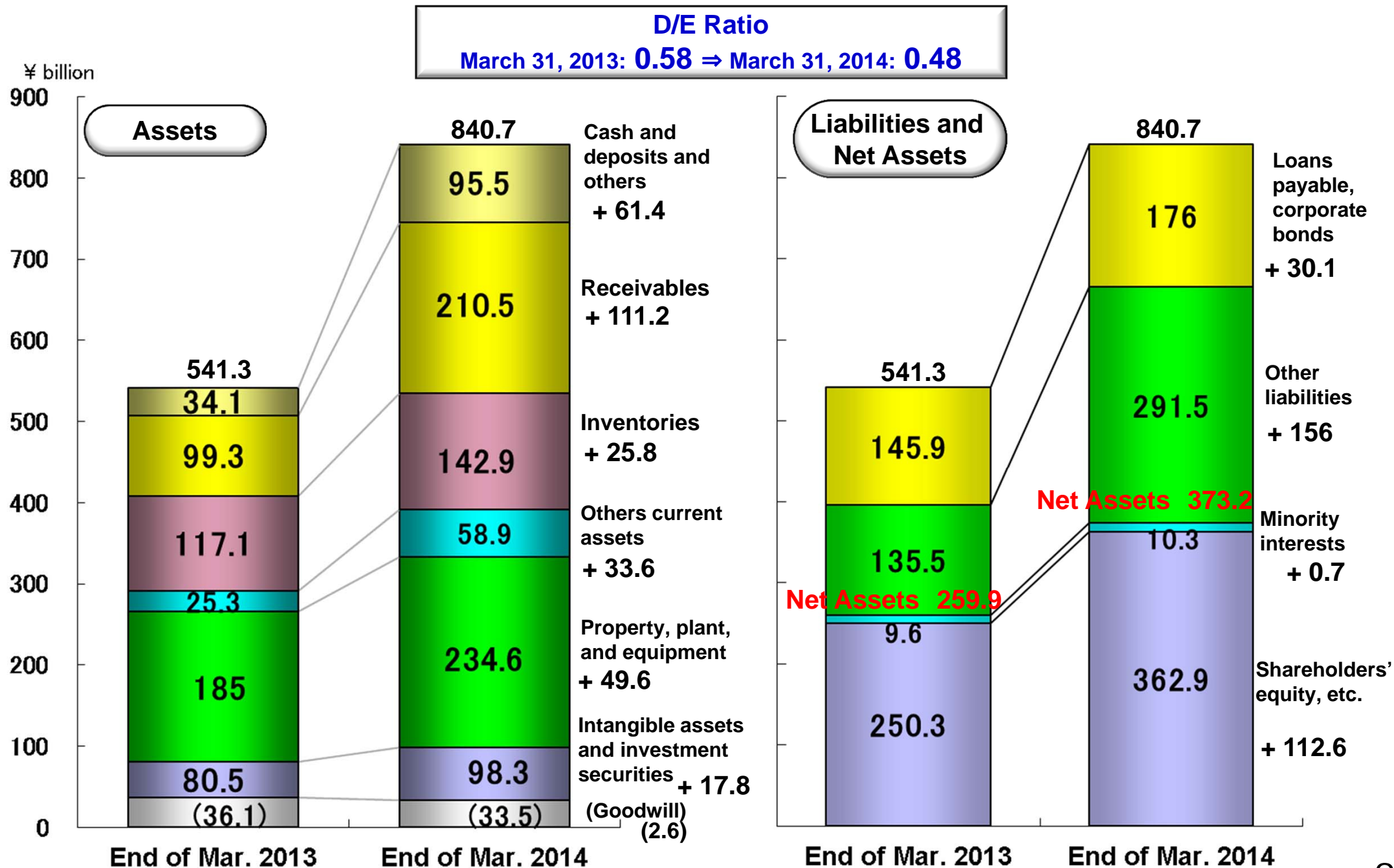
Information System Devices and Materials

Network equipment sales increased hand in hand with strengthened network outlays by telecommunications service providers to deal with the popularization of smartphones, supporting solid results for these devices during FY2013.

Note: This segment was newly established upon the merger with Hitachi Cable on July 1, 2013. The results of this segment have been reflected in the performance of the Hitachi Metals Group from the consolidated accounting figures for the second quarter of FY2013



Assets, Liabilities, and Net Assets



(Unit: ¥ billion)

Item	FY2012	FY2013	Increase(Decrease)
Income before income taxes and minority interests	17.2	50.8	+33.6
Depreciation and amortization	24.2	33.6	+9.4
Decrease in operating capital	36.0	9.4	(26.6)
Other	(14.4)	6.8	+21.2
Cash flows from operating activities	63.0	100.6	+37.6
Capital investment	(29.1)	(31.2)	(2.1)
Other	0.4	0.3	(0.1)
Cash flows from investing activities	(28.7)	(30.9)	(2.2)
Free cash flow	34.3	69.7	+35.4
Increase (Decrease) in borrowings and bonds	(23.9)	(22.4)	+1.5
Dividend payments, etc.	(7.4)	(8.6)	(1.2)
Cash flows from financing activities	(31.3)	(31.0)	+0.3
Effect of exchange rate changes, etc.	3.1	22.7	+19.6
Increase (Decrease) in cash and cash equivalents	6.1	61.4	+55.3
Cash and cash equivalents at end of year	34.1	95.5	+61.4

Net sales	<p>¥910 billion (up 13% from FY2013)</p> <p>Despite concerns such as economic slowdowns in emerging countries and reactionary demand drops in the wake of the rate hike in Japan's national consumption tax, projections favor sustained strength in demand with the primary focus on automobile-, infrastructure-, and energy-related products.</p>
Operating income	<p>¥68 billion (up ¥8.5 billion from FY2013)</p> <p>In addition to the increase in net sales, cost-cutting efforts are projected to continue to support higher operating income.</p>
Income before income taxes	<p>¥57 billion (up ¥6.2 billion from FY2013)</p> <p>Increased operating income is forecast to boost Income before income taxes over the FY2013 level.</p>
Net income	<p>¥42 billion (up ¥2.6 billion from FY2013)</p>
ROE	<p>11.1% (down 1.8 points from FY2013)</p>
Capital investment	<p>¥56 billion (up ¥24 billion from FY2013)</p> <p>Topics: Installation of large vacuum induction melting furnaces for the specialty steel business; bolstering of rare-earth magnet production capacity</p>
Depreciation and amortization	<p>¥36.5 billion (up ¥2.9 billion from FY2013)</p>
R&D expenses	<p>¥17 billion (up ¥200 million from FY2013)</p>

(Unit: ¥ billion)

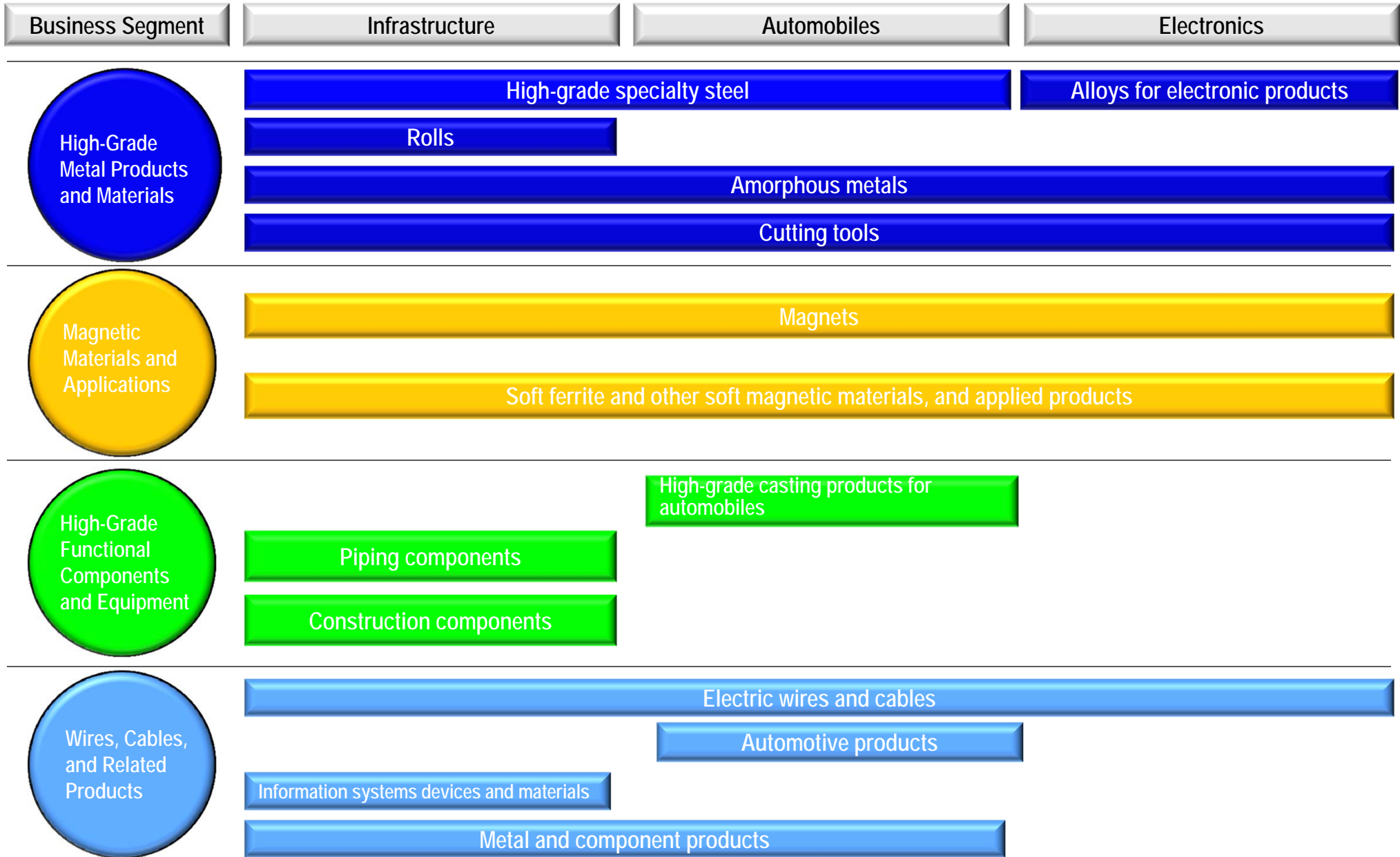
	FY2013 Actual	FY2014 Forecast	vs. FY2013
Net sales	808.0	910.0	113%
Operating income	59.5	68.0	+8.5
Operating income ratio	7.4%	7.5%	
Non-operating income and expenses	1.4	(3.0)	(4.4)
Income before income taxes	50.8	57.0	+6.2
Net income	39.4	42.0	+2.6
ROE	12.9%	11.1%	(1.8)
Capital investment	32.0	56.0	+24.0
Depreciation and amortization	33.6	36.5	+2.9
R&D expenses	16.8	17.0	+0.2

Fiscal 2014 Performance Forecasts by Segment (April 2014–March 2015)

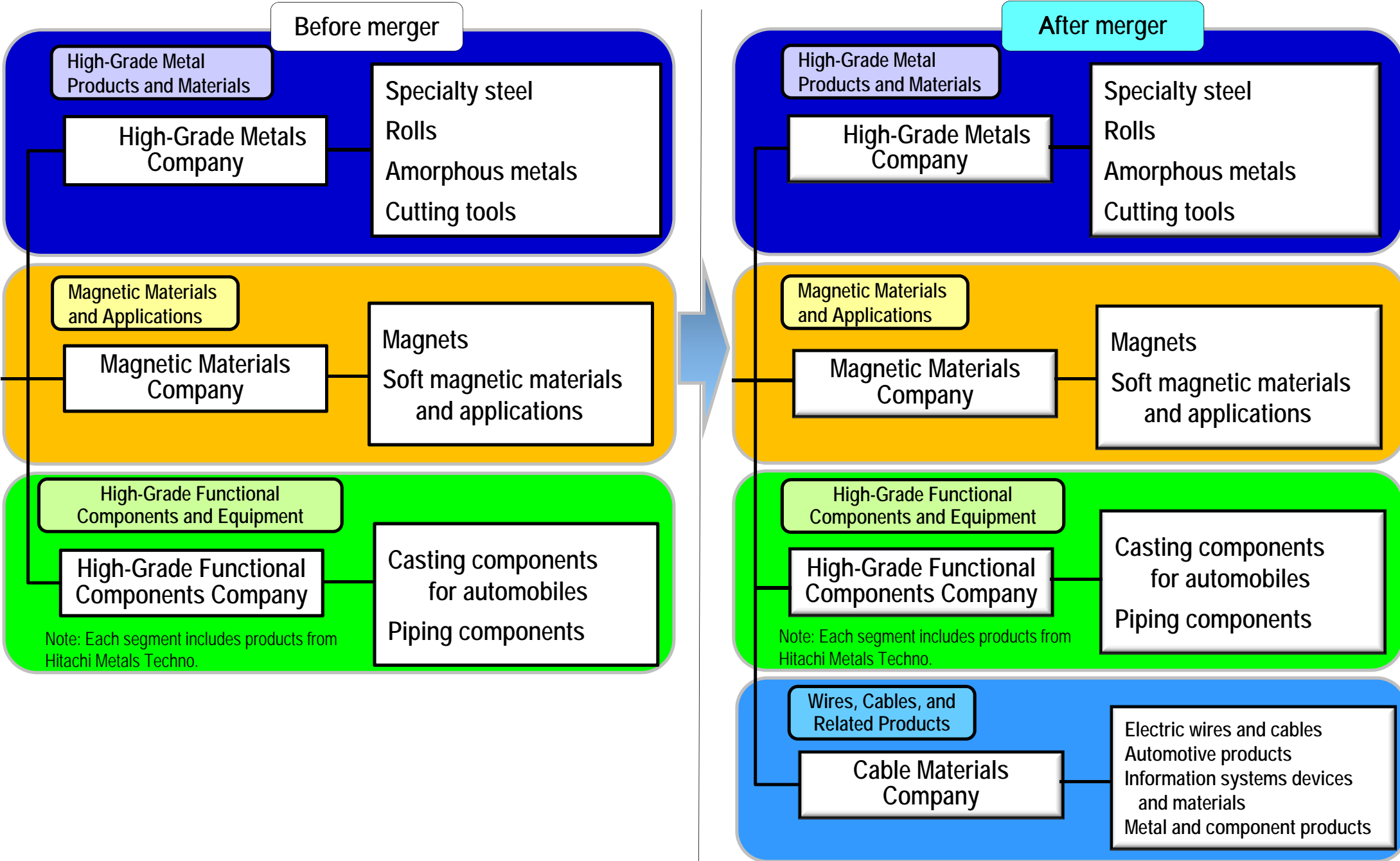
(Unit: ¥ billion)

	Net sales			Operating income		
	FY2013 Actual	FY2014 Forecast	vs. FY2013	FY2013 Actual	FY2014 Forecast	vs. FY2013
High-Grade Metal Products and Materials	237.7	262.5	110%	25.4	30.0	+4.6
Magnetic Materials and Applications	134.2	141.0	105%	11.7	16.0	+4.3
High-Grade Functional Components and Equipment	187.7	188.5	100%	12.8	14.5	+1.7
Wires, Cables, and Related Products	251.2	320.0	127%	17.0	16.5	(0.5)
Other, Deletion	(2.8)	(2.0)	—	(7.4)	(9.0)	(1.6)
Total Consolidated	808.0	910.0	113%	59.5	68.0	+8.5

[A materials manufacturer that provides high quality in a broad spectrum of industry sectors based on materials development](#)







Hitachi Metals' Corporate Structure (July 2013)



Business Segment

Principal Products

 <p>High-Grade Metal Products</p>	High-Grade Metals Company	Specialty Steel	YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment and energy-related materials, and razor and blade materials)
		Rolls	Rolls for steel mills, injection molding machine parts, structural ceramic products, steel-frame joints for construction
		Amorphous Metals	Metglas® amorphous metals
		Hitachi Tool Engineering, Ltd.	Cutting tools
 <p>Magnetic Materials and Applications</p>	Magnetic Materials Company		Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products), soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material; and Metglas® amorphous metals) and applied products, components for information and telecommunication equipment, IT materials and components, materials and components for medical equipment
 <p>High-Grade Functional Components and Equipment</p>	High-Grade Functional Components Company	Casting Components for Automobiles	High-grade casting components for automobiles (HERCUNITE® heat-resistant exhaust casting components and HNM™ high-grade ductile cast iron products), SCUBA™ aluminum wheels and other aluminum components, forged components for automobiles
		Piping Components	Piping and infrastructure components (Gourd® brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
	Hitachi Metals Techno, Ltd.	Construction components (floor access systems, structural systems, and roofing systems), chain (for material handling systems)	
 <p>Wires, Cables, and Related Products</p>	Cable Materials Company		Electric power and industrial wires and cables; electronic wires, cables, and wiring devices; fiber optic and telecommunication cables; magnet wires; and industrial rubber products; electronic components and brake hoses for automobiles; information networks, wireless systems, compound semiconductor products, and other information systems devices and materials; brass and other metal products

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