

# Hitachi Metals, Ltd. (Jan. 31, 2005)

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URL <http://www.hitachi-metals.co.jp>

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## Consolidated Financial Report for the third quarterly ended December 31, 2004

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Stock Exchange where listed (section): Tokyo(First), Osaka(First)

### 1. Items pertaining to the preparation of quarterly results:

#### (1) Use of simplified accounting procedures:

A simplified method has been used in certain cases to determine forecasted amounts presented in the quarterly reports for depreciation of property, plant and equipment.

#### (2) Changes in accounting principles in the most recent fiscal year:

Segment information- From fiscal 2004, the five former business segments (High-grade Metal Products and Materials; Electronics and IT Devices; High-Grade Casting Components for Automobiles; Construction Components, Plant and Equipment; and Service and Others) has been reorganized into four segments: High-grade Metal Products and Materials; Electronics and IT Devices; High-Grade Functional Components and Equipment; and Service and Others.

#### (3) Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries: 103

Equity method applied affiliates : 17

Consolidated scope and changes to the application of the equity method

Consolidation : New companies 30 Companies removed 2

Equity method : New companies coming under equity method 1 Companies removed 3

Newly consolidated:

Hercunite Foundry Technology Ltd., Hitachi Metals (Suzhou) Valves & Fittings, Ltd., Hitachi Metals (Dong Guan) Specialty Steel Co., Ltd., HMF Technology Korea Co., Ltd., one other company (newly established), NEOMAX Co., Ltd., Pacific Metals Co., Ltd. and one other company (additional stock acquisition). Consolidation of the NEOMAX Group adds 19 new companies, including NEOMAX FERRITE Co., Ltd. (formerly Sumitoku Ferrite Co., Ltd.), to the Hitachi Metals Group. Consolidation of Pacific Metals Co., Ltd. adds Pacific Metals Tianjin Co., Ltd. to the Hitachi Metals Group. Hitachi Metals Tool Steel, Ltd. was a spin off from Nichiei Corporation, and NEOMAX MATERIALS Co., Ltd. was spun off from NEOMAX Co., Ltd.

Removed from consolidation:

Hisago Valve Service, Ltd. and one other company through a merger

Newly subject to the equity method:

Taiwan Sumitok & Cimeo Precision Electronics, Inc. (included with consolidation of NEOMAX Group)

Removed from equity method:

NEOMAX Co., Ltd., Pacific Metals Co., Ltd, Nippon Amorphous Metals Co., Ltd. (included as consolidated subsidiary)

### 2. Performance over the year, April 1, 2004 to December 31, 2004

(Figures are rounded to the nearest million yen)

(1) Consolidated Operating results	12/04(quarter)	12/03(quarter)	Change(%)	3/04
Net Sales (million yen)	414,594	303,813	36.5	420,080
Operating income (million yen)	29,589	9,717	204.5	18,576
Ordinary income (million yen)	26,581	7,387	259.8	15,184
Net income (million yen)	13,121	1,841	612.7	3,408
Net income per share (yen)	37.21	5.16	—	9.09
Diluted net income per share (yen)	—	—	—	—
(2) Consolidated Financial Standing	12/04(quarter)	12/03(quarter)	3/04	
Total assets (million yen)	533,286	429,669	429,289	
Shareholders' equity (million yen)	160,102	150,931	151,224	
Shareholders' equity ratio(%)	30.0	35.1	35.2	
Shareholders' equity per share (yen)	457.88	422.89	427.40	
(3) Consolidated cash flows (million yen)	12/04(quarter)	12/03(quarter)	3/04	
Cash flows from operating activities	16,085	6,471	20,124	
Cash flows from investment activities	(10,998)	(16,538)	(17,699)	
Cash flows from financing activities	(10,966)	(13,743)	(15,786)	
Cash and cash equivalents at yearend	47,674	32,650	42,896	

## **Qualitative Information Regarding Business Results**

Net sales for the first three quarters of fiscal 2004 (nine-month period) increased substantially by 36.5% to ¥414,594 million from the same period of the preceding fiscal year. This increase was due to firm performance in the High-Grade Metal Products and Electronics and IT Devices segments, and the inclusion of the NEOMAX Group in the scope of consolidation. Ordinary income increased ¥19,194 million to ¥26,581 million, and net income grew ¥11,280 million to ¥13,121 million.

Segment information is as follows. Net sales figures for each segment include intersegment sales and transfers.

The structure of the Company's business has changed significantly as a result of the acquisition of the amorphous metals and materials business and the transfer of the water treatment business, together with the inclusion of the NEOMAX Group in the scope of consolidation. Consequently, business segments have been reorganized from the consolidated fiscal year under review.

### **High-Grade Metal Products and Materials**

Demand for high-grade specialty steels and cutting tools remained at high levels, supported by favorable conditions in the Asian and North American automobile industries. Sales of these products, accordingly, showed substantial growth. Demand for digital consumer electronics and AV equipment took an upturn, and capital investment in LCD panels and other equipment was active. These factors brought a major increase in sales of display-related materials, semiconductor package materials, and other electronics materials. Although orders of rolls increased on account of robust activity in the steel industry, most shipments will fall in the fourth quarter, and as a result third quarter sales were almost unchanged from the same period of the preceding fiscal year. Cutbacks in capital investment in the second half of the fiscal year resulted in a decline in sales of components for injection molding machines.

As a result, sales in this segment expanded 21.5% to ¥150,355 million, with operating income of ¥13,901 million, an increase of ¥7,318 million compared with the same period of the previous fiscal year.

### **Electronics and IT Devices**

Robust conditions in the automobile, machine tool, and electronic equipment industries, which are major sources of demand for magnets, resulted in significant growth in sales of ferrite and rare-earth magnets, and applied products. Expansion in the market for LCDs and other digital consumer electronics resulted in pronounced growth in sales of ferrite cores and wire components. IT equipment (isolators and antenna switch modules) also showed substantial

growth, owing to the thriving mobile telephone market and an increase in the use of our products at new customers. Sales of FINEMET<sup>®</sup> increased as a result of expanding demand for digital consumer electronics.

As a result, sales in this segment rose 199.2% to ¥120,832 million, with operating income of ¥10,086 million, an increase of ¥9,381 million compared with the same period of the previous fiscal year.

The NEOMAX Group was included in the scope of consolidation and this segment from the fiscal year under review.

### **High-Grade Functional Components and Equipment**

Stricter regulation of truck exhaust emissions has continued to support demand for high-grade ductile cast iron products, bringing higher sales. Although sales of heat-resistant cast steel products declined, strong overseas demand resulted in growth in sales of aluminum road wheels. Sales of aluminum products were flat compared with the corresponding period of the previous fiscal year, as continued screening of unprofitable products restrained growth. An increase in new construction starts supported sales of pipe fittings (steel pipe, anti-corrosion fittings) as well as stainless steel and plastic piping components. However, changes in piping materials held sales to near their level a year earlier. Demand in connection with vigorous capital investment produced a significant increase in sales of internal and structural systems.

As a result, sales in this segment rose 8.1% to ¥125,633 million, with operating income of ¥5,973 million, an increase of ¥1,667 million compared with the same period of the previous fiscal year.

### **Services and Others**

Both domestic and overseas sales were favorable.

As a result, sales in this segment rose 10.8% to ¥76,328 million, with operating income of ¥1,186 million, an increase of ¥2,214 million compared with the same period of the previous fiscal year.

## Qualitative Information Regarding Changes in Financial Position

In the third quarter, net cash provided by operating activities totaled ¥16,085 million, an increase of ¥9,614 million compared with the same period of the previous fiscal year, owing to significant growth in income before income taxes and minority interests to ¥26,638 million due to strong performance, an increase in receivables from higher sales and the allocation of working capital to secure materials inventories as a hedge against rising prices.

Net cash used in investing activities was ¥10,998 million, a decrease of ¥5,540 million from a year earlier on account of a decline in purchase of investment securities despite an increase in capital expenditures.

Net cash used in financing activities amounted to ¥10,966 million, a decline of ¥2,777 million from the corresponding period of the previous fiscal year, reflecting payments of ¥5,495 million for the reduction of interest-bearing debt, cash dividends of ¥3,355 million, and purchase of treasury stock of ¥2,119 million.

As a result of these activities, cash and cash equivalents at the end of the third quarter totaled ¥47,674 million, a decrease of ¥5,825 million from April 1, 2004.

Although cash and cash equivalents decreased ¥5,825 million compared with April 1, 2004, the inclusion of NEOMAX Co., Ltd. in the scope of consolidation from the first quarter provided an additional ¥10,603 million in cash and cash equivalents to total ¥47,674 million at the end of the third quarter.

## Forecasts of results for the term, April 1, 2004 to March 31, 2005

### Consolidated Results Forecasts

	At year end
Net sales (million yen)	550,000
Ordinary income (million yen)	33,500
Net income (million yen)	12,500
Reference: Expected net income per share (full-year basis)	35.00 yen

## Qualitative Information Regarding Forecasts of Performance

Due to the influence of international prices, Hitachi Metals expects an increase the price of materials and changes in demand. Hitachi Metals believes that results for the fiscal year ending March 31, 2005, are likely to exceed its estimates for net sales and ordinary income that were announced with interim results.

Note: The forecast figures presented in the preceding sections, with the exception of actual results, are based on certain assumptions and predictions of the management at the time of preparation. Changes in business conditions or underlying assumptions may cause actual results may differ from those projected.

**Consolidated Balance Sheets**

(Millions of Yen)

	End of 12/04 (A)	End of 3/04 (B)	(difference) (A)-(B)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits in banks	35,298	20,746	14,552
Notes receivable and accounts receivable	111,497	80,286	31,211
Receivable for completed construction work	1,671	2,972	(1,301)
Cash pooling deposit	12,324	22,099	(9,775)
Negotiable securities	84	1,086	(1,002)
Inventories	102,171	71,668	30,503
Deferred tax assets	12,976	10,844	2,132
Other current assets	8,179	5,077	3,102
Total current assets	<b>284,200</b>	214,778	69,422
<b>Fixed assets:</b>			
Tangible fixed assets	201,862	151,456	50,406
Intangible fixed assets	3,108	2,977	131
Other	44,116	60,078	(15,962)
Total fixed assets	<b>249,086</b>	214,511	34,575
<b>Total assets</b>	<b>533,286</b>	429,289	103,997
<b>LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
<u>Current Liabilities</u>			
Accounts payable	60,115	40,757	19,358
Short-term debt	76,373	53,396	22,977
Bonds redeemable within a year	5,000	11,404	(6,404)
Others	44,597	35,927	8,670
Total current liabilities	<b>186,085</b>	141,484	44,601
<u>Fixed liabilities</u>			
Bonds and long-term debt	97,429	82,725	14,704
Reserve for retirement benefits	31,057	26,422	4,635
Reserve for directors' retirement bonuses	1,155	1,335	(180)
Deferred tax liabilities	3,842	2,972	870
Others	7,433	12,599	(5,166)
Total fixed liabilities	<b>140,916</b>	126,053	14,863
Total liabilities	<b>327,001</b>	267,537	59,464
<b>Minority interests</b>	<b>46,183</b>	10,528	35,655
<b>Shareholders' equity:</b>			
Paid-in capital	26,284	26,283	1
Capital surplus	36,700	36,699	1
Consolidated Surplus	105,869	95,940	9,929
Appraisal gain for other marketable securities	1,688	1,500	188
Other	(10,439)	(9,198)	(1,241)
Total shareholders' equity	<b>160,102</b>	151,224	8,878
<b>Total Liabilities, Minority interests and Shareholders' equity</b>	<b>533,286</b>	429,289	103,997

**Comparative Statement of profit and loss**

(Millions of Yen)

	3 <sup>rd</sup> quarter fiscal 2004 (Dec. 31,04) (A)	Ratio to sales (%)	3 <sup>rd</sup> quarter fiscal 2003 (Dec. 31,03) (B)	Ratio to sales (%)	(A)／(B) (%)	Fiscal 2003 (Mar. 31,04)
<b>Net sales</b>	<b>414,594</b>	100.0	303,813	100.0	136	420,080
Cost of sales	325,333	78.5	245,302	80.7	133	336,495
<b>Gross profit</b>	<b>89,261</b>	21.5	58,511	19.3	153	83,585
Sales, general and administrative expenses	59,672	14.4	48,794	16.1	122	65,009
<b>Operating Profit and loss</b>	<b>29,589</b>	7.1	9,717	3.2	305	18,576
<b>Other income:</b>						
Interest and dividends	309		223		139	285
Investment income based on equity method	168		398		42	782
Other	3,117		2,081		150	2,952
Total	3,594	0.9	2,702	0.9	133	4,019
<b>Other deductions:</b>						
Interest and discount charges	1,962		1,521		129	2,092
Other	4,640		3,511		132	5,319
Total	6,602	1.6	5,032	1.7	131	7,411
<b>Ordinary profit (loss)</b>	<b>26,581</b>	6.4	7,387	2.4	360	15,184
<b>Extraordinary profit (loss)</b>						
Gain from the disposal of stocks of affiliated Companies	—		167		—	167
Gains from sale of fixed assets	2,296		1,206		190	2,975
Gain on equity share fluctuation in consolidated subsidiaries	1,681		—		—	—
Write-off Discrepancies as a Result of Changes in Accounting	(2,264)		(2,267)		110	(3,049)
Loss on structural reform	(1,656)		(502)		330	(3,859)
Extraordinary loss on revision of retirement benefit plan system	—		—		—	(114)
Previous period's portion of social insurance contribution on bonus accruals	—		—		—	(950)
Other	—		(216)		—	(689)
Total	57	0.0	(1,612)	(1)	—	(5,519)
<b>Income before income tax</b>	<b>26,638</b>	6.4	5,775	1.9	461	9,665
<b>Corporate taxes</b>	<b>10,770</b>	2.6	3,765	1.2	286	5,909
<b>Minority shareholders' income, etc.</b>	<b>2,747</b>	0.7	169	0.1	1,625	348
<b>Quarterly net income</b>	<b>13,121</b>	3.2	1,841	0.6	713	3,408

**Statement of Consolidated Surplus**

(Millions of Yen)

	3 <sup>rd</sup> quarter fiscal 2004 (Dec. 31,04) (A)	3 <sup>rd</sup> quarter fiscal 2003 (Dec. 31,03) (B)	(A)／(B) (%)	Fiscal 2003 (Mar. 31,04)
<b>Consolidated surplus brought forward</b>	<b>95,940</b>	94,523	101	94,523
Cash dividends	2,998	1,784	168	1,784
Directors' bonuses	194	207	94	207
<b>Decrease of other surplus</b>	<b>3,192</b>	1,991	160	1,991
<b>Quarterly net income of the year under review</b>	<b>13,121</b>	1,841	713	3,408
<b>Consolidated surplus carried forward</b>	<b>105,869</b>	94,373	112	95,940

## Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 12/04	End of 12/03	End of 3/04
<b>Cash flows from operating activities</b>			
Net income before income tax	26,638	5,775	9,665
Depreciation and amortization	17,196	14,414	19,108
Extra ordinary loss on structural reform	1,656	186	2,452
Gain on equity share fluctuation in consolidated subsidiaries	(1,681)	—	—
Increase reserve for retirement benefits	1,445	989	935
Interest earned and dividends received	(309)	(223)	(285)
Interest paid	1,962	1,521	2,092
(Increase) in receivables	(7,562)	(3,408)	(6,569)
Decrease in receivables for completed construction work	1,316	4,476	10,065
(Increase) in inventories	(15,566)	(7,756)	(4,438)
Increase (decrease) in payables	5,502	(3,270)	(954)
Other	(5,315)	107	(4,650)
Sub total	25,282	12,811	27,421
Amount paid for transfer to defined contribution pension plan	(1,931)	(1,819)	(1,851)
Amount paid for extra ordinary loss on structural reform	(1,294)	—	—
Earnings on interest and dividends	310	291	456
Interest paid	(2,064)	(1,731)	(2,405)
Income tax and other tax paid	(5,355)	(3,081)	(3,497)
Income from compensation for high-grade embankment	1,137	—	—
Net cash provided by operating activities	16,085	6,471	20,124
<b>Cash flows from investment activities</b>			
Proceeds from sale of securities	—	112	153
Proceeds from redemption of securities	1,000	—	—
Expenditures for acquisition of investment securities	(39)	(13,947)	(14,114)
Proceeds from sale of shares in consolidated subsidiaries	—	1,037	1,037
Expenditures for acquisition of tangible fixed assets	(15,875)	(12,997)	(17,281)
Proceeds from sale of tangible fixed assets	6,203	12,862	15,891
Expenditures for acquisition of intangible fixed assets	(283)	(476)	(703)
Proceeds from business transfer	—	—	620
Expenditures for assignment of businesses	—	(3,859)	(3,856)
Proceeds from acquisition of subsidiary shares due to change in scope of consolidation	—	1,207	1,207
Expenditures for acquisition of subsidiary shares due to change in scope of consolidation	(1,692)	—	—
Other investment	(312)	(477)	(653)
Net cash used in investing activities	(10,998)	(16,538)	(17,699)
<b>Cash flows from financing activities</b>			
Increase in short-term borrowings	3,884	3,969	3,421
Proceeds from long-term debt	4,734	14,123	14,623
Payments on long-term debt	(5,044)	(19,015)	(21,436)
Proceeds from issue of bonds	2,098	9,686	11,619
Expenditures for redemption of bonds	(11,167)	(20,582)	(20,689)
Issuance of treasury stock	3	—	—
Purchase of treasury stock	(2,119)	(10)	(1,410)
Dividends paid by parent company	(2,998)	(1,784)	(1,784)
Dividends paid to minority stock holders	(357)	(130)	(130)
Net cash provided by (used in) financing activities	(10,966)	(13,743)	(15,786)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	54	(924)	(1,127)
<b>Net (decrease) in cash and cash equivalents</b>	<b>(5,825)</b>	<b>(24,734)</b>	<b>(14,488)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>42,896</b>	<b>57,384</b>	<b>57,384</b>
<b>Addition to cash and cash equivalents from newly consolidated companies</b>	<b>10,603</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	<b>47,674</b>	<b>32,650</b>	<b>42,896</b>
Listed cash and deposits to consolidated balance sheet at end of year and relation of listed cash and cash equivalents to consolidated statements of cash flows			
<b>Cash and deposits</b>	<b>35,298</b>	<b>23,596</b>	<b>20,746</b>
<b>Securities (Money Market Fund, etc.)</b>	<b>52</b>	<b>386</b>	<b>51</b>
<b>Cash pooling deposits</b>	<b>12,324</b>	<b>8,668</b>	<b>22,099</b>
<b>Cash and cash equivalents at end of year</b>	<b>47,674</b>	<b>32,650</b>	<b>42,896</b>

## Segment Information

3<sup>rd</sup> quarter fiscal 2004 (Apr.1, 2004 - Dec. 31, 2004)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
<b>Net sales</b>							
Sales to customers	125,969	101,403	113,835	73,387	414,594	—	414,594
In-house sales	24,386	19,429	11,798	2,941	58,554	(58,554)	—
Total net sales	150,355	120,832	125,633	76,328	473,148	(58,554)	414,594
Operating expenses	136,454	110,746	119,660	75,142	442,002	(56,997)	385,005
Operating income	13,901	10,086	5,973	1,186	31,146	(1,557)	29,589

3<sup>rd</sup> quarter fiscal 2003 (Apr.1, 2003 - Dec. 31, 2003)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
<b>Net sales</b>							
Sales to customers	104,068	28,494	104,028	67,223	303,813	—	303,813
In-house sales	19,636	11,893	12,182	1,657	45,368	(45,368)	—
Total net sales	123,704	40,387	116,210	68,880	349,181	(45,368)	303,813
Operating expenses	117,121	39,682	111,904	69,908	338,615	(44,519)	294,096
Operating income	6,583	705	4,306	(1,028)	10,566	(849)	9,717

Fiscal previous year (Apr.1, 2003 - Mar. 31, 2004)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
<b>Net sales</b>							
Sales to customers	143,099	39,484	142,663	94,834	420,080	—	420,080
In-house sales	26,895	16,259	16,537	2,237	61,928	(61,928)	—
Total net sales	169,994	55,743	159,200	97,071	482,008	(61,928)	420,080
Operating expenses	160,249	53,468	152,336	96,262	462,315	(60,811)	401,504
Operating income	9,745	2,275	6,864	809	19,693	(1,117)	18,576

Note:

Business segments have been determined in consideration of similarities in terms of product type, manufacturing method or sales method, or unit of receivership.



## Change in Business Segments

From fiscal 2004, the five former business segments (High-grade Metal Products and Materials; Electronics and IT Devices; High-Grade Casting Components for Automobiles; Construction Components, Plant and Equipment; and Service and Others) has been reorganized into four segments: High-grade Metal Products and Materials; Electronics and IT Devices; High-Grade Functional Components and Equipment; and Service and Others. The segments were revised, taking advantage of significant changes in the business structure brought about by the inclusion of NEOMAX Co., Ltd. in the scope of consolidation, the acquisition of the amorphous metals and materials business and the transfer

of the water treatment businesses. The segments were reorganized into the three product business divisions of High-grade Metal Products and Materials; Electronics and IT Devices; and High-Grade Functional Components and Equipment, in accordance with Group management. Products in the former segments of High-Grade Casting Components for Automobiles; and Construction Components, Plant and Equipment, have been consolidated under High-Grade Functional Components and Equipment, due to increasing similarities in terms of type and manufacturing method. Due to the contraction of the environment business, environmental systems products have been placed in the Services and Others segment.

Notes: Major Products :

High-Grade Metal Products and Materials	High-grade specialty steels, Components for copying machines and other office equipment Display materials, Semiconductor and other package materials Rolls for steel, nonferrous and non-metal rolling, Injection molding machine parts Structural ceramics, Steel frame joints for construction Steel castings and forgings for construction, shipbuilding and general manufacturing Cutting tools, Others
Electronics and IT devices	Ferrite and rare-earth magnets (castings or bonded) and their applications Isolators, Multilayered devices, Soft ferrites, EMC components Components and materials for IT and AV equipment Nano-crystalline soft magnetic materials (FINEMET <sup>®</sup> ), Amorphous metals (METGLAS <sup>®</sup> ), Others
High-Grade Functional Components and Equipment	High-grade ductile iron castings (HNM <sup>®</sup> ), Heat-resistant metal castings (HERCUNITE <sup>®</sup> ) Aluminum wheels (SCUBA <sup>®</sup> ) and other aluminum products Plastic piping components, Stainless steel piping components Steel pipe fittings, Built in plastic core type fittings Mechanical joints for drainage, Water cooling equipment Precision mass flow control devices, Expansion tanks, Internal and structural systems, Others
Services and others	Environmental equipment (incinerators, waste disposal) Environmental analysis and consulting, Metal materials survey and analysis Light alloy cabinets made with Press-forging manufacturing method Other sales and services, Others

## Sales results by location

3<sup>rd</sup> quarter fiscal 2004 (Apr.1, 2004 - Dec. 31, 2004)

(Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
<b>Net sales and operating income</b>							
Sales to customers	312,154	50,656	39,788	11,996	414,594	—	414,594
In-house sales	42,611	6,013	22,665	412	71,701	(71,701)	—
<b>Total net sales</b>	<b>354,765</b>	<b>56,669</b>	<b>62,453</b>	<b>12,408</b>	<b>486,295</b>	<b>(71,701)</b>	<b>414,594</b>
<b>Operating expenses</b>	<b>328,408</b>	<b>54,212</b>	<b>60,209</b>	<b>12,313</b>	<b>455,142</b>	<b>(70,137)</b>	<b>385,005</b>
<b>Operating income</b>	<b>26,357</b>	<b>2,457</b>	<b>2,244</b>	<b>95</b>	<b>31,153</b>	<b>(1,564)</b>	<b>29,589</b>

3<sup>rd</sup> quarter fiscal 2003 (Apr.1, 2003 - Dec. 31, 2003)

(Millions of Yen)

<b>Net sales and operating income</b>							
Sales to customers	232,196	42,688	18,249	10,680	303,813	—	303,813
In-house sales	23,630	3,339	7,308	234	34,511	(34,511)	—
<b>Total net sales</b>	<b>255,826</b>	<b>46,027</b>	<b>25,557</b>	<b>10,914</b>	<b>338,324</b>	<b>(34,511)</b>	<b>303,813</b>
<b>Operating expenses</b>	<b>248,409</b>	<b>43,799</b>	<b>24,913</b>	<b>10,631</b>	<b>327,752</b>	<b>(33,656)</b>	<b>294,096</b>
<b>Operating income</b>	<b>7,417</b>	<b>2,228</b>	<b>644</b>	<b>283</b>	<b>10,572</b>	<b>(855)</b>	<b>9,717</b>

Fiscal previous year 2003 (Apr.1, 2003 - Mar. 31, 2004)

(Millions of Yen)

<b>Net sales and operating income</b>							
Sales to customers	321,769	58,092	25,300	14,919	420,080	—	420,080
In-house sales	32,178	4,946	10,599	352	48,075	(48,075)	—
<b>Total net sales</b>	<b>353,947</b>	<b>63,038</b>	<b>35,899</b>	<b>15,271</b>	<b>468,155</b>	<b>(48,075)</b>	<b>420,080</b>
<b>Operating expenses</b>	<b>339,620</b>	<b>59,349</b>	<b>34,702</b>	<b>14,768</b>	<b>448,439</b>	<b>(46,935)</b>	<b>401,504</b>
<b>Operating income</b>	<b>14,327</b>	<b>3,689</b>	<b>1,197</b>	<b>503</b>	<b>19,716</b>	<b>(1,140)</b>	<b>18,576</b>

**Overseas sales****3<sup>rd</sup> quarter fiscal 2004 (Apr.1, 2004 - Dec. 31, 2004)**

	North America	Asia	Other	Total
<b>Overseas sales</b>	<b>46,729</b>	<b>81,344</b>	<b>23,986</b>	<b>152,059</b>
<b>Consolidated sales</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>414,594</b>
<b>Overseas sales as a share of consolidated sales</b>	<b>11.3%</b>	<b>19.6%</b>	<b>5.8%</b>	<b>36.7%</b>

**3<sup>rd</sup> quarter fiscal 2003 (Apr.1, 2003 - Dec. 31, 2003)** (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	39,373	41,065	16,380	96,818
Consolidated sales	—	—	—	303,813
Overseas sales as a share of consolidated sales	13.0%	13.5%	5.4%	31.9%

**Fiscal previous year (Apr.1, 2003 - Mar. 31, 2004)** (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	53,260	56,395	22,997	132,652
Consolidated sales	—	—	—	420,080
Overseas sales as a share of consolidated sales	12.7%	13.4%	5.5%	31.6%

**Note:**

Overseas sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.

# Hitachi Metals, Ltd. (Jan. 31, 2005)

Code:5486

URL <http://www.hitachi-metals.co.jp>

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## Non-consolidated Financial Report for the third quarterly ended December 31, 2004

Contact: Sig Ishigay, Officer and General Manager

Corporate Communications Tel: 03-5765-4073

Stock Exchange where listed (section): Tokyo(First), Osaka(First)

### 1. Items pertaining to the preparation of quarterly results:

#### (1) Use of simplified accounting procedures:

A simplified method has been used in certain cases to determine forecasted amounts presented in the quarterly reports for depreciation of property, plant and equipment.

#### (2) Changes in accounting principles in the most recent fiscal year: None

### 2. Performance over the year, April 1, 2004 to December 31,2004

(Figures are rounded off to the nearest million yen)

(1) Operating results	12/04(quarter)	12/03(quarter)	Change(%)	3/04
Net Sales (million yen)	184,787	181,191	2.0	247,484
Operating income (million yen)	8,369	2,589	223.3	4,669
Ordinary income (million yen)	10,261	4,353	135.7	6,876
Net income (million yen)	4,315	3,127	38.0	2,983
Net income per share (yen)	12.24	8.76	—	8.38
Diluted net income per share (yen)	—	—	—	—
(2) Financial standing	12/04(quarter)	12/03(quarter)	3/04	
Total assets (million yen)	278,427	284,311	285,536	
Shareholders' equity (million yen)	117,672	119,915	118,401	
Shareholders' equity ratio(%)	42.3	42.2	41.5	
Shareholders' equity per share (yen)	336.51	335.96	334.98	

### 3. Forecasts of results for the term, April 1, 2004 to March 31, 2005

	At year end
Net sales (million yen)	245,000
Ordinary income (million yen)	11,600
Net income (million yen)	4,200

Reference: Expected net income per share (full-year basis) 11.76 yen

### (3) Qualitative information regarding forecasts

Due to the influence of international prices, Hitachi Metals expects an increase the price of materials and changes in demand. Hitachi Metals believes that results for the fiscal year ending March 31, 2005, are likely to exceed its estimates for net sales that were announced with interim results.

Note: The forecast figures presented in the preceding sections, with the exception of actual results, are based on certain assumptions and predictions of the management at the time of preparation. Changes in business conditions or underlying assumptions may cause actual results may differ from those projected.