

Hitachi Metals, Ltd. (July 26, 2005)

Code:5486

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

2-1 Shibaura 1-chome, Minato-ku, Tokyo

Consolidated Financial Report for the first quarterly ended June 30, 2005

Contact: Sig Ishigay, Officer and General Manager

Corporate Communications Tel: +81-3-5765-4073

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:

Evaluation standards and methods for securities have changed from a cost basis using the gross average method to a cost basis using the moving average method.

From the fiscal year ending March 31, 2006, Hitachi Metals has adopted accounting standards and application guidelines related to the impairment of fixed assets.

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

Number of consolidated subsidiaries: 103

Equity method applied non-consolidated subsidiaries : None

Equity method applied affiliates : 16

Consolidated scope and changes to the application of the equity method

Consolidation : New companies 1 Companies removed 4

Equity method : New companies coming under equity method None Companies removed None

Newly consolidated:

Hitachi Metals Precision, Ltd. (Spun off from HMY, Ltd.)

Removed from consolidation:

Hiyoshi Kouzai Co., Ltd., Nichiei Corporation, HMK, Ltd. and one other company

2. Performance over the year, April 1, 2005 to June 30, 2005

(Figures are rounded off to the nearest million yen)

(1) Consolidated Operating results	6/05(quarter)	6/04(quarter)	Change(%)	3/05
Net Sales (million yen)	139,800	135,623	3.1	559,540
Operating income (million yen)	9,437	8,764	7.7	40,401
Ordinary income (million yen)	9,860	8,469	16.4	36,387
Net income (million yen)	3,033	4,670	(35.1)	15,218
Net income per share (yen)	8.71	13.21	—	42.65
Diluted net income per share (yen)	—	13.17	—	—
(2) Consolidated Financial Standing	6/05(quarter)	6/04(quarter)	3/05	
Total assets (million yen)	527,867	528,317	532,285	
Total Shareholders' equity (million yen)	163,801	155,534	162,400	
Shareholders' equity ratio(%)	31.0	29.4	30.5	
Shareholders' equity per share (yen)	471.14	440.08	465.20	
(3) Consolidated cash flows (million yen)	6/05(quarter)	6/04(quarter)	3/05	
Cash flows from operating activities	(3,270)	(1,659)	31,739	
Cash flows from investment activities	(5,758)	(4,540)	(13,749)	
Cash flows from financing activities	(3,763)	(1,380)	(18,180)	
Cash and cash equivalents at period end	41,107	45,798	53,563	

Qualitative information regarding business results

During the first quarter of the fiscal year ending March 31, 2006, cumulative net sales (three-month total) increased 3.1% to ¥139,800 million compared with the same period of the previous fiscal year, as demand remained favorable in the High-Grade Metal Products and Materials segment due to strong conditions in the automobile industry, despite the adverse effects of production adjustments in the semiconductor industry. In accordance with sales growth, ordinary income grew ¥1,391 million to ¥9,860 million. Due to an extraordinary loss from the adoption of impaired asset accounting, however, net income fell ¥1,637 million to ¥3,033 million.

Sales by business segment are presented as follows. The sales amounts include inter-segment sales and transfers.

High-Grade Metal Products and Materials

Sales of high-grade specialty steels and cutting tools increased, buoyed by favorable demand in mainly the automobile industry. Overall sales of display-related materials declined, but robust capital investment provided a boost to sales of LCD panel-related materials. However, sales of semiconductor and other package materials fell owing to production adjustments at customers. Sales of rolls grew on the back of an increase in steel production, mainly in China. Meanwhile, sales of components for injection molding machines decreased year on year, despite a recovery in demand compared with the end of the previous fiscal year.

As a result, sales in this segment increased 19.1% to ¥57,840 million from the same period of the previous fiscal year. Operating income rose ¥631 million to ¥4,901 million.

Electronics and IT Devices

Sales of ferrite cores, rare-earth magnets, magnets and their applications were largely unchanged from the previous fiscal year, reflecting slower growth in demand for automobiles and household appliances. Although sales of isolators decreased, sales of multilayered components rose due to an increase in the production of equipment in which they are used. Sales of nano-crystalline soft magnetic materials grew due to increased usage in products amid heightened concerns for energy conservation and environmental issues. Sales increased for materials and components for IT equipment, as they were newly used in products.

As a result, sales of this segment totaled ¥38,384 million, a decrease of 0.5% from the same period of the previous fiscal year. Operating income, however, expanded ¥491 million to ¥3,457 million on account of an improvement in the product mix.

High-Grade Functional Components and Equipment

Owing to stricter criteria in product selection, sales declined for high-grade ductile iron castings. However, sales grew considerably for heat-resistant iron castings as they were newly used in products. Aluminum road wheels remained steady, mainly overseas. Sales of pipe fittings, stainless steel and plastic piping components declined, reflecting a decrease in gas projects and large-scale construction projects. Internal and structural systems increased along with favorable capital investment in the private sector.

As a result, sales in this segment were ¥42,716 million, an increase of 4.7% compared with the same period of the previous fiscal year. Operating income declined ¥342 million to ¥1,486 million, however, owing to higher material costs.

Services and Other

Domestic sales and overseas sales were favorable. Due to restructuring at subsidiaries, however, there was a change at some subsidiaries affiliated with this segment, resulting in a major decline in both sales and operating income in the Services and Other Activities segment.

As a result, sales in this segment fell 42.0% to ¥15,242 million compared with the same period of the previous fiscal year. Operating income declined ¥474 million to ¥141 million.

Qualitative information regarding changes in financial position

During the first quarter of the fiscal year ending March 31, 2006, net cash used in operating activities totaled ¥3,270 million, an increase of ¥1,611 million from the same period of the previous fiscal year. Despite income before income taxes and minority interests of ¥8,514 million resulting from steady performance, there was increased demand for operating capital to secure materials ahead of rising prices and to reduce trade payables, as well as an increase in income tax and other tax paid.

Net cash used in investing activities totaled ¥5,758 million, an increase of ¥1,218 million from the same period of the previous fiscal year, reflecting a year-on-year increase of ¥1,097 million in expenditures for acquisition of net property, plant and equipment and other factors.

Net cash used in financing activities was ¥3,763 million, an increase of ¥2,383 million from the same period of the previous fiscal year. This increase reflected ¥1,290 million in payments on long-term debt, ¥2,075 million in dividend payments, and ¥700 million for the purchase of treasury stock.

As a result of these activities, cash and cash equivalents totaled ¥41,107 million as of June 30, 2005, a decline of ¥12,456 million since April 1, 2005.

Forecast of results for the term, April 1, 2005 to March 31, 2006

(Millions of Yen)

	Net sales	Ordinary income	Net income
Non-consolidated	270,000	17,800	6,600
Consolidated	550,000	38,000	16,000

Reference: Expected net income per share (full-year basis) consolidated: 45.89 yen

Qualitative information regarding forecasts

Hitachi Metals is maintaining its sales and earnings forecasts for the interim period (April 1, 2005 to September 30, 2005) and fiscal year 2005 (April 1, 2005 to March 31, 2006), in light of robust demand for electronics-related products such as personal computers, mobile telephones, and semiconductors, as well as strong demand in the automobile-related field.

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 6/05 (A)	End of 3/05 (B)	(difference) (A)-(B)
ASSETS			
Current assets:			
Cash and deposits in banks	32,763	33,773	(1,010)
Notes receivable and accounts receivable	113,924	113,806	118
Receivable for completed construction work	—	819	(819)
Cash pooling deposits	8,140	19,423	(11,283)
Negotiable securities	204	400	(196)
Inventories	107,523	102,088	5,435
Deferred tax assets	14,463	14,226	237
Other current assets	9,207	5,313	3,894
Total current assets	286,224	289,848	(3,624)
Fixed assets:			
Net property, plant and equipment	197,156	197,833	(677)
Intangible fixed assets	2,771	2,675	96
Other	41,716	41,929	(213)
Total fixed assets	241,643	242,437	(794)
Total assets	527,867	532,285	(4,418)
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	59,253	61,421	(2,168)
Short-term debt	76,111	76,611	(500)
Bonds redeemable within a year	1,014	1,009	5
Deferred tax liabilities	3	3	—
Other	42,392	44,340	(1,948)
Total current liabilities	178,773	183,384	(4,611)
Long-term debt, less current maturities	94,631	95,170	(539)
Reserve for retirement benefits	31,151	31,639	(488)
Reserve for directors' retirement bonuses	1,099	1,138	(39)
Deferred tax liabilities	3,246	3,190	56
Other	6,707	8,018	(1,311)
Total liabilities	315,607	322,539	(6,932)
Minority interests	48,459	47,346	1,113
Shareholders' equity:			
Common stock	26,284	26,284	—
Capital surplus	36,701	36,701	—
Retained earnings	109,060	107,966	1,094
Unrealized net gain on available-for-sale securities	2,009	1,948	61
Other	(10,253)	(10,499)	246
Total shareholders' equity	163,801	162,400	1,401
Total Liabilities and Shareholders' equity	527,867	532,285	(4,418)

Comparative Statement of profit and loss

(Millions of Yen)

	1 st quarter fiscal 2005 (Jun. 30,05) (A)	Ratio to sales (%)	1 st quarter fiscal 2004 (Jun. 30,04) (B)	Ratio to sales (%)	(A) / (B) (%)	Fiscal 2004 (Mar. 31,05)
Net sales	139,800	100.0	135,623	100.0	103	559,540
Cost of sales	109,810	78.5	107,101	79.0	103	438,995
Gross profit	29,990	21.5	28,522	21.0	105	120,545
Selling, general and administrative expenses	20,553	14.7	19,758	14.6	104	80,144
Operating income	9,437	6.8	8,764	6.5	108	40,401
Other income:						
Interest and dividends	114		110		104	362
Investment income based on equity method	—		138		—	85
Other	1,583		883		179	4,465
Total	1,697	1.2	1,131	0.8	150	4,912
Other expends:						
Interest	638		624		102	2,496
Other	636		802		79	6,430
Total	1,274	0.9	1,426	1.1	89	8,926
Ordinary profit (loss)	9,860	7.1	8,469	6.2	116	36,387
Extraordinary profit (loss)						
Gains from sale of property, plant and equipment	204		444		46	3,709
Net gain on switch to defined contribution pension plan	144		—		—	—
Gain on equity share fluctuation in consolidated subsidiaries	—		1,361		—	1,681
Write-off discrepancies as a result of changes in accounting	—		(753)		—	(3,093)
Loss on impaired property, plant and equipment	(1,501)		—		—	—
Loss on structural reform	(193)		(525)		37	(8,651)
Extraordinary loss on revision of retirement benefit plan system	—		—		—	(41)
Other	—		—		—	(490)
Total	(1,346)	(1.0)	527	0.4	—	(6,885)
Income before income taxes and minority interests	8,514	6.1	8,996	6.6	95	29,502
Provision for income taxes	4,386	3.1	3,453	2.5	127	10,743
Minority interests	1,095	0.8	873	0.6	125	3,541
Net income	3,033	2.2	4,670	3.4	65	15,218

Statement of Consolidated Surplus

(Millions of Yen)

	1 st quarter fiscal 2005 (Jun. 30,05) (A)	1 st quarter fiscal 2004 (Jun. 30,04) (B)	(A) / (B) (%)	Fiscal 2004 (Mar. 31,05)
Consolidated surplus brought forward	107,966	95,940	113	95,940
Cash dividends	1,744	1,237	141	2,998
Bonuses to directors and corporate auditors	195	198	98	194
Decrease of other surplus	1,939	1,435	135	3,192
Net income	3,033	4,670	65	15,218
Consolidated surplus carried forward	109,060	99,175	110	107,966

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 6/05	End of 6/04	End of 3/05
Cash flows from operating activities			
Income before income taxes and minority interests	8,514	8,996	29,502
Depreciation and amortization	5,587	6,079	22,933
Cost of structural reform	193	525	8,651
Increase (decrease) in accrued retirement benefits	(473)	290	1,700
Gain on equity share fluctuation in consolidated subsidiaries	—	(1,361)	(1,681)
Gain (loss) on sales of property and equipment	(249)	—	(3,771)
Loss on disposal of property, plant and equipment	109	—	2,184
Loss on impaired fixed assets	1,501	—	—
Interest and dividends received	(114)	(110)	(362)
Interest charges	638	624	2,496
(Increase) decrease in receivables	448	(3,705)	(9,292)
Decrease in receivables for completed construction work	813	730	2,174
(Increase) in inventories	(4,959)	(6,736)	(15,127)
Increase (decrease) in payables	(2,217)	1,708	6,624
Other	(4,889)	(3,567)	(3,427)
Subtotal	4,902	3,473	42,604
Amount paid for transfer to defined contribution pension plan	(1,349)	(1,864)	(1,945)
Amount paid for extra ordinary loss on structural reform	(107)	(109)	(2,292)
Interest and dividends received	117	106	362
Interest paid	(495)	(562)	(2,568)
Income taxes paid	(6,338)	(2,703)	(5,559)
Income from compensation for high-grade embankment	—	—	1,137
Net cash provided by operating activities	(3,270)	(1,659)	31,739
Cash flows from investment activities			
Proceeds from sales of securities	—	1,002	—
Proceeds from redemption of securities	—	—	1,000
Purchase of investment securities	(268)	—	(62)
Proceeds from sales of investment securities	313	—	—
Proceeds from sales of subsidiaries' common stock	—	—	44
Expenditures for acquisition of net property, plant and equipment	(5,833)	(4,736)	(24,109)
Proceeds from sales of property assets	416	606	11,435
Expenditures for acquisition of intangible fixed assets	(238)	—	(409)
Expenditures for acquisition of subsidiary shares due to change in scope of consolidation	—	—	(1,613)
Payment for additional acquisition of shares in affiliated companies	—	(1,270)	—
Other	(148)	(142)	(35)
Net cash used in investing activities	(5,758)	(4,540)	(13,749)
Cash flows from financing activities			
Increase in short-term borrowings	1	4,483	3,545
Proceeds from long-term debt	300	500	6,584
Payments on long-term debt	(1,290)	(2,178)	(8,051)
Proceeds from issue of bonds	—	2,096	2,054
Expenditures for redemption of bonds	—	(4,900)	(16,131)
Proceeds from sale of treasury stock	1	—	7
Purchases of treasury stock	(700)	(4)	(2,827)
Dividends paid to shareholders	(1,744)	(1,237)	(2,998)
Dividends paid to shareholders of subsidiaries	(331)	(140)	(363)
Net cash used in financing activities	(3,763)	(1,380)	(18,180)
Effect of exchange rate changes on cash and cash equivalents	335	(122)	254
Net increase (decrease) in cash and cash equivalents	(12,456)	(7,701)	64
Cash and cash equivalents at beginning of year	53,563	42,896	42,896
Effect of changes in consolidated subsidiaries	—	10,603	10,603
Cash and cash equivalents at end of year	41,107	45,798	53,563
Reconciliation of cash and deposits in banks in consolidated balance sheets at period end cash and cash equivalents in consolidated statements of cash flows			
Cash and deposits in banks	32,763	28,047	33,773
Securities (Money Market Funds, etc.)	204	136	367
Cash pooling deposits	8,140	17,615	19,423
Cash and cash equivalents at period end	41,107	45,798	53,563

Business segment information

1st quarter fiscal 2005 (Apr.1, 2005 - Jun. 30, 2005)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-grade Functional Components and Equipment	Services and Other	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	52,644	32,815	39,778	14,563	139,800	—	139,800
Intersegment	5,196	5,569	2,938	679	14,382	(14,382)	—
Total sales	57,840	38,384	42,716	15,242	154,182	(14,382)	139,800
Operating costs and expenses	52,939	34,927	41,230	15,101	144,197	(13,834)	130,363
Operating income	4,901	3,457	1,486	141	9,985	(548)	9,437

1st quarter fiscal 2004 (Apr.1, 2004 - Jun. 30, 2004)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-grade Functional Components and Equipment	Services and Other	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	40,380	32,764	36,984	25,495	135,623	—	135,623
Intersegment	8,181	5,815	3,812	797	18,605	(18,605)	—
Total sales	48,561	38,579	40,796	26,292	154,228	(18,605)	135,623
Operating costs and expenses	44,291	35,613	38,968	25,677	144,549	(17,690)	126,859
Operating income	4,270	2,966	1,828	615	9,679	(915)	8,764

Notes:

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

2. The Company and its subsidiaries operate in the following four business segments:

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, Other
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 [®]), Amorphous metals (METGLAS [®]), Other
High-Grade Functional Components and Equipment	High-grade ductile iron castings (HNM [®]), Heat-resistant metal castings (HERCUNITE [®]) Aluminum wheels (SCUBA [®]) 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, Other
Services and other	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, Other

3. Unallocatable operating costs included in "Eliminations and corporate assets" for the first quarterly ended June 30, 2005 and 2004 amounted to ¥680 million and ¥740 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical segment information

1st quarter fiscal 2005 (Apr.1, 2005 - Jun. 30, 2005)		(Millions of Yen)					
	Japan	North America	Asia	Other areas	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	102,994	17,342	14,166	5,298	139,800	—	139,800
Intersegment	16,550	4,442	8,192	36	29,220	(29,220)	—
Total sales	119,544	21,784	22,358	5,334	169,020	(29,220)	139,800
Operating costs and expenses	111,333	20,552	21,616	5,379	158,880	(28,517)	130,363
Operating income	8,211	1,232	742	(45)	10,140	(703)	9,437

1st quarter fiscal 2004 (Apr.1, 2004 - Jun. 30, 2004)		(Millions of Yen)					
	Japan	North America	Asia	Other areas	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	102,210	16,698	12,818	3,897	135,623	—	135,623
Intersegment	13,917	1,796	6,729	120	22,562	(22,562)	—
Total sales	116,127	18,494	19,547	4,017	158,185	(22,562)	135,623
Operating costs and expenses	107,853	17,595	18,856	3,931	148,235	(21,376)	126,859
Operating income	8,274	899	691	86	9,950	(1,186)	8,764

Note: Unallocatable operating costs included in "Eliminations and corporate assets" for the first quarterly ended June 30, 2005 and 2004 amounted to ¥680 million and ¥740 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Overseas sales

1st quarter fiscal 2005 (Apr.1, 2005 - Jun. 30, 2005)		(Millions of Yen)			
	North America	Asia	Europe	Other areas	Total
Overseas sales	16,352	28,177	7,055	2,519	54,103
Consolidated sales	—	—	—	—	139,800
Overseas sales as a share of consolidated sales	11.7%	20.2%	5.0%	1.8%	38.7%

1st quarter fiscal 2004 (Apr.1, 2004 - Jun. 30, 2004)		(Millions of Yen)			
	North America	Asia	Europe	Other areas	Total
Overseas sales	15,763	26,506	4,980	1,873	49,122
Consolidated sales	—	—	—	—	135,623
Overseas sales as a share of consolidated sales	11.6%	19.5%	3.7%	1.4%	36.2%

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

Hitachi Metals, Ltd. (July 26, 2005)

Code:5486

URL <http://www.hitachi-metals.co.jp>
2-1 Shibaura 1 chome, Minato-ku, Tokyo

Non-consolidated Financial Report for the first quarterly ended June 30, 2005

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:

Evaluation standards and methods for securities have changed from a cost basis using the gross average method to a cost basis using the moving average method.

From the fiscal year ending March 31, 2006, Hitachi Metals has adopted accounting standards and application guidelines related to the impairment of fixed assets.

2. Performance over the year, April 1, 2005 to June 30, 2005

(Figures are rounded off to the nearest million yen)

(1) Operating results	6/05(quarter)	6/04(quarter)	Change(%)	3/05
Net Sales (million yen)	62,920	60,235	4.5	249,733
Operating income (million yen)	1,868	2,325	(19.7)	10,735
Ordinary income (million yen)	4,011	3,755	6.8	12,622
Net income (million yen)	2,268	1,779	27.5	4,539
Net income per share (yen)	6.51	5.03	—	12.90
Diluted net income per share (yen)	—	—	—	—

(2) Financial standing	6/05(quarter)	6/04(quarter)	3/05
Total assets (million yen)	275,222	278,961	278,551
Total shareholders' equity (million yen)	117,026	118,914	117,202
Shareholders' equity ratio(%)	42.5	42.6	42.1
Shareholders' equity per share (yen)	336.58	336.44	336.15

3. Forecasts of results for the term, April 1, 2005 to March 31, 2006

	At mid-term	At year end
Net sales (million yen)	125,000	254,000
Ordinary income (million yen)	5,600	11,800
Net income (million yen)	2,700	6,000

Reference: Expected net income per share (full-year basis) 17.21 yen

Qualitative information regarding forecasts

Hitachi Metals is maintaining its sales and earnings forecasts for the interim period (April 1, 2005 to September 30, 2005) and fiscal year 2005 (April 1, 2005 to March 31, 2006), in light of robust demand for electronics-related products such as personal computers, mobile telephones, and semiconductors, as well as strong demand in the automobile-related field.

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.