Hitachi Metals, Ltd. (Oct. 25, 2005)

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Consolidated Financial Report for the 6-month period ended September 30, 2005

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

1. Performance over the year, April 1, 2005 to September 30, 2005 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating results	**9/05(interim)**	9/04(interim)	Change(%)	3/05
Net sales (million yen)	**284,195**	273,154	4.0	559,540
Operating income (million yen)	**20,898**	19,285	8.4	40,401
Ordinary income (million yen)	**20,253**	17,303	17.0	36,387
Net income (million yen)	**6,150**	8,225	(25.2)	15,128
Net income per share (yen)	**17.69**	23.29	—	42.65
Diluted net income per share (yen)	—	—	—	—

Notes: 1. Profit (loss) on equity method investment: 9/05: - yen 9/04: 172 million yen 3/05: 85 million yen

2. Average number of shares outstanding (9/05: 347,692,501 9/04: 353,206,124 3/05: 351,760,299)

3. Accounting policy have been made change.

(2) Consolidated Financial Standing	**9/05(interim)**	9/04(interim)	3/05
Total assets (million yen)	**530,233**	536,457	532,285
Shareholders' equity (million yen)	**166,890**	159,419	162,400
Shareholders' equity ratio(%)	**31.5**	29.7	30.5
Shareholders' equity per share (yen)	**481.65**	452.70	465.20

Average number of shares outstanding at period end (9/05: 346,499,620 9/04: 352,149,853 3/05: 348,640,434)

(3) Consolidated cash flows (million yen)	**9/05(interim)**	9/04(interim)	3/05
Cash flows from operating activities	**13,536**	13,902	31,739
Cash flows from investment activities	**(11,418)**	(9,877)	(13,749)
Cash flows from financing activities	**(8,550)**	(5,667)	(18,180)
Cash and cash equivalents at period end	**47,813**	52,266	53,563

Notes: Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries : 102

Equity method applied non-consolidated subsidiaries : None

Equity method applied affiliates : 15

(4) Consolidated scope and changes to the application of the equity method

Consolidation : New companies 1 Companies removed 5

Equity method : New companies coming under equity method None Companies removed 1

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

	At year end
Net sales (million yen)	574,000
Ordinary income (million yen)	41,000
Net income (million yen)	16,000

Reference: Expected net income per share (full-year basis) consolidated: 46.18 yen

Note: The outlooks for performance presented in this document are statements regarding future plans, not historical facts, and represent the judgments of the management of the Company based on current conditions as well as certain premises and assumptions. In fact, changes in assumptions and prevailing conditions as well as other developments, along with a wide range of other factors may lead to outcomes that differ substantially from those presented in this document. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on these outlooks when making investment and other decisions.

Consolidated subsidiaries: 102 companies

43 domestic companies

Hitachi Tool Engineering, Ltd.	Hitachi Ferrite Electronics, Ltd.
Hitachi Metals Techno, Ltd.	NEOMAX MATERISLS Co., Ltd.
NEOMAX Co., Ltd.	Alcast, Ltd.
Hitachi Metals Admet, Ltd.	Seitan Inc.
Hitachi Metals Tool Steel, Ltd.	Tokyo Seimitsu Kogyo, Ltd.
NEOMAX TRADING Co., Ltd.	Hitachi Valve, Ltd.
HMY, Ltd.	Himec, Ltd.
Hitachi Metals Precision, Ltd.	Hitachi Metals MPF, Ltd.
HMW, Ltd.	Hitachi Metals Solutions, Ltd.

etc.

59 overseas companies

Hitachi Metals America, Ltd.	Hitachi Metals (Dong Guan) Specialty Steel Co., Ltd.
Hitachi Metals Europe GmbH	Hitachi Metals (Thailand) Ltd.
Hitachi Metals Singapore Pte. Ltd.	Hitachi Metals (Suzhou) Electronics, Ltd.
Hitachi Metals Hong Kong Ltd.	Metglas, Inc.
Hitachi Metals (Shanghai) Ltd.	Luzon Electronics Technology, Inc.
NEOMAX America, Inc.	AAP St. Marys Corporation
Newport Precision, Inc.	ACP Manufacturing Co. LLC
SinterMet, LLC	HN Automotive, Inc.
Five Ace Technology Co., Ltd.	Ward Manufacturing Inc.
Hitachi Rolls (Thailand) Ltd.	Hitachi Metals (Suzhou) Valves & Fittings, Ltd.

etc.

Consolidated Management Policies

1. Fundamental Management Policies

Hitachi Metals, Ltd. and its subsidiaries (collectively, the "Company") aim to contribute to the betterment of society by providing environment-friendly, superior-quality products that are made possible through the use of cutting-edge materials and proprietary technologies. Using these proprietary technologies and by developing new ones, the Company endeavors to fulfill its corporate responsibility, to create higher value-added products and capabilities in a timely manner. Hitachi Metals is dedicated to satisfying the shareholders, investors, and customers that support its existence, as well as society in general, by delivering top-level solutions achieved through creative imagination and forthright action. In addition, each employee is allowed the freedom to explore and optimize his or her individual skills and creativity with a view to creating a dynamic company.

2. Dividend Policy

Changing customer needs and technologies together with advancing globalization characterize the current business environment. Under these circumstances, Hitachi Metals considers its prime responsibility to be appropriate and long-term return to its shareholders through the strengthening of its international competitiveness, the expansion of dividend-enabling profit, and the maximization of corporate value. To this end, the Company has adopted a policy of paying stable dividends to shareholders while maintaining and expanding its financial strength to make possible investments for the future. The Company sets aside earnings with the future development of operations in mind, investing in new materials development and in bringing new products to market. At the same time, Hitachi Metals is also developing new businesses and streamlining facilities to expand the production of highly competitive products, and to create a vibrant global network.

3. Reasons and Policy for Lower Investment Unit

Hitachi Metals believes that a lower investment unit is an effective measure to expand the investor base and increase share liquidity. While paying due consideration to costs and benefits related to performance, share prices, shareholder composition, liquidity and implementation, Hitachi Metals is examining the feasibility of implementing lower investment units in the future, but currently has no plans to do so.

4. Target Business Indicators

In line with its dividend policy, the Company will strive to achieve a consolidated ROE (Return on equity) of 10% to maintain the income level required to increase corporate value, while providing shareholders with long-term returns on their investments.

5. Medium- to Long-Term Strategy and Issues to Be Addressed

The Hitachi Metals Group is advancing its Fiscal 2005 Medium-Term Management Plan (a two-year plan extending from the fiscal year ended March 31, 2005 to the fiscal year ending March 31, 2006) with the aim of making significant progress in the growth of its business.

The Medium-Term Management Plan targets consolidated net sales of ¥500 billion, operating income of ¥30 billion, a return on equity (ROE) of 6%, and the strengthening of the corporate structure by the fiscal year ending March 31, 2006 through the establishment of an action plan toward creating a business structure offering ROE of 10%.

The Hitachi Metals Group performed better than originally forecasted on the back of favorable demands in industries related to the Group and has achieved the Medium-Term Management Plan targets in fiscal 2004, a year in advance. Also during the six-month period ended September 30, 2005, the Group outperformed the targets with consolidated net sales amounting to ¥284.2 billion and operating income totaling ¥20.9 billion.

Meanwhile, the Company is putting even greater focus on the successful completion of the Medium-Term Management Plan as it moves forward with the measures of the action plan.

The following is an outline of the action plan.

Strengthen the Earning Power of Core Businesses

After having restructured its business portfolio, Hitachi Metals redefined High-Grade Metal Products and Materials, Electronics and IT Devices, and High-Grade Functional Components and Equipment as its core businesses. In specific market sectors, the growing automobile sector now accounts for nearly 40% of Hitachi Metals' business, while the electronics and energy sector comprises 40%, and the stable industrial infrastructure-related sector accounts for 20%. With this composition of business sectors, Hitachi Metals has now established a business structure for the future with a healthy balance of both stable and growth sectors.

Concerning these core businesses, to better achieve a more robust earnings and further strengthen the business structure that allows the Group to adapt to changes in the business environment, the Company is progressing with cost structure reforms and aiming for a 10% reduction in our breakeven point ratio.

To this end, Hitachi Metals is determined to pursue core product refinement, concentrate its management resources, and carry out its reforms in every aspect of development, manufacturing, sales, and distribution in order to achieve the highest quality products, the shortest lead time and the most efficient cost structure.

In addition, the Company is implementing the integration of product categories, elimination of unprofitable products, review of the product portfolio, and is pursuing scale merits in manufacturing.

Furthermore, the Company expects that the fluctuation of raw material costs will continue to significantly affect its profitability, and therefore asks for the understanding of its customers as it works to establish a rational pricing system through measures such as adjustments to product price and the application of a sliding price scale.

Create New Products

As a measure to realize sustainable growth, Hitachi Metals is focusing efforts on the creation of new products that will become the next-generation mainstay business, by unifying the three primary functions of sales divisions, manufacturing facilities, and research laboratories. Hitachi Metals aims to increase the sales ratio of new products to more than 30%. The Company plans to foster growth drivers by investing heavily in the research and development of products that will become "Only One, No. 1" products.

The Company anticipates growth of products in the automobile sector that can contribute to energy-saving and environmental protection, such as engine exhaust components, belt materials for continuously variable transmission (CVT) systems, and magnets for hybrid cars. In the electronics and energy sector, growth is expected for magnets used in motors that realize energy efficiency, size reduction and high functionality, as well as amorphous metals, wireless LAN-related products, and sensors.

Global Development

The Company aims to increase the ratio of overseas sales to more than 40%, and is aggressively advancing the global development of high-profit products with high market share while promoting an optimal production structure. Hitachi Metals is concentrating on expanding operations throughout Asian markets, especially China. Working toward these goals, the Company will strengthen its domestic manufacturing facilities that serve as "parent factories" and overseas bases, while striving for strategic business development through the coordination of these two entities.

Reinforce the Financial Position

To reinforce the financial structure, Hitachi Metals aims to reduce inventories by 30%. Through this initiative, the Company intends to improve cash flow and secure resources for further investment in growth.

In this effort, the Company is promoting Groupwide initiatives such as comprehensive inventory reduction activities within its manufacturing facilities, establishment of a production management system with the application of information and communication technologies, and standardization, elimination, and consolidation of product categories while endeavoring to raise productivity.

Environmental Management

Hitachi Metals considers environmental management as one of the top management priorities. Based on the Hitachi Metals Group Basic Environmental Protection Policies, the Company is promoting environmental management across the Group through the development of a comprehensive environmental management system. Through this system, Hitachi Metals aims to reduce environmental impact by strengthening environmental compliance and utilizing lifecycle assessment, a method for comprehensively evaluating the impact of a product on the environment throughout its lifecycle.

The Top Runner Program under the Energy-Saving Law promotes higher energy-saving standards for certain categories of energy-consuming products than those of the most energy-efficient products currently commercialized. Hitachi Metals' products are closely linked with the product categories designated by the program. Through the development of a wider range of environmentally conscious products, the Group aims to contribute to the movement toward energy conservation.

The Company will continue to proactively disclose information about environmental accounting and environmental protection activities of the Hitachi Metals Group.

Through these measures, Hitachi Metals aims to be the best partner for its customers as a development-driven company with world-class product development capabilities able to continuously supply new products that are essential to its customers.

6. Corporate Governance

Fundamental Policy

Hitachi Metals views corporate governance as its most important management priority. Hitachi Metals believes that the basis of corporate governance is ensuring transparent and efficient management, meeting stakeholder expectations and maximizing corporate value.

To this end, we are working to build an organizational platform that maintains optimum efficacy and a clear balance between the supervisory and operational executive functions. The Company will continue to disclose pertinent and quality information in a timely fashion, including business results, segment information, and details of our medium-term management plan. In addition, we are fostering a corporate culture founded on the concept of "Materials Magic," which embodies the fulfillment of Hitachi Metals' corporate value and its efforts, as a development-driven company, to become the "best possible global company."

We acknowledge that compliance lies at the heart of corporate governance. As a responsible member of society, Hitachi Metals will comply with society's customs and ethics, while adhering to statutory regulations and in-house rules. For this purpose, we have formulated Hitachi Metals' Action Guidelines. These Action Guidelines manual is distributed to directors and employees with the onus on each employee to ensure thorough compliance. On April 1, 2005, Hitachi Metals established the Corporate Social Responsibility Promotion Office to promote Companywide efforts at compliance and corporate social responsibility in upgrading internal control systems based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework mentioned below.

Directors formulate and determine the Company's management policies from a medium- and long-term perspective as well as medium-term plans and annual budgets. Executive officers are responsible for ensuring that these policies and guidelines are effectively implemented with the aim of maximizing corporate value. Hitachi Metals' compensation system is linked to management's contribution to the wellbeing and prosperity of all stakeholders and reflects the Company's performance in the short, medium and long term. The Compensation Committee determines the actual amounts for directors and executive officers.

Initiatives and Implementation

(1) Organization and Structure for Decision-Making, Executive and Supervisory Functions and Other Corporate Governance Systems

a. Corporate Structure

Hitachi Metals adopted a company-with-committees structure system to further strengthen its corporate governance framework allowing for bolder and swifter implementation of business reorganization, strategic investments and other initiatives. The Company also invited outside directors to join its Board of Directors, including the Nominating, Audit and Compensation Committees. By introducing the objective opinions of outside directors, we have enhanced the supervisory function of the Board of Directors and worked to ensure the transparency and efficiency of Hitachi Metals' operations. Under the structure, three of the Company's six-member Board of Directors shall comprise outside directors, with two of the three being directors and executive officers of Hitachi, Ltd., Hitachi Metals' parent company. Pursuant to the Law for Special Exceptions to the Commercial Code concerning Audit, etc., of Kabushiki Kaisha, three of the Company's directors shall comprise the Nominating, Audit and Compensation Committees, with two of the three being outside directors.

To facilitate the administrative functions of the Board of Directors and each committee, Hitachi Metals has set up a Board of Directors Office and appointed a manager to the Board and to each committee.

A large portion of the decision-making authority regarding the business and affairs of the Company has been delegated from the Board of Directors to executive officers in an effort to accelerate the decision-making process.

The Company previously implemented an internal company system and a managing director system in order to separate Companywide strategic decision-making from the management of the individual businesses. These systems will be continued under the company-with-committees system, as they are consistent with diversity of products and markets that are characteristic of the Company. Under this system, executive officers make strategic decisions including Group strategies that affect the entire company, while managing officers are in charge of each business division.

b. Internal Rules and Guidelines

As a part of its internal control system, Hitachi Metals deliberates on important business issues in management meetings to ensure that executive officers efficiently execute business activities while complying with laws and regulations and the Company's Articles of Incorporation. Hitachi Metals has also established the Internal Auditing Office under the direct control of the president for conducting internal audits of each business division and Group companies to review the efficiency of their business activities and their level of compliance with laws and regulations and internal rules. The results of internal audits are reported to the president and the Audit Committee to confirm whether directives are correctly being carried out.

Based on the requirements of the Sarbanes-Oxley Act in the United States, Hitachi Metals is upgrading its internal control system for financial information based on standard frameworks (COSO framework) in an effort to improve the authenticity of its financial data.

c. Risk Management System

The Company has formulated internal rules and guidelines and established a risk management system concerning compliance, environmental issues, safety and health and quality assurance for each business division. All employees are educated in the management of risk and an audit undertaken to ensure that internal companies and related operating divisions effectively, prevent and manage overall risk. In the event risk occurs, a specialist structure is established to swiftly resolve all issues. In addition, Hitachi Metals maintains legal counsel to provide professional advice relating to matters of law.

d. Internal Audits, Audit Committee Audits, and Accounting Audits

Internal Audit Organization

Hitachi Metals' internal audits are handled by the Internal Auditing Office, which is a part of its internal control system. The Internal Auditing Office creates annual auditing plans and policies, which are used as a basis for regularly conducting audits of the business execution of each business division and Group company as well as current management conditions. When necessary, the Internal Auditing Office also conducts impromptu audits. The Internal Auditing Office then reports its findings and suggests operational corrections. In principal, audits are conducted by the manager of the Internal Auditing Office, with the cooperation of the Environmental, Health and Safety Department and the Information Systems Department when necessary.

Audit Committee Auditing Organization

The Audit Committee conducts accounting audits and audits of the suitability of business decisions and the effectiveness of internal control systems, and deals with any cases of directors or executive officers that violate laws and regulations or the Articles of Incorporation. The Board of Directors' Office and the manager of the Audit Committee provide support for the execution of the Audit Committee's duties. The manager of the Audit Committee does not hold a concurrent position in another operational division in order to ensure independence from executive officers.

As a routine duty, the Audit Committee formulates annual auditing plans and policies, which are used as a basis for debriefings on important matters and as a means for its visiting audits of each business division and Group company. In addition, the Audit Committee conducts special audits in the event a director or executive officer behaves in a way that violates laws and regulations or the Articles of Incorporation.

Coordination Among Internal Audits, Audit Committee Audits and Accounting Audits

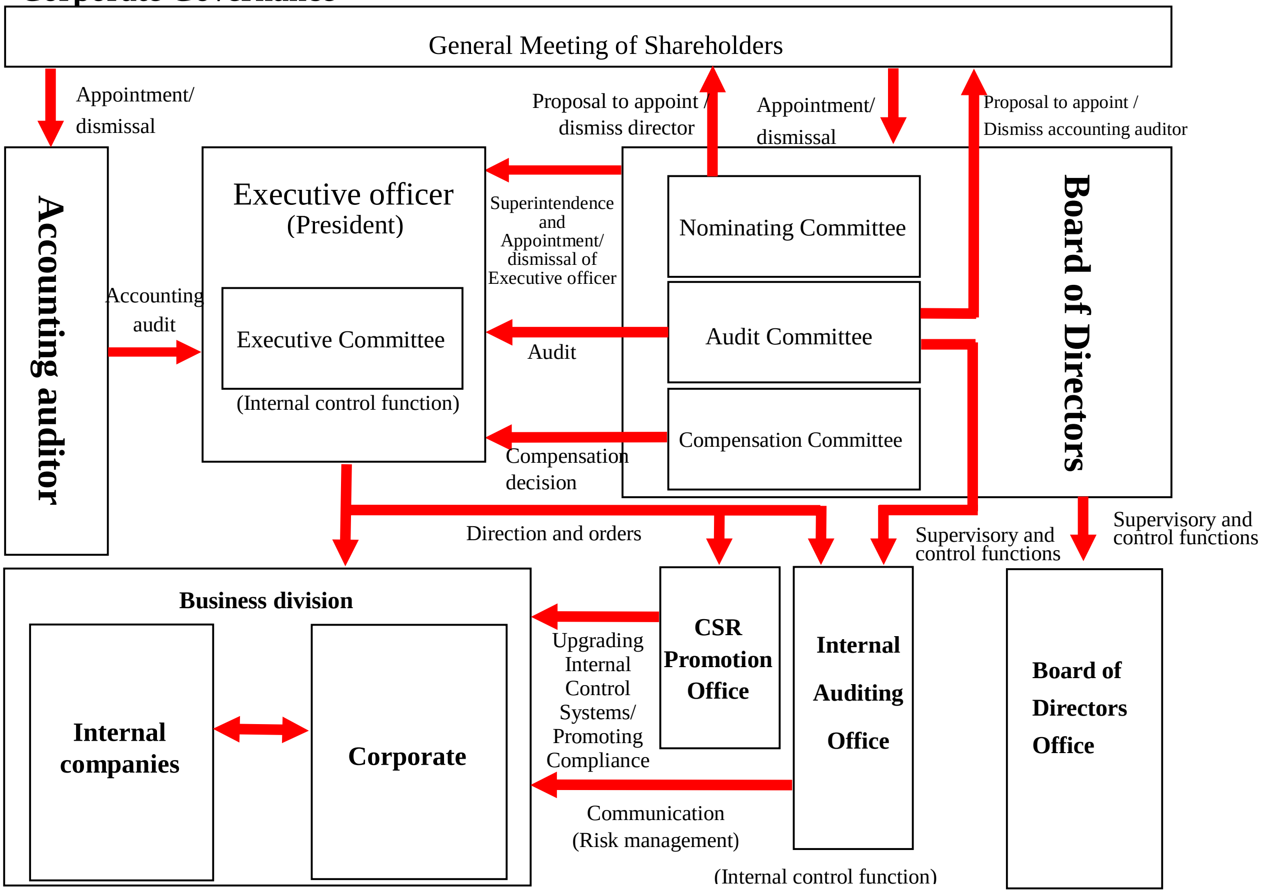
Audit Committee rules govern the level of cooperation among the Audit Committee, accounting auditors and internal auditing organization.

The Audit Committee receives reports on auditing plan execution from accounting auditors and then deliberates and makes any necessary adjustments. In addition, the Audit Committee receives reports on the results of audits and hears opinions. Also, the Audit Committee receives reports from accounting auditors in the event of a discovery of grave violations of rules and regulations or the Articles of Incorporation by directors or executive officers.

Coordination with the Internal Auditing Office consists of regular monthly reports. To enhance coordination with Audit Committee audits, directives may be issued for the Internal Auditing Office to conduct a special audit of business divisions specified by the Audit Committee. In addition, the Audit Committee may add critical items to the audits performed by the Internal Auditing Office.

The Internal Auditing Office also provides support to the Audit Committee as directed for matters that the Board of Directors has decided to be in need of an audit.

<**Corporate Governance**>



(2) Personal and Capital Relationships Between the Company and its Outside Directors, and Other Relationships with Interested Parties

Two of the Company's three outside directors comprise a Director and Executive Officer of the parent company, Hitachi, Ltd. In addition, Hitachi Metals and Hitachi, Ltd. engage in business and non-business transactions.

7. Matters Related to the Parent Company

(1) Parent Company Information

Name	Affiliation	Percentage of voting rights held by the parent company (%)	Stock exchanges on which the parent company's stock is traded
Hitachi, Ltd.	Parent company	56.6% (0.6)	First Section of the Tokyo Stock Exchange, First Section of the Osaka Securities Exchange, First Section of the Nagoya Stock Exchange, Fukuoka Securities Exchange, Sapporo Stock Exchange, Luxembourg Stock Exchange (Luxembourg), Deutsche Bourse (Germany), Euronext Amsterdam (the Netherlands), Euronext Paris (France), New York Stock Exchange (U.S.)

Note: The figure in parentheses indicates the percentage of indirect ownership in the percentage of voting rights held by the parent company column.

(2) Position of Listed Companies in the Hitachi Group and Relationships Between the Parent Company and Other Listed Companies

The parent company, Hitachi, Ltd., as the Company's leading shareholder, holds 56.6% of Hitachi Metals' voting rights. Two of Hitachi Metals' three outside directors hold both director and executive officer positions. One of the three outside directors is appointed from outside the Hitachi Group.

Hitachi Metals, however, maintains autonomy in its business operations and transactions from Hitachi, Ltd. and the Hitachi Group of companies. The Company, as a member of the Hitachi Group, will maintain close cooperative relationships with Hitachi, Ltd. and other companies in the Hitachi Group. Hitachi Metals also will use the Group's management resources to meet both market and customer needs, in addition to providing products and service of the highest quality.

Financial Performance and Financial Condition

1. Financial Results

(1) Overview (Fiscal 2005 first half, six months ended September 30, 2005)

Looking at the global economy during the first half of fiscal 2005 (the six months ended September 30, 2005), the U.S. economy continued to expand on the back of robust personal consumption driven mainly by residential investment. In Asia, growth remained high particularly in China and India. While conditions were firm, economic growth in Europe was on a par with the previous fiscal year.

In Japan, the economy experienced a soft recovery buoyed by an upswing in demand based on personal consumption and capital investment.

Conditions in the industries in which the Hitachi Metals Group operates were as follows. In the personal computer industry, demand for mobile PCs increased. Shipments of LCD desktop computers jumped significantly reflecting the drop in consumer prices and growing market acceptance. The mobile phone industry was also favorable. Despite stagnant conditions in Japan, overseas demand increased particularly in emerging countries including Brazil, Russia, India and China, collectively referred to as BRICs. The semiconductor industry continued to do well alongside strong demand for digital consumer electronics such as LCD TVs and IT-related products including mobile phones. In the automobile industry, activity was generally positive. Japan experienced a rise in production mainly of compact cars and overseas production expanded primarily in North America. Steel production stayed high on the back of steady shipments to the manufacturing sector in Japan and China. In the construction industry, private sector investment increased supported by the growth of capital investment and a pickup in housing starts being centered on urban condominium construction. On the other hand, public investment dropped due to widening budget deficits.

Against this backdrop, interim net sales for the six-month period ended September 30, 2005 climbed 4.0% compared with the corresponding period of the previous fiscal year to ¥284,195 million, as a result of strong demand for automobile-related products and IT and household appliance-related products such as LCD TVs.

On the earnings front, ordinary income increased ¥2,950 million to ¥20,253 million year on year. Despite a general increase in global raw material prices, this improvement is the result of efforts to reduce basic costs and expenses while revising sales prices. Net income, on the other hand, declined ¥2,075 million to ¥6,150 million owing to extraordinary losses incurred in line with structural reform of the Company's business activities and the adoption of impairment accounting.

In light of the aforementioned performance, Hitachi Metals has decided to distribute an interim dividend of ¥5.0 per share unchanged from the previous fiscal year.

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

High- Grade Metal Products and Materials

Sales of mold and tool materials as well as cutting tools rose significantly due to product price revisions, in part reflecting the increase in raw material prices, as well as continued strong demand from the automobile industry. In high-grade electronic materials, however, overall sales declined substantially. Despite steady results in semiconductor materials and the continued strong performance in LCD panel-related materials, results were impacted by production adjustments in display-related products. Sales of rolls increased substantially on the back of robust exports to Asia and particularly China. Sales of injection molding machine parts fell, adversely affected by the drop in production of injection molding machines for recording media industry.

As a result, net sales in this segment totaled ¥117,498 million, an increase of 18.5% compared with the corresponding interim period of the previous fiscal year. Operating income was ¥10,477 million, an increase of ¥716 million year on year.

Electronics and IT Devices

Despite an increase in demand, particularly from the automobile industry, overall sales of ferrite, rare-earth and other magnets, and their applications decreased due to the impact of business reorganization implemented in the previous fiscal year.

In the mobile phone components category, sales of isolators declined as the trend toward isolator-less components increased. Sales of multilayered devices increased due to the increase in production and the Company's ability to capture greater market share. As a result, overall sales were on par with the corresponding period of the previous fiscal year. Results in soft magnetic materials were mixed. FINEMET® results declined, impacted by production adjustments of FINEMET®-based products. Hitachi Metals experienced a significant jump in orders, however, with the growing emphasis on energy conservation and increased application and shipment of the Company's amorphous metal materials. Sales of IT equipment materials and components grew as customer recognition of Hitachi Metals' products continued to take hold.

As a result, net sales in this segment totaled ¥77,944 million, a decrease of 0.9% compared with the corresponding interim period of the previous fiscal year. Operating income for the interim period was ¥7,920 million, up ¥1,709 million year on year.

High-Grade Functional Components and Equipment

Sales of high-grade ductile iron castings declined compared with the corresponding period of the previous fiscal year. Strong demand related to the increase in automobile production was offset by rationalizing and streamlining of the Company's product lineup. Results in heat-resistant metal castings improved dramatically in line with the emergence of new applications of the Company's products. Sales of aluminum wheels were up, owing to healthy overseas demand. Sales of pipe fittings decreased, reflecting a stagnant period between large-scale construction projects and a growing trend toward the adoption of different materials for piping. Results in stainless steel and plastic piping components declined due to the cutback in construction work volume. This was despite the introduction of new products. Internal and structural systems gained ground despite the dormant period between large-scale construction projects and price competition among competing materials. This was the result of robust private sector capital investment particularly in the automobile industry.

Accounting for these factors, net sales in this segment rose 6.2% compared with the corresponding interim period of the previous fiscal year to ¥87,711 million. Operating income declined ¥399 million to ¥3,355 million.

Services and Other

Domestic and overseas sales of Services and Other remained sound. Segment net sales and operating income declined significantly, however, following the reorganization of a subsidiary company and the transfer of certain activities to another segment.

As a result, net sales in this segment decreased 33.3% compared with the corresponding interim period of the previous fiscal year to ¥33,860 million. Operating income declined ¥367 million to ¥403 million.

(2) Outlook (fiscal year ending March 31, 2006)

In the fiscal year ending March 31, 2006, the global economy is expected to show signs of a mild slowdown. In the United States, residential property development, which had previously driven growth, is forecast to experience stagnant conditions, while growth rates in China also appear to have peaked. As a whole, the sharp increase in crude oil and raw material prices is expected to place downward pressure on the global economy.

In Japan, economic conditions are forecast to remain firm on the back of active capital investment mainly in the private sector and an increase in demand.

In the industries in which the Hitachi Metals Group operates, operations in the High-Grade Metal Products and Materials and the Electronics and IT Devices segments are anticipated to remain difficult due to downward pressure on product prices. Production of mobile phones and LCD displays, however, are expected to remain firm. In addition, activities related to the mold and tool materials forecast to experience a temporary inventory adjustment period. Positive conditions fueled by ongoing growth in the automobile industry, primarily driven by trucks, and continued improvement in private sector capital investment generating benefits to the construction industry are expected to be offset by persistent downward pressure on public works. Accordingly, a difficult operating environment is forecast.

Despite these circumstances, the Hitachi Metals Group is expecting to achieve its numerical targets for sales and profits in its Fiscal 2005 Medium-Term Management Plan. In addition, the Company is working to introduce new products and expand sales overseas, continuing efforts to achieve appropriate price levels that correspond to rising raw material prices, and endeavoring to further enhance competitiveness of existing products by implementing cost reductions. Moreover, Hitachi Metals aims to improve its corporate structure by improving cash flows through the reduction of inventories and lowering the breakeven point.

As a result of the aforementioned factors, performance outlook for the fiscal year ending March 31, 2006, is as follows. The fiscal year-end dividend is forecast at ¥5.0 per share.

(Millions of Yen)

	Net sales	Ordinary income	Net income
Consolidated	574,000	41,000	16,000
Non-consolidated	261,000	12,500	6,500

2. Financial Position

Net cash used provided by operating activities for the first half of the fiscal year ending March 31, 2006 was ¥13,536 million, a turnaround of ¥366 million from net cash provided by operating activities in the corresponding period of the previous fiscal year. In the interim period under review, the Company reported net income before income taxes of ¥15,461 million after accounting for the disposal of fixed assets, impairment losses, and other factors, and experienced a decline in the demand for working capital.

Net cash used in investing activities totaled ¥11,418 million, up ¥1,541 million compared with the corresponding period of the previous fiscal year. This is attributed mainly to an increase of ¥1,564 million in capital expenditure.

Net cash used in financing activities rose ¥2,883 million year on year to ¥8,550 million. Major components included cash outflows such as ¥4,767 million for the repayment of interest-bearing debt, ¥1,705 million for the acquisition of treasury stock, and ¥2,079 million cash dividends paid.

As a result of the aforementioned factors, cash and cash equivalents as of September 30, 2005 stood at ¥47,813 million, a decrease of ¥5,750 million from the previous fiscal year-end.

	First Half Fiscal 2003	First Half Fiscal 2004	First Half Fiscal 2005	Fiscal 2003	Fiscal 2004
Shareholders' equity ratio	35.1%	29.7%	31.5%	35.2%	30.5%
Shareholders' equity ratio on a market price basis	30.9%	37.5%	71.9%	41.2%	44.3%

Notes: 1. Shareholders' equity ratio = shareholders' equity/total assets
2. Shareholder' equity ratio on a market price basis = market capitalization/total assets

3. Business risks

Risks that may potentially impact the financial performance and condition of the Hitachi Metals Group include but are not limited to the following: market trends in related industries; economic trends in regions of operation; changes in cash flow due to trends in capital investment and the status of sales activities; fluctuations in raw materials prices caused by the impact of international markets; the disturbance of business activities in overseas markets due to economic, social or political circumstances; changes in capacity related to the securing of competitive superiority, or the development and commercial application of new technologies and new products; conflict related to intellectual property rights; cost increases needed to comply with environmental regulations; and the incurring of costs in the event that product defects should arise and require response.

While the Hitachi Metals Group strives, under the structure described previously, to avoid the occurrence and minimize the impact in the event that risks such as those above should occur, such risks cannot be completely avoided or eliminated, and the Company's financial performance and condition may be affected.

Note: The outlook for performance presented in this document includes statements regarding future plans, not historical facts, and represent the judgments of the management of the Company based on current conditions as well as certain premises and assumptions. In fact, changes in assumptions and prevailing conditions, as well as other developments, along with a wide range of other factors may lead to an outcome that differs substantially from what is presented in the outlook. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on this outlook when making investment and other decisions.

Changes in Accounting Policies

(1) Important hedge accounting methods

The Company, with the exception of certain subsidiaries, has heretofore accounted for derivative transactions by measuring their current value on the interim consolidated closing date and accounting for that value and its impact on profit/loss in the corresponding period under review. Effective from this consolidated interim period onward, the Company has applied the deferral hedge method in accounting for derivative transactions. The change is reflected in the financial statements showing hedge effects, and provides a more adequate accounting of profits and losses during the period. As a result of this change, ordinary income increased ¥39 million compared with calculation by the previous method.

(2) Accounting for the impairment of fixed assets

Effective from this interim period onward, the Company adopted "Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" (issued by the Business Accounting Deliberation Council on August 9, 2002) and the Financial Accounting Standard Implementation Guidance No. 6, "Implementation Guidance on Accounting Standards for Impairment of Fixed Assets" (issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, interim net income before income taxes declined ¥1,607 million.

Consolidated Balance Sheets

	End of 9/05 (A)	End of 3/05 (B)	(difference) (A)-(B)
		(Millions of Yen)	
ASSETS			
Current assets:			
Cash and deposits in banks	**32,652**	33,773	(1,121)
Notes receivable and accounts receivable	**114,530**	113,806	724
Receivable for completed construction work	**129**	819	(690)
Cash pooling deposits	**14,541**	19,423	(4,882)
Negotiable securities	**622**	400	222
Inventories	**108,849**	102,088	6,761
Deferred tax assets	**13,192**	14,226	(1,034)
Other current assets	**6,411**	5,313	1,098
Total current assets	**290,926**	289,848	1,078
Fixed assets:			
Net property, plant and equipment	**195,808**	197,833	(2,025)
Intangible fixed assets	**2,900**	2,675	225
Other	**40,599**	41,929	(1,330)
Total fixed assets	**239,307**	242,437	(3,130)
Total assets	**530,233**	532,285	(2,052)
LIABILITIES and SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	**61,242**	61,421	(179)
Short-term debt	**78,555**	76,611	1,944
Bonds redeemable within a year	**1,011**	1,009	2
Accrued income taxes	**4,324**	6,613	(2,289)
Accrued operating expenses	**22,175**	21,256	919
Advance payments from customers	**587**	970	(383)
Deferred tax liabilities	**3**	3	—
Other	**16,013**	15,501	512
Total current liabilities	**183,910**	183,384	526
Long-term debt, less current maturities	**88,456**	95,170	(6,714)
Reserve for retirement benefits	**30,321**	31,639	(1,318)
Reserve for directors' retirement bonuses	**1,102**	1,138	(36)
Deferred tax liabilities	**3,165**	3,190	(25)
Other	**6,649**	8,018	(1,369)
Total liabilities	**313,603**	322,539	(8,936)
Minority interests	**49,740**	47,346	2,394
Shareholders' equity:			
Common stock	**26,284**	26,284	—
Capital surplus	**36,701**	36,701	—
Retained earnings	**112,177**	107,966	4,211
Unrealized net gain on available-for-sale securities	**2,660**	1,948	712
Other	**(10,932)**	(10,499)	(433)
Total shareholders' equity	**166,890**	162,400	4,490
Total Liabilities and Shareholders' equity	**530,233**	532,285	(2,052)

Comparative Statement of profit and loss

(Millions of Yen)

	1st half fiscal 2005 (Sep. 30,05) (A)	Ratio to sales (%)	1st half fiscal 2004 (Sep. 30,04) (B)	Ratio to sales (%)	(A)／(B) (%)	Fiscal 2004 (Mar. 31,05)
Net sales	**284,195**	100.0	273,154	100.0	104	559,540
Cost of sales	**221,869**	78.1	214,053	78.4	104	438,995
Gross profit	**62,326**	21.9	59,101	21.6	105	120,545
Selling, general and administrative expenses	**41,428**	14.6	39,816	14.6	104	80,144
Operating income	**20,898**	7.4	19,285	7.1	108	40,401
Other income:						
Interest and dividends	**315**		172		183	362
Investment income based on equity method	—		172		—	85
Other	**2,490**		2,382		105	4,465
Total	**2,805**	1.0	2,726	1.0	103	4,912
Other expends:						
Interest	**1,312**		1,277		103	2,496
Other	**2,138**		3,431		62	6,430
Total	**3,450**	1.2	4,708	1.7	73	8,926
Ordinary profit (loss)	**20,253**	7.1	17,303	6.3	117	36,387
Extraordinary profit (loss)						
Net gain on switch to defined contribution pension plan	**144**		—		—	—
Gain from sale of property and equipment	**238**		391		61	3,709
Gain on equity share fluctuation in consolidated subsidiaries	—		1,681		—	1,681
Loss on devaluation of property and equipment	**(1,419)**		—		—	—
Loss on impaired property and equipment	**(1,607)**		—		—	—
Write-off discrepancies as a result of changes in accounting	—		(1,511)		—	(3,093)
Extraordinary loss on revision of retirement benefit plan system	—		—		—	(41)
Loss on structural reform	**(2,148)**		(973)		221	(8,651)
Other	—		—		—	(490)
Total	**(4,792)**		(412)		1,163	(6,885)
Income before income taxes and minority interests	**15,461**	5.4	16,891	6.2	92	29,502
Corporation and inhabitant taxes	**4,390**	1.5	4,584	1.7	96	8,871
Adjustment account for corporate tax	**2,768**	1.0	2,283	0.8	121	1,872
Minority interests	**2,153**	0.8	1,799	0.7	120	3,541
Net income	**6,150**	2.2	8,225	3.0	75	15,218

Statement of Consolidated Surplus

(Millions of Yen)

	1st half fiscal 2005 (Sep. 30,05) (A)	1st half fiscal 2004 (Sep. 30,04) (B)	(A)／(B) (%)	Fiscal 2004 (Mar. 31,05)
Balance at beginning of year	**107,966**	95,940	113	95,940
Cash dividends	**1,744**	1,237	141	2,998
Bonuses to directors and corporate auditors	**195**	194	101	194
Decrease of other surplus	**1,939**	1,431	135	3,192
Net income	**6,150**	8,225	75	15,218
Balance at period end	**112,177**	102,734	109	107,966

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 9/05	End of 9/04	End of 3/05
Cash flows from operating activities			
Income before income taxes and minority interests	**15,461**	16,891	29,502
Depreciation and amortization	**10,440**	10,968	22,933
Cost of structural reform	**2,148**	973	8,651
Gain on equity share fluctuation in consolidated subsidiaries	—	(1,681)	(1,681)
Increase(decrease) in accrued retirement benefits	**(1,285)**	916	1,700
Net gain on switch to defined contribution pension plan	**(144)**	—	—
Gain (loss) on sales of property and equipment	**(331)**	—	(3,771)
Loss on disposal of property, plant and equipment	**521**	—	2,184
Write down of property, plant and equipment	**1,419**	—	—
Loss on impaired property and equipment	**1,607**	—	—
Interest and dividends received	**(315)**	(172)	(362)
Interest charges	**1,312**	1,277	2,496
(Increase)decrease in receivables	**259**	(4,380)	(9,292)
Decrease in receivables for completed construction work	**684**	1,205	2,174
(Increase) in inventories	**(5,391)**	(9,617)	(15,127)
Increase (Decrease) in payables	**(918)**	3,664	6,624
Other	**(2,162)**	(362)	(3,427)
Subtotal	**23,305**	19,682	42,604
Amount paid for transfer to defined contribution pension plan	**(1,427)**	(1,898)	(1,945)
Amount paid for extra ordinary loss on structual reform	**(632)**	(561)	(2,292)
Interest and dividends received	**324**	169	362
Interest paid	**(1,336)**	(1,334)	(2,568)
Income taxes paid	**(6,698)**	(3,293)	(5,559)
Income from compensation for high-grade embankment	—	1,137	1,137
Net cash provided by operating activities	**13,536**	13,902	31,739
Cash flows from investment activities			
Proceeds from sales of securities	**—**	1,000	1,000
Purchase of investment securities	**(306)**	(24)	(62)
Proceeds from sales of investment securities	**417**	**—**	**—**
Proceeds from sale of subsidiaries' common stock	**—**	—	44
Expenditures for acquisition of net property, plant and equipment	**(11,810)**	(10,246)	(24,109)
Preceeds from sale of property assets	**915**	905	11,435
Expenditures for acquisition of intangible fixed assets	**(564)**	(191)	(409)
Expenditures for acquisition of shares of newly consolidated subsidiaries	—	(1,229)	(1,613)
Other	**(70)**	(92)	(35)
Net cash used in investing activities	**(11,418)**	(9,877)	(13,749)
Cash flows from financing activities			
Increase in short-term borrowings	**(1,545)**	3,990	3,545
Proceeds from long-term debt	**300**	734	6,584
Payments on long-term debt	**(3,522)**	(4,148)	(8,051)
Proceeds from issue of bonds	—	2,098	2,054
Expenditures for redemption of bonds	—	(6,255)	(16,131)
Proceeds from sale of treasury stock	**1**	3	7
Purchase of treasury stock	**(1,705)**	(712)	(2,827)
Dividends paid to shareholders	**(1,744)**	(1,237)	(2,998)
Dividends paid to shareholders of subsidiaries	**(335)**	(140)	(363)
Net cash provided by (used in) financing activities	**(8,550)**	(5,667)	(18,180)
Effect of exchange rate changes on cash and cash equivalents	**682**	409	254
Net increase(decrease) in cash and cash equivalents	**(5,750)**	(1,233)	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 period end	**47,813**	52,266	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	**32,652**	28,260	33,773
Securities (Money Market Funds, etc.)	**620**	—	367
Cash pooling deposits	**14,541**	24,006	19,423
Cash and cash equivalents at period end	**47,813**	52,266	53,563

Business segment information

Year under review (Apr. 1, 2005 - Sep. 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	**107,109**	**66,685**	**81,023**	**29,378**	**284,195**	—	**284,195**
Intersegment	**10,389**	**11,259**	**6,688**	**4,482**	**32,818**	**(32,818)**	—
Total sales	**117,498**	**77,944**	**87,711**	**33,860**	**317,013**	**(32,818)**	**284,195**
Operating costs and expenses	**107,021**	**70,024**	**84,356**	**33,457**	**294,858**	**(31,561)**	**263,297**
Operating income	**10,477**	**7,920**	**3,355**	**403**	**22,155**	**(1,257)**	**20,898**
Assets	**211,330**	**166,077**	**134,514**	**42,875**	**554,796**	**(24,563)**	**530,233**
Depreciation and amortization	**3,521**	**3,428**	**2,956**	**235**	**10,140**	**300**	**10,440**
Capital expenditures	**5,104**	**3,641**	**3,632**	**54**	**12,431**	**125**	**12,556**

1st half of previous year (Apr.1, 2004 - Sep. 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	82,575	66,682	74,895	49,002	273,154	—	273,154
Intersegment	16,589	11,933	7,663	1,773	37,958	(37,958)	—
Total sales	99,164	78,615	82,558	50,775	311,112	(37,958)	273,154
Operating costs and expenses	89,403	72,404	78,804	50,005	290,616	(36,747)	253,869
Operating income	9,761	6,211	3,754	770	20,496	(1,211)	19,285
Assets	183,386	170,802	128,176	62,126	544,490	(8,033)	536,457
Depreciation and amortization	3,321	3,949	2,942	485	10,697	271	10,968
Capital expenditures	4,621	2,868	3,802	112	11,403	90	11,493

Fiscal previous year (Apr.1, 2004 - Mar. 31, 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	170,653	135,487	155,326	98,074	559,540	—	559,540
Intersegment	32,022	23,950	17,570	3,965	77,507	(77,507)	—
Total sales	202,675	159,437	172,896	102,039	637,047	(77,507)	559,540
Operating costs and expenses	183,847	146,062	164,487	100,100	594,496	(75,357)	519,139
Operating income	18,828	13,375	8,409	1,939	42,551	(2,150)	40,401
Assets	191,094	167,968	134,628	57,883	551,573	(19,288)	532,285
Depreciation and amortization	6,960	8,157	6,159	1,102	22,378	555	22,933
Capital expenditures	10,080	5,773	9,015	407	25,275	339	25,614

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	Molds and tool materials, High-grade electronic materials (Display materials, Semiconductor and other package materials, Components for copying machines and other office equipment) Rolls for steel,nonferrous and non-metal rolling, Injection molding machine parts Structural ceramics, Steel frame joints for construction Steel forgings, Cutting tools, Other
Electronics and IT Devices	Hard magnetic materials (Ferrite, Rare-earth magnets, Castings, Bonded magnets and their applications) Mobile phone components (Isolators, Multilayered devices) Soft magnetic meterials (Soft ferrites, Nano-crystalline soft magnetic materials (FINEMET®) Amorphous metal materials) Componets and materials for IT equipment, Other
High-Grade Functional Components and Equipment	High-grade ductile iron castings, Heat-resistant metal castings Aluminum wheels and other aluminum products Pipe fittings, Stainless steel and plastic piping components Water cooling equipment Precision mass flow control devices, Internal and structual systems, Other
Services and Other	Environmental analysis and consulting, Metal materials survey and analysis Light alloy cabinets made with Press-forging manufacturing method Other sales and services, Other

3. Corporate assets included on "Eliminations and corporate assets" at September 30, 2005, 2004 and March 31, 2005 totaled ￥1,194 million, ￥21,220 million and ￥12,104 million, respectively. The corporate assets consisted principally of surplus working funds (cash and cash equivalents), long-term investments and assets held at general affairs and administrative sections.

4. Unallocatable operating costs included in "Eliminations and corporate assets" at September 30, 2005, 2004 and March 31, 2005 amounted to ￥1,250 million, ￥995 million and ￥2,110 million, rexpectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical segment information

Year under review (Apr. 1, 2005 - Sep. 30, 2005) (Millions of Yen)

	Japan	North America	Asia	Other areas	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	**209,005**	**34,837**	**29,484**	**10,869**	**284,195**	—	**284,195**
Intersegment	**34,446**	**8,130**	**17,294**	**201**	**60,071**	**(60,071)**	—
Total sales	**243,451**	**42,967**	**46,778**	**11,070**	**344,266**	**(60,071)**	**284,195**
Operating costs and expenses	**225,124**	**40,599**	**44,954**	**11,135**	**321,812**	**(58,515)**	**263,297**
Operating income	**18,327**	**2,368**	**1,824**	**(65)**	**22,454**	**(1,556)**	**20,898**
Assets	**451,120**	**55,017**	**55,652**	**10,455**	**572,244**	**(42,011)**	**530,233**

1st half of previous year (Apr.1, 2004 - Sep. 30, 2004) (Millions of Yen)

	Japan	North America	Asia	Other areas	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	206,687	33,325	25,486	7,656	273,154	—	273,154
Intersegment	28,222	3,776	14,087	299	46,384	(46,384)	—
Total sales	234,909	37,101	39,573	7,955	319,538	(46,384)	273,154
Operating costs and expenses	217,073	35,484	38,202	7,834	298,593	(44,724)	253,869
Operating income	17,836	1,617	1,371	121	20,945	(1,660)	19,285
Assets	455,950	48,372	48,406	7,885	560,613	(24,156)	536,457

Fiscal previous year (Apr.1, 2004 - Mar. 31, 2005) (Millions of Yen)

	Japan	North America	Asia	Other areas	Subtotal	Eliminations and corporate assets	Total
Sales:							
Unaffiliated customers	420,941	68,033	53,910	16,656	559,540	—	559,540
Intersegment	57,706	8,968	29,290	533	96,497	(96,497)	—
Total sales	478,647	77,001	83,200	17,189	656,037	(96,497)	559,540
Operating costs and expenses	443,110	72,967	80,189	17,113	613,379	(94,240)	519,139
Operating income	35,537	4,034	3,011	76	42,658	(2,257)	40,401
Assets	449,436	52,061	51,085	8,953	561,535	(29,250)	532,285

Overseas sales

Year under review (Apr. 1, 2005 - Sep. 30, 2005) (Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	**33,036**	**58,392**	**14,384**	**4,254**	**110,066**
Consolidated sales	—	—	—	—	**284,195**
Overseas sales as a share of consolidated sales	**11.6%**	**20.5%**	**5.1%**	**1.5%**	**38.7%**

1st half of previous year (Apr.1, 2004 - Sep. 30, 2004) (Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	31,292	53,496	10,374	3,988	99,150
Consolidated sales	—	—	—	—	273,154
Overseas sales as a share of consolidated sales	11.5%	19.6%	3.8%	1.4%	36.3%

Fiscal previous year (Apr.1, 2004 - Mar. 31, 2005) (Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	63,297	107,601	23,746	8,803	203,447
Consolidated sales	—	—	—	—	559,540
Overseas sales as a share of consolidated sales	11.3%	19.2%	4.3%	1.6%	36.4%

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

The Situation of Marketable securities and Derivatives Transactions

1.Securities (Millions of Yen)

(1) Bond for maturity and Other securities with market price

	End of 9/05			End of 3/05		
	Balance sheet value	**Market price**	**Valuation profit/loss**	Balance sheet value	Market price	Valuation profit/loss
Bond for maturity:						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Total	—	—	—	—	—	—
Other securities:						
1. Balance sheet value exceeds cost						
Stocks	**2,133**	**7,439**	**5,306**	2,118	6,125	4,007
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	**1,000**	**1,006**	**6**	1,000	1,014	14
Other bonds	—	—	—	—	—	—
Other	—	—	—	30	31	1
Total	**3,133**	**8,445**	**5,312**	3,148	7,170	4,022
2. Balance sheet value does not exceed cost						
Stocks	**90**	**71**	**(19)**	105	84	(21)
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	**2**	**2**	**0**	2	2	0
Other bonds	—	—	—	—	—	—
Other	**620**	**620**	**0**	367	367	0
Total	**712**	**693**	**(19)**	474	453	(21)
Other Securities Total	**3,845**	**9,138**	**5,293**	3,622	7,623	4,001

(2) Securities without market price

	End of 9/05	End of 3/05
	Balance sheet value	Balance sheet value
Bond for maturity:		
Government bonds or Municipal bonds	—	—
Corporate bonds	—	—
Other bonds	—	—
Total	—	—
Other Securities:		
Non-listed stock	**1,044**	1,004
Non-listed overseas bond	**6**	6
Total	**1,050**	1,010

2. Difference between market price and contract value of derivatives transactions (Millions of Yen)

	End of 9/05			End of 3/05		
	Contract Value	**Market Price**	**Appraisal gain/loss**	Contract Value	Market price	Appraisal gain/loss
Exchange contract transactions:						
U.S. dollars (buy)	**247**	**250**	**3**	82	83	1
U.S. dollars (sell)	**4,742**	**4,843**	**(101)**	4,203	4,266	(63)
Euro (sell)	—	—	—	—	—	—
Euro (buy)	**54**	**55**	**1**	303	313	10
Currency option transactions:						
[Buy]						
U.S. dollars (sell)	—	—	—	5,548	28	(2)
Euro (sell)	—	—	—	419	5	(4)
[Sell]						
U.S. dollars (sell)	—	—	—	6,390	159	(129)
Euro (sell)	—	—	—	838	10	(1)
Currency swap transactions:						
Receipts yen payments dollars	**13,700**	**232**	**232**	13,700	953	953
Interest-rate swaps:						
Receipts variable payments fixed	**2,500**	**(9)**	**(9)**	2,500	(15)	(15)
Total	—	—	**126**	—	—	750

Hitachi Metals, Ltd. (Oct. 25, 2005)

Code:5486

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Non-consolidated Financial Report for the 6-month period ended September 30, 2005

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

1. Performance over the year, April 1, 2005 to September 30, 2005
   (Figures are rounded off to the nearest million yen)

(1) Operating results	**9/05(interim)**	9/04(interim)	(Change)(%)	3/05
Net sales (million yen)	**129,100**	122,095	5.7	249,733
Operating income (million yen)	**4,472**	5,947	(24.8)	10,735
Ordinary income (million yen)	**5,953**	6,766	(12.0)	12,622
Net income (million yen)	**2,915**	2,364	23.3	4,539
Net income per share (yen)	**8.38**	6.69	—	12.90

Notes: 1. Average number of shares outstanding (9/05: 347,716,823 9/04: 353,236,774 3/05: 351,787,743)
2. Accounting policy has been made change.

(2) Dividend	**9/05(interim)**	9/04(interim)	3/05
Interim dividend per share (yen)	**5.0**	5.0	—
Annual dividend per share (yen)	**—**	—	10.0

(3) Financial standing	**9/05(interim)**	9/04(interim)	3/05
Total assets (million yen)	**275,588**	283,172	278,551
Shareholders' equity (million yen)	**116,703**	118,881	117,202
Shareholders' equity ratio (%)	**42.3**	42.0	42.1
Shareholders' equity per share (yen)	**336.78**	337.56	336.15

Notes: 1. Number of shares outstanding at period end (9/05: 346,523,980 9/04: 352,174,029 3/05: 348,664,707)
2. Number of treasury stock outstanding at period end (9/05: 10,644,707 9/04: 4,994,658 3/05: 8,503,980)

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

	At year end
Net sales (million yen)	261,000
Ordinary income (million yen)	12,500
Net income (million yen)	6,500
Dividends at end of period per share (yen)	5.00
Annual dividends per share (yen)	10.00

Reference: Expected net income per share (full-year basis) 18.76 yen

Note: The outlooks for performance presented in this document are statements regarding future plans, not historical facts, and represent the judgments of the management of the Company based on current conditions as well as certain premises and assumptions. In fact, changes in assumptions and prevailing conditions as well as other developments, along with a wide range of other factors may lead to outcomes that differ substantially from those presented in this document. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on these outlooks when making investment and other decisions.

Comparative Balance Sheets

ASSETS	(Millions of Yen)		
	End of 9/05 (A)	End of 3/05 (A)	Change (A)-(B)
Current assets:			
Cash and deposits in banks	**3,909**	2,591	1,318
Notes receivable and accounts receivable	**38,786**	37,133	1,653
Receivables for completed construction work	**—**	541	(541)
Inventories	**41,168**	36,961	4,207
Cash pooling deposits	**14,541**	19,423	(4,882)
Deferred tax assets	**7,105**	7,646	(541)
Other current assets	**17,579**	18,879	(1,300)
Allowance for doubtful accounts	**(1,147)**	(1,110)	(37)
Total current assets	**121,941**	122,064	(123)
Fixed assets:			
Net property, plant and equipment			
Buildings and structures	**20,792**	21,077	(285)
Machinery, equipment and vehicles	**25,529**	25,142	387
Tools, furniture and fixtures	**1,772**	1,411	361
Land	**18,290**	18,873	(583)
Construction in progress	**2,859**	3,529	(670)
Total	**69,242**	70,032	(790)
Intangible fixed assets	**1,544**	1,310	234
Investments, etc.			
Investment securities	**2,003**	1,864	139
Stock of affiliated company	**57,335**	57,531	(196)
Long-term loans	**8,109**	8,872	(763)
Deferred tax assets	**13,738**	15,030	(1,292)
Other	**1,967**	2,270	(303)
Allowance for doubtful accounts	**(265)**	(296)	31
Provision for loss on investments	**(26)**	(126)	100
Total investment, etc.	**82,861**	85,145	(2,284)
Total fixed assets	**153,647**	156,487	(2,840)
Total assets	**275,588**	278,551	(2,963)

Comparative Balance Sheets

LIABILITIES and SHAREHOLDERS' EQUITY	(Millions of Yen) End of 9/05 (A)	End of 3/05 (A)	Change (A)-(B)
Current Liabilities:			
Accounts payable	**27,685**	26,505	1,180
Short-term debt	**33,191**	34,261	(1,070)
Long-term debt redeemable within a year	**4,000**	—	4,000
Accrued income taxes	**179**	363	(184)
Accrued operating expense	**7,360**	7,620	(260)
Advance payments from customers	**169**	609	(440)
Allowance for the liquidation of affiliated companies	**844**	—	844
Other	**7,206**	7,511	(305)
Total current liabilities	**80,634**	76,869	3,765
Bonds	**29,000**	29,000	—
Long-term debt	**31,000**	35,000	(4,000)
Reserve for retirement benefits	**17,923**	18,830	(907)
Reserve for directors' retirement bonuses	**305**	289	16
Others	**23**	1,361	(1,338)
Total fixed liabilities	**78,251**	84,480	(6,229)
Total Liabilities	**158,885**	161,349	(2,464)
Shareholders' equity:			
Common stock	**26,284**	26,284	—
Capital surplus	**36,701**	36,701	—
Profit reserve	**6,571**	6,571	—
Special reserve	**45,080**	45,184	(104)
Retained earnings at period end	**7,896**	6,620	1,276
Unrealized net gain on available-for-sale securities	**174**	141	33
Treasury stock	**(6,003)**	(4,299)	(1,704)
Total shareholders' equity	**116,703**	117,202	(499)
Total Liabilities and Shareholders' equity	**275,588**	278,551	(2,963)

Comparative Statement of profit and loss

(Millions of Yen)

	1st half fiscal 2005 (Sep.30,05) (A)	Ratio to Sales (%)	1st half fiscal 2004 (Sep.30,04) (B)	Ratio to Sales (%)	(A)/(B) (%)	fiscal 2004 (Mar.31,05)	Ratio to Sales (%)
Net sales	**129,100**	100.0	122,095	100.0	106	249,733	100.0
Cost of sales	**110,423**	85.5	102,051	83.6	108	210,631	84.3
Gross profit	**18,677**	14.5	20,044	16.4	93	39,102	15.7
Selling, general and administrative expenses	**14,205**	11.0	14,097	11.5	101	28,367	11.4
Operating income	**4,472**	3.5	5,947	4.9	75	10,735	4.3
Other income:							
Interest and dividends	**2,197**		1,890		116	3,199	
Other	**1,105**		1,320		84	2,900	
Total	**3,302**	2.5	3,210	2.6	103	6,099	2.4
Other expends:							
Interest	**658**		653		101	1,283	
Other	**1,163**		1,738		67	2,929	
Total	**1,821**	1.4	2,391	2.0	76	4,212	1.7
Ordinary profit (loss)	**5,953**	4.6	6,766	5.5	88	12,622	5.1
Extraordinary profit (loss)							
Gain from sale of property, plant and equipment	**268**		126		213	210	
Gain on distribution of affiliated company residual assets	**443**		—		—	6	
Loss on impaired property, plant and equipment	**(774)**		—		—	—	
Loss on structural reform	**(1,365)**		(966)		141	(1,730)	
Loss on liquidation of affiliated companies	**(876)**		—		—	—	
Write-off discrepancies as a result of changes in accounting	—		(1,087)		—	(2,174)	
Increase in provision for affiliated company doubtful accounts	—		(619)		—	(1,064)	
Write-down devaluation of investment securities	—		—		—	(194)	
Increase in provision for loss on investments	—		(100)		—	(126)	
Total	**(2,304)**		(2,646)		—	(5,072)	
Income before income taxes and minority interests	**3,649**	2.8	4,120	3.4	89	7,550	3.0
Corporation, inhabitant and enterprise taxes	**(1,075)**		(818)		—	(2,216)	
Adjustment account for corporate tax	**1,809**		2,574		70	5,227	
Net income	**2,915**	2.3	2,364	1.9	123	4,539	1.8