

# Hitachi Metals, Ltd. (July 26, 2006)

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

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## Consolidated Financial Report for the first quarterly ended June 30, 2006

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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: None

(3) Consolidated subsidiaries and application of the equity method: None

Number of consolidated subsidiaries: 102

Equity method applied non-consolidated subsidiaries : None

Equity method applied affiliates : 15

Consolidated scope and changes to the application of the equity method

Consolidation : New companies None Companies removed None

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

### 2. Performance over the year, April 1, 2006 to June 30, 2006 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	6/06(quarter)	6/05(quarter)	Change(%)	3/06
Net sales (million yen)	151,958	139,800	8.7	590,678
Operating income (million yen)	12,322	9,437	30.6	47,502
Income before income taxes and minority interests (million yen)	12,362	8,514	45.2	39,497
Net income (million yen)	5,128	3,033	69.1	17,165
Net income per share (yen)	14.81	8.71	—	48.95
Diluted net income per share (yen)	—	—	—	—

  

(2) Consolidated Financial Standing	6/06(quarter)	6/05(quarter)	3/06
Total assets (million yen)	560,657	527,867	554,275
Net assets (million yen)	235,297	163,801	179,960
Equity ratio (%)	32.3	31.0	32.5
Net assets per share (yen)	523.53	471.14	518.93

Note: Minority interests totaling ¥54,342 million are included in net assets.

The total of net assets excluding minority interests is ¥180,955 million.

(3) Consolidated Cash Flows (million yen)	6/06(quarter)	6/05(quarter)	3/06
Cash flows from operating activities	6,809	(3,270)	55,547
Cash flows from investment activities	(6,418)	(5,758)	(27,983)
Cash flows from financing activities	(3,912)	(3,763)	(18,053)
Cash and cash equivalents at end of period	61,226	41,107	64,844

## **Qualitative Information Regarding Business Results**

During the first quarter of the fiscal year ending March 31, 2007, cumulative net sales (three-month period) increased 8.7% to ¥151,958 million compared with the same period of the previous fiscal year. This was due primarily to continued strong demand from core customers in the automobile and household appliance industries.

In spite of the impact from globally rising costs for rare metals and other raw materials, operating income increased ¥2,885 million year on year to ¥12,322 million as a result of further efforts to reduce expenses. Income before income taxes and minority interests climbed ¥3,848 million to ¥12,362 million and quarterly net income rose ¥2,095 million year on year to ¥5,128 million.

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

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

Sales of molds and tool materials for cutting tools rose due to continued strong demand, particularly from the automobile industry. In high-grade electronic materials, overall sales increased on the back of strong semiconductor-related demand for semiconductor and other package materials. Moreover, a decrease in sales of display-related materials for traditional CRT displays as consumers shift to flat panel displays was covered by significant sales growth of LCD panel-related materials, primarily as a result of increased demand for IT household appliances. Sales of rolls climbed significantly, as demand in Asia remained robust. In addition, sales of injection molding machine parts increased significantly, buoyed by favorable demand in the automobile industry for medium- to large-sized components.

As a result, sales in this segment increased 11.3% from the same period of the previous fiscal year to ¥64,381 million. Operating income climbed ¥734 million to ¥5,635 million.

### **Electronics and IT Devices**

Overall sales of ferrite, rare-earth and other magnets, along with their applications increased year on year, with stronger demand from the automobile, household appliance and machine tool industries offsetting weaker demand for HDD motor and medical equipment applications. In the mobile phone components category, overall sales remained on par with the same period of the previous fiscal year. This was due to declining sales of isolators, reflecting the growing trend toward isolator-less mobile phones, in spite of stronger isolator sales to base stations, as well as a decrease in sales of multilayered devices as a result of lower sales prices and the further integration of component functions. Led by the expanded application of Hitachi Metals products in medical devices and equipment, sales of IT equipment materials and components increased

with growing demand for more compact and higher-performance materials and components. Overall sales of soft magnetic materials increased significantly. Sales of soft ferrites and FINEMET<sup>®</sup> were up sharply, propelled by increased production of LCD TVs and game consoles. Receiving high marks for their energy-saving properties, sales of the Company's amorphous alloys to the power industry rose significantly.

As a result, sales in this segment were up 4.8% year on year to ¥40,234 million. Operating income rose ¥809 million to ¥4,266 million.

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

Sales of high-grade ductile iron castings increased year on year buoyed by strong overseas results. In line with growing environmental consciousness, Hitachi Metals products were used in a greater number of automobiles manufactured by overseas makers, and increased shipments of such automobiles led to significant sales increases of heat-resistant iron castings. Hitachi Metals has also made several technological developments in the area of aluminum road wheels, resulting in boosted sales as these advances have led to an expanded number of vehicles equipped with the Company's products. Although impacted by a shift in the material composition of piping components, a robust housing construction market led to increased sales of pipe fittings. Significant sales growth was recorded for stainless steel and plastic piping components, owing to increased housing-related demand as well as sales price revisions in response to higher prices for raw materials. While orders for internal systems were robust, sales were unchanged from the same period of the previous fiscal year due to the time lag between order receipt and recording of sales. Structural systems also recorded sales growth, supported by robust capital investment in the private sector combined with increased use of Hitachi Metals' new products.

As a result, sales in this segment increased 14.4% year on year to ¥48,873 million. Operating income rose ¥1,028 million to ¥2,514 million.

### **Services and Other**

Domestic and overseas sales of Services and Other were favorable.

As a result, sales in this segment increased 9.8% compared with the same period of the previous fiscal year to ¥16,733 million. Operating income rose ¥331 million to ¥472 million.

## Qualitative Information Regarding Changes in Financial Position

During the first quarter of the fiscal year ending March 31, 2007, cash flows from operating activities totaled ¥6,809 million, an increase of ¥10,079 million from the same period of the previous fiscal year as a result of stronger earnings and improvements in working capital.

Net cash used in investing activities totaled ¥6,418 million, an increase of ¥660 million in expenditures, reflecting an increase in capital expenditures.

Net cash used in financing activities was ¥3,912 million, an increase in of ¥149 million. This increase was primarily reflected ¥807 million in payments on interest-bearing debt, ¥2,150 million in dividend payments, and ¥956 million for the purchase of treasury stock.

As a result of these activities, cash and cash equivalents totaled ¥61,226 million as of June 30, 2006, a decrease of ¥3,618 million since April 1, 2006.

## Forecast of results for the term, April 1, 2006 to March 31, 2007

### Consolidated Results Forecasts

	At mid-term	At year end
Net sales (million yen)	300,000	600,000
Operating income (million yen)	23,000	48,000
Income before income taxes and minority interests (million yen)	21,000	43,000
Net income (million yen)	9,500	21,000

Reference: Expected net income per share (full-year basis) consolidated: 60.76 yen

## Qualitative Information Regarding Forecasts

Hitachi Metals has revised its sales and earnings forecasts for the interim period (April 1, 2006 to September 30, 2006) as outlined in the preceding table in light of steady demand for electronics-related products such as personal computers, mobile telephones, and semiconductors, as well as strong demand in the automobile-related field. Sales and earnings forecasts for the fiscal year 2006 (April 1, 2006 to March 31, 2007) remain unchanged.

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 6/06 (A)	End of 3/06 (B)	(difference) (A)-(B)	End of 6/05
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and deposits in banks	38,745	35,569	3,176	32,763
Notes receivable and accounts receivable	119,552	118,775	777	113,924
Receivable for completed construction work	—	272	(272)	—
Cash pooling deposits	22,481	29,275	(6,794)	8,140
Negotiable securities	3	1	2	204
Inventories	113,496	106,113	7,383	107,523
Deferred tax assets	10,480	10,521	(41)	14,463
Other	11,355	8,882	2,473	9,207
<b>Total current assets</b>	<b>316,112</b>	<b>309,408</b>	<b>6,704</b>	<b>286,224</b>
<b>Fixed assets:</b>				
Net property, plant and equipment	202,071	200,760	1,311	197,156
Intangible fixed assets	3,156	3,215	(59)	2,771
Other	39,318	40,892	(1,574)	41,716
<b>Total fixed assets</b>	<b>244,545</b>	<b>244,867</b>	<b>(322)</b>	<b>241,643</b>
<b>Total assets</b>	<b>560,657</b>	<b>554,275</b>	<b>6,382</b>	<b>527,867</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	80,973	73,399	7,574	59,253
Short-term debt	79,105	75,524	3,581	76,111
Bonds redeemable within a year	3,461	3,499	(38)	1,014
Accrued operating expenses	18,825	22,583	(3,758)	18,755
Advance payments from customers	668	634	34	639
Deferred tax liabilities	11	21	(10)	3
Other	24,391	21,933	2,458	22,998
<b>Total current liabilities</b>	<b>207,434</b>	<b>197,593</b>	<b>9,841</b>	<b>178,773</b>
Long-term debt, less current maturities	77,501	81,995	(4,494)	94,631
Reserve for retirement benefits	29,179	29,402	(223)	31,151
Reserve for directors' retirement bonuses	976	1,231	(255)	1,099
Allowance for environmental safety measures	1,528	1,528	—	—
Deferred tax liabilities	3,343	3,365	(22)	3,246
Other	5,399	5,704	(305)	6,707
<b>Total liabilities</b>	<b>325,360</b>	<b>320,818</b>	<b>4,542</b>	<b>315,607</b>
<b>NET ASSETS</b>				
<b>Shareholders' equity</b>				
Common stock	26,284	—	—	—
Capital surplus	36,702	—	—	—
Retained earnings	124,518	—	—	—
Treasury stock	(7,015)	—	—	—
<b>Total shareholders' equity</b>	<b>180,489</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Valuation and translation adjustments</b>				
Unrealized net gain on available-for-sale securities	3,097	—	—	—
Gain (loss) on deferred hedge transactions	(13)	—	—	—
Foreign currency translation adjustments	(2,618)	—	—	—
<b>Total valuation and translation adjustments</b>	<b>466</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Minority interests</b>	<b>54,342</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Net Assets</b>	<b>235,297</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and net assets</b>	<b>560,657</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Minority interests</b>	<b>—</b>	<b>53,497</b>	<b>—</b>	<b>48,459</b>
<b>Shareholders' equity</b>				
Common stock	—	26,284	—	26,284
Capital surplus	—	36,701	—	36,701
Retained earnings	—	121,348	—	109,060
Unrealized net gain on available-for-sale securities	—	4,045	—	2,009
Foreign currency translation adjustments	—	(2,358)	—	(5,250)
Treasury stock	—	(6,060)	—	(5,003)
<b>Total shareholders' equity</b>	<b>—</b>	<b>179,960</b>	<b>—</b>	<b>163,801</b>
<b>Total Liabilities, Minority Interest and Shareholders' Equity</b>	<b>—</b>	<b>554,275</b>	<b>—</b>	<b>527,867</b>

**Comparative Statement of profit and loss**

(Millions of Yen)

	1 <sup>st</sup> quarter fiscal 2006 (Jun. 30,06)	Ratio to sales	1 <sup>st</sup> quarter fiscal 2005 (Jun. 30,05)	Ratio to sales	(A)/(B)	Fiscal 2005 (Mar. 31,06)
	(A)	(%)	(B)	(%)	(%)	
<b>Net sales</b>	<b>151,958</b>	100	139,800	100	109	590,678
Cost of sales	118,093	77.7	109,810	78.5	108	458,945
<b>Gross profit</b>	<b>33,865</b>	22.3	29,990	21.5	113	131,733
Selling, general and administrative expenses	21,543	14.2	20,553	14.7	105	84,231
<b>Operating income</b>	<b>12,322</b>	8.1	9,437	6.8	131	47,502
<b>Other income</b>						
Interest and dividends	349		114		306	759
Investment income based on equity method	79		-		—	508
Other	1,206		1,583		76	5,280
Total	1,634	1.1	1,697	1.2	96	6,547
<b>Other expenses</b>						
Interest	746		638		117	2,854
Other	1,092		636		172	5,890
Total	1,838	1.2	1,274	0.9	144	8,744
<b>Extraordinary profit</b>						
Net gain on switch to defined contribution pension plan	-		144		—	144
Gain from the disposal of stocks of affiliated companies	18		-		—	91
Gains from sale of property and equipment	132		204		65	407
Gain on sale of marketing rights	94		-		—	—
Total	244	0.2	348	0.2	70	642
<b>Extraordinary loss</b>						
Loss on devaluation of property and equipment	-		-		—	1,419
Loss on impaired property and equipment	-		1,501		—	1,607
Extraordinary loss on revision of retirement benefit plan system	-		-		—	14
Environmental safety measure expenses	-		-		—	1,553
Loss on structural reform	-		193		—	1,801
Other	-		-		—	56
Total	-	—	1,694	1.2	—	6,450
<b>Income before income taxes and minority interests</b>	<b>12,362</b>	8.1	8,514	6.1	145	39,497
<b>Provision for income taxes</b>	<b>5,855</b>	3.9	4,386	3.1	133	17,049
<b>Minority interests</b>	<b>1,379</b>	0.9	1,095	0.8	126	5,283
<b>Net income</b>	<b>5,128</b>	3.4	3,033	2.2	169	17,165

## Consolidated Statement of Changes in Shareholders' Equity

1<sup>st</sup> quarter fiscal 2006 (Apr.1, 2006 - Jun. 30, 2006)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of the end of the previous fiscal year	26,284	36,701	121,348	(6,060)	178,273
Changes during the quarter					
Distribution of retained earnings	—	—	(1,732)	—	(1,732)
Directors' bonus	—	—	(173)	—	(173)
Net income for the quarter	—	—	5,128	—	5,128
Acquisition of treasury stock	—	—	—	(956)	(956)
Retirement of treasury stock	—	1	—	1	2
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	(53)	—	(53)
Net increase/decrease during the quarter of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the quarter	—	1	3,170	(955)	2,216
<b>Balance as of the end of the quarter</b>	<b>26,284</b>	<b>36,702</b>	<b>124,518</b>	<b>(7,015)</b>	<b>180,489</b>

	Valuation and Translation Adjustments					Minority Interest	Total Net Assets
	Unrealized Net Gain on Available-for-Sale Securities	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments			
Balance as of the end of the previous fiscal year	4,045	—	(2,358)	1,687	53,497	233,457	
Changes during the quarter							
Distribution of retained earnings	—	—	—	—	—	(1,732)	
Directors' bonus	—	—	—	—	—	(173)	
Net income for the quarter	—	—	—	—	—	5,128	
Acquisition of treasury stock	—	—	—	—	—	(956)	
Retirement of treasury stock	—	—	—	—	—	2	
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	—	—	—	(53)	
Net increase/decrease during the quarter of non shareholders' equity items	(948)	(13)	(260)	(1,221)	845	(376)	
Total increase/decrease during the quarter	(948)	(13)	(260)	(1,221)	845	1,840	
<b>Balance as of the end of the quarter</b>	<b>3,097</b>	<b>(13)</b>	<b>(2,618)</b>	<b>466</b>	<b>54,342</b>	<b>235,297</b>	

## Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 6/06	End of 6/05	End of 3/06
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	12,362	8,514	39,497
Depreciation and amortization	6,058	5,587	22,579
Cost of structural reform	—	193	1,801
Environmental safety measure expenses	—	—	1,553
(Decrease) in accrued retirement benefits	(247)	(473)	(2,228)
Net gain on switch to defined contribution pension plan	—	—	(130)
Gain on sales of property and equipment	(139)	(249)	(559)
Loss on disposal of property, plant and equipment	114	109	1,758
Write down of property, plant and equipment	—	—	1,419
Loss on impaired property and equipment	—	1,501	1,607
Interest and dividends received	(349)	(114)	(759)
Interest charges	746	638	2,854
(Increase) decrease in receivables	(907)	448	(1,976)
Decrease in receivables for completed construction work	272	813	545
(Increase) in inventories	(7,488)	(4,959)	(1,671)
Increase (decrease) in payables	7,519	(2,217)	9,164
Other	(4,391)	(4,889)	(4,924)
Subtotal	13,550	4,902	70,530
Loss on transfer to defined contribution pension plan	(1,314)	(1,349)	(1,477)
Amount paid for extra ordinary loss on structural reform	—	(107)	(918)
Interest and dividends received	376	117	888
Interest paid	(596)	(495)	(2,805)
Income taxes paid	(5,207)	(6,338)	(10,671)
Net cash provided by operating activities	6,809	(3,270)	55,547
<b>Cash flows from investment activities</b>			
Proceeds from redemption of securities	—	—	12
Purchase of investment securities	(12)	(268)	(638)
Proceeds from sales of investment securities	72	313	587
Proceeds from sales of subsidiaries' common stock	25	—	87
Expenditures for acquisition of net property, plant and equipment	(6,851)	(5,833)	(28,808)
Proceeds from sales of property assets	325	416	2,269
Expenditures for acquisition of intangible fixed assets	(169)	(238)	(1,280)
Proceeds from business transfer	181	—	—
Other	11	(148)	(212)
Net cash used in investing activities	(6,418)	(5,758)	(27,983)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	(198)	1	(4,276)
Proceeds from long-term debt	100	300	659
Payments on long-term debt	(709)	(1,290)	(7,646)
Expenditures for redemption of bonds	—	—	(937)
Proceeds from sale of treasury stock	1	1	1
Purchases of treasury stock	(956)	(700)	(1,757)
Dividends paid to shareholders	(1,732)	(1,744)	(3,477)
Dividends paid to shareholders of subsidiaries	(418)	(331)	(620)
Net cash used in financing activities	(3,912)	(3,763)	(18,053)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(97)	335	1,770
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,618)	(12,456)	11,281
<b>Cash and cash equivalents at beginning of year</b>	64,844	53,563	53,563
<b>Cash and cash equivalents at end of period</b>	61,226	41,107	64,844
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	38,745	32,763	35,569
Securities (Money Market Funds, etc.)	—	204	—
Cash pooling deposits	22,481	8,140	29,275
Cash and cash equivalents at end of period	61,226	41,107	64,844



## Business Segment Information

1<sup>st</sup> quarter fiscal 2006 (Apr.1, 2006 - Jun. 30, 2006)

(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	Total
<b>Sales:</b>							
Unaffiliated customers	59,086	34,883	43,801	14,188	151,958	—	151,958
Intersegment	5,295	5,351	5,072	2,545	18,263	(18,263)	—
<b>Total sales</b>	<b>64,381</b>	<b>40,234</b>	<b>48,873</b>	<b>16,733</b>	<b>170,221</b>	<b>(18,263)</b>	<b>151,958</b>
Operating costs and expenses	58,746	35,968	46,359	16,261	157,334	(17,698)	139,636
<b>Operating income</b>	<b>5,635</b>	<b>4,266</b>	<b>2,514</b>	<b>472</b>	<b>12,887</b>	<b>(565)</b>	<b>12,322</b>

1<sup>st</sup> 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	Total
<b>Sales:</b>							
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)	—
<b>Total sales</b>	<b>57,840</b>	<b>38,384</b>	<b>42,716</b>	<b>15,242</b>	<b>154,182</b>	<b>(14,382)</b>	<b>139,800</b>
Operating costs and expenses	52,939	34,927	41,230	15,101	144,197	(13,834)	130,363
<b>Operating income</b>	<b>4,901</b>	<b>3,457</b>	<b>1,486</b>	<b>141</b>	<b>9,985</b>	<b>(548)</b>	<b>9,437</b>

### 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) 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 materials (Soft ferrites, Nano-crystalline soft magnetic materials (FINEMET®)) Amorphous metal materials (METGLAS®) 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 structural systems, Other
Services and other	Environmental analysis and consulting, Metal materials survey and analysis Other sales and services, Other

3. Unallocatable operating costs included in "Eliminations and Corporate" for the first quarterly ended June 30, 2006 and 2005 amounted to ¥294 million and ¥680 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

## Geographical Segment Information

1<sup>st</sup> quarter fiscal 2006 (Apr.1, 2006 - Jun. 30, 2006)

(Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate	Total
<b>Sales:</b>							
Unaffiliated customers	108,838	19,819	17,277	6,024	151,958	—	151,958
Intersegment	18,662	3,365	9,926	100	32,053	(32,053)	—
<b>Total sales</b>	<b>127,500</b>	<b>23,184</b>	<b>27,203</b>	<b>6,124</b>	<b>184,011</b>	<b>(32,053)</b>	<b>151,958</b>
Operating costs and expenses	117,711	21,550	25,949	6,044	171,254	(31,618)	139,636
<b>Operating income</b>	<b>9,789</b>	<b>1,634</b>	<b>1,254</b>	<b>80</b>	<b>12,757</b>	<b>(435)</b>	<b>12,322</b>

1<sup>st</sup> quarter fiscal 2005 (Apr.1, 2005 - Jun. 30, 2005)

(Millions of Yen)

<b>Sales:</b>							
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)	—
<b>Total sales</b>	<b>119,544</b>	<b>21,784</b>	<b>22,358</b>	<b>5,334</b>	<b>169,020</b>	<b>(29,220)</b>	<b>139,800</b>
Operating costs and expenses	111,333	20,552	21,616	5,379	158,880	(28,517)	130,363
<b>Operating income</b>	<b>8,211</b>	<b>1,232</b>	<b>742</b>	<b>(45)</b>	<b>10,140</b>	<b>(703)</b>	<b>9,437</b>

Note: Unallocatable operating costs included in "Eliminations and Corporate" for the first quarterly ended June 30, 2006 and 2005 amounted to ¥294 million and ¥680 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

## Overseas Sales

1<sup>st</sup> quarter fiscal 2006 (Apr.1, 2006 - Jun. 30, 2006)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
<b>Overseas sales</b>	<b>18,009</b>	<b>32,598</b>	<b>7,883</b>	<b>2,068</b>	<b>60,558</b>
<b>Consolidated sales</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>151,958</b>
<b>Overseas sales as a share of consolidated sales</b>	<b>11.9%</b>	<b>21.5%</b>	<b>5.2%</b>	<b>1.3%</b>	<b>39.9%</b>

1<sup>st</sup> quarter fiscal 2005 (Apr.1, 2005 - Jun. 30, 2005)

(Millions of Yen)

	North America	Asia	Europe	Other	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%

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, 2006)

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, 2006

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, 2006 to June 30, 2006 (Figures are rounded off to the nearest million yen)

<u>(1) Operating results</u>	<u>6/06(quarter)</u>	<u>6/05(quarter)</u>	<u>Change(%)</u>	<u>3/06</u>
Net Sales (million yen)	<b>70,641</b>	62,920	12.3	268,986
Operating income (million yen)	<b>3,220</b>	1,868	72.4	10,572
Income before income taxes (million yen)	<b>6,754</b>	3,445	96.1	9,428
Net income (million yen)	<b>4,349</b>	2,268	91.8	6,339
Net income per share (yen)	<b>12.56</b>	6.51	—	18.26
Diluted net income per share (yen)	—	—	—	—

  

<u>(2) Financial standing</u>	<u>6/06(quarter)</u>	<u>6/05(quarter)</u>	<u>3/06</u>
Total assets (million yen)	<b>295,443</b>	275,222	289,429
Net assets (million yen)	<b>119,987</b>	117,026	118,420
Equity ratio (%)	<b>40.6%</b>	42.5	40.9%
Net assets per share (yen)	<b>347.11</b>	336.58	341.78

### 3. Forecasts of results for the term, April 1, 2006 to March 31, 2007

	<u>At mid-term</u>	<u>At year end</u>
Net sales (million yen)	140,000	283,000
Operating income (million yen)	52,000	11,500
Income before income taxes (million yen)	7,700	15,000
Net income (million yen)	5,000	9,500

Reference: Expected net income per share (full-year basis) 27.48 yen

### Qualitative information regarding forecasts

Hitachi Metals is maintaining its sales and earnings forecasts for the interim period (April 1, 2006 to September 30, 2006) and fiscal year 2006 (April 1, 2006 to March 31, 2007), 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.