

Hitachi Metals, Ltd. (Jan. 31, 2007)

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

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Consolidated Financial Report for the first three quarters of fiscal 2006 (nine-month period)

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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:

Under conventional accounting principles, goodwill is amortized on a straight-line basis over a period of five years. In the event the amount of goodwill is considered immaterial, this amount is fully amortized in the fiscal year in which it occurs.

In connection with the implementation of the tender offer in the third quarter of the fiscal year ending March 31, 2007 and future investments that include substantial amounts of goodwill with an investment effect that extends over a long period, the Company has decided to amortize goodwill on a straight-line basis over the estimated investment effect period (not to exceed 20 years) of each investment.

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

Number of consolidated subsidiaries : 100

Equity method applied affiliates : 13

Consolidated scope and changes to the application of the equity method

Consolidation : New companies 1 Companies removed 3

Equity method : New companies coming under equity method None Companies removed 2

Newly consolidated : Baosteel Hitachi Rolls (Nan Tong) Ltd.

Removed from consolidation :

Hitachi Metals MPF, Ltd., Hitachi Metals Electronics (Malaysia) Sdn. Bhd., Jiko Co., Ltd.

Newly subject to the equity method : None

Removed from equity method :

Tohaku Butsuryu Service, Ltd., Taiwan Sumitok & Cimeo Precision Electronics, Inc.

2. Performance over the year, April 1, 2006 to December 31, 2006 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	12/06(quarter)	12/05(quarter)	Change(%)	3/06
Net sales (million yen)	475,357	435,069	9.3	590,678
Operating income (million yen)	39,449	33,555	17.6	47,502
Income before income taxes and minority interests (million yen)	36,193	27,983	29.3	39,497
Net income (million yen)	18,245	11,654	56.6	17,165
Net income per share (yen)	52.76	33.56	—	48.95
Diluted net income per share (yen)	—	—	—	—
(2) Consolidated Financial Standing	12/06(quarter)	12/05(quarter)	3/06	
Total assets (million yen)	620,755	549,313	554,275	
Net assets (million yen)	217,458	173,299	179,960	
Equity ratio (%)	31.4	31.5	32.5	
Net assets per share (yen)	563.93	500.18	518.93	
(3) Consolidated Cash Flows (million yen)	12/06(quarter)	12/05(quarter)	3/06	
Cash flows from operating activities	36,740	26,970	55,547	
Cash flows from investment activities	(112,868)	(18,662)	(27,983)	
Cash flows from financing activities	56,194	(10,402)	(18,053)	
Cash and cash equivalents at end of period	44,215	52,930	64,844	

Qualitative Information Regarding Business Results

Net sales for the first three quarters of fiscal 2006 (nine-month period) climbed 9.3% from the same period of the previous fiscal year to ¥475,357 million. The increase was mainly attributable to continued strong demand from Hitachi Metals' primary customers in the automobile and IT-related devices industries.

In terms of earnings, the Company's efforts to revise sales prices and further reduce costs mitigated the effects of continued increases in global prices for precious metals and other raw materials. As a result, operating income increased ¥5,894 million year on year to ¥39,449 million, income before income taxes and minority interests climbed ¥8,210 million year on year to ¥36,193 million, and net income rose ¥6,591 million to ¥18,245 million.

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

High-Grade Metal Products and Materials

Sales of molds and tool materials as well as cutting tools rose due to continued strong demand mainly from the automobile industry. Sales of high-grade electronic materials saw a significant increase on the back of strong semiconductor production, which supported an increase in sales of semiconductor and other package materials, as well as robust demand for IT-enabled household appliances, which led to favorable sales of LCD panel-related materials. Sales of CRT display-related materials also increased on a year-on-year basis. Sales of rolls were up, led by demand in China and other Asian markets. Robust capital investment in the automobile and IT-related devices industries spurred growth in sales of components for injection molding machines.

Accounting for these factors, net sales in this segment totaled ¥202,256 million, an increase of 12.3% compared with the corresponding period of the previous fiscal year. Operating income was ¥17,139 million, up ¥1,178 million year on year.

Electronics and IT Devices

Sales of ferrite, rare-earth and other magnets, and their applications, climbed overall year on year owing to stronger demand mainly from the automobile-related and FA industries, which offset the impact of decreased sales to primary customers resulting from reorganization in the HDD industry. In the mobile phone components category, sales of isolators to base stations increased while sales of isolators for use in mobile phone units dropped as a result of the trend toward isolator-less mobile phones. In addition, sales of multilayered devices remained on par with the corresponding period of the previous fiscal year. Overall, sales of components for mobile phones were mostly unchanged on a year-on-year basis. Sales of materials and components for IT equipment rose owing to sound demand, primarily from the HDD industry. Overall sales of soft magnetic materials saw a significant year-on-year increase. Contributing factors included a sharp climb in demand for soft ferrite for IT-related devices, as well as greater sales of FINEMET[®] and amorphous alloys supported primarily by continued expansion in domestic and overseas demand from the industrial machinery industry.

As a result of these factors, net sales for the segment amounted to ¥125,871 million, an increase of 4.8% compared with the corresponding period of the previous fiscal year. Operating income climbed ¥247 million year on year to ¥13,099 million.

High-Grade Functional Components and Equipment

Overall sales of high-grade ductile iron castings remained on par with the corresponding period of the previous fiscal year. Though domestic sales were down owing to stringent product selection criteria and a drop in sales to primary customers, overseas sales were up on the back of strong overseas production primarily in Asia. Sales of heat-resistant castings increased year on year as a result of greater overseas production and revision of sales prices in response to high raw material prices. Hitachi Metals recorded strong growth in sales of aluminum wheels due to greater application of its products in new car models. Although impacted by a shift in the material composition of piping components, sales in this product category remained on par with the same period of the previous fiscal year as a result of strong demand, mainly from the plant and residential sectors. Sales of stainless steel and plastic piping components were up, led by sales to the gas industry. Internal systems and structural systems saw sharp sales growth owing to robust capital investment in the private sector, combined with the booking of large-scale projects.

Accounting for these factors, net sales in the segment amounted to ¥154,669 million, a year-on-year increase of 14.1%. Operating income was up ¥3,808 million to ¥10,210 million.

Services and Other

Both domestic and overseas sales were strong. As a result, sales in this segment were ¥53,426 million, an increase of 15.6% over the corresponding period of the previous fiscal year. Operating income climbed ¥599 million to a total of ¥1,196 million.

With the aim of integrating the management resources of the magnetic materials business, which is a core business of the Electronics and IT Devices segment, Hitachi Metals undertook a tender offer of ordinary shares in subsidiary company NEOMAX Co., Ltd. (“NEOMAX”) from November 7 to December 11, 2006. As a result, Hitachi Metals now owns 93.2% of the issued shares of NEOMAX.

Following this tender offer, Hitachi Metals and NEOMAX proceeded with deliberations regarding strategies for maximizing the corporate value of the Hitachi Metals Group, and determined that the best tactic was complete management integration of the two companies. Accordingly, Hitachi Metals and NEOMAX concluded a merger agreement on January 15, 2007. The absorption-type merger shall go into effect as of April 1, 2007 with Hitachi Metals as the surviving corporation and NEOMAX as the dissolved corporation. In accordance with the provisions on simplified organizational restructuring (*kan-i gappei*) and informal organizational restructuring (*ryaku-shiki gappei*) set out in the Corporation Law, Hitachi Metals and NEOMAX will conduct the merger without formal approval of the merger agreement by resolutions at the companies’ respective general meetings of shareholders.

Qualitative Information Regarding Changes in Financial Position

During the first three quarters of the fiscal year ending March 31, 2007, net cash provided by operating activities totaled ¥36,740 million, an increase of ¥9,770 million from the same period of the previous fiscal year. This was primarily attributable to stronger earnings and improvements in working capital.

Net cash used in investing activities amounted to ¥112,868 million, up ¥94,206 million year on year owing to an increase in capital investment, acquisition of investment securities and the execution of a tender offer for the shares of subsidiary company NEOMAX.

Net cash provided by financing activities was ¥56,194 million, in contrast with a net outflow of ¥10,402 million in the corresponding period of the previous fiscal year. Contributing factors included an increase of ¥61,504 million in interest-bearing debt in order to secure funding for the tender offer, payment of dividends and purchases of treasury stock.

As a result of these activities, cash and cash equivalents totaled ¥44,215 million as of December 31, 2006, a decrease of ¥20,629 million since March 31, 2006.

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

Consolidated Results Forecasts

	At year end
Net sales (million yen)	630,000
Operating income (million yen)	50,300
Income before income taxes and minority interests (million yen)	43,800
Net income (million yen)	22,000

Reference: Expected net income per share (full-year basis) 63.65 yen

Qualitative Information Regarding Forecasts

Despite the effect of increasing raw material prices, sales for the full fiscal year ending March 31, 2007 (April 1, 2006 to March 31, 2007) are expected to exceed forecasts put forward at the time interim results were announced. This is attributed to continued steady demand for electronics-related products such as personal computers, mobile telephones, and semiconductors, and for products in automotive-related fields.

In regard to earnings, Hitachi Metals anticipates full fiscal year operating income and income before income taxes and minority interests to fall below forecasts identified at the time interim results were announced by 700 million yen, on account of goodwill amortization accompanying the implementation of a consolidated subsidiary tender offer from the fourth quarter of the fiscal year under review. From a net income perspective, however, the full fiscal year forecast remains unchanged reflecting the decrease of 700 million yen in the outflow of minority interests consistent with the aforementioned tender offer.

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

Consolidated Balance Sheets

(Millions of Yen)

	End of 12/06	End of 3/06	(difference)	End of 12/05
	(A)	(B)	(A)-(B)	
ASSETS				
Current assets				
Cash and deposits in banks	43,916	35,569	8,347	38,915
Notes receivable and accounts receivable	126,309	118,775	7,534	119,172
Receivable for completed construction work	—	272	(272)	—
Cash pooling deposits	—	29,275	(29,275)	13,299
Negotiable securities	300	1	299	717
Inventories	121,532	106,113	15,419	112,199
Deferred tax assets	11,516	10,521	995	13,387
Other	12,622	8,882	3,740	9,468
Total current assets	316,195	309,408	6,787	307,157
Fixed assets				
Net property, plant and equipment	209,005	200,760	8,245	197,308
Intangible fixed assets	55,601	3,215	52,386	2,763
Other	39,954	40,892	(938)	42,085
Total fixed assets	304,560	244,867	59,693	242,156
Total assets	620,755	554,275	66,480	549,313
LIABILITIES				
Current liabilities				
Accounts payable	92,359	73,399	18,960	67,816
Short-term debt	144,040	75,524	68,516	79,850
Bonds redeemable within a year	8,510	3,499	5,011	1,009
Accrued operating expenses	20,188	22,583	(2,395)	20,505
Advance payments from customers	906	634	272	650
Deferred tax liabilities	8	21	(13)	3
Allowance for directors' bonuses	274	—	274	—
Other	27,610	21,933	5,677	25,647
Total current liabilities	293,895	197,593	96,302	195,480
Long-term debt, less current maturities	70,535	81,995	(11,460)	87,762
Reserve for retirement benefits	27,978	29,402	(1,424)	30,161
Reserve for directors' retirement bonuses	1,011	1,231	(220)	1,171
Allowance for environmental safety measures	1,528	1,528	—	—
Deferred tax liabilities	3,147	3,365	(218)	3,331
Negative goodwill	1,016	—	1,016	—
Other	4,187	5,704	(1,517)	6,742
Total liabilities	403,297	320,818	82,479	324,647
MINORITY INTEREST	—	53,497	—	51,367
SHAREHOLDERS' EQUITY				
Common stock	—	26,284	—	26,284
Capital surplus	—	36,701	—	36,701
Retained earnings	—	121,348	—	115,948
Unrealized net gain on available-for-sale securities	—	4,045	—	3,587
Foreign currency translation adjustments	—	(2,358)	—	(3,183)
Treasury stock	—	(6,060)	—	(6,038)
Total shareholders' equity	—	179,960	—	173,299
Total Liabilities, Minority Interests and Shareholders' Equity	—	554,275	—	549,313
NET ASSETS				
Shareholders' equity				
Common stock	26,284	—	—	—
Capital surplus	36,703	—	—	—
Retained earnings	135,903	—	—	—
Treasury stock	(7,050)	—	—	—
Total shareholders' equity	191,840	—	—	—
Valuation and translation adjustments				
Unrealized net gain on available-for-sale securities	2,819	—	—	—
Gain (loss) on deferred hedge transactions	—	—	—	—
Foreign currency translation adjustments	246	—	—	—
Total valuation and translation adjustments	3,065	—	—	—
Minority interests	22,553	—	—	—
Total Net Assets	217,458	—	—	—
Total liabilities and net assets	620,755	—	—	—

Comparative Statement of Profit and Loss

(Millions of Yen)

	3 rd quarter fiscal 2006 (Dec.31, 06)	Ratio to sales	3 rd quarter fiscal 2005 (Dec.31,05)	Ratio to sales	(A)/(B)	Fiscal 2005 (Mar. 31,06)
	(A)	(%)	(B)	(%)	(%)	
Net sales	475,357	100	435,069	100	109	590,678
Cost of sales	370,385	77.9	338,624	77.8	109	458,945
Gross profit	104,972	22.1	96,445	22.2	109	131,733
Selling, general and administrative expenses	65,523	13.8	62,890	14.5	104	84,231
Operating income	39,449	8.3	33,555	7.7	118	47,502
Other income						
Interest and dividends	881		468		188	759
Investment income based on equity method	360		79		456	508
Other	4,257		3,820		111	5,280
Total	5,498	1.2	4,367	1.0	126	6,547
Other expenses						
Interest	2,426		2,031		119	2,854
Other	3,641		3,059		119	5,890
Total	6,067	1.3	5,090	1.2	119	8,744
Extraordinary profit						
Net gain on switch to defined contribution pension plan	—		144		—	144
Gain from the disposal of stocks of affiliated companies	18		33		55	91
Gain from the disposal of subsidiaries	2		—		—	—
Gains from sale of property and equipment	488		250		195	407
Gain on sale of marketing rights	91		—		—	—
Total	599	0.1	427	0.1	140	642
Extraordinary loss						
Loss on devaluation of property and equipment	—		1,419		—	1,419
Extraordinary loss on revision of retirement benefit plan system	—		—		—	14
Loss on impaired property and equipment	270		1,607		17	1,607
Environmental safety measure expenses	107		—		—	1,553
Loss on structural reform	1,306		2,194		60	1,801
Transfer to related company allowance for doubtful accounts	1,064		—		—	—
Legal settlement expenses	407		—		—	—
Other	132		56		236	56
Total	3,286	0.7	5,276	1.2	62	6,450
Income before income taxes and minority interests	36,193	7.6	27,983	6.4	129	39,497
Provision for income taxes	13,883	2.9	12,581	2.9	110	17,049
Minority interests	4,065	0.9	3,748	0.9	108	5,283
Net income	18,245	3.8	11,654	2.7	157	17,165

Consolidated Statement of Changes in Shareholders' Equity

The first three quarters of fiscal 2006 (Apr.1, 2006 - Dec.31, 2006)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2006	26,284	36,701	121,348	(6,060)	178,273
Changes during the first three quarters of fiscal 2006					
Distribution of retained earnings	—	—	(3,460)	—	(3,460)
Directors' bonus	—	—	(177)	—	(177)
Net income for the first three quarters of fiscal 2006	—	—	18,245	—	18,245
Acquisition of treasury stock	—	—	—	(992)	(992)
Retirement of treasury stock	—	2	—	2	4
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	(53)	—	(53)
Net increase/decrease during the first three quarters of 2006 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the first three quarters of fiscal 2006	—	2	14,555	(990)	13,567
Balance as of December 31, 2006	26,284	36,703	135,903	(7,050)	191,840

(Millions of Yen)

	Valuation and Translation Adjustments					
	Unrealized Net Gain on Available-for-Sale Securities	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
Balance as of March 31, 2006	4,045	—	(2,358)	1,687	53,497	233,457
Changes during the first three quarters of fiscal 2006						
Distribution of retained earnings	—	—	—	—	—	(3,460)
Directors' bonus	—	—	—	—	—	(177)
Net income for the first three quarters of fiscal 2006	—	—	—	—	—	18,245
Acquisition of treasury stock	—	—	—	—	—	(992)
Retirement of treasury stock	—	—	—	—	—	4
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	—	—	—	(53)
Net increase/decrease during the first three quarters of 2006 of non shareholders' equity items	(1,226)	—	2,604	1,378	(30,944)	(29,566)
Total increase/decrease during the first three quarters of fiscal 2006	(1,226)	—	2,604	1,378	(30,944)	(15,999)
Balance as of December 31, 2006	2,819	—	246	3,065	22,553	217,458

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 12/06	End of 12/05	End of 3/06
Cash flows from operating activities			
Income before income taxes and minority interests	36,193	27,983	39,497
Depreciation and amortization	18,343	16,550	22,579
Cost of structural reform	1,306	2,194	1,801
Environmental safety measure expenses	107	—	1,553
Transfer to related company allowance for doubtful accounts	1,064	—	—
Legal settlement expenses	407	—	—
Increase (decrease) in accrued retirement benefits	(1,461)	(1,400)	(2,228)
Net gain on switch to defined contribution pension plan	—	(144)	(130)
Gain on sales of property and equipment	(546)	(360)	(559)
Loss on disposal of property, plant and equipment	938	709	1,758
Write down of property, plant and equipment	—	1,419	1,419
Loss on impaired property and equipment	270	1,607	1,607
Interest and dividends received	(881)	(468)	(759)
Interest charges	2,426	2,031	2,854
Decrease (increase) in receivables	(6,513)	(2,907)	(1,976)
Decrease (increase) in receivables for completed construction work	272	816	545
Decrease (increase) in inventories	(14,550)	(7,777)	(1,671)
Increase (decrease) in payables	18,660	4,578	9,164
Other	(5,122)	(3,974)	(4,924)
Subtotal	50,913	40,857	70,530
Amount paid for transfer to defined contribution pension plan	(1,316)	(1,455)	(1,477)
Amount paid for extra ordinary loss on structural reform	(1,306)	(929)	(918)
Interest and dividends received	1,004	598	888
Interest paid	(2,310)	(1,922)	(2,805)
Income taxes paid	(10,245)	(10,179)	(10,671)
Net cash provided by operating activities	36,740	26,970	55,547
Cash flows from investment activities			
Proceeds from redemption of securities	1	1	12
Purchase of investment securities	(3,917)	(547)	(638)
Proceeds from sales of investment securities	220	418	587
Purchase of additional shares in consolidated subsidiary companies	(86,584)	—	—
Proceeds from sale of subsidiaries' common stock	25	—	87
Expenditures for acquisition of net property, plant and equipment	(23,297)	(19,012)	(28,808)
Proceeds from sale of property assets	1,504	1,171	2,269
Expenditures for acquisition of intangible fixed assets	(733)	(612)	(1,280)
Proceeds from business transfer	181	—	—
Other	(268)	(81)	(212)
Net cash used in investing activities	(112,868)	(18,662)	(27,983)
Cash flows from financing activities			
Decrease (increase) in short-term borrowings	67,385	(828)	(4,276)
Proceeds from long-term debt	1,802	300	659
Payments on long-term debt	(7,683)	(4,039)	(7,646)
Expenditures for redemption of bonds	—	—	(937)
Proceeds from sale of treasury stock	4	1	1
Purchase of treasury stock	(992)	(1,735)	(1,757)
Dividends paid to shareholders	(3,460)	(3,477)	(3,477)
Dividends paid to shareholders of subsidiaries	(862)	(624)	(620)
Net cash provided used in financing activities	56,194	(10,402)	(18,053)
Effect of exchange rate changes on cash and cash equivalents	(695)	1,461	1,770
Net increase (decrease) in cash and cash equivalents	(20,629)	(633)	11,281
Cash and cash equivalents at beginning of year	64,844	53,563	53,563
Effect of changes in consolidated subsidiaries	—	—	—
Cash and cash equivalents at end of period	44,215	52,930	64,844
Reconciliation of cash and deposits in banks in consolidated balance sheets at end of period cash and cash equivalents in consolidated statements of cash flows			
Cash and deposits in banks	43,916	38,915	35,569
Securities (Money Market Funds, etc.)	299	716	—
Cash pooling deposits	—	13,299	29,275
Cash and cash equivalents at end of period	44,215	52,930	64,844

Business Segment Information

The first three quarters of fiscal 2006 (Apr. 1, 2006 - Dec. 31, 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
Sales:							
Unaffiliated customers	184,510	108,174	137,127	45,546	475,357	—	475,357
Intersegment	17,746	17,697	17,542	7,880	60,865	(60,865)	—
Total sales	202,256	125,871	154,669	53,426	536,222	(60,865)	475,357
Operating costs and expenses	185,117	112,772	144,459	52,230	494,578	(58,670)	435,908
Operating income	17,139	13,099	10,210	1,196	41,644	(2,195)	39,449

The first three quarters of fiscal 2005 (Apr. 1, 2005 - Dec. 31, 2005) (Millions of Yen)

Sales:							
Unaffiliated customers	164,574	102,036	124,702	43,757	435,069	—	435,069
Intersegment	15,575	18,029	10,843	2,449	46,896	(46,896)	—
Total sales	180,149	120,065	135,545	46,206	481,965	(46,896)	435,069
Operating costs and expenses	164,188	107,213	129,143	45,609	446,153	(44,639)	401,514
Operating income	15,961	12,852	6,402	597	35,812	(2,257)	33,555

Fiscal previous year (Apr. 1, 2005 - Mar. 31, 2006) (Millions of Yen)

Sales:							
Unaffiliated customers	225,647	135,747	168,905	60,379	590,678	—	590,678
Intersegment	20,428	24,206	15,417	9,044	69,095	(69,095)	—
Total sales	246,075	159,953	184,322	69,423	659,773	(69,095)	590,678
Operating costs and expenses	223,266	142,845	175,076	68,004	609,191	(66,015)	543,176
Operating income	22,809	17,108	9,246	1,419	50,582	(3,080)	47,502

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) Components and materials for IT equipment, Other Soft magnetic materials (Soft ferrites, Nano-crystalline soft magnetic materials (FINEMET [®])) Amorphous metal materials (METGLAS [®])
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" at December 31, 2006, 2005 amounted to ¥1,431 million, ¥2,091 million respectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical Segment Information

The first three quarters of fiscal 2006 (Apr.1, 2006 - Dec. 31, 2006)

(Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate	Total
Sales:							
Unaffiliated customers	343,452	58,708	54,480	18,717	475,357	—	475,357
Intersegment	60,432	9,882	30,465	510	101,289	(101,289)	—
Total sales	403,884	68,590	84,945	19,227	576,646	(101,289)	475,357
Operating costs and expenses	371,509	63,324	81,347	18,800	534,980	(99,072)	435,908
Operating income	32,375	5,266	3,598	427	41,666	(2,217)	39,449

The first three quarters of fiscal 2005 (Apr.1, 2005 - Dec. 31, 2005)

(Millions of Yen)

Sales:							
Unaffiliated customers	319,393	53,076	46,331	16,269	435,069	—	435,069
Intersegment	53,182	12,503	27,720	410	93,815	(93,815)	—
Total sales	372,575	65,579	74,051	16,679	528,884	(93,815)	435,069
Operating costs and expenses	342,975	61,568	70,992	16,723	492,258	(90,744)	401,514
Operating income	29,600	4,011	3,059	(44)	36,626	(3,071)	33,555

Fiscal previous year 2005 (Apr.1, 2005 - Mar. 31, 2006)

(Millions of Yen)

Sales:							
Unaffiliated customers	431,976	71,849	64,437	22,416	590,678	—	590,678
Intersegment	72,979	16,302	38,351	670	128,302	(128,302)	—
Total sales	504,955	88,151	102,788	23,086	718,980	(128,302)	590,678
Operating costs and expenses	463,707	82,262	98,558	23,205	667,732	(124,556)	543,176
Operating income	41,248	5,889	4,230	(119)	51,248	(3,746)	47,502

Overseas Sales

The first three quarters of fiscal 2006 (Apr. 1, 2006 - Dec. 31, 2006)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	53,012	107,050	23,730	6,503	190,295
Consolidated sales	—	—	—	—	475,357
Overseas sales as a share of consolidated sales	11.2%	22.5%	5.0%	1.3%	40.0%

The first three quarters of fiscal 2005 (Apr.1, 2005 - Dec. 31, 2005)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	50,239	92,650	21,324	6,171	170,384
Consolidated sales	—	—	—	—	435,069
Overseas sales as a share of consolidated sales	11.6%	21.3%	4.9%	1.4%	39.2%

Fiscal previous year (Apr.1, 2005 - Mar. 31, 2006)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	67,860	126,622	28,310	9,337	232,129
Consolidated sales	—	—	—	—	590,678
Overseas sales as a share of consolidated sales	11.5%	21.4%	4.8%	1.6%	39.3%

Hitachi Metals, Ltd. (Jan. 31, 2007)

Code:5486

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

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

Non-consolidated Financial Report for the first three quarters of fiscal 2006 (nine-month period)

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 December 31, 2006 (Figures are rounded off to the nearest million yen)

<u>(1) Operating results</u>	<u>12/06(quarter)</u>	<u>12/05(quarter)</u>	<u>Change(%)</u>	<u>3/06</u>
Net Sales (million yen)	222,714	198,548	12.2	268,986
Operating income (million yen)	10,031	7,561	32.7	10,572
Income before income taxes (million yen)	13,655	7,695	77.5	9,428
Net income (million yen)	9,251	5,392	71.6	6,339
Net income per share (yen)	26.75	15.53	—	18.26
Diluted net income per share (yen)	—	—	—	—

<u>(2) Financial standing</u>	<u>12/06(quarter)</u>	<u>12/05(quarter)</u>	<u>3/06</u>
Total assets (million yen)	375,355	280,981	289,429
Net assets (million yen)	122,924	117,480	118,420
Equity ratio (%)	32.7	41.8	40.9
Net assets per share (yen)	355.64	339.05	341.78

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

	<u>At year end</u>
Net sales (million yen)	300,000
Operating income (million yen)	13,000
Income before income taxes (million yen)	15,500
Net income (million yen)	9,500

Reference: Expected net income per share (full-year basis) 27.49 yen

Qualitative information regarding forecasts

In light of steady demand for electronics-related products such as personal computers, mobile telephones, and semiconductors, as well as strong demand in the automotive-related field, sales performance in the fiscal year 2006 (April 1, 2006 to March 31, 2007) is expected to exceed forecasts identified at the time interim results were announced.

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.