Hitachi Metals, Ltd. (Oct. 30, 2007)

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Consolidated Financial Report for the 6-month period ended September 30, 2007

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

1. Performance over the year, April 1, 2007 to September 30, 2007 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	**9/07(interim)**	9/06(interim)	Change(%)	3/07
Net sales (million yen)	**346,278**	310,087	11.7	646,311
Operating income (million yen)	**26,563**	25,713	3.3	54,722
Income before income taxes and minority interests (million yen)	**24,432**	22,685	7.7	46,562
Net income (million yen)	**12,561**	11,680	7.5	22,062
Net income per share (yen)	**35.48**	33.77	—	63.81
Diluted net income per share (yen)	—	—	—	—

Note: Equity in earnings (losses) of affiliated companies (9/07: (60) million yen 9/06: 170 million yen 3/07: 369 million yen)

(2) Consolidated Financial Position	**9/07(interim)**	9/06(interim)	3/07
Total assets (million yen)	**620,454**	568,053	629,590
Net assets (million yen)	**234,939**	243,605	222,626
Equity ratio (%)	**34.3**	33.3	31.5
Net assets per share (yen)	**600.99**	547.25	575.04

Note: Shareholders' equity (9/07: 212,720 9/06: 189,147 3/07: 198,455)

(3) Consolidated Cash Flows (million yen)	**9/07(interim)**	9/06(interim)	3/07
Cash flows from operating activities	**34,525**	29,399	53,011
Cash flows from investing activities	**(18,412)**	(19,428)	(122,583)
Cash flows from financing activities	**(28,826)**	(13,817)	50,896
Cash and cash equivalents at end of period	**34,971**	61,085	47,020

2. Dividend	**3/07(Actual)**	9/07(Actual)	3/08 (Planed)
Annual dividend per share (yen)	**10.00**	—	12.00
Interim (yen)	**5.00**	6.00	—
End of period (yen)	**5.00**	—	6.00

3. Forecasts of results for the term, April 1, 2007 to March 31, 2008

	Full-year	Year-on-year Change (%)
Net sales (million yen)	691,000	6.9
Operating income (million yen)	57,000	4.2
Income before income taxes and minority interests (million yen)	50,300	8.0
Net income (million yen)	25,900	17.4
Net income per share (yen)	73.17	—

4. Other

(1) Changes in accounting principles, procedures and methods of presentation in consolidated financial statements (changes to important items that form the basis for preparing consolidated financial statements)

1) Changes resulting from revisions to accounting standards: For details, please refer to page 18.

2) Changes other than those 1) above: None

(2) Numbers of shares issued (Common stock)

Number of shares outstanding at end of period (including treasury stock)

(9/07: 366,557,889 9/06: 357,168,687 3/07: 357,168,687)

Number of treasury stock outstanding at end of period

(9/07: 12,606,642 9/06: 11,537,185 3/07: 12,051,101)

[Reference]

Non-consolidated Financial Report for the 6-month period ended September 30, 2007

1. Performance over the year, April 1, 2007 to September 30, 2007 (Figures are rounded off to the nearest million yen)

(1) Operating Results	**9/07(interim)**	9/06(interim)	(Change)	3/07
Net Sales (million yen)	**198,652**	144,655	37.3%	302,896
Operating income (million yen)	**9,585**	6,818	40.6%	14,789
Income before income taxes (million yen)	**12,942**	8,892	45.5%	18,010
Net income (million yen)	**7,737**	5,855	32.1%	11,817
Net income per share (yen)	**21.85**	16.93	—	34.18

(2) Financial Position	**9/07(interim)**	9/06(interim)	3/07
Total assets (million yen)	**416,369**	297,535	383,687
Net assets (million yen)	**144,821**	121,494	124,785
Equity ratio (%)	**34.8%**	40.8%	32.5%
Net assets per share (yen)	**409.13**	351.49	361.55

2. Forecasts of results for the term, April 1, 2007 to March 31, 2008

[Non-consolidated]	Full-year	Year-on-year Change (%)
Net sales (million yen)	405,000	33.7
Operating income (million yen)	21,700	46.7
Income before income taxes (million yen)	22,900	27.2
Net income (million yen)	13,000	10.0
Net income per share (yen)	36.73	—

Note: The forecast figures, 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 subsidiaries: 90 companies

36 domestic companies

Hitachi Tool Engineering, Ltd.
Hitachi Metals Techno, Ltd.
Hitachi Metals Admet, Ltd.
Hitachi Metals Tool Steel, Ltd.
HMY, Ltd.
Hitachi Metals Wakamatsu, Ltd.
Tokyo Seimitsu Kogyo, Ltd.
NEOMAX KINKI Co., Ltd.
NEOMAX MATERIALS Co., Ltd.
Hitachi Ferrite Electronics, Ltd.
Alcast, Ltd.
Seitan Inc.
Hitachi Metals Precision, Ltd.
Hitachi Valve, Ltd.
Hallow, Ltd.

etc.

54 overseas companies

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

etc.

Notes:

Consolidated subsidiaries and application of the equity method:

(1) Affiliated companies : 12

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

Consolidation : New companies None Companies removed 5

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

Newly consolidated : None

Removed from consolidation :

NEOMAX Co., Ltd., Himec, Ltd., Shimoda-Ecotech Co., Ltd., NEOMAX Singapore Pte. Ltd., Magtec Co., Ltd.

Financial Performance and Financial Condition

1. Financial Results

(1) Overview (Fiscal 2007 first half, the six months ended September 30, 2007)

Looking at the global economy during the first half of fiscal, prosperous conditions overall drove export activity in the U.S. However, the U.S. economy as a whole decelerated as domestic demand fell owing to concerns surrounding sub-prime loan issues, a drop in residential investment and other factors. In Asia, supported by China's active capital investment and growing domestic demand, favorable conditions continued unabated, with various ASEAN countries also enjoying prosperity. Against the backdrop of expanding exports, Taiwan and Korea both grew moderately. In Europe, economic conditions continued on a path to recovery propelled by strong domestic demand.

The Japanese economy continued to stay on course as personal consumption and corporate profits improved, despite a slowdown in capital investment.

Conditions in the industries in which the Hitachi Metals Group operates were as follows. In the automobile industry, automakers both inside and outside of Japan benefited from increased global demand. On the domestic front, Japan enjoyed healthy exports, however, domestic demand primarily for compact cars and trucks sputtered and flattened out. In the semiconductor industry, strong demand continued for IT-related devices. Shipments of mobile phones to China and emerging countries continued to increase, and in PCs, shipments of notebook computers also kept climbing. Steel production stayed at high levels, centering on Japan and China. In the domestic construction industry, private-sector capital investment and corporate profits improved in line with the economic recovery and its high demand. In contrast, public investment remained lackluster as the government cutback on its spending.

Against this backdrop, interim net sales for the Hitachi Metals Group increased 11.7% compared with the corresponding period of the previous fiscal year to ¥346,278 million, mainly as a result of ongoing strong demand for automotive-related products and IT-related devices.

On the earnings front, operating income in the interim period climbed ¥850 million year on year to ¥26,563 million. Despite the rise in raw materials prices including rare metals, increased depreciation and amortization expenses resulting from revisions to the tax law, as well as the impact from the amortization of goodwill concerning the additional acquisition of NEOMAX Co., Ltd. in 2006, the improvement in income is attributed to revision to selling prices and further efforts to reduce costs and expenses. Income before income taxes and minority interests in the interim period under review totaled ¥24,432 million, an increase of ¥1,747 million compared to the corresponding period of the previous fiscal year.

With respect to extraordinary items, Hitachi Metals recorded a gain on sale of land, against certain losses including the loss on structural reform of overseas businesses. As a result of these items, net income rose ¥881 million to ¥12,561 million in the interim period under review.

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

High-Grade Metal Products and Materials

Sales of molds and steel tool materials were in line with the corresponding period in the previous fiscal year, as demand stalled for automotive-related products between the periods when models are changed. Buoyed by robust overseas sales, results in cutting tools increased year on year. In high-grade electronic materials, with the transition to flat-panel displays, sales of CRT display-related materials drastically decreased. Nevertheless, results overall were up, as sales of semiconductor and other package materials remained firm, owing to strong demand for semiconductors, as did sales of LCD panel-related materials, supported by increasingly robust demand for LCD panels. Sales of rolls grew as demand was strong in Japan and China. Sales of components for mid- to large-size injection molding machines dropped, impacted by regulations to the injection molding machines market.

Accounting for these factors, sales in this segment amounted to ¥142,530 million, an increase of 8.7% compared with the corresponding period of the previous fiscal year. Operating income in the interim period totaled ¥13,003 million, up ¥1,517 million year on year.

Electronics and IT Devices

Overall sales of hard magnetic materials increased during the six-month period ended September 30, 2007. Despite stagnant sales of ferrite magnets year on year, this was attributed to an increase in sales of rare-earth magnets on the back of strong demand for use in automobiles and electronic devices. Looking at the Company's performance in soft magnetic materials, sales of soft ferrites declined reflecting the impact of ongoing inventory adjustments and customer behavior patterns, which are increasingly characterized by the careful selection of products. On a positive note, demand for FINEMET® was up, while sales of amorphous alloys rose sharply reflecting persistent robust demand for transformer-related applications mainly in China. Accounting for these factors, overall sales of soft magnetic material grew substantially year on year. In the mobile phone components category, results in isolators remained strong particularly to base stations. In addition, sales of multilayered devices rose significantly during the six-month period under review. Buffeted by the impact of inventory adjustments by primary customers, sales of IT equipment materials and components decreased year on year.

As a result, sales in this segment increased 16.8% compared with the corresponding period of the previous fiscal year to ¥95,934 million. Operating income rose ¥1,175 million year on year to ¥9,702 million.

High-Grade Functional Components and Equipment

Overall sales of high-grade ductile iron casting products were on par with the corresponding period of the previous fiscal year. While domestic results were impacted by the drop in sales to primary customers, stagnant sales were attributed to the upswing in overseas sales particularly throughout Asia. Sales of heat-resistant metal castings rose sharply during the six-month period under review owing to demand growth mainly in Europe. Buoyed by continued strong demand both in Japan and overseas, sales of aluminum wheels also rose substantially. Turning to results in pipe fittings, however, the shift in piping components material composition and a slump in residential construction saw sales decline. While sales of stainless steel and plastic piping components were also affected by a drop in demand from large-scale construction projects, results remained in line with the corresponding period of the previous fiscal year supported by the replacement of aging gas pipes and strong demand from earthquake-stricken areas. Fueled by robust private-sector capital investment, sales of structural systems increased. This was despite a drop in internal systems sales impacted by weak demand for IT-related device application.

Accounting for these factors, sales in the High-Grade Functional Components and Equipment segment increased 7.7% year on year to ¥108,847 million. On the earnings front, operating income climbed ¥1,099 million to ¥7,165 million.

Services and Other

Domestic and overseas sales in the Services and Other segment were favorable.

Overall sales grew 54.5% compared with the corresponding period of the previous fiscal year to ¥53,236 million. Operating income declined ¥624 million to ¥280 million.

(2) Outlook (fiscal year ending March 31, 2008)

In the fiscal year ending March 31, 2008, the global economy is expected to experience a slowdown. Despite continued stable growth in corporate-sector results in the United States, conditions are forecasts to suffer from a decline in residential investment and the growing impact of a slump in personal consumption on the back of a deteriorating employment environment. Within Asia, continuing vigor is anticipated in the Chinese economy. This is mainly attributed to continued infrastructure investment leading into the Beijing Olympic Games and persistent strong capital investment and personal consumption. ASEAN countries are expected to enjoy ongoing favorable conditions, with Taiwan and Korea also anticipated to experience sustained economic growth. Driven mainly by domestic consumption, Europe is forecast to continue along its upward spiral.

On the domestic front, a moderate recovery in personal consumption is expected. Downward pressures from a decelerating U.S. economy, a slump in corporate-sector profits attributed to the sharp rise in raw material prices and the decline in capital investment, on the other hand, is expected to result in a downturn in the Japanese economy.

In the industries in which the Hitachi Metals Group operates, the automobile industry is expected to confront mixed conditions. On the one hand, overseas production is forecast to continue along its upward spiral, driven by robust demand. On the other hand, the slump in new model sales in Japan, is anticipated to weaken domestic production. In the electronics and IT devices-related industries, particularly semiconductors and mobile phones, demand is expected to remain high especially in emerging nations. Sales prices, however, are forecast to confront increasingly harsh downward pressure. In the domestic construction industry, difficult conditions are expected to linger. Private-sector investment is forecast to temporarily decline reflecting weak corporate-sector profits and revisions to the Buildings Standards Law. Harsh fiscal conditions are also expected to ensure continued lackluster public-sector investment.

Under these circumstances, the Hitachi Metals Group is moving steadily forward with efforts to achieve the objectives of its Fiscal 2008 Medium-Term Management Plan. In specific terms, Hitachi Metals is continuing its endeavors to create and expand sales of new products. The goal of the Group is to secure a percentage share of new product sales to total net sales of 30% by fiscal 2008. At the same time, Hitachi Metals remains focused on steady efforts to achieve an overseas sales ratio of 45%. Looking at cash flow management initiatives, the Group is also striving to reduce working capital including inventories, further restructure its cost structure, pursue productivity enhancements through the implementation of manufacturing process innovations and reinforce the competitiveness of existing products. Through these means, Hitachi Metals will continue working to improve its overall Group corporate structure.

As a result of the aforementioned factors, the performance outlook for the fiscal year ending March 31, 2008 is as follows.

(Millions of yen)

	Net Sales	Operating Income	Income before Income Taxes and Minority Interests	Net Income
Consolidated	691,000	57,000	50,300	25,900
Non-Consolidated	405,000	21,700	22,900	13,000

2. Analysis of Financial Condition

During the first half of the fiscal year ending March 31, 2008, net cash provided by operating activities amounted to ¥34,525 million, an increase of ¥5,126 million compared with the same period of the previous fiscal year. In addition to stronger earnings, this was attributed to improvements in working capital mainly through a decrease in receivables.

Net cash used in investing activities declined ¥1,016 million year on year to ¥18,412 million. Despite an increase in capital investment, this was the result of proceeds from sales of land and other assets.

Net cash used in financing activities was ¥28,826 million, an increase of ¥15,009 million compared with the same period of the previous fiscal year. The Company issued convertible bonds totaling ¥40,000 million, while undertaking other financing to refinance funds previously procured in connection with the takeover bid for NEOMAX completed in December 2006, and to repay short-term debt.

As a result of these activities, cash and cash equivalents totaled ¥34,971 million as of September 30, 2007, a decrease of ¥26,114 million since March 31, 2007.

	First Half Fiscal 2005	First Half Fiscal 2006	First Half Fiscal 2007	Fiscal 2005	Fiscal 2006
Shareholders’ equity ratio	31.5%	33.3%	34.3%	32.5%	31.5%
Shareholders’ equity ratio on a market price basis	71.9%	67.8%	81.2%	86.6%	71.8%

Notes: 1. Shareholders’ equity ratio = shareholders’ equity/total assets

2. Shareholder’ equity ratio on a market price basis = market value of shares/total assets

3. Dividend Policy / Dividend for the Fiscal Year under Review

Operating in a business environment characterized by changing customer needs, technological innovation and advancing globalization, Hitachi Metals recognizes that its prime responsibility is to deliver appropriate and long-term returns to its shareholders by strengthening its international competitiveness and enhancing its corporate value. Taking into consideration a variety of factors including the operating environment, future business developments and operating results from the perspective of medium- to long-term growth, the Company has adopted a policy of distributing profits to shareholders while maintaining sufficient retained earnings. In addition, the Company also plans to purchase treasury stock as appropriate based on a variety of factors including stock price levels, financial conditions, and other requirements in line with efforts to ensure flexible capital policies.

Under the policy set forth above, and after taking into consideration operating results for the six-month period ended September 30, 2007, future business developments, outlook and other factors, Hitachi Metals plans to pay an interim cash dividend of ¥6.0 per share, for a total cash dividend amount of ¥2,124 million. In addition, the Company is forecasting a fiscal year-end cash dividend of ¥6.0 per share.

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 build a global scale network that emphasizes optimal efficiency.

4. 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 including electronics, automotive and construction; economic trends in regions of operation including the U.S., Asia and Europe; changes in cash flow due to trends in investment levels or the status of business activities; fluctuations in raw materials prices caused by the impact of international markets; disturbances to business activities overseas due to economic, social or political circumstances; falling capacity related to the securing of competitive superiority or the development and commercial application of new technologies and new products; incidence of conflicts related to intellectual property rights; cost increases needed to comply with environmental, export control and other regulations, or to settle official sanctions in the event of breaches of such regulations; and the costs incurred in the event that product defects should arise. While the Hitachi Metals Group has completed the implementation of risk management systems, and strives to avoid and minimize the impact of business risks, the Company's financial performance and condition may be affected in the event such risks cannot be completely avoided or eliminated.

On June 29, 2007, the Company was served with a cease-and-desist order and a surcharge payment order (totaling ¥667 million) by the Japan Fair Trade Commission for breaches of the Antitrust Law with regards to sales activities related to polyethylene pipes and fittings for gas. Since March 2007, the Commission has also been conducting an investigation of the Company's sales activities related to stainless steel flexible pipes and fittings for gas, on suspicion of the same violation. In the event the investigation results in punishments being handed down, the Company's business activities and performance may be affected.

Consolidated Management Policies

1. Fundamental Management Policies

While fostering a strong sense of trust among stakeholders including shareholders, investors and business partners, the Hitachi Metals Group engages in business activities based on its fundamental management policy to fulfill its corporate social responsibility in an effort to realize a better society. To this end, Hitachi Metals strives to enhance its fundamental technologies and adopt new challenges in an effort to develop breakthrough technologies that create new products and businesses. Through these means, we endeavor to deliver new value to the communities that we serve. In the development and manufacture of products, Hitachi Metals pays particular attention to the environment and the impact of its activities on future generations. In addition, we focus on the timely disclosure of relevant corporate information and pursue close communication with society through activities that contribute to the local community. While endeavoring to incorporate and reflect the opinions of broader society in the Group's management philosophy and decision-making, Hitachi Metals works to build confidence and bonds of trust with society. Through these endeavors, the Hitachi Metals Group strives to become the best possible company and to enhance its corporate value.

2. Target Business Indicators

In line with its dividend policy, the Company will strive to achieve a consolidated ROE (Return on Equity) of 12% to maintain the income level required to increase corporate value, while providing shareholders with long-term returns on their investments.

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

As a development-driven company that possesses world-leading product development capabilities in fields related to automobiles, electronics, energy and infrastructure, Hitachi Metals recognizes that the Group's ability to become the best partner to its customers by consistently delivering new products essential to market needs is key to enhancing corporate value. Based on this belief, the Hitachi Metals Group formulated its Fiscal 2008 Medium-Term Management Plan in March 2006, which commenced April 1, 2006 and continues through the fiscal year ending March 31, 2009. Guided by this Plan, Hitachi Metals is implementing individual business plans in an effort to achieve its overall objectives of a consolidated return on equity (ROE) of 12%, net sales of ¥630 billion, operating income of ¥57 billion and net income of ¥26 billion.

The Fiscal 2008 Medium-Term Management Plan establishes business strategies that respond to global environmental protection needs. Through its efforts, many of the Group's products are closely linked with the product categories identified by the Top Runner Program (which establishes the performance of the most-advanced devices currently produced as the Top Runner Standard for specific energy consuming devices) under the Energy Conservation Law. Our business strategies, including R&D activities and the expansion of our operations, accordingly incorporate concerns for the environment and measures to ensure its preservation. In this context, the Hitachi Metals Group will recognize opportunities to create new businesses. Looking ahead, the Hitachi Metals Group will particularly focus on contributing to:

- The creation of lighter weight and more fuel efficient automobiles that surpass stricter emission standards
- The production of materials for the electronics and electrical equipment industries that lead to energy conservation and eliminate the use of harmful substances.

The Hitachi Metals Group will make the most of its strengths as a materials manufacturer.

The outline of the Action Plan for the Medium-Term Management Plan is as follows:

(1) Policies to Create Growth Drivers

a. Expand Global Business

The Hitachi Metals Group is working to strengthen the brand power of its products throughout the international markets in which they are sold. We aim to achieve further growth in world markets. Sales of electronics- and automobile-related products are expanding on the three fronts of Europe, the U.S. and Asia. Centering on the Asian region, we are planning for growth in molds, tools, housing, energy and other infrastructure-related fields. During the fiscal year ended March 31, 2007, Hitachi Metals established a joint venture company in China with Shanghai Baosteel Group to manufacture and market cast rolls for hot strip mills. At the same time, aiming to reinforce its operating platform, the Company commenced full-fledged Chinese operations, buoyed by the establishment of Hitachi Metals (China), Ltd., which will integrate the Group's business management functions in China. With these activities, Hitachi Metals is seriously engaged in getting its business in China off the ground.

In the automobile sector, an industry experiencing global growth, we will further strengthen our lineup of products in harmony with the environment for use in hybrid, diesel and gasoline vehicles. In energy, we will also promote sales of energy-conserving amorphous alloys in Asia as a means to expand demand. In consideration of changes in the market environment, we will further review our manufacturing and sales structures in order to effectively utilize management resources.

By firmly establishing a multipolar production structure based upon the above policies in European, U.S. and Asian locations, we have set a goal of raising our overseas sales ratio to 45% by the fiscal year ending March 31, 2009. The overseas sales ratio for the interim period under review was 40.8%, an increase of 0.7 percentage points compared with the end of the previous fiscal year.

b. Create New Products

The Hitachi Metals Group is selecting fields related to automobiles, electronics, energy and infrastructure, and aggressively advancing research and development focused on items in which we are confident we can capture the number one position in order to triumph in the increasingly competitive global market.

Under a lateral association among each subsidiary within the Hitachi Metals Group, we are advancing development efforts by concentrating Group's management resources. New products that we launched to market through fiscal 2006 (the fiscal year ended March 31, 2007), included new composition ferrite magnets, automobile exhaust filters/purifying materials, transmission materials, highly safe aluminum road wheels, alloys for thin-film deposition liquid crystal displays, multilayered ceramic devices for mobile communications, lead-free packaging materials for semiconductors, optical devices, high-performance steel molds, high-performance mill rolls, advanced pipe fittings and others. We will endeavor to accelerate efforts in realizing the full potential of products that are currently being developed. Under our roadmap for development in core fields, we have positioned the development of products in harmony with the environment at the heart of our growth strategies, while prioritizing the appropriation of management resources.

Through these policies and by renewing and revitalizing the composition of our product lineup, we are targeting a new product sales ratio of 30% by the fiscal year ending March 31, 2009. The new product sales ratio for the interim period under review was 27.2%, up 0.8 percentage points compared with the end of the previous fiscal year.

(2) Establish a Robust Structure to Achieve Growth

a. Strengthen Financial Position

The Hitachi Metals Group is striving to improve operating income while making efforts to reduce working capital in order to accumulate the capital resources needed for both capital investment and R&D investment, the driving force behind sustainable growth. Hitachi Metals is working to bring innovations and upgrades to its backbone processes thereby increasing productivity. Efforts are also being continually made to integrate product lineups and specifications, improve production control through IT and generally make comprehensive *Monozukuri* capability breakthroughs. Across the entire operating process, from order through production and delivery, Hitachi Metals is committed to significantly reducing inventory turnover period and curtailing working capital.

b. Manufacturing Process Innovations

In order to reinforce its *Monozukuri* capability including measures to ensure cost structure reform, the entire Hitachi Metals Group is strictly pursuing further productivity enhancements and implementing drastic reforms of the entire manufacturing process from the procurement of raw materials through delivery. In volume zone products such as tool steels, rolls, casting components for automobiles and piping components, we will continue to strengthen proprietary manufacturing technologies, pursue cost innovation and improvements in profit ratios. In an effort to further distinguish Hitachi Metals from its competitors, we will develop innovative processing techniques, namely black-box technologies, for strategic products that will serve as future growth drivers, creating further barriers to market entry.

In addition, Hitachi Metals has consolidated the management resources of its magnetic materials business. Effective April 1, 2007, the operations of NEOMAX Co., Ltd., a consolidated subsidiary engaged in the manufacture and sale of magnets and ceramics, were integrated with Hitachi Metals to become NEOMAX Company, an internal company of the Hitachi Metals Group, with the aim of further bolstering competitive advantage. Hitachi Metals is integrating sales and marketing centers and consolidating corporate and administrative functions for the purpose of enhancing management efficiency, as well as moving ahead with centralizing the R&D structure to accelerate the development of innovative product applications. Through these efforts, Hitachi Metals is establishing itself as a leading magnetic materials company that meets the diverse needs of customers in both areas of hard magnetic materials and soft magnetic materials.

As detailed above, on June 29, 2007, the Company was served with a cease-and-desist order and a surcharge payment order (totaling ¥667 million) by the Japan Fair Trade Commission for breaches of the Antitrust Law with regards to sales activities related to polyethylene pipes and fittings for gas. Since March 2007, the Commission has also been conducting an investigation of the Company’s sales activities related to stainless steel flexible pipes and fittings for gas, on suspicion of the same violation. Taking this matter with the utmost seriousness, Hitachi Metals is providing the Commission with its full cooperation in this ongoing investigation. At the same time, we will renew efforts to ensure strict compliance with all laws and regulations.

Consolidated Balance Sheets

(Millions of Yen)

	End of 9/07	End of 3/07	(Difference)	End of 9/06
ASSETS				
Current assets:				
Cash and deposits in banks	**33,206**	45,419	(12,213)	40,342
Trade notes and accounts receivable	**129,807**	133,660	(3,853)	122,072
Cash pooling deposits	—	—	—	20,392
Marketable securities	**1,765**	1,603	162	352
Inventories	**126,069**	121,871	4,198	113,071
Deferred tax assets	**10,666**	10,604	62	11,415
Other	**11,184**	13,096	(1,912)	9,574
Total current assets	**312,697**	326,253	(13,556)	317,218
Noncurrent assets:				
Net property, plant and equipment	**214,824**	209,103	5,721	207,320
Intangible assets	**56,271**	55,502	769	3,515
Other	**36,662**	38,732	(2,070)	40,000
Total noncurrent assets	**307,757**	303,337	4,420	250,835
Total assets	**620,454**	629,590	(9,136)	568,053
LIABILITIES				
Current liabilities:				
Trade notes and accounts payable	**102,057**	97,501	4,556	83,861
Short-term debt	**74,461**	146,001	(71,540)	69,922
Current maturities of bonds	**12,906**	7,200	5,706	8,541
Accured operating expenses	**23,695**	22,647	1,048	24,140
Advance payments from customers	**1,292**	1,561	(269)	612
Deferred tax liabilities	**66**	65	1	8
Allowance for directors' bonuses	**160**	353	(193)	182
Other	**30,329**	28,502	1,827	25,246
Total current liabilities	**244,966**	303,830	(58,864)	212,512
Long-term debt, less current maturities	**63,256**	65,515	(2,259)	72,210
Convertible bonds	**40,000**	—	40,000	—
Reserve for retirement benefits	**26,965**	27,244	(279)	28,817
Reserve for directors' retirement bonuses	**849**	989	(140)	952
Allowance for loss on guarantees	**988**	—	988	—
Allowance for environmental safety measures	**1,503**	1,516	(13)	1,528
Deferred tax liabilities	**1,186**	3,131	(1,945)	3,096
Negative goodwill	**2,154**	862	1,292	1,215
Other	**3,648**	3,877	(229)	4,118
Total liabilities	**385,515**	406,964	(21,449)	324,448
NET ASSETS				
Shareholders' equity				
Common stock	**26,284**	26,284	—	26,284
Capital surplus	**41,241**	36,703	4,538	36,703
Retained earnings	**149,293**	139,720	9,573	131,066
Less treasury stock, at cost	**(8,505)**	(7,740)	(765)	(7,031)
Total shareholders' equity	**208,313**	194,967	13,346	187,022
Valuation, translation adjustments and others				
Net unrealized holding gains on securities available-for-sale	**2,719**	2,674	45	3,089
Loss on deferred hedge transactions	—	—	—	13
Foreign currency translation adjustments	**1,688**	814	874	(977)
Total valuation, translation adjustments and others	**4,407**	3,488	919	2,125
Minority interests	**22,219**	24,171	(1,952)	54,458
Total Net Assets	**234,939**	222,626	12,313	243,605
Total liabilities and net assets	**620,454**	629,590	(9,136)	568,053

Consolidated Statements of Income

(Millions of Yen)

	1st half fiscal 2007 (Sep. 30,07)	Ratio to sales (%)	1st half fiscal 2006 (Sep. 30,06)	Ratio to sales (%)	(Difference) (%)	Fiscal 2006 (Mar. 31,07)
Net sales	**346,278**	100.0	310,087	100.0	112	646,311
Cost of sales	**274,656**	79.3	240,744	77.6	114	504,089
Gross profit	**71,622**	20.7	69,343	22.4	103	142,222
Selling, general and administrative expenses	**45,059**	13.0	43,630	14.1	103	87,500
Operating income	**26,563**	7.7	25,713	8.3	103	54,722
Other income						
Interest and dividends	**753**		525		143	1,259
Equity in earnings of affiliated companies	—		170		—	369
Other	**2,977**		2,760		108	5,040
Total	**3,730**	1.0	3,455	1.1	108	6,668
Other expenses						
Interest	**2,032**		1,524		133	3,405
Other	**3,230**		2,648		122	6,355
Total	**5,262**	1.5	4,172	1.3	126	9,760
Extraordinary gains						
Gain on sales of property and equipment	**4,177**		373		1,120	503
Gain on sales of subsidiaries' and affiliates' common stock	**268**		20		1,340	123
Gain on sale of business	—		91		—	91
Gain on transfer to defined contribution pension plan	**115**		—		—	—
Total	**4,560**	1.3	484	0.2	942	717
Extraordinary losses						
Loss on sales of property and equipment	—		—		—	(73)
Loss on disposal of fixed assets	**(661)**		—		—	—
Loss on impairment of property and equipment	**(11)**		(270)		4	(809)
Loss on structural reform	**(2,249)**		(1,170)		192	(3,098)
Allowance for doubtful accounts to affiliates	**(233)**		(1,064)		22	(1,091)
Allowance for loss on guarantees of affiliates' debt	**(988)**		—		—	—
Environmental safety measure expenses	—		—		—	(115)
Loss on transfer to defined contribution pension plan	**(236)**		—		—	—
Legal settlement expenses	**(114)**		(291)		39	(599)
Surcharge on violation of the Antitrust Law	**(667)**		—		—	—
Total	**(5,159)**	(1.4)	(2,795)	(0.9)	185	(5,785)
Income before income taxes and minority interests	**24,432**	7.1	22,685	7.3	108	46,562
Income taxes -current	**10,352**		6,920		150	14,826
Income taxes -deffered	**150**		1,807		8	4,740
Minority interests	**1,369**	0.4	2,278	0.7	60	4,934
Net income	**12,561**	3.6	11,680	3.8	108	22,062

Consolidated Statements of Changes in Net Assets

1st half of fiscal 2007 (Apr.1, 2007 - Sep. 30, 2007)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2007	26,284	36,703	139,720	(7,740)	194,967
Changes during the interim period of fiscal 2007					
Cash dividends	—	—	(1,726)	—	(1,726)
Interim net income	—	—	12,561	—	12,561
Acquisition of treasury stock	—	—	—	(767)	(767)
Retirement of treasury stock	—	2	—	2	4
Increase due to marger	—	4,536	—	—	4,536
Effect of the change in the reporting period of subsidiaries	—	—	(11)	—	(11)
Pension liability adjustments, net of tax	—	—	(1,251)	—	(1,251)
Net increase/decrease during the interim period of fiscal 2007 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the interim period of fiscal 2007	—	4,538	9,573	(765)	13,346
Balance as of September 30, 2007	26,284	41,241	149,293	(8,505)	208,313

	Valuation, Translation Adjustments and others				Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and others		
Balance as of March 31, 2007	2,674	—	814	3,488	24,171	222,626
Changes during the interim period of fiscal 2007						
Cash dividends	—	—	—	—	—	(1,726)
Interim net income	—	—	—	—	—	12,561
Acquisition of treasury stock	—	—	—	—	—	(767)
Retirement of treasury stock	—	—	—	—	—	4
Increase due to marger	—	—	—	—	—	4,536
Effect of the change in the reporting period of subsidiaries	—	—	—	—	—	(11)
Pension liability adjustments, net of tax	—	—	—	—	—	(1,251)
Net increase/decrease during the interim period of fiscal 2007 of non shareholders' equity items	45	—	874	919	(1,952)	(1,033)
Total increase/decrease during the interim period of fiscal 2007	45	—	874	919	(1,952)	12,313
Balance as of September 30, 2007	2,719	—	1,688	4,407	22,219	234,939

Consolidated Statement of Changes in Shareholders' Equity

1st half of fiscal 2006 (Apr.1, 2006 - Sep. 30, 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 interim period of fiscal 2006					
Distribution of retained earnings	—	—	(1,732)	—	(1,732)
Directors' bonus	—	—	(177)	—	(177)
Interim net income	—	—	11,680	—	11,680
Acquisition of treasury stock	—	—	—	(973)	(973)
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 interim period of fiscal 2006 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the interim period of fiscal 2006	—	2	9,718	(971)	8,749
Balance as of September 30, 2006	26,284	36,703	131,066	(7,031)	187,022

	Valuation, Translation Adjustments and others					
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and others	Minority Interests	Total Net Assets
Balance as of March 31, 2006	4,045	—	(2,358)	1,687	53,497	233,457
Changes during the interim period of fiscal 2006						
Distribution of retained earnings	—	—	—	—	—	(1,732)
Directors' bonus	—	—	—	—	—	(177)
Interim net income	—	—	—	—	—	11,680
Acquisition of treasury stock	—	—	—	—	—	(973)
Retirement of treasury stock	—	—	—	—	—	4
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	—	—	—	(53)
Net increase/decrease during the interim period of fiscal 2006 of non shareholders' equity items	(956)	13	1,381	438	961	1,399
Total increase/decrease during the interim period of fiscal 2006	(956)	13	1,381	438	961	10,148
Balance as of September 30, 2006	3,089	13	(977)	2,125	54,458	243,605

Consolidated Statement of Changes in Shareholders' Equity

Fiscal 2006 (Apr.1, 2006 - Mar.31, 2007)

(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 fiscal 2006					
Distribution of retained earnings	—	—	(3,460)	—	(3,460)
Directors' bonus	—	—	(177)	—	(177)
Net income for the fiscal 2006	—	—	22,062	—	22,062
Acquisition of treasury stock	—	—	—	(1,682)	(1,682)
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 fiscal 2006 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2006	—	2	18,372	(1,680)	16,694
Balance as of March 31, 2007	26,284	36,703	139,720	(7,740)	194,967

(Millions of Yen)

	Valuation, Translation Adjustments and others				Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and others		
Balance as of March 31, 2006	4,045	—	(2,358)	1,687	53,497	233,457
Changes during the fiscal 2006						
Distribution of retained earnings	—	—	—	—	—	(3,460)
Directors' bonus	—	—	—	—	—	(177)
Net income for the fiscal 2006	—	—	—	—	—	22,062
Acquisition of treasury stock	—	—	—	—	—	(1,682)
Retirement of treasury stock	—	—	—	—	—	4
Increase/decrease due to changes in functional currencies of overseas consolidated companies	—	—	—	—	—	(53)
Net increase/decrease during the fiscal 2006 of non shareholders' equity items	(1,371)	—	3,172	1,801	(29,326)	(27,525)
Total increase/decrease during the fiscal 2006	(1,371)	—	3,172	1,801	(29,326)	(10,831)
Balance as of March 31, 2007	2,674	—	814	3,488	24,171	222,626

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 9/07	End of 9/06	End of 3/07
Cash flows from operating activities			
Income before income taxes and minority interests	**24,432**	22,685	46,562
Depreciation and amortization	**13,968**	11,564	24,392
Goodwill and negative goodwill amortization	**960**	—	—
Cost of structural reform	**2,249**	1,170	3,098
Environmental safety measure expenses	—	—	115
Allowance for doubtful accounts to affiliates	**233**	1,064	1,091
Allowance for loss on guarantees of affiliates' debt	**988**	—	—
Leagal settlement expenses	**114**	—	599
Decrease in accrued retirement benefits	**(310)**	(601)	(2,206)
Gain on sales of property and equipment	**(4,444)**	(413)	(611)
Loss on disposal of property, plant and equipment	**691**	640	2,084
Loss on impaired property and equipment	**11**	270	809
Interest and dividends received	**(753)**	(525)	(1,259)
Interest charges	**2,032**	1,524	3,405
Decrease (increase) in receivables	**3,945**	(2,927)	(13,674)
Increase in inventories	**(3,069)**	(6,675)	(14,870)
Increase in payables	**4,673**	10,199	23,731
Other	**95**	871	(3,240)
Subtotal	**45,815**	38,846	70,026
Loss on transfer to defined contribution pension plan	**(47)**	(1,316)	(1,319)
Amount paid for structual reform	**(103)**	(376)	(2,596)
Interest and dividends received	**858**	644	1,389
Interest paid	**(2,142)**	(1,405)	(3,302)
Income taxes paid	**(9,856)**	(6,994)	(11,187)
Net cash provided by operating activities	**34,525**	29,399	53,011
Cash flows from investing activities			
Purchase of investment securities	**(1,044)**	(3,903)	(5,733)
Proceeds from sales of investment securities	**286**	220	1,526
Purchases of additional shares in consolidated subsidiaries	—	(901)	(86,647)
Proceeds from sales of subsidiaries' common stock	**757**	25	199
Expenditures for acquisition of property, plant and equipment	**(23,305)**	(14,950)	(32,349)
Preceeds from sales of property, plant and equipment	**6,714**	857	2,234
Expenditures for acquisition of intangible assets	**(1,477)**	(368)	(1,545)
Proceeds from sale of business	—	181	181
Other	**(343)**	(589)	(449)
Net cash provided by (used in) investing activities	**(18,412)**	(19,428)	(122,583)
Cash flows from financing activities			
Decrease (increase) in short-term borrowings	**(66,440)**	(5,470)	68,648
Proceeds from long-term debt	**10,000**	1,800	1,802
Repayment of long-term debt	**(6,591)**	(7,023)	(9,888)
Proceeds from issue of bonds	**40,000**	—	—
Redemption of bonds	**(5,000)**	—	(3,666)
Proceeds from sale of treasury stock	**4**	4	4
Purchases of treasury stock	**(767)**	(973)	(1,682)
Dividends paid to shareholders	**(1,726)**	(1,732)	(3,460)
Dividends paid to minority shareholders	**(309)**	(423)	(862)
Capital contribution from minority shareholders	**2,003**	—	—
Net cash used in financing activities	**(28,826)**	(13,817)	50,896
Effect of exchange rate changes on cash and cash equivalents	**664**	87	852
Net decrease in cash and cash equivalents	**(12,049)**	(3,759)	(17,824)
Cash and cash equivalents at beginning of year	**47,020**	64,844	64,844
Cash and cash equivalents at end of period	**34,971**	61,085	47,020

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	**33,206**	40,342	45,419
Securities (Money Market Funds, etc.)	**1,765**	351	1,601
Cash pooling deposits	—	20,392	—
Cash and cash equivalents at end of period	**34,971**	61,085	47,020

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Foreign currency translation and Translation of foreign currency financial statements

All foreign currency receivables and payables are translated into yen amounts at the rates of exchange in effect on the consolidated balance sheet date with translation differences accounted for as profit or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect on the consolidated balance sheet date. Revenue and expenses are translated into yen amounts at the average exchange rate for the fiscal year and the differences are included in foreign currency translation adjustments account and minority interests in the net assets section.

2. Amortization of Goodwill

Goodwill is amortized equally over the estimated useful life of each asset, not to exceed 20 years.

3. Changes in Accounting Standards

(1) Depreciation Method for Property, Plant and Equipment

Pursuant to a revision of the Corporation Tax Law, and effective from the interim period of the fiscal year ending March 31, 2008, depreciation of property, plant and equipment acquired by Hitachi Metals and its domestic consolidated subsidiaries on and after April 1, 2007 is calculated in accordance with the revised Corporation Tax Law. As a result of this change in accounting policy, operating income and income before income taxes and minority interests each decreased by ¥276 million.

(Additional Information)

Pursuant to a revision of the Corporation Tax Law, depreciation of assets acquired prior to March 31, 2007 by Hitachi Metals and its domestic consolidated subsidiaries are calculated in accordance with the Corporation Tax Law prior to its revision. Accordingly, when the residual value after depreciation in any particular fiscal year reaches 5% of the acquisition cost, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value is amortized on a straight-line basis over five years from the following fiscal year and included in depreciation expense. Compared with the previously existing method, operating income and income before income taxes and minority interests each decreased by ¥783 million.

(2) Accounting Standard for the Measurement of Inventories

From the interim period of the fiscal year ending March 31, 2008, Hitachi Metals adopted Accounting Standards Board of Japan Statement No. 9, “Accounting Standard for the Measurement of Inventories,” issued on July 5, 2006, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. As a result, inventories that are not held in the ordinary course of Hitachi Metals’ business, previously recorded under other expenses, are recorded under cost of sales from the fiscal period under review. On this basis, operating income declined by ¥697 million and income before income taxes and minority interests declined by ¥255 million, respectively.

Business Segment Information

1st half of Fiscal 2007 (Apr. 1, 2007 - Sep. 30, 2007) (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	**127,002**	**77,960**	**95,054**	**46,262**	**346,278**	—	**346,278**
Intersegment	**15,528**	**17,974**	**13,793**	**6,974**	**54,269**	**(54,269)**	—
Total sales	**142,530**	**95,934**	**108,847**	**53,236**	**400,547**	**(54,269)**	**346,278**
Operating costs and expenses	**129,527**	**86,232**	**101,682**	**52,956**	**370,397**	**(50,682)**	**319,715**
Operating income	**13,003**	**9,702**	**7,165**	**280**	**30,150**	**(3,587)**	**26,563**
Assets	**256,462**	**198,589**	**148,214**	**47,863**	**651,128**	**(30,674)**	**620,454**
Depreciation and amortization	**4,682**	**5,037**	**3,769**	**198**	**13,686**	**282**	**13,968**
Capital expenditures	**9,659**	**8,154**	**6,418**	**1,502**	**25,733**	**45**	**25,778**

1st half of Fiscal 2006 (Apr.1, 2006 - Sep. 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 Assets	Total
Sales:							
Unaffiliated customers	119,987	70,590	90,177	29,333	310,087	—	310,087
Intersegment	11,097	11,514	10,894	5,114	38,619	(38,619)	—
Total sales	131,084	82,104	101,071	34,447	348,706	(38,619)	310,087
Operating costs and expenses	119,598	73,577	95,005	33,543	321,723	(37,349)	284,374
Operating income	11,486	8,527	6,066	904	26,983	(1,270)	25,713
Assets	229,910	179,283	147,087	47,328	603,608	(35,555)	568,053
Depreciation and amortization	3,822	3,795	3,370	213	11,200	364	11,564
Capital expenditures	7,275	8,222	3,730	52	19,279	225	19,504

Fiscal 2006 (Apr.1, 2006 - Mar. 31, 2007) (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	248,419	145,479	186,061	66,352	646,311	—	646,311
Intersegment	25,148	23,842	24,426	11,920	85,336	(85,336)	—
Total sales	273,567	169,321	210,487	78,272	731,647	(85,336)	646,311
Operating costs and expenses	249,265	151,252	196,414	76,259	673,190	(81,601)	591,589
Operating income	24,302	18,069	14,073	2,013	58,457	(3,735)	54,722
Assets	241,459	188,719	147,335	56,401	633,914	(4,324)	629,590
Depreciation and amortization	8,089	8,227	6,935	408	23,659	733	24,392
Capital expenditures	14,101	13,773	7,384	1,234	36,492	295	36,787

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, Cutting tools, Other
Electronics and IT Devices	Hard magnetic materials (Ferrite, Rare-earth magnets(NEOMAX®), Castings, Bonded magnets and their applications), Mobile phone components (Isolators, Multilayered devices) Componets and materials for IT equipment Soft magnetic materials (Soft ferrites, Nano-crystalline soft magnetic materials (FINEMET®) Amorphous metal materials (METGLAS®), 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	Other sales and services, Other

3. Corporate assets included on "Eliminations and corporate assets" at September 30, 2007, 2006 and March 31, 2007 totaled ￥13,350 million, ￥(2,202) million and ￥39,656 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, 2007, 2006 and March 31, 2007 amounted to ￥3,282 million, ￥926 million and ￥3,302 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical Segment Information

1st half of Fiscal 2007 (Apr. 1, 2007 - Sep. 30, 2007) (Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	**242,070**	**42,438**	**46,126**	**15,644**	**346,278**	—	**346,278**
Intersegment	**46,546**	**7,039**	**21,742**	**422**	**75,749**	**(75,749)**	—
Total sales	**288,616**	**49,477**	**67,868**	**16,066**	**422,027**	**(75,749)**	**346,278**
Operating costs and expenses	**265,439**	**46,382**	**64,942**	**15,300**	**392,063**	**(72,348)**	**319,715**
Operating income	**23,177**	**3,095**	**2,926**	**766**	**29,964**	**(3,401)**	**26,563**
Assets	**504,351**	**56,063**	**79,660**	**16,097**	**656,171**	**(35,717)**	**620,454**

1st half of Fiscal 2006 (Apr.1, 2006 - Sep. 30, 2006) (Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	223,651	39,587	34,896	11,953	310,087	—	310,087
Intersegment	38,944	6,512	20,144	259	65,859	(65,859)	—
Total sales	262,595	46,099	55,040	12,212	375,946	(65,859)	310,087
Operating costs and expenses	241,710	42,639	52,585	12,019	348,953	(64,579)	284,374
Operating income	20,885	3,460	2,455	193	26,993	(1,280)	25,713
Assets	479,511	57,826	67,040	12,887	617,264	(49,211)	568,053

Fiscal 2006 (Apr.1, 2006 - Mar. 31, 2007) (Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	465,996	78,486	74,467	27,362	646,311	—	646,311
Intersegment	82,090	13,899	40,645	736	137,370	(137,370)	—
Total sales	548,086	92,385	115,112	28,098	783,681	(137,370)	646,311
Operating costs and expenses	502,455	85,609	110,119	27,195	725,378	(133,789)	591,589
Operating income	45,631	6,776	4,993	903	58,303	(3,581)	54,722
Assets	501,213	55,817	73,412	14,871	645,313	(15,723)	629,590

Overseas Sales

1st half of Fiscal 2007 (Apr. 1, 2007 - Sep. 30, 2007) (Millions of Yen)

	North America	Asia	Europe	Other areas	Total
Overseas sales	**36,802**	**79,928**	**19,419**	**4,962**	**141,111**
Consolidated sales	—	—	—	—	**346,278**
Overseas sales as a share of consolidated sales	**10.6%**	**23.1%**	**5.6%**	**1.5%**	**40.8%**

1st half of Fiscal 2006 (Apr.1, 2006 - Sep. 30, 2007) (Millions of Yen)

	North America	Asia	Europe	Other areas	Total
Overseas sales	35,637	69,275	15,527	4,477	124,916
Consolidated sales	—	—	—	—	310,087
Overseas sales as a share of consolidated sales	11.5%	22.3%	5.0%	1.5%	40.3%

Fiscal 2006 (Apr.1, 2006 - Mar. 31, 2007) (Millions of Yen)

	North America	Asia	Europe	Other areas	Total
Overseas sales	70,565	145,541	34,697	8,593	259,396
Consolidated sales	—	—	—	—	646,311
Overseas sales as a share of consolidated sales	10.9%	22.5%	5.4%	1.3%	40.1%

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

Marketable Securities and Derivative Financial Instruments

1.Securities (Millions of Yen)

(1) Held-to-maturity bonds and Marketable securities

	End of 9/07			End of 3/07		
	Acqusition cost	**Fair value**	**Gross unrealized gains(losses)**	Acqusition cost	Fair value	Gross unrealized gains(losses)
Held-to-maturity bonds:						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Total	—	—	—	—	—	—
Other securities:						
1. Fair value exceeds cost						
Stocks	**8,770**	**13,762**	**4,992**	3,951	9,818	5,867
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	**8,770**	**13,762**	**4,992**	3,951	9,818	5,867
2. Fair value does not exceed cost						
Stocks	**412**	**319**	**(93)**	4,061	3,505	(556)
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	**1,001**	**998**	**(3)**	1,002	999	(3)
Other bonds	—	—	—	—	—	—
Other	**1,771**	**1,771**	**0**	1,609	1,609	0
Total	**3,184**	**3,088**	**(96)**	6,672	6,113	(559)
Other Securities Total	**11,954**	**16,850**	**4,896**	10,623	15,931	5,308

(2) Non-marketable securities

	End of 9/07	End of 3/07
	Balance sheet value	Balance sheet value
Held-to-maturity bonds:		
Government bonds or Municipal bonds	—	—
Corporate bonds	—	—
Other bonds	—	—
Total	—	—
Other Securities:		
Non-listed stock	**1,014**	1,046
Non-listed overseas bond	—	—
Total	**1,014**	1,046

2. The contracted amounts and estimate fair value of the open derrivatives positions (Millions of Yen)

	End of 9/07			End of 3/07		
	Contract or notional amount	**Estimated fair value**	**Gross unrealized gains (losses)**	Contract or notional amount	Estimated fair value	Gross unrealized gains (losses)
Foreign exchange contracts:						
U.S. dollars (buy)	**107**	**105**	**(2)**	237	239	2
U.S. dollars (sell)	**166**	**166**	**0**	42	42	0
Euro (buy)	**418**	**420**	**2**	161	162	1
Euro (sell)	**32**	**34**	**(2)**	—	—	—
Cross-currency swaps:						
Receipts yen payments dollars	**9,200**	**(142)**	**(142)**	9,200	(324)	(324)
Total	—	—	**(144)**	—	—	(321)