Hitachi Metals, Ltd. (Apr. 30, 2009)

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Consolidated Financial Report for the 12-month period ended March 31, 2009

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Listed Stock Exchanges: Tokyo and Osaka (First Section, Code 5486)
Scheduled Date of the Ordinary General Meeting of Shareholders: June 18, 2009

1. Performance over the year, April 1, 2008 to March 31,2009 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	**3/2009**	3/2008	(Change)
Net sales (million yen)	**590,704**	701,075	(15.7%)
Operating income (million yen)	**15,058**	59,698	(74.8%)
Income before income taxes and minority interests (million yen)	**(200)**	51,427	—
Net income (million yen)	**(3,016)**	27,034	—
Net income per share (yen)	**(8.56)**	76.48	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	**(1.5)**	13.1	
Operating income to net sales (%)	**2.5**	8.5	

Note: 1. Equity in losses(earnings) of affiliated companies: 279 million yen (previous year: (12) million yen)
2. As there are no potentially dilutive shares outstanding, details of diluted net income per share have not been included.

(2) Consolidated Financial Position	**3/2009**	3/2008
Total assets (million yen)	**530,191**	619,466
Net assets (million yen)	**214,576**	235,507
Equity ratio (%)	**36.6**	34.4
Net assets per share (yen)	**550.79**	604.22

Note: Shareholders' equity (3/09: 194,153 million yen 3/08: 213,026 million yen)

(3) Consolidated cash flows (million yen)	**3/2009**	3/2008
Cash flows from operating activities	**32,699**	72,106
Cash flows from investment activities	**(37,347)**	(38,112)
Cash flows from financing activities	**(6,503)**	(31,498)
Cash and cash equivalents at year-end	**33,476**	47,821

2. Dividend	**3/2009**	3/2008	3/2009 (Planed)
Annual dividend per share (yen)	**13.00**	12.00	12.00
Interim (yen)	**7.00**	6.00	6.00
End of period (yen)	**6.00**	6.00	6.00
Total dividend paid (full year) (million yen)	**4,583**	4,239	—
Consolidated dividend payout ratio (%)	—	15.7%	422.5%
Dividends to net assets (consolidated)	**2.3%**	2.0%	—

3. Forecasts of results for the term, April 1, 2009 to March 31, 2010

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	205,000	(42.0)	460,000	(22.1)
Operating income (million yen)	(3,500)	—	10,000	(33.6)
Income before income taxes and minority interests (million yen)	(6,400)	—	2,500	—
Net income (million yen)	(5,000)	—	1,000	—
Net income per share (yen)	(14.18)	—	2.84	—

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.

4. Other

Numbers of shares issued (Common stock)

Number of shares outstanding at end of year (including treasury stock) 3/09: 366,557,889 3/08: 366,557,889

Number of treasury stock outstanding at end of year 3/09: 14,059,816 3/08: 13,996,744

[Reference]

Non-consolidated Financial Report for the 12-month period ended March 31, 2009

1. Performance over the year, April 1, 2008 to March 31,2009 (Figures are rounded off to the nearest million yen)

(1) Operating results

Operating results	**3/2009**	3/2008	(Change)
Net Sales (million yen)	**345,220**	407,856	(15.4%)
Operating income (million yen)	**(6,249)**	21,696	—
Income before income taxes (million yen)	**(11,855)**	22,533	—
Net income (million yen)	**(8,992)**	13,590	—
Net income per share (yen)	**(25.51)**	38.44	
Diluted net income per share (yen)	—	—	

(2) Financial position

Financial position	**3/2009**	3/2008
Total assets (million yen)	**375,108**	428,292
Net assets (million yen)	**131,974**	144,313
Equity ratio (%)	**35.2%**	33.7%
Net assets per share (yen)	**374.37**	409.30

Reference: Shareholders' equity (3/09: 131,974 million yen 3/08: 144,313 million yen)

2. Forecasts of results for the term, April 1, 2009 to March 31, 2010

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	121,000	(42.4)	270,000	(21.8)
Operating income (million yen)	(6,000)	—	(900)	—
Income before income taxes (million yen)	(5,400)	—	(900)	—
Net income (million yen)	(3,400)	—	(600)	—
Net income per share (yen)	(9.64)	—	(1.70)	—

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.

Hitachi Metals, Ltd. (5486) Financial Report for the Year Ended March 31, 2009

【Financial Performance】

1. Analysis of Consolidated Business Results

(1) Overview (fiscal year ended March 31, 2009)

Looking at the global economy, conditions deteriorated further in the fiscal year under review. In specific terms, the financial crisis that originated in the United States grew in size. From the autumn of 2008, the downturn in the U.S. and European economies deepened, while in Asia the slowdown in economic conditions gathered pace. Moreover, the precipitous decline in capital investments and exports has put Japan's economy in a free fall of perilous proportions.

Conditions in the industries in which the Hitachi Metals Group operates were severe. The automobile sector in Europe, the United States and Japan experienced increasingly sluggish sales, and the downward trend accelerated in Asia as well. In the semiconductor industry demand declined worldwide. The market for mobile phones saw a downturn in growth in Asia, while demand in Japan sank significantly. In personal computers, demand plunged along with cooling consumption. Demand in the steel industry dropped sharply both in Japan and overseas, amplifying the decline in production. The domestic construction industry maintained its downward trend in housing starts and public investment slumped.

Under these circumstances, the Hitachi Metals Group also experienced a significant reduction in demand reflecting stagnation in the automobile and electronics-related sectors as well as depressed capital investment. This has resulted in a 15.7% year-on-year decline in net sales, to ¥590,704 million.

On the earnings front, the steep drop in sales together with the substantial decline in production reflecting efforts to correct inventory levels resulted in a decline in operating income of ¥44,640 million compared with the previous fiscal year to ¥15,058 million. Loss before income taxes and minority interests slipped ¥51,627 million to ¥200 million. Furthermore, by posting extraordinary losses including a loss on devaluation of investment securities and a loss on structural reform, Hitachi Metals reported a net loss of ¥3,016 million.

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

High-Grade Metal Products and Materials

Sales in this segment declined 9.3% year on year to ¥265,048 million. Operating income dropped ¥22,929 million to ¥5,735 million.

Looking at conditions affecting principal products, sales of molds and tool steels fell as a result of a rapid and broad decline in automobile production. In alloys for electronic products, sales fell as a result of a sudden and dramatic reduction in demand for LCD panel-related materials. Sales of semiconductor and other package materials plummeted with rapidly decelerating memory demand. As a result, overall sales of alloys for electronic products contracted drastically. Sales of rolls increased owing to robust demand in the first half of the fiscal year, overcoming the comparatively nominal impact of reduced steel production. Sales of injection molding machine parts declined, impacted by lower customer machinery orders. In cutting tools, the deteriorating situation in automotive and electronics-related markets caused a spiraling decline in demand and, thus, a major reduction in sales.

Electronics and IT Devices

Segment sales were down 28.5% year on year to ¥137,264 million. Operating income was down ¥10,928 million to ¥9,349 million. Sales of principal products were as follows.

Sales of such permanent magnets as rare-earth magnets declined as a result of the sudden and broad decline in automobile production from the third quarter, diminished capital investment and sluggish sales of electronics-related products. Sales of ferrite magnetic materials shrank considerably due to the steep automotive downturn. As a result, overall sales of permanent magnets declined. In soft magnetic materials, sales of amorphous metals remained unchanged from the previous fiscal year, buoyed by active demand mainly from China and India in the first half of the fiscal year. Sales of soft ferrite and FINEMET® fell on the back of a rapid decline in electronics-related demand. As a result, sales of soft magnetic materials decreased. Turning to devices for mobile phones, sales of isolators fell due to the slump in the domestic mobile phone market and depressed demand for use in base stations. Sales of multilayered devices, mainly for China, declined.

High-Grade Functional Components and Equipment

Sales in this segment decreased 15.4% year on year to ¥188,290 million. Operating income fell ¥11,989 million compared with the previous fiscal year to ¥4,238 million. Sales of principal products in this segment are as follows.

In ductile iron products, sales fell owing to depressed worldwide demand for automobiles. Sales of heat-resistant exhaust casting components spiraled downward due to weak demand as a result of sluggish automobile sales, mainly in North America. In aluminum wheels, the impact of a rapid and deep reduction in production of automobiles for domestic and North American markets resulted in a drastic decline in sales. Sales of pipe fittings declined due to the impact of reduced demand in the domestic construction industry and cutbacks in capital investments at manufacturing plants. In stainless steel and plastic piping components, sales declined on account of the slump in housing starts in both Japan and the United States. Looking at access flooring and structural systems, sales of access flooring systems were down due to anemic electronics-related growth. On the other hand, sales of structural systems were robust, boosted by demand for steel-frame plinths, a primary product.

Service and Others

Sales in this segment were down 20.7% year on year, to ¥86,938 million. Operating income was down ¥218 million to ¥867 million.

(2)Outlook (fiscal year ending March 31, 2010)

Because of the worsening worldwide economy, the business environment surrounding the Hitachi Metals Group is expected to be extremely negative, and a clear picture of the future is exceedingly difficult to ascertain. Under these conditions, demand is not expected to recover immediately. In light of this, Hitachi Metals will position the fiscal year ending March 31, 2010 as a year to implement urgent measures to strengthen the Group's platform. The Company will promote the rebuilding of a robust corporate structure to ensure profits, even under conditions of depressed demand. Specifically, Hitachi Metals is building a highly efficient production framework by implementing cost structure reform, conducting reviews of product strategies, including concentrating management resources on eco-friendly products, enhancing the R&D structure and accelerating the development of new products. In addition, the Company was quick to restrict capital investments with the aim of expanding production and, upon careful consideration as to effectiveness, will make appropriate investments for cost cuts as well as R&D and strategic investments. The performance outlook for the full fiscal year is as follows.

(Millions of yen)

	Net Sales	Operating Income	Income before Income Taxes and Minority Interests	Net Income
Consolidated	460,000	10,000	2,500	1,000
Non-Consolidated	270,000	(900)	(900)	(600)

2. Qualitative Information Regarding Changes in Consolidated Financial Position

As of March 31, 2009, cash and cash equivalents decreased ¥ 14,345 million year on year to ¥ 33,476 million. While net cash provided by operating activities was essentially on par with net cash used in investing activities, this was mainly attributable to net cash used in financing activities totaling ¥6,503 million.

Cash flow status at the fiscal year-end and factors influencing results are as follows.

Net cash provided by operating activities was ¥ 32,699 million. Principal components were loss before income taxes and minority interests of ¥ 200 million as well as ¥ 17,550 million representing a decrease in working capital items including trade receivables, inventories and trade payables that reflected the decline in net sales.

Net cash used in investing activities amounted ¥ 37,347 million. This was mainly due to purchase of property, plant and equipment of ¥ 41,261 million.

Net cash used in financing activities was ¥ 6,503 million. In addition to the repayment of borrowings and corporate bonds, this was attributable to dividends paid of ¥ 5,269 million and interest paid of ¥ 2,932 million.

3. Dividend Policy / Dividend for the Next Fiscal Year

Changing customer needs and technologies coupled with advancing globalization characterize the current business environment. Under these conditions, Hitachi Metals considers its prime responsibilities are to deliver appropriate and long-term returns to its shareholders by strengthening its international competitiveness and to enhance its corporate value. To this end, the Company has adopted a policy of paying stable dividends from retained earnings to shareholders while taking into account the business environment as well as future business development and performance as it works toward its central aim of achieving growth over the medium to long term.

Hitachi Metals 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, the Company is investing in new businesses and streamlining facilities to expand its production of highly competitive products. In addition, the Company plans to purchase treasury stock as appropriate based on a variety of factors, including stock price levels, financial condition and other requirements, in line with efforts to execute flexible capital policies.

In connection with the payment of cash dividends from retained earnings for the fiscal year under review, after taking into consideration performance results, future business development and forecasts, Hitachi Metals paid an interim dividend per share of ¥7.00 (dividend record date: the end of the first half of the fiscal year, the same to apply each fiscal year), and plans to undertake payments of ¥6.00 per share for the fiscal year-end dividend (dividend record date; the end of the fiscal year, the same to apply each fiscal year). In addition, with regard to dividend payments for the fiscal year ending March 31, 2010, the Company anticipates harsh operating conditions with continue for the foreseeable future. On this basis, Hitachi Metals plans to pay an interim dividend of ¥6.00, and a fiscal year-end dividend of ¥6.00.

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 the electronics, automobile, construction and other related industries; economic trends in the United States, Asia, Europe and other regions of sales operation; changes in cash flow due to trends in capital investment and the status of sales activities; fluctuations in raw material prices caused by the impact of international markets; the effect of foreign currency exchange rates on foreign currency transactions, foreign currency assets and debt; the generation of impairment loss in accordance with the changing value of negotiable securities held by the Company; the disturbance of business activities in overseas markets due to economic, social or political circumstances; a decline in capacity related to the securing of competitive superiority or the development and commercial application of new technologies and new products; conflicts related to intellectual property rights; increases in costs related to compliance issues or the settlement of legal and public issues related to environmental, export management and other regulations; and the incurrence of costs in the event of warnings, announcements and other orders of penalties in connection with a breach of relevant compliance issues or a product defect.

While the Hitachi Metals Group strives to avoid and minimize the impact of business risks through the maintenance of its risk management system, the Company's financial performance and condition may be affected in the event such risks cannot be completely avoided or eliminated.

【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 of fulfilling its corporate social responsibilities in order to help 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. Medium- to Long-Term Strategy, Target Business Indicators and Issues to be Addressed

Based on the Fiscal 2008 Medium-Term Management Plan commenced in the fiscal year ended March 31, 2007, the Hitachi Metals Group established specific targets including a consolidated return on equity (ROE) of 12%, ¥630 billion in net sales, ¥57 billion in operating income and ¥26 billion in net income for the fiscal year ended March 31, 2009, the final year of the plan. At the same time, the Company aimed to realize sustainable growth by developing its global business and creating new products while enhancing its corporate structure. However, impacted by the rapid deterioration of the economic environment due to worldwide financial instability, performance in the fiscal year under review declined significantly, with net sales of ¥590.7 billion operating income of ¥15.1 billion and a net loss of ¥3 billion. The Company anticipates that this dire economic environment will remain unchanged in the fiscal year ending March 31, 2010.

Given the aforementioned volatile conditions, the Hitachi Metals Group has decided to hold off on announcing its next medium-term management plan. Hitachi Metals has, however, positioned the year ending March 31, 2010 as a year to "implement urgent measures to strengthen the Group's platform." In order to promote the rebuilding of a robust corporate structure, the Company has also decided to move forward with the implementation of the following measures.

1. Cost Structure Reform
   Concentrating Company efforts on building a highly efficient production structure, Hitachi Metals will create a framework that ensures profitability even when production volumes are low. From raw materials to the delivery of finished products, the Company will review the manufacturing process and reduce costs at every opportunity..
2. Review of Product Strategies
   Each product will undergo careful scrutiny with regard to future market trends and competitiveness. Efforts will be made to select and focus on those products that show promise for growth in global markets once the severe economic conditions come to an end. Because the environmental and energy fields show strong prospects for driving future growth, eco-friendly products will receive special attention and management resources will be deployed to achieve strengthened cost-competitiveness and business expansion.
3. Acceleration of New Product Development
   By enhancing the R&D structure and prioritizing for the more timely and appropriate application of management resources, Hitachi Metals will accelerate the market launch of new products that anticipate market and technological changes.

4. Review of Investments

Although the investment capital to expand production is to be restricted, R&D investments and strategic investments into eco-friendly products and expanding markets for new products will undergo careful assessment to determine investment effectiveness. The same level of scrutiny shall be brought to bear on investments, to be implemented as appropriate, made into cost-cutting improvements for the purpose of strengthening our business platform.

With regard to target indicators, in accordance with fundamental management policies concerning profit distribution, the Company aims to raise consolidated ROE (amount of net income returned as a percentage of total shareholders' equity) in order to return profits by leveraging corporate value together with continuing long-term dividends. Specific indicators will be defined in the next medium-term management plan.

Moving forward, the contraction of the domestic market in line with Japan's declining population and the migration of customer production to overseas locations as well as escalating global competition due to the growth of emerging markets and a rising environmental consciousness are all expected to contribute to dramatic changes in the business environment surrounding the Hitachi Metals Group.

Based on a comprehensive review of the Group's existing foundation, management resources will be concentrated on strategic fields as Hitachi Metals aims for new growth.

Consolidated quarterly balance sheets

(Millions of Yen)

	End of 3/09	End of 3/08	(difference)
ASSETS			
Current assets			
Cash and deposits	**24,514**	36,856	(12,342)
Notes and accounts receivable-trade	**70,962**	123,678	(52,716)
Deposit paid in subsidiaries and affiliates	**8,473**	10,620	(2,147)
Inventories	—	121,957	(121,957)
Finished products	**41,422**	—	41,422
Work in process	**28,410**	—	28,410
Raw materials	**30,189**	—	30,189
Other	**25,143**	23,100	2,043
Allowance for doubtful accounts	**(845)**	(479)	(366)
Total current assets	**228,268**	315,732	(87,464)
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	**57,646**	59,723	(2,077)
Machinery, equipment and vehicles, net	**88,220**	83,800	4,420
Land	**51,259**	53,031	(1,772)
Other, net	**18,872**	18,940	(68)
Total property, plant and equipment	**215,997**	215,494	503
Intangible assets			
Goodwill	**46,785**	49,931	(3,146)
Other	**6,940**	5,403	1,537
Total investments and other assets	**32,201**	32,906	(705)
Total noncurrent assets	**301,923**	303,734	(1,811)
Total assets	**530,191**	619,466	(89,275)
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	**47,733**	98,671	(50,938)
Short-term loans payable	**66,553**	50,981	15,572
Commercial Paper	**6,000**	—	6,000
Current portion of long-term loans payable	**3,653**	20,980	(17,327)
Current portion of bonds	**6,025**	11,249	(5,224)
Income taxes payable	**1,790**	11,942	(10,152)
Allowance for directors' bonuses	**121**	294	(173)
Other	**40,263**	45,695	(5,432)
Total current liabilities	**172,138**	239,812	(67,674)
Noncurrent liabilities			
Bonds payable	**34,000**	40,008	(6,008)
Convertible bond-type bonds with subscription rights to shares	**40,000**	40,000	0
Long-term loans payable	**33,888**	27,209	6,679
Provision for retirement benefits	**23,228**	25,891	(2,663)
Other provision	**4,101**	4,456	(355)
Other	**8,260**	6,583	1,677
Total noncurrent liabilities	**143,477**	144,147	(670)
Total liabilities	**315,615**	383,959	(68,344)
NET ASSETS			
Shareholders' equity			
Capital stock	**26,284**	26,284	0
Capital surplus	**41,243**	41,241	2
Retained earnings	**152,789**	161,488	(8,699)
Treasury stock	**(10,641)**	(10,552)	(89)
Total shareholders' equity	**209,675**	218,461	(8,786)
Valuation, translation adjustments			
Net unrealized holding gains (losses) on available-for-sale	**279**	(208)	487
Foreign currency translation adjustments	**(15,801)**	(5,227)	(10,574)
Minority interests	**20,423**	22,481	(2,058)
Total Net Assets	**214,576**	235,507	(20,931)
Total liabilities and net assets	**530,191**	619,466	(89,275)

Consolidated Statements of Income

	Fiscal 2008 (Mar. 31,09)	Ratio to Sales (%)	Fiscal 2007 (Mar. 31,08)	Ratio to Sales (%)	(difference) (%)
Net sales	**590,704**	100.0	701,075	100.0	84
Cost of sales	**495,948**	84.0	552,459	78.8	90
Gross profit	**94,756**	16.0	148,616	21.2	64
Selling, general and administrative expenses	**79,698**	13.5	88,918	12.7	90
Operating income	**15,058**	2.5	59,698	8.5	25
Non-operating income					
Interest income	**750**		1,145		66
Dividends income	**177**		300		59
Other	**5,143**		7,163		72
Total non-operating income	**6,070**	1.0	8,608	1.2	71
Non-operating expenses					
Interest expenses	**2,760**		3,855		72
Foreign exchange loss	**941**		3,993		24
Loss on disposal of fixed assets	**1,638**		2,022		81
Other	**5,554**		3,988		139
Total non-operating expenses	**10,893**	1.8	13,858	1.9	79
Extraordinary income					
Gain on sales of property and equipment	**105**		4,506		2
Gain on sales of subsidiaries' and affiliates' common stock	**638**		268		238
Gain on transfer to defined contribution pension plan	**259**		115		225
Total extraordinary income	**1,002**	0.2	4,889	0.6	20
Extraordinary losses					
Loss on disposal of fixed assets	**(40)**		(661)		6
Loss on impairment of property and equipment	**(319)**		(192)		166
Loss on devaluation of investment securities	**(4,435)**		—		–
Loss on structural reform	**(4,746)**		(3,428)		138
Allowance for doubtful accounts to affiliates	**—**		(371)		–
Allowance for loss on guarantees of affiliates' debt	**—**		(928)		–
Allowance for business losses of affiliates	**(518)**		(1,136)		46
Loss on transfer to defind contribution pension plan	**(1,379)**		(236)		584
Legal settlement expenses	**—**		(291)		–
Surcharge on violation of the Anititrust Law	**—**		(667)		–
Total extraordinary losses	**(11,437)**	(1.9)	(7,910)	(1.1)	145
Income (loss) before income taxes and minority interests	**(200)**	(0.0)	51,427	7.3	–
Income taxes -current	**4,768**		20,330		23
Income taxes -deferred	**(2,993)**		1,221		–
Minority interests in income	**1,041**	0.2	2,842	0.4	37
Net income (loss)	**(3,016)**	(0.5)	27,034	3.9	–

Consolidated Statements of Changes in Net Assets

Fiscal 2008 (Apr.1, 2008 - Mar.31, 2009)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2008	**26,284**	**41,241**	**161,488**	**(10,552)**	**218,461**
Changes during the fiscal 2008					
Cash dividends	—	—	**(4,583)**	—	**(4,583)**
Net loss for the fiscal 2008	—	—	**(3,016)**	—	**(3,016)**
Acquisition of treasury stock	—	—	—	**(106)**	**(106)**
Retirement of treasury stock	—	**2**	—	**17**	**19**
Effect of the change in the reporting period of subsidiaries	—	—	**27**	—	**27**
Effect of the change in accounting standards on subsidiaries	—	—	**(42)**	—	**(42)**
Pension liability adjustments, net of tax	—	—	**(1,085)**	—	**(1,085)**
Net increase/decrease during the fiscal 2008 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2008	—	**2**	**(8,699)**	**(89)**	**(8,786)**
Balance as of March 31, 2009	**26,284**	**41,243**	**152,789**	**(10,641)**	**209,675**

(Millions of Yen)

	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, 2008	**(208)**	—	**(5,227)**	**(5,435)**	**22,481**	**235,507**
Changes during the fiscal 2008						
Cash dividends	—	—	—	—	—	**(4,583)**
Net loss for the fiscal 2008	—	—	—	—	—	**(3,016)**
Acquisition of treasury stock	—	—	—	—	—	**(106)**
Retirement of treasury stock	—	—	—	—	—	**19**
Effect of the change in the reporting period of subsidiaries	—	—	—	—	—	**27**
Effect of the change in accounting standards on subsidiaries	—	—	—	—	—	**(42)**
Pension liability adjustments, net of tax	—	—	—	—	—	**(1,085)**
Net increase/decrease during the fiscal 2008 of non shareholders' equity items	**487**	—	**(10,574)**	**(10,087)**	**(2,058)**	**(12,145)**
Total increase/decrease during the fiscal 2008	**487**	—	**(10,574)**	**(10,087)**	**(2,058)**	**(20,931)**
Balance as of March 31, 2009	**279**	—	**(15,801)**	**(15,522)**	**20,423**	**214,576**

Consolidated Statements of Changes in Net Assets

Fiscal 2007 (Apr.1, 2007 - Mar.31, 2008)

(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 fiscal 2007					
Cash dividends	—	—	(3,850)	—	(3,850)
Net income for the fiscal 2007	—	—	27,034	—	27,034
Acquisition of treasury stock	—	—	—	(2,814)	(2,814)
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	—	—	(1,405)	—	(1,405)
Net increase/decrease during the fiscal 2007 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2007	—	4,538	21,768	(2,812)	23,494
Balance as of March 31, 2008	26,284	41,241	161,488	(10,552)	218,461

	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, 2007	2,674	—	814	3,488	24,171	222,626
Changes during the fiscal 2007						
Cash dividends	—	—	—	—	—	(3,850)
Net income for the fiscal 2007	—	—	—	—	—	27,034
Acquisition of treasury stock	—	—	—	—	—	(2,814)
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	—	—	—	—	—	(1,405)
Net increase/decrease during the fiscal 2007 of non shareholders' equity items	(2,882)	—	(6,041)	(8,923)	(1,690)	(10,613)
Total increase/decrease during the fiscal 2007	(2,882)	—	(6,041)	(8,923)	(1,690)	12,881
Balance as of March 31, 2008	(208)	—	(5,227)	(5,435)	22,481	235,507

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/09	End of 3/08
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	**(200)**	51,427
Depreciation and amortization	**31,814**	29,385
Goodwill and negative goodwill amortization	**2,439**	1,990
Loss on devaluation of investment securities	**4,435**	—
Cost of structural reform	**4,746**	3,428
Allowance for doubtful accounts to affiliates	—	371
Allowance for loss on guarantees of affiliates' debt	—	928
Allowance for business losses of affiliates	**518**	1,136
Legal settlement expenses	—	291
Decrease in accrued retirement benefits	**(4,551)**	(1,381)
Gain on sales of property and equipment	**(393)**	(5,019)
Loss on disposal of property, plant and equipment	**1,638**	1,840
Loss on impaired property and equipment	**319**	192
Interest and dividends received	**(927)**	(1,445)
Interest charges	**2,760**	3,855
Decrease in receivables	**46,632**	6,400
Decrease (increase) in inventories	**17,649**	(1,959)
Increase (decrease) in payables	**(46,731)**	2,346
Decrease in accrued expenses	**(4,894)**	—
Other	**2,412**	(566)
Subtotal	**57,666**	93,219
Loss on transfer to defined contribution pension plan	—	(47)
Amount paid for structual reform	**(2,852)**	(928)
Interest and dividends received	—	1,556
Interest paid	—	(3,830)
Income taxes paid	**(22,115)**	(17,864)
Net cash provided by operating activities	**32,699**	72,106
Cash flows from investing activities		
Purchase of investment securities	**(46)**	(1,321)
Proceeds from redemption of securities	—	1,000
Proceeds from sales of investment securities	**1,332**	774
Purchases of additional shares in consolidated subsidiaries	—	(406)
Proceeds from sales of subsidiaries' common stock	**694**	778
Expenditures for acquisition of property, plant and equipment	**(41,261)**	(43,139)
Preceeds from sales of property, plant and equipment	**2,387**	7,981
Expenditures for acquisition of intangible assets	**(2,434)**	(3,054)
Proceeds from sale of business	**1,032**	—
Other	**949**	(725)
Net cash used in investing activities	**(37,347)**	(38,112)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**16,868**	(83,016)
Increase in commercial paper	**6,000**	—
Proceeds from long-term debt	**11,352**	14,571
Repayment of long-term debt	**(21,421)**	(10,723)
Proceeds from issue of bonds	—	60,000
Redemption of bonds	**(11,013)**	(7,108)
Interest expenses paid	**(2,932)**	—
Proceeds from sale of treasury stock	**20**	5
Purchases of treasury stock	**(108)**	(2,814)
Dividends paid to shareholders	**(4,583)**	(3,850)
Dividends paid to minority shareholders	**(686)**	(566)
Capital contribution from minority shareholders	—	2,003
Net cash used in (provided by) financing activities	**(6,503)**	(31,498)
Effect of exchange rate changes on cash and cash equivalents	**(3,194)**	(1,695)
Net increase (decrease) in cash and cash equivalents	**(14,345)**	801
Cash and cash equivalents at beginning of year	**47,821**	47,020
Cash and cash equivalents at end of year	**33,476**	47,821

Reconciliation of cash and deposits in banks in consolidated balance sheets at year end to cash and cash equivalents in consolidated statements of cash flows:

Cash and deposits in banks	**24,514**	36,856
Securities (Money Market Funds, etc.)	**489**	345
Cash pooling deposits	**8,473**	10,620
Cash and cash equivalents at end of year	**33,476**	47,821

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 the application of accounting policies, procedures and disclosures in the presenting of consolidated financial statements

(Changes due to revisions in accounting standards)

1) Effective for fiscal years beginning on or after April 1, 2008, " Guidance on Accounting Standard for Lease Transactions " (ASBJ Guidance No. 16) has been applied. Under the existing accounting standard, finance leases thst deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions. The revised accounting standard requires that all finance lease transactions be capitalized. Meanwhile, the existing accounting standard will continue to be used for finance leases other than those in which the ownership of the leased assets is to be transferred to lessees, and for which the lease start date is prior to the initial year of apprication. The apprication of this policy had no impact on operating income and income before income taxes and minority interests.

2) Effective from the year ending March, 31, 2009, " Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements " (ASBJ Practical Issues Task Force N0.18), has been applied and, accordingly some revisions have been made to the consolidated accounts as necessary. The application of this policy had no material impact on operating income and income before income taxces and minority interests.

(Changes in disclosure classification of statements of cash flows)

Given investors' growing interest in corporate value, effective from the fiscal year ending March 31, 2009, interest and dividends received as recorded in cash flows from operating activities have been included in cash flows from investing activities, and interest paid has been included in cash flows from financing activities, in order to appropriately conform interest expenses to the calculation of corporate value recognized as capital cost in similar fashion to cash devidends paid. As a result of this change in disclosure classification, cash flows from operating activities increased by ￥ 1,900 million, cash flows from investing activities incereased by ￥1,032 million and cash flows from financing activities decreased by ￥2,932 million, respectively. However, this change had no impact on decrease in cash and cash equivalents.

Business Segment Information

Year under review (Apr. 1, 2008 - Mar. 31, 2009) (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	**241,229**	**105,856**	**161,870**	**81,749**	**590,704**	**—**	**590,704**
Intersegment	**23,819**	**31,408**	**26,420**	**5,189**	**86,836**	**(86,836)**	**—**
Total sales	**265,048**	**137,264**	**188,290**	**86,938**	**677,540**	**(86,836)**	**590,704**
Operating costs and expenses	**259,313**	**127,915**	**184,052**	**86,071**	**657,351**	**(81,705)**	**575,646**
Operating income	**5,735**	**9,349**	**4,238**	**867**	**20,189**	**(5,131)**	**15,058**
Assets	**243,503**	**140,589**	**122,763**	**37,543**	**544,398**	**(14,207)**	**530,191**
Depreciation and amortization	**12,819**	**10,099**	**7,978**	**643**	**31,539**	**275**	**31,814**
Capital expenditures	**20,128**	**12,743**	**8,707**	**1,993**	**43,571**	**197**	**43,768**

Fiscal Previous Year (Apr. 1, 2007 - Mar. 31, 2008) (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	259,688	154,082	193,481	93,824	701,075	—	701,075
Intersegment	32,682	37,825	28,972	15,839	115,318	(115,318)	—
Total sales	292,370	191,907	222,453	109,663	816,393	(115,318)	701,075
Operating costs and expenses	263,706	171,630	206,226	108,578	750,140	(108,763)	641,377
Operating income	28,664	20,277	16,227	1,085	66,253	(6,555)	59,698
Assets	262,589	190,048	143,213	48,998	644,848	(25,382)	619,466
Depreciation and amortization	10,063	10,826	7,554	501	28,944	441	29,385
Capital expenditures	22,052	13,350	10,704	3,079	49,185	142	49,327

Notes:

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

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

High-Grade Metal Products and Materials	High-grade specialty steels[YSS™] Molds and tool steels, Alloys for electronic products(display-related、semiconductor and other packages), automotive products(piston ring and CVT belt materials) and other infrastructure products Rolls for steel mill, Injection molding machine parts, Ceramic products and steel-frame joints for construction, Cutting tools, Other
Electronics and IT Devices	Permanent magnets (ferrite, rare-earth[NEOMAX®], casting) and applied products Amorphous metals [METGLAS®] and applied devices Multilayered devices and isolators for mobile phone Soft ferrite core, Nanocrystalline magnetic materials [FINEMET®] and applied devices
High-Grade Functional Components and Equipment	Heat-resistant exhaust casting components[HERCUNITE®], Ductile iron[HNM™] Aluminum wheels[SCUBA®] , other aluminum components Piping and infrastructure components(Gourd® pipe fittings, stainless steel and plastic piping components) Construction components including access flooring and structural systems
Services and Other	Other sales and services, Other

3. Corporate assets included on "Eliminations and corporate assets" at March 31, 2009 and March 31, 2008 totaled ￥30,769 million and ￥17,745 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 March 31, 2009 and March 31, 2008 amounted to ￥5,432 million and ￥6,174 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical Segment Information

Year under review (Apr. 1, 2008 - Mar. 31, 2009) **(Millions of Yen)**

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	**415,433**	**66,837**	**77,596**	**30,838**	**590,704**	**—**	**590,704**
Intersegment	**82,349**	**6,306**	**33,801**	**251**	**122,707**	**(122,707)**	**—**
Total sales	**497,782**	**73,143**	**111,397**	**31,089**	**713,411**	**(122,707)**	**590,704**
Operating costs and expenses	**486,370**	**70,751**	**106,673**	**30,009**	**693,803**	**(118,157)**	**575,646**
Operating income	**11,412**	**2,392**	**4,724**	**1,080**	**19,608**	**(4,550)**	**15,058**
Assets	**431,078**	**51,399**	**51,456**	**11,522**	**545,455**	**(15,264)**	**530,191**

Fiscal Previous Year (Apr. 1, 2007 - Mar. 31, 2008) (Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	493,564	82,199	92,265	33,047	701,075	—	701,075
Intersegment	96,784	14,885	43,256	676	155,601	(155,601)	—
Total sales	590,348	97,084	135,521	33,723	856,676	(155,601)	701,075
Operating costs and expenses	539,148	90,610	128,715	32,335	790,808	(149,431)	641,377
Operating income	51,200	6,474	6,806	1,388	65,868	(6,170)	59,698
Assets	509,081	53,376	75,605	14,942	653,004	(33,538)	619,466

Notes:

1. Corporate assets included on "Eliminations and corporate assets" at March 31, 2009 and March 31, 2008 totaled ￥30,769 million and ￥17,745 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.
2. Unallocatable operating costs included in "Eliminations and corporate assets" at March 31, 2009 and March 31, 2008 amounted to ￥5,432 million and ￥6,174 million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Overseas Sales

Year under review (Apr. 1, 2008 - Mar. 31, 2009) **(Millions of Yen)**

	North America	Asia	Europe	Other	Total
Overseas sales	**58,563**	**126,369**	**39,857**	**7,341**	**232,130**
Consolidated sales	**—**	**—**	**—**	**—**	**590,704**
Overseas sales as a share of consolidated sales	**9.9%**	**21.4%**	**6.7%**	**1.3%**	**39.3%**

Fiscal Previous Year (Apr. 1, 2007 - Mar. 31, 2008) (Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	71,602	158,201	42,121	9,213	281,137
Consolidated sales	—	—	—	—	701,075
Overseas sales as a share of consolidated sales	10.2%	22.6%	6.0%	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.

Income Taxes

Principal Components of Deferred Tax Assets and Liabilities (Millions of Yen)

Deferred tax assets	**Fiscal 2008 (Mar. 31,09)**	Fiscal 2007 (Mar. 31,08)
Net operating loss carryforwards	**6,002**	1,575
Provision for retirement benefits	**8,959**	10,179
Reserve for directors' retirement bonuses	**231**	357
Employee pension trust	**2,595**	3,121
Elimination of unrealized profit on fixed assets	**1,867**	1,867
Allowance for doubtful accounts	**1,152**	760
Accrued bonuses	**3,000**	5,016
Taxable restructuring charges	**157**	132
Other	**13,997**	11,381
Subtotal	**37,960**	34,388
Less : valuation allowance	**(7,739)**	(4,971)
Total deferred tax assets	**30,221**	29,417
Deferred tax liabilities		
Depreciation	**(2,189)**	(1,868)
Special tax-purpose reserve	**(1,056)**	(1,189)
Retained earnings at overseas affiliated companies	**(522)**	(3,405)
Net unrealized holding losses on available-for-sale securities	**(250)**	—
Other	**(3,742)**	(4,077)
Total deferred tax liabilities	**(7,759)**	(10,539)
Net deferred tax assets	**22,462**	18,878

Marketable Securities and Derivative Financial Instruments

1.Securities (Millions of Yen)

(1) Available-for-sale securities

	End of 3/09			End of 3/08		
	Acquistion cost	**Fair value**	**Unrealized gains(losses)**	Acquistion cost	Fair value	Unrealized gains(losses)
Bond for maturity:						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Total	—	—	—	—	—	—
Other securities:						
1. Balance sheet value exceeds cost						
Equity securities	**1,117**	**2,207**	**1,090**	1,439	4,378	2,939
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	**1,117**	**2,207**	**1,090**	1,439	4,378	2,939
2. Balance sheet value does not exceed cost						
Equity securities	**3,040**	**2,561**	**(479)**	7,594	4,752	(2,842)
Bonds						
Government bonds and Municipal bonds	—	—	—	—	—	—
Corporate bonds	**1**	**1**	**0**	2	2	0
Other bonds	—	—	—	—	—	—
Other	**5**	**5**	**0**	1,693	1,693	0
Total	**3,046**	**2,567**	**(479)**	9,289	6,447	(2,842)
Other Securities Total	**4,163**	**4,774**	**611**	10,728	10,825	97

(2) Non-marketable avairable -for-sale securities

	End of 3/09	End of 3/08
	Acquisition cost	Acquisition cost
Bond for maturity:		
Government bonds or Municipal bonds	—	—
Corporate bonds	—	—
Other bonds	—	—
Total	—	—
Other Securities:		
Unlisted equity securities	**1,161**	1,238
Other	**489**	—
Total	**1,650**	1,238

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

	End of 3/09			End of 3/08		
	Contract value	**Fair value**	**Unrealized gain(loss)**	Contract value	Fair value	Unrealized gain(loss)
Exchange contract transactions:						
U.S. dollars (buy)	**135**	**137**	**2**	517	496	(21)
U.S. dollars (sell)	**18**	**18**	**0**	48	45	3
EURO(buy)	**160**	**164**	**4**	243	241	(2)
Currency swap transactions:						
Receipts yen payments dollars	**1,000**	**100**	**100**	7,200	872	872
Total	—	—	**106**	—	—	852

Retirement Benefits

(a) Summary of Retirement and Pension Plans:

Hitachi Metals and its subsidiaries have established Employees' Pension Fund Plans (EPF), qualified pension plans and lump-sum payment plans as its defined-benefit pension plans.

Certain overseas subsidiaries maintain defined-benefit pension plans. A retirement benefit trust has been established for Hitachi Metals, Ltd.

The Company and its certain subsidiaries have implemented defined contribution pension plans.

(b) Accrued retirement benefits recognized in consolidated balance sheets (Millions of Yen)

	Fiscal 2008 (Mar. 31,09)	Fiscal 2007 (Mar. 31,08)
Projected benefit obligation	**(121,583)**	(131,345)
Plan assets at fair value	**65,293**	87,456
Funded status	**(56,290)**	(43,889)
Unrecognized actuarial loss	**38,986**	24,760
Unrecognized prior service(benefit)cost *	**(4,589)**	(5,324)
Net amount recognized in consolidated balance sheets	**(21,893)**	(24,453)
Prepaid pension cost in consolidated balance sheets	**1,335**	1,438
Accrued retirement benefits recognized in consolidated balance sheets	**(23,228)**	(25,891)

Note:

* Certain subsidiaries have adopted a simplified method of calculation in determing their projected benefit obligations.

(c) Periodical pension cost recognized in consolidated statements of operations (Millions of Yen)

	Fiscal 2008 (Mar. 31,09)	Fiscal 2007 (Mar. 31,08)
Service cost *	**(3,602)**	(3,788)
Interest cost	**(3,366)**	(3,508)
Expected return on plan assets	**2,233**	2,835
Amortization of unrecognized actuarial loss	**(2,807)**	(1,914)
Amortization of unrecognized Prior service (benefit) cost	**434**	472
Loss on transfer for lump-sum pension plan to defined contribution pension plan	**(1,120)**	(121)
Contributions to defined contribution	**(1,512)**	(1,461)
Premium retirement and severance payment	**(3,877)**	(1,373)
Periodic pension cost recognized in consolidated statements of income	**(13,617)**	(8,858)

Note:

* The cost for the consolidated subsidiaries to adopt a simplified method in accounting for retirement benefit has been included in service cost.

(d) Actuarial assumptions

Methods of attribution to periods	**Fiscal 2008 (Mar. 31,09)**	Fiscal 2007 (Mar. 31,08)
Discount rate	**Mainly 2.6%**	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.5%
Amortization period of unrecognized actuarial loss	**Mainly14 years**	Mainly14 years
Amortization period of unrecognized prior service benefit and cost	**Mainly14 years**	Mainly14 years