

Hitachi Metals, Ltd. (July 27, 2009)

http://www.hitachi-metals.co.jp

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

Consolidated Financial Report for the first quarter ended June 30, 2009

Contact: Kazutsugu Kamatani, Officer and General Manager

Corporate Communications Tel: +81-3-5765-4075

Listed Stock Exchanges: Tokyo and Osaka (First Section, Code 5486)

1. Performance over the year, April 1, 2009 to June 30, 2009 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	6/09(quarter)	6/08(quarter)	(Change)	3/09
Net sales (million yen)	92,470	175,599	(47.3%)	590,704
Operating income (million yen)	(4,505)	15,421	—	15,058
Income before income taxes and minority interests (million yen)	(5,581)	17,423	—	(200)
Net income (million yen)	(3,651)	8,670	—	(3,016)
Net income per share (yen)	(10.36)	24.59	—	(8.56)
Diluted net income per share (yen)	—	—	—	—

(2) Consolidated Financial Position	6/09(quarter)	3/09
Total assets (million yen)	515,133	530,191
Net assets (million yen)	209,928	214,576
Equity ratio (%)	36.8	36.6
Net assets per share (yen)	538.02	550.79

Note: Shareholders' equity (6/09: 189,646 3/09: 194,153)

2. Dividend	6/09(quarter)	6/08(quarter)	3/10 (Planned)
Annual dividend per share (yen)	—	—	12.00
Interim (yen)	—	—	6.00
End of period (yen)	—	—	6.00
Total dividend paid (full year) (million yen)	—	—	—
Consolidated dividend payout ratio (%)	—	—	—
Dividends to net assets (consolidated)	—	—	—

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	—

Business results for the first quarter of the fiscal year ending March 31, 2010 have progressed steadily in line with plans. While current economic conditions are characterized by a certain level of uncertainty due to a variety of factors including fluctuations in the price of raw materials and global economic trends, consolidated business results for the interim and full fiscal year periods remain unchanged from forecasts previously announced on April 30, 2009.

4. Other

(1) Changes in major subsidiaries during the period under review: None

(2) 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)

Changes resulting from revisions to accounting standards: For details, Please refer to page 7.

(3) Numbers of shares issued (Common stock)

Number of shares outstanding at end of year (including treasury stock) 6/09: 366,557,889 3/09: 366,557,889

Number of treasury stock outstanding at end of year 6/09: 14,067,616 3/09: 14,059,816

Number of shares average at end of year 6/09: 352,492,710 6/08: 352,547,583

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.

1. Qualitative Information Regarding Consolidated Business Results

During the first quarter of the fiscal year ending March 31, 2010, the global economy continued to be mired in a harsh operating environment. Despite signs of a recovery throughout Asia and particularly China, economic conditions in Europe and the United States remain entrenched in a downward spiral. Turning to the domestic economy, conditions remain very much in the balance with little room for complacency.

In the industries in which the Hitachi Metals Group operates, conditions were generally weak. Sales in the automobile sectors of Europe, the United States and Japan, for example, continued to fall. Despite the hints of recovery in demand appearing mainly in Asia, activity in the semiconductor industry also remained low. In similar fashion to the continued downturn in Japan's mobile phone market, domestic demand in the personal computer industry remained sluggish. In steel markets, especially those of Japan, the United States and Europe, demand stalled. Housing starts in Japan saw lackluster growth reflecting a slump in the overall market.

Against the backdrop of this difficult business environment, overall results were generally subdued. Despite signs of a positive turnaround in demand for certain electronics-related products, the Hitachi Metals Group saw a substantial fall in year-on-year sales. In the first quarter of the fiscal year under review, the recovery in demand for automotive-related products also stalled. As a result, consolidated net sales decreased 47.3% compared with the corresponding period of the previous fiscal year to ¥92,470 million. On the earnings front, efforts to further reduce operating overheads were insufficient to offset the impact of a lackluster market, leading to the steep drop in net sales. Taking the aforementioned into consideration, Hitachi Metals posted an operating loss of ¥4,505 million, down ¥19,926 million compared with the corresponding period of the previous fiscal year, a loss before income taxes and minority interests of ¥5,581 million, a year-on-year decrease of ¥23,004 million, and a net loss of ¥3,651 million, a drop of ¥12,321 million.

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

High-Grade Metal Products and Materials

Sales of High-Grade Metal Products and Materials declined 47.7% compared with the corresponding period of the previous fiscal year to ¥41,560 million while the operating loss was ¥2,618 million, a year-on-year decrease of ¥10,339 million.

Turning to results for individual principal products, sales of molds and tool steels fell substantially due to the slump in demand for molds reflecting the significant drop in automobile production. In alloys for electronic products, sales saw a dramatic decline. This was despite clear indications that the markets for LCD panel-related, semiconductor and other package materials had bottomed out and were entering a recovery period. Overall sales of industrial equipment and energy-related materials contracted sharply. Specifically, sales of aircraft and energy-related materials grew steadily. While taking into consideration continued inventory adjustments by customers, sales of automotive-related materials, on the other hand, fell substantially due to lackluster year-on-year demand. Impacted by reduced steel production, sales of rolls declined. Sales of injection molding machine parts also decreased due to the stagnant market and overall slump in demand. In cutting tools, the drop in demand from major customers in each of the automobile- and industrial machinery-related markets caused a substantial decline in sales.

Electronic and IT Devices

Electronic and IT Devices sales were down 49.7% compared with the corresponding period of the previous fiscal year to ¥21,592 million. In the period under review, the operating loss was ¥488 million, a deterioration of ¥5,930 million year on year.

Sales of such permanent magnets as rare-earth magnets and ferrite magnetic materials deteriorated drastically due to the slump in automobile sales. In soft magnetic materials, sales of soft ferrite and FINEMET[®] fell sharply on the back of persistent weak demand. And although entering a demand recovery spiral, sales of amorphous metals declined substantially year on year. Turning to components for information and telecommunications equipment, signs began to emerge that customer inventory adjustments were gradually winding down. Impacted, however, by the slow recovery in demand, sales dropped markedly compared with the corresponding period of the previous fiscal year.

High-Grade Functional Components and Equipment

Sales in the High-Grade Functional Components and Equipment segment contracted 44.5% year on year to ¥29,083 million. Buffeted by the decline in sales, the operating loss was ¥1,113 million, down ¥4,033 million compared with the corresponding period of the previous fiscal year.

In ductile iron products, sales fell substantially owing to both depressed demand for trucks and passenger vehicles and weak overall sales. Sales of heat-resistant exhaust casting components also dropped dramatically due to the persistent slump in demand, mainly in North America. In aluminum wheels, the impact of weak global demand leading to ongoing inventory adjustments by primary customers in Japan and North America resulted in a drastic decline in sales. Sales of pipe fittings saw a large drop in sales. This was mainly attributable to weak construction demand in Japan and the United States. In stainless steel and plastic piping components, sales contracted on account of the slump in domestic housing starts. Looking at construction components, sales decreased year on year due to weak construction demand and capital investment.

Services and Other

Sales in the Services and Other segment were down 51.9% compared with the corresponding period of the previous fiscal year to ¥13,615 million. The segment operating loss was ¥121 million, a deterioration of ¥870 million year on year.

2. Qualitative Information Regarding Changes in Consolidated Financial Position

As of the end of the first quarter of the fiscal year ending March 31, 2010, cash and cash equivalents stood at ¥30,844 million, a decrease of ¥2,632 million compared with the end of the previous fiscal year. This was mainly attributable to the loss before income taxes and minority interests recorded in the period under review.

The status of cash flows for the first quarter and factors influencing results are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥3,340 million. The loss before income taxes and minority interests of ¥5,581 million represented the principal cash outflow. Major cash inflows attributable to the decrease in working capital totaled ¥6,988 million and comprised movements in notes and accounts receivables—trade, inventories and note and accounts payable—trade.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥8,272 million. The main component was expenditures for purchase of property, plant and equipment, which amounted to ¥8,298 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥2,364 million. In the period under review, the Company undertook an increase in commercial paper of ¥9,000 million. This was partly offset by such factors as the decrease and repayment of loans payable totaling ¥2,580 million as well as cash dividends paid of ¥2,115 million.

3. Qualitative Information Regarding Forecasts

Despite an extremely harsh operating environment, business results for the first quarter of the fiscal year ending March 31, 2010 have generally progressed in line with plans. On this basis, consolidated business results for the interim and full fiscal year periods remain unchanged from forecasts previously announced on April 30, 2009.

Consolidated quarterly balance sheets

(Millions of Yen)

	End of 6/09	End of 3/09	(difference)
ASSETS			
Current assets			
Cash and deposits	27,204	24,514	2,690
Notes and accounts receivable-trade	68,509	70,962	(2,453)
Deposit paid in subsidiaries and affiliates	2,321	8,473	(6,152)
Finished products	36,891	41,422	(4,531)
Work in process	27,392	28,410	(1,018)
Raw materials	24,091	30,189	(6,098)
Other	29,334	25,143	4,191
Allowance for doubtful accounts	(525)	(845)	320
Total current assets	215,217	228,268	(13,051)
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	57,938	57,646	292
Machinery, equipment and vehicles, net	86,714	88,220	(1,506)
Land	50,954	51,259	(305)
Other, net	17,483	18,872	(1,389)
Total property, plant and equipment	213,089	215,997	(2,908)
Intangible assets			
Goodwill	46,106	46,785	(679)
Other	6,938	6,940	(2)
Total investments and other assets	33,783	32,201	1,582
Total noncurrent assets	299,916	301,923	(2,007)
Total assets	515,133	530,191	(15,058)
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	41,263	47,733	(6,470)
Short-term loans payable	64,336	66,553	(2,217)
Commercial Paper	15,000	6,000	9,000
Current portion of long-term loans payable	3,532	3,653	(121)
Current portion of bonds	10,000	6,025	3,975
Income taxes payable	1,133	1,790	(657)
Other	33,131	40,384	(7,253)
Total current liabilities	168,395	172,138	(3,743)
Noncurrent liabilities			
Bonds payable	29,000	34,000	(5,000)
Convertible bond-type bonds with subscription rights to shares	40,000	40,000	0
Long-term loans payable	33,451	33,888	(437)
Provision for retirement benefits	23,007	23,228	(221)
Other provision	4,020	4,101	(81)
Other	7,332	8,260	(928)
Total noncurrent liabilities	136,810	143,477	(6,667)
Total liabilities	305,205	315,615	(10,410)
NET ASSETS			
Shareholders' equity			
Capital stock	26,284	26,284	0
Capital surplus	41,243	41,243	0
Retained earnings	146,369	152,789	(6,420)
Treasury stock	(10,647)	(10,641)	(6)
Total shareholders' equity	203,249	209,675	(6,426)
Valuation, translation adjustments			
Net unrealized holding gains (losses) on available-for-sale	1,579	279	1,300
Foreign currency translation adjustments	(15,182)	(15,801)	619
Minority interests	20,282	20,423	(141)
Total Net Assets	209,928	214,576	(4,648)
Total liabilities and net assets	515,133	530,191	(15,058)

Consolidated Quarterly Statements of Income

(Millions of Yen)

	1st quarter fscal 2009 (Jun.30.09)	Ratio to Sales (%)	1st quarter fscal 2008 (Jun.30.08)	Ratio to Sales (%)	(difference) (%)
Net sales	92,470	100.0	175,599	100.0	53
Cost of sales	81,162	87.8	138,976	79.1	58
Gross profit	11,308	12.2	36,623	20.9	31
Selling, general and administrative expenses	15,813	17.1	21,202	12.1	75
Operating income	(4,505)	(4.9)	15,421	8.8	(29)
Non-operating income					
Interest income	91		167		54
Dividends income	68		106		64
Foreign exchange gains	—		1,929		—
Other	916		1,887		49
Total non-operating income	1,075	1.2	4,089	2.3	26
Non-operating expenses					
Interest expenses	562		738		76
Loss on valuation of derivatives	99		591		17
Other	1,409		756		186
Total non-operating expenses	2,070	2.2	2,085	1.2	99
Extraordinary income					
Gain on sales of property and equipment	—		105		—
Gain on liquidation in silent partnership	1,025		—		—
Total extraordinary income	1,025	1.1	105	0.1	976
Extraordinary loss					
Impairment loss	—		107		—
Loss on structural reform	1,106		—		—
Total extraordinary losses	1,106	1.2	107	0.1	—
Income (loss) before income taxes and minority interests	(5,581)	(6.0)	17,423	9.9	(32)
Income taxes -current	(2,032)		8,132		(25)
Income taxes -deferred	175		(159)		(110)
Minority interests in income (loss)	(73)	(0.1)	780	0.4	(9)
Net income (loss)	(3,651)	(3.9)	8,670	4.9	(42)

Consolidated quarterly statements of cash flows

(Millions of Yen)

	End of 6/09	End of 6/08
Cash flows from operating activities		
Income before income taxes and minority interests	(5,581)	17,423
Depreciation and amortization	7,371	7,504
Amortization of goodwill and negative goodwill	663	527
Interest and dividends income	(159)	(273)
Interest expenses	562	738
Decrease (increase) in notes and accounts receivable-trade	937	(1,582)
Decrease (increase) in inventories	11,370	(9,867)
Increase (decrease) in notes and accounts payable-trade	(5,319)	6,723
Increase (decrease) in accrued expenses	(3,662)	(4,479)
Other, net	(247)	2,043
Subtotal	5,935	18,757
Income taxes paid	(2,595)	(11,641)
Net cash provided by operating activities	3,340	7,116
Cash flows from investing activities		
Proceeds from sales of investment securities	206	—
Purchase of subsidiaries' common stock	(159)	—
Proceeds from sales of subsidiaries' common stock	55	—
Purchase of property, plant and equipment	(8,298)	(10,113)
Proceeds from sales of property, plant and equipment	62	743
Purchase of intangible assets	(344)	(343)
Interest and dividends income received	157	360
Other, net	49	2
Net cash by used in investment activities	(8,272)	(9,351)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,193)	11,515
Net increase (decrease) in Commercial Paper	9,000	—
Proceeds from long-term loans payable	—	4,182
Repayment of long-term loans payable	(387)	(2,111)
Redemption of bonds	(921)	(10,483)
Interest paid	(695)	(901)
Proceeds from sale of treasury stock	2	—
Purchase of treasury stock	(8)	(39)
Cash dividends paid	(2,115)	(2,115)
Cash dividends paid to minority shareholders	(319)	(356)
Net cash provided by (used in) financing activities	2,364	(308)
Effect of exchange rate change in cash and cash equivalents	(19)	(620)
Net (decrease) increase in cash and cash equivalents	(2,587)	(3,163)
Cash and cash equivalents at beginning of period	33,476	47,821
Effect of change in the fiscal year-end of consolidated subsidiaries	(45)	—
Cash and cash equivalents at end of period	30,844	44,658

Notes to the Consolidated Financial Statements

1. Changes in major subsidiaries during the period under review: None

2. Adoption of the simplified financial accounting methods and special accounting methods for presenting quarterly consolidated financial statements

1) Simplified financial accounting methods

(Calculation method for depreciation for fixed assets)

Certain consolidated subsidiaries calculate the depreciation of fixed assets using a method whereby the estimated annual depreciation is proportionally distributed by period based on reasonable estimates.

(Valuation method for inventories)

With respect to the calculation of inventories at the end of the first quarter of the fiscal year ending March 31, 2009, a portion of the physical inventory is omitted and a reasonable method is used based on the previous consolidated fiscal year's physical inventory.

(Method for calculating deferred tax assets and liabilities)

If it has been determined that no significant changes have arisen in the business environment or in the occurrence of temporary differences since the end of the previous consolidated fiscal year, the recoverability of deferred tax assets is calculated by a method using future earnings estimates based on a review of the previous consolidated fiscal year-end, and tax planning. If, on the other hand, it has been determined that significant changes have arisen in the business environment or in the occurrence of temporary differences since the end of the previous consolidated fiscal year, the recoverability of deferred tax assets is calculated by a method using future earnings estimates and tax planning applied in the previous consolidated fiscal year after modification to reflect such changes.

2) Special accounting methods for presenting of quarterly consolidated financial statements

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on income before income taxes and minority interests in the consolidated fiscal year, including the first quarter of the fiscal year ending March 31, 2010 , and multiplying income before income taxes and minority interests for the first quarter of the fiscal year ending March 31, 2010 by said estimated effective tax rate applicable to income before income taxes and minority interests for the first quarter of the fiscal year ending March 31, 2010. In the event, however, the Company is unable to use the estimated effective tax rate, the statutory effective tax rate is applied.

Business Segment Information

1st quarter fiscal2008 (Apr.1, 2008 - Jun. 30, 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	70,992	33,192	44,947	26,468	175,599	—	175,599
Intersegment	8,472	9,756	7,441	1,854	27,523	(27,523)	—
Total sales	79,464	42,948	52,388	28,322	203,122	(27,523)	175,599
Operating income	7,721	5,442	2,920	749	16,832	(1,411)	15,421

1st quarter fiscal2009 (Apr.1, 2009 - Jun. 30, 2009)

(Millions of yen)

Sales:							
Unaffiliated customers	38,768	15,623	25,097	12,982	92,470	—	92,470
Intersegment	2,792	5,969	3,986	633	13,380	(13,380)	—
Total sales	41,560	21,592	29,083	13,615	105,850	(13,380)	92,470
Operating income	(2,618)	(488)	(1,113)	(121)	(4,340)	(165)	(4,505)

Notes:

- Business segments have been determined in consideration of similarities in terms of product type, manufacturing method or sales method, or unit of receivership.
- The Company and its subsidiaries operate in the following four business segments:

High-Grade Metal Products and Materials	High-grade specialty steels (molds and tool steels , alloys for electronic products (display-related, semiconductor and other packages) , industrial equipment and energy-related materials, rolls for steel, nonferrous and non-metal applications , injection molding machine parts , structural ceramic products , steel-frame joints for construction , cutting tools
Electronics and IT Devices	Permanent magnets (rare-earth magnets [NEOMAX®], ferrite magnetic materials , and applied products), components for information and telecommunications equipment (multilayered devices, isolators) , IT components and materials , soft magnetic materials (soft ferrite cores and applied products, nanocrystalline magnetic material [FINEMET®] and applied devices, amorphous metals [Metglas®] and applied products)
High-Grade Functional Components and Equipment	High-grade casting components for automobiles (ductile iron products , heat-resistant exhaust casting components , aluminum wheels , other aluminum components) , piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices) , construction components (access floor systems, structural systems , material handling systems)
Services and Other	Other sales and services

Geographical Segment Information

1st quarter fiscal2008 (Apr.1, 2008 - Jun. 30, 2008)

(Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	123,362	19,309	23,886	9,042	175,599	—	175,599
Intersegment	27,359	1,948	10,418	126	39,851	(39,851)	—
Total sales	150,721	21,257	34,304	9,168	215,450	(39,851)	175,599
Operating income	12,842	1,712	2,083	446	17,083	(1,662)	15,421

1st quarter fiscal2009 (Apr.1, 2009 - Jun. 30, 2009)

(Millions of Yen)

Sales:							
Unaffiliated customers	60,865	11,271	14,281	6,053	92,470	—	92,470
Intersegment	13,900	1,162	6,154	37	21,253	(21,253)	—
Total sales	74,765	12,433	20,435	6,090	113,723	(21,253)	92,470
Operating income	(4,695)	(356)	639	306	(4,106)	(399)	(4,505)

Overseas Sales

1st quarter fiscal2008 (Apr.1, 2008 - Jun. 30, 2008)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	16,777	39,454	11,848	2,111	70,190
Consolidated sales	—	—	—	—	175,599
Overseas sales as a share of consolidated sales	9.6%	22.5%	6.7%	1.2%	40.0%

1st quarter fiscal2009 (Apr.1, 2009 - Jun. 30, 2009)

(Millions of Yen)

Overseas sales	9,745	22,069	7,765	1,485	41,064
Consolidated sales	—	—	—	—	92,470
Overseas sales as a share of consolidated sales	10.5%	23.9%	8.4%	1.6%	44.4%

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