Hitachi Metals, Ltd. (Apr. 27, 2010)

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Consolidated Financial Report for the 12-month period ended March 31, 2010

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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, 2010

1. Performance over the year, April 1, 2009 to March 31,2010 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	**3/2010**	3/2009	(Change)
Net sales (million yen)	**431,683**	590,704	(26.9%)
Operating income (million yen)	**13,349**	15,058	(11.3%)
Income before income taxes and minority interests (million yen)	**5,727**	(200)	—
Net income (million yen)	**1,937**	(3,016)	—
Net income per share (yen)	**5.50**	(8.56)	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	**1.0**	(1.5)	
Operating income to net sales (%)	**3.1**	2.5	

Note: 1. Equity in losses(earnings) of affiliated companies: 179 million yen (previous year: 279 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	**3/2010**	3/2009
Total assets (million yen)	**517,984**	530,191
Net assets (million yen)	**212,783**	214,576
Equity ratio (%)	**37.3**	36.6
Net assets per share (yen)	**548.76**	550.79

Note: Shareholders' equity (3/10: 193,423 million yen 3/09: 194,153 million yen)

(3) Consolidated cash flows (million yen)	**3/2010**	3/2009
Cash flows from operating activities	**57,012**	32,699
Cash flows from investment activities	**(21,495)**	(37,347)
Cash flows from financing activities	**(25,252)**	(6,503)
Cash and cash equivalents at year-end	**43,639**	33,476

2. Dividend	**3/2010**	3/2009	3/2011 (Planned)
Annual dividend per share (yen)	**12.00**	13.00	12.00
Interim (yen)	**6.00**	7.00	6.00
End of period (yen)	**6.00**	6.00	6.00
Total dividend paid (full year) (million yen)	**4,230**	4,583	—
Consolidated dividend payout ratio (%)	**218.4%**	—	30.2%
Dividends to net assets (consolidated)	**2.2%**	2.3%	—

3. Forecasts of results for the term, April 1, 2010 to March 31, 2011

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	243,000	24.4	500,000	15.8
Operating income (million yen)	15,400	—	33,000	147.2
Income before income taxes and minority interests (million yen)	12,700	—	27,000	371.5
Net income (million yen)	6,400	—	14,000	622.8
Net income per share (yen)	18.16	—	39.72	—

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) 3/10: 366,557,889 3/09: 366,557,889

Number of treasury stock outstanding at end of year 3/10 14,085,629 3/09: 14,059,816

[Reference]

Non-consolidated Financial Report for the 12-month period ended March 31, 2010

1. Performance over the year, April 1, 2009 to March 31,2010 (Figures are rounded off to the nearest million yen)

(1) Operating results

Operating results	**3/2010**	3/2009	(Change)
Net Sales (million yen)	**242,127**	345,220	(29.9%)
Operating income (million yen)	**(753)**	(6,249)	—
Income before income taxes (million yen)	**(1,643)**	(11,855)	—
Net income (million yen)	**(1,657)**	(8,992)	—
Net income per share (yen)	**(4.70)**	(25.51)	
Diluted net income per share (yen)	—	—	

(2) Financial position

Financial position	**3/2010**	3/2009
Total assets (million yen)	**368,128**	375,108
Net assets (million yen)	**127,169**	131,974
Equity ratio (%)	**34.5%**	35.2%
Net assets per share (yen)	**360.77**	374.37

Reference: Shareholders' equity (3/10: 127,169 million yen 3/09: 131,974 million yen)

2. Forecasts of results for the term, April 1, 2010 to March 31, 2011

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	142,700	30.1	292,700	20.9
Operating income (million yen)	4,500	—	10,000	—
Income before income taxes (million yen)	4,900	—	10,300	—
Net income (million yen)	2,700	—	5,800	—
Net income per share (yen)	7.66	—	16.45	—

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, 2010

【Financial Performance】

1. Analysis of Consolidated Business Results

(1) Overview (fiscal year ended March 31, 2010)

During the fiscal year under review, government measures took effect and economies worldwide, specifically those of the United States and Europe, gradually moved toward recovery. In Asia, the Chinese economy was robust and countries throughout the region showed renewed vitality. In Japan, capital investments stopped declining and exports, mainly to Asia, started to increase—visible signs that the economy has begun to gradually regain its footing, even though severe economic conditions persisted.

Conditions grew stronger in certain industries in which the Hitachi Metals Group operates. Automobile industry demand recovered owing to tax incentives for eco-cars and other economic stimulus measures taken in Japan, the United States and Europe, while in Asia, China demonstrated robust demand. In the semiconductor industry, demand rebounded, buoyed by recovery in electronics-related markets, although the domestic mobile phone industry remained mired in harsh conditions. In personal computers, in addition to reinvigorated consumer demand as a result of new operating system sales, demand in Asia was robust, and the United States trended toward recovery. In steel production, although recovery was on track, particularly for exports, domestic construction-related demand slumped. Domestic housing starts showed a significant decline as the market remained stagnant.

Under these circumstances, net sales for the Hitachi Metals Group in the fiscal year under review declined 26.9% year on year, to ¥431,683 million. In addition, operating income fell ¥1,709 million to ¥13,349 million, while income before income taxes and minority interests improved ¥5,927 million to ¥5,727 million. Net income improved ¥4,953 million to ¥1,937 million. In the fiscal year under review the Hitachi Metals Group saw the beginning of demand recovery for many automotive and electronics-related products, and measures taken from the previous fiscal year to structurally improve business segments have contributed to the effective reduction of fixed costs. Accordingly, quarterly net sales and operating income in the fiscal year under review bottomed out in the first quarter (April 1, 2009 to June 30, 2009), and performance rebounded thereafter.

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 26.8% year on year to ¥193,979 million. Operating income improved ¥703 million to ¥6,438 million.

Looking at conditions affecting principal products, sales of molds and tool steels recovered from early in the fourth quarter, despite ongoing severe conditions, as distribution stock corrections wound down. In alloys for electronic products, sales rebounded and were steady from early in the fiscal year under review owing to a recovery in demand, primarily in Asia, for LCD panel-related materials and semiconductor and other package materials. In industrial equipment and energy-related materials, demand decelerated for energy-related materials, although automotive-related materials sales trended toward recovery following the latter part of the first half, mainly for China. Sales of rolls fell dramatically as a result of inventory adjustments by customers as conditions remained severe. Sales of injection molding machine parts recovered, primarily in China, and gradually began to trend upward. In cutting tools, improvements to production and progress with inventory adjustments among users in our primary markets—the automobile and electronics-related industries—attest to a visible trend toward gradual recovery in tool demand. However, sales have yet to fully bounce back and remain low in the wake of the dramatic decline of the previous fiscal year.

Electronics and IT Devices

Segment sales were down 25.0% year on year to ¥102,900 million. Operating income was down ¥3,053 million to ¥6,296 million.

Sales of rare-earth magnets recovered as a result of trends toward recovery in demand for automobiles, household appliances and personal computers, as well as with increased capital investment in factory automation in China, South Korea and other markets. Sales of ferrite magnets rebounded on the back of recovery of demand for automobiles and household appliances. Sales of amorphous metals remained at a standstill, although demand for soft ferrite rose slightly in the second quarter owing to increased demand from China. FINEMET® demand increased on the back of a market environment that included a recovery in capital investment. Turning to components for information and telecommunication equipment, sales recovered in China while sluggish demand exerted an impact in Europe.

High-Grade Functional Components and Equipment

Sales in this segment decreased 24.8% year on year to ¥141,617 million. Operating income increased ¥464 million compared with the previous fiscal year to ¥4,702 million.

In ductile iron, sales picked up owing to favorable automobile sales in North America and Asia. Sales of heat-resistant exhaust casting components began to recover along with new product launches in Europe from the second quarter and increased large vehicle sales in North America. In aluminum wheels, domestic demand rebounded thanks to firm automobile sales in China while North American sales saw rapid recovery after the second quarter on the back of robust automotive sales in tandem with the start of mass production of new products. Sales of pipe fittings continued to slump due to the impact of reduced demand in the domestic construction industry and cutbacks in capital investments. In stainless steel and plastic piping components, sales declined and continued to be stagnant because of the slump in housing starts in both Japan and the United States. Demand for construction components was lackluster due to the impact of a steep reduction in construction demand and cutbacks in capital investment.

Service and Others

Sales in this segment were down 32.6% year on year, to ¥58,616 million. The operating loss worsened ¥929 million to ¥62 million.

(2)Outlook (fiscal year ending March 31, 2011)

The business environment surrounding the Hitachi Metals Group is expected to move toward recovery as China-led economic growth in emerging countries drives the global economy. This, it is predicted, will in turn gradually boost the Japanese economy. The Hitachi Metals Group formulated its three-year Fiscal 2012 Medium-Term Management Plan, commencing from fiscal 2010. As part of efforts to raise our global sales ratio, this action plan aims to rebuild structures for global sales expansion and promotes the reorganization production structures while revamping business and product portfolios. To increase our new product sales ratio, the plan will also accelerate the creation and development of new products that will be growth drivers. In addition, as measures to respond to CO_2 emission regulations, reforms to manufacturing processes are to be promoted. Furthermore, the Group is working to develop structures and systems that can adapt to globalization. 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	500,000	33,000	27,000	14,000
Non-Consolidated	292,700	10,000	10,300	5,800

2. Qualitative Information Regarding Changes in Consolidated Financial Position

As of March 31, 2010, cash and cash equivalents increased ¥10,163 million year on year to ¥43,639 million. This was mainly attributable to net cash provided by operating activities exceeding net cash used in investing and financing activities.

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

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥57,012 million. Principal components were income before income taxes and minority interests of ¥5,727 million as well as depreciation and amortization of ¥30,494 million and improvements in working capital of ¥13,879 million arising from a decrease in inventories, in addition to a refund of ¥7,307 million from income taxes paid in the previous fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥21,495 million. This was mainly attributable to capital investment-related outflows totaling ¥21,617 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥25,252 million. In addition to a decrease of ¥18,375 million in interest-bearing debt, this was attributable to dividends paid of ¥4,718 million and interest paid of ¥2,134 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 to include the delivery of appropriate and long-term returns to its shareholders by strengthening its international competitiveness and the enhancement of 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 ¥6.00 (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 the forecast for dividends from retained earnings for the next fiscal year, Hitachi Metals plans to pay a per share 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; fluctuations in raw material prices caused by the impact of international markets; the impact of interest rate fluctuations and credit risk associated with financing activities; 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. Target Business Indicators

In accordance with the dividend policy, the Hitachi Metals Group aims to raise consolidated ROE (return on equity) to over 13%. This level of profitability is required to ensure that corporate value is adequately leveraged and that dividends can be sustained in the long-term.

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

The Hitachi Metals Group formulated its three-year Fiscal 2012 Medium-Term Management Plan, commencing in fiscal 2010 (the fiscal year ending March 31, 2011). Targets of the plan include achieving consolidated ROE of 13%, ¥600 billion in net sales, ¥65 billion in operating income and ¥30 billion in net income for fiscal 2012, the final year of the plan.

The Fiscal 2012 Medium-Term Management Plan aims to enhance overall manufacturing capabilities—defined as the entire range of activities, from production to sales and management—and to achieve sustainable growth in global markets. An overview of the action plan is as follows.

(1)Raising the Overseas Sales Ratio

It is expected that economic growth in newly emerging countries will be what drives the global economy. Therefore, the Hitachi Metals Group needs to step up its global expansion efforts as an active participant in overseas markets. Through its endeavors, the Group aims to raise its overseas sales ratio to 50% in the next three years.

Underpinning this goal will be global business expansion and a reorganization of the production structure. The Group must anticipate market needs, reflect them accurately in manufacturing and build a structure that offers products to customers in the global market in a timely manner. In tandem with this, the Group will drastically streamline and introduce process innovations, and develop a structure that ensures customers are offered products at the most appropriate costs, modes of delivery and service. The Group will also advance the restructuring of business segments and its product portfolio. Promoting the select and focus approach, the Group will concentrate management resources on eco-friendly products that meet rising market needs. In the energy field, products that contribute to energy conservation—amorphous metals, high-performance magnets essential to highly efficient motors in automobiles and electronics-related products and the heat-resistant exhaust casting components required for increasingly compact automobile engines—will perform as drivers of growth that will heighten profit generating capabilities.

(2)Raising the New Product Ratio

Materials development is the starting point of change and evolution of industry, and is the source of the Hitachi Metals Group’s ability to carry out reliable business operations and contribute to society. In order to cement its position as a cutting-edge materials manufacturer, Hitachi Metals aims for a new product sales ratio of 30% as it continually replaces that portion of its product lineup.

The ever-increasing pace of technical innovation demands an ever-shorter interval between development and market launch. By synchronizing product development, manufacturing and sales functions, the Group will quicken the pace of development, introduction to market, mass production and expansion of sales as well as accelerate the building and development of new products that will be growth drivers.

(3)CO_2 Emission Regulations

The introduction of CO_2 emission regulations provides ideal opportunities to thoroughly review manufacturing processes. The Group will make efforts to reform its manufacturing processes, and will work to further strengthen manufacturing productivity, starting with shortened lead times.

(4)Structures and Systems That Can Adapt to Globalization

Taking into account changes in the external environment and pursuing synergies among internal and Group companies, the Group will formulate business strategies and endeavor to create a structure that boosts strategy effectiveness. In addition, in the implementation of each action plan in the medium-term management plan, the Group will work to develop the right kind of human talent for tomorrow—the driving force to realize sustainable growth.

Consolidated quarterly balance sheets

(Millions of Yen)

	End of 3/10	End of 3/09	(difference)
ASSETS			
Current assets			
Cash and deposits	**31,175**	24,514	6,661
Notes and accounts receivable-trade	**90,564**	70,962	19,602
Finished products	**32,066**	41,422	(9,356)
Work in process	**27,467**	28,410	(943)
Raw materials	**25,191**	30,189	(4,998)
Deposit paid in subsidiaries and affiliates	**12,048**	8,473	3,575
Other	**21,857**	25,143	(3,286)
Allowance for doubtful accounts	**(591)**	(845)	254
Total current assets	**239,777**	228,268	11,509
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	**56,056**	57,646	(1,590)
Machinery, equipment and vehicles, net	**79,059**	88,220	(9,161)
Land	**50,429**	51,259	(830)
Lease assets	**2**	—	2
Other, net	**12,888**	18,872	(5,984)
Total property, plant and equipment	**198,434**	215,997	(17,563)
Intangible assets			
Goodwill	**43,995**	46,785	(2,790)
Other	**6,597**	6,940	(343)
Total intangible assets	**50,592**	53,725	(3,133)
Total investments and other assets	**29,181**	32,201	(3,020)
Total noncurrent assets	**278,207**	301,923	(23,716)
Total assets	**517,984**	530,191	(12,207)
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	**67,213**	47,733	19,480
Short-term loans payable	**52,874**	66,553	(13,679)
Commercial Paper	**4,000**	6,000	(2,000)
Current portion of long-term loans payable	**1,743**	3,653	(1,910)
Current portion of bonds	**10,000**	6,025	3,975
Income taxes payable	**2,081**	1,790	291
Allowance for directors' bonuses	**155**	121	34
Accrued expense	**17,274**	17,811	(537)
Other	**14,925**	22,452	(7,527)
Total current liabilities	**170,265**	172,138	(1,873)
Noncurrent liabilities			
Bonds payable	**24,000**	34,000	(10,000)
Convertible bond-type bonds with subscription rights to shares	**40,000**	40,000	0
Long-term loans payable	**38,047**	33,888	4,159
Provision for retirement benefits	**21,299**	23,228	(1,929)
Other provision	**4,113**	4,101	12
Other	**7,477**	8,260	(783)
Total noncurrent liabilities	**134,936**	143,477	(8,541)
Total liabilities	**305,201**	315,615	(10,414)
NET ASSETS			
Shareholders' equity			
Capital stock	**26,284**	26,284	0
Capital surplus	**41,243**	41,243	0
Retained earnings	**150,470**	152,789	(2,319)
Treasury stock	**(10,664)**	(10,641)	(23)
Total shareholders' equity	**207,333**	209,675	(2,342)
Valuation, translation adjustments			
Net unrealized holding gains (losses) on available-for-sale	**1,861**	279	1,582
Foreign currency translation adjustments	**(15,771)**	(15,801)	30
Minority interests	**19,360**	20,423	(1,063)
Total Net Assets	**212,783**	214,576	(1,793)
Total liabilities and net assets	**517,984**	530,191	(12,207)

Consolidated Statements of Income

	Fiscal 2009 (Mar. 31,10)	Ratio to Sales (%)	Fiscal 2008 (Mar. 31,09)	Ratio to Sales (%)	(difference) (%)
Net sales	**431,683**	100.0	590,704	100.0	73
Cost of sales	**352,382**	81.6	495,948	84.0	71
Gross profit	**79,301**	18.4	94,756	16.0	84
Selling, general and administrative expenses	**65,952**	15.3	79,698	13.5	83
Operating income	**13,349**	3.1	15,058	2.5	89
Non-operating income					
Interest income	**409**		750		55
Dividends income	**100**		177		56
Other	**3,586**		5,143		70
Total non-operating income	**4,095**	0.9	6,070	1.0	67
Non-operating expenses					
Interest expenses	**2,075**		2,760		75
Foreign exchange loss	**447**		941		48
Loss on disposal of fixed assets	**1,259**		1,638		77
Other	**3,630**		5,554		65
Total non-operating expenses	**7,411**	1.7	10,893	1.7	68
Extraordinary income					
Gain on sales of property and equipment	—		105		—
Gain on sales of subsidiaries' and affiliates' common stock	—		638		—
Gain on transfer to defined contribution pension plan	**36**		259		14
Gain on Liquidation in silent partnership	**1,025**		—		—
Total extraordinary income	**1,061**	0.2	1,002	0.1	106
Extraordinary losses					
Loss on disposal of fixed assets	**(310)**		(40)		—
Loss on impairment of property and equipment	**(273)**		(319)		—
Loss on devaluation of investment securities	—		(4,435)		—
Loss on sales of stocks of subsidiaries and affiliates	**(247)**		—		—
Loss on structural reform	**(4,247)**		(4,746)		—
Allowance for business losses of affiliates	**(6)**		(518)		—
Loss on transfer to defined contribution pension plan	—		(1,379)		—
Provision for environmental measures	**(284)**		—		—
Total extraordinary losses	**(5,367)**	—	(11,437)	—	—
Income (loss) before income taxes and minority interests	**5,727**	1.3	(200)	—	—
Income taxes -current					
Income taxes -current	**2,600**		4,768		55
Income taxes -deferred	**856**		(2,993)		—
Total extraordinary lIncome taxes	**3,456**		1,775		195
Minority interests in income	**334**	0.1	1,041	0.2	32
Net income (loss)	**1,937**	0.4	(3,016)	(0.5)	—

Consolidated Statements of Changes in Net Assets

Fiscal 2009 (Apr.1, 2009 - Mar.31, 2010)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2009	**26,284**	**41,243**	**152,789**	**(10,641)**	**209,675**
Changes during the fiscal 2009					
Cash dividends	—	—	**(4,230)**	—	**(4,230)**
Net loss for the fiscal 2009	—	—	**1,937**	—	**1,937**
Acquisition of treasury stock	—	—	—	**(26)**	**(26)**
Retirement of treasury stock	—	—	—	**1**	**1**
Effect of the change in the reporting period of subsidiaries	—	—	**(489)**	—	**(489)**
Pension liability adjustments, net of tax	—	—	**463**	—	**463**
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	**2**	**2**
Net increase/decrease during the fiscal 2009 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2009	—	**0**	**(2,319)**	**(23)**	**(2,342)**
Balance as of March 31, 2010	**26,284**	**41,243**	**150,470**	**(10,664)**	**207,333**

(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, 2009	**279**	—	**(15,801)**	**(15,522)**	**20,423**	**214,576**
Changes during the fiscal 2009						
Cash dividends	—	—	—	—	—	**(4,230)**
Net loss for the fiscal 2009	—	—	—	—	—	**1,937**
Acquisition of treasury stock	—	—	—	—	—	**(26)**
Retirement of treasury stock	—	—	—	—	—	**1**
Effect of the change in the reporting period of subsidiaries	—	—	—	—	—	**(489)**
Pension liability adjustments, net of tax	—	—	—	—	—	**463**
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	—	**2**
Net increase/decrease during the fiscal 2009 of non shareholders' equity items	**1,582**	—	**30**	**1,612**	**(1,063)**	**549**
Total increase/decrease during the fiscal 2009	**1,582**	—	**30**	**1,612**	**(1,063)**	**(1,793)**
Balance as of March 31, 2010	**1,861**	—	**(15,771)**	**(13,910)**	**19,360**	**212,783**

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 Cash Flows

(Millions of Yen)

	End of 3/10	End of 3/09
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	**5,727**	(200)
Depreciation and amortization	**30,494**	31,814
Goodwill and negative goodwill amortization	**2,622**	2,439
Loss on devaluation of investment securities	—	4,435
Cost of structural reform	**4,247**	4,746
Allowance for business losses of affiliates	**6**	518
Decrease in accrued retirement benefits	**(2,137)**	(4,551)
Gain on sales of property and equipment	**(273)**	(393)
Loss on disposal of property, plant and equipment	**1,569**	1,638
Loss on impaired property and equipment	**273**	319
Interest and dividends received	**(509)**	(927)
Interest charges	**2,075**	2,760
Decrease in receivables	**(21,273)**	46,632
Decrease (increase) in inventories	**14,429**	17,649
Increase (decrease) in payables	**20,723**	(46,731)
Decrease in accrued expenses	**(424)**	(4,894)
Other	**(482)**	2,412
Subtotal	**57,067**	57,666
Amount paid for structual reform	**(3,794)**	(2,852)
Income taxes paid	**(3,568)**	(22,115)
Refund taxes	**7,307**	—
Net cash provided by operating activities	**57,012**	32,699
Cash flows from investing activities		
Purchase of investment securities	**(50)**	(46)
Proceeds from sales of investment securities	**536**	1,332
Proceeds from sales of subsidiaries' common stock	**383**	694
Expenditures for acquisition of property, plant and equipment	**(21,617)**	(41,261)
Proceeds from sales of property, plant and equipment	**706**	2,387
Expenditures for acquisition of intangible assets	**(958)**	(2,434)
Proceeds from sale of business	**492**	1,032
Other	**(987)**	949
Net cash used in investing activities	**(21,495)**	(37,347)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**(13,120)**	16,868
Increase in commercial paper	**(2,000)**	6,000
Proceeds from long-term debt	**6,500**	11,352
Repayment of long-term debt	**(3,834)**	(21,421)
Redemption of bonds	**(5,921)**	(11,013)
Interest expenses paid	**(2,134)**	(2,932)
Proceeds from sale of treasury stock	**1**	20
Purchases of treasury stock	**(26)**	(108)
Dividends paid to shareholders	**(4,230)**	(4,583)
Dividends paid to minority shareholders	**(488)**	(686)
Net cash used in (provided by) financing activities	**(25,252)**	(6,503)
Effect of exchange rate changes in cash and cash equivalents	**(57)**	(3,194)
Net increase (decrease) in cash and cash equivalents	**10,208**	(14,345)
Cash and cash equivalents at beginning of year	**33,476**	47,821
Effect of changes in the fiscal year-end of consolidated subsidiaries	**(45)**	—
Cash and cash equivalents at end of year	**43,639**	33,476

Business Segment Information

Year under review (Apr. 1, 2009 - Mar. 31, 2010) **(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	**178,732**	**75,846**	**121,566**	**55,539**	**431,683**	**—**	**431,683**
Intersegment	**15,247**	**27,054**	**20,051**	**3,077**	**65,429**	**(65,429)**	**—**
Total sales	**193,979**	**102,900**	**141,617**	**58,616**	**497,112**	**(65,429)**	**431,683**
Operating costs and expenses	**187,541**	**96,604**	**136,915**	**58,678**	**479,738**	**(61,404)**	**418,334**
Operating income	**6,438**	**6,296**	**4,702**	**(62)**	**17,374**	**(4,025)**	**13,349**
Assets	**246,691**	**147,178**	**120,241**	**37,436**	**551,546**	**(33,562)**	**517,984**
Depreciation and amortization	**13,156**	**8,620**	**7,701**	**737**	**30,214**	**280**	**30,494**
Capital expenditures	**4,964**	**7,301**	**3,440**	**633**	**16,338**	**147**	**16,485**

Fiscal Previous Year (Apr. 1, 2008 - Mar. 31, 2009) (Millions of yen)

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

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, 2010 and March 31, 2009 totaled ￥28,160 million and ￥30,769million, respectively. The corporate assets consisted principally of surplus working funds (cash and deposits), 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, 2010 and March 31, 2009 amounted to ￥3,958million and ￥5,432million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Geographical Segment Information

Year under review (Apr. 1, 2009 - Mar. 31, 2010)

(Millions of Yen)

	Japan	North America	Asia	Other	Subtotal	Eliminations and Corporate Assets	Total
Sales:							
Unaffiliated customers	**288,399**	**53,195**	**64,581**	**25,508**	**431,683**	**—**	**431,683**
Intersegment	**69,958**	**3,812**	**28,019**	**220**	**102,009**	**(102,009)**	**—**
Total sales	**358,357**	**57,007**	**92,600**	**25,728**	**533,692**	**(102,009)**	**431,683**
Operating costs and expenses	**348,003**	**56,550**	**86,667**	**24,378**	**515,598**	**(97,264)**	**418,334**
Operating income	**10,354**	**457**	**5,933**	**1,350**	**18,094**	**(4,745)**	**13,349**
Assets	**430,699**	**47,976**	**64,616**	**13,473**	**556,764**	**(38,780)**	**517,984**

Fiscal Previous Year (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

Notes:

1. Corporate assets included on "Eliminations and corporate assets" at March 31, 2010 and March 31, 2009 totaled ￥28,160 million and ￥30,769million, respectively. The corporate assets consisted principally of surplus working funds (cash and deposits), 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, 2010 and March 31, 2009 amounted to ￥ 3,958million and ￥ 5,432million, respectively. Most of these costs were incurred at the corporate head office of the Company.

Overseas Sales

Year under review (Apr. 1, 2009 - Mar. 31, 2010)

(Millions of Yen)

	North America	Asia	Europe	Other	Total
Overseas sales	**46,108**	**98,507**	**33,640**	**6,277**	**184,532**
Consolidated sales	**—**	**—**	**—**	**—**	**431,683**
Overseas sales as a share of consolidated sales	**10.7%**	**22.8%**	**7.8%**	**1.4%**	**42.7%**

Fiscal Previous Year (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%

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 2009 (Mar. 31,10)**	Fiscal 2008 (Mar. 31,09)
Net operating loss carryforwards	**7,040**	6,002
Provision for retirement benefits	**8,514**	8,959
Reserve for directors' retirement bonuses	**203**	231
Employee pension trust	**3,149**	2,595
Elimination of unrealized profit on fixed assets	**1,864**	1,867
Allowance for doubtful accounts	**1,089**	1,152
Accrued bonuses	**3,393**	3,000
Accrued Taxes	**215**	—
Taxable restructuring charges	**80**	157
Other	**12,618**	13,997
Subtotal	**38,165**	37,960
Less : valuation allowance	**(9,120)**	(7,739)
Total deferred tax assets	**29,045**	30,221
Deferred tax liabilities		
Depreciation	**(2,049)**	(2,189)
Special tax-purpose reserve	**(1,132)**	(1,056)
Retained earnings at overseas affiliated companies	**(642)**	(522)
Net unrealized holding losses on available-for-sale securities	**(605)**	(250)
Other	**(3,865)**	(3,742)
Total deferred tax liabilities	**(8,293)**	(7,759)
Net deferred tax assets	**20,752**	22,462

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 2009 (Mar. 31,10)	Fiscal 2008 (Mar. 31,09)
Projected benefit obligation	**(114,672)**	(121,583)
Plan assets at fair value	**75,313**	65,293
Funded status	**(39,359)**	(56,290)
Unrecognized actuarial loss	**24,116**	38,986
Unrecognized prior service(benefit)cost *	**(4,075)**	(4,589)
Net amount recognized in consolidated balance sheets	**(19,318)**	(21,893)
Prepaid pension cost in consolidated balance sheets	**1,981**	1,335
Accrued retirement benefits recognized in consolidated balance sheets	**(21,299)**	(23,228)

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 2009 (Mar. 31,10)	Fiscal 2008 (Mar. 31,09)
Service cost *	**(3,300)**	(3,602)
Interest cost	**(2,971)**	(3,366)
Expected return on plan assets	**1,892**	2,233
Amortization of unrecognized actuarial loss	**(4,295)**	(2,807)
Amortization of unrecognized Prior service (benefit) cost	**523**	434
Loss on transfer for lump-sum pension plan to defined contribution pension plan	**36**	(1,120)
Contributions to defined contribution	**(1,388)**	(1,512)
Premium retirement and severance payment	**(3,134)**	(3,877)
Periodic pension cost recognized in consolidated statements of income	**(12,637)**	(13,617)

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 2009 (Mar. 31,10)**	Fiscal 2008 (Mar. 31,09)
Discount rate	**Mainly 2.8%**	Mainly 2.6%
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