Hitachi Metals, Ltd. (Apr. 26, 2011)

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Consolidated Financial Report for the 12-month period ended March 31, 2011

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Listed Stock Exchanges: Tokyo and Osaka (First Section, Code 5486)
Scheduled Date of the Ordinary General Meeting of Shareholders: June 22, 2011

1. Performance over the year, April 1, 2010 to March 31,2011 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	**3/2011**	3/2010	(Change)
Net sales (million yen)	**520,186**	431,683	20.5%
Operating income (million yen)	**43,143**	13,349	223.2%
Income before income taxes and minority interests (million yen)	**36,061**	5,727	529.7%
Net income (million yen)	**22,204**	1,937	—
Net income per share (yen)	**63.00**	5.50	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	**11.0**	1.0	
Operating income to net sales (%)	**8.3**	3.1	

Note: Equity in losses(earnings) of affiliated companies: 294 million yen (previous year: 179 million yen)

(2) Consolidated Financial Position	**3/2011**	3/2010
Total assets (million yen)	**529,869**	517,984
Net assets (million yen)	**228,010**	212,783
Equity ratio (%)	**39.3**	37.3
Net assets per share (yen)	**591.51**	548.76

Note: Shareholders' equity (3/2011: 208,472 million yen 3/2010: 193,423 million yen)

(3) Consolidated cash flows (million yen)	**3/2011**	3/2010
Cash flows from operating activities	**42,688**	57,012
Cash flows from investment activities	**(24,607)**	(21,495)
Cash flows from financing activities	**(25,156)**	(25,252)
Cash and cash equivalents at year-end	**33,994**	43,639

2. Dividend	**3/2011**	3/2010	3/2012 (Planned)
Annual dividend per share (yen)	**12.00**	12.00	—
Interim (yen)	**6.00**	6.00	—
End of period (yen)	**6.00**	6.00	—
Total dividend paid (full year) (million yen)	**4,230**	4,230	—
Consolidated dividend payout ratio (%)	**19.0%**	218.4%	—
Dividends to net assets (consolidated)	**2.1%**	2.2%	—

3. Forecasts of results for the term, April 1, 2011 to March 31, 2012

With regard to the outlook for consolidated business performance in the next term, at the present stage in time, it is difficult to gauge the full impact of the disaster and the planned power outages that have followed on economic activity and personal consumption as well as on the performance of the Hitachi Metals Group itself. For ramifications for performance outlook, therefore, we will be scrutinizing the situation from here on out and pledge to disclose figures as soon as the results of those studies have been compiled.

4. Other

Numbers of shares issued (Common stock)

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

3/2011: 366,557,889 3/2010: 366,557,889

Number of treasury stock outstanding at end of year

3/2011: 14,115,670 3/2010: 14,085,629

Average number of shares over the term

3/2011: 352,458,554 3/2010: 352,482,423

[Reference]

Non-consolidated Financial Report for the 12-month period ended March 31, 2011

1. Performance over the year, April 1, 2010 to March 31,2011 (Figures are rounded off to the nearest million yen)

(1) Operating results	3/2011	3/2010	(Change)
Net Sales (million yen)	**301,663**	242,127	24.6%
Operating income (million yen)	**12,761**	(753)	—
Income before income taxes (million yen)	**10,057**	(1,643)	—
Net income (million yen)	**7,655**	(1,657)	—
Net income per share (yen)	**21.72**	(4.70)	
Diluted net income per share (yen)	—	—	

(2) Financial position	3/2011	3/2010
Total assets (million yen)	**375,071**	368,128
Net assets (million yen)	**130,876**	127,169
Equity ratio (%)	**34.9%**	34.5%
Net assets per share (yen)	**371.32**	360.77

Reference: Shareholders' equity (3/2011: 130,876 million yen 3/2010: 127,169 million yen)

2. Forecasts of results for the term, April 1, 2011 to March 31, 2012

With regard to the outlook for nonconsolidated business performance in the next term, at the present stage in time, it is difficult to gauge the full impact of the disaster and the planned power outages that have followed on economic activity and personal consumption as well as on the performance of the Hitachi Metals, Ltd. itself. For ramifications for performance outlook, therefore, we will be scrutinizing the situation from here on out and pledge to disclose figures as soon as the results of those studies have been compiled.

Hitachi Metals, Ltd. (5486) Financial Report for the Year Ended March 31, 2011

【Financial Performance】

1. Analysis of Consolidated Business Results

(1) Overview (fiscal year ended March 31, 2011)

During the consolidated fiscal year under review, the global economy registered an overall tone of recovery. In China, business activity expanded, especially in the domestic market. In the United States and Europe, business likewise picked up and was generally maintained. In Japan as well, the economy showed signs of recovery, with tax breaks for purchases of eco-friendly cars and other stimulus measures generating respectable results.

For industries in which the Hitachi Metals Group operates, domestic demand for automobiles rose in response to the Japanese government's tax breaks for eco-friendly cars and other measures, as stated above, but the termination of those policies resulted in a downturn. Overseas, however, the Chinese and U.S. markets continued to be robust. The semiconductor field was buoyed by strong demand for smartphones, tablet computers, and other portable terminals, helping to boost sales of components used in such items. Sales of cell phones and personal computers went up, particularly in newly emerging nations. For steel, the Japanese market shifted into a gentle recovery trend, and the overseas sector posted solid demand figures. Housing starts in Japan made an upturn and continued to climb, but public investment was sluggish.

Within this business environment, consolidated net sales for the Hitachi Metals Group in the fiscal year under review finished at ¥520,186 million, an increase of 20.5% compared to the previous year's figure. Operating income rose ¥29,794 million yen over that the year before, to ¥43,143 million, and income before income taxes generated a year-on-year gain of ¥30,334 million at ¥36,061 million. As a result, net income in the fiscal year was ¥22,204 million, up ¥20,267 million from the previous fiscal year's level. Demand for the Group's automobile- and electronics-related products in the fiscal year under review generally maintained its upward momentum, with sales expanding accordingly.

On March 11 of this year, Hitachi Metals Group companies suffered some damage to their buildings and equipment in the Great East Japan Earthquake. Our general operations, however, were not severely affected by this monumental disaster.

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

High-Grade Metal Products and Materials

Sales in the high-grade metal products and materials segment finished at ¥225,624 million for the year, and operating income was ¥24,707 million.

The sales performances of major products in this segment are as follows.

For molds and tool steel, demand for automobile-use molds, the primary use sector for tool steel, grew on the strength of continuing model changeovers to record a broad-based expansion for the year. For alloys for electronic products, demand for LCD-panel-related materials as well as semiconductor and other package materials moved into somewhat of an adjustment phase in the second half but was solid overall, especially in the rest of Asia. Under industrial equipment and energy-related materials, although demand for automotive-related materials advanced with the key focus on overseas markets, sales of energy-related materials continued to be slow. For rolls, Japan's domestic market generally leveled off. The overseas market grew on the driving force of brisk demand from newly emerging countries. Turning to injection molding machine parts, customer demand was strong for injection molding machines to be marketed in China as well as for information equipment. As a result, sales of these products expanded in the fiscal year under review. For cutting tools, recoveries in production, progress in inventory adjustments, and other positive developments in the automobile- and electronics-related industries—the primary customers for these products—continued to help fuel a gentle yet sustained rebound in demand.

Electronics and IT Devices

Sales in the electronic and IT devices segment in the year under review were ¥133,975 million, and operating income came in at ¥14,231 million. The sales performance of major products in this segment is as follows.

For permanent magnets, although in the midst of a sharp rise in raw material prices, demand for rare earth magnets for use in automobiles and household appliances rose on the strength of economic stimulus measures initiated in various countries. Demand for rare earth magnets for use in factory automation equipment used to manufacture semiconductors and LCD panels mainly in China and South Korea charted growth. Ferrite magnet orders were solid for automotive and household appliance applications as well. Under soft magnetic materials, demand for amorphous metals posted robust growth in the major markets of China and India, with energy conservation policies a key factor. For soft ferrite, policy measures were a major force in boosting orders for soft ferrite for use in digital consumer electronics and automobiles. Demand for FINEMET® for use in industrial equipment, solar power generation systems, and other applications continued solid advances. For components for information telecommunications equipment, demand fell in the wake of the replacement of components used in cell phones and other communications devices and equipment. Positive effects, however, stemmed from decisions to adopt certain components in overseas smartphones and other developments, holding the decline in this product segment to a minor degree.

High-Grade Functional Components and Equipment

Sales in the high-grade functional components and equipment segment were ¥161,847 million, and operating income was tracked at ¥11,353 million. Sales results for major products in this category follow.

For high-grade ductile iron products, demand in Japan was buoyed by tax breaks for purchases of eco-friendly cars and other factors. Overseas, high economic growth in China and business recoveries in Europe and North America were factors supporting growth in the sales of these products.

For heat-resistant exhaust casting components, demand was strong, reflecting the need to comply with bolstered exhaust emissions regulations and energy conservation, primarily involving orders from European automakers. This helped boost category sales for the year. Under aluminum wheels, sales stemmed from strong demand from customers active in exports and sales to the China and North America markets. Orders for these products posted strong figures for the year under review. For pipefitting sales, despite a slight recovery in demand in Japan's home-building sector, public investment failed to bounce back. As a result, overall demand in this area increased only slightly over that in the previous year. Under stainless steel and plastic piping components, a minor rally in Japanese home-building demand was a positive factor. However, with public works spending largely flat, orders for these components posted only small gains from those the year before. Construction component demand was sluggish over the past year, feeling the impact of curbs on construction and capital investment.

Other

Sales in this segment were ¥3,974 million for the year under review. Operating income finished at ¥755 million.

(2)Outlook (fiscal year ending March 31, 2012)

Examining the environment in which the Hitachi Metals Group does business, although the future outlook remains uncertain on some fronts, recovery in the U.S. economy is expected to continue, with the economies of China and other newly emerging nations sustaining high growth. As a result, the general outlook is for a shift to a recovery mode.

On the other hand, the massive Great East Japan Earthquake is expected to have a wide-ranging impact on not only the Japanese economy but also business activities worldwide.

Although this disaster resulted in damage to buildings and equipment at certain business sites of the Hitachi Metals Group, it had no major impact on its general business operations.

However, with regard to the outlook for consolidated business performance in the next term, at the present stage in time, it is difficult to gauge the full impact of the disaster and the planned power outages that have followed on economic activity and personal consumption as well as on the performance of the Hitachi Metals Group itself. For ramifications for performance outlook, therefore, we will be scrutinizing the situation from here on out and pledge to disclose figures as soon as the results of those studies have been compiled.

2. Analysis of Financial Conditions

At the end of the consolidated fiscal year under review (March 31, 2011), cash and cash equivalents (hereinafter referred to as "net cash") were ¥33,994 million, a decrease of ¥9,645 million compared to that at the end of the previous fiscal year. This outcome is mainly attributable to the fact that net cash generated as a result of operating activities was less than net cash channeled into investing and financial activities.
The status of cash flows at the end of the fiscal year under review and the primary factors responsible for those results are outlined below.

Cash Flows from Operating Activities
Net cash generated from operating activities was ¥42,688 million. This is mainly attributable to the fact that income before income taxes was ¥36,061 million.

Cash Flows from Investing Activities
Net cash used in investing activities was ¥24,607 million. This is mainly attributable to the fact that the purchase of property, plant and equipment totaled ¥18,636 million and the transfer purchase of the mass flow controller business accounted for ¥3,721 million.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥25,156 million. This is mainly attributable to a decrease in interest-bearing debt of ¥18,639 million due to redemptions of bonds and other factors as well as cash dividend payments of ¥4,635 million.

3. Dividend Policy and Dividends for the Current and Next Fiscal Years

Hitachi Metals, against the backdrop of the dynamically evolving state of customer needs and technology and the globalization of the business scene, remains fully committed to its corporate commitment to use the strengthening of international competitiveness and the enhancement of corporate value to suitably return profits to its shareholders on a long-term basis. Working from this understanding and with the primary aim of achieving robust growth over the medium to long term, it is the company's basic policy to determine the distribution of profits to its shareholders and the status of internal reserves based on a comprehensive consideration of the business environment, future development, and performance of its own commercial activities. Hitachi Metals sets aside earnings, rooted in a firm vision of future business advances, for outlays in the development and commercialization of new materials, creation of innovative business endeavors, and expansion and streamlining of competitive product lines. In addition, the purchasing of treasury stock is a policy designed to facilitate the implementation of a flexible capital policy and will be carried in appropriate fashion keyed to needs, financial conditions, stock price levels, and other vital factors.
For the payment of dividends from retained earnings in the fiscal year under review, taking into consideration its performance for that year together with future business development and forecasts, the company paid an interim dividend (dividend record date: the end of the second quarter, the same to apply each fiscal year) per share of ¥6.00 and plans to pay a year-end dividend (dividend record date: end of the fiscal year, the same to apply each fiscal year) per share of ¥6.00.
As per forecasts for dividends to be paid from retained earnings in the next term, the figures will be promptly disclosed as soon as the performance outlook for the coming year in question has been compiled.

4. Business Risks

Risks with potential impact on the business performance and financial conditions of the Hitachi Metals Group include the following major areas: market trends in electronics, automobiles, construction, and other industries in which Hitachi Metals is active; economic shifts in the United States, Asia, Europe, and other regions there the Group advances its sales; fluctuations in raw material prices under the impact of international market conditions; the impact of interest rate fluctuations and credit risk linked with capital procurement; the influence of changes in foreign exchange rates on foreign currency transactions and foreign currency assets and debt; depreciation losses accompanying fluctuations in the value of the company's securities holdings; disturbances in overseas business activities stemming from economic, social, or political developments; declines in capacity to secure competitive advantages or to develop and commercialize new technologies or products; disputes over intellectual property rights; cost increases pertaining to the regulations of an environmental, export control, or other nature or the issuing of orders or other punishments for violations of such regulations; and cost burdens when dealing with cases of product defects. The Hitachi Metals Group naturally strives to avoid the occurrence of such risks as well as minimize the impact when risks do occur through the establishment and maintaining of an effective risk management system. Despite such efforts, there is the potential of circumstances rendering it impossible to fully avoid or reduce such risks in this fashion, resulting in an impact on the Group's business performance, financial conditions, and other aspects of its operation.

【Management Policies】

1. Fundamental Management Policy

The Hitachi Metals Group works tirelessly to forge solid bonds with shareholders, investors, business partners, and other stakeholders while pursuing its fundamental management policy of advancing business activities through awareness of its social responsibilities to help build a better world. Toward this end, the Group rises to the challenge of advancing its core technology and bringing forth innovative new know-how—indicative of its quest to create new products and businesses and supply the world with exciting new value. In the development and manufacture of products, the Group calibrates its corporate activities with full consideration for the natural environment, which must be passed down to future generations. Moreover, every feasible effort is made to mobilize the timely and appropriate disclosure of corporate information, contributions to the local community, and other spirited steps to promote smooth communication with society. This reflects an ever-broadening social perspective in the Group's management and the forging of ties of trust with society. Through the media of these and other corporate endeavors, the Hitachi Metals Group strives to excel as a model business entity capable of steadily raising its corporate value.

2. Management Benchmark

In keeping with its basic dividend policy, the goal of the Hitachi Metals Group is to achieve a consolidated return on equity (ROE) of 13% or above. This benchmark is viewed as the profitability level essential to reliably channel earnings to shareholders by sustaining dividends over the long term and raising the standard for corporate value.

3. Medium- to Long-Term Corporate Management Strategies and Outstanding Themes

The Hitachi Metals Group formulated its current Fiscal 2012 Medium-Term Management Plan in April 2010. Based on this agenda, targets set for fiscal 2012, the final year of the three-year plan, are an ROE of 13%, net sales of ¥600 billion, operating income of ¥65 billion, and net income of ¥30 billion—all on a consolidated basis.

In FY2010, the fiscal year under review, the consolidated performance figures in the aforementioned categories were ROE of 11%, net sales of ¥520.2 billion, operating income of ¥43.1 billion, and net income of ¥22.2 billion.

Under the Fiscal 2012 Medium-Term Management Plan, the defined objective is to enhance the Group's overall manufacturing capabilities (encompassing manufacturing, sales, and management) in targeting sustained growth in the global marketplace. An overview of this action plan is described below.

(1) Raising the Overseas Sales Ratio

Over the years to come, growth in newly emerging countries is forecast to be the engine that drives the global economy. Taking this forecast to heart, the Hitachi Metals Group is stepping up the globalization of its operations to overseas markets while moving to raise the overseas ratio of its sales to 50% from here on out.

With this goal in mind, the Group is retooling its global sales expansion and production systems. In more concrete terms, this entails putting into place a system positioned to keenly anticipate market needs, have those needs precisely reflected at the manufacturing stage, and supply products to customers throughout the global market in a timely manner. Also, the Group will boldly streamline and innovate all aspects of its processes as well as set up an organizational structure engineered to supply customers with products at optimized costs, reliable delivery schedules, and consummate service.

In addition, reforms will be advanced in the Group's business segments and product portfolio. Promoting the core concept of selection and concentration, management resources will be focused on eco-friendly products, a sector in which market needs are destined to continue to climb. In the energy field, for example, this refers to amorphous metals, which contribute to energy conservation. Among automobile- and electronics-related products, high-performance magnets are an indispensable part of high-efficiency motors, as are heat-resistant casting parts (which are critical for the downsizing of automobile engines). The Hitachi Metals Group will be mobilizing these and other emerging locomotives of growth to further raise its already impressive profit generating powers.

For the fiscal year under review, the Group's overseas sales ratio was tracked at 43%, the same as at the end of the previous fiscal year.

(2) Raising the New-Product Sales Ratio

Materials development is the recognized starting line for all industrial change and evolution. For the Hitachi Metals Group, this can be described as the wellspring of its ability to continue to excel as a business presence that richly contributes to society. To truly solidify its status as a cutting-edge manufacturer of innovative materials and continually refresh and renew its product lineup, the Group's current goal is to raise its new-product sales ratio to 30%.

The constantly growing pace of technical innovation demands reductions in intervals from development to market launch. Rising to this challenge, the Hitachi Metals Group engages in the strategic synchronization of the development, manufacturing, and sales phases of its operations, increasing the work tempo from development through marketing, mass production, and sales expansion and thereby accelerating the process of building and cultivating new products envisioned as the next pillars of growth.

Although the new-product sales ratio for the fiscal year under review finished at 24% on a consolidated basis, a decline of 1 point from that at the end of the previous fiscal year, the Group will continue to advance the measures outlined above throughout the current fiscal year in a redoubled drive to achieve the targeted new-product ratio.

(3) Compliance with CO_2 Emissions Regulations

Carbon dioxide emissions regulations can best be viewed as golden opportunities to make a sweeping reassessment of manufacturing processes. Subscribing to this insight, the Hitachi Metals Group is indeed moving to reform its own manufacturing practices, making progress that it feels confident will lead to a shortened lead time and other further enhancement of its manufacturing capabilities.

(4) Global Management: Friendly Systems and Organizations

The Hitachi Metals Group drafts business strategies from the key perspectives of changes in the external environment and the pursuit of greater synergy between its internal companies and Group subsidiaries. The goal is to move forward on the strength of systems devised to heighten the power and execution of these strategies.

Moreover, the implementation of each separate action plan in the medium-term management plan will be accompanied by efforts to train people capable of carrying on tomorrow's responsibilities. The goal is for such human resources to emerge as core players in the quest for sustained growth for the Group for many years to come.

Consolidated quarterly balance sheets

(Millions of Yen)

	End of 3/2011	End of 3/2010	(difference)
ASSETS			
Current assets			
Cash and deposits	**28,712**	31,175	(2,463)
Notes and accounts receivable-trade	**95,728**	90,564	5,164
Valuable instrument	**17**	416	(399)
Finished products	**39,677**	32,066	7,611
Work in process	**28,979**	27,467	1,512
Raw materials	**39,950**	25,191	14,759
Deffered tax asset	**9,511**	11,009	(1,498)
Deposit paid in subsidiaries and affiliates	**5,265**	12,048	(6,783)
Other	**12,312**	10,432	1,880
Allowance for doubtful accounts	**(525)**	(591)	66
Total current assets	**259,626**	239,777	19,849
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	**53,157**	56,056	(2,899)
Machinery, equipment and vehicles, net	**72,854**	79,059	(6,205)
Tools, furniture and fixtures, net	**4,311**	4,182	129
Land	**50,521**	50,429	92
Construction in progress	**5,185**	8,706	(3,521)
Lease assets	**4**	2	2
Total property, plant and equipment	**186,032**	198,434	(12,402)
Intangible assets			
Goodwill	**41,549**	43,995	(2,446)
Other	**8,003**	6,597	1,406
Total intangible assets	**49,552**	50,592	(1,040)
Total investments and other assets	**34,659**	29,181	5,478
Total noncurrent assets	**270,243**	278,207	(7,964)
Total assets	**529,869**	517,984	11,885
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	**78,145**	67,213	10,932
Short-term loans payable	**48,422**	52,874	(4,452)
Commercial Paper	—	4,000	(4,000)
Current portion of long-term loans payable	**8,002**	1,743	6,259
Current portion of bonds	—	10,000	(10,000)
Income taxes payable	**4,631**	2,081	2,550
Accrued expense	**20,172**	17,274	2,898
Advances received	**1,427**	1,462	(35)
Deferred Tax Liabilities	**68**	3	65
Allowance for directors' bonuses	**294**	155	139
Other	**14,592**	13,460	1,132
Total current liabilities	**175,753**	170,265	5,488
Noncurrent liabilities			
Bonds payable	**24,000**	24,000	0
Convertible bond-type bonds with subscription rights to shares	**20,105**	40,000	(19,895)
Long-term loans payable	**49,293**	38,047	11,246
Provision for retirement benefits	**22,072**	21,299	773
Other provision	**3,209**	4,113	(904)
Other	**7,427**	7,477	(50)
Total noncurrent liabilities	**126,106**	134,936	(8,830)
Total liabilities	**301,859**	305,201	(3,342)
NET ASSETS			
Shareholders' equity			
Capital stock	**26,284**	26,284	0
Capital surplus	**41,244**	41,243	1
Retained earnings	**170,471**	150,470	20,001
Treasury stock	**(10,694)**	(10,664)	(30)
Total shareholders' equity	**227,305**	207,333	19,972
Valuation, translation adjustments			
Net unrealized holding gains (losses) on available-for-sale	**3,812**	1,861	1,951
Foreign currency translation adjustments	**(20,687)**	(15,771)	(4,916)
Other	**(1,958)**		(1,958)
Minority interests	**19,538**	19,360	178
Total Net Assets	**228,010**	212,783	15,227
Total liabilities and net assets	**529,869**	517,984	11,885

Consolidated Statements of Income

	Fiscal 2010 (Mar. 31,2011)	Ratio to Sales (%)	Fiscal 2009 (Mar. 31,2010)	Ratio to Sales (%)	(difference) (%)
Net sales	**520,186**	100.0	431,683	100.0	121
Cost of sales	**406,282**	78.1	352,382	81.6	115
Gross profit	**113,904**	21.9	79,301	18.4	144
Selling, general and administrative expenses	**70,761**	13.6	65,952	15.3	107
Operating income	**43,143**	8.3	13,349	3.1	323
Non-operating income					
Interest income	**376**		409		92
Dividends income	**121**		100		121
Other	**3,008**		3,586		84
Total non-operating income	**3,505**	0.7	4,095	0.9	86
Non-operating expenses					
Interest expenses	**1,770**		2,075		85
Foreign exchange loss	**1,509**		447		338
Loss on disposal of fixed assets	**655**		1,259		52
Other	**5,123**		3,630		141
Total non-operating expenses	**9,057**	1.7	7,411	1.6	122
Extraordinary income					
Gain on sales of property and equipment	**225**		—		—
Gain on transfer to defined contribution pension plan	—		36		—
Gain on Liquidation in silent partnership	—		1,025		—
Total extraordinary income	**225**	0.0	1,061	0.2	21
Extraordinary losses					
Loss on disposal of fixed assets	—		(310)		—
Loss on impairment of property and equipment	**(727)**		(273)		—
Loss of earthquake disaster	**(544)**		—		—
Loss on sales of stocks of subsidiaries and affiliates	—		(247)		—
Loss on reorganization of affiliates	**(306)**		—		—
Loss on structural reform	**(35)**		(4,247)		—
Allowance for business losses of affiliates	—		(6)		—
Loss on transfer to defined contribution pension plan	**(115)**		—		—
Loss on adjustment for changes accounting standard for asset retirement obligations	**(28)**		—		—
Provision for environmental measures	—		(284)		—
Total extraordinary losses	**(1,755)**	—	(5,367)	—	—
Income (loss) before income taxes and minority interests	**36,061**	6.9	5,727	1.3	630
Income taxes -current					
Income taxes -current	**7,763**		2,600		299
Income taxes -deferred	**4,602**		856		538
Total extraordinary income taxes	**12,365**		3,456		358
Minority interests in income	**1,492**	0.3	334	0.1	447
Net income (loss)	**22,204**	4.3	1,937	0.4	—

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	26,284	**41,243**	**150,470**	**(10,664)**	**207,333**
Transfar of adjustment regarding pension obligations of consolidated overseas subsidiaries	—	—	**2,027**	—	**2,027**
Cash dividends	—	—	**(4,230)**	—	**(4,230)**
Net income (loss) for the fiscal 2010	—	—	**22,204**	—	**22,204**
Acquisition of treasury stock	—	—	—	**(32)**	**(32)**
Retirement of treasury stock	—	**1**	—	**2**	**3**
Net increase/decrease during the fiscal 2010 of non shareholders' equity items	—	—	—	—	**0**
Total increase/decrease during the fiscal 2010	**0**	**1**	**20,001**	**(30)**	**19,972**
	26,284	**41,244**	**170,471**	**(10,694)**	**227,305**

(Millions of Yen)

	Valuation, Translation Adjustments and others					Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Adjustment regarding pension obligations of consolidated overseas	Total Valuation, Translation Adjustments and others		
	1,861	—	**(15,771)**	—	**(13,910)**	**19,360**	**212,783**
Transfar of adjustment regarding pension obligations of consolidated overseas subsidiaries	—	—	—	**(2,027)**	**(2,027)**	—	**0**
Cash dividends	—	—	—	—	—	—	**(4,230)**
Net income (loss) for the fiscal 2010	—	—	—	—	—	—	**22,204**
Acquisition of treasury stock	—	—	—	—	—	—	**(32)**
Retirement of treasury stock	—	—	—	—	—	—	**3**
Net increase/decrease during the fiscal 2010 of non shareholders' equity items	**1,951**	**1**	**(4,916)**	**68**	**(2,896)**	**178**	**(2,718)**
Total increase/decrease during the fiscal 2010	**1,951**	**1**	**(4,916)**	**(1,959)**	**(4,923)**	**178**	**15,227**
	3,812	**1**	**(20,687)**	**(1,959)**	**(18,833)**	**19,538**	**228,010**

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/2011	End of 3/2010
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	**36,061**	5,727
Depreciation and amortization	**28,389**	30,494
Goodwill and negative goodwill amortization	**2,615**	2,622
Cost of structural reform	**35**	4,247
Allowance for business losses of affiliates	**—**	6
Increase (decrease) in accrued retirement benefits	**1,041**	(2,137)
Gain on sales of property and equipment	**(482)**	(273)
Loss on disposal of property, plant and equipment	**655**	1,569
Loss on impaired property and equipment	**727**	273
Interest and dividends received	**(497)**	(509)
Interest charges	**1,770**	2,075
Decrease in receivables	**(8,475)**	(21,273)
Decrease (increase) in inventories	**(25,067)**	14,429
Increase (decrease) in payables	**13,346**	20,723
Increase (decrease) in accrued expenses	**3,334**	(424)
Other	**(7,089)**	(482)
Subtotal	**46,363**	57,067
Amount paid for structual reform	**(69)**	(3,794)
Income taxes paid	**(4,458)**	(3,568)
Refund taxes	**852**	7,307
Net cash provided by operating activities	**42,688**	57,012
Cash flows from investing activities		
Purchase of investment securities	**(45)**	(50)
Proceeds from sales of investment securities	**26**	536
Purchase from sales of subsidiaries' common stock	**(2,009)**	—
Proceeds from sales of subsidiaries' common stock	**53**	383
Expenditures for acquisition of property, plant and equipment	**(18,636)**	(21,617)
Proceeds from sales of property, plant and equipment	**579**	706
Expenditures for acquisition of intangible assets	**(1,082)**	(958)
Acquisition of business	**(3,721)**	—
Proceeds from sale of business	**491**	492
Other	**(263)**	(987)
Net cash used in investing activities	**(24,607)**	(21,495)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**(3,082)**	(13,120)
Increase (decrease) in commercial paper	**(4,000)**	(2,000)
Proceeds from long-term debt	**20,462**	6,500
Repayment of long-term debt	**(2,124)**	(3,834)
Redemption of bonds	**(29,895)**	(5,921)
Interest expenses paid	**(1,852)**	(2,134)
Proceeds from sale of treasury stock	**2**	1
Purchases of treasury stock	**(32)**	(26)
Dividends paid to shareholders	**(4,230)**	(4,230)
Dividends paid to minority shareholders	**(405)**	(488)
Net cash used in (provided by) financing activities	**(25,156)**	(25,252)
Effect of exchange rate changes in cash and cash equivalents	**(2,570)**	(57)
Net increase (decrease) in cash and cash equivalents	**(9,645)**	10,208
Cash and cash equivalents at beginning of year	**43,639**	33,476
Effect of changes in the fiscal year-end of consolidated subsidiaries	**—**	(45)
Cash and cash equivalents at end of year	**33,994**	43,639

Business Segment Information

Fiscal Previous Year (Apr. 1, 2009 - Mar. 31, 2010) (Millions of yen)

	Business Segments Reported							
	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Subtotal	Other Businesses	Total	Adjustments	Consolidated Statements of Income
Sales:								
Unaffiliated customers	186,152	105,708	138,005	429,865	1,818	431,683	—	431,683
Intersegment	1,797	146	30	1,973	3,549	5,522	(5,522)	—
Total sales	187,949	105,854	138,035	431,838	5,367	437,205	(5,522)	431,683
Operating Income (Loss)	6,508	7,076	5,525	19,109	787	19,896	(6,547)	13,349
Assets	253,686	147,644	120,054	521,384	12,620	534,004	(16,020)	517,984
Depreciation and amortization	13,518	8,620	7,339	29,477	348	29,825	669	30,494
Capital expenditures	5,257	7,301	3,147	15,705	93	15,798	687	16,485

Fiscal Previous Year (Apr. 1, 2009 - Mar. 31, 2010) (Millions of yen)

	Japan	North America	Asia	Europe	Ohters	Total
Overseas Sales	247,151	46,108	98,507	33,640	6,277	431,683

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

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 (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	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 (high-grade 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)

Business Segment Information

Year under review (Apr. 1, 2010 - Mar. 31, 2011) (Millions of yen)

	Business Segments Reported							
	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Subtotal	Other Businesses	Total	Adjustments	Consolidated Statements of Income
Sales:								
Unaffiliated customers	223,660	133,510	161,583	518,753	1,433	520,186	—	520,186
Intersegment	1,964	465	264	2,693	2,541	5,234	(5,234)	—
Total sales	225,624	133,975	161,847	521,446	3,974	525,420	(5,234)	520,186
Operating Income (Loss)	24,707	14,231	11,353	50,291	755	51,046	(7,903)	43,143
Assets	265,824	145,062	125,356	536,242	15,533	551,775	(21,906)	529,869
Depreciation and amortization	12,237	8,595	6,668	27,500	306	27,806	583	28,389
Capital expenditures	8,272	6,560	4,685	19,517	674	20,191	178	20,369

Year under review (Apr. 1, 2010 - Mar. 31, 2011) (Millions of yen)

	Japan	North America	Asia	Europe	Ohters	Total
Overseas Sales	295,564	54,008	120,912	41,732	7,970	520,186

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

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 (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	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 (high-grade 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)

Income Taxes

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

Deferred tax assets	**Fiscal 2010 (Mar. 31,2011)**	Fiscal 2009 (Mar. 31,2010)
Net operating loss carryforwards	**3,200**	7,040
Provision for retirement benefits	**8,889**	8,514
Reserve for directors' retirement bonuses	**74**	203
Employee pension trust	**2,127**	3,149
Elimination of unrealized profit on fixed assets	**1,865**	1,864
Allowance for doubtful accounts	**967**	1,089
Accrued bonuses	**3,668**	3,393
Accrued Taxes	**466**	215
Taxable restructuring charges	**—**	80
Other	**12,009**	12,618
Subtotal	**33,265**	38,165
Less : valuation allowance	**(8,093)**	(9,120)
Total deferred tax assets	**25,172**	29,045
Deferred tax liabilities		
Depreciation	**(1,972)**	(2,049)
Special tax-purpose reserve	**(1,093)**	(1,132)
Retained earnings at overseas affiliated companies	**(767)**	(642)
Net unrealized holding losses on available-for-sale securities	**(563)**	(605)
Other	**(4,389)**	(3,865)
Total deferred tax liabilities	**(8,784)**	(8,293)
Net deferred tax assets	**16,388**	20,752

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 2010 (Mar. 31,2011)	Fiscal 2009 (Mar. 31,2010)
Projected benefit obligation	**(113,744)**	(114,672)
Plan assets at fair value	**72,454**	75,313
Funded status	**(41,290)**	(39,359)
Unrecognized actuarial loss	**25,627**	24,116
Unrecognized prior service(benefit)cost *	**(3,565)**	(4,075)
Net amount recognized in consolidated balance sheets	**(19,228)**	(19,318)
Prepaid pension cost in consolidated balance sheets	**2,844**	1,981
Accrued retirement benefits recognized in consolidated balance sheets	**(22,072)**	(21,299)

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 2010 (Mar. 31,2011)	Fiscal 2009 (Mar. 31,2010)
Service cost *	**(3,150)**	(3,300)
Interest cost	**(2,959)**	(2,971)
Expected return on plan assets	**2,211**	1,892
Amortization of unrecognized actuarial loss	**(3,455)**	(4,295)
Amortization of unrecognized Prior service (benefit) cost	**524**	523
Loss on transfer for lump-sum pension plan to defined contribution pension plan	**(115)**	36
Contributions to defined contribution	**(1,336)**	(1,388)
Premium retirement and severance payment	**—**	(3,134)
Periodic pension cost recognized in consolidated statements of income	**(8,280)**	(12,637)

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 2010 (Mar. 31,2011)**	Fiscal 2009 (Mar. 31,2010)
Discount rate	**Mainly 2.6%**	Mainly 2.8%
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