Hitachi Metals, Ltd. (Apr. 25, 2012)

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Consolidated Financial Report for the 12-month period ended March 31, 2012

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Listed Stock Exchanges: Tokyo and Osaka (First Section, Code 5486)
Scheduled Date of the Ordinary General Meeting of Shareholders: June 20, 2012

1. Performance over the year, April 1, 2011 to March 31,2012 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	**3/2012**	3/2011	(Change)
Net sales (million yen)	**556,914**	520,186	7.1%
Operating income (million yen)	**44,867**	43,143	4.0%
Income before income taxes and minority interests (million yen)	**36,414**	36,061	1.0%
Net income (million yen)	**17,886**	22,204	—
Net income per share (yen)	**50.75**	63.00	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	**8.3**	11.0	
Return On Assets	**8.0**	7.2	
Operating income to net sales (%)	**8.1**	8.3	

Note: Consolidated Statements of Comprehensive Income:17,532 million yen △14.0% (previous year: 20,392 million yen 467.4%)
Equity in losses(earnings) of affiliated companies: 422 million yen (previous year: 294 million yen)

(2) Consolidated Financial Position	**3/2012**	3/2011
Total assets (million yen)	**579,862**	529,869
Net assets (million yen)	**240,395**	228,010
Equity ratio (%)	**38.0**	39.3
Net assets per share (yen)	**625.04**	591.51

Note: Shareholders' equity (3/2012: 220,282 million yen 3/2011: 208,472 million yen)

(3) Consolidated cash flows (million yen)	**3/2012**	3/2011
Cash flows from operating activities	**3,008**	42,688
Cash flows from investing activities	**(21,769)**	(24,607)
Cash flows from financing activities	**13,101**	(25,156)
Cash and cash equivalents at year-end	**27,966**	33,994

2. Dividend	**3/2012**	3/2011	3/2013 (Planned)
Annual dividend per share (yen)	**12.00**	12.00	14.00
Interim (yen)	**6.00**	6.00	7.00
End of period (yen)	**6.00**	6.00	7.00
Total dividend paid (full year) (million yen)	**4,230**	4,230	—
Consolidated dividend payout ratio (%)	**23.6%**	19.0%	17.3%
Dividends to net assets (consolidated)	**2.0%**	2.1%	—

3. Forecasts of results for the term, April 1, 2012 to March 31, 2013

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change
Net sales (million yen)	284,000	8.5	590,000	5.9
Operating income (million yen)	22,000	33.1	50,000	11.4
Income before income taxes and minority interests (million yen)	21,000	37.5	46,000	26.3
Net income (million yen)	12,500	84.1	28,500	59.3
Net income per share (yen)	35.47	—	80.87	—

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

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

(2) Changes in accounting policies, accounting estimates and retrospective restatements in the consolidated financial statements

[1] Changes due to revisions in accounting standards: No

[2] Changes other than those in [1]: No

[3] Changes in accounting estimates: No

[4] Retrospective restatements: No

(3) Numbers of shares issued (Common stock)

Number of shares outstanding at end of year (including treasury stock) 3/2012: 366,557,889 3/2011: 366,557,889

Number of treasury stock outstanding at end of year 3/2012: 14,128,047 3/2011: 14,115,670

Number of shares average at end of year 3/2012: 352,434,309 3/2011:352,458,554

* This quarterly consolidated financial report is not subject to the quarterly review procedure by external auditors that are based on Financial Instruments and Exchange Act. The quarterly review procedure has not yet finished at the point of releasing this financial summary.

*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. Please refer to “Qualitative Information Regarding Consolidated Forecast” on page 4 for precondition and assumption as the basis of the above forecasts.

Hitachi Metals, Ltd. (5486) Financial Report for the Year Ended March 31, 2012

【Financial Performance】

1. Analysis of Consolidated Business Results

(1) Overview of Fiscal 2011 (the fiscal year ended March 31, 2012)

The global economy experienced low overall growth during the consolidated fiscal year under review. The European economy stagnated from financial instability as a result of the debt crisis. The U.S. economic recovery remained sluggish despite signs of a turnaround in employment and other areas. Economic expansion remained steady in China and other emerging nations by the strong demand in their markets even though export growth plunged amid the slowdown in the European economy. The Japanese economy slowly picked up despite exports sliding as a result of the Great East Japan Earthquake and yen appreciation.

For industries in which the Group operates, domestic production of automobiles stagnated in the aftermath of the earthquake and floods in Thailand. While the markets in China and Europe slowed, the American market was favorable. In the cell phone market, demand for smartphones increased. The semiconductor industry benefited from brisk demand for smartphones and tablets but suffered from sluggish demand for LCD televisions and personal computers. The domestic steel market declined on weak export sales, while overseas markets sustained expansion. Housing construction picked up in Japan, with public investment holding steady, partly because of the impact of the supplementary budget.

In this business environment, consolidated net sales for the Hitachi Metals Group in the fiscal year under review were ¥556,914 million, an increase of 7.1% compared with the previous fiscal year. Operating income increased ¥1,724 million, to ¥44,867 million. Income before income taxes and minority interests rose ¥353 million, to ¥,36,414 million. Net income declined ¥4,318 million, to ¥17,886 million. This decrease reflected the impact of ¥3,831 million in business structure improvement expenditures and a ¥3,128 million extraordinary loss on flood damage in Thailand, which offset the growth contribution of overall recoveries in demand for the Group's automobile-related products.

Results by business segment are as follows. Note that sales include intersegment sales and transfers.

High-Grade Metal Products and Materials

Sales in the high-grade metal products and materials segment were ¥218,271 yen, decreasing 3.3% compared with the previous fiscal year. Operating income declined ¥5,921 million, to ¥18,786 million.

Sales of major products in this segment are as follows.

<Molds and Tool Steels>

For molds and tool steels, demand for automobile-use molds, a prime application for tool steel, was favorable in keeping with a recovery in domestic automobile production

<Alloys for Electronic Products>

Sales of LCD panel-related materials dropped amid a global slump in demand for LCD televisions.

Sales of semiconductor and other package materials decreased owing to sluggish demand for semiconductors.

<Industrial Equipment and Energy-Related Materials>

Sales of automotive-related materials soared, as a recovery in domestic production offset somewhat sluggish second-half demand in the European market.

Sales of energy-related materials increased, as demand continued to rise for industrial machinery and aircraft parts.

<Rolls>

Emerging nations drove growth in overseas markets, but overall sales were down as increased imports in Japan as a result of yen appreciation prevented a recovery in domestic production.

<Injection Molding Machine Parts>

Sales of injection molding machine parts rose on the strength of reconstruction demand following the floods in Thailand.

<Cutting Tools>

Sales of cutting tools benefited from steady demand from automotive-related industries—key customers for these products—amid generally flat demand in the cemented carbide tools industry.

Electronics and IT Devices

Sales in the electronics and IT devices segment in the year under review were ¥169,067, rising 26.2% compared with the previous fiscal year. Operating income grew ¥9,588 million, to ¥23,819 million.

Sales of major products in this segment are as follows.

<Magnets>
Sales of rare earth magnets were up significantly overall, as price revisions proceeded in light of a recovery in domestic production of automotive-use electronic components, which offset the impact of second-half adjustments in the production of factory automation-related products and household appliance parts.

There was also a major increase overall in sales of ferrite magnets. This reflected favorable sales of automotive-use electronic components owing to a turnaround in domestic automotive production, which compensated for the impact of adjustments to household appliance parts production.

<Soft Magnetic Materials>
Sales of amorphous materials declined amid a restructuring of the core Chinese market and the impact of delays in account settlements among Indian customers. Soft ferrite materials sales were down, reflecting an ongoing slide in household appliance and industrial machinery-related parts demand. Sales of FINEMET® decreased in the absence of recoveries in industrial machinery-related and solar power generation systems demand.

<Information and Telecommunications Equipment Components>
Sales of information and telecommunications equipment components dropped amid production adjustments linked to revised customer sales plans for cell phones and sluggish adoptions of components used in popular products which are growing in popularity.

High-Grade Functional Components and Equipment

Sales in this segment increased 5.7%, to ¥170,999 million, although operating income declined ¥2,059 million, to ¥9,294 million.

Sales of major products in this segment are as follows.

<High-Grade Ductile Iron Products>
Sales of high-grade ductile iron products were unchanged despite recoveries after production was halted in Japan because of the Great East Japan Earthquake and the disruptions in Thailand due to the floods. Overseas sales were generally favorable, reflecting solid demand in the U.S. and other markets.

<Heat-Resistant Exhaust Casting Components>
Sales of heat-resistant exhaust casting components rose, owing largely to increased exports to European and American automakers needing to comply with tighter exhaust emission regulations and deploy advanced energy conservation solutions.

<Aluminum Wheels>
For aluminum wheels, sales for exports by Japanese customers dropped owing to the impact of yen appreciation and sluggish economic conditions in Europe. Overall sales overseas were down, as Japanese manufacturers in the United States were unable to make up for production declines stemming from the Great East Japan Earthquake and the floods in Thai.

<Pipefittings>
Sales of pipefittings remained unchanged despite signs of a recovery in housing starts.

<Stainless Steel and Plastic Piping Components>
Sales of stainless steel and plastic piping components were solid, reflecting reconstruction demand in the wake of the Great East Japan Earthquake and a slight increase in construction and capital investment.

<Construction Components>
Sales of construction components increased owing to recoveries in construction and capital investment and favorable commercial building construction demand.

Other

In this segment, sales fell 7.8%, to ¥3,665 million, although operating income grew ¥93 million, to ¥848 million.

(2) Outlook for Fiscal 2012 (the fiscal year ending March 31, 2013)

Ongoing concerns about the impact of the European debt crisis will cloud the operating climate somewhat for the Group, although the Group should benefit from a solid sustained turnaround in the U.S. economy and domestic demand growth in China and other emerging nations despite slower expansion. The general outlook is thus for a mild ongoing recovery. At the same time, there should be a slight upturn in the Japanese economy amid full-fledged reconstruction from the effects of the Great East Japan Earthquake.

Given that business backdrop, the Group will retool global sales expansion and production systems and push ahead with reforms in its business segments and product portfolio. The Group will accelerate efforts to create and cultivate potentially key new products and improve the proportion of sales from new products. The Group will continue to upgrade production processes in keeping with carbon dioxide emissions regulations. The Group will also formulate a framework and organization to conform to global management requirements.

Performance projections for the full year are thus as follows.

	Net sales	Operating income	Ordinary income	Net income
Consolidated	590,000(million yen)	50,000(million yen)	45,500(million yen)	28,500(million yen)
Non-consolidated	378,000(million yen)	11,500(million yen)	14,700(million yen)	12,000(million yen)

2. Analysis of Financial Conditions
At the end of the period under review, cash and cash equivalents (hereinafter "net cash") were ¥27,966 million, a decrease of ¥6,028 million compared with the end of the previous fiscal year. This outcome was mainly attributable to the fact that net cash provided by operating and financing activities was less than net cash used in investing activities.

The status of cash flows at the end of the fiscal year under review and the primary factors responsible for those results are as follows.

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥3,008 million. This was mainly attributable to an increase of ¥55,537 million in inventories and gains in other working capital and an increase of ¥7,135 million in accounts receivable, which offset the impact of ¥36,414 million in income before income taxes and ¥27,544 million in depreciation and amortization.

Cash Flows from Investing Activities
Net cash used in investing activities was ¥21,769 million. This was mainly attributable to ¥22,118 million in expenditures for the purchase of property, plant and equipment.

Cash Flows from Financing Activities
Net cash provided by financing activities was ¥13,101 million. This was mainly attributable to a commercial paper issue of ¥11,000 million, ¥13,571 million in proceeds from long-term loans payable, and ¥10,000 million in proceeds from the issuance of bonds, against which there were a ¥15,505 million redemption of bonds and a ¥8,124 million repayment of long-term loans payable.

3. Dividend Policy and Dividends for the Current and Next Fiscal Years
Customer needs and technology are constantly evolving, and business continues to globalize. Hitachi Metals thus remains fully committed to strengthening its international competitiveness and enhancing corporate value to deliver appropriate long-term returns to shareholders. Management's primary aim is to generate robust growth over the medium and long terms in light of these considerations. The Company's basic policy is therefore to determine profit distributions to shareholders and internal reserves by comprehensively assessing the business environment, business development, and performance of its own commercial activities. Hitachi Metals retains some of its earnings to fund efforts to develop and commercialize new materials, incubate new businesses, and expand and streamline competitive product lines in keeping with a focus on business progress. The Company purchases treasury stock to help implement a flexible capital policy in accordance with its needs, financial conditions, stock price levels, and other vital factors.
In light of the results for the year under review and business prospects, the Company paid an interim dividend of ¥6.00 per share from retained earnings (record date: end of the second quarter), and it plans to pay a year-end dividend of ¥6.00 per share (record date: fiscal year-end).
For the next fiscal year, management looks for consolidated results to remain generally solid, so it forecasts an interim dividend payment of ¥7.00 per share from retained earnings, up ¥1.00, and a ¥7.00 year-end dividend per share, up ¥1.00.

4. Business Risks
The following are some of the risks that the Group faces with regard to its performance and financial position:
- Market trends in electronics, automobiles, construction, and other industries in which the Group operates
- Economic shifts in the United States, Asia, Europe, and other regions where the Group sells its offerings
- Fluctuations in raw material prices because of changing international market conditions
- Interest rate fluctuations and credit risks linked with capital procurement
- The impacts of changing foreign exchange rates on transactions, assets, and debt in foreign currencies
- Depreciation losses from fluctuating valuations of the Company's securities holdings
- Economic, social, or political disturbances impacting overseas operations
- Declining competitiveness or reduced abilities to develop and commercialize new technologies or products
- Disputes over intellectual property rights
- Increased costs stemming from environmental, export control, or other regulation, or from orders or other penalties for regulatory violations
- The costs of addressing product defects
- The impact of earthquakes or other major natural disasters on business activities
- Damages compensation claims and lawsuits stemming from the unauthorized disclosure of personal and confidential information

The Group naturally strives to avoid or minimize the impact of such risks by establishing and maintaining effective risk management systems. Circumstances could nonetheless make it impossible to fully avoid or reduce risks, affecting the Group's business performance, financial position, and other aspects of its operations.

【Management Policies】

1. Fundamental Management Policy

The Group endeavors to solidify ties with shareholders, investors, business partners, and other stakeholders while pursuing its fundamental management policy of fulfilling its social responsibilities in advancing business activities to help build a better world. The Group therefore endeavors to enhance core technologies while pursuing technological innovations in keeping with its quest to create new products and businesses and provide new value to society. The Group ensures that its product development and manufacturing is environmentally sustainable. Management is committed to timely and appropriate disclosure, contributing to communities, and otherwise engaging with society. Such efforts reflect the increasingly social perspectives of Group management and initiatives to build social trust. In these and other ways, the Group strives to become a model business entity that can steadily raise its corporate value.

2. Management Benchmark

The Group aims to generate a consolidated return on equity (ROE) of at least 13% in keeping with its basic dividend policy. Management deems this profitability benchmark essential for it to maintain long-term dividends and raise the standard for corporate value, reliably channeling earnings to shareholders.

3. Medium- to Long-Term Corporate Management Strategies and Challenges

Under the Fiscal 2012 Medium-Term Management Plan, formulated in April 2010, key consolidated targets for fiscal 2012, the final year of the plan, were an ROE of 13%, net sales of ¥600 billion, operating income of ¥65 billion, and net income of ¥30 billion. In the fiscal year under review, however, management has determined to pursue the consolidated targets presented on page 4 of the appended materials in response to dramatic changes in the business climate owing to such factors as high raw materials costs and a strong yen in foreign exchange markets.

Still, management will continue to implement the action plan under the Fiscal 2012 Medium-Term Management Plan, which entails enhancing the Group's overall process engineering capabilities (encompassing manufacturing, sales, and management) and pursuing sustained growth in the global marketplace. The following highlights the action plan for this initiative.

(1) Raising the Overseas Sales Ratio

Growth in emerging nations will likely drive the global economy in the years ahead. The Group aims to further globalize its operations and generate at least 50% of its sales overseas.

The Group is thus retooling its global sales expansion and production systems. This entails setting up a structure to anticipate and reflect market needs in production engineering and ensure timely supplies to customers worldwide. The Group will rationalize and innovate all processes and create a framework to optimize costs, deliveries, and service.

The Group will overhaul its business and product portfolios. It will pursue selection and concentration and focus resources on eco-friendly products, for which market demand should continue to climb. In the energy field, the priority would be amorphous metals, which help conserve energy. In automobile- and electronics-related products, high-performance magnets are vital for high-efficiency motors. Also important are heat-resistant casting parts, which are critical for downsizing automobile engines. The Group will mobilize these and other growth drivers to raise profitability.

The Group's overseas sales ratio for the year under review was 42%, down 1 percentage points, Nonetheless, the Group will continue to implement the measures outlined above to reach the target ratio.

(2) Raising the New-Product Sales Ratio

Materials development drives industrial change and evolution and underpins the Group's ability to continue contributing to society. The Group seeks to solidify its status as a manufacturer of advanced materials by sourcing 30% of its sales from new products.

Accelerating technical innovation necessitates shorter lead times for development through commercialization. The Group therefore synchronizes its development, manufacturing, and sales phases, stepping up the pace of development through marketing, mass production, and sales expansion and more swiftly creating and cultivating new core products.

New products accounted for 28% of consolidated net sales in the year under review, up 4 percentage point.

(3) Compliance with CO_2 Emissions Regulations
Carbon dioxide emissions regulations are golden opportunities to revamp manufacturing processes. The Group is thus revising its practices to shorten lead times and otherwise reinforce process engineering.

(4) Global Management Initiatives
The Group drafts its business strategies in light of changes in the operating environment and its commitment to greater synergies between internal companies and Group subsidiaries, and devises systems to better execute these strategies.
In taking action under medium-term management plans, the Group devotes considerable attention to training people who will eventually implement initiatives and drive sustainable growth for the Group.

Consolidated balance sheets

(Millions of Yen)

	End of 3/2012	End of 3/2011	(difference)
ASSETS			
Current assets			
Cash and deposits	**25,733**	28,712	(2,979)
Notes and accounts receivable-trade	**115,362**	95,728	19,634
Marketable securities	**573**	17	556
Finished products	**48,007**	39,677	8,330
Work in process	**33,925**	28,979	4,946
Raw materials	**71,116**	39,950	31,166
Deffered tax asset	**9,068**	9,511	(443)
Accounts receivable-other	**14,289**	7,101	7,188
Deposit paid in subsidiaries and affiliates	**1,660**	5,265	(3,605)
Other	**6,024**	5,211	813
Allowance for doubtful accounts	**(489)**	(525)	36
Total current assets	**325,268**	259,626	65,642
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	**49,096**	53,157	(4,061)
Machinery, equipment and vehicles, net	**65,275**	72,854	(7,579)
Tools, furniture and fixtures, net	**4,193**	4,311	(118)
Land	**49,879**	50,521	(642)
Construction in progress	**7,047**	5,185	1,862
Lease assets	**11**	4	7
Total property, plant and equipment	**175,501**	186,032	(10,531)
Intangible assets			
Goodwill	**38,744**	41,549	(2,805)
Other	**7,224**	8,003	(779)
Total intangible assets	**45,968**	49,552	(3,584)
Investments and other assets			
Investment securities	**14,985**	15,043	(58)
long-term loans receivable	**1,886**	1,877	9
Deffered tax asset	**6,883**	9,469	(2,586)
Other	**11,380**	10,308	1,072
Allowance for doubtful accounts	**(2,009)**	(2,038)	29
Total investments and other assets	**33,125**	34,659	(1,534)
Total noncurrent assets	**254,594**	270,243	(15,649)
Total assets	**579,862**	529,869	49,993

Consolidated balance sheets

(Millions of Yen)

	End of 3/2012	End of 3/2011	(difference)
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	**87,867**	78,145	9,722
Short-term loans payable	**57,081**	48,422	8,659
Commercial Paper	**11,000**	—	11,000
Current portion of long-term loans payable	**14,108**	8,002	6,106
Current portion of bonds	**4,000**	—	4,000
Income taxes payable	**9,258**	4,631	4,627
Accrued expense	**19,736**	20,172	(436)
Advances received	**3,302**	1,427	1,875
Deferred Tax Liabilities	**96**	68	28
Allowance for directors' bonuses	**233**	294	(61)
Asset retirement obligations	**72**	—	72
Other	**17,132**	14,592	2,540
Total current liabilities	**223,885**	175,753	48,132
Noncurrent liabilities			
Bonds payable	**30,000**	24,000	6,000
Convertible bond-type bonds with subscription rights to shares	**4,495**	20,105	(15,610)
Long-term loans payable	**48,548**	49,293	(745)
Provision for retirement benefits	**22,776**	22,072	704
Provision for directors' retirement benefits	**157**	184	(27)
Provision for loss on guarantees	**808**	808	0
Provision for loss on business of subsidiaries and affiliates	**1,100**	1,100	0
Provision for environmental measures	**1,123**	1,117	6
Asset retirement obligations	**2,453**	2,524	(71)
Deferred Tax Liabilities	**75**	305	(230)
Negative goodwill	**408**	377	31
Other	**3,639**	4,221	(582)
Total noncurrent liabilities	**115,582**	126,106	(10,524)
Total liabilities	**339,467**	301,859	37,608
NET ASSETS			
Shareholders' equity			
Capital stock	**26,284**	26,284	0
Capital surplus	**41,244**	41,244	0
Retained earnings	**184,127**	170,471	13,656
Treasury stock	**(10,707)**	(10,694)	(13)
Total shareholders' equity	**240,948**	227,305	13,643
Accumulated other comprehensive income			
Net unrealized holding gains (losses) on available-for-sale	**3,595**	3,812	(217)
Gain (loss) on deferred hedge transactions	**6**	1	5
Foreign currency translation adjustments	**(21,812)**	(20,687)	(1,125)
Other	**(2,455)**	(1,959)	(496)
Total accumulated other comprehensive income	**(20,666)**	(18,833)	(1,833)
Minority interests	**20,113**	19,538	575
Total Net Assets	**240,395**	228,010	12,385
Total liabilities and net assets	**579,862**	529,869	49,993

Consolidated Statements of Income

	Fiscal 2011 (Mar. 31,2012)	Ratio to Sales (%)	Fiscal 2010 (Mar. 31,2011)	Ratio to Sales (%)	(difference) (%)
Net sales	**556,914**	100.0	520,186	100.0	107
Cost of sales	**438,930**	78.8	406,282	78.1	108
Gross profit	**117,984**	21.2	113,904	21.9	104
Selling, general and administrative expenses	**73,117**	13.1	70,761	13.6	103
Operating income	**44,867**	8.1	43,143	8.3	104
Non-operating income					
Interest income	**296**		376		79
Dividends income	**124**		121		102
Negative goodwill amortization	**234**		267		88
Equity in earnings of affiliated companies	**422**		294		144
Gain on Sale of Marketable Securities	**6**		57		11
Rent income of fixed assets	**268**		206		130
Insurance income	**1,276**		—		—
Other	**2,396**		2,184		110
Total non-operating income	**5,022**	0.9	3,505	0.7	143
Non-operating expenses					
Interest expenses	**1,852**		1,770		105
Loss on revaluation of securities	**89**		40		223
Foreign exchange loss	—		1,509		—
Loss on disposal of fixed assets	**899**		655		137
Product maintenance and repair	**46**		1,418		3
Other	**2,715**		3,665		74
Total non-operating expenses	**5,601**	1.0	9,057	1.7	62
Extraordinary income					
Gain on sales of property and equipment	**44**		225		20
Settlement Received	**302**		—		—
Gain on transfer to defined contribution pension plans	**224**		—		—
Total extraordinary income	**570**	0.1	225	0.0	253
Extraordinary losses					
Loss on impairment of property and equipment	**(1,134)**		(727)		156
Loss of disaster	**(3,128)**		(544)		575
Loss on disposal of property planed and equipment	**(70)**		—		—
Loss on liquidation of affiliates	**(266)**		(306)		87
Loss on structural reform	**(3,831)**		(35)		—
Loss on transfer to defined contribution pension plan	**(15)**		(115)		13
Loss on adjustment for changes accounting standard for asset retirement obligations	—		(28)		—
Total extraordinary losses	**(8,444)**	(1.5)	(1,755)	(0.3)	—
Income (loss) before income taxes and minority interests	**36,414**	6.5	36,061	6.9	101
Income taxes -current					
Income taxes -current	**14,207**		7,763		183
Income taxes -deferred	**2,716**		4,602		59
Total extraordinary income taxes	**16,923**	3.0	12,365	2.4	137
Minority interests in income	**1,605**	0.3	1,492	0.3	108
Net income (loss)	**17,886**	3.2	22,204	4.3	81

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Fiscal 2011 (Mar. 31,2012)	Fiscal 2010 (Mar. 31,2011)
Income before minority interests	**19,491**	23,696
Other comprehensive income:		
Net unrealized holding gains on available-for-sale securities	**221**	275
Deferred gains on hedges	**6**	1
Foreign currency translation adjustments	**(1,284)**	(5,455)
Pension Liability adjustment of foreign subsidiaries	**(496)**	68
Share of other comprehensive income of affiliated companies	**(406)**	1,807
Total other comprehensive income (loss)	**(1,959)**	(3,304)
Comprehensive income	**17,532**	20,392
Comprehensive income attributable to:		
Shareholders of the parent company	**16,053**	19,308
Minority shareholders	**1,479**	1,084

Consolidated Statements of Changes in Net Assets

Fiscal 2010 (Apr.1, 2010 - Mar.31, 2011)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2010	**26,284**	**41,243**	**150,470**	**(10,664)**	**207,333**
Changes during the fiscal 2010					
Transfar of pension liability adjustment of foreign subsidieries	—	—	**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	—	—	—	—	—
Total increase/decrease during the fiscal 2010	**0**	**1**	**20,001**	**(30)**	**19,972**
Balance as of March 31, 2011	**26,284**	**41,244**	**170,471**	**(10,694)**	**227,305**

(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	Transfar of pension liability adjustment of foreign subsidieries	Total Valuation, Translation Adjustments and others	Minority Interests	Total Net Assets
Balance as of March 31, 2010	**1,861**	—	**(15,771)**	—	**(13,910)**	**19,360**	**212,783**
Changes during the fiscal 2010							
Transfar of pension liability adjustment of foreign subsidieries	—	—	—	**(2,027)**	**(2,027)**	—	—
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**
Balance as of March 31, 2011	**3,812**	**1**	**(20,687)**	**(1,959)**	**(18,833)**	**19,538**	**228,010**

Consolidated Statements of Changes in Net Assets

Fiscal 2011 (Apr.1, 2011 - Mar.31, 2012)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2011	**26,284**	**41,244**	**170,471**	**(10,694)**	**227,305**
Changes during the fiscal 2011					
Transfar of pension liability adjustment of foreign subsidieries	—	—	—	—	—
Cash dividends	—	—	**(4,230)**	—	**(4,230)**
Net income (loss) for the fiscal 2011	—	—	**17,886**	—	**17,886**
Acquisition of treasury stock	—	—	—	**(14)**	**(14)**
Retirement of treasury stock	—	—	—	**1**	**1**
Net increase/decrease during the fiscal 2010 of non shareholders' equity items	—	—	—	—	**0**
Total increase/decrease during the fiscal 2011	**0**	**0**	**13,656**	**(13)**	**13,643**
Balance as of March 31, 2012	**26,284**	**41,244**	**184,127**	**(10,707)**	**240,948**

(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	Transfar of pension liability adjustment of foreign subsidieries	Total Valuation, Translation Adjustments and others	Minority Interests	Total Net Assets
Balance as of March 31, 2011	**3,812**	**1**	**(20,687)**	**(1,959)**	**(18,833)**	**19,538**	**228,010**
Changes during the fiscal 2011							
Transfar of pension liability adjustment of foreign subsidieries	—	—	—	—	**0**	—	**0**
Cash dividends	—	—	—	—	—	—	**(4,230)**
Net income (loss) for the fiscal 2010	—	—	—	—	—	—	**17,886**
Acquisition of treasury stock	—	—	—	—	—	—	**(14)**
Retirement of treasury stock	—	—	—	—	—	—	**1**
Net increase/decrease during the fiscal 2010 of non shareholders' equity items	**(217)**	**5**	**(1,125)**	**(496)**	**(1,833)**	**575**	**(1,258)**
Total increase/decrease during the fiscal 2011	**(217)**	**5**	**(1,125)**	**(496)**	**(1,833)**	**575**	**12,385**
Balance as of March 31, 2012	**3,595**	**6**	**(21,812)**	**(2,455)**	**(20,666)**	**20,113**	**240,395**

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/2012	End of 3/2011
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	**36,414**	36,061
Depreciation and amortization	**27,544**	28,389
Goodwill and negative goodwill amortization	**2,616**	2,615
Loss on impaired property and equipment	**1,134**	727
Loss on disaster	**3,128**	544
Gain on sales of property and equipment	**(183)**	(482)
Loss on disposal of property, plant and equipment	**969**	655
Cost of structural reform	**3,831**	35
Interest and dividends received	**(420)**	(497)
Insurance income	**(241)**	—
Interest charges	**1,852**	1,770
Increase in accounts receivable-trade	**(20,369)**	(8,475)
Increase in inventories	**(45,308)**	(25,067)
Increase in accounts receivable	**(7,135)**	(2,976)
Increase in payables	**10,140**	13,346
Increase (decrease) in accrued expenses	**(376)**	3,334
Increase in accrued retirement benefits	**943**	1,041
Other	**(2,192)**	(4,657)
Subtotal	**12,347**	46,363
Proceeds from insurance income	**241**	—
Payments for loss on disaster	**(897)**	—
Amount paid for structural reform	**(504)**	(69)
Income taxes paid	**(8,179)**	(4,458)
Refund taxes	—	852
Net cash provided by operating activities	**3,008**	42,688
Cash flows from investing activities		
Expenditures for acquisition of property, plant and equipment	**(22,118)**	(18,636)
Proceeds from sales of property, plant and equipment	**836**	579
Expenditures for acquisition of intangible assets	**(537)**	(1,082)
Acquisition of business	—	(3,721)
Purchase of investment securities	**(39)**	(45)
Proceeds from sales of investment securities	**34**	26
Purchase from sales of subsidiaries' common stock	**(514)**	(2,009)
Proceeds from sales of subsidiaries' common stock	**35**	53
Interest and dividends income received	**421**	491
Other	**113**	(263)
Net cash used in investing activities	**(21,769)**	(24,607)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**8,707**	(3,082)
Increase (decrease) in commercial paper	**11,000**	(4,000)
Proceeds from long-term debt	**13,571**	20,462
Repayment of long-term debt	**(8,124)**	(2,124)
Proceeds from issuance of bonds	**10,000**	—
Redemption of bonds	**(15,505)**	(29,895)
Interest expenses paid	**(1,843)**	(1,852)
Proceeds from sale of treasury stock	**1**	2
Purchases of treasury stock	**(14)**	(32)
Dividends paid to shareholders	**(4,230)**	(4,230)
Dividends paid to minority shareholders	**(462)**	(405)
Net cash used in (provided by) financing activities	**13,101**	(25,156)
Effect of exchange rate changes in cash and cash equivalents	**(368)**	(2,570)
Net increase (decrease) in cash and cash equivalents	**(6,028)**	(9,645)
Cash and cash equivalents at beginning of year	**33,994**	43,639
Cash and cash equivalents at end of year	**27,966**	33,994

Retirement Benefits

(a) Summary of Retirement and Pension Plans:

Hitachi Metals and its subsidiaries have established Employees' Pension Fund Plans (EPF) , defined-benefit pension plans qualified pension plans and lump-sum payment 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 2011 (Mar. 31,2012)	Fiscal 2010 (Mar. 31,2011)
Projected benefit obligation	**(114,298)**	(113,744)
Plan assets at fair value	**73,679**	72,454
Funded status	**(40,619)**	(41,290)
Unrecognized actuarial loss	**24,938**	25,627
Unrecognized prior service(benefit)cost *	**(3,044)**	(3,565)
Net amount recognized in consolidated balance sheets	**(18,725)**	(19,228)
Prepaid pension cost in consolidated balance sheets	**4,051**	2,844
Accrued retirement benefits recognized in consolidated balance sheets	**(22,776)**	(22,072)

Note:

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

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

	Fiscal 2011 (Mar. 31,2012)	Fiscal 2010 (Mar. 31,2011)
Service cost *	**(3,062)**	(3,150)
Interest cost	**(2,761)**	(2,959)
Expected return on plan assets	**2,150**	2,211
Amortization of unrecognized actuarial loss	**(3,763)**	(3,455)
Amortization of unrecognized Prior service (benefit) cost	**465**	524
Loss on transfer for qualified pension plan	**209**	(115)
Contributions to defined contribution	**(1,489)**	(1,336)
Premium retirement and severance payment	**(395)**	—
Periodic pension cost recognized in consolidated statements of income	**(8,646)**	(8,280)

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 2011 (Mar. 31,2012)**	Fiscal 2010 (Mar. 31,2011)
Discount rate	Mainly 2.3%	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

Income Taxes

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

Deferred tax assets	**Fiscal 2011 (Mar. 31,2012)**	Fiscal 2010 (Mar. 31,2011)
Net operating loss carry forwards	**2,193**	3,200
Provision for retirement benefits	**6,756**	8,889
Employee pension trust	**1,274**	2,127
Elimination of unrealized profit on fixed assets	**1,632**	1,865
Allowance for doubtful accounts	**801**	967
Accrued bonuses	**3,566**	3,668
Accrued Taxes	**580**	466
Other	**13,049**	12,083
Subtotal	**29,851**	33,265
Less : valuation allowance	**(7,983)**	(8,093)
Total deferred tax assets	**21,868**	25,172
Deferred tax liabilities		
Depreciation	**(1,956)**	(1,972)
Special tax-purpose reserve	**(1,043)**	(1,093)
Retained earnings at overseas affiliated companies	**(1,213)**	(767)
Net unrealized holding losses on available-for-sale securities	**(634)**	(563)
Other	**(3,620)**	(4,389)
Total deferred tax liabilities	**(8,466)**	(8,784)
Net deferred tax assets	**13,402**	16,388

Business Segment Information

Last consolidated fiscal year (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

Last consolidated fiscal year (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 , other aluminum components, forging components for automobiles), 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, 2011 - Mar. 31, 2012) (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	215,642	168,928	170,891	555,461	1,453	556,914	—	556,914
Intersegment	2,629	139	108	2,876	2,212	5,088	(5,088)	—
Total sales	218,271	169,067	170,999	558,337	3,665	562,002	(5,088)	556,914
Operating Income (Loss)	18,786	23,819	9,294	51,899	848	52,747	(7,880)	44,867
Assets	253,334	214,326	129,664	597,324	11,030	608,354	(28,492)	579,862
Depreciation and amortization	11,754	8,284	6,600	26,638	289	26,927	617	27,544
Capital expenditures	11,191	6,848	5,660	23,699	485	24,184	116	24,300

Year under review (Apr. 1, 2011 - Mar. 31, 2012) (Millions of yen)

	Japan	North America	Asia	Europe	Ohters	Total
Overseas Sales	325,312	55,842	128,214	39,259	8,287	556,914

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 , other aluminum components, forging components for automobiles), 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)