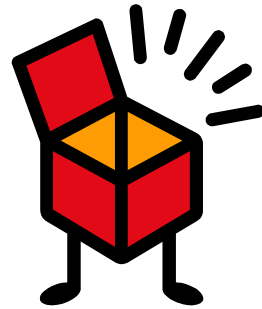


# Financial Highlights

the 9-month period ended Dec.31,2011  
(Fiscal 2011)



Materials Mag!c

January 31, 2012

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# Performance Overview



## 3rd Quarter of Fiscal 2011 (October–December 2011)

**Net sales: ¥145.5 billion (109% of FY2010 3Q)    Operating income: ¥16.8 billion (up ¥4.7 billion from FY2010 3Q)**

### ■ Demand Trends

In the automobile-related-product sector, while overseas the China and European markets exhibited slight downward trends, the rapid recovery of domestic production in Japan and other positive factors moved overall demand in this sector into solid territory.

Demand for electronics-related products held firm, primarily for tablet terminals, although sales for products used in personal computers turned sluggish, and adjustments continued in other LCD-related products as well.

In the infrastructure sector, while industrial machinery-related products entered an adjustment phase, demand rose for piping components and other construction-related products linked to rebuilding after the Great East Japan Earthquake and other factors.

### ■ Net Sales and Operating Income by Segment

**High-Grade Metal Products and Materials:**

Net sales of ¥54.1 billion (96% of FY2010 3Q) and operating income of ¥4.4 billion (down ¥2.5 billion from FY2010 3Q)

**Electronics and IT Devices:**

Net sales of ¥46.9 billion (132% of FY2010 3Q) and operating income of ¥10.8 billion (up ¥6.7 billion from FY2010 3Q)

**High-Grade Functional Components and Equipment:**

Net sales of ¥44.7 billion (106% of FY2010 3Q) and operating income of ¥3.5 billion (up ¥0.3 billion from FY2010 3Q)

### ■ Overseas Sales: ¥56.6 billion (overseas sales ratio = 38.9%)

North America: ¥13.9 billion (9.6% of total); the rest of Asia: ¥32.0 billion (22.0%); Europe: ¥8.8 billion (6.0%); others: ¥1.9 billion (1.3%)

## Outlook for Fiscal 2011

From the latter half of the third quarter under review, a slowdown emerged in overseas demand under the impact of the European debt problem. Although this was an anticipated development, current plans call for implementing reductions in production and inventory and cutbacks in fixed expenses, while still advancing business structure reforms. This will be a concerted push to bolster the company's foundation as we gear up for the next stage of positive growth.

# Highlights

¥billion, ( ): year-on-year

	Fiscal2010							Fiscal2011					
	1Q Actual	2Q Actual	1H Actual	3Q Actual	4Q Actual	2H Actual	Full Year	1Q Actual	2Q Actual	1H Actual	3Q Actual	Announced on Oct 27th 2011	
												2H Est.	Full Year Est.
Net sales	126.9	127.3	254.2	133.8	132.2	266.0	520.2	129.4 (102%)	132.3 (104%)	261.7 (103%)	145.5 (109%)	308.3 (116%)	570.0 (110%)
Operating income	12.0	9.9	21.9	12.1	9.1	21.2	43.1	10.9 (Δ1.1)	5.6 (Δ4.3)	16.5 (Δ5.4)	16.8 (+4.7)	28.0 (+6.8)	44.5 (+1.4)
Income before income taxes	10.7	7.9	18.6	11.3	6.2	17.5	36.1	10.0 (Δ0.7)	5.3 (Δ2.6)	15.3 (Δ3.3)	13.4 (+2.1)	23.2 (+5.7)	38.5 (+2.4)
Net income	5.5	4.8	10.3	6.2	5.7	11.9	22.2	6.2 (+0.7)	0.6 (Δ4.2)	6.8 (Δ3.5)	7.9 (+1.7)	14.9 (+3.0)	21.7 (Δ0.5)
Capital investment	3.4	4.8	8.2	4.9	7.3	12.2	20.4	4.2 (+0.8)	5.9 (+1.1)	10.1 (+1.9)	4.8 (Δ0.1)	17.9 (+5.7)	28.0 (+7.6)
Depreciation costs	6.7	6.8	13.5	7.3	7.6	14.9	28.4	6.6 (Δ0.1)	6.8 (±0)	13.4 (Δ0.1)	6.9 (Δ0.4)	15.2 (+0.3)	28.6 (+0.2)
R&D expenses	2.7	3.0	5.7	3.2	3.3	6.5	12.2	2.8 (+0.1)	3.0 (±0)	5.8 (+0.1)	3.1 (Δ0.1)	7.2 (+0.7)	13.0 (+0.8)

# Performance Trends in the Third Quarter of Fiscal 2011



**Net Sales ¥ 145.5 Billion (109% of FY2010 3Q)**

High-Grade Metal Products and Materials ¥54.1 billion (96% of FY2010 3Q)  
 Electronics and IT Devices ¥46.9 billion (132% of FY2010 3Q)  
 High-Grade Functional Components and Equipment ¥44.7 billion (106% of FY2010 3Q)

## High-Grade Metal Products and Materials

In the specialty steel area, tool steel went through an adjustment in overseas demand, while strong demand bolstered domestic sales. Energy-related sales also remained firm, while adjustments continued in alloys for electronic products for both LCD- and semiconductor-related fields. In rolls, although domestic sales remained weak, demand from newly emerging nations charted growth.

## Electronics and IT Devices

Although magnets saw adjustments in demand for use in the factory automation and household appliances sectors, automobile-related sales were buoyed by the recovery of domestic production in Japan and other positive aspects. In the area of IT devices, while sales were brisk for use in smartphones, production adjustments in cell phone-related markets and inventory adjustments in solar power generation components dragged on, causing sluggish growth overall. Sales of amorphous metals (soft magnetic materials) continued to slip under the impact of a delay in bidding procedures in China.

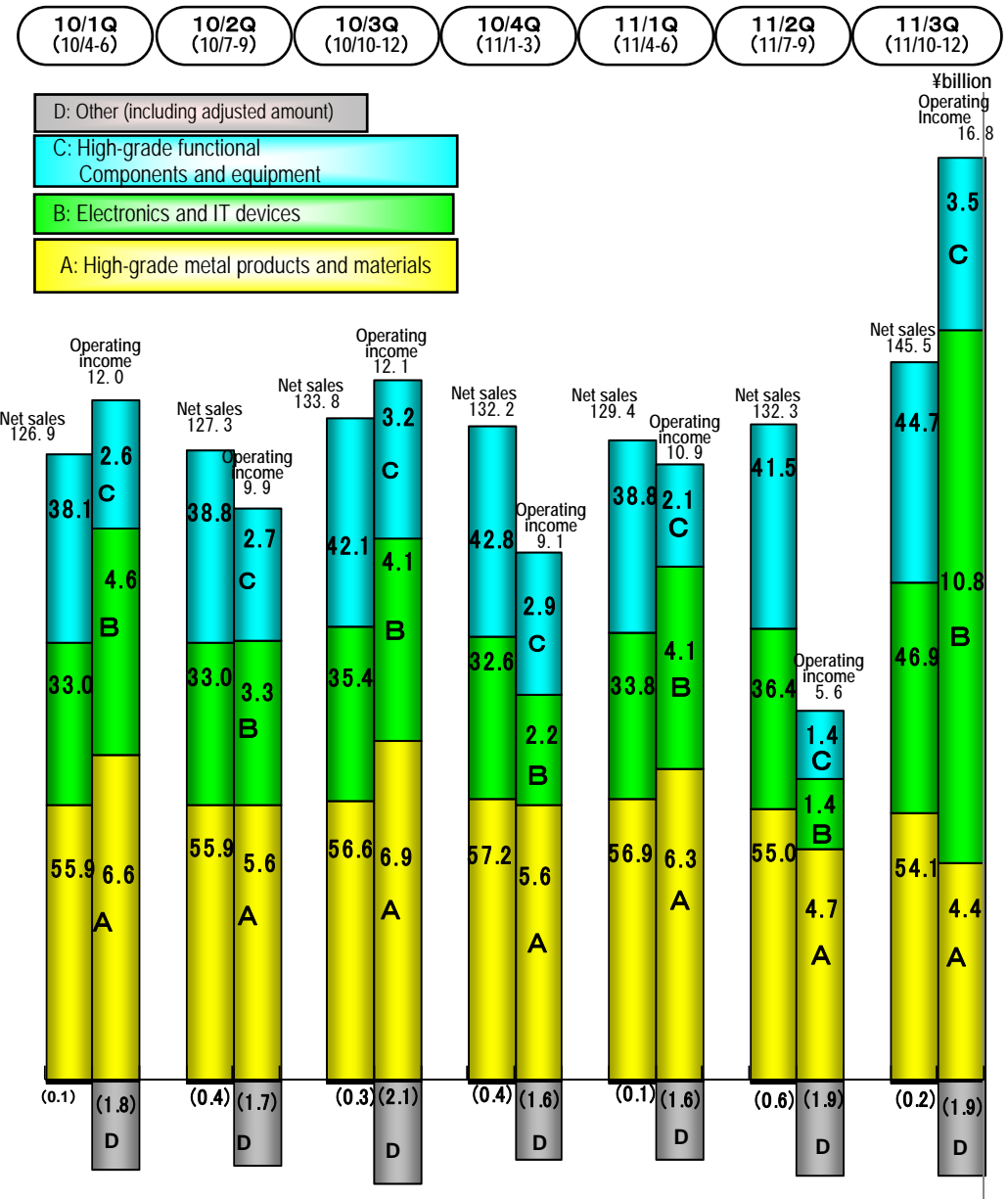
## High-Grade Functional Components and Equipment

In casting components for automobiles, sales of ductile iron products were healthy in the US and Asian markets. Demand for HERCUNITE® continued to run strong, with the focus on automakers in Europe and the United States. Aluminum wheel sales performed well in Japan, with demand for those products bouncing back on overseas markets as well. Sales of piping components grew under the support of rebuilding demand and a rally in construction in the wake of the March 11 earthquake.

**Operating Income: ¥16.8 Billion (Up ¥4.7 Billion from FY2010 3Q)**

High-Grade Metal Products and Materials ¥4.4 billion (down ¥2.5 billion from FY2010 3Q)  
 Electronics and IT Devices ¥10.8 billion (up ¥6.7 billion from FY2010 3Q)  
 High-Grade Functional Components and Equipment ¥3.5 billion (up ¥0.3 billion from FY2010 3Q)

Operating income rose compared to the third quarter of the previous fiscal year. Contributing factors included the recovery in Japanese domestic automobile production, strong overseas demand, and other trends leading to increased operations. The effects of lower costs, reduction in the time needed to pass on raw materials costs into sales prices, and other developments also played a part in this rise in operating income.



# Consolidated Net Sales and Operating Income Projections for FY2011



**Net Sales ¥570 Billion (110% of FY2010)**  
**Operating Income ¥44.5 Billion (up 1.4 Billion from FY2010)**

## ■ High-Grade Metal Products and Materials

Net sales ¥219 billion (97% of FY2010)  
 Operating income ¥20 billion (down 4.7 billion from FY2010)

## ■ Electronics and IT Devices

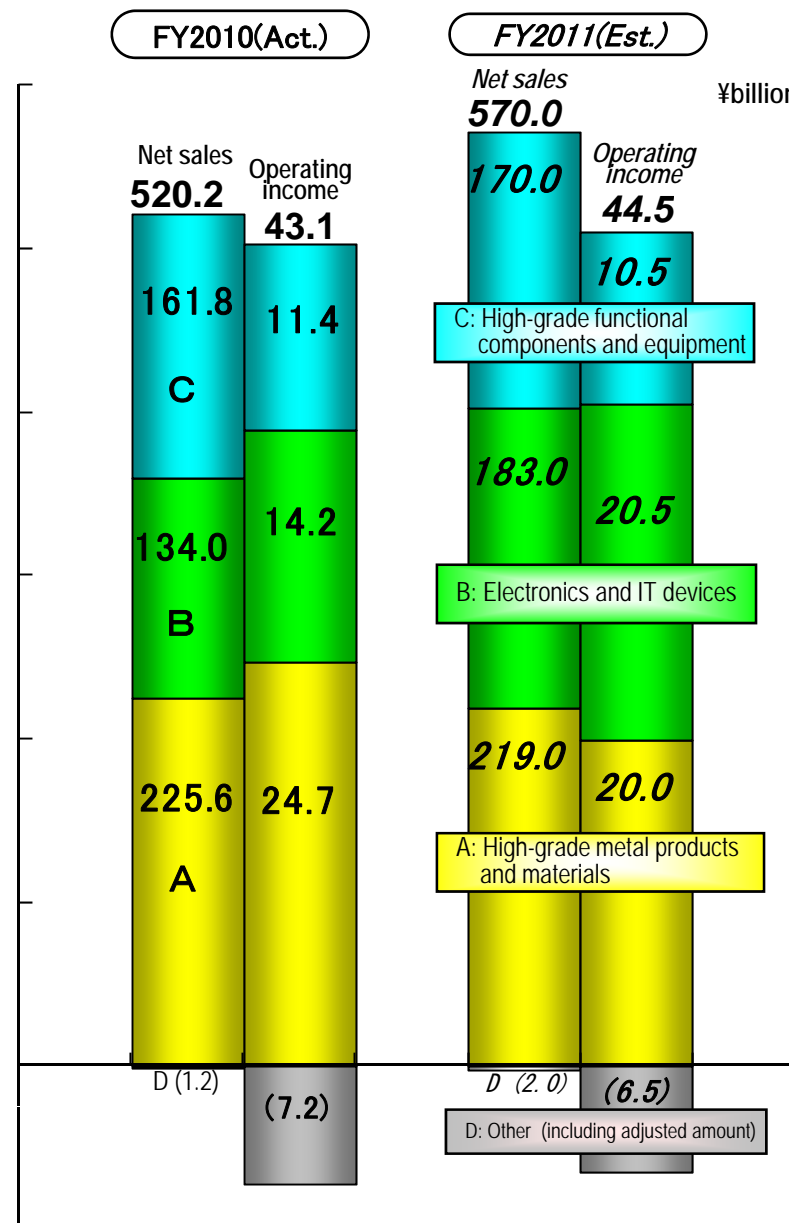
Net sales ¥183 billion (137% of FY2010)  
 Operating income ¥20.5 billion (up 6.3 billion from FY2010)

## ■ High-Grade Functional Components and Equipment

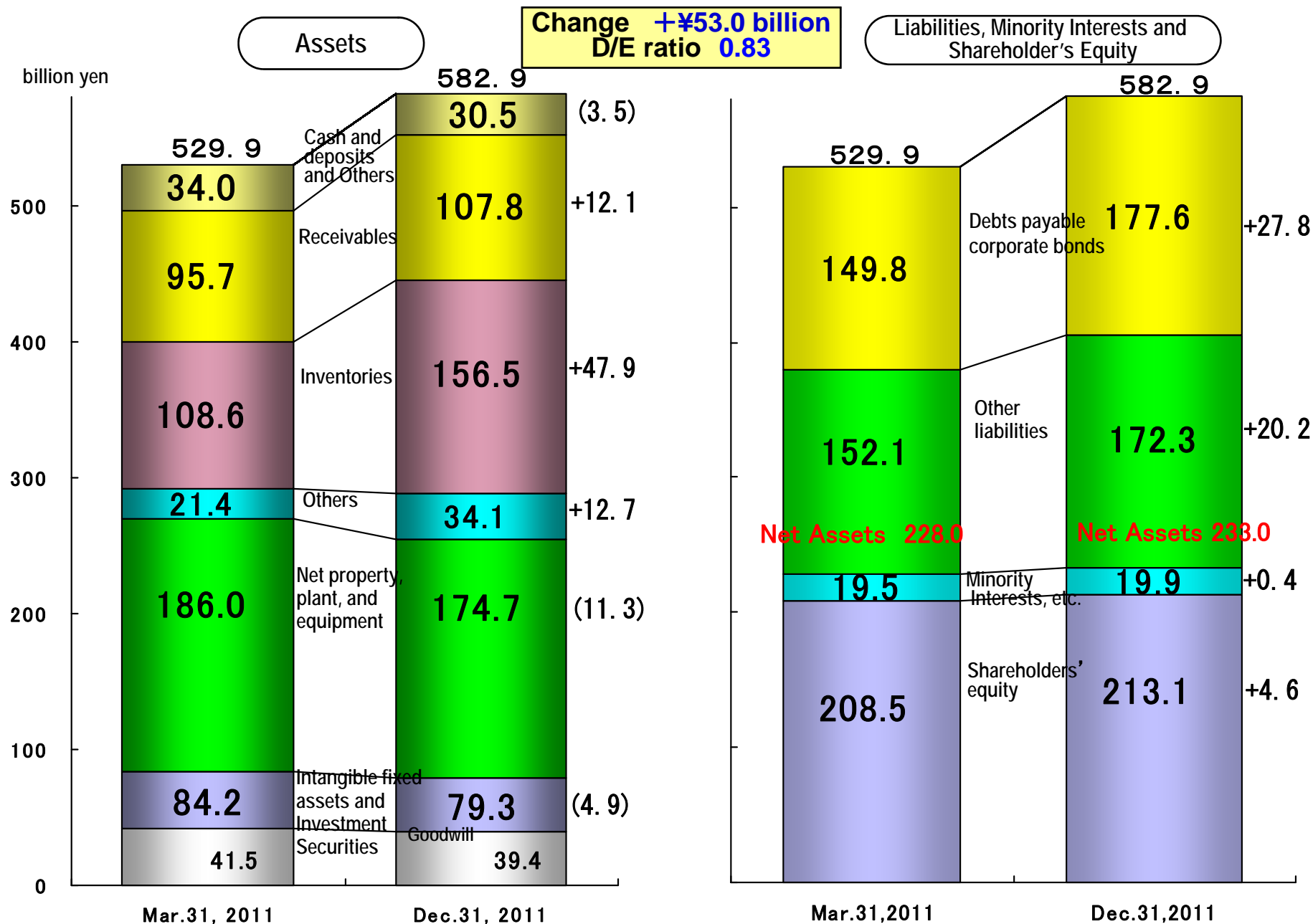
Net sales ¥170 billion (105% of FY2010)  
 Operating income ¥10.5 billion (down 0.9 billion from FY2010)

- With the impact of the debt crisis in Europe prompting a slowdown in overseas-bound demand, related products are expected to enter a production adjustment phase, with stricter inventory controls also set to be implemented.

- While prices of raw materials (rare earth) have steadily declined after the second half of the fiscal year began, overall levels remain high. To keep effectively addressing this environment, steps will be taken to pass on these costs to our sales prices, reduce the time lag required for that cost-to-price transition, and promote other essential moves. During this process, every possible effort will be made to earn the understanding of customers.



# Consolidated Balance Sheet



# Consolidated Cash Flows



(¥ billion)

Item	FY2010 3Q	FY2011 3Q
Cash and cash equivalents at beginning of year	43.6	34.0
Income (loss) before income taxes and minority interests	29.9	28.7
Depreciation and amortization	20.8	20.3
Decrease (increase) in inventories	(23.1)	(51.3)
Other	5.4	(8.3)
<b>Cash flows from operating activities</b>	<b>33.0</b>	<b>(10.6)</b>
Capital investment*	(13.1)	(14.9)
Other	(3.5)	0.4
<b>Free cash flow</b>	<b>16.4</b>	<b>(25.1)</b>
Borrowings, debts, and bonds	(14.8)	29.3
Dividend payments, etc.	(6.0)	(6.0)
<b>Net cash flow</b>	<b>(4.4)</b>	<b>(1.8)</b>
Effect of exchange rate changes, etc.	(3.4)	(1.7)
Net increase (decrease)	(7.8)	(3.5)
Cash and cash equivalents at end of year	35.8	30.5

\*On an accrual basis (i.e., expenditures are recognized upon receipt and inspection of items)

# (Ref.) Business Operations by Segment



Business Segment	Business Units	Principal Products
<p><b>High-Grade Metal Products and Materials</b></p> <p>Fiscal 2009 Results: Net sales of ¥187.9 billion Operating income of ¥6.5 billion</p> <p>Fiscal 2010 Results: Net sales of ¥225.6 billion Operating income of ¥24.7 billion</p>	Specialty Steel Company	High-grade specialty steel (YSSTM): Molds and tool steel, alloys for electronic products (display-related materials and semiconductor and other package materials), industrial equipment and energy-related materials, and razor and blade materials
	Roll Company	Rolls for steel, nonferrous, and nonmetal applications; injection molding machine parts; structural ceramic products; and steel-frame joints for construction
	Hitachi Tool Engineering, Ltd.	Cutting tools
<p><b>Electronics and IT Devices</b></p> <p>Fiscal 2009 Results: Net sales of ¥105.9 billion Operating income of ¥7.1 billion</p> <p>Fiscal 2010 Results: Net sales of ¥134.0 billion Operating income of ¥14.2 billion</p>	NEOMAX Company	Magnets (rare earth magnets [NEOMAX®], ferrite magnets, and other magnets and applied products)
	Information System Components Company	Components for information and telecommunications equipment (multilayered devices and isolators), IT materials and components, materials and components for medical equipment, soft ferrite cores and applied products, nanocrystalline magnetic material (FINEMET®) and applied devices, and amorphous metals (Metglas®) and applied products
	Soft Magnetic Materials Company	Amorphous metals (Metglas®)
<p><b>High-Grade Functional Components and Equipment</b></p> <p>Fiscal 2009 Results: Net sales of ¥138.0 billion Operating income of ¥5.5 billion</p> <p>Fiscal 2010 Results: Net sales of ¥161.8 billion Operating income of ¥11.4 billion</p>	Automotive Components Company	High-grade casting components for automobiles (heat-resistant exhaust casting components [HERCUNITE®], ductile iron [HNMTM]), aluminum wheels (SCUBATM), and other aluminum components
	Piping Components Company	Piping and infrastructure components (Gourd® brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
	Hitachi Metals Techno, Ltd.	Construction components (access floor systems, structural systems, and material handling systems)



All forward-looking statements in this document, such as results forecasts, management plans, and dividend forecasts, are not historical facts but are based upon all available information as well as assumptions and projections that were deemed rational at the time the Company prepared this document. Changes to underlying assumptions or circumstances could cause actual results to differ substantially. Factors that cause such differences include, but are not limited to, the following:

- Changes in economic conditions and regulations in main markets where the Company operates, particularly Japan, the United States, the rest of Asia, and Europe
- Sudden changes in technological trends
- Changes in competitive advantage and the capabilities of the Company and its subsidiaries and affiliates to develop and commercialize new products and businesses
- Fluctuation in the status and conditions of product markets, exchange rates, or international commodity markets
- Changes in financing environments
- The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand and the status and conditions of product markets, exchange rates, or international commodity markets
- The protection of the Company's intellectual property and the securing of licenses to use the intellectual property of other parties
- Changes in the status of alliances with other parties for product development, etc.
- Fluctuation in Japanese stock markets