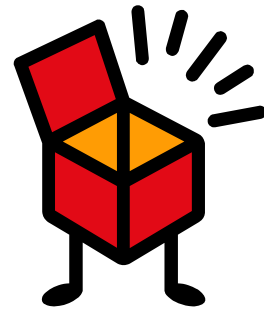


# Financial Results

## For the Year Ended March 31, 2012



Materials Mag!c

April 26, 2012

**Hitachi Metals, Ltd.**

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

E-Mail: [hmir@hitachi-metals.co.jp](mailto:hmir@hitachi-metals.co.jp)

# Consolidated Financial Highlights



(Unit: ¥ billion; []: year-on-year)

	FY2010 (Actual)			FY2011 (Actual)			FY2012 (Forecast)		
	1-2Q	3-4Q	Total	1-2Q	3-4Q	Total	1-2Q	3-4Q	Total
Net sales	254.2	266.0	520.2	261.7 [103%]	295.2 [111%]	556.9 [107%]	284.0 [109%]	306.0 [104%]	590.0 [106%]
Operating income	21.9	21.2	43.1	16.5 [(5.4)]	28.4 [+7.2]	44.9 [+1.8]	22.0 [+5.5]	28.0 [(0.4)]	50.0 [+5.1]
Ordinary income	19.2	18.4	37.6	15.5 [(3.7)]	28.8 [+10.4]	44.3 [+6.7]	19.0 [+3.5]	26.5 [(2.3)]	45.5 [+1.2]
(Extraordinary loss)	(0.6)	(0.9)	(1.5)	(0.2) [+0.4]	(7.7) [(6.8)]	(7.9) [(6.4)]	2.0 [+2.2]	(1.5) [+6.2]	0.5 [+8.4]
Income before income taxes	18.6	17.5	36.1	15.3 [(3.3)]	21.1 [+3.6]	36.4 [+0.3]	21.0 [+5.7]	25.0 [+3.9]	46.0 [+9.6]
Net income	10.3	11.9	22.2	6.8 [(3.5)]	11.1 [(0.8)]	17.9 [(4.3)]	12.5 [+5.7]	16.0 [+4.9]	28.5 [+10.6]
Capital investment	8.2	12.2	20.4	10.1 [+1.9]	14.2 [+2.0]	24.3 [+3.9]	17.0 [+6.9]	15.0 [+0.8]	32.0 [+7.7]
Depreciation and amortization	13.5	14.9	28.4	13.4 [(0.1)]	14.1 [(0.8)]	27.5 [(0.9)]	14.0 [+0.6]	15.0 [+0.9]	29.0 [+1.5]
R&D expenses	5.7	6.5	12.2	5.8 [+0.1]	6.4 [(0.1)]	12.2 [±0]	6.1 [+0.3]	6.2 [(0.2)]	12.3 [+0.1]

# Performance Overview for FY2011



## ■ Net Sales and Operating Income

**Net sales: ¥556.9 billion** (up 7% from FY2010) **Operating income: ¥44.9 billion** (up ¥1.8 billion from FY2010)

## ■ Demand Trends

Automobile-related product sector: Demand was solid overseas, particularly in North America and Asia, offsetting domestic supply chain turmoil in the first half of the year.

Electronics-related products: Demand was solid for tablet terminals, although sales for products used in personal computers were sluggish, while adjustments continued in other LCD-related products.

Industrial infrastructure sector: Demand rose for piping components and other construction-related products linked to rebuilding after the Great East Japan Earthquake, while demand was steady overseas for energy-related products.

## ■ Segment Trends

**High-Grade Metal Products and Materials: Sales of ¥218.3 billion** (down 3%) **and operating income of ¥18.8 billion** (down ¥5.9 billion)

⇒ Sales of tool steels and automobile-related products were solid, reflecting a recovery in domestic automobile production, while an adjustment phase continued in electronic materials for LCDs and semiconductors.

**Electronics and IT Devices: Sales of ¥169.1 billion** (up 26%) **and operating income of ¥23.8 billion** (up ¥9.6 billion)

⇒ Although demand entered an adjustment phase for factory automation and household appliance magnets, the automobile sector remained strong, while adjustments continued for amorphous metals in China and India.

**High-Grade Functional Components and Equipment: Sales of ¥171.0 billion** (up 6%) **and operating income of ¥9.3 billion** (down ¥2.1 billion)

⇒ Despite customer production adjustments in the aftermath of the Great East Japan Earthquake, overseas demand was strong for automobile-use casting components. A pickup in construction helped increase demand for piping components.

## ■ Net Income and ROE

**Net income of ¥17.9 billion** (down ¥4.3 billion), and **ROE of 8.3%** (down 2.7 percentage points)

## ■ Capital Investment, Depreciation and Amortization, and R&D Expenses

**Capital investment of ¥24.3 billion** (up ¥3.9 billion), **depreciation and amortization of ¥27.5 billion** (down ¥0.9 billion), and **R&D expenses of ¥12.2 billion** (unchanged)

## ■ Overseas Sales: ¥231.6 billion (accounting for 41.6% of net sales)

North America (¥55.8 billion; 10.0% of total), Asia (¥128.2 billion; 23.0%), Europe (¥39.3 billion; 7.1%), and Other (¥8.3 billion; 1.5%)

## ■ New Products Sales Ratio: 27% of net sales (up 3 percentage points)

# Performance Overview by Segment for FY2011



**Net Sales: ¥556.9 billion (up 7% from FY2010)**

High-Grade Metal Products and Materials	¥218.3 billion (down 3%)
Electronics and IT Devices	¥169.1 billion (up 26%)
High-Grade Functional Components and Equipment	¥171.0 billion (up 6%)

**High-Grade Metal Products and Materials**

In specialty steels, favorable domestic demand for tool steel offset signs of demand adjustments overseas, while an adjustment phase continued in electronic materials for LCD- and semiconductor-related fields. In rolls, domestic demand remained sluggish while demand grew in emerging nations.

**Electronics and IT Devices**

Although demand entered an adjustment phase for factory automation and appliance magnets, demand was favorable for automobile-related products, owing partly to a recovery in domestic production. In IT devices, demand declined for cell phone-related products, and demand for solar power generation components was sluggish, reflecting ongoing inventory adjustments. Demand for amorphous metals decreased owing to delays in bidding procedures in China and second-half adjustments in the Indian market.

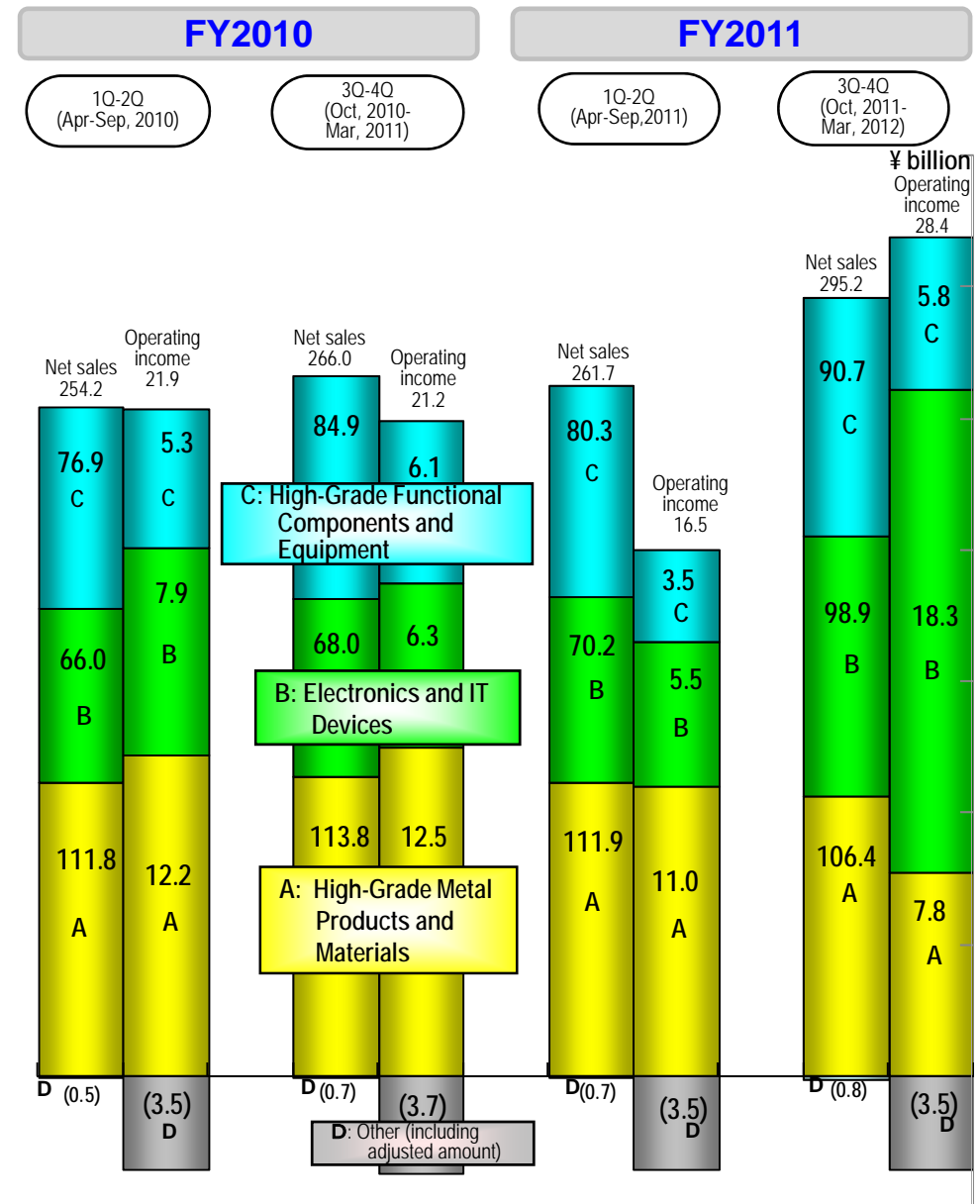
**High-Grade Functional Components and Equipment**

In casting components for automobiles, sales of ductile iron products were solid in the North American and Asian markets. Because of ongoing environmental compliance needs, demand remained strong for HERCUNITE®, particularly among overseas automakers, offsetting signs of second-half adjustments in the European market. Demand recovered in Japan and abroad for aluminum wheels. A pickup in construction helped increase demand for piping components.

**Operating Income: ¥44.9 billion (up ¥1.8 billion from FY2010)**

High-Grade Metal Products and Materials	¥18.8 billion (down ¥5.9 billion)
Electronics and IT Devices	¥23.8 billion (up ¥9.6 billion)
High-Grade Functional Components and Equipment	¥9.3 billion (down ¥2.1 billion)

Despite demand adjustments in electronics-related products, operations were solid, reflecting a recovery in domestic automobile production and favorable overseas demand. Reductions in costs and in time needed to pass on raw material costs contributed to the ¥1.8 billion gain in operating income.



# Forecast for FY2012

**Net Sales: ¥590.0 billion** (up 6% from FY2011)

**Operating Income: ¥50.0 billion** (up ¥5.1 billion from FY2011)

## ■ High-Grade Metal Products and Materials

Sales: ¥238.0 billion (up 9%)

Operating income: ¥22.0 billion (up ¥3.2 billion)

## ■ Electronics and IT Devices

Sales: ¥176.0 billion (up 4%)

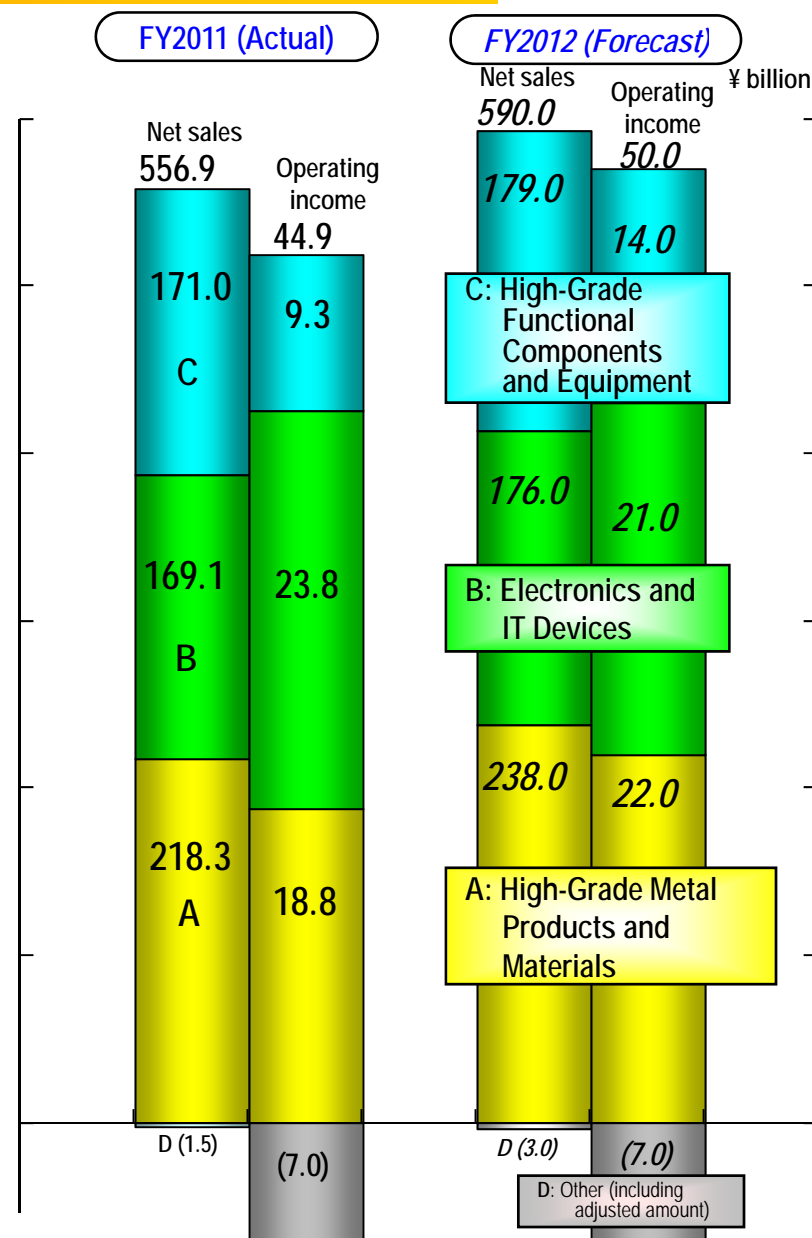
Operating income: ¥21.0 billion (up ¥2.8 billion)

## ■ High-Grade Functional Components and Equipment

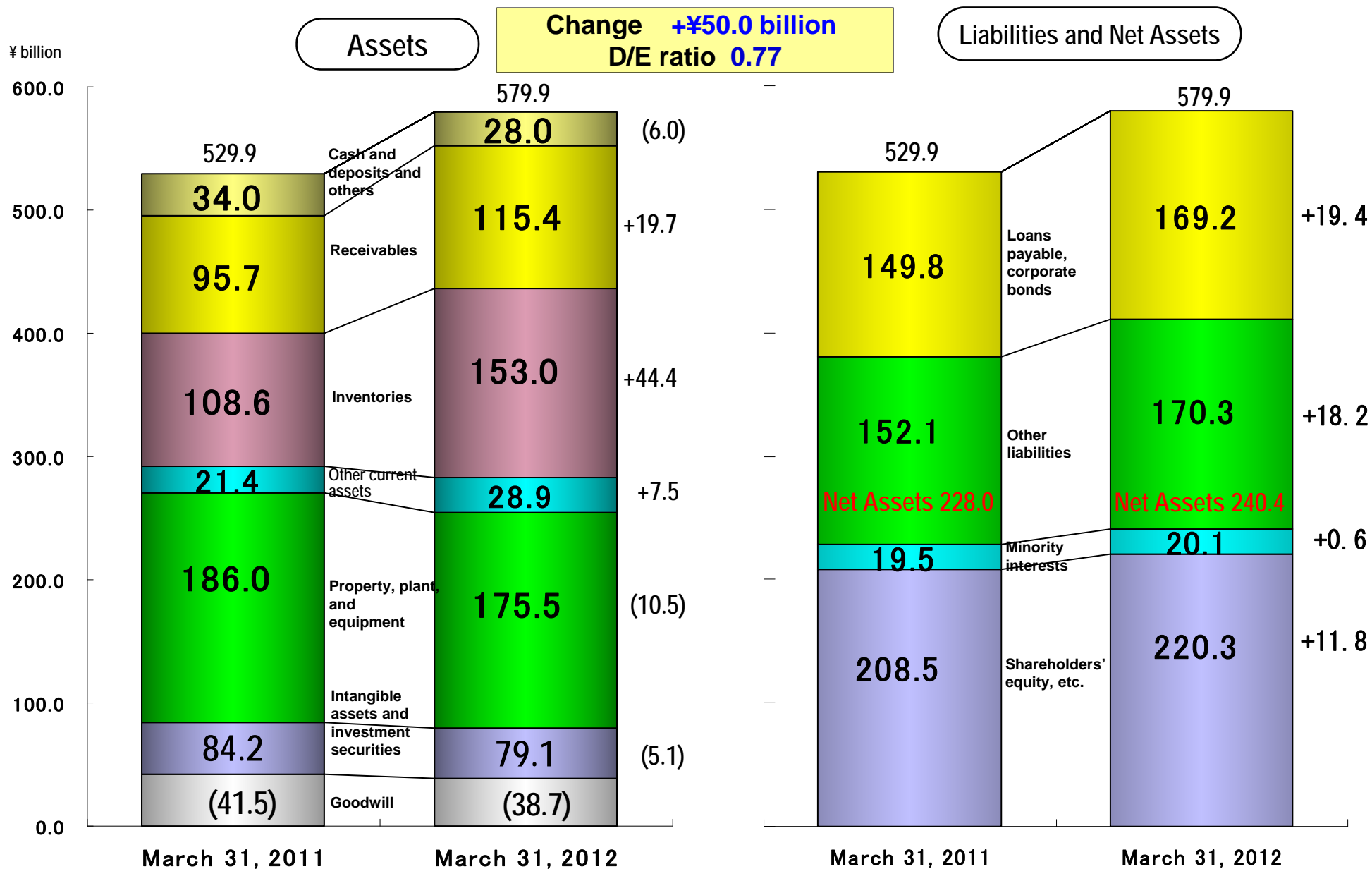
Sales: ¥179.0 billion (up 5%)

Operating income: ¥14.0 billion (up ¥4.7 billion)

Management anticipates a mild recovery in demand for electronics-related products, with both domestic and overseas automobile-related demand remaining solid. The Company will endeavor to expand sales in the global marketplace while revising its cost structure to drive growth.



# Consolidated Balance Sheets



# Consolidated Cash Flows



(¥ billion)

Item	FY2010	FY2011
Cash and cash equivalents at beginning of year	43.6	34.0
Income before income taxes and minority interests	36.1	36.4
Depreciation and amortization	28.4	27.5
Decrease (increase) in inventories	(25.1)	(45.3)
Other	3.3	(15.6)
<b>Cash flows from operating activities</b>	<b>42.7</b>	<b>3.0</b>
Capital investment*	(19.7)	(22.7)
Other	(4.9)	0.9
<b>Free cash flow</b>	<b>18.1</b>	<b>(18.8)</b>
Decrease (increase) in borrowings and bonds	(18.6)	19.6
Dividend payments, etc.	(6.6)	(6.5)
<b>Net cash flow</b>	<b>(7.1)</b>	<b>(5.7)</b>
Effect of exchange rate changes, etc.	(2.5)	(0.3)
Net increase (decrease)	(9.6)	(6.0)
Cash and cash equivalents at end of year	34.0	28.0

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

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.
- Fluctuations in Japanese stock markets