

To Our Shareholders



As president and CEO of Hitachi Metals, Ltd.,
I would like to thank you for taking the time
to read this annual report.

Fiscal 2008 (the 12-month period ended March 31, 2009) was both eventful and challenging for the Hitachi Metals Group. Up to the end of September 30, 2008, we achieved record-high results on the back of an across-the-board upswing in product sales. In the interim period of the fiscal year under review, net sales were ¥353.7 billion with operating income totaling ¥29.7 billion. From late July to early August 2008, however, signs of a shift in order trends began to emerge, reflecting worldwide financial market instability that prompted sharp fluctuations in the economic environment. As a result, the Group saw a substantial decline in orders received, particularly for automotive- and electronics-related products, as well as a growing incidence of order postponement and cancellation from the latter half of the third quarter.

In response to this downturn in business activity and in order to avoid the burden imposed by surplus inventory, including stock in transit, we undertook substantial production adjustments. We anticipate that changes in market fundamentals and conditions will necessitate a new approach and business model. Therefore, we launched a series of structural reforms, including a number aimed at reducing fixed costs, which had ballooned as various facilities came into full-scale production, and accelerated efforts to further lower the break-even point. While these cost-cutting measures had short-term positive effects, restructuring charges resulted in a net loss of ¥3.0 billion for the fiscal year.

For a variety of reasons, fiscal 2008 was a significant turning point for the Hitachi Metals Group. In recent years, we have selectively allocated management resources to the development and manufacture of eco-friendly products, increased the ratio of new product sales to total sales, pursued global expansion and implemented cost structure reform—all with the aim of realizing sustainable growth. We have particularly benefited from the strengths of the Group's eco-friendly products. Against the backdrop of further sharp and dramatic changes in the market, however, we now recognize the need to again reassess our corporate structure and systems in order to embark upon a new growth trajectory. To this end, the Hitachi Metals Group has positioned the 12-month period ending March 31, 2010 as a year to implement a variety of measures aimed at rebuilding and strengthening the Group's business platform.

While fiscal 2008 was indeed an eventful and challenging year, it served as a springboard for renewed growth. Despite a harsh operating environment that leaves little room for complacency, I am convinced that the essence of the Group's growth scenario remains intact.

Drawing on accumulated experience and the spirit of its predecessors, Hitachi Metals remains blessed with the ability to develop materials possessing unique properties. In order to further refine this position of advantage, we will rebuild and strengthen our corporate structure on an individual business segment basis, with the aim of realizing future growth.

As we work diligently toward achieving this goal, I would ask for the continued support and understanding of all the Group's stakeholders.



Nobuo Mochida President, Chief Executive Officer and Director