Financial Highlights
the 6-month period ended Sep.30, 2009
(Fiscal 2009)

Materials Magic
October 28, 2009

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Notes: “△” signs ahead of figures mean “minus.”
**Overview**

**FY09 First Half**

- **Demand Trends**
  Electronics-related product demand rapidly recovered and remained steady for semiconductors and LCD use from early in the fiscal year, primarily in China. The automobile-related field was lackluster in the 1Q, while showing signs of recovery in the 2Q. However, inventory adjustments continued for some products. The industrial infrastructure field stagnated at a low level due to cutbacks in domestic capital investment.

- **Net Sales and Operating Income**
  Reductions in fixed costs brought operating income into the black from 2Q, although sales did not meet initial forecasts.

- **Reinforcing The Group’s Operating Platform**
  1. Strengthening profitability ⇒ Lowering the breakeven point through cost structure reform
  2. Reduction of working capital ⇒ Continuing to cut inventory (down ¥17.2 billion from the fiscal year ended March 31, 2009) and carefully selecting investments

**Outlook for FY09**

- Net sales are expected to fall short of initial estimates due to delays in recovery of actual demand for tool steels, etc. (Initial forecast: ¥460.0 billion ⇒ current forecast: ¥440.0 billion)
- The forecast for operating income remains unchanged from initial forecasts owing to the effect of reductions in fixed costs.
- On a sales volume basis, the 2H of FY09 is expected to be at about 75% that of the 1H of FY08, excluding the impact of foreign currency exchange rates and material prices. Hitachi Metals will continue to implement cost structure reforms and reinforce the Group’s operating platform to secure new growth.
<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2007</th>
<th>Fiscal 2008</th>
<th>Fiscal 2009</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>FY07 1Q</td>
<td>FY07 1H</td>
<td>FY08 1Q</td>
</tr>
<tr>
<td></td>
<td>(Actual)</td>
<td>(Actual)</td>
<td>(Actual)</td>
</tr>
<tr>
<td>Net Sales</td>
<td>1,724</td>
<td>3,463</td>
<td>7,011</td>
</tr>
<tr>
<td></td>
<td>98% of 4Q FY08</td>
<td>53% of 1Q FY08</td>
<td>82% of 2H FY08</td>
</tr>
<tr>
<td>Operating Income</td>
<td>125</td>
<td>266</td>
<td>597</td>
</tr>
<tr>
<td></td>
<td>+133 from 4Q FY08</td>
<td>+199 from 1Q FY08</td>
<td>+111 from 2H FY08</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>171</td>
<td>244</td>
<td>514</td>
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<tr>
<td></td>
<td>△230</td>
<td>△384</td>
<td>(△124)</td>
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<tr>
<td>Net Income</td>
<td>86</td>
<td>126</td>
<td>270</td>
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<tr>
<td></td>
<td>△124</td>
<td>△210</td>
<td>△20</td>
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<tr>
<td>Capital investment</td>
<td>156</td>
<td>258</td>
<td>493</td>
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<tr>
<td></td>
<td>△30</td>
<td>△111</td>
<td>△240</td>
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<tr>
<td>Depreciation costs</td>
<td>73</td>
<td>140</td>
<td>294</td>
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<tr>
<td></td>
<td>△1</td>
<td>△4</td>
<td>△11</td>
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<tr>
<td>Research &amp; Development Expenses</td>
<td>31</td>
<td>67</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>△9</td>
<td>△17</td>
<td>△23</td>
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( ) contain initial forecast comparisons

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**FY09 First Half Consolidated Net Sales • Operating Income (Loss) (By Segment)**

**Net Sales: ¥195.3 billion**  
55% of 1H FY08 (82% of 2H FY08)

- **High-Grade Metal Products and Materials**: ¥88.5 billion, 56% of 1H FY08 (82% of 2H FY08)
- **Electronics and IT Devices**: ¥45.8 billion, 54% of 1H FY08 (87% of 2H FY08)
- **High-Grade Functional Components and Equipment**: ¥62.7 billion, 57% of 1H FY08 (80% of 2H FY08)

**High-Grade Metal Products and Materials**
Specialty steel alloys for electronic products continued to see robust sales for both semiconductor and LCD use. Tool steels saw declines and ongoing adjustments of distribution stock, although a gradual recovery after the 3Q is expected. Sales of rolls declined due to poor demand, despite signs of recovery in crude steel production.

**Electronics and IT Devices**
Permanent magnet sales in the automobile sector recovered slightly from the 2Q despite the impact of production adjustments, while recovery was firm in the PC and household appliance sector. Environmental countermeasures such as for EPS, held steady. Declines were seen as a result of cutbacks in FA-related capital investment, and future demand is expected to be subdued. Sales of mobile phone-related information systems components were robust. Sales of amorphous metals (soft magnetic materials) were stable, with market recovery seen in India. Steady sales are expected for the 2H.

**High-Grade Functional Components and Equipment**
In casting components for automobiles, sales of ductile iron products declined considerably due to the drop in automobile production. Sales of HERCUNITE® for large-size automobiles in the United States fell, while Europe turned the corner toward recovery. Aluminum wheels entered into recovery from the 2Q, and steady future demand is expected. Reflecting the impact of cutbacks in capital investment, demand for piping components remained lackluster.

**Operating Income ¥3.5 billion**  
△¥33.2 billion YoY (+¥11.1 billion from 2H FY08)

- **High-Grade Metal Products and Materials**: ¥2.6 billion  
△¥17.2 billion YoY (+¥6.3 billion from 2H FY08)
- **Electronics and IT Devices**: ¥0.3 billion  
△¥10.4 billion YoY (+¥1.7 billion from 2H FY08)
- **High-Grade Functional Components and Equipment**: ¥0.2 billion  
△¥6.9 billion YoY (+¥2.3 billion from 2H FY08)

Operating income declined ¥33.2 billion year on year as a result of a decline in sales due to inventory adjustments in the automobile-related field and stagnant demand. However, an improvement of ¥11.1 billion, compared to the 2H of FY08, was seen owing to reductions in fixed costs.

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FY09 Consolidated Net Sales • Operating Income Estimates
(By Segment)

Net Sales ¥440.0 billion
74% of FY08 (Down ¥20.0 billion from initial estimate)

Operating income ¥10.0 billion
Down ¥5.1 billion YoY (Unchanged from initial estimate)

High-Grade Metal Products and Materials
Net Sales ¥190.0 billion (72% of FY08, △¥15.0 billion from initial estimate)
Operating income ¥3.6 billion (△¥2.1 billion YoY, △¥0.2 billion from initial estimate)

Electronics and IT Devices
Net Sales ¥110.0 billion (80% of FY08, △¥5.0 billion from initial estimate)
Operating income ¥7.5 billion (△¥1.8 billion YoY, △¥1.2 billion from initial estimate)

High-Grade Functional Components and Equipment
Net Sales ¥143.5 billion (76% of FY08, △¥1.5 billion from initial estimate)
Operating income ¥5.1 billion (+¥0.9 billion YoY, +¥0.8 billion from initial estimate)

Services and Other, Eliminated
Net Sales △¥3.5 billion (+¥1.5 billion from initial estimate)
Operating income △¥6.2 billion (+¥0.6 billion from initial estimate)

Demand for electronics-related products, including semiconductors and LCDs, recovered and is holding steady, particularly in China. Inventory adjustments in such areas as tool steels continue and actual demand recovery is expected to take longer than initially estimated. As a result, the net sales projection is less than initial estimates. In terms of operating income, however, no revision is needed thanks to reductions to fixed costs. Hitachi Metals will continue to reinforce the Group’s business structure with the aim of securing further growth.
## Consolidated Cash Flows

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<tbody>
<tr>
<td>Net income before tax adjustments</td>
<td>297</td>
<td>△87</td>
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<tr>
<td>Depreciation costs</td>
<td>153</td>
<td>149</td>
</tr>
<tr>
<td>Capital investment</td>
<td>△197</td>
<td>△86</td>
</tr>
<tr>
<td>Others</td>
<td>△210</td>
<td>171</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>43</td>
<td>147</td>
</tr>
<tr>
<td>Reducing borrowings</td>
<td>25</td>
<td>△44</td>
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<tr>
<td>Dividend payments, others</td>
<td>△42</td>
<td>△36</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>△9</td>
<td>△10</td>
</tr>
<tr>
<td><strong>Net increase in cash during Current Period</strong></td>
<td>17</td>
<td>57</td>
</tr>
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(Reference) Business Segments

High-Grade Metal Products and Materials
- Specialty Steel Company
- Roll Company
- Hitachi Tool Engineering Group

Electronics and IT Devices
- NEOMAX Company
- Information Systems Components Company
- Soft Magnetic Materials Company

High-Grade Functional Components and Equipment
- Automotive Components Company
- Piping Components Company
- Hitachi Metals Techno Group

Service and Others
- Sales, Services Division
- Other Manufacturing Company
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- Changes in economic conditions and regulations in main markets where the Company operates, particularly Japan, the United States, 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 status and conditions of product markets, exchange rates or international commodity markets
- Changes in financing environments
- Capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, status and conditions of product markets, exchange rates or international commodity markets
- Protection of the Company’s intellectual property, and securing of licenses to use intellectual property of other parties
- Changes in status of alliances with other parties for product development, etc.
- Fluctuation of Japanese stock markets