

# Hitachi Metals, Ltd. (Apr. 25, 2013)

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## Consolidated Financial Report for the 12-month period ended March 31, 2013

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Listed Stock Exchanges: Tokyo and Osaka (First Section, Code 5486)

Scheduled Date of the Ordinary General Meeting of Shareholders: June 25, 2013

1. Performance over the year, April 1, 2012 to March 31, 2013 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	3/2013	3/2012	(Change)
Net sales (million yen)	535,779	556,914	(3.8%)
Operating income (million yen)	21,079	44,867	(53.0%)
Income before income taxes and minority interests (million yen)	17,230	36,414	(52.7%)
Net income (million yen)	12,955	17,886	(27.6%)
Net income per share (yen)	36.20	50.75	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	5.5	8.3	
Return On Assets	3.8	8.0	
Operating income to net sales (%)	3.9	8.1	

Note: Consolidated Statements of Comprehensive Income: 24,927 million yen 42.2% (previous year: 17,532 million yen (14.0%))  
Equity in losses(earnings) of affiliated companies: 230 million yen (previous year: 422 million yen)

(2) Consolidated Financial Position	3/2013	3/2012
Total assets (million yen)	541,286	579,862
Net assets (million yen)	259,865	240,395
Equity ratio (%)	46.2	38.0
Net assets per share (yen)	684.96	625.04

Note: Shareholders' equity ( 3/2013: 250,298 million yen 3/2012: 220,282 million yen )

(3) Consolidated cash flows (million yen)	3/2013	3/2012
Cash flows from operating activities	62,975	3,008
Cash flows from investing activities	(28,718)	(21,769)
Cash flows from financing activities	(31,278)	13,101
Cash and cash equivalents at year-end	34,102	27,966

2. Dividend	3/2013	3/2012	3/2014 (Planned)
Annual dividend per share (yen)	14.00	12.00	—
Interim (yen)	7.00	6.00	—
End of period (yen)	7.00	6.00	—
Total dividend paid (full year) (million yen)	5,025	4,230	—
Consolidated dividend payout ratio (%)	38.7	23.6	—
Dividends to net assets (consolidated) (%)	2.1	2.0	—

Note: For dividend payments from the next fiscal year's retained earnings, the management forecasts an interim dividend of 7yen per share (the dividend record date: the end of the second quarter) and a year-end dividend of 7yen per share (the dividend record date: the end of the fiscal year) at this time. However, as the Merger with Hitachi Cable, Ltd. will become effective on July 1, 2013, the management will disclose a revised dividend forecast as soon as the operating forecast reflecting the effect of the Merge is developed.

3. Forecasts of results for the term, April 1, 2013 to March 31, 2014

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Net sales (million yen)	—	—	—	—
Operating income (million yen)	—	—	—	—
Income before income taxes and minority interests (million yen)	—	—	—	—
Net income (million yen )	—	—	—	—
Net income per share (yen)	—	—	—	—

Note: The Group currently forecasts 540,000yen million of consolidated net sales and 43,000yen million of consolidated operating income for the next fiscal year disregarding an effect of the Merger. The Group will promptly disclose a revised forecast after the Merger as soon as the operating forecast reflecting the effect of the Merger is developed.

#### 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]: Yes
  - [3] Changes in accounting estimates: Yes
  - [4] Retrospective restatements: No
- (3) Numbers of shares issued (Common stock)
  - Number of shares outstanding at end of year (including treasury stock) 3/2013: 366,557,889 3/2012: 366,557,889
  - Number of treasury stock outstanding at end of year 3/2013: 1,137,966 3/2012: 14,128,047
  - Number of shares average at end of year 3/2013: 357,875,686 3/2012: 352,434,309

\* 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, 2013

## 【Financial Performance】

### 1. Analysis of Consolidated Business Results

#### (1) Overview of Fiscal 2012 (the fiscal year ended March 31, 2013)

Despite the continued global economic slowdown, signs of recovery were observed during the current fiscal year. While the U.S. economy experienced moderate upturns, the European economy continued to be weak under the impact of fiscal austerity measures in European nations. Emerging nations including China showed economic recovery. The Japanese economy in overall bottomed out as the export environment improved, except for certain weak areas.

Among the industries in which the Hitachi Metals Group (hereinafter referred to as the “Group”) operates, the automotive domestic market achieved an increase in demand boosted by government policies, such as the eco-car subsidy program that stimulated domestic demand. Overseas market demand increased notably in North America and Asia, except in Europe. The cell phone industry, despite growth of the smartphone market, suffered from a slump in sales in the domestic market and emerging nations. The semiconductor industry enjoyed a brisk demand for smartphones and tablets, but fared poorly because the demand for flat screen televisions and personal computers remained sluggish. Steel production slightly increased due to increased demand from overseas markets in excess of the decline in the domestic market. Domestic housing construction continued to rise, and public works projects remained steady, partly because of an impact of the supplementary budget for post-disaster recovery from the Great East Japan Earthquake.

In this business environment, consolidated net sales for the Group in the current fiscal year were ¥535,779 million, a decrease of 3.8% as compared with the previous fiscal year. Operating income decreased by ¥23,788 million to ¥21,079 million principally due to write-offs associated with decrease in raw material prices. Income before income taxes and minority interests decreased by ¥19,184 million to ¥17,230 million. Net income decreased by ¥4,931 million to ¥12,955 million. This decrease reflected an impact of ¥3,268 million of restructuring-related expenses included in extraordinary losses.

Results by business segment are as follows. Note that sales include intersegment sales and transfers. The categories for segment reporting changed from the current fiscal year ended March 31, 2013. Accordingly, the amounts of the previous fiscal year have been reclassified under the new segment categories for comparison.

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

Sales in the high-grade metal products and materials segment were ¥222,915 million, a decrease of 3.9% as compared with the previous fiscal year. Operating income decreased by ¥55 million to ¥17,655 million.

Sales of major products in this segment are as follows:

##### <Molds and Tool Steels>

Sales of molds and tool steels decreased due to low demand for molds used for automotive and construction machinery.

##### <Alloys for Electronic Products>

Sales of LCD panel-related materials decreased due to low demand for large-sized panels and production adjustments for medium- to small-sized panels.

Sales of semiconductors and other package materials decreased as demand for semiconductors struggled due to low sales volume of personal computers and flat screen televisions.

##### <Industrial Equipment and Energy-related Materials>

Sales of automotive-related materials declined as a whole. While sales of fuel efficiency and other environment friendly products were strong, expiration of the eco-car subsidy program and stagnation in the European markets had a negative impact on the overall sales.

Sales of energy-related materials decreased. An increase in sales of aircraft parts was not sufficient to offset downturns in sales of other industrial equipment.

##### <Rolls>

Sales of rolls remained unchanged as a decrease in domestic roll sales due to decreased demand in shipbuilding, automotive, and industry machinery was offset by steady demand in emerging nations including China.

<Injection Molding Machine Parts>

Sales of injection molding machine parts decreased due to continued low demand for machinery in Asia and Europe.

<Amorphous Materials>

Sales of amorphous materials increased because of strong demand in the key Chinese market as a result of policies of the Chinese government to encourage the deployment of energy-saving equipment.

<Cutting Tools>

Sales of cutting tools declined. Despite steady demand from the key customers in automotive industries, low domestic demand for industrial machinery resulted in decrease in sales.

***Electronics and IT Devices***

Sales in the electronics and IT devices segment were ¥142,149 million, a decrease of 8.6% as compared with the previous fiscal year. Operating income decreased by ¥25,759 million, resulting in an operating loss of ¥864 million. Sales of major products in this segment are as follows:

<Magnets>

Sales of rare earth magnets decreased. Strong domestic sales of automotive electronic components were not sufficient to offset the impact of falling raw material prices and declining sales of factory automation-related and household appliance parts.

Sales of ferrite magnets remained unchanged with strong demand for automotive electronic components and weak demand for household appliance parts.

<Soft Magnetic Materials>

Sales of soft ferrite materials increased principally due to high supply for parts for solar power generation systems and automotive electronic components.

Sales of FINEMET<sup>®</sup> decreased. While sales of parts for solar power generation systems recovered in the European markets during the second half of the current fiscal year, an increase in sales was not sufficient to offset the decline in demand during the first half of the current fiscal year.

<Components for Information and Telecommunications Equipment>

Sales of components for information and telecommunications equipment remained weak because of production adjustments due to declined end-user demand and unsuccessful penetration of component parts into high-growth areas.

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

Sales in the high-grade functional components and equipment segment were ¥172,038 million, an increase of 0.6% as compared with the previous fiscal year. Operating income increased by ¥894 million to ¥10,188 million.

Sales of major products in this segment are as follows:

<High-Grade Ductile Iron Products>

Sales of high-grade ductile iron products were solid. Domestic sales of passenger vehicles boosted by the eco-car subsidy program and model changes, as well as strong demand sustained in the U.S. automotive market, contributed to the favorable results.

<Heat-Resistant Exhaust Casting Components >

Sales of heat-resistant exhaust casting components decreased. While the domestic demand, supported by the movement of engine downsizing, remained strong, the leading market for this type of products shrunk due to the economic downturn in Europe.

<Aluminum Wheels>

Sales of aluminum wheels continued to expand. Domestic demand for passenger vehicles increased due to the eco-car subsidy program. In addition, overseas sales increased as demand in the U.S. automotive market remained strong, which resulted in higher production volume for export automobiles.

<Pipe Fittings>

Sales of pipe fittings increased mainly due to the improved housing starts in the United States. Domestic sales were stable while the housing starts in Japan continuously showed a slight sign of recovery.

#### <Stainless Steel and Plastic Piping Components>

Sales of stainless steel and plastic piping components increased, since proven advantages in light of earthquake resistance triggered demand for the gas-related products.

#### <Construction Components>

Sales of construction components decreased, despite steady demand for steel construction, due to slow-downs in the construction and construction equipment industries affected by a decrease in the number of new construction projects and capital expenditures for smartphone-related facilities.

#### **Other**

In this segment, net sales increased by 12.6% to ¥4,126 million, while operating income decreased by ¥331 million to ¥517 million.

#### **Merger Agreement with Hitachi Cable, Ltd.**

Hitachi Metals, Ltd. (hereinafter referred to as the “Company”) and Hitachi Cable, Ltd. resolved, at the respective Board of Directors’ meetings held on February 13, 2013, a merger between the companies (hereinafter referred to as the “Merger”) on an equal basis and entered into a merger agreement (hereinafter referred to as the “Merger Agreement”).

The Merger is scheduled to become effective on July 1, 2013. For the Company, the merger does not require an approval at the Company’s General Meeting of Shareholders pursuant to a simplified merger procedure provided in Article 796, Paragraph 3, of the Companies Act, while for Hitachi Cable, the Merger is subject to an approval at the Hitachi Cable’s Extraordinary General Meeting of Shareholders scheduled on April 24, 2013.

The business integration of the two companies has synergistic effects, such as strengthening their capability in developing materials and products; expanding the business domains; and providing new products, services, and solutions that meet the expectations of markets and customers; which will reinforce and expand their share in the market and customer base.

In addition, the two companies will effectively use their sales networks and production centers to enhance business efficiency and to establish a global production and sales structure.

Through these initiatives, we will endeavor to continuously grow as a world-leading manufacturer of high-functional materials.

#### **(2) Outlook for Fiscal 2013 (the fiscal year ending March 31, 2014)**

The Group’s business environment is expected to recover gradually. Although the European economy is expected to remain weak for a while, the U.S. economy has been experiencing moderate upturns. The Asian economy, including China, has demonstrated an increase in exports in Asia. At the same time, the Japanese economy is expected to steadily recover through the influence of Japanese government’s measures to revive the sluggish economy.

Under such business environment, the Group will establish a stronger business foundation by accelerating the implementation of the global strategy and expanding and creating our business domains.

The Group currently forecasts ¥540,000 million of consolidated net sales and ¥43,000 million of consolidated operating income for the next fiscal year disregarding an effect of the Merger. The Group will promptly disclose a revised forecast after the Merger as soon as the operating forecast reflecting the effect of the Merger is developed.

#### **2. Analysis of Financial Conditions**

At the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as “net cash”) were ¥34,102 million, an increase of ¥6,136 million as compared with the end of the previous fiscal year. This outcome was mainly attributable to the fact that net cash provided by operating activities was more than net cash used in financing activities and investing activities.

The status of cash flows at the end of the current fiscal year and the primary factors for those results are as follows:

##### **Cash Flows from Operating Activities**

Net cash provided by operating activities was ¥62,975 million. This was mainly attributable to income before income taxes of ¥17,230 million, and an increase of ¥36,025 million mainly due to a decrease in operating capital such as inventories.

#### Cash Flows from Investing Activities

Net cash used in investing activities was ¥28,718 million. This was mainly attributable to an expenditure of ¥28,307 million on purchase of property, plant and equipment.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥31,278 million. This was mainly attributable to repayments of ¥23,909 million for interest-bearing debts and dividend payments of ¥5,221 million.

### 3. Dividend Policy and Dividends for the Current and Next Fiscal Years

Our basic dividend policy is to determine profit distributions to shareholders and internal reserves by comprehensively assessing business environment, business development, and business performance. Management's primary commitment is to generate robust growth over medium-term to long-term period, by strengthening the international competitiveness and enhancing the corporate value of the Company, to deliver appropriate returns of profits to shareholders in a long-term period under the business environment with evolving customer needs and technology and globalization. The internal reserves are to be used for development and commercialization of new materials, incubation of new businesses, and expansion and streamline of competitive product lines by looking into the future business development. The Company purchases treasury stock to implement the agile capital policy in accordance with its needs, financial conditions, stock price levels, and other factors.

For dividend payments from the current fiscal year's retained earnings, the management paid an interim dividend of ¥7 per share (the dividend record date: the end of the second quarter) and forecasts a year-end dividend of ¥7 per share (the dividend record date: the end of the fiscal year). For dividend payments from the next fiscal year's retained earnings, the management forecasts an interim dividend of ¥7 per share (the dividend record date: the end of the second quarter) and a year-end dividend of ¥7 per share (the dividend record date: the end of the fiscal year) at this time. However, as the Merger with Hitachi Cable, Ltd. will become effective on July 1, 2013, the management will disclose a revised dividend forecast as soon as the operating forecast reflecting the effect of the Merge is developed.

### 4. Business Risks

The following are some of the business risks that may affect the performance and financial position of the Group:

- Market trends in electronics, automobiles, construction, and other industries in which the Group operates
- Economic fluctuations in the United States, Asia, Europe, and other regions where the Group sells its products
- Price changes in raw materials affected by international market conditions
- Effects of fluctuations in interest rates and credit risks associated with financing activities
- Impacts of changes in foreign exchange rates on transactions, assets, and debt denominated in foreign currencies
- Impairment losses arising from changes in fair value of investment securities held
- Disturbances due to economic, social, or political factors affecting overseas operations
- Decline in competitiveness and abilities to develop and commercialize new technologies or products
- Disputes over intellectual property rights
- Increase in costs associated with environmental, export control, or other regulation, or penalties for regulatory violations
- Costs related to product defects
- Impact of earthquakes or other massive natural disasters on business activities
- Claims and lawsuits for damages due to unauthorized disclosure of personal and confidential information

The Group strives to avoid or minimize the impact of such risks by establishing and maintaining effective risk management systems. However, these risks may not be fully avoided or minimized, and may affect business performance, financial position, and other aspects of the Group.

## **【Management Policies】**

### **1. Basic Management Policy**

The basic management policy of the Group is to operate business, as fulfilling social responsibilities, to contribute towards creating a better society by developing relationships with stakeholders of the Group, such as shareholders, investors, and business partners. The Group, therefore, endeavors to create new products and businesses through enhancement of basic technologies and technical innovation, and to provide new values to the society. The Group also ensures that its product development and manufacturing is environmentally sustainable. In addition, the Group will engage with the society through disclosing information timely and appropriately, contributing to the community, reflecting a broad social perspective to management of the Group, and building social trust. Through these business activities, the Group commits to become the “Best Company” with steadily raising its corporate value.

### **2. Management Indicators**

The goal of the Group has been to achieve a return on equity of at least 13%, which is essential for continual dividends in a long period in accordance with our dividend policy and for returns of profits to our shareholders as enhancing a corporate value. However, the Merger with Hitachi Cable, Ltd. will become effective on July 1, 2013, and the management will develop new management indicators for the new merged company.

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

The Merger with Hitachi Cable, Ltd. will become effective on July 1, 2013. The Group will develop and release a medium-term management plan for the new merged company by the end of the fiscal year ending March 31, 2014.

**Consolidated balance sheets**

(Millions of Yen)

	<b>End of 3/2013</b>	End of 3/2012	(difference)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and deposits	<b>28,395</b>	25,733	2,662
Notes and accounts receivable-trade	<b>99,265</b>	115,362	(16,097)
Marketable securities	<b>49</b>	573	(524)
Finished products	<b>43,953</b>	48,007	(4,054)
Work in process	<b>26,819</b>	33,925	(7,106)
Raw materials	<b>46,288</b>	71,116	(24,828)
Deffered tax asset	<b>8,594</b>	9,068	(474)
Accounts receivable-other	<b>12,545</b>	14,289	(1,744)
Group pooling cash deposits	<b>5,658</b>	1,660	3,998
Other	<b>4,816</b>	6,024	(1,208)
Allowance for doubtful accounts	<b>(635)</b>	(489)	(146)
<b>Total current assets</b>	<b>275,747</b>	325,268	(49,521)
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures, net	<b>48,536</b>	49,096	(560)
Machinery, equipment and vehicles, net	<b>71,455</b>	65,275	6,180
Tools, furniture and fixtures, net	<b>8,511</b>	4,193	4,318
Land	<b>49,547</b>	49,879	(332)
Construction in progress	<b>6,970</b>	7,047	(77)
Lease assets	<b>8</b>	11	(3)
Total property, plant and equipment	<b>185,027</b>	175,501	9,526
<b>Intangible assets</b>			
Goodwill	<b>36,114</b>	38,744	(2,630)
Other	<b>5,624</b>	7,224	(1,600)
Total intangible assets	<b>41,738</b>	45,968	(4,230)
<b>Investments and other assets</b>			
Investment securities	<b>15,239</b>	14,985	254
long-term loans receivable	<b>2,342</b>	1,886	456
Deffered tax asset	<b>8,914</b>	6,883	2,031
Other	<b>14,726</b>	11,380	3,346
Allowance for doubtful accounts	<b>(2,447)</b>	(2,009)	(438)
Total investments and other assets	<b>38,774</b>	33,125	5,649
<b>Total noncurrent assets</b>	<b>265,539</b>	254,594	10,945
<b>Total assets</b>	<b>541,286</b>	579,862	(38,576)



**Consolidated balance sheets**

(Millions of Yen)

	<b>End of 3/2013</b>	End of 3/2012	(difference)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	67,942	87,867	(19,925)
Short-term loans payable	38,085	57,081	(18,996)
Commercial Paper	0	11,000	(11,000)
Current portion of long-term loans payable	6,202	14,108	(7,906)
Current portion of bonds	—	4,000	(4,000)
Income taxes payable	1,638	9,258	(7,620)
Accrued expense	17,918	19,736	(1,818)
Advances received	990	3,302	(2,312)
Deferred Tax Liabilities	55	96	(41)
Allowance for directors' bonuses	314	233	81
Asset retirement obligations	—	72	(72)
Other	16,096	17,132	(1,036)
<b>Total current liabilities</b>	<b>149,240</b>	<b>223,885</b>	<b>(74,645)</b>
<b>Noncurrent liabilities</b>			
Bonds payable	30,000	30,000	0
Convertible bond-type bonds with subscription rights to shares	4,495	4,495	0
Long-term loans payable	67,153	48,548	18,605
Provision for retirement benefits	22,573	22,776	(203)
Provision for directors' retirement benefits	156	157	(1)
Provision for loss on guarantees	—	808	(808)
Provision for loss on business of subsidiaries and affiliates	496	1,100	(604)
Provision for environmental measures	598	1,123	(525)
Deferred Tax Liabilities	45	75	(30)
Negative goodwill	170	408	(238)
Asset retirement obligations	2,007	2,453	(446)
Other	4,488	3,639	849
<b>Total noncurrent liabilities</b>	<b>132,181</b>	<b>115,582</b>	<b>16,599</b>
<b>Total liabilities</b>	<b>281,421</b>	<b>339,467</b>	<b>(58,046)</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	26,284	26,284	0
Capital surplus	42,463	41,244	1,219
Retained earnings	192,500	184,127	8,373
Treasury stock	(833)	(10,707)	9,874
<b>Total shareholders' equity</b>	<b>260,414</b>	<b>240,948</b>	<b>19,466</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains (losses) on available-for-sale	3,849	3,595	254
Gain (loss) on deferred hedge transactions	7	6	1
Foreign currency translation adjustments	(11,372)	(21,812)	10,440
Other	(2,600)	(2,455)	(145)
<b>Total accumulated other comprehensive income</b>	<b>(10,116)</b>	<b>(20,666)</b>	<b>10,550</b>
<b>Minority interests</b>	<b>9,567</b>	<b>20,113</b>	<b>(10,546)</b>
<b>Total Net Assets</b>	<b>259,865</b>	<b>240,395</b>	<b>19,470</b>
<b>Total liabilities and net assets</b>	<b>541,286</b>	<b>579,862</b>	<b>(38,576)</b>

## Consolidated Statements of Income

	Fiscal 2012 (Mar. 31,2013)	Ratio to Sales (%)	Fiscal 2011 (Mar. 31,2012)	Ratio to Sales (%)	(difference) (%)
<b>Net sales</b>	<b>535,779</b>	100.0	556,914	100.0	96
Cost of sales	440,684	82.3	438,930	78.8	100
<b>Gross profit</b>	<b>95,095</b>	17.7	117,984	21.2	81
Selling, general and administrative expenses	74,016	13.8	73,117	13.1	101
<b>Operating income</b>	<b>21,079</b>	3.9	44,867	8.1	47
<b>Non-operating income</b>					
Interest income	330		296		111
Dividends income	140		124		113
Negative goodwill amortization	31		234		13
Equity in earnings of affiliated companies	230		422		55
Foreign exchange gains	1,683		245		687
Gain on Sale of Marketable Securities	517		6		8617
Rent income of fixed assets	237		268		88
Insurance income	—		1,276		—
Other	3,282		2,151		153
Total non-operating income	6,450	1.2	5,022	0.9	128
<b>Non-operating expenses</b>					
Interest expenses	1,839		1,852		99
Loss on revaluation of securities	101		89		113
Loss on disposal of fixed assets	1,013		899		113
Product maintenance and repair	330		46		717
Other	2,995		2,715		110
Total non-operating expenses	6,278	1.2	5,601	1.0	112
<b>Extraordinary income</b>					
Gain on sales of property and equipment	141		44		320
Insurance income	4,722		—		—
Settlement Received	—		302		—
Gain on transfer to defined contribution pension plans	—		224		—
Total extraordinary income	4,863	0.9	570	0.1	853
<b>Extraordinary losses</b>					
Loss on impairment of property and equipment	(473)		(1,134)		42
Loss of disaster	(375)		(3,128)		12
Loss on disposal of property planed and equipment	(1,621)		(70)		2316
Loss on liquidation of affiliates	—		(266)		—
Loss on structural reform	(3,268)		(3,831)		85
Litigation expenses	(3,147)		—		—
Loss on transfer to defined contribution pension plan	—		(15)		—
Total extraordinary losses	(8,884)	(1.7)	(8,444)	(1.5)	105
<b>Income (loss) before income taxes and minority interests</b>	<b>17,230</b>	3.2	36,414	6.5	47
<b>Income taxes -current</b>					
Income taxes -current	5,045		14,207		36
Income taxes -deferred	(1,760)		2,716		(65)
Total extraordinary income taxes	3,285	0.6	16,923	3.0	19
<b>Minority interests in income</b>	<b>990</b>	0.2	1,605	0.3	62
<b>Net income (loss)</b>	<b>12,955</b>	2.4	17,886	3.2	72

**Consolidated Statements of Comprehensive Income**

(Millions of Yen)

	<b>Fiscal 2012</b>	Fiscal 2011
	<b>(Mar. 31,2013)</b>	(Mar. 31,2012)
<b>Income before minority interests</b>	<b>13,945</b>	19,491
<b>Other comprehensive income:</b>		
Net unrealized holding gains on available-for-sale securities	<b>(661)</b>	221
Deferred gains on hedges	<b>1</b>	6
Foreign currency translation adjustments	<b>10,826</b>	(1,284)
Pension Liability adjustment of foreign subsidiaries	<b>(145)</b>	(496)
Share of other comprehensive income of affiliated companies	<b>961</b>	(406)
Total other comprehensive income (loss)	<b>10,982</b>	(1,959)
<b>Comprehensive income</b>	<b>24,927</b>	17,532
<b>Comprehensive income attributable to:</b>		
Shareholders of the parent company	<b>23,505</b>	16,053
Minority shareholders	<b>1,422</b>	1,479

## 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					
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	0
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 2011 of non shareholders' equity items	—	—	—	—	0
Total increase/decrease during the fiscal 2011	0	0	13,656	(13)	13,643
<b>Balance as of March 31, 2012</b>	<b>26,284</b>	<b>41,244</b>	<b>184,127</b>	<b>(10,707)</b>	<b>240,948</b>

(Millions of Yen)

	Valuation, Translation Adjustments and others					Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Transfer of pension liability adjustment of foreign subsidiaries	Total Valuation, Translation Adjustments and others		
Balance as of March 31, 2011	3,812	1	(20,687)	(1,959)	(18,833)	19,538	228,010
Changes during the fiscal 2011							
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	0	—	0
Cash dividends	—	—	—	—	0	—	(4,230)
Net income (loss) for the fiscal 2011	—	—	—	—	0	—	17,886
Acquisition of treasury stock	—	—	—	—	0	—	(14)
Retirement of treasury stock	—	—	—	—	0	—	1
Net increase/decrease during the fiscal 2011 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
<b>Balance as of March 31, 2012</b>	<b>3,595</b>	<b>6</b>	<b>(21,812)</b>	<b>(2,455)</b>	<b>(20,666)</b>	<b>20,113</b>	<b>240,395</b>

## Consolidated Statements of Changes in Net Assets

Fiscal 2012 (Apr.1, 2012 - Mar.31, 2013)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2012	26,284	41,244	184,127	(10,707)	240,948
Changes during the fiscal 2012					
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	0
Cash dividends	—	—	(4,582)	—	(4,582)
Net income (loss) for the fiscal 2012	—	—	12,955	—	12,955
Acquisition of treasury stock	—	—	—	(313)	(313)
Retirement of treasury stock	—	1,219	—	10,187	11,406
Net increase/decrease during the fiscal 2012 of non shareholders' equity items	—	—	—	—	0
Total increase/decrease during the fiscal 2012	0	1,219	8,373	9,874	19,466
<b>Balance as of March 31, 2013</b>	<b>26,284</b>	<b>42,463</b>	<b>192,500</b>	<b>(833)</b>	<b>260,414</b>

(Millions of Yen)

	Valuation, Translation Adjustments and others					Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Transfer of pension liability adjustment of foreign subsidiaries	Total Valuation, Translation Adjustments and others		
Balance as of March 31, 2013	3,595	6	(21,812)	(2,455)	(20,666)	20,113	240,395
Changes during the fiscal 2012							
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	0	—	0
Cash dividends	—	—	—	—	0	—	(4,582)
Net income (loss) for the fiscal 2012	—	—	—	—	0	—	12,955
Acquisition of treasury stock	—	—	—	—	0	—	(313)
Retirement of treasury stock	—	—	—	—	0	—	11,406
Net increase/decrease during the fiscal 2012 of non shareholders' equity items	254	1	10,440	(145)	10,550	(10,546)	4
Total increase/decrease during the fiscal 2012	254	1	10,440	(145)	10,550	(10,546)	19,470
<b>Balance as of March 31, 2013</b>	<b>3,849</b>	<b>7</b>	<b>(11,372)</b>	<b>(2,600)</b>	<b>(10,116)</b>	<b>9,567</b>	<b>259,865</b>

**Consolidated Statements of Cash Flows**

(Millions of Yen)

	End of 3/2013	End of 3/2012
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	17,230	36,414
Depreciation and amortization	24,219	27,544
Goodwill and negative goodwill amortization	2,801	2,616
Loss on impaired property and equipment	473	1,134
Loss on disaster	375	3,128
Gain on sales of property and equipment	(271)	(183)
Loss on disposal of property, plant and equipment	2,634	969
Cost of structural reform	3,268	3,831
Litigation expenses	3,147	—
Interest and dividends received	(470)	(420)
Insurance income	(4,722)	(241)
Interest charges	1,839	1,852
Decrease (increase) in accounts receivable-trade	25,772	(20,369)
Decrease (increase) in inventories	38,014	(45,308)
Decrease (increase) in accounts receivable	6,576	(7,135)
Increase (decrease) in payables	(27,761)	10,140
Increase (decrease) in accrued expenses	(2,827)	(376)
Increase (decrease) in accrued retirement benefits	(357)	943
Other, net	(7,506)	(2,192)
Subtotal	82,434	12,347
Proceeds from insurance income	1,901	241
Payments for loss on disaster	(375)	(897)
Amount paid for structural reform	(2,587)	(504)
Payments for litigation expenses	(2,389)	—
Income taxes paid	(16,009)	(8,179)
Net cash provided by operating activities	62,975	3,008
<b>Cash flows from investing activities</b>		
Expenditures for acquisition of property, plant and equipment	(28,307)	(22,118)
Proceeds from sales of property, plant and equipment	713	836
Expenditures for acquisition of intangible assets	(781)	(537)
Purchase of investment securities	(180)	(39)
Proceeds from sales of investment securities	688	34
Purchase from sales of subsidiaries' common stock	(311)	(514)
Proceeds from sales of subsidiaries' common stock	78	35
Interest and dividends income received	465	421
Other	(1,083)	113
Net cash used in investing activities	(28,718)	(21,769)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(18,204)	8,707
Increase (decrease) in commercial paper	(11,000)	11,000
Proceeds from long-term debt	23,928	13,571
Repayment of long-term debt	(14,633)	(8,124)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(4,000)	(15,505)
Interest expenses paid	(1,837)	(1,843)
Proceeds from sale of treasury stock	2	1
Purchases of treasury stock	(313)	(14)
Dividends paid to shareholders	(4,582)	(4,230)
Dividends paid to minority shareholders	(639)	(462)
Net cash used in (provided by) financing activities	(31,278)	13,101
<b>Effect of exchange rate changes in cash and cash equivalents</b>	<b>3,157</b>	<b>(368)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,136</b>	<b>(6,028)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>27,966</b>	<b>33,994</b>
<b>Cash and cash equivalents at end of year</b>	<b>34,102</b>	<b>27,966</b>

## 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 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)

	<b>Fiscal 2012</b> <b>(Mar. 31,2013)</b>	Fiscal 2011 (Mar. 31,2012)
Projected benefit obligation	<b>(111,055)</b>	(114,298)
Plan assets at fair value	<b>81,586</b>	73,679
Funded status	<b>(29,469)</b>	(40,619)
Unrecognized actuarial loss	<b>21,263</b>	24,938
Unrecognized prior service(benefit)cost *	<b>(8,587)</b>	(3,044)
Net amount recognized in consolidated balance sheets	<b>(16,793)</b>	(18,725)
Prepaid pension cost in consolidated balance sheets	<b>5,780</b>	4,051
Accrued retirement benefits recognized in consolidated balance sheets	<b>(22,573)</b>	(22,776)

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)

	<b>Fiscal 2012</b> <b>(Mar. 31,2013)</b>	Fiscal 2011 (Mar. 31,2012)
Service cost *	<b>(2,934)</b>	(3,062)
Interest cost	<b>(2,424)</b>	(2,761)
Expected return on plan assets	<b>2,181</b>	2,150
Amortization of unrecognized actuarial loss	<b>(3,944)</b>	(3,763)
Amortization of unrecognized prior service (benefit) cost	<b>752</b>	465
Net profit on transfer to defined contribution pension plans	<b>—</b>	209
Contributions to defined contribution	<b>(1,393)</b>	(1,489)
Premium retirement and severance payment	<b>(2,597)</b>	(395)
Periodic pension cost recognized in consolidated statements of income	<b>(10,359)</b>	(8,646)

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

	<b>Fiscal 2012</b> <b>(Mar. 31,2013)</b>	Fiscal 2011 (Mar. 31,2012)
Methods of attribution to periods		
Discount rate	<b>Mainly 1.6%</b>	Mainly 2.3%
Expected rate of return on plan assets	<b>Mainly 2.5%</b>	Mainly 2.5%
Amortization period of unrecognized actuarial loss	<b>Mainly14 years</b>	Mainly14 years
Amortization period of unrecognized prior service benefit and cost	<b>Mainly14 years</b>	Mainly14 years

## Income Taxes

### Principal Components of Deferred Tax Assets and Liabilities

(Millions of Yen)

	Fiscal 2012 (Mar. 31,2013)	Fiscal 2011 (Mar. 31,2012)
Deferred tax assets		
Net operating loss carry forwards	2,810	2,193
Provision for retirement benefits	6,029	6,756
Employee pension trust	1,487	1,274
Elimination of unrealized profit on fixed assets	1,632	1,632
Allowance for doubtful accounts	1,571	801
Accrued bonuses	2,909	3,566
Accrued enterprise taxes	235	580
Other	12,460	13,049
Subtotal	29,133	29,851
Less : valuation allowance	(5,487)	(7,983)
Total deferred tax assets	23,646	21,868
Deferred tax liabilities		
Depreciation	(2,053)	(1,956)
Special tax-purpose reserve	(992)	(1,043)
Retained earnings at overseas affiliated companies	(1,426)	(1,213)
Net unrealized holding losses on available-for-sale securities	(528)	(634)
Other	(3,201)	(3,620)
Total deferred tax liabilities	(8,200)	(8,466)
Net deferred tax assets	15,446	13,402



## Business Segment Information

Last consolidated fiscal year (Apr. 1, 2011 - Mar. 31, 2012)

(Millions of Yen)

	Business Segments Reported					Other Businesses	Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Subtotal					
Sales:									
Unaffiliated customers	229,211	155,359	170,891	555,461	1,453	556,914	—	556,914	
Intersegment	2,694	105	108	2,907	2,212	5,119	(5,119)	—	
<b>Total sales</b>	<b>231,905</b>	<b>155,464</b>	<b>170,999</b>	<b>558,368</b>	<b>3,665</b>	<b>562,033</b>	<b>(5,119)</b>	<b>556,914</b>	
Operating Income (Loss)	17,710	24,895	9,294	51,899	848	52,747	(7,880)	44,867	
Assets	270,047	197,614	129,664	597,325	11,030	608,355	(28,493)	579,862	
Depreciation and amortization	13,855	6,183	6,600	26,638	289	26,927	617	27,544	
Capital expenditures	11,637	6,402	5,660	23,699	485	24,184	116	24,300	

Last consolidated fiscal year (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 , amorphous metals [Metglas®] , 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 (ductile iron products , heat-resistant exhaust casting components , aluminum wheels , other aluminum components) , piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices) , construction components (access floor system, structural system and roofing systems), chain(material handling systems)

## Business Segment Information

Year under review (Apr. 1, 2012 - Mar. 31, 2013)

(Millions of Yen)

	Business Segments Reported						Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Subtotal	Other Businesses	Total		
Sales:								
Unaffiliated customers	219,920	142,150	171,986	534,056	1,723	535,779	—	535,779
Intersegment	2,995	(1)	52	3,046	2,403	5,449	(5,449)	—
Total sales	222,915	142,149	172,038	537,102	4,126	541,228	(5,449)	535,779
Operating Income (Loss)	17,655	(864)	10,188	26,979	517	27,496	(6,417)	21,079
Assets	274,275	167,337	124,803	566,415	13,410	579,825	(38,539)	541,286
Depreciation and amortization	11,440	5,412	6,342	23,194	411	23,605	612	24,217
Capital expenditures	10,336	8,368	7,015	25,719	409	26,128	560	26,688

Year under review (Apr. 1, 2012 - Mar. 31, 2013)

(Millions of yen)

	Japan	North America	Asia	Europe	Ohters	Total
Overseas Sales	304,887	63,907	122,333	36,879	7,773	535,779

Note: Overseas sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.

Notes:

- Business segments have been determined in consideration of similarities in terms of product type, manufacturing method or sales method, or unit of receivership.
- 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 , amorphous metals [Metglas®] , 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 (ductile iron products , heat-resistant exhaust casting components , aluminum wheels , other aluminum components) , piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices) , construction components (access floor system, structural system and roofing systems), chain(material handling systems)