Hitachi Metals, Ltd. (Apr. 25, 2002)

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Consolidated Financial Report for the 12-month period ended March 31, 2002

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Stock Exchange where listed (section): Tokyo(First), Osaka(First)

1. Performance over the year, April 1, 2001 to March 31,2002 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating results	**3/02**	3/01	(Change)
Net Sales (¥ million)	**409,650**	479,480	(14.6%)
Operating income (¥ million)	**(11,003)**	25,371	—
Ordinary income (¥ million)	**(17,999)**	30,410	—
Net income (¥ million)	**(27,179)**	9,663	—
Net income per share (¥)	**(76.11)**	27.06	
Diluted net income per share (¥)	—	26.22	
Net income to shareholders' equity (%)	**(15.9)**	5.4	
Ordinary income to total assets (%)	**(3.6)**	5.6	
Ordinary income to net sales (%)	**(4.4)**	6.3	

Notes: Profit (loss) on equity method investment: ¥17 million (previous year: ¥421 million)
Average number of shares outstanding (3/02: 357,118,029 3/01: 357,074,379)
Accounting policy have been made change.

(2) Consolidated Financial Standing	**3/02**	3/01
Total assets (¥ million)	**456,959**	536,969
Shareholders' equity (¥ million)	**157,179**	185,524
Shareholders' equity ratio(%)	**34.4**	34.6
Shareholders' equity per share (¥)	**440.14**	519.49

Number of shares outstanding at the end of year (3/02: 357,110,711 3/01: 357,123,946)

(3) Consolidated cash flows (¥ million)	**3/02**	3/01
Cash flows from operating activities	**15,589**	37,804
Cash flows from investment activities	**(120)**	(8,719)
Cash flows from financing activities	**(21,313)**	(31,914)
Cash and cash equivalents at yearend	**44,758**	50,046

Notes: Consolidated subsidiaries and application of the equity method
Number of consolidated subsidiaries : 72
Equity method applied non-consolidated subsidiaries : None
Equity method applied affiliates : 16

(4) Consolidated scope and changes to the application of the equity method
Consolidation : New companies 6 Companies removed 7
Equity method : New companies coming under equity method 2 Companies removed 1

2. Forecasts of results for the term, April 1, 2002 to March 31, 2003

	At mid-term	at yearend
Net sales (¥ million)	199,000	413,000
Ordinary income (¥ million)	2,900	9,100
Net income (¥ million)	1,900	2,300

Reference: Expected net income per share (full-year basis) consolidated: ¥6.44

Note: The outlooks for performance presented in this document are statements regarding future plans, not historical facts, and represent the judgments of the management of the Company based on current conditions as well as certain premises and assumptions. In fact, changes in assumptions and prevailing conditions as well as other developments, along with a wide range of other factors may lead to outcomes that differ substantially from those presented in this document. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on these outlooks when making investment and other decisions.

Consolidated subsidiaries: 72 companies

37 domestic companies

Hitachi Tool Engineering, Ltd.
Hitachi Metals Techno, Ltd.
Hitachi Metals Trading Co., Ltd.
HMY, Ltd.
Seitan Inc.
Hitachi Valve, Ltd.
Hitachi Metals Estate, Ltd.
Tokyo Seimitsu Kogyou, Ltd.
HMW, Ltd.
Hitachi Metals Kiko Co., Ltd.
Hitachi Metals Kumagaya, Ltd.
Hitachi Ferrite Electronics, Ltd.
Kyushu Techno Metal, Ltd
Kuwana Create Co., Ltd.
Hitachi Metals Construction Co., Ltd
Nikki Plantech, Ltd.
Moka Technos, Ltd.
Auto-tech, Ltd.
Kusunoki, Ltd.
Hiyoshi Kouzai Co., Ltd.
Hitachi Metals MPF, Ltd.
Nichiei Corporation
Himec, Ltd.
Towa Electronics, Ltd.

etc.

35 overseas companies

Hitachi Metals America, Ltd.
Hitachi Magnetics Corporation
Central Coating & Assembly, Inc.
Ward Manufacturing Inc.
AAP St. Marys Corporation
Hitachi Metals North Carolina, Ltd.
Newport Precision Inc.
ACP Manufacturing Co. LLC.
SinterMet, LLC.
HN Automotive, Inc.
Hitachi Metals Europe GmbH
Hitachi Metals Singapore Pte. Ltd.
Hitachi Metals Hong Kong, Ltd.
Hitachi Metals Australia, Pty. Ltd.
Hitachi Metals (Suzhou) Electronics, Ltd.
Five Ace Technology Co., Ltd.
Hitachi Ferrite (Thailand) Ltd.
Hitachi Rolls (Thailand) Ltd.
Luzon Electronics Technology, Inc.
Luzon Magnetics, Inc.

etc.

Consolidated Management Policies

1. Fundamental Management Policy

Hitachi Metals, Ltd., and its subsidiaries, (collectively, the "Company") aims to contribute to the betterment of society by providing environment-friendly superior-quality products that are made possible through cutting-edge materials and proprietary technologies. Using these proprietary technologies and by developing new ones, the Company endeavors to fulfill its corporate responsibility to create higher value-added products and capabilities in a timely manner. Hitachi Metals is determined to continue satisfying the stockholders, investors, customers, and employees that support its existence as well as society as a whole in a judicious manner by delivering top-level solutions achieved through outstanding creative insight and enterprising action. And also the Company makes efforts to realize the vigorous company by each employee who cultivate individual character and creative talent.

2. Dividend Policy

The current business condition is characterized by changing customer needs and technologies and advancing globalization. Under these circumstances, Hitachi Metals considers the appropriate and long-term return to its stockholders through the strengthening of its international competitiveness, the expansion of dividend-enabling profit, and the maximization of corporate value to be its responsibility as a corporation. To this end, the Company has adopted a policy of paying stable dividends to stockholders while maintaining and expanding its financial strength to make possible investments for the future. The Company sets aside earnings with the future development of operations in mind, investing in new materials development and offering new products to market. It is also simultaneously developing new businesses and streamlining its facilities to expand the production of highly competitive products to create a global network.

3. Target Business Indicators

In line with its dividend policy, the Company will strive to achieve a consolidated ROE (return on equity) of 10% to maintain the income level required to increase corporate value while providing stockholders with long-term returns on their investments.

4. Medium-to-Long-Term Strategy and Issues To Be Addressed

Due to the transition to a global economy, the evolution of mega-competition, the introduction of IT within the industry, and the greater emphasis being placed on the environment and safety, the needs of the Hitachi Metals' Group's markets and clients are changing rapidly. The Company maintains the top market share in materials for molding and cutting tools, high-grade ductile cast-iron products, rolling-mill rolls, and pipe fittings. However, business operations related to these products, which have previously contributed significantly to profitability, are now facing the maturing of their markets. Furthermore, demand is declining and prices are falling rapidly due to the rationalization of domestic industry as a consequence of lower-priced products from China and other Asian countries. Owing to these factors, increasingly severe competition and deteriorating earnings are becoming an inherent feature of the economic landscape.

In response to these severe business conditions, Hitachi Metals will pursue a product strategy aimed at striking a balance between securing its revenue base in the traditional product segments in which it maintains a competitive advantage and achieving growth in new segments based on the needs of its customers and society at large. In terms of selectivity in businesses and products and the concentration of managerial resources, we will make specific revisions to the scope of our business, including withdrawal from unprofitable products and businesses to achieve secure earnings. We will also place stronger emphasis on capital investment aimed at streamlining and specializing in our traditional business areas and, furthermore, revise the structure of our business, including enterprise combining. Through these efforts, we will strive to maximize profits. As for those products that contribute significantly to profitability, the maturing of markets and competition are expected to intensify further.

Regarding new businesses and products, the Company will accelerate its efforts to capitalize on products that make use of FINEMET™, a metallic soft magnetic material achieved through the use of nanocrystal technology, multi-layer compound circuit board materials based on unique ceramics, passive components for fiber-optic communications using sub-micron processing technologies, all types of advanced IT-compatible sensors, Light alloy cabinets made with new press-forging manufacturing method, and other cutting edge products.

The Company's overseas strategy gives priority to being close to local markets, maintaining cost-competitive capabilities, adapting technologies to the targeted areas of use, and other strategic issues. Based on these considerations, the Company is striving to create optimal production systems on a global scale. Specifically, to enhance cost competitiveness and achieve prices commensurate with Asian markets, during the interim term under review, the Company commenced the processing of sputtering target materials in Taiwan and established a new subsidiary in China to enable the partial transfer of production processes for mobile phone components and in Thailand to manufacture rolls for electric steel mini-mills.

As for its financial strategy and efforts to enhance profitability, the Company will work to improve its capital Turnover ratio through such measures as the implementation of IT based TSCM (Total Supply Chain Management) and the rationalization of retained fixed assets, conduct efficient capital management, and reduce its interest bearing debt ratio.

In effort to maximize corporate vitality, Hitachi Metals is implementing initiatives to reduce overall costs. During fiscal 2001, in response to changes in demand structure, we disposed of redundant facilities and unnecessary assets as well as firmly implemented early retirement and support programs to encourage employees to take up alternative employment. In the months and years ahead, the Company will continue its Procurement Renewal Project (PRP), through which it will lower the prices of materials purchased, as well as revise its pension schemes.

Regarding environmental initiatives, the Company is pursuing environment-friendly business activities based on the ISO 14001 standard. In production activities, we will strive to increase our rate of emissions-recycling, reduce our energy consumption rates, and curtail the use of chemical substances. In product development, we will make every effort to increase environment-friendly products as a top-priority initiative in our studies of methods to reduce the environmental impact of our products during customer use. Furthermore, based on the Japanese Ministry of the Environment's guidelines and in line with Hitachi Group policies, in August 2001 we commenced environmental accounting reporting for fiscal 2000, and we will continue to implement thorough environmental information disclosure on a Groupwide basis.

5. Policies for Strengthening Corporate Governance

The Company continues to implement structural reforms to achieve qualitative improvements to its operations and establish a foundation that will enable profit-generating growth continuing into the future.

In April 2001, Hitachi Metals launched an Internal Company System and an Executive Director System, thereby delegating authority to seven internal "companies," the Automotive Components Company, the Piping Components Company, the Roll Company, the Specialty Steel Company, the Magnetics Company, the Information System Components Company, and the Environmental Systems Company. It is the role of the executive directors to respond to their respective business environments and autonomously manage their individual businesses. Meanwhile, we have designated a small board of directors with the task of specializing in overall decision making with the good of the entire Company in mind, for which we have established a Management Committee. The aim of these reforms to the Company's management structure is to separate overall strategic decision-making functions from the operational executive functions of each individual business in consideration of the unique characteristics of Hitachi Metals. The Company is active in a wide range of differing markets and product segments, and these reforms are intended to produce rational and speedy business management.

In the days and months ahead, we will augment the managerial frameworks of each internal company so as to enhance competitive strength with respect to the unique characteristics of each business as well as the generation of cash flows. Furthermore, through the reorganization and improvement of human resource

systems and the outsourcing of indirect operations, the Company will create a dynamic and efficient managerial structure.
From the perspective of corporate governance and as part of its responsibilities as a publicly listed enterprise, the Company will continue to rationalize its management and ensure transparency as it strives to expand corporate value through the above-mentioned medium-term management policies. To this end, the Company will disclose not only annual earnings statements but also periodically announce the results of individual business segments as well as its medium-term management plan. The Company will continue to provide timely, high-quality disclosure of information regarding its activities. The Company, as part of the basic policy launched this year, included in its corporate statement those promises that it is making to society and its stockholders, and how it intends to fulfill those promises. From now on, executives and employees will endeavor to act in accordance with the corporate statement and the behavioral code.

6. Basic Policies for Relationships with Interested Parties (Parent Company and Others)

Hitachi, Ltd., as the Company's leading stockholder, holds 55.0% of the Company's outstanding shares. In order to gain appropriate views for the management of the Group, one board member of Hitachi, Ltd., will be appointed to the board of directors of Hitachi Metals, and another Hitachi board member will serve as an auditor for the Company. As for the relationship with Hitachi, Ltd., and the Hitachi Group of companies, the Company maintains autonomy in its business operations and transactions. Regarding the Hitachi Group's execution of its business activities, the Company, as a member of the Hitachi Group of companies, will maintain close cooperative relationships with Hitachi, Ltd., and other companies in the Hitachi Group while using the Group's management resources to meet both market and customer needs as well as providing products and services of the highest quality.

Financial Performance

1. Financial Results

During fiscal 2001, ended March 31, 2002, the global economy lapsed into worldwide weakness owing to the collapse of the IT bubble and the terrorist incidents that occurred in the United States in September 2001. The Japanese economy also continued to deteriorate during the term due to such domestic factors as declining capital investment and a worsening employment and income situation as displayed by rising unemployment, and deflation persisted owing to competition stemming from lower priced goods from neighboring Asian countries.

Regarding the industries in which Hitachi Metals operates, PC demand plummeted in the United States—the world's largest market for PCs—and demand for mobile phones declined due to market saturation, causing successive production adjustments on a worldwide level and a trend toward producing units with increasingly advanced features. Owing to these factors, the semiconductor industry also continued to suffer weak market conditions and declining production. The construction industry was also beset by declining housing starts in addition to weakness in the non-housing and public works markets. Steel production declined as well due to weakening demand. The automotive industry, in the United States was insufficient to effect a full recovery and production declined, and in Japan, persistent weakness in sales resulted in low production levels.

Amid this severe business environment, owing to dwindling demand in each of the Company's segments—notably IT—as well as diminishing selling prices, net sales declined 15% compared with the previous term, to ¥409,650 million. In response, we made every effort to improve cash flows by implementing cuts to director and upper manager compensation and bonuses, curtailing head-office operations costs, and reducing inventories and accounts receivable. However, despite these efforts, we were unable to avoid recording a ¥17,999 million ordinary loss. Furthermore, in an effort to achieve the earliest possible recovery in earnings in fiscal 2002, we implemented early retirement and support programs to encourage employees to take up alternative employment as well as disposed of redundant facilities and unnecessary assets. As a result of the Company's recording of extraordinary losses pertaining to these measures, a net loss of ¥27,179 million was recorded.

Sales by business segment are discussed below and include sales to and from other business segments.

High-Grade Metal Products and Materials

In molds and cutting tools and materials, declining demand from the IT sector resulted in protracted inventory adjustments, and earnings were consequently weak for the term. Demand for automobile engine and component materials declined as a result of inventory adjustments in the U.S. automobile industry. In IC lead frames, PC and mobile phone sector demand declined due to substantial inventory adjustments in IT-related products, and shadow mask materials suffered heavily due to weakness in the PC market as well as the shift away from CRTs toward the use of LCDs. Demand was also weak for injection molding machinery components, owing to plummeting production of molding machines. Earnings in the rolls sector hovered at approximately the same level as the previous fiscal year amid declining domestic production and severe market conditions for exports.

Consequently, net sales for the segment declined 17% compared with the previous fiscal year, to ¥151,078 million, and operating loss amounted to ¥385 million.

Electronics and IT Devices

In ferrite magnets, selling prices tumbled even in high-performance materials due to globalization of customers' production operations and the progress of concentrated purchasing initiatives in the wiring components market—which has traditionally generated the greatest demand. Demand in rare earth magnets for use in production machinery motors declined substantially due to stagnating capital investment. Ferrite cores and wire-wound components suffered the effects of continued inventory adjustments stemming from overall weakness in the global economy. Demand for IT components (isolators and antenna switch modules) also plummeted as a result of production adjustments stemming from declining demand for portable

communications devices as well as continued inventory adjustments. Business in isolators was particularly weak, as CDMA units failed to contribute to increased domestic demand as they were expected to, and delays were experienced in their penetration of overseas markets.
Consequently, net sales for the segment declined 31% compared with the previous fiscal year, to ¥53,435 million, and an operating loss of ¥9,545 million was recorded.

High-Grade Casting Components for Automobiles

Sales of heat-resistant cast steel products tumbled due to weak sales among principal U.S. automakers of units incorporating these products. Adversely influenced by domestic customers' declining sales of components to the North American market, aluminum products and high-grade ductile castings also declined overall. Although sales of aluminum wheels for automobiles declined initially due to the weeding out of non-profit generating products, sales began to revive in the second half as new sales promotion efforts took effect.
Consequently, net sales for the segment declined 13% compared with the previous fiscal year, to ¥80,791 million, and an operating loss of ¥2,116 million was recorded.

Construction Components, Plant and Equipment

Steel frame joints and corrosion-resistant joints suffered a protracted slump in demand due to weakness in new housing and construction starts. Despite the highly severe market environment for stainless steel and plastic pipe fitting systems, aggressive marketing activities in principal products prevented any substantial decline in sales. Although sales of interior systems for clean rooms declined drastically due to lackluster capital investment in the IT sector, sales to the office automation sector remained healthy. Structural systems suffered both a decline in new building construction starts as well as tumbling selling prices. Sales of wastewater-treatment equipment were generally weak, as the majority of purchase orders were deferred as a result of revisions to public works projects and budget cuts. However, sales of waste-disposal equipment increased dramatically due to the implementation of maintenance projects whose purchase orders were obtained in fiscal 2000.
Consequently, net sales for the segment declined 8% compared with the previous fiscal year, to ¥109,336 million, and operating income amounted to ¥709 million.

Services & Other Activities

Both domestic and overseas sales in this segment were weak throughout the term.
Consequently, net sales for the segment declined 20% compared with the previous fiscal year, to ¥66,421 million, and operating income amounted to ¥334 million.

2. Outlook

Improvement in the global economy is expected during the next fiscal year (ending March 31, 2003), as signs of market improvement are being witnessed in the United States. However, market conditions in Japan remain extremely severe. Although the rate of the decline in productivity has eased off slightly, hope for recovery in consumer spending and capital investment remains bleak.

As for the industries in which the Company operates, although recovery in demand from IT sectors is anticipated, decline in other segments appears unavoidable. Sales of electronics and IT devices are in decline, and no significant recovery in sales is likely in the high-grade metal products and materials, high-grade casting components for automobiles, and construction components, plant and equipment segments.

Against this backdrop, the Company will maximize its operational vitality through the various initiatives it has been working to implement as well as strive to further reduce over all operating costs. Furthermore, as stated in the "Medium-to-Long-Term Strategy and Issues to Be Addressed" section of our "Management Policies," we will strive to attain a return to profitability by revising business structures, instituting production systems that are capable of flexibly adapting to market trends, and accelerating the time to market of newly developed products.

Furthermore, Hitachi Metals was approved on April 23, 2002 about exemption from obligation for future payments of the corporate portion of employees' pension fund contributions. By this exemption, ordinary income is expected to increase ¥1,000 million and net income is expected to increase ¥2,200 million. Moreover, in the second half of the fiscal 2002, ending March 31, 2003, we intend to adopt a defined contribution pension plan, which we anticipate to result in a ¥2,200 million decline in net income.

Through the achievement of these efforts, we predict financial performance for the year ending March 31, 2003, as follows:

Forecasts of Consolidated Financial Report for the term, April 1, 2002 to March 31, 2003

Net sales	¥413,000 million
Ordinary income	(¥ 9,100 million)
Net income	(¥ 2,300 million)

Forecasts of Non-consolidated Financial Report for the term, April 1, 2002 to March 31, 2003

Net sales	¥243,000 million
Ordinary income	(¥ 6,000 million)
Net income	(¥ 1,250 million)

The Company will determine both interim and year-end cash dividends after careful consideration of its financial performance and the overall business environment.

3. Financial Condition

Despite recording a loss before income taxes and minority interest of ¥43,348 million, as a result of the Company's efforts to reduce accounts receivable and inventories, net cash provided by operating activities in fiscal 2001 amounted to ¥15,589 million.

Owing to restrictions on capital investment, net cash used in investing activities declined ¥8,599 million compared with the previous fiscal year, to ¥120 million. Free cash flow (the difference between cash flows from investing activities and cash flows from operating activities), amounted to ¥15,469 million.

As a result of a ¥19,353 million decline in corporate bonds and bank loans, cash used in financing activities amounted to ¥21,313 million.

Consequently, cash and cash equivalents at year-end amounted to ¥44,758 million.

During the next fiscal year, the Company will continue to strive to reduce assets and interest-bearing debt.

Note: The outlooks for performance presented in this document are statements regarding future plans, not historical facts, and represent the judgments of the management of the Company based on current conditions as well as certain premises and assumptions. In fact, changes in assumptions and prevailing conditions as well as other developments, along with a wide range of other factors may lead to outcomes that differ substantially from those presented in this document. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on these outlooks when making investment and other decisions.

Consolidated Balance Sheets

	End of 3/02 (A)	End of 3/01 (B)	(difference) (A)-(B)
	(Millions of Yen)		
ASSETS			
Current assets:			
Cash and deposits in banks	**31,806**	28,844	2,962
Notes receivable and accounts receivable	**84,630**	109,783	(25,153)
Receivable for completed construction work	**5,845**	19,021	(13,176)
Cash pooling deposit	**10,625**	—	10,625
Negotiable securities	**10,237**	35,757	(25,520)
Inventories	**69,934**	89,612	(19,678)
Deferred tax assets	**8,344**	7,039	1,305
Other current assets	**6,123**	6,155	(32)
Total current assets	**227,544**	296,211	(68,667)
Fixed assets:			
Tangible fixed assets	**173,338**	197,427	(24,089)
Intangible fixed assets	**2,859**	2,903	(44)
Other	**53,218**	40,428	12,790
Total fixed assets	**229,415**	240,758	(11,343)
Total assets	**456,959**	536,969	(80,010)
LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY			
Liabilities:			
Current Liabilities			
Accounts payable	**41,714**	57,141	(15,427)
Short-term debt	**56,523**	55,569	954
Bonds redeemable within a year	**12,967**	43,434	(30,467)
Accrued income tax	**494**	4,185	(3,691)
Deferred tax liabilities	**9**	254	(245)
Others	**37,992**	45,403	(7,411)
Total current liabilities	**149,699**	205,986	(56,287)
Fixed liabilities			
Bonds and long-term debt	**95,515**	86,222	9,293
Reserve for retirement benefits	**29,128**	32,443	(3,315)
Reserve for directors' retirement bonuses	**1,009**	1,789	(780)
Deferred tax liabilities	**2,196**	1,958	238
Others	**11,550**	11,612	(62)
Total fixed liabilities	**139,398**	134,024	5,374
Total Liabilities	**289,097**	340,010	(50,913)
Minority interests	**10,683**	11,435	(752)
Shareholders' equity:			
Paid-in capital	**26,283**	26,283	—
Capital surplus	**36,699**	36,699	—
Consolidated Surplus	**94,819**	124,162	(29,343)
Appraisal gain(loss) for other marketable securities	**814**	982	(168)
Other	**(1,436)**	(2,602)	1,166
Total shareholders' equity	**157,179**	185,524	(28,345)
Total Liabilities, Minority interests and Shareholders' equity	**456,959**	536,969	(80,010)

Comparative Statement of profit and loss

(Millions of Yen)

	Fiscal 2001 (Mar. 31,02) (A)	Fiscal 2000 (Mar. 31,01) (B)	(difference) (A)-(B)	(A)/(B) (%)
Net sales	**409,650**	479,480	(69,830)	85
Cost of sales	**342,056**	377,296	(35,240)	91
Gross profit	**67,594**	102,184	(34,590)	66
Sales, general and administrative expenses	**78,597**	76,813	1,784	102
Operating Profit and loss	**(11,003)**	25,371	(36,374)	—
Other income:				
Interest and dividends	**1,208**	1,735	(527)	70
Investment income based on equity method	**17**	421	(404)	4
Other	**4,261**	13,288	(9,027)	32
Total	**5,486**	15,444	(9,958)	36
Other deductions:				
Interest and discount charges	**3,783**	4,334	(551)	87
Other	**8,699**	6,071	2,628	143
Total	**12,482**	10,405	2,077	120
Ordinary profit (loss)	**(17,999)**	30,410	(48,409)	—
Extraordinary profit (loss)				
Retirement benefit trust gain(loss)	—	(6,548)	6,548	—
Gain from the disposal of stocks of affiliated Companies	**35**	73	(38)	48
Gains from sale of fixed assets	**853**	815	38	105
Write-off Discrepancies as a Result of Changes in Accounting	**(3,693)**	(3,939)	246	—
Loss on structural reform	**(24,549)**	(392)	(24,157)	—
Expenses for patent lawsuit indemnities	—	(491)	491	—
Others	**2,005**	—	2,005	—
Total	**(25,349)**	(10,482)	(14,867)	—
Income before income tax	**(43,348)**	19,928	(63,276)	—
Corporation and inhabitant taxes	**1,125**	6,348	(5,223)	18
Adjustment account for corporate tax	**(17,115)**	2,914	(20,029)	—
Minority shareholders' income, etc.	**(179)**	1,003	(1,182)	—
Net Income	**(27,179)**	9,663	(36,842)	—

Statement of Consolidated Surplus

(Millions of Yen)

	Fiscal 2001 (Mar. 31,02) (A)	Fiscal 2000 (Mar. 31,01) (B)	(difference) (A)-(B)	(A)/(B) (%)
Consolidated surplus brought forward	**124,162**	118,372	5,790	105
Increase of other surplus	—	—	—	—
Decrease of other surplus	**2,164**	3,873	(1,709)	56
Cash dividends	**1,786**	3,572	(1,786)	50
Directors' bonuses	**378**	301	77	126
Decrease of subsidiaries by the change of accounting rule	—	—	—	—
Net income of the year under review	**(27,179)**	9,663	(36,842)	—
Consolidated surplus carried forward	**94,819**	124,162	(29,343)	76

Consolidated Statements of Cash Flows

	(Millions of Yen)	
	End of 3/02	End of 3/01
Cash flows from operating activities		
Net income before income tax	**(43,348)**	19,928
Depreciation and amortization	**23,660**	24,880
Extra ordinary loss on structural reform	**11,245**	392
Increase (decrease) reserve for retirement benefits	**(6,358)**	1,259
Retirement benefit trust loss	—	6,547
Loss on retirement of fixed assets	**1,916**	1,808
Gain on sale of securities	**(136)**	(5,976)
Loss on sale of securities	**321**	208
Interest earned and dividends received	**(1,208)**	(1,735)
Interest paid	**3,783**	4,334
Exchange loss	**(413)**	621
Increase in receivables	**26,280**	8,693
(Increase) decrease in receivables for completed construction work	**13,186**	(4,866)
(Increase) decrease in inventories	**21,022**	(7,149)
Increase in payables	**(15,941)**	(1,317)
Other	**(11,246)**	(2,156)
Sub total	**22,763**	45,471
Earnings on interest and dividends	**1,452**	2,011
Interest paid	**(3,926)**	(4,367)
Income tax and other tax paid	**(4,700)**	(5,311)
Net cash provided by operating activities	**15,589**	37,804
Cash flows from investment activities		
Expenditures for acquisition of securities	**(313)**	(1,310)
Proceeds from sale of securities	**8,764**	7,194
Expenditures for acquisition of investment securities	**(211)**	(212)
Proceeds from sale of investment securities	**486**	8,312
Expenditures for acquisition of tangible fixed assets	**(16,875)**	(25,107)
Proceeds from sale of tangible fixed assets	**9,019**	3,974
Expenditures for acquisition of intangible fixed assets	**(877)**	(741)
Loan on long-term debt	**(199)**	(298)
Withdrawal of long-term debt	**236**	331
(Increase) decrease in short-term borrowings	**(339)**	578
Other investment	**189**	(1,440)
Net cash used in investing activities	**(120)**	(8,719)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**4,573**	(6,766)
Proceeds from long-term debt	**46,987**	2,488
Payments on long-term debt	**(29,623)**	(9,819)
Proceeds from issue of bonds	**3,491**	5,256
Expenditures for issue of bonds	**(44,781)**	(19,386)
Dividends paid by parent company	**(1,786)**	(3,571)
Dividends paid to minority stock holders	**(174)**	(163)
Other financial	—	47
Net cash provided by (used in) financing activities	**(21,313)**	(31,914)
Effect of exchange rate changes on cash and cash equivalents	**803**	681
Net increase (decrease) in cash and cash equivalents	**(5,041)**	(2,148)
Cash and cash equivalents at beginning of year	**50,046**	52,194
Net increase (decrease) in cash and cash equivalents by newly non-consolidated subsidiaries	**(247)**	—
Cash and cash equivalents at end of year	**44,758**	50,046

Listed cash and deposits to consolidated balance sheet at end of year and relation of listed cash and cash equivalents to consolidated statements of cash flows

Cash and deposits	**31,806**	28,844
Securities (Money Market Fund, etc.)	**2,327**	21,202
Cash pooling deposits	**10,625**	—
Cash and cash equivalents at end of year	**44,758**	50,046

Segment Information

Year under review (Apr. 1, 2001 - Mar. 31, 2002)

(Millions of Yen)

	High-grade Metal Products and Materials	Electronic and IT Devices	High-grade Casting Components for Automobiles	Construction Components, Plant and Equipment	Services and Other	Total	Eliminated (Net Sales) or Others (Assets))	Consoli-dated
Ⅰ.Net sales								
Sales to customers	**130,696**	**42,963**	**77,690**	**94,820**	**63,508**	**409,650**	—	**409,650**
In-house sales	**20,382**	**10,499**	**3,101**	**14,516**	**2,913**	**51,411**	**(51,411)**	—
Total net sales	**151,078**	**53,435**	**80,791**	**109,336**	**66,421**	**461,061**	**(51,411)**	**409,650**
Operating expenses	**151,463**	**62,980**	**82,907**	**108,627**	**66,087**	**472,064**	**(51,411)**	**420,653**
Operating income	**(385)**	**(9,545)**	**(2,116)**	**709**	**334**	**(11,003)**	—	**(11,003)**
Ⅱ.Assets								
Total assets	**145,846**	**53,981**	**62,791**	**77,331**	**47,606**	**387,555**	**69,404**	**456,959**
Depreciation	**9,516**	**4,980**	**4,368**	**2,928**	**1,629**	**23,421**	**239**	**23,660**
Capital expenditure	**5,074**	**4,234**	**2,945**	**2,924**	**1,368**	**16,545**	**293**	**16,838**

Previous Year (Apr.1, 1999 - Mar. 31, 2000)

(Millions of Yen)

	High-grade Metal Products and Materials	Electronic and IT Devices	High-grade Casting Components for Automobiles	Construction Components, Plant and Equipment	Services and Other	Total	Eliminated (Net Sales) or Others (Assets))	Consoli-dated
Ⅰ.Net sales								
Sales to customers	155,024	59,811	87,515	98,640	78,490	479,480	—	479,480
In-house sales	27,386	17,190	5,309	19,669	4,726	74,280	(74,280)	—
Total net sales	182,410	77,001	92,824	118,309	83,216	533,760	(74,280)	479,480
Operating expenses	169,261	76,282	88,636	113,805	80,405	528,389	(74,280)	454,109
Operating income	13,149	719	4,188	4,504	2,811	25,371	—	25,371
Ⅱ.Assets								
Total assets	180,697	66,530	76,890	92,342	62,332	478,791	58,178	536,969
Depreciation	9,763	5,473	4,832	2,798	1,772	24,638	242	24,880
Capital expenditure	11,111	6,218	3,261	2,613	1,484	24,687	206	24,893

Notes: Major Products :

High-grade Metal Products and Materials	High-grade Specialty Steels for: Molds, Dies, Cutting Tool; Automotive parts; Aerospace parts; Nuclear Equipment Parts and Components for: Copying Machines; Office Automation Devices High-grade Electronic Materials for: IC Lead Frames; Shadow Masks; Sputtering Targets Mill Rolls for: Steel, Nonferrous, Nonmetal Rolling Injection Molding Machine parts, Fine Ceramics, Structural and Functional Steel Frame Joints for Construction Equipment, Cutting Tool(Hitachi Tool Engineering, Ltd.)
Electronic and IT Devices	Ferrite and Rare Earth Magnets Magnetic Appliances: Electrophotographic Copying Machine Parts; Linear Motors; Dental Attachments Information and Communication Devices:Isolators; Multilayered Devices for Communication Systems; Piezoelectric Ceramics, Ferrite Cores, EMC Components, Magnetic Recording Heads for: High-Capacity FDDs Magnetic Encoders, Ceramic Scintillators, Optical Switches, Nanocrystalline Soft Magnetic Materials(FINEMET ™)
High-grade Casting Components for Automobiles	Ductile and Malleable Iron Castings, Heat-Resistant Castings and Iron Castings(HERCUNITE ™) Aluminum wheels, Dies
Construction Components, Plant and Equipment	Malleable Iron Pipe Fittings, Polyethylene Electrofusion Fitting Systems Stainless Steel Piping Components: Flexible Connectors(SOFLEX ™) Water-Cooling Equipment for Factory Facilities(Chilled Towers) Precision Mass Flow Control Devices for Semiconductor Manufacturing Equipment: Mass Flow Controllers; Metal Diaphragm Valves Enviromental Protection Equipment:Wastewater Treatment,; Sludge Treatment; Incineration; Soil Remediation Industrial Equipment: Silo Plants; Feed Plants Floor Tile Systems and Chains(Hitachi Metals Techno, Ltd.)

Sales results by location

Year under review (Apr. 1, 2001 - Mar. 31, 2002) (Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
Ⅰ. Net sales and operating income							
Sales to customers	**316,726**	**63,407**	**18,294**	**11,223**	**409,650**	—	**409,650**
In-house sales	**25,216**	**1,905**	**4,592**	**1,697**	**33,410**	**(33,410)**	—
Total net sales	**341,942**	**65,312**	**22,886**	**12,920**	**443,060**	**(33,410)**	**409,650**
Operating expenses	**354,697**	**64,436**	**22,437**	**12,493**	**454,063**	**(33,410)**	**420,653**
Operating income	**(12,755)**	**876**	**449**	**427**	**(11,003)**	—	**(11,003)**
Ⅱ. Assets	**315,543**	**46,744**	**20,589**	**5,180**	**388,056**	**68,903**	**456,959**

(Apr.1, 2000 - Mar. 31, 2001) (Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
Ⅰ. Net sales and operating income							
Sales to customers	374,607	73,984	19,577	11,312	479,480	—	479,480
In-house sales	41,490	2,022	7,800	2,617	53,929	(53,929)	—
Total net sales	416,097	76,006	27,377	13,929	533,409	(53,929)	479,480
Operating expenses	397,052	71,340	26,051	13,595	508,038	(53,929)	454,109
Operating income	19,045	4,666	1,326	334	25,371	—	25,371
Ⅱ. Assets	392,355	56,851	22,231	5,522	476,959	60,010	536,969

Overseas sales

Year under review (Apr. 1, 2001 - Mar. 31, 2002) (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	**58,438**	**46,281**	**18,300**	**123,019**
Consolidated sales				**409,650**
Overseas sales as a share of consolidated sales	**14.3%**	**11.3%**	**4.4%**	**30.0%**

(Apr.1, 2000 - Mar. 31, 2001) (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	66,646	53,525	20,832	141,003
Consolidated sales				479,480
Overseas sales as a share of consolidated sales	13.9%	11.2%	4.3%	29.4%

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

The Situation of Marketable securities and Derivatives Transactions

1.Securities (Millions of Yen)

	End of 3/02			End of 3/01		
	Balance sheet value	Market price	Valuation profit/loss	Balance sheet value	Market price	Valuation profit/loss
Bond for maturity:						
Government bonds Municipal bonds・・・・	—	—	—	—	—	—
Corporate Bonds・・・・	**1,843**	**1,843**	—	5,400	5,400	—
Other・・・・・・・・・・・・・	—	—	—	—	—	—
Total・・・・・・・・・・・・	**1,843**	**1,843**	—	5,400	5,400	—
Other securities:						
Stocks・・・・・・・・・・・・	**2,386**	**3,801**	**1,415**	2,077	3,717	1,640
Bonds						
Government bonds Municipal bonds・・	—	—	—	—	—	—
Corporate Bonds・・	**1,084**	**1,084**	—	4,612	4,630	18
Other・・・・・・・・・・	—	—	—	—	—	—
Other・・・・・・・・・・・・・	**2,853**	**2,853**	—	23,539	23,525	(14)
Total・・・・・・・・・・・・	**6,323**	**7,738**	**1,415**	30,228	31,872	1,644

2. Difference between market price and contract value of derivatives transactions (Millions of Yen)

	End of 3/02			End of 3/01		
	Contract value	Market price	Appraisal gain/loss	Contract value	Market price	Appraisal gain/loss
Exchange contract transactions:						
Exchange contracts						
U.S. dollars (buy)・・・・	**415**	**432**	**17**	136	151	15
U.S. dollars (sell)・・・・	**57**	**57**	**0**	—	—	—
Currency swap transactions:						
Coupon swap・・・・・・・	**5,000**	**618**	**618**	5,000	557	557
Receipts yen payments dollars	**13,500**	**(1,315)**	**(1,315)**	—	—	—
Interest-rate swaps						
Receipts fixed payments variable	**15,000**	**331**	**331**	51,239	857	857
Receipts variable payments fixed	**27,931**	**(322)**	**(322)**	43,697	(807)	(807)
Total・・・・・・・・・・・・・	**61,903**	**(199)**	**(671)**	100,072	758	622