

# Hitachi Metals, Ltd. (Oct. 29, 2002)

Code:5486

2-1 Shibaura 1-chome, Minato-ku, Tokyo

## Consolidated Financial Report for the 6-month period ended September 30, 2002

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

1. Performance over the year, April 1, 2002 to September 30, 2002 (Figures are rounded to the nearest million yen)

(1) Consolidated Operating results	<u>9/02(interim)</u>	<u>9/01(interim)</u>	<u>(Change)</u>	<u>3/02</u>
Net Sales (¥ million).....	<b>198,954</b>	204,472	(2.7%)	409,650
Operating income (¥ million).....	<b>3,921</b>	(2,259)	—%	(11,003)
Ordinary income (¥ million).....	<b>2,636</b>	(6,585)	—%	(17,999)
Net income (¥ million).....	<b>993</b>	(7,823)	—	(27,179)
Net income per share (¥).....	<b>2.78</b>	(21.91)	—	(76.11)
Diluted net income per share (¥).....	—	—	—	—

Notes: 1. Profit (loss) on equity method investment: 9/02 ¥108 million 9/01 ¥43 million 3/02 ¥17 million

2. Average number of shares outstanding (9/02:357,088,035 9/01:357,121,930 3/02: 357,118,029)

3. Accounting policy have been made Change.

(2) Consolidated Financial Standing	<u>9/02(interim)</u>	<u>9/01(interim)</u>	<u>3/02</u>
Total assets (¥ million).....	<b>439,483</b>	502,816	456,959
Shareholders' equity (¥ million).....	<b>154,470</b>	174,696	157,179
Shareholders' equity ratio(%).....	<b>35.1</b>	34.7	34.4
Shareholders' equity per share (¥).....	<b>432.60</b>	489.18	440.14

Average number of shares outstanding at the end of year (9/02:357,069,401 9/01:357,122,292 3/02: 357,110,711)

(3) Consolidated cash flows (¥ million)	<u>9/02(interim)</u>	<u>9/01(interim)</u>	<u>3/02</u>
Cash flows from operating activities .....	<b>11,394</b>	14,371	15,589
Cash flows from investment activities .....	<b>(2,882)</b>	(2,081)	(120)
Cash flows from financing activities .....	<b>(5,022)</b>	2,564	(21,313)
Cash and cash equivalents at yearend .....	<b>47,404</b>	64,572	(44,758)

Notes: Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries : 73

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 4 Companies removed 3

Equity method : New companies coming under equity method None Companies removed None

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

	<u>At yearend</u>
Net sales (¥ million).....	411,000
Ordinary income (¥ million).....	8,800
Net income (¥ million).....	<u>1,400</u>

Reference: Expected net income per share (full-year basis) consolidated: ¥3.92

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: 73 companies**

### **37 domestic companies**

Hitachi Tool Engineering, Ltd.	Hitachi Ferrite Electronics, Ltd.
Hitachi Metals Techno, Ltd.	Kyushu Techno Metal, Ltd.
Hitachi Metals Trading Co., Ltd.	Hitachi Metals Construction Co., Ltd
HMY, Ltd.	Nikki Plantech, Ltd.
Seitan Inc.	Auto-tech, Ltd.
Hitachi Valve, Ltd.	Shimoda Echotech, Ltd.
Hitachi Metals Estate, Ltd.	Hitachi Metals MPF, Ltd.
Tokyo Seimitsu Kogyou, Ltd.	Hiyoshi Kouzai, Ltd.
HMW, Ltd.	Nichiei Corporation
Hitachi Metals Kiko Co., Ltd.	Himec, Ltd.
Magtec Co., Ltd.	

etc.

### **36 overseas companies**

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

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.

### **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 Management Strategy and Issues to be Addressed**

Due to the transition to a global economy, the evolution of mega-competition, the continual spread of IT throughout society and industry, and the placement of greater emphasis on the environment and safety, the needs of the Hitachi Metals Group’s markets and clients are changing rapidly. The Company still maintains 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 market maturation. Furthermore, demand is declining and prices are falling rapidly due to domestic de-industrialization 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.

However, even amid this severe business environment, Hitachi Metals will strive to remain ahead of the competition and improve its standing by pursuing a product strategy aimed at further strengthening businesses in traditional product segments—in which it maintains a competitive advantage—as well as strengthening the operations of internal companies so as to enhance the competitiveness of its core products. In addition, the Company will strengthen its R&D capabilities by creating an R&D structure wherein sales, manufacturing, and R&D operations combine to create products imbued with the high technology and knowledge base demanded by today’s market and continue to bring unique, high-performance products to the market. Finally, the Company is conducting sales-and-marketing-based business development activities focused on developing new business with a focus on major customers. The above three activities have been given Corporate Project status and will be implemented with the ultimate goals of producing products with global appeal and firmly establishing Hitachi Metals as a leading corporation in all its industry sectors. Hitachi Metals will strive to be a development-based company employing manufacturing methods integral to

the success of its customers and occupy a special place within the Company.

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 nanocrystalline technology, multi-layer compound circuit board materials based on unique ceramics, and passive components for fiber-optic communications using sub-micron processing technologies. In addition, Hitachi Metals will concentrate on all types of advanced IT-compatible sensors and other cutting-edge products, including wave absorbers for ITS (Intelligent Transportation Systems) and commercialization of new magnesium chassis molding technologies.

The Company's overseas strategy gives priority to being close to local markets, maintaining cost-competitiveness, and adapting technologies to the targeted areas of use. To this end, we strive to assemble production and sales frameworks that respond and adapt to unique business and product circumstances. Specifically, in fiscal 2001, we continued to expand our business to take advantage of the growing Chinese market, establishing a new subsidiary in Suzhou to enable the partial transfer of production processes for mobile phone components as well as production subsidiary that processes sputtering target materials in Taiwan. A sales subsidiary, Hitachi Metals (Shanghai) Ltd. was also established in Shanghai this year.

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 liquidation of redundant fixed assets, as well as raising efficiency in capital management and reducing its interest-bearing debt ratio. Specifically, we are currently working to improve cash flow by limiting capital investment to within the scope of depreciation and amortization expenses, shortening lead times, and reducing accounts receivable.

To reduce overall expenses, in addition to continued implementation of the PRP (Procurement Renewal Project), the Company is also instituting a pension system restructuring program.

With regard to environmental issues, at the production level, Hitachi Metals is striving to improve its recycling rate, reduce the rate of energy consumption to net sales, and implement strict controls over the handling of hazardous chemical substances. In product development, the Company is expanding its lineup of environment-friendly products designed to reduce environment impact, particularly during customer use. These activities are included in the Company's ISO 14001 improvement plan and are subject to an audit each year. The Hitachi Metals Group also issues a yearly environmental report and will continue to expand the disclosure of information regarding its environmental activities.

## **5. Managerial Structural Reform Initiatives**

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 the previous fiscal year, the Company adopted a system of internal companies and executive officers. Under this system, each internal company will implement structural reform focused on increasing cash flow and strengthening competitiveness of all areas of each business so as to prevail against rival manufacturers. We are also restructuring administrative functions to enhance consolidated operations by assembling a Groupwide data-sharing infrastructure with the head office overseeing coordination among internal companies, plants, and Group affiliates. Furthermore, by reforming personnel compensation systems and adopting shared service programs for non-core operations, the Company will create a dynamic and highly efficient managerial structure. These and other initiatives are being incorporated into a series of projects aimed at enabling the medium- and long-term growth of the Hitachi Metals Group.

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, we will strive for timely information disclosure of the highest quality. We will disclose not only annual earnings statements but also periodically announce the results of individual business segments as well as our medium-term management plans. The Company has also drafted a Corporate Statement, the content of which was included in its fundamental management policy, and all 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 the first half of fiscal 2002, ending Sep. 30, 2002, the global economy slowly recovered. In the Japanese economy, although some signs of bottoming out were seen, the overall situation remained severe as weakness persisted in capital investment and consumer spending.

Regarding the industries in which the Hitachi Metals Group operates, delays were incurred in the recovery of global demand for PCs. Demand also weakened in mobile phones due to market saturation, and the construction industry was beset by weakness in public works as well as declining floor space in new construction starts. On the other hand, demand slowly increased in semiconductors, and domestic steel production grew due to strong demand in Asia. In the automotive industry, despite weak domestic sales, production increased due to recovery in sales in the United States and the resulting boost in exports.

Against this backdrop, although the Hitachi Metals Group experienced a slight recovery in demand from certain industries, owing to such factors as the decline in selling prices, net sales declined 2.7% compared with the same half of the previous fiscal year, to ¥198,954 million. In response, the Company engaged in efforts to lower raw materials prices as well as other measures to reduce costs and made every effort to improve cash flows by curtailing investments and reducing accounts receivable. We also strove to cut overall expenses by reducing salaries and bonuses of directors, upper managers, and regular employees.

As a result of these efforts, the Company succeeded in recording ordinary income of ¥2,636 million improved ¥9,212million compared with the same half of the previous fiscal year.

Furthermore, the Company recorded extraordinary income due to exemption from future payment obligations into public pension funds while also writing off the differential resulting from the change to retirement benefit liability accounting. As a result, net income after income taxes for the interim period amounted to ¥993 million increased ¥8,816 million compared with the same half of the previous fiscal year.

With regard to dividends, as announced on September 12, 2002, as we have yet to attain a full recovery in earnings, with regret, we have chosen to forgo the payment of interim shareholders' dividends for the half.

Sales by business segment are discussed below and include inter-segment sales.

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

In molds and cutting tools and materials, despite a sluggish recovery in IT-sector demand, demand increased in such other sectors as the automotive industry, and recovery was seen in automobile components and materials, boosted by the increase in domestic automobile production. Demand also increased for IC lead frame materials as recovery was attained in semiconductor production volumes, and demand also improved in shadow mask materials, primarily in television set applications. Sales of injection molding machinery components grew substantially, benefiting from strong demand in Asian markets for injection molding machinery. In rolls, despite the increase in domestic steel production, customers' inventory adjustments continued, and business hovered at approximately the same level as in the same half of the previous term.

As a result, net sales for the segment decreased 3% compared with the same half of the previous fiscal year, to ¥76,815 million, and operating income amounted to ¥2,784 million.

### **Electronics and IT Devices**

Sales of ferrite magnets were strong during the half, supported by automotive-sector demand for electric components. In rare earth magnets, inventory adjustments in optical disk drives were concluded and demand increased in the machine tool sector. Sales of wound ferrite cores and wire-wound components also increased as the cycle of inventory adjustments ran its course. In IT equipment, sales of isolators and antenna switch modules were weak due to the sluggish recovery in demand for mobile phones.

As a result, net sales for the segment decreased 10% compared with the same half of the previous fiscal year, to ¥25,903 million, and operating loss amounted to ¥877 million.

### **High-Grade Casting Components for Automobiles**

Recovery was attained in heat-resistant iron castings as a result of strong automobile sales in the United States and the development of new customers in Europe. Demand for aluminum products increased due to such factors as changes to automobile models in which such products are used. In aluminum wheels, although the models that incorporate Hitachi Metals wheels declined, the Company held the decline in sales to a minimum through dynamic marketing efforts, primarily in such newly developed high-priority products as wide-diameter and stylish wheels. Sales of high-grade ductile castings declined as the Company screened out unprofitable products.

As a result, net sales for the segment decreased 2% compared with the same half of the previous fiscal year, to ¥40,067 million, and operating income amounted to ¥1,339 million.

### **Construction Components, Plant and Equipment**

Despite strong demand from large-scale redevelopment projects in Tokyo, overall demand for pipe fittings and corrosion-resistant joints declined as new housing and construction starts remained weak. Sales were also lackluster in stainless steel and plastic piping systems due to intense market competition. Meanwhile, substantial market shrinkage was seen in interior systems as a result of the recession in the U.S. IT industry. Structural systems also declined, owing to the reduction in floor space of steel frame construction projects. Business in wastewater treatment equipment was weak as competition intensified amid shrinking public works budgets. Sales of waste disposal equipment were also down due to weak demand from regional public corporations as well as to deferral of purchase orders in the private sector.

As a result, net sales for the segment decreased 3% compared with the same half of the previous fiscal year, to ¥48,466 million, and operating income amounted to ¥388 million.

### **Services and Other Activities**

Both domestic and overseas sales were weak for the half. Net sales for the segment decreased 4% compared with the same half of the previous fiscal year, to ¥33,017 million, and operating income amounted to ¥536 million.

## **2. Outlook**

Although the global economy is generally poised for a gradual recovery during the remainder of fiscal 2002, concerns are rising over such issues as the future of the U.S. economy. Meanwhile, in the Japanese economy, serious deflationary trends are anticipated to continue due to such factors as worsening income conditions and the resulting decline in consumer spending as well as the accelerated disposal of bad debts.

In the industries in which the Hitachi Metals Group operates, there is little likelihood of any substantial increase in sales. The automotive industry has been in decline since June 2002 and remains unstable as its outlook for the second half of the fiscal year hinges on the state of the global economy. Full-fledged recovery also remains elusive in the high-grade metals, electronics and IT, and equipment and construction industries.

Against this backdrop, the Hitachi Metals Group will implement a series of initiatives to firmly establish the profitability achieved during the first half of the term and further expand earnings. Specifically, first of all we will secure our earnings base by strengthening the foundation of our core businesses. From there, we will draw upon the comprehensive strength of our sales, manufacturing, and R&D resources and concentrate on developing new products that will spearhead the next phase of growth. We will also strive to increase purchase orders by tapping into new markets and especially by creating new business models that will promote our development as a high-growth corporation.

Furthermore, as part of our efforts to reduce overall future costs, during the second half of fiscal 2002 we are planning to adopt a defined contribution pension plan.

The forecast of the second half of fiscal 2002 is not changed, but in order to the difference of the result for the first half management estimates financial performance for the year ending March 21, 2003, as follows:

-	Net sales	¥411,000 million
-	Ordinary income	¥8,800 million
-	Net income	¥1,400 million

The issue of year-end cash dividends will be decided in careful consideration of the Company's performance and surrounding business conditions.

### **3. Financial Standing**

The Company recorded a net cash inflow of ¥11,394 million from operating activities and a net cash outflow of ¥2,882 million from investing activities. Free cash flow—net operating cash flow less net investment cash flow—amounted to ¥8,512 million.

Cash used financing activities amounted to ¥5,022million.

As a consequence, cash and cash equivalents amounted to ¥47,404 million at the end of the half.

To improve cash flow for the full fiscal year, we will limit capital investment to within the scope of depreciation and amortization expenses. We will also continue to reduce inventories.

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

	(Millions of Yen)		
	End of 9/02 (A)	End of 3/02 (B)	(difference) (A)-(B)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits in banks	35,461	31,806	3,655
Notes receivable and accounts receivable	72,955	84,630	(11,675)
Receivable for completed construction work	11,884	5,845	6,039
Cash pooling deposit	9,498	10,625	(1,127)
Negotiable securities	5,612	10,237	(4,625)
Inventories	67,231	69,934	(2,703)
Deferred tax assets	8,788	8,344	444
Other current assets	5,698	6,123	(425)
Total current assets	<u>217,127</u>	<u>227,544</u>	<u>(10,417)</u>
<b>Fixed assets:</b>			
Tangible fixed assets	168,245	173,338	(5,093)
Intangible fixed assets	3,142	2,859	283
Other	50,969	53,218	(2,249)
Total fixed assets	<u>222,356</u>	<u>229,415</u>	<u>(7,059)</u>
<b>Total assets</b>	<u><u>439,483</u></u>	<u><u>456,959</u></u>	<u><u>(17,476)</u></u>
<b>LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
<u>Current Liabilities</u>			
Accounts payable	37,775	41,714	(3,939)
Short-term debt	58,014	56,523	1,491
Bonds redeemable within a year	19,010	12,967	6,043
Accrued income tax	1,734	494	1,240
Deferred tax liabilities	11	9	2
Others	33,649	37,992	(4,343)
Total current liabilities	<u>150,193</u>	<u>149,699</u>	<u>494</u>
<u>Fixed liabilities</u>			
Bonds and long-term debt	83,361	95,515	(12,154)
Reserve for retirement benefits	27,261	29,128	(1,867)
Reserve for directors' retirement bonuses	938	1,009	(71)
Deferred tax liabilities	1,962	2,196	(234)
Others	10,846	11,550	(704)
Total fixed liabilities	<u>124,368</u>	<u>139,398</u>	<u>(15,030)</u>
Total Liabilities	<u><u>274,561</u></u>	<u><u>289,097</u></u>	<u><u>(14,536)</u></u>
<b>Minority interests</b>	<u>10,452</u>	<u>10,683</u>	<u>(231)</u>
<b>Shareholders' equity:</b>			
Paid-in capital	26,283	26,283	0
Capital surplus	36,699	36,699	0
Consolidated Surplus	94,787	94,819	(32)
Appraisal gain(loss) for other marketable securities	511	814	(303)
Other	(3,810)	(1,436)	(2,374)
Total shareholders' equity	<u>154,470</u>	<u>157,179</u>	<u>(2,709)</u>
<b>Total Liabilities, Minority interests and Shareholders' equity</b>	<u><u>439,483</u></u>	<u><u>456,959</u></u>	<u><u>(17,476)</u></u>

## Comparative Statement of profit and loss

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2002 (Sep. 30,02) (A)	Ratio to Sales (%)	1 <sup>st</sup> half fiscal 2001 (Sep. 30,01) (B)	Ratio to Sales (%)	(A)/(B) (%)	Fiscal 2001 (Mar. 31,02)
<b>Net sales</b> .....	<b>198,954</b>	100.0	204,472	100.0	97	409,650
<b>Cost of sales</b> .....	<b>162,416</b>	81.6	169,003	82.7	96	342,056
Gross profit.....	<b>36,538</b>	18.4	35,469	17.3	103	67,594
<b>Sales, general and administrative expenses</b>	<b>32,617</b>	16.4	37,728	18.5	86	78,597
Operating Profit and loss .....	<b>3,921</b>	2.0	(2,259)	(1.1)		(11,003)
<b>Other income:</b>						
Interest and dividends.....	<b>277</b>		671		41	1,208
Investment income based on equity method.....	<b>108</b>		43		251	17
Other.....	<b>2,212</b>		2,025		109	4,261
Total .....	<b>2,597</b>	1.3	2,739	1.3	95	5,486
<b>Other deductions:</b>						
Interest and discount charges.....	<b>1,342</b>		2,034		66	3,783
Other.....	<b>2,540</b>		5,031		50	8,699
Total .....	<b>3,882</b>	2.0	7,065	3.5	55	12,482
<b>Ordinary profit (loss)</b> .....	<b>2,636</b>	1.3	(6,585)	(3.2)	—	(17,999)
<b>Extraordinary profit (loss)</b>						
Gain from the disposal of stocks of affiliated Companies...	—		37		—	35
Gains from sale of fixed.....	<b>110</b>		127		87	853
Gains from exemption of public pension funds.....	<b>2,224</b>		—		—	—
Write-off Discrepancies as a Result of Changes in Accounting .....	<b>(1,512)</b>		(1,829)		83	(3,693)
Loss on structural reform .....	—		(2,965)		—	(24,549)
Others.....	—		—		—	2,005
Total .....	<b>822</b>	0.4	(4,630)	(2.3)	—	(25,349)
<b>Income before income tax</b> .....	<b>3,458</b>	1.7	(11,215)	(5.5)	—	(43,348)
<b>Corporation and inhabitant taxes</b> .....	<b>1,822</b>	0.9	1,387	0.7	131	1,125
<b>Adjustment account for corporate tax</b> .....	<b>715</b>	0.4	(4,835)	(2.4)	—	(17,115)
<b>Minority shareholders' income, etc.</b> .....	<b>(72)</b>	0.0	56	0.0	—	(179)
<b>Net Income</b> .....	<b>993</b>	0.5	(7,823)	(3.8)	—	(27,179)

## Statement of Consolidated Surplus

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2002 (Sep. 30,02) (A)	1 <sup>st</sup> half fiscal 2001 (Sep. 30,01) (B)	(A)/(B) (%)	Fiscal 2001 (Mar.31,02)
<b>Consolidated surplus brought forward</b> ...	<b>94,819</b>	124,162	76	124,162
Cash dividends.....	<b>892</b>	1,786	50	1,786
Directors' bonuses.....	<b>133</b>	378	35	378
<b>Decrease of other surplus</b> .....	<b>1,025</b>	2,164	47	2,164
<b>Net income of the year under review</b> .....	<b>993</b>	(7,823)	—	(27,179)
<b>Consolidated surplus carried forward</b> .....	<b>94,787</b>	114,175	83	94,819

## Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 9/02	End of 9/01	End of 3/02
<b>Cash flows from operating activities</b>			
Net income before income tax	3,458	(11,215)	(43,348)
Depreciation and amortization	10,389	11,880	23,660
Extra ordinary loss on structural reform	—	2,410	11,245
Increase (decrease) reserve for retirement benefits	(1,870)	—	(6,358)
Retirement benefit trust loss	—	—	—
Loss on retirement of fixed assets	291	673	1,916
Gain on sale of securities	(130)	(128)	(136)
Loss on evaluation of securities	67	199	321
Interest earned and dividends received	(277)	(671)	(1,208)
Interest paid	1,342	2,034	3,783
Exchange loss	285	277	(413)
(Increase) decrease in receivables	10,808	27,360	26,280
(Increase) decrease in receivables for completed construction work	(6,052)	1,391	13,186
(Increase) decrease in inventories	1,481	8,420	21,022
Increase in payables	(3,587)	(19,423)	(15,941)
Other	(3,044)	(3,609)	(11,246)
Sub total	13,161	19,598	22,763
Earnings on interest and dividends	464	917	1,452
Interest paid	(1,524)	(2,183)	(3,926)
Income tax and other tax paid	(707)	(3,961)	(4,700)
Net cash provided by operating activities	11,394	14,371	15,589
<b>Cash flows from investment activities</b>			
Expenditures for acquisition of securities	—	(312)	(313)
Proceeds from sale of securities	4,636	3,257	8,764
Expenditures for acquisition of investment securities	(47)	(144)	(211)
Proceeds from sale of investment securities	39	188	486
Expenditures for acquisition of tangible fixed assets	(8,112)	(9,915)	(16,875)
Proceeds from sale of tangible fixed assets	735	5,255	9,019
Expenditures for acquisition of intangible fixed assets	(656)	(379)	(877)
Loan on long-term debt	(193)	(133)	(199)
Withdrawal of long-term debt	542	165	236
(Increase) decrease in short-term borrowings	118	(379)	(339)
Other investment	56	316	189
Net cash used in investing activities	(2,882)	(2,081)	(120)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	(1,454)	9,566	4,573
Proceeds from long-term debt	9,083	10,734	46,987
Payments on long-term debt	(11,574)	(13,546)	(29,623)
Proceeds from issue of bonds	4,088	1,222	3,491
Expenditures for redemption of bonds	(4,174)	(3,535)	(44,781)
Dividends paid by parent company	(892)	(1,786)	(1,786)
Dividends paid to minority stock holders	(86)	(91)	(174)
Other financial	(13)	—	—
Net cash provided by (used in) financing activities	(5,022)	2,564	(21,313)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(844)	(328)	803
<b>Net increase (decrease) in cash and cash equivalents</b>	2,646	14,526	(5,041)
<b>Cash and cash equivalents at beginning of year</b>	44,758	50,046	50,046
<b>Net increase (decrease) in cash and cash equivalents by newly non-consolidated subsidiaries</b>	—	—	(247)
<b>Cash and cash equivalents at end of year</b>	47,404	64,572	44,758
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			
<b>Cash and deposits</b>	35,461	32,844	31,806
<b>Securities (Money Market Fund, etc.)</b>	2,445	31,728	2,327
<b>Cash pooling deposits</b>	9,498	—	10,625
<b>Cash and cash equivalents at end of year</b>	47,404	64,572	44,758

## Segment Information

Year under review (Apr. 1, 2002 - Sep. 30, 2002)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Casting Components for Automobiles	Construction Components, Plant and Equipment	Services and Other Activities	Total	Eliminated (Net Sales) or Others (Assets)	Consoli- dated
<b>I .Net sales</b>								
Sales to customers··	65,887	20,572	38,103	42,832	31,560	198,954	—	198,954
In-house sales·····	10,928	5,331	1,964	5,634	1,457	25,314	(25,314)	—
<b>Total net sales·····</b>	<b>76,815</b>	<b>25,903</b>	<b>40,067</b>	<b>48,466</b>	<b>33,017</b>	<b>224,268</b>	<b>(25,314)</b>	<b>198,954</b>
<b>Operating expenses····</b>	<b>74,031</b>	<b>26,780</b>	<b>38,728</b>	<b>48,078</b>	<b>32,481</b>	<b>220,098</b>	<b>(25,065)</b>	<b>195,033</b>
<b>Operating income·····</b>	<b>2,784</b>	<b>(877)</b>	<b>1,339</b>	<b>388</b>	<b>536</b>	<b>4,170</b>	<b>(249)</b>	<b>3,921</b>
<b>II.Assets</b>								
<b>Total assets·····</b>	<b>168,559</b>	<b>57,074</b>	<b>75,848</b>	<b>83,031</b>	<b>46,755</b>	<b>431,267</b>	<b>8,216</b>	<b>439,483</b>
<b>Depreciation·····</b>	<b>4,280</b>	<b>2,025</b>	<b>2,021</b>	<b>1,377</b>	<b>529</b>	<b>10,232</b>	<b>157</b>	<b>10,389</b>
<b>Capital expenditure···</b>	<b>2,754</b>	<b>1,213</b>	<b>2,162</b>	<b>1,048</b>	<b>412</b>	<b>7,589</b>	<b>538</b>	<b>8,127</b>

(Apr.1, 2001 - Sep. 30, 2001)

(Millions of Yen)

<b>I .Net sales</b>								
Sales to customers··	68,009	22,101	39,250	42,414	32,698	204,472	—	204,472
In-house sales·····	10,802	6,759	1,434	7,589	1,595	28,179	(28,179)	—
<b>Total net sales·····</b>	<b>78,811</b>	<b>28,860</b>	<b>40,684</b>	<b>50,003</b>	<b>34,293</b>	<b>232,651</b>	<b>(28,179)</b>	<b>204,472</b>
<b>Operating expenses····</b>	<b>77,656</b>	<b>32,488</b>	<b>41,550</b>	<b>49,718</b>	<b>33,498</b>	<b>234,910</b>	<b>(28,179)</b>	<b>206,731</b>
<b>Operating income·····</b>	<b>1,155</b>	<b>(3,628)</b>	<b>(866)</b>	<b>285</b>	<b>795</b>	<b>(2,259)</b>	<b>—</b>	<b>(2,259)</b>
<b>II.Assets</b>								
<b>Total assets·····</b>	<b>161,101</b>	<b>57,165</b>	<b>69,801</b>	<b>79,763</b>	<b>57,530</b>	<b>425,360</b>	<b>77,456</b>	<b>502,816</b>
<b>Depreciation·····</b>	<b>4,724</b>	<b>2,301</b>	<b>2,257</b>	<b>1,451</b>	<b>1,049</b>	<b>11,782</b>	<b>98</b>	<b>11,880</b>
<b>Capital expenditure···</b>	<b>2,286</b>	<b>2,194</b>	<b>1,421</b>	<b>1,612</b>	<b>1,061</b>	<b>8,574</b>	<b>132</b>	<b>8,706</b>

(Apr.1, 2001 - Mar. 31, 2002)

(Millions of Yen)

<b>I .Net sales</b>								
Sales to customers··	130,696	42,936	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)	—
<b>Total net sales·····</b>	<b>151,078</b>	<b>53,435</b>	<b>80,791</b>	<b>109,336</b>	<b>66,421</b>	<b>461,061</b>	<b>(51,411)</b>	<b>409,650</b>
<b>Operating expenses····</b>	<b>151,463</b>	<b>62,980</b>	<b>82,907</b>	<b>108,627</b>	<b>66,087</b>	<b>472,064</b>	<b>(51,411)</b>	<b>420,653</b>
<b>Operating income·····</b>	<b>(385)</b>	<b>(9,545)</b>	<b>(2,116)</b>	<b>709</b>	<b>334</b>	<b>(11,003)</b>	<b>—</b>	<b>(11,003)</b>
<b>II.Assets</b>								
<b>Total assets·····</b>	<b>145,846</b>	<b>53,981</b>	<b>62,791</b>	<b>77,331</b>	<b>47,606</b>	<b>387,555</b>	<b>69,404</b>	<b>456,959</b>
<b>Depreciation·····</b>	<b>9,516</b>	<b>4,980</b>	<b>4,368</b>	<b>2,928</b>	<b>1,629</b>	<b>23,421</b>	<b>239</b>	<b>23,660</b>
<b>Capital expenditure···</b>	<b>5,074</b>	<b>4,234</b>	<b>2,945</b>	<b>2,924</b>	<b>1,368</b>	<b>16,545</b>	<b>293</b>	<b>16,838</b>

## 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 Nanocrystalline Soft Magnetic Materials(FINEMET™) 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.)
Electronics 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 Encoders, Ceramic Scintillators, Optical Switches
High-Grade Casting Components for Automobiles	Ductile and Malleable Iron Castings, Heat-Resistant Castings and Iron Castings(HERCUNITE™) Aluminum wheels, Dies, Forging(Seitan Inc.)
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 Environmental 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, 2002 - Sep. 30, 2002)

						(Millions of Yen)	
	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
<b>I . Net sales and operating income</b>							
Sales to customers··	154,847	28,277	10,197	5,633	198,954	—	198,954
In-house sales····	14,395	1,168	2,722	159	18,444	(18,444)	—
<b>Total net sales·····</b>	<b>169,242</b>	<b>29,445</b>	<b>12,919</b>	<b>5,792</b>	<b>217,398</b>	<b>(18,444)</b>	<b>198,954</b>
<b>Operating expenses</b>	<b>166,201</b>	<b>28,899</b>	<b>12,552</b>	<b>5,576</b>	<b>213,228</b>	<b>(18,195)</b>	<b>195,033</b>
<b>Operating income··</b>	<b>3,041</b>	<b>546</b>	<b>367</b>	<b>216</b>	<b>4,170</b>	<b>(249)</b>	<b>3,921</b>
<b>II .Assets··········</b>	<b>360,709</b>	<b>43,046</b>	<b>18,974</b>	<b>5,943</b>	<b>428,672</b>	<b>10,811</b>	<b>439,483</b>

## (Apr.1, 2001 - Sep. 30, 2001)

	(Millions of Yen)						
<b>I . Net sales and operating income</b>							
Sales to customers··	156,661	32,996	9,374	5,441	204,472	—	204,472
In-house sales····	13,497	984	2,177	964	17,622	(17,622)	—
<b>Total net sales·····</b>	<b>170,158</b>	<b>33,980</b>	<b>11,551</b>	<b>6,405</b>	<b>222,094</b>	<b>(17,622)</b>	<b>204,472</b>
<b>Operating expenses</b>	<b>173,929</b>	<b>32,688</b>	<b>11,611</b>	<b>6,125</b>	<b>224,353</b>	<b>(17,622)</b>	<b>206,731</b>
<b>Operating income··</b>	<b>(3,771)</b>	<b>1,292</b>	<b>(60)</b>	<b>280</b>	<b>(2,259)</b>	<b>—</b>	<b>(2,259)</b>
<b>II .Assets··········</b>	<b>349,471</b>	<b>48,571</b>	<b>20,234</b>	<b>5,398</b>	<b>423,674</b>	<b>79,142</b>	<b>502,816</b>

## (Apr.1, 2001 - Mar. 31, 2002)

	(Millions of Yen)						
<b>I . Net sales and operating income</b>							
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)	—
<b>Total net sales·····</b>	<b>341,942</b>	<b>65,312</b>	<b>22,886</b>	<b>12,920</b>	<b>443,060</b>	<b>(33,410)</b>	<b>409,650</b>
<b>Operating expenses</b>	<b>354,697</b>	<b>64,436</b>	<b>22,437</b>	<b>12,493</b>	<b>454,063</b>	<b>(33,410)</b>	<b>420,653</b>
<b>Operating income··</b>	<b>(12,755)</b>	<b>876</b>	<b>449</b>	<b>427</b>	<b>(11,003)</b>	<b>—</b>	<b>(11,003)</b>
<b>II .Assets··········</b>	<b>315,543</b>	<b>46,744</b>	<b>20,589</b>	<b>5,180</b>	<b>388,056</b>	<b>68,903</b>	<b>456,959</b>

## Overseas sales

Year under review (Apr. 1, 2002 - Sep. 30, 2002) (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	26,419	26,845	8,849	62,113
Consolidated sales				198,954
Overseas sales as a share of consolidated sales	13.3%	13.5%	4.4%	31.2%

(Apr.1, 2001 - Sep.30, 2001) (Millions of Yen)

Overseas sales	30,614	21,330	9,291	61,235
Consolidated sales				204,472
Overseas sales as a share of consolidated sales	15.0%	10.4%	4.5%	29.9%

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

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%

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)

#### (1) Bond for maturity and Other securities with market price

	End of 9/02			End of 3/02		
	Balance sheet value	Market price	Valuation profit/loss	Balance sheet value	Market price	Valuation profit/loss
<b>Bond for maturity:</b>						
Government bonds	—	—	—	—	—	—
Municipal bonds·····	—	—	—	—	—	—
Corporate Bonds·····	—	—	—	1,843	1,843	—
Other·····	—	—	—	—	—	—
<b>Total·····</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,843</b>	<b>1,843</b>	<b>—</b>
<b>Other securities:</b>						
1. Balance sheet value exceeds cost						
Stocks·····	1,084	2,226	1,142	1,461	3,298	1,837
Bonds						
Government bonds	—	—	—	—	—	—
Municipal bonds···	—	—	—	—	—	—
Corporate Bonds···	—	—	—	—	—	—
Other·····	—	—	—	—	—	—
Other·····	30	30	0	30	30	0
<b>Total·····</b>	<b>1,114</b>	<b>2,256</b>	<b>1,142</b>	<b>1,491</b>	<b>3,328</b>	<b>1,837</b>
2. Balance sheet value does not exceed cost						
Stocks·····	977	848	(129)	925	503	(422)
Bonds						
Government bonds	—	—	—	—	—	—
Municipal bonds···	—	—	—	—	—	—
Corporate Bonds···	1,087	1,087	0	1,084	1,084	0
Other·····	—	—	—	—	—	—
Other·····	2,538	2,538	0	2,826	2,826	0
<b>Total·····</b>	<b>4,602</b>	<b>4,473</b>	<b>(129)</b>	<b>4,835</b>	<b>4,413</b>	<b>(422)</b>
<b>Other Securities Total</b>	<b>5,716</b>	<b>6,729</b>	<b>1,013</b>	<b>6,326</b>	<b>7,741</b>	<b>1,415</b>

#### (2) Securities without market price

	End of 9/02	End of 3/02
	Balance sheet value	Balance sheet value
<b>Bond for maturity:</b>		
Government bonds	—	—
Municipal bonds·····	—	—
Corporate Bonds·····	—	—
Other·····	—	—
<b>Total·····</b>	<b>—</b>	<b>—</b>
<b>Other Securities:</b>		
Non-listed Stock·····	761	802
Non-listed Overseas Bond·····	2,042	4,532
<b>Total·····</b>	<b>2,803</b>	<b>5,334</b>

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

	End of 9/02			End of 3/02		
	Contract value	Market price	Appraisal gain/loss	Contract value	Market price	Appraisal gain/loss
<b>Exchange contract transactions:</b>						
<u>Exchange contracts</u>						
U.S. dollars (buy)·····	498	503	5	415	432	17
Euro (buy)·········	47	50	3			
U.S. dollars (sell)·····	84	81	(3)	57	57	0
<b>Currency swap transactions:</b>						
Coupon swap·······	5,000	624	624	5,000	618	618
Receipts yen payments dollars	—	—	—	13,500	(1,315)	(1,315)
<b>Interest-rate swaps</b>						
Receipts fixed payments variable	14,000	174	174	15,000	331	331
Receipts variable payments fixed	16,665	(173)	(173)	27,931	(322)	(322)
Receipts variable payments variable	10,000	19	19	—	—	—
Total·········	<b>46,294</b>	<b>1,278</b>	<b>649</b>	61,903	(199)	(671)



# Hitachi Metals, Ltd. (Oct. 29, 2002)

Code:5486

2-1 Shibaura 1 chome, Minato-ku, Tokyo

## Non-consolidated Financial Report for the 6-month period ended September 30, 2002

Contact: Shigeru Ishigay, General Manager

Corporate Communications Department Tel: 03-5765-4075

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

1. Performance over the year, April 1, 2002 to September 30, 2002 (Figures are rounded off to the nearest million yen)

(1) Operating results	9/02(interim)	9/01(interim)	(Change)	3/02
Net Sales (¥ million).....	<b>122,300</b>	116,856	4.7%	236,699
Operating income (¥ million).....	<b>1,794</b>	(6,232)	—	(17,093)
Ordinary income (¥ million).....	<b>2,499</b>	(7,751)	—	(20,503)
Net income (¥ million).....	<b>2,597</b>	(6,614)	—	(23,074)
Net income per share (¥).....	<b>7.27</b>	(18.52)		(64.61)

Notes: 1. Average number of shares outstanding (9/02: 357,139,576 9/01: 357,166,945 3/02: 357,163,624)

2. Changes have been made in accounting policy.

(2) Dividend	9/02(interim)	9/01(interim)	3/02
Interim dividend per share (¥).....	<b>0.00</b>	0.00	—
Annual dividend per share (¥).....	—	—	2.50

(3) Financial standing	9/02(interim)	9/01(interim)	3/02
Total assets (¥ million).....	<b>292,889</b>	324,677	299,571
Shareholders' equity (¥ million).....	<b>119,785</b>	134,631	118,266
Shareholders' equity ratio(%).....	<b>40.9%</b>	41.5%	39.5%
Shareholders' equity per share (¥).....	<b>335.42</b>	376.94	331.14

Notes: 1. Number of shares outstanding at end of year (9/02: 357,121,517 9/01: 357,168,183 3/02: 357,153,456)

2. Number of treasury stock outstanding at end of year (9/02: 47,170 9/01: 504 3/02: 15,231)

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

	At yearend
Net sales (¥ million).....	246,000
Ordinary income (¥ million).....	6,200
Net income (¥ million).....	2,000
Interim dividends per share (¥).....	0.00
(Dividends at end of period per share) (¥).....	Not Declared
Annual dividends per share (¥).....	Not Declared

Reference: Expected net income per share (full-year basis) ¥5.60

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

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.

## Sales Results and Orders Received by Operating Division

### 1. Sales results

	(Millions of Yen)			(Ratio by previous term)	
	1 <sup>st</sup> half 2002(A)	2 <sup>nd</sup> half 2001(B)	1 <sup>st</sup> half 2001(C)	(A)/(B)	(A)/(C)
High-Grade Metal Products and Materials·····	<b>54,511</b>	50,189	52,433	109%	104%
Electronics and IT Devices·····	<b>16,863</b>	14,777	16,823	114%	100%
High-Grade Casting Components for Automobiles·····	<b>24,816</b>	23,671	23,968	105%	104%
Construction Components, Plant and Equipment·····	<b>26,108</b>	31,205	23,630	84%	110%
<b>Total</b> ·····	<b>122,300</b>	119,843	116,856	102%	105%

### 2. Export Sales results

	(Millions of Yen)			(Ratio by previous term)	
	1 <sup>st</sup> half 2002(A)	2 <sup>nd</sup> half 2001(B)	1 <sup>st</sup> half 2001(C)	(A)/(B)	(A)/(C)
High-Grade Metal Products and Materials·····	<b>16,337</b>	14,443	12,918	113%	126%
Electronics and IT Devices·····	<b>6,735</b>	6,369	6,933	106%	97%
High-Grade Casting Components for Automobiles·····	<b>2,939</b>	1,294	1,546	227%	190%
Construction Components, Plant and Equipment·····	<b>292</b>	267	468	109%	62%
<b>Total</b> ·····	<b>26,305</b>	22,374	21,865	118%	120%

### 3. Orders received

	(Millions of Yen)			(Ratio by previous term)	
	1 <sup>st</sup> half 2002(A)	2 <sup>nd</sup> half 2001(B)	1 <sup>st</sup> half 2001(C)	(A)/(B)	(A)/(C)
Orders received·····	<b>117,274</b>	106,905	117,220	110%	100%
of which Export·····	<b>26,914</b>	22,284	19,303	121%	139%
of which Plant & Components for Construction·····	<b>20,293</b>	20,557	29,823	99%	68%
Orders backlogs·····	<b>43,101</b>	48,127	61,065	90%	71%

## Comparative Balance Sheets

### ASSETS

	(Millions of Yen)		
	End of 9/02 (A)	End of 3/02 (B)	Change (A)-(B)
<b>Current assets:</b>			
Cash and deposits in banks	13,918	9,693	4,225
Notes receivable and accounts receivable	35,490	40,961	(5,471)
Receivables for completed construction work	11,583	6,161	5,422
Cash pooling deposit	9,498	10,625	(1,127)
Negotiable securities	5,063	7,551	(2,488)
Inventories	32,568	32,183	385
Deferred tax assets	4,703	4,533	170
Other current assets	12,614	16,254	(3,640)
Allowance for doubtful accounts	(121)	(149)	28
Total current assets	<u>125,317</u>	<u>127,814</u>	<u>(2,497)</u>
<b>Fixed assets:</b>			
<u>Tangible fixed assets</u>			
Buildings and structures	25,349	26,188	(839)
Machinery, equipment and vehicles	37,413	38,414	(1,001)
Tools, furniture and fixtures	1,857	2,011	(154)
Land	21,047	21,048	(1)
Construction in progress	1,936	2,330	(394)
Total tangible fixed assets	<u>87,604</u>	<u>89,993</u>	<u>(2,389)</u>
<u>Intangible fixed assets</u>	<u>1,442</u>	<u>1,020</u>	<u>422</u>
<u>Investments, etc.</u>			
Investment securities	963	1,462	(499)
Stock of affiliated company	34,080	32,389	1,691
Long-term loans	10,411	12,095	(1,684)
Deferred tax assets	25,031	26,376	(1,345)
Other	8,262	8,616	(354)
Allowance for doubtful accounts	(224)	(196)	(28)
Total investment, etc	<u>78,524</u>	<u>80,743</u>	<u>(2,219)</u>
Total fixed assets	<u>167,571</u>	<u>171,756</u>	<u>(4,185)</u>
<b>Total assets</b>	<u><u>292,889</u></u>	<u><u>299,571</u></u>	<u><u>(6,682)</u></u>

## Comparative Balance Sheets

### LIABILITIES and SHAREHOLDERS' EQUITY

	(Millions of Yen)		
	End of 9/02 (A)	End of 3/02 (B)	Change (A)-(B)
<b>Liabilities:</b>			
<u>Current Liabilities</u>			
Accounts payable	26,631	30,787	(4,156)
Short-term debt	22,590	19,468	3,122
Long-term debt redeemable within a year	5,510	3,068	2,442
Bonds redeemable within a year	10,000	5,000	5,000
Accrued and expense payables	7,320	9,215	(1,895)
Accrued income tax	33	62	(29)
Advances received	5,660	3,536	2,124
Other	4,373	8,367	(3,994)
Total current liabilities	<u>82,120</u>	<u>79,504</u>	<u>2,616</u>
<u>Fixed liabilities</u>			
Bonds	39,900	44,900	(5,000)
Long-term debt	30,005	33,510	(3,505)
Reserve for retirement benefits	20,750	22,861	(2,111)
Reserve for directors' retirement bonuses	204	311	(107)
Others	123	216	(93)
Total fixed liabilities	<u>90,983</u>	<u>101,800</u>	<u>(10,817)</u>
Total Liabilities	<u>173,103</u>	<u>181,305</u>	<u>(8,202)</u>
<b>Shareholders' equity:</b>			
Paid-in capital	26,283	26,283	—
Capital surplus	36,699	36,699	—
Profit reserve	6,570	6,570	0
Special reserve	45,498	69,271	(23,773)
Retained earnings at end of year	4,481	(20,996)	25,477
(Net income for the year)	2,597	(23,074)	25,671
Appraisal gain(loss) for other marketable securities	270	443	(173)
Treasury stock	(18)	(5)	(13)
Total shareholders' equity	<u>119,785</u>	<u>118,266</u>	<u>1,519</u>
<b>Total Liabilities and shareholders' equity</b>	<u><u>292,889</u></u>	<u><u>299,571</u></u>	<u><u>(6,682)</u></u>

## Comparative Statement of profit and loss

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2002 (Sep.30,02) (A)	Ratio to Sales (%)	1 <sup>st</sup> half fiscal 2001 (Sep.30,01) (B)	Ratio to Sales (%)	(A) / (B) (%)	fiscal 2001 (Mar.31,02)	Ratio to Sales (%)
<b>Net sales</b> .....	<b>122,300</b>	100.0	116,856	100.0	105	236,699	100.0
<b>Cost of sales</b> .....	<b>105,728</b>	86.4	106,006	90.7	100	217,164	91.7
Gross profit.....	<b>16,572</b>	13.6	10,850	9.3	153	19,535	8.3
<b>Selling, general and administrative expenses</b>	<b>14,777</b>	12.1	17,082	14.6	87	36,628	15.5
Operating Profit and loss .....	<b>1,794</b>	1.5	(6,232)	(5.3)	—	(17,093)	(7.2)
<b>Other income:</b>							
Interest and dividends.....	<b>1,978</b>		2,110		94	2,634	
Other.....	<b>1,267</b>		1,446		88	3,214	
Total other income .....	<b>3,246</b>	2.7	3,556	3.0	91	5,849	2.5
<b>Other deductions:</b>							
Interest payment.....	<b>775</b>		1,046		74	2,056	
Other.....	<b>1,765</b>		4,028		44	7,203	
Total other deductions .....	<b>2,541</b>	2.1	5,074	4.3	50	9,259	3.9
<b>Ordinary profit (loss)</b> .....	<b>2,499</b>	2.0	(7,751)	(6.6)	—	(20,503)	(8.7)
<b>Extraordinary profit (loss)</b>							
Gains from exemption of public pension funds.....	<b>2,223</b>		—		—	—	
Gain from the disposal of subsidiaries...	—		149		—	149	
Gain from sale of fixed assets.....	<b>337</b>		21		—	747	
Loss on liquidation of affiliated company.....	<b>65</b>		—		—	—	
Loss on structural reform.....	—		(1,980)		—	(16,669)	
Write-off Discrepancies as a Result of Changes in Accounting .....	<b>(1,112)</b>		(1,457)		—	(2,914)	
Total .....	<b>1,514</b>	1.2	(3,267)	(2.8)	—	(18,688)	(7.9)
<b>Income before income tax</b> .....	<b>4,013</b>	3.3	(11,018)	(9.4)	—	(39,191)	(16.6)
Corporation, inhabitant and enterprise taxes.....	<b>118</b>		146		81	191	
Adjustment account for corporate tax...	<b>1,298</b>		(4,550)		—	(16,308)	
<b>Net income (Loss)</b> .....	<b>2,597</b>	2.1	(6,614)	(5.7)	—	(23,074)	(9.7)