Hitachi Metals, Ltd. (Apr. 25, 2003)

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Consolidated Financial Report for the 12-month period ended March 31, 2003

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

1. Performance over the year, April 1, 2002 to March 31,2003 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating results	**3/03**	3/02	(Change)
Net Sales (¥ million)······················	**408,658**	409,650	(0.2%)
Operating income (¥ million)················	**12,599**	(11,003)	—
Ordinary income (¥ million)················	**10,647**	(17,999)	—
Net income (¥ million)····················	**738**	(27,179)	—
Net income per share (¥)·················	**1.45**	(76.11)	
Diluted net income per share (¥)···········	—	—	
Net income to shareholders' equity (%)····	**0.5**	(15.9)	
Ordinary income to total assets (%)·········	**2.4**	(3.6)	
Ordinary income to net sales (%)···········	**2.6**	(4.4)	

Notes: 1.Profit (loss) on equity method investment: ¥288 million (previous year: ¥17 million)
2.Average number of shares outstanding (3/03: 357,029,272 3/02: 357,118,029)
3.Accounting policy have been made change.
4.Loss per share for the fiscal year ended March 31, 2002 restated in accordance with the aforementioned standard and guideline is ¥76.48.

(2) Consolidated Financial Standing	**3/03**	3/02
Total assets (¥ million)····················	**441,832**	456,959
Shareholders' equity (¥ million)··············	**153,516**	157,179
Shareholders' equity ratio(%)················	**34.7**	34.4
Shareholders' equity per share (¥)············	**429.49**	440.14

Notes: 1.Number of shares outstanding at the end of year (3/03: 356,928,644 3/02: 357,110,711)
2.Loss per share for the fiscal year ended March 31, 2002 restated in accordance with the aforementioned standard and guideline is ¥439.78.

(3) Consolidated cash flows (¥ million)	**3/03**	3/02
Cash flows from operating activities ··········	**32,393**	15,589
Cash flows from investment activities ·········	**(9,757)**	(120)
Cash flows from financing activities ··········	**(8,948)**	(21,313)
Cash and cash equivalents at yearend ·········	**57,384**	44,758

(4) 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

(5) Consolidated scope and changes to the application of the equity method
Consolidation : New companies 4 Companies removed 4
Equity method : New companies coming under equity method None Companies removed None

2. Forecasts of results for the term, April 1, 2003 to March 31, 2004

	At mid-term	at yearend
Net sales (¥ million)·····················	198,000	420,000
Ordinary income (¥ million)···············	5,300	14,000
Net income (¥ million)··················	1,500	3,500

Reference: Expected net income per share (full-year basis) consolidated: ¥9.80

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

36 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.
Magtec Co., Ltd.
Hitachi Ferrite Electronics, Ltd.
Kyushu Techno Metal, Ltd.
Hitachi Metals Construction Co., Ltd
Nikki Plantech, Ltd.
Auto-tech, Ltd.
Shimoda Echotech, Ltd.
Hitachi Metals MPF, Ltd.
Hiyoshi Kouzai, Ltd.
Nichiei Corporation
Himec, Ltd.

etc.

36 overseas companies

Hitachi Metals America, Ltd.
Hitachi Magnetics Corporation
Ward Manufacturing Inc.
AAP St. Marys Corporation
Hitachi Metals North Carolina, Ltd.
Newport Precision Inc.
ACP Manufacturing Company 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 (Shanghai) Ltd.
Hitachi Ferrite (Thailand) Ltd.
Hitachi Metals (Suzhou) Electronics, Ltd.
Hitachi Rolls (Thailand) , Ltd.
Five Ace Technology Co., Ltd.
Luzon Electronics Technology, Inc
Luzon Magnetics, Inc.
Nam Yang Metals Co., Ltd.

etc.

Consolidated Management Policies

1. Fundamental Management Policy

Hitachi Metals, Ltd., and its subsidiaries, (collectively, the "Company") aim to contribute to the betterment of society by providing environment-friendly, superior-quality products that are made possible through the use of 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 dedicated to satisfying the stockholders, investors, and customers that support its existence, as well as society in general, by delivering top-level solutions achieved through creative imagination and forthright action. In addition, each employee is allowed the freedom to explore and optimize his or her individual skills and creativity with a view to creating a dynamic company.

2. Dividend Policy

Changing customer needs and technologies together with advancing globalization characterize the current business environment. Under these circumstances, Hitachi Metals considers its prime responsibility to be 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 this end, the Company has adopted a policy of paying stable dividends to shareholders 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 in bringing new products to market. At the same time, it is also developing new businesses and streamlining facilities to expand the production of highly competitive products, and to create a vibrant 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 shareholders with long-term returns on their investments.

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

Hitachi Metals continues to face volatile conditions, with significant changes in its operating environment. The transition to a global economy, the trend toward digitization of society and industry, changes in the balance between labor and capital, revisions to accounting standards, greater emphasis on improving returns on investment, and increasing concern over the environment and safety are placing additional burdens on the manner in which the Company conducts its business activity.

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, all of which have contributed to earnings over a long period. This contribution however is under increasing pressure as the market enters a period of maturity. Furthermore, the Company is anticipating increasingly severe competition and deteriorating earnings over the medium- to long-term. These are the expected results of the rapid declines foreseen in demand and prices due to the rationalization of domestic industry as a consequence of lower-priced products from Asian countries, particularly China.

In response to these severe business conditions, Hitachi Metals has continued to push forward with the reforms initiated during the previous fiscal year, namely cost reduction and a focus on improving cash flows. As a result, the Company has achieved a V-shaped recovery, rebounding from a net loss in fiscal 2001 to a net profit in fiscal 2002, ended March 31, 2003. Hitachi Metals is also actively implementing measures in the current term to ensure continued growth and sustainable profits.

In an effort to secure overwhelming market shares for its mainstay products, the Company is continuing to pursue structural reform of its business operations. Focusing on profitable and growth businesses, Hitachi Metals is actively pursuing M&A and alliances as a means to improve its earnings base.

The Company will also concentrate management resources in enhancing the profitability of its existing product lineup and to ensure a stable source of earnings, particularly from those products where it maintains dominant market shares.

Hitachi Metals is actively pursuing a global network strategy. As competition intensifies in mature local markets, the Company is moving toward areas of growth potential such as Asia, with particular focus on the China market. To this end, Hitachi Metals is adapting production facilities to those locations that provide competitive advantage.

Regarding new businesses, the Company is concentrating on the development of next-generation products. The focus of our product development is on the electronics and IT devices and the automobile-related sectors. We continue to undertake strategic investment in the development of niche products that will achieve top market shares in volume markets. We are also promoting greater collaboration among research laboratories, plants, and the frontline to enhance efficiency. Hitachi Metals has achieved significant success in the launch of new products and materials, such as the nano-crystalline soft magnetic material FINEMET™; an ultra-thin, lightweight magnesium casing made with new press-forging method; new ultra-pure metallic strip materials; automobile exhaust treatment-related products. We anticipate new products will comprise an increasing proportion of total sales in the future.

The Company has also implemented reforms in its personnel compensation system in line with the shift toward performance-based appraisal at this fiscal year. We have upgraded our target-based management system and completed a comprehensive review of the Company's in-house recruitment system, specialist compensation package and fringe benefits. In doing so, we have established a compensation system that rewards high performers who create a dynamic and highly efficient management structure.

With regard to environmental issues, at the production level, Hitachi Metals is striving to increase the rate of emissions-recycling, reduce energy consumption rates, and curtail the use of chemical substances. In product development, we will make every effort to expand production of environment-friendly products designed to reduce environmental impact. These initiatives are included in the Company's ISO 14001 improvement plan and are subject to an audit each year. In addition, the Hitachi Metals Group issues an environmental report, has implemented environment accounting, and will continue to expand the disclosure of information regarding its environmental activities.

Our aim, as a development-oriented company, is to consistently develop and deliver products that are essential to the daily lives of our customers. In partnership with the community, we are implementing initiatives to achieve the top global position. Using our knowledge and know-how, we are addressing market needs by creating quality through innovative technology and highly functional products.

5. Corporate Governance

In an effort to further reform its corporate governance structure, Hitachi Metals has decided to adopt a company-with-committees structure in June 2003, in accordance with recent revisions to Japan's Commercial Code. At the same time, the Company will invite three outside directors to join its Board, adding a wealth of business experience and knowledge, promoting swifter implementation of business policies, and enhancing the Board's supervisory function. Two of the three outside directors will be appointed from the Board of Hitachi Metals' parent company, Hitachi, Ltd.

In an effort to combat volatility in its operating environment, the Company continues to implement structural reforms to streamline management and accelerate decision making. In the fiscal year ended March 31, 2002, Hitachi Metals launched an Internal Company System and an Executive Officer System, thereby separating overall strategic decision making from the operational executive function. In adopting a company-with-committees structure, Hitachi Metals is further strengthening its corporate governance framework allowing for bolder and swifter implementation of business reorganization, strategic investments and other initiatives.

The Company will continue to disclose pertinent and quality information in a timely fashion and ensure all executives and employees act in accordance with its corporate statement and behavioral code. The company-with-committees structure and the objective opinions of outside directors will serve to strengthen the supervisory function of the Board of Directors and ensure the transparency and efficiency of Hitachi Metals' operations.

We acknowledge that compliance lies at the heart of corporate governance. As a responsible member of society, Hitachi Metals will comply with society's customs and ethics, while adhering to statutory regulations and in-house rules.

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

Hitachi, Ltd., as the Company's leading stockholder, holds 55.0% of Hitachi Metals' outstanding shares. Hitachi Metals, however, maintains autonomy in its business operations and transactions from Hitachi, Ltd. and the Hitachi Group of companies. The Company, as a member of the Hitachi Group, will maintain close cooperative relationships with Hitachi, Ltd. and other companies in the Hitachi Group. Hitachi Metals also will use the Group's management resources to meet both market and customer needs, in addition to providing products and services of the highest quality.

Financial Performance

1. Financial Results

(1) Overview

In fiscal 2002, the year ended March 31, 2003, the global economy made a modest recovery. The Japanese economy, however, continued to deteriorate with persistent weak consumer spending, a drop in stock prices due to such domestic factors as declining capital investment, worsening employment, and uncertainty in personal income.

Regarding the industries in which Hitachi Metals operates, global demand for PCs remained sluggish while demand for mobile phones in Japan continued to fall. On the other hand, demand for mobile phones in China rose, with a modest increase in semiconductor demand fueling a slight jump in domestic production. In the automotive industry, despite weak domestic sales, production increased due to a recovery in sales in the United States and the resulting boost in exports. Steel production also increased, reflecting strong demand in Asia and from the domestic automobile industry. The construction industry remained weak due to a drop in public works and construction housing starts.

Against this backdrop, although the Hitachi Metals Group experienced a slight recovery in demand from certain industries, such factors as the decline in selling prices held net sales at ¥408,658 million, about even with the previous fiscal year.

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 reducing accounts receivable and other investments. We also cut overall expenses by reducing salaries and bonuses to directors and succeeded in significantly reducing the break-even point. As a result of these efforts, the Company recorded ordinary income of ¥10,647 million, an improvement of ¥28,646 million compared with the previous fiscal year.

Furthermore, Hitachi Metals 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 amounted to ¥738 million, up ¥27,917 million from the previous year.

With regard to dividends, despite a significant turnaround in earnings, we have yet to attain a full recovery. The continuing difficulties in the operating environment led the Company to forgo the payment of an interim dividend in the fiscal year under review. However, as announced on March 13, 2003, Hitachi Metals has declared a year-end dividend of ¥3.50 per share, an increase of ¥1.00 per share compared with the previous year-end. The year-end dividend was a result of the turnaround in profit in fiscal 2002.

Sales by business segment are presented below. The amounts include inter-segment sales.

High-Grade Metal Products and Materials

Production of automobile components and materials increased, boosted by a recovery in U.S. automobile sales and full-fledged mass production of new application materials. Despite strong demand in Asia, primarily for automobile molds, overall sales of molds, cutting tools, and materials were held to a nominal increase due to strong customer pressure for discounts and price reductions. In rolls, a drop in orders and a fall in the price of domestic products offset the increase in crude steel production in Japan. As a result, sales were on par with the previous fiscal year. Sales of IC lead frame materials increased significantly, reflecting the recovery attained in semiconductor production, but fell short of the record levels seen in previous fiscal years. In display-related materials, export demand for shadow mask materials increased primarily in television set applications. Demand also rebounded for sputtering target materials processed in Taiwan. Sales of injection molding machinery components grew substantially, benefiting from strong demand in Asian markets for injection molding machinery, particularly in China.

As a result, net sales for the segment increased 2% compared with the previous fiscal year, to ¥154,799 million, and operating income amounted to ¥7,271 million, up ¥7,656 million year on year.

Electronics and IT Devices

Results in magnetic components were mixed. Sales in Japan recovered, underpinned by an increase in demand in the automotive electrical components market. Sales overseas fell, however, as customers became increasingly selective in their choice of products. Sales of ferrite magnets in Japan were strong, supported by export activity and an increase in automotive sector demand for electric components. Meanwhile, demand for rare earth magnets remained sluggish. The Company recorded a nominal increase in sales despite the conclusion of inventory adjustments by customers. Sales of wound ferrite cores and wire-wound components increased as the cycle of inventory adjustments ran its course. This increase, however, was offset by significant downward pressure on prices, resulting in stagnant year-on-year performance. In IT equipment, sales of isolators and antenna switch modules increased due to continued demand from primary customers, increased demand from China for application in mobile phones, and for use in new models.

As a result, the Company recorded net sales for this segment of ¥50,437 million, approximately the same level as in the previous fiscal year. The operating loss narrowed ¥1,068 million to ¥8,477 million for the fiscal year under review.

High-Grade Casting Components for Automobiles

Sales of heat-resistant iron castings increased significantly as a result of strong automobile sales in the United States and the completion of inventory adjustments in mainstay products. Results were also boosted by the start of new product mass production for an expanded customer base in Europe. Sales of aluminum wheels rose, spurred by the introduction of new models by automobile manufacturers and strong demand for newly developed strategic products such as wide-diameter and stylish wheels. Results for aluminum products remained virtually unchanged from the previous fiscal year, with the drop in sales of traditional products offset by demand for new products and components. Sales of high-grade ductile castings, despite some support from expansion in priority exhaust-related components, declined significantly as the Company screened out unprofitable products.

As a result, net sales for the segment increased 3% years on year, to ¥83,223 million. Operating income was ¥3,680 million, up ¥5,796 million over the previous fiscal year.

Construction Components, Plant and Equipment

Despite strong demand from metropolitan redevelopment projects, overall sales of pipe fittings and corrosion-resistant joints declined due to the drop in new housing and construction starts and a fall in product prices. Sales were also lackluster in stainless steel and plastic piping systems due to intense market competition. In interior systems, despite a slight recovery in the second half spurred by the completion of large-scale office buildings in Japan, overall market conditions deteriorated due to the downturn in the U.S. economy. Structural systems also declined, owing to the reduction in floor space of steel frame construction projects and increasing competition from alternative construction methods. Business in wastewater treatment equipment was weak amid shrinking public works budgets. Despite weak demand from regional public corporations and the deferral of purchase orders in the private sector, sales of waste disposal equipment were on par with the previous fiscal year, supported by demand from projects rescheduled from the previous year.

As a result, net sales for the segment decreased 6% compared with the previous fiscal year, to ¥103,074 million, with operating income up ¥755 million, to ¥1,464 million.

Services & Other Activities

Domestic and overseas sales in this segment were essentially on par with the previous fiscal year.

Net sales edged up 6% to ¥70,316 million, while operating income climbed to ¥2,653 million, an increase of ¥2,319 million.

(2) Outlook

Concerns over such issues as Iraq and severe acute respiratory syndrome (SARS) are clouding an otherwise positive global outlook for the fiscal year ending March 31, 2004. In Japan, however, the deflationary trend is expected to continue due to accelerated disposal of non-performing loans and a drop in consumer spending reflecting weak employment and income conditions.

In the industries in which the Hitachi Metals Group operates, there is little likelihood of any substantial increase in sales. The automotive industry in the U.S. is expected to experience a drop in demand. Meanwhile, full-fledged recovery remains elusive in the high-grade metals, electronics and IT, and equipment and construction materials industries.

Against this backdrop, the Hitachi Metals Group has positioned 2004 as the year of consolidation and for establishing a foundation for sustained recovery and growth. We will implement a series of initiatives to firmly establish the profitability achieved during the fiscal year under review and further expand earnings.

Specifically, we will first secure our earnings base by strengthening the competitiveness of our core businesses. Our goal is to achieve the global No.1 position and to remain the company of preferred customer choice. In research and development, we will review our market strengths from a consumer perspective, focusing our efforts on electronics and IT devices and automobile-related business, including car electronics. As a development-oriented company, Hitachi Metals will strive to deliver internationally accepted products focusing on cutting-edge fields and highly functional materials. At the same time, we will develop our global business through active M&A and alliances in an effort to raise the contribution from new product sales and our overseas business.

Through the achievement of these efforts, we anticipate financial performance for the year ending March 31, 2004 as follows:

Forecasts of Consolidated Financial Report for the term, April 1, 2003 to March 31, 2004

Net sales	¥420,000 million
Ordinary income	¥ 14,000 million
Net income	¥ 3,500 million

Forecasts of Non-consolidated Financial Report for the term, April 1, 2003 to March 31, 2004

Net sales	¥246,000 million
Ordinary income	¥ 8,300 million
Net income	¥ 2,500 million

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

2. Financial Condition

Net cash provided by operating activities for the fiscal year under review was ¥32,393 million, primarily composed of depreciation and amortization of ¥21,159 million. In addition, accelerated collection of accounts and notes receivable, and accelerated transfer of receivables resulted in income of ¥10,030 million. This fiscal year, an extraordinary gain on return of the substituted portion of the governmental welfare pension fund and an extraordinary loss in connection with the Company's shift to a defined contribution pension plan system were posted against income before income taxes. An equivalent amount was recorded as a change to the allowance for retirement benefits for employees, and accordingly it had no effect on cash flows.

Capital investments were kept within the scope of depreciation and amortization, as they were in the previous fiscal year, and the Company posted income from the sale of securities. As a result, net cash used in investing activities totaled ¥9,757 million. Free cash flow, which is calculated by subtracting net cash used in investing activities from net cash provided by operating activities, stood at ¥22,636 million.

Of the free cash flow described above, ¥7,841 million was used to redeem corporate bonds and repay borrowings. As a result, net cash used in financing activities was ¥8,948 million.

As a result of the foregoing, cash and cash equivalents at the end of the year were up ¥12,626 million from a year earlier, to ¥57,384 million.

In the current fiscal year, the Company plans to increase its capital investments slightly, while restraining total capital investments to the same level as depreciation and amortization.

	Fiscal1999	Fiscal2000	Fiscal2001	Fiscal2002
Shareholders' equity ratio	32.3%	34.6%	34.4%	34.7%
Shareholders' equity ratio of market price basis	46.8%	35.9%	33.5%	26.0%
Number of years to replay interest-bearing debt	7.5	4.9	10.6	4.8
Interest coverage ratio	5.9	8.7	4.1	13.0

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 3/03 (A)	End of 3/02 (B)	(difference) (A)-(B)
	(Millions of Yen)		
ASSETS			
Current assets:			
Cash and deposits in banks	**34,941**	31,806	3,135
Notes receivable and accounts receivable	**73,665**	84,630	(10,965)
Receivable for completed construction work	**13,067**	5,845	7,222
Cash pooling deposit	**20,254**	10,625	9,629
Negotiable securities	**4,254**	10,237	(5,983)
Inventories	**67,870**	69,934	(2,064)
Deferred tax assets	**9,783**	8,344	1,439
Other current assets	**4,918**	6,123	(1,205)
Total current assets	**228,752**	227,544	1,208
Fixed assets:			
Tangible fixed assets	**164,714**	173,338	(8,624)
Intangible fixed assets	**3,466**	2,859	607
Other	**44,900**	53,218	(8,318)
Total fixed assets	**213,080**	229,415	(16,335)
Total assets	**441,832**	456,959	(15,127)
LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY			
Liabilities:			
Current Liabilities			
Accounts payable	**41,202**	41,714	(512)
Short-term debt	**57,802**	56,523	1,279
Bonds redeemable within a year	**20,955**	12,967	7,988
Accrued income tax	**2,819**	494	2,325
Deferred tax liabilities	**8**	9	(1)
Others	**33,041**	37,992	(4,951)
Total current liabilities	**155,827**	149,699	6,128
Fixed liabilities			
Bonds and long-term debt	**77,641**	95,515	(17,874)
Reserve for retirement benefits	**31,557**	29,128	2,429
Reserve for directors' retirement bonuses	**1,227**	1,009	218
Deferred tax liabilities	**2,357**	2,196	161
Others	**10,608**	11,550	(942)
Total fixed liabilities	**123,390**	139,398	(16,008)
Total Liabilities	**279,217**	289,097	(9,880)
Minority interests	**9,099**	10,683	(1,584)
Shareholders' equity:			
Paid-in capital	**26,283**	26,283	—
Capital surplus	**36,699**	36,699	—
Consolidated Surplus	**94,523**	94,819	(296)
Appraisal gain(loss) for other marketable securities	**225**	814	(589)
Other	**(4,214)**	(1,436)	(2,778)
Total shareholders' equity	**153,516**	157,179	(3,663)
Total Liabilities, Minority interests and Shareholders' equity	**441,832**	456,959	(15,127)

Comparative Statement of profit and loss

(Millions of Yen)

	Fiscal 2002 (Mar. 31,03) (A)	Fiscal 2001 (Mar. 31,02) (B)	(difference) (A)-(B)	(A)/(B) (%)
Net sales	**408,658**	409,650	(992)	100
Cost of sales	**330,162**	342,056	(11,894)	97
Gross profit	**78,496**	67,594	10,902	116
Sales, general and administrative expenses	**65,897**	78,597	(12,700)	84
Operating Profit and loss	**12,599**	(11,003)	23,602	—
Other income:				
Interest and dividends	**598**	1,208	(610)	50
Investment income based on equity method	**288**	17	271	1,694
Other	**4,069**	4,261	(192)	95
Total	**4,955**	5,486	(531)	90
Other deductions:				
Interest and discount charges	**2,490**	3,783	(1,293)	66
Other	**4,417**	8,699	(4,282)	51
Total	**6,907**	12,482	(5,575)	55
Ordinary profit (loss)	**10,647**	(17,999)	28,646	—
Extraordinary profit (loss)				
Retirement benefit trust gain(loss)	—	—		—
Gain from the disposal of stocks of affiliated Companies	—	35	(35)	—
Gains from sale of fixed assets	**267**	853	(586)	31
Gain on reversal of accrued retirement benefits from return of substituted portion of governmental welfare pension fund	**2,224**	—	2,224	—
Write-off Discrepancies as a Result of Changes in Accounting	**(3,028)**	(3,693)	665	82
Loss on structural reform	**(1,610)**	(24,549)	22,939	7
Expenses for patent lawsuit indemnities	—	—		—
Extraordinary loss on revision of retirement	**(3,262)**	—	(3,262)	—
Others	**(92)**	2,005	(2,097)	—
Total	**(5,501)**	(25,349)	19,848	—
Income before income tax	**5,146**	(43,348)	48,494	—
Corporation and inhabitant taxes	**3,603**	1,125	2,478	320
Adjustment account for corporate tax	**1,345**	(17,115)	18,460	—
Minority shareholders' income, etc.	**(540)**	(179)	(361)	—
Net Income	**738**	(27,179)	27,917	—

Statement of Consolidated Surplus

(Millions of Yen)

	Fiscal 2002 (Mar. 31,03) (A)	Fiscal 2001 (Mar. 31,02) (B)	(difference) (A)-(B)	(A)/(B) (%)
Consolidated surplus brought forward	**94,819**	124,162	(29,343)	76
Increase of other surplus	—	—	—	—
Decrease of other surplus	**1,034**	2,164	(1,130)	48
Cash dividends	**892**	1,786	(894)	50
Directors' bonuses	**133**	378	(245)	35
Net income of the year under review	**738**	(27,179)	(27,917)	—
Consolidated surplus carried forward	**94,523**	94,819	(296)	100

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/03	End of 3/02
Cash flows from operating activities		
Net income before income tax	**5,146**	(43,348)
Depreciation and amortization	**21,159**	23,660
Extra ordinary loss on structural reform	**600**	11,245
Increase (decrease) reserve for retirement benefits	**2,416**	(6,358)
Loss on retirement of fixed assets	**695**	1,916
Interest earned and dividends received	**(598)**	(1,208)
Interest paid	**2,490**	3,783
Increase in receivables	**10,030**	26,280
(Increase) decrease in receivables for completed construction work	**(7,237)**	13,186
(Increase) decrease in inventories	**804**	21,022
Increase in payables	**(398)**	(15,941)
Other	**583**	(11,474)
Sub total	**35,690**	22,763
Earnings on interest and dividends	**870**	1,452
Interest paid	**(2,597)**	(3,926)
Income tax and other tax paid	**(1,570)**	(4,700)
Net cash provided by operating activities	**32,393**	15,589
Cash flows from investment activities		
Expenditures for acquisition of securities	**(1,009)**	(313)
Proceeds from sale of securities	**6,829**	8,764
Expenditures for acquisition of tangible fixed assets	**(15,107)**	(16,875)
Proceeds from sale of tangible fixed assets	**1,434**	9,019
Expenditures for acquisition of intangible fixed assets	**(1,231)**	(877)
Other investment	**(673)**	162
Net cash used in investing activities	**(9,757)**	(120)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**(2,833)**	4,573
Proceeds from long-term debt	**18,832**	46,987
Payments on long-term debt	**(21,394)**	(29,623)
Proceeds from issue of bonds	**18,587**	3,491
Expenditures for issue of bonds	**(21,033)**	(44,781)
Issuance of treasury stock	**15**	—
Purchase of treasury stock	**(62)**	—
Dividends paid by parent company	**(892)**	(1,786)
Dividends paid to minority stock holders	**(168)**	(174)
Net cash provided by (used in) financing activities	**(8,948)**	(21,313)
Effect of exchange rate changes on cash and cash equivalents	**(1,062)**	803
Net increase (decrease) in cash and cash equivalents	**12,626**	(5,041)
Cash and cash equivalents at beginning of year	**44,758**	50,046
Net increase (decrease) in cash and cash equivalents by newly non-consolidated subsidiaries	—	(247)
Cash and cash equivalents at end of year	**57,384**	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

Cash and deposits	**34,941**	31,806
Securities (Money Market Fund, etc.)	**2,189**	2,327
Cash pooling deposits	**20,254**	10,625
Cash and cash equivalents at end of year	**57,384**	44,758

Retirement Benefits

The Company and its subsidiaries have qualified pension plans and lump-sum benefit plans as unfounded defined benefit pension plans. The Company also has the Employees Pension Fund (EPF) as stipulated by the WPI Law. For EPF, the Company adopts the pension trust fund. From the year ended March 31,2003, the Company and its domestic subsidiaries calculate pension obligation in accordance with the new standard on retirement benefits.
On April 23, 2002, Hitachi Metals received from the Minister of Health, Labour and Welfare an exemption from future payment obligations related to the corporate portion of the public pension managed under the Company's Employees' Pension Fund.

(a) Accrued retirement benefits recognized in consolidated balance sheets (Millions of Yen)

	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Present value of the obligation	**(142,438)**	(164,276)
Fair value of plan assets	**62,451**	96,583
Funded status	**(79,987)**	(67,693)
Unrecognized transitional obligation	**6,138**	10,579
Unrecognized actuarial loss	**49,232**	30,373
Unrecognized prior service(benefit)cost	**(6,062)**	(1,782)
Net amount recognized in consolidated balance sheets	**(30,679)**	(28,523)
Prepaid pension cost in consolidated balance sheets	**878**	605
Accrued retirement benefits recognized in consolidated balance sheets	**(31,557)**	(29,128)

Note:
Certain subsidiaries adopted simple-calculation methods to calculate obligations.
Hitachi Metals has terminated its future payment obligations related to the corporate portion of the public pension managed under the Company's Employees' Pension Fund and has calculated the substituted portion of the governmental welfare pension fund as of the date of Ministerial approval in accordance with provisional measures specified in Section 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (The Japanese Institute of Certified Public Accountants Accounting Committee Report No. 13). The Company has recognized ¥21,676 million as the consolidated amount to be returned as of March 31, 2003. In addition, Hitachi Metals will shift a portion of its retirement benefit plan to a defined contribution pension plan system from the fiscal year commencing April 1, 2003. The Company has also increased accrued retirement benefits by ¥1,365 million, in accordance with Accounting Standards Board of Japan Issued Financial Accounting Standards Implementation Guidance No.2 "Accounting for Transfers between Retirement Benefit Plans" (December 5, 2002). Hitachi Metals has included ¥6,468 million to cover the shift to a defined contribution pension plan in its retirement benefits obligation. This amount will be recorded in accounting line item "accrued retirement benefits" for the fiscal year ending March 31, 2004.

(b) Periodical pension cost recognized in consolidated statements of operations (Millions of Yen)

	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Service cost *1	**(4,276)**	(7,226)
Interest cost	**(4,449)**	(6,688)
Expected return on plan assets	**2,458**	4,537
Amortization of unrecognized transitional obligation *2	**(3,028)**	(4,081)
Amortization of unrecognized actuarial loss	**(1,725)**	(2,663)
Amortization of unrecognized Prior service (benefit) cost	**79**	(11)
Extraordinary gain (loss) on return of substituted portion of governmental welfare pension fund *3	**2,224**	—
Gain (loss) on shift from tax-qualified pension plan to defined contribution pension plan system	**(3,262)**	—
Periodical pension cost recognized in consolidated statements of operations	**(11,979)**	(16,132)

*1 Benefit cost of the consolidated subsidiaries adopting simple-calculation methods is included in service cost.
*2 This total includes of ¥11,028 million of fair value of assets contributed to the pension trust fund for the year ended March 31,2001.
*3 A lump-sum amortization of the unrecognized calculation difference for the substituted portion and unrecognized past service costs of ¥1,897 million is included in the gain (loss) on the shift from a tax-qualified pension plan to a defined contribution pension plan system.

(c) Actuarial assumptions

Methods of attribution to periods	**Fiscal 2002 (Mar. 31,03)**	Fiscal 2001 (Mar. 31,02)
Discount rate	**Mainly 2.5%**	2.5%-4.5%
Expected rate of return on plan assets	**Mainly 3.0%**	1.5%-4.5%
Amortization period of unrecognized actuarial loss	**Mainly14 years**	14-18 years
Amortization period of unrecognized prior service benefit and cost	**14years**	14years
Amortization period of unrecognized transitional obligation	**5years**	5years

Lease Transactions

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are generally accounted for by the method that is applicate to ordinary operating leases.
The amounts corresponding to acquisition cost, accumulated depreciation and net book value at March 31,2003 and 2002 are as follows:

	(Millions of yen)	
	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Acquisition cost	**7,551**	7,615
Accumulated depreciation	**4,026**	3,711
Net book value	**3,525**	3,904

The obligations under finance leases at March 31,2003 and 2002 are as follows:

	(Millions of yen)	
	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Due within one year	**1,374**	1,392
Due after one year	**2,285**	2,627
Total	**3,695**	4,019

Total lease payments and the amounts corresponding to depreciation under finance leases for the years ended March 31, 2003 and 2002 are as follows:

	(Millions of yen)	
	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Lease payments	**1,643**	1,649
Depreciation	**1,572**	1,563
Interest expenses	**92**	107

The obligations under operation leases at March 31, 2003 and 2002 are as follows:

	(Millions of yen)	
	Fiscal 2002 (Mar. 31,03)	Fiscal 2001 (Mar. 31,02)
Due within one year	**5**	5
Due after one year	**7**	7
Total	**12**	12

Segment Information

Year under review (Apr. 1, 2002 - Mar. 31, 2003)

(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	**132,891**	**38,718**	**79,076**	**90,416**	**67,557**	**408,658**	—	**408,658**
In-house sales	**21,908**	**11,719**	**4,147**	**12,658**	**2,759**	**53,191**	**(53,191)**	—
Total net sales	**154,799**	**50,437**	**83,223**	**103,074**	**70,316**	**461,849**	**(53,191)**	**408,658**
Operating expenses	**147,528**	**51,505**	**79,543**	**101,610**	**67,663**	**447,849**	**(51,790)**	**396,059**
Operating income	**7,271**	**(1,068)**	**3,680**	**1,464**	**2,653**	**14,000**	**(1,401)**	**12,599**
Ⅱ.Assets								
Total assets	**169,292**	**56,416**	**76,581**	**81,909**	**50,651**	**434,849**	**6,983**	**441,832**
Depreciation	**8,663**	**4,073**	**4,200**	**2,799**	**1,064**	**20,799**	**360**	**21,159**
Capital expenditure	**5,536**	**3,089**	**3,731**	**2,106**	**941**	**15,403**	**829**	**16,232**

Previous Year (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	42,936	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)	—
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

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, 2002 - Mar. 31, 2003) (Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
Ⅰ. Net sales and operating income							
Sales to customers	**319,052**	**58,020**	**19,784**	**11,802**	**408,658**	—	**408,658**
In-house sales	**28,825**	**2,257**	**6,479**	**406**	**37,967**	**(37,967)**	—
Total net sales	**347,877**	**60,277**	**26,263**	**12,208**	**446,625**	**(37,967)**	**408,658**
Operating expenses	**336,711**	**57,871**	**25,889**	**11,879**	**432,350**	**(36,291)**	**396,059**
Operating income	**11,166**	**2,406**	**374**	**329**	**14,275**	**(1,676)**	**12,599**
Ⅱ. Assets	**362,371**	**44,538**	**19,059**	**6,045**	**432,013**	**9,819**	**441,832**

Previous Year (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

Overseas sales

Year under review (Apr. 1, 2002 - Mar. 31, 2003) (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	**54,177**	**55,602**	**18,242**	**128,021**
Consolidated sales				**408,658**
Overseas sales as a share of consolidated sales	**13.2%**	**13.6%**	**4.5%**	**31.3%**

Previous Year (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%

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 3/03			End of 3/02		
	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	—
Other・・・・・・・・・・・・・	—	—	—	—	—	—
Total・・・・・・・・・・・・	—	—	—	1,843	1,843	—
Other securities:						
Stocks・・・・・・・・・・・・	**2,293**	**2,690**	**397**	2,386	3,801	1,415
Bonds						
Government bonds Municipal bonds・・	—	—	—	—	—	—
Corporate Bonds・・	**2,051**	**2,037**	**(14)**	1,084	1,084	—
Other・・・・・・・・・・	—	—	—	—	—	—
Other・・・・・・・・・・・・・	**2,265**	**2,265**	**0**	2,856	2,856	—
Total・・・・・・・・・・・・	**6,609**	**6,992**	**383**	6,326	7,741	1,415

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

	End of 3/03			End of 3/02		
	Contract value	**Market price**	**Appraisal gain/loss**	**Contract value**	**Market price**	**Appraisal gain/loss**
Exchange contract transactions:						
Exchange contracts						
U.S. dollars (buy)・・・・	**113**	**114**	**1**	415	432	17
U.S. dollars (sell)・・・・	—	—	—	57	57	0
HK dollars (buy) ・・・・・	**5**	**5**	**(0)**	—	—	—
Currency swap transactions:						
Coupon swap・・・・・・・	**5,000**	**591**	**591**	5,000	618	618
Receipts yen payments dollars	—	—	—	13,500	(1,315)	(1,315)
Interest-rate swaps						
Receipts fixed payments variable	**7,000**	**18**	**18**	15,000	331	331
Receipts variable payments fixed	**8,600**	**(43)**	**(43)**	27,931	(322)	(322)
Total・・・・・・・・・・・・・	**20,718**	**685**	**567**	61,903	(199)	(671)