

# Hitachi Metals, Ltd. (Oct. 28, 2003)

Code:5486

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

## Consolidated Financial Report for the 6-month period ended September 30, 2003

Contact: Shigeru Ishigay, General Manager

Corporate Communications Office Tel: +81-3-5765-4075

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

1. Performance over the year, April 1, 2003 to September 30, 2003 (Figures are rounded to the nearest million yen)

(1) Consolidated Operating results	9/03(interim)	9/02(interim)	Change(%)	3/03
Net Sales (million yen).....	197,750	198,954	(0.6)	408,658
Operating income (million yen).....	5,515	3,921	40.7	12,599
Ordinary income (million yen).....	3,777	2,636	43.3	10,647
Net income (million yen).....	94	993	(90.5)	738
Net income per share (yen).....	0.26	2.78	—	1.45
Diluted net income per share (yen).....	—	—	—	—

Notes: 1. Profit (loss) on equity method investment: 9/03: 153 million yen 9/02: 108 million yen 3/03: 288 million yen

2. Average number of shares outstanding (9/03: 356,919,916 9/02: 357,088,035 3/03: 357,029,272)

3. Accounting policy have been made Change.

(2) Consolidated Financial Standing	9/03(interim)	9/02(interim)	3/03
Total assets (million yen).....	430,368	439,483	441,832
Shareholders' equity (million yen).....	150,909	154,470	153,516
Shareholders' equity ratio(%).....	35.1	35.1	34.7
Shareholders' equity per share (yen).....	422.82	432.60	429.49

Average number of shares outstanding at the end of year (9/03: 356,908,799 9/02: 357,069,401 3/03: 356,928,644)

(3) Consolidated cash flows (million yen)	9/03(interim)	9/02(interim)	3/03
Cash flows from operating activities ..	4,897	11,394	32,393
Cash flows from investment activities ..	(23,698)	(2,882)	(9,757)
Cash flows from financing activities ..	(5,867)	(5,022)	(8,948)
Cash and cash equivalents at yearend ..	32,089	47,404	57,384

Notes: Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries: 76

Equity method applied non-consolidated subsidiaries : None

Equity method applied affiliates : 18

(4) Consolidated scope and changes to the application of the equity method

Consolidation : New companies 4 Companies removed None

Equity method : New companies coming under equity method 2 Companies removed None

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

	At yearend
Net sales (million yen).....	408,000
Ordinary income (million yen).....	11,000
Net income (million yen).....	2,500

Reference: Expected net income per share (full-year basis) consolidated: 7.00 yen

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: 76 companies

### 36 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 Kogyo, Ltd.	Hiyoshi Kouzai, Ltd.
HMW, Ltd.	Nichiei Corporation
Hitachi Metals Kiko Co., Ltd.	Himec, Ltd.
Magtec Co., Ltd.	Sumitomo Special Metals Co.,Ltd.

etc.

### 40 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.	Metglas,Inc

etc.

## Consolidated Management Policies

### **1. Fundamental Management Policies**

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 shareholders, 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 shareholders 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, Hitachi Metals 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. These contributions are under increasing pressure, however, as the markets for these products enter 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 implemented up to the previous fiscal year, namely cost reduction and a focus on improving cash flows, while at the same time actively focusing on initiatives geared toward ongoing and sustained growth.

In an effort to secure overwhelming market shares for its mainstay products, the Company is continuing to pursue structural reform of its business operations. In this context, Hitachi Metals implemented the following three initiatives during the six-month period ended September 30, 2003.

1. Hitachi Metals purchased the amorphous metals business division of U.S.-based Honeywell International Inc. By adding this newly acquired business to the Company's proprietary nanocrystalline soft magnetic material FINEMET<sup>®</sup>, Hitachi Metals is working to establish an overwhelming competitive advantage in the electronics products and next-generation automobiles fields, where demand for soft magnetic materials is expected to develop rapidly.
2. Hitachi Metals concluded a comprehensive agreement of business alliance and acquired shares in Sumitomo Special Metals Co., Ltd. as a means of strengthening its electronic materials operations, principally in permanent magnets.
3. Hitachi Metals agreed to transfer its water treatment business to Hitachi Plant Engineering & Construction Co., Ltd. in an effort to optimize the respective technological strengths of each company in this field and to enhance the competitiveness of the Hitachi Group.

Through these initiatives, the Company is working to establish a new platform that maximizes synergies among research and development, production and sales.

Hitachi Metals will also focus on strengthening the earnings power of its existing products. We will work to realize a lineup of core products of overwhelming competitive advantage in an effort to secure our target profit margin. To this end, we are concentrating management resources and capital investment with the aim of achieving higher quality products, shorter lead times, and lower costs across the complete spectrum of development, manufacturing, and sales.

In addition, the Company is actively pursuing a global network strategy, moving toward areas of growth potential such as Asia, with particular emphasis on the Chinese market. To this end, Hitachi Metals is adapting production facilities to those locations and highly profitable products in which it has top market shares.

Regarding new businesses, the Company is concentrating on the development of next-generation products underpinned by close collaboration among research laboratories, plants, and the frontline. The focus of our product development is on the electronics and IT devices sector and the automobile-related sector. We continue to undertake strategic investment in the development of niche products that will achieve top market shares in high-earning and volume markets. Hitachi Metals has achieved significant success in the launch of new products and materials, such as the nanocrystalline soft magnetic material FINEMET®; an ultra-thin, lightweight magnesium alloy casing made with new press-forging method; automobile exhaust treatment-related products; and lead-free solder balls. We anticipate new products will comprise an increasing proportion of total sales in the future.

The Company is also implementing reforms in its personnel compensation system in line with the shift toward performance-based appraisal. We have upgraded our target-based management system and completed a comprehensive review of our 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

### *Fundamental Policy*

In an effort to enhance management transparency and efficiency, Hitachi Metals has positioned corporate governance as a priority issue with the aim of raising corporate value for the benefit of all stakeholders, beginning with its shareholders.

To this end, we are working to build an organizational platform that maintains optimum efficacy and a clear balance between the supervisory and operational executive functions. The Company will continue to disclose pertinent and quality information in a timely fashion, including business results, segment information, and details of our medium-term management plan. In addition, we are fostering a corporate culture founded on the concept of “Materials Magic”, which embodies the fulfillment of Hitachi Metals’ corporate value and its efforts, as a development-oriented company, to become the “best possible global company.”

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. We will continue to conduct our business activities with the goal of promoting an enduring society and ensure all executives and employees act in accordance with our corporate statement and behavioral code. For this purpose, we have formulated the Hitachi Metals’ Code of Conduct. This Code of Conduct manual is distributed to all employees with the onus on each employee to ensure thorough compliance.

### *Initiatives and Implementation*

Hitachi Metals adopted a company-with-committees structure in June 2003 as a means to further strengthen its corporate governance framework allowing for bolder and swifter implementation of business reorganization, strategic investments and other initiatives. In addition to implementing the company-with-committees structure, the Company also invited outside directors to join its Board of Directors, including the Nominating, Audit, and Compensation Committees. By introducing the objective opinions of outside directors, we have enhanced the supervisory function of the Board of Directors and worked to ensure the transparency and efficiency of Hitachi Metals’ operations.

Under the new structure, three of the Company’s six-member Board of Directors shall comprise outside directors, with two of the three being directors and executive officers of Hitachi, Ltd., Hitachi Metals’ parent company. Pursuant to the Commercial Code Special Measures Law, we have also established Nominating, Audit, and Compensation Committees.

To facilitate the administrative functions of the Board of Directors and each committee, Hitachi Metals has set up a Board of Directors’ Office and appointed a manager to the Board and to each committee. In order to ensure complete independence from executive

officers, the manager appointed to the Audit Committee is prohibited from simultaneously holding a position within any of the Company's individual business segments. The Internal Auditing Office, furthermore, which is overseen directly by the president, supports the auditing conducted by the Audit Committee in accordance with the directives of that committee.

In terms of the management of individual business segments, a large portion of the decision-making authority regarding the business and affairs of the Company has been delegated from the Board of Directors to executive officers in an effort to accelerate the decision-making process.

The Company previously implemented an internal company system and a managing director system in order to separate Companywide strategic decision-making from the management of the individual businesses. These systems will be continued under the company-with-committees system, as they are consistent with diversity of products and markets that is characteristic of the Company.

Management matters of particular importance, prior to decision-making by executive officers, will be reviewed by an executive committee comprised of executive officers and managing officers (formerly referred to as managing directors) in order to ensure compliance with applicable laws and the Articles of Incorporation, as well as effective implementation.

Following the structure outlined above, the Company will improve the transparency and effectiveness of its management.

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

Hitachi, Ltd., as the Company's leading shareholder, holds 55% of Hitachi Metals' voting rights. 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 and Financial Condition

### 1. Financial Results

(1) Overview (Fiscal 2003 first half, six months ended September 30, 2003)

In the first half of fiscal 2003 (the six months ended September 30, 2003), the global economy was characterized by mixed results. In the U.S., the operating environment remained bright as economic recovery continued to gather steam. Underpinned by strong growth in China, the Asian economies also saw growth, as the impact of severe acute respiratory syndrome (SARS) began to wane. In Europe, however, conditions remained weak. Despite some signs of a slight recovery in Japan, buoyed by a pick up in capital investment, the domestic economy continued to falter, impacted by stagnant personal consumption on the back of harsh employment conditions.

Reflecting the overall operating environment, the industries in which Hitachi Metals operates also provided for mixed results. In Japan, demand for PCs rebounded, mirroring an overall recovery in global demand. Demand for mobile phones was also strong, with a modest increase in semiconductors. In the automotive industry, demand in the U.S. rose, and despite stagnant domestic production due to the drop in sales of light vehicles, sales of trucks increased as the demand for replacement vehicles surged prior to implementation of diesel exhaust emission controls. Steel production in Japan picked up owing to the increase in demand for vehicles, principally trucks. The construction industry remained weak, however, reflecting the prolonged slump in public works and construction housing starts.

Against this backdrop, the Hitachi Metals Group recorded steady results for its High-Grade Metal Products and Materials segment and its High-Grade Casting Components for Automobiles segment. This was offset, however, by a less than satisfactory performance by the Construction Components, Plant and Equipment segment. As a result, net sales for the period totaled ¥197,750 million, about even with the corresponding period of the previous fiscal year.

On the earnings front, despite the impact of rising raw materials prices in overseas markets and a foreign exchange loss incurred due to the sharp appreciation of the yen against the U.S. dollar, the Company was successful in its efforts to lower raw materials prices, as well as other measures to cut cost of sales with the aim of reducing the breakeven point. As a result, Hitachi Metals recorded ordinary income of ¥3,777 million, an increase of ¥1,141 million compared with the corresponding period of the previous fiscal year. Net income after income taxes on the other hand was ¥94 million, down ¥899 million, after amortization of unrecognized transitional obligation from the adoption of new accounting standards for retirement benefits and a loss incurred from restructuring charges associated with the Environmental Systems Company.

With regard to dividends, despite a continued harsh business environment, the Company was successful in maintaining the turnaround in profit recorded in fiscal 2002, and as announced on September 16, 2003, declared an interim dividend of ¥1.5 per share.



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

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

Sales of molds, cutting tools, and materials were strong, boosted by active demand in Asia primarily for automobile molds. Despite a leveling out of automobile production, sales of related components and materials trended upward, spurred by inventory adjustments and overseas production expansion by automobile manufacturers. Sales of shadow mask materials were negatively impacted at the beginning of the period by inventory contraction and uncertainties regarding the effects of severe acute respiratory syndrome (SARS), but rebounded toward the end of the period. In display-related materials, sales of sputtering target materials were buoyant, driven by a significant increase in liquid crystal display (LCD) production. Sales of IC lead frame saw a modest improvement on the back of sustained growth in semiconductor production. Sales of injection molding machinery components continued on the upswing, benefiting from strong demand in Asian markets for injection molding machinery, particularly in China. Moreover, roll sales increased due to an increase in crude steel production in Japan and efforts to expand overseas.

As a result of all these factors, although total sales for the segment increased 6% compared with the corresponding period of the previous fiscal year to ¥81,119 million, operating income rose ¥1,541 million to ¥4,325 million.

### **Electronics and IT Devices**

Sales of ferrite magnets were impacted by a slump in activity at certain domestic customers. This was offset, however, by an increase in exports, principally to Europe. Despite sluggish demand and a drop in prices of general-purpose items, overall sales of rare earth magnets recorded a modest increase compared with the corresponding period of the previous fiscal year owing to growth in the segment's mainstay high-value-added products. The Company experienced mixed results in sales of wound ferrite cores and wire-wound components, reflecting both weak activity at certain of its primary customers and an increase in demand, particularly for use in LCDs and automobiles. In IT equipment, sales of isolators and antenna switch modules increased due to strong demand from primary customers on the back of a robust mobile phone market.

Hitachi Metals recorded total sales for this segment of ¥25,339 million, down 2%. Despite the drop in sales, operating income was ¥310 million, a turnaround of ¥1,187 million.

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

In heat-resistant iron castings, a drop in demand in the U.S. was offset by an increase in domestic demand. Accordingly, overall sales remained flat compared with the previous corresponding period. Sales of aluminum products declined due to production completion of certain models by automobile manufacturers and selective screening of unprofitable products. The Company recorded strong sales in aluminum road wheels, spurred by buoyant demand

for newly developed strategic products such as wide-rimmed and fashionable aluminum road wheels. Results for high-grade ductile castings remained virtually unchanged from the year-ago period. Despite a drop off in demand from primary customers, sales were boosted by the increase in demand for trucks prior to the implementation of stricter exhaust emission controls for diesel vehicles.

As a result, total sales for the segment increased 7% to ¥42,810 million. Operating income was ¥2,011 million, up ¥672 million.

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

Sales were lackluster in stainless steel and plastic piping component due to the low level of construction starts. Overall sales of pipe fittings (steel pipe fittings and anti-corrosion fittings) declined, reflecting the drop in overall demand and the increasing trend toward the use of alternative materials. In industrial machinery chains, sales were boosted by an increase in the Company's share of water treatment equipment and the recovery in other machinery production. Positive results from the renovation of certain office buildings and demand generated through new capital investment were insufficient to offset the winding down of metropolitan redevelopment projects. Accordingly, overall sales of double-structure floors were weak. In plinth components, sales trended downward due to the reduction in floor space of steel frame construction projects and the drop in prices. Sales of environmental systems continued to fall, reflecting weak demand from the public sector and a decline in order prices.

Total sales in this segment decreased 18% to ¥39,828 million, with operating loss of ¥1,094 million, and down of ¥1,482 million.

### **Services and Other Activities**

Domestic and overseas sales in this segment were steady. Total sales rose 14% to ¥37,714 million, while operating income decreased ¥220 million to ¥316 million.

#### **(2) Outlook (Fiscal 2003, full year ending March 31, 2004)**

Despite signs of a modest U.S.-led global recovery for the fiscal year ending March 31, 2004, conditions remain uncertain due to the stalled U.S. employment market and increasing long-term U.S. interest rates. In Japan, concerns over such issues as employment and the disposal of non-performing loans are impacting on an otherwise positive outlook amid renewed capital investment and an increase in exports, particularly to China.

In the industries in which the Hitachi Metals Group operates, conditions remain mixed. Steady demand is anticipated in the High-Grade Metal Products and Materials segment and the Electronics and IT Devices segment. Conditions for the High-Grade Casting Components for Automobiles segment are expected to remain flat, while the environment for the Construction Components, Plant and Equipment segment is expected to deteriorate.

Against this backdrop, the Hitachi Metals Group has positioned fiscal 2003 as the year of consolidation and for establishing a foundation for sustained recovery and growth

built on the return to profits achieved during the previous fiscal year. We will continue to implement a series of initiatives with the aim of solidifying profits and to further expand earnings.

Specifically, we will adopt strict criteria in the selection of products. 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 focus our efforts on electronics and IT devices in addition to our existing 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.

Moreover, we will push forward with initiatives that accelerate the synergy effects borne of business restructuring undertaken during the first half. We will continue to develop our overseas business with a view to increasing the shares of new products and overseas sales to total sales.

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

(Millions of Yen)

	Net sales	Ordinary income	Net income
Consolidated	408,000	11,000	2,500
Non-consolidated	240,000	6,000	2,300

The Company will determine period-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 first half of fiscal 2003 was ¥4,897 million. Principal components were net income before income tax of ¥2,733 million and depreciation and amortization of ¥9,571 million.

While capital investments were kept within the scope of depreciation and amortization, net cash used in investing activities was ¥23,698 million. Hitachi Metals also undertook expenditures in the acquisition of investment securities and the assignment of business.

As a result, free cash flow, which is calculated by subtracting net cash used in investing activities and net cash provided by operating activities, stood at negative ¥18,801 million.

Net cash used in financing activities was ¥5,867 million reflecting the Company's continued efforts to reduce interest-bearing liabilities.

As a result of the factors identified above, cash and cash equivalents at the end of the year were down ¥25,295 million from a year earlier, to ¥32,089 million.

In the second half of fiscal 2003, Hitachi Metals plans to increase its capital investment slightly, while restraining capital investments to the same level as depreciation and amortization.

	First Half Fiscal 2001	First Half Fiscal 2002	First Half Fiscal 2003	Fiscal 2001	Fiscal 2002
Shareholders' equity ratio	34.7%	35.1%	35.1%	34.4%	34.7%
Shareholders' equity ratio on a Market price basis	23.4%	27.9%	30.9%	33.5%	26.0%

\* Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio on a market price basis: market capitalization/total assets

1. Indicators are calculated on a consolidated basis.
2. Market capitalization is calculated as the interim-end (fiscal year-end) share price × the number of share issued and outstanding at the end of the interim period (fiscal year).

Note: The outlook for performance presented in this document includes 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 an outcome that differs substantially from what is presented in the outlook. For these reasons, the Company requests that all parties concerned refrain from relying exclusively on this outlook when making investment and other decisions.

## Consolidated Balance Sheets

	(Millions of Yen)		
	End of 9/03 (A)	End of 3/03 (B)	(difference) (A)-(B)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits in banks	22,471	34,941	(12,470)
Notes receivable and accounts receivable	73,942	73,665	277
Receivable for completed construction work	9,239	13,067	(3,828)
Cash pooling deposit	9,323	20,254	(10,931)
Negotiable securities	2,345	4,254	(1,909)
Inventories	72,759	67,870	4,889
Deferred tax assets	10,294	9,783	511
Other current assets	4,511	4,918	(407)
<b>Total current assets</b>	<b>204,884</b>	<b>228,752</b>	<b>(23,868)</b>
<b>Fixed assets:</b>			
Tangible fixed assets	163,433	164,714	(1,281)
Intangible fixed assets	3,468	3,466	2
Other	58,583	44,900	13,683
<b>Total fixed assets</b>	<b>225,484</b>	<b>213,080</b>	<b>12,404</b>
<b>Total assets</b>	<b>430,368</b>	<b>441,832</b>	<b>(11,464)</b>
<b>LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
<u>Current Liabilities</u>			
Accounts payable	37,548	41,202	(3,654)
Short-term debt	54,290	57,802	(3,512)
Bonds redeemable within a year	17,655	20,955	(3,300)
Accrued income tax	2,429	2,819	(390)
Deferred tax liabilities	9	8	1
Others	35,998	33,041	2,957
<b>Total current liabilities</b>	<b>147,929</b>	<b>155,827</b>	<b>(7,898)</b>
<u>Fixed liabilities</u>			
Bonds and long-term debt	78,940	77,641	1,299
Reserve for retirement benefits	25,553	31,557	(6,004)
Reserve for directors' retirement bonuses	1,037	1,227	(190)
Deferred tax liabilities	2,314	2,357	(43)
Others	13,540	10,608	2,932
<b>Total fixed liabilities</b>	<b>121,384</b>	<b>123,390</b>	<b>(2,006)</b>
<b>Total liabilities</b>	<b>269,313</b>	<b>279,217</b>	<b>(9,904)</b>
<b>Minority interests</b>	<b>10,146</b>	<b>9,099</b>	<b>1,047</b>
<b>Shareholders' equity:</b>			
Paid-in capital	26,283	26,283	0
Capital surplus	36,699	36,699	0
Consolidated Surplus	93,161	94,523	(1,362)
Appraisal gain(loss) for other marketable securities	680	225	455
Other	(5,914)	(4,214)	(1,700)
<b>Total shareholders' equity</b>	<b>150,909</b>	<b>153,516</b>	<b>(2,607)</b>
<b>Total Liabilities, Minority interests and Shareholders' equity</b>	<b>430,368</b>	<b>441,832</b>	<b>(11,464)</b>

**Comparative Statement of profit and loss**

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2003 (Sep. 30,03)	Ratio to sales (%)	1 <sup>st</sup> half fiscal 2002 (Sep. 30,02)	Ratio to sales (%)	(A) / (B) (%)	Fiscal 2002 (Mar. 31,03)
	(A)	(%)	(B)	(%)	(%)	
<b>Net sales</b> .....	<b>197,750</b>	100.0	198,954	100.0	99	408,658
Cost of sales.....	<b>160,072</b>	80.9	162,416	81.6	99	330,162
<b>Gross profit</b> .....	<b>37,678</b>	19.1	36,538	18.4	103	78,496
Sales, general and administrative expenses	<b>32,163</b>	16.3	32,617	16.4	99	65,897
<b>Operating Profit and loss</b> .....	<b>5,515</b>	2.8	3,921	2.0	<b>141</b>	12,599
<b>Other income:</b>						
Interest and dividends.....	<b>168</b>		277		61	598
Investment income based on equity method.....	<b>153</b>		108		142	288
Other.....	<b>1,508</b>		2,212		68	4,069
Total .....	<b>1,829</b>	0.9	2,597	1.3	70	4,955
<b>Other deductions:</b>						
Interest and discount charges.....	<b>1,032</b>		1,342		77	2,490
Other.....	<b>2,535</b>		2,540		100	4,417
Total .....	<b>3,567</b>	1.8	3,882	2.0	92	6,907
<b>Ordinary profit (loss)</b> .....	<b>3,777</b>	1.9	2,636	1.3	143	10,647
<b>Extraordinary profit (loss)</b>						
Gain from the disposal of stocks of affiliated Companies.....	<b>167</b>		—		—	—
Gains from sale of fixed assets.....	<b>1,075</b>		110		—	267
Gains from exemption of public pension funds.....	—		2,224		—	2,224
Write-off Discrepancies as a Result of Changes in Accounting .....	<b>(1,514)</b>		(1,512)		100	(3,028)
Loss on structural reform.....	<b>(613)</b>		—		—	(1,610)
Other.....	<b>(159)</b>		—		—	(3,354)
Total .....	<b>(1,044)</b>	(1)	822	0.4	—	(5,501)
<b>Income before income tax</b> .....	<b>2,733</b>	1.4	3,458	1.7	79	5,146
<b>Corporation and inhabitant taxes</b> .....	<b>2,129</b>	1.1	1,822	0.9	117	3,603
<b>Adjustment account for corporate tax</b> .....	<b>381</b>	0.2	715	0.4	53	1,345
<b>Minority shareholders' income, etc.</b> .....	<b>129</b>	0.1	(72)	(0.0)	—	(540)
<b>Net Income</b> .....	<b>94</b>	0.0	993	0.5	9	738

**Statement of Consolidated Surplus**

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2003 (Sep. 30,03)	1 <sup>st</sup> half fiscal 2002 (Sep. 30,02)	(A) / (B) (%)	Fiscal 2002 (Mar. 31,03)
	(A)	(B)	(%)	
<b>Consolidated surplus brought forward</b> ...	<b>94,523</b>	94,819	100	94,819
Cash dividends.....	<b>1,249</b>	892	140	892
Directors' bonuses.....	<b>207</b>	133	156	133
Loss on write-off of self-stock.....	—	—	—	9
<b>Decrease of other surplus</b> .....	<b>1,456</b>	1,025	142	1,034
<b>Net income of the year under review</b> .....	<b>94</b>	993	(899)	738
<b>Consolidated surplus carried forward</b> .....	<b>93,161</b>	94,787	98	94,523

## Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 9/03	End of 9/02	End of 3/03
<b>Cash flows from operating activities</b>			
Net income before income tax	2,733	3,458	5,146
Depreciation and amortization	9,571	10,389	21,159
Extra ordinary loss on structural reform	211	—	600
Increase (decrease) reserve for retirement benefits	461	(1,870)	2,416
Retirement benefit trust loss	—	—	—
Loss on retirement of fixed assets	202	291	695
Gain on sale of securities	—	—	—
Loss on evaluation of securities	—	—	—
Interest earned and dividends received	(168)	(277)	(598)
Interest paid	1,032	1,342	2,490
Exchange loss	—	—	—
(Increase) decrease in receivables	(730)	10,808	10,030
(Increase) decrease in receivables for completed construction work	3,812	(6,052)	(7,237)
(Increase) decrease in inventories	(4,959)	1,481	804
Increase in payables	(3,420)	(3,587)	(398)
Other	1,755	(2,822)	583
Sub total	10,500	13,161	35,690
Amount paid for transfer to defined contribution pension plan	(1,710)	—	—
Earnings on interest and dividends	124	464	870
Interest paid	(1,184)	(1,524)	(2,597)
Income tax and other tax paid	(2,833)	(707)	(1,570)
Net cash provided by operating activities	4,897	11,394	32,393
<b>Cash flows from investment activities</b>			
Expenditures for acquisition of securities	—	—	(1,009)
Proceeds from sale of securities	112	4,636	6,829
Expenditures for acquisition of investment securities	(13,928)	(47)	(97)
Proceeds from sale of shares in consolidated subsidiaries	1,037	—	—
Expenditures for acquisition of tangible fixed assets	(9,464)	(8,112)	(15,107)
Expenditures for acquisition of intangible fixed assets	3,352	735	1,434
Loan on long-term debt	(407)	(656)	(1,231)
Expenditures for assignment of businesses	(3,856)	—	—
Other investment	(544)	562	(576)
Net cash used in investing activities	(23,698)	(2,882)	(9,757)
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	2,629	(1,454)	(2,833)
Proceeds from long-term debt	14,123	9,083	18,832
Payments on long-term debt	(16,397)	(11,574)	(21,394)
Proceeds from issue of bonds	4,686	4,088	18,587
Expenditures for redemption of bonds	(9,582)	(4,174)	(21,033)
Issuance of treasury stock	—	—	15
Purchase of treasury stock	(7)	(13)	(62)
Dividends paid by parent company	(1,249)	(892)	(892)
Dividends paid to minority stock holders	(70)	(86)	(168)
Other financial	—	—	—
Net cash provided by (used in) financing activities	(5,867)	(5,022)	(8,948)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(627)	(844)	(1,062)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(25,295)</b>	<b>2,646</b>	<b>12,626</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>57,384</b>	<b>44,758</b>	<b>44,758</b>
<b>Net increase (decrease) in cash and cash equivalents</b>			
by newly non-consolidated subsidiaries	—	—	—
<b>Cash and cash equivalents at end of year</b>	<b>32,089</b>	<b>47,404</b>	<b>57,384</b>
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>	<b>22,471</b>	<b>35,461</b>	<b>34,941</b>
<b>Securities (Money Market Fund, etc.)</b>	<b>295</b>	<b>2,445</b>	<b>2,189</b>
<b>Cash pooling deposits</b>	<b>9,323</b>	<b>9,498</b>	<b>20,254</b>
<b>Cash and cash equivalents at end of year</b>	<b>32,089</b>	<b>47,404</b>	<b>57,384</b>

## Segment Information

Year under review (Apr. 1, 2003 - Sep. 30, 2003)

(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 or Others	Consolidated
<b>I .Net sales</b>								
Sales to customers	68,289	18,185	40,742	33,907	36,627	197,750	—	197,750
In-house sales	12,830	7,154	2,068	5,921	1,087	29,060	(29,060)	—
Total net sales	81,119	25,339	42,810	39,828	37,714	226,810	(29,060)	197,750
Operating expenses	76,794	25,029	40,799	40,922	37,398	220,942	(28,707)	192,235
Operating income	4,325	310	2,011	(1,094)	316	5,868	(353)	5,515
<b>II .Assets</b>								
Total assets	166,418	57,892	71,023	74,506	48,331	418,170	12,198	430,368
Depreciation	3,844	1,648	2,002	1,298	570	9,362	209	9,571
Capital expenditure	3,654	1,604	2,488	1,157	541	9,444	306	9,750

1<sup>st</sup> half of previous year (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 or Others	Consolidated
<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)	—
Total net sales	76,815	25,903	40,067	48,466	33,017	224,268	(25,314)	198,954
Operating expenses	74,031	26,780	38,728	48,078	32,481	220,098	(25,065)	195,033
Operating income	2,784	(877)	1,339	388	536	4,170	(249)	3,921
<b>II .Assets</b>								
Total assets	168,559	57,074	75,848	83,031	46,755	431,267	8,216	439,483
Depreciation	4,280	2,025	2,021	1,377	529	10,232	157	10,389
Capital expenditure	2,754	1,213	2,162	1,048	412	7,589	538	8,127

Fiscal previous year (Apr. 1, 2002 - Mar. 31, 2003)

(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 or Others	Consolidated
<b>I .Net sales</b>								
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
<b>II .Assets</b>								
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



## Notes: Major Products :

High-Grade Metal Products and Materials	High-grade specialty steels(YSS®) Components for copying machines and other office equipment Display materials Semiconductor and other package materials Rolls for steel, nonferrous and non-metal rolling Injection molding machine parts Structural ceramics Steel frame joints for construction Steel castings and forgings for construction, shipbuilding and general manufacturing Cutting tools
Electronics and IT devices	Ferrite and rare-earth magnets (castings or bonded) and their applications Isolators, multilayered devices, soft ferrites, EMC components Components and materials for IT and AV equipment Nano-crystalline soft magnetic materials (FINEMET®)
High-Grade Casting Components for Automobiles	High-grade ductile iron castings (HNM®) Heat-resistant metal castings (HERCUNITE®) Aluminum wheels (SCUBA®) and other aluminum products
Construction Components, Plant and equipment	Plastic piping components, Stainless steel piping components Steel pipe fittings, Built in plastic core type fittings Mechanical joints for drainage, Water cooling equipment Precision mass flow control devices, Expansion tanks Environmental equipment, Industrial equipment Soil remediation system, Internal and structural systems
Services and others	Environmental analysis and consulting, Metal materials survey and analysis Light alloy cabinets made with Press-forging manufacturing method Other sales and services

## Sales results by location

## Year under review (Apr. 1, 2003 - Sep. 30, 2003)

(Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
<b>I . Net sales and operating income</b>							
Sales to customers··	151,864	27,870	11,168	6,848	197,750	—	197,750
In-house sales·····	15,579	1,565	4,807	163	22,114	(22,114)	—
<b>Total net sales···</b>	<b>167,443</b>	<b>29,435</b>	<b>15,975</b>	<b>7,011</b>	<b>219,864</b>	<b>(22,114)</b>	<b>197,750</b>
<b>Operating expense:</b>	<b>163,548</b>	<b>28,060</b>	<b>15,465</b>	<b>6,851</b>	<b>213,924</b>	<b>(21,689)</b>	<b>192,235</b>
<b>Operating income·</b>	<b>3,895</b>	<b>1,375</b>	<b>510</b>	<b>160</b>	<b>5,940</b>	<b>(425)</b>	<b>5,515</b>
<b>II .Assets·········</b>	<b>340,606</b>	<b>45,120</b>	<b>20,546</b>	<b>6,841</b>	<b>413,113</b>	<b>17,255</b>	<b>430,368</b>

1<sup>st</sup> half of previous year (Apr.1, 2002 - Sep. 30, 2002)

(Millions of Yen)

<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>

## Fiscal previous year (Apr.1, 2002 - Mar. 31, 2003)

(Millions of Yen)

<b>I . Net sales and operating income</b>							
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)	—
<b>Total net sales···</b>	<b>347,877</b>	<b>60,277</b>	<b>26,263</b>	<b>12,208</b>	<b>446,625</b>	<b>(37,967)</b>	<b>408,658</b>
<b>Operating expenses·</b>	<b>336,711</b>	<b>57,871</b>	<b>25,889</b>	<b>11,879</b>	<b>432,350</b>	<b>(36,291)</b>	<b>396,059</b>
<b>Operating income··</b>	<b>11,166</b>	<b>2,406</b>	<b>374</b>	<b>329</b>	<b>14,275</b>	<b>(1,676)</b>	<b>12,599</b>
<b>II .Assets·········</b>	<b>362,371</b>	<b>44,538</b>	<b>19,059</b>	<b>6,045</b>	<b>432,013</b>	<b>9,819</b>	<b>441,832</b>

## Overseas sales

<b>Year under review (Apr. 1, 2003 - Sep. 30, 2003)</b>		<b>(Millions of Yen)</b>		
	North America	Asia	Other	Total
<b>Overseas sales</b> .....	<b>25,753</b>	<b>25,694</b>	<b>10,302</b>	<b>61,749</b>
<b>Consolidated sales</b> .....	—	—	—	<b>197,750</b>
<b>Overseas sales as a share of consolidated sales</b> .....	<b>13.0%</b>	<b>13.0%</b>	<b>5.2%</b>	<b>31.2%</b>

<b>1<sup>st</sup> half of previous year (Apr.1, 2002 - Sep. 30, 2002)</b>		<b>(Millions of Yen)</b>		
	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%

<b>Fiscal previous year (Apr.1, 2002 - Mar. 31, 2003)</b>		<b>(Millions of Yen)</b>		
	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%

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 9/03			End of 3/03		
	Balance sheet value	Market price	Valuation profit/loss	Balance sheet value	Market price	Valuation profit/loss
<b>Bond for maturity:</b>						
Government bonds and						
Municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other bonds	—	—	—	—	—	—
Total	—	—	—	—	—	—
<b>Other securities:</b>						
1. Balance sheet value exceeds cost						
Stocks	1,413	3,013	1,600	1,042	1,991	949
Bonds						
Government bonds and						
Municipal bonds	—	—	—	—	—	—
Corporate bonds	1,000	1,011	11	1,000	1,006	6
Other bonds	—	—	—	—	—	—
Other	189	190	1	189	189	0
Total	2,602	4,214	1,612	2,231	3,186	955
2. Balance sheet value does not exceed cost						
Stocks	427	371	(56)	1,251	699	(552)
Bonds						
Government bonds and						
Municipal bonds	—	—	—	—	—	—
Corporate bonds	1,001	967	(34)	1,051	1,031	(20)
Other bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	1,428	1,338	(90)	2,302	1,730	(572)
Other Securities Total	4,030	5,552	1,522	4,533	4,916	383

#### (2) Securities without market price

	End of 9/03	End of 3/03
	Balance sheet value	Balance sheet value
<b>Bond for maturity:</b>		
Government bonds or		
Municipal bonds	—	—
Corporate bonds	—	—
Other bonds	—	7
Total	—	7
<b>Other Securities:</b>		
Non-listed stock	721	750
Non-listed overseas bond	183	2,076
Total	904	2,826

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

	End of 9/03			End of 3/03		
	Contract Value	Market Price	Appraisal gain/loss	Contract Value	Market price	Appraisal gain/loss
<b>Exchange contract transactions:</b>						
U.S. dollars (buy)•••••	442	417	(25)	113	114	1
U.S. dollars (sell)•••••	4,611	4,609	2	—	—	—
HK dollars (buy)•••••	0	0	(0)	5	5	(0)
Euro (buy)••••••••••	409	386	23	—	—	—
<b>Currency swap transactions:</b>						
Coupon swap••••••••••	5,000	403	403	5,000	591	591
Receipts yen payments dollars•••	12,200	275	275	12,200	(92)	(92)
<b>Interest-rate swaps</b>						
Receipts fixed payments variable••	—	—	—	7,000	18	18
Receipts variable payments fixed•••••	1,100	(20)	(20)	8,600	(43)	(43)
Total••••••••••••••••	—	—	658	—	—	475

# Hitachi Metals, Ltd. (Oct. 28, 2003)

Code:5486

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

## Non-consolidated Financial Report for the 6-month period ended September 30, 2003

Contact: Shigeru Ishigay, General Manager

Corporate Communications Office Tel: +81-3-5765-4075

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

### 1. Performance over the year, April 1, 2003 to September 30, 2003

(Figures are rounded off to the nearest million yen)

(1) Operating results	9/03(interim)	9/02(interim)	(Change)	3/03
Net Sales (million yen).....	<b>119,136</b>	122,300	(2.6)	246,835
Operating income (million yen).....	<b>1,392</b>	1,794	(22.4)	4,063
Ordinary income (million yen).....	<b>1,587</b>	2,499	(36.5)	5,246
Net income (million yen).....	<b>933</b>	2,597	(64.1)	1,712
Net income per share (yen).....	<b>2.61</b>	7.27	—	4.71

Notes: 1. Average number of shares outstanding (9/03: 356,951,104 9/02: 357,139,576 3/03: 357,078,076)

2. Changes have been made in accounting policy.

(2) Dividend	9/03(interim)	9/02(interim)	3/03
Interim dividend per share (yen).....	<b>1.5</b>	0	—
Annual dividend per share (yen).....	—	—	3.5

(3) Financial standing	9/03(interim)	9/02(interim)	3/03
Total assets (million yen).....	<b>289,527</b>	292,889	289,758
Shareholders' equity (million yen).....	<b>118,278</b>	119,785	118,667
Shareholders' equity ratio(%).....	<b>40.9</b>	40.9	41.0
Shareholders' equity per share (yen).....	<b>331.37</b>	335.42	332.36

Notes: 1. Number of shares outstanding at end of year (9/03: 356,940,178 9/02: 357,121,517 3/03: 356,959,527)

2. Number of treasury stock outstanding at end of year (9/03: 228,509 9/02: 47,170 3/03 209,160)

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

	At yearend
Net sales (million yen).....	240,000
Ordinary income (million yen).....	6,000
Net income (million yen).....	2,300
Interim dividends per share (yen).....	Not Declared
(Dividends at end of period per share) (yen)...	Not Declared
Annual dividends per share (yen).....	Not Declared

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

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 2003 (A)	2 <sup>nd</sup> half 2002 (B)	1st half 2002 (C)	(A)/(B)	(A)/(C)
High-Grade Metal Products and Materials·····	56,761	54,660	54,511	104%	104%
Electronics and IT Devices·····	17,913	17,147	16,863	104%	106%
High-Grade Casting Components for Automobiles·····	25,436	24,357	24,816	104%	102%
Construction Components, Plant and Equipment·····	19,024	28,369	26,108	67%	73%
Total·····	119,136	124,535	122,300	96%	97%

2. Export Sales results	(Millions of Yen)			(Ratio by previous term)	
	1 <sup>st</sup> half 2003 (A)	2nd half 2002 (B)	1st half 2002 (C)	(A)/(B)	(A)/(C)
High-Grade Metal Products and Materials·····	17,181	17,238	16,337	100%	105%
Electronics and IT Devices·····	7,634	7,033	6,735	109%	113%
High-Grade Casting Components for Automobiles·····	3,023	3,152	2,939	96%	103%
Construction Components, Plant and Equipment·····	254	289	292	88%	87%
Total·····	28,093	27,713	26,305	101%	107%

3. Orders received	(Millions of Yen)			(Ratio by previous term)	
	1 <sup>st</sup> half 2003 (A)	2nd half 2002 (B)	1st half 2002 (C)	(A)/(B)	(A)/(C)
Orders received·····	117,058	122,167	117,274	96%	100%
of which Export·····	27,298	31,102	26,914	88%	101%
of which Plant & Components for Construction·····	16,721	23,076	20,293	72%	82%
Orders backlogs·····	38,656	40,733	43,101	95%	90%

## Comparative Balance Sheets

ASSETS	(Millions of Yen)		
	End of 9/03 (A)	End of 3/03 (B)	Change (A)-(B)
<b>Current assets:</b>			
Cash and deposits in banks	6,195	6,886	(691)
Notes receivable and accounts receivable	38,014	35,694	2,319
Receivables for completed construction work	9,191	13,130	(3,938)
Cash pooling deposit	9,322	20,254	(10,931)
Negotiable securities	1,977	4,006	(2,028)
Inventories	34,135	34,100	35
Deferred tax assets	5,931	5,386	545
Other current assets	10,527	9,076	1,450
Allowance for doubtful accounts	(65)	(114)	49
Total current assets	115,231	128,422	(13,191)
<b>Fixed assets:</b>			
Tangible fixed assets			
Buildings and structures	23,677	24,432	(754)
Machinery, equipment and vehicles	33,743	35,372	(1,629)
Tools, furniture and fixtures	1,651	1,709	(58)
Land	20,995	21,020	(25)
Construction in progress	3,757	2,688	1,068
Total tangible fixed assets	83,824	85,224	(1,399)
Intangible fixed assets	1,676	1,623	52
Investments, etc.			
Investment securities	722	826	(103)
Stock of affiliated company	49,160	34,254	14,905
Long-term loans	12,692	11,786	905
Deferred tax assets	23,112	24,053	(941)
Other	3,328	3,799	(470)
Allowance for doubtful accounts	(221)	(231)	10
Total investment, etc.	88,794	74,487	14,306
Total fixed assets	174,295	161,335	12,960
<b>Total assets</b>	<b>289,527</b>	<b>289,758</b>	<b>(230)</b>

## Comparative Balance Sheets

### LIABILITIES and SHAREHOLDERS' EQUITY

(Millions of Yen)

	End of 9/03 (A)	End of 3/03 (B)	Change (A)-(B)
<b>Liabilities:</b>			
<u>Current Liabilities</u>			
Accounts payable	23,181	27,159	(3,977)
Short-term debt	23,982	15,810	8,172
Long-term debt redeemable within a year	2,005	5,510	(3,505)
Bonds redeemable within a year	15,900	16,000	(100)
Accrued and expense payables	6,953	7,827	(873)
Accrued income tax	33	62	(29)
Advances received	6,758	4,871	1,887
Other	7,577	4,943	2,633
Total current liabilities	86,390	82,184	4,206
<u>Fixed liabilities</u>			
Bonds	28,000	32,900	(4,900)
Long-term debt	35,000	31,000	4,000
Reserve for retirement benefits	18,446	24,717	(6,270)
Reserve for directors' retirement bonuses	223	256	(32)
Others	3,188	32	3,155
Total fixed liabilities	84,858	88,906	(4,047)
Total Liabilities	171,249	171,090	158
<b>Shareholders' equity:</b>			
Paid-in capital	26,283	26,283	—
Capital surplus	36,699	36,699	—
Profit reserve	6,570	6,570	—
Special reserve	45,339	45,498	(158)
Retained earnings at end of year	3,409	3,596	(187)
(Net income for the year)	933	1,712	(779)
Appraisal gain(loss) for other marketable securities	50	86	(36)
Treasury stock	(75)	(68)	(7)
Total shareholders' equity	118,278	118,667	(389)
<b>Total Liabilities and shareholders' equity</b>	<b>289,527</b>	<b>289,758</b>	<b>(230)</b>



## Comparative Statement of profit and loss

(Millions of Yen)

	1 <sup>st</sup> half fiscal 2003 (Sep.30,03) (A)	Ratio to Sales (%)	1 <sup>st</sup> half fiscal 2002 (Sep.30,02) (B)	Ratio to Sales (%)	(A)/(B) (%)	fiscal 2002 (Mar.31,03)	Ratio to Sales (%)
<b>Net sales</b> .....	<b>119,136</b>	100.0	122,300	100.0	97	246,835	100.0
Cost of sales.....	<b>102,856</b>	86.3	105,728	86.4	97	212,614	86.1
<b>Gross profit</b> .....	<b>16,280</b>	13.7	16,572	13.6	98	34,221	13.9
Selling, general and administrative expenses	<b>14,886</b>	12.5	14,777	12.1	101	30,157	12.2
<b>Operating Profit and loss</b> .....	<b>1,392</b>	1.2	1,794	1.5	78	4,063	1.6
<b>Other income:</b>							
Interest and dividends.....	<b>1,730</b>		1,978		87	2,698	
Other.....	<b>1,435</b>		1,267		113	3,393	
Total other income .....	<b>3,165</b>	2.7	3,246	2.7	98	6,091	2.5
<b>Other deductions:</b>							
Interest payment.....	<b>713</b>		775		92	1,486	
Other.....	<b>2,257</b>		1,765		128	3,421	
Total other deductions .....	<b>2,970</b>	2.5	2,541	2.1	117	4,907	2.0
<b>Ordinary profit (loss)</b> .....	<b>1,587</b>	1.3	2,499	2.0	64	5,246	2.1
<b>Extraordinary profit (loss)</b>							
Gains from exemption of public pension funds.....	—		2,223			2,223	
Gain from sale of fixed assets.....	<b>839</b>		337		249	1,219	
Gain from liquidation of affiliated Company	—		65			406	
Gain from the disposal of subsidiaries.....	<b>783</b>		—			—	
Loss on revision of retirement benefit plan system.....	—		—			(3,261)	
Loss on structural reform.....	<b>588</b>		—			—	
Write-off Discrepancies as a Result of Changes in Accounting .....	<b>1,119</b>	0.9	1,112	0.9	101	(2,225)	
Other.....	—		—			—	
Total .....	(85)	(0.1)	1,514	1.2	(6)	(1,637)	(0.7)
<b>Income before income tax</b> .....	<b>1,502</b>	1.3	4,013	3.3	37	3,609	1.5
Corporation, inhabitant and enterprise taxes	<b>149</b>		118		126	168	
Adjustment account for corporate tax.....	<b>420</b>		1,298		32	1,729	
<b>Net income (Loss)</b> .....	<b>933</b>	0.8	2,597	2.1	36	1,712	0.7