Hitachi Metals, Ltd. (Apr. 27, 2004)

Code:5486

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(URL http://www.hitachi-metals.co.jp)

Consolidated Financial Report for the 12-month period ended March 31, 2004

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

1. Performance over the year, April 1, 2003 to March 31,2004 (Figures are rounded off to the nearest million yen)

(1)

Consolidated Operating results	**3/2004**	3/2003	(Change)
Net Sales (million yen)	**420,080**	408,658	2.8%
Operating income (million yen)	**18,576**	12,599	47.4%
Ordinary income (million yen)	**15,184**	10,647	42.6%
Net income million yen)	**3,408**	738	361.8%
Net income per share (yen)	**9.09**	1.45	
Diluted net income per share (yen)	**—**	—	
Net income to shareholders' equity (%)	**2.2**	0.5	
Ordinary income to total assets (%)	**3.5**	2.4	
Ordinary income to net sales (%)	**3.6**	2.6	

Notes: 1. Profit (loss) on equity method investment: 782 million yen (previous year: 288 million yen)

2. Average number of shares outstanding (3/04: 356,184,865 3/03: 357,029,272)

3. Accounting policy have been made no change.

(2)

Consolidated Financial Standing	**3/2004**	3/2003
Total assets (million yen)	**429,289**	441,832
Shareholders' equity (million yen)	**151,224**	153,516
Shareholders' equity ratio(%)	**35.2**	34.7
Shareholders' equity per share (yen)	**427.40**	429.49

Notes: Number of shares outstanding at the end of year (3/04: 353,426,511 3/03:356,928,644)

(3)

Consolidated cash flows (million yen)	**3/2004**	3/2003
Cash flows from operating activities	**20,124**	32,393
Cash flows from investment activities	**(17,699)**	(9,757)
Cash flows from financing activities	**(15,786)**	(8,948)
Cash and cash equivalents at yearend	**42,896**	57,384

(4) Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries : 75

Equity method applied non-consolidated subsidiaries : None

Equity method applied affiliates : 19

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

Consolidation: New companies 5 Companies removed 2

Equity method : New companies coming under equity method 4 Companies removed 1

2. Forecasts of results for the term, April 1, 2004 to March 31, 2005

	At mid-term	at yearend
Net sales (million yen)	232,000	470,000
Ordinary income (million yen)	7,500	16,200
Net income (million yen)	2,500	5,000

Reference: Expected net income per share (full-year basis) consolidated: 14.15 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: 75 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.

39 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.
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, increasing concern over the environment and safety, changes in the balance between labor and capital, revisions to accounting standards and greater emphasis on improving returns on investment 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 conditions are under increasing pressure, however, as the markets for these products enter a period of maturity. Furthermore, the impact of raw materials price fluctuation and movements in exchange rates throughout global markets is expected to place continued downward pressure on earnings over the medium to long term.

In response to these severe business conditions, and in an effort to secure overwhelming market share for its mainstay products, the Company is continuing to pursue structural reform of its business portfolios. In this context, Hitachi Metals implemented the following three initiatives during the fiscal year ended March 31, 2004.

1. Hitachi Metals concluded a comprehensive agreement of business alliance and acquired shares in Sumitomo Special Metals Co., Ltd. (SSM). As part of this agreement, the two companies merged their magnetic materials and applications operations as of April 1, 2004. As the surviving company, SSM changed its name to NEOMAX Co., Ltd. and is working to enhance operational efficiency by effectively utilizing management resources, expanding operational scale and strengthening international competitiveness and profitability.
2. Hitachi Metals purchased the amorphous metals business division of U.S.-based Honeywell International Inc. with the aim of establishing an overwhelming competitive advantage in the field of soft magnetic materials.
3. Hitachi Metals transferred its water treatment business to Hitachi Plant Engineering & Construction Co., Ltd. in an effort to reorganize the Hitachi Group.

Through these initiatives, the Company has established an "Only One, No. 1" strategy platform within each business division.

Moreover, Hitachi Metals formulated its fiscal 2005 Medium-Term Management Plan in March 2004 with an eye firmly on securing a significant leap forward. This renewed management plan focuses on securing a solid management platform capable of attaining ROE of 10%. As its medium-term goals, the plan has identified net sales of ¥500 billion, operating income of ¥30 billion and ROE of 6% in the fiscal year ending March 31, 2006. Hitachi Metals is committed to business portfolio reform in an effort to consolidate and expand its core business operations. At the same time, the Company is actively pursuing a global network strategy and growth through the timely release of new products. Against the backdrop of continued difficult operating conditions, Hitachi Metals will leverage new business opportunities as an impetus for renewed earnings, work to reinforce its financial position and enhance each business division.

In the context of creating new business opportunities, the Company is concentrating on the development of next-generation products underpinned by close collaboration among research laboratories, plants and the frontline. The target in this area is for Hitachi Metals, the driver of Group growth, to achieve a new product to total sales ratio in excess of 30%. In particular, the focus of product development is on the electronics and IT devices sector and the automobile sector. Hitachi Metals continues to undertake strategic investment in the development of niche products that will achieve top market shares in high-earning and volume markets. The Company 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. As a result, new products are expected to comprise an increasing proportion of total sales in the future. In addition, Hitachi Metals 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, the Company is adapting production facilities to those locations and highly profitable products in which it has the top market shares. The goal here is to achieve an overseas sales to total sales ratio in excess of 40%.

Against the backdrop of a volatile operating environment, Hitachi Metals will strive to enhance cost competitiveness. The Company will focus on curtailing fixed and variable costs, to strengthen the earnings power of its existing products by reducing the breakeven ratio by 10% and to achieve target profit margins for individual items. To this end, Hitachi Metals is concentrating management resources and capital investment in a lineup of core products with the aim of achieving higher quality products, shorter lead times and lower costs across the complete spectrum of development, manufacturing, sales and distribution.

The Company is working to reinforce its financial position to promote growth through a program of active capital investment. Initiatives are in place to reduce inventories by 30% through the expansion of supply chain management and to improve cash flows.

Hitachi Metals positions environmental issues as a major priority of management. The Company is striving to increase the rate of emissions recycling, reduce energy consumption rates, meet customer needs for green procurement and curtail the use of chemical substances in line with the European Union's (EU) Restriction of Hazardous Substances (RoHS) and End-of-Life Vehicle Directive guidelines. In product development, Hitachi Metals 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.

Hitachi Metals is clarifying its shift toward a performance-based personnel compensation system while upgrading its target-based management system. The Company has completed a comprehensive review of its in-house recruitment system, specialist compensation package and fringe benefits. In doing so, Hitachi Metals has established a compensation system that rewards high performers who create a dynamic and highly efficient management structure.

Our aim, as a development-oriented company, is to consistently develop and deliver products that are essential to the daily lives of customers. In partnership with the community, we are implementing initiatives to achieve the top global position.

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.

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. For this purpose, we have formulated Hitachi Metals' Code of Conduct. This Code of Conduct manual is distributed to directors and employees with the onus on each employee to ensure thorough compliance.

Directors formulate and determine the Company's management policies from a medium- and long-term perspective as well as medium-term plans and annual budgets. Executive officers are responsible for ensuring that these policies and guidelines are effectively implemented with the aim of maximizing corporate value. Hitachi Metals' compensation system is linked to management's contribution to the wellbeing and prosperity of all stakeholders and reflects the Company's performance in the short, medium and long term. The Compensation Committee determines the actual amounts for directors and executive officers.

Initiatives and Implementation

(1) Organization and structure for decision-making, executive and supervisory functions and other corporate governance systems

a. 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 Law for Special Exceptions to the Commercial Code concerning Audit, etc., of Kabushiki Kaisha, three of the Company's directors shall comprise the Nominating, Audit and Compensation Committees, with two of the three being outside directors.

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.

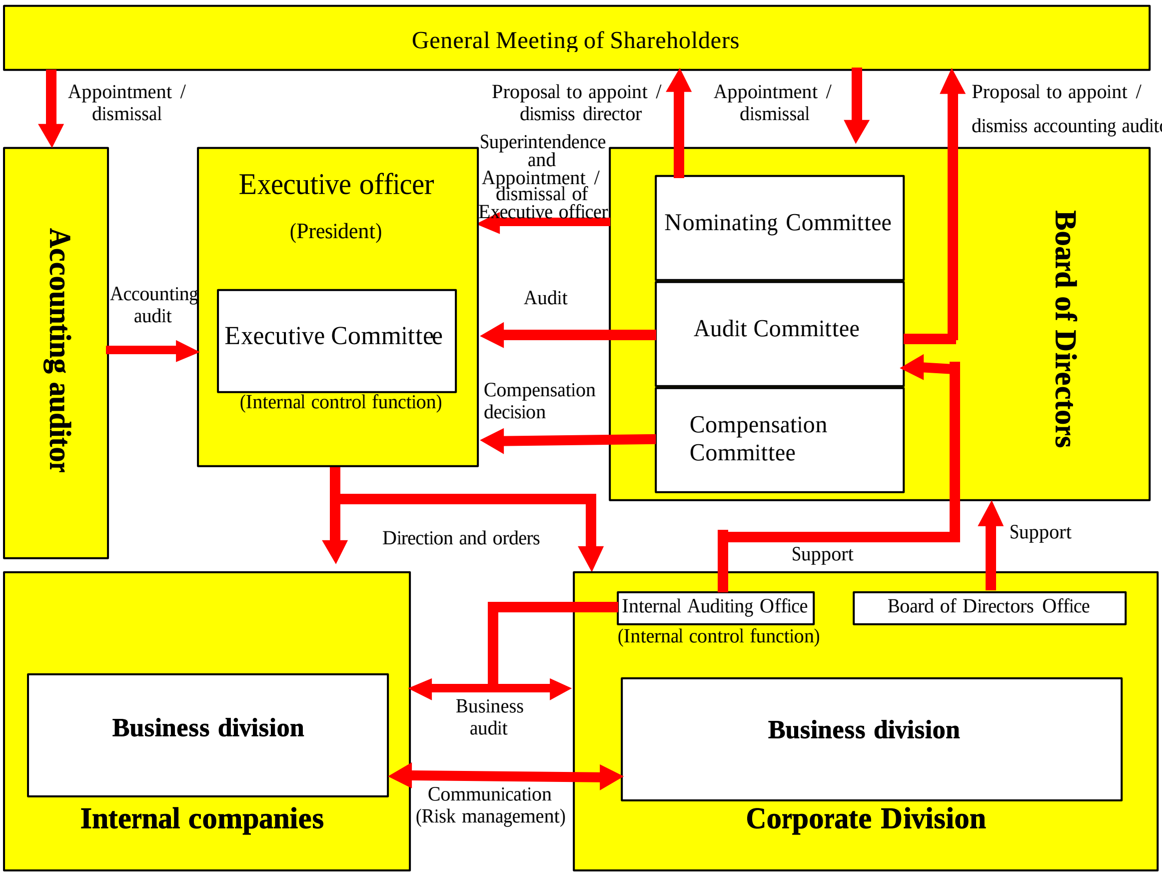
In terms of the management of individual business segments, a large portion of the decision-making authority regarding the business and affairs of the Company has been delegated from the Board of Directors to executive officers in an effort to accelerate the decision-making process.

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 are characteristic of the Company.

b. Executive officers' duties are defined in law and by Hitachi Metals' Articles of Incorporation, forming part of the Company's internal control system. In an effort to ensure maximum efficiency, matters of significant importance are also discussed at Executive Committee and other management meetings. Moreover, the Internal Auditing Office, which is overseen directly by the president, works to ensure that management activities are carried out with maximum efficiency and are compliant with laws and regulations. An internal audit is conducted for each business division and Group company with results reported to the president.

c. The Company has formulated internal rules and guidelines and established a risk management system concerning compliance, environmental issues, safety and health and quality assurance for each business division. All employees are educated in the management of risk and an audit undertaken to ensure that internal companies and related operating divisions effectively, prevent and manage overall risk. In the event risk occurs, a specialist structure is established to swiftly resolve all issues. In addition, Hitachi Metals maintains legal counsel to provide professional advice relating to matters of law.

<Corporate Governance>



d. Director and Auditor Compensation

During the fiscal year under review, compensation paid to the Company's Directors, Auditors and Executive Officers, as well as remuneration paid to auditing firms was as follows. Hitachi Metals changed to a company-with-committees structure in line with a resolution approved by the 66th General Meeting of Shareholders held on June 24, 2003. Director and auditor compensation prior to and under the current structure is as follows.

Director Compensation

Directors and auditor prior to company-with-committees structure

	Compensation		Bonus		Retirement Benefits	
	Number of positions	Payment	Number of positions	Payment	Number of positions	Payment
	(people)	(¥ million)	(people)	(¥ million)	(people)	(¥ million)
Director (of which are outside directors)	5 (1)	26 (2)	5 (1)	34 (3)	— (—)	— (—)
Auditor	4	16	—	—	2	38
Total	9	42	5	34	2	38

Notes: 1. Amounts are rounded down to the nearest million yen.

2. Director compensation and bonus includes ¥8 million in salary for an employee that also serves as a director, of which ¥4 million is in bonus.

Directors and executive officers under company-with-committees structure

	Compensation				Retirement Benefits	
	Monthly Compensation		Bonus			
	Number of positions	Payment	Number of positions	Payment	Number of positions	Payment
	(people)	(¥ million)	(people)	(¥ million)	(people)	(¥ million)
Director (of which are outside directors)	4 (3)	48 (35)	— (—)	— (—)	— (—)	— (—)
Executive Officer	4	95	—	—	—	—
Total	8	143	—	—	—	—

Notes: 1. Amounts are rounded down to the nearest million yen.

2. Two directors also serve as executive officers, and they are compensated as executive officers and not as directors.

Auditor Compensation

Compensation for audit certification based on auditing contract	(¥ million) 27
Compensation other than above	0
Total	27

Notes: . Amounts are rounded down to the nearest million yen.

(2) Personal and Capital Relationships Between the Company and its Outside Directors, and Other Relationships with Interested Parties

The Company's two Outside Directors comprise a Director and Executive Officer of the parent company Hitachi, Ltd. Hitachi Metals, Ltd. and Hitachi, Ltd. engage in business and non-business transactions.

(3) Progress on Initiatives From End of Previous Fiscal Year to Upgrade Corporate Governance at Hitachi Metals

As stated in (1) above, Hitachi Metals switched to a company-with-committees structure in June 2003. Based on this structure, the Company established the Nominating Committee, Audit Committee and Compensation Committee. The Nominating Committee and Compensation Committee have met once and the Audit Committee has convened nine times since their inception. The Nominating Committee determines committee rules. The Audit Committee determines auditing plans, examines Internal Auditor Office reports, hears the reports of committee auditors and is updated of business progress from executive officers. The Compensation Committee determines compensation contracts and amounts on an individual basis for Directors and Executive Officers. Based on this structure, the Company aims to improve management transparence and efficiency in the future.

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

Hitachi, Ltd., as the Company's leading shareholder, holds 55.6% 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 service of the highest quality.

Financial Performance and Financial Condition

1. Financial Results

(1) Overview (Fiscal 2003, the year ended March 31, 2004)

In fiscal 2003, the global economy continued on its recovery trend, having benefited from the impact of tax cuts, low interest rates, and other economic measures in the U.S. High rates of growth were maintained in Asia, and particularly in China. Some signs of a slow recovery were seen in Europe during the second half of the fiscal year. The Japanese economy continued to recover steadily despite limited growth in personal consumption, boosted by healthy capital investment in response to demand for digital consumer electronics and export demand, and benefiting from strong export sales, primarily to other Asian countries.

Conditions in the industries in which the Hitachi Metals Group operates were as follows.

The personal computer industry has enjoyed high growth continuously since the time of the IT bubble. Replacement demand in mature markets and the expansion of new demand in growth markets worldwide brought favorable conditions in the mobile phone industry. The semiconductor industry turned in a healthy performance on the strength of demand from the digital consumer electronics and mobile phone sectors. Although the automobile industry saw growing demand for trucks in connection with stricter diesel exhaust emission controls, demand for passenger cars declined slightly, and overall sales in the industry were unchanged from the previous fiscal year. Healthy demand in the shipbuilding and machinery industries produced favorable conditions for steel. In the private sector, construction starts increased, primarily in non-residential projects. Public works activity, however, continued to contract, and the construction industry as a whole remained near last fiscal year's levels.

Against this backdrop, Group sales were impacted by the transfer of water treatment equipment operations to Hitachi Plant Engineering & Construction Co., Ltd. and stagnant demand in those markets in which the Construction Components, Plant and Equipment segment operates. However, the Group was able to win a share of overseas-related demand on the back of active capital investment. In addition, the Hitachi Metals Group restructured its business portfolio, among other measures, acquiring the amorphous metal materials business of the U.S.-based Honeywell International, Inc. in the second half of the term. As a result of these factors, net sales increased 2.8% from their fiscal 2002 level to ¥420,080 million.

On the earnings front, conditions were characterized by a pronounced increase in raw materials prices in the second half of the fiscal year in response to which the Company was able to adjust prices of some products. In addition to the increase in sales, as a result of continued efforts to reduce material costs and other expenses, ordinary income increased ¥10,647 million compared with the previous fiscal year to ¥15,184 million. Although the Company recorded extraordinary gains on the sale of property, plant and equipment, Hitachi Metals also recorded extraordinary losses on the amortization of actuarial difference from change in accounting standards for retirement benefits and losses related to business restructuring. Accordingly, net income was ¥3,408 million.

On the back of continued recovery, the Company remains conscious of efforts to strengthen its financial position and to make forward-looking investments as and when possible. With regard to Hitachi Metals' dividend policy, the Company announced on March 16 2004, a year-end dividend of ¥3.50, for total dividends of ¥5.00 for the fiscal year. This is an increase of ¥1.50 from the previous fiscal year.

Sales by business segment are presented as follows. The amounts include inter-segment sales and transfers.

High-Grade Metal Products and Materials

Molds, cutting tools, and materials turned in healthy performance on the strength of brisk domestic and overseas demand. Continued growth in automotive components and materials was achieved, as the Group moved forward with the use of high-performance materials in response to the demand for lighter weight and fuel economy. Sales of shadow mask materials were affected by the shift of demand away from CRT televisions to liquid crystal and plasma display TVs. However, there was strong demand for flat panel CRT televisions, an area in which the Company is very active, with the result that overall performance was steady.

Active demand was seen for IC lead frames for use in digital consumer electronics and personal computer-related applications, in addition to which, prices were adjusted to offset the sharp rise in raw materials prices. The market for sputtering target materials showed precipitous growth, principally for use in the manufacture of LCDs, which resulted in substantial expansion in sales. The success of our efforts to expand overseas activities resulted in healthy sales of rolls. Strong sales of injection molding machinery components resulted from the continued lively demand for injection molding machinery in Asia.

As a result of the foregoing, net sales in this segment were ¥169,994 million, an increase of 10% over the previous fiscal year. Operating income was ¥9,745 million, up ¥2,474 million.

Electronics and IT Devices

Demand for ferrite magnets was lackluster in Japan and North America during the first half of the fiscal year. However, demand in these markets recovered in the second half, while demand for electronic components for consumer and automotive electronics in Europe also surged. Overall, sales were on par with last year. Sales of rare earth magnets were favorable, sustained by demand for the segment's mainstay high-value-added products.

Demand for ferrite core and wire-wound components showed growth, particularly for use in LCDs and automobiles, but poor sales of some products also had their effect. Sales of IT equipment (isolators, antenna switch modules) were boosted by the worldwide vigor of the mobile phone market, growing significantly in the second half as major customers began using more of the Company's products. We acquired an amorphous metal materials business portfolio, which was added to this segment in the second half.

Net sales in this segment declined 11% to ¥55,743 million, but operating income was ¥2,275 million, an improvement of ¥3,343 million over the previous fiscal year.

High-Grade Casting Components for Automobiles

Demand for high-grade ductile castings for use in trucks was strong, as a result of the tightening of regulations on exhaust gas emissions, and our sales of these products grew. Sales of heat-resistant iron castings declined, as some manufacturers adopted other materials for exhaust manifolds. Although sales of aluminum products for use in trucks increased, aluminum product sales overall declined as a result of the selective screening of unprofitable products. Demand was active for wide-rimmed and fashionable aluminum wheels, which are strategic products, and sales increased substantially.

Net sales in this segment increased 7% to ¥89,141 million. Operating income increased ¥4,455 million to ¥775 million.

Construction Components, Plant and Equipment

Stagnant construction demand kept sales of pipe fittings (steel pipe fittings and anti-corrosion fittings) near the previous year's level. Although prices of stainless steel and plastic piping components declined, increases in our share of the market for some products prevented overall sales from declining. Due to reduced public works spending, sales of industrial machinery chains to wastewater treatment facilities were lackluster. However, sales for use in other machinery were steady, and overall sales remained at the previous year's level. Economic recovery in the second half of the fiscal year brought higher demand for double-structure floors and plinth components. Overall however, prices declined throughout the term and construction projects were sluggish resulting in a continued drop in sales. In the environmental systems segment, we transferred our water treatment equipment sales offices and sales operations.

This segment's net sales were ¥85,678 million, down 17% from the previous fiscal year. Operating income was ¥985 million, ¥479 million lower than the previous fiscal year.

Services and Other Activities

Sales in Japan and overseas were strong.

As a result, sales in this segment were ¥81,047 million an increase of 15% compared with the previous fiscal year. Operating income declined ¥2,230 million to ¥423 million.

(2) Outlook (Fiscal 2004, full year ending March 31, 2005)

In fiscal 2004, the global economy is expected to remain generally healthy, but there is concern that the U.S. and China may not maintain the high levels of growth seen in fiscal 2003. In the Japanese economy, domestic demand is expected to find a steadier footing, however a slowdown in the U.S. and China could bring declines in exports, prompting risk of a steep increase in the value of the yen.

Although there are concerns that severe fluctuations in demand for some products may precipitate inventory adjustments in the industries in which the High-Grade Metal Products and Materials and Electronics and IT Devices segments operate, favorable conditions overall are forecast. Conditions in the industries in which the High-Grade Casting Components for Automobiles segment operates are expected to remain unchanged. A recovery is expected in some of the industries in which the Construction Components, Plant and Equipment segment operates, but overall conditions are expected to remain severe.

Significant improvement in the performance of the Hitachi Metals Group is expected to result from the Group's business reorganization. On April 1, 2004, the Company's business divisions handling products applying permanent magnets and magnetic materials were spun off to become independent companies, and merged with Sumitomo Special Metals Co., Ltd. As a result of this merger, Sumitomo Special Metals changed its name to NEOMAX Co., Ltd., and its status was changed from equity-method subsidiary to consolidated subsidiary. In addition, the recently acquired amorphous metal materials business of the U.S.-based Honeywell is expected to contribute to the performance of the Hitachi Metals Group for the fiscal year. The increase in sales accruing from this is expected to greatly exceed the decline resulting from the transfer of the Company's water treatment equipment operations to Hitachi Plant Engineering & Construction Co., Ltd.

The effects of this reorganization will become clearly apparent in fiscal 2004, together with a number of other measures taken by the Company and explained in "Financial Policy." We are also working to adjust prices to suitable levels in response to the increases in raw materials prices.

Based on the foregoing, our performance outlook is as follows.

(Millions of Yen)

	Net sales	Ordinary income	Net income
Consolidated	470,000	16,200	5,000
Non-consolidated	212,000	6,800	3,200

Interim and period-end cash dividends will be declared following careful consideration of the Company's performance and business environment.

2. Financial Condition

Net cash provided by operating activities for the fiscal year ended March 31, 2004 was ¥20,124 million. Principal components were net income before income tax of ¥9,665 million, depreciation and amortization of ¥19,108 million, a drop in receivables for completed construction work of ¥10,065 million, and an increase in inventories of ¥4,438 million and receivables of ¥6,569 million.

Net cash used in investing activities was ¥17,699 million due primarily to outflows for the acquisition of stock to facilitate business alliance and cooperation and the transfer of business operations, and proceeds from the sale of fixed assets and business transfer.

Net cash used in financing activities was ¥15,786 million reflecting the Company's efforts to step up repayment of interest-bearing debt and the acquisition of treasury stock totaling ¥1,410 million.

As a result of these factors, cash and cash equivalents at the end of the year declined ¥14,488 million to ¥42,896 million.

In fiscal 2004, Hitachi Metals plans to increase capital investment while restraining its level to the same as that for depreciation and amortization.

	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
Shareholders' equity ratio	32.3%	34.6%	34.4%	34.7%	35.2%
Shareholders' equity ratio on a market price basis	46.8%	35.9%	33.5%	26.0%	41.6%
Debt service years	7.5	4.9	10.6	4.8	7.3
Interest coverage ratio	6.0	8.7	4.0	12.5	8.4

Notes:
1. Shareholders' equity ratio = shareholders' equity/total assets
2. Shareholder' equity ratio on a market price basis = market capitalization/total assets
3. These indicators were calculated using consolidated figures.
4. Market capitalization is calculated by multiplying the final market price at the end of the fiscal year by the number of shares issued and outstanding at the end of the fiscal year.
5. Operating cash flows is equivalent to net cash provided by operating activities on the consolidated statements of cash flows. Interest-bearing debt includes corporate debentures and short-term borrowings recorded on the consolidated balance sheets. Interest paid refers to interest payments recorded on the consolidated statement of cash flows.

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

ASSETS

(Millions of Yen)

	End of 3/04 (A)	End of 3/03 (B)	(difference) (A)-(B)
Current assets:			
Cash and deposits in banks	**20,746**	34,941	(14,195)
Notes receivable and accounts receivable	**80,286**	73,665	6,621
Receivable for completed construction work	**2,972**	13,067	(10,095)
Cash pooling deposit	**22,099**	20,254	1,845
Negotiable securities	**1,086**	4,254	(3,168)
Inventories	**71,668**	67,870	3,798
Deferred tax assets	**10,844**	9,783	1,061
Other current assets	**5,077**	4,918	159
Total current assets	**214,778**	228,752	(13,974)
Fixed assets:			
Tangible fixed assets	**151,456**	164,714	(13,258)
Intangible fixed assets	**2,977**	3,466	(489)
Other	**60,078**	44,900	15,178
Total fixed assets	**214,511**	213,080	1,431
Total assets	**429,289**	441,832	(12,543)

LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY

(Millions of Yen)

	End of 3/04 (A)	End of 3/03 (B)	(difference) (A)-(B)
Liabilities:			
Current Liabilities			
Accounts payable	**40,757**	41,202	(445)
Short-term debt	**53,396**	57,802	(4,406)
Bonds redeemable within a year	**11,404**	20,955	(9,551)
Accrued income tax	**2,700**	2,819	(119)
Deferred tax liabilities	**—**	8	(8)
Others	**33,227**	33,041	186
Total current liabilities	**141,484**	155,827	(14,343)
Fixed liabilities			
Bonds and long-term debt	**82,725**	77,641	5,084
Reserve for retirement benefits	**26,422**	31,557	(5,135)
Reserve for directors' retirement bonuses	**1,335**	1,227	108
Deferred tax liabilities	**2,972**	2,357	615
Others	**12,599**	10,608	1,991
Total fixed liabilities	**126,053**	123,390	2,663
Total Liabilities	**267,537**	279,217	(11,680)
Minority interests	**10,528**	9,099	1,429
Shareholders' equity:			
Paid-in capital	**26,283**	26,283	0
Capital surplus	**36,699**	36,699	0
Consolidated Surplus	**95,940**	94,523	1,417
Appraisal gain(loss) for other marketable securitie	**1,500**	225	1,275
Other	**(9,198)**	(4,214)	(4,984)
Total shareholders' equity	**151,224**	153,516	(2,292)
Total Liabilities, Minority interests and Shareholders' equity	**429,289**	441,832	(12,543)

Comparative Statement of profit and lo

(Millions of Yen)

	Fiscal 2003 (Mar. 31,04) (A)	Fiscal 2002 (Mar. 31,03) (B)	(difference) (A)-(B)	(A)/(B) (%)
Net sales	**420,080**	408,658	11,422	103%
Cost of sales	**336,495**	330,162	6,333	102%
Gross profit	**83,585**	78,496	5,089	106%
Sales, general and administrative expenses	**65,009**	65,897	(888)	99%
Operating Profit and loss	**18,576**	**12,599**	5,977	147%
Other income:				
Interest and dividends	**285**	598	(313)	48%
Investment income based on equity meth	**782**	288	494	272%
Other	**2,952**	4,069	(1,117)	73%
Total	**4,019**	4,955	(936)	81%
Other deductions:				
Interest and discount charges	**2,092**	2,490	(398)	84%
Other	**5,319**	4,417	902	120%
Total	**7,411**	6,907	504	107%
Ordinary profit (loss)	**15,184**	10,647	4,537	143%
Extraordinary profit (loss)				
Gain from the disposal of stocks of affiliated Companies	**167**	—	167	—
Gains from sale of fixed assets	**2,975**	267	2,708	1114%
Gain on reversal of accrued retirement benefits from return of substituted portion of of governmental welfare pension fund	—	2,224	(2,224)	—
Write-off Discrepancies as a Result of Changes in Accounting	**(3,049)**	(3,028)	(21)	101%
Loss on structural reform	**(3,859)**	(1,610)	(2,249)	240%
Extraordinary loss on revision of retiremer benefit plan system	**(114)**	(3,262)	3,148	3%
Previous period's portion of social insurance contribution on bonus accruals	**(950)**	—	950	—
Others	**(689)**	(92)	(597)	749%
Total	**(5,519)**	(5,501)	(18)	100%
Income before income tax	**9,665**	5,146	4,519	188%
Corporation and inhabitant taxes	**4,014**	3,603	411	111%
Adjustment account for corporate tax	**1,895**	1,345	550	141%
Minority shareholders' income, etc.	**348**	(540)	888	—
Net Income	**3,408**	738	2,670	462%

Statement of Consolidated Surplus

(Millions of Yen)

	Fiscal 2003 (Mar. 31,04) (A)	Fiscal 2002 (Mar. 31,03) (B)	(difference) (A)-(B)	(A)/(B) (%)
Consolidated surplus brought forward	**94,523**	94,819	(296)	100%
Increase of other surplus	**3,408**	738	2,670	462%
Cash dividends	**1,784**	892	892	200%
Directors' bonuses etc.	**207**	133	74	156%
Loss(Profit) of Sales/Purchase of treasury stock	**0**	9	(9)	0%
Decrease of other surplus	**1,991**	**1,034**	957	193%
Consolidated surplus carried forward	**95,940**	**94,523**	1,417	101%

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/04	End of 3/03
Cash flows from operating activities		
Net income before income tax	**9,665**	5,146
Depreciation and amortization	**19,108**	21,159
Extra ordinary loss on structural reform	**2,452**	600
Increase (decrease) reserve for retirement benefits	**935**	2,416
Loss on retirement of fixed assets	**762**	695
Interest earned and dividends received	**(285)**	(598)
Interest paid	**2,092**	2,490
Increase in receivables	**(6,569)**	10,030
(Increase) decrease in receivables for completed construction work	**10,065**	(7,237)
(Increase) decrease in inventories	**(4,438)**	804
Increase in payables	**(954)**	(398)
Other	**(5,412)**	583
Sub total	**27,421**	35,690
Amount paid for transfer to defined contribution pension plan	**(1,851)**	—
Earnings on interest and dividends	**456**	870
Interest paid	**(2,405)**	(2,597)
Income tax and other tax paid	**(3,497)**	(1,570)
Net cash provided by operating activities	**20,124**	32,393
Cash flows from investment activities		
Expenditures for acquisition of securities	**—**	(1,009)
Proceeds from sale of securities	**153**	6,829
Expenditures for acquisition of investment securities	**(14,114)**	(97)
Proceeds from sale of shares in consolidated subsidiaries	**1,037**	—
Expenditures for acquisition of tangible fixed assets	**(17,281)**	(15,107)
Proceeds from sale of tangible fixed assets	**15,891**	1,434
Expenditures for acquisition of intangible fixed assets	**(703)**	(1,231)
businesses	**(3,856)**	—
Proceeds from business transfer	**620**	—
Proceeds from acquisition of subsidiary shares due to change in scope of consolidation	**1,207**	—
Other investment	**(653)**	(576)
Net cash used in investing activities	**(17,699)**	(9,757)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	**3,421**	(2,833)
Proceeds from long-term debt	**14,623**	18,832
Payments on long-term debt	**(21,436)**	(21,394)
Proceeds from issue of bonds	**11,619**	18,587
Expenditures for issue of bonds	**(20,689)**	(21,033)
Sales of treasury stock	—	**15**
Purchase of treasury stock	**(1,410)**	**(62)**
Dividends paid by parent company	**(1,784)**	(892)
Dividends paid to minority stock holders	**(130)**	(168)
Net cash provided by (used in) financing activities	**(15,786)**	(8,948)
Effect of exchange rate changes on cash and cash equivalents	**(1,127)**	(1,062)
Net increase (decrease) in cash and cash equivalents	**(14,488)**	12,626
Cash and cash equivalents at beginning of year	**57,384**	44,758
Cash and cash equivalents at end of year	**42,896**	57,384

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	**20,746**	34,941
Securities (Money Market Fund, etc.)	**51**	2,189
Cash pooling deposits	**22,099**	20,254
Cash and cash equivalents at end of year	**42,896**	57,384

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 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Present value of the obligation	**(132,096)**	(142,438)
Fair value of plan assets	**74,537**	62,451
Funded status	**(57,559)**	(79,987)
Unrecognized transitional obligation	**3,093**	6,138
Unrecognized actuarial loss	**35,278**	49,232
Unrecognized prior service(benefit)cost	**(6,067)**	(6,062)
Net amount recognized in consolidated balance sheets	**(25,255)**	(30,679)
Prepaid pension cost in consolidated balance sheets	**1,167**	878
Accrued retirement benefits recognized in consolidated balance sheets	**(26,422)**	(31,557)

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 yen 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 yen, in accordance with Accounting Standards Board of Japan Issued Financial Accounting Standards Implementation Guidance No.2 "Accounting for

Hitachi Metals has included 6,468 million yen 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 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Service cost *1	**(3,775)**	(4,276)
Interest cost	**(3,555)**	(4,449)
Expected return on plan assets	**2,048**	2,458
Amortization of unrecognized transitional obligation *2	**(3,049)**	(3,028)
Amortization of unrecognized actuarial loss	**(3,671)**	(1,725)
Amortization of unrecognized Prior service (benefit) cost	**485**	79
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	**(114)**	(3,262)
Periodical pension cost recognized in consolidated statements of operations	**(11,631)**	(11,979)

*1 Benefit cost of the consolidated subsidiaries adopting simple-calculation methods is included in service cost.
*2 This total includes of 11,028 million yen of fair value of assets contributed to the pension trust fund for the year ended March
*3 A lump-sum amortization of the unrecognized calculation difference for the substituted portion and unrecognized past service costs of 73 million yen 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 2003 (Mar. 31,04)**	Fiscal 2002 (Mar. 31,03)
Discount rate	**Mainly 2.5%**	Mainly 2.5%
Expected rate of return on plan assets	**Mainly 3.0%**	Mainly 3.0%
Amortization period of unrecognized actuarial loss	**Mainly14 years**	Mainly14 years
Amortization period of unrecognized prior service benefit and cost	**Mainly14 years**	14years
Amortization period of unrecognizedtransitional 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 31,2004 and 2003 are as follows:

	(Millions of yen)	
	Fiscal 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Acquisition cost	**6,861**	7,551
Accumulated depreciation	**3,458**	4,026
Net book value	**3,403**	3,525

The obligations under finance leases at March 31,2004 and 2003 are as follows:

	(Millions of yen)	
	Fiscal 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Due within one year	**1,261**	1,374
Due after one year	**2,277**	2,285
Total	**3,538**	3,659

Total lease payments and the amounts corresponding to depreciation under finance leases for the years ended March 31, 2004 and 2003 are as follows:

	(Millions of yen)	
	Fiscal 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Lease payments	**1,572**	1,643
Depreciation	**1,507**	1,572
Interest expenses	**78**	92

The obligations under operation leases at March 31, 2004 and 2003 are as follows:

	(Millions of yen)	
	Fiscal 2003 (Mar. 31,04)	Fiscal 2002 (Mar. 31,03)
Due within one year	**1,306**	5
Due after one year	**4,365**	7
Total	**5,671**	12

Segment Information

Year under review (Apr. 1, 2003 - Mar. 31, 2004)

(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	**143,099**	**39,484**	**84,947**	**73,719**	**78,831**	**420,080**	―	**420,080**
In-house sales	**26,895**	**16,259**	**4,194**	**11,959**	**2,216**	**61,523**	**(61,523)**	
Total net sales	**169,994**	**55,743**	**89,141**	**85,678**	**81,047**	**481,603**	**(61,523)**	**420,080**
Operating expenses	**160,249**	**53,468**	**84,686**	**84,693**	**78,817**	**461,913**	**(60,409)**	**401,504**
Operating income	**9,745**	**2,275**	**4,455**	**985**	**2,230**	**19,690**	**(1,114)**	**18,576**
Ⅱ.Assets								
Total assets	**174,320**	**58,016**	**70,863**	**68,509**	**51,302**	**423,010**	**6,279**	**429,289**
Depreciation	**7,421**	**3,548**	**3,966**	**2,595**	**1,131**	**18,661**	**447**	**19,108**
Capital expenditure	**6,788**	**3,457**	**3,957**	**2,239**	**750**	**17,191**	**437**	**17,628**

Previous Year (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

Notes: Major Products :

High-grade Metal Products and Materials	High-grade Specialty Steels for: Molds, Dies, Cutting Tool; Automotive parts; Aerospace parts 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 Magnetic Encoders, Ceramic Scintillators, Optical Switches, Nanocrystalline Soft Magnetic
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 Industrial Equipment: Silo Plants; Feed Plants Floor Tile Systems and Chains(Hitachi Metals Techno, Ltd.)

Sales results by location

Year under review (Apr. 1, 2003 - Mar. 31, 2004) (Millions of yen)

	Japan	North America	Asia	Other	Total	Eliminated or others	Consolidated
Ⅰ. Net sales and operating income							
Sales to customers	**321,769**	**58,092**	**25,300**	**14,919**	**420,080**	—	**420,080**
In-house sales	**32,178**	**4,946**	**10,599**	**352**	**48,075**	**(48,075)**	
Total net sales	**353,947**	**63,038**	**35,899**	**15,271**	**468,155**	**(48,075)**	**420,080**
Operating expenses	**339,620**	**59,349**	**34,702**	**14,768**	**448,439**	**(46,935)**	**401,504**
Operating income	**14,327**	**3,689**	**1,197**	**503**	**19,716**	**(1,140)**	**18,576**
Ⅱ.Assets	**356,906**	**43,694**	**21,521**	**6,948**	**429,069**	**220**	**429,289**

Previous Year (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

Overseas sales

Year under review (Apr. 1, 2003 - Mar. 31, 2004) (Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	**53,260**	**56,395**	**22,997**	**132,652**
Consolidated sales				**420,080**
Overseas sales as a share of consolidated sales	**12.7%**	**13.4%**	**5.5%**	**31.6%**

Previous Year (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%

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 3/04			End of 3/03		
	sheet value	Market price	Valuation profit/loss	sheet value	Market price	Valuation profit/loss
Bond for maturity:						
Government bonds						
Municipal bonds････	-	-	-	-	-	-
Corporate Bonds･･･････	-	-	-	-	-	-
Other･････････････････	-	-	-	-	-	-
Total･････････････････	-	-	-	-	-	-
Other securities:						
Stocks････････････････	**1,793**	**4,257**	**2,464**	1,042	1,991	949
Bonds						
Government bonds						
Municipal bonds･･･	-	-	-	-	-	-
Corporate Bonds･･･	**1,000**	**1,004**	**4**	1,000	1,006	6
Other･････････････	-	-	-	-	-	-
Other････････････････	**80**	**81**	**1**	189	189	-
Total･････････････････	**2,873**	**5,342**	**2,469**	2,231	3,186	955

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

	End of 3/04			End of 3/03		
	Contract value	Market price	Appraisal gain/loss	Contract value	Market price	Appraisal gain/loss
Exchange contract transactions:						
Exchange contracts						
U.S. dollars (buy)･･･	**542**	**535**	**(7)**	113	114	1
U.S. dollars (sell)････	**5,488**	**5,492**	**(4)**	-	-	-
HK dollars (buy) ････	-	-	-	5	5	0
EURO(sell)･･･････････	**401**	**384**	**17**	-	-	-
EURO(buy)･･････････	**64**	**64**	**0**	-	-	-
Currency option transactions:						
[Buy]						
U.S. dollars (sell)･･････	**2,160**	**41**	△6	-	-	-
[Sell]						
U.S. dollars (sell)･･････	**4,320**	**49**	△2	-	-	-
Currency swap transactions:						
Coupon swap･･･････	-	-	-	5,000	591	591
Receipts yen						
payments dollars･	**14,200**	**1,218**	**1,218**	12,200	(92)	(92)
Interest-rate swaps						
Receipts fixed						
payments variable	-	-	-	7,000	18	18
Receipts variable						
payments fixed･･･	**300**	**(10)**	**(10)**	8,600	(43)	(43)
Total････････････････････	-	-	**1,206**	-	-	475