

Hitachi Metals, Ltd. (Oct. 26, 2004)

Code:5486

URL <http://www.hitachi-metals.co.jp>

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

Consolidated Financial Report for the 6-month period ended September 30, 2004

Contact: Sig Ishigay, Officer and General Manager

Corporate Communications Tel: +81-3-5765-4073

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

1. Performance over the year, April 1, 2004 to September 30, 2004 (Figures are rounded to the nearest million yen)

(1) Consolidated Operating results	9/04(interim)	9/03(interim)	Change(%)	3/04
Net Sales (million yen)	273,154	197,750	38.1	420,080
Operating income (million yen)	19,285	5,515	249.7	18,576
Ordinary income (million yen)	17,303	3,777	358.1	15,184
Net income (million yen)	8,225	94	-	3,408
Net income per share (yen)	23.29	0.26	-	9.09
Diluted net income per share (yen)	-	-	-	-

Notes: 1. Profit (loss) on equity method investment: 9/04: 172 million yen 9/03: 153 million yen 3/04: 782 million yen

2. Average number of shares outstanding (9/04: 353,206,124 9/03: 356,919,916 3/03: 356,184,865)

3. Accounting policy have been made Change.

(2) Consolidated Financial Standing	9/04(interim)	9/03(interim)	3/04
Total assets (million yen)	536,457	430,368	429,289
Shareholders' equity (million yen)	159,419	150,909	151,224
Shareholders' equity ratio(%)	29.7	35.1	35.2
Shareholders' equity per share (yen)	452.70	422.82	427.40

Average number of shares outstanding at the end of year (9/04: 352,149,853 9/03: 356,908,799 3/04: 353,426,511)

(3) Consolidated cash flows (million yen)	9/04(interim)	9/03(interim)	3/04
Cash flows from operating activities	13,902	4,897	20,124
Cash flows from investment activities	(9,877)	(23,698)	(17,699)
Cash flows from financing activities	(5,667)	(5,867)	(15,786)
Cash and cash equivalents at year end	52,266	32,089	42,896

Notes: Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries : 100

Equity method applied non-consolidated subsidiaries : 0

Equity method applied affiliates : 18

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

Consolidation : New companies 27 Companies removed 2

Equity method : New companies coming under equity method 1 Companies removed 2

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

	At year end
Net sales (million yen)	540,000
Ordinary income (million yen)	30,500
Net income (million yen)	12,500

Reference: Expected net income per share (full-year basis) consolidated: 35.00 yen

Notes: 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: 100 companies

45 domestic companies

Hitachi Tool Engineering, Ltd.

Hitachi Metals Techno, Ltd.

NEOMAX Co., Ltd.

Hitachi Metals Trading Co., Ltd.

HMY, Ltd.

NEOMAX TRADING Co., Ltd.

Seitan Inc.

Hitachi Valve, Ltd.

Hitachi Metals Estate, Ltd.

HMW, Ltd.

Hitachi Metals Kiko Co., Ltd.

Hitachi Ferrite Electronics, Ltd.

Shimoda Echotech, Ltd.

Hitachi Metals MPF, Ltd.

Hiyoshi Kouzai, Ltd.

Nichiei Corporation

Himec, Ltd.

Tokyo Seimitsu Kogyo, Ltd.

etc.

55 overseas companies

Hitachi Metals America, Ltd.

Hitachi Magnetics Corporation

NEOMAX America, Inc.

Ward Manufacturing Inc.

AAP St. Marys Corporation

Hitachi Metals North Carolina, Ltd.

Newport Precision Inc.

ACP Manufacturing Co.LLC.

SinterMet, LLC.

HN Automotive, Inc.

Hitachi Metals Europe GmbH

Hitachi Metals Singapore Pte. Ltd.

Hitachi Metals Hong Kong Ltd.

Hitachi Metals (Shanghai) Ltd.

Hitachi Ferrite (Thailand) Ltd.

Hitachi Metals (Suzhou) Electronics, Ltd.

Hitachi Metals (Suzhou) Valves & Fittings, Ltd.

Hitachi Rolls (Thailand) Ltd.

Five Ace Technology 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

The Hitachi Metals Group faces a rapidly changing operating environment characterized by the globalization of economies, higher use of information technology in society and industry, a greater emphasis on the environment and safety, different perspectives on labor practices, new accounting methods, and higher awareness of investment costs.

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 are maturing. 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.

In response to this business environment, the Company implemented its Fiscal 2005 Medium-Term Management Plan in March 2004 with the following objectives. To create a business structure with a consolidated return on equity (ROE) of 10%, Hitachi Metals aims to achieve consolidated net sales of ¥500 billion, operating income of ¥30 billion and ROE of 6% in the fiscal year ending March 31, 2006. The Company aims to select and concentrate resources in core business operations in an effort to enhance the competitiveness of each business division. At the same time, Hitachi Metals is promoting global development and the speedy introduction of new products to market in order to create new impetus for earnings and to bring forward the achievement of its identified targets. The Company aims to further

strengthen each business division through measures to reinforce the financial structure and adapt to the rapidly changing business environment.

As a measure to create impetus for earnings, Hitachi Metals is focusing efforts on the creation on new products that will become the next-generation mainstay business, by unifying the three primary functions of sales, manufacturing and research. Hitachi Metals aims to increase the sales ratio of new products to more than 30%. The Company is investing heavily in the research and development of products that will become an "Only One, No.1" product in the electronics, telecommunications and automobile-related fields. The Company is nurturing growth drivers and accelerating the launch of new products including the nano-crystalline soft magnetic materials FINEMET[®], automobile exhaust treatment-related products, lead-free soldering balls, EMC components, optical communications components, and power train components.

The Company aims to increase the ratio of overseas sales to more than 40%, and is aggressively advancing the global development of high-profit products with high market share while promoting an optimal production structure. Hitachi Metals is concentrating on expanding operations in Asian markets, especially China. During the six-month period ended September 30, 2004, the Company established a processing base for sputtering target materials for LCD panels in South Korea to reduce distribution costs and flexibly adapt to demand. The Company also established a sales and marketing center in China with functions for processing and heat treating tool steels in an aim to build a responsive supply structure and emphasize high-value-added initiatives in the value chain.

In response to changes in the business environment, Hitachi Metals continues to reform its cost structure. By reducing the breakeven point ratio to 10%, the Company aims to strengthen the profitability of existing products and achieve profitability targets for each product line. To do so, Hitachi Metals is concentrating management resources and streamlining core products while reforming development, manufacturing, sales and distribution to attain the highest quality and shortest time to market at a minimal cost. During the six-month period ended September 30, 2004, Hitachi Metals furthered preparations to establish on October 1, 2004, a sales and service company specializing in tool steels and integrating the distribution functions of three Group companies.

To reinforce the financial structure, Hitachi Metals aims to reduce inventories by 30% through shortened manufacturing lead times. Through this initiative, the Company intends to improve cash flows and secure resources for further investing in growth.

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, the Company is promoting the production of environmentally conscious products. 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 has revised its personnel and compensation programs, including its target-based management system, and clarified its policies on performance-oriented results. The Company aims to fixate its personnel and benefits programs as a way of invigorating organizational behavior.

Through these measures, Hitachi Metals aims to be the best partner for its customers as development-oriented company with world-class product development capabilities able to continuously supply new products that are essential to its customers.

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

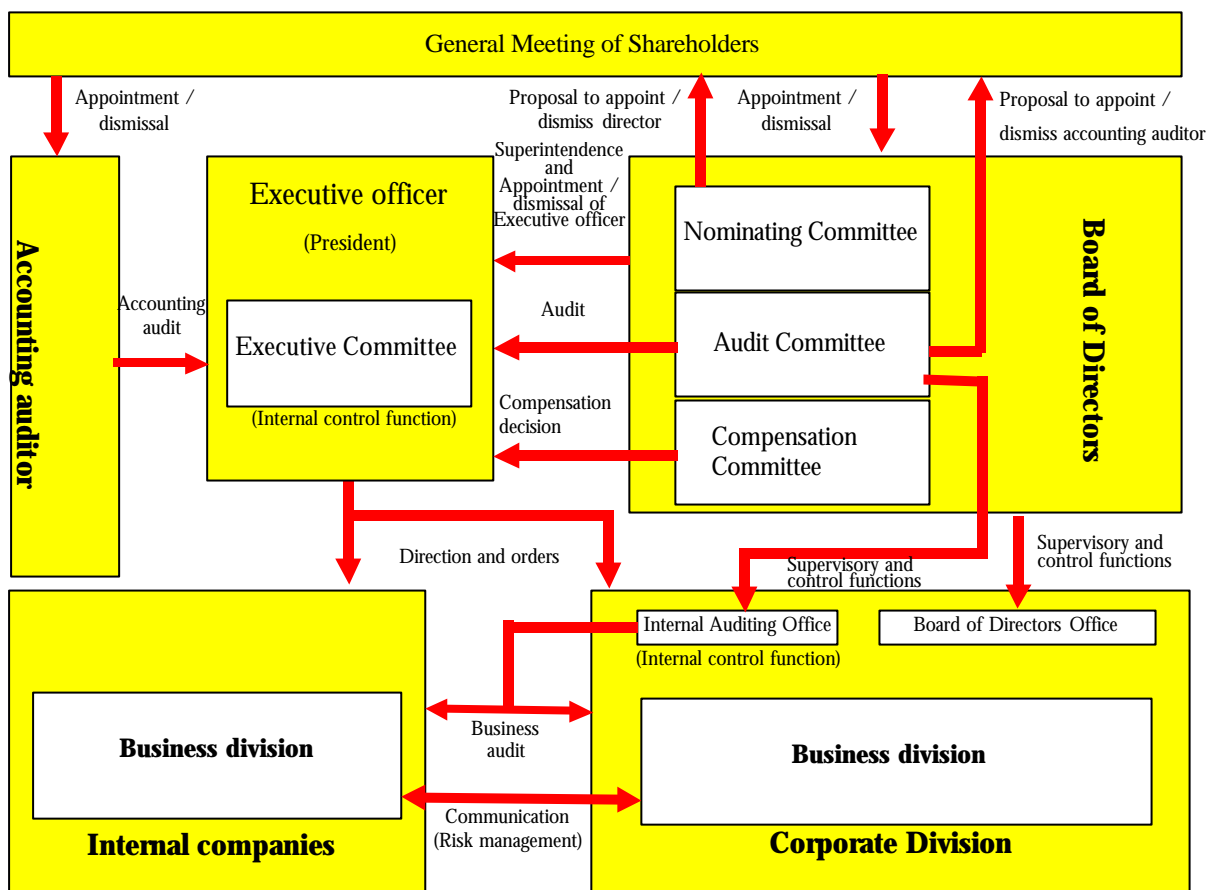
Audit Committee in accordance with the directives of that committee.

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>



(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.

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

Hitachi, Ltd., as the Company's leading shareholder, holds 55.8% 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 2004 first half, six months ended September 30, 2004)

Looking at the global economy during the first half of fiscal 2004 (the six months ended September 30, 2004), growth in the US economy was supported by firm personal consumption and capital investment. In Asia, economic expansion continued at a fast pace in China. In Europe, the economy experienced a soft recovery.

In Japan, the economy grew on the back of strong exports to Asia and an increase in personal consumption mainly for digital consumer electronics.

Conditions in the industries in which the Hitachi Metals Group operates were as follows. The personal computer industry was favorable. The mobile phone industry continued high growth, buoyed by replacement demand for new models and expansion in markets, including new countries including Brazil, Russia, India and China, collectively referred to as BRICs. The semiconductor industry did well alongside higher production of digital consumer electronics and mobile phones. In the automobile industry, overseas demand was favorable in North America, Europe and Asia, while domestic demand was largely unchanged from the same period of the previous fiscal year due to higher local production. The steel industry was on a firm footing, thanks to an economic recovery in Japan and exports mainly to China. The construction industry continued to slide, reflecting reductions in public investment despite an increase in private-sector investment centered on non-housing construction.

Against this backdrop, the Hitachi Metals Group's sales in the High-Grade Metal Products and Materials segment and the Electronics and IT Devices segment grew significantly, while sales also increased in the High-Grade Functional Components and Equipment segment. From the fiscal year under review, NEOMAX Co., Ltd. was included in the scope of consolidation. As a result, sales increased 38.1% to ¥273,154 million compared with the previous interim period.

On the earnings front, the Company continued to focus on lowering the breakeven point through efforts to reduce basic costs and operating expenses. While activities were significantly impacted by a pronounced increase in raw materials prices, Hitachi Metals worked to adjust product prices. As a result, ordinary income was ¥17,303 million 4.6 times that of the previous interim period. In addition, interim net income totaled ¥8,225 million, 87.5 times results for the six-month period ended September 30, 2003. In line with the recovery in performance, Hitachi Metals paid an interim cash dividend of ¥5 per share consistent with an announcement made on September 16, 2004.

Sales by business segment are presented as follows. Hitachi Metals changed its segment classifications from the previous fiscal year under review to reflect significant changes in its business structure, including the acquisition of amorphous materials operations, the transfer of the water treatment business, and the inclusion of NEOMAX Co., Ltd. in the scope of consolidation. The amounts include inter-segment sales and transfers.

High-Grade Metal Products and Materials

Molds, cutting tools and materials held steady, supported by active demand mainly in the automobile industry and the introduction of new products. Sales of automotive-related components and materials increased due to higher production of automobiles in primarily Europe and Asia. Shadow mask materials sales rose considerably on the back of stronger demand for PCs and TVs. Sales of IC lead frames materials increased substantially due to robust demand for digital consumer electronics and audiovisual equipment due to the Athens Olympics. Sputtering target materials sales advanced, owing to active demand for LCD panels in mainly South Korea and Taiwan. Despite higher demand in China, sales of rolls declined compared with the previous interim period as a result of stricter criteria in product selection. Sales increased in components for injection molding machines due to steady demand for injection molding machinery primarily in Asia.

As a result, net sales in this segment totaled ¥99,164 million, an increase of 22.2% from the previous interim period. Operating income totaled ¥9,761 million, up from ¥5,436 million.

Electronics and IT Devices

Sales of magnets rose substantially, owing to firm demand for electronic equipment, factory automation (FA) and automobiles. For ferrite cores and wire-wound components, sales significantly increased mainly for LCD display components. In IT equipment (isolators and antenna switch modules), sales were bolstered as a result of firm demand in the mobile phone market and higher usage by primary customers. Sales of FINEMET[®] also increased substantially, reflecting stronger demand related to digital consumer electronics and new usage by major customers.

As a result, net sales in this segment were ¥78,615 million, an increase of 210.3% compared with the previous interim period. Operating income totaled ¥6,211 million, up from ¥5,901 million. NEOMAX Co., Ltd. was included in the scope of consolidation from the fiscal year under review in this segment.

High-Grade Functional Components and Equipment

Sales of high-grade ductile iron castings rose significantly from demand for trucks in line with stricter exhaust gas regulations. Meanwhile, sales of heat-resistant iron castings fell due to the use of different materials in automobile models in which our products were used. Sales of aluminum products declined as a result of stricter criteria in product selection, despite an increase in truck demand. Aluminum road wheels increased as exports compensated for a decline in domestic shipments. Sales of pipe fittings (steel pipe fittings and anti-corrosion fittings) grew, owing to the effects of price revisions, despite stagnant growth in new housing starts and the impact of different materials used in piping. Sales of stainless steel and plastic piping components climbed on the back of investment in mainly private-sector construction. Sales of chains for industrial machinery declined due to weak public investment. Double-structure flooring and plinth component sales rose on active capital investment in manufacturing facilities.

As a result, net sales in this segment increased 8.7% to ¥82,558 million compared with the previous interim period. Operating income was ¥3,754 million, up from ¥1,325 million in the previous interim period.

Services and Others

Sales in Japan and overseas were strong.

As a result, net sales in this segment totaled ¥50,775 million, an increase of 14.1%. Operating income was ¥770 million, compared with ¥1,957 million in the previous interim period.

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

In the fiscal year ending March 31, 2005, the global economy is expected to decelerate due to destabilizing factors such as a slowdown in consumer spending in the United States, slower growth in China from government policies to curtail investment, as well as the impact of rising oil and materials prices. The Japanese economy is expected to enter a mild adjustment phase, mirroring trends in the global economy, while demand slackens for mobile phones and digital consumer electronics.

In the industries in which the Hitachi Metals Group operates, production is expected to decelerate as a result of inventory adjustments for mobile phones. Although production is expected to remain largely unchanged from the interim term in the automobile industry, harsh conditions are expected to continue due to a low level of public investment in construction.

Under these conditions, to achieve the targets of its fiscal 2005 Medium-Term Management Plan, the Hitachi Metals Group aims to reinforce its financial structure by reducing inventories, accelerate the introduction of new electronics, telecommunications and automobile-related products, develop operations on a global basis mainly in Asia, and bolster profitability through measures to strengthen each business division with cost reductions.

Based on the foregoing, our performance outlook for the fiscal year ending March 31, 2005, is as follows. The fiscal year-end dividend is forecast at ¥5 per share.

(Millions of Yen)

	Net sales	Ordinary income	Net income
Consolidated	540,000	30,500	12,500
Non-consolidated	242,000	11,600	4,200

2. Financial Condition

Net cash provided by operating activities for the first half of fiscal 2004 was ¥13,902 million, an increase of ¥9,005 million compared with the corresponding period of the previous fiscal year. The principal component was net income before income taxes of ¥16,891 million, which rose substantially and served to address increased demand for working capital.

Net cash used in investing activities amounted to ¥9,877 million. In the period under review, Hitachi Metals acquired shares in subsidiaries totaling ¥1,229 million in line with movements in its scope of consolidation and undertook capital investments of ¥10,246 million. Compared with the corresponding period of the previous fiscal year, net cash used in investing activities fell ¥13,821 million owing to the drop in payments for the acquisition of investment securities.

Net cash used in financing activities was ¥5,667 million, down ¥200 million year on year. Major components included cash outflows such as ¥3,581 million for the repayment of interest-bearing debt, ¥712 million for the acquisition of treasury stock, and ¥1,377 million cash dividends paid.

As a result of the aforementioned factors, and despite additional cash and cash equivalents of ¥10,603 million attributed to the inclusion of NEOMAX in the Company's scope of consolidation, cash and cash equivalents as of September 30, 2004 stood at ¥52,266 million, a decrease of ¥1,233 million from the previous fiscal year-end.

For the full fiscal year, Hitachi Metals plans to increase capital investment slightly while restraining its level to the same as that for depreciation and amortization.

	First Half Fiscal 2002	First Half Fiscal 2003	First Half Fiscal 2004	Fiscal 2002	Fiscal 2003
Shareholders' equity ratio	35.1%	35.1%	29.7%	34.7%	35.2%
Shareholders' equity ratio on a market price basis	27.9%	30.9%	37.5%	26.0%	41.2%

Notes:

1. Shareholders' equity ratio = shareholders' equity/total assets
2. Shareholder' equity ratio on a market price basis = market capitalization/total assets

Notes: 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 9/04 (A)	End of 3/04 (B)	(difference) (A)-(B)
ASSETS			
Current assets:			
Cash and deposits in banks	28,260	20,746	7,514
Notes receivable and accounts receivable	108,645	80,286	28,359
Receivable for completed construction work	1,781	2,972	(1,191)
Cash pooling deposit	24,006	22,099	1,907
Negotiable securities	32	1,086	(1,054)
Inventories	96,707	71,668	25,039
Deferred tax assets	12,985	10,844	2,141
Other current assets	6,185	5,077	1,108
Total current assets	278,601	214,778	63,823
Fixed assets:			
Tangible fixed assets	211,302	151,456	59,846
Intangible fixed assets	3,236	2,977	259
Other	43,318	60,078	(16,760)
Total fixed assets	257,856	214,511	43,345
Total assets	536,457	429,289	107,168
LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY			
Liabilities:			
Current Liabilities			
Accounts payable	58,817	40,757	18,060
Short-term debt	77,198	53,396	23,802
Bonds redeemable within a year	10,003	11,404	(1,401)
Accrued income tax	4,714	2,700	2,014
Others	38,764	33,227	5,537
Total current liabilities	189,496	141,484	48,012
Fixed liabilities			
Bonds and long-term debt	93,798	82,725	11,073
Reserve for retirement benefits	30,447	26,422	4,025
Reserve for directors' retirement bonuses	1,073	1,335	(262)
Deferred tax liabilities	3,809	2,972	837
Others	13,063	12,599	464
Total fixed liabilities	142,190	126,053	16,137
Total liabilities	331,686	267,537	64,149
Minority interests	45,352	10,528	34,824
Shareholders' equity:			
Paid-in capital	26,284	26,283	
Capital surplus	36,700	36,699	1
Consolidated Surplus	102,734	95,940	6,794
Appraisal gain for other marketable securities	1,651	1,500	151
Other	(7,950)	(9,198)	1,248
Total shareholders' equity	159,419	151,224	8,195
Total Liabilities, Minority interests and Shareholders' equity	536,457	429,289	107,168

Comparative Statement of profit and loss

(Millions of Yen)

	1 st half fiscal 2004 (Sep. 30,04) (A)	Ratio to sales (%)	1 st half fiscal 2003 (Sep. 30,03) (B)	Ratio to sales (%)	(A) / (B) (%)	Fiscal 2003 (Mar. 31,04)
Net sales	273,154	100.0	197,750	100.0	138	420,080
Cost of sales	214,053	78.4	160,072	80.9	134	336,495
Gross profit	59,101	21.6	37,678	19.1	157	83,585
Sales, general and administrative expenses	39,816	14.6	32,163	16.3	124	65,009
Operating Profit and loss	19,285	7.1	5,515	2.8	350	18,576
Other income:						
Interest and dividends	172		168		102	285
Investment income based on equity method	172		153		112	782
Other	2,382		1,508		158	2,952
Total	2,726	1.0	1,829	0.9	149	4,019
Other deductions:						
Interest and discount charges	1,277		1,032		124	2,092
Other	3,431		2,535		135	5,319
Total	4,708	1.7	3,567	1.8	132	7,411
Ordinary profit (loss)	17,303	6.3	3,777	1.9	458	15,184
Extraordinary profit (loss)						
Gain from the disposal of stocks of affiliated Companies	-		167		-	167
Gains from sale of fixed assets	391		1,075		36	2,975
Gain on equity share fluctuation in consolidated subsidiaries	1,681		-		-	-
Write-off Discrepancies as a Result of Changes in Accounting	(1,511)		(1,514)		100	(3,049)
Loss on structural reform	(973)		(613)		159	(3,859)
Extraordinary loss on revision of retirement benefit plan system	-		-		-	(114)
Previous period's portion of social insurance contribution on bonus accruals	-		-		-	(950)
Other	-		(159)		-	(689)
Total	(412)	(0.2)	(1,044)	(0.5)	39	(5,519)
Income before income tax	16,891	6.2	2,733	1.4	618	9,665
Corporation and inhabitant taxes	4,584	1.7	2,129	1.1	215	4,014
Adjustment account for corporate tax	2,283	0.8	381	0.2	599	1,895
Minority shareholders' income, etc.	1,799	0.7	129	0.1	1,395	348
Net Income	8,225	3.0	94	0.0	8,750	3,408

Statement of Consolidated Surplus

(Millions of Yen)

	1 st half fiscal 2004 (Sep. 30,04) (A)	1 st half fiscal 2003 (Sep. 30,03) (B)	(A) / (B) (%)	Fiscal 2003 (Mar. 31,04)
Consolidated surplus brought forward	95,940	94,523	101	94,523
Cash dividends	1,237	1,249	99	1,784
Directors' bonuses	194	207	94	207
Decrease of other surplus	1,431	1,456	98	1,991
Net income of the year under review	8,225	94	8,750	3,408
Consolidated surplus carried forward	102,734	93,161	110	95,940

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 9/04	End of 9/03	End of 3/04
Cash flows from operating activities			
Net income before income tax	16,891	2,733	9,665
Depreciation and amortization	10,968	9,571	19,108
Extra ordinary loss on structural reform	973	211	2,452
Gain on equity share fluctuation in consolidated subsidiaries	(1,681)		
Increase reserve for retirement benefits	916	461	935
Interest earned and dividends received	(172)	(168)	(285)
Interest paid	1,277	1,032	2,092
(Increase) in receivables	(4,380)	(730)	(6,569)
Decrease in receivables for completed construction work	1,205	3,812	10,065
(Increase) in inventories	(9,617)	(4,959)	(4,438)
Increase (Decrease) in payables	3,664	(3,420)	(954)
Other	(362)	1,957	(4,650)
Sub total	19,682	10,500	27,421
Amount paid for transfer to defined contribution pension plan	(1,898)	(1,710)	(1,851)
Amount paid for extra ordinary loss on structural reform	(561)		
Earnings on interest and dividends	169	124	456
Interest paid	(1,334)	(1,184)	(2,405)
Income tax and other tax paid	(3,293)	(2,833)	(3,497)
Income from compensation for high-grade embankment	1,137		
Net cash provided by operating activities	13,902	4,897	20,124
Cash flows from investment activities			
Proceeds from sale of securities		112	153
Proceeds from redemption of securities	1,000		
Expenditures for acquisition of investment securities	(24)	(13,928)	(14,114)
Proceeds from sale of shares in consolidated subsidiaries		1,037	1,037
Expenditures for acquisition of tangible fixed assets	(10,246)	(9,464)	(17,281)
Proceeds from sale of tangible fixed assets	905	3,352	15,891
Expenditures for acquisition of intangible fixed assets	(191)	(407)	(703)
Proceeds from business transfer			620
Expenditures for assignment of businesses		(3,856)	(3,856)
Proceeds from acquisition of subsidiary shares due to change in scope of consolidation			1,207
Expenditures for acquisition of subsidiary shares due to change in scope of consolidation	(1,229)		
Other investment	(92)	(544)	(653)
Net cash used in investing activities	(9,877)	(23,698)	(17,699)
Cash flows from financing activities			
Increase in short-term borrowings	3,990	2,629	3,421
Proceeds from long-term debt	734	14,123	14,623
Payments on long-term debt	(4,148)	(16,397)	(21,436)
Proceeds from issue of bonds	2,098	4,686	11,619
Expenditures for redemption of bonds	(6,255)	(9,582)	(20,689)
Issuance of treasury stock	3		
Purchase of treasury stock	(712)	(7)	(1,410)
Dividends paid by parent company	(1,237)	(1,249)	(1,784)
Dividends paid to minority stock holders	(140)	(70)	(130)
Net cash provided by (used in) financing activities	(5,667)	(5,867)	(15,786)
Effect of exchange rate changes on cash and cash equivalents	409	(627)	(1,127)
Net (decrease) in cash and cash equivalents	(1,233)	(25,295)	(14,488)
Cash and cash equivalents at beginning of year	42,896	57,384	57,384
Increase in cash and cash equivalents from newly consolidated subsidiar	10,603		
Cash and cash equivalents at end of year	52,266	32,089	42,896
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	28,260	22,471	20,746
Securities (Money Market Fund, etc.)		295	51
Cash pooling deposits	24,006	9,323	22,099
Cash and cash equivalents at end of year	52,266	32,089	42,896

Segment Information

Year under review (Apr. 1, 2004 - Sep. 30, 2004)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
.Net sales							
Sales to customers	82,575	66,682	74,895	49,002	273,154	-	273,154
In-house sales	16,589	11,933	7,663	1,773	37,958	(37,958)	-
Total net sales	99,164	78,615	82,558	50,775	311,112	(37,958)	273,154
Operating expenses	89,403	72,404	78,804	50,005	290,616	(36,747)	253,869
Operating income	9,761	6,211	3,754	770	20,496	(1,211)	19,285
.Assets							
Total assets	183,386	170,802	128,176	62,126	544,490	(8,033)	536,457
Depreciation	3,321	3,949	2,942	485	10,697	271	10,968
Capital expenditure	4,621	2,868	3,802	112	11,403	90	11,493

1st half of previous year (Apr.1, 2003 - Sep. 30, 2003)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
.Net sales							
Sales to customers	68,289	18,185	67,899	43,377	197,750	-	197,750
In-house sales	12,830	7,154	8,080	1,110	29,174	(29,174)	-
Total net sales	81,119	25,339	75,979	44,487	226,924	(29,174)	197,750
Operating expenses	76,794	25,029	73,550	45,674	221,047	(28,812)	192,235
Operating income	4,325	310	2,429	(1,187)	5,877	(362)	5,515
.Assets							
Total assets	166,418	57,892	125,184	68,930	418,424	11,944	430,368
Depreciation	3,844	1,648	3,249	621	9,362	209	9,571
Capital expenditure	3,654	1,604	3,631	555	9,444	306	9,750

Fiscal previous year (Apr.1, 2003 - Mar. 31, 2004)

(Millions of Yen)

	High-Grade Metal Products and Materials	Electronics and IT Devices	High-Grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
.Net sales							
Sales to customers	143,099	39,484	142,663	94,834	420,080	-	420,080
In-house sales	26,895	16,259	16,537	2,237	61,928	(61,928)	-
Total net sales	169,994	55,743	159,200	97,071	482,008	(61,928)	420,080
Operating expenses	160,249	53,468	152,336	96,262	462,315	(60,811)	401,504
Operating income	9,745	2,275	6,864	809	19,693	(1,117)	18,576
.Assets							
Total assets	174,320	58,016	125,856	64,962	423,154	6,135	429,289
Depreciation	7,421	3,548	6,476	1,216	18,661	447	19,108
Capital expenditure	6,788	3,457	6,162	784	17,191	437	17,628

Notes: Major Products :

High-Grade Metal Products and Materials	High-grade specialty steels, 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, Others
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®), Others
High-Grade Functional Components and Equipment	High-grade ductile iron castings (HNM®), Heat-resistant metal castings (HERCUNITE®) Aluminum wheels (SCUBA®) and other aluminum products 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, Internal and structural systems, Others
Services and others	Environmental equipment (incinerators, waste disposal) Environmental analysis and consulting, Metal materials survey and analysis Light alloy cabinets made with Press-forging manufacturing method Other sales and services, Others

Sales results by location

Year under review (Apr. 1, 2004 - Sep. 30, 2004)

(Millions of Yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
. Net sales and operating income							
Sales to customers	206,687	33,325	25,486	7,656	273,154	-	273,154
In-house sales	28,222	3,776	14,087	299	46,384	(46,384)	-
Total net sales	234,909	37,101	39,573	7,955	319,538	(46,384)	273,154
Operating expenses	217,073	35,484	38,202	7,834	298,593	(44,724)	253,869
Operating income	17,836	1,617	1,371	121	20,945	(1,660)	19,285
.Assets	455,950	48,372	48,406	7,885	560,613	(24,156)	536,457

1st half of previous year (Apr.1, 2003 - Sep. 30, 2003)

(Millions of Yen)

. Net sales and operating income							
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)	-
Total net sales	167,443	29,435	15,975	7,011	219,864	(22,114)	197,750
Operating expenses	163,548	28,060	15,465	6,851	213,924	(21,689)	192,235
Operating income	3,895	1,375	510	160	5,940	(425)	5,515
.Assets	340,606	45,120	20,546	6,841	413,113	17,255	430,368

Fiscal previous year (Apr.1, 2003 - Mar. 31, 2004)

(Millions of Yen)

. 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
.Assets	356,906	43,694	21,521	6,948	429,069	220	429,289

Overseas sales

Year under review (Apr. 1, 2004 - Sep. 30, 2004)	(Millions of Yen)			
	North America	Asia	Other	Total
Overseas sales	31,292	53,496	14,362	99,150
Consolidated sales	-	-	-	273,154
Overseas sales as a share of consolidated sales	11.5%	19.6%	5.2%	36.3%

1st half of previous year (Apr.1, 2003 - Sep. 30, 2003)	(Millions of Yen)			
	North America	Asia	Other	Total
Overseas sales	25,753	25,694	10,302	61,749
Consolidated sales	-	-	-	197,750
Overseas sales as a share of consolidated sales	13.0%	13.0%	5.2%	31.2%

Fiscal previous year (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%

Notes: 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 9/04			End of 3/03		
	Balance sheet value	Market price	Valuation profit/loss	Balance sheet value	Market price	Valuation profit/loss
Bond for maturity:						
Government bonds and Municipal bonds						
Corporate bonds						
Other bonds						
Total						
Other securities:						
1. Balance sheet value exceeds cost						
Stocks	1,956	4,889	2,933	1,793	4,257	2,464
Bonds						
Government bonds and Municipal bonds						
Corporate bonds	1,000	1,008	8	1,000	1,004	4
Other bonds						
Other	30	31	1	80	81	1
Total	2,986	5,928	2,942	2,873	5,342	2,469
2. Balance sheet value does not exceed cost						
Stocks	330	287	(43)	198	176	(22)
Bonds						
Government bonds and Municipal bonds						
Corporate bonds	4	4	0	1,003	988	(15)
Other bonds						
Other						
Total	334	291	(43)	1,201	1,164	(37)
Other Securities Total	3,320	6,219	2,899	4,074	6,506	2,432

(2) Securities without market price

	End of 9/04		End of 3/03	
	Balance sheet value		Balance sheet value	
Bond for maturity:				
Government bonds or Municipal bonds				
Corporate bonds				
Other bonds				
Total				
Other Securities:				
Non-listed stock		992		716
Non-listed overseas bond		6		8
Total		998		724

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

	End of 9/04			End of 3/03		
	Contract Value	Market Price	Appraisal gain/loss	Contract Value	Market price	Appraisal gain/loss
Exchange contract transactions:						
U.S. dollars (buy)	151	156	5	542	535	(7)
U.S. dollars (sell)	5,406	5,402	4	5,488	5,492	(4)
Euro (sell)	634	653	(19)	401	384	17
Euro (buy)	78	81	3	64	64	0
Currency option transactions:						
[Buy]						
U.S. dollars (sell)	3,979	46	(65)	2,160	41	(6)
[Sell]						
U.S. dollars (sell)	7,958	135	(24)	4,320	49	(2)
Currency swap transactions:						
Receipts yen payments dollars	14,700	437	437	14,200	1,218	1,218
Interest-rate swaps:						
Receipts variable payments fixed	6,000	(90)	(90)	300	(10)	(10)
Total			251			1,206