

Hitachi Metals, Ltd. (Apr. 26, 2005)

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Consolidated Financial Report for the 12-month period ended March 31, 2005

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

1. Performance over the year, April 1, 2004 to March 31, 2005 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating results	3/2005	3/2004	(Change)
Net Sales (million yen)	559,540	420,080	33.2%
Operating income (million yen)	40,401	18,576	117.5%
Ordinary income (million yen)	36,387	15,184	139.6%
Net income (million yen)	15,218	3,408	346.5%
Net income per share (yen)	42.65	9.09	
Diluted net income per share (yen)	---	---	
Net income to shareholders' equity (%)	9.7	2.2	
Ordinary income to total assets (%)	7.6	3.5	
Ordinary income to net sales (%)	6.5	3.6	

Notes: 1. Profit (loss) on equity method investment: 85 million yen (previous year: 782 million yen)

2. Average number of shares outstanding (3/05: 351,760,299 3/04: 356,184,865)

3. Accounting policy has been made change.

(2) Consolidated Financial Standing	3/2005	3/2004
Total assets (million yen)	532,285	429,289
Shareholders' equity (million yen)	162,400	151,224
Shareholders' equity ratio(%)	30.5	35.2
Shareholders' equity per share (yen)	465.20	427.40

Notes: Number of shares outstanding at the end of year (3/05: 348,640,434 3/04:353,426,511)

(3) Consolidated cash flows (million yen)	3/2005	3/2004
Cash flows from operating activities	31,739	20,124
Cash flows from investment activities	(13,749)	(17,699)
Cash flows from financing activities	(18,180)	(15,786)
Cash and cash equivalents at yearend	53,563	42,896

(4) Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries : 106

Equity method applied non-consolidated subsidiary : None

Equity method applied affiliates : 16

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

Consolidation: New companies 34 Companies removed 3

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

2. Forecasts of results for the term, April 1, 2005 to March 31, 2006

	At mid-term	At year end
Net sales (million yen)	270,000	550,000
Ordinary income (million yen)	17,800	38,000
Net income (million yen)	6,600	16,000

Reference: Expected net income per share (full-year basis) consolidated: 45.89 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: 106 companies

47 domestic companies

Hitachi Tool Engineering, Ltd.	HMW, Ltd.
Hitachi Metals Techno, Ltd.	Hitachi Ferrite Electronics, Ltd.
NEOMAX Co., Ltd.	NEOMAX MATERISLS Co., Ltd.
Hitachi Metals Trading Co., Ltd.	Alcast, Ltd.
HMY, Ltd.	Hitachi Metals MPF, Ltd.
NEOMAX TRADING Co., Ltd.	Hiyoshi Kouzai, Ltd.
Hitachi Metals Tool Steel, Ltd.	Nichiei Corporation
Seitan Inc.	Himec, Ltd.
Hitachi Valve, Ltd.	Tokyo Seimitsu Kogyo, Ltd.
Hitachi Metals Estate, Ltd.	etc.

59 overseas companies

Hitachi Metals America, Ltd.	Hitachi Metals Hong Kong Ltd.
Ward Manufacturing Inc.	Hitachi Metals (Shanghai) Ltd.
AAP St. Marys Corporation	Hitachi Ferrite (Thailand) Ltd.
Hitachi Metals North Carolina, Ltd.	Hitachi Metals (Suzhou) Electronics, Ltd.
Newport Precision Inc.	Hitachi Rolls (Thailand) Ltd.
ACP Manufacturing Co. LLC.	Five Ace Technology Co., Ltd.
SinterMet, LLC.	Luzon Electronics Technology, Inc.
HN Automotive, Inc.	Hitachi Metals (Suzhou) Valves & Fittings, Ltd.
Hitachi Metals Europe GmbH	Hitachi Metals (Dong Guan) Specialty Steel Co., Ltd.
Hitachi Metals Singapore Pte. Ltd.	Metglas, Inc.
NEOMAX AMERICA, 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. Reasons and Policy for Lower Investment Unit

Hitachi Metals believes that a lower investment unit is an effective measure to expand the investor base and increase share liquidity. While paying due consideration to costs and benefits related to performance, share prices, shareholder composition, liquidity and implementation, Hitachi Metals is examining the feasibility of implementing lower investment units in the future, but currently has no plans to do so.

4. 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.

5. Medium- to Long-Term Strategy and Issues to Be Addressed

The Hitachi Metals Group is advancing its Fiscal 2005 Medium-Term Management Plan (from fiscal 2004 to fiscal 2005) with the aim of strengthening the corporate structure and realizing business restructuring effects toward becoming a growth company.

The Medium-Term Management Plan targets consolidated net sales of ¥500 billion, operating income of ¥30 billion and a return on equity of 6% by the fiscal year ending March 31, 2006, as a first step toward the creation of a business structure offering a return on equity of 10%.

Based on the Medium-Term Management Plan, Hitachi Metals focused on strengthening operations in the fiscal year ended March 31, 2005. As a result, backed by firm demand in industries related to the Hitachi Metals Group, consolidated net sales totaled ¥559.5 billion, operating income was ¥40.4 billion and return on equity reached 9.7%. The Hitachi Metals Group aims to bolster consolidated management to maximize the corporate value of the Group in the fiscal year ending March 31, 2006, the final year of the Fiscal 2005 Medium-Term Management Plan. At the same time, the Company is

implementing the following measures to establish a foundation for self-sustaining growth and create a strong corporate structure able to withstand changes in the operating environment.

Create New Products

As a measure to create impetus for earnings, Hitachi Metals is focusing efforts on the creation of 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 plans to foster growth drivers by investing heavily in the research and development of products that will become an “Only One, No.1” product in the automobiles, electronics and energy and infrastructure-related fields.

Hitachi Metals aims to foster and reinforce products such as tool steels that realize higher performance. These products, which include automobile exhaust treatment-related products and piston ring materials, help save energy and make cars more environmentally friendly. In addition, our magnetic materials contribute to energy conservation in automobiles and household appliances. Our lead-free soldered balls help reduce the environmental impact of electronics products. The Company also supplies soft magnetic materials such as the nanocrystalline soft magnetic material FINEMET® and the amorphous metal material Metglas®, which contribute to energy conservation, EMC and noise reduction.

Improve the Cost Structure

In response to changes in the business environment, Hitachi Metals continues to reform its cost structure. By reducing the breakeven point ratio 10%, the Company aims to strengthen the profitability of existing products. 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. In the fiscal year ended March 31, 2005, Hitachi Metals established a sales and service company specializing in tool steels and integrating the distribution functions of three Group companies. In addition, the Company integrated three distribution subsidiaries that handled electronics materials, industrial equipment materials, as well as building and equipment materials. Hitachi Metals formed an agreement with JFE Pipe Fitting Mfg. Co., Ltd. to collaborate on the R&D and production of piping products such as malleable cast iron pipe fittings.

As the Company expects raw materials prices to have a significant impact on future profitability, Hitachi Metals aims to correct sales prices by reviewing methods for determining sales prices.

Global Development

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. In the fiscal year ended March 31, 2005, 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. Moreover, Hitachi Metals recently established manufacturing bases for piping components in China and casting components for automobiles in Europe.

Reinforce the Financial Position

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.

Environmental Management

Hitachi Metals believes that environmental preservation is an important management priority. Based on the Hitachi Metals' Action Guidelines for Environmental Protection, the Company is promoting environmental management across the Group through the development of a comprehensive environmental management system. Through this system, Hitachi Metals aims to reduce environmental impact by strengthening environmental compliance and utilizing lifecycle assessment, a method for comprehensively evaluating the impact of a product on the environment throughout its lifecycle. The Company will also continue to proactively disclose information about environmental accounting and the environmental preservation activities of the Hitachi Metals Group.

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

6. Corporate Governance

Fundamental Policy

Hitachi Metals views corporate governance as its most important management priority. Hitachi Metals believes that the basis of corporate governance is ensuring transparent and efficient management, meeting stakeholder expectations and maximizing corporate value.

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-driven 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' Action Guidelines. These Action Guidelines manual is distributed to directors and employees with the onus on each employee to ensure thorough compliance. On April 1, 2005, Hitachi Metals established the Corporate Social Responsibility Promotion Office to promote Companywide efforts at compliance and corporate social responsibility in upgrading internal control systems based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework mentioned below.

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. Corporate Structure

Hitachi Metals adopted a company-with-committees structure system to further strengthen its corporate

governance framework allowing for bolder and swifter implementation of business reorganization, strategic investments and other initiatives. 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 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.

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. Under this system, executive officers make strategic decisions including Group strategies that affect the entire company, while managing officers are in charge of each business division.

b. Internal Rules and Guidelines

As a part of its internal control system, Hitachi Metals deliberates on important business issues in management meetings to ensure that executive officers efficiently execute business activities while complying with laws and regulations and the Company's Articles of Incorporation. Hitachi Metals has also established the Internal Auditing Office under the direct control of the president for conducting internal audits of each business division and Group companies to review the efficiency of their business activities and their level of compliance with laws and regulations and internal rules. The results of internal audits are reported to the president and the Audit Committee to confirm whether directives are correctly being carried out.

Based on the requirements of the Sarbanes-Oxley Act in the United States, Hitachi Metals is upgrading its internal control system for financial information based on standard frameworks (COSO framework) in an effort to improve the authenticity of its financial data.

c. Risk Management System

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.

d. Internal Audits, Audit Committee Audits, and Accounting Audits

Internal Audit Organization

Hitachi Metals' internal audits are handled by the Internal Auditing Office, which is a part of its internal control system. The Internal Auditing Office creates annual auditing plans and policies, which are used as a basis for regularly conducting audits of the business execution of each business

division and Group company as well as current management conditions. When necessary, the Internal Auditing Office also conducts impromptu audits. The Internal Auditing Office then reports its findings and suggests operational corrections. In principal, audits are conducted by the manager of the Internal Auditing Office, with the cooperation of the Environmental, Health and Safety Department and the Information Systems Department when necessary.

Audit Committee Auditing Organization

The Audit Committee conducts accounting audits and audits of the suitability of business decisions and the effectiveness of internal control systems, and deals with any cases of directors or executive officers that violate laws and regulations or the Articles of Incorporation. The Board of Directors' Office and the manager of the Audit Committee provide support for the execution of the Audit Committee's duties. The manager of the Audit Committee does not hold a concurrent position in another operational division in order to ensure independence from executive officers.

As a routine duty, the Audit Committee formulates annual auditing plans and policies, which are used as a basis for debriefings on important matters and as a means for its visiting audits of each business division and Group company. In addition, the Audit Committee conducts special audits in the event a director or executive officer behaves in a way that violates laws and regulations or the Articles of Incorporation.

Accounting Auditors

Messrs. Takeshi Sasaki and Yuzuru Fujino are certified public accountants that perform accounting audits for the Company. They are both affiliated with Ernst & Young ShinNihon.

Coordination Among Internal Audits, Audit Committee Audits and Accounting Audits

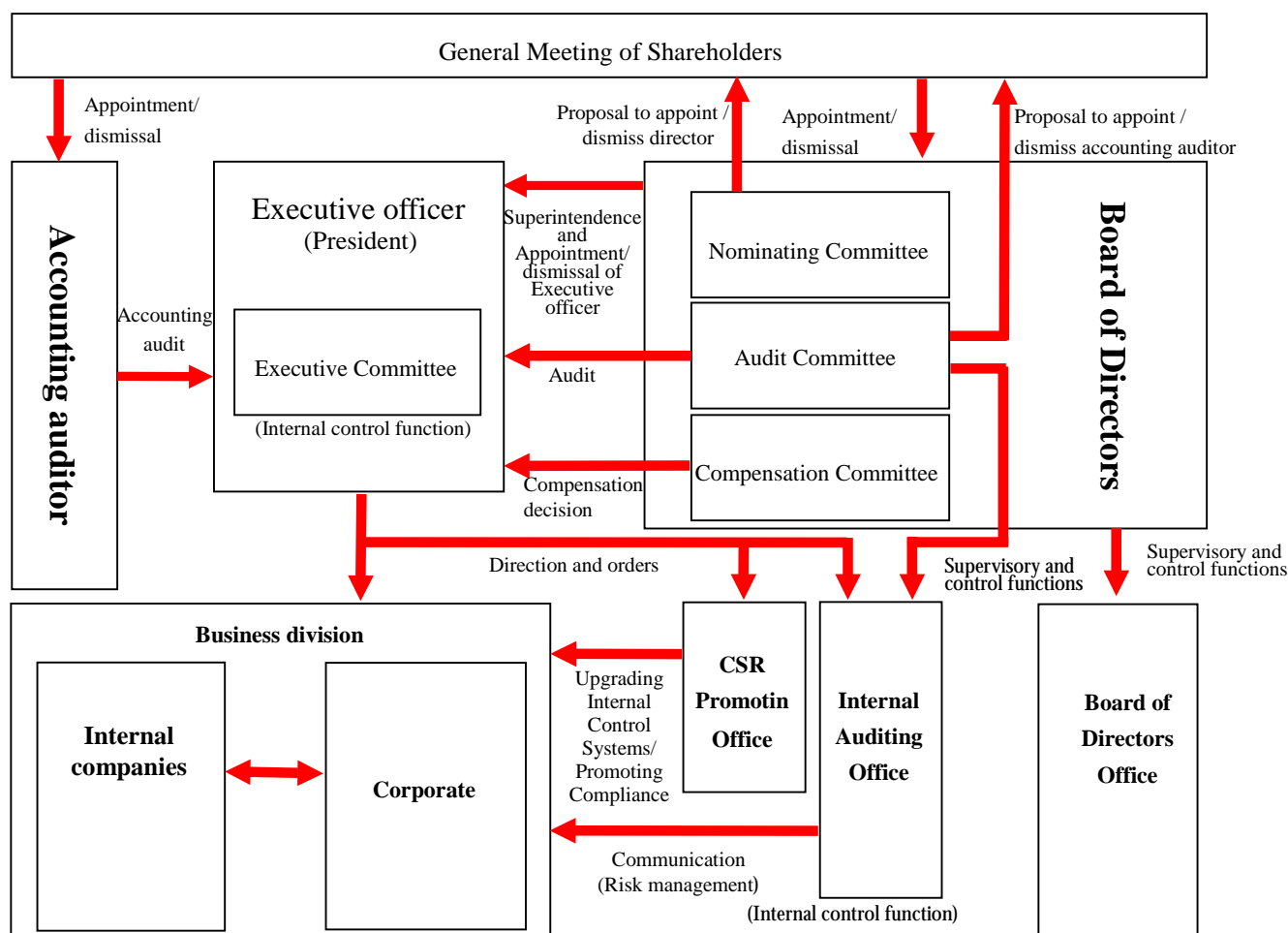
Audit Committee rules govern the level of cooperation among the Audit Committee, accounting auditors and internal auditing organization.

The Audit Committee receives reports on auditing plan execution from accounting auditors and then deliberates and makes any necessary adjustments. In addition, the Audit Committee receives reports on the results of audits and hears opinions. Also, the Audit Committee receives reports from accounting auditors in the event of a discovery of grave violations of rules and regulations or the Articles of Incorporation by directors or executive officers.

Coordination with the Internal Auditing Office consists of regular monthly reports. To enhance coordination with Audit Committee audits, directives may be issued for the Internal Auditing Office to conduct a special audit of business divisions specified by the Audit Committee. In addition, the Audit Committee may add critical items to the audits performed by the Internal Auditing Office.

The Internal Auditing Office also provides support to the Audit Committee as directed for matters that the Board of Directors has decided to be in need of an audit.

<Corporate Governance>



e. Director Compensation

In the fiscal year ended March 31, 2005, the Company's directors and executive officers were compensated as follows: (As of March 31, 2005)

	Compensation		Bonus		Retirement Benefits	
	People	Total ¥ million	People	Total ¥ million	People	Total ¥ million
Directors (of which are outside directors)	4 (3)	67 (47)	4 (3)	11 (8)	- (-)	- (-)
Executive officers	4	125	4	33	-	-
Total	8	192	8	44	-	-

Notes:

1. Amounts less than one million are rounded.
2. Of the six directors, two are also executive officers that are paid as executive officers and do not receive compensation as directors.

f. Auditor Compensation

Hitachi Metals paid its accounting auditor Ernst & Young ShinNihon the following:

Compensation for work defined in Article 2-1 of the Certified Public Accountant Law	(¥million) 29
Other compensation	-
Total	29

Note: Amounts less than one million are rounded.

(2) Personal, Capital Relationships and Other Relationships Between the Company and its Outside Directors
Two of the Company's three 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

In June 2003, Hitachi Metals switched to a company-with-committees system. Under this system, the Company established the Nominating, Audit and Compensation Committees. The Nominating Committee and Compensation Committee met twice over the past year, and the Audit Committee convened 12 times. The Nominating Committee nominated candidate directors for the general meeting of shareholders held in June 2004. 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 bonuses, compensation contracts and amounts on an individual basis for Directors and Executive Officers. Under this system, Hitachi Metals aims to improve the transparency and efficiency of management in the future.

7. Matters Related to the Parent Company

(1) Parent Company Information

Name	Affiliation	Percentag of voting rights held by the parent company (%)	Stock exchanges on which the parent company's stock is traded
Hitachi, Ltd.	Parent company	56.3% (0.6)	First Section of the Tokyo Stock Exchange, First Section of the Osaka Securities Exchange, First Section of the Nagoya Stock Exchange, Fukuoka Securities Exchange, Sapporo Stock Exchange, Luxembourg Stock Exchange (Luxembourg), Deutsche Bourse (Germany), Euronext Amsterdam (the Netherlands), Euronext Paris (France), New York Stock Exchange (U.S.)

Note: The figure in parentheses indicates the percentage of indirect ownership in the percentage of voting rights held by the parent company column.

(2) Position of Listed Companies in the Hitachi Group and Relationships Between the Parent Company and Other Listed Companies

The parent company, Hitachi, Ltd., as the Company's leading shareholder, holds 56.3% of Hitachi Metals' voting rights. Two of Hitachi Metals' three outside directors hold both director and executive officer positions. One of the three outside directors is appointed from outside the Hitachi Group.

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 year ended March 31, 2005)

Looking at the global economy, during the fiscal year ended March 31, 2005, the US economy continued to expand on the back of growth in capital investment and firm consumer spending. In Asia, the economies of ASEAN countries and China remained on a strong growth path. The European economy maintained firm growth as well. In Japan, however, despite signs of an improvement in the job market, the economy remained flat, owing to a deceleration in the IT industry in the second half of the fiscal year under review after a show of strength in the first half, and slower growth in capital investment and consumer spending.

Conditions in the industries in which the Hitachi Metals Group operates were as follows. The personal computer industry grew centered on mobile PCs. The mobile phone industry remained favorable, buoyed by overseas growth in new countries including Brazil, Russia, India and China, collectively referred to as BRICs, despite declines in Japan as the market matured. The semiconductor industry did well alongside higher production of digital consumer electronics and mobile phones. In the automobile industry, overseas production expanded in Asia while domestic production stagnated, especially for compact cars. Steel production grew, supported by stronger demand in Japan and overseas, particularly in China. The construction industry continued to slide, reflecting reductions in public investment due to widening budget deficits, despite robust private-sector investment centered on non-housing construction.

Against this backdrop, net sales of the Hitachi Metals Group to ¥559,540 million compared with the previous fiscal year, as a result of strong demand for digital consumer electronics such as flat-screen TVs, PCs and automobiles, in addition to robust capital investment in mainly the semiconductor industry in the first half of the fiscal year.

Ordinary income increased ¥21,203 million, to ¥36,387 million reflecting continued efforts to reduce basic costs and expenses while aiming to correct sales prices to absorb a significant increase in raw materials prices.

Net income climbed ¥11,810 million, to ¥15,218 million, despite an extraordinary loss related to restructuring in the magnetic materials business, and amortization of actuarial differences from changes in accounting methods.

Hitachi Metals achieved the targets in the Fiscal 2005 Medium-Term Management Plan. In light of this performance, the Company has decided to distribute year-end dividends of ¥5 per share as announced on October 24, 2004. This represents a full-year cash dividend of ¥10 per share, a year-on-year increase of ¥5 per share.

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

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.

High-Grade Metal Products and Materials

High-grade specialty steels and cutting tools continued firm growth, supported by higher demand mainly in the automobile industry. Display-related materials benefited strongly from an increase in demand for sputtering target materials driven by robust capital investment in LCD panels for PCs and TVs. Sales of semiconductor and other package materials grew substantially due to continued high levels of demand for digital consumer electronics and mobile phones. Sales of rolls increased on the back of stronger demand

from mainly China. Sales of components for injection molding machines fell, adversely affected by lower demand in the second half of the fiscal year.

As a result, net sales in this segment totaled ¥202,675 million, an increase of 19.2% from the previous fiscal year. Operating income was ¥18,828 million, an increase of ¥9,083 million, from the previous fiscal year.

Electronics and IT Devices

Sales of ferrite cores, rare-earth magnets, magnets and their applications increased considerably on the back of continued strong demand from the automobile and machine tool industries, as well as growth in demand from the consumer electronics industry. Sales of isolators declined, adversely affected by lower prices, while sales of multilayered components increased due to steady overseas production of mobile phones. Sales of nanocrystalline soft magnetic materials grew steadily, supported by higher demand in the consumer electronics industry and new companies using Hitachi Metals' products in the first half of the fiscal year. In addition, sales of IT equipment materials and components rose substantially as usage of Hitachi Metals' products by major customers began to have an effect.

As a result, net sales in this segment were ¥159,437 million, an increase of 186% compared with the previous fiscal year. Operating income was ¥13,375 million, an increase of ¥11,100 million, from the previous fiscal year. 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 increased considerably on account of strong demand in the automobile industry centered overseas. However, sales of heat-resistant iron castings decreased as major customers used different materials. Aluminum road wheels increased overall, with firm demand in North America despite lower demand in Japan. Sales of pipe fittings, stainless steel and plastic piping components were largely unchanged from the previous fiscal year, owing to stagnant growth in new housing starts. Access floor systems and structural systems rose significantly in line with firm capital investment, particularly in IT-related industries.

As a result, net sales in this segment increased 8.6% to ¥172,896 million compared with the previous fiscal year. Operating income was ¥8,409 million, an increase of ¥1,545 million, from the previous fiscal year.

Services and Others

Domestic sales and overseas sales of Services and Others increased.

As a result, net sales in this segment totaled ¥102,039 million, an increase of 5.1%. Operating income was ¥1,939 million, an increase of ¥1,130 million, from the previous fiscal year.

(2) Outlook (fiscal year ending March 31, 2006)

In the fiscal year ending March 31, 2006, the global economy is expected to show signs of a mild slowdown, as rising materials prices continue to take their toll, despite expectations for a temporary correction in prices resulting from an increase in long-term interest rates due to fiscal deficits in the U.S. economy. In the Japanese economy, expectations call for an adjustment in demand for digital consumer electronics and deceleration in capital investment. In addition, only a slight increase in consumer spending is expected.

In the industries in which the Hitachi Metals Group operates, we expect demand growth to taper off in industries related to High-Grade Metal Products and Materials as well as Electronics and IT Devices,

owing to a drop in demand for digital consumer electronics and deceleration in semiconductor capital investment, which had supported demand in the fiscal year under review, despite projections for continued growth in mobile phones driven by exports. We expect tough conditions to continue, based on projections for sluggish growth in public investment and restrained capital investment in the construction industry, despite expectations for higher demand for trucks in the automobile industry.

Under these circumstances, the Hitachi Metals Group is implementing a series of initiatives for the Fiscal 2005 Medium-Term Management Plan, which finishes in the fiscal year ending March 31, 2006. Although Hitachi Metals achieved its numerical targets for sales and profits in the Medium-Term Management Plan one year early due to a favorable operating environment, the Company is concentrating efforts on further increasing sales by introducing new products, while continuing efforts to achieve appropriate price levels that correspond to rising raw materials prices. At the same time, Hitachi Metals aims to improve its corporate structure to better withstand economic change by implementing structural reforms to improve cash flow through the reduction of working capital (mainly inventories) and lowering the breakeven point. Based on these initiatives, the Company aims to get the next Medium-Term Management Plan off to an excellent start.

Based on the foregoing, our performance outlook for the fiscal year ending March 31, 2006, is as follows.

(Millions of Yen)			
	Net sales	Ordinary income	Net income
Consolidated	550,000	38,000	16,000
Non-consolidated	254,000	11,800	6,000

Financial Position

Net cash provided by operating activities totaled ¥31,739 million, an increase of ¥11,615 million from the previous fiscal year. This increase was attributable to income before income taxes of ¥29,502 million, an increase of ¥19,837 million from the previous fiscal year, on account of favorable business performance, and in spite of an increase in receivables from higher sales and demand for operating capital to secure materials ahead of rising prices.

Net cash used in investing activities amounted to ¥13,749 million, a decrease of ¥3,950 million from the previous fiscal year. Although capital expenditures increased ¥6,828 million, purchase of investment securities decreased ¥14,052 million from a year earlier.

Net cash used in financing activities totaled ¥18,180 million, an increase of ¥2,394 million from the previous fiscal year. Corporate bonds and net payments on borrowings were ¥11,999 million, largely unchanged from the previous fiscal year, in line with ongoing reductions of interest-bearing debt. However, purchase of treasury stock and dividends paid to shareholders increased ¥2,864 million.

As a result of these activities, cash and cash equivalents at the end of the fiscal year totaled ¥53,563 million, an increase of ¥64 million compared with the beginning of the fiscal year, reflecting the addition of ¥10,603 million in cash and cash equivalents from making NEOMAX Co., Ltd. a consolidated subsidiary during the first quarter of the fiscal year under review.

	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004
Shareholders' equity ratio	34.6%	34.4%	34.7%	35.2%	30.5%
Shareholders' equity ratio on a market price basis	35.9%	33.5%	26.0%	41.2%	44.3%
Debt service years	4.9	10.6	4.8	7.3	5.4
Interest coverage ratio	8.7	4.0	12.5	8.4	12.4

Consolidated Balance Sheets

	(Millions of Yen)		
	End of 3/05	End of 3/04	(difference)
	(A)	(B)	(A)-(B)
ASSETS			
Current assets:			
Cash and deposits in banks	33,773	20,746	13,027
Notes receivable and accounts receivable	113,806	80,286	33,520
Receivable for completed construction work	819	2,972	(2,153)
Cash pooling deposit	19,423	22,099	(2,676)
Negotiable securities	400	1,086	(686)
Inventories	102,088	71,668	30,420
Deferred tax assets	14,226	10,844	3,382
Other current assets	5,313	5,077	236
Total current assets	289,848	214,778	75,070
Fixed assets:			
Tangible fixed assets	197,833	151,456	46,377
Intangible fixed assets	2,675	2,977	(302)
Other	41,929	60,078	(18,149)
Total fixed assets	242,437	214,511	27,926
Total assets	532,285	429,289	102,996
LIABILITIES, MINORITY INTERESTS and SHAREHOLDERS' EQUITY			
Liabilities:			
Current Liabilities			
Accounts payable	61,421	40,757	20,664
Short-term debt	76,611	53,396	23,215
Bonds redeemable within a year	1,009	11,404	(10,395)
Accrued income tax	6,613	2,700	3,913
Deferred tax liabilities	3	---	3
Others	37,727	33,227	4,500
Total current liabilities	183,384	141,484	41,900
Fixed liabilities			
Bonds and long-term debt	95,170	82,725	12,445
Reserve for retirement benefits	31,639	26,422	5,217
Reserve for directors' retirement bonuses	1,138	1,335	(197)
Deferred tax liabilities	3,190	2,972	218
Others	8,018	12,599	(4,581)
Total fixed liabilities	139,155	126,053	13,102
Total Liabilities	322,539	267,537	55,002
Minority interests	47,346	10,528	36,818
Shareholders' equity:			
Paid-in capital	26,284	26,283	---
Capital surplus	36,701	36,699	2
Consolidated Surplus	107,966	95,940	12,026
Appraisal gain(loss) for other marketable securities	1,948	1,500	448
Other	(10,499)	(9,198)	(1,301)
Total shareholders' equity	162,400	151,224	11,176
Total Liabilities, Minority interests and Shareholders' equity	532,285	429,289	102,996

Comparative Statement of profit and loss

(Millions of Yen)

	Fiscal 2004 (Mar. 31,05)	Ratio to Sales (%)	Fiscal 2003 (Mar. 31,04)	Ratio to Sales (%)	(A)/(B) (%)
	(A)	(%)	(B)	(%)	(%)
Net sales	559,540	100.0	420,080	100.0	133
Cost of sales	438,995	78.5	336,495	80.1	130
Gross profit	120,545	21.5	83,585	19.9	144
Sales, general and administrative expenses	80,144	14.3	65,009	15.5	123
Operating Profit and loss	40,401	7.2	18,576	4.4	217
Other income:					
Interest and dividends	362		285		127
Investment income based on equity method	85		782		11
Other	4,465		2,952		151
Total	4,912	0.9	4,019	1.0	122
Other deductions:					
Interest and discount charges	2,496		2,092		119
Other	6,430		5,319		121
Total	8,926	1.6	7,411	1.8	120
Ordinary profit (loss)	36,387	6.5	15,184	3.6	240
Extraordinary profit (loss)					
Gain from the disposal of stocks of affiliated companies	---		167		---
Gains from sale of fixed assets	3,709		2,975		125
Gain on equity share fluctuation in consolidated subsidiaries	1,681		---		---
Write-off discrepancies as a result of changes in accounting	(3,093)		(3,049)		101
Loss on structural reform	(8,651)		(3,859)		224
Extraordinary loss on revision of retirement benefit plan system	(41)		(114)		36
Previous period's portion of social insurance contribution on bonus accruals	---		(950)		---
Others	(490)		(689)		71
Total	(6,885)	(1.2)	(5,519)	(1.3)	125
Income before income tax	29,502	5.3	9,665	2.3	305
Corporation and inhabitant taxes	8,871		4,014		221
Adjustment account for corporate tax	1,872		1,895		99
Minority shareholders' income, etc.	3,541	0.6	348	0.1	1,018
Net Income	15,218	2.7	3,408	0.8	447

Statement of Consolidated Surplus

(Millions of Yen)

	Fiscal 2004 (Mar. 31,05)	Fiscal 2003 (Mar. 31,04)	(A)/(B) (%)
	(A)	(B)	(%)
Consolidated surplus brought forward	95,940	94,523	101
Cash dividends	2,998	1,784	168
Directors' bonuses etc.	194	207	94
Decrease of other surplus	3,192	1,991	160
Net income of the year under review	15,218	3,408	447
Consolidated surplus carried forward	107,966	95,940	113

Consolidated Statements of Cash Flows

(Millions of Yen)

	End of 3/05	End of 3/04
Cash flows from operating activities		
Net income before income tax	29,502	9,665
Depreciation and amortization	22,933	19,108
Extra ordinary loss on structural reform	8,651	2,452
Gain on equity share fluctuation in consolidated subsidiaries	(1,681)	---
Increase reserve for retirement benefits	1,700	935
Gain on sale of tangible fixed asset	(3,771)	(3,145)
Loss on retirement of fixed assets	2,184	1,062
Interest earned and dividends received	(362)	(285)
Interest paid	2,496	2,092
(Increase) in receivables	(9,292)	(6,569)
Decrease in receivables for completed construction work	2,174	10,065
(Increase) in inventories	(15,127)	(4,438)
Increase (decrease) in payables	6,624	(954)
Other investment	(3,427)	(2,567)
Sub total	42,604	27,421
Amount paid for transfer to defined contribution pension plan	(1,945)	(1,851)
Amount paid for extra ordinary loss on structural reform	(2,292)	---
Earnings on interest and dividends	362	456
Interest paid	(2,568)	(2,405)
Income tax and other tax paid	(5,559)	(3,497)
Income from compensation for high-grade embankment	1,137	---
Net cash provided by operating activities	31,739	20,124
Cash flows from investment activities		
Proceeds from sale of securities	---	153
Proceeds from redemption of securities	1,000	---
Expenditures for acquisition of investment securities	(62)	(14,114)
Proceeds from sale of shares in consolidated subsidiaries	44	1,037
Expenditures for acquisition of tangible fixed assets	(24,109)	(17,281)
Proceeds from sale of tangible fixed assets	11,435	15,891
Expenditures for acquisition of intangible fixed assets	(409)	(703)
Proceeds from business transfer	---	620
Expenditures for assignment of businesses	---	(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	(1,613)	---
Other investment	(35)	(653)
Net cash used in investing activities	(13,749)	(17,699)
Cash flows from financing activities		
Increase in short-term borrowings	3,545	3,421
Proceeds from long-term debt	6,584	14,623
Payments on long-term debt	(8,051)	(21,436)
Proceeds from issue of bonds	2,054	11,619
Expenditures for issue of bonds	(16,131)	(20,689)
Issuance of treasury stock	7	---
Purchase of treasury stock	(2,827)	(1,410)
Dividends paid by parent company	(2,998)	(1,784)
Dividends paid to minority stock holders	(363)	(130)
Net cash provided by (used in) financing activities	(18,180)	(15,786)
Effect of exchange rate changes on cash and cash equivalents	254	(1,127)
Net increase (decrease) in cash and cash equivalents	64	(14,488)
Cash and cash equivalents at beginning of year	42,896	57,384
Addition to cash and cash equivalents from newly consolidated companies	10,603	---
Cash and cash equivalents at end of year	53,563	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	33,773	20,746
Securities (Money Market Fund, etc.)	367	51
Cash pooling deposits	19,423	22,099
Cash and cash equivalents at end of year	53,563	42,896

Retirement Benefits

(a) Summary of Retirement Benefit System:

Hitachi Metals and its subsidiaries have established Employees' Pension Fund Plans (EPF), qualified pension plans and lump-sum payment plans as its defined-benefit pension system.

On April 23, 2002, the Company obtained approval from the Minister of Health Labour and Welfare for exemption from the future benefit obligation of the substitutional portion of EPF, and for the return of the past benefit obligation on January 14, 2004.

One consolidated subsidiary is partially changing to a defined contribution pension plan.

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

	Fiscal 2004 (Mar. 31,05)	Fiscal 2003 (Mar. 31,04)
Present value of the obligation	(141,140)	(132,096)
Fair value of plan assets	84,601	74,537
Funded status	(56,539)	(57,559)
Unrecognized transitional obligation	---	3,093
Unrecognized actuarial loss	32,398	35,278
Unrecognized prior service(benefit)cost *	(5,860)	(6,067)
Net amount recognized in consolidated balance sheets	(30,001)	(25,255)
Prepaid pension cost in consolidated balance sheets	1,638	1,167
Accrued retirement benefits recognized in consolidated balance sheets	(31,639)	(26,422)

* Certain subsidiaries adopted simple-calculation methods to calculate obligations.

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

	Fiscal 2004 (Mar. 31,05)	Fiscal 2003 (Mar. 31,04)
Service cost *	(4,614)	(3,775)
Interest cost	(3,690)	(3,555)
Expected return on plan assets	2,692	2,048
Amortization of unrecognized transitional obligation	(3,093)	(3,049)
Amortization of unrecognized actuarial loss	(3,348)	(3,671)
Amortization of unrecognized Prior service (benefit) cost	139	485
Gain (loss) on shift from tax-qualified pension plan to defined contribution pension plan system	(41)	(114)
Periodical pension cost recognized in consolidated statements of operations	(11,955)	(11,631)

Note:

* The retirement benefit expenses of consolidated subsidiaries using simple-calculation methods are recorded under service cost.

(d) Actuarial assumptions

	Fiscal 2004 (Mar. 31,05)	Fiscal 2003 (Mar. 31,04)
Methods of attribution to periods		
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	Mainly 14 years	Mainly 14 years
Amortization period of unrecognized prior service benefit and cost	Mainly 14 years	Mainly 14 years
Amortization period of unrecognized transitional obligation	5 years	5 years

Segment Information

Year under review (Apr. 1, 2004 - Mar. 31, 2005)

(Millions of yen)

	High-Grade Metal Products and Materials	Electronic and IT Devices	High-Grade Functional Components and Equipment	Services and Others	Total	Eliminated or Others	Consolidated
I .Net sales							
Sales to customers	170,653	135,487	155,326	98,074	559,540	---	559,540
In-house sales	32,022	23,950	17,570	3,965	77,507	(77,507)	---
Total net sales	202,675	159,437	172,896	102,039	637,047	(77,507)	559,540
Operating expenses	183,847	146,062	164,487	100,100	594,496	(75,357)	519,139
Operating income	18,828	13,375	8,409	1,939	42,551	(2,150)	40,401
II .Assets							
Total assets	191,094	167,968	134,628	57,883	551,573	(19,288)	532,285
Depreciation	6,960	8,157	6,159	1,102	22,378	555	22,933
Capital expenditure	10,080	5,773	9,015	407	25,275	339	25,614

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

(Millions of yen)

I .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
II .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
Electronic 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 [®]), Amorphous metals (METGLAS [®]), 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 - Mar. 31, 2005)

(Millions of yen)

	Japan	North America	Asia	Other	Total	Eliminated or Others	Consolidated
I . Net sales and operating income							
Sales to customers	420,941	68,033	53,910	16,656	559,540	---	559,540
In-house sales	57,706	8,968	29,290	533	96,497	(96,497)	---
Total net sales	478,647	77,001	83,200	17,189	656,037	(96,497)	559,540
Operating expenses	443,110	72,967	80,189	17,113	613,379	(94,240)	519,139
Operating income	35,537	4,034	3,011	76	42,658	(2,257)	40,401
II .Assets	449,436	52,061	51,085	8,953	561,535	(29,250)	532,285

Fiscal previous Year (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

Overseas sales

Year under review (Apr. 1, 2004 - Mar. 31, 2005)

(Millions of Yen)

	North America	Asia	Other	Total
Overseas sales	63,297	107,601	32,549	203,447
Consolidated sales	---	---	---	559,540
Overseas sales as a share of consolidated sales	11.3%	19.2%	5.8%	36.4%

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%

Note: Overseas sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.

The Situation of Marketable securities and Derivatives Transactions

1. Securities (Millions of Yen)

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

	End of 3/05			End of 3/04		
	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	2,118	6,125	4,007	1,793	4,257	2,464
Bonds						
Government bonds and						
Municipal bonds	—	—	—	—	—	—
Corporate bonds	1,000	1,014	14	1,000	1,004	4
Other bonds	—	—	—	—	—	—
Other	30	31	1	80	81	1
Total	3,148	7,170	4,022	2,873	5,342	2,469
2. Balance sheet value does not exceed cost						
Stocks	105	84	(21)	198	176	(22)
Bonds						
Government bonds and						
Municipal bonds	—	—	—	—	—	—
Corporate bonds	2	2	0	1,003	988	(15)
Other bonds	—	—	—	—	—	—
Other	367	367	0	—	—	—
Total	474	453	(21)	1,201	1,164	(37)
Other Securities Total	3,622	7,623	4,001	4,074	6,506	2,432

(2) Securities without market price

	End of 3/05	End of 3/04
	Balance sheet value	Balance sheet value
Bond for maturity:		
Government bonds or		
Municipal bonds	—	—
Corporate bonds	—	—
Other bonds	—	—
Total	—	—
Other Securities:		
Non-listed stock	1,004	716
Non-listed overseas bond	6	8
Total	1,010	724

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

	End of 3/05			End of 3/04		
	Contract value	Market price	Appraisal gain/loss	Contract value	Market price	Appraisal gain/loss
Exchange contract transactions:						
U.S. dollars (buy)	82	83	1	542	535	(7)
U.S. dollars (sell)	4,203	4,266	(63)	5,488	5,492	(4)
EURO(sell)	—	—	—	401	384	17
EURO(buy)	303	313	10	64	64	0
Currency option transactions:						
[Buy]						
U.S. dollars (sell)	5,548	28	(2)	2,160	41	(6)
EURO(sell)	419	5	(4)	—	—	—
[Sell]						
U.S. dollars (sell)	6,390	159	(129)	4,320	49	(2)
EURO(sell)	838	10	(1)	—	—	—
Currency swap transactions:						
Coupon swap	—	—	—	—	—	—
Receipts yen						
payments dollars	13,700	953	953	14,200	1,218	1,218
Interest-rate swaps						
Receipts variable						
payments fixed	2,500	(15)	(15)	300	(10)	(10)
Total	—	—	750	—	—	1,206

Hitachi Metals, Ltd. (Apr. 26, 2005)

Code:5486

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

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Non-consolidated Financial Report for the 12-month period ended March 31, 2005

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 March 31, 2005 (Figures are rounded off to the nearest million yen)

(1) Operating results	3/2005	3/2004	(Change)
Net Sales (million yen)	249,733	247,484	0.9%
Operating income (million yen)	10,735	4,669	129.9%
Ordinary income (million yen)	12,622	6,876	83.6%
Net income (million yen)	4,539	2,983	52.2%
Net income per share (yen)	12.90	8.38	
Diluted net income per share (yen)	—	—	
Net income shareholders' equity (%)	3.9	2.5	
Ordinary income to total assets (%)	4.5	2.4	
Ordinary income to net sales (%)	5.1	2.8	

Notes: 1. Average number of shares outstanding (3/05: 351,787,743 3/04: 356,216,270)

2. No change have been made in accounting policy.

(2) Dividend	3/2005	3/2004
Annual dividend per share (yen)	10.00	5.00
Interim (yen)	5.00	1.50
End of period (yen)	5.00	3.50
Total dividend paid (full year)(million yen)	3,504	1,772
Payout ratio (%)	77.5%	59.7%
Shareholders' equity yield (%)	3.0%	1.5%

(3) Financial standing	3/2005	3/2004
Total assets (million yen)	278,551	285,536
Shareholders' equity (million yen)	117,202	118,401
Shareholders' equity ratio(%)	42.1%	41.5%
Shareholders' equity per share (yen)	336.15	334.98

Notes: 1. Number of shares outstanding at end of year (3/05: 348,664,707 3/04: 353,458,299)

2. Number of treasury stock outstanding at end of year (3/05: 8,503,980 3/04: 3,710,388)

2. Forecasts of results for the term, April 1, 2005 to March 31, 2006

	At mid-term	At year end
Net sales (million yen)	125,000	254,000
Ordinary income (million yen)	5,600	11,800
Net income (million yen)	2,700	6,000
Interim dividends per share (yen)	5.00	—
Dividends at end of period per share (yen)	—	5.00
Annual dividends per share (yen)	—	10.00

Reference: Expected net income per share (full-year basis) 17.21 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.

Comparative Balance Sheets

ASSETS	(Millions of Yen)		
	End of 3/05 (A)	End of 3/04 (B)	Change (A)-(B)
Current assets:			
Cash and deposits in banks	2,591	3,529	(938)
Notes receivable and accounts receivable	37,133	39,429	(2,296)
Receivables for completed construction work	541	2,547	(2,006)
Cash pooling deposit	19,423	22,098	(2,675)
Negotiable securities	—	1,004	(1,004)
Inventories	36,961	34,315	2,646
Deferred tax assets	7,646	6,614	1,032
Other current assets	18,879	16,041	2,838
Allowance for doubtful accounts	(1,110)	(74)	(1,036)
Total current assets	122,064	125,506	(3,442)
Fixed assets:			
Tangible fixed assets			
Buildings and structures	21,077	22,774	(1,697)
Machinery, equipment and vehicles	25,142	26,269	(1,127)
Tools, furniture and fixtures	1,411	1,501	(90)
Land	18,873	20,937	(2,064)
Construction in progress	3,529	3,138	391
Total tangible fixed assets	70,032	74,622	(4,590)
Intangible fixed assets	1,310	1,618	(308)
Investments, etc.			
Investment securities	1,864	1,720	144
Stock of affiliated company	57,531	49,113	8,418
Long-term loans	8,872	8,358	514
Deferred tax assets	15,030	22,132	(7,102)
Other	2,270	2,626	(356)
Allowance for doubtful accounts	(296)	(162)	(134)
Provision for loss on investments	(126)	—	(126)
Total investment, etc.	85,145	83,789	1,356
Total fixed assets	156,487	160,029	(3,542)
Total assets	278,551	285,536	(6,985)

Comparative Balance Sheets

LIABILITIES and SHAREHOLDERS' EQUITY

(Millions of Yen)

	End of 3/05 (A)	End of 3/04 (B)	Change (A)-(B)
Liabilities:			
<u>Current Liabilities</u>			
Accounts payable	26,505	25,533	972
Short-term debt	34,261	29,131	5,130
Bonds redeemable within a year	—	8,900	(8,900)
Accrued and expense payables	7,620	8,365	(745)
Accrued income tax	363	59	304
Advances received	609	1,727	(1,118)
Other	7,511	7,258	253
Total current liabilities	76,869	80,976	(4,107)
<u>Fixed liabilities</u>			
Bonds	29,000	29,000	—
Long-term debt	35,000	35,000	—
Reserve for retirement benefits	18,830	18,814	16
Reserve for directors' retirement bonuses	289	251	38
Others	1,361	3,091	(1,730)
Total fixed liabilities	84,480	86,157	(1,677)
Total Liabilities	161,349	167,134	(5,785)
Shareholders' equity:			
Paid-in capital	26,284	26,283	—
Capital surplus	36,701	36,699	2
Profit reserve	6,571	6,570	—
Special reserve	45,184	45,339	(155)
Retained earnings at end of year	6,620	4,923	1,697
Appraisal gain for other marketable securities	141	61	80
Treasury stock	(4,299)	(1,477)	(2,822)
Total shareholders' equity	117,202	118,401	(1,199)
Total Liabilities and shareholders' equity	278,551	285,536	(6,985)

Comparative Statement of profit and loss

(Millions of Yen)

	Fiscal 2004 (Mar.31,05)	Ratio to Sales (%)	fiscal 2003 (Mar.31,04)	Ratio to Sales (%)	(A)/(B) (%)
	(A)	(%)	(B)	(%)	(%)
Net sales	249,733	100.0	247,484	100.0	101
Cost of sales	210,631	84.3	212,860	86.0	99
Gross profit	39,102	15.7	34,624	14.0	113
Selling, general and administrative expenses	28,367	11.4	29,953	12.1	95
Operating Profit and loss	10,735	4.3	4,669	1.9	230
Other income:					
Interest and dividends	3,199		4,816		66
Other	2,900		2,859		101
Total other income	6,099	2.4	7,675	3.1	79
Other deductions:					
Interest payment	1,283		1,423		90
Other	2,929		4,045		72
Total other deductions	4,212	1.7	5,468	2.2	77
Ordinary profit (loss)	12,622	5.1	6,876	2.8	184
Extraordinary profit (loss)					
Gain from sale of fixed assets	210		1,718		12
Gain on distribution of residuary assets of affiliates	6		—		—
Gain from the disposal of subsidiaries	—		783		—
Write-off Discrepancies as a Result of Changes in Accounting	(2,174)		(2,238)		97
Loss on structural reform	(1,730)		(2,616)		66
Increase in provision for affiliated company doubtful accounts	(1,064)		—		—
Valuation loss on investment securities	(194)		—		—
Increase in provision for loss on investments	(126)		—		—
Previous period's portion of social insurance contribution on bonus accruals	—		(539)		—
Total	(5,072)	(2.0)	(2,893)	(1.2)	175
Income before income tax	7,550	3.0	3,983	1.6	190
Corporation, inhabitant and enterprise taxes	(2,216)		292		—
Adjustment account for corporate tax	5,227		708		738
Net income (Loss)	4,539	1.8	2,983	1.2	152