

March 2001 Brief Announcement of Financial Statement (Consolidated)

April 27, 2001

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
Code number: 6305 Location of head office: Tokyo

Reference:

Person in charge of the reference: Shunichi Nishitani

Position of the person: General Manager of Corporate Communication Div.

Tel: (03) 3830-8065

Meeting date of the Board of Directors for financial settlement: April 27, 2001

Parent company: Hitachi, Ltd. (code number: 6501) Parent company's share holding ratio of this company: 52.9%

Conformity to the U.S. Accounting Standards: None

1. Consolidated performance of the term up to March 2001 (April 1, 2000 through March 31, 2001)

(1) Consolidated performance (Amounts are rounded off to the million digit.)

	Sales		Operating profit		Current profit	
	million yen	%	million yen	%	million yen	%
March 2001	328,854	2.7	9,892	63.3	4,947	23.2
March 2000	320,127	9.7	6,056	Δ48.2	4,016	Δ32.5

	Net profit of current term		Net profit of current term per share		Net profit of current term per share after adjustment of latent shares		Shareholders' net return on equity of the term	Ratio of current profit to total capital	Ratio of ordinary profit to sales
	million yen	%	yen	sen	yen	sen	%	%	%
March 2001	Δ3,195	–	Δ22	23	–	–	Δ3.7	1.3	1.5
March 2000	1,530	Δ19.0	10	64	–	–	1.7	1.1	1.3

Notes:

1) Profit or loss based on the equity-method investment balance:

March 2001: 655 million yen March 2000: 1,764 million yen

2) Mid-term average number of shares (consolidated):

March 2001: 143,732,595 shares March 2000: 143,736,252 shares

3) Change in the method of accounting: None

4) The percentages indicated for sales, operating profit, current profit, and net profit of the current term are the rates of increase and decline from the previous term.

(2) Consolidated financial condition

	Total assets	Shareholders' equity	Return on equity	Shareholders' equity per share	
	million yen	million yen	%	yen	sen
March 2001	372,718	80,141	21.5	557	55
March 2000	369,678	91,282	24.7	635	13

Note: Number of outstanding shares at the end of term (consolidated):

March 2001: 143,737,453 shares March 2000: 143,722,072 shares

(3) Status of consolidated cash flows

	Cash flow in sales	Cash flow in investments	Cash flow in financial activities	Balance of cash and cash equivalents at end of term
	million yen	million yen	million yen	million yen
March 2001	19,446	Δ7,287	Δ12,110	51,709
March 2000	28,388	Δ12,137	Δ11,025	50,314

(4) Matters related to the application of the range of consolidation and the equity method

Number of consolidated subsidiaries: 50 companies

Number of unconsolidated subsidiaries subject to the equity method: 0 company

Number of affiliates subject to the equity method: 5 companies

(5) Status of transfers of companies subject to the range of consolidation and the equity method

Consolidation (new): 5 companies, (excepted) 1 company

Equity method (new): 1 company, (excepted) 2 companies

2. Consolidated performance projections for March 2002 (April 1, 2001 through March 31, 2002)

	Sales	Current profit	Net profit for current term
	million yen	million yen	million yen
Interim term	165,000	1,400	400
Whole term	342,000	8,000	3,900

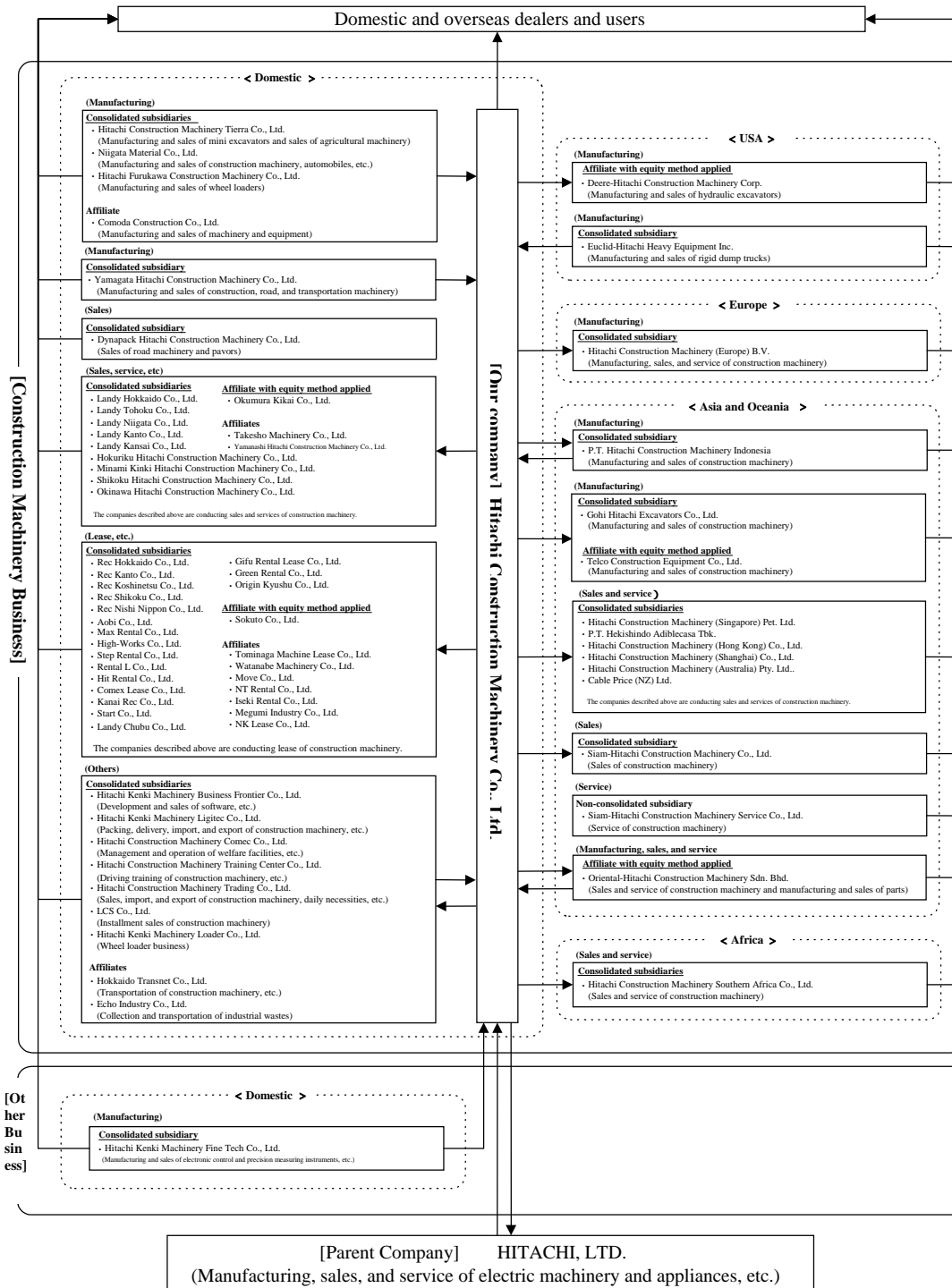
[Supplementary information] Projected net profit per share for current year (whole term): 27.13 yen

Attachment

1. Status of the corporate group

This consolidated group consists of Hitachi Construction Machinery, its parent company, its 51 subsidiaries, and its 18 affiliates. Its business mainly involves the manufacture, sale, and service of construction machinery. It also manufactures and sells electronics controllers. From this current fiscal year on, in construction machinery business, Hitachi-Furukawa Construction Co., Ltd., Siam-Hitachi Construction Machinery Co., Ltd., and three other firms are consolidated subsidiaries, and the equity method is applied to Telco Construction Equipment Co., Ltd.

Here is a system chart of business conducted by this consolidated group.



2. Managerial principles

Basic principles of management

The HCM group helps create a comfortable living environment under the slogan "Take a rich earth and prosperous towns to the future."

- * The group evolves "machinery" and makes the relationships between "people" and "work" more comfortable, advanced, and efficient.
- * The group continuously develops and provides original technologies, products, and services that bring about new value for customers and offers total solutions to the customers' concerns.
- * The group maintains profits stably, works to coexist with society with a wide range of aspects by means such as harmonizing with the environment, contributing to society, and engaging in cultural activities, and act as sensible corporate citizens.

During this fiscal year, as an utmost important theme, which is "To establish a steadfast market status as a total construction machinery maker in the world," the group was committed to building a cooperative system stressing consolidated management, along with "information management," "overall management," and "super-fast management" that take full advantage of information technology.

Basic principles concerning profit distribution

The group makes it its basic policy to maintain a stable supply of dividends in view of the business plan for the future, the financial status, and profitability. At the same time, the group intends to pass on profits to customers in a way linked with its performance. Its internal reserves will be effectively used to develop technologies, rationalize its production equipment, and train its domestic and overseas subsidiaries in order to ensure enough competitiveness.

Interim management plan "Jump-up 30 for 21"

The HCM group has been implementing its interim management plan for years up to fiscal 2001 since fiscal 1998, under its four basic strategies: "create demand," "advance its international business," "increase productivity," and "step up its financial power." The market environment is growing much worse, with the slowdown of the US economy, the stagnation of the Japanese economy, and other factors. It is thus difficult to achieve the sales and profit targets within specified deadlines. However, the group has been implementing its strategies and policies designed to meet the changes in customer needs, globalization, the increased use of information technology, and other changes. The group has been increasing its staying power, particularly in reducing its break-even point, at a speed higher than its planned value.

*** Creating demand**

- Marketing of the world's first "e-excavator"

The group put on the market its "e-excavator" ZAXIS series, which won the Product of the Year, Nikkei 2000, Service Award, Grand Prix, and Nikkei Sangyo Shimbun Newspaper Award. Starting with the three standard models put on the market in June 2000, the group added rear small-swing and rear super-small-swing models, which are growing in demand. By March 2001, the group introduced a total 13 models into the market according to schedule. The ZAXIS series is favorably received by its users and increasing its profitability and shares, thus achieving great results.

- Total solution business

To meet customer needs, the group not only supplies highly reliable products, but also has combined various products and services and developed ZAXIS Value Packs and other options, which are packages of full-maintenance service, finance, insurance, and second-hand vehicles, with favorable results. The group has also initiated a members-only web service "Zaxis Net" and has been expanding its service menu including e-Service, e-Shop, supply of management support information, and sale of software for the construction industry. The group also develops and proposes various business models such as solving problems among customers, exchange information for obtaining business chances, and providing opportunities of people connecting together.

- Environmental business

The group intends to minimize the effects of its corporate activities on the global environment. The HCM works to step up its business of proposing environmental systems in addition to the line-up of environmental recycled products and applied products. The HCM is also building a business partnership with environmental venture businesses. By developing and proposing recycling systems, the company offers a wide range of solutions to meet the needs of each staff on a shop-floor level.

- Rental business

To meet customers' requirements, the group has been expanding its rental network stressing the high quality of the manufacturers and its cooperative system with local businesses and modernizing and streamlining its rental business by means of IT. In fiscal 2000, it added three other firms, so that the HCM's direct rental firms numbering 15 firms, with their 92 sites. Sales has thus been growing.

- Applied products business

In addition to the expansion of its full line-up of construction machinery, the group has been developing applied products geared to varied customer needs and various uses beyond civil engineering and construction, based on construction machinery, and has been building an operation system by sector that is capable of quickly meeting the needs of customers and shop-floor.

- Recycled components business

In addition the recycling of hydraulic equipment, the group has launched the recycling and sale of engines and electrical installations, thus stepping up its business of selling second-hand components and recycled parts. In so doing, the group engages in the renewal of construction machines as well.

- Non-construction-machinery business

Hitachi Kenki Fine Tech Co., Ltd., one of the HCM's subsidiaries, develops, manufactures, and sells factory automation products and nondestructive inspection apparatus, using core technology consisting of supersonic nondestructive inspection technology and electronics technology that the HCM has been cultivating in manufacturing construction machinery.

The supersonic exploration imager mi-scope series and wide-area atomic force microscope (AFM) WA200, along with other equipment, are favorably received by their users as inspection units for research and development in semiconductors, light, magnetic discs and other devices and as yield management tools for production lines.

Hitachi Kenki Business Frontier Co., Ltd., a company which has accumulated enough experiences as an information department of the HCM, offers systems that bring about dramatic reforms for corporations with ERP, SFA and other solutions, based on rich experiences in providing leading-edge IT and practical solutions, while imposing three conditions (high speed, high quality, and high cost performance).

*** Advancing the group's international business**

- Business in Europe

The group has decided to terminate the joint venture in Europe with CNH Global, which is Fiat's construction and agricultural machinery department, in June 2002. The HCM intends to arrange its own sales network centering on Hitachi Construction Machinery (Europe) BV, which is its manufacturing and sales site in Europe, immediately after the termination of the joint venture. In January 2003, the company intends to start selling a full line-up of its own products to Europe, Middle and Near East, and Africa. As for manufacture, the company will collect the power of the HCM group and arrange its production system, mainly in Hitachi Construction Machinery (Europe) BV. The line-up will include crawler type hydraulic excavators, wheel type hydraulic excavators, miniature excavators, crawler cranes, dump trucks, and other HCM products, along with wheel loaders, backhoe loaders, skid steer loaders and other products developed by other members of the HCM group or developed jointly by such members and the HCM. Thus, excellent products will be arranged in a full line.

- Implementing wheel loader business

In tie-ups with TCM Co., Ltd. and Hitachi-Furukawa Co., Ltd., the HCM has already been developing jointly-developed models and other products, reducing costs, increasing productivity, and taking other measures. In preparations for implementing wheel loader business in the future, the HCM group has set up a Hitachi Kenki Loader Co., Ltd., a holding company owned 100% by the HCM in July 2000. It was then agreed recently that the HCM and Deere & Co. of the USA would set up a joint venture concerning wheel loaders in Japan on a fifty-fifty investment basis. The HCM will receive some capital of Deere & Co. in its Hitachi Kenki Loader, thus deepening its relationship with Deere. Thus, the company will form a global alliance in the field of wheel loaders, selling wheel loaders to a wider range of the world.

- Providing large machines overseas

As part of its strategy of stepping up its mining efforts, the group has turned Euclid-Hitachi Heavy Equipment Inc. into a 100% subsidiary. In addition, it agreed on a sales tie-up with Bell of South Africa concerning articulate dump trucks in order to provide a full line-up of products handled by the HCM's sales subsidiaries in Asia-Oceania. In so doing, the HCM is promoting the package sales of rigid dump trucks, articulate dump trucks, and large hydraulic shovels. For example, the company has received a large contract for a package of large hydraulic shovels, rigid dump trucks, maintenance service and other facilities from Electricity Generating Public Co., Ltd. (Thailand).

- Stepping up its overseas sales network

The HCM obtained a majority of the stocks of Siam-Hitachi Construction Machinery Co., Ltd. of Thailand. That is a ninth consolidated affiliate of the HCM for overseas distribution, stepping up the company's sales network overseas even further.

- Promoting procurement of the best available parts and production at the world's best locations

The HCM has been stepping up the development capabilities of the local subsidiaries and standardizing its specifications on a world level in order to increase its product capabilities and competitiveness on a global level. The company will continue to promote even further the mutual procurement of goods from the world's best locations and the production of goods at the world's best locations.

*** Increasing productivity**

- The manufacturing department works to increase productivity with a JIT (Just In Time) system, order entry system, and customer direct supply system, while attempting to improve development efficiency mainly with 3-dimensional CAD. Three-dimensional product models, virtual human technique, and other technologies on the computer are used to achieve an efficiency level about 1.7 times as high per human as before, not only in development and design but also in all processes from manufacture to testing to the compilation of sales documents.
- The sales and service departments have been conducting drastic reforms in business with IT in order to meet customer requirements speedily. In October last year, the HCM was ranked second in the "IT management ranking" announced by a private surveyor. In the sales department, the company has been increasing sales efficiency by demonstrating its products with movie clips and other images, by the Sales Promotion System (SPS) for compiling quotations and proposals, and by STAR Process Management (SPM) for supporting salespersonship with strategic proposals. In service, the company has been promoting the S-VEC (Service Value Engineering for Customers) to improve work efficiency and reduce material expenses, and pursuing incessant productivity improvement by using a Home Doctor Support System (HDS), which is a machine diagnosis system. The company has also initiated a Procurement Renewal Project (PRP) to reduce material expenses even further.

*** Stepping up its financial power**

During this current fiscal year, the company introduced a domestic commitment line (15 billion yen), repaid 4.3 billion yen worth of short-term debts, and performed other operations to reduce its debts with interest by about 5 billion yen (7 billion yen on a consolidated basis) from the end of the preceding fiscal year. For overseas operations, the company set up an ASEAN Facility (50 million dollars) for five affiliates in Southeast Asia. This resulted in a reduction in procurement costs, which allowed the company to secure a loan quota with which it can smoothly cope when it obtains loans denominated in a stable local currency or demand grows for funding.

As for credit liquidation, the HCM set up a program for securitizing notes receivable. The balance of liquidated loans at the end of the current term was 48.4 billion yen. It then set up a project for improving the cash flows in February 2001 (C Project). With this, the company aims to reduce its accounts receivable and inventories by 25% (from the balance at the end of September 2000) by September 2002.

Policy for arranging an organization for management and other matters

- Corporate officer system
The HCM will introduce a corporate officer system to increase the efficiency and speed of its management even further. The new board of directors will involve fewer representatives.

The company will increase the efficiency of decision-making in all matters related to management, devolve much authority, and speed up its management even further.

Changing the accounting system

During this fiscal year, the HCM introduced "market price accounting" and "retirement pay accounting" into its accounting system. The company's retirement pay accounting is scheduled to depreciate 5.1 billion yen (6.7 billion yen on a consolidated basis) in accumulated deficiencies of previous work obligations over a period of 5 years from this fiscal year.

3. Track record

Overview of this current term

Despite some signs of recovery in early days, the domestic economy did not achieve continued recovery. Both public projects and private construction projects remained slow, with the highest jobless rate of all time. Thus, the economy abruptly showed strong signs of slowdown. Abroad, demand grew in Europe and Asia, but the slowdown in North American demand and the strong yen and the weak euro during the first half year resulted in the persistence of a severe situation surrounding construction machinery business.

Under the circumstances, the company put the world's leading-edge e-excavator ZAXIS series according to its interim management plan, Jump-Up 30 for 21." Thus, the company used its long-cultivated information technology in its products and used it to increase productivity and step up its sales power, in an attempt to reform its management and increase its speed. In its business in Europe, the company decided to terminate its joint venture with CNH and was obliged to recognize the exchange gain/loss from investments as extraordinary losses. The result was a loss of about 3.2 billion yen.

As a result, consolidated sales amounted to 28,854 million yen (103% year on year), with its current profit rising to 4,947 million yen (123% year on year). The current income then amounted to Δ 3,195 million yen (...% year on year). Parent-only sales was only 224,617 million yen (100% year on year), at the same level as the preceding year, due to the higher-than-expected decline in domestic demand. However, due to the total cost reductions achieved, the current profit rose to as much as 6,726 million yen (217% year on year). The current income was 1,165 million yen (65% year on year) due to the posting of the aforementioned losses on exchange appraisal, appraised losses of securities, and other extraordinary losses.

In the consolidated earnings of the HCM group, construction machinery business accounts for the majority. Segment information is therefore omitted in this report. But the market condition of the consolidated firms is similar to that of the parent company and their performance almost interlocks with the latter. This section will therefore give an overview of the parent-only earnings by main product or service as in previous reports.

- Hydraulic excavators

As for hydraulic excavators, the company began with the marketing of the ZAXIS series and introduced rear small-swing hydraulic excavators and rear super-small-swing hydraulic excavators, one after another, which are expected to meet much demand in the future, thus making new additions to its line-up. Thus, the company has been introducing its products aggressively. Due to the quick decline in demand and changes in the demand structure, however, the company's performance declined from the preceding year. Exports showed a similar pattern. Although they were in good condition in Europe, demand declined in North America, which is the largest market, due to its business slowdown. Performance was thus lower than in the preceding year.

As for new products, the company marketed a total of 21 models, including those of the ZAXIS series. The result was that the sales of hydraulic excavators reached 100,564 million yen, accounting for 93% of the comparable figure in the preceding year.

- Miniature shovels

As for miniature excavators, the company marketed super-small-swing and rear super-small-swing types to meet the market needs in the domestic market. Due to a decline in housing starts, along with other factors, sales went lower than in the previous year. Abroad, in addition to Europe, where business was in good condition, a dramatic rise was seen in

North America, where the company had started its business in the preceding fiscal year. The result was a much higher sales than in the preceding year.

As for new products, the company marketed a total of 3 models, including the rear super-small-swing miniature excavator. As a result, miniature excavator sales amounted to 19,912 million yen, accounting for 111% of the comparable figure in the preceding year.

- Crawler cranes and foundation works machines

Crawler cranes and foundation works machines went lower than in the preceding year due to the decline in public projects and private construction projects in the domestic market. Abroad, a rise in exports for North America and other factors resulted in performance higher than in the preceding year.

As a result, sales of crawler cranes and foundation works machines totaled 6.3 billion yen, or 104% year on year.

- Wheel loaders

Wheel loaders went up from the preceding year both in domestic shipments and in exports, due to the company's stronger tie-ups with companies at home and abroad and due to its aggressive salespersonship. As for new products, the company put a total of 7 models, including step-in loaders, into the market.

As a result, wheel loader sales amounted to 4,820 million yen, or 103% year on year.

- Industrial system products and other equipment

Applied products for construction machines went well due to a drive to develop products that meet varied market needs appropriately. Full-line products also went up from the preceding year due to the company's expansion of its line-up by means of its tie-ups both at home and abroad and its tie-ups with other members of the HCM group. As for environmental products to which the company devotes much of its energy as a major area for the future, the company increased its consulting efforts and committed itself to aggressive sales activities, in line with the marketing of new models, thus going up from the preceding year.

As for new products, the company put into the market a total of 6 models, including self-travelling crushers for recycling construction debris.

As a result, sales of industrial system products amounted to 59,475 million yen, or 111% year on year.

- Service

As for service, in the domestic market, the company implemented its S-VEC drive, involving the VEC (Value Engineering for Customers) technique, provided total solutions based on the information functions of ZAXIS, and took other aggressive measures.

However, due to the decline in demand both at home and abroad, business went down from the preceding year.

As a result, service sales amounted to 33,542 million yen, or 98% year on year.

- The status of consolidated cash flows

The cash flows during the current term amounted to 19.4 billion yen in cash flows from operation activities, Δ7.3 billion yen in cash flows from investing activities, and Δ12.1 billion yen in cash flows from financing activities. As a result, the balance of cash and cash equivalents at the end of the term amounted to 51.7 billion yen, up 1.4 billion yen from the preceding term.

- An overview of the important facts determined or occurred during this current fiscal year "Termination of the joint venture with CNH"

The HCM group decided to terminate, in June 2002, Fiat Hitachi Excavators Spa (Torino, Italy), a joint venture (a company subject to the equity method) established in Europe by the HCM and CNH Global, Fiat's department of construction and agricultural machinery. This will enable the HCM to do business on its own as it had always wanted to.

[Liquidation of subsidiaries]

As part of its drive to restructure its sales, service and rental departments in a manner geared to the changes in the domestic environment, the HCM resolved on liquidating three of its subsidiaries: Shikoku Hitachi Construction Machinery Co., Ltd., Hokuiku Hitachi Construction Machinery Co., Ltd., and Construction Machinery Co., Ltd.

Prospects for the next term

Predictions of future economic trends indicate that, despite a rise in capital investment, no signs of recovery are seen in personal spending and private construction projects. This, together with a persistently severe employment market, there is a good deal of concern about the possibility of deflation. In addition, the export environment is deteriorating due to the slowdown of the US economy. Business is therefore beginning to show some risk to get into a recession again. In addition, the construction machinery industry is in the midst of cutthroat worldwide competition and restructuring, and the environment surrounding the company is expected to become even more severe.

In such a situation, the company intends to work to increase efficiency and speed in its management by taking full advantage of IT as it welcomes the final year of its "Jump-up 30 for 21." While doing so, the company intends to step up its system of development and production and restructure its network of sales, rental, and service not only from a domestic viewpoint but also from an international, global viewpoint, in an attempt to grow as a world-level firm by taking new measures.

In view of the aforementioned background information, for March 2002, the company expects to achieve 342 billion yen in consolidated sales (104% year on year), 8 billion yen in current profit (162% year on year), and 3.9 billion yen in current income (---% year on year). Parent-only performance is expected to be as follows: 244 billion yen in sales (109% year on year), 7 billion yen in current profit (104% year on year), and 3.1 billion yen in current income (266% year on year).

These performance prospects are based on exchange rates of 115 yen against the US dollar and 105 yen against the euro.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in million yen)

Item	Current term (as of March 31, 2001)	Previous term (as of March 31, 2000)	Change from the previous term	Item	Current term (as of March 31, 2001)	Previous term (as of March 31, 2000)	Change from the previous term
[Assets]				[Liabilities]			
Current assets				Current liabilities			
1. Cash and time deposits	30,479	41,310	10,831	1. Notes and accounts payable	77,942	71,957	5,985
2. Notes and accounts receivable	114,912	118,460	3,548	2. Short-term loans payable	43,426	44,212	786
3. Securities	9,909	10,687	778	3. Redeemable bonds within a year	20,000	0	20,000
4. Inventories	71,174	62,345	8,829	4. Income taxes payable	3,994	1,660	2,334
5. Total deferred taxes	4,874	2,041	2,833	5. Installments receivable	1,772	4,448	2,676
6. Other current assets	18,694	5,004	13,690	6. Deferred interests of installments	1,322	2,438	1,116
7. Loss allowance for doubtful receivables	4,203	3,270	933	7. Other current liabilities	36,784	25,664	11,120
Total current assets	245,839	236,577	9,262	Total current liabilities	185,240	150,379	34,861
Fixed assets				Fixed liabilities			
(1) Tangible fixed assets				1. Bonds	70,000	90,000	20,000
1. Buildings and structures	27,749	28,782	1,033	2. Long-term loans payable	7,891	8,317	426
2. Machinery, equipment and transportation equipment	23,423	23,410	13	3. Deferred tax liabilities	1,216	29	1,187
3. Lands	30,365	30,030	335	4. Allowance for employee retirement compensation	-	17,951	17,951
4. Construction in progress	542	612	70	5. Allowance for employee retirement benefits	13,756	-	13,756
5. Tools and fixtures	4,204	4,319	115	6. Consolidated adjustment account	112	114	2
Total of tangible fixed assets	86,283	87,153	870	7. Other fixed liabilities	10,644	6,530	4,114
(2) Intangible fixed assets				Total fixed liabilities	103,619	122,941	19,322
1. Other intangible fixed assets	2,866	2,972	106	Total liabilities	288,859	273,320	15,539
Total of intangible fixed assets	2,866	2,972	106				
(3) Investments and other assets				[Minority interests]			
1. Investments in securities	26,210	20,714	5,496	Minority interests	3,718	5,076	1,358
2. Long-term loans receivable to employees	1,540	404	1,136				
3. Total deferred taxes	4,754	4,136	618	[Shareholders' equity]			
4. Other investments and assets	5,997	7,626	1,629	Capital stock	22,199	22,199	0
5. Loss allowance for doubtful receivables	771	55	716	Capital surplus reserve	21,727	21,727	0
Total of investments and other assets	37,730	32,825	4,905	Consolidated surplus	38,262	47,368	9,106
Total fixed assets	126,879	122,950	3,929	Balance of other securities appraised	871	-	871
				Accounts of adjustments on exchange conversions	2,913	-	2,913
Accounts of adjustments on exchange conversions	-	10,151	10,151	Treasury stock	5	12	7
				Total shareholders' equity	80,141	91,282	11,141
Total assets	372,718	369,678	3,040	Total liabilities, minority interests, and shareholders' equity	372,718	369,678	3,040

Notes:

	Current term Million yen	Previous term Million yen	Previous term Million yen
1. Cumulative depreciation of property, plant and equipment	116,447	109,638	116,447
2. Liabilities for guarantee	1,367	4,068	1,367

(2) Consolidated Profit and Loss Statement

(in million yen)

Item	Current term (From April 1, 2000 to March 31, 2001)	Previous term (From April 1, 1999 to March 31, 2000)	Change from the previous term
Sales	328,854	320,127	% 103
Cost of sales	248,432	244,552	102
Total profits on sales before deferment of profits on installment sales	80,422	75,575	106
Deferred balance of profits on installment sales	2,676	1,572	170
Gross profit	83,098	77,147	108
Selling, general and administrative expenses	73,206	71,091	103
Operating profit	9,892	6,056	163
Non-operating income			
1. Interest received	773	792	98
2. Received interest on installment sales	1,935	1,638	118
3. Dividends received	100	68	147
4. Investment profit by equity method	655	1,764	37
5. Others	4,007	2,696	149
Total non-operating income	7,470	6,958	107
Non-operating expenses			
1. Interest paid	4,460	3,897	114
2. Loss from discarding of inventories	572	343	167
3. Exchange loss	2,999	300	1,000
4. Others	4,384	4,458	98
Total non-operating expenses	12,415	8,998	138
Ordinary income	4,947	4,016	123
Extraordinary income	0	0	-
Extraordinary expense			
1. Difference in auxiliary retirement benefits at the time of change of accounting standards	1,346	-	-
2. Appraised loss of investment securities	3,178	-	-
3. Structural improvement expenses	1,727	-	-
Total extraordinary expense	6,251	0	-
Net profit for current term before adjustment of taxes	-	4,016	-
Net loss for current term before adjustment of taxes	1,304	-	-
Corporate, inhabitant, and business taxes	5,116	2,915	176
Adjustments on corporate and other taxes	2,791	138	-
Loss for minority stockholders	434	291	149
Net profit for current term	-	1,530	-
Net loss for current term	3,195	-	-

(3) Consolidated Earned Surplus Statement

(in million yen)

Item	Current term (From April 1, 2000 to March 31, 2001)	Previous term (From April 1, 1999 to March 31, 2000)	Change from the previous term
Balance of consolidated surplus at the beginning of term			
1. Balance of consolidated surplus at the beginning of term	47,368	40,840	6,528
2. Adjustments by deferred tax accounting for previous years	-	6,439	6,439
Total balance of consolidated surplus at the beginning of term	47,368	47,279	89
Increase in consolidated surplus			
Increase in surplus due to an increase in the number of affiliates subject to the equity method	0	43	43
Total increase in consolidated surplus	0	43	43
Decrease in consolidated surplus			
1. Decrease in surplus due to an increase in the number of consolidated subsidiaries	4,846	493	4,353
2. Decrease in surplus due to an increase in the number of affiliates subject to the equity method	106	0	106
3. Dividends	862	862	0
4. Directors' bonuses	97	129	32
Total decrease in consolidated surplus	5,911	1,484	4,427
Net profit for current term	-	1,530	1,530
Net loss for current term	3,195	-	3,195
Balance of consolidated surplus at the end of current term	38,262	47,368	9,106

(4) Consolidated Cash Flow Calculations

(in million yen)

Item	Current term (From April 1, 2000 to March 31, 2001)	Previous term (From April 1, 1999 to March 31, 2000)
Cash flow in sales		
1. Net profit for current term before adjustment of taxes	-	4,016
Net loss for current term before adjustment of taxes	1,304	-
2. Depreciation cost	10,474	10,179
3. Increase in loan-loss reserves	1,651	713
4. Interest and dividends received	873	860
5. Interest paid	4,460	3,897
6. Investment profit/loss by equity method	655	1,764
7. Decrease in notes and accounts receivable	5,464	10,898
8. Increase in inventories	5,816	2,003
9. Increase/decrease in notes and accounts payable	1,908	1,492
10. Appraised loss of investment securities	3,178	-
11. Others	3,749	1,185
Subtotal	22,236	31,759
12. Corporate and other taxes paid	2,790	3,371
Cash flow in sales	19,446	28,388
Cash flow in investments		
1. Expenses for tangible fixed assets acquired	6,821	9,244
2. Expenses for investment securities acquired	2,341	2,797
3. Income from subsidiaries' stocks acquired due to the change of the range of consolidation	0	70
4. Expenditure due to time deposits	1,391	0
5. Reimbursement of time deposits	716	0
6. Expenses for securities acquired	600	0
7. Income from sale of securities	600	0
8. Interest and dividends received	873	860
9. Dividends received from firms subject to equity method	145	393
10. Other investment-related expenses (net amount)	1,532	1,419
Cash flow in investments	7,287	12,137
Cash flow in financial activities		
1. Decrease in short-term loans payable	3,060	7,160
2. Income from long-term loans payable	2,607	4,325
3. Expenses for repayment of long-term loans payable	6,538	3,778
4. Payment of interests	4,506	3,843
5. Payment of dividends by parent company	862	862
6. Payment of dividends to minority shareholders	8	20
7. Income from stocks issued to minority shareholders	250	323
8. Income from treasury stocks	7	10
Cash flow in financial activities	12,110	11,025
Balance of cash and cash equivalents converted	6	834
Increase in cash and cash equivalents	43	4,392
Balance of cash and cash equivalents at the beginning of current term	50,314	43,683
Balance of cash and cash equivalents at the beginning of current term due to new consolidated affiliates	1,352	2,239
Balance of cash and cash equivalents at end of current term	51,709	50,314

Note: Relationship between the balance of cash and cash equivalents at the end of the current term and the amounts of the items listed in the consolidated balance sheet

Item	Balance at the end of current term	Balance at the beginning of current term
Accounts of cash and time deposits	30,479	41,310
Short-term investments to be due within 3 months after the dates of acquisition	21,905	9,004
Total	52,384	50,314

"1. Cash and time deposits" in Consolidated Balance Sheet includes 675 million yen of the time deposits for more than 3 months.

Important matters the form the basis for compiling consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 50 companies

(1) Main consolidated subsidiaries

- 1) Hitachi Construction Machinery Tierra Co., Ltd.
- 2) Yamagata Hitachi Construction Machinery Co., Ltd.
- 3) Euclid-Hitachi Heavy Equipment Inc.
- 4) Hitachi Construction Machinery Europe BV
- 5) P.T. Hitachi Construction Machinery Indonesia
- 6) Hitachi Construction Machinery (Singapore) Pte., Ltd.
- 7) Hefei Hitachi Excavators Co. Ltd.

(2) Newly consolidated subsidiaries

- 1) Hitachi Furukawa Construction Machinery Co., Ltd.
- 2) REC Hokkaido Co., Ltd.
- 3) Aobi Co., Ltd.
- 4) Gifu Rental Lease Co., Ltd.
- 5) Siam Hitachi Construction Machinery Co., Ltd.

2. Application of the equity method

Number of affiliates subject to the equity method: 5 companies

(1) Main affiliates subject to the equity method

Deere-Hitachi Construction Machinery Corporation

(2) Firms newly subjected to the equity method

Telco Construction Equipment Co., Ltd.

(3) Firms not subjected to the equity method

- 1) Fiat Hitachi Excavators S.p.A
- 2) Siam Hitachi Construction Machinery Co., Ltd.

3. Accounting period of consolidated subsidiaries

Here is a list of the consolidated subsidiaries which settle their accounts on a date other than the date the rest of the consolidated group does.

- 1) Euclid-Hitachi Heavy Equipment Inc.
- 2) Hitachi Construction Machinery Southern Africa Co., Ltd.
- 3) P.T. Hitachi Construction Machinery Indonesia
- 4) Siam-Hitachi Construction Machinery Co., Ltd.
- 5) P.T. Hexindo Adiperkasa Tbk.
- 6) Hefei Hitachi Excavators Co., Ltd.
- 7) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 8) Hitachi Construction Machinery (Hong Kong) Co., Ltd.

All the above firms settle their accounts on December 31. They use the financial statements as of the same date in preparing consolidated financial statements. And they perform the adjustments required for the consolidated group when handling any important transaction that may have arisen between their own date of settlement and the date of consolidated settlement.

4. Accounting standards

(1) Securities

Other securities

Those with market value: Valuated with the market-price valuation method based on the market prices and other rates on the final date of consolidated settlement. (The valuation balance is processed with the total capital entry method, and the cost of items sold is with the moving average method.)

Those without market value: Valuated mainly with the cost method based on the moving average method.

(2) Inventories

Valuated mainly with the lower-of-cost-or-market-valuation accounting method based on the moving average method or individual method.

(3) Method of depreciating tangible fixed assets

Mainly with the fixed-rate method.

(4) Loan-loss reserves

The amount of ordinary loans projected to be unrecoverable is posted at the actual rate of irrecoverable loans, and that of certain credit, such as loans that may turn bad, is posted in view of recoverability in specific cases.

(5) Reserve for retirement allowance

The HCM and its domestic consolidated subsidiaries have posted the amounts which are considered to have occurred at the end of this consolidated settlement based on the projected amount of retirement pay obligations and pension assets at the end of this fiscal year in preparations for employees' retirement pay. For the variance (6,728 million yen) when the accounting standards were changed, the five-year prorated amount is processed as an expense.

5. Matters related to the valuation of the assets and liabilities of the consolidated subsidiaries

The assets and liabilities of the consolidated subsidiaries are entirely valuated with the market-price valuation method.

6. Matters related to the depreciation of consolidated adjustment accounts

Consolidated adjustment accounts are equally depreciated over a period of five years.

7. Matters related to the handling of items of appropriation of profit and other items

They are based on the appropriation of profits finalized during the current fiscal year.

8. Scope of funds in the statement of consolidated cash flows

The funds consist of (1) cash on hand, (2) demand deposits, and (3) short-term investments which have maturities of no more than 3 months after the date of acquisition and which is highly liquid and easily cashable, and which bears little risk with regard to price fluctuations.

9. Accounting of consumption and other taxes

Consumption tax and local consumption tax are accounted with the tax-free method.

Additional information

1. The accounts of this current fiscal year are processed according to the Accounting Standards Concerning Financial Products ["A Statement of Opinions Concerning the Setup of Accounting Standards Regarding Financial Products" (Business Accounting Council, January 22, 1999)]. These standards will be applied to subsequent years.

2. The accounts of this current fiscal year are processed according to the revised "Accounting Standards for Foreign Currency-Denominated Transactions and Other Operations" ["A Statement of Opinions Concerning the Revision of the Accounting Standards for Foreign Currency-Denominated Transactions and Other Operations" (Business Accounting Council, October 22, 1999)]. These standards will be applied to subsequent years.
3. The accounts of this current fiscal year are processed according to the Accounting Standards for Retirement Pay ["A Statement of Opinions Concerning the Setup of Accounting Standards for Retirement Pay" (Business Accounting Council, June 16, 1998)]. These standards will be applied to subsequent years.

Lease transactions

Finance lease transactions other than those whose ownership of the leased commodity is considered to be transferred to the lessee.

1. Lessee

- (1) The amount equivalent to the acquisition price of the leased commodity, the amount equivalent to the cumulative depreciation cost, and the amount equivalent to the amount at the end of the term

	(Current term)	(Previous term)
	million yen	million yen
Amount equivalent to the acquisition price	12,545	8,929
Amount equivalent to the cumulative depreciation cost	4,446	3,842
Amount equivalent to the balance at the end of the term	8,099	5,087

- (2) Amount equivalent to the balance at the end of the term for unmatured lease fees

	(Current term)	(Previous term)
	million yen	million yen
1 year or less	2,869	2,134
More than 1 year	6,763	3,760
Total	9,632	5,894

- (3) Lease fees paid, amount equivalent to the depreciation cost, and amount equivalent to interest paid

	(Current term)	(Previous term)
	million yen	million yen
Lease fees paid	2,696	2,149
Amount equivalent to the depreciation cost	2,538	1,931
Amount equivalent to the interest paid	201	189

- (4) Method of calculating the amount equivalent to the depreciation cost and that equivalent to the interest

- The amount equivalent to the depreciation cost is calculated based on the lease period as the useful life, and with the straight-line method based on a residual value of zero.
- The amount equivalent to the interest is calculated based on the difference between the total lease fees and the amount equivalent to the acquisition price of the leased commodity as the amount equivalent to the interest. The amount is distributed among different terms with the interest method.

Operating lease transactions

1. Lessee

(1) Unmatured lease fees

	(Current term)	(Previous term)
	million yen	million yen
1 year or less	12,400	9,192
More than 1 year	27,183	19,311
<u>Total</u>	<u>39,583</u>	<u>28,503</u>

2. Lessor

(1) Unmatured lease fees

	(Current term)	(Previous term)
	million yen	million yen
1 year or less	4,665	4,247
More than 1 year	7,816	7,938
<u>Total</u>	<u>12,481</u>	<u>12,185</u>

5. Securities

Current Term

(1) Securities with market value

(in million yen)

Category	Current term (As of March 31, 2001)		
	Acquisition cost	Amount posted on consolidated balance sheet	Difference
Other securities			
Amount posted on consolidated balance sheet exceeded the acquisition cost			
Stocks	3,132	4,996	1,864
Bonds			
Corporate bonds	9	10	1
Others	0	0	0
Subtotal	3,141	5,006	1,865
Amount posted on consolidated balance sheet not exceeded the acquisition cost			
Stocks	1,789	1,422	367
Bonds	0	0	0
Others	0	0	0
Subtotal	1,789	1,422	367
Total	4,930	6,428	1,498

(2) Main securities not valued at market prices

(in million yen)

Category	Current term
	(As of March 31, 2001)
Other securities	Amount posted on consolidated balance sheet
Unlisted stocks other than OTC stocks	2,458
Unlisted foreign bonds	1,500
Money management funds	9,909
Total	13,867

(3) Other securities with defined maturities to be redeemed in the future (as of March 31, 2001)

(in million yen)

Category	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Bonds				
Corporate bonds	0	0	0	1,000
Others	0	0	0	0
Total	0	0	0	1,000

Previous Term

Market value and other characteristics of securities

(in million yen)

Category	Previous term (As of March 31, 2000)		
	Amount posted on consolidated balance sheet	Actual value	Appraised profit/loss
Those belonging to current assets			
Stocks	1,683	1,994	311
Bonds	0	0	0
Others	0	0	0
Subtotal	1,683	1,994	311
Those belonging to fixed assets			
Stocks	2,582	2,994	412
Bonds	9	10	1
Others	0	0	0
Subtotal	2,591	3,004	413
Total	4,274	4,998	724

Notes: 1. How to calculate market value and other characteristics

Listed securities: Closing price mainly at the Tokyo Stock Exchange

Securities traded over the counter: Final trading price announced by the Japan Securities Dealers Association

2. Amounts of securities posted on the balance sheet excluded from the scope of disclosure

	Previous term (in million yen)
Those belonging to current assets: Money management fund	9,004
Those belonging to fixed assets: Unlisted stocks Except for OTC stocks	17,623
Bonds denominated in foreign currency	500

6. Market value and appraisal profits/losses of contractual and other amounts of derivatives

Current Term

Currencies

(in million yen)

Category	Type	Current term (As of March 31, 2001)			
		Contractual or other amount		Market value	Appraisal difference
			More than 1 year		
Transactions other than market transactions	Forward exchange contracts				
	Selling in				
	US dollar	19,298	0	21,069	1,771
	Euro	6,096	0	6,595	499
	Total	-	-	-	2,270

Note: The above table excludes the derivative transactions subjected to hedge accounting.

Previous Term

(1) Currencies

(in million yen)

Category	Type	Previous term (As of March 31, 2000)			
		Contractual or other amount		Market value	Appraisal difference
			More than 1 year		
Transactions other than market transactions	Forward exchange contracts				
	Selling in				
	US dollar	10,227	0	10,038	189
	Euro	3,418	0	3,217	201
	Dutch Guilder	14	0	14	0
	Buying in				
	US dollar	2,327	0	2,356	29
Euro	1,021	0	1,036	15	
	Total	-	-	-	434

Notes:

1. The exchange rate at the end of the term is based on the forward rate.
2. Monetary credit and obligations denominated in foreign currency and other items whose yen value is finalized at the time of settlement because forward exchange contracts are established for monetary credit and obligations denominated in foreign currency, and which are indicated in the yen value in the balance sheet, are excluded from the scope of disclosure.

(2) Matters related to interest

(in million yen)

Category	Type	Previous term (As of March 31, 2000)			
		Contractual or other amount		Market value	Appraisal difference
			More than 1 year		
Transactions other than market transactions	Interest-rate swaps				
	Fixed payment Fluctuating receipts	4,200	4,200	10	10
Total		4,200	4,200	10	10

Note: Market value is based on prices presented by the financial establishments with which the company has an interest-rate swap.

7. Matters related to retirement pay

- (1) An overview of the retirement pay program used
The filing firms and some domestic subsidiaries have an employee pension fund, a qualified pension plan, and a retirement lump sum grants program as defined-benefit plans.
- (2) Matters related to retirement pay obligations (as of March 31, 2001)
Reserve for retirement pay: 13,756 million yen
- (3) Matters related to retirement pay expenses (from April 1, 2000 through March 31, 2001)
Variance at the time of revision of the accounting standards which were processed as expenses 1,346 million yen
- (4) Matters related to the basis for calculating retirement pay obligations and other items
 - 1) Method of the period distribution of the retirement pay projected: As per the specified amount over the period
 - 2) Discount rate: 4.1% (weighted average)
It is determined according to the remaining number of years to the projected date of payment of retirement pay for each plan.
 - 3) Expected rate of return on investment: 5.0%
 - 4) Number of years for processing the variance in mathematical calculations: 10-23 years
Amounts are processed as expenses with the fixed-rate system within the average remaining number of years of employment of a specific employee in or after the year following the specific year of consolidated accounting.
 - 5) Number of years of processing the variance at the time of revision of the accounting standards: 5 years

8. Segment Information

(1) Segment information by business type

During the previous term (from April 1, 1999 through March 31, 2000) and this current term (from April 1, 2000 through March 31, 2001), this consolidated group exceeded 90% of the total sales, total operating profits, and assets of all segments. The segment information by business category is therefore omitted in this report.

(2) Segment information by area

(in million yen)

	Current term (From April 1, 2000 to March 31, 2001)			Previous term (From April 1, 1999 to March 31, 2000)		
	Sales	Operating profit	Assets	Sales	Operating profit	Assets
Japan	273,718	11,222	328,556	264,885	4,898	314,163
Asia	31,586	2,533	35,531	30,973	2,889	34,961
Others	51,922	1,214	43,535	45,031	1,905	41,490
Subtotal	357,226	12,541	407,622	340,889	5,882	390,614
Deleted or company-wide	28,372	2,649	34,904	20,762	174	20,936
Total	328,854	9,892	372,718	320,127	6,056	369,678

Note: The sales of each site include the internal sales between sites.

(3) Overseas sales

(in million yen)

	Current term (From April 1, 2000 to March 31, 2001)		Previous term (From April 1, 1999 to March 31, 2000)	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
North America	49,260	15.0%	54,481	17.0%
Asia	37,195	11.3	37,462	11.7
Others	59,097	18.0	50,089	15.7
Total Overseas sales	145,552	44.3	142,032	44.4
Consoli- dated sales	328,854	100.0	320,127	100.0

Note: Overseas sales is the sales of Hitachi Chemical and its consolidated subsidiaries in countries or economies other than Japan.

9. Transactions with parties involved

(1) Parent company, major corporate stockholders, and other stakeholders

Attribute	Company	Address	Capital or capital subscriptions	Business	Holding (held) percentage of voting rights and other rights	Relationship		Nature of transactions	Amount of transaction	Subject	Balance at the term-end
						Concurrent office of officers, etc.	Virtual relationship				
Parent company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	281,754 million yen	Manufacturing, sales, and service of electrical appliances, apparatus, and various other products	Held (%) Direct: 53.3 Indirect: 1.6	Concurrent office: 2	Sale of the company's products and purchase of components	Corporate bonds guaranteed	20,000 million yen	-	20,000 million yen

Note: Terms of transactions, principles of determining terms of transactions, etc.

The parent's guarantee is granted to the mortgage-free corporate bonds of the first and second issued by the company during fiscal 1996.

(2) Subsidiaries, etc.

Attribute	Company	Address	Capital or capital subscriptions	Business	Holding (held) percentage of voting rights and other rights	Relationship		Nature of transactions	Amount of transaction	Subject	Balance at the term-end
						Concurrent office of officers, etc.	Virtual relationship				
Affiliates	Deere-Hitachi Construction Machinery Corp.	North Carolina USA	58,800 thousand US dollars	Manufacturing, sale and other operations of construction machinery	Holding (%) Direct: 50.0	Concurrent office: 2 On loan: 1	Supply, etc. of the company's products and components	Sales of construction machinery and components	22,952 million yen	Accounts receivable	12,918 million yen

Notes: 1. The amounts of transaction and the balance of accounts receivable include the amounts of transactions conducted via large trading firms.

2. The amounts of transactions are indicated without consumption tax and other taxes. The balance at the term end is indicated including consumption tax and other taxes generated through the intermediary of trading firms.

3. Terms of transactions, principles of determining terms of transactions, etc.
The sale price is a local market price or export component price.

(3) Sibling companies, etc.

Attribute	Company	Address	Capital or capital subscriptions	Business	Holding (held) percentage of voting rights and other rights	Relationship		Nature of transactions	Amount of transaction	Subject	Balance at the term-end
						Concurrent office of officers, etc.	Virtual relationship				
Subsidiaries of the parent company	Hitachi, Capital Co., Ltd.	Minato-ku, Tokyo	9,459 million yen	Financial service enterprises, etc.	Holding (%) Direct: - Indirect: 0.1	None	Lease of the company's products, and commissioning of payment operations conducted to the company's suppliers and customers	Sales of construction machinery	33,188 million yen	-	20,000 million yen
								Commissioning of payment operations to the company's suppliers	15,051 380	Accounts payable Accrued expenses	6,463 86

Notes: 1. Terms of transactions, principles of determining terms of transactions, etc.

Purchase prices are determined based on the market prices.

2. Amounts of transactions are indicated with consumption tax and other taxes excluded, and the balance at the term end is indicated with consumption and other taxes included.

March 2001 Outline of Individual Financial Statement

April 27, 2001

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
Code number: 6305 Location of head office: Tokyo

Reference:

Person in charge of the reference: Toshikazu Nishitani

Position of the person: General Manager of Corporate Communication Div.

Tel: (03) 3830-8065

Meeting date of the Board of Directors for financial settlement: April 27, 2001

Interim dividend: Exist

Meeting date of the fixed general meeting: June 28, 2001

1. Performance of the year up to March 2001 (April 1, 2000 through March 31, 2001)

(1) Performance (Amounts are rounded off to the million digit.)

	Sales		Operating profit		Current profit	
	million yen	%	million yen	%	million yen	%
March 2001	224,617	Δ0.2	10,493	143.9	6,726	116.7
March 2000	225,146	Δ6.0	4,302	Δ52.0	3,104	Δ41.7

	Net profit of current term		Net profit of current term per share		Net profit of current term per share after adjustment of latent shares		Shareholders' net return on equity of the term	Ratio of current profit to total capital	Ratio of ordinary profit to sales
	million yen	%	yen	sen	yen	sen	%	%	%
March 2001	1,165	Δ34.7	8	10	—	—	1.3	2.3	3.0
March 2000	1,784	57.6	12	41	—	—	2.0	1.1	1.4

Notes:

1) Mid-term average number of shares (consolidated):

March 2001: 143,748,517 shares March 2000: 143,748,517 shares

2) Change in the method of accounting: None

3) The percentages indicated for sales, operating profit, current profit, and net profit of the current term are the rates of increase and decline from the previous term.

(2) Dividend condition

	Annual dividend per share						Total annual dividend	Dividend payout ratio	Dividend ratio for stockholder's equity
			Interim		End of term				
	yen	sen	yen	sen	yen	sen	million yen	%	%
March 2001	6	00	3	00	3	00	862	74.0	0.9
March 2000	6	00	3	00	3	00	862	48.3	0.9

Note: Breakdown of the dividend at the end of March 2001

Commemorative dividend: --- Bonus dividend: ---

(3) Financial condition

	Total assets		Shareholders' equity		Return on equity		Shareholders' equity per share	
	million yen		million yen		%		yen	sen
March 2001	289,020		92,391		32.0		642	73
March 2000	284,447		92,211		32.4		641	48

Note: Number of outstanding shares at the end of term:

March 2001: 143,748,517 shares March 2000: 143,748,517 shares

2. Performance projections for March 2002 (April 1, 2001 through March 31, 2002)

	Sales	Current profit	Net profit for current term	Annual dividend per share					
				Interim		End of term			
	million yen	million yen	million yen	yen	sen	yen	sen	yen	sen
Interim term	115,600	1,800	600	3	00				
Whole term	244,000	7,000	3,100	-		3	00	6	00

[Supplementary information] Projected net profit per share for current year (whole term): 21.57 yen

10. Individual Financial Statements

(1) Balance Sheet

(in million yen)

Item	Current term (As of March 31, 2001)	Previous term (As of March 31, 2000)	Change from the previous term	Item	Current term (As of March 31, 2001)	Previous term (As of March 31, 2000)	Change from the previous term
[Assets]				[Liabilities]			
Current assets				Current liabilities			
1. Cash and time deposits	18,089	28,565	10,476	1. Notes payable	4,239	4,809	569
2. Notes receivable	17,083	32,059	14,975	2. Accounts payable	49,512	43,242	6,270
3. Accounts receivable	58,914	53,135	5,778	3. Short-term loans payable	5,008	9,513	4,505
4. Securities	9,909	10,635	726	4. Redeemable bonds within a year	20,000	0	20,000
5. Inventories	30,739	29,123	1,616	5. Accounts payable	3,960	3,112	848
6. Short-term loans receivable	28,258	13,281	14,977	6. Income taxes payable	3,166	847	2,319
7. Total deferred taxes	3,844	1,200	2,643	7. Accrued expenses	5,724	5,709	14
8. Others	3,694	1,694	2,000	8. Installments receivable	1,165	3,882	2,717
9. Loss allowance for doubtful receivables	3,140	2,750	390	9. Deferred interests of installments	701	2,151	1,449
Total current assets	167,394	166,945	448	10. Others	12,128	6,831	5,296
Fixed assets				Total current liabilities	105,606	80,100	25,506
(1) Tangible fixed assets				Fixed liabilities			
1. Buildings	16,802	17,895	1,093	1. Bonds	70,000	90,000	20,000
2. Other structures	4,325	4,679	353	2. Long-term loans payable	1,355	1,803	448
3. Machinery and equipment	9,810	10,535	724	3. Allowance for employee retirement compensation	-	14,943	14,943
4. Vehicles and transportation equipment	73	94	21	4. Allowance for employee retirement benefits	12,889	-	12,889
5. Tools and fixtures	2,428	2,674	246	5. Director's retirement allowance payable	1,287	-	1,287
6. Lands	28,766	28,391	375	6. Others	5,489	5,388	100
7. Construction in progress	73	57	15	Total fixed liabilities	91,022	112,135	21,113
Total of tangible fixed assets	62,280	64,329	2,048	Total liabilities	196,628	192,235	4,393
(2) Intangible fixed assets							
1. Software	564	606	41				
2. others	1,358	196	1,161				
Total of intangible fixed assets	1,922	802	1,119				
(3) Investments and other assets				[Shareholders' equity]			
1. Investments in securities	6,374	5,614	759	Capital stock	22,199	22,199	0
2. Stocks of affiliates	36,282	30,331	5,951	Capital surplus reserve	21,726	21,726	0
3. Investment in affiliates	4,370	4,370	0	Revenue reserve	2,110	2,015	95
4. Total deferred taxes	5,535	5,813	278	Other surplus			
5. Others	5,320	6,779	1,459	1. Voluntary reserve	43,901	36,905	6,996
6. Loss allowance for doubtful receivables	460	50	410	2. Unappropriated income for current term	2,496	9,364	6,868
7. Allowance of overseas investment appraisal	0	489	489	Total of other surplus	46,398	46,270	127
Total of investments and other assets	57,422	52,369	5,053	Balance of other securities appraised	42	-	42
Total fixed assets	121,626	117,501	4,124	Total shareholders' equity	92,391	92,211	179
Total assets	289,020	284,447	4,573	Total liabilities and shareholders' equity	289,020	284,447	4,573

Notes:

- Cumulative depreciation of property, plant and equipment
- Liabilities for guarantee

Current term
Million yen
86,439

25,813

Previous term
Million yen
85,086

24,692

(2) Profit and Loss Statement

(in million yen)

Item	Current term From April 1, 2000 to March 31, 2001	Previous term From April 1, 1999 to March 31, 2000	Change from the previous term
Sales	224,617	225,146	100
Cost of sales	170,496	172,942	99
Total profits on sales before deferment of profits on installment sales	54,120	52,203	104
Deferred balance of profits on installment sales	2,717	1,777	153
Gross profit	56,837	53,981	105
Selling, general and administrative expenses	46,343	49,678	93
Operating profit	10,493	4,302	244
Non-operating income			%
1. Interest paid	366	280	131
2. Exchange loss	1,527	1,539	99
3. Investment loss by equity method	414	694	60
4. Others	1,952	1,786	109
Total non-operating income	4,260	4,300	99
Non-operating expenses			
1. Interest paid	2,145	2,196	98
2. Loss from discarding of inventories	534	297	180
3. Exchange loss	2,455	388	633
4. Others	2,893	2,616	111
Total non-operating expenses	8,028	5,498	146
Ordinary income	6,726	3,104	217
Extraordinary income			
1. Profit on sale of investment securities	599	0	-
2. Return of allowance of overseas investment appraisal	489	0	-
Total extraordinary income	1,089	0	-
Extraordinary expense			
1. Difference in auxiliary retirement benefits at the time of change of accounting standards	1,024	-	-
2. Loss on restructuring of affiliates' business	4,077	0	-
Total extraordinary expense	5,102	0	-
Net profit for current term before taxes	2,713	3,104	87
Corporate, inhabitant, and business taxes	3,883	1,861	209
Adjustments on corporate and other taxes	2,334	541	431
Net profit for current term	1,165	1,784	65
Surplus brought forward from the previous term	1,805	1,362	133
Adjustments by deferred tax accounting for previous years	-	6,473	-
Transferred from advanced depreciation reserve due to tax effect accounting	-	147	-
Transferred from special depreciation reserve due to tax effect accounting	-	72	-
Interim dividends	431	431	100
Surplus reserve deposits for interim dividends	43	43	100
Unappropriated profit for current term	2,496	9,364	27

(3) Calculation of profit appropriation

(in million yen)

Item	Current term From April 1, 2000 to March 31, 2001	Previous term From April 1, 1999 to March 31, 2000	Change from the previous term
Unappropriated income for current term	2,496	9,364	6,868
Transferred from voluntary reserve			
Transferred from special depreciation reserve	22	21	1
Transferred from advanced depreciation reserve	0	12	12
Total	2,519	9,398	6,879
Profit appropriation			
1. Profit reserve	51	52	1
2. Dividend	431	431	-
3. Bonus to executive officers			
Bonus to directors	70	80	10
4. Unappropriated reserve			
Special depreciation reserve	10	29	19
Advanced depreciation reserve	17	0	17
Special reserve	500	7,000	6,500
Surplus profit carried forward to the following term	1,438	1,805	366

Important principles of accounting

1. Standard and method of valuating securities

Stocks of subsidiaries and affiliates

Cost method based on the moving-average method

Other securities

Those with market value: Valuated with the market-price valuation method based on the market prices and other rates on the final date of consolidated settlement. (The valuation balance is processed with the total capital entry method, and the cost of items sold is with the moving average method.)

Those without market value: Valuated with the cost method based on the moving average method.

2. Valuation standard and method of inventories

Valuated with the lower-of-cost-or-market-valuation accounting method based on the moving average method or individual method.

3. Method of depreciating tangible fixed assets

With the fixed-rate method.

Provided that all buildings (except for equipment annexed to the buildings) obtained on and after April 1, 1998 are with the fixed-rate method.

4. Loan-loss reserves

The amount of ordinary loans projected to be unrecoverable is posted at the actual rate of irrecoverable loans, and that of certain credit, such as loans that may turn bad, is posted in view of recoverability in specific cases.

5. Reserve for retirement allowance

The reserve has been based on the projected amount of retirement pay obligations and pension assets at the end of this fiscal year in preparations for employees' retirement pay. For the variance (5,121 million yen) when the accounting standards were changed, the five-year prorated amount is processed as an expense.

6. Accounting of consumption and other taxes

Consumption tax and local consumption tax are accounted with the tax-free method.

Additional information

1. The accounts of this current fiscal year are processed according to the Accounting Standards Concerning Financial Products ["A Statement of Opinions Concerning the Setup of Accounting Standards Regarding Financial Products" (Business Accounting Council, January 22, 1999)]. These standards will be applied to subsequent years.
2. The accounts of this current fiscal year are processed according to the revised "Accounting Standards for Foreign Currency-Denominated Transactions and Other Operations" ["A Statement of Opinions Concerning the Revision of the Accounting Standards for Foreign Currency-Denominated Transactions and Other Operations" (Business Accounting Council, October 22, 1999)]. These standards will be applied to subsequent years.

3. The accounts of this current fiscal year are processed according to the Accounting Standards for Retirement Pay ["A Statement of Opinions Concerning the Setup of Accounting Standards for Retirement Pay" (Business Accounting Council, June 16, 1998)]. These standards will be applied to subsequent years.

11. Switching-around of officers (as of June 28, 2001)

1. Switching-around of representatives

- (1) New representative director
Representative Director &
Vice President Keiji Ogimoto (presently Director & Vice President)
- (2) Resigning representative director
Representative Director &
Chairman of the Board Hajime Okada (scheduled to take office as Advisor)

2. Switching-around of directors and auditors

- (1) Candidate for new director
Director Tadamichi Sakiyama (presently Managing Director of Hitachi, Ltd.)
- (2) Candidates for new auditors
Auditor (full-time) Iwao Morikawa (presently Senior Managing Director)
Auditor (full-time) Masami Kobetto (presently Senior Managing Director)
Outside Auditor (part-time) Toshiki Yasuda (presently Manager of Second Finance Department, Hitachi, Ltd.)
- (3) Directors scheduled to resign
Presently Managing Director Morihisa Sugiyama
Presently Director Nobuya Okabe (scheduled to take full-time office as Representative Director and President of Hitachi Construction Machinery Fine Tech Co., Ltd.)
Presently Director Atsushige Ishiki (scheduled to take office as Managing Executive Officer)
Presently Director Kou Kasahara
Presently Director Munehiro Kimura (scheduled to take office as Managing Executive Officer)
Presently Director Hidehisa Nakanishi (scheduled to take office as Executive Officer)
Presently Director Shuuichi Ichiyama (scheduled to take office as Managing Executive Officer and Chairman of Euclid Hitachi Heavy Equipment Inc.)
- (4) Auditors scheduled to resign
Auditor (full-time) Tsunenobu Shimo
Auditor (full-time) Tadashi Oosuka
Outside Auditor (part-time) Kaichi Murata

12. New management system

The construction machinery industry is in an unprecedentedly severe environment, due to the intense changes in the demand structure, the intensified competition on a worldwide level, the restructuring of the industry, and other factors. The HCM also requires even higher efficiency and speedup in management.

To that end, the company will introduce a corporate officer system, thus making decisions efficiently about all matters of management at a small-membership board of directors, consign the decision-making and management of each department to the executive officers, and take other measures to devolve much authority. In so doing, the company will make speedier management a reality.

List of corporate officers (as of June 28, 2001)

* represents an officer doubling as director.

Director & President	Ryuichi Seguchi *
Director & Vice President	Keiji Ogimoto *
Senior Managing Executive Officer	Nobuyoshi Katagiri * (presently Senior Managing Director)
Senior Managing Executive Officer	Shungo Dazai * (presently Senior Managing Director)
Senior Managing Executive Officer	Kyoichi Ueda * (presently Managing Director)
Senior Managing Executive Officer	Tadamichi Sakiyama * (presently Managing Director of Hitachi, Ltd.)
Managing Executive Officer	Takeshi Yamaguchi * (presently Managing Director)
Managing Executive Officer	Eiji Kometani * (presently Managing Director)
Managing Executive Officer	Atsushige Ishiki (presently Director)
Managing Executive Officer	Munehiro Kimura (presently Director)
Managing Executive Officer	Shuichi Ichiyama (presently Director)
Executive Officer	Hidehisa Nakanishi (presently Director)
Executive Officer	Yasuhiko Nakaura
Executive Officer	Katsutoshi Arita
Executive Officer	Yasuhiko Maekawa
Executive Officer	Michijiro Kikawa
Executive Officer	Tadakatsu Tsuda
Executive Officer	Kazuhiko Otsubo
Executive Officer	Hiromitsu Suzuki
Executive Officer	Takehiko Hiroi
Executive Officer	Nobuhiko Kuwahara