

March 2002 Brief Announcement of Interim Financial Statements (Consolidated)

October 30, 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 interim financial settlement: October 30, 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 half year up to September 2001 (April 1, 2001 through September 30, 2001)

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

| | Sales | | Operating profit | | Current profit | |
|----------------------------|-------------|------|------------------|---|----------------|---|
| | million yen | % | million yen | % | million yen | % |
| September 2001 (half year) | 150,532 | Δ5.3 | Δ2,566 | – | Δ6,418 | – |
| September 2000 (half year) | 158,940 | – | 3,663 | – | 1,491 | – |
| March 2001 | 328,854 | | 9,892 | | 4,947 | |

| | Net profit of half year (current term) | | Net profit of half year (current term) per share | | Net profit of half year (current term) per share after adjustment of latent shares | |
|----------------------------|----------------------------------------|---|--------------------------------------------------|-----|------------------------------------------------------------------------------------|-----|
| | million yen | % | yen | sen | yen | sen |
| September 2001 (half year) | Δ7,507 | – | Δ52 | 23 | – | – |
| September 2000 (half year) | 165 | – | 1 | 15 | – | – |
| March 2001 | Δ3,195 | | Δ22 | 23 | – | – |

Notes:

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

September 2001 (half year): Δ511 million yen September 2000 (half year): 635 million yen

March 2001: 655 million yen

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

September 2001 (half year): 143,741,119 shares September 2000 (half year): 143,722,764 shares

March 2001: 143,732,595 shares

3) Change in the method of accounting: None

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

(2) Consolidated financial condition

| | Total assets | Shareholders' equity | Return on equity | Shareholders' equity per share | |
|----------------------------|--------------|----------------------|------------------|--------------------------------|-----|
| | million yen | million yen | % | yen | sen |
| September 2001 (half year) | 351,004 | 72,611 | 20.7 | 505 | 16 |
| September 2000 (half year) | 358,927 | 78,981 | 22.0 | 549 | 48 |
| March 2001 | 372,718 | 80,141 | 21.5 | 557 | 55 |

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

September 2001 (half year): 143,739,017 shares September 2000 (half year): 143,737,548 shares

March 2001: 143,737,453 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 |
| September 2001 (half year) | Δ13,138 | Δ2,774 | Δ720 | 35,004 |
| September 2000 (half year) | 7,435 | Δ4,335 | Δ10,871 | 43,871 |
| March 2001 | 19,446 | Δ7,287 | Δ12,110 | 51,709 |

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

Number of consolidated subsidiaries: 52 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): 2 companies, (excepted) 0 company

Equity method (new): 1 company, (excepted) 0 company

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 |
| Whole term | 306,000 | Δ5,000 | Δ9,000 |

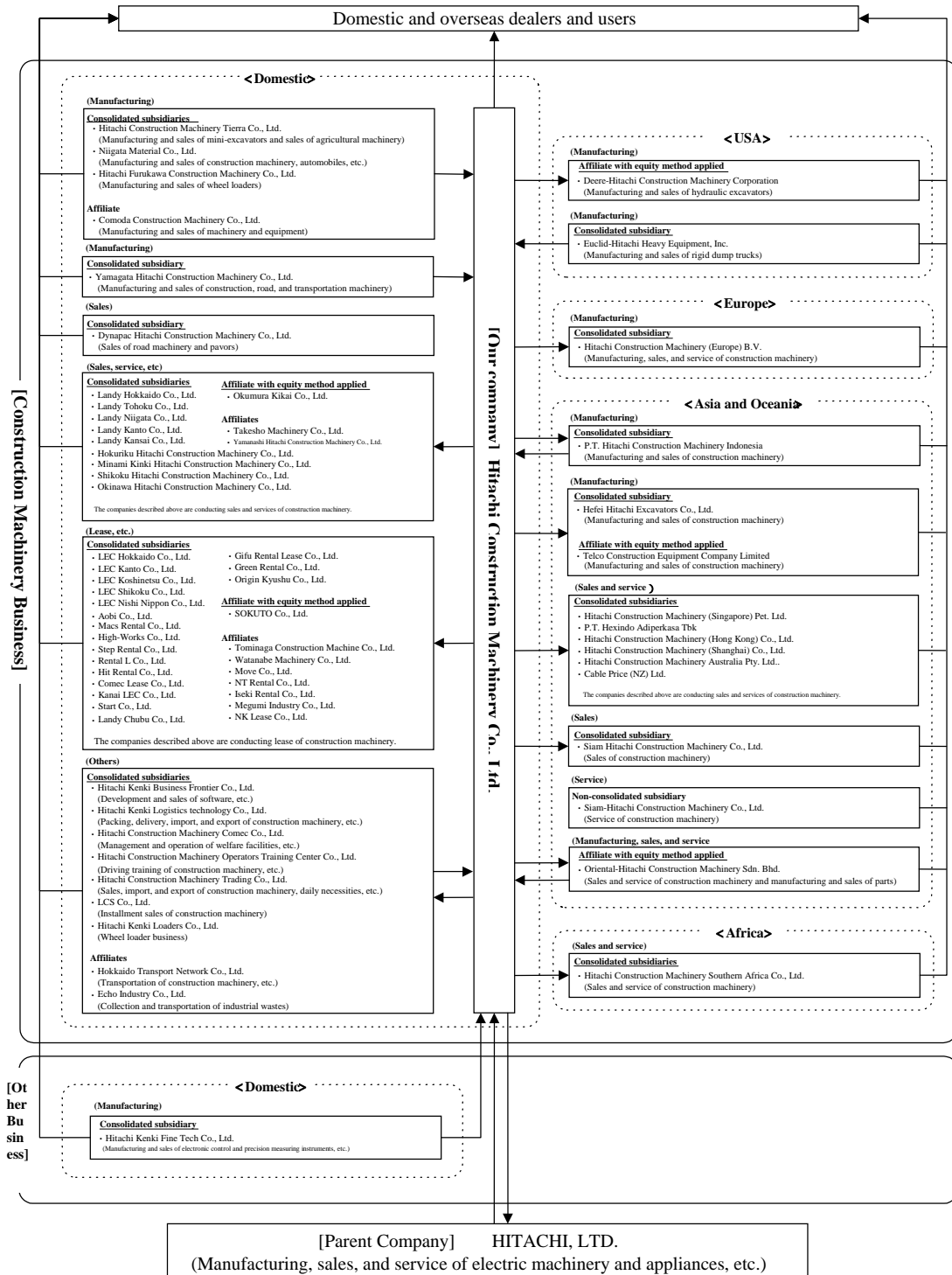
[Supplementary information] Projected net profit per share for current year (whole term): Δ62.61 yen

Attachment

1. Status of the corporate group

This consolidated group consists of Hitachi Construction Machinery, its parent company, its 53 subsidiaries, and its 17 affiliates. Its business mainly involves the manufacture, sale, service and rental of construction machinery. It also manufactures and sells electronics controllers.

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



2. Managerial principles

(1) Basic principles of management

- 1) Stress consolidated management and build a system for stepping up the all-embracing expertise of the HCM group.
- 2) Establish a firm position in the world market of construction machinery as a global player.
- 3) Form a tough corporate group as a group of total solution suppliers with both hardware and software involving not only construction machinery but other kinds of machinery as well.

To fulfill those objectives, the HCM group makes sure that "total management," "super-fast management," and "information management" are thoroughly conducted throughout the group.

(2) Basic principles related to profit distribution

The basic principle is to maintain a stable supply of dividends while in view of the business plans, financial condition, and profitability of the group in the future.

During the current half year, the HCM group regrets to say that its board of directors decided to cancel an interim dividend on August 28, 2001, in view of the severe status of performance to be described later in this report. As for its dividend payment for the second half of this current business term, the HCM group wishes to make a comprehensive judgment and make decisions accordingly after a careful examination of the progress of its improvements in year-round performance.

(3) Interim managerial strategies

The HCM group presented four basic strategies, "create demand," "conduct advanced international business," "improve productivity," and "increase financial power" in its interim plan from fiscal 1998 to 2001. It has then been implementing its strategies and measures to meet changes in customer needs, globalization, the increased use of information, and other trends, while working to increase its staying power, particularly to reduce its break-even point.

However, the economic situation is even worse these days, with the market condition of the construction machinery industry becoming severer and severer day by day. At home, public spending and private sector capital investment went down greatly. Abroad, there are concerns not only over the effects of the simultaneous multiple terrorist attacks in the USA on a possible recession in its economy but also over the possible serious influence of those attacks on the world economy.

To overcome such a critical situation, the HCM group intends to take the important measures listed below by fiscal 2002, in an attempt to reduce its break-even point even further and to gain a staying power strong enough to remain profitable even when demand is low.

Major cuts in fixed expenses

- Reduce the work force of the domestic consolidated group by 1,000 (15%), of which 800 (20%) will be personnel in the HCM.
- Reduce personnel expenses and other overhead by means such as cuts in officer remuneration and executives' wages and bonuses.

The above measures will be a cut by 17 billion yen per year on a consolidated basis, and by 15 billion yen per year on a parent-only basis.

Major cuts in proportional expenses

Reduce the proportional expenses by 20% on a consolidated basis by implementing the Procurement Renewal Project (PRP).

Improved cash flows

Reduce the number of days sales credit and inventories remain on hand by 17% on a consolidated basis by implementing the cash flow project (C Project).

With the years up to fiscal 2003 positioned as a "period of structural reforms," the HCM group will reform its business structure, using the following strategies as the key to business:

<An overview of the major business reforms>

(1) Reorganizing the business areas by alliances and M&A

Wheel loader business

Tied up with TCM Co., Ltd. and Furukawa Co., Ltd., the HCM will set up a three-company development center. The center will develop products, cut costs, and implement other projects to deepen the three companies' cooperative relationships at home and abroad.

Crawler crane business

Tied up with Sumitomo Heavy Industries, Ltd., the HCM will develop models common to the two companies. In so doing, it will build up global strategies for forming a top group in the world market in capabilities of development, production, procurement, and sale.

Tunnel excavator business

The HCM will deepen its cooperative relationship with Hitachi Zosen Corp. even further in an attempt to step up its cost and product competitiveness.

Hydraulic equipment business

The HCM will receive the transfer of more equipment from Bosch Automotive Systems Corporation, such as control valves, and solenoid valves and will work to increase the stable supply and external sales of products, thus establishing a profitable system.

(2) Restructuring the group's domestic business

While securing a firm market position in its usual business areas, the HCM group will take the following measures in an attempt to restructure its business:

Expanding Environmental and recycling enterprises

Environmental conservation is becoming an increasingly important challenge. The HCM will commit itself to "secure a rich line-up of environmental and recyclable products" and "develop original products" that meet the particular needs of customers and will create demand by means of making proposals including consulting.

Drastic reforms in its rental business

In response to the quick shift in the market from ownership to rental, the HCM group is promoting the restructuring of its direct-line rental business. By the end of this current fiscal year, the group will integrate its existing 19 rental firms to 7 and give the companies the uniform name of REC (Rental Engineering Corporation) as the new rental brand. The group will also extend the rental network from 130 locations currently to 186 by fiscal 2005. Of which, 98 locations will be with the HCM's sales offices to ensure efficiency. This will step up the group's managerial capabilities and expand its business, thus ensuring profitability as "comprehensive rental business."

Conducting second-hand vehicle business

To meet the expansion of the second-hand vehicle market and step up its resale power of full-line products, the group will integrate its second-hand vehicle business, which has so far been conducted individually by the HCM and Hitachi Construction Machinery Trading Co., Ltd. The latter will be the sole entity responsible for this business from now on. This will integrate global procurement, recycling, inventory, distribution, sales, and after-sales service, increase the group's organization and sales power, and advance its distribution system, thus finding new sources of profit.

(3) Expanding its international business

Reorganizing business in the Americas

To speed up its decision-making about its management and customer support, the HCM and Deere & Co. have agreed to integrate their sale of construction, forestry and mining machinery and solutions of the Hitachi and Deere brands in North, Middle, and South Americas.

This is a new step for stepping up the business relationship between the HCM and Deere even further. The two companies intend to increase added value for customers and sales efficiency, while stepping up their competitiveness in their brand products in North, Middle, and South Americas.

Conducting business in its own terms in Europe

In preparations for the startup of sales in January 2003, the group started up a new factory and a training center in Amsterdam, The Netherlands. In July 2002, the group will initiate the arrangement of a dealership network by taking advantage of the strengths of the HITACHI brand.

Stepping up its response to the quickly-growing Chinese market

China is expected to offer increasing demand in the future due to its becoming a member of the World Trade Organization (WTO), sponsoring of the Olympic Games, scheme for the great development of the West, and other factors. The HCM will work to increase sales even more by increasing its production and development capabilities and by taking advantage of its strong sales network.

Stepping up mining enterprise

Euclid-Hitachi Heavy Equipment Inc. will develop 300-ton large dump trucks for mining and step up its efforts to sell them with a super-large hydraulic excavator as a set. This aims to find a new group of customers, thus increasing sales.

3. Earnings

(1) An overview of this current half year

The economic situation at home and abroad during this current half year encountered an unprecedentedly severe phase. In such a situation, domestic demand for construction machinery is projected to go down for the fifth year in a row. This current business year is projected to go below 700 billion yen for the first time since 1990. In the overseas market, the USA's slowdown has become clear. Thus, the HCM group is in an extremely severe market condition. As a result, sales declined greatly both at home and abroad. In terms of profits, the group was obliged to increase loan-loss reserves due to the worsened market condition of its domestic customers, in addition to the deterioration of profits due to the lower sales and lower pricing, and to post extraordinary losses due to the increased restructuring of direct-line business rental business.

As a result, quite regrettably, consolidated sales for the current half year was 150,532 million yen (95% year on year), with current losses of 6,418 million yen (...% year on year) and interim net losses of 7,507 million yen (...% year on year). Parent-only sales similarly declined to 104,854 million yen (96% year on year), with current losses of 1,984 million yen (... % year on year) and interim net losses of 5,412 million yen (...% year on year).

1) An overview of performance by main product or service

Construction machinery accounts for most of the consolidated earnings of the Hitachi Construction Machinery Group. Segment information is therefore not covered in this report. The market condition of the group members is similar to that of the parent company, and they almost interlock in performance as well. This section will therefore give an overview of group performance by main business or service in parent-only earnings as in the previous reports.

- Hydraulic excavators

For the domestic market, the HCM has been expanding its line-up of the information excavator ZAXIS series and aggressively conducting solution business including e-service and finance. Due to a great decline in demand, changes in the demand structure, and other causes, sales declined from a year earlier. For the overseas market, the HCM obtained a large-quantity order for mid-size excavators for Myanmar and an order for large machinery for mines for Australia, thus exceeding the performance a year earlier. But this was not enough to make up for the decline in the domestic results. As a result, sales of hydraulic excavators was 43,950 million yen, or 87% of the result achieved a year earlier.

- Miniature excavators

The decline in demand in the domestic market, along with the European market, had a great effect. Thus, combined sales at home and abroad remained as low as 7,055 million yen, or 70% of the result achieved a year earlier. The company marketed three models of rearward super-small swing type miniature excavators, the first of their kind to have incorporated an e-excavator function that obtains the operational status and position information of the machine. In response to the secondary control on gas emissions, these new eco-friendly models that clear the super-low noise standards display their performance in city waterworks, sewage, plumbing works, and other urban civil engineering projects in dense residential areas. These models are expected to sell more in the future.

- Crawler cranes and machinery for foundation works

In the domestic market, demand was still slow. However, the company conducted aggressive sales activities, targeting customers interested in renewals mainly. Sales was at the same level as that achieved a year earlier. In the overseas market, exports for North America declined greatly, thus going far below the result of a year earlier. As a result, sales of crawler cranes and machinery for foundation works was 2,373 million yen, or 84% of the result achieved a year earlier.

- Wheel loaders

The new model that meets the secondary restrictions on gas emissions and clears the super-low noise standards, which was developed jointly by TCM Co., Ltd. and Hitachi-Furukawa Co., Ltd., is highly esteemed for its good work in a wide range of tasks including various kinds of civil engineering works, along with agriculture, livestock farming, and snow removal. This, together with a rise in domestic demand, resulted in 1,330 million yen of sales, marking a rise in sales to 123% of the result achieved a year earlier. The HCM will enter this model in full scale into the overseas market as well, thus increasing its global share.

- Industrial system products and other items

[Eco-friendly and recycling business]

As the society shifts to a society based on recycling, demand is growing for eco-friendly and recycling business. The HCM provides a total of 45 models of environmental recycling machines for aggregate, mixed waste, wood, and soil. Wood machines, which account for some 40% of the total sales of all these four categories, are expected to meet a particularly high rise in demand due to the recent legal restrictions on the felling of trees and the incineration of waste lumber and other items. As a result of its aggressive commitment to system plant business, the company has successfully received an order for a full-fledged plant (the first version) for a gravel quarry in Fukushima Prefecture, Japan. In the future, the HCM intends to step up its proposal-based sales, system engineering, and consulting even further in an attempt to increase system sales.

[Products applying construction machinery, industrial vehicles, underground products, etc.]

The HCM has been developing products suited for customers' needs with its advanced technology cultivated in its experiences with hydraulic excavators. In the field of products applying construction machinery, the company has developed fast-moving handling machinery and marketed two models of crawler-type height-work vehicles, thus making addition to its line-up. In the field of industrial vehicle products, the company marketed small vibration rollers and full-swing rubber crawler carriers, thus making additions to the line-up for the rental market. Road machinery, dump trucks, and second-hand vehicles were in a steady condition. Rigid dump trucks were particularly successful. The company obtained a large-quantity order for a coal mine in Thailand and saw a rise in sales to Europe and Africa as well.

As a result, the sales of industrial system products and other items was 32,144 million yen, or 118% of the result achieved a year earlier.

- Services

In the domestic market, the HCM has continued its Service-Value Engineering for Customers (S-VEC), while offering a ZAXIS Value Pack that packages contract service, machinery insurance, finance and other elements and a ZAXIS Net that provides machine information, thus implementing an aggressive drive. To protect the customers' machinery from theft, the HCM has marketed new systems such as burglar-preventive systems and electronic locks based on a cellular phone. As a result, service sales reached 17,997 million yen, or 107% of the result achieved a year earlier, due partly to a steady performance in component shipments both at home and abroad.

In the area of services, the HCM is seeing an upward trend in Net-based orders for components, civil engineering software and other products. The company is therefore planning to step up its e-business, including expanding its lineup of software.

2) The status of consolidated cash flows

The cash flows were as follows during this current half year: cash flows from operation activities $\Delta 13,138$ million yen, those from investing activities $\Delta 2,774$ million yen, and financing activities $\Delta 720$ million yen. As a result, the balance of cash and cash equivalents at the end of this current half year amounted to 35,004 million yen, marking a decline by 16,705 million yen from the end of the preceding fiscal year.

3) An overview of the important facts determined occurred during this current half year

- Liquidation of subsidiaries

With the aforementioned "drastic reforms of its rental business," the Board of Directors resolved on liquidating a total of five of the HCM's subsidiaries: Comec Lease Co., Ltd., Origin Kyushu Co., Ltd., Start Co., Ltd., Hit Rental Co., Ltd., and Hitachi Construction Machinery (Hong Kong) Co., Ltd.

(2) Year-round prospects

The HCM group projects the current severe market condition to persist in the last half year and does not expect it to recover soon. During the last half year, therefore, the HCM group will implement the aforementioned emergency measures securely in an attempt to step up its cost competitiveness and turn into the black in operating profits and current profits. At the same time, the group will post extraordinary losses to help itself to conduct reforms in its business structure speedily in preparations for the future.

In view of the above, here are the group's prospects for performance in March 2002.

Consolidated performance projections (): year-on-year ratio

| | |
|--------------------|------------------------------|
| Sales | 306 billion yen (93%) |
| Current profit | $\Delta 5$ billion yen (-%) |
| Current net profit | $\Delta 9$ billion yen (-%) |

Parent-only performance projections

| | |
|--------------------|--------------------------------|
| Sales | 216 billion yen (96%) |
| Current profit | 0.6 billion yen (9%) |
| Current net profit | $\Delta 7.2$ billion yen (-%) |

These performance projections are based on an exchange rate of 120 yen against the US dollar and 105 yen against the euro for the last half year.

4. Consolidated Interim Financial Statements

(1) Consolidated Interim Balance Sheet

(in million yen)

| Item | Current interim term (as of Sep. 30, 2001) | Previous interim term (as of Sep. 30, 2000) | Previous term (as of Mar. 31, 2001) | Change from the previous interim term | Item | Current interim term (as of Sep. 30, 2001) | Previous interim term (as of Sep. 30, 2000) | Previous term (as of Mar. 31, 2001) | Change from the previous interim term |
|------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------------------------|---------------------------------------|
| [Assets] | | | | | [Liabilities] | | | | |
| Current assets | | | | | Current liabilities | | | | |
| 1. Cash and time deposits | 36,022 | 30,250 | 30,479 | 5,772 | Notes and accounts payable | 66,230 | 71,364 | 77,942 | 5,134 |
| 2. Notes and accounts receivable | 112,212 | 113,704 | 114,912 | 1,492 | 1. Short-term loans payable | 49,376 | 40,251 | 43,426 | 9,125 |
| 3. Securities | 0 | 10,510 | 9,909 | 10,510 | 2. Commercial papers | 10,000 | 0 | 0 | 10,000 |
| 4. Inventories | 72,003 | 66,433 | 71,174 | 5,570 | 3. Redeemable bonds with in a year | 30,000 | 10,000 | 20,000 | 20,000 |
| 5. Others | 12,101 | 14,165 | 23,568 | 2,064 | 4. Others | 37,005 | 39,351 | 43,872 | 2,346 |
| 6. Loss allowance for doubtful receivables | 6,569 | 3,685 | 4,203 | 2,884 | 5. Total current liabilities | 192,611 | 160,966 | 185,240 | 31,645 |
| Total current assets | 225,769 | 231,377 | 245,839 | 5,608 | Fixed liabilities | | | | |
| Fixed assets | | | | | Bonds | 50,000 | 80,000 | 70,000 | 30,000 |
| (1) Tangible fixed assets | | | | | 1. Long-term loans payable | 4,728 | 9,608 | 7,891 | 4,880 |
| 1. Buildings and structures | 27,043 | 28,376 | 27,749 | 1,333 | 2. Allowance for employee retirement benefits | 13,586 | 14,693 | 13,756 | 1,107 |
| 2. Machinery, equipment and transportation equipment | 21,863 | 23,228 | 23,423 | 1,365 | 3. Others | 13,330 | 10,968 | 11,972 | 2,362 |
| 3. Lands | 30,325 | 30,059 | 30,365 | 266 | 4. Total fixed liabilities | 81,644 | 115,269 | 103,619 | 33,625 |
| 4. Others | 5,661 | 4,683 | 4,746 | 978 | Total liabilities | 274,255 | 276,235 | 288,859 | 1,980 |
| Total of tangible fixed assets | 84,892 | 86,346 | 86,283 | 1,454 | [Minority interests] | | | | |
| (2) Intangible fixed assets | 2,986 | 3,076 | 2,866 | 90 | Minority interests | 4,138 | 3,711 | 3,718 | 427 |
| (3) Investments and other assets | | | | | [Shareholders' equity] | | | | |
| 1. Investments in securities | 26,615 | 25,443 | 26,210 | 1,172 | Capital stock | 22,199 | 22,199 | 22,199 | 0 |
| 2. Others | 11,527 | 13,163 | 12,291 | 1,636 | Capital surplus reserve | 21,727 | 21,727 | 21,727 | 0 |
| 3. Loss allowance for doubtful receivables | 785 | 478 | 771 | 307 | Consolidated surplus | 30,016 | 42,053 | 38,262 | 12,037 |
| Total of investments and other assets | 37,357 | 38,128 | 37,730 | 771 | Balance of other securities appraised | 781 | 1,307 | 871 | 526 |
| Total fixed assets | 125,235 | 127,550 | 126,879 | 2,315 | Accounts of adjustments on exchange conversions | 2,108 | 8,300 | 2,913 | 6,192 |
| | | | | | Treasury stock | 4 | 5 | 5 | 1 |
| | | | | | Total shareholders' equity | 72,611 | 78,981 | 80,141 | 6,370 |
| Total assets | 351,004 | 358,927 | 372,718 | 7,923 | Total liabilities, minority interests, and shareholders' equity | 351,004 | 358,927 | 372,718 | 7,923 |

Notes:

| | Current interim term Million yen | Previous interim term Million yen | Previous term Million yen |
|-------------------------------------------------------------|-------------------------------------|--------------------------------------|------------------------------|
| 1. Cumulative depreciation of property, plant and equipment | 116,568 | 114,839 | 116,447 |
| 2. Liabilities for guarantee | 1,557 | 1,082 | 1,367 |

(2) Consolidated Interim Profit and Loss Statement

(in million yen)

| Item | Current interim term (From April 1, 2001 to September 30, 2001) | Previous interim term (From April 1, 2000 to September 30, 2000) | Previous term (From April 1, 2000 to March 31, 2001) | Change from the previous interim term |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|
| Sales | 150,532 | 158,940 | 328,854 | 95 |
| Cost of sales | 114,337 | 118,810 | 248,432 | 96 |
| Total profits on sales before deferment of profits on installment sales | 36,195 | 40,130 | 80,422 | 90 |
| Deferred balance of profits on installment sales | 889 | 856 | 2,676 | - |
| Gross profit | 35,306 | 40,986 | 83,098 | 86 |
| Selling, general and administrative expenses | 37,872 | 37,323 | 73,206 | 101 |
| Operating profit | - | 3,663 | 9,892 | - |
| Operating loss | 2,566 | - | - | - |
| Non-operating income | | | | |
| 1. Interest received | 366 | 320 | 773 | 114 |
| 2. Received interest on installment sales | 679 | 603 | 1,935 | 113 |
| 3. Dividends received | 105 | 78 | 100 | 135 |
| 4. Investment profit by equity method | - | 635 | 655 | - |
| 5. Others | 1,273 | 2,129 | 4,007 | 60 |
| Total non-operating income | 2,423 | 3,765 | 7,470 | 64 |
| Non-operating expenses | | | | |
| 1. Interest paid | 2,137 | 2,079 | 4,460 | 103 |
| 2. Exchange loss | 1,592 | 988 | 2,999 | 161 |
| 3. Investment loss by equity method | 511 | - | - | - |
| 4. Others | 2,035 | 2,870 | 4,956 | 71 |
| Total non-operating expenses | 6,275 | 5,937 | 12,415 | 106 |
| Ordinary income | - | 1,491 | 4,947 | - |
| Ordinary expense | 6,418 | - | - | - |
| Extraordinary income | 0 | 0 | 0 | - |
| Extraordinary expense | | | | |
| 1. Difference in auxiliary retirement benefits at the time of change of accounting standards | 673 | 673 | 1,346 | 100 |
| 2. Appraised loss of investment securities | - | - | 3,178 | - |
| 3. Structural improvement expenses | 227 | - | 1,727 | - |
| Total extraordinary expense | 900 | 673 | 6,251 | 134 |
| Net profit for interim term before adjustment of taxes | - | 818 | - | - |
| Net loss for interim term (current term) before adjustment of taxes | 7,318 | - | 1,304 | - |
| Corporate, inhabitant, and business taxes | 639 | 2,266 | 5,116 | 28 |
| Return of corporate and other taxes for previous years | 560 | - | - | - |
| Adjustments on corporate and other taxes | 507 | 1,438 | 2,791 | 35 |
| Profit for minority stockholders | 617 | - | - | - |
| Loss for minority stockholders | - | 175 | 434 | - |
| Net profit for interim term | - | 165 | - | - |
| Net loss for interim term (current term) | 7,507 | - | 3,195 | - |

(3) Consolidated Interim Earned Surplus Statement

(in million yen)

| Item | Current interim term (From April 1, 2001 to September 30, 2001) | Previous interim term (From April 1, 2000 to September 30, 2000) | Previous term (From April 1, 2000 to March 31, 2001) | Change from the previous interim term |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|
| Balance of consolidated surplus at beginning of term | 38,262 | 47,368 | 47,368 | 9,106 |
| Increase in consolidated surplus | 0 | 0 | 0 | 0 |
| Decrease in consolidated surplus | | | | |
| 1. Decrease in surplus due to an increase in the number of consolidated subsidiaries | 0 | 4,846 | 4,846 | 4,846 |
| 2. Decrease in surplus due to an increase in the number of affiliates subject to the equity method | 213 | 106 | 106 | 107 |
| 3. Dividends | 431 | 431 | 862 | 0 |
| 4. Directors' bonuses | 95 | 97 | 97 | 2 |
| Total decrease in consolidated surplus | 739 | 5,480 | 5,911 | 4,741 |
| Net profit for interim term | - | 165 | - | 165 |
| Net loss for interim term (current term) | 7,507 | - | 3,195 | 7,507 |
| Balance of consolidated surplus at end of interim term (current term) | 30,016 | 42,053 | 38,262 | 12,037 |

(4) Consolidated Interim Cash Flow Statement

(in million yen)

| Item | Current interim term (From April 1, 2001 to September 30, 2001) | Previous interim term (From April 1, 2000 to September 30, 2000) | Previous term (From April 1, 2000 to March 31, 2001) |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------|
| Cash flow in sales | | | |
| 1. Net profit for interim term before adjustment of taxes | - | 818 | - |
| Net loss for interim term (current term) before adjustment of taxes | 7,318 | - | 1,304 |
| 2. Depreciation cost | 4,859 | 4,986 | 10,474 |
| 3. Increase in loan-loss reserves | 2,388 | 842 | 1,651 |
| 4. Interest and dividends received | 471 | 398 | 873 |
| 5. Interest paid | 2,137 | 2,079 | 4,460 |
| 6. Investment profit/loss by equity method | 511 | 635 | 655 |
| 7. Decrease in notes and accounts receivable | 2,683 | 4,795 | 5,464 |
| 8. Increase in inventories | 23 | 3,300 | 5,816 |
| 9. Increase/decrease in notes and accounts payable | 10,829 | 3,982 | 1,908 |
| 10. Appraised loss of investment securities | 0 | 0 | 3,178 |
| 11. Others | 3,615 | 3,605 | 3,749 |
| Subtotal | 9,678 | 8,810 | 22,236 |
| 12. Corporate and other taxes paid | 3,460 | 1,375 | 2,790 |
| Cash flow in sales | 13,138 | 7,435 | 19,446 |
| Cash flow in investments | | | |
| 1. Expenditure due to time deposits | 590 | 1,289 | 1,391 |
| 2. Reimbursement of time deposits | 66 | 0 | 716 |
| 3. Expenses for securities acquired | 0 | 600 | 600 |
| 4. Income from sale of securities | 0 | 0 | 600 |
| 5. Expenses for tangible fixed assets acquired | 2,372 | 3,780 | 6,821 |
| 6. Expenses for investment securities acquired | 952 | 1,005 | 2,341 |
| 7. Interest and dividends received | 471 | 398 | 873 |
| 8. Dividends received from firms subject to equity method | 25 | 90 | 145 |
| 9. Other investment-related expenses (net amount) | 578 | 1,851 | 1,532 |
| Cash flow in investments | 2,774 | 4,335 | 7,287 |
| Cash flow in financial activities | | | |
| 1. Increase/decrease in short-term loans payable | 3,660 | 5,014 | 3,060 |
| 2. Increase of commercial papers | 10,000 | 0 | 0 |
| 3. Income from long-term loans payable | 0 | 1,768 | 2,607 |
| 4. Expenses for repayment of long-term loans payable | 1,637 | 5,109 | 6,538 |
| 5. Expenses for reimbursement of bonds | 10,000 | 0 | 0 |
| 6. Payment of interests | 2,295 | 2,287 | 4,506 |
| 7. Payment of dividends by parent company | 431 | 431 | 862 |
| 8. Payment of dividends to minority shareholders | 48 | 5 | 8 |
| 9. Income from stocks issued to minority shareholders | 30 | 200 | 250 |
| 10. Income from treasury stocks | 1 | 7 | 7 |
| Cash flow in financial activities | 720 | 10,871 | 12,110 |
| Balance of cash and cash equivalents converted | 73 | 24 | 6 |
| Increase in cash and cash equivalents | 16,705 | 7,795 | 43 |
| Balance of cash and cash equivalents at beginning of term | 51,709 | 50,314 | 50,314 |
| Balance of cash and cash equivalents due to new consolidated affiliates | 0 | 1,352 | 1,352 |
| Balance of cash and cash equivalents at end of interim term (current term) | 35,004 | 43,871 | 51,709 |

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

| | | | |
|---------------------------------------------------------------------------------|--------|--------|--------|
| Accounts of cash and time deposits | 36,022 | 30,250 | 30,479 |
| Short-term investments to be due within 3 months after the dates of acquisition | 208 | 14,910 | 21,905 |
| Total | 36,230 | 45,160 | 52,384 |
| Time deposits for more than 3 months | 1,226 | 1,289 | 675 |
| Cash and cash equivalents | 35,004 | 43,871 | 51,709 |

Important matters the form the basis for compiling interim consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 52

(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) B.V.
- 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) REC Shikoku Co., Ltd.
- 2) Kanai REC Co., Ltd.

2. Application of the equity method

Number of affiliates subject to the equity method: 5

(1) Main affiliates subject to the equity method

Deere-Hitachi Construction Machinery Corporation

(2) Firms newly subjected to the equity method

Sokuto Co., Ltd.

3. Date of settlement of interim accounts for consolidated subsidiaries

Here is a list of the consolidated subsidiaries which settle their interim 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) PT. Hexindo Adiperkasa Tbk.
- 6) Hefei Hitachi Excavators Corporation
- 7) Hitachi Construction Machinery (Shanghai) Co., Ltd.
- 8) Hitachi Construction Machinery (Hong Kong) Co., Ltd.

All the above firms settle their interim accounts on June 30. They use the interim financial statements as of the same date in preparing interim 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 interim 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 interim 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 interim 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. Scope of funds in the statement of interim 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.

6. Accounting of consumption and other taxes

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

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 half year (at the end of the full year)

| | (Current interim term) million yen | (Previous interim term) million yen | (Previous term) million yen |
|-----------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------|-----------------------------------|
| Amount equivalent to the acquisition price | 14,284 | 10,482 | 12,545 |
| Amount equivalent to the cumulative depreciation cost | <u>5,207</u> | <u>4,467</u> | <u>4,446</u> |
| Amount equivalent to the balance at the end of the half year (at the end of the full year) | 9,077 | 6,015 | 8,099 |

- (2) Amount equivalent to the balance at the end of the half year (at the end of the full year) for unmaturing lease fees

| | (Current interim term) million yen | (Previous interim term) million yen | (Previous term) million yen |
|------------------|------------------------------------------|-------------------------------------------|-----------------------------------|
| 1 year or less | 3,221 | 2,493 | 2,869 |
| More than 1 year | <u>7,792</u> | <u>4,861</u> | <u>6,763</u> |
| Total | 11,013 | 7,354 | 9,632 |

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

| | (Current interim term) million yen | (Previous interim term) million yen | (Previous term) million yen |
|--------------------------------------------|------------------------------------------|-------------------------------------------|-----------------------------------|
| Lease fees paid | 1,448 | 1,284 | 2,696 |
| Amount equivalent to the depreciation cost | <u>1,400</u> | <u>1,134</u> | <u>2,538</u> |
| Amount equivalent to the interest paid | 132 | 87 | 201 |

- (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 interim term) million yen | (Previous interim term) million yen | (Previous term) million yen |
|------------------|------------------------------------------|-------------------------------------------|-----------------------------------|
| 1 year or less | 13,015 | 10,712 | 12,400 |
| More than 1 year | 27,029 | 23,034 | 27,183 |
| <u>Total</u> | <u>40,044</u> | <u>33,746</u> | <u>39,583</u> |

2. Lessor

(1) Unmatured lease fees

| | (Current interim term) million yen | (Previous interim term) million yen | (Previous term) million yen |
|------------------|------------------------------------------|-------------------------------------------|-----------------------------------|
| 1 year or less | 4,436 | 4,776 | 4,665 |
| More than 1 year | 5,634 | 8,285 | 7,816 |
| <u>Total</u> | <u>10,070</u> | <u>13,061</u> | <u>12,481</u> |

5. Segment Information

(1) Segment information by business type

During the preceding year (from April 1, 2000 through March 31, 2001), the preceding half year (from April 1, 2000 through September 30, 2000), and this current half year (from April 1, 2001 through September 30, 2001), this consolidated group exceeded 90% of the total sales and total operating profits of all segments. The segment information by business category is therefore omitted in this report.

(2) Segment information by area

(in million yen)

| | Current interim term (From April 1, 2001 to September 30, 2001) | | | Previous interim term (From April 1, 2000 to September 30, 2000) | | | Previous term (From April 1, 2000 to March 31, 2001) | | |
|--------------------------------|-----------------------------------------------------------------------|---------------------|---------|------------------------------------------------------------------------|---------------------|---------|------------------------------------------------------------|---------------------|---------|
| | Sales | Operating profit | Assets | Sales | Operating profit | Assets | Sales | Operating profit | Assets |
| Japan | 126,582 | 5,605 | 301,393 | 132,330 | 3,185 | 316,129 | 273,718 | 11,222 | 328,556 |
| Asia | 19,500 | 2,375 | 37,709 | 15,635 | 1,500 | 30,978 | 31,586 | 2,533 | 35,531 |
| Others | 31,641 | 956 | 49,785 | 25,924 | 681 | 39,558 | 51,922 | 1,214 | 43,535 |
| Subtotal | 177,723 | 2,274 | 388,887 | 173,889 | 4,004 | 386,665 | 357,226 | 12,541 | 407,622 |
| Deleted or company- wide | 27,191 | 292 | 37,883 | 14,949 | 341 | 27,738 | 28,372 | 2,649 | 34,904 |
| Total | 150,532 | 2,566 | 351,004 | 158,940 | 3,663 | 358,927 | 328,854 | 9,892 | 372,718 |

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

(3) Overseas sales

(in million yen)

| | Current interim term (From April 1, 2001 to September 30, 2001) | | Previous interim term (From April 1, 2000 to September 30, 2000) | | Previous term (From April 1, 2000 to March 31, 2001) | |
|----------------------------|-----------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|----------------------------------------------------|
| | Sales | Percentage of sales in consolidated sales | Sales | Percentage of sales in consolidated sales | Sales | Percentage of sales in consolidated sales |
| North America | 18,651 | 12.4% | 21,766 | 13.7 % | 49,260 | 15.0% |
| Asia | 20,223 | 13.4 | 17,647 | 11.1 | 37,195 | 11.3 |
| Others | 29,537 | 19.6 | 29,470 | 18.5 | 59,097 | 18.0 |
| Total Overseas sales | 68,411 | 45.4 | 68,883 | 43.3 | 145,552 | 44.3 |
| Consoli- dated sales | 150,532 | 100.0 | 158,940 | 100.0 | 328,854 | 100.0 |

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

6. Securities

(1) Other securities with market value

(in million yen)

| Category | Current interim term (As of September 30, 2001) | | | Previous interim term (As of September 30, 2000) | | | Previous term (As of March 31, 2001) | | |
|-----------------|----------------------------------------------------|-----------------------------------------------------|------------|-----------------------------------------------------|-----------------------------------------------------|------------|-----------------------------------------|---------------------------------------------|------------|
| | Acquisition cost | Amount posted on consolidated interim balance sheet | Difference | Acquisition cost | Amount posted on consolidated interim balance sheet | Difference | Acquisition cost | Amount posted on consolidated balance sheet | Difference |
| Stocks | 4,929 | 6,268 | 1,339 | 4,931 | 7,176 | 2,244 | 4,921 | 6,418 | 1,497 |
| Bonds | | | | | | | | | |
| Corporate bonds | 9 | 10 | 1 | 9 | 10 | 1 | 9 | 10 | 1 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 4,938 | 6,278 | 1,340 | 4,940 | 7,186 | 2,245 | 4,930 | 6,428 | 1,498 |

(2) Main securities not valued at market prices

(in million yen)

| Category | Current interim term (As of September 30, 2001) | Previous interim term (As of September 30, 2000) | Previous term (As of March 31, 2001) |
|---------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|
| | Amount posted on the consolidated interim balance sheet | Amount posted on the consolidated interim balance sheet | Amount posted on the consolidated balance sheet |
| Other securities | | | |
| Unlisted stocks other than OTC stocks | 6,448 | 2,323 | 2,358 |
| Unlisted foreign bonds | 1,500 | 500 | 1,500 |
| Money management funds | 0 | 9,910 | 9,909 |
| Asset-liquidated securities | 0 | 600 | 0 |
| Total | 7,948 | 13,333 | 13,767 |

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

Currencies

(in million yen)

| Category | Type | Current interim term (As of September 30, 2001) | | | | Previous interim term (As of September 30, 2000) | | | | Previous term (As of March 31, 2001) | | | |
|---------------------------------------------|----------------------------|----------------------------------------------------|------------------|--------------|----------------------|-----------------------------------------------------|------------------|--------------|----------------------|-----------------------------------------|------------------|--------------|----------------------|
| | | Contractual or other amount | | Market value | Appraisal difference | Contractual or other amount | | Market value | Appraisal difference | Contractual or other amount | | Market value | Appraisal difference |
| | | | More than 1 year | | | | More than 1 year | | | | More than 1 year | | |
| Transactions other than market transactions | Forward exchange contracts | | | | | | | | | | | | |
| | Selling in | | | | | | | | | | | | |
| | US dollar | 14,597 | 0 | 14,533 | 64 | 12,503 | 0 | 12,946 | 443 | 19,298 | 0 | 21,069 | 1,771 |
| | Euro | 6,256 | 0 | 6,405 | 149 | 7,446 | 0 | 7,345 | 101 | 6,096 | 0 | 6,595 | 499 |
| | British pound | - | - | - | - | 165 | 0 | 161 | 4 | - | - | - | - |
| | Buying in | | | | | | | | | | | | |
| | US dollar | 107 | 0 | 112 | 5 | - | - | - | - | - | - | - | - |
| Australian dollar | 12 | 0 | 12 | - | - | - | - | - | - | - | - | - | |
| | Total | - | - | - | 80 | - | - | - | 338 | - | - | - | 2,270 |

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

March 2002 Outline of Individual Interim Financial Statement

October 30, 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 interim financial settlement: October 30, 2001

Interim dividend: Exist

Delivery date of interim dividend: _____

1. Performance of the half year up to September 2001 (April 1, 2001 through September 30, 2001)

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

| | Sales | | Operating profit | | Current profit | |
|----------------------------|-------------|------|------------------|-------|----------------|------|
| | million yen | % | million yen | % | million yen | % |
| September 2001 (half year) | 104,854 | Δ3.6 | 658 | Δ83.6 | Δ1,984 | — |
| September 2000 (half year) | 108,737 | Δ0.3 | 4,003 | 184.1 | 2,036 | 41.5 |
| March 2001 | 224,617 | | 10,493 | | 6,726 | |

| | Net profit of half year (current term) | | Net profit of half year (current term) per share | |
|----------------------------|----------------------------------------|-----|--------------------------------------------------|-----|
| | million yen | % | yen | sen |
| September 2001 (half year) | Δ5,412 | — | Δ37 | 65 |
| September 2000 (half year) | 848 | 1.1 | 5 | 91 |
| March 2001 | Δ1,165 | | 8 | 10 |

Notes:

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

September 2001 (half year): 143,748,517 shares September 2000 (half year): 143,748,517 shares

March 2001: 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 half year (current term) are the rates of increase and decline for the half year from the preceding year.

(2) Dividend condition

| | Interim dividend per share | | Annual dividend per share | |
|----------------------------|----------------------------|-----|---------------------------|-----|
| | yen | sen | yen | sen |
| September 2001 (half year) | 0 | 00 | — | — |
| September 2000 (half year) | 3 | 00 | — | — |
| March 2001 | — | — | 6 | 00 |

Note: Breakdown of the interim dividend in September 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 |
| September 2001 (half year) | 261,466 | 86,370 | 33.0 | 600 | 85 |
| September 2000 (half year) | 279,640 | 93,715 | 33.5 | 651 | 94 |
| March 2001 | 289,020 | 92,391 | 32.0 | 642 | 73 |

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

September 2001 (half year): 143,748,517 shares September 2000 (half year): 143,748,517 shares

March 2001: 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 | | | |
|------------|-------------|----------------|-----------------------------|---------------------------|-----|-----|-----|
| | | | | End of term | | | |
| | million yen | million yen | million yen | yen | sen | yen | sen |
| Whole term | 216,000 | 600 | Δ7,200 | – | | – | |

[Supplementary information] Projected net profit per share for current year (whole term): Δ50.09 yen

8. Individual Financial Statements

(1) Balance Sheet

(in million yen)

| Item | Current interim term (As of September 30, 2001) | Previous interim term (As of September 30, 2000) | Previous term (As of March 31, 2001) | Change from the previous interim term | Item | Current interim term (As of September 30, 2001) | Previous interim term (As of September 30, 2000) | Previous term (As of March 31, 2001) | Change from the previous interim term |
|-----------------------------------------------|----------------------------------------------------|-----------------------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|-----------------------------------------|---------------------------------------|
| [Assets] | | | | | [Liabilities] | | | | |
| Current assets | | | | | Current liabilities | | | | |
| 1. Cash and time deposits | 23,523 | 12,987 | 18,089 | 10,536 | 1. Notes payable | 3,659 | 3,639 | 4,239 | 19 |
| 2. Notes receivable | 13,493 | 24,980 | 17,083 | 11,486 | 2. Accounts payable | 41,616 | 43,390 | 49,512 | 1,773 |
| 3. Accounts receivable | 53,307 | 53,966 | 58,914 | 659 | 3. Short-term loans payable | 5,008 | 5,008 | 5,008 | 0 |
| 4. Securities | 0 | 10,509 | 9,909 | 10,509 | 4. Commercial papers | 10,000 | 0 | 0 | 10,000 |
| 5. Inventories | 30,592 | 30,737 | 30,739 | 145 | 5. Redeemable bonds with in a year | 30,000 | 10,000 | 20,000 | 20,000 |
| 6. Short-term loans receivable | 11,014 | 21,566 | 28,258 | 10,551 | 6. Income taxes payable | 65 | 1,950 | 3,166 | 1,885 |
| 7. Total deferred taxes | 6,113 | 1,886 | 3,844 | 4,227 | 7. Installments receivable | 775 | 2,947 | 1,165 | 2,171 |
| 8. Others | 2,530 | 2,460 | 3,694 | 69 | 8. Deferred interests of installments | 466 | 1,680 | 701 | 1,213 |
| 9. Loss allowance for doubtful receivables | 2,810 | 2,980 | 3,140 | 170 | 9. Others | 13,512 | 15,119 | 21,813 | 1,606 |
| Total current assets | 137,766 | 156,115 | 167,394 | 18,349 | Total current liabilities | 105,104 | 83,735 | 105,606 | 21,369 |
| Fixed assets | | | | | Fixed liabilities | | | | |
| (1) Tangible fixed assets | | | | | 1. Bonds | 50,000 | 80,000 | 70,000 | 30,000 |
| 1. Buildings | 16,237 | 17,290 | 16,802 | 1,052 | 2. Long-term loans payable | 1,131 | 1,579 | 1,355 | 448 |
| 2. Machinery and equipment | 9,699 | 10,092 | 9,810 | 392 | 3. Allowance for employee retirement benefits | 12,726 | 13,955 | 12,889 | 1,229 |
| 3. Lands | 28,766 | 28,391 | 28,766 | 375 | 4. Director's retirement allowance payable | 651 | 1,210 | 1,287 | 558 |
| 4. Others | 6,670 | 7,254 | 6,901 | 583 | 5. Guarantee deposits | 5,395 | 5,388 | 5,388 | 6 |
| Total of tangible fixed assets | 61,375 | 63,028 | 62,280 | 1,653 | 6. Others | 86 | 55 | 100 | 31 |
| (2) Intangible fixed assets | 1,923 | 818 | 1,922 | 1,104 | Total fixed liabilities | 69,990 | 102,189 | 91,022 | 32,198 |
| (3) Investments and other assets | | | | | Total liabilities | 175,095 | 185,924 | 196,628 | 10,828 |
| 1. Stocks of affiliates | 38,418 | 35,413 | 36,282 | 3,005 | [Shareholders' equity] | | | | |
| 2. Total deferred taxes | 6,941 | 5,356 | 5,535 | 1,584 | Capital stock | 22,199 | 22,199 | 22,199 | 0 |
| 3. Others | 15,481 | 19,817 | 16,064 | 4,335 | Capital surplus | 21,726 | 21,726 | 21,726 | 0 |
| 4. Loss allowance for doubtful receivables | 440 | 420 | 460 | 20 | Reserve | | | | |
| 5. Allowance of overseas investment appraisal | 0 | 489 | 0 | 489 | Revenue reserve | 2,161 | 2,067 | 2,110 | 94 |
| Total of investments and other assets | 60,401 | 59,677 | 57,422 | 724 | Other surplus | | | | |
| Total fixed assets | 123,700 | 123,524 | 121,626 | 175 | 1. Voluntary reserve | 44,407 | 43,901 | 43,901 | 505 |
| Total assets | 261,466 | 279,640 | 289,020 | 18,173 | 2. Unappropriated income for interim (current) term | - | 2,654 | 2,496 | 2,654 |
| | | | | | Unappropriated loss for interim term | 3,973 | - | - | 3,973 |
| | | | | | Total of other surplus | 40,433 | 46,556 | 46,398 | 6,123 |
| | | | | | Balance of other securities appraised | 149 | 1,166 | 42 | 1,315 |
| | | | | | Total shareholders' equity | 86,370 | 93,715 | 92,391 | 7,344 |
| | | | | | Total liabilities and shareholders' equity | 261,466 | 279,640 | 289,020 | 18,173 |

Notes:

| | Current interim term Million yen | Previous interim term Million yen | Previous term Million yen |
|-------------------------------------------------------------|-------------------------------------|--------------------------------------|------------------------------|
| 1. Cumulative depreciation of property, plant and equipment | 88,137 | 86,722 | 86,439 |
| 2. Liabilities for guarantee | 26,751 | 21,947 | 25,813 |

(2) Profit and Loss Statement

(in million yen)

| Item | Current interim term (As of September 30, 2001) | Previous interim term (As of September 30, 2000) | Previous term (As of March 31, 2001) | Change from the previous interim term |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------|---------------------------------------------|
| Sales | 104,854 | 108,737 | 224,617 | % 96 |
| Cost of sales | 81,678 | 82,335 | 170,496 | 99 |
| Total profits on sales before deferment of profits on installment sales | 23,176 | 26,401 | 54,120 | 88 |
| Deferred balance of profits on installment sales | 389 | 935 | 2,717 | 42 |
| Gross profit | 23,565 | 27,336 | 56,837 | 86 |
| Selling, general and administrative expenses | 22,907 | 23,332 | 46,343 | 98 |
| Operating profit | 658 | 4,003 | 10,493 | 16 |
| Non-operating income | 1,278 | 1,771 | 4,260 | 72 |
| Non-operating expenses | 3,920 | 3,738 | 8,028 | 105 |
| Ordinary income | - | 2,036 | 6,726 | - |
| Ordinary expense | 1,984 | - | - | - |
| Extraordinary income | | | | |
| 1. Profit on sale of investment securities | 0 | 0 | 599 | - |
| 2. Return of allowance of overseas investment appraisal | 0 | 0 | 489 | - |
| Total extraordinary income | 0 | 0 | 1,089 | - |
| Extraordinary expense | | | | |
| 1. Difference in auxiliary retirement benefits at the time of change of accounting standards | 512 | 512 | 1,024 | 100 |
| 2. Loss on restructuring of affiliates' business | 7,010 | 0 | 4,077 | - |
| Total extraordinary expense | 7,522 | 512 | 5,102 | 1,469 |
| Net profit for interim (current) term before taxes | - | 1,523 | 2,713 | - |
| Net loss for interim term before taxes | 9,507 | - | - | - |
| Corporate, inhabitant, and business taxes | 65 | 1,740 | 3,883 | 4 |
| Return of corporate and other taxes for previous years | 560 | - | - | - |
| Adjustments on corporate and other taxes | 3,598 | 1,065 | 2,334 | 338 |
| Net profit for interim (current) term | - | 848 | 1,165 | - |
| Net loss for interim term | 5,412 | - | - | - |
| Surplus brought forward from the previous term | 1,438 | 1,805 | 1,805 | 80 |
| Interim dividends | - | - | 431 | - |
| Surplus reserve deposits for interim dividends | - | - | 43 | - |
| Unappropriated profit for interim (current) term | - | 2,654 | 2,496 | - |
| Unappropriated loss for interim term | 3,973 | - | - | - |

Important matters that form the basis for compiling interim financial statements

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 interim 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. 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 HCM group has posted the amounts which are considered to have occurred at the end of this half year 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.