March 2002 Brief Announcement of Financial Statement (Consolidated)

April 26, 2002

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
Code number: 6305 Location of head office: Tokyo
(URL http://www.hitachi-kenki.co.jp)
Reference:
Person in charge of the reference: Shiro Ishii
Position of the person: General Manager of Corporate Communication Dept.
Tel: (03) 3830-8065
Meeting date of the Board of Directors for financial settlement: April 26, 2002
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 2002 (April 1, 2001 through March 31, 2002)

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

	Sales		Operating profit		Ordinary income	
	million yen	%	million yen	%	million yen	%
March 2002	298,766	(9.1)	(3,295)	–	(11,320)	–
March 2001	328,854	2.7	9,892	63.3	4,947	23.2

	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 ordinary income to total capital	Ratio of ordinary income to sales
	Million yen	%	yen	sen	yen	sen	%	%	%
March 2002	(17,603)	451.0	(122)	47		–	(24.3)	(3.1)	(3.8)
March 2001	(3,195)	–	(22)	23		–	(3.7)	(1.3)	1.5

Notes:
1) Profit or loss based on the equity-method investment balance:
March 2002: (1,987 million yen) March 2001: 655 million yen
2) Mid-term average number of shares (consolidated):
March 2002: 143,737,600 shares March 2001: 143,732,595 shares
3) Change in the method of accounting: None
4) The percentages indicated for sales, operating profit, ordinary income, 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 2002	360,008	64,977	18.0	452	7
March 2001	372,718	80,141	21.5	557	55

Note: Number of outstanding shares at the end of term (consolidated):
March 2002: 143,730,635 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
March 2002	(23,795)	(5,512)	10,598	33,102
March 2001	19,446	(7,287)	(12,110)	51,709

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

Number of consolidated subsidiaries: 52

Number of unconsolidated subsidiaries subject to the equity method: 0

Number of affiliates subject to the equity method: 6

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

Consolidation (new): 2 companies, (excepted) 1 company

Equity method (new): 2 companies, (excepted) 0 company

2. Consolidated performance projections for March 2003 (April 1, 2002 through March 31, 2003)

	Sales	Ordinary income	Net profit for current term
	million yen	million yen	million yen
Interim term	147,000	1,800	600
Whole term	297,000	6,300	2,000

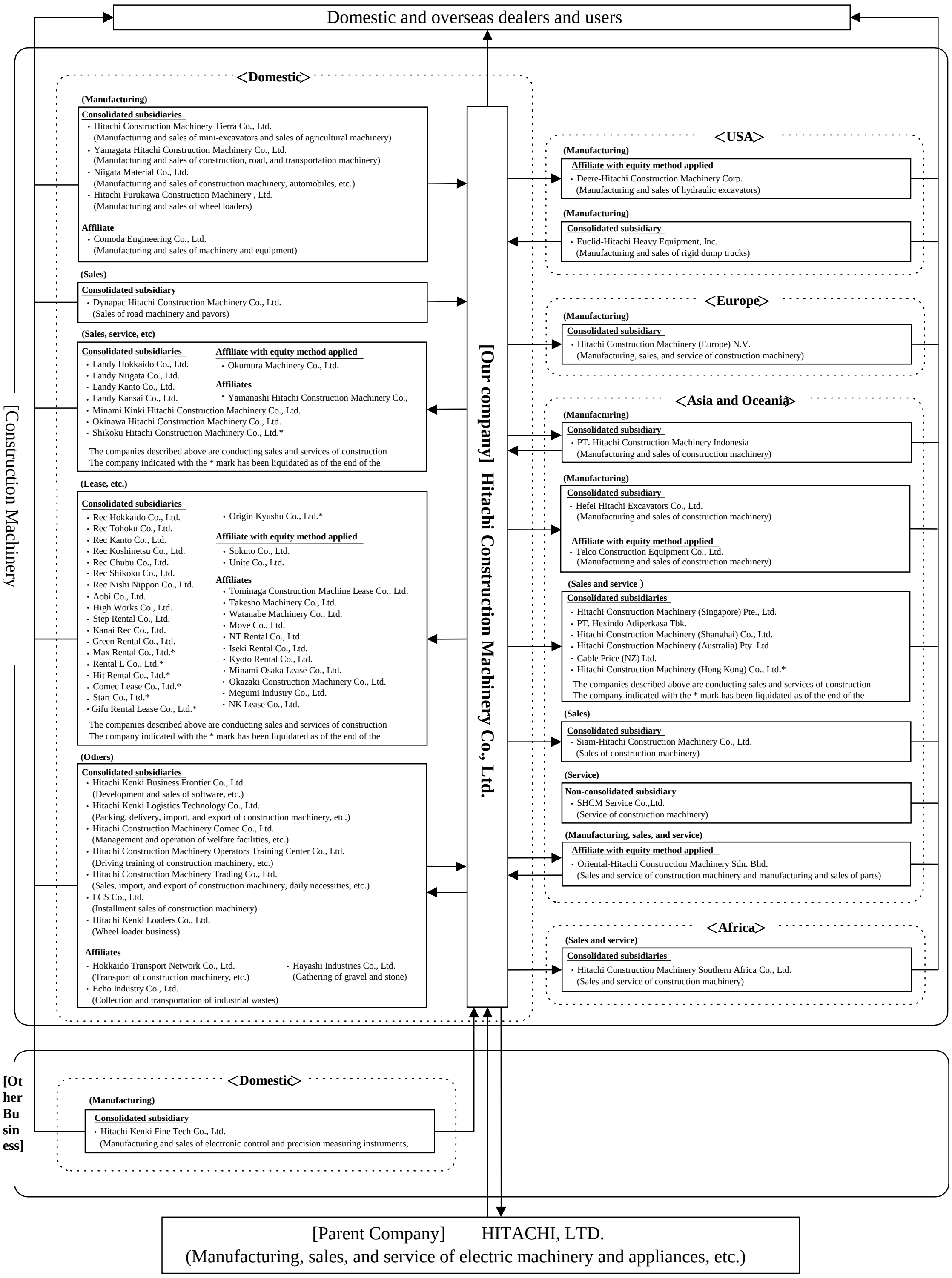
[Supplementary information] Projected net profit per share for current year (whole term): 13.91 yen

Note: The projections indicated above are based on information that was available as of the date when this document was released. Actual performance may differ from the projections due to various factors in the future.

Attachment

1. Status of the corporate group

This consolidated group consists of Hitachi Construction Machinery, its parent company, its 52 subsidiaries, and its 22 affiliates. Its business mainly involves the manufacture, sale, service, and lending of construction machinery. It also manufactures and sells electronics controllers.
Here is a system chart of business conducted by this consolidated group.



(Note) → Flow of products, parts, and services

2. Managerial principles

(1) Basic principles of management

i. We will implement consolidated management thoroughly and step it up in an attempt to increase the corporate value of the entire group. To that end, we will be committed to increasing Future Inspiration Value (FIV), which is a measure of corporate value assessment common to all members of the Hitachi group.

ii. To establish its position firmly in the world's construction machinery market, we will go global with a five-pole system (involving Japan, USA, Europe and Africa, Australia and Asia, and China), including the stepping-up of alliances both at home and abroad.

iii. We will train not only suppliers of construction machinery but also those of environmental and other non-construction commodities as total solution suppliers furnished with both hardware and software, thus diversifying in business. As the basic principles for implementing these principles, we ensure "general management," "super-fast management," and "information management" in the group.

(2) Basic principles for profit appropriation

Our basic principle is to keep giving stable dividends while considering future business plans, financial status, and profitability. We also intend to pass on profits to shareholders in a manner linked with performance. During fiscal 2001, in view of the severe performance results, we canceled the interim dividend. As for the term-end dividend, too, quite regrettably, we are scheduled to ask to have it canceled at the 38th regular shareholders' general meeting, which is to take place on June 27, 2002.

(3) Interim managerial strategy

i. Results of "Jump-up 30 for 21"
We implemented a four-year interim management plan, ending at the end of fiscal 2001. Regrettably, however, we were unable to reach the targets in performance due to the recession much longer and serious than we had expected earlier. However, in terms of measures, we took specific measures steadily to "create demand," "advance international business," "increase productivity," and "step up the financial condition" in an attempt to strengthen our management base.

ii. Implementing "structural reforms by declaring a state of emergency"
Since the market environment was projected to worsen quickly in and after the latter half of fiscal 2001, we issued a "declaration of a state of emergency" as an emergency measure in July 2001, tackled structural reforms in our business with all the capabilities of the group, and promoted a switch to stepping up our corporate structure that remains profitable even in times of low demand. Here are the specific measures:

1) Cutting fixed costs
As a result of our efforts until the end of fiscal 2002 to make cuts in personnel and overhead according to a target of a 20% cut from our earlier plan for fiscal 2001, we obtained the prospects of being able to slash the fixed costs for fiscal 2002 by 15 billion yen on a parent-only basis.
The number of applicants for the early retirement program reached 505 (parent-only) and 614 (on a total domestic consolidated basis). At the end of fiscal 2003, the number of personnel is projected to go down by 849 to 3,222 on a parent-only basis, and by 1,109 to 5,516.

2) Cuts in proportional costs
We implemented aggressive 20% cuts in costs by conducting Procurement Renewal Project (PRP) and Service-Value Engineering for Customers (S-VEC). By the end of fiscal 2001, we achieved 7% cuts in materials costs. We are planning to reach the target by March 2003.
As a result of the above, break-even sales in fiscal 2002 is projected to reach 170 billion yen on a parent-only basis. The company may thus swing back to profitability.

3) Other
To implement our business soundly in the future, we reorganized our domestic operations (mainly rental ones) and made our assets sound while slimming our work force. As a result, we posted 19.9 billion yen in extraordinary losses on a parent-only basis.

iii. Taking "mid-to-long-term measures"
While conducting structural reforms according to the aforementioned declaration of a state of emergency as our emergency challenge, we are taking mid-to-long-term measures in order to "make a V-shaped recovery in performance" and "increase corporate value by FIV Positive" as follows:

1) Considering and conducting organization reforms
In response to the narrowing of the domestic market, the rise in the importance of overseas operations, and the diversification of customer needs, we considered an organization that enables flexible and high-mobility business that strengthens the entire group, and conducted organizational reforms on April 1, 2002. This integrates the domestic and international strategic departments into one, strengthens profit-loss management by project, segment, and region, and determines more clearly who is responsible for what. Each supervising headquarters has functions as described below:
- Sales & Solution (S&S) supervision headquarters: Through response to customer orientation (total solutions) and globalization. Supervises the domestic and international sales departments in a vertical manner.
- Business supervision headquarters: Segment-specific divisions develop products linked directly to customers and markets and supervise developments and related matters.
- Production and procurement supervision headquarters: We produce and procure goods in the locations in the world that are the optimal for specific goods, in an attempt to ensure the world's top cost competitiveness.

2) Structural reforms in domestic business
While establishing a market position firmly in existing business segments, we will focus our efforts on the following:
- Stepping up our environmental system business
  In recycling and environmental conservation, demand is projected to grow due to various legal controls. Regarding the Law for Controlling Soil Contamination, which is to be established during this fiscal year, we will set up a "Soil Purification Business Project." We will then establish a consortium system consisting of interested companies and establish a continuous order intake system in an attempt to increase sales.
- Stepping up our rental business
  Quick growth is expected in the percentage of rental business in domestic consolidated sales. The percentage is projected to be 32.5% in fiscal 2002. To

increase sales and the recouping ratio, we are shifting to total rental business, setting up combination sites of our company and our rental subsidiaries, and arranging and operating assets efficiently. To cut repair and purchase costs, we are also implementing Rental-Value Engineering for Customers (R-VEC) on a companywide basis.

3) Advancing international business

The percentage of overseas operations on a consolidated basis was 48.7% in fiscal 2001. It is projected to go up to 54.1% in fiscal 2004. Here are the region-specific strategies:

- Reorganizing business in USA
  * To speed up managerial decision-making and customer support, our company and Deere & Co. agreed to integrate the sales and solution business of construction, forestry, and mining machinery of the Hitachi and the Deere brands in North, Middle, and South Americas (one management, two brands). This is a new step to step up further the business relationship between our company and Deere. The two companies will increase customers' value added and sales efficiency, while making the products of the two companies' brands even more competitive in North, Middle, and South Americas.
  * Euclid-Hitachi Heavy Equipment Inc. will increase profitability by restructuring its business.
- Promoting Europe's unique business

  In preparation for the startup of full-scale sales in January 2003, the new plant and training center being built in Amsterdam are in a steady progress. In July 2002, we will begin setting up our unique sales network.
- China Division

  Both production and sales are in steady progress. To cope with intensifying sales competition, we will step up our dealerships. By expanding local production, we will increase cost-competitiveness.
- Australia Division

  We will be devoted to the mining market and step up our efforts to sell super-large hydraulic excavators together with accessories. In so doing, we will win new customers and increase sales.

4) Alliances with competitors

- Wheel loader business

  A Development Center was set up in April 2001 by three companies: TCM Co., Ltd., Furukawa Co., Ltd., and our company. We are integrating the expertise of the three companies and avoiding overlapped investments in the same areas, thus increasing development efficiency.
- Hydraulic equipment business

  We bought the hydraulic equipment business from Bosch Automotive System Corp. in September 2001. With that, we will increase sales to related customers.
- Crawler crane business

  We set up a joint venture for crawler crane business together with Sumitomo Heavy Industries, Ltd. and Sumitomo Heavy Industries Construction Crane Co., Ltd. Through the joint venture, we will implement global strategies for forming a top group in the world market in capabilities of development, production, procurement, and sales, by means such as developing common models.

- Tunnel excavator business
  We successfully integrated our development and production resources with Hitachi Zosen Corp. The two companies set up a joint venture, called Geological Technology & Machinery Co., Ltd. in April 2002.
- We started considering mutual cooperation with Komatsu Ltd. in production and purchase areas. We will put these plans into practice one by one, in and after the latter half of 2002. The tie-up of the two leading manufacturers of construction machinery in the world will build of firm market position on the basis of competitiveness in cost and products.

5) Improving the financial condition
- By implementing the C Project (Cash Flow Project), we will work to reduce trade receivables and numbers of days inventories stay on hand on a consolidated basis. The target for September 2002 is to achieve a 17% cut from September 2000.
- By setting up a Supply Chain Management (SCM) Reform Headquarters in April 2002, we will promote the improvement of the consolidated cash flows by implementing business reforms through a review of the supply chain in all operations in our company and our group affiliates.

3. Performance results and financial condition

(1) Overview of the current fiscal year

The business environment surrounding our company during this fiscal year was as follows: At home, we saw a decline in demand for hydraulic excavators (which are our major product) by about 32% from the preceding fiscal year due to the inhibition of public spending and the decline in private sector capital investment. Abroad, the environment was severe due to such causes as the slowdown of the world economy since the September 11 terrorist attacks.

Under these circumstances, despite increased exports to China and Oceania, which showed high growth, the decline in the domestic and the North American markets exercised a great impact. As a result, consolidated sales remained as low as 298,766 million yen, accounting for 91% of the preceding fiscal year's level, while parent-only sales was as low as 198,913 million yen, accounting for 89% of the preceding fiscal year's level.

In terms of profits and losses, a decline was seen in profits due to reduced sales and lower prices, while structural improvement expenses for the future were posted as extraordinary losses on a consolidated basis. As a result, the extraordinary loss was 11,320 million yen and the current net loss 17,603 million yen. On a parent-only basis, the addition of losses from the reorganization of business with subsidiaries and other affiliates resulted in an ordinary loss of 4,096 million yen and a current net loss of 14,724 million yen.

In consolidated accounting in the Hitachi Construction Machinery Group, construction machinery and related business account for the majority of the business. We are therefore omitting the segment information. The market condition of the consolidated companies are similar to that of the parent company and has their performance almost linked with the latter. We will therefore give an overview of the performance by major sales item in parent-only accounting as we have done until the previous year.

-Hydraulic excavators

As for hydraulic excavators, we introduced the functions of the information shovel ZAXIS series into the large hydraulic excavators as an addition to the lineup. We also sold products aggressively for solution sales including e-service and finance. In the Japanese market, however, our performance went below the preceding fiscal year's level due to a major decline in demand which far exceeded our expectations. In terms of exports, the decline due to reduced demand in the North American market was covered by increased sales to China and Oceania, which are seeing growing sales.

As for new products, we released a total of five models, including one of the world's largest-size hydraulic excavator EX5500 equipped with a clean engine conforming to the exhaust gas control of the U.S. Environmental Protection Agency and two models of large hydraulic excavators conforming to the secondary control on exhaust gases by the Ministry of Land, Infrastructure and Transport of Japan.

As a result, sales of hydraulic excavators totaled 82,823 million yen, accounting for 82% of the preceding fiscal year's level.

- Mini-excavators

As for mini-excavators, in the domestic market, we released three models of super-small-swivel mini-excavators and five models of rear super-small-swivel mini-excavators conforming to the secondary control on exhaust gases by the Ministry of Land, Infrastructure and Transport and equipped with e-excavation capability capable of providing information about the operating status and location of the machine. Sales of these models, however, went below the preceding fiscal year's level due to reduced demand stemming from sluggish housing starts and other causes. Overseas, we saw a slowdown in Europe and North America, far below the preceding fiscal year's level.
As a result, sales amount of mini-excavators was 12,333 million yen, accounting for 62% of the preceding fiscal year's level.

- Crawler cranes and foundation works machinery

Demand for crawler cranes and foundation works machinery still remained slow in the domestic market, due to a continued decline in public works projects and private sector construction projects despite aggressive sales activities centering on demand for renewals. It thus went below the preceding fiscal year's level.
As a result, sales of crawler cranes and foundation works machinery totaled 3,878 million yen, accounting for 62% of the preceding fiscal year's level.

- Wheel loaders

As for wheel loaders, TCM Co., Ltd., Furukawa Co., Ltd., and our company conducted joint development in order to make major cost cuts by intensive purchase and productivity improvement in an attempt to step up salability even further. We then released a total of seven models (mid- and small-size classes) as the first standard models. The introduction of these new products conforming to the secondary control on exhaust gases and clearing the low-noise standards bore fruit, resulting in sales exceeding the preceding fiscal year's level in the domestic market.
As a result, sales of wheel loaders totaled 5,342 million yen, accounting for 111% of the preceding fiscal year's level.

- Industrial systems and related products

[Environmental and recycled products]

Environmental products which are expected to see major growth in demand in the future are a category to which we are now most devoted. Since the last fiscal year, we have been stepping up our proposition-based sales, system engineering, and consultation in an attempt to expand system sales, thus conducting aggressive sales activities. We will continue our efforts to establish our position firmly in the new market.

[Applied products based on construction machinery, along with industrial vehicles, underground products, and other products]

As for applied products based on construction machinery, we developed products to meet the various market needs accurately, thus working to make additions to our lineup. As for industrial vehicle products, we successfully won large-quantity orders of rigid dumps from Thailand and South Africa. As for second-hand vehicles, we integrated all our second-hand vehicle business in Hitachi Construction Machinery Trading Co., Ltd. for the current fiscal year and later. While increasing numbers of auctions in permanent exhibition facilities, we held Internet auctions, thus achieving 121% of the preceding fiscal year's level.

As for new products, we introduced into the market a total of eight models, including crawler-type height work vehicles and full-swivel rubber crawler carriers.

As a result, sales of industrial systems and related products totaled 58,592 million yen, accounting for 99% of the preceding fiscal year's level.

- Services

As for services, we conducted Service-VEC (S-VEC) in the domestic market. The S-VEC is based on Value Engineering for Customers (VEC). At the same time, we provided a ZAXIS Value Pack, which is a package of contract service, machinery insurance, and finance, along with a ZAXIS Net, designed to allow users to obtain machinery information. We were thus aggressive. To protect our customers' machinery from burglary, we also developed a burglar-preventive system (e-Guard) based on a cellular phone, electronic locking, and other systems, thus taking aggressive measures, resulting in sales topping the preceding fiscal year's level. Our overseas performance also topped the preceding fiscal year's level due to a rise in parts supplies.

As a result, service sales totaled 35,942 million yen, accounting for 107% of the preceding fiscal year's level.

(2) Status of consolidated cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current fiscal year totaled 33,102 million yen, down 18,607 million yen from the end of the preceding fiscal year. Here is a description of the status of each category of cash flows and their factors.

[Cash flows from operation activities]

The decline in funds due to operation activities totaled 23,795 million yen. This is due mainly to a decline stemming from 20,903 million yen in current net losses before tax and other adjustments, a decline of 11,499 million yen in trade payables, and 3,804 million yen in payments of corporate taxes and other charges, and due to a rise stemming from 9,949 million yen in depreciation costs and a decline of 4,257 million yen in trade receivables.

[Cash flows from investing activities]

The decline in funds due to investing activities totaled 5,512 million yen. This is due mainly to a decline stemming from 9,333 million yen in expenditure from the acquisition of tangible fixed assets for manufacture, sales, and service and due to a rise stemming from 2,672 million yen in incomes from the sale of tangible fixed assets including welfare facilities and related establishments.

[Cash flows from financing activities]

The increase in funds due to financing activities totaled 10,598 million yen. This is due mainly to a rise stemming from 9,572 million yen in increase in short-term loans and 28,993 million yen in the new raising of long-term loans including a long-term syndicate loan of 20 billion yen, and due also to a decline stemming from 3,497 million yen in repayment of long-term loans and 20 billion yen in expenditure for the reimbursement of corporate bonds.

(3) Prospects for the next fiscal year

An outlook on the future trends indicates some trend in the economy toward the bottoming-out and an end is expected to come in inventory adjustments. However, the construction machinery industry is still in the midst of intensified worldwide competition and in the process of reorganizing itself to remain competitive. The environment surrounding our company is presumed to remain severe.

Under these circumstances, our company completed most of its basic structural reforms by the end of fiscal 2001. We will therefore launch our business powerfully from a global outlook, involving both the domestic and the overseas markets. In an attempt to make a V-line recovery in performance, we will join all the forces of the Hitachi Construction Machinery Group for further development.

Consolidated performance projections ( ): Change from the preceding fiscal year
Sales: 297 billion yen (100%)
Current profit: 6.3 billion yen (-)
Current net profit: 2 billion yen (-)

Parent-only performance projections ( ): Change from the preceding fiscal year
Sales: 190 billion yen (96%)
Current profit: 4.8 billion yen (-)
Current net profit: 1.9 billion yen (-)

* These performance projections are based on an exchange rate of 127 yen against the US dollar (130 yen in the first half and 125 yen in the last half year, and 112 yen against the euro (115 yen in the first half and 110 yen in the last half year).

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(in million yen)

Item	Current term (as of March 31, 2002)	Previous term (as of March 31, 2001)	Change from the previous term	Item	Current term (as of March 31, 2002)	Previous term (as of March 31, 2001)	Change from the previous term
[Assets]				[Liabilities]			
Ⅰ Current assets				Ⅰ Current liabilities			
1. Cash and time deposits	34,170	30,479	3,691	1. Notes and accounts payable	68,602	77,942	△9,340
2. Notes and accounts receivable	112,426	114,912	△2,486	2. Short-term loans payable	58,572	43,426	15,146
3. Securities	0	9,909	△9,909	3. Redeemable bonds within a year	22,000	20,000	2,000
4. Inventories	72,055	71,174	881	4. Income taxes payable	1,010	3,994	△2,984
5. Short-term loans receivable	1,271	12,392	△11,121	5. Installments receivable	3,023	1,772	1,251
6. Total deferred taxes	5,498	4,874	624	6. Deferred interests of installments	1,143	1,322	△179
7. Other current assets	5,957	6,302	△345	7. Other current liabilities	30,307	36,784	△6,477
8. Loss allowance for doubtful receivables	△7,984	△4,203	△3,781	Total current liabilities	184,657	185,240	△583
Total current assets	223,393	245,839	△22,446				
Ⅱ Fixed assets				Ⅱ Fixed liabilities			
(1) Tangible fixed assets				1. Bonds	48,000	70,000	△22,000
1. Buildings and structures	28,129	27,749	380	2. Long-term loans payable	31,012	7,891	23,121
2. Machinery, equipment and transportation equipment	26,039	23,423	2,616	3. Deferred tax liabilities	1,306	1,216	90
				4. Allowance for employee retirement compensation	10,027	13,756	△3,729
3. Lands	30,466	30,365	101	5. Consolidated adjustment account	7	112	△105
4. Construction in progress	2,351	542	1,809	6. Other fixed liabilities	15,223	10,644	4,579
				Total fixed liabilities	105,575	103,619	1,956
5. Tools and fixtures	3,658	4,204	△546				
Total of tangible fixed assets	90,643	86,283	4,360	Total liabilities	290,232	288,859	1,373
(2) Intangible fixed assets							
1. Other intangible fixed assets	2,969	2,866	103	[Minority interests]			
Total of intangible fixed assets	2,969	2,866	103	Minority interests	4,799	3,718	1,081
(3) Investments and other assets				[Shareholders' equity]			
1. Investments in securities	27,414	26,210	1,204	Ⅰ Capital stock	22,199	22,199	0
2. Long-term loans receivable	936	1,540	△604	Ⅱ Capital surplus reserve	21,727	21,727	0
3. Total deferred taxes	9,323	4,754	4,569	Ⅲ Consolidated surplus	19,897	38,262	△18,365
4. Other investments and assets	6,298	5,997	301	Ⅳ Balance of other securities appraised	1,018	871	147
5. Loss allowance for doubtful receivables	△968	△771	△197	Ⅴ Accounts of adjustments on exchange conversions	143	△2,913	3,056
Total of investments and other assets	43,003	37,730	5,273	Ⅵ Treasury stock	△7	△5	△2
Total fixed assets	136,615	126,879	9,736	Total shareholders' equity	64,977	80,141	△15,164
Total assets	360,008	372,718	△12,710	Total liabilities, minority interests, and shareholders' equity	360,008	372,718	△12,710

Notes:

	Current term Million yen	Previous term Million yen
1. Cumulative depreciation of property, plant and equipment	115,222	116,447
2. Liabilities for guarantee	4,739	1,367

(2) Consolidated Profit and Loss Statement

(in million yen)

	Item	Current term (From April 1, 2001 to March 31, 2002)	Previous term (From April 1, 2000 to March 31, 2001)	Change from the previous term
				%
Ⅰ	Sales	298,766	328,854	91
Ⅱ	Cost of sales	227,613	248,432	92
	Total profits on sales before deferment of profits on installment sales	71,153	80,422	88
Ⅲ	Deferred balance of profits on installment sales	1,251	△2,676	—
	Gross profit	69,902	83,098	84
Ⅳ	Selling, general and administrative expenses	73,197	73,206	100
	Operating profit	—	9,892	—
	Operating loss	3,295	—	—
Ⅴ	Non-operating income			
1.	Interest received	1,064	773	138
2.	Received interest on installment sales	1,261	1,935	65
3.	Dividends received	119	100	119
4.	Investment profit by equity method	—	655	—
5.	Others	2,781	4,007	69
	Total non-operating income	5,225	7,470	70
Ⅵ	Non-operating expenses			
1.	Interest paid	4,045	4,460	91
2.	Exchange loss	2,159	2,999	72
3.	Investment loss on equity method	1,987	—	—
4.	Others	5,059	4,956	102
	Total non-operating expenses	13,250	12,415	107
	Ordinary income	—	4,947	—
	Ordinary loss	11,320	—	—
Ⅶ	Extraordinary income			
	Profit on sale of fixed assets	2,039	0	—
Ⅷ	Extraordinary expense			
1.	Difference in auxiliary retirement benefits at the time of change of accounting standards	1,346	1,346	100
2.	Appraised loss of investment securities	570	3,178	18
3.	Structural improvement expenses	8,704	1,727	504
4.	Loss from discarding of inventories	1,002	0	—
	Total extraordinary expense	11,622	6,251	186
	Net loss for current term before adjustment of taxes	20,903	1,304	—
	Corporate, inhabitant, and business taxes	1,355	5,116	26
	Transferred from corporate tax in previous years	563	—	—
	Adjustments on corporate and other taxes	△5,194	△2,791	186
	Profit for minority stockholders	1,102	—	—
	Loss for minority stockholders	—	434	—
	Net loss for current term	17,603	3,195	551

(3) Consolidated Earned Surplus Statement

(in million yen)

Item		Current term (From April 1, 2001 to March 31, 2002)	Previous term (From April 1, 2000 to March 31, 2001)	Previous term Change from the previous term
Ⅰ	Balance of consolidated surplus at the beginning of term	38,262	47,368	△9,106
Ⅱ	Increase in consolidated surplus	0	0	0
Ⅲ	Decrease in consolidated surplus			
1.	Decrease in surplus due to an increase in the number of consolidated subsidiaries	0	4,846	△4,846
2.	Decrease in surplus due to an increase in the number of affiliates subject to the equity method	236	106	130
3.	Dividends	431	862	△431
4.	Directors' bonuses	95	97	△2
	Total decrease in consolidated surplus	762	5,911	△5,149
Ⅳ	Net loss for current term	17,603	3,195	14,408
Ⅴ	Balance of consolidated surplus at the end of current term	19,897	38,262	△18,365

(4) Consolidated Cash Flow Calculations

(in million yen)

Item	Current term (From April 1, 2001 to March 31, 2002)	Previous term (From April 1, 2000 to March 31, 2001)
Ⅰ Cash flow in sales		
1. Net profit for current term before adjustment of taxes	20,903	1,304
2. Depreciation cost	9,949	10,474
3. Increase in loan-loss reserves	3,892	1,651
4. Interest and dividends received	△1,183	△873
5. Interest paid	4,045	4,460
6. Investment profit/loss by equity method	1,987	△655
7. Decrease in notes and accounts receivable	4,257	5,464
8. Increase in inventories	617	△5,816
9. Increase/decrease in notes and accounts payable	△11,499	1,908
10. Profit from sale of tangible fixed assets	△2,039	—
11. Appraised loss of investment securities	570	3,178
12. Others	△9,684	3,749
Subtotal	△19,991	22,236
13. Corporate and other taxes paid	△3,804	△2,790
Cash flow in sales	△23,795	19,446
Ⅱ Cash flow in investments		
1. Expenditure due to time deposits	△703	△1,391
2. Reimbursement of time deposits	391	716
3. Expenses for securities acquired	0	△600
4. Income from sale of securities	0	600
5. Expenses for tangible fixed assets acquired	△9,333	△6,821
6. Income from sale of intangible fixed assets	2,672	—
7. Expenses for investment securities acquired	△2,278	△2,341
8. Interest and dividends received	1,183	873
9. Dividends received from firms subject to equity method	25	145
10. Other investment-related expenses (net amount)	2,531	1,532
Cash flow in investments	△5,512	△7,287
Ⅲ Cash flow in financial activities		
1. Net increase/decrease in short-term loans payable	9,572	△3,060
2. Income from long-term loans payable	28,993	2,607
3. Expenses for repayment of long-term loans payable	△3,497	△6,538
4. Expenses for bond redemption	△20,000	0
5. Payment of interests	△4,089	△4,506
6. Payment of dividends by parent company	△431	△862
7. Payment of dividends to minority shareholders	△51	△8
8. Income from stocks issued to minority shareholders	103	250
9. Income from treasury stocks	△2	7
Cash flow in financial activities	10,598	△12,110
Ⅳ Balance of cash and cash equivalents converted	102	△6
Ⅴ Increase in cash and cash equivalents	△18,607	43
Ⅵ Balance of cash and cash equivalents at the beginning of current term	51,709	50,314
Ⅶ Balance of cash and cash equivalents at the beginning of current term due to new consolidated affiliates	0	1,352
Ⅷ Balance of cash and cash equivalents at end of current term	33,102	51,709

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

Accounts of cash and time deposits	34,170	30,479
Short-term investments to be due within 3 months after the dates of acquisition	0	21,905
Total	34,170	52,384
Time deposits with more than 3 months of deposit term	1,068	675
Cash and the equivalent	33,102	51,709

Important matters the form the basis for compiling 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 N.V.
5) PT. 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.

(3) Excluded consolidated subsidiary

Hokuriku Hitachi Construction Machinery Co., Ltd.

2. Application of the equity method

Number of affiliates subject to the equity method: 6

(1) Main affiliates subject to the equity method

Deere-Hitachi Construction Machinery Corporation

(2) Firms newly subjected to the equity method

Sokuto Co., Ltd.
Unite 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) PT. Hitachi Construction Machinery Indonesia
4) Siam-Hitachi Construction Machinery Co., Ltd.
5) PT. 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

HCM and a part of 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.

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) million yen	(Previous term) million yen
Amount equivalent to the acquisition price	15,038	12,545
Amount equivalent to the cumulative depreciation cost	5,854	4,446
Amount equivalent to the balance at the end of the term	9,184	8,099

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

	(Current term) million yen	(Previous term) million yen
1 year or less	3,434	2,869
More than 1 year	7,853	6,763
Total	11,287	9,632

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

	(Current term) million yen	(Previous term) million yen
Lease fees paid	3,106	2,696
Amount equivalent to the depreciation cost	3,022	2,538
Amount equivalent to the interest paid	276	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 term)	(Previous term)
	million yen	million yen
1 year or less	12,410	12,400
More than 1 year	23,037	27,183
Total	35,447	39,583

2. Lessor

(1) Unmatured lease fees

	(Current term)	(Previous term)
	million yen	million yen
1 year or less	4,073	4,665
More than 1 year	5,914	7,816
Total	9,987	12,481

5. Securities

(1) Other securities with market value

(in million yen)

Category	Current term (As of March 31, 2002)			Previous Term (As of March 31, 2001)		
	Acquisition cost	Amount posted on consolidated balance sheet	Difference	Acquisition cost	Amount posted on consolidated balance sheet	Difference
Amount posted on consolidated balance sheet exceeded the acquisition cost						
① Stocks	3,307	5,325	2,018	3,132	4,996	1,864
② Bonds						
Corporate bonds	9	10	1	9	10	1
③ Others	0	0	0	0	0	0
Subtotal	3,316	5,335	2,019	3,141	5,006	1,865
Amount posted on consolidated balance sheet not exceeded the acquisition cost						
① Stocks	1,156	886	△270	1,789	1,422	△367
② Bonds	0	0	0	0	0	0
③ Others	0	0	0	0	0	0
Subtotal	1,156	886	△270	1,789	1,422	△367
Total	4,472	6,221	1,749	4,930	6,428	1,498

(2) Other securities sold in the current term

Other securities sold in the previous term (from April 1, 2000 to March 31, 2001) and the current term (from April 1, 2001 to March 31, 2002) were omitted because the total amount of the profit and loss on sale was less important.

(3) Main securities not valuated at market prices

(in million yen)

Category	Current term (As of March 31, 2002)	Previous Term (As of March 31, 2001)
	Amount posted on consolidated balance sheet	Amount posted on consolidated balance sheet
Other securities		
① Unlisted stocks other than OTC stocks	6,720	2,358
② Unlisted foreign bonds	1,500	1,500
③ Money management funds	0	9,909
Total	8,220	13,767

(4) Other securities with defined maturities to be redeemed in the future

(in million yen)

Category	Current term (As of March 31, 2002)				Previous Term (As of March 31, 2001)			
	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
① Bonds								
Corporate bonds	0	0	0	1,000	0	0	0	1,000
② Others	0	0	0	0	0	0	0	0
Total	0	0	0	1,000	0	0	0	1,000

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

Currencies

(in million yen)

Category	Type	Current term (As of March 31, 2002) Contractual or other amount	More than 1 year	Market value	Appraisal difference	Previous Term (As of March 31, 2001) Contractual or other amount	More than 1 year	Market value	Appraisal difference
Transactions other than market transactions	Forward exchange contracts								
	Selling in								
	US dollar	17,490	0	18,571	△1,081	19,298	0	21,069	△1,771
	Euro	6,143	0	6,324	△181	6,096	0	6,595	△499
	Buying in								
	US dollar	140	0	136	△4	–	–	–	–
	Euro	1	0	0	△1	–	–	–	–
	Australian dollar	16	0	16	0	–	–	–	–
	Currency option trading								
	Buying in								
	US dollar	697	0	△4	△4	–	–	–	–
		(–)	(–)			(–)	(–)		
	Euro	19	0	0	0	–	–	–	–
		(–)	(–)			(–)	(–)		
	UK pound	301	0	△11	△11	–	–	–	–
		(–)	(–)			(–)	(–)		
Total		–	–	–	△1,282	–	–	–	△2,270

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

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. Also a part of overseas subsidiaries have adopted a retirement lump sum grants program.

(2) Matters related to retirement pay obligations (as of March 31, 2001)
Reserve for retirement pay: 10,027 million yen

(3) Matters related to retirement pay expenses (from April 1, 2001 through March 31, 2002)
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: Mainly fixed amount standard

2) Discount rate: 3.9% (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: About 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, 2000 through March 31, 2001) and this current term (from April 1, 2001 through March 31, 2002), 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, 2001 to March 31, 2002)			Previous term (From April 1, 2000 to March 31, 2001)		
	Sales	Operating profit	Assets	Sales	Operating profit	Assets
Japan	244,304	△7,956	297,674	273,718	11,222	328,556
Asia	39,323	4,482	48,826	31,586	2,533	35,531
Others	67,179	1,269	57,545	51,922	△1,214	43,535
Subtotal	350,806	△2,205	404,045	357,226	12,541	407,622
Deleted or company-wide	△52,040	△1,090	△44,037	△28,372	△2,649	△34,904
Total	298,766	△3,295	360,008	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 term (From April 1, 2001 to March 31, 2002)		Previous term (From April 1, 2000 to March 31, 2001)	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
North America	38,678	12.9%	49,260	15.0%
Asia	44,050	14.7	37,195	11.3
Others	62,666	21.0	59,097	18.0
Total overseas sales	145,394	48.7	145,552	44.3
Consoli-dated sales	298,766	100.0	328,854	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: 1.5	Concurrent office: 2	Sale of the company's products and purchase of components	Corporate bonds guaranteed	10,000 million yen	–	10,000 million yen
								Fund raising	5,000	Short-term loan payable	5,000

Note: Terms of transactions, principles of determining terms of transactions, etc.
1. "Insurance of corporate bonds" mentioned above means that the first lot of unsecured straight bonds issued by our company during fiscal 1996 are warranted by the parent company.
2. As for "borrowing of funds," the loan interest is agreed on with consideration given to the market interest rates prevalent. These loans are based on monthly contracts. No collateral is provided.

(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	20,351 million yen	Accounts receivable	13,292 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	14,262 million yen	Accounts receivable	1,850 million yen
								Commissioning of payment operations to the company's suppliers	13,770 307	Accounts payable Accrued expenses	5,368 73

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 2002 Outline of Individual Financial Statement

April 26, 2002

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
Code number: 6305 Location of head office: Tokyo
(URL http://www.hitachi-kenki.co.jp)
Reference:
Person in charge of the reference: Shiro Ishii
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 26, 2002
Interim dividend: Exist
Meeting date of the fixed general meeting: June 27, 2002
Adoption of trading share unit system: Exist (one unit: 1,0000 shares)

1. Performance of the year up to March 2002 (April 1, 2001 through March 31, 2002)

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

	Sales		Operating profit		Ordinary income	
	million yen	%	million yen	%	million yen	%
March 2002	198,913	(11.4)	1,497	(85.7)	(4,096)	–
March 2001	224,617	(0.2)	10,493	143.9	6,726	116.7

	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 ordinary income to total capital	Ratio of ordinary income to sales
	million yen	%	yen	sen	yen	sen	%	%	%
March 2002	(14,724)	–	(102)	44		–	(17.4)	(1.5)	(2.1)
March 2001	1,165	(34.7)	8	10		–	1.3	2.3	3.0

Notes:
1) Mid-term average number of shares:
March 2002: 143,737,600 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 the current term are the rates of increase and decline from the previous term.

(2) Dividend condition

	Annual dividend per share		Interim		End of term		Total annual dividend	Dividend payout ratio	Dividend ratio for stock-holder's equity
	yen	sen	yen	sen	yen	sen	million yen	%	%
March 2002	0	00	0	00	0	00	0	–	0.0
March 2001	6	00	3	00	3	00	862	74.0	0.9

Note: Breakdown of the dividend at the end of March 2002
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 2002	249,015	77,200	31.0	537	12
March 2001	289,020	92,391	32.0	642	73

Note:
1) Number of outstanding shares at the end of term:
March 2002: 143,730,635 shares March 2001: 143,748,517 shares
2) Number of treasury stocks at the end of the term:
March 2002: 17,882 shares

2. Performance projections for March 2003 (April 1, 2002 through March 31, 2003)

	Sales	Ordinary income	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	90,500	1,500	400	3	00	–		–	
Whole term	190,000	4,800	1,900	–		3	00	6	00

[Supplementary information] Projected net profit per share for current year (whole term): 13.22 yen

Note: The projections indicated above are based on information that was available as of the date when this document was released. Actual performance may differ from the projections due to various factors in the future.

10. Individual Financial Statements

(1) Balance Sheet

(in million yen)

Item	Current term (As of March 31, 2002)	Previous term (As of March 31, 2001)	Change from the previous term
[Assets]			
Ⅰ Current assets			
1. Cash and time deposits	16,403	18,089	△1,685
2. Notes receivable	12,204	17,083	△4,878
3. Accounts receivable	47,124	58,914	△11,789
4. Securities	0	9,909	△9,909
5. Inventories	25,628	30,739	△5,111
6. Short-term loans receivable	14,105	28,258	△14,153
7. Total deferred taxes	5,532	3,844	1,687
8. Others	2,333	3,694	△1,361
9. Loss allowance for doubtful receivables	△2,750	△3,140	390
Total current assets	120,582	167,394	△46,811
Ⅱ Fixed assets			
(1) Tangible fixed assets			
1. Buildings	15,771	16,802	△1,030
2. Other structures	4,124	4,325	△201
3. Machinery and equipment	9,369	9,810	△440
4. Vehicles and transportation equipment	66	73	△6
5. Tools and fixtures	1,968	2,428	△459
6. Lands	28,735	28,766	△31
7. Construction in progress	103	73	30
Total of tangible fixed assets	60,141	62,280	△2,139
(2) Intangible fixed assets			
1. Software	919	564	354
2. Others	1,410	1,358	52
Total of intangible fixed assets	2,329	1,922	406
(3) Investments and other assets			
1. Investments in securities	5,676	6,374	△697
2. Stocks of affiliates	40,599	36,282	4,317
3. Investment in affiliates	4,370	4,370	0
4. Total deferred taxes	10,509	5,535	4,973
5. Others	5,264	5,320	△55
6. Loss allowance for doubtful receivables	△460	△460	0
Total of investments and other assets	65,961	57,422	8,538
Total fixed assets	128,432	121,626	6,806
Total assets	249,015	289,020	△40,005

Item	Current term (As of March 31, 2002)	Previous term (As of March 31, 2001)	Change from the previous term
[Liabilities]			
Ⅰ Current liabilities			
1. Notes payable	3,015	4,239	△1,224
2. Accounts payable	35,222	49,512	△14,289
3. Short-term loans payable	9,993	5,008	4,985
4. Redeemable bonds within a year	22,000	20,000	2,000
5. Accounts payable	3,991	3,960	30
6. Income taxes payable	61	3,166	△3,104
7. Accrued expenses	4,374	5,724	△1,350
8. Installments receivable	543	1,165	△621
9. Deferred interests of installments	324	701	△376
10. Others	5,610	12,128	△6,517
Total current liabilities	85,138	105,606	△20,468
Ⅱ Fixed liabilities			
1. Bonds	48,000	70,000	△22,000
2. Long-term loans payable	22,922	1,355	21,567
3. Allowance for employee retirement compensation	9,282	12,889	△3,607
4. Director's retirement allowance payable	717	1,287	△570
5. Others	5,754	5,489	265
Total fixed liabilities	86,676	91,022	△4,345
Total liabilities	171,814	196,628	△24,814
[Shareholders' equity]			
Ⅰ Capital stock	22,199	22,199	0
Ⅱ Capital surplus reserve	21,726	21,726	0
Ⅲ Revenue reserve	2,161	2,110	51
Ⅳ Other surplus			
1. Voluntary reserve	44,407	43,901	505
2. Unappropriated income for current term	–	2,496	△2,496
3. Unappropriated deficit for current term	13,285	–	13,285
Total of other surplus	31,121	46,398	△15,276
Ⅴ Balance of other securities appraised	△1	△42	40
Ⅵ Treasury stock	△6	–	△6
Total shareholders' equity	77,200	92,391	△15,191
Total liabilities and shareholders' equity	249,015	289,020	△40,005

Notes:

	Current term Million yen	Previous term Million yen
1. Cumulative depreciation of property, plant and equipment	88,148	86,439
2. Liabilities for guarantee	36,984	25,813

(2) Profit and Loss Statement

(in million yen)

Item	Current term From April 1, 2001 to March 31, 2002	Previous term From April 1, 2000 to March 31, 2001	Change from the previous term
			%
Ⅰ Sales	198,913	224,617	89
Ⅱ Cost of sales	154,133	170,496	90
Total profits on sales before deferment of profits on installment sales	44,779	54,120	83
Ⅲ Deferred balance of profits on installment sales	△621	△2,717	23
Gross profit	45,401	56,837	80
Ⅳ Selling, general and administrative expenses	43,903	46,343	95
Operating profit	1,497	10,493	14
Ⅴ Non-operating income			
1. Interest paid	218	366	60
2. Exchange loss	313	1,527	21
3. Investment loss by equity method	326	414	79
4. Others	1,603	1,952	82
Total non-operating income	2,462	4,260	58
Ⅵ Non-operating expenses			
1. Interest paid	1,958	2,145	91
2. Exchange loss	3,039	2,455	124
3. Others	3,057	3,427	89
Total non-operating expenses	8,055	8,028	100
Ordinary income	—	6,726	—
Ordinary loss	4,096	—	—
Ⅶ Extraordinary income			
1. Profit on sale of investment securities	0	599	—
2. Return of allowance of overseas investment appraisal	0	489	—
3. Profit on sale of fixed assets	2,038	0	—
4. Profit on sale of affiliates' stocks	206	0	—
Total extraordinary income	2,244	1,089	206
Ⅷ Extraordinary expense			
1. Difference in auxiliary retirement benefits at the time of change of accounting standards	1,024	1,024	100
2. Loss on restructuring of affiliates' business	9,580	4,077	235
3. Appraised loss of investment securities	540	0	—
4. Expenses for structure improvement	7,847	0	—
5. Loss from discarding of inventories	1,002	0	—
Total extraordinary expense	19,995	5,102	392
Net profit for current term before taxes	—	2,713	—
Net loss for current term before taxes	21,846	—	—
Corporate, inhabitant, and business taxes	130	3,883	3
Transferred from corporate tax in previous years	560	—	—
Adjustments on corporate and other taxes	△6,691	△2,334	287
Net profit for current term	—	1,165	—
Net loss for current term	14,724	—	—
Surplus brought forward from the previous term	1,438	1,805	80
Interim dividends	0	431	—
Surplus reserve deposits for interim dividends	0	43	—
Unappropriated profit for current term	—	2,496	—
Unappropriated loss for current term	13,285	—	—

(3) Calculation of profit appropriation

(in million yen)

Item	Current term From April 1, 2001 to March 31, 2002	Previous term From April 1, 2000 to March 31, 2001	Change from the previous term
Ⅰ Unappropriated income for current term	—	2,496	△2,496
Unappropriated loss for current term	13,285	—	13,285
Ⅱ Transferred from voluntary reserve			
Transferred from special depreciation reserve	21	22	△—
Transferred from advanced depreciation reserve	78	0	78
Transferred from other reserve	15,500	0	15,500
Total	2,314	2,519	△204
Ⅲ Profit appropriation			
1. Profit reserve	0	51	△51
2. Dividend	0	431	△431
3. Bonus to executive offiers			
Bonus to directors	0	70	△70
4. Unappropriated reserve			
Special depreciation reserve	0	10	△10
Advanced depreciation reserve	956	17	939
Special reserve	0	500	△500
Ⅳ Surplus profit carried forward to the following term	1,358	1,438	△80

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

"Treasury stock" (a current asset of 4 million yen), which was posted in the Assets section for the preceding fiscal year, is now displayed at the end of the Shareholders' Equity section at the end of the current fiscal year, to conform to the revised Rules for Financial Statements.