Consolidated Financial Results for FY2002

(April 1,2002 through March 31,2003)

April 25,2003

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)
Representative : Shungo Dazai, Director & President
Reference :
Person in charge of the reference : Shiro Ishii
Position of the person : General Manager of Corporate Communication Dept.
Tel : (03) 3830-8065
Meeting of the Board of Directors for Consolidated Account Settlement : April 25,2003
Parent company : Hitachi, Ltd. (code number: 6501)
Parent company's share holding ratio of this company : 55.0%
Adoption of the United States Generally Accepted Accounting Principles : Not Adopted

1. Consolidated Financial Highlights (April 1, 2002 through March 31, 2003)

(1) Consolidated Financial Results (in Japanese yen rounded to millions, except amounts per share)

	Net Sales		Operating income/(Loss)		Ordinary income/(Loss)	
	million yen	%	million yen	%	million yen	%
FY2002	328,496	10.0	16,399	-	9,880	-
FY2001	298,766	(9.1)	(3,295)	-	(11,320)	-

	Net income/(Loss)		Net income/(Loss) per share	Net income/(Loss) per share (Diluted)	Return on equity	Ordinary income to total assets	Ordinary income to sales
	million yen	%	yen	yen	%	%	%
FY2002	3,883	-	25.90	24.35	5.6	2.7	3.0
FY2001	(17,603)	451.0	(122.47)	-	(24.3)	(3.1)	(3.8)

Notes:
1) Equity in net income of unconsolidated subsidiaries and affiliates accounted for by the equity method:
FY2002 : (1,035 million yen) FY2001 : (1,987 million yen)
2) Number of average shares during the term (consolidated):
FY2002 : 145,282,840 shares FY2001 : 143,737,600 shares
3) Accounting policy changes : None
4) Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

(2) Consolidated financial Position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	million yen	million yen	%	yen
FY2002	373,755	74,321	19.9	460.98
FY2001	360,008	64,977	18.0	452.70

Note: Number of shares of common stock issued as of year end (on a consolidated basis):
FY2002 : 160,963,004 shares FY2003 : 143,730,635 shares

(3) Consolidated cash flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Ending Cash & Cash Equivalents
	million yen	million yen	million yen	million yen
FY2002	17,398	1,652	(7,450)	44,234
FY2001	(23,795)	(5,512)	10,598	33,102

(4) Scope of Consolidation and Equity Method

Consolidated subsidiaries : 59 companies
Unconsolidated subsidiaries accounted for by the equity method : 0 companies
Affiliates accounted for by the equity method : 8 companies

(5) Change in scope of consolidation and equity method

Consolidation (addition) : 8 companies, (exclusion) 11 companies
Equity method (addition) : 2 companies, (exclusion) 0 company

2. FY2003 Consolidated Financial Forecast (April 1, 2003 through March 31, 2004)

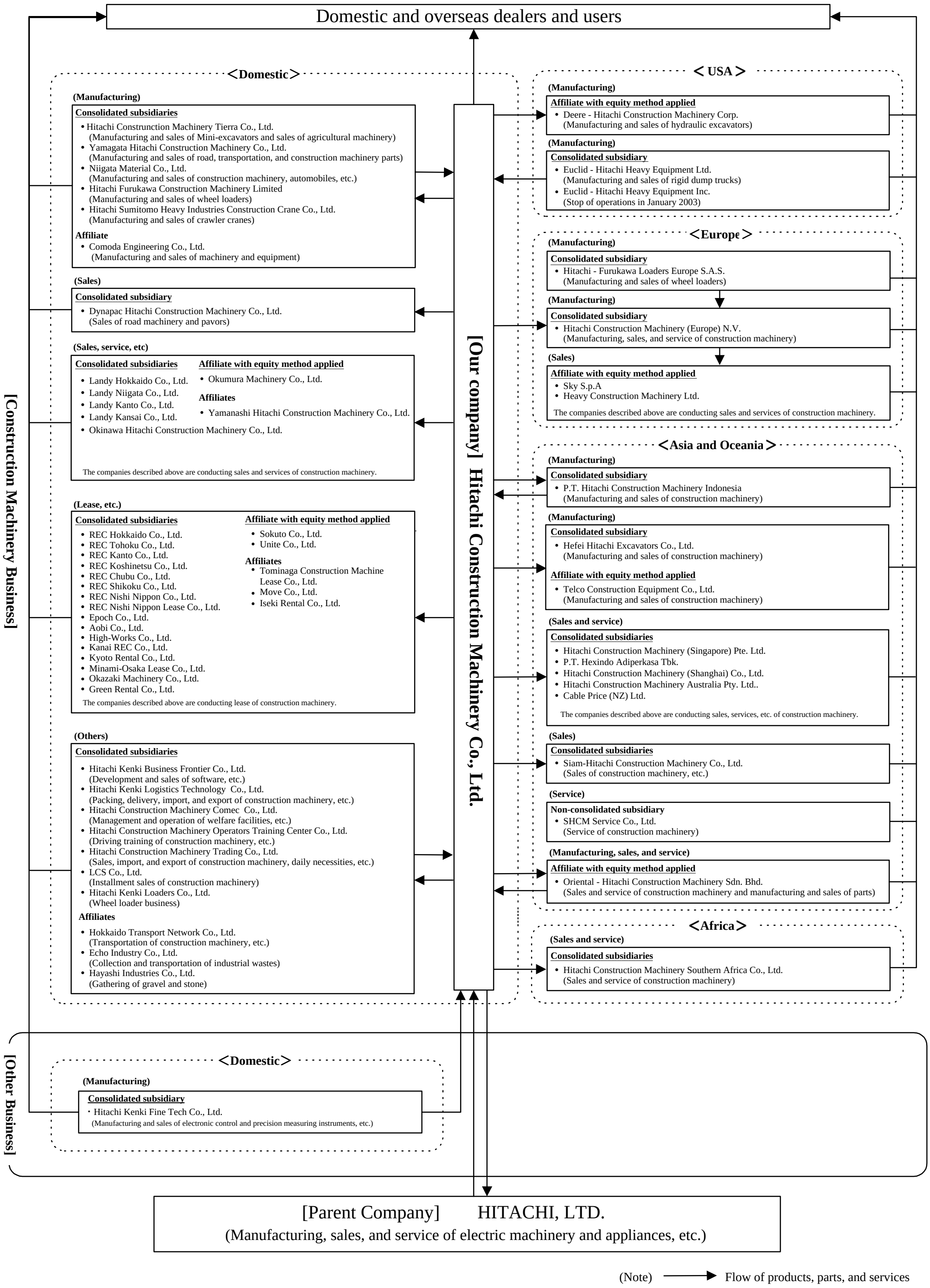
	Net Sales	Ordinary Income/(Loss)	Net Income/(Loss)
	million yen	million yen	million yen
Half Year	172,000	7,400	1,500
Full Year	345,000	14,000	6,000

[Reference] Net income per share for the full year : 36.53 yen
Note: The financial statement described above has been prepared based on the information obtainable as of the date when this statement has been published. Actual business results may differ from the figures described in this statement depending on various future factors.

Attachment

1. Status of the corporate group

This consolidated group consists of Hitachi Construction Machinery, its parent company, its 49 subsidiaries, and its 16 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. Management Policy

(1) Basic Management Policy

1) Conduct strong and comprehensive consolidated management to increase the corporate value of the entire Hitachi Construction Machinery (HCM) Group. To achieve this, the HCP management stresses the Future Inspiration Value (FIV) (note), which is an index of the corporate value common to the entire Hitachi Group.

Note: The FIV is an added value index adopted by the Hitachi Group based on capital costs to increase the corporate value.

2) Advance a full-line production system by alliances both at home and abroad and conducts global business in Japan, the Americas, Europe, Africa, Middle East, Australasia, Asia, and China, in order to establish a firm position in the construction machinery market of the world.

3) Develop all business departments as total solution providers covering hardware and software and diversify the existing business.

In these endeavors, the HCM Group focuses on "group management," "ultra-high speed management," and "information management" through both business personnel trained for global business development and advanced information technology.

(2) Basic Principle on Appropriation of Earnings

The basic principle is to maintain stable dividends while considering future business plans, financial position and profitability. Concurrently, the HCM Group intends to work to return profits in linkage with performance. The internal reserve is effectively used to develop technologies, rationalize production equipment, and train subsidiaries both at home and abroad in order to ensure leadership in the market.

(3) Concepts and Principles on Reduction of Investment Units

The HCM Group assumes that investment unit reduction is a useful measure to extend a group of investors and increase stock liquidity. The Group prudently considers the performance, stock price, stockholders, liquidity, and cost effectiveness of investment unit reduction for future measures to be taken, but it has not yet determined a date or other details on investment unit reduction.

(4) Target Management Index

The HCM Group continues to provide stable dividends on a long-term basis according to the basic principle of appropriation of earnings and target a consolidated return on equity (ROE) of 10% or more as a profit level to increase corporate value and return profits by "maintaining and enlarging the FIV Positive."

(5) Mid-to-Long-Term Management Strategy

The aggressive structural changes made by the HCM Group have achieved a "turnover" surpassing the early target in fiscal 2002 and established a path to future business. However, the market is expected to become even severer both at home and abroad.

From this fiscal year on, the HCM Group promotes "Create 21: Creative Value Up," a new mid-term management plan with fiscal 2006 as the target year, while keeping in mind the principle of customer satisfaction first and establishing a firm market position as a worldwide manufacturer of all kinds of construction machinery. The goals of this mid-term plan are to "establish the business with top profitability in the industry, "promote globalization," and "return to grade A in long-term bond rating."

The HCP Group establishes the four basic strategies of “increasing international business as a source of profit,” “structurally changing domestic operations,” “promoting global marketing strategies and ensuring the top cost competitiveness in the world market,” and “improving the financial position,” and works to implement and ensure "overwhelming expertise and product capability," "overwhelming cost competitiveness," "overwhelming serviceability," and "overwhelming brand capability," which are factors indispensable to successfully implement these strategies.

(6) Challenges

1) Expanding International Business

The percentage of overseas sales on a consolidated basis increased from 49% in fiscal 2001 to 56% in fiscal 2002. The HCM Group aims at a target of 70% in future, promoting overseas business.

In the Americas, the HCM Group uses the effects of the one-management two-brand system of Deere & Company and the HCM Group to make the two companies' brand products more competitive in North and Latin America. In particular, the HCM Group quickly reinforces the Mining Division in an attempt to increase the profits of Euclid-Hitachi Heavy Equipment, Ltd., a manufacturer and distributor of large dump trucks.

In Europe, the HCM Group's unique sales network, launched in July 2002, became a reality with a scale and speed exceeding those of the earlier plan. Challenges include stably supplying products and services to configured agencies and reinforcing the sales network further, while increasing the range of entered models by smoothly launching their production and introducing full-line products systematically. The HCM Group also establishes the centers in the Middle East, where demand is expected to grow due to the need of infrastructural development projects and similar operations and attempts to increase sales to Russia, which is a promising market in resource development or infrastructural development.

For Australasia and Asia, the HCM Group focuses on the mining market and increases its sales of large dump trucks and very large hydraulic excavators as sets. By doing this, the HPC Group finds new customers and increases the sales and market share. It also works to increase its sales to Southeast Asian nations, which are beginning to show clear signs of demand recovery.

Business in China is growing steadily in both production and sales. The HCM Group continues to expand its network of agencies in order to respond to the increasingly cutthroat sales competition. Another important challenge is to ensure flexible production capable of meeting quick growth in demand. In future, the HCM Group plans the local production of large hydraulic excavators and miniature excavators, which are expected to meet the new demand. Quick response to market changes is needed while considering the optimal balance of locally produced machines with the new or second-hand vehicles imported owing to the deregulated issuance of import licenses after China's entry to the WTO.

2) Structural Changes in Domestic Business

The HCM Group continues to improve customer satisfaction and consolidated management efficiency by establishing an RSS system consisting of three major elements: rental (R), sales (S), and service (S).

For existing operations, the HCM Group switch its sales style from a region-specific approach to a segment-specific one, in an attempt to increase sales by creating demand in appropriate accordance with the market trends.

For environmental systems and other new operations, it develops attractive products and systems that reflect the needs of customers and stresses the increase of sales and profit. In the area of services, the HCM Group promotes e-business and e-service based on IT technology with top priority, in order to provide the customers with the new value of service.

3) Promoting the Strategy of World-class Products and Establishing the Top Cost-Competitiveness in the Market

The HCM Group promotes its region-specific marketing and maximizes the effects of alliances in order to develop world-class products in a manner that matches the needs of customers in the world. In addition, it advances the system of production and procurement in the best locations of the world in an attempt to optimize fixed expenses on a consolidated and global basis, to reduce lead times by increasing the efficiency of the supply chain, and to pursue the improvement of cash flows.

To reduce costs, all divisions continue and improve their Value Engineering for Customers (VEC) activities.

4) Strengthening of the Financial Structure

Reducing the interest-bearing debt is an important challenge for the HCM Group, which aims to regain grade A in long-term bond rating. The HCM Group is working to shorten the numbers of retention days of sales credits and inventories on a consolidated basis by implementing the C Project II (Cash Flow Project II) and to reduce fixed assets by integrating and abolishing some of its sites and by other means. To that end, HCM works effectively on business reforms through a review of the supply chain in its own organization and in each group company. The HCM Group also introduces a cash management system (CMS) this fiscal year, thus centrally controlling the group funds and improving the consolidated cash flows. It begins with the domestic market and aims to go global in future.

(7) Status of Measures for Corporate Governance

Having obtained the approval of a resolution to revise the articles of incorporation at the general meeting of shareholders to be held in June 2003, HCM switches its managerial organization to a committee company as provided for under the revised Commercial Code. The main objectives are to speed up the implementation of management strategies, conduct reliable management, promote global management, and respond to a new policy of Hitachi Group management.

3. Management Results and Financial Position

(1) Overview of the Current Fiscal Year

The business environment of the HCM Group during the current fiscal year was extremely severe in Japan due to a decline in the volume of construction projects stemming from the cuts in public spending and the slowdown in private-sector investment in plant and equipment. Overseas, there was a steady growth in demand in China, but the recovery of the U.S. economy slowed due to the worsening situation in the Middle East and spreading economic insecurity.

In this circumstance, the HCM Group worked to reorganize its business by alliances, upgrading its international business, conducting production and procurement in the best locations of the world, making a structural change in domestic business, improve its financial position, and conduct other structural changes in its business, thus establishing a strong streamlined corporate structure in an attempt to generate a turnaround in performance and increase corporate value.

As a result, the consolidated performance of the HCM Group during the current fiscal year showed 328,496 million yen in sales (a year-on-year increase of 10%), 9,880 million yen in current profits, and 3,883 million yen in current net earnings.

On a non-consolidated basis, HCM posted 202,174 million yen in sales (a year-on-year increase of 2%), 13,103 million yen in current profits, and 3,544 million yen in current income.

(2) Overview of Consolidated Sales by Market Region

The consolidated sales of HCM are classified by market region (Japan, North America, Asia, and Other). Here is an overview of sales by region.

Japan underwent a considerable decline in demand for hydraulic excavators, company's major product, and similar products, due to the cuts in public spending and the slowdown of private investment in equipment. Sales amounted to 143,802 million yen, 6% less than the previous year.

For North America, the progress in the reduction of dealer inventories of hydraulic excavators and the penetration of popular new products and miniature excavators in the market resulted in sales of 42,601 million yen, a year-on-year increase of 10%.

For Asia, in China, where demand is rising due to high economic growth, Hefei Hitachi Excavators Co., Ltd. and Hitachi Construction Machinery (Shanghai) Co., Ltd. showed strong growth, with sales reaching 43,736 million yen, 165% of the previous year.

Southeast Asian nations also posted growth in sales, with sales in Asia totaling 64,944 million yen, a year-on-year increase of 47%.

In other areas, in Europe, sales grew due to the expansion of the production system and sales network centering on Hitachi Construction Machinery (Europe) N.V. Business in the Middle East and Oceania also showed favorable trends. As a result, total sales of other areas reached 77,149 million yen, a year-on-year increase of 23%.

(3) Overview of the Market by Product

Consolidated accounting omits business segment information, since business related to construction machinery accounts for most of the sales by the HCM Group. However, the market condition of the consolidated companies is similar to that of the parent company and their performance is more or less in unison with the parent company. Here is an overview of the market by major products in parent-only accounting.

1) Hydraulic Excavators

Concerning hydraulic excavators, HCM aggressively implemented total solution sales including e-service and finance based on the information-oriented functions of the ZAXIS series. In the domestic market, however, demand kept going down, resulting in HCM's sales going below the previous year's. In exports, HCM increased its sales greatly in China, where demand is growing, and in Europe, HCM's sales recovered in North America, exceeding the level of the previous year.

Concerning new products, HCM released one model of very large hydraulic excavator having information-oriented capabilities and conforming to the U.S. exhaust emission standards.

As a result, sales of hydraulic excavators came to 85,350 million yen, a year-on-year increase of 3%.

2) Mini-excavators

In mini-excavators, HCM engaged in aggressive sales operations in Japan, centering on short rear-end swing radius model hydraulic excavators. However, demand did not grow due to the slowdown of housing starts and other factors, resulting in a decline in sales. In overseas operations, HCM did well in Europe and North America, recording year-on-year gains.

HCM released one new model of short rear-end swing radius model excavator.

Sales of miniature excavators came to 11,904 million yen, 3% less than the previous year.

3) Crawler Cranes and Foundation Machines

Demand for crawler cranes and foundation machines declined hit by the low level of private investment in plant and equipment. In overseas operations, HCM won a large order from Turkey, but demand declined greatly on a worldwide basis.

As a result, sales of crawler cranes and foundation works machines came to 2,533 million yen, 35% less than the previous year. In October 2002, HCM transferred its crawler crane business to Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

4) Wheel Loaders

In the area of wheel loaders, HCM' sales efforts centered on the common model developed jointly with TCM Corporation and Furukawa Co., Ltd. However, both at home and abroad, demand was mush lower than the previous year.

Concerning new products, HCM released a total of nine models, centering on medium to large wheel loaders. It also developed the industry's first hybrid wheel loader, based on a series system with an eco-friendly diesel engine and battery.

As a result, sales of wheel loaders totaled 3,911 million yen, 27% less than the previous year. In July 2002, in France, MCM also established Hitachi-Furukawa Loaders Europe SAS, a manufacturer of wheel loaders, jointly with Furukawa Co., Ltd.

5) Industrial System Products and Other Products

[Eco-friendly and recycled products]

Concerning eco-friendly and recycled products, in May 2002, HCM set up a project in line with the establishment of the Act for Measures Against Soil Contamination. HCM positively provided a wide range of support including system engineering and consultation, but its sales was below the previous year’s sales. In an attempt to increase its sales of soil improvers, HCM tied up with Tokico Technology Ltd. in the area of soil surveys and enhancements for gas stations, oil tank stations, and similar facilities.

[Applied products based on construction machines, industrial vehicles, underground products, etc.]

In construction machine products, HCM developed a number of products that meet various market needs, such as inclines for construction works that combine material dollies with slope work machines. In second-hand vehicles, HCM held Internet auctions and engaged in other aggressive sales operations with Hitachi Construction Machinery Trading Co., Ltd., thus exceeding the previous year's sales. Sales of underground products declined year-in-year due to the cutbacks in public works. Sales of components rose particularly in China, thus greatly exceeding the previous year's level.

As new products, HCM released a total of nine models, including the soil-recycling machines and demolition machines (super high lift models).

As a result, sales of products related to industrial systems came to 64,874 million yen, an increase of 11% compared to the previous year.

6) Service

In service, HCM implemented the Service-Value Engineering for Customers (S-VEC) activities in Japan and provided various services and products for information-oriented excavator ZAXIS, including the ZAXIS Net Value Pack (which uses machine information for services), contract service, machine insurance, financing and other services, along with the e-Guard service that sales, however, due to a decrease in machine operations stemming from a downturn in the volume of construction works.

As a result, service sales came to 33,599 million yen, 7% less than the previous year.

(4) Appropriation of Earnings of the Current Year

In fiscal year 2001, HCM did not pay a dividend for significant deficit. With some prospects for a recovery ahead, the dividend was raised up to 3 yen per share. As for the end-of-year dividend, it was resolved at a board of directors meeting held on February 25, 2003 to propose a dividend of 4 yen per share at the 39th general meeting of shareholders to be held in late June 2003. This will bring the yearly dividend to 7 yen per share.

(5) Positions of Consolidated Cash Flows

Cash and cash equivalents (simply called "funds") at the end of the current fiscal year stood at 44,234 million yen, 11,132 million yen more than the end of the previous fiscal year. Below is a description of cash flow positions and their factors:

[Cash flows in operating activities]

Funds increased by 17,398 million yen for operating activities, an increase of 41,193 million yen from the previous year’s deficit of 23,795 million yen.　This is due mainly to: (1) the fact that current net income before adjustment (taxes or other charges) came to 6,486 million yen, i.e., it was an increase of 27,389 million yen, compared to a net loss of 20,903 million yen during the previous year, and (2) the fact that, despite a decline in funds by 6,130 million yen due to an increase in inventories of overseas manufacturers and distributors according to active overseas demand, the purchase liabilities due to increased production increased by 4,597 million yen, which is 16,096 million yen up from the decline (11,499 million yen) during the previous year.

[Cash flows in investing activities]

Funds increased by 1,652 million yen for investing activities, which was an increase of 7,164 million yen, compared to a decline (5,512 million yen) during the previous term.　The main reasons were that the expenses for procuring tangible fixed assets related to manufacture, sales, and services were reduced to 6,607 million yen (which went below 9,333 million yen during the previous term), HCM sold idle assets of 4,026 million yen and investment securities of 5,682 million yen.　As a result, the free cash flow, which is the sum of cash flows due to operating activities and investing activities, amounted to 19,050 million yen, thus marking a great rise of 48,357 million yen compared with the decline (29,307 million yen) during the previous year.

[Cash flows in financing activities]

Funds decreased by 7,450 million yen for financing activities.　The reasons were that HCM borrowed a total of 12,937 million yen, including the private notes denominated in yen in the Euro market and domestic market for bond redemption (22 billion yen) during the current fiscal year, it covered the fund for investment in plant and equipment mainly by long-term debts of 16,645 million yen; and it used the surplus funds by improved cash flows for repayment of short-term loans of 18,135 million yen.

(6) Prospects for the Next Fiscal Year

A close look at the future business environment of the HCM Group leads us to assume that the market environment remains severe due to public investment reduction or inactive housing. Now that there are spreading signs of insecurity in the world's economy after the war in Iraq, competition will become more severe both at home and abroad. In such a situation, the HCM Group work to make its unique efforts in Europe, step up its business in China, ensure and improve its market position in Japan with its three elements (rental, sales and service) combined together, under its new mid-term management plan. Here are the consolidated and non-consolidated amounts for fiscal 2003 on a year-round basis at the moment.

Consolidated amount
( ): % for the previous year's level
Sales: 345 billion yen (105%)
Ordinary income: 14 billion (142%)
Current net income: 6 billion yen (155%)

Non-consolidated amount
( ): % for the previous year's level
Sales: 210 billion yen (104%)
Ordinary income: 10 billion yen (76%)
Current net income: 5 billion yen (141%)

*The exchange rates of these performance projections are 120 yen to the US dollar and 125 yen to the euro.

Note: The projections, plans, forecasts and other details related to the future performance mentioned above are based on data considered as reasonable by the managers of HCM according to the information available at the moment. Please understand that the actual performance may vary with the projections, plans, and forecasts described in the paper, due to changes in various factors. Those factors may include changes in the economic condition of the major markets and product demand, changes in the exchange market, and changes in various regulations both at home and abroad and changes in accounting standards and customs.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(in millions of yen)

Item	FY2002 (Mar. 31, 2003)	FY2001 (Mar. 31, 2002)	Increase/ (Decrease)
[Assets]			
Ⅰ Current assets			
1. Cash and deposits in banks	46,177	34,170	12,007
2. Notes and accounts receivable	110,981	112,426	(1,445)
3. Inventories	78,376	72,055	6,321
4. Short-term loans Receivable	581	1,271	(690)
5. Deferred tax assets	5,930	5,498	432
6. Others	8,494	5,957	2,537
7. Allowance for doubtful accounts	(11,777)	(7,984)	(3,793)
Total current assets	238,762	223,393	15,369
Ⅱ Fixed assets			
(1) Tangible fixed assets			
1. Operating assets for lease	18,770	-	18,770
2. Buildings and structures	27,091	28,129	(1,038)
3. Machinery and vehicles	14,639	26,039	(11,400)
4. Land	31,774	30,466	1,308
5. Construction in progress	1,339	2,351	(1,012)
6. Tools, furniture, and fixtures	3,247	3,658	(411)
Total tangible fixed assets	96,860	90,643	6,217
(2) Intangible fixed assets			
1. Consolidated adjustment account	242	0	242
2. Others	3,135	2,969	166
Total intangible fixed assets	3,377	2,969	408
(3) Investments and other assets			
1. Investment in securities	16,645	27,414	(10,796)
2. Long-term loans receivable	652	936	(284)
3. Deferred tax assets	11,157	9,323	1,834
4. Others	7,160	6,298	862
5. Allowance for doubtful accounts	(858)	(968)	110
Total investments and other assets	34,756	43,003	(8,247)
Total fixed assets	134,993	136,615	(1,622)
Total assets	373,755	360,008	13,747

Item	FY2002 (Mar. 31, 2003)	FY2001 (Mar. 31, 2002)	Increase/ (Decrease)
[Liabilities]			
Ⅰ Current liabilities			
1. Notes and accounts payable	74,704	68,602	6,102
2. Short-term loans payable	40,631	58,572	(17,941)
3. Bonds due within one year	25,600	22,000	3,600
4. Income taxes payable	2,177	1,010	1,167
5. Unrealized profits on installment sales	3,409	4,166	(757)
6. Others	30,506	30,307	199
Total current liabilities	177,027	184,657	(7,630)
Ⅱ Fixed liabilities			
1. Bonds	42,157	48,000	(5,843)
2. Long-term loans payable	44,615	31,012	13,603
3. Deferred tax liabilities	542	1,306	(764)
4. Retirement and severance benefits	12,233	10,027	2,206
5. Consolidated adjustment account	0	7	(7)
6. Others	15,738	15,223	515
Total fixed liabilities	115,285	105,575	9,710
Total liabilities	292,312	290,232	2,080
[Minority interests]			
Minority interests	7,122	4,799	2,323
[Shareholders' equity]			
Ⅰ Common stock	26,321	22,199	4,122
Ⅱ Capital surplus	25,848	21,727	4,121
Ⅲ Retained earnings	23,239	19,897	3,342
Ⅳ Net unrealized holding gain (loss) on securities	(276)	1,018	(1,294)
Ⅴ Foreign currency transaction adjustments	(764)	143	(907)
Ⅵ Treasury stock	(47)	(7)	(40)
Total shareholders' equity	74,321	64,977	9,344
Total liabilities, minority interests, and shareholders'	373,755	360,008	13,747

(2) Consolidated Statements of Income

(in millions of yen)

Item	FY2002 (Apr.2002 - Mar.2003)	FY2001 (Apr.2001 - Mar.2002)	Percentage of change from FY2001
			%
I Net sales	328,496	298,766	110
II Cost of sales	243,642	227,613	107
Gross profit	84,854	71,153	119
III Realized profit on installment sales	(348)	1,251	-
IV Selling, general and administrative expenses			
1. Packing and freight	7,487	7,141	105
2. Employees' salaries	21,442	21,764	99
3. Research and development expenses	6,265	7,331	85
4. Provision of reserve for bad debt	4,054	5,617	72
5. Others	29,555	31,344	94
	68,803	73,197	94
Operating income	16,399	-	-
Operating loss	-	3,295	-
V Non-operating income			
1. Interest received	834	1,064	78
2. Received interest on installment sales	996	1,261	79
3. Dividends income	66	119	55
4. Others	1,913	2,781	69
Total non-operating income	3,809	5,225	73
VI Non-operating expenses			
1. Interest expense	3,721	4,045	92
2. Loss on disposal of inventories	1,210	539	224
3. Exchange loss	222	2,159	10
4. Investment loss by equity method	1,035	1,987	52
5. Others	4,140	4,520	92
Total non-operating expenses	10,328	13,250	78
Ordinary income	9,880	-	-
Ordinary loss	-	11,320	-
VII Extraordinary profits			
1. Profit on sale of fixed assets	5,717	2,039	280
2. Profit on sale of investment securities	206	0	-
Total of Extraordinary profits	5,923	2,039	290
VIII Extraordinary losses			
1. Amortization of transition difference	1,346	1,346	100
2. Valuation loss on investment securities	319	570	56
3. Restructuring costs	6,455	8,704	74
4. Loss on disposal of inventories	1,197	1,002	119
Total extraordinary losses	9,317	11,622	80
Income before income taxes and minority interests	6,486	-	-
Loss before income taxes and minority interests	-	20,903	-
Current income taxes	2,364	792	298
Deferred income taxes	(2,077)	(5,194)	40
Minority interests of consolidated subsidiaries	2,316	1,102	210
Net income	3,883	-	-
Net loss	-	17,603	-

(3) Consolidated Statements of Shareholders' Equity

(in millions of yen)

	Item	FY2002 (Apr.2002 - Mar.2003)	FY2001 (Apr.2001 - Mar.2002)	Increase/(Decrease)
	(Capital surplus)			
Ⅰ	Balance at the beginning of the period	21,727	21,727	0
Ⅱ	Increase in capital surplus			
	Exercise of stock purchase warrants	4,121	-	4,121
	Total increase in capital surplus	4,121	0	4,121
Ⅲ	Decrease in capital surplus	0	0	0
Ⅳ	Balance at the end of the period	25,848	21,727	4,121
	(Retained earnings)			
Ⅰ	Balance at the beginning of the period	19,897	38,262	(18,365)
Ⅱ	Increase in retained earnings			
	Net income	3,883	-	3,883
	Total increase in retained earnings	3,883	-	3,883
Ⅲ	Decrease in retained earnings			
1.	Net loss	-	17,603	(17,603)
2.	Effect of newly affiliated company	0	236	(236)
3.	Cash dividends	431	431	0
4.	Directors' bonuses	110	95	15
	Total decrease in retained earnings	541	18,365	(17,824)
Ⅳ	Balance at the end of the period	23,239	19,897	3,342

(4) Consolidated Statements of Cash Flows

(in millions of yen)

Item	FY2002 (Apr.2002 - Mar.2003)	FY2001 (Apr.2001 - Mar.2002)
Ⅰ Cash flows from operating activities:		
1. Income before income taxes and minority interests	6,486	-
Loss before income taxes and minority interests	-	(20,903)
Adjustments to reconcile income/(loss) before income taxes and minority interest to net cash provided by operating activities:		
2. Depreciation and amortization	10,605	9,949
3. Allowance for doubtful receivables	3,650	3,892
4. Interest and dividends income	(900)	(1,183)
5. Interest expenses	3,721	4,045
6. Equity in earnings/(losses) of affiliated companies	1,035	1,987
7. Decrease in notes and accounts receivable	3,934	4,257
8. (Increase)/decrease in inventories	(6,130)	617
9. Purchase of operating assets for lease	(6,272)	-
10. Sale of operating assets for lease	1,904	-
11. Increase/(decrease) in notes and accounts payable	4,957	(11,499)
12. Gain on sale of tangible fixed assets	(5,717)	(2,039)
13. Loss on revaluation of investment in securities	319	570
14. Gain on sale of investment in securities	(206)	0
15. Others	1,599	(9,684)
Subtotal	18,625	(19,991)
16. Income taxes paid	(1,227)	(3,804)
Net cash provided by operating activities	17,398	(23,795)
Ⅱ Cash flows from investing activities:		
1. Net increase in time deposits	(699)	(312)
2. Acquisitions of tangible fixed assets	(6,607)	(9,333)
3. Sale of tangible fixed assets	4,026	2,672
4. Purchases of investment in securities	(3,107)	(2,278)
5. Purchases of investments in subsidiaries affecting scope of consolidation	717	0
6. Sale of investment in securities	5,682	-
7. Interest and dividends received	900	1,183
8. Interest and dividends received from affiliates	0	25
9. Others	740	2,531
Net cash used in investing activities	1,652	(5,512)
Ⅲ Cash flows from financing activities:		
1. Net increase/(decrease) in short-term debt and current portion of long-term debt	(18,135)	9,572
2. Proceeds from long-term debt	16,645	28,993
3. Repayment of long-term debt	(29,432)	(23,497)
4. Proceeds from issuance of bonds	27,684	0
5. Interest paid	(3,682)	(4,089)
6. Dividends paid to stockholders	(431)	(431)
7. Others	(99)	50
Net cash used in financing activities	(7,450)	10,598
Ⅳ Effects of exchange rate fluctuations on cash and cash equivalents	(468)	102
Ⅴ Net increase/(decrease) in cash and cash equivalents	11,132	(18,607)
Ⅵ Cash and cash equivalents at beginning of the period	33,102	51,709
Ⅶ Cash and cash equivalents at the end of the period	44,234	33,102

Segment Information

1. Information by Geographic Areas

(in millions of yen)

	FY2002 (Apr.2002 - Mar.2003)			FY2001 (Apr.2001 - Mar.2002)		
	Net sales	Operating income /(loss)	Assets	Net sales	Operating income /(loss)	Assets
Japan	263,404	9,779	326,113	244,304	(7,956)	297,674
Asia	57,128	8,854	50,050	39,323	4,482	48,826
Other areas	69,758	(1,776)	65,988	67,179	1,269	57,545
Total	390,290	16,857	442,151	350,806	(2,205)	404,045
Elimination or corporate	(61,794)	(458)	(68,396)	(52,040)	(1,090)	(44,037)
Consolidated	328,496	16,399	373,755	298,766	(3,295)	360,008

2. Overseas Sales

(in millions of yen)

	FY2002 (Apr.2002 - Mar.2003)		FY2001 (Apr.2001 - Mar.2002)	
	Net sales	Percentage of overseas sales to consolidated sales	Net sales	Percentage of overseas sales to consolidated sales
North America	42,601	13.0%	38,678	12.9%
Asia	64,944	19.8%	44,050	14.7%
Other areas	77,149	23.5%	62,666	21.0%
Overseas sales total	184,694	56.2%	145,394	48.7%
Consolidated	328,496	100.0%	298,766	100.0%

Non-Consolidated Financial Results for FY2002

(April 1,2002 through March 31,2003)

April 25,2003

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)
Representative : Shungo Dazai, Director & President
Reference :
Person in charge of the reference : Shiro Ishii
Position of the person : General Manager of Corporate Communication Dept.
Tel : (03) 3830-8065
Meeting of the Board of Directors for Account Settlement : April 25,2003
General Meeting of Stock Holders : June 26, 2003
Adoption of Interim dividend : Adopted
Adoption of unit stock system : Adopted (1 unit : 1,000 stocks)

1. Financial Highlights (April 1, 2002 through March 31, 2003)

(1) Financial Results (in Japanese yen rounded to millions, except amounts per share)

	Net Sales		Operating income/(Loss)		Ordinary income/(Loss)	
	million yen	%	million yen	%	million yen	%
FY2002	202,174	1.6	12,826	756.5	13,103	-
FY2001	198,913	(11.4)	1,497	(85.7)	(4,096)	-

	Net income/(Loss)		Net income/(Loss) per share	Net income/(Loss) per share (Diluted)	Return on equity	Ordinary income to total assets	Ordinary income to sales
	million yen	%	yen	yen	%	%	%
FY2002	3,544	-	23.71	22.29	4.3	5.2	6.5
FY2001	(14,724)	-	(102.44)	-	(17.4)	(1.5)	(2.1)

Notes:
1) Number of average shares during the term:
FY2002 : 145,282,840 shares FY2001 : 143,737,600 shares
2) Accounting policy changes : None
3) Changes in sales, operating income, ordinary income, and net income from the previous period are shown in percentage.

(2) Dividends

	Dividends per share			Amount of Annual Dividends	Dividends Payout Ratio	Annual Dividends per equity
		Interim	Year-end			
	yen	yen	yen	million yen	%	%
FY2002	7.00	3.00	4.00	1,074	29.5	1.2
FY2001	0.00	0.00	0.00	0	-	0.0

(3) Financial Position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	million yen	million yen	%	yen
FY2002	259,845	88,485	34.1	549.10
FY2001	249,015	77,200	31.0	537.12

Note:
1) Number of shares issued at end of term :
FY2002 : 160,963,004 shares FY2001 : 143,730,635 shares
2) Number of treasury stock at end of term :
FY002 : 102,716 shares FY2001 : 17,882 shares

2. FY2003 Financial Forecast (April 1, 2003 through March 31, 2004)

	Net Sales	Ordinary Income /(Loss)	Net Income /(Loss)	Dividends per share		
				Interim	Year-end	
	million yen	million yen	million yen	yen	yen	yen
Half Year	104,000	3,500	1,000	4.00	-	-
Full Year	210,000	10,000	5,000	-	4.00	8.00

[Reference] Net income per share for the full year: 30.44 yen

Note: The financial statement described above has been prepared based on the information obtainable as of the date when this statement has been published. Actual business results may differ from the figures described in this statement depending on various future factors.

Non-consolidated Financial Statements

(1) Balance Sheet

(in millions of yen)

Item	FY2002 (Mar. 31, 2003)	FY2001 (Mar. 31, 2002)	Increase/ (Decrease)	Item	FY2002 (Mar. 31, 2003)	FY2001 (Mar. 31, 2002)	Increase/ (Decrease)
[Assets]				[Liabilities]			
Ⅰ Current assets				Ⅰ Current liabilities			
1. Cash and deposits in banks	25,771	16,403	9,368	1. Notes payable	2,997	3,015	(17)
2. Notes receivable	10,570	12,204	(1,634)	2. Accounts payable	39,166	35,222	3,943
3. Accounts receivable	52,632	47,124	5,507	3. Short-term loans payable	8,089	9,560	(1,471)
4. Inventories	25,449	25,628	(179)	4. Long-term loans payable due within one year	308	433	(125)
5. Short-term loans receivable	15,798	14,105	1,692	5. Bonds due within one year	25,600	22,000	3,600
6. Accrued revenue	7,921	-	7,921	6. Other accounts payable	2,336	3,991	(1,655)
7. Deferred tax assets	4,491	5,532	(1,041)	7. Income taxes payable	130	61	68
8. Others	289	2,333	(2,044)	8. Accrued expenses	4,224	4,374	(149)
9. Allowance for doubtful accounts	(3,902)	(2,750)	(1,152)	9. Unrealized profits on installment sales	646	867	(221)
Total current assets	139,020	120,582	18,438	10. Others	4,856	5,610	(754)
Ⅱ Fixed assets				Total current liabilities	88,354	85,138	3,216
(1) Tangible fixed assets							
1. Buildings	11,464	15,771	(4,306)	Ⅱ Fixed liabilities			
2. Structures	3,701	4,124	(423)	1. Bonds	42,157	48,000	(5,843)
3. Machinery and equipment	8,112	9,369	(1,257)	2. Long-term loans payable	24,814	22,922	1,892
4. Transportation equipment	59	66	(7)	3. Retirement and severance benefits	9,196	9,282	(85)
5. Tools, furniture, and fixtures	1,543	1,968	(425)	4. Directors' and corporate auditors' retirement benefits	746	717	29
6. Land	28,502	28,735	(233)	5. Others	6,090	5,754	336
7. Construction in progress	19	103	(83)	Total fixed liabilities	83,005	86,676	(3,671)
Total tangible fixed assets	53,403	60,141	(6,737)	Total liabilities	171,360	171,814	(454)
(2) Intangible fixed assets							
1. Software	1,310	919	390				
2. Others	1,080	1,410	(329)	[Shareholders' equity]			
Total intangible fixed assets	2,390	2,329	61	Ⅰ Common stock	26,320	22,199	4,121
(3) Investments and other assets				Ⅱ Capital surplus	25,848	21,726	4,121
1. Investment in securities	4,850	5,676	(826)	Ⅲ Retained earnings			
2. Investment in securities for affiliates	38,542	40,599	(2,057)	1 Earned surplus reserve	2,161	2,161	0
3. Investment in affiliates	4,370	4,370	0	2 Voluntary reserve	29,763	44,407	(14,643)
4. Deferred tax assets	12,213	10,509	1,704	3 Unappropriated retained earnings/(deficit)	4,471	(13,285)	17,756
5. Others	5,556	5,264	291	Total retained earnings	36,396	33,283	3,113
6. Allowance for doubtful accounts	(504)	(460)	(44)	Ⅳ Net unrealized holding gain (loss) on securities	(32)	(1)	(31)
Total investments and other assets	65,029	65,961	(931)	Ⅴ Treasury stock	(47)	(6)	(40)
Total fixed assets	120,824	128,432	(7,608)	Total shareholders' equity	88,485	77,200	11,284
Total assets	259,845	249,015	10,829	Total liabilities and shareholders' equity	259,845	249,015	10,829

(2) Income Statement

(in million yen)

Item	FY2002 (Apr.2002 - Mar.2003)	FY2001 (Apr.2001 - Mar.2002)	Percentage of change from FY2001
			%
Ⅰ Net Sales	202,174	198,913	102
Ⅱ Cost of sales	150,408	154,133	98
Gross profit	51,766	44,779	116
Ⅲ Realized profit on installment sales	(137)	(621)	22
Ⅳ Selling, general and administrative expenses	39,077	43,903	89
Operating income	12,826	1,497	856
Ⅴ Non-operating income			
1. Interest received	161	218	74
2. Received interest on installment sales	160	313	51
3. Dividends income	3,509	326	-
4. Others	1,489	1,603	93
Total non-operating income	5,320	2,462	216
Ⅵ Non-operating expenses			
1. Interest expense	1,896	1,958	97
2. Exchange loss	296	3,039	10
3. Others	2,849	3,057	93
Total non-operating expenses	5,042	8,055	63
Ordinary income	13,103	-	-
Ordinary loss	-	4,096	-
Ⅶ Extraordinary profits			
1. Profit on sale of fixed assets	5,717	2,038	280
2. Profit on sale of affiliate's stocks	0	206	-
3. Dividends income on liquidation of affiliates	2,404	0	-
Total of Extraordinary profits	8,121	2,244	362
Ⅷ Extraordinary losses			
1. Amortization of transition difference	1,024	1,024	100
2. Loss on restructuring of subsidiaries and affiliates	10,621	9,580	111
3. Valuation loss on investment securities	319	540	59
4. Restructuring costs	75	7,847	1
5. Loss on disposal of inventories	1,197	1,002	119
6. Provision of allowance for loss on guarantees	5,404	0	-
Total extraordinary losses	18,642	19,995	93
Income before income taxes	2,583	-	-
Loss before income taxes	-	21,846	-
Current income taxes	580	690	84
Deferred income taxes	(641)	(6,691)	10
Net income	3,544	-	-
Net loss	-	14,724	-
Retained earnings brought forward	1,358	1,438	94
Interim dividends	431	0	-
Unappropriated retained earnings	4,471	-	-
Unappropriated retained deficit	-	13,285	-

(3) Appropriation of retained earnings

(in millions of yen)

Item	FY2002 (Apr.2002 - Mar.2003)	FY2001 (Apr.2001 - Mar.2002)	Increase/(Decrease)
Ⅰ Unappropriated retained earnings/(deficit) at end of year	4,471	(13,285)	17,756
Ⅱ Reversal of voluntary reserve	174	15,599	(15,425)
Total	4,646	2,314	2,332
Ⅲ Appropriation of retained earnings			
1. Dividends	643	0	643
2. Bonuses to directors	100	0	100
3. Voluntary reserve	2,021	956	1,066
Ⅳ Unappropriated retained earnings to be carried forward	1,880	1,358	522