Hitachi Construction Machinery

Financial Results for the six months ended September 30, 2003

(English translation of “KESSAN TANSHIN” originally issued in Japanese language)

Interim Financial Statement (Consolidated) for Fiscal Year Ending March 2004 October 28, 2003

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo, Osaka Code number: 6305 URL http://www.hitachi-kenki.co.jp
Location of head office: Tokyo

Representative: Shungo Dazai, President and Chief Executive Officer
Date of convening of the Board of Directors for financial settlement: October 28, 2003
Parent company: Hitachi, Ltd. (code number: 6501)
Ratio of HCM shares held by the parent company: 51.6%
U.S. Accounting Standards are not applied.

1. Consolidated results for the half-year ended September 2003 (April 1 to September 30, 2003)

(1) Consolidated results (Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 2003 (interim)	194,779	26.3	12,440	89.9	9,746	224.8
September 2002 (interim)	154,163	2.4	6,552	—	3,001	—
March 2003	328,496	10.0	16,399	—	9,880	—

(Rounded off to the nearest million, except per share amounts)

	Net income		Net income per share	Net income per share after adjusting for latent shares
	Millions of yen	%	Yen	Yen
September 2003 (interim)	4,872	165.1	28.86	27.61
September 2002 (interim)	1,838	—	12.79	—
March 2003	3,883	—	25.90	24.35

Notes:

1) Equity-method investment profit (loss)
September 2003 (interim): (¥477 million) September 2002 (interim): (¥650 million) March 2003: (¥1,035 million)
2) Average number of shares during the term (consolidated
September 2003 (interim): 168,809,230 September 2002 (interim): 143,723,335 March 2003: 145,282,840
3) Changes in the method of accounting: None
4) Percentages indicated for sales, operating income and net income are increases/(decreases) compared to the interim period of the preceding fiscal year.

(2) Consolidated financial position
(Rounded off to the nearest million, except equity ratio and shareholders' equity per share)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 2003 (interim)	394,002	85,826	21.8	491.05
September 2002 (interim)	354,246	63,934	18.0	444.87
March 2003	373,755	74,321	19.9	460.98

Note:
Number of outstanding shares at the end of the term (consolidated):
September 2003 (interim): 174,781,397 September 2002 (interim): 143,713,352 March 2003: 160,963,004

(3) Consolidated cash flows (Rounded off to the nearest million)

	Net cash provided by (used in) in operating activities	Net cash provided by (used in) in investing activities	Net cash provided by (used in) in financial activities	Cash and cash equivalents at end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 2003 (interim)	8,061	(4,172)	1,858	50,154
September 2002 (interim)	9,329	5,756	1,023	48,293
March 2003	17,384	1,666	(7,450)	44,234

(4) Scope of consolidation and application of equity method:
Number of consolidated subsidiaries: 49
Number of unconsolidated subsidiaries subject to the equity method: None
Number of affiliates subject to the equity method: 9

(5) Changes in companies subject to consolidation and equity method
Newly consolidated: 1 company
Newly unconsolidated: None
Newly subjected to the equity method: 1 company
Newly excluded from the equity method: None

2. Projected consolidated results for the fiscal year ending March 31, 2004 (Rounded off to the nearest million)

	Net Sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
March 2004	390,000	19,000	9,500

Supplementary information: Projected net income per share for the fiscal year: ¥54.35

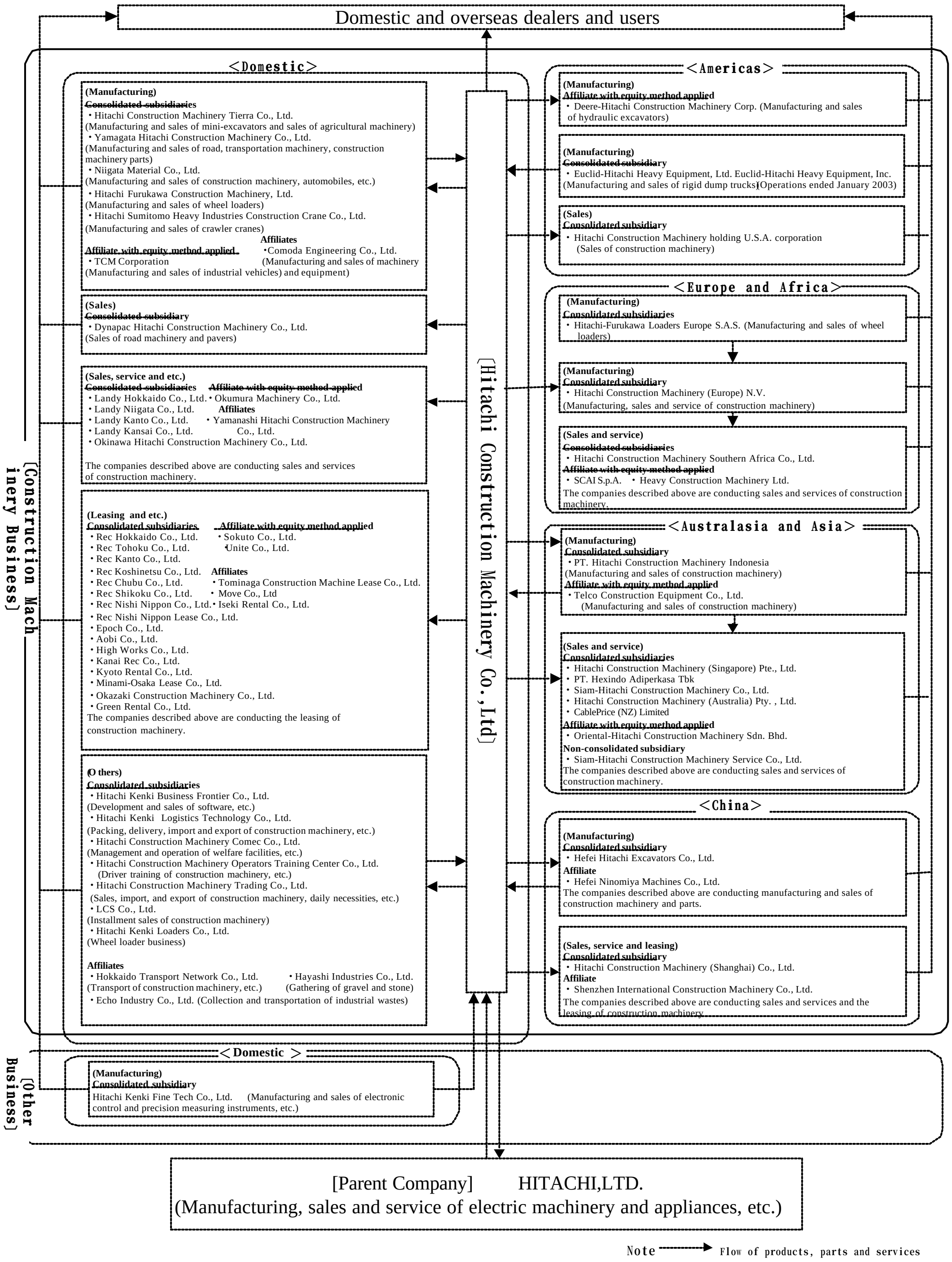
Note: The above projections are based on information available as of the time of the announcement. Actual results may differ due to various factors.

Attachment

1. Status of the corporate Group

This consolidated Group consists of Hitachi Construction Machinery, its parent company, its 50 subsidiaries and its 19 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.



2. Management Principles

(1) Basic Principles

① To improve the enterprise value of the HCM group through a rigorous emphasis on consolidated management. To this end, Future Inspiration Value (FIV) management is being vigorously applied throughout. FIV is an indicator of added value based on the cost of capital that was formulated by Hitachi and is used by all members of the Hitachi group.

② To establish a firm position in the construction machinery markets of the world, by strengthening alliances in Japan and overseas to provide a fuller lineup of products, as part of an ongoing development of global operations in the five regions of Japan; the Americas; Europe, Africa and the Middle East; Australasia and Asia; and China.

③ In all areas of operation, to diversify and develop as a group supplier of total solutions that encompass both hardware and software.

To ensure the ability to achieve these objectives, throughout the group there is a strong emphasis on developing global personnel and utilizing IT to implement “total management,” “superfast management” and “information management.”

(2) Basic principles on profit distribution

The basic focus is on maintaining stable dividends while giving due consideration to the future business plans, financial conditions and profitability of the HCM group, and linking the distribution of profits to corporate performance. Internal reserves are used to develop technologies, rationalize production equipment and grow subsidiaries in Japan and overseas.

(3) Concept and principle relating to reduction of investment unit

The HCM group understands that reducing the investment unit is an effective way of increasing the number of its shareholders and making its stock more fluid. The group is carefully studying the matter, giving particular regard to such factors as corporate performance, share price, the composition of shareholders, liquidity and the cost-effectiveness of implementation. However, nothing has yet been decided with respect to timing and other details of any such move.

(4) Management goals

In line with the basic principles on the distribution of profits, HCM intends to continue to provide stable dividends on a long-term basis. Enterprise value will be grown by maintaining and increasing a positive FIV, and in order to ensure the requisite level of profits, the target is to achieve a consolidated return on equity (ROE) of at least 10%, and to keep the debt-to-equity (D/E) ratio to not more than 1.3.

(5) Interim/Long-term strategies

To win out in the increasingly intense arena of global competition, in April HCM launched “SOH 21-Creative Value Up,” a medium-term management plan that targets the fiscal year ending March 31, 2007. The aim of the plan is to achieve the company’s goal of consolidating its position as a global manufacturer of construction machinery that always puts the customer first. HCM plans to establish the industry’s number one profit structure, embark on further globalization, and regain an “A” rating on its long-term bonds.

Specifically, there will be a four-fold emphasis, on expanding the role of international business as a pillar of profits, restructuring of domestic business operations, promoting global product strategies and becoming the world’s number one in terms of cost-competitiveness, and strengthening the company’s financial structure. For this, HCM intends to become predominant in terms of technology capabilities and product strength, cost-competitiveness, service and sales capabilities, and brand strength.

(6) Issues to be tackled

① Expanding international business

On a consolidated basis, the ratio of overseas sales has been increased from 49% in fiscal 2001 to 56% in fiscal 2002 and 62% in the first half of fiscal 2003. HCM is expanding overseas operations to push the ratio up to 70%.

In the Americas, the single-management, two-brand marketing system established with Deere & Company has increased the competitiveness of both companies' brand products in North and Latin America. HCM has also focused on strengthening its mining business, which includes large hydraulic excavators and dump trucks.

In Europe, where the company started building its own sales network in July of 2002, the scale and pace of growth of the new network exceeded initial expectations. Now the emphasis is on providing dealerships with a stable supply of products and services, and further strengthening the sales network. In addition, HCM is filling out its lineup by introducing a wider range of models as production ramps up. In the Middle East, where growth is projected for infrastructure-related demand, the company is developing a regional strategy centering on the its Middle East Center, which opened this September. Sales are also being increased to Russia, which is endeavoring to develop its rich, natural resources.

In Australasia and Asia, HCM is concentrating on the mining market as it seeks to strengthen the marketing of large dump trucks sold as sets with ultra-large hydraulic excavators. In this way, the company is developing new customer sectors, growing sales and expanding its market share. Sales are also rising in Southeast Asia, where demand is firmly on the road to recovery.

In China, production and sales are both going well. HCM is providing local sales companies and dealers with support to strengthen liability management and after-sales services to cope with the intensifying level of sales competition and the rapid rise in unit sales. Looking to the future, HCM is planning to start local production of large hydraulic excavators and mini-excavators, for which fresh demand is expected. Following the decision of the World Trade Organization making it easier to obtain import licenses, the company is moving to strike the right balance between locally-manufactured products and imports (of both new and used products), as it becomes necessary to have a flexible production system able to nimbly respond to market changes.

② Restructuring of domestic business operations

HCM continues to improve customer satisfaction levels and the efficiency of consolidated management through its "RSS system" encompassing rental, sales and service operations.

With respect to sales, in order to increase sales by market creation that matches demand, the company is moving from a region-based sales system to one that is segment-specific.

In rental operations, the focus is on an early move into the black. This will be done by the setting-up and strengthening of direct sales systems, using rental systems to efficiently utilize assets, and using Rental-Value Engineering for Customers (R-VEC) to reduce costs.

With respect to environmental systems and other new businesses, HCM is concentrating on developing distinctive products and systems that reflect the needs of customers, growing sales, and improving profitability. With respect to services, to provide customers with new value, more emphasis is being placed on IT-driven e-business and e-services.

③ Promoting global product strategies and becoming world's number one in cost-competitiveness

In order to develop global products that match the needs of customers throughout the world, HCM is promoting regional marketing, strengthening its in-house development system and making optimum use of alliances. Global production and procurement are being optimized and strengthened to optimize fixed costs on a consolidated and global basis, and the efficiency of supply chains is being increased to reduce lead times and improve cash flows.

To reduce costs, all divisions are continuing to implement and strengthen their Value Engineering for Customers (VEC).

④ Strengthening the financial structure

Reducing interest-bearing is an important challenge for HCM, which is working to regain an "A" rating on its long-term bonds. The company is using its "cash-flow project II" to reduce the amount of consolidated accounts receivable and the level of inventories on hand, and is reducing its fixed assets by closing or consolidating bases. For these moves, operational reforms are being forcefully implemented in accordance with a reappraisal of the supply chain management of HCM and the companies of the HCM group. In the current fiscal year, with a view to improving consolidated cash flows, a cash management system (CMS) has been introduced to centralize the management of group funds. While these measures are currently being implemented just in Japan, they will be implemented on a global basis in the future.

(7) Corporate governance

Following approval of changes to the HCM's Articles of Incorporation at the Annual General Meeting of Shareholders held in June 2003, the company adopted a committee system. This was carried out in accordance with recent revisions to Japan's Commercial Code. The new system provides for an executive officer system, the establishment of a nominating committee, an audit committee and a compensation committee, and the use of outside directors. HCM is using the new system to implement management strategies more speedily, achieve more reliable management, promote global management, and respond to the new management of the Hitachi group.

(8) Basic policies covering relations with the parent company

As a member of the Hitachi group, which shares a common management vision and brand, the HCM group maintains a cooperative relationship with Hitachi, Ltd. and the companies of the Hitachi group, thereby contributing to maximizing the enterprise value of the Hitachi group and increasing the strength of the Hitachi brand. HCM has two outside directors from Hitachi, Ltd.

HCM is utilizing the funds pooling system of the Hitachi group to borrow ¥4,839 million.

3. Business Results and Financial Condition

(1) Overview of the interim period

During the first half of the fiscal year, in Japan, the business environment continued to be a severe one, marked by cutbacks in public works investment. However, progress made in adjusting inventories of hydraulic excavators was a sign that demand is starting to improve. Overseas, demand showed steady growth in China, and in North America, too, demand grew, reflecting the firm level of investment in housing construction.

Export sales and sales of overseas subsidiaries grew at a pace that exceeded projections, helped by factors such as the group's new European strategy getting solidly on track.

As a result, overseas sales by the HCM group exceeded domestic sales, accounting for 64% of total sales, representing a year-on-year increase of 7%.

Consolidated net sales for the half-year period rose 26% year on year, to ¥194,779 million. Consolidated ordinary income increased 225%, to ¥9,746 million, and consolidated net income amounted to ¥4,872 million, an increase of 165%.

On a non-consolidated basis, HCM recorded sales of ¥118,189 million, a year-on-year increase of 27%. Ordinary income rose 138%, to ¥6,827 million, and net income decreased 40%, to ¥1,523 million.

(2) Consolidated sales, by region

The following is an outline of the sales by each of the HCM group's five global regions.

In Japan, sales amounted to ¥73,731 million, a year-on-year increase of 12%, as demand for hydraulic excavators was again higher on a year-on-year basis and the HCM group steadily increased its market share.

In the Americas, sales rose 35% year on year, to ¥25,449 million. Here, one factor was the upswing in the economy, which boosted investment in housing construction and pushed up replacement demand for construction machinery. Another factor was the progress in inventory adjustments, which translated into higher sales, and sales based on the single-management system established by HCM and Deere & Company, which exceeded projections.

In Europe, Africa and the Middle East, sales amounted to ¥30,651 million, an increase of 68%. This was attributable to the independent sales network, being developed under Hitachi Construction Machinery (Europe) N.V., making progress at a faster pace than expected, and to steady demand in Russia and South Africa.

In Australasia and Asia, sales rose 9%, to ¥30,501 million. The increase was attributable to steady demand for hydraulic excavators in Australasia and throughout Southeast Asia. In Australasia demand focused on large hydraulic excavators for mining operations.

In China, demand continued to grow. Looking to the future, in order to ensure the stable growth of its China business operation, HCM is strengthening Hitachi Construction Machinery (Shanghai) Co., Ltd. and leading local dealerships to increase system capabilities in the areas of financing, parts supply and service. Sales in China amounted to ¥34,483 million, an increase of 49%.

(3) Overview, by industry segment

① Construction machinery

Consolidated sales of construction machinery rose 27% year on year, to ¥194,272 million. To meet customers' diverse needs in the area of construction machinery, the HCM group is promoting alliances to fill out its product lineup and, in the development of its global operations, is placing emphasis on a segment-specific sales approach.

In the construction machinery related product business, in Japan there was an undertone pointing towards a recovery in demand for hydraulic excavators, the segment's mainstay product, and demand also rose in overseas markets. In Europe, the company released new hydraulic excavators in both crawler and wheel configurations. As a result, sales made major gains. In Russia, the company won a major order from a large dealership requiring hydraulic excavators to rent out for infrastructure projects, and obtained other large orders for hydraulic excavators, wheel loaders and other equipment for pipeline construction work in Sakhalin. HCM is stepping up its sales efforts targeting the region, where there is going to be a strong increase in demand for construction machinery for use in projects relating to energy resources.

HCM was also able to increase sales of mini-excavators in North America, by utilizing sales channels developed for selling agricultural machinery.

New products released during the period included four models in the company's series of ultra-short swing radius mini-excavators, two low-wheel, low-floor step-in loaders, and a medium-sized crawler crane.

In the resources development related products business, HCM strengthened the synergy between its ultra-large hydraulic excavators and large dump trucks in the mining markets of the world to achieve higher sales, based on its reputation for product reliability underpinned by dominant technological capabilities. In Brazil, the company won an order for large hydraulic excavators for mining operations, securing a foothold to develop a new market.

In line with restructuring moves in North America to improve efficiency, the development and manufacture of Euclid-Hitachi Heavy Equipment, Ltd. dump trucks weighing more than 140 tons, used for mining applications, has been concentrated in Japan.

New products released during the period included a large hydraulic excavator powered by a new engine that meets the Class 2 emission standards of the Ministry of Land, Infrastructure and Transport and the U.S. Environmental Protection Agency.

In the environment related products business, with the implementation in February, 2003, of the Soil Contamination Countermeasures Law, HCM concentrated on soil improvers and recycling related products. The HCM group views environmental systems as a total solutions business, and engages in a broad range of sales activities that includes systems engineering consulting services. The group also supplies a diverse range of products for soil, wood, stone and mixed wastes.

New products included a crawler crusher and a crawler wood recycler.

In the product development business, there was a rise in sales of application products developed to meet a diverse range of market needs.

New products included two models of back-hoe dozers that combine hydraulic excavator and bulldozer functions; the “MiniMoku,” a wooden-house demolisher developed jointly with Sekisui House, Ltd.; and the Shake! container system that comes equipped with its own automatic unloader.

In rental operations, there was a focus on responding to structural changes in the domestic market and on ensuring profitability. With those goals in mind, the REC group of direct rental companies built an information network, the R-NET1, to help make efficient use of rental assets and to share sales and other information.

The used machinery business was impacted by the spread of SARS in Asia, which made it necessary to postpone auctions. In their stead, Hitachi Construction Machinery Trading Co., Ltd. resorted to Internet auctions.

On the service side, HCM utilized the e-functions of the ZAXIS series of hydraulic excavators to provide a preventive maintenance service that ensures customers' equipment is always in optimum working condition, and also developed and released the e-Guard II to protect equipment against theft.

In the area of software relating to the construction machinery business, the necessary expertise is provided by Hitachi Kenki Business Frontier Co., Ltd., which handles the development, sales and maintenance of software, Hitachi Kenki Logistics Technology Co., Ltd. which handles the packing, shipping and export/import aspects of the business, and LCS Co., Ltd. which handles the financing side, including installment payment sales and the like.

② Other products business

Consolidated sales by this division came to ¥507 million, 20% less than for the corresponding period of the preceding fiscal year.

Hitachi Kenki FineTech Co., Ltd. develops, manufactures and sells ultrasonic inspection systems, atomic force microscopes, laser machine tools and controllers for construction machinery applications.

During the period, the company released an automatic laminated wafer inspection system equipped with a conveyor, and an ultrasonic imaging system equipped with a wide scanner.

(4) Disposition of profits

In fiscal 2002, with signs of a recovery in the HCM's results apparent, HCM paid an annual dividend of seven yen per share (consisting of an interim dividend of three yen and a year-end dividend of four yen per share). With respect to fiscal 2003, at a meeting of the Board of Directors held on October 28, 2003, it was decided to pay an interim dividend of four yen a share. The company plans to pay a year-end dividend of six yen a share, which includes a special dividend of one yen.

(5) Status of consolidated cash flows

Cash flows during the interim period were as follows. At the end of the interim period, on a consolidated basis, cash and cash equivalents stood at ¥50,154 million, ¥1,860 million more than at the end of the previous interim period. Factors relating to each cash flow were as follows.

<u>Net cash provided by operating activities</u>

Net cash provided by operating activities amounted to ¥8,061 million, a decrease of ¥1,268 million compared to the ¥9,329 million at the end of the previous interim period. This was due primarily to the fact that although at ¥9,715 million, income before income taxes and minority interests showed an improvement of ¥6,495 million over the ¥3,220 million posted at the end of the previous interim period, overseas manufacturing and sales companies increased inventories by ¥4,933 million to cope with burgeoning demand, a major increase compared to the decrease of ¥5,167 million in the previous interim period.

<u>Net cash used for investing activities</u>

The decrease in net cash used for investing activities was ¥4,172 million. This was due primarily to the fact that, although the company held down to ¥2,315 million its expenditure to acquire manufacturing, sales and service related property, plant and equipment, an amount lower than the ¥3,846 million of the previous interim period, funds were decreased by the amount of ¥3,869 million used to acquire investment securities, which included investment in TCM Co., Ltd.

As a result, free cash amounted to ¥3,889 million.

Net cash provided by financing activities

Net cash provided by financing activities increased ¥1,858 million. This was due primarily to the fact that, while there was an expenditure of ¥20,300 million for redemption of bonds during the interim period, ¥18,605 million was raised in long-term loans, including ¥10,000 million raised as a domestic, syndicated long-term loan, and ¥9,998 million was raised using yen-denominated, privately-subscribed bonds issued through the Euro market.

(6) Outlook for the current term

In Japan, although there are some signs of an improvement in the business climate, such as an increase in private-sector investment in plant and equipment and a rise in exports, cutbacks in public works investment and the sluggish state of housing starts are expected to continue to create a severe market climate. Overseas, there are some concerns over the increasing intensity of competition in China, which continues to grow at a rapid pace, and the instability of the political situation in the Middle East and elsewhere. Thus, the outlook remains unclear. The appreciation of the yen and concerns about the revaluation of the renminbi are also expected to require a careful response.

For its part, in line with its medium-term management plan, overseas the HCM group intends to develop its sales network in Europe, strengthen its operations in China. In Japan, the company will use its integrated rental, sales and service operation to secure its market position and focus on increasing revenues and profits.

Projected consolidated results ( ): year-on-year change

Net sales	¥390,000 million (+19%)
Ordinary income	¥19,000 million (+92%)
Net income	¥9,500 million (+145%)

Projected non-consolidated results ( ): year-on-year change

Net sales	¥242,000 million (+20%)
Ordinary income	¥16,000 million (+22%)
Net income	¥6,000 million (+69%)

These projections assume an exchange rate of ¥110 to the U.S. dollar and ¥125 to the Euro.

Statements in this document contain forward-looking statements which reflect management's current views with respect to certain future events and financial performance. Words such as "forecast", "outlook," "intend," "plan" "project" and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements. Factors that could cause actual results to differ materially from those projected or implied in the forward-looking statements include the general economic conditions in HCM's major markets, fluctuations in product demand, exchange rates and their fluctuations, and changes in the regulatory environment or in the accounting standards or practices in Japan or other countries.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

		Interim As of Sept. 30, 2003 (A)	Interim As of Sept. 30, 2002 (B)	Year-end As of Mar. 31, 2003	(A)-(B)
	ASSETS				
Ⅰ	Current assets				
1.	Cash and bank deposits	50,718	47,649	46,177	3,069
2.	Notes and account receivable	109,843	107,502	110,981	2,341
3.	Inventories	83,928	65,771	78,376	18,157
4.	Others	22,795	13,308	15,005	9,487
5.	Less: Allowance for doubtful accounts	(13,725)	(11,474)	(11,777)	(2,251)
	Total current assets	253,559	222,756	238,762	30,803
Ⅱ	Fixed assets				
(1)	Property, plant and equipment				
1.	Property held for lease	21,653	14,244	18,770	7,409
2.	Buildings and structures	26,383	23,694	27,091	2,689
3.	Machinery and equipment	13,639	15,339	14,639	(1,700)
4.	Land	31,805	30,751	31,774	1,054
5.	Others	4,951	7,789	4,586	(2,838)
	Net property, plant and equipment	98,431	91,817	96,860	6,614
(2)	Intangible assets	3,178	3,122	3,377	56
(3)	Investments and other assets				
1.	Investments in securities	21,679	19,471	16,645	2,208
2.	Others	17,964	17,888	18,969	76
3.	Less: Allowance for doubtful accounts	(809)	(808)	(858)	(1)
	Total investments and other assets	38,834	36,551	34,756	2,283
	Total fixed assets	140,443	131,490	134,993	8,953
	Total assets	394,002	354,246	373,755	39,756

		Interim As of Sept. 30, 2003 (A)	Interim As of Sept. 30, 2002 (B)	Year-end As of Mar. 31, 2003	(A)-(B)
	LIABILITIES				
Ⅰ	Current liabilities				
1.	Notes and accounts payable	74,752	64,111	74,704	10,641
2.	Short-term debt	43,704	63,902	40,631	(20,198)
3.	Current portion of bonds	15,600	22,000	25,600	(6,400)
4.	Others	39,695	33,071	36,092	6,624
	Total current liabilities	173,751	183,084	177,027	(9,333)
Ⅱ	Long-term liabilities				
1.	Bonds	35,100	38,000	42,157	(2,900)
2.	Long-term debt	61,197	40,366	44,615	20,831
3.	Retirement and severance benefits	12,476	10,153	12,233	2,323
4.	Others	17,537	12,314	16,280	5,223
	Total long-term liabilities	126,310	100,833	115,285	25,477
	Total liabilities	300,061	283,917	292,312	16,144
	MINORITY INTERESTS				
	Minority interests	8,115	6,395	7,122	1,720
	SHAREHOLDERS' EQUITY				
Ⅰ	Common stock	29,740	22,199	26,321	7,541
Ⅱ	Capital surplus	29,268	21,727	25,848	7,541
Ⅲ	Retained earnings	27,333	21,627	23,239	5,706
Ⅳ	Net unrealized holding gain (loss) on securities	851	254	(276)	597
Ⅴ	Foreign currency translation adjustments	(657)	(1,859)	(764)	1,202
Ⅵ	Treasury stock	(709)	(14)	(47)	(695)
	Total shareholders' equity	85,826	63,934	74,321	21,892
	Total liabilities, minority interests and shareholders' equity	394,002	354,246	373,755	39,756

(2) Consolidated Statements of Income

(Millions of yen)

		Interim The half year ended Sept. 30, 2003	Interim The half year ended Sept. 30, 2002	Year-end Year ended Mar. 31, 2003	(A)/(B)×100 (%)
					%
Ⅰ	Net sales	194,779	154,163	328,496	126
Ⅱ	Cost of sales	143,546	113,941	243,642	126
	Gross profit before (realized) unrealized profit on installment sales	51,233	40,222	84,854	127
Ⅲ	(Realized) unrealized profit on installment sales	(412)	67	(348)	(615)
	Gross profit	51,645	40,155	85,202	129
Ⅳ	Selling, general and administrative expenses				
1.	Packing and shipping expenses	4,392	3,255	7,487	135
2.	Employees' salaries	12,417	10,830	21,442	115
3.	R&D expenditure	3,370	3,339	6,265	101
4.	Provision of reserve for bad debt	1,285	2,559	4,054	50
5.	Others	17,741	13,620	29,555	130
	Total selling, general and administrative expenses	39,205	33,603	68,803	117
	Operating income	12,440	6,552	16,399	190
Ⅴ	Non-operating income				
1.	Interest income	341	401	834	85
2.	Interest income from installment sales	279	475	996	59
3.	Dividends income	50	53	66	94
4.	Others	1,475	1,341	1,913	110
	Total non-operating income	2,145	2,270	3,809	94
Ⅵ	Non-operating expenses				
1.	Interest expenses	1,675	1,933	3,721	87
2.	Loss on disposal of inventories	91	480	1,210	19
3.	Exchange loss	1,043	—	222	—
4.	Equity in losses of affiliated companies	477	650	1,035	73
5.	Others	1,553	2,758	4,140	56
	Total non-operating expenses	4,839	5,821	10,328	83
	Ordinary income	9,746	3,001	9,880	325
Ⅶ	Extraordinary income				
1.	Gain on sale of property, plant and equipment	829	4,309	5,717	19
2.	Gain on the transfer to Japanese Government of the substitutional portion of employee pension fund liabilities	949	0	0	—
3.	Gain on sale of investments in securities	0	206	206	0
	Total extraordinary income	1,778	4,515	5,923	39
Ⅷ	Extraordinary losses				
1.	Amortization of transition difference	611	673	1,346	91
2.	Loss on sale of fixed assets	46	0	0	—
3.	Restructuring costs	1,152	2,547	6,455	45
4.	Loss on revaluation of investments in securities	0	0	319	—
5.	Loss on disposal of inventories	0	1,076	1,197	—
	Total extraordinary losses	1,809	4,296	9,317	42
	Income before income taxes and minority interests	9,715	3,220	6,486	302
	Income taxes				
	current	5,981	1,192	3,015	502
	refund	—	—	651	—
	deferred	(2,335)	(865)	(2,077)	270
	Minority interests	1,197	1,055	2,316	113
	Net income	4,872	1,838	3,883	265

(3) Consolidated Statements of Retained Earnings

(Millions of yen)

		Interim (The half year ended Sept. 30, 2003 (A))	Interim (The half year ended Sept. 30, 2003 (B))	Year-end (Year ended Mar. 31, 2003)	(A)-(B)
	ADDITIONAL PAID-IN CAPITAL				
Ⅰ	Beginning balance	25,848	21,727	21,727	4,121
Ⅱ	Increase in additional paid-in capital				
1.	Exercise of stock purchase warrant	3,420	0	4,121	3,420
2.	Gain on sales of treasury stock	—	0	0	—
	Total increase in additional paid-in capital	3,420	0	4,121	3,420
Ⅲ	Decrease in additional paid-in capital	0	0	0	0
Ⅳ	Ending balance	29,268	21,727	25,848	7,541
	RETAINED EARNINGS				
Ⅰ	Beginning balance	23,239	19,897	19,897	3,342
Ⅱ	Increase in retained earnings				
	Net income	4,872	1,838	3,883	3,034
	Total increase in retained earnings	4,872	1,838	3,883	3,034
Ⅲ	Decrease in retained earnings				
1.	Effect of newly affiliated company	9	0	0	9
2.	Cash dividends	643	0	431	643
3.	Directors' bonuses	126	108	110	18
	Total decrease in retained earnings	778	108	541	670
Ⅳ	Ending balance	27,333	21,627	23,239	5,706

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Interim The half year ended Sept. 30, 2003	Interim The half year ended Sept. 30, 2002	Year-end Year ended Mar. 31, 2003
Ⅰ Cash flows from operating activities			
1. Income before income taxes and minority interests	9,715	3,220	6,486
2. Depreciation and amortization	6,441	5,217	10,605
3. Increase in allowance for doubtful	1,832	3,290	3,650
4. Interest and dividends income	(391)	(454)	(900)
5. Interest expenses	1,675	1,933	3,721
6. Equity in losses of affiliate companies	438	650	1,035
7. Decrease in notes and accounts receivable	1,440	5,067	3,934
8. (Increase) decrease in inventories	(4,933)	5,167	(6,130)
9. Purchase of proprety held for lease	(3,955)	(3,898)	(6,272)
10. Sales of proprety held for lease	1,342	1,003	1,904
11. Increase (decrease) in notes and accounts payable	(438)	(4,769)	4,597
12. Gain on sales of property, plant and equipment	(1,104)	(4,309)	(5,717)
13. Loss on revaluation of investment in securities	0	0	319
14. Gain on sales of investment in securities	0	(206)	(206)
15. Others	(1,786)	(1,370)	1,585
Sub total	10,276	10,541	18,611
16. Income taxes paid	(2,215)	(1,212)	(1,227)
Net cash provided by operating activities	8,061	9,329	17,384
Ⅱ Cash flows from investing activities			
1. Net increase in time deposits	(7)	(37)	(3,467)
2. Proceeds from time deposits	1,392	955	2,768
3. Acquisitions of property, plant and equipment	(2,315)	(3,846)	(6,607)
4. Proceeds from sale of property, plant and equipment	1,124	2,579	4,026
5. Purchases of investment in securities	(3,869)	(316)	(3,107)
6. The difference the cash balance of newly consolidated companies and the investment	0	717	717
7. Proceed from sale of investments in securities	0	4,949	5,682
8. Interest and dividends received	390	454	900
9. Interest and dividends received from affiliated companies	8	14	14
10. Other, net	(895)	287	740
Net cash provided by (used in) investing activities	(4,172)	5,756	1,666
Ⅲ Cash flows from financing activities			
1. Net increase (decrease) in short-term debt and current portion of long-term debt	999	4,752	(18,135)
2. Proceeds from long-term debt	18,605	10,254	16,645
3. Repayments of long-term debt	(3,506)	(2,507)	(7,432)
4. Proceeds from issuance of bonds	9,998	9,973	12,937
5. Repayments of redemption of debenture	(20,300)	(20,000)	(22,000)
6. Proceeds from issuance of bonds with warrants	0	0	14,747
7. Interest paid	(1,931)	(2,070)	(3,682)
8. Dividends paid to shareholders	(643)	0	(431)
9. Dividends paid to minority shareholders of subsidiaries	(784)	(222)	(909)
10. Proceeds from issuance of stock	82	0	0
11. Issuance of common stock to minority shareholders by subsidiaries	0	850	850
12. Purchases of treasury stock	(662)	(7)	(40)
Net cash provided by (used in) financing activities	1,858	1,023	(7,450)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	173	(917)	(468)
Ⅴ Net increase (decrease) in cash and cash equivalents	5,920	15,191	11,132
Ⅵ Cash and cash equivalents at beginning of year	44,234	33,102	33,102
Ⅶ Cash and cash equivalents at end of year	50,154	48,293	44,234

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

1. Scope of consolidation

Number of consolidated subsidiaries: 49

(1) Main consolidated subsidiaries

1) Hitachi Construction Machinery Tierra Co., Ltd.
2) Yamagata Hitachi Construction Machinery Co., Ltd.
3) Euclid-Hitachi Heavy Equipment Ltd.
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) Hitachi Construction Machinery Holdings U.S.A. Corporation

2. Application of the equity method

Number of affiliates subject to the equity method: 9

(1) Main affiliates subject to the equity method

1) Deere-Hitachi Construction Machinery Corp.
2) Telco Construction Equipment Co., Ltd.
3) TCM Corporation

(2) Newly affiliated company

1) TCM Corporation

3. Date of settlement of interim accounts for consolidated subsidiaries

Below is a list of the consolidated subsidiaries that settle their interim accounts on a date different from the rest of the consolidated Group.

1) Euclid-Hitachi Heavy Equipment, Ltd.
2) Euclid-Hitachi Heavy Equipment, Inc.
3) Hitachi-Furukawa Loaders Europe S.A.S.
4) Hitachi Construction Machinery Southern Africa Co., Ltd.
5) Siam-Hitachi Construction Machinery Co., Ltd.
6) PT. Hitachi Construction Machinery Indonesia
7) PT. Hexindo Adiperkasa Tbk.
8) Hefei Hitachi Excavators Co., Ltd.
9) Hitachi Construction Machinery (Shanghai) Co., Ltd.
10) Hitachi Construction Holdings U.S.A. Corporation

All the above firms settle their interim accounts on June 30. Interim financial statements as of the same date are used in preparing interim consolidated financial statements, and the required adjustments are performed for the consolidated Group when handling any major transactions that may have arisen between the date of settlement among these companies and the date of consolidated interim settlement. The closing dates for interim earnings for the consolidated subsidiaries other than those listed above correspond to the closing date for interim consolidated accounting.

4. Items concerning accounting standards

(1) Securities

Those with market value: Determined by the market-price valuation method based on market prices and other rates on the closing date of interim period under review. (The difference between the carrying value and the market value is included in equity, while the cost of securities sold computed using the moving average method.)

Those without market value: Determined mainly by the cost method based on the moving average method

(2) Derivatives trading

Determined by the market-price valuation method

(3) Inventories

Determined mainly by the lower-of-cost-or-market valuation accounting method based on the moving average method or individual method

(4) Depreciation of major depreciable assets

1. Tangible fixed assets

   Assets for leases: The straight-line method is mainly applied.

   Other tangible fixed assets: The declining balance method is mainly applied.

2. Intangible fixed assets: The straight-line method is mainly applied.

(5) Accounting for deferred assets

1. Bond issue expenses

   Entire amount is expensed as incurred

2. New stock issue expenses

   Entire amount is expensed as incurred

(6) Allowance for doubtful accounts

In respect of specified receivables where there is a fear of default, an allowance is provided for the amount deemed necessary based on the amount of the receivables less expected amount collectible. An allowance for doubtful account is also provided based on the historical default rate for other receivables.

(7) Reserve for retirement and severance benefits

In preparations for employees' retirement benefits, the Company and a portion of its domestic consolidated subsidiaries have posted the amounts which are projected to occur at the end of the interim period under review based on the projected amount of retirement benefit obligations and pension assets at the end of this fiscal year. For the difference (¥6,728 million) when the accounting standards were changed, the five-year prorated amount is recognized as an expense.

As for unrecognized prior service, the amount prorated for the average remaining years of service of the employees at the time when those obligations occurred is recognized starting from the fiscal year when they occurred.

As for unrecognized actuarial loss, the amount prorated for the average remaining years of service of the employees at the time in each term when such a difference occurred is recognized as an expense, starting from the term following the one when each such difference occurred.

(8) Income on installment sales

The Company and some subsidiaries have installment sales. Income on long-term installment is recognized as the related installment receivables become due.
Interest from installment sales is included in Interest and dividend income.

(9) Standards for converting major foreign currency-denominated assets or liabilities

Foreign currency-denominated financial claims and liabilities are converted into yen according to the spot exchange rates of the closing date for interim accounting, and the conversion balance is recognized as a profit or loss. The assets and liabilities of subsidiaries abroad and other entities are converted into yen according to the spot exchange rates of the closing date for interim accounting. Income and expenses are converted into yen according to mid-term average rates. The conversion difference is included in the adjustment account of exchange conversion in the Shareholders' Equity.

(10) Accounting for leases

Finance leases other than those where the ownership of a leased object is to be transferred to the lessee are accounted for by a method similar to the one related to ordinary rentals.

(11) Method of major hedge accounting

1) Method of hedge accounting

By deferred hedge accounting

2) Means and object of hedging

Forward exchange contracts and currency options are conducted to alleviate foreign exchange risks in overseas transactions. Interest-rate swaps are conducted according to their procurement periods to solidify the fluctuation risks of cash flows by corporate bonds, long-term loans and other instruments.

3) Hedging policy

Derivatives trading in currency-related operations is designed mainly to hedge sales contracts denominated in U.S. dollars, so that it is supposed to be conducted in the range of accounts receivable denominated in foreign currency and amounts of contracts established. As for interest-related derivatives trading, the Company considers its first priority to procure corporate bonds, long-term loans and similar instruments by long-stabilized interest, so that the Company aims to solidify interest rates on levels that match the actual market rates at the time of procurement.

4) Method of evaluating the effectiveness of hedging

During the period from the commencement of hedging to the point at which effectiveness is assessed, the Company compares the cumulative total of market changes in the targeted objects of hedging or cash flow changes with the cumulative total of market changes in the hedging instruments or cash flow changes. The Company then makes a decision based on the changes and other factors of the two.

(12) Other major items as the basis for preparing interim consolidated balance sheets

1) Consumption taxes and regional consumption taxes are treated outside the financial statements.
2) Corporate tax, inhabitant tax, business tax and deferred income tax are calculated on the precondition that the reserve for special depreciation is accumulated and applied for the appropriation of retained earnings scheduled for the current period.

5. Scope of funds in the statement of interim consolidated cash flows
   The funds consist of (1) cash on hand, (2) demand deposits, and (3) short-term investments which have maturities of no more than three months after the date of acquisition and which is highly liquid, readily convertible into cash, and which bears little risk with regard to price fluctuations.

Additional Information

In conjunction with the enforcement of the Defined Benefit Enterprise Pension Plan Law, the Company and a portion of its domestic subsidiaries received approval from the Minister of Health, Labour and Welfare for exemption from payment of future benefits regarding the substituted portion of the employee pension fund.

The Company and the its subsidiaries applied transitional accounting measures outlined in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report) (Report of the Accounting Committee of the Japanese Institute of Certified Public Accountants No. 13)," and recognized an extinguishment of retirement benefit obligations and pension assets with regards to such substituted portion as of the date of approval.

Consequently, the Company and these subsidiaries recorded ¥949 million of extraordinary income as an impact on income for the interim period under review. Moreover, as of the end of the current interim period, the total projected reimbursement value (minimal actuarial liability) is ¥23,562 million.

Accompanying Notes

(Notes to Interim Consolidated Balance Sheets)
(Millions of yen)

	(Current interim period)	(Previous interim period)	(Previous fiscal year)
1. Notes discounted and endorsed			
Notes receivable discounted	58	27	9
Notes accountable endorsed	62	172	55
2. Secutarization			
Notes and accounts receivable	38,687	46,365	46,181
3. Accumulated depreciation on property, plant and equipment	124,203	119,257	121,329
4. Guarantee obligations			
Loans guaranteed	3,466	3,137	3,867
Commitments to provide guarantees for loans	638	3,115	3,655
5. Assets pledged as collateral	7,349	5,327	6,710
Secured debt	7,358	5,138	7,403

(Notes to Interim Consolidated Statements of Cash Flows)
(Millions of yen)

	(Current interim period)	(Previous interim period)	(Previous fiscal year)
Cash and bank deposits	50,718	47,649	46,177
Short-term investments with maturity dates within three months from date of acquisition	0	1,000	0
Subtotal	50,718	48,649	46,177
Time deposits with the maturity of more than three months	(564)	(356)	(1,943)
Cash and cash equivalents	50,154	48,293	44,234

5. Securities

(1) Other securities with market value

(millions of yen)

Category	Current interim term (As of September 30, 2003)			Previous interim term (As of September 30, 2002)			Previous term (As of March 31, 2003)		
	Market value	Book value per consolidated balance sheet	Unrealized gain	Market value	Book value per consolidated balance sheet	Unrealized gain	Market value	Book value per consolidated balance sheet	Unrealized gain
① Stocks	1,940	2,752	812	4,469	4,903	434	4,218	3,751	(467)
② Bonds									
Corporate bonds	0	0	0	9	10	1	0	0	0
Total	1,940	2,752	812	4,478	4,913	435	4,218	3,751	(467)

(2) Main securities not valuated at market prices

(millions of yen)

Category	Current interim term (As of September 30, 2003)	Previous interim term (As of September 30, 2002)	Previous term (As of March 31, 2003)
	Book value per consolidated balance sheet	Book value per consolidated balance sheet	Book value per consolidated balance sheet
Other securities			
① Unlisted stocks other than OTC stocks	2,040	2,011	2,026
② Unlisted foreign bonds	1,000	1,500	1,000
Total	3,040	3,511	3,026

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

(1) Currencies

(millions of yen)

Category	Type	Current interim term (As of September 30, 2003)				Previous interim term (As of September 30, 2002)				Previous term (As of March 31, 2003)			
		Contractual or other amount	Due after one year	Market value	Unrealized gain	Contractual or other amount	Due after one year	Market value	Unrealized gain	Contractual or other amount	Due after one year	Market value	Unrealized gain
Transactions other than market transactions	Forward exchange contracts												
	Selling in												
	US dollar	30,166	0	28,887	1,229	12,666	0	12,706	(40)	18,140	0	18,329	(189)
	Euro	75	0	0	0	5,822	0	6,040	(218)	11,738	0	12,293	(555)
	British pound	0	0	0	0	0	0	0	0	0	0	0	0
	Buying in												
	Japanese yen	7,653	0	7,670	7	0	0	0	0	4,747	0	4,894	147
	US dollar	1,293	0	1,239	(54)	190	0	189	(1)	1,111	0	1,159	48
	Euro	156	0	155	(1)	4	0	4	0	156	0	159	3
	Australian dollar	38	0	38	0	35	0	35	0	33	0	33	0
	Currency option trade												
	Buying in												
	Japanese yen	845	0	(79)	(79)	0	0	0	0	0	0	0	0
	(Optional fee)	(—)	(—)			(—)	(—)			(—)	(—)		
	US dollar	412	0	(10)	(10)	1,143	0	(14)	(14)	389	0	(11)	(11)
	(Optional fee)	(—)	(—)			(—)	(—)			(—)	(—)		
	Euro	0	0	0	0	40	0	0	0	0	0	0	0
	(Optional fee)	(—)	(—)			(—)	(—)			(—)	(—)		
	British pound	0	0	0	0	276	0	0	0	0	0	0	0
	(Optional fee)	(—)	(—)			(—)	(—)			(—)	(—)		
Total		—	—	—	1,092	—	—	—	(273)	—	—	—	(557)

Note 1:The exchange rates at the end of the term are the futures rates.

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

(2) Interest rates

<table>
<tr><th rowspan="3">Category</th><th rowspan="3">Type</th><th colspan="4">Current interim term
(As of September 30, 2002)</th><th colspan="4">Previous interim term
(As of September 30, 2001)</th><th colspan="4">Previous term
(As of March 31, 2002)</th></tr>
<tr><th colspan="2">Contractual or other amount</th><th rowspan="2">Market value</th><th rowspan="2">Unrealized gain</th><th colspan="2">Contractual or other amount</th><th rowspan="2">Market value</th><th rowspan="2">Unrealized gain</th><th colspan="2">Contractual or other amount</th><th rowspan="2">Market value</th><th rowspan="2">Unrealized gain</th></tr>
<tr><th></th><th>Due after one year</th><th></th><th>Due after one year</th><th></th><th>Due after one year</th></tr>
<tr><td rowspan="2">Transactions other than market transactions</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Interest swaps

Payment fixed, receipts fluctuated</td><td>5,300</td><td>5,300</td><td>(11)</td><td>(11)</td><td>2,000</td><td>2,000</td><td>(41)</td><td>(41)</td><td>5,300</td><td>5,300</td><td>(87)</td><td>(87)</td></tr>
<tr><td colspan="2">Total</td><td>5,300</td><td>5,300</td><td>(11)</td><td>(11)</td><td>2,000</td><td>2,000</td><td>(41)</td><td>(41)</td><td>5,300</td><td>5,300</td><td>(87)</td><td>(87)</td></tr>
</table>

Note 1: The market prices are based on prices presented by financial establishments with which the HCM has interest swaps.

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

7. Segment Information

(1) Segment information by business category

During the preceding fiscal year (from April 1, 2002 through March 31, 2003), the preceding interim period (from April 1, 2002 through September 30, 2002) and the current interim period (from April 1, 2003 through September 30, 2003). The construction machinery business including manufacturing, sales and rental exceeds 90% of the total business of the Company in respect of sales, operating income and asset size. The segment information by business category is therefore omitted in this report.

(2) Segment information by area

(Millions of yen)

	Current interim period (From April 1, 2003 to September 30, 2003)			Previous interim period (From April 1, 2002 to September 30, 2002)			Previous fiscal year (From April 1, 2002 to March 31, 2003)		
	Sales	Operating income	Assets	Sales	Operating income	Assets	Sales	Operating income	Assets
Japan	151,738	6,598	333,005	113,545	(32)	296,711	263,404	9,779	326,113
Asia	37,798	5,964	54,810	31,063	5,489	50,743	57,128	8,854	50,050
Europe	31,835	1,854	58,757	9,845	(164)	21,623	22,576	(1,305)	33,716
Others	20,198	1,014	24,712	22,834	796	32,252	47,547	(497)	33,372
Subtotal	241,569	15,430	471,284	177,287	6,089	401,329	390,655	16,831	443,251
Elimination	(46,790)	(2,990)	(77,282)	(23,124)	463	(47,083)	(62,159)	(432)	(69,496)
Total	194,779	12,440	394,002	154,163	6,552	354,246	328,496	16,399	373,755

Notes:
1. Segment net sales figures include intersegment transactions.
2. The countries included in each segment are as follows:
   (1) Asia: China, Indonesia, Singapore and Thailand
   (2) Europe: Holland and France
   (3) Other: New Zealand, Australia, South Africa, the United States and Canada
3. Given the increasing importance of Europe as a business segment, it has been listed as an individual segment as of the interim period under review. Consequently, the figures for the previous interim period and the previous fiscal year are displayed retroactively.

(3) Overseas sales

(Millions of yen)

	Current interim period (From April 1, 2003 to September 30, 2003)		Previous interim period (From April 1, 2002 to September 30, 2002)		Previous fiscal year (From April 1, 2002 to March 31, 2003)	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
North America	25,449	13.1%	18,913	12.3%	45,980	14.0%
Europe, Africa & Middle East	30,615	15.7%	18,241	11.8%	37,724	11.5%
Australia & Asia	30,501	15.7	28,026	18.2	57,254	17.4
China	34,483	17.7	23,088	15.0	43,736	13.3
Total Overseas sales	121,048	62.2	88,268	57.3	184,694	56.2
Consoli-dated sales	194,779	100.0	154,163	100.0	328,496	100.0

Notes:

1. Due to a change in composition of overseas net sales, especially given the increased contribution of China and Europe, the segment categories were revised from the interim period under review to correspond with the existing management structure of the Group. Consequently, the figures for the previous interim period and the previous fiscal year are displayed retroactively.
2. Overseas sales are sales in countries and areas other than Japan of the Company and its consolidated subsidiaries.

Interim Financial Statement (Non-consolidated) for Fiscal Year Ending March 2004 October 28, 2003
Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo, Osaka Code number: 6305 URL http://www.hitachi-kenki.co.jp
Location of head office: Tokyo
Representative: Shungo Dazai, President and Chief Executive Officer
Date of convening of the Board of Directors for financial settlement: October 28, 2003
Date of payment of interim dividend: December 5, 2003
One share unit is 1,000 shares

1. Non-consolidated results for the half-year ended September 2003 (April 1 to September 30, 2003)

(1) Non-consolidated results (Rounded down to the nearest million)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 2003 (interim)	118,189	27.2	8,333	133.7	6,827	138.0
September 2002 (interim)	92,906	-11.4	3,565	441.7	2,868	—
March 2003	202,174	1.6	12,826	756.5	13,103	—

(Rounded down to the nearest million, except net income per share)

	Net income		Net income per share
	Millions of yen	%	Yen
September 2003 (interim)	1,523	-39.8	9.2
September 2002 (interim)	2,528	—	17.59
March 2003	3,544	—	23.71

Notes:
1) Average number of shares during the term (consolidated)
September 2003 (interim): 168,809,230 September 2002 (interim): 143,723,335 March 2003: 145,282,840
2) Changes in the method of accounting: None
3) Percentages indicated for sales, operating income and net income are increases/(decreases) compared to the interim period of the preceding fiscal year.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	Yen	Yen
September 2003 (interim)	4.00	————
September 2002 (interim)	3.00	————
March 2003	————	7.00

Note: Composition of interim dividend of September 2003:
Commemorative dividend: ¥—
Special dividend: ¥—

(3) Financial position (Rounded down to the nearest million, except equity ratio and shareholders' equity per share)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 2003 (interim)	265,657	95,916	36.1	548.78
September 2002 (interim)	242,795	79,670	32.8	554.37
March 2003	259,845	88,485	34.1	549.10

Notes:
1) Number of outstanding shares at the end of the term
September 2003 (interim): 174,781,397 September 2002 (interim): 143,713,352 March 2003: 160,963,004
2) Treasury shares at the end of term:

September 2003 (interim): 637,641   September 2002 (interim): 35,165   March 2003: 102,716

2. Projected non-consolidated results for the fiscal year ending March 31, 2004

(Rounded down to the nearest million, except per share amounts)

	Net sales	Ordinary income	Net income	Annual dividend per share	
				End of term	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
March 2004	242,000	16,000	6,000	6.00	10.00

Supplementary information: Projected net income per share for the fiscal year: ¥34.33

Note: The above projections are based on information available as of the time of the announcement. Actual results may differ due to various factors.

8. Non-consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	Interim As of Sept. 30, 2003 (A)	Interim As of Sept. 30, 2002 (B)	Year-end As of Mar. 31, 2003	(A)-(B)		Interim As of Sept. 30, 2003 (A)	Interim As of Sept. 30, 2002 (B)	Year-end As of Mar. 31, 2003	(A)-(B)
ASSETS					LIABILITIES				
I Current assets					I Current liabilities				
1. Cash and bank deposit	31,807	23,299	25,771	8,507	1. Notes and Accounts payable	2,720	3,033	2,997	(312)
2. Notes and Accounts receivable	8,348	11,477	10,570	(3,128)	2. Trade payable	42,859	34,767	39,166	8,091
3. Trade receivable	56,957	42,769	52,632	14,187	3. Short-term debt	3,801	4,923	568	(1,122)
4. Inventories	24,478	25,485	25,449	(1,006)	4. Short-term debt from parent company	4,839	13,013	7,829	(8,173)
5. Short-term loans	18,691	11,306	15,798	7,385	5. Current portion of bonds	15,600	22,000	25,600	(6,400)
6. Deferred tax assets	4,850	4,278	4,491	572	6. Income taxes payable	2,825	65	130	2,760
7. Others	6,445	2,431	8,210	4,013	7. Unrealized income on installment	386	453	406	(67)
8. Less: Allowance for doubtful accounts	(5,575)	(4,090)	(3,902)	(1,485)	8. Deferred income on installment	208	277	240	(69)
Total current assets	146,005	116,958	139,020	29,046	9. Others	14,166	13,316	11,416	849
					Total current liabilities	87,406	91,850	88,354	(4,443)
					II Long-term liabilities				
					1. Bonds	35,100	38,000	42,157	(2,900)
					2. Long-term debt	31,327	22,768	24,814	8,559
					3. Retirement and severance benefits	9,365	9,296	9,196	68
					4. Retirement and benefits for directors	735	698	746	36
					5. Reserve for the guarantee	5,534	0	5,404	5,534
					6. Deposit received for the guarantee	—	6	—	(6)
					7. Others	273	504	686	(231)
					Total long-term liabilities	82,335	71,274	83,005	11,060
II Fixed assets					Total liabilities	169,741	163,124	171,360	6,616
(1) Property, plant and equipment									
1. Buildings	10,968	11,922	11,464	(954)					
2. Machinery and equipment	7,804	8,937	8,112	(1,132)	SHAREHOLDERS' EQUITY				
3. Land	28,378	28,609	28,502	(230)	I Common stock	29,740	22,199	26,320	7,540
4. Others	5,364	5,696	5,324	(331)	II Capital surplus				
Net property, plant and equipment	52,516	55,165	53,403	(2,648)	1. Legal reserve	29,267	21,726	25,848	7,541
					2. Other legal reserve	—	0	0	—
(2) Intangible assets	2,015	2,334	2,390	(318)	Total capital surplus	29,267	21,726	25,848	7,541
					III Retained earnings				
(3) Investments and other assets					1. Legal reserve	2,161	2,161	2,161	0
1. Investments in subsidiaries and	38,263	41,190	38,542	(2,927)	2. Other reserve	31,610	29,763	29,763	1,846
2. Deferred tax assets	12,342	12,331	12,213	11	3. Unappropriated retained earnings	3,404	3,886	4,471	(482)
3. Others	14,960	15,274	14,777	(314)	Total retained earnings	37,175	35,811	36,396	1,364
4. Less: Allowance for doubtful accounts	(447)	(460)	(504)	13	IV Unrealized holding gain and loss on securities	441	(52)	(32)	494
Total investments and other assets	65,119	68,336	65,029	(3,216)	V Treasury stock	(708)	(13)	(47)	(695)
Total fixed assets	119,652	125,836	120,824	(6,184)	Total shareholders' equity	95,916	79,670	88,485	16,245
Total assets	265,657	242,795	259,845	22,862	Total liabilities and shareholders' equity	265,657	242,795	259,845	22,862

(2) Statements of Income

(Millions of yen)

	Interim (The half year ended Sept. 30, 2003 (A))	Interim (The half year ended Sept. 30, 2002 (B))	Year-end (Year ended Mar. 31, 2003)	(A)/(B) ×100(%)
Ⅰ Net sales	118,189	92,906	202,174	127
Ⅱ Cost of sales	87,955	69,893	150,408	126
Gross profit before (realized) unrealized profit on installment sales	30,234	23,012	51,766	131
Ⅲ (Realized) unrealized profit on installment sales	(19)	(89)	(137)	22
Gross profit	30,254	23,102	51,904	131
Ⅳ Selling, general and administrative expenses	21,920	19,537	39,077	112
Operating income	8,333	3,565	12,826	234
Ⅴ Non-operating income	1,089	2,141	5,320	51
Ⅵ Non-operating expenses	2,595	2,837	5,042	91
Ordinary income	6,827	2,868	13,103	238
Ⅶ Extraordinary income				
1. Gain on sale of property, plant and equipment	828	4,309	5,717	19
2. Gain on the transfer to Japanese Government of the substitutional portion of employee pension fund liabilities	954	0	0	—
3. Dividend from liquided related companies	0	0	2,404	—
Total extraordinary income	1,783	4,309	8,121	41
Ⅷ Extraordinary losses				
1. Amortization of transition difference	453	512	1,024	88
2. Loss on evaluation of investment for subsidiaries	4,052	3,546	10,621	114
3. Loss on evaluation of investments in securities	0	0	319	—
4. Restructuring costs	0	75	75	—
5. Loss on disposal of inventories	0	1,076	1,197	—
6. Provision for reserve for guarantee	129	0	5,404	—
7. Loss on sale of fixed assets	45	0	0	—
Total extraordinary losses	4,680	5,209	18,642	90
Income before income taxes and minority interests	3,930	1,968	2,583	200
Income taxes				
current	3,218	65	130	—
refund	—	94	450	—
deferred	△811	△530	△641	153
Net income	1,523	2,528	3,544	60
Retained earnings brought forward from previous period	1,880	1,358	1,358	138
Interim dividends	—	—	431	—
Unappropriated retained earnings, end of fiscal period	3,404	3,886	4,471	88

Important matters that form the basis for compiling interim financial statements

1. Valuation standards and methods for inventories
   Products
      Manufactured products as a rule are determined by the lower-of-cost-or-market method based on the moving average method.
      Second-hand products are based on the lower-of-cost-or-market method based on the individual method.
   Half-finished products, raw materials, and stored products
      Determined by the lower-of-cost-or-market-valuation accounting method based on the moving average method
   Products in progress
      Determined by the lower-of-cost-or-market-valuation accounting method based on the individual method

2. Valuation standards and methods for securities
   Securities of subsidiaries and affiliates
      Determined by the cost method based on the moving average method
   Other securities
      Those with market value: Determined by the market-price valuation method based on market prices and other rates on the closing date of interim period under review (The difference between the carrying value and the market value is included in equity, while the cost of securities sold computed using the moving average method.)
      Those without market value: Determined by the cost method based on the moving average method.

3. Derivatives trading
   Determined by the market-price valuation method

4. Depreciation of major depreciable assets
   Tangible fixed assets
      Determined by the declining balance method. However, all buildings (except for equipment annexed to the buildings) obtained on and after April 1, 1998 apply the straight-line balance method
   Intangible fixed assets
      Determined by the straight-line method; However, software for internal use apply the straight-line method for the period when it is available in the Company (five years)
   Long-term prepaid expenses
      Amortized using the straight-line method

5. Accounting for deferred assets
   (1) Bond issue expenses
      Entire amount is expensed as incurred
   (2) New stock issue expenses
      Entire amount is expensed as incurred

6. Accounting standards for reserves

(1) Allowance for doubtful accounts

In respect of specified receivables where there is a fear of default, an allowance is provided for the amount deemed necessary based on the amount of the receivables less expected amount collectible. An allowance for doubtful account is also provided based on the historical default rate for other receivables.

(2) Reserve for retirement and severance benefits

In preparations for employees' retirement benefits, the Company has posted the amounts which are projected to occur at the end of the interim period under review based on the projected amount of retirement benefit obligations and pension assets at the end of this fiscal year. For the difference (¥5,121 million) when the accounting standards were changed, the five-year prorated amount is recognized as an expense.

As for unrecognized prior service cost, the amount prorated for the average remaining years of service of the employees at the time when those obligations occurred is recognized starting from the fiscal year when they occurred.

As for unrecognized actuarial loss, the amount prorated for the average remaining years of service of the employees at the time in each term when such a difference occurred is recognized as an expense, starting from the term following the one when each such difference occurred.

(3) Directors' retirement benefits

The Company records an allowance for directors' benefits at the end of the period in accordance with internal rules.

(4) Allowance for loss on guarantee obligations

In providing allowance for loss on guarantee obligations, the Company makes an allowance as necessary after factoring for financial conditions of the guaranteed party to determine likely losses for the period.

7. Income on installment sales

The Company has installment sales. Income on long-term installment is recognized as the related installment receivables become due. Accordingly, the unrealized profit on installment sales applicable to the portion to be collected in future periods is reflected in the accompanying consolidated balance sheets as "unrealized income on installment" and "deferred income on installment."

Interest from installment sales is included in Interest and dividend income.

8. Standards for converting major foreign currency-denominated assets or liabilities

Foreign currency-denominated financial claims and liabilities are converted into yen according to the spot exchange rates of the closing date for interim accounting, and the conversion balance is recognized as a profit or loss.

9. Accounting for leases

Finance leases other than those where the ownership of a leased object is to be transferred to the lessee are accounted for by a method similar to the one related to ordinary rentals.

10. Method of major hedge accounting

1) Method of hedge accounting

By deferred hedge accounting

2) Means and object of hedging

Forward exchange contracts and currency options are conducted to alleviate foreign exchange risks in overseas transactions. Interest-rate swaps are conducted according to their procurement periods to solidify the fluctuation risks of cash flows by corporate bonds, long-term loans and other instruments.

3) Hedging policy

Derivatives trading in currency-related operations is designed mainly to hedge sales contracts denominated in U.S. dollars, so that it is supposed to be conducted in the range of accounts receivable denominated in foreign currency and amounts of contracts established. As for interest-related derivatives trading, the Company considers its first priority to procure corporate bonds, long-term loans and similar instruments by long-stabilized interest, so that the Company aims to solidify interest rates on levels that match the actual market rates at the time of procurement.

4) Method of evaluating the effectiveness of hedging

During the period from the commencement of hedging to the point at which effectiveness is assessed, the Company compares the cumulative total of market changes in the targeted objects of hedging or cash flow changes with the cumulative total of market changes in the hedging instruments or cash flow changes. The Company then makes a decision based on the changes and other factors of the two.

11. Other important items as the basis for preparing interim consolidated balance sheets

1) Consumption taxes and regional consumption taxes are treated outside the financial statements.

2) Corporate tax, inhabitant tax, business tax and deferred income tax are calculated on the precondition that the reserve for special depreciation is accumulated and applied for the appropriation of retained earnings scheduled for the current period.

Additional Information

In conjunction with the enforcement of the Defined Benefit Enterprise Pension Plan Law, the Company and approval from the Minister of Health, Labour and Welfare for exemption from payment of future benefits regarding the substituted portion of the employee pension fund.

The Company applied transitional accounting measures outlined in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)," and recognized an extinguishment of retirement benefit obligations and pension assets with regards to such substituted portion as of the date of approval.

Consequently, the Company recorded ¥954 million of extraordinary income as an impact on income for the interim period under review. Moreover, as of the end of the current interim period, the total projected reimbursement value (minimal actuarial liability) is ¥22,232 million.

Accompanying Notes

(Notes to Interim Consolidated Balance Sheets)
(Millions of yen)

	(Current interim period)	(Previous interim period)	(Previous fiscal year)
1.Secutarization			
Notes	11,839	12,531	13,477
Accounts receivable	16,175	19,113	16,229
2. Accumulated depreciation on property, plant and equipment	87,709	87,549	88,316
3. Guarantee obligations			
Loans guaranteed	18,337	20,425	16,581
Commitments to provide guarantees for loans	4,866	10,930	10,980
Comfort letter for sound management	200	4,200	1,100

(Notes to Interim Consolidated Statements of Income)
(Millions of yen)

	(Current interim period)	(Previous interim period)	(Previous fiscal year)
Key items in Non-operating income			
Interest income	144	174	321
Dividend income	198	704	3,509
Key item in Non-operating expenses			
Interest expenses	276	256	528
Interest on corporate bonds	624	738	1,368

9. Marketable Securities

During the preceding interim period (from April 1, 2002 through September 30, 2002), the preceding fiscal year (from April 1, 2002 through March 31, 2003) and the current interim period (from April 1, 2003 through September 30, 2003), there were no investments in subsidiaries or affiliates with market value.

Details of Issued Shares in the Current Interim Period

New Shares

Addition 1	3rd conversion of unsecured convertible bonds allocated for stock options	14,195,318 shares
	Issue price	¥476
	Capital stock conversion price	¥238
Addition 2	Exercise of stock option rights ①	81,000 shares
	Issue price	¥580
	Capital stock conversion price	¥290
Addition 3	Exercise of stock option rights ②	77,000 shares
	Issue price	¥454
	Capital stock conversion price	¥227