

# **Hitachi Construction Machinery**

**Financial Results for the First Quarter ended**

**June 30, 2004**

(English translation of “ZAIMU／GYOSEKI NO GAIKYO” originally issued in Japanese language)

# Consolidated Financial Results for The First Quarter Ended June 30, 2004

July 29, 2004

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo, Osaka

Code number: 6305

URL <http://www.hitachi-c-m.com>

Location of head office: Tokyo

Representative: Shungo Dazai, President and Chief Executive Officer

Contact: Shirou Ishii, General Manager, Corporate Communication Tel: 81-3-3830-8065

## 1. Note to consolidated financial statement for the three months ended June 30, 2004

### ① Adoption of simplified accounting methods :

The simplified methods have been used in certain cases to calculate income tax and other part of the expenses

### ② Accounting policy changes from the year ended March 31,2004 : None

### ③ Change in scope of consolidation and equity method: Newly consolidated: 1 company

## (1) Consolidated results

(Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2004	111,309	18.8	8,428	37.7	6,751	60.9	3,597	237.4
June 30, 2003	93,731	27.9	6,120	139.5	4,195	307.3	1,066	—
March 31,2004	402,195	22.4	32,858	100.4	26,002	163.2	12,490	221.7

	Net income per share	Net income per share (Diluted)
	Yen	Yen
June 30, 2004	20.00	19.95
June 30, 2003	6.49	6.08
March 31, 2004	72.62	70.92

Notes:

### 1) Average number of shares during the term (consolidated)

June 2004: 179,886,820; June 2003: 164,236,935; March 2004:171,595,677

### 2) Percentages indicated for sales, operating income and net income are increases/(decreases) compared to the first quarter of the preceding fiscal year.

## (2) Consolidated financial position

(Rounded off to the nearest million.)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
June30, 2004	431,076	118,148	27.4	606.24
June30, 2003	389,343	80,015	20.6	471.39
March 31, 2004	407,049	91,132	22.4	520.93

Note:

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

June 2004: 194,885,045; June 2003: 169,742,563; March 2004: 174,888,581

## (3) Consolidated cash flows

(Rounded off to the nearest million)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) in investing activities	Net cash provided by (used in) financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June30, 2004	(16,840)	(2,746)	31,681	52,894
June30, 2003	(6,809)	53	1,986	39,602
March 31, 2004	8,021	(8,830)	(1,672)	41,131

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(4). Overview of the First Quarter of 2004 (June 30, 2004)

Despite the harsh Japanese business environment, inventory adjustments continued unabated and demand for hydraulic excavators rose, producing a 3% increase in consolidated net sales to ¥31,749 million.

In China, demand for hydraulic excavators between January and March expanded 55%, resulting in a 36% increase in sales to ¥20,357 million.

In Europe, Africa and the Middle East, where the Company is proceeding with the spin-off of subsidiaries ahead of schedule, growth in demand exceeded initial expectations to fuel a 49% rise in sales to ¥19,917 million.

In the Americas, brisk demand for construction machinery against the backdrop of strong housing investment led to a 31% increase in sales to ¥22,613 million.

In Australasia and Asia, the first quarter witnessed sporadic orders, giving rise to a 4% decrease in sales to ¥16,673 million.

Consequently, consolidated net sales for first quarter increased 19% to ¥111,309 million; operating income rose 38% to ¥8,428 million; ordinary income rose 61% to ¥6,751 million; and net income jumped 237% to ¥3,597 million.

Overseas sales

(Rounded off to the nearest million)

	A quarter-ended June30 2004(A)	A quarter-ended June30 2003(B)	Previous Year-ended Mar.31,2004	(A)/ (B) %
The Americas	22,613	17,232	63,179	131
Europe, Africa & Middle East	19,917	13,357	63,932	149
Australasia & Asia	16,673	17,426	64,634	96
China	20,357	14,927	65,417	136
Sub-Total	79,560	62,942	257,162	126
Japan	31,749	30,789	145,033	103
Total	111,309	93,731	402,195	119

2. Projected consolidated results for the fiscal year ending March 31, 2005 (Rounded off to the nearest million)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
September 2004 (Interim)	214,000	11,500	4,200
March 2005	425,000	29,000	15,000

Supplementary information: Projected net income per share for the fiscal year: ¥78.84

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

## Outlook for the Current Term

In view of ongoing money-tightening measures in China, demand between April and December is expected to drop off by 25%, with projections calling for net sales falling ¥20 billion below initial estimates. Conversely, net sales of ¥425 billion are projected due to solid demand forecasts in other regions, an anticipated rise in sales for mining products, as well as sales projections roughly on par with the previous fiscal year for Europe, Africa and the Middle East. Moreover, consolidated operating income, ordinary income and net income are expected to achieve record highs as in the previous fiscal year.

### Overseas sales

(Rounded off to the nearest million)

	Revised outlook for performance for year-ended March 31,2005	Outlook for performance for year-ended March 31,2005 announced previously	Previous Year-ended Mar.31,2004	(A)/ (B) %
The Americas	72,000	66,000	63,179	109
Europe, Africa & Middle East	84,000	76,000	63,932	111
Australasia & Asia	66,000	60,000	64,634	110
China	53,000	73,000	65,417	73
Sub-Total	275,000	275,000	257,162	100
Japan	150,000	150,000	145,033	100
Total	425,000	425,000	402,195	100

## Consolidated Balance Sheet

(Rounded off to the nearest million.)

	As of June 30, 2004,(A)	Year-end As of Mar. 31, 2004,(B)	(A)-(B)	As of June 30, 2003,(A)		As of June 30, 2004,(A)	Year-end As of Mar. 31, 2004,(B)	(A)-(B)	As of June 30, 2003,(A)
<b>ASSETS</b>					<b>LIABILITIES</b>				
I Current assets					I Current liabilities				
1. Cash and bank deposits	43,791	36,848	6,943	40,635	1. Notes and accounts payables	81,108	87,457	(6,349)	76,374
2. Notes and account receivables	138,462	129,337	9,125	125,127	2. Short-term debt	66,942	53,207	13,735	42,743
3. Inventories	93,827	86,089	7,738	80,672	3. Current portion of bonds	10,600	10,600	0	28,162
4. Others	29,435	27,659	1,776	18,983	4. Others	41,058	46,710	(5,652)	42,011
5. Less: Allowance for doubtful accounts	(14,809)	(14,758)	(51)	(11,759)	Total current liabilities	199,708	197,974	1,734	189,290
Total current assets	290,706	265,175	25,531	253,658					
II Fixed assets					II Long-term liabilities				
(1) Property, plant and equipment					1. Bonds	34,800	34,800	0	35,400
1. Property held for lease	18,763	20,999	(2,236)	18,518	2. Long-term debt	49,084	53,545	(4,461)	50,034
2. Buildings and structures	25,560	25,363	197	27,041	3. Retirement and severance benefits	9,124	8,991	133	12,956
3. Machinery and equipment	14,820	14,098	722	14,431	4. Others	12,218	12,893	(675)	13,964
4. Land	29,019	29,610	(591)	31,792	Total long-term liabilities	105,226	110,229	(5,003)	112,354
5. Others	6,152	5,795	357	4,804	Total liabilities	304,934	308,203	(3,269)	301,644
Net property, plant and equipment	94,314	95,865	(1,551)	96,586	MINORITY INTERESTS				
(2) Intangible assets	2,830	2,890	(60)	3,260	Minority interests	7,994	7,714	280	7,684
(3) Investments and other assets					SHAREHOLDERS' EQUITY				
1. Investments in securities	23,272	23,521	(249)	17,398	I Common stock	42,520	29,779	12,741	28,419
2. Others	20,663	20,312	351	19,265	II Capital surplus	42,027	29,306	12,721	27,947
3. Less: Allowance for doubtful accounts	(709)	(714)	5	(824)	III Retained earnings	36,614	34,296	2,318	23,537
Total investments and other assets	43,226	43,119	107	35,839	IV Net unrealized holding gain on securities	1,408	1,468	(60)	556
Total fixed assets	140,370	141,874	(1,504)	135,685	V Foreign currency translation adjustments	(3,639)	(2,948)	(691)	(372)
					VI Treasury stock	(782)	(769)	(13)	(72)
					Total shareholders' equity	118,148	91,132	27,016	80,015
Total assets	431,076	407,049	24,027	389,343	Total liabilities, minority interests and shareholders' equity	431,076	407,049	24,027	389,343

## Consolidated Statements of Income

(Rounded off to the nearest million.)

	〔 A quarter ended June 30, 2004(A) 〕	〔 A quarter ended June 30, 2003(B) 〕	(A)/(B)	〔 Year ended Mar. 31, 2004 〕
			%	
I Net sales	111,309	93,731	119	402,195
II Cost of sales	81,671	69,282	118	287,360
Gross profit before (realized) unrealized profit on installment	29,638	24,449	121	114,835
III (Realized) unrealized profit on installment sales	(239)	(422)	57	(870)
Gross profit	29,877	24,871	120	115,705
IV Selling, general and administrative expenses	21,449	18,751	114	82,847
Operating income	8,428	6,120	138	32,858
V Non-operating income				
1. Interest income	235	136	173	703
2. Interest income from installment sales	150	161	93	558
3. Dividends income	50	43	116	108
4. Exchange gain	129	0	—	0
5. Others	462	752	61	2,391
Total non-operating income	1,026	1,092	94	3,760
VI Non-operating expenses				
1. Interest expenses	974	860	113	3,519
2. Loss on disposal of inventories	220	6	—	733
3. Exchange loss	0	738	—	1,806
4. Cost of new stock issued	758	0	—	0
5. Equity in losses of affiliated companies	196	403	49	686
6. Others	555	1,010	55	3,872
Total non-operating expenses	2,703	3,017	90	10,616
Ordinary income	6,751	4,195	161	26,002
VII Extraordinary income				
1. Gain on sale of property, plant and equipment	0	0	—	829
2. Gain on the transfer to Japanese Government of the substitutional portion of employee pension fund liabilities	0	0	—	949
Total extraordinary income	0	0	—	1,778
VIII Extraordinary losses				
1. Amortization of transition difference	153	337	45	919
2. Loss on revaluation of investments in securities	0	0	—	265
3. Restructuring costs	0	0	—	2,732
4. Loss on sale of property, plant and equipment	0	0	—	217
5. Impairment losses for long-lived assets	0	0	—	2,436
Total extraordinary losses	153	337	45	6,569
Income before income taxes and minority interests	6,598	3,858	171	21,211
Provision for income tax	2,511	2,309	109	6,367
Minority interests	490	483	101	2,354
Net income	3,597	1,066	337	12,490

## Statement of Additional paid in capital and Retained earnings

(Rounded off to the nearest million.)

	〔 A quarter ended June 30, 2004 〕	〔 Year ended Mar. 31, 2004 〕	〔 A quarter ended June 30, 2003 〕
<b>ADDITIONAL PAID-IN CAPITAL</b>			
I Beginning balance	29,306	25,848	25,848
II Increase in additional paid-in capital			
1. Exercise of stock purchase warrant	1	3,458	2,099
2. New stock issues	12,720	0	0
3. Gain on sales of treasury stock	0	—	0
Total increase in additional paid-in capital	12,721	3,458	2,099
III Decrease in additional paid-in capital	0	0	0
IV Ending balance	42,027	29,306	27,947
<b>RETAINED EARNINGS</b>			
I Beginning balance	34,296	23,239	23,239
II Increase in retained earnings			
1. Effect of merger of affiliated company	0	44	0
2. Net income	3,597	12,490	1,066
Total increase in retained earnings	3,597	12,534	1,066
III Decrease in retained earnings			
1. Effect of newly affiliated company	0	9	0
2. Cash dividends	1,224	1,342	643
3. Directors' bonuses	55	126	125
Total decrease in retained earnings	1,279	1,477	768
IV Ending balance	36,614	34,296	23,537

## Consolidated Statement of Cashflow

(Rounded off to the nearest million.)

	[A quarter ended June 30, 2004]	[A quarter ended June 30, 2003]	[Year ended Mar. 31, 2004]
<b>I Cash flows from operating activities</b>			
1. Income before income taxes and minority interests	6,598	3,858	21,211
2. Depreciation and amortization	3,110	3,259	12,672
3. Impairment losses for long-lived assets	0	0	2,436
4. Increase (decrease) in allowance for doubtful	71	(83)	2,943
5. Interest and dividends income	(285)	(179)	(811)
6. Interest expenses	974	860	3,519
7. Equity in losses of affiliate companies	196	403	662
8. (Increase) in notes and accounts receivable	(10,109)	(13,106)	(21,432)
9. (Increase) in inventories	(8,459)	(753)	(9,685)
10. Purchase of property held for lease	(1,660)	(1,887)	(10,859)
11. Sales of property held for lease	1,903	362	3,872
12. Increase (decrease) in notes and accounts payable	(5,784)	374	14,238
13. Gain on sales of property, plant and equipment	(87)	(11)	(1,132)
14. Loss on revaluation of investment in securities	0	0	265
15. Loss on sales of investment in securities	22	0	12
16. Others	4,505	1,730	(4,746)
Sub total	(9,005)	(5,173)	13,165
17. Income taxes paid	(7,835)	(1,636)	(5,144)
<b>Net cash provided by operating activities</b>	<b>(16,840)</b>	<b>(6,809)</b>	<b>8,021</b>
<b>II Cash flows from investing activities</b>			
1. Investment in time deposits	(460)	(452)	(1,691)
2. Proceeds from time deposits	260	1,391	1,695
3. Acquisitions of property, plant and equipment	(3,696)	(1,299)	(6,447)
4. Proceeds from sale of property, plant and equipment	697	157	1,447
5. Purchases of investment in securities	0	(5)	(5,747)
6. The difference the cash balance of newly consolidated companies and the investment	0	0	(89)
7. Proceed from sale of investments in securities	181	0	47
8. Interest and dividends received	324	179	771
9. Interest and dividends received from affiliated	128	8	2,412
10. Other, net	(180)	74	(1,228)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,746)</b>	<b>53</b>	<b>(8,830)</b>
<b>III Cash flows from financing activities</b>			
1. Net increase in short-term debt	10,976	868	7,546
2. Proceeds from long-term debt	690	4,824	24,531
3. Repayments of long-term debt	(2,111)	(1,755)	(11,662)
4. Proceeds from issuance of bonds	0	0	9,973
5. Repayments of redemption of debenture	0	0	(25,600)
6. Interest paid	(757)	(766)	(3,771)
7. Dividends paid to shareholders	(1,224)	(643)	(1,342)
8. Dividends paid to minority shareholders of subsidiaries	(585)	(519)	(785)
9. Proceeds from issuance of stock	24,705	2	160
10. Issuance of common stock to minority shareholders by subsidiaries	0	0	0
11. Proceeds from treasury stock	0	0	1
12. Purchases of treasury stock	(13)	(25)	(723)
<b>Net cash provided by financing activities</b>	<b>31,681</b>	<b>1,986</b>	<b>(1,672)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>(332)</b>	<b>138</b>	<b>(622)</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>11,763</b>	<b>(4,632)</b>	<b>(3,103)</b>
<b>VI Cash and cash equivalents at beginning of year</b>	<b>41,131</b>	<b>44,234</b>	<b>44,234</b>
<b>VII Cash and cash equivalents at the end of period</b>	<b>52,894</b>	<b>39,602</b>	<b>41,131</b>

### Cash and cash equivalents at the end of the period

Cash and bank deposits	43,791	40,635	36,848
Deposits for affiliated company	10,156	0	5,155
Sub total	53,947	40,635	42,003
Time deposits with the maturity longer than three month	(1,053)	(1,033)	(872)
<b>Cash and cash equivalents at the end of period</b>	<b>52,894</b>	<b>39,602</b>	<b>41,131</b>