Hitachi Construction Machinery

Financial Results for the six months ended September 30, 2005

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

Interim Financial Statement (Consolidated) for Fiscal Year Ending March 2006 October 28, 2005

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
Date of convening of the Board of Directors for financial settlement: October 28, 2005
Parent company: Hitachi, Ltd. (code number: 6501)
Ratio of voting rights held by the parent company: 51.4%
U.S. Accounting Standards are not applied.

1. Consolidated results for the half-year ended September 2005 (April 1 to September 30, 2005)

(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 2005 (interim)	283,641	32.4	25,850	30.4	20,341	25.0
September 2004 (interim)	214,242	10.0	19,826	59.4	16,277	67.0
March 2005	448,043	11.4	40,120	22.1	33,609	29.3

	Net income		Net income per share	Net income per share (Diluted)
	Millions of yen	%	Yen	Yen
September 2005 (interim)	9,632	27.1	49.43	49.35
September 2004 (interim)	7,581	55.6	40.68	40.60
March 2005	17,325	38.7	91.05	90.88

Notes:
1) Equity-method investment loss
September 2005 (interim): ¥123 million September 2004 (interim): ¥308 million March 2005: ¥855 million
2) Average number of shares during the term (consolidated)
September 2005 (interim): 194,853,581 September 2004 (interim): 186,334,407 March 2005: 190,278,052
3) Changes in the method of accounting: None
4) Percentages indicated for net sales, operating income, ordinary income and net income are increases/(decreases) compared to the interim period of the preceding fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 2005 (interim)	515,479	140,065	27.2	720.13
September 2004 (interim)	434,183	122,828	28.3	630.47
March 2005	463,812	131,318	28.3	673.81

Note:
Number of outstanding shares at the end of the term (consolidated)
September 2005 (interim): 194,500,547 September 2004 (interim): 194,820,083 March 2005: 194,887,881

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash used 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
September 2005 (interim)	26,861	(4,873)	(26,586)	50,454
September 2004 (interim)	(6,815)	(3,759)	18,081	48,874
March 2005	7,899	(17,133)	17,594	49,534

(4) Scope of consolidation and application of equity method
Number of consolidated subsidiaries: 71
Number of unconsolidated subsidiaries subject to the equity method: None
Number of affiliates subjected to the equity method: 16

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(5) Changes in companies subject to consolidation and equity method
Newly consolidated: 26 companies
Newly unconsolidated: 0 companies
Newly subjected to the equity method: 9 companies
Newly excluded from the equity method: 1 company

2. Projected consolidated results for the fiscal year ending March 31, 2006

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
March 2006	580,000	42,000	22,500

Supplementary information: Projected net income per share for the fiscal year: ¥115.68

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

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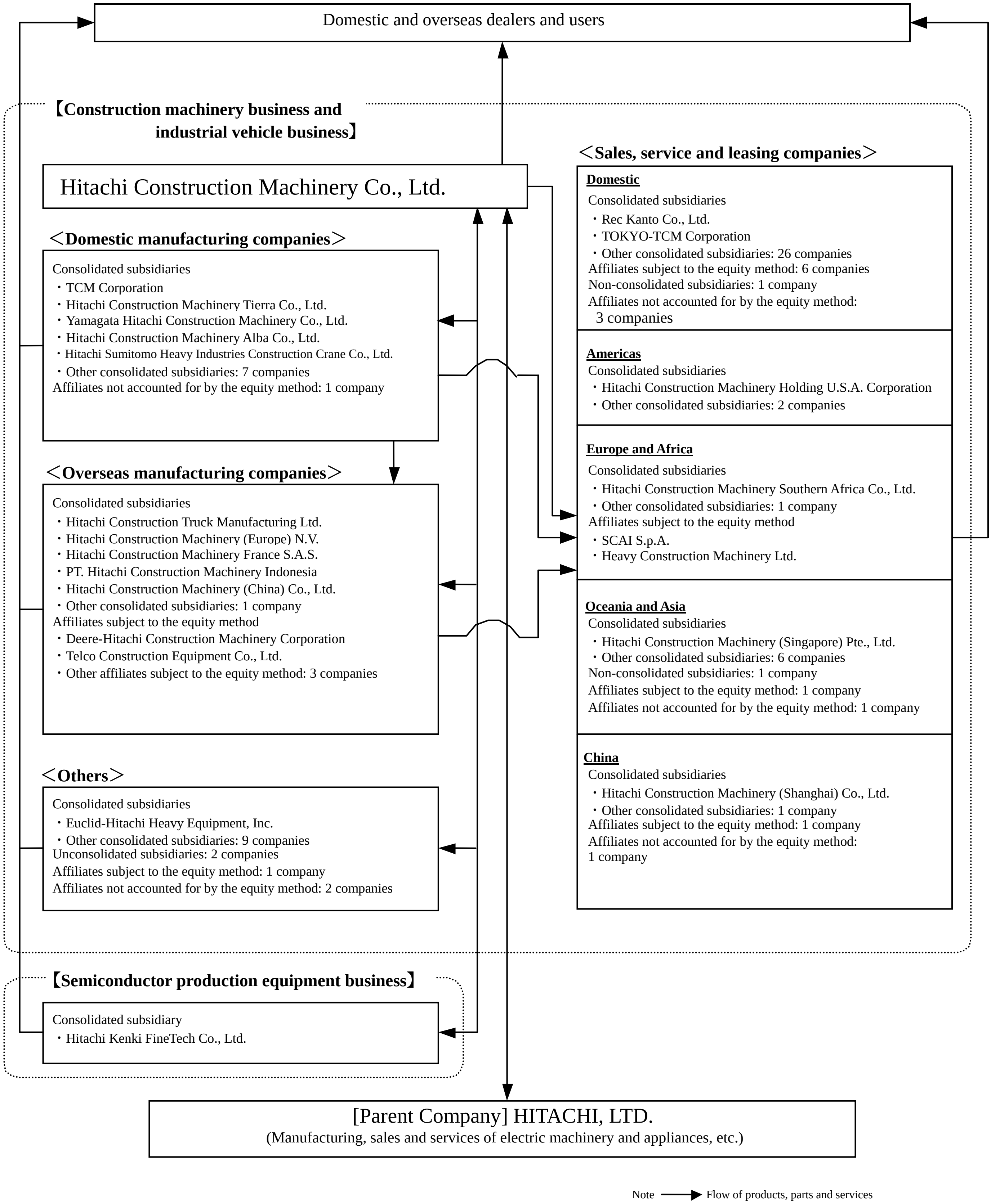
Attachment

1. Status of the Corporate Group

As outlined below, this consolidated Group consists of Hitachi Construction Machinery, its parent company, its 75 subsidiaries and its 24 affiliates. Its business mainly involves the manufacture, sale, service and leasing of construction machinery and industrial vehicles, as well as the manufacture and sale of semiconductor production equipment.



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2. Management Policy

(1) Basic Management Policy

1) To improve the enterprise value and shareholder 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 the Group. FIV is an indicator of added value to increase corporate value based on the cost of capital formulated by Hitachi and is used by all members of the Hitachi Group.

2) To establish a firm position in global construction machinery markets by strengthening alliances both in Japan and overseas in order to provide a more comprehensive lineup of products as part of the ongoing development of global operations in the five regions comprising: Japan; the Americas; Europe, Africa and the Middle East; Oceania and Asia; and China.

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

To ensure the ability to achieve these objectives group-wide, there is a strong emphasis on developing global personnel and building a global IT strategy to implement "total management," "accelerated decision-making of management" and "information management."

(2) Basic Principle Regarding Appropriation of Earnings

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 reinforce the Group's financial structure, while concurrently, efforts are undertaken in developing technologies, rationalizing production equipment and growing Group companies in Japan and overseas in order to remain competitive. Management strives to set dividends at roughly 15-20% of consolidated net income.

(3) Concepts and Principles Regarding Reduction of Investment Units

To increase the number of its shareholders and make its stock more fluid, HCM changed its trading unit from 1,000 shares to 100 shares on October 1, 2004.

(4) Mid-to-Long-term Management Strategies and Issues to be Addressed

1) Achieving the "SOH 21-Creative Value UP" Medium-term Management Plan

To win out in the increasingly intense arena of global competition, HCM has been pursuing "SOH 21-Creative Value UP," a medium-term management plan launched in April 2003 with the achievement of objectives targeted for the fiscal year ending March 31, 2007.

The aim of the plan is to establish the industry's number-one profit structure, embark on further globalization and regain an "A" rating on HCM's long-term bonds. Specifically, there will be an emphasis on expanding the role of international business, restructuring domestic business operations, promoting global product strategies and becoming the global leader in terms of cost-competitiveness, and finally, strengthening the Company's financial structure. In this regard, HCM intends to predominate in the construction machinery industry in terms of technological capabilities and product strength, cost-competitiveness, service and sales capabilities, and brand strength.

2) Consolidated Numerical Targets (For period ending March 2007)
Numerical targets for the fiscal year ending March 31, 2007 are outlined below.

	Target
Ratio of operating income to net sales	10%
Ratio of ordinary income to net sales	Over 8%
ROE	Over 10%
D/E Ratio	Not to exceed 1.0 time

3) Issues to be Tackled
Although there are some destabilizing factors such as a steep jump in materials costs associated with rising steel and crude oil prices as well as exchange rate fluctuations, demand for construction machinery such as hydraulic excavators is expected to remain brisk worldwide. This trend will require a high level of production efficiency to keep pace with demand. Furthermore, it will also place critical importance on setting proper selling prices and reducing costs to absorb surging materials costs, facilitating introduction of products that meet the Tier (Stage) III emissions regulations taking effect in Europe and North America in January 2006, as well as raising the selling price as products become more functional.

4) International Business
In the Americas, the HCM Group continues to raise market share by maintaining its strong relationship with Deere & Company. Efforts will also be made to expand sales of ultra-large hydraulic excavators and large dump trucks in the Central and South American region, where demand is expected to rise on the back of development of mining operations. Moreover, the HCM Group will work aggressively to capitalize on the rebuilding efforts in the southern United States in the wake of large-scale hurricanes.

In Europe, Africa and the Middle East, the HCM Group is bolstering sales and service activities in Europe for major customers through the newly established Iberian office in Spain. In order to further expand sales in such high-demand, low-share countries as Germany and France, new dealers will be added and products will be released that are tailored to each specific market. Similarly, the Group's relationships will be strengthened with HM Plant Limited and SCAI S.p.A, which are sub-dealers in the key markets of England and Italy.

Further, in the Middle East, demand is expected to rise as oil dollars are recycled in infrastructure development. In Russia, housing construction and mining is expected to spur increased demand. In South Africa, demand is increasing on the back of natural resource development in such areas as coal and gold mining. We will use these gains to further expand overall sales.

In Oceania and Asia, the Group is carving out a high share in the mining market through the packaged sale of ultra-large hydraulic excavators and large dump trucks. In the term ahead, HCM intends to refine full maintenance contract services for purchased machinery in order to establish a solid market position in these regions. Capitalizing on the strengths of the Group's direct marketing and service structure, efforts will continue to expand sales for new machinery, as well as for components, used machinery and services. Moreover, in the Indian market, where demand is rapidly rising, HCM will further expand sales through its alliance with local partner Telco Construction Equipment Co., Ltd. In the Vietnamese market, HCM will utilize its new dealerships to ramp up marketing efforts. The Group will continue to monitor trends in Indonesian construction demand, where the effect of high crude oil prices is expected to have some impact.

In China, demand for hydraulic excavators rebounded from May 2005, compared to the same month last year, after bottoming out in September 2004. In addition to production for China, Hitachi Construction Machinery (China) Co., Ltd. also plays a role in supporting production and procurement from the best locations worldwide. Accordingly, it aims to build a corporate structure that can handle demand fluctuations through such measures as providing structural welding materials to plants outside China and launching production of construction cranes. Discussions are underway to expand the range of business in line with the regulations on management of foreign investment in the commercial sector.

5) Domestic Business

The HCM Group has established an RSS system consisting of three major elements—rental (R), sales (S) and service (S)—and is improving customer satisfaction and consolidated management efficiency.

In the rental business, the HCM Group will reduce costs and further raise profitability through efficient use of assets by utilizing the new rental system and systematic employment of Rental-Value Engineering for Customers (R-VEC), together with preservation, recovery and unified management of assets through expansion of regional equipment centers.

With respect to services, in order to provide customers with new value and raise satisfaction, more emphasis will be placed on IT-driven e-business and enhancing such contract services as value packs, which enables reduction of administrative and maintenance expenses and budgeting.

Through the efforts spelled out here, the Group aims to make steady progress toward further boosting profitability in domestic businesses.

6) Promoting Global Product Strategies and Becoming the Global Leader in Cost-competitiveness

The HCM Group will promote its region-specific marketing approach, reinforce its proprietary development structure and maximize the effects of alliances with such companies as TCM Corporation in the wheel loader business in order to develop world-class products in a manner that matches the needs of customers throughout the world. In addition, HCM will advance production and procurement systems from the best locations worldwide while working to shorten lead times and improve cash flows by reducing costs with optimized fixed expenses on a consolidated basis and increasing the efficiency of the supply chain.

7) Strengthening of the Financial Structure

HCM was able to regain an “A” rating on its long-term bonds, which was one of the goals of the medium-term management plan, by reinforcing its balance sheets and strengthening the financial structure. In order to futher strengthen the balance sheets, the HCM Group will continue to shorten the number of retention days of sales credits and inventories on a consolidated basis by promoting the C Project II (Cash Flow Project II) and supply chain management. HCM will continue to curb fixed assets through the integration of bases. In addition, consolidated cash flows will be improved using a cash management system (CMS) that centralizes Group funds.

8) Efforts in Corporate Social Responsibility (CSR)

HCM established the CSR Committee in April 2005 and a special CSR Promotion Department in August 2005. HCM will work to improve corporate value by undertaking activities to fulfill the Group’s social responsibilities and improve overall stakeholder satisfaction. To that end, HCM will redouble efforts to promote environmental management, compliance, CSR activities, brand management and such environmental-related businesses as soil purification and component recycling.

As a recent CSR activity, HCM provided relief aid for the hurricanes and earthquake that occurred in the United States and Pakistan, respectively.

(5) Progress in Measures for Enhancing Corporate Governance During the Interim Period

- During the interim period, HCM held six Board of Directors Meetings and twelve Executive Commitiee Meetings.
- During the interim period, HCM held two Nominating Commitee meetings, four Compensation Committee meetings and six Audit Committee meetings.
- As part of investor relations activities, HCM holds financial results presentations quarterly, roundtable discussions after General Meetings of the Shareholders, and individual informational sessions with domestic and overseas investors, and works to properly incorporate feedback from investors into operations.

(6) Basic Policies Extending to 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 the parent company, 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 as well as improving shareholder value.

In addition, the HCM Group also borrows and deposits short-term funds using the Hitachi Group Fund pooling system, which is centralized at Hitachi, Ltd.

Items Pertaining to the Parent Company (As of September 30, 2005)

Company	Affiliation	Proportion of Voting Rights	Securities Exchanges where Parent Company Stock is Traded
Hitachi, Ltd.	Parent Company	51.4 (0.9)	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Luxembourg, Frankfurt, Amsterdam, Paris and New York

Note: The proportion of voting rights within parenthesis is the amount held indirectly through a stake in other companies.

3. <u>Management Results and Financial Position</u>

(1) Overview of the Interim Period

During the first half of the fiscal year, despite a decline in public investment in Japan, demand rose on the back of continued stock adjustments in hydraulic excavators, increased numbers of non-civil engineering-related applications, and reconstruction projects in the wake of natural disasters.

Overseas, steady growth in the global economy in such areas as North America is fueling demand for construction machinery.

Demand for resource development-related products is expanding primarily in the Americas, Oceania and Asia due to a global undersupply of minerals. In Japan, HCM focused on expanding sales through the RSS (Rental, Sales and Service) System, while overseas, HCM expanded sales in North America, Europe, Africa and the Middle East, Oceania and Asia as well as in such new markets as BRICs countries.

As a result of the above trends, overseas net sales rose 2 percentage points to 69%.

The subsequent results for the term are as follows:

(100 million yen; %)

	Consolidated (Change)	Non-consolidated (Change)
Net sales	2,836 (+32%)	1,485 (+8%)
Operating income	258 (+30%)	60 (-32%)
Ordinary income	203 (+25%)	51(-35%)
Net income	96 (+27%)	32 (+23%)

Note: Figures under ¥100 million are rounded down.

TCM Corporation has been changed from an equity-method affiliate to a consolidated subsidiary as of June 2005. HCM will promote global strategies in the wheel loader, forklift and port cargo handling machinery businesses, which are positioned as core businesses by the Group Management.

(2) Overview by Regional Segment

The consolidated sales of the HCM Group are classified by five market regions; an overview of sales by region is shown below.

1) Japan

Despite a fierce operating environment in Japan, demand for new hydraulic excavators rose 9% on the back of continued stock adjustments for hydraulic excavators as well as rising demand for non-civil engineering applications. Demand is also favorable for mini-excavators and crawler cranes. Consequently, sales expanded for sales, rental and service businesses, as well as such software businesses as trading, logistics, computer software, finance and certification support. Net sales rose 24% to ¥92,581 million.

2) The Americas

Increased demand for hydraulic excavators, mini-excavators, mining machinery and crawler cranes was fueled by briskness in housing investment, mining and highway construction. Moreover, the highly effective marketing activities undertaken through HCM's partnership with Deere & Company produced results that exceeded original forecasts. Net sales jumped 35% to ¥49,397 million.

3) Europe, Africa and the Middle East

In Europe, sales continued to expand as Hitachi Construction Machinery (Europe) N.V. reinforceed and broadened its independent sales networks. Performance was also solid in Russia and the Middle East, where infrastructure development is underway. Additionally, a bulk order for mining machinery from Spain also significantly contributed to performance. Net sales rose 43% to ¥63,111 million.

4) Oceania and Asia

Sales in this region rose amid robust demand for hydraulic excavators in Southeast Asia and the region as a whole along with increased demand for mining machinery in such countries as Australia and Indonesia. Net sales increased 45% to ¥52,022 million.

5) China

Demand for hydraulic excavators in China declined 46% during January 2005 to April 2005 as a result of macro-economic policies such as the money-tightening measures of the Chinese government; however, there was a marked rebound from May 2005 compared to the same month last year. Demand for mini-excavators rose rapidly predominately in such urban areas as Shanghai. Increased market share for hydraulic excavators and higher sales for mining machinery and mini-excavators curbed a decrease in sales for China to 10%, resulting in net sales of ¥26,530 million.

(3) Overview by Industry Segment

1) Construction Machinery Business

Consolidated net sales in the construction machinery business rose 24% to ¥265,273 million.

The HCM Group is promoting a full product lineup using alliances and other measures to support businesses that employ a wide range of construction machinery and is concentrating on a market-specific marketing approach that can meet the needs of a diverse customer base in order to expand global business.

a. Construction-related Products Business

In Japan, demand for hydraulic excavators exceeded that of the previous interim period as a result of continued stock adjustments and rising demand for non-civil engineering applications.

Overseas, the U.S. experienced strong growth; Southeast Asia recorded rising demand; increased market share was obtained in Europe by reinforcing and expanding independent sales networks; and brisk sales continued in the Russian market underscored by significant economic growth. Performance was also favorable in the emerging India market. Accordingly, consolidated net sales increased. In the wheel loader business, HCM will integrate its development structure and streamline its production structure through the consolidation of TCM Corporation, while concurrently pursuing global strategies. In the term ahead, HCM will further bolster the wheel loader business to make it a pillar of the HCM Group. Demand for mini-excavators and crawler cranes for construction bounced back compared with the previous interim period.

In new products, the Company released three models of zero-tail mini-excavators.

b. Resource Development-related Products Business

Briskness in the mining business owing to increased global demand for natural resources fueled higher demand for ultra-large hydraulic excavators and large dump trucks chiefly in the Americas, Oceania and Indonesia, and subsequently increased sales. HCM acquired a bulk order for Spain, and has received a string of orders for medium-sized hydraulic excavators, wheel loaders and other mining equipment owing to its noted reputation for performance and service.

In addition, HCM aggressively is expanding into such resource development markets as iron and coal in South America and Russia. To address growing demand worldwide, HCM added production facilities within the Kasumigaura Works for the mining machinery components of large hydraulic excavators and other machinery.

c. Environment-related Products Business

The HCM Group is focusing on promoting Hi-OSS, with its capabilities in on-site disposal, as a form of CSR activity.

Hi-OSS is being aggressively promoted to both industrial waste disposal companies as well as local governments. HCM is also focuising on further penetrating the environmental recycling business through such measures as holding the 2005 Soil and Ground Water Remediation Technology Expo and the Hi-OSS Environmental Seminar.

In new products, HCM developed a compact, self-propelled, oscillating screener that excels in maneuverability and portability.

d. Product Development Business

To actively meet the needs of a diverse array of customers, HCM works to develop such application products as machinery with demolition specs and scrap specs.

A handling machine based on the electric hydraulic shovel has garnered a strong reputation in recylcing factories as a clean, exhaust-free environmental product.

e. Rental Business

Within the directly managed rental group REC, HCM is increasing profits by improving its cost structure and enhancing asset efficiency using the R-NET1 IT network.

In the term ahead, HCM will concentrate on expanding sales by developing key new clients and expanding heavily into high-demand regions.

f. Used Machinery Business

HCM achieved strong sales chiefly through the hub of Hitachi Construction Machinery Trading Co., Ltd. (HCT) as a result of actively holding parade and Internet auctions. In the interim period, in particular, HCM received aggressive tenders from Southeast Asia and Hong Kong customers with promising prospects emerging in China as well.

g. Service Business

In Japan, HCM worked to promote its scheduled maintenance, inspections and preventative maintenance services. Overseas, supply expanded for maintenance components and mining machinery components. HCM acquired a sterling reputation for the Hitachi brand by offering full maintenance contracts (FMC) that ensure high operating capacity for machinery.

Owing to increasing demand for new machinery, the supply for components as a whole, increased.

h. Other Software Business

Hitachi Kenki Business Frontier Co., Ltd. handles the development, sale and maintenance of computer software; LCS Co., Ltd. handles such financing business as installment and other sales; Hitachi Kenki Logistics Technology Co., Ltd. handles logistics; and Hitachi Construction Machinery Comec Co., Ltd. supports welfare facilities. Each entity is expanding the scale of business applying its expertise.

2) Industrial Vehicles Business

Consolidated net sales were ¥17,312 million.

TCM released a new model for the high-demand battery-powered three-wheeled forklift in overseas markets. In addition, measures were implemented for full-scale operationability of sales proposal systems and raising selling prices. HCM maintained positive sales in such regions as Asia, the Middle East and CIS.

3) Semiconductor Production Equipment Business

Consolidated net sales rose 8% to ¥1,056 million.

At Hitachi Kenki FineTech Co., Ltd. (HKFT), sales grew as a result of promoting the sale of ultrasonic inspection video equipment amid forecasts of market expansion for onboard vehicle semi conductors and flat panel displays for televisions.

In new products, HKFT developed and delivered inspection equipment for fuel cell vehicle components as well as ultrasonic inspection systems.

HKFT also developed atomic force microscope equipment for overseas use and delivered them to Europe and China.

(4) Disposition of Profits for the Current Term

HCM paid cash dividends of ¥7.00 per share for the fiscal 2004 interim period. At the Board of Directors' Meeting scheduled for October 28, 2005, a resolution was passed to issue cash dividends of ¥8.00 per share for the interim period under review.

(5) Status of Consolidated Cash Flows
At the end of the interim period, cash and cash equivalents totaled ¥50,454 million, an increase of ¥1,580 million from the same time last year. Factors relating to respective cash flows were as follows.

Cash flows from operating activities
Net cash provided by operating activities totaled ¥26,861 million, an increase of ¥33,676 million compared with net cash used in operating activities of ¥6,815 million in the same period last year. Income before income taxes and minority interests was ¥21,458 million, up ¥6,364 million compared with ¥15,094 million in the same period last year. Notes and accounts receivable decreased ¥4,157 million, a reduction of ¥8,825 million, despite dramatically higher sales. Inventories, which increased ¥11,226 million during the same time last year, increased by a mere ¥1,275 million. Notes and accounts payable increased ¥4,596 million as a result of higher materials procurement amid bolstered production volume.

Cash flows from investing activities
Net cash used in investing activities was ¥4,873 million. This consisted primarily of ¥6,424 million in acquisitions of property, plant and equipment, mainly as capital investment to increase production at various manufacturing bases.

As a result, free cash flows, the sum of net cash provided by operating activities and cash used in investing activities, amounted to ¥21,988 million.

Cash flows from financing activities
Net cash used in financing activities totaled ¥26,586 million. This was chiefly the result of allocating free cash flows of ¥12,308 million in repayments of bond and ¥8,398 million in repayments of long-term loan, which both came due during the interim, as well as from using capital surplus of ¥9,042 million for the repayments of short-term loan.

	Interim 2003	Interim 2004	Interim 2005	March 2004	March 2005
Shareholders' Equity Ratio	21.8%	28.3%	27.2%	22.4%	28.3%
Shareholder's equity ratio by the market price basis	53.7%	60.2%	81.8%	73.6%	62.1%

Notes:
Shareholders' Equity Ratio: Total shareholders' equity/total assets
Shareholder's equity ratio by the market price basis: Share market price/total assets
1. Indexes are calculated using consolidated figures.
2. Share market price is calculated by multiplying the closing price during the interim period by the number of issued shares during the term.

(6) Outlook for the Term
Looking ahead, the global economy, beginning with the United States and Asia, is anticipated to be robust. While a solid recovery in the Japanese economy is expected, HCM must remain vigilant given concerns about the rising prices for crude oil, steel, and other raw materials as well as the effects of exchange rate fluctuations.

Under these conditions, the HCM Group will work to facilitate the introduction of products in line with the Tier (Stage) III emissions regulations taking effect in Europe and North America from January 2006, raise selling prices in unison with improved product capabilities, as well as augment the production structure to meet rising demand.

In the Americas, the HCM Group will press forward with the cultivation of markets in Latin America in addition to those in North America. In Europe, Africa and the Middle East, HCM will strive to secure additional market share in Europe and cultivate markets in the Middle East, mainly through the Middle East Center, while strengthening sales in the booming Russian market. Meanwhile, in Oceania and Asia, HCM will work to increase sales of ultra-large hydraulic excavators for mining and dump trucks as well as expand sales in markets in India and Vietnam. In China, HCM will strengthen its support structure for dealers, focus on the thorough recovery of account receivables and progress with efforts to offer a full line of products. Turning to Japan, under our two divisional organizations consisting of the Eastern Japan Operation Division and Western Japan Operation Division, we will strengthen our RSS (Rental, Sales and Service) System, undertake thorough marketing by each type of industry outside the civil engineering and construction industries, achieve profitability in the rental business and secure stable earnings.

In executing the aforementioned measures, while maintaining an awareness of the critical importance of observing Corporate Social Responsibility (CSR) that includes involvement in such CSR activities as disaster relief and land mine removal, HCM will push ahead to attain the targets of its “SOH 21- Creative Value UP” medium-term management plan and work to increase corporate value and shareholder value.

The following shows the present outlook for consolidated and non-consolidated results in fiscal 2005.

(100 million yen; %)

	Consolidated (Change)	Non-consolidated (Change)
Net sales	5,800 (+29%)	3,300 (+15%)
Operating income	530 (+32%)	161 (+15%)
Ordinary income	420 (+25%)	217(+20%)
Net income	225 (+30%)	148 (+48%)

Notes:1) Figures under ¥100 million are rounded down.
2) These projections assume an exchange rate of ¥107 to the U.S. dollar and ¥135 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, 2005 (A)	Interim As of Sept. 30, 2004 (B)	Year-end As of Mar. 31, 2005	(A)-(B)
ASSETS				
Ⅰ Current assets				
1. Cash and bank deposits	40,082	40,077	32,522	5
2. Notes and accounts receivable	145,104	135,796	130,520	9,308
3. Inventories	128,616	98,662	114,545	29,954
4. Others	40,248	31,871	44,497	8,377
5. Less: Allowance for doubtful accounts	(10,088)	(14,176)	(10,291)	4,088
Total current assets	343,962	292,230	311,793	51,732
Ⅱ Fixed assets				
(1) Property, plant and equipment				
1. Property held for lease	23,744	20,106	20,060	3,638
2. Buildings and structures	32,660	25,883	27,840	6,777
3. Machinery and equipment	20,989	15,423	17,202	5,566
4. Land	44,281	29,021	32,858	15,260
5. Others	7,000	6,208	5,614	792
Net property, plant and equipment	128,674	96,641	103,574	32,033
(2) Intangible assets	5,458	2,956	3,384	2,502
(3) Investments and other assets				
1. Investments in securities	21,279	22,360	27,403	(1,081)
2. Others	17,313	20,999	18,624	(3,686)
3. Less: Allowance for doubtful accounts	(1,207)	(1,003)	(966)	(204)
Total investments and other assets	37,385	42,356	45,061	(4,971)
Total fixed assets	171,517	141,953	152,019	29,564
Total assets	515,479	434,183	463,812	81,296

	Interim As of Sept. 30, 2005 (A)	Interim As of Sept. 30, 2004 (B)	Year-end As of Mar. 31, 2005	(A)-(B)
LIABILITIES				
Ⅰ Current liabilities				
1. Notes and accounts payable	111,825	83,174	90,692	28,651
2. Short-term loan	66,522	68,710	57,989	(2,188)
3. Current portion of bonds	615	10,600	10,615	(9,985)
4. Others	63,637	44,635	55,859	19,002
Total current liabilities	242,599	207,119	215,155	35,480
Ⅱ Long-term liabilities				
1. Bond	26,012	24,500	24,320	1,512
2. Long-term loan	60,352	47,676	61,862	12,676
3. Retirement and severance benefits	12,664	7,236	7,181	5,428
4. Others	12,398	16,961	14,751	(4,563)
Total long-term liabilities	111,426	96,373	108,114	15,053
Total liabilities	354,025	303,492	323,269	50,533
MINORITY INTERESTS				
Minority interests	21,389	7,863	9,225	13,526
SHAREHOLDERS' EQUITY				
Ⅰ Common stock	42,595	42,564	42,583	31
Ⅱ Capital surplus	42,108	42,072	42,092	36
Ⅲ Retained earnings	57,367	40,600	49,929	16,767
Ⅳ Net unrealized gain on securities held	1,940	1,356	1,703	584
Ⅴ Foreign currency translation adjustments	(1,955)	(2,624)	(3,828)	669
Ⅵ Treasury stock	(1,990)	(1,140)	(1,161)	(850)
Total shareholders' equity	140,065	122,828	131,318	17,237
Total liabilities, minority interests and shareholders' equity	515,479	434,183	463,812	81,296

(Rounded off to the nearest million)

(2) Consolidated Statements of Income

(Millions of yen)

	Interim The half year ended Sept. 30, 2005 (A)	Interim The half year ended Sept. 30, 2004 (B)	Year-end Year ended Mar. 31, 2005	(A)/(B)×100 (%)
				%
Ⅰ Net sales	283,641	214,242	448,043	132
Ⅱ Cost of sales	204,628	150,801	316,918	136
Gross profit before (realized) unrealized profit on installment sales	79,013	63,441	131,125	125
Ⅲ (Realized) unrealized profit on installment sales	651	(844)	(1,050)	―
Gross profit	78,362	64,285	132,175	122
Ⅳ Selling, general and administrative expenses				
1．Packing and shipping expenses	6,926	6,002	12,767	115
2．Employees' salaries	14,494	13,371	27,421	108
3．R&D expenditure	5,311	4,701	9,929	113
4．Provision of reserve for bad debt	618	0	202	―
5．Others	25,163	20,385	41,736	123
Total selling, general and administrative expenses	52,512	44,459	92,055	118
Operating income	25,850	19,826	40,120	130
Ⅴ Non-operating income				
1. Interest income	502	423	942	119
2. Interest income from installment sales	386	292	566	132
3. Dividends income	73	56	187	130
4. Proceeds from reversal of allowance for doubtful accounts	0	251	0	―
5. Exchange gain	0	0	312	―
6. Others	1,228	698	1,653	176
Total non-operating income	2,189	1,720	3,660	127
Ⅵ Non-operating expenses				
1. Interest expenses	1,787	1,741	3,666	103
2. Loss on disposal of inventories	530	392	544	135
3. Exchange loss	1,987	216	0	920
4. New stock issuing expenses	0	765	765	―
5. Equity in losses of affiliated companies	123	308	855	40
6. Others	3,271	1,847	4,341	177
Total non-operating expenses	7,698	5,269	10,171	146
Ordinary income	20,341	16,277	33,609	125
Ⅶ Extraordinary income				
1. Gain on sales of property, plant and equipment	0	1,425	1,425	―
2. Proceeds from elimination of health insurance program	2,227	0	0	―
Total extraordinary income	2,227	1,425	1,425	156
Ⅷ Extraordinary losses				
1. Amortization of transition difference	0	306	542	―
2. Loss on revision of retirement benefit system	0	1,542	1,542	―
3. Restructuring costs	1,110	760	800	146
4. Loss on disposal of inventories	0	0	147	―
5. Loss on sales of property, plant and equipment	0	0	141	―
Total extraordinary losses	1,110	2,608	3,172	43
Income before income taxes and minority interests	21,458	15,094	31,862	142
Income taxes				
Current	8,590	5,595	10,418	154
Deferred	1,252	833	2,488	150
Minority interests	1,984	1,085	1,631	183
Net income	9,632	7,581	17,325	127

(Rounded off to the nearest million)

(3) Consolidated Statements of Retained Earnings (Millions of yen)

		Interim (The half year ended Sept. 30, 2005 (A))	Interim (The half year ended Sept. 30, 2004 (B))	Year-end (Year ended Mar. 31, 2005)	(A)-(B)
	ADDITIONAL PAID-IN CAPITAL				
Ⅰ	Beginning balance	42,092	29,306	29,306	12,786
Ⅱ	Increase in additional paid-in capital				
1.	Exercise of stock purchase warrant	11	46	65	(35)
2.	Proceeds from capital increase by issuance of new shares	0	12,720	12,720	(12,720)
3.	Gain on sale of treasury stock	5	0	1	5
	Total increase in additional paid-in capital	16	12,766	12,786	(12,750)
Ⅲ	Decrease in additional paid-in capital	0	0	0	0
Ⅳ	Ending balance	42,108	42,072	42,092	36
	RETAINED EARNINGS				
Ⅰ	Beginning balance	49,929	34,296	34,296	15,633
Ⅱ	Increase in retained earnings				
1.	Effect of liquidation of consolidated subsidiaries	0	0	778	0
2.	Effect of exclusion of affiliated companies	0	0	171	0
3.	Net income	9,632	7,581	17,325	2,051
	Total increase in retained earnings	9,632	7,581	18,274	2,051
Ⅲ	Decrease in retained earnings				
1.	Decrease in retained earnings from newly consolidated subsidiaries	716	0	0	716
2.	Effect of newly affiliated companies	114	0	0	114
3.	Cash dividend	1,364	1,224	2,588	140
4.	Directors' bonuses	0	53	53	(53)
	Total decrease in retained earnings	2,194	1,277	2,641	917
Ⅳ	Ending balance	57,367	40,600	49,929	16,767

(Rounded off to the nearest million)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Interim (The half year ended Sept. 30, 2005)	Interim (The half year ended Sept. 30, 2004)	Year-end (Year ended Mar. 31, 2005)
Ⅰ Cash flows from operating activities			
1. Income before income taxes and minority interests	21,458	15,094	31,862
2. Depreciation and amortization	8,419	6,805	14,381
3. Decrease in allowance for doubtful accounts	(371)	(323)	(4,238)
4. Interest and dividends income	(575)	(479)	(1,129)
5. Interest expenses	1,787	1,741	3,666
6. Equity in losses of affiliated companies	114	308	855
7. (Increase) decrease in notes and accounts receivable	4,157	(4,668)	(57)
8. Increase in inventories	(1,275)	(11,226)	(25,265)
9. Purchase of property held for lease	(4,834)	(4,089)	(9,794)
10. Sale of property held for lease	1,667	3,734	3,835
11. Increase (decrease) in notes and accounts payable	4,596	(5,732)	1,322
12. Gain on sales of property, plant and equipment	(1,066)	(2,764)	(2,031)
13. Gain on sales of investments in securities	(389)	-	(197)
14. Others	(877)	4,485	11,416
Sub-total	32,811	2,886	24,626
15. Income taxes paid	(5,950)	(9,701)	(16,727)
Net cash provided by (used in) operating activities	26,861	(6,815)	7,899
Ⅱ Cash flows from investing activities			
1. Investments in time deposits	(41)	(759)	(754)
2. Proceeds from time deposits	1,183	50	1,540
3. Acquisitions of property, plant and equipment	(6,424)	(5,568)	(14,783)
4. Proceeds from sales of property, plant and equipment	310	2,647	2,913
5. Purchases of investments in securities	(383)	(724)	(7,553)
6. Difference between the cash balance of newly consolidated companies and investment	0	0	(1,422)
7. Proceeds from sales of investments in securities	556	181	615
8. Interest and dividends received	603	516	1,146
9. Interest and dividends received from affiliated companies	281	156	288
10. Other, net	(958)	(258)	877
Net cash used in investing activities	(4,873)	(3,759)	(17,133)
Ⅲ Cash flows from financing activities			
1. Net increase (decrease) in short-term loan	(9,042)	10,154	(1,462)
2. Proceeds from long-term loan	6,803	6,948	31,897
3. Repayments of long-term loan	(8,398)	(8,931)	(20,933)
4. Repayments of bond	(12,308)	(10,300)	(10,600)
5. Interest paid	(2,136)	(1,936)	(3,613)
6. Dividends paid to shareholders	(1,364)	(1,224)	(2,588)
7. Dividends paid to minority shareholders by subsidiaries	(590)	(1,046)	(1,046)
8. Proceeds from issuance of common stock	23	24,787	24,825
9. Proceeds from issuance of common stock and undertaking of capital subscription by minority shareholders	1,250	0	1,500
10. Proceeds from sale of treasury stock	82	0	3
11. Purchase of treasury stock	(906)	(371)	(389)
Net cash provided by (used in) financing activities	(26,586)	18,081	17,594
Ⅳ Effect of exchange rate changes on cash and cash equivalents	293	236	43
Ⅴ Net increase (decrease) in cash and cash equivalents	(4,305)	7,743	8,403
Ⅵ Cash and cash equivalents at beginning of year	49,534	41,131	41,131
Ⅶ Cash and cash equivalents from newly consolidated subsidiaries at beginning of year	5,225	0	0
Ⅷ Cash and cash equivalents at end of year	50,454	48,874	49,534

(Rounded off to the nearest million)

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

1. Scope of consolidation

Number of consolidated subsidiaries: 71

(1) Main consolidated subsidiaries

1) TCM Corporation
2) Hitachi Construction Machinery Tierra Co., Ltd.
3) Yamagata Hitachi Construction Machinery Co., Ltd.
4) Hitachi Construction Machinery (China) Co., Ltd.
5) PT. Hitachi Construction Machinery Indonesia
6) Hitachi Construction Machinery (Singapore) Pte., Ltd.
7) Hitachi Construction Machinery (Europe) N.V.
8) Hitachi Construction Truck Manufacturing Ltd.
9) Hitachi Construction Machinery Holding U.S.A. Corporation

(2) Newly consolidated subsidiaries: 26

TCM Corporation and TCM's 25 Consolidated Subsidiaries

2. Application of the equity method

Number of affiliates subject to the equity method: 16

(1) Main affiliates subject to the equity method

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

(2) Newly subjected to the equity method: 9

1) P.T. Shibaura Shearing Indonesia
2) 8 affiliates of TCM Corporation

(3) Excluded from the equity method: 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) Hitachi Construction Truck Manufacturing Ltd.
2) Euclid-Hitachi Heavy Equipment, Inc.
3) PT. Hitachi Construction Machinery Indonesia
4) Hitachi Construction Machinery (China) Co., Ltd.
5) Hitachi Construction Machinery Holding U.S.A. Corporation
6) 7 other consolidated subsidiaries

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 interim consolidated 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

1) Securities held to maturity: Amortized cost method

2) 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 is 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

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 accounts 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.

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.

Sales basis of revenue recognition of installment sales is the same as that of ordinary sales, and total sales amount of installment sales is included in the sales. However, interest from

installment sales is included in interest income from installment sales in non-operating income.
Income on long-term installment sales is recognized as related installment receivables become due.

(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

Mainly by deferred hedge accounting.

2) Means and object of hedging

Forward exchange contracts 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 foreign currencies. 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 regarding 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 are highly liquid, readily convertible into cash, and which bear little risk with regard to price fluctuations.

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	75	0	195
Notes accountable endorsed	140	59	53
2. Securitization			
Notes and accounts receivable	66,665	45,478	67,760
3. Accumulated depreciation on property, plant and equipment	167,510	125,609	131,489
4. Guarantee obligations			
Loans guaranteed	7,698	9,019	8,464
Commitments to provide guarantees for loans	587	613	600
Comfort letter for sound management	230	0	0
5. Assets pledged as collateral	19,072	17,598	17,546
Secured debt	21,111	16,081	19,598

(Notes to Interim Consolidated Statements of Cash Flows)

(Millions of yen)

	(Current interim period)	(Previous interim period)	(Previous fiscal year)
Cash and bank deposits	40,082	40,077	32,522
Deposit paid	10,428	10,288	17,158
Subtotal	50,510	50,365	49,680
Time deposits with the maturity of more than three months	(56)	(1,491)	(146)
Cash and cash equivalents	50,454	48,874	49,534

5. Securities

(1) Other securities with market value

(Millions of yen)

Category	Current interim term (As of September 30, 2005)			Previous interim term (As of September 30, 2004)			Previous term (As of March 31, 2005)		
	Acquisition cost	Book value per consolidated balance sheet	Unrealized gain	Acquisition cost	Book value per consolidated balance sheet	Unrealized gain	Acquisition cost	Book value per consolidated balance sheet	Unrealized gain
① Stocks	2,811	6,702	3,891	1,925	3,506	1,581	1,963	4,072	2,109
② Bonds	0	0	0	0	0	0	0	0	0
③ Others	0	0	0	0	0	0	0	0	0
Total	2,811	6,702	3,891	1,925	3,506	1,581	1,963	4,072	2,109

(2) Other securities not valuated at market prices

(Millions of yen)

Category	Current interim term (As of September 30, 2005)	Previous interim term (As of September 30, 2004)	Previous term (As of March 31, 2005)
	Book value per consolidated balance sheet	Book value per consolidated balance sheet	Book value per consolidated balance sheet
(1) Securities held to maturity Bonds	10	10	10
Total	10	10	10
(2) Other securities			
① Unlisted stocks	2,476	1,614	2,036
② Unlisted foreign bonds	1,000	1,000	1,000
③ Voluntary fund partnerships	29	0	0
Total	3,505	2,614	3,036

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, 2005)				Previous interim term (As of September 30, 2004)				Previous term (As of March 31, 2005)			
		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												
	Japanese yen	0	0	0	0	0	0	0	0	327	0	333	(6)
	US dollar	30,614	0	31,858	(1,244)	29,934	0	30,443	(509)	38,341	0	39,824	(1,483)
	Euro	18,696	0	18,858	(162)	19,643	0	20,512	(869)	22,026	0	22,546	(520)
	Buying in												
	Japanese yen	4,468	0	4,357	(111)	11,099	0	11,249	150	4,199	0	4,108	(91)
	US dollar	3,655	0	3,665	10	1,977	0	1,977	0	1,687	0	1,637	(50)
	Euro	643	0	638	(5)	84	0	85	1	437	0	435	(2)
	Australian dollar	24	0	24	0	32	0	32	0	23	0	23	0
Total		—	—	—	(1,512)	—	—	—	(1,227)	—	—	—	(2,152)

Notes:
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

(Millions of yen)

Category	Type	Current interim term (As of September 30, 2005)				Previous interim term (As of September 30, 2004)				Previous term (As of March 31, 2005)			
		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	Interest swaps Payment fixed, receipts fluctuated	7,000	4,000	(45)	(45)	8,300	7,000	(71)	(71)	7,000	7,000	(64)	(64)
Total		7,000	4,000	(45)	(45)	8,300	7,000	(71)	(71)	7,000	7,000	(64)	(64)

Notes:

1) The market prices are based on prices presented by financial establishments with which the HCM and subsidiaries have interest swaps.
2) The above table excludes the derivative transactions subjected to hedge accounting.

7. Segment Information

(1) Segment information by business category

Current interim period (From April 1, 2005 to September 30, 2005)

(Millions of yen)

	Construction Machinery Business	Industrial Vehicles Business	Semiconductor Production Equipment Business	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income						
Net Sales						
1) Net Sales to Outside Customers	265,273	17,312	1,056	283,641		283,641
2)Inter-segment sales/transfers	9	0	423	432	(432)	0
Total	265,282	17,312	1,479	284,073	(432)	283,641
Operating Expenses	239,932	16,313	1,368	257,613	178	257,791
Operating Income	25,350	999	111	26,460	(610)	25,850

Notes:

1)Business categories are based on internal segments used within HCM.

2)The products included in each category are as follows

1. Construction Machinery Business: Hydraulic excavators, mini-excavators, wheel loaders and crawler cranes
2. Industrial Vehicles Business: Forklifts, transfer cranes and container carriers
3. Semiconductor Production Equipment Business: Ultrasonic inspection video equipment and atomic force microscope equipment

3)Additions and changes in categories

The addition of TCM Corporation and it’s subsidiaries to the scope of consolidation during the interim period has resulted in the addition of the Industrial Vehicles Business category to the HCM Group. The category was added from the interim period under review given its prospects for playing an increasing role in the strategy of the HCM Group.

4)During the previous interim period (from April 1, 2004 through September 30, 2004) and preceding fiscal year (from April 1, 2004 through March 31, 2005), the Construction Machinery Business exceeded 90% of the total business of the HCM Group with respect to both sales, operating income. The segment information by business category was therefore omitted.

(2) Segment information by area

Current interim period (From April 1, 2005 to September 30, 2005)

(Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
1) Net Sales to Outside Customers	127,195	37,773	53,169	32,862	32,642	283,641		283,641
2) Inter-segment sales/transfers	76,902	6,693	2,629	6,473	4	92,701	(92,701)	0
Total	204,097	44,466	55,798	39,335	32,646	376,342	(92,701)	283,641
Operating Expenses	195,453	39,180	50,985	32,655	30,768	349,041	(91,250)	257,791
Operating Income	8,644	5,286	4,813	6,680	1,878	27,301	(1,451)	25,850

Previous interim period (From April 1, 2004 to September 30, 2004)

(Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
1) Net Sales to Outside Customers	103,617	34,910	36,873	12,789	26,053	214,242		214,242
2) Inter-segment sales/transfers	63,239	6,167	1,595	2,860	56	73,917	(73,917)	0
Total	166,856	41,077	38,468	15,649	26,109	288,159	(73,917)	214,242
Operating Expenses	158,134	36,050	36,935	11,891	24,662	267,672	(73,256)	194,416
Operating Income	8,722	5,027	1,533	3,758	1,447	20,487	(661)	19,826

Previous fiscal year (From April 1, 2004 to March 31, 2005)

(Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
1) Net Sales to Outside Customers	219,626	52,124	77,679	47,184	51,430	448,043		448,043
2)Inter-segment sales/transfers	136,047	12,620	3,235	8,660	66	160,628	(160,628)	0
Total	355,673	64,744	80,914	55,844	51,496	608,671	(160,628)	448,043
Operating Expenses	337,040	58,207	76,848	48,464	49,275	569,834	(161,911)	407,923
Operating Income	18,633	6,537	4,066	7,380	2,221	38,837	1,283	40,120

Notes:

1) The countries included in each segment are as follows:
   (1) Asia: China, Indonesia, Singapore and Thailand
   (2) Europe: Holland and France
   (3) The Americas: The United States and Canada
   (4) Other: New Zealand, Australia and South Africa

2) Changes in area segments:
   Although the Americas was originally included in "Others," it has taken on greater strategical importance within the Group given changes in marketing strategy since June 2004. Since this strategy will continue well into the future, management has decided to give the Americas a separate column from the interim period under review to provide more detailed geographical information and improve the usefulness of the segment information. Moreover, the previous interim period and fiscal year are displayed with the revised segments.

(3) Overseas sales

(Millions of yen)

	Current interim period (From April 1, 2005 to September 30, 2005)		Previous interim period (From April 1, 2004 to September 30, 2004)		Previous fiscal year (From April 1, 2004 to March 31, 2005)	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
The Americas	49,397	17.4%	36,560	17.1%	82,522	18.4%
Europe, Africa & Middle East	63,111	22.3	44,177	20.6	92,304	20.6
Oceania & Asia	52,022	18.3	35,813	16.7	75,423	16.8
China	26,530	9.4	29,496	13.8	38,797	8.7
Total Overseas sales	191,060	67.4	139,650	65.2	289,046	64.5
Consolidated sales	283,641	100.0	214,242	100.0	448,043	100.0

Note:
Overseas sales are sales in countries and areas other than Japan of the Company and its consolidated subsidiaries.