

Nine-month (3Q) Financial Statement (Consolidated) for Fiscal Year Ending March 2004 January 29, 2004
(Stock exchange: Tokyo, Osaka, Code number: 6305)

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
URL <http://www.hitachi-kenki.co.jp>
Representative: Shungo Dazai, President and Chief Executive Officer

1. Form the basis for compiling third quarter consolidated financial statements

U.S. Accounting Standards are not applied.

Changes in companies subject to consolidation and equity method

Newly consolidated: 2 companies

Newly unconsolidated: 2 companies

Newly subjected to the equity method: None

Newly excluded from the equity method: None

2. Consolidated results for the nine months (3Q) ended December 2003 (April 1 to December 31, 2003)

Note

The announcement of consolidated quarterly results began in the first quarter, ended June 30, 2003. While quarterly results were not originally announced for the same period last year, we have included them here for reference.

(1) Consolidated results

(Rounded off to the nearest millions)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 2003 (3Q)	285,900	23.7	20,091	111.2	15,863	239.6	8,573	853.6
December 2002 (3Q)	231,080	-	9,512	-	4,671	-	899	-
March 2003 (Reference)	328,496	-	16,399	-	9,880	-	3,883	-

	Net income per share, based		Net income per share, diluted	
	Yen	Yen	Yen	Yen
December 2003 (3Q)	50	25	48	76
December 2002 (3Q)	6	26	6	22
March 2003 (Reference)	25	90	24	35

Notes

1. Average number of shares during the term (consolidated):

December 2003 (3Q): 170,611,802 December 2002 (3Q): 143,713,411 March 2003: 145,282,840

2. Percentages for net sales, operating income, ordinary income and net income are percentage comparisons with performance for the same period last year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share	
	Millions of yen	Millions of yen	%	Yen	Yen
December 2003 (3Q)	409,875	87,484	21.3	500	26
December 2002 (3Q)	379,646	62,840	16.6	437	39
March 2003 (Reference)	373,755	74,321	19.9	460	98

Note

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

December 2003 (3Q): 174,876,863 December 2002 (3Q): 143,669,564 March 2003: 160,963,004

(3) Consolidated cash flows

(Rounded off to the nearest millions)

	Net cash provided by operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financial activities	Cash and cash equivalents at end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 2003 (3Q)	11,289	(8,194)	(798)	46,306
December 2002 (3Q)	11,385	12	13,494	57,440
March 2003 (Reference)	17,384	1,666	(7,450)	44,234

3. Overview of the current quarter

Despite ongoing difficulties in the Japanese business climate, a marked rebound in demand was recorded for both hydraulic excavators and mini-excavators on the back of inventory adjustments within the domestic market.

In the Americas, demand for hydraulic excavators continued to grow fueled by strong investment in housing and other sectors, subsequently contributing to a 62% rise in sales compared with the corresponding nine-month period in the previous fiscal year. In Europe, Africa and the Middle East, sales growth of 62% over the same period in the previous fiscal year was achieved because of the conversion of affiliates to wholly owned subsidiaries in Europe, rapid resource development and infrastructure investment in Russia in addition to robust demand for mining equipment in Africa. In China, the downward trend in sales caused by the government's money-tightening measures temporarily subsided, to produce a 40% increase in sales year-on-year, which was nearly on par with original targets. In Australia and Asia, strong demand for mining equipment for use in iron mining and similar applications stimulated a 15% increase in sales compared with the same period in the previous year. As a whole, overseas operations comprised 63% of consolidated net sales for the quarter, compared with 56% for the same period last year.

In aggregate, net sales were ¥285,900 million; operating income was ¥20,091 million; ordinary income was ¥15,863 million; and net income was ¥8,573 million, all of which were roughly on target with projections for the fiscal year.

Sales by region

(Millions of yen)

	Nine months ended December 31, 2003	Nine months ended December 31, 2002	Year ended March 31, 2003
Americas	44,608	27,541	45,980
Europe, Africa and the Middle East	42,261	26,060	37,724
Australasia and Asia	48,272	42,065	57,254
China	45,528	32,524	43,736
Sub-total	180,669	128,190	184,694
Japan	105,231	102,890	143,802
Total	285,900	231,080	328,496

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	3Q/2003 〔 As of Dec. 31, 2003 〕	3Q/2002 〔 As of Dec. 31, 2002 〕	FY 2003 〔 As of March 31, 2003 〕		3Q/2003 〔 As of Dec. 31, 2003 〕	3Q/2002 〔 As of Dec. 31, 2002 〕	FY 2003 〔 As of March 31, 2003 〕
ASSETS				LIABILITIES			
Current assets				Current liabilities			
1. Cash and bank deposits	47,316	59,807	46,177	1. Notes and accounts payable	86,806	76,338	74,704
2. Notes and account receivable	122,419	113,141	110,981	2. Short-term loans	47,325	58,816	40,631
3. Inventories	88,736	73,029	78,376	3. Current portion of bonds	10,600	25,000	25,600
4. Others	21,387	12,348	15,005	4. Others	44,815	34,701	36,092
5. Less: Allowance for doubtful accounts	(14,054)	(11,458)	(11,777)	Total current liabilities	189,546	194,855	177,027
Total current assets	265,804	246,867	238,762	Long-term liabilities			
Fixed assets				1. Bonds	35,100	48,000	42,157
(1) Property, plant and equipment				2. Long-term loans	60,124	47,062	44,615
1. Property held for lease	22,374	16,818	18,770	3. Retirement and severance benefits	12,600	10,668	12,233
2. Buildings and structures	26,142	23,460	27,091	4. Others	16,684	9,230	16,280
3. Machinery and equipment	13,538	13,805	14,639	Total long-term liabilities	124,508	114,960	115,285
4. Land	31,852	31,020	31,774	Total liabilities	314,054	309,815	292,312
5. Others	5,659	8,830	4,586	MINORITY INTERESTS			
Net property, plant and equipment	99,565	93,933	96,860	Minority interests	8,337	6,991	7,122
(2) Intangible assets	2,910	3,117	3,377	SHAREHOLDERS' EQUITY			
(3) Investments and other assets				Common stock	29,772	22,199	26,321
1. Investments in securities	23,070	19,145	16,645	Capital surplus	29,300	21,727	25,848
2. Others	19,343	17,409	18,969	Retained earnings	30,379	20,254	23,239
3. Less: Allowance for doubtful accounts	(817)	(825)	(858)	Net unrealized holding gain (loss) on securities	918	(340)	(276)
Total investments and other assets	41,596	35,729	34,756	Foreign currency translation adjustments	(2,144)	(966)	(764)
Total fixed assets	144,071	132,779	134,993	Treasury stock	(741)	(34)	(47)
Total assets	409,875	379,646	373,755	Total shareholders' equity	87,484	62,840	74,321
				Total liabilities, minority interests and shareholders' equity	409,875	379,646	373,755

Consolidated Statements of Income

(Millions of yen)

	3Q/2003	3Q/2002	FY 2003
	〔 Nine months ended 〕 Dec. 31, 2003	〔 Nine months ended 〕 Dec. 31, 2002	〔 Year ended 〕 Mar. 31, 2003
Net sales	285,900	231,080	328,496
Cost of sales	207,767	170,835	243,642
Gross profit	78,133	60,245	84,854
(Realized) unrealized profit on installment sales	(652)	32	(348)
Selling, general and administrative expenses	58,694	50,701	68,803
Operating income	20,091	9,512	16,399
Non-operating income			
1. Interest income	480	702	834
2. Interest income from installment sales	421	553	996
3. Dividends income	59	136	66
4. Others	1,879	1,521	1,913
Total non-operating income	2,839	2,912	3,809
Non-operating expenses			
1. Interest expenses	2,512	2,797	3,721
2. Others	4,555	4,956	6,607
Total non-operating expenses	7,067	7,753	10,328
Ordinary income	15,863	4,671	9,880
Extraordinary profit	1,778	4,515	5,923
Extraordinary loss	1,963	4,633	9,317
Income before income taxes and minority interests	15,678	4,553	6,486
Income taxes	5,341	2,082	287
Minority interests	1,764	1,572	2,316
Net income	8,573	899	3,883

Consolidated Statements of Cash Flows

(Millions of yen)

	3Q/2003	3Q/2002	FY 2003
	〔 Nine months ended 〕 Dec. 31, 2003	〔 Nine months ended 〕 Dec. 31, 2002	〔 Year ended 〕 Mar. 31, 2003
Cash flows from operating activities			
1. Income before income taxes and minority interests	15,678	4,553	6,486
2. Depreciation and amortization	9,827	7,809	10,605
3. (Increase) decrease in notes and accounts receivable	(12,507)	1,047	3,934
4. (Increase) in inventories	(11,516)	(1,495)	(6,130)
5. Increase in note and account payable	12,394	6,747	4,597
6. Other, net	877	(5,520)	(881)
Sub total	14,753	13,141	18,611
7. Income taxes paid	(3,464)	(1,756)	(1,227)
Net cash provided by operating activities	11,289	11,385	17,384
Cash flows from investing activities			
1. Acquisitions of property, plant and equipment	(4,035)	(5,679)	(6,607)
2. Proceeds from sale of property, plant and equipment	1,129	2,405	4,026
3. Purchases of investment in securities	(5,440)	(1,558)	(3,107)
4. Other, net	152	4,844	7,354
Net cash provided by (used in) investing activities	(8,194)	12	1,666
Cash flows from financing activities			
1. Net increase (decrease) in debt	4,445	16,113	(3,238)
2. Other, net	(5,243)	(2,619)	(4,212)
Net cash provided by (used in) financing activities	(798)	13,494	(7,450)
Effect of exchange rate changes on cash and cash equivalents	(225)	(553)	(468)
Net increase in cash and cash equivalents	2,072	24,338	11,132
Cash and cash equivalents at beginning of year	44,234	33,102	33,102
Cash and cash equivalents at end of term	46,306	57,440	44,234