Hitachi Construction Machinery

Financial Results for the year ended

March 31, 2004

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

Financial Statement (Consolidated) for Fiscal Year Ending March 2004 April 26, 2004

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: April 26, 2004
Parent company: Hitachi, Ltd. (code number: 6501)
Ratio of HCM shares held by the parent company: 51.5%
U.S. Accounting Standards are not applied.

1. Consolidated results for the year ended March 2004 (April 1, 2003 to March 31, 2004)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2004	402,195	22.4	32,858	100.4	26,002	163.2
March 31, 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 (Diluted)	Return on equity	Ordinary income	Ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
March 31, 2004	12,490	221.7	72.64	70.92	15.1	6.7	6.5
March 31, 2003	3,883	–	25.90	24.35	5.6	2.7	3.0

Notes:

1) Equity-method investment loss
March 2004: ¥686 million; March 2003: ¥1,035 million
2) Average number of shares during the term (consolidated)
March 2004: 171,595,677; March 2003: 145,282,840
3) Changes in the method of accounting: None
4) Percentages indicated for sales, operating income, ordinary income and net income are increases/(decreases) compared to the period of the preceding fiscal year.

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

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2004	407,049	91,132	22.4	565.99
March 31, 2003	373,755	74,321	19.9	460.98

Note:
Number of outstanding shares at the end of the term (consolidated)
March 2004: 174,888,581; March 2003: 160,963,004

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

	Net cash provided by in operating activities	Net cash provided by (used in) in investing activities	Net cash used in financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2004	8,021	(8,830)	(1,672)	41,131
March 31, 2003	17,384	1,666	(7,450)	44,234

(4) Scope of consolidation and application of equity method
Number of consolidated subsidiaries: 47
Number of unconsolidated subsidiaries subject to the equity method: None
Number of affiliates subjected to the equity method: 9

(5) Changes in companies subject to consolidation and equity method
Newly consolidated: 3 companies
Newly unconsolidated: 4 companies
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, 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: ¥85.77

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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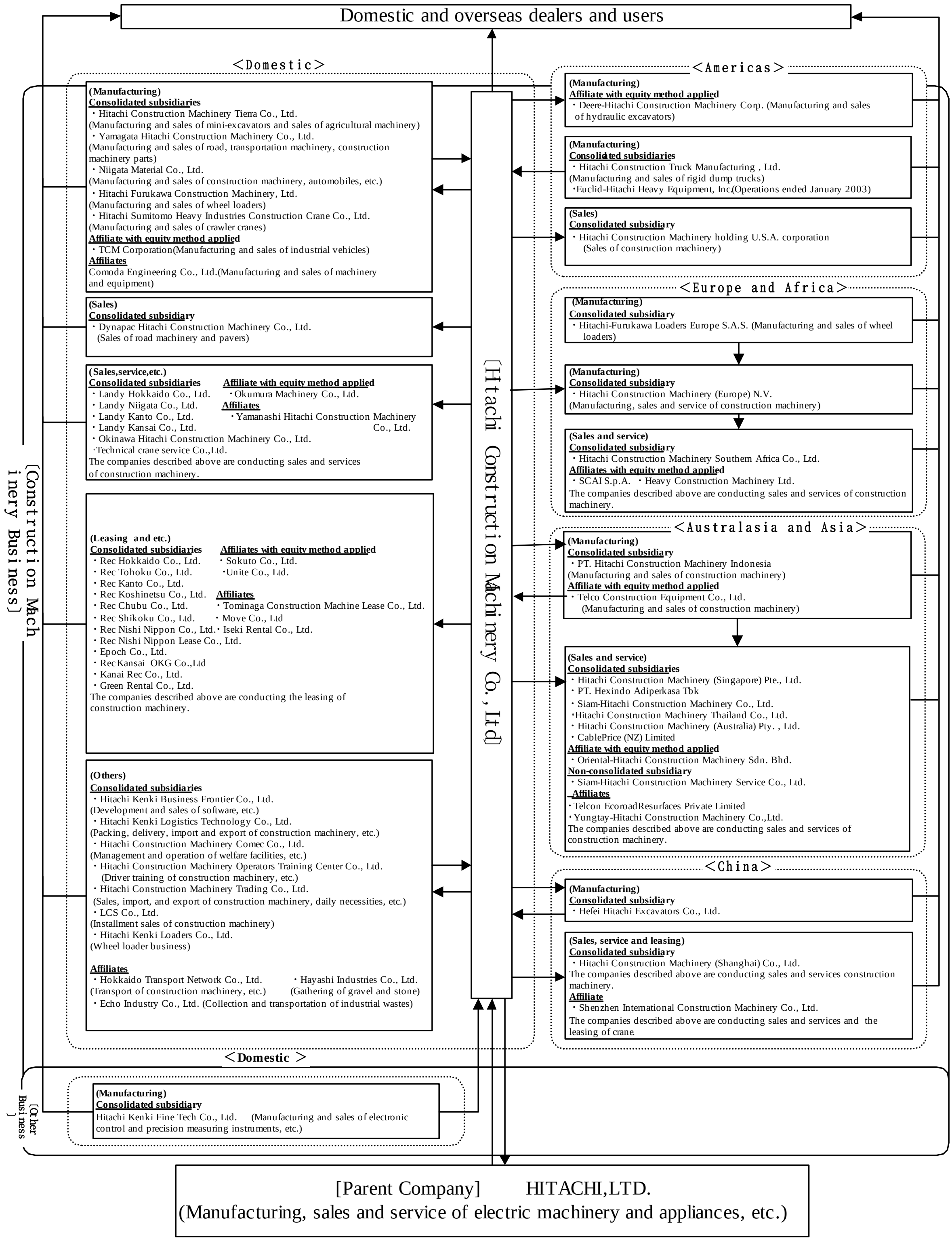
Attachment

1. Status of the Corporate Group

This consolidated Group consists of Hitachi Construction Machinery, its parent company, its 48 subsidiaries and its 20 affiliates. Its business mainly involves the manufacture, sale, service, and leasing of construction machinery. It also manufactures and sells electronics controllers. Below is an organizational chart of business conducted by this consolidated Group.



2. Management Policy

(1) Basic Management Policy

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.

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

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; Australasia 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 utilizing IT 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 develop technologies, rationalize production equipment and grow subsidiaries in Japan and overseas.

(3) Concepts and Principles Regarding Reduction of Investment Units

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) Mid-to-Long-term Management Strategies and Numerical Targets

To win out in the increasingly intense arena of global competition, in April 2003 HCM launched “SOH 21-Creative Value UP,” a medium-term management plan with the achievement of objectives targeted for 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 domestic business operations, promoting global product strategies and becoming the global leader in terms of cost-competitiveness, and strengthening the Company’s financial structure. In this regard, HCM intends to predominate in terms of technological capabilities and product strength, cost-competitiveness, service and sales capabilities, and brand strength.

With the exclusion of the debt/equity (D/E) ratio (not more than 1.3 times), all initial targets in the medium-term management plan have already been achieved. New targets have been established for the fiscal year under review.

Consolidated Numerical Targets

	Initial Target	Revised Target
Ratio of operating income to net sales	6% (¥26.0 billion)	10% (¥46.0 billion)
Ratio of ordinary income to net sales	At least 5% (Over ¥20.0 billion)	At least 8% (Over ¥38.0 billion)
ROE	At least 10%	Same
D/E Ratio	Not more than 1.3 times	Not more than 1.0 time

(5) Issues to be Tackled

1) International Business

The percentage of overseas sales on a consolidated basis increased to 62% from 49% in fiscal 2001 and 56% in fiscal 2002. The Group will work to attain 70% in the period ahead.

In the Americas, the HCM Group is using the effects of the single-management, two-brand system between Deere & Company and the Group to raise market share for hydraulic excavators and mini-excavators, and will continue to redouble efforts in this area. In ultra-large excavators and dump trucks for mining, the Group is endeavoring to provide total solutions that account for customer needs and provide a lifetime of value. Efforts will also be directed toward expanding sales in the South American region, where demand is expected to rise on the back of natural resource development.

In Europe, the Group was able to exceed initial performance and market share targets in the medium-term management plan. With the lifting of the ban in January 2004 on the launch of 13-ton-class, and 25- to 45-ton-class hydraulic excavators, for which market introduction under contract with Fiat SpA was delayed, HCM aims to raise the market share for these lines. In addition, marketing will be ramped up in Germany and France, where demand is strong but the Group's market presence is still minimal. The Group will also work to expand sales on the back of rising demand in the Middle East, where infrastructure development will proceed as petrodollars make a comeback, in Russia, owing to the current stable government and ongoing resource development, as well as in South Africa, where the precious metals market will rebound.

In Australasia and Asia, the Group is carving out high market share through the sale of ultra-large excavators and large dump trucks for mining. In the term ahead, HCM intends to refine full maintenance contract services for purchased machinery and other services, 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 be made to expand sales for non-automobile components, used machinery and services.

In China, in line with favorable production and sales, strengthening after-service and support at dealers and local sales companies in meeting rapid sales of machinery will be a key theme for the coming term. Protecting account receivables will continue to be a paramount issue addressed by the Group. In addition, localized production will be further pursued for large and mini-excavators, which are anticipated to enjoy newfound demand. The HCM Group will continue to consider, as well as quickly and flexibly adapt to, the challenges facing the construction machinery sector from the ongoing money-tightening measures on the part of the Chinese government.

2) Domestic Business

In continuing to improve customer satisfaction and consolidated management efficiency, the HCM Group has established an RSS system consisting of three major elements: rental (R), sales (S) and service (S).

In sales, the Group is promoting sales expansion measures that produce demand by accurately adapting to the direction of the market. With regard to sales prices, management remains conscious of the importance of maintaining prices that reflect the latest appreciation in the cost of materials.

In the rental business, the inclusion of eight directly-managed REC rental companies as subsidiaries nationwide has neared completion. On account of 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, the HCM Group has been able to reduce costs and is now on the verge of returning to profitability.

Through the efforts spelled out here, the Group aims to make steady progress toward securing consolidated profits in domestic businesses.

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

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

To minimize the effects of rising costs against the backdrop of escalating materials costs, all divisions are maintaining their use of and augmenting their Value Engineering for Customers (VEC) activities to lower costs.

4) Strengthening of the Financial Structure

Reducing the interest-bearing debt is an important challenge for the HCM Group, which aims to regain an “A” rating on its long-term bonds. The HCM Group is working to shorten the number of retention days of sales credits and inventories on a consolidated basis by implementing the C Project II (Cash Flow Project II), as well as to reduce fixed assets via mergers and closure of some of its bases. To that end, HCM is working diligently to review the supply chain and thereby achieve reforms in its own organization and in each Group company. Through the employment of a cash management system (CMS) introduced in the previous fiscal year, the HCM Group is centrally managing Group funds and improving consolidated cash flows. The Group will initially promote these measures fully on a domestic basis, and then begin introducing them to bases worldwide.

(6) Status of Measures for Corporate Governance

In June 2003, HCM shifted to a Committee System of corporate management, in which governance and administration are carried out by the Board of Directors, a nominating committee, an auditing committee and a compensation committee. Moreover, three outside directors have been appointed to the Board of Directors. These committees are working toward speedier implementation of management strategies, more reliable management, promotion of global management and response to new management of the Hitachi Group. Moreover, the Group has begun releasing quarterly reports from the first quarter of fiscal 2003. Similarly, briefing sessions will be held on the release of quarterly, interim and fiscal year results to aid in IR activities, with the content of these reports to be posted on the Company Website.

(7) 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 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. In addition, two outside directors were recruited from Hitachi, Ltd.

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

3. Management Results and Financial Position

(1) Overview of the Current Fiscal Year

In the fiscal year under review, despite challenging conditions in the domestic market on the back of a continued contraction in public works investment and other factors, signs of a recovery in demand for hydraulic excavators became evident. Overseas, demand remained very strong in China, while demand in the Americas rose against the backdrop of an economic recovery.

In response, the HCM Group made substantial progress in initiating subsidiary spin-offs in Europe, as exemplified by the expansion of business in Russia, and substantial growth was achieved in sales at both businesses servicing overseas markets as well as overseas subsidiaries.

As a result, overseas net sales exceeded domestic sales within the Group, representing 64% of total net sales, compared with 56% for the previous fiscal year.

In the fiscal year under review, consolidated performance within the Group was as follows:

(100 million yen; %)

	Consolidated (Change)	Non-consolidated (Change)
Net sales	4,021 (+22%)	2,529 (+25%)
Ordinary income	260 (+163%)	191 (+46%)
Net income	124 (+222%)	55 (+57%)

Note:
Figures under ¥100 million are rounded down.

(2) Overview by Regional Segment

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

1) Japan

In hydraulic excavators, an increase in exports of used machinery, the aging of existing fleets and the previous curb in new machinery purchases, among other factors, fueled stock adjustments and contributed to a slight shortage in the construction machinery market, which continued to fuel a rise in demand over the previous fiscal year. The HCM Group steadily secured greater market share as a result. Net sales in Japan rose 5% to ¥151,342 million.

2) The Americas

A recovery in demand in both hydraulic excavators and mini-excavators was fueled by strong housing investment, and with the additional effects of the single-management, two-brand system between Deere & Company and the Group, increased market share was secured and sales exceeded initial projections. Net sales rose 24% to ¥56,870 million.

3) Europe, Africa and the Middle East

Net sales expanded steadily on the back of spin-offs of European subsidiaries exceeding expectations and brisk performance recorded in Russia, with its potentially lucrative resource development-related markets. Net sales rose 69% to ¥63,932 million.

4) Australasia and Asia

Sales rose on account of demand for ultra-large construction machinery for mining and strong performance of hydraulic excavators in Southeast Asia and India. Net sales increased 13% to ¥64,634 million.

5) China

In China, demand for construction machinery continued to expand. To maintain continued stable growth in China, HCM is working to strengthen its finance, component supply and services structures. Progress concerning measures to support dealers and local sales companies in alliance with Hitachi Construction Machinery (Shanghai) Co., Ltd. is proceeding according to schedule. Net sales rose 50% to ¥65,417 million.

(3) Overview of the Market by Product

1) Construction Machinery Business

Consolidated net sales in the construction machinery business rose 23% to ¥400,625 million.

Within the HCM Group, HCM is promoting a full product lineup through alliances 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.

Construction Machinery-related Products Business

In the construction machinery-related products business, a recovery was underway domestically for the Company's mainstay of hydraulic excavators, while overseas, demand continued to grow in key market regions and sales rose dramatically. In Russia, the Company succeeded in obtaining a bulk order for rental hydraulic excavators for use in urban infrastructure development and for the purchase of hydraulic excavators and wheel loaders for use in petroleum extraction pipeline construction. Given the even-greater demand for machinery expected in Russia in the years ahead in association with the numerous energy resource-related projects underway, HCM aims to aggressively expand sales and refine its after-service operations.

Mini-excavators recorded higher sales owing to the contribution of sales growth in North America.

In new products, three wheeled hydraulic excavators were released in Europe, where demand is high, prior to being introduced in the Japanese market. In addition, HCM released one hydraulic excavator, four mini-excavators, three wheel loaders and two crawler cranes.

Resource Development-related Products Business

In the resource development-related products business, the synergies grew between the Company's ultra-large excavators and large dump trucks in global mining markets, contributing to continued growth in sales recorded in Australia and Indonesia. HCM also secured a foothold in the South American market following bulk orders for large hydraulic excavators for mining in Brazil and large dump trucks in Columbia.

At Hitachi Construction Truck Ltd. (previously Euclid-Hitachi Heavy Equipment Ltd.

prior to January 1, 2004), structural reforms were carried out to improve management efficiency, including concentration in Japan of development and production of mining dump trucks over 140 tons.

With regard to new products, the Company released a large hydraulic excavator that meets the emissions standards of the United States.

Moreover, we added the EX8000 780-ton hydraulic excavator to the Company's ultra-large hydraulic excavator series, which is garnering top worldwide share as a superior construction machinery brand.

Environment-related Products Business

In the environment-related products business, on the back of the Act for Measures Against Soil Contamination, enacted in February 2003, the Company has been aggressively developing a consultative-style marketing of recycling-related products, including soil-recycling machinery. After being designated as an examining body by the Ministry of the Environment as specified in the Act for Measures Against Soil Contamination, HCM has also launched a total solution business handling areas ranging from examination of cases of soil contamination and consulting, to soil contamination counter-measures. In new products, this business released two products, one of which was a crawler crusher that handles anything from crushed concrete to cobble and fieldstone.

Product Development Business

In the product development business, the Company developed products chiefly compatible with hydraulic excavators, and worked to meet the needs of a diverse range of customers in such fields as civil engineering, demolition, metal recycling and forestry.

HCM developed 18 products in this field, including an automobile demolisher, a woodframe house demolisher developed jointly with Sekisui House, Ltd. and based off of a mini- excavator design, as well as a container fitted with an automatic unloader.

Rental Business

In the rental business, the Company developed the information network R-NET1 to share such information as efficiency in machinery operations and sales data, and introduced it into the REC group of directly managed rental companies. In this field, the Company is reducing costs by making thorough use of Rental-Value Engineering for Customers (R-VEC) in tandem with preservation, recovery and unified management of assets through expansion of regional equipment centers.

Used Machinery Business

HCM formed a tie-up with Hitachi Construction Machinery Trading Co., Ltd. and aggressively pursued such new sales mediums as Internet auctions. Sales in this area were brisk amid vigorous overseas demand for used machinery.

Service Business

In the service business, HCM capitalized on the "RSS system," which encompasses rental, sales and service operations, to provide value-added service packages in Japan that provide maintenance services and preventative measures finely tailored to customer needs, including scheduled maintenance, inspection and theft prevention. Overseas, demand for components rose following a rise in demand for new machinery. With regard to new products, the Company released the e-Guard II theft-prevention system, which employs the communications system of the ZAXIS series of "e-excavators."

Other Software Business
In line with expansion in overseas businesses, Hitachi Kenki Logistics Technology Co., Ltd. will ramp up its shipping operations, and Hitachi Kenki Business Frontier Co., Ltd. will handle the development, sale and maintenance of computer software and peripherals, while LCS Co., Ltd. will handle the financing and similar activities for installment and other sales.

2) Other Products Business
Consolidated sales in this business rose 4% to ¥1,570 million.

Hitachi Kenki FineTech Co., Ltd. develops, produces and sells ultrasonic inspection equipment, atomic force microscope equipment, laser beam machines and controllers for various controls for construction machinery, etc.

In new ultrasonic inspection equipment, the Company developed bonding wafer automatic inspection equipment with a conveying system and a scanning acoustic tomograph with a wide area scanner.

(4) Disposition of Profits
For the fiscal 2004 interim period, HCM paid dividends of ¥4.00 per share. At the board of directors' meeting scheduled for May 28, 2004, management plans to propose a resolution to add a special dividend of ¥2.00 to the standard ¥5.00 per share for the second half of the fiscal year. Consequently, total dividends for the fiscal year will total ¥11.00 per share.

(5) Status of Consolidated Cash Flows
Cash and cash equivalents at the end of the year were ¥41,131 million, ¥3,103 million lower than at the end of the previous fiscal year. Factors relating to cash flows were as follows.

Net Cash Provided by Operating Activities
Net cash provided by operating activities was ¥8,021 million, a decrease of ¥9,363 million from the ¥17,384 million at the end of the previous fiscal year. A dramatic improvement was seen in income before income taxes and minority interests, rising from ¥6,486 million in the previous term to ¥21,211 million, notes and accounts receivable increased ¥21,432 million in line with rapid growth in sales, compared with a ¥3,934 million decreased in the previous fiscal year. Moreover, income taxes paid rose from ¥1,227 million to ¥5,144 million.

Net Cash Used in Investing Activities
Net cash used in investing activities was ¥8,830 million. Acquisitions of tangible fixed assets amounted to ¥6,447 million. Purchases of investment in securities, which include the acquisition of TCM Co., Ltd., totaled ¥5,747 million. Furthermore, interest and dividends received from affiliates amounted to ¥2,412 million, owing to the liquidation of Hitachi Construction Machinery (America) Corp. and Hitachi Construction Machinery Canada, Ltd. following the integration of marketing channels in North America, as well as from Deere-Hitachi Construction Machinery Corp. Consequently, free cash flows were a negative ¥809 million.

Net Cash Used in Financing Activities
Net cash used in financing activities was ¥1,672 million. Redemption of bonds was ¥25,600 million and repayment of long-term debt was ¥11,662 million. In proceeds, proceeds from long-term debt totaled ¥24,531 million, including ¥10,000 million raised as a domestic, syndicated long-term loan and ¥9,973 million raised using yen-denominated, privately-subscribed bonds issued through the Euro market.

(6) Outlook for the Current Term

The Japanese economy is expected to enter a gradual recovery on the back of a worldwide recovery. Overseas, given expectations that the European economy will maintain its current level of activity, HCM's considerable success in spinning off subsidiaries will likely contribute to dramatic growth. Similarly, the U.S. economy is also expected to continue on its road to recovery. Despite concerns over a drop-off in demand in China as a result of changes in fiscal policy, this lull is projected to be only temporary, to be followed by subsequent stable growth. Moreover, the Russian market is also likely to continue to expand.

Against this backdrop, many issues will need to be addressed in the year ahead, including the rising cost of materials for steel manufacturing worldwide and fluctuations in the currency exchange markets. Nonetheless, to achieve the targets outlined in its medium-term management plan, HCM aims to flexibly adapt to changes in the businesses environment, enact optimal management strategies and establish the most profitable corporate structure of any global construction machinery company in the world.

Below are consolidated and non-consolidated projections for fiscal 2004 to date.

(100 million yen; %)

	Consolidated (Change)	Non-consolidated (Change)
Net sales	4,250 (+6%)	2,850 (+13%)
Ordinary income	290 (+12%)	201 (+5%)
Net income	150 (+20%)	123 (+12%)

Notes:

1) Figures under ¥100 million are rounded down.
2) These projections assume an exchange rate of ¥105 to the U.S. dollar and ¥130 to the Euro.

1) 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)

	Year-end (As of Mar. 31, 2004 (A))	Previous year-end (As of Mar. 31, 2003(B))	(A)-(B)
ASSETS			
Ⅰ Current assets			
1. Cash and bank deposits	36,848	46,177	(9,329)
2. Notes and accounts receivables	129,337	110,981	18,356
3. Inventories	86,089	78,376	7,713
4. Short term loans receivables	1,046	581	465
5. Deferred tax asset - current	9,782	5,930	3,852
6. Others	16,831	8,494	8,337
7. Less: Allowance for doubtful	(14,758)	(11,777)	(2,981)
Total current assets	265,175	238,762	26,413
Ⅱ Fixed assets			
(1) Property, plant and equipment			
1. Property held for lease	20,999	18,770	2,229
2. Buildings and structures	25,363	27,091	(1,728)
3. Machinery and equipment	14,098	14,639	(541)
4. Land	29,610	31,774	(2,164)
5. Others	5,795	4,586	1,209
Net property, plant and equipment	95,865	96,860	(995)
(2) Intangible assets	2,890	3,377	(487)
(3) Investments and other assets			
1. Investments in securities	23,521	16,645	6,876
2. Long-term loans receivable	518	652	(134)
3. Deferred long-term tax assets	12,122	11,157	965
4. Others	7,672	7,160	512
5. Less: Allowance for doubtful accounts	(714)	(858)	144
Total investments and other assets	43,119	34,756	8,363
Total fixed assets	141,874	134,993	6,881
Total assets	407,049	373,755	33,294

	Year-end (As of Mar. 31, 2004 (A))	Previous year-end (As of Mar. 31, 2003(B))	(A)-(B)
LIABILITIES			
Ⅰ Current liabilities			
1. Notes and accounts payables	87,457	74,704	12,753
2. Short-term debts	53,207	40,631	12,576
3. Current portion of bonds	10,600	25,600	(15,000)
4. Income taxes payable	9,610	2,177	7,433
5. Unrealized income on installment	1,764	2,634	(870)
6. Deferred income on installment	610	775	(165)
7. Others	34,726	30,506	4,220
Total current liabilities	197,974	177,027	20,947
Ⅱ Long-term liabilities			
1. Bonds	34,800	42,157	(7,357)
2. Long-term debt	53,545	44,615	8,930
3. Deferred long-term tax liability	599	542	57
4. Retirement and severance benefits	8,991	12,233	(3,242)
5. Others	12,294	15,738	(3,444)
Total long-term liabilities	110,229	115,285	(5,056)
Total liabilities	308,203	292,312	15,891
MINORITY INTERESTS			
Minority interests	7,714	7,122	592
SHAREHOLDERS' EQUITY			
Ⅰ Common stock	29,779	26,321	3,458
Ⅱ Capital surplus	29,306	25,848	3,458
Ⅲ Retained earnings	34,296	23,239	11,057
Ⅳ Net unrealized gain (loss) on securities held	1,468	(276)	1,744
Ⅴ Foreign currency translation adjustments	(2,948)	(764)	(2,184)
Ⅵ Treasury stock	(769)	(47)	(722)
Total shareholders' equity	91,132	74,321	16,811
Total liabilities, minority interests and shareholders' equity	407,049	373,755	33,294

(2) Consolidated Statements of Income

(Millions of yen)

		Year-end (Year ended Mar. 31, 2004 (A))	Previous year-end (Year ended Mar. 31, 2003 (B))	(A)/(B)×100 (%)
				%
Ⅰ	Net sales	402,195	328,496	122
Ⅱ	Cost of sales	287,360	243,642	118
	Gross profit before (realized) unrealized profit on installment sales	114,835	84,854	135
Ⅲ	(Realized) unrealized profit on installment sales	(870)	(348)	250
	Gross profit	115,705	85,202	136
Ⅳ	Selling, general and administrative expenses			
1.	Packing and shipping expenses	9,842	7,487	131
2.	Employees' salaries	25,096	21,442	117
3.	R&D expenditures	6,670	6,265	106
4.	Provision of reserve for bad debt	4,957	4,054	122
5.	Others	36,282	29,555	123
	Total selling, general and administrative expenses	82,847	68,803	120
	Operating income	32,858	16,399	200
Ⅴ	Non-operating income			
1.	Interest income	703	834	84
2.	Interest income from installment	558	996	56
3.	Dividend income	108	66	164
4.	Others	2,391	1,913	125
	Total non-operating income	3,760	3,809	99
Ⅵ	Non-operating expenses			
1.	Interest expenses	3,519	3,721	95
2.	Loss on disposal of inventories	733	1,210	61
3.	Effect of exchange rate changes	1,806	222	814
4.	Equity in losses of affiliated companies	686	1,035	66
5.	Others	3,872	4,140	94
	Total non-operating expenses	10,616	10,328	103
	Ordinary income	26,002	9,880	263
Ⅶ	Extraordinary income			
1.	Gain on sale of property, plant and equipment	829	5,717	15
2.	Gain on the transfer to Japanese Government of the substitutional portion of employee pension fund liabilities	949	0	—
3.	Gain on sale of investments in securities	0	206	0
	Total extraordinary income	1,778	5,923	30
Ⅷ	Extraordinary losses			
1.	Amortization of transition difference	919	1,346	68
2.	Loss on revaluation of investments in securities	265	319	83
3.	Restructuring costs	2,732	6,455	42
4.	Loss on disposal of inventories	0	1,197	0
5.	Loss on sale of property, plant and equipment	217	0	0
6.	Impairment losses for long-lived assets	2,436	—	—
	Total extraordinary losses	6,569	9,317	71
	Income before income taxes and minority interests	21,211	6,486	327
	Income taxes			
	Current	12,105	3,015	401
	Refunded	0	651	—
	Deferred	(5,738)	(2,077)	276
	Minority interests	2,354	2,316	102
	Net income	12,490	3,883	322

(3) Consolidated Statements of Retained Earnings

(Millions of yen)

		Year-end (Year ended Mar. 31, 2004 (A))	Previous year-end (Year ended Mar. 31, 2003 (B))	(A)-(B)
	ADDITIONAL PAID-IN CAPITAL			
Ⅰ	Beginning balance	25,848	21,727	4,121
Ⅱ	Increase in additional paid-in capital			
1.	Exercise of stock purchase warrant	3,458	4,121	(663)
2.	Gain on sales of treasury stock	—	0	—
	Total increase in additional paid-in capital	3,458	4,121	(663)
Ⅲ	Decrease in additional paid-in capital	0	0	0
Ⅳ	Ending balance	29,306	25,848	3,458
	RETAINED EARNINGS			
Ⅰ	Beginning balance	23,239	19,897	3,342
Ⅱ	Increase in retained earnings			
1.	Effect of merger of affiliated company	44	0	44
2.	Net income	12,490	3,883	8,607
	Total increase in retained earnings	12,534	3,883	8,651
Ⅲ	Decrease in retained earnings			
1.	Effect of newly affiliated company	9	0	9
2.	Cash dividends	1,342	431	911
3.	Directors' bonuses	126	110	16
	Total decrease in retained earnings	1,477	541	936
Ⅳ	Ending balance	34,296	23,239	11,057

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year-end The year ended March. 31, 2004	Previous Year-end Year ended Mar. 31, 2003
Ⅰ Cash flows from operating activities		
1. Income before income taxes and minority interests	21,211	6,486
2. Depreciation and amortization	12,672	10,605
3. Impairment losses for long-life assets	2,436	0
4. Increase in allowance for doubtful acccounts	2,943	3,650
5. Interest and dividends income	(811)	(900)
6. Interest expenses	3,519	3,721
7. Equity in losses of affiliate companies	662	1,035
8. (Increase) decrease in notes and accounts receivable	(21,432)	3,934
9. (Increase) decrease in inventories	(9,685)	(6,130)
10. Purchase of proprety held for lease	(10,859)	(6,272)
11. Sales of proprety held for lease	3,872	1,904
12. Increase (decrease) in notes and accounts payable	14,238	4,597
13. Gain on sales of property, plant and equipment	(1,132)	(5,717)
14. Loss on revaluation of investment in securities	265	319
15. Gain on sales of investment in	12	(206)
16. Others	(4,746)	1,585
Sub total	13,165	18,611
17. Income taxes paid	(5,144)	(1,227)
Net cash provided by operating activities	8,021	17,384
Ⅱ Cash flows from investing activities		
1. Invetsments in time deposits	(1,691)	(3,467)
2. Proceeds from time deposits	1,695	2,768
3. Acquisitions of property, plant and equipment	(6,447)	(6,607)
4. Proceeds from sale of property, plant and equipment	1,447	4,026
5. Purchases of investment in securities	(5,747)	(3,107)
6. Difference between the cash balance of newly consolidated companies and investment	(89)	717
7. Proceeds from sale of investments in securities	47	5,682
8. Interest and dividends received	771	900
9. Interest and dividends received from affiliated companies	2,412	14
10. Other, net	(1,228)	740
Net cash provided by (used in) investing activities	(8,830)	1,666
Ⅲ Cash flows from financing activities		
1. Net increase (decrease) in short-term debt and current portion of long-term debt	7,546	(18,135)
2. Proceeds from long-term debt	24,531	16,645
3. Repayments of long-term debt	(11,662)	(7,432)
4. Proceeds from issuance of bonds	9,973	12,937
5. Repayments of redemption of debenture	(25,600)	(22,000)
6. Proceeds from issuance of bonds with warrants	0	14,747
7. Interest paid	(3,770)	(3,682)
8. Dividends paid to shareholders	(1,342)	(431)
9. Dividends paid to minority shareholders of subsidiaries	(785)	(909)
10. Proceeds from issuance of stock	159	0
11. Issuance of common stock to minority shareholders by	0	850
12. Purchases of treasury stock	(723)	(40)
13. Proceeds from treasury stock	1	0
Net cash (used in) financing activities	(1,672)	(7,450)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	(622)	(468)
Ⅴ Net increase (decrease) in cash and cash equivalents	(3,103)	11,132
Ⅵ Cash and cash equivalents at beginning of year	44,234	33,102
Ⅶ Cash and cash equivalents at end of year	41,131	44,234

Important matters that form the basis for compiling consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 47

(1) Main consolidated subsidiaries

1) Hitachi Construction Machinery Tierra Co., Ltd.
2) Yamagata Hitachi Construction Machinery Co., Ltd.
3) Hitachi Construction Truck Manufacturing 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) Hitachi Construction Machinery Thailand Co., Ltd.
3) Technical Crane Service Co., Ltd.

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 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) 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 Machinery Holdings U.S.A. Corporation
11) Hitachi Construction Machinery Thailand Co., Ltd

All the above firms settle their accounts on December 31. Financial statements as of the same date are used in preparing 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 settlement. The closing dates for earnings for the consolidated subsidiaries other than those listed above correspond to the closing date for 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 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

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 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 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.

Note: 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 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 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, such 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 regarding the basis for preparing interim consolidated balance sheets

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

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.

<u>Additional Information</u>

1. 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, Labor and Welfare for exemption from payment of future benefits regarding the substituted portion of the employee pension fund liabilities.

The Company and its subsidiaries applied transitional accounting measures outlined in paragraph 47-2 of the “Practical Guidelines of Accounting for Retirement Benefits” (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 a 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 period under review. Moreover, as of the end of the current period, the total projected reimbursement value (minimal actuarial liability) is ¥23,315 million.

2. Effective March 31, 2004 the Company adopted accounting for impairment of long–lived assets. As a result of reviewing for the impairment, and if the assets are determined to be impaired, the loss (¥2,436 million) is recognized in earnings.

<u>Accompanying Notes</u>

(Notes to Consolidated Balance Sheets)

(Millions of yen)

	As of March 31, 2004	As of March 31, 2003
1. Notes discounted and endorsed		
Notes receivable discounted	0	9
Notes accountable endorsed	65	55
2. Securitization		
Notes and accounts receivable	46,750	46,181
3. Accumulated depreciation on property, plant and equipment	125,024	121,329
4. Guarantee obligations		
Loans guaranteed	5,411	3,867
Commitments to provide guarantees for loans	3,267	3,655
5. Assets pledged as collateral	16,956	6,710
Secured debt	16,370	7,403

(Notes to Consolidated Statements of Cash Flows)

(Millions of yen)

	As of March 31, 2004	As of March 31, 2003
Cash and bank deposits	36,848	46,177
Short-term investments with maturity dates within three months from date of acquisition	5,155	0
Subtotal	42,003	46,177
Time deposits with a maturity of more than three months	(872)	(1,943)
Cash and cash equivalents	41,131	44,234

5. Securities

(1) Other securities with market value

(Millions of yen)

Category	As of March 31,2004			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
Security with gross unrealized holding gain						
① Stocks	1,605	3,356	1,751	653	843	190
② Bonds	0	0	0	0	0	0
③ Other	0	0	0	0	0	0
Total	1,605	3,356	1,751	653	843	190
Security with gross unrealized holding gain						
① Stocks	331	285	(46)	3,565	2,908	(657)
② Bond	0	0	0	0	0	0
③ Other	0	0	0	0	0	0
Total	331	285	(46)	3,565	2,908	(657)
Grand Total	1,936	3,641	1,705	4,218	3,751	(467)

(2) Available-for-sales Securities sold for the year ended March 31, 2004 and 2003 were as follows. (Millions of yen)

Fiscal year ended March 31, 2004

Total sale amount	Gain	Loss
47	2	14

Fiscal year ended March 31, 2003

Total sale amount	Gain	Loss
5,682	207	0

(3) Main securities not valuated at market prices (Millions of yen)

Category	As of March 31, 2004	As of March 31, 2003
	Book value per consolidated balance sheet	Book value per consolidated balance sheet
Other securities		
① Unlisted stocks other than OTC stocks	1,619	2,026
② Unlisted foreign bonds	1,000	1,000
Total	2,619	3,026

(4) Maturities of available-for-sales securities as of March 31,2004 and 2003 were as follows.

(Millions of yen)

Bond (corporate bond)	As of March 31,2004	As of March 31, 2003
Within one year	0	0
More than one year but within one year	0	0
More than five years	1,000	1,000

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

(1) Currencies (Millions of yen)

Category	Type	Fiscal year ended March 31, 2004				Fiscal year ended March 31, 2003			
		Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain
			Due after one year				Due after one year		
Transactions other than market transactions	Forward exchange contracts								
	Selling in								
	US dollar	24,250	0	23,852	398	18,140	0	18,329	(189)
	Euro	19,003	0	18,791	212	11,738	0	12,293	(555)
	British pound	0	0	0	0	0	0	0	0
	Buying in								
	Japanese yen	6,514	0	6,582	68	4,747	0	4,894	147
	US dollar	1,628	0	1,562	(66)	1,111	0	1,159	48
	Euro	121	0	116	(5)	156	0	159	3
	Australian dollar	40	0	40	0	33	0	33	0
	Currency option trade								
	Buying in								
	Japanese yen	1,054	0	(25)	(25)	0	0	0	0
	(Optional fee)	(—)	(—)			(—)	(—)		
	US dollar	0	0	0	0	389	0	(11)	(11)
	(Optional fee)	(—)	(—)			(—)	(—)		
Total		—	—	—	582	—	—	—	(557)

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

Category	Type	Fiscal year ended March 31, 2004				Fiscal year ended March 31, 2003			
		Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain
			Due after one year				Due after one year		
Transactions other than market transactions	Interest swaps Payment fixed, receipts fluctuated	8,300	8,300	(72)	(72)	5,300	5,300	(87)	(87)
Total		8,300	8,300	(72)	(72)	5,300	5,300	(87)	(87)

Notes:
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. Retirement and severance benefits

1. The Company and some of its subsidiaries have pension plans to provide retirement and severance benefits to employees. Employees serving their employment with the Company or with certain consolidated subsidiaries are, in most circumstances, entitled on retirement or otherwise, to lump-sum severance and, in certain cases, annuity payments based on the current rate of pay, length of service and other factors.

2. The funded status of the Company's pension plans as of March 31, 2004 is summarized as follows:

(Millions of yen)

	(As of March 31, 2004)	(As of March 31, 2003)
①Projected benefit obligation	(72,831)	(115,062)
②Plan assets at fair value	40,659	51,359
③Funded status	(32,172)	(63,703)
④Unrecognized transition difference as at April 1, 2000	613	2,690
⑤Unrecognized actuarial loss	22,905	50,718
⑥Unrecognized prior service cost	(28)	(1,344)
Total	(8,682)	(11,639)
⑦Prepaid benefit cost	310	594
⑧Retirement and severance benefit on balance sheet	(8,991)	(12,233)

3. Net periodic benefit cost for the contributory, funded benefit pension plans and the unfunded lump-sum payment plans of the Company for the year ended March 31, 2003 consisted of the following components.

(Millions of yen)

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
①Service cost	2,681	2,511
②Interest cost	2,536	2,768
③Expected return on plan assets	(2,093)	(2,374)
④Participant contributions	(276)	(464)
⑤Amortization of transition difference	919	1,346
⑥Recognized actuarial (gain) or loss	2,600	3,875
⑦Amortization of prior service cost	(2)	(88)
⑧Cost for defined contributed pension plan	146	196
⑨Special retirement payment	0	279
⑩Extraordinary income originated from exemption from payment of future benefits regarding the substituted portion of the employee pension fund liabilities	(949)	0
Net periodic benefit cost	5,562	8,049

4. Actuarial assumption and the basis used in accounting for Company's plans are principally as follows:

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003
Discount rate: 0.00%	2.79%	2.85%
Expected long-term rate of return on plan assets : 0.00%	5.00%	5.00%
Term of amortization of unrecognized prior service cost	10~23years	10~23years
Term of amortization of unrecognized actuarial loss	10~23years	10~23years
Term of amortization of unrecognized transition difference	5 years	5 years

8. Segment Information

(1) Segment information by business category

During the previous fiscal year (from April 1, 2002 through March 31, 2003), and this fiscal year (from April 1, 2003 through March 31, 2004,the construction machinery business, including manufacturing, sales and rental, exceeded 90% of the total business of the Company with respect to 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)

	Fiscal year ended March 31, 2004			Fiscal year ended March 31, 2003		
	Sales	Operating income	Assets	Sales	Operating income	Assets
Japan	317,398	18,887	341,817	263,404	9,779	326,113
Asia	72,332	10,552	57,979	57,128	8,854	50,050
Europe	53,484	1,229	54,507	22,576	(1,305)	33,716
Others	59,281	4,965	42,285	47,547	(497)	33,372
Subtotal	502,495	35,633	496,588	390,655	16,831	443,251
Elimination	(100,300)	(2,775)	(89,539)	(62,159)	(432)	(69,496)
Total	402,195	32,858	407,049	328,496	16,399	373,755

Notes:
1) Segment net sales figures include inter-segment 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)

	Fiscal year ended March 31, 2004		Fiscal year ended March 31, 2003	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
[The Americas]	56,870	14.1%	45,980	14.0%
Europe, Africa & Middle East	63,932	15.9	37,724	11.5
Australasia & Asia	64,634	16.1	57,254	17.4
China	65,417	16.3	43,736	13.3
Total Overseas sales	250,853	62.4	184,694	56.2
Consolidated sales	402,195	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.