# **Hitachi Construction Machinery**

**Financial Results for the** 

First Quarter Ended June 30, 2005

(English translation of "ZAIMU / GYOSEKI NO GAIKYO" originally issued in Japanese language.)

## **Consolidated Financial Results for The First Quarter Ended June 30, 2005**

July 27, 2005

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM) Stock exchange: Tokyo, Osaka Code number: 6305 URL http://www.hitachi-c-m.com/ Representative: Shungo Dazai, President and Chief Executive Officer

1. Note to consolidated financial statements for the three months ended June 30, 2005 Adoption of simplified accounting methods : The simplified methods have been used in certain cases to calculate income tax and other part of the expenses Accounting policy changes from the year ended March 31, 2005: None Change in scope of consolidation and equity method: Newly consolidated: 26 companies Removed from consolidation: None Newly subjected to the equity method: 8 companies Removed from the equity method: 1 company

2. Consolidated results for the first quarter ended June 30, 2005 (April 1 to June 30, 2005)

(1) Consolidated results

(Rounded off to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2005	123,362	10.8	11,504	36.5	8,976	33.0	2,944	(18.2)
June 30, 2004	111,309	18.8	8,428	37.7	6,751	60.9	3,597	237.4
March 31, 2005	448,043	-	40,120	-	33,609	-	17,325	-

	Net income per share	Diluted net income per share
	Yen	Yen
June 30, 2005	15.11	15.05
June 30, 2004	20.00	19.95
March 31, 2005	91.05	90.88

Notes:

1) Average number of shares outstanding during the term (consolidated) June 2005: 194,901,946 June 2004: 179,886,820 M

June 2005: 194,901,946June 2004: 179,886,820March 2005: 190,278,0522) Percentage indicated for net sales, operating income, ordinary income and net income are increases/(decreases) as compared to the first quarter 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
June 30, 2005 June 30, 2004	509,383 431,076		26.0 27.4	680.74 606.24
March 31, 2005	463,812	131,318	28.3	673.81

Note:

Number of shares outstanding at the end of the term (consolidated): June 2005: 194,909,787 June 2004: 194,885,045

March 2005: 194,887,811

#### (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
June 30, 2005	184	(1,434)	(8,351)	45,277
June 30, 2004	(16,840)	(2,746)	31,681	52,894
March 31, 2005	7,899	(17,133)	17,594	49,534

(English translation of "ZAIMU / GYOSEKI NO GAIKYO" originally issued in Japanese language.)

#### 3. Overview of the First Quarter Ended June 30, 2005

Despite a harsh operating environment in Japan, consolidated net sales in Japan were ¥32.6 billion as a result of inventory adjustments and increased demand for hydraulic excavators for use in post-disaster repairs.

In the Americas, brisk housing investment and highway repair and other construction kept demand strong for construction machinery to produce net sales of ¥27,403 million. In Europe, Africa and the Middle East, net sales were ¥28,925 million on the back of demand exceeding forecasts and activities undertaken to broaden independent sales networks. In Oceania and Asia, brisk demand for mining and construction machinery resulted in net sales of ¥22,661 million. In China, demand for hydraulic excavators bottomed out at the beginning of last autumn. Outside the high-demand area of eastern China, demand is strong for construction machinery for use in such public works as infrastructure development. However, demand for hydraulic excavators decreased 55% between January and March owing to waning investment-oriented construction in eastern China, to produce net sales of ¥11,773 million.

Consequently, consolidated net sales for the first quarter increased 11% to \$123,362 million; operating income jumped 36% to \$11,504 million; ordinary income increased 33% to \$8,976 million; and net income declined 18% to \$2,944 million owing to tax effect accounting.

As of the first quarter, TCM Corporation has been changed from an equity-method affiliate to a consolidated subsidiary and is included in the scope of consolidation in the same manner as TCM's consolidated subsidiaries and equity-method affiliates. TCM's inclusion raised total assets by ¥57.6 billion. Additionally, earnings of TCM Corporation continue to be recorded on the consolidated income statement as equity in earnings (losses) of affiliates.

(Millions of yen)

	First Quarter ended	First Quarter ended	Change				
	June 30, 2005 (A)	June 30, 2004 (B)	Amount change (A)-(B)	% change			
The Americas	27,403	22,613	4,790	21.2			
Europe, Africa and the Middle East	28,925	19,917	9,008	45.2			
Oceania and Asia	22,661	16,673	5,988	35.9			
China	11,773	20,357	(8,584)	(42.2)			
Sub-total	90,762	79,560	11,202	14.1			
Japan	32,600	31,749	851	2.7			
Total	123,362	111,309	12,053	10.8			

Consolidated sales by region

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

	Net sales	Ordinary income	Net income
September 2005 (Interim)	Millions of yen 252,000	Millions of yen 16,300	Millions of yen 7,200
March 2006	530,000	36,300	18,700

Supplementary information: Projected net income per share for the fiscal year: ¥95.95

There have been no revisions to the above projections as announced on April 27, 2005.

Note: The above projections are based on information available as of the time of this announcement, and fully reflect the impact of TCM Corporation's conversion to a wholly owned subsidiary. Actual results may differ due to various factors.

Demand is expected to be brisk in Japan, the Americas, Europe, Africa and the Middle East, as well as Oceania and Asia, and fuel sales growth in mining products. Infrastructure development is projected to remain strong in areas outside eastern China and indications of a partial rebound in demand in eastern China can already be seen. Accordingly, demand in China is forecast to rise 30% between April and December. For the current fiscal year, a favorable performance is forecast for net sales, ordinary income and net income.

## **Consolidated Balance Sheets**

(Millions	of ven)	
(winnons		

June 30.		· · · · · ·	· · · · · ·							(1	lillions of yen)
Curvet usess         Image: set of advance for advance parameters of advance for advance parameters of advance for ad		June 30,	As of March 31,	(A)-(B)	June 30,			June 30,	As of March 31,	(A)-(B)	As of June 30, 2004
1. Coch and bark deposits       43.326       32.522       12.804       44.379       1. Nates and accounts receivable       105.59       90.092       14.847       84.         2. Notes and accounts receivable       136.800       130.520       6.330       138.42       2. Short term han $0.794$ 57.999       9.925       6.602         3. Lowerance       31.218       44.07       (12.77)       20.435       4. Onlers       5.406       55.859       (05.53       41.847       41.97         4. Conters       31.218       44.07       (12.77)       (14.809)       Total current liabilities       240.972       25.555       25.817       199.7         Total current axers       338.792       31.793       26.999       290.766       Lang term habilities       240.972       25.557       25.817       199.7         1. Property plant and equipment       -       -       -       -       Lang term habilities       102.65       18.761       9.9         2. Buildings and structures       32.377       27.840       4.537       25.560       4. Otlers       15.502       14.713       8.41       12.2         9. Individue adjointent account       19.266       17.20       2.064       14.820       102.87       32.200	ASSETS						LIABILITIES				
2. Notes and accounts recrivable         136,850         130,520         6,330         138,462         2. Som-term hom         67,914         57,980         9,925         66,0           3. Incentories         135,200         114,545         20,664         93,827         3. Current portion of homals         12,615         10,015         2,000         10,0           4. Others         31,718         44,497         (12,779)         29,333         4. Others         54,900         55,880         (05)         14,19           accounts         (03,11)         (10,291)         (20)         (14,800)         Total current inhibities         54,900         55,880         (05,91)         41,93           Total current assets         338,792         311,733         26,999         290,000         1         Euger minimities         12,652         7,181         5,417         9,           Prosed seets         22,615         20,660         2,555         18,763         Retirement and sevenance         12,652         7,181         5,417         9,           2. Buildings and stocures         32,377         27,840         4,537         25,901         7         10,662         33,77         323,269         34,50         34,502           3. Machinery and capipmen	Current assets						Current liabilities				
3. Investorias         135.200         114.545         20.644         93.827         3. Carcara position of bonds         12.615         10.015         2.000         10.015           4. Ohers         31.718         44.497         (12,779)         29.435         4. Ohers         54.904         55.859         (0.95)         41.9           5. Less: Allowner for dushful         (10.311)         (10.201)         (20)         (14.807)         Total current lubitities         240.972         215,155         25.817         199.97           Total current assets         338.792         311,793         26,099         290.006         Long-term lubitities         2         20.907         24.530         2.000         34.91           1. Property, plant and opipment         7.82         20.000         2.556         18.876         Beditterint and sverance         12.52         7,181         5,447         9,           2. Buditsga and structures         32.377         27.840         4.537         25.901         20.001         25.91         13.02         10.92         10.92         10.92         10.92         10.92         14.75         8.40         12.52         7,181         5,441         12.5           2. Machiney and opipment         19.266         17.02	1. Cash and bank deposits	45,326	32,522	12,804	43,791	1.	Notes and accounts payable	105,539	90,692	14,847	81,108
A. Others       31,718       44,497       (12,779)       29,435       A. Odlers       54,904       55,859       (985)       41,1         5. less: Allowance for doubtrial accounts       (10,311)       (10,291)       (20)       (14,809)       Total current liabilities       240,972       215,155       25,817       199;         Total current labelities       338,792       311,793       26,999       290,706       Long-term liabilities       240,972       215,155       25,817       199;         Fixed assets	2. Notes and accounts receivable	136,850	130,520	6,330	138,462	2.	Short-term loan	67,914	57,989	9,925	66,942
5. Less: Allowance for doubtrdi accounts         (10,311)         (10,291)         (20)         (14,809)           Total current assets         338,792         311,793         26,999         290,706         Long term liabilities         240,972         215,155         25,817         199;           Fixed assets         338,792         311,793         26,999         290,706         Long term liabilities         62,234         61,862         372;         24,990         344;           (1) Poperty, plant and equipment         - <td>3. Inventories</td> <td>135,209</td> <td>114,545</td> <td>20,664</td> <td>93,827</td> <td>3.</td> <td>Current portion of bonds</td> <td>12,615</td> <td>10,615</td> <td>2,000</td> <td>10,600</td>	3. Inventories	135,209	114,545	20,664	93,827	3.	Current portion of bonds	12,615	10,615	2,000	10,600
accounts         (10,31)         (10,20)         (20)         (14,899)         Total current labilities         24,0972         215,155         25,817         199;           Total current assets $338,792$ $311,793$ $26,999$ $290,706$ Long term liabilities         Long term liabilities         Long term liabilities $24,320$ $2,000$ $34,1$ (1) Property, plant and equipment         -         -         -         -         2. Long term liabilities         12,652         7,181 $5,471$ 9,           2. Insidings and structures $32,377$ $27,840$ $4,537$ $25,560$ 4. Others         116,798 $106,718$ $8,617$ $38,617$ $30,421$ 3. Machinery and equipment         19,266 $17,202$ $2,064$ $14,820$ Total labilities $337,770$ $323,269$ $34,501$ $304,21$ 5. Others $7,426$ $5,614$ $1,812$ $6,152$ Minority interests $18,930$ $9,225$ $9,705$ $7,72$ (2) Intangible assets $4,199$ $652$ $(23)$ $17,54$ $2,655$ Imonity interests	4. Others	31,718	44,497	(12,779)	29,435	4.	Others	54,904	55,859	(955)	41,058
Fixed assets         Image: Fixed assets		(10,311)	(10,291)	(20)	(14,809)		Total current liabilities	240,972	215,155	25,817	199,708
Fixed assets         Fixed assets         I. Bond         26,320         24,320         2,000         34,43           (1) Property, plint and equipment         I. Deperty held for lease         22,616         20,060         2,556         18,763         3. Retirement and severance         12,652         7,181         5,471         9,           2. Buildings and structures         32,377         27,840         4,537         25,560         4. Others         15,592         14,751         841         12,25           3. Machinery and equipment         19,266         17,202         2,064         14,820         Total long-term liabilities         116,798         108,114         8,684         105,52           4. Land         44,909         32,858         12,051         29,019         Total long-term liabilities         357,770         323,260         34,501         304,75           5. Others         7,426         5,614         1,812         6,152         Minority interests         18,930         9,225         9,705         7,7           (2) Intragible assets         1         1,564         2,655         Granul inabilities         18,930         9,225         9,705         7,2           (3) Investments and other assets         4,715         3,384         1,313	Total current assets	338,792	311,793	26,999	290,706						
$ \begin{array}{  c  c  c  c  c  c  c  c  c  c  c  c  c$							Long-term liabilities				
1. Property held for lease       22,616       20,060       2,556       18,763       3. Retirement and severance benefits       12,652       7,181       5,471       9,         2. buildings and structures       32,377       27,840       4,537       25,560       4. Others       15,592       14,751       841       12,25         3. Machinery and equipment       19,266       17,202       2,064       14,820       Total long-term liabilities       116,798       108,114       86,684       105,2         4. Land       44,909       32,858       12,051       29,019       Total liabilities       357,770       323,269       34,501       304,2         5. Others       7,426       5,614       1,812       6,152       MINORITY INTERESTS       MINORITY INTERESTS       18,930       9,225       9,705       7,7         (2) Inturgible assets       12,654       2,732       1,564       2,655       Minority interests       18,930       9,225       9,705       7,9         (3) Investments and other assets       4,715       3,384       1,331       2,830       SHAREHOLDERS' EQUTY       10       42,92       10       42,92         1. Investments in securities       19,664       27,403       (7,739)       23,272       Capital	Fixed assets					1.	Bond	26,320	24,320	2,000	34,800
I. Property held for lease       22.616       20,060       2.556       18,763       benefits       12.652       7,181       5.471       9,         2. Buildings and structures       32,377       27,840       4.537       25.560       4. Others       15.592       14.751       841       12.2         3. Machinery and equipment       19.266       17,202       2.064       14.820       Total long-term liabilities       116.798       108.114       8.684       105.2         4. Land       44.909       32,858       12,051       29,019       Total liabilities       357,770       323,269       34,501       304.4         5. Others       7,426       5,614       1.812       6,152       Total liabilities       357,770       323,269       34,501       304.4         6.1 Droperty, plant and equipment       126,594       103,574       23,020       94,314       MINORITY INTERESTS       Minority interests       18,930       9,225       9,705       7,7         (2) Intangible assets       4,715       3,384       1,311       2,865       5HAREHOLDERS'EQUTTY       -       -       -       -       -       -       -       42,958       42,958       42,958       42,92       100       42,12       42,02	(1) Property, plant and equipment					2.	Long-term loan	62,234	61,862	372	49,084
3. Machinery and equipment       19,266       17,202       2,064       14,820       Total long-term liabilities       116,798       108,114       8,684       105,70         4. Land       44,909       32,858       12,051       29,019       Total long-term liabilities       357,770       323,269       34,501       304,7         5. Others       7,426       5,614       1,812       6,152       MINORITY INTERESTS       18,930       9,225       9,705       7,7         (2) Intangible assets       126,594       103,574       23,020       94,314       MINORITY INTERESTS       18,930       9,225       9,705       7,7         (2) Intangible assets       1       652       (233)       175       18,930       9,225       9,705       7,7         (2) Others       4,296       2,732       1,564       2,655       18,930       9,225       9,705       7,7         (3) Investments and other assets       4,715       3,384       1,331       2,830       SHAREHOLDERS EQUITY       Common stock       42,585       42,583       2       42,64         2. Others       20,852       18,624       2,228       20,663       Retained earnings       50,679       49,929       750       36,0	1. Property held for lease	22,616	20,060	2,556	18,763	3.		12,652	7,181	5,471	9,124
4. Land       44,909       32,858       12,051       29,019       Total liabilities       357,770       323,269       34,501       304,501         5. Others       7,426       5,614       1,812       6,152       MINORITY INTERESTS       357,770       323,269       34,501       304,501         Net property, plant and equipment       126,594       103,574       23,020       94,314       MINORITY INTERESTS       18,930       9,225       9,705       7,5         (2) Intangible assets       1       652       (233)       175       MINORITY INTERESTS       18,930       9,225       9,705       7,5         2. Others       4,296       2,732       1,564       2,655       5       5       6	2. Buildings and structures	32,377	27,840	4,537	25,560	4.	Others	15,592	14,751	841	12,218
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	3. Machinery and equipment	19,266	17,202	2,064	14,820		Total long-term liabilities	116,798	108,114	8,684	105,226
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	4. Land	44,909	32,858	12,051	29,019		Total liabilities	357,770	323,269	34,501	304,934
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	5. Others	7,426	5,614	1,812	6,152						
$ \left( \begin{array}{c c c c c c c c c c c c c c c c c c c $		126,594	103,574	23,020	94,314		MINORITY INTERESTS				
1. Consolidated adjustment account       419       652 $(233)$ 175         2. Others       4,296       2,732       1,564       2,655         Total intangible assets       4,715       3,384       1,331       2,830       SHAREHOLDERS' EQUITY         (3) Investments and other assets       19,664       27,403 $(7,739)$ 23,272       Common stock       42,102       42,092       10       42,4         2. Others       20,852       18,624       2,228       20,663       Retained earnings       50,679       49,929       750       36,6         3. Less: Allowance for doubtful accounts       (1,234)       (966)       (268)       (709)       Net unrealized gain on securities held       1,529       1,703       (174)       1,4         Total investments and other assets       39,282       45,061       (5,779)       43,226       Treasury stock       (1,157)       (1,161)       4       (1,177)         Total fixed assets       170,591       152,019       18,572       140,370       Treasury stock       (1,157)       (1,161)       4       (1,177)         Total fixed assets       170,591       152,019       18,572       140,370       Treasury stock       (1,157)       (1,161)       4							Minority interests	18,930	9,225	9,705	7,994
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	(2) Intangible assets										
$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	1. Consolidated adjustment account	419	652	(233)	175						
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	2. Others	4,296	2,732	1,564	2,655						
1. Investments in securities       19,664       27,403       (7,739)       23,272       Capital surplus       42,102       42,092       10       42,102         2. Others       20,852       18,624       2,228       20,663       Retained earnings       50,679       49,929       750       36,4         3. Less: Allowance for doubtful accounts       (1,234)       (966)       (268)       (709)       Net unrealized gain on securities held       1,529       1,703       (174)       1,4         Total investments and other assets       39,282       45,061       (5,779)       43,226       Treasury stock       (1,157)       (1,161)       4       (1,174)         Total fixed assets       170,591       152,019       18,572       140,370       Treasury stock       (1,157)       (1,161)       4       (1,174)	Total intangible assets	4,715	3,384	1,331	2,830		SHAREHOLDERS' EQUITY				
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	(3) Investments and other assets						Common stock	42,585	42,583	2	42,520
$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$	1. Investments in securities	19,664	27,403	(7,739)	23,272		Capital surplus	42,102	42,092	10	42,027
accounts         (1,234)         (966)         (268)         (709)         securities held         1,529         1,703         (174)         1,7           Total investments and other assets         39,282         45,061         (5,779)         43,226         Foreign currency translation adjustments         (3,055)         (3,828)         773         (3,4           Total fixed assets         170,591         152,019         18,572         140,370         Treasury stock         (1,157)         (1,161)         4         (C           Total shareholders' equity         132,683         131,318         1,365         118,	2. Others	20,852	18,624	2,228	20,663		Retained earnings	50,679	49,929	750	36,614
assets         39,282         45,061         (5,779)         43,226         adjustments         (3,055)         (3,828)         773         (3,677)           Total fixed assets         170,591         152,019         18,572         140,370         Treasury stock         (1,157)         (1,161)         4         (1,157)           Total fixed assets         170,591         152,019         18,572         140,370         Total shareholders' equity         132,683         131,318         1,365         118,		(1,234)	(966)	(268)	(709)			1,529	1,703	(174)	1,408
Total shareholders' equity         132,683         131,318         1,365         118,           Total liabilities, minority         Total liabilities, m		39,282	45,061	(5,779)	43,226			(3,055)	(3,828)	773	(3,639)
Total liabilities, minority	Total fixed assets	170,591	152,019	18,572	140,370		Treasury stock	(1,157)	(1,161)	4	(782)
							Total shareholders' equity	132,683	131,318	1,365	118,148
	Total assets	509,383	463,812	45,571	431,076		interests and shareholders'	509,383	463,812	45,571	431,076

(Rounded off to the nearest million)

## **Consolidated Statements of Income**

(Millions of yen)

				(Millions of ye
			(1)(D) 100(0()	
	A quarter ended June 30, 2005 (A)	A quarter ended June 30, 2004 (B)	(A)/(B)×100(%)	Year ended March 31, 2005
	June 30, 2003 (A)	( June 30, 2004 (B) J	%	March 31, 2003
			70	
Net sales	123,362	111,309	111	448,04
Cost of sales	87,771	81,671	107	316,91
Gross profit before (realized) unrealized profit on installment sales	35,591	29,638	120	131,12
(Realized) unrealized profit on installment sales	289	(239)	-	(1,05
Gross profit	35,302	29,877	118	132,17
Selling, general and administrative expenses	23,798	21,449	111	92,05
Operating income	11,504	8,428	136	40,12
Non-operating income				
1. Interest income	131	235	56	94
2. Interest income from installment sales	200	150	133	50
3. Dividends income	55	50	110	18
4. Exchange gain	0	129	-	31
5. Others	678	462	147	1,65
Total non-operating income	1,064	1,026	104	3,60
Non-operating expenses				
1. Interest expenses	868	974	89	3,60
2. Loss on disposal of inventories	137	220	62	54
3. Exchange loss	982	0	-	
4. Stock issuing expenses	0	758	-	70
5. Equity in losses of affiliated companies	285	196	145	85
6. Others	1,320	555	238	4,34
Total non-operating expenses	3,592	2,703	133	10,17
Ordinary income	8,976	6,751	133	33,60
Extraordinary income				
1. Gain on sales of property, plant and equipment	0	0	-	1,42
Total extraordinary income	0	0	-	1,42
Extraordinary losses				
1. Amortization of transition difference	0	153	-	54
2. Loss on revision of retirement benefit system	0	0	-	1,54
3. Restructuring costs	0	0	-	80
4. Loss on disposal of inventories	0	0	-	14
5. Loss on sales of property, plant and equipment	0	0	-	14
Total extraordinary losses	0	153	-	3,1
Income before income taxes and minority interests	8,976	6,598	136	31,80
Income taxes	5,300	2,511	211	12,90
Minority interests	732	490	149	1,63

(Rounded off to the nearest million)

## **Consolidated Statements of Retained Earnings**

(Millions of yen)

	<b></b>		(winnons or yeir)
	A quarter ended June 30, 2005	Year ended March 31, 2005	A quarter ended June 30, 2004
ADDITIONAL PAID-IN CAPITAL			
Beginning balance	42,092	29,306	29,306
Increase in additional paid-in capital			
1. Exercise of stock purchase warrant	2	65	1
2. Proceeds from capital increase by issuance of new shares	0	12,720	12,720
3. Gain on sale of treasury stock	8	1	0
Total increase in additional paid-in capital	10	12,786	12,721
Decrease in additional paid-in capital	0	0	0
Ending balance	42,102	42,092	42,027
RETAINED EARNINGS			
Beginning balance	49,929	34,296	34,296
Increase in retained earnings			
1. Effect of liquidation of consolidated subsidiaries	0	778	0
2. Effect of exclusion of affiliated companies	0	171	0
3. Net income	2,944	17,325	3,597
Total increase in retained earnings	2,944	18,274	3,597
Decrease in retained earnings			
Decrease in retained earnings from 1. newly consolidated subsidiaries	716	0	0
2. Effect of newly affiliated company	114	0	0
3. Cash dividend	1,364	2,588	1,224
4. Directors' bonuses	0	53	55
Total decrease in retained earnings	2,194	2,641	1,279
Ending balance	50,679	49,929	36,614

(Rounded off to the nearest million)

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

### **Consolidated Statements of Cash Flows**

(Millions of yen)

Cash flows from operating activities	A quarter ended June 30, 2005	A quarter ended June 30, 2004	Year ended
Cash flows from operating activities		-	
Cash flows from operating activities		June 50, 2004 J C	March 31, 2005
1. Income before income taxes and minority interests	8,976	6,598	31,862
2. Depreciation and amortization	4,007	3,110	14,38
3. Increase (Decrease) in allowance for doubtful accounts	(76)	71	(4,238
4. Interest and dividends income	(186)	(285)	(1,12)
5. Interest expenses	868	974	3,66
6. Equity in losses of affiliated companies	285	196	85
7. (Increase) decrease in notes and accounts receivable	11,877	(10,109)	(5
8. Increase in inventories	(8,917)	(8,459)	(25,26
9. Purchase of property held for lease	(1,769)	(1,660)	(9,79
10. Sale of property held for lease	948	1,903	3,83
11. Increase (decrease) in notes and accounts payable	(1,368)	(5,784)	1,32
	(528)	(87)	(2,03
<ol> <li>12. Gain on sales of property, plant and equipment</li> <li>13. Loss on revaluation of investments in securities</li> </ol>	(528)	(87)	(2,05
14. (Gain) loss on sales of investments in securities	(388)	22	(19
	. ,		11,40
15. Others	(9,106)	4,505	,
Sub-total	4,623	(9,005)	24,62
16. Income taxes paid	(4,439)	(7,835)	(16,72
Net cash provided by (used in) operating activities	184	(16,840)	7,89
Cash flows from investing activities			
1. Investments in time deposits	(41)	(460)	(75
2. Proceeds from time deposits	29	260	1,54
3. Acquisitions of property, plant and equipment	(2,151)	(3,696)	(14,78
4. Proceeds from sales of property, plant and equipment	154	697	2,91
5. Purchases of investments in securities	0	0	(7,55
6. Difference between the cash balance of newly consolidated			
companies and investment	0	0	(1,42
7. Proceeds from sales of investments in securities	550	181	61
8. Interest and dividends received	198	324	1,14
9. Interest and dividends received from affiliated companies	185	128	28
10. Other, net	(358)	(180)	87
Net cash used in investing activities	(1,434)	(2,746)	(17,13
Cash flows from financing activities			
1. Net increase (decrease) in short-term loan	(4,994)	10,976	(1,40
2. Proceeds from long-term loan	1,259	690	31,89
3. Repayments of long-term loan	(2,389)	(2,111)	(20,93
4. Repayments of bond	0	0	(10,60
5. Interest paid	(641)	(757)	(3,6
6. Dividends paid to shareholders	(1,364)	(1,224)	(2,58
7. Dividends paid to minority shareholders by subsidiaries	(238)	(585)	(1,04
8. Proceeds from issuance of common stock	4	24,705	24,82
9. Proceeds from issuance of common stock to minority shareholders		<i>,</i>	
by subsidiaries	0	0	1,50
10. Proceeds from sale of treasury stock	13	0	
11. Purchase of treasury stock	(1)	(13)	(38
Net cash provided by (used in) financing activities	(8,351)	31,681	17,59
			· · ·
Effect of exchange rate changes on cash and cash equivalents Net increase (decrease) in cash and cash equivalents	(9.482)	(332)	8,40
Cash and cash equivalents at beginning of year	(9,482) 40,534		
Increase in cash and cash equivalents from newly consolidated	49,534	41,131	41,13
subsidiaries	5,225	0	

Note: Relationship between cash and cash equivalents at end of year and line item amounts on the Consolidated Balance Sheets

Cash and bank deposits	45,326	43,791	32,522
Deposits for affiliated company	160	10,156	17,158
Sub-total	45,486	53,947	49,680
Time deposits with the maturity longer than three months	(209)	(1,053)	(146)
Cash and cash equivalents at end of year	45,277	52,894	49,534

(Rounded off to the nearest million

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