

March 2003 Brief Announcement of Interim Financial Statement (Consolidated)

October 30, 2002

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
 Code number: 6305 Location of head office: Tokyo

(URL <http://www.hitachi-kenki.co.jp>)

Representative: Ryuichi Seguchi, Director & President

Reference:

Person in charge of the reference: Shiro Ishii

Position of the person: General Manager of Corporate Communication Dept.

Tel: (03) 3830-8065

Meeting date of the Board of Directors for interim financial settlement: October 30, 2002

Parent company: Hitachi, Ltd. (code number: 6501)

Parent company's share holding ratio of this company: 52.9%

Conformity to the U.S. Accounting Standards: None

1. Consolidated performance of the half year up to September 2002 (April 1, 2002 through September 30, 2002)**(1) Consolidated performance** (Amounts are rounded off to the million digit.)

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
September 2002 (half year)	154,163	2.4	6,552	-	3,001	-
September 2001 (half year)	150,532	(5.3)	(2,566)	-	(6,418)	-
March 2002	298,766		(3,295)		(11,320)	

	Net income		Net income per share of common stock		Net income per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
September 2002 (half year)	1,838	-	12	79	-	-
September 2001 (half year)	(7,507)	-	(52)	23)	-	-
March 2002	(17,603)		(122)	47)	-	-

Notes:

1) Profit or loss based on the equity-method investment balance:

September 2002 (half year): (650 million yen) September 2001 (half year): (511 million yen)

March 2002: (1,987 million yen)

2) Mid-term average number of shares (consolidated):

September 2002 (half year): 143,723,335 shares September 2001 (half year): 143,741,119 shares

March 2002: 143,737,600 shares

3) Change in the method of accounting: None

4) The percentages indicated for sales, operating income, ordinary income, and net income are the rates of increase and decline for the half year from the preceding year.

(2) Consolidated financial condition

	Total assets	Shareholders' equity	Return on equity	Shareholders' equity per share	
	million yen	million yen	%	yen	sen
September 2002 (half year)	354,246	63,934	18.0	444	87
September 2001 (half year)	351,004	72,611	20.7	505	16
March 2002	360,008	64,977	18.0	452	7

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

September 2002 (half year): 143,713,352 shares September 2001 (half year): 143,739,017 shares

March 2002: 143,730,635 shares

(3) Status of consolidated cash flows

	Cash flow in sales	Cash flow in investments	Cash flow in financial activities	Balance of cash and cash equivalents at end of term
	million yen	million yen	Million yen	million yen
September 2002 (half year)	9,302	5,756	1,050	48,293
September 2001 (half year)	(13,138)	(2,774)	(720)	35,004
March 2002	(23,795)	(5,512)	10,598	33,102

(4) Matters related to the application of the range of consolidation and the equity method

Number of consolidated subsidiaries: 58

Number of unconsolidated subsidiaries subject to the equity method: 0

Number of affiliates subject to the equity method: 6

(5) Status of transfers of companies subject to the range of consolidation and the equity method

Consolidation (new): 7 companies, (excepted) 7 companies

Equity method (new): 0 company, (excepted) 0 company

2. Consolidated performance projections for March 2003 (April 1, 2002 through March 31, 2003)

	Sales	Ordinary income	Net profit for current term
	million yen	million yen	million yen
Whole term	311,000	7,500	3,000

[Supplementary information] Projected net profit per share for current year (whole term): 20.87 yen

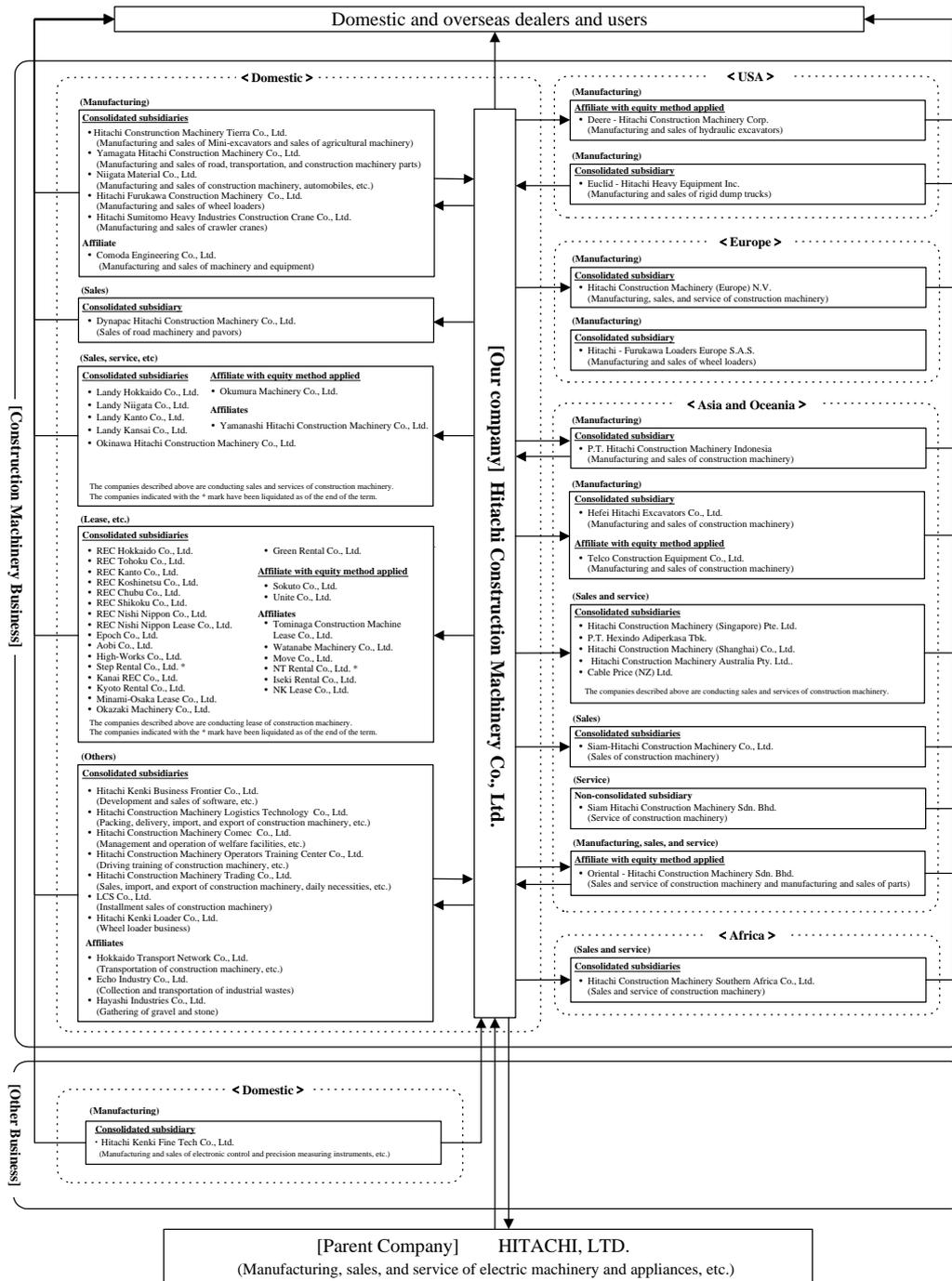
Note: The financial statement described above has been prepared based on the information obtainable as of the date when this statement has been published. Actual business results may differ from the figures described in this statement depending on various future factors.

Attachment

1. Status of the corporate group

This consolidated group consists of Hitachi Construction Machinery, its parent company, its 52 subsidiaries, and its 17 affiliates. Its business mainly involves the manufacture, sale, service and rental of construction machinery. It also manufactures and sells electronics controllers.

Here is a system chart of business conducted by this consolidated group.



2. Managerial principles

(1) Basic principles of management

- i. Hitachi Construction Machinery (HCM) will ensure and reinforce consolidated management in an attempt to increase the corporate value of the entire HCM group. To that end, HCM will work to increase the Future Inspiration Value (FIV, see note), which is a measure of the corporate value evaluation common to all Hitachi group members. Note: FIV is an indicator of added value unique to the Hitachi group based on the capital cost. It aims to increase corporate value.
- ii. HCM will reinforce its alliances both at home and abroad and do other global business with its five markets: Japan, the Americas, Europe and Africa, Australasia & Asia, and China.
- iii. HCM will train its departments not only in construction machinery but also environmental and other non-construction-machinery areas as total solution suppliers of both hardware and software, thus diversifying in business.

As the basic philosophy for implementing these projects, the HCM group will make sure that all its members conduct "Group management," "Ultra-high speed management," and "information management."

(2) Basic principles for profit appropriation

The basic policy of the HCM is to maintain stable dividends in view of future enterprise plans, financial status, and profitability. At the same time, the HCM intends to work to pass on gains to stockholders according to its performance. For fiscal 2001, in view of its low performance, the HCM canceled an interim dividend and second-half dividend. For the mid-term of fiscal 2002, the HCM decided to resume dividends at ¥3 at its board of directors meeting held on October 30, 2002. For the term-end, too, the HCM is scheduled to provide ¥3.

(3) Interim managerial strategy and challenge

- i. Managerial strategy
To cope with quick changes in the market environment both at home and abroad, the HCM has since July 2001 been taking aggressive measures to step up its corporate culture so as to enable itself to remain profitable even in days of low demand by taking emergency measures under a "declaration of a state of emergency" and through the combined effort of the whole group. As a result, for the fixed costs for fiscal 2002, the HCM is now expected to achieve a 15 billion yen cut from the cost which it had planned earlier for fiscal 2001.
As for the proportional costs, the HCM has aggressively conducting the Procurement Renewal Project (PRP) and Service-Value Engineering for Customers (S-VEC). The company is expected to achieve a cut of 12-13% in material costs at the end of fiscal 2002.
As a result, break-even sales for fiscal 2002 are projected to reach 170 billion yen on a parent-only basis. For fiscal 2002, the HCM got out of the red that it had during the first half and achieved a gain exceeding the figure that it had planned earlier.
However, the domestic economy is expected to become even more serious due to a deflation spiral. The world economy is such that, although China and some other Asian economies are in a bright condition, the United States is in an untransparent condition, Europe is in a slow condition centering on Germany, and the Near and Middle East remains in political tension. The world economy is thus projected to remain in a market

condition where there is no knowing what will happen next to the HCM group which does business globally.

In and after April 2002, therefore, the HCM will use its new organization after an organizational reform to step up effectively the basic strategy of "thorough customer orientation and meeting globalization needs," "developing products in direct linkage with the customer market," and "promoting optimal worldwide production and procurement in an attempt to aim at the world's highest cost competitiveness." The company will also make "a turnaround in performance" and "increasing corporate value by achieving a positive FIV value."

ii. Challenges to be addressed

Structural reforms in domestic enterprises

By promoting consolidated management and making its management more efficient, the HCM will aim to establish its RSS system (rental, sales, and service go together in one unit) in an attempt to satisfy its customers even further. At the same time, the company will enhance its market position in existing enterprises. For that purpose, the HCM will aggressively address the following items as important challenges:

Making rental business more profitable

The percentage of the company's rental business to its domestic consolidated sales increased rapidly. It is expected to reach 33% in fiscal 2002. To make its rental business a pillar of its domestic business in terms of profitability, the HCM will increase its sales and reduce costs by Rental-Value Engineering for Customers (R-VEC) together with its group members as one unit.

Increasing sales in environmental system business

Recycling and environmental conservation are expected to find growth in demand, fueled partly by the current laws. The HCM will do total solution business aggressively and conduct a wide range of sales activities including system engineering and consultation. In terms of product areas, the company will deal with a wide range of them, including those based on soil, wood, and stone, thus expanding business.

Advancing international business

The percentage of the company's overseas operations to its total on a consolidated basis was 49% in fiscal 2001, but rose to 57% in the mid-term of fiscal 2002. The company will advance its business even further. Here are its region-specific strategies and challenges:

Business in the Americas

By establishing a one-management, two-brand system together with Deere & Company, the HCM will speed up managerial decision-making and customer support and step up the competitiveness of the two companies' brands in North, Middle, and South Americas. The company will particularly speed up the reinforcement of its mining division.

As a manufacturer of large dump trucks, Euclid-Hitachi Heavy Equipment, Inc. will increase profits by the effect of business restructuring and increasing sales in mining areas.

Business in Europe

In preparation for the startup of full-fledged sales in January 2003, the new plant under construction in Amsterdam is projected to be completed in November 2002 as scheduled. The company will take every precaution to set up its production smoothly and stabilize it. The training and demonstration center on the premises of that plant was completed in July 2002. In October 2002, the company invited its

main customers, dealers and other people from Europe and held a gorgeous reception on the completion of the plant. The buildup of the company's unique sales network started in July 2002 has been under way on a scale exceeding what was planned. The company will continue its efforts to step up its sales network.

Business in Australasia & Asia

The HCM will devote its effort to mining market and step up its sales of a large dump truck with a super-large hydraulic excavator as a combined set. In so doing, the HCM will find new groups of customers and increase its sales. The company will also work to increase its sales in Indonesia, Thailand, and Malaysia, which are at last beginning to show some signs of recovery in demand.

Business in China

The company has been going steadily in both production and sales. To cope with the increasingly cut-throat sales competition, the company will step up its dealerships. One of its important challenges is to establish a production increase system capable of meeting quick rises in demand. The HCM will also plan the local production of large hydraulic excavators and mini-excavators which are expected to find demand in new applications. The company will also make aggressive efforts to increase sales in crawler cranes, which are expected to find demand in applications for large structures.

Alliances with competitors

Crawler crane business

In July 2002, the HCM established Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. as a joint venture with Sumitomo Heavy Industries, Ltd. and Sumitomo Heavy Industries Construction Crane Co., Ltd. By selling "Hitachi Sumitomo" on a one-brand, one-channel basis, the company will aim at a number one position in the world market in crawler cranes.

With Komatsu Ltd., the HCM reached a basic agreement on six items, including the establishment of common designs and mutual supply of the bottom travel units for super-large hydraulic excavators and mini-excavators. The present agreement is a first step. The company will continue its consideration. Through this tie-up of the two companies representing the world's manufacturers of construction machinery, the company will step up its cost competitiveness and product competitiveness in order to establish a firm market position.

The present tie-up is not designed for the fields of sales and services. Nor are the two companies scheduled to buy into each other.

Improving the company's financial standing

The C Project (cash flow project) will be promoted in an attempt to reduce the consolidated number of days that loan claims and inventories remain on hand. The company will also integrate or abolish some of its sites and dispose of and sell idle assets to reduce its total assets.

SCM Innovation Div. (Supply Chain Management) will be set up in April 2002. The headquarters will then conduct business reforms through a review of the supply chain in this company and the group members in an attempt to improve the consolidated cash flow.

(4) Measures concerning the development and improvement of the company's management and control organization

i. Compliance

To observe the laws, conduct corporate activities under the motto of "The Basics and the Right Way," and develop permanently as a corporation, the HCM set up a "Compliance Div." in May 2002 and has since been providing companywide education on compliance.

ii. Corporate governance

In June 2001, the HCM introduced a corporate officer system. Decisions on managerial matters in general are made efficiently and speedily by a board of fewer directors. The annual stockholders' assembly of June 2002 added one outside director to the board of directors to step up its governance. As a result, the company now has a total of three outside officers: one director and two auditors.

3. Management performance

(1) Overview of the current mid-term

During the first half of the current fiscal year, the Japanese economy showed some signs of bottoming out at first. But the authorities did not take effective economic measures, so that the total unemployment ratio remained high and the economy thus remained in a severe environment.

The business environment surrounding the company is such that domestic demand for construction machinery is even at an unprecedentedly low level due to a recession in public spending and private sector capital investment. In the overseas market, the environment still remained severe due to the delay in recovery of the U.S. economy after the September 11 terrorist attacks, the persistent recession in Europe, and other causes despite some recovery in demand in Asia.

Under these circumstances, the HCM conducted organizational reforms, thus doing business flexibly and responsively, and reorganized its business by alliances and promoted optimal worldwide production and procurement, thus stepping up its product and cost competitiveness, and improved its consolidated financial standing, thus establishing a slim and strong corporate culture.

As a result, the consolidated group's performance for the current mid-term was such that sales reached 154,163 million yen (102% on a year-over-year basis), current profit totaled 3,001 million yen (down 6,418 million yen on a year-on-year basis), and interim net profit amounted to 1,838 million yen (down 7,507 million on a year-over-year basis).

The company's performance on a parent-only basis was in such a severe environment that sales was only 92,906 million yen (89% on a year-over-year basis), but current profit amounted to 2,868 million yen (down 1,984 million yen on a year-over-year basis) and interim net profit reached 2,528 million yen (down 5,412 million yen on a year-over-year basis).

i. Overview of consolidated segment sales by location

The company's consolidated segments by location can be classified into Japan, Asia and the other regions. Here is a description of the sales of each region.

In Japan, demand for hydraulic excavators, which are the company's main product, declined as much as 25% on a year-over-year basis. Sales was only 113,545 million yen (90% on a year-over-year basis). The condition was thus severe.

In Asia, demand continued to be high. It rose 150% on a year-over-year basis. Sales grew mainly in China. Incomes thus increased greatly to 31,063 million yen (159% on a year-over-year basis).

In the other regions, the Americas and West Europe found a decline due to slow business. Oceania and South Africa found a steady rise in demand, resulting in sales growing to 120% on a year-over-year basis, securing a total of 103% on a year-over-year basis.

ii. Overview by main operational item

In consolidated accounting, business related to construction machinery accounts for a majority in the HCM group, so that this report does not contain any segment information by type of project. The present report contains an overview by main operational item in parent-only accounting.

Parent-only sales reached 89% on a year-over-year basis, domestic sales totaled 78% on a year-over-year basis, and exports indicated 106% due to a rise in exports for China.

Hydraulic excavators

As for hydraulic excavators, domestic business was such that the HCM aggressively conducted total solution sales, including e-service (which used the information excavator function of the ZAXIS series) and finance. But business went below the level of the same period the previous year due to a great decline in demand. Exports exceeded the level of the same period the previous year because of high growth in China and other parts of Asia and Oceania, although a decline was seen in exports of super-large hydraulic excavators. As a new product, the company released a super-large hydraulic excavator that has information excavator functions and conforms to U.S. exhaust gas regulations. As a result, sales of hydraulic excavators reached 37,205 million yen, 85% on a year-over-year basis.

Mini-excavators

For mini-excavators, the HCM enriched the lineup of short rear-end swing radius model mini-excavators and engaged in aggressive sales activities. However, slow demand due to a recession in housing starts and other factors resulted in sales going below the level of the same period the previous year. In the overseas market, the operability of the product was recognized and found an increase in sales for North America, along with Europe, Asia and Oceania. Sales thus went above the level of the same period the previous year. As a result, sales of mini-excavators reached 6,009 million yen, 85% on a year-over-year basis.

Crawler cranes and machines for foundation works

Crawler cranes and machines for foundation works in the domestic market went far below the level of the same period the previous year due to the recession in construction investments. In the overseas market, Europe saw a great decline in sales, but sales for Asia increased, resulting in a level similar to the level of the same period the previous year. As a result, sales of crawler cranes and machines for foundation works reached 1,289 million yen, 54% on a year-over-year basis.

Wheel loaders

For wheel loaders, the company engaged in aggressive sales activities centering on the uniform model developed jointly by TCM Corporation, Furukawa Co., Ltd., and the HCM. Sales however declined from the level of the same period the previous year due to a recession in demand both at home and abroad. As a new product, the HCM released a cleaning vehicle, Dry Sweeper, based on a wheel loader. As a result, sales of wheel loaders totaled 1,147 million yen, 86% on a year-over-year basis.

Industrial system related products, etc.

[Environmental and recycling products]

As for environmental and recycling products, the HCM set up a project according to the timing of the establishment of the Soil Contamination Control Law in May this year, provided a wide range of support including system engineering and consultation, and took other positive measures. Sales of the current mid-term went below the level of the same period the previous year. However, this field is expected to see a great increase in demand in the future. The company will therefore continue its aggressive business.

[Applied products based on construction machinery, industrial vehicles, underground products, etc.]

As for applied products based on construction machinery, the company developed inclines for construction works combining a material dolly with a slope working machine, along with other products that meet various market needs. For second-hand vehicles, too, the company engaged in aggressive sales activities through Internet auctioning and other means through the intermediary of Hitachi Construction Machinery Trading Co., Ltd. However, sales went below the level of the same period the previous year due to a decline in demand stemming from the recession in public spending and private sector capital investment. In the field of underground products, shield excavators are being produced in good condition at Geological Technology & Machinery Co., Ltd., an integrated production company set up by the HCM and Hitachi Zosen Corporation.

Sales of exported components rose to 129% on a year-over-year basis due mainly to good demand in China and an increase in demand in North America. As new products, the company entered a total of four models, including a soil-recycling machine and a road excavator. As a result, sales of industrial system related products and other items totaled 30,826 million yen, 96% on a year-over-year basis.

Services

In the field of services, the company promoted S-VEC activities in the domestic market and dealt with various services and products based on the information excavator functions of ZAXIS, including the ZAXIS Net that uses machine information for services, the Value Pack that packages a contract service, machine insurance, finance and other services, and e-Guard that prevents machine theft. However, sales went below the level of the same period the previous year due to a considerable decline in demand stemming from the reduction in domestic works. In the field of new products, the company released a universal satellite kit and a universal portable kit that can be mounted on all kinds of construction machines to provide machine information. As a result, service sales reached 16,427 million yen, 91% on a year-over-year basis.

(2) Status of consolidated cash flows

The cash flows for the current mid-term went as described below. As the result of performance recovery, together with the result of its drive to reduce the number of days that trade receivables, inventories, and other assets are held on hand, which drive is under way companywide, cash flows from operating activities went up to 9,302 million yen. In the field of investing activities, the company received incomes from the sale of fixed assets and investment securities. The cash flows from investing activities therefore reached 5,756 million yen.

As a result, the free cash flows increased by as much as 15,058 million yen.

In the field of financing activities, the company allowed for a fund for redeeming

corporate bonds by issuing 10 billion yen worth of Euroyen-denominated corporate bonds and introducing short-term loans based on the Hitachi pooling system. The cash flows from financing activities thus reached 1,050 million yen. As a result, cash and cash equivalents totaled 48,293 million yen, up 15,191 million yen.

(3) Overview of important facts determined or generated during the first half year

"Liquidation of a subsidiary"

The HCM made a resolution to liquidate Step Rental Co., Ltd., one of its subsidiaries, as a measure to restructure its sales, service, and rental organization geared to changes in the domestic environment.

(4) Year-round projections

A close look at the future business environment surrounding the HCM indicates that one cannot expect to see recovery in public spending or private sector capital investment and that housing starts declined, thus showing no signs of brightness in domestic demand. In the overseas market, too, with increasing transparency on a worldwide level, competition is expected to concentrate in Asia, which is the only market expected to grow. World-level competition is thus projected not to stop intensifying.

Under these circumstances, under its basic philosophy of "Group management," "Ultra-high speed management," and "information management," the HCM will ensure and improve its market position with rental, sales, and service as one unit, set up production sites in Europe and further promote optimal worldwide production and procurement, work to improve its financial standing by supply chain management and other means, and aim to "make a turnaround in performance" and "increase corporate value."

Against the background described above, here are the projections of performance for the end of March 2003.

Consolidated performance projections (): year-on-year ratio

Sales	311 billion yen (104%)
Ordinary income	7.5 billion yen (-%)
Net income	3 billion yen (-%)

Parent-only performance projections

Sales	196 billion yen (99%)
Ordinary income	6.2 billion yen (-%)
Net income	4 billion yen (-%)

These performance projections are based on an exchange rate of 120 yen against the US dollar and 115 yen against the euro for the last half year.

4. Consolidated Interim Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

Item	Current interim term (as of Sep. 30, 2002)	Previous interim term (as of Sep. 30, 2001)	Previous term (as of Mar. 31, 2002)	Change from the previous interim term	Item	Current interim term (as of Sep. 30, 2002)	Previous interim term (as of Sep. 30, 2001)	Previous term (as of Mar. 31, 2002)	Change from the previous interim term
[Assets]					[Liabilities]				
Current assets					Current liabilities				
1. Cash and bank deposits	47,649	36,022	34,170	11,627	1. Notes and accounts payable	64,111	66,230	68,602	(2,119)
2. Notes and accounts receivable	107,502	112,212	112,426	(4,710)	2. Short-term loans payable	63,902	49,376	58,572	14,526
3. Inventories	65,771	72,003	72,055	(6,232)	3. Commercial papers	0	10,000	0	(10,000)
4. Others	13,308	12,101	12,726	1,207	4. Redeemable bonds with in a year	22,000	30,000	22,000	(8,000)
5. Allowance for doubtful accounts	(11,474)	(6,569)	(7,984)	(4,905)	5. Others	33,071	37,005	35,483	(3,934)
Total current assets	222,756	225,769	223,393	(3,013)	Total current liabilities	183,084	192,611	184,657	(9,527)
Fixed assets					Fixed liabilities				
(1) Tangible fixed assets					1. Bonds	38,000	50,000	48,000	(12,000)
1. Operating assets for lease	14,244	-	-	14,244	2. Long-term loans payable	40,366	4,728	31,012	35,638
2. Buildings and structures	23,694	27,043	28,129	(3,349)	3. Allowance for employees' retirement benefits	10,153	13,586	10,027	(3,433)
3. Machinery, equipment and transportation equipment	15,339	21,863	26,039	(6,524)	4. Others	12,314	13,330	16,536	(1,016)
4. Lands	30,751	30,325	30,466	426	Total fixed liabilities	100,833	81,644	105,575	19,189
5. Others	7,789	5,661	6,009	2,128	Total liabilities	283,917	274,255	290,232	9,662
Total of tangible fixed assets	91,817	84,892	90,643	6,925	[Minority interests]				
(2) Intangible fixed assets	3,122	2,986	2,969	136	Minority interests	6,395	4,138	4,799	2,257
(3) Investments and other assets					[Shareholders' equity]				
1. Investments in securities	19,471	26,615	27,414	(7,144)	Common stock	22,199	22,199	22,199	0
2. Others	17,888	11,527	16,557	6,361	Additional paid-in capital	21,727	21,727	21,727	0
3. Allowance for doubtful accounts	(808)	(785)	(968)	(23)	Retained earnings	21,627	30,016	19,897	(8,389)
Total of investments and other assets	36,551	37,357	43,003	(806)	Net unrealized gain on available-for-sale securities	254	781	1,018	(527)
Total fixed assets	131,490	125,235	136,615	6,255	Foreign currency transaction adjustment	(1,859)	(2,108)	143	249
					Treasury stock	(14)	(4)	(7)	(10)
					Total shareholders' equity	63,934	72,611	64,977	(8,677)
Total assets	354,246	351,004	360,008	3,242	Total liabilities, minority interests, and shareholders' equity	354,246	351,004	360,008	3,242

The previous interim term and previous term are also indicated according to the modification of the applicable regulation.

Notes:

	Current interim term Million yen	Previous interim term Million yen	Previous term Million yen
1. Cumulative depreciation of property, plant and equipment	119,257	116,568	115,222
2. Liabilities for guarantee	6,252	2,056	4,739

(2) Consolidated Statement of Income

(millions of yen)

Item	Current interim term (From April 1, 2002 to September 30, 2002)	Previous interim term (From April 1, 2001 to September 30, 2001)	Previous term (From April 1, 2001 to March 31, 2002)	Change from the previous interim term
				%
Sales	154,163	150,532	298,766	102
Cost of sales	113,941	114,337	227,613	100
Total profits on sales before deferment of profits on installment sales	40,222	36,195	71,153	111
Deferred balance of profits on installment sales	67	889	1,251	8
Gross profit	40,155	35,306	69,902	114
Selling, general and administrative expenses	33,603	37,872	73,197	89
Operating income	6,552	-	-	-
Operating loss	-	2,566	3,295	-
Non-operating income				
1. Interest received	401	366	1,064	110
2. Received interest on installment sales	475	679	1,261	70
3. Dividends income	53	105	119	50
4. Others	1,341	1,273	2,781	105
Total non-operating income	2,270	2,423	5,225	94
Non-operating expenses				
1. Interest expense	1,933	2,137	4,045	90
2. Loss from sale of inventories	480	234	539	205
3. Exchange loss	-	1,592	2,159	-
4. Investment loss by equity method	650	511	1,987	127
5. Others	2,758	1,801	4,520	153
Total non-operating expenses	5,821	6,275	13,250	93
Ordinary income	3,001	-	-	-
Ordinary loss	-	6,418	11,320	-
Extraordinary gain				
1. Gains from sale of fixed assets	4,309	0	2,039	-
2. Gains from sale of investment securities	206	0	0	-
Total extraordinary gain	4,515	0	2,039	-
Extraordinary loss				
1. Difference in auxiliary retirement benefits at the time of change of accounting standards	673	673	1,346	100
2. Appraised loss of investment securities	0	0	570	-
3. Structural improvement expenses	2,547	227	8,704	-
4. Loss from discarding of inventories	1,076	0	1,002	-
Total extraordinary loss	4,296	900	11,622	477
Net income before adjustment of taxes	3,220	-	-	-
Net loss before adjustment of taxes	-	7,318	20,903	-
Corporate, inhabitant, and business taxes	1,192	639	1,355	187
Return of corporate and other taxes for previous years	-	560	563	-
Deferred income taxes	(865)	(507)	(5,194)	171
Minority interests in earnings of consolidated subsidiaries	1,055	617	1,102	171
Net income	1,838	-	-	-
Net loss	-	7,507	17,603	-

(3) Consolidated Retained Earnings

(millions of yen)

Account Item	Current interim term (From April 1, 2002 to September 30, 2002)	Previous interim term (From April 1, 2001 to September 30, 2001)	Previous term (From April 1, 2001 to March 31, 2002)	Change from the previous interim term
(Capital surplus)				
Balance of retained earnings at beginning of year	21,727	21,727	21,727	0
Increase in retained earnings	0	0	0	0
Decrease in retained earnings	0	0	0	0
Balance of retained earnings at end of year	21,727	21,727	21,727	0
(Retained earnings)				
Balance of retained earnings at beginning of year	19,897	38,262	38,262	(18,365)
Increase in retained earnings				
Net income	1,838	-	-	1,838
Total increase in retained earnings	1,838	0	0	1,838
Decrease in retained earnings				
1. Net loss	-	7,507	17,603	(7,507)
2. Decrease in retained earnings due to an increase in the number of affiliates subject to the equity method	0	213	236	(213)
3. Cash dividends	0	431	431	(431)
4. Directors' bonuses	108	95	95	13
Total decrease in retained earnings	108	8,246	18,365	(8,138)
Balance of retained earnings at end of year	21,627	30,016	19,897	(8,389)

The previous interim term and previous term are also indicated according to the modification of the applicable regulation.

(4) Consolidated Cash Flow Calculations

(millions of yen)

Item	Current interim term (From April 1, 2002 to September 30, 2002)	Previous interim term (From April 1, 2001 to September 30, 2001)	Previous term (From April 1, 2001 to March 31, 2002)
Operating activities:			
1. Income before adjustment of taxes	3,220	-	-
Net loss before adjustment of taxes	-	(7,318)	(20,903)
2. Depreciation cost	5,217	4,859	9,949
3. (Reversal of) provision for allowance for doubtful accounts	3,290	2,388	3,892
4. Interest and dividends income	(454)	(471)	(1,183)
5. Interest expense	1,933	2,137	4,045
6. Investment profit/loss by equity method	650	511	1,987
7. Decrease in notes and accounts receivable	5,067	2,683	4,257
8. Increase in inventories	5,167	(23)	617
9. Expense for operating assets for lease acquired	(3,898)	-	-
10. Income from sale of operating assets for lease	1,003	-	-
11. Increase/decrease in notes and accounts payable	(4,769)	(10,829)	(11,499)
12. Profit on sale of tangible fixed assets	(4,309)	0	(2,039)
13. Appraised loss of investment securities	0	0	570
14. Profit on sale of investment securities	(206)	-	-
15. Others	(1,397)	(3,615)	(9,684)
Subtotal	10,514	(9,678)	(19,991)
16. Corporate and other taxes paid	(1,212)	(3,460)	(3,804)
Net cash provided by operating activities	9,302	(13,138)	(23,795)
Investing activities:			
1. Expenditure due to time deposits	(37)	(590)	(703)
2. Reimbursement of time deposits	955	66	391
3. Expenses for tangible fixed assets acquired	(3,846)	(2,372)	(9,333)
4. Income from sale of tangible fixed assets	2,579	-	2,672
5. Expenses for investment securities acquired	(316)	(952)	(2,278)
6. Income from affiliated companies' stocks acquired due to the change of the range of affiliated companies	717	0	0
7. Income from sale of investments in securities	4,949	-	-
8. Interest and dividends received	454	471	1,183
9. Dividends received from firms subject to equity method	14	25	25
10. Other investment-related expenses (net amount)	287	578	2,531
Net cash used in investing activities	5,756	(2,774)	(5,512)
Financing activities			
1. Increase/decrease in short-term loans payable	4,752	3,660	9,572
2. Increase of commercial papers	0	10,000	10,000
3. Decrease of commercial papers	0	0	(10,000)
4. Income from long-term loans payable	10,254	0	28,993
5. Expenses for repayment of long-term loans payable	(2,507)	(1,637)	(3,497)
6. Income from issuance of bonds	10,000	0	0
7. Expenses for reimbursement of bonds	(20,000)	(10,000)	(20,000)
8. Payment of interests	(2,070)	(2,295)	(4,089)
9. Payment of dividends by parent company	0	(431)	(431)
10. Payment of dividends to minority shareholders	(222)	(48)	(51)
11. Income from stocks issued to minority shareholders	850	30	103
12. Expense for or income from treasury stocks	(7)	1	(2)
Cash flow in financing activities	1,050	(720)	10,598
Translation adjustments on cash and cash equivalents	(917)	(73)	102
Net (decrease) Increase in cash and cash equivalents	15,191	(16,705)	(18,607)
Cash and cash equivalents, beginning of year	33,102	51,709	51,709
Cash and cash equivalents, end of year	48,293	35,004	33,102

Note: Relationship between the balance of cash and cash equivalents at the end of year and the amounts of the items listed in the consolidated (interim) balance sheet

Accounts of cash and time deposits	47,649	36,022	34,170
Short-term investments to be due within 3 months after the dates of acquisition	1,000	208	0
Total	48,649	36,230	34,170
Time deposits for more than 3 months	356	1,226	1,068
Cash and cash equivalents	48,293	35,004	33,102

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

1. Scope of consolidation

Number of consolidated subsidiaries: 58

(1) Main consolidated subsidiaries

- 1) Hitachi Construction Machinery Tierra Co., Ltd.
- 2) Yamagata Hitachi Construction Machinery Co., Ltd.
- 3) Euclid-Hitachi Heavy Equipment Inc.
- 4) Hitachi Construction Machinery Europe BV
- 5) Hitachi Construction Machinery Indonesia (PT)
- 6) Hitachi Construction Machinery (Singapore) Pte., Ltd.
- 7) Hefei Hitachi Excavators Corporation

(2) Newly consolidated subsidiaries

- 1) Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.
- 2) REC Nishi Nippon Co., Ltd.
- 3) Epoch Co., Ltd.
- 4) Kyoto Rental Co., Ltd.
- 5) Minami Osaka Lease Co., Ltd.
- 6) Okazaki Construction Machinery Co., Ltd.
- 7) Hitachi-Furukawa Loaders Europe S.A.S.
- * The former REC Nishi Nippon Co., Ltd. renamed itself as REC Nishi Nippon Lease Co., Ltd. REC Nishi Nippon Co., Ltd. was then newly established.

2. Application of the equity method

Number of affiliates subject to the equity method: 6

Main affiliates subject to the equity method

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

3. Date of settlement of interim accounts for consolidated subsidiaries

Here is a list of the consolidated subsidiaries which settle their interim accounts on a date other than the date the rest of the consolidated group does.

- 1) Euclid-Hitachi Heavy Equipment Inc.
- 2) Hitachi-Furukawa Loaders Europe S.A.S.
- 3) Hitachi Construction Machinery Southern Africa Co., Ltd.
- 4) Hitachi Construction Machinery Indonesia (PT)
- 5) Siam-Hitachi Construction Machinery Co., Ltd.
- 6) PT. Hexindo Adiperkasa Tbk.
- 7) Hefei Hitachi Excavators Corporation
- 8) Hitachi Construction Machinery (Shanghai) Co., Ltd.

All the above firms settle their interim accounts on June 30. They use the interim financial statements as of the same date in preparing interim consolidated financial statements. And they perform the adjustments required for the consolidated group when handling any important transaction that may have arisen between their own date of settlement and the date of consolidated interim settlement. The closing dates for interim earnings for the consolidated subsidiaries other than those listed above correspond to the closing date for interim consolidated accounting.

4. Items concerning accounting standards

(1) Securities

Other securities

Those with market value: Valuated with the market-price valuation method based on the market prices and other rates on the final date of interim consolidated settlement. (The valuation balance is processed with the total capital entry method, and the cost of items sold is with the moving average method.)

Those without market value: Valuated mainly with the cost method based on the moving average method.

(2) Derivatives trading

It is evaluated with the market-price valuation method.

(3) Inventories

Valuated mainly with the lower-of-cost-or-market-valuation accounting method based on the moving average method or individual method.

(4) How to depreciate important depreciable assets

Tangible fixed assets

Operating assets for rental: The straight-line method is mainly used.

Other tangible fixed assets: The method of fixed percentage on cost is mainly used.

Intangible fixed assets: The straight-line method is mainly used.

(5) Loan-loss reserves

In preparation for losses from dead loans, the amount of ordinary loans projected to be unrecoverable is posted at the actual rate of irrecoverable loans, and that of certain credit, such as loans that may turn bad, is posted in view of recoverability in specific cases.

(6) Reserve for retirement allowance

The HCM and its domestic consolidated subsidiaries have posted the amounts which are considered to have occurred at the end of this interim consolidated settlement based on the projected amount of retirement pay obligations and pension assets at the end of this fiscal year in preparations for employees' retirement pay. For the variance (6,728 million yen) when the accounting standards were changed, the five-year prorated amount is processed as an expense.

As for previous service obligations, the amount prorated for the average remaining years of service of the employees at the time when those obligations occurred is processed starting from the fiscal year when they occurred.

As for the difference in mathematical calculations, 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 processed as an expense, starting from the term following the one when each such difference occurred.

(7) Standards for calculating profits and expenses related to installment sale

For the HCM and some of its consolidated subsidiaries, installment sales are processed such that the total sale prices are calculated according to the same standards (sales standards) as general sales. On the other hand, interest rates related to installment sales are not included in installment sales but as the received interest for installment sales as part of non-operating profits.

As for profits from installment sales (the installment sales less the sales cost corresponding to the installment sales) and received interest for installment sales related to long-term installment sale, their actualized amounts are calculated according to the standards for the arrival of the recovery deadlines of installment money.

- (8) Standards for converting important foreign currency-denominated assets or debts
Foreign currency-denominated financial credits and obligations are converted into the yen according to the spot exchange rates of the closing date for interim accounting, and the conversion balance is processed as a profit or loss. The assets and debts of subsidiaries abroad and other entities are converted into the yen according to the spot exchange rates of the closing date for interim accounting. Profits and expenses are converted into the yen according to the mid-term average rates. The conversion difference is included in the adjustment account of exchange conversion in the Shareholders' Equity.
- (9) How to process important leases
Finance leases other than those where the ownership of a leased object is found to be transferred to the lessee are processed in accounting with a method similar to the one related to ordinary rentals.
- (10) Method of important hedge accounting
- 1) Method of hedge accounting
By deferred hedge processing.
 - 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 means.
 - 3) Principles of hedging
Derivatives trading in currency-related operations is designed mainly to hedge sales contracts denominated in U.S. dollars, so 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 HCM considers it the first priority to procure corporate bonds, long-term loans, and something similar 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 startup of hedging to the time when its effectiveness is determined, the HCM compares the cumulative total of market changes in the object of hedging or cash flow changes with the cumulative total of market changes in the means of hedging or cash flow changes. The company then makes a decision based on the changes and other factors of the two.
- (11) Other important items as the basis for preparing interim consolidated balance sheets
- 1) The accounting of consumption taxes and regional consumption taxes is mainly on the basis that consumption tax is excluded from the price indicated.
 - 2) The corporate tax, inhabitant tax, business tax, and adjustment amount for corporate and other taxes related to the current interim period are calculated on the precondition that the reserve for reduction entry and the reserve for special depreciation are accumulated and used for the appropriation of profits scheduled for the current period.

5. Scope of funds in the statement of interim consolidated cash flows

The funds consist of (1) cash on hand, (2) demand deposits, and (3) short-term investments which have maturities of no more than 3 months after the date of acquisition and which is highly liquid and easily cashable, and which bears little risk with regard to price fluctuations.

Additional information

1. Starting from the current interim period, the HCM applies "Accounting Standards for the Partial Use and Other Handling of Treasury Stocks and Legal Reserves" (No. 1 of the Corporate Accounting Standards). This will only give a slight impact on the profit or loss of the current interim period.
2. Starting from the current interim period, the Shareholders' Equity is divided into "capital," "capital surplus," "profit surplus," and other, due to the revision of the Rules for Interim Consolidated Balance Sheets.
3. Starting from the current interim period, the Calculations for Interim Consolidated Surpluses are divided into the section of capital surpluses and that of profit surpluses due to the revision of the Rules for Interim Consolidated Balance Sheets.
4. Starting from the current interim period, the "balance of consolidated surpluses at the beginning of the term" is determined as the "balance of profit surpluses at the beginning of the term," the "decline in consolidated surpluses" as the "decline in profit surpluses," and "balance of consolidated surpluses at mid-term and at the end of the term" as "balance of profit surpluses at mid-term and at the end of the term."

Lease transactions

Finance lease transactions other than those whose ownership of the leased commodity is considered to be transferred to the lessee.

1. Lessee

- (1) The amount equivalent to the acquisition price of the leased commodity, the amount equivalent to the cumulative depreciation cost, and the amount equivalent to the amount at the end of the half year (at the end of the full year)

	(Current interim term)	(Previous interim term)	(Millions of yen) (Previous interim term)
Acquisition cost	14,271	14,284	15,038
Accumulated depreciation	5,962	5,207	5,854
Leased property	8,309	9,077	9,184

- (2) Amount equivalent to the balance at the end of the half year (at the end of the full year) for unmaturing lease fees

	(Current interim term)	(Previous interim term)	(Millions of yen) (Previous term)
Due within one year	3,581	3,221	3,434
Due after one year	7,794	7,792	7,853
Total	11,375	11,013	11,287

- (3) Lease fees paid, amount equivalent to the depreciation cost, and amount equivalent to interest paid

	(Current interim term)	(Previous interim term)	(Millions of yen) (Previous term)
Lease payments	1,617	1,448	3,106
Depreciation expense	1,519	1,400	3,022
Interest expense	128	132	276

- (4) Method of calculating the amount equivalent to the depreciation cost and that equivalent to the interest

- The amount equivalent to the depreciation cost is calculated based on the lease period as the useful life, and with the straight-line method based on a residual value of zero.
- The amount equivalent to the interest is calculated based on the difference between the total lease fees and the amount equivalent to the acquisition price of the leased commodity as the amount equivalent to the interest. The amount is distributed among different terms with the interest method.

Operating lease transactions

1. Lessee

(1) Unmatured lease fees

	(Current interim term)	(Previous interim term)	(Millions of yen) (Previous term)
Due within one year	10,707	13,015	12,410
Due after one year	17,358	27,029	23,037
<u>Total</u>	<u>28,065</u>	<u>40,044</u>	<u>35,447</u>

2. Lessor

(1) Unmatured lease fees

	(Current interim term)	(Previous interim term)	(Millions of yen) (Previous term)
Due within one year	3,614	4,436	4,073
Due after one year	5,568	5,634	5,914
<u>Total</u>	<u>9,182</u>	<u>10,070</u>	<u>9,987</u>

5. Securities

(1) Other securities with market value

(millions of yen)

Category	Current interim term (As of September 30, 2002)			Previous interim term (As of September 30, 2001)			Previous term (As of March 31, 2002)		
	Market value	Book value per consolidated balance sheet	Unrealized gain	Market value	Book value per consolidated balance sheet	Unrealized gain	Market value	Book value per consolidated balance sheet	Unrealized gain
Stocks	4,469	4,903	434	4,929	6,268	1,339	4,463	6,211	1,748
Bonds									
Corporate bonds	9	10	1	9	10	1	9	10	1
Others	0	0	0	0	0	0	0	0	0
Total	4,478	4,913	435	4,938	6,278	1,340	4,472	6,221	1,749

(2) Main securities not valued at market prices

(millions of yen)

Category	Current interim term (As of September 30, 2002)	Previous interim term (As of September 30, 2001)	Previous term (As of March 31, 2002)
	Book value per consolidated balance sheet	Book value per consolidated balance sheet	Book value per consolidated balance sheet
Other securities			
Unlisted stocks other than OTC stocks	2,011	6,448	6,720
Unlisted foreign bonds	1,500	1,500	1,500
Total	3,511	7,948	8,220

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

(1) Currencies

(millions of yen)

Category	Type	Current interim term (As of September 30, 2002)				Previous interim term (As of September 30, 2001)				Previous term (As of March 31, 2002)			
		Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain
			Due after one year				Due after one year				Due after one year		
Transactions other than market transactions	Forward exchange contracts												
	Selling in												
	US dollar	12,666	0	12,706	(40)	14,597	0	14,533	64	17,490	0	18,571	(1,081)
	Euro	5,822	0	6,040	(218)	6,256	0	6,405	(149)	6,143	0	6,324	(181)
	Buying in												
	US dollar	190	0	189	(1)	107	0	112	5	140	0	136	(4)
	Euro	4	0	4	0	-	-	-	-	1	0	0	(1)
	Australian dollar	35	0	35	0	12	0	12	-	16	0	16	0
	Currency option trade												
	Buying in												
	US dollar (Optional fee)	1,143 (-)	0 (-)	(14)	(14)	- (-)	- (-)	-	-	697 (-)	0 (-)	(4)	(4)
	Euro (Optional fee)	40 (-)	0 (-)	0	0	- (-)	- (-)	-	-	19 (-)	0 (-)	0	0
British pound (Optional fee)	276 (-)	0 (-)	0	0	- (-)	- (-)	-	-	301 (-)	0 (-)	(11)	(11)	
Total	-	-	-	(273)	-	-	-	(80)	-	-	-	(1,282)	

Note 1: The exchange rates at the end of the term are the futures rates.

Note 2: The above table excludes the derivative transactions subjected to hedge accounting.

(2) Interest rates

Category	Type	Current interim term (As of September 30, 2002)				Previous interim term (As of September 30, 2001)				Previous term (As of March 31, 2002)			
		Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain	Contractual or other amount		Market value	Unrealized gain
			Due after one year				Due after one year				Due after one year		
Transactions other than market transactions	Interest swaps												
	Payment fixed, receipts fluctuated	2,000	2,000	(41)	(41)	-	-	-	-	-	-	-	-
	Total	2,000	2,000	(41)	(41)	-	-	-	-	-	-	-	-

Note 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. Segment Information

(1) Segment information by business type

During the preceding year (from April 1, 2001 through March 31, 2002), the preceding half year (from April 1, 2001 through September 30, 2001), and this current half year (from April 1, 2002 through September 30, 2002), this consolidated group exceeded 90% of the total sales and total operating profits of all segments. The segment information by business category is therefore omitted in this report.

(2) Segment information by area

(in million yen)

	Current interim term (From April 1, 2002 to September 30, 2002)			Previous interim term (From April 1, 2001 to September 30, 2001)			Previous term (From April 1, 2001 to March 31, 2002)		
	Sales	Operating income	Assets	Sales	Operating income	Assets	Sales	Operating income	Assets
Japan	113,545	(32)	296,711	126,582	(5,605)	301,393	244,304	(7,956)	297,674
Asia	31,063	5,489	50,743	19,500	2,375	37,709	39,323	4,482	48,826
Others	32,574	558	53,017	31,641	956	49,785	67,179	1,269	57,545
Subtotal	177,182	6,015	400,471	177,723	(2,274)	388,887	350,806	(2,205)	404,045
Deleted or company- wide	(23,019)	537	(46,225)	(27,191)	(292)	(37,883)	(52,040)	(1,090)	(44,037)
Total	154,163	6,552	354,246	150,532	(2,566)	351,004	298,766	(3,295)	360,008

Note: The sales of each site include the internal sales between sites.

(3) Overseas sales

(in million yen)

	Current interim term (From April 1, 2002 to September 30, 2002)		Previous interim term (From April 1, 2001 to September 30, 2001)		Previous term (From April 1, 2001 to March 31, 2002)	
	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales	Sales	Percentage of sales in consolidated sales
North America	17,055	11.1%	18,651	12.4%	38,678	12.9%
Asia	31,410	20.4	20,223	13.4	44,050	14.7
Others	39,803	25.8	29,537	19.6	62,666	21.0
Total Overseas sales	88,268	57.3	68,411	45.4	145,394	48.7
Consoli- dated sales	154,163	100.0	150,532	100.0	298,766	100.0

Note: Overseas sales is the sales of Hitachi Chemical and its consolidated subsidiaries in countries or economies other than Japan.

March 2003 Outline of the non-consolidated Interim Financial Statement

October 30, 2002

Listed company: Hitachi Construction Machinery Co., Ltd. Stock exchange: Tokyo, Osaka
Code number: 6305 Location of head office: Tokyo

(URL <http://www.hitachi-kenki.co.jp>)

Representative: Ryuichi Seguchi, Director & President

Reference:

Person in charge of the reference: Shiro Ishii

Position of the person: General Manager of Corporate Communication Dept.

Tel: (03) 3830-8065

Meeting date of the Board of Directors for interim financial settlement: October 30, 2002

Interim dividend: Exist

Delivery date of interim dividend: December 5, 2002

Adoption of unit stock system: Exist (1 unit: 1,000 stocks)

1. Performance of the half year up to September 2002 (April 1, 2002 through September 30, 2002)

(1) Performance

(Amounts are rounded off to the million digit.)

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	Million yen	%
September 2002 (half year)	92,906	(11.4)	3,565	441.7	2,868	—
September 2001 (half year)	104,854	(3.6)	658	(83.6)	(1,984)	—
March 2002	198,913		1,497		(4,096)	

	Net income		Net income per share	
	million yen	%	yen	sen
September 2002 (half year)	2,528	—	17	59
September 2001 (half year)	(5,412)	—	(37)	65
March 2002	(14,724)		(102)	44

Notes:

1) Mid-term average number of shares (consolidated):

September 2002 (half year): 143,723,335 shares September 2001 (half year): 143,748,517 shares

March 2002: 143,737,600 shares

2) Change in the method of accounting: None

3) The percentages indicated for sales, operating income, ordinary income, and net income are the rates of increase and decline for the half year from the preceding year.

(2) Dividend condition

	Interim dividend per share		Annual dividends per share	
	yen	sen	yen	sen
September 2002 (half year)	3	00	—	—
September 2001 (half year)	0	00	—	—
March 2002	—	—	0	00

Note: Breakdown of the interim dividend in September 2002

Commemorative dividend: ---
bonus dividend: ---

(3) Financial condition

	Total assets	Shareholders' equity	Return on equity	Shareholders' equity per share	
	millions of yen	millions of yen	%	yen	sen
September 2002 (half year)	242,795	79,670	32.8	554	37
September 2001 (half year)	261,466	86,370	33.0	600	85
March 2002	249,015	77,200	31.0	537	12

Note 1: Number of outstanding shares at the end of term:

September 2002 (half year): 143,713,352 shares September 2001 (half year): 143,748,517 shares
 March 2002: 143,730,635 shares

2: Treasury stocks at the end of the term:

September 2002 (half year): 35,165 shares September 2001 (half year): 9,500 shares
 March 2002: 17,882 shares

2. Performance projections for March 2003 (April 1, 2002 through March 31, 2003)

	Sales	Current profit	Net profit for current term	Annual dividend per share			
				Year-end dividend			
	millions yen	million yen	million yen	yen	sen	yen	sen
Whole term	196,000	6,200	4,000	3	00	6	00

[Supplementary information] Projected net profit per share for current year (whole term): 27.83 yen

Note: The financial statement described above has been prepared based on the information obtainable as of the date when this statement has been published. Actual business results may differ from the figures described in this statement depending on various future factors.

8. Non-consolidated Financial Statements

(1) Balance Sheet

(millions of yen)

Item	Current interim term (As of September 30, 2002)	Previous interim term (As of September 30, 2001)	Previous term (As of March 31, 2002)	Change from the previous interim term	Item	Current interim term (As of September 30, 2002)	Previous interim term (As of September 30, 2001)	Previous term (As of March 31, 2002)	Change from the previous interim term
[Assets]					[Liabilities]				
Current assets					Current liabilities				
1. Cash and time deposits	23,299	23,523	16,403	(223)	1. Notes payable	3,033	3,659	3,015	(626)
2. Notes receivable	11,477	13,493	12,204	(2,016)	2. Accounts payable	34,767	41,616	35,222	(6,849)
3. Accounts receivable	42,769	53,307	47,124	(10,538)	3. Short-term loans payable	17,936	5,008	9,993	12,928
4. Inventories	25,485	30,592	25,628	(5,106)	4. Commercial papers	0	10,000	0	(10,000)
5. Short-term loans receivable	11,306	11,014	14,105	291	5. Redeemable bonds within a year	22,000	30,000	22,000	(8,000)
6. Total deferred taxes	4,278	6,113	5,532	(1,835)	6. Income taxes payable	65	65	61	0
7. Others	2,431	2,530	2,333	(98)	7. Installments receivable	453	775	543	(322)
8. Allowance for doubtful accounts	(4,090)	(2,810)	(2,750)	(1,280)	8. Deferred interests of installments	277	466	324	(189)
Total current assets	116,958	137,766	120,582	(20,807)	9. Others	13,316	13,512	13,976	(195)
Fixed assets					Total current liabilities	91,850	105,104	85,138	(13,254)
(1) Tangible fixed assets					Fixed liabilities				
1. Buildings	11,922	16,237	15,771	(4,315)	1. Bonds	38,000	50,000	48,000	(12,000)
2. Machinery and equipment	8,937	9,699	9,369	(762)	2. Long-term loans payable	22,768	1,131	22,922	21,637
3. Lands	28,609	28,766	28,735	(157)	3. Allowance for employees' retirement benefits	9,296	12,726	9,282	(3,429)
4. Others	5,696	6,670	6,264	(974)	4. Director's retirement allowance payable	698	651	717	47
Total of tangible fixed assets	55,165	61,375	60,141	(6,209)	5. Guarantee deposits	6	5,395	5,395	(5,388)
(2) Intangible fixed assets	2,334	1,923	2,329	411	6. Others	504	86	359	417
(3) Investments and other assets					Total fixed liabilities	71,274	69,990	86,676	1,283
1. Stocks of affiliates	41,190	38,418	40,599	2,772	Total liabilities	163,124	175,095	171,814	(11,971)
2. Total deferred taxes	12,331	6,941	10,509	5,389	[Shareholders' equity]				
3. Others	15,274	15,481	15,311	(207)	Common stock	22,199	22,199	22,199	0
4. Allowance for doubtful accounts	(460)	(440)	(460)	(20)	Additional paid-in capital	21,726	21,726	21,726	0
Total of investments and other assets	68,336	60,401	65,961	7,934	Retained earnings				
Total fixed assets	125,836	123,700	128,432	2,135	1. Revenue reserve	2,161	2,161	2,161	0
Total assets	242,795	261,466	249,015	(18,671)	2. Voluntary reserve	29,763	44,407	44,407	(14,643)
					3. Unappropriated retained earnings	3,886	-	-	3,886
					Unappropriated loss for interim (current) term	-	3,973	13,285	3,973
					Total retained earnings	35,811	42,594	33,283	(6,783)
					Net unrealized gain on available-for-sale securities	(52)	(149)	(1)	96
					Treasury stock	(13)	-	(6)	(13)
					Total shareholders' equity	79,670	86,370	77,200	(6,700)
					Total liabilities and shareholders' equity	242,795	261,466	249,015	(18,671)

The previous interim term and previous term are also indicated according to the modification of the applicable regulation.

Notes:

	Current interim term Millions of yen	Previous interim term Millions of yen	Previous term Millions of yen
1. Cumulative depreciation of property, plant and equipment	87,549	88,137	88,148
2. Liabilities for guarantee	35,556	26,751	36,984

(2) Income Statement

(in million yen)

Item	Current interim term (April 1, 2002 to September 30, 2002)	Previous interim term (April 1, 2001 to September 30, 2001)	Previous term (April 1, 2001 to March 31, 2002)	Change from the previous interim term
Sales	92,906	104,854	198,913	% 89
Cost of sales	69,893	81,678	154,133	86
Total profits on sales before deferment of profits on installment sales	23,012	23,176	44,779	99
Deferred balance of profits on installment sales	(89)	(389)	(621)	23
Gross profit	23,102	23,565	45,401	98
Selling, general and administrative expenses	19,537	22,907	43,903	85
Operating income	3,565	658	1,497	542
Non-operating income	2,141	1,278	2,462	168
Non-operating expense	2,837	3,920	8,055	72
Ordinary income	2,868	-	-	-
Ordinary loss	-	1,984	4,096	-
Extraordinary gain				
1. Profit on sale of fixed assets	4,309	0	2,038	-
2. Profit on sale of affiliated companies' stocks	0	0	206	-
Total extraordinary gain	4,309	0	2,244	-
Extraordinary loss				
1. Difference in auxiliary retirement benefits at the time of change of accounting standards	512	512	1,024	100
2. Loss on restructuring of affiliates' business	3,546	7,010	9,580	51
3. Appraised loss of investment securities	0	0	540	-
4. Structural improvement expenses	75	0	7,847	-
5. Loss from discarding of inventories	1,076	0	1,002	-
Total extraordinary loss	5,209	7,522	19,995	69
Net income before taxes	1,968	-	-	-
Net loss before taxes	-	9,507	21,846	-
Corporate, inhabitant, and business taxes	65	65	130	100
Refund of corporate and other taxes for previous years	94	-	-	-
Return of corporate and other taxes for previous years	-	560	560	-
Deferred income taxes	(530)	(3,598)	(6,691)	15
Net income	2,528	-	-	-
Net loss	-	5,412	14,724	-
Unappropriated retained earnings-carried forward	1,358	1,438	1,438	94
Unappropriated retained earnings at end of year	3,886	-	-	-
Unappropriated loss at end of year	-	3,973	13,285	-

Important matters that form the basis for compiling interim financial statements

1. Valuation standards and methods for inventories

Products

Manufactured products are as a rule valued with the lower-of-cost-or-market method based on the moving average method. However, tunnel excavators and some other products are based on the lower-of-cost-or-market method based on the individual method.

Second-hand products are based on the lower-of-cost-or-market method based on the individual method.

Semi-finished products, raw materials, and stored products

Valuated with the lower-of-cost-or-market-valuation accounting method based on the moving average method.

Products in progress

Valuated with the lower-of-cost-or-market-valuation accounting method based on the individual method.

2. Valuation standards and methods for securities

Securities of affiliated companies and related companies

Valuated with the cost method based on the moving average method.

Other securities

Those with market value: Valuated with the market-price valuation method based on the market prices and other rates on the final date of interim consolidated settlement. (The valuation balance is processed with the total capital entry method, and the cost of items sold is with the moving average method.)

Those without market value: Valuated with the cost method based on the moving average method.

3. Derivatives trading

Valuated with the market-price method.

4. Method of depreciating fixed assets

Tangible fixed assets

Valuated with the fixed-rate method. Provided that all buildings (except for equipment annexed to the buildings) obtained on and after April 1, 1998 are with the fixed-rate method.

Intangible fixed assets

Valuated with the straight-line method. However, software for internal use is based on the straight-line method for the period when it is available in the company (five years).

Long-term prepaid expenses

Equally depreciated.

5. Accounting standards for reserves

(1) Loan-loss reserves

In preparation for losses from dead loans, the amount of ordinary loans projected to be unrecoverable is posted at the actual rate of irrecoverable loans, and that of certain credit, such as loans that may turn bad, is posted in view of recoverability in specific cases.

(2) Reserve for retirement allowance

The HCM group has posted the amounts which are considered to have occurred at the end of this half year based on the projected amount of retirement pay obligations and pension assets at the end of this fiscal year in preparations for employees' retirement pay. For the variance (5,121 million yen) when the accounting standards were changed, the five-year prorated amount is processed as an expense.

As for previous service obligations, the amount prorated for the average remaining years of service of the employees at the time when those obligations occurred is processed starting from the fiscal year when they occurred.

As for the difference in mathematical calculations, 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 processed as an expense, starting from the term following the one when each such difference occurred.

(3) Allowance for officers' retirement benefits

The amount to be supplied at mid-term and at the end of the term as calculated according to the Internal Regulations is posted in preparations for the payment of officers' retirement benefits.

6. Standards for calculating profits and expenses related to installment sale

Installment sales are processed such that the total sale prices are calculated according to the same standards (sales standards) as general sales. On the other hand, interest rates related to installment sales are not included in installment sales but as the received interest for installment sales as part of non-operating profits.

As for profits from installment sales (the installment sales less the sales cost corresponding to the installment sales) and received interest for installment sales related to long-term installment sale, their actualized amounts are calculated according to the standards for the arrival of the recovery deadlines of installment money.

7. Standards for converting foreign currency-denominated assets or debts

Foreign currency-denominated financial credits and obligations are converted into the yen according to the spot exchange rates of the closing date for interim accounting, and the conversion balance is processed as a profit or loss

8. How to process leases

Finance leases other than those where the ownership of a leased object is found to be transferred to the lessee are processed in accounting with a method similar to the one related to ordinary rentals.

9. Method of hedge accounting

1) Method of hedge accounting

By deferred hedge processing.

2) Means and object of hedging

Forward exchange contracts are conducted to alleviate import/export trade 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 means.

3) Principles of hedging

Derivatives trading in currency-related operations is designed mainly to hedge sales contracts denominated in U.S. dollars, so that it is supposed to be conducted in the

range of accounts receivable denominate in foreign currency and amounts of contracts established.

As for interest-related derivatives trading, the HCM considers it the first priority to procure corporate bonds, long-term loans, and something similar 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 startup of hedging to the time when its effectiveness is determined, the HCM compares the cumulative total of market changes in the object of hedging or cash flow changes with the cumulative total of market changes in the means of hedging or cash flow changes. The company then makes a decision based on the changes and other factors of the two.

10. Other important items as the basis for preparing interim consolidated balance sheets

- 1) The accounting of consumption taxes and regional consumption taxes is on the basis that consumption tax is excluded from the price indicated.
- 2) The corporate tax, inhabitant tax, business tax, and adjustment amount for corporate and other taxes related to the current interim period are calculated on the precondition that the reserve for reduction entry and the reserve for special depreciation are accumulated and used for the appropriation of profits scheduled for the current period.

Additional information

1. Starting from the current interim period, the HCM applies "Accounting Standards for the Partial Use and Other Handling of Treasury Stocks and Legal Reserves" (No. 1 of the Corporate Accounting Standards). This will only give a slight impact on the profit or loss of the current interim period.

Treasury stock indicated as part of current assets until the end of the previous half year is indicated at the end of the Shareholders' Equity as a deductible item with regard to capital in the current interim term due to the revision of the Rules for Interim Balance Sheets.

2. Starting from the current interim period, the Shareholders' Equity is divided into "capital," "capital surplus," "profit surplus," and other, due to the revision of the Rules for Interim Consolidated Balance Sheets.