# Hitachi Construction Machinery Co., Ltd.

## Financial Results for the
## Third Quarter Ended December 31, 2009

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

# Consolidated Financial Results for the Third Quarter Ended December 31, 2009

January 27, 2010

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo, Osaka (first section); Code number: 6305
URL http://www.hitachi-c-m.com/
Representative: Michijiro Kikawa, President and Chief Executive Officer
Scheduled date for submission of the Quarterly Securities Report: February 10, 2010
Scheduled date of commencement of payment of dividends: —
U.S. Accounting Standards are not applied.

1. Consolidated results for the third quarter ended December 2009 (April 1, 2009 to December 31, 2009)

(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 | % |
| Dec. 31, 2009 | 413,749 | (31.1) | 1,832 | (96.8) | (904) | — | (8,766) | — |
| Dec. 31, 2008 | 600,161 | — | 56,747 | — | 54,789 | — | 25,451 | — |

| | Net income per share | Net income per share (Diluted) |
|---|---|---|
| | Yen | Yen |
| Dec. 31, 2009 | (42.39) | — |
| Dec. 31, 2008 | 119.00 | 118.87 |

Note: The percentages indicated are increases (decreases) compared with the same period of the previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| Dec. 31, 2009 | 798,463 | 325,013 | 36.4 | 1,376.08 |
| Mar. 31, 2009 | 841,353 | 331,015 | 34.9 | 1,422.54 |

Note: Total equity at the fiscal period end
December 2009: ¥290,915 million March 2009: ¥293,446 million

2. Dividends status

| | Cash dividends per share | | | | |
|---|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Year end | Total cash dividends per share for the fiscal year |
| | | Yen | Yen | Yen | Yen |
| March 31, 2009 | — | 22.00 | — | 22.00 | 44.00 |
| March 31, 2010 (Result) | — | 5.00 | — | | 10.00 |
| (Projection) | | | | 5.00 | |

Note: Changes involving the dividend states for the fiscal year ending March 2010: None

3. Projected consolidated results for the fiscal year ending March 2010 (April 1, 2009 to March 31, 2010)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2010 | 590,000 | (20.7) | 24,000 | (50.9) | 15,600 | (67.4) |

| | Net income | | Net income per share |
|---|---|---|---|
| | Millions of yen | % | Yen |
| March 31, 2010 | 5,000 | (72.6) | 24.05 |

Notes:
1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in the projected consolidated results for the fiscal year ending March 2010: None

4. Others

(1) Significant changes involving subsidiaries during the period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Simple accounting procedures and the application of special accounting procedures for the compilation of quarterly consolidated financial statements: Yes

Note: For detailed information, please refer to Qualitative Information and Financial Statements, 4.Others, on page 10.

(3) Changes in accounting principles, procedures, and presentation methods used in the preparation of quarterly consolidated financial statements.

A. Changes in response to accounting standard revisions: None

B. Changes other than those in (A): None

(4) Number of shares issued (common shares)

[1] Number of shares issued at the end of the period (including treasury shares)

| | | | |
|---|---|---|---|
| December 2009: | 215,115,038 | March 2009: | 215,115,038 |

[2] Number of treasury shares at the end of the period

| | | | |
|---|---|---|---|
| December 2009: | 3,705,974 | March 2009: | 8,831,203 |

[3] Average number of shares during the period

| | | | |
|---|---|---|---|
| December 2009: | 206,807,776 | December 2008: | 213,877,429 |

Note: Explanation on the appropriate use of results forecasts and other important items

Any forward-looking statements in the report, including results and forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause the actual results to differ materially. For details such as assumptions for results forecasts and notes, etc., please refer to Qualitative Information and Financial Statements, 3. Qualitative Information concerning Consolidated Results Forecasts, on page 9.

## Qualitative Information and Financial Statements

## 1. Qualitative Information concerning Consolidated Business Performance

### [1] Overview of the Market Conditions during the Third Quarter Ended December 31, 2009

During the consolidated third quarter under review (April 2009 to December 2009), although the outlook for the global economy remains unclear, there are few signs of it having bottomed out in some parts of world such as China and Asia, where the economic trend is upward because of the stimulus package in individual countries, etc.

With respect to the market for construction machinery, demand fell continuously, especially in advanced nations such as Japan, the United States, and Europe. On the other hand, demand in some parts of emerging countries such as China, and Indonesia, etc., is showing a recovery trend.

Under these circumstances, the HCM Group successfully reduced stocks of hydraulic excavators to almost an appropriate level by end of September 2009, and we continued to work hard on curbing and reducing fixed costs throughout the third quarter. Also, we started production again using the materials procured at decreased prices and tried to secure profit.

Also, the HCM Group made the TCM Corporation a wholly owned subsidiary as of December 22, 2009 as originally planned. Thus, we strive to carry out new measures to establish an unshakable position in the rapidly changing construction market.

The following table summarizes consolidated results for the period:

(100 million yen; %)

| | Dec. 2009 (A) | Dec. 2008 (B) | Year-on-year change (A) - (B) | Year-on-year change (A)/(B) |
|---|---|---|---|---|
| Net sales | 4,137 | 6,002 | (1,865) | 68.9% |
| Operating income | 18 | 567 | (549) | 3.2% |
| Ordinary income | (9) | 548 | (557) | - |
| Net income | (88) | 255 | (343) | - |

Notes:
1) Figures under ¥100 million are rounded off.
2) The percentages indicated are the year-on-year changes compared with the same period of the previous fiscal year.

### [2] Overview of Consolidated Sales by Regional Segment

#### Japan

Although the public investments increased slightly compared with the previous year, private housing investment and capital expenditure decreased year on year, therefore we can't really see any indications of recovery in the real economy. As for demand for construction machinery, demand for new machines continued to decline dramatically due to curtailments in capital investment by rental companies, etc.

Under these demand trends, we integrated the West and East Japan division to establish the 'Japan Division' as of April 2009, and shifted sales staff nationwide to industry-specific sales such as environment & resources, while focusing on high-demand areas, to be more competitive.

Furthermore, we are striving to promote management plans throughout the group as a whole, by making TCM Corporation a wholly owned subsidiary and consolidating 10 of TCM's domestic sales companies.

As a result, net sales fell 23% from the same period of the previous fiscal year to ¥122,654 million.

**The Americas**

In the United States, though macroeconomic indicators partially improved, demand for construction machinery decreased vastly compared with the same period of the previous year under the circumstances that housing starts go back and forth, and we can not see so many signs of the effect of economic stimulus packages.

Under these conditions, Deere-Hitachi Construction Machinery Corp. worked on cost reduction and improvement of production efficiency.

Consequently, net sales fell 57%, year on year, to ¥27,638 million.

**Europe, Russia-CIS, Africa, and the Middle East**

[Europe]

Owing to prolonged economic stagnation, demand in Europe for construction machinery is not on the recovery track yet. Though we have been successfully able to keep the stocks at an appropriate level since September last year, we have tried to improve market share through tight connection with the sales dealers.

As for wheel loaders, we are earnestly conducting measures to improve the production efficiency system. Also for hydraulic and mini excavators, since achieving the stocks to an appropriate level, we streamlined our organization and started production efficiently. We also work to reduce costs such as material costs, etc. in a proactive manner.

Net sales in Europe declined 47% year on year to ¥45,807 million.

[Russia-CIS, Africa, and the Middle East]

In Russia-CIS, owing to economic stagnation and financing situation has not improved yet so far, demand for new machinery remained in a severe condition.

With respect to mining machinery, we tried hard to expand sales with a finely-tuned response such as utilization of funding from public sources in order to respond to the increasing demand from mines in Ukraine. Also in Kazakhstan, we tried to expand sales of new types of dump truck with an AC electric-drive system, and received a series of additional orders.

In Africa, we further tried to enhance the organization by exploitation of new dealers, enhancement of the existing dealers, to enrich sales & service support throughout Africa with the long-term prospect of increasing demand in resources. As a result, we received large lot orders of dump trucks in Zambia and Congo, etc.

Turning to the Middle East, though demand continued to decline, we tried hard to get individual orders steadily and focused on acquiring new clients aggressively.

The total net sales of Russia-CIS, Africa, and the Middle East regions fell 71% year on year, to ¥22,353 million.

**Asia and Oceania**

Although demand as a total for construction machinery declined year-on-year, demand related to palm oil and forestry in Indonesia and Malaysia increased steadily.

As for demand for mining machinery, since demand is growing and the utilization rate of the machinery is high as well in Indonesia especially, we enhanced sales activities to sell new machines and parts there.

As a result, net sales in Asia and Oceania declined 21% year on year to ¥ 96,074 million.

**China**

Demand in China increased vastly beginning in June last year, compared with the same period of the previous year, in accordance with increasing investment in fixed assets by stimulus packages, etc. and a boost in resource demand.

Under these circumstances, we further conducted promotional activities such as exhibitions in each region and set up a special department for large infrastructural projects to catch up with the demand. Also, we established a special support team to enhance dealer functions and expanded the financing scheme to all the dealers to promote the sales.

Consequently, net sales in China increased 11% year on year to ¥99,223 million.

The following table summarizes consolidated net sales by geographic area:

**Consolidated Net Sales by Geographic Area** (Millions of yen)

| | | Third Quarter ended December 31, 2009 | | Third Quarter ended December 31, 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|
| | | Net sales | Proportion (%) | Net sales | Proportion (%) | Amount of change | Change % |
| The Americas | | 27,638 | 6.7 | 63,852 | 10.6 | (36,214) | (56.7) |
| | Europe | 45,807 | 11.1 | 86,981 | 14.5 | (41,174) | (47.3) |
| | Russia-CIS, Africa, and the Middle East | 22,353 | 5.4 | 77,941 | 13.0 | (55,588) | (71.3) |
| Europe, Russia-CIS, Africa, and the Middle East | | 68,160 | 16.5 | 164,922 | 27.5 | (96,762) | (58.7) |
| Asia and Oceania | | 96,074 | 23.2 | 122,185 | 20.4 | (26,111) | (21.4) |
| China | | 99,223 | 24.0 | 89,693 | 14.9 | 9,530 | 10.6 |
| Sub-total | | 291,095 | 70.4 | 440,652 | 73.4 | (149,557) | (33.9) |
| Japan | | 122,654 | 29.6 | 159,509 | 26.6 | (36,855) | (23.1) |
| Total | | 413,749 | 100.0 | 600,161 | 100.0 | (186,412) | (31.1) |

## [3] Overview of Consolidated Net Sales by Business Segment

### (a) Construction Machinery Business

Regarding construction-related machinery, global demand as a total remained sluggish. As for our core product, hydraulic excavators, we focused on reducing the inventories drastically by September last year and were able to make it closely to an appropriate level.

Since October we have started production to a level concomitant with the actual demand to meet the dramatic rebound in Chinese demand.

In machinery for resource development, though demand as a total declined continuously, inquiries in China and Indonesia are increasing against the background of rebound in oil price and growing demand of natural resources in China.

Under these circumstances, we made Wenco International Mining Systems, Ltd. a consolidated subsidiary in July 2009 to promote sales of mining machineries to the customers who already have Wenco's systems. Wenco is a leading producer of fleet management systems for mining and conducts manufacturing, sales and maintenance of the systems in Canada.

As a result, net sales in the construction machinery business fell 30% from the same period of the previous fiscal year to ¥375,124 million.

### (b) Industrial Vehicles Business

In industrial vehicles, as for the core product, forklifts, the demand seems to have bottomed out in parts of Asia, and China, etc., and the orders have started to exceed the previous year. Although, demand in advanced nations such as Japan, North America and Europe remained weak, therefore, outlooks for global demand as a total continue to be unclear.

Also, demand related to large-scale seaboard containers remained sluggish as well due to curtailments of capital expenditure etc.

Under these circumstances, we worked hard especially in the development and launch of such types of machines that meet Emission Control Regulations, and development of the products targeted for the emerging markets.

Consolidated net sales in the industrial vehicles business decreased 42% from the same period of the previous year to ¥38,625 million.

## 2. Qualitative Information concerning Consolidated Financial Statements

### [1] Status of Assets, Liabilities, and Net Assets

**(a) Assets**

Current assets at the end of the third quarter under review amounted to ¥ 495,081 million, a decrease of ¥43,692 million, or 8.1%, from the previous fiscal year end. This was due mainly to an increase of ¥45,718 million in lease receivables and investment assets, and respective decreases of ¥48,055 million in notes and accounts receivable, and ¥54,068 million in inventories.

Fixed assets increased ¥802 million from the end of the previous fiscal year to ¥303,382 million. As a result, total assets decreased ¥42,890 million, or 5.1%, from the previous fiscal year end to ¥798,463 million.

**(b) Liabilities**

Current liabilities at the end of the third quarter amounted to ¥302,664 million, a decrease of ¥111,711 million, or 27.0%, from the previous fiscal year end. This was due mainly to respective decreases of ¥11,945 million in notes and accounts payable and ¥78,282 million in short-term loans.

Long-term liabilities increased ¥74,823 million from the previous fiscal year end to ¥170,786 million. This was due mainly to the issue of domestic corporate bonds amounting to ¥30 billion and ¥20 billion in June and December 2009, respectively.

As a result, total liabilities decreased ¥36,888 million, or 7.2%, from the previous fiscal year end to ¥473,450 million.

**(c) Net Assets**

Net assets decreased ¥6,002 million, or 1.8%, from the previous fiscal year end to ¥325,013 million. This was due mainly to a loss of net income for the third quarter under review.

### [2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the period totaled ¥53,974 million, an increase of ¥13,870 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows.

**(a) Cash Flows from Operating Activities**

Net cash provided by operating activities totaled ¥56,954 million, an increase of ¥78,640 million compared with a decrease of ¥21,686 million in the third quarter of the previous fiscal year. Factors that increased cash included a decrease of ¥45,543 million in notes and accounts receivable, which was an improvement of ¥6,354 million compared with a decrease of ¥39,189 million in the same period of the previous fiscal year. Factors that increased cash also included a decrease of ¥58,306 million in inventories, which was an improvement of ¥180,918 million compared with an increase of ¥122,612 million in inventories in the same period of the previous fiscal year. Other factors included a payment of ¥5,276 million in income taxes paid, a decrease of ¥26,181 million compared with that of ¥31,457 million in the previous third quarter. Conversely, factors that reduced cash included a deficit of ¥1,342 million in income before income taxes and minority interests, a difference of ¥52,612 million compared with a surplus of ¥51,270 million in the previous third quarter. Other factors included an increase of ¥48,447 million in lease receivables and investment assets in China and Indonesia, and a decrease of ¥14,163 million in notes and accounts payable due to curbing on purchasing, which was an increase of ¥54,136 million compared with that of ¥39,973 million in the previous third quarter.

**(b) Cash Flows from Investing Activities**

Net cash used in investing activities was ¥15,762 million, a decrease of ¥31,389 million compared with ¥47,151 million in the previous third quarter. Key factors underlying this decrease included a decrease of ¥26,372 million in acquisitions of property, plant and equipment to ¥14,851 million compared with ¥41,223 million in the previous third quarter. This was because we basically stopped capital investment that had been made in response to increased production at various manufacturing bases by September 2008, and shifted to investment for renewal and rationalization in the period under review.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities amounted to an inflow of ¥41,192 million.

**(c) Cash Flows from Financing Activities**

Net cash used in financing activities totaled ¥27,616 million. This was due mainly to the issuance of domestic corporate bonds amounting to ¥50 billion in June and December 2009, and an appropriate amount including an inflow from free cash flows was mainly used to pay back the short-term debt.

## 3. Qualitative Information concerning Consolidated Results Forecasts

Regarding the global demand for hydraulic excavators, increasing demand in the emerging market such as India and Indonesia, followed by drastic growth in China, substantially exceeds the decrease of demand in North America, Japan and Europe.

Therefore, we revised the total demand for fiscal 2009 to be 132,600 units, which is an increase of 12,000 units from the previous forecast.

However, due to concern for the foreign currency and mounting global competition, there is now uncertainty about the market share and improvement in the sales price.

Under these conditions, we have left our earnings forecast unchanged for the fiscal year ending March 2010 that we announced on October 27, 2009.

Notes:

Forecasts, plans, and expectations regarding future performance contained in the aforementioned statements are based on information currently available and deemed rational by the Company management. However, as various factors could change the actual results, forecasts, plans, and expectations may differ. These factors are considered to include the economic conditions in principal markets and fluctuations in demand, fluctuations in exchange rates, and revisions to Japanese or international laws and regulations, accounting standards, practices, or other policies. These projections assume an exchange rate of ¥90 to the U.S. dollar and ¥130 to the Euro for the fourth quarter.

## 4. Others

(1) Significant changes involving subsidiaries during the period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Simple accounting procedures and the application of special accounting procedures for the compilation of quarterly consolidated financial statements

**A. Method of evaluating inventory assets**

The value of inventories at the end of the third quarter under review is calculated using a rational method, based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the quarter under review.

**B. Method of calculating depreciation of fixed assets**

Projected annual depreciation incorporating estimates of anticipated acquisition, sale, and disposal of fixed assets throughout the year is allocated proportionally to the quarter.

Depreciation costs for assets using the declining-balance method are calculated by allocating depreciation costs for the consolidated fiscal year proportionally to the quarter.

**C. Method of calculating the estimated loan loss value for general loans**

In calculating the estimated loan loss value for general loans at the end of the third quarter, except in the case where a noteworthy change in the loan loss rate is recognized, the loan loss rate at the end of the previous fiscal year is employed.

**D. Method of calculating deferred tax assets and liabilities**

Collectability of deferred tax assets is reviewed using the available information as of closing. If there are no material changes in business or in temporary differences, we use the same business forecast or tax planning as at the previous year end.

If there are material changes in business or in temporary differences, we use the same business forecast or tax planning as at the previous year end adding the effect of the changes.

**E. Standard used to calculate income taxes**

Tax expenses are calculated by making a reasonable estimation of the effective tax rate on income before income taxes and minority interests for the fiscal year including the third quarter after the application of deferred tax accounting and applying the estimated effective tax rate to quarterly income before income taxes and minority interests. But if this results in lack of reasonableness, we use the effective tax rate.

Income tax adjustments are included in the income taxes account stated in the Consolidated Statements of Income.

(3) Changes in accounting principles, procedures, and presentation methods used in the preparation of quarterly consolidated financial statements.

**A. Changes in response to accounting standard revisions: None**

**B. Changes other than those in (A): None**

# 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

| | Third-Quarter As of Dec. 31, 2009 (A) | Previous year-end As of Mar. 31, 2009 (B) | (A)-(B) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank deposits | 53,987 | 40,109 | 13,878 |
| Notes and accounts receivable | 127,799 | 175,854 | (48,055) |
| Lease receivables and investment assets | 68,504 | 22,786 | 45,718 |
| Merchandise and Manufactured Goods | 151,357 | 193,686 | (42,329) |
| Work in process | 44,710 | 50,512 | (5,802) |
| Material and supplies | 18,177 | 24,114 | (5,937) |
| Others | 36,401 | 38,833 | (2,432) |
| Less: Allowance for doubtful accounts | (5,854) | (7,121) | 1,267 |
| Total current assets | 495,081 | 538,773 | (43,692) |
| **Fixed assets** | | | |
| **Property, plant and equipment** | | | |
| Property held for lease (net) | 42,264 | 41,474 | 790 |
| Buildings and structures (net) | 65,069 | 66,198 | (1,129) |
| Machinery, equipment and vehicles (net) | 46,304 | 48,498 | (2,194) |
| Tools, furniture and fixtures (net) | 5,166 | 6,374 | (1,208) |
| Land | 58,692 | 56,212 | 2,480 |
| Construction in progress | 4,406 | 8,206 | (3,800) |
| Net property, plant and equipment | 221,901 | 226,962 | (5,061) |
| **Intangible assets** | | | |
| Software | 20,449 | 18,969 | 1,480 |
| Goodwill | 7,706 | 5,373 | 2,333 |
| Others | 1,588 | 1,886 | (298) |
| Total intangible assets | 29,743 | 26,228 | 3,515 |
| **Investments and other assets** | | | |
| Investments in securities | 22,713 | 21,504 | 1,209 |
| Others | 30,781 | 29,884 | 897 |
| Less: Allowance for doubtful accounts | (1,756) | (1,998) | 242 |
| Total investments and other assets | 51,738 | 49,390 | 2,348 |
| Total fixed assets | 303,382 | 302,580 | 802 |
| **Total assets** | 798,463 | 841,353 | (42,890) |

(Rounded off to the nearest million)

(Millions of yen)

| | Third-Quarter As of Dec. 31, 2009 (A) | Previous year-end As of Mar. 31, 2009 (B) | (A)-(B) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Notes and accounts payable | 88,427 | 100,372 | (11,945) |
| Short-term loans | 151,603 | 229,885 | (78,282) |
| Commercial paper | 0 | 5,000 | (5,000) |
| Current portion of bonds | 1,510 | 500 | 1,010 |
| Income taxes payable | 4,299 | 5,970 | (1,671) |
| Others | 56,825 | 72,648 | (15,823) |
| Total current liabilities | 302,664 | 414,375 | (111,711) |
| **Long-term liabilities** | | | |
| Bonds | 50,285 | 1,820 | 48,465 |
| Long-term loans | 81,147 | 63,421 | 17,726 |
| Retirement and severance benefits | 11,335 | 11,698 | (363) |
| Others | 28,019 | 19,024 | 8,995 |
| Total long-term liabilities | 170,786 | 95,963 | 74,823 |
| **Total liabilities** | 473,450 | 510,338 | (36,888) |
| **Net assets** | | | |
| **Shareholder's equity** | | | |
| Common stock | 81,577 | 81,577 | 0 |
| Capital surplus | 84,465 | 81,084 | 3,381 |
| Retained earnings | 145,390 | 159,726 | (14,336) |
| Treasury stock | (4,598) | (10,957) | 6,359 |
| Total shareholders' equity | 306,834 | 311,430 | (4,596) |
| **Valuation and translation adjustments** | | | |
| Net unrealized gain (loss) on securities | 731 | (124) | 855 |
| Deferred gain (loss) on hedging instruments | 274 | (129) | 403 |
| Foreign currency translation adjustments | (16,924) | (17,731) | 807 |
| Total valuation and translation adjustments | (15,919) | (17,984) | 2,065 |
| **Stock purchase warrant** | 766 | 747 | 19 |
| **Minority interests** | 33,332 | 36,822 | (3,490) |
| Total net assets | 325,013 | 331,015 | (6,002) |
| **Total liabilities and net assets** | 798,463 | 841,353 | (42,890) |

(Rounded off to the nearest million)

## (2) Consolidated Statements of Income

(Millions of yen)

| | Third-Quarter (Nine months ended Dec. 31, 2009 (A)) | Third-Quarter (Nine months ended Dec. 31, 2008 (B)) | (A)/(B)×100 (%) |
|---|---|---|---|
| | | | % |
| **Net sales** | 413,749 | 600,161 | 69 |
| **Cost of sales** | 325,228 | 429,451 | 76 |
| Gross profit | 88,521 | 170,710 | 52 |
| **Selling, general and administrative expenses** | | | |
| Packing and shipping expenses | 8,185 | 18,063 | 45 |
| Employees' salaries | 27,031 | 32,281 | 84 |
| R&D expenditure | 10,053 | 10,215 | 98 |
| Others | 41,420 | 53,404 | 78 |
| Total selling, general and administrative expenses | 86,689 | 113,963 | 76 |
| **Operating income** | 1,832 | 56,747 | 3 |
| **Non-operating income** | | | |
| Interest income | 1,370 | 3,433 | 40 |
| Interest income from installment sales | 111 | 587 | 19 |
| Dividends income | 182 | 147 | 124 |
| Foreign exchange gains, net | 692 | 0 | - |
| Others | 3,961 | 5,056 | 78 |
| Total non-operating income | 6,316 | 9,223 | 68 |
| **Non-operating expenses** | | | |
| Interest expenses | 5,318 | 6,104 | 87 |
| Equity in losses of affiliated companies | 1,029 | 59 | - |
| Foreign exchange losses, net | 0 | 85 | - |
| Others | 2,705 | 4,933 | 55 |
| Total non-operating expenses | 9,052 | 11,181 | 81 |
| **Ordinary income (loss)** | (904) | 54,789 | - |
| **Extraordinary losses** | | | |
| Restructuring costs | 438 | 0 | - |
| Losses on valuation of investments in securities | 0 | 3,377 | - |
| Losses on valuation of inventories | 0 | 142 | - |
| Total extraordinary losses | 438 | 3,519 | 12 |
| **Income (loss) before income taxes and minority interests** | (1,342) | 51,270 | - |
| **Income taxes** | 3,976 | 20,353 | 20 |
| **Minority interests** | 3,448 | 5,466 | 63 |
| **Net income (loss)** | (8,766) | 25,451 | - |

(Rounded off to the nearest million)

(Millions of yen)

| | Third-Quarter<br>Three months ended<br>Dec. 31, 2009 (A) | Third-Quarter<br>Three months ended<br>Dec. 31, 2008 (B) | (A)/(B)×100 (%) |
|---|---|---|---|
| | | | % |
| **Net sales** | 141,432 | 146,109 | 97 |
| **Cost of sales** | 109,812 | 100,897 | 109 |
| Gross profit | 31,620 | 45,212 | 70 |
| **Selling, general and administrative expenses** | | | |
| Packing and shipping expenses | 3,629 | 5,221 | 70 |
| Employees' salaries | 8,784 | 9,564 | 92 |
| R&D expenditure | 3,553 | 3,728 | 95 |
| Others | 14,767 | 17,081 | 86 |
| Total selling, general and administrative expenses | 30,733 | 35,594 | 86 |
| **Operating income** | 887 | 9,618 | 9 |
| **Non-operating income** | | | |
| Interest income | 410 | 543 | 76 |
| Interest income from installment sales | 36 | 187 | 19 |
| Dividends income | 25 | 5 | 500 |
| Equity in earnings of affiliated companies | 181 | 0 | - |
| Foreign exchange gains, net | 1,156 | 1,383 | 84 |
| Others | 1,565 | 1,951 | 80 |
| Total non-operating income | 3,373 | 4,069 | 83 |
| **Non-operating expenses** | | | |
| Interest expenses | 1,772 | 2,076 | 85 |
| Equity in losses of affiliated companies | 0 | 885 | - |
| Others | 759 | 1,389 | 55 |
| Total non-operating expenses | 2,531 | 4,350 | 58 |
| **Ordinary income** | 1,729 | 9,337 | 19 |
| **Extraordinary losses** | | | |
| Restructuring costs | 95 | 0 | - |
| Losses on valuation of investments in securities | 0 | 2,779 | - |
| Total extraordinary losses | 95 | 2,779 | 3 |
| **Income before income taxes and minority interests** | 1,634 | 6,558 | 25 |
| **Income taxes** | 1,330 | 4,079 | 33 |
| **Minority interests** | 1,772 | (747) | - |
| **Net income (loss)** | (1,468) | 3,226 | - |

(Rounded off to the nearest million)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

| | Third-Quarter [Nine months ended Dec. 31, 2009] | Third-Quarter [Nine months ended Dec. 31, 2008] |
|---|---|---|
| **Cash flows from operating activities** | | |
| Income (loss) before income taxes and minority interests | (1,342) | 51,270 |
| Depreciation and amortization | 27,320 | 24,836 |
| Increase (decrease) in allowance for doubtful accounts | (1,532) | 1,495 |
| Interest and dividends income | (1,552) | (3,580) |
| Interest expenses | 5,336 | 6,104 |
| Equity in (earnings) losses of affiliated companies | 1,029 | 62 |
| Decrease in notes and accounts receivable | 45,543 | 39,189 |
| Increase in lease receivables and investment assets | (48,447) | - |
| (Increase) decrease in inventories | 58,306 | (122,612) |
| Purchase of property held for lease | (13,191) | (10,202) |
| Sales of property held for lease | 1,992 | 2,100 |
| Increase (decrease) in notes and accounts payable | (14,163) | 39,973 |
| Gain on sales of property, plant and equipment | (1,539) | (2,054) |
| Losses on valuation of securities | 44 | 3,377 |
| Other, net | 4,426 | (20,187) |
| Sub-total | 62,230 | 9,771 |
| Income taxes paid | (5,276) | (31,457) |
| **Net cash provided (used in) by operating activities** | 56,954 | (21,686) |
| **Cash flows from investing activities** | | |
| Acquisitions of property, plant and equipment | (14,851) | (41,223) |
| Proceeds from sales of property, plant and equipment | 618 | 576 |
| Purchase of intangible assets | (2,771) | (6,181) |
| Purchase of investments in securities | (137) | (4,152) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (634) | 0 |
| Interest and dividends received | 1,722 | 3,673 |
| Dividends received from affiliated companies | 438 | 890 |
| Other, net | (147) | (734) |
| **Net cash used in investing activities** | (15,762) | (47,151) |
| **Cash flows from financing activities** | | |
| Net increase (decrease) in short-term debt | (82,749) | 55,060 |
| Proceeds from long-term debt | 33,635 | 41,954 |
| Repayments of long-term debt | (13,621) | (12,394) |
| Repayments of lease obligation | (1,579) | (1,813) |
| Repayments of bonds | (525) | (13,000) |
| Proceeds from issuance of bonds | 49,786 | 0 |
| Interest paid | (5,061) | (6,548) |
| Dividends paid to shareholders | (5,570) | (9,411) |
| Dividends paid to minority shareholders by subsidiaries | (3,733) | (3,538) |
| Proceeds from issuance of common stocks to minority shareholders by subsidiaries | 1,753 | 71 |
| Proceeds from disposal of treasury stock | 52 | 82 |
| Purchase of treasury stock | (4) | (245) |
| **Net cash provided by (used in) financing activities** | (27,616) | 50,218 |
| **Effect of exchange rate changes on cash and cash equivalents** | 294 | (4,646) |
| **Net increase (decrease) in cash and cash equivalents** | 13,870 | (23,265) |
| **Cash and cash equivalents at beginning of year** | 40,104 | 68,726 |
| **Cash and cash equivalents at end of period** | 53,974 | 45,461 |

(Rounded off to the nearest million)

## (4) Notes on the preconditions for a going concern: None

## (5) Segment Information

### A. Segment information by business category

Third Quarter ended December 31, 2009 (From April 1, 2009 to December 31, 2009) (Millions of yen)

| | Construction machinery business | Industrial vehicles business | Total | Elimination of sales or corporate bases | Consolidated |
|---|---|---|---|---|---|
| Net Sales | | | | | |
| (1) Net sales to outside customers | 375,124 | 38,625 | 413,749 | | 413,749 |
| (2) Inter-segment sales/transfers | 0 | 0 | 0 | 0 | |
| Total | 375,124 | 38,625 | 413,749 | 0 | 413,749 |
| Operating income (loss) | 2,620 | (788) | 1,832 | 0 | 1,832 |

Notes:

1) Business categories are based on internal segments used within HCM.
2) The products included in each category are as follows:
   1. Construction machinery business: Hydraulic excavators, mini-excavators, wheel loaders, and crawler cranes
   2. Industrial vehicles business: Forklifts, transfer cranes, and container carriers
3) We previously divided our businesses into the following three segments: construction machinery business, industrial vehicles business and semiconductor production equipment business. However, we decided to reduce the semiconductor production equipment business and consolidate it in the construction machinery business because the market has reduced in size and the ultrasonic business, which is a core business of the semiconductor production equipment business, is expected to decrease in growth potential. The sales and the operating profit (loss) of the semiconductor production equipment business included in the construction machinery business at this third quarter are insignificant.

Third Quarter ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (Millions of yen)

| | Construction machinery business | Industrial vehicles business | Semiconductor production equipment business | Total | Elimination of sales or corporate bases | Consolidated |
|---|---|---|---|---|---|---|
| Net Sales | | | | | | |
| (1) Net sales to outside customers | 532,530 | 66,856 | 775 | 600,161 | | 600,161 |
| (2) Inter-segment sales/transfers | 15 | 0 | 1,114 | 1,129 | (1,129) | |
| Total | 532,545 | 66,856 | 1,889 | 601,290 | (1,129) | 600,161 |
| Operating income (loss) | 55,423 | 1,340 | (17) | 56,746 | 1 | 56,747 |

Notes:

1) Business categories are based on internal segments used within HCM.
2) The products included in each category are as follows:
   1. Construction machinery business: Hydraulic excavators, mini-excavators, wheel loaders, and crawler cranes
   2. Industrial vehicles business: Forklifts, transfer cranes, and container carriers
   3. Semiconductor production equipment business: Ultrasonic inspection video equipment and atomic force microscope equipment

## B. Segment information by area

Third Quarter ended December 31, 2009 (From April 1, 2009 to December 31, 2009) (Millions of yen)

| | Japan | Asia | Europe | The Americas | Others | Total | Elimination of sales or corporate bases | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) Net sales to outside customers | 167,595 | 125,544 | 54,015 | 16,861 | 49,734 | 413,749 | | 413,749 |
| (2) Inter-segment sales/transfers | 76,891 | 8,667 | 1,227 | 9,469 | 341 | 96,595 | (96,595) | |
| Total | 244,486 | 134,211 | 55,242 | 26,330 | 50,075 | 510,344 | (96,595) | 413,749 |
| Operating income (Loss) | (28,781) | 18,493 | 742 | 2,463 | 2,910 | (4,173) | 6,005 | 1,832 |

Note:

1) National and regional categories are based on geographic proximity.
2) Countries included in each segment are as follows:
    1. Asia: China, Indonesia, Singapore, Thailand, and Malaysia
    2. Europe: Holland, France, and the United Kingdom
    3. The Americas: The United States and Canada
    4. Other: Australia, New Zealand, and South Africa

Third Quarter ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (Millions of yen)

| | Japan | Asia | Europe | The Americas | Others | Total | Elimination of sales or corporate bases | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) Net sales to outside customers | 259,711 | 108,578 | 120,348 | 36,217 | 75,307 | 600,161 | | 600,161 |
| (2) Inter-segment sales/transfers | 234,740 | 21,341 | 8,127 | 16,538 | 36 | 280,782 | (280,782) | |
| Total | 494,451 | 129,919 | 128,475 | 52,755 | 75,343 | 880,943 | (280,782) | 600,161 |
| Operating income | 19,892 | 17,176 | 5,253 | 3,727 | 6,674 | 52,722 | 4,025 | 56,747 |

Note:

1) National and regional categories are based on geographic proximity.
2) Countries included in each segment are as follows:
    1. Asia: China, Indonesia, Singapore, Thailand, and Malaysia
    2. Europe: Holland, France, and the United Kingdom
    3. The Americas: The United States and Canada
    4. Other: Australia, New Zealand, and South Africa

## C. Overseas sales

(Millions of yen)

| | Third quarter ended December 31, 2009 | | Third quarter ended December 31, 2008 | |
|---|---|---|---|---|
| | Sales | Percentage of sales in consolidated sales | Sales | Percentage of sales in consolidated sales |
| The Americas | 27,638 | 6.7% | 63,852 | 10.6% |
| Europe, Africa, & the Middle East | 68,160 | 16.5 | 164,922 | 27.5 |
| Asia & Oceania | 96,074 | 23.2 | 122,185 | 20.4 |
| China | 99,223 | 24.0 | 89,693 | 14.9 |
| Total overseas sales | 291,095 | 70.4 | 440,652 | 73.4 |
| Consolidated sales | 413,749 | 100.0 | 600,161 | 100.0 |

Notes:

1) National and regional categories are based on geographic proximity.

2) Countries included in each segment are as follows:
   1. The Americas: The United States and Canada
   2. Europe, Africa, & the Middle East: Holland, the United Kingdom, Italy, South Africa, and the United Arab Emirates
   3. Asia & Oceania: Indonesia, Australia, and New Zealand
   4. China: China

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

## (6) Notes on Significant Fluctuations in Shareholder’s Equity: None

## 6. Other information: None