

Hitachi Construction Machinery Co., Ltd.

Financial Results for the Third Quarter
Ended December, 31, 2015

Consolidated Financial Results for the Third Quarter Ended December, 31, 2015

(IFRS)

January 28, 2016

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)

Stock exchange: Tokyo (first section) Code number: 6305

URL <https://www.hitachicm.com/global/>

Representative: Yuichi Tsujimoto, President and Chief Executive Officer

Scheduled date for submission of the Quarterly Securities Report: February 8, 2016

Scheduled date of commencement of payment of dividends: —

Supplementary materials to the financial statements have been prepared: Yes

Presentation will be held to explain the financial statements: Yes (for institutional investors, analysts and journalists)

1. Consolidated results for the Third quarter ended December 2015 (April 1, 2015 to December 31, 2015)

(1) Consolidated results

(Rounded off to the nearest million)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December, 31, 2015	549,142	(5.3)	12,274	(72.4)	4,525	(89.1)	810	(96.6)	(37)	-	(13,883)	-
December, 31, 2014	579,773	-	44,525	-	41,363	-	24,131	-	20,821	-	56,877	-

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)
	Yen	Yen
December, 31, 2015	(0.17)	(0.17)
December, 31, 2014	97.96	97.95

References: Share of profits (losses) of investments accounted for using the equity method

March 31, 2016 (3Q): ¥300million March 31, 2015 (3Q): ¥639million

“Net income attributable to owners of the Parent per share (basic)” and “Net income attributable to owners of the Parent per share (diluted)” are calculated based on “Net income attributable to owners of the parent”.

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
December, 31, 2015	997,276	469,128	405,960	40.7
March 31, 2015	1,064,673	497,902	431,227	40.5

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2015	—	30.00	—	30.00	60.00
March 31, 2016	—	30.00	—		
March 31, 2016 (Projection)				—	—

Note: Changes involving the dividend states for the fiscal year ending March 2016: Yes

We suspended to determine this fiscal year's cash dividends per share at year end. For further information on revision on the year-end dividend forecast, please refer to the "Revision in Forecasts of Earnings and year-end Dividends" published today (January 28, 2016).

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

3. Projected consolidated results for the fiscal year ending March 2016 (April 1, 2015 to March 31, 2016)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (basic)	
March 31, 2016	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
	760,000	(6.8)	30,000	(52.5)	19,500	(66.9)	9,500	(63.5)	44.68	

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in consolidated earnings forecast: Yes

For further information on revision of earning forecasts, please refer to the "Revision in Forecasts of Earnings and year-end Dividends" published today (January 28, 2016).

*Notes

- (1) Important changes in the scope of the consolidation during period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in accounting policies; changes in accounting estimates
 - [1] Changes in accounting policies required by IFRS None
 - [2] Changes in accounting policies other than those in [1] None
 - [3] Changes in accounting estimates None
- (3) Number of outstanding shares (common shares)
 - [1] Number of outstanding shares at fiscal year-end (including treasury shares)
December 2015: 215,115,038 March 2015: 215,115,038
 - [2] Number of treasury shares at fiscal year-end
December 2015: 2,508,500 March 2015: 2,537,814
 - [3] Average number of common shares outstanding during the fiscal year (cumulative for all quarters)
December 2015: 212,601,818 December 2014: 212,535,519

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

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

Any forward-looking statements in the report, including results 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 actual results to differ materially. Please refer to 1. Qualitative Information concerning Consolidated Business Performance, (3) Explanation of Future Forecast Information concerning Consolidated Earnings Forecasts' of the attachment for conditions serving as assumptions for results forecasts.

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1. Qualitative Information concerning Consolidated Business Performance

(1) Explanation Concerning Financial Results

[1] Overview of Business Results

In the international economy during the consolidated cumulative third quarter under review (April 1, 2015 to December 31, 2015), the Japanese economy continued to recover gradually, underpinned by improved employment rates and income, though weaknesses were seen in some areas, such as public investment, export, and production. The US economy has steadily recovered, underpinned by increased consumption, revival of capital investment, and a gradual increase in housing starts. Europe witnessed an increase in consumption and capital investment, and the economy is gradually recovering mainly in the United Kingdom. However, Russia's economy is on a continuous downward trend due to the fall in crude oil prices and other factors. In the Asian region, the economy in Malaysia and Thailand was soft, whereas India's economy is reviving and domestic consumption in Indonesia is recovering. In China, under the government's "new normal" policy, the economy is continuously stagnant due to a further decelerated growth in fixed asset investments and industrial production remaining at low levels.

With respect to the construction machinery market, demand for wheel loaders and mini excavators in Japan has increased year-on-year underpinned by last-minute demand before the implementation of new emission regulations. However, demand for hydraulic excavators has continuously declined significantly from last year as a reaction to the last-minute demand in anticipation of new emission regulations. In North America, housing starts are picking up; however, demand slightly decreased due to an energy-related downturn. In Europe, although the situation differs in each country, overall demand decreased year-on-year. In Asia, despite a recovery in India, demand significantly decreased especially in Indonesia and Malaysia. Moreover, in China, demand continued to fall significantly due to a deceleration of real estate investment, particularly with a decrease in public construction as a result of financial pressures on local government.

Concerning the mining machinery market, demand remained sluggish due to significant decline in resource prices and investment restraint by resource companies.

Under these circumstances, the HCM Group made efforts to secure revenue, profit and business efficiency by establishment of global management support scheme, expansion of its market share, and by implementation of cost reduction and business/cost structural reform. In addition, we are promoting the establishment of global research, a development system and reinforcement of development marketing function, as well as further enhancing the sales capabilities and after-sales service of our dealers.

With construction machinery, we have been enhancing our parts and service business by globally launching a service menu called "ConSite," which provides comprehensive support to customers for their machines, and by expanding the parts supply network, among other aspects. In addition, HCM has integrated KCM as a consolidated company in October 2015, to further enhance the wheel loader business with expansion of the product line up, and global sales network.

For mining machinery, we strove to expand sales of the AC-3 series rigid dump truck, which achieved the advanced vehicle body stability assist function. Moreover, we are bringing together the strengths of the entire Hitachi Group to establish a substantially advanced customer support system, which includes mining machineries operation management system provision and cross-company initiatives combining both expertise in infrastructure management and IT for mine operation optimization.

Consequently, revenue decreased by 5.3% year-on-year to ¥549,142 million. Operating profit decreased by 72.4% year-on-year to ¥12,274 million. Income before income taxes decreased by 89.1% year-on-year to ¥4,525 million, while net income(loss) attributable to owners of the parent company decreased by ¥20,858 million year-on-year to ¥-37 million.

The following table summarizes the consolidated results for this term, ended December 2015.

(Millions of yen)

	Apr. 1, 2015- Dec. 31, 2015	Apr. 1, 2014- Dec. 31, 2014	Year-on-year change (%)	
Revenue	549,142	579,773	(30,631)	(5.3)
Operating profit	12,274	44,525	(32,251)	(72.4)
Income before income taxes	4,525	41,363	(36,838)	(89.1)
Net income attributable to owners of the parent	(37)	20,821	(20,858)	-

(Rounded off to the nearest million)

[2] Overview of Consolidated Revenue by Regional Segment

[Japan]

With respect to construction machinery demand in Japan, demand for wheel loaders and mini excavators increased year-on-year, underpinned by last-minute demand before the implementation of new emission regulations. However, demand for hydraulic excavators has continuously declined significantly from last year as a reaction to last-minute demand in anticipation of new emission regulations implemented in 2014.

Under such circumstances, Hitachi Construction Machinery Japan Co., Ltd. promoted sales expansion by continuously increasing the customers of multiple Rental, Sales & Service (RSS) divisions, offering optimal solutions, which meet the needs of each customer, and providing one-stop and high-quality service in full coordination of all RSS divisions. In addition, we focused on marketing activity in compact machinery segment for further sales expansion. Furthermore, HCM has integrated KCM as a consolidated company in October 2015.

Consequently, consolidated revenue increased by 4.7% year-on-year to ¥167,613 million.

[The Americas]

Construction machinery demand in North America slightly decreased year-on-year because of slow demand of large sized excavators due to decreased energy-related investments caused by a collapse in crude oil prices, despite the steady performance of housing starts. On the other hand, in Central and South America, construction machinery demand has significantly decreased year-on-year, due mainly to infrastructure investment stagnation.

Mining machinery demand remained sluggish throughout the Americas due to a downturn in resource prices.

Under such circumstances, we strove to expand sales in both Americas by organizing a production and sales framework of machinery that complies with local laws and regulations of each country, in collaboration with Deere & Company.

Consequently, consolidated revenue decreased by 3.7% year-on-year to ¥74,701 million.

[Europe]

Construction machinery demand in Europe decreased year-on year. A recovery was seen in demand in southern European countries such as Italy, demand in Germany slightly increased, however, demand in the United Kingdom and France continued to decrease year-on-year.

Under these circumstances, HCM group enhanced support service to our dealers in each country and strove to expand sales by proactively marketing fuel-efficient hydraulic excavators and wheel loaders.

However, consolidated revenue decreased by 0.3% year-on-year to ¥62,384 million.

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

In Russia, where construction machinery demand remains sluggish, we strove to expand construction and mining machinery sales by unremittingly providing dealer support, including sales expansion of application products and wheel loaders through Hitachi Construction Machinery Eurasia Sales LLC.

In Southern Africa, we reinforced sales and service, mainly focusing on mining machinery, and in Northwest Africa, we strengthened sales and service of machineries for infrastructure-related industry in conjunction with dealers.

In the Middle East, we continue to focus on expanding sales mainly in infrastructure-related projects. We have also introduced India-made hydraulic excavators for Gulf countries, and we have striven to build a new customer base.

Consolidated revenue decreased by 8.0% year-on-year to ¥61,266 million affected by a decrease in Russia-CIS.

[Asia and Oceania]

In Indonesia and Australia, which are both resource-rich countries, mining machinery demand continued to be sluggish.

Construction machinery demand has been brisk in Thailand and the Philippines, while such demand continuously decreased in Indonesia, Malaysia, and other countries. In India, demand continued on an upward trend for some infrastructure investment such as coal and quarries, etc., and increased year-on-year.

Under such circumstances, in Asia and Oceania, we strove to enhance the dealers' marketing capabilities by fully implementing the sales support system to expand sales. Furthermore, Tata Hitachi Construction Machinery Co., Ltd. strove to reduce costs and enhance the production quality as well as expand the sales of new machine types and large sized machines.

However, consolidated revenue decreased by 6.0% year-on-year to ¥147,440 million.

[China]

The growth rate of fixed asset investment is continuously on a downward trend, owing to the deceleration of real estate investments and excess inventory adjustment in various industries. Despite the government's economic-stimulus measures, the Chinese economy is going through a phase of fiscal adjustment, mainly by local governments. Due to interruption and suspension in the progress of existing construction projects and delays in orders of new construction projects, construction machinery demand continued to decline significantly year-on-year.

Under such circumstances, HCM Group promoted efficient sales activities, targeted at regions and customers with a high operating rate, by utilizing the sales support system, service and parts sales management system, and the "Global e-Service" system, striving to expand sales of both machinery and parts.

However, consolidated revenue decreased by 36.2% year-on-year to ¥35,738 million.

The following table summarizes consolidated net revenue by geographic area:

		Current consolidated cumulative second quarter (Apr. 1,2015 - Dec. 31,2015)		Previous consolidated cumulative second quarter (Apr. 1,2014 - Dec. 31,2014)		Increase (Decrease)	
		Revenue (Millions of yen) (A)	Proportion (%)	Revenue (Millions of yen) (B)	Proportion (%)	Amount of change (A) - (B)	% Change (A) / (B) -1 (%)
	North America	69,470	12.7	72,977	12.6	(3,507)	(4.8)
	Central and South America	5,231	1.0	4,563	0.8	668	14.6
	United States	74,701	13.6	77,540	13.4	(2,839)	(3.7)
	Europe	62,384	11.4	62,600	10.8	(216)	(0.3)
	Russia CIS,	13,367	2.4	24,280	4.2	(10,913)	(44.9)
	Africa	27,193	5.0	29,167	5.0	(1,974)	(6.8)
	Middle East	20,706	3.8	13,175	2.3	7,531	57.2
	Russia-CIS, Africa and the Middle East	61,266	11.2	66,622	11.5	(5,356)	(8.0)
	Asia	49,406	9.0	56,638	9.8	(7,232)	(12.8)
	India	28,683	5.2	23,302	4.0	5,381	23.1
	Oceania	69,351	12.6	76,989	13.3	(7,638)	(9.9)
	Asia and Oceania	147,440	26.8	156,929	27.1	(9,489)	(6.0)
	China	35,738	6.5	56,043	9.7	(20,305)	(36.2)
	Subtotal	381,529	69.5	419,734	72.4	(38,205)	(9.1)
	Japan	167,613	30.5	160,039	27.6	7,574	4.7
	Total	549,142	100.0	579,773	100.0	(30,631)	(5.3)

(Rounded off to the nearest million)

(2) Explanation concerning Financial Position

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the third quarter amounted to ¥588,970 million, a decrease of 7.8%, or ¥49,996 million, from the previous fiscal year-end. This was due mainly to a decrease of ¥63,866 million in trade receivable despite an increase of ¥21,586 million in cash and cash equivalents.

Non-current assets amounted to ¥408,306 million, a decrease of 4.1%, or ¥17,401 million, from the previous fiscal year-end. This was due mainly to a decrease of ¥4,477 million in trade receivables and ¥12,837 million in other financial assets.

As a result, total assets decreased 6.3% or ¥67,397 million from the previous fiscal year-end to ¥997,276 million.

(b) Liabilities

Current liabilities amounted to ¥338,756 million, a decrease of 8.2%, or ¥30,304 million, from the previous fiscal year-end. This was primarily due to a decrease of ¥14,211 million in trade and other payables and ¥13,983 million in bonds and borrowings.

Non-current liabilities decreased by 4.2%, or ¥8,319 million, from the previous fiscal year-end to ¥189,392 million. This was mainly due to a decrease of 12,715 million in bonds and borrowings.

As a result, total liabilities decreased by 6.8% or ¥38,623 million from the previous fiscal year-end to ¥528,148 million.

(c) Equity

Total equity decreased by 5.8% or ¥28,774 million from the previous fiscal year-end to ¥469,128 million.

[2] Analysis on Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the third quarter totaled ¥73,019 million, an increase of ¥21,586 million from the previous fiscal year-end. Statement and factors relating to each cash flow category are as follows:

(Net Cash Provided by Operating Activities)

Regarding net cash provided by operating activities at the end of the consolidated cumulative third quarter, factors that increased cash included ¥810 million in net income, ¥24,051 million in depreciation, a ¥59,152 million decrease in accounts and notes receivables, a ¥13,414 million decrease in lease receivables, and a ¥22,137 million decrease in inventories. Factors that reduced cash included a ¥5,506 million decrease in accounts and notes payables.

As a result, net cash provided by operating activities in the consolidated cumulative third quarter totaled ¥94,130 million, an increase of ¥10,454 million year-on-year.

(Net Cash Used in Investing Activities)

Net cash used in investing activities in the consolidated cumulative third quarter amounted to ¥9,054 million, a decrease of ¥5,467 million year-on-year. This is mainly due to an outlay of ¥12,780 million for the acquisition of tangible fixed assets, despite an income from the collection of long-term loans receivable of ¥10,490 million.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to an inflow of ¥85,076 million.

(Net Cash Used in Financing Activities)

Net cash used in financing activities totaled ¥58,999 million in the consolidated cumulative third quarter, an increase of ¥18,028 million year-on-year. This was due mainly to a decrease of ¥16,200 million in short-term debt, a decrease of ¥22,715 million in long-term borrowings and bond, and ¥12,741 million in dividends paid, etc.

(3) Explanation of Future Forecast Information concerning Consolidated Earnings Forecasts

During the fiscal year ending March 31, 2016, the business environment has continuously deteriorated. We expect 148,000 units of hydraulic excavators' demand, decreased 19% year-on-year, the same as forecast on October 27, since we already considered the deceleration in demand for hydraulic excavators in emerging countries such as China, Indonesia, and Russia CIS, and the downward trend in developed countries. As for the demand outlook of mining machinery, we expect a decrease by 10% year-on-year.

As for the consolidated earnings forecast for the full year ending March 31, 2016 (from April 1, 2015 to March 31, 2016), considering the reduction of revenue and unfavorable foreign exchange impact, we will revise the consolidated earnings forecast for the full fiscal year.

For more information, please refer to the "Revision in Forecasts of Earnings and year-end Dividends" published today (January 28, 2016).

2. Notes on Summary Information

(1) Important changes in the scope of consolidation during the period

On October 1, 2015, the Company acquired shares equivalent to 66% of issued shares in KCM Corporation which was formerly an equity-method affiliate of the HCM group. Following this transaction, KCM Corporation group became a consolidated subsidiary of HCM group from the third quarter ended December 31, 2015.

(2) Changes in accounting principles and accounting estimates

Important accounting principles applied in the consolidated financial statements for the period are the same as those applied in the consolidated financial statements for the previous fiscal year except for the followings.

Income taxes are calculated by multiplying income before income taxes by the estimated effective tax rate. The estimated effective tax rate is reasonably estimated considering permanent differences, tax deductibles and valuation allowances on differed tax asset. In addition, adjustments resulting from changes in decisions regarding recoverability of deferred tax asset derived from taxable income in future fiscal years are recognized during the period in which the changes in decision are made.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter As of Dec. 31, 2015 (A)	Previous fiscal year-end As of Mar. 31, 2015 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	73,019	51,433	21,586
Trade receivables	167,607	231,473	(63,866)
Inventories	295,020	313,488	(18,468)
Other financial assets	30,793	32,053	(1,260)
Other current assets	22,531	10,519	12,012
Total current assets	588,970	638,966	(49,996)
Non-current assets			
Property, plant and equipment	282,280	281,326	954
Intangible assets	9,453	9,972	(519)
Goodwill	9,681	9,590	91
Investments accounted for using the equity method	29,923	31,913	(1,990)
Trade receivables	25,612	30,089	(4,477)
Deferred tax assets	19,006	18,331	675
Other financial assets	18,273	31,110	(12,837)
Other non-current assets	14,078	13,376	702
Total non-current assets	408,306	425,707	(17,401)
Total assets	997,276	1,064,673	(67,397)
Liabilities			
Current liabilities			
Trade and other payables	196,134	210,345	(14,211)
Bonds and borrowings	123,111	137,094	(13,983)
Income tax payables	6,634	7,626	(992)
Other financial liabilities	8,711	8,722	(11)
Other current liabilities	4,166	5,273	(1,107)
Total current liabilities	338,756	369,060	(30,304)
Non-current liabilities			
Trade and other payables	21,401	20,091	1,310
Bonds and borrowings	137,864	150,579	(12,715)
Retirement and severance benefits	16,231	13,446	2,785
Deferred tax liability	9,023	9,483	(460)
Other financial liabilities	156	194	(38)
Other non-current liabilities	4,717	3,918	799
Total non-current liabilities	189,392	197,711	(8,319)
Total liabilities	528,148	566,771	(38,623)
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	84,091	84,315	(224)
Retained earnings	213,830	226,332	(12,502)
Accumulated other comprehensive income	29,583	42,159	(12,576)
Treasury stock, at cost	(3,121)	(3,156)	35
Total Equity attribute to owners of the parent	405,960	431,227	(25,267)
Non-controlling interests	63,168	66,675	(3,507)
Total equity	469,128	497,902	(28,774)
Total liabilities and equity	997,276	1,064,673	(67,397)

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

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated cumulative quarter

Consolidated Statements of Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2015 (A)	Third quarter Nine months ended Dec. 31, 2014 (B)	(A)/(B)×100 (%)
Revenue	549,142	579,773	95
Cost of sales	(415,665)	(419,447)	99
Gross profit	133,477	160,326	83
Selling, general and administrative expenses	(118,242)	(116,664)	101
Other income	2,315	3,104	75
Other expenses	(5,276)	(2,241)	235
Operating profit	12,274	44,525	28
Financial income	2,498	3,303	76
Financial expenses	(10,547)	(7,104)	148
Share of profits (losses) of investments accounted for using the equity method	300	639	47
Income before income taxes	4,525	41,363	11
Income taxes	(3,715)	(17,232)	22
Net income	810	24,131	3
Net income (loss) attributable to			
Owners of the parent	(37)	20,821	-
Non-controlling interests	847	3,310	26
Total net income	810	24,131	3
EPS attributable to owners of the parent			
Net income (loss) per share (Basic) (yen)	(0.17)	97.96	-
Net income (loss) per share (Diluted) (yen)	(0.17)	97.95	-

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2015 (A)	Third quarter Nine months ended Dec. 31, 2014 (B)	(A)/(B)×100 (%)
Net income	810	24,131	3
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(1,142)	948	-
Remeasurements of defined benefit obligations	(1)	(29)	3
Other comprehensive income of equity method associates	(27)	16	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	(12,044)	31,602	-
Cash flow hedges	244	(236)	-
Other comprehensive income of equity method associates	(1,723)	445	-
Other comprehensive income, net of taxes	(14,693)	32,746	-
Comprehensive income	(13,883)	56,877	-
Comprehensive income attributable to			
Owners of the parent	(12,323)	45,987	-
Non-controlling interests	(1,560)	10,890	-

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity
Consolidated cumulative quarter
Third quarter Nine months ended Dec. 31, 2015

(Millions of yen)

	Equity attributable to owners of the Company					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	84,315	226,332	185	7,490	(117)
Net income (loss)			(37)			
Other comprehensive income				(29)	(1,134)	243
Comprehensive income	-	-	(37)	(29)	(1,134)	243
Acquisition of treasury stock						
Sale of treasury stock		9				
Dividends to stockholders of the Company			(12,755)			
Gains/losses on change in equity		(233)				
Transfer to retained earnings			290		(290)	
Other increase/decrease						
Transaction with owners	-	(224)	(12,465)	-	(290)	-
Balance at end of period	81,577	84,091	213,830	156	6,066	126

(Millions of yen)

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total	Total		
	Foreign currency translation adjustments	Total					
Balance at beginning of period	34,601	42,159	(3,156)	431,227	66,675	497,902	
Net income (loss)		-		(37)	847	810	
Other comprehensive income	(11,366)	(12,286)		(12,286)	(2,407)	(14,693)	
Comprehensive income	(11,366)	(12,286)	-	(12,323)	(1,560)	(13,883)	
Acquisition of treasury stock			(5)	(5)		(5)	
Sale of treasury stock			40	49		49	
Dividends to stockholders of the Company				(12,755)	(2,180)	(14,935)	
Gains/losses on change in equity				(233)	233	-	
Transfer to retained earnings		(290)		-		-	
Other increase/decrease				-		-	
Transaction with owners	-	(290)	35	(12,944)	(1,947)	(14,891)	
Balance at end of period	23,235	29,583	(3,121)	405,960	63,168	469,128	

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

Third quarter Nine months ended Dec. 31, 2014

(Millions of yen)

	Equity attributable to owners of the Company					
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income		
				Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	84,296	211,978	700	6,887	(309)
Net income			20,821			
Other comprehensive income				(15)	965	(195)
Comprehensive income	-	-	20,821	(15)	965	(195)
Acquisition of treasury stock						
Sale of treasury stock		15				
Dividends to stockholders of the Company			(11,689)			
Gains/losses on change in equity						
Transfer to retained earnings			24		(24)	
Other increase/decrease			(1)			
Transaction with owners	-	15	(11,666)	-	(24)	-
Balance at end of period	81,577	84,311	221,133	685	7,828	(504)

(Millions of yen)

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	15,112	22,390	(3,237)	397,004	58,949	455,953
Net income		-		20,821	3,310	24,131
Other comprehensive income	24,411	25,166		25,166	7,580	32,746
Comprehensive income	24,411	25,166	-	45,987	10,890	56,877
Acquisition of treasury stock			(2)	(2)		(2)
Sale of treasury stock			69	84		84
Dividends to stockholders of the Company				(11,689)	(1,375)	(13,064)
Gains/losses on change in equity						
Transfer to retained earnings		(24)				
Other increase/decrease				(1)		(1)
Transaction with owners	-	(24)	67	(11,608)	(1,375)	(12,983)
Balance at end of period	39,523	47,532	(3,170)	431,383	68,464	499,847

(English translation of "KESSAN TANSIN" originally issued in Japanese language.)

(4) Consolidated Statements of Cash Flows
Consolidated cumulative quarter

(Millions of yen)

	Third quarter Nine months ended Dec. 31, 2015	Third quarter Nine months ended Dec. 31, 2014
Net income	810	24,131
Depreciation	24,051	23,345
Amortization of intangible assets	3,379	4,428
Impairment losses	133	39
Income tax expense	3,715	17,232
Equity in net earnings of associates	(300)	(639)
Gain (loss) on sales of property, plant and equipment	(116)	327
Financial income	(2,498)	(3,303)
Financial expenses	10,547	7,104
(Increase) decrease in accounts and notes receivables	59,152	40,334
(Increase) decrease in lease receivables	13,414	16,288
(Increase) decrease in inventories	22,137	(15,559)
Increase (decrease) in accounts and notes payables	(5,506)	4,451
Increase (decrease) in provisions and retirement benefit obligations	2	194
Other	(17,306)	(14,872)
Subtotal	111,614	103,500
Interest received	1,937	3,098
Dividends received	444	474
Interest paid	(3,937)	(6,237)
Income tax paid	(15,928)	(17,159)
Net cash provided by operating activities	94,130	83,676
Capital expenditures	(12,780)	(11,923)
Proceeds from sale of property, plant and equipment	358	1,669
Acquisition of intangible assets	(1,598)	(1,462)
Acquisition of investments in securities and other financial assets (including investments in associates)	(4,013)	(2,578)
Sales of investments in securities and other financial assets (including investments in associates)	782	224
Collection of long-term loan receivables	10,490	72
Payments for transfer of business	(1,810)	(478)
Other	(483)	(45)
Net cash provided by (used in) investing activities	(9,054)	(14,521)
Increase (decrease) in short-term borrowings, net	(16,200)	(34,979)
Proceeds from long-term borrowings and bond	18,232	59,894
Payments on long-term borrowings	(40,947)	(47,456)
Payments on lease payables	(3,240)	(3,708)
Dividends paid to owners of the parent	(12,741)	(11,671)
Dividends paid to non-controlling interests	(4,156)	(3,133)
Other	53	82
Net cash provided by (used in) financing activities	(58,999)	(40,971)
Effect of exchange rate changes on cash and cash equivalents	(4,491)	7,119
Net increase (decrease) in cash and cash equivalents	21,586	35,303
Cash and cash equivalents at beginning of period	51,433	53,672
Cash and cash equivalents at end of period	73,019	88,975

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

(5) Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)

There is no relevant item.

(Business Combination)

The following significant business combination occurred during the third quarter ended December 31, 2015.

(1) Purpose of business combination

On October 1, 2015, HCM group acquired additional shares of KCM Corporation ("KCM") from Kawasaki Heavy Industries, Ltd. ("KHI") and made KCM a wholly-owned subsidiary. KCM was formerly an equity-method affiliate of HCM. In addition, HCM assumed the business from KCMJ Corporation ("KCMJ"), which was once a subsidiary of KCM.

Since October 2008, KHI and the HCM group have collaborated in the wheel loader business, including joint research and development of new models of wheel loaders to meet the Tier 4 exhaust emission regulations. KCM was incorporated in January 2009, and in April of the same year, the wheel loader business of KHI was spun off to KCM. With HCM's capital investment in KCM in June 2010, the joint development of new models of wheel loaders, the increase in production efficiency and the like became accelerated. Global competition in the construction machinery industry has intensified. In order to enhance its competitiveness, the Company made KCM into a wholly owned subsidiary of HCM on October 1, 2015, to expand and strengthen the wheel loader business and to raise customer satisfaction by combining the technologies of the two companies and increasing production efficiency.

In addition, HCMJ, which is a subsidiary of the Company, accepted the transfer of the sales and servicing business in Japan of wheel loaders and snow removal machines from KCMJ, which is a subsidiary of KCM, on the same day as the day of the transfer of the stock of KCM.

(2) Name of acquired company and its business

[1] Overview of share acquisition

Name of the acquired company: KCM Corporation

Business contents of the acquired company: Manufacturing, sales, and after-sales service of construction machinery, etc.

Acquired ratio of voting rights: 66.0%

[2] Overview of business transfer

Name of transferor: KCMJ Corporation

Name of transferee: Hitachi Construction Machinery Japan Co., Ltd. (wholly owned subsidiary of Hitachi Construction Machinery Co., Ltd.)

Contents of transferred business: Domestic sales service business of wheel loader and snow machines

(3) Consideration of the integration and fair value of assets acquired and liabilities assumed

Consideration of the share acquisition of KCM Corporation and fair value of assets acquired and liabilities assumed are as follows (As allocation of the acquisition cost has not been completed, amounts are provisional based on information currently available.):

(Millions of yen)

	Amount
Cash and cash equivalents	118
Trade receivables	10,465
Other current assets	12,678
Non-current assets (Except trade receivables and intangible assets)	4,720
Intangible assets	
Goodwill (non-deductible for tax purpose)	678
Other intangible assets	338
Total assets	28,997
Current liabilities	21,142
Non-current liabilities	3,037
Total liabilities	24,215
Cash and cash equivalents	3,156
Fair value of shares that the company had already had upon acquisition of control	1,626
Total consideration of acquisition	4,782

The goodwill consisted primarily of excess earnings and synergies with the existing operations.

Consideration of acceptance of transfer of business from KCMJ Corporation and fair value of assets acquired and liabilities assumed are as follows:

(Millions of yen)

	Amount
Cash and cash equivalents	0
Trade receivables	534
Other current assets	956
Non-current assets (Except intangible assets)	1,782
Intangible assets	8
Total assets	3,280
Current liabilities	590
Non-current liabilities	880
Total liabilities	1,470
Cash and cash equivalents	1,810
Total consideration of acquisition	1,810

(4) Trade receivables acquired

(Millions of yen)

	Carrying amount	Of which, the amount expected to be unrecoverable
Account and note receivables	10,475	10
Finance lease receivables	534	-
Total	11,009	10

(5) Expenses related to acquisition

Expenses related to acquisition is 99 million yen and included in “Other expenses” on quarterly consolidated statements of income.

(6) Gain and loss on step acquisition

A remeasurement of KCM Corporation shares held by the Company before the business combination at fair value results in 1,626 million yen, and the Company recognizes 141 million yen of loss on step acquisition, which is recorded in other expenses on the quarterly consolidated statements of income.

(7) Revenue and net income of acquired company and transferred business

Revenue and net income generated by the acquired company and transferred business among those figures on quarterly consolidated statements of income are 10,294 million yen and 580 million yen respectively.

(8) Revenue and net income of HCM group assuming that the business combination is completed at the beginning of the fiscal year

Revenue and net income of HCM group assuming that the business combination is completed at the beginning of the fiscal year are 578,352 million yen and 1,750 million yen respectively.