Hitachi Construction Machinery Co., Ltd.

Financial Results for the Third Quarter
Ended December 31, 2013

Consolidated Financial Results for the Third Quarter Ended December 31, 2013 (Japan GAAP) (Non-audited)

January 28, 2014

Listed company: **Hitachi Construction Machinery Co., Ltd. (HCM)**
Stock exchange: Tokyo (first section) Code number: 6305
URL http://www.hitachi-c-m.com
Representative: Yuichi Tsujimoto, President and Chief Executive Officer
Scheduled date for submission of the Quarterly Securities Report: February 7, 2014
Scheduled date of commencement of payment of dividends: -
Supplementary materials to the quarterly financial statements have been prepared: Yes
A presentation will be held to explain the quarterly financial statements: Yes
(for institutional investors, analysts, and journalists)
US accounting standards are not applied.

1. Consolidated results for the third quarter ended December 2013 (April 1, 2013 to December 31, 2013)

(1) Consolidated results (cumulative) (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	%
December 31, 2013	557,862	0.6	40,237	42.1	32,109	62.3	17,110	34.2
December 31, 2012	554,486	0.2	28,322	(11.2)	19,780	(33.3)	12,749	5.5

Note: Comprehensive income December 2013: ¥47,706 million (91.5 %) December 2012: ¥24,916 million (443.3 %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
December 31, 2013	80.56	80.53
December 31, 2012	60.19	60.18

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
	Millions of yen	Millions of yen	%
December 31, 2013	1,124,483	439,290	33.7
March 31, 2013	1,099,901	416,671	32.8

Note: Total equity December 2013: ¥378,550 million March 2013: ¥361,163 million

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year End	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2013	—	20.00	—	20.00	40.00
March 31, 2014	—	25.00	—		
March 31, 2014 (Projection)				25.00	50.00

Note: Changes involving the dividend status for the fiscal year ending March 2014: None

3. Consolidated earnings forecast for the fiscal year ending March 2014 (April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	830,000	7.5	83,000	61.2	69,000	89.6

	Net income		Net income per share
	Millions of yen	%	Yen
March 31, 2014	37,000	57.7	174.21

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in the consolidated earnings forecast: None

*Notes

(1) Important changes in the scope of the consolidation during the period (Changes in specified subsidiary resulting in a change in the scope of consolidation): None

(2) Application of a special accounting method: Yes

(3) Changes in accounting policies; changes in accounting estimates; restatements

[1] Changes in the accompanying revision of accounting policies : None
[2] Changes other than those in [1] : Yes
[3] Changes in accounting estimates : None
[4] Restatements : None

*Please refer to "2. Notes on Summary Information (3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements" of the attachment for details.

(4) Number of shares issued (common shares)

[1] Number of shares issued (including treasury shares)
December 2013: 215,115,038 March 2013: 215,115,038
[2] Number of treasury shares at the end of the period
December 2013: 2,645,492 March 2013: 3,206,607
[3] Average number of shares during the period (cumulative for all quarters)
December 2013: 212,379,230 December 2012: 211,822,474

*Indication of quarterly review procedure implementation status

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

*Explanation of 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, and the Company does not commit to achieving the performance. However, various factors could cause the 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.

Index of the Attachment

1. Qualitative Information concerning Consolidated Business Performance

(1) Explanation of Financial Results

[1] Overview of Business Results

In the international economy during the consolidated third quarter under review (April 1, 2013 to December 31, 2013), the Japanese economy has been showing signs of moderate recovery owing to correction of the yen appreciation and growth in production. While the Chinese economy has sustained a stable economic growth rate, it showed a healthy economic performance that expanded domestic demand by redressing economic disparities through the urbanization of rural areas. The US economy has gradually recovered due to an increase in construction investment including housing starts. The European economies as a whole still remain weak, but have been showing signs of recovery. On the other hand, the Southeast Asian and Indian economies have been hovering near the bottom due to currency depreciation, government instability, etc.

With respect to the market for construction machinery including hydraulic excavators, in Japan, demand continued to be strong due to an increase in housing starts and public investments including rehabilitation demand. China has achieved better performance in the market than that in the same period last year, because of an increase in the number of projects concerning construction of low-income housing, railroads, ports, and environmental improvement. On the other hand, demand in Indonesia and India fell dramatically.

As for the mining machinery market, due to the influence of decline in the price of mineral resources, demand for mining machinery in areas such as North America, Indonesia, and Australia decreased sharply.

Under these circumstances, the HCM Group has been promoting the establishment of a global support system, market share increase, cost reduction, and improvement of business efficiency to raise revenue.

As for construction machinery, in Japan, we introduced and expanded sales of a new-generation hybrid excavator “ZH200-5B,” four new models from the medium-sized excavator ZAXIS-5 series that respond to emission regulations in Japan, and a new wheel loader model “ZW180-5B.” In the overseas market, while we attempted to enhance the relationship with dealers, we expanded sales of products that match specific local needs.

With respect to mining machinery, we have continued to focus on initiatives to aggressively obtain more orders, such as having a closer relationship with major accounts.

As a result, consolidated sales increased by 1% year on year to 557,862 million yen. Operating income increased by 42% year on year to 40,237 million yen, and ordinary income increased by 62% year on year to 32,109 million yen.

The following table summarizes the consolidated results for this term ended December 2013:

(Millions of yen)

	December 2013 (A)	December 2012 (B)	Year-on-year change	
			(A)-(B)	(A)/(B)-1 (%)
Net sales	557,862	554,486	3,376	0.6
Operating income	40,237	28,322	11,915	42.1
Ordinary income	32,109	19,780	12,329	62.3
Net income	17,110	12,749	4,361	34.2

(Rounded off to the nearest million)

[2] Overview of Consolidated Sales by Regional Segment

Japan

The demand for construction machinery mainly in the rental business solidly increased with the increase in new housing starts and public investment including rehabilitation construction work for earthquake disaster reconstruction and infrastructure improvement.

Under these circumstances, Hitachi Construction Machinery Japan Co., Ltd. advanced its efforts to increase the number of customers who would have business with multiple departments of the RSS (rental-sales-service) system and expand sales by providing the most suitable approach for customer needs through the integrated RSS system.

We also sequentially introduced and advanced efforts to expand sales of a new type of machinery that responds to emission regulations in Japan.

Consequently, because all shares of TCM Corporation were sold and excluded from the consolidated results after the second quarter of the consolidated accounting period of the previous year, net sales increased by 17% year on year to 163,279 million yen.

The Americas

Though the US economy still remains uncertain due to its financial issues, etc., some positive trends such as improvement in housing starts, construction investment, and unemployment rate have started to be seen. Although demand in construction machinery has been brisk, demand for mining machinery has dropped.

Under these demand trends, in addition to capturing replacement demand from the rental industry, we focused on expanding sales of a new type of machinery that responds to emission regulations.

Deere-Hitachi Construction Machinery Corporation, a manufacturing base in North America, completed its production capacity increase last year, and because it enables us to supply production parts instead of finished machinery and also because mining-related sales dropped in the US, net sales decreased by 35% year on year to 56,848 million yen.

Europe

The European economies have been showing signs of recovery, such as expansion of domestic demand thanks to government-backed initiatives to help people buy a home in the UK. With respect to the construction machinery market in Europe, the European economies as a whole have been showing signs that the decline in demand is coming to an end, as demand in the UK has been showing a recovery trend.

Under these trends, as a result of our focusing on enhancement of dealer support and promoting the expansion of sales of fuel-efficient hydraulic excavators and wheel loaders, net sales increased by 18% year on year to 47,888 million yen.

Russia-CIS, Africa, and the Middle East

The GDP growth rate of Russia has been slowing down since the latter half of 2012 against a backdrop of a downturn in natural resource exports including petroleum exports.

Under these circumstances, for a sales- and marketing-side initiative, we are continuing to strengthen the support system for dealers through Hitachi Construction Machinery Eurasia Sales LLC to expand sales of construction/mining machinery, and for the production side, we are advancing preparations to launch local production at a new plant site in Russia.

In Africa, we promoted sales in South Africa and neighboring nations. And in Northwest Africa, sales and service for construction-related machines were strengthened in cooperation with dealers.

Turning to the Middle East, we continued to focus on increasing sales mainly from infrastructure-related projects including airport and road construction.

Consequently, the total net sales of Russia-CIS, Africa, and the Middle East regions increased by 8% year on year to 55,632 million yen.

Asia and Oceania

In resource-rich countries such as Indonesia and Australia, demand for mining machinery has slowed down due to a resource price drop, and demand for construction machinery has continued to shrink. In Thailand, demand for construction machinery has decreased due to political instability.

The economic growth of India has been following a decelerating trend, and due to a delay in launching of a large-scale infrastructure construction project, etc., construction machinery demand in India has been showing a slowdown trend.

Under these trends, Tata Hitachi Construction Machinery Company Limited introduced new types of machines and promoted actions to increase sales.

Consequently, net sales decreased by 13% year on year to 155,630 million yen.

China

While the Chinese economy has sustained stable economic growth, it showed healthy economic performance that expanded domestic demand by redressing economic disparities through the urbanization of rural areas. In construction machinery demand, China has achieved better performance than that in the same period last year, owing to an increase in the number of projects concerning the construction of low-income housing, railroads, ports, and environmental improvement.

Under these circumstances, while we are launching a strategic model with strong emphasis onto the market, we aim to increase our presence in the market by realizing the full-fledged use of a service/parts and sales management system and by enhancing collaborative relationships with dealers via close connection with the “Global e-Service” system.

Consequently, net sales increased by 39% year on year to 78,585 million yen.

The following table summarizes consolidated net sales by region:

(Millions of yen)

	Current fiscal year (April 1, 2013 - December 31, 2013)		Previous fiscal year (April 1, 2012 - December 31, 2012)		Increase (Decrease)	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Amount of change	% change
The Americas	56,848	10.2	86,978	15.7	(30,130)	(34.6)
Europe	47,888	8.6	40,485	7.3	7,403	18.3
Russia-CIS, Africa, the Middle East	55,632	10.0	51,389	9.3	4,243	8.3
Asia and Oceania	155,630	27.9	179,500	32.4	(23,870)	(13.3)
China	78,585	14.1	56,698	10.2	21,887	38.6
Sub-total	394,583	70.7	415,050	74.9	(20,467)	(4.9)
Japan	163,279	29.3	139,436	25.1	23,843	17.1
Total	557,862	100.0	554,486	100.0	3,376	0.6

(Rounded off to the nearest million)

(2) Explanation of Financial Position

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

Assets

Current assets at the end of the third quarter amounted to 748,223 million yen, an increase of 2.0%, or 14,404 million yen, from the previous fiscal year-end. This was mainly due to a decrease of 37,851 million yen in the total receivables (notes and accounts receivables and lease receivables and investment assets), an increase of 39,881 million yen in inventory, and 7,071 million yen in cash and bank deposits.

Non-current assets increased by 2.8%, or 10,178 million yen, from the end of the previous fiscal year to 376,260 million yen.

As a result, total assets increased by 2.2%, or 24,582 million yen, from the previous fiscal year-end to 1,124,483 million yen.

Liabilities

Current liabilities at the end of the third quarter amounted to 471,850 million yen, an increase of 5.5%, or 24,595 million yen, from the previous fiscal year-end. This was mainly due to an increase in the current portion of bonds of 30,000 million yen, and notes and accounts payable of 5,977 million yen.

Non-current liabilities decreased by 9.6%, or 22,632 million yen, from the previous fiscal year-end to 213,343 million yen. This was mainly due to a decrease of 30,000 million yen in corporate bonds.

As a result, total liabilities increased by 0.3%, or 1,963 million yen, from the previous fiscal year-end to 685,193 million yen.

Net assets

Net assets including minority interests increased by 5.4%, or 22,619 million yen, from the previous fiscal year-end to 439,290 million yen. This was due to the fact that although 13,584 million yen of remeasurements of defined benefit plans was included, there was the effect of quarterly net income of 17,110 million yen and a 19,734 million yen increase in foreign currency translation adjustments, as well as a 937 million yen increase in net unrealized gains on securities.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the third quarter totaled 69,798 million yen, an increase of 3,176 million yen from the beginning of the current fiscal year. Factors relating to each cash flow category were as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities in the third quarter totaled 72,204 million yen, an increase of 31,647 million yen compared with the third quarter of the previous fiscal year.

Factors that increased cash included income before income taxes and minority interests in the third quarter amounting to 34,253 million yen, 27,779 million yen in depreciation and amortization, and a decrease of 65,625 million yen in total notes and accounts receivables (including lease receivables). Factors that reduced cash included a 6,963 million yen decrease in notes and accounts payable, a 24,700 million yen increase in inventories, as well as 17,448 million yen of income taxes paid, etc.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the third quarter was 30,345 million yen, as it increased by 8,137 million yen compared with the third quarter of the previous fiscal year. This was mainly due to an investment of 30,677 million yen in acquisitions of property, plant, and equipment for enhancing production capacity.

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 41,859 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities in the third quarter totaled 44,283 million yen and it increased by 23,006 million yen compared to the third quarter of the previous fiscal year. This was mainly due to the amount used for net repayment of 21,444 million yen owning to a decrease in short-term and long-term loans, 6,808 million yen in interest paid, 12,912 million yen in dividends paid to shareholders, etc.

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

In global demand for hydraulic excavators, although demand increased in Japan and China, because of the decelerating trend in Asia and Latin America, we assume that actual global demand will fall slightly below the global demand forecast announced in October 2013. As for the demand for mining machinery this year, we forecast that it will decrease by over 40% from last year.

As for the consolidated earnings forecast, although we assume a decrease in mining-related sales, we assume an increase in sales of hydraulic excavators and in the crane business in Japan, as well as a sales increase in China. In addition, considering the adjustment of influence of currency exchange rate fluctuation and the improvement of business efficiency, such as material cost reduction, inventory reduction, etc., no change will be made to the consolidated earnings forecast for the full year of fiscal 2013 included in the "Financial Results for the Second Quarter Ended September 30, 2013" announced on October 28, 2013.

The currency exchange rate from the fourth quarter has been changed from 95 JPY for 1 USD (estimated as of October 28) to 104 JPY for 1 USD, from 125 JPY for 1 EUR (estimated as of October 28) to 140 JPY for 1 EUR, and from 15.6 JPY for 1 RMB (estimated as of October 28) to 17.0 JPY for 1 RMB.

2. Notes on Summary Information

(1) Important Changes in the Scope of the Consolidation during the Period: None

(2) Application of Special Accounting Method

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 the quarterly income before income taxes and minority interests. However, if the result turns out to be unreasonable, the effective statutory tax rate shall be applied.

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

(3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) were issued by the Accounting Standards Board of Japan, the ASBJ on May 17, 2012. Application of this new standard is permitted from the beginning of the fiscal year ending March 31, 2014. Accordingly, the Company applied the new accounting standard from the beginning of the current fiscal year. Under the revised accounting standard, the Company recognizes the amount of projected benefit obligation less plan assets as net defined benefit liability. In addition, the Company reviewed its calculation method of projected benefit obligation and service cost and changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis.

Following ASBJ Statement No.37, which stipulates transitional treatment of the new standard, at the beginning of the current fiscal year, the effect of recognition of net defined benefit liability is adjusted in remeasurements of defined benefit plans within accumulated other comprehensive income. Also the effect of the change in the calculation method of projected benefit obligation and service cost is adjusted in retained earnings at the beginning of the current fiscal year.

As a result, at the beginning of the current fiscal year, total accumulated other comprehensive income decreased 14,266 million yen and retained earnings increased 953 million yen. The application of the new accounting standard did not have a material effect on operating income, ordinary income, and income before income taxes and minority interests of the Company.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter As of Dec. 31, 2013 (A)	Previous fiscal year-end As of Mar. 31, 2013 (B)	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	69,711	62,640	7,071
Notes and accounts receivable	176,730	204,918	(28,188)
Lease receivables and investment assets	93,625	103,288	(9,663)
Merchandise and manufactured goods	265,276	239,643	25,633
Work in process	65,739	54,125	11,614
Materials and supplies	23,777	21,143	2,634
Other	63,433	56,011	7,422
Less: Allowance for doubtful accounts	(10,068)	(7,949)	(2,119)
Total current assets	748,223	733,819	14,404
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	49,956	42,791	7,165
Buildings and structures (net)	89,627	86,531	3,096
Machinery, equipment and vehicles (net)	67,556	62,770	4,786
Tools, furniture and fixtures (net)	6,262	6,449	(187)
Land	57,422	55,544	1,878
Construction in progress	22,615	17,110	5,505
Net property, plant and equipment	293,438	271,195	22,243
Intangible assets			
Software	16,405	17,802	(1,397)
Goodwill	6,525	10,457	(3,932)
Other	4,952	4,402	550
Total intangible assets	27,882	32,661	(4,779)
Investments and other assets			
Investments in securities	31,855	27,086	4,769
Other	23,384	35,658	(12,274)
Less: Allowance for doubtful accounts	(299)	(518)	219
Total investments and other assets	54,940	62,226	(7,286)
Total non-current assets	376,260	366,082	10,178
Total assets	1,124,483	1,099,901	24,582

(Rounded off to the nearest million)

(Millions of yen)

	Third quarter (As of Dec. 31, 2013 (A))	Previous fiscal year-end (As of Mar. 31, 2013 (B))	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	155,105	149,128	5,977
Short-term loans	192,229	192,821	(592)
Current portion of bonds	30,000	-	30,000
Income taxes payable	9,723	14,563	(4,840)
Other	84,793	90,743	(5,950)
Total current liabilities	471,850	447,255	24,595
Non-current liabilities			
Bonds	20,000	50,000	(30,000)
Long-term loans	151,157	150,281	876
Retirement and severance benefits	-	8,913	(8,913)
Net defined benefit liability	13,373	-	13,373
Other	28,813	26,781	2,032
Total non-current liabilities	213,343	235,975	(22,632)
Total liabilities	685,193	683,230	1,963
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	-
Capital surplus	84,882	84,500	382
Retained earnings	208,293	199,779	8,514
Treasury stock	(3,287)	(3,982)	695
Total shareholders' equity	371,465	361,874	9,591
Accumulated other comprehensive income			
Net unrealized gains on securities	3,993	3,056	937
Deferred losses on hedges	(1,614)	(2,323)	709
Foreign currency translation adjustments	18,290	(1,444)	19,734
Remeasurements of defined benefit plans	(13,584)	-	(13,584)
Total accumulated other comprehensive income	7,085	(711)	7,796
Subscription rights to shares	766	766	-
Minority interests	59,974	54,742	5,232
Total net assets	439,290	416,671	22,619
Total liabilities and net assets	1,124,483	1,099,901	24,582

(Rounded off to the nearest million)

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Third quarter (Nine months ended Dec. 31, 2013 (A))	Third quarter (Nine months ended Dec. 31, 2012 (B))	(A)/(B)×100 (%)
			%
Net sales	557,862	554,486	101
Cost of sales	397,536	412,325	96
Gross profit	160,326	142,161	113
Selling, general and administrative expenses			
Packing and shipping expenses	14,468	14,743	98
Employees' salaries	28,964	31,049	93
R&D expenses	12,449	12,147	102
Other	64,208	55,900	115
Total selling, general and administrative expenses	120,089	113,839	105
Operating income	40,237	28,322	142
Non-operating income			
Interest income	1,953	2,043	96
Interest income from installment sales	228	177	129
Dividends income	187	171	109
Other	3,646	3,755	97
Total non-operating income	6,014	6,146	98
Non-operating expenses			
Interest expenses	7,061	8,787	80
Losses on equity in earnings of affiliated companies	200	492	41
Foreign exchange losses, net	5,455	1,616	338
Other	1,426	3,793	38
Total non-operating expenses	14,142	14,688	96
Ordinary income	32,109	19,780	162
Extraordinary Income			
Gains on sales of property, plant and equipment	2,101	-	-
Gains on sales of securities	-	193	-
Gains on sales of subsidiaries and affiliates' stocks	43	-	-
Gains on changes in equity interest	-	9,904	-
Total Extraordinary Income	2,144	10,097	21
Extraordinary losses			
Business structure improvement expenses	-	562	-
Impairment losses	-	931	-
Total extraordinary losses	-	1,493	-
Income before income taxes and minority interests	34,253	28,384	121
Total income tax	12,840	12,111	106
Income before minority interests	21,413	16,273	132
Minority interests	4,303	3,524	122
Net income	17,110	12,749	134

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter [Nine months ended Dec. 31, 2013 (A)]	Third quarter [Nine months ended Dec. 31, 2012 (B)]	(A)/(B)×100 (%)
			%
Income before minority interests	21,413	16,273	132
Other comprehensive income (loss)			
Net unrealized gains (losses) on securities	934	(1,398)	-
Deferred losses on hedges	712	(318)	-
Foreign currency translation adjustments	22,017	10,914	202
Remeasurements of defined benefit plans	671	-	-
Share of other comprehensive income of companies accounted for by the equity method	1,959	(555)	-
Total other comprehensive income (loss)	26,293	8,643	304
Comprehensive income	47,706	24,916	191
Comprehensive income attributable to shareholders of the Company	39,172	19,154	205
Comprehensive income (loss) attributable to minority interests	8,534	5,762	148

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Third quarter [Nine months ended Dec. 31, 2013]	Third quarter [Nine months ended Dec. 31, 2012]
Cash flows from operating activities		
Income before income taxes and minority interests	34,253	28,384
Depreciation and amortization	27,779	26,553
Changes in allowance for doubtful accounts	1,228	2,231
Interest and dividends income	(2,368)	(2,214)
Interest expenses	7,061	8,787
Losses on equity in earnings of affiliated companies	200	492
Decrease in notes and accounts receivable	45,701	58,671
Decrease in lease receivables and investment assets	19,924	22,469
Increase in inventories	(24,700)	(50,148)
Purchase of property held for lease	(13,989)	(12,864)
Sales of property held for lease	2,722	2,067
Decrease in notes and accounts payable	(6,963)	(22,405)
Gains on sales of property, plant and equipment	(4,102)	(1,242)
Other, net	2,906	(1,090)
Sub-total	89,652	59,691
Income taxes paid	(17,448)	(19,134)
Net cash provided by (used in) operating activities	72,204	40,557
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(30,677)	(35,937)
Proceeds from sales of property, plant and equipment	2,697	1,695
Purchase of intangible assets	(2,265)	(1,877)
Purchase of investment securities	(2,587)	(11,143)
Proceeds from sales of investments in subsidiaries resulting in securities	-	608
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(851)	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	29,297
Interest and dividends received	2,512	2,426
Dividends received from affiliated companies	28	39
Other, net	798	(7,316)
Net cash provided by (used in) investing activities	(30,345)	(22,208)
Cash flows from financing activities		
Net decrease in short-term loans	(14,744)	(9,290)
Proceeds from long-term loans	20,829	43,238
Repayments of long-term loans	(27,529)	(32,258)
Repayments of lease obligations	(3,250)	(2,883)
Proceeds from issuance of bonds	-	19,906
Redemption of bonds	-	(20,070)
Interest paid	(6,808)	(8,807)
Dividends paid to shareholders	(9,550)	(7,414)
Dividends paid to minority shareholders by subsidiaries	(3,362)	(5,196)
Proceeds from stock issuance to minority shareholders	-	1,491
Proceeds from disposal of treasury stock	133	6
Purchase of treasury stock	(2)	(0)
Other, net	-	0
Net cash provided by (used in) financing activities	(44,283)	(21,277)
Effect of exchange rate changes on cash and cash equivalents	5,600	1,583
Net increase (decrease) in cash and cash equivalents	3,176	(1,345)
Cash and cash equivalents at beginning of year	66,622	81,059
Cash and cash equivalents at end of period	69,798	79,714

(Rounded off to the nearest million)

(4) Notes on Consolidated Financial Statements

Notes on Preconditions for a Going Concern: None

Notes on Significant Fluctuations in Shareholders' Equity: None

Segment Information

1. Reportable segment information

The Company's reportable segments are its structural units, for which separate financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about managerial resources to be allocated to the segment and assess the business performance.

The Company has established operations groups organized by products and services in the headquarters, and each operations group formulates comprehensive strategies and promotes business activities both domestically and overseas.

The Company is organized according to product and service segments, and the following two have been the reporting segments: the construction machinery business and the industrial vehicle business until the first quarter of the previous fiscal year. The construction machinery business produces hydraulic excavators, ultra-large excavators, wheel loaders, and crawler cranes, while the industrial vehicle business has produced forklifts and skid steer loaders.

In the second quarter of the previous fiscal year ended March 31, 2013, the Company sold all issued shares of its subsidiary, TCM Corporation that constituted the industrial vehicle business. Therefore, the Company has only a single segment that constitutes the construction machinery business.

2. Information about amounts of sales and income by each reportable segment

Third quarter ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

Since the Company has only a single segment that constitutes the construction machinery business, the segment information is out of the description from the first quarter ended June 30, 2013.

Third quarter ended December 31, 2012 (From April 1, 2012 to December 31, 2012)

(Millions of yen)

	Construction machinery business	Industrial vehicle business (Note2)	Total (Note1)
Net sales			
Net sales to outside customers	539,656	14,830	554,486
Inter-segment sales/transfers	—	—	—
Total	539,656	14,830	554,486
Segment income	28,248	74	28,322

(Note1): Segment income is in accordance with the operating income stated on the Consolidated Statements of Income.
(Note2): In the second quarter of the previous fiscal year ended March 31, 2013, the Company sold all issued shares of its subsidiary, TCM Corporation that constituted the industrial vehicle business. As a result, segment income of the industrial vehicle business only in the first quarter is included in the cumulative financial results of the fiscal year ending March 31, 2013.