

Hitachi Construction Machinery Co., Ltd.

Financial Results for the Second Quarter Cumulative

April 1 - September 30, 2011

**Consolidated Financial Results for the Second Quarter Cumulative (April 1 – September 30, 2011)
(Japan GAAP) (Non-audited)**

October 25, 2011

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

Stock exchange: Tokyo, Osaka (first section)

Code number: 6305

URL <http://www.hitachi-c-m.com/>

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Scheduled date for submission of the Quarterly Securities Report: November 10, 2011

Scheduled date of commencement of payment of dividends: November 30, 2011

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)

U.S. accounting standards are not applied.

1. Consolidated results for the Second Quarter ended September 2011 (April 1, 2011 to September 30, 2011)

(1) Consolidated results (Rounded off to the nearest million)

(The percentages (%) indicated are changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2011	364,901	5.4	20,443	66.7	17,837	48.9	5,481	76.6
Sep. 30, 2010	346,100	27.1	12,261	—	11,983	—	3,104	—

Note: Comprehensive income September 2011: (¥5,678 million) (— %) September 2010: (¥4,391 million) (— %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
Sep. 30, 2011	25.92	25.91
Sep. 30, 2010	14.68	14.67

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2011	952,218	339,958	31.2
Mar. 31, 2011	944,370	348,986	32.4

Note: Total equity September 2011: ¥297,528 million March 2011: ¥306,106 million

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year End	Total
	Yen	Yen	Yen	Yen	Yen
FY 2010	—	10.00	—	10.00	20.00
FY 2011	—	15.00			
FY 2011 (Projection)			—	15.00	30.00

Note: Changes from the last announced dividends status: None

3. Consolidated earnings forecast for the fiscal year ending March 2012 (April 1, 2011 to March 31, 2012)

(The percentages (%) indicated are changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2011	860,000	11.1	65,000	56.6	56,000	33.6

	Net income		Net income per share
	Millions of yen	%	Yen
FY 2011	23,000	107.4	108.76

Note: Changes from the last announced consolidated earnings forecast: Yes

For the changes, please refer to “Notice of Revised Earnings Forecasts” that we announced today, October 25, 2011.

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

4. Others

- (1) Important changes in scope of consolidation during period: None
- (2) Application of special accounting method: Yes
- (3) Changes in accounting policies; changes in accounting estimates; restatements
- | | |
|---|------|
| [1] Changes in accounting policies accompanying the revision of accounting standards: | None |
| [2] Changes other than those in [1]: | None |
| [3] Changes in accounting estimates: | None |
| [4] Restatements: | None |
- (4) Number of shares issued (common shares) at the end of the period
- | | | |
|--|-------------|-----------------------------|
| [1] Number of shares issued (including treasury shares) | | |
| September 2011: | 215,115,038 | March 2011: 215,115,038 |
| [2] Number of treasury shares at the end of the period | | |
| September 2011: | 3,632,985 | March 2011: 3,645,459 |
| [3] Average number of shares during the period (cumulative for all quarters) | | |
| September 2011: | 211,476,699 | September 2010: 211,425,119 |

Notes)

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 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) Qualitative Information concerning Consolidated Earnings Forecasts on page 9 of the attachment for conditions serving as assumptions for results forecasts.

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1. Qualitative Information concerning Consolidated Business Performance for the Term

(1) Qualitative Information concerning Consolidated Financial Results

[1] Overview of Business Results

During the consolidated second quarter under review (April 1, 2011 to September 30, 2011) (hereafter referred to as “the term”), while the Asian economy, led by Indonesia, grew steadily, the outlook for the global economy was increasingly uncertain due to concerns over the debt issues in Europe and the future of the U.S. economy as well as to the effects of financial tightening in China and India.

With respect to the market for construction machinery, despite the decrease in demand in China compared with the previous year, thanks to the increase in demand in other emerging nations and to the solid markets, especially in the rental business, in Japan and the United States, the overall demand for construction machinery remained the same as the previous year.

Under these circumstances, the HCM Group, in response to the strong demand in emerging nations especially in Asia, launched the new ZAXIS-5 Series, which meets the unique needs of the region, to further capture their demand. Also, we promoted product strategies including the release of the fuel-efficient new generation hybrid excavator NH200, which is able to meet the needs of various sites flexibly with practical performance.

With respect to mining machinery, with the strong demand for mining development in resource-rich countries, we promoted the sales of a series of dump trucks equipped with AC drives. We also founded a new finance company, jointly funded by Marubeni Corporation, in Australia to expand our menu for financial services. At Hitachi Construction Machinery Zambia Co., Ltd., the construction of the remanufacturing factory for mining machinery, which aims to respond to customers’ needs, is making good progress.

As a result, consolidated net sales increased by 5% year-on-year to ¥364,901 million but did not achieve the budget because of the decreasing unit sales due to the decreasing demand in China, appreciation of the yen compared to other currencies, etc.

As for operating income, it increased by 67% year-on-year to ¥20,443, thanks to increasing sales of parts and services especially for mining machinery, reduction of overhead costs, repression of increase in material costs, etc.

The following table summarizes the consolidated results for the term:

(100 millions of yen)

	2Q 2011 (A)	2Q 2010 (B)	Year-on-year change	
			(A) - (B)	(A)/(B) (%)
Net sales	3,649	3,461	188	105
Operating income	204	123	82	167
Ordinary income	178	120	59	149
Net income	55	31	24	177

Note: Figures under ¥100 million are rounded off.

[2] Overview of Consolidated Sales by Regional Segment

Japan

Japan quickly recovered its supply chain, which had been affected by the earthquake, minimizing the impact of the problem to its economy, and is on its way toward recovery. On the other hand, however, the chaos in the global financial markets and the impact of yen appreciation are drags on its economy.

Under these circumstances, the demand for hydraulic excavators, including their rental services, increased due to increasing waste disposal and other work especially in the three prefectures in Tohoku region severely affected by the Great East Japan Earthquake. We strove to expand the sales of the hybrid machinery released in July, the sales to rental

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companies, and the sales of industry-specific machinery used in non-civil engineering areas.

Consequently, consolidated net sales increased by 10% year-on-year to ¥88,198 million.

The Americas

The U.S. economy remains at a level of low growth level due to the low consumer spending and the slowdown in employment growth.

Demands for construction machinery continued to increase in accordance with the expansion and replacement of assets held by rental companies, etc.

Furthermore, we entered into an agreement with Deere & Company to found a joint venture for production in Brazil, where the demand for hydraulic excavators is expected to increase, to enter the market with full-scale operations.

Consequently, net sales increased by 56% year-on-year to ¥35,511 million.

Europe

European economic conditions remain uncertain due to the fiscal problems originating in Greece.

The demand for construction machinery remained solid in the United Kingdom, Germany and France.

Under these circumstances, we focused on expanding sales of machines including hydraulic and wheeled hydraulic excavators, mini excavators, and wheel loaders whose lineup was expanded, providing dealers with subtle support services. Furthermore, Hitachi Construction Machinery (Europe) N.V. started the operation of a new parts center in May, whose size is three times bigger in scale than its former parts center, to enhance its support services in response to the increasing demand for parts. The increasing sales of parts and services are contributing to the performance.

Consequently, net sales increased by 4% year-on-year to ¥32,781 million.

Russia-CIS, Africa, and the Middle East

In Russia and the CIS, infrastructure projects in accordance with the development of resources such as oil & gas and mining-related business showed steady growth.

Under these circumstances, we sought to expand the plan to support for dealers through Hitachi Construction Machinery Eurasia Sales LLC, which was established last year in Moscow. We also reached a basic agreement with Tver Oblast to establish a factory for production in Russia and completed the acquisition of the site for the factory, making progress in our plan to start local production.

In Africa, to accelerate entry into the northwestern African markets, we opened in Ghana the Sub-Sahara branch of Hitachi Construction Machinery Africa Pty, which started operation in September 2011. This branch will serve as a center for our business expansion into the mining market in western Africa including Ghana.

In southern Africa, to maintain and improve our competitiveness in the development of the mining market in the region, we started the construction of a remanufacturing factory for the mining machinery of Hitachi Construction Machinery Zambia Co., Ltd in December 2010 and are making good progress with the plan to start operation this year.

In Kenya, which we position as a core nation in the eastern African economy, we set up a new dealer. We will expand sales in Kenya and surrounding nations.

In the Middle and Near East, demand remained solid, thanks to the strong demand for resources and increasing overseas construction work for major contractors in Turkey.

In Iraq, we expanded sales by successfully increasing orders from government bodies.

The total net sales in Russia-CIS, Africa, and Middle and Near East increased by 1% year-on-year to ¥27,956 million.

Asia and Oceania

Economic conditions in Asia remained strong. The demand for construction machinery is growing in Asian countries especially in Singapore, in accordance with the increasing work for the development of their social infrastructure such as subway construction. We strove to enhance our competitiveness by introducing and establishing a strategic sales support system called Hi-STEP to increase sales and releasing new hydraulic excavators developed specifically for emerging nations. Especially in Indonesia, markets for forestry, palm oil and mining expanded continuously, which fueled near-record demand for construction machinery accompanied by increasing sales of services and parts. Under these conditions, P.T. Hitachi Construction Machinery Indonesia started to enhance its production capacity to maintain its high market share in the largest market in Asia.

In India, while the demand for hydraulic excavators continued to increase, as the government raised the interest rate to manage inflation, the demand for other machinery decreased, slowing overall demand. We strove to maintain a high market share and expand sales for increasing markets aggressively through Telco Construction Equipment Co., Ltd.

In Australia, we aimed to capture demand in the steadily growing mining market and, at the same time, focused on the expansion of sales of small- to medium-sized hydraulic excavators. With respect to the market for the mining industry, as well as sales of ultra-large hydraulic excavators, we strove to expand sales of services and parts for the mining industry, contributing to the increase of sales.

Consequently, net sales increased by 18% year-on-year to ¥112,266 million.

China

In China, due to the government's continued tight financial policy resulting in delays in the start of new construction, the demand for hydraulic excavators in China in the term decreased from the previous year.

Under these trends, we released key strategic machines to the market and, at the same time, introduced a parts and sales management system and continued to enhance collaborative relationships with dealers utilizing the Global e-Service system, etc., to increase our market presence.

Consequently, net sales decreased by 23% year-on-year to ¥68,189 million.

The following table summarizes consolidated net sales by geographic area:

Consolidated Net Sales by Geographic Area

(Millions of yen)

	2Q, current fiscal year (April 1, 2011- September 30, 2011)		2Q, previous fiscal year (April 1, 2010- September 30, 2010)		Increase (Decrease) year-on-year	
	Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	35,511	9.7	22,778	6.6	12,733	55.9
Europe	32,781	9.0	31,549	9.1	1,232	3.9
Russia-CIS, Africa, and the Middle East	27,956	7.6	27,791	8.0	165	0.6
Asia and Oceania	112,266	30.8	94,955	27.4	17,311	18.2
China	68,189	18.7	89,208	25.8	(21,019)	(23.6)
Sub-total	276,703	75.8	266,281	76.9	10,422	3.9
Japan	88,198	24.2	79,819	23.1	8,379	10.5
Total	364,901	100.0	346,100	100.0	18,801	5.4

[3] Overview of Consolidated Net Sales by Business Segment

(a) Construction Machinery Business

Regarding construction-related machinery, in addition to the ZAXIS-3 series of hydraulic excavators and the ZW series of wheel loaders, our core products, we strove to expand sales of ZAXIS-3G, model targeted at emerging nations. Also, we launched the ZAXIS-5 series of hydraulic excavators sequentially to meet the unique regional needs of each market.

In addition, we developed and launched sales of a new-generation hybrid excavator, the ZH200, which combines a newly developed hybrid system with the new hydraulic system TRIAS-HX.

In machinery for resource development, we made efforts to expand sales of new products such as the EX-6 series of ultra-large hydraulic excavators as well as the Electric-Drive series of ultra-large hydraulic excavators, which use external electric supplies. As for the mining dump trucks that realize high driving performance using AC electric-drive systems, we are successfully acquiring orders and increasing sales. In addition, the parts and services business for the mining industry continued to grow, contributing to sales increase.

Consequently, net sales increased by 5% year-on-year to ¥333,063 million.

(b) Industrial Vehicles Business

As for our core product forklifts, sales remained strong in the second quarter as in the first quarter based on the solid demand in regions including Japan, Europe and Russia-CIS.

In order to further enhance sales as well as parts and services operations, we founded a joint venture TCM Forklift (M) Sdn. Bhd aiming for sales increase with speedy supply.

Consequently, net sales increased by 11% year-on-year to ¥31,838 million.

(2) Qualitative Information concerning Consolidated Financial Position

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the second quarter amounted to ¥639,478 million, an increase of 2.2%, or ¥13,783 million from the previous fiscal year-end. This was due mainly to a decrease of ¥28,838 million in the total of notes and accounts receivable, lease receivables and investment assets and, to the contrary, an increase of ¥50,970 million in inventories.

Non-current assets declined 1.9%, or ¥5,935 million from the end of the previous fiscal year to ¥312,740 million.

As a result, total assets increased 0.8% or ¥7,848 million from the previous fiscal year-end to ¥952,218 million.

Liabilities

Current liabilities at the end of the second quarter amounted to ¥394,995 million, an increase of 4.8%, or ¥18,170 million from the previous fiscal year-end. This was due mainly to an increase of ¥10,700 million in notes and accounts payable and an increase of ¥8,014 million in short-term loans.

Non-current liabilities decreased 0.6%, or ¥1,294 million from the previous fiscal year-end to ¥217,265 million.

As a result, total liabilities increased 2.8% or ¥16,876 million from the previous fiscal year-end to ¥612,260 million.

Net Assets

Net assets, including minority interests, decreased 2.6%, or ¥9,028 million from the previous fiscal year-end to ¥339,958 million despite the net income in the term amounting to ¥5,481 million. This was mainly due to the effect of dividends paid and foreign currency translation adjustment, etc.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the term totaled ¥55,644 million, a decrease of ¥19,066 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

Cash Flows from Operating Activities

Net cash used in operating activities in the term totaled ¥10,713 million, an increase of ¥16,732 million compared with the same period of the previous fiscal year.

Factors that increased cash included net income before income taxes and minority interests in the term amounting to ¥17,355 million, ¥18,864 million in depreciation and amortization, and a decrease of ¥26,226 million in accounts payable. Factors that decreased cash included an increase of ¥65,876 million in inventories, and ¥9,221 million of income taxes paid, etc.

Cash Flows from Investing Activities

Net cash used in investing activities in the term was ¥14,608 million, an increase of ¥3,405 million compared with the same period of the previous fiscal year. This was due mainly to spending of ¥11,022 million in acquisitions of property, plant and equipment to enhance 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 outflow of ¥25,321 million.

Cash Flows from Financing Activities

Net cash provided by financing activities in the term totaled ¥10,605 million. This was due mainly to the proceeds of ¥22,732 million from short- and long-term loans and, on the other hand, ¥5,588 million in interest paid, and ¥5,167 million in dividends paid, etc.

(3) Qualitative Information concerning Consolidated Earnings Forecasts

Although global demand for hydraulic excavators has been growing especially in Japan, Asia, etc., given the decrease in demand in China, overall demand for Fiscal 2011 is expected to decrease from the forecast previously announced on July 27, 2011 by 16,000 units to 229,000 units.

Given the decrease in net sales in China and appreciation of the yen, net sales are expected to decrease from the previous forecast. As for the profits, with further reduction in costs and improvement in selling prices, there is no change from the previous forecast.

These projections assume exchange rates of ¥77 to the U.S. dollar, ¥105 to the euro, and ¥12.0 to the Chinese yuan in and after the third quarter. Previously, we assumed exchange rates of ¥80 to the U.S. dollar, ¥110 to the euro, and ¥12.5 to the Chinese yuan, as of July 27.

2. Notes on Summary Information (Other)

(1) Important changes in scope of 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 term 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 this results in an unreasonable result, we use the effective statutory tax rate.

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: None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second-Quarter As of Sep. 30, 2011 (A)	Previous year-end As of Mar. 31, 2011 (B)	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	54,871	67,650	(12,779)
Notes and accounts receivable	166,525	184,450	(17,925)
Lease receivables and investment assets	119,196	130,109	(10,913)
Merchandise and manufactured goods	154,440	130,151	24,289
Work in process	65,601	40,235	25,366
Material and supplies	23,729	22,414	1,315
Other	59,980	55,715	4,265
Less: Allowance for doubtful accounts	(4,864)	(5,029)	165
Total current assets	639,478	625,695	13,783
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	40,566	40,412	154
Buildings and structures (net)	63,606	66,296	(2,690)
Machinery, equipment and vehicles (net)	44,436	46,559	(2,123)
Tools, furniture and fixtures (net)	5,748	5,093	655
Land	58,921	58,966	(45)
Construction in progress	11,399	7,058	4,341
Net property, plant and equipment	224,676	224,384	292
Intangible assets			
Software	19,938	19,737	201
Goodwill	21,522	25,011	(3,489)
Other	1,425	1,540	(115)
Total intangible assets	42,885	46,288	(3,403)
Investments and other assets			
Investments in securities	17,666	19,646	(1,980)
Other	28,415	29,517	(1,102)
Less: Allowance for doubtful accounts	(902)	(1,160)	258
Total investments and other assets	45,179	48,003	(2,824)
Total non-current assets	312,740	318,675	(5,935)
Total assets	952,218	944,370	7,848

(Rounded off to the nearest million)

(Millions of yen)

	Second-Quarter As of Sep. 30, 2011 (A)	Previous year-end As of Mar. 31, 2011 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	161,018	150,318	10,700
Short-term loans	154,527	146,513	8,014
Current portion of bonds	210	210	0
Income taxes payable	15,328	15,774	(446)
Provision for loss on disaster	275	1,204	(929)
Other	63,637	62,806	831
Total current liabilities	394,995	376,825	18,170
Non-current liabilities			
Bonds	50,065	50,070	(5)
Long-term loans	130,835	130,975	(140)
Retirement and severance benefits	11,734	11,483	251
Other	24,631	26,031	(1,400)
Total non-current liabilities	217,265	218,559	(1,294)
Total liabilities	612,260	595,384	16,876
Net assets			
Shareholder's equity			
Common stock	81,577	81,577	0
Capital surplus	84,462	84,466	(4)
Retained earnings	169,345	165,980	3,365
Treasury stock	(4,511)	(4,526)	15
Total shareholders' equity	330,873	327,496	3,377
Accumulated other comprehensive income			
Net unrealized gain on securities	2,462	3,772	(1,310)
Deferred gains (losses) on hedges	952	(595)	1,547
Foreign currency translation adjustment	(36,759)	(24,567)	(12,192)
Total accumulated other comprehensive income (loss)	(33,345)	(21,390)	(11,955)
Subscription rights to shares	766	766	0
Minority interests	41,664	42,114	(450)
Total net assets	339,958	348,986	(9,028)
Total liabilities and net assets	952,218	944,370	7,848

(Rounded off to the nearest million)

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

Consolidated Statements of Income

	Second-Quarter 〔 Six months ended Sep. 30, 2011 (A) 〕	Second-Quarter 〔 Six months ended Sep. 30, 2010 (B) 〕	(A)/(B)×100 (%)
			%
Net sales	364,901	346,100	105
Cost of sales	268,557	264,281	102
Gross profit	96,344	81,819	118
Selling, general and administrative expenses			
Packing and shipping expenses	11,218	9,244	121
Employees' salaries	20,939	19,765	106
R&D expenditure	7,362	7,841	94
Other	36,382	32,708	111
Total selling, general and administrative expenses	75,901	69,558	109
Operating income	20,443	12,261	167
Non-operating income			
Interest income	1,773	1,320	134
Interest income from installment sales	186	323	58
Dividends income	119	103	116
Gain on equity in earnings of affiliated companies	130	458	28
Foreign exchange gains, net	0	1,173	-
Other	2,709	2,650	102
Total non-operating income	4,917	6,027	82
Non-operating expenses			
Interest expenses	5,533	4,363	127
Loss on equity in earnings of affiliated companies	1,211	0	-
Other	779	1,942	40
Total non-operating expenses	7,523	6,305	119
Ordinary income	17,837	11,983	149
Extraordinary losses			
Losses on adjustment for changes of accounting standard for asset retirement obligations	0	203	-
Business structure improvement expenses	0	287	-
Loss on valuation of investment securities	263	0	-
Retirement benefit expenses	219	0	-
Total extraordinary losses	482	490	98
Income before income taxes and minority interests	17,355	11,493	151
Total income tax	8,150	4,645	175
Income before minority interests	9,205	6,848	134
Minority interests	3,724	3,744	99
Net income	5,481	3,104	177

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second-Quarter [Six months ended Sep. 30, 2011 (A)]	Second-Quarter [Six months ended Sep. 30, 2010 (B)]	(A)/(B)×100 (%)
			%
Income before minority interests	9,205	6,848	134
Other comprehensive income			
Net unrealized gain (loss) on securities	(1,290)	603	-
Deferred gains on hedges	1,545	486	318
Foreign currency translation adjustment	(15,147)	(11,841)	-
Share of other comprehensive income (loss) of companies accounted for by the equity-method	9	(487)	-
Total other comprehensive income (loss)	(14,883)	(11,239)	-
Comprehensive income (loss)	(5,678)	(4,391)	-
Comprehensive income (loss) attributable to shareholders of the Company	(6,474)	(5,974)	-
Comprehensive income attributable to minority interests	796	1,583	50

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Second-Quarter 〔 Six months ended 〕 Sep. 30, 2011	Second-Quarter 〔 Six months ended 〕 Sep. 30, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	17,355	11,493
Depreciation and amortization	18,864	18,213
Decrease in allowance for doubtful accounts	(131)	(963)
Interest and dividends income	(1,892)	(1,423)
Interest expenses	5,533	4,363
Gains on equity earnings of affiliated companies	(130)	(458)
Decrease (Increase) in notes and accounts receivable	4,360	(2,892)
Decrease (Increase) in lease receivables and investment assets	4,211	(26,076)
Increase in inventories	(65,876)	(9,279)
Purchase of property held for lease	(7,763)	(5,903)
Sales of property held for lease	1,616	1,782
Increase in notes and accounts payable	26,226	15,778
Gains on sales of property, plant and equipment	(574)	(1,444)
Other, net	(3,291)	11,219
Sub-total	(1,492)	14,410
Income taxes paid	(9,221)	(8,391)
Net cash provided by (used in) operating activities	(10,713)	6,019
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(11,022)	(8,037)
Purchase of intangible assets	(2,511)	(2,204)
Purchase of investments in securities	(756)	(1,382)
Interest and dividends received	2,114	1,540
Dividends received from affiliated companies	58	41
Other, net	(2,491)	(1,161)
Net cash used in investing activities	(14,608)	(11,203)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	21,935	(19,643)
Proceeds from long-term loans	18,991	39,766
Repayments of long-term loans	(18,194)	(11,453)
Repayments of lease obligations	(1,415)	(915)
Redemption of bonds	(5)	(5)
Interest paid	(5,588)	(4,347)
Dividends paid to shareholders	(2,117)	(1,057)
Dividends paid to minority shareholders by subsidiaries	(3,050)	(3,257)
Proceeds from issuance of common stocks to minority shareholders by subsidiaries	31	0
Proceeds from disposal of treasury stock	13	20
Purchase of treasury stock	(1)	(3)
Other, net	5	2
Net cash provided by (used in) financing activities	10,605	(892)
Effect of exchange rate changes on cash and cash equivalents	(4,350)	(4,809)
Net increase (decrease) in cash and cash equivalents	(19,066)	(10,885)
Cash and cash equivalents at beginning of year	74,710	57,314
Cash and cash equivalents at end of period	55,644	46,429

(Rounded off to the nearest million)

(4) Notes on the Preconditions for a Going Concern: None

(5) Segment Information

A. Reportable segment information

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance. The Company has established business groups organized by product and service in its headquarters, and each business group formulates comprehensive strategies and promotes business activities both domestically and overseas. Based on the business groups above, the Company is organized according to product and service segments, and the following two are the reporting segments: the construction machinery business and the industrial vehicle business. The construction machinery business produces hydraulic excavators, ultra-large excavators, wheel loaders, and crawler cranes, while the industrial vehicle business produces forklifts and skid steer loaders.

B. Information about amounts of sales and income (loss) by each reportable segment

Second quarter ended September 30, 2011 (From April 1, 2011 to September 30, 2011) (Millions of yen)

	Construction machinery business	Industrial vehicles business	Total (Note)
Net sales			
Net sales to outside customers	333,063	31,838	364,901
Inter-segment sales/transfers	0	0	0
Total	333,063	31,838	364,901
Segment income	19,677	766	20,443

Second quarter ended September 30, 2010 (From April 1, 2010 to September 30, 2010) (Millions of yen)

	Construction machinery business	Industrial vehicles business	Total (Note)
Net sales			
Net sales to outside customers	317,495	28,605	346,100
Inter-segment sales/transfers	0	0	0
Total	317,495	28,605	346,100
Segment income	11,572	689	12,261

Note: Segment income is in accordance with the operating income stated on the Consolidated Statements of Income.

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