Hitachi Construction Machinery Co., Ltd.

Financial Results for the Second Quarter
Ended September 30, 2013

Consolidated Financial Results for the Second Quarter Ended September 30, 2013 (Japan GAAP) (Non-audited)

October 28, 2013

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: November 8, 2013
Scheduled date of commencement of payment of dividends: November 29, 2013
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 2013 (April 1, 2013 to September 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2013	373,744	(0.8)	25,037	19.6	16,752	22.0	10,699	(33.6)
September 30, 2012	376,866	3.3	20,941	2.4	13,728	(23.0)	16,108	193.9

Note: Comprehensive income September 2013: ¥24,081 million (261.9 %) September 2012: (¥6,654 million) (— %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
September 30, 2013	50.38	50.37
September 30, 2012	76.04	76.04

Note) 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	%
September 30, 2013	1,083,529	420,930	33.7
March 31, 2013	1,099,901	416,671	32.8

Note: Total equity September 2013: ¥365,434 million March 2013: ¥361,163million

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 states 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 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)

September 2013: 215,115,038 March 2013: 215,115,038

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

September 2013: 2,678,407 March 2013: 3,206,607

[3] Average number of shares during the period (cumulative for all quarters)

September 2013: 212,347,709 September 2012: 211,822,113

*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, and the company does not commit to achieve the performance. 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.

Index of the Attachment

1. Qualitative Information concerning Consolidated Business Performance

(1) Explanation Concerning Financial Results

[1] Overview of Business Results

In the international economy during the consolidated second quarter under review (April 1, 2013 to September 30, 2013), the Japanese Economy has been showing signs of a moderate recovery due to a continued depreciation of the Yen and an increase in exports, while growth of both exports and production in the Chinese economy has also been picking up. Although the US economy has gradually recovered, anxiety over the future course of the economy still remains, such as the impact of the financial problem. Though it varies by region, the European economies as a whole, which experienced continuing economic sluggishness, have been showing signs that the fall is coming to an end. On the other hand, the Southeast Asia and Indian economies have slowed down against the backdrop of downturn in the export and currency depreciation.

With respect to the market for construction machinery including hydraulic excavators, in Japan, the demand increased significantly due to an increase in housing starts and public investments including rehabilitation demand. China, which used to suffer a sharp downturn in the demand, has been showing a recovering trend due to an increase in infrastructure investment. On the other hand, the demand in Indonesia and India fell dramatically.

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

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

As for construction machinery, while we attempted to expand the sales of a new type of machine that responds to emission regulations in Japan, we launched a new service menu called “ConSite” that provides comprehensive support to the customers for their machines. In the overseas market, while we attempted to enhance the relationship with dealers, we expanded the sales and product lineup according to local specific needs.

With respect to the mining machinery, we have been continuing to focus on activities to obtain orders in the countries that show a relatively steady increase in the demand, such as Russia-CIS etc.

As a result, because all shares of the TCM Corporation were sold and excluded from the consolidated result after the second quarter consolidated accounting period of the previous year, consolidated sales decreased by 1% year-on-year to 373,744 million yen. Although there was the decrease of the sales for mining machinery, operating income increased by 20% year-on-year to 25,037 million yen, due to the increase of sales in China and material cost reduction etc. Ordinary income increased by 22% year-on-year to 16,752 million yen.

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

(Millions of yen)

	September 2013 (A)	September 2012 (B)	Year-on-year change (A)-(B)	Year-on-year change (A)/(B)-1 (%)
Net sales	373,744	376,866	(3,122)	(0.8)
Operating income	25,037	20,941	4,096	19.6
Ordinary income	16,752	13,728	3,024	22.0
Net income	10,699	16,108	(5,409)	(33.6)

(Rounded off to the nearest million)

[2] Overview of Consolidated Sales by Regional Segment

Japan

The demand for construction machinery solidly increased with the increase in housing starts, and public investment including rehabilitation demand.

Under these circumstances, Hitachi Construction Machinery Japan Co., Ltd. advanced efforts to provide total support for customers including efficiency improvement, rationalization, and cost reduction etc., in their construction work through the integrated RSS system (Rental-Sales-Service), and increased sales from the expansion of multiple transactions obtained from the system. We also attempted to increase the customer satisfaction level through the RSS point return system.

Consequently, because all shares of TCM Corporation were sold and excluded from the consolidated result after the second quarter consolidated accounting period of the previous year, net sales increased by 12% year-on-year to 102,133 million yen.

The Americas

Though the US economy has some positive trends such as a moderate increase in consumer spending and a recovery of capital spending, the public investment continued to decrease.

As for demand in construction machinery, since the increase ratio of the demand has been slowing, it is expected to maintain the same level as the same of the previous year.

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

Deere-Hitachi Construction Machinery Corporation, a manufacturing base in North America, completed the production capacity increase last year, and because it enables us to supply production parts instead of finished machinery, and adjust the supply count assuming a decrease in the future demand growth ratio, net sales decreased by 30% year-on-year to 41,780 million yen.

Europe

Although signs of an economic upturn have been seen in the UK, Germany, and France, the European economies as a whole are still suffering from an economic slump and their future is unpromising.

As for the demand for construction machinery in Europe, some parts of the West European regions have been showing a slight upturn, and the European demand as a whole have been showing signs of having bottomed out.

Under these trends, while we focused on the enhancement of dealer support, we promoted the expansion of sales of fuel-efficient hydraulic excavators and product line up of wheel loaders.

Net sales increased by 18% year-on-year to 34,343 million yen.

Russia-CIS, Africa, and the Middle East

The economy of Russia has been slowing down since the latter half of the previous consolidated fiscal year, and it continues to follow a decelerating trend.

Under the circumstance in which the demand for construction machinery falls short of the same period of last year, we will continue strengthening the support system for dealers through Hitachi Construction Machinery Eurasia Sales LLC, and also advance the preparation for launching local production in a new plant site in Russia.

In Africa, we promoted sales in South Africa and neighboring nations. And in Northwest

Africa, we are strengthening sales and service for construction-related machines in cooperation with dealers.

Turning to the Middle East, we continued to focus on increasing sales from large-scale construction projects of major Turkish contractors etc.

Consequently, the total net sales of Russia-CIS, Africa, and the Middle East regions increased by 19% year-on-year to 38,424 million yen.

Asia and Oceania

In Indonesia, mining machinery demand slowed down due to coal demand drop, and the demand for the machinery for forestry and palm oil also remained stagnant. Demand in Thailand and Malaysia also decreased compared to the same period of the previous year in which the demand was strong.

In India, economic growth followed a decelerating trend, and construction machinery demand has also markedly decreased.

Under these trends, Tata Hitachi Construction Machinery Company Limited promoted actions to increase sales of new types of machines, and maintained high market share in the hydraulic excavators market.

In Australia, as we tried to focus on the LNG project and capture the rental business demand, we attempted to increase sales of new model mini excavators; however, the demand in the region was largely affected by the mining-related decline, due to a continued slowdown in the resources demand.

Consequently, net sales decreased by 18% year-on-year to 103,984 million yen.

China

Signs of improvement can be seen in the Chinese economy such as a robust increase in consumer spending and continued expansion of production triggered by the economic measures.

The demand for construction machinery exceeded the result of the same period of the previous year, and it was mainly due to an increase in the demand for urbanization work in the rural areas and an increase in infrastructure investment.

Under these circumstances, while the HCM group introduced a strategic model with strong emphasis on the market, we aimed to increase our presence in the market by realizing fully-fledged use of a service/ parts and sales management system, and enhancing collaborative relationships with dealers via close connection with the “Global e-Serve” system.

Consequently, net sales increased by 42% year-on-year to 53,080 million yen.

The following table summarizes the consolidated net sales by region:

(Millions of yen)

	Current fiscal year (April 1, 2013 - September 30, 2013)		Previous fiscal year (April 1, 2012 - September 30, 2012)		Increase (Decrease)	
	Net sales	Proportion (%)	Net sales	Proportion (%)	Amount of change	% change
The Americas	41,780	11.2	59,591	15.8	(17,811)	(29.9)
Europe	34,343	9.2	29,187	7.7	5,156	17.7
Russia-CIS, Africa, the Middle East	38,424	10.3	32,221	8.6	6,203	19.3
Asia and Oceania	103,984	27.8	127,220	33.8	(23,236)	(18.3)
China	53,080	14.2	37,425	9.9	15,655	41.8
Sub-total	271,611	72.7	285,644	75.8	(14,033)	(4.9)
Japan	102,133	27.3	91,222	24.2	10,911	12.0
Total	373,744	100.0	376,866	100.0	(3,122)	(0.8)

(Rounded off to the nearest million)

(2) Explanation concerning Financial Position

[1] Status of Assets, Liabilities and Net Assets

Assets

Current assets at the end of the second quarter amounted to 718,557 million yen, a decrease of 2.1%, or 15,262 million yen from the previous fiscal year-end. This was due mainly to a decrease of 33,367 million yen in the total of receivables (notes and accounts receivables and lease receivables and investment assets), and an increase of 6,862 million yen in inventory.

Non-current assets declined 0.3%, or 1,110 million yen from the end of the previous fiscal year to 364,972 million yen.

As a result, total assets decreased 1.5% or 16,372 million yen from the previous fiscal year-end to 1,083,529 million yen.

Liabilities

Current liabilities at the end of the second quarter amounted to 453,194 million yen, an increase of 1.3%, or 5,939 million yen from the previous fiscal year-end. This was due mainly to an increase in the current portion of bonds of 30,000 million yen, and short-term loans of 11,011 million yen, and a decrease in notes and accounts payable of 19,422 million yen.

Non-current liabilities decreased 11.3%, or 26,570 million yen from the previous fiscal year-end to 209,405 million yen. This was due mainly to a decrease of 30,000 million yen in corporate bonds.

As a result, total liabilities decreased 3.0%, or 20,631 million yen from the previous fiscal year-end to 662,599 million yen.

Net assets

Net assets including minority interests increased by 1.0%, or 4,259 million yen from the previous fiscal year-end to 420,930 million yen. This was due to that although 13,705 million yen of remeasurements of defined benefit plans, there was an effect of quarterly net income of 10,699 million yen, and a 6,447 million yen increase of foreign currency translation adjustment as well as a 1,486 million yen increase of net unrealized gains on securities.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the second quarter totaled 66,726 million yen, an increase of 104 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 second quarter totaled 30,464 million yen, a difference of 4,323 million yen compared with the second quarter of the previous fiscal year.

Factors that increased cash included net income before income taxes and minority interests in the second quarter amounting to 18,896 million yen, 18,449 million yen in depreciation and amortization, a 39,736 million yen decrease in total of notes and accounts receivables (including lease receivables). Factors that reduced cash included a 21,083 million yen decrease in notes and accounts payable, a 5,488 million yen increase in inventory as well as 11,809 million yen of income taxes paid, etc.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the second quarter was 25,123 million yen, as it was increased by 13,727 million yen compared with the second quarter of the previous fiscal year. This was due mainly to that although the spending to enhance production capacity was almost equal to that in the second quarter of the previous year, there was a 29,297 million yen decrease in sales of investments in subsidiaries resulting in change in scope of consolidation, and an 8,554 million yen decrease in the spending for purchase of investment securities.

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 5,341million yen.

(Cash Flows from Financing Activities)
Net cash used in financing activities in the second quarter totaled 6,625 million yen and it was decreased by 23,137 million yen compared to the second quarter of the previous fiscal year. This was due mainly to the amount received for net repayment of 4,620 million yen in short-term and long-term loans, 4,606 million yen in interest paid, and 6,399 million yen in dividends paid to sharehlolders etc.

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

In the global demand of hydraulic excavators, although the demand increase is expected in Japan and Western Europe, because of the decelerating trend in Asia and lower demand increase ratio in North America, we assume that actual global demand will stay flat from the global demand forecast announced in July 2013. As for the demand for mining machinery this year, we forecast that it will be decreased by 35% from the last year.

As for the consolidated earnings forecast, although we assume a decrease in mining-related sales, by taking into account the sales increase in Japan, China, Russia-CIS and the sales increase in the cranes business as well as increase in business efficiency including material cost reduction, and 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 First Quarter Ended June 30, 2013” announced on July 29th, 2013,

The currency exchange rate from the third quarter has been changed from 94 JPY for 1USD (estimated as of July 29th) to 95 JPY for 1USD, from 123 JPY for 1 EUR (estimated as of July 29th) to 125 JPY for 1 EUR, and from 15.2 JPY for 1 RMB (estimated as of July 29th) to 15.6 JPY for 1 RMB.

2. Notes on Summary Information

(1) Important changes in the 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 second 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 and retained earnings increased ¥953 million. 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter (As of Sep. 30, 2013 (A))	Previous fiscal year-end (As of Mar. 31, 2013 (B))	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	65,905	62,640	3,265
Notes and accounts receivable	183,241	204,918	(21,677)
Lease receivables and investment assets	91,598	103,288	(11,690)
Merchandise and manufactured goods	246,473	239,643	6,830
Work in process	54,420	54,125	295
Materials and supplies	20,880	21,143	(263)
Other	64,826	56,011	8,815
Less: Allowance for doubtful accounts	(8,786)	(7,949)	(837)
Total current assets	718,557	733,819	(15,262)
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	45,835	42,791	3,044
Buildings and structures (net)	86,065	86,531	(466)
Machinery, equipment and vehicles (net)	64,953	62,770	2,183
Tools, furniture and fixtures (net)	6,393	6,449	(56)
Land	56,706	55,544	1,162
Construction in progress	19,945	17,110	2,835
Net property, plant and equipment	279,897	271,195	8,702
Intangible assets			
Software	16,919	17,802	(883)
Goodwill	7,835	10,457	(2,622)
Other	4,516	4,402	114
Total intangible assets	29,270	32,661	(3,391)
Investments and other assets			
Investments in securities	33,076	27,086	5,990
Other	23,033	35,658	(12,625)
Less: Allowance for doubtful accounts	(304)	(518)	214
Total investments and other assets	55,805	62,226	(6,421)
Total non-current assets	364,972	366,082	(1,110)
Total assets	1,083,529	1,099,901	(16,372)

(Rounded off to the nearest million)

(Millions of yen)

	Second quarter As of Sep. 30, 2013 (A)	Previous fiscal year-end As of Mar. 31, 2013 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	129,706	149,128	(19,422)
Short-term loans	203,832	192,821	11,011
Current portion of bonds	30,000	−	30,000
Income taxes payable	15,450	14,563	887
Other	74,206	90,743	(16,537)
Total current liabilities	453,194	447,255	5,939
Non-current liabilities			
Bonds	20,000	50,000	(30,000)
Long-term loans	150,378	150,281	97
Retirement and severance benefits	−	8,913	(8,913)
Net defined benefit liability	13,158	−	13,158
Other	25,869	26,781	(912)
Total non-current liabilities	209,405	235,975	(26,570)
Total liabilities	662,599	683,230	(20,631)
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	−
Capital surplus	84,876	84,500	376
Retained earnings	207,193	199,779	7,414
Treasury stock	(3,327)	(3,982)	655
Total shareholders' equity	370,319	361,874	8,445
Accumulated other comprehensive income			
Net unrealized gains on securities	4,542	3,056	1,486
Deferred losses on hedges	(725)	(2,323)	1,598
Foreign currency translation adjustments	5,003	(1,444)	6,447
Remeasurements of defined benefit plans	(13,705)	−	(13,705)
Total accumulated other comprehensive income	(4,885)	(711)	(4,174)
Subscription rights to shares	766	766	−
Minority interests	54,730	54,742	(12)
Total net assets	420,930	416,671	4,259
Total liabilities and net assets	1,083,529	1,099,901	(16,372)

(Rounded off to the nearest million)

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Second quarter (Six months ended Sep. 30, 2013 (A))	Second quarter (Six months ended Sep. 30, 2012 (B))	(A)/(B)×100 (%)
			%
Net sales	373,744	376,866	99
Cost of sales	269,723	279,512	96
Gross profit	104,021	97,354	107
Selling, general and administrative expenses			
Packing and shipping expenses	9,163	9,968	92
Employees' salaries	19,204	21,024	91
R&D expenses	8,315	7,966	104
Other	42,302	37,455	113
Total selling, general and administrative expenses	78,984	76,413	103
Operating income	25,037	20,941	120
Non-operating income			
Interest income	1,366	1,258	109
Interest income from installment sales	152	124	123
Dividends income	151	121	125
Other	2,134	2,610	82
Total non-operating income	3,803	4,113	92
Non-operating expenses			
Interest expenses	4,754	6,083	78
Losses on equity in earnings of affiliated companies	127	108	118
Foreign exchange losses, net	6,309	2,429	260
Other	898	2,706	33
Total non-operating expenses	12,088	11,326	107
Ordinary income	16,752	13,728	122
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	18,896	22,332	85
Total income tax	5,307	3,891	136
Income before minority interests	13,589	18,441	74
Minority interests	2,890	2,333	124
Net income	10,699	16,108	66

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter (Six months ended Sep. 30, 2013 (A))	Second quarter (Six months ended Sep. 30, 2012 (B))	(A)/(B)×100 (%)
			%
Income before minority interests	13,589	18,441	74
Other comprehensive income (loss)			
Net unrealized gains (losses) on securities	1,481	(2,526)	-
Deferred losses on hedges	1,572	2,725	58
Foreign currency translation adjustments	4,584	(11,507)	-
Remeasurements of defined benefit plans	553	-	-
Share of other comprehensive income of companies accounted for by the equity method	2,302	(479)	-
Total other comprehensive income (loss)	10,492	(11,787)	-
Comprehensive income	24,081	6,654	362
Comprehensive income attributable to shareholders of the Company	20,791	6,784	306
Comprehensive income (loss) attributable to minority interests	3,290	(130)	-

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Second quarter [Six months ended Sep. 30, 2013]	Second quarter [Six months ended Sep. 30, 2012]
Cash flows from operating activities		
Income before income taxes and minority interests	18,896	22,332
Depreciation and amortization	18,449	17,404
Changes in allowance for doubtful accounts	588	1,633
Interest and dividends income	(1,669)	(1,379)
Interest expenses	4,754	6,083
Losses on equity in earnings of affiliated companies	127	108
Decrease in notes and accounts receivable	26,402	39,326
Decrease in lease receivables and investment assets	13,334	11,992
Increase in inventories	(5,488)	(38,900)
Purchase of property held for lease	(8,337)	(7,673)
Sales of property held for lease	1,826	1,043
Decrease in notes and accounts payable	(21,083)	(2,447)
Gains on sales of property, plant and equipment	(3,519)	(840)
Other, net	(2,007)	(8,699)
Sub-total	42,273	39,983
Income taxes paid	(11,809)	(13,842)
Net cash provided by (used in) operating activities	30,464	26,141
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(24,719)	(23,686)
Proceeds from sales of property, plant and equipment	2,339	575
Purchase of intangible assets	(1,582)	(1,243)
Purchase of investment securities	(2,587)	(11,141)
Proceeds from sales of investments in subsidiaries resulting in securities	-	604
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	1,804	1,527
Dividends received from affiliated companies	-	30
Other, net	473	(7,359)
Net cash provided by (used in) investing activities	(25,123)	(11,396)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	10,882	(8,420)
Proceeds from long-term loans	14,668	16,073
Repayments of long-term loans	(20,930)	(24,728)
Repayments of lease obligations	(325)	(2,039)
Redemption of bonds	-	(70)
Interest paid	(4,606)	(5,959)
Dividends paid to shareholders	(4,236)	(3,175)
Dividends paid to minority shareholders by subsidiaries	(2,163)	(2,941)
Proceeds from stock issuance to minority shareholders	-	1,491
Proceeds from disposal of treasury stock	87	6
Purchase of treasury stock	(2)	(0)
Other, net	-	0
Net cash provided by (used in) financing activities	(6,625)	(29,762)
Effect of exchange rate changes on cash and cash equivalents	1,388	(3,518)
Net increase (decrease) in cash and cash equivalents	104	(18,535)
Cash and cash equivalents at beginning of year	66,622	81,059
Cash and cash equivalents at end of period	66,726	62,524

(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

Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 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.

Second quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)

(Millions of yen)

	Construction machinery business	Industrial vehicle business (Note2)	Total (Note1)
Net sales			
Net sales to outside customers	362,036	14,830	376,866
Inter-segment sales/transfers	—	—	—
Total	362,036	14,830	376,866
Segment income	20,867	74	20,941

(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.