

Hitachi Construction Machinery Co., Ltd.

**Financial Results for the Second Quarter
Ended September 30, 2014**

Consolidated Financial Results for the Second Quarter Ended September 30, 2014 (Japan GAAP)

October 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/global/>

Representative: Yuichi Tsujimoto, President and Chief Executive Officer

Scheduled date for submission of the Quarterly Securities Report: November 10, 2014

Scheduled date of commencement of payment of dividends: November 28, 2014

Supplementary materials to the financial statements have been prepared: Yes

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

U.S. Accounting Standards are not applied.

1. Consolidated results for the second quarter ended September 2014 (April 1, 2014 to September 30, 2014)

(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, 2014	389,142	4.1	25,364	1.3	24,919	48.8	11,125	4.0
September 30, 2013	373,744	(0.8)	25,037	19.6	16,752	22.0	10,699	(33.6)

Note: Comprehensive income September 2014: ¥26,151 million (8.6%) September 2013: ¥24,081 million (261.9%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
September 30, 2014	52.35	52.34
September 30, 2013	50.38	50.37

References: Percentages indicated for net sales, operating income, ordinary income and net income are increases (decreases) compared with the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2014	1,094,051	467,158	36.8
March 31, 2014	1,087,191	447,640	35.7

Reference: Total equity September 2014: ¥403,056 million March 2014: ¥388,381 million

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2014	—	25.00	—	25.00	50.00
March 31, 2015	—	30.00			
March 31, 2015 (Projection)			—	30.00	60.00

Note: Changes involving the dividend states for the fiscal year ending March 2015: None

3. Projected consolidated results for the fiscal year ending March 2015 (April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2015	740,000	(7.8)	60,000	(13.2)	55,000	2.5	30,000	3.7	141.14

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.

2) Changes in consolidated earnings forecast: None

4. Others

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

(2) Application of a special accounting method: Yes

Note:

Please refer to “2. Notes on Summary Information, (2) Application of a special accounting method” of the attachment for conditions serving as assumptions for results forecasts.

(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]	None
[3] Changes in accounting estimates	None
[4] Restatements	None

(4) Number of outstanding shares (common shares)

[1] Number of outstanding shares at fiscal year-end (including treasury shares)			
September 2014:	215,115,038	March 2014:	215,115,038
[2] Number of treasury shares at fiscal year-end			
September 2014:	2,566,944	March 2014:	2,605,021
[3] Average number of common shares outstanding during the fiscal year (shares)			
September 2014:	212,527,548	September 2013:	212,347,709

Notes)

Indication of audit procedure implementation status

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

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

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors could cause actual results to differ materially. Please refer to “1. Qualitative Information concerning Consolidated Business Performance, (3) Explanation of Future Forecast Information concerning Consolidated Earnings Forecasts” of the attachment for conditions serving as assumptions for results forecasts.

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1. Qualitative Information concerning Consolidated Business Performance

(1) Explanation Concerning Financial Results

[1] Overview of Business Results

In the international economy during the consolidated cumulative second quarter under review (April 1, 2014 to September 30, 2014), the Japanese economy continued to show gradual recovery despite displaying a partial sign of weakness; the US economy has also gradually recovered, underpinned by increased consumption and production. In China, the speed of economic growth has slowed down, and there is a growing sense of uncertainty. In Europe, the economic revival is at a standstill, and the deflationary concerns have gradually intensified. In India, with the continuing economic sluggishness, the economy showed a sign of recovery after the regime change; however, the economy in Southeast Asia as a whole, remained stagnant.

With respect to the construction machinery market, mainly for hydraulic excavators, demand has decreased, year-on-year, as a reaction to last-minute demand in anticipation of new emissions regulations. In North America, demand has expanded due to the recovery of housing starts and capital investment. Demand has also expanded in Europe, underpinned by favorable factors such as the housing-related investments in the UK. On the other hand, demand in China has declined significantly, primarily due to the decrease in real estate investment trends. Moreover, the demand in Southeast Asia has also declined significantly.

As for the mining machinery market, demand for mining machinery in regions such as Indonesia, Australia, and the Americas remains sluggish due to the price reduction of resources and investment restraint by resource companies.

Under these circumstances, the HCM Group strove to establish a global support scheme, increase its share, lower costs, and improve business efficiency to secure profits.

As for construction machinery, we globally launched the new service menu called “ConSite” that provides comprehensive support to customers for their machines, and we have been expanding our parts and service business. In Japan, we proactively expanded sales of the new model machinery that responds to the emissions regulations and achieves higher fuel-efficiency, better safety, and advanced operating performance. Furthermore, we enhanced the consistency of our unique “RSS” (Rental, Sales, and Service) operations to increase orders and customer satisfaction. Overseas, we started mass production at our new plants in Russia and Brazil, and strengthened cooperation with dealers while establishing a global production and supply system.

For mining machinery, we endeavor to promote sales of our rigid dump trucks by expanding the lineup of the AC-3 series, and proceeding with establishing advanced customer support systems, including the provision of operation control systems for the mining machinery.

Consequently, consolidated net sales increased by 4%, year-on-year, to ¥389,142 million. Operating income and ordinary income also increased by 1% and 49%, year-on-year, to ¥25,364 million and ¥24,919 million, respectively.

The following table summarizes the consolidated results for this term ended September 2014.

(Millions of yen; %)

	September 2014 (A)	September 2013 (B)	Year-on-year change	
			(A) - (B) Increase	(A) / (B) - 1 (%)
Net sales	389,142	373,744	15,398	4.1
Operating income	25,364	25,037	327	1.3
Ordinary income	24,919	16,752	8,167	48.8
Net income	11,125	10,699	426	4.0

(Rounded off to the nearest million)

[2] Overview of Consolidated Sales by Regional Segment

[Japan]

The construction machinery demand in Japan decreased, year-on-year, due to a reaction to last-minute demands in anticipation of new emissions regulations and continuously decreasing housing starts, despite brisk public investment.

Under such circumstances, the Hitachi Construction Machinery Japan Co., Ltd. promoted expansion of the customer base and sales for multiple divisions of "RSS" by consistently conducting RSS operations to respond to various customers' needs. Furthermore, we worked to expand sales of a new type of machine that responds to emission regulations and achieves increased fuel efficiency. Consolidated net sales decreased by 3%, year-on-year, to ¥99,476 million.

[The Americas]

The construction machinery demands in North America were brisk due to a revival in housing starts, an increase in pipeline construction, and recovery in capital investment. On the other hand, in Central and South America, the construction machinery demand has decreased, year-on-year, due mainly to the stagnation of infrastructure investment.

Mining machinery demand fell due to the downturn in resource prices, especially in South America. Under such circumstances, we strove to expand sales of emission regulation-responsive machines in collaboration with Deere in North America. In South America, we made an effort to expand the machine line-ups of our production at Deere-Hitachi Brazil and to promote sales expansion in the Brazilian market where we organized a sales framework. Consolidated net sales increased by 15%, year-on-year, to ¥47,887 million.

[Europe]

The construction machinery demand in Europe was driven up by increased housing starts in the UK, etc., and has significantly increased in Western European countries such as Germany and France.

Under these circumstances, we focused on expanding the sales of fuel-efficient hydraulic excavators and wheel loaders while also providing dealers with further meticulous support services. Consequently, consolidated net sales increased by 33%, year-on-year, to ¥45,775 million.

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

In Russia, while the construction machinery demand continued to decrease due to Ruble depreciation, inflation, and the collapse in oil prices, etc., we strove to expand sales of construction and mining machinery by continuously providing dealer support via Hitachi Construction Machinery Eurasia Sales LLC. Additionally, our new factory in Russia started mass production and shipping of locally-produced hydraulic excavators.

In South Africa, we reinforced sales and service, focusing on mining machinery, and in Northwest Africa, we reinforced sales and service for infrastructure-related machinery in conjunction with dealers.

In the Middle East, we continuously focused on increasing sales mainly from infrastructure-related projects in Turkey and the Gulf countries.

Consolidated net sales increased by 26%, year-on-year, to ¥48,495 million.

[Asia and Oceania]

In Indonesia and Australia, both which are resource-rich countries, mining machinery demand continued to be sluggish. The construction machinery demand has also continuously decreased in Indonesia, Thailand, Australia, etc.

Under such circumstances, we strove to enhance the dealers' marketing capabilities by fully implementing the sales support system while also expanding sales.

In India, despite expectations of policy effects of the new government, the effect of infrastructure investment on the construction machinery demand is supposed to be limited. Under such circumstances, Tata Hitachi Construction Machinery Co, Ltd. strove to reduce cost and improve the quality of its production as well as to expand sales of the new type of machine.

Consolidated net sales increased by 2%, year-on-year, to ¥105,913 million.

[China]

The government's economic-stimulus measures were conducted on a small scale, and the real estate investment growth rate has decreased. Consequently, the construction machinery demand has significantly decreased.

Under these circumstances, HCM Group strove to expand sales of both machineries and parts by full-scale use of the service and parts sales management system while also sustaining enhancement of collaborative relationships with dealers using the "Global e-Service" system.

Consolidated net sales decreased by 22%, year-on-year, to ¥41,596 million.

The following table summarizes consolidated net sales by geographic area:

(Millions of yen)

	Current fiscal year (April 1, 2014 – September 30, 2014)		Previous fiscal year (April 1, 2013 – September 30, 2013)		Increase (Decrease)	
	Net sales (A)	Proportion (%)	Net sales (B)	Proportion (%)	Amount of change (A) - (B)	% Change (A) / (B) -1
The Americas	47,887	12.3	41,780	11.2	6,107	14.6
Europe	45,775	11.8	34,343	9.2	11,432	33.3
Russia-CIS, Africa and the Middle East	48,495	12.5	38,424	10.3	10,071	26.2
Asia and Oceania	105,913	27.2	103,984	27.8	1,929	1.9
China	41,596	10.7	53,080	14.2	(11,484)	(21.6)
Sub-total	289,666	74.4	271,611	72.7	18,055	6.6
Japan	99,476	25.6	102,133	27.3	(2,657)	(2.6)
Total	389,142	100.0	373,744	100.0	15,398	4.1

(Rounded off to the nearest million)

(2) Explanation of Financial Position

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the second quarter amounted to ¥724,309 million, an increase of 0.7%, or ¥5,372 million, from the previous fiscal year-end. This was primarily due to an increase of ¥6,752 million in inventories.

Fixed assets increased by 0.4%, or ¥1,488 million, from the previous fiscal year-end, to ¥369,742 million.

As a result, total assets increased by 0.6%, or ¥6,860 million, from the previous fiscal year-end, to ¥1,094,051 million.

(b) Liabilities

Current liabilities at the end of the second quarter amounted to ¥396,665 million, a decrease of 11.3%, or ¥50,295 million, from the previous fiscal year-end. This was mainly due to a decrease of ¥30,000 million in corporate bonds redeemable within one year and a decrease of ¥16,518 million in short-term loans.

Non-current liabilities increased by 19.5%, or ¥37,637 million, from the previous fiscal year-end to ¥230,228 million. This was mainly due to an increase of ¥40,000 million in bonds.

As a result, total liabilities decreased by 2.0%, or ¥12,658 million, from the previous fiscal year-end,

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

to ¥626,893 million.

(c) Net Assets

Net assets increased by 4.4%, or ¥19,518 million, from the previous fiscal year-end, to ¥467,158 million.

[2] Analysis on Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the second quarter totaled ¥69,443 million, an increase of ¥15,767 million from the beginning of the current fiscal year. Factors relating to each cash flow category are as follows:

(Cash Flows from Operating Activities)

Regarding net cash provided by operating activities in the consolidated cumulative second quarter, factors that increased cash included ¥24,919 million in income before income taxes and minority interests, ¥19,126 million in depreciation and amortization, and ¥31,505 million decrease in total notes and accounts receivables, including lease receivables. Factors that reduced cash included a ¥3,031 million decrease in notes and accounts payable, an expenditure of ¥7,757 million for acquisition of property held for lease, and ¥11,526 million in income taxes paid, etc.

As a result, net cash provided by operating activities in the consolidated cumulative second quarter totaled ¥53,533 million, an increase of ¥23,069 million compared with the consolidated cumulative second quarter of the previous fiscal year.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the consolidated cumulative second quarter amounted to ¥7,005 million, mainly due to an outlay of ¥8,349 million for the acquisition of property, plant and equipment, a decrease of ¥18,118 million compared with the consolidated cumulative second quarter of the previous fiscal year.

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 ¥46,528 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities totaled ¥33,991 million in the consolidated cumulative second quarter, an increase of ¥27,366 million compared with the consolidated cumulative second quarter of the previous fiscal year. This was due mainly to a net decrease of ¥30,358 million in short-term loans, an outlay of ¥30,000 million for redemption of corporate bonds, ¥39,821 million received by issuance of corporate bonds, ¥7,994 million in dividends paid, etc.

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

Regarding demand for hydraulic excavators during the fiscal year under review, while the year-on-year rate of decline is scaling down in the Japanese market, the demand in the Chinese market is anticipated to continuously fall below the previous fiscal year. Consequently, we forecast a demand of 192,000 units, a decrease of approximately 1,000 units as compared with the previous forecast. The demand for mining machinery is also forecasted to be over 20% lower than the previous fiscal year, which is the same as the previous forecast, due to continuous cutbacks in capital investments by resource companies and downturn in resource prices.

As for consolidated earnings forecasts for the fiscal year ending March 2015 (from April 1, 2014 to March 31, 2015), while sales in China are expected to further decrease, the rate of sales decline in Japan is expected to become less severe. Moreover, we are promoting further cost reduction and business efficiency improvement. Therefore, we would not revise the consolidated earnings forecast for the full fiscal year published in the "Financial Results for the first Quarter Ended June 30, 2014."

The assumed foreign exchange rates for the third quarter and beyond are 100 yen for one US dollar, 134 yen for one Euro, and 16.3 yen for one Chinese yuan.

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter As of (Sep. 30, 2014 (A))	Previous fiscal year-end As of (Mar. 31, 2014 (B))	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	52,717	53,353	(636)
Notes and accounts receivable	196,009	212,585	(16,576)
Lease receivables and investment assets	85,267	90,033	(4,766)
Merchandise and manufactured goods	253,839	248,586	5,253
Work in process	48,688	51,059	(2,371)
Materials and supplies	25,497	21,627	3,870
Other	73,252	51,394	21,858
Less: Allowance for doubtful accounts	(10,960)	(9,700)	(1,260)
Total current assets	724,309	718,937	5,372
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	51,036	49,320	1,716
Buildings and structures (net)	95,043	95,699	(656)
Machinery, equipment and vehicles (net)	69,628	68,358	1,270
Tools, furniture and fixtures (net)	6,289	6,265	24
Land	56,520	57,760	(1,240)
Construction in progress	11,313	11,545	(232)
Net property, plant and equipment	289,829	288,947	882
Intangible assets			
Software	11,215	12,793	(1,578)
Goodwill	2,629	5,224	(2,595)
Other	4,951	4,710	241
Total intangible assets	18,795	22,727	(3,932)
Investments and other assets			
Investments in securities	35,863	33,345	2,518
Net defined benefit asset	1,134	452	682
Other	24,425	23,118	1,307
Less: Allowance for doubtful accounts	(304)	(335)	31
Total investments and other assets	61,118	56,580	4,538
Total non-current assets	369,742	368,254	1,488
Total assets	1,094,051	1,087,191	6,860

(Rounded off to the nearest million)

(Millions of yen)

	Second quarter As of Sep. 30, 2014 (A)	Previous fiscal year-end As of Mar. 31, 2014 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	143,155	143,134	21
Short-term loans	165,283	181,801	(16,518)
Current portion of bonds	-	30,000	(30,000)
Income taxes payable	9,063	8,699	364
Other	79,164	83,326	(4,162)
Total current liabilities	396,665	446,960	(50,295)
Non-current liabilities			
Bonds	60,000	20,000	40,000
Long-term loans	126,055	131,610	(5,555)
Net defined benefit liability	12,430	12,563	(133)
Other	31,743	28,418	3,325
Total non-current liabilities	230,228	192,591	37,637
Total liabilities	626,893	639,551	(12,658)
Net assets			
Shareholders' equity			
Common stock	81,577	81,577	-
Capital surplus	84,902	84,893	9
Retained earnings	225,934	220,122	5,812
Treasury stock	(3,191)	(3,237)	46
Total shareholders' equity	389,222	383,355	5,867
Accumulated other comprehensive income			
Net unrealized gains on securities	4,349	3,746	603
Deferred losses(gains) on hedges	(45)	(282)	237
Foreign currency translation adjustments	21,478	14,058	7,420
Remeasurements of defined benefit plans	(11,948)	(12,496)	548
Total accumulated other comprehensive income	13,834	5,026	8,808
Subscription rights to shares	766	766	-
Minority interests	63,336	58,493	4,843
Total net assets	467,158	447,640	19,518
Total liabilities and net assets	1,094,051	1,087,191	6,860

(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, 2014 (A)	Second quarter Six months ended Sep. 30, 2013 (B)	(A)/(B)×100 (%)
			%
Net sales	389,142	373,744	104
Cost of sales	285,367	269,723	106
Gross profit	103,775	104,021	100
Selling, general and administrative expenses			
Packing and shipping expenses	9,794	9,163	107
Employees' salaries	20,440	19,204	106
R&D expenses	7,998	8,315	96
Other	40,179	42,302	95
Total selling, general and administrative expenses	78,411	78,984	99
Operating income	25,364	25,037	101
Non-operating income			
Interest income	1,531	1,366	112
Interest income from installment sales	360	152	237
Dividends income	155	151	103
Gains on equity in earnings of affiliated companies	982	-	-
Foreign exchange gains, net	465	-	-
Other	2,068	2,134	97
Total non-operating income	5,561	3,803	146
Non-operating expenses			
Interest expenses	3,912	4,754	82
Losses on equity in earnings of affiliated companies	-	127	-
Foreign exchange losses, net	-	6,309	-
Other	2,094	898	233
Total non-operating expenses	6,006	12,088	50
Ordinary income	24,919	16,752	149
Extraordinary Income			
Gains on sales of property, plant and equipment	-	2,101	-
Gains on sales of subsidiaries and affiliates' stocks	-	43	-
Total Extraordinary Income	-	2,144	-
Income before income taxes and minority interests	24,919	18,896	132
Total income tax	10,673	5,307	201
Income before minority interests	14,246	13,589	105
Minority interests	3,121	2,890	108
Net income(loss)	11,125	10,699	104

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter 〔 Six months ended 〕 Sep. 30, 2014 (A)	Second quarter 〔 Six months ended 〕 Sep. 30, 2013 (B)	(A)/(B)×100 (%)
			%
Income before minority interests	14,246	13,589	105
Other comprehensive income			
Net unrealized gains(losses) on securities	594	1,481	40
Deferred losses(gains) on hedges	196	1,572	12
Foreign currency translation adjustments	11,432	4,584	249
Remeasurements of defined benefit plans	493	553	89
Share of other comprehensive income of companies accounted for by the equity method	(810)	2,302	-
Total other comprehensive income	11,905	10,492	113
Comprehensive income	26,151	24,081	109
Comprehensive income attributable to shareholders of the Company	19,933	20,791	96
Comprehensive income attributable to minority interests	6,218	3,290	189

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2014 (A)	Second quarter Six months ended Sep. 30, 2013 (B)
Cash flows from operating activities		
Income before income taxes and minority interests	24,919	18,896
Depreciation and amortization	19,126	18,449
Changes in allowance for doubtful accounts	746	588
Interest and dividends income	(2,046)	(1,669)
Interest expenses	3,912	4,754
Losses(gains) on equity in earnings of affiliated companies	(982)	127
Decrease(increase) in notes and accounts receivable	21,916	26,402
Decrease(increase) in lease receivables and investment assets	9,589	13,334
Decrease(increase) in inventories	(1,402)	(5,488)
Purchase of property held for lease	(7,757)	(8,337)
Sales of property held for lease	3,176	1,826
Increase(decrease) in notes and accounts payable	(3,031)	(21,083)
Losses(gains) on sales of property, plant and equipment	(1,141)	(3,519)
Other, net	(1,966)	(2,007)
Sub-total	65,059	42,273
Income taxes paid	(11,526)	(11,809)
Net cash provided by (used in) operating activities	53,533	30,464
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,349)	(24,719)
Proceeds from sales of property, plant and equipment	1,496	2,339
Purchase of intangible assets	(912)	(1,582)
Purchase of investment securities	(1,168)	(2,587)
Proceeds from sales of investment securities	224	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(851)
Interest and dividends received	2,239	1,804
Dividends received from affiliated companies	48	-
Other, net	(583)	473
Net cash provided by (used in) investing activities	(7,005)	(25,123)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(30,358)	10,882
Proceeds from long-term loans	11,080	14,668
Repayments of long-term loans	(10,011)	(20,930)
Repayments of lease obligations	(2,474)	(325)
Proceeds from issuance of bonds	39,821	-
Redemption of bonds	(30,000)	-
Interest paid	(4,110)	(4,606)
Dividends paid to shareholders	(5,320)	(4,236)
Dividends paid to minority shareholders by subsidiaries	(2,674)	(2,163)
Proceeds from disposal of treasury stock	57	87
Purchase of treasury stock	(2)	(2)
Net cash provided by (used in) financing activities	(33,991)	(6,625)
Effect of exchange rate changes on cash and cash equivalents	3,230	1,388
Net increase (decrease) in cash and cash equivalents	15,767	104
Cash and cash equivalents at beginning of year	53,676	66,622
Cash and cash equivalents at end of period	69,443	66,726

(Rounded off to the nearest million)

(4) Notes on Consolidated Financial Statements

Notes on the Preconditions for a Going Concern: None

Notes on Significant Fluctuations in Shareholders' Equity: None