

Hitachi Construction Machinery Co., Ltd.

**Financial Results for the Second Quarter
Ended September 30, 2010**

Consolidated Financial Results for the Second Quarter Ended September 30, 2010 (Japan GAAP)

October 26, 2010

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 11, 2010

Scheduled date of commencement of payment of dividends: November 30, 2010

Supplementary materials to the quarterly financial statements have been prepared: Yes

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 2010 (April 1, 2010 to September 30, 2010)

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

	Net sales		Operating income		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep 30, 2010	346,100	27.1	12,261	—	11,983	—	3,104	—
Sep 30, 2009	272,317	(40.0)	945	(98.0)	(2,633)	—	(7,298)	—

	Net income (loss) per share	Net income per share (Diluted)
	Yen	Yen
Sep 30, 2010	14.68	14.67
Sep 30, 2009	(35.38)	—

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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Sep 30, 2010	868,240	336,745	34.3	1,408.47
Mar 31, 2010	883,047	344,231	34.5	1,441.73

Note: Total equity September 2010: ¥297,795 million March 2010: ¥304,808 million

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2010	—	5.00	—	5.00	10.00
March 31, 2011	—	10.00			
March 31, 2011 (Projection)			—	10.00	20.00

Note: Changes involving the dividend status for the fiscal year ending March 2011: None

3. Projected consolidated results for the fiscal year ending March 2011 (April 1, 2010 to March 31, 2011)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2011	750,000	23.8	40,000	103.4	35,000	82.6

	Net income		Net income per share
	Millions of yen	%	Yen
March 31, 2011	10,000	148.8	47.30

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

2) Changes in the projected consolidated results for the fiscal year ending March 2011: None

4. Others

- (1) Changes in significant changes involving subsidiaries during the period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None
- (2) Changes in simple accounting procedures and the application of special accounting procedures for the compilation of quarterly consolidated financial statements: Yes

- (3) Changes in accounting principles, procedures, and presentation methods used in the preparation of quarterly consolidated financial statements.

[1] Changes accompanying revision of accounting standards: Yes

[2] Changes other than those in [1]: None

Note: Items to be disclosed in "Significant Changes in the Basis of Presenting Quarterly Consolidated Financial Statements".

- (4) Number of shares issued (common shares)

[1] Number of shares issued (including treasury shares)

September 2010: 215,115,038 March 2010: 215,115,038

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

September 2010: 3,683,549 March 2010: 3,696,618

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

September 2010: 211,425,119 September 2009: 206,289,433

Notes)

Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from 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 (3) Qualitative Information concerning Projected Consolidated Results 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

(1) Qualitative Information concerning Consolidated Financial Results

During the consolidated fiscal year under review (April 1, 2010 to September 30, 2010), the outlook for the global economy is trending gradual upward because of stimulus packages in individual countries.

With respect to the market for construction machinery, as well as clearly increased demand in Asian countries centered around China, demand in the United States and Europe has also begun to pickup, therefore, global demand as a total has increased steadily.

Under these circumstances, the HCM Group expanded the lineup of new types of hydraulic excavators which are targeted at emerging nations, in response to the increasing demand in emerging countries, which accounted for more than half of the global demand.

Demand for mining machinery is also increasing with the recovery in resource demand. Therefore, we tried to expand sales of mining machineries such as the Electric-drive Series of ultra-large hydraulic excavators and dump trucks that realize high driving performance using AC electric-drive systems, as well as software such as the fleet management systems.

The following table summarizes consolidated results for the term:

(100 million yen; %)

	First Half	First Half	Year-on-year change	
	Ended Sep 30, 2010 (A)	Ended Sep 30, 2009 (B)	(A) - (B)	(A)/(B)
Net sales	3,461	2,723	738	127
Operating income	123	9	114	—
Ordinary income	120	(26)	146	—
Net income	31	(73)	104	—

Note: Figures under ¥100 million are rounded off.

[Overview of Consolidated Sales by Regional Segment]

Japan

Although public investment remains sluggish, demand for hydraulic excavator is trending upward because of the pickup of private investment such as housing and business investment, etc.

Under these trends, we strove to expand sales for non-civil engineering in such sectors as forestry, demolition, and steel& scrap, where the use of various applications is expected to expand, with the combination of optimal options for each machine by area, while we tried to enhance industry-specific sales.

As a result, net sales were ¥79,819 million.

The Americas

In the United States, economic conditions have been slowly recovering, and demand for construction machinery has begun to recover with increasing replacement demand.

Responding to the demand increase, Deere-Hitachi Construction Machinery Corporation expanded production plans vastly compared with the same term of the previous year.

Consequently, net sales increased by 15% year-on-year to ¥22,778 million.

Europe

Although economic conditions remain unclear partially, the European economy as a total seems to have bottomed out, and demand for construction machinery has increased steadily.

Under these demand trends, in France and Germany where the demand is strong, we focused on further enhancement of the dealer network and promoted sales activities to rental companies.

Accordingly, net sales in Europe increased by 2% from the same period of the previous

year to ¥31,549 million.

Russia-CIS, Africa and the Middle East

In Russia and the CIS, demand for hydraulic excavators increased due to resource development such as oil & gas, and development of steel industrial zones such as the Urals.

Reflecting these situations, we strove to enhance comprehensive competitiveness by strengthening the technology and sales support for mining machinery to the sales dealers and network for parts procurement and service support, etc.

In Africa, with the global recovery in demand for resources, inquires for mining machinery has been increasing. We tried to build the sales and service system to cover all areas where demand is expected to increase vastly in years to come.

Turning to the Middle East, inquires from demolition companies in Turkey have grown, and demand has increased accordingly. Also in Iraq, we made efforts to gain government-affiliated orders in accordance with expanding demand of infrastructural projects.

Total net sales of Russia-CIS, Africa and the Middle East regions increased by 103% to ¥27,791 million.

Asia and Oceania

In Asia and Oceania, demand for construction machinery increased due to stimulus packages and rising exports toward China.

In India, we strove to maintain a high market share in the competitive market through Telco Construction Equipment Co., Ltd., which we made our subsidiary in March 2010, and to expand sales aggressively for the mining market. In Indonesia, while demand related to forestry, palm oil and coal mining increased continuously, we promoted sales to gain more orders.

In Australia, we aimed to expand sales to new major clients related to cement, steel, scrap and rental companies, as well as to securely acquire orders from mining where the market is steadily growing.

As a result, net sales in Asia and Oceania increased by 44% to ¥94,955 million.

China

Due to continuous public investments for infrastructural projects, demand for construction machinery increased in all regions.

With the long-term prospect of increasing demand, we expanded the lineup of new types of hydraulic excavators 'ZAXIS-3G,' which is targeted at emerging nations.

In sales activities, we enhanced the business management system by utilization of sales support software 'Hi-STEP' to be more competitive.

In addition, we introduced a system for controlling service and parts sales to enhance support to the dealers.

With the combination of these support software and the existing "Global e-service," which is able to capture the conditions of working machines, we are attempting to enhance the relationship with the dealers and to improve customer satisfaction.

Net sales in China increased by 43% from the same period of the previous year to ¥89,208 million.

The following table summarizes consolidated net sales by geographic area:

Consolidated Net Sales by Geographic Area

(Millions of yen)

	Current fiscal year (April 1,2010- September 30, 2010)		Previous fiscal year (April 1,2009- September 30, 2009)		Increase (Decrease)	
	Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	22,778	6.6	19,769	7.3	3,009	15.2
Europe	31,549	9.1	30,797	11.3	752	2.4
Russia-CIS, Africa and the Middle East	27,791	8.0	13,665	5.0	14,126	103.4
Asia and Oceania	94,955	27.4	65,817	24.2	29,138	44.3
China	89,208	25.8	62,268	22.9	26,940	43.3
Sub-total	266,281	76.9	192,316	70.6	73,965	38.5
Japan	79,819	23.1	80,001	29.4	(182)	(0.2)
Total	346,100	100.0	272,317	100.0	73,783	27.1

[Overview of Consolidated Net Sales by Business Segment]

Construction Machinery Business

Regarding construction-related machinery, in addition to further expanding sales of the 'ZAXIS-3' Series of hydraulic excavators and 'ZW' Series of wheel loaders, which are our core products, we tried to expand sales of 'ZAXIS-3G,' a new types of hydraulic excavator, which features a durable structure and can handle large volumes of work, targeted for emerging nations. In addition, we launched new wheel loaders of 'ZW100' 'ZW120,' track mounted screens of 'VR512-2,' tandem roller 'ZC35C' and 'ZC50C,' and compaction rammers 'ZV55R' and 'ZV65R' to expand the lineup of the products.

Also for the mini excavator, we have developed the 'ZX35B' with a lithium-ion battery that contributes to reducing CO₂ emissions and realizing a low-carbon society, since it does not exhaust gas.

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, which are equipped with environmentally friendly engines, as well as the electric-drive series of ultra-large hydraulic excavators, which have an external electric supply, and dump trucks that realize high driving performance using AC electric-drive systems, while we started selling trolley dump trucks made by HCM, that realize high hill-climbing performance using both engine and electricity from wires and dramatic reduction in the running costs. Furthermore, we received orders of the software of the fleet management system from a mine in India, which enables mining machineries such as dump trucks etc., to operate under optimal conditions.

As a result, net sales in the Construction Machinery Business increased by 29% compared with the same period of the previous fiscal year to ¥317,495 million.

Industrial Vehicles Business

As for forklifts, the demand in emerging countries such as China and Southeast Asia is increasing steadily, and sales for parts and services increased as well favorably.

With respect to the products, we developed 'Smart Spec' products as parts of strategic models for emerging countries and the sales has been exceeding the planned volume since its release in July 2010, in emerging nations such as Thailand and Indonesia.

Also, the inquiries and orders for large-type cargo handling machines have been recovering especially for hybrid Transfer Cranes since late in the first half.

Consolidated net sales in the Industrial Vehicles Business increased by 11% from the same period of the previous year to ¥28,605 million.

(2) Qualitative Information concerning Consolidated Financial Position

[1] Status of Assets, Liabilities and Net Assets

Assets

Current assets at the end of the period amounted to ¥548,364 million, a decrease of 0.2%, or ¥1,106 million, from the previous fiscal year-end. This was due to an increase of ¥17,183 million in lease receivables and investment assets, and the respective decreases of ¥10,898 million in cash and bank deposits and ¥10,927 million in notes and accounts receivable.

Non-current assets decreased 4.1% or ¥13,701 million, from the end of the previous fiscal year to ¥319,876 million.

As a result, total assets decreased 1.7%, or ¥14,807 million from the previous fiscal year-end to ¥868,240 million.

Liabilities

Current liabilities at the end of the period amounted to ¥316,117 million, a decrease of 7.4%, or ¥25,405 million from the previous fiscal year-end. This was due mainly to a decrease in short-term loans, etc.

Non-current liabilities increased 9.2%, or ¥18,084 million from the previous fiscal year-end to ¥215,378 million. This was due mainly to an increase of ¥19,013 million in long-term loans, etc. As a result, total liabilities decreased 1.4%, or ¥7,321 million from the previous fiscal year-end to ¥531,495 million.

Net Assets

Net assets, including minority interests, decreased 2.2%, or ¥7,486 million from the previous fiscal year-end to ¥336,745 million. This was mainly due to net income in the second quarter amounting to ¥3,104 million, and the effect of foreign currency translation adjustments, etc.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at end of the period totaled ¥46,429 million, a decrease of ¥10,885 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 provided by operating activities totaled ¥6,019 million, a decrease of ¥30,055 million compared with the second quarter of the previous fiscal year. Factors that increased cash included an increase of ¥2,892 million in notes and accounts receivable, a difference of ¥42,882 million compared with that of ¥39,990 million decrease in the same period of the previous fiscal year. Other factors included an increase of ¥9,279 million in inventories, a difference of ¥60,099 million compared with that of ¥50,820 million decrease in the same period of the previous fiscal year, etc.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥11,203 million, a decrease of ¥1,194 million compared with ¥12,397 million decrease in the second quarter of the previous fiscal year. Key factor underlying this decrease included an increase of ¥1,353 million in purchase of investments in securities. Other factors included a decrease of ¥3,869 million in acquisitions of property, plant and equipment, which was amounting to ¥8,037 million, while it was ¥11,906 million in the same period 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 outflow of ¥5,184 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥892 million. This was due mainly to the proceeds from long-term loans was used for repayments of short-term loans, etc.

(3) Qualitative Information concerning Projected Consolidated Results

Global demand for hydraulic excavators has been steadily growing especially in China and Southeast Asia. In advanced nations, demand is clearly recovering with increasing replacement demand from the United States. Therefore, demand as a total for Fiscal 2010 is expected to exceed the previous estimate that we announced in July 2010.

On the other hand, the yen has strengthened against the currencies of other countries more than we expected, and we are assuming an exchange rate of ¥80 to the U.S. dollar, ¥112 to the Euro, and ¥12 to the Chinese Yuan, in and after the third quarter. Accordingly, though we are not changing the forecast for consolidated operating income, we are now revising the forecast upward for consolidated ordinary income and net income, with upturn of the non-operating profit compared with the previous forecast.

(100 million yen; %)

	March 2011 Forecast (A)	March 2010 Actual (B)	(A)- (B)	(A)／(B)(%)
Net sales	7,500 (7,400)	6,058	1,442	124
Operating income	400 (400)	197	203	203
Ordinary income	350 (300)	192	158	182
Net income	100 (70)	40	60	250

Notes:

- 1) Figures under ¥100 million are rounded off.
- 2) Figures in parentheses indicate the previous forecast that we announced in July 2010
- 3) Forecasts, plans and expectations regarding future performance contained in the aforementioned statements are based on information currently available and deemed rational by Company management. However, as various factors could change actual results, forecasts, plans and expectations may differ. These factors are considered to include the economic conditions in principal markets and fluctuations in demand, fluctuations in exchange rates and revisions to Japanese or international laws and regulations, accounting standards, practices or other policies.
- 4) These projections assume an exchange rate of ¥80 to the U.S. dollar, ¥112 to the Euro and ¥12 to the Chinese Yuan, in and after the third quarter.

2. Others

(1) Significant changes involving subsidiaries during the period: None

(2) Simple accounting procedures and the application of special accounting procedures for the compilation of quarterly consolidated financial statements

A. Method of evaluating inventory assets

The value of inventories at the end of the second quarter under review is calculated using a rational method, based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the quarter under review.

B. Method of calculating depreciation of fixed assets

Projected annual depreciation incorporating estimates of anticipated acquisitions, sales, and the disposal of fixed assets throughout the year is allocated proportionally to the quarter.

Depreciation costs for assets using the declining-balance method are calculated by allocating depreciation costs for the consolidated fiscal year proportionally to the quarter.

C. Method of calculating the estimated credit losses value for general credits

In calculating the estimated credit losses value for general credits at the end of the second quarter, except in the case where a noteworthy change in the credit loss rate is recognized, the credit loss rate at the end of the previous fiscal year is employed.

D. Method of calculating deferred tax assets and liabilities

The collectability of deferred tax assets is reviewed using the information available as of closing. If there are no material changes in business or in temporary differences, we use the same business forecast or tax planning as at the previous year end.

If there are material changes in business or in temporary differences, we use the same business forecast or tax planning as at the previous year end adding the effect of the changes.

E. 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. But if this results in lack of reasonableness, we use the effective tax rate.

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

(3) Changes in accounting principles, procedures, and presentation methods used in the preparation of quarterly consolidated financial statements.

A. Changes accompanying revision of accounting standards

1. Application of accounting standards for asset retirement obligations

From the first quarter of the current fiscal year, the Company has been applying the “Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008)” and “ASBJ Guidance on Accounting Standard for Asset Retirement

Obligations” (ASBJ Guidance No. 21, March 31, 2008). The effect of the application of these standards on profit and loss is minimal.

2. Application of accounting standard for business combinations

From the first quarter of the current fiscal year, the Company has been applying the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised in 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, revised in 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised in 2008).

B. Changes other than those in (A): None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second-Quarter As of Sep. 30, 2010 (A)	Previous year-end As of Mar. 31, 2010 (B)	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	46,429	57,327	(10,898)
Notes and accounts receivable	152,034	162,961	(10,927)
Lease receivables and investment assets	110,983	93,800	17,183
Merchandise and manufactured goods	136,485	144,931	(8,446)
Work in process	45,477	39,326	6,151
Material and supplies	23,270	21,696	1,574
Other	38,993	35,690	3,303
Less: Allowance for doubtful accounts	(5,307)	(6,261)	954
Total current assets	548,364	549,470	(1,106)
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	39,839	41,316	(1,477)
Buildings and structures (net)	66,140	68,835	(2,695)
Machinery, equipment and vehicles (net)	48,701	51,109	(2,408)
Tools, furniture and fixtures (net)	4,992	4,981	11
Land	58,844	58,663	181
Construction in progress	4,919	7,376	(2,457)
Net property, plant and equipment	223,435	232,280	(8,845)
Intangible assets			
Software	20,290	20,611	(321)
Goodwill	28,407	32,598	(4,191)
Other	1,472	1,586	(114)
Total intangible assets	50,169	54,795	(4,626)
Investments and other assets			
Investments in securities	16,931	15,482	1,449
Other	30,543	32,521	(1,978)
Less: Allowance for doubtful accounts	(1,202)	(1,501)	299
Total investments and other assets	46,272	46,502	(230)
Total non-current assets	319,876	333,577	(13,701)
Total assets	868,240	883,047	(14,807)

(Rounded off to the nearest million)

(Millions of yen)

	First-Quarter As of Sep. 30, 2010 (A)	Previous year-end As of Mar. 31, 2010 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	123,931	122,027	1,904
Short-term loans	113,978	139,844	(25,866)
Current portion of bonds	1,510	1,510	0
Income taxes payable	7,862	5,432	2,430
Other	68,836	72,709	(3,873)
Total current liabilities	316,117	341,522	(25,405)
Non-current liabilities			
Bonds	50,275	50,280	(5)
Long-term loans	135,133	116,120	19,013
Retirement and severance benefits	11,226	11,224	2
Other	18,744	19,670	(926)
Total non-current liabilities	215,378	197,294	18,084
Total liabilities	531,495	538,816	(7,321)
Net assets			
Shareholder's equity			
Common stock	81,577	81,577	0
Capital surplus	84,470	84,468	2
Retained earnings	160,110	158,063	2,047
Treasury stock	(4,572)	(4,588)	16
Total shareholders' equity	321,585	319,520	2,065
Valuation and translation adjustments			
Net unrealized gain (loss) on securities	2,269	1,625	644
Deferred gain (loss) on hedging instruments	(13)	(501)	488
Foreign currency translation adjustments	(26,046)	(15,836)	(10,210)
Total valuation and translation adjustments	(23,790)	(14,712)	(9,078)
Stock acquisition rights	766	766	0
Minority interests	38,184	38,657	(473)
Total net assets	336,745	344,231	(7,486)
Total liabilities and net assets	868,240	883,047	(14,807)

(Rounded off to the nearest million)

(2) Consolidated Statements of Income

(Millions of yen)

	Second-Quarter 〔 Six months ended Sep. 30, 2010 (A) 〕	Second-Quarter 〔 Six months ended Sep. 30, 2009 (B) 〕	(A)/(B)×100 (%)
			%
Net sales	346,100	272,317	127
Cost of sales	264,281	215,416	123
Gross profit	81,819	56,901	144
Selling, general and administrative expenses			
Packing and shipping expenses	9,244	4,556	203
Employees' salaries	19,765	18,247	108
R&D expenditure	7,841	6,500	121
Other	32,708	26,653	123
Total selling, general and administrative expenses	69,558	55,956	124
Operating income	12,261	945	1,297
Non-operating income			
Interest income	1,320	960	138
Interest income from installment sales	323	75	431
Dividends income	103	157	66
Gains on equity in earnings of affiliated companies	458	0	-
Foreign exchange gains, net	1,173	0	-
Other	2,650	2,396	111
Total non-operating income	6,027	3,588	168
Non-operating expenses			
Interest expenses	4,363	3,546	123
losses on equity in earnings of affiliated companies	0	1,210	-
Foreign exchange losses, net	0	464	-
Other	1,942	1,946	100
Total non-operating expenses	6,305	7,166	88
Total non-operating income (expenses)	(278)	(3,578)	-
Ordinary income (loss)	11,983	(2,633)	-
Extraordinary losses			
Losses on adjustment for changes of accounting standard for asset retirement obligations	203	0	-
Restructuring costs	287	343	84
Total extraordinary losses	490	343	143
Income (loss) before income taxes and minority interests	11,493	(2,976)	-
Income taxes	4,645	2,646	176
Income before minority interests	6,848	-	-
Minority interests	3,744	1,676	223
Net income (loss)	3,104	(7,298)	-

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Second-Quarter 〔 Six months ended 〕 Sep. 30, 2010	Second-Quarter 〔 Six months ended 〕 Sep. 30, 2009
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	11,493	(2,976)
Depreciation and amortization	18,213	17,802
Decrease in allowance for doubtful accounts	(963)	(1,045)
Interest and dividends income	(1,423)	(1,117)
Interest expenses	4,363	3,560
(Gains) losses on equity earnings of affiliated companies	(458)	1,210
(Increase) decrease in notes and accounts receivable	(2,892)	39,990
(Increase) decrease in lease receivables and investment assets	(26,076)	(33,259)
(Increase) decrease in inventories	(9,279)	50,820
Purchase of property held for lease	(5,903)	(6,054)
Sales of property held for lease	1,782	1,838
Increase (decrease) in notes and accounts payable	15,778	(33,558)
Gains on sales of property, plant and equipment	(1,444)	(1,393)
Losses on valuation of investments in securities	15	44
Other, net	11,204	1,950
Sub-total	14,410	37,812
Income taxes paid	(8,391)	(1,738)
Net cash provided by (used in) operating activities	6,019	36,074
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(8,037)	(11,906)
Purchase of intangible assets	(2,204)	(2,210)
Purchase of investments in securities	(1,382)	(29)
Decrease in purchase of investments in subsidiaries	0	(634)
Interest and dividends received	1,540	1,279
Dividends received from affiliated companies	41	438
Other, net	(1,161)	665
Net cash used in investing activities	(11,203)	(12,397)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(19,643)	(51,563)
Proceeds from long-term loans	39,766	19,256
Repayments of long-term loans	(11,453)	(8,362)
Repayments of lease obligation	(915)	(1,099)
Redemption of bonds	(5)	(513)
Proceeds from issuance of bonds	0	29,865
Interest paid	(4,347)	(3,304)
Dividends paid to shareholders	(1,057)	(4,538)
Dividends paid to minority shareholders by subsidiaries	(3,257)	(3,706)
Proceeds from issuance of common stocks to minority shareholders by subsidiaries	0	1,753
Proceeds from disposal of treasury stock	20	18
Purchase of treasury stock	(3)	(2)
Other, net	2	0
Net cash provided by (used in) financing activities	(892)	(22,195)
Effect of exchange rate changes on cash and cash equivalents	(4,809)	(679)
Net increase (decrease) in cash and cash equivalents	(10,885)	803
Cash and cash equivalents at beginning of year	57,314	40,104
Cash and cash equivalents at end of period	46,429	40,907

(Rounded off to the nearest million)

(4) Notes on the preconditions for a going concern: None

(5) Segment Information

A. Segment information by business category

Second Quarter ended September 30, 2009 (From April 1, 2009 to September 30, 2009) (Millions of yen)

	Construction machinery business	Industrial vehicles business	Total	Elimination of sales or corporate bases	Consolidated
Net Sales					
(1) Net sales to outside customers	246,587	25,730	272,317		272,317
(2) Inter-segment sales/transfers	0	0	0	0	
Total	246,587	25,730	272,317	0	272,317
Operating income (loss)	2,049	(1,104)	945	0	945

Notes:

- 1) Business categories are based on internal segments used within the Company.
- 2) The products included in each category are as follows:
 1. Construction machinery business: Hydraulic excavators, mini-excavators, wheel loaders, and crawler cranes
 2. Industrial vehicles business: Forklifts, transfer cranes, and container carriers
- 3) The Company previously divided the businesses into the following three segments: Construction machinery business, industrial vehicles business and semiconductor production equipment business. However, the Company decided to include the semiconductor production equipment business in the construction machinery business because the market has reduced in size and the ultrasonic business, which is a core business of the semiconductor production equipment business, is expected to decrease in growth potential. The sales and the operating profit (loss) of the semiconductor production equipment business included in the construction machinery business in this period are insignificant.

B. Segment information by area

Second Quarter ended September 30, 2009 (From April 1, 2009 to September 30, 2009) (Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination of sales or corporate bases	Consolidated
Net sales								
(1) Net sales to outside customers	107,177	81,763	35,815	12,370	35,192	272,317		272,317
(2) Inter-segment sales/transfers	38,273	5,439	1,055	6,199	224	51,190	(51,190)	
Total	145,450	87,202	36,870	18,569	35,416	323,507	(51,190)	272,317
Operating income (Loss)	(23,597)	12,336	610	1,315	2,260	(7,076)	8,021	945

Note:

- 1) National and regional categories are based on geographic proximity.
- 2) Countries included in each segment are as follows:
 1. Asia: China, Indonesia, Singapore, Thailand, and Malaysia
 2. Europe: The Netherlands, France, and the United Kingdom
 3. The Americas: The United States and Canada
 4. Other: Australia, New Zealand, and South Africa

C. Overseas sales

Second Quarter ended September 30, 2009 (From April 1, 2009 to September 30, 2009) (Millions of yen)

	The Americas	Europe, Africa, & the Middle East	Asia & Oceania	China	Total overseas sales
Overseas sales	19,769	44,462	65,817	62,268	192,316
Consolidated sales					272,317
Percentage of sales in consolidated sales (%)	7.3	16.3	24.2	22.9	70.6

Notes:

- 1) National and regional categories are based on geographic proximity.
- 2) Countries included in each segment are as follows:
 1. The Americas: The United States and Canada
 2. Europe, Africa, & the Middle East: The Netherlands, the United Kingdom, Italy, South Africa, and the United Arab Emirates
 3. Asia & Oceania: Indonesia, Australia, and New Zealand
 4. China: China
- 3) Overseas sales are sales in countries and areas other than Japan of the Company and its consolidated subsidiaries.

Segment Information

A. Overview of reportable segment

The Company's reportable segments are the structural units of the company for which separate financial information is available, and those units are subject to be reviewed periodically 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 headquarters, and each business group formulates comprehensive strategies and promotes business activities both domestically and overseas. Based on the above business groups, the Company is organized by product and service segments, and the following two are the reporting segments: the construction machinery business and the industrial vehicles business.

The construction machinery business produces hydraulic excavators, ultra-large excavators, wheel loaders and crawler cranes, and the industrial vehicles business produces forklifts and skid steer loaders.

B. Segment sales and Income (Loss)

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 adjusted for the operating income described in Consolidated Statements of Income.

Additional information

Starting from the first quarter of the current fiscal year, the Company is applying the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No.20, March 21, 2008).

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

4. Appendix

A. Segment information by area

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

	Japan	Asia	Europe	The Americas	Others	Total	Elimination of sales or corporate bases	Consolidated
Net sales								
(1) Net sales to outside customers	124,282	126,012	34,598	13,056	48,152	346,100		346,100
(2) Inter-segment sales/transfers	107,777	8,581	192	3,958	204	120,712	(120,712)	
Total	232,059	134,593	34,790	17,014	48,356	466,812	(120,712)	346,100
Operating income (Loss)	(6,519)	17,344	(673)	972	3,321	14,445	(2,184)	12,261

Note:

- 1) National and regional categories are based on geographic proximity.
- 2) Countries included in each segment are as follows:
 1. Asia: China, Indonesia, Singapore, Thailand, Malaysia, and India
 2. Europe: The Netherlands, France, and the United Kingdom
 3. The Americas: The United States and Canada
 4. Other: Australia, New Zealand, and South Africa

B. Overseas sales

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

	The Americas	Europe, Africa, & the Middle East	Asia & Oceania	China	Total overseas sales
Overseas sales	22,778	59,340	94,955	89,208	266,281
Consolidated sales					346,100
Percentage of sales in consolidated sales (%)	6.6	17.1	27.4	25.8	76.9

Notes:

- 1) National and regional categories are based on geographic proximity.
- 2) Countries included in each segment are as follows:
 1. The Americas: The United States and Canada
 2. Europe, Africa, & the Middle East: The Netherlands, the United Kingdom, Italy, South Africa, and the United Arab Emirates
 3. Asia & Oceania: Indonesia, Australia, New Zealand, and India
 4. China: China
- 3) Overseas sales are sales in countries and areas other than Japan of the Company and its consolidated subsidiaries.