

Hitachi Construction Machinery Co., Ltd.

Financial Results for the Third Quarter Cumulative

April 1 - December 31, 2011

**Consolidated Financial Results for the Third Quarter Cumulative (April 1 – December 31, 2011)
(Japan GAAP) (Non-audited)**

January 26, 2012

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: February 9, 2012

Scheduled date of commencement of payment of dividends: -

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

A presentation will be held to explain the quarterly financial statements: Yes

(for institutional investors, analysts, and journalists)

U.S. accounting standards are not applied.

1. Consolidated results for the Third Quarter ended December 2011 (April 1, 2011 to December 31, 2011)

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

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 31, 2011	553,282	4.4	31,895	39.8	29,650	42.7	12,086	99.8
Dec. 31, 2010	530,128	28.1	22,812	—	20,773	—	6,048	—

Note: Comprehensive income December 2011: ¥4,586 million (— %) December 2010: (¥ 405 million) (— %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
Dec. 31, 2011	57.14	57.13
Dec. 31, 2010	28.61	28.59

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Dec. 31, 2011	998,487	346,375	30.3
Mar. 31, 2011	944,370	348,986	32.4

Note: Total equity December 2011: ¥302,668 million March 2011: ¥306,106 million

2. Dividends status

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

Note: Changes from the last announced dividends status: None

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

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2011	810,000	4.7	60,000	44.5	56,000	33.6

	Net income		Net income per share
	Millions of yen	%	Yen
FY 2011	25,000	125.5	118.16

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

For the changes, please refer to “Notice of Revised Earnings Forecasts” that we announced today, January 26, 2012.

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

4. Others

(1) Important changes in scope of consolidation during the period: None

(2) Application of special accounting method: Yes

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

[1] Changes in accounting policies accompanying the revision of accounting standards: None

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

[3] Changes in accounting estimates: None

[4] Restatements: None

(4) Number of shares issued (common shares) at the end of the period

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

December 2011: 215,115,038 March 2011: 215,115,038

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

December 2011: 3,322,007 March 2011: 3,645,459

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

December 2011: 211,509,387 December 2010: 211,429,835

Notes)

Indication of quarterly review procedure implementation status

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

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

Any forward-looking statements in the report, including results forecasts, are based on certain assumptions that were deemed rational as well as information currently available to the Company at this time. However, various factors may cause actual results to differ materially.

Please refer to 1. Qualitative Information concerning Consolidated Business Performance, (3) Qualitative Information concerning Consolidated Earnings Forecasts on page 9 of the attachment for conditions serving as assumptions for results forecasts.

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1. Qualitative Information concerning Consolidated Business Performance for the Term

(1) Qualitative Information concerning Consolidated Financial Results

[1] Overview of Business Results

During the consolidated third quarter under review (April 1, 2011 to December 31, 2011) (hereafter referred to as “the term”), due to the prolonged appreciation of the yen and stagnation of stock prices as well as the influences of the exposure of the financial crisis in Europe and the financial restraints in China and India, the outlook for the global economy continued to be uncertain.

With respect to the market for construction machinery, despite the drastic decrease in demand in China compared with the previous year, the overall demand for construction machinery remained the same as the previous year thanks to the increase in demand in other emerging nations such as Indonesia and to the rental business in the United States, as well as the demand for the recovery from the earthquake in Japan.

Under these circumstances, the HCM Group has entered into an agreement with Deere & Company to establish a new joint venture company of hydraulic excavators and has commenced constructing the factory in order to enter the Brazil market, where the demand for construction machinery is showing a drastic increase, with full-scale operation in the pursuit of long-term growth opportunities.

With respect to mining machinery, with the strong demand for mining development in resource-rich countries we are receiving more business inquiries every year. We focused on capturing large demands in the steady mining machinery market while actively expanding sales of parts and services for strong mining machinery to expand the business.

As above, consolidated net sales increased by 4% year-on-year to ¥553,282 million despite being affected by the impact of the decrease in unit sales due to the decrease in demand in China and the appreciation of the yen compared to other currencies.

As for operating income, it increased by 40% year-on-year to ¥31,895 million, thanks to the increasing sales of parts and services especially for mining machinery, and continued reduction of cost.

The following table summarizes the consolidated results for the term:

(100 millions of yen)

	3Q 2011 (A)	3Q 2010 (B)	Year-on-year change	
			(A) - (B)	(A)/(B) (%)
Net sales	5,533	5,301	232	104
Operating income	319	228	91	140
Ordinary income	297	208	89	143
Net income	121	60	61	200

Note: Figures under ¥100 million are rounded off.

[2] Overview of Consolidated Sales by Regional Segment

Japan

Although moderate, the Japanese economy is steadily recovering due to the increase in demands especially in public investments after the earthquake; however, uncertainty is growing under the influence of the financial crisis originated in Europe and the yen appreciation.

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

Consequently, consolidated net sales increased by 18% year-on-year to ¥147,047 million.

The Americas

The U.S. economy is still showing a moderate recovery with consumer spending showing recovery and capital investments of companies increasing.

Demands for construction machinery continued to increase in accordance with the expansion and replacement of assets held by rental companies, etc. Consequently, net sales increased by 44% year-on-year to ¥58,196 million.

Europe

European economic conditions remain uncertain. The demand for construction machinery remained solid in the United Kingdom, Germany, France and northern Europe, but drastically decreased year-on-year in southern Europe including Italy and Spain.

Under these circumstances, we focused on expanding the sales of machines including hydraulic and wheeled hydraulic excavators, mini excavators, and wheel loaders whose lineup was expanded, providing dealers with meticulous support services. Furthermore, the new parts center of Hitachi Construction Machinery (Europe) N.V., which started operation in May to enhance its support system to accommodate the increase in the demands for services and parts, is contributing to the increase in sales of parts.

Consequently, net sales decreased by 1% year-on-year to ¥44,718 million.

Russia-CIS, Africa, and the Middle East

In Russia and the CIS, infrastructure projects in accordance with the development of resources such as oil & gas and mining-related business showed steady growth. We strove to further reinforce our services for supporting dealers through Hitachi Construction Machinery Eurasia Sales LLC, which was established last year. The construction of the new factory in Russia was started in preparation for the local production.

In Africa, in cooperation with wide-area dealers, we are expanding our market presence by increasing shares of medium-sized machinery in Northern Africa.

In southern Africa, to maintain and improve our competitiveness in the mining market in the region, we started the construction of a remanufacturing factory for the mining machinery of Hitachi Construction Machinery Zambia Co., Ltd in December 2010 and are making good progress with the plan to start operation in 2011. The factory is expected to increase our share in the mining market by optimizing the nature of the remanufacturing parts business.

In the Middle East, demand remained solid, thanks to the strong demand for resources and increasing overseas construction work for major contractors in Turkey. We proactively worked on expanding the sales by capturing such demands.

The total net sales in Russia-CIS, Africa, and the Middle East were ¥44,705 million.

Asia and Oceania

Economic conditions in Asia remained strong with the exception of Thailand which has seen a downturn in the economy due to flood damages.

The demand for construction machinery is growing in Asian countries especially in Singapore, in accordance with the increasing work for the development of their social infrastructure such as subway construction, and in Indonesia and Malaysia due to the growth of forestry and palm oil markets. In particular, the demand for construction machinery in Indonesia has reached a record high level with the continued expansion in the mining-related markets.

Under these conditions, P.T. Hitachi Construction Machinery Indonesia started to enhance its production capacity to accommodate the increase in demand. We also introduced a new type of hydraulic excavator developed especially for the developing countries, established a training center for the mining business, and improved our competitive power by enhancing facilities for remanufacturing parts in order to expand the sales in machinery, services, and parts.

In India, the economy is slowing down due to the interest rates being increased for reducing inflation. Under such circumstances, Telco Construction Equipment Co., Ltd. sought to improve its competitiveness by improving sales systems and product profitability leading to the enhancement of sales and financial strength as well as dealers in order to maintain its high market share.

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

Consequently, net sales increased by 15% year-on-year to ¥166,618 million.

China

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

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

Consequently, net sales decreased by 30% year-on-year to ¥91,998 million.

The following table summarizes consolidated net sales by geographic area:

Consolidated Net Sales by Geographic Area

(Millions of yen)

	3Q, current fiscal year (April 1, 2011- December 31, 2011)		3Q, previous fiscal year (April 1, 2010- December 31, 2010)		Increase (Decrease) year-on-year	
	Net Sales	Proportion (%)	Net Sales	Proportion (%)	Amount of change	% change
The Americas	58,196	10.5	40,332	7.6	17,864	44.3
Europe	44,718	8.1	45,137	8.5	(419)	(0.9)
Russia-CIS, Africa, and the Middle East	44,705	8.1	44,606	8.4	99	0.2
Asia and Oceania	166,618	30.1	145,047	27.4	21,571	14.9
China	91,998	16.6	130,844	24.7	(38,846)	(29.7)
Sub-total	406,235	73.4	405,966	76.6	269	0.1
Japan	147,047	26.6	124,162	23.4	22,885	18.4
Total	553,282	100.0	530,128	100.0	23,154	4.4

[3] Overview of Consolidated Net Sales by Business Segment

(a) Construction Machinery Business

Regarding construction-related machinery, in addition to the ZAXIS-3 series of hydraulic excavators and the ZW series of wheel loaders, our core products, we strove to expand sales of ZAXIS-3G, the model targeted at emerging nations, and the ZAXIS-5 series of hydraulic excavators which respond to the emission regulations of each market.

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

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

Consequently, net sales increased by 4% year-on-year to ¥505,474 million.

(b) Industrial Vehicles Business

As for our core product, forklifts, sales remained strong based on the solid demand in Japan as well as other overseas regions except for part of the emerging countries.

Although there were cases where the supply of some parts has been stopped during the term due to the influence of flooding in Thailand in July 2011, we acquired a large amount of orders by capturing demands for new and used vehicles in Thailand.

In addition, the sales of large-sized special vehicles remained strong due to large quantity orders for large-sized transfer cranes for overseas acquired during the term.

Consequently, net sales increased by 11% year-on-year to ¥47,808 million.

(2) Qualitative Information concerning Consolidated Financial Position

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the third quarter amounted to ¥681,331 million, an increase of 8.9%, or ¥55,636 million from the previous fiscal year-end. This was mainly due to a decrease of ¥31,923 million in the total of notes and accounts receivable, lease receivables and investment assets and, to the contrary, an increase of ¥90,049 million in inventories.

Non-current assets declined 0.5%, or ¥1,519 million from the end of the previous fiscal year to ¥317,156 million.

As a result, total assets increased 5.7% or ¥54,117 million from the previous fiscal year-end to ¥998,487 million.

(b) Liabilities

Current liabilities at the end of the third quarter amounted to ¥435,010 million, an increase of 15.4%, or ¥58,185 million from the previous fiscal year-end. This was mainly due to an increase of ¥34,063 million in notes and accounts payable and an increase of ¥25,905 million in short-term loans.

Non-current liabilities decreased 0.7%, or ¥1,457 million from the previous fiscal year-end to ¥217,102 million.

As a result, total liabilities increased 9.5% or ¥56,728 million from the previous fiscal year-end to ¥652,112 million.

(c) Net Assets

Net assets, including minority interests, decreased 0.7%, or ¥2,611 million from the previous fiscal year-end to ¥346,375 million, despite the net income in the term amounting to ¥12,086 million. This was mainly due to the effect of dividends paid and foreign currency translation adjustment, etc.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the term totaled ¥66,574 million, a decrease of ¥8,136 million from the end of the previous fiscal year. Factors relating to each cash flow category were as follows:

Cash Flows from Operating Activities

Net cash used in operating activities in the term totaled ¥2,480 million, an increase of ¥25,520 million compared with the same period of the previous fiscal year.

Factors that increased cash included net income before income taxes and minority interests in the term amounting to ¥29,068 million, ¥28,904 million in depreciation and amortization, and an increase of ¥49,155 million in accounts payable. Factors that decreased cash included an increase of ¥103,738 million in inventories and ¥14,406 million of income taxes paid, etc.

Cash Flows from Investing Activities

Net cash used in investing activities in the term was ¥ 22,092 million, an increase of ¥5,716 million compared with the same period of the previous fiscal year. This was due mainly to the spending of ¥19,403 million in the acquisition of properties, plants and equipment to enhance production capacity.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities amounted to an outflow of ¥24,572 million.

Cash Flows from Financing Activities

Net cash provided by financing activities in the term totaled ¥20,077 million, an increase of ¥16,754 million compared with the same period of the previous year. This was due mainly to the proceeds of ¥39,791 million from short- and long-term loans and, on the other hand, ¥8,525 million in interest paid, and ¥9,055 million in dividends paid, etc.

(3) Qualitative Information concerning Consolidated Earnings Forecasts

With regards to the earnings forecasts for the full year ending March 2012, although the global demand for hydraulic excavators is expanding in Japan and Asia, etc., given the significant decrease in demand in China, the overall demand for Fiscal 2011 is expected to decrease from the forecast previously announced on October 25, 2011 by 5,000 units to 224,000 units.

Under such circumstances, we are further expanding strong sales of parts and services while reducing cost price; however, due to the reduction in demand in China and sales units in some other regions and countries because of monetary tightening, etc., we expect a decrease in net sales and operating income from the previous forecast. Ordinary income is expected to remain the same and net income to exceed the previous forecast.

These projections assume exchange rates of ¥77 to the U.S. dollar, ¥100 to the euro, and ¥12.2 to the Chinese yuan in the fourth quarter.

Consolidated Earnings Forecast for the Full Year Ending March 31, 2012 (100 millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous Forecast (A)	8,600	650	560	230	108.76
Revised Forecast (B)	8,100	600	560	250	118.16
Difference (B-A)	(500)	(50)	0	20	—
Change (%)	(5.8)	(7.7)	0	8.7	—
Previous Year Ended Mar 31, 2011	7,738	415	419	111	52.44

Note) 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 may cause actual results to differ materially.

2. Notes on Summary Information (Other)

(1) Important changes in scope of consolidation during the period: None

(2) Application of special accounting method

Standard used to calculate income taxes

Tax expenses are calculated by making a reasonable estimation of the effective tax rate on income before income taxes and minority interests for the fiscal year including the third quarter after the application of deferred tax accounting and applying the estimated effective tax rate to the quarterly income before income taxes and minority interests. However, if this results in an unreasonable result, we use the effective statutory tax rate.

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

(3) Changes in accounting policies; changes in accounting estimates; restatements: None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third-Quarter As of Dec. 31, 2011 (A)	Previous year-end As of Mar. 31, 2011 (B)	(A)-(B)
ASSETS			
Current assets			
Cash and bank deposits	66,898	67,650	(752)
Notes and accounts receivable	168,104	184,450	(16,346)
Lease receivables and investment assets	114,532	130,109	(15,577)
Merchandise and manufactured goods	189,630	130,151	59,479
Work in process	67,380	40,235	27,145
Material and supplies	25,839	22,414	3,425
Other	53,982	55,715	(1,733)
Less: Allowance for doubtful accounts	(5,034)	(5,029)	(5)
Total current assets	681,331	625,695	55,636
Non-current assets			
Property, plant and equipment			
Property held for lease (net)	43,651	40,412	3,239
Buildings and structures (net)	63,655	66,296	(2,641)
Machinery, equipment and vehicles (net)	48,048	46,559	1,489
Tools, furniture and fixtures (net)	5,619	5,093	526
Land	58,884	58,966	(82)
Construction in progress	12,636	7,058	5,578
Net property, plant and equipment	232,493	224,384	8,109
Intangible assets			
Software	19,639	19,737	(98)
Goodwill	19,830	25,011	(5,181)
Other	1,429	1,540	(111)
Total intangible assets	40,898	46,288	(5,390)
Investments and other assets			
Investments in securities	16,700	19,646	(2,946)
Other	28,000	29,517	(1,517)
Less: Allowance for doubtful accounts	(935)	(1,160)	225
Total investments and other assets	43,765	48,003	(4,238)
Total non-current assets	317,156	318,675	(1,519)
Total assets	998,487	944,370	54,117

(Rounded off to the nearest million)

(Millions of yen)

	Third-Quarter As of Dec. 31, 2011 (A)	Previous year-end As of Mar. 31, 2011 (B)	(A)-(B)
LIABILITIES			
Current liabilities			
Notes and accounts payable	184,381	150,318	34,063
Short-term loans	172,418	146,513	25,905
Current portion of bonds	210	210	0
Income taxes payable	14,621	15,774	(1,153)
Provision for loss on disaster	115	1,204	(1,089)
Other	63,265	62,806	459
Total current liabilities	435,010	376,825	58,185
Non-current liabilities			
Bonds	50,065	50,070	(5)
Long-term loans	131,748	130,975	773
Retirement and severance benefits	11,822	11,483	339
Other	23,467	26,031	(2,564)
Total non-current liabilities	217,102	218,559	(1,457)
Total liabilities	652,112	595,384	56,728
Net assets			
Shareholder's equity			
Common stock	81,577	81,577	0
Capital surplus	84,479	84,466	13
Retained earnings	172,778	165,980	6,798
Treasury stock	(4,125)	(4,526)	401
Total shareholders' equity	334,709	327,496	7,213
Accumulated other comprehensive income			
Net unrealized gain on securities	2,185	3,772	(1,587)
Deferred gains (losses) on hedges	1,182	(595)	1,777
Foreign currency translation adjustment	(35,408)	(24,567)	(10,841)
Total accumulated other comprehensive income (loss)	(32,041)	(21,390)	(10,651)
Subscription rights to shares	766	766	0
Minority interests	42,941	42,114	827
Total net assets	346,375	348,986	(2,611)
Total liabilities and net assets	998,487	944,370	54,117

(Rounded off to the nearest million)

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

Consolidated Statements of Income

	Third-Quarter 〔Nine months ended〕 Dec. 31, 2011 (A)	Third-Quarter 〔Nine months ended〕 Dec. 31, 2010 (B)	(A)/(B)×100 (%)
			%
Net sales	553,282	530,128	104
Cost of sales	406,925	400,410	102
Gross profit	146,357	129,718	113
Selling, general and administrative expenses			
Packing and shipping expenses	17,541	15,133	116
Employees' salaries	30,195	29,765	101
R&D expenditure	11,381	11,595	98
Other	55,345	50,413	110
Total selling, general and administrative expenses	114,462	106,906	107
Operating income	31,895	22,812	140
Non-operating income			
Interest income	2,471	1,887	131
Interest income from installment sales	275	429	64
Dividends income	168	154	109
Gain on equity in earnings of affiliated companies	269	791	34
Foreign exchange gains, net	0	775	-
Other	4,628	3,117	148
Total non-operating income	7,811	7,153	109
Non-operating expenses			
Interest expenses	8,445	6,630	127
Foreign exchange losses, net	417	0	-
Other	1,194	2,562	47
Total non-operating expenses	10,056	9,192	109
Ordinary income	29,650	20,773	143
Extraordinary losses			
Losses on adjustment for changes of accounting standard for asset retirement obligations	0	203	-
Business structure improvement expenses	0	287	-
Loss on valuation of investment securities	363	0	-
Retirement benefit expenses	219	0	-
Total extraordinary losses	582	490	119
Income before income taxes and minority interests	29,068	20,283	143
Total income tax	11,558	8,323	139
Income before minority interests	17,510	11,960	146
Minority interests	5,424	5,912	92
Net income	12,086	6,048	200

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third-Quarter 〔Nine months ended〕 〔Dec. 31, 2011 (A)〕	Third-Quarter 〔Nine months ended〕 〔Dec. 31, 2010 (B)〕	(A)/(B)×100 (%)
			%
Income before minority interests	17,510	11,960	146
Other comprehensive income			
Net unrealized gain (loss) on securities	(1,570)	1,645	-
Deferred gains on hedges	1,774	1,224	145
Foreign currency translation adjustment	(12,726)	(14,556)	-
Share of other comprehensive loss of companies accounted for by the equity-method	(402)	(678)	-
Total other comprehensive income	(12,924)	(12,365)	-
Comprehensive income	4,586	(405)	-
Comprehensive income attributable to shareholders of the Company	1,435	(3,882)	-
Comprehensive income attributable to minority interests	3,151	3,477	91

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Third-Quarter 〔 Nine months ended 〕 Dec. 31, 2011	Third-Quarter 〔 Nine months ended 〕 Dec. 31, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	29,068	20,283
Depreciation and amortization	28,904	27,938
Increase (Decrease) in allowance for doubtful accounts	24	(1,099)
Interest and dividends income	(2,639)	(2,041)
Interest expenses	8,445	6,630
Gains on equity earnings of affiliated companies	(269)	(791)
Decrease (Increase) in notes and accounts receivable	4,093	(1,266)
Decrease (Increase) in lease receivables and investment assets	11,366	(33,523)
Increase in inventories	(103,738)	(32,335)
Purchase of property held for lease	(13,336)	(10,680)
Sales of property held for lease	1,857	1,973
Increase in notes and accounts payable	49,155	51,998
Gains on sales of property, plant and equipment	(758)	(1,610)
Other, net	(246)	12,258
Sub-total	11,926	37,735
Income taxes paid	(14,406)	(14,695)
Net cash provided by (used in) operating activities	(2,480)	23,040
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(19,403)	(12,629)
Proceeds from sale of property, plant and equipment	292	112
Purchase of intangible assets	(3,528)	(2,805)
Purchase of investments in securities	(871)	(1,387)
Interest and dividends received	2,863	2,103
Dividends received from affiliated companies	58	41
Other, net	(1,503)	(1,811)
Net cash used in investing activities	(22,092)	(16,376)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	39,445	(11,956)
Proceeds from long-term loans	24,466	47,657
Repayments of long-term loans	(24,120)	(17,740)
Repayments of lease obligations	(2,177)	(1,676)
Redemption of bonds	(5)	(5)
Interest paid	(8,525)	(6,553)
Dividends paid to shareholders	(5,291)	(3,172)
Dividends paid to minority shareholders by subsidiaries	(3,764)	(3,257)
Proceeds from stock issuance to minority shareholders	31	0
Proceeds from disposal of treasury stock	13	28
Purchase of treasury stock	(2)	(5)
Other, net	6	2
Net cash provided by financing activities	20,077	3,323
Effect of exchange rate changes on cash and cash equivalents	(3,641)	(5,608)
Net increase (decrease) in cash and cash equivalents	(8,136)	4,379
Cash and cash equivalents at beginning of year	74,710	57,314
Cash and cash equivalents at end of period	66,574	61,693

(Rounded off to the nearest million)

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

(5) Segment Information

A. Reportable segment information

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

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

Third quarter ended December 31, 2011 (From April 1, 2011 to December 31, 2011) (Millions of yen)

	Construction machinery business	Industrial vehicles business	Total (Note)
Net sales			
Net sales to outside customers	505,474	47,808	553,282
Inter-segment sales/transfers	0	0	0
Total	505,474	47,808	553,282
Segment income	30,866	1,029	31,895

Third quarter ended December 31, 2010 (From April 1, 2010 to December 31, 2010) (Millions of yen)

	Construction machinery business	Industrial vehicles business	Total (Note)
Net sales			
Net sales to outside customers	487,002	43,126	530,128
Inter-segment sales/transfers	0	0	0
Total	487,002	43,126	530,128
Segment income	21,510	1,302	22,812

Note: Segment income agrees with the operating income stated on the Consolidated Statements of Income.

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