Hitachi Construction Machinery

Financial Results for the
Third Quarter Ended December 31, 2008

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

Consolidated Financial Results for the Third Quarter Ended December 31, 2008

January 28, 2009

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo, Osaka (first section)   Code number: 6305
URL http://www.hitachi-c-m.com/
Representative: Michijiro Kikawa, President and Chief Executive Officer
Scheduled date for submission of Quarterly Securities Report: February 12, 2009
U.S. Accounting Standards are not applied.

1. Consolidated results for the third quarter ended December 2008 (April 1, 2008 to December 31, 2008)

(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	%
Dec. 31, 2008	600,161	-	56,747	-	54,789	-	25,451	-
Dec. 31, 2007	630,158	18.1	70,928	36.0	65,434	44.8	36,921	43.7

	Net income per share	Net income per share (Diluted)
	Yen	Yen
Dec. 31, 2008	119.00	118.87
Dec. 31, 2007	180.62	180.04

Note:

1) Percentages indicated for net sales, operating income, ordinary income and net income for the third quarter ended December 2007 are increases compared with the same period of the previous fiscal year. Due to changes in the accounting methods as a result of quarterly reporting becoming legally mandatory in Japan from the current fiscal year, this indicator is omitted for the third quarter ended December 2008.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Dec. 31, 2008	874,830	343,861	35.0	1,431.38
Mar. 31, 2008	833,096	346,618	37.1	1,446.55

Note:

Total equity at the end of the period
December 2008: ¥306,063 million   March 2008: ¥309,359 million

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total cash dividends per share for the fiscal year
	Yen	Yen	Yen	Yen	Yen
Mar. 31, 2008	-	20.00	-	22.00	42.00
Mar 31, 2009 (Result)	-	22.00	-		
(Projection)				22.00	44.00

Note:

Revisions to projected dividends in this quarter: None

3. Projected consolidated results for the fiscal year ending March 2009 (April 1, 2008 to March 31, 2009)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full fiscal year	781,000	(17.0)	50,000	(53.9)	46,000	(54.3)

	Net income		Net income per share
	Millions of yen	%	Yen
Full fiscal year	20,000	(64.3)	93.52

Notes:

1) Revisions to projected consolidated results at the end of the second quarter: Yes
2) Percentages show changes from the previous fiscal year.

4. Others

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

(2) Adoption of simplified accounting methods and special accounting procedures for the compilation of quarterly consolidated financial statements: Yes

Note:
For detailed information, please refer to “4. Others” on page 10.

(3) Changes in accounting principles and procedures in the preparation of the Quarterly Consolidated Financial Statements and changes in presentation methods (changes in principal items that serve as the basis for preparing the Quarterly Consolidated Financial Statements)

[1] Changes accompanying revision of accounting standards Yes
[2] Changes other than those in [1] Yes

Note:
For detailed information, please refer to “4. Others” on page 10.

(4) Number of shares issued (common shares)

[1] Number of shares issued at the end of period (including treasury shares)
December 2008: 215,115,038 March 2008: 215,115,038

[2] Number of treasury shares at the end of period
December 2008: 1,291,183 March 2008: 1,254,982

[3] Average number of shares during the period (from April 1 to December 31)
December 2008: 213,887,429 December 2007: 204,412,658

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

1. 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.
2. Starting with this consolidated fiscal year, the Group is applying the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). Quarterly financial statements are compiled in accordance with the Quarterly Consolidated Financial Statement Rules.

(Reference) Projected results for the fiscal year ending March 2009 (Non-consolidated)

(100 million yen)

	Revised Forecast as of Jan. 28, 2009 (A)	Previous Forecast as of Oct. 28, 2008 (B)	Change (A)-(B)	Change (A)/(B)
Net sales	**4,115**	5,209	(1,094)	79.0%
Operating income	**(44)**	144	(188)	-
Ordinary income	**143**	302	(159)	47.4%
Net income	**112**	228	(116)	49.1%

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Consolidated Business Performance

[1] Overview of Market Conditions During the Third Quarter Ended December 31, 2008

The business environment surrounding the Group deteriorated quickly in the third quarter of the fiscal year ("third quarter") (April 1, 2008 to December 31, 2008), as the financial crisis originating in the United States led to the rapid onset of recession in the real economy globally. Moreover, even though prices of some raw materials began trending downward from autumn 2008, raw materials prices generally remained high throughout the third quarter, while the yen appreciated to levels exceeding expectations.

Besides declining demand in the United States, Europe and Japan, there was also a sharp slowing of the economies of Russia, India and the Middle East, which had made brisk infrastructure investments in tandem with an expansion of economic activities. Owing to these factors, global demand for construction machinery, beginning with hydraulic excavators, fell steeply compared with the same period in the previous fiscal year.

To respond to this rapidly shrinking demand, the HCM Group focused on making adjustments to production and shipments and worked to maintain stocks at an appropriate level.

Also, the Group already has proceeded without delay to proactively devise countermeasures that include curbing and reducing materials costs in accordance with the downtrend in prices for some raw materials and commencing initiatives aimed at achieving large reductions in fixed costs throughout the Group.

The following table summarizes consolidated results for the period:

(100 million yen; %)

	Current Third Quarter (Apr. 1, 2008 – Dec.31, 2008) (A)	Previous Third Quarter (Apr. 1, 2007 – Dec.31, 2007) (B)	Year-on-year change (reference)	
			(A)-(B)	(A)/(B)
Net sales	6,002	6,302	(300)	95%
Operating income	567	709	(142)	80%
Ordinary income	548	654	(106)	84%
Net income	255	369	(114)	69%

Note: Figures are rounded off to the nearest 100 million.

[2] Overview of Consolidated Sales by Geographic Area

Japan

Ongoing curtailments in public works and a decline in housing construction, coupled with lower capital investments due to worsening corporate earnings, led to a sharp decline in demand for construction machinery compared with the same period of the previous fiscal year.

Under these conditions, we strived to secure sales by strengthening our industry-specific sales to create further demand for construction machinery in civil engineering and construction fields as well as in such sectors as the environment, resources and forestry. As a result, net sales declined 11% from the same period of the previous year to ¥159,509 million.

The Americas

Despite relatively robust public works investment, demand for construction machinery continued to decline compared with the same period of the previous fiscal year due to such factors as decreases in corporate capital investment and housing investment resulting from the credit crunch.

Responding to this decline in demand, Deere-Hitachi Construction Machinery Corporation carried out production adjustments and worked to maintain stocks at an appropriate level. On the other hand, market shares for both hydraulic excavators and mini-excavators improved compared with the same period of the previous fiscal year. Consequently, net sales rose 7% to ¥63,852 million.

Europe, Russia-CIS, Africa and the Middle East

[Europe]

Demand for construction machinery fell sharply in all regions of Europe, mirroring such factors as a tightening of credit and a decrease in housing investment.

Under these conditions, we strengthened our distributors in the large markets of France and Germany and formulated other measures to expand sales in each region, while also upgrading our lineup with the new model ZW Series wheel loaders and the new model ZX U-3 Series mini-excavator. By taking these measures, we strived to raise our market share. Nevertheless, net sales in Europe declined 25% from the same period of the previous year to ¥86,981 million.

[Russia-CIS, Africa and the Middle East]

Demand for construction machinery in Russia fell sharply from August onward due primarily to plummeting crude oil prices and the credit crunch, and stocks of hydraulic excavators at the end of September significantly exceeded plans. To respond to changes in the market, we will fully utilize the sales capabilities of local dealers, which operate sales networks covering all areas of Russia, as well as quickly reduce and aim for appropriate levels of stocks.

In Africa, demand for construction machinery continued to grow along with the establishment of infrastructures, while demand for large-sized mining machinery was also robust. We opened a new base in Zambia with a view toward further expansion of demand for large-sized mining machinery.

Turning to the Middle East, demand for construction machinery in Turkey declined due to the effects of revisions to the tax system in January 2008. We were able to compensate for this decline with solid demand from Gulf nations, where economic activities were brisk. From the third quarter, however, growth in demand for construction machinery slowed sharply throughout the entire Middle East due to a decline in infrastructure projects, even in the aforementioned Gulf nations, arising from plunging crude oil prices. In Iraq, we further expanded our sales channels, which helped us secure large orders for MA 200 amphibious soft terrain backhoe produced by applying our product development capabilities.

Net sales in Russia-CIS, Africa and the Middle East declined 1% from the same period of the previous year to ¥77,941 million.

Oceania and Asia

Demand for large-sized mining machinery remained robust. In Indonesia, demand for construction machinery for use in forestry and palm oil plantations was favorable. However, demand for construction machinery fell abruptly from the third quarter, underscoring the effects of a tightening of credit and a drop in currency value. In the future, we will upgrade our lineup of application products and attachments with the aim of cultivating new demand as we work to expand sales.

In India, previously robust demand for construction machinery turned downward from the third quarter and dropped below the level recorded in the same period of the previous fiscal year. This decrease was due to postponements of purchases by small- and medium-sized customers and delays in infrastructure projects due to the credit crunch. Under these conditions, we aim to expand sales by introducing new model hydraulic excavators and other products to maintain our present high market share.

As a result, net sales in Oceania and Asia rose 3% from the same period of the previous year to ¥122,185 million.

China

Although demand for hydraulic excavators was robust through the second quarter, overall demand for construction machinery declined in all regions from the third quarter, reflecting decreases in housing and real estate investments in coastal regions because of the credit crunch. Moreover, demand for mining machinery was adversely affected by a cessation of drilling accompanying mine safety inspections carried out over a 100-day period from October.

Hitachi Construction Machinery (Shanghai) Co., Ltd. worked to upgrade its sales capabilities by introducing a new HI-STEP sales system (a system for managing sales visits, business inquiries and orders). At the same time, through Hitachi Construction Machining Leasing (China) Co., Ltd., we strengthened our support for dealers by offering a range of financing options to meet customer needs.

As a result, net sales in China rose 12% from the same period of the previous year to ¥89,693 million.

The following table summarizes consolidated sales by geographic area:

Consolidated Net Sales by Geographic Area (Millions of yen)

		Current Third Quarter (April 1, 2008 – December 31, 2008)		Previous Third Quarter (April 1, 2007 – December 31, 2007)		Increase (Decrease)	
		Net sales	Proportion (%)	Net sales	Proportion (%)	Amount of change	% change
The Americas		63,852	10.6	59,445	9.4	4,407	7.4
	Europe	86,981	14.5	116,041	18.4	(29,060)	(25.0)
	Russia-CIS, Africa and the Middle East	77,941	13.0	78,479	12.5	(538)	(0.7)
Europe, Russia-CIS, Africa and the Middle East		164,922	27.5	194,520	30.9	(29,598)	(15.2)
Oceania and Asia		122,185	20.4	118,133	18.7	4,052	3.4
China		89,693	14.9	79,813	12.7	9,880	12.4
Sub-total		440,652	73.4	451,911	71.7	(11,259)	(2.5)
Japan		159,509	26.6	178,247	28.3	(18,738)	(10.5)
Total		600,161	100.0	630,158	100.0	(29,997)	(4.8)

Note: Figures are rounded off to the nearest million.

[3] Overview of Consolidated Net Sales by Business Segment

(a) Construction Machinery Business

Regarding new construction-related machinery, in addition to expanding sales of the ZAXIS-3 Series of new-model hydraulic excavators and the ZW Series of new-model wheel loaders, we upgraded our lineup by launching sales of the ZX U-3 mini-excavator with an ultra-short tail swing and a new-model tired roller.

With the aim of further expanding and developing our business for wheel loaders, which we have positioned as a next-generation core product, in October 2008 HCM, Kawasaki

Heavy Industries, Ltd. (KHI), and TCM Corporation agreed to form an alliance under which the three companies will jointly carry out R&D for new wheel loaders. Under the alliance, KHI also will spin off its wheel loader business as an independent subsidiary, and HCM will invest in this new company.

In machinery for resource development, we made efforts to expand sales of such new products as the EX1200-6 hydraulic excavator, which is equipped with an environmentally friendly engine, as well as the EH3500AC II rigid dump truck, which realizes high driving performance using an AC electric-drive system. At the same time, we fully utilized the production capacity of the Hitachinaka-Rinko Works, which commenced full-fledged operations. By taking these measures, we strived to steadily secure demand.

As a result, net sales in the Construction Machinery Business declined 6% from the same period of the previous year to ¥532,530 million.

(b) Industrial Vehicle Business

In industrial vehicles, we proactively carried out our business globally in working to expand sales. Specifically, we focused on cultivating new markets by introducing new types of vehicles, such as electric-drive forklifts, as well as increasing and strengthening production capacity by starting full-fledged operation of a new plant in China. In September, the Shiga Plant, which serves as a core plant for forklifts, achieved accumulated shipment of 500,000 units since commencing operations.

These achievements notwithstanding, the worldwide recession spread rapidly to the forklift market from the third quarter, with demand showing unprecedented sharp declines significantly below the levels recorded in the same period in the previous year in Japan and virtually all other regions.

In emerging countries, customers have encountered difficulties in procuring working capital due to monetary tightening, which has led to some order cancellations and forced TCM's overseas bases to reduce production.

As a result, consolidated net sales for the Industrial Vehicle Business rose 6% from the same period of the previous year to ¥66,856 million.

(c) Semiconductor Production Equipment Business

On October 1, 2008, Hitachi Kenki FineTech Co., Ltd. was absorbed into the operations of HCM with the aim of consolidating all the leading-edge technologies cultivated by that company in electric and electronic fields along with further advancing the level of the HCM Group's products and strengthening its development capabilities.

Consolidated net sales in the Semiconductor Production Equipment Business decreased 43% from the same period of the previous year to ¥775 million.

2. Qualitative Information Concerning Consolidated Financial Statements

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the third quarter amounted to ¥578,699 million, an increase of ¥20,728 million from the previous fiscal year-end. This was due mainly to an increase of ¥84,745 million in inventories.

Fixed assets rose ¥21,006 million from the end of the previous fiscal year to ¥296,131 million due to a ¥19,241 million increase in property, plant and equipment in line with increased production.

As a result, total assets increased ¥41,734 million from the previous fiscal year-end to ¥874,830 million.

(b) Liabilities

Current liabilities at the end of the third quarter amounted to ¥415,756 million, an increase of ¥13,686 million from the previous fiscal year-end. This was due mainly to an increase of ¥38,644 million in short-term loans.

Long-term liabilities increased ¥30,805 million from the previous fiscal year-end to ¥115,213 million. This was due primarily to an increase in long-term loans. As a result, total liabilities increased ¥44,491 million from the previous fiscal year-end to ¥530,969 million.

(c) Net Assets

Net assets, including minority interests, decreased ¥2,757 million from the previous fiscal year-end to ¥343,861 million. Despite a ¥15,982 million increase in retained earnings, net assets declined due to a decrease of ¥19,547 million in foreign currency translation adjustments that resulted from the sharp appreciation of the yen.

[2] Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the third quarter totaled ¥45,461 million, a decrease of ¥23,265 million from the previous fiscal year-end. Factors relating to each cash flow category were as follows.

Cash Flows From Operating Activities

Net cash used in operating activities totaled ¥21,686 million, a difference of ¥24,134 million from ¥2,448 million in cash flows provided by operating activities in the same period of the previous fiscal year. Factors that increased cash included a decrease of ¥39,189 million in notes and accounts receivable, a difference of ¥28,325 million compared with the decrease in the same period of the previous year, resulting from a sudden and large decline in sales following the bankruptcy of Lehman Brothers in September 2008. Other factors included an increase of ¥39,973 million in notes and accounts payable, a difference of ¥35,009 million compared with the increase in the same period of the previous fiscal year, resulting from the purchase of materials in the third quarter to respond to a high level of production.

Conversely, factors that reduced cash included a decrease of ¥14,164 million in income before income taxes and minority interests compared with the same period of the previous fiscal year to ¥51,270 million and an increase of ¥122,612 million in inventories, a difference of ¥61,620 million from the increase in the same period of the previous fiscal year.

Cash Flows From Investing Activities

Net cash used in investing activities was ¥47,151 million, an increase of ¥3,858 million from ¥43,293 million in the same period of the previous fiscal year. A key factor was an increase of ¥1,590 million in acquisitions of property, plant and equipment to ¥41,223 million versus ¥39,633 million in the same period of the previous fiscal year, mainly for capital investment to boost production at various domestic and overseas manufacturing bases in the third quarter. As a result, free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a negative ¥68,837 million.

Cash Flows From Financing Activities

Net cash provided by financing activities totaled ¥50,218 million. The key factors were a net increase in short-term debt totaling ¥55,060 million and proceeds from long-term debt amounting to ¥41,954 million for the purpose of covering negative free cash flow, repayments of long-term debt and redemption of debentures, in addition to paying interest on borrowings and paying dividends to shareholders.

3. Qualitative Information Concerning Consolidated Results Forecast

Looking at future trends, the outlook for the world economy is expected to remain uncertain in the near term due to the global financial crisis. In markets for construction machinery, besides declines in demand in the United States, Europe and Japan, previously robust demand is also falling rapidly in emerging nations. Given these factors, overall global demand is expected to remain sluggish.

Under "*SOH* 2010—For the New Stage," a medium-term management plan running from fiscal 2007 through fiscal 2010, the HCM Group is striving to "establish an unshakeable position as a comprehensive manufacturer among the world's top three construction machinery manufacturers" while "realizing an industry-leading profit structure." Taking into consideration the current rapid market changes, we are working to speedily and vigorously implement various measures under this plan.

With demand in construction machinery markets now declining after having expanded steadily up until recently, we will make appropriate production adjustments based on the circumstances in each region as well as reduce and aim for appropriate levels of stocks. In large-sized mining machinery, we will fully utilize the production capacity of the Hitachinaka-Rinko Works, which has commenced full-scale operations, and strive to steadily secure demand for this machinery.

On a different front, we will work to reduce overall costs by vigorously promoting a reduction in materials costs based on price fluctuations for crude oil and other raw materials while thoroughly reducing fixed costs.

Amid expected sluggish demand for new machinery, we intend to carry out new business in untapped regions and actively strengthen our so-called "soft" business, which includes sales of used machinery and recycled parts as well as sales of parts and services, with the overriding aims of raising levels of customer satisfaction and expanding net sales and earnings.

In undertaking the aforementioned business operations, we will remain aware of the importance of as well as the HCM Group's obligation to fulfill our corporate social responsibility. We are vigorously working to attain the targets of our current medium-term management plan and striving to strengthen our brand power, thereby enhancing our corporate value and raising shareholder value.

The present forecast for consolidated results for the fiscal year ending March 31, 2009 has been revised from that outlined in the full-year forecast for consolidated results announced on October 28, 2008, as indicated on page 10.

Regarding dividends, despite severe circumstances that include another downward revision of our results forecast following a similar revision in the second quarter, we will still adhere to our original forecast for year-end cash dividends per share of ¥22.00 (full-year cash dividends of ¥44.00) upon taking into consideration the capital increase carried out in August 2007 through a public offering and a third-party allotment.

(100 million yen)

	Revised Forecast as of Jan. 28, 2009 (A)	Previous Forecast as of Oct. 28, 2008 (B)	(Reference) Results for the fiscal year ended Mar. 31, 2008 (based on conventional accounting period)	Change	
				(A)-(B)	(A)/(B)
Net sales	**7,810**	9,400	9,036	(1,590)	83.1%
Operating income	**500**	940	1,052	(440)	53.2%
Ordinary income	**460**	900	976	(440)	51.1%
Net income	**200**	480	545	(280)	41.7%

Notes:

1) Figures are rounded off to the nearest 100 million.

2) These projections assume an exchange rate of ¥90 to the U.S. dollar and ¥120 to the Euro.

3) For the fiscal year ended March 31, 2008, to unify the settlement dates of 12 overseas consolidated subsidiaries which used different settlement dates than that of the parent company, a method of consolidation was adopted in the financial statements using a provisional settlement as of the consolidated settlement date of the parent company. Accordingly, the settlement figures for the year, which include 15-month results (January 1, 2007 to March 31, 2008) of these subsidiaries, were consolidated net sales of ¥940,537 million, operating income of ¥108,458 million, ordinary income of ¥100,564 million and net income of ¥55,985 million.
For the sake of comparison, figures for the conventional accounting period (12 months) are shown above.

4) 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. Others

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

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

A. Method used to value inventory assets

Inventory assets at the end of the third quarter of the fiscal year are calculated from actual inventory at the end of the previous fiscal year using a rational method rather than based on a physical inventory.

B. Method used to calculate depreciation of fixed assets

Projected annual depreciation incorporating estimates of anticipated acquisition, sale and 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. 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 quarterly income before income taxes and minority interests. Income tax figures include deferred income taxes.

(3) Changes in accounting principles, procedures and presentation methods used in the preparation of the Quarterly Consolidated Financial Statements

A. Changes in response to accounting standard revisions

1. Starting from the first quarter of the current fiscal year, the Group is applying the

Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12, issued on March 14, 2007) and Guidance on Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Guidance No. 14, issued March 14, 2007). Quarterly financial statements are compiled in accordance with the Quarterly Consolidated Financial Statement Rules.

2. Starting with the first quarter of this fiscal year, the Group is applying the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9, issued on July 5, 2006). The effect of the application of these standards on profit and loss is minimal.
3. Starting with the first quarter of this fiscal year, the Group is applying the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Accounting Standards Board of Japan PITF No. 18, issued May 17, 2006).
4. Although the Group has previously used lease transaction methods to account for finance and lease transactions not involving transfers of ownership, it has elected to use accounting methods for normal sales transactions to account for these transactions starting from the first quarter of the current fiscal year by applying Accounting Standards for Lease Transactions (Accounting Standards Board of Japan Statement No. 13) and Guidance on Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Guidance No. 16). Depreciation of leased assets for finance and lease transactions not involving transfers of ownership is calculated by means of the straight-line method using the lease term as the period of depreciation and a residual value of zero.

   The effect of the change in these standards on profit and loss is minimal.

B. Changes other than those in (A)

1. The Company and its domestic consolidated subsidiaries have changed the period of depreciation for machinery and other equipment following a review of asset utilization undertaken in response to revisions in the corporate tax code. The effect of these changes on profit and loss is minimal.

5. Consolidated Quarterly Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Third Quarter [As of Dec. 31, 2008]	Previous year-end (Summary) [As of Mar. 31, 2008]
ASSETS		
Current assets		
Cash and bank deposits	45,468	53,264
Notes and accounts receivable	176,912	238,851
Merchandise and finished goods	194,733	148,293
Work in progress	75,230	35,348
Materials and supplies	21,754	23,331
Others	72,425	66,594
Less: Allowance for doubtful accounts	(7,823)	(7,710)
Total current assets	578,699	557,971
Fixed assets		
Property, plant and equipment		
Property held for lease (net)	42,495	35,940
Buildings and structures (net)	62,082	46,798
Machinery and equipment (net)	46,284	38,841
Tools, furniture and fixtures (net)	7,894	6,714
Land	55,565	54,917
Construction in progress	9,508	21,377
Net property, plant and equipment	223,828	204,587
Intangible assets		
Goodwill	5,475	6,998
Software	15,538	10,725
Others	1,807	1,589
Total intangible assets	22,820	19,312
Investments and other assets		
Investments in securities	23,893	26,736
Others	27,459	25,615
Less: Allowance for doubtful accounts	(1,869)	(1,125)
Total investments and other assets	49,483	51,226
Total fixed assets	296,131	275,125
Total assets	874,830	833,096

(Rounded off to the nearest million)

(Millions of yen)

	Third Quarter As of Dec. 31, 2008	Previous year-end (Summary) As of Mar. 31, 2008
LIABILITIES		
Current liabilities		
Notes and accounts payable	176,987	166,517
Short-term loans	163,828	125,184
Current portion of bonds	500	13,000
Income taxes payable	6,551	21,038
Others	67,890	76,331
Total current liabilities	415,756	402,070
Long-term liabilities		
Bonds	1,500	2,000
Long-term loans	79,369	50,466
Retirement and severance benefits	12,106	12,085
Others	22,238	19,857
Total long-term liabilities	115,213	84,408
Total liabilities	530,969	486,478
Net assets		
Shareholders' equity		
Common stock	81,577	81,577
Capital surplus	81,084	81,084
Retained earnings	166,924	150,942
Treasury stock	(2,961)	(2,856)
Total shareholders' equity	326,624	310,747
Valuation and translation adjustments		
Net unrealized gain on securities held	274	722
Gain on deferred hedge transactions	1,796	974
Foreign currency translation adjustments	(22,631)	(3,084)
Total valuation and translation adjustments	(20,561)	(1,388)
Stock purchase warrants	679	415
Minority interests	37,119	36,844
Total net assets	343,861	346,618
Total liabilities and net assets	874,830	833,096

(Rounded off to the nearest million)

(2) Consolidated Statements of Income

(Millions of yen)

	Third Quarter (Nine months ended Dec. 31, 2008)
Net sales	600,161
Cost of sales	429,451
Gross profit	170,710
Selling, general and administrative expenses	
Packing and shipping expenses	18,063
Employees' salaries and allowances	32,281
R&D expenditure	10,215
Others	53,404
Total selling, general and administrative expenses	113,963
Operating income	56,747
Non-operating income	
Interest income	3,433
Interest income from installment sales	587
Dividends income	147
Others	5,056
Total non-operating income	9,223
Non-operating expenses	
Interest expenses	6,104
Effect of exchange rate changes	85
Loss on equity earnings of affiliated companies	59
Others	4,933
Total non-operating expenses	11,181
Ordinary income	54,789
Extraordinary losses	
Loss on evaluation of investments in securities	3,377
Loss on evaluation of inventories	142
Total extraordinary losses	3,519
Income before income taxes and minority interests	51,270
Income taxes	20,353
Minority interests	5,466
Net income	25,451

(Rounded off to the nearest million)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Third Quarter [Nine months ended Dec. 31, 2008]
Cash flows from operating activities	
Income before income taxes and minority interests	51,270
Depreciation and amortization	24,836
Increase in allowance for doubtful accounts	1,495
Interest and dividends income	(3,580)
Interest expenses	6,104
Loss on equity earnings of affiliated companies	62
Decrease in notes and accounts receivable	39,189
Increase in inventories	(122,612)
Purchase of property held for lease	(10,202)
Sales of property held for lease	2,100
Increase in notes and accounts payable	39,973
Gain on sales of property, plant and equipment	(2,054)
Loss on evaluation of investments in securities	3,377
Others	(20,187)
Sub-total	9,771
Income taxes paid	(31,457)
Net cash used in operating activities	(21,686)
Cash flows from investing activities	
Acquisitions of property, plant and equipment	(41,223)
Proceeds from sale of property, plant and equipment	576
Purchase of intangible assets	(6,181)
Purchase of investments in securities	(4,152)
Interest and dividends received	3,673
Dividends received from affiliated companies	890
Other, net	(734)
Net cash used in investing activities	(47,151)
Cash flows from financing activities	
Net increase in short-term debt	55,060
Proceeds from long-term debt	41,954
Repayments of long-term debt	(12,394)
Repayments of finance lease obligations	(1,813)
Redemption of debentures	(13,000)
Interest paid	(6,548)
Dividends paid to shareholders	(9,411)
Dividends paid to minority shareholders by subsidiaries	(3,538)
Issuance of common stock and investments by minority	71
Proceeds from sale of treasury stock	82
Purchase of treasury stock	(245)
Net cash provided by financing activities	50,218
Effect of exchange rate changes on cash and cash equivalents	(4,646)
Net decrease in cash and cash equivalents	(23,265)
Cash and cash equivalents at beginning of year	68,726
Cash and cash equivalents at end of period	45,461

(Rounded off to the nearest million)

Starting with this consolidated fiscal year, the Group is applying the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12, issued on March 14, 2007) and Guidance on Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Guidance No. 14, issued March 14, 2007). Quarterly financial statements are compiled in accordance with the Quarterly Consolidated Financial Statement Rules.

(4) Notes Concerning Premise of Going Concern

None

(5) Segment Information

Segment information by business category

Third Quarter Ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (Millions of yen)

	Construction Machinery Business	Industrial Vehicle Business	Semiconductor Production Equipment Business	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income (Loss)						
Net Sales						
(1) Net Sales to Outside Customers	532,530	66,856	775	600,161		600,161
(2) Inter-segment Sales/Transfers	15	0	1,114	1,129	(1,129)	
Total	532,545	66,856	1,889	601,290	(1,129)	600,161
Operating Income (Loss)	55,423	1,340	(17)	56,746	1	56,747

Notes:
1) Business categories are based on internal segments used within HCM.
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 Vehicle Business: Forklifts, transfer cranes and container carriers
3. Semiconductor Production Equipment Business: Ultrasonic inspection video equipment and atomic force microscope equipment

Segment information by geographic area

Third Quarter Ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
(1) Net Sales to Outside Customers	259,711	108,578	120,348	36,217	75,307	600,161		600,161
(2) Inter-segment Sales/Transfers	234,740	21,341	8,127	16,538	36	280,782	(280,782)	
Total	494,451	129,919	128,475	52,755	75,343	880,943	(280,782)	600,161
Operating Income	19,892	17,176	5,253	3,727	6,674	52,722	4,025	56,747

Note: Countries included in each segment are as follows:
(1) Asia: China, Indonesia, Singapore, Thailand and Malaysia
(2) Europe: Holland, France and United Kingdom
(3) The Americas: United States and Canada
(4) Other: Australia, New Zealand and South Africa

Overseas sales

Third Quarter Ended December 31, 2008 (From April 1, 2008 to December 31, 2008) (Millions of yen)

		The Americas	Europe, Africa & Middle East	Oceania & Asia	China	Total
I	Overseas sales	63,852	164,922	122,185	89,693	440,652
II	Consolidated sales					600,161
III	Percentage of overseas sales to consolidated sales	10.6%	27.5%	20.4%	14.9%	73.4%

Notes:

1) National and regional categories are based on geographic proximity.
2) Countries included in each segment are as follows:
    1. The Americas: United States and Canada
    2. Europe, Africa & the Middle East: Holland, United Kingdom, Italy, South Africa and United Arab Emirates
    3. Oceania & Asia: 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.

(6) Notes on Significant Fluctuations in Shareholder's Equity

None

Reference: Financial Statements for the Nine Months Ended December 31, 2007

(1) Consolidated Statements of Income

(Millions of yen)

	Previous Third Quarter (Nine months ended Dec. 31, 2007)
I Net sales	630,158
II Cost of sales	447,103
III Selling, general and administrative expenses	112,127
Operating income	70,928
IV Non-operating income	
1. Interest income	3,196
2. Interest income from installment sales	319
3. Dividends income	98
4. Gain on equity earnings of affiliated companies	2,330
5. Others	2,289
Total non-operating income	8,232
V Non-operating expenses	
1. Interest expenses	4,140
2. Loss on disposal of inventories	779
3. Loss on evaluation of inventories	1,063
4. Effect of exchange rate changes	2,556
5. Others	5,188
Total non-operating expenses	13,726
Ordinary income	65,434
Income before income taxes and minority interests	65,434
Income taxes	21,324
Minority interests	7,189
Net income	36,921

(Rounded off to the nearest million)

(2) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous Third Quarter [Nine months ended Dec. 31, 2007]
I Cash flows from operating activities	
1. Income before income taxes and minority interests	65,434
2. Depreciation and amortization	21,795
3. Increase in allowance for doubtful accounts	69
4. Interest and dividends income	(3,294)
5. Interest expenses	4,140
6. Gain on equity earnings of affiliated companies	(2,322)
7. Decrease in notes and accounts receivable	10,864
8. Increase in inventories	(60,992)
9. Purchase of property held for lease	(12,809)
10. Sales of property held for lease	1,801
11. Increase in notes and accounts payable	4,964
12. Gain on sales of property, plant and equipment	(1,565)
13. Others	(2,075)
Sub-total	26,010
Income taxes paid	(23,562)
Net cash provided by operating activities	2,448
II Cash flows from investing activities	
1. Proceeds from time deposits	5
2. Acquisitions of property, plant and equipment	(39,633)
3. Proceeds from sale of property, plant and equipment	1,509
4. Purchase of intangible assets	(5,903)
5. Purchase of investments in securities	(1,622)
6. Acquisition of subsidiaries' stock resulting in change in scope of consolidation, net	(1,893)
7. Proceeds from sale of investments in securities	52
8. Interest and dividends received	3,413
9. Dividends received from affiliated companies	649
10. Other, net	130
Net cash used in investing activities	(43,293)
III Cash flows from financing activities	
1. Net increase in short-term debt	26,397
2. Proceeds from long-term debt	12,759
3. Repayments of long-term debt	(12,763)
4. Redemption of debentures	(10,300)
5. Interest paid	(4,514)
6. Dividends paid to shareholders	(7,009)
7. Dividends paid to minority shareholders by subsidiaries	(2,389)
8. Proceeds from issuance of stock	77,475
9. Issuance of common stock and investments by minority	1,344
10. Proceeds from sale of treasury stock	434
11. Purchase of treasury stock	(1,365)
Net cash provided by financing activities	80,069
IV Effect of exchange rate changes on cash and cash equivalents	279
V Net increase in cash and cash equivalents	39,503
VI Cash and cash equivalents at beginning of year	41,074
VII Cash and cash equivalents of merged non-consolidated subsidiary	37
VIII Cash and cash equivalents at end of period	80,614

(Rounded off to the nearest million)

(3) Segment Information

Segment information by business category

Third Quarter Ended December 31, 2007 (From April 1, 2007 to December 31, 2007) (Millions of yen)

	Construction Machinery Business	Industrial Vehicle Business	Semiconductor Production Equipment Business	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income						
Net Sales						
(1) Net Sales to Outside Customers	566,008	62,786	1,364	630,158		630,158
(2) Inter-segment Sales/Transfers	28	0	1,265	1,293	(1,293)	
Total	566,036	62,786	2,629	631,451	(1,293)	630,158
Operating Income	68,056	4,295	304	72,655	(1,727)	70,928

Notes:

1) Business categories are based on internal segments used within HCM.
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 Vehicle Business: Forklifts, transfer cranes and container carriers
   3. Semiconductor Production Equipment Business: Ultrasonic inspection video equipment and atomic force microscope equipment

Segment information by geographic area

Third Quarter Ended December 31, 2007 (From April 1, 2007 to December 31, 2007) (Millions of yen)

	Japan	Asia	Europe	The Americas	Others	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income								
Net Sales								
(1) Net Sales to Outside Customers	264,622	97,842	157,214	33,276	77,204	630,158		630,158
(2) Inter-segment Sales/Transfers	222,808	18,917	13,737	17,218	892	273,572	(273,572)	
Total	487,430	116,759	170,951	50,494	78,096	903,730	(273,572)	630,158
Operating Income	38,556	16,696	13,459	6,214	6,363	81,288	(10,360)	70,928

Note: Countries included in each segment are as follows:

(1) Asia: China, Indonesia, Singapore, Thailand and Malaysia
(2) Europe: Holland, France and United Kingdom
(3) The Americas: United States and Canada
(4) Other: Australia, New Zealand and South Africa

Overseas sales

Third Quarter Ended December 31, 2007 (From April 1, 2007 to December 31, 2007) (Millions of yen)

		The Americas	Europe, Africa & Middle East	Oceania & Asia	China	Total
I	Overseas sales	59,445	194,520	118,133	79,813	451,911
II	Consolidated sales					630,158
III	Percentage of overseas sales to consolidated sales	9.4%	30.9%	18.7%	12.7%	71.7%

Notes:

1) National and regional categories are based on geographic proximity.
2) Countries included in each segment are as follows:
   1. The Americas: United States and Canada
   2. Europe, Africa & the Middle East: Holland, United Kingdom, Italy, South Africa and United Arab Emirates
   3. Oceania & Asia: 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.