Hitachi Construction Machinery Co., Ltd.

Financial Results for the Second Quarter
Ended September 30, 2015

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

Consolidated Financial Results for the Second Quarter Ended September 30, 2015
(IFRS)

October 27, 2015

Listed company: Hitachi Construction Machinery Co., Ltd. (HCM)
Stock exchange: Tokyo (first section) Code number: 6305
URL https://www.hitachicm.com/global/
Representative: Yuichi Tsujimoto, President and Chief Executive Officer
Scheduled date for submission of the Quarterly Securities Report: November 6, 2015
Scheduled date of commencement of payment of dividends: November 30, 2015
Supplementary materials to the financial statements have been prepared: Yes
Presentation will be held to explain the financial statements: Yes (for institutional investors, analysts and journalists)

1. Consolidated results for the second quarter ended September 2015 (April 1, 2015 to September 30, 2015)

(1) Consolidated results

(Rounded off to the nearest million)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2015	365,090	(6.2)	16,035	(44.7)	10,894	(61.3)	7,994	(50.2)	6,844	(48.3)	(3,972)	－
September 30, 2014	389,142	－	28,995	－	28,182	－	16,049	－	13,238	－	27,787	－

	Net income attributable to owners of the Parent per share (basic)	Net income attributable to owners of the Parent per share (diluted)
	Yen	Yen
September 30, 2015	32.19	32.19
September 30, 2014	62.29	62.28

References: Share of profits (losses) of investments accounted for using the equity method
March 31, 2016 (2Q): ¥1,181 million March 31, 2015 (2Q): ¥700 million
"Net income attributable to owners of the Parent per share (basic)" and "Net income attributable to owners of the Parent per share (diluted)" are calculated based on "Net income attributable to owners of the parent".

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2015	1,005,189	485,419	421,362	41.9
March 31, 2015	1,064,673	497,902	431,227	40.5

2. Dividends status

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year end	Total
	Yen	Yen	Yen	Yen	Yen
March 31, 2015	—	30.00	—	30.00	60.00
March 31, 2016	—	30.00			
March 31, 2016 (Projection)			—	30.00	60.00

Note: Changes involving the dividend states for the fiscal year ending March 2016: None

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3. Projected consolidated results for the fiscal year ending March 2016 (April 1, 2015 to March 31, 2016)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2016	780,000	(4.4)	30,000	(52.5)	21,000	(64.4)	13,000	(50.0)	61.15

Notes: 1) The percentages indicated show changes from the same period of the previous fiscal year.
2) Changes in consolidated earnings forecast: Yes

For further information on revision of earning forecasts, please refer to the "Notice Concerning Revision of Earnings Forecasts" published today (October 27, 2015).

*Notes

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

(2) Changes in accounting policies; changes in accounting estimates

[1] Changes in accounting policies required by IFRS None

[2] Changes in accounting policies other than those in [1] None

[3] Changes in accounting estimates None

(3) Number of outstanding shares (common shares)

[1] Number of outstanding shares at fiscal year-end (including treasury shares)

September 2015: 215,115,038 March 2015: 215,115,038

[2] Number of treasury shares at fiscal year-end

September 2015: 2,507,005 March 2015: 2,537,814

[3] Average number of common shares outstanding during the fiscal year (shares)

September 2015: 212,599,481 March 2015: 212,527,548

Indication of audit procedure implementation status

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

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

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

Index of the Attachment

1. Qualitative Information concerning Consolidated Business Performance

(1) Explanation Concerning Financial Results

[1] Overview of Business Results

In the international economy during the consolidated cumulative second quarter under review (April 1, 2015 to September 30, 2015), the Japanese economy continued in its gradual recovery, underpinned by improved employment and income environment with a revival of capital investment. Weaknesses were seen in some areas, such as public investment, import and export, production, and others. The US economy has steadily recovered, underpinned by the increased consumption, revival of capital investment, and a gradual increase in housing starts. Europe witnessed an increase in consumption and capital investment, and the economy is on a gradual recovery, mainly in the United Kingdom. However, Russia's economy is on a continuous downward trend due to the fall in crude oil prices and other aspects. In the Asian region, despite a revival of India's economy, the economy in Southeast Asia has continuously slowed down due to the fall in exports and other elements. In China, under the government's "new normal" policy, the economy is continuously stagnant due to a further decelerated growth in fixed asset investments and industrial production remaining at low levels.

With respect to the construction machinery market, demands for wheel loaders and mini excavators in Japan have increased year-on-year underpinned by last-minute demands before the implementation of new emissions regulations. However, demand for hydraulic excavators fell significantly as a reaction to the previous year's last-minute demands in anticipation of new emissions regulations. In North America, housing starts are on a pick-up trend; however, demand slightly decreased due to an energy-related downturn. In Europe, although the situation differs in each country, overall demand decreased year-on-year. In Asia, despite a recovery in India, demand decreased mainly in Indonesia and Malaysia. Moreover, in China, demand continued to fall significantly due to a deceleration of real estate investment, particularly with a decrease in public construction in rural areas.

Concerning the mining machinery market, demand remained sluggish due to the price reduction of resources and investment restraint by resource companies.

Under these circumstances, the HCM Group made efforts to increase business efficiency further, such as establishing a global management support scheme for securing profits and increasing its market share, to lower the costs and to advance business and cost structural reforms.

With construction machinery, we are promoting an establishment of global research, a development system and reinforcement of development marketing function, as well as further enhancing the sales capabilities and after-sales service of our dealers. In addition, we have been expanding our parts and service business by globally launching a service menu called "ConSite," which provides comprehensive support to customers for their machines, and by increasing the parts supply system, among other aspects.

For mining machinery, we strove to expand sales of the AC-3 series rigid dump truck, which achieved the advanced vehicle body stability assist function. Moreover, we are bringing together the strengths of the entire Hitachi Group to establish a substantially advanced customer support system, which includes a mining machineries operation management system provision and cross-company initiatives combining both expertise in infrastructure management and IT for the mine operation optimization.

Consequently, revenue decreased by 6.2% year-on-year to ¥365,090 million. Operating profit decreased by 44.7% year-on-year to ¥16,035 million. Income before income taxes decreased by 61.3% year-on-year to ¥10,894 million, while net income attributable to owners of the parent company decreased by 48.3% year-on-year to ¥6,844 million.

The following table summarizes the consolidated results for this term, ended September 2015.

(Millions of yen)

	Apr. 1,2015- Sep. 30, 2015	Apr. 1,2014- Sep. 30, 2014	Year-on-year change	(%)
Revenue	365,090	389,142	(24,052)	(6.2)
Operating profit	16,035	28,995	(12,960)	(44.7)
Income before income taxes	10,894	28,182	(17,288)	(61.3)
Net income attributable to owners of the parent	6,844	13,238	(6,394)	(48.3)

(Rounded off to the nearest million)

[2] Overview of Consolidated Revenue by Regional Segment

[Japan]

With respect to the construction machinery demand in Japan, demand for wheel loaders and mini excavators increased year-on-year, underpinned by the last-minute demands before the implementation of new emissions regulations. However, demand for hydraulic excavators fell significantly as a reaction to the previous year's last-minute demands in anticipation of new emissions regulations.

Under such circumstances, the Hitachi Construction Machinery Japan Co., Ltd. promoted a sales expansion by continuously increasing the customers of multiple RSS(Rental, Sales & Service) divisions, offering optimal solution, which meets the needs of each customer, and providing one-stop and high-quality service in full coordination of all RSS divisions. In addition, we focused on marketing activity in compact machinery segment for further sales expansion.

Consolidated revenue increased by 6.6% year-on-year to ¥105,992 million.

[The Americas]

Construction machinery demand in North America slightly decreased year-on-year due to decreased energy-related investments caused by a collapse in crude oil prices, despite a recovery in housing starts. On the other hand, in Central and South America, the construction machinery demand has significantly decreased year-on-year, due mainly to infrastructure investment stagnation.

Mining machinery demand remained sluggish throughout the Americas due to a downturn in resource prices.

Under such circumstances, we strove to expand sales in both Americas by organizing a production and sales framework of machineries that complied with local laws and regulations of each country, in collaboration with Deere & Company. Consequently, consolidated revenue increased by 9.6% year-on-year to ¥52,476 million.

[Europe]

Construction machinery demand in Europe decreased year-on year. A recovery was seen in the ongoing sluggish demand in Italy; however, demand in Germany slightly decreased, and demand in the United Kingdom continued to decrease year-on-year. In France, demand fell significantly, affected by the downturn in rental demand.

Under these circumstances, HCM group enhanced support service to our dealers in each country and strove to expand sales by proactively marketing fuel-efficient hydraulic excavators and wheel loaders. However, consolidated revenue decreased by 4.8% year-on-year to ¥43,564 million.

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

In Russia, where construction machinery demand is continuously sluggish, we strove to expand construction and mining machinery sales by unremittingly providing dealer support, including sales expansion of application products and wheel loaders through Hitachi Construction Machinery Eurasia Sales LLC. Furthermore, Hitachi Construction Machinery Eurasia Manufacturing LLC commenced production and shipments of machineries toward CIS countries in addition to Russia.

In Southern Africa, we reinforced sales and service, mainly focusing on mining machinery, and in Northwest Africa, we strengthened sales and service of machineries for infrastructure-related industry in conjunction with dealers.

In the Middle East, we continue to focus on expanding sales mainly in infrastructure-related projects. We have also introduced the India-made hydraulic excavators for the Gulf countries, and we have strove to build a new customer base.

Consolidated revenue decreased by 14% year-on-year to ¥41,720 million affected by a decrease in Russia-CIS.

[Asia and Oceania]

In Indonesia and Australia, which are both resource-rich countries, the mining machinery demand continued to be sluggish.

Construction machinery demand has been brisk in Thailand and the Philippines, while such demand continuously decreased in Indonesia, Malaysia, Australia, and other countries. In India, demand continued the upward trend for some infrastructure investment such as coal and quarries, etc., and increased year-on-year.

Under such circumstances, in Asia and Oceania, we strove to enhance the dealers' marketing capabilities by fully implementing the sales support system to expand sales. Furthermore, Tata Hitachi Construction Machinery Co, Ltd. strove to reduce cost and enhance the production quality as well as expand sales of the new machine type.

Consolidated revenue decreased by 8.5% year-on-year to ¥96,873 million.

[China]

The growth rate of fixed asset investment is continuously on a downward trend, owing to the deceleration of real estate investments and excess inventory adjustment in various industries. Despite economic-stimulus measures by the government, the Chinese economy is going through a phase of fiscal adjustment, mainly by local governments. Due to interruption and suspension in progress of existing construction projects and delays in orders of new construction projects, construction machinery demand continued to decline significantly year-on-year.

Under such circumstances, HCM Group promoted efficient sales activities, targeted at regions and customers with a high operating rate, by utilizing the sales support system, service and parts sales management system, and the "Global e-Service" system, striving to expand sales of both machinery and parts. However, consolidated revenue decreased by 41.2% year-on-year to ¥24,465 million.

The following table summarizes consolidated net revenue by geographic area:

		Current consolidated cumulative second quarter (Apr. 1,2015- Sep. 30, 2015)		Previous consolidated cumulative second quarter (Apr. 1,2014- Sep. 30, 2014)		Increase (Decrease)	
		Revenue (Millions of yen) (A)	Proportion (%)	Revenue (Millions of yen) (B)	Proportion (%)	Amount of change (A) - (B)	% Change (A) / (B) -1 (%)
	North America	48,911	13.4	44,730	11.5	4,181	9.3
	Central and South America	3,565	1.0	3,157	0.8	408	12.9
United States		52,476	14.4	47,887	12.3	4,589	9.6
Europe		43,564	11.9	45,775	11.8	(2,211)	(4.8)
	Russia CIS,	8,080	2.2	18,453	4.7	(10,373)	(56.2)
	Africa	17,837	4.9	19,923	5.1	(2,086)	(10.5)
	Middle East	15,803	4.3	10,119	2.6	5,684	56.2
Russia-CIS, Africa and the Middle East		41,720	11.4	48,495	12.5	(6,775)	(14.0)
	Asia	34,928	9.6	36,242	9.3	(1,314)	(3.6)
	India	18,051	4.9	14,410	3.7	3,641	25.3
	Oceania	43,894	12.0	55,261	14.2	(11,367)	(20.6)
Asia and Oceania		96,873	26.5	105,913	27.2	(9,040)	(8.5)
China		24,465	6.7	41,596	10.7	(17,131)	(41.2)
Subtotal		259,098	71.0	289,666	74.4	(30,568)	(10.6)
Japan		105,992	29.0	99,476	25.6	6,516	6.6
Total		365,090	100.0	389,142	100.0	(24,052)	(6.2)

(Rounded off to the nearest million)

(2) Explanation concerning Financial Position

[1] Status of Assets, Liabilities and Net Assets

(a) Assets

Current assets at the end of the second quarter amounted to ¥603,371 million, a decrease of 5.6%, or ¥35,595 million, from the previous fiscal year-end. This was due mainly to a decrease of ¥44,233 million in trade receivable despite an increase of ¥14,972 million in cash and cash equivalents.

Non-current assets amounted to ¥401,818 million, a decrease of 5.6%, or ¥23,889 million, from the previous fiscal year-end. This was due mainly to a decrease of ¥7,017 million in property, plant and equipment and ¥13,010 million in other financial assets.

As a result, total assets decreased 5.6% or ¥59,484 million from the previous fiscal year-end to ¥1,005,189 million.

(b) Liabilities

Current liabilities at the end of the second quarter amounted to ¥330,414 million, a decrease of 10.5%, or ¥38,646 million, from the previous fiscal year-end. This was primarily due to a decrease of ¥20,921 million in trade and other payables and ¥14,310 million in bonds and borrowings.

Non-current liabilities decreased by 4.2%, or ¥8,355 million, from the previous fiscal year-end to ¥189,356 million. This was mainly due to a decrease of ¥8,725 million in bonds and borrowings.

As a result, total liabilities decreased 8.3% or ¥47,001 million from the previous fiscal year-end to ¥519,770 million.

(c) Equity
Total equity decreased by 2.5% or ¥12,483 million from the previous fiscal year-end to ¥485,419 million.

[2] Analysis on Status of Consolidated Cash Flows

Cash and cash equivalents at the end of the second quarter totaled ¥66,405 million, an increase of ¥14,972 million from the previous fiscal year-end. Statement and factors relating to each cash flow category are as follows:

(Net Cash Provided by Operating Activities)
Regarding net cash provided by operating activities in the consolidated cumulative second quarter, factors that increased cash included ¥7,994 million in net income, ¥15,911 million in depreciation, a ¥34,907 million decrease in trade receivables, a ¥9,766 million decrease in lease receivables, and a ¥8,765 million decrease in inventories. Factors that reduced cash included a ¥11,059 million decrease in trade payables.

As a result, net cash provided by operating activities in the consolidated cumulative second quarter totaled ¥51,947 million, an increase of ¥678 million year-on-year.

(Net Cash Provided by Investing Activities)
Net cash used in investing activities in the consolidated cumulative second quarter amounted to ¥1,588 million, a increase of ¥10,906 million year-on-year. This is mainly due to income from the collection of long-term loans receivable of ¥10,472 million, despite an outlay of ¥7,031 million for capital expenditures of tangible fixed assets.

As a result, free cash flows, the sum of net cash provided by operating activities and net cash provided by in investing activities, amounted to an inflow of ¥53,535 million.

(Net Cash Used in Financing Activities)
Net cash used in financing activities totaled ¥35,351 million in the consolidated cumulative second quarter, an increase of ¥5,951 million year-on-year. This was due mainly to a decrease of ¥19,746 million in short-term debt, a decrease of ¥3,532 million in long-term debt and bond, and ¥10,144 million in dividends paid, etc.

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

During the fiscal year ending March 31, 2016, the business environment has been further deteriorated. Regarding outlook of construction machinery demand, in addition to a further deceleration in demand for hydraulic excavators in emerging countries such as China, Indonesia, and Russia CIS, the demand in developed countries is also on a downward trend. Consequently, we downwardly revised the previous demand forecast from 162,000 units to 148,000 units. As for the demand outlook of mining machinery, we expect a decrease by 10% year-on-year.

In accordance with the changes in construction machinery market environment as described above and incorporating the cost associated with business and cost structural reform, we would revise the earnings forecasts.

For more information, please refer to the "Notice concerning Revision of Earnings Forecasts" published today (October 27, 2015).

2. Notes on Summary Information

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

(2) Changes in accounting principles and accounting estimates

Important accounting principles applied in the consolidated financial statements for the period are the same as those applied in the consolidated financial statements for the previous fiscal year except for the followings.

Income taxes are calculated by multiplying income before income taxes by the estimated effective tax rate. The estimated effective tax rate is reasonably estimated considering permanent differences, tax deductibles and valuation allowances on differed tax asset. In addition, adjustments resulting from changes in decisions regarding recoverability of deferred tax asset derived from taxable income in future fiscal years are recognized during the period in which the changes in decision are made.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter As of Sep. 30, 2015 (A)	Previous fiscal year-end As of Mar. 31, 2015 (B)	(A)-(B)
Assets			
Current assets			
Cash and cash equivalents	66,405	51,433	14,972
Trade receivables	187,240	231,473	(44,233)
Inventories	295,795	313,488	(17,693)
Other financial assets	30,143	32,053	(1,910)
Other current assets	23,788	10,519	13,269
Total current assets	603,371	638,966	(35,595)
Non-current assets			
Property, plant and equipment	274,309	281,326	(7,017)
Intangible assets	9,237	9,972	(735)
Goodwill	9,060	9,590	(530)
Investments accounted for using the equity method	33,123	31,913	1,210
Trade receivables	26,915	30,089	(3,174)
Deferred tax assets	17,145	18,331	(1,186)
Other financial assets	18,100	31,110	(13,010)
Other non-current assets	13,929	13,376	553
Total non-current assets	401,818	425,707	(23,889)
Total assets	1,005,189	1,064,673	(59,484)
Liabilities			
Current liabilities			
Trade and other payables	189,424	210,345	(20,921)
Bonds and borrowings	122,784	137,094	(14,310)
Income tax payables	8,732	7,626	1,106
Other financial liabilities	6,135	8,722	(2,587)
Other current liabilities	3,339	5,273	(1,934)
Total current liabilities	330,414	369,060	(38,646)
Non-current liabilities			
Trade and other payables	20,597	20,091	506
Bonds and borrowings	141,854	150,579	(8,725)
Retirement and severance benefits	13,380	13,446	(66)
Deferred tax liability	8,904	9,483	(579)
Other financial liabilities	168	194	(26)
Other non-current liabilities	4,453	3,918	535
Total non-current liabilities	189,356	197,711	(8,355)
Total liabilities	519,770	566,771	(47,001)
Equity			
Equity attributable to owners of the parent			
Common stock	81,577	81,577	-
Capital surplus	84,091	84,315	(224)
Retained earnings	226,799	226,332	467
Accumulated other comprehensive income	32,014	42,159	(10,145)
Treasury stock, at cost	(3,119)	(3,156)	37
Total Equity attribute to owners of the parent	421,362	431,227	(9,865)
Non-controlling interests	64,057	66,675	(2,618)
Total equity	485,419	497,902	(12,483)
Total liabilities and equity	1,005,189	1,064,673	(59,484)

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated cumulative quarter

Consolidated Statements of Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2015 (A)	Second quarter Six months ended Sep. 30, 2014 (B)	(A)/(B)×100 (%)
Revenue	365,090	389,142	94
Cost of sales	(271,789)	(284,854)	95
Gross profit	93,301	104,288	89
Selling, general and administrative expenses	(76,857)	(75,460)	102
Other income	1,769	2,034	87
Other expenses	(2,178)	(1,867)	117
Operating profit	16,035	28,995	55
Financial income	1,696	2,497	68
Financial expenses	(8,018)	(4,010)	200
Share of profits (losses) of investments accounted for using the equity method	1,181	700	169
Income before income taxes	10,894	28,182	39
Income taxes	(2,900)	(12,133)	24
Net income	7,994	16,049	50

Net income attributable to			
Owners of the parent	6,844	13,238	52
Non-controlling interests	1,150	2,811	41
Total net income	7,994	16,049	50

EPS attributable to owners of the parent			
Net income per share (Basic) (yen)	32.19	62.29	
Net income per share (Diluted) (yen)	32.19	62.28	

(Rounded off to the nearest million)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2015 (A)	Second quarter Six months ended Sep. 30, 2014 (B)	(A)/(B)×100 (%)
Net income	7,994	16,049	50
Other comprehensive income			
Items that cannot be reclassified into net income			
Net gains and losses from financial assets measured at fair value through OCI	(1,691)	835	-
Remeasurements of defined benefit obligations	(1)	(29)	3
Other comprehensive income of equity method associates	(26)	9	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	(9,739)	11,555	-
Cash flow hedges	(5)	226	-
Other comprehensive income of equity method associates	(504)	(858)	59
Other comprehensive income, net of taxes	(11,966)	11,738	-
Comprehensive income	(3,972)	27,787	-
Comprehensive income attributable to			
Owners of the parent	(3,301)	21,889	-
Non-controlling interests	(671)	5,898	-

(Rounded off to the nearest million)

(3) Consolidated Statements of Changes in Equity

Consolidated cumulative quarter

Second quarter Six months ended Sep. 30, 2015

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	84,315	226,332	185	7,490	(117)
Net income			6,844			
Other comprehensive income				(38)	(1,671)	(5)
Comprehensive income	-	-	6,844	(38)	(1,671)	(5)
Acquisition of treasury stock						
Sale of treasury stock		9				
Dividends to stockholders of the Company			(6,377)			
Gains/losses on change in equity		(233)				
Transfer to retained earnings						
Other increase/decrease						
Transaction with owners	-	(224)	(6,377)	-	-	-
Balance at end of period	81,577	84,091	226,799	147	5,819	(122)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated other comprehensive income		Treasury stock, at cost	Total		
	Foreign currency translation adjustments	Total				
Balance at beginning of period	34,601	42,159	(3,156)	431,227	66,675	497,902
Net income		-		6,844	1,150	7,994
Other comprehensive income	(8,431)	(10,145)		(10,145)	(1,821)	(11,966)
Comprehensive income	(8,431)	(10,145)	-	(3,301)	(671)	(3,972)
Acquisition of treasury stock		-	(3)	(3)		(3)
Sale of treasury stock		-	40	49		49
Dividends to stockholders of the Company		-		(6,377)	(2,180)	(8,557)
Gains/losses on change in equity		-		(233)	233	-
Transfer to retained earnings		-		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	-	37	(6,564)	(1,947)	(8,511)
Balance at end of period	26,170	32,014	(3,119)	421,362	64,057	485,419

Second quarter six months ended Sep. 30, 2014

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated other comprehensive income		
	Common stock	Capital surplus	Retained earnings	Remeasurements of defined benefit obligations	Net gains and losses from financial assets measured at fair value through OCI	Cash flow hedges
Balance at beginning of period	81,577	84,296	211,978	700	6,887	(309)
Net income			13,238			
Other comprehensive income				(16)	847	267
Comprehensive income	-	-	13,238	(16)	847	267
Acquisition of treasury stock						
Sale of treasury stock		9				
Dividends to stockholders of the Company			(5,313)			
Gains/losses on change in equity						
Transfer to retained earnings			24		(24)	
Other increase/decrease						
Transaction with owners	-	9	(5,289)	-	(24)	-
Balance at end of period	81,577	84,305	219,927	684	7,710	(42)

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated other comprehensive income					
	Foreign currency translation adjustments	Total	Treasury stock, at cost	Total	Non-controlling interests	Total equity
Balance at beginning of period	15,112	22,390	(3,237)	397,004	58,949	455,953
Net income		-		13,238	2,811	16,049
Other comprehensive income	7,553	8,651		8,651	3,087	11,738
Comprehensive income	7,553	8,651	-	21,889	5,898	27,787
Acquisition of treasury stock		-	(1)	(1)		(1)
Sale of treasury stock		-	47	56		56
Dividends to stockholders of the Company		-		(5,313)	(1,375)	(6,688)
Gains/losses on change in equity		-		-		-
Transfer to retained earnings		(24)		-		-
Other increase/decrease		-		-		-
Transaction with owners	-	(24)	46	(5,258)	(1,375)	(6,633)
Balance at end of period	22,665	31,017	(3,191)	413,635	63,472	477,107

(4) Consolidated Statements of Cash Flows
Consolidated cumulative quarter

(Millions of yen)

	Second quarter Six months ended Sep. 30, 2015	Second quarter Six months ended Sep. 30, 2014
Net income	7,994	16,049
Depreciation	15,911	15,477
Amortization of intangible assets	1,752	3,042
Impairment losses	-	39
Income tax expense	2,900	12,133
Share of profits (losses) of investments accounted for using the equity method	(1,181)	(700)
Gain (loss) on sales of property, plant and equipment	(72)	355
Financial income	(1,696)	(2,497)
Financial expenses	8,018	4,010
(Increase) decrease in trade receivables	34,907	21,793
(Increase) decrease in lease receivables	9,766	9,407
(Increase) decrease in inventories	8,765	(1,448)
Increase (decrease) in trade payables	(11,059)	(3,033)
Increase (decrease) in prRetirement and severance benefits	(101)	(99)
Other	(10,793)	(9,826)
Subtotal	65,111	64,702
Interest received	1,491	2,062
Dividends received	358	392
Interest paid	(2,575)	(4,361)
Income tax paid	(12,438)	(11,526)
Net cash provided by operating activities	51,947	51,269
Capital expenditures	(7,031)	(8,350)
Proceeds from sale of property, plant and equipment	184	1,496
Acquisition of intangible assets	(917)	(912)
Acquisition of investments in securities and other financial assets (including investments in associates)	(607)	(1,168)
Sales of investments in securities and other financial assets (including investments in associates)	-	224
Collection of long-term loan receivables	10,472	51
Other	(513)	(659)
Net cash provided by (used in) investing activities	1,588	(9,318)
Increase (decrease) in short-term debt, net	(19,746)	(29,973)
Proceeds from long-term debt and bond	13,179	51,080
Payments on long-term debt	(16,711)	(40,011)
Payments on lease payables	(1,984)	(2,557)
Dividends paid to owners of the parent	(6,387)	(5,320)
Dividends paid to non-controlling interests	(3,757)	(2,674)
Other	55	55
Net cash provided by (used in) financing activities	(35,351)	(29,400)
Effect of exchange rate changes on cash and cash equivalents	(3,212)	3,224
Net increase (decrease) in cash and cash equivalents	14,972	15,775
Cash and cash equivalents at beginning of period	51,433	53,672
Cash and cash equivalents at end of period	66,405	69,447

(5) Notes on Consolidated Financial Statements

(Notes on the Preconditions for a Going Concern)
There is no relevant item.

(Important Subsequent Events)
Acquisition of 100% ownership of KCM Corporation and taking over the business from KCMJ Corporation

On October 1, 2015, HCM group acquired additional shares of KCM Corporation ("KCM") from Kawasaki Heavy Industries, Ltd. ("KHI") and made KCM a wholly-owned subsidiary. KCM was formerly an equity-method affiliate of HCM. In addition, HCM assumed the business from KCMJ Corporation ("KCMJ"), which was once a subsidiary of KCM.

(1) Purpose of business combination

Since October 2008, KHI and the HCM group have collaborated in the wheel loader business, including joint research and development of new models of wheel loaders to meet the Tier 4 exhaust emission regulations. KCM was incorporated in January 2009, and in April of the same year, the wheel loader business of KHI was spun off to KCM. With HCM's capital investment in KCM in June 2010, the joint development of new models of wheel loaders, the increase in production efficiency and the like became accelerated. Global competition in the construction machinery industry has intensified. In order to enhance its competitiveness, the Company made KCM into a wholly owned subsidiary of HCM on October 1, 2015, to expand and strengthen the wheel loader business and to raise customer satisfaction by combining the technologies of the two companies and increasing production efficiency.

In addition, HCMJ, which is a subsidiary of the Company, accepted the transfer of the sales and servicing business in Japan of wheel loaders and snow removal machines from KCMJ, which is a subsidiary of KCM, on the same day as the day of the transfer of the stock of KCM.

(2) Overview of the business combination

[1] Overview of share acquisition

Name of the acquired company: KCM Corporation

Business contents of the acquired company: Manufacturing, sales, and after-sales service of construction machinery, etc.

Acquired ratio of voting rights: 66.0%

[2] Overview of business transfer

Name of transferor: KCMJ Corporation

Name of transferee: Hitachi Construction Machinery Japan Co., Ltd. (wholly owned subsidiary of Hitachi Construction Machinery Co., Ltd.)

Contents of transferred business: Domestic sales service business of wheel loader and snow machines

(3) Date of business combination

October 1, 2015

(4) Acquisition cost of the business combination

The amount recognized at the acquisition date: ¥2,785 million (all cash expenditure)

It should be noted that the fair value of the acquired assets and the assumed liabilities as of the business combination date is under calculation; therefore, the final acquisition cost has not been determined.

(5) The fair value of assets and liabilities as of the business combination date

The fair value of the acquired assets and assumed liabilities as of the business combination date is under calculation and has yet to be determined.