

# Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd.

## Summary of Financial Results for the Fiscal Year Ended March 31, 2006

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Founded: July 1, 2002

Capital: 4 billion yen

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### 1. Consolidated Operating Results (April 1, 2005 – March 31, 2006)

	Millions of Yen		
	FY Ended March 31, 2006		FY Ended March 31, 2005
Net Sales .....	24,509	18.1%	20,753
Operating Income .....	2,279	273.6%	610
Ordinary Income .....	2,238	295.4%	566
Net Income .....	1,317	362.1%	285

Note: Percentages indicate increases/ (decreases) compared to the previous fiscal year.

### 2. Non-consolidated Operating Results (April 1, 2005 – March 31, 2006)

	Millions of Yen		
	FY Ended March 31, 2006		FY Ended March 31, 2005
Net Sales .....	22,713	20.0%	18,920
Operating Income .....	1,924	355.9%	422
Ordinary Income .....	1,883	406.2%	372
Net Income .....	1,094	485.0%	187
Net Income per Share (Yen).....	13,682.70		3,741.57

Note: Percentages indicate increases/ (decreases) compared to the previous fiscal year.

### Non-consolidated Financial Position (April 1, 2005 – March 31, 2006)

	Millions of Yen	
	FY Ended March 31, 2006	FY Ended March 31, 2005
Total Assets .....	14,538	10,861
Shareholders' Equity.....	5,779	4,361
Shareholders' Equity Ratio .....	39.8%	40.2%
Shareholders' Equity per Share (Yen) .....	72,237.97	54,517.19

	Millions of Yen	
	FY Ended March 31, 2006	FY Ended March 31, 2005
Cash flows from operating activities .....	1,042	(3,557)
Cash flows from investing activities .....	(299)	31
Cash flows from financing activities .....	(350)	3,217
Cash and cash equivalents at end of fiscal year .....	1,546	1,153

### 3. Projections for the Full Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Millions of Yen	
	Consolidated	Non-consolidated
Net Sales .....	31,000	30,500
Operating Income .....	2,400	2,300
Ordinary Income .....	2,400	2,300
Net Income .....	1,400	1,300

Note: The projections shown above are prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from the projected figures due to various unknown factors.

## **4. Management Policies**

### **Streamlining the system for development, manufacturing, sales, and service (Initial phase: consolidation of infrastructure)**

Since its establishment in 2001, the Company has created a new corporate culture of “one brand, one sales channel”, with the aim of making Hitachi Sumitomo the world’s No.1 construction crane company.

As the first step in this process, Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. (HSC) started out with just an R&D division and a sales division. In October 2004, however, the Company absorbed the Nagoya Works of Sumitomo Heavy Industries Construction Crane Co., Ltd., which had been manufacturing cranes on consignment, and established the ‘Nagoya Manufacturing Division.’ In 2005, the Company shifted production of key components from Hitachi Construction Machinery’s Tsuchiura Plant to the Nagoya works. In February 2006, the Company absorbed HSC Crane Service, becoming in both name and actuality a crane company capable of integrating development, manufacture, sales, and service of construction cranes.

### **‘Global business development,’ ‘Efficient management,’ and further advancement of Hitachi Sumitomo’s crane business**

In line with growth in the Japanese domestic and overseas markets, current challenges include increasing production capacity and enhancing service overseas.

The global market must be approached through a global network of overseas offices: Link-Belt Construction Equipment Company (Link-Belt) in North America, Hitachi Construction Machinery (Europe) N.V. (HCME) in Europe, and Hitachi Sumitomo Heavy Industries Construction Crane (Shanghai) Co., Ltd. (HSS) and Shenzhen International Construction Machinery Co., Ltd. (SIC) in China.

In North America, the market launch of 218HSL with lifting capacity of 110 US-ton, which the Company co-developed with Link-Belt, contributed to a revenue increase in fiscal 2005.

Link-Belt has a strong presence in North America, leading the crawler crane market with a share of approximately 40%. In order to meet demand in the Japanese port loading market, the Company is now planning to launch a new lattice-boom truck crane. The lattice-boom truck crane is a hybrid model that combines optimal technologies from both companies (Hitachi Sumitomo's crawler crane technology and Link-Belt's track crane technology). This kind of collaboration is representative of Hitachi Sumitomo's cooperative business style.

In Europe, partner HCME's sales promotion activities have contributed in sizeable orders from the Middle East. Hitachi Sumitomo's presence in Europe was further enhanced through the introduction of the SCX800HD, an 80-ton heavy-duty crane, and the SCX2800-2, a 275-ton luffing tower crane, at the Paris Intermat show in April 2006.

In China, the Company is making arrangements with Hitachi Construction Company China (Hefei, China) for the local production of cranes.

Through these partnerships, the Company endeavors to "make the best parts in the best places," and thereby expand its global production capacity.

Key factors in consolidating the Company's business foundations will be: more efficient development through modular design, global collaboration with Link-Belt and HCME, higher corporate value through emphasis on cash flow management, and swift decision making. The Company aims for even more efficient management through improved performance in these areas.

Going forward, the Company will formulate a "Medium-term Plan", beginning in fiscal 2006, in order to further the advancement of its crane business.

## **5. Business Environment and Overview of Results**

As in the previous year, the domestic crawler crane market in fiscal 2005 showed a sharp growth trend. In overseas markets, there was rapid recovery in demand in North America, a key market, and sharp growth in the Middle Eastern market backed by an ample supply of 'oil money'. In addition, the Chinese and Asian markets also remained steady, resulting in major growth in overseas demand.

In this environment, the Company pursued an aggressive sales strategy in each region, centered on connections with its associates and agents, and continued to bring new models to market. In order to increase production capacity at the Nagoya works, the Company made an investment in production. Moreover, in February 2006, the Company merged with HSC Crane Service, a 100% parts and after-sales service subsidiary, to integrate and reinforce business operations and strengthen the Company's service business.

As a result of such aggressive business activities, the Company's results were as follows: On a consolidated basis, revenue was 24,509 million yen, operating profit 2,238 million yen, and net profit 1,317 million yen. On a non-consolidated basis, revenue was 22,713 million yen, operating profit 1,883 million yen, and net profit 1,094 million yen. These results greatly exceeded those of the previous year. Consequently, improvement was qualitative as well as quantitative, with operating profit margins of 9.1% (consolidated) and 8.3% (non-consolidated).

In the domestic market, the year saw an upward trend in private-sector projects, primarily in the Tokyo metropolitan area and Nagoya, and increased demand revealed a shortage of existing crawler cranes. In addition, customers' desire for replacement purchases due to superannuation and the need to meet exhaust emission regulations is becoming vigorous; consequently shipment of new crawler cranes was up 11% from the previous year, and the Company has maintained a majority share of 39% in the growing Japanese market. During the previous year, there was heavy demand for 70-ton class cranes, but in fiscal 2005 demand tended to 120-ton class and beyond. Revenue for the Japanese market was 10,255 million yen.

Regarding overseas markets, in North America, buoyant investment in housing and growth in oil drilling (extraction), as well as hurricane disaster recovery, combined to create substantial growth in the crane market compared to the previous year. The Company worked to achieve growth in sales through coordination with associate Link-Belt.

Meanwhile, in the rapidly growing Middle Eastern and European market, the Company worked to increase revenue in collaboration with HCME. In China, Hitachi Sumitomo Heavy Industries Construction Crane (Shanghai) Co., Ltd. (HSS) expanded business operations. In the Asian market as well, the Company increased sales by working with selected local agents. As a result of such operations in each region, overseas sales grew substantially, and overseas revenue for the year was 12,458 million yen.

The Company is aggressively pursuing the following:

- 1) Reinforcement of production system at Nagoya works
- 2) Implementation of region-specific marketing strategies
- 3) Acceleration of new model development
- 4) Integration of sales and services, and reinforcement of parts business
- 5) Increased emphasis on cash flow management

## 6. Non-Consolidated Balance Sheets

	Millions of Yen				
	As of March 31, 2006		As of March 31, 2005		Change
	Amount	%	Amount	%	
<b>Assets</b>					
<b>Current Assets</b>					
Cash .....	1,546		1,153		393
Notes and accounts receivable .....	7,540		5,363		2,177
Inventories .....	3,630		3,097		533
Other current assets .....	733		563		170
<b>Total Current Assets .....</b>	<b>13,453</b>	<b>92.5</b>	<b>10,181</b>	<b>93.7</b>	<b>3,272</b>
<b>Fixed Assets</b>					
Tangible fixed assets .....	653		209		444
Intangible fixed assets .....	157		37		120
Investments and other assets .....	274		432		(158)
<b>Total Fixed Assets .....</b>	<b>1,084</b>	<b>7.5</b>	<b>680</b>	<b>6.3</b>	<b>404</b>
<b>Total Assets .....</b>	<b>14,538</b>	<b>100.0</b>	<b>10,861</b>	<b>100.0</b>	<b>3,677</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Notes and accounts payable .....	6,814		5,500		2,044
Other current liabilities .....	1,709		978		1,314
<b>Total Current Liabilities .....</b>	<b>8,527</b>	<b>58.7</b>	<b>6,483</b>	<b>59.7</b>	<b>731</b>
<b>Long-term Liabilities</b>					
Other liabilities .....	231		16		215
<b>Total Long-term Liabilities .....</b>	<b>231</b>	<b>1.6</b>	<b>16</b>	<b>0.1</b>	<b>215</b>
<b>Total Liabilities .....</b>	<b>8,759</b>	<b>60.2</b>	<b>6,499</b>	<b>59.8</b>	<b>2,260</b>
<b>Shareholders' Equity</b>					
<b>Shareholders' Equity</b>					
Common stock .....	4,000	27.5	4,000	36.8	0
Earned Surplus .....	1,779	12.2	361	3.3	1,418
<b>Total Shareholders' Equity .....</b>	<b>5,779</b>	<b>39.8</b>	<b>4,361</b>	<b>40.2</b>	<b>1,418</b>
<b>Total Liabilities and Shareholders' Equity .....</b>	<b>14,538</b>	<b>100.0</b>	<b>10,861</b>	<b>100.0</b>	<b>3,677</b>

Note: All numbers are rounded down to the nearest million yen.

## 7. Non-Consolidated Statements of Income

	Millions of Yen					
	Fiscal Year ended March 31,					
	2006	%	2005	%	Change	%
<b>Net Sales</b> .....	<b>22,713</b>	<b>100.0</b>	<b>18,920</b>	<b>100.0</b>	<b>3,793</b>	<b>20.0</b>
<b>Cost of sales</b> .....	18,182	80.1	16,486	87.1	1,696	
Selling, general, & administrative expenses .....	2,606	11.5	2,011	10.6	595	
<b>Total</b> .....	20,788	91.5	18,497	97.8	2,291	
<b>Operating Income</b> .....	<b>1,924</b>	<b>8.5</b>	<b>422</b>	<b>2.2</b>	<b>1,502</b>	<b>355.9</b>
<b>Non-operating Income and Expenses</b>						
<b>Non-operating Income</b>						
Interest and dividend income .....	0	0.0	7	0.0	(7)	
Miscellaneous income .....	1	0.0	0	0.0	1	
<b>Non-operating Income</b> .....	<b>2</b>	<b>0.0</b>	<b>7</b>	<b>0.0</b>	<b>(5)</b>	
<b>Non-operating Expenses</b>						
Exchange loss .....	0	0.0	34	0.2	(34)	
Miscellaneous loss .....	43	0.2	22	0.1	21	
<b>Non-operating Expenses</b> .....	<b>43</b>	<b>0.2</b>	<b>57</b>	<b>0.3</b>	<b>(14)</b>	
<b>Ordinary Income</b> .....	<b>1,883</b>	<b>8.3</b>	<b>372</b>	<b>2.0</b>	<b>1,511</b>	<b>406.2</b>
<b>Extraordinary Profit and Loss</b>						
<b>Extraordinary Profit</b> .....	--	--	--	--	--	--
<b>Extraordinary Loss</b> .....	--	--	--	--	--	--
<b>Income Before Income Taxes</b> .....	<b>1,883</b>	<b>8.3</b>	<b>372</b>	<b>2.0</b>	<b>1,511</b>	<b>406.2</b>
<b>Income Taxes</b> .....	935	4.1	232	1.2	703	
<b>Adjustments for Income Taxes</b> .....	(146)	(0.6)	(47)	(0.2)	(99)	
<b>Net Income</b> .....	<b>1,094</b>	<b>4.8</b>	<b>187</b>	<b>1.0</b>	<b>907</b>	<b>485.0</b>
<b>Balance brought forward</b> .....	361	1.6	174	0.9	187	
<b>Adjustments</b> .....	311	1.4	--	--	311	
<b>Ending balance</b> .....	<b>1,767</b>	<b>7.8</b>	<b>361</b>	<b>1.9</b>	<b>1,406</b>	<b>389.5</b>

Note: All numbers are rounded down to the nearest million yen.

## 8. Non-Consolidated Statements of Cash Flows

	Millions of Yen	
	Fiscal Year ended March 31,	
	2006	2005
Cash flows from operating activities .....	1,042	(3,557)
Cash flows from investing activities .....	(299)	31
(Free cash flows) .....	743	(3,525)
Cash flows from financing activities.....	(350)	3,217
Net increase (decrease) in cash and cash equivalents.....	392	(308)
Cash and cash equivalents at the beginning of fiscal year .....	1,153	1,462
Cash and cash equivalents at the end of fiscal year .....	1,546	1,153