

# **Business Results for the Third Quarter ended December 31, 2012**

**January 30, 2013**

**Hitachi Construction Machinery Co., Ltd.**



**ZX220LC-GI, manufactured and launched by Tata Hitachi in December 2012**

- Net sales remained at the same level as the previous term despite negative impacts such as a substantial decrease in China and exclusion of TCM (approx. 38 bil. yen), which were offset by the sales increase in N. America and Japan.
- Operating and ordinary incomes declined year on year, due to a substantial sales drop in China.

Billions of yen

		3rd Quarter of FY12	3rd Quarter of FY11	Change
Net sales		554.5	553.3	0%
Operating income		28.3	31.9	-11%
Ordinary income		19.8	29.7	-33%
Net income		12.7	12.1	5%
F X	YEN/USD	79.96	78.64	
	YEN/EUR	102.28	111.04	
	YEN/RMB	12.74	12.35	

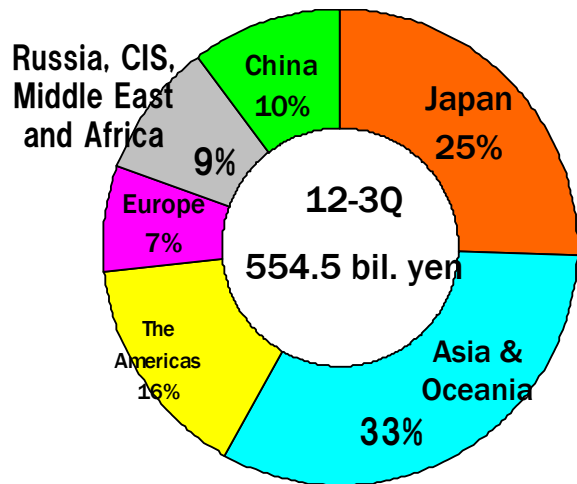
Billions of yen

	3rd Quarter of FY12	3rd Quarter of FY11	Increase (Decrease)	
			Amount	%
<b>Net sales</b>	<b>554.5</b>	<b>553.3</b>	<b>1.2</b>	<b>0%</b>
Cost of sales	412.3	406.9	5.4	1%
SGA expenses	113.8	114.5	(0.6)	-1%
Operating income	28.3	31.9	(3.6)	-11%
Non-operating income (loss)	(8.5)	(2.2)	(6.3)	280%
Ordinary income	19.8	29.7	(9.9)	-33%
Extraordinary income (loss)	8.6	(0.6)	9.2	-
Income taxes	12.1	11.6	0.5	5%
Minority interests	(3.5)	(5.4)	1.9	-35%
Net income	12.7	12.1	0.6	5%

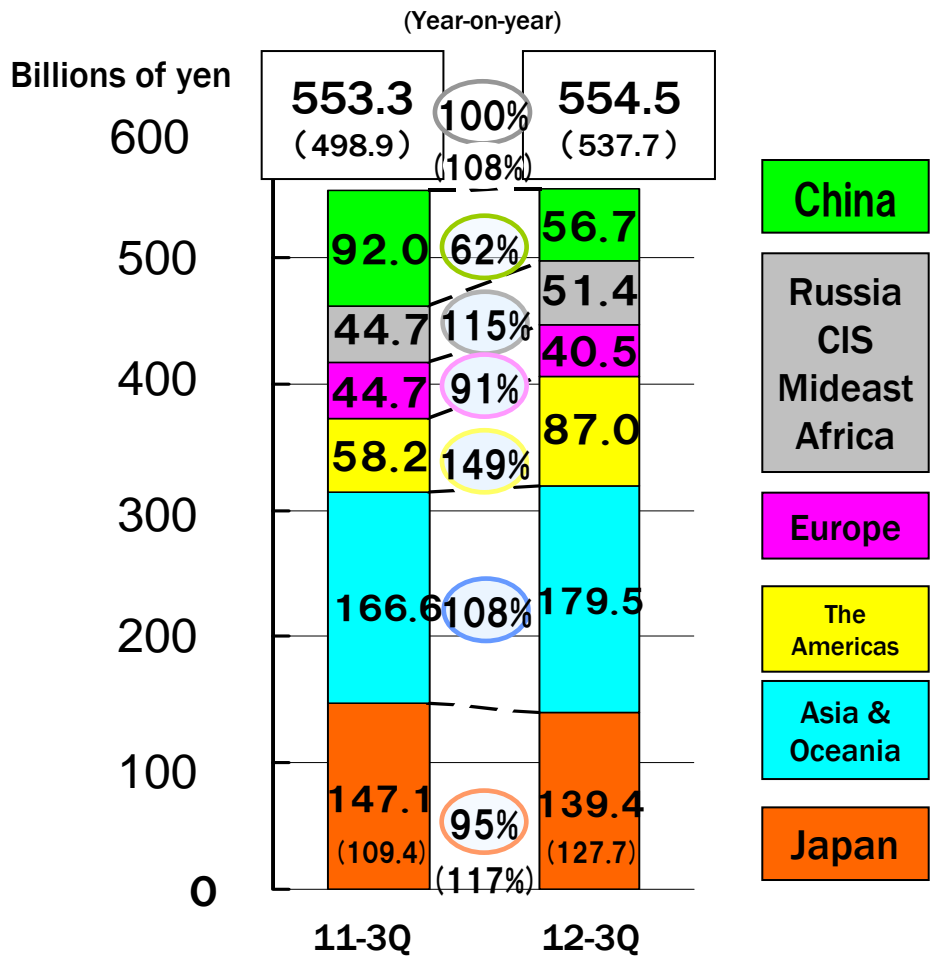
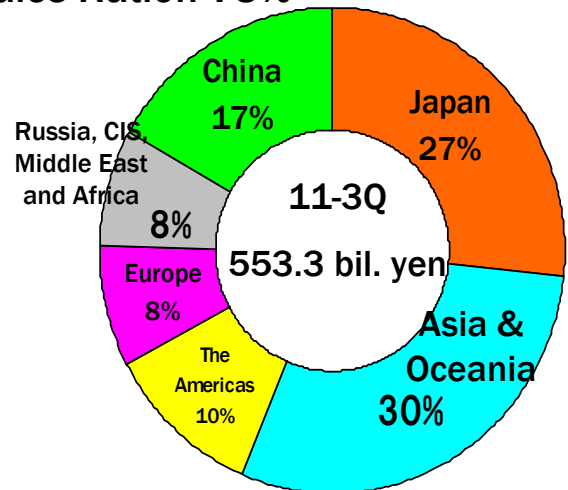
# Sales by Geographic Region (Consolidated)

- Sales in China substantially decreased by 35.3 billion yen (62%) year on year.
- On the other hand, sales in the Americas increased by 28.8 billion yen (149%) year on year.
- Sales in Japan also advanced by 18.3 billion yen (117%), excluding the impact of the TCM group.

## Overseas Sales Ratio 75%



## Overseas Sales Ratio 73%



% percentage compared with previous year, and ( ) figures excluding TCM impacts.

Billions of yen

	3rd Quarter of FY12		3rd Quarter of FY11		Increase (Decrease)	
					Amount	%
Net sales		554.5		553.3	1.2	0%
Cost of sales	(74.4%)	412.3	(73.5%)	406.9	5.4	1%
SGA expenses	(20.5%)	113.8	(20.7%)	114.5	(0.6)	-1%
Operating income	(5.1%)	28.3	(5.8%)	31.9	(3.6)	-11%
Non-operating income (loss)		(8.5)		(2.2)	(6.3)	280%
Ordinary income		19.8		29.7	(9.9)	-33%
Extraordinary income (loss)		8.6		(0.6)	9.2	-
Income taxes		12.1		11.6	0.5	5%
Minority interests		(3.5)		(5.4)	1.9	-35%
Net income		12.7		12.1	0.6	5%

- Gain on equity earnings of affiliated companies decreased mostly due to start-up costs of UniCarriers and Deere Hitachi Brazil. As a result, gain on equity earnings dropped by 1.7 billion yen year-on-year over the 3 months of the third quarter.

Billions of yen

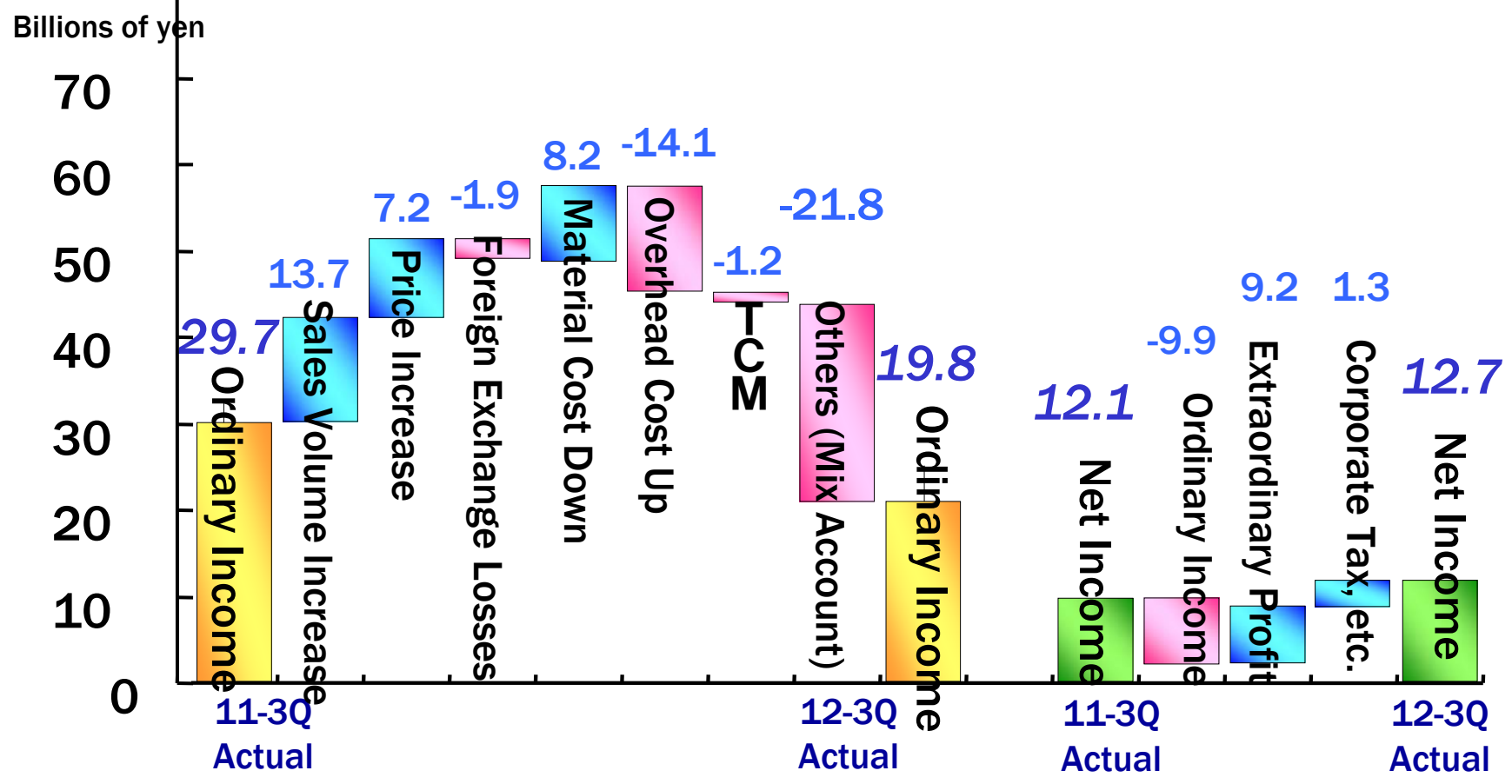
	3rd Quarter of FY12	3rd Quarter of FY11	Change
Dividends/interest income and expenses	(6.4)	(5.5)	(0.9)
Gain on equity earnings of affiliated companies	(0.5)	0.3	(0.8)
Foreign exchange losses, net	(1.6)	(0.4)	(1.2)
Others	0.0	3.4	(3.4)
<b>Total</b>	<b>(8.5)</b>	<b>(2.2)</b>	<b>(6.3)</b>

Billions of yen

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					Amount	%
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Cost of sales	(74.4%)	412.3	(73.5%)	406.9	5.4	1%
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Non-operating income (loss)		(8.5)		(2.2)	(6.3)	280%
Ordinary income	(3.6%)	19.8	(5.4%)	29.7	(9.9)	-33%
Extraordinary income (loss)		8.6		(0.6)	9.2	-
Income taxes		12.1		11.6	0.5	5%
Minority interests		(3.5)		(5.4)	1.9	-35%
Net income	(2.3%)	12.7	(2.2%)	12.1	0.6	5%



- Sales Volume excluding TCM increased by 38.8 billion yen year-on-year, and contributed a profit advance of 12.2 billion yen due to Sales Volume Increase.
- Profits also advanced by approx. 15 billion yen, due to Price Increase and Material Cost Down.
- On the other hand, fixed cost increased because of a further sales decline in China and production adjustment caused by delivery date change of mining machinery ⇒ Ordinary income declined by 9.9 billion yen year on year.



- Notes and accounts receivable including lease receivables and investment assets reduced by 85.6 billion yen, and on hand days decreased by 38 days, both of which remained at the same level as the end of the Second quarter.
- Inventories increased by 48 billion yen, and on hand days rose by 21 days, due to sharp depreciation of the yen in December, as well as adjustments of delivery date of inventory.

	Billions yen								
	(A) 12-3Q	(B) FY11	(C) 11-3Q	(A-B) Change	(D) 12-3Q	(E) FY11	(F) 11-3Q	(D-E) Change	
Cash and bank deposits	64.1	72.8	66.9	(8.7)	Notes and accounts payable	157.3	192.9	184.4	(35.6)
Notes and accounts receivable	172.2	238.5	168.1	(66.3)	Others	300.8	327.2	270.6	(26.4)
Lease receivables and investment assets	101.0	120.3	114.5	(19.3)	Total current liabilities	458.1	520.1	455.0	(62.0)
Inventories	316.9	268.9	282.8	48.0	Total non-current liabilities	229.2	197.3	197.1	31.9
Others	64.8	51.8	49.0	13.0	Total liabilities	687.3	717.3	652.1	(30.0)
Total current assets	719.0	752.3	681.3	(33.3)	Minority interests	49.4	45.4	42.9	4.0
Property, plant and equipment	260.5	244.9	232.5	15.6	Shareholder's equity	351.0	345.7	334.7	5.3
Intangible assets	32.9	40.8	40.9	(7.9)	Others	(16.0)	(22.3)	(31.2)	6.3
Others	59.3	48.2	43.8	11.1	(Shareholders' equity ratio)	(31.2%)	(29.7%)	(30.3%)	(1.5%)
Total fixed assets	352.7	333.8	317.2	18.9	Total net assets	384.4	368.8	346.4	15.6
Total assets	1,071.7	1,086.1	998.5	(14.4)	Total liabilities and net assets	1071.7	1,086.1	998.5	(14.4)

### On hand days (divided by net sales)

Notes and accounts receivable	122	160	129	(38)
Inventories	141	120	130	21
Notes and accounts payable	70	86	84	(16)
Net working capital	193	194	175	(1)

Note: On hand days for notes and accounts receivable includes lease receivable and investment assets.

	(36.7%)	(35.8%)	(30.3%)	(0.9%)
Interest-bearing debt	393.7	388.9	354.4	4.8
Cash and cash equivalents	81.0	81.2	66.9	(0.2)
(Deposit)	(17.0)	(8.4)	(0)	(8.6)
Interest-bearing debt, net	(29.2%)	(28.3%)	(28.8%)	(0.9%)
Debt	312.6	307.7	287.5	4.9
Net D/E Ratio	0.94	0.95	0.95	(0.01)

- Free cash flows advanced by 42.9 billion yen year-on-year, as a result of continued efforts to improve cash flow since 2Q.

	Billions of yen					
	FY12 3Q Actual		FY11 3Q Actual		Change	
Income before taxes and minority interest		28.4		29.1		(0.7)
Depreciation and amortization	55.0	26.6	58.0	28.9	(3.0)	(2.3)
(Increase) decrease in notes and accounts receivable		58.7		4.1		54.6
(Increase) decrease in lease receivable and investment assets		22.5		11.4		11.1
(Increase) decrease in inventories		(50.1)		(103.7)		53.6
(Increase) decrease in notes and accounts payable	8.7	(22.4)	(39.0)	49.2	47.7	(71.6)
Income taxes paid		(19.1)		(14.4)		(4.7)
Others, net		(4.0)		(7.1)		3.1
<b>Net cash provided by (used in) operating activities</b>		<b>40.6</b>		<b>(2.5)</b>		<b>43.1</b>
Purchase of fixed assets		(35.9)		(19.4)		(16.5)
Proceeds from sale of fixed assets		1.7		0.3		1.4
Purchase of investment securities		(11.1)		(0.9)		(10.2)
Proceeds from sale of investment securities		0.6		0.0		0.6
Others		22.5		(2.1)		24.6
<b>Net cash used in investing activities</b>		<b>(22.2)</b>		<b>(22.1)</b>		<b>(0.1)</b>
<b>Free Cash Flows</b>		<b>18.3</b>		<b>(24.6)</b>		<b>42.9</b>
Net increase (decrease) in short-term loans		(9.3)		39.4		(48.7)
Net increase (decrease) in long-term loans	1.5	10.8	39.7	0.3	(38.2)	10.5
Dividends paid to shareholders		(12.6)		(9.1)		(3.5)
Interest paid, others	(22.8)	(10.2)	(19.6)	(10.5)	(3.2)	0.3
<b>Net cash used in financing activities</b>		<b>(21.3)</b>		<b>20.1</b>		<b>(41.4)</b>
Effect of exchange rate changes on cash and cash equivalents		1.6		(3.6)		5.2
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(1.4)</b>		<b>(8.1)</b>		<b>6.7</b>
Cash and cash equivalents at beginning of year		81.1		74.7		6.4
Cash and cash equivalents at end of year		79.7		66.6		13.1

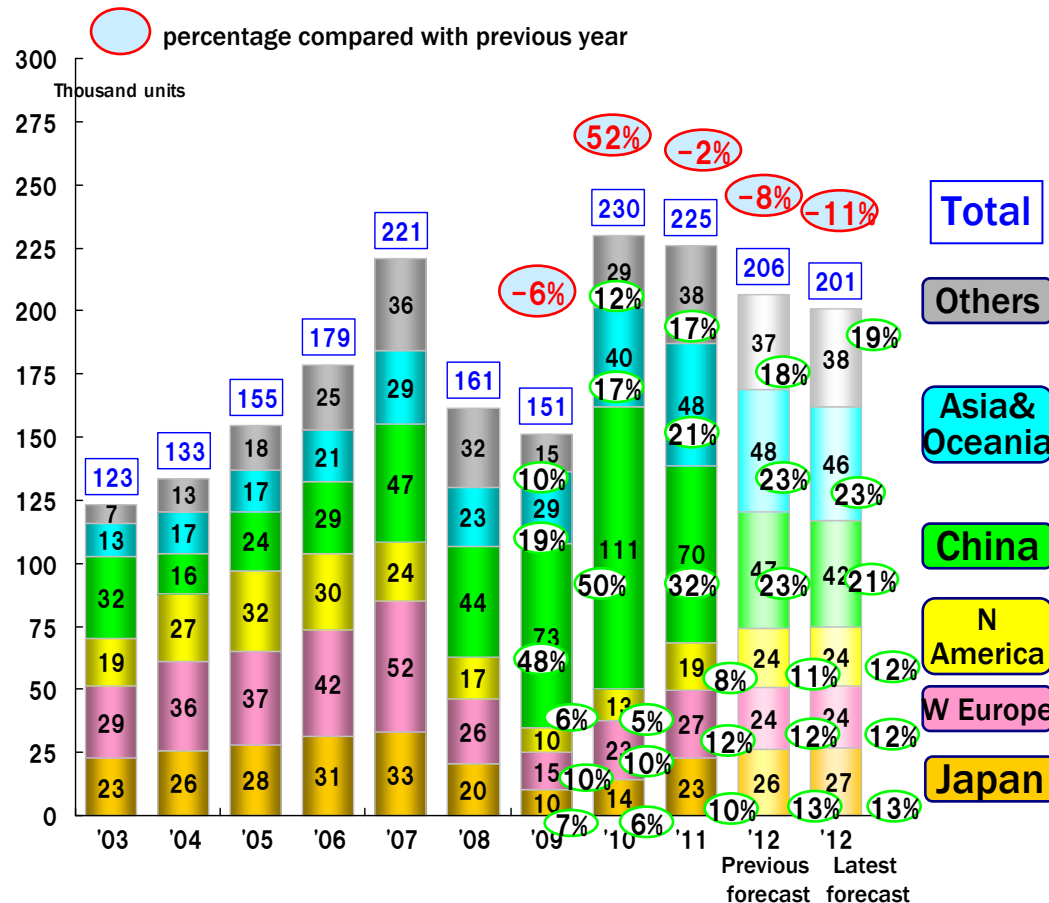
- The forecast for China was revised down by 5,000 units to 42,000 units (40% decrease year-on-year).
- The forecast for Asia and Oceania was also revised down by 2,000 units (most of which are in Indonesia) to 46,000 units (6% decrease year-on-year).

## Global Demand Trend for Hydraulic Excavator

\*Source: HCM

\*Excluding Chinese manufacturers

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## Year-on-year Change by Region

	'11	'12 Previous	'12 Latest
Japan	+58%	+15%	+18%
W Europe	+14%	-9%	-9%
N America	+49%	+25%	+27%
China	-37%	-34%	-40%
Asia & Oceania	+22%	0%	-6%
India	+21%	-13%	-13%
Indonesia	+52%	-4%	-23%
Others	+7%	+12%	+10%
Russia, E Europe, CIS	+69%	+6%	+2%
Africa	+21%	+18%	+23%
Middle East	+50%	-20%	-14%
Latin America	+16%	+1%	+2%
Others	+37%	-2%	0%
<b>Total</b>	<b>-2%</b>	<b>-8%</b>	<b>-11%</b>

- Sales: Although global demand forecast was revised down, sales forecast remained unchanged by taking into consideration the exchange rate assumption changes which reflected the weakening yen. (Sales are expected to grow by approx. 27 billion yen from last October due to the impact of the exchange rate.)
- Earnings forecasts also remained unchanged despite sales volume down, with the impact of the foreign exchange rates. (Earnings are expected to grow by approx. 8.7 billion yen from last October.)

Billions of yen

		FY12 Forecast	FY11 Actual	Change
Net sales		(740.0) 740.0	817.1	-9%
Operating income		(56.0) 56.0	54.8	2%
Ordinary income		(45.0) 45.0	51.7	-13%
Net income		(33.0) 33.0	23.0	43%
F X	YEN/USD	81.69	78.85	/
	YEN/EUR	107.75	108.95	
	YEN/RMB	13.32	12.41	
Dividend per share		40 yen	30 yen	10 yen

Note: Figures in ( ) are forecast as of October 2012.

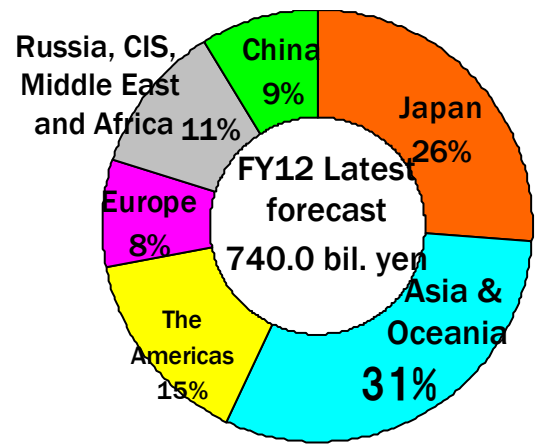
Exchange rates in 4 <sup>th</sup> quarter of FY12 (previous assumption)	
(YEN/USD)	89.00 ( 78.00)
(YEN/EUR)	119.00 (100.00)
(YEN/RMB)	14.40 ( 12.30)

# Sales by Geographic Region (Consolidated)

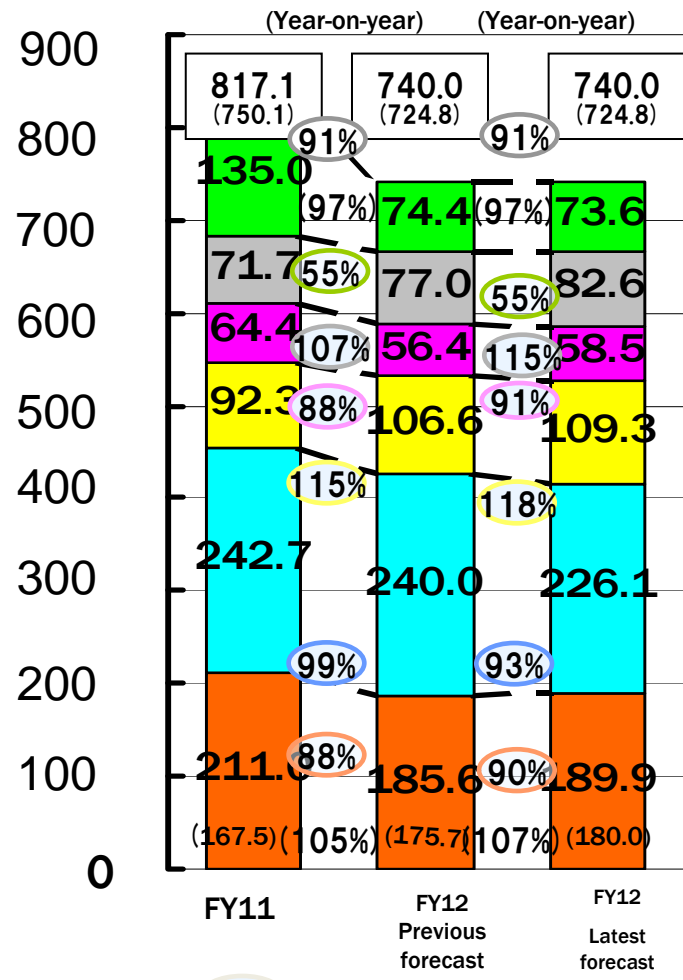
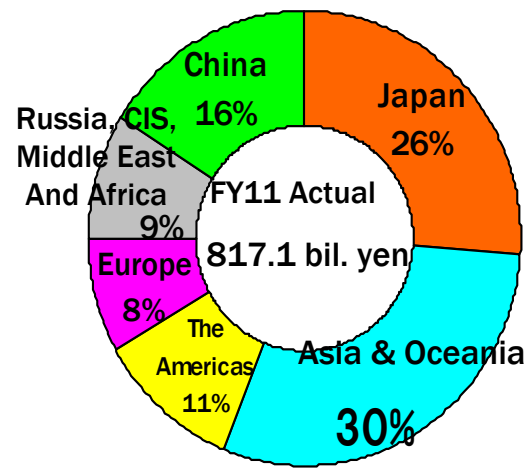
- Unit sales in China and Asia/Oceania declined, but the sales volume only edged down, supported by a depreciated yen.
- Sales in Japan are expected to edge up, with strong reconstruction demand and brisk sale of snow plough wheel loaders.

Overseas Sales Ratio 74%

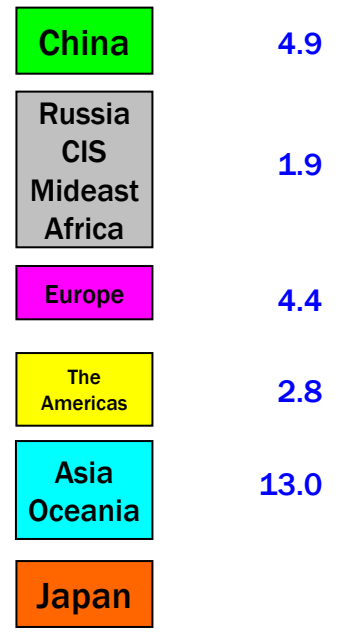
Billions of yen



Overseas Sales Ratio 74%



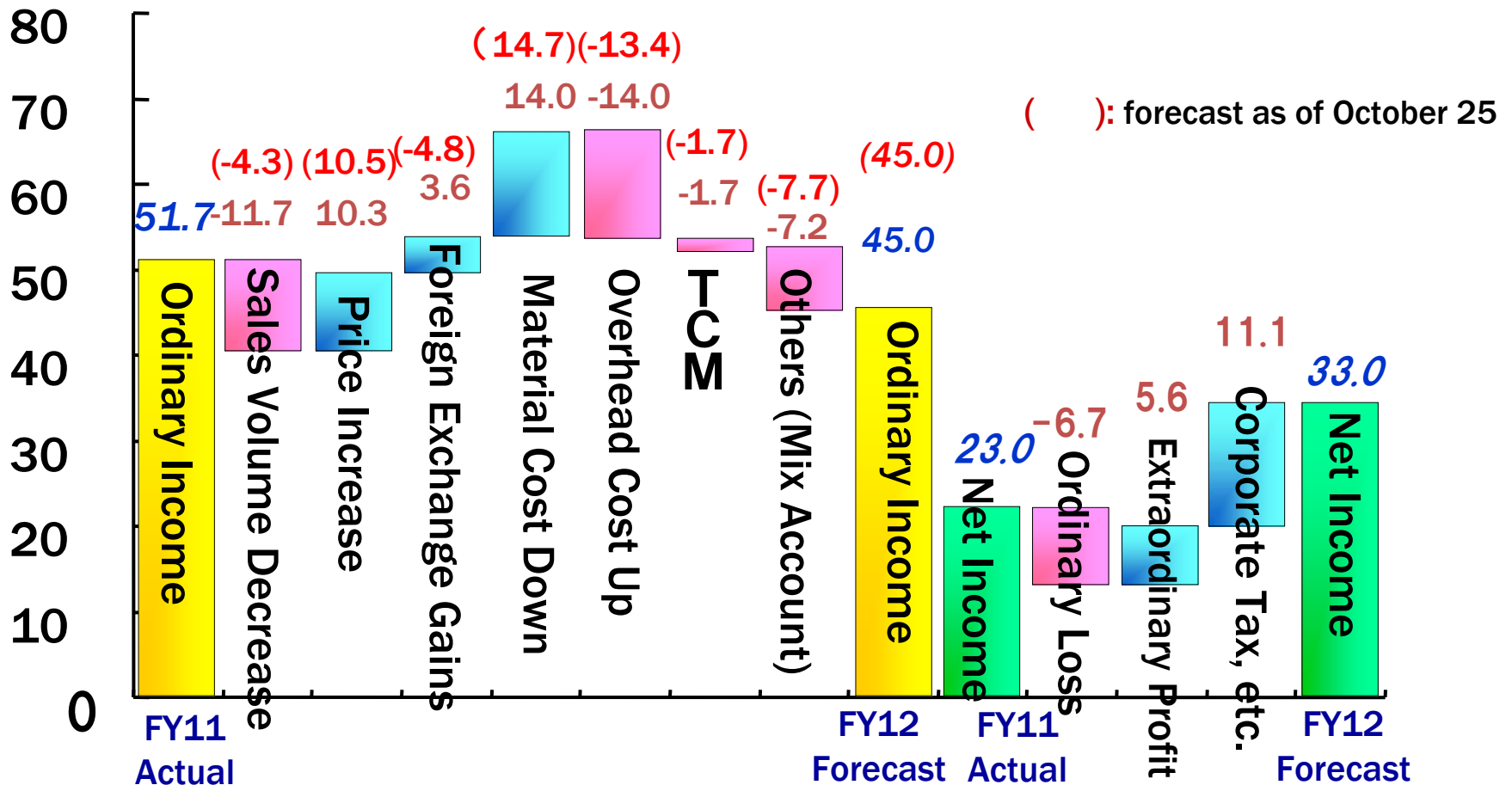
Impact of FX (on previous forecast)



% change compared with previous year.

- Sales volume in China as well as of mining machinery declined from the previous forecast; however, forecasts remained unchanged with consideration of the impact of the weakening yen.

Billions of yen



**END**



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