

# **Business Results for the First Quarter ended June 30, 2013**

**July 29, 2013**

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



Launched domestic sales of ZAXIS 5 series which meets emission regulations.

- On a regional basis, while net sales of Asia/Oceania and North America decreased compared to the previous year, net sales of Japan/China increased, and considering the influence of the favorable exchange rate and the exclusion of TCM from the consolidated results (-14.8 billion yen), total net sales were equal to those of the previous year.
- Operating income and ordinary income decreased due to a decrease in mining sales.
- Net income of the 1<sup>st</sup> quarter resulted as a loss mainly due to tax effect concerning unrealized gain

( Billions of yen)

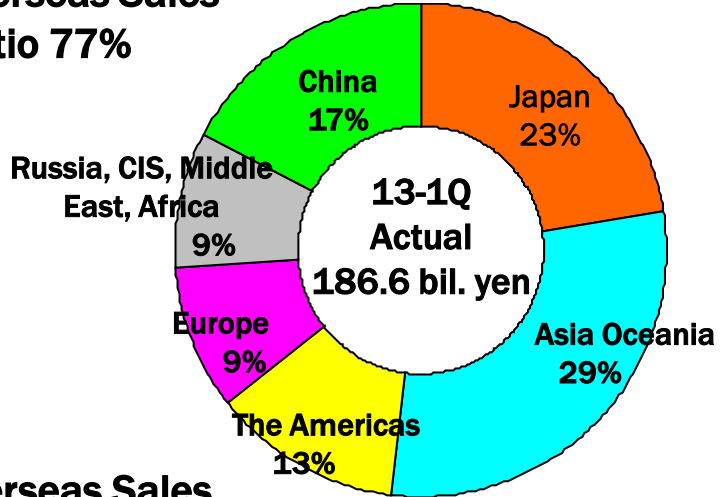
		<b>1st Quarter of FY2013</b>	<b>1st Quarter of FY2012</b>	<b>Change</b>
<b>Net Sales</b>		<b>186.6</b>	<b>200.6</b>	<b>-7%</b>
<b>Operating income</b>		<b>9.6</b>	<b>13.3</b>	<b>-28%</b>
<b>Ordinary income</b>		<b>2.8</b>	<b>7.6</b>	<b>-63%</b>
<b>Net income</b>		<b>(1.1)</b>	<b>5.3</b>	<b>-121%</b>
<b>F</b>	Exchange rate (YEN/USD)	<b>98.8</b>	<b>80.2</b>	/
<b>X</b>	Exchange rate (YEN/EUR)	<b>129.0</b>	<b>102.9</b>	
	Exchange rate (YEN/RMB)	<b>16.1</b>	<b>12.7</b>	

(Billions of yen)

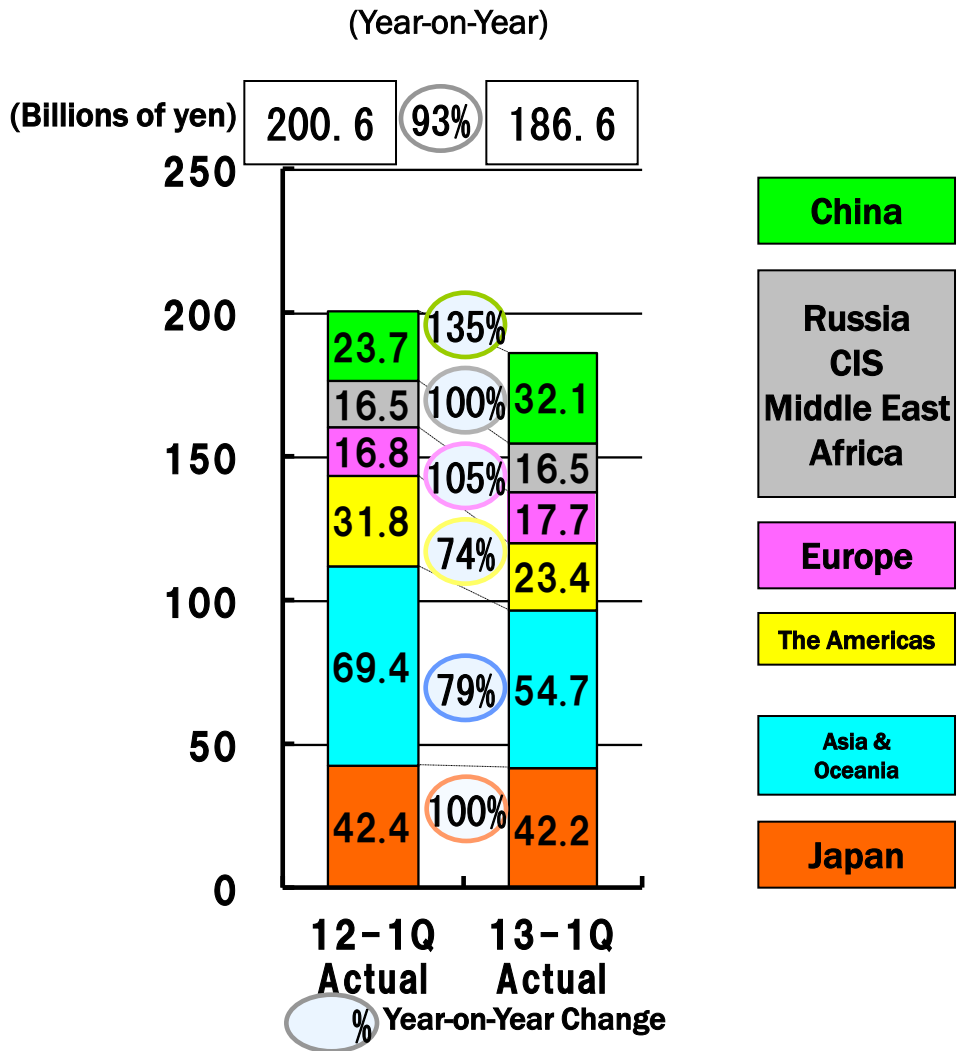
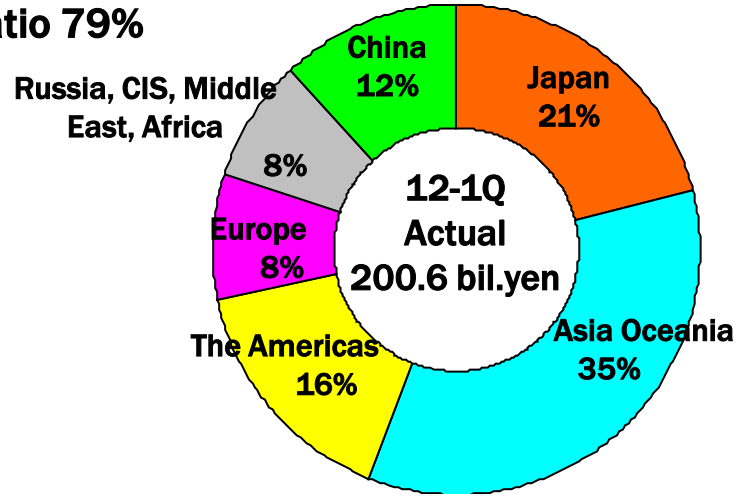
	1st Quarter of FY2013	1st Quarter of FY2012	Increase (Decrease)	
			Amount	%
<b>Net sales</b>	<b>186.6</b>	<b>200.6</b>	<b>(14.1)</b>	<b>-7%</b>
<b>Cost of sales</b>	<b>138.3</b>	<b>147.9</b>	<b>(9.6)</b>	<b>-6%</b>
<b>SGA expenses</b>	<b>38.7</b>	<b>39.5</b>	<b>(0.8)</b>	<b>-2%</b>
<b>Operating income</b>	<b>9.6</b>	<b>13.3</b>	<b>(3.7)</b>	<b>-28%</b>
<b>Non-operating income (loss)</b>	<b>(6.8)</b>	<b>(5.6)</b>	<b>(1.1)</b>	<b>20%</b>
<b>Ordinary income</b>	<b>2.8</b>	<b>7.6</b>	<b>(4.8)</b>	<b>-63%</b>
<b>Extraordinary income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Income taxes</b>	<b>1.9</b>	<b>1.0</b>	<b>0.9</b>	<b>93%</b>
<b>Minority interests</b>	<b>2.0</b>	<b>1.3</b>	<b>0.7</b>	<b>57%</b>
<b>Net income</b>	<b>(1.1)</b>	<b>5.3</b>	<b>(6.4)</b>	<b>-121%</b>

- Sales in China increased by 8.4 billion yen (135%) year-on-year.
- Sales in Japan also increased 9.5 billion yen (129%), considering the influence of the exclusion of TCM from the consolidated results(9.7 billion yen).
- On the other hand, sales in Asia & Oceania decreased by 14.7 billion yen (79%) year-on-year.

## Overseas Sales Ratio 77%

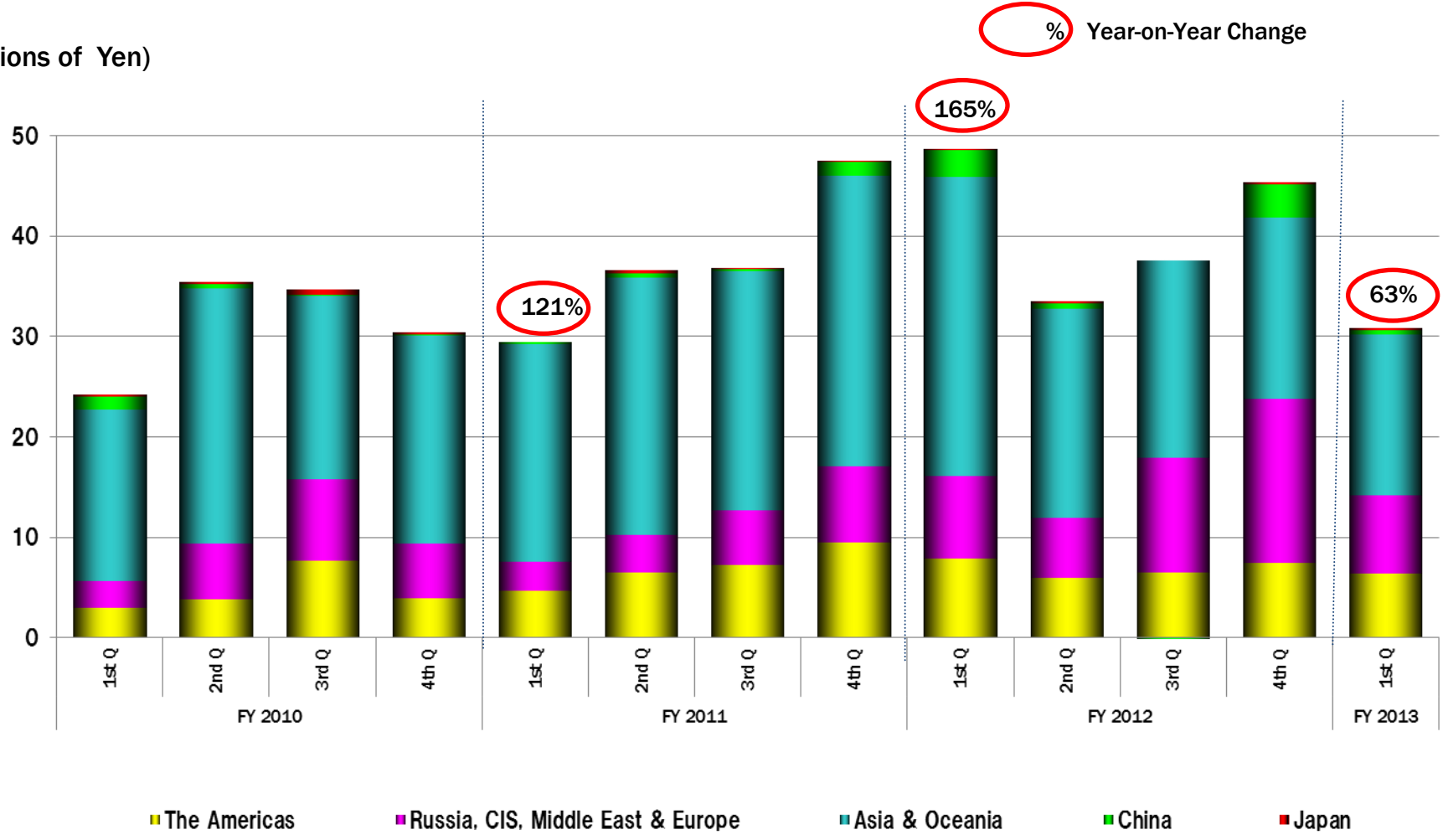


## Overseas Sales Ratio 79%



• During the period from the 4<sup>th</sup> quarter FY 2011 to the 1<sup>st</sup> quarter FY 2012, shipment to customers become possible after Hitachinaka Rinko Works recovered from the earthquake disaster, and a significant sales increase was achieved.

(Billions of Yen)



(Billions of yen)

	1st Quarter of FY 2013		1st Quarter of FY 2012		Increase (decrease)	
					Amount	%
Net Sales		186.6		200.6	(14.1)	-7%
Cost of sales	(74.1%)	138.3	(73.7%)	147.9	(9.6)	-6%
SGA expenses	(20.7%)	38.7	(19.7%)	39.5	(0.8)	-2%
Operating income	(5.1%)	9.6	(6.6%)	13.3	(3.7)	-28%
Non-operating income (loss)		(6.8)		(5.6)	(1.1)	20%
Ordinary Income	(1.5%)	2.8	(3.8%)	7.6	(4.8)	-63%
Extraordinary income		0		0	0	-
Income taxes		1.9		1.0	0.9	93%
Minority interests		2.0		1.3	0.7	57%
Net income	(-0.6%)	(1.1)	(2.7%)	5.3	(6.4)	-121%

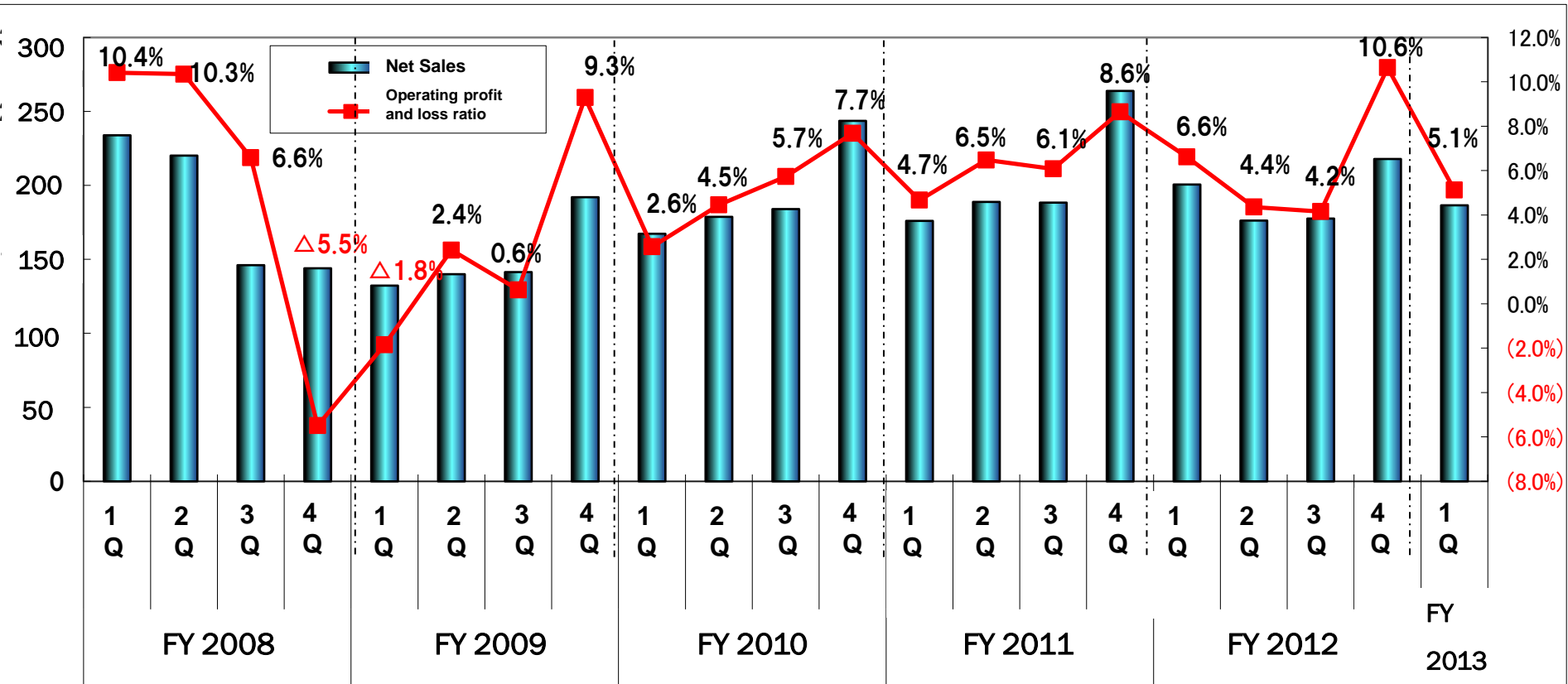
# Summary of quarterly consolidated sales and operating income (ratio)

Billions of yen

	FY 2008				FY 2009				FY 2010				FY 2011				FY 2012				FY 2013
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Sales	233.9	220.2	146.1	144.0	132.3	140.0	141.4	192.0	167.3	178.8	184.0	243.6	176.0	188.9	188.4	263.9	200.6	176.2	177.6	217.9	186.6
Operating income/loss	24.4	22.8	9.6	(7.9)	(2.4)	3.4	0.9	17.8	4.3	8.0	10.6	18.7	8.2	12.2	11.5	22.8	13.3	7.7	7.4	23.2	9.6

(Billions of Yen)

※Rounded off per quarter



EX rate /quarter	FY 2008				FY 2009				FY 2010				FY 2011				FY 2012				FY 2013
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
US\$	105.4	107.0	95.0	95.2	96.8	92.8	90.1	90.8	92.0	85.9	82.6	82.3	81.7	77.9	77.4	79.3	80.2	78.6	81.2	92.4	98.8
EUR	164.8	159.5	125.7	123.2	133.5	133.0	132.6	123.7	117.0	110.7	112.2	112.6	117.4	110.2	104.3	104.0	102.9	98.4	105.3	122.0	129.0
RMB	15.2	15.7	13.9	13.9	14.2	13.6	13.2	13.3	13.4	12.6	12.4	12.5	12.6	12.1	12.2	12.6	12.7	12.4	13.0	14.9	16.1



(Billions of yen)

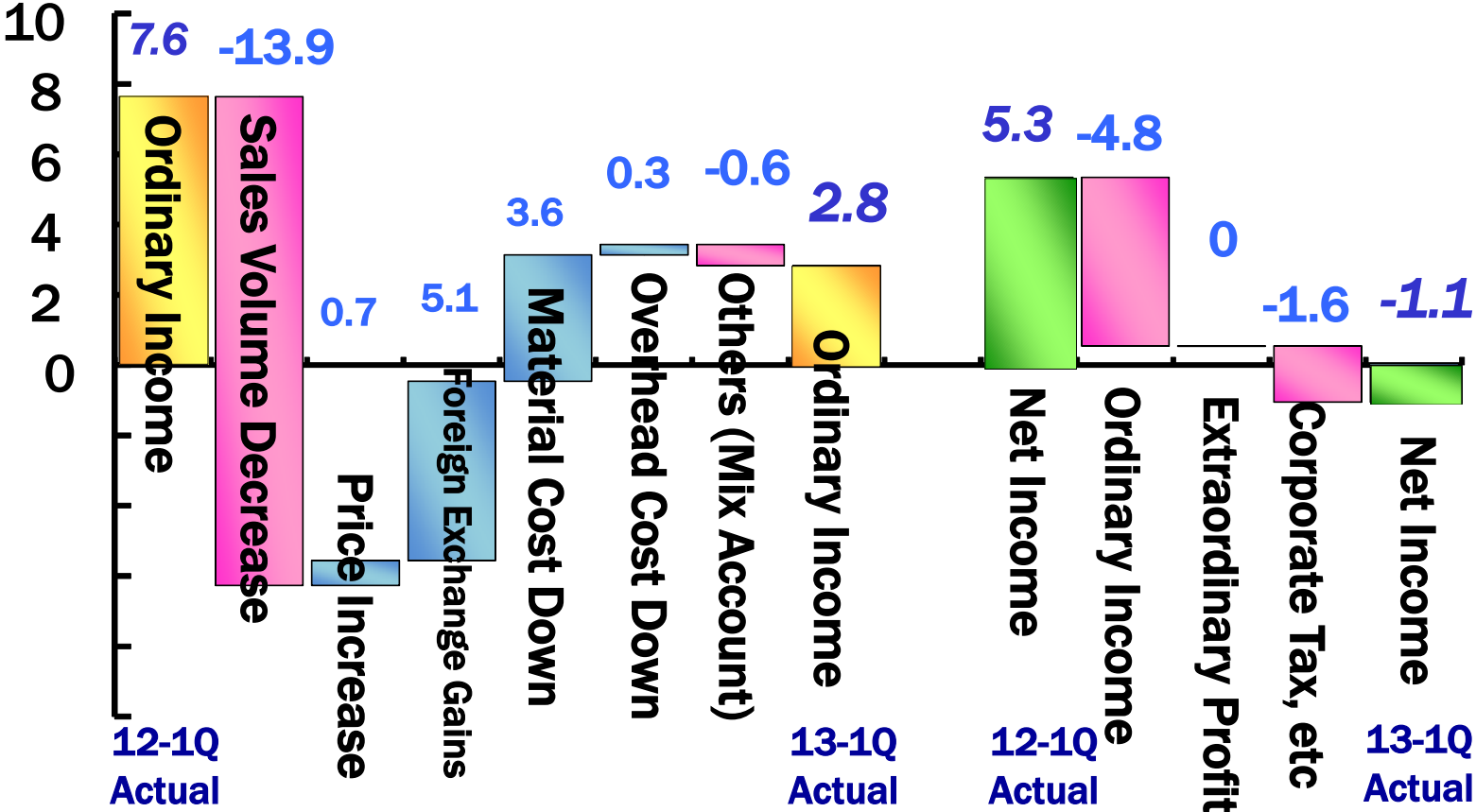
	1st Quarter of FY 2013	1st Quarter of FY 2012	Changes
Dividends/Interest income and expenses	(1.5)	(2.4)	0.9
Gain or losses on equity earnings of affiliated companies	(0.1)	0.1	(0.2)
Foreign exchange gains, net	(5.8)	(3.6)	(2.2)
Others	0.6	0.3	0.3
Total	(6.8)	(5.6)	(1.1)

(Billions of yen)

	1st Quarter of FY 2013		1st Quarter of FY 2012		Increase (decrease)	
					Amount	%
<b>Net Sales</b>		186.6		200.6	(14.1)	-7%
<b>Cost of sales</b>	(74.1%)	138.3	(73.7%)	147.9	(9.6)	-6%
<b>SGA expenses</b>	(20.7%)	38.7	(19.7%)	39.5	(0.8)	-2%
<b>Operating income</b>	(5.1%)	9.6	(6.6%)	13.3	(3.7)	-28%
<b>Non-operating income (loss)</b>		(6.8)		(5.6)	(1.1)	20%
<b>Ordinary Income</b>	(1.5%)	2.8	(3.8%)	7.6	(4.8)	-63%
<b>Extraordinary income (loss)</b>		0		0	0	-
<b>Income taxes</b>		1.9		1.0	0.9	93%
<b>Minority interests</b>		2.0		1.3	0.7	57%
<b>Net income</b>	(-0.6%)	(1.1)	(2.7%)	5.3	(6.4)	-121%

- Profit increase of 5.1 billion yen from Yen depreciation.
- Profit increase of 4.3 billion yen from price and material cost improvement.
- Sales decrease of 13.9 billion yen due mainly to a decrease in mining sales.

(Billions of yen )



- Accounts receivable (Notes and accounts receivable, lease receivables and investment assets) reduced by 28.2 billion yen compared to the end of the previous year.
- Inventories increased by 3.9 billion yen due to depreciation of the Yen and the production increase for Japan market.

(Billions of yen)

	(A) 13-1Q	(B) FY12	(C) 12-1Q	(A-B) Change		(D) 13-1Q	(E) FY12	(F) 12-1Q	(D-E) Change
Cash and bank deposit	65.1	62.6	64.0	2.5	Notes and account payable	138.8	149.1	180.0	(10.3)
Notes and accounts receivable	179.1	204.9	193.7	(25.8)	Others	326.1	298.2	295.7	27.9
Lease receivables and investment assets	100.9	103.3	113.5	(2.4)	Total current liabilities	464.9	447.3	475.7	17.6
Inventories	318.8	314.9	279.1	3.9	Total non-current liabilities	201.4	236.0	192.0	(34.6)
Others	52.8	48.1	50.3	4.7	Total Liabilities	666.3	683.2	667.7	(16.9)
Total current assets	716.8	733.8	700.6	(17.0)	Minority interests	56.4	54.7	45.8	1.7
Property, plant and equipment	274.2	271.2	246.6	3.0	Common stock, capital surplus, and Retained earnings	361.8	365.9	351.9	(4.1)
Intangible assets	31.1	32.7	38.3	(1.6)	Others	(10.2)	(3.9)	(33.9)	(6.3)
Others	52.3	62.2	46.1	(9.9)	(Shareholder's equity ratio)	(32.7%)	(32.8%)	(30.8%)	(-0.2%)
Total fixed assets	357.6	366.1	330.9	(8.5)	Total net assets	408.1	416.7	363.8	(8.6)
Total assets	1,074.4	1,099.9	1,031.5	(25.5)	Total Liabilities and net assets	1,074.4	1,099.9	1,031.5	(25.5)

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

Notes and account receivable	135	146	133	(11)
Inventories	153	149	121	4
Notes and accounts Payable	67	70	78	(3)
Net working capital	221	225	176	(4)

※1) On hand days for notes and accounts receivable includes lease receivable and investment assets.

Interest -bearing debt	(37.6%)	(35.7%)	(35.7%)	(1.8%)
Cash and cash equivalents	403.7	393.1	368.7	10.6
(Deposit)	65.8	68.1	64.6	(2.3)
Interest-bearing debt, net	(0.7)	(5.4)	(0.6)	(-4.7)
	(31.5%)	(29.6%)	(29.5%)	(1.9%)
	337.9	325.1	304.1	12.8

Net D/E Ratio	0.96	0.90	0.96	0.06
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- Continued from the previous year, cash flow from operating activities increased by 5.2 billion yen year-on-year, which generated positive cash flows of 1 billion yen.

	FY13 1Q		FY12 1Q		Change	
	Actual		Actual			
Income before Income taxes and minority interest		2.9		7.6		(4.7)
Depreciation and amortization	12.1	9.2	16.3	8.7	(4.2)	0.5
(Increase) decrease in notes and accounts receivable		31.2		32.8		(1.6)
(Increase) decrease in lease receivable and investment assets		7.5		1.5		6.0
(Increase) decrease in inventories		(2.1)		(22.9)		20.8
(Increase) decrease in notes and accounts payable	24.1	(12.5)	11.7	0.3	12.4	(12.8)
Income taxes paid		(9.8)		(8.5)		(1.3)
Others, net		(7.1)		(5.4)		(1.7)
<b>Net cash provided by (used in) operating activities</b>		<b>19.3</b>		<b>14.1</b>		<b>5.2</b>
Acquisitions of property, plant and equipment		(15.4)		(12.5)		(2.9)
Proceeds from disposal of property, plant and equipment		0.2		0.3		(0.1)
Purchase of Investment securities		(2.6)		0		(2.6)
Proceeds from sale of investments in securities		0		0		0
Others, net		(0.5)		(1.2)		0.7
<b>Net cash used in investing activities</b>		<b>(18.3)</b>		<b>(13.4)</b>		<b>(4.9)</b>
<b>Free Cash Flows</b>		<b>1.0</b>		<b>0.7</b>		<b>0.3</b>
Net Increase (decrease) in short-term loans		11.6		(5.9)		17.5
Net Increase (decrease) in long-term loans	1.9	(9.7)	(8.0)	(2.1)	9.9	(7.6)
Dividends paid to shareholders		(4.4)		(3.8)		(0.6)
Interest paid, others	(6.9)	(2.5)	(6.6)	(2.8)	(0.3)	0.3
<b>Net cash provided by (used in) financing activities</b>		<b>(5.0)</b>		<b>(14.6)</b>		<b>9.6</b>
Effect of exchange rate changes on cash and cash equivalents		1.7		(3.5)		5.2
Net Increase/decrease in cash and cash equivalents		(2.3)		(17.4)		15.1
Cash and cash equivalents at beginning of year		66.6		81.1		(14.5)
Cash and cash equivalents at end of year		64.3		63.7		0.6

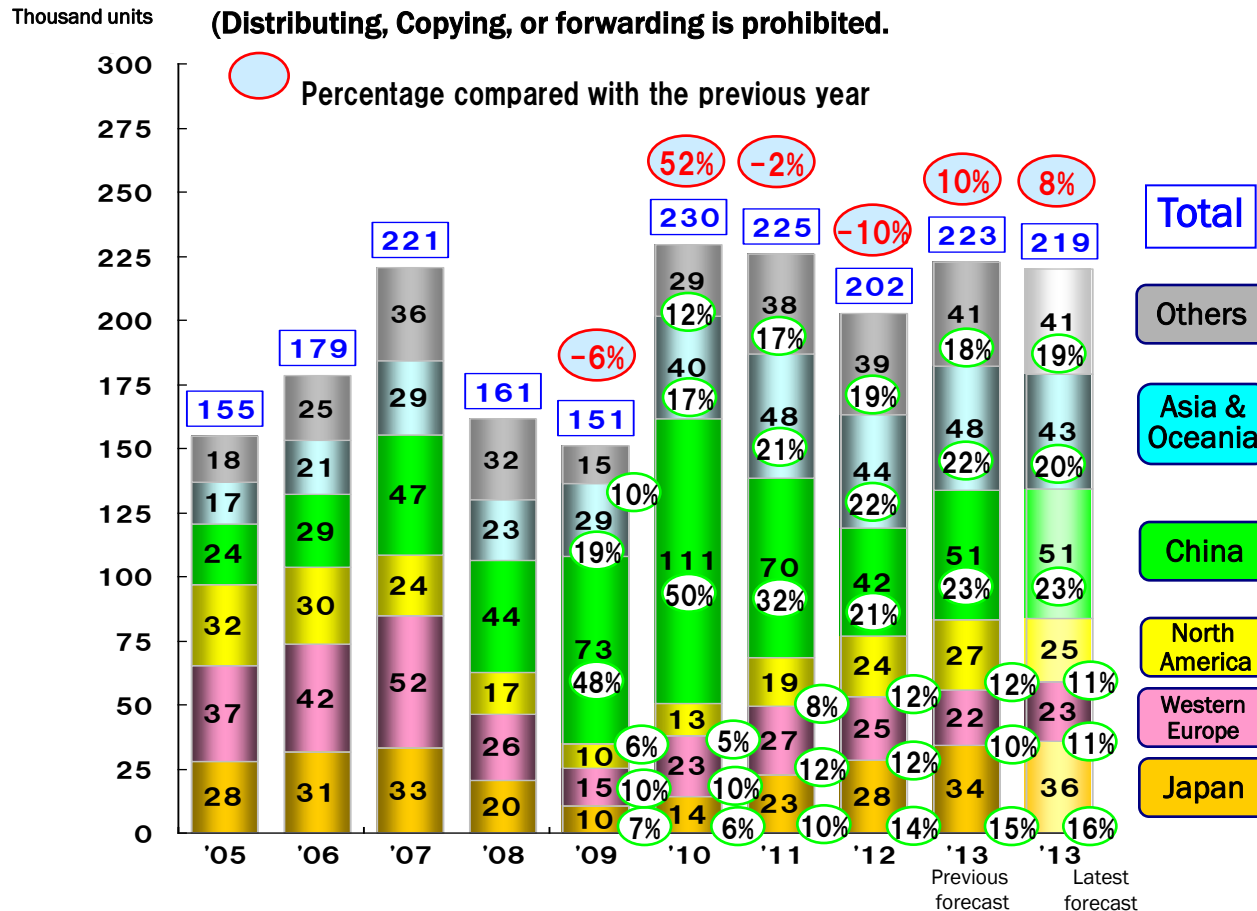
(Billions of yen)

- In Japan, in addition to rehabilitation demand, the demand for rental service continued to increase strongly, and it is expected to increase by 27% year-on-year to 36,000 units.
- Although demand in China has been in recovery trend, the forecast is unchanged as an increase of 21% year-on-year to 51,000 units.
- The global forecast is decreased by 4,000 units, resulted as a 8% increase year-on-year, after reflecting a decrease in the demand of Asia & Oceania and the review made to the demand in North America.

### Global Demand Trend for Hydraulic Excavator

\*Source HCM    \*Excluding Chinese manufacturer

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### Year-on-year change by region

	'12	'13	'13
		Previous Forecast	Latest Forecast
Japan	+25%	+20%	+27%
W Europe	-7%	-13%	-8%
N America	+26%	+15%	+4%
China	-41%	+21%	+21%
India	-21%	+10%	-9%
Indonesia	-19%	+15%	-9%
Others	+9%	+5%	+5%
Asia & Oceania	-8%	+9%	-2%
Russia, E Europe, CIS	-3%	+8%	+8%
Africa	+39%	-12%	-9%
Middle East	-2%	-1%	+1%
Latin America	-4%	+13%	+13%
Others	+2%	+4%	+5%
<b>Total</b>	<b>-10%</b>	<b>+10%</b>	<b>+8%</b>

- As the sales increase in Japan and China as well as cost reduction offset the decrease in other slowdown regions that are mainly affected by decreased mining sales, the current forecast is unchanged from the previous forecast.

(Billions of Yen)

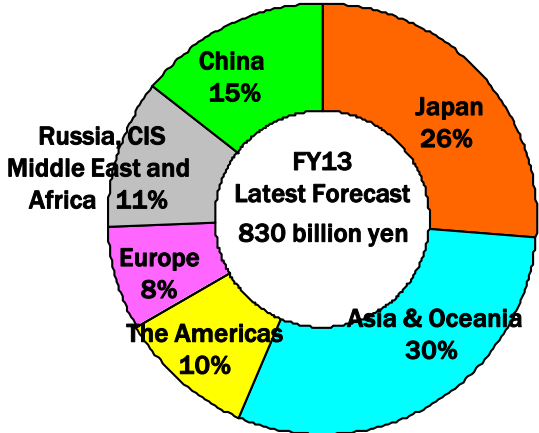
		1st Half Year			Full Year		
		Sep' 13 Forecast	Sep' 12 Forecast	Change	Mar'14 Forecast	Mar'13 Forecast	Change
<b>Net sales</b>		(395.0) 395.0	376.9	105%	(830.0) 830.0	772.4	107%
<b>Operating Income</b>		(28.0) 28.0	20.9	134%	(83.0) 83.0	51.5	161%
<b>Ordinary Income</b>		(21.0) 21.0	13.7	153%	(69.0) 69.0	36.4	190%
<b>Net income</b>		(13.5) 13.5	16.1	86%	(37.0) 37.0	23.5	157%
F X	USD	96.5	79.5		95.1	82.4	
	EUR	125.7	101.0		124.3	107.5	
	RMB	15.7	12.6		15.4	13.5	
<b>Cash dividends per share (Yen)</b>		<b>25</b>	<b>20</b>	<b>5</b>	<b>50</b>	<b>40</b>	<b>10</b>

( ) Previous forecast as of April 2013

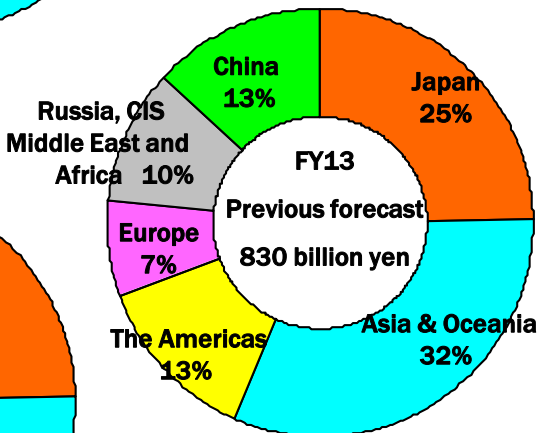
Exchange rate in and after the second quarter of FY13	(Previous)
(Yen/USD)	94.0 (94.0)
(Yen/EUR)	123.0 (123.0)
(Yen/RMB)	15.2 (15.2)

- Although sales in China increased, total overseas sales result decreased slightly as the sales in Asia & Oceania and North America decreased.
- Sales in Japan are expected to increase as the demand for rehabilitation and wheel loaders for snow cleaning is strong.

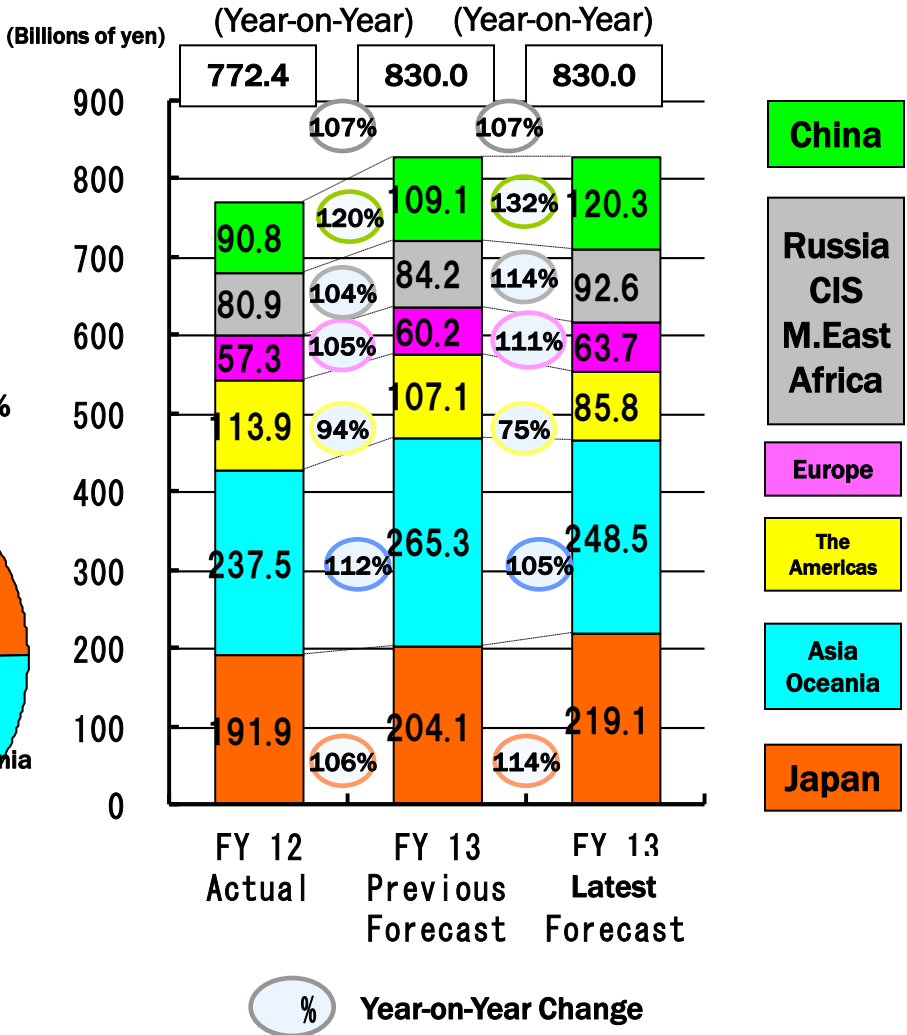
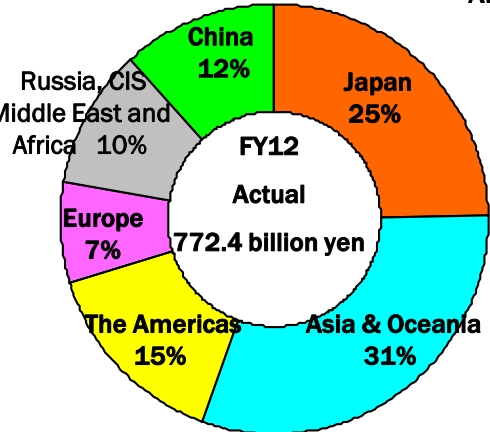
Overseas Sales Ratio 74%



Overseas Sales Ratio 75%



Overseas Sales Ratio 75%

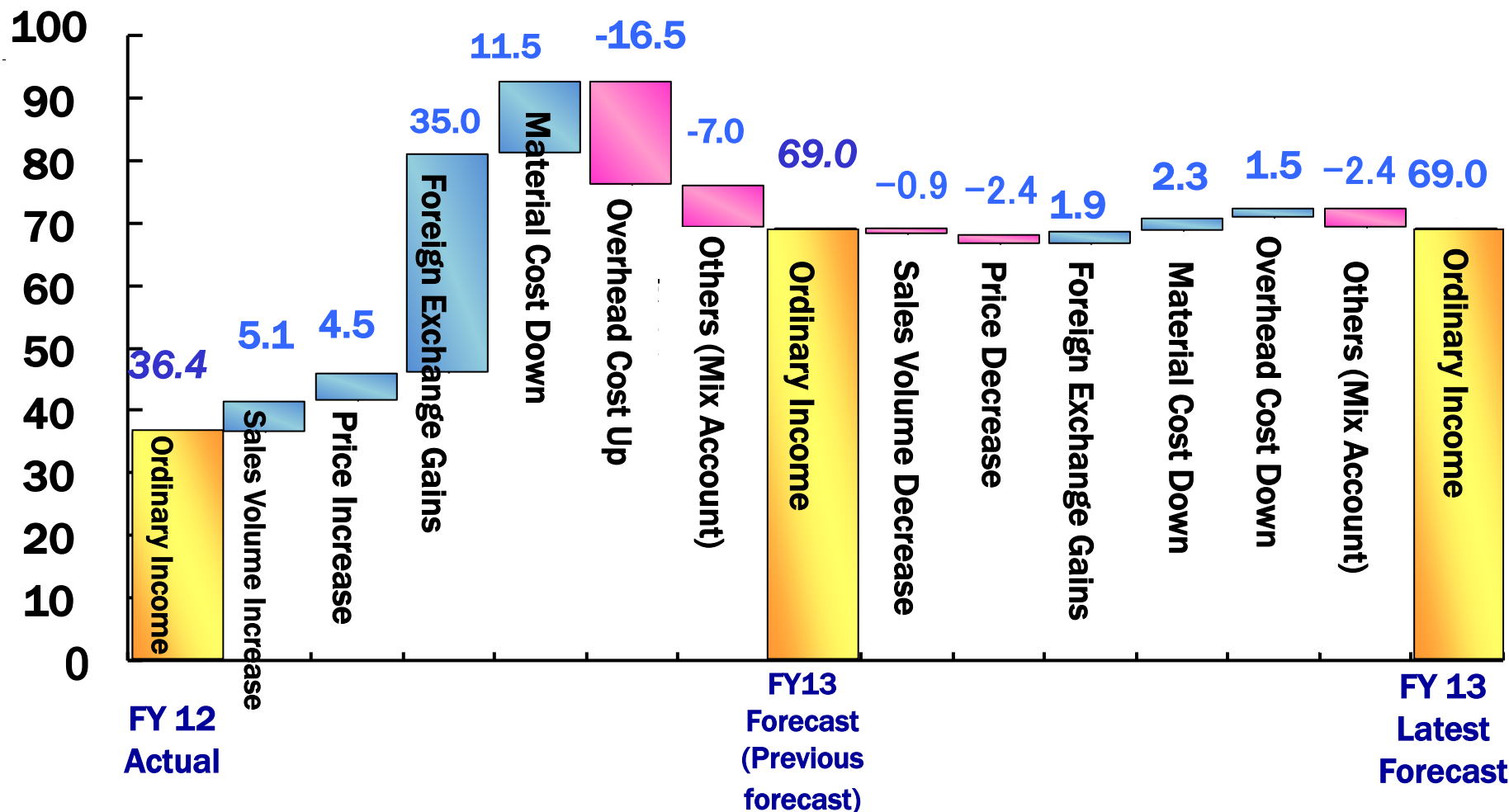


% Year-on-Year Change



- Although sales of mining decreased from the previous forecast, due to the effect of costs and indirect costs decrease, the previous forecast remains unchanged.

Billions of yen



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