

# **Business Results for the Second Quarter ended September 30, 2012**

**October 25, 2012**

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



**Masaki Fujita of the Technical Research Center (right), won a bronze medal in road cycling (time trial MC3), at the London Paralympics**

**Thank you very much for your support!**

# I. Summary of Consolidated Results

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HITACHI

Reliable solutions

- Net sales increased by 3% year-on-year, despite a substantial decrease in China, which was offset by the sales increase of mining machinery.
- Operating income increased by 2% year-on-year, helped by the sales increase in mining machinery and parts & service.
- Net income advanced by 194%, with 9.9 billion yen of extraordinary gain on the sale of TCM shares.

		Billions of yen		
		2nd Quarter of FY12	2nd Quarter of FY11	Change
Net sales		(390.0) 376.9	364.9	3%
Operating income		(23.0) 20.9	20.4	2%
Ordinary income		(16.5) 13.7	17.8	-23%
Net income		(18.5) 16.1	5.5	194%
F X	YEN/USD	79.48	79.50	/
	YEN/EUR	100.96	113.99	
	YEN/RMB	12.59	12.41	
Dividend per share		20 yen	15 yen	5 yen

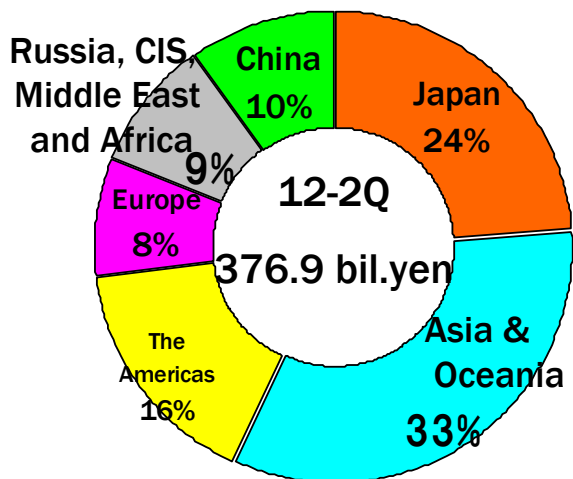
Note: Figures in ( ) are forecast as of July 2012.

Billions of yen

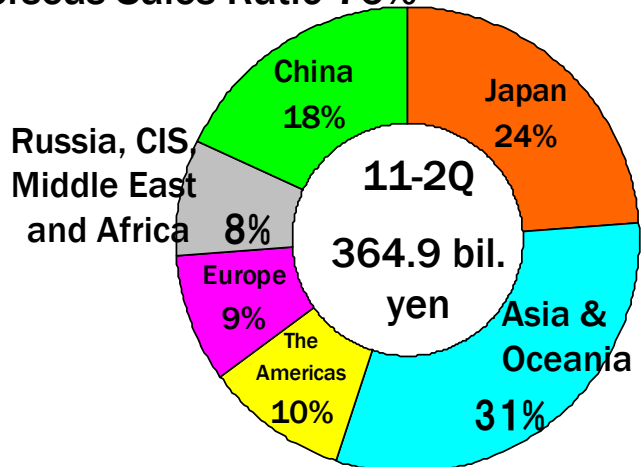
	2nd Quarter of FY12	2nd Quarter of FY11	Increase (Decrease)	
			Amount	%
Net sales	376.9	364.9	12.0	3%
Cost of sales	279.5	268.6	10.9	4%
SGA expenses	76.4	75.9	0.5	1%
Operating income	20.9	20.4	0.5	2%
Non-operating income (loss)	(7.2)	(2.6)	(4.6)	177%
Ordinary income	13.7	17.8	(4.1)	-23%
Extraordinary income (loss)	8.6	(0.5)	9.1	-
Income taxes	3.9	8.2	(4.3)	-52%
Minority interests	(2.3)	(3.7)	1.4	-37%
Net income	16.1	5.5	10.6	194%

- Sales drop in China was offset by the increase in Asia & Oceania, the Americas and Japan.
- Sales would increase by 9% to 361.7 billion yen in 2Q of FY12 from 331.9 billion yen in 2Q of FY11 if excluding the impact of TCM group.

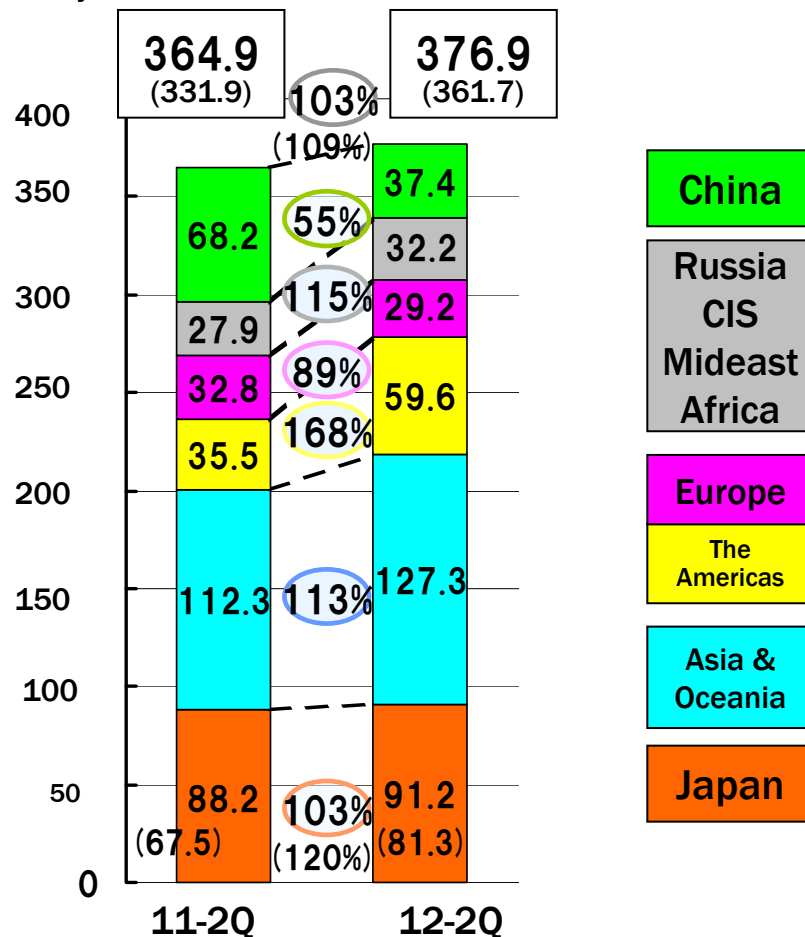
## Overseas Sales Ratio 76%



## Overseas Sales Ratio 76%



Billions of yen (Year-on-year)



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

Billions of yen

	2nd Quarter of FY2012		2nd Quarter of FY2011		Increase (Decrease)	
					Amount	%
Net sales		376.9		364.9	12.0	3%
Cost of sales	(74.2%)	279.5	(73.6%)	268.6	10.9	4%
SGA expenses	(20.3%)	76.4	(20.8%)	75.9	0.5	1%
Operating income	(5.6%)	20.9	(5.6%)	20.4	0.5	2%
Non-operating income (loss)		(7.2)		(2.6)	(4.6)	177%
Ordinary income		13.7		17.8	(4.1)	-23%
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Minority interests		(2.3)		(3.7)	1.4	-37%
Net income		16.1		5.5	10.6	194%

- Dividends/interest income declined, due to the volume drop of the Sales Finance in China.
- Foreign exchange gain declined, with the effects of a highly appreciated yen against the euro and emerging nations' currencies, such as Indian rupee and South African rand.

Billions of yen

	2nd Quarter of FY2012	2nd Quarter of FY2011	Change
Dividends/interest income and expenses	(4.6)	(3.5)	(1.1)
Gain on equity earnings of affiliated companies	(0.1)	0.1	(0.2)
Foreign exchange gains, net	(2.4)	(1.2)	(1.2)
Others	(0.1)	2.0	(2.1)
<b>Total</b>	<b>(7.2)</b>	<b>(2.6)</b>	<b>(4.6)</b>

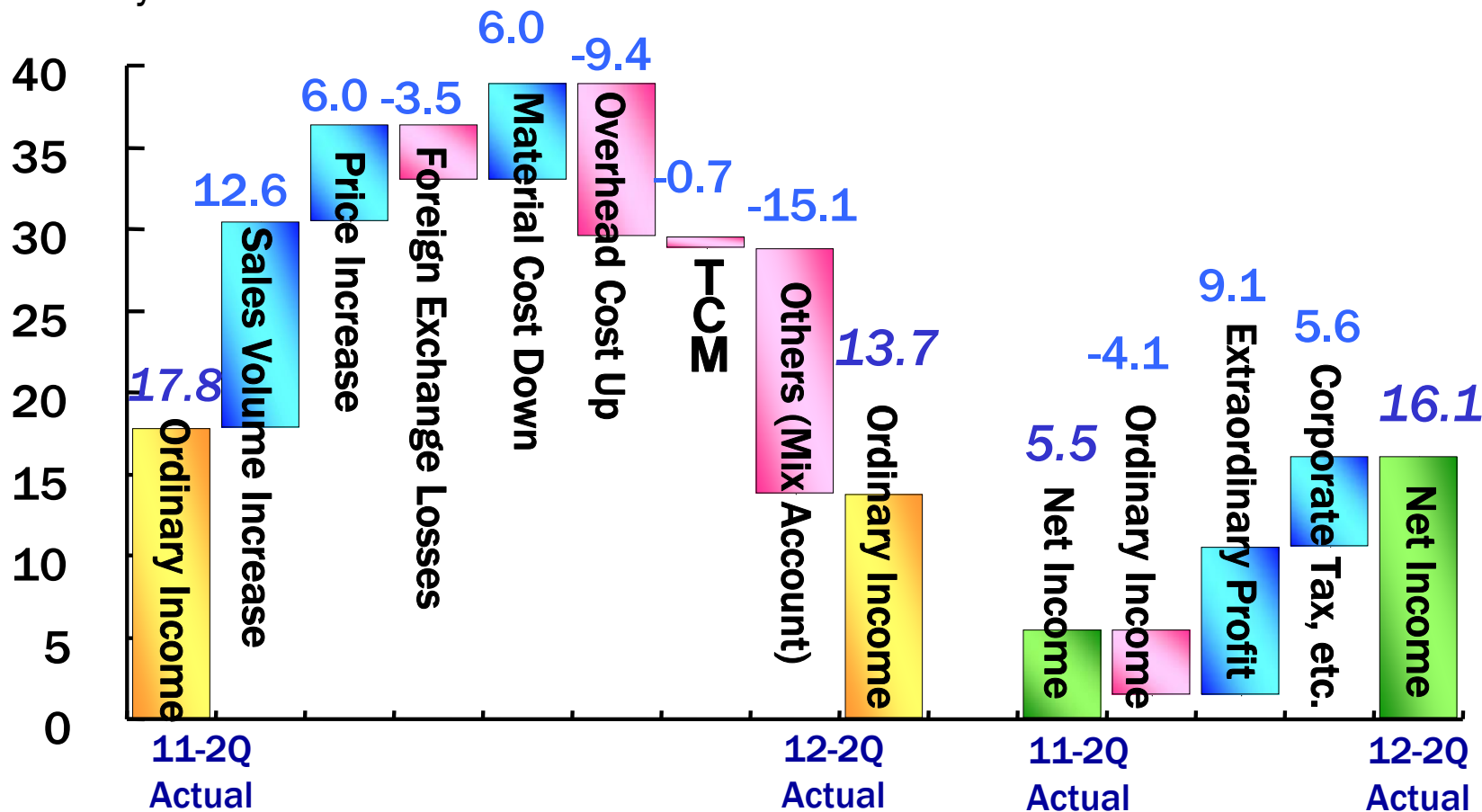
Billions of yen

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					Amount	%
Net sales		376.9		364.9	12.0	3%
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SGA expenses	(20.3%)	76.4	(20.8%)	75.9	0.5	1%
Operating income	(5.6%)	20.9	(5.6%)	20.4	0.5	2%
Non-operating income (loss)		(7.2)		(2.6)	(4.6)	177%
Ordinary income	(3.6%)	13.7	(4.9%)	17.8	(4.1)	-23%
Extraordinary income (loss)		8.6		(0.5)	9.1	-
Income taxes		3.9		8.2	(4.3)	-52%
Minority interests		(2.3)		(3.7)	1.4	-37%
Net income	(4.3%)	16.1	(1.5%)	5.5	10.6	194%



- Profit increased by 12.6 billion yen due to the Sale Volume Increase.
- On the other hand, “Others (Mix Account)” reduced substantially, due to a drop in the composition ratio of sales in China.

Billions of yen



# Consolidated Balance Sheet

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Reliable solutions

- Notes and accounts receivable reduced by 85.1 billion yen, and on hand days decreased by 39 days.
- Inventories increased by 15.2 billion yen, and on hand days rose by 5 days.

Billions of yen

	(A) 12-2Q	(B) FY11	(C) 11-2Q	(A-B) Change
Cash and bank deposits	48.2	72.8	54.9	(24.6)
Notes and accounts receivable	174.4	238.5	166.5	(64.1)
Lease receivables and investment assets	99.3	120.3	119.2	(21.0)
Inventories	284.1	268.9	243.8	15.2
Others	62.3	51.8	55.1	10.5
<b>Total current assets</b>	<b>668.3</b>	<b>752.3</b>	<b>639.5</b>	<b>(84.0)</b>
Property, plant and equipment	242.9	244.9	224.7	(2.0)
Intangible assets	34.8	40.8	42.9	(6.0)
Others	57.7	48.2	45.2	9.5
<b>Total fixed assets</b>	<b>335.3</b>	<b>333.8</b>	<b>312.7</b>	<b>1.5</b>
<b>Total assets</b>	<b>1,003.6</b>	<b>1,086.1</b>	<b>952.2</b>	<b>(82.5)</b>

	(D) 12-2Q	(E) FY11	(F) 11-2Q	(D-E) Change
Notes and accounts payable	162.2	192.9	161.0	(30.7)
Others	287.8	327.2	234.0	(39.4)
<b>Total current liabilities</b>	<b>450.0</b>	<b>520.1</b>	<b>395.0</b>	<b>(70.1)</b>
<b>Total non-current liabilities</b>	<b>182.4</b>	<b>197.3</b>	<b>217.3</b>	<b>(14.9)</b>
<b>Total liabilities</b>	<b>632.4</b>	<b>717.3</b>	<b>612.3</b>	<b>(84.9)</b>
Minority interests	44.3	45.4	41.7	(1.1)
Common stock, capital surplus, and	362.7	349.8	335.4	12.9
Others	(35.8)	(26.4)	(37.1)	(9.4)
(Shareholders' equity ratio)	(32.5%)	(29.7%)	(31.2%)	(2.8%)
<b>Total net assets</b>	<b>371.2</b>	<b>368.8</b>	<b>340.0</b>	<b>2.4</b>
<b>Total liabilities and net assets</b>	<b>1,003.6</b>	<b>1,086.1</b>	<b>952.2</b>	<b>(82.5)</b>

## On hand days (divided by net sales)

	Days			
Notes and accounts receivable	121	160	132	(39)
<b>Inventories</b>	<b>125</b>	<b>120</b>	<b>112</b>	<b>5</b>
Notes and accounts payable	71	86	69	(15)
<b>Net working capital</b>	<b>175</b>	<b>194</b>	<b>175</b>	<b>(19)</b>

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

	(35.0%)	(35.8%)	(35.2%)	(-0.8%)
<b>Interest-bearing debt</b>	<b>351.3</b>	<b>388.9</b>	<b>335.6</b>	<b>(37.6)</b>
Cash and cash equivalents	63.6	81.2	56.3	(17.6)
(Deposit)	15.4	8.4	1.4	7.0
<b>Interest-bearing debt, net</b>	<b>(28.7%)</b>	<b>(28.3%)</b>	<b>(29.3%)</b>	<b>(0.4%)</b>
<b>Debt</b>	<b>287.7</b>	<b>307.7</b>	<b>279.4</b>	<b>(20.0)</b>

<b>Net D/E Ratio</b>	<b>0.88</b>	<b>0.95</b>	<b>0.94</b>	<b>(0.07)</b>
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- CF from operating activities increased despite inventory boost, supported by a significant decrease in accounts receivable and lease receivable.
- Among CF from financing activities, 8.9 billion yen was provided by net of sale of TCM equity, investment and loan to UniCareer.
- 23.7 billion yen of capital expenditure was spent, mainly by HCM.

	Billions of yen			
	FY12 2Q		FY11 2Q	Change
	Actual		Actual	
Income before taxes and minority interest	22.3	17.4	17.4	4.9
Depreciation and amortization	39.7	17.4	36.3	3.4
(Increase) decrease in notes and accounts receivable	39.3	4.4	4.4	34.9
(Increase) decrease in lease receivable and investment assets	12.0	4.2	4.2	7.8
(Increase) decrease in inventories	(38.9)	(65.9)	(65.9)	27.0
(Increase) decrease in notes and accounts payable	9.9	(2.5)	(31.1)	41.0
Income taxes paid	(13.8)	(9.2)	(9.2)	(4.6)
Others, net	(9.7)	(6.7)	(6.7)	(3.0)
<b>Net cash provided by (used in) operating activities</b>	<b>26.1</b>	<b>(10.7)</b>	<b>(10.7)</b>	<b>36.8</b>
<b>Net cash used in investing activities</b>	<b>(11.4)</b>	<b>(14.6)</b>	<b>(14.6)</b>	<b>3.2</b>
<b>Free Cash Flows</b>	<b>14.7</b>	<b>(25.3)</b>	<b>(25.3)</b>	<b>40.0</b>
Net increase (decrease) in short-term loans	(8.4)	21.9	21.9	(30.3)
Net increase (decrease) in long-term loans	(17.1)	(8.7)	22.7	(39.8)
Dividends paid to shareholders	(6.1)	(5.2)	(5.2)	(0.9)
Interest paid, others	(12.7)	(6.6)	(12.1)	(0.6)
<b>Net cash provided by (used in) financing activities</b>	<b>(29.8)</b>	<b>10.6</b>	<b>10.6</b>	<b>(40.4)</b>
Effect of exchange rate changes on cash and cash equivalents	(3.5)	(4.4)	(4.4)	0.9
Net increase/decrease in cash and cash equivalents	(18.5)	(19.1)	(19.1)	0.6
Cash and cash equivalents at beginning of year	81.1	74.7	74.7	6.4
Cash and cash equivalents at end of year	62.5	55.6	55.6	6.9

- The forecast for China was revised down by 9,000 units to 47,000 units (34% decrease year-on-year), with reversal timing of demand in China being deferred to next fiscal year.
- The forecast for India was also revised down by 3,000 units to 13,000 units (13% decrease year-on-year).
- As a result, the global forecast was revised down by 11,000 units from the previous forecast and by 19,000 units (or 8%) from the actual demand in the previous fiscal year.

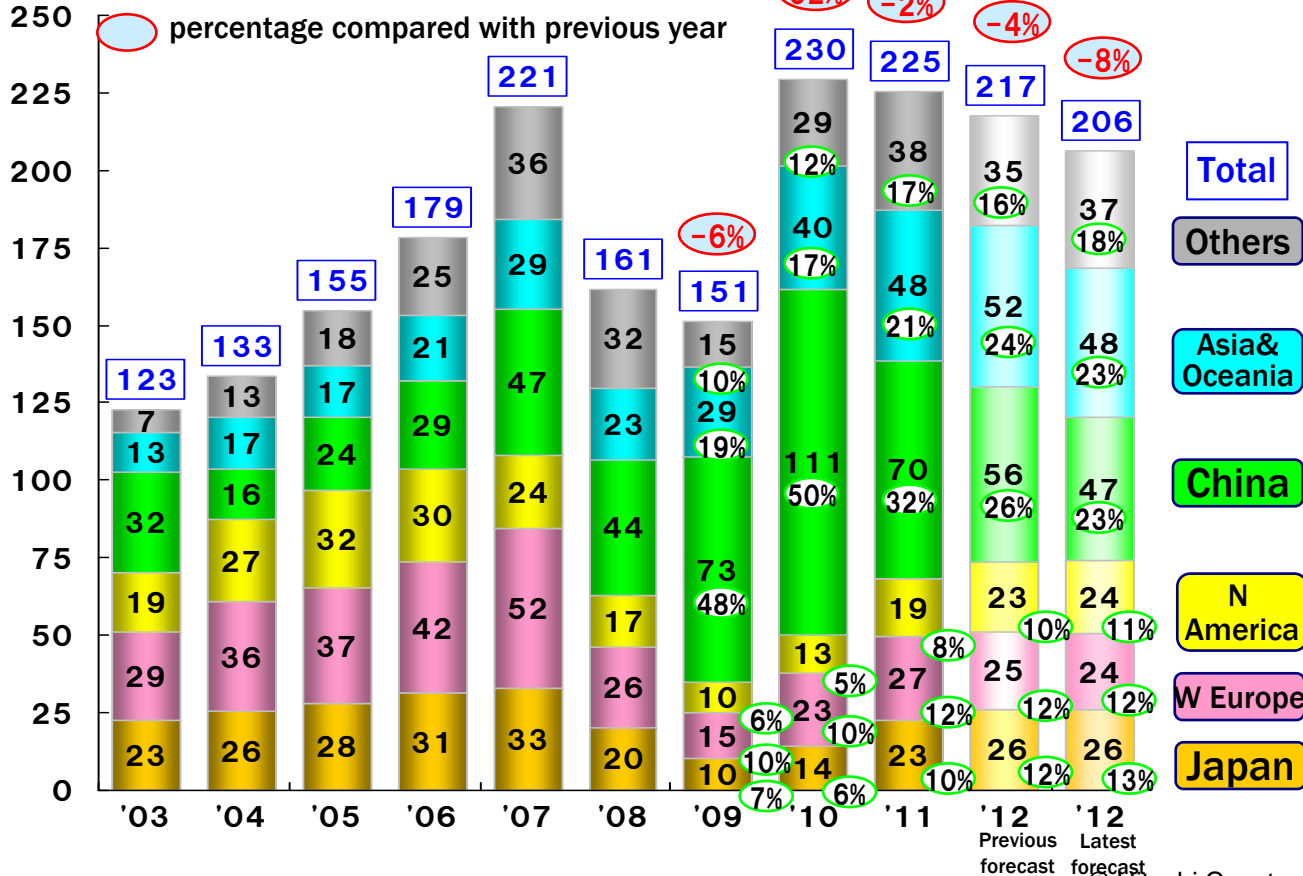
## Global Demand Trend for Hydraulic Excavator

Thousand units

\*Source: HCM

\*Excluding Chinese manufacturers

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Year-on-year Change by Region			
	'11	'12 Previous	'12 Latest
Japan	+58%	+15%	+15%
W Europe	+14%	-6%	-9%
N America	+49%	+20%	+25%
China	-37%	-20%	-34%
Asia & Oceania	+22%	+8%	0%
Others	+37%	-9%	-2%
India	+21%	+5%	-13%
Indonesia	+52%	+4%	-4%
Others	+7%	+14%	+12%
Russia, E Europe, CIS	+69%	+5%	+6%
Africa	+21%	-13%	+18%
Middle East	+50%	-27%	-20%
Latin America	+16%	0%	+1%
<b>Total</b>	<b>-2%</b>	<b>-4%</b>	<b>-8%</b>

- Net sales were revised down by 80 billion yen from the previous forecast to 740 billion yen (9% decrease year-on-year), due to sales declines in China and mining machinery.
- Operating income was revised down, despite efforts such as price hike and reduced costs to cover the sales drop, by 16 billion yen from the previous forecast to 56 billion yen (2% increase year-on-year)

Billions of yen

	FY12 Forecast	FY11 Actual	Change
Net sales	(820.0) 740.0	817.1	-9%
Operating income	(72.0) 56.0	54.8	2%
Ordinary income	(62.0) 45.0	51.7	-13%
Net income	(40.0) 33.0	23.0	43%
F X	YEN/USD	78.76	78.85
	YEN/EUR	100.45	108.95
	YEN/RMB	12.42	12.41
Dividend per share	40 yen	30 yen	10 yen

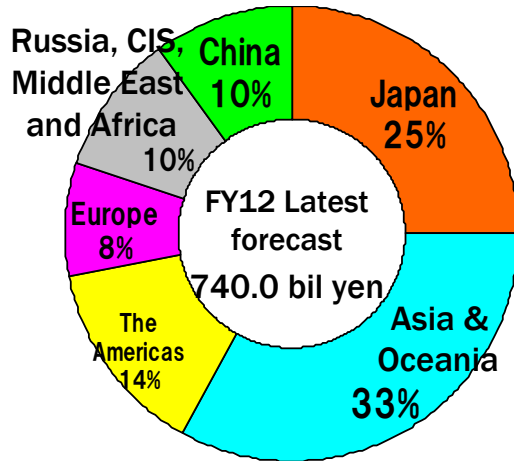
Note: Figures in ( ) are forecast as of July 2012.

Exchange rates in and after the 3<sup>rd</sup> quarter of FY12:

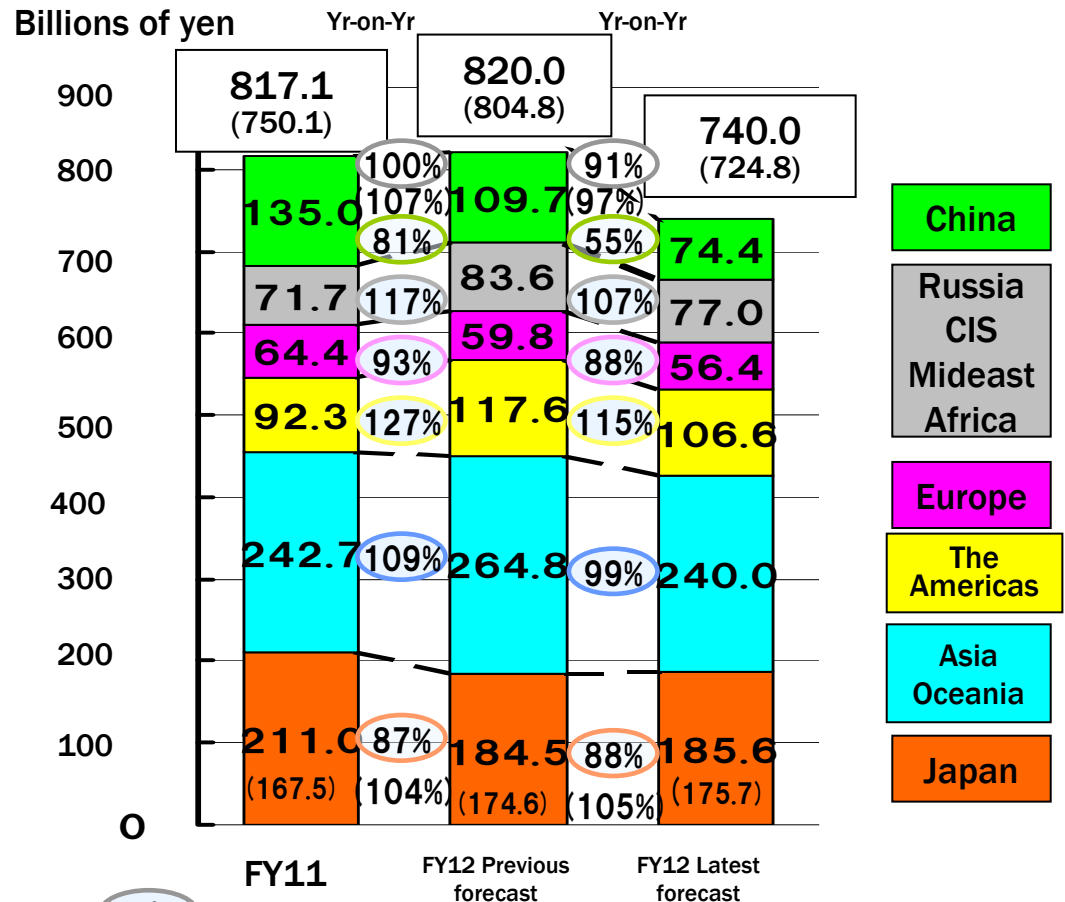
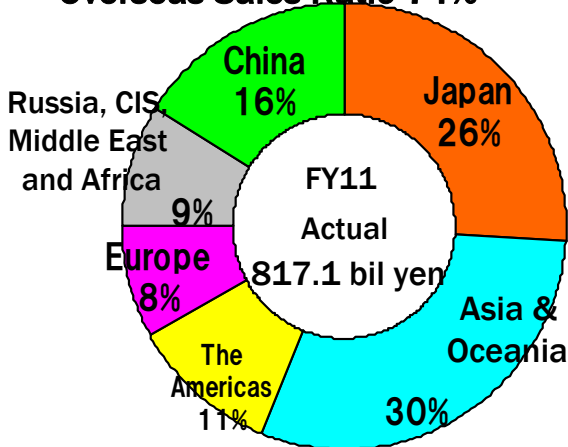
(YEN/USD)	78.00
(YEN/EUR)	100.00
(YEN/RMB)	12.30

- Sales forecast for China was revised down by 35.3 billion yen from the previous forecast to 74.4 billion yen (45% decrease year-on-year).
- Sales forecast for Asia & Oceania was revised down by 24.8 billion yen from the previous forecast to 240 billion yen (1% decrease year-on-year). This is mainly due to a drop in mining machinery.

## Overseas Sales Ratio 75%

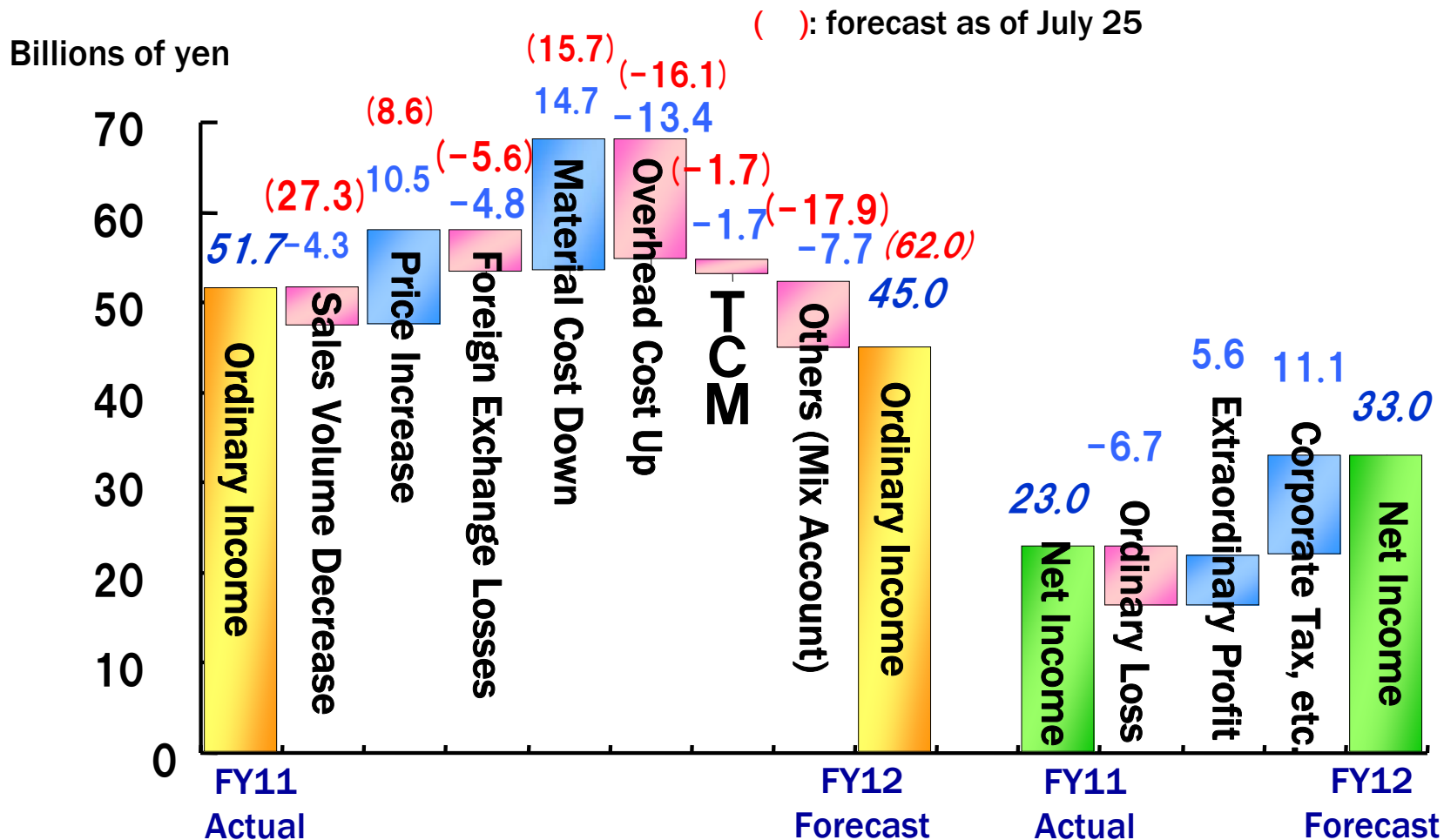


## Overseas Sales Ratio 74%



% percentage compared with previous year.  
 Figures in ( ) exclude impacts of TCM.

- Ordinary Income was revised down with sales volume decrease of 31.6 billion yen.
- Meanwhile, profits are expected to be improved, supported by price increase and cost down in the Americas and Japan.



# END

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For further inquiries:

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