

# **Business Results for the Second Quarter ended September 30, 2013**

**October 28, 2013**

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



Yukie Nakayama, who belongs to the Public Relations Strategy Office (left in the photo) received the Silver Medal at the World Championship for Clay Shooting.

- On a regional basis, while net sales of Asia/Oceania and North America decreased compared to the previous year, net sales of the other regions mainly in 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 increased from the previous year.
- Though mining sales decreased, operating income and ordinary income increased because of the cost reduction and the favorable exchange rate.
- Net income of the 1<sup>st</sup> half of FY 2013 (Q1+Q2) decreased from the same period of the previous year due to the influence of a decrease in extraordinary gains.

(Billions of yen)

|                                       |                         | Apr 1~Sep 30<br>of FY 2013 | Apr 1~Sep 30<br>of FY 2012 | Change   |
|---------------------------------------|-------------------------|----------------------------|----------------------------|----------|
| <b>Net Sales</b>                      |                         | (395.0)<br>373.7           | 376.9                      | -1%      |
| <b>Operating Income</b>               |                         | (28.0)<br>25.0             | 20.9                       | 20%      |
| <b>Ordinary Income</b>                |                         | (21.0)<br>16.8             | 13.7                       | 22%      |
| <b>Net Income</b>                     |                         | (13.5)<br>10.7             | 16.1                       | -34%     |
| F<br>X                                | Exchange rate (YEN/USD) | 98.8                       | 79.5                       | /        |
|                                       | Exchange rate (YEN/EUR) | 130.0                      | 101.0                      |          |
|                                       | Exchange rate (YEN/RMB) | 16.1                       | 12.6                       |          |
| <b>Cash dividends per share (yen)</b> |                         | <b>25</b>                  | <b>20</b>                  | <b>5</b> |

( ) Previous forecast as of July 2013

- On a regional basis, while net sales of Asia/Oceania and North America decreased compared to the previous year, net sales of the other regions mainly in Japan/China increased, and the total net sales increased from the previous year.
- Though mining sales decreased, operating income and ordinary income increased because of the cost reduction and the favorable exchange rate.
- Net income of the 2<sup>nd</sup> quarter of FY 2013 (Q2 only) increased from the same period of the previous year although extraordinary gain decreased.

(Billions of yen)

|                  |                         | July 1~Sep 30<br>of FY 2013 | July 1~Sep 30<br>of FY 2012 | Increase(Decrease) |      |
|------------------|-------------------------|-----------------------------|-----------------------------|--------------------|------|
|                  |                         |                             |                             | Amount             | %    |
| Net Sales        |                         | 187.2                       | 176.2                       | 10.9               | 6%   |
| Operating Income |                         | (8.3%)<br>15.5              | (4.4%)<br>7.7               | 7.8                | 102% |
| Ordinary Income  |                         | (7.4%)<br>13.9              | (3.5%)<br>6.1               | 7.9                | 129% |
| Net Income       |                         | (6.3%)<br>11.8              | (6.1%)<br>10.8              | 1.0                | 10%  |
| F<br>X           | Exchange rate (YEN/USD) | 99.0                        | 78.6                        | /                  |      |
|                  | Exchange rate (YEN/EUR) | 131.1                       | 98.4                        |                    |      |
|                  | Exchange rate (YEN/RMB) | 16.2                        | 12.4                        |                    |      |

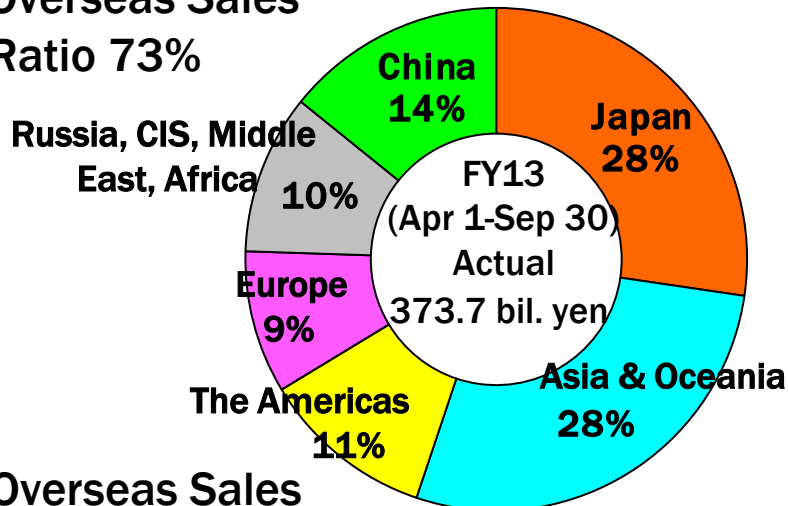
( Billions of yen )

|                             | Apr 1 ~ Sep 30<br>of FY 2013 | Apr 1 ~ Sep 30<br>of FY 2012 | Increase (Decrease) |            |
|-----------------------------|------------------------------|------------------------------|---------------------|------------|
|                             |                              |                              | Amount              | %          |
| <b>Net Sales</b>            | <b>373.7</b>                 | <b>376.9</b>                 | <b>(3.1)</b>        | <b>-1%</b> |
| Cost of Sales               | 269.7                        | 279.5                        | (9.8)               | -4%        |
| SGA Expenses                | 79.0                         | 76.4                         | 2.6                 | 3%         |
| Operating Income            | 25.0                         | 20.9                         | 4.1                 | 20%        |
| Non-operating Income (Loss) | (8.3)                        | (7.2)                        | (1.1)               | 15%        |
| Ordinary Income             | 16.8                         | 13.7                         | 3.0                 | 22%        |
| Extraordinary Income        | 2.1                          | 8.6                          | (6.5)               | -75%       |
| Income Taxes                | 5.3                          | 3.9                          | 1.4                 | 36%        |
| Minority Interests          | 2.9                          | 2.3                          | 0.6                 | 24%        |
| Net Income                  | 10.7                         | 16.1                         | (5.4)               | -34%       |

- Sales in China increased by 15.7 billion yen (142%) year on year.
- Sales in Japan also increased 20.6 billion yen (125%) considering the influence of the exclusion of TCM (9.7 billion yen) from the consolidated results. On the other hand, sales in Asia & Oceania decreased by 23.3 billion yen (82%) year-on-year.

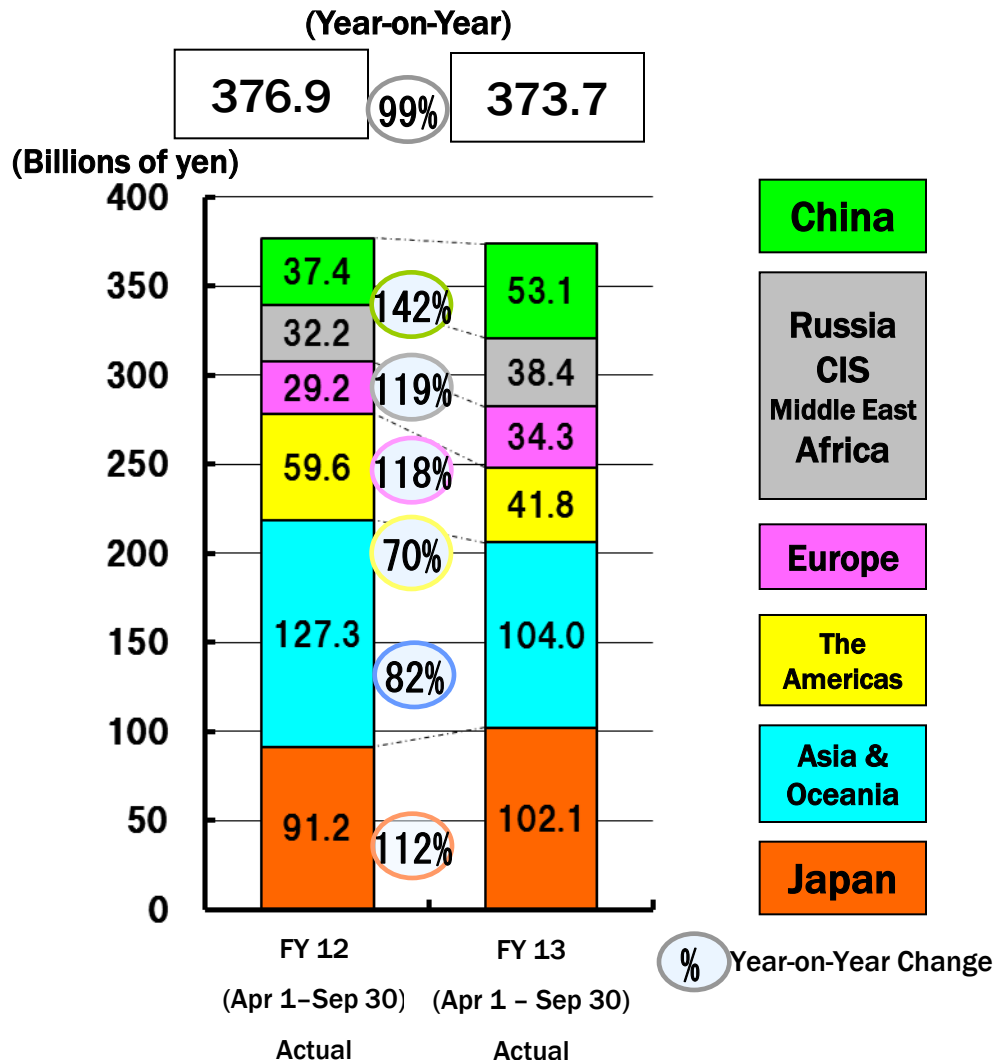
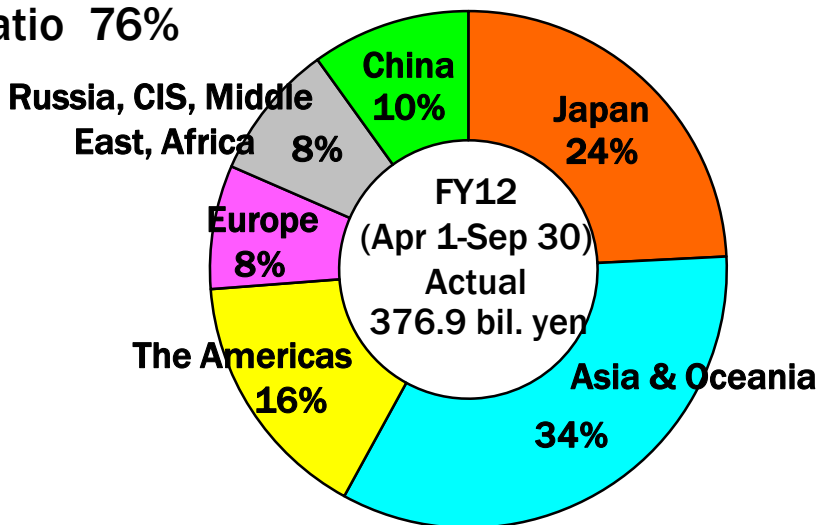
## Overseas Sales

Ratio 73%



## Overseas Sales

Ratio 76%

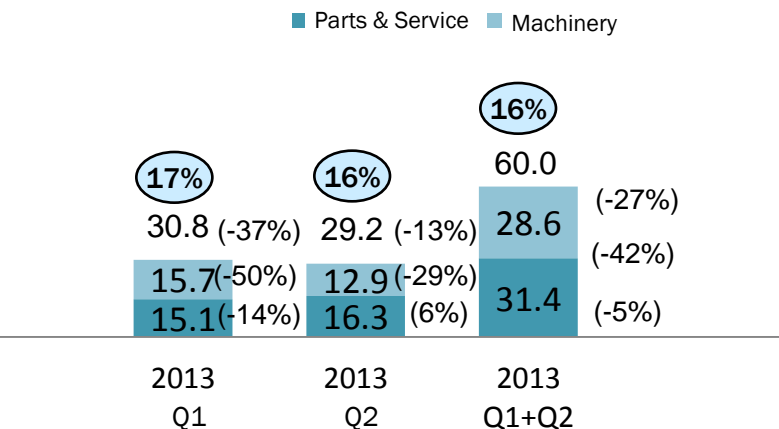
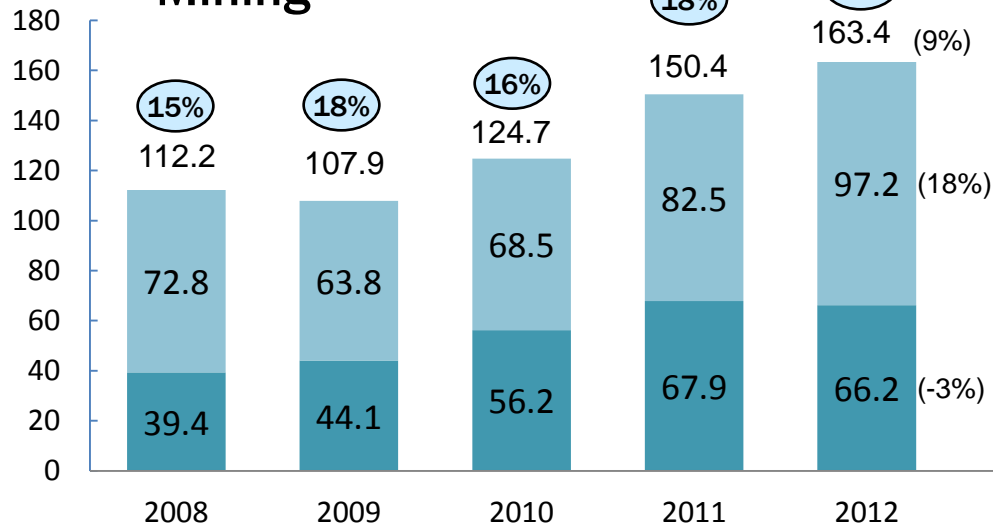


(Note) (○) % is the percentage of the total sales of the company as a whole.

(Note) (%) is the change ratio from the same period the previous year.

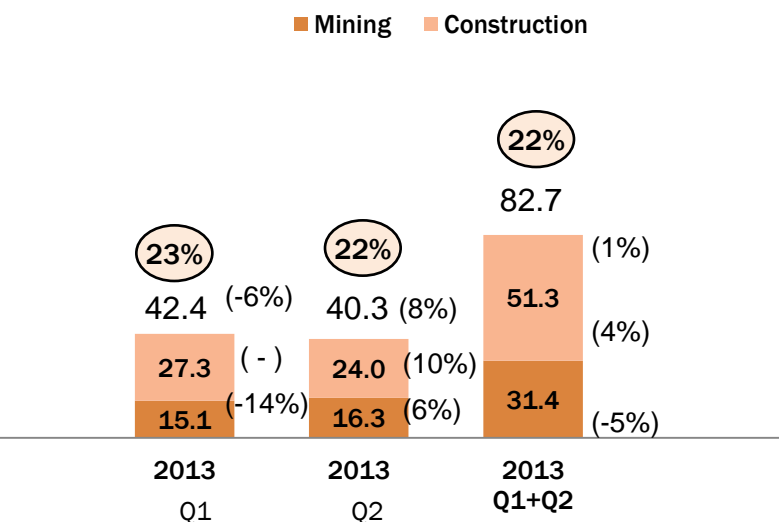
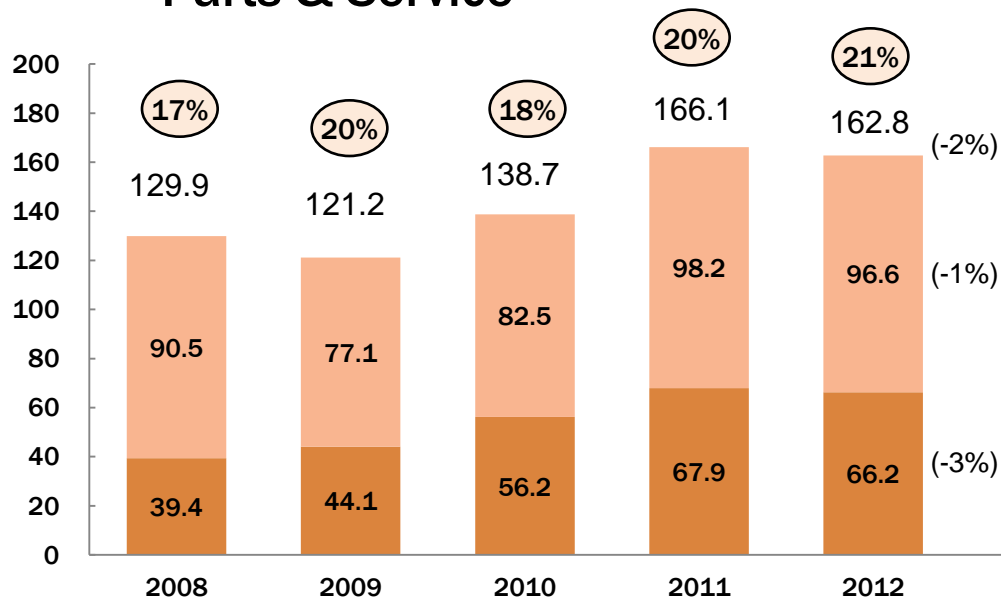
(Billions of Yen)

## Mining



(Billions of Yen)

## Parts & Service



( Billions of yen )

|                             | Apr 1~Sep 30<br>of FY 2013 |       | Apr 1~Sep 30<br>of FY 2012 |       | Increase (Decrease) |      |
|-----------------------------|----------------------------|-------|----------------------------|-------|---------------------|------|
|                             |                            |       |                            |       | Amount              | %    |
| Net Sales                   |                            | 373.7 |                            | 376.9 | (3.1)               | -1%  |
| Cost of Sales               | (72.2%)                    | 269.7 | (74.2%)                    | 279.5 | (9.8)               | -4%  |
| SGA Expenses                | (21.1%)                    | 79.0  | (20.3%)                    | 76.4  | 2.6                 | 3%   |
| Operating Income            | (6.7%)                     | 25.0  | (5.6%)                     | 20.9  | 4.1                 | 20%  |
| Non-operating Income (Loss) |                            | (8.3) |                            | (7.2) | (1.1)               | 15%  |
| Ordinary Income             | (4.5%)                     | 16.8  | (3.6%)                     | 13.7  | 3.0                 | 22%  |
| Extraordinary Income        |                            | 2.1   |                            | 8.6   | (6.5)               | -75% |
| Income Taxes                |                            | 5.3   |                            | 3.9   | 1.4                 | 36%  |
| Minority Interests          |                            | 2.9   |                            | 2.3   | 0.6                 | 24%  |
| Net Income                  | (2.9%)                     | 10.7  | (4.3%)                     | 16.1  | (5.4)               | -34% |

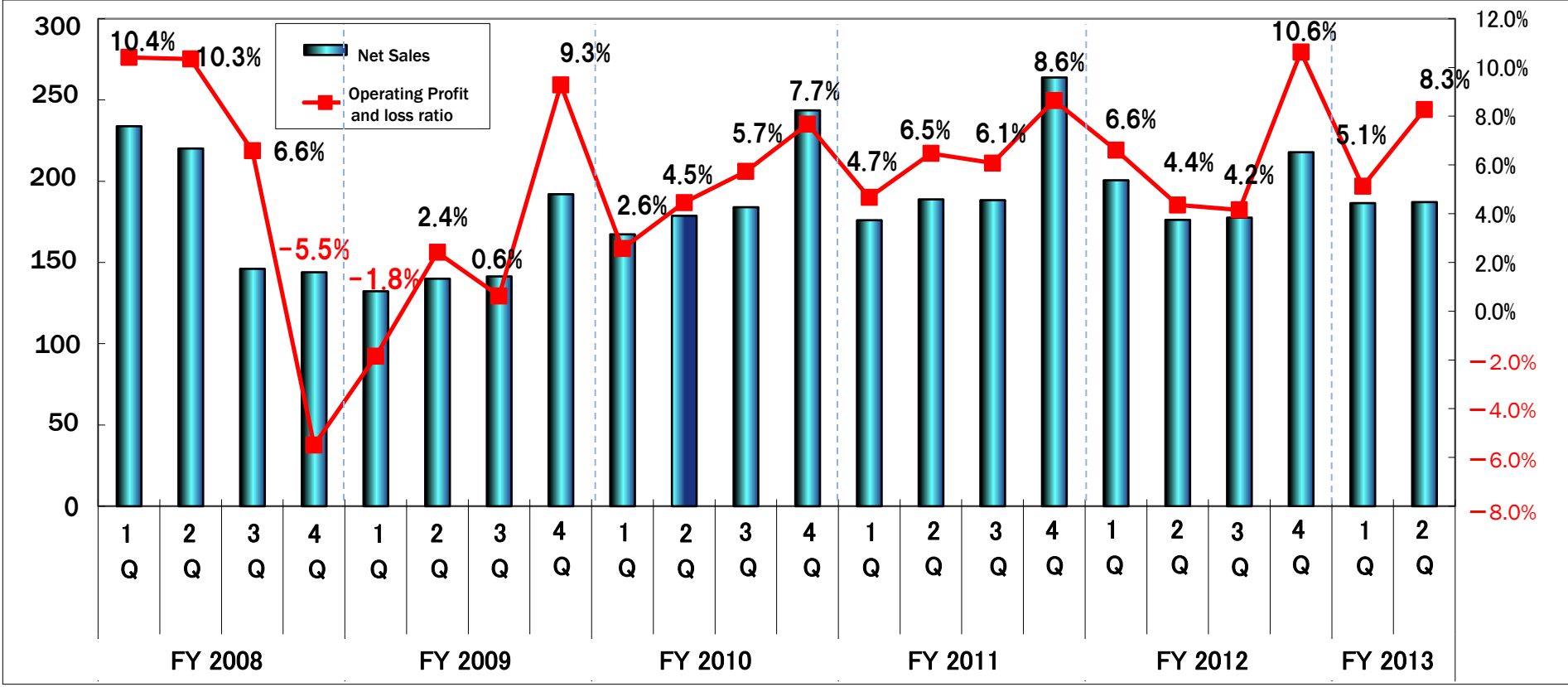


# Summary of quarterly consolidated sales and operating income (ratio)

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      | 2Q    |
| 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   | 187.2 |
| 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     | 15.5  |

※Rounded off per quarter



| EX rate/<br>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      | 2Q    |
| 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    | 99.0  |
| 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   | 131.1 |
| 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    | 16.2  |

(Billions of yen)

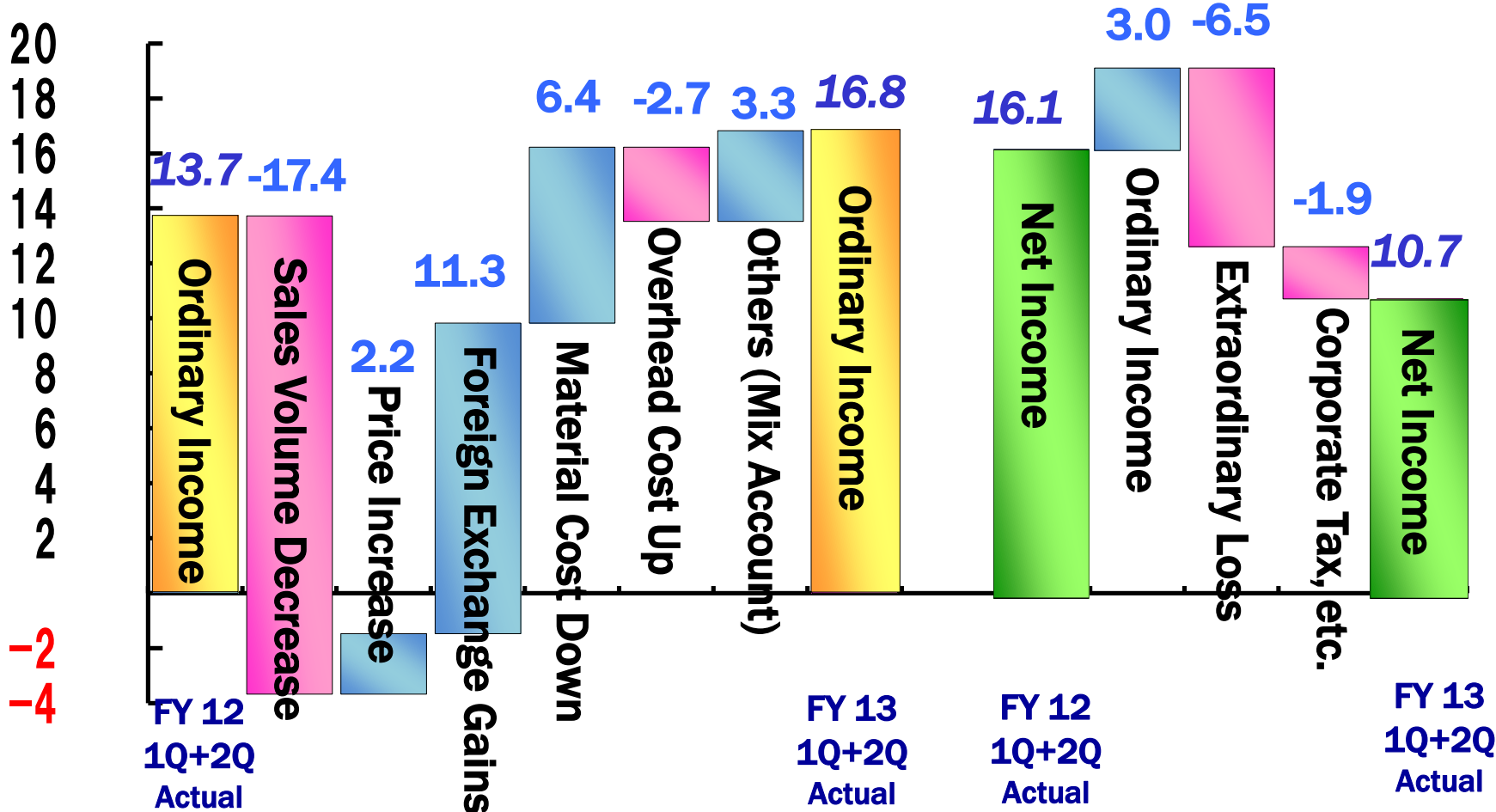
|  | Apr 1~Sep 30<br>FY 2013 | Apr 1~Sep 30<br>FY 2012 | Change |
|--|-------------------------|-------------------------|--------|
| Dividends/Interest income and expenses                     | (3.1)                   | (4.6)                   | 1.5    |
| Gains or losses on equity earnings of affiliated companies | (0.1)                   | (0.1)                   | 0.0    |
| Foreign exchange losses, net                               | (6.3)                   | (2.4)                   | (3.9)  |
| Others   | 1.2                     | (0.1)                   | 1.3    |
| Total  | (8.3)                   | (7.2)                   | (1.1)  |

(Billions of Yen)

|                            | Apr 1~Sep 30<br>of FY 2013 |       | Apr 1~Sep 30<br>of FY 2012 |       | Increase (Decrease) |      |
|----------------------------|----------------------------|-------|----------------------------|-------|---------------------|------|
|                            |                            |       |                            |       | Amount              | %    |
| Net Sales                  |                            | 373.7 |                            | 376.9 | (3.1)               | -1%  |
| Cost of Sales              | (72.2%)                    | 269.7 | (74.2%)                    | 279.5 | (9.8)               | -4%  |
| SGA Expenses               | (21.1%)                    | 79.0  | (20.3%)                    | 76.4  | 2.6                 | 3%   |
| Operating Income           | (6.7%)                     | 25.0  | (5.6%)                     | 20.9  | 4.1                 | 20%  |
| Non-operating Income(Loss) |                            | (8.3) |                            | (7.2) | (1.1)               | 15%  |
| Ordinary Income            | (4.5%)                     | 16.8  | (3.6%)                     | 13.7  | 3.0                 | 22%  |
| Extraordinary Income       |                            | 2.1   |                            | 8.6   | (6.5)               | -75% |
| Income Taxes               |                            | 5.3   |                            | 3.9   | 1.4                 | 36%  |
| Minority Interests         |                            | 2.9   |                            | 2.3   | 0.6                 | 24%  |
| Net Income                 | (2.9%)                     | 10.7  | (4.3%)                     | 16.1  | (5.4)               | -34% |

- Profit decrease of 17.4 billion yen due to a decrease in sales volume.
- Profit increase of 11.3 billion yen from Yen depreciation and 8.6 billion yen from price increase and material cost down.

(Billions of Yen)



- Accounts receivable (notes and accounts receivable, lease receivables and investment assets) decreased by 33.4 billion yen from the end of the previous year.
- Inventory increase of 6.9 billion yen from the production increase for Japan, and temporary increase in the parts.

(Billions of yen)

|                               | (A)<br>13- 2Q | (B)<br>FY 12 | (C)<br>12-2Q | (A-B)<br>Change |  | (D)<br>13-2Q | (E)<br>FY 12 | (F)<br>12-2Q | (D-E)<br>Change |
|-------------------------------|---------------|--------------|--------------|-----------------|--|--------------|--------------|--------------|-----------------|
| Cash and bank deposit         | 65.9          | 62.6         | 48.2         | 3.3             | Notes and accounts payable                           | 129.7        | 149.1        | 162.2        | (19.4)          |
| Accounts receivable           | 274.8         | 308.2        | 273.7        | (33.4)          | Others   | 323.5        | 298.2        | 287.8        | 25.3            |
| Inventories                   | 321.8         | 314.9        | 284.1        | 6.9             | Total current liabilities                            | 453.2        | 447.3        | 450.0        | 5.9             |
| Others                        | 56.0          | 48.1         | 62.3         | 7.9             | Total non-current liabilities                        | 209.4        | 236.0        | 182.4        | (26.6)          |
| Total current assets          | 718.5         | 733.8        | 668.3        | (15.3)          | Total liabilities                                    | 662.6        | 683.2        | 632.4        | (20.6)          |
| Property, plant and equipment | 279.9         | 271.2        | 242.9        | 8.7             | Minority interests                                   | 54.7         | 54.7         | 44.3         | 0.0             |
| Intangible assets             | 29.3          | 32.7         | 34.8         | (3.4)           | Common stock, capital surplus, and retained earnings | 373.6        | 365.9        | 362.7        | 7.7             |
| Others                        | 55.8          | 62.2         | 57.7         | (6.4)           | Others   | (7.4)        | (3.9)        | (35.8)       | (3.5)           |
| Total fixed assets            | 365.0         | 366.1        | 335.3        | (1.1)           | (Shareholder's equity ratio)                         | (33.7%)      | (32.8%)      | (32.5%)      | (0.9%)          |
| Total assets                  | 1083.5        | 1099.9       | 1003.6       | (16.4)          | Total net assets                                     | 420.9        | 416.7        | 371.2        | 4.2             |
|                               |               |              |              |                 | Total liabilities and net assets                     | 1083.5       | 1099.9       | 1003.6       | (16.4)          |

### Inventories breakdown

| Unit              | 114.0 | 111.0 | 106.2 | 3.0   |
|-------------------|-------|-------|-------|-------|
| Parts             | 108.3 | 97.1  | 59.7  | 11.2  |
| Others            | 99.5  | 106.8 | 118.2 | (7.3) |
| Total inventories | 321.8 | 314.9 | 284.1 | 6.9   |

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

(Days)

| Accounts receivable        | 130 | 146 | 121 | (16) |
|----------------------------|-----|-----|-----|------|
| Inventories                | 153 | 149 | 125 | 4    |
| Notes and accounts payable | 62  | 70  | 71  | (8)  |
| Net working capital        | 221 | 225 | 175 | (4)  |

|                            |         |         |         |         |
|----------------------------|---------|---------|---------|---------|
|                            | (37.3%) | (35.7%) | (35.0%) | (1.6%)  |
| Interest-bearing debt      | 404.2   | 393.1   | 351.3   | 11.1    |
| Cash and Cash equivalents  | 67.7    | 68.1    | 63.6    | (0.4)   |
| (Deposit)                  | (1.8)   | (5.4)   | (15.4)  | ((3.6)) |
| Interest-bearing debt, net | (31.1%) | (29.6%) | (28.7%) | (1.5%)  |
| Debt                       | 336.5   | 325.1   | 287.7   | 11.4    |

|               |      |      |      |      |
|---------------|------|------|------|------|
| Net D/E Ratio | 0.92 | 0.90 | 0.88 | 0.02 |
|---------------|------|------|------|------|

- Cash flows from operating activities is increased by 4.3 billion yen year-on-year to 30.4 billion yen, which generated positive cash flows of 5.3 billion yen.

( Billions of yen)

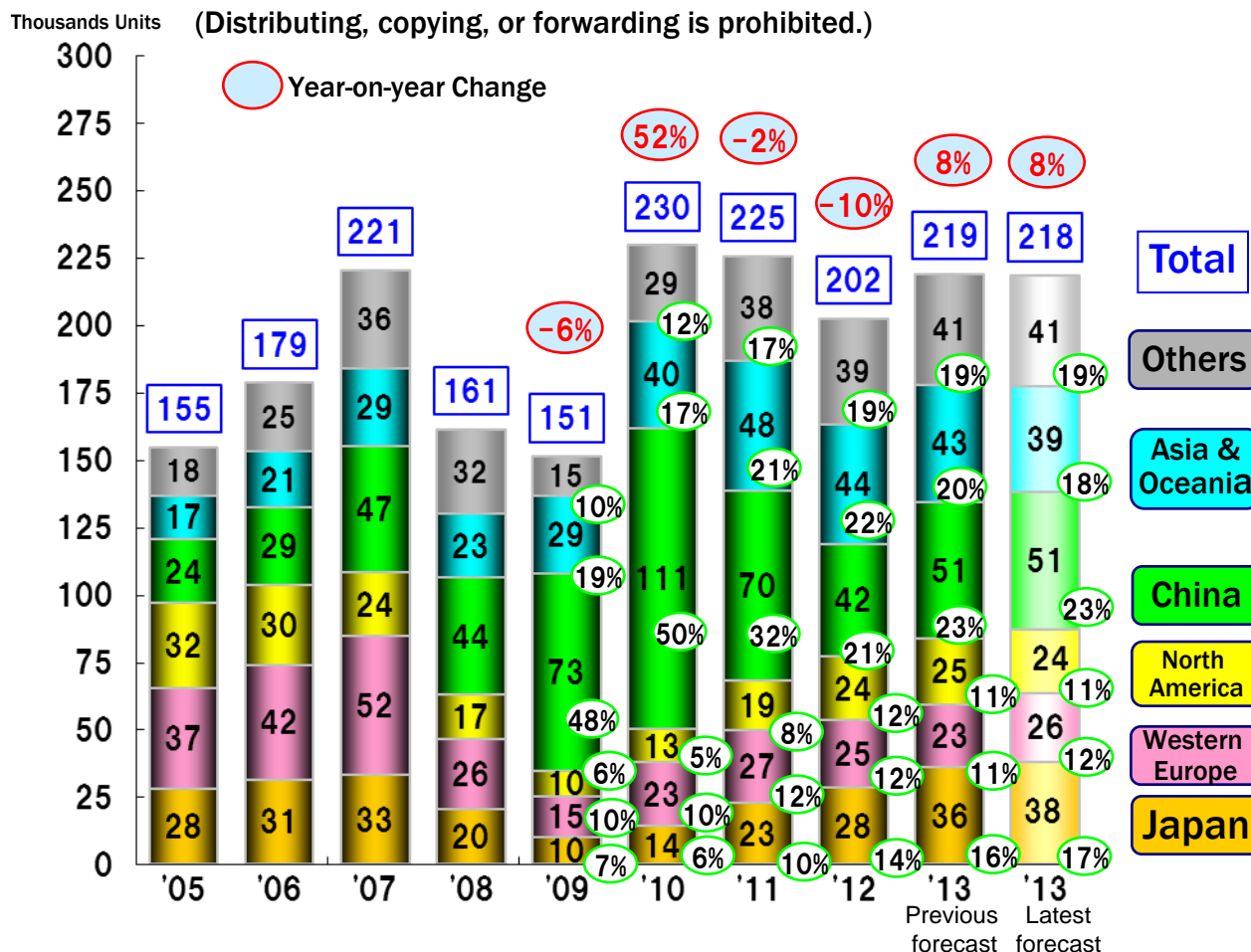
|  | Apr 1~Sep 30 of<br>FY 2013 |               | Apr 1~Sep 30 of<br>FY 2012 |               | Change |               |
|--|----------------------------|---------------|----------------------------|---------------|--------|---------------|
| Income before income taxes and minority interest           |                            | 18.9          |                            | 22.3          |        | (3.4)         |
| Depreciation and amortization                              | 37.3                       | 18.4          | 39.7                       | 17.4          | (2.4)  | 1.0           |
| (Increase)decrease in accounts receivable                  |                            | 39.7          |                            | 51.3          |        | (11.6)        |
| (Increase)decrease in inventories                          |                            | (5.5)         |                            | (38.9)        |        | 33.4          |
| (Increase)decrease in notes and accounts payable           | 13.1                       | (21.1)        | (9.9)                      | (2.5)         | 3.2    | (18.6)        |
| Income taxes paid  |                            | (11.8)        |                            | (13.8)        |        | 2.0           |
| Ohters, net  |                            | (8.2)         |                            | (9.7)         |        | 1.5           |
| <b>Net cash provided by (used in) operating activities</b> |                            | <b>30.4</b>   |                            | <b>26.1</b>   |        | <b>4.3</b>    |
| <b>Cash flow margin for operating activities</b>           |                            | <b>8.2%</b>   |                            | <b>6.9%</b>   |        | <b>1.3%</b>   |
| <b>Net cash provided by (used in) investing activities</b> |                            | <b>(25.1)</b> |                            | <b>(11.4)</b> |        | <b>(13.7)</b> |
| <b>Free cash flows</b>                                     |                            | <b>5.3</b>    |                            | <b>14.7</b>   |        | <b>(9.4)</b>  |

- In Japan, in addition to rehabilitation demand, the demand for rental service continued to increase strongly and it is expected to increase by 34% year-on-year to 38,000 units.
- Although demand in China has been in recovery trend, the forecast is unchanged at an increase of 21% year-on-year to 51,000 units.
- The global forecast is decreased by 1,000 units, resulted as an 8% increase year-on-year after reflecting decrease in the demand of Asia & Oceania.

## 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%        | +27%              | +34%            |
| W Europe              | -7%         | -8%               | +2%             |
| N America             | +26%        | +4%               | +0%             |
| China                 | -41%        | +21%              | +21%            |
| India                 | -21%        | -9%               | -22%            |
| Indonesia             | -19%        | -9%               | -27%            |
| Others                | +9%         | +5%               | +2%             |
| Asia & Oceania        | -8%         | -2%               | -11%            |
| Russia, E Europe, CIS | -3%         | +8%               | +8%             |
| Africa                | +39%        | -9%               | -9%             |
| Middle East           | -2%         | +0%               | +0%             |
| Latin America         | -4%         | +13%              | +13%            |
| Others                | +2%         | +5%               | +5%             |
| <b>Total</b>          | <b>-10%</b> | <b>+8%</b>        | <b>+8%</b>      |

- As the sales increase in Japan/Europe, and the significant sales increase of crane products 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)

|                  |                         | FY2013<br>Forecast | FY2012<br>Actual | Change |
|------------------|-------------------------|--------------------|------------------|--------|
| Net Sales        |                         | (830.0)<br>830.0   | 772.4            | 7%     |
| Operating Income |                         | (83.0)<br>83.0     | 51.5             | 61%    |
| Ordinary Income  |                         | (69.0)<br>69.0     | 36.4             | 90%    |
| Net Income       |                         | (37.0)<br>37.0     | 23.5             | 57%    |
| F<br>Y           | Exchange rate (YEN/USD) | 96.9               | 82.4             |        |
|                  | Exchange rate (YEN/EUR) | 127.1              | 107.5            |        |
|                  | Exchange rate (YEN/RMB) | 15.8               | 13.5             |        |

|                                |    |    |    |
|--------------------------------|----|----|----|
| Cash dividends per share (yen) | 50 | 40 | 10 |
|--------------------------------|----|----|----|

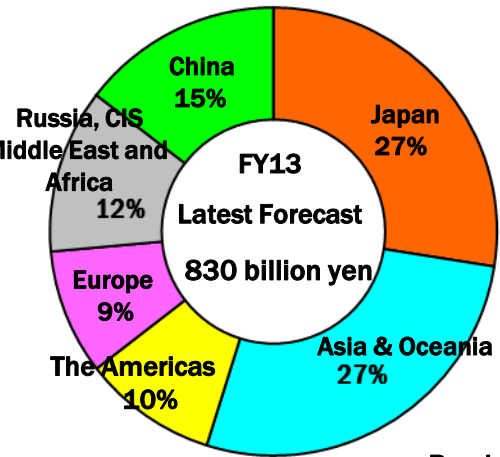
( ) Previous forecast as of July 2013

|  |               |
|--|---------------|
| Exchange rate in and after the third quarter of FY 2013 (Previous) |               |
| Yen/USD  | 95.0 (94.0)   |
| Yen/EUR  | 125.0 (123.0) |
| Yen/RMB  | 15.6 (15.2)   |

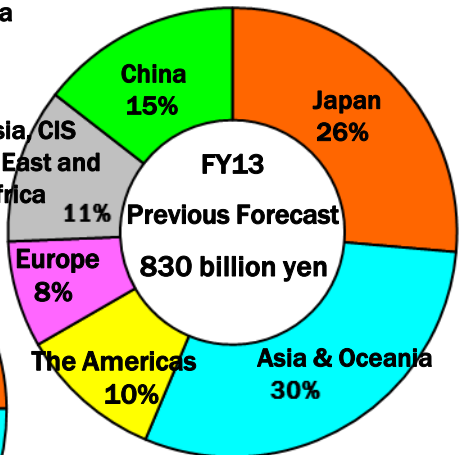


• Although sales in Japan and Europe increased, the current forecast is unchanged as the sales in Asia & Oceania and North America decreased.

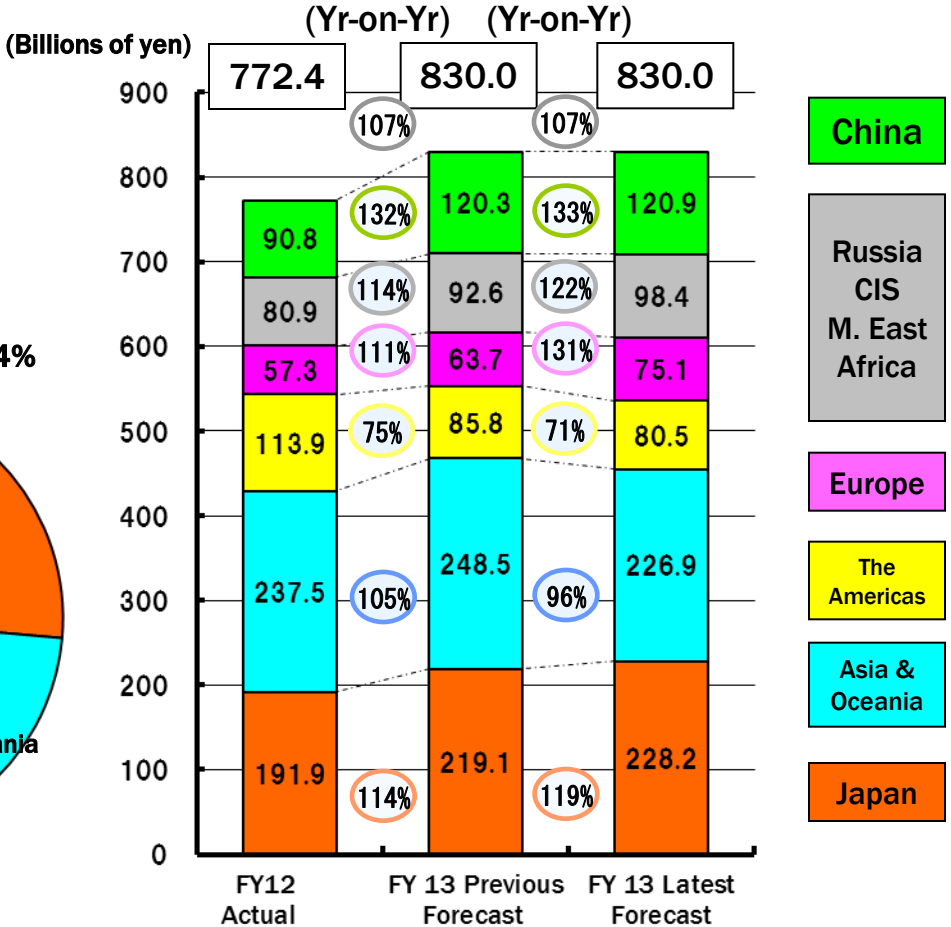
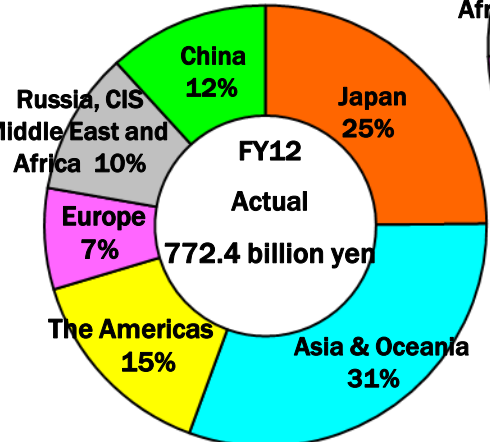
Overseas Sales Ratio 73%



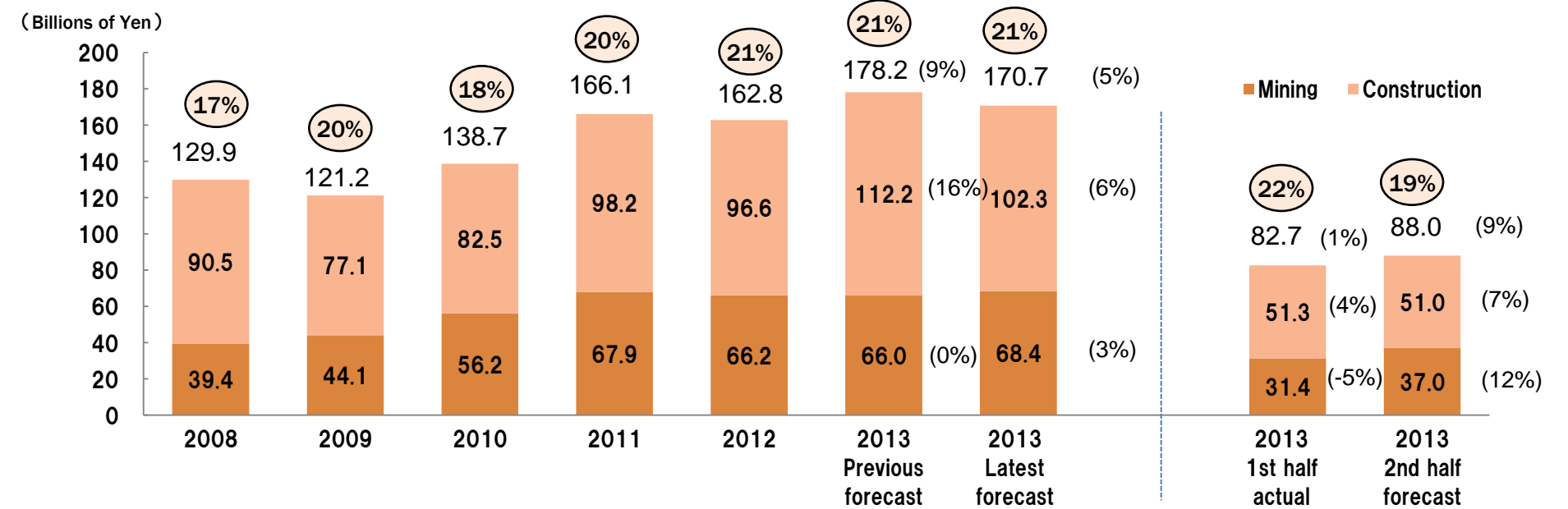
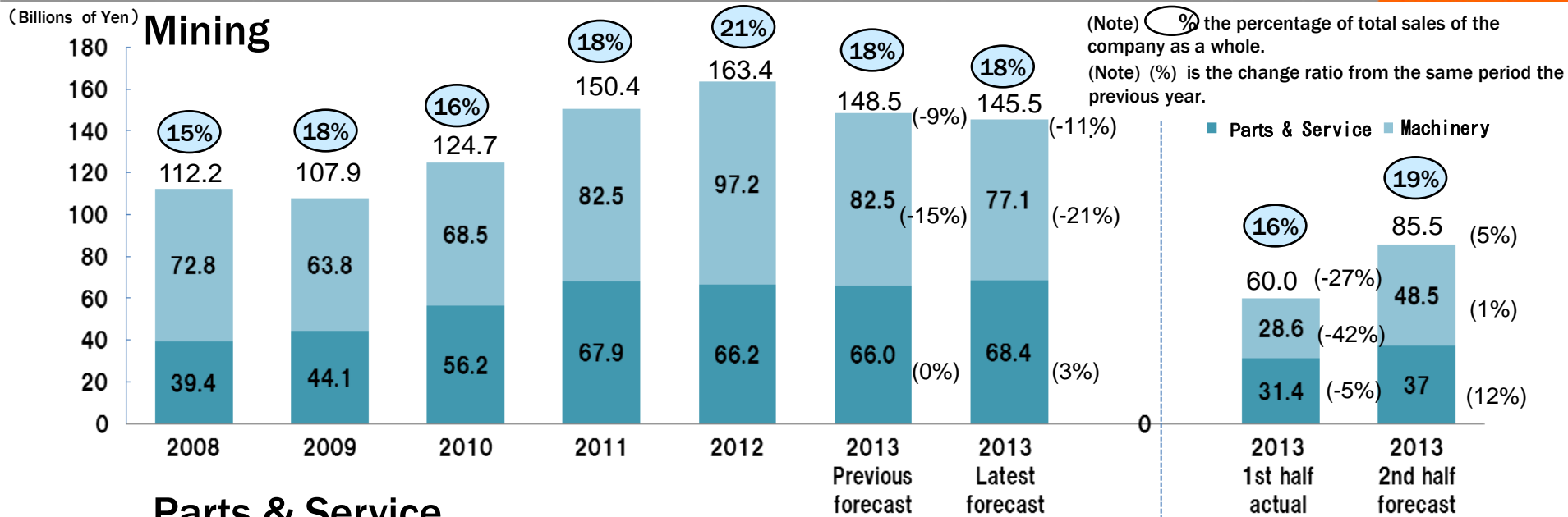
Overseas Sales Ratio 74%



Overseas Sales Ratio 75%



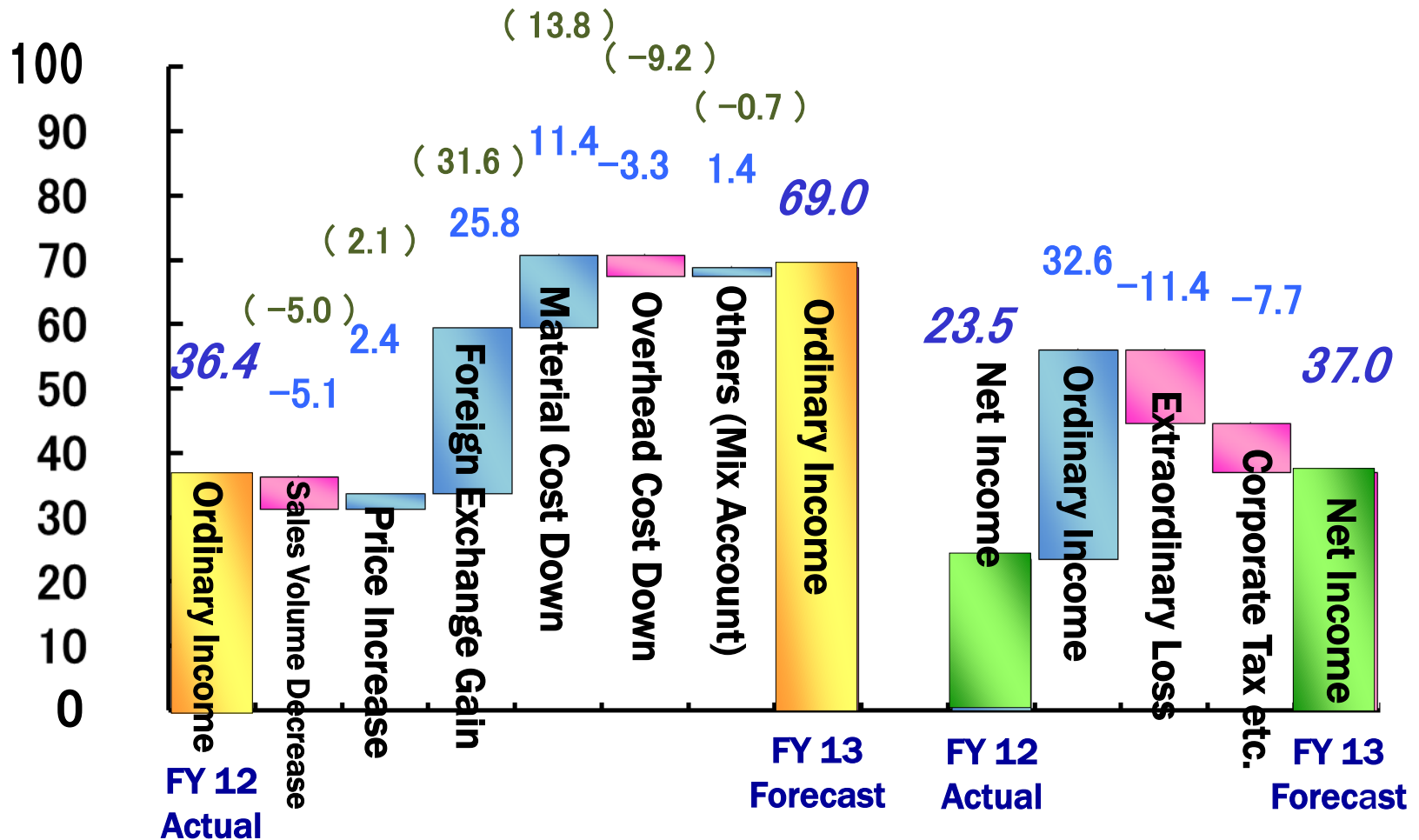
% Year-on-Year change



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

※( ) is forecast announced in July

Billions of yen



# END



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