

HITACHI
Business Results for the First Quarter
ended June 30, 2011

July 27, 2011
Hitachi Construction Machinery Co., Ltd.



Launch of ZH200 Hybrid Hydraulic Excavator

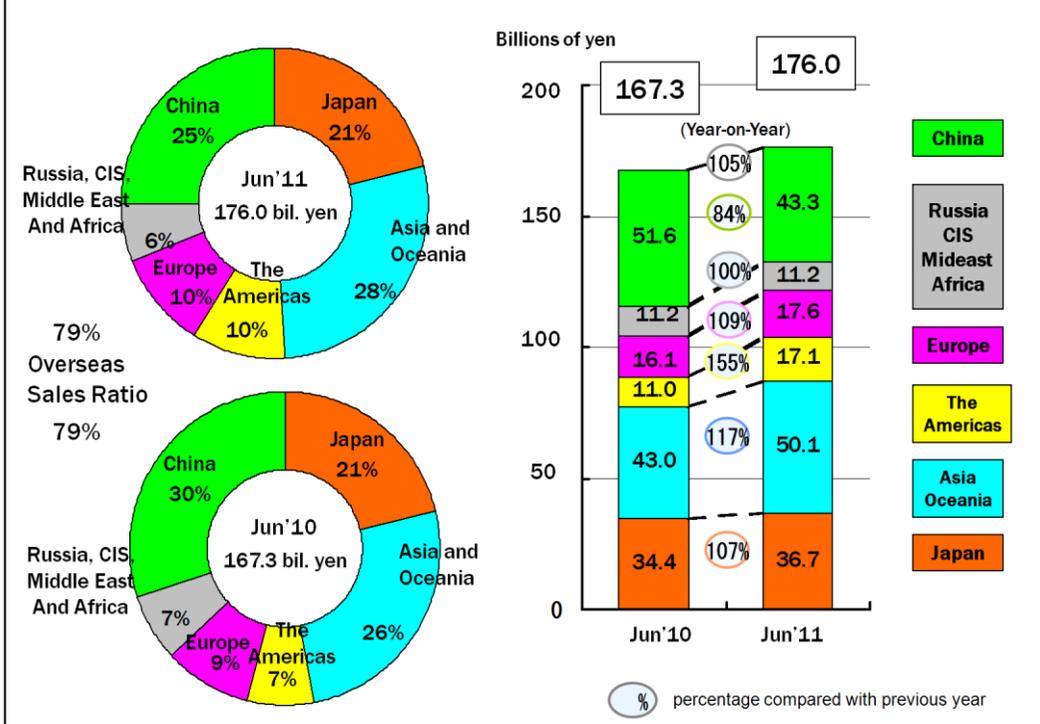
Billions of yen

	Jun'11 Actual (A)	Jun'10 Actual (B)	Change (B/A)
Net Sales	176.0	167.3	105%
Operating income	8.2	4.3	191%
Ordinary income	7.7	4.1	188%
Net income	2.4	1.5	165%
F	Exchange rate (YEN/USD)	81.62	91.60
	Forward exchange rate(YEN/USD)	82.11	92.08
X	Exchange rate (YEN/EUR)	116.30	118.36
	Forward exchange rate (YEN/EUR)	112.93	124.46

- Net sales increased by 5% compared with the previous year.
- The operating income and ordinary income were about double the figures for the previous year.
- The yen was stronger against both the US dollar and the Euro compared with the previous year.

Billions of yen

	Jun'11	Jun'10	Increase (Decrease)	
			Amount	%
Net sales	176.0	167.3	8.7	105%
Cost of sales	129.5	128.2	1.3	101%
Selling, general and administrative expenses	38.3	34.8	3.5	110%
Operating income	8.2	4.3	3.9	191%
Non-operating income(loss)	(5.0)	(2.0)	(3.0)	257%
Ordinary income	7.7	4.1	3.6	188%
Extraordinary losses	0.0	(0.4)	0.4	-
Income taxes	3.5	0.2	3.3	-
Minority interests	(1.7)	(2.0)	0.3	87%
Net income	2.4	1.5	0.9	165%



● The overseas sales ratio was unchanged from the same term of the previous year at 79%.

● Although in China, net sales were 84% of those of the same term of the previous year because of a slump in demand, sales in Asia and Oceania, which include emerging countries, compensated for the drop, and sales in the Americas and some other developed countries exceeded those in the same term of the previous year.

Billions of yen

	Jun '11		Jun '10		Increase (Decrease)	
					Amount	%
Net sales		176.0		167.3	8.7	105%
Cost of sales	(73.6%)	129.5	(76.6%)	128.2	1.3	101%
Selling, general and administrative expenses	(21.8%)	38.3	(20.8%)	34.8	3.5	110%
Operating income	(4.7%)	8.2	(2.6%)	4.3	3.9	191%
Non-operating income(loss)		(0.5)		(0.2)	(0.3)	257%
Ordinary income	(4.4%)	7.7	(2.4%)	4.1	3.6	188%
Extraordinary losses		0.0		(0.4)	0.4	-
Income taxes		3.5		0.2	3.3	-
Minority interests		(1.7)		(2.0)	0.3	87%
Net income	(1.4%)	2.4	(0.9%)	1.5	0.9	165%

● Despite the effects of the decline in sales in China and the strong yen, the operating income ratio rose by 2.1%, lifted by sales of parts and services, which have high income ratios, and cuts in the material cost.

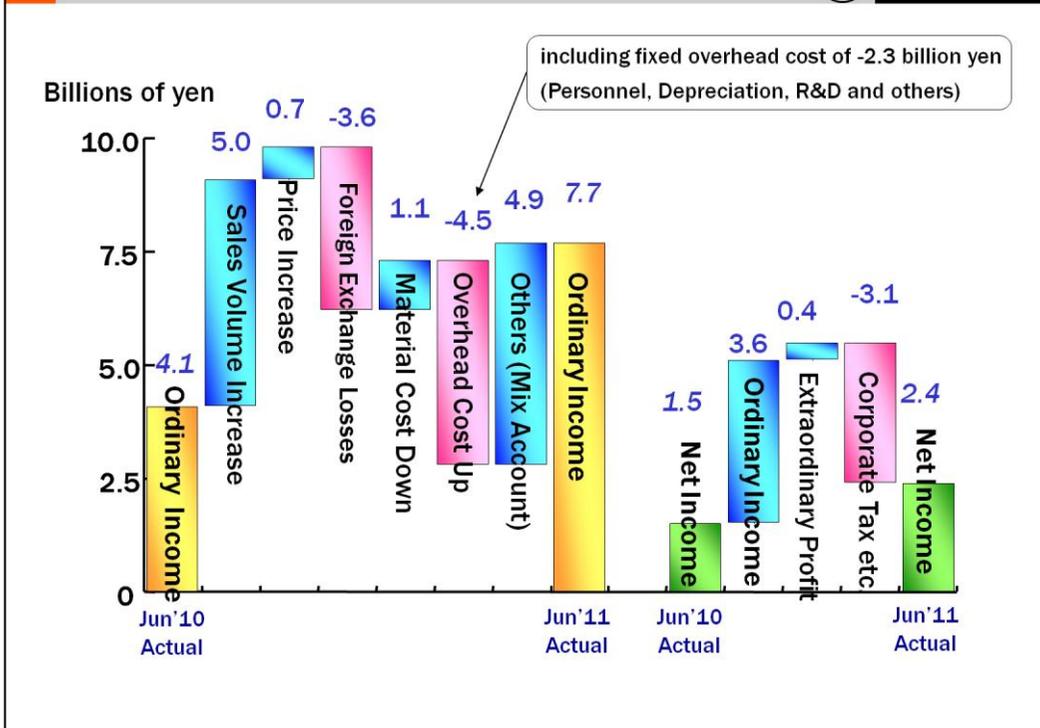
Billions of yen

	Jun'11	Jun'10	Change
Dividends/Interest income and expenses	(1.6)	(1.0)	(0.6)
Gain (loss) on equity earnings of affiliated companies	0.0	0.2	(0.2)
Foreign exchange gains, net	0.1	0.3	(0.2)
Others	1.0	0.3	0.7
Total	(0.5)	(0.2)	(0.3)

● Dividends/Interest income and expense dropped further by ¥0.6 billion, pulled down by the rise in interest paid for finance business in China.

Billions of yen

	Jun '11		Jun '10		Increase (Decrease)	
					Amount	%
Net sales		176.0		167.3	8.7	105%
Cost of sales	(73.6%)	129.5	(76.6%)	128.2	1.3	101%
Selling, general and administrative expenses	(21.8%)	38.3	(20.8%)	34.8	3.5	110%
Operating income	(4.7%)	8.2	(2.6%)	4.3	3.9	191%
Non-operating income(loss)		(0.5)		(0.2)	(0.3)	257%
Ordinary income	(4.4%)	7.7	(2.4%)	4.1	3.6	188%
Extraordinary losses		0		(0.4)	0.4	-
Income taxes		3.5		0.2	3.3	-
Minority interests		(1.7)		(2.0)	0.3	87%
Net sales	(1.4%)	2.4	(0.9%)	1.5	0.9	165%



●The ordinary income was ¥7.7 billion, up ¥3.6 billion from that of the previous year.

●Despite the effect of foreign exchange and an increase in the overhead cost, the ordinary income rose significantly because of the increase in sales volume, the decrease in material cost, the change in product composition (increase in sales from parts and services) and other factors.

Consolidated Balance Sheets

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					Billions of yen			
	(A)	(B)	(C)	(A-B)	(D)	(E)	(F)	(D-E)
	Jun '11	Mar'11	Jun '10	Change	Jun '11	Mar '11	Jun '10	Change
Cash and bank deposits	69.8	67.7	57.8	2.1	Note and accounts payable	148.4	150.3	(1.9)
Notes and accounts receivable	162.4	184.5	148.8	(22.1)	Others	239.7	226.5	13.2
Lease receivables and investment assets	130.0	130.1	110.0	(0.1)	Total current liabilities	388.1	376.8	11.3
Inventories	225.3	192.8	200.7	32.5	Total non-current liabilities	212.9	218.6	(5.7)
Others	48.8	50.6	36.4	(1.8)	Total liabilities	601.0	595.4	5.6
Total current assets	636.3	625.7	553.7	10.6	Minority interests	42.9	42.1	0.8
Property, plant and equipment	221.3	224.4	224.5	(3.1)	Common stock, Capital surplus, and Retained earnings	332.3	332.0	0.3
Intangible assets	44.2	46.3	52.0	(2.1)	Others	(26.7)	(25.1)	(1.6)
Others	47.7	48.0	46.4	(0.3)	Shareholders' equity ratio	(32.1%)	(32.4%)	(Δ 0.3%)
Total fixed assets	313.2	318.7	323.0	(5.5)	Total net assets	348.5	349.0	(0.5)
Total assets	949.5	944.4	876.7	5.1	Total liabilities and net assets	949.5	944.4	5.1
On hand days (Divided by net sales) (unit : Day)					Interest-bearing debt	342.6	327.8	14.8
Notes and accounts receivable	136	148	147	△12	Cash and cash equivalents	69.9	74.7	(4.8)
Inventories	105	91	114	14	(Deposit)	0.1	7.1	(7.0)*2
*1 On hand days for notes and account receivable includes lease receivable and investment assets.					Interest-bearing debt, net	272.8	255.8	19.7
*2 Cash and cash equivalents include the numbers in parenthesis as pooling deposit paid to Hitachi,					Net D/E Ratio	0.89	0.83	0.06

Total assets rose by ¥5.1 billion compared with the figure at the end of the previous fiscal year.

● Cash and cash equivalents were up by ¥2.1 billion.

● Both the notes and accounts receivable, and the lease receivables and investment assets fell in total by ¥22.2 billion because of the drop in sales in China and other reasons

● Inventory rose by ¥32.5 billion because of the drop in sales in China and because of production expansion measures in Japan.

● The number of on hand days to sell inventory was a little worse than that at the end of the previous fiscal year, but improved greatly compared with that of the same term of the previous year.

Consolidated Cash Flows

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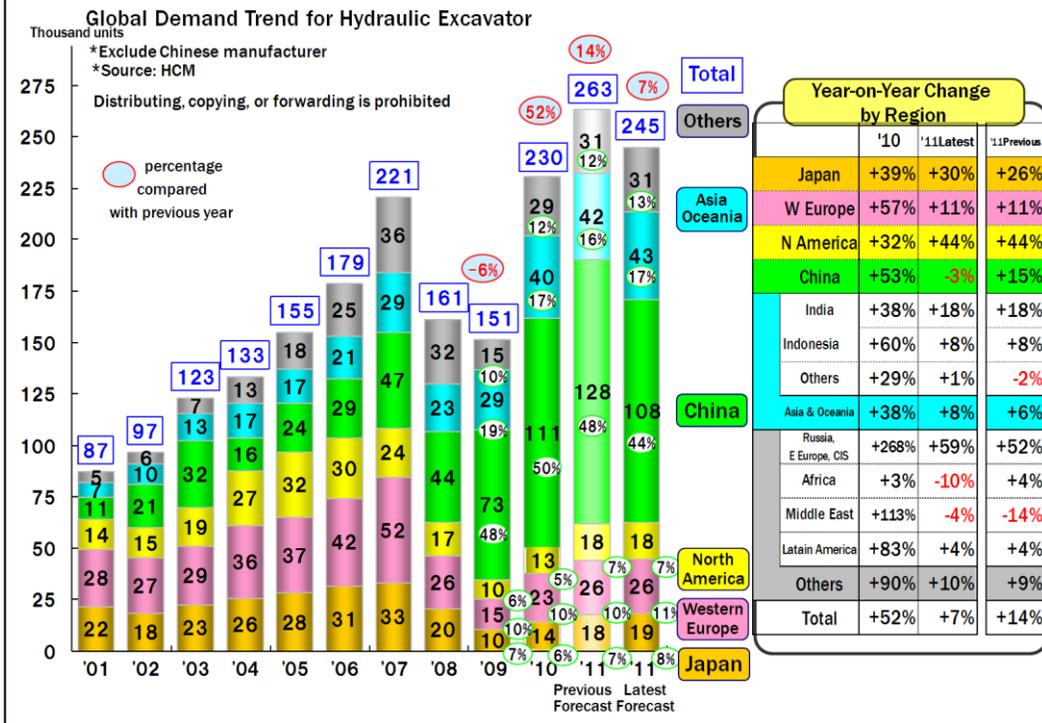
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	Billions of yen				
	Jun '11		Jun '10		Increase (Decrease)
Income before income taxes and minority interests		7.7		3.7	4.0
Depreciation and amortization	17.2	9.5	12.7	9.0	4.5
(Increase) decrease in notes and accounts receivable		19.1		2.6	16.5
(Increase) decrease in lease receivables and investment assets		(1.8)		(20.9)	19.1
(Increase) decrease in inventories		(34.6)		(6.1)	(28.5)
Increase in notes and accounts payable	(16.2)	1.1	(12.5)	11.9	(3.7)
Income taxes paid		(6.4)		(4.5)	(1.9)
Others, net		(4.6)		0.7	(5.3)
Net cash used in operating activities		(10.0)		(3.6)	(6.4)
Acquisitions of property, plant and equipment		(4.4)		(3.8)	(0.6)
Purchase of investment in securities		(0.7)		(1.3)	0.6
Other, net		(3.3)		0.3	(3.6)
Net cash used in investing activities		(8.4)		(4.8)	(3.6)
Free Cash Flows		(18.4)		(8.4)	(10.0)
Net increase (decrease) in short-term loans		22.4		(1.1)	23.5
Net increase (decrease) in long-term loans	18.4	(4.0)	7.6	8.7	10.8
Dividends paid to shareholders		(2.9)		(1.5)	(1.4)
Interest paid, others	(6.2)	(3.3)	(4.1)	(2.6)	(2.1)
Net cash provided by financing activities		12.2		3.5	8.7
Effect of exchange rate changes on cash and cash equivalents		(0.9)		(4.0)	3.1
Net decrease in cash and cash equivalents		(7.1)		(8.9)	1.8
Cash and cash equivalents at beginning of year		74.7		57.3	17.4
Cash and cash equivalents at end of year		67.6		48.5	19.1

II. Consolidated Earnings Forecast

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● We forecast a global demand for hydraulic excavators for fiscal 2011 of 245,000 units, which is a drop of 18,000 units on our previous forecast, assuming a decline in demand in China of 3% compared with that in the previous year.

● Demand in North America, India, Russia and the CIS, where the market shares of the Hitachi Construction Machinery Group are high, is expected to grow significantly compared with the figures for the previous year.

Summary of Consolidated Earnings Forecasts

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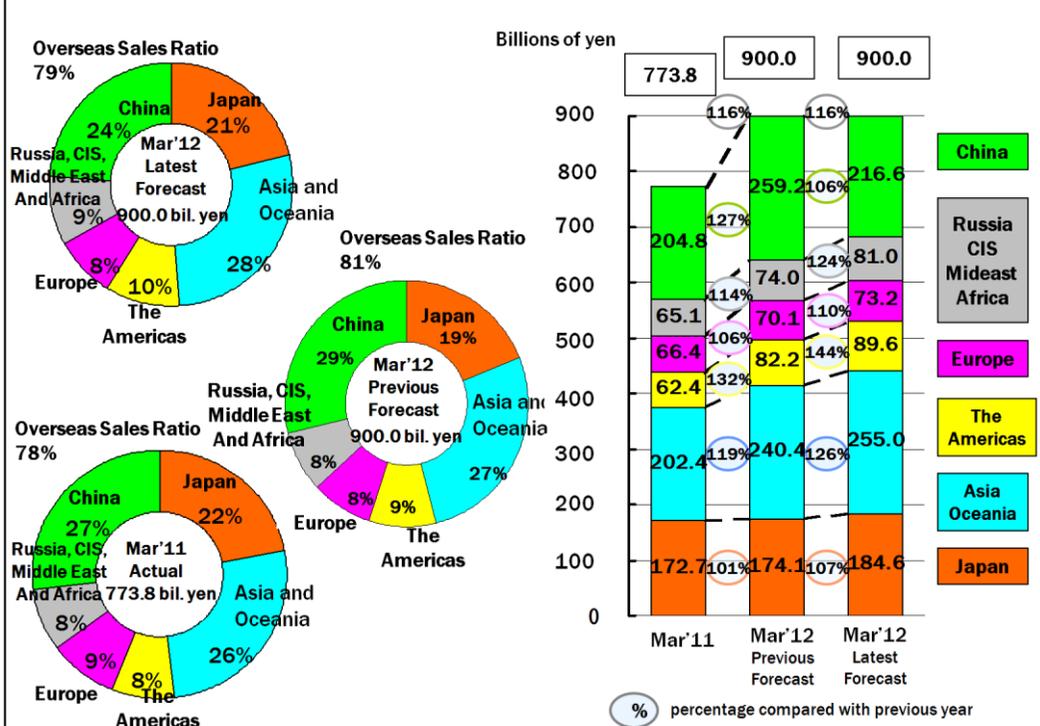
Billions of yen

	Half Year			Full Year		
	Sep'11 Forecast	Sep'10 Actual	Change	Mar'12 Forecast	Mar'11 Actual	Change
Net sales	(39.2) 384.0	346.1	111%	(900.0) 900.0	773.8	116%
Operating income	(14.0) 16.5	12.3	134%	(65.0) 65.0	41.5	157%
Ordinary income	(10.0) 12.5	12.0	104%	(56.0) 56.0	41.9	134%
Net income	(15.0) 3.8	3.1	123%	(23.0) 23.0	11.1	207%
F	Exchange rate (YEN/USD)	80.71	89.10	80.30	85.38	
	Forward exchange rate(YEN/USD)	81.28	90.30	81.10	86.75	
X	Exchange rate (YEN/EUR)	113.67	112.77	111.63	112.13	
	Forward exchange rate (YEN/EUR)	113.17	117.21	113.67	115.29	
Cash dividends per share (yen)	15	10	5	30	20	10

(): Previous forecast as of May 26, 2011

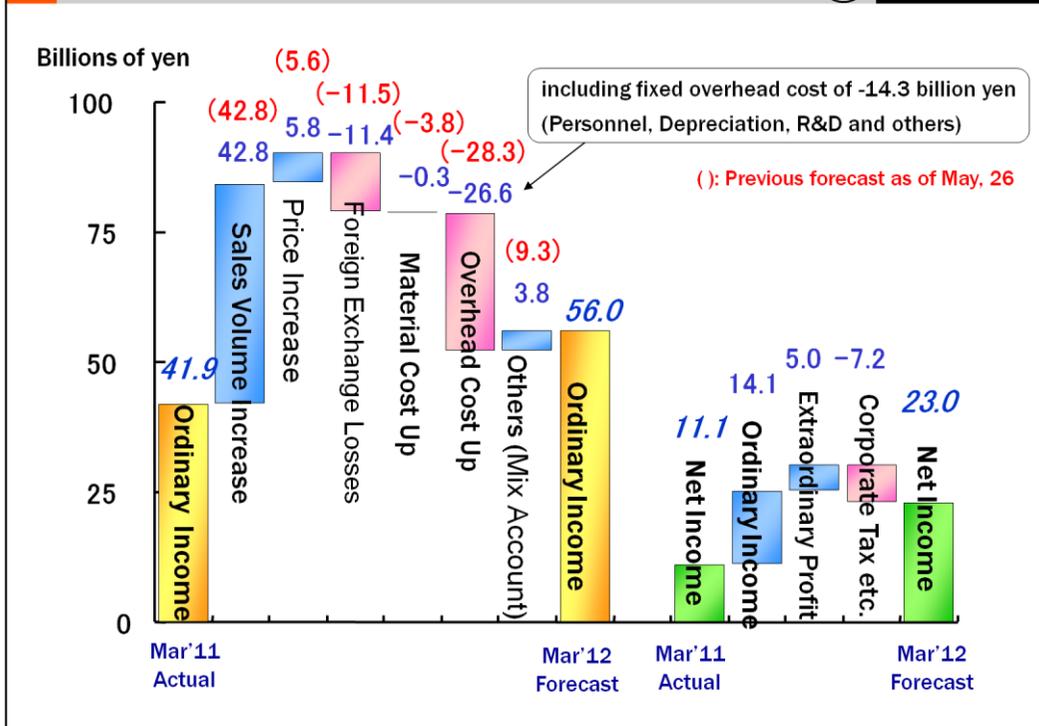
Exchange rate in and after the second quarter	
(YEN/USD)	80.00
(YEN/EUR)	110.00

- The forecast of the net sales for the fiscal year remains unchanged from the previous forecast because the drop in sales in China is compensated for by increases in sales in other regions where sales are favorable.
- At this stage, the forecast of earnings for the fiscal year remains unchanged from the previous forecast, taking into consideration that further cuts in the material cost and the overhead cost are underway and the effects of the strong yen.
- A cash dividend of ¥30 per share per year is planned.



● The overseas sales ratio is forecast to be 79%, which is 2 points down from the previous forecast, because of the drop in sales in China.

● At this stage, the forecast of the net sales remains unchanged from the previous forecast because the drop in sales in China is compensated for by increases in sales in other regions where sales are favorable.



● The ordinary income is forecast to be ¥56 billion, which is up ¥14.1 billion from that of the previous year.

● Despite the effect of foreign exchanges and the increase in the overhead cost in line with increase in the sales volume, the ordinary income is forecast to rise because of the sales volume increase and the price increase.

● The ordinary income of ¥56 billion, as previously forecast, is intended to be secured by further cuts in the material cost and the overhead cost.

END



For further inquiries:

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