

HITACHI

**Business Results for
the Second Quarter Cumulative
April 1 - September 30, 2011**

Oct 25, 2011

Hitachi Construction Machinery Co., Ltd.



ZX200-5G Designed for Emerging Nations

I . Summary of Consolidated Results

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Billions of yen

| | Sep'11 Actual (A) | Sep'10 Actual (B) | Change (B/A) |
|---------------------------------------|---------------------------------|----------------------|-----------------|
| Net Sales | (384.0) 364.9 | 346.1 | 105% |
| Operating income | (16.5) 20.4 | 12.3 | 167% |
| Ordinary income | (12.5) 17.8 | 12.0 | 149% |
| Net income | (3.8) 5.5 | 3.1 | 177% |
| F | Exchange rate (YEN/USD) | 79.71 | 89.10 |
| | Forward exchange rate(YEN/USD) | 80.39 | 90.30 |
| X | Exchange rate (YEN/EUR) | 114.31 | 112.77 |
| | Forward exchange rate (YEN/EUR) | 113.47 | 117.21 |
| Cash dividends per share (yen) | 15 | 10 | 5 |

Note: The numbers in parenthesis show the previous forecast as of July '11

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● Although the actual net sales underperformed the forecast due to the decreasing demand in China and the appreciation of the yen, profits improved thanks to the reduction of costs and the increasing sales of parts and services.

● Earnings in all the items increased approximately over 50% year-on-year.

● The operating profit ratio for this fiscal year improved to 4.7% in the 1st Quarter and 6.5% in the 2nd Quarter.

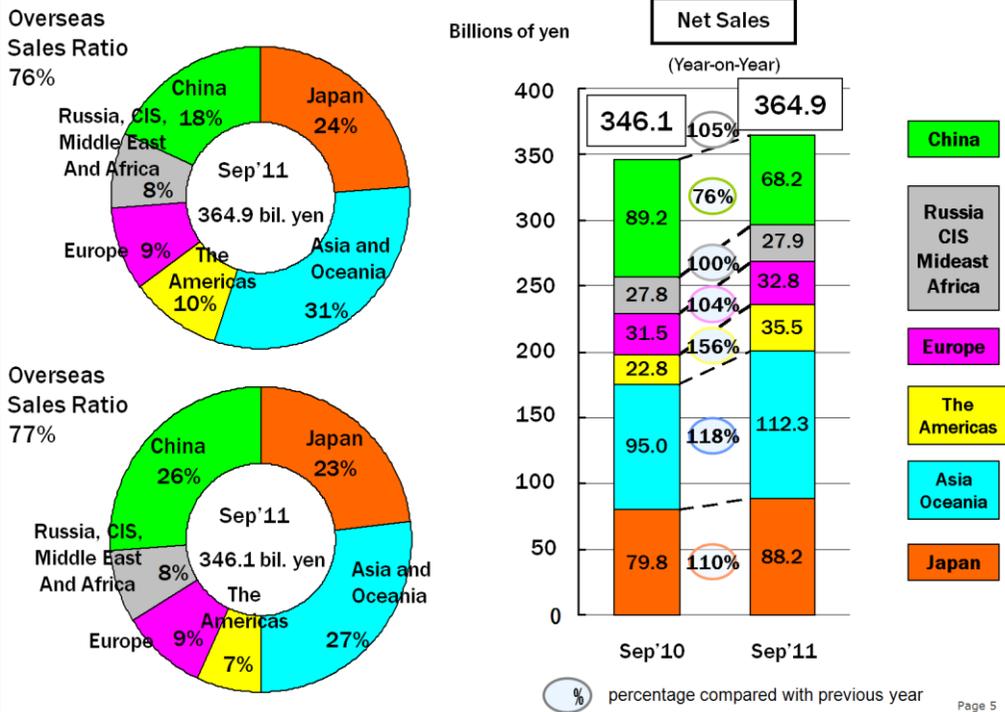
Billions of yen

| | Sep'11 | Sep'10 | Increase (Decrease) | |
|--|--------------|--------------|---------------------|-------------|
| | | | Amount | % |
| Net sales | 364.9 | 346.1 | 18.8 | 105% |
| Cost of sales | 268.6 | 264.3 | 4.3 | 102% |
| Selling, general and administrative expenses | 75.9 | 69.6 | 6.3 | 109% |
| Operating income | 20.4 | 12.3 | 8.1 | 167% |
| Non-operating income(loss) | (2.6) | (0.3) | (2.3) | - |
| Ordinary income | 17.8 | 12.0 | 5.8 | 149% |
| Extraordinary losses | (0.5) | (0.5) | 0 | 98% |
| Income taxes | 8.2 | 4.6 | 3.6 | 175% |
| Minority interests | (3.7) | (3.7) | 0 | 99% |
| Net income | 5.5 | 3.1 | 2.4 | 177% |

Sales by Geographical Region (Consolidated)

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● Overseas sales ratio decreased by 1 point year-on-year to 76%.

● While sales in China were 76% from the previous year due to the decreasing demand, sales in other markets including emerging markets such as Asia and Oceania and developed markets including the Americas increased from the previous year.

Billions of yen

| | Sep '11 | | Sep '10 | | Increase (Decrease) | |
|--|---------|-------|---------|-------|---------------------|------|
| | | | | | Amount | % |
| Net sales | | 364.9 | | 346.1 | 18.8 | 105% |
| Cost of sales | (73.6%) | 268.6 | (76.4%) | 264.3 | 4.3 | 102% |
| Selling, general and administrative expenses | (20.8%) | 75.9 | (20.1%) | 69.6 | 6.3 | 109% |
| Operating income | (5.6%) | 20.4 | (3.5%) | 12.3 | 8.1 | 167% |
| Non-operating income(loss) | | (2.6) | | (0.3) | (2.3) | - |
| Ordinary income | | 17.8 | | 12.0 | 5.8 | 149% |
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| Income taxes | | 8.2 | | 4.6 | 3.6 | 175% |
| Minority interests | | (3.7) | | (3.7) | 0 | 99% |
| Net income | | 5.5 | | 3.1 | 2.4 | 177% |

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● The cost rate improved 2.8% thanks to reduction of costs and increasing sales of parts and services.

● Operating income increased to approximately 170% of that of the previous year.

Billions of yen

| | Sep'11 | Sep'10 | Change |
|--|--------|--------|--------|
| Dividends/Interest income and expenses | (3.5) | (2.6) | (0.9) |
| Gain (loss) on equity earnings of affiliated companies | 0.1 | 0.5 | (0.4) |
| Foreign exchange gains (losses), net | (1.2) | 1.2 | (2.4) |
| Others | 2.0 | 0.6 | 1.4 |
| Total | (2.6) | (0.3) | (2.3) |

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- Dividends/Interest income and expenses decreased by 900 million yen due to the increasing interest payment for leasing in China.
- Foreign exchange gains and losses decreased by 2.4 billion yen year-on-year.

Billions of yen

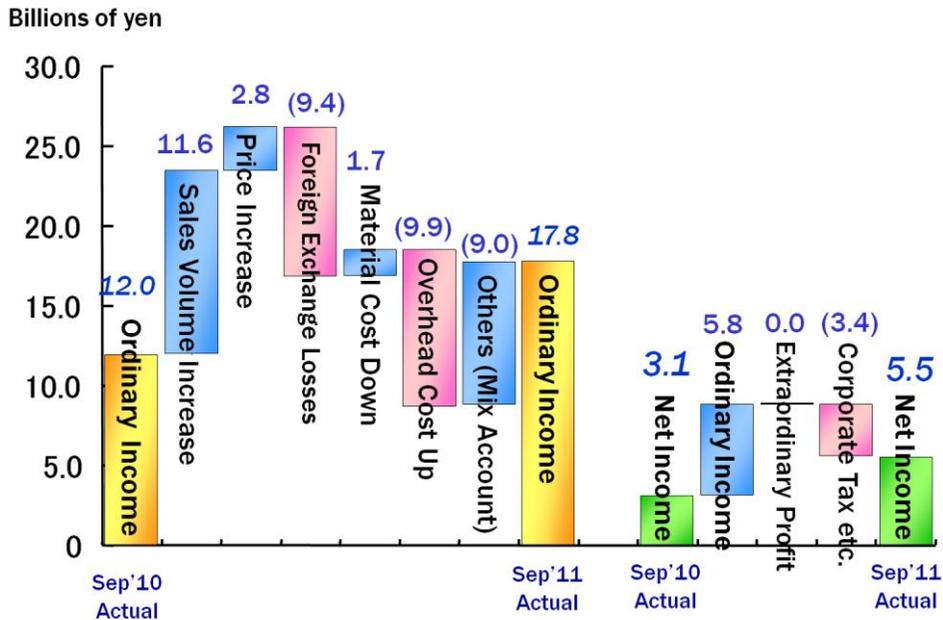
| | Sep '11 | | Sep '10 | | Increase (Decrease) | |
|--|---------|--------------|---------|--------------|---------------------|-------------|
| | | | | | Amount | % |
| Net sales | | 364.9 | | 346.1 | 18.8 | 105% |
| Cost of sales | (73.6%) | 268.6 | (76.4%) | 264.3 | 4.3 | 102% |
| Selling, general and administrative expenses | (20.8%) | 75.9 | (20.1%) | 69.6 | 6.3 | 109% |
| Operating income | (5.6%) | 20.4 | (3.5%) | 12.3 | 8.1 | 167% |
| Non-operating income(loss) | | (2.6) | | (0.3) | (2.3) | - |
| Ordinary income | (4.9%) | 17.8 | (3.5%) | 12.0 | 5.8 | 149% |
| Extraordinary losses | | (0.5) | | (0.5) | 0 | 98% |
| Income taxes | | 8.2 | | 4.6 | 3.6 | 175% |
| Minority interests | | (3.7) | | (3.7) | 0 | 99% |
| Net income | (1.5%) | 5.5 | (0.9%) | 3.1 | 2.4 | 177% |

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● Ordinary income increased to 17.8 billion yen or approximately 150% of that of the previous year.

● Extraordinary losses of 500 million yen due to loss on valuation of investment securities etc. is reported.

● The net profit for the quarter is 5.5 billion yen or approximately 180% of that of the previous year.



- Overhead costs increased by 1.7 billion yen as a result of the sales and volume increase.
- The foreign exchange fluctuation, price increase and material cost down in total led to a loss of 4.9 billion yen.
- While the above losses are reported, a profit of 9 billion from the change in product mix (increase in sales of parts and services) and other factors contributed to the ordinary income of 17.8 billion yen, a 5.8 billion yen increase from the previous year.

Consolidated Balance Sheets

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Billions of yen

| | (A) Sep '11 | (B) Mar'11 | (C) Sep '10 | (A-B) Change | | (A) Sep '11 | (B) Mar'11 | (C) Sep '10 | (A-B) Change |
|---|----------------|---------------|----------------|-----------------|--|----------------|---------------|----------------|-----------------|
| Cash and bank deposits | 54.9 | 67.7 | 46.4 | (12.8) | Note and accounts payable | 161.0 | 150.3 | 123.9 | 10.7 |
| Notes and accounts receivable | 166.5 | 184.5 | 152.0 | (18.0) | Others | 234.0 | 226.5 | 192.2 | 7.5 |
| Lease receivables and investment assets | 119.2 | 130.1 | 111.0 | (10.9) | Total current liabilities | 395.0 | 376.8 | 316.1 | 18.2 |
| Inventories | 243.8 | 192.8 | 205.2 | 51.0 | Total non-current liabilities | 217.3 | 218.6 | 215.4 | (1.3) |
| Others | 55.1 | 50.6 | 33.8 | 4.5 | Total liabilities | 612.3 | 595.4 | 531.5 | 16.9 |
| Total current assets | 639.5 | 625.7 | 548.4 | 13.8 | Minority interests | 41.7 | 42.1 | 38.2 | (0.4) |
| Property, plant and equipment | 224.7 | 224.4 | 223.4 | 0.3 | Common stock, Capital surplus, and Retained earnings | 335.4 | 332.0 | 326.2 | 3.4 |
| Intangible assets | 42.9 | 46.3 | 50.2 | (3.4) | Others | (37.1) | (25.1) | (27.7) | (12.0) |
| Others | 45.2 | 48.0 | 46.3 | (2.8) | Shareholders' equity ratio | (31.2%) | (32.4%) | (34.3%) | (Δ1.2%) |
| Total fixed assets | 312.7 | 318.7 | 319.9 | (6.0) | Total net assets | 340.0 | 349.0 | 336.7 | (9.0) |
| Total assets | 952.2 | 944.4 | 868.2 | 7.8 | Total liabilities and net assets | 952.2 | 944.4 | 868.2 | 7.8 |
| *1 On hand days (Divided by net sales) (unit : Day) | | | | | Interest-bearing debt | (35.2%) | (34.7%) | (34.7%) | (0.5%) |
| receivable | 132 | 148 | 141 | (16) | Cash and cash equivalents* 2 | 335.6 | 327.8 | 300.9 | 7.8 |
| Inventories | 112 | 91 | 110 | 21 | (Deposit) | 56.3 | 74.7 | 46.4 | (18.4) |
| *1 On hand days for notes and account receivable are calculated including lease receivable and investment assets. | | | | | Interest-bearing debt, net | 1.4 | 7.1 | 0 | (5.7) |
| *2 Include a deposit (the numbers underneath) to Hitachi Ltd under the Hitachi Pooling Group. | | | | | Net D/E Ratio | (29.3%) | (26.8%) | (29.3%) | (2.5%) |
| | | | | | | 279.4 | 253.1 | 254.5 | 26.3 |
| | | | | | | 0.94 | 0.83 | 0.85 | 0.11 |

● The total assets reached 952.2 billion yen, an increase of 7.8 billion yen from the previous fiscal year end.

Consolidated Cash Flows

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Billions of yen

| | Sep '11 | | Sep '10 | | Increase (Decrease) | |
|--|---------|---------------|---------|---------------|------------------------|---------------|
| Income before income taxes and minority interests | | 17.4 | | 11.5 | | 5.9 |
| Depreciation and amortization | 36.3 | 18.9 | 29.7 | 18.2 | 6.6 | 0.7 |
| (Increase) decrease in notes and accounts receivable | | 4.4 | | (2.9) | | 7.3 |
| (Increase) decrease in lease receivables and investment assets | | 4.2 | | (26.1) | | 30.3 |
| (Increase) decrease in inventories | | (65.9) | | (9.3) | | (56.6) |
| Increase in notes and accounts payable | (31.1) | 26.2 | (22.5) | 15.8 | (8.6) | 10.4 |
| Income taxes paid | | (9.2) | | (8.4) | | (0.8) |
| Others, net | | (6.7) | | 7.2 | | (13.9) |
| Net cash provided by (used in) operating activities | | (10.7) | | 6.0 | | (16.7) |
| Acquisitions of property, plant and equipment | | (11.0) | | (8.0) | | (3.0) |
| Proceeds from sale of property, plant and equipment | | 0.1 | | 0.1 | | 0 |
| Purchase of investment in securities | | (0.8) | | (1.4) | | 0.6 |
| Decrease in purchase of investments in subsidiaries | | 0 | | 0.1 | | (0.1) |
| Other, net | | (2.9) | | (2.0) | | (0.9) |
| Net cash used in investing activities | | (14.6) | | (11.2) | | (3.4) |
| Free Cash Flows | | (25.3) | | (5.2) | | (20.1) |
| Net increase (decrease) in short-term loans | | 21.9 | | (19.6) | | 41.5 |
| Net increase (decrease) in long-term loans | 22.7 | 0.8 | 8.7 | 28.3 | 14.0 | (27.5) |
| Dividends paid to shareholders | | (5.2) | | (4.3) | | (0.9) |
| Interest paid, others | (12.1) | (6.9) | (9.6) | (5.3) | (2.5) | (1.6) |
| Net cash provided by (used in) financing activities | | 10.6 | | (0.9) | | 11.5 |
| Effect of exchange rate changes on cash and cash equivalents | | (4.4) | | (4.8) | | 0.4 |
| Net decrease in cash and cash equivalents | | (19.1) | | (10.9) | | (8.2) |
| Cash and cash equivalents at beginning of year | | 74.7 | | 57.3 | | 17.4 |
| Cash and cash equivalents at end of year | | 55.6 | | 46.4 | | 9.2 |

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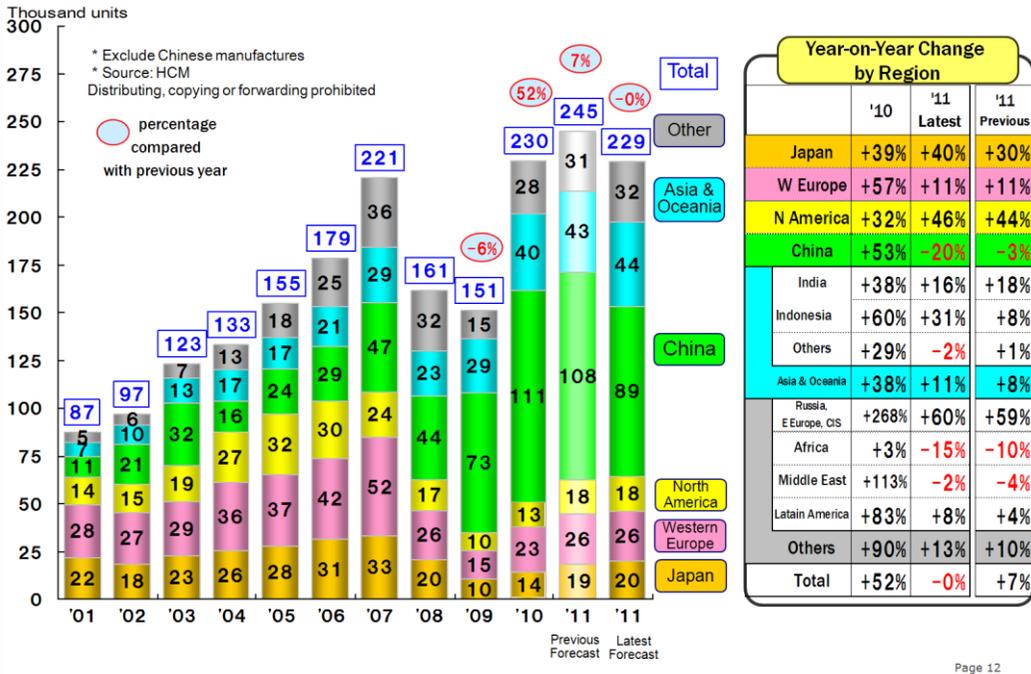
- Free cash flow decreased by 25.3 billion yen partly due to the use of 6.6 billion yen cash for investment activities in the 2nd Quarter (3 months).

II. Consolidated Earnings Forecast



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Global Demand Trend for Hydraulic Excavators



● We forecast global demand for hydraulic excavators for this fiscal year of 229 thousand units, which is a drop of 19 thousand units on our previous forecast, assuming a decline in demand in China of 16 thousand units compared with that in the previous year.

● We forecast increases in demand in most of regions excluding China, including Japan, Asia and Oceania, from the previous year and previous forecast.

Summary of Consolidated Earnings Forecasts



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Billions of yen

| | Mar'12 Forecast | Mar'11 Actual | Change |
|----------------------------------|--------------------|------------------|--------|
| Net sales | 900.0 860.0 | 773.8 | 111% |
| Operating income | 65.0 65.0 | 41.5 | 157% |
| Ordinary income | 56.0 56.0 | 41.9 | 134% |
| Net income | 23.0 23.0 | 11.1 | 207% |
| Exchange rate (YEN/USD) | 77.94 | 85.38 | / |
| F Forward exchange rate(YEN/USD) | 78.86 | 86.75 | |
| X Exchange rate (YEN/EUR) | 108.94 | 112.13 | |
| Forward exchange rate (YEN/EUR) | 110.62 | 115.29 | |
| Cash dividends per share (yen) | 30 | 20 | 10 |

(): Previous forecast as of July, 2011

Exchange rate in and after the third quarter

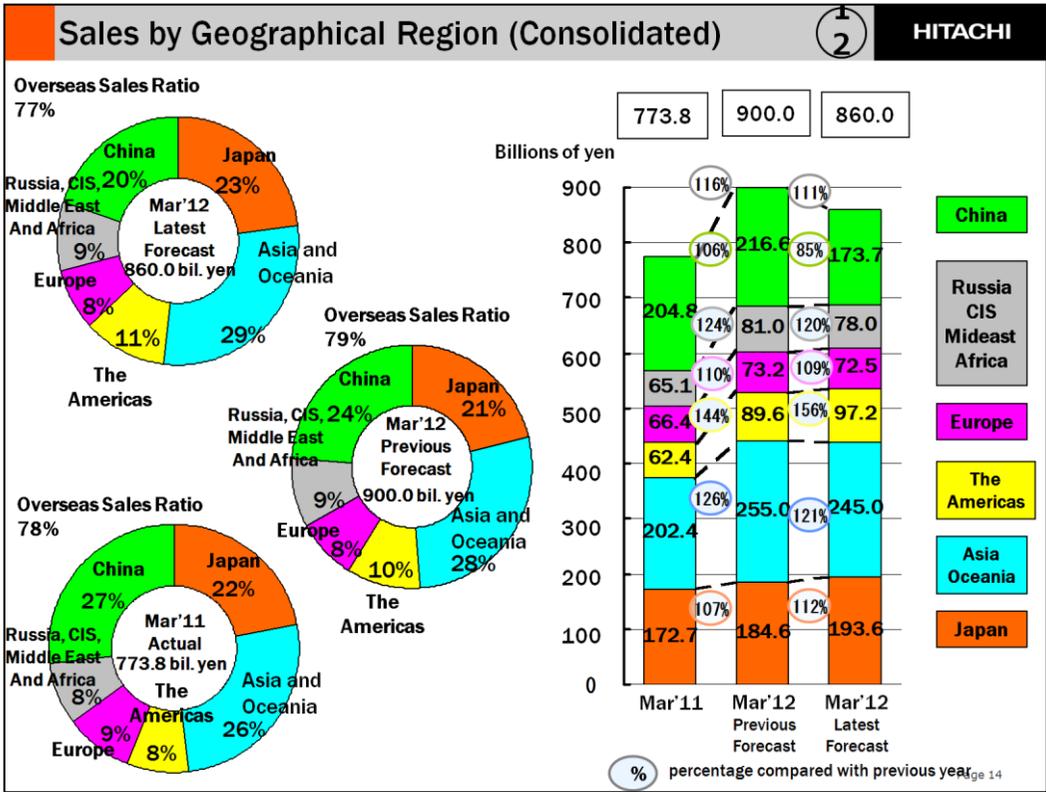
| | |
|---------------------------------|--------|
| Exchange rate (YEN/USD) | 77.00 |
| Forward exchange rate (YEN/USD) | 78.00 |
| Exchange rate (YEN/EUR) | 105.00 |
| Forward exchange rate (YEN/EUR) | 108.39 |

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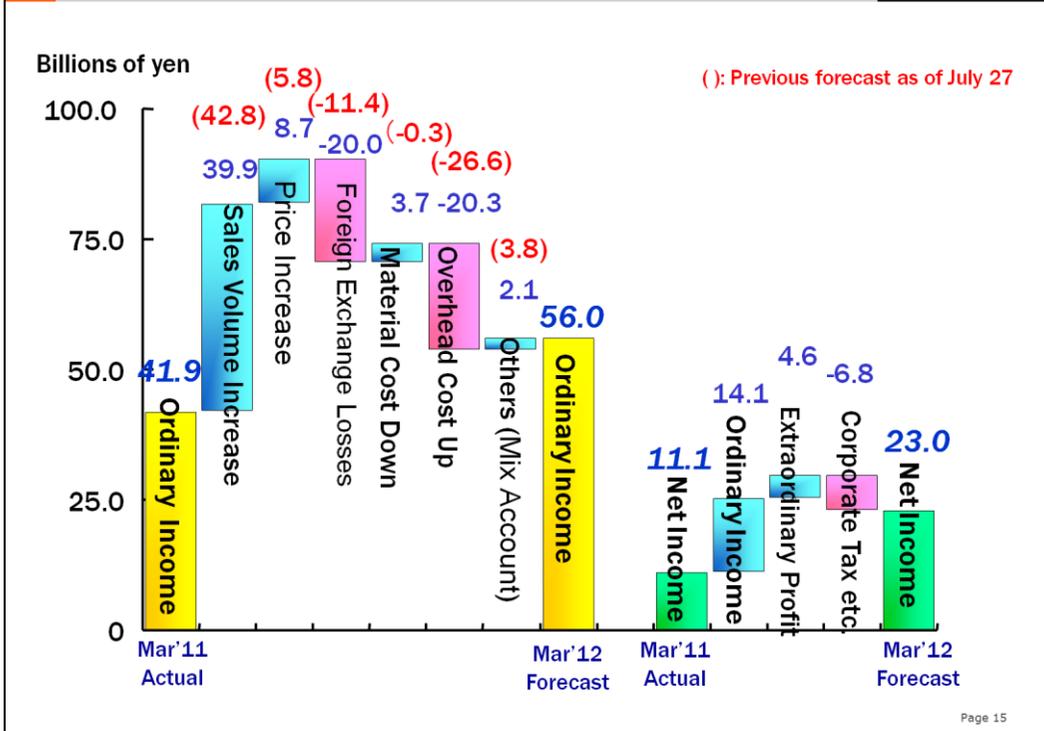
● We forecast net sales for the fiscal year of 860 billion yen, a decrease of 40 billion yen from the previous forecast due to the decreasing demand in China, the appreciation of the yen, etc.

● We forecast earnings unchanged from the previous forecast given the price increase and reduced costs.

● For these projections, we assume exchange rates in and after October of 77 yen to the dollar, 105 yen to the euro and 12.0 yen to the Chinese yuan. For the previous forecast, we assumed exchange rates of 80 yen to the U.S. dollar, 110 yen to the euro, and 12.3 yen to the Chinese yuan.



- The overseas sales ratio is forecasted at 77%, a drop of 1 point from the previous year and 2 points from the announcement in July.
- As for sales by geographic region, we forecast a 15% decrease in China from the previous year and increases in other major regions from the previous year.



● Compared to the previous forecasts, the sales volume increase dropped by 2.9 billion yen due to the decreasing demand in China. Foreign exchange losses increased by 8.6 billion yen. Given, on the other hand, the sales price increase, reduction in costs and increasing sales of parts and services, we secured an ordinary income of 56 billion yen equaling the previous forecast.

END



For further inquiries:

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