

I. Summary of consolidated results

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Reliable solutions

- Revenue increased by 31% compared to the previous year due to the increase in sales volume.
- Adjusted operating income and other income increased compared to the previous year.

(billions of yen)

	FY2017 1Q-2Q		FY2016 1Q-2Q		change
Revenue	440.3		334.9		31%
Adjusted operating income *1	8.5%	37.6	1.8%	6.0	524%
Operating income	8.9%	39.3	1.3%	4.4	800%
Income before income taxes	9.1%	40.1	1.1%	3.6	-
Net income attributable to owners of the parent	5.8%	25.5	0.7%	2.3	-
EBIT *2	9.4%	41.6	1.2%	4.2	897%
F X	Rate (YEN/US\$)	111.1	105.3		5.8
	Rate (YEN/EURO)	126.4	117.9		8.5
	Rate (YEN/RMB)	16.4	16.0		0.4
Cash dividend per share (yen) *3	36		4		32

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

*3 "Cash dividend per share": Under the company's policy for stable distribution of retained earnings linked to consolidated performance, the company aims for its consolidated dividend payout ratio to be around 30% or more.

- Revenue increased by 31% compared to the previous year due to the increase in overseas revenue.
- Revenue increased by 71% or 29.8 billion yen in Oceania year on year, by 110% or 25.3 billion yen in China year on year, and by 60% or 24.5 billion yen in North America year on year.

(billions of yen)

	FY2017 1Q-2Q		FY2016 1Q-2Q		change	
	(ratio)		(ratio)		amount	%
Japan	94.1	(21%)	101.9	(30%)	-7.8	-8%
Asia	34.8	(8%)	26.6	(8%)	8.1	31%
India	27.2	(6%)	20.3	(6%)	6.9	34%
Oceania	71.8	(16%)	42.0	(13%)	29.8	71%
Europe	49.3	(11%)	44.1	(13%)	5.2	12%
N.America	65.1	(15%)	40.6	(12%)	24.5	60%
L.America	7.4	(2%)	1.7	(1%)	5.7	327%
Russia-CIS	11.9	(3%)	7.7	(2%)	4.2	55%
M.East	9.1	(2%)	12.6	(4%)	-3.5	-28%
Africa	21.3	(5%)	14.4	(4%)	6.9	48%
China	48.3	(11%)	23.0	(7%)	25.3	110%
Total	440.3		334.9		105.3	31%

Overseas revenue
ratio 79%

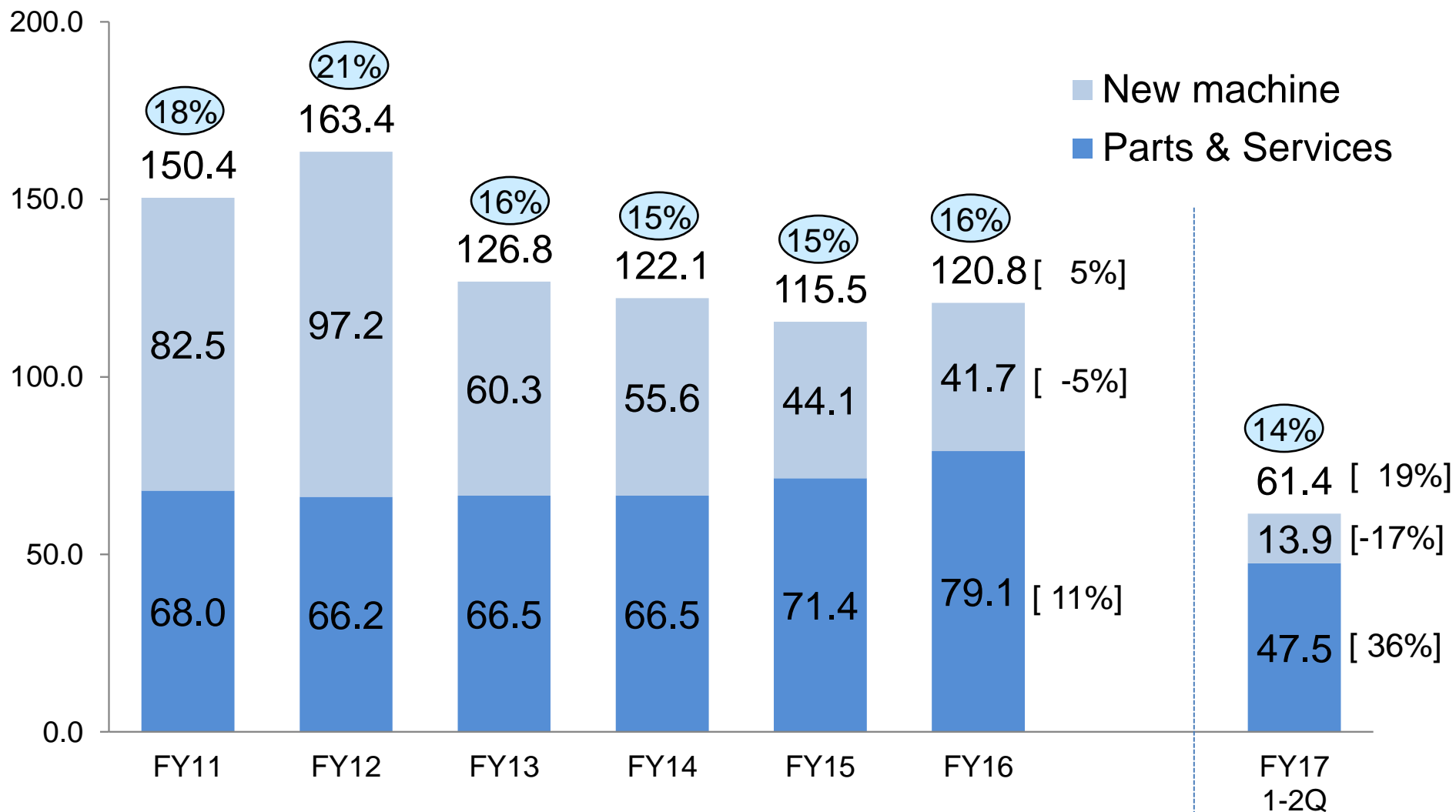
Overseas revenue
ratio 70%

(billions of yen)

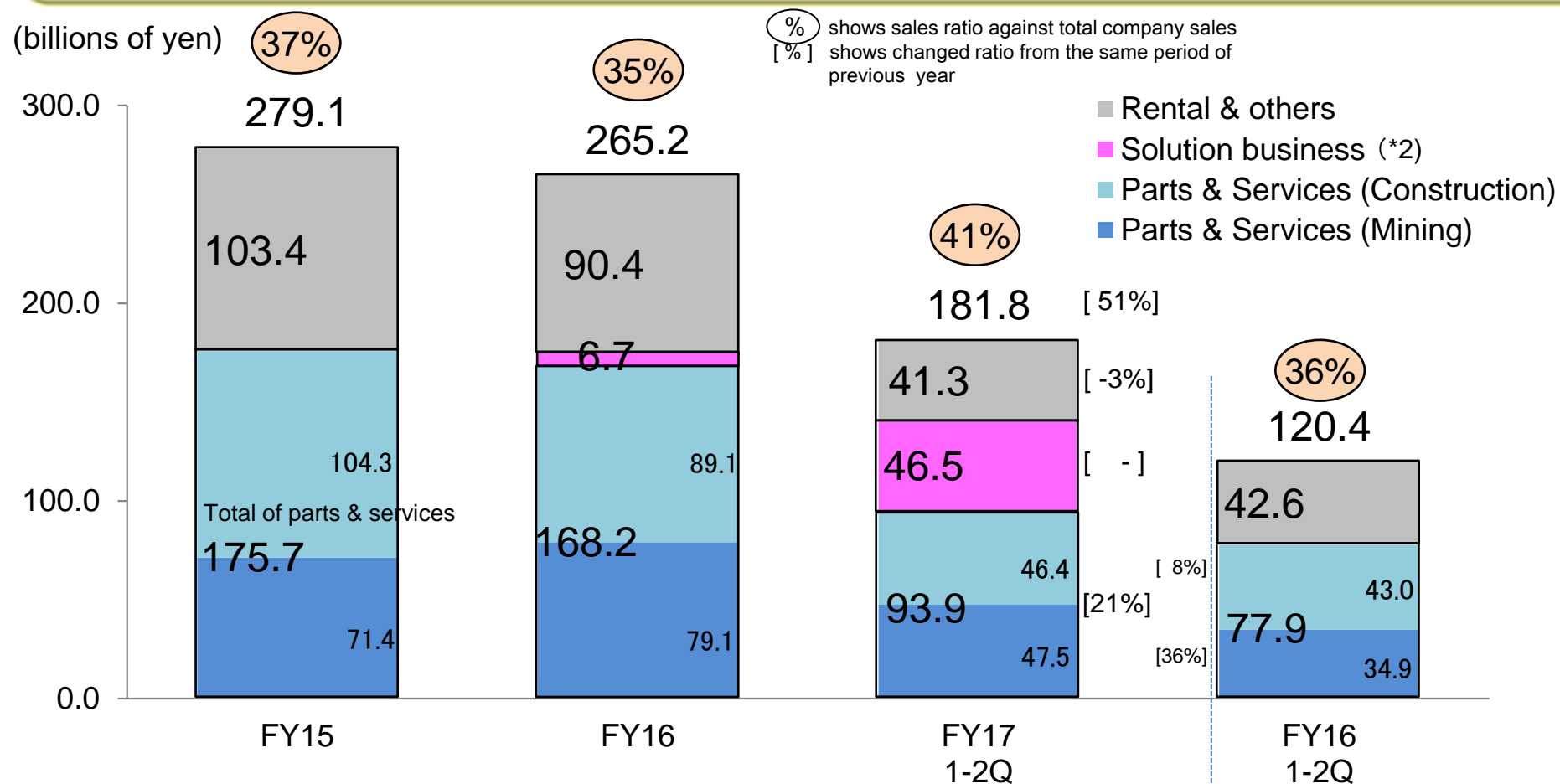
(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year

■ New machine
■ Parts & Services



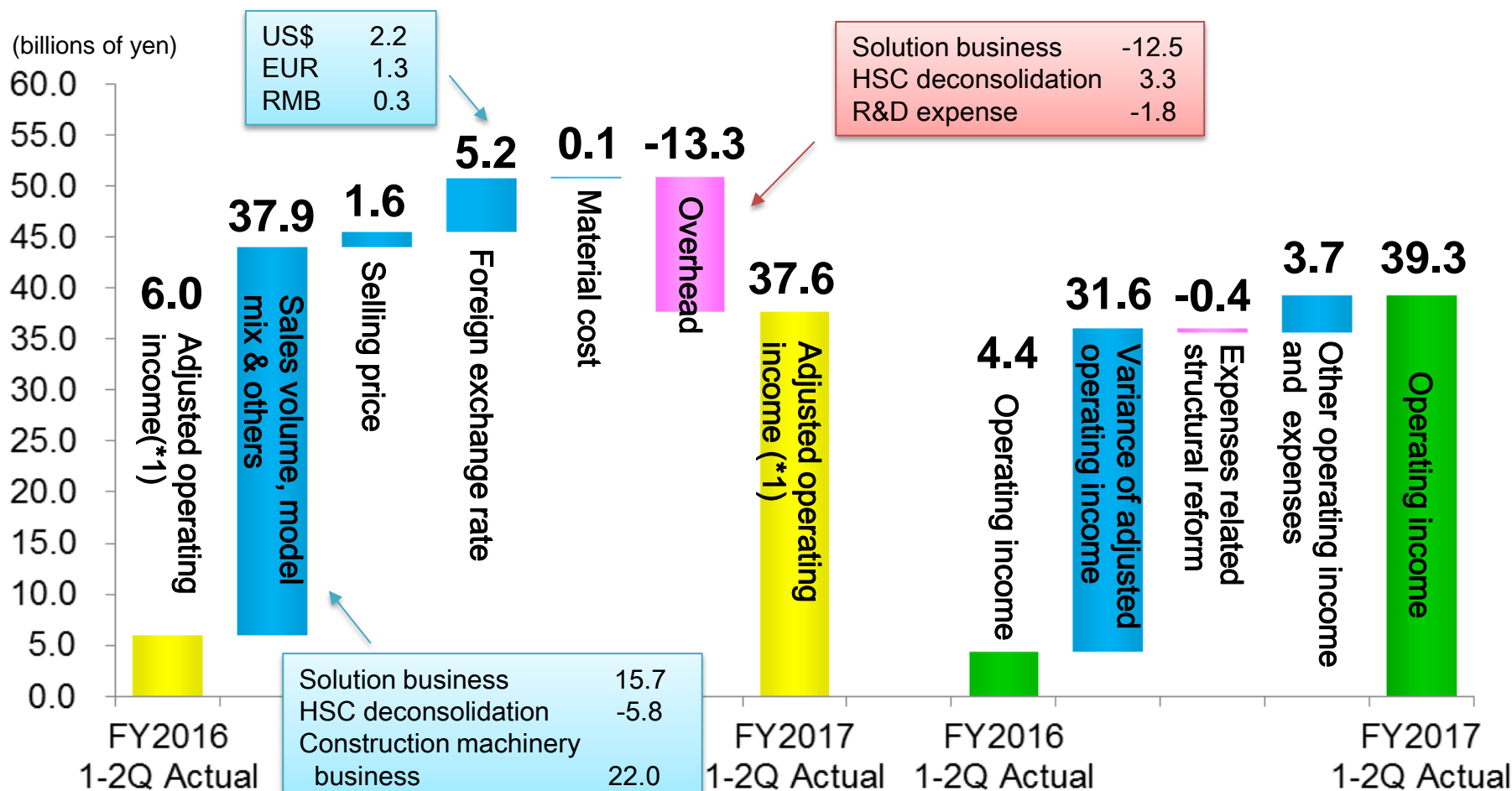
- Sales of value chain business have dramatically increased by 61.4 billion yen year on year due to the increase in the sales of parts and service and solution business, which is composed of H-E Parts Group companies and Bradken Group companies. Also, the ratio in total sales has increased by 5%.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2) Solution business: Business segment consists of parts manufacturing, sales of parts and service that are not included in construction machinery business.

- Adjusted operating income has increased by 31.6 billion yen year on year due to the increased sales volume of construction machines, the incorporation of the solution business, and favorable foreign exchange rates despite HSC deconsolidation.



*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

- Net income attributable to owners of the parent increased by 23.3 billion yen to 25.5 billion yen compared to the previous year due to the increase in operating income and share of profits of investments accounted for using the equity method.

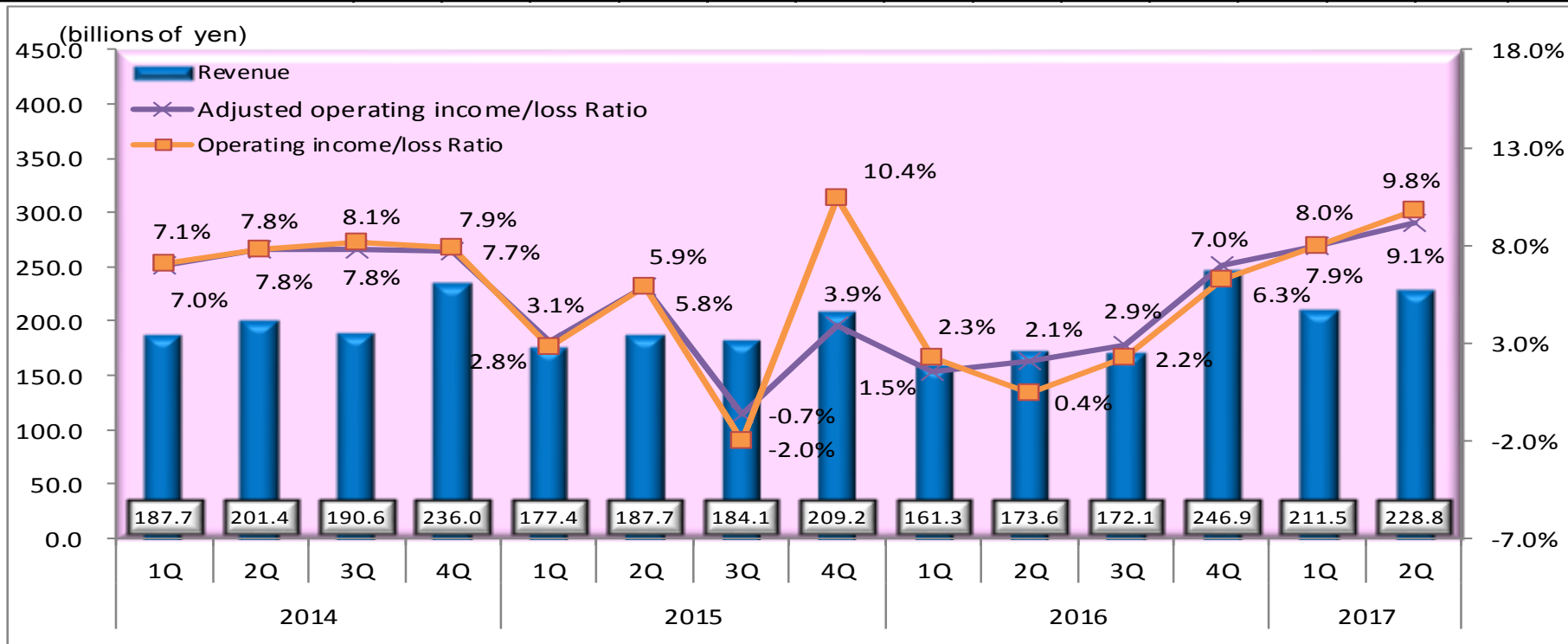
(billions of yen)

	FY2017 1Q-2Q		FY2016 1Q-2Q		change	
					amount	%
Revenue		440.3		334.9	105.3	31%
Cost of Sales	(73.5%)	323.5	(77.6%)	260.0	63.6	24%
SGA expenses	(18.0%)	79.1	(20.6%)	69.0	10.2	15%
Adjusted operating income *1	(8.5%)	37.6	(1.8%)	6.0	31.6	524%
Other Income/expenses		1.7		-1.7	3.3	-
Operating income	(8.9%)	39.3	(1.3%)	4.4	34.9	800%
Financial income/expenses		-1.4		-0.8	-0.6	73%
Share of profits of investments accounted for using the equity method		2.2		0.1	2.1	-
Income before income taxes	(9.1%)	40.1	(1.1%)	3.6	36.5	-
Income taxes		11.2		-0.3	11.5	-
Net income	(6.6%)	28.9	(1.2%)	4.0	24.9	630%
Net income attributable to owners of the parent	(5.8%)	25.5	(0.7%)	2.3	23.3	-
Comprehensive income		40.5		-27.2	67.7	-

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

(billions of yen)

	2014				2015				2016				2017	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Revenue	187.7	201.4	190.6	236.0	177.4	187.7	184.1	209.2	161.3	173.6	172.1	246.9	211.5	228.8
Adjusted operating income/loss	13.1	15.7	14.8	18.3	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	16.8	20.9
Operating income/loss	13.2	15.8	15.5	18.6	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	16.9	22.4



FX rate	2014				2015				2016				2017	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Rate (YEN/US\$)	102.2	103.9	114.5	119.1	121.4	122.2	121.5	115.5	108.1	102.4	109.3	113.6	111.1	111.0
Rate (YEN/EURO)	140.1	137.8	143.1	134.2	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2	130.4
Rate (YEN/RMB)	16.4	16.9	16.8	19.1	19.6	19.3	18.9	17.6	16.5	15.4	16.0	16.6	16.2	16.6

- Total assets increased by 70.2 billion yen compared to the previous fiscal year-end due to the increase of 25.1 billion yen in inventories.
- Days of net working capital on hand were reduced by 13 days compared to the previous fiscal year-end.

(billions of yen)

	(A) FY17-2Q	(B) Mar '2017	(C) FY16-2Q	(A)-(B) change
Cash and cash equivalents	76.4	65.5	77.6	10.9
Trade receivables	196.4	184.5	152.4	11.9
Inventories	257.5	232.4	230.3	25.1
Total current assets	579.1	527.0	506.2	52.1
Total non-current assets	490.8	472.6	358.4	18.2
Total assets	1,069.8	999.6	864.6	70.2

Trade receivables incl. non-current	232.3	215.7	176.1	16.6
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Inventories by products

Unit	63.5	49.8	63.9	13.7
Parts	90.5	86.3	82.4	4.2
Raw materials, WIP and etc	103.4	96.3	84.0	7.1
Total inventories	257.5	232.4	230.3	25.1

On hand days(divided by net sales)

(Days)

Trade receivables	99	104	88	-5
Inventories	109	112	115	-3
Trade payables	68	64	60	4
Net working capital	138	151	142	-13

	(D) FY17-2Q	(E) Mar '2017	(F) FY16-2Q	(D)-(E) change
Trade and other payables	258.4	227.3	207.6	31.1
Bonds and borrowings	258.1	248.7	191.3	9.4
Total current liabilities	582.4	549.2	443.3	33.2
(Equity attributable to owners of the parent ratio)	(40.5%)	(40.0%)	(42.8%)	(0.5%)
Total equity	487.5	450.4	421.3	37.1
Total liabilities and equity	1,069.8	999.6	864.6	70.2

	(24.1%)	(24.9%)	(22.1%)	(-0.8%)
Interest-bearing debt	258.1	248.7	191.3	9.4
Cash and Cash equivalents	76.4	65.5	77.6	10.9
Interest-bearing debt, net	(17.0%)	(18.3%)	(13.2%)	(-1.3%)
Debt	181.7	183.2	113.7	-1.5

Net D/E Ratio	0.42	0.46	0.31	-0.04
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*The balance as of the end of FY2016 announced in April 2017 is before the reclassification to specify the impact of purchase price allocation.

- Net cash provided by (used in) operating activities was a positive 29.4 billion yen due to the increase in net income despite the increase in working capital arising from the increase of revenue.
- Free cash flow was a positive 6.3 billion yen despite 17.6 billion yen of acquisition shares to acquire 100% ownership of the Bradken Group.

(billions of yen)

	FY2017 1Q-2Q		FY2016 1Q-2Q		change	
Net income		28.9		4.0		24.9
Depreciation and amortization	47.0	18.1	20.9	16.9	26.1	1.2
(Increase)decrease in trade/lease receivables		-8.8		13.2		-22.0
(Increase)decrease in inventories		-19.2		1.7		-20.8
Increase(decrease) in trade payables	-4.0	23.9	34.7	19.8	-38.7	4.1
Others, net		-13.5		-15.1		1.6
Net cash provided by (used in) operating activities		29.4		40.5		-11.0
Cash flow margin for operating activities		6.7%		12.1%		-5.4%
Net cash provided by (used in) investing activities		-23.1		-9.7		-13.5
Free cash flows		6.3		30.8		-24.5
Net cash provided by (used in) financing activities		2.9		-25.3		28.2

II. Consolidated earnings forecast

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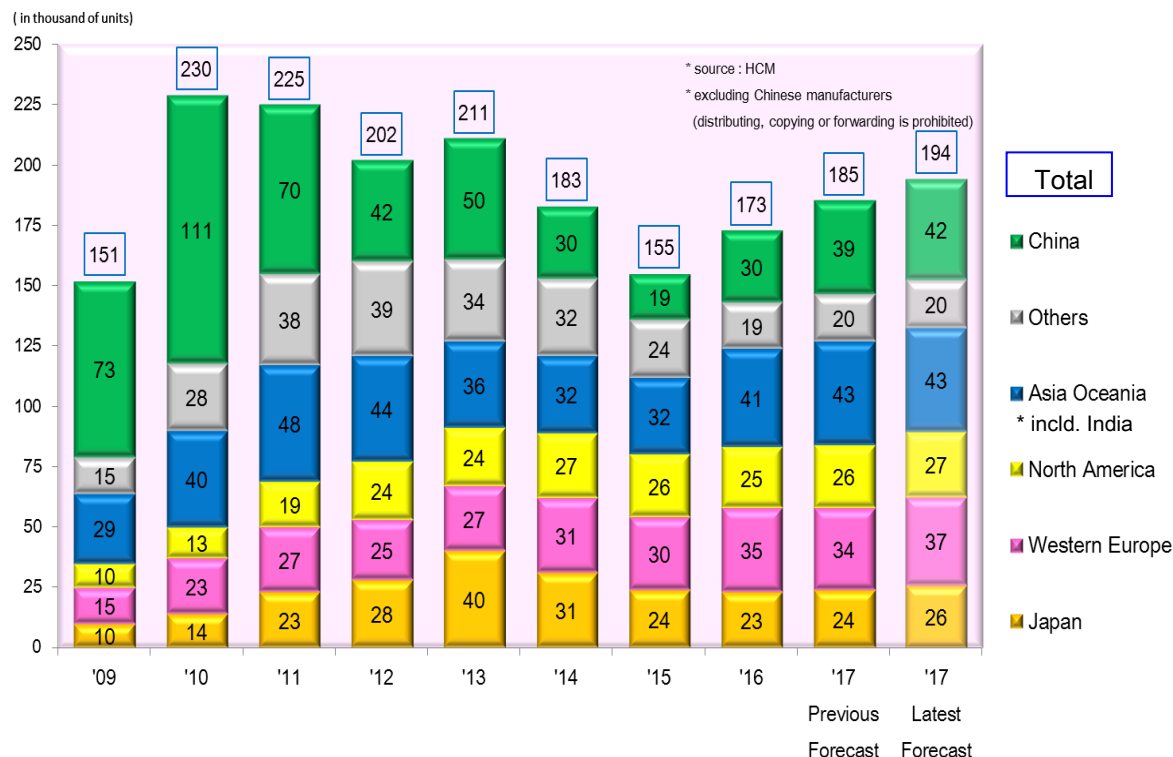
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- HCM expects the FY2017 global demand for hydraulic excavators to grow by 12% to 194K units year on year due to an increase in all regions except Africa and Latin America.

The ratio of emerging countries in FY2017 : 54%(+2% of previous year)

*Emerging countries : China, Asia/Oceania and others



year on year change by region

	'16	'17 Previous Forecast	'17 Latest Forecast
Total	+12%	+7%	+12%
China	+58%	+29%	+39%
Russia-CIS & E.Europe	+23%	+14%	+15%
Africa	+13%	-12%	-12%
Middle East	-45%	+3%	+3%
Latin America	-15%	-2%	-2%
Others	-18%	+0%	+0%
India	+44%	+16%	+16%
Indonesia	+36%	+14%	+29%
Others	+16%	-5%	-10%
Asia & Oceania	28%	+5%	+5%
North America	-4%	+5%	+9%
Western Europe	+17%	-5%	+3%
Japan	-4%	+4%	+13%

- HCM forecasts a FY2017 income statement with an upward-corrected revenue by 10% and adjusted operating income of 11.0 billion yen against the previous forecast due to increased sales volume based on improved demand and the Japanese yen depreciation trend.

(billions of yen)						
		FY2017 Forecast		FY2016 Actual	change	
					amount	%
Revenue		(810.0)	890.0	753.9	136.1	18%
Adjusted operating income *1		(5.7%)	(6.4%)	(3.7%)	(2.7%)	
		(46.0)	57.0	28.3	28.7	102%
Operating income		(5.4%)	(6.2%)	(3.1%)	(3.0%)	
		(44.0)	55.0	23.6	31.4	133%
Income before income taxes		(4.6%)	(5.7%)	(3.2%)	(2.6%)	
		(37.0)	51.0	23.9	27.1	114%
Net income attributable to owners of the parent		(2.2%)	(3.4%)	(1.1%)	(2.3%)	
		(18.0)	30.0	8.0	22.0	274%
EBIT *2		(40.5)	54.3	24.7	29.6	
FY rate	Rate (YEN/US\$)	(106.3)	107.9	108.7	-0.8	
	Rate (YEN/EURO)	(113.0)	118.0	118.9	-0.9	
	Rate (YEN/RMB)	(15.3)	15.6	16.2	-0.6	
Cash dividend per share (yen) *3		to be determined		12	-	

note : () shows previous forecast as of July 2017□

FX sensitivity of adjusted operating income (3-4Q) (Impact by 1 yen for US\$ and EURO, 0.1 yen for RMB depreciation)

Currency	FX rate	FX sensitivity	
US\$ (1.0)	105.0	(0.8)	0.6
EURO (1.0)	110.0	(0.5)	0.4
RMB (0.1)	15.0	(0.2)	0.1

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*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

*3 "Cash dividend per share": Under the company's policy for stable distribution of retained earnings linked to consolidated performance, the company aims for its consolidated dividend payout ratio to be around 30% or more.

- We booked 1.1 billion yen of the amortization cost resulted from PPA for H-E Parts.
- HCM forecasts the FY2017 adjusted operating income ratio of solution business to be 2.5% including 6.0 billion yen of amortization cost resulted from PPA. (9.1% excluding the amortization cost)

(billions of yen)

< Actual > FY2017 1Q-2Q	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	393.8	46.6	-0.1	440.3
Adjusted operating income	8.7% 34.4	9.2% 4.3	-	8.8% 38.7
Amortization of PPA		-1.1		-1.1
Adjusted operating income (After amortization of PPA)	8.7% 34.4	6.9% 3.2	-	8.5% 37.6

(billions of yen)

< Forecast > FY2017	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	799.1	91.0	-0.1	890.0
Adjusted operating income	6.8% 54.7	9.1% 8.3	-	7.1% 63.0
Amortization of PPA		-6.0		-6.0
Adjusted operating income (After amortization of PPA)	6.8% 54.7	2.5% 2.3	-	6.4% 57.0

PPA = Purchase Price Allocation

Note(*1): Adjustments represent eliminations of intersegment transactions, and amounts of companies that do not belong to any operation segment.

- Compared with the previous fiscal year, HCM forecasts an increase of 18% in total revenues for FY2017 due to an increase in sales volume based on improved demand and considering the impact of consolidation of H-E Parts Group companies and Bradken Group companies, despite the decrease in revenue in Japan.

(billions of yen)

	FY2017 Forecast	FY2016 Actual	change	
			amount	%
Japan	207.0 (23%)	226.0 (30%)	-19.0	-8%
Asia	72.5 (8%)	62.2 (8%)	10.3	17%
India	58.4 (7%)	48.6 (6%)	9.9	20%
Oceania	144.1 (16%)	96.4 (13%)	47.7	49%
Europe	92.4 (10%)	87.6 (12%)	4.8	6%
N.America	127.5 (14%)	78.5 (10%)	49.0	62%
L.America	11.8 (1%)	7.0 (1%)	4.8	68%
Russia-CIS	21.2 (2%)	19.5 (3%)	1.7	9%
M.East	22.2 (2%)	22.7 (3%)	-0.5	-2%
Africa	46.0 (5%)	34.1 (5%)	12.0	35%
China	86.9 (10%)	71.5 (9%)	15.4	22%
Total	890.0 (100%)	753.9 (100%)	136.1	18%

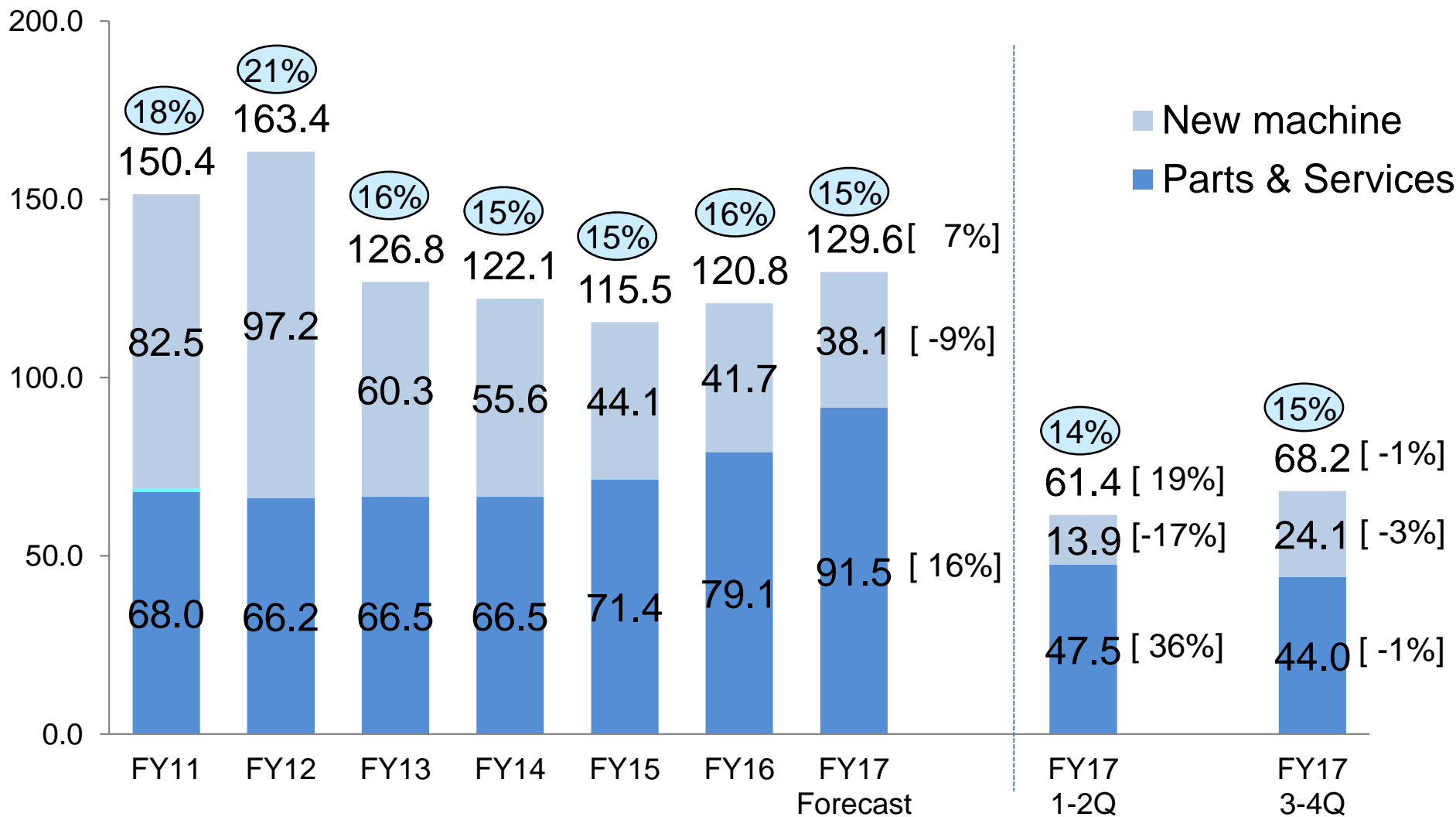
Overseas revenue ratio

77%

70%

(billions of yen)

(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year

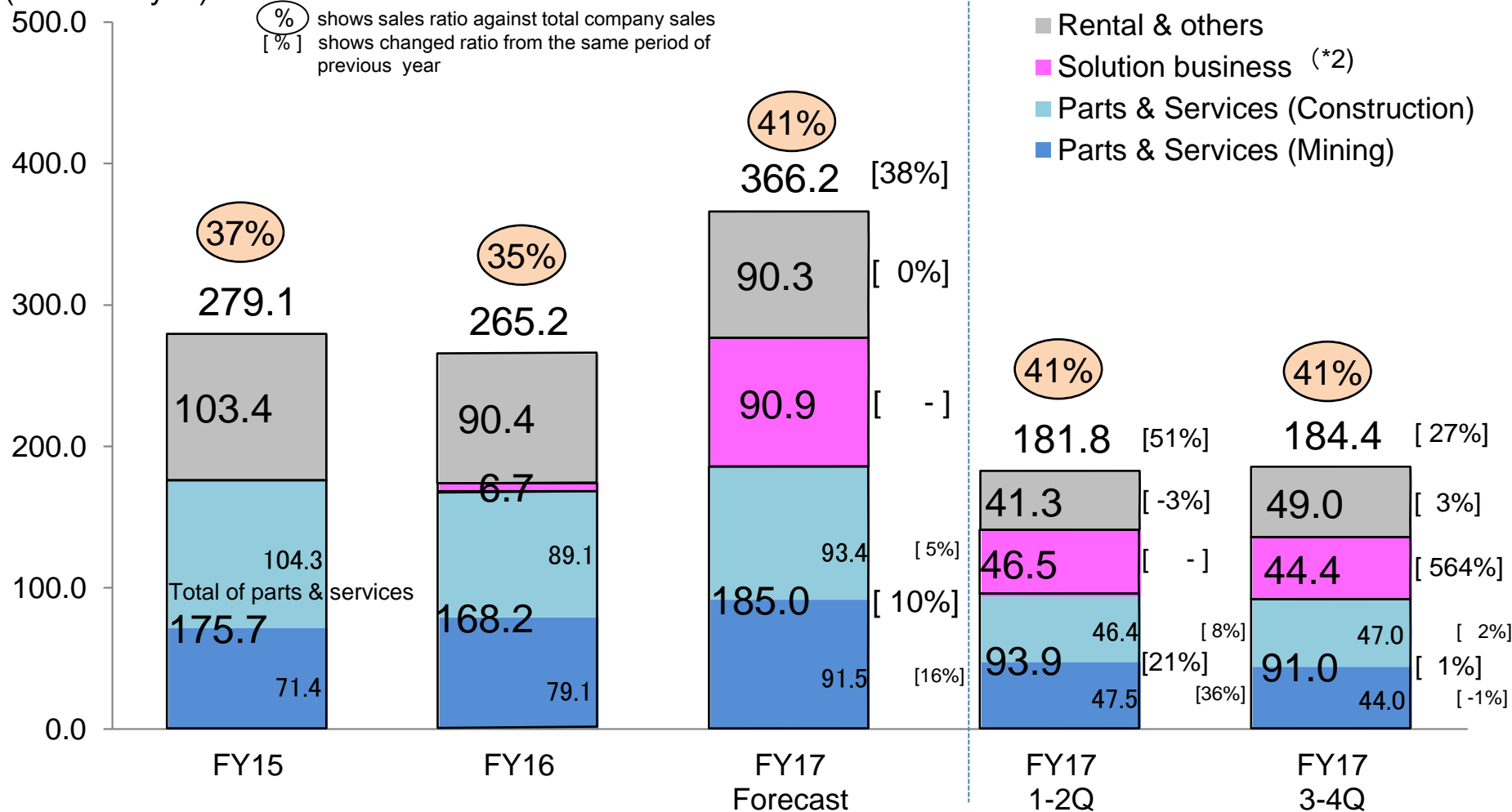


- HCM forecasts a large increase in FY2017 sales of value chain business by 38% (101.0 billion yen) compared to the previous year due to the increase in the sales of parts and service and solution business due to acquisition of H-E Parts group companies and Bradken group companies.

(billions of yen)

(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year

■ Rental & others
■ Solution business (*2)
■ Parts & Services (Construction)
■ Parts & Services (Mining)



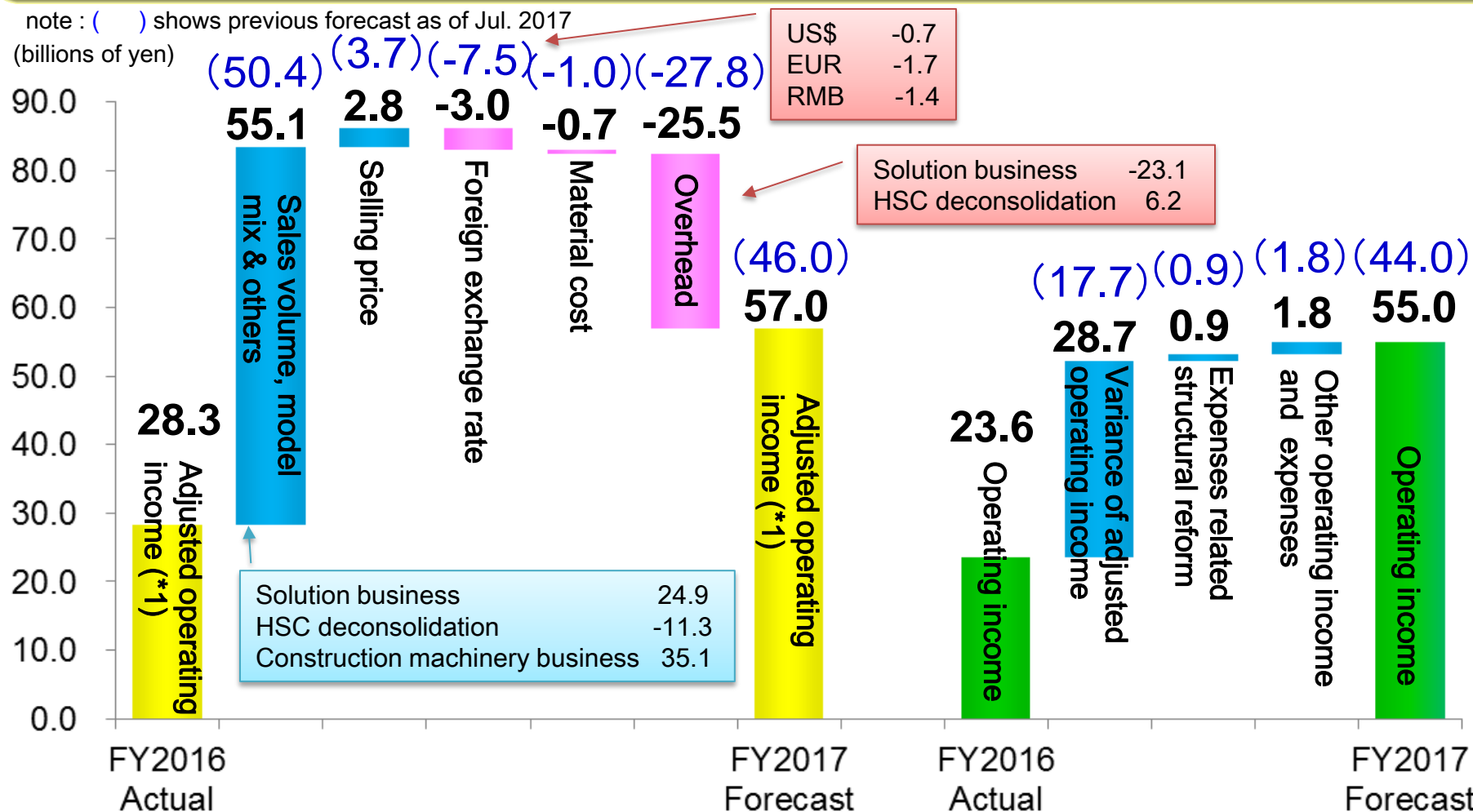
(*1) Value chain: Total of Parts & Service, solution business, rental etc. other than new machine sales.

(*2) Solution business: Business segment consists of parts manufacturing, sales of parts and service that are not included in construction machinery business.

- HCM forecasts FY2017 adjusted operating income to increase by 28.7 billion yen compared to the previous year due to the increase in sales volume of construction machines, as well as the consolidation of solution business, despite the negative influence of appreciation of the Japanese yen and HSC deconsolidation.

note : () shows previous forecast as of Jul. 2017

(billions of yen)



*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

<Appendix 1> Detail of mining revenue

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(billions of yen)

		FY16 Actual			FY17 Forecast			Change from FY16		
		1-2Q	3-4Q	Year	1-2Q	3-4Q	Year	1-2Q	3-4Q	Year
America	Excavator	5.2	4.9	10.1	7.1	5.6	12.8	1.9	0.7	2.7
	Dump Truck	2.3	3.7	6.0	4.1	5.0	9.1	1.7	1.4	3.1
	Total	7.6	8.6	16.1	11.2	10.7	21.9	3.6	2.1	5.7
Europe, Africa and Middle East	Excavator	4.8	10.5	15.3	8.4	8.1	16.5	3.6	-2.4	1.2
	Dump Truck	9.1	9.6	18.6	7.0	8.0	15.1	-2.0	-1.5	-3.6
	Total	13.9	20.0	33.9	15.5	16.1	31.6	1.6	-3.9	-2.4
Asia & Oceania	Excavator	19.8	27.3	47.1	26.0	28.9	54.8	6.2	1.6	7.7
	Dump Truck	9.0	12.2	21.1	7.6	11.1	18.7	-1.4	-1.0	-2.4
	Total	28.8	39.5	68.3	33.5	40.0	73.5	4.7	0.5	5.3
China	Excavator	0.6	0.6	1.2	0.8	1.2	1.9	0.2	0.6	0.7
	Dump Truck	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.0	-0.1
	Total	0.7	0.7	1.4	0.8	1.2	2.0	0.1	0.5	0.7
Japan	Excavator	0.7	0.4	1.1	0.4	0.2	0.6	-0.3	-0.2	-0.5
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	0.7	0.4	1.1	0.4	0.2	0.6	-0.3	-0.2	-0.5
Total	Excavator	31.2	43.7	74.8	42.7	43.9	86.6	11.6	0.2	11.8
	Dump Truck	20.5	25.5	46.0	18.7	24.2	43.0	-1.8	-1.3	-3.0
	Total	51.7	69.2	120.8	61.4	68.2	129.6	9.8	-1.0	8.8

<Appendix 2> Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

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1.Capital Expenditure (Based on completion) (billion of yen)

	FY2014	FY2015	FY2016	FY2017 1Q-2Q	FY2017 3Q-4Q	FY2017
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	16.5	21.0	14.1	8.1	22.0	30.1
Assets held for operating lease	15.9	14.1	16.5	11.0	5.8	16.8
Total	32.4	35.2	30.7	19.1	27.8	46.9

2.Depreciation (tangible and intangible fixed assets) (billion of yen)

	FY2014	FY2015	FY2016	FY2017 1Q-2Q	FY2017 3Q-4Q	FY2017
	Actual	Actual	Actual	Actual	Forecast	Forecast
Capital Expenditure	27.2	23.7	22.4	12.7	13.7	26.4
Assets held for operating lease	11.5	11.8	11.5	5.4	5.6	11.0
Total	38.7	35.4	34.0	18.1	19.3	37.4

3.R&D expenses (billion of yen)

	FY2014	FY2015	FY2016	FY2017 1Q-2Q	FY2017 3Q-4Q	FY2017
	Actual	Actual	Actual	Actual	Forecast	Forecast
Total of consolidation	17.8	18.8	19.3	11.1	15.1	26.2

Impact of settlements by solution business of purchase price allocation (PPA).

A forecasted impact on the consolidated financial results from the PPA for the acquired assets and liabilities of H-E Parts and Bradken acquired in FY2016 is as follows.

1. Prospect of depreciation (amortization) by PPA.

(billions of yen)

Assets		Term of depreciation(amortization)							Total
			FY2017		FY2018	FY2019	FY2020	After FY2021 (Including the foreign currency translation adjustments)	
			1Q-2Q (Actual)						
1. Inventories		Depreciation in one year	0.7	4.0				----	4.2
2. Tangible assets		Non-depreciable/ Average of depreciation is 15years	0	0.2	0.2	0.2	0.2	----	5.6
3. Intangible assets		One-time amortization/ Average of amortization is 20years	0.4	(※2) 1.8	1.0	1.0	1.0	----	21.6
Total depreciation(amortization)			1.1	6.0	1.2	1.2	1.2	----	31.3

(※1) The amount for the Bradken Group is our estimation since the PPA has not been completed by the end of the second quarter.

(※2) For the H-E Parts Group, the amortization expense of FY2017 is the total for the period from January 2017 through March 2018 (15 months) since the company recognizes it retroactively to the acquisition date.

2. Remeasurements of goodwill by PPA.

(billions of yen)

Goodwill on Consolidation (Before PPA)	34.6
Goodwill of Individual	14.6
Total Goodwill (Before PPA)	49.2
Increased assets	△ 31.3
Deferred tax liability, etc.	12.0
Goodwill on Consolidation (After PPA)	29.9

[Cautionary Statement]

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

END

For further inquiries:

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