

Outline of Answers to Main Questions at Explanatory Meeting for the Third Quarter Ended December 31, 2017

Q: The full-year forecast of revenue and adjusted operating income has been revised upwardly. Which region or segment has mainly contributed to this upward revision?

A: Since the sales volume steadily increased, mainly in China, the Americas, and Europe, we increased the full-year demand forecast for hydraulic excavators by 7,000 units and our revenue forecast by ¥40 billion. The growth rate of the demand for hydraulic excavators remained high in third quarter despite our cautious outlook anticipating a slowdown of the strong infrastructure investment trend in China. Furthermore, the demand in the Americas also exceeded our expectations mainly due to favorable housing starts and energy-related construction machinery demand.

Q: The revenue forecast for fourth quarter decreased year on year compared to the significant year-on-year increase for cumulative third quarter. Could you elaborate on the reason?

A: We forecast a decrease year-on-year in revenue for the fourth quarter as we assume stronger yen compared to the rate in the fourth quarter of the previous year. In addition, we also factored in the difference in timing of the Chinese New Year.

Q: While demand outlook for hydraulic excavators in Japan increased by 16% year-on-year, the cumulative third quarter revenue and full year outlook decreased year-on-year. What are the reasons for this?

A: Regarding the revenue in Japan, the decrease is due to a negative impact of the stock transfer of Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. (HSC) which became an equity-method affiliate of HCM at the end of FY2016. However, cumulative third quarter result and full year outlook increased year on year excluding the impact of HSC.

Q: Can you provide FY2017 revenue outlook for mining business?

A: The revenue from mining machineries is decreasing due to suspension of manufacturing and sales of dump trucks less than 150t at the end of FY2016. On the other hand, revenue of parts and services for mining business for cumulative third quarter increased by 20% year on year due to a sales volume increase and favorable forex. We expect a decrease in revenue in fourth quarter due to the impact of the assumed exchange rate; however, on a sales volume basis, we expect an increase in revenue year-on-year.

Q: Please tell us the actual amortized amount of the two companies in the solution business segment by the Purchase Price Allocation (asset revaluation) and the full-year forecast.

A: We recorded a total of ¥3.1 billion, consisting of ¥700 million for HE Parts and ¥2.4 billion for Bradken, as a lump-sum depreciation of inventory assets in cumulative third quarter in addition to ¥1.7 billion for amortization of intangible fixed assets. The total amortization amount for the full year is expected to be ¥6 billion, consisting of ¥3.1 billion for lump-sum amortization of inventory assets and ¥2.9 billion for amortization of tangible and intangible fixed assets.