

Business Result for the First Quarter ended June 30, 2018

July 25, 2018

Tetsuo Katsurayama

Senior Vice President, Executive Officer

General Manager, Finance Div.

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

(Note) Numbers on FY2017 1Q in this explanatory meeting materials are presented as before the completion of purchase price allocation which was retrospectively conducted to emphasize a constant comparison from the contents previously disclosed.

I. Summary of consolidated results

1

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- Revenue increased by 14% 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)

	FY2018 1Q		FY2017 1Q		change
Revenue	240.2		211.5		14%
Adjusted operating income *1	11.5%	27.6	7.9%	16.8	65%
Operating income	10.7%	25.7	8.0%	16.9	52%
Income before income taxes	10.4%	25.0	8.2%	17.4	44%
Net income attributable to owners of the parent	6.5%	15.7	4.5%	9.6	64%
EBIT *2	10.7%	25.6	8.6%	18.1	41%
FX rate	Rate (YEN/US\$)	109.1	111.1	-2.0	
	Rate (YEN/EURO)	130.1	122.2	7.9	
	Rate (YEN/RMB)	17.1	16.2	0.9	

(Note) Numbers on FY2017 1Q in this explanatory meeting materials are presented as before the completion of purchase price allocation which was retrospectively conducted to emphasize a constant comparison from the contents previously disclosed.

*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"

- Revenue increased by 21% or 7.1 billion yen in Oceania year on year, by 18% or 6 billion yen in North America year on year, and by 21% or 5.7 billion yen in China year on year.
- The overseas revenue ratio increased by 3 points year on year to 84%.

(billions of yen)

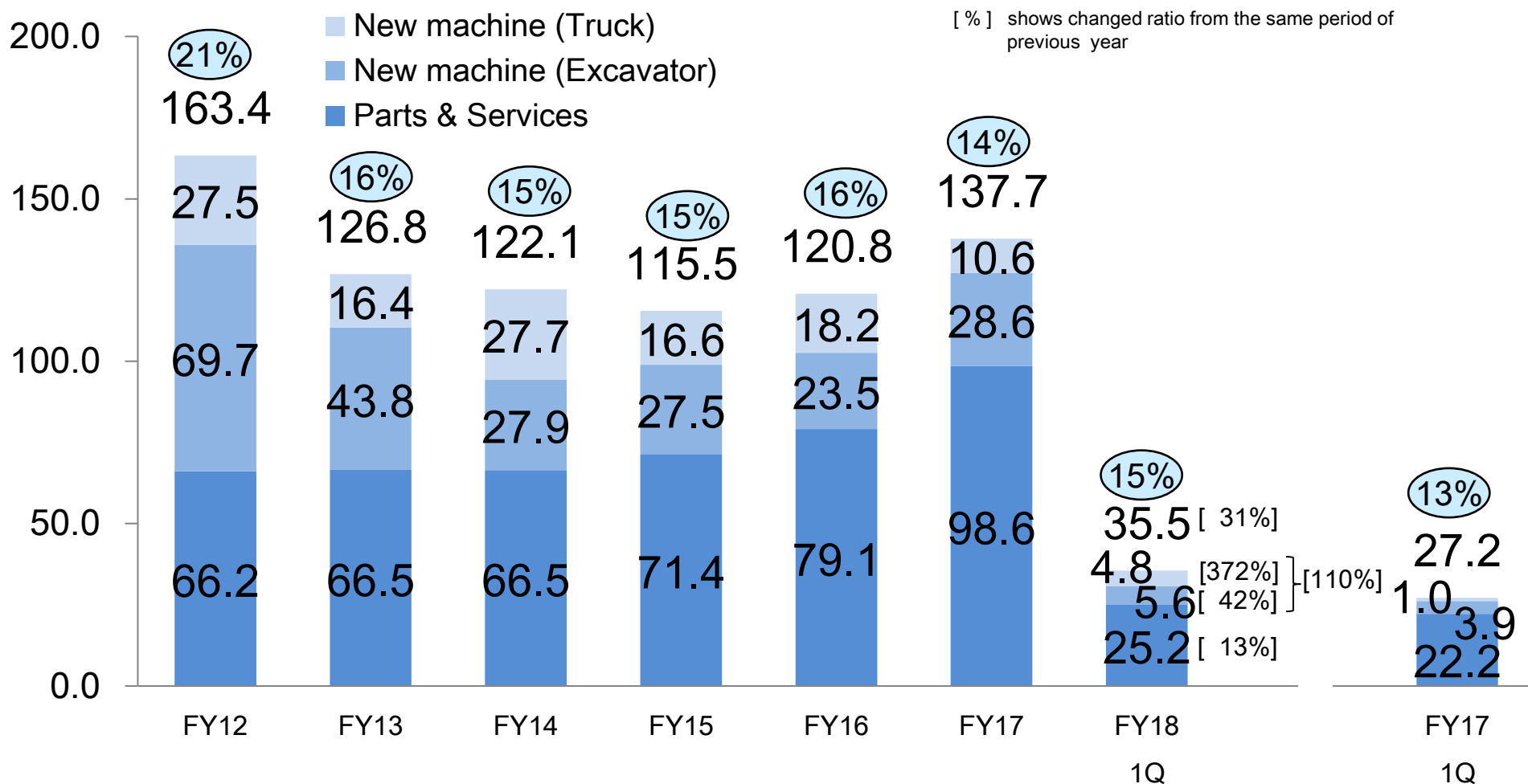
	FY2018 1Q		FY2017 1Q		change	
					amount	%
Japan	39.5	16%	40.4	19%	-1.0	-2%
Asia	18.2	8%	15.0	7%	3.2	22%
India	16.6	7%	15.5	7%	1.1	7%
Oceania	42.0	17%	34.8	16%	7.1	21%
Europe	28.6	12%	25.6	12%	3.0	12%
N.America	38.3	16%	32.3	15%	6.0	18%
L.America	4.8	2%	3.8	2%	0.9	24%
Russia-CIS	6.2	3%	4.7	2%	1.5	33%
M.East	4.4	2%	3.5	2%	1.0	29%
Africa	9.4	4%	9.4	4%	-0.0	-0%
China	32.2	13%	26.5	13%	5.7	21%
Total	240.2	100%	211.5	100%	28.7	14%

Overseas ratio 84%

81%

Revenue of mining in the FY2018 1Q increased by 31% year on year. Particularly the revenue of new machines increased by 110% year on year.

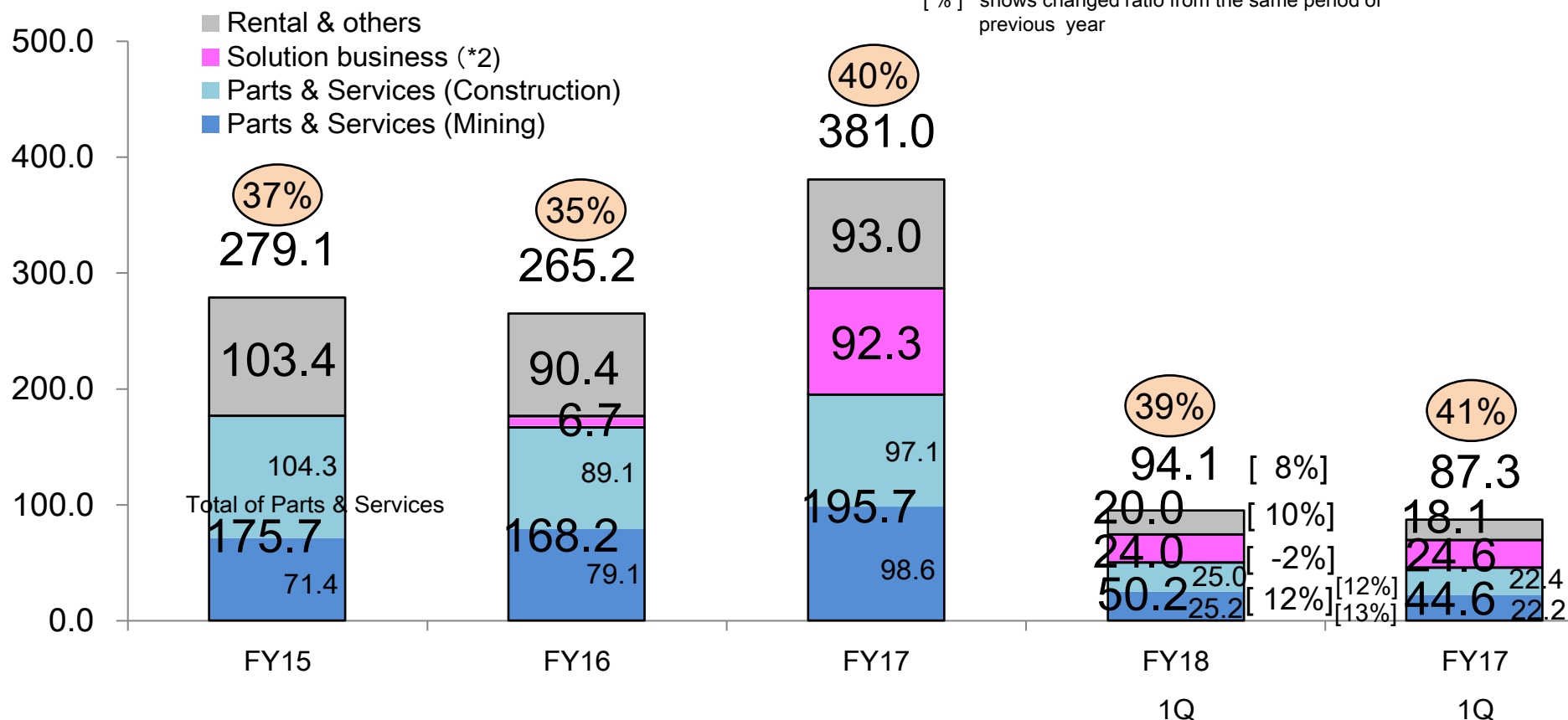
(billions of yen)



Revenue of value chain business in the FY2018 1Q increased by 6.9 billion yen year on year due to the increase in the sales of parts and service and rental.

(billions of yen)

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

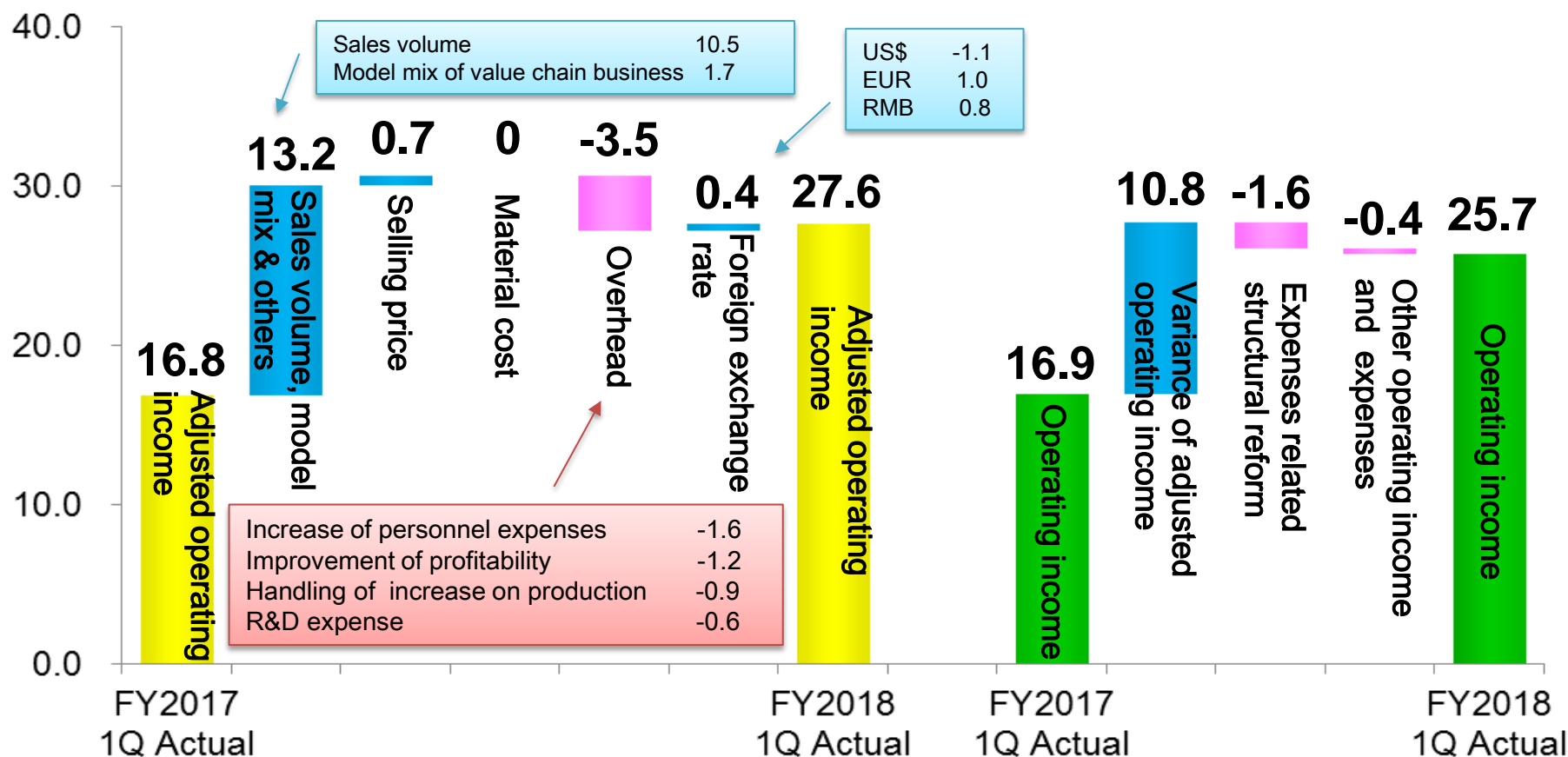


(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

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

Adjusted operating income increased by 10.8 billion yen year on year due to the increased sales volume of construction machines and parts and service.

(billions of yen)



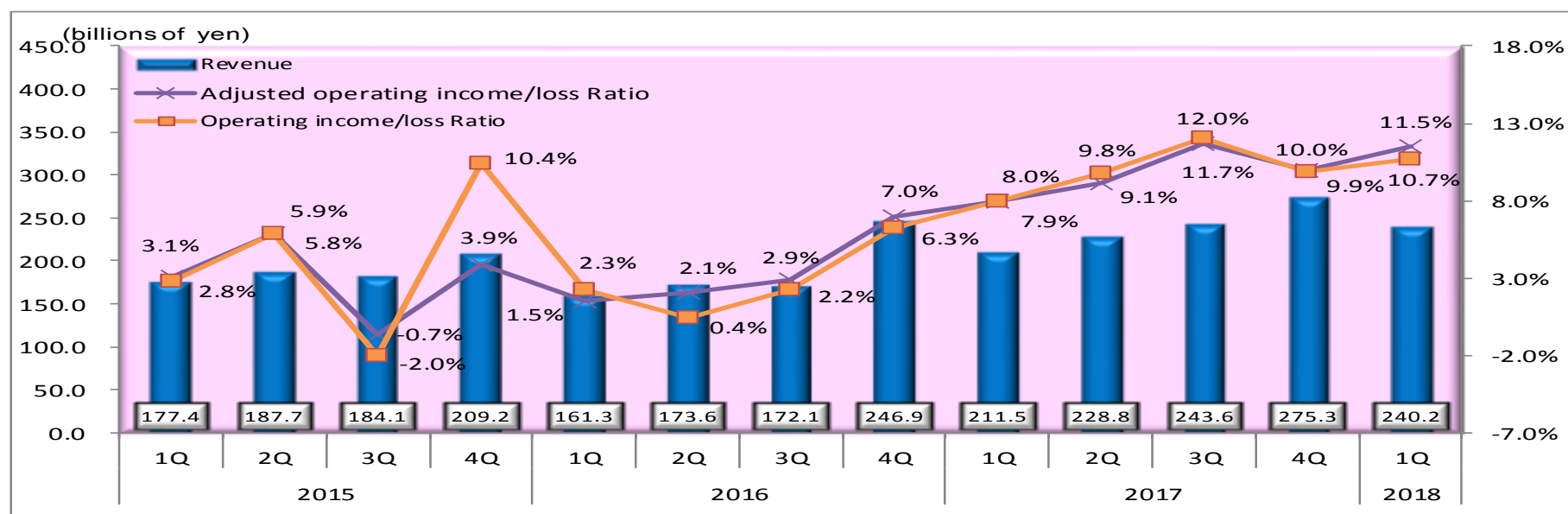
Net income attributable to owners of the parent increased by 6.2 billion yen to 15.7 billion yen compared to the previous year due to the increase in operating income etc.

(billions of yen)

	FY2018 1Q		FY2017 1Q		change	
					amount	%
Revenue		240.2		211.5	28.7	14%
Cost of Sales	(70.8%)	170.0	(73.6%)	155.6	14.4	9%
SGA expenses	(17.7%)	42.6	(18.5%)	39.1	3.5	9%
Adjusted operating income *1	(11.5%)	27.6	(7.9%)	16.8	10.8	65%
Other Income/expenses		-1.9		0.2	-2.0	-
Operating income	(10.7%)	25.7	(8.0%)	16.9	8.8	52%
Financial income/expenses		-1.0		-0.5	-0.6	127%
Share of profits of investments accounted for using the equity method		0.4		0.9	-0.6	-62%
Income before income taxes	(10.4%)	25.0	(8.2%)	17.4	7.7	44%
Income taxes		6.7		6.0	0.8	13%
Net income	(7.6%)	18.3	(5.4%)	11.4	6.9	61%
Net income attributable to owners of the parent	(6.5%)	15.7	(4.5%)	9.6	6.2	64%
Comprehensive income		14.4		14.7	-0.3	-2%

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

	2015				2016				2017				2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Revenue	177.4	187.7	184.1	209.2	161.3	173.6	172.1	246.9	211.5	228.8	243.6	275.3	240.2
Adjusted operating income/loss	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	16.8	20.9	28.4	27.5	27.6
Operating income/loss	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	16.9	22.4	29.3	27.1	25.7



FX rate	2015				2016				2017				2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Rate (YEN/US\$)	121.4	122.2	121.5	115.5	108.1	102.4	109.3	113.6	111.1	111.0	113.0	108.3	109.1
Rate (YEN/EURO)	134.2	136.0	133.0	127.2	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2	130.1
Rate (YEN/RMB)	19.6	19.3	18.9	17.6	16.5	15.4	16.0	16.6	16.2	16.6	17.1	17.1	17.1

- Total assets increased by 12.6 billion yen compared to the previous fiscal year-end by the increase in inventories despite the reduced trade receivables.
- Trade and other payables decreased by 23.9 billion yen compared to the previous fiscal year-end by the earlier payment by domestic companies.

(billions of yen)

	(A) FY18-1Q	(B) Mar '2018	(C) FY17-1Q	(A)-(B) change
Cash and cash equivalents	81.1	81.9	72.8	-0.8
Trade receivables	204.8	219.6	177.5	-14.8
Inventories	281.9	255.6	250.8	26.3
Total current assets	616.0	597.8	550.0	18.2
Total non-current assets	486.4	492.0	477.8	-5.6
Total assets	1,102.4	1,089.8	1,027.7	12.6

Trade receivables incl. non-current	246.0	261.0	211.2	-15.0
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Inventories by products

Unit	67.2	56.7	62.1	10.5
Parts	96.4	93.5	89.6	2.9
Other	118.4	105.5	99.1	12.9
Total inventories	281.9	255.6	250.8	26.3

On hand days(divided by revenue) (Days)

Trade receivables	91	99	96	-8
Inventories	104	97	114	7
Trade payables	62	71	66	-9
Net working capital	130	125	142	5

	(D) FY18-1Q	(E) Mar '2018	(F) FY17-1Q	(D)-(E) change
Trade and other payables	263.1	287.1	233.5	-23.9
Bonds and borrowings	274.4	230.7	271.2	43.7
Total current liabilities	593.4	584.8	564.3	8.6
(Equity attributable to owners of the parent ratio)	(40.9%)	(41.2%)	(39.9%)	(-0.3%)
Total equity	509.0	505.0	463.5	4.0
Total liabilities and equity	1,102.4	1,089.8	1,027.7	12.6

Interest-bearing debt	(24.9%) 274.4	(21.2%) 230.7	(26.4%) 271.2	(3.7%) 43.7
Cash and Cash equivalents	81.1	81.9	72.8	-0.8
Interest-bearing debt, net Debt	(17.5%) 193.3	(13.6%) 148.7	(19.3%) 198.3	(3.9%) 44.5

Net D/E Ratio	0.43	0.33	0.48	0.10
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- Net cash provided by (used in) operating activities was a negative 26.8 billion yen due to the increase in inventories and the decrease in trade payable despite the increase in net income and the decrease in the trade receivables.
- Free cash flow was a negative 31.6 billion yen despite the decrease in the negative of net cash provided by (used in) investing activities.

(billions of yen)

	FY2018 1Q		FY2017 1Q		change	
Net income		18.3		11.4		6.9
Depreciation and amortization	27.2	8.9	20.1	8.7	7.2	0.3
(Increase)decrease in trade/lease receivables		12.7		7.9		4.8
(Increase)decrease in inventories		-28.0		-15.0		-13.0
Increase(decrease) in trade payables	-30.2	-15.0	3.2	10.3	-33.5	-25.3
Others, net		-23.8		-13.9		-9.9
Net cash provided by (used in) operating activities		-26.8		9.4		-36.2
Cash flow margin for operating activities		-11.2%		82.4%		-93.5%
Net cash provided by (used in) investing activities		-4.8		-21.7		16.9
Free cash flows		-31.6		-12.3		-19.3
Net cash provided by (used in) financing activities		31.7		19.2		12.5

FY2018 consolidated earnings forecast remain the same as the previous forecast in consideration of the economic conditions and foreign exchange in future.

(billions of yen)

	FY2018 Forecast			FY2017 Actual	change	
					amount	%
Revenue	950.0			959.2	-9.2	-1%
Adjusted operating income	(8.8%) 84.0			(9.8%) 93.6	(-0.9%) -9.6	-10%
Operating income	(8.6%) 82.0			(10.0%) 95.7	(-1.3%) -13.7	-14%
Income before income taxes	(8.4%) 80.0			(10.0%) 95.6	(-1.5%) -15.6	-16%
Net income attributable to owners of the parent	(5.2%) 49.0			(6.3%) 60.0	(-1.1%) -11.0	-18%
EBIT	82.8			98.1	-15.4	
Currency	1Q Actual	2Q-4Q Forecast	Total Forecast	FY2017 Actual	change	
Rate (YEN/US\$)	109.1	100.0	101.9	110.9	-9.0	
Rate (YEN/EURO)	130.1	120.0	122.3	130.1	-7.8	
Rate (YEN/RMB)	17.1	15.5	15.8	16.8	-1.0	
Cash dividend per share (yen) *1	to be determined			85	-	

*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Compared with the previous year, HCM forecasts a decrease of 1% in total revenue for FY2018 despite the increase in revenue in all regions exclude the impact of foreign exchange.

(billions of yen)

	FY2018 Forecast		FY2017 Actual		change	
					amount	%
Japan	197.8	21%	193.2	20%	4.6	2%
Asia	75.6	8%	75.4	8%	0.2	0%
India	62.1	7%	65.1	7%	-3.0	-5%
Oceania	144.3	15%	151.9	16%	-7.6	-5%
Europe	103.8	11%	104.2	11%	-0.4	0%
N.America	139.0	15%	136.3	14%	2.6	2%
L.America	15.4	2%	16.1	2%	-0.7	-4%
Russia-CIS	31.0	3%	27.4	3%	3.7	13%
M.East	23.2	2%	23.1	2%	0.0	0%
Africa	40.8	4%	44.8	5%	-4.0	-9%
China	117.1	12%	121.6	13%	-4.5	-4%
Total	950.0	100%	959.2	100%	-9.2	-1%

Overseas ratio

79%

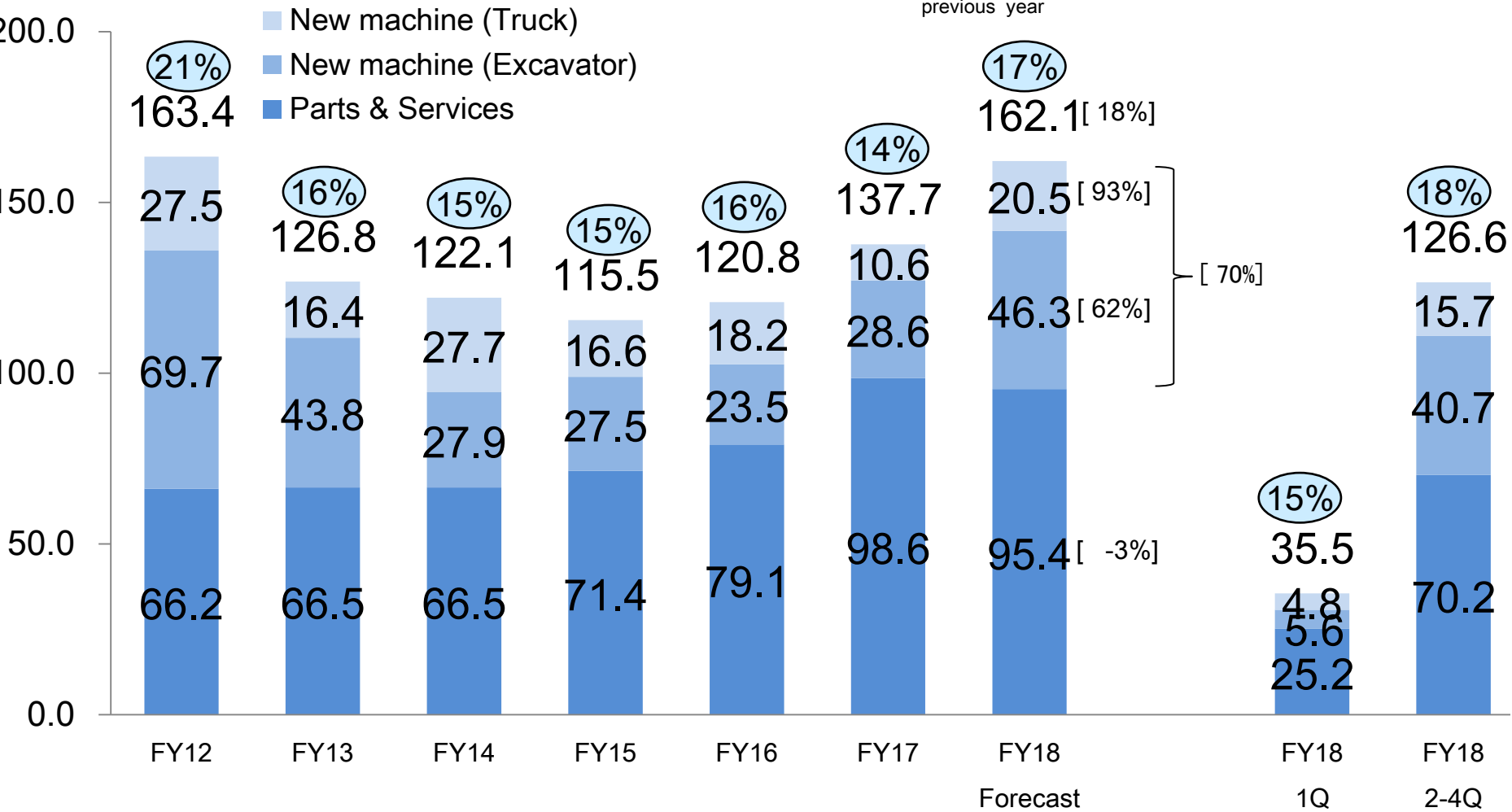
80%

HCM forecasts an increase in FY2018 sales of new machines by 70% compared to the previous year due to the sales volume increase based on the demand increase despite the strong yen appreciation of the expected exchange rate. HCM forecasts that the sales of parts and services will decrease by 3% compared to the previous year.

(billions of yen)

(%) shows sales ratio against total company sales

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



Value chain revenue forecast ^(*1)

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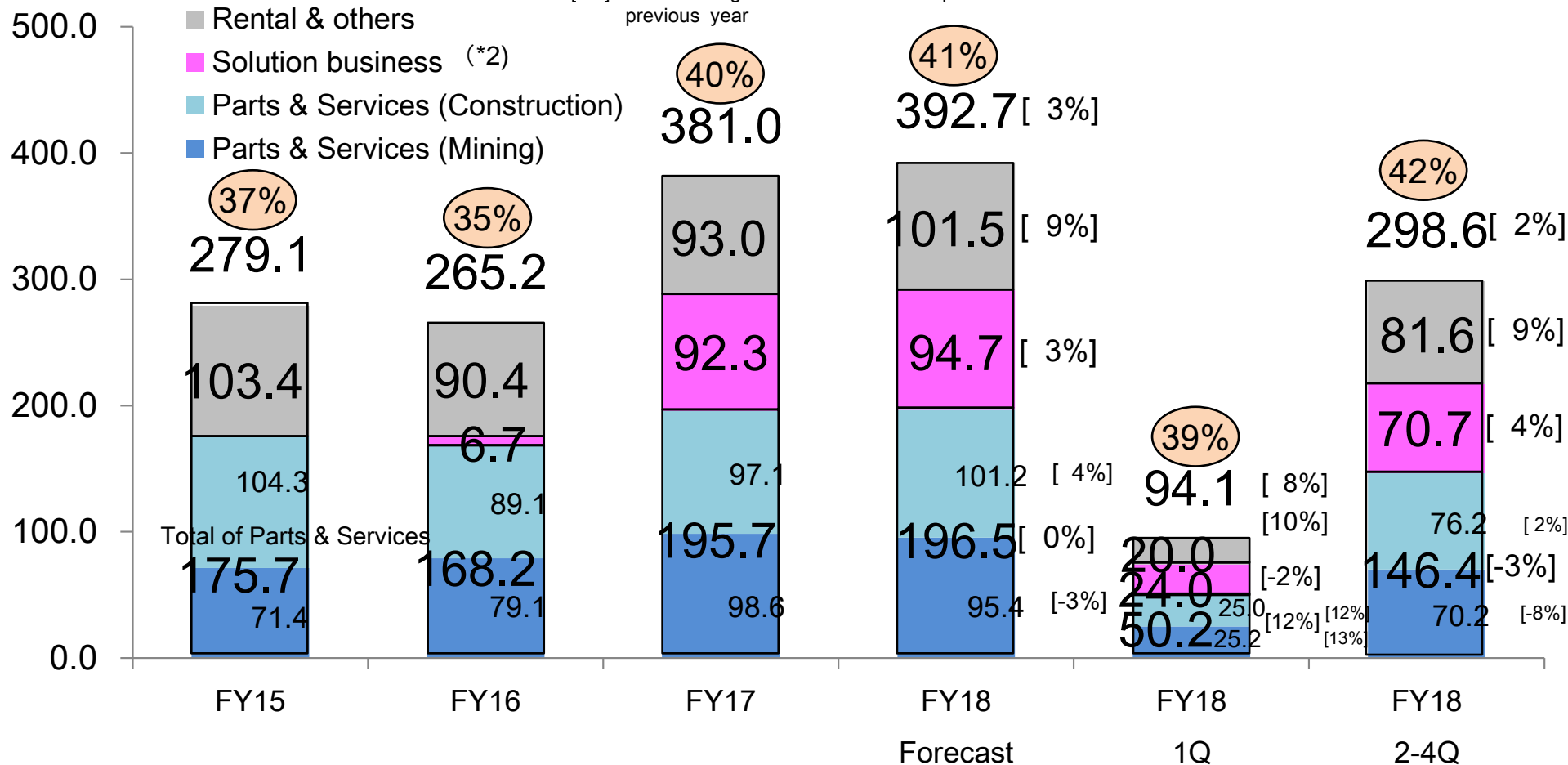
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HCM forecasts an increase in FY2018 sales of the value chain business by 3% compared to the previous year due to the increase in the revenue of the parts and services, rental and solution business despite the strong yen appreciation of the expected exchange rate.

(billions of yen)

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

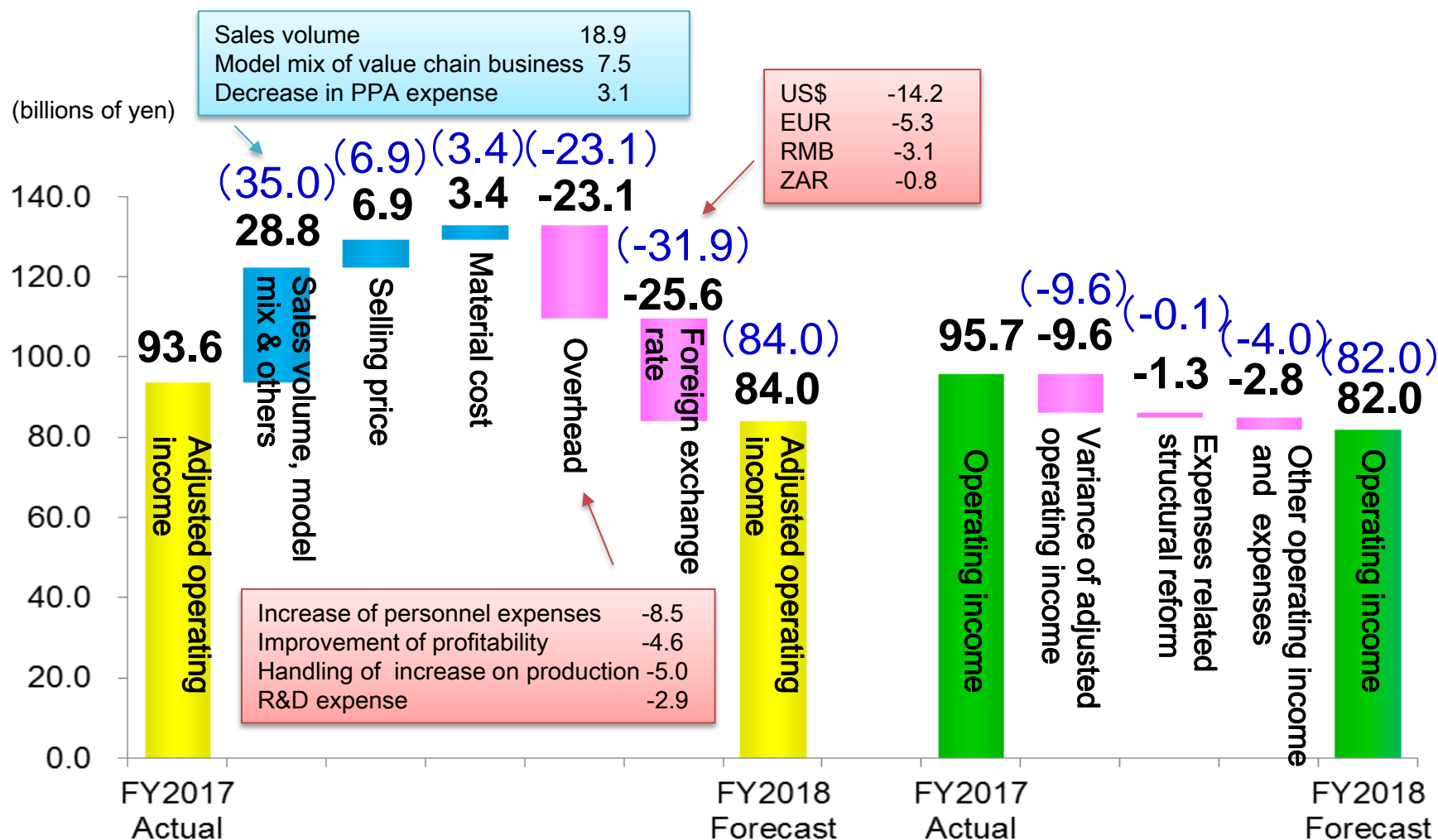


(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

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

HCM forecasts FY2018 adjusted operating income to be 84.0 billion yen due to the increase in sales volume of construction machines, despite the strong yen appreciation of the expected exchange rate and the increase in overheads.

note : () shows previous forecast as of Apr. 2018



[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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(billions of yen)

FX rate and FX sensitivity

Currency	FX rate				FX sensitivity (2Q-4Q)		
	FY18			FY17 Actual	Condition	Revenue	Adjusted operating income
	1Q Actual	2Q-4Q Forecast	Total Forecast				
US\$	109.1	100.0	101.9	110.9	Impact by 1 yen depreciation	1.5	1.2
EURO	130.1	120.0	122.3	130.1	Impact by 1 yen depreciation	0.5	0.5
RMB	17.1	15.5	15.8	16.8	Impact by 0.1 yen depreciation	0.6	0.3

<Appendix 2> Detail of mining revenue

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(billions of yen)

		FY17 Actual			FY18 Forecast			Change		
		1Q	2-4Q	Year	1Q	2-4Q	Year	1Q	2-4Q	Year
America	Excavator	3.0	10.6	13.6	2.7	9.2	11.8	-0.4	-1.4	-1.8
	Dump Truck	1.8	6.0	7.8	1.7	4.6	6.3	-0.1	-1.4	-1.5
	Total	4.8	16.6	21.4	4.4	13.8	18.1	-0.5	-2.8	-3.3
Europe, Africa and Middle East	Excavator	3.4	14.8	18.2	6.6	21.3	27.9	3.2	6.5	9.7
	Dump Truck	3.0	12.9	15.9	2.9	17.1	20.0	-0.1	4.1	4.1
	Total	6.4	27.7	34.1	9.5	38.3	47.8	3.1	10.6	13.7
Asia & Oceania	Excavator	11.4	47.3	58.7	11.8	53.8	65.6	0.4	6.5	6.9
	Dump Truck	3.9	17.1	21.1	9.6	18.3	27.8	5.6	1.1	6.8
	Total	15.3	64.4	79.8	21.4	72.1	93.4	6.1	7.6	13.7
China	Excavator	0.3	1.6	1.9	0.1	1.2	1.4	-0.2	-0.3	-0.5
	Dump Truck	0.0	0.0	0.1	0.0	0.1	0.2	-0.0	0.1	0.1
	Total	0.3	1.6	2.0	0.2	1.4	1.5	-0.2	-0.2	-0.4
Japan	Excavator	0.3	0.2	0.5	0.1	1.0	1.1	-0.2	0.9	0.7
	Dump Truck	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total	0.3	0.2	0.5	0.1	1.0	1.1	-0.2	0.9	0.7
Total	Excavator	18.5	74.5	92.9	21.3	86.5	107.9	2.9	12.1	14.9
	Dump Truck	8.7	36.1	44.8	14.2	40.1	54.3	5.5	4.0	9.5
	Total	27.2	110.6	137.7	35.5	126.6	162.1	8.3	16.0	24.4

<Appendix 3> Segment information

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(billions of yen)

< Actual > FY2018 1Q	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	216.5	24.1	-0.4	240.2
Adjusted operating income	12.2% 26.4	6.3% 1.5	-	11.6% 27.9
Amortization of PPA		-0.3		-0.3
Adjusted operating income (After amortization of PPA)	12.2% 26.4	4.9% 1.2	-	11.5% 27.6

(billions of yen)

< Forecast > FY2018	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	855.6	94.8	-0.4	950.0
Adjusted operating income	9.0% 77.0	8.9% 8.5	-	9.0% 85.5
Amortization of PPA		-1.5		-1.5
Adjusted operating income (After amortization of PPA)	9.0% 77.0	7.4% 7.0	-	8.8% 84.0

PPA = Purchase Price Allocation

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

Major impacts on the consolidated income statement which was disclosed in the 1Q of previous fiscal year are as follows: adjusted operating income decreased by 3.6 billion yen, net income attributable to owners of the parent decreased by 2.4 billion yen, and comprehensive income decreased by 2.4 billion yen.

			(billions of yen)	
			change	
	FY2018 1Q	FY2017 1Q	amount	%
Revenue	240.2	211.5	28.7	14%
Cost of Sales	(70.8%) 170.0	(74.9%) 158.3	11.7	7%
SGA expenses	(17.7%) 42.6	(18.9%) 40.0	2.7	7%
Adjusted operating income *1	(11.5%) 27.6	(6.2%) 13.2	14.4	109%
Other Income/expenses	-1.9	0.2	-2.0	-
Operating income	(10.7%) 25.7	(6.3%) 13.4	12.3	92%
Financial income/expenses	-1.0	-0.5	-0.6	127%
Share of profits of investments accounted for using the equity method	0.4	0.9	-0.6	-62%
Income before income taxes	(10.4%) 25.0	(6.5%) 13.8	11.2	81%
Income taxes	6.7	4.9	1.9	38%
Net income	(7.6%) 18.3	(4.2%) 9.0	9.3	104%
Net income attributable to owners of the parent	(6.5%) 15.7	(3.4%) 7.1	8.6	121%
Comprehensive income	14.4	12.3	2.2	18%

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