

Business Results for the Third Quarter ended December 31, 2018

January 30, 2019

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

Summary of consolidated results

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HCM retroactively adjusted the income statement in the previous year due to the completion of purchase price allocation (PPA) during fiscal year 2017 ended March 31, 2018. The impacts of PPA include -0.3 billion yen on adjusted operating income, operating income, and quarterly income before income taxes and -0.2 billion on net income attributable to owners of the parent. There is no retroactive adjustment on the income statement for FY 2017 ended March 31, 2018. (For details, see Appendices 1 and 2.)

(billions of yen)

		FY2018 1Q-3Q	FY2017 1Q-3Q	change
Revenue		743.2	683.9	9%
Adjusted operating income *1		11.5% 85.1	9.6% 65.8	29%
Operating income		10.9% 81.3	10.0% 68.3	19%
Income before income taxes		10.6% 78.9	10.1% 68.9	14%
Net income attributable to owners of the parent		6.9% 51.3	6.2% 42.7	20%
EBIT *2		10.9% 81.0	10.4% 71.0	14%
FX rate	Rate (YEN/US\$)	111.3	111.8	-0.5
	Rate (YEN/EURO)	129.5	128.4	1.1
	Rate (YEN/RMB)	16.7	16.7	0.0
	Rate (YEN/AU\$)	81.7	85.9	-4.2

*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 by geographic region (consolidated) ②

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- Revenue increased by 20% or 20.9 billion yen in North America year on year, and by 14% or 15.3 billion yen in Oceania year on year.
- The overseas revenue ratio increased by 1 point year on year to 80%.

(billions of yen)

	FY2018 1Q-3Q		FY2017 1Q-3Q		change	
					amount	%
Japan	145.5	20%	142.3	21%	3.2	2%
Asia	62.5	8%	54.9	8%	7.6	14%
India	49.7	7%	45.6	7%	4.1	9%
Oceania	126.0	17%	110.6	16%	15.3	14%
Europe	76.7	10%	71.2	10%	5.6	8%
N.America	124.2	17%	103.3	15%	20.9	20%
L.America	13.0	2%	11.7	2%	1.4	12%
Russia-CIS	24.3	3%	20.0	3%	4.3	22%
M.East	9.0	1%	11.8	2%	-2.8	-24%
Africa	29.8	4%	34.2	5%	-4.5	-13%
China	82.4	11%	78.3	11%	4.1	5%
Total	743.2	100%	683.9	100%	59.3	9%

Overseas ratio 80%

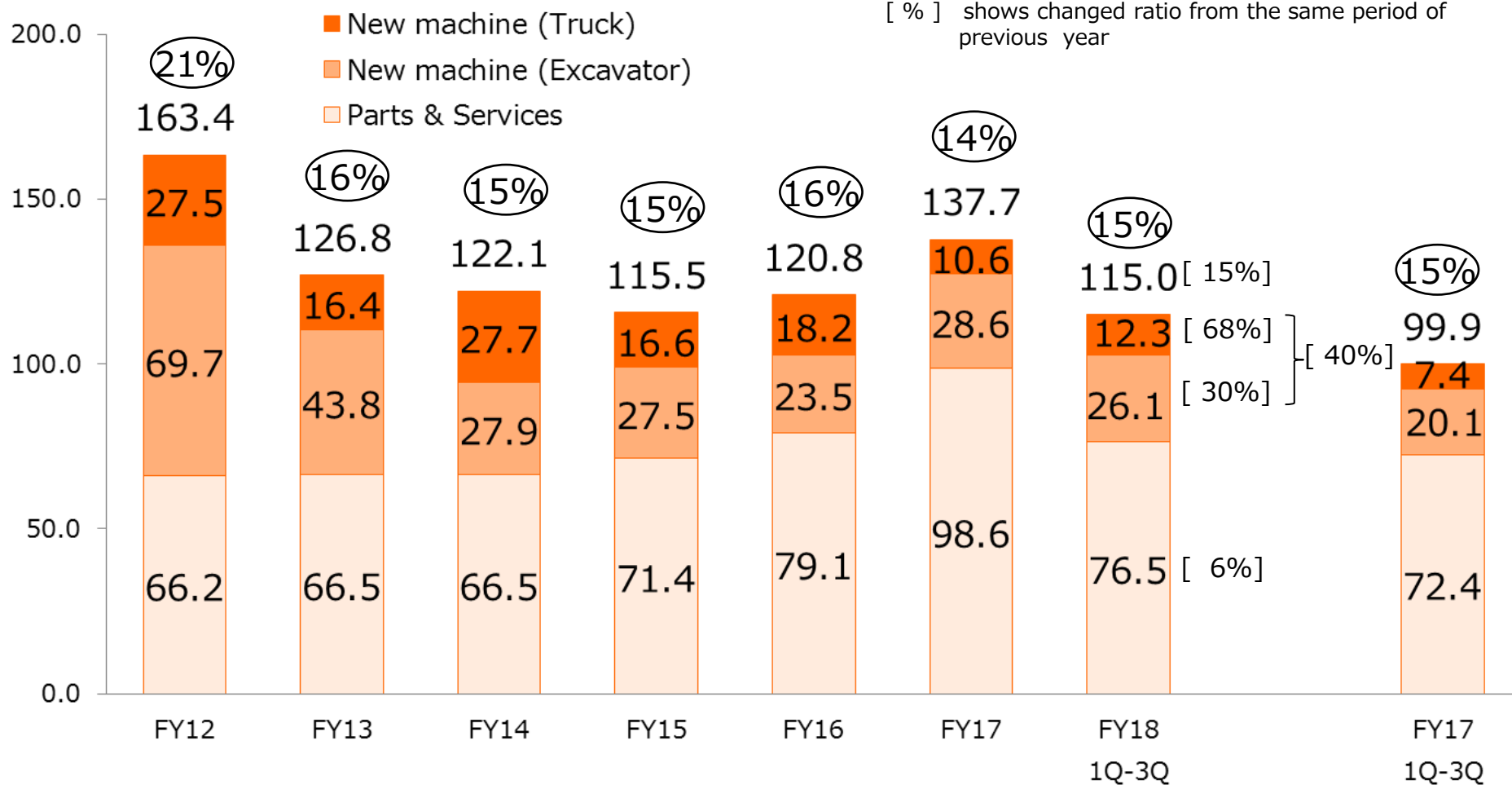
79%

■ Revenue of mining in FY2018 3Q increased by 15% year on year (new machines increased by 40% and parts & services increased by 6%).

(billions of yen)

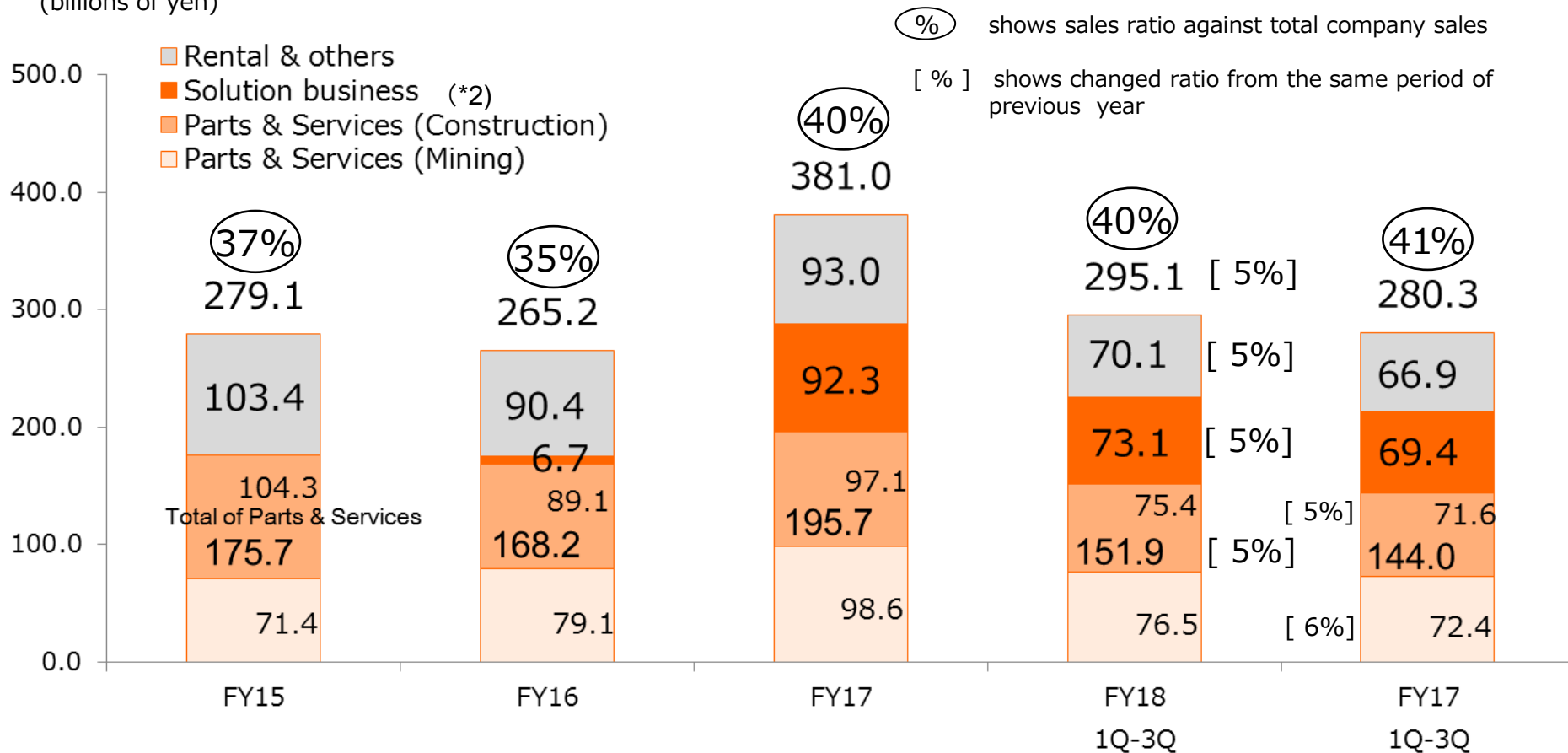
(%) shows sales ratio against total company sales

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



■ Revenue of value chain business in FY2018 3Q increased by 5% or 14.9 billion yen year on year.

(billions of yen)



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

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

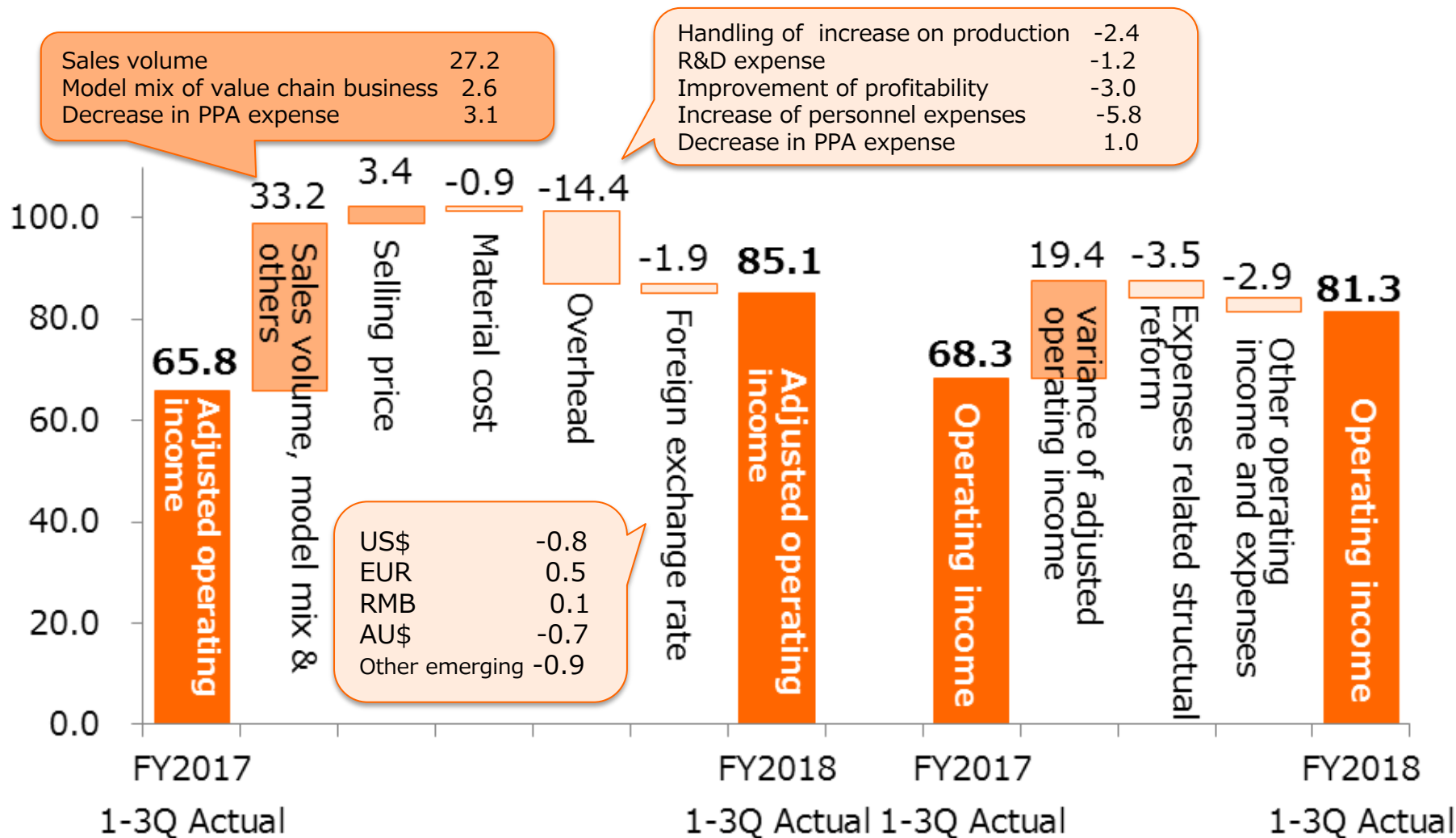
Comparison of consolidated profit & loss

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■ Adjusted operating income increased by 19.4 billion yen year on year mainly due to the increased sales volume.



- Revenue increased by 9% compared to the previous year due to the increase in sales volume.
- Adjusted operating income increased by 29%.

(billions of yen)

	FY2018 1Q-3Q		FY2017 1Q-3Q		change	
					amount	%
Revenue		743.2		683.9	59.3	9%
Cost of Sales	(70.7%)	525.3	(72.5%)	496.2	29.1	6%
SGA expenses	(17.9%)	132.8	(17.8%)	122.0	10.8	9%
Adjusted operating income *1	(11.5%)	85.1	(9.6%)	65.8	19.4	29%
Other Income/expenses		-3.8		2.6	-6.3	-
Operating income	(10.9%)	81.3	(10.0%)	68.3	13.0	19%
Financial income/expenses		-5.5		-2.3	-3.2	141%
Share of profits of investments accounted for using the equity method		3.0		2.9	0.2	6%
Income before income taxes	(10.6%)	78.9	(10.1%)	68.9	10.0	14%
Income taxes		20.9		20.1	0.8	4%
Net income	(7.8%)	57.9	(7.1%)	48.8	9.2	19%
Net income attributable to owners of the parent	(6.9%)	51.3	(6.2%)	42.7	8.6	20%
Comprehensive income		43.9		66.2	-22.3	-34%

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

Summary of quarterly consolidated revenue and operating income/loss (ratio)

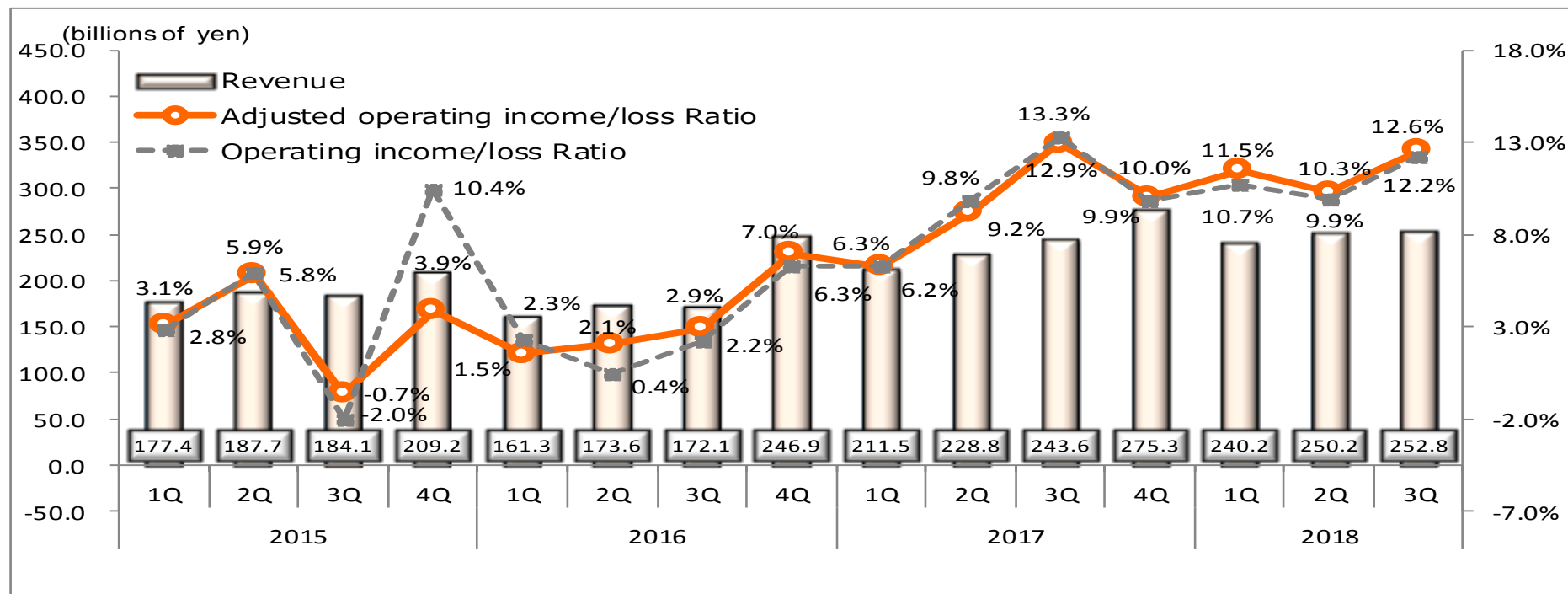
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(billions of yen)

	2015				2016				2017				2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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	250.2	252.8
Adjusted operating income/loss	5.5	11.0	-1.2	8.1	2.4	3.6	5.0	17.3	13.2	21.0	31.5	27.5	27.6	25.8	31.8
Operating income/loss	4.9	11.1	-3.8	21.8	3.7	0.7	3.8	15.5	13.4	22.5	32.4	27.1	25.7	24.8	30.8



FX rate	2015				2016				2017				2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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	111.5	112.9
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	129.6	128.8
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	16.4	16.3
Rate (YEN/AU\$)	94.4	88.8	87.4	83.2	80.6	77.6	81.9	86.2	83.4	87.6	86.8	85.3	82.6	81.5	81.1

- Trade receivables including non-current decreased by 15.9 billion yen compared to the previous fiscal year-end.
- Inventories increased by 70.3 billion yen compared to the previous fiscal year-end.

(billions of yen)

	(A) FY18-3Q	(B) Mar '2018	(C) FY17-3Q	(A)-(B) change
Cash and cash equivalents	59.7	81.9	82.6	-22.2
Trade receivables	204.8	219.6	200.2	-14.8
Inventories	325.9	255.6	273.7	70.3
Total current assets	645.0	597.8	609.1	47.2
Total non-current assets	497.6	492.0	500.7	5.6
Total assets	1,142.6	1,089.8	1,109.8	52.8
Trade receivables incl. non-current	245.1	261.0	238.7	-15.9

	(D) FY18-3Q	(E) Mar '2018	(F) FY17-3Q	(D)-(E) change
Trade and other payables	250.4	287.1	265.5	-36.7
Bonds and borrowings	307.1	230.7	262.0	76.4
Total current liabilities	615.5	584.8	604.0	30.7
(Equity attributable to owners of the parent ratio)	(41.0%)	(41.2%)	(40.4%)	(-0.2%)
Total equity	527.2	505.0	505.8	22.1
Total liabilities and equity	1,142.6	1,089.8	1,109.8	52.8

Inventories by products

Unit	99.4	56.7	69.2	42.7
Parts	101.7	93.5	93.9	8.2
Raw materials, WIP and etc	124.9	105.5	110.6	19.4
Total inventories	325.9	255.6	273.7	70.3

On hand days(divided by net sales) (Days)

Trade receivables	88	99	94	-11
Inventories	117	97	107	20
Trade payables	54	71	69	-17
Net working capital	147	125	131	22

	(26.9%)	(21.2%)	(23.6%)	(5.7%)
Interest-bearing debt	307.1	230.7	262.0	76.4
Cash and Cash equivalents	59.7	81.9	82.6	-22.2
Net interest-bearing debt	(21.7%)	(13.6%)	(16.2%)	(8.0%)
Debt	247.4	148.7	179.4	98.7

Net D/E Ratio	0.53	0.33	0.40	0.20
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■ Net cash provided by (used in) operating activities was a negative 49.2 billion yen due to the increase in inventories and the decrease in trade payables by the earlier payment to a particular supplier domestically.

(billions of yen)

	FY2018 1Q-3Q		FY2017 1Q-3Q		change	
Net income		57.9		48.8		9.2
Depreciation and amortization	85.3	27.4	77.2	28.4	8.2	-1.0
(Increase)decrease in trade/lease receivables		8.0		-11.3		19.3
(Increase)decrease in inventories		-78.9		-33.1		-45.8
Increase(decrease) in trade payables	-98.6	-27.7	-9.7	34.7	-88.9	-62.4
Others, net		-35.9		-20.2		-15.7
Net cash provided by (used in) operating activities		-49.2		47.3		-96.5
Cash flow margin for operating activities		-6.6%		6.9%		-13.5%
Net cash provided by (used in) investing activities		-19.8		-29.4		9.6
Free cash flows		-69.0		17.9		-86.9
Net cash provided by (used in) financing activities		49.7		-3.7		53.4

Summary of consolidated earnings forecast

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■ HCM forecasts a FY2018 consolidated income statement with an upward-corrected revenue by 20.0 billion yen and adjusted operating income of 9.0 billion yen against the previous forecast due to the increased sales volume in 3Q and reflecting the impact of the depreciating trend of the Japanese yen on foreign exchange rates.

note : < > shows previous forecast as of October 2018□

(billions of yen)

	FY2018 Forecast		FY2017 Actual	change	
				amount	%
Revenue	<980.0>	1,000.0	959.2	40.8	4%
Adjusted operating income	<9.3%> <91.0>	(10.0%) 100.0	(9.8%) 93.6	(0.2%) 6.4	7%
Operating income	<8.8%> <86.0>	(9.4%) 94.0	(10.0%) 95.7	(-0.6%) -1.7	-2%
Income before income taxes	<8.6%> <84.0>	(9.2%) 92.0	(10.0%) 95.6	(-0.8%) -3.6	-4%
Net income attributable to owners of the parent	<5.2%> <51.0>	(5.8%) 58.0	(6.3%) 60.0	(-0.5%) -2.0	-3%

EBIT	<86.6>	94.9	98.1	-3.2
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Currency	1Q-3Q Actual	4Q Forecast	Total Forecast	FY2017 Actual	change
Rate (YEN/US\$)	111.3	100.0	107.9	110.9	-2.9
Rate (YEN/EURO)	129.5	120.0	126.6	130.1	-3.5
Rate (YEN/RMB)	16.7	15.5	16.2	16.8	-0.6
Rate (YEN/AU\$)	81.7	79.0	81.0	85.7	-4.7

For FX sensitivity, please refer to appendix 3.

Cash dividend per share (yen) *1	to be determined	85	-
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*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 an increase in total revenue for FY2018 due to the increase in revenue in all regions except M. East excluding the impact of foreign exchange.

(billions of yen)

	FY2018 Forecast		FY2017 Actual		change	
					amount	%
Japan	194.2	19%	193.2	20%	1.0	1%
Asia	86.0	9%	75.4	8%	10.6	14%
India	63.6	6%	65.1	7%	-1.5	-2%
Oceania	162.4	16%	151.9	16%	10.5	7%
Europe	106.3	11%	104.2	11%	2.1	2%
N.America	161.7	16%	136.3	14%	25.4	19%
L.America	16.1	2%	16.1	2%	-0.0	-0%
Russia-CIS	33.9	3%	27.4	3%	6.5	24%
M.East	11.3	1%	23.1	2%	-11.9	-51%
Africa	41.9	4%	44.8	5%	-3.0	-7%
China	122.6	12%	121.6	13%	1.0	1%
Total	1,000.0	100%	959.2	100%	40.8	4%

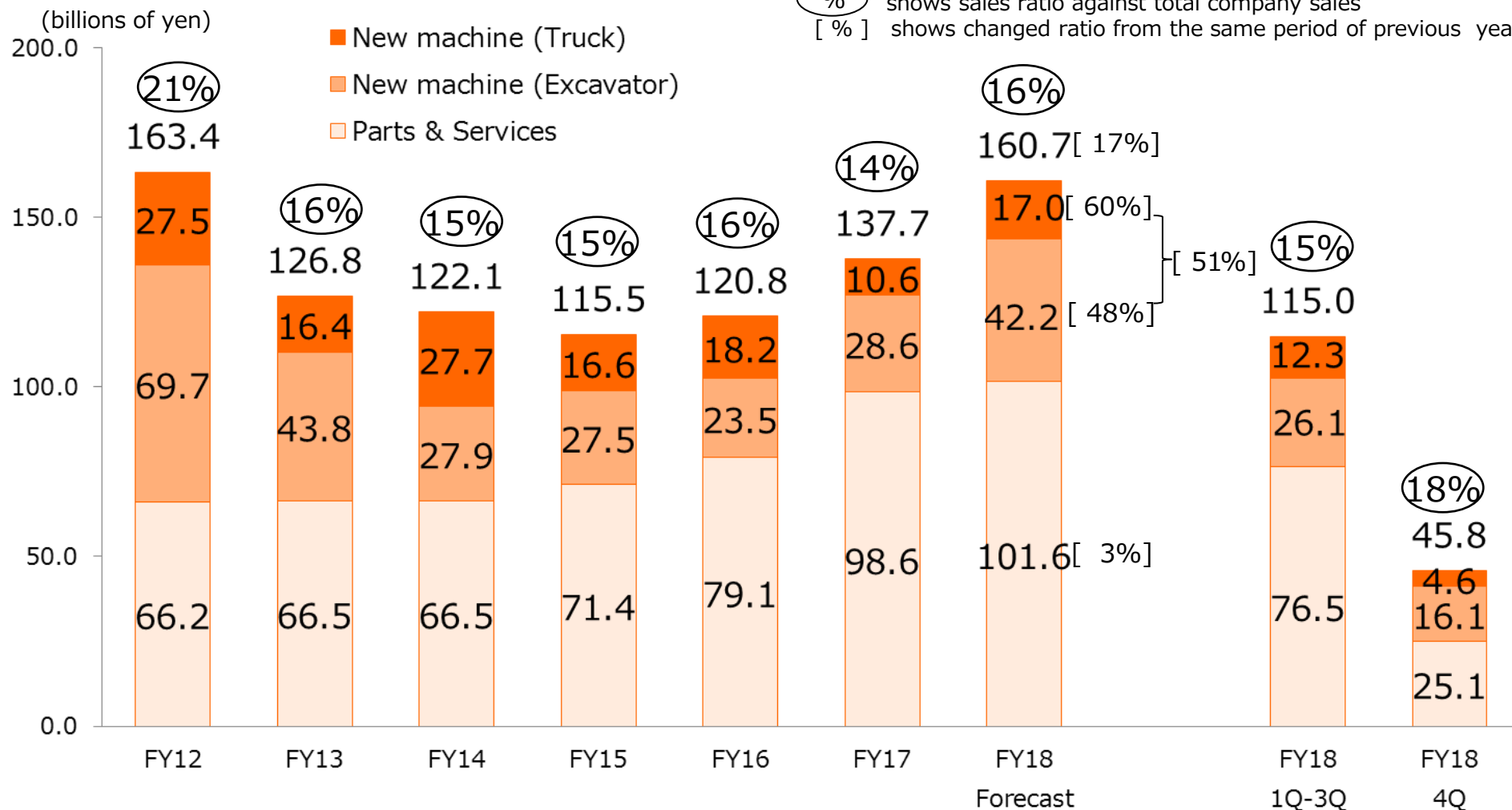
Overseas ratio

81%

80%

■ HCM forecasts an increase in FY2018 sales of new machines and parts & services by 51% and 3%, and mining business total by 17% compared to the previous year due to the sales volume increase based on demand increase despite the strong yen appreciation of the expected exchange rate.

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



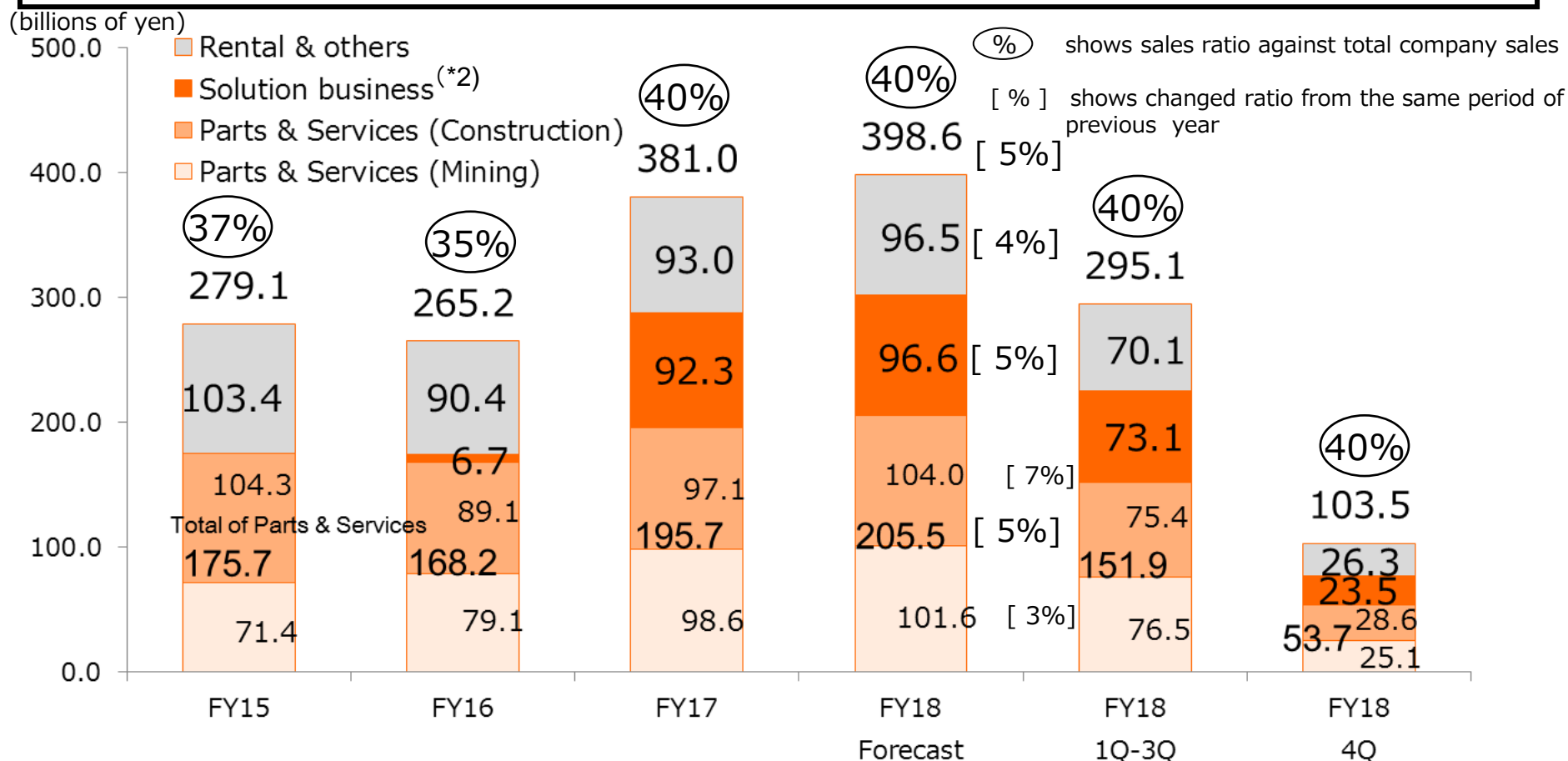
Value chain revenue forecast^{(*)1}

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■ HCM forecasts an increase in FY2018 sales of value chain business by 5% compared to the previous year due to the increase in the revenue of solution business, parts & services, and rental business despite the strong yen appreciation of the expected exchange rate.

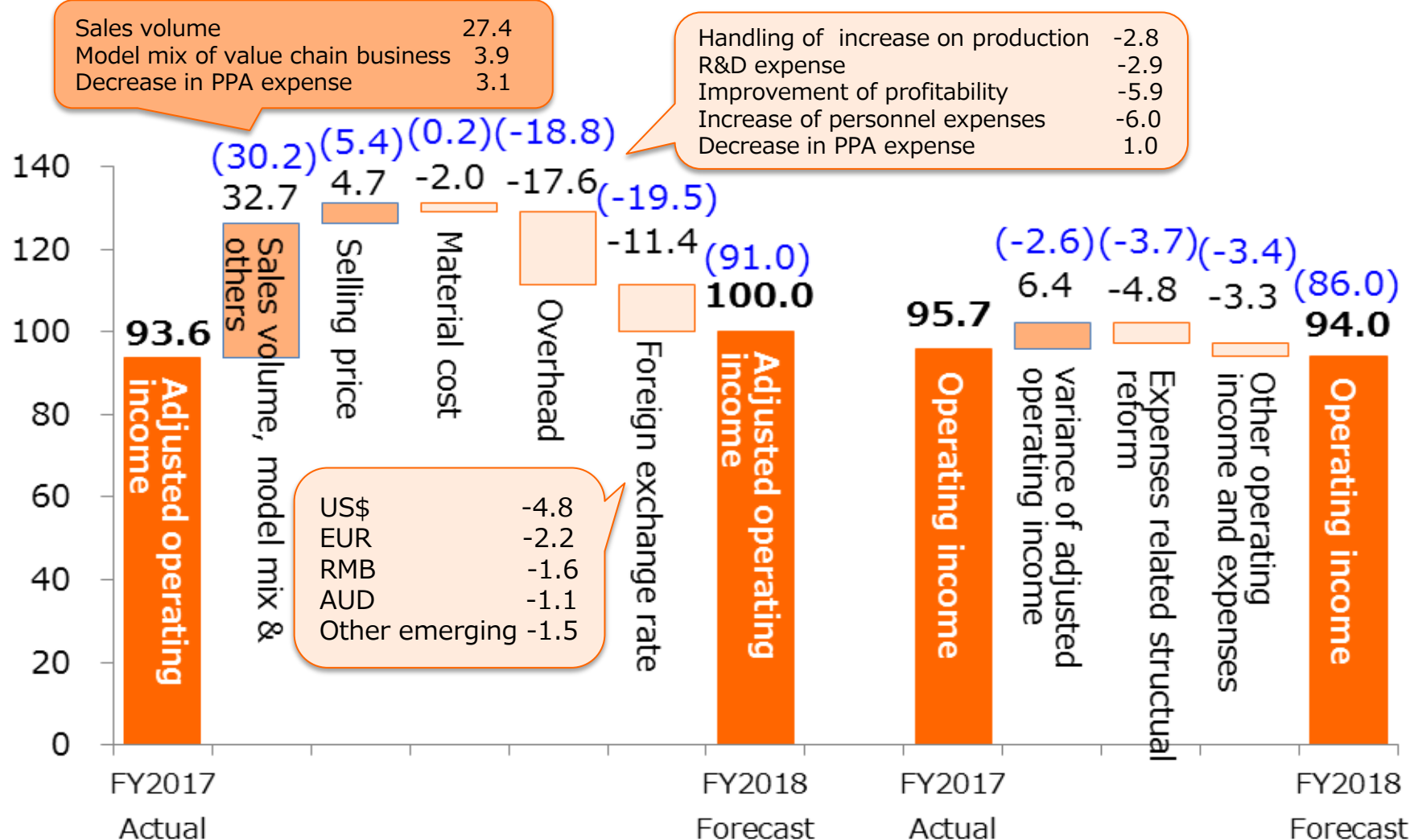


(*)1 Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*)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 100.0 billion yen due to the increase in the 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 Oct. 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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Public Relations Strategy office

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<Appendix 1> Retroactive adjustment by completion of PPA in the consolidated statement of income on FY2017

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HCM recognized the amortization based on the asset book value of the company as that of acquisition under IFRS because the process of the purchase price allocation (PPA) of the acquired company takes time. After the completion of PPA, HCM needs to retroactively recognize the difference between the amortization based on the PPA amount and the provisional amortization in the previous fiscal year.

■ Retroactive adjustment of adjusted operating income on FY 2017

① Depreciation (Amortization) on PPA in the quarterly FY2017

(billions of yen)

The account item	Assets of evaluation	FY2017 1Q	FY2017 1Q-2Q	FY2017 1Q-3Q	FY2017
Cost of Sales	Inventories	2.7	3.1	3.1	3.1
SGA expenses	Property, plant and equipment	0.1	0.2	0.3	0.4
	Intangibles	0.7	1.2	1.6	1.9
Total		3.6	4.5	5.0	5.4

② Depreciation (Amortization) on PPA of the provisional accounting treatment in the quarterly FY2017

The account item	Assets of evaluation	FY2017 1Q	FY2017 1Q-2Q	FY2017 1Q-3Q	FY2017
Cost of Sales	Inventories	—	0.7	3.1	3.1
SGA expenses	Property, plant and equipment	—	—	—	0.4
	Intangibles	—	0.4	1.6	1.9
Total		—	1.1	4.8	5.4

※For the gray parts, Depreciation (Amortization) of PPA is not reflected in the consolidated statement of income due to the calculation of PPA has not completed.

③ Retroactive adjustment of adjusted operating income on FY 2017 (③=①-②)

The account item	Assets of evaluation	FY2017 1Q	FY2017 1Q-2Q	FY2017 1Q-3Q	FY2017
Cost of Sales	Inventories	2.7	2.4	—	—
SGA expenses	Property, plant and equipment	0.1	0.2	0.3	—
	Intangibles	0.7	0.8	—	—
Total		3.6	3.4	0.3	—

<Appendix 2> Consolidated statement of income before completion of PPA and the retroactive adjustment of PPA

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Shows a comparison between the consolidated statement of income before the completion of PPA in the third quarter of FY2017 announced in January 2018 and the consolidated statement of income for the third quarter of FY2018. Details of the retroactive adjustment of PPA are as follows.

		[Announced this time]		[Please refer to appendix 1]		[Announced in January 29, 2018]		(billions of yen)	
	FY2018 1Q-3Q		FY2017 1Q-3Q (After PPA completion)		Adjustment	FY2017 1Q-3Q (Before PPA completion)		change	
								amount	%
Revenue		743.2		683.9	0.0		683.9	59.3	9%
Cost of Sales	(70.7%)	525.3	(72.5%)	496.2	0.0	(72.5%)	496.2	29.1	6%
SGA expenses	(17.9%)	132.8	(17.8%)	122.0	0.3	(17.8%)	121.7	11.1	9%
Adjusted operating income *1	(11.5%)	85.1	(9.6%)	65.8	0.3	(9.7%)	66.0	19.1	29%
Other Income/expenses		-3.8		2.6	0.0		2.6	-6.3	-
Operating income	(10.9%)	81.3	(10.0%)	68.3	0.3	(10.0%)	68.6	12.7	19%
Financial income/expenses		-5.5		-2.3	0.0		-2.3	-3.2	141%
Share of profits of investments accounted for using the equity method		3.0		2.9	0.0		2.9	0.2	6%
Income before income taxes	(10.6%)	78.9	(10.1%)	68.9	0.3	(10.1%)	69.2	9.7	14%
Income taxes		20.9		20.1	-0.1		20.2	0.7	4%
Net income	(7.8%)	57.9	(7.1%)	48.8	0.2	(7.2%)	49.0	9.0	18%
Net income attributable to owners of the parent		0.0			0.0				
	(6.9%)	51.3	(6.2%)	42.7	0.2	(6.3%)	42.9	8.4	20%
Comprehensive income		43.9		66.2	0.2		66.4	-22.6	-34%

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

<Appendix 3> FX rate and FX sensitivity

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(billions of yen)

FX rate and FX sensitivity

Currency	FX rate				FX sensitivity (4Q)		
	FY18			FY17 Actual	Condition	Revenue	Adjusted operating income
	1Q-3Q Actual	4Q Forecast	Total Forecast				
US\$	111.3	100.0	107.9	110.9	Impact by 1 yen depreciation	0.6	0.4
EURO	129.5	120.0	126.6	130.1	Impact by 1 yen depreciation	0.2	0.2
RMB	16.7	15.5	16.2	16.8	Impact by 0.1 yen depreciation	0.3	0.1
AU\$	81.7	79.0	81.0	85.7	Impact by 1 yen depreciation	0.6	0.1

<Appendix 4> Detail of mining revenue

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(billions of yen)

		FY17 Actual			FY18 Forecast			Change		
		1-3Q	4Q	Year	1-3Q	4Q	Year	1-3Q	4Q	Year
America	Excavator	10.6	3.0	13.6	9.8	4.5	14.3	-0.8	1.5	0.7
	Dump Truck	5.8	1.9	7.8	5.6	1.2	6.8	-0.2	-0.8	-1.0
	Total	16.5	5.0	21.4	15.5	5.6	21.1	-1.0	0.7	-0.3
Europe, Africa and Middle East	Excavator	13.4	4.8	18.2	17.5	7.8	25.4	4.1	3.0	7.2
	Dump Truck	12.4	3.5	15.9	10.7	6.2	16.9	-1.7	2.7	1.0
	Total	25.8	8.3	34.1	28.3	14.0	42.2	2.4	5.7	8.1
Asia & Oceania	Excavator	41.9	16.8	58.7	45.4	20.5	65.9	3.5	3.7	7.2
	Dump Truck	14.3	6.8	21.1	24.2	5.4	29.6	9.9	-1.4	8.5
	Total	56.2	23.6	79.8	69.5	25.9	95.4	13.4	2.3	15.7
China	Excavator	1.0	0.9	1.9	0.7	0.2	0.9	-0.3	-0.7	-1.0
	Dump Truck	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
	Total	1.1	0.9	2.0	0.8	0.2	1.0	-0.2	-0.7	-0.9
Japan	Excavator	0.3	0.2	0.5	0.9	0.1	0.9	0.5	-0.1	0.5
	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	0.9	0.1	0.9	0.5	-0.1	0.5
Total	Excavator	67.2	25.7	92.9	74.3	33.1	107.4	7.1	7.4	14.4
	Dump Truck	32.6	12.2	44.8	40.7	12.7	53.4	8.0	0.5	8.6
	Total	99.9	37.9	137.7	115.0	45.8	160.7	15.1	7.9	23.0

<Appendix 5> Segment information

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The amortizations of PPA are included in the adjusted operating income of the solution business. The amount of 0.9 billion yen is included in the third quarter of FY2018, and the 1.3 billion yen forecast for FY2018.

(billions of yen)

<Actual> FY2018 1Q-3Q	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	670.1	73.6	-0.5	743.2
Adjusted operating income	12.0% 80.6	6.2% 4.5	-	11.5% 85.1

(billions of yen)

<Forecast> FY2018	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	903.5	97.0	-0.5	1,000.0
Adjusted operating income	10.4% 93.6	6.6% 6.4	-	10.0% 100.0

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