

Business Results for FY2018 (April 1,2018-March 31,2019)

April 24, 2019

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

Summary of consolidated results

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- Revenue increased by 8% to 1,033.7 billion yen compared to the previous year due to the increase in sales volume.
- Adjusted operating income and net income attributable to the owners of the parent were the record highest level ever.

note: < > shows previous forecast as of Jan 2019

(billions of yen)

		FY2018 Actual		FY2017 Actual		change
Revenue <1,000.0>		1,033.7		959.2		8%
Adjusted operating income *1 <100.0>		(11.3%)	116.8	(9.8%)	93.6	25%
Operating income <94.0>		(9.9%)	102.3	(10.0%)	95.7	7%
Income before income taxes <92.0>		(9.9%)	102.7	(10.0%)	95.6	7%
Net income attributable to owners of the parent <58.0>		(6.6%)	68.5	(6.3%)	60.0	14%
EBIT *2 <94.9>		(10.2%)	105.6	(10.2%)	98.1	8%
FX rate	Rate (YEN/US\$) <107.9>	111.0		110.9		0.1
	Rate (YEN/EURO) <126.6>	127.9		130.1		-2.2
	Rate (YEN/RMB) <16.2>	16.6		16.8		-0.2
	Rate (YEN/AU\$) <81.0>	80.9		85.7		-4.8
Cash dividend per share (yen) *3 <TBD>		100		85		15

*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": 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.

Revenue by geographic region (consolidated) ②

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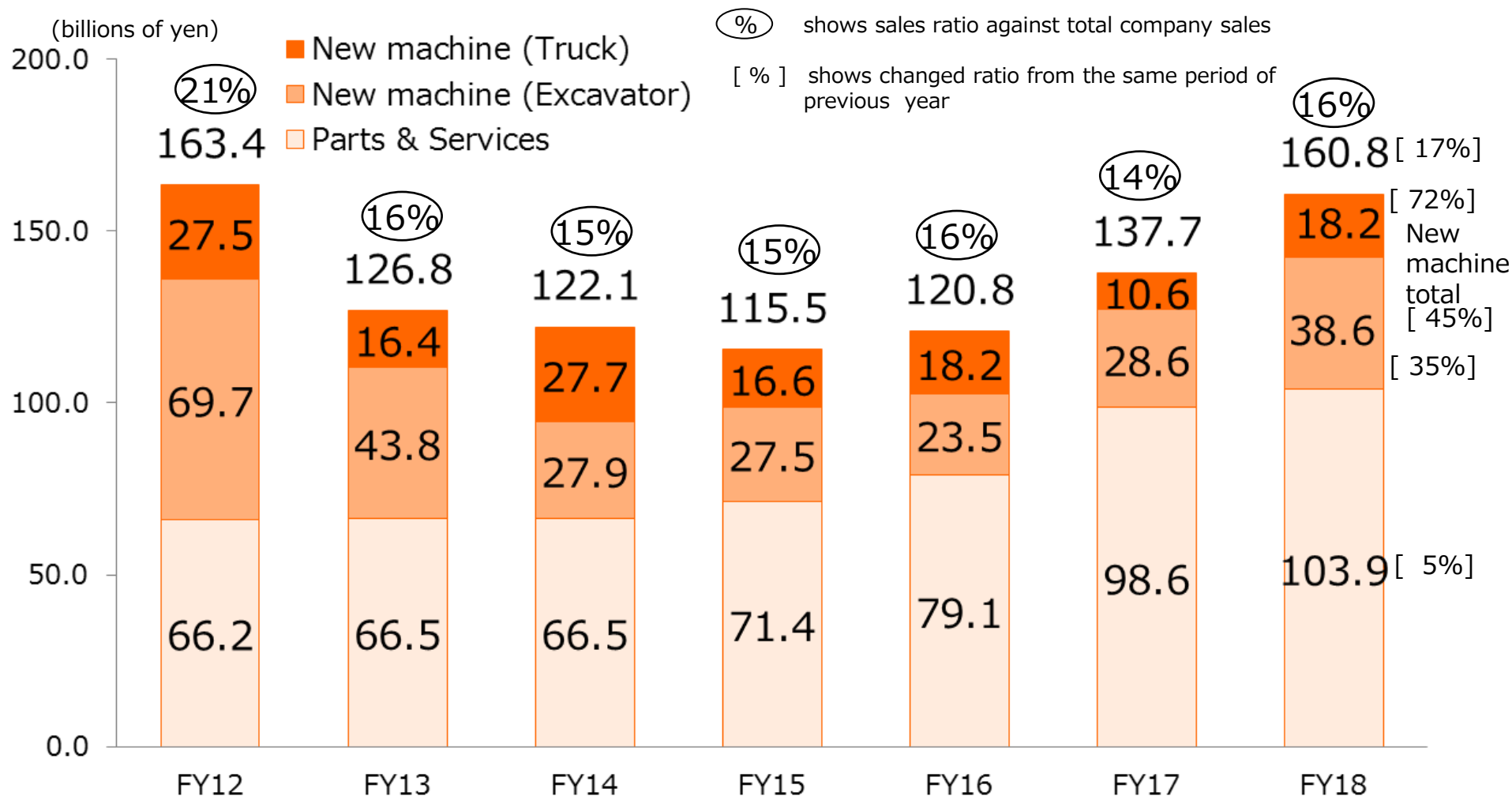
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- Revenue for FY2018 increased in all regions except for in the Middle East and China, excluding the impact of foreign exchange.
- Total revenue increased by 74.6 billion yen compared to the previous year. The factors were the strong appreciation of the yen resulting in -27 billion yen and an increase in sales volume of 101.6 billion yen.

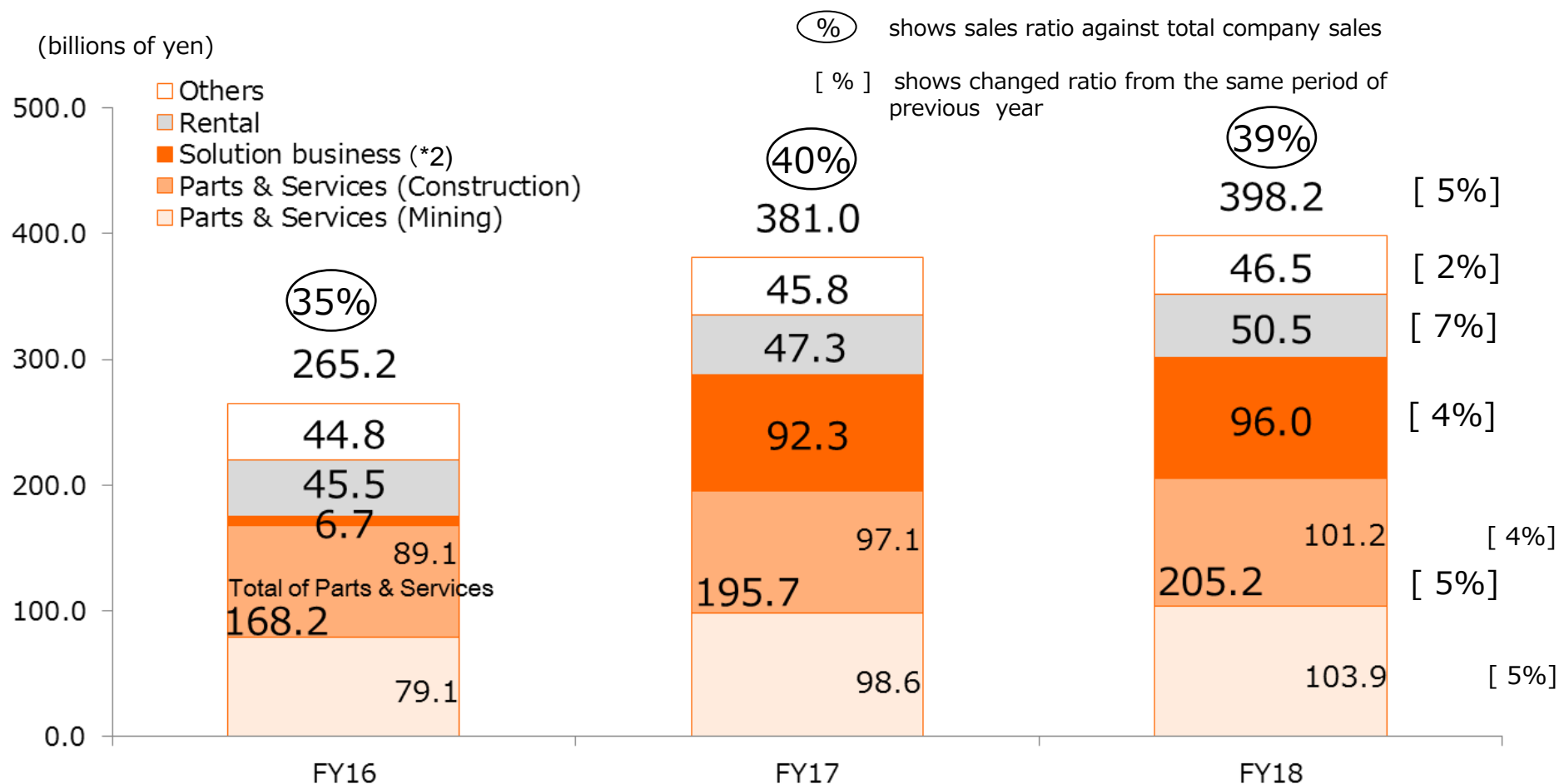
(billions of yen)

	FY2018 Actual		FY2017 Actual		change	
					amount	%
Japan	206.1	20%	193.2	20%	12.9	7%
Asia	88.5	9%	75.4	8%	13.1	17%
India	67.9	7%	65.1	7%	2.9	4%
Oceania	163.9	16%	151.9	16%	12.0	8%
Europe	111.6	11%	104.2	11%	7.5	7%
N.America	168.7	16%	136.3	14%	32.3	24%
L.America	17.1	2%	16.1	2%	1.0	6%
Russia-CIS	34.4	3%	27.4	3%	7.0	26%
M.East	11.8	1%	23.1	2%	-11.4	-49%
Africa	43.8	4%	44.8	5%	-1.0	-2%
China	119.9	12%	121.6	13%	-1.7	-1%
Total	1,033.7	100%	959.2	100%	74.6	8%
Overseas ratio	80%		80%			

- Revenue of mining in FY2018 increased by 17% to 160.8 billion yen year on year.
- In particular, revenue of trucks (new machine) dramatically increased by 72%.



■ Revenue of the value chain business in FY2018 increased by 5% or 17.2 billion yen year on year.



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

(*)2 Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated profit & loss

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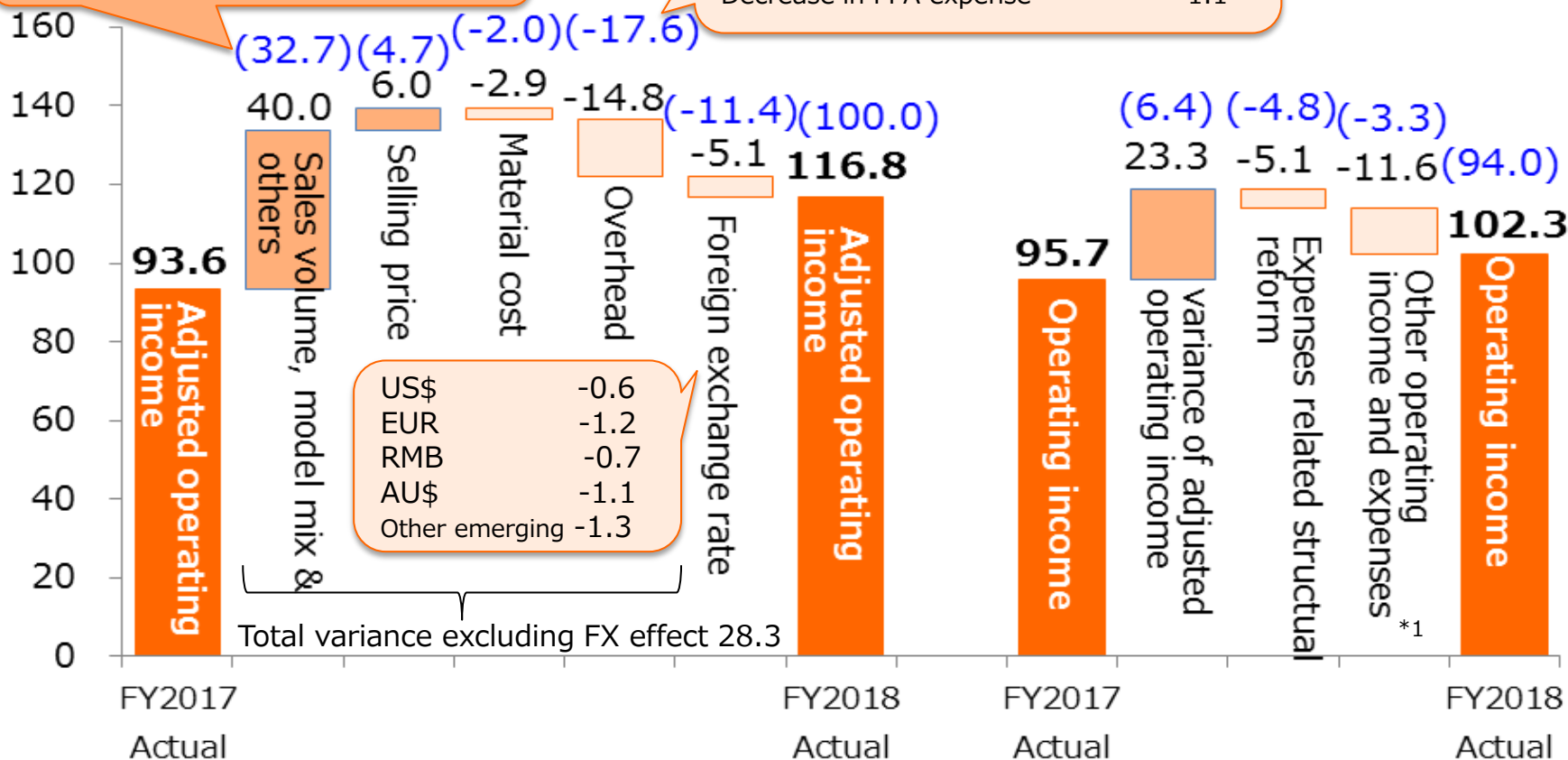
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■ Adjusted operating income increased by 23.3 billion yen year on year mainly due to an increased sales volume and selling price.

note : () shows previous forecast as of Jan. 2019

Sales volume 36.0
Model mix of value chain business 3.4
Decrease in PPA expense 3.1

Handling of increase on production -3.2
Improvement of profitability -3.5
Increase of personnel expenses -7.1
Decrease in PPA expense 1.1



*1 Other operating income and expenses :FY18 includes 8.8 billion yen of provision to the excess in payment of value added tax in China.

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Consolidated statement of income

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■ Net income attributable to the owners of the parent increased by 14% to 68.5 billion yen compared to the previous year.

(billions of yen)

	FY2018 Actual		FY2017 Actual		change	
					amount	%
Revenue		1,033.7		959.2	74.6	8%
Cost of Sales	(71.2%)	735.5	(72.5%)	695.3	40.2	6%
SGA expenses	(17.5%)	181.4	(17.8%)	170.3	11.1	7%
Adjusted operating income *1	(11.3%)	116.8	(9.8%)	93.6	23.3	25%
Other Income/expenses		-14.5		2.2	-16.7	-
Operating income	(9.9%)	102.3	(10.0%)	95.7	6.6	7%
Financial income/expenses		-4.3		-4.5	0.2	-4%
Share of profits of investments accounted for using the equity method		4.7		4.4	0.4	8%
Income before income taxes	(9.9%)	102.7	(10.0%)	95.6	7.1	7%
Income taxes		28.5		26.4	2.1	8%
Net income	(7.2%)	74.2	(7.2%)	69.2	5.0	7%
Net income attributable to owners of the parent	(6.6%)	68.5	(6.3%)	60.0	8.5	14%
Comprehensive income		61.9		67.7	-5.8	-9%

*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)

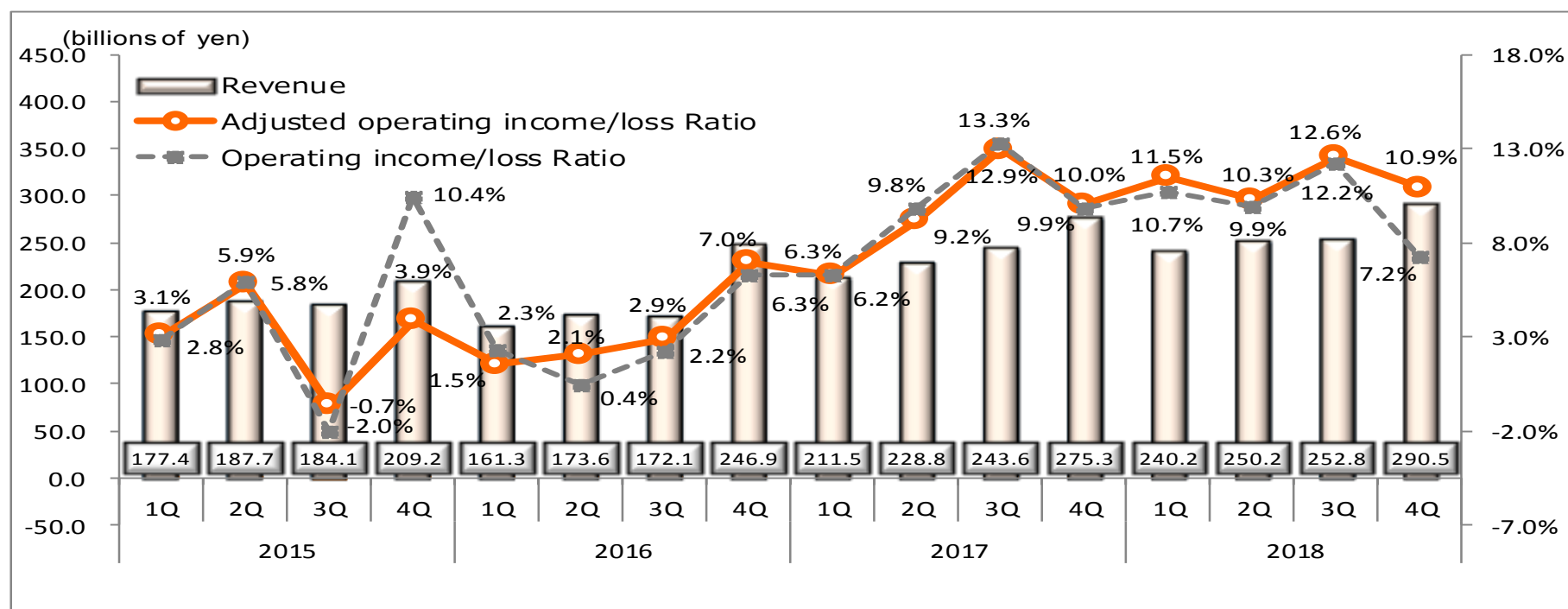
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(billions of yen)

	2015				2016				2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	290.5
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	31.7
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	21.0



FX rate	2015				2016				2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	110.2
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	125.2
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	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	78.5

- Trade receivables including non-current increased by 21.6 billion yen compared to the previous fiscal year-end due to the increased revenues.
- Inventories increased by 69.2 billion yen compared to the previous fiscal year-end.

(billions of yen)

	(A) Mar '2019	(B) Mar '2018	(A)-(B) change		(D) Mar '2019	(E) Mar '2018	(D)-(E) change
Cash and cash equivalents	67.3	81.9	-14.6	Trade and other payables	275.8	287.1	-11.3
Trade receivables	238.2	219.6	18.6	Bonds and borrowings	304.8	230.7	74.1
Inventories	324.8	255.6	69.2	Total current liabilities	642.6	584.8	57.8
Total current assets	673.9	597.8	76.1	(Equity attributable to owners of the parent ratio)	(41.0%)	(41.2%)	(-0.1%)
Total non-current assets	511.4	492.0	19.4	Total equity	542.7	505.0	37.6
Total assets	1,185.3	1,089.8	95.5	Total liabilities and equity	1,185.3	1,089.8	95.5
Trade receivables incl. non-current	282.6	261.0	21.6				
Inventories by products							
Unit	89.3	56.7	32.6		(25.7%)	(21.2%)	(4.6%)
Parts	102.2	93.5	8.7	Interest-bearing debt	304.8	230.7	74.1
Raw materials, WIP and etc	133.3	105.5	27.9	Cash and Cash equivalents	67.3	81.9	-14.6
Total inventories	324.8	255.6	69.2	Net interest-bearing debt	(20.0%)	(13.6%)	(6.4%)
On hand days(divided by net sales)			(Days)	Debt	237.5	148.7	88.7
Trade receivables	100	99	1				
Inventories	115	97	18	Net D/E Ratio	0.49	0.33	0.16
Trade payables	57	71	-14				
Net working capital	155	125	30				

■ Net cash provided by (used in) operating activities was a negative 25.7 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 Actual		FY2017 Actual		change	
Net income		74.2		69.2		5.0
Depreciation and amortization	111.1	37.0	107.1	37.8	4.1	-0.9
(Increase)decrease in trade/lease receivables		-26.2		-41.8		15.5
(Increase)decrease in inventories		-76.5		-24.7		-51.8
Increase(decrease) in trade payables	-121.3	-18.6	-13.1	53.3	-108.2	-71.9
Others, net		-15.5		-9.4		-6.1
Net cash provided by (used in) operating activities		-25.7		84.5		-110.2
Cash flow margin for operating activities		-2.5%		8.8%		-11.3%
Net cash provided by (used in) investing activities		-30.3		-37.6		7.2
Free cash flows		-56.0		47.0		-103.0
Net cash provided by (used in) financing activities		43.9		-30.5		74.4

■ HCM forecasts a decrease in FY2019 consolidated revenue by 8% and adjusted operating income by 26%. Revenue will remain mostly unchanged and the adjusted operating income will increase year on year excluding the impact of the expected strong exchange rate of the yen.

(billions of yen)

	FY2019 Forecast	FY2018 Actual	change	
			amount	%
Revenue	950.0	1,033.7	-83.7	-8%
Adjusted operating income	(9.1%) 86.0	(11.3%) 116.8	-30.8	-26%
Operating income	(8.6%) 82.0	(9.9%) 102.3	-20.3	-20%
Income before income taxes	(8.4%) 80.0	(9.9%) 102.7	-22.7	-22%
Net income attributable to owners of the parent	(5.1%) 48.0	(6.6%) 68.5	-20.5	-30%
EBIT	83.5	105.6	-22.1	
Currency	FY2019 Forecast	FY2018 Actual	change	
Rate (YEN/US\$)	100.0	111.0	-11.0	
Rate (YEN/EURO)	110.0	127.9	-17.9	
Rate (YEN/RMB)	15.0	16.6	-1.6	
Rate (YEN/AU\$)	77.0	80.9	-3.9	
Cash dividend per share (yen) *1	to be determined	100	-	

For FX sensitivity, please refer to appendix 1.

*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.

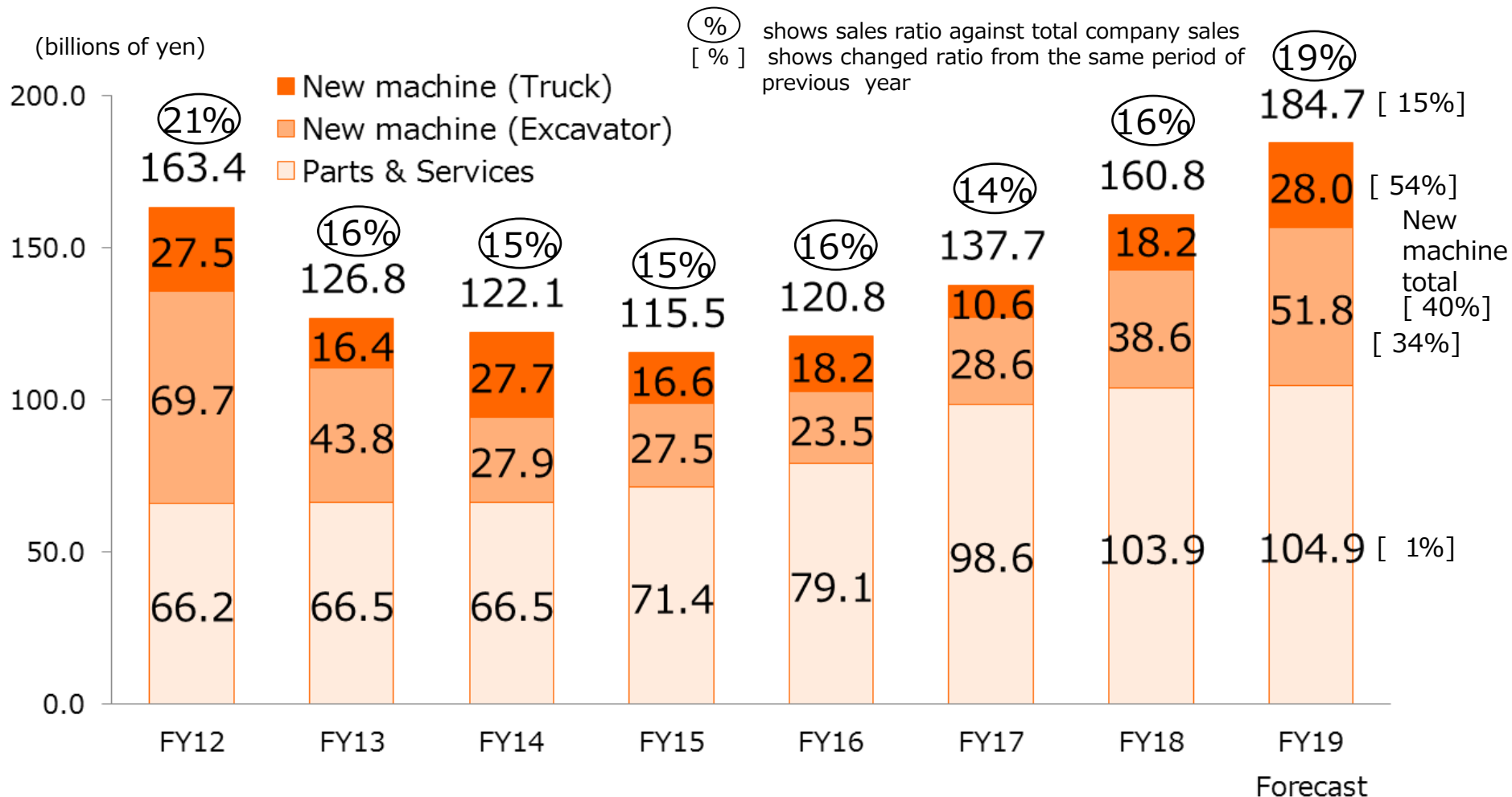
■ HCM forecasts a decrease in FY2019 total revenue by 83.7 billion yen compared to the previous year due to the 82.8 billion yen of the negative impact of foreign exchange.

(billions of yen)

	FY2019 Forecast		FY2018 Actual		change	
					amount	%
Japan	210.6	22%	206.1	20%	4.5	2%
Asia	88.4	9%	88.5	9%	-0.1	-0%
India	66.7	7%	67.9	7%	-1.2	-2%
Oceania	146.7	15%	163.9	16%	*1 -17.2	*1 -10%
Europe	86.5	9%	111.6	11%	-25.1	-23%
N.America	164.0	17%	168.7	16%	-4.6	-3%
L.America	14.0	1%	17.1	2%	-3.1	-18%
Russia-CIS	33.3	4%	34.4	3%	-1.1	-3%
M.East	13.1	1%	11.8	1%	1.3	11%
Africa	30.3	3%	43.8	4%	-13.5	-31%
China	96.4	10%	119.9	12%	-23.6	-20%
Total	950.0	100%	1,033.7	100%	-83.7	-8%
Overseas ratio	78%		80%			

*1 Includes the impact of the termination of the commercial truck and bus business other than construction machinery in New Zealand

■ HCM forecasts an increase in FY2019 mining revenue by 15% to 184.7 billion yen year on year despite the expected strong appreciation of the yen.



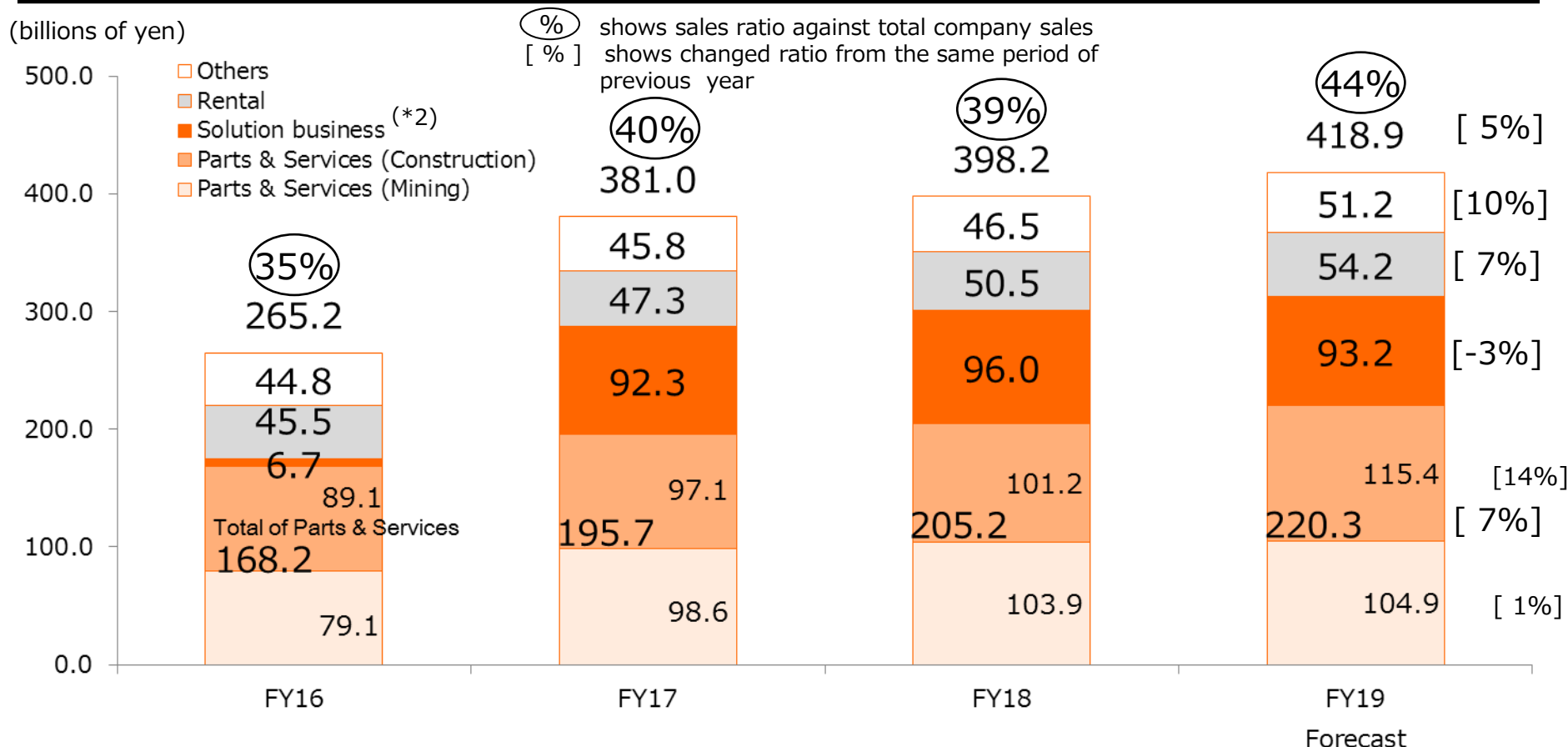
Value chain revenue forecast^(*1)

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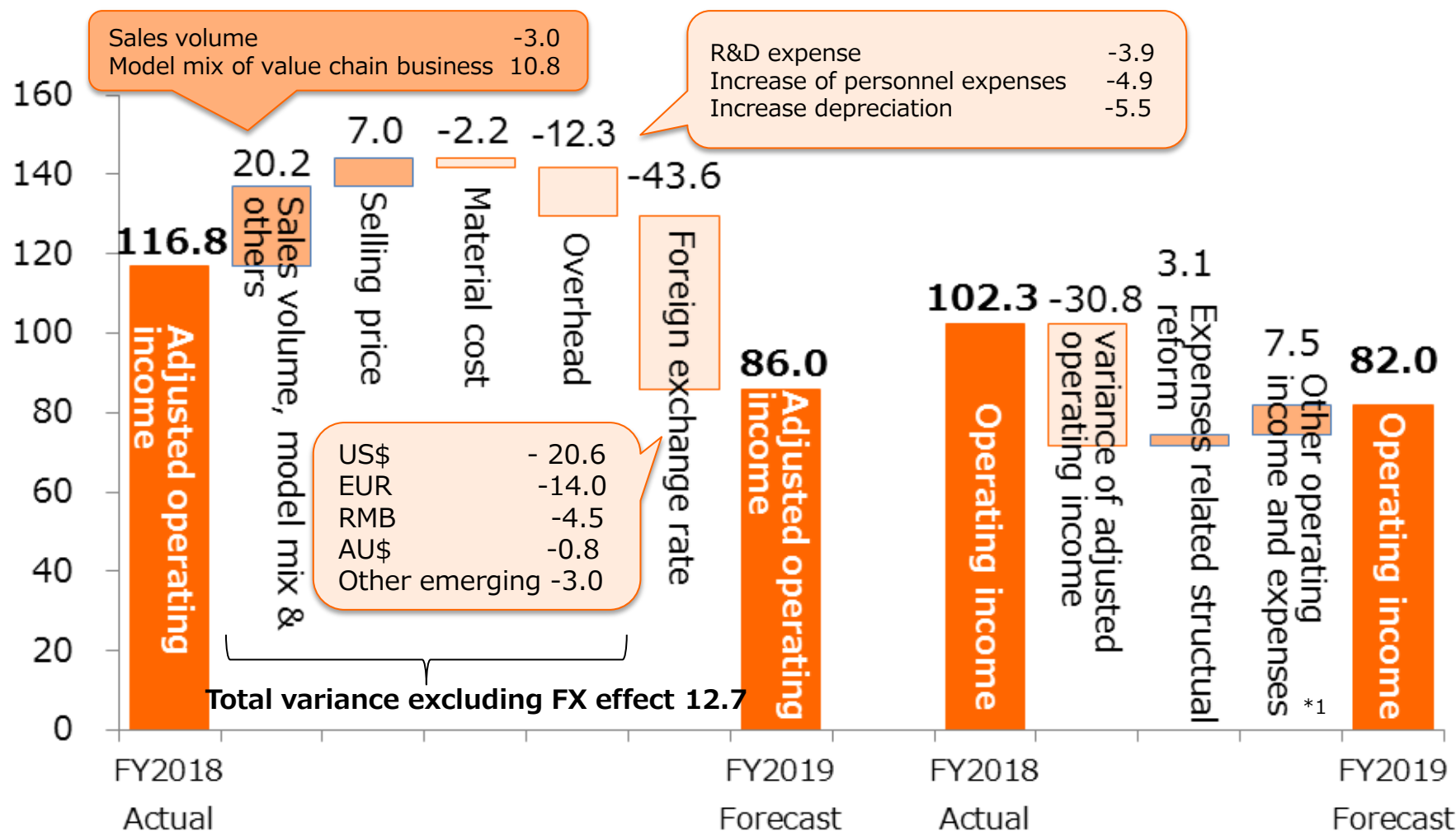
■ HCM forecasts an increase in FY2019 sales of the value chain business by 5% compared to the previous year mainly due to the increase in the revenue of parts & services and rental business despite the expected strong appreciation of the yen, and aim for 44% of composition ratio with a 6% increase.



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

(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

■ HCM forecasts FY2019 adjusted operating income will increase by 12.7 billion yen, excluding the expected strong appreciation of the yen due to an increase in the value chain business and an improvement of the selling price despite a decrease in the sales volume.



*1 Other operating income and expenses :FY18 includes 8.8 billion yen of

provision to the excess in payment of value added tax in China.

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[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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<Appendix 1> FX rate and FX sensitivity

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- The forecast exchange rate for FY2019 was set based on the lower limit of the forecasted fluctuation range for each currency, considering the uncertain prospects of the global economy etc..

FX rate and FX sensitivity

(billions of yen)

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY19 Forecast	FY18 Actual	Condition	Revenue	Adjusted operating income
US\$	100.0	111.0	Impact by 1 yen depreciation	2.4	2.0
EURO	110.0	127.9	Impact by 1 yen depreciation	0.7	0.8
RMB	15.0	16.6	Impact by 0.1 yen depreciation	0.6	0.3
AU\$	77.0	80.9	Impact by 1 yen depreciation	2.1	0.2

<Appendix 2> Detail of mining revenue

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(billions of yen)

		FY17 Actual(A)	FY18 Actual(B)	Change (B)-(A)	FY19 Forecast(C)	Change (C)-(B)
America	Excavator	13.6	14.6	0.9	14.1	-0.5
	Dump Truck	7.8	7.0	-0.7	7.0	-0.1
	Total	21.4	21.6	0.2	21.0	-0.6
Europe, Africa and Middle East	Excavator	18.2	24.8	6.5	26.8	2.0
	Dump Truck	15.9	17.0	1.1	21.4	4.4
	Total	34.1	41.8	7.7	48.2	6.4
Asia & Oceania	Excavator	58.7	63.8	5.1	77.9	14.1
	Dump Truck	21.1	31.5	10.4	33.3	1.8
	Total	79.8	95.3	15.5	111.2	15.9
China	Excavator	1.9	1.0	-0.9	1.3	0.3
	Dump Truck	0.1	0.1	0.1	0.1	-0.0
	Total	2.0	1.1	-0.9	1.4	0.3
Japan	Excavator	0.5	1.0	0.5	2.9	1.9
	Dump Truck	0.0	0.0	0.0	0.0	-0.0
	Total	0.5	1.0	0.5	2.9	1.8
Total	Excavator	92.9	105.1	12.1	122.9	17.9
	Dump Truck	44.8	55.7	10.9	61.7	6.0
	Total	137.7	160.8	23.0	184.7	23.9

<Appendix 3> Segment information

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■ The amortizations of PPA (amount of 1.2 billion yen in FY2018) are included in the adjusted operating income of the solution business.

(billions of yen)

<Actual> FY2018	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	937.7	96.8	-0.9	1,033.7
Adjusted operating income	11.8% 111.0	6.0% 5.9	-	11.3% 116.8

(billions of yen)

<Forecast> FY2019	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	856.8	93.2	-	950.0
Adjusted operating income	9.0% 77.2	9.5% 8.8	-	9.1% 86.0

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

<Appendix 4> Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

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■ HCM forecasts high levels of capital expenditure for FY2019 due to the restructuring of domestic plants and the improvement & expansion of sales offices to strengthen value chains.

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

	FY2015	FY2016	FY2017	FY2018	FY2019	
	Actual	Actual	Actual	Actual	Forecast	
Capital Expenditure	21.0	14.1	18.7	30.4	70.1	(*1)
Assets held for operating lease	14.1	16.5	23.1	27.2	36.9	
Total	35.2	30.7	41.8	57.6	107.0	

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

	FY2015	FY2016	FY2017	FY2018	FY2019	
	Actual	Actual	Actual	Actual	Forecast	
Capital Expenditure	23.7	22.4	27.5	26.8	31.9	(*2)
Assets held for operating lease	11.8	11.5	10.3	10.1	13.9	
Total	35.4	34.0	37.8	37.0	45.9	

3.R&D expenses (billion of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
	Actual	Actual	Actual	Actual	Forecast
Total of consolidation	18.8	19.3	24.6	24.8	28.7

(*1) The forecasted capital expenditure of FY19 includes the impact of adoption IFRS 16 "Leases" in the amount of 18.5 billion Yen.

(*2) The forecasted depreciation for capital expenditure of FY19 includes the impact of adoption IFRS 16 "Leases" in the amount of 3.5 billion Yen.